

Global Oil Supply, Demand and Price Outlook

With Special Emphasis on Palm Oil

POTS Iran on 6 Febr 2017

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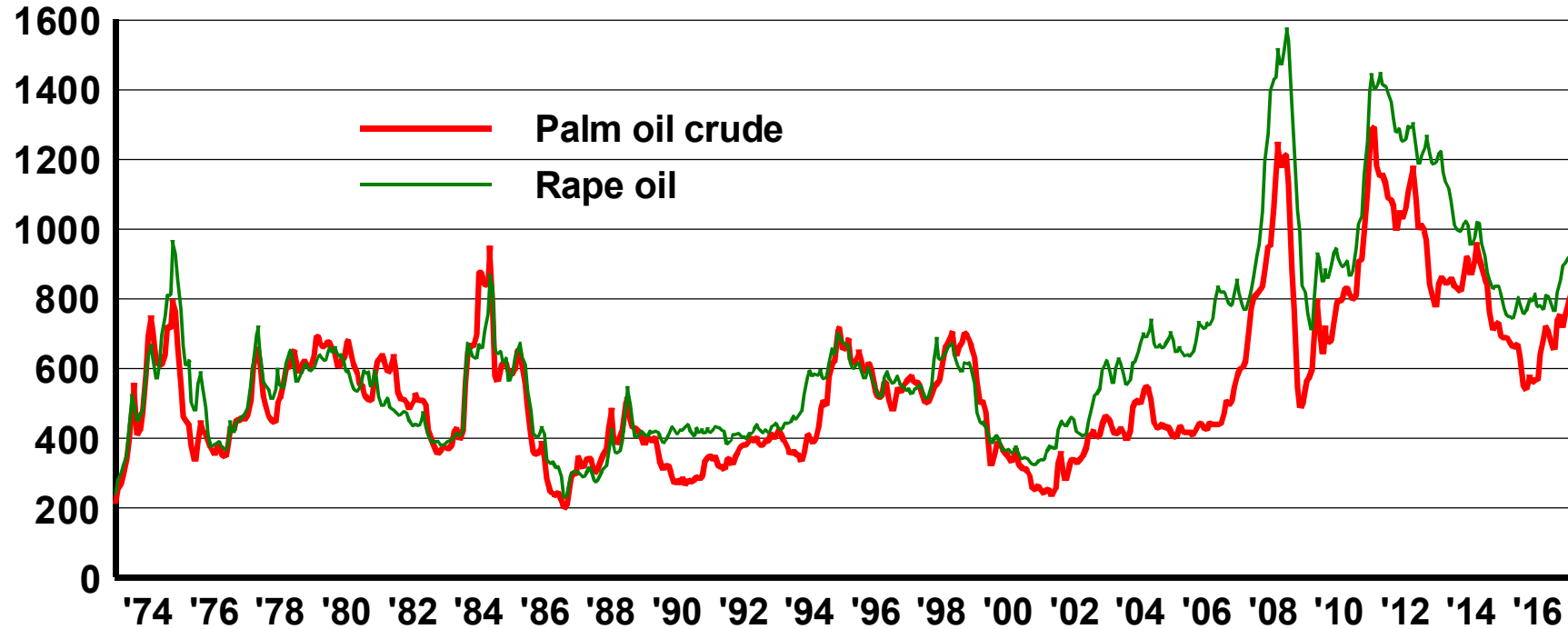
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Palm oil is the Price Leader for Oils and Fats Worldwide

Monthly Prices of 2 Oils
cif Rotterdam in US-\$ / MT



Monthly Prices from Jan 1973 until Jan 2017



WORLD NET EXPORTS OF OILSEEDS, OILS AND FATS (1000 MT)

**World Exports 2016
in Mn T:**

Soya oil 12.0

Palm oil 43.7

Palmkern oil 3.0

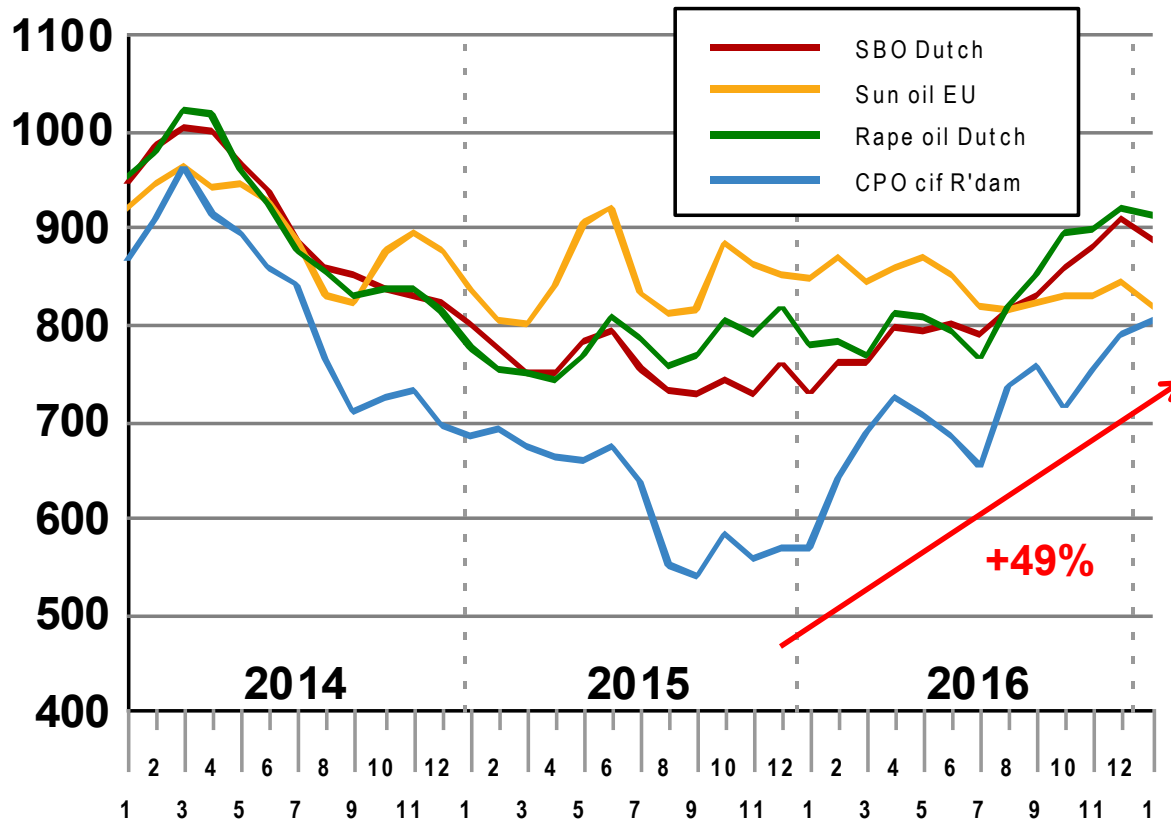
Coconut oil 1.6

**Today consumers in
the world need about
63 Mn T of palm oil
per year**

	Jan/June		Jul / Dec		January / December		
	1962 ^P	1961 ^P	1962 ^a	1961 ^P	1962 ^a	1961 ^P	1960 ^P
<u>Edible vegetable</u>							
Groundnuts.....	775	752	605	544	1 380	1 296	1 047
Groundnut oil.....	125	119	165	121	290	240	272
Total, as oil	466	450	431	360	897	810	733
Cottonseed.....	199	187	217	138	416	325	256
Cottonseed oil.....	103	116	120	73	223	189	248
Total, as oil	135	146	155	95	290	241	289
Soybeans.....	2 171	1 743	3 919	2 390	6 090	4 133	5 146
Soybean oil.....	260	138	341	137	601	275	519
Total, as oil	607	417	968	520	1 575	937	1 342
Rapeseed.....	150	126	175	46	325	172	171
Rapeseed oil.....	9	4	11	8	20	12	29
Total, as oil	63	49	74	25	137	74	91
Sunflowerseed.....	87	89	147	113	234	202	226
Sunflowerseed oil.	45	62	91	46	136	108	81
Total, as oil	68	85	129	76	197	161	140
Sesame.....	94	86	60	63	154	149	158
Total, as oil	44	40	28	30	72	70	74
Olive oil§.....	105	132	71	53	176	185	200
Totals: Seeds.....	3 476	2 983	5 123	3 294	8 599	6 277	7 004
Oils.....	647	571	799	438	1 446	1 009	1 349
Combined, as oil..	1 488	1 319	1 856	1 159	3 344	2 478	2 869
<u>Palm</u>							
Copra.....	633	838	909	809	1 542	1 647	1 580
Coconut oil.....	119	111	159	157	278	268	194
Total, as oil	525	648	740	675	1 265	1 323	1 205
Palm kernels.....	331	348	348	368	679	716	740
Palm kernel oil....	22	25	29	29	51	54	53
Total, as oil	178	189	192	202	370	391	401
Palm oil.....	253	285	277	274	530	559	586
Totals: Seeds.....	964	1 186	1 257	1 177	2 221	2 363	2 320
Oils.....	394	421	465	460	859	881	833
Combined, as oil..	956	1 122	1 209	1 151	2 165	2 273	2 192



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

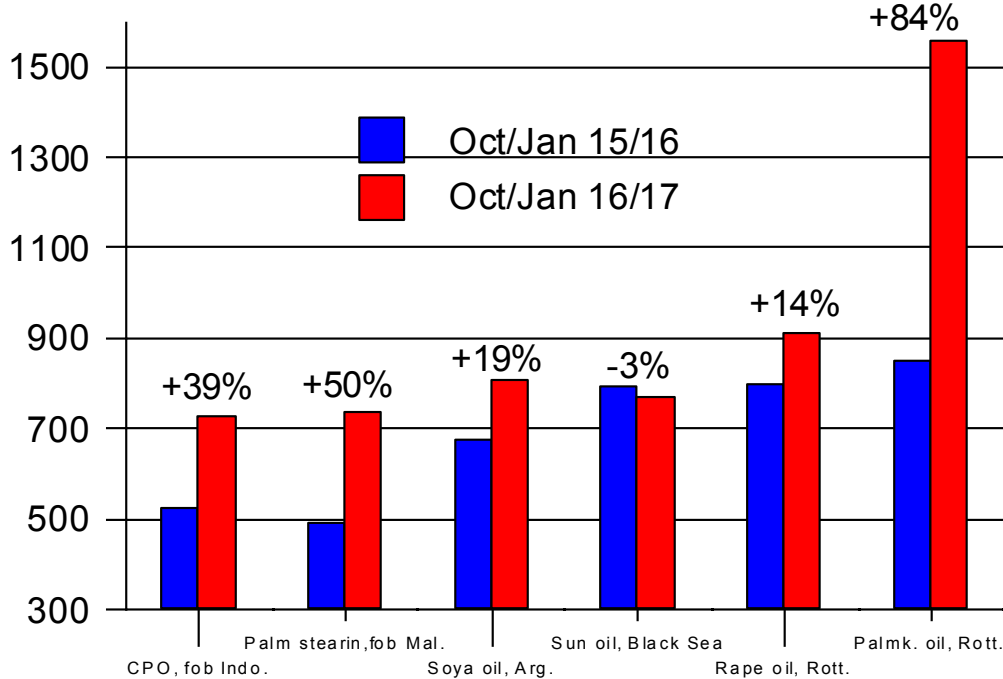


January 2014 until Jan 2017



PRICES: Changes from a Year Ago

(in US-\$ per tonne)

