

Global Oils & Fats Market and Price Outlook

Thomas Mielke, Presentation at POTS on 16 Oct 2012.

The world market will get increasingly dependent on palm oil in Oct/Sept 2012/13, when the growth in world consumption of palm oil is likely to accelerate to at least 3.7 Mn T. This is due to insufficient supplies of seed oils (primarily of sun oil, rape oil and soya oil).

Palm oil prices are beginning to recover from undervalued territory. Although we assume a slowing-down of the growth in total world consumption of oils & fats (economic crisis and slower off-take for biodiesel), there will be a production deficit worldwide in all oils & fats, resulting in a decline in stocks and an appreciation of vegetable oil prices in 2013.

Prices of crude and processed palm oils recovered by US-\$ 20-40 per tonne at various locations during the week ended Oct 11, thus partly correcting the recent price setback which was overdone. Although palm oil stocks in Malaysia and Indonesia are currently unusually large, we expect an additional price recovery in the medium term. Its timing and magnitude will depend on consumer reaction to the very attractive palm oil prices (both in the food and the energy sector) and their buying policies.

In Europe crude palm oil has fallen by US-\$ 10-20 per tonne below Brent crude oil lately. This is an unusual occurrence which has considerably improved the price competitiveness of palm oil for energy consumption. The development of daily prices of crude palm oil in Rotterdam and of Brent crude oil is shown in the graph.

Furthermore, palm oil has significantly improved its price competitiveness in the food sector with record discounts relative to soya oil. RBD palm olein (fob Malaysia) had recently dropped to around US-\$ 790-800 and recovered to US-\$ 835 for nearest forward shipment on Oct 11, which was still US-\$ 245 below Argentine soya oil and US-\$ 254 below Brazilian soya oil (fob). The palm oil price discounts vis-a-vis sunflower oil and rapeseed oil were even larger.

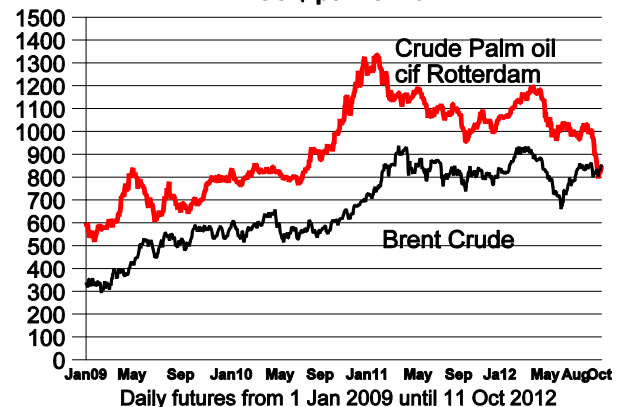
Consumers will probably take advantage of the current attractive palm oil prices which are below the fundamentally justified level, while exporters are ready sellers owing to their currently unusually large stocks. The prospective sizable declines in world export supplies of sunflower oil, rapeseed oil and soybean oil will considerably raise the global dependence on and the demand for palm oil in Oct/Sept 2012/13. The current very attractive palm oil prices give an incentive to switch already now. However, the approaching wintry conditions in the consuming areas of the northern hemisphere are partly seen as a limiting factor for palm oil.

More Sharply Rising Demand for Palm Oil in Oct/Sept 2012/13

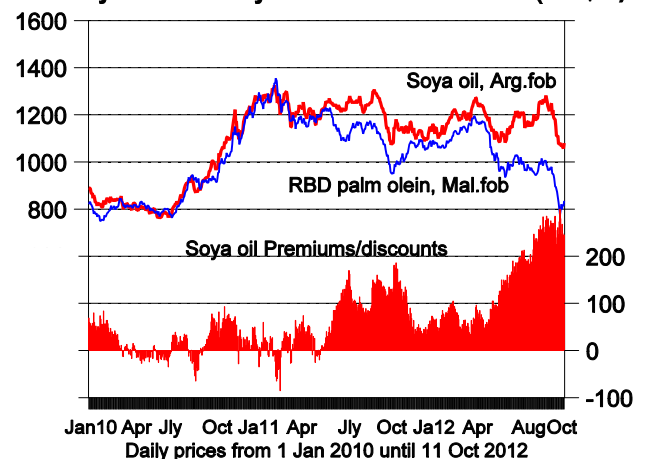
Global demand prospects for palm oil have improved. For Oct/Sept 2012/13 we now forecast world palm oil consumption to increase by 3.70 Mn T, thus considerably exceeding the year-on-year growth of 2.63 Mn T registered in the past 12 months.

We also expect a sizable recovery of world exports. In April/Sept 2012 palm oil exports fell short of expectations, reaching only 19.3 Mn T, down 0.9 Mn T from a year earlier. This contributed to the accumulation of combined palm oil stocks in Malaysia and Indonesia to a record high at the end of September 2012.

**Daily Prices of Crude Palm Oil & Brent Crude
in US-\$ per Tonne**



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



One of the reasons for the poor export performance of palm oil in the past six months is to be seen in the unusually large global exports of sunflower oil which increased by 1.3 Mn T or 53% and another reason in the decline of biodiesel production in the EU-27.

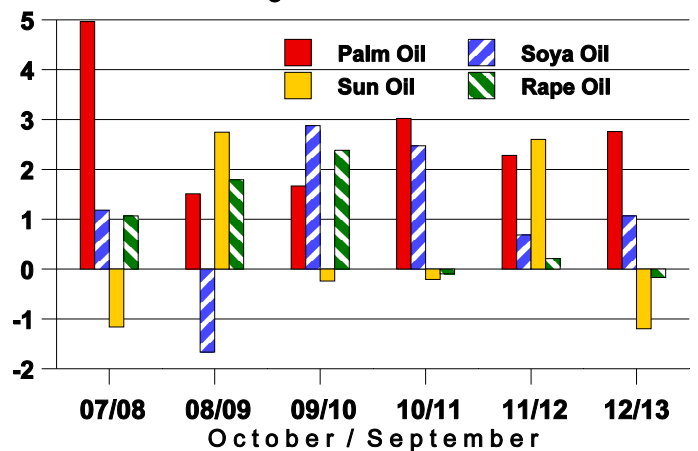
But in Oct/Sept 2012/13 the prospective sizable decline in world exports of sunflower, rapeseed and soybean oils by a combined 1.1 Mn T will contribute to a demand shift in favour of palm oil. The current unusually large price discounts of crude and processed palm oils relative to other vegetable oils and tallow will stimulate a demand shift in favour of palm oil not only in the food sector but also in the oleochemical industry and for energy purposes. In the table we summarize our current export estimates for the 4 major vegetable oils for 2012/13. The anticipated growth in palm oil exports by 2.3 Mn T is probably still conservative, but in any case it will be above average.

