

Growing Dependence for Palm Oil in World Trade and Consumption

POTS Philippines, 6 – 7 August 2015, at the Shangri-La Hotel Makati, Manila

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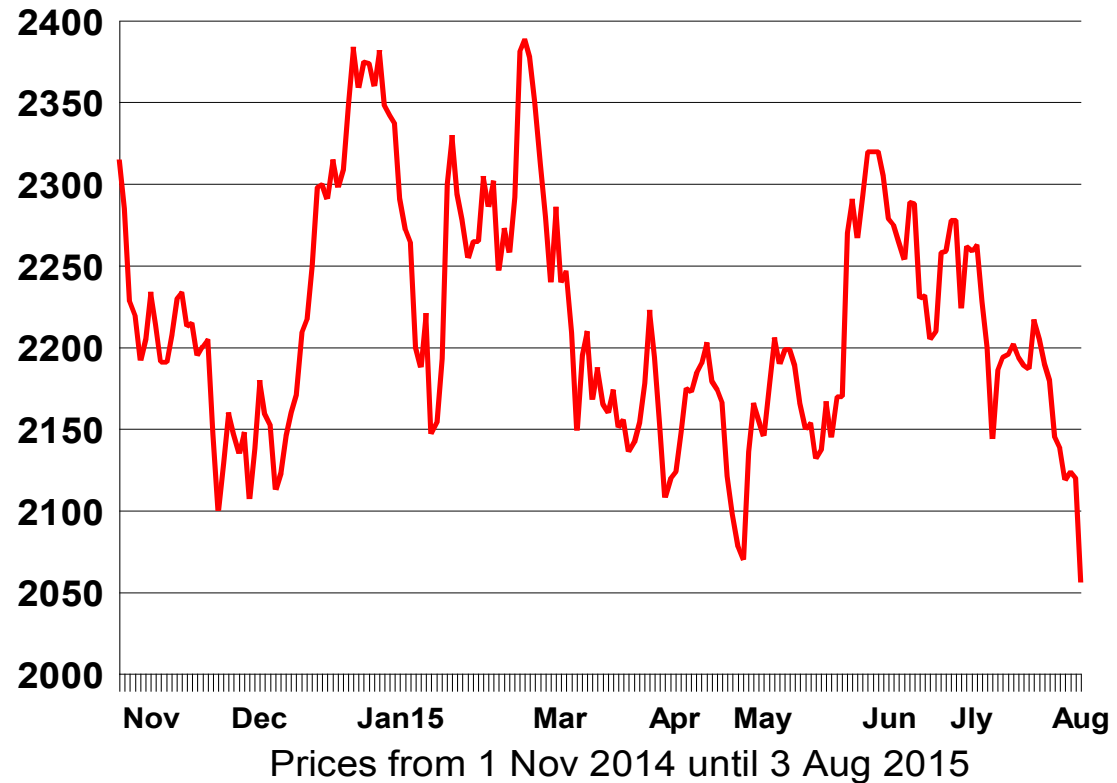
On Aug 3 palm oil futures falling to their lowest level since Sept 10, 2014

Additional downward potential limited

Palm oil prices may soon bottom out - - getting support from rape oil and soya oil (rising oil share)

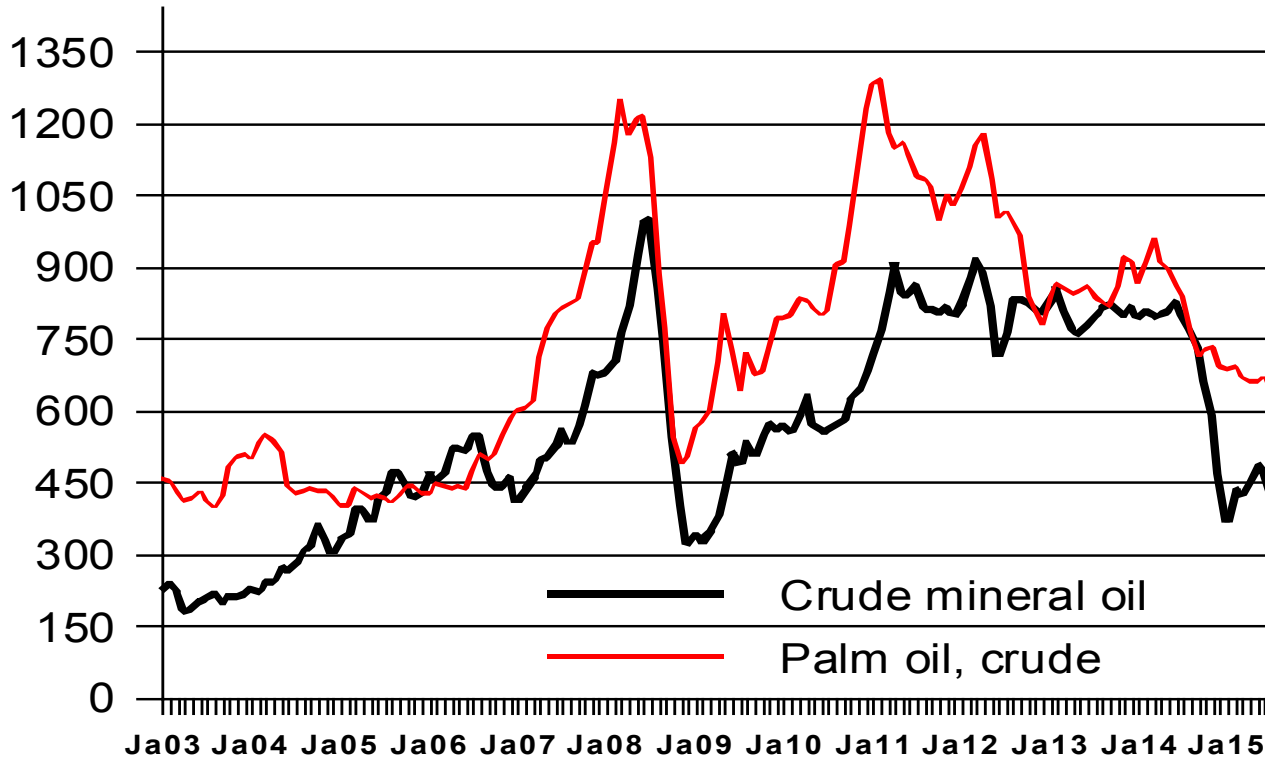
Upward potential in Oct/March 2015/16 and beyond

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



Competitiveness of Palm Oil on Energy Market

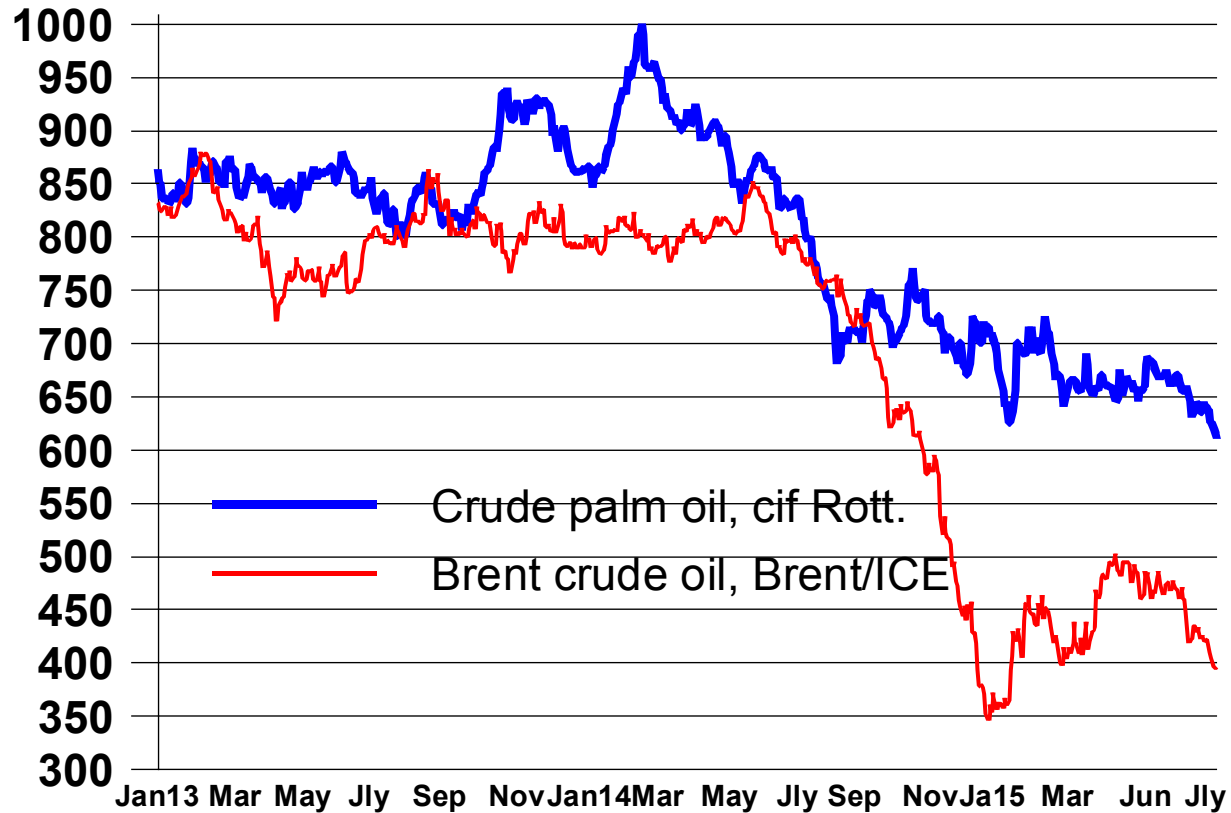
Monthly Prices of Palm Oil & Crude Mineral Oil (US-\$/T)



Monthly prices from Jan 2003 until July 2015



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



Prices from 2 Jan 2013 until 29 July 2015



Feed requirements 30.5 Mn T 2014:

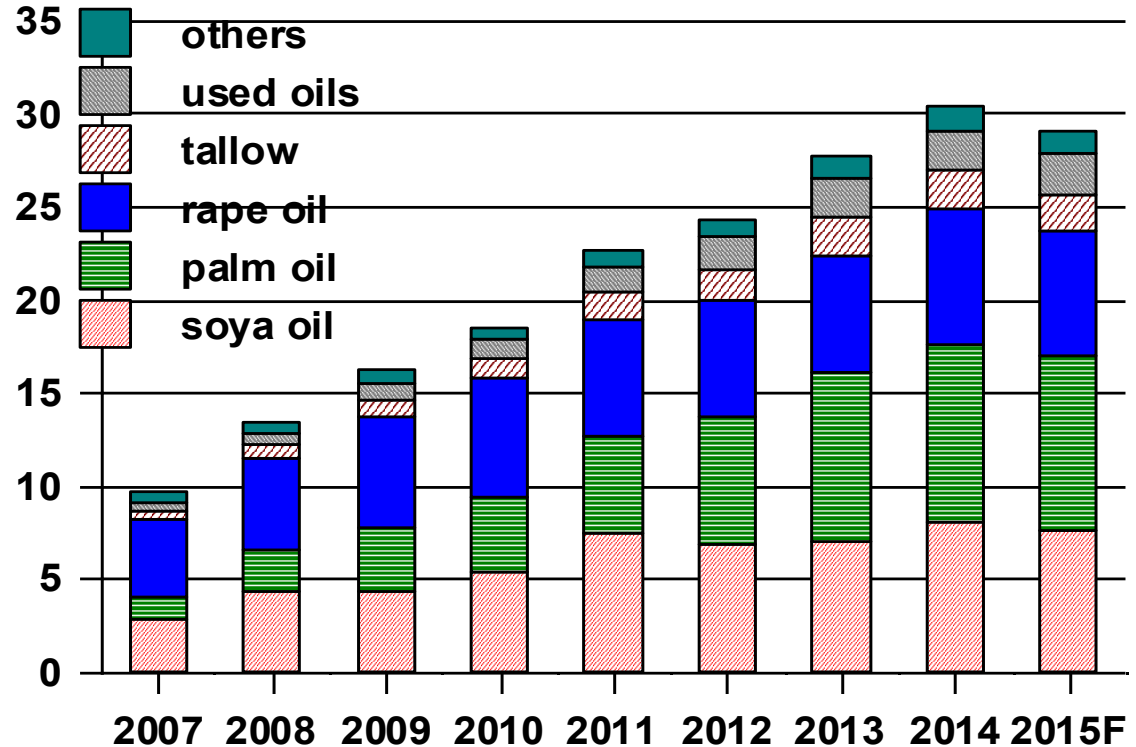
Palm oil usage 9.6 Mn T (32% of all feed-stock used) and 16% of world PO usage

Soya oil 8.0 Mn T and 18% of total use

Rapeseed oil 7.3 and 27%

Tallow 2.1 Mn T and 24%
Other (corn oil, used oil)

Biodiesel Use of Major Feedstock (Mn T)

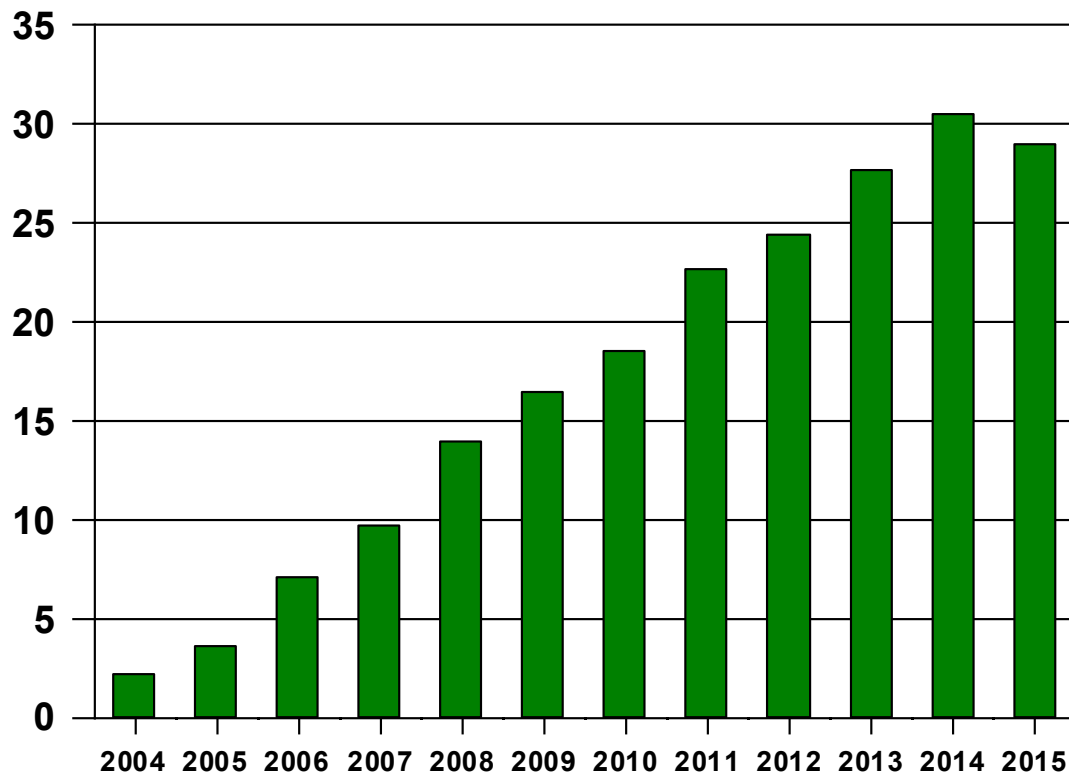


BIODIESEL: World Production by Country (Mn T)

January/December

	2015F	2014	2013	2012	2011
EU-28	11.40*	12.00*	10.60	9.66	9.32
U.S.A.	4.30*	4.22	4.53	3.30	3.22
Argentina	1.80*	2.58	2.00	2.46	2.43
Brazil	3.40*	3.00	2.56	2.39	2.35
Colombia . . . . .	.53*	.52	.50	.49	.44
Singapore . . . . .	.70*	.74	.79	.73	.48
Indonesia	2.40*	2.90	2.60	1.91	1.40*
Malaysia . . . . .	.80*	.62	.47	.25*	.17
Thailand . . . . .	.92*	.98	.95	.92*	.79*
Oth. ctries.	2.70*	2.89*	2.65*	2.20	1.95
Total	28.95*	30.45	27.65	24.31	22.55
<i>Change in (Mn T)</i>	<i>-1.50*</i>	<i>+2.80</i>	<i>+3.35</i>	<i>+1.76</i>	<i>+4.04</i>

World Production of Biodiesel (Mn T)



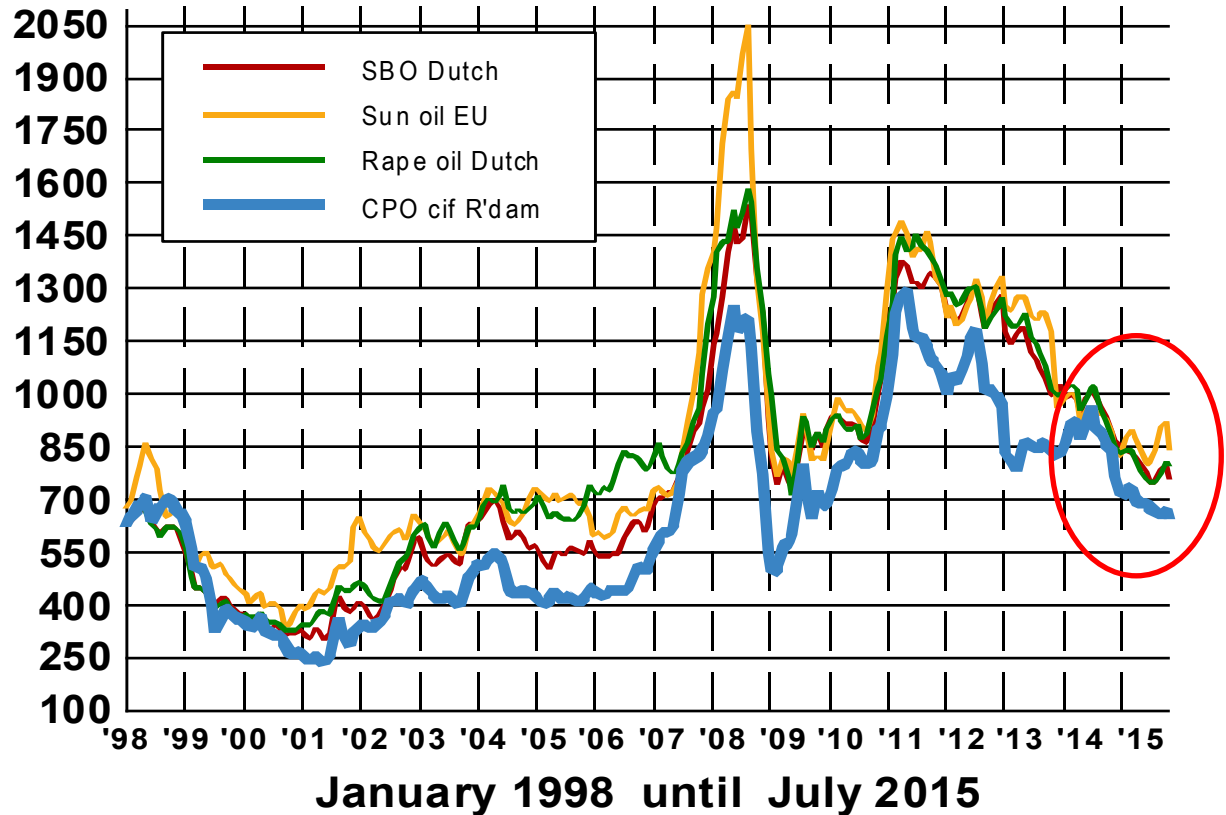
High price volatility of vegetable oil prices in the past 15 years

