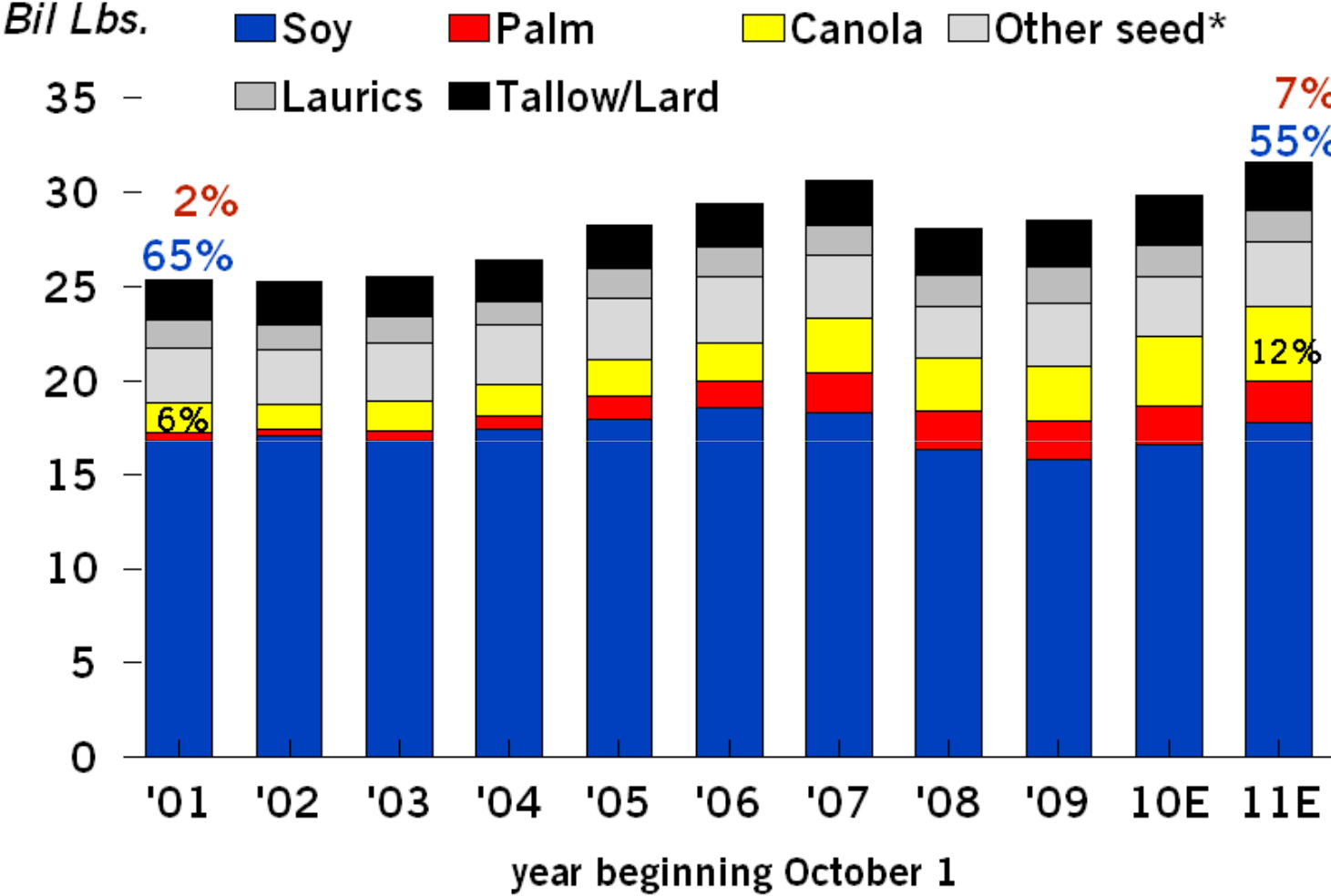

Vegetable Oils: Factors to Watch in the Year Ahead

Presentation to 7th Global Fats and Oils Forum
Washington, DC
September 29, 2011

Anne Frick
Senior Oilseed Analyst
Jefferies Bache

Domestic use of canola and palm oils growing



*Corn, Cottonseed, Peanut, Sunflower, Safflower
 Source: USDA; Jefferies Bache

Background Factors: Where do we stand now?

Macro-Factors

Divergent Influences → Trading Range

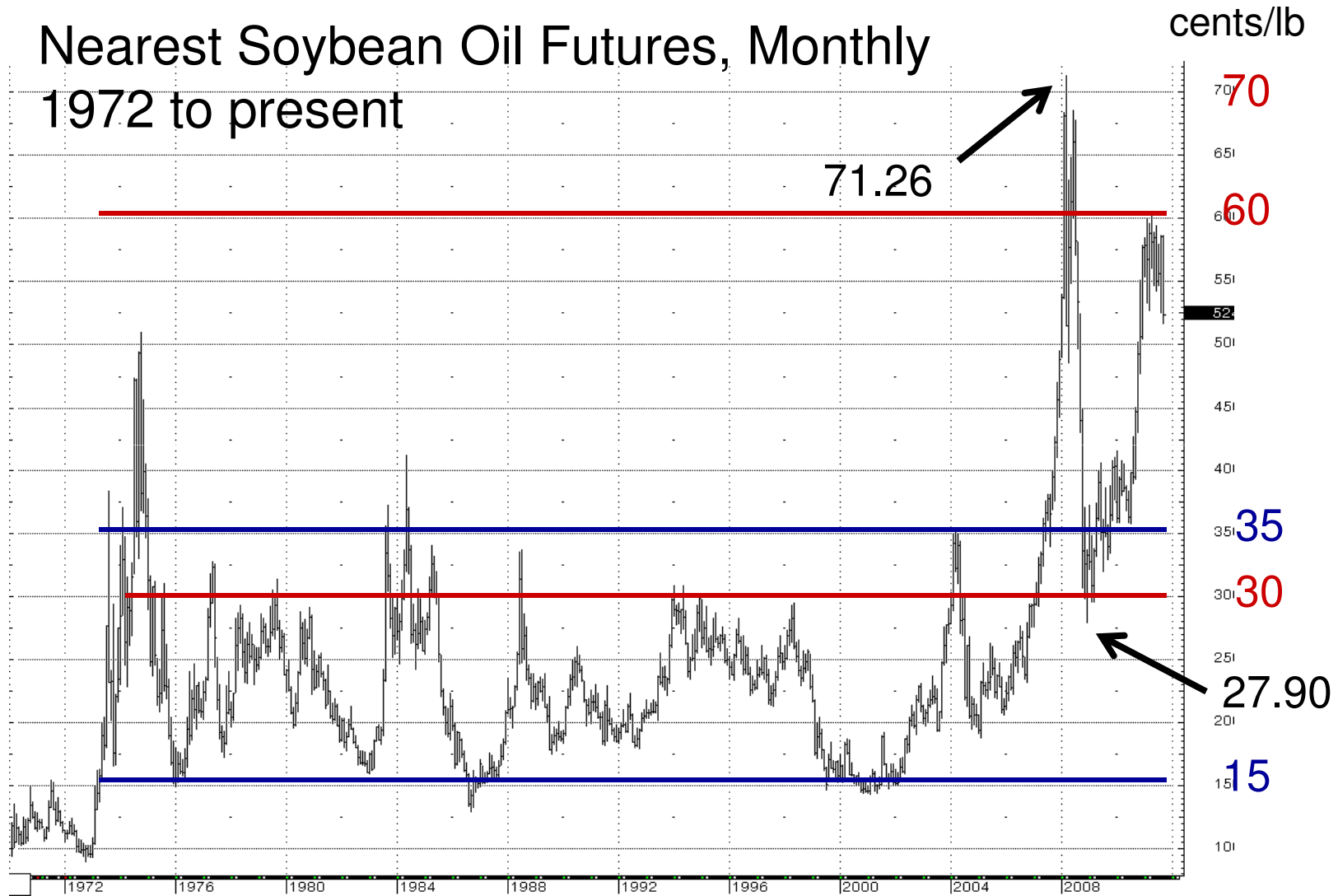
Bullish

- Economic/consumption growth in emerging markets
- Fears of Inflation
- Limited resources: land, water, infrastructure
- Extreme weather events
- Biofuels
- Government stockpiling
- Cash markets

Bearish

- Debt burdens slowing economic growth in developed countries
- Fears of deflation
- Higher prices encouraging plantings, production inputs
- Demand destruction
- Releases from reserves
- Futures markets

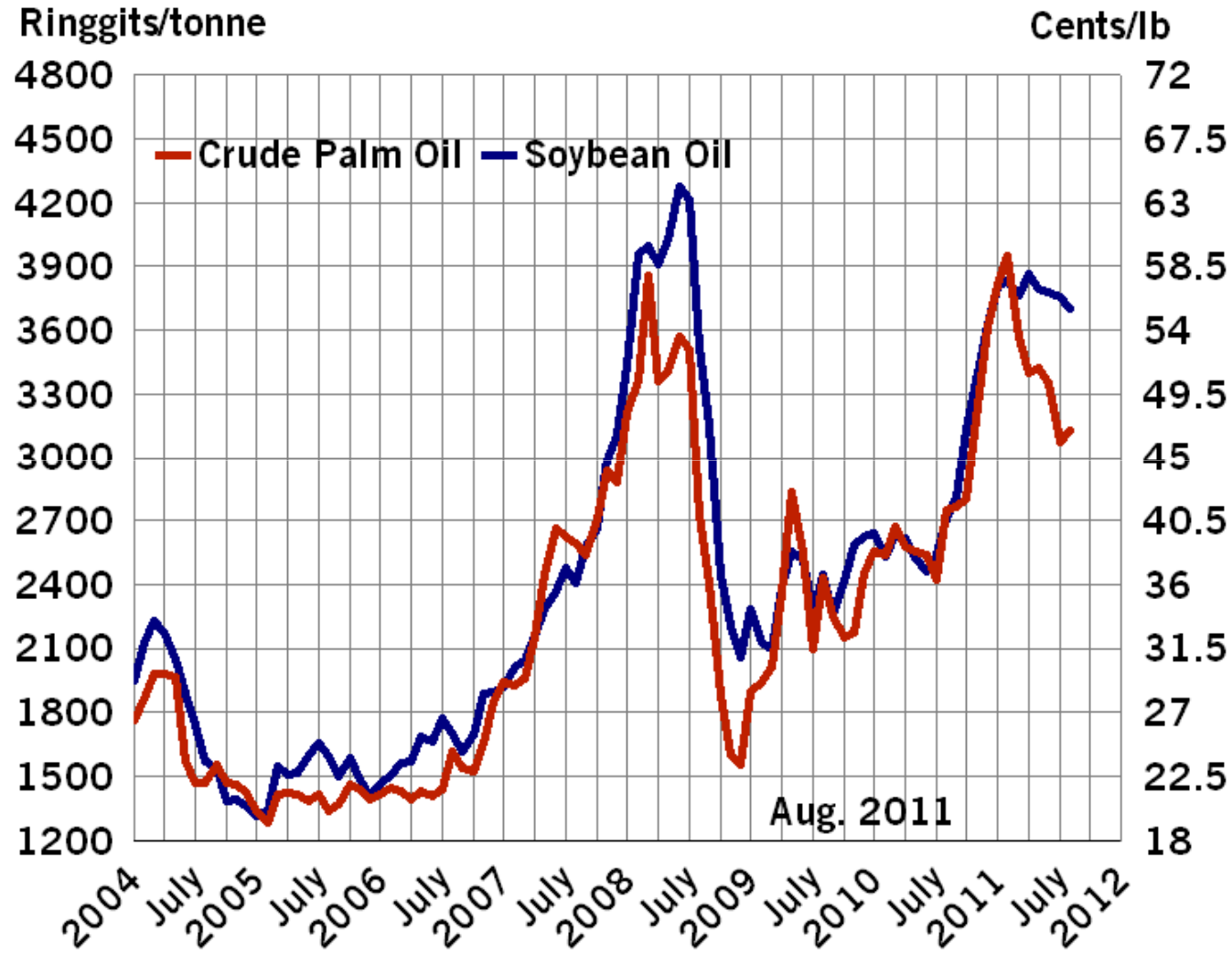
Soybean oil futures: new trading range?



Source: CQG; Jefferies Bache

Thru 9/23/11

Palm oil futures have declined versus soy oil



Source: Bursa Malaysia; CBOT; Jefferies Bache

Continuous Commodity Index: new high



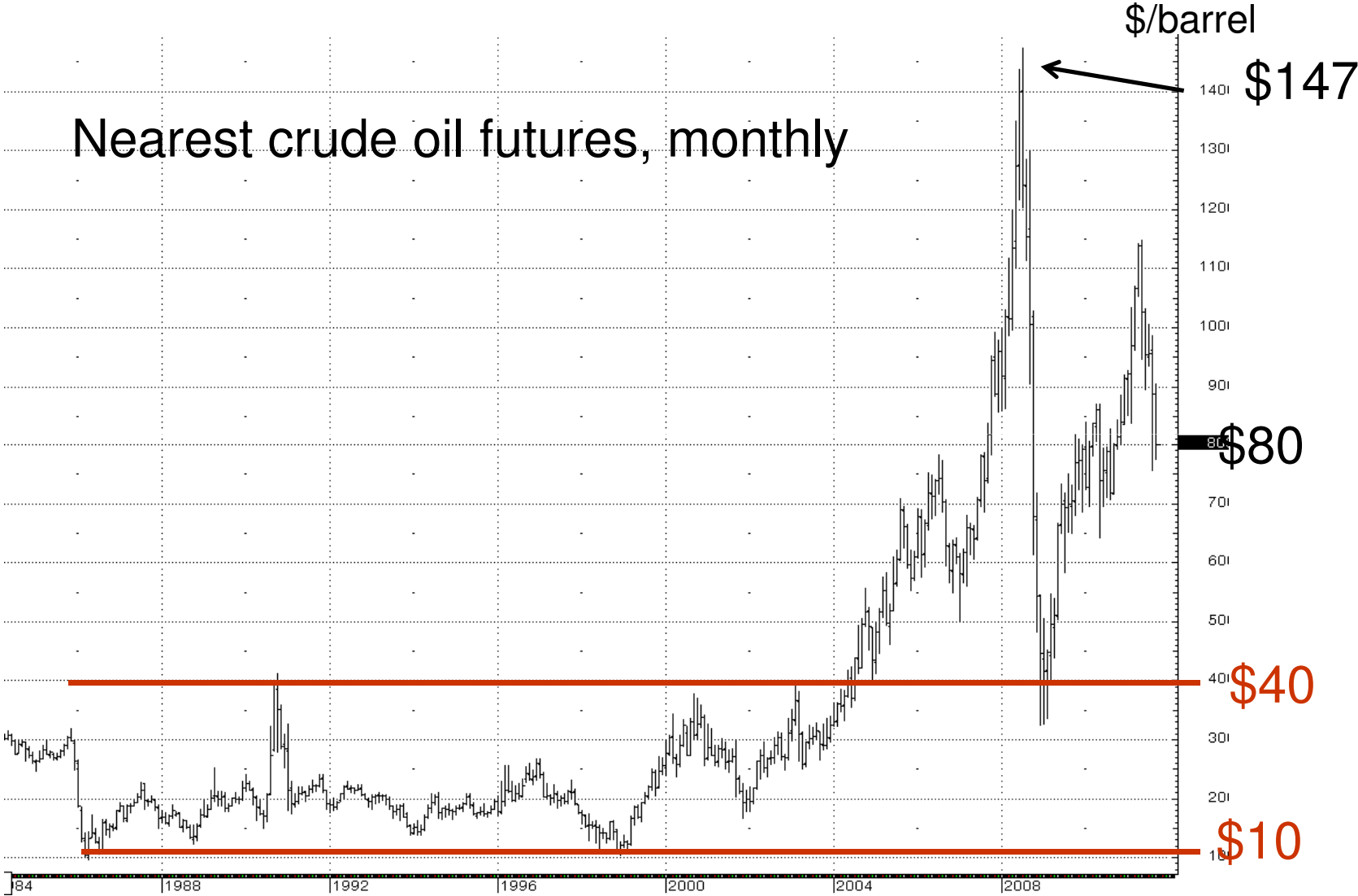
Source:

