

Global Supply & Demand Outlook

Presentation at the Malaysian – China Palm Oil Trade Fair & Seminar POTS on
29 Nov 2012, in the Le Meridien Hotel, Chongqing, China

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Who is OIL WORLD?

- **ISTA** Mielke GmbH – publisher of OIL WORLD - was founded in 1958
- **ISTA = International Statistical Agricultural Information**
- Independent, not involved in trading
- Leading private authority for global research and market analyses for oilseeds, oils & fats and oilmeals
- unbiased information on the past and current global supply, demand and price developments as well as forecasts
- Daily, weekly and monthly publications



Palm oil under considerable price pressure in past 4 months

Record stocks end-Oct 2012 in Malay. & Indon.

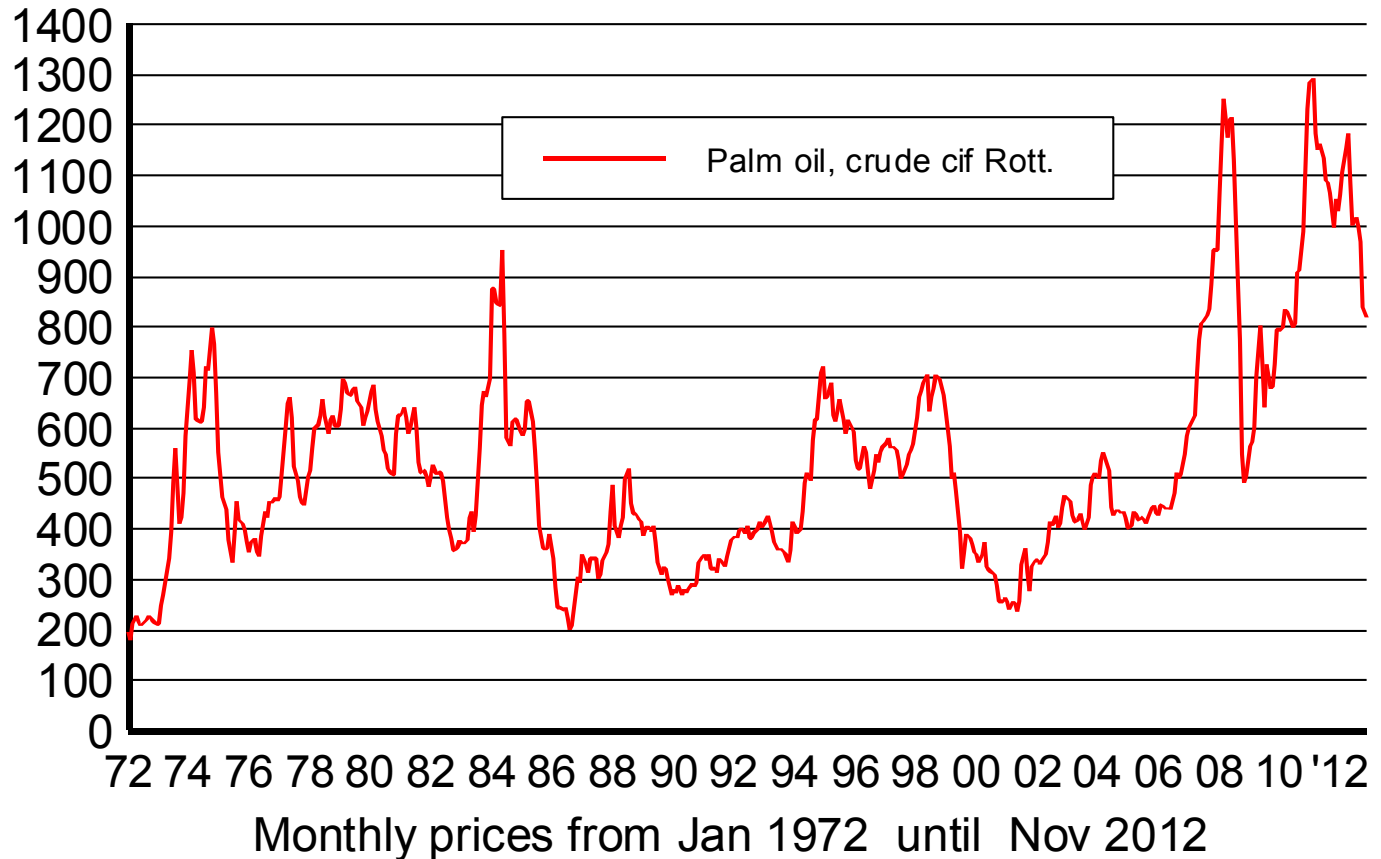
Huge production

Non-tariff trade barriers (French 300% tax prop)

Negat. macro-economic factors (e.g. debt in the EU and the USA)

Biodiesel dynamics lost

Palm Oil: Monthly Prices (US-\$/MT)



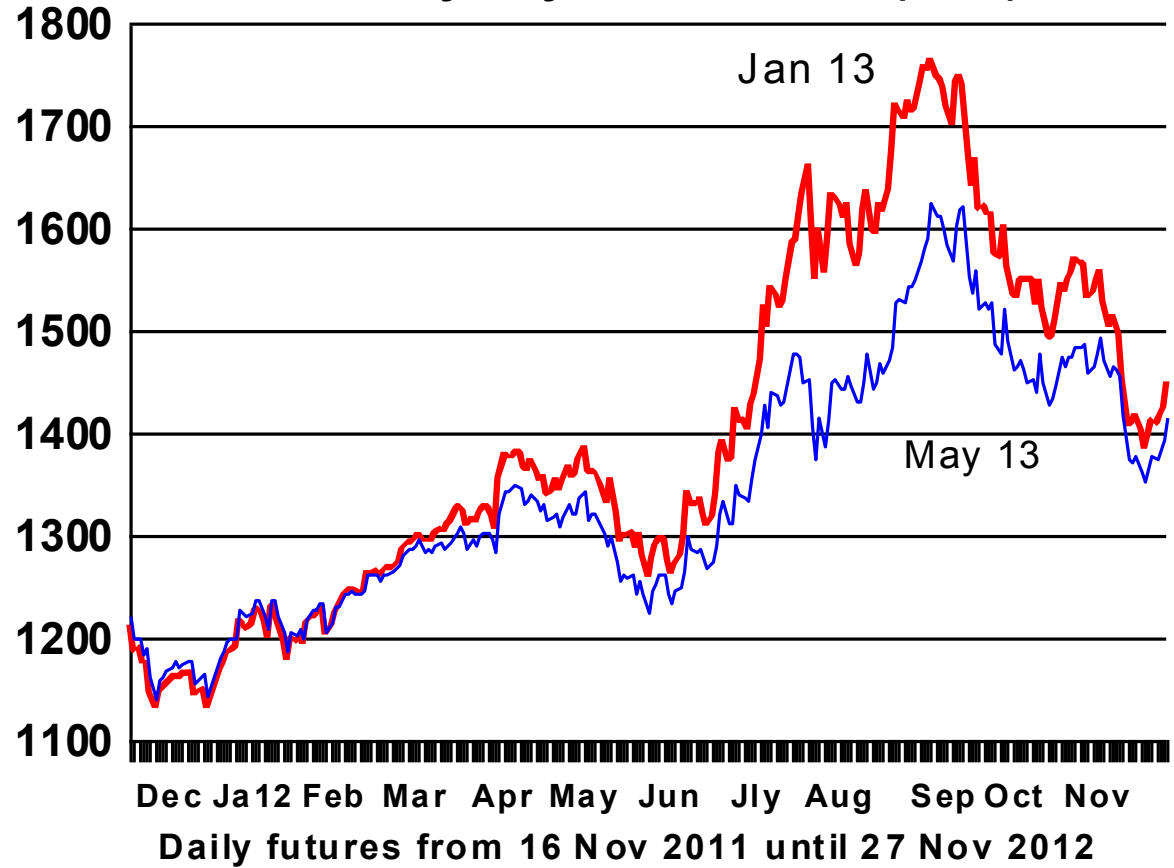
Soybean futures plummeted by 20% or 4 \$ per bushel from the highs

Thus all the US drought induced gains were lost

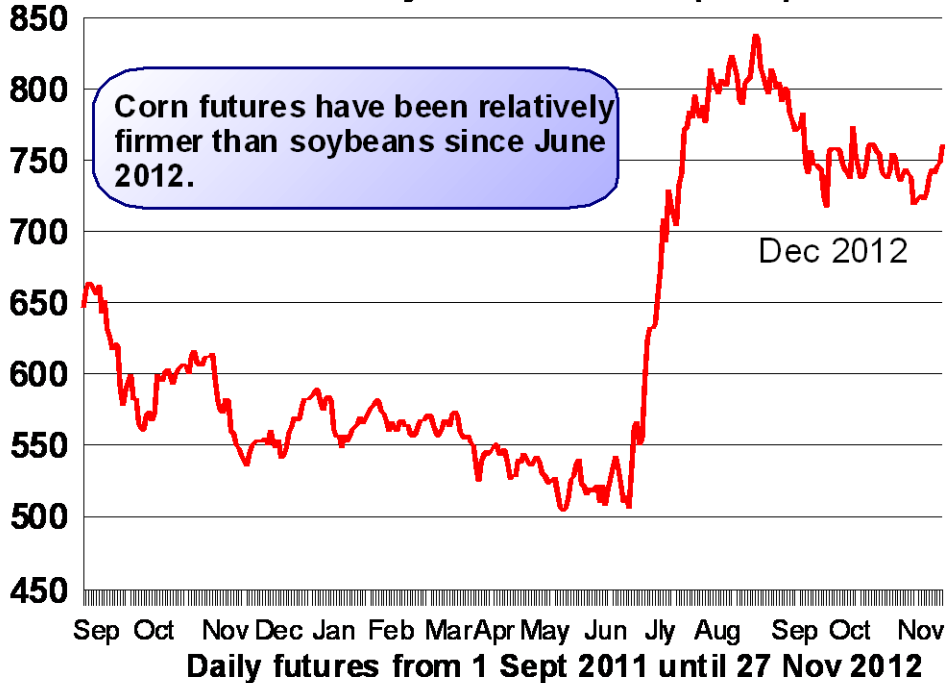
**Heavy long liquidation
Overdone !
The tightness not over.**

**But many uncertainties,
primarily regarding
South America**

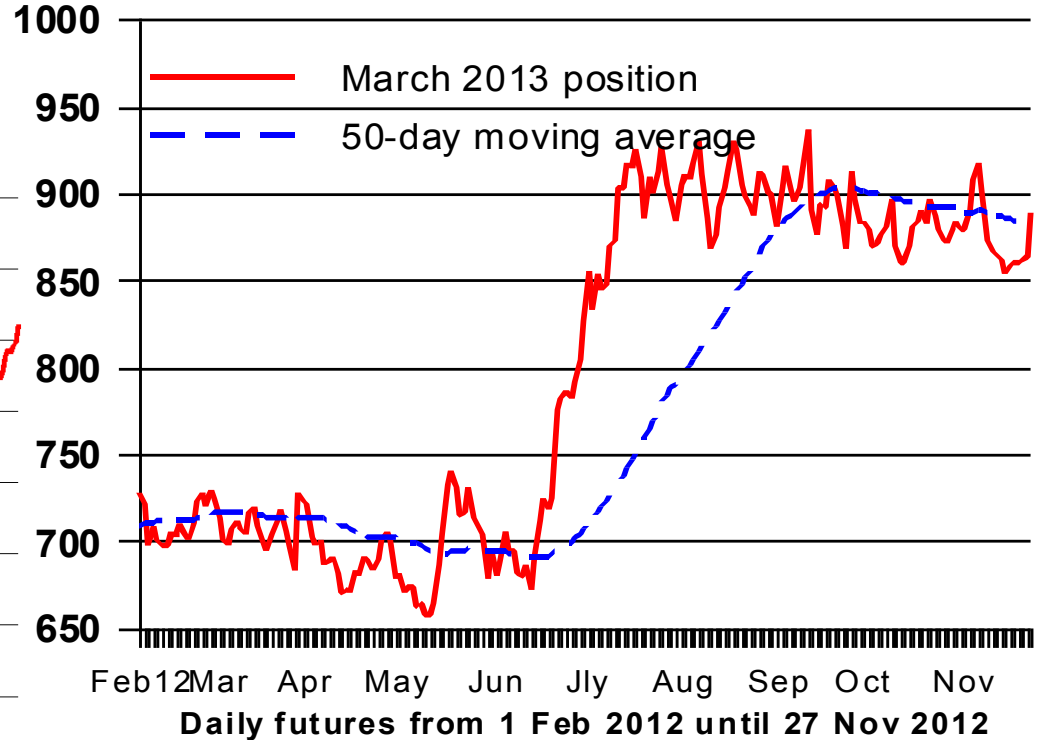
CBOT Daily Soybean Futures (c/bu)



CBOT Daily Corn Futures (c/bu)



CBOT : Daily Wheat Futures (c/bu)



Introductory Statements

- **Fundamentals: There is a volume problem globally in oilseeds, oils and oilmeals, which will keep prices high until stocks are replenished**
- **Insufficient stock building in „good years“**
- **Limitation of land & water. Need for higher yields.**

