



Palm Oil Scenario

Globe Oil New Delhi

2nd February 2017

STIMULATES LOCAL ECONOMIES



Grows best around the equator

Palm oil creates jobs: 1 worker per 8ha

Indonesia & Malaysia provide 85% of the world production

THE PALM OIL STORY

THE MOST WIDELY USED VEGETABLE OIL IN THE WORLD

From the fruits of a palm oil tree

From a tropical climate



Each fruit contains 30-35% oil

A palm tree produces 40 kg of oil every year

Harvested every 10 days

Use in food dates back 10,000 years

A VERSATILE INGREDIENT



Neutral taste & smell

Smooth creamy texture

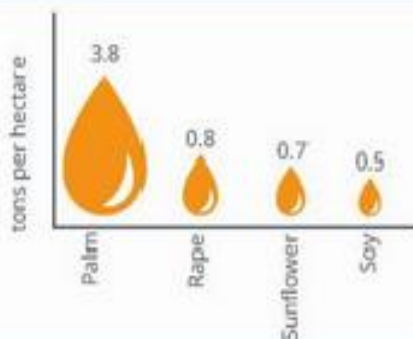
Crispness & crunch

Long shelf life

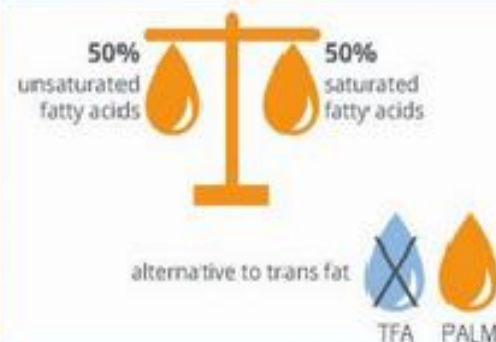
Excellent cooking properties

Excellent mouth feel

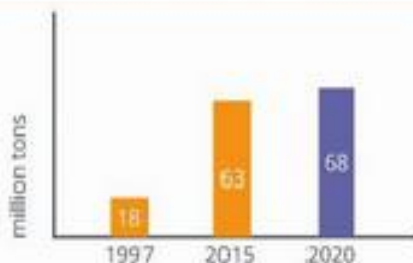
A HIGHLY EFFICIENT CROP



BALANCED FAT COMPOSITION

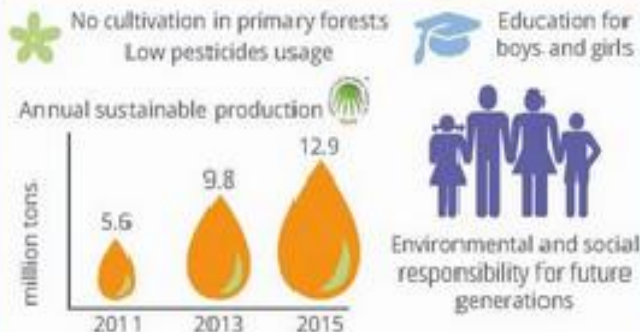


GROWING GLOBAL DEMAND

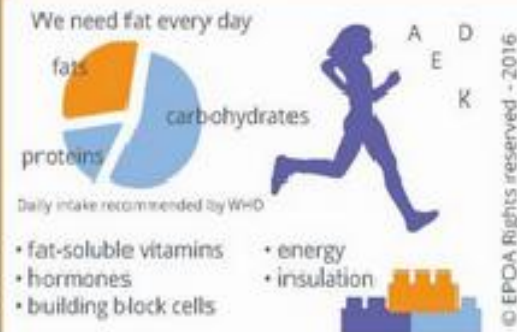


European Palm Oil Alliance
Informed & Open Mind

SUSTAINABLE PRODUCTION



IMPORTANCE OF FAT IN THE DIET



HIGHLIGHTS IN 2016...

