

The Global Oils & Fats Markets and Price Outlook 2014/15

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Palm oil plummeting to a 5-year low in Aug 2014

Concern among producers. Low prices. Marginal producers were squeezed .

But fundamentally, the low prices of August were not justified. --> Correction.

What is the price outlook from here?

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



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Palm oil the most important oil

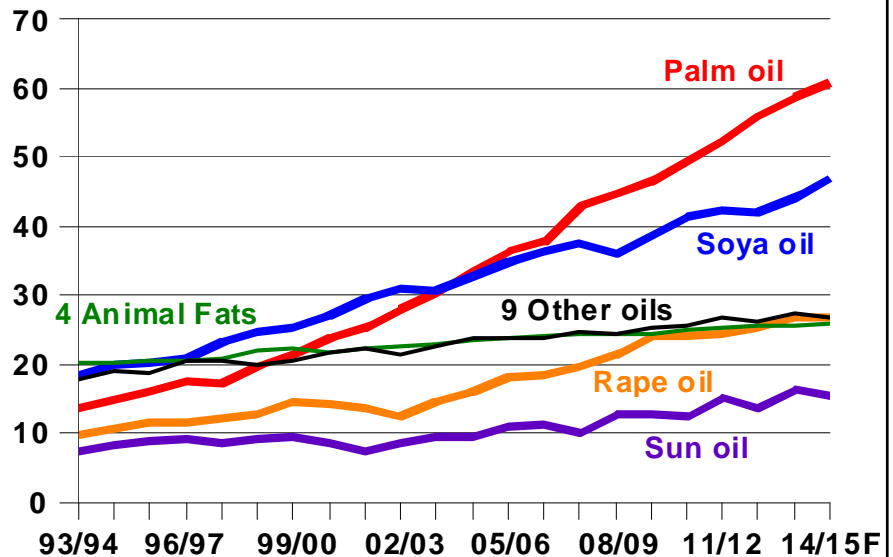
In 2014/15 PO & PKO account for 33% of world output & 61% of exports

On only 6% of the area

But the prices of PO will largely depend on S & D of other veg oils

and on energy prices

17 OILS & FATS : World Production (Mn T)



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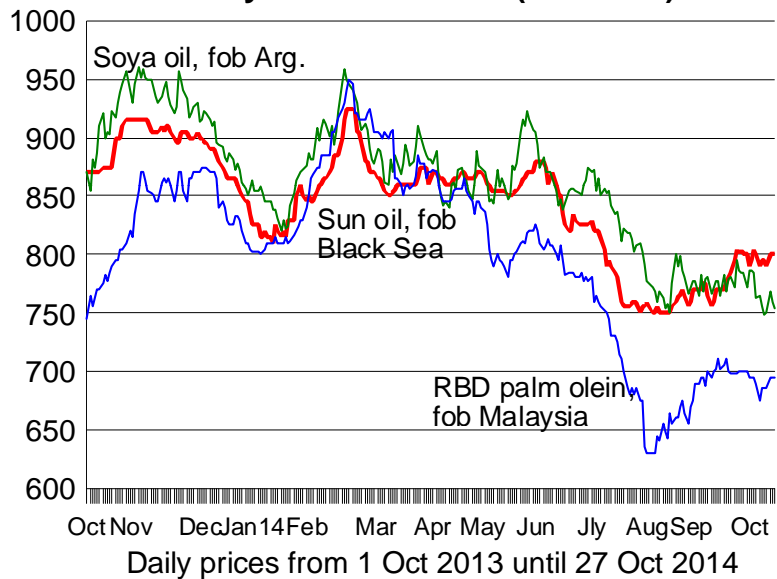
Also sun oil recovered.
Lower crop in CIS.
Sizeable purchases from
India, China, Iran & others.

Soya oil price recovery.
Biodiesel output and exports
in South America rising.
Arg soya crush lower than
expected

What is ahead?

We have to look at the full
complex (oilseeds, oils and
meals).

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



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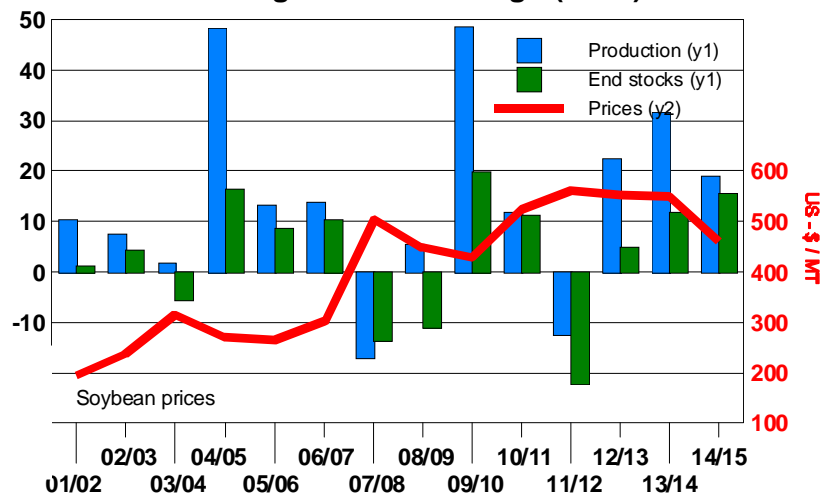
Ample world supplies
of oilseeds in 2014/15
season

Output & stocks rising
in 3rd season in a row

Another increase in
2015/16?

Prices have declined to
multi-year lows !
Is the bearishness
already discounted?

10 Oilseeds: World Output & Ending Stocks Change from a Year Ago (Mn T)



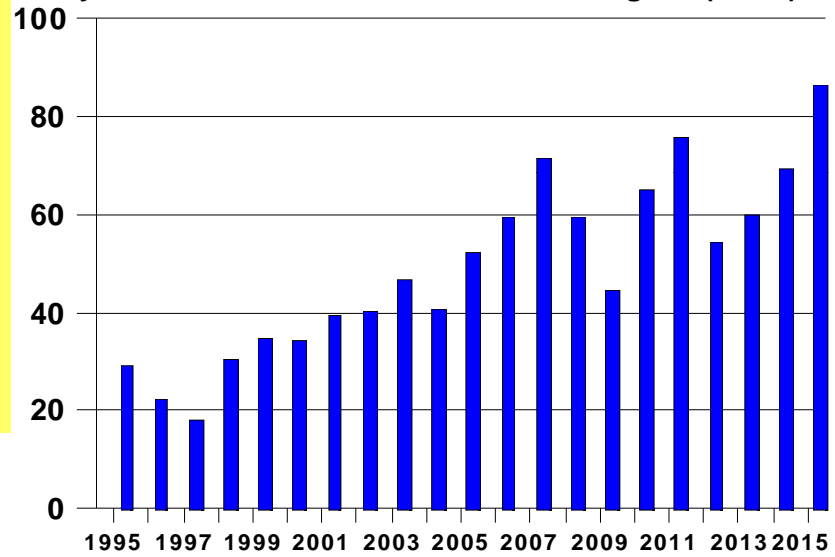
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World stocks of soybeans likely to rise to a record 87 Mn T at the end of 2014/15 season

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

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



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The Global Scenario - - > very complex



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Summary of the Global Outlook in 2014/15 - - 1

- World supplies of soybeans ample (+32 Mn T) in 2014/15 (booming production and higher opening stocks)
- But for all other oilseeds there are major changes: production -3.9 Mn T (vs +13.3) and crushings -1.7 in 2014/15 (vs +9.9)



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In past 16 years production of soybeans almost doubled to 308 Mn (now 60% of all oilseeds), up 23 Mn vs 13/14

2014/15 production (Mn T):

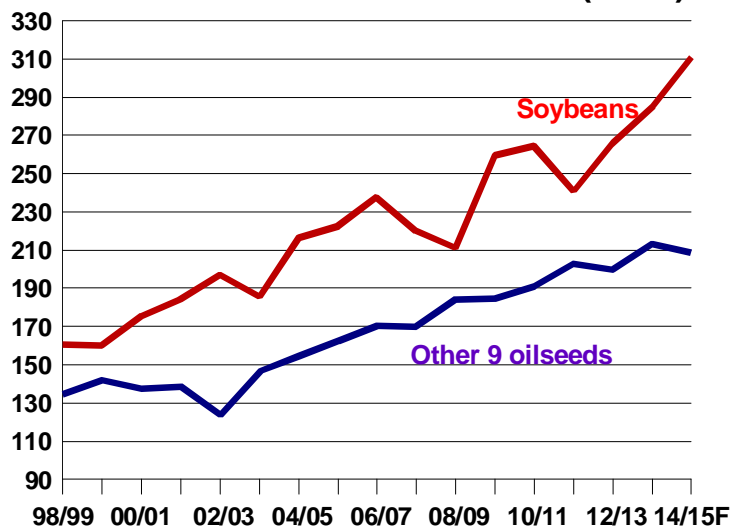
Rapeseed 68.2 (-1.8 Mn)

Sunflower 40.5 (-2.1 Mn)

Groundnuts 26.2 (-2.2 Mn)

Cottonseed 45.4 (+0.8)

10 Oilseeds: World Production (Mn T)



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U.S.A. : Soybean Supply & Demand (Mn T)