CGG

a/o 9/23/11

Jefferies

Crude Petroleum Oil prices have eased

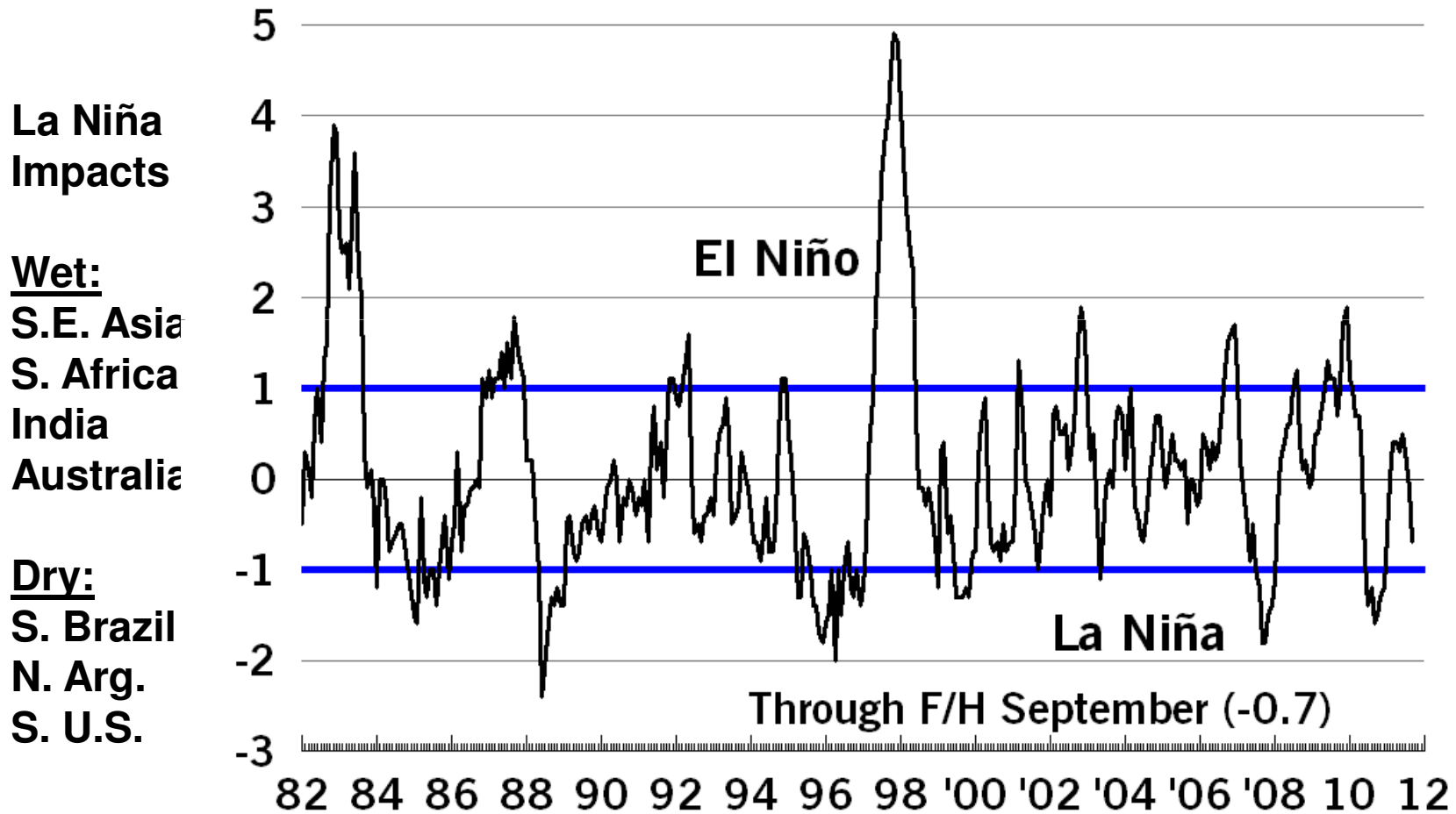


Source: CQG

a/o 9/23/11

NOAA: La Niña conditions have returned

Sea Surface Temperatures in Eastern Equatorial Pacific
(degrees celsius above or below normal)



La Niña
Impacts

Wet:
S.E. Asia
S. Africa
India
Australia

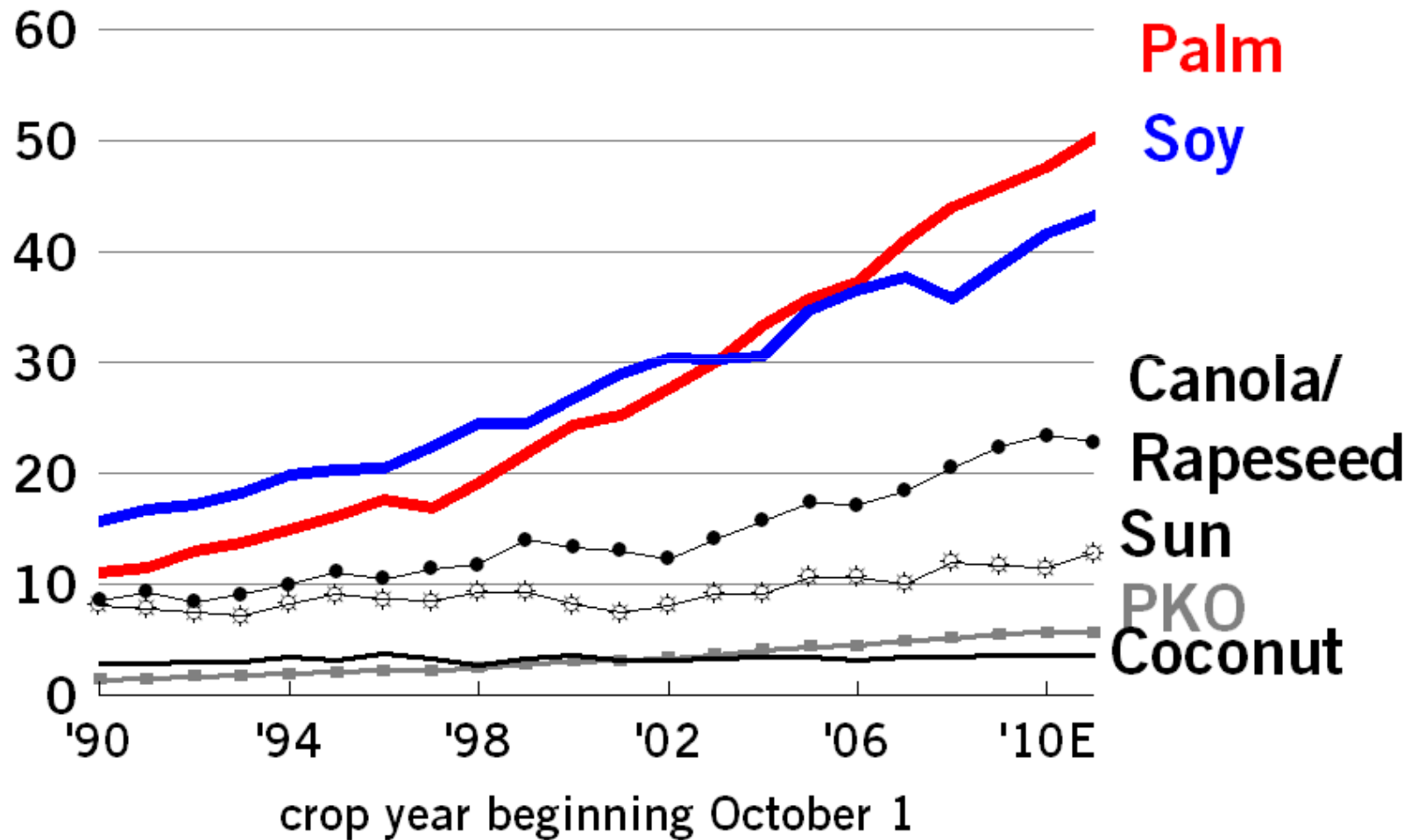
Dry:
S. Brazil
N. Arg.
S. U.S.

Source: Telvent DTN; Jefferies
Bache

Supply Factors: Palm Oil, Oilseeds, Meal

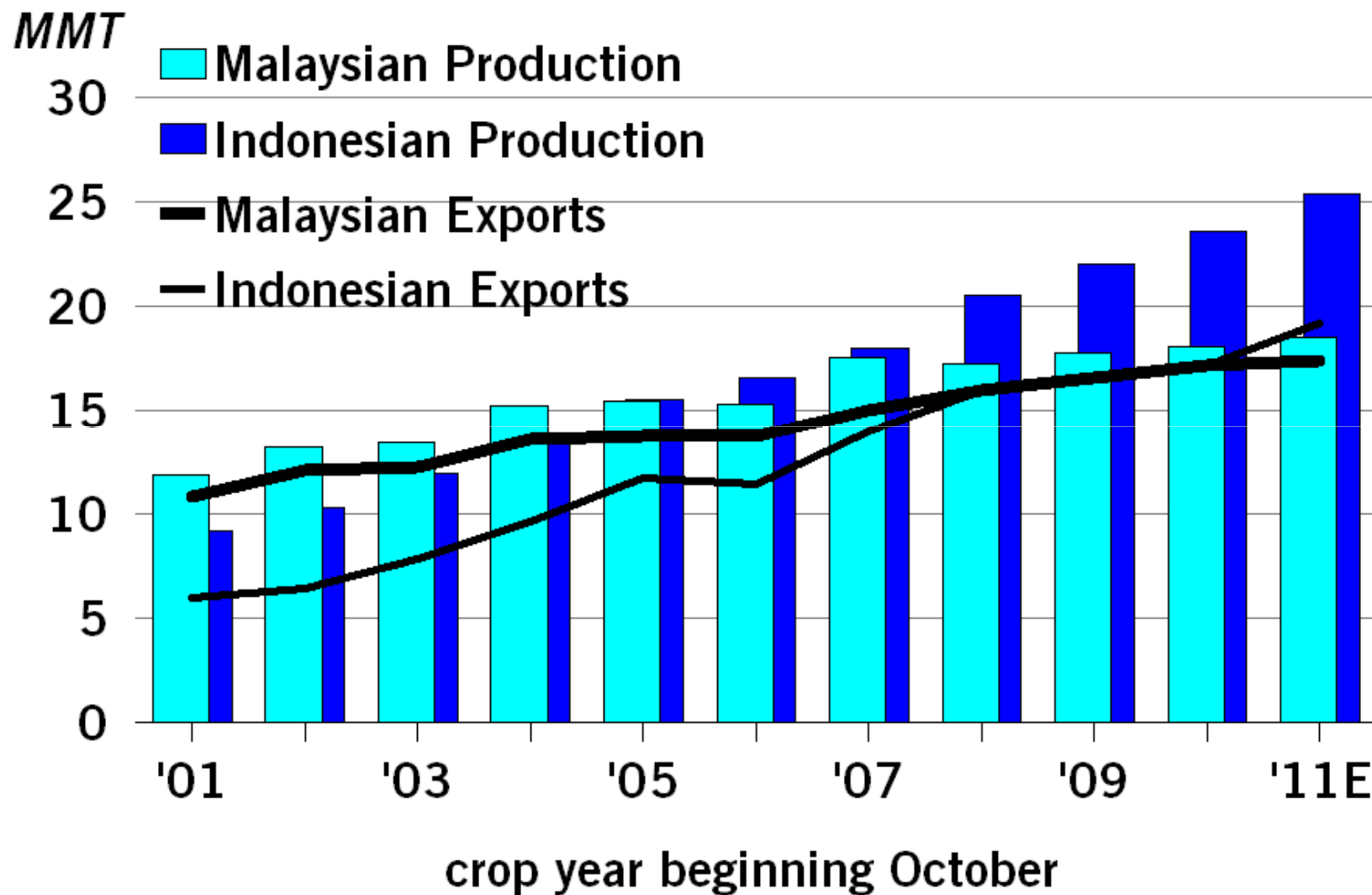
Palm oil is increasing its production lead

(million tonnes)



