

# Global Oils & Fats Outlook - -Forecasts on Demand & Consumption

Presentation given at POTS in Karachi on 17 Jan 2014

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# Company Profil and Services

- **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 on [www.oilworld.de](http://www.oilworld.de)



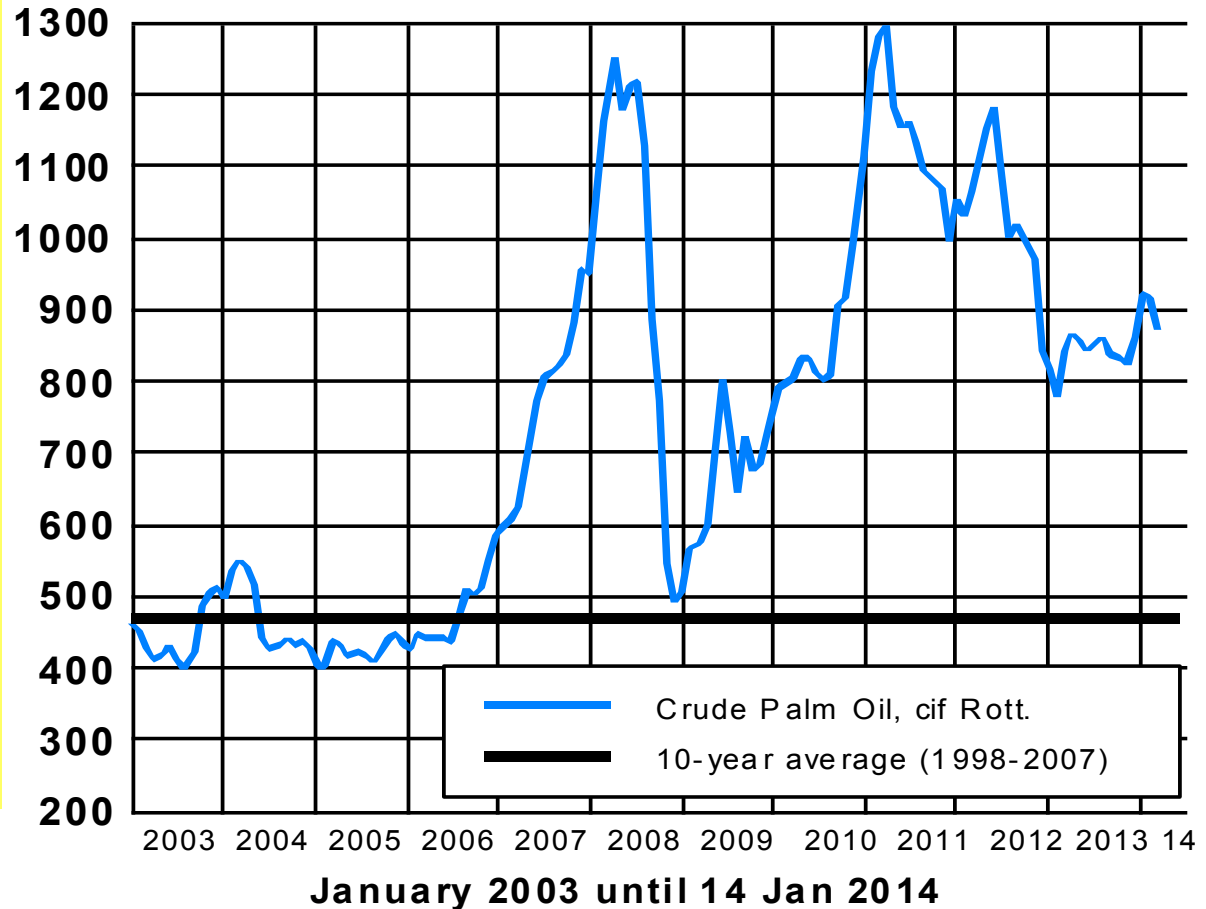
**Palm oil prices recovered by US \$ 120 in the past 3 months until mid-Dec**

**But declined by US \$ 60 since**

**What is the further price trend?**

**I will highlight the fundamentals of palm oil and other veg oils and discuss price prospects**

## Monthly Prices of Crude Palm Oil (US-\$/T)

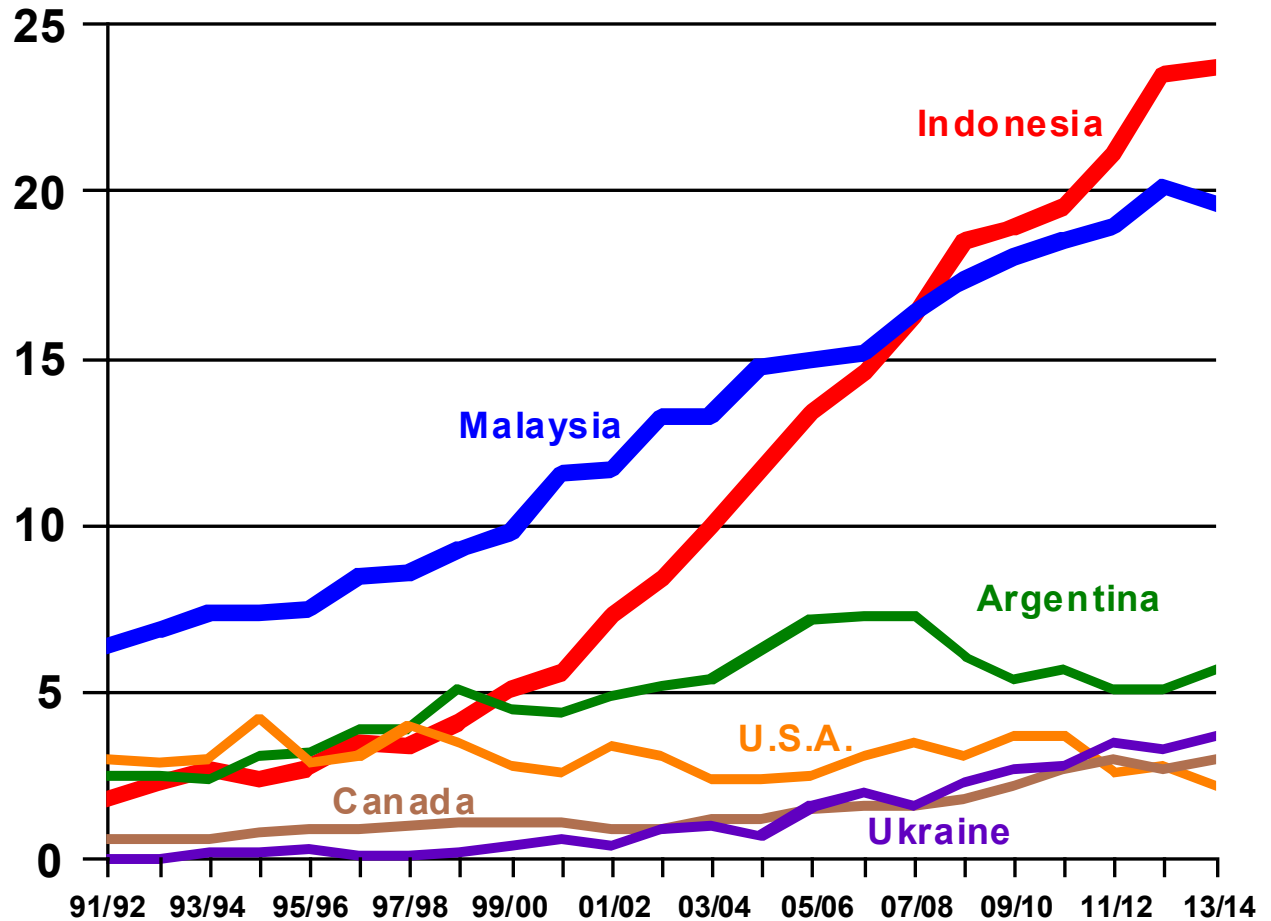


**Indonesia & Malaysia**  
have exported 43.6  
Mn T of oils & fats in  
2012/13,

.. thus accounting for  
58% of total world  
exports of all oils &  
fats in 2012/13.

**World palm oil exports**  
drop in 2013/14 for  
first time in 16 years

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



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# The Impact from Oilseeds



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In past 25 years world oilseed production more than doubled (strong demand)

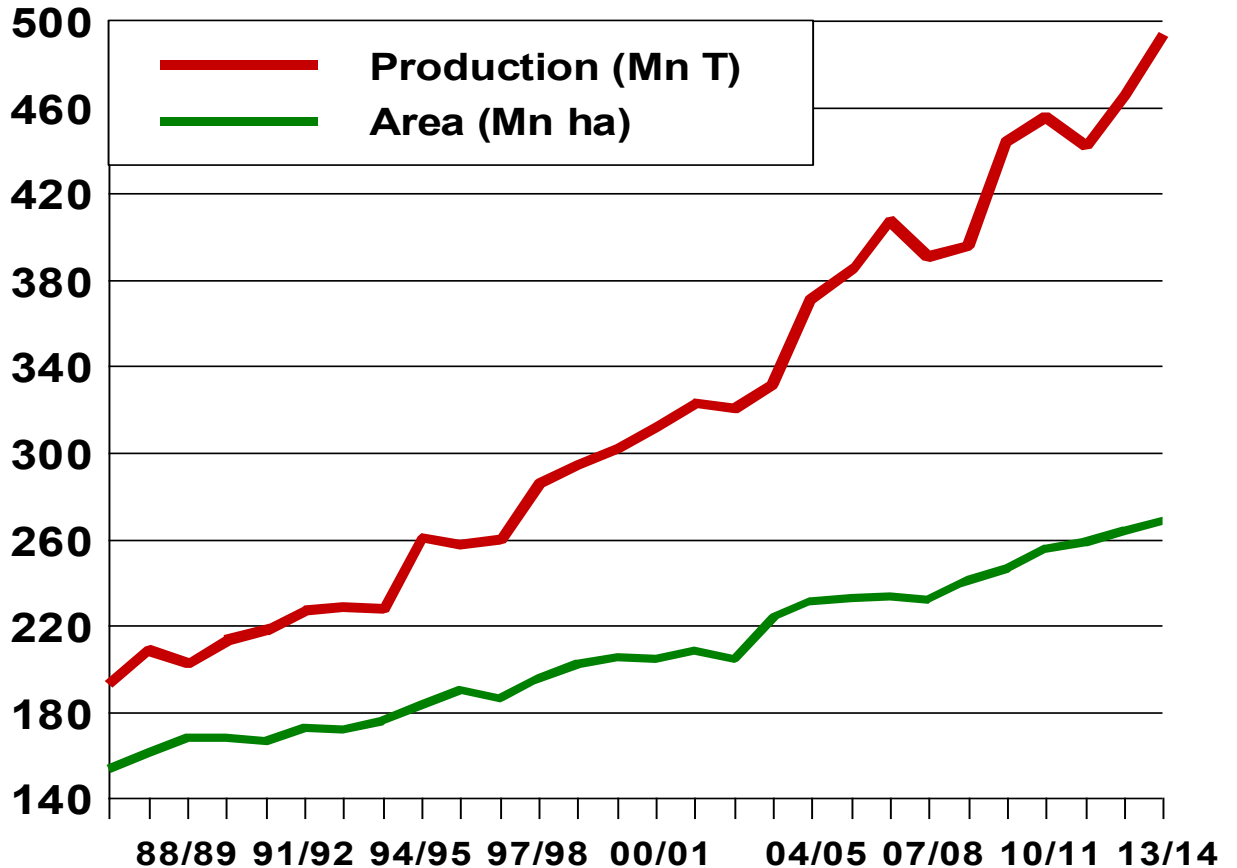
Rising acreage and yields

About half of the acreage increased came from grains. But this shift will slow down.

Agricultural land has become a limiting factor worldwide, big potential in Russia + Braz

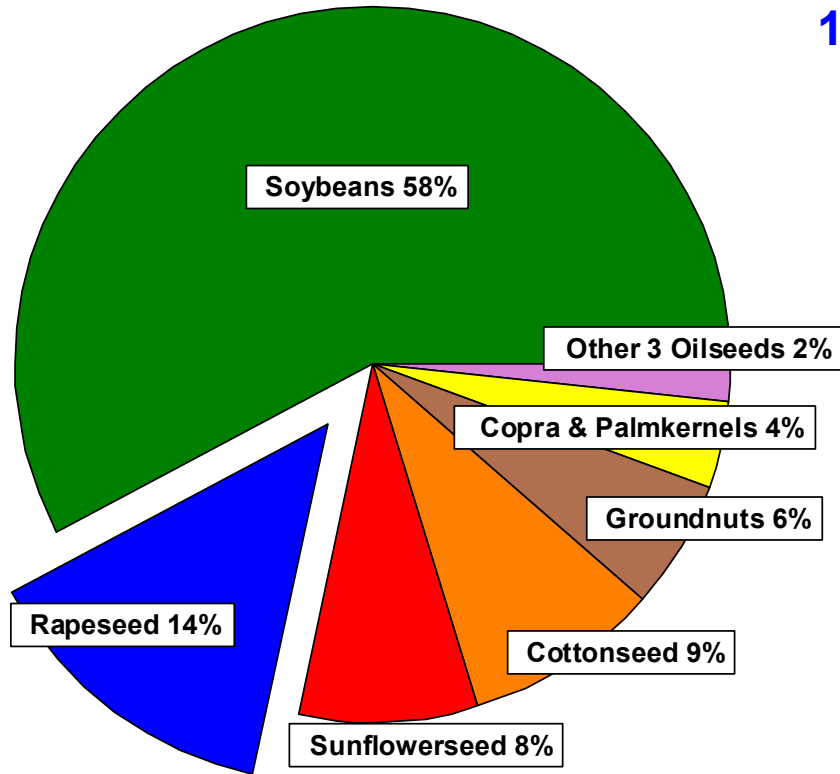
Land values more than doubled in past 6 years

