



## Commodities 2021: Let the good times roll

**Warren Patterson**

Head of Commodities Strategy

Singapore +65 6232 6011

warren.patterson@asia.ing.com

**Wenyu Yao**

Senior Commodities Strategist

London +44 20 7767 6909

wenyu.yao@ing.com



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Head of Commodities Strategy

Singapore +65 6232 6011

warren.patterson@asia.ing.com



**Wenyu Yao**

Senior Commodities Strategist

London +44 20 7767 6909

wenyu.yao@ing.com

# Commodities 2021: Let the good times roll

The coronavirus crisis wreaked havoc across the commodities complex in 2020. However, we're already seeing a remarkable recovery which began in the second half of the year. We expect this will strengthen still in 2021 as the global economy recovers from Covid-19

The unprecedented lockdowns that we have seen this year weighed heavily on commodities' demand, while also seeing investors fleeing risk assets at the peak of the pandemic. It was a year where we saw many firsts, including even negative oil prices. However, since the peak lockdown period, we've seen quite the recovery as economies reopen.

Some commodities needed a helping hand to push them higher, such as the OPEC+ production cuts for oil, while others were able to get past demand concerns, only for supply issues to become more pressing - something that was true for much of the metals complex. However, one of the key drivers behind the recovery comes from China. The country has boosted energy imports, metals and agricultural commodities which, in a year of uncertainty, has undoubtedly helped markets. China's post-Covid-19 stimulus has led to more infrastructure investment and increasing demand for metals, and ensuring food security through a global pandemic has seen the country boost agricultural imports too. The 'phase-one' trade deal has also played a role in increasing buying appetite.

Looking ahead to 2021, we expect the commodities complex to continue to move higher. A further recovery in economies around the world should prove supportive, while there is the potential for further stimulus. Significant growth in money supply, rock bottom interest rates and fiscal stimulus have boosted inflation expectations; therefore, we expect to see more money flowing into commodities with speculators boosting their long position, notably in metals and agricultural. Oil has also seen some speculative interest, but there is clearly room for more buying in the energy space over 2021.

In addition to these supportive factors, our FX strategy team believes the USD will continue to weaken next year, which should provide a helping hand to the commodities complex.

Looking at fundamentals, OPEC+ production cuts should continue to see the oil market drawdown inventories over 2021, bringing inventories back towards more normal levels, while the rollout of a vaccine should also prove constructive for demand and bring back some semblance of normality along with international air travel. For base metals, we should see fewer supply disruptions over 2021 and the prospect of strong growth demand outside of China should underpin markets. In addition, Covid-19 has led to a renewed push for a greener future - a trend that is constructive for several metals.

Gold managed to trade to record highs this year, with a move to safety amid the uncertainty. Falling yields and a weaker USD only provided a further boost. While vaccine optimism abounds, we still believe gold prices will trend higher next year amid growing inflation expectations and negative real yields.

Finally, agricultural commodities have rallied on the back of strong Chinese buying this year. There are several reasons behind this increased buying, including the trade deal

and we think that Chinese demand will remain robust next year, with agreed purchases set to increase during the second year too.

While we generally hold a constructive view on commodity markets over 2021, there are plenty of risks during these uncertain times. Covid-19 vaccines seem to be getting approvals quicker than expected, but the speed at which they will be rolled out on a large scale is still unsure. The key risk going into next year remains the potential for further Covid-19 waves and lockdowns.





**Warren Patterson**

Head of Commodities Strategy  
Singapore +65 6232 6011  
warren.patterson@asia.ing.com

## 1. Tighter times ahead for the oil market

We hold a constructive view on oil. OPEC+ cuts, along with a continued recovery in demand, should mean that the market draws down inventories over 2021. We forecast that ICE Brent will average US\$55/bbl over 2021, and likely end 2021 in the region of US\$60/bbl

### OPEC+ to continue with cuts

This year has seen OPEC+ taking extraordinary action to try and stabilise the oil market.

The unprecedented fall in oil demand this year, and in particular over 2Q20, left the market drowning in supply. In April, we saw OPEC+ members putting aside differences and agreeing on historic record production cuts as a result of Covid-19. The group agreed to cut output by 9.7MMbbls/d over May and June, though this has been eased throughout the year, with the group currently cutting by 7.7MMbbls/d.

Under the original deal, the group was set to ease further starting in January 2021, reducing the level of cuts to 5.8MMbbls/d, which would then be in place until April 2022. However, with the demand recovery this year taking longer than initially expected, coupled with a surge in Libyan supply, the group has been forced to revisit this plan, given the risk that easing too much at the beginning of 2021 could push the market back into surplus.

After a tough week of meetings in early December, OPEC+ finally agreed to ease output less than originally planned. Therefore, from January 2021, the group will ease cuts by 500Mbbls/d, leaving the level of cuts at 7.2MMbbls/d. From there, OPEC+ will assess the market on a monthly basis and decide whether to ease further. Under the revised deal, the group will ease by a maximum of 500Mbbls/d per month.

While taking this approach may be more appropriate than the expected three-month rollover of current cuts given the uncertainties around the demand outlook, it does create more uncertainty around what OPEC+ may decide each month, and so the potential for increased volatility in the first few months of 2021.

We believe that the changes the group made to the deal will be enough to ensure that the market does not return to surplus in 1Q21. While for the remainder of the year, we would expect the market to continue drawing down stocks.

### Limited non-OPEC supply growth

OPEC+ was not the only one to respond to the weaker price environment that we saw this year. Non-OPEC+ producers were also quick to shut-in production in 1H20 due to the build-up in stock, and the weak price environment. At its peak over May, we saw somewhere in the region of 2.7MMbbls/d of non-OPEC+ production shut in, with the US standing out, having shut in a little over 1MMbbls/d of production in May.

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*“The US has brought back all shut-in production, while Norway seems to be the only meaningful producer to still have shut-in production”*

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However, what has been even more surprising, is that with the fairly quick recovery in oil prices from the April lows, producers have been quick to bring back this shut-in production. The US has basically brought back all shut-in production, while Norway seems to be the only

meaningful producer to still have shut-in production, although that is due to mandated production cuts put in place earlier in the year.

Non-OPEC supply has fallen significantly this year, too, and we are set to only see limited growth in this supply next year, with less than an 500Mbb/d increase YoY, which still leaves non-OPEC supply in 2021 well below 2019 levels.

In the US, while we have seen a more recent pick up in rig activity, it is still well below pre-Covid-19 levels, with the number of active rigs in the US standing at 241, down around 65% since mid-March. Therefore, it is difficult to see the US returning to growth anytime soon. We would need to see a further pick up in prices before producers are willing to increase spending, and as a result a significant pick up in drilling activity. Producers will likely rely on drilled but uncompleted wells (DUCs) in order to try to sustain production levels, although these DUCs have only been declining at a fairly modest pace in recent months. For 2021, US production is expected to fall by a further 300Mbb/d YoY to leave output averaging 11.1MMbb/d. This compares to an estimated 850Mbb/d YoY decline in 2020.

### **Demand uncertainty**

The biggest uncertainty and risk for the market remains the demand outlook.

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*“It appears we will have to wait until at least 2022 to reach pre-Covid-19 demand levels once again”*

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While recent vaccine developments are positive for the demand outlook in the medium term, there is still plenty of uncertainty over demand in the short term, and this is likely to be the case until a vaccine becomes widely available, allowing us all to return to a more normal life. Before that comes, there are

risks of further Covid-19 waves and lockdowns, and international air travel is likely to remain very limited until governments feel comfortable easing border restrictions and quarantine requirements. Assuming that we see a vaccine becoming widely available from spring into summer, we believe that we will see a robust demand recovery over the second part of 2021.

However, we are still unlikely to return to pre-Covid-19 levels in 2021, we are currently assuming that demand will grow by around 6.7MMbb/d next year, after having fallen by around 10MMbb/d this year. It appears we will have to wait until at least 2022 to reach pre-Covid-19 demand levels once again.

### **Iranian supply risk**

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*“While demand is a big uncertainty for the market, another key downside risk for the market is Iran”*

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While demand is a big uncertainty for the market, another key downside risk for the market is Iran. Following the outcome of the US election, it is looking more likely that the US will return to the Iranian nuclear deal, and with

that the potential for the removal of sanctions. Such action could bring anywhere between 1.5-2MMbb/d of supply back onto the market.

