

# Impact of Macro Economy on Global VegOil Prices

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# Great to be back in KL

- GODREJ – first to introduce RBD Olein in consumer packs in India in 1977
- Many close friends in Malaysian palm industry
- Thank you MPOC for inviting me
- One year since SEA-PORAM joint Seminar



# Background Macros

- New world of QE Infinity
- Negative on Developed World
- Medium growth in Developing World
- China and India will grow faster
- Malaysia is also in a sweet spot
- This is Asia's Century

# PALM

- September MPOB Report
- Kudos to MPOB
- Malaysia's New Export Tax Regime – exactly the right move
- Will it eliminate the high stocks ?
- Strong production, flat demand, collapsing bio diesel demand – what is the cure ?



# PALM

- A bit of short term pain can lead to long term gain
- The cure for Low prices is Low prices
- How Low do prices need to go ?
- Is there a Phantom in the BMD ?
- Drop the Phantom and listen to this life-long friend and his free advice !

# The Cure

- BMD futures on 3<sup>rd</sup> position should fall to 2200 Ringgits – CPO CIF Rotterdam \$ 749
- Remove all export taxes and quotas
- Indonesian Export Tax becomes ZERO
- Malaysia advantage due to better logistics
- Energy Demand will be Strong
- Stocks will reduce within 3 months

# Palm Observations

- 2012 production 18 to 18.2 mln mt
- 2013 production will estimate at Bali
- 2012 Indonesian production – 27.5 +
- Take note of the EU Anti Dumping Inquiry against Indonesian bio diesel producers
- Forget cooperation between Malaysia & Indonesia



# Palm Observations

- Discount of palm to soya – not unusual and does not automatically give higher market share
- Import Duty on CPO in India ? Yes but not immediately
- Why did my earlier forecast of 4000 Ringgits by 30 June 2012 go wrong ?



# Palm Incremental Demand

- Macros were bad
- I got my Incremental S&Ds wrong
- Over-estimated Bio diesel demand
- Veg oil used in bio diesel in 2011-12  
DECREASED
- New S&Ds at next conference

# PRICE OUTLOOK

- Macros do not look bullish
- Cyclical bull market in commodities may be over
- Energy prices
- All said, we should get to 2200 Ringgits on BMD 3<sup>rd</sup> position within next 4 to 6 weeks



# CONCLUSION

- Overall outlook for our industry is very bright
- Best wishes for RSPO and RT 10
- Remember : Some short term pain will give handsome long term gain
- Thank You, MPOC
- Good Luck & God Bless