## 10 Oilseeds: World Area and Production

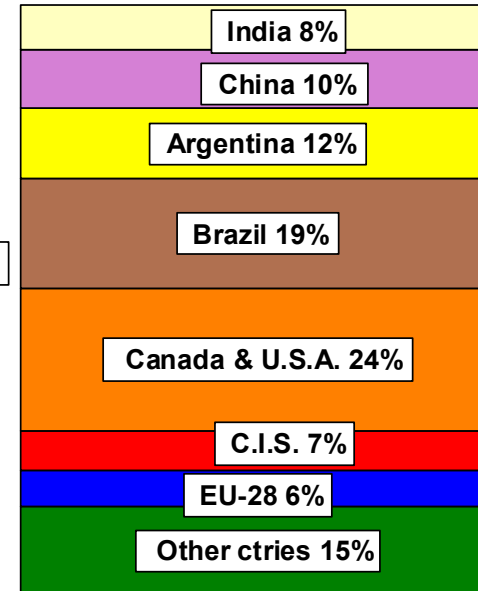


# Global Production of 10 Oilseeds

2013/14 = 497 Mn T



10 Oilseeds - - 497 Mn T



# Trade Flows

**An increasing share of global import requirements is satisfied from a declining numbers of countries**

## Logistics





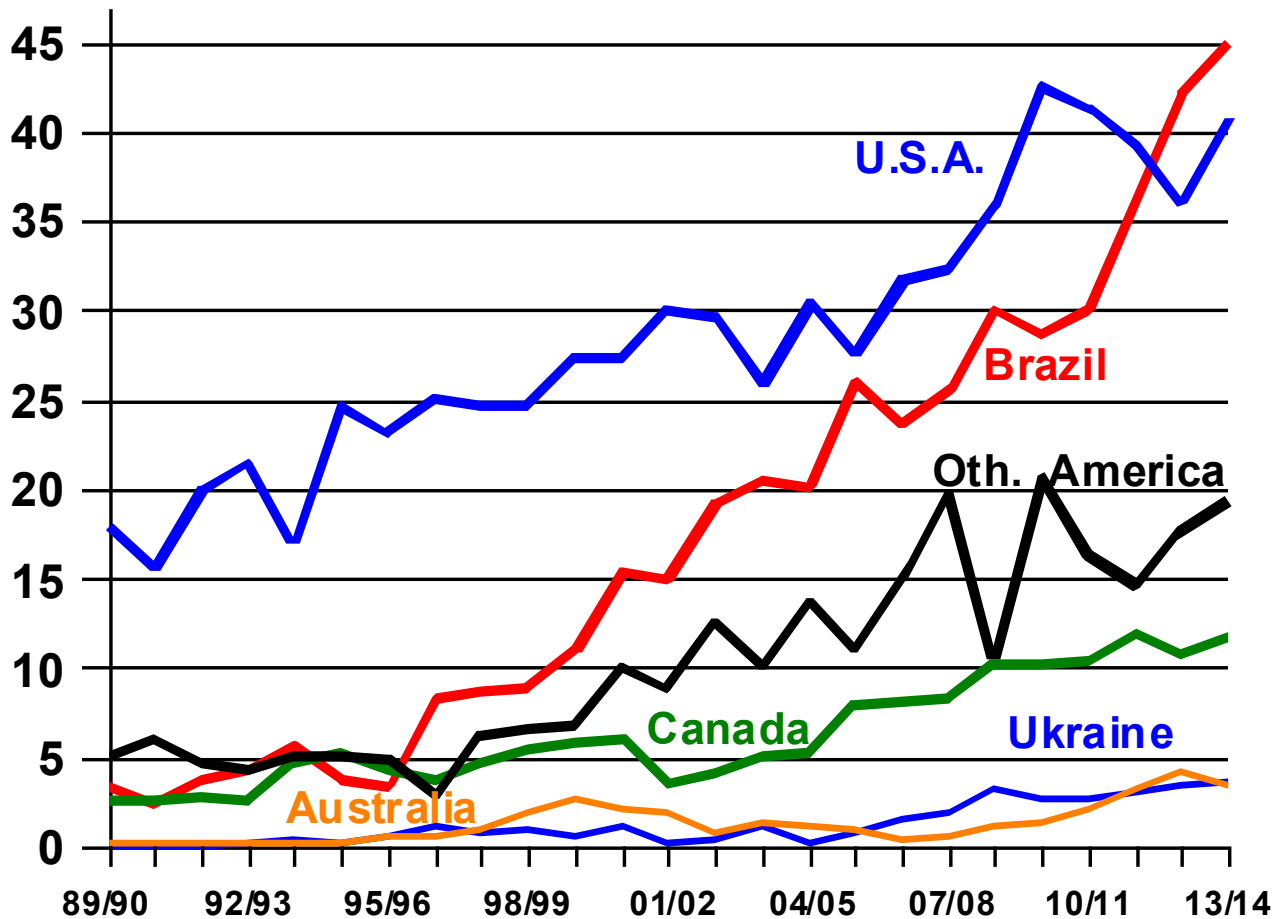
# LOGISTICS !

In 13/14 USA and South America account for:  
- 80% of world exports of 10 oilseeds (131 Mn T)

-95% of world soybean exports (total 109 Mn T)

In 2020:  
Brazil + Arg will have to produce at least 162-167 Mn T of soybeans (vs 130 in 2013).

## 10 OILSEEDS: Exports of Major Countries (Mn T)



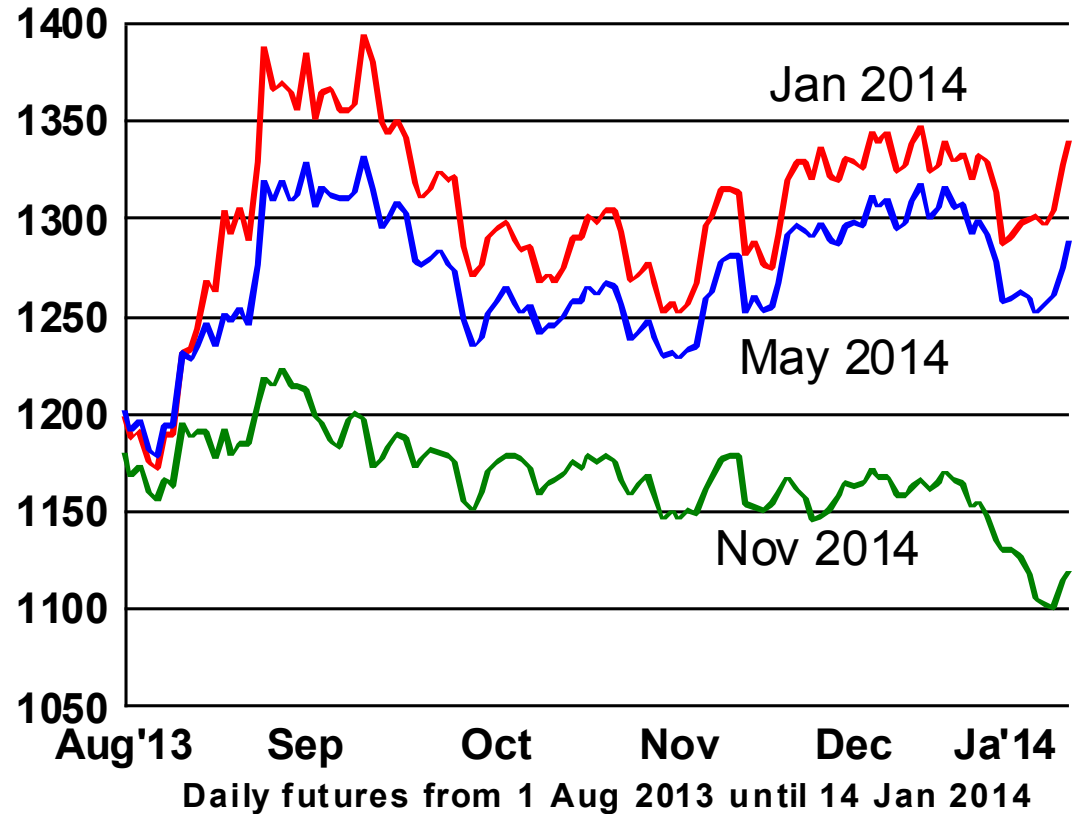
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# Soybean Prices Overvalued Relative to Fundamentals

CBOT: Daily Soybean Futures (c/bu)

**Firmness in the nearby**  
**huge Chinese imports**  
**US soybean exports**  
**frontloaded**  
**(84% already in Sep/Feb)**  
**US soybean stocks low**



**Assuming normal weather  
in South America:  
Ample oilseed supplies  
ahead in 2013/14.**

**Biggest increases in  
soybeans, sunflowerseed,  
rapeseed and palmkernels**

**In 2013/14 world  
production seen surging  
by 28 Mn T and opening  
stocks up 8 Mn T,**

**boosting world supplies  
by 36 Mn T - - > BEARISH !**

### 10 OILSEEDS: World Production (Mn T)

	<u>13/14F</u>	<u>12/13</u>	<u>11/12</u>	<u>10/11</u>	Avg.Change 15 Years <u>to 12/13</u>
Soybeans . . . .	<b>287.59*</b>	<b>267.12</b>	240.69	264.93	+3.5%
Cottonseed . . .	43.40*	45.04	47.17	43.55	+1.8%
Grdnuts,shelled	28.77*	28.02	27.25	27.75	+2.1%
Sunflowerseed	<b>40.19*</b>	<b>35.57</b>	39.51	33.60	+2.8%
Rapeseed . . . .	<b>69.09*</b>	<b>63.91</b>	61.46	61.83	+4.5%
Sesameseed . .	3.93*	3.74	3.83	3.83	+2.3%
Palmkemels . .	14.66*	13.92	13.30	12.54	+7.4%
Copra . . . . .	5.33*	5.38	5.26	4.80	+0.4%
Linseed . . . . .	2.30*	2.01	2.13	1.82	-1.0%
Castorseed . . .	1.37*	1.48	2.04	1.56	+0.7%
<b>Total. . . . .</b>	<b>496.63*</b>	<b>466.19</b>	<b>442.64</b>	<b>456.20</b>	<b>+3.3%</b>



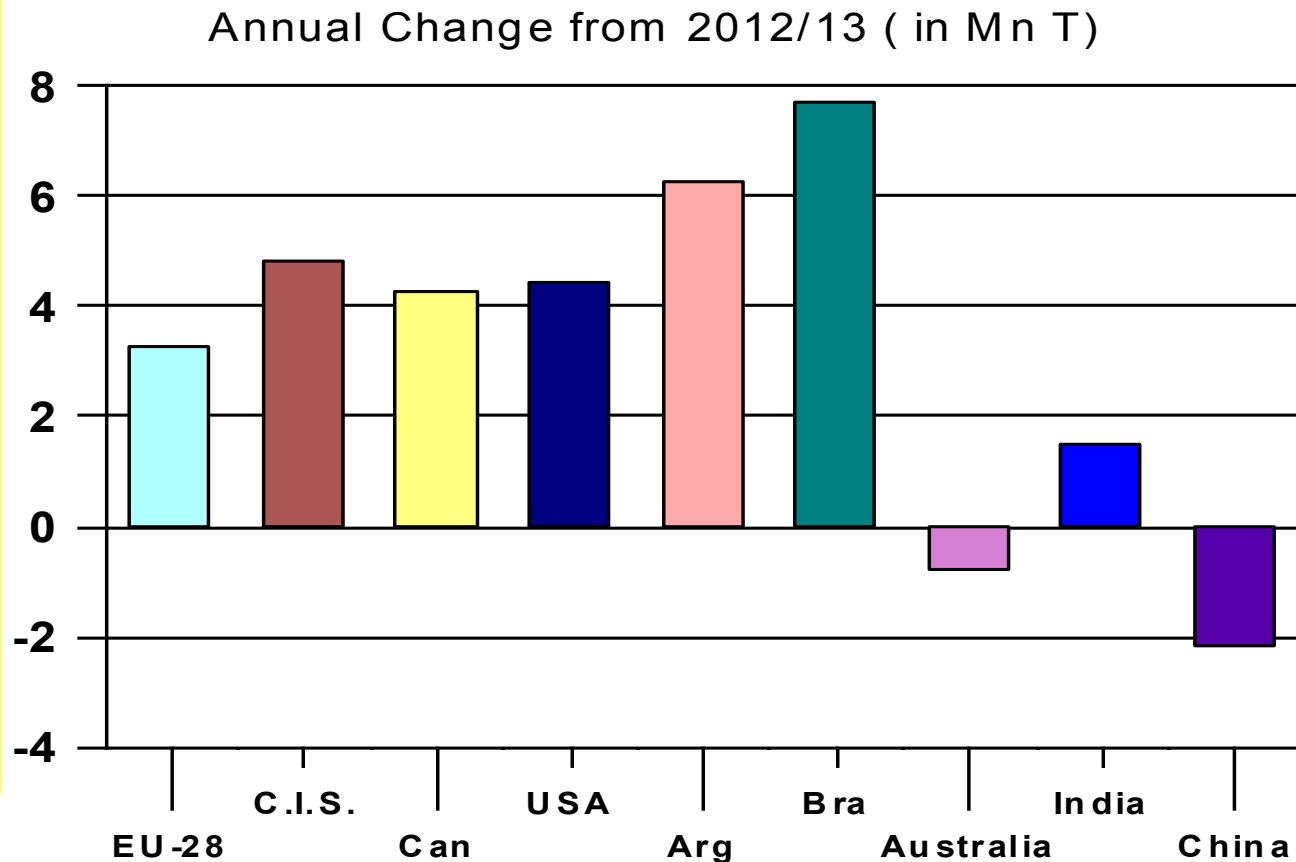
**Significant improvement in production in most countries in 2013/14**

**Big increases in Argentina, Brazil and the C.I.S.**

**India: Higher oilseed output in 2013/14; slowdown of veg. oil import needs; but some crop damage**

**Major exception is China. Much higher import needs.**

## **10 Oilseeds: Estimated Production Change in 2013/14**



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Growing dependence on **South America** - - but supply risks owing to weather, strikes, infrastructure shortages + political issues (Argentina !)

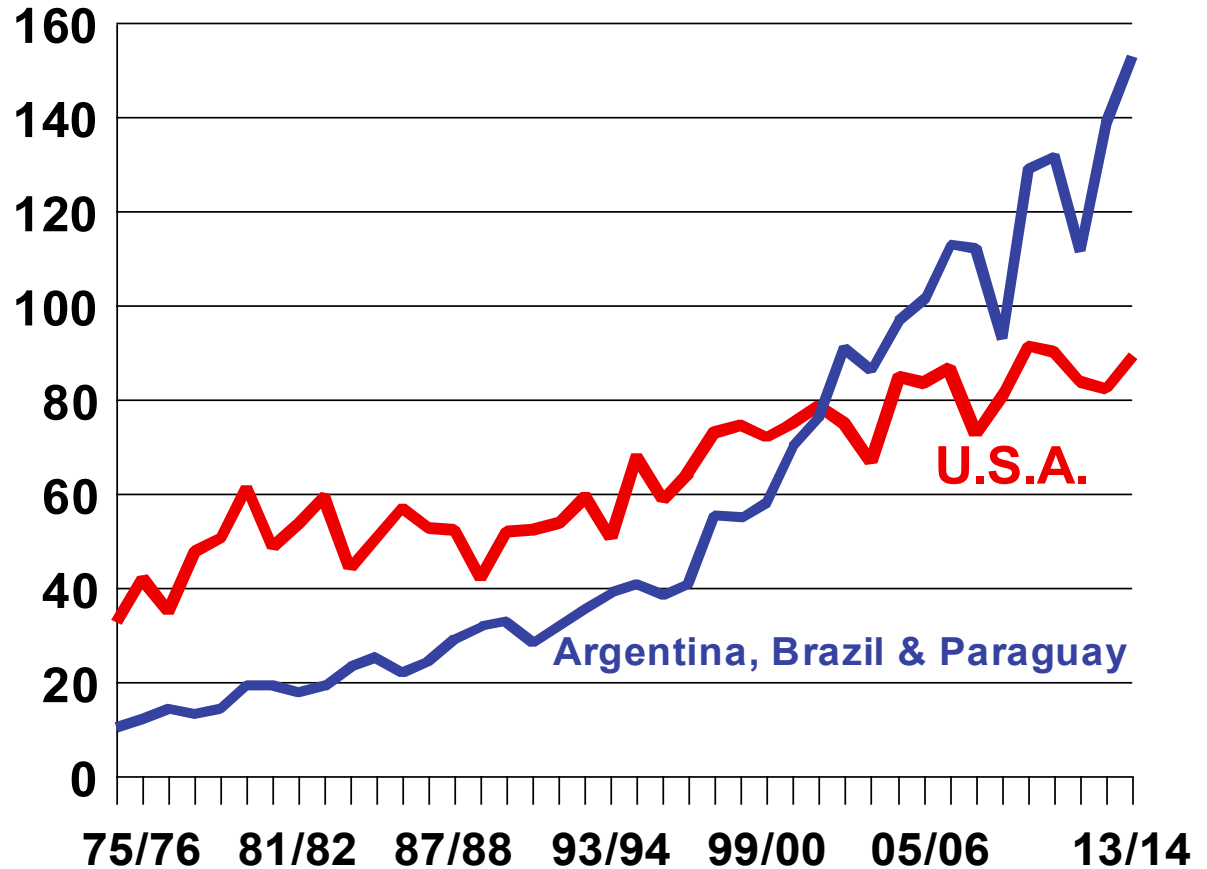
Record plantings should boost S. Amer. soybean output to a new high in early 2014 (up 14 Mn T)

In 2013/14 S. American soya crop almost 70 Mn T above US crop !

Favorable crop outlook in Brazil, Paraguay & Uruguay.

In Argentina renewed concern about dry weather in Jan (& Feb?)