September / August

	14/15F	13/14	12/13	11/12	06/07
Op. stocks .	2.50	3.83	4.61	5.85	12.23
Crop	106.87	91.39	82.56	84.19	87.00
Imports62*	2.10	1.01	.46	.26
Exports	47.30*	44.87	35.90	37.18	30.41
Crushings ..	49.25*	47.26*	45.97*	46.35*	49.20
Other use ..	2.82*	2.67*	2.49*	2.37*	4.27
End. stocks.	10.62*	2.50	3.83	4.61	15.62
Stocks/usage	10.7%	2.6%	4.5%	5.4%	18.6%



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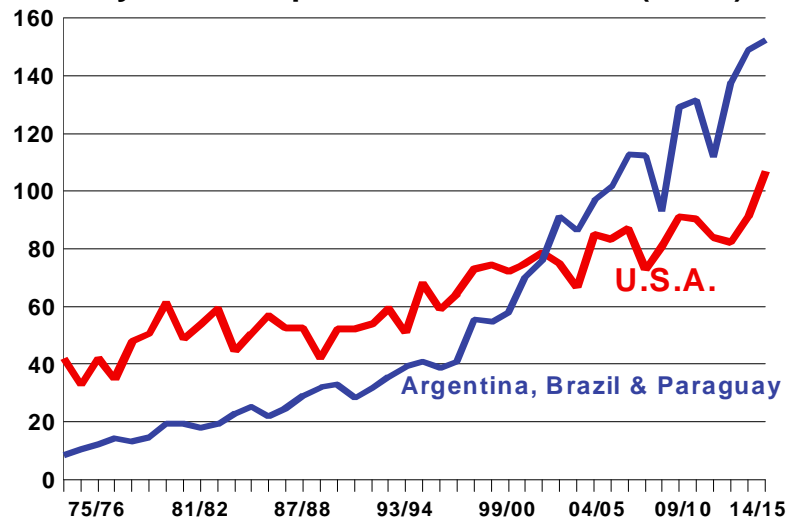
Soybean Production in the USA and South America

SOYBEANS

USA: big jump in output on higher area + yields in 2013 and 2014. But future growth will be limited by lack of acreage

Most of the production growth in the future must come out of S. America. But will it really?

Soybean Crop Trend Since 74/75 (Mn T)



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Uncertainties:

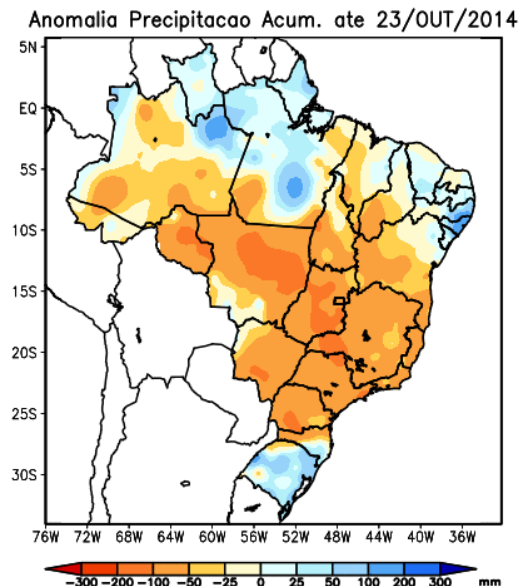
- 1) The weather
- 2) How will farmers in S. America react? Prices have fallen below production costs in several regions of Brazil and Argentina. Biggest acreage decline expected for corn.
- Argentina: Political, financial and economic problems
- Logistics (bottlenecks - - high premiums - - price impacts)



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BRAZIL :
RAINFALL DEFICIT (until Oct 23, 2014)

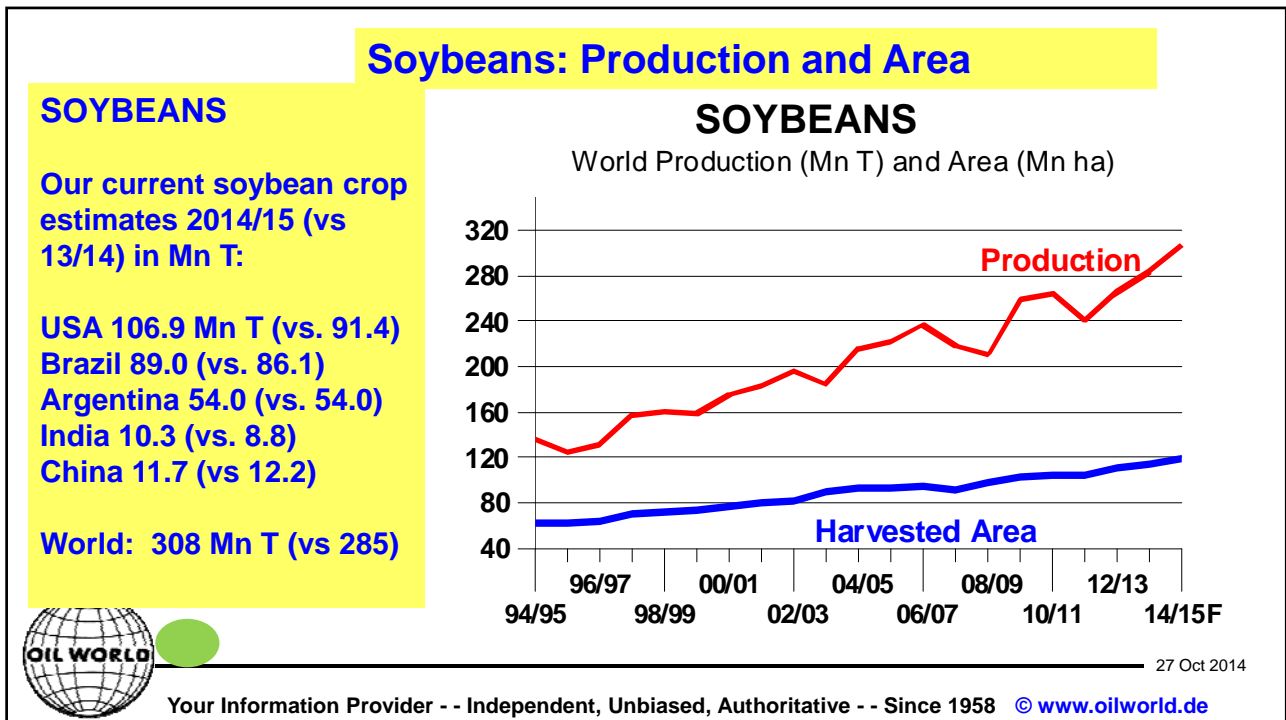
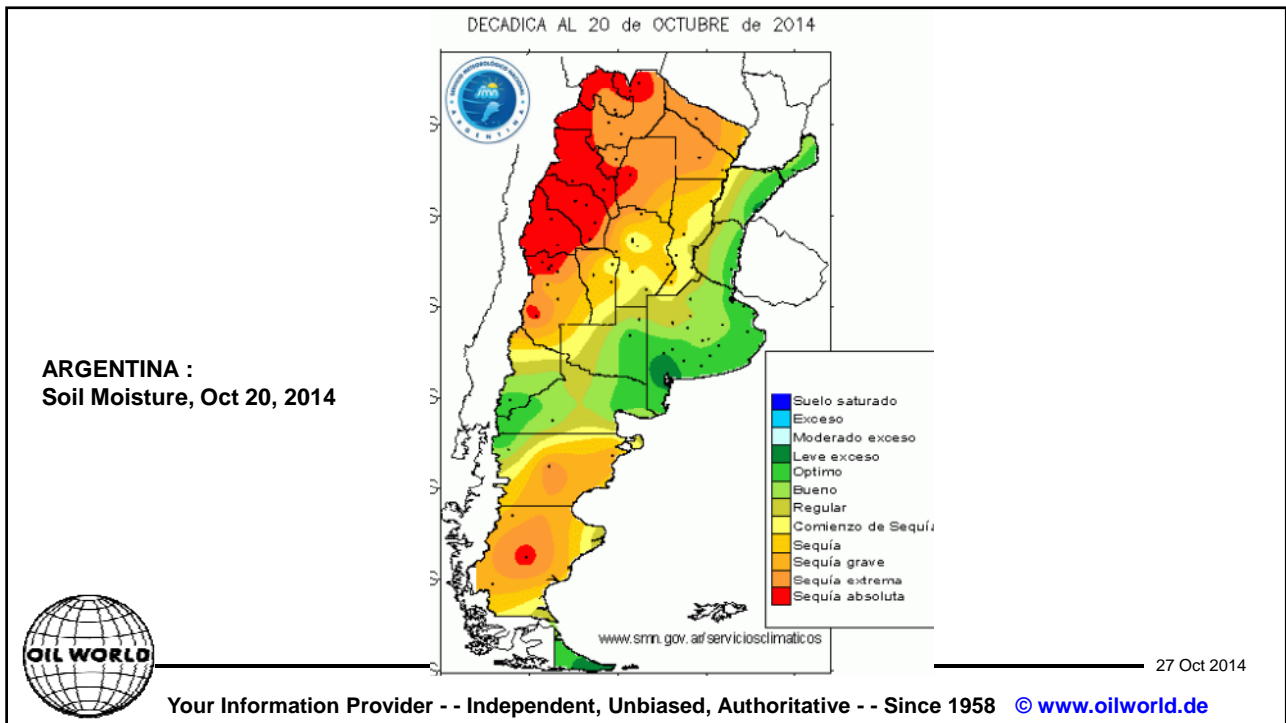