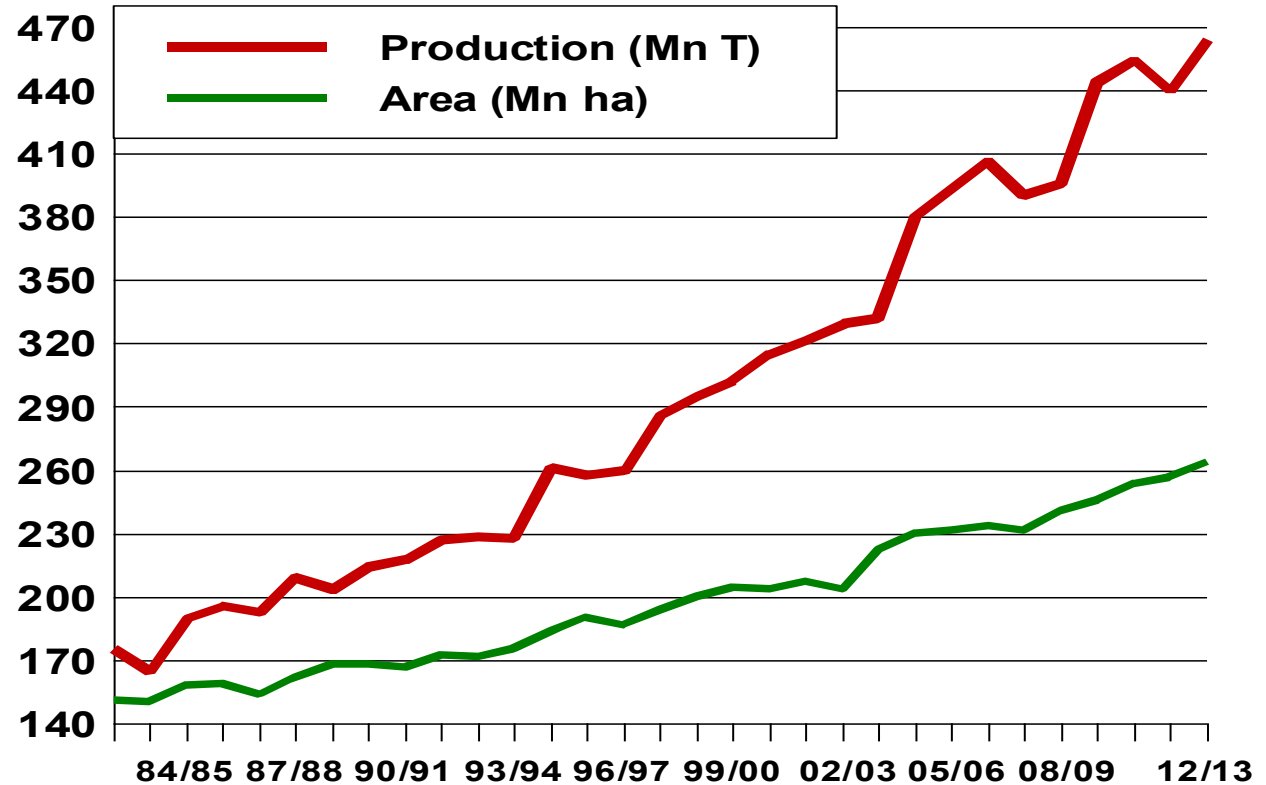
- **In 2011/12: Production deficit for 10 oilseeds of about 22 Mn T (cutting world stocks)**
- **Another decline in world supplies in Sept/Febr 2012/13, primarily in soybeans (down 24 Mn T),**



10 OILSEEDS :

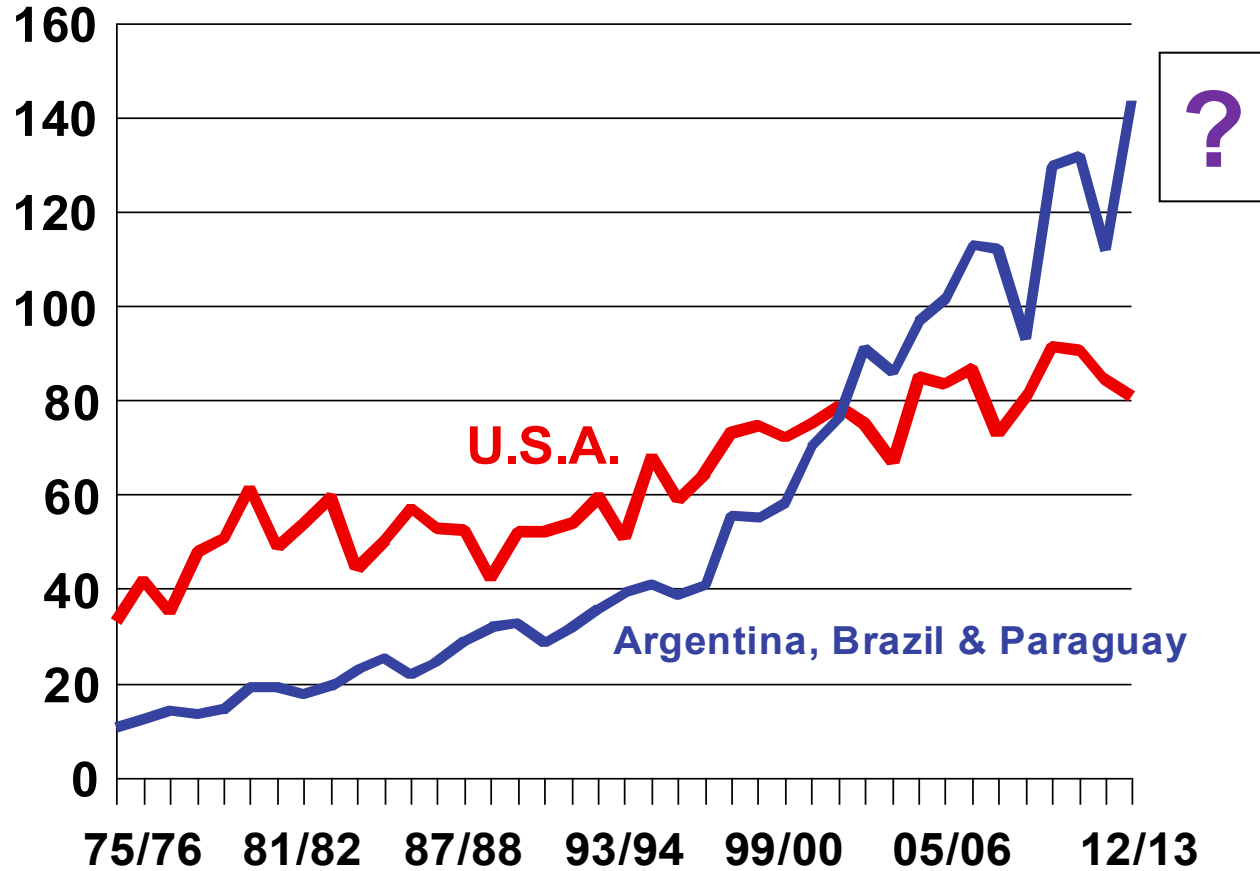
- Very strong demand in the past 10 years
- Excellerated growth caused by food demand & biodiesel
- Annual growth in 10 years to 2012/13: area + 6.0 Mn ha production +13.5 MnT
- Annual growth in 20 years to 2002/03 : area + 2.7 Mn ha production +7.7 Mn T

10 Oilseeds: World Area and Production



- US soybean supply at a 9-year low
- US soybeans is facing increased competition from corn for acreage (again in 2013)
- Rising global dependence on South America

Soybean Crop Trend Since 74/75 (Mn T)



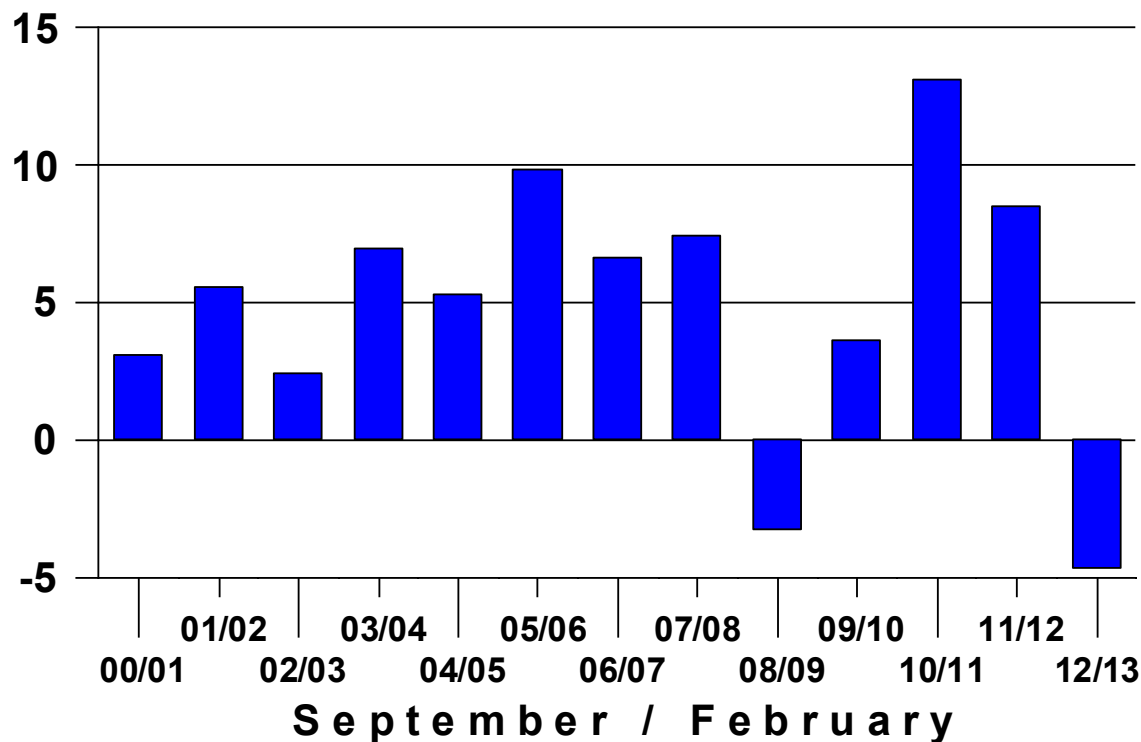
World crushings of 10 oilseeds forecast to suffer an unprecedented drop of almost 5 Mn T in Sept/Febr 2012/13.

In contrast, crushings jumped by 8.4 Mn T a year ago and by 5.8 Mn T per annum on the average of the past 14 years.

Soya meal (market share 62% of all meals) is more affected than soya oil (only 23%)

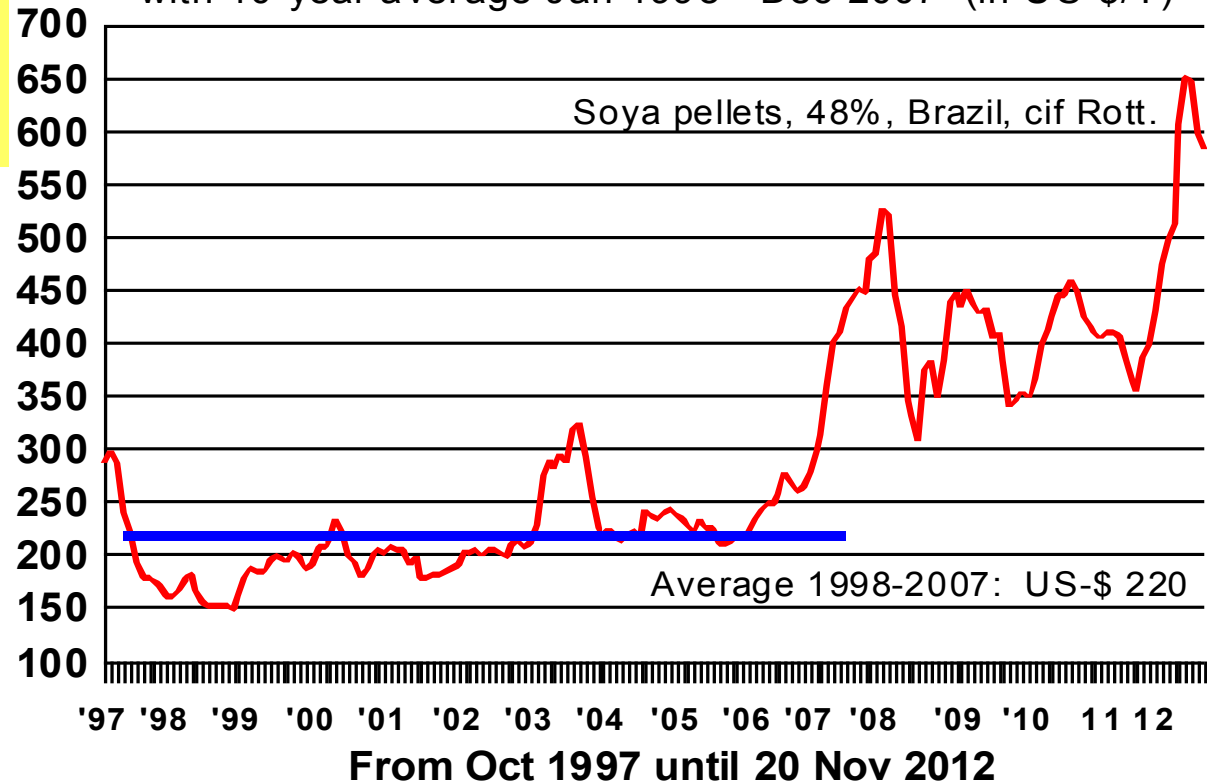
World Crushings of 10 Oilseeds (Mn T)

(Change in Sept/Febr from a year earlier)



World soya meal production, trade and usage declining in Oct/March 2012/13.

Monthly Prices of Soya Meal, 48%, Brazil with 10-year average Jan 1998 - Dec 2007 (in US-\$/T)



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Tightness in Soybeans & Products in Sept/Febr 2012/13

In Sep/Febr 2012/13 world soybean supplies down 24 Mn T

Little rationing in world soybean consumption so far this season.