In the short and medium term, palm oil can hardly react to declining prices

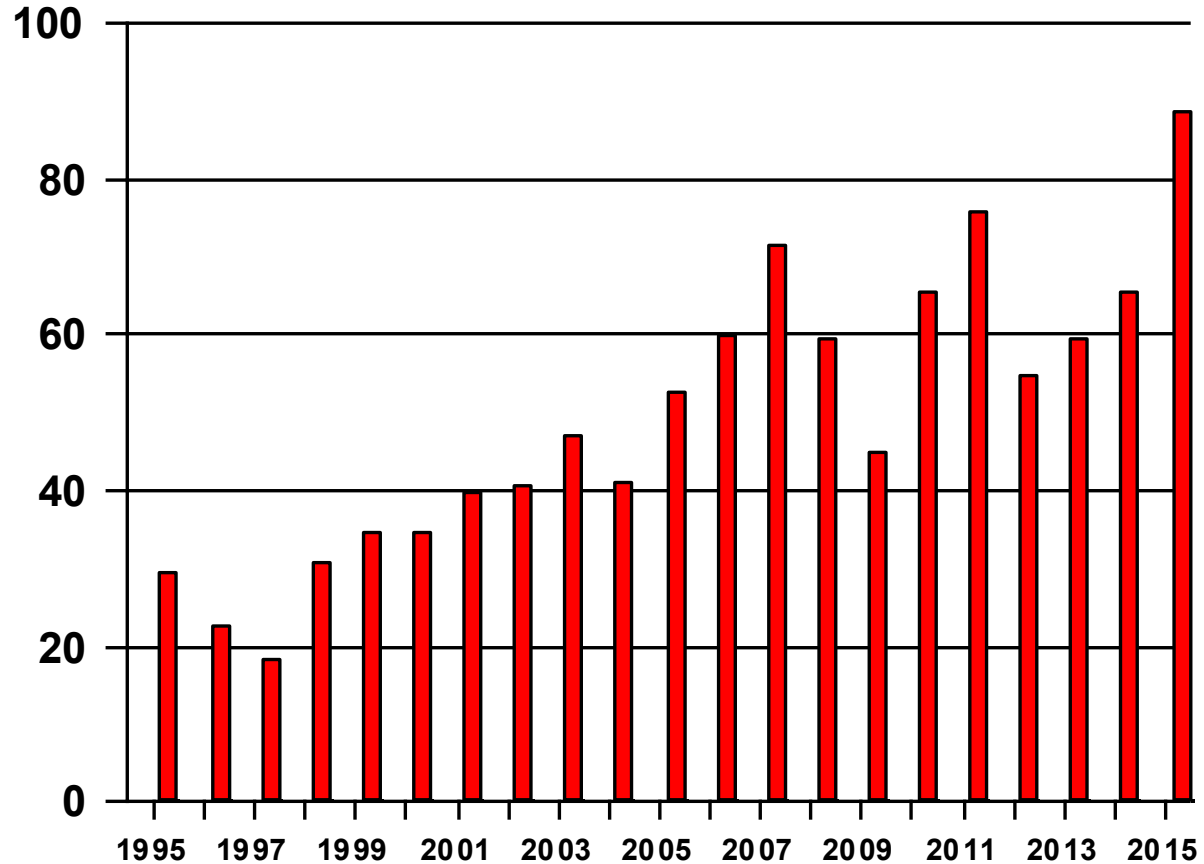
But producers of sun oil and rape oil have done that (farmers and crushers resending)

Supply response

Monthly Prices of 4 Oils (in US-\$/T)



Soybeans: World Stocks as of end-August (Mn T)



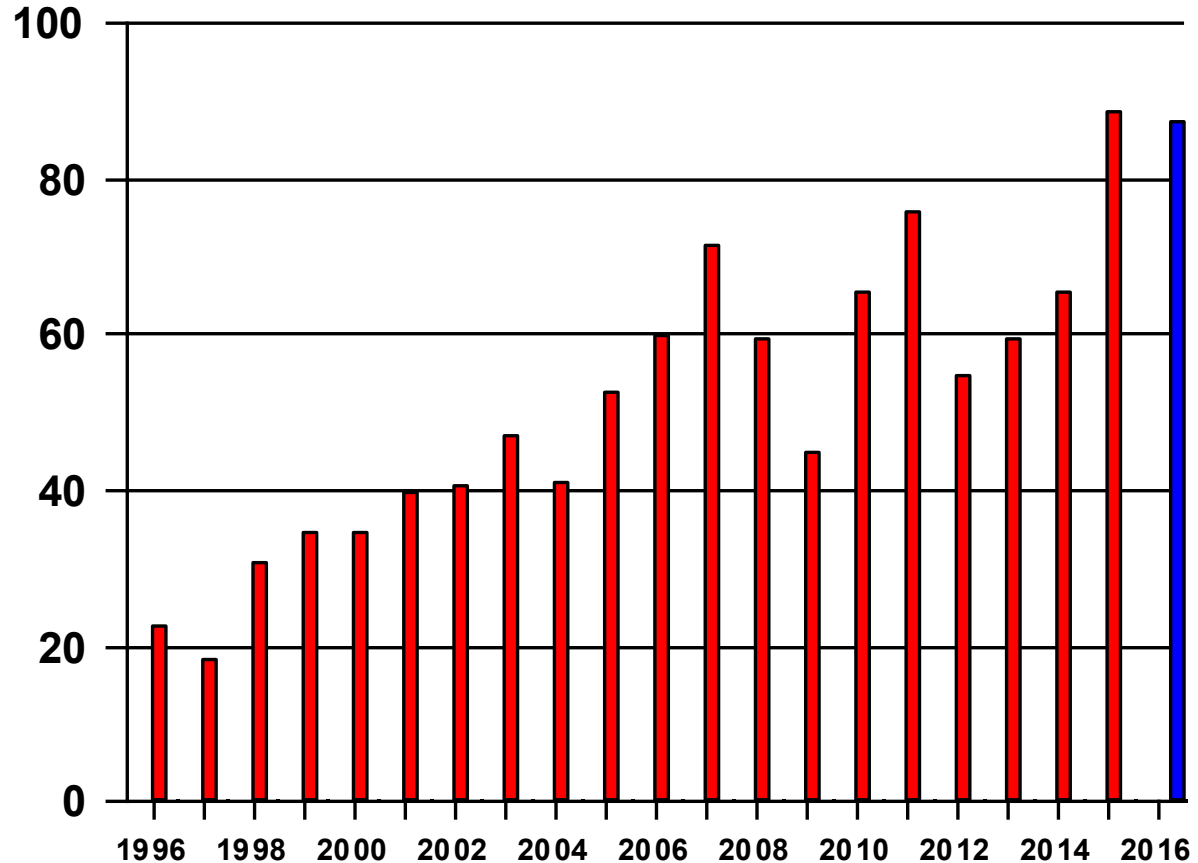
World stocks of soybeans likely to rise to a record 88-89 Mn T at the end of 2014/15 season

Are we at the beginning of a longer period of surplus stocks and depressed prices?

Farmers have started to react to the low prices



Soybeans: World Stocks as of end-August (Mn T)



We are probably close to a turning point: After 3 years of sharp increases, world stocks of soybeans will probably decline slightly in 2015/16

Ongoing strong global demand for soybeans & products

Shortage of other oilseeds

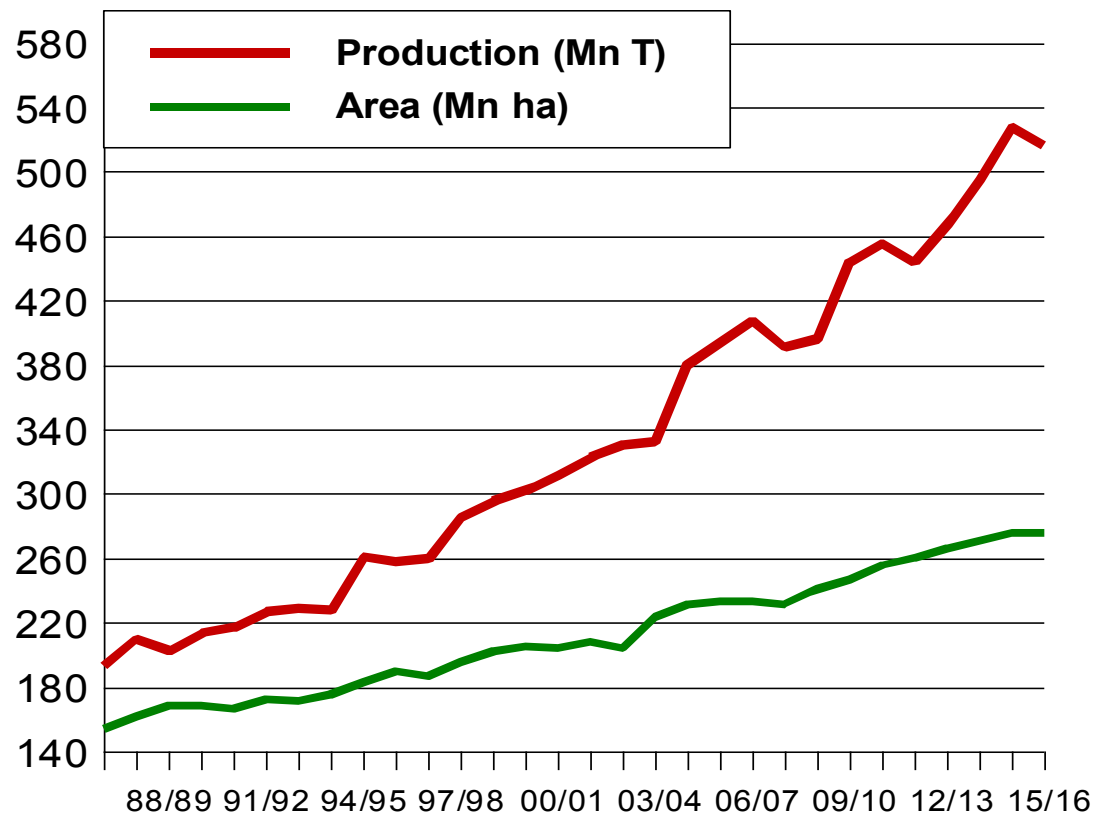


10 Oilseeds: World Area and Production

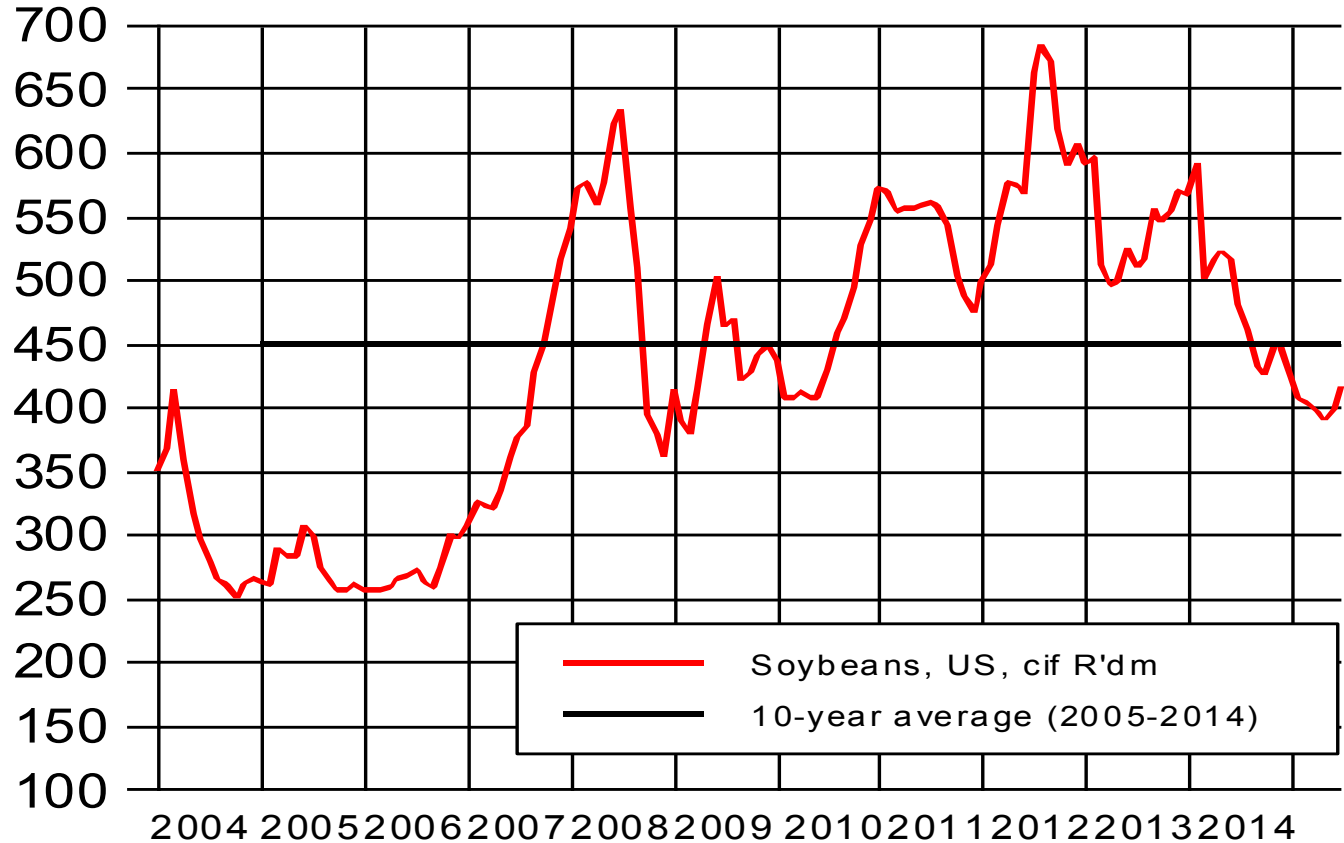
World production of 10 oilseeds doubling in the past 20 years.
Is this trend sustainable?

Strong demand
Most recently, protein demand
much stronger than that of oils

Production falling in 2015/16



Monthly Prices of Soybeans, US (in US-\$/T)

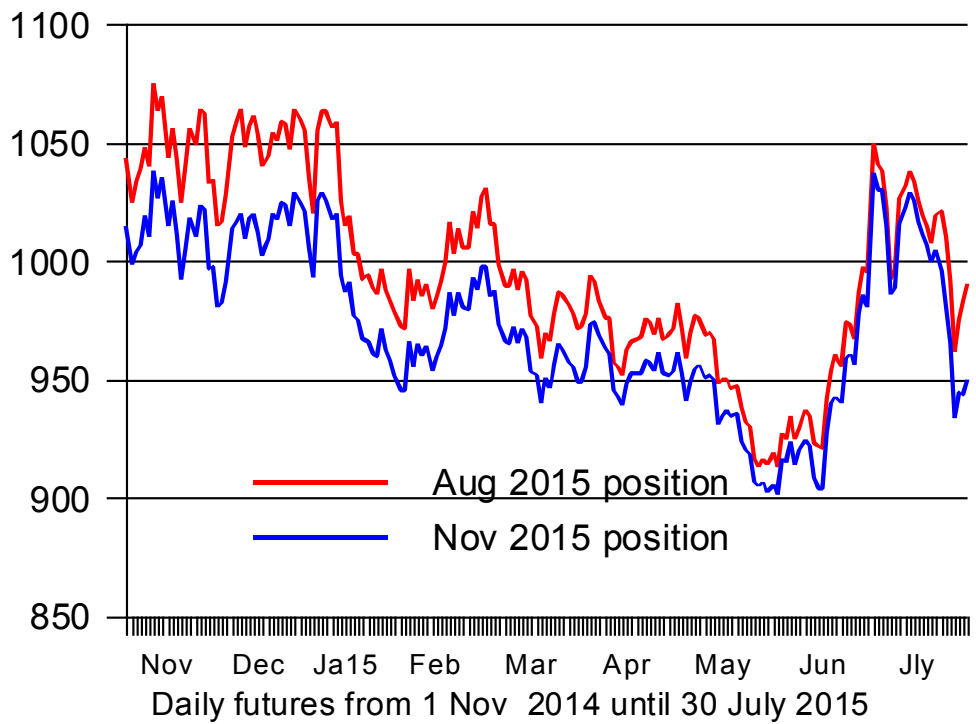


January 2004 until July 2015

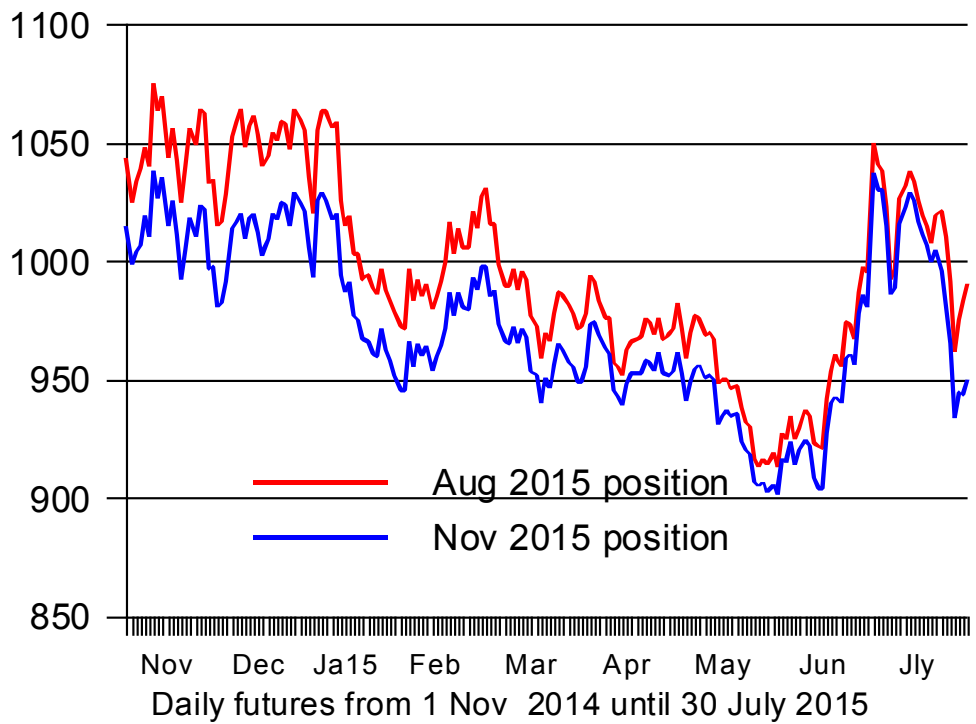


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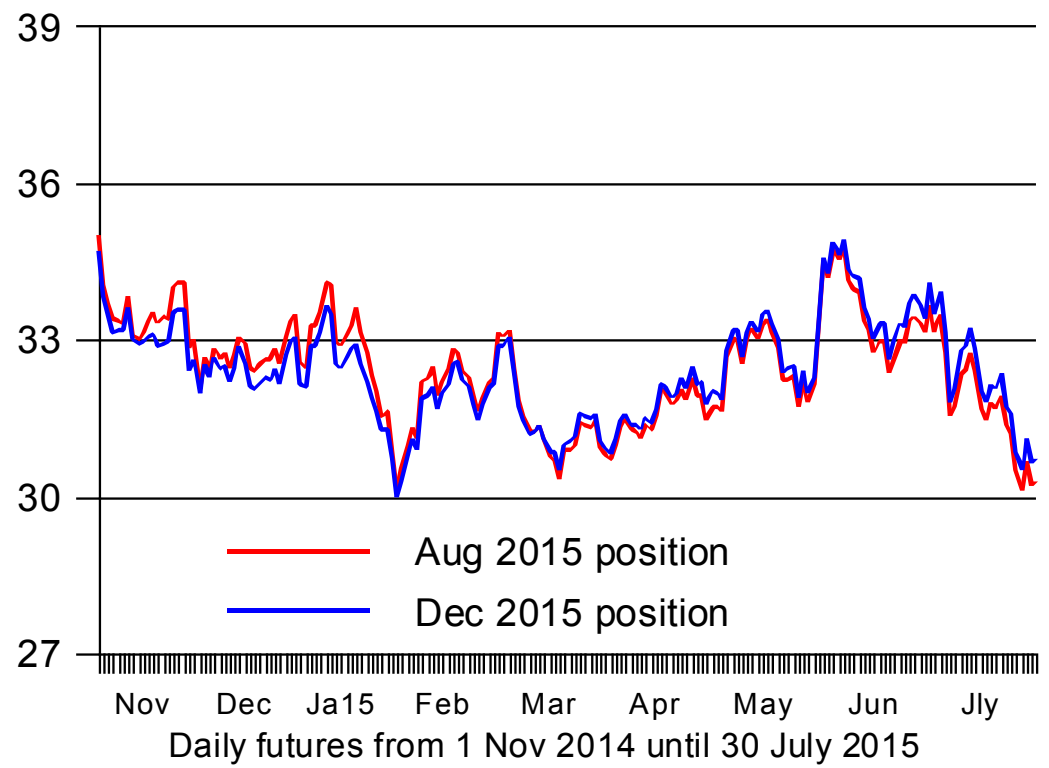
CBOT: Daily Soybean Futures (c/bu)



CBOT: Daily Soybean Futures (c/bu)