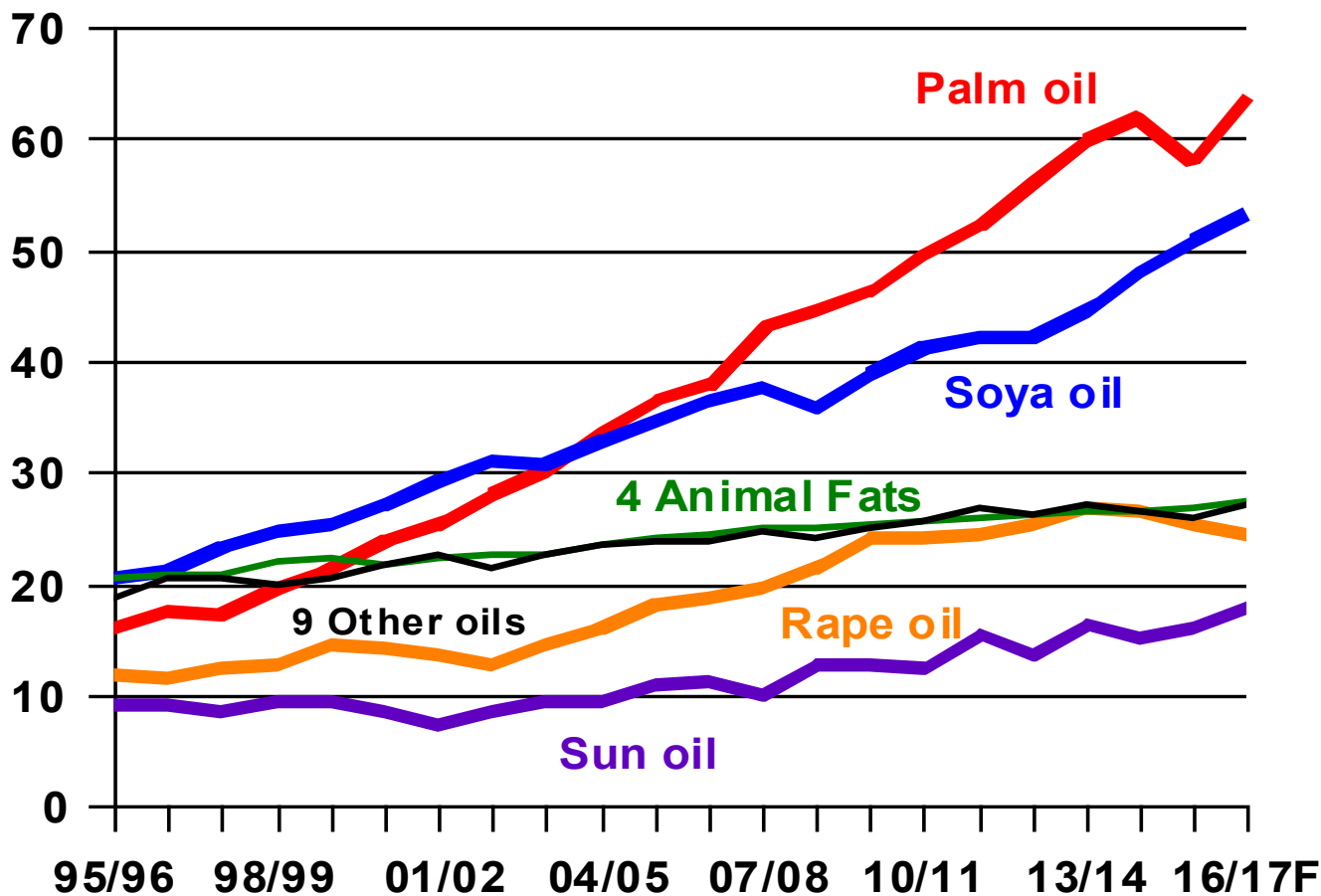


MALAYSIA: Crude Palm Oil Futures Close

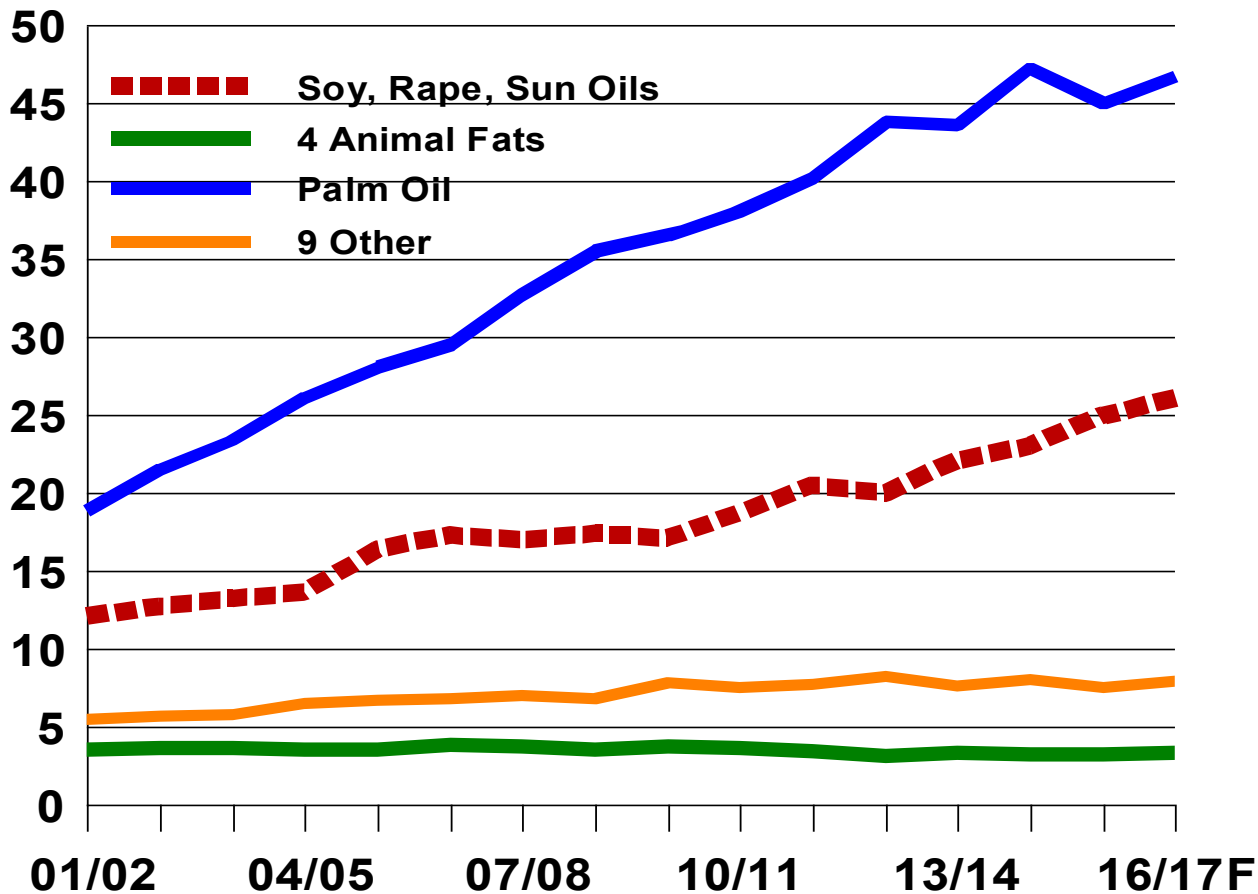
First position in Malaysian Ringgit/T



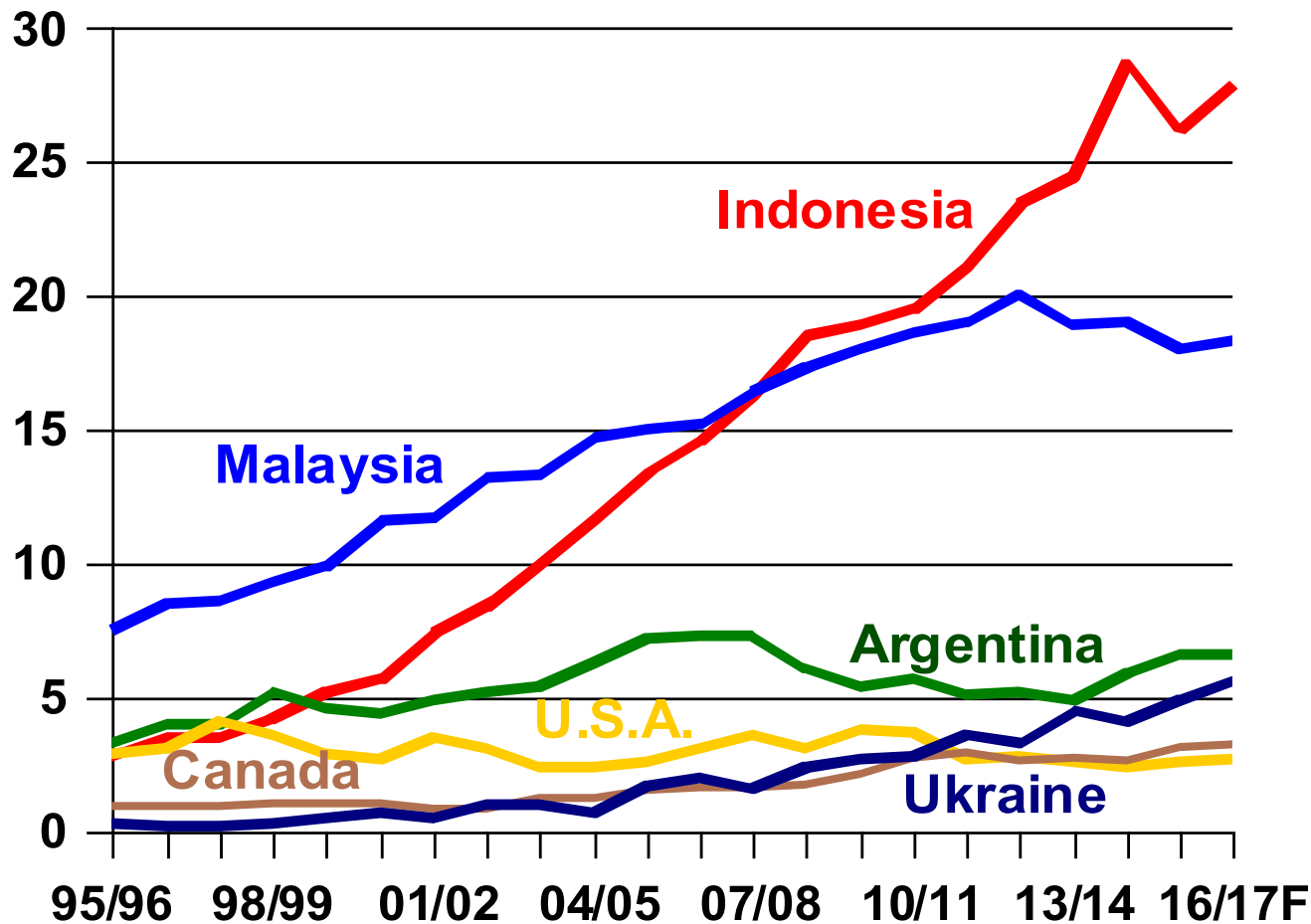
17 OILS & FATS : World Production (Mn T)



17 OILS & FATS : World Exports (Mn T)

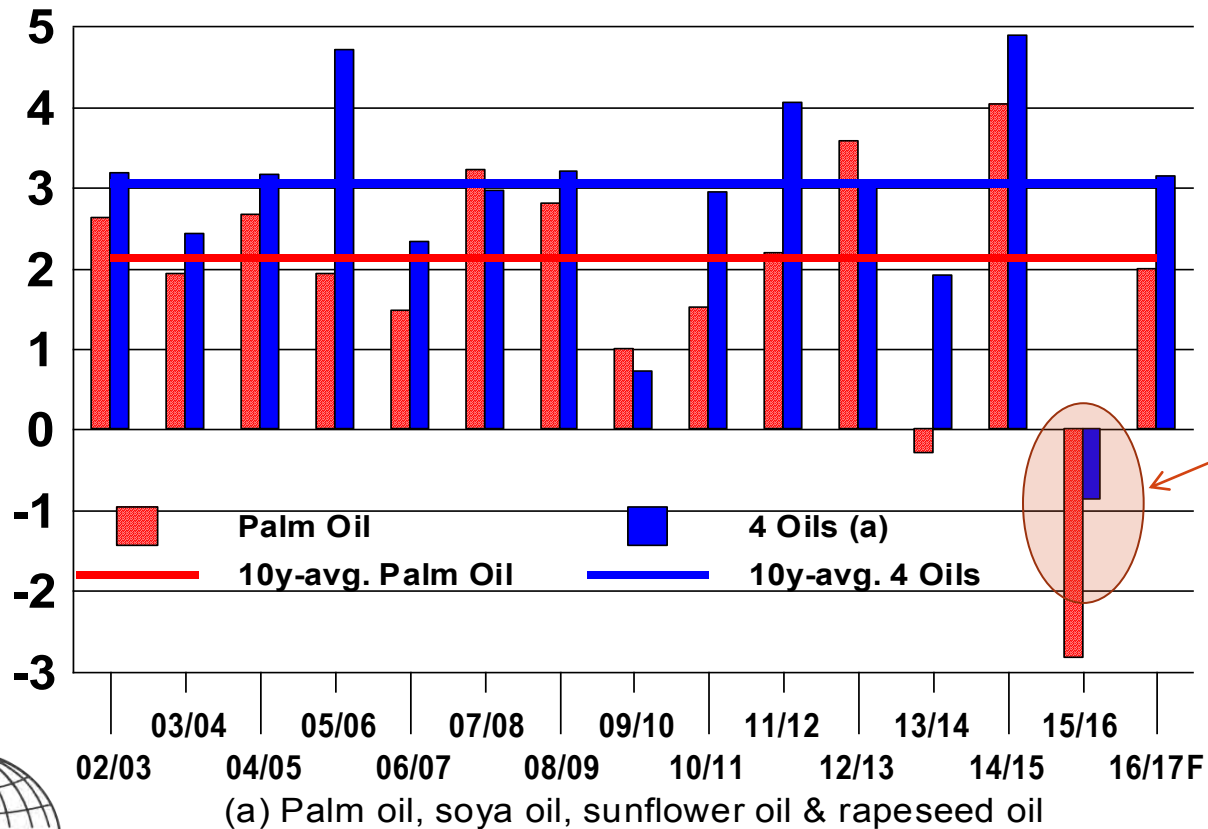


17 OILS & FATS: Exports of Major Countries (Mn T)



4 Major Oils : World Exports (Mn T)

Change from year ago



Below-average growth in palm oil exports

means also much below-normal increase in total veg. oil exports



Palm oil has become the by far most important vegetable oil for consumers in many countries, primarily in

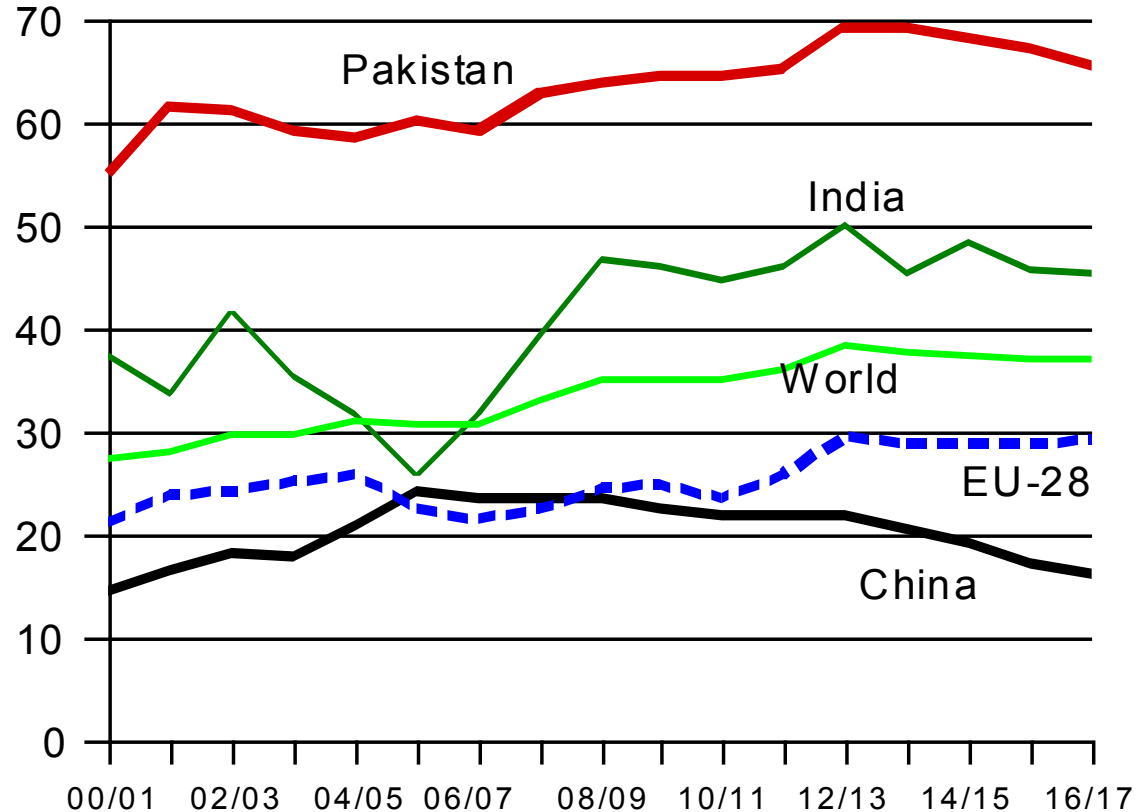
- Asia**
- Africa**
- C. & S. America**

But the supply shortage made it necessary to ration demand.

In fact, palm oil usage has declined in several countries.