World stocks of soybeans small at only about 49 MnT in early 2013 and 21 Mn T below a year ago.

SOYBEANS : Estimated World Stocks (Mn T)

	<u>2013F</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Brazil . . . Jan 1	1.0*	5.4*	3.2*	1.7*	6.2*
Paraguay Febr 1	0.1*	0.2*	0.3*	. *	. *
Argentina March 1	2.3*	3.6*	4.6*	4.4*	6.6*
U.S.A.. . . March 1	29.5*	40.0*	36.0*	35.5*	37.1*
China . . . March 1	10.8*	15.3*	17.2*	11.6*	10.0*
Oth. ctrs.. March 1	5.6*	5.6*	6.8*	5.0*	3.1*
WORLD	49.3*	70.1*	68.1*	58.2*	63.0*
<i>in % of use</i>	39%	55%	54%	52%	

A Record Low



Increasing concern that South American soybean production may not increase by 33 Mn T to 149 Mn T in early 2013

SOYBEANS: Output in 5 South American Ctries (Mn T)

	<u>2013F</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Brazil . . .	81.00*	66.80*	75.32	68.69	57.17
Argentina	54.00*	40.50*	49.20*	53.80*	31.50*
Paraguay .	8.60*	4.50*	7.38*	7.10*	4.15
Bolivia . . .	2.45*	2.37	1.78*	1.65*	1.62
Uruguay .	3.10*	2.40*	1.83*	2.00*	1.17
Total	149.15*	116.57	135.51	133.24	95.60

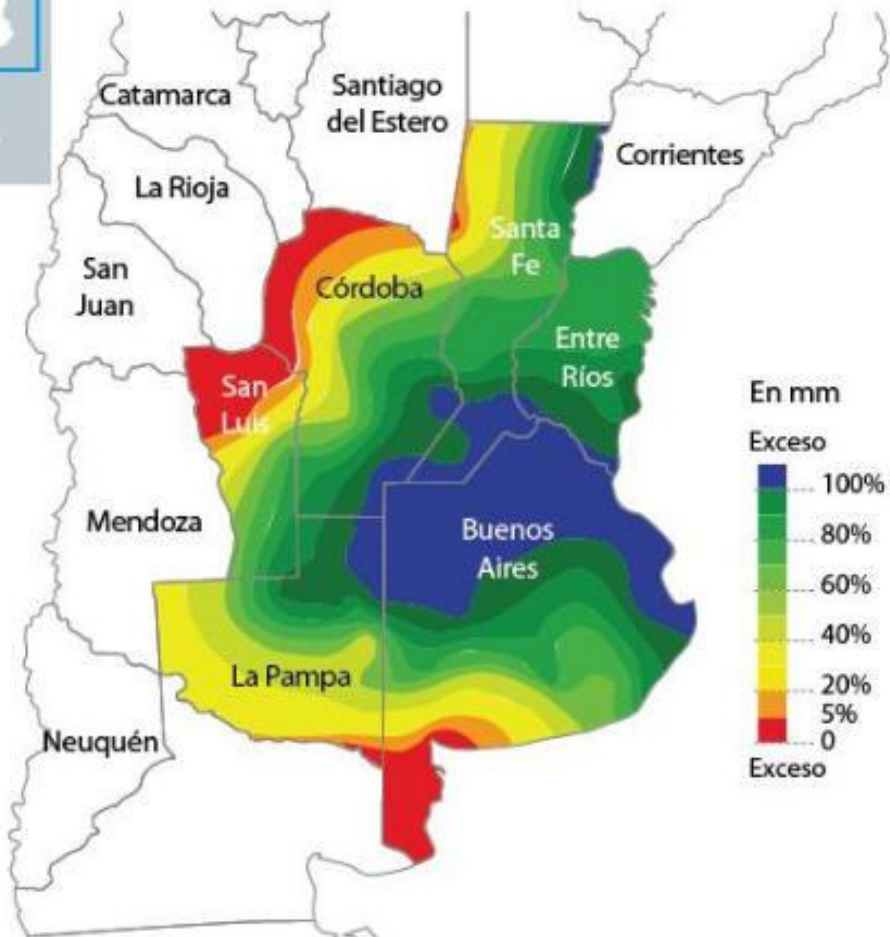


Could be Lower, due to weather anomalies



El castigo de la inundación

La reserva de agua útil en el suelo ya superó el máximo tolerado en gran parte del territorio bonaerense



Fuente: Servicio Meteorológico Nacional / LA NACION

The Situation on Oct 31 in Argentina:

- 12-15 Mn ha are flooded or are excessively wet
- Farm machinery cannot enter for 2-3 weeks
- Nov the most important month for plantings

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Floodings in Argentina in early Nov 2012



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Floodings in Argentina in early Nov 2012



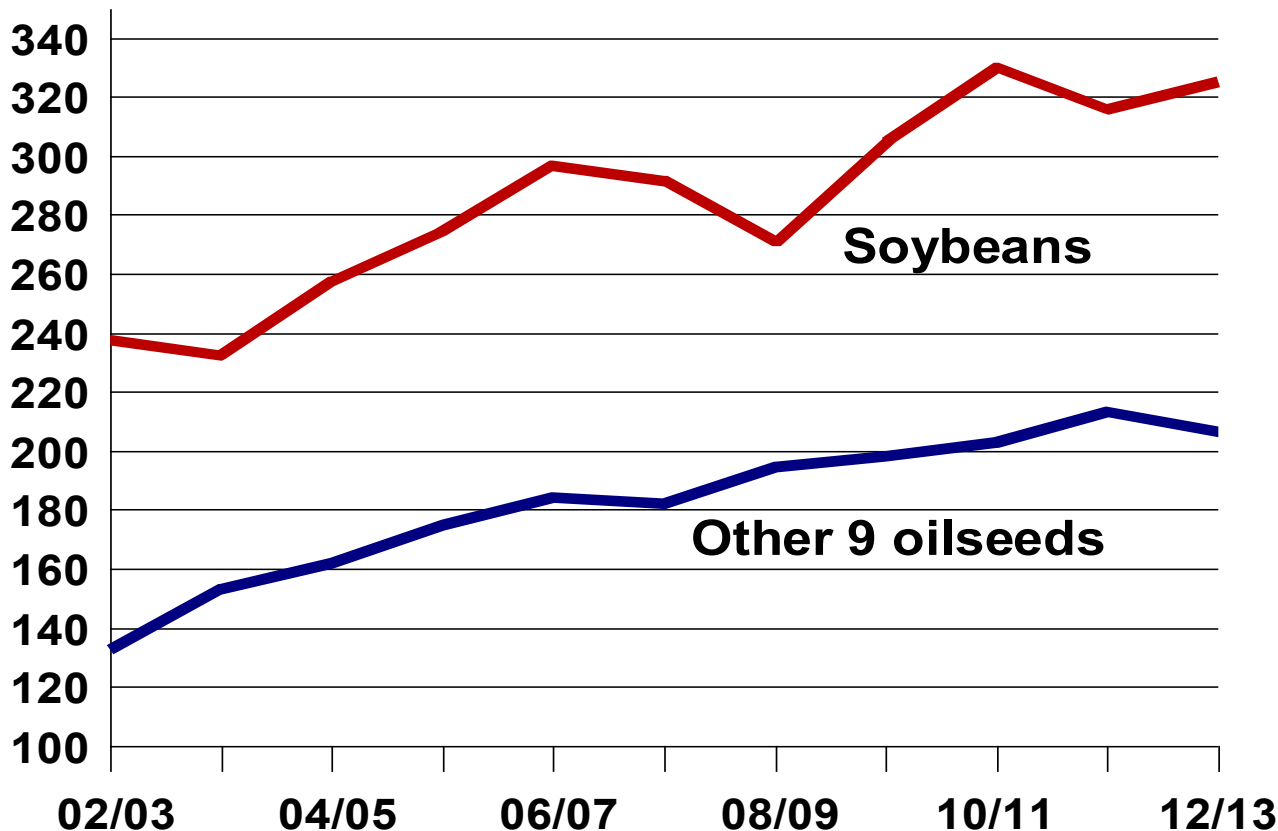
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SOYBEANS: Sharply reduced opening stocks (down 22 Mn T) likely to offset most of the prospective increase in production in 2012/13.

In Northern Hemisphere soybean output down 4 Mn T, but boost of 33 Mn T currently expected in S. Hemisphere.

Production of 9 oilseeds other than soybeans to fall by 5 Mn T in 2012/13 contrary to an increase of 10 Mn in 2011/12

10 Oilseeds: World Supply (Mn T)



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**World Production
expected to recover
by 0.8 Mn T in 2012/13,**

of which:

EU 19.1 Mn T (vs. 19.2)

CIS 3.3 Mn T (vs. 3.1)

Canada 14.1 (vs. 14.5)

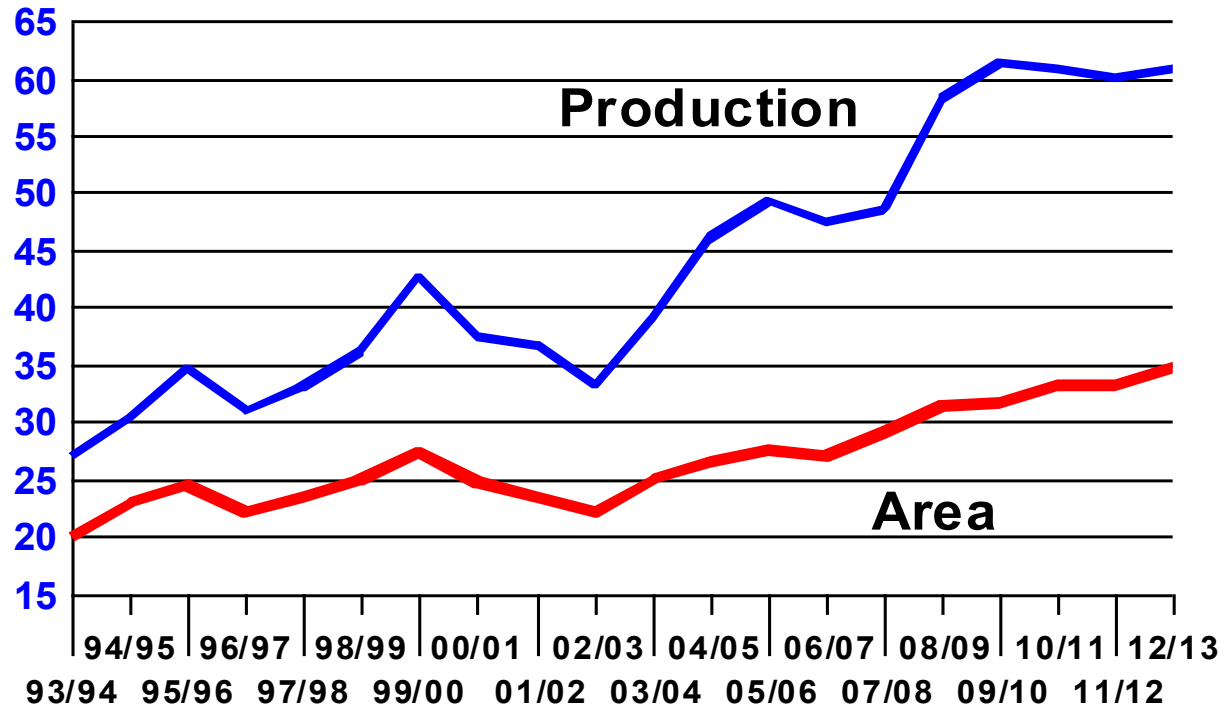
Australia 2.7 (vs. 3.2)

China unchanged or lower

India early 2013 should be up

RAPESEED & CANOLA

World Production (Mn T) and Area (Mn ha)



World Production of Sunflowerseed set to decline by 3.5 Mn T in 2012/13,

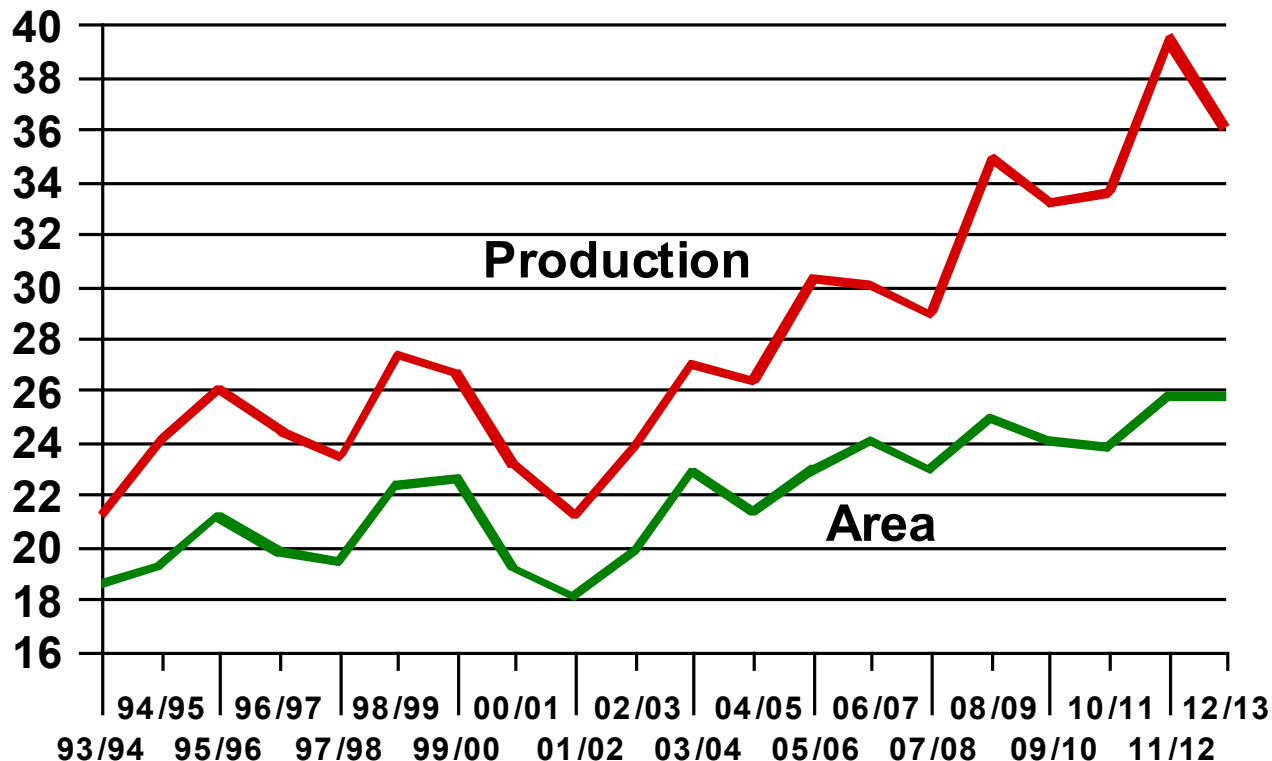
of which :