Fontes de dados: CPTEC/INPE-INMET-FUNCEME/CE-AESA/PB-EMPARN/RN
ITEP/LAMEPE/PE-FEPAGRO/RS-CHESF-COMET/RJ-DHME/PI-CMRH/SE-SEMARH/A
SEMARH/BA-CEMIG/SINGE/MG-SEAG/ES-SIMEPAR/PR-CLIMERH/SC-IAC/SP

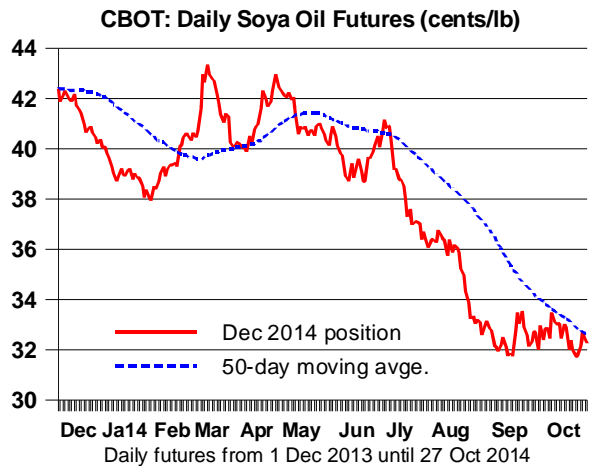
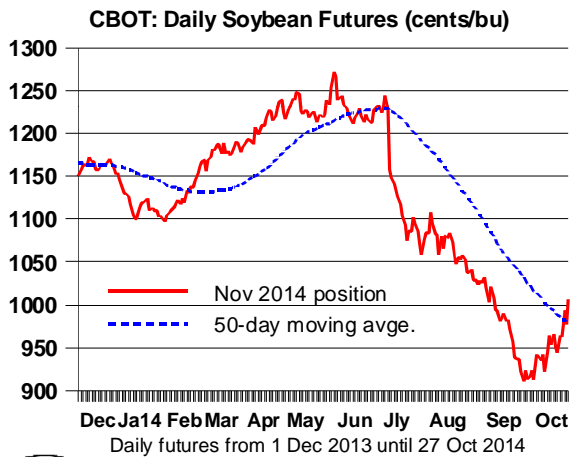
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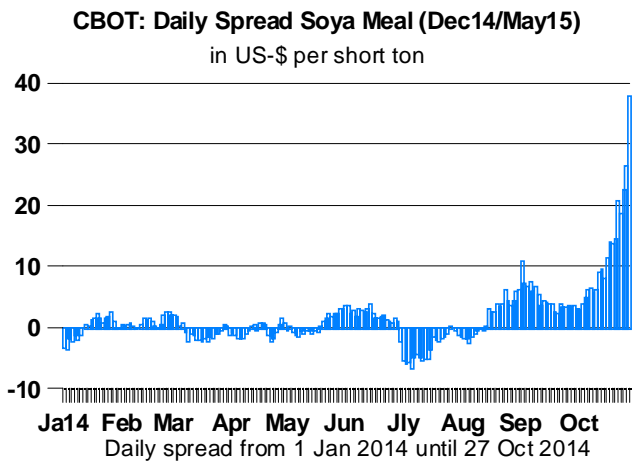
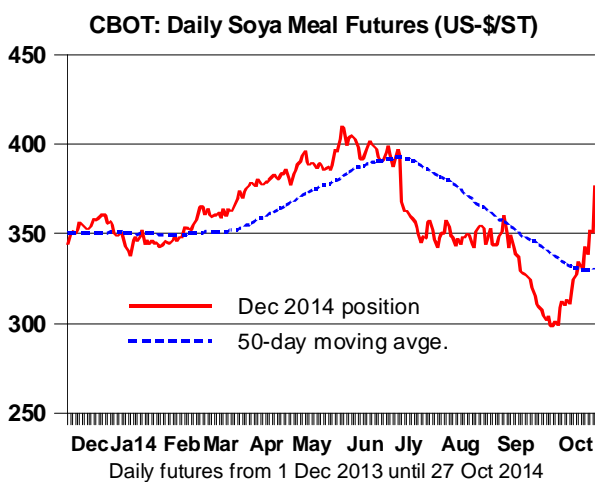


In my opinion we have seen the lows for soybeans at \$ 9.04 as well as for soya oil on the Chicago Board of Trade



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Tightness in soya meal. Insufficient US and world soybean crushings. Pipeline not yet sufficiently filled - - lack of farmer selling, logistical constraints, high transportation costs.



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Summary of the Global Outlook in 2014/15 - - 2

- For all other oilseeds other than soybeans we estimate: world production -3.9 Mn T (vs +13.3) and crushings -1.7 (vs +9.9)
- Reduced softseed crush will have significant impacts on global vegetable oil production.
- Rising dependence on soybeans - - we will be crushing for oil - - but soybeans are a meal seed - - bullish on the oil share
- **Markets are in transition** - - > oilmeals prices set to fall to stimulate demand in 2015, but veg oil supply getting tighter



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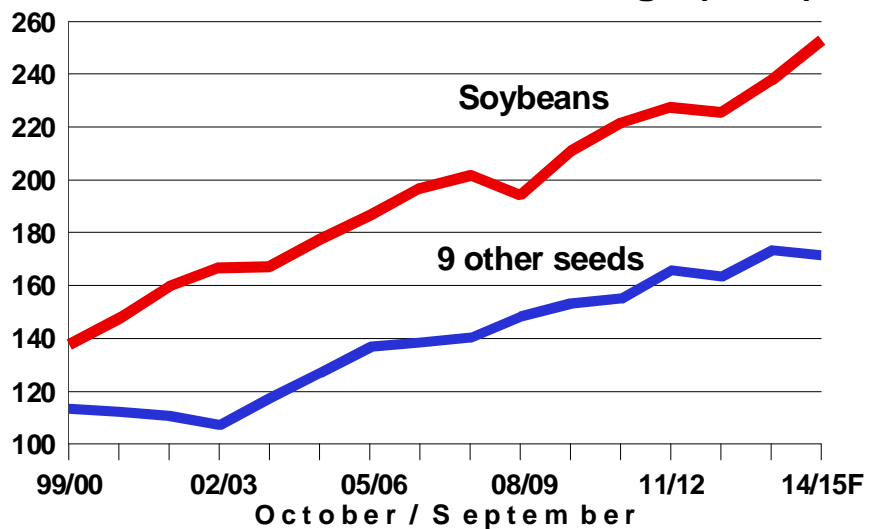
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Crush of all 9 oilseeds (other than soya) is set to suffer a drop of 1.7 Mn T in 2014/15 vs. a boost of 9.9 in 2013/14

This will have a major impact on oils & fats

More soya oil will be required, boosting the world soya crush by 15-16 Mn T in 2014/15 (vs +12), and creating a surplus in oilmeals

10 Oilseeds : World Crushings (Mn T)



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Only a below-normal growth in world production of 3.9 Mn T is expected for 2014/15 (against +10.6 in 13/14)

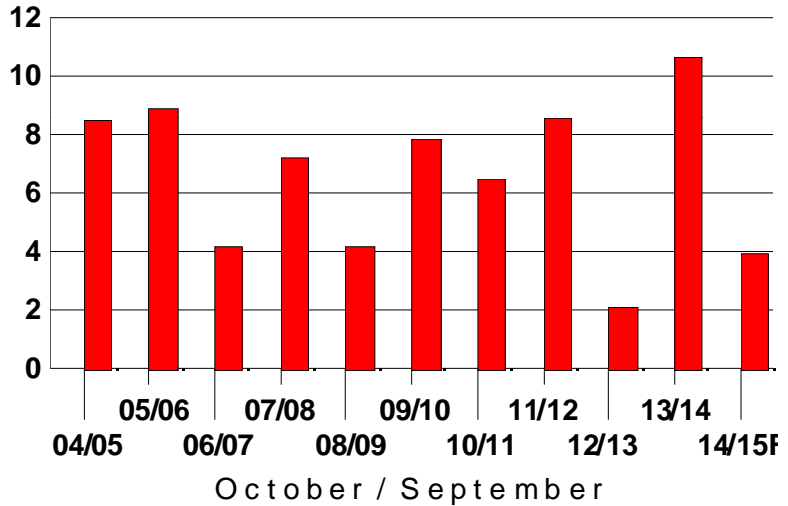
This will contribute to a recovery of veg. oil prices

Falling energy prices have pulled down veg oil prices

Palm oil production and export supplies are major swing factors to watch

17 OILS & FATS: Production

Change From Year Ago in Mn T



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The growth in production is slowing down in 2014/15:

Palm oil will probably show the smallest growth in 5 years (+2.0 Mn T)