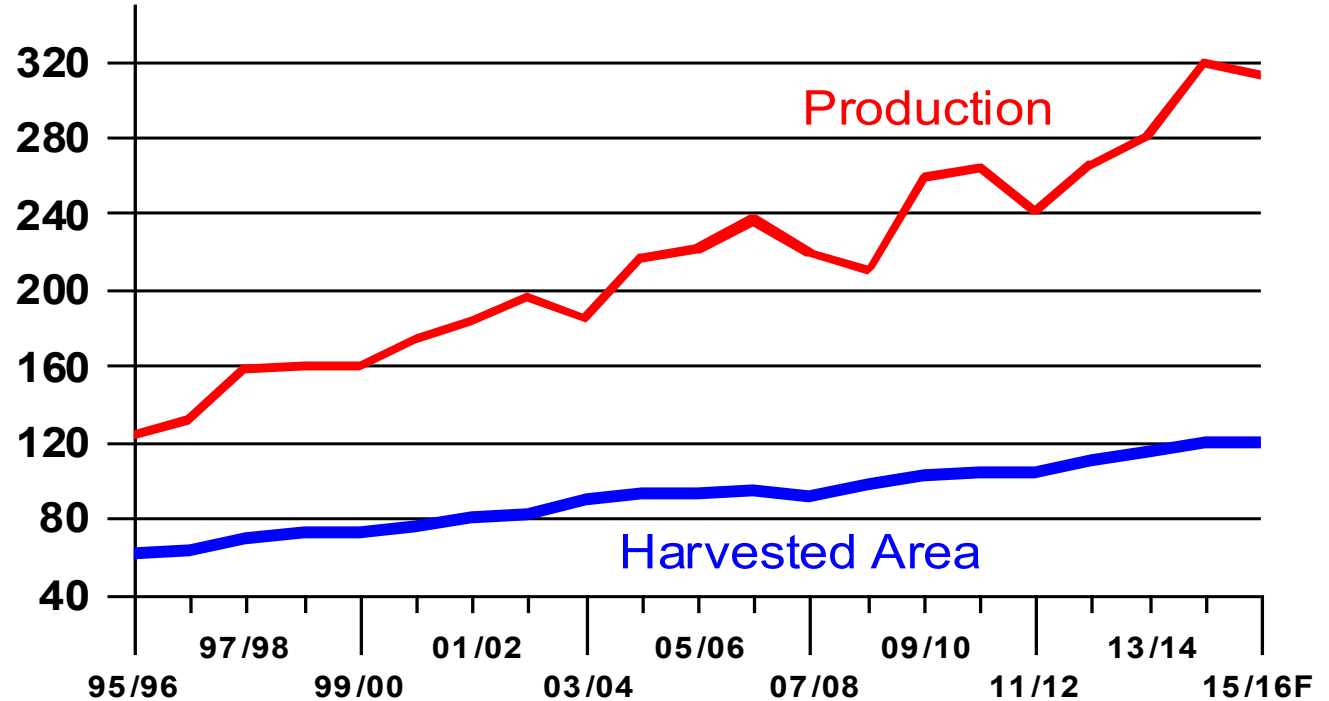
CBOT: Daily Soya Oil Futures (c/lb)



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SOYBEANS

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



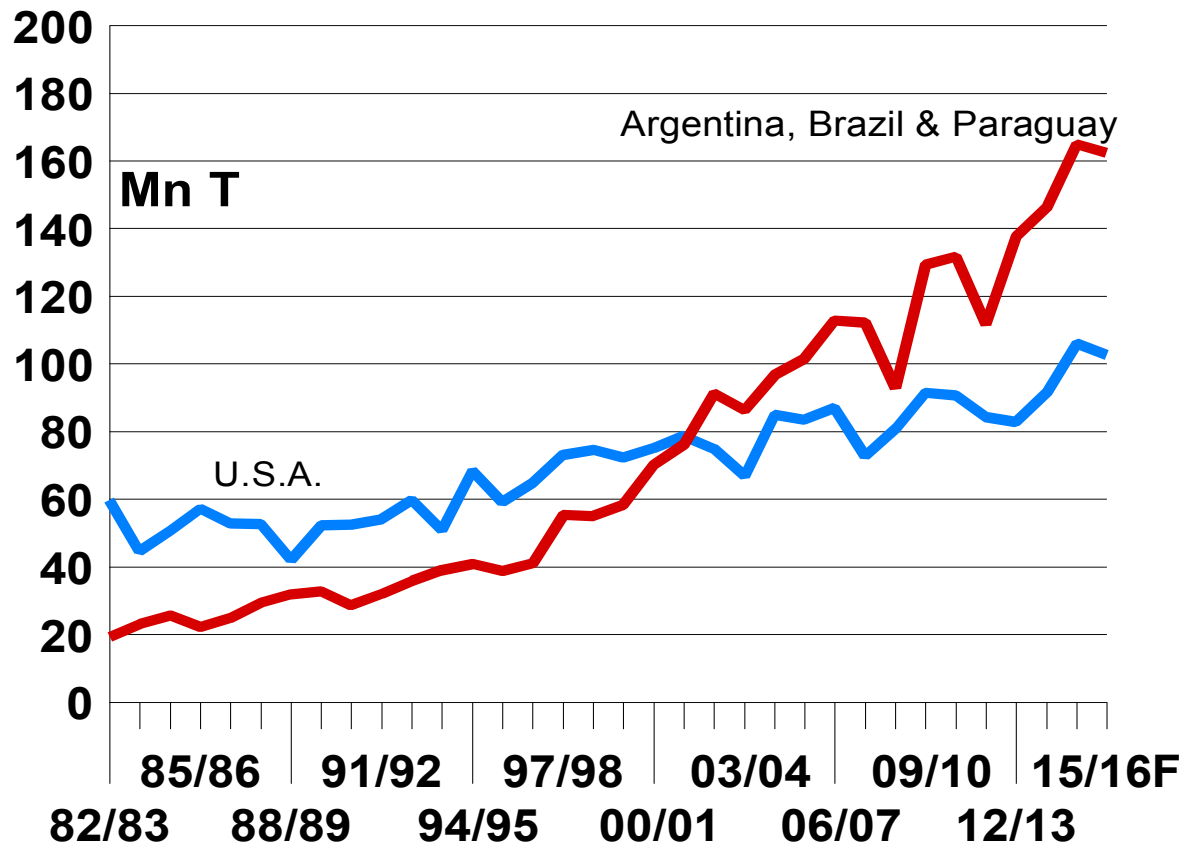
Soybeans: setback in world production in 2015/16 (- 6 Mn T)

BUT: Opening Stocks +23 Mn T

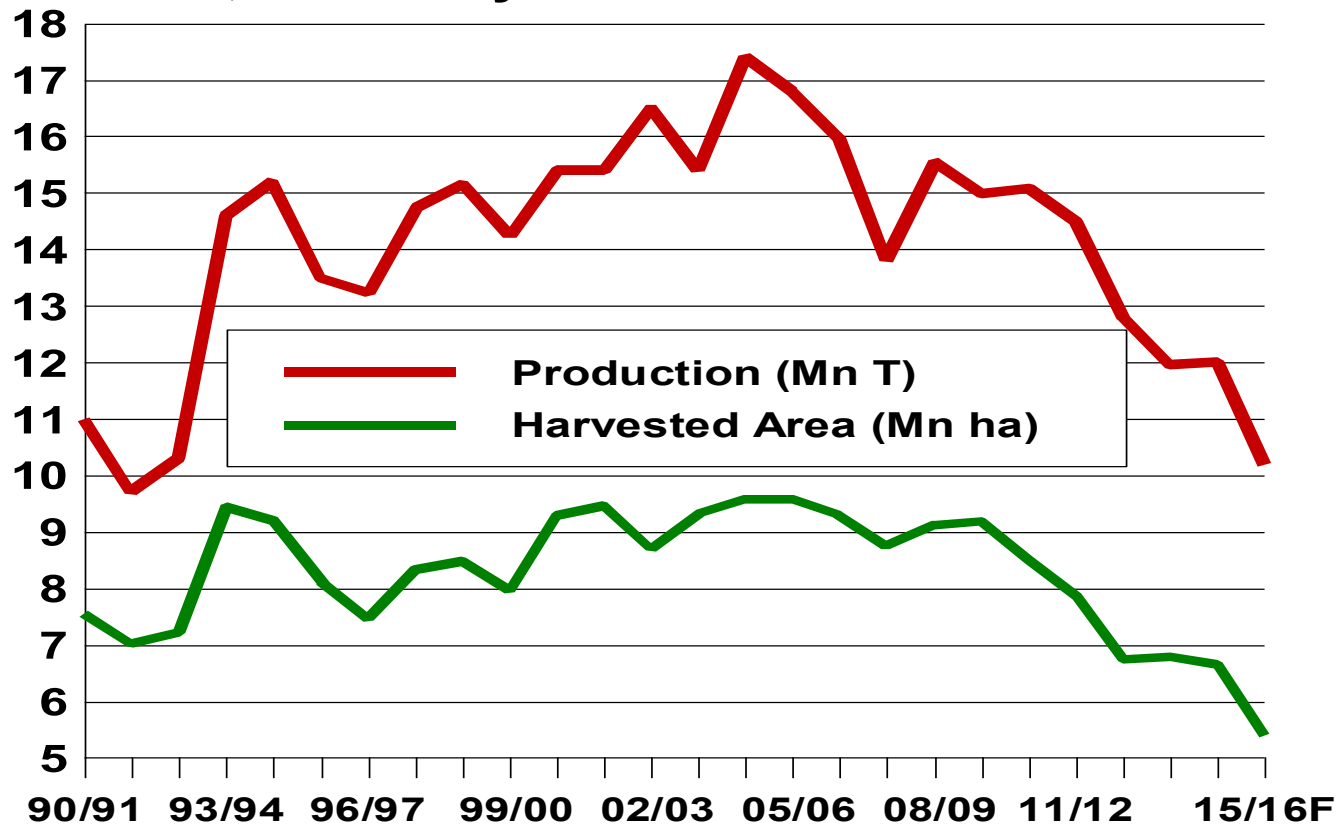


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Soybean Crop Trend



CHINA, P.R. : Soybean Area and Production

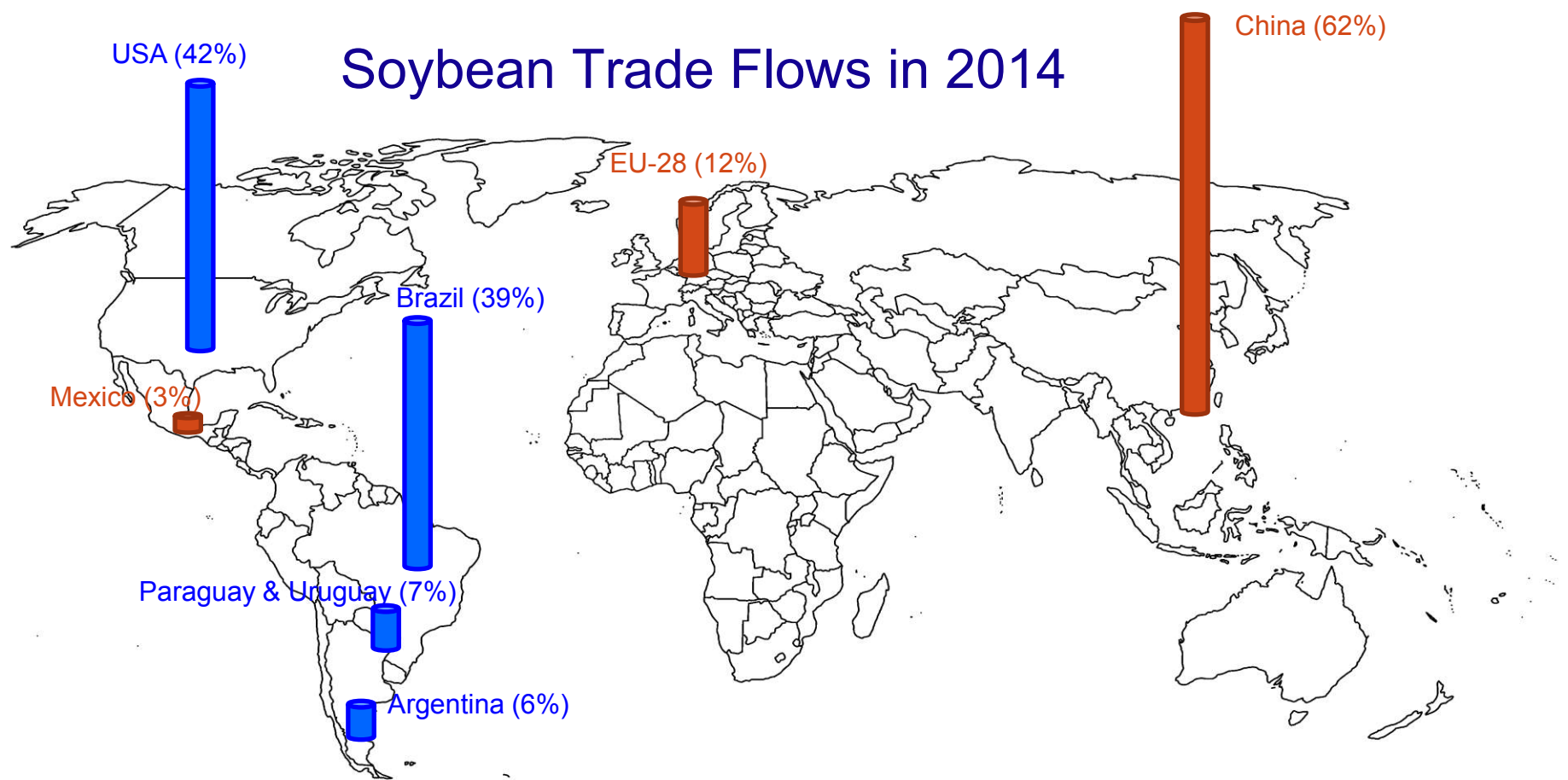


In China farmers shift more land into corn and other crops

Chinese soybean imports continue to rise



Soybean Trade Flows in 2014



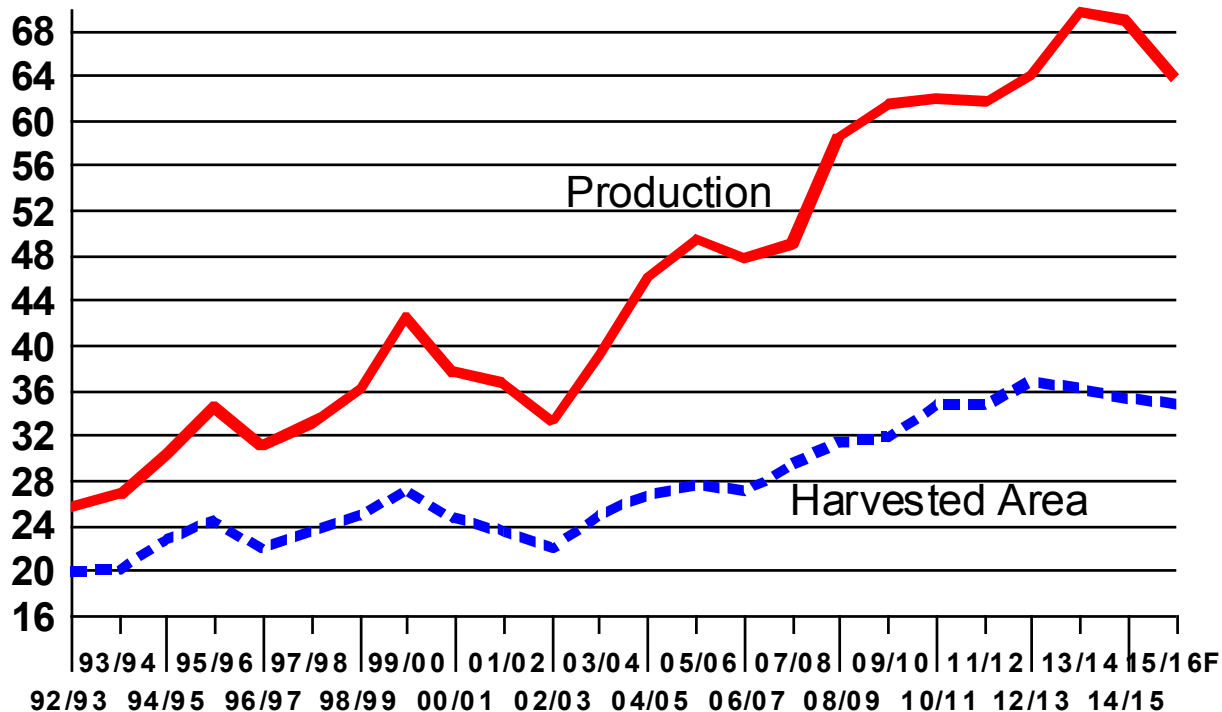
Exports

Imports

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RAPSEED & CANOLA

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

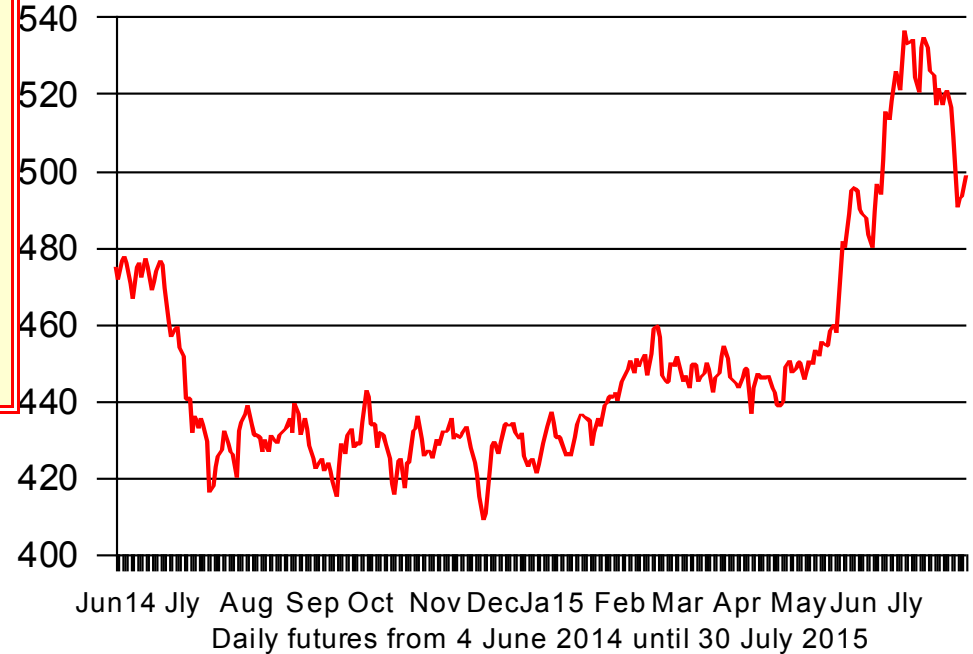


CANADA : Supply & Demand of Canola (Mn T)

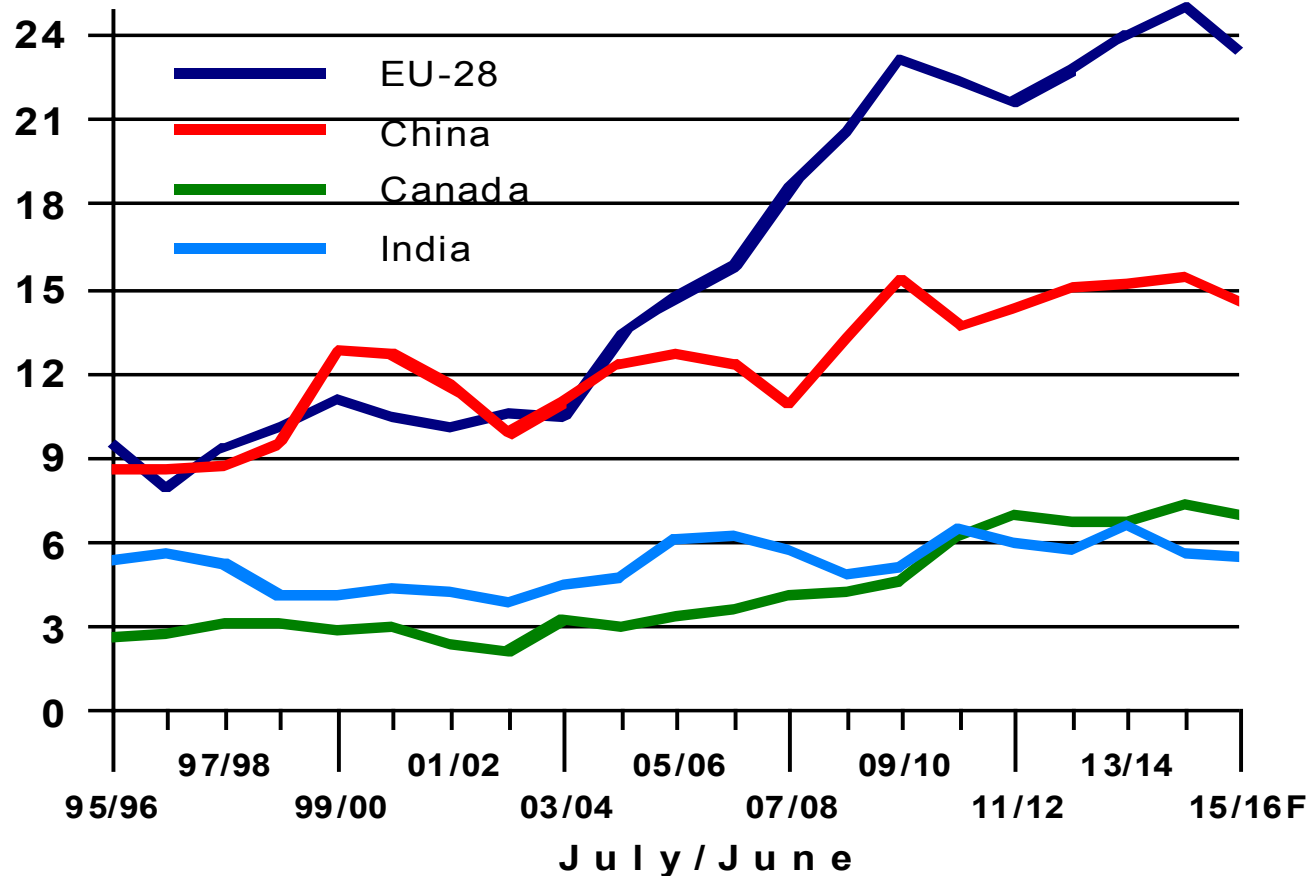
	August/July				
	<u>15/16F</u>	<u>14/15</u>	<u>13/14</u>	<u>12/13</u>	<u>11/12</u>
Op. stocks	1.60*	2.44	.59	.75	2.19
Output	13.60*	15.75*	18.28*	14.02*	14.61
Imports . . . . .	.11*	.07*	.07	.13	.10
Exports	7.40*	9.04*	9.18	7.27	8.76
Crushings	7.00*	7.30*	6.98	6.72	7.00
Other use . . . . .	.28*	.32*	.34	.32	.39
End.stocks . . . . .	.63*	1.60*	2.44	.59	.75