PALM OIL: Market Share in Sel. Countries

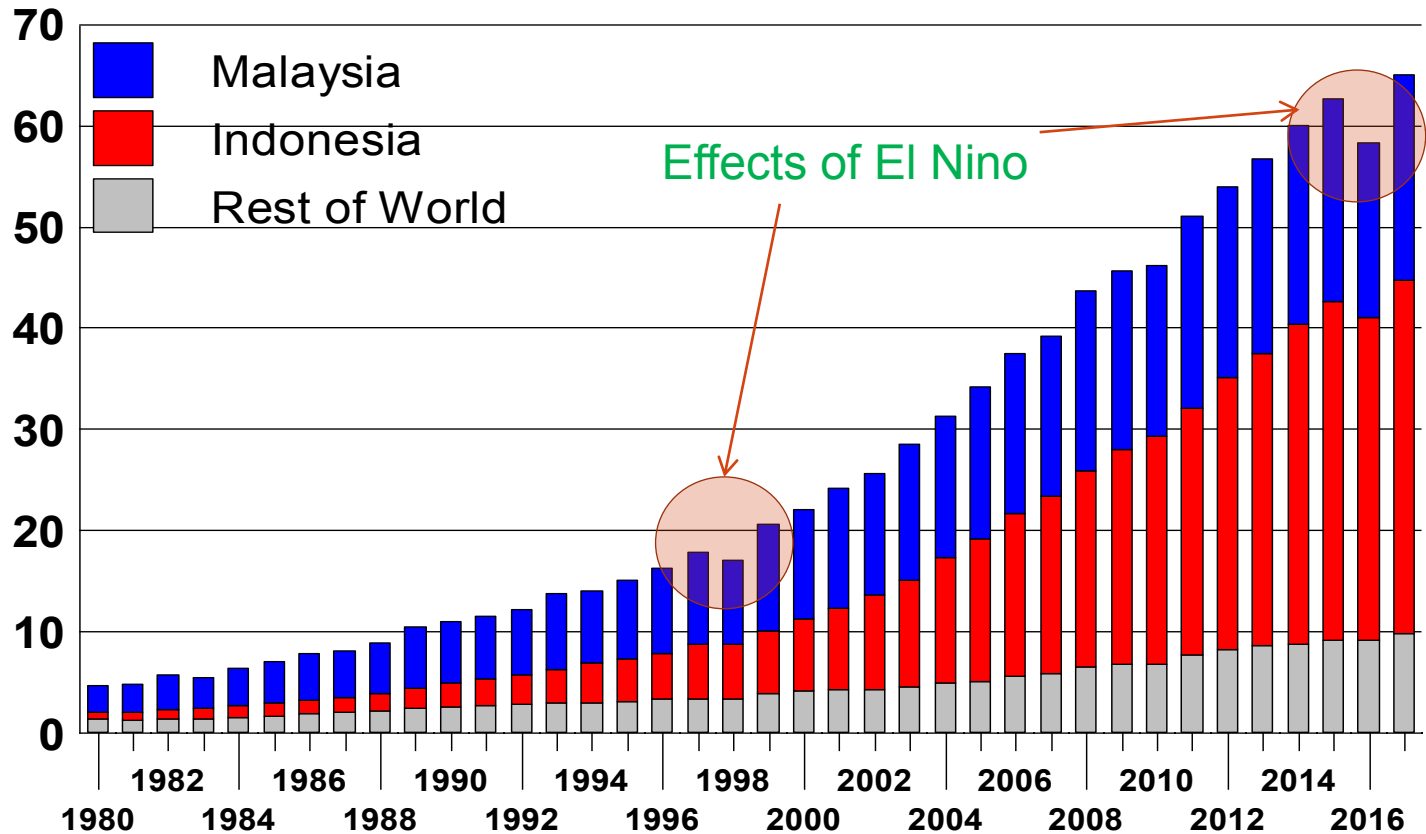
in % of 8 Veg. Oils



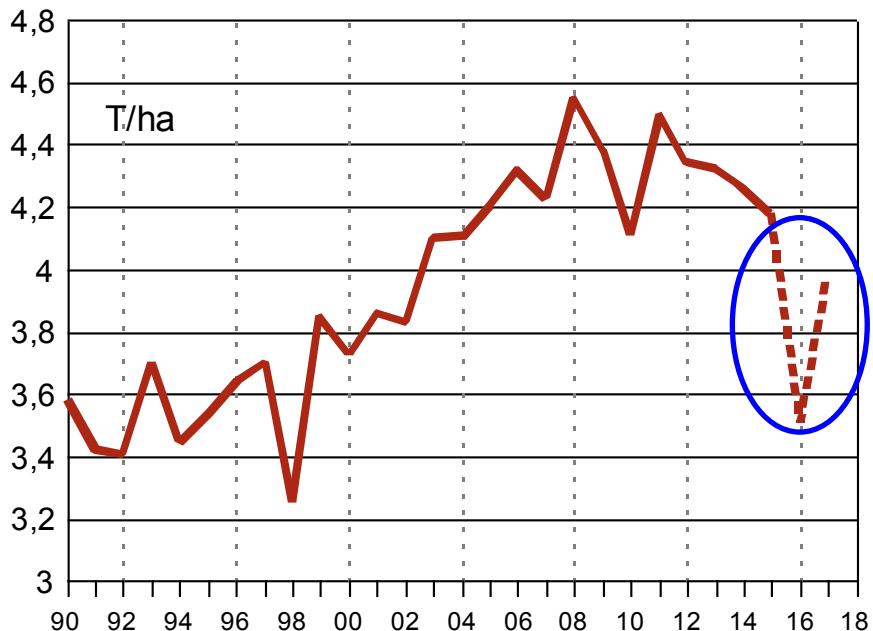
Palm Oil Production 1980 - 2017 in Major Countries (MnT)

2016:
-7% = -4.3 Mn T

1998:
-5% = -0.8 Mn T

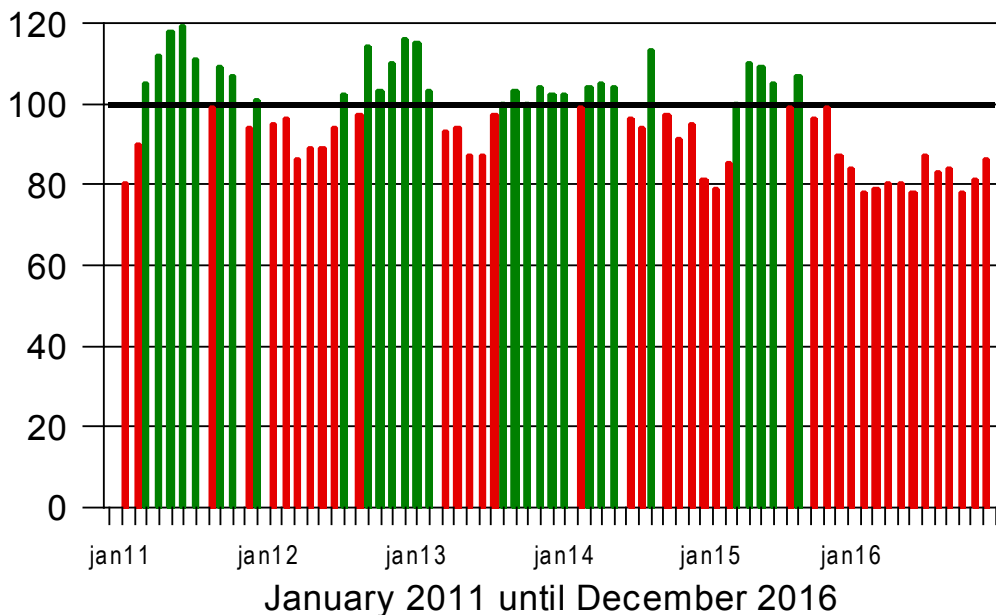


MALAYSIA: Annual Palm Oil Yields (T/ha)



Palm Oil Yields in Malaysia

in % of 5-year average



In 2016 the average annual oil yield fell to 19-year low

**In 2017 yields will recover, but remain below average
(more male & less female flowers, i.e. still less than normal fruit bunches)**



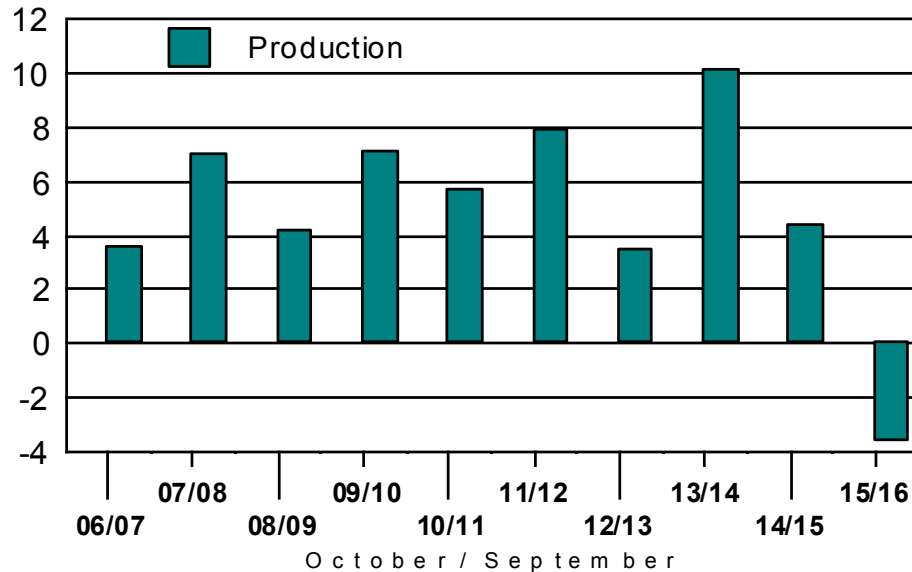
Febr 6, 2017

Unusual setback of production in 2015/16 ...

...declines in palm oil & rapeseed oil could not be compensated

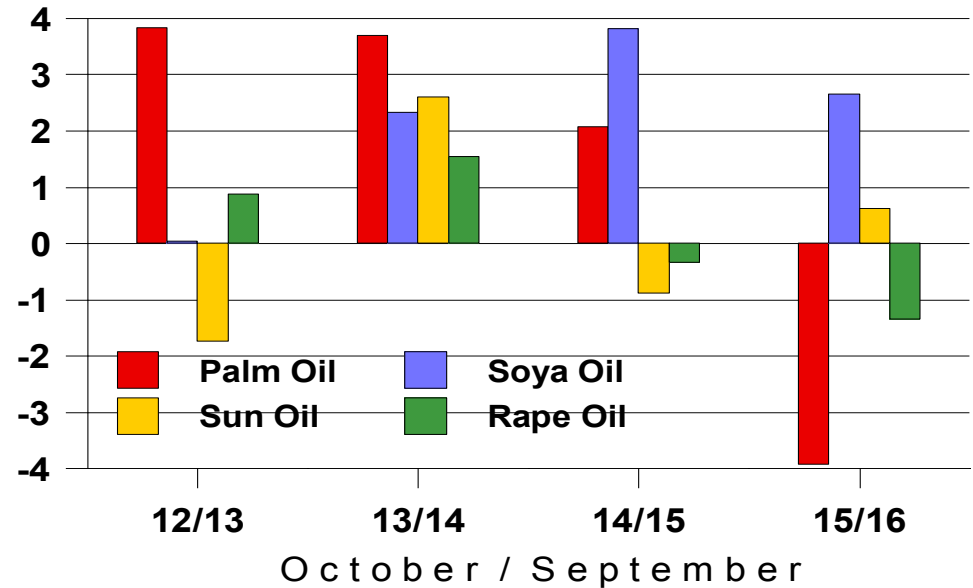
8 Veg. OILS: World Production

Change From Year Ago in Mn T



World Production of 4 Major Oils

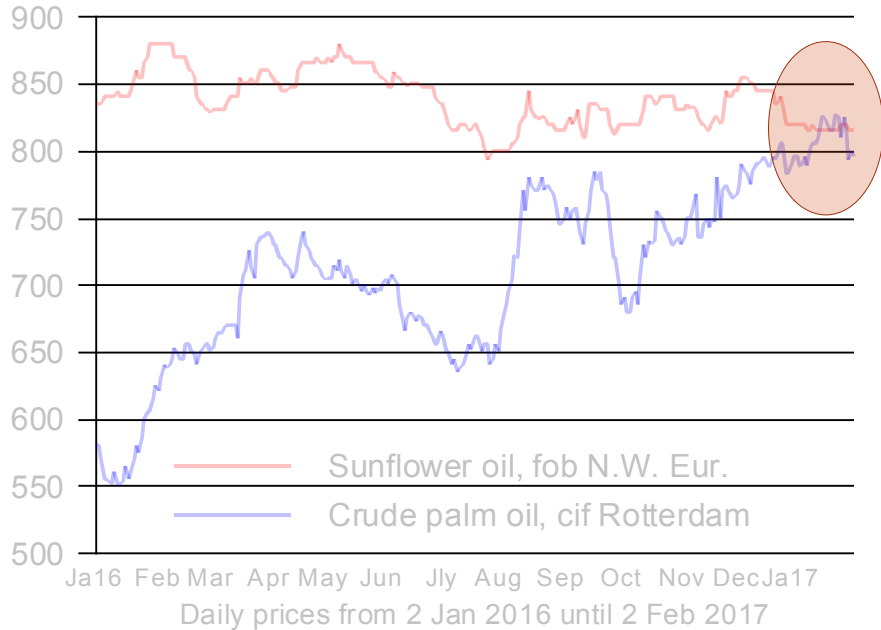
Change on Year in Mn T



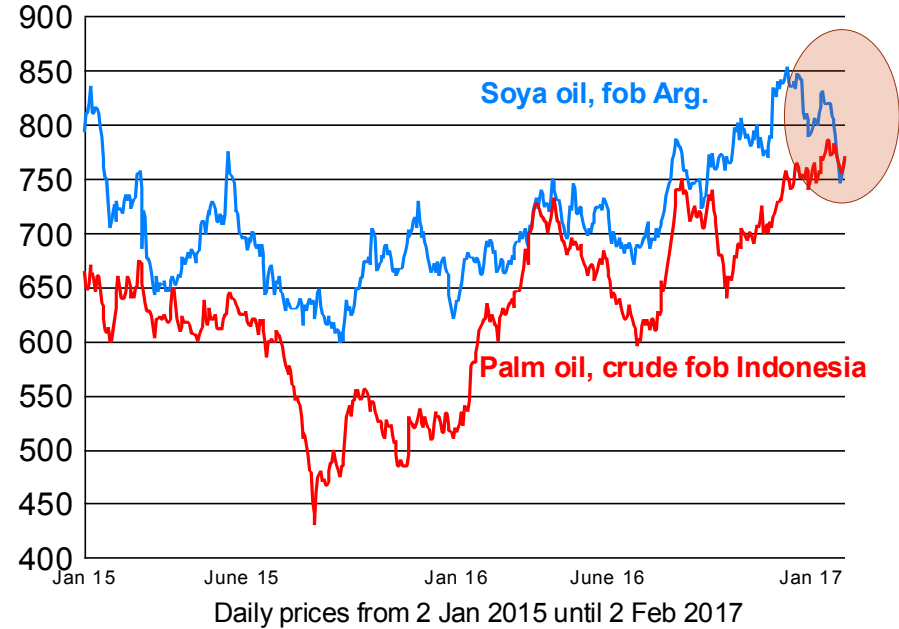
Febr 6, 2017

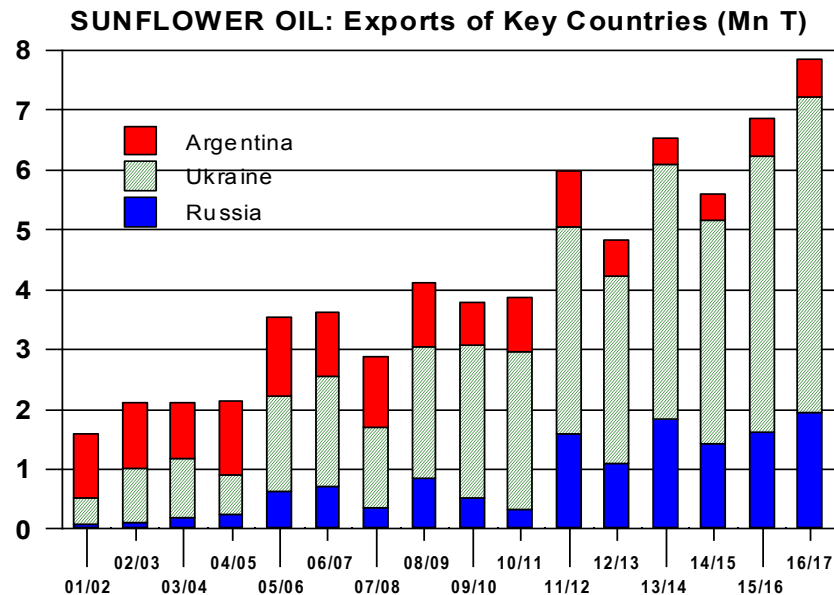
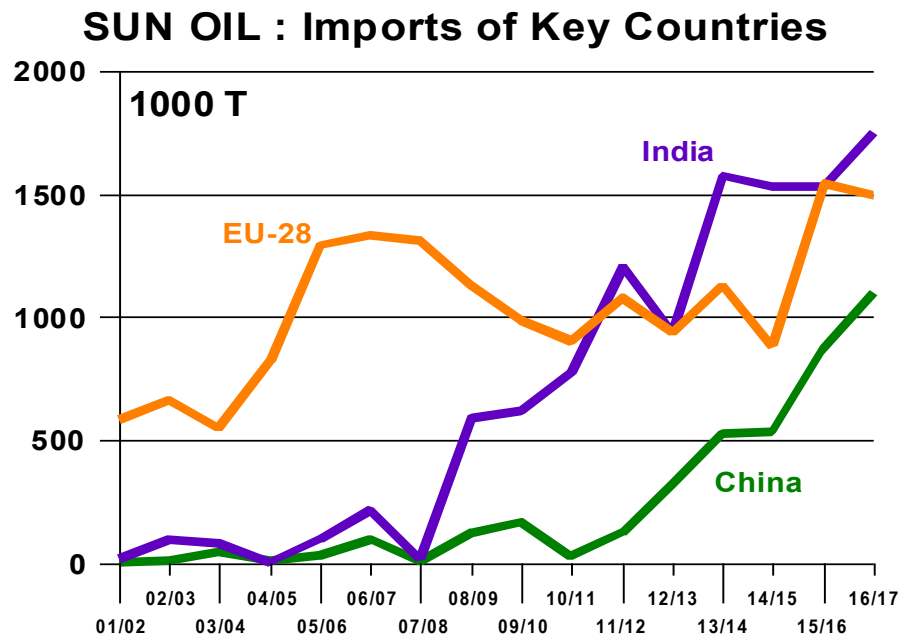
Price competitiveness versus other veg oils deteriorated