Source: USDA; Jefferies Bache

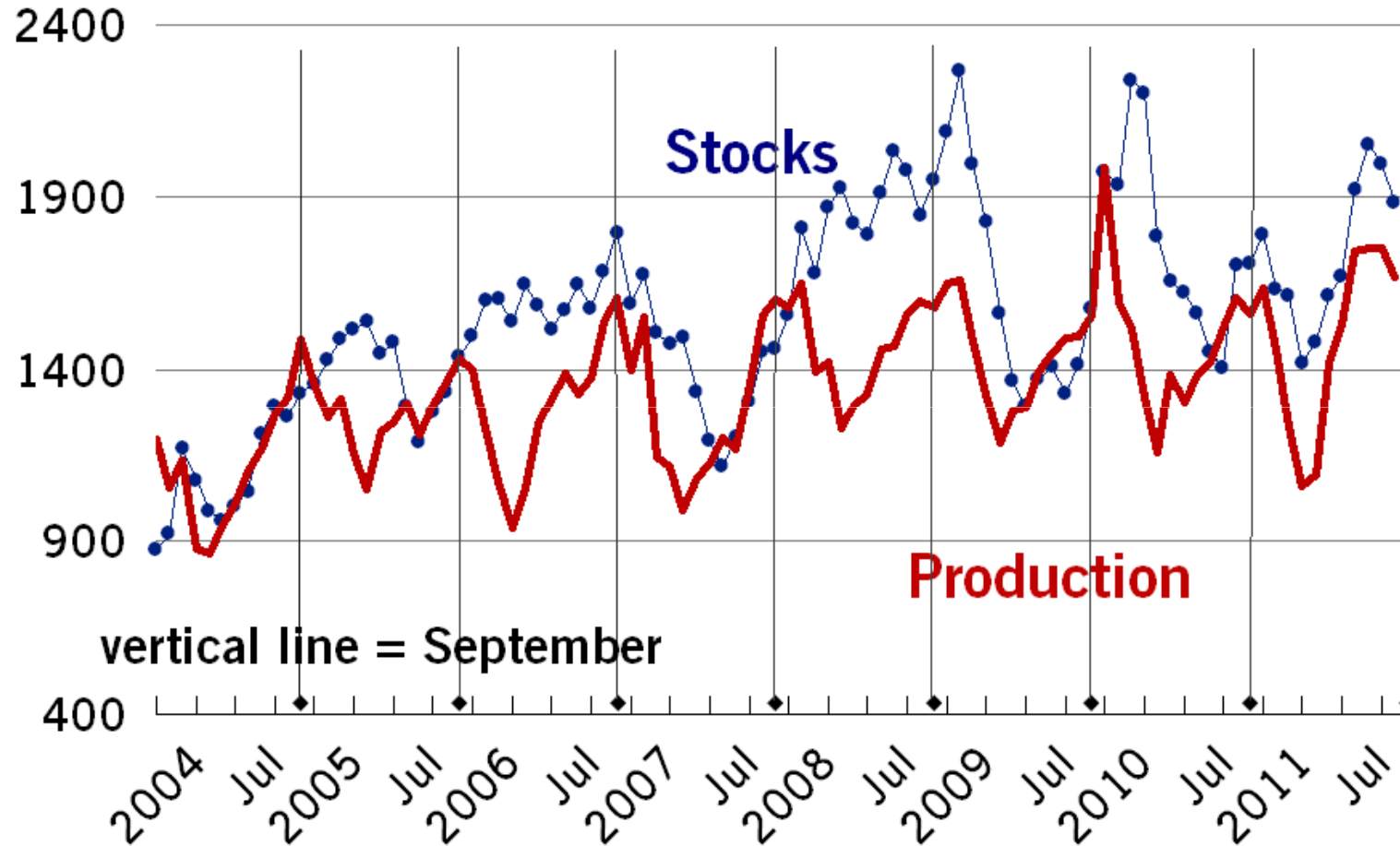
Rising palm oil output spurring increased Indonesian exports



Source: USDA; U.S. Agricultural attache; MPOB; Jefferies Bache

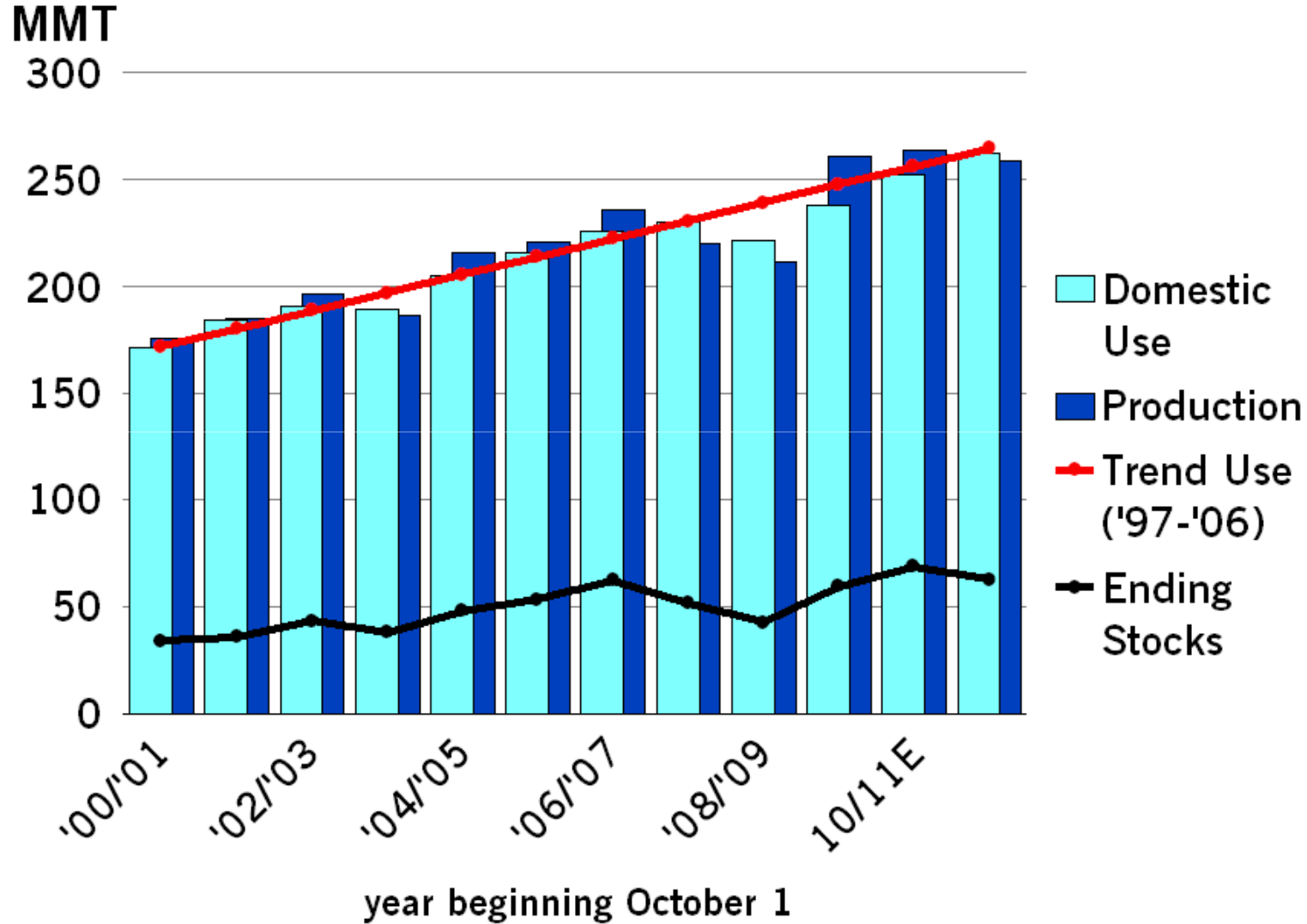
Malaysian palm oil production and stocks still below record levels

(thousand tonnes)



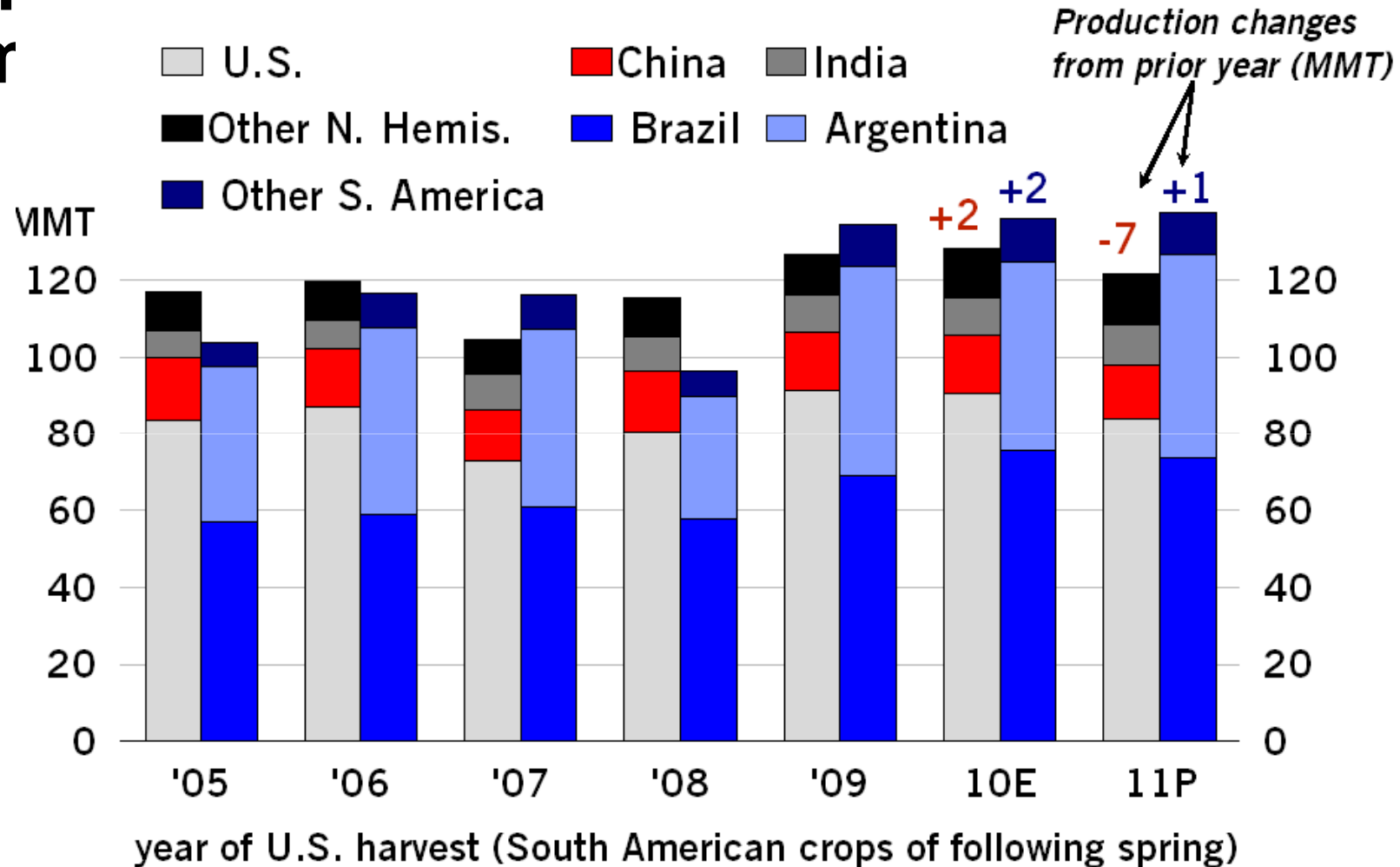
Source: Malaysian Palm Oil Board; Jefferies Bache

World soybean output and stocks to decline?



Source: USDA; Jefferies Bache

Decline in northern hemisphere soybean crop may not be offset by southern hemisphere



Source: USDA; Jefferies Bache

USDA's October soybean crop estimate is a better indicator of the final crop size

Direction of USDA Soybean Crop Estimates

Years since 1974 when:

	Final BELOW Sep	Final ABOVE Sep
Sep BELOW Aug	9	9
Sep ABOVE Aug	8	11

	Final BELOW Oct	Final ABOVE Oct
Oct BELOW Sep	11	6
Oct ABOVE Sep	5	15

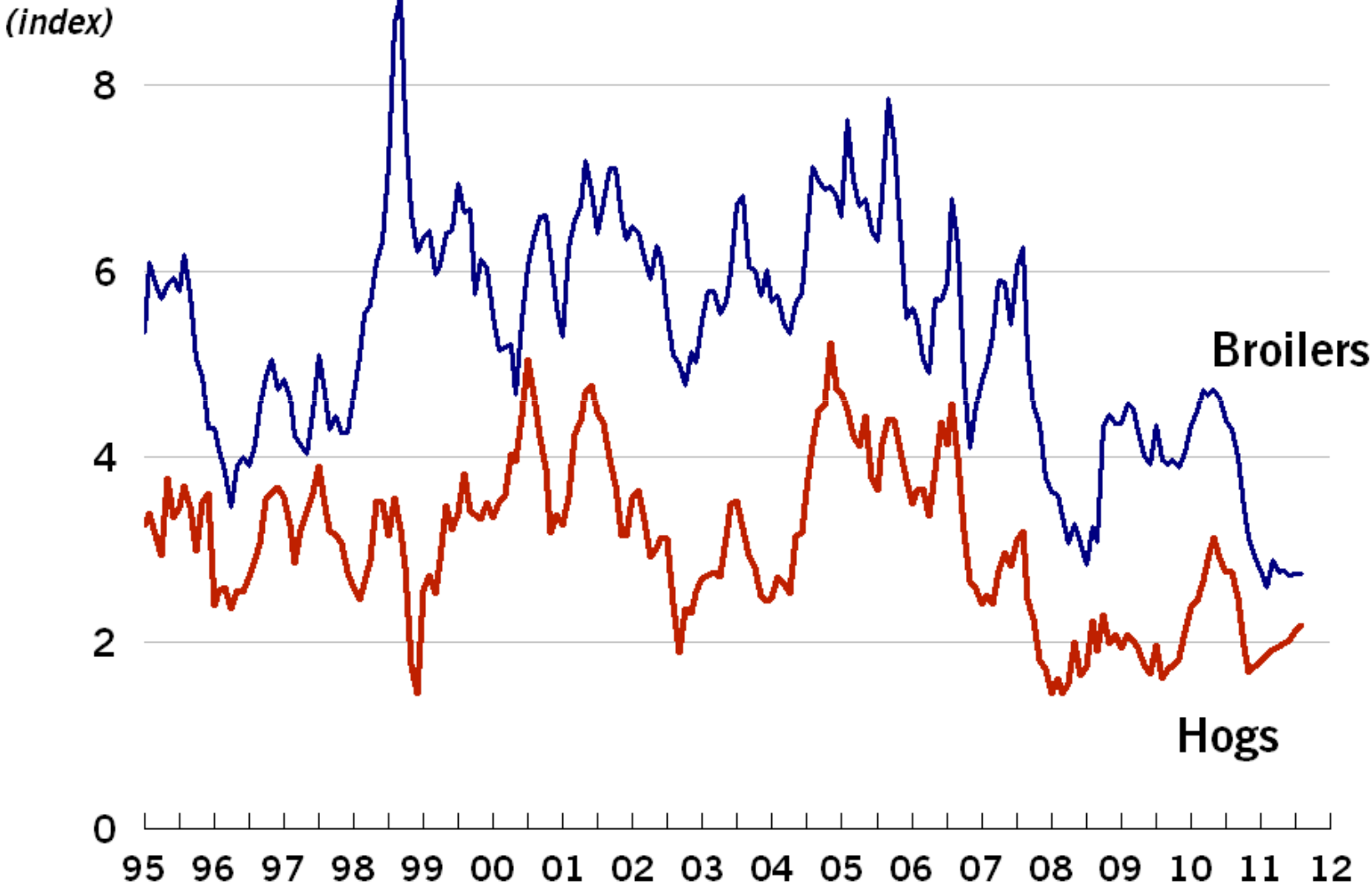
	Final BELOW Nov	Final ABOVE Nov
Nov BELOW Oct	13	1
Nov ABOVE Oct	8	15