ICE : Daily Canola Futures (Can-\$/T)

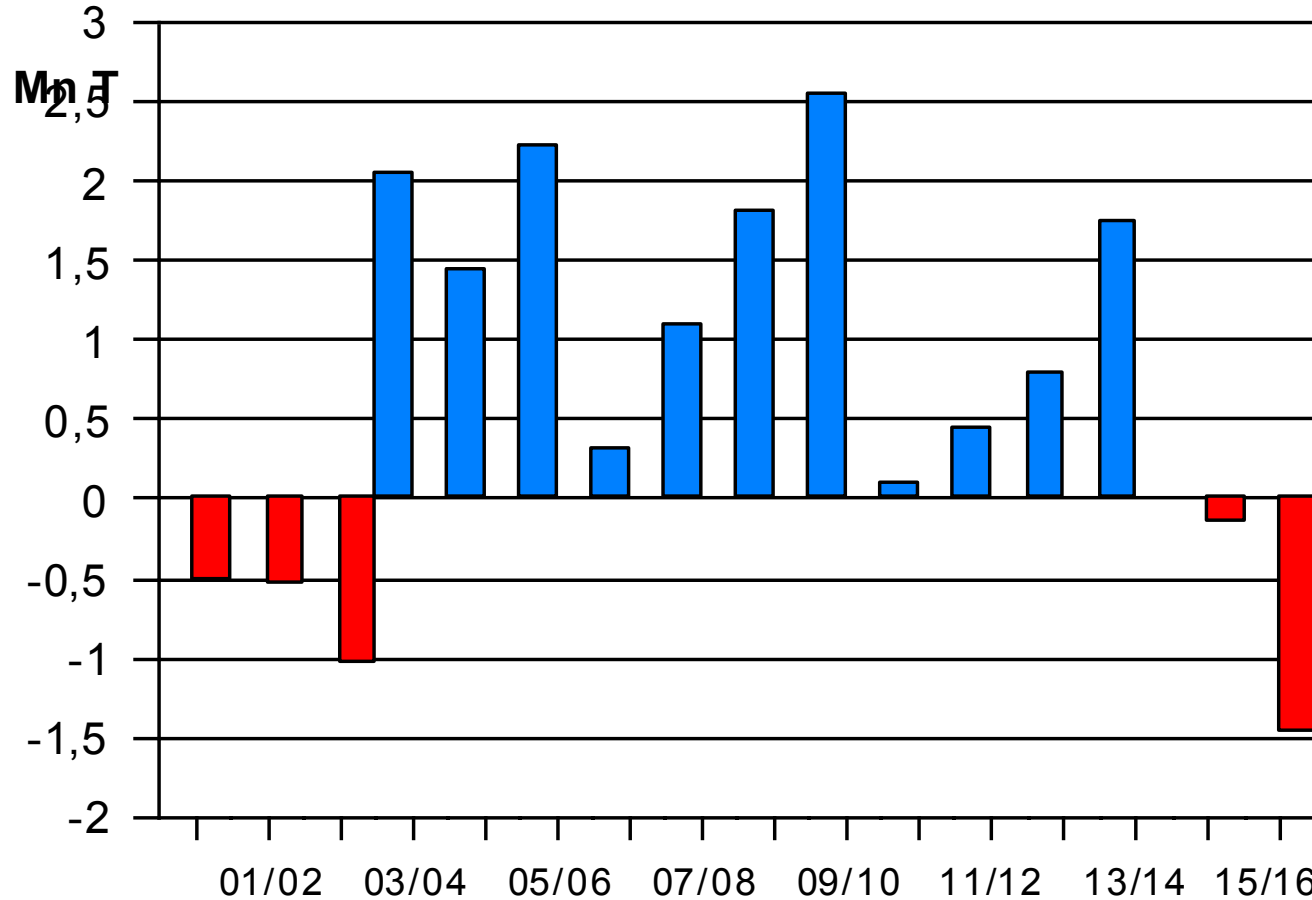
November 2015 position



Rapeseed Crush in Key Countries (Mn T)

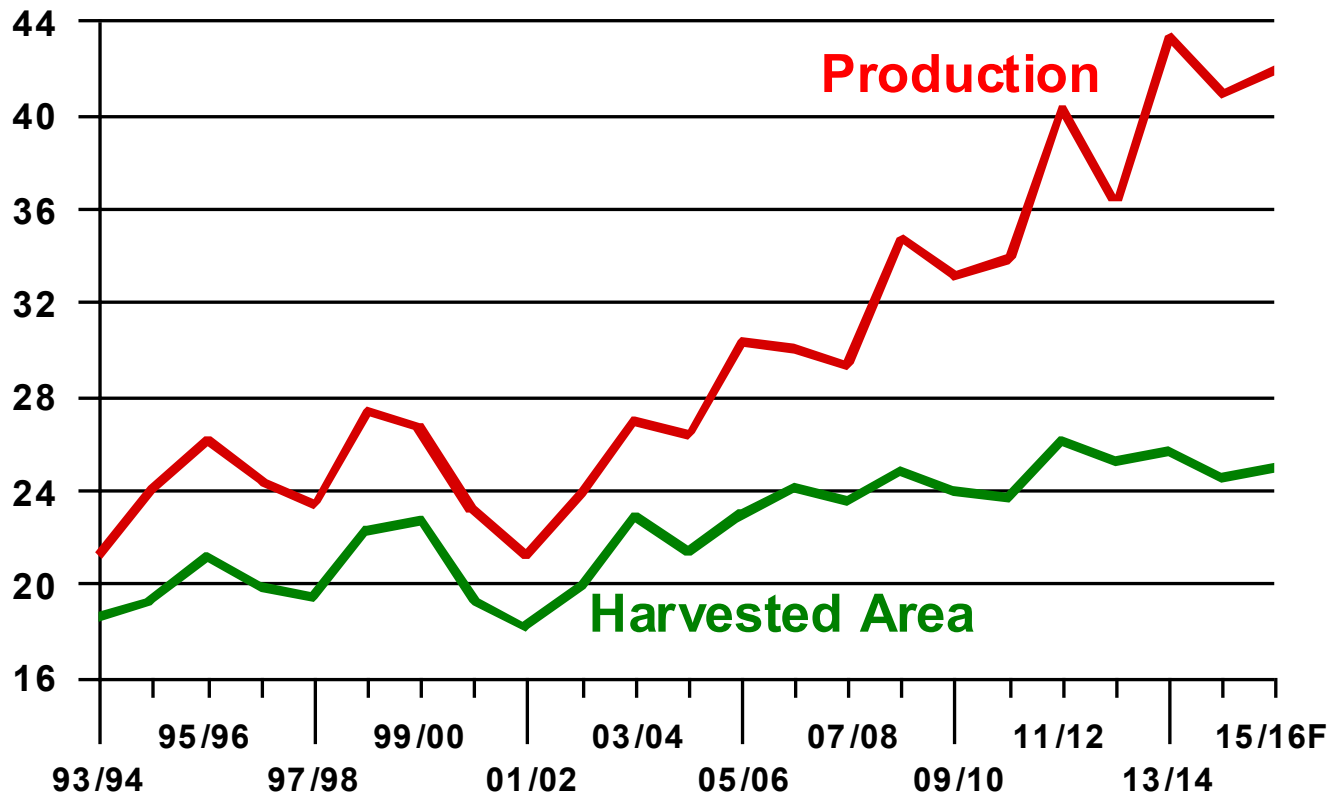


Rapeseed Oil: Change of World Production



SUNFLOWERSEED

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

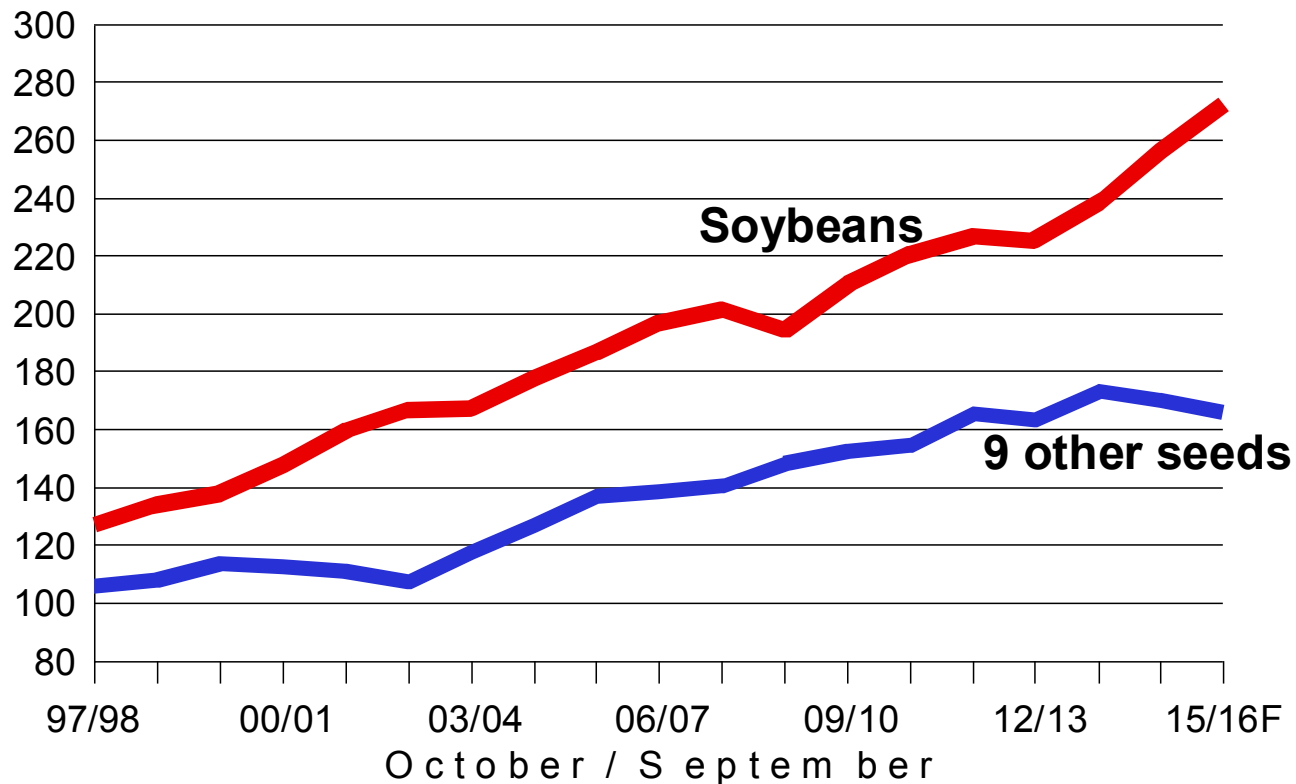


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10 Oilseeds : World Crushings (Mn T)

Growing global dependence on soybeans due to insufficient supplies of softseeds

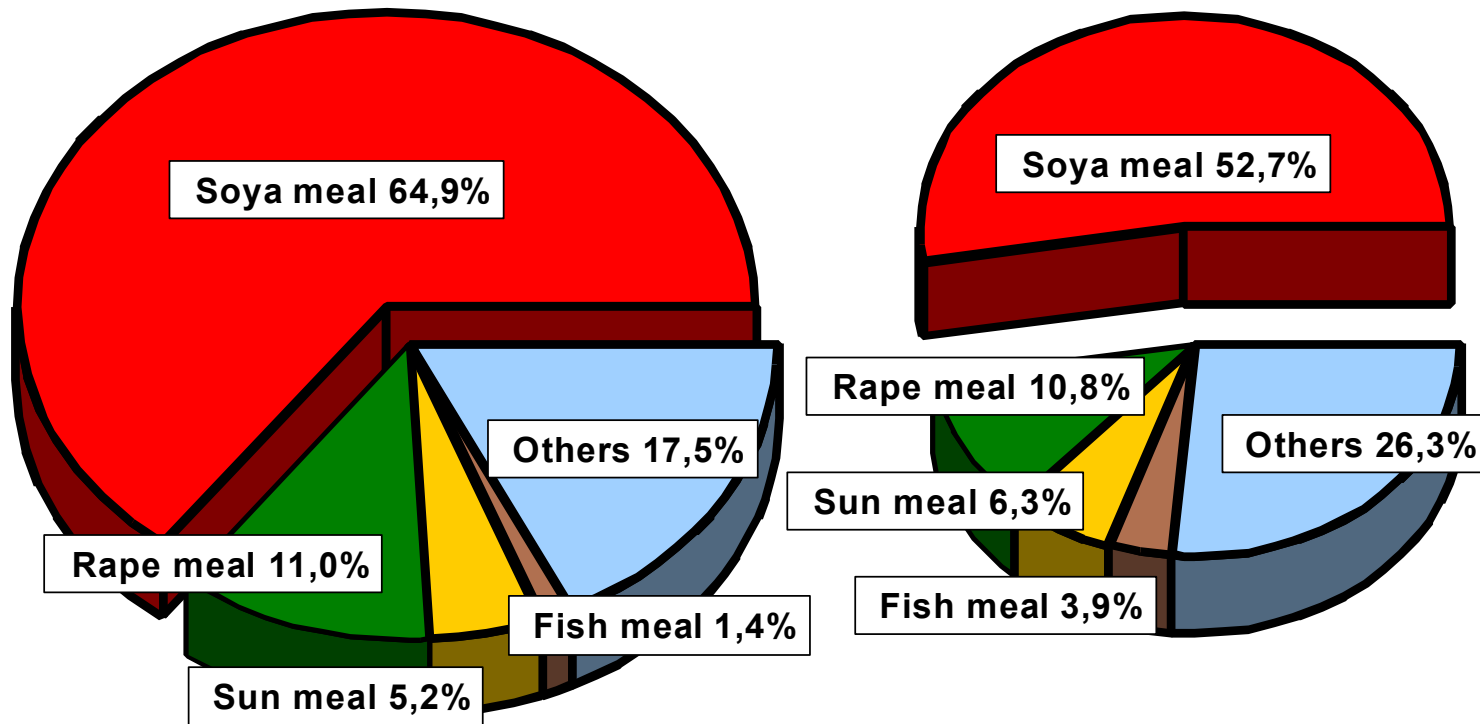
Oct/Sept 2015/16: Crush of soybeans +16 Mn T of other oilseeds -4 Mn T



World Production of 12 Oilmeals

2015/16 -- 329.8 Mn T

1995/96 -- 168.3 Mn T

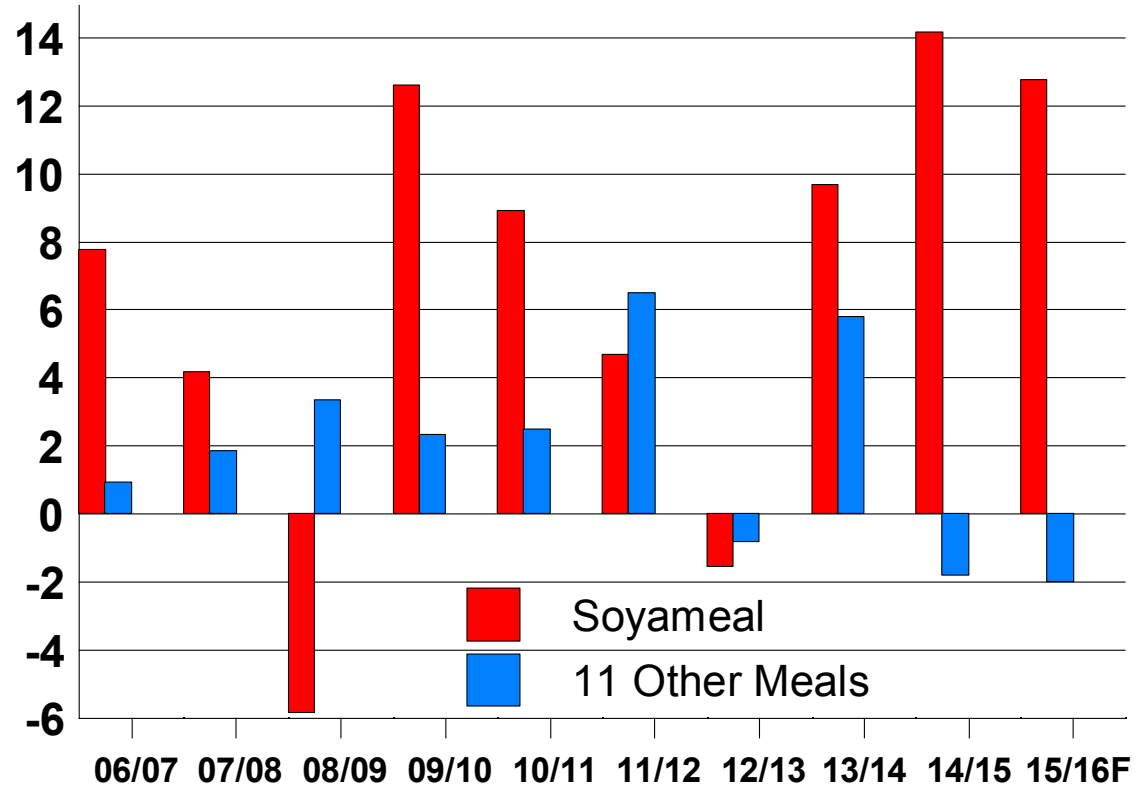


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12 OILMEALS : World Production

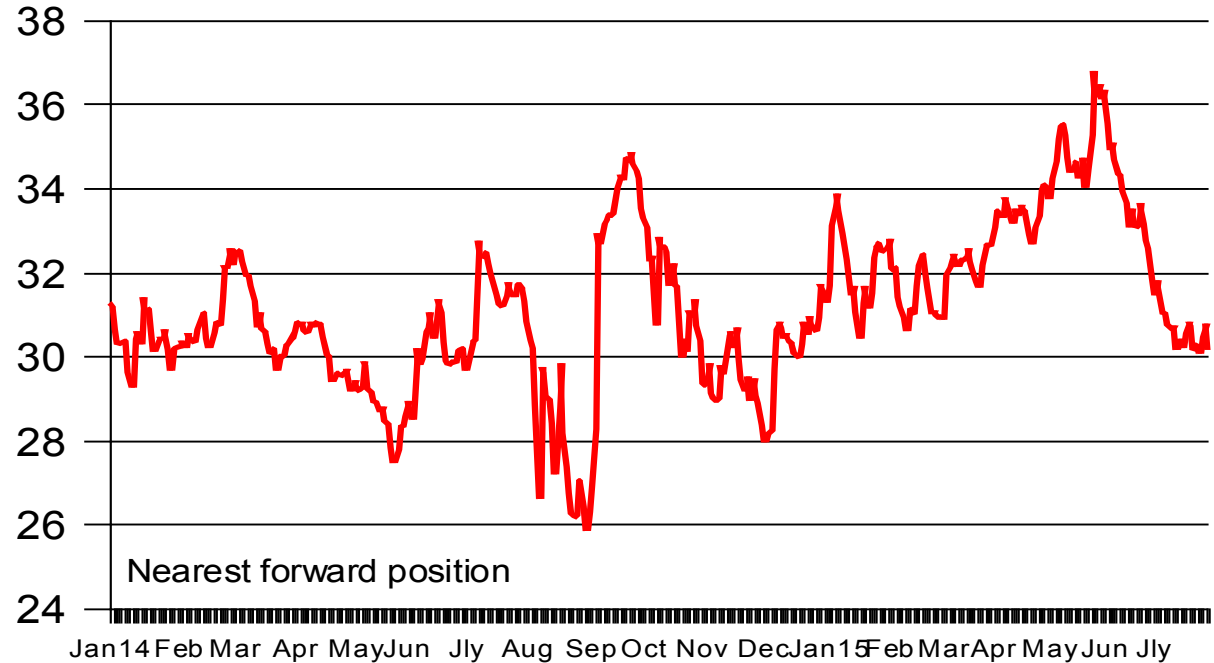
Change from Previous Season (in Mn T)

