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 1st 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 3rd 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