### Soybean Crop Trend Since 74/75 (Mn T)



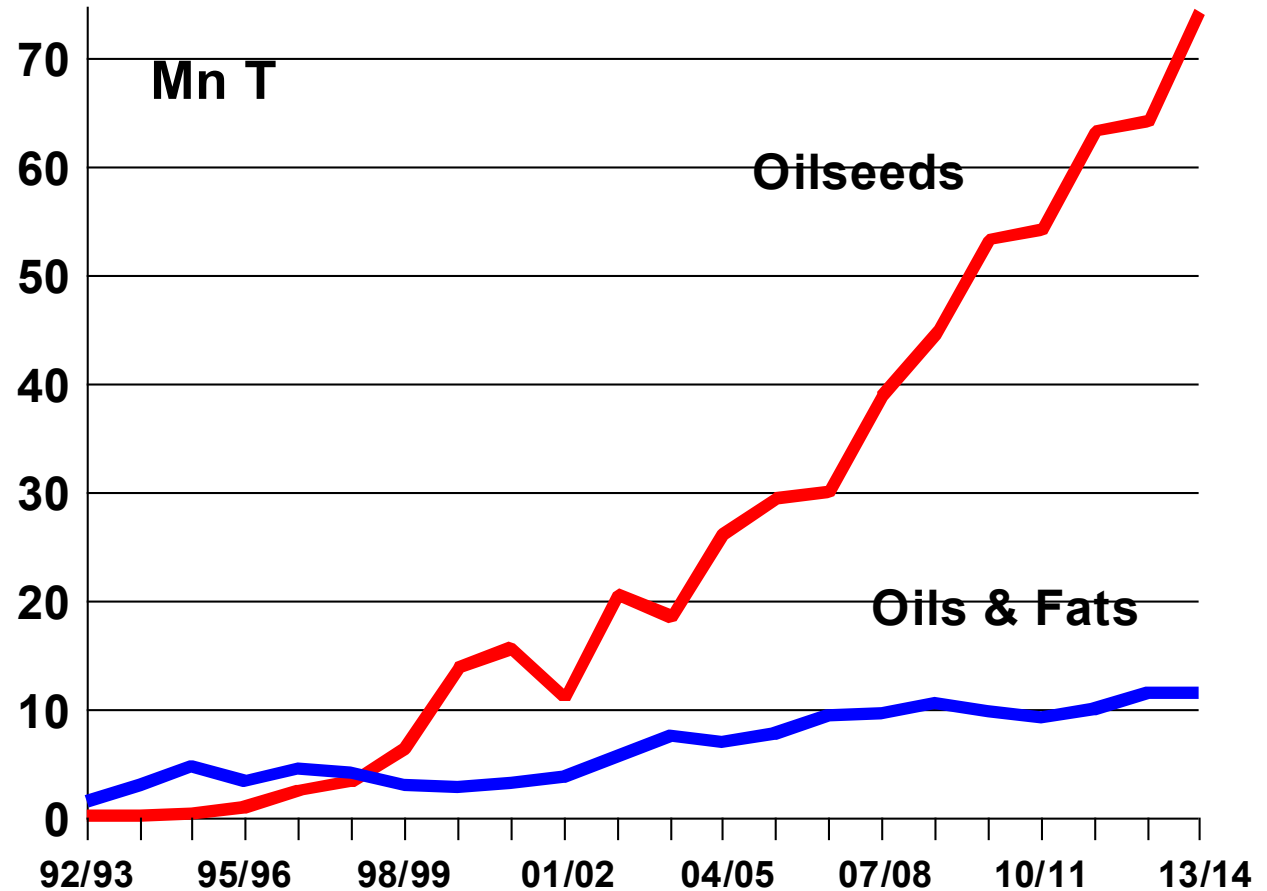
## CHINA: Imports of Oilseeds and Oils & Fats

**CHINA: Rapidly rising import requirements**

**Mainly of soybeans, but also of rapeseed and other agri commodities**

**Big jump in oilseed imports by 9-10 Mn T is likely in 2013/14**

**China building stocks of oilseeds, oils & grains**

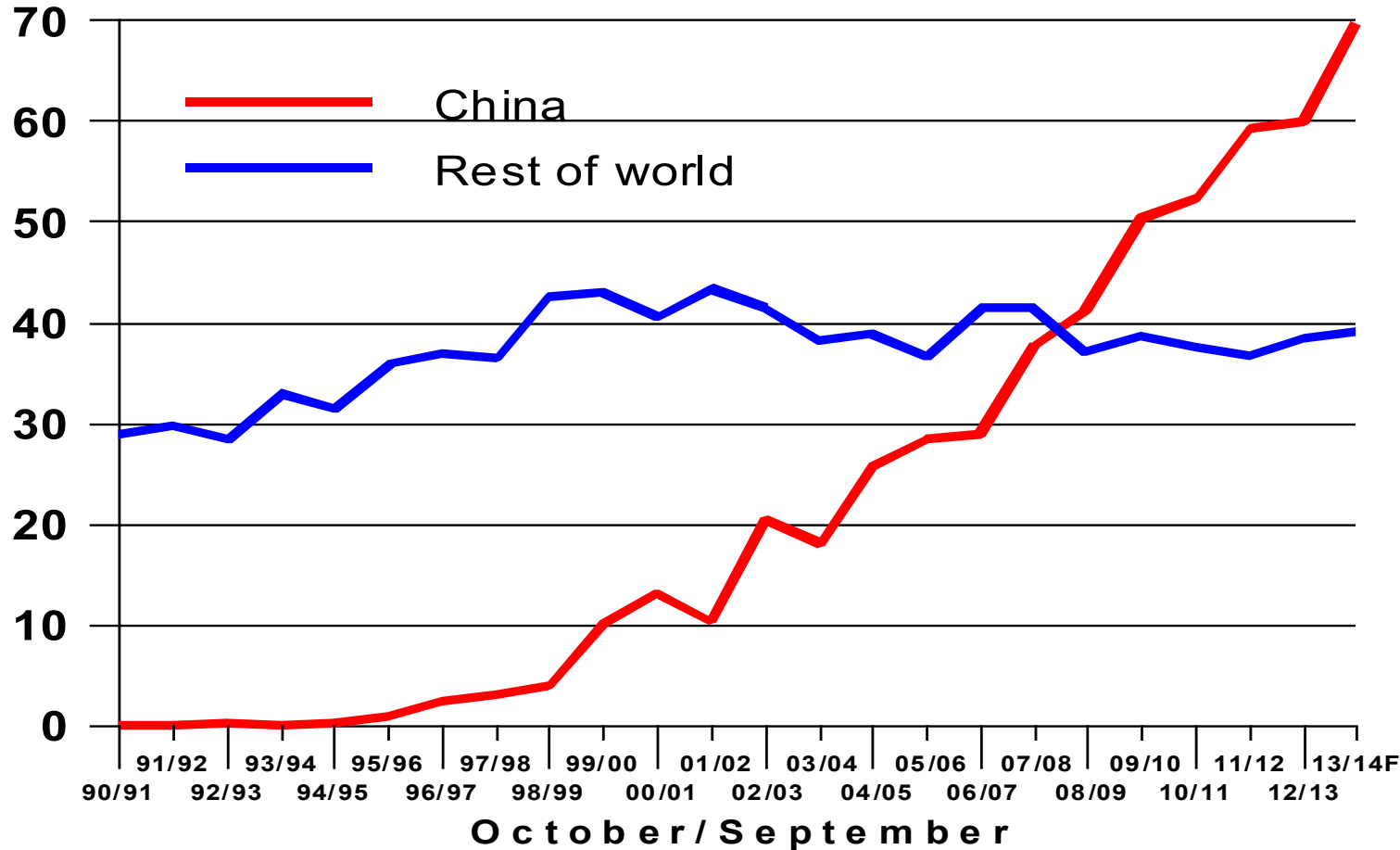


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## Imports of Soybeans (Mn T)

**CHINA: to account for 64% of world soybean imports in 2013/14**

**Longer term: China set to import 90 Mn T of soybeans in 2020**



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# Rapeseed and Canola



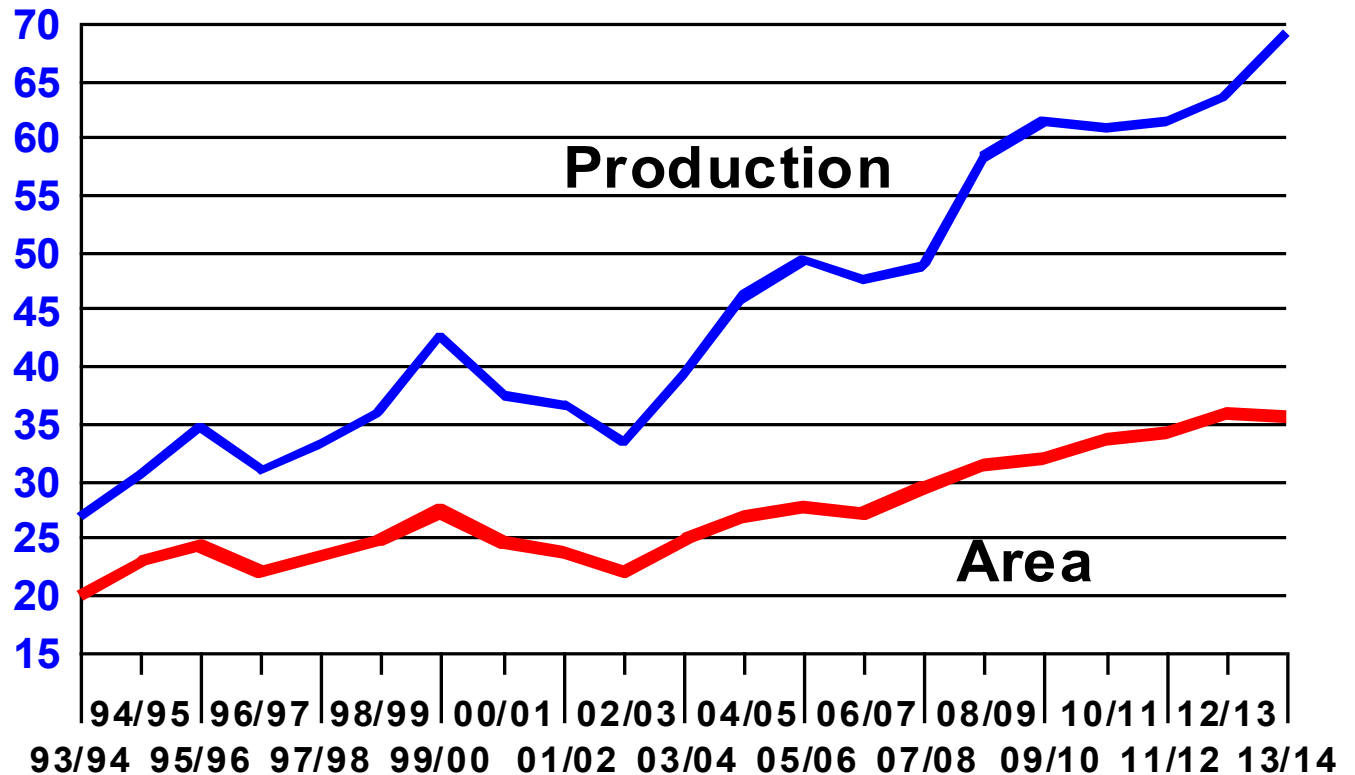
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# RAPESEED & CANOLA

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



World production of rapeseed & canola set to increase by 5.2 Mn T to a record 69.1 Mn T

Biggest jump in Canada 18.0 (vs 14.0)

Severe shortage of logistics in Canada



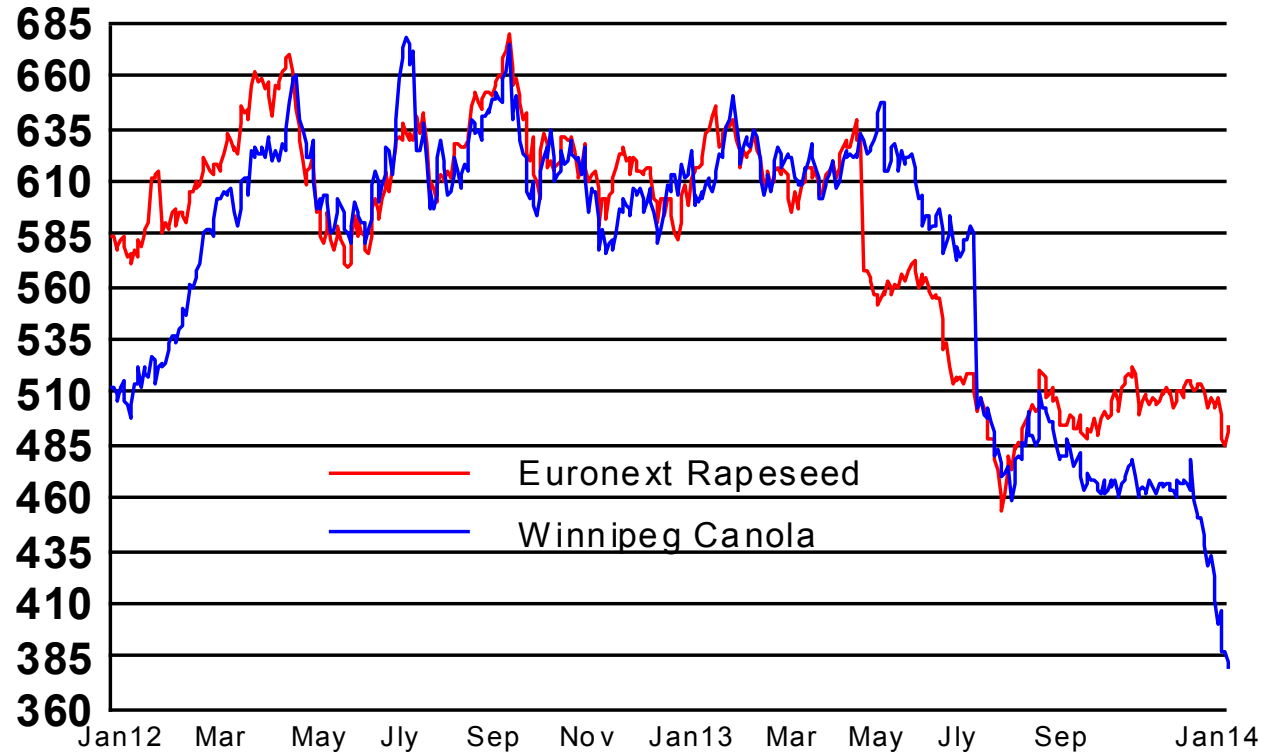
Considerable price pressure in Canadian canola, due to the huge crop and the prospects of record Can. stocks of 2.5-3.0 Mn T at the end of the 2013/14 season

Logistical bottlenecks

Exporters hesitant to sell (lack of rail cars)

Farmers the big losers

## Daily Rapeseed & Canola Futures Nearest Forward Position (US-\$/T)



Prices from 1 Jan 2012 until 14 Jan 2014



## C.I.S. : Rapeseed Area, Yields & Production

	<u>19/20F</u>	<u>13/14F</u>	<u>12/13</u>	<u>11/12</u>	<u>10/11</u>	<u>07/08</u>	<u>02/03</u>
<b>Harv. Area (1000 ha)</b>	<b>4000*</b>	<b>2892*</b>	<b>2247</b>	<b>2171</b>	<b>2133</b>	<b>1732</b>	<b>296</b>
Russia . . . . .	1800*	1200*	977	837	613	534	120
Ukraine . . . . .	1200*	1000*	600*	833	863	800	90
<b>Yields (T/ha)</b>	<b>1.85*</b>	<b>1.65*</b>	<b>1.43</b>	<b>1.42</b>	<b>1.26</b>	<b>1.21</b>	<b>.92</b>
Russia . . . . .	1.39*	1.25*	1.06	1.26	1.09	1.18	.96
Ukraine . . . . .	2.75*	2.35*	2.17*	1.73	1.73	1.32	1.07
<b>Crop (1000 T)</b>	<b>7400*</b>	<b>4770*</b>	<b>3216</b>	<b>3091</b>	<b>2690</b>	<b>2092</b>	<b>273</b>
Belarus . . . . .	1000*	675*	705	379	374	240	60
Kazakhstan . . . . .	450*	180*	117	149	109	118	2
Moldova . . . . .	150*	65*	59	70*	47	45	-
Russia . . . . .	2500*	1500*	1036	1056	670	631	115
Ukraine . . . . .	3300*	2350*	1300*	1437	1490	1058	96

