

Palm Oil the Leader in Global Oils & Fats Supply

Presentation at the Malaysia / Myanmar Palm Oil Trade Fair & Seminar
in Yangon on June 28, 2013

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- **ISTA = International Statistical Agricultural Information**
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- Leading private authority for global research and market analyses for oilseeds, oils & fats and oilmeals
- unbiased information on the past and current global supply, demand and price developments as well as forecasts
- Daily, weekly and monthly publications



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The Outline of my Presentation

- Introductory statements on how palm oil is linked within all oilseeds and oils & fats on the world market
- The dynamics of world supply & demand of oils & fats (edible & ined.)
- Biodiesel production has fallen below expectations
- Outstanding growth in world palm oil and palmkernel oil production
- Consumers worldwide are getting more dependent on palm oil, owing to insufficient supply growth of other oils & fats
- Price Outlook



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World Production of all oils & fats more than doubled in the latest 20 years to 187 Mn T in 2012/13

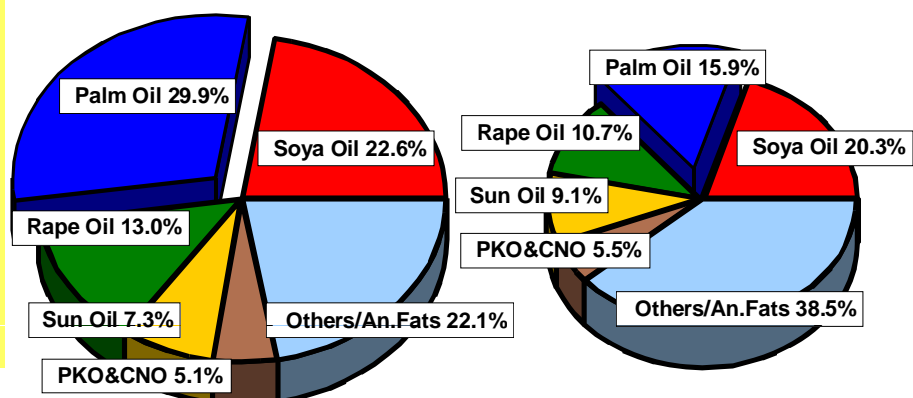
Palm oil to account for 30% of world production in 12/13

And has become the by far largest vegetable oil

World Production of 17 Oils & Fats

2012/13 -- 187.4 Mn T

1992/93 -- 84.7 Mn T



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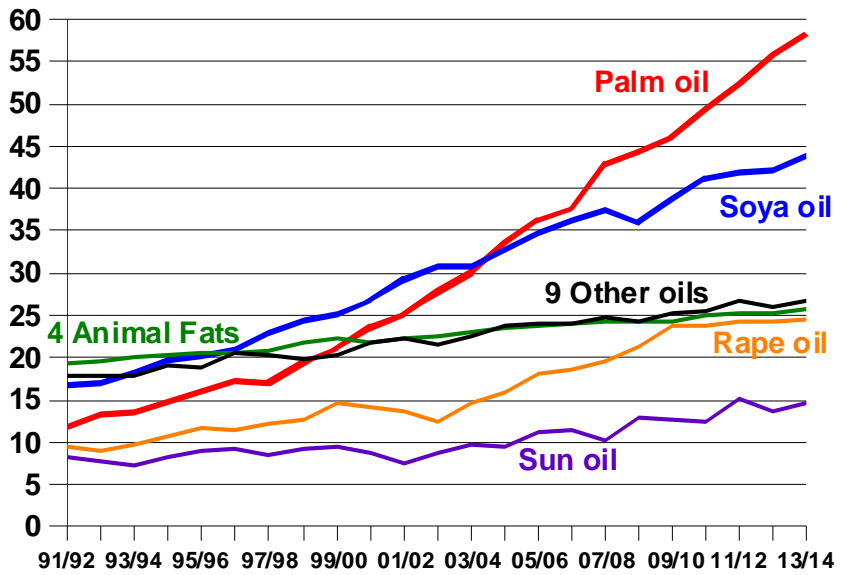
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Insufficient production of seed oils coincided with a slowdown of demand from the biofuel sector in **2012/13** + ample palm oil supplies

For **2013/14** we expect a major recovery in the output of seed oils led by sunflower and soya oils if weather cooperates

But the uptrend of palm oil production is likely to slow down next season from the exceptional growth rates in the most recent 3 seasons

17 Oils & Fats: World Production (Mn T)

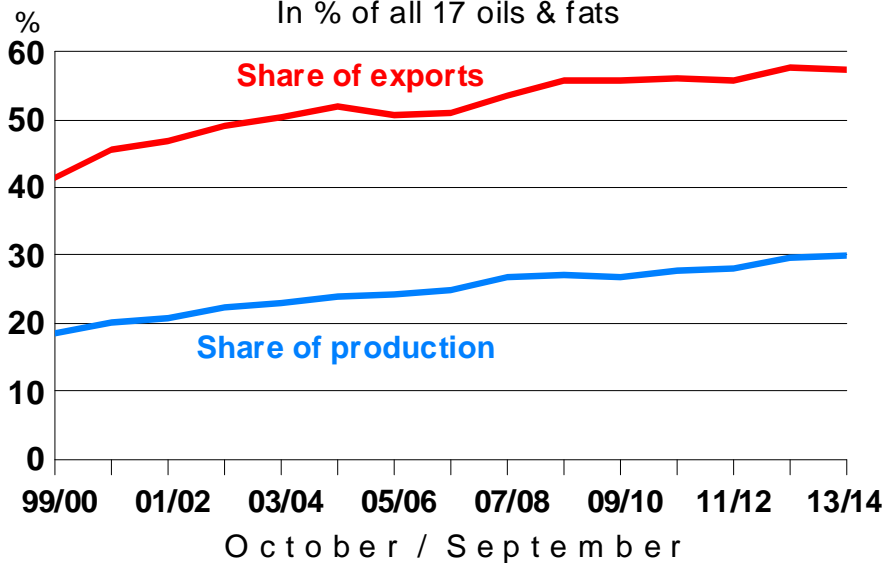


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Palm Oil: Share of World Market

In % of all 17 oils & fats



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In the past 20 years world oilseed production doubled