Source: USDA; Jefferies Bache

Soy oil production depends on soy meal

- **Supplies of soybeans for crush**
- **Demand for soybean meal:**
 - Animal numbers
 - Feeding profitability
 - Exports
- **Supplies of competing feeds**
 - Grains
 - Protein meals
 - By products (DDGs)
- **Yields per bushel crushed**

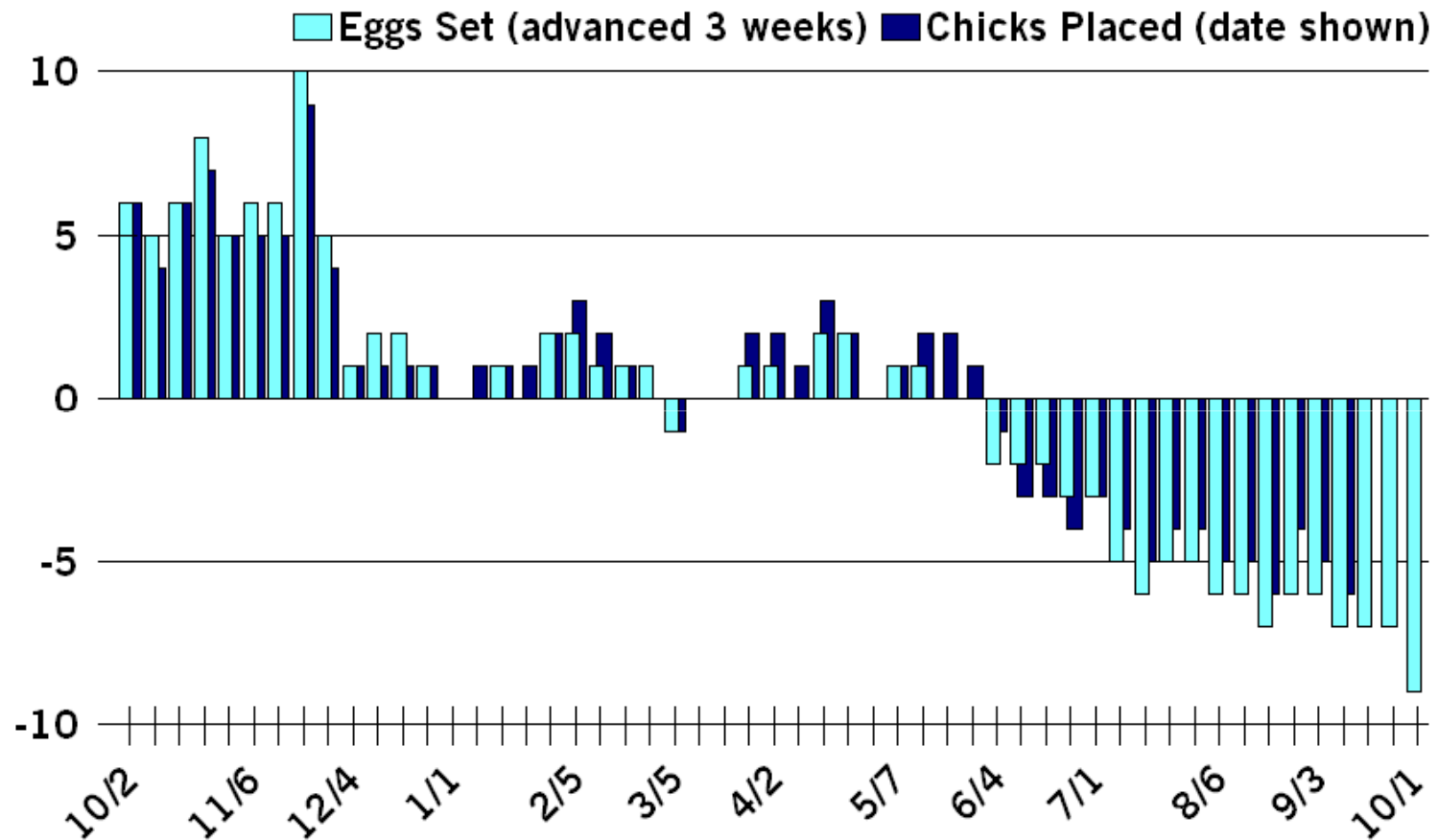
High feed costs pressure broiler and hog margins



Source: USDA; Jefferies Bache

U.S. broiler numbers contracting

(percent change versus a year earlier)

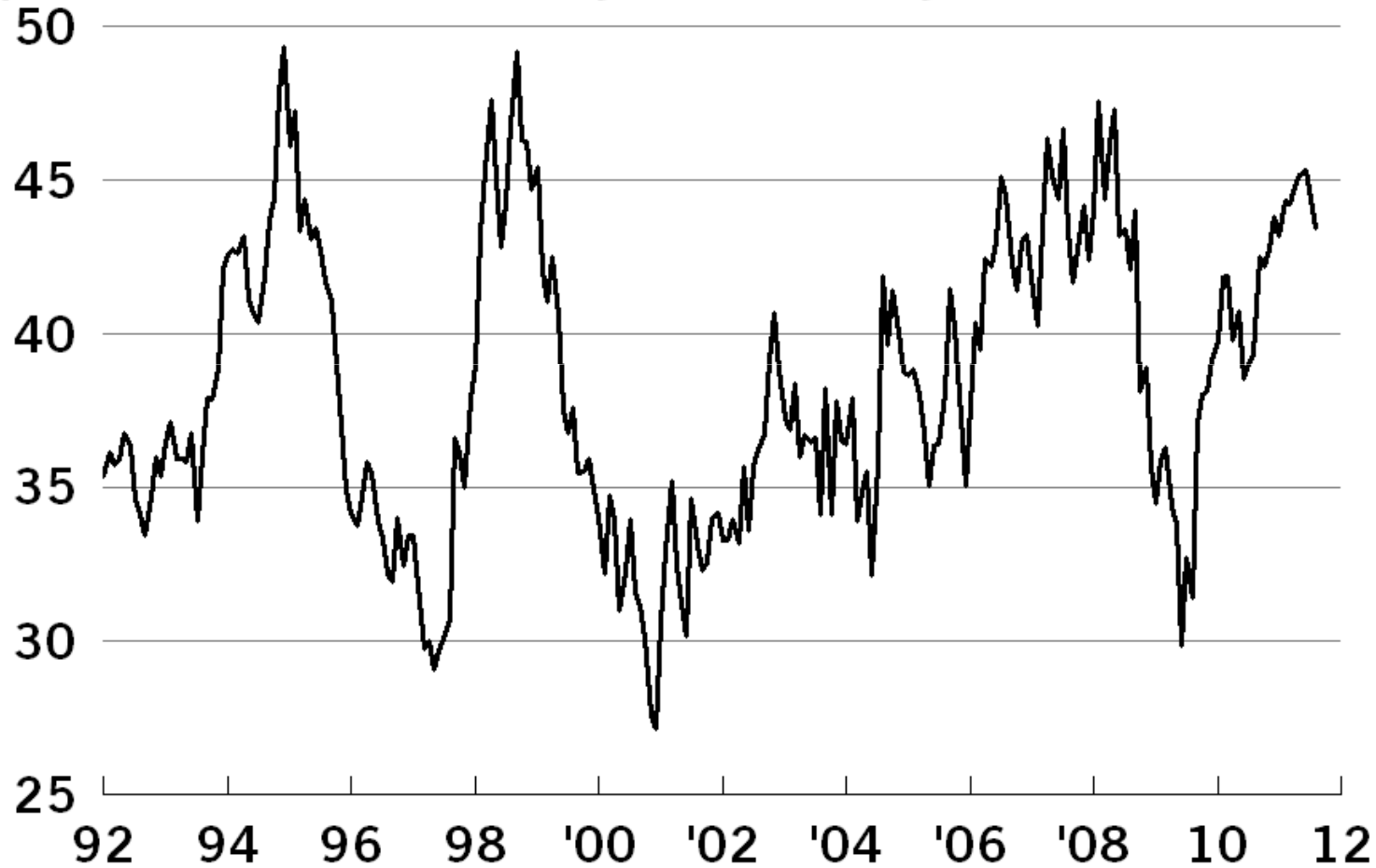


Dates are for Chicks Placed; Eggs Sets three weeks earlier

Source: USDA; Jefferies Bache

Soybean oil share of product value is off its high

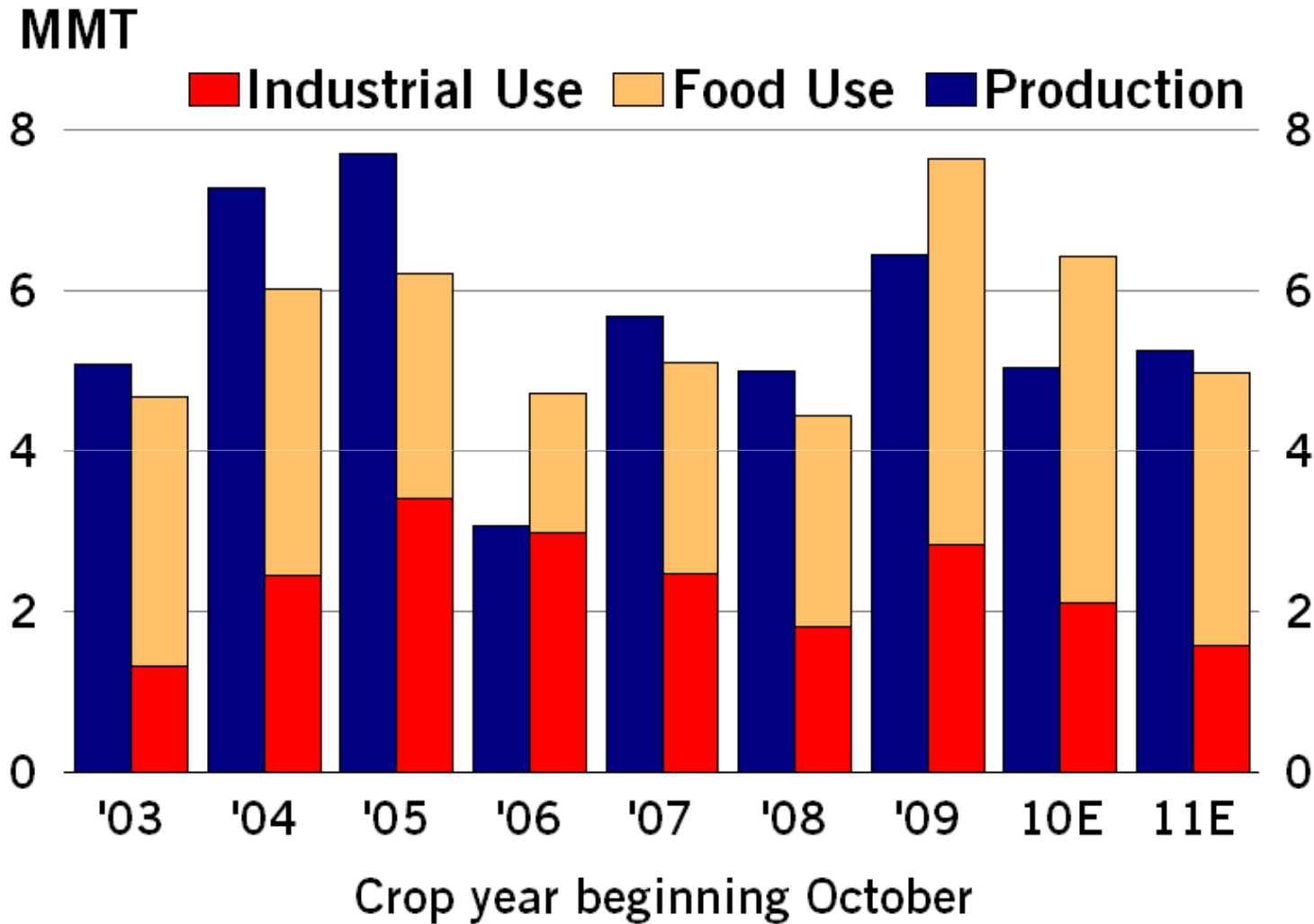
Oil Share of Joint Product Value in Nearest Futures
(percent oil share at monthly close - nearby contracts)