Price implications of sharply rising soya meal supplies again in 2015/16



CBOT : Daily Soya Oil Share

in % of total product value



Soya oil will have to finance a larger share of the crush value in the 2015/16 season

Daily share from 1 Jan 2014 until 29 July 2015



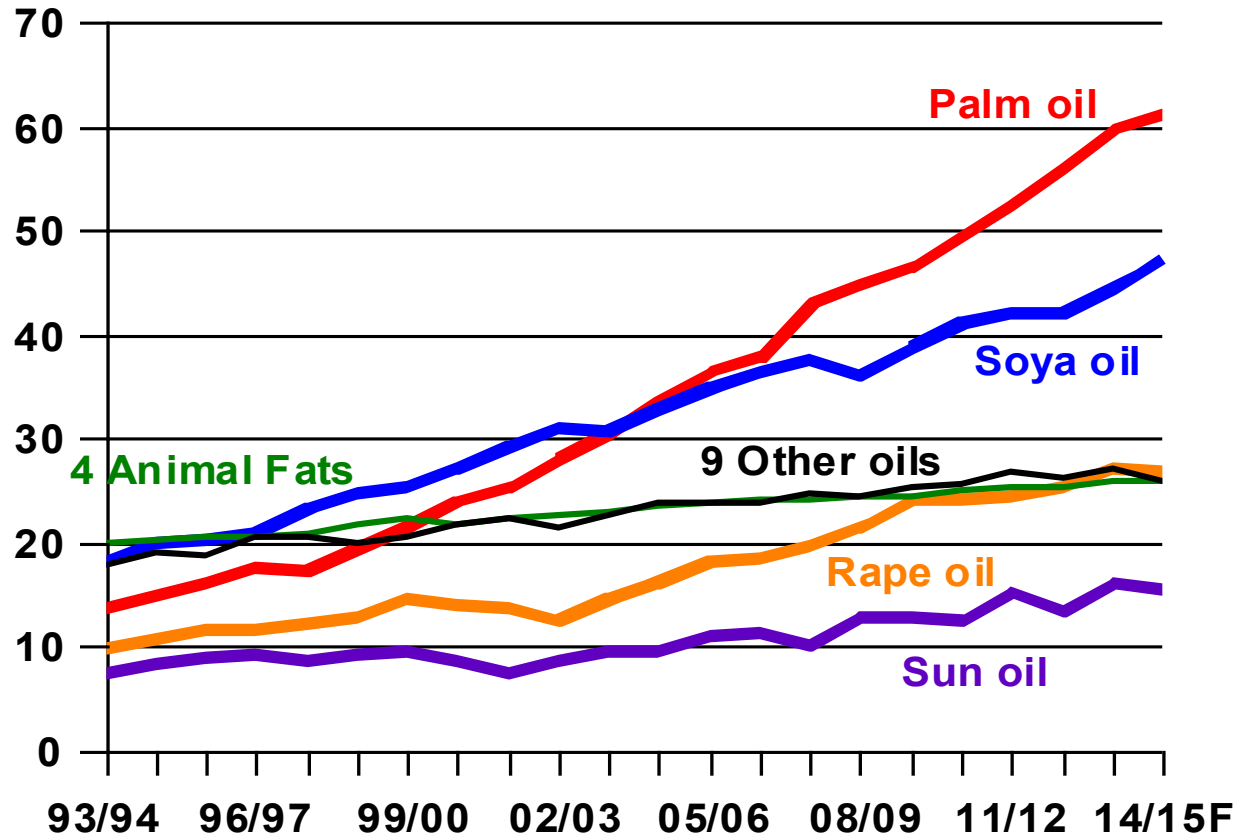
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17 OILS & FATS : World Production (Mn T)

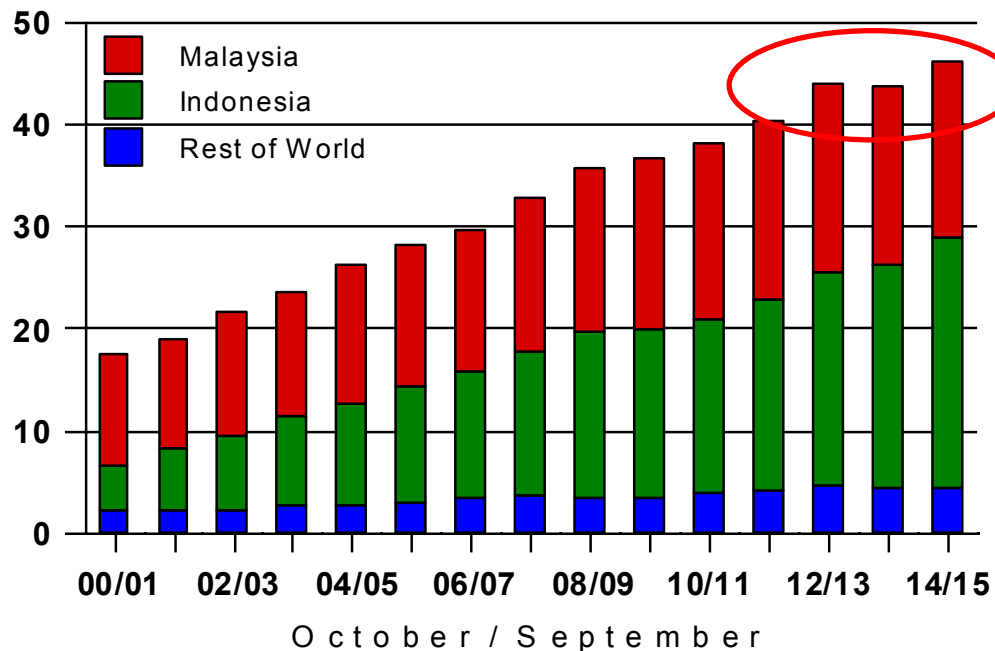
Dominance of Palm Oil:

In 2014/15 PO & PKO account for 33% of world output (68 Mn) 62% of exports (49 Mn)

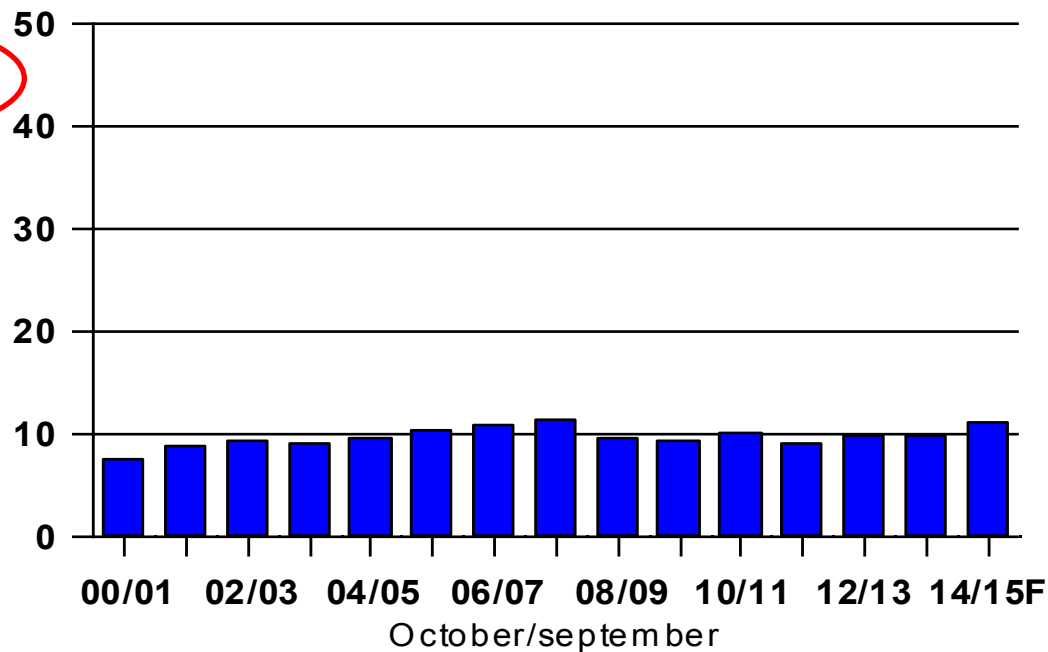
On only 6% of the area



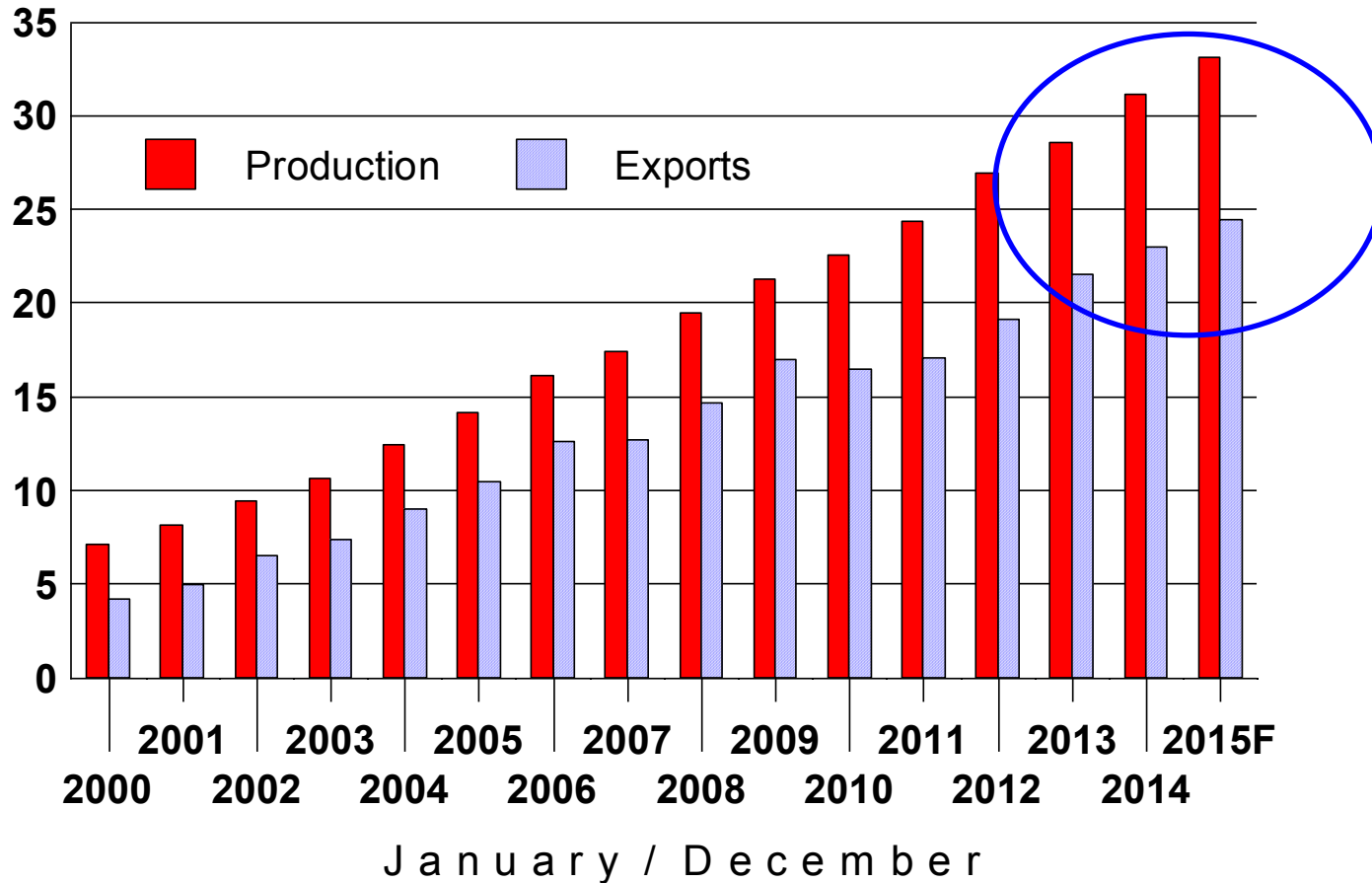
PALM OIL : Exports of Key Countries (Mn T)



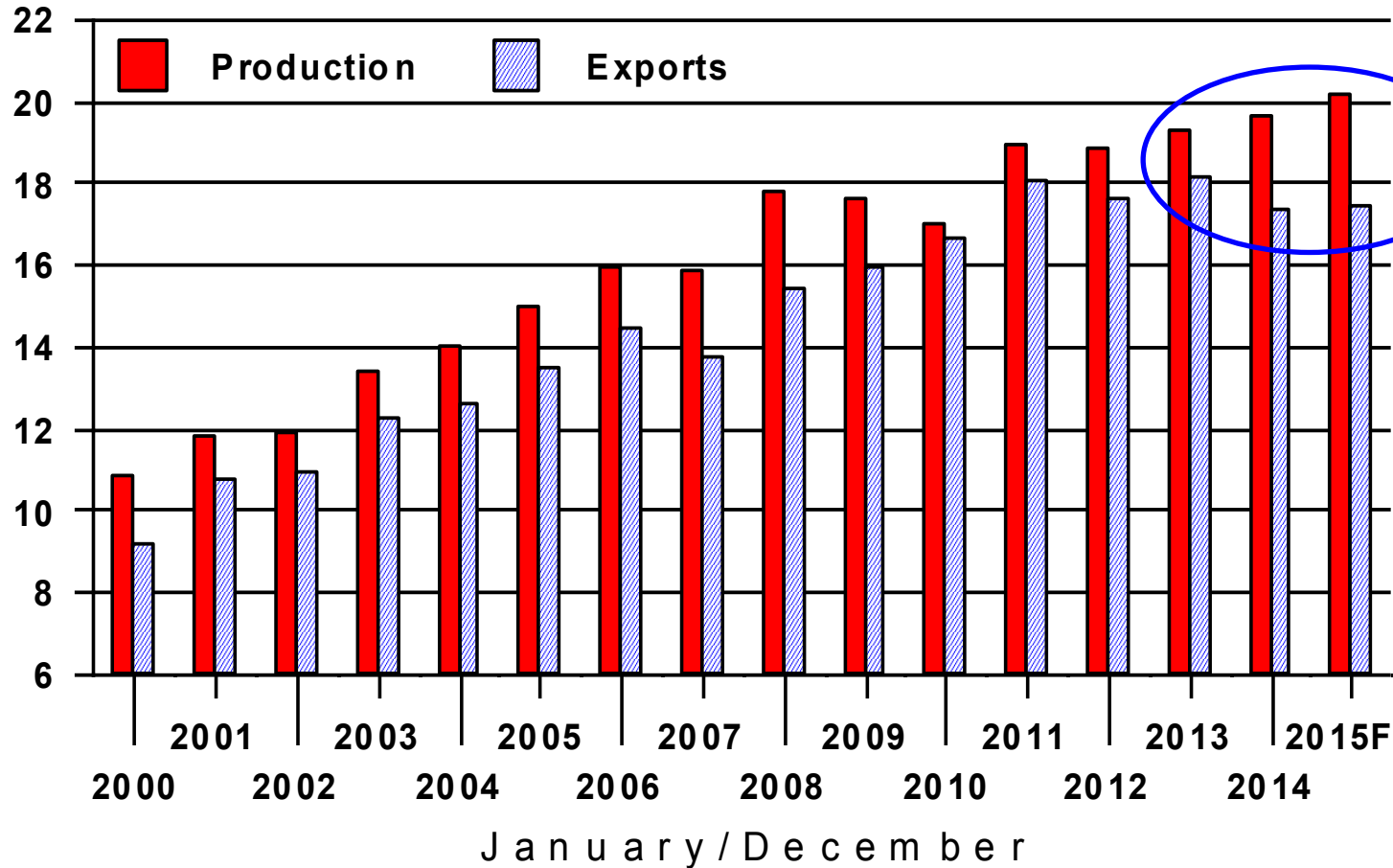
SOYA OIL: World Exports (Mn T)



INDONESIA: Palm Oil Production & Exports (Mn T)

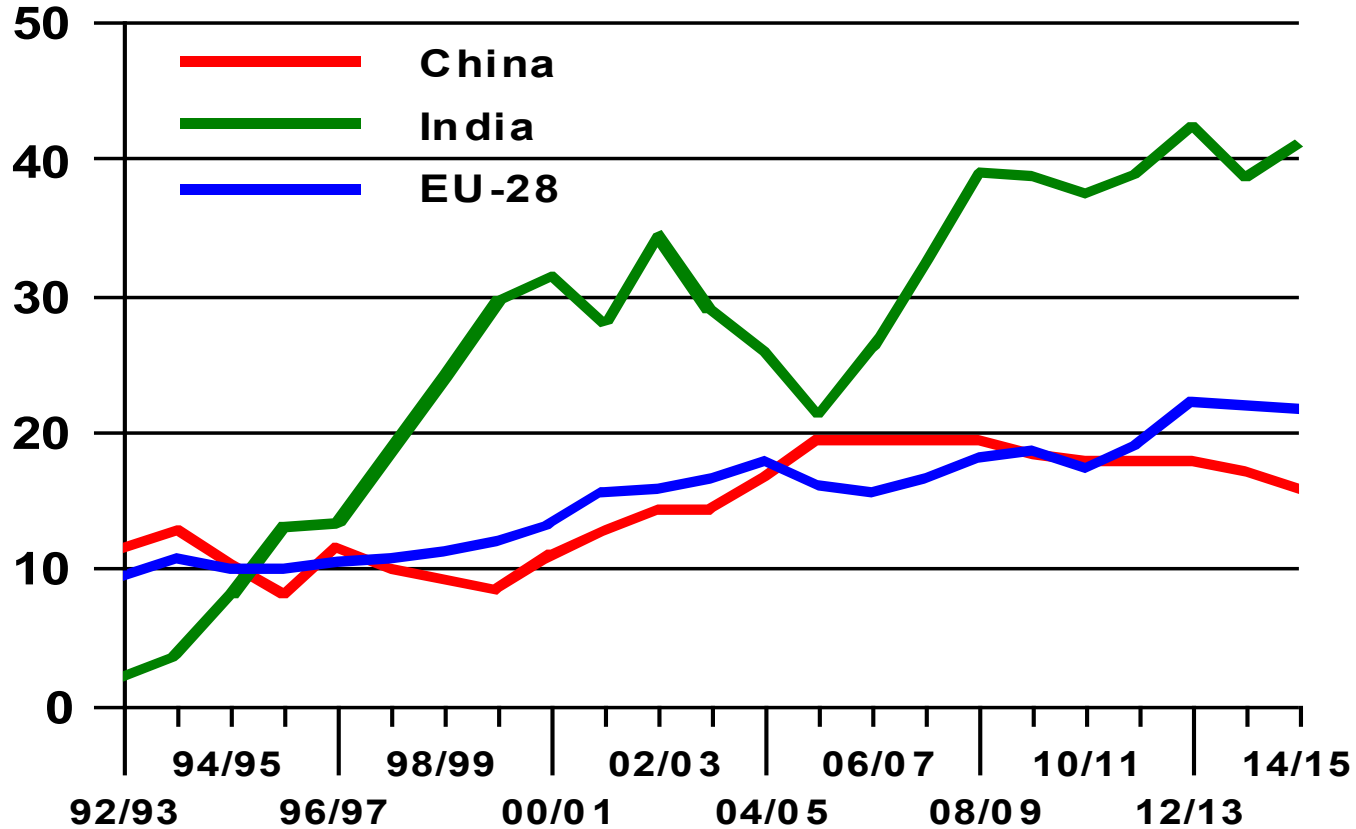


MALAYSIA: Palm Oil Production & Exports (Mn T)