**Rapeseed:**

**C.I.S. exports  
could be 4 Mn  
in 2020**

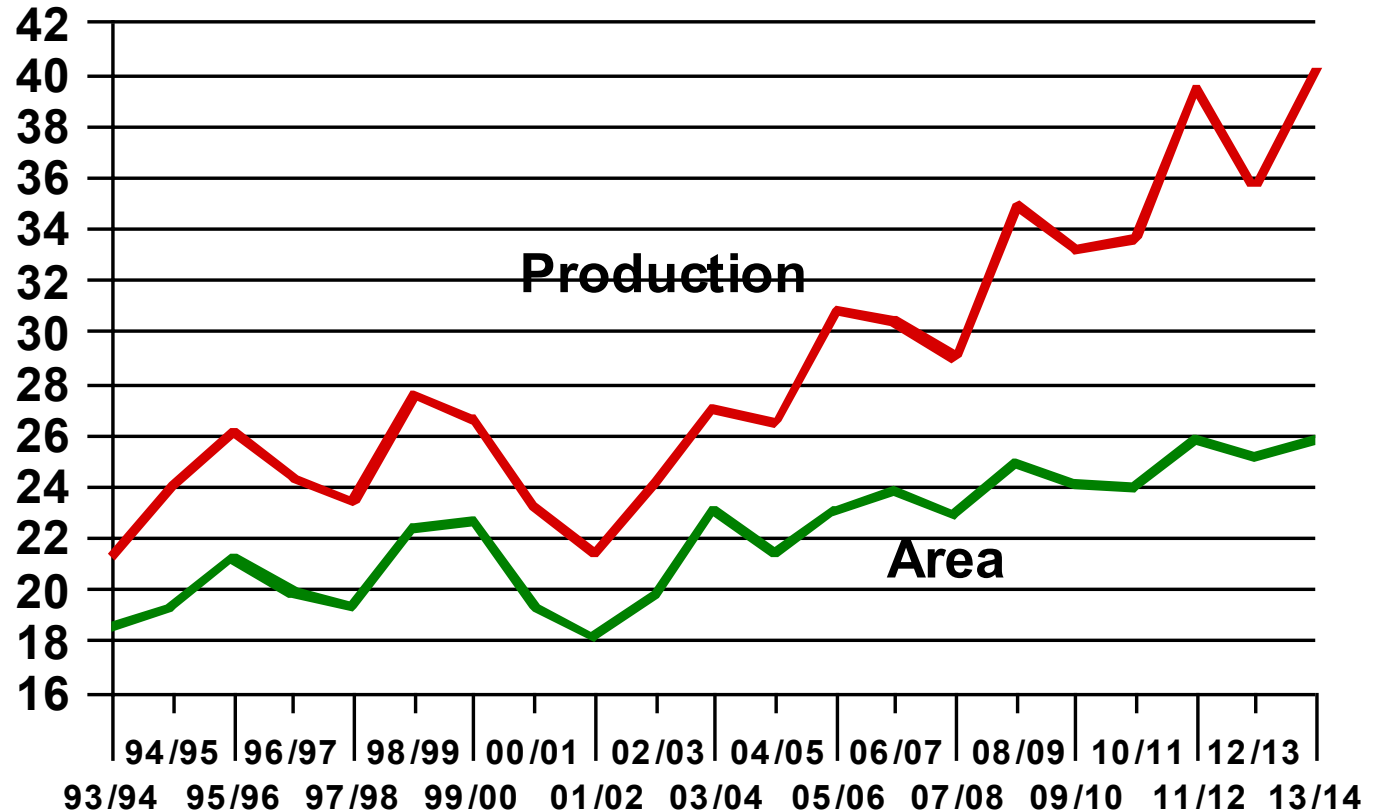
**India: imports  
seen at 1.0 – 2.0  
Mn T in 2020**



- Record crops of sunfl.seed in the EU (8.6 Mn T) and C.I.S. (20.3 Mn) this year
- World output up 4.7 Mn T - - creating price discounts
- Black Sea sun oil prices low rel to soya and palm oils
- World sun oil output +1.6 Mn T, export supplies +1.2 Mn T

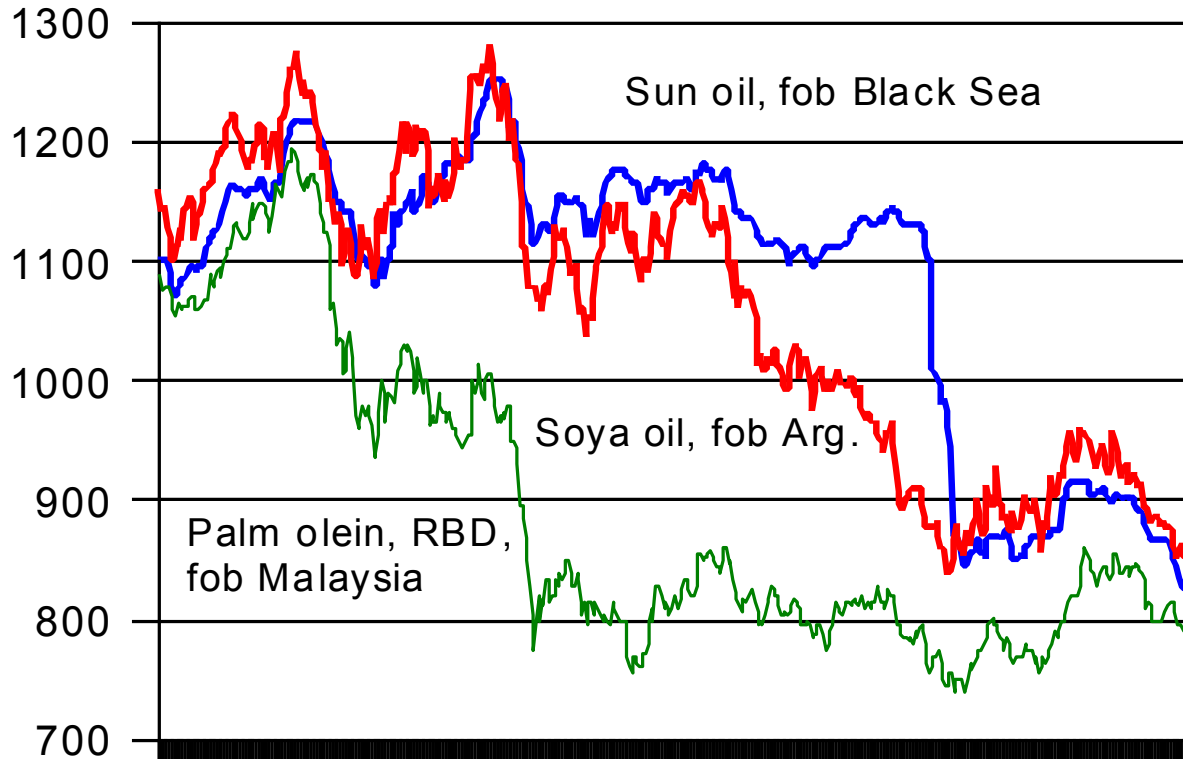
# SUNFLOWERSEED

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



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



Jan12 Mar Jun Aug Oct Jan13 Mar May Jly Sep Nov Jan14

Daily prices from 3 Jan 2012 until 14 Jan 2014



# The Impact from Oilmeals

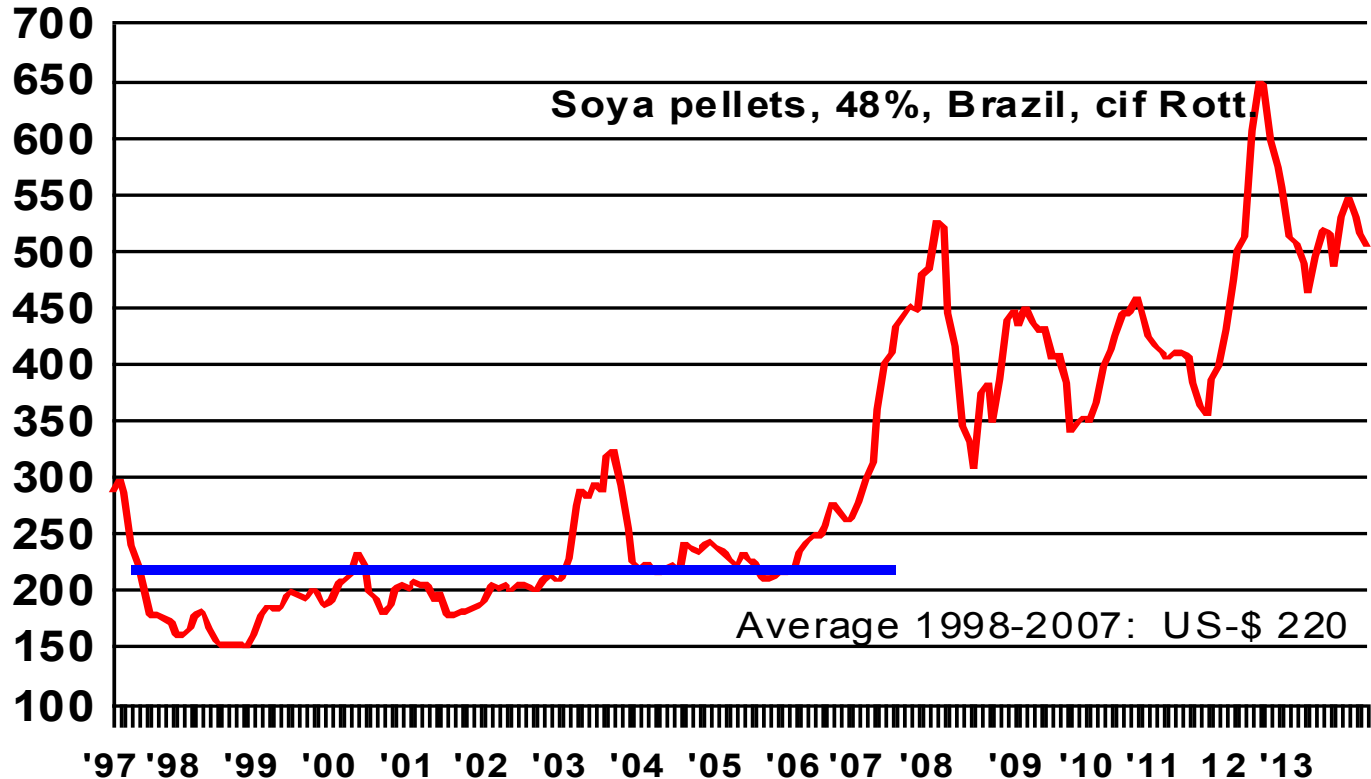


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# Monthly Prices of Soya Meal, 48%, Brazil

with 10-year average Jan 1998 - Dec 2007 (in US-\$/T)

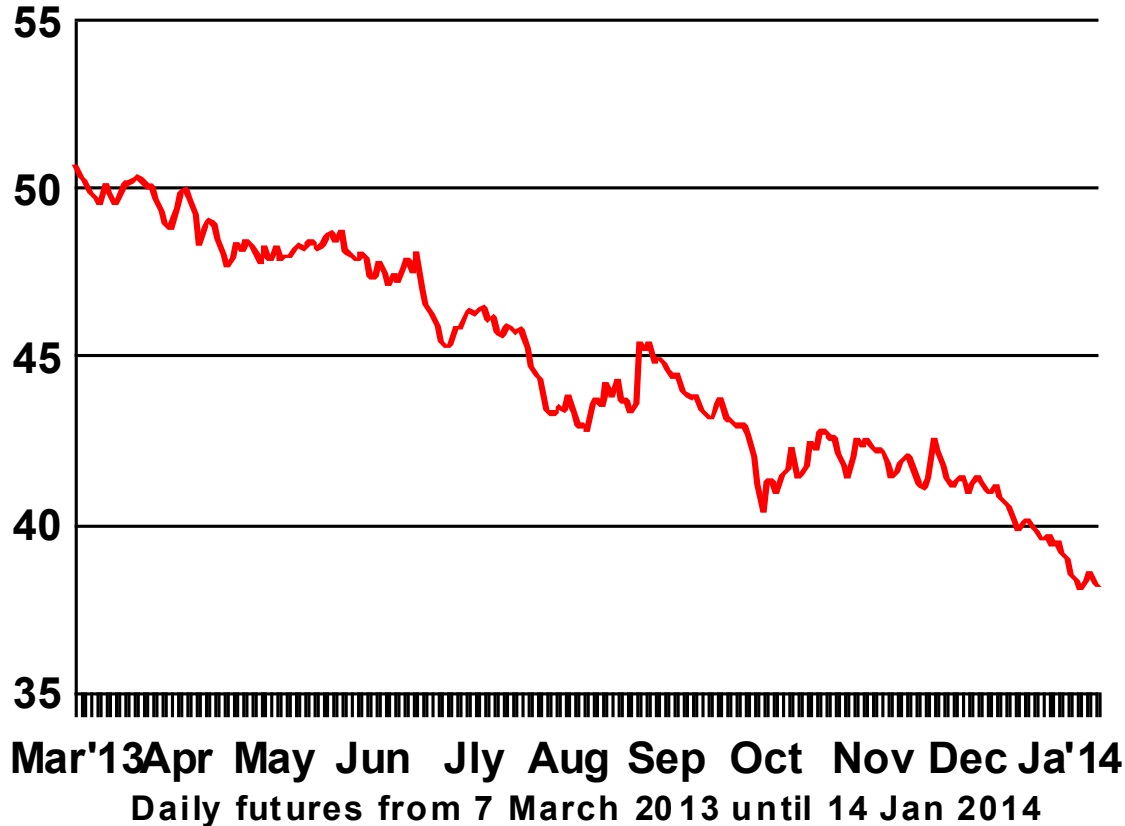


From Oct 1997 until mid-Jan 2014



# Soya Oil Futures Prices at new Contract Lows last week

CBOT: Daily Soya Oil Futures for May 2014 (cent/lb)

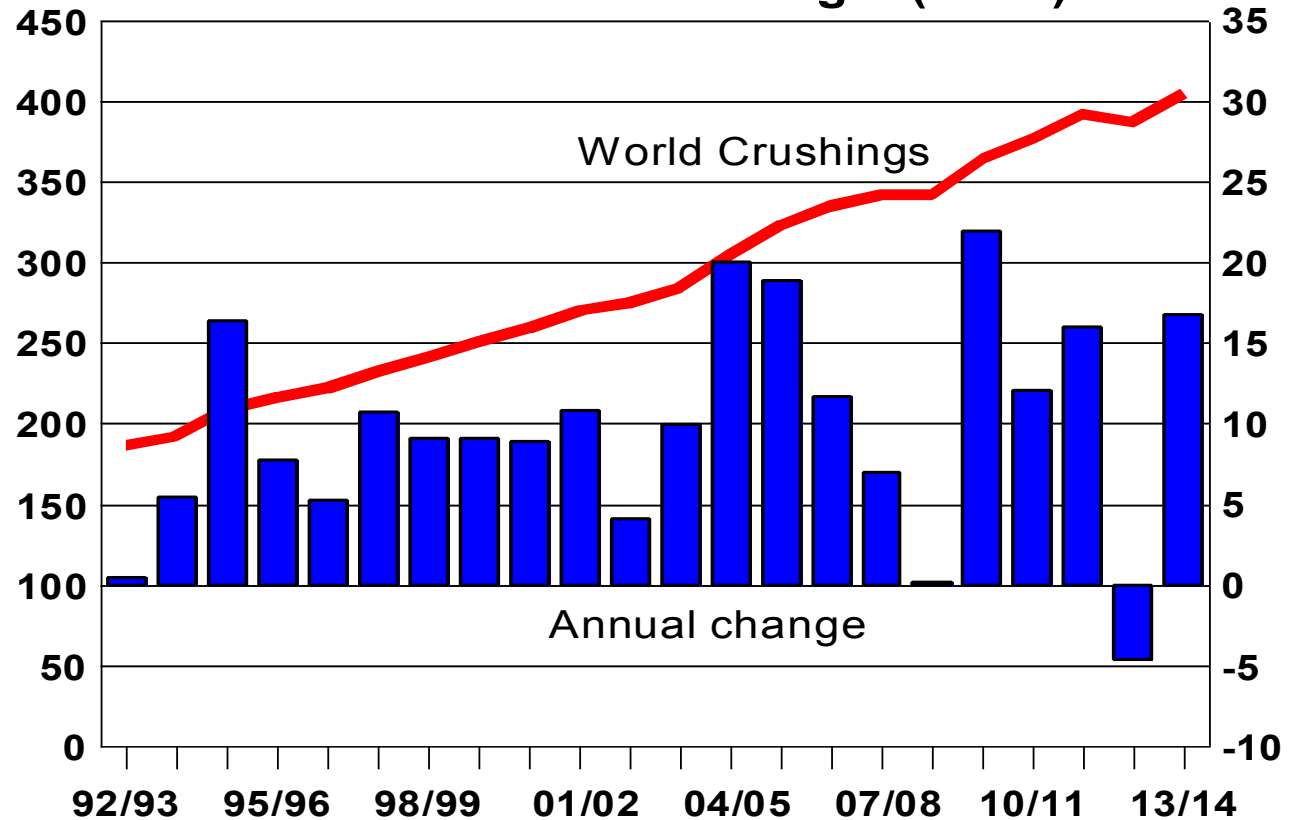


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# 10 Oilseeds : World Crushings