1 PALM OIL SUPPLY

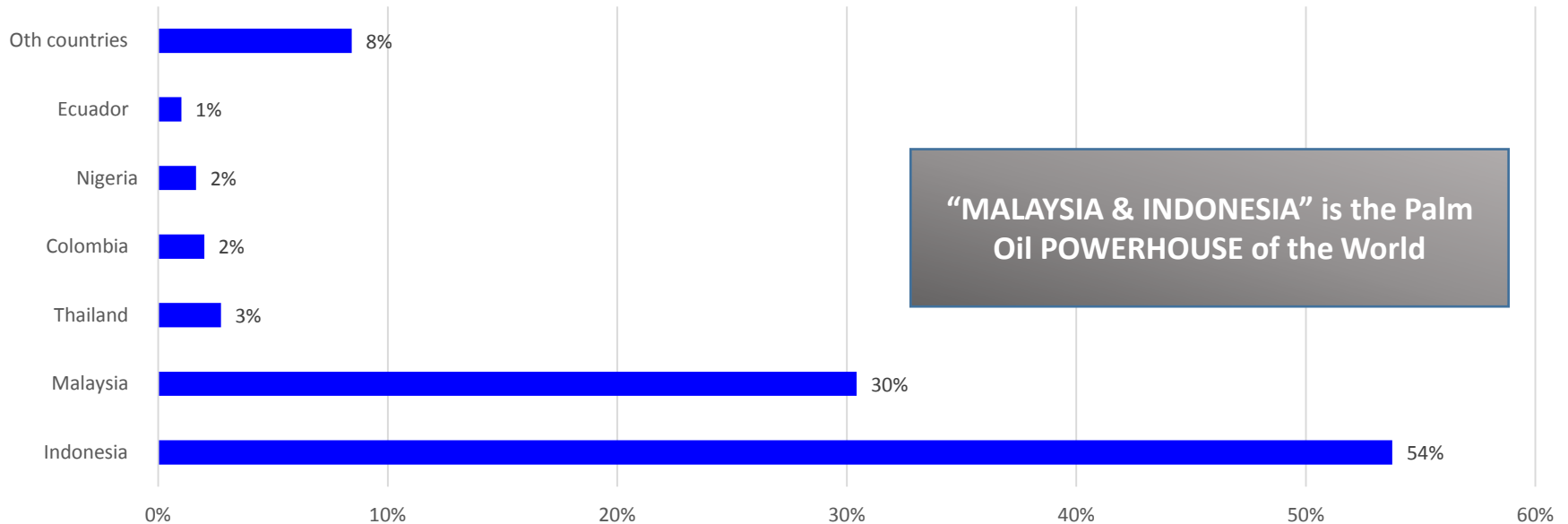
2 PALM OIL DEMAND

3 PALM OIL END STOCK

4 PALM OIL SPREADS

Palm Oil Production - Concentrated in South East Asia

Key Palm Oil Producing Countries



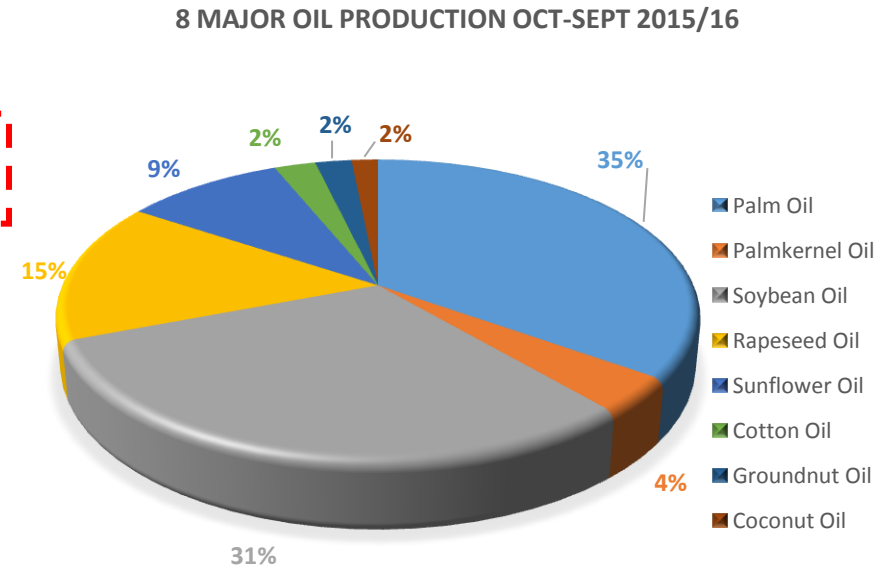
“MALAYSIA & INDONESIA” is the Palm Oil POWERHOUSE of the World