However, the big unknown is timing, as it is not known how high Iran is on President-elect Joe Biden's priority list. If we were to see a fairly quick return of Iranian supply over 1H21, this could put some pressure on the market, with the market likely finding it difficult to absorb additional barrels. However, if we only see Iranian supply starting to

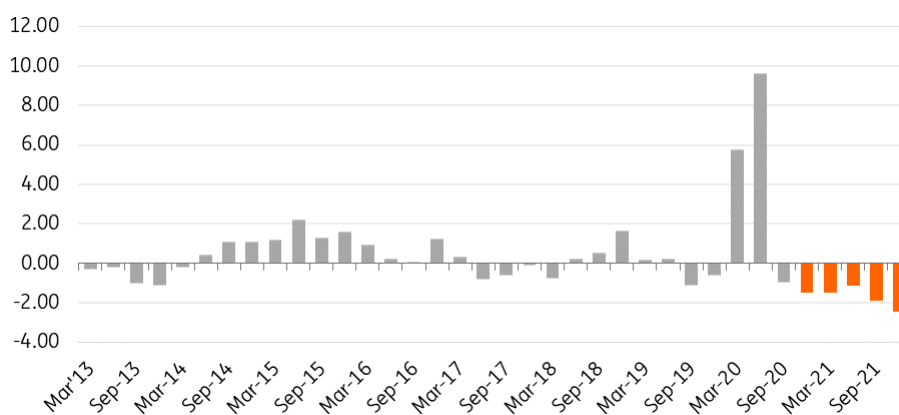
come back in the latter part of next year, the market should be able to digest this oil more easily, given expectations of demand continuing to recover as we move through the year.

### Stronger prices through 2021

We expect that the oil market will draw down inventories throughout 2021, as demand continues to recover. The key risk was around 1Q21, but OPEC+ has addressed this with its recently revised deal.

We forecast that ICE Brent will average US\$55/bbl over 2021 and likely end 2021 in the region of US\$60/bbl. This view is dependent on a vaccine allowing demand to continue recovering, along with the OPEC+ deal holding through the whole of 2021.

### Quarterly oil balance (MMbbls/d)



Source: IEA, EIA, Rystad Energy, ING Research

### ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
ICE Brent (US\$/bbl)	48	55	58	60	55
NYMEX WTI (US\$/bbl)	46	53	56	58	53

Source: ING Research



**Warren Patterson**

Head of Commodities Strategy  
Singapore +65 6232 6011  
warren.patterson@asia.ing.com

## 2. A slow grind higher for refined products

Refined product cracks have been under pressure considerably this year, led by jet fuel. However with demand set to continue recovering over 2021, along with a drawing down of the product overhang, we expect most product cracks to edge higher over the next year

### More refinery rationalisation to come?

Unsurprisingly refinery margins have slumped this year, with Covid-19 hitting demand for refined products.

The weakness in margins has seen refineries around the globe cut run rates significantly this year, something that the market has needed to limit a further build-up in refined product inventories. Refineries are yet to get back to pre-Covid-19 utilisation rates, and this is something that we are unlikely to see until late 2021 at the earliest. In fact, given the extremely weak margins we have seen this year, a number of refineries have announced plans to permanently shut or repurpose themselves.

*“Since the beginning of 2020, it is estimated that around 1.4MMbbls/d of global refining capacity closures have been announced or openly discussed by companies”*

Since the beginning of 2020, it is estimated that around 1.4MMbbls/d of global refining capacity closures have been announced or openly discussed by companies, according to IHS Markit. While the impact of Covid-19 is key to these closures, the other important driver

behind this is that we continue to see new and more efficient capacity coming online in parts of Asia and the Middle East, which makes it increasingly difficult for older refiners to compete. This suggests that even as we see demand returning to more normal levels, we will likely continue to see refinery rationalisation through 2021.

### Fuel oil and naphtha the stand outs, but likely to weaken over 2021

Despite the pressure we have seen in refinery margins there are a couple of products, which have performed well over 2020, including high sulphur fuel oil (HSFO) and naphtha.

While naphtha came under significant pressure during the peak of the lockdown period in 2Q20, as a result of the weaker gasoline complex, it has rallied strongly since, as gasoline demand has improved. In addition, naphtha remains the favourable feedstock for the petrochemical industry, with naphtha trading at a discount to the alternative feedstock, propane. Naphtha is likely to remain the preferred feedstock over the winter months, with propane prices likely to remain relatively more expensive over these months due to heating demand. However, as we move further into 2021, we would expect to see some renewed pressure on naphtha cracks.



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*“Looking ahead into 2021, HSFO supply should improve”*

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Meanwhile, the surprise has been HSFO.

Coming into the year, it was expected that this was going to be the one product which would be under a significant amount of pressure due

to IMO 2020 sulphur limits. However HSFO cracks have only strengthened, and in fact, is the best performing product across the complex. There are several reasons for this.

Firstly, bunker fuel demand has not been as hard hit as road fuel and jet fuel demand during the pandemic. Secondly, supply has been an issue, with refiners reducing run rates this year, which would have tightened fuel oil output. Then, finally, the significant OPEC+ cuts we have seen have also tightened HSFO supply further, given that the group have cut heavier grades of crude oil, which meant that refiners have turned to a lighter crude slate, and as result yield less HSFO.

Looking ahead into 2021, HSFO supply should improve, as we see refinery utilisation rates continue to increase, along with the expectation that over the course of the year we should see some further easing from OPEC+ when it comes to production cuts.

### **Jet fuel to strengthen, but vaccine dependent**

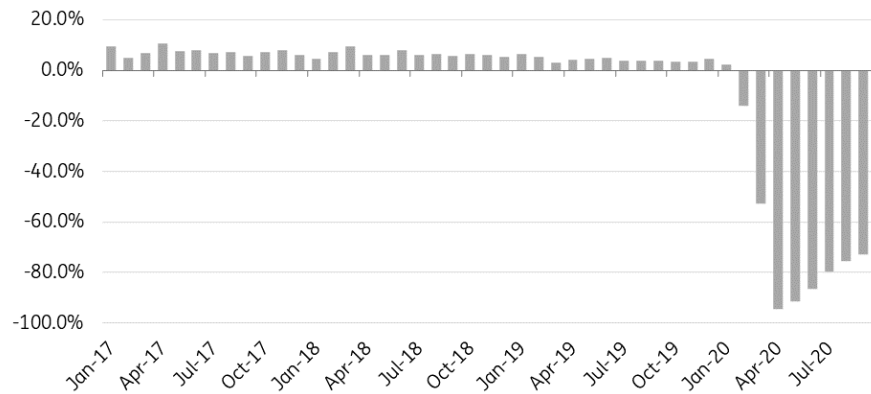
Jet fuel has been under significant pressure this year, as a result of lockdowns and travel restrictions. Since April jet fuel crack has traded several times into negative territory in NW Europe, and so far this year the crack averages a little over US\$3/bbl, compared to an average of almost US\$16/bbl over full year 2019.

Air travel has clearly taken a significant hit as a result of Covid-19, with passenger traffic over the first nine months of 2020 down by 64.7% YoY. While traffic has improved from the 94.3% YoY decline in April, the recovery has slowed in recent months, with traffic in September still down 72.8% YoY. In fact, the recovery in international air travel has stalled, with border restrictions and quarantine holding back a full recovery. While we expect air travel to improve over 2021, it's unlikely we will get back to pre-Covid-19 levels next year. In addition, it is difficult to see a more meaningful recovery in international air travel until a vaccine is widely available, which would see countries reopening their borders and lifting quarantine restrictions.

This reduced amount of air travel has meant that jet fuel demand has declined significantly. At its peak in April, jet fuel demand was estimated to be down almost 5MMbbls/d YoY or 75% YoY according to Rystad Energy, and at the moment it is about 3.5MMbbls/d lower YoY. For FY20, jet fuel demand is expected to be down in the region of 3.4MMbbls/d YoY. While for 2021, jet fuel demand will still lag 2019 levels, with it expected to be around 1.8MMbbls/d below pre-Covid-19 levels.