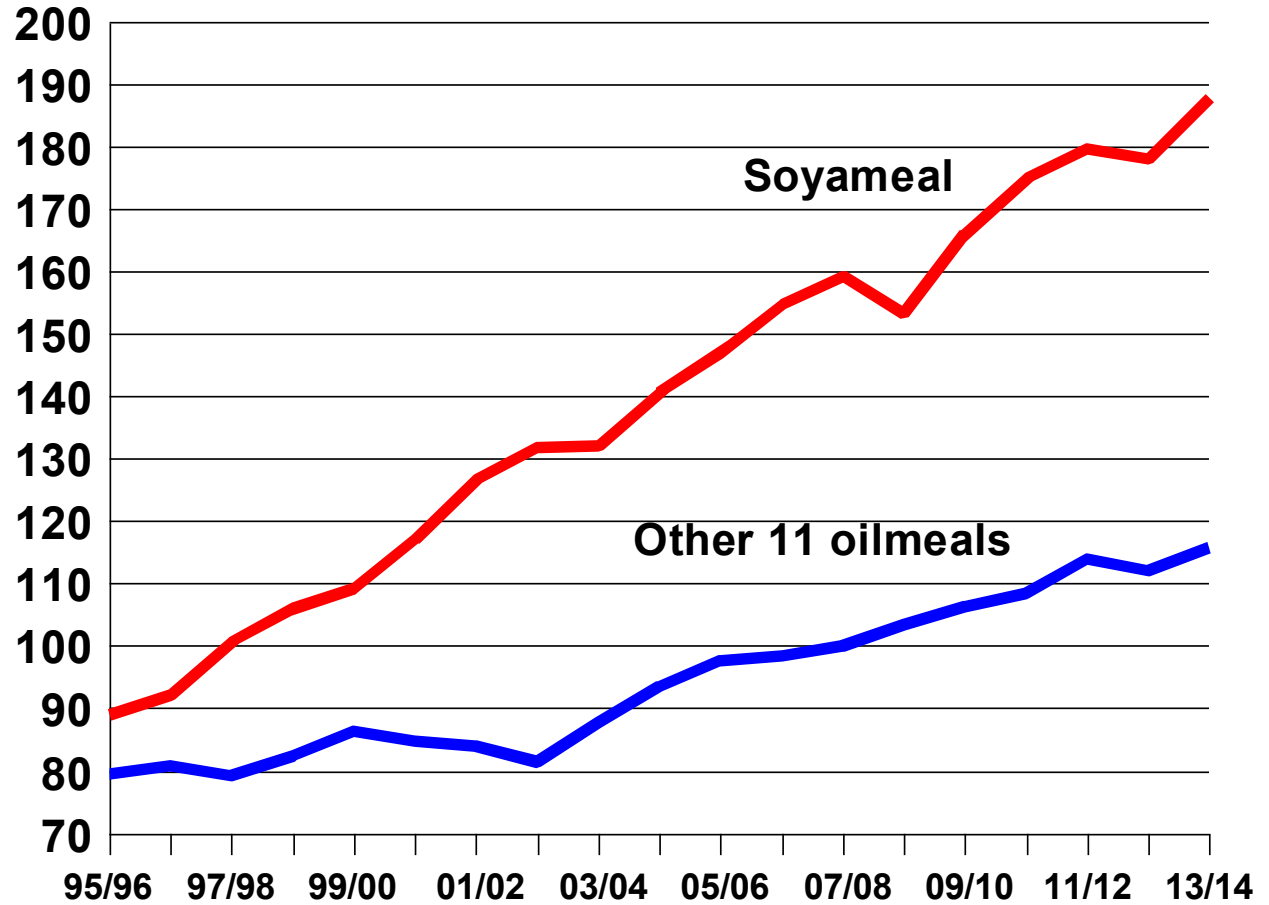
## Total and Annual Change (Mn T)



**Soya meal is the most dominant**

**with production set to increase by 9 Mn T in 2013/14**

## 12 Oilmeals: World Production (Mn T)



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# The Outlook for Oils & Fats



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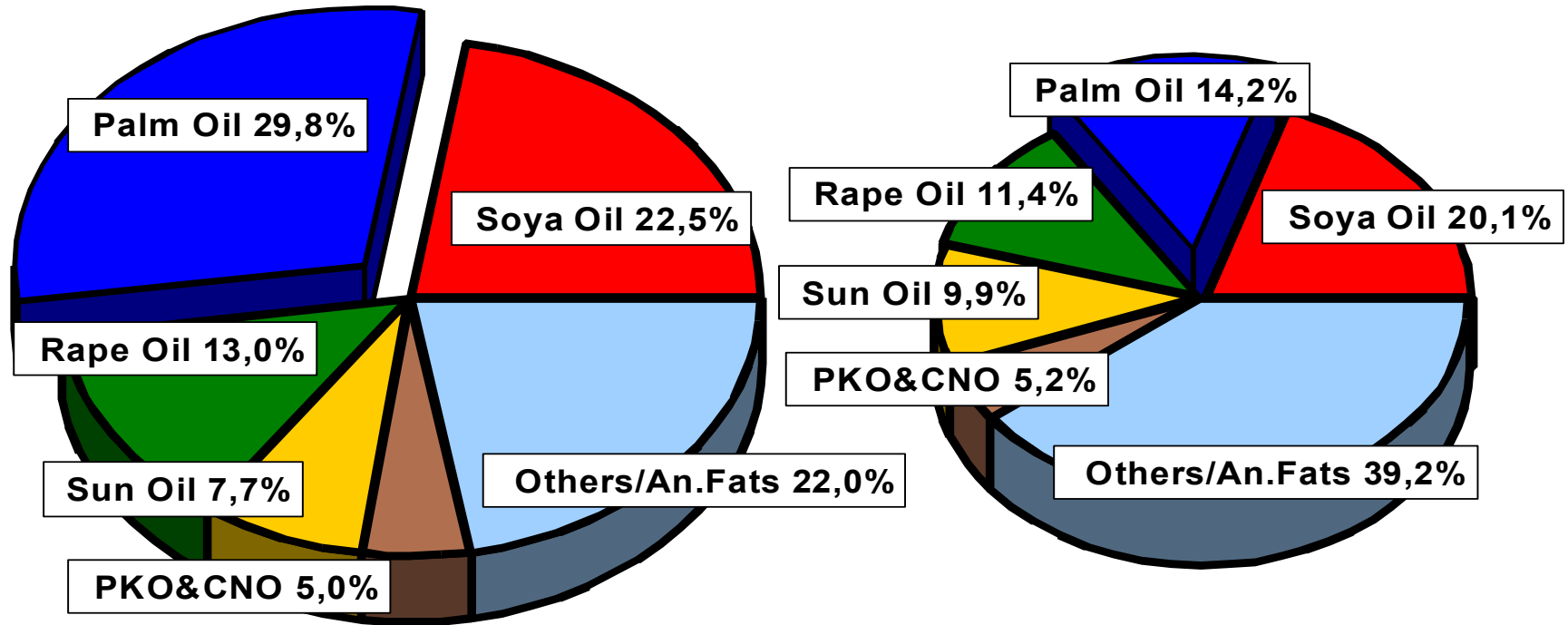
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# World Production of 17 Oils & Fats

2013/14 - - 196.3 Mn T

1991/92 - - 83.5 Mn T



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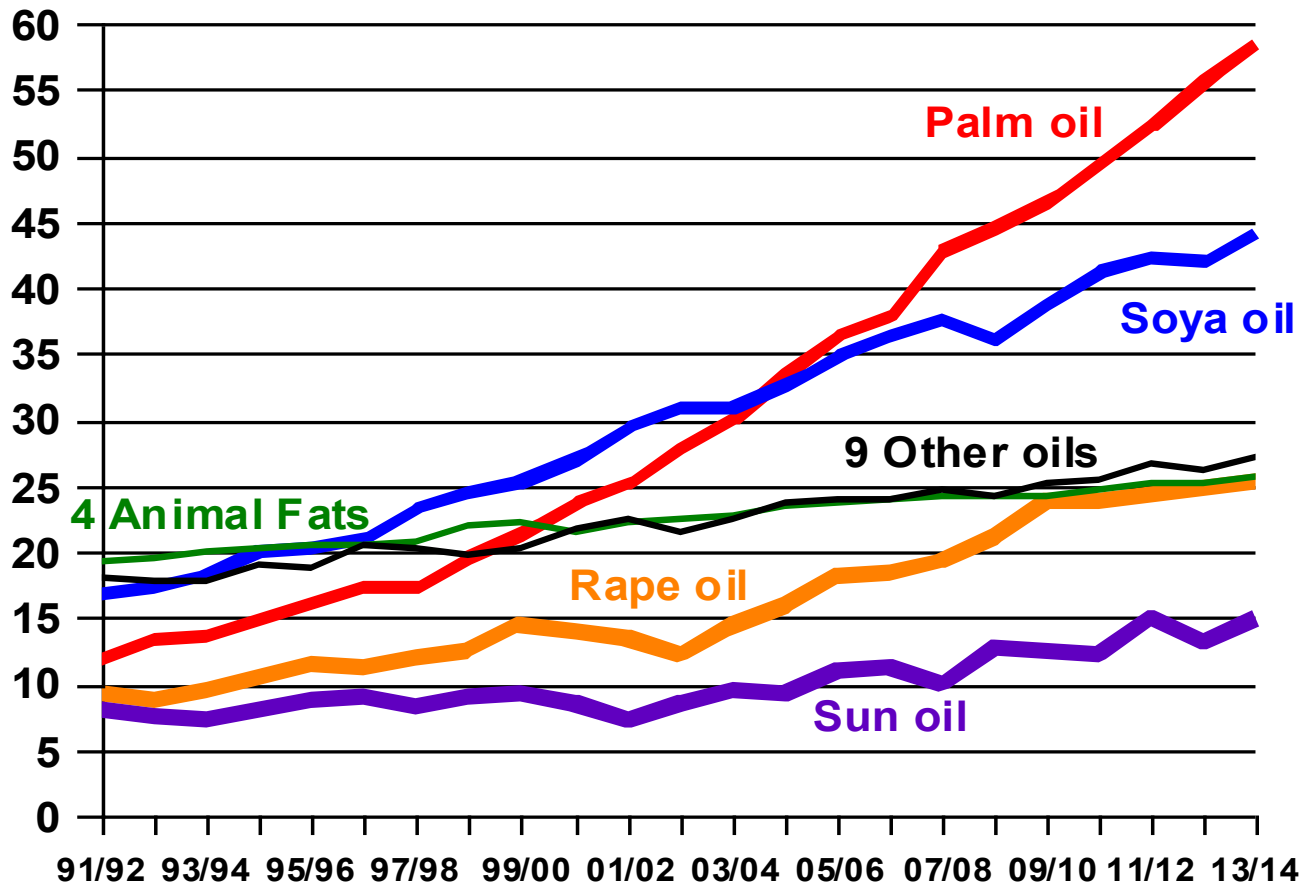
**Palm oil has become the most important veg. oil worldwide**

Palm oil production was boosted by more than 4 times in the past 20 years

from 14 Mn T in 1993/94

and is estimated to reach 58.5 Mn T in 2013/14,  
Thereof: Malaysia 19.7 Mn T  
and Indonesia 29.8 Mn T

## 17 Oils & Fats: World Production (Mn T)



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# Growing Dominance of Palm Oil & Palmkernel Oil Worldwide

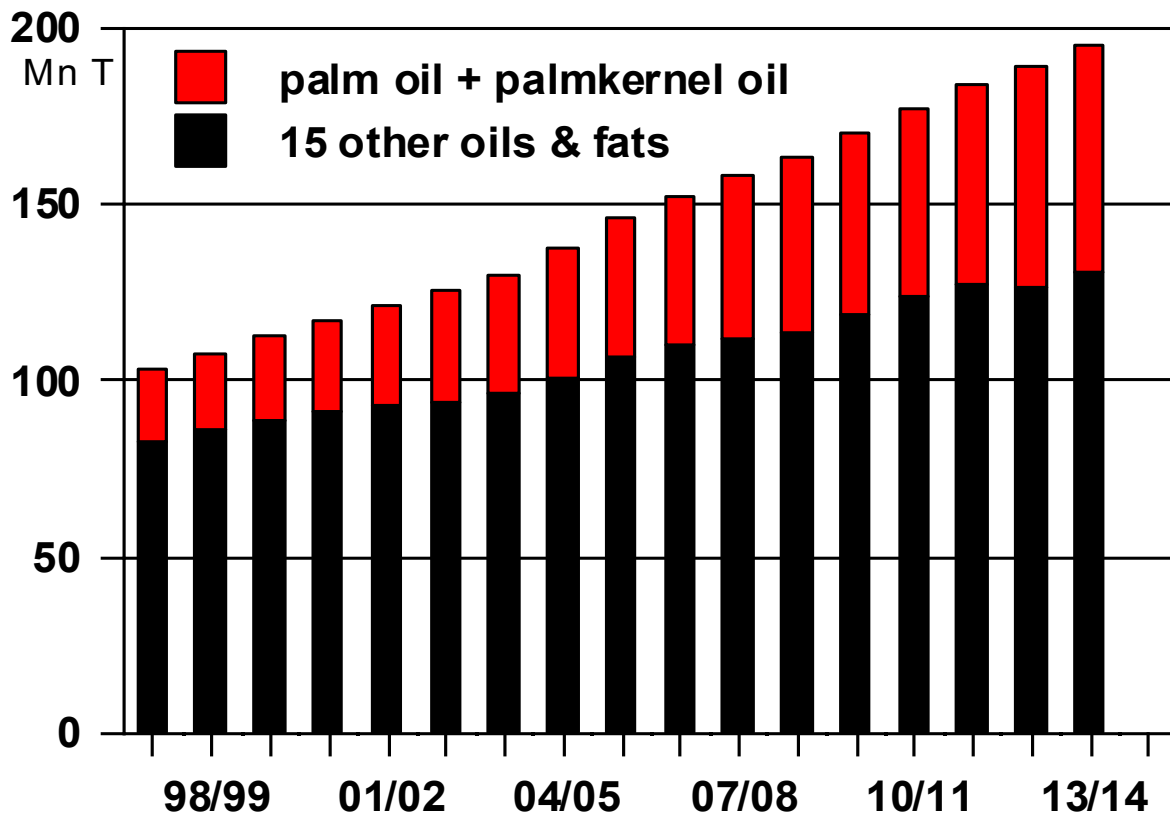
World consumption of all oils & fats more than doubled in the latest 20 years to 188 Mn T in 12/13

Palm oil and Pkernel oil: annual growth rates were more than double of those of other oils & fats.