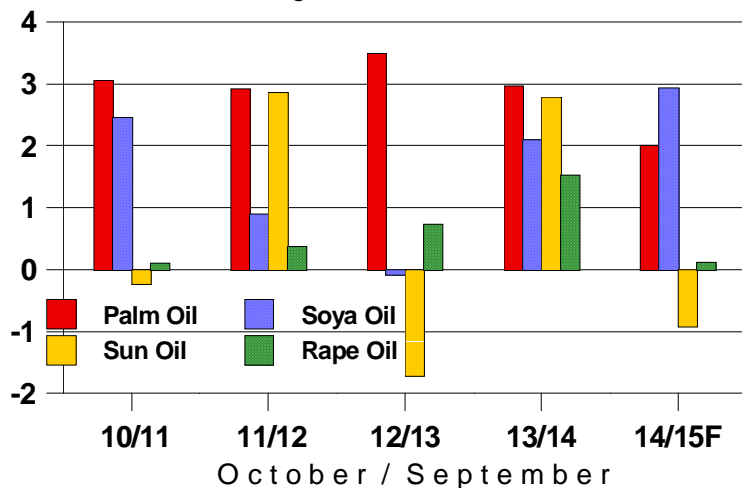
Sun oil production will decline compared with a boost of 2.8 Mn T in 2013/14

Olive oil -0.6 Mn T (vs +0.9)

A large part of the increase in soya oil will be required for biodiesel production

World Production of 4 Major Oils

Change on Year in Mn T



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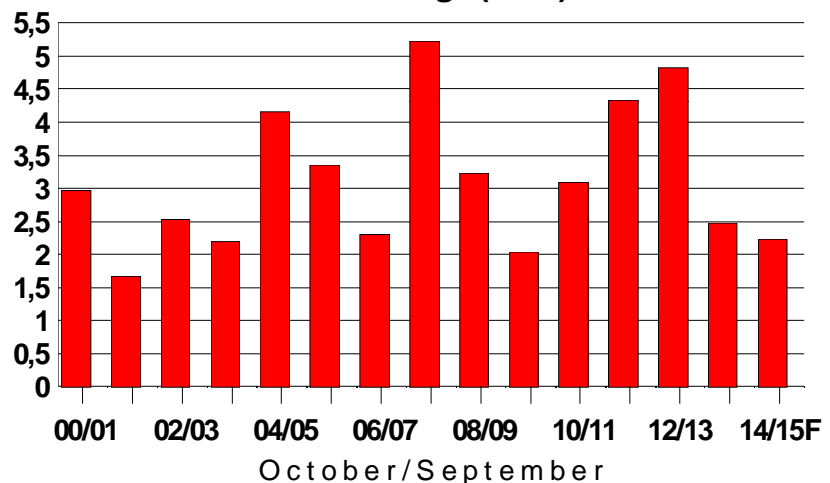
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In 2014/15 below-average growth in supplies in the 2nd consecutive year

-If confirmed, it will result in higher prices of palm oil in 2014/15

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

PALM OIL : World Supplies Annual Change (Mn T)



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PALM OIL : World Supply & Demand (Mn T)

	October / September				
	14/15F	13/14	12/13	11/12	10/11
Opening stocks	10.37*	10.15	10.65	9.31	7.86
Production	60.93*	58.92*	55.95	52.46	49.55
Indonesia	31.90*	29.92*	28.03*	26.19*	23.95*
Malaysia	19.83*	20.16	19.32	18.21	18.21
Imports	44.71*	42.53*	44.02	40.37	38.10
India	8.44*	7.84*	8.31	7.47	6.68
China	6.58*	5.89*	6.80	6.11	5.99
EU-28	7.10*	7.15*	7.00	5.87	5.45
Exports	44.55*	42.98*	44.03	40.35	38.13
Indonesia	22.50*	21.40*	21.03	18.63	17.17
Malaysia	17.60*	17.34	18.52	17.59	17.15
Disappearance	61.46*	58.24*	56.43	51.14	48.06
Indonesia	9.56*	8.68*	7.79	6.89	6.16
India	8.50*	7.90*	8.31	7.32	6.75
China	6.53*	6.11*	6.37	6.15	5.96
Ending stocks	10.00*	10.37*	10.15	10.65	9.31
Stocks/usage	16.3%	17.8%	18.0%	20.8%	19.4%



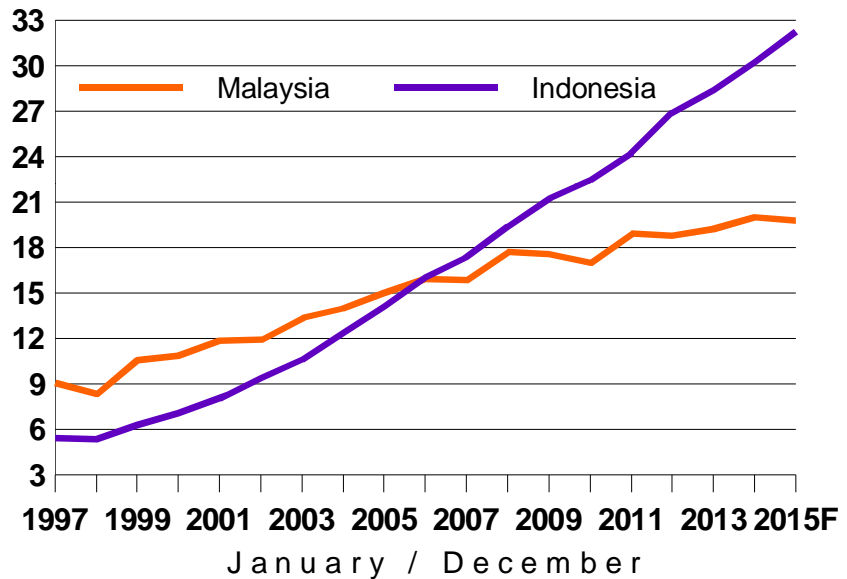
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For Oct/Sept 2014/15 we estimate production in Mn T:

Malaysia 19.8 (vs 20.2)

Indonesia 31.9 (vs 29.9)

PALM OIL : Production in Key Countries (Mn T)



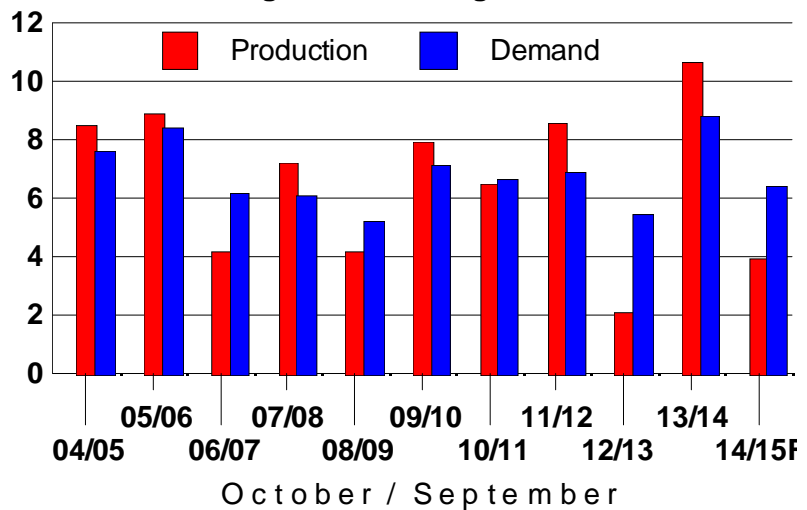
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The prospective growth in world consumption in 2014/15 is set to exceed the growth in production !

Global stocks are likely to decline to only 12% of annual consumption

17 OILS & FATS: Production & Demand

Change From Year Ago in Mn T



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Impacts from the Energy Sector



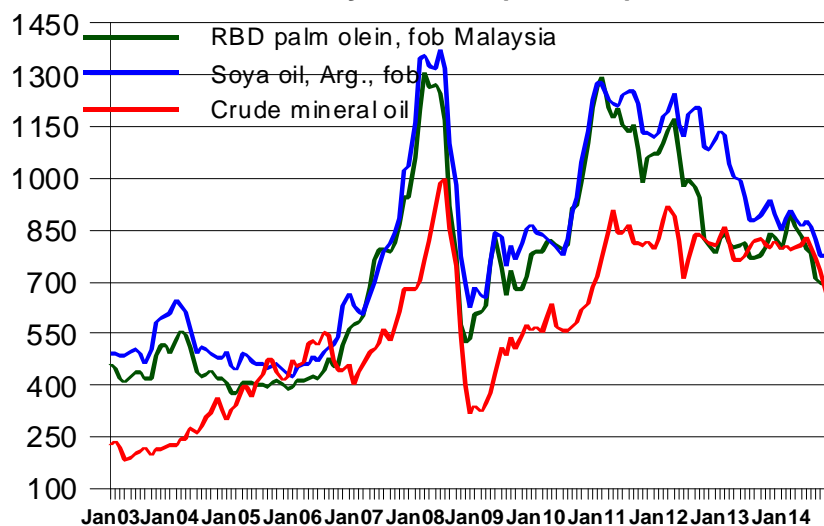
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**In July/Sep 2014
soya oil and palm
oil prices partly fell
below those of
crude mineral oil
and fossil fuels**

**Thus higher
demand,
reducing soya oil
stocks in the USA
and South America**

Monthly Prices (US-\$/T)