Daily Prices of 2 Oils in Europe (US-\$/T)



Daily Prices of 2 Oils (in US-\$/T)





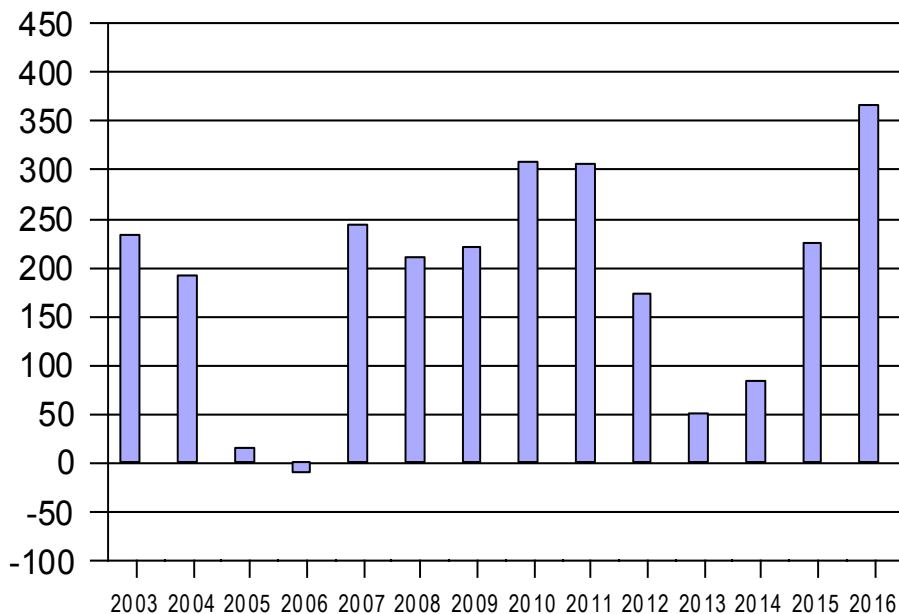
Major supply boost mainly in Oct/March 2016/17

Growing demand for high-oleic sunflower oil



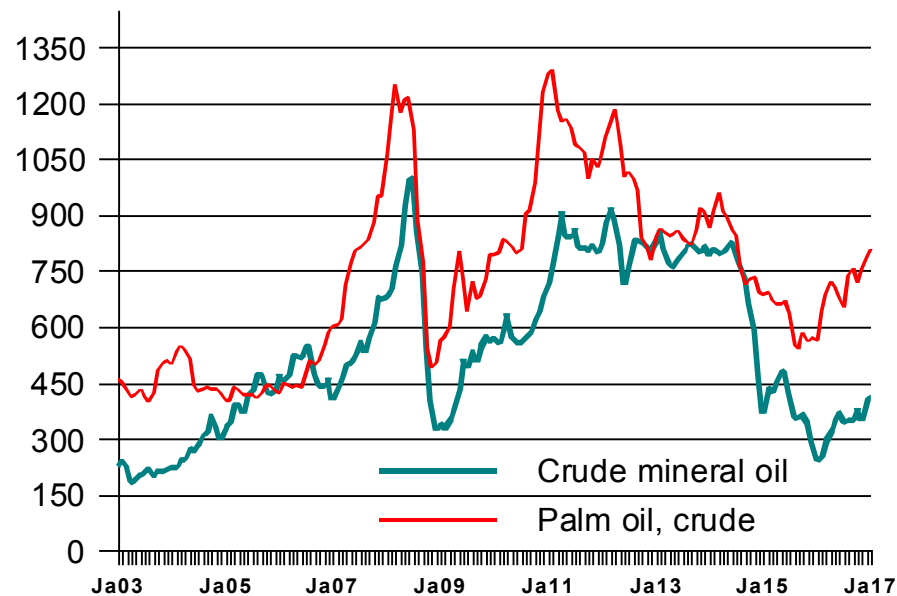
Palm oil developed large premium versus energy prices

Annual Price Premiums Palm Oil vs Crude Mineral Oil (US-\$/T)
nearest forward shipment



Annual average premiums/discounts from 2003 until 2016

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



Monthly prices from Jan 2003 until Jan 2017

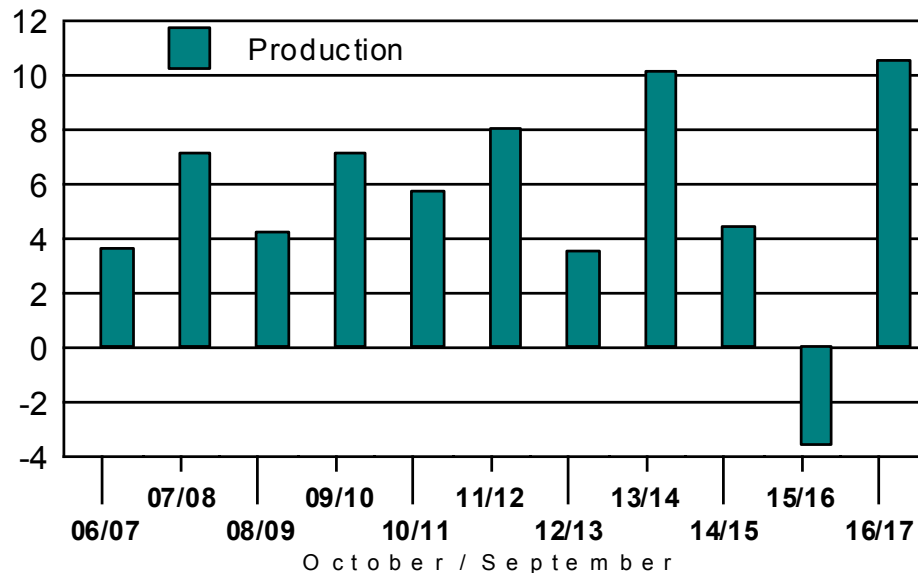


Steep increase in production in 2016/17...

... extremely low stocks (-5.4 Mn) decisively curb supply and demand growth in 2016/17

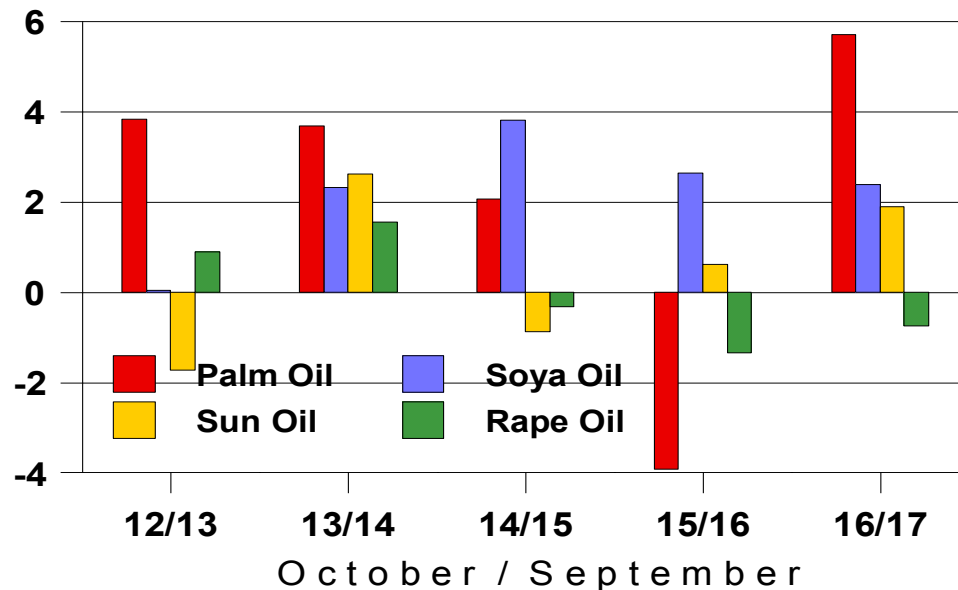
8 Veg. OILS: World Production

Change From Year Ago in Mn T



World Production of 4 Major Oils

Change on Year in Mn T



8 VEGETABLE OILS: World Supply & Usage (Mn T)

	Oct / Sept			
	16/17F	Change	15/16	14/15
Op'g stocks	23.3*	-5.4	28.7	26.7
Production	177.3*	+10.5	166.8	170.4
Supplies	200.6*	+5.1	195.5	197.1
Consumption	177.0*	+4.0	173.0	167.6

World supplies of oils & fats will remain tight in Oct/March 2016/17. Higher prices.

Outlook for 2016/17:

Very big increase in world production by 10-11 Mn T in 2016/17

of which:

Palm oil . . . +5.7 Mn (vs -3.9)

Lauric oils +0.7 (vs -0.75)

Soya oil . . . +2.4 Mn (vs +2.6)

Rapeseed oil - 0.8 (vs -1.4)

Sunfl. oil . . +1.56

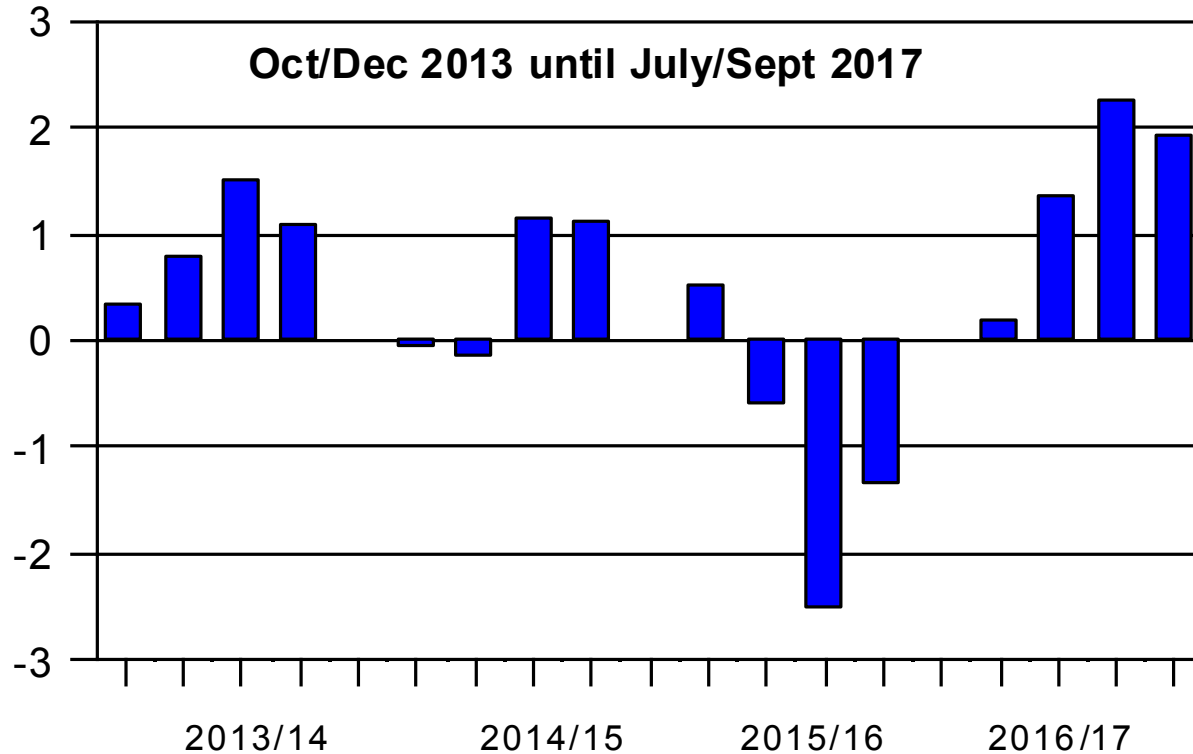
Groundn. oil +0.5

Cotton oil . +0.07



PALM OIL : World Production Changes

Quarterly, Change on year in Mn T



Febr 6, 2017

Outlook Jan/Mar 2017:

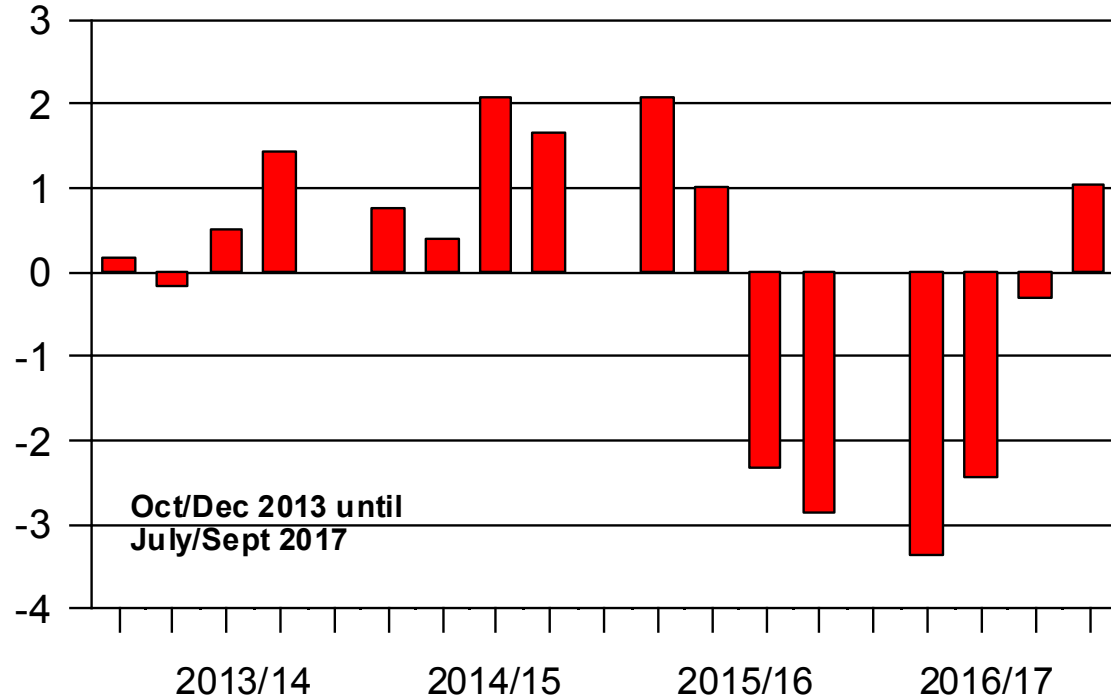
With palm oil stocks down about 3.8 Mn T from a year earlier in early Jan 2017,

the prospective year-on-year production growth by 1.3-1.4 Mn T will be more than offset,

resulting in a further decline of world supplies by 2.4-2.5 Mn T in Jan/Mar 2017 versus a year earlier