We would expect jet fuel cracks to continue to gradually strengthen over the course of next year, as air travel continues its recovery.

## Global air passenger traffic- RPK YoY % change



Source: IATA

## ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
ICE Gasoil crack (US\$/bbl)	6	7	9	10	8
Eurobob crack (US\$/bbl)	3	5	7	6	5
NWE naphtha crack (US\$/bbl)	-3	-4	-5	-4	-4
NWE jet fuel crack (US\$/bbl)	4	5	8	10	7

Source: ING Research



### 3. The worst is behind us for liquified natural gas markets

**Covid-19 and the ramping up of LNG export capacity has weighed on gas markets this year. However, with demand recovering, and limited further export capacity coming online over 2021 we believe regional gas prices will be well supported**

**Warren Patterson**

Head of Commodities Strategy

Singapore +65 6232 6011

warren.patterson@asia.ing.com

#### **Soggy demand and growing capacity**

As seen with most markets this year, liquefied natural gas (LNG) was unable to escape the Covid-19 related demand hit, with industrial gas demand weighed down by lockdowns.

This saw LNG prices in Asia trading to record lows, which also weighed on regional gas hub pricing around the globe, and in particular Europe. This only added to what was already set to be a bearish year for LNG markets, following a mild winter, along with the fact that around 24mtpa of LNG export capacity was scheduled to start up over the course of the year, with the bulk of this capacity coming online in the US.

Therefore the market witnessed a large number of US LNG cargo cancellations over the summer, with the price collapse in Asia and Europe making it uneconomical for buyers in the region to take delivery of cargoes. Nearly 175 LNG cargoes were cancelled between April and November 2020, with the majority of these cancellations taking place in June-August 2020 - a seasonally softer period for gas demand.

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*“LNG prices in Asia traded to record lows, which also weighed on regional gas hub pricing around the globe, and in particular Europe”*

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If we look at export data from the US, volumes collapsed over the summer months as a result of these cancellations. Volumes hit a low of below 1.9mt in August, which is the lowest monthly number seen since 2018, and well below the roughly 5.5mt exported in February.

However since then, and with cancellations easing, we have started to see volumes pick up once again. Due to the recovery we are seeing, along with strong export volumes at the start of the year, total exports from the US over the first eleven months of this year are still up around 32% YoY according to IHS Markit, and full-year exports will still see very impressive growth.

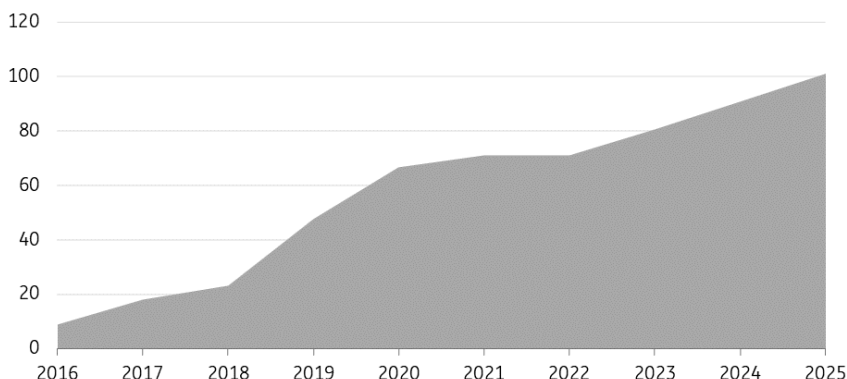
In Asia, while LNG imports over April and May fell YoY, we have seen quite the recovery in demand since. Data from IHS Markit shows that LNG imports into Asia over the first 11 months of this year totalled a little over 233mt, which is still up almost 7% YoY.

As for Europe, the region continued to see strong growth in LNG imports until the end of May. However, since then, volumes have come under pressure as a result of cancellations, while more recently given the premium that the Asian market is trading at to Europe, any spot cargoes will likely make their way to Asia rather than Europe. However, over the first 11 months of the year, imports total a little over 82mt, up 2% YoY, according to IHS Markit data. We will need to see how imports into the region

progress over December, but there is a very real chance that total imports this year finish up lower YoY.

These cancellations have helped to rebalance regional markets, which has been more supportive of prices in recent months. While a number of unplanned outages in the US as a result of hurricane activity, along with extended maintenance at some LNG plants in Australia has only provided further support.

#### Limited US LNG export capacity set to come online over the next two years (mtpa)



Source: EIA, ING Research

#### Improving fundamentals over 2021

However, the recent strength in the Asian and European market should mean that the worst of cancellations are behind us, with the spread between spot Asian LNG prices and Henry Hub in the US averaging US\$3.30MMBtu, a level which more than makes sense to see these flows. Meanwhile, with US forecaster, NOAA forecasting a 95% chance of a La Nina weather event over the Northern Hemisphere winter could be constructive for Asian LNG demand, with colder than usual weather in North Asia associated with La Nina events.

*“Regional gas markets will be better supported over 2021”*

While, in terms of liquefaction capacity, we appear to be behind the bulk of capacity additions, at least for the next several years. In 2021, only about 8mtpa of capacity is expected

to come online, which should be much more manageable for the market to absorb, particularly with demand expected to grow at a healthy pace.

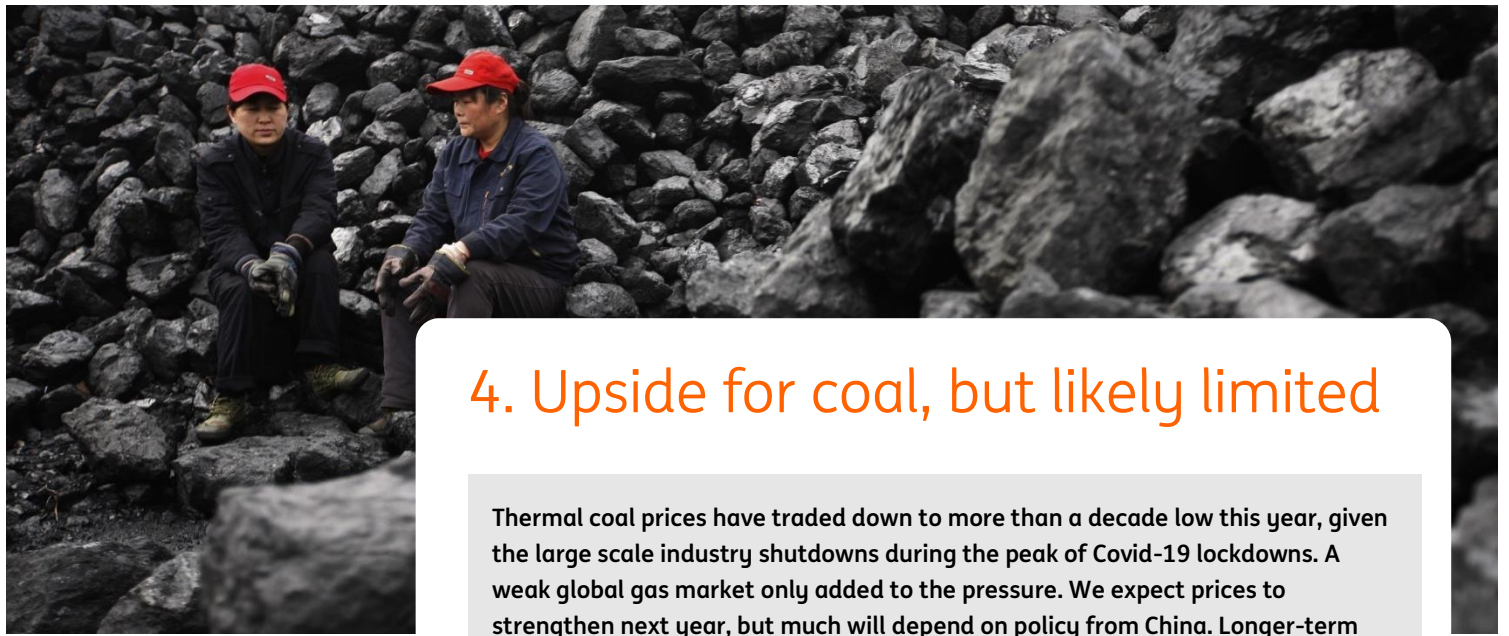
This all suggests that regional gas markets will be better supported over 2021. Although clearly, Covid-19 remains a risk if we see further waves over 2021. While if we were to see a mild winter for some reason, this does leave the gas market on a weak footing at a fairly early stage next year.