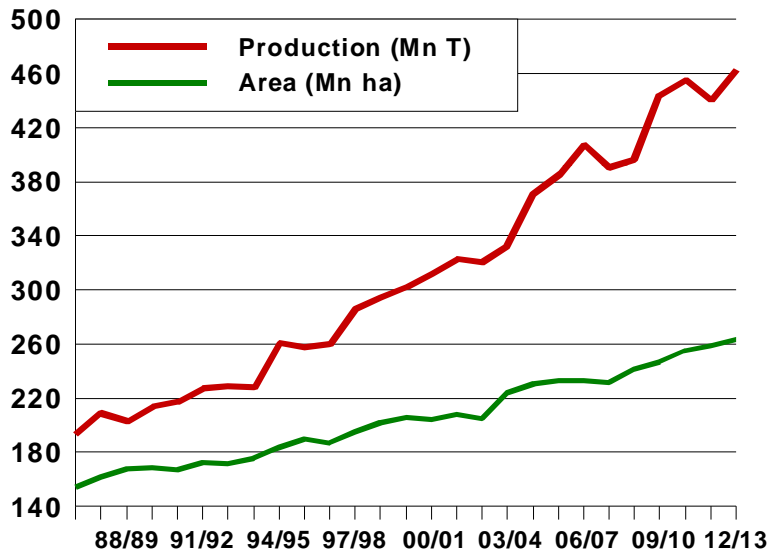
On rising acreage and yields

About half of the acreage increased came from grains

But this shift has come to an end and agricultural land has become increasingly tight

Land values more than doubled (partly more than trebled) in the past 10 years

10 Oilseeds: World Area and Production



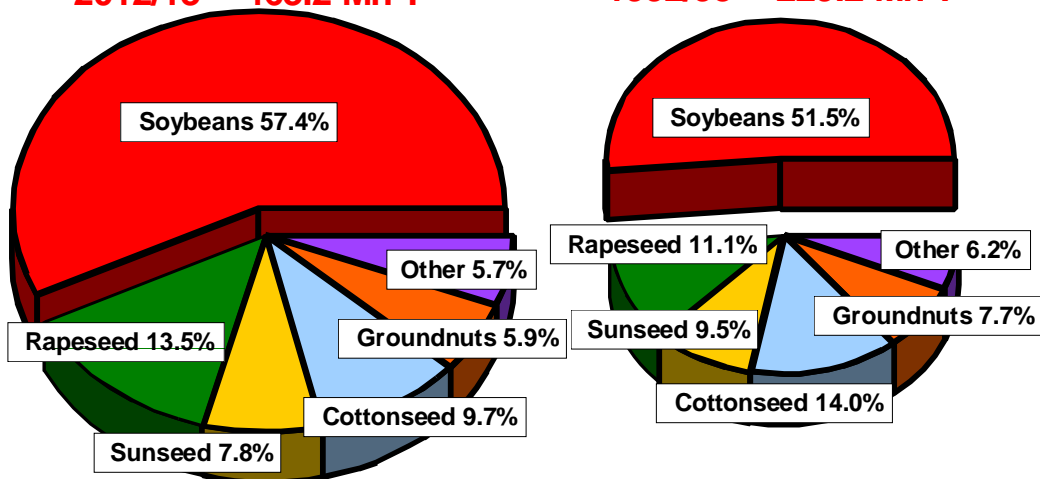
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World Production of 10 Oilseeds

2012/13 -- 463.2 Mn T

1992/93 -- 229.2 Mn T



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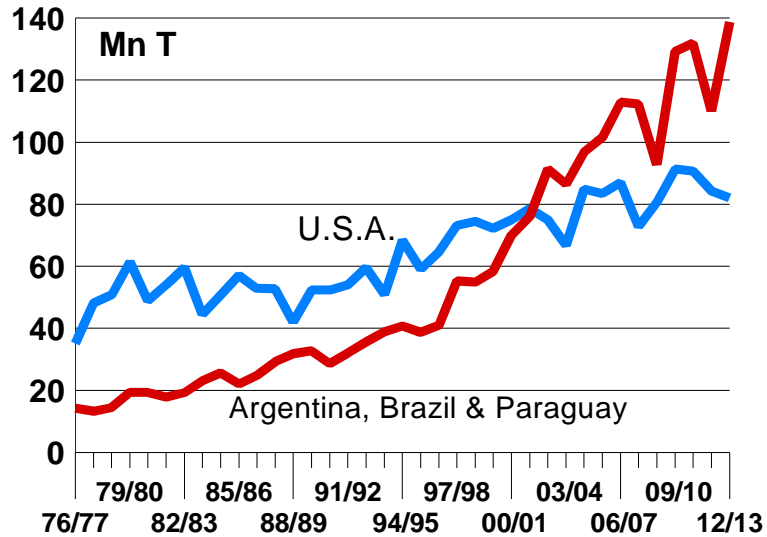
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World supplies of soybeans were tight in the past 2 years (drought in USA and S.Ameri.)

World supplies of all oilseeds will only stagnate at around 530 Mn T in 2012/13.

World oilseed consumption will decline to 457 Mn T in 2012/13, down 6 Mn T y-o-y.

Soybean Crop Trend



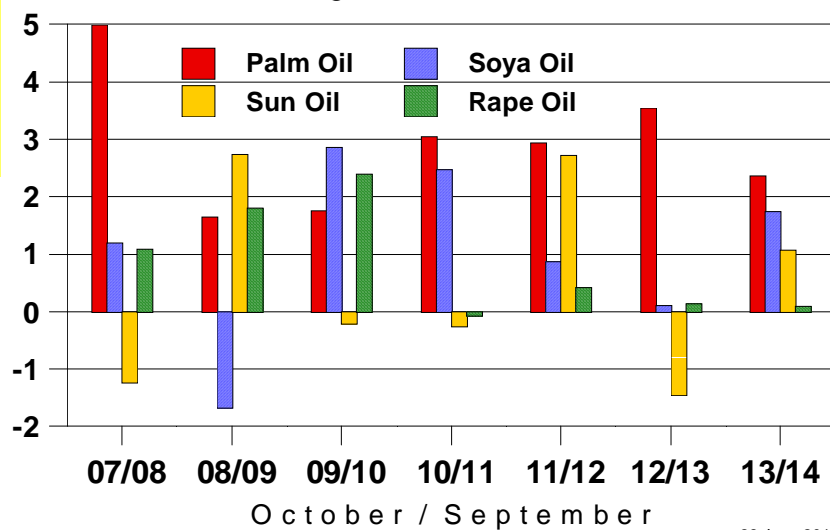
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World palm oil production set to rise by 3.5 Mn in 12/13 while the other 16 oils/fats decline 1.9 Mn T combined

Early outlook 2013/14

World Production of 4 Major Oils

Change on Year in Mn T



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More ample oilseed supplies in 2013/14. Biggest increases in soybeans, sunflowerseed, rapeseed and palmkernels

These 4 oilseeds were also the growth leaders in the past 15 years

In 2013/14 world production to rise by 21 Mn T and opening stocks up 6 Mn T, boosting world supplies by 27 Mn T

10 OILSEEDS: World Production (Mn T)

	13/14F	12/13	11/12	10/11	Avg. Change 15 Years to 12/13
Soybeans	284.00*	265.91*	239.10	264.94	+3.5%
Cottonseed . . .	42.60*	44.84*	47.12	43.55	+1.8%
Grdnuts,shelled	28.00*	27.49*	27.15	27.75	+2.0%
Sunflowerseed	38.75*	35.98*	39.44	33.61	+2.9%
Rapeseed	63.48*	62.60*	60.62	61.06	+4.3%
Sesameseed . .	3.93*	3.71*	3.83	3.83	+2.3%
Palmkemels . .	14.59*	13.92*	13.29	12.54	+7.4%
Copra	5.33*	5.34*	5.26	4.80	+0.4%
Linseed	2.44*	2.04*	2.13	1.82	-0.8%
Castorseed . . .	1.32*	1.40*	2.03	1.56	+1.3%
Total	484.43*	463.23*	439.96	455.45	+3.3%