PALM OIL : World Supply Changes

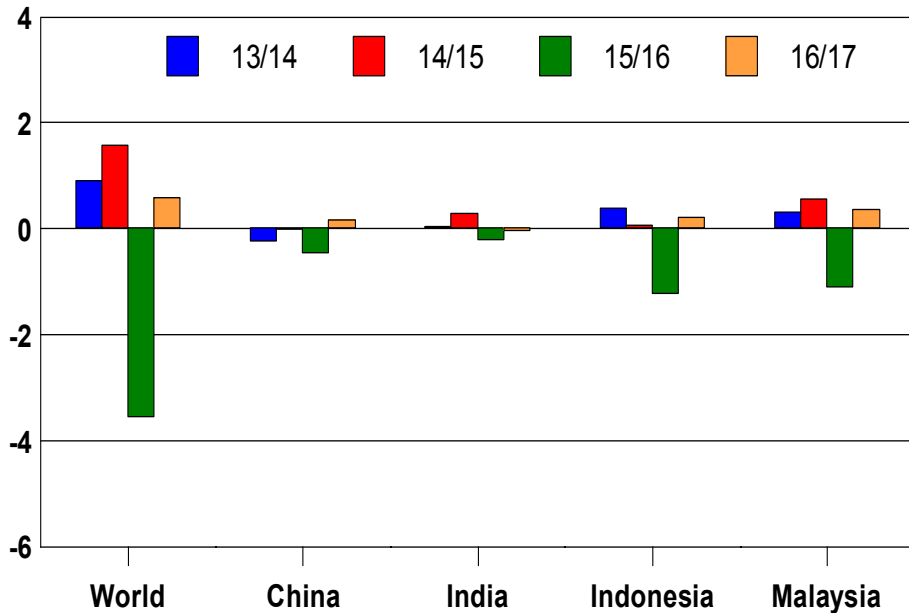
Quarterly, Change on year in Mn T



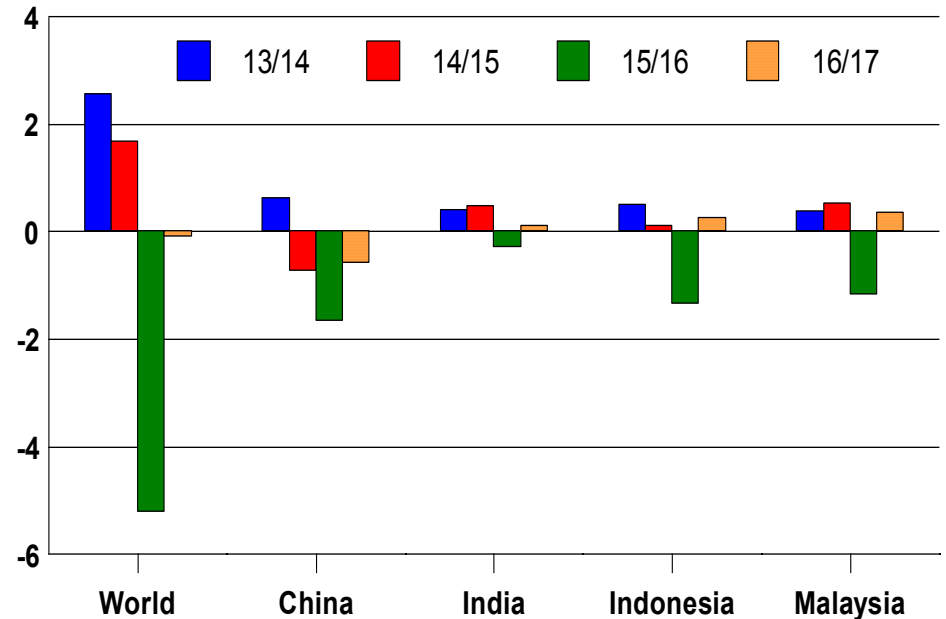
The Legacy of a Severe Production Deficit...

...Major Reduction in Stocks of Palm Oil, Rapeseed Oil and Others.

PALM OIL Stocks, Annual Change (in Mn T)



17 OILS/FATS Stocks, Annual Change (in Mn T)



World production seen up by 6.5 Mn T in 2017.

World stocks of palm oil very low and down by 3.8 Mn T from year ago as of 1 Jan 2017.

PALM OIL : World Production (Mn T) and Yields (T/ha)

	P r o d u c t i o n				Y i e l d s			
	2017F	2016	2015	2014	2017F	2016	2015	2014
Indonesia	35.00*	31.80*	33.40*	31.50*	3.65*	3.48*	3.87*	3.87*
Malaysia	20.00*	17.32*	19.96	19.67	3.94*	3.51*	4.18*	4.26*
C&S America	4.19*	3.96*	3.82*	3.42*	3.14*	3.09*	3.13*	2.95*
Africa	2.55*	2.46*	2.38*	2.36	1.68*	1.67*	1.66*	1.69*
Oth ctrs.	3.02*	2.75*	3.00*	2.98*	2.25*	2.12*	2.38*	2.44*
WORLD	64.76*	58.29	62.56	59.93	3.43*	3.22	3.61	3.62

+6.5 Mn T -4.3 Mn T



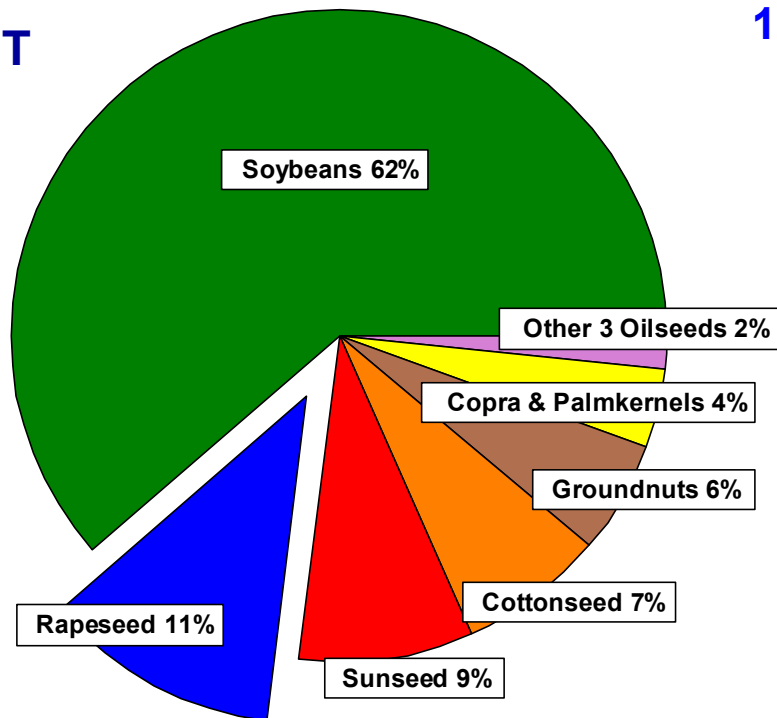
Impacts from soybeans and other oilseeds



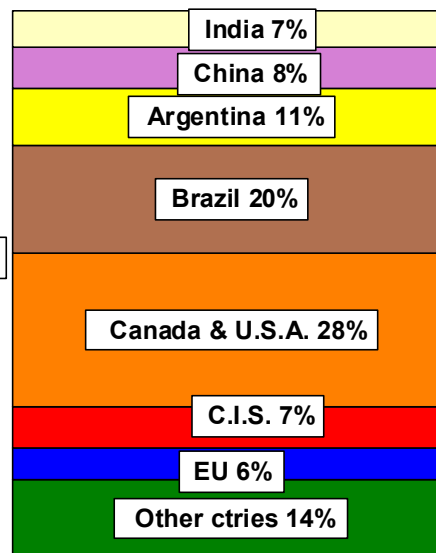
In 2016/17:
 Soybeans:
 World 333 Mn T
 (up 21 Mn)
 USA 117 Mn T
 (up 10 Mn)

Global Production of 10 Oilseeds

2016/17 -- 540.7 Mn T



10 Oilseeds - - 540.7 Mn T



10 years earlier
 India accounted for
 9% of world oilseed
 production and China
 for 13%



SOYBEANS

Record yield and soybean output in the USA in 2016

But global dependence on US soybeans and products increasing in 2016/17

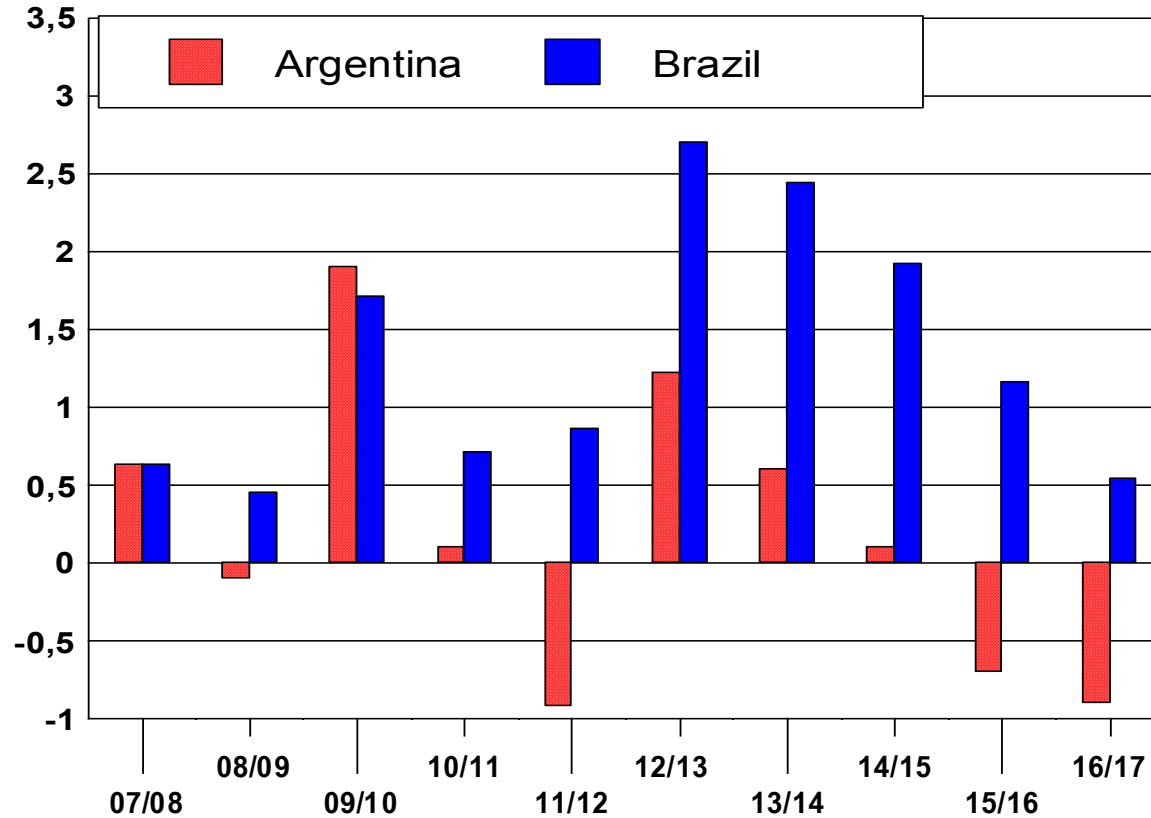
In Sept/Feb 2016/17 US soybean exports soaring to 46.3 Mn T (up 6 Mn T), thus 73% of world exports

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

	September / August				
	<u>16/17F</u>	<u>15/16</u>	<u>14/15</u>	<u>13/14</u>	<u>12/13</u>
Op. stocks . . .	5.35	5.19	2.50	3.83	4.61
Crop.	117.21	106.86	106.88	91.39	82.79
Imports78*	.66	.93	2.10	1.01
Exports	57.80*	52.74	50.20	44.65	36.17
Crushings . . .	52.70*	51.33	51.16	47.38	45.97
Other use	3.32*	3.28	3.77	2.77	2.45
End. stocks . .	9.52*	5.35	5.19	2.50	3.83
<i>Stocks/usage</i>	8.4%	5.0%	4.9%	2.6%	4.5%

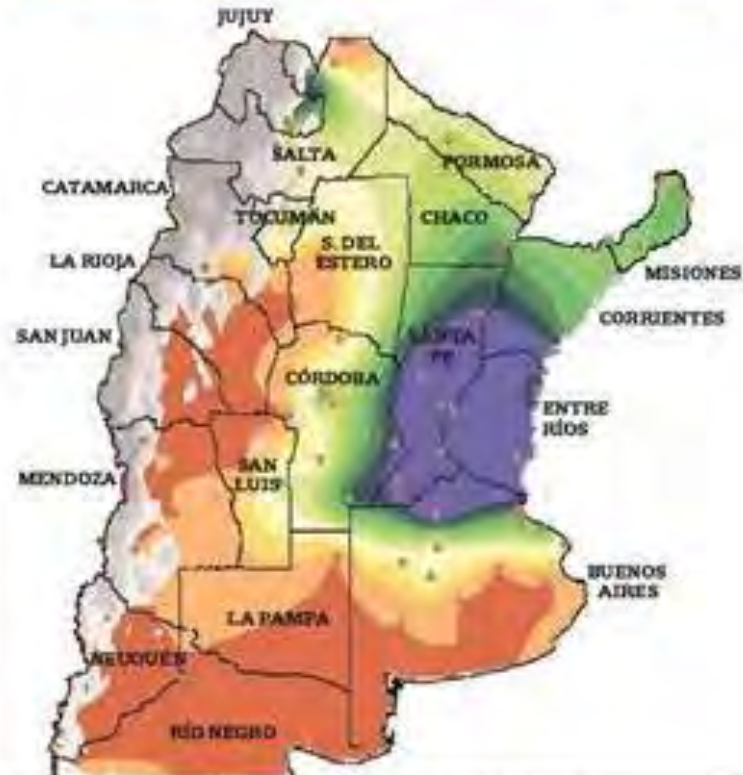


Soybean Area - change on year (Mn ha)



SOIL MOISTURE

DROUGHT NORMAL FLOODS



Fuente: Servicio Meteorológico Nacional, INTA, FAO/BA, LA NACION

FLOODED as of 18 Jan 2017 (in 1 000 ha)

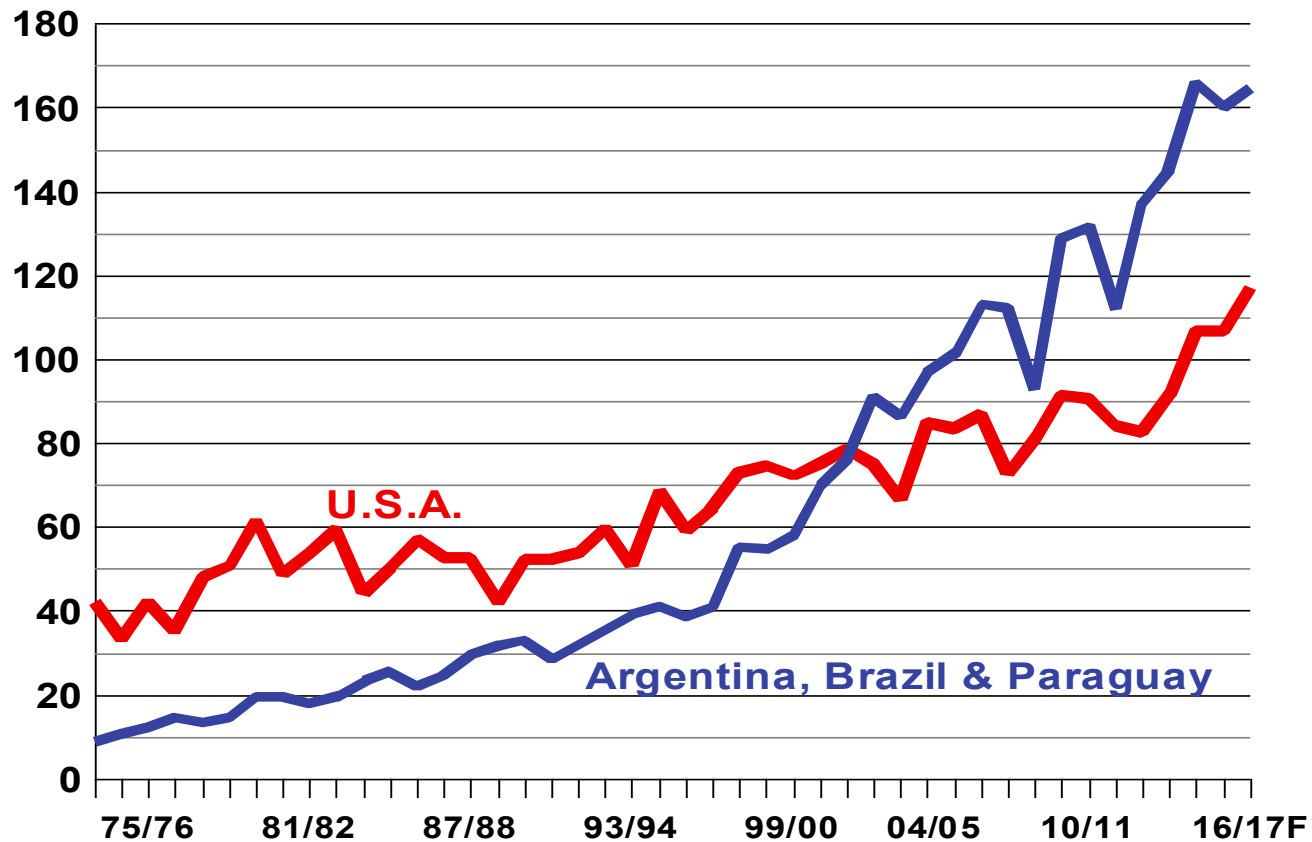
BUENOS AIRES	1063
SANTA FE	821
CORDOBA	<u>483</u>
	2367