**Growth is concentrated mainly in Southeast Asia (87%)
Indonesia (54%) + Malaysia (30%) = 84% of world's production**

- Malaysia and Indonesia are the key suppliers of Palm Oil to the World.**

Palm Oil – Biggest Contributor to Global Vegetable Oils Supply

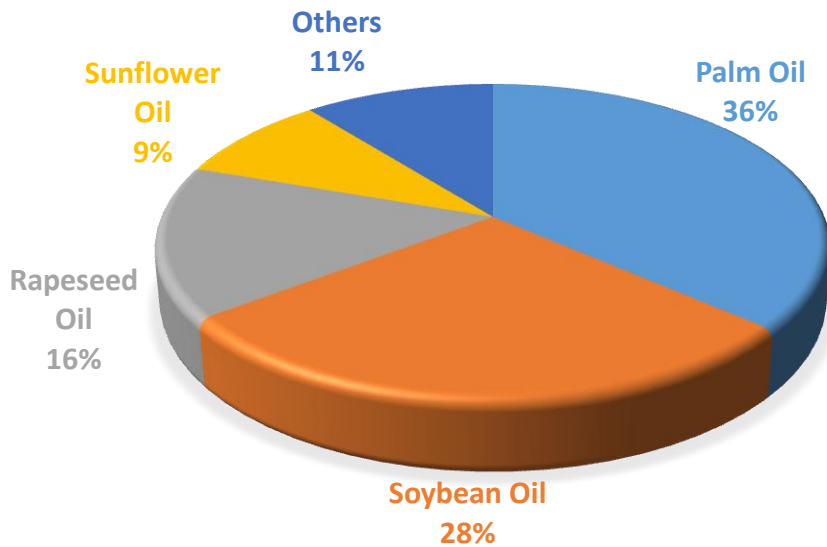
8 Major Oils Production	Oct-Sept 2013/14 (Mln T)	Oct-Sept 2014/15 (Mln T)	Oct-Sept 2015/16 (Mln T)
Palm Oil	59.99	62.05	58.12
Palmkernel Oil	6.52	6.76	6.38
Soybean Oil	44.46	48.27	50.91
Rapeseed Oil	26.91	26.58	25.23
Sunflower Oil	16.13	15.24	15.86
Cotton Oil	4.91	4.88	4.10
Groundnut Oil	4.09	3.66	3.61
Coconut Oil	3.06	2.98	2.61
Total	166.07	170.42	166.82



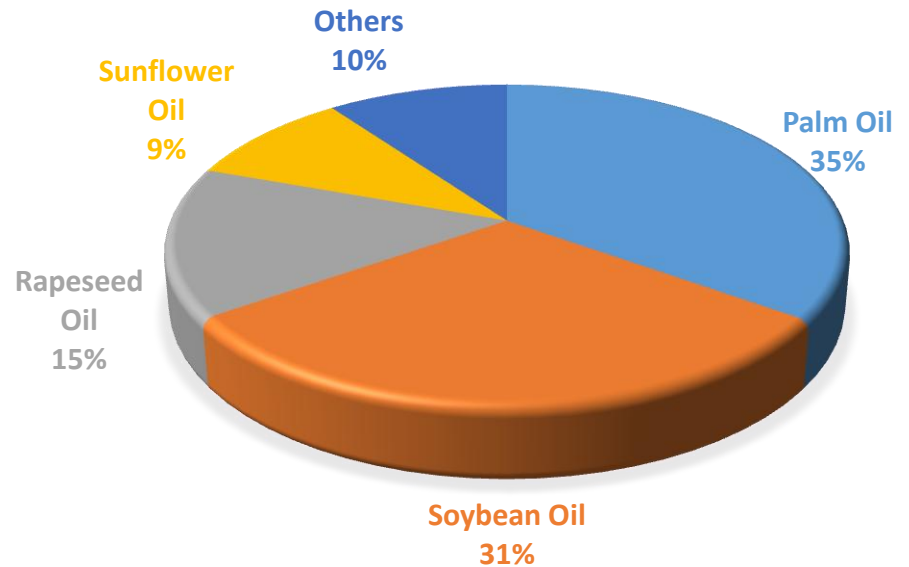
- In 2015/16, palm oil accounts to about 35% of total 8 Major Oils production.

Palm Oil's market share in the vegetable oil position declined in 2015/16...