Source: CBOT prices via CQG; Jefferies Bache

Usage Factors: Food, Biodiesel, Exports

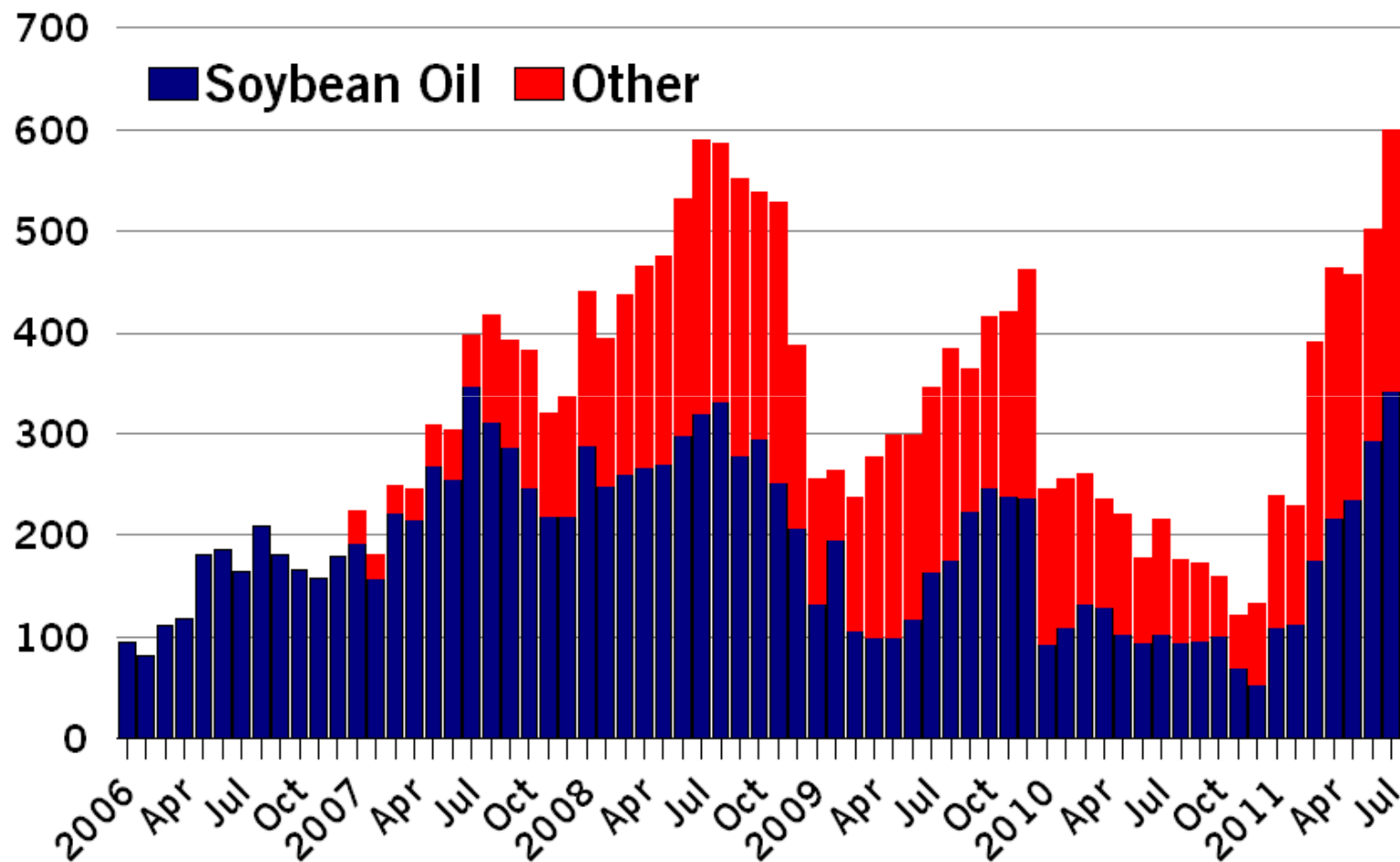
World growth in top four oils in balance



Source: USDA; Jefferies Bache

U.S. oil use for biodiesel increasing

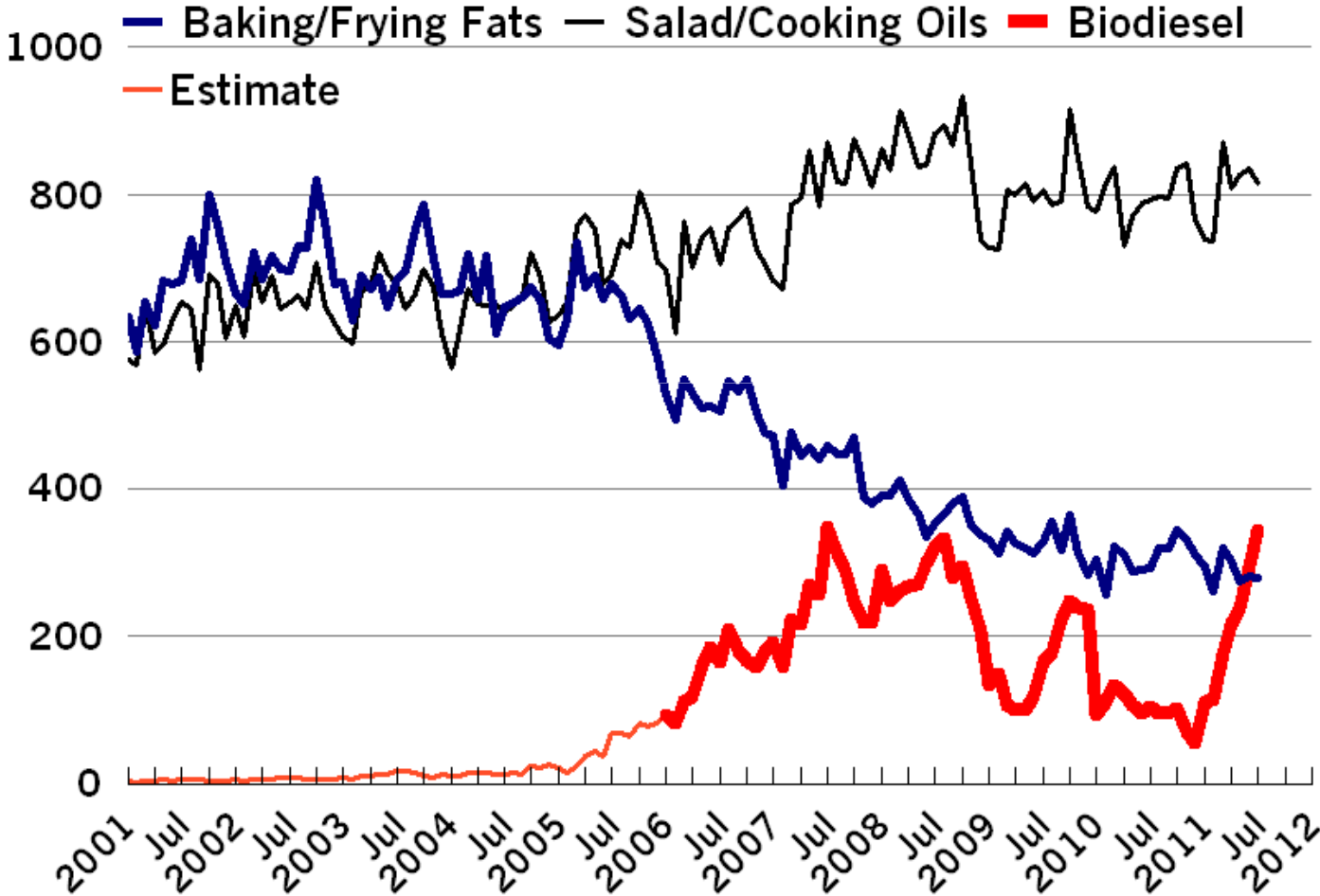
(million pounds)



Source: Census Bureau; Jefferies Bache

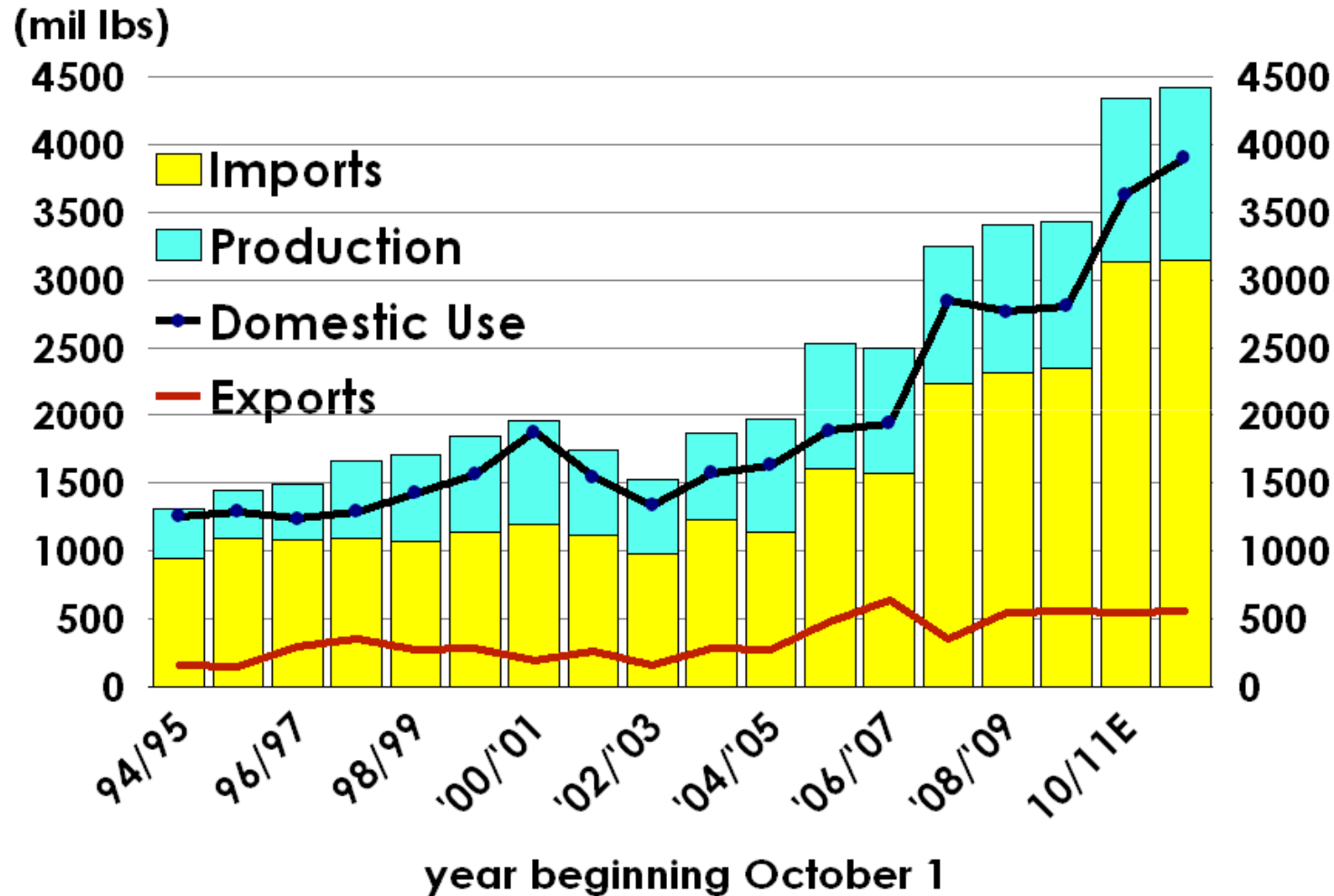
Biodiesel has become second largest user of U.S. soybean oil

(million pounds)



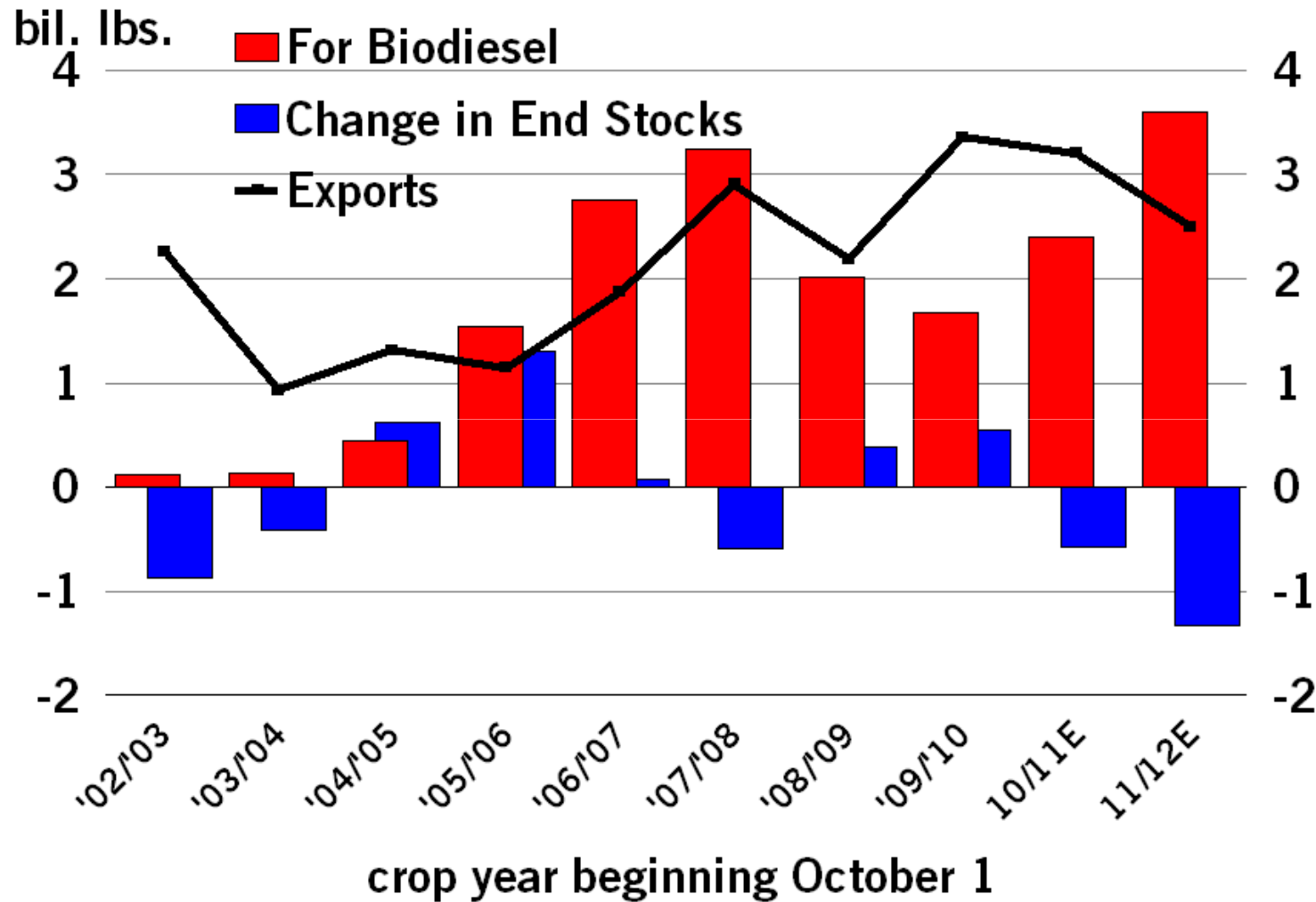
Source: Census Bureau; Jefferies Bache

Canola oil imports helping to meet domestic food usage while soy oil goes into biodiesel