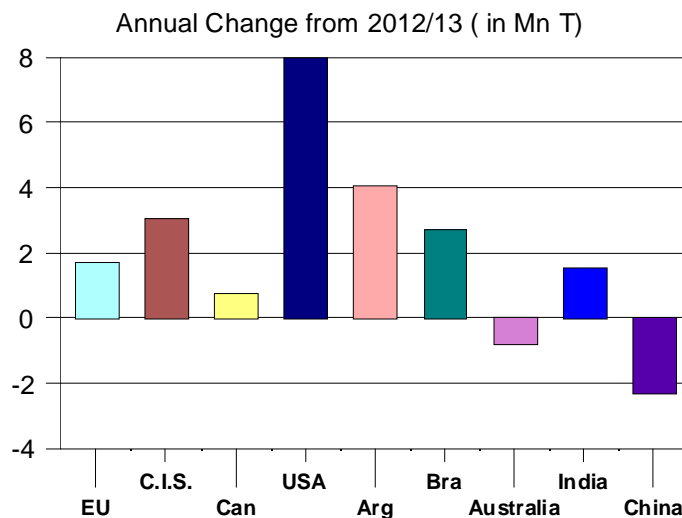


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Significant improvement in production in most countries ahead next season

Major exception is China, resulting in much higher Chinese import requirements of oilseeds and products in the 2013/14 season.

10 Oilseeds: Estimated Production Change in 2013/14



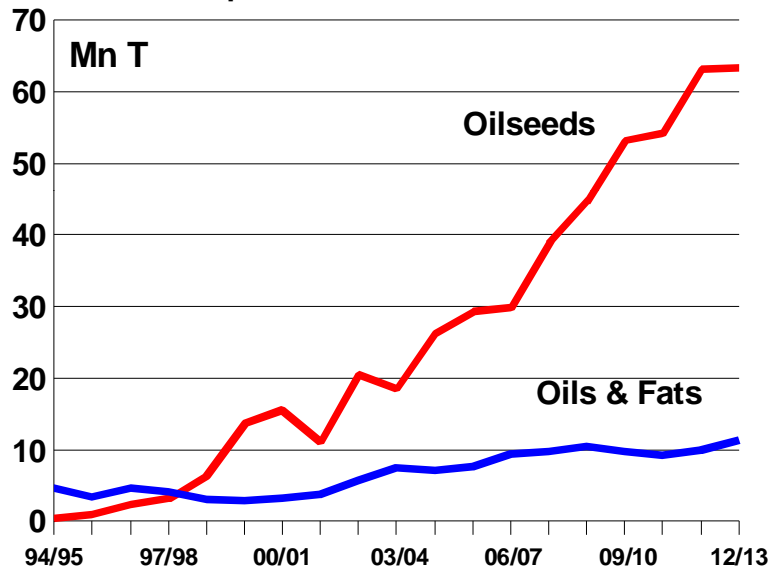
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CHINA: Rapidly rising import requirements

Mainly of soybeans, but also of rapeseed, groundnuts and many other agricultural commodities

Following a stagnation of oilseed imports (at the expense of stocks in 12/13), big jump in imports by 8-9 Mn T is likely in 2013/14

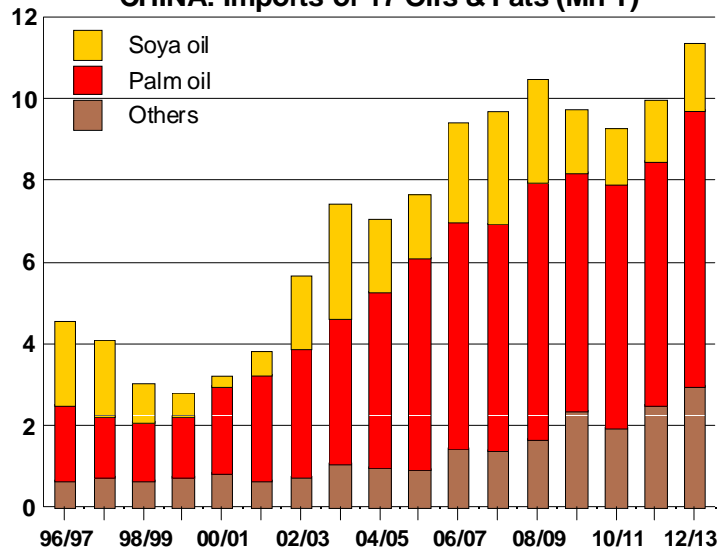
CHINA: Imports of Oilseeds and Oils & Fats



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



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Rapidly Rising World Consumption of Oils & Fats

Demand Growth doubled in past 10 years (up 63 Mn T)

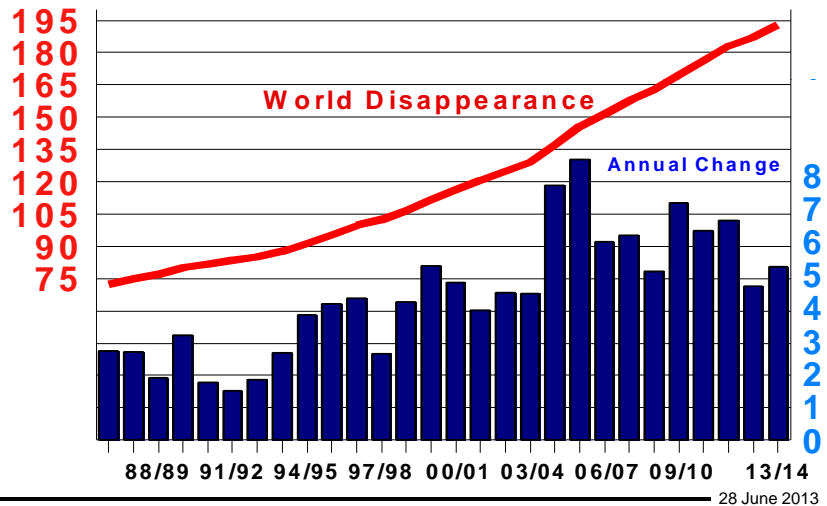
- biofuels
- population
- income

But major slowing down since mid-2012



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17 Oils & Fats : World Disappearance
Total Usage and Annual Change (Mn T)



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17 Oils & Fats : World Consumption