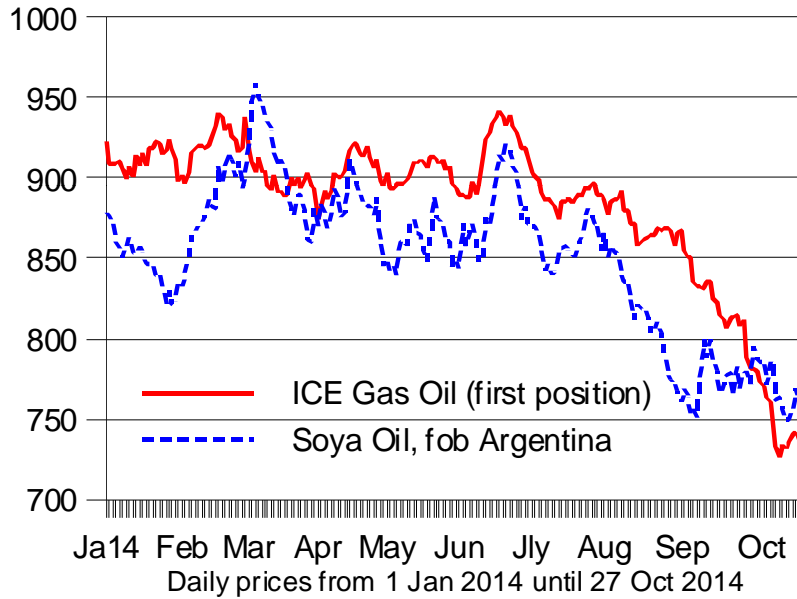
Monthly prices from Jan 2003 until 22 Oct 2014



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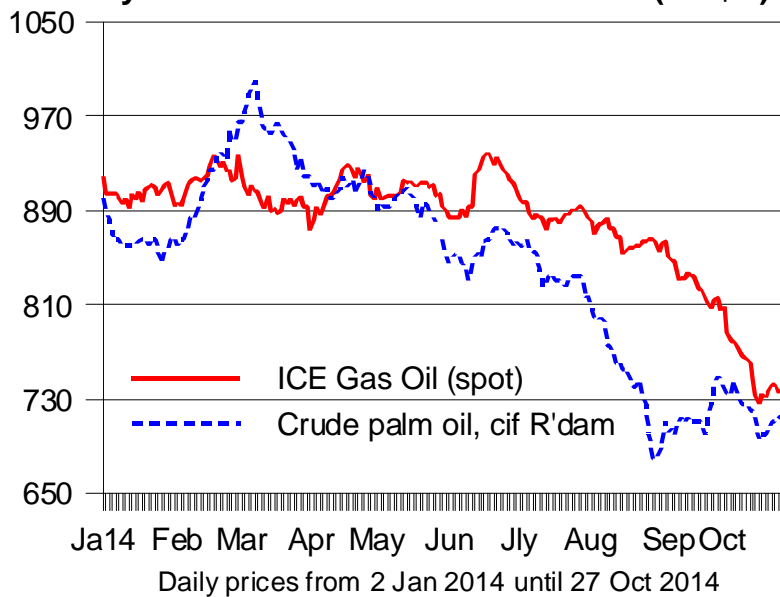
Daily Prices of Gas Oil & Soya Oil (US-\$/T)



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



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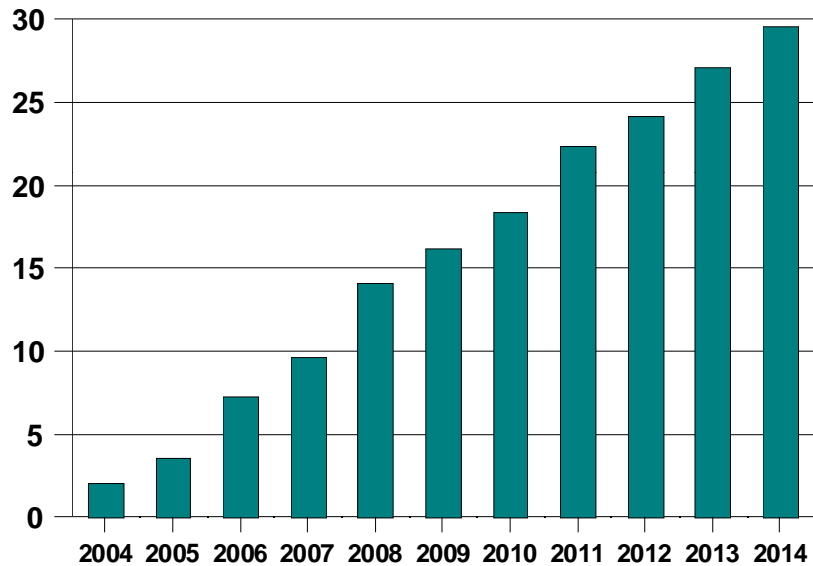
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The graph shows world production of biodiesel from 2004 until 2014

In 2014 production will exceed expectations and rise 2.5 Mn T to almost 30 Mn T

The growth is outside Europe

World Production of Biodiesel (Mn T)



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Palm oil usage in biodiesel 9.3 Mn T (32% of all feedstock used) and 16% of world PO usage

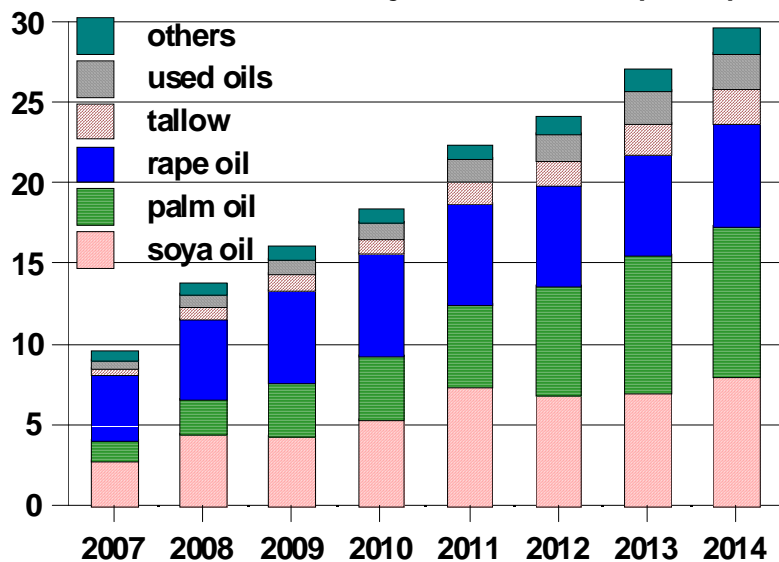
Soya oil 8.0 Mn T and 18% of total soya oil use

Rapeseed oil 6.3 and 24%

Tallow 2.2 Mn T and 26%

Other (corn oil, used oil)

Biodiesel Use of Major Feedstock (Mn T)



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Concluding Remarks



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The below-normal growth in world production of veg oils in 2014/15 is great challenge on the supply side

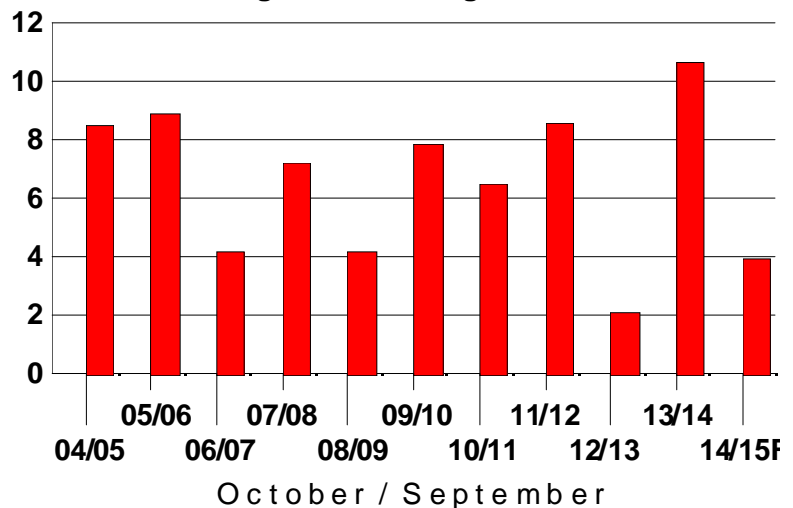
There will be enough soybean supplies in the foreseeable future, but soybeans alone cannot prevent a deficit in veg oils

Major uncertainties:

- Palm oil production
- Argentine developments
- Logistics
- Prices of crude mineral oil

17 OILS & FATS: Production

Change From Year Ago in Mn T



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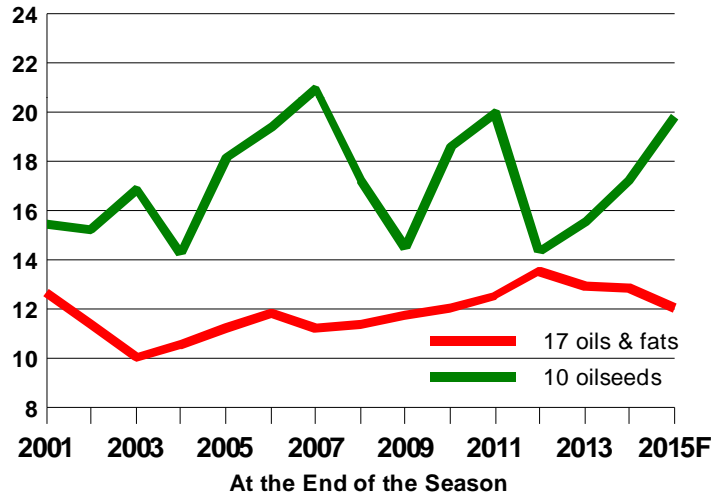
Stocks/Usage Ratio of Oilseeds and Oils & Fats

The graph shows stocks relative to annual consumption for oilseeds and for oils & fats