4 VEGETABLE OILS : World Exports (Mn T)

	October / September						Apr/Sept	
	12/13F	11/12	10/11	09/10	08/09	07/08	2012	2011
Soybean oil	8.97*	8.92*	10.01	9.37	9.59	11.19	4.91*	5.07
Rapeseed oil	4.00*	4.15*	3.62	3.05	2.67	2.18	2.02*	1.77
Sunseed oil	6.15*	7.15*	4.86	4.78	5.25	3.73	3.74*	2.44
Sub-Total	19.12*	20.22*	18.49	17.20	17.52	17.10	10.68*	9.28
Palm oil	42.57*	40.24*	38.02	36.66	35.64	32.85	19.30*	20.19
Grand total	61.69*	60.46*	56.51	53.86	53.15	49.95	29.98*	29.47

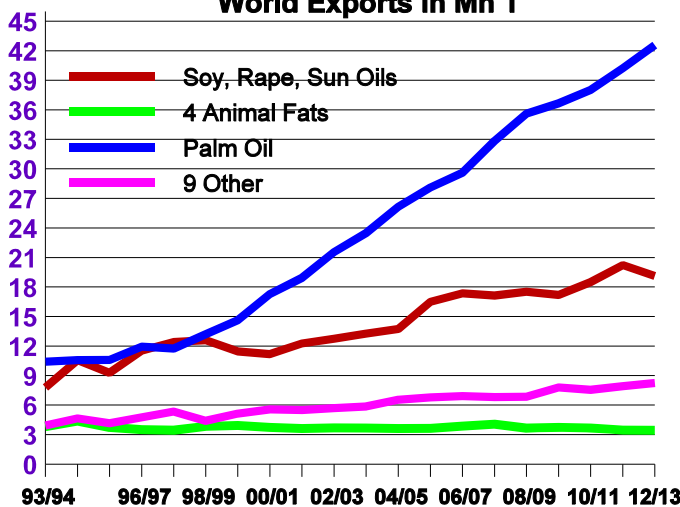
World Production of 4 Major Oils

Change on Year in Mn T

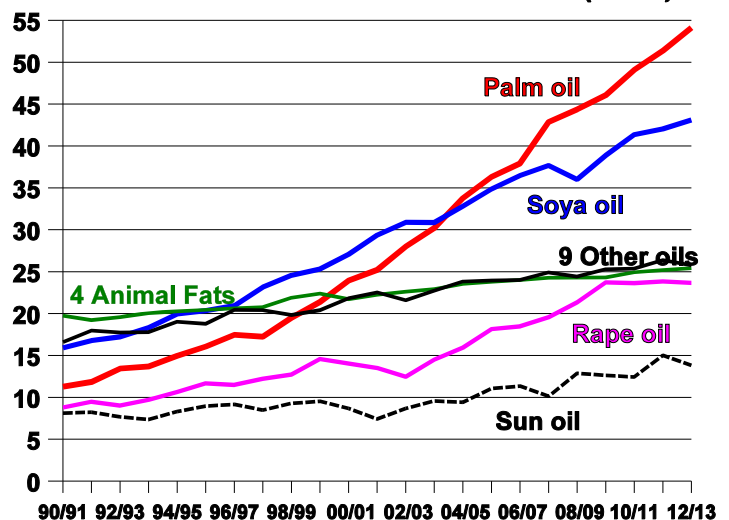


17 Oils & Fats

World Exports in Mn T



17 Oils & Fats: World Production (Mn T)



Palm oil can satisfy sizably increasing world demand also in 2012/13. With stocks in Malaysia and Indonesia record large at the beginning of October 2012 and production rising sharply at least in the first 6-9 months of the new season, world supplies of palm oil will be ample. This will keep palm oil at a sufficiently attractive price discount relative to soya oil, other vegetable oils and tallow, triggering considerably stronger demand from consumers in the food and non-food industries.

Since 2004 palm oil has become the most dominant vegetable oil produced worldwide, sharply exceeding soybean oil. For Oct/Sept 2012/13 we estimate world palm oil production at 54.1 Mn T . This is 11 Mn T above the projected world soya oil output of 43.1 Mn T, with details given in the Graph.

The Outlook for 17 Oils & Fats

In our latest forecast we expect a production deficit to develop for 17 oils & fats in Oct/Sept 2012/13, primarily due to developments in sun oil, rape oil and soya oil.

It is the first season in 20 years in which combined world production of the 10 seed oils will not increase. We estimate combined production to reach 101.0 Mn T in Oct/Sept 2012/13, down fractionally by 0.3 Mn T from a year earlier and in contrast to an average annual growth of 3.3 Mn T during the preceding five years. Sunflower oil is likely to suffer a decline by at least 1.2 Mn T from the record 15.0 Mn T achieved last season. Production of rape oil will probably decline by at least 0.2 Mn T. Some reductions are also likely to occur in cotton oil and groundnut oil.

These declines cannot be offset by the prospective recovery of 1.1 Mn T in soya oil in the full season as well as somewhat higher production of coconut oil and palmkernel oil. The decline in world seed oil production will be even more pronounced in the first half of the 2012/13 season when world crushings of soybeans are seen declining by at least 3 Mn T (seed equivalent).

World palm oil production exceeded expectations in July/Sept 2012, mainly on account of Indonesia and Malaysia and is likely to remain unusually high also in Oct/Dec 2012, bringing their total for July/Dec 2012 to an estimated 28.8 Mn T, which is equivalent to an unusually high share of 55.1% of world production this calendar year.