**CIS 17.2 Mn T (vs. 19.9),
the EU 7.0 (vs. 8.3),
the USA 1.1 (vs. 0.9),
Argentina 3.5 (3.7)**

World sun oil exports to plunge by 1.2 Mn T in 12/13 vs. boost of 2.4 Mn T last season

SUNFLOWERSEED

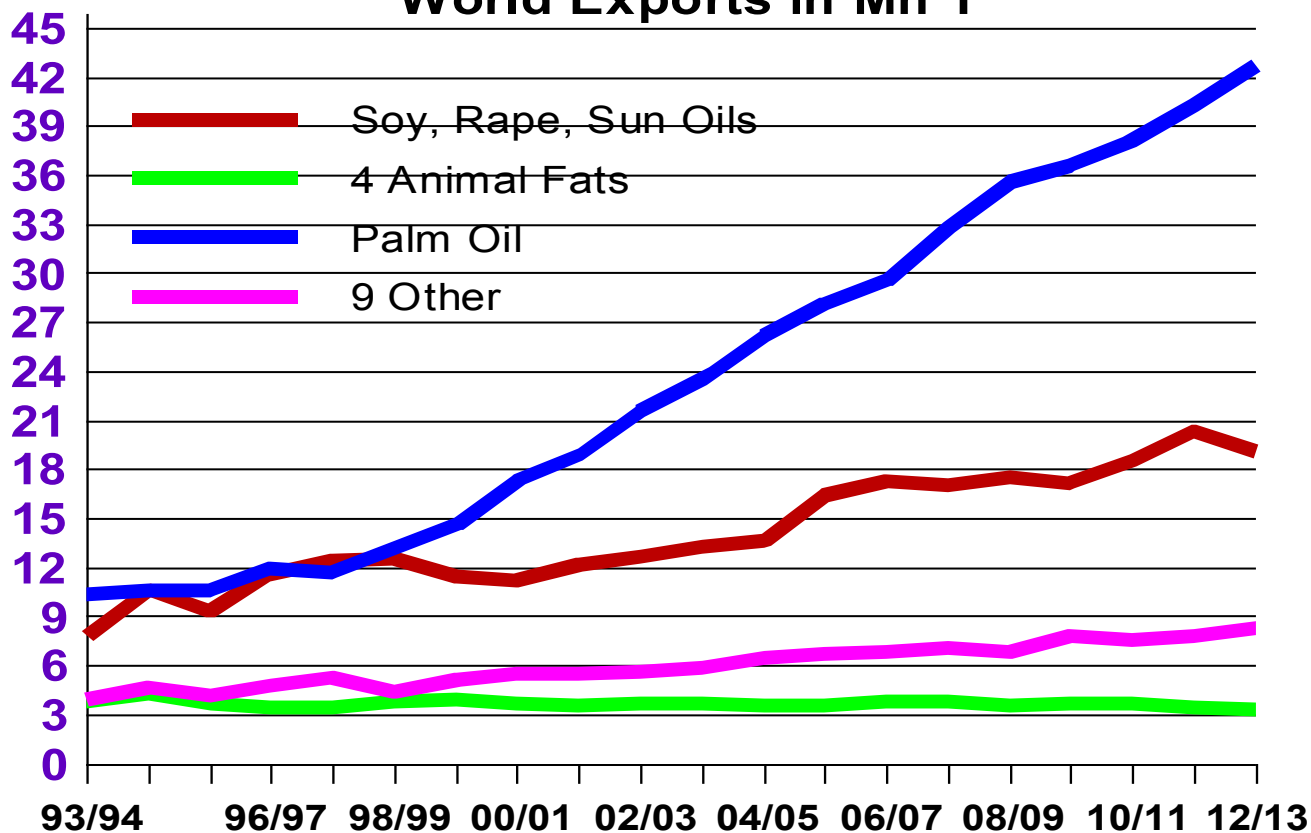
World Production (Mn T) and Area (Mn ha)



17 Oils & Fats

World Exports in Mn T

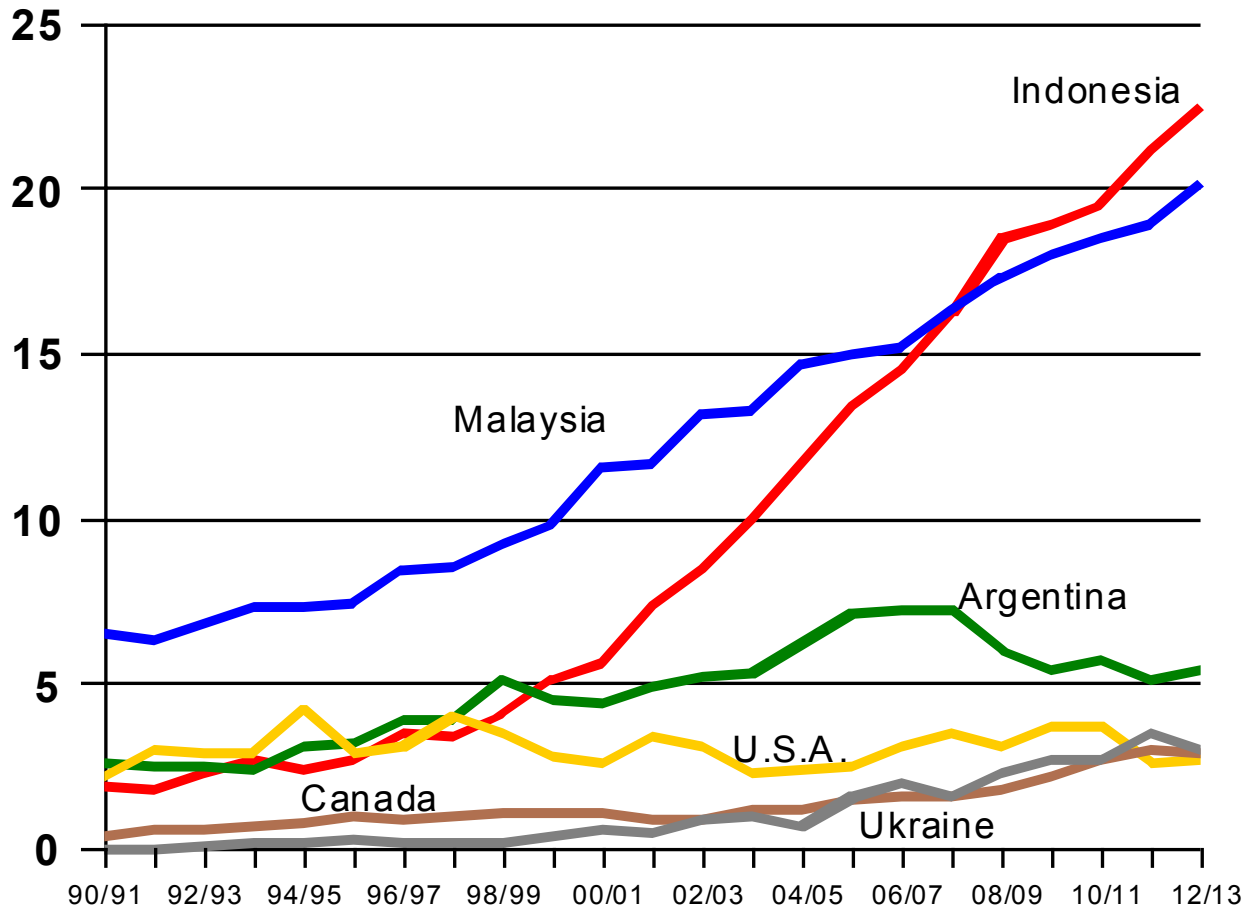
- Global dependence on palm oil will rise in Oct/Sept 2012/13 due to reduced supplies & exports of sun, rape and soya oils.
- Palm oil usage set to rise by 3.6-3.7 Mn T in 2012/13 (vs. +2.6 Mn T in 2011/12)
- Palm oil exports increasing
- Attractive prices



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17 Oils & Fats: Exports of Major Countries (Mn T)

- Indonesia and Malaysia expected export 42.6 Mn T of oils & fats in 2012/13,
- .. thus accounting for 58% of world exports all oils & fats.



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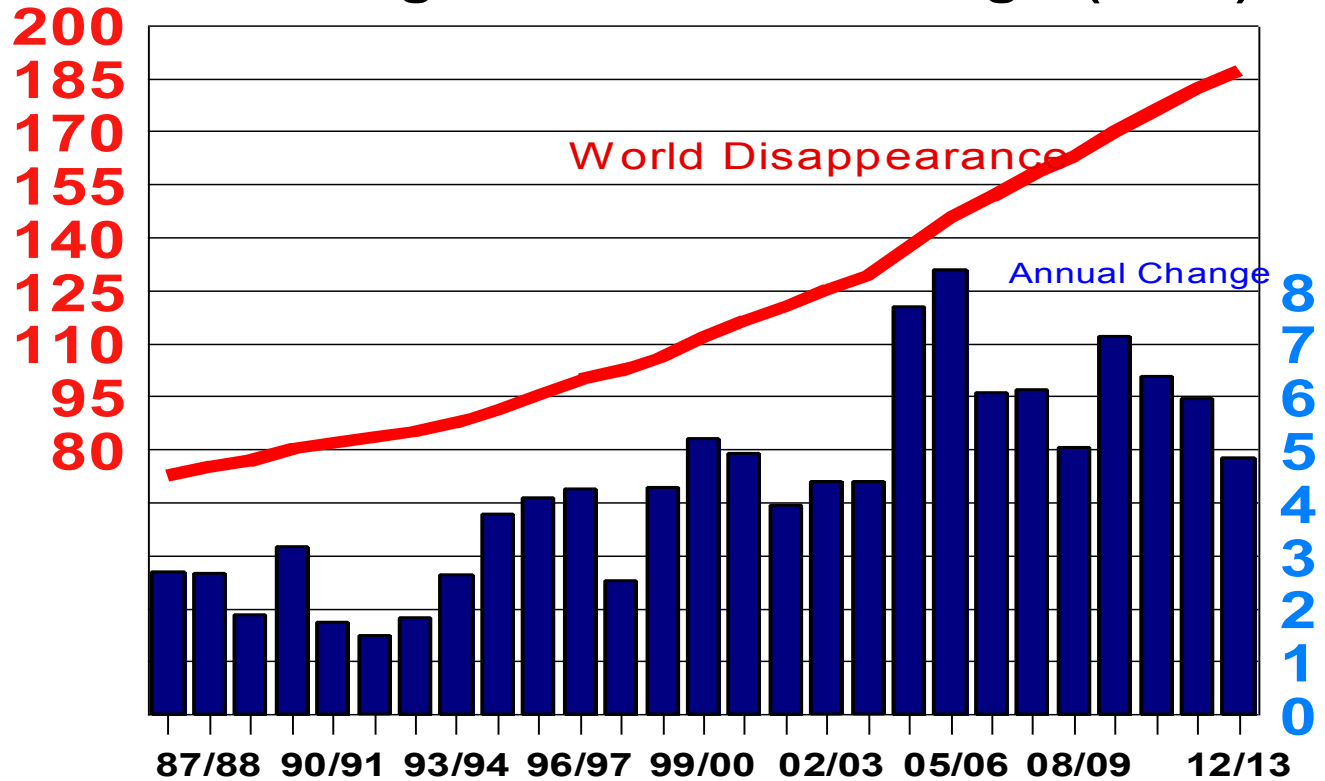
Rising World Consumption of Oils & Fats

Demand Growth
doubled in past 10
years (up 59 Mn T)

- biofuels (24 Mn T or 13% in 2011/12)
- population
- income

But major slowing
down since mid-2012

17 Oils & Fats : World Disappearance Total Usage and Annual Change (Mn T)



Contributions of the Individual Oils & Fats

In 2011: Portion of World Consumption used for :

	biofuels	food	oleochemicals	other
▪ Soya oil :	18%	76%	4%	2%
▪ Palm oil :	10%	77%	9%	4%
▪ Rape oil :	25%	68%	4%	3%
▪ Sun oil :	2%	96%	1%	1%
▪ Tallow:	17%	16%	52%	15%