If we are to see further LNG cancellations in 2021, it will likely be in the summer months again, given that is the low point in gas demand. However, for now, the forward curve does not suggest that we will see cancellations, with European gas prices trading above the short-run marginal cost for US LNG supply. Although admittedly it is fairly close, and so it wouldn't take too much to push the market to levels where the risk of cancellations starts to grow. However, even if we were to see some cancellations, they are unlikely to be on the same scale as we have seen this year.

#### ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
ICE NBP (GBP/therm)	38	32	34	40	36
TTF (EUR/Mwh)	15	12	13	15	14
Henry Hub (US\$/MMBtu)	2.8	2.6	2.7	3.1	2.8

Source: ING Research



**Warren Patterson**

Head of Commodities Strategy  
Singapore +65 6232 6011  
warren.patterson@asia.ing.com

## 4. Upside for coal, but likely limited

Thermal coal prices have traded down to more than a decade low this year, given the large scale industry shutdowns during the peak of Covid-19 lockdowns. A weak global gas market only added to the pressure. We expect prices to strengthen next year, but much will depend on policy from China. Longer-term prospects are still negative

### Coming back from the lows

The thermal coal market has struggled this year, with API2 coal prices trading below US\$40/t at one stage, while Newcastle coal broke below US\$50/t towards the end of the summer. Lower industrial activity would have weighed on coal demand earlier in the year, while a weak natural gas market, would have supported the coal-to-gas switch. In Europe, stronger carbon prices would have only further supported this move, so putting additional pressure on coal prices.

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*“Coal’s share in the energy mix in Europe will likely continue to decline in the years ahead”*

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Looking ahead, carbon prices will only make coal more expensive as a feedstock for power generators in Europe. The EU Emission Trading System, which is set to enter its fourth phase in 2021, will see the supply cap declining at a

quicker rate. This suggests that coal’s share in the energy mix in Europe will likely continue to decline in the years ahead, and given the diverging longer-term trends we are seeing with demand in Europe and Asia, the spread between Newcastle/API2 should widen.

Across all regions, we saw reduced power demand as a result of Covid-19 related lockdowns. In China, back in March, power generation fell by 4.6% YoY, while in the US, power generation bottomed in April, with it falling by around 7% YoY. In Europe, electricity generation in the EU27 also made its recent lows in April, with generation falling by more than 12% YoY.

Since then we have seen an improvement in power generation, with countries recovering following their lockdowns. For example, in China, we have seen a very strong post-Covid-19 recovery; power generation in September grew by 4.6% YoY. In Europe, while power generation has recovered from the lows seen earlier in the year, the latest Eurostat data shows that generation was still down around 1.6% YoY in August. Similarly for the US, electricity generation is yet to return to pre-Covid-19 levels, with it still being down by around 7% in September.

The latest waves of Covid-19 that we have seen in the US and across parts of Europe have made the recovery for these regions more challenging. Moving into 2021, we would expect to continue to see a recovery in power generation as we see a further reopening of economies, which should be supportive for input fuels.



### Chinese demand prospects

Despite Covid-19, China was able to maintain strong coal imports over the first half of the year, with inflows still growing year-on-year. However, as we have moved through the year, cumulative imports started to fall behind last year, with a crackdown on Australian coal flows not helping. Over the first 10 months of 2020 coal imports into China totalled a little more than 253mt, down around 8% YoY. Looking ahead, a stronger LNG market should continue to offer some support to thermal coal prices.

The deterioration in the relationship between China and Australia has not helped Newcastle coal prices; China was reportedly banning Australian coal imports along with a number of other commodities. It is more likely to lead to a change in trade flows, rather than an absolute reduction in volumes.

In fact, a strong domestic Chinese market should be supportive of seaborne prices, with the government likely to take action to ensure adequate supplies. Domestic prices are above CNY600/t, the upper end of a range that the government would like to keep prices below. Action the government could take includes increasing domestic output or allowing for further imports. The latter would obviously be constructive for seaborne prices. Already, the government recently increased the import quota for thermal coal this year by 20mt. While Australia may not benefit from this additional quota, it would likely benefit the likes of Indonesia and Russia.

### India's self sufficiency target

Following the coronavirus disruptions to supply chains and economies, there has been a growing push for more self-sufficiency by some countries. India has always wanted to reduce its reliance on coal imports and over the years had plans to boost domestic coal output in order to reduce import dependence. However, state producer, Coal India has generally fallen short of its production targets. In FY 2019/20 the country produced a little over 729mt of coal, yet still needed to import almost 250mt over the period to meet domestic needs.

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*“It will take some time for India to boost coal output, following the opening up of the industry to the private sector”*

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This year, the government has liberalised the sector, allowing the commercial mining of coal in the hope that this will drive production growth and reduce the country's reliance on coal imports. The government has set a target

to be self-sufficient by 2024. This might be a tough target to reach though, with India's power demand continuing to grow, while so far it seems as though interest in the mines that the government will auction has been limited. The government plans to auction 38 mines, yet have only received bids for 23 of these. Furthermore, the government will likely find it difficult to attract foreign investment in coal mines, given the general shift we are seeing away from coal around the globe.

Clearly, it will take some time for India to boost coal output, following the opening up of the industry to the private sector. Therefore Indian coal imports are likely to see robust growth next year, driven by a rebound in economic growth over 2021.

### Longer term demand prospects increasingly bearish

Covid-19 has also put a renewed emphasis on the environment and sustainability, with carbon emissions having fallen as a result of the lockdowns seen this year. However this is temporary, and as the global economy recovers, carbon emissions will increase once again. Many see Covid-19 as an opportunity for countries to turn to an even greener path, by ensuring that stimulus goes towards green projects.

*“Many see Covid-19 as an opportunity for countries to turn to an even greener path”*

We have already seen big shifts in the energy mix in Europe and the US over the years. In Europe coal is playing a less important role in the energy mix, whilst lower carbon fuels and

renewables continue to grow. In the US, an abundance of natural gas has helped to reduce coal demand from the power sector.

Asia remains a key growth market for thermal coal, and policies such as those in India suggest that coal demand in the region is likely to continue growing in the years ahead. However, we are starting to see more focus in Asia on reducing carbon emissions post Covid-19. In recent months China, Japan and South Korea all announced long term plans to become carbon neutral. While these target dates are still far off, we need to see these countries begin to lay the foundations of these plans if they want to reach their ambitious carbon neutral targets. Coal does play a large part in the power mix for these countries and it is difficult to see them transitioning towards being carbon neutral without starting to reduce their demand for coal in the future.

#### ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
API2 coal (US\$/t)	60	55	56	60	58
Newcastle coal (US\$/t)	67	60	61	70	65

Source: ING Research



**Wenyu Yao**

Senior Commodities Strategist

London +44 20 7767 6909

wenyu.yao@ing.com

## 5. The re-balancing act in the aluminium market

Aluminium demand is expected to return to growth next year for the ex-China market, while a weaker USD should also prove supportive. However, the unreported inventory overhang (ex-China market) and strong supply growth from China are a cause for concern

### As price rebounds, so does supply

The aluminium market has made a strong recovery in the second half of the year, with London metal exchange prices exceeding pre-pandemic levels, breaking above US\$2,000/t and reaching the highest levels since November 2018. Weakness in the USD, along with a robust recovery in China, which has seen the country turn to an unusual net importer of primary aluminium and alloys has driven this rally.

The uneven recovery path of China and the rest of the world has further polarised the aluminium market, with strong supply growth in China, while we have seen a contraction from the rest of the world. Given the growth in China's aluminium smelting capacity, this is a trend that is likely to continue next year. According to Antaika, Chinese primary aluminium production will likely rise by 3.8% YoY to total 37.3mt in 2020, before jumping a further 5.4% next year. Meanwhile, ex-China production growth is expected to contract by 1% YoY this year, before rising by 3% next year.