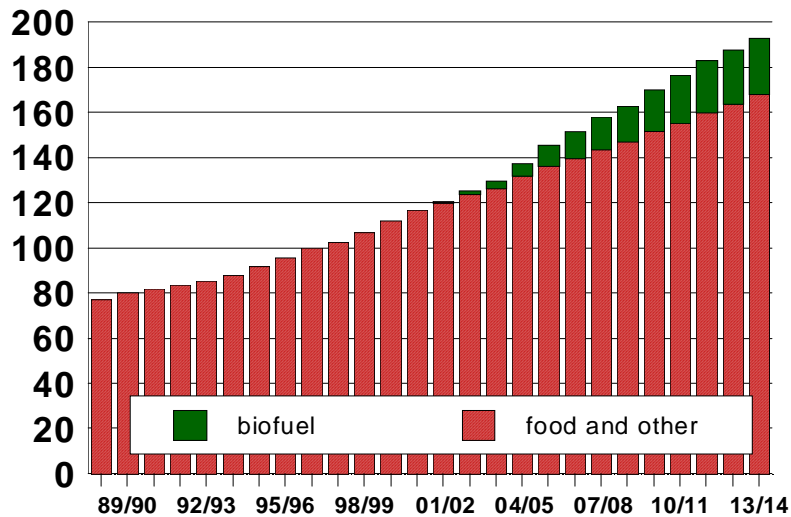
Total Usage in Mn T

- The year-on-year consumption growth of the biofuel sector has slowed down in **2012/13**

- The sluggish trend is likely to prevail in **2013/14** with little scope for further growth of veg. oil demand for biodiesel production



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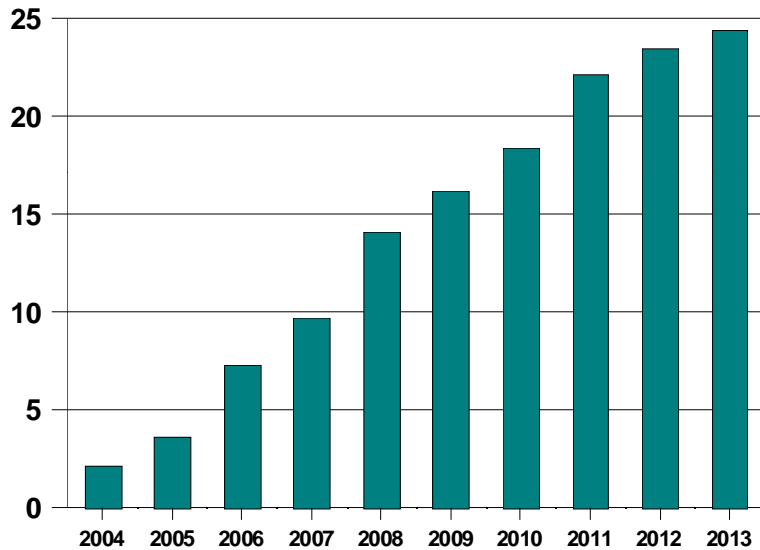
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Rising needs of feed-stock for biodiesel production (soya oil, palm oil, rape oil and others) as well as for ethanol (corn, sugar) require additional agricultural land

This has contributed to a sizeable increase prices of most agricultural products as well as land values

But the growth in biodiesel consumption has recently slowed

World Production of Biodiesel (Mn T)



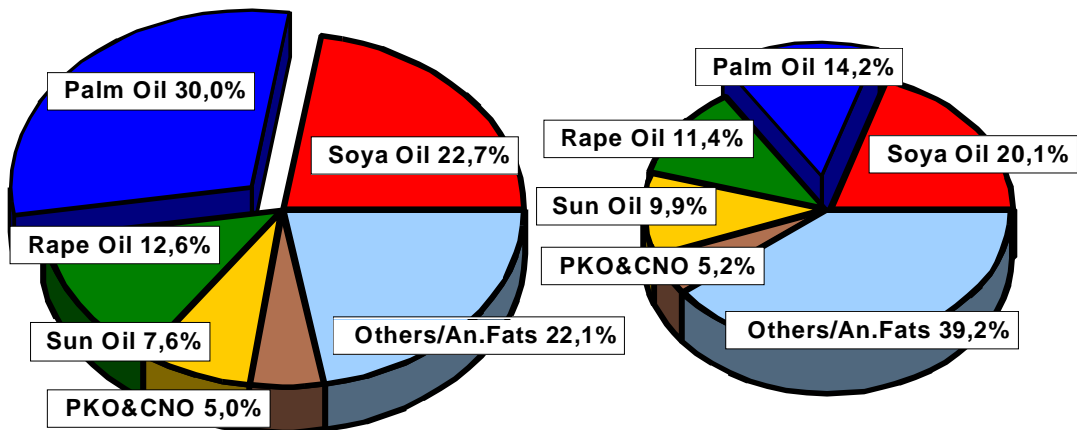
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World Production of 17 Oils & Fats

2013/14 - - 193.8 Mn T

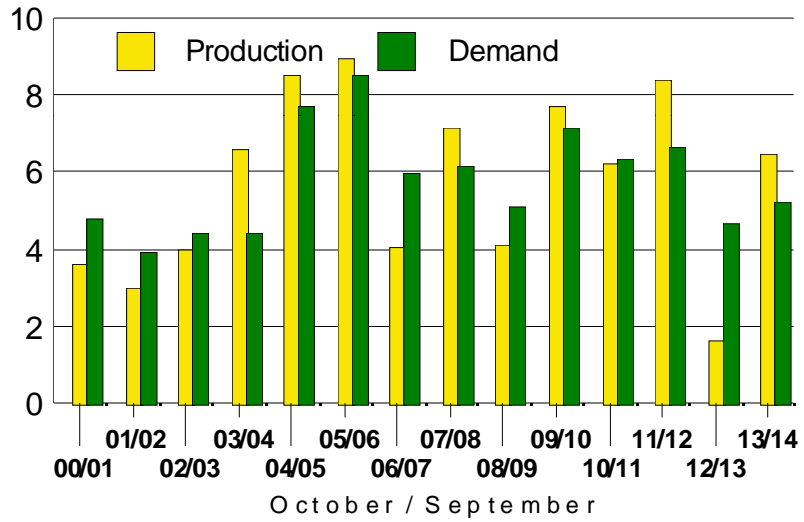
1991/92 - - 83.5 Mn T



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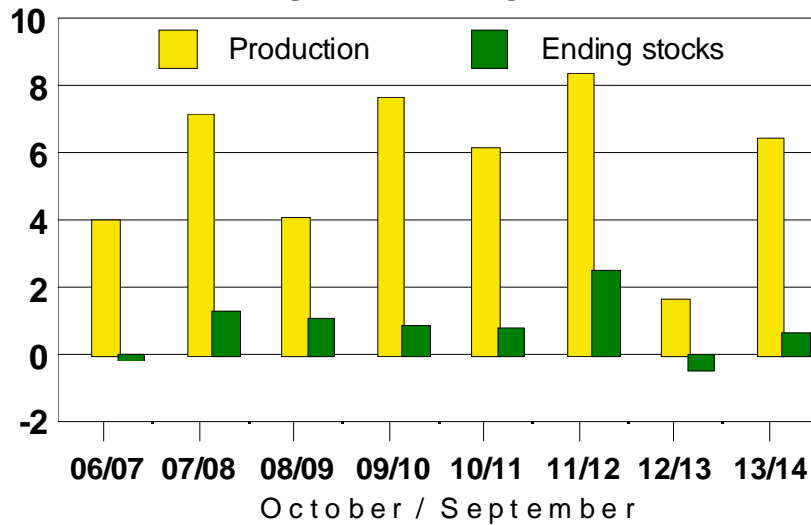
17 OILS & FATS: Production & Demand Change From Year Ago in Mn T