While the global oilseed stocks/usage ratio is set to increase further in 2014/15,

Stocks of oils & fats relative to usage will be declining

World Stocks in Percent of Annual Usage (%)

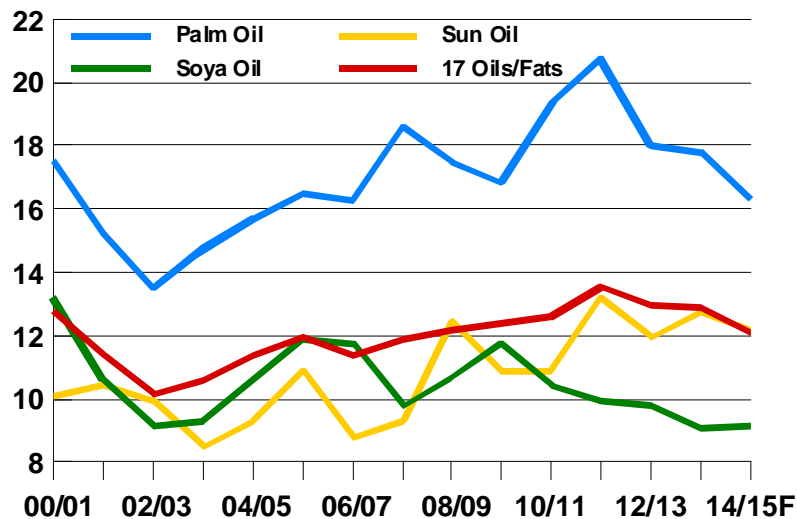


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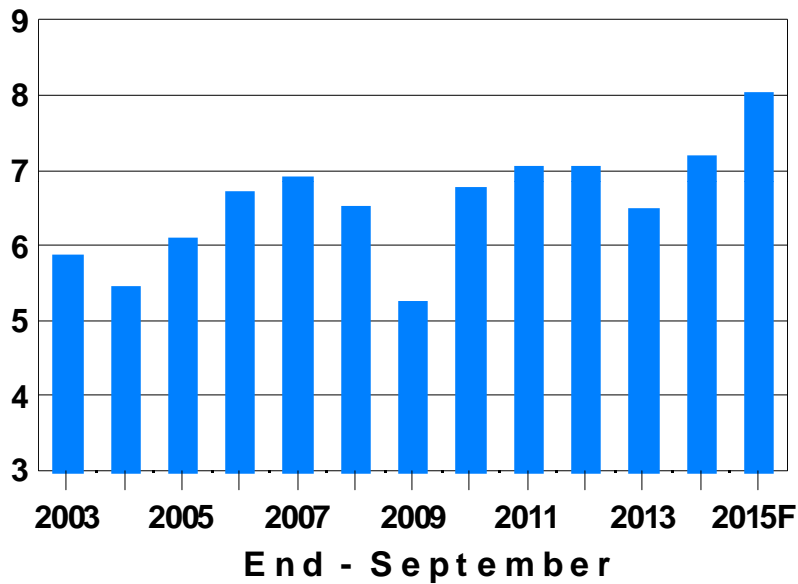
Annual Stocks / Usage Ratios (%)



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SOYA MEAL: World Ending Stocks (Mn T)



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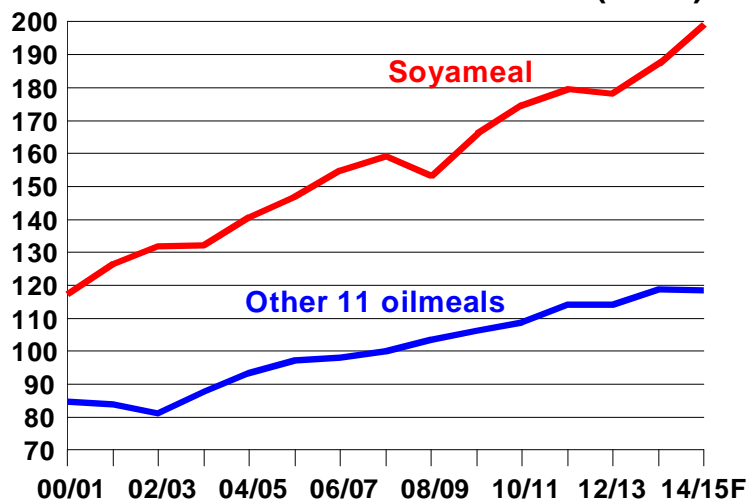
Soya meal prices are overvalued

Rapidly growing soya meal supplies in 2014/15, up 12-13 Mn T or 6-7%

The world will be crushing for oil

Oil share will recover next few months

12 Oilmeals: World Production (Mn T)

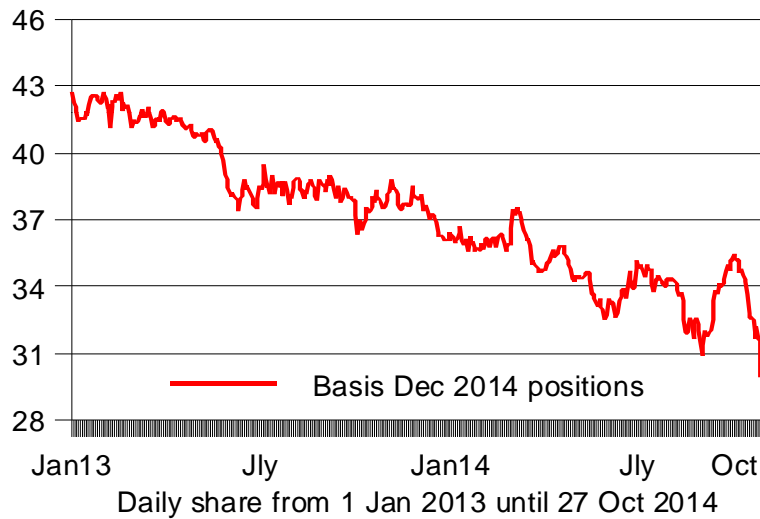


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CBOT : Daily Soya Oil Share

in % of total product value



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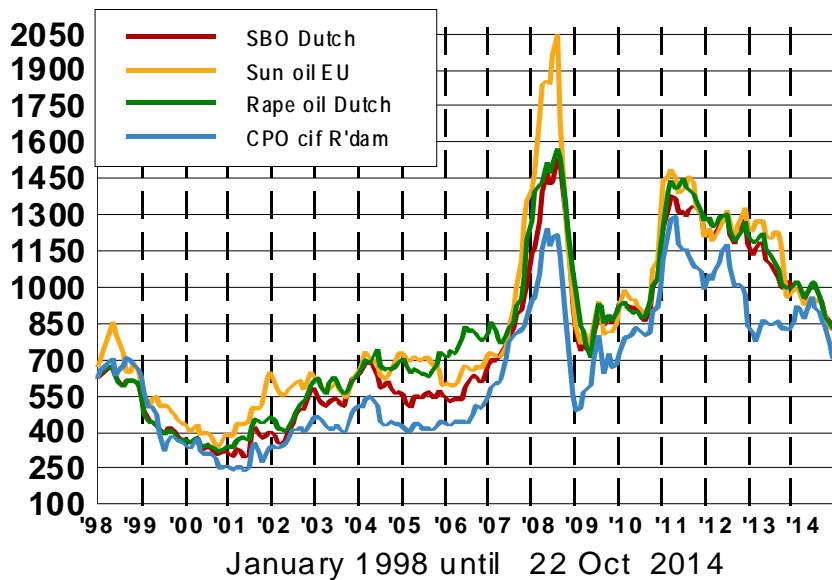
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Monthly Prices of 4 Oils (in US-\$/T)

Veg oil prices
have bottomed in
Aug 2014

and have found
support

They have started
to recover



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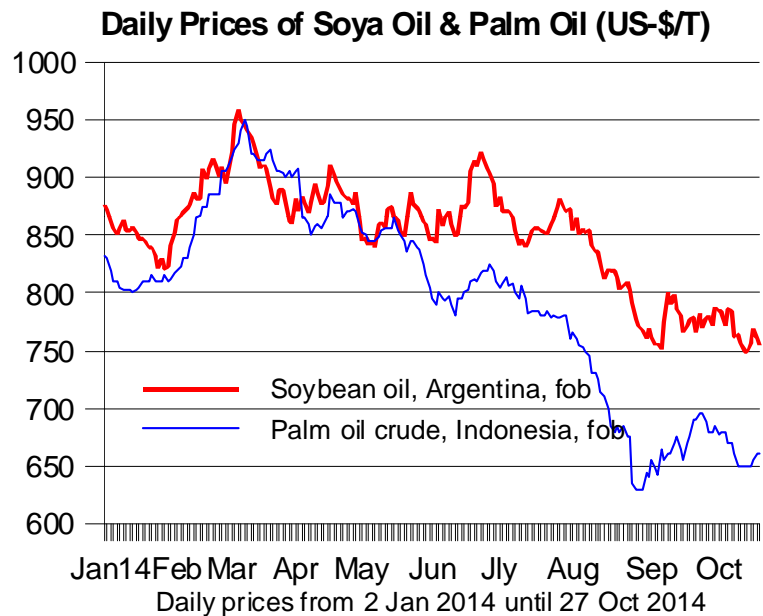
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The price recovery was fundamentally justified

Further price strength may only be moderate

Prices of veg. oils seen strengthening in Oct/Dec 2014 and in Jan/March 2015, most likely under the lead of palm oil

Energy prices are a key factor to watch



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China & India

What will these 2 major importing countries do?