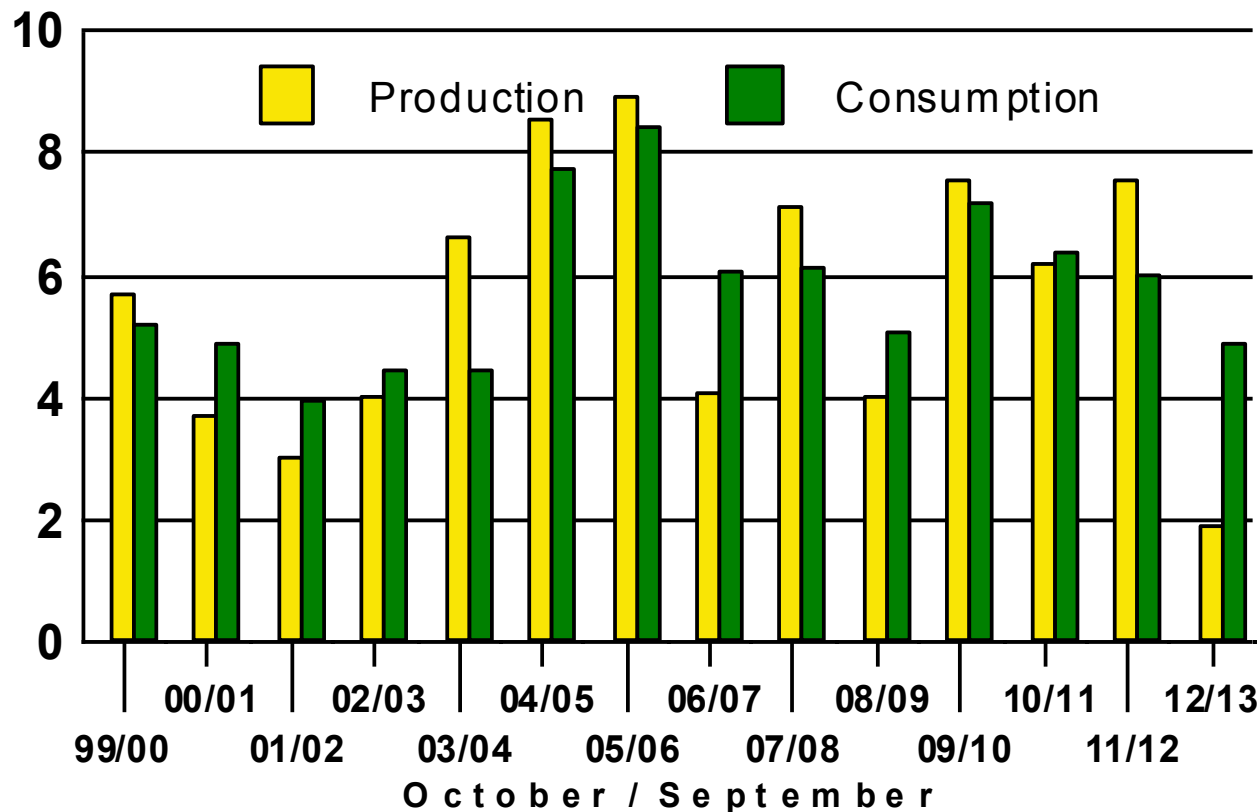


**Production deficit
developing in 12/13
despite slower
consumption growth.**

**Reason: Insufficient
oilseed supplies and
reduced crush --> for
the 1st time in 20 years
world seed oil output is
not increasing in 12/13**

17 OILS & FATS: Production & Consumption

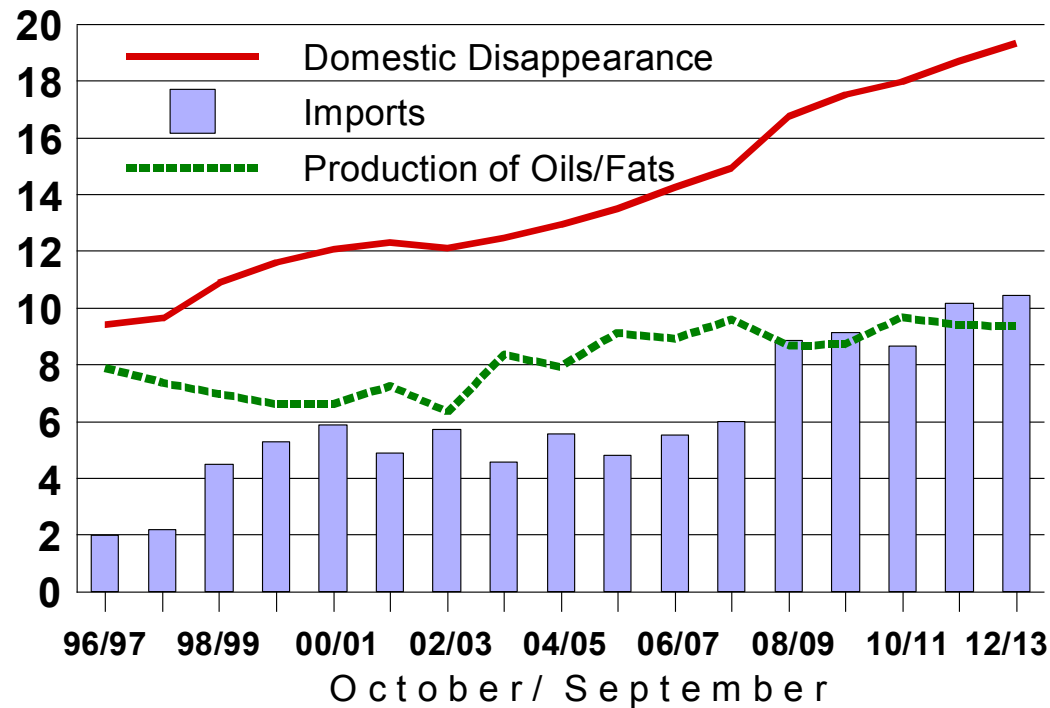
Change From Year Ago in Mn T



INDIA :

- Domestic usage of all 17 oils & fats more than doubled in past 16 years
- But only very small growth in dom. output.
- Veg oil import dependence rising to 63% and will go higher (unless action) - - very alarming !!
- Yields of oilseeds have hardly increased in past 10 years

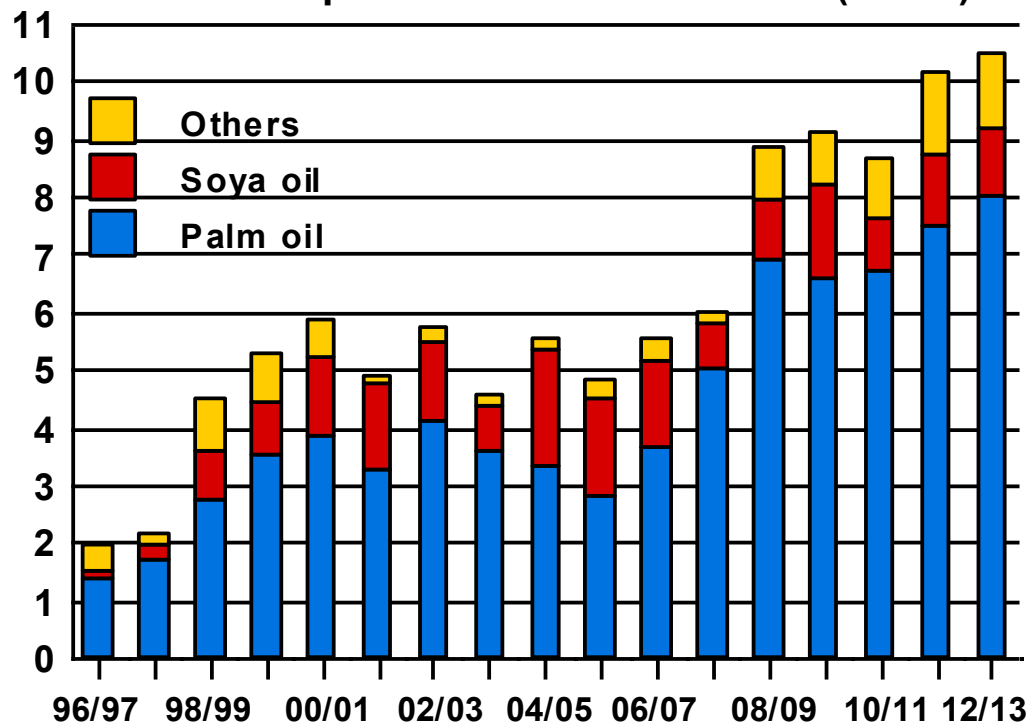
INDIA: Domestic Supply & Demand and Imports of Oils & Fats (Mn T)



INDIA :

- Further increase in imports in 2012/13 due to poor kharif crops
 - India largest palm oil importer in the world (9.0 Mn in 12/13)
-
- Also Pakistan has become a more active buyer, preferring palm oil over other veg oils

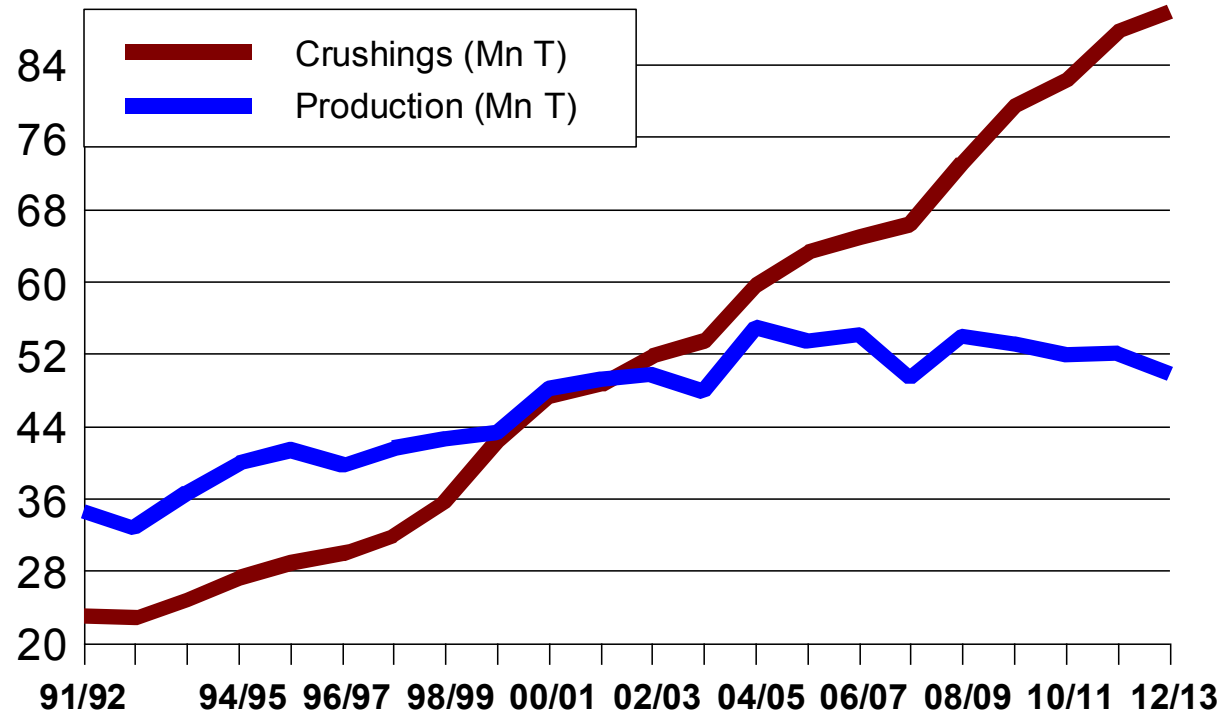
INDIA: Imports of 17 Oils & Fats (Mn T)



China: Has Become the World's Biggest Importer

- **Rising Chinese import dependence on declining domestic oilseed crops**
- **Alarming trends**
- **Competition of better-priced grains and other crops**
- **China account for 25% of world soya crush and for 62% of imports**
- **Total agricultural land is shrinking in China**
- **Urbanization**