According to our latest estimates world palm oil production in July/Dec 2012 is likely to be up 5.2 Mn T from Jan/June 2012 and 1.5 Mn T from July/Dec 2011. This is mainly on account of Indonesia for which we now expect crude palm oil output to reach a new high of 26.0 Mn T in calendar year 2012, while Malaysian production is seen shrinking to 18.5 Mn T.

The year-on-year increase in world palm oil production is likely to slow in April/Sept 2013, mainly on account of Indonesia. For the full season Oct/Sept 2012/13 we estimate world production at 54.1 Mn T, up 2.8 Mn T from a year earlier.

In summary, our current forecast for 17 oils & fats points to a global production growth of only 2.0 Mn T this season, substantially trailing the year-on-year increases of 7.2 Mn T in Oct/Sept 2011/12 and 6.0 Mn T in 2010/11.

World consumption growth has considerably slowed down, primarily on account of latest developments in the biodiesel industry. In the OIL WORLD WEEKLY of October 5 we highlighted this topic, pointing out that biodiesel production in Brazil is set to decline sizably this year. In Argentina biodiesel producers have also cut back owing to deteriorated export prospects in Oct/Dec 2012 as well as unattractive domestic sales prices for biodiesel. Also in the USA production has slowed down since August after it had been sharply above last year's level in Jan/July 2012. In the European Union biodiesel production declined from a year earlier in April/Sept, curbing imports and usage of oils & fats.

In our preliminary forecast we expect total world consumption of 17 oils & fats to increase by only 4.5-4.8 Mn T this season, considerably trailing the year-on-year increases of 6.0 Mn T last season and 6.2 Mn T in 2010/11.

Insufficient production will result in a sizable decline of world stocks in the 2012/13 season. The stocks/usage ratios are likely to shrink, primarily for soya oil but also for sunflower oil, rapeseed oil and palm oil. This is at first a supportive and later bullish factor for vegetable oil prices, resulting in price strength, primarily from January 2013 onward.

Price outlook: We expect a pronounced recovery in palm oil prices within the next 6-8 months. The price strength will mainly be derived from spill-over tightness of other vegetable oils (primarily sun oil, soya oil and rape oil) resulting in accelerating world demand for palm oil. Palm oil production in Malaysia and Indonesia will start declining seasonally from November. Due to the prospective larger export demand, we at OIL WORLD do not expect a further accumulation of palm oil stocks in November and December. Stocks of palm oil and other vegetable oils are seen declining sizably in Jan/March 2013.

We at OIL WORLD expect an increase in crude palm oil futures at the Bursa Malaysia Derivatives to about 3300 ringgit until around March or April 2013.

PALM OIL : World Production by Country (Mn T)

	<u>2012F</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Malaysia	18.47*	18.91	16.99	17.57	17.73	15.82
Indonesia	26.00*	24.00*	22.10	21.00	19.40	17.42
Colombia	.97*	.94	.75	.80	.78	.73
Thailand	1.62*	1.53*	1.38	1.31	1.30	1.05
Oth ctrs.	5.22*	5.04	4.61	4.59	4.32	4.01
WORLD	52.28*	50.42	45.83	45.27	43.53	39.03
<i>Change(Mn T)</i>	<i>+1.86*</i>	<i>+4.59</i>	<i>+0.56</i>	<i>+1.74</i>	<i>+4.50</i>	<i>+1.60</i>

Huge Upward Revision of US Soybean Production by 6.2 Mn T or 8.6% from a Month Earlier Provides Some Relief

However, world supplies of soybeans will still decline by 27 Mn T from a year earlier in Sept/Febr 2012/13. – South American weather problems delay plantings, creating a new risk factor to watch.

US Oilseed Production Estimate Revised Upward

On October 11 the USDA took most market participants by surprise by announcing an upward revision of this year's US soybean crop to 2860 Mn bu or 77.8 Mn T, 3.5% above average market expectations and an impressive 8.6% above a month earlier. The upward revision of 6.2 Mn T from September 12 was really significant, increasing US export availability of soybeans and products.

Still, US as well as the world supplies of soybeans and products will be very tight in the first half of this season. But the rationing job has become less difficult – a scenario the futures markets had already discounted in the form of significant price setbacks ahead of the report. In fact, the price setbacks in soybean and product futures, mainly caused by heavy long liquidation, had been overdone, creating oversold conditions.

The USDA made upward revisions in the soybean planted area by 0.5 Mn ha and in the harvested area by 0.4 Mn ha and raised the average soybean yield to 37.8 bu/acre (from 35.2 a month earlier), though it is still trailing the 41.9 bu/acre last year and 43.5 two years ago.

Despite last week's upward revision of the US soybean crop, total US supplies will still be down sizably by 7 Mn T from the already reduced level of last season and will be still at a 10-year low.

With US soybean harvest pressure subsiding, we expect soybean prices to bottom and recover in coming weeks to ensure sufficient demand-rationing in Sept/Febr 2012/13. The market will increasingly focus on weather developments, planting progress and production prospects in South America in the weeks and months to come.

U.S.A. : Production of 6 Oilseeds (Mn T)

	USDA estimates		11/12	10/11	09/10
	Oct11	Sept12			
	12/13	12/13			
Soybeans . .	77.84	71.69	84.19	90.61	91.42
Cottonseed .	5.32	5.27	4.87	5.53	3.76
Gr'dnuts(a) .	2.08	2.01	1.24	1.41	1.26
Sunfl.seed .	1.12	1.14	.92	1.24	1.38
Canola (b) . .	1.13	1.09	.70	1.11	.67
Flaxseed . . .	.14*	.14	.07	.23	.19
Total	87.63	81.34	92.00	100.14	98.67

Shortage of World Soybean Supplies in Sept/Febr 2012/13

Despite the upward revision of the US soybean crop (released on October 11), world soybean supplies will still decline by 27 Mn T from a year ago in Sept/Febr 2012/13. Supplies are not as tight as anticipated a month earlier (down 32 Mn T, mainly on account of an underreported US soybean crop) but demand-rationing will still be necessary worldwide. The USA will not be able to fully offset the severe supply shortage in South America where exports are likely to fall by around 8 Mn T from last year in Sept/Febr 2012/13. The year-on-