THEREOF (estimated):

SOYA	1000
CORN	1000
OTHER	367



Soybean Crop Trend Since 74/75 (Mn T)

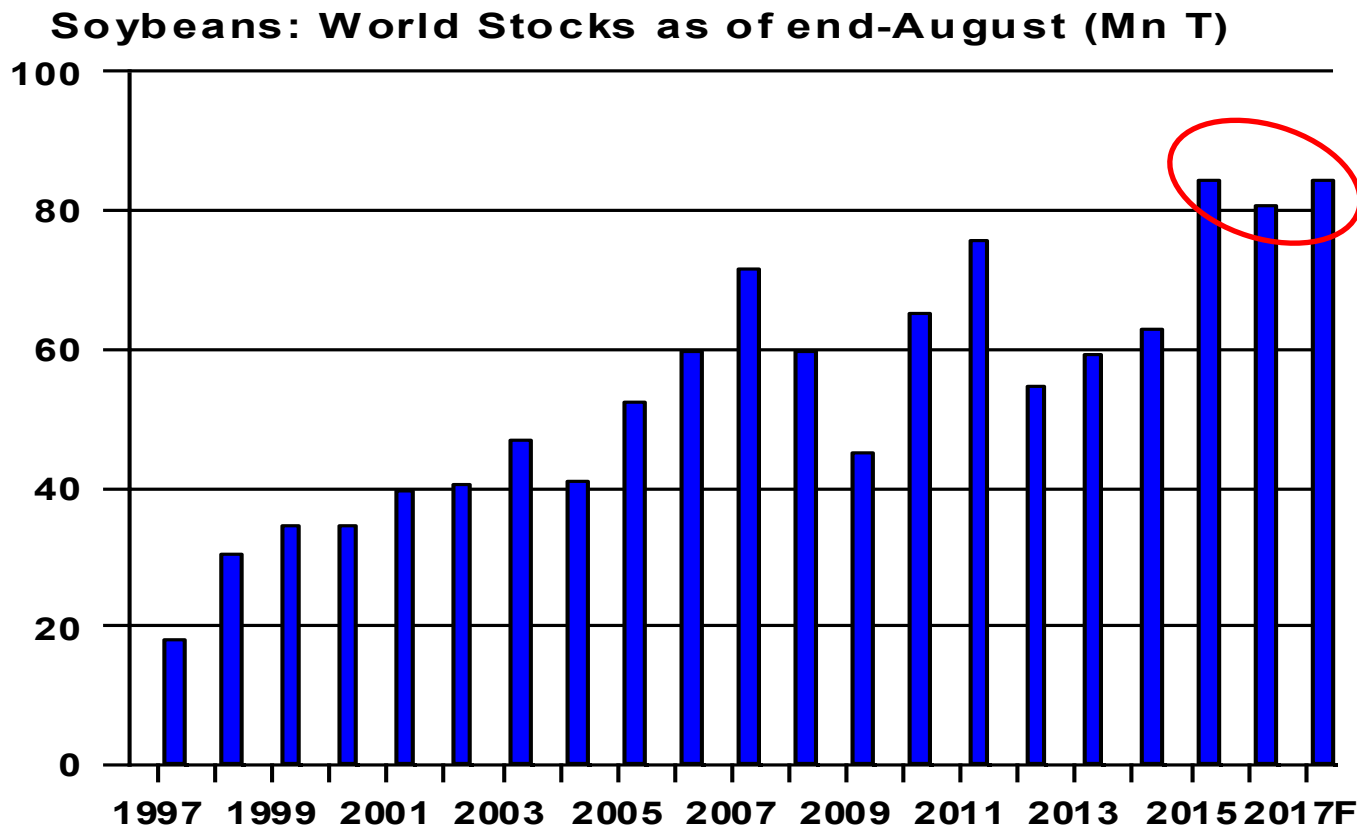


We still anticipate a recovery in world soybean stocks in 2016/17.

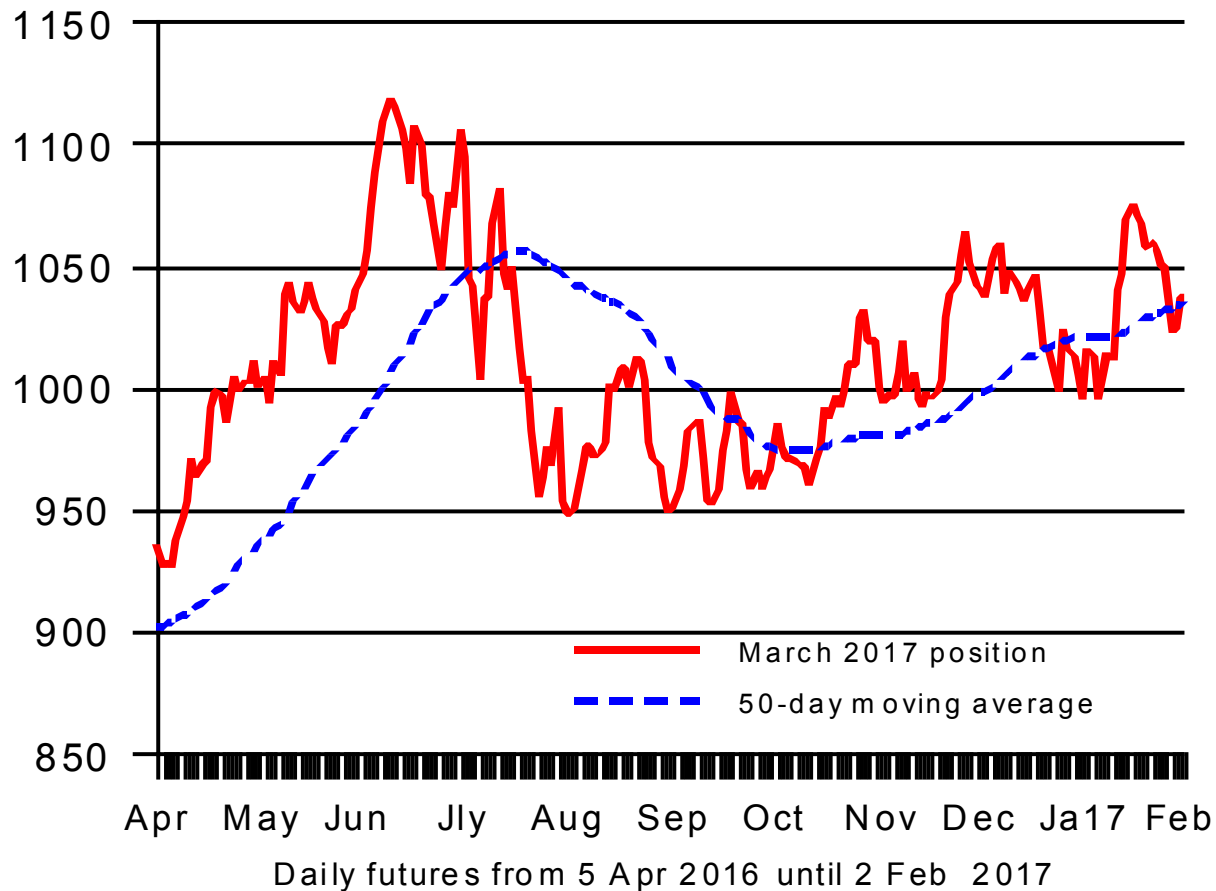
Production to exceed consumption, despite recent downward revisions in the USA and Argentina

Or will the losses in Argentina be greater?

A shortage in soybeans may arise in 2017/18, if the excellent 2016 yields in the US cannot be repeated.



CBOT: Daily Soybean Futures (c/bu)



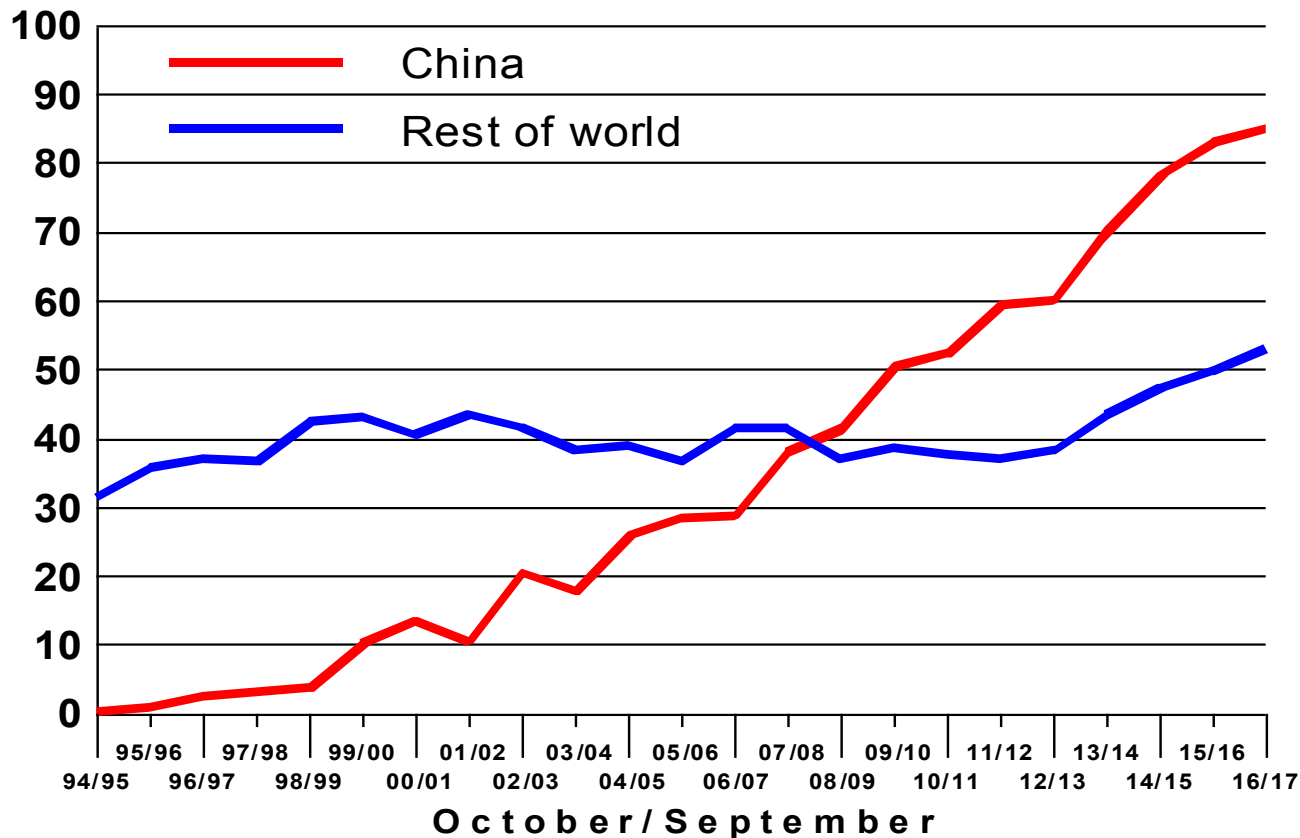
Febr 6, 2017

In Jan/Dec 2016 China imported:

83.7 Mn T of soybeans

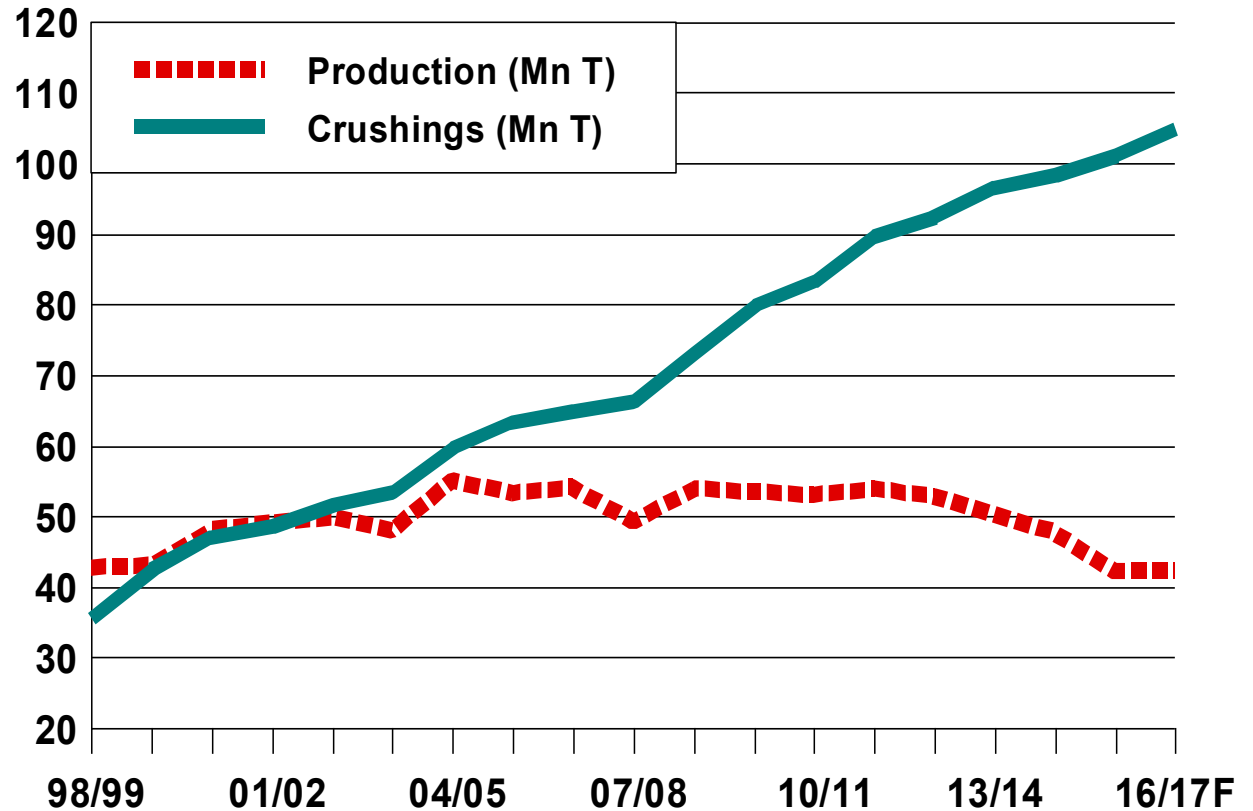
3.8 Mn T of rapeseed

Imports of Soybeans (Mn T)