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17 OILS & FATS: Production & End'g Stocks Change From Year Ago in Mn T



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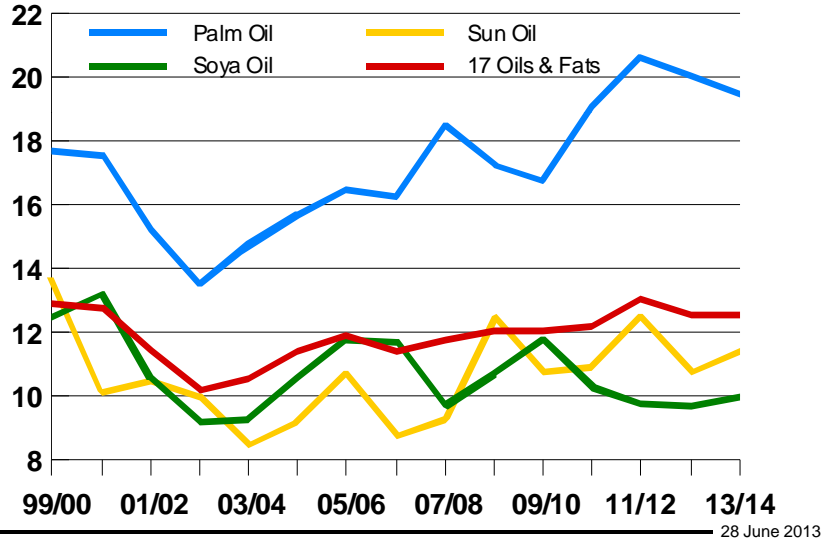
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World stocks of palm oil were boosted to a record 11.7 Mn T as of end-Dec 2012, Thereof: Malaysia 2.6 Mn T Indonesia 4.0 Mn T

But with consumption picking up sharply, stocks declined by 1.6 – 1.8 Mn T in Malaysia & Indonesia

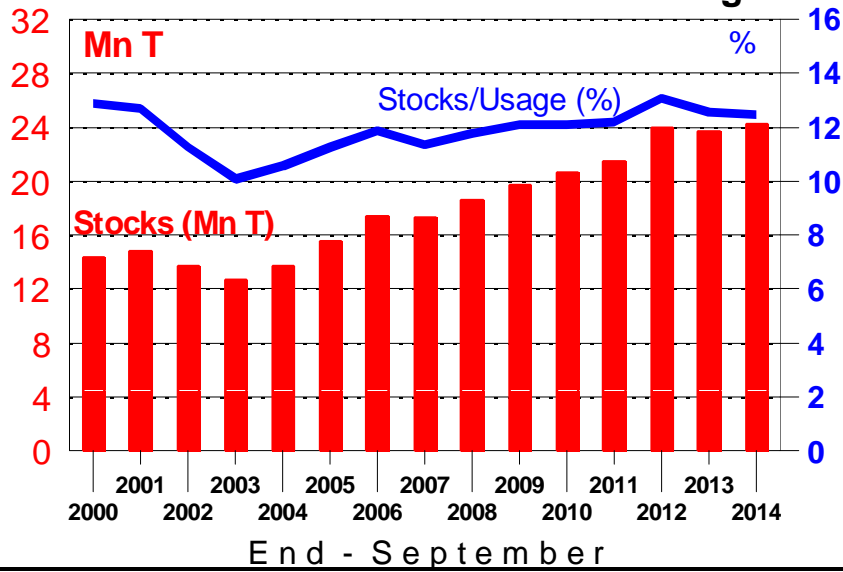
17 OILS & FATS

Annual Stocks / Usage Ratios (%)



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17 Oils & Fats: Stocks & Stocks/Usage



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Growing Dependence on Palm Oil



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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: 46.1 Mn T or 27% (only 6% of area)
- In 2011: 50.8 Mn T or 28% (57% of exports)
- In 2012: 53.7 Mn T (plus 5.9 Mn T of Palmkern oil)
- In 2020 at least 78 Mn T of palm oil required by consumers worldwide

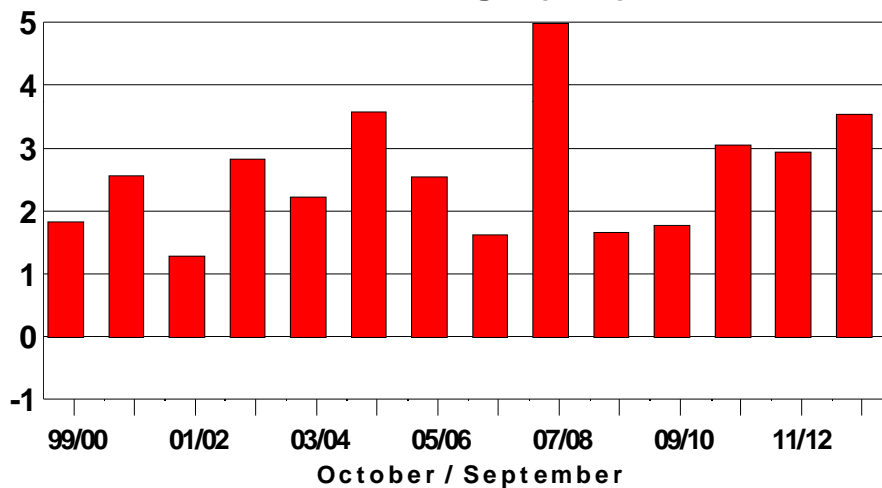


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Palm Oil : World Production

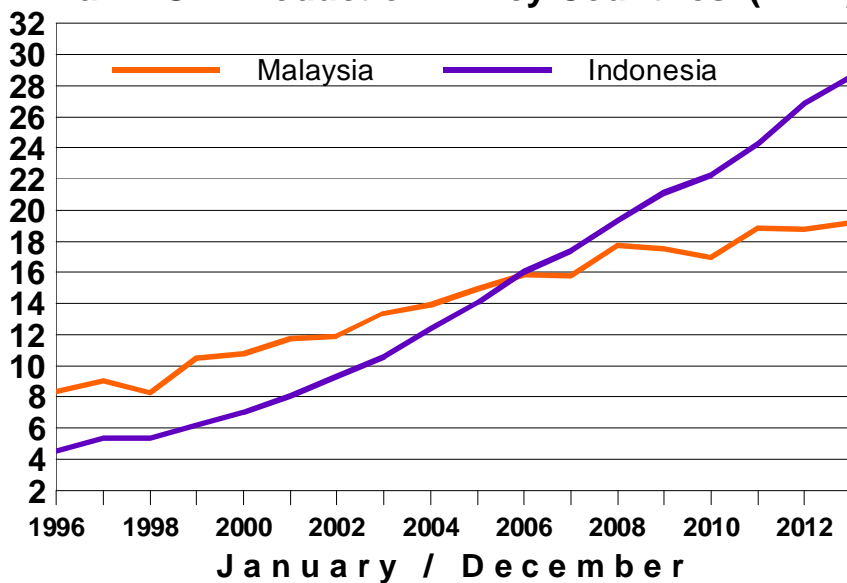
Annual Change (Mn T)