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

	September / August					March / Aug		September / February				
	12/13F	11/12	10/11	09/10	08/09	2013F	2012	12/13F	11/12	10/11	09/10	08/09
Op. stocks . .	4.61	5.85	4.11	3.76	5.58	29.80*	40.00*	4.61	5.85	4.11	3.76	5.58
Crop	77.84	84.19	90.61	91.42	80.75	-	-	77.84	84.19	90.61	91.42	80.75
Imports . . . .	.76*	.46	.42	.43	.38	.51*	.30	.25*	.17	.24	.25	.20
Exports	33.50*	37.09	40.87	40.83	34.84	6.70*	12.60	26.80*	24.49	31.81	31.54	23.68
Crushings . . .	43.30*	46.43*	44.85*	47.67	45.23	19.85*	23.05*	23.45*	23.38*	23.77	25.56	22.92
Other use . . .	2.82*	2.37*	3.56*	3.00	2.88	.16*	.04*	2.65*	2.33*	3.36*	2.82*	2.82**
End. stocks . .	3.60*	4.61	5.85	4.11	3.76	3.60*	4.61	29.80*	40.00*	36.00*	35.50*	37.10**
Stocks/usage	4.5%	5.4%	6.6%	4.5%	4.5%	4.5%	5.4%					

year decline could be even larger considering the current planting delays which will result in correspondingly later soybean harvesting in early 2013.

We now estimate US soybean exports to increase by 2.3 Mn T from last year to 26.8 Mn T in Sept/Febr 2012/13. They almost doubled from last year to 2.5 Mn T in September and we expect shipments to accelerate in October and November, driven by strong import demand from China and other destinations, primarily as a result of the demand shift caused by insufficient South American supplies.

US soybean exports and crushings sizably above our current estimates in the first six months of this season would jeopardize satisfaction of interior demand in the second half of the US season, particularly from the US crushing industry and the soya meal and oil consumers. According to our current estimates, US soybean stocks are likely to be unusually small at 29.8 Mn T as of end-February 2013.

Global Soybean Production Prospects Will Now Largely Depend on The Weather in South America

We currently estimate world production of soybeans at 269.4 Mn T in 2012/13, implying an upward revision of 5.7 Mn T from a month earlier, mainly on account of the USA.

This is a sharp increase from the drought-reduced production level of 239.7 Mn T last season. However, the sharply reduced opening stocks will limit the growth of world supplies to 9.5 Mn T.

There is an increasing risk that unfavourable weather conditions in South America will hinder the record soybean planting intentions. In fact, there have been considerable delays in sowings in major Brazilian growing areas. It is still early in the season but further developments must be watched closely.

Weather anomalies are again experienced in South America. The net impact on grain and oilseed crops is still unclear, but unusual weather developments have prevented a timely start of summer crop plantings in many parts of South America. Too much rainfall was again observed in several major growing areas of Argentina as well as Uruguay and southern Brazil, inundating fields and making fieldwork impossible. This has delayed the start of plantings.

There are some forecasts that major agricultural areas of Argentina will receive sharply above-normal rainfall in Oct/Dec 2012 owing to a change in climatic conditions which meteorologists explain by the persisting El Niño phenomenon in that region.

This could result in lower than intended combined plantings of grains and oilseeds. It is still early in the season and time for weather improvement. There is a possibility that smaller than intended grain plantings could finally result in larger than intended soybean plantings, if conditions improve in Nov and Dec.

Some sources indicate that the unusually wet conditions have increased the risk of diseases in the affected areas of Argentina, Uruguay and southern Brazil.

In contrast, in central Brazil (primarily Mato Grosso, Mato Grosso do Sul and Goias) the start of soybean plantings is delayed by very dry conditions. Some beneficial rainfall is now expected to arrive in that region in the near term, which is good news. But follow-up rainfall is required and some forecasts indicate that it may become somewhat drier again in the last week of October.

SOYBEANS : World Supply and Demand (Mn T)				
	12/13F	11/12	10/11	09/10
Opening stocks	55.43*	75.70	65.00	44.50
Production	269.44*	239.67*	264.79	259.96
N. Hemisphere	115.91*	122.34*	128.11	125.68
EU-27	1.04*	1.27	1.11	.95
Russia&Ukraine	4.33*	3.96*	2.99*	1.99
Canada	4.28	4.25	4.35	3.51
U.S.A.	77.84	84.19	90.61	91.42
China, P.R.	12.50*	13.60*	15.08	14.98
India	11.30*	10.50*	9.50*	8.40*
Other N. Hem..	4.62*	4.57*	4.47	4.43
S. Hemisphere	153.53*	117.33*	136.68*	134.28
Argentina	56.00*	40.50*	49.20*	53.80*
Brazil	82.00*	66.38	75.32	68.69
Paraguay	8.60*	4.50*	7.38*	7.10*
Other S. Hem..	6.93*	5.95*	4.78	4.69
Total supply	324.87*	315.37*	329.79	304.46
Crush (Sep/Aug) .	230.00*	227.03*	221.63	207.93
Other use	34.87*	32.91*	32.46	31.53
Ending stocks	60.00*	55.43*	75.70	65.00
U.S.A. Aug 31	3.60*	4.61	5.85	4.11
Argentina Aug31	22.25*	19.46*	26.10*	25.05*
Brazil Aug 31	20.75*	14.91*	26.15*	18.66*
Other countries	13.40*	16.45*	17.60*	17.18*
Stocks/usage	22.7%	21.3%	29.8%	27.1%

Insufficient Supplies Will Enforce a Decline in World Crushings of 10 Oilseeds by 5 Mn T from a Year Earlier in Sept/Febr 2012/13

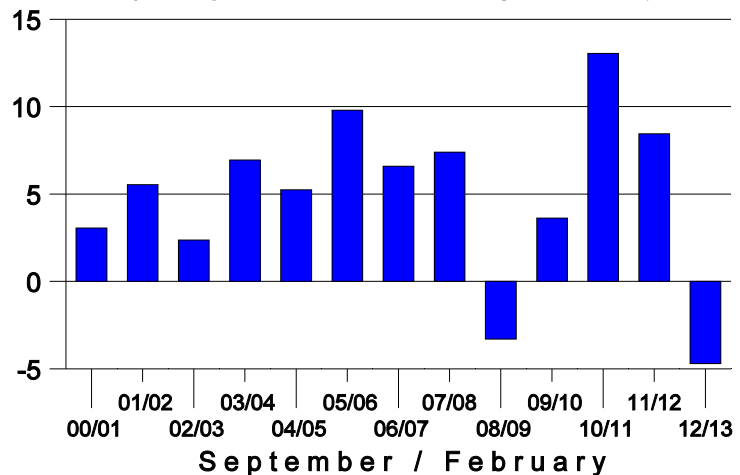
The decline in soybeans is estimated at 3.5 Mn T (against an increase of 2.8 Mn T a year ago), while processing of 9 other oilseeds (taken as a group) is now expected to decline by 1.2 Mn T (against an increase of 5.7 Mn T a year ago). This will also reduce world production of seed oils as well as oilseed meals accordingly. In the case of meals the stocks are insufficient to offset the production decline, which will necessitate a year-on-year demand rationing.