Oct-Sept 2014/2015
8 Major Oils Production: 170.43 Mln MT

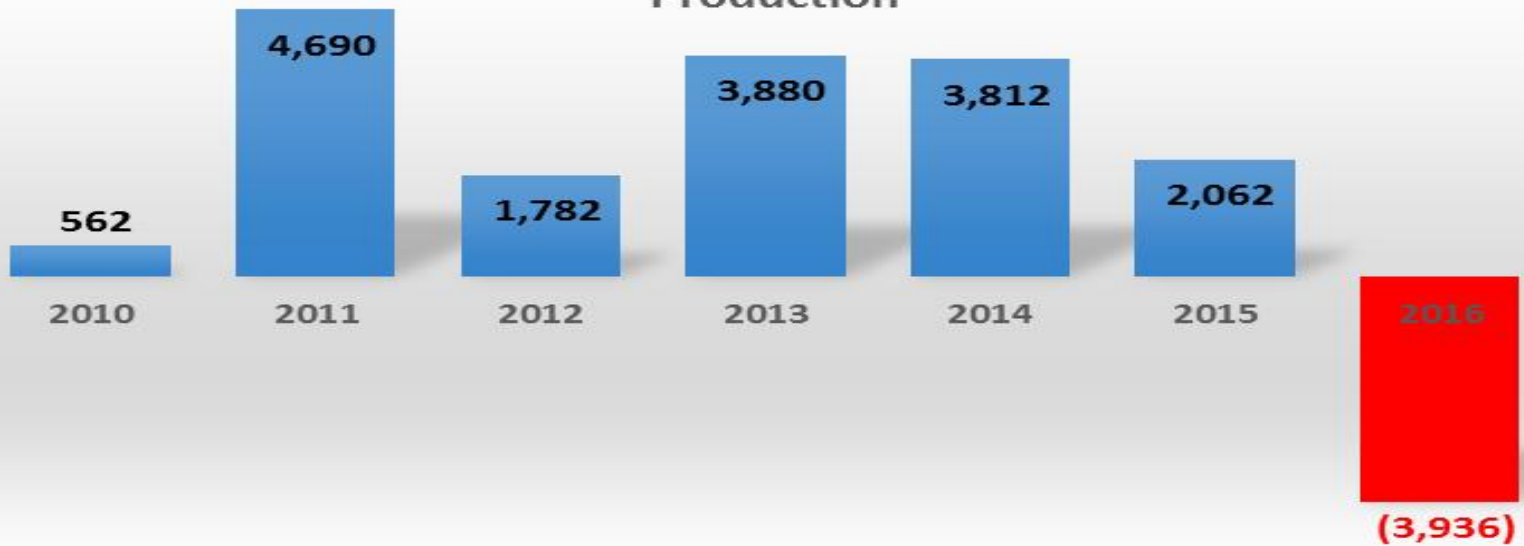


Oct-Sept 2015/2016
8 Major Oils Production: 166.82 Mln MT



Palm oil's share reduced by 1% in 2015/16...