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In 2013 production of palm oil is set to rise to close to 29 Mn T in Indonesia and to 19.2 Mn T in Malaysia

Palm Oil Production in Key Countries (Mn T)



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Price Attractiveness of Palm Oil



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



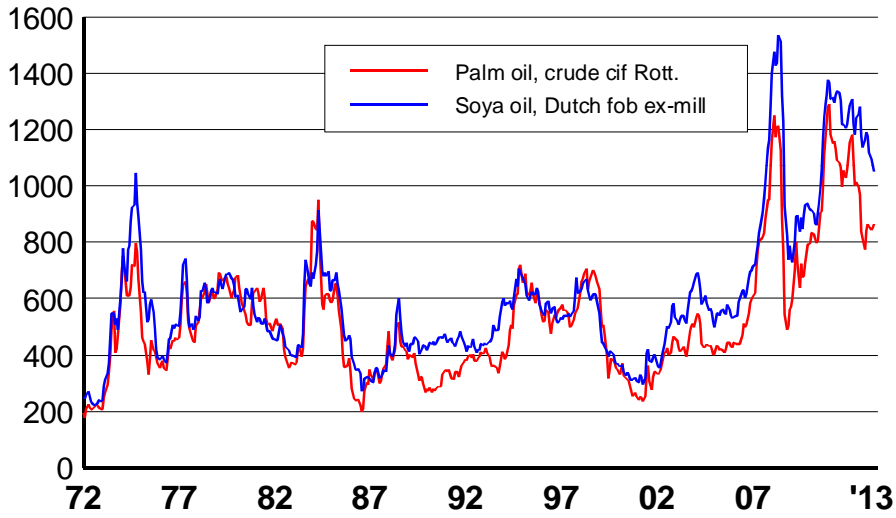
Prices from 1 Jan 2012 until 21 June 2013

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Soya Oil & Palm Oil: Monthly Prices (US-\$/MT)



Monthly prices from Jan 1972 until 21 June 2013

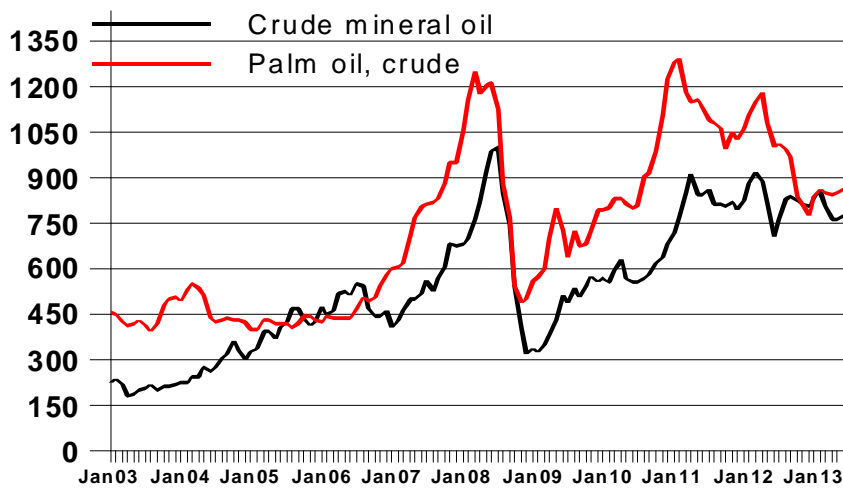


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Competitiveness of Palm Oil on Energy Market

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



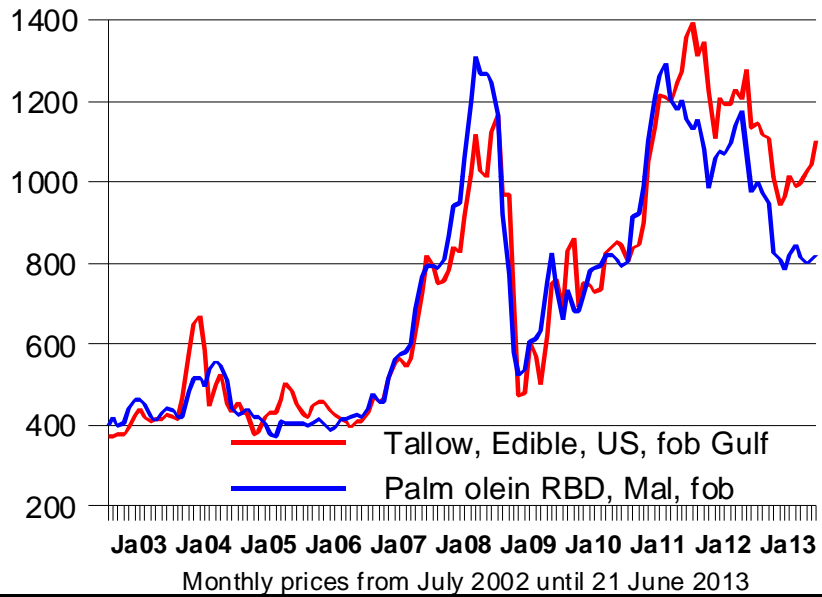
Monthly prices from Jan 2003 until 21 June 2013



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Monthly Prices of Tallow & RBD Palm Olein (US-\$/T)