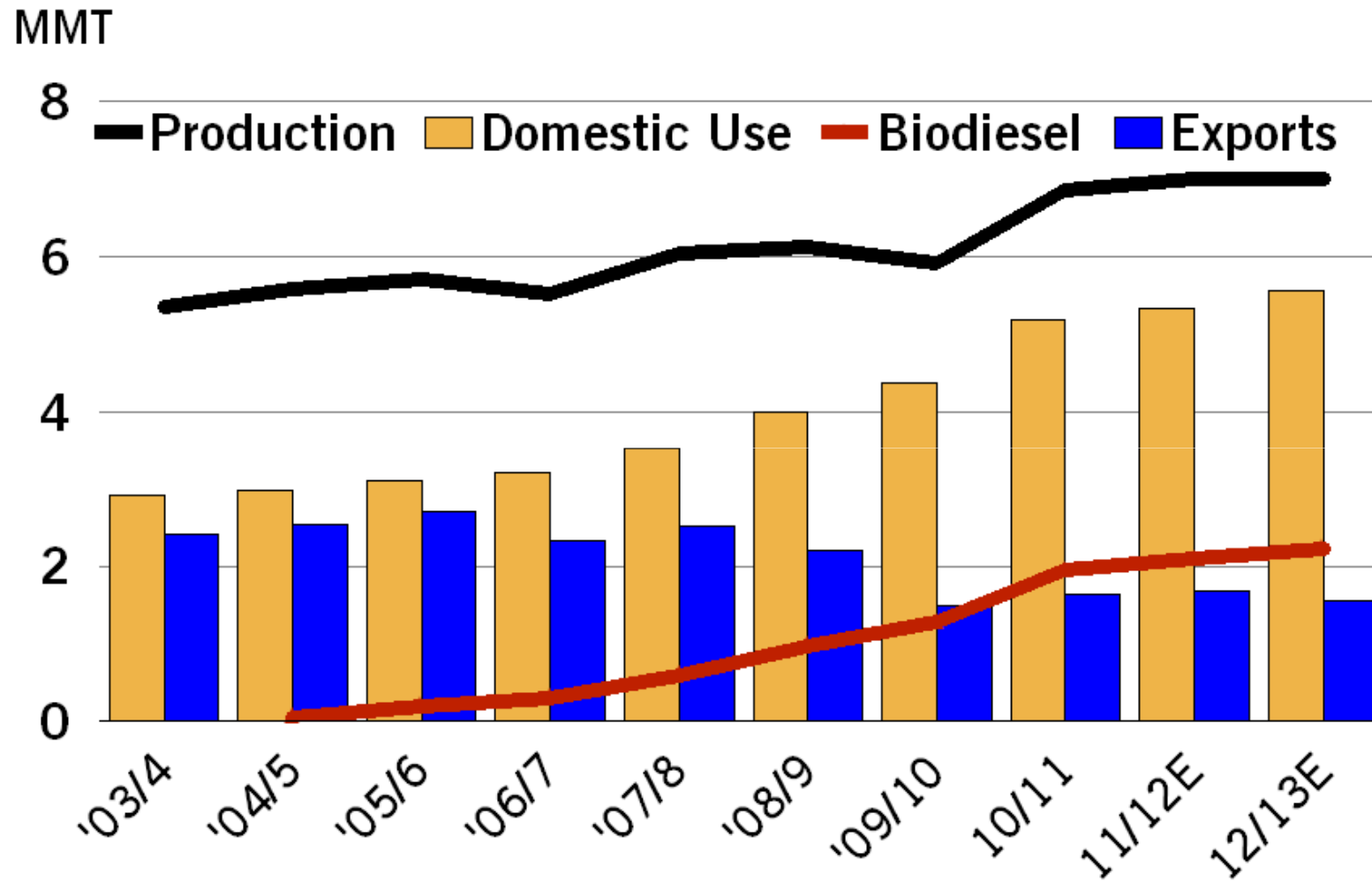
Source: USDA; Jefferies Bache

U.S. SBO usage for biodiesel expected to increase to meet mandate



Source: USDA; Jefferies Bache est. for 10/11 and 11/12

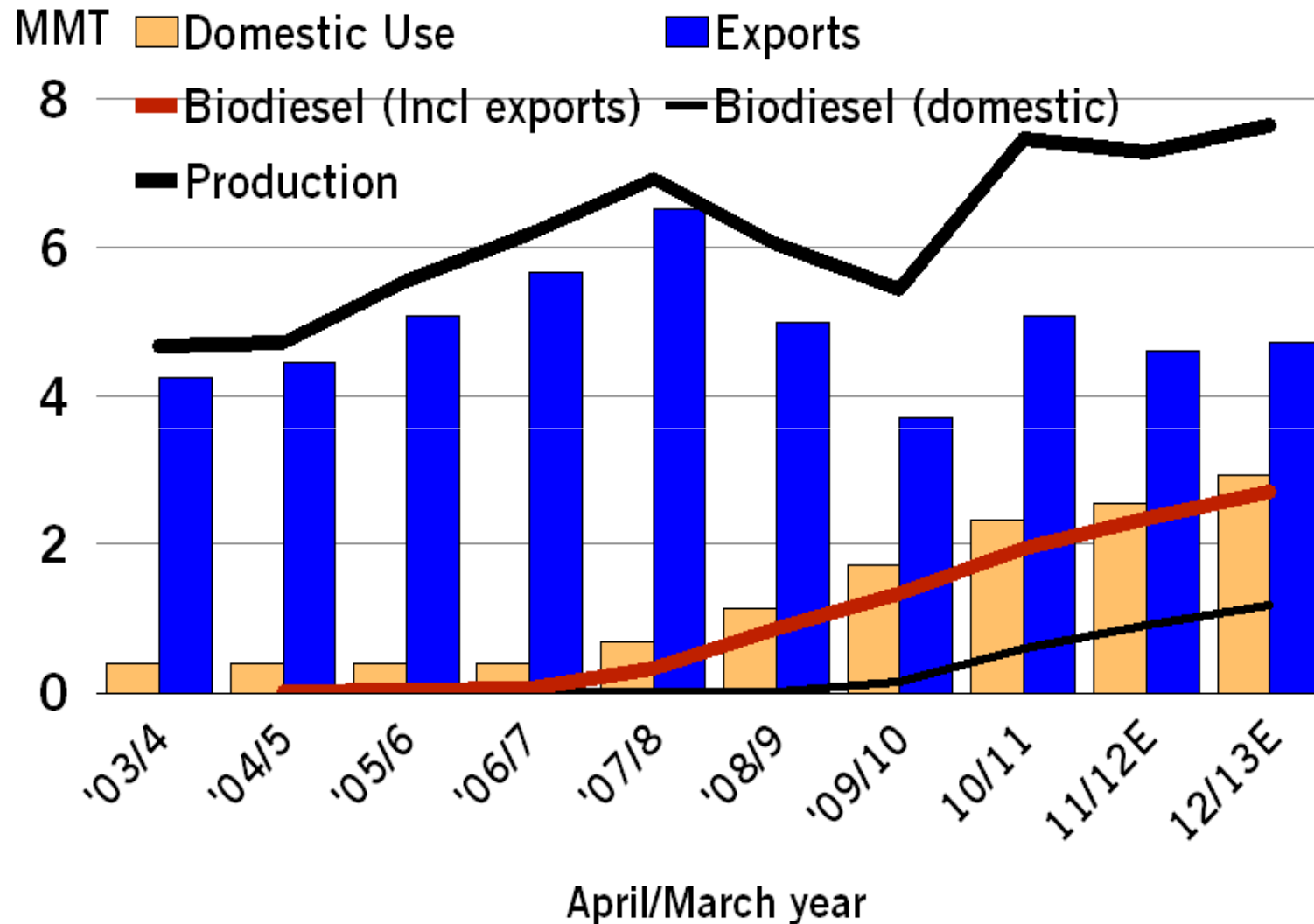
Brazilian soybean oil exports declining



February/January year

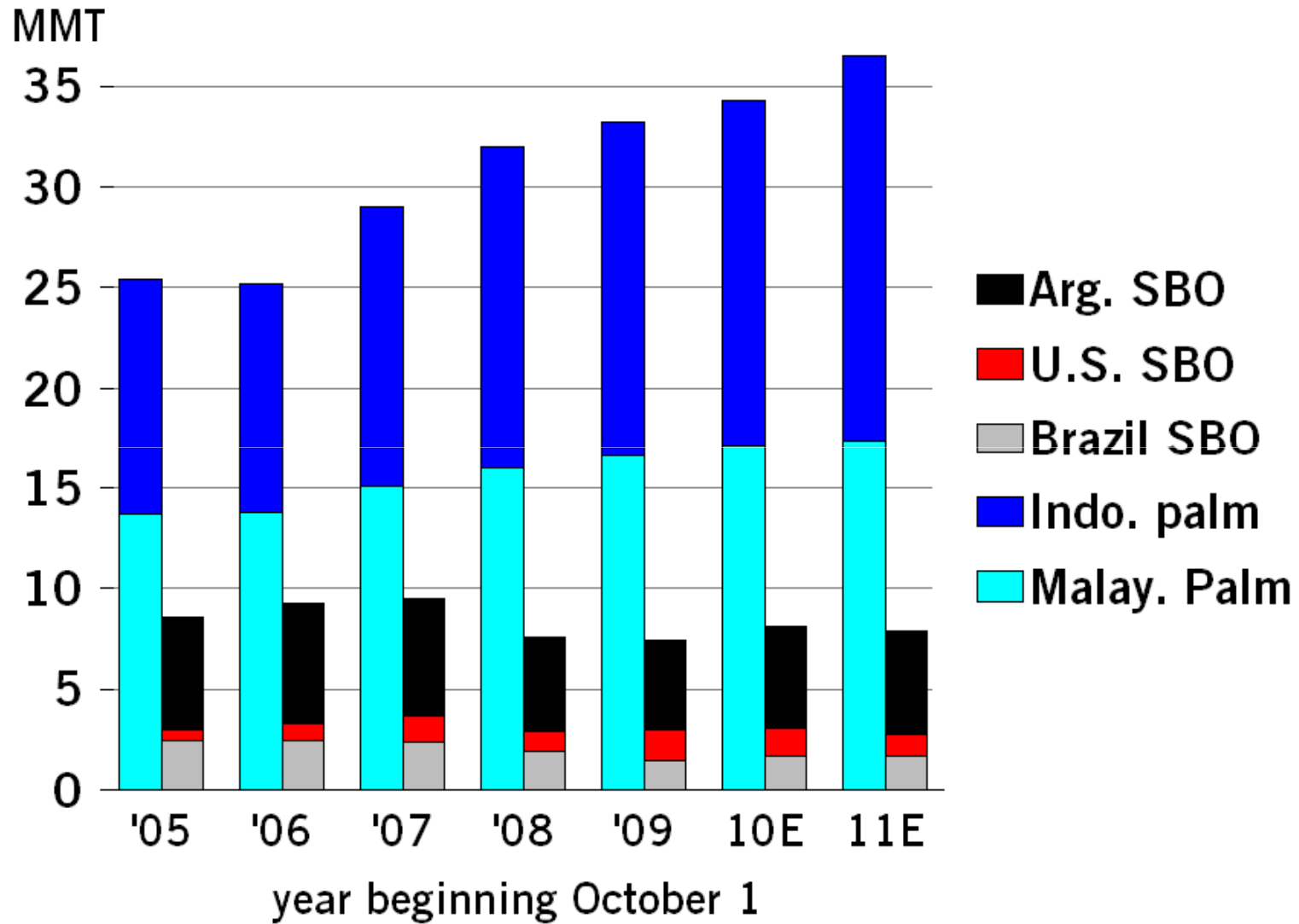
Source: USDA; U.S. Agricultural Attache; Jefferies Bache

Argentine biodiesel output boosting soy oil use



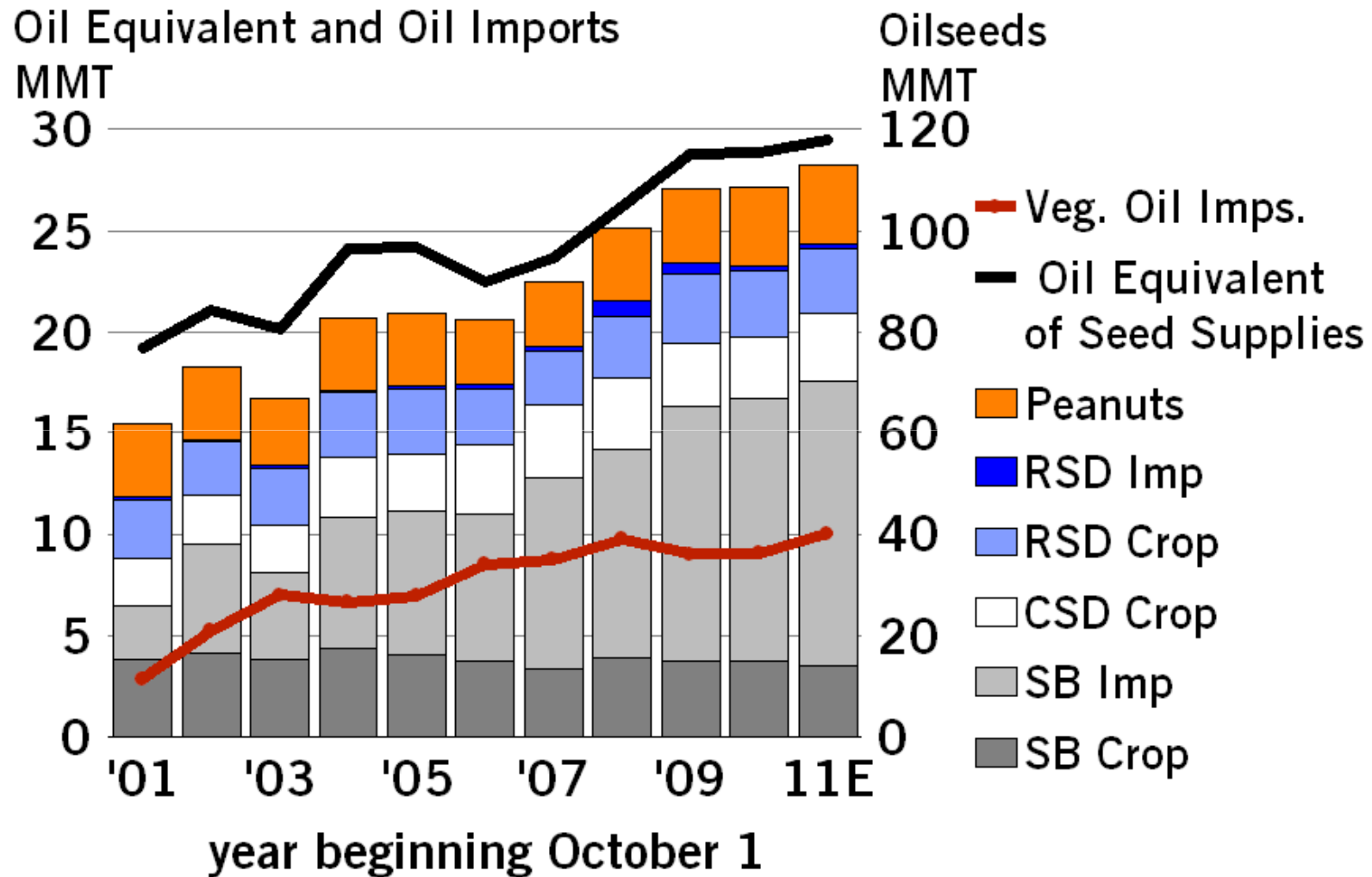
Source: USDA; U.S Agricultural Attache; Jefferies Bache

Palm oil's export share is growing



Source: USDA, MPOB, Jefferies Bache

China's vegetable oil imports to increase?