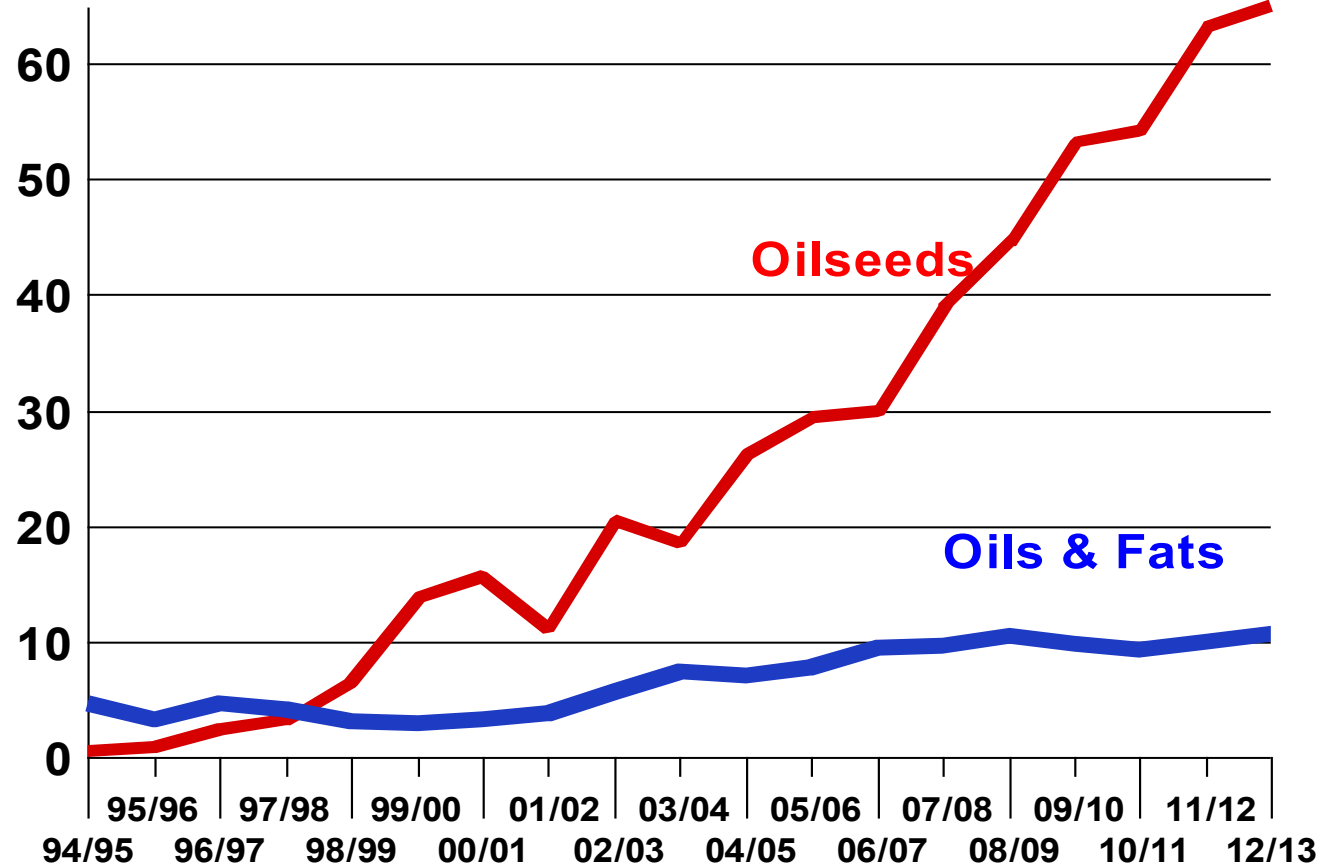
CHINA: Oilseed Output & Crushings



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CHINA : Imports of Oilseeds and Oils (Mn T)

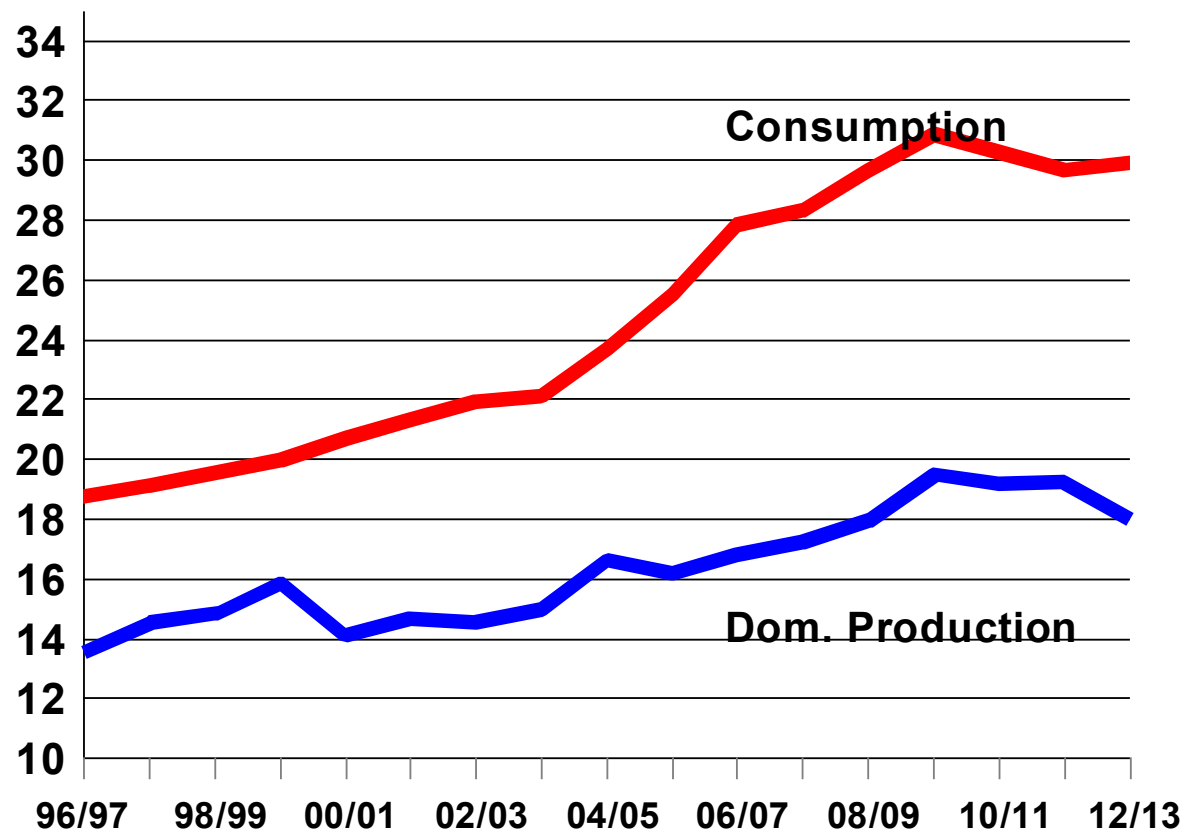
- China will have to reduce soybean imports in Sep/Feb (and cut stocks)
- Imports of oils & fats to rise to a high of 10.6-10.7 Mn T in 2012/13
- Palm oil import 6.6 Mn T in 2012/13



EU Oils/Fats Production Deficit:

- In EU-27 there is currently an annual production deficit of 11 - 12 Mn T
- In the past 7 years 65% of the consumption growth needed to be imported
- PO imports 6.3 Mn in 12/13 (+0.5 Mn T)

EU-27: Domestic Production & Usage of 17 Oils & Fats (Mn T)



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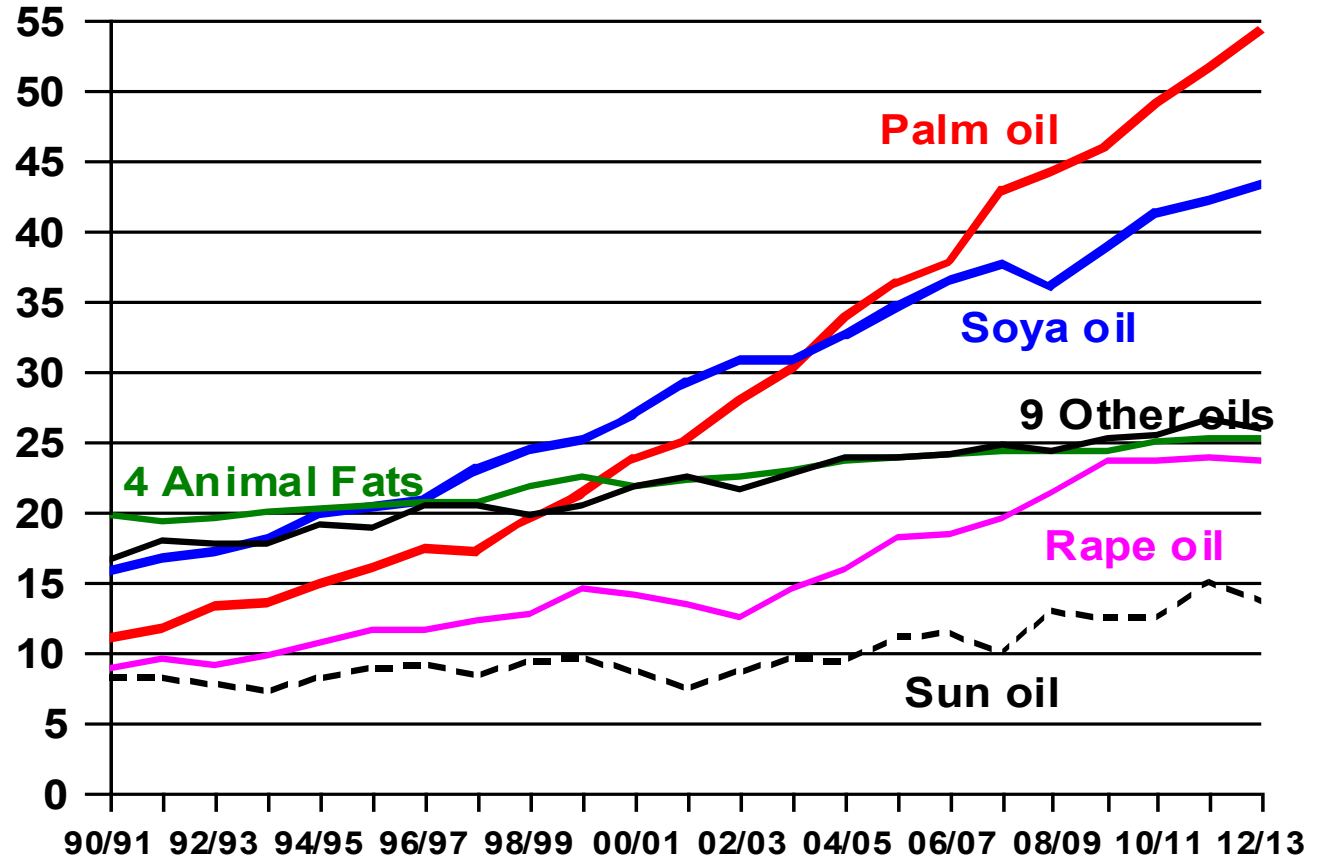


The Success Story of the past 30 Years

- Substantial growth in world production of palm oil
- In 1980: 4.6 Mn T or 8% of 17 oils & fats
- In 1990: 11.0 Mn T or 14%
- In 2000: 21.9 Mn T or 19%
- In 2010: 45.9 Mn T or 27% (only 6% of area)
- In 2011: 50.4 Mn T or 28% (57% of exports)
- In 2012: 52.4 Mn T (Malaysian output declining)
- In 2020 at least 78 Mn T of palm oil required by consumers worldwide



17 Oils & Fats: World Production (Mn T)



Palm oil output:

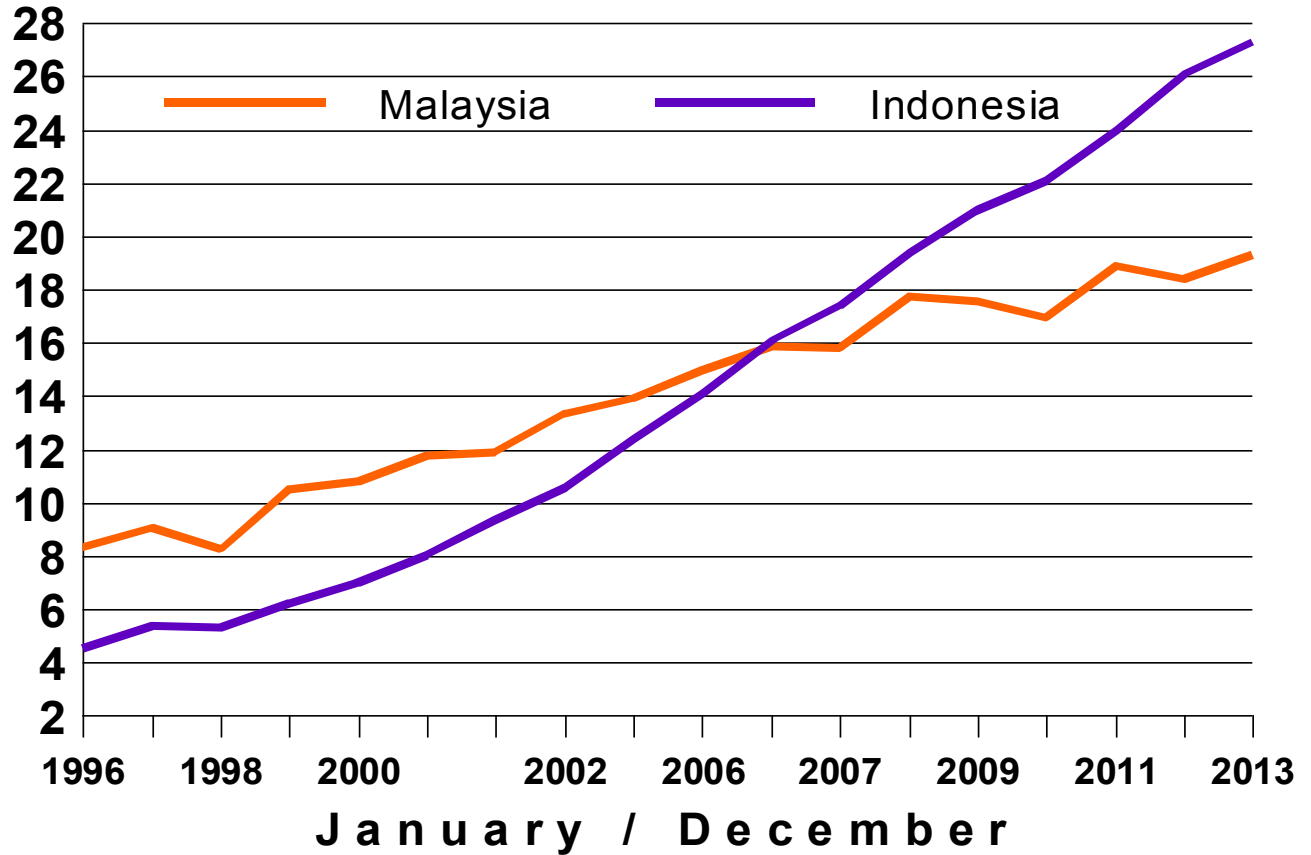
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In 2012 production in
Malaysian **falling 0.5
Mn T to 18.4**