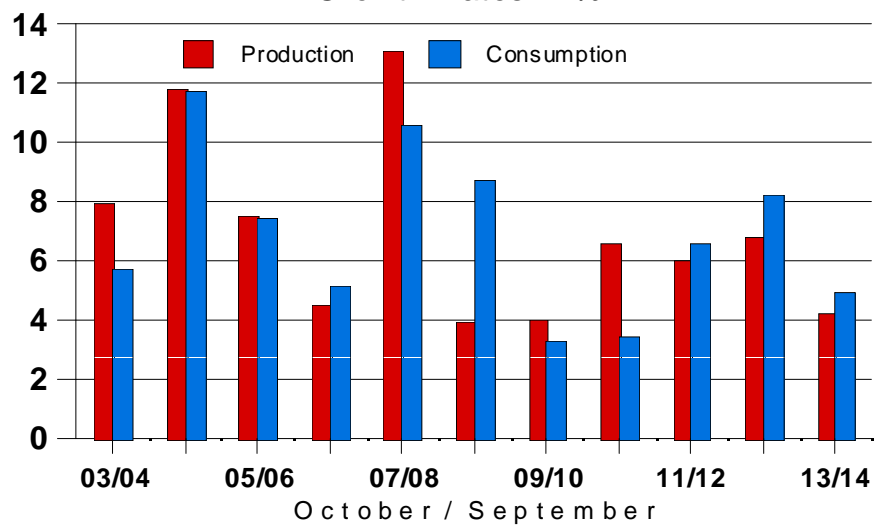


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Palm Oil : World Output and Consumption

Growth Rates in %

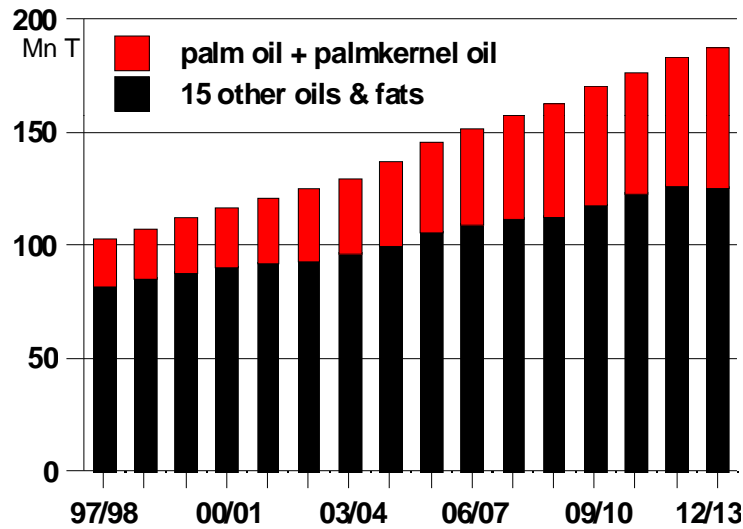


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Growing Dominance of Palm Oil & Palmkernel Oil Worldwide

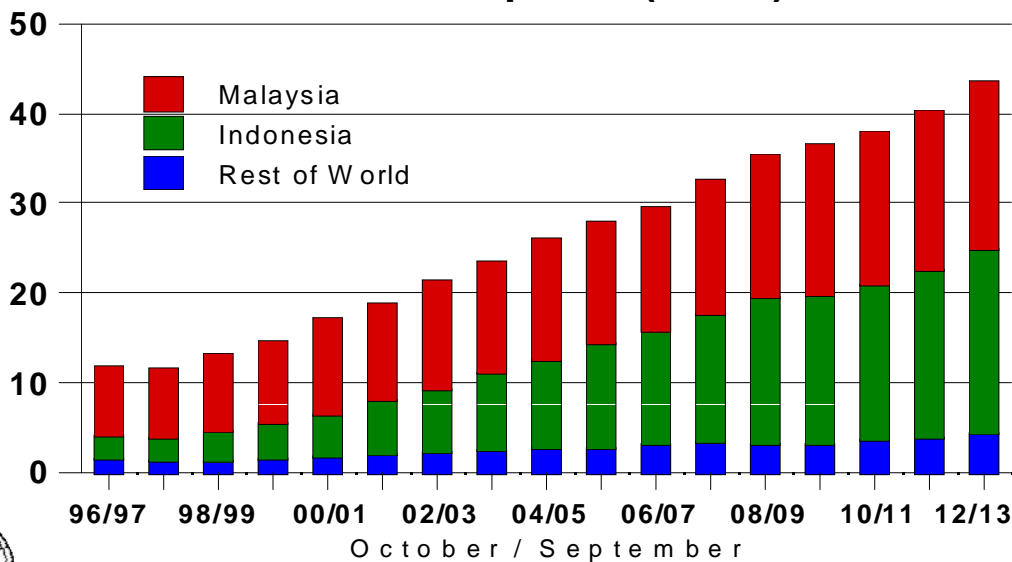
World Consumption of 17 Oils & Fats



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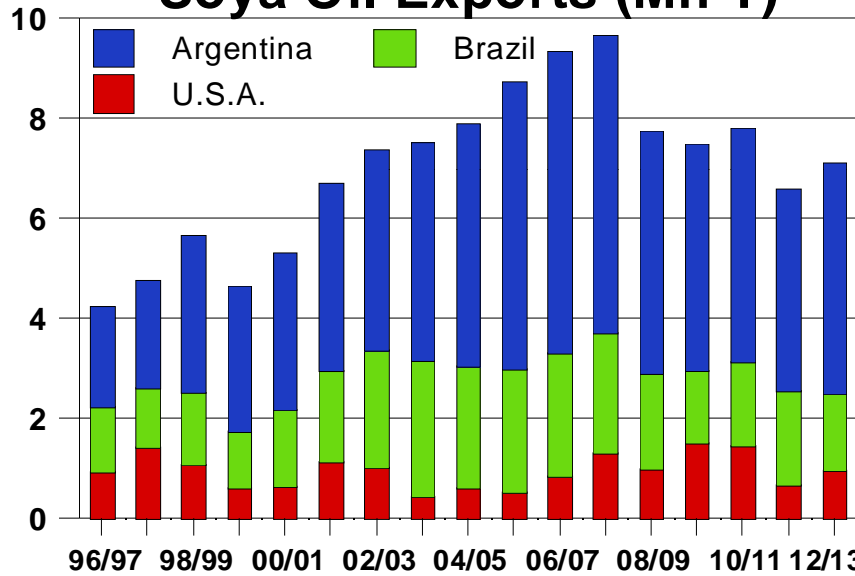
Palm Oil Exports (Mn T)



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Soya Oil Exports (Mn T)



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G-3: Exports of Soya Oil (Mn T)

October / September

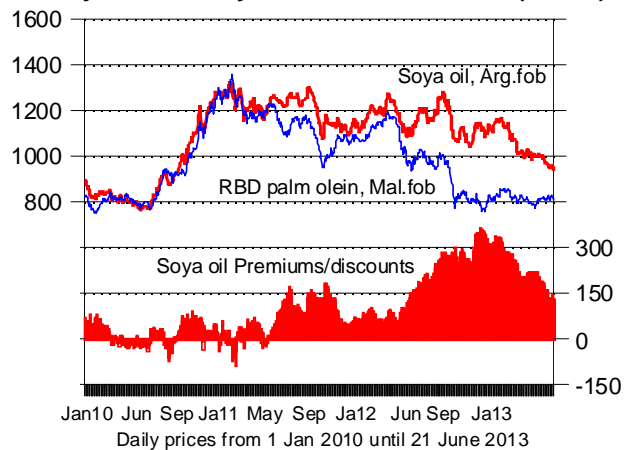
From:	12/13F	11/12	10/11	09/10	08/09
U.S.A. ..	.97*	.66	1.47	1.52	1.00
Argentina	4.59*	4.04	4.67	4.50	4.83
Brazil ...	1.54*	1.89	1.67	1.45	1.91
Total ...	7.10	6.59	7.81	7.47	7.74