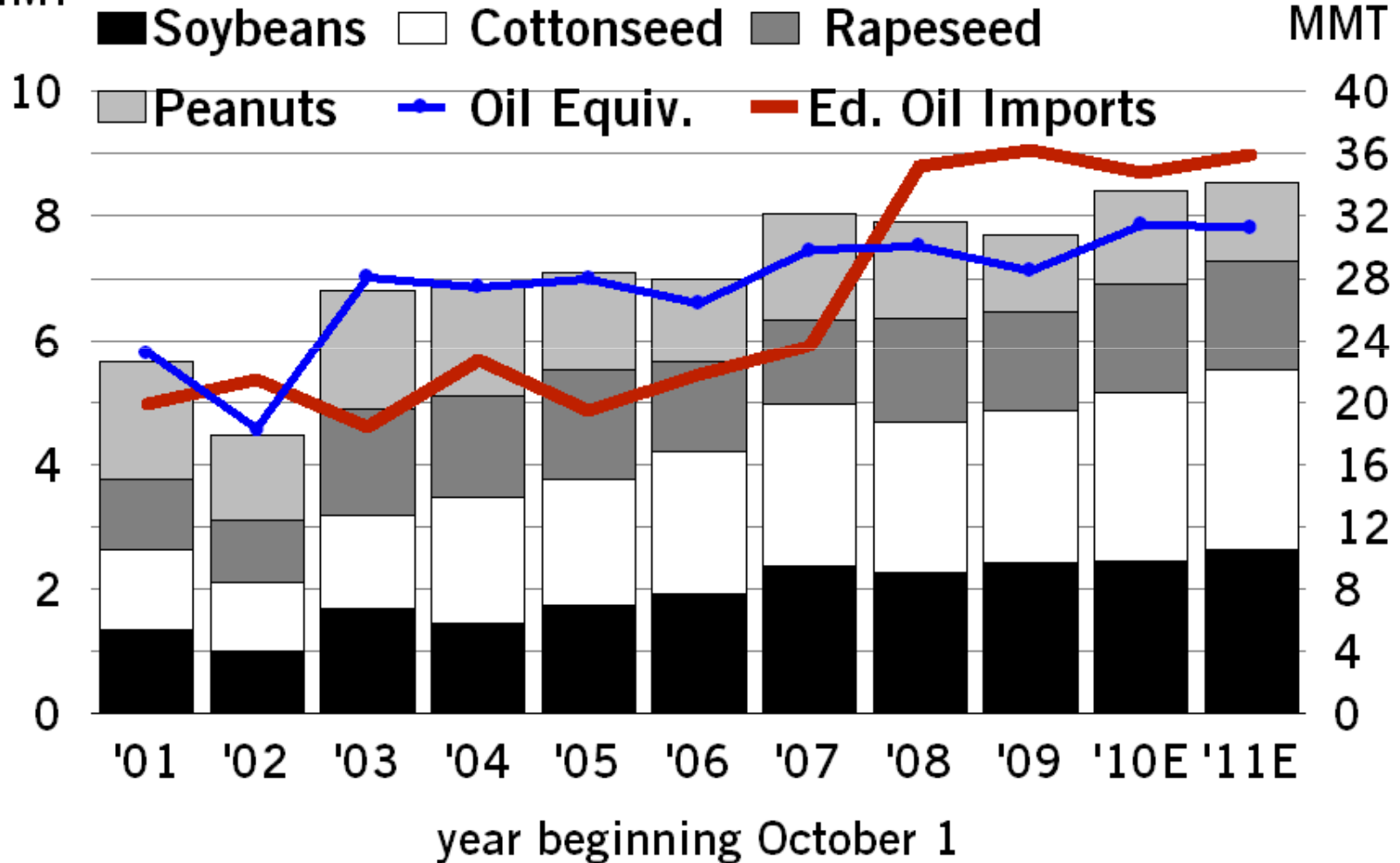


Source: USDA; Jefferies Bache

Record oilseed crop in India but higher imports?

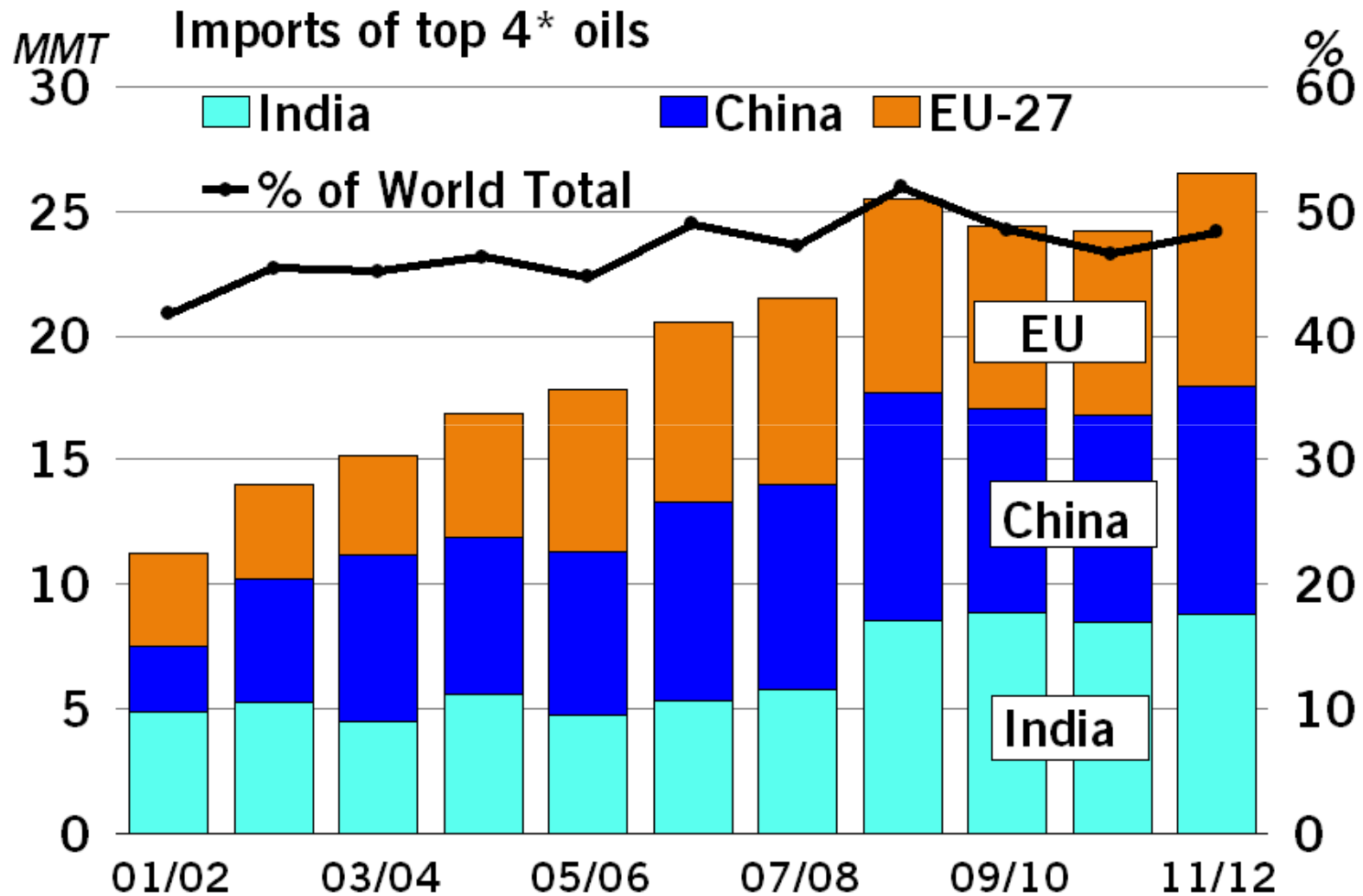
Oil Equivalent of production; Imports
MMT