Today both oils account worldwide for :

- 33% of consumption
- 63% of exports

## World Consumption of 17 Oils & Fats



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**3,400 Ha of UP's advanced planting materials yielded an average of 7.6 Tonnes of CPO per Ha**

**Global Palm Oil Outlook in 2013/14 (in Mn T):**

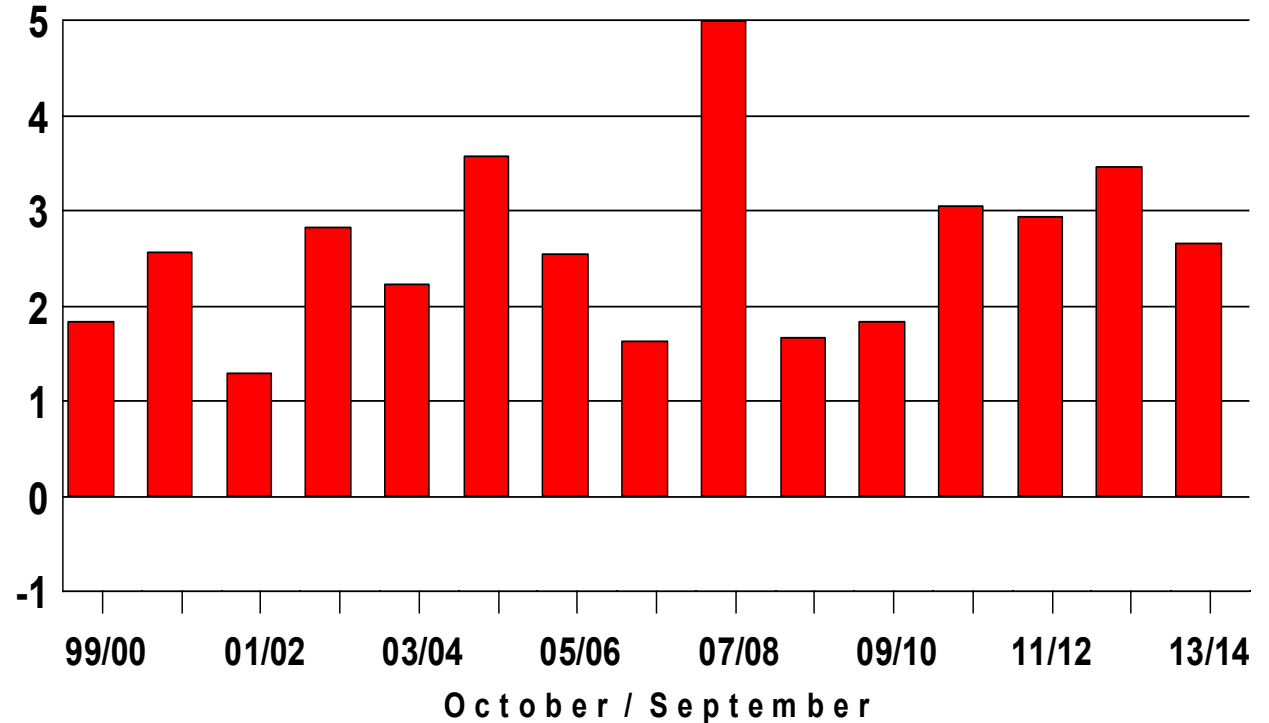
**Production +2.65 (vs +3.45)**

**Op.stocks -0.67 (vs +1.26)**

**Supplies +1.98 (vs +4.71)**

## Palm Oil : World Production

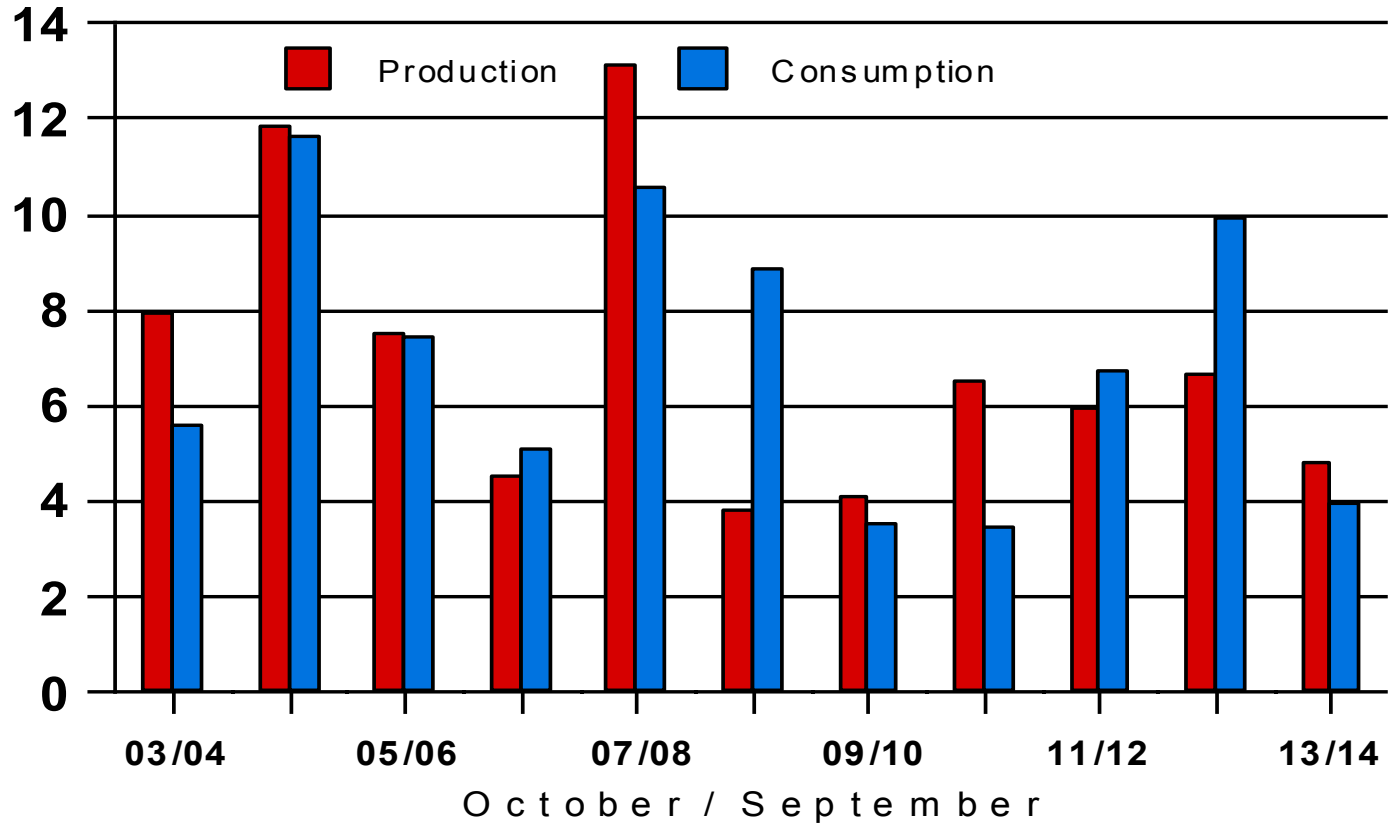
Annual Change (Mn T)





# Palm Oil : World Output and Consumption

Growth Rates in %



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# Rising Dependence on Palm Oil

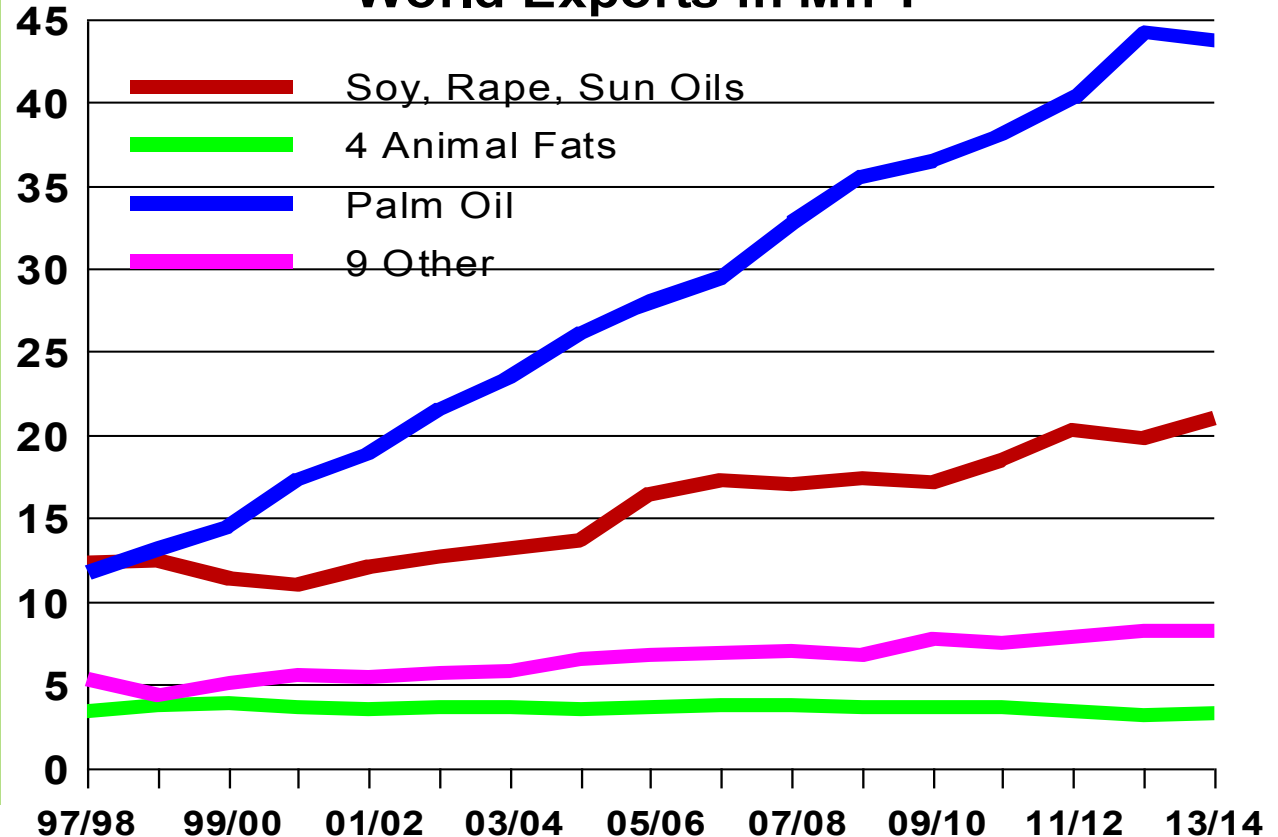
## 17 Oils & Fats World Exports in Mn T

1997/98 - 2012/13:

- **Palm oil** exports (blue line) almost quadrupled
- Exports of all 16 other oils & fats + 48%

**In Oct/Sept 2013/14:**

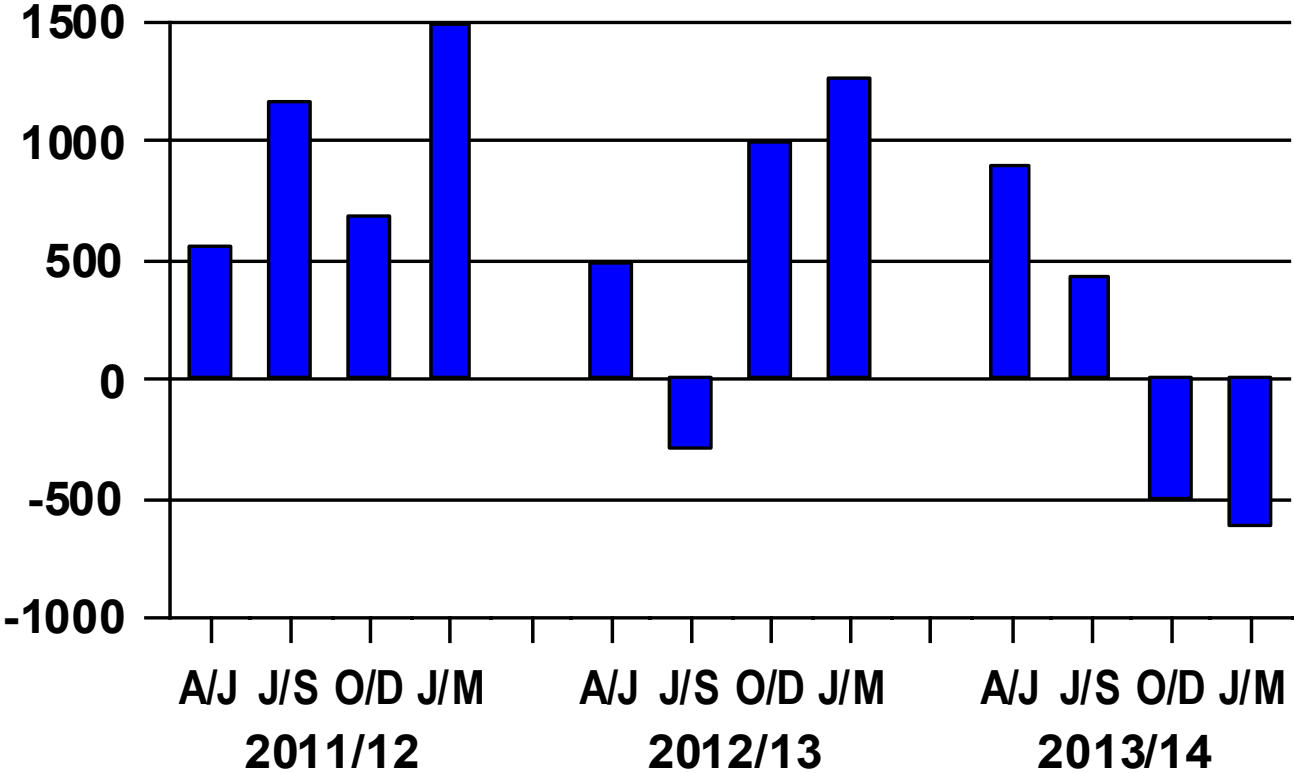
- Palm oil exports (blue line) are set for the 1st year-on-year decline in 16 years
- Combined exports of soya, sun & rapeseed oils (red) are likely to reach a record



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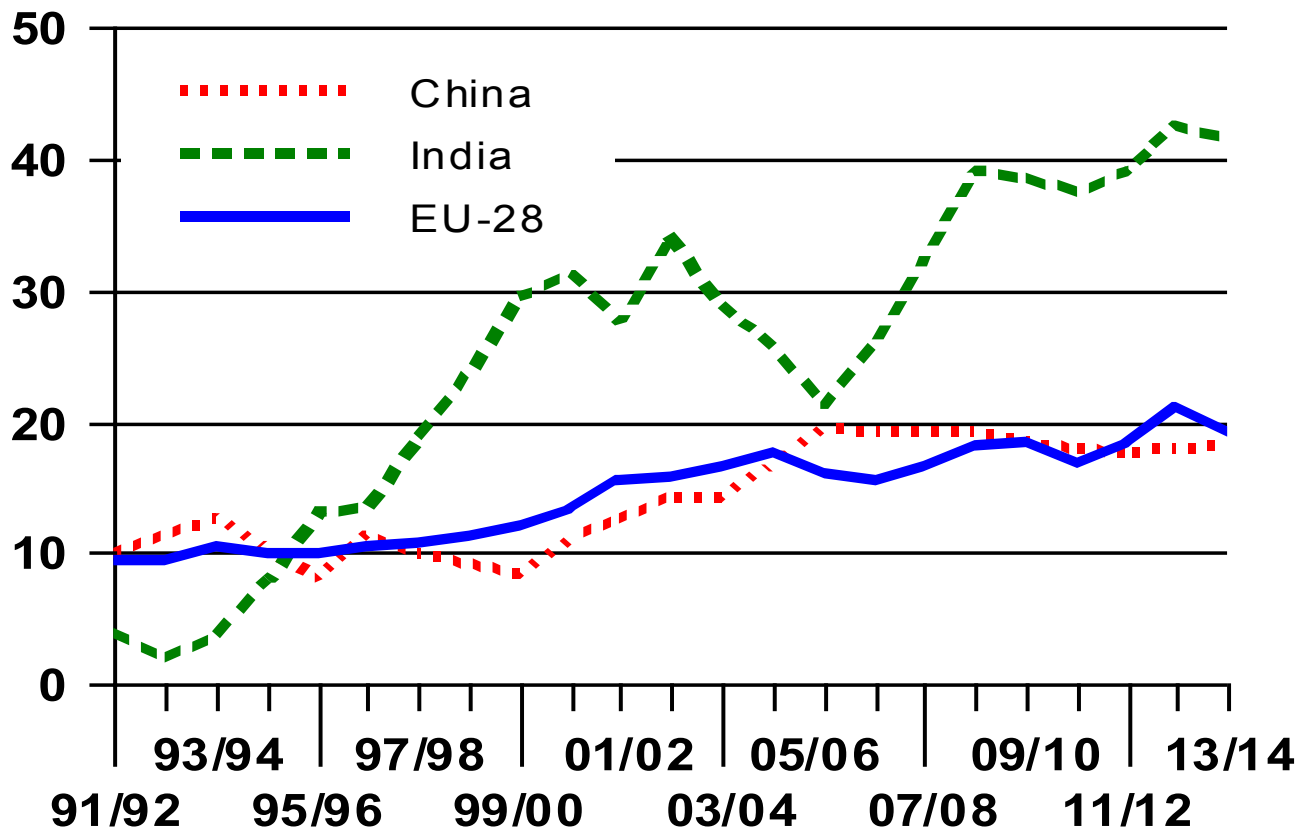
# PALM OIL: Quarterly World Imports