Incremental increase / decline in Global Palm Oil Production



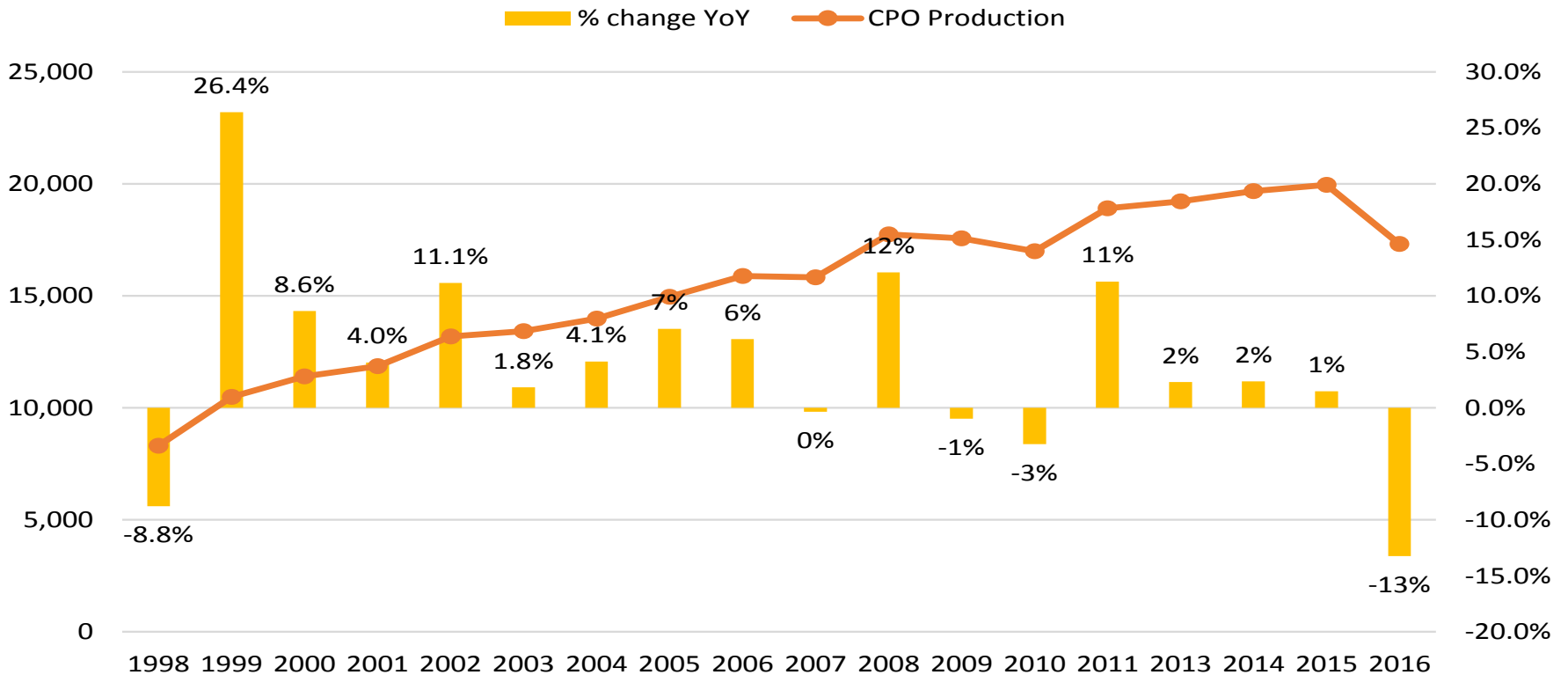
First decline in global palm production in many years...