Oilseed Crop
MMT



Source: USDA; Jefferies Bache

Big 3 importers boosting buys of top 4 oils

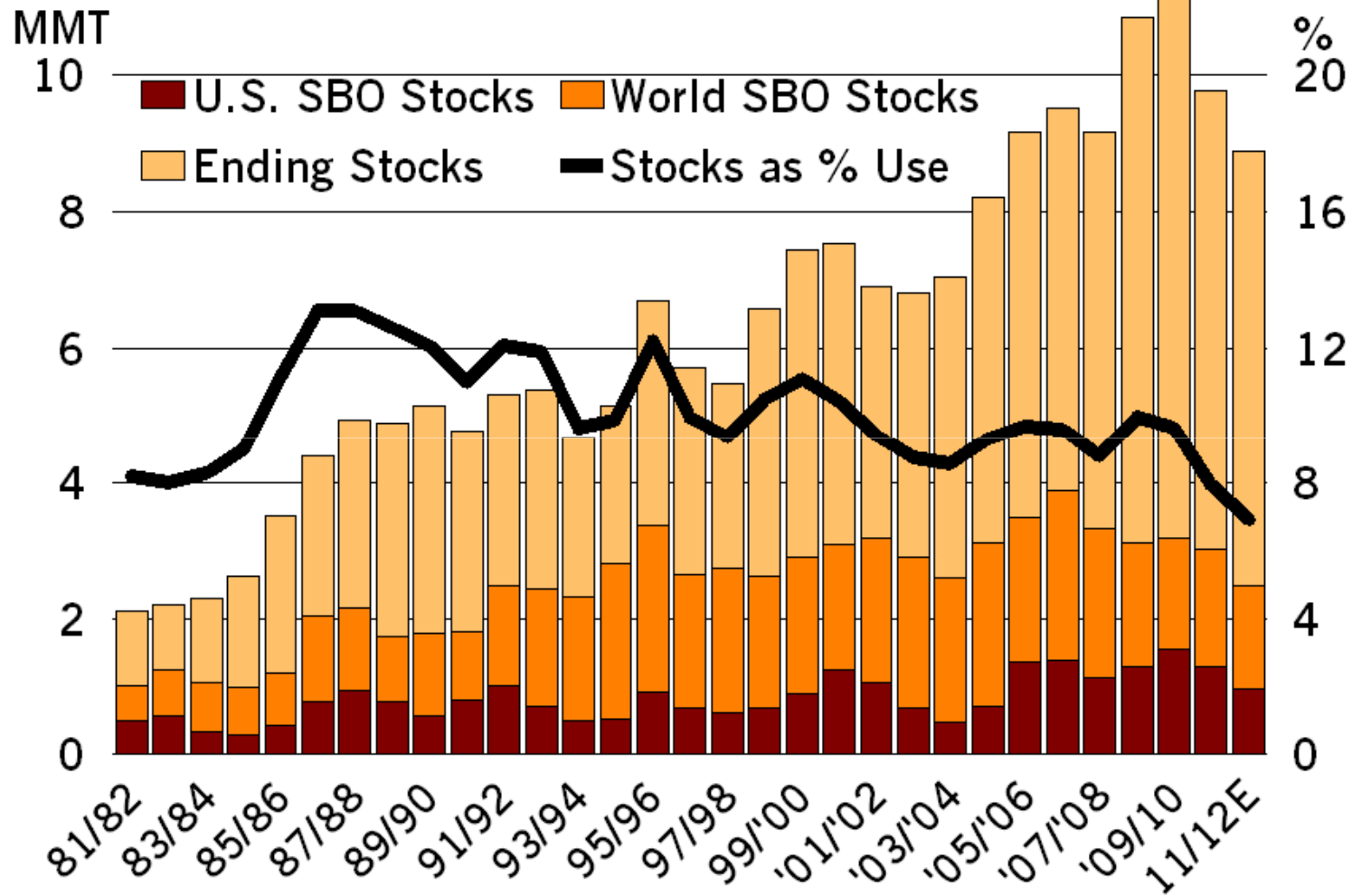


* Palm oil, SBO, rapeseed oil and sun oil

Source: USDA: Jefferies Bache

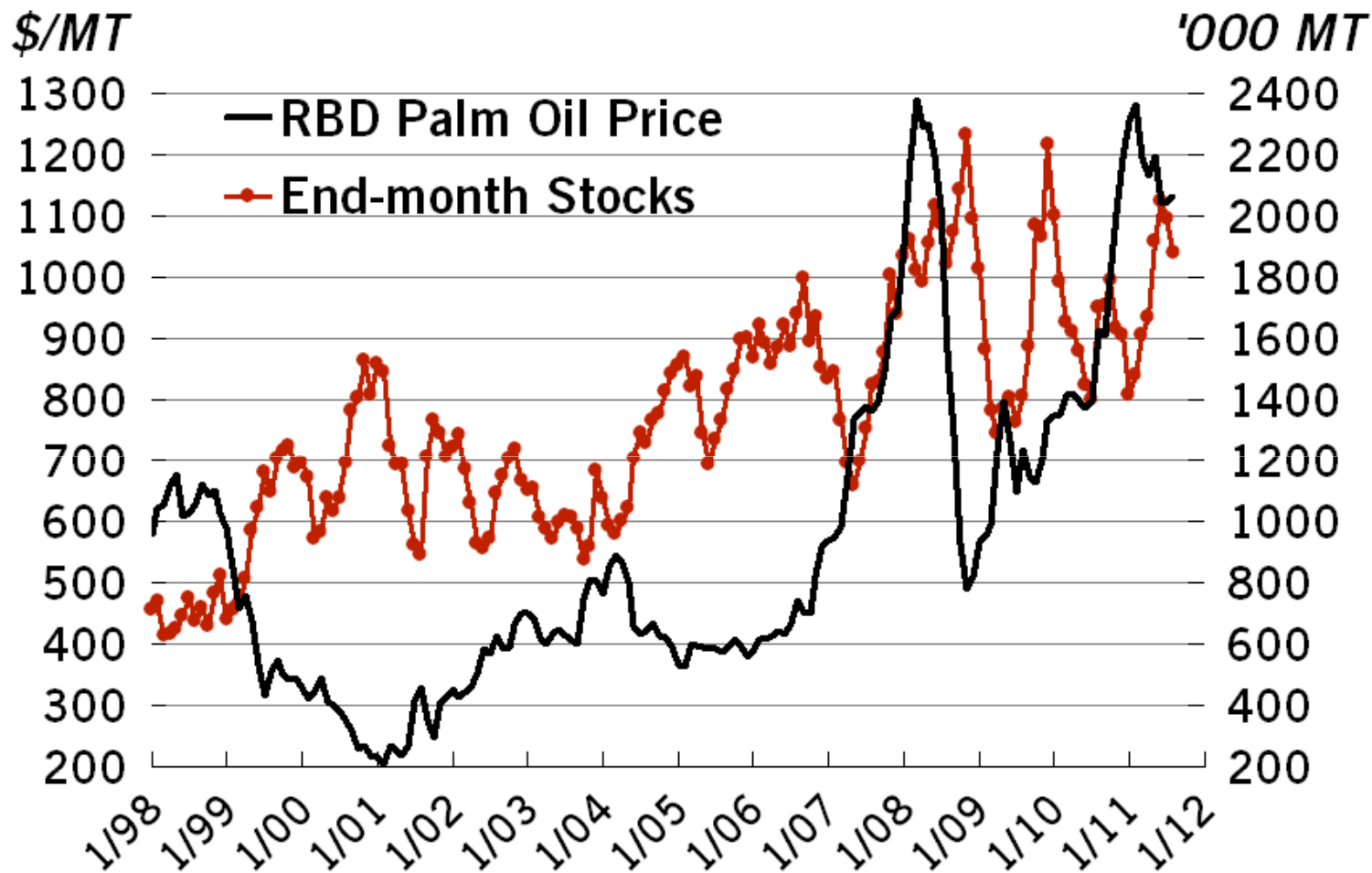
Price-making Factors: Stocks, Cycles

World stocks of Top 4* oils expected to decline



*Palm oil, soybean oil, rapeseed oil and sunseed oil
 Source: USDA; Jefferies Bache

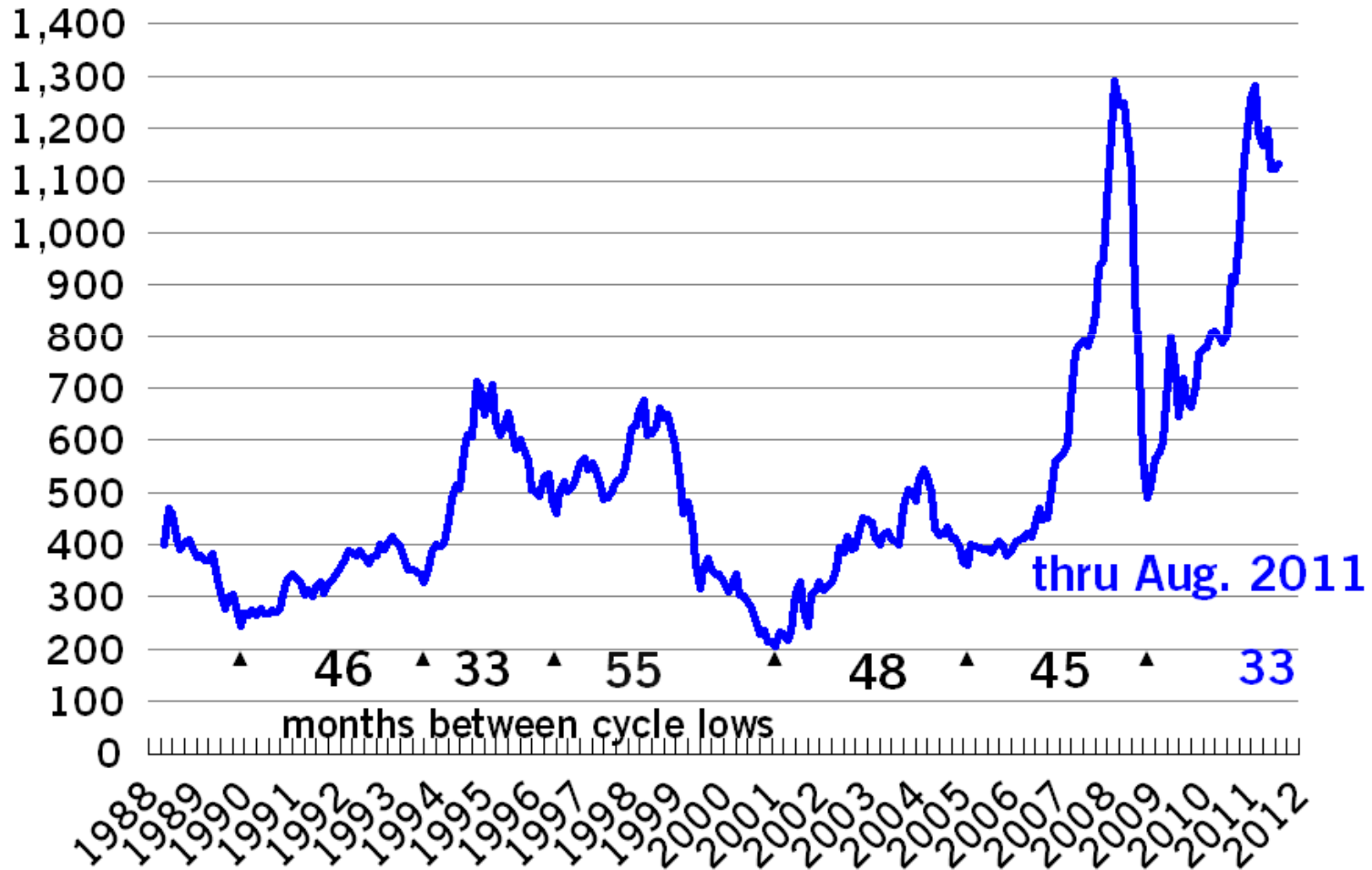
Palm oil price and stocks changes inverted



Source: Oil World; Malaysian Palm Oil Board; Jefferies Bache

Palm oil cycle in bearish phase?

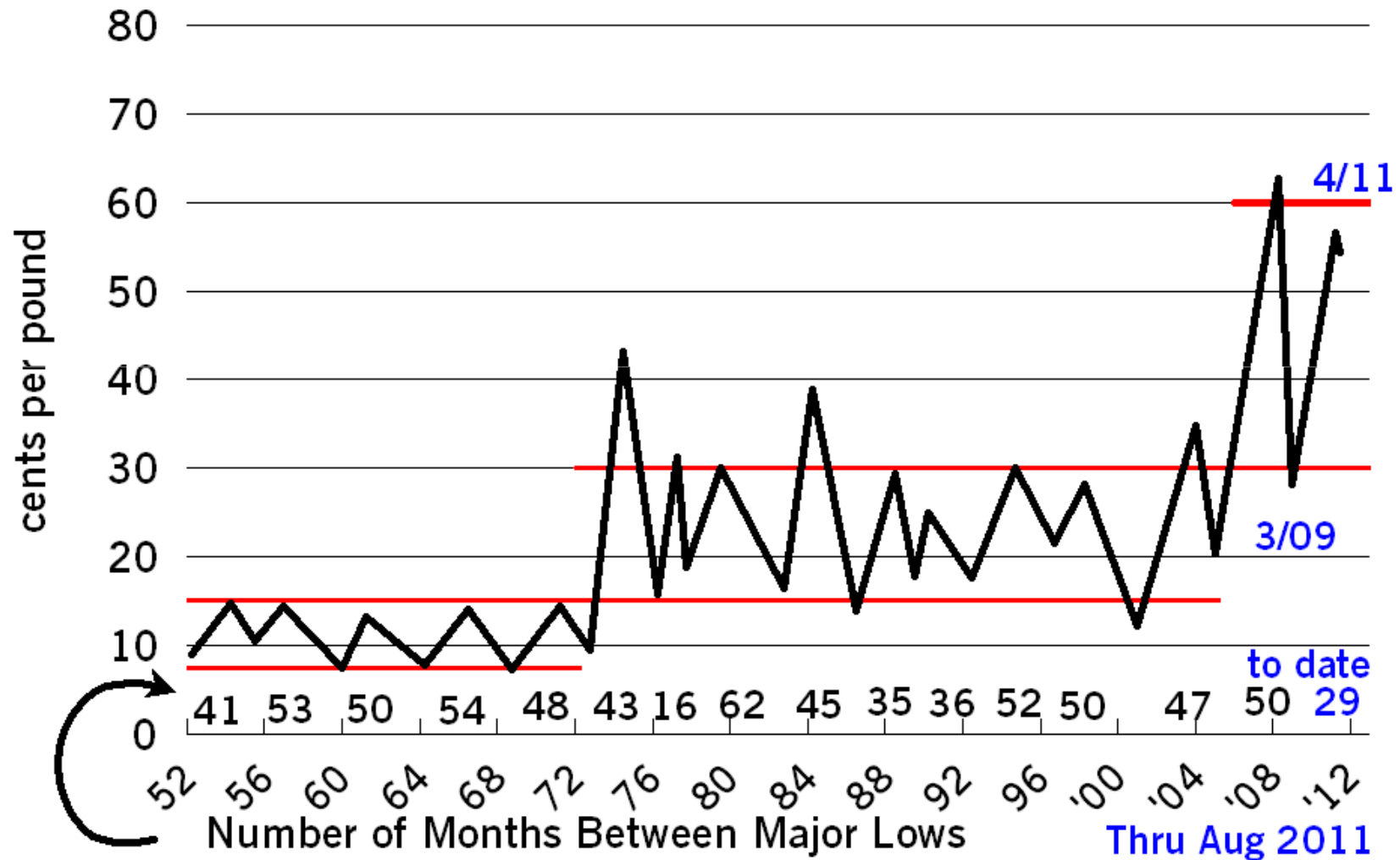
Monthly Average Palm Oil Price; RBD, Malaysia, f.o.b.
(dollars per tonne)



Source: Oil World prices; Jefferies Bache

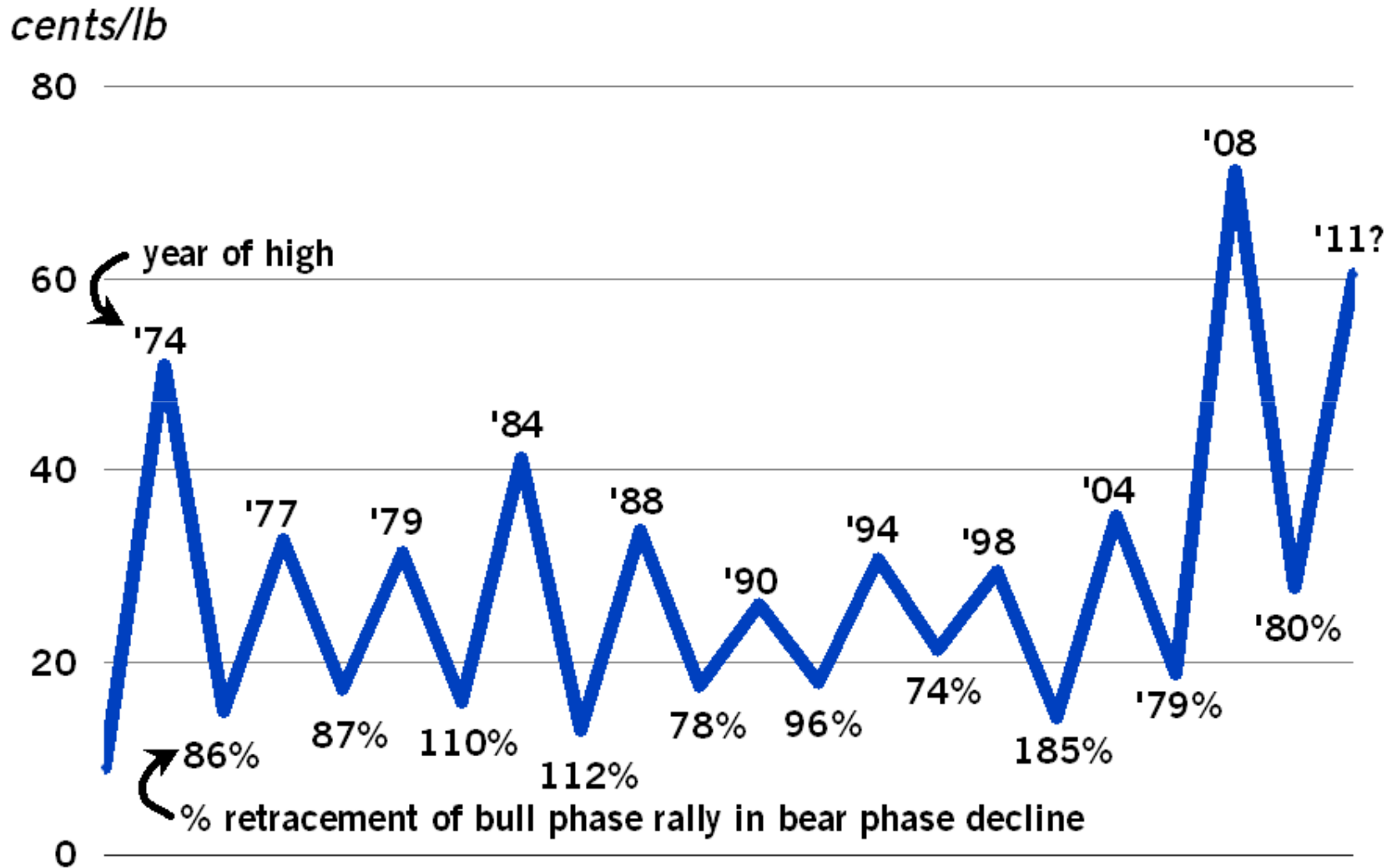
Cash SBO price cycle nearing high?

(Highs and Lows in Average Monthly Prices, Decatur, IL)



Source: USDA; Trade News Service; Jefferies Bache

Past 10 cycles in nearest soybean oil futures show steep retracements



Source: CME Group Prices via CQG; Jefferies Bache

Thank you for your attention

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AFrick@Jefferies.co
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