

# Global Supply & Demand Outlook for Oils & Fats

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# Congratulations

- Congratulations to MPOC & MPOB
- Philippines has much to learn from Malaysia - how to support agriculture
- This is my 1<sup>st</sup> Speech in Philippines
- Indonesia has let us all down
- Forecast for El Nino made us bullish

# Background

- Forecasts at POC on 4 March 2015 were quickly abandoned
- New Forecast on 4 May in Singapore
- BMD futures to decline below 2000 Ringgits and RBD Olein to US\$ 540 FOB
- Soya oil to decline to US\$ 600 FOB

# Other factors for 2015

- Lack of action for Palm bio diesel by Indonesia until now
- Problems of Greece
- Slowdown in China and fall in markets
- Possible rise in interest rates in USA
- Strong Dollar

# Palm Production

- New High Cycle from March 2015
- This is a LAZY EL Nino – rains have been coming Just in Time
- Malaysian production 2015 – 20 mln mt
- Indonesia production 2015 – 32 mln mt
- Global production 2015 up 2.5 mln mt



# Palm Prospects

- Indonesian Bio diesel mandate is Toothless
- Discount of palm to soya had narrowed
- Current High Cycle will end in Sept 15
- Discretionary palm bio diesel demand has collapsed
- Palm oil stocks are expanding

# Soya Prospects

- Three back-to-back bumper harvests
- Threat of currency devaluation in Brazil and Argentina
- Big expansion in soya crush worldwide
- Flip side of El Nino is excellent rainfall in South America

# Other Oilseeds

- Sun seed production better than expected
- Sun oil demand was very strong
- Rapeseed production Down by 5 mln mt
- CPKO production is up in line with palm
- CNO production in 14-15 was higher and in 15-16 will be still higher



# INDIA

Surge in imports of veg oils since  
November 2014, fuelled by low prices

Local domestic production of soybeans and  
rapeseed was low

2014-15 imports will be 2 million tonnes  
higher than 2013-14 imports

Soya oil has gained market share



# CHINA

- Imports & Stocks of imported veg oils returning to normal
- Financial importers have gone
- What happens to the huge Reserve Stock of 6 million tonnes of old Rape oil
- Will this be swept under the carpet again?

# Energy Prices & US Mandate

- World consumes 29 mln mt Oils & Fats for Biodiesel. Of this 80 to 90 % is mandated
- Discretionary blending is almost out
- Have to see Indonesian consumption of mandated biodiesel
- Await news on US Mandate



# World Demand

- Food Demand rising at 4 mln mt
- Bio fuel demand will SHRINK by 1.5 mln mt in 2014-15. Indonesia is the main culprit
- We hope bio diesel demand in 2015-16 will recover by 1.5 mln mt

# Incremental Supply

• 000 tonnes	14-15	13-14
• Soya oil	+ 2,700	+ 1,800
• Sun oil	- 600	+ 1,600
• Palm oil	+ 1,600	+ 3,400
• Others	- 50	+ 700
• Total Supply	+ 3,650	+ 7,500
• Total Demand	+ 2,500	+ 5,200

# Price Outlook

- BMD futures on 3<sup>rd</sup> month should hit 1900 Ringgits by end September
- Malaysian stocks will hit 3 mln mt by Nov
- Then BMD will recover to 2100 to 2300
- Watch effects of El Nino for further upside

# Price Outlook

- Soya oil FOB Argentina US\$ 600 FOB
- Sun oil – premium over soya oil of \$ 30
- Rape oil will be a premium oil
- Laurics – Bearish. CPKO must go down to US\$ 700 cif Rotterdam.
- CNO can trade a \$ 150 over CPKO

# Plantation Equities

- I repeat my recent call to buy Equities of good well managed Palm Plantation and Processing companies
- When palm prices are bottoming out your timing will be excellent



# Conclusion

The cure for Low prices is Low prices

Expansion of plantings will decline sharply

Demand will remain strong due Low Prices

- Congrats again to MPOC & MPOB
- Congrats & Well Done to Malaysian Government
- Good Luck and God Bless