But seen rising in
Indonesia **up by
2.1 Mn to 26.1 Mn**

PO stocks in Mal + Indo
up by one Mn T from
a year ago)

Palm Oil Production in Key Countries (Mn T)



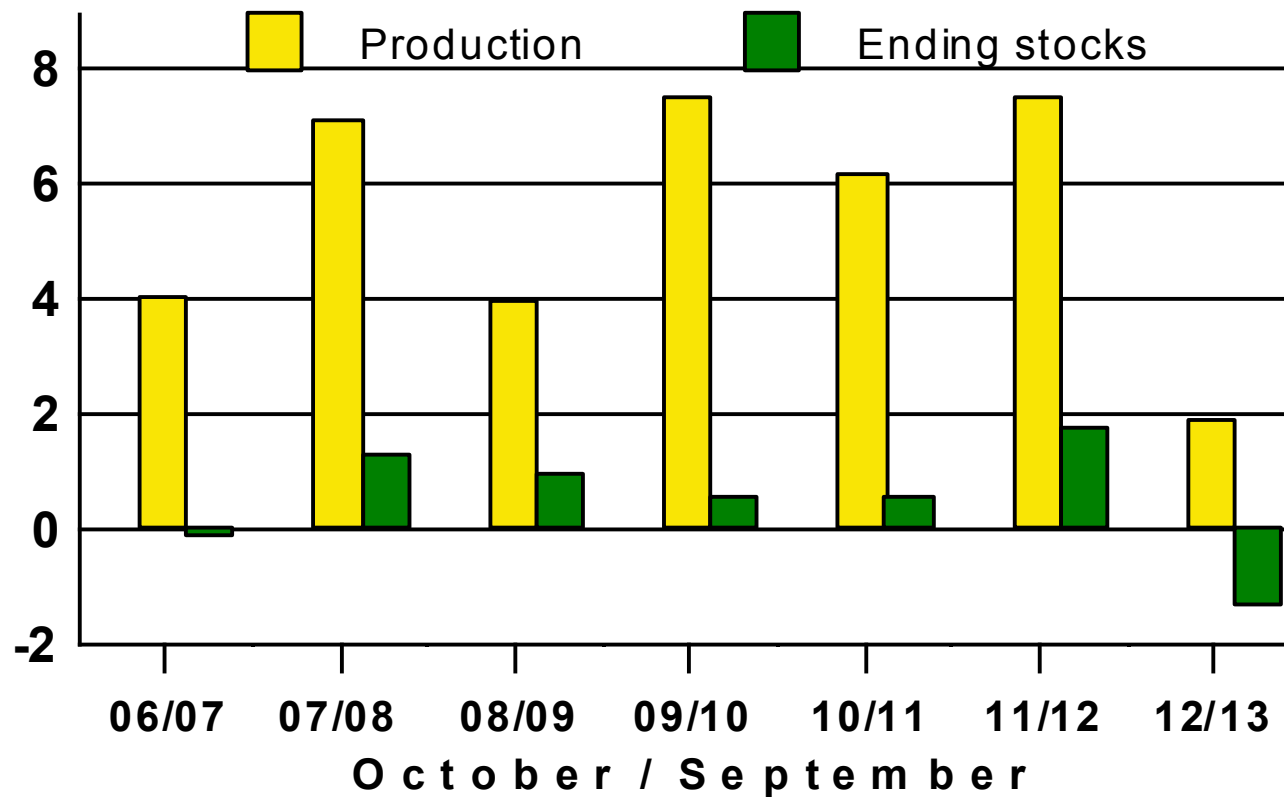
Price Prospects

- **Lower than expected vegetable oil consumption has raised world stocks considerably above expectations as of early Oct to a record 22.4 Mn T, up 1.8 Mn T from a year ago.**
- **Many uncertainties ahead (weather and crop prospects in South America; impacts from the macro-economic environment; currencies; demand from the biofuel industries...)**
- **Extent of the global production deficit in 2013?**



17 OILS & FATS: Production & End'g Stocks

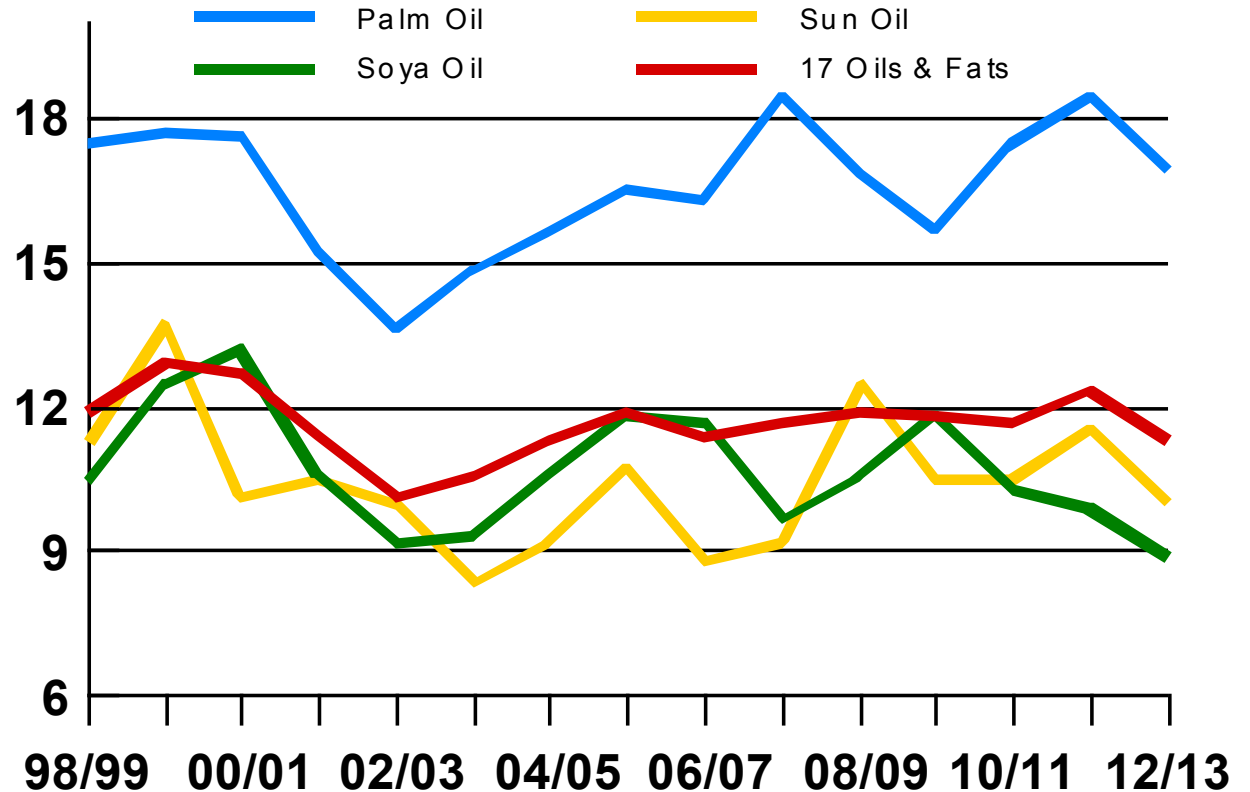
Change From Year Ago in Mn T



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17 OILS & FATS

Annual Stocks / Usage Ratios (%)



Significant reduction of vegetable oil stocks

Price Implications:

Vegetable oil prices are set to appreciate in 2013

Oilmeal prices are likely to become under increasing pressure from early 2013 onward

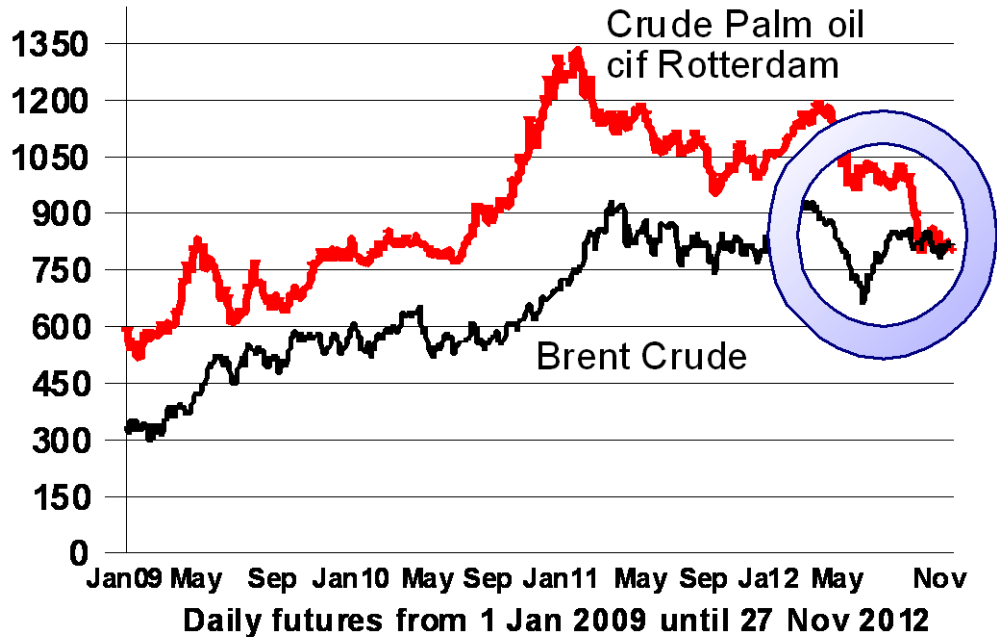
Interesting transition of veg oil and meal prices



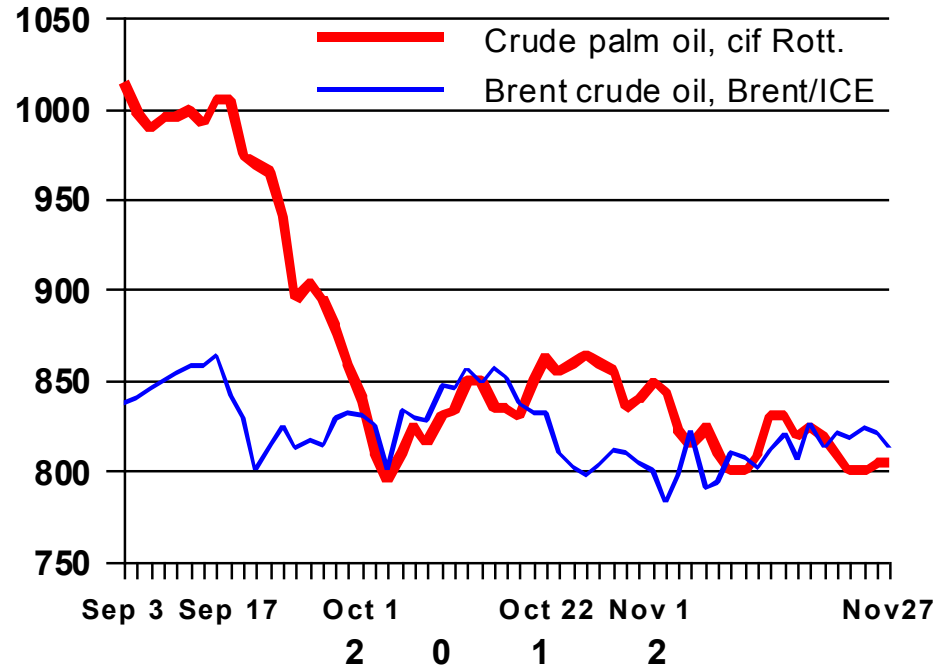
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Palm oil prices in Rotterdam even partly fell below crude mineral oil in Oct & Nov 2012