Febr 6, 2017

CHINA: Oilseed Output & Crushings

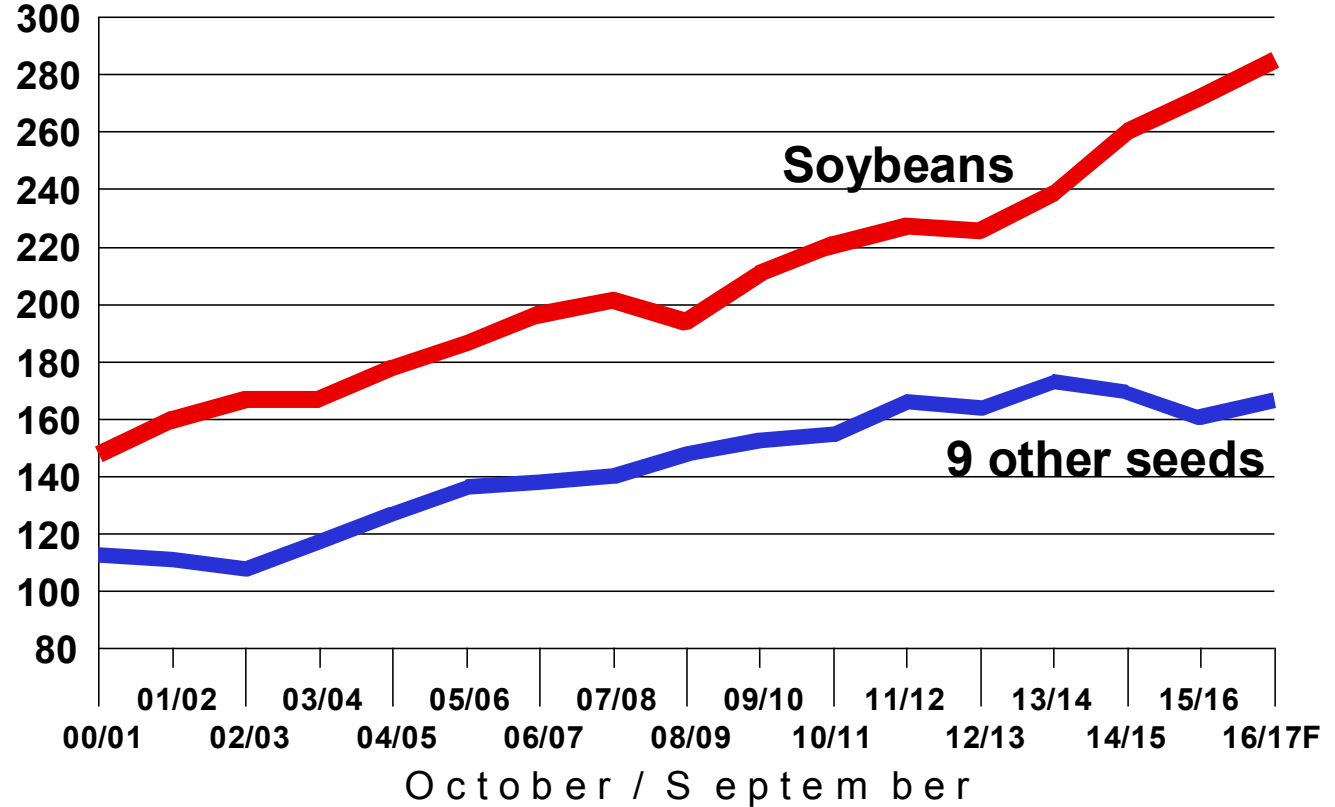


Further boost in world soybean crushings required in 2016/17, because

- 1) rising demand
- 2) still insufficient palm oil supplies
- 3) tightness of oth seeds
- 4) low stocks of veg oils

This is creating a surplus in oilmeals, and has raised the oil share

10 Oilseeds : World Crushings (Mn T)



Up 156%
in 25 years

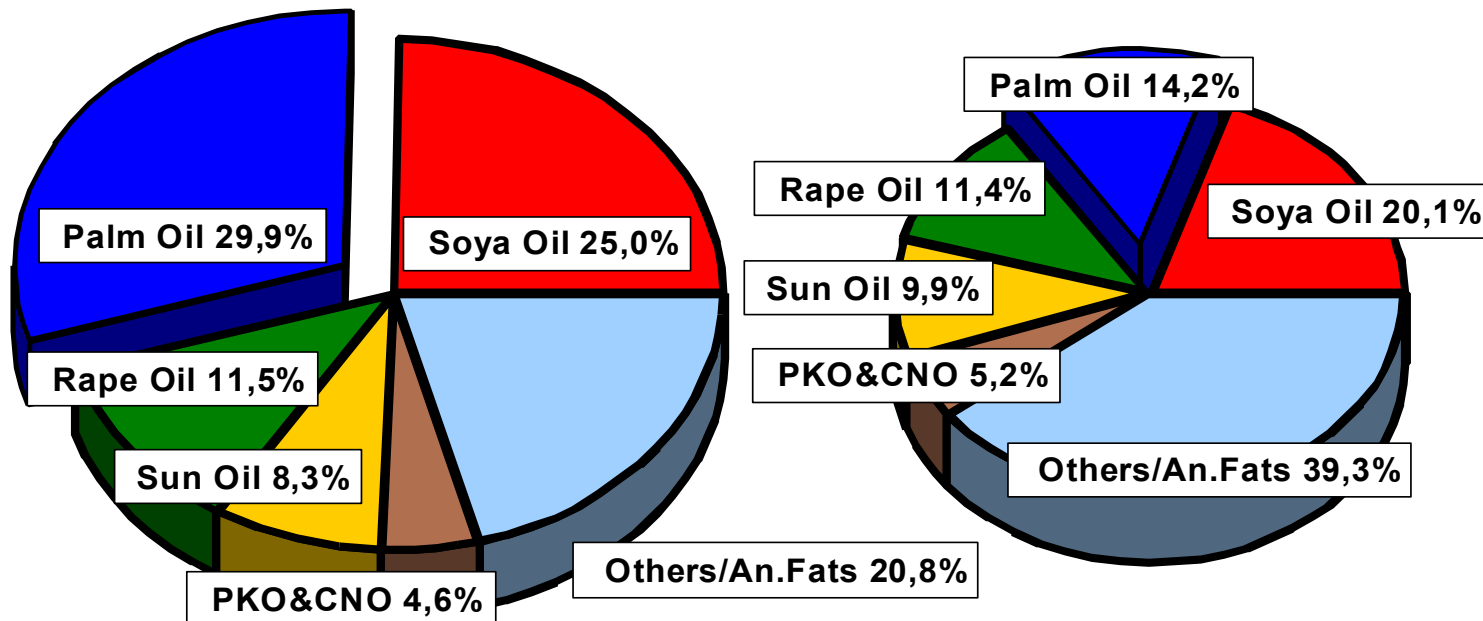
Average annual
increase
of 5.2 Mn T

Palm oil
account
for 40% of
the increase
(+2.1 Mn p.a.)

World Production of 17 Oils & Fats

2016/17F - - 213.5 Mn T

1991/92 - - 83.5 Mn T



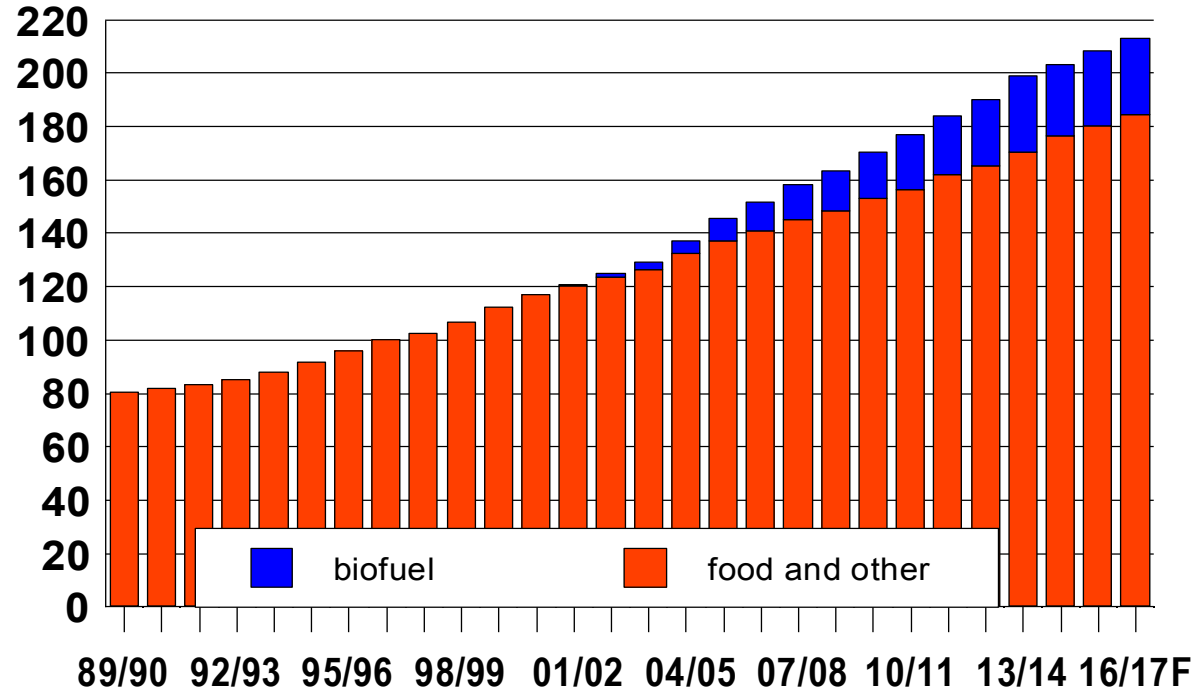
Impacts from biodiesel



Substantial Growth in World Demand of Oils/Fats ! !

17 Oils & Fats : World Consumption

Total Usage in Mn T



Average demand
growth in past 5
seasons:

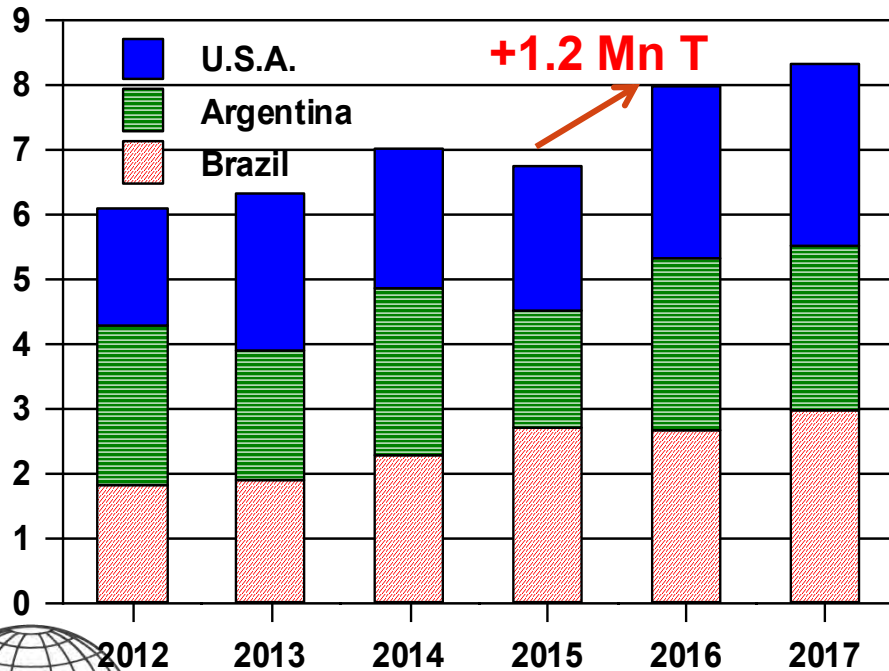
Total **+6.4 Mn T**
per year

Biofuel **+1.6 Mn T**
Food/other **+4.8 Mn T**

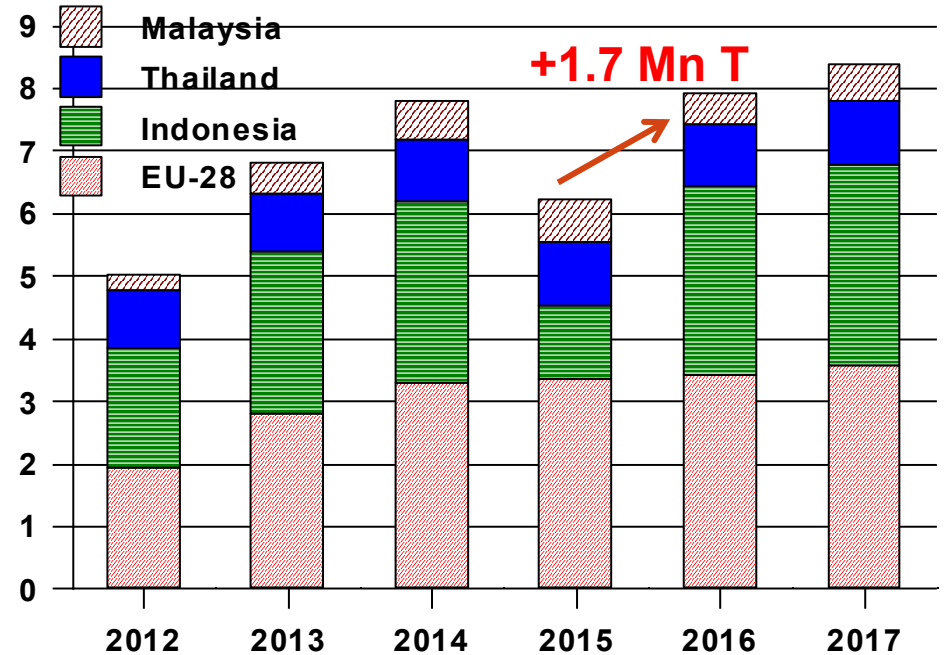


Policy Measures Boosting Use of Soya Oil & Palm Oil for Biodiesel Production in 2016

Soya Oil Use for Biodiesel (Mn T)



Palm Oil Use for Biodiesel (Mn T)

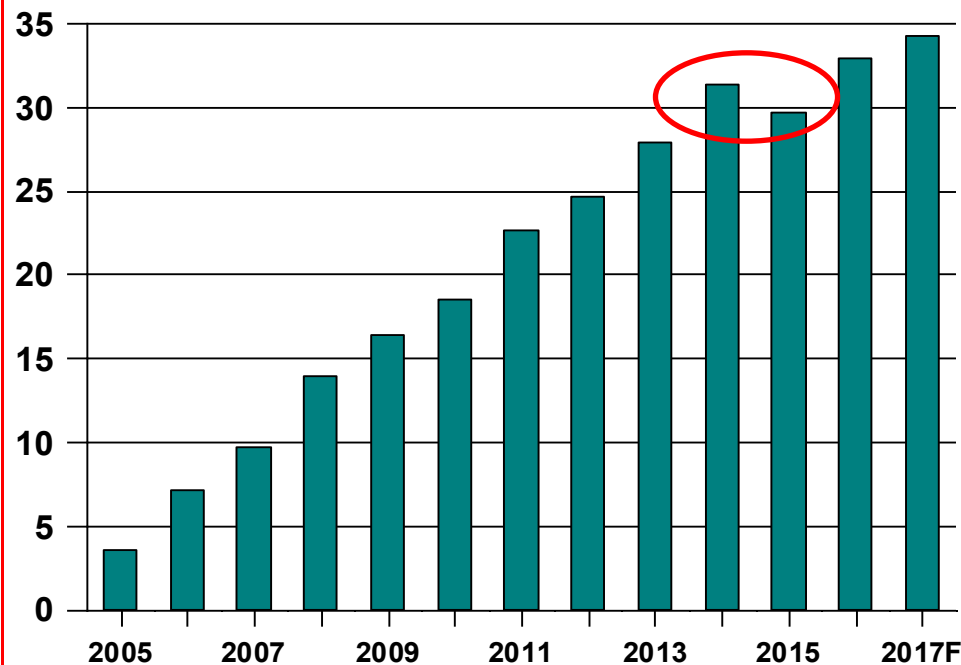


BIODIESEL: World Production by Country (Mn T)