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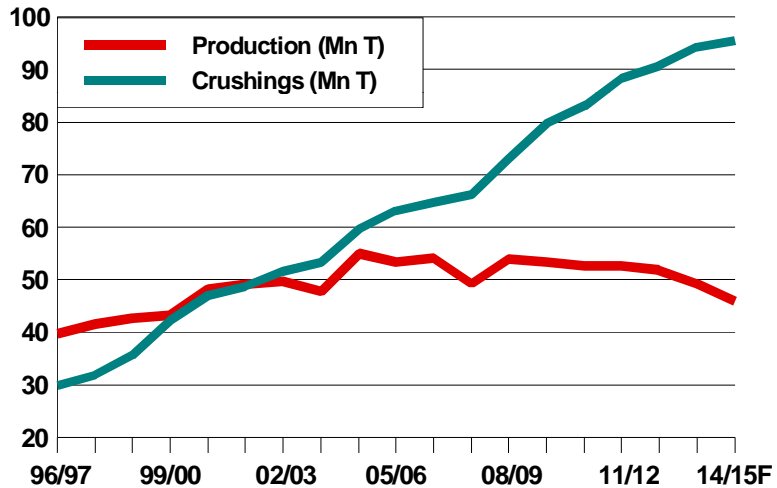
China: Oilseed Production and Crushings (Mn T)

In CHINA oilseed output will continue to decline in 14/15 to a 15-year low

- Agricultural land is shrinking every year

- Farmers switch to other crops

CHINA: Oilseed Output & Crushings



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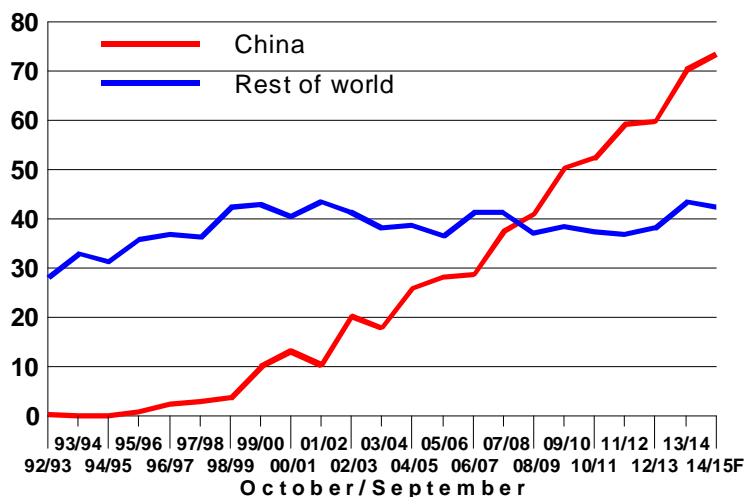
Soybeans: Imports from China and Rest of World

CHINA: to import 73.5 Mn T in 2014/15, thus accounting for 63% of world soybean imports

Indication that China is now boosting imports of soybeans and mineral oil to fill reserve stocks at current attractive prices

Longer term: China set to import 90-95 Mn T of soybeans in 2020

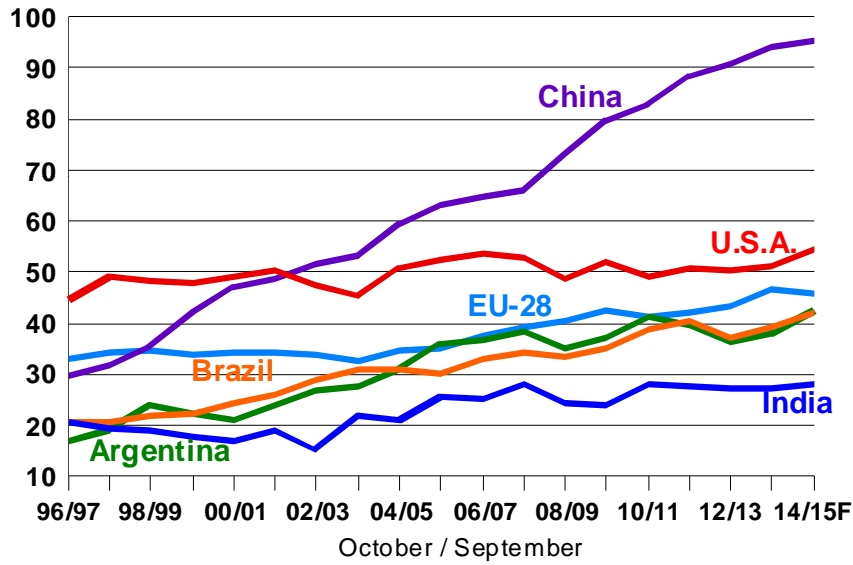
Imports of Soybeans (Mn T)



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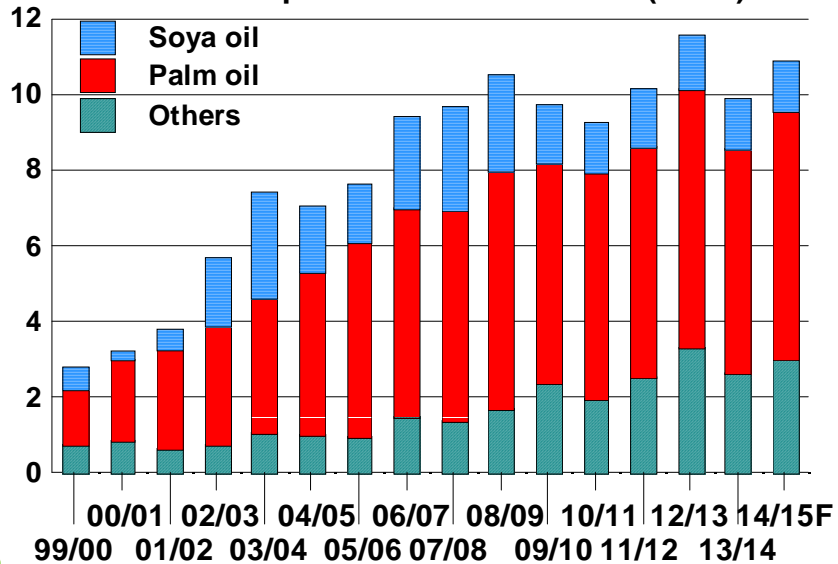
Crushings of 10 Oilseeds (Mn T)



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



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Critical situation in India.

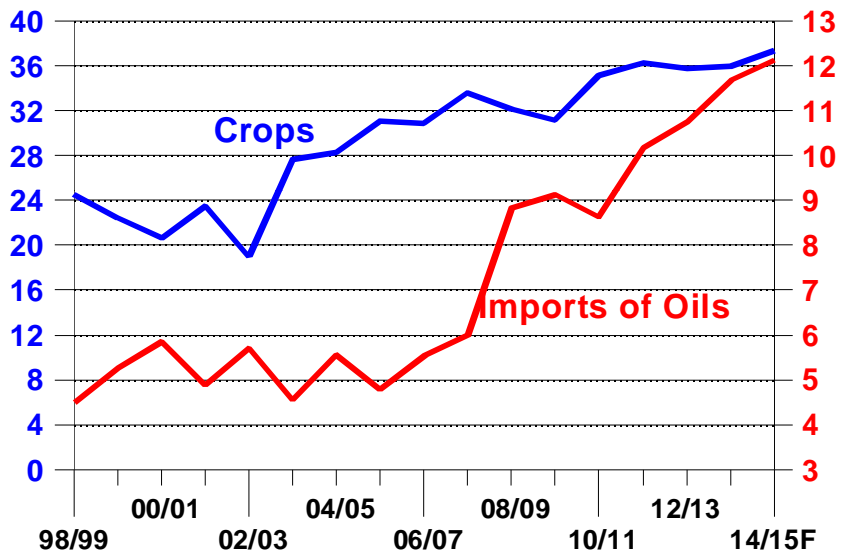
Oilseed production again disappointingly low this year.