Daily Prices of Crude Palm Oil & Brent Crude
in US-\$ per Tonne

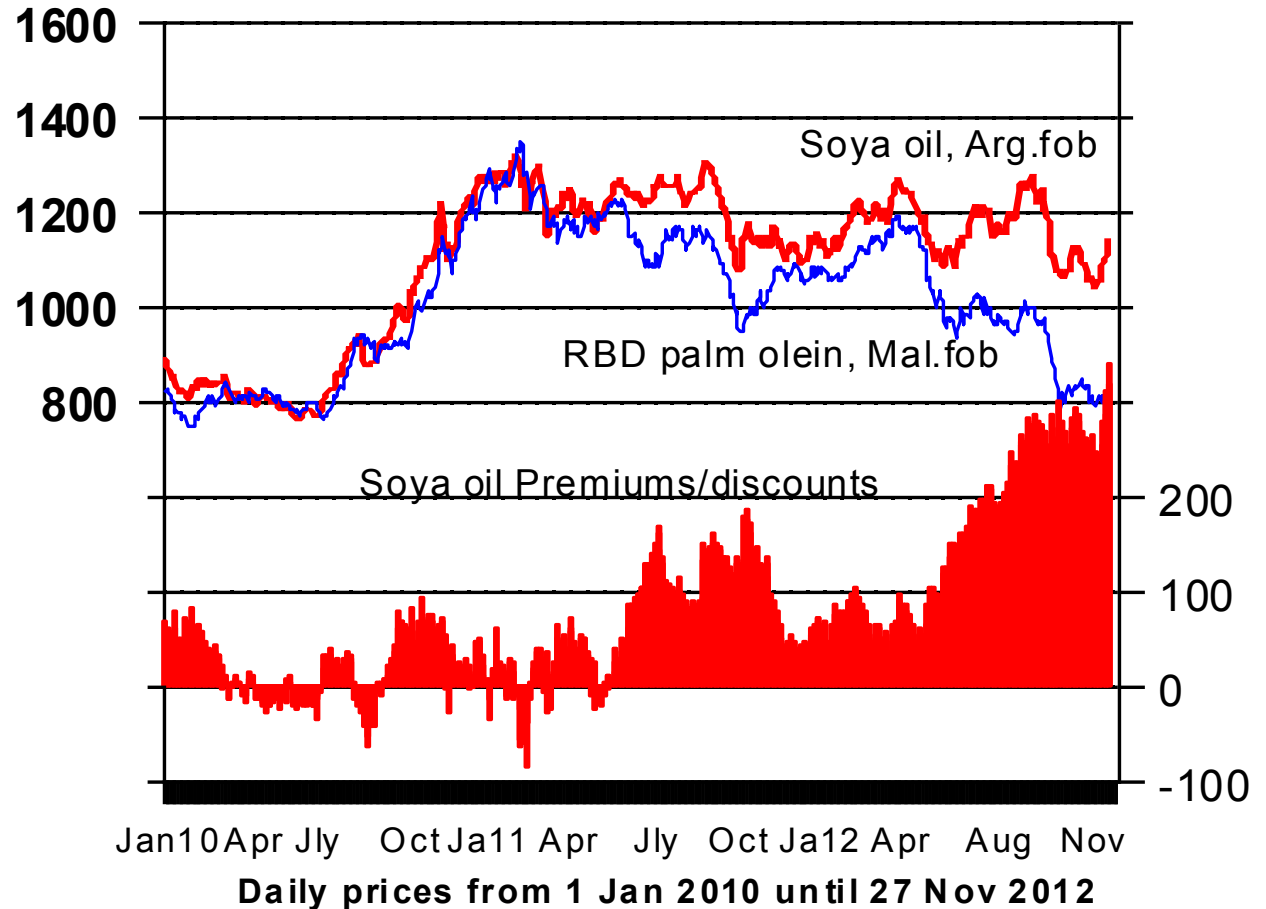


Daily Prices of Crude Palm Oil & Brent Oil (US-\$/T)



Daily Prices of Soya Oil & RBD Palm Olein (US-\$/T)

- Very high PO price discounts reflect ..
- .. current huge PO stocks in Malaysia and in Indonesia.
- But stocks set to decline on strong PO import demand
- PO price set to rise to around \$ 1100 until April/May 2013



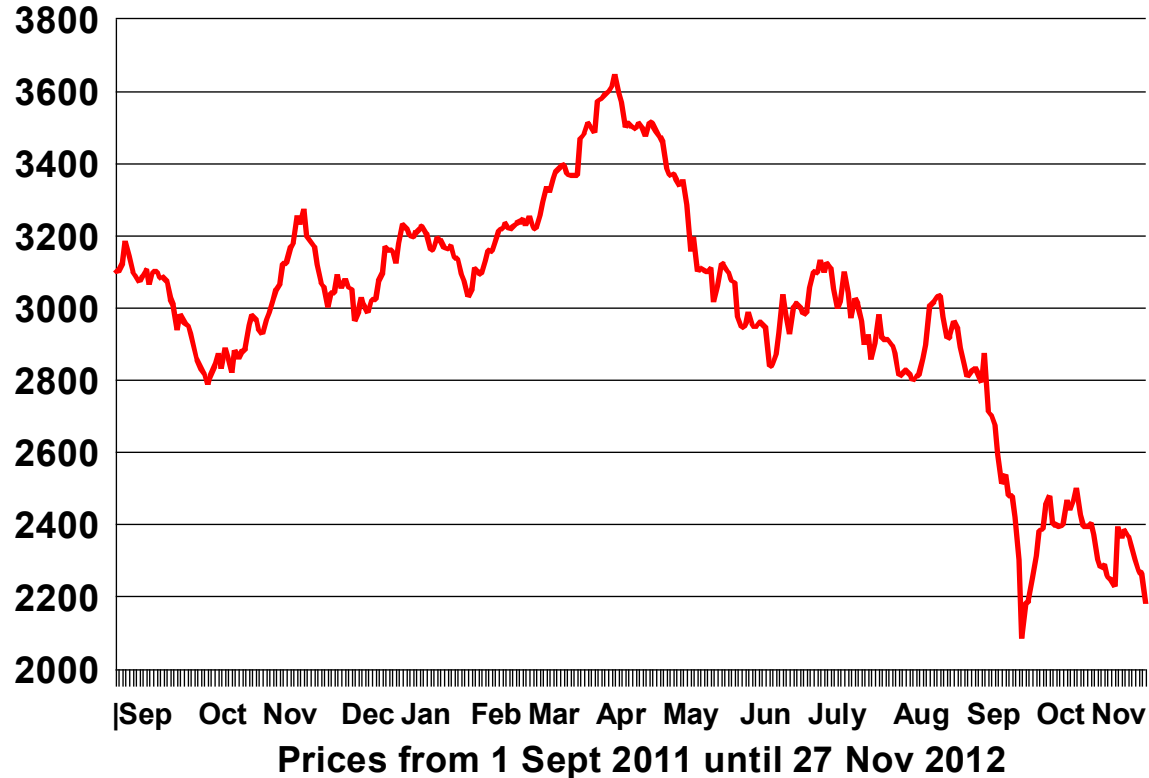
Palm oil Futures:

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Prices may have
bottomed

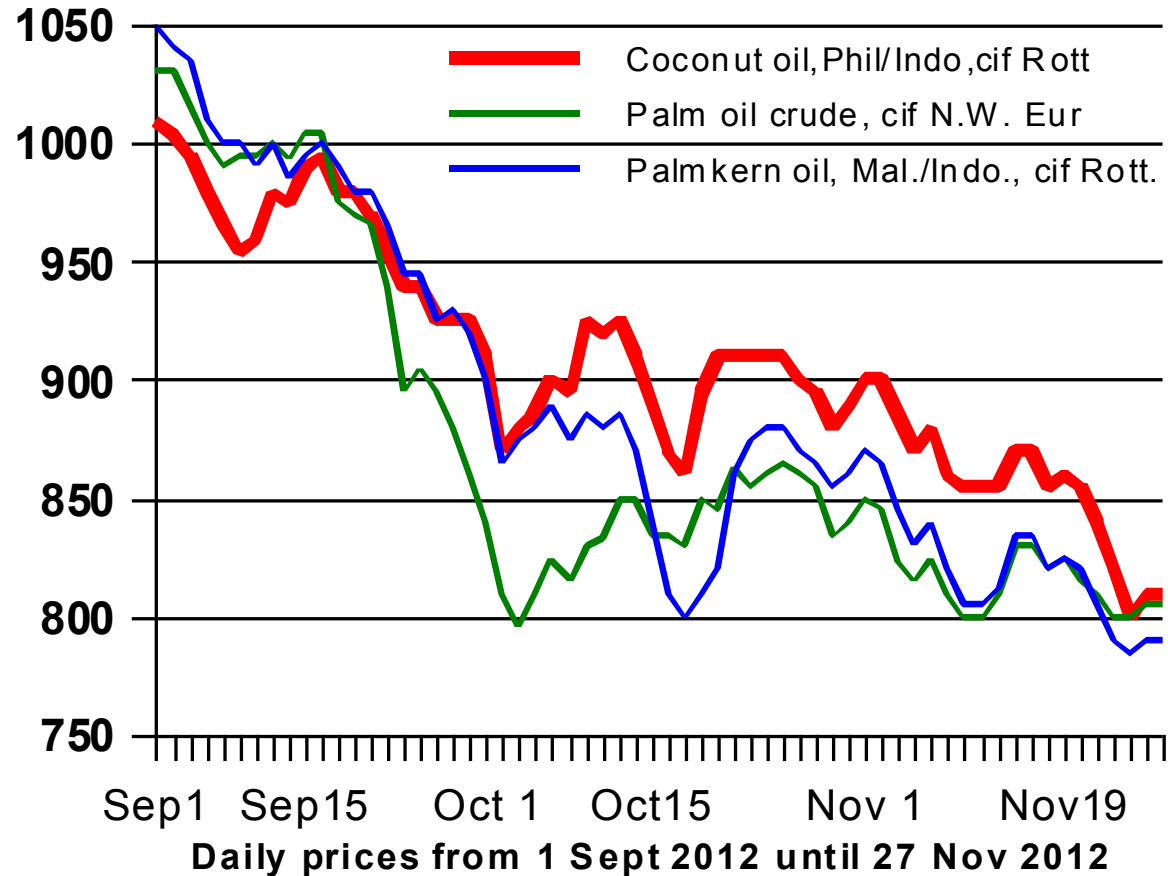
I expect that palm oil
futures appreciate
to 3100-3200 Mal.
Ringgit some time
in March, April or
May 2013

MALAYSIA: Crude Palm Oil Futures Close First position in Malaysian Ringgit/T

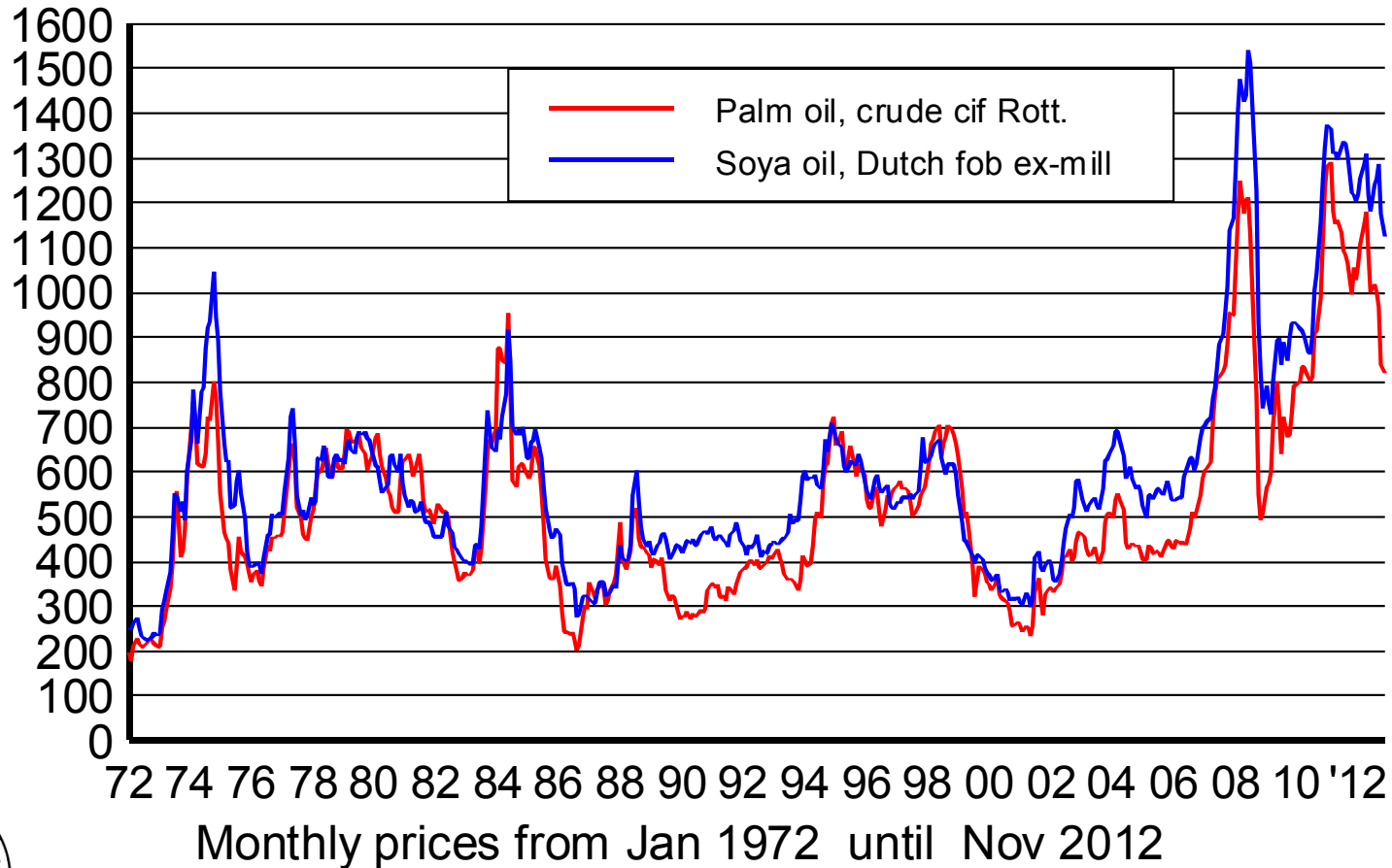


- Also coconut oil and palmkernel oil prices unusually attractive
- Lauric oils now close to their bottom
- Demand response
- Seen appreciating in coming months

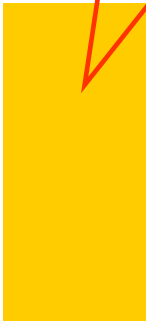
Daily Prices of 3 Oils in Rotterdam (US-\$/T)



Soya Oil & Palm Oil: Monthly Prices (US-\$/MT)



New price range



Thank You for Your Kind Attention !

If I can be of assistance to you in the future, you are invited to contact me any time.

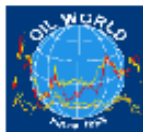
More details and background information are provided in the OIL WORLD reports and can be downloaded from the Internet at a moderate charge (www.oilworld.de).

It will be my pleasure to assist whenever possible.

Thomas.Mielke@oilworld.de



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