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*“The uneven recovery path of China and the rest of the world has further polarised the aluminium market”*

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The geographic shift in Chinese smelting capacity from Shandong and Henan province, where we see mostly coal-fired power supply, to Southwest provinces (chiefly Yunnan) where there is more hydropower, means that the

industry is gradually shifting to a lower carbon footprint. This year, a total of 1.75mt of capacity has started up in Southwest China, including capacity that has relocated, with roughly another 1.5mt in the pipeline for next year.

One of the major input cost variables, alumina prices, have remained largely depressed due to market surplus. Therefore a strong recovery in aluminium prices has left smelters with strong margins. Not only has this been incentivising new capacity to come online, but also to restart capacity. However, most restarts have occurred in China, and it's doubtful that idle capacity elsewhere will restart anytime soon.

Looking beyond 2021, new smelting additions in China will be limited, as the ceiling for 45mt of smelting capacity will be completely exhausted. Most investments beyond this point are likely to upgrade or replace existing capacity to cleaner power sources.

### A sharp reversal in usual trade patterns

This year, there have been some unusual trade flows within the aluminium market.

After being largely absent from importing aluminium in the last few years, China boosted its unwrought aluminium imports to 1mt (annualised based on the first ten months volume), which was largely driven by a positive import arbitrage. This has

helped the ex-China market deal with part of its surplus. Meanwhile, China flipped into a net importer of 1.3mt of aluminium alloys (annualised). Imports of such alloys are partially compensating for lower scrap inflows, as China becomes stricter with scrap import standards. This is another trend that we expect to see strengthening going forward. That said, with more scrap (more likely lower grade) being made into alloys elsewhere (namely Malaysia), before entering China, global scrap supply chains are likely to continue to evolve.

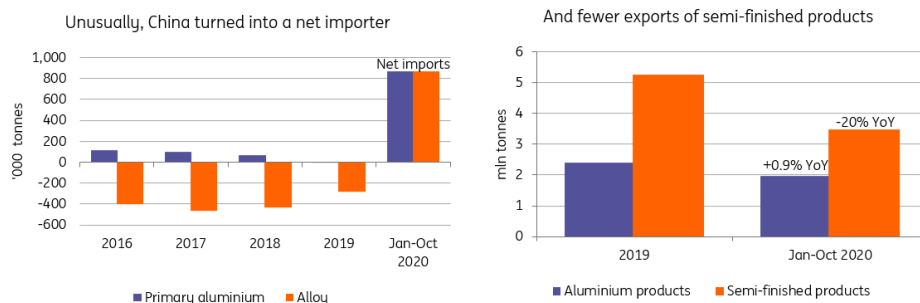
*“China has flipped into a net importer of 1.3mt of aluminium alloys, which partially compensate for lower scrap inflows”*

Despite China absorbing a large part of the ex-China surplus via imports, there is still a large surplus outside of the Chinese market this year, with demand falling sharper than supply. We expect consumption to fall by 11% in 2020

before rising by 9% in 2021, while absolute consumption is only likely to return to pre-Covid-19 levels by 2022 at the earliest.

As usual, a large amount of surplus is not revealed in reported inventory figures. Instead, it goes into hidden inventories, and these are not necessarily immediately available to consumers as we suspect a widened LME market contango earlier, compounded with lower interest rates, could have seen some of the surplus being locked in for financing.

### Transforming aluminium trade patterns



### Trade disputes and carbon taxes

China's exports of semi-finished products may have peaked already, with total exports falling by 20% YoY in the first ten months of the year.

This is not only because of the unfavourable market conditions from a pricing point of view but also due to the rise in trade disputes with an increasing amount of anti-dumping investigations. Meanwhile, exports of aluminium products (excl. aluminium wheels) have grown modestly. Changing trade patterns and further trade disputes could mean that China looks to move further down the value chain by boosting more value-added aluminium product exports.

*“We see the industry reshaping and accelerating over the next few years, so much so that we may end up seeing changes to current trading patterns and potential repricing of aluminium products”*

We see the aluminium industry reshaping and accelerating over the next few years, so much so that we end up seeing changes to current trading patterns and potential repricing of aluminium products, particularly with the possible introduction of European carbon border adjustment mechanism (CBAM).

Marginal importers of aluminium (to the EU market) with a carbon footprint above the threshold set by the European Commission will be likely charged with carbon tax based on the specific emissions level associated to the product.

According to the EU, it is planning to adopt the CBAM in the second quarter of 2021; however, some industry experts are forecasting this mechanism to start in the aluminium industry from 2023 at earliest. Based on the current proposals, there are concerns whether the CBAM alone would adequately protect carbon leakage and the scope of indirect emissions associated with aluminium productions is a particular risk due to the power-intensive nature of the electrolysis process. It remains unclear how the carbon tax surcharge would lift the product prices in the EU market, and this could be linked to another hot topic about whether there will be a premium in the near future on low carbon aluminium (carbon footprint <4.5tCO<sub>2</sub>e/t Al, [Carbon Trust](#)).

With LME proposed to launch a separate [spot trading platform](#), it is likely to accelerate the pace within the market to detect a premium at some time.

### Price outlook

The world aluminium market will continue rebalancing next year, with ex-China demand set to return to growth. A weakening USD over the course of 2021 will also support aluminium prices, averaging a little over US\$2000/t in 2021.

### ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
LME Al (US\$/t)	1,960	1,990	2,020	2,050	2,010

Source: ING Research





## 6. Energy transition to fuel robust demand growth for copper

We expect a synchronised recovery in copper demand from both China and other economies next year. Energy transition-related copper demand is set to accelerate as the world pivots towards a 'green recovery' after the pandemic. Given the bullish demand narrative and favourable macros, risks for the market are tilted to the upside

**Wenyu Yao**

Senior Commodities Strategist

London +44 20 7767 6909

wenyu.yao@ing.com

### A stunning market recovery after Covid-19 rattles supply

Following the Covid-19 blues, London Metal Exchange copper has bounced back strongly as a result of the robust demand recovery from China and a weaker USD. While on the supply side, Covid-19 has primarily disrupted some mine operations in Latin America, but as some mines have returned, the world's largest copper miner, Chile is on track to achieve modest output growth this year.

*“This year’s disruptions compounded with a major mine that is transitioning underground and will lead to the global mine supply declining by 2% YoY in 2020, before rising to 3.1% YoY next year”*

Overall, this year’s disruptions compounded with a major mine that is transitioning underground and will lead to the global mine supply declining by 2% YoY in 2020, before rising to 3.1% YoY next year. For 2021, the disruption rate is expected to remain well above the long-term average, largely due to

uncertainties around labour contract renewals. Meanwhile, the concentrate market has remained tight due to robust demand from smelters. This is evident in the lower treatment and refining charges (TC/RCs) on spot terms, which dropped to an eight-year low of around US\$50/tonne compared to the annual benchmark of US\$62/tonne for 2020.

Further tightening the market was China's restriction on scrap copper imports, while Covid-19 related disruptions didn't help. China customs data shows that copper scrap imports into China dropped 50% YoY over the first ten months of 2020. As a result, the shortfall in scrap supply saw the market turn increasingly to cathode. However, in October, China released the new HS code for high-quality copper scrap imports, which will allow any scrap which meets the new standards to be imported without restrictions from 1 November 2020. As this helps in clarifying the standards for imports, we expect higher grade scrap imports into China to recover from this year's low, but it may take some time for market participants to adapt to the changes.

### Demand recovery along with robust imports from China

The recovery in copper demand has primarily been driven by a speedy demand recovery in China, and further fuelled by government-led investment in metal intensive sectors after the lockdown. Real copper demand is driven by traditional old infrastructure projects in parallel with projects put forward under new infrastructure initiatives.

Other sectors have also seen a speedy recovery since 2Q20, which has helped to drive copper usage higher. This includes the property sector, the automotive industry, while a recovery in exports of copper intensive end-use products such as air conditioner and refrigerators has also played a role. Strong copper imports into China also helped to inflate the demand in apparent terms, growing by 10% in 2020, and this has further helped to absorb some surplus in the offshore market. China's unwrought copper imports have increased 41% YoY to 4mt over the first ten months of the year, driven by several factors including the positive arbitrage and potential purchases by the nation's State Reserve Bureau.

### The 'green' revival holds the future for demand prospects

Looking ahead, there is likely to be a synchronised recovery in copper demand from both China and other economies.