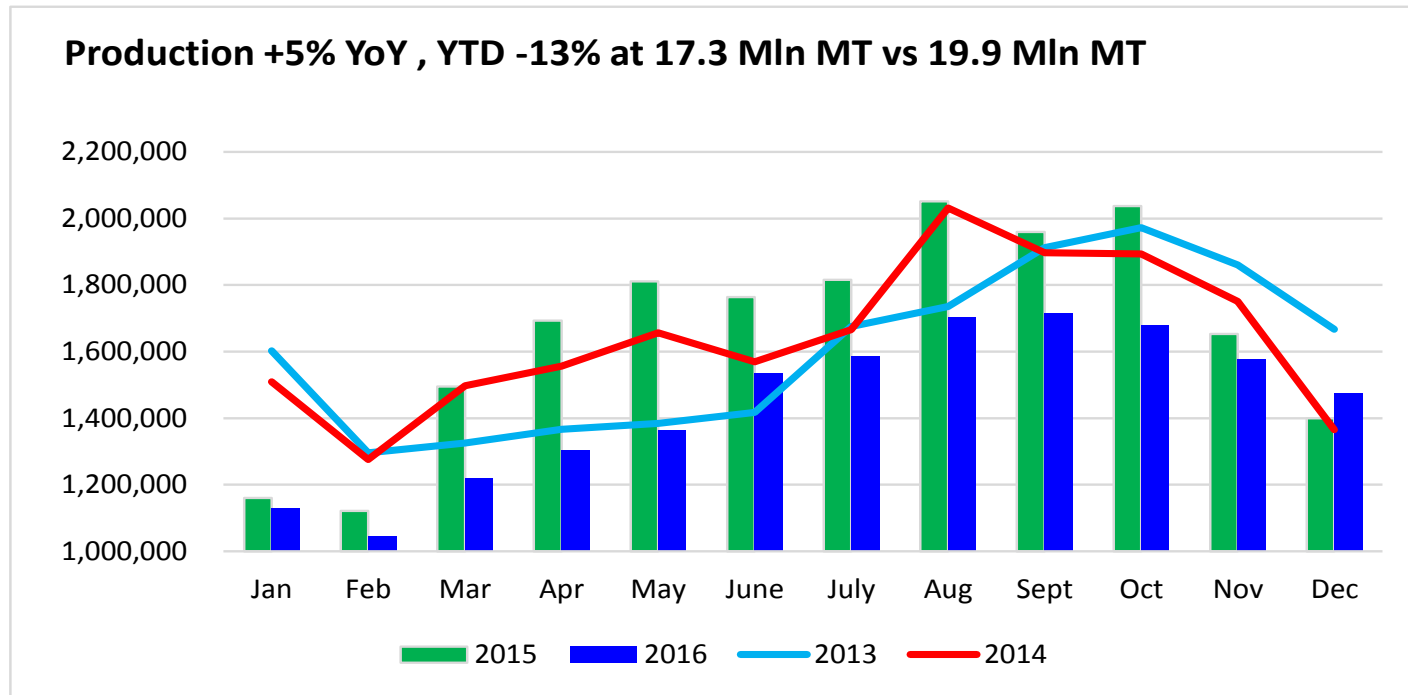
Historical Malaysia production



CPO production in Malaysia



Malaysia 2016 – Production



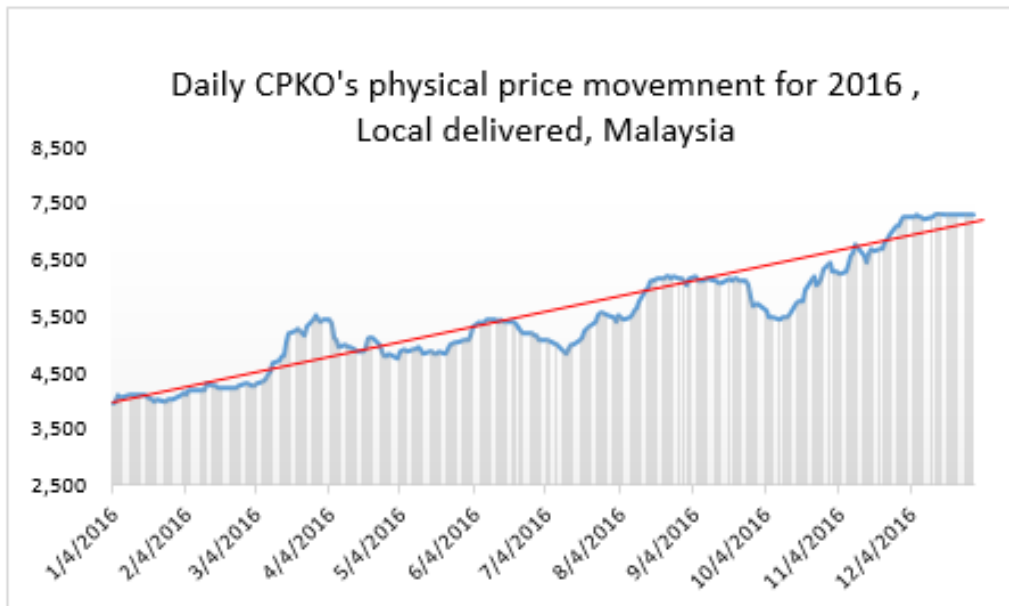
Reduction in total 2016 PRODUCTION by 13% which resulted in lower END STOCKS (down 37% YoY)

CPKO Market



Prices of palm products have been steadily rising this year due to limited CPO production

	CPO (Malaysia , Local)	CPKO (Pen M'sia)	RBD Palm Oil (FOB)	RBD Palm Olein (FOB)	RBD Palm Stearin (FOB)	PFAD (FOB)	PKE (FOB)	RBD Palm Kernel Oil (FOB)	PK (Pen Msia)
Annual averages	RM	RM	RM	RM	RM	RM	RM	RM	RM
2014	2,408	3,538	2,494	2,514	2,438	2,262	464	3,195	1,443
2015	2,168	3,431	2,273	2,303	2,073	1,893	361	3,703	1,626
2016	2,634	5,367	2,713	2,751	2,620	2,390	391	5,592	2,559
YoY	22%	56%	19%	19%	26%	26%	8%	51%	57%



CPKO TOPPED THE HIGHEST JUMP IN PALM PRODUCTS IN 2016..

- This is mainly due:
 - Lower palm kernel oil production in Southeast Asia
 - Downtrend production of coconut oil