Change from year ago (in 1000 T)



# PALM OIL: Market Share in Sel. Countries

in % of 17 Oils & Fats



# Price Prospects

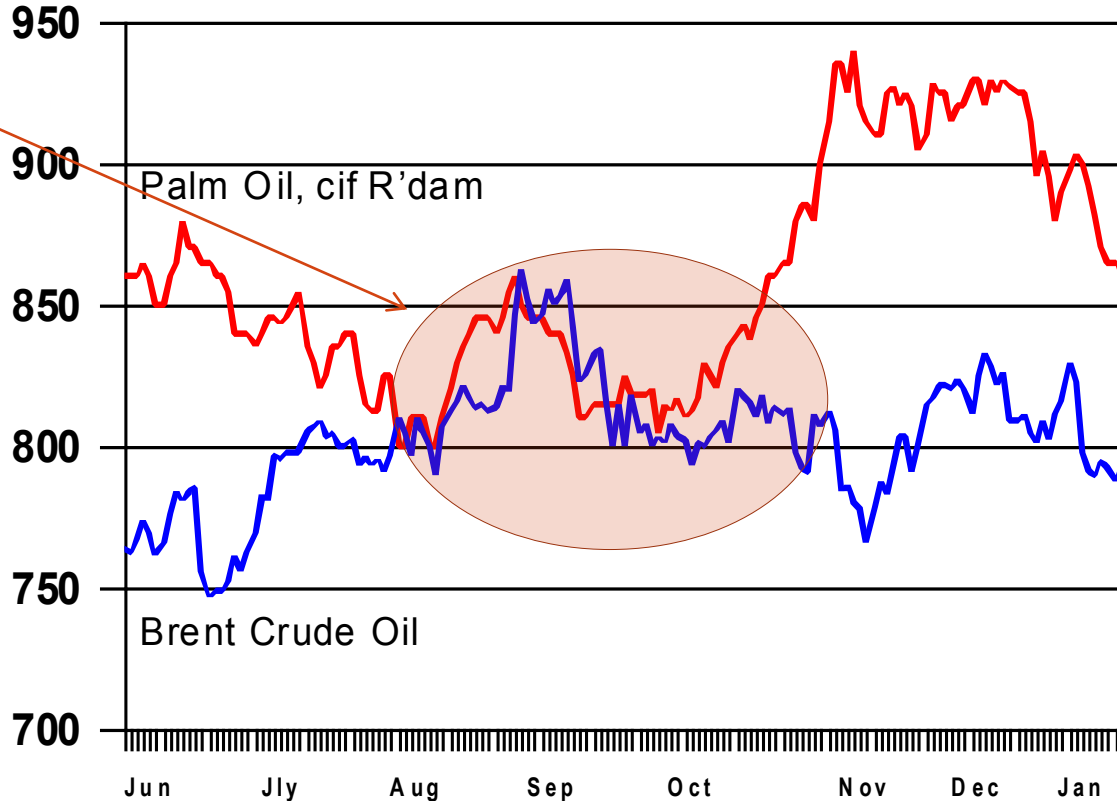


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## Daily Prices of Crude Palm Oil & Brent Oil (US-\$/T)



Palm oil generated huge demand in energy sector

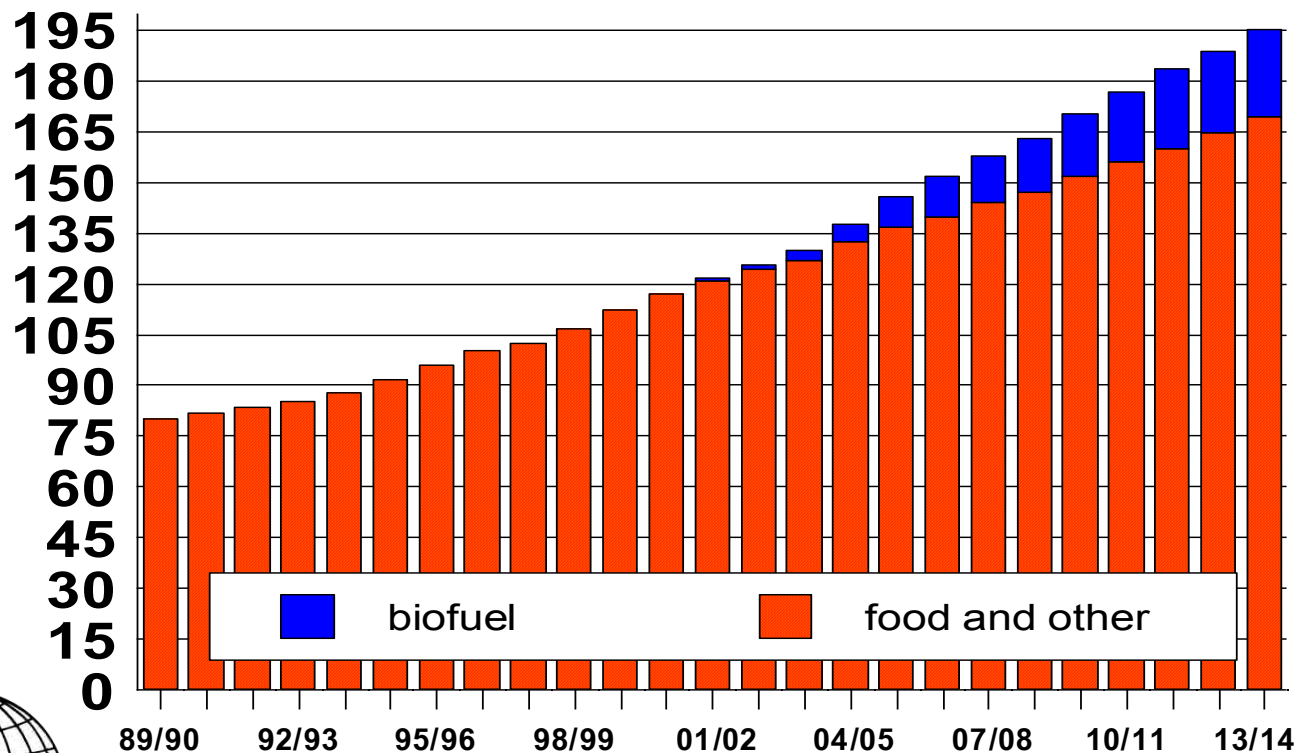
Biofuel use of palm oil outside the mandates comes to standstill



Prices from 1 June 2013 until 10 Jan 2014

# 17 Oils & Fats : World Consumption

Total Usage in Mn T



26 Mn T for biofuels  
→ 13% of total consumption

Total oils/fats use:

- India 20.5 Mn T
- China 36.2 Mn T
- EU 29.7 Mn T
- US 18.5 Mn T
- ..
- World 194.8 Mn T



## 17 Oils & Fats: Consumption Growth

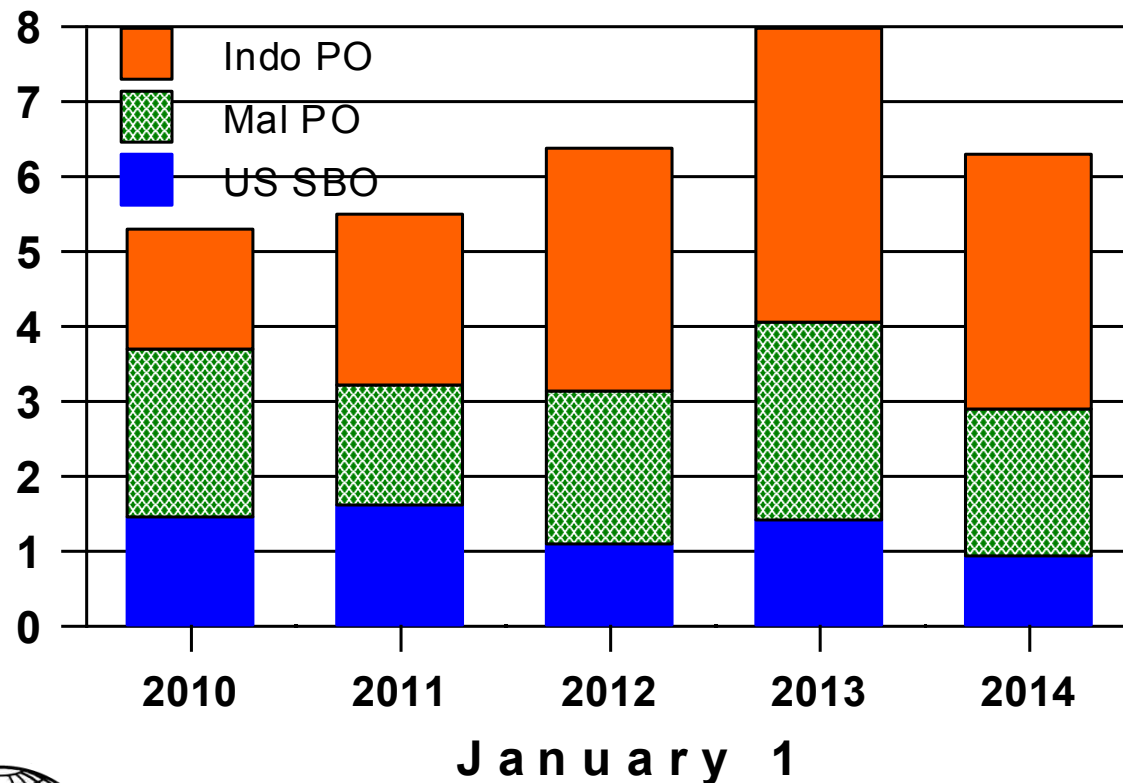
		In Mn T	<u>13/14</u>	<u>12/13</u>	<u>11/12</u>	<u>10/11</u>	
		China	+1.00	+1.10	+1.04	+1.09	
		India	+0.90	+0.87	+0.75	+0.48	
		EU	<b>-0.30</b>	+0.26	<b>-0.33</b>	<b>-0.87</b>	
		U.S.A.	+0.10	+0.49	+1.19	+0.90	
Rising biodiesel mandates	<b>2014</b>	<b>2013</b>					
	10%	8%	Argentina	+0.10	<b>-0.93</b>	+0.53	+0.55
	7%	5%	Brazil	+0.76	+0.04	+0.15	+0.60
	10%		Indonesia	+1.50	+1.00	+0.99	+1.02
		Others	+2.34	+2.39	+2.47	+2.49	
		<b>World</b>	<b>+6.40</b>	<b>+5.22</b>	<b>+6.79</b>	<b>+6.26</b>	
		CPO, \$/T	900-950	835	1053	1150	



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## Veg. Oil Stocks in Key Countries



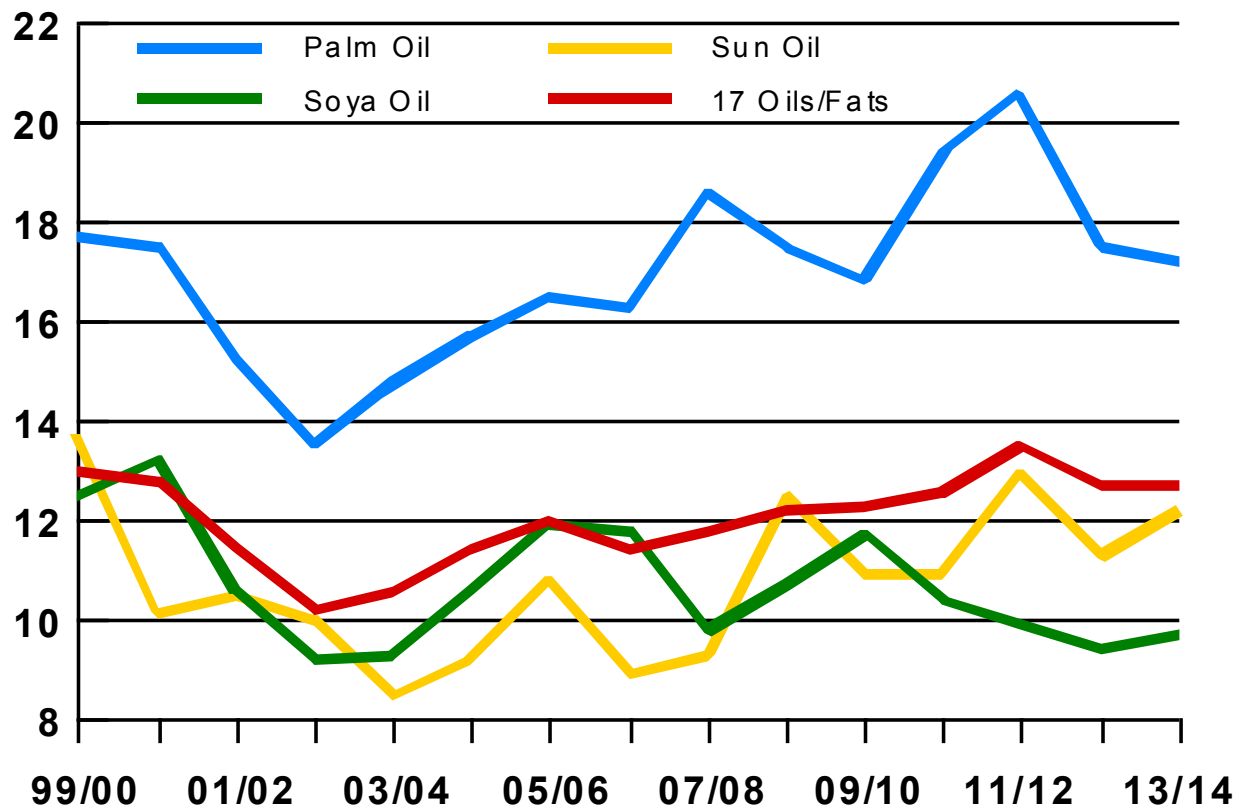
- Stocks of palm oil in Malaysia/Indonesia and of soya oil in US reduced sharply in 2013...

- But China replenished veg. oil stocks – probably curbing Chinese import requirements in 2013/14...