G-3: Exports of Soya Oil (Mn T)

April / September October / March

From:	2013F	2012	2011	12/13	11/12	10/11
U.S.A. ..	.23*	.42	.39	.74	.25	1.07
Argentina	3.12*	2.20	2.54	1.47	1.84	2.13
Brazil ...	1.08*	1.10	.98	.46	.79	.69
Total ...	4.43*	3.71	3.92	2.67	2.88	3.89

Daily Prices of Soya Oil & RBD Palm Olein (US-\$/T)



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Rising Dependence on Palmoil

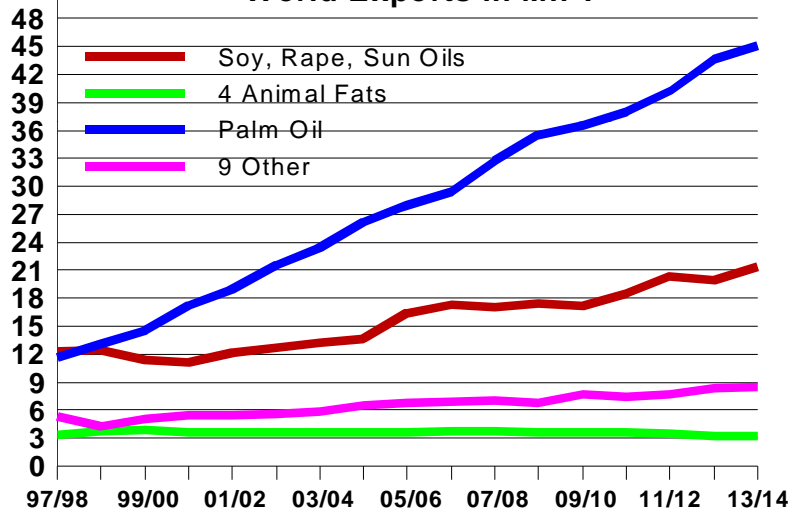
17 Oils & Fats World Exports in Mn T

1997/98 - 2011/12:

- **Palm oil exports +243%**
- Exports of all 16 other Oils/Fats +50%

In Oct/Sept 2012/13:

- PO exports likely to be up by 3.4 Mn T to 43.7 Mn T
- Combined exports of soya, rape & sun oils down by 0.2 Mn T to 20.3 Mn T

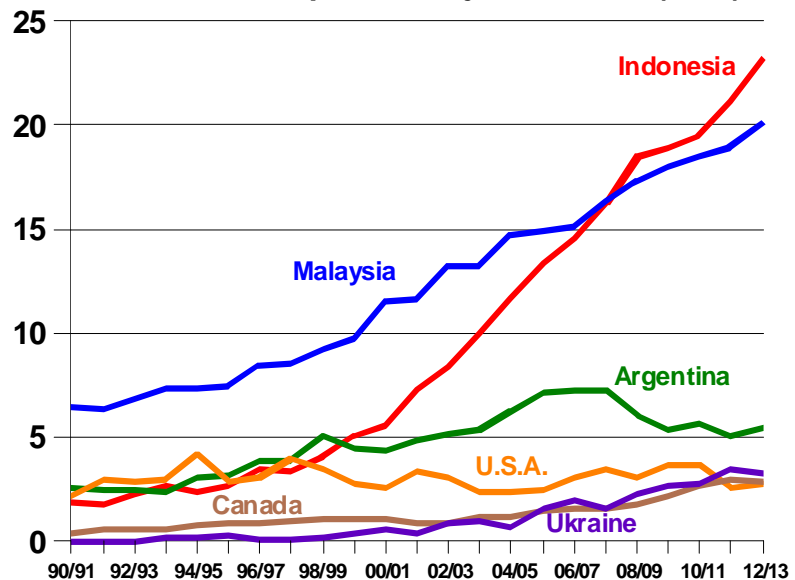


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**Indonesia & Malaysia
expected to export
43.5 Mn T of oils &
fats in 2012/13,**

**.. thus accounting for
57% of total world
exports all oils &
fats this season.**

17 Oils & Fats: Exports of Major Countries (Mn T)



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Concluding Statements

- The global dependence on palm oil will continue to rise in the years ahead owing to insufficient production of other oils & fats
- Palm oil has competitive advantages over other oils and fats, e.g. much higher yields and lower production costs
- Palm oil is generally priced at quite sizeable discounts versus other oils & fats
- Higher investments are necessary to raise oil palm plantings and yields to get ready for rising palm oil demand in the future
- But this has to be done in a sustainable way, in line with the regulations of the Round Table of Sustainable Palm Oil (RSPO)



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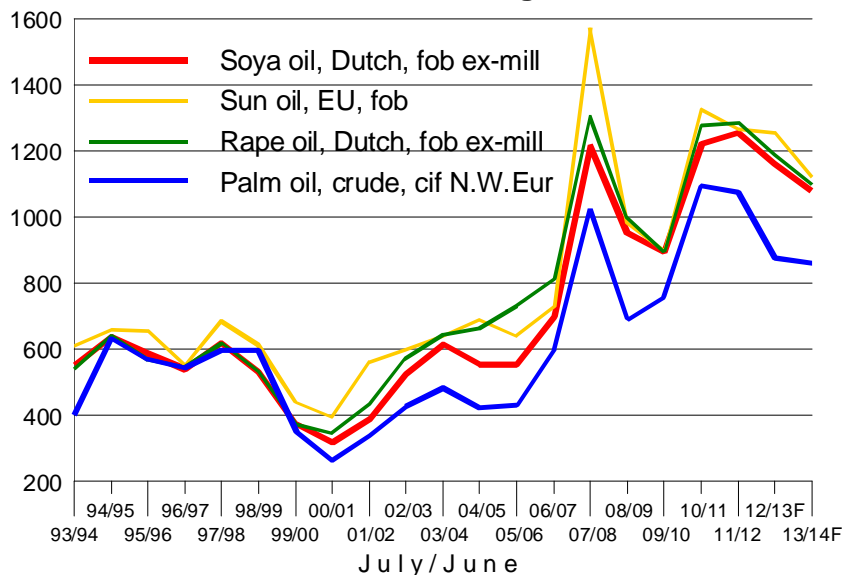
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Prices of most vegetable oils to fall to a 4-year low in July/June 2013/14

**RBD Palm olein to \$ 840
Arg soya oil to \$ 980**

**In Rotterdam:
Crude palm oil \$ 860
Soya oil \$ 1050
Sunflower oil \$ 1100
Rapeseed oil \$ 1100**

MAJOR OILS : Annual Average Prices US-\$/T



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