The demand side bull narrative lies in the energy transition, as the world pivots towards a 'green recovery' post-pandemic. We are seeing some major economies gearing towards a greater share of power generation from renewable energy, while also seeing an increase in penetration rates for new energy vehicles (NEVs). Based on existing government plans, we expect green investment induced copper demand to register double-digit growth over the next five years.

*“Major economies are gearing towards a greater share of power generation from renewable energy”*

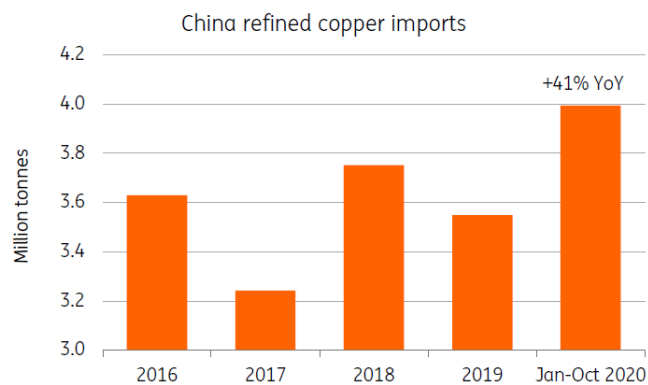
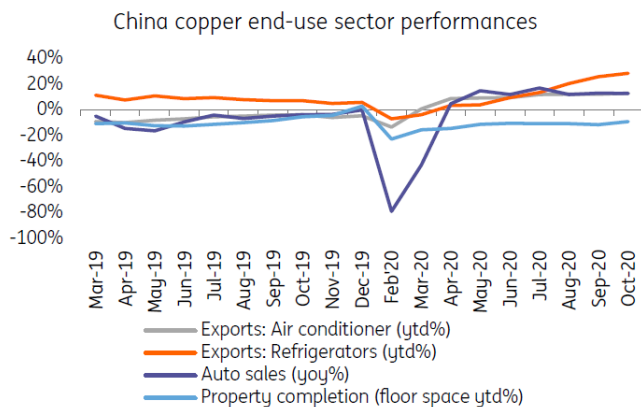
China recently revealed its plan on new energy vehicles (2021-2035), in which it plans to boost NEVs market penetration to 20% by 2025.

Copper will benefit from this, along with the need for further charging infrastructure. In

Europe, it is expected that the Green Deal could boost the region's copper demand by more than 800kt over the next seven years, according to BNEF. The focus of the projects will likely be on incentives for electric vehicles and charging-infrastructure installations, doubling the retrofit rate in buildings to improve energy efficiency, and supporting wind and solar power.

Globally, multiple countries have pledged to achieve a carbon-neutral economy by 2050, and this reinforces the view of robust demand growth for copper in the years ahead.

### End-use sectors recovery drives the real demand, and a robust import leads to higher growth in apparent demand



Source: China Customs, NBS, ING

### Price outlook

Global reportable copper inventories (exchanges and China bonded) have fallen by around 25% from the start of this year, and have remained low on a historical basis. The refined copper market is seen to be relatively balanced in 2021, with a negligible surplus. Given it is estimated that the disruption rate for mine supply next year will still be above

the long-term average, along with expectations for a synchronised recovery in global demand, the fundamentals for copper are likely to remain constructive.

As copper prices have already jumped by 64% from the lows of US\$4,630/tonne in March, much of the bull narrative has already been priced in. However, the market will need a favourable macro environment to continue with its current trend, along with further weakness in the USD, which is what we expect. We expect LME 3M copper to average US\$7,400/tonne over 2021.

**ING forecasts**

	1Q21	2Q21	3Q21	4Q21	FY21
LME Cu (US\$/t)	7,280	7,300	7,350	7,650	7,400

Source: ING Research



## 7. Will iron ore be able to sustain its gains?

The short term bull case of supply tightness, coupled with strong Chinese demand, has pushed iron ore prices to multi-year highs, which may continue into early next year. However, as supply improves over the course of 2021 and demand growth slows, we expect prices to come under pressure

**Wenyu Yao**

Senior Commodities Strategist

London +44 20 7767 6909

wenyu.yao@ing.com

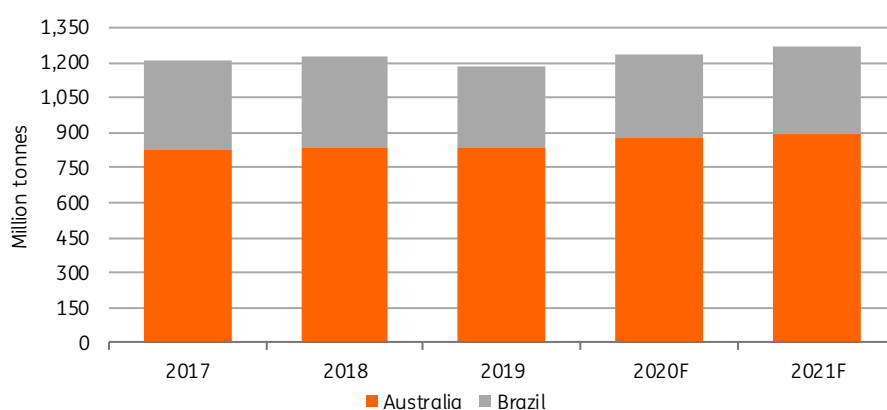
### Supply makes a comeback

Iron ore has seen a remarkable rally this year, with prices gaining more than 40% year-to-date, largely on the back of robust demand from China, which has tightened the market. The first half of the year also saw large supply disruptions once again. Australia was affected by cyclone activity, whilst in Brazil, Covid-19 related disruptions weighed on output. Some smaller producers, such as South Africa and Peru also faced issues. These various disruptions coincided with relatively low inventory levels in China.

However, over the second half of the year, supply appears to have recovered. In 3Q20, Brazilian miner, Vale, produced a record quarterly amount from its Northern system. Brazilian iron ore supply overall has returned to pre-pandemic levels over the last few months, with September shipments hitting a five-year high of 37.9mt, though exports over the first 10 months of the year are still down 6% YoY to total 278.9mt, given the poorer flows over the first half of 2020. In 2021, Brazilian iron ore exports are likely to recover to around 372mt, compared to around 366mt of shipments this year and 336mt in 2019.

Following a similar path, after weak supply earlier this year due to the cyclone season (January-March), Australia has managed to boost its total shipments by 3% YoY during the first nine months. Total iron ore exports from Australia are expected to increase to 896mt in 2021 compared to 874mt of exports this year, according to data by the Department of Industry, Innovation and Science. Current iron ore prices are significantly above the marginal production cost for the majority of mining companies in Australia, and we believe that mining utilisation rates are likely to improve next year.

### Australia and Brazil iron ore exports



Source: MDIC, Department of Industry, Science, Energy and Resources (Australia), ING

## China boosts iron ore imports

China has seen an astonishingly strong recovery since the country emerged from lockdown earlier this year.

The country has imported 975mt of seaborne iron ore (+11.2% YoY) in the first 10 months of the year, and full-year volumes are expected to grow 10% YoY. Driven by government-led stimulus post lockdown, steel product inventories were drawn down quickly over 2Q20, pushing steel prices higher, and boosting margins for steel mills. As a result, blast furnaces have been operating at record levels for much of the year. In 3Q20, unexpected port congestion in China temporarily led to reduced accessibility for steelmakers, and this, compounded with a seasonal lull of fines from Australia, was a further catalyst for the price surge.

Chinese steel demand is expected to grow by 8% YoY to 980mt in 2020, following the post-Covid-19 stimulus. We expect that consumption will continue to grow in 2021, although at a slightly slower pace compared to this year. Meanwhile, Europe and the US continue to tighten measures against imports from China and other Asian countries, which could weigh on external demand for Chinese steel next year. For the rest of the world, if vaccines are rolled out from 1H20 it would bring hopes for a quick revival in industrial activity.

## Price outlook

Global steel demand is expected to see a tepid recovery of around 2-3% next year, after falling around 2.4% this year according to the World Steel Association, leaving 2021 consumption roughly around 2019 levels.