HOW do we see PRODUCTION in 2017

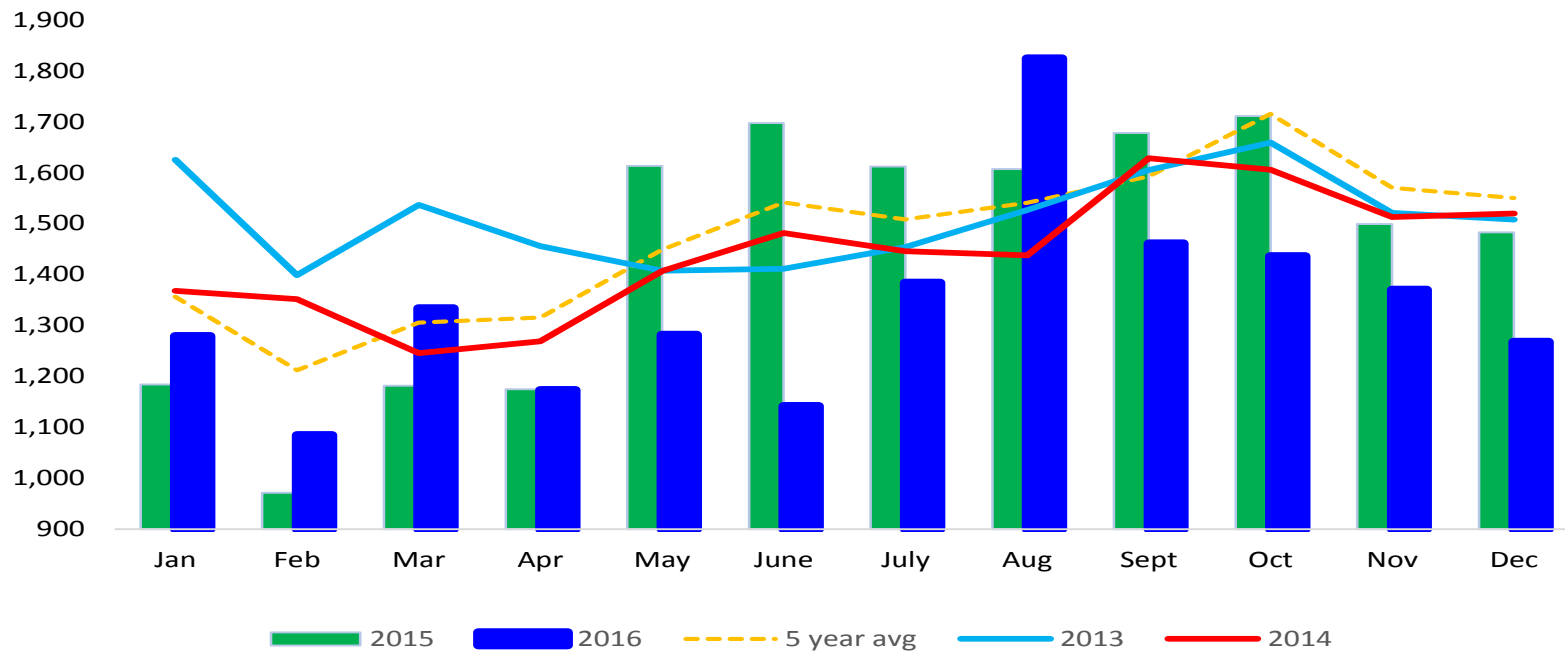


19.2 Mln MT – 19.3 Mln MT against industry estimates ranging from 18.7 Mln MT to as high as 20.2 Mln MT

Malaysia 2016 - Export

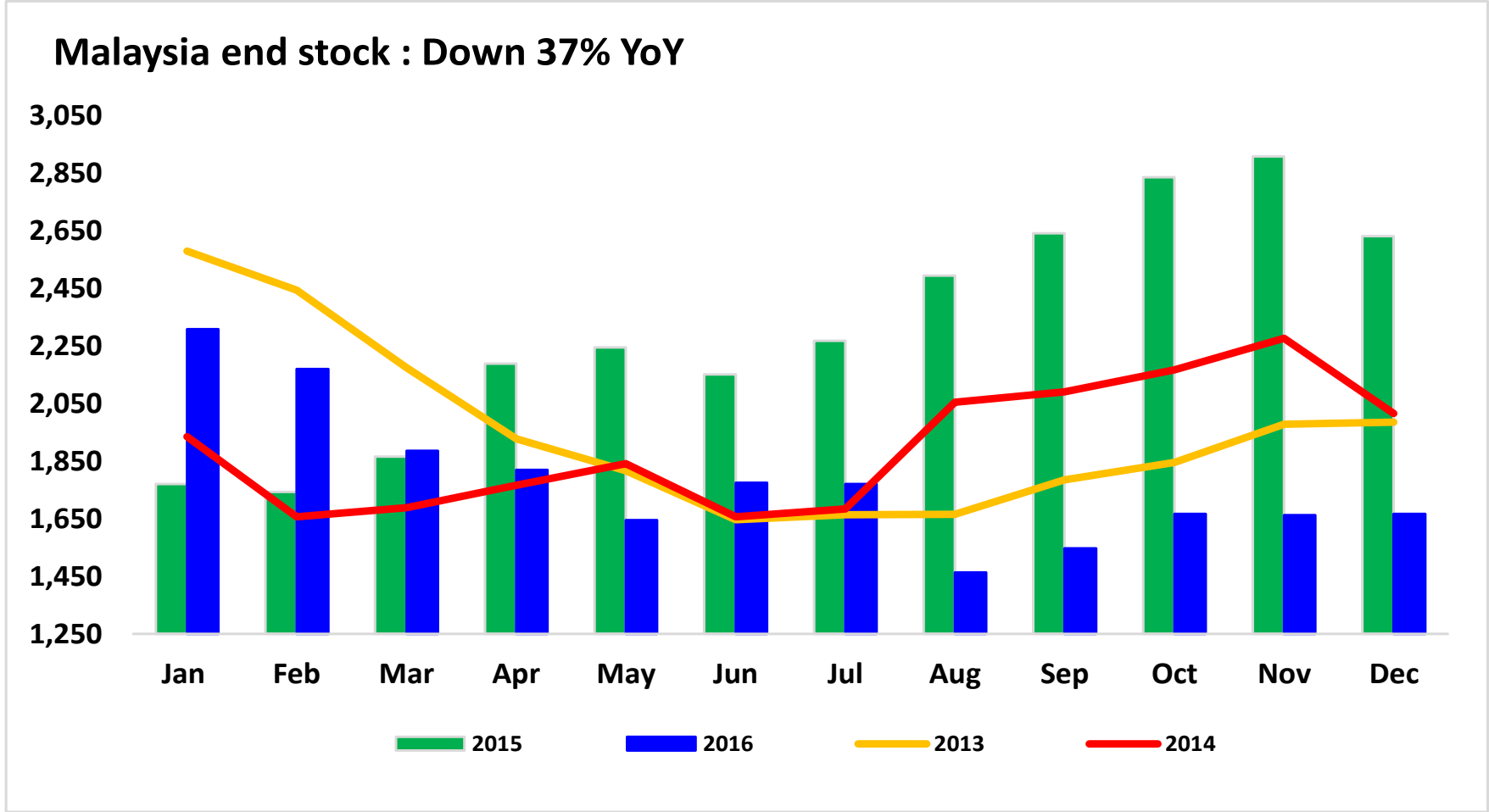


Malaysia export growth in 2016 still below the 5 year average
Down 8% at 16 Mln MT vs 17.4 Mln MT in 2015



Sharp decline in EXPORTS to major countries (China , India, EU & USA) ,
ranging 16% - 29%

Malaysia End Stocks Scenario



“

“ PRODUCTION in Indonesia saw a marginal decline of 3% to 31.5 Mln MT in 2016

Expected production for 2017 : 35.5 Mln MT , sharp increase of 4 Mln MT ”

Indonesian production and exports have fared better than Malaysia in the latter half of 2016, when production showed pick up.

Main difference between Malaysia and Indonesia is the domestic demand.

- **Local consumption of palm oil in Indonesia spurred by higher usage of biodiesel**
