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**INTRODUCTION TO**

**SOYBEAN OIL**

**FUTURES**

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# WHAT IS SOYBEAN OIL?

A vegetable oil extracted from **soybean seeds** that is pale yellow to brownish yellow.

The **second most consumed** vegetable oil worldwide for cooking, frying, shortening and margarine.

**High smoke point** (257°C) which enables setting oil at higher temperatures for deep frying.

# WHERE DOES SOYBEAN OIL COME FROM?



Soybeans are cracked and dehulled.



The dehulled soybeans are crushed into flakes.



Soybeans are harvested from the plants.



Oil is separated from the soybean flakes.



## BENEFITS OF SOYBEAN OIL



Rich in omega-3 and omega-6 fatty acids that help to maintain good cholesterol level.

High level of vitamin K that supports bone health and regulates bone metabolism.

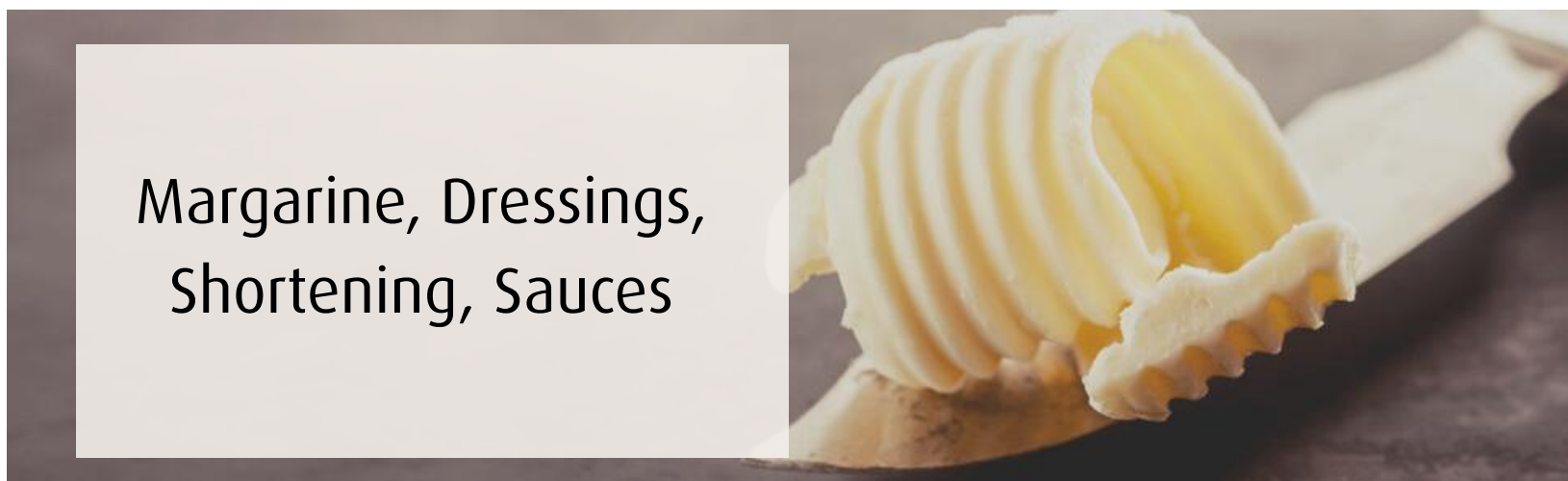


A good ingredient for baked goods as it mixes well with other oils and fats.








Clean and natural taste that enhances the natural flavours of prepared food.

## USAGE OF SOYBEAN OIL



# DEMAND & SUPPLY FOR SOYBEAN OIL

## 2023 Top 5 Soybean Oil Importers

<u>Country</u>	<u>Billion USD</u>
 India	3.59
 China	0.77
 Bangladesh	0.69
 Peru	0.57
 Morocco	0.56

## 2023 Top 5 Soybean Oil Exporters

<u>Country</u>	<u>Billion USD</u>
 Argentina	4.39
 Brazil	2.60
 Netherlands	0.60
 Bolivia	0.55
 Paraguay	0.50

# FACTORS AFFECTING DEMAND AND SUPPLY

## WEATHER CONDITIONS

Droughts, floods and pests can reduce crop yields thus decreasing the supply of soybeans.