In the case of oils & fats the prospective decline in seed oil production in Sept/Febr 2012/13 will be cushioned by relatively large world stocks as well as a sizable increase in world palm oil production. Still, it will contribute to a slowing-down of the growth of world supplies of oils & fats and trigger a cutback of stocks, primarily in early 2013, resulting in higher prices.

A summary of our world supply & demand estimates of 10 oilseeds is given in the table. On the supply side the prospective increase in world production of 10 oilseeds by 25 Mn T will be largely offset by a decline of 22 Mn T in opening stocks. As a result, world supplies of 10 oilseeds will rise only slightly by 3.0 Mn T or 0.6% for the full season 2012/13. However, as we pointed out above, the first half of the season will still be characterized by a sizable decline in supplies. Supply relief will only be noticed in the second half of the season, but weather conditions will be a major uncertainty to watch as it will largely determine South American oilseed production in early 2013.

Insufficient supplies will curb world consumption of 10 oilseeds to probably only 460 Mn T in 2012/13, according to our current estimate. This is 1.0 Mn T below last season. The prospective increase in soybeans will be more than offset by reductions in the consumption of rapeseed, sunflowerseed, cottonseed and other oilseeds.

World Crushings of 10 Oilseeds (Mn T)
(Change in Sept/Febr from a year earlier)



10 OILSEEDS: World Supply and Demand (Mn T)

	Forecast									
	2012/13F	Change to 11/12	11/12	10/11	09/10	08/09	07/08	06/07	05/06	04/05
Opening stocks	67.2*	-22.1	89.3	78.4	58.8	69.8	83.3	72.9	64.5	48.1
Production	464.1*	+25.1	439.0*	454.2	444.1	395.8	390.6	408.0	385.0	371.5
<i>thereof soybeans</i>	269.4*	+29.7	239.7*	264.8	260.0	211.4	220.3	237.5	222.4	216.6
<i>Sunseed</i>	36.4*	-3.0	39.4*	33.6	33.3	34.9	29.0	30.5	30.8	26.5
<i>Rapeseed</i>	60.5*	+0.6	59.9*	60.8	61.3	58.3	48.7	47.6	49.3	46.2
<i>Oth. oilseeds (b)</i>	97.8*	-2.2	100.0*	95.0	89.5	91.2	92.6	92.4	82.5	82.2
Total supplies . . .	531.3*	+3.0	528.3*	532.6	502.9	465.6	473.9	480.9	449.5	419.6
Disappearance . .	460.1*	-1.0	461.1*	443.3	424.5	406.9	404.1	397.6	376.6	355.2
<i>thereof soybeans</i>	264.9*	+5.0	259.9*	254.1	239.5	226.2	232.4	225.4	215.4	205.1
<i>Sunseed</i>	36.8*	-2.6	39.4*	33.3	34.2	34.5	28.2	31.2	30.5	26.4
<i>Rapeseed</i>	60.5*	-1.2	61.7*	61.6	61.0	55.6	50.7	48.6	48.4	42.9
<i>Oth. oilseeds (b)</i>	97.9*	-2.2	100.1*	94.3	89.8	90.6	92.8	92.4	82.3	80.8
Ending stocks . . .	71.2*	+4.0	67.2*	89.3	78.4	58.8	69.8	83.3	72.9	64.5
<i>thereof soybeans</i>	60.0*	+4.6	55.4*	75.7	65.0	44.5	59.4	71.5	59.3	52.3
<i>Sunseed</i>	2.0*	-0.4	2.4*	2.4	2.1	3.0	2.6	1.8	2.5	2.2
<i>Rapeseed</i>	5.1*	+/- 0	5.1*	6.9	7.7	7.3	4.3	6.3	7.3	6.4
<i>Oth. oilseeds</i> . .	4.1*	-0.2	4.3*	4.3	3.6	4.0	3.5	3.7	3.8	3.6
Stocks/usage(a)	15.5%		14.6%	20.1%	18.5%	14.4%	17.3%	21.0%	19.4%	18.1%
<i>thereof soybeans</i>	22.7%		21.3%	29.8%	27.1%	19.7%	25.6%	31.7%	27.5%	25.5%

(a) Stocks in % of annual disappearance. (b) Groundnuts (shelled), cottonseed, sesameseed, palmkernels, copra, linseed and castorseed.

Concluding Remarks

Palm oil has experienced an unprecedented success story during the past 30 years. World production more than doubled every ten years from 4.6 Mn T in calendar year 1980 to 11.0 Mn T in 1990 and 21.9 Mn T in Jan/Dec 2000. A further steep increase to 45.8 Mn T was registered in 2010.

In Jan/Dec 2011 world palm oil output reached 50.4 Mn T and thus accounted for 28% of world production of 17 oils & fats and for 57% of world exports. This is a clear confirmation of the importance of palm oil in satisfying consumer demand worldwide.

It is interesting to realize that in 2011 oil palms covered only about 6% of the global harvested area of all oilseeds. This is a clear confirmation of the outstanding palm oil yields per hectare, far exceeding yields obtained in soybeans, sunflowerseed, rapeseed and other oilseeds.

Consumers worldwide will become even more dependent on palm oil in the years ahead. In our long-range study we estimate that world demand for palm oil will rise to around 78 Mn T in 2020. This requires a substantial increase in world production of an average 3.1 Mn T per annum in the 9 years until 2020, which can only be accomplished if additional efforts are being made in Malaysia, Indonesia and other countries to further bring about additional pronounced increases in new oil palm plantings. Furthermore, it is of great importance to accomplish better yields by improving management practices and breeding and to apply better inputs. Also, there will be increasing replanting requirements in the years ahead.