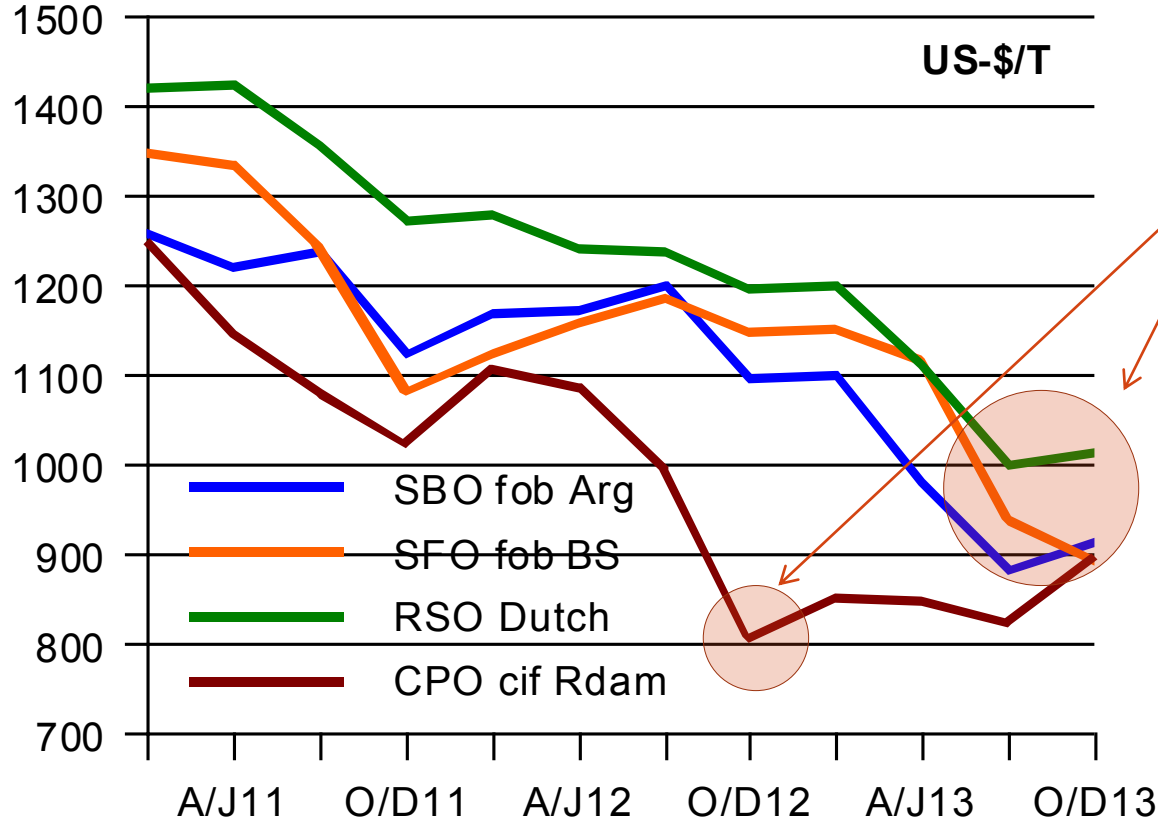


# 17 OILS & FATS

## Annual Stocks / Usage Ratios (%)



# 4 Veg. Oils: Quarterly Average Prices

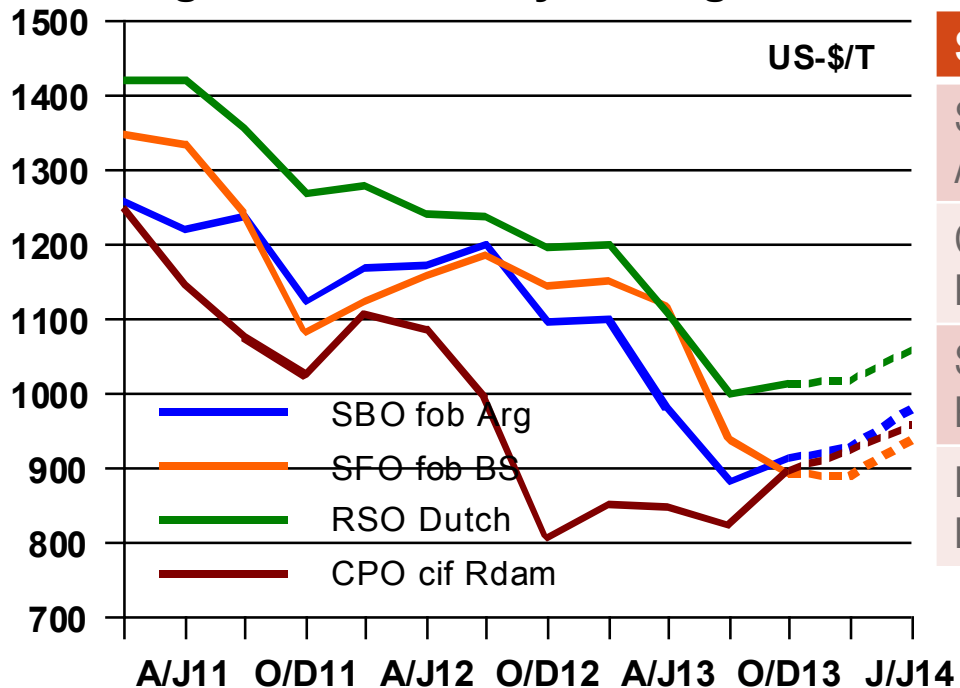


Price lows already established by the four major veg. oils.

Bearish oilseed supply outlook now largely discounted?



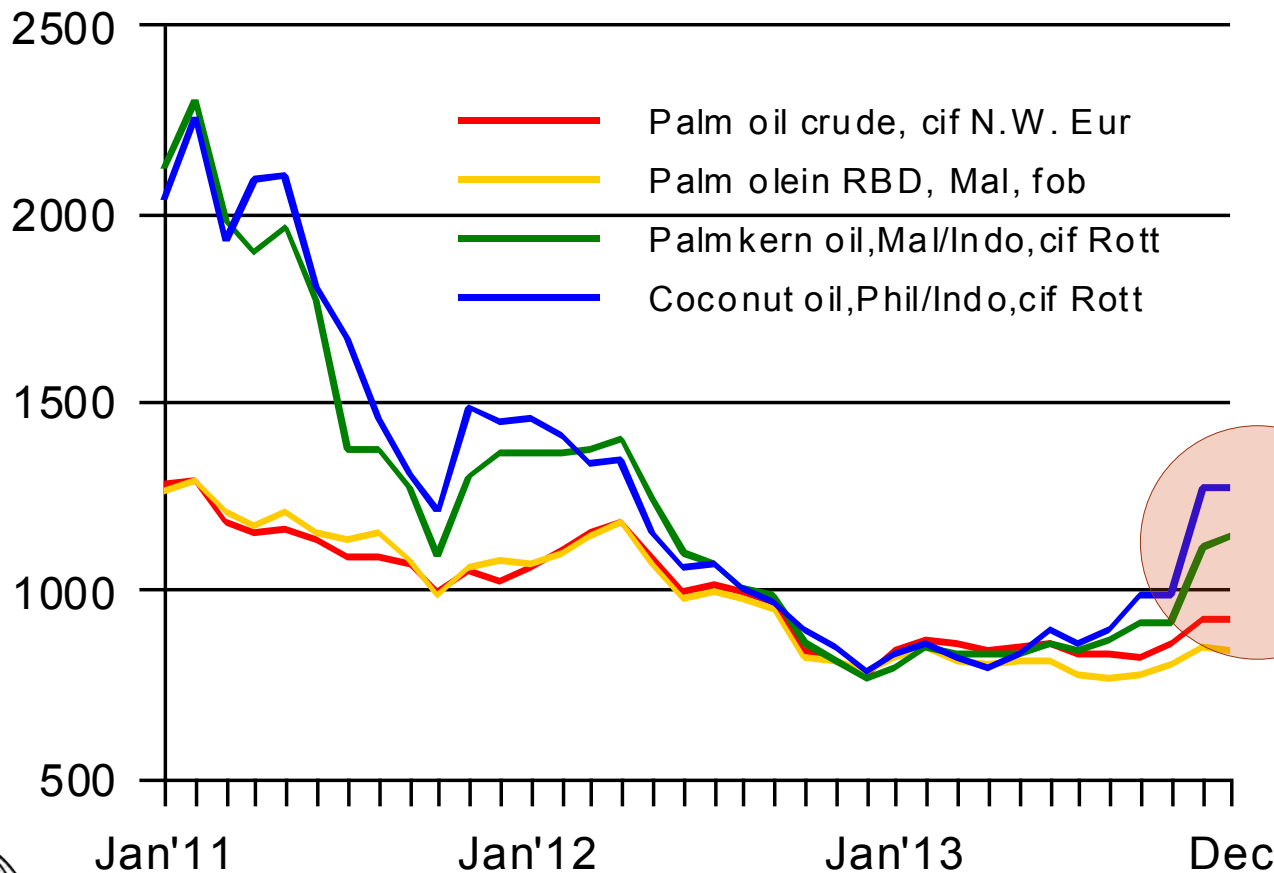
## 4 Veg. Oils: Quarterly Average Prices



\$/T	vs OD	Av.	Jan/June14	O/D13	J/S13
SBO fob Arg	+4%	960*	930-990	917	883
CPO cif Rdm	+5%	945*	920-970	897	827
SFO fob BS	+3%	920*	890-950	893	940
RSO Dutch	+2%	1040*	1020-1060	1016	1001



## Monthly Prices of 4 Veg. Oils (US-\$/T)



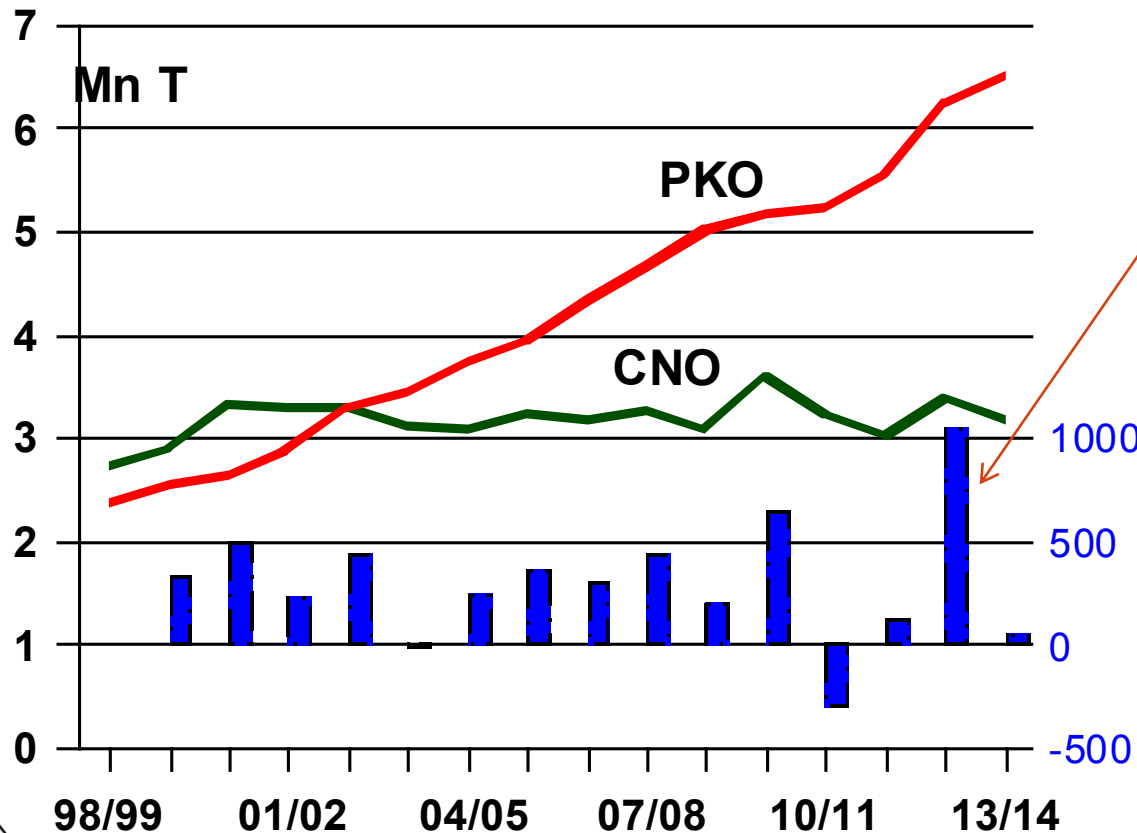
**Widening  
premium of  
lauric oil prices**



Monthly prices from Jan 2011 until 12 Dec 2013

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# LAURIC OILS World Consumption



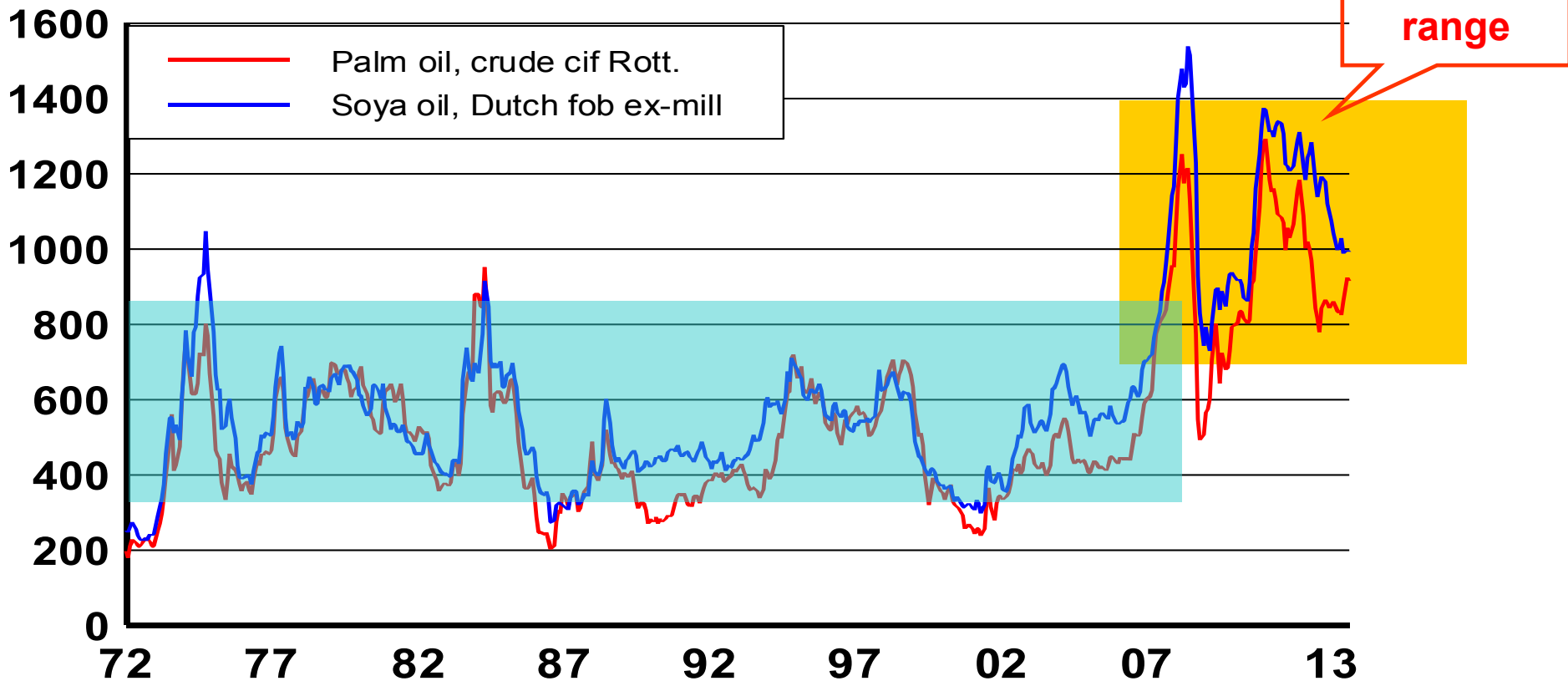
Low prices promoted new demand, mainly in food sector

Much of this price-elastic demand will disappear at current prices

Change of world consumption vs. year ago in Thd T



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



Monthly prices from Jan 1972 until Dec 2013



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# **Thank You for Your Kind Attention !**

**If I can be of assistance to you in the future, you are invited to  
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**More details and background information are given in the Oil World  
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Internet.**

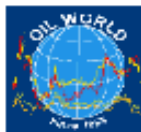
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