On balance, we expect an increase of around 80-100mt in iron ore supply next year, while there is still plenty of uncertainty over the demand outlook. Quick rollouts of vaccines could see a more robust recovery in demand, which would likely keep prices well supported above US\$100/t. However, a gradual rollout means we would probably see more lacklustre demand growth, which could push the iron ore market back into surplus, weighing on prices.

## ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
Iron ore (US\$/t)	122	117	95	85	104

Source: ING Research





## 8. Gold's cyclical bull run isn't over just yet

**A vaccine is unlikely to end gold's cyclical bull run in 2021. Rising inflation expectations, lower real yields, a weaker dollar and a likely recovery in physical demand from some major emerging market consumers should see gold moving higher in 2021**

**Wenyu Yao**

Senior Commodities Strategist  
London +44 20 7767 6909  
wenyu.yao@ing.com

Gold has had a remarkable run this year, with spot prices trading at an all-time high, as investors turned to safe-haven assets amid the growing uncertainty of Covid-19.

Falling yields only pushed gold prices higher over the year, with 10-year US Treasury yields falling to a low of almost 50 basis points, while real yields have remained firmly in the negative territory since late March, increasing the attractiveness of gold.

While rising inflation expectations amid further stimulus packages should be supportive for gold, vaccine news has led to a sharp downward correction in gold prices. This is despite the fact that the USD has traded lower, whilst both five-year and 10 year real yields have weakened. Clearly, this more recent correction in gold has been a result of asset rotation, with the latest Covid-19 news increasing investor appetite for risk assets. This is evident when looking at the copper/gold ratio, which has rallied to more than a year high.

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*“In the short-term if the 10-year US treasury yield is pulled back to 75bps and this happens to coincide with a stimulus package, this should be enough for another leg higher in gold prices”*

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Much of the short-term view for gold will depend on the timing and scale of a US stimulus package, along with how the roll-out of vaccines progress in the coming months. Although a vaccine is on the horizon, the reality is that we see a double-dip in some economies, given the latest waves of lockdowns. As our

rate strategists have noted, a re-elevation in macro angst at the turn of the new year and well into the first quarter of next year could act as a drag on market rates. We doubt there would be enough to pull the 10-year down to 50bps, but a pullback to the 75bps area is conceivable. Should this timing coincide with a stimulus package, this should be enough for another leg higher in gold prices.

In the medium term, our rates team is expecting a modest rise in US treasury yields into 2021; however, inflation expectations are likely to outstrip the rise in nominal yields, therefore we should see further weakness in real yields, which supports our constructive view on gold in the medium term. The expectation of further stimulus, the unleashing of pent-up demand once Covid-19 is under control, and the expectation of higher oil prices in 2021 supports the view of rising breakeven inflation over the course of next year.

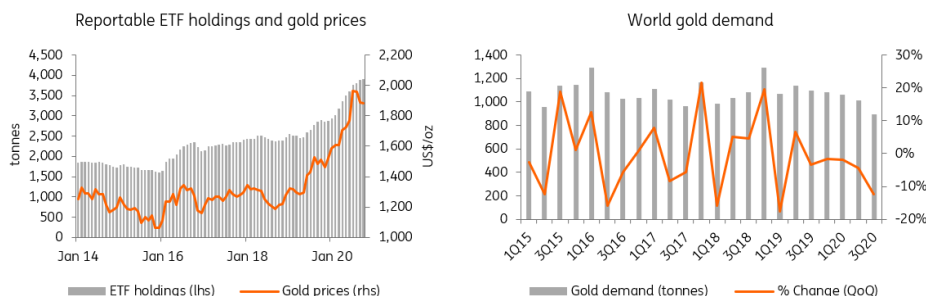
*“Pent-up demand is likely to push up physical demand firmly in 2021, as consumers return to the market, especially for festival and marriage demand”*

In 2020, financial demand continued driving the bull run, and ETF buying has been a prominent driver for gold. Total known ETF holdings of gold increased to a fresh high of 3,899 tonnes by the end of October 2020, compared to 2,877 tonnes at the end of 2019. However, physical demand for gold has been

hit hard by lockdowns. Limited international flights, along with restrictive measures on imports of foreign goods, pushed gold imports in China and India to multi-year lows, especially during the first half of the year.

It is also true that physical demand in these key regions is also counter-cyclical, as consumers are price-sensitive, so higher prices this year would have dented consumer demand. Data from the World Gold Council shows that gold demand dropped 10%YoY to 3,304t over the first three quarters of the year. While demand in the last quarter of this year has begun to show signs of recovery, it still remains below pre-pandemic levels. Pent-up demand is likely to push up physical demand firmly in 2021, as consumers return to the market, especially for festival and marriage demand. While higher prices might deter some consumers, government stimulus and an increase in disposable income are likely to provide enough liquidity for consumers to increase gold purchases.

### Strong investment demand partly offsets weaker consumer demand



Source: LBMA, WGC, ING

While vaccine developments have proved to be a stumbling block for gold prices, we continue to see upside over 2021. Rising inflation expectations, lower real yields, expectations for a weaker USD and a recovery in physical demand should prove supportive.

### ING forecasts

	1Q21	2Q21	3Q21	4Q21	FY21
Gold (US\$/oz)	1,915	1,930	2,000	2,020	1,965

Source: ING Research



## 9. Strong Chinese agriculture purchases likely to continue in 2021

**Warren Patterson**

Head of Commodities Strategy  
Singapore +65 6232 6011  
warren.patterson@asia.ing.com

China has increased agricultural imports this year for several reasons, and it appears as though these strong purchases are set to continue into 2021, which should mean the agri complex remains well supported next year

### Why has China boosted agri imports?

Agricultural markets have received a boost in 2020, and one of the key drivers behind this has been a significant pickup in Chinese demand over the year.

Whether it is soybeans, corn, wheat or sugar - all have seen a significant increase in Chinese buying over the year. Soybean imports over the first ten months of the year are up almost 18% YoY, inflows of corn are up 97%, sugar imports have increased by 28% YoY, and finally wheat imports have grown by 163% YoY

So why are we seeing this pickup in Chinese buying? While the 'phase-one' trade deal is probably playing a role in more imports of certain agricultural commodities, it is certainly not the only reason. There is likely an element of China ensuring food security amid the pandemic, given the potential disruptions to global supply chains.

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*“While the 'phase-one' trade deal is probably playing a role in strong Chinese agricultural imports, there is also an element of China ensuring food security, given the potential disruptions to global supply chains”*

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Meanwhile, further support for agricultural purchases has come from the fact that pig herds in China are starting to recover following the African swine fever outbreak over 2018 and 2019. The government has made it a priority to increase pork production in the country, after the outbreak saw pig herd in the country fall to its lowest levels in 16 years in 2019, pushing up pork prices. According to government data,

China's pig herds in October was 26.9% higher YoY, and with this strong growth, demand for animal feed has grown, which has been supportive for corn and soybeans.

Finally, over the years we have seen China draw down inventories in certain commodities. The domestic corn balance has tightened over the years, with flat production, and continued demand growth, and so there is a need to rebuild stocks. The outlook for corn demand remains constructive in the longer term, particularly given China's aim of implementing a nationwide 10% ethanol mandate, which was meant to be implemented in 2020, however, it was suspended due to tightening corn stocks and limited production capacity for ethanol.

Given China's environmental/ carbon reduction targets, the mandate will likely be implemented at a later stage, which should be supportive for corn demand.

## US-China trade deal continues to support strong purchases

A large chunk of the buying we have seen this year comes from the 'phase-one' trade deal between China and the US, with China trying to hit its target under the agreement. Although trade data suggests that the target will still be difficult to reach this year.

According to the [Peterson Institute for International Economics](#), up until October, China had only reached a little over 52% of its full-year target of US\$36.6b. Given that the phase-one trade deal is a two year deal, with the value of exports set to pick up over the second year to US\$43.6b, Chinese buying could very well continue to support a number of agricultural markets. If imports fall short of the target this year, there is the potential that this will need to be made up for next year.