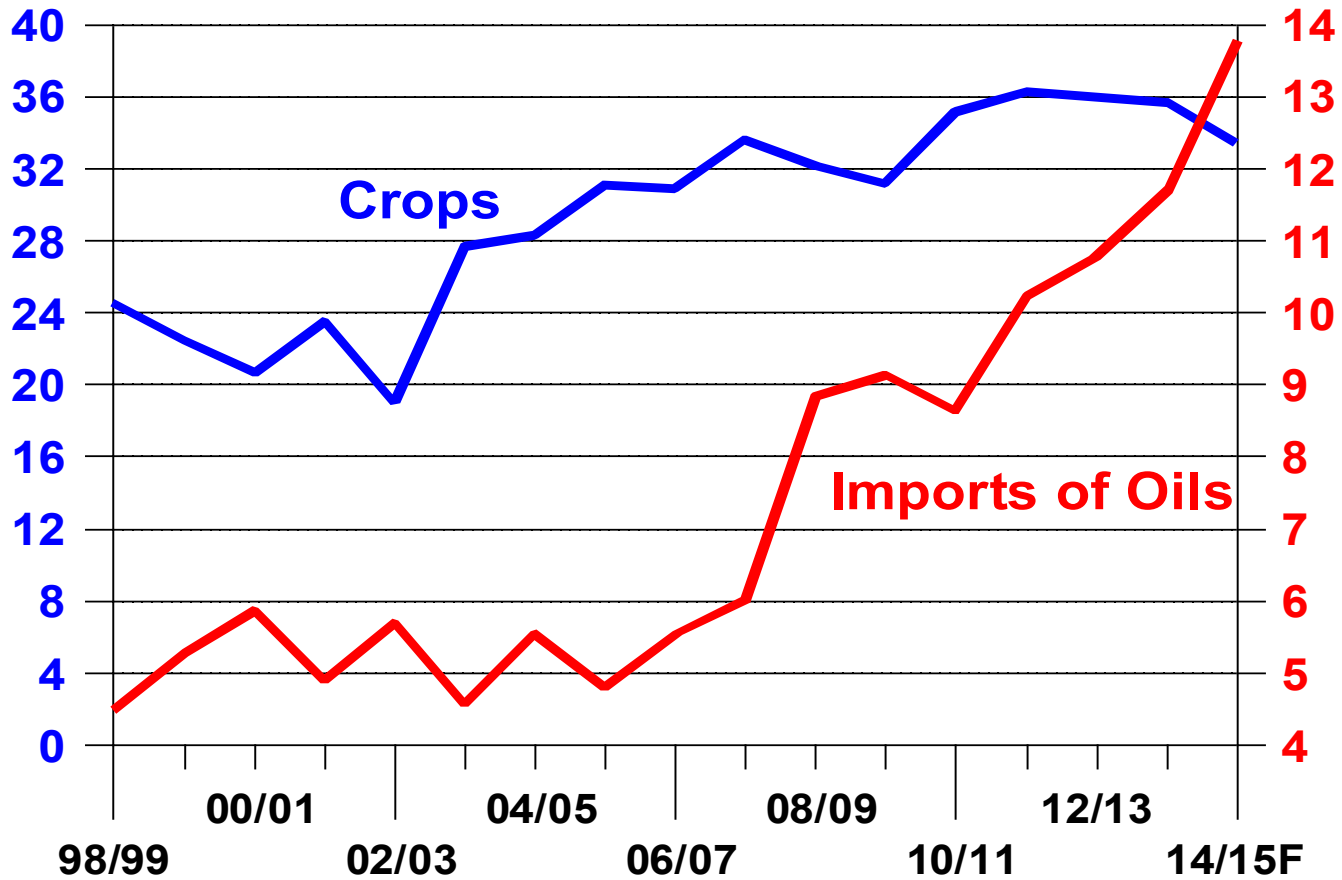
PALM OIL: Market Share in Sel. Countries

in % of 17 Oils & Fats

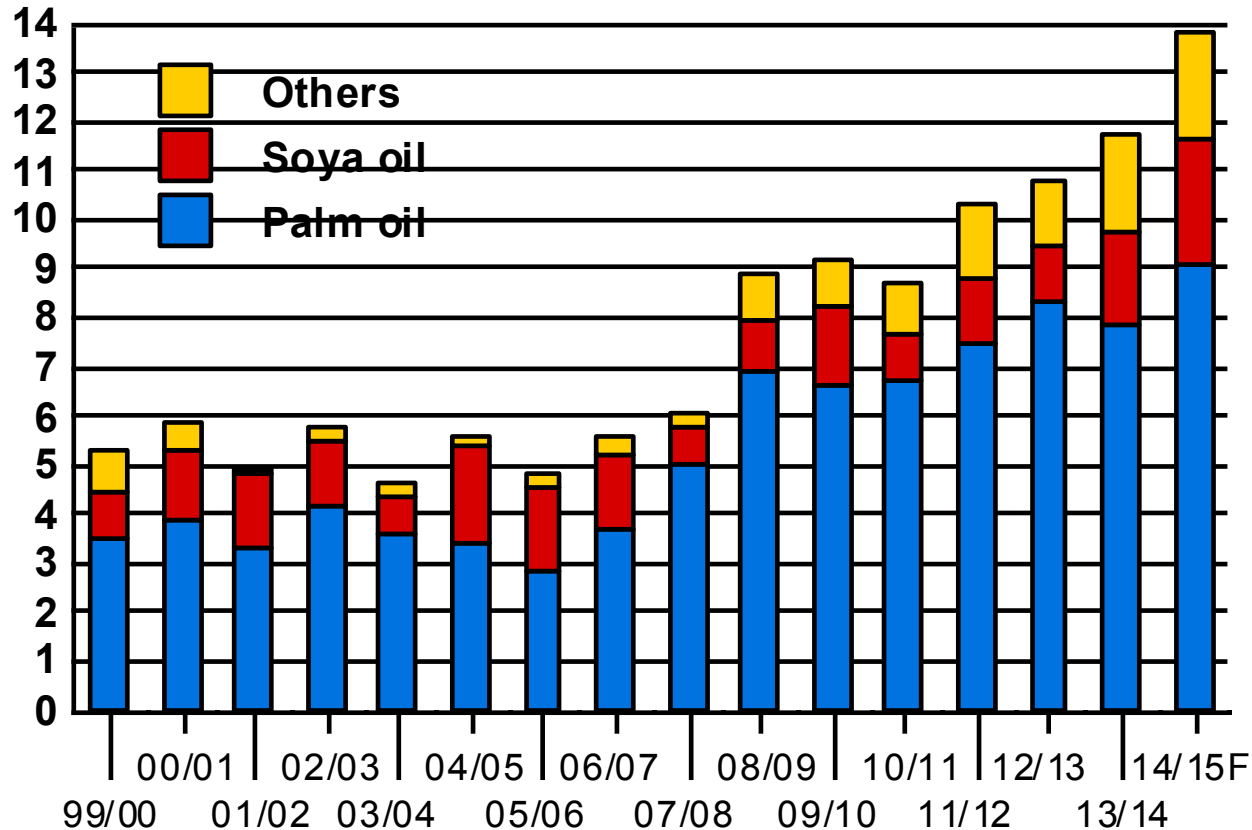


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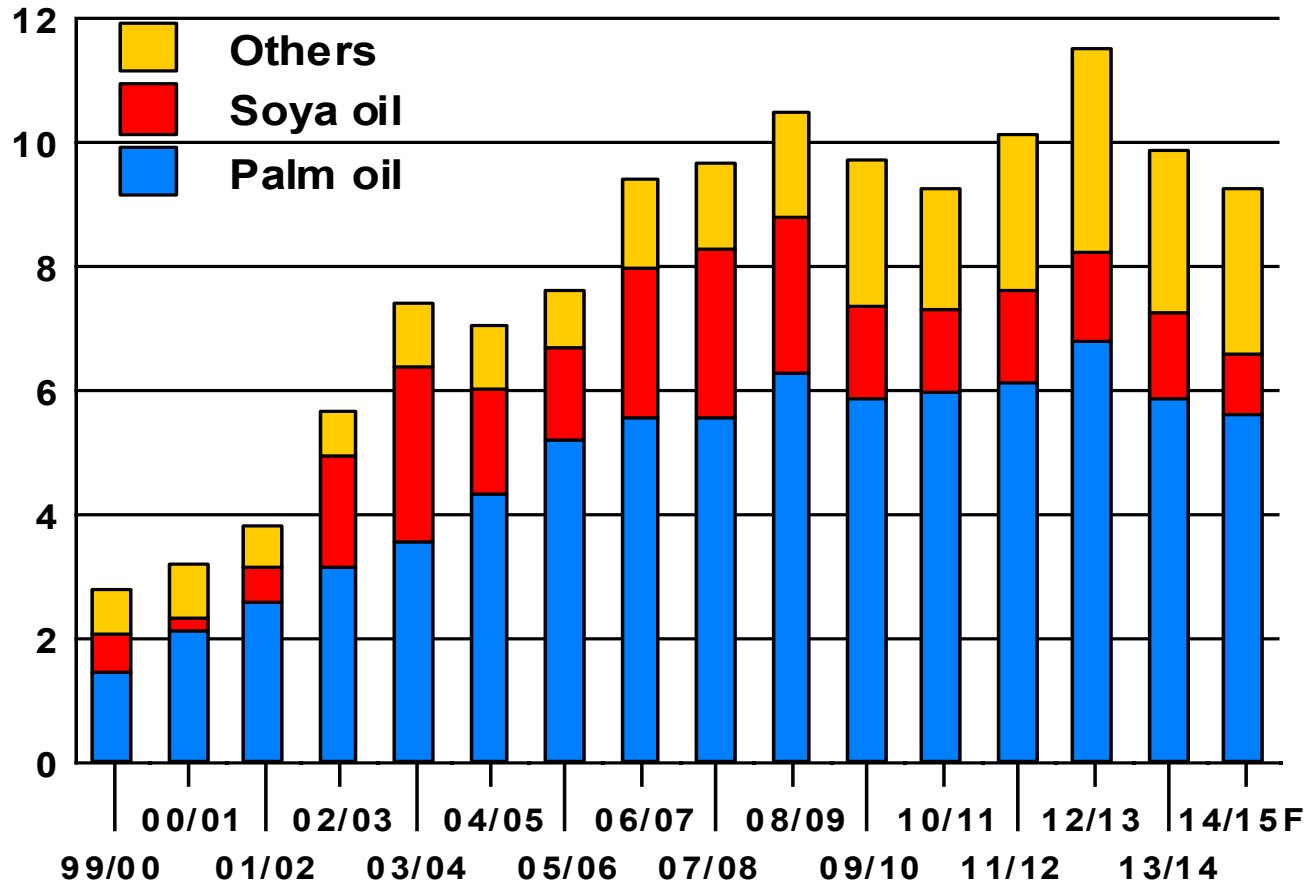
INDIA: Oilseed Crops and Imports of Oils (Mn T)



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

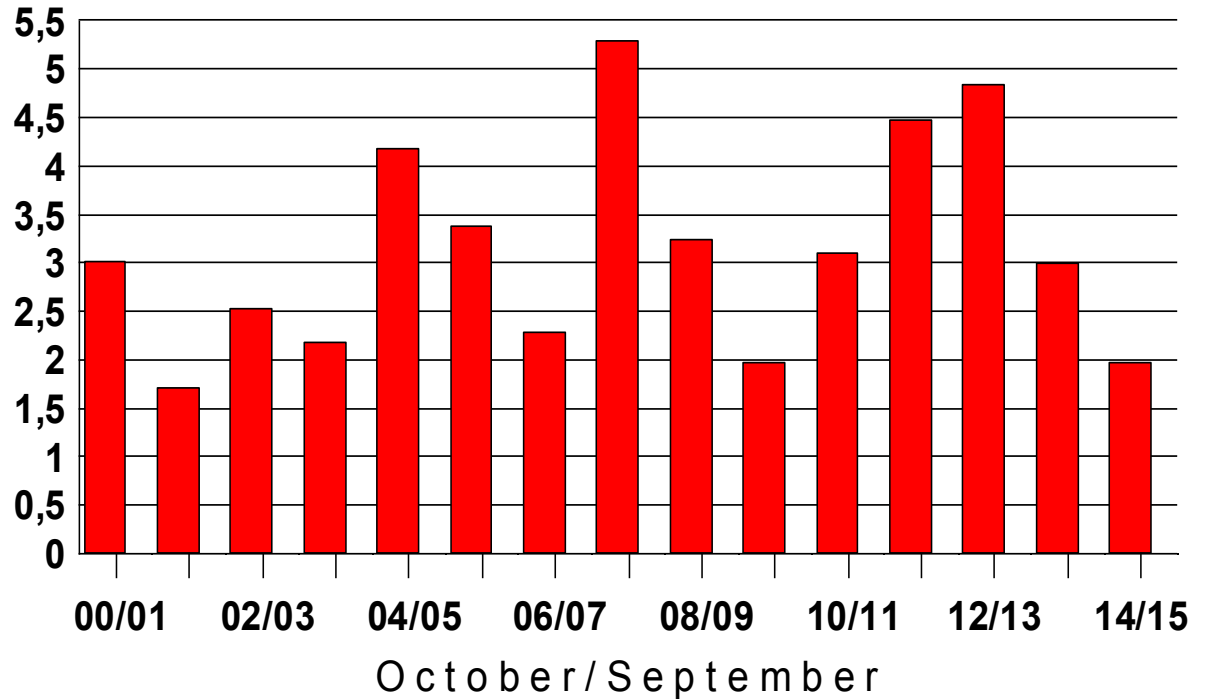


CHINA: Imports of 17 Oils & Fats (Mn T)



PALM OIL : World Supplies

Annual Change (Mn T)



In 2014/15 below-average growth in supplies in the 2nd consecutive year

- Result in rel. high price premiums of palm oil over crude mineral oil

- Higher seed oil output required, most of which has to come from soybeans (a meal seed)

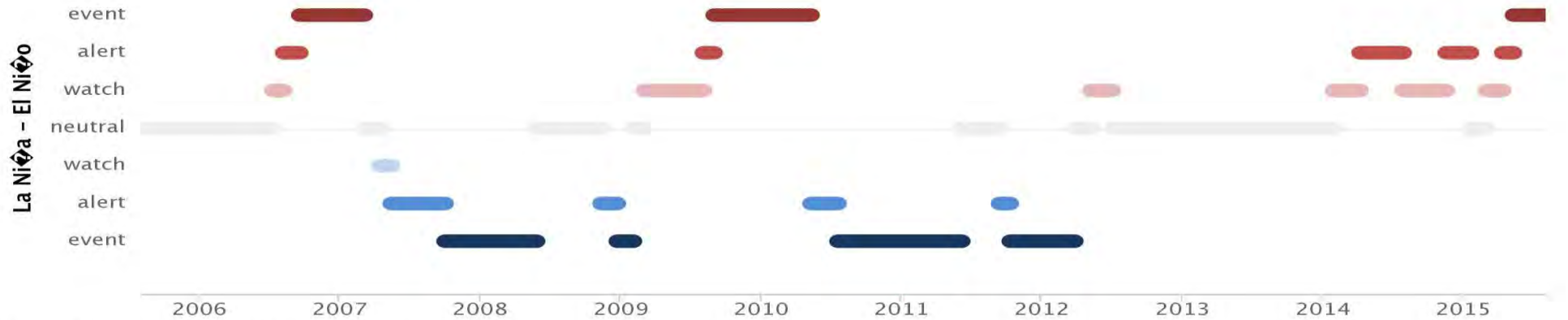


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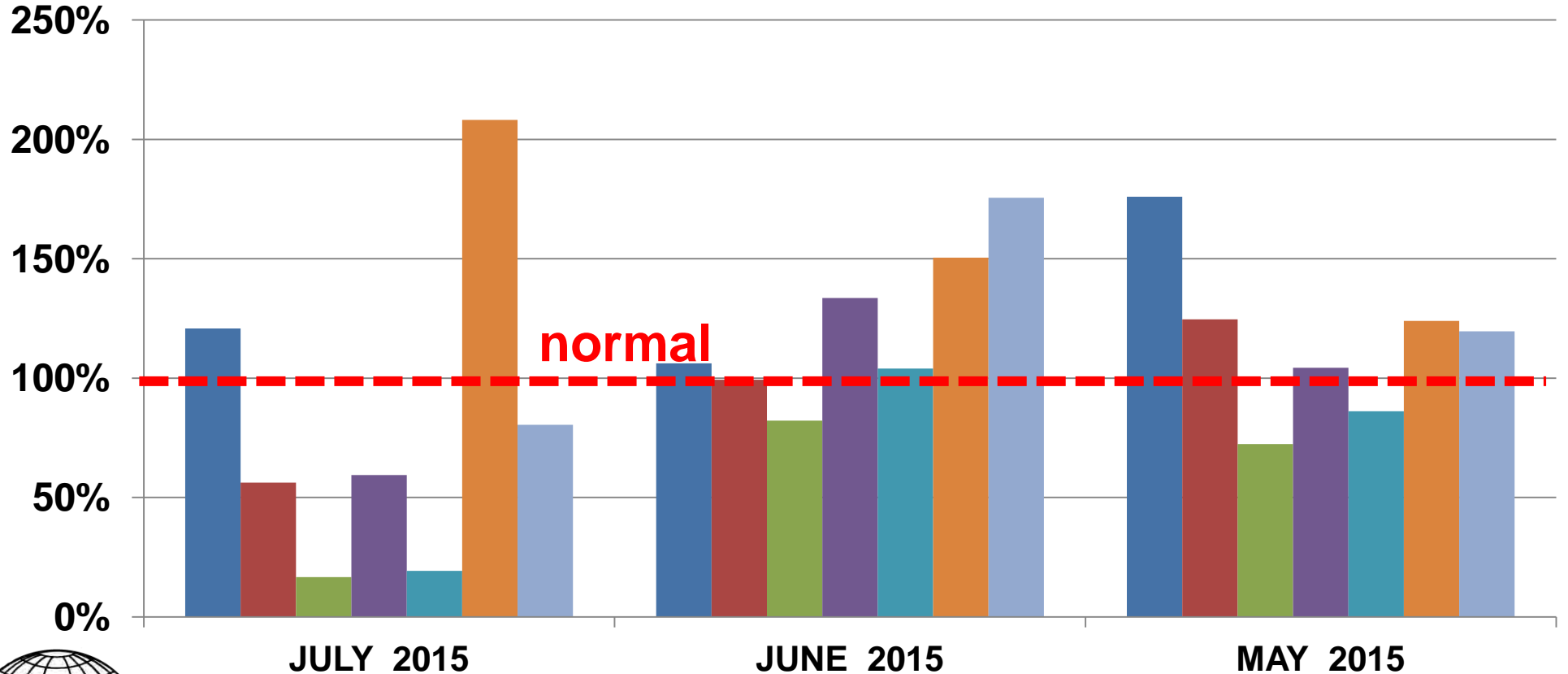
ENSO status: fortnightly history