## COMPETITION FROM OTHER SUBSTITUTES

Other competitors such as palm oil and canola oil can decrease the demand for soybean oil.

## **DIETARY HABITS**

Consumers with increased health awareness will shift towards healthier oil like soybean oil.



## **POPULATION GROWTH**

The demand for food and cooking oil increases when the population grows.



## **GOVERNMENT POLICY**

Demand and supply are affected by import/export restrictions, subsidies for farmers and biofuel mandates.

## **TRADE AGREEMENTS AND TARIFFS**

The price of soybean oil increases when tariffs are imposed on imports or exports.

## **ECONOMIC FACTORS**

Exchange rates, inflation and interest rates will influence the price of soybean oil.

## **TECHNOLOGY**

Technology in food processing and agriculture will increase the efficiency of soybean oil production.

# WHAT ARE SOYBEAN OIL FUTURES

A fully electronic, exchange-traded contract listed on **CBOT** under **CME Exchange**.

Product code: **ZL**  
Contract unit: **60,000 pounds**

Minimum price fluctuation:  
0.01 = 1 tick  
1 tick = USD 6.00

Available to trade **23 hours** in a day.

15 monthly contracts of Jan, Mar, May, Aug, Sep and 12 monthly contracts of Jul, Oct, Dec

Last trading day:  
the business day prior to the 15th day of the contract month.

*Source: Bakerpedia, Drugfuture, Food Insight, Fortune Business Insight, Healthline, SNI Global, Statista, United States Department of Agriculture*



# WHY TRADE SOYBEAN OIL FUTURES

Added portfolio diversification beyond traditional stocks and bonds

**DIVERSIFY**

High liquidity which allows easy market entry and exit

**LIQUIDITY**

Provide greater leverage through margin trading

**LEVERAGE**

Used as a benchmark to trade the underlying in physical market

**PRICING**



# CONTRACT SPECIFICATIONS

Soybean Oil Futures

Micro Soybean Oil Futures

**Underlying Instrument**

Soybean Oil

**Contract Code**

ZL

MZL

**Contract Size**

60,000 pounds

6,000 pounds

**Minimum Fluctuation**

0.01 pt = \$6.00  
(1 pt = \$600)

0.02 pt = \$1.20  
(1 pt = \$60)

**Contract Month**

15 monthly contracts of Jan, Mar, May, Aug, Sep and 12 monthly contracts of Jul, Oct, Dec listed annually after the termination of trading in the December contract of the current year

Two Decembers and all prior January, March, May, July, August, September and October contracts

**Settlement Method**

Physical

Cash

**Trading Hours**

21:30 - 02:15  
08:00 - 20:45, 21.30 - 02:20 (Globex)

# MICRO SOYBEAN OIL FUTURES (MZL)

## Trading Examples

### Bullish Market



22 APR 2025

You think the price of MZL will go up and **BUY 1 lot @ 47.58**



24 APR 2025

You close your position and **SELL 1 lot @ 50**

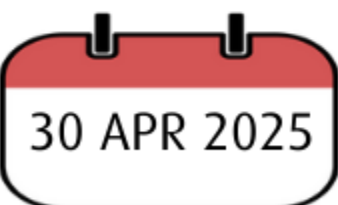
Gross Profit  
= Price Difference x Contract Size  
= (50 - 47.58) X USD 60  
= **USD 145.20**

### Bearish Market



28 APR 2025

You think the price of MZL will go down and **SELL 1 lot @ 50.46**



30 APR 2025

You close your position and **BUY 1 lot @ 48.98**

Gross Profit  
= Price Difference x Contract Size  
= (50.46 - 48.98) X USD 60  
= **USD 88.80**

# SOYBEAN OIL FUTURES OVERVIEW 2024



Despite expectations of a boost from renewable diesel demand, soybean oil prices in 2024 remained weak mainly due to increased UCO (used cooking oil) imports from China and animal fat substitutes, reducing demand for soybean oil in biofuel.



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