*“Up until October, China had only reached a little over 52% of its full-year phase-one trade deal target”*

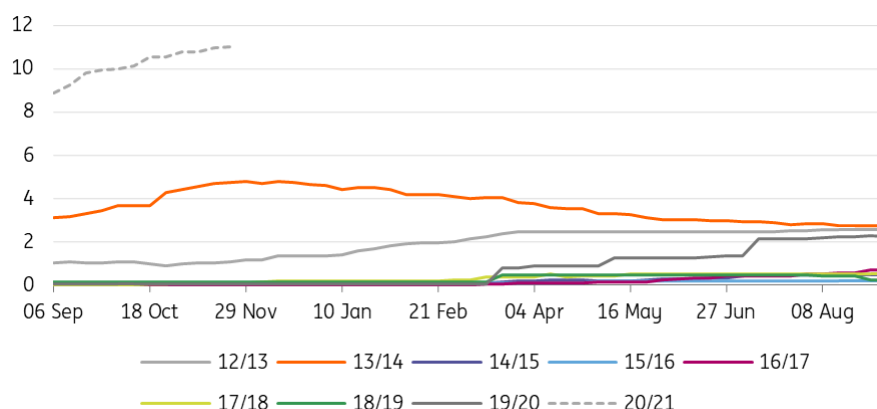
If we look at export sales from the US to China, total commitments so far in the current marketing year (starting in September) totals a little over 11mt, up from just 60kt at the same stage last year, and is the largest amount of US

corn sales we have seen to China by this time of the year going as far back as the 2012/13 season. While some of these sales may be cancelled in the months ahead, almost 2.9mt of corn has already been exported to China since September, and that already exceeds the full amount exported in the 2013/14 marketing year. In fact, these sales have already exceeded China's total annual import quota of around 7mt, and so we will need to see the government issue further quota allowances, already there have been reports that the government increased this quota by 5mt.

Meanwhile, for US soybean sales to China, total commitments stand at a record 29.2mt so far this marketing year, well above the 9.3mt sold by the same time last year, and above the record 24.7mt seen by the same stage in the 2016/17 season. Meanwhile, actual exports so far in the season stand at around 17.7mt, up from 5.6mt last year.

Given there is still a large portion of outstanding sales, and assuming we do not see significant cancellations, strong export volumes from America to China will continue in 2021.

### Total US corn export commitments to China (mt)



Source: USDA, ING Research

## Others also benefiting from the stronger buying

It is not just the US benefiting from China's increased appetite for agricultural imports.

Brazil has also seen strong soybean flows to China over the course of the year, which has seen Brazilian cash values move higher. Brazilian cash values traded to almost a record US\$3/bu premium over CBOT soybeans, highlighting the strong Chinese buying. Meanwhile, the broad weakness that we have seen in the BRL would have also helped to make Brazilian soybeans more competitive. Chinese imports of Brazilian beans have

remained stronger YoY, despite the increased purchases we are seeing from the US. Brazilian farmers will be hoping that this continues into 2021, given that the country is set to harvest a record soybean crop in their 2020/21 season.

**ING forecasts**

	1Q21	2Q21	3Q21	4Q21	FY21
CBOT corn (USc/bu)	410	430	410	390	410
CBOT wheat (USc/bu)	550	560	560	570	560
CBOT soybeans (USc/bu)	1,170	1,250	1,200	1,100	1,180
Sugar No.11 (USc/lb)	13.50	13.20	13.20	13.40	13.30

Source: ING Research





**Warren Patterson**

Head of Commodities Strategy

Singapore +65 6232 6011

warren.patterson@asia.ing.com

## 10. Soybean area likely to grow next year

The increase in buying we have seen from China, along with the strength in soybean prices means that we are likely to see soybean area continue to grow in 2021/22, while corn acres are likely to be slightly down to flat

### US to boost soybean area

Over recent years, the US has seen fairly big shifts in soybean planting, with the trade war putting pressure on the soybean market and farmers shifting acres to corn.

However, with China back in the market for US agricultural products, along with better weather in the planting season this year, soybean area in 2020/21 has grown by around 9.2% year-on-year to 83.1m acres, but this is still significantly below pre-trade war levels of 90.2m acres that we saw in the 2017/18 season.

Meanwhile, corn planted area in the US has remained more stable, despite a wet planting season delaying plantings in 2019/20. In 2020/21, planted area for corn is estimated to be 91m acres, which is slightly up from the pre-trade war level of 90.2m acres in 2017/18. We have seen some shifting away from soybeans to corn over this period, with the soybean/corn ratio falling to a five-year low.

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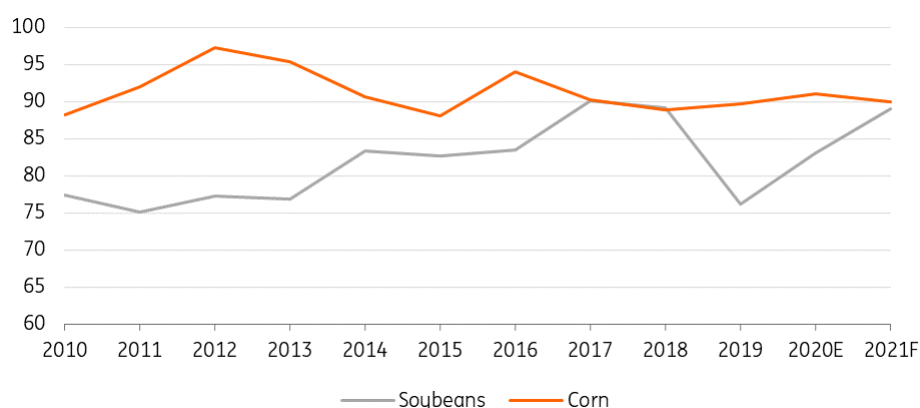
*“We are likely to see a further increase in soybean plantings over 2021”*

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That said, the recent rally in soybean prices has seen the soybean/corn ratio strengthening to around 2.8 in the prompt contracts, while if we look at the forward curves, and in particular

towards the end of 2021, the ratio is a little over 2.5. Historically, a price ratio of around 2.5, acts as the tipping point for soybean/corn switching, with farmers tending to switch to soybean if the price ratio is above this level. This suggests that we are likely to see a further increase in soybean plantings over 2021, with area likely to increase to somewhere in the region of 89-90m acres for the 2021/22 marketing year. The USDA in its long-term planting projections estimates soybean acreage to grow to 89m acres in 2021/22, whilst corn plantings are estimated to fall slightly to 90m acres.

If we assume yields are aligned with the five-year average for 2021/22, we could see a US soybean harvest which amounts to a little over 4.4b bushels, up from an estimated 4.17b bushels this season and reaching levels last seen during the 2018/19 season. For corn, assuming a yield similar to the five-year average, we would likely see the US corn crop over next season decline YoY from 14.5b bushels to somewhere a little below 14.3b bushels.

**US planted area- soybean vs corn (m acres)**

Source: USDA, ING Research

**Weather concerns for South America**

Looking south, Brazil's agricultural agency Conab expects soybean area in the country to increase 3.5% YoY to 38.2m ha in 2020/21, despite a late start to plantings, as stronger prices encourage farmers to plant more.

*“Soybean prices in Brazil have been well supported by strong Chinese demand, while a weaker Brazilian real has meant that farmers have seen stronger margins in BRL terms”*

Soybean prices in Brazil have been well supported by strong Chinese demand, while a weaker Brazilian real has meant that farmers have seen stronger margins in BRL terms. This increased area means that Brazil is set to harvest a record crop of a little under 135mt in 2020/21, up more than 8% YoY. However given

the dry weather that we have seen in the region over recent months, which slowed plantings, there are concerns over what this could mean for productivity, and so there is certainly downside risk to Conab's record production estimate. Corn acreage in Brazil is expected to drop marginally from 18.5m ha in 2019/20 to 18.4m ha in 2020/21 although expectations of an improvement in yields are forecast to push total corn output in the country to a record 104.9mt, up 2.3% YoY.

In Argentina, dry weather between September and October delayed corn plantings, with farmers having the option for late-season corn (to be planted in December) or a switch to soybean, which is usually planted in October-December. The Buenos Aires Grains Exchange expects that total soybean area this year will increase marginally from 17.1m ha last season to 17.2m ha in 2020/21, however, given expectations of lower yields, total soybean output from the country is expected to fall from 49mt to 46.5mt.

Corn is expected to see area fall by 3% YoY and coupled with expectations of poorer yields, this means that the corn crop is forecast to fall almost 9% YoY to 47mt.

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