January / December

	<u>2017F</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
EU-28	12.40*	12.35*	12.37	12.20*	10.65
U.S.A.	6.20*	5.85*	4.90	4.80	4.72
Argentina	2.55*	2.63*	1.81	2.58	2.00
Brazil	3.80*	3.36*	3.46	3.00	2.56
Colombia	.49*	.45*	.51	.52	.50
Singapore	.88*	.86*	.82	.76	.79
Indonesia	3.20*	3.00*	1.16	2.92	2.60
Malaysia	.60*	.50*	.67	.60	.47
Thailand.	1.10*	.98*	1.03	.99	.93
Oth. ctries.	3.00*	2.94*	2.89	2.94*	2.65*
Total	34.22*	32.92*	29.62	31.30	27.87
<i>Change in</i>	<i>+1.30*</i>	<i>+3.30*</i>	<i>-1.68</i>	<i>+3.43</i>	<i>+3.29</i>

World Production of Biodiesel (Mn T)

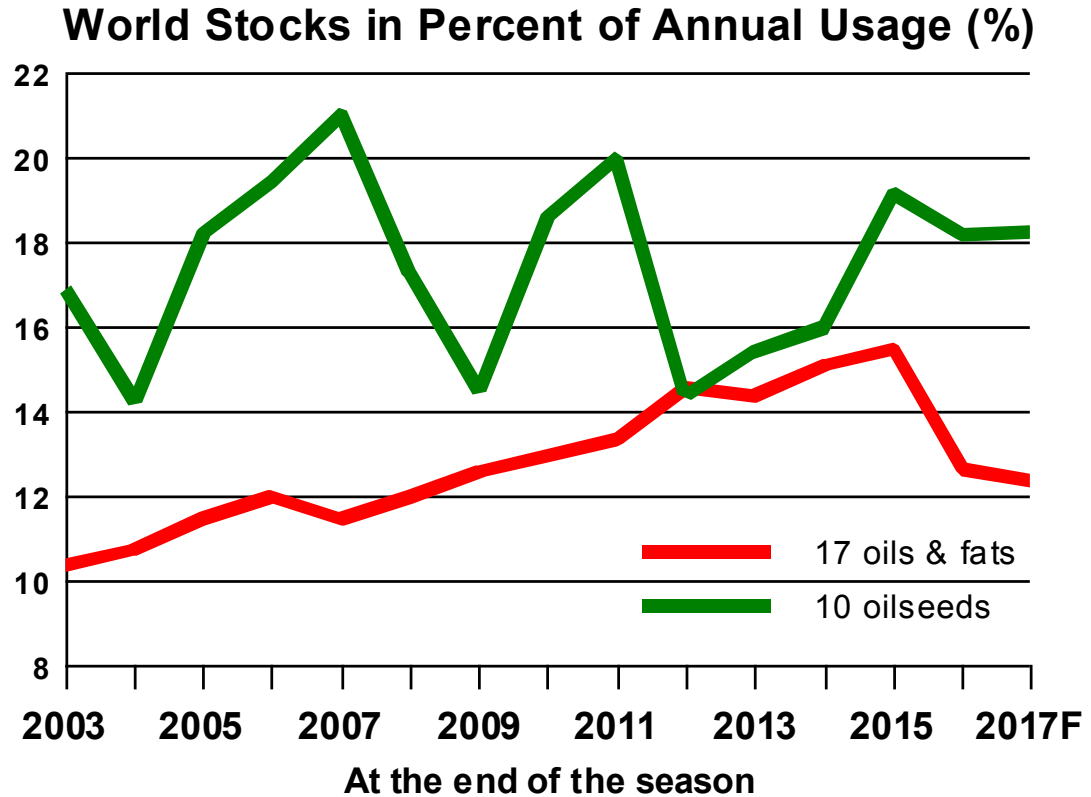


Concluding Statements

In 2016/17 oils & fats stocks still drop relative to annual consumption.

A second year (2017/18) without severe weather problems is required to bring oils & fats stocks to more comfortable levels.

Oilseeds would tighten in case of an Argentine soya crop of close to 50 Mn T



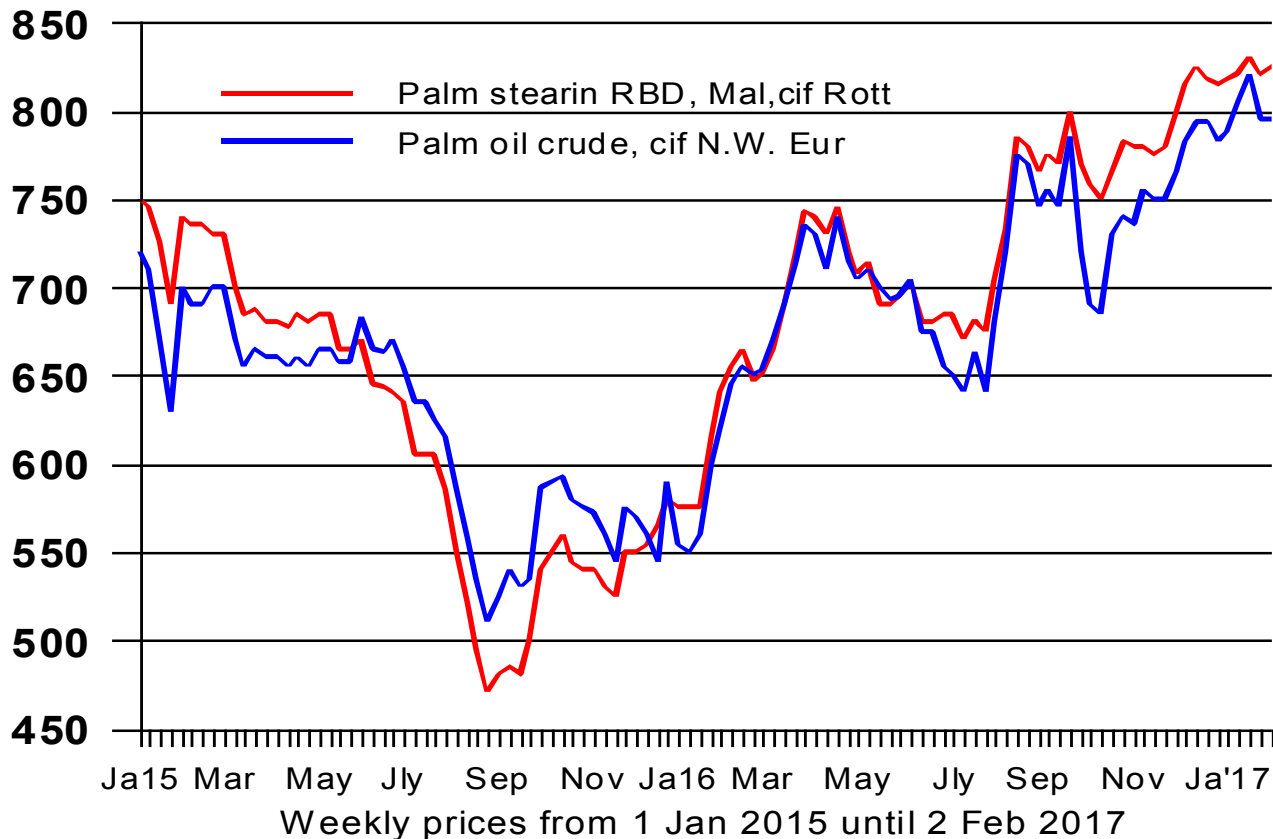
I expect a further rally in Jan/March 2017, with crude palm oil in Rotterdam likely to peak soon near US-\$ 840

Crude palm oil (fob Indon) may peak at US-\$ 800

Arg soy oil to peak at 840

Prices seen declining from March or April onward. The weakness should be limited at first but then be enforced in 2nd half 2017 and accelerate in 2018

Weekly Prices of Palm Stearin & Oil (US-\$/T)



Price decline ahead.

In Apr/June 2017 average prices of soya oil and palm oil may fall \$ 40-50 below the Jan/Mar 2017 average

Apr/June 2017 forecasts:

RBD palmolein 715 (Ja19: 768)

Arg soya oil fob 760 (Ja19: 819)

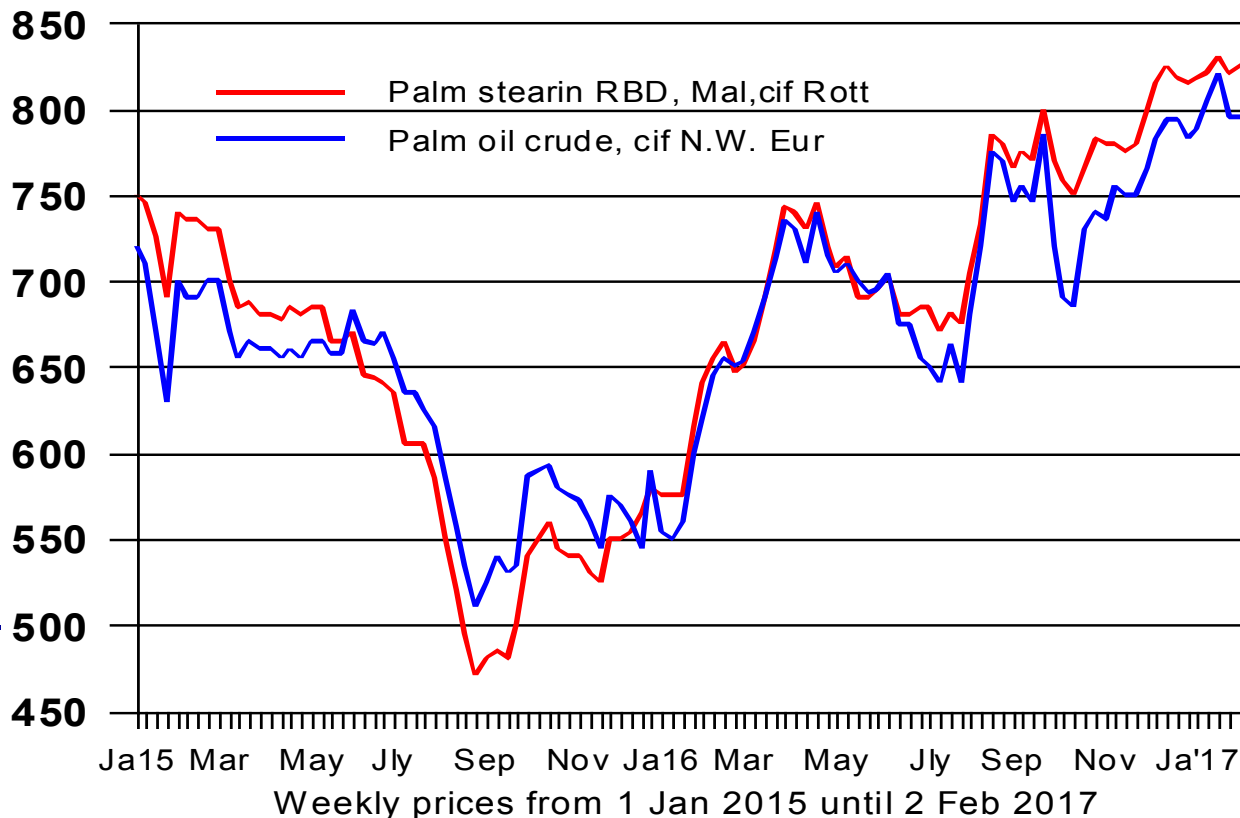
Average 2018 vs 2017 vs 2016:

Palmolein 650 vs 710 vs 674

But the price low in 2018 could be US \$ 600 or slightly less, reducing the crude PO futures at the BMD to or below 2400

Ringgit

Weekly Prices of Palm Stearin & Oil (US-\$/T)

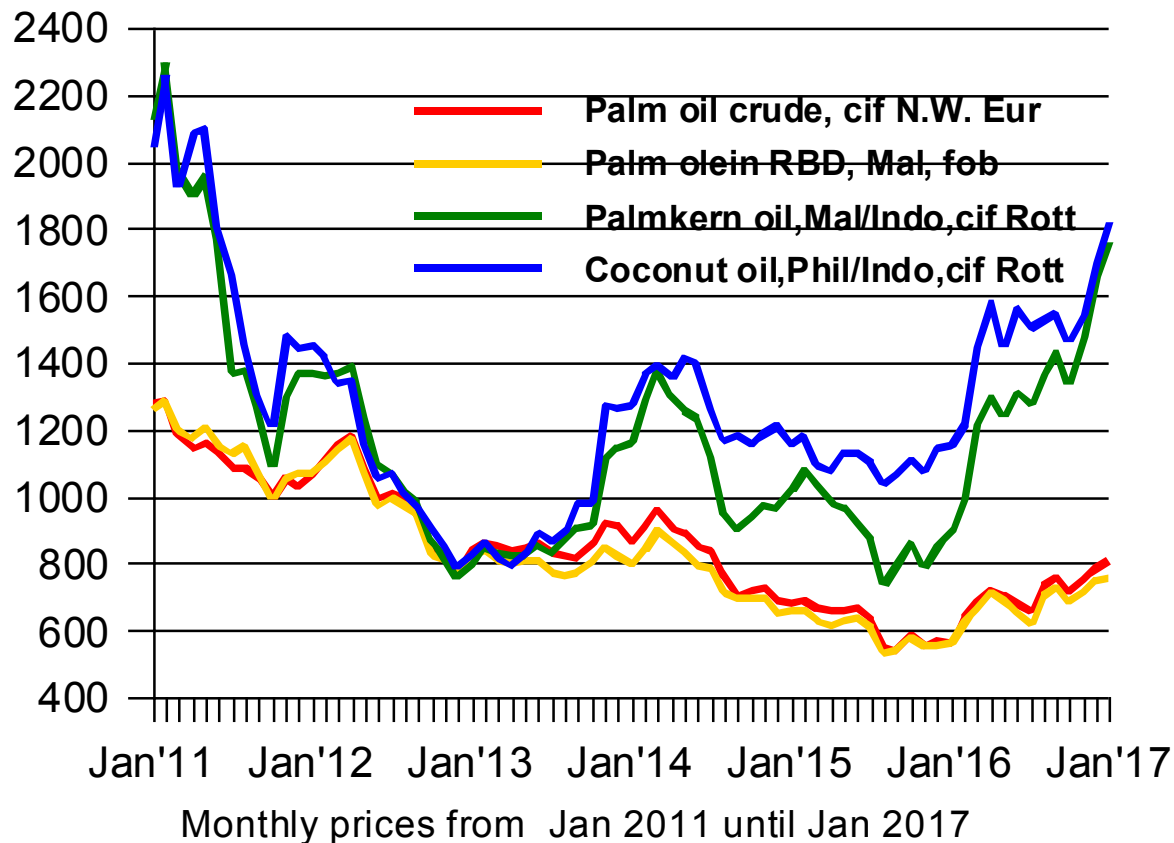


Febr 6, 2017

Lauric oil prices set to decline in the next 12 months on account of
→ recovering production
→ relatively inelastic demand

→ Premiums of lauric oil prices versus palm oil are set to narrow in 2017

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



Thank You for Your Kind Attention !

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