Finally, I would like to ensure you that it will be my pleasure to be of assistance, in case you require additional information on supply, demand and prices of palm oil, other oils & fats, oilseeds and meals. It will be my pleasure to be of service to you.

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15 October 2012

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PALM OIL : World Production with Breakdown by Major Countries

(Mn T)	<i>Projections</i>		<i>Actual Data</i>				
	<u>2020F</u>	<u>2015F</u>	<u>2011</u>	<u>2010</u>	<u>2005</u>	<u>2000</u>	<u>1995</u>
Production							
Malaysia	24.00*	21.40*	18.91	16.99	14.96	10.84	7.81
Indonesia	41.00*	31.50*	24.00*	22.10*	14.10	7.05	4.22
Nigeria	1.33*	1.12*	.93*	.89*	.80	.74	.66
Colombia	1.57*	1.26*	.94	.75	.67	.52	.39
Thailand	2.90*	2.10*	1.53*	1.38*	.70	.53	.35
Oth ctrs.	<u>7.20*</u>	<u>5.42*</u>	<u>4.11*</u>	<u>3.72</u>	<u>2.87</u>	<u>2.33</u>	<u>1.77</u>
WORLD	78.00*	62.80*	50.42	45.83	34.10	22.01	15.20

Global Oils & Fats Market and Price Outlook

The world market will get increasingly dependent on palm oil in 2013.
(Video Presentation at POTS in Kuala Lumpur on Oct 16, 2012)

**Thomas Mielke, Executive Director of ISTA Mielke GmbH,
Global Market Research on Oilseeds, Oils and Meals,**

E-mail <Thomas.Mielke@oilworld.de>



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Thomas Mielke

Who is OIL WORLD?

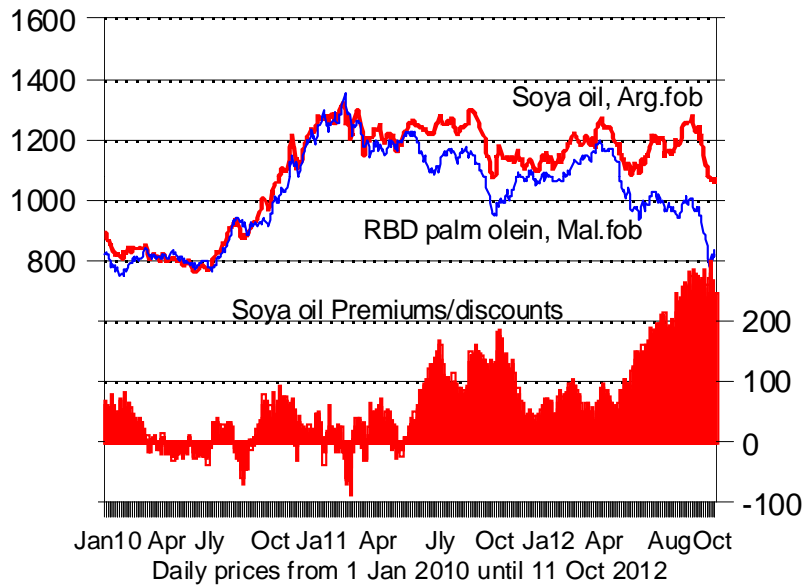
- **ISTA** Mielke GmbH – publisher of OIL WORLD
- was founded in 1958
- **ISTA = International Statistical Agricultural Information**
- Independent, not involved in trading
- Leading private authority for global research and market analyses for oilseeds, oils & fats and oilmeals
- unbiased information on the past and current global supply, demand and price developments as well as forecasts
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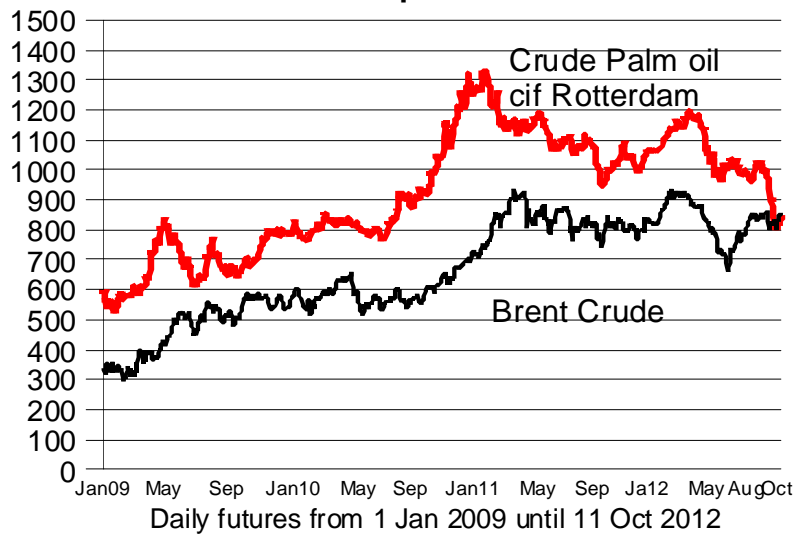
Daily Prices of Soya Oil & RBD Palm Olein (US-\$/T)



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Daily Prices of Crude Palm Oil & Brent Crude in US-\$ per Tonne



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U.S.A. : Production of 6 Oilseeds (Mn T)

	USDA estimates		11/12	10/11	09/10
	Oct11 12/13	Sept12 12/13			
Soybeans . . .	77.84	71.69	84.19	90.61	91.42
Cottonseed .	5.32	5.27	4.87	5.53	3.76
Gr'dnuts(a) .	2.08	2.01	1.24	1.41	1.26
Sunfl.seed . .	1.12	1.14	.92	1.24	1.38
Canola (b) . .	1.13	1.09	.70	1.11	.67
Flaxseed14*	.14	.07	.23	.19
Total	87.63	81.34	92.00	100.14	98.67

(a) 75% of unshelled. (b) Incl. rapeseed.