ENSO status: fortnightly history



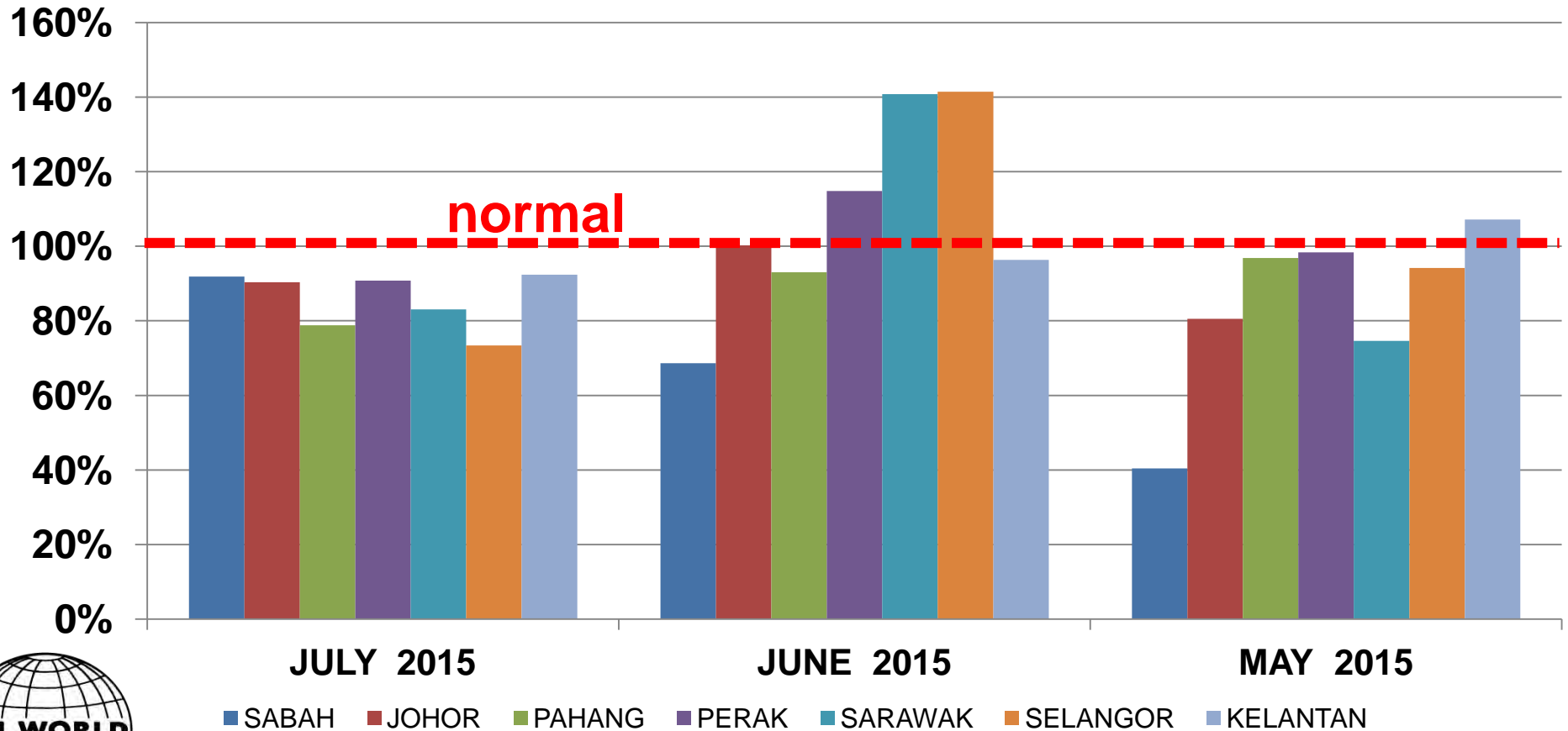
INDONESIA: Average Rainfall in %



SUMATERA UTARA RIAU SUMATERA SELANTAN KALIMANTAN BARAT JAMBI ACEH SUMATERA BARAT

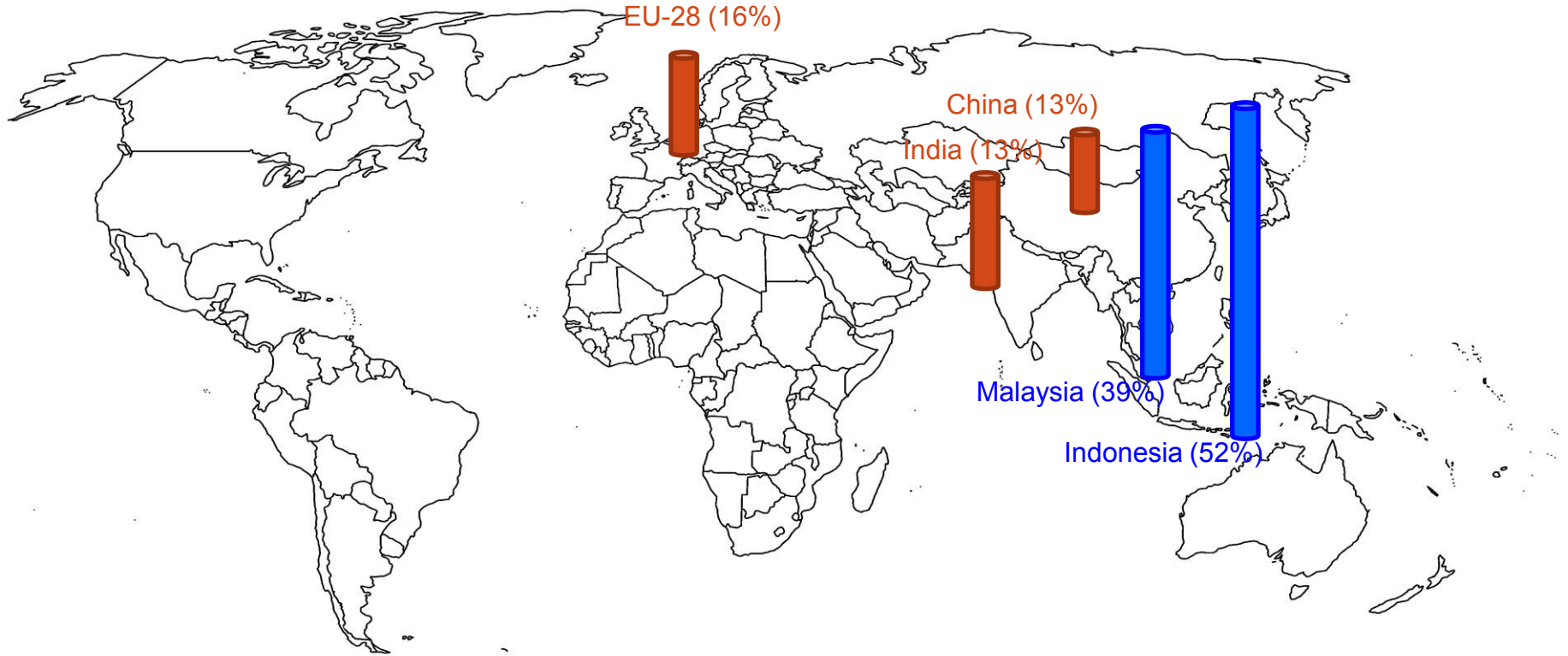
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MALAYSIA: Average Rainfall in %



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Palm Oil Trade Flows in 2014



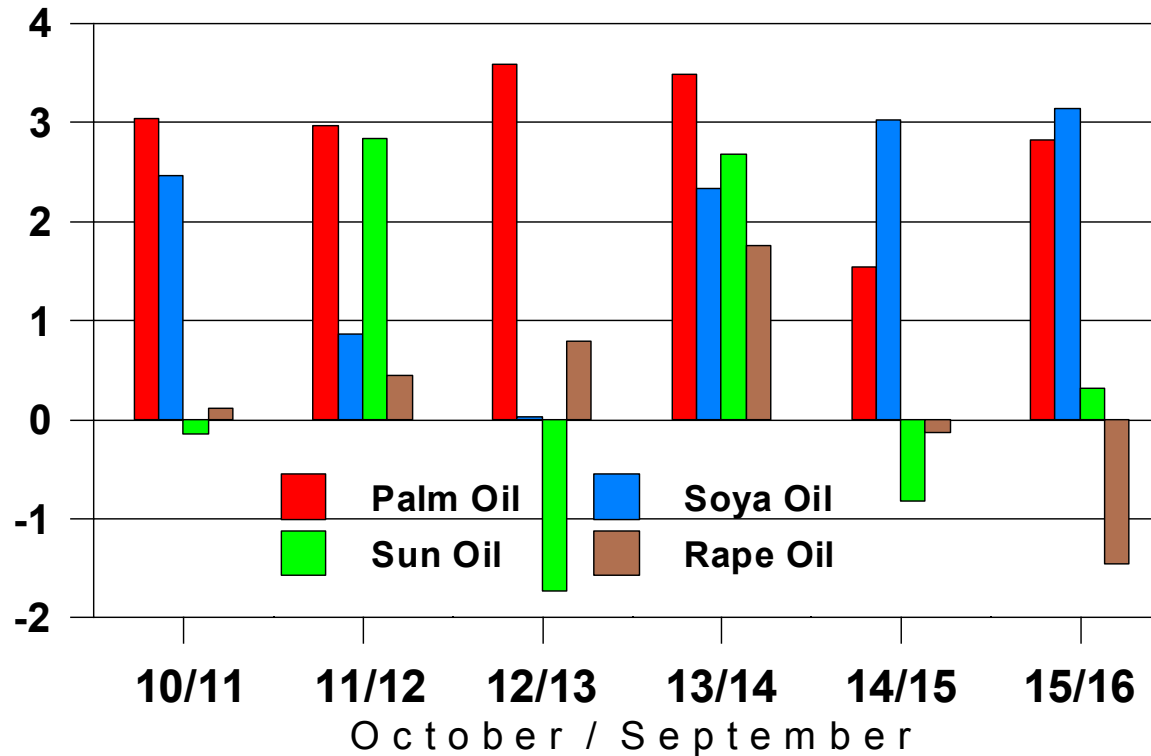
 Exports

 Imports

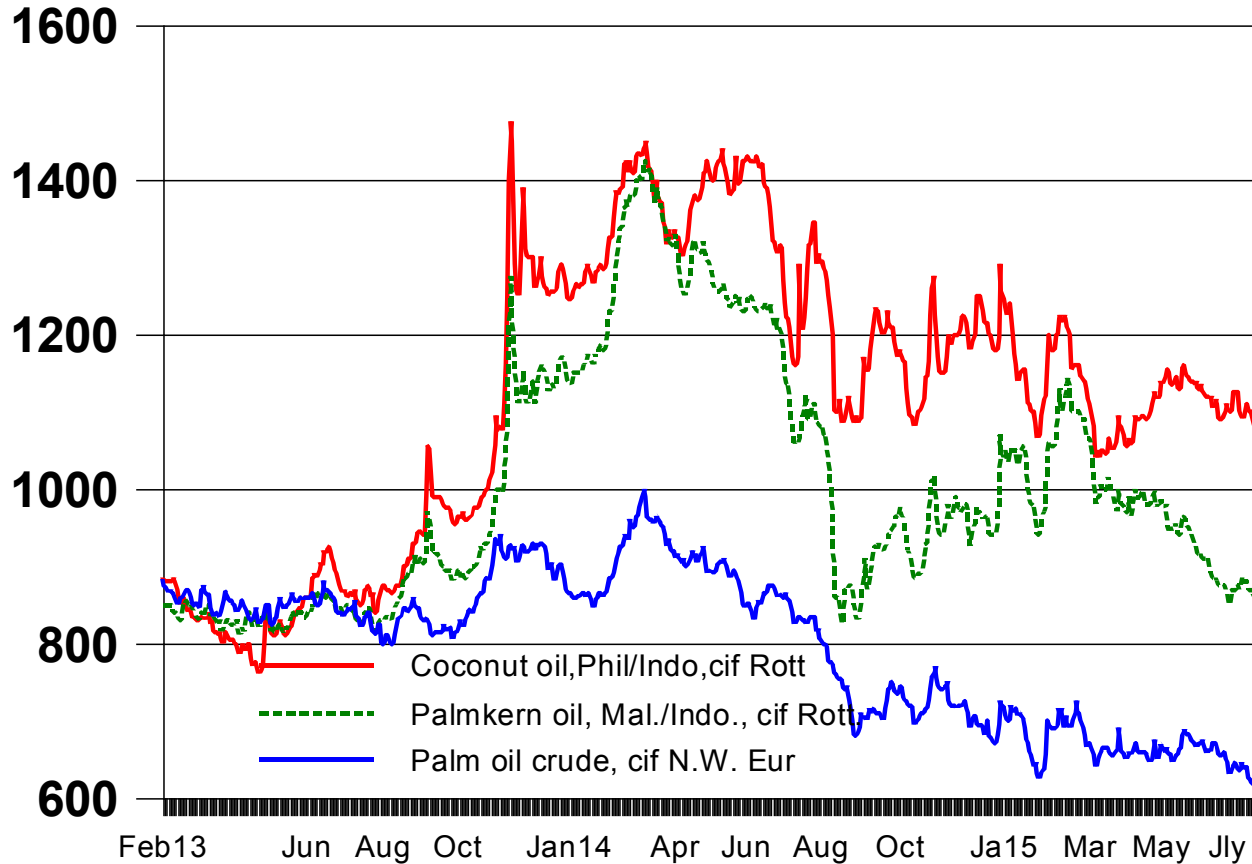
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World Production of 4 Major Oils

Change on Year in Mn T



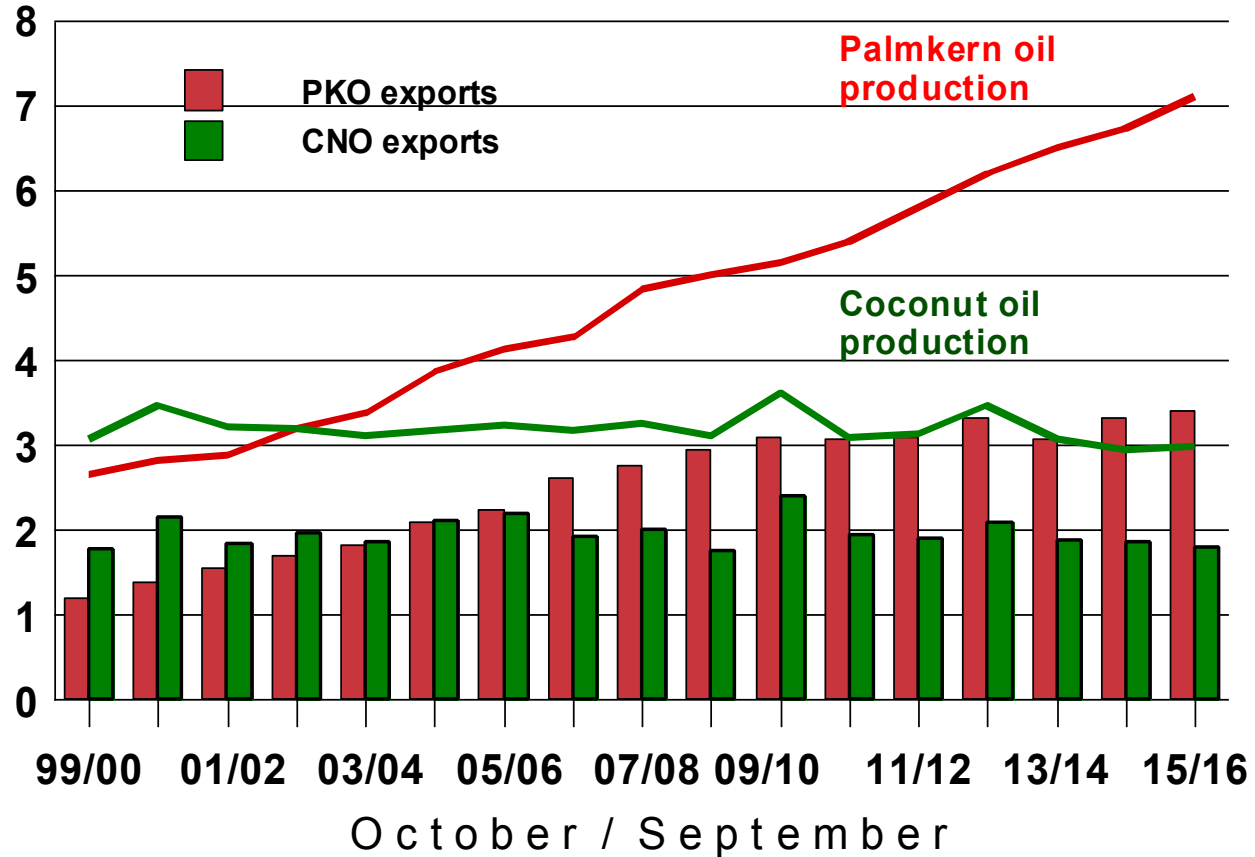
Daily Prices of 3 Oils in Rotterdam (US-\$/T)



Daily prices from Febr 2013 until 29 July 2015

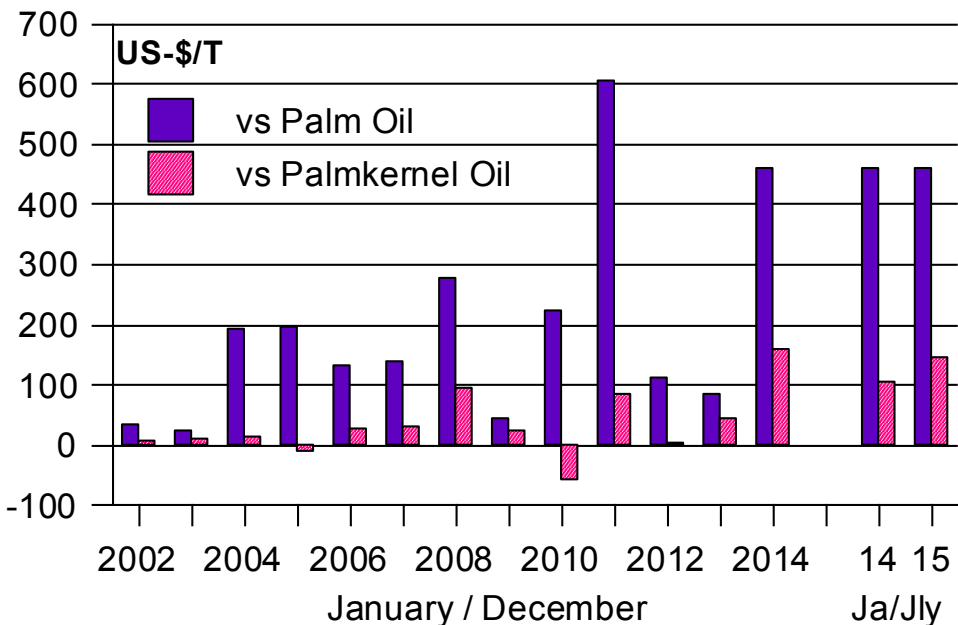


LAURIC OILS : World Production & Exports (Mn T)