Poor outlook for soya meal exports and crush

Record veg oil imports

I expect higher Indian veg oil import taxes to be announced soon

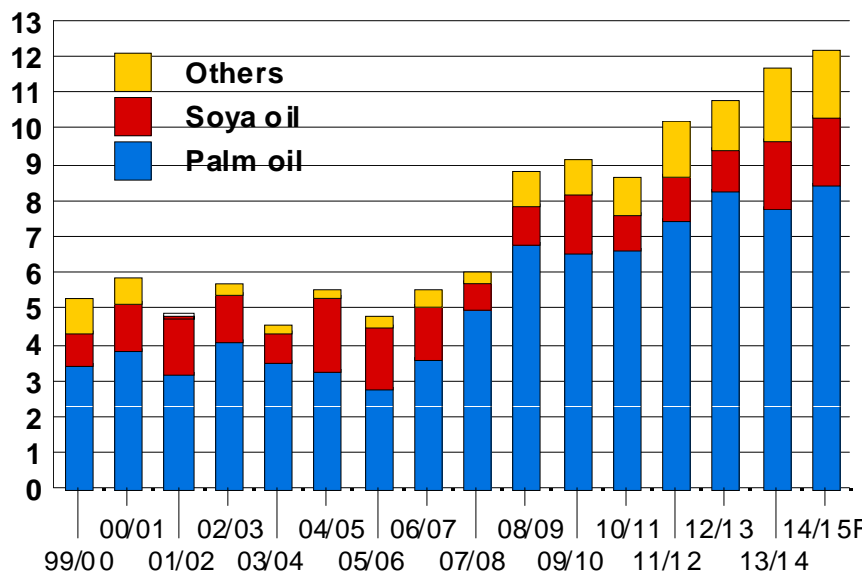
INDIA: Oilseed Crops and Imports of Oils (Mn T)



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



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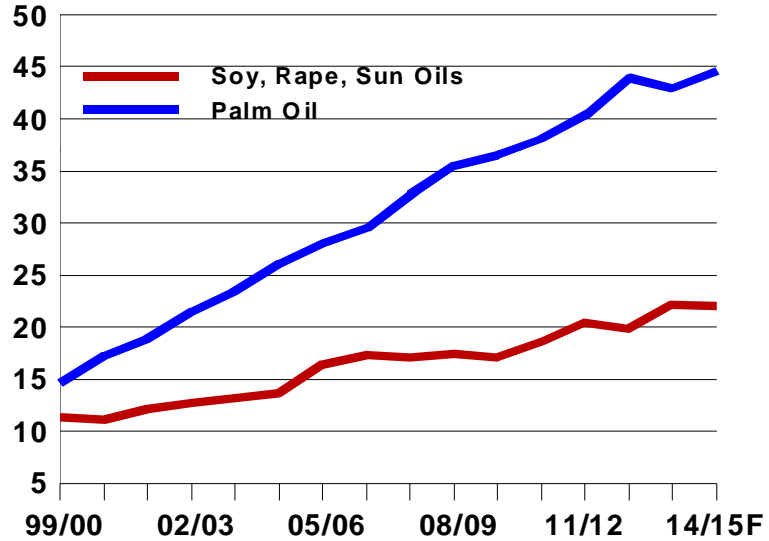
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Palm oil is by far the most important oil worldwide

Both India and China will raise imports of palm oil in 2014/15

We expect world PO imports to rise by 1.6 Mn T and PO usage by 2.9 Mn T

4 Major Oils : World Exports (Mn T)

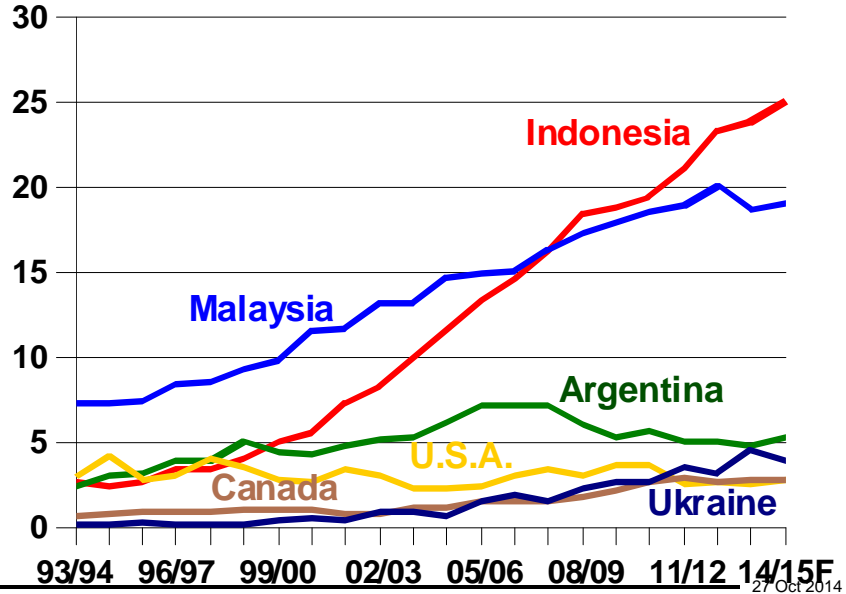


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Dominance of Malaysia & Indonesia in world exports of all oils and fats

Both countries also benefit from logistical constraints in many other export locations

17 OILS & FATS: Exports of Major Countries (Mn T)



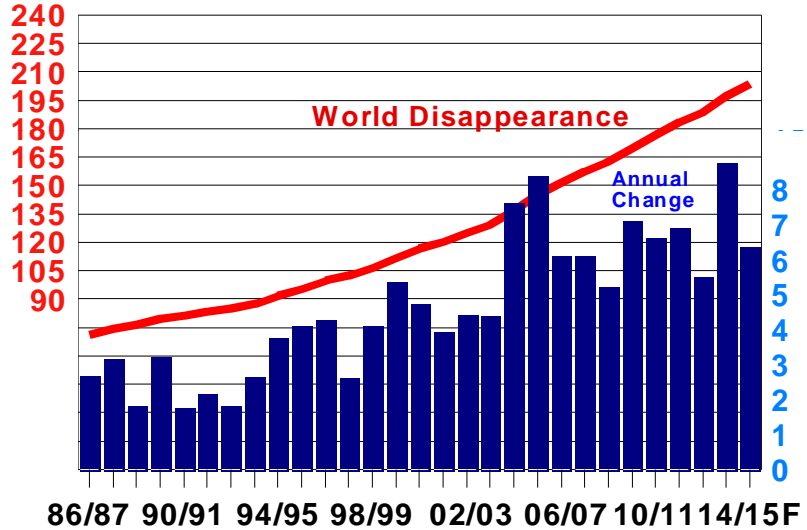
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Our markets are in transition:
In 2013/14 world supplies of oils & fats increased by 10.2 Mn T or 4.8%. Ampleness!

July/Sept 2014 still up sizeably by 4.0%

But slowing down of the growth to 4.7 Mn T or 2.1% in 2014/15 !

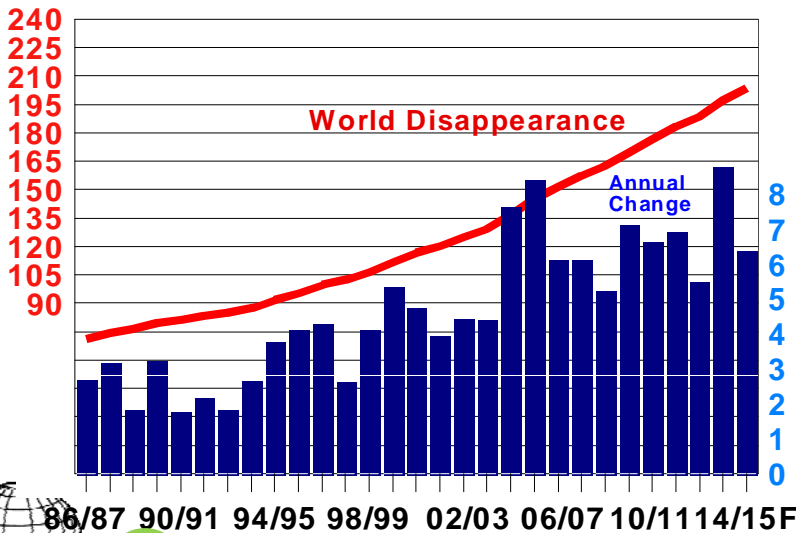
17 OILS & FATS : World Disappearance Total Usage and Annual Change (Mn T)



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17 OILS & FATS : World Disappearance Total Usage and Annual Change (Mn T)



Demand rationing will be required with higher prices

Total usage set to rise by only 6.3 Mn T in 2014/15 vs. 8.8 Mn T last season , of which 4-5 Mn T for food (driven by population & income growth)

Swing factor is the demand in the energy sector that is not fixed with usage mandates - - at least 6 Mn T p.a.

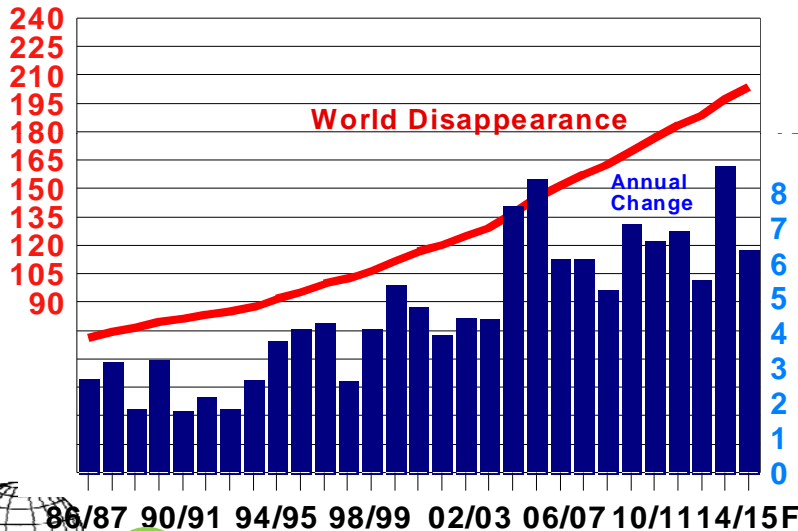


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17 OILS & FATS : World Disappearance

Total Usage and Annual Change (Mn T)



At current low crude oil prices of \$ 80-84 /barrel only moderately higher veg oil prices needed

Palm oil futures 2300-2500 Ringgit in Jan/March 2015

But if energy prices appreciate, the stage is set for higher prices of palm oil and other vegetable oils



86/87 90/91 94/95 98/99 02/03 06/07 10/11 14/15F

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