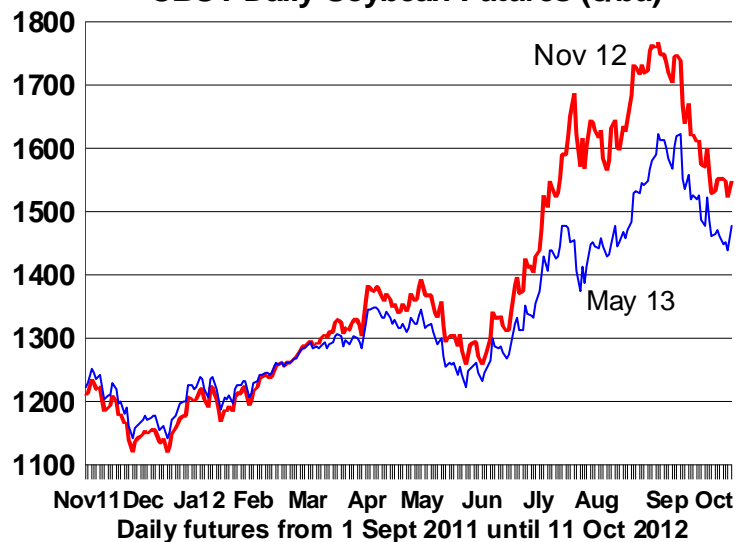
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The global tightness since Aug 2012 explains the inverted structure of soybean futures (see Graph).

There will be unusually small US and World Soybean Stocks in early 2013 when the new South American crop starts arriving.

CBOT Daily Soybean Futures (c/bu)



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

September / August

	12/13F	11/12	10/11	09/10	08/09
Op. stocks .	4.61	5.85	4.11	3.76	5.58
Crop	77.84	84.19	90.61	91.42	80.75
Imports . . . .	.76*	.46	.42	.43	.38
Exports	33.50*	37.09	40.87	40.83	34.84
Crushings . . .	43.30*	46.43*	44.85*	47.67	45.23
Other use . . .	2.82*	2.37*	3.56*	3.00	2.88
End. stocks.	3.60*	4.61	5.85	4.11	3.76
Stocks/usage	4.5%	5.4%	6.6%	4.5%	4.5%



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Already 80% of the total US soybean export availability may already be shipped out until end-Febr 2013. This leaves only 6.7 Mn T for export in March/Aug 2013, a record low.

The tightness in Sept/Febr 12/13 contrasts with the situation 4 years earlier, when the USA boosted soybean production in response to the drought and crop damage in S. America and was thus able to export a much larger quantity of soybeans in Sep/Febr 2009/10.

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

March / Aug September / February

	2013F	2012	12/13F	11/12	10/11	09/10	08/09
Op. stocks .	29.80*	40.00*	4.61	5.85	4.11	3.76	5.58
Crop	-	-	77.84	84.19	90.61	91.42	80.75
Imports . . . .	.51*	.30	.25*	.17	.24	.25	.20
Exports	6.70*	12.60	26.80*	24.49	31.81	31.54	23.68
Crushings . . .	19.85*	23.05*	23.45*	23.38*	23.77	25.56	22.92
Other use16*	.04*	2.65*	2.33*	3.36*	2.82*	2.82*
End. stocks.	3.60*	4.61	29.80*	40.00*	36.00*	35.50*	37.10*
Stocks/usage	4.5%	5.4%					



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South American Soybean Production is set to increase steeply by 36 Mn T to a record 152 Mn T in early 2013, assuming normal weather and a substantial increase in plantings by at least 4.5 Mn ha.

SOYBEANS: Output in 5 S. American Ctries (Mn T)

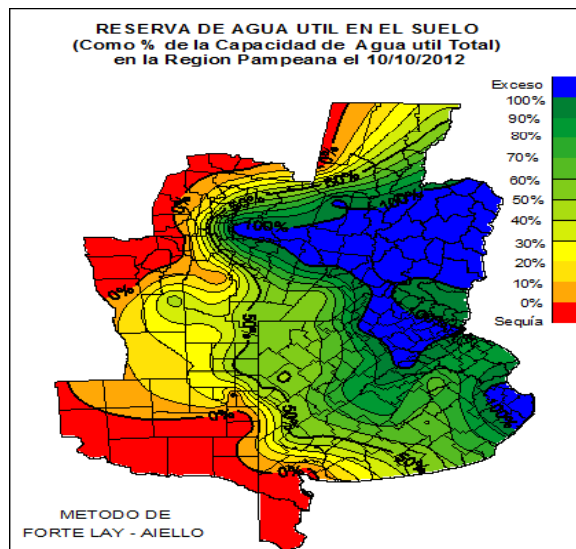
	2013F	2012	2011	2010	2009
Brazil	82.00*	66.40	75.32	68.69	57.17
Argentina	56.00*	40.50*	49.20*	53.80*	31.50*
Paraguay .	8.60*	4.50*	7.38*	7.10*	4.15
Bolivia . . .	2.45*	2.37	1.78*	1.65*	1.62
Uruguay . .	3.10*	2.40*	1.83*	2.00*	1.17
Total	152.15*	116.17	135.51	133.24	95.60



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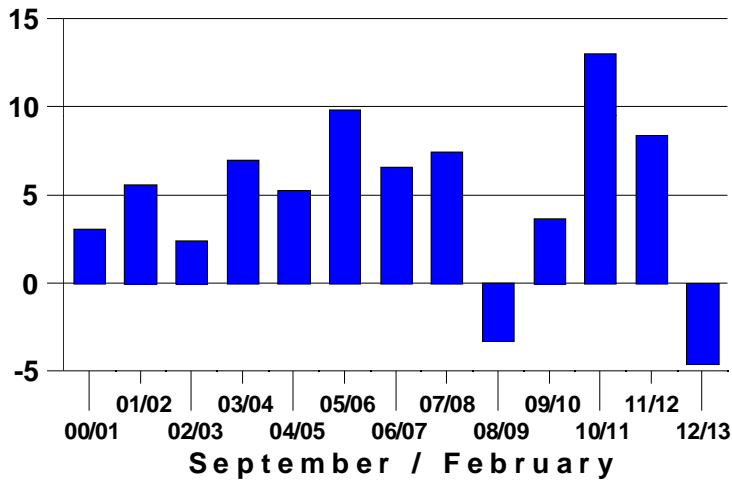
Anomaly of water reserve in soil in the Pampas Region in Argentina (as of October 10, 2012 versus average)