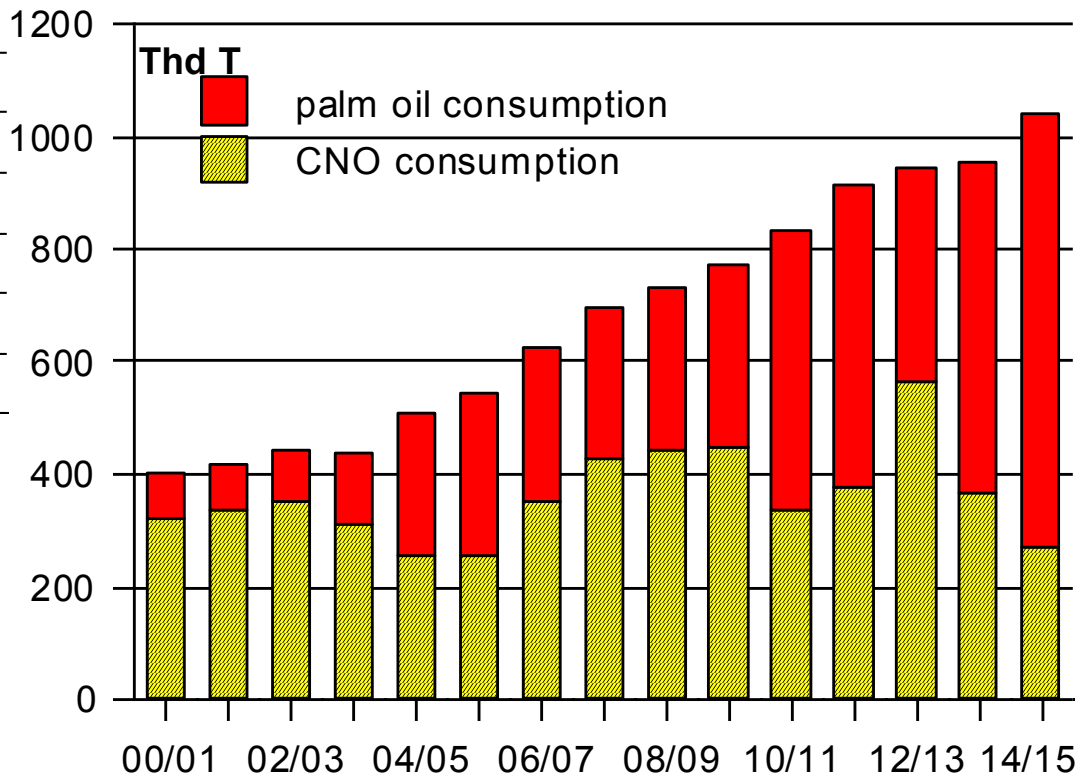


Coconut Oil Premiums/Discounts

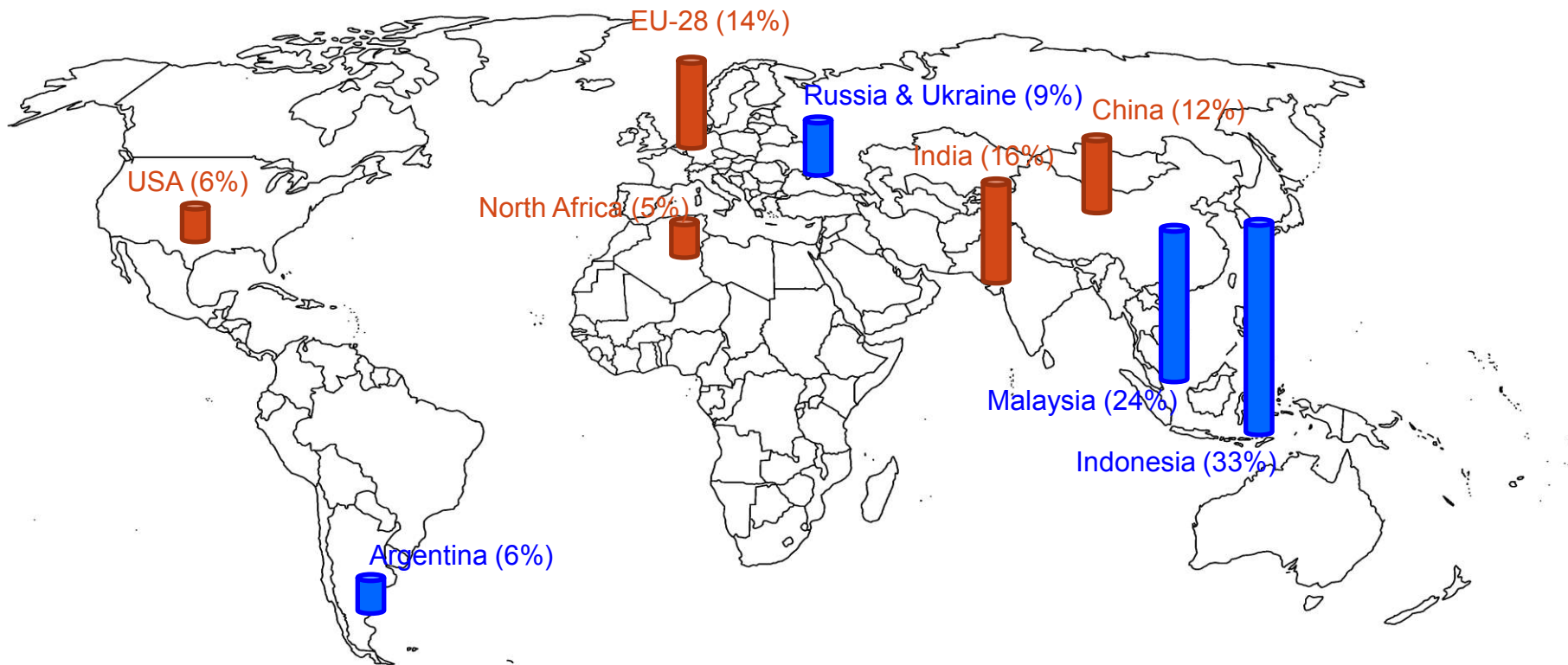
of average prices in Rotterdam



Philippines: Use of Coconut Oil & Palm Oil



Trade of 17 Oils & Fats in 2014



Exports

Imports

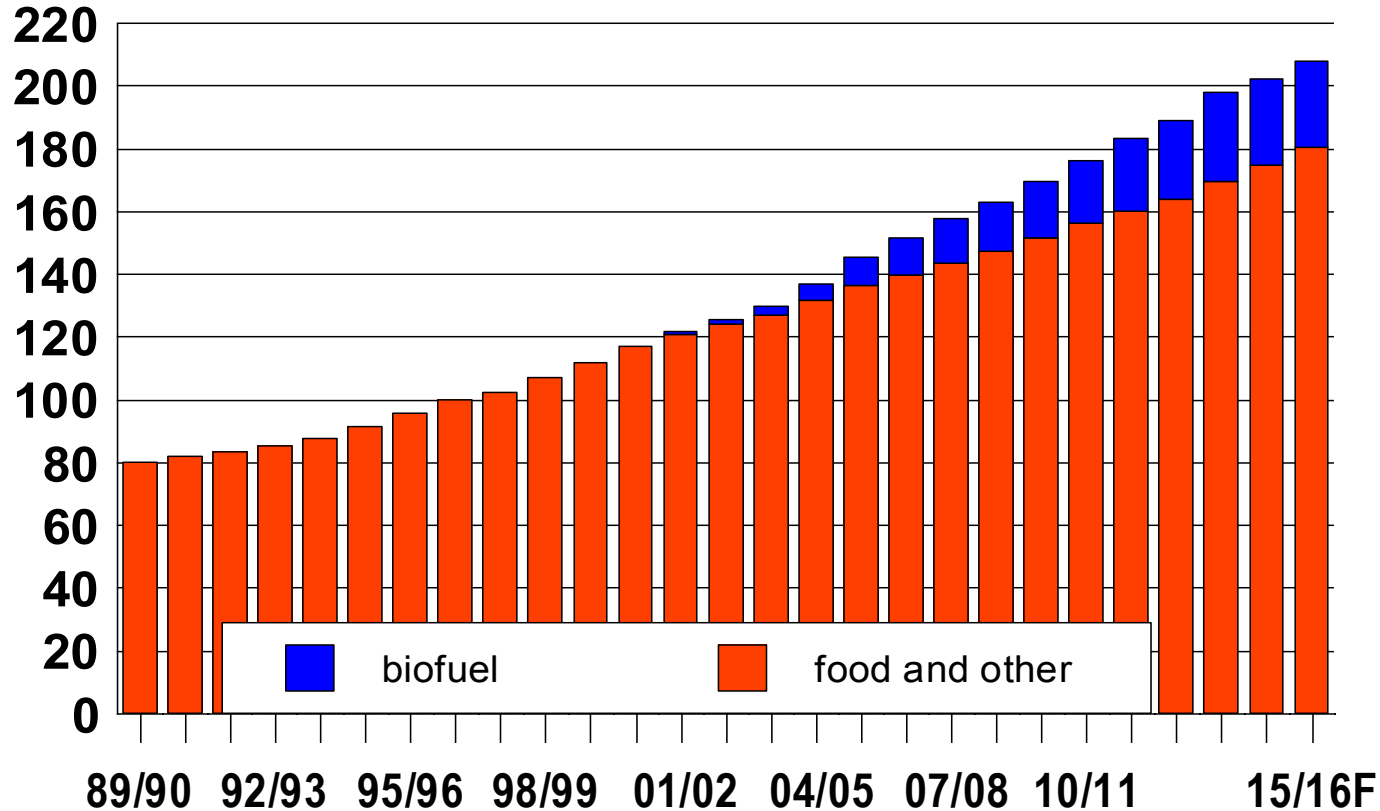
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Substantial Growth in World Demand of the Oils/Fats!!



17 Oils & Fats : World Consumption

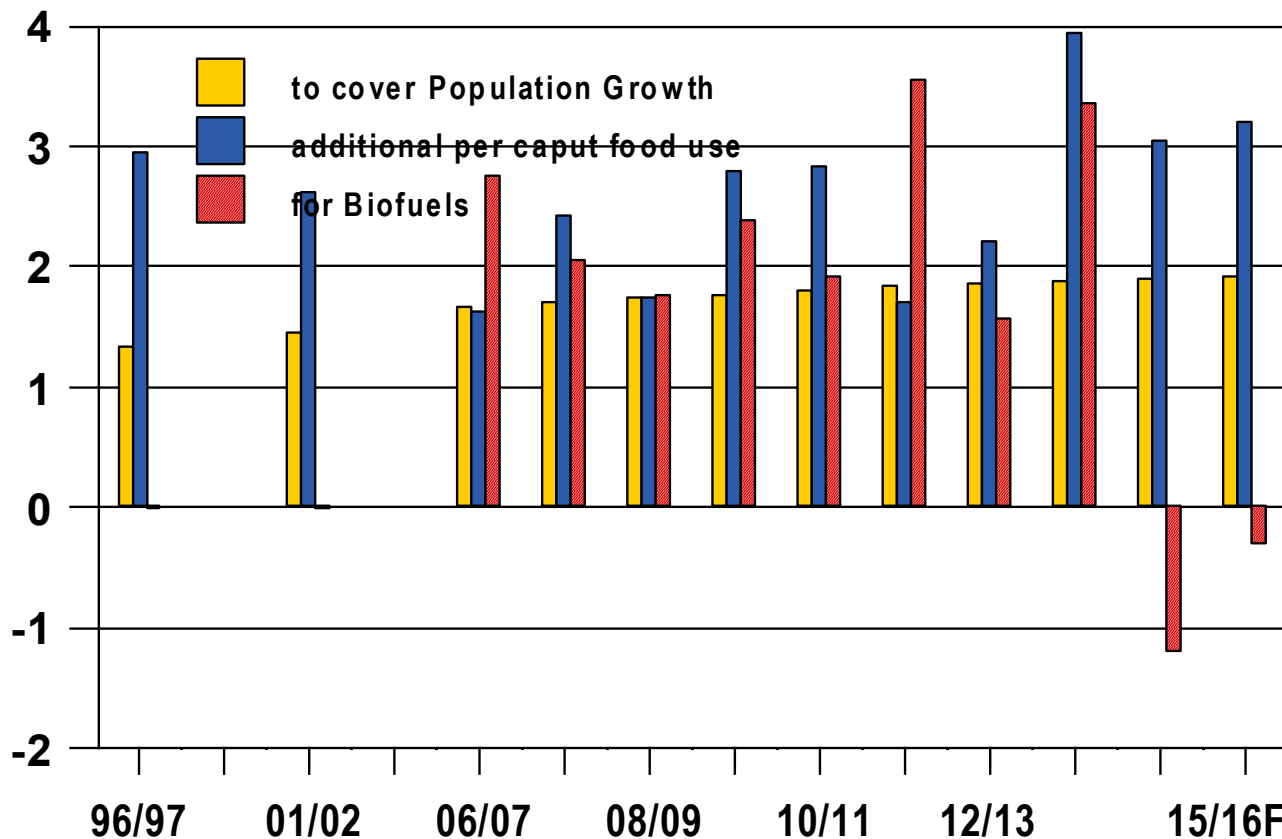
Total Usage in Mn T



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17 Oils & Fats

Growth of World Consumption (Mn T)



8 VEGETABLE OILS: World Balance (Mn T)

	October / September				
	<u>15/16F</u>	<u>14/15</u>	<u>13/14</u>	<u>12/13</u>	<u>11/12</u>
Op'g stocks	24.24*	23.98	22.28	21.98	19.57
Production	173.62*	168.69*	165.59	155.38	152.34
<i>Change</i>	+2.9%	+1.9%	+6.6%	+2.0%	+5.4%
Imports	76.84*	73.64*	70.97	69.89	66.14
Exports	76.99*	74.07*	71.11	69.76	66.29
Consumption	173.38*	167.99*	163.76	155.21	149.77
<i>Change</i>	+3.2%	+2.6%	+5.5%	+3.6%	+4.5%
End'g stocks	24.33*	24.24*	23.98	22.28	21.98
<i>Stocks/use ratio</i>	14.0%	14.4%	14.6%	14.4%	14.7%



Future Challenges, Potential Risks & Opportunities



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: 46.2 Mn T or 27%
- In 2012: 53.9 Mn T (plus 5.9 Mn T of Palmkern oil)
- In 2015: 62.1 Mn T or 30% (only 6% of area)
- **In 2025 at least 90 Mn T of palm oil required**



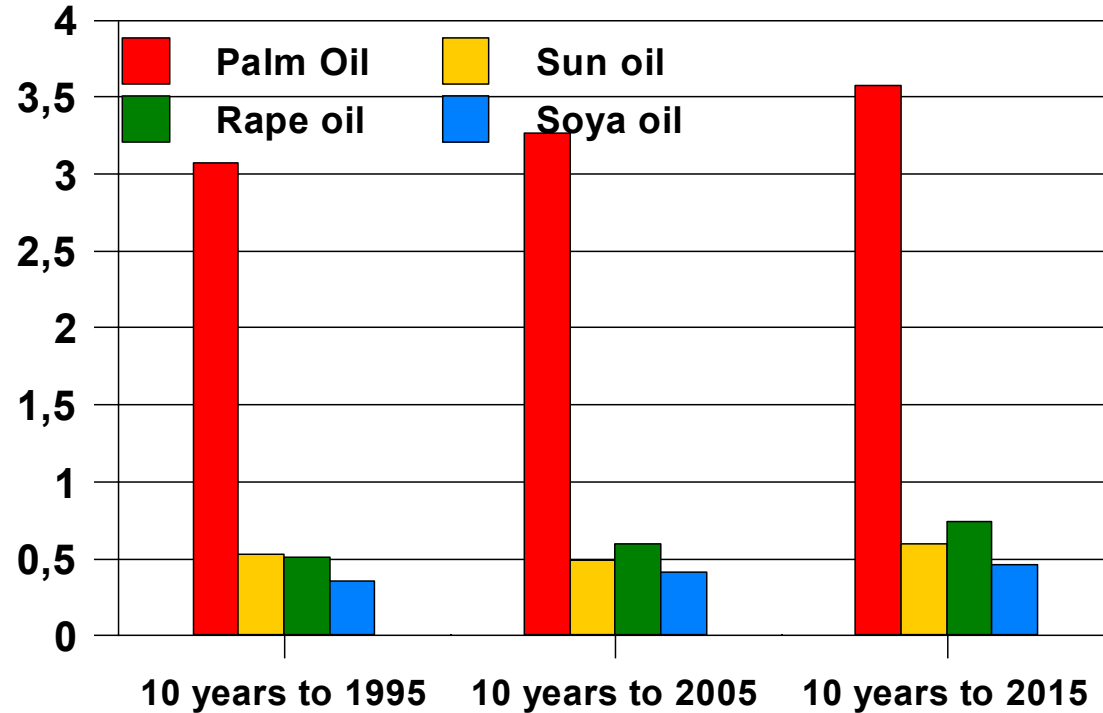
Oil palms the by far most productive crop

How quickly can yields be raised?

To produce 1 Tonne of soya oil requires 8 times as much acreage than in the case of palm oil

World Average Oil Equivalent (a)

in Tonnes per Hectare



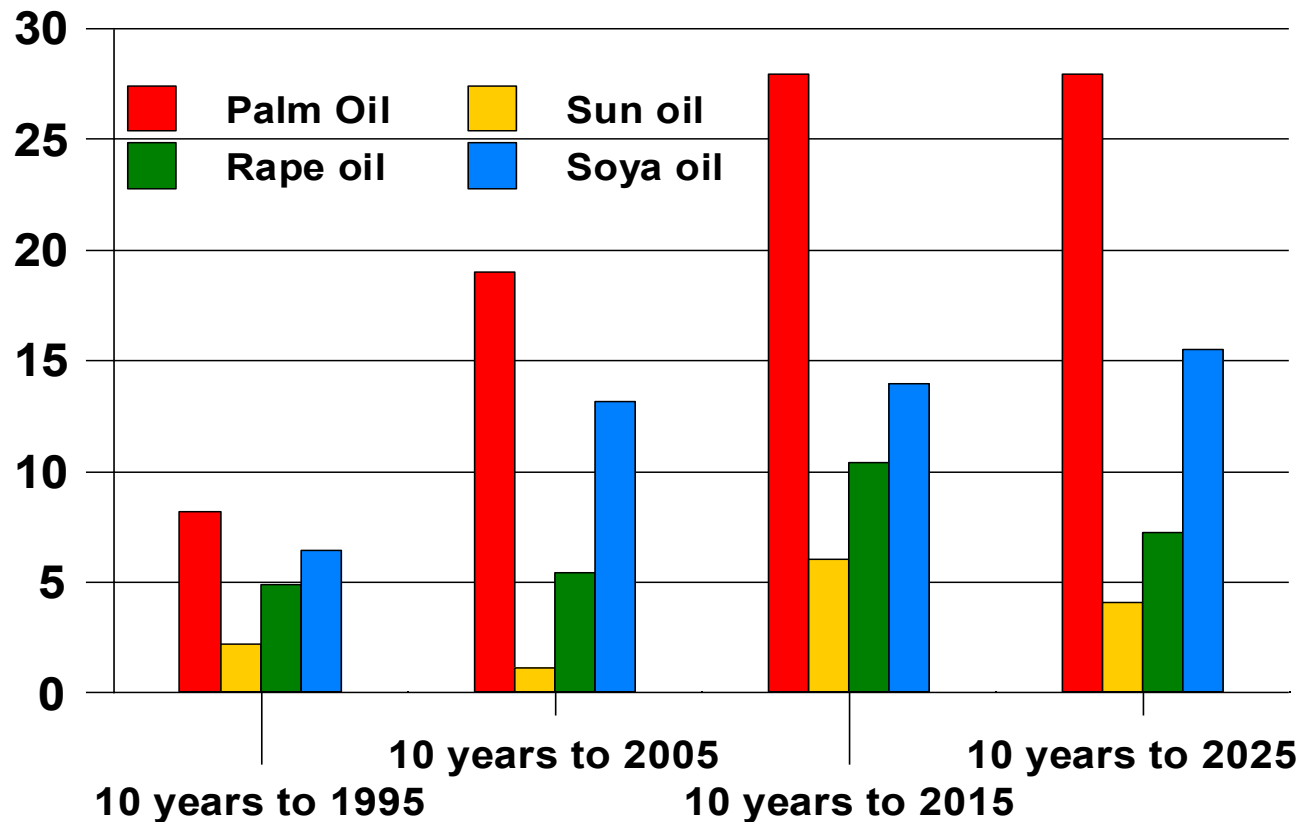
(a) Calculated based on average crush and seed yield





World Production Growth of 4 Oils

Cumulative Growth in Mn T



Summary

- Acreage limitations. It will be increasingly difficult to expand oilseed and grain production into new areas. Biggest growth is likely to occur in Brazil, Russia and, possibly, on the African Continent. —————> Yield improvement essential
- Further growth in palm oil plantings in Indonesia, Africa, Brazil and Central America, but little potential for expansion into new areas in Malaysia, Thailand and Papua New Guinea. —————> Labour shortage could become an issue
- Water is another limiting factor.
- The big challenge for the future is to raise yields per hectare (oilseeds, grains, tree crops). But how quickly can yields (in the field) be increased? Replantings in Malaysia sharply behind requirements.
- Logistics, logistics, logistics....



Price Prospects - - amidst many uncertainties:

- Prices have to be sufficiently attractive – for marginal producers -- to generate the required supply growth in the years ahead
- Fluctuating, but downward potential for veg oil prices is limited
- Veg.oil prices are likely to continue to divorce from mineral oils (as long as mineral oils are offered below US-\$ 70-75 per barrel).
- In the next twelve months likely downward pressure in meal to become bullish for oil. Seed oils will have to finance a larger share of the crush value (rising oil share).
- Key uncertainties: Weather and crop development (duration & magnitude of the current El Niño), farmer selling, currencies, politics,...

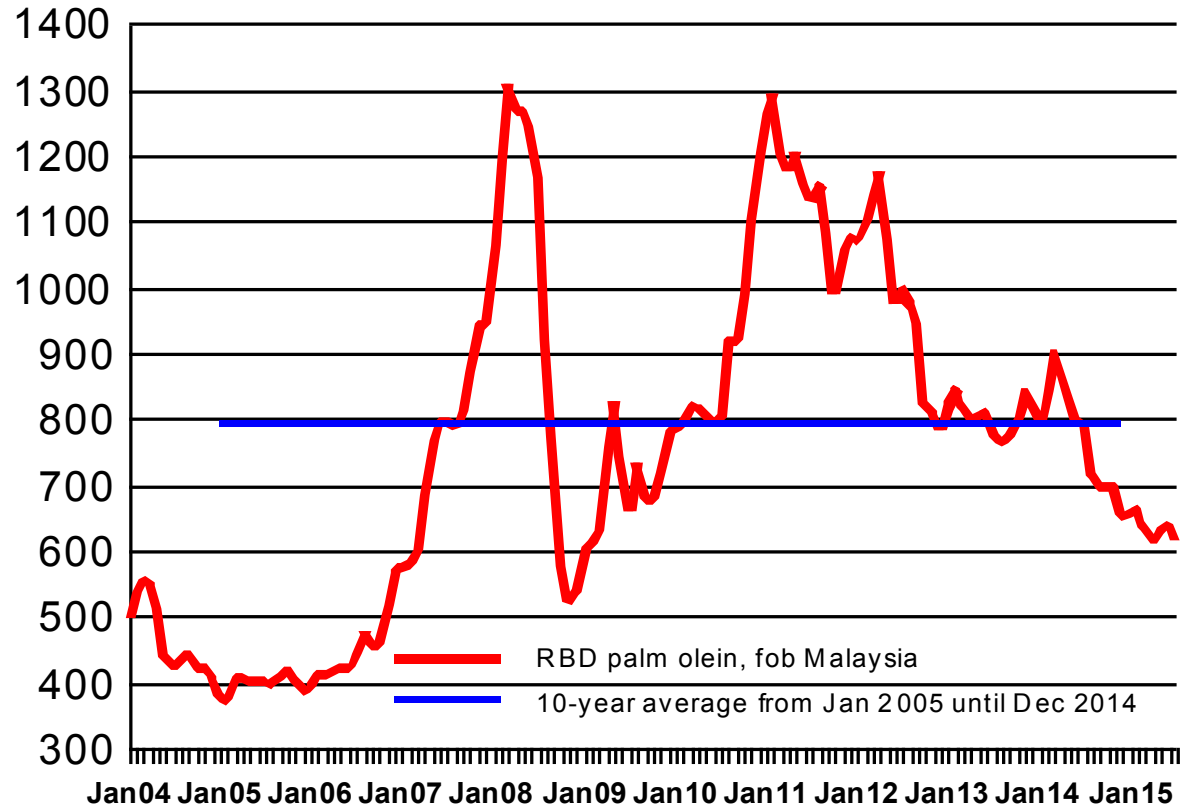


Palm oil prices may soon bottom out - - getting support from rape oil and soya oil (rising oil share)

Upward potential in Oct/March 2015/16 and beyond

Assuming some yield losses from El Nino, I expect upward potential of fob export prices for crude & processed palm oil by 50-100 US \$ in the next 6-7 months, mainly in Jan/March 2016

Monthly Prices of Palm Olein fob (US-\$/T)



Monthly prices from Jan 2004 until July 2015



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