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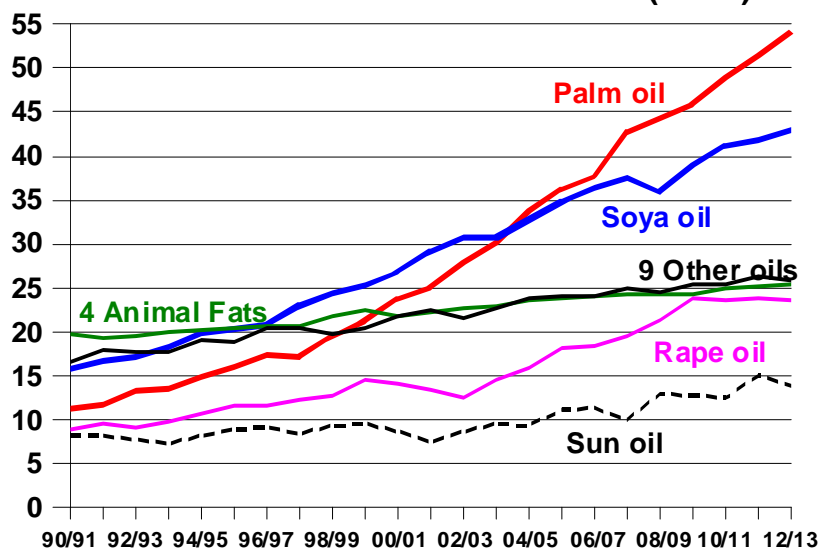
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World Crushings of 10 Oilseeds (Mn T) (Change in Sept/Febr from a year earlier)



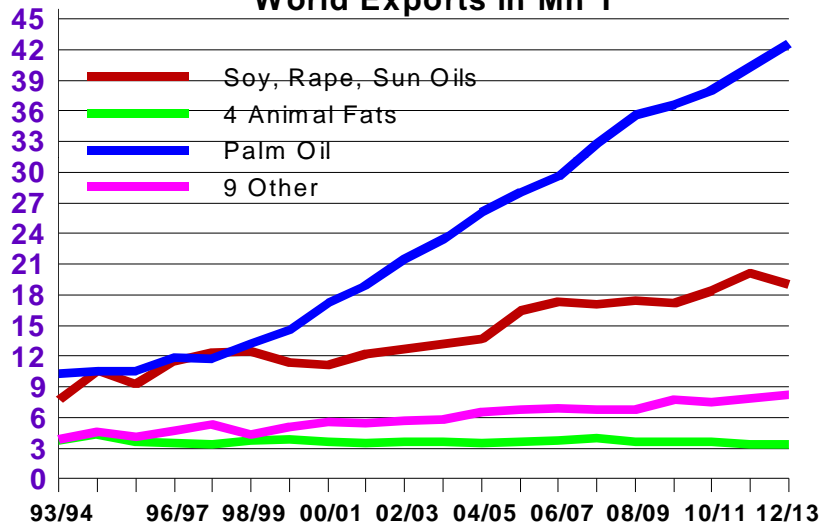
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17 Oils & Fats: World Production (Mn T)



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17 Oils & Fats World Exports in Mn T



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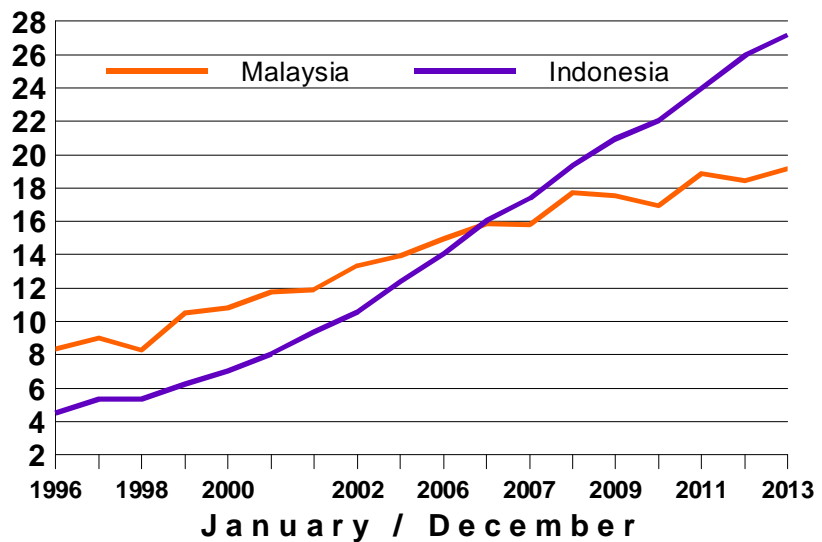
Palm oil output:

=====

In 2012 production in
Malaysian falling
0.4 Mn T to 18.5

But seen rising in
Indonesia up by
2.0 Mn to 26.0 Mn

Palm Oil Production in Key Countries (Mn T)



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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: 45.9 Mn T or 27% (only 6% of area)
- In 2011: 50.4 Mn T or 28% (57% of exports)
- In 2012: 52.3 Mn T (Malaysian output declining)
- In 2020 at least 78 Mn T of palm oil required by consumers worldwide



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Increasing Global Dependence on Palm Oil

PALM OIL : World Production with Breakdown by Major Countries

(Mn T) <u>Production</u>	<i>Projections</i>		<i>Actual Data</i>				
	2020F	2015F	2011	2010	2005	2000	1995
Malaysia	24.00*	21.40*	18.91	16.99	14.96	10.84	7.81
Indonesia	41.00*	31.50*	24.00*	22.10*	14.10	7.05	4.22
Nigeria	1.33*	1.12*	.93*	.89*	.80	.74	.66
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Thailand	2.90*	2.10*	1.53*	1.38*	.70	.53	.35
Oth ctrs.	<u>7.20*</u>	<u>5.42*</u>	<u>4.11*</u>	<u>3.72</u>	<u>2.87</u>	<u>2.33</u>	<u>1.77</u>
WORLD	78.00*	62.80*	50.42	45.83	34.10	22.01	15.20



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It will be my pleasure to assist whenever possible.



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