- **while as Malaysian local demand has been more muted, reason being repeated postponement of the new B10 blending mandate and the loss of market share to Indonesia, particularly in China**

”

HOW do we see PRODUCTION in 2017



33.5 Mln MT against industry estimate of 32
Mln MT – 35 Mln MT

Export Tax Structure : Malaysia & Indonesia



MALAYSIA

CPO MARKET PRICE (FOB RM/TONNE)	EXPORT DUTY (%)
< RM2,250.00	NIL
RM2,250 – RM2,400	4.5
RM2,401 – RM2,550	5.0
RM2,551 – RM2,700	5.5
RM2,701 – RM2,850	6.0
RM2,851 – RM3,000	6.5
RM3,001 – RM3,150	7.0
RM3,151 – RM3,300	7.5
RM3,301 – RM3,450	8.0
> RM3,450.00	8.5

Source : Malaysia Palm Oil Board

Note : Effective 1st Jan 2013 , until revised otherwise

INDONESIA

CPO Price (USD / MT)	All in Tax + Levy			
	CPO	Olein (Bulk)	RBD Palm Oil	Biodiesel
750	50	30	20	20
751 - 800	53	30	20	20
801 - 850	68	30	20	20
851 - 900	83	32	20	20
901 - 950	102	42	25	20
951 - 1,000	124	56	37	20
1,001 - 1,050	143	70	50	21
1,051 - 1,100	166	86	64	23
1,101 - 1,150	194	100	77	23
1,151 - 1,,250	216	113	90	56
1,201 - 1,250	233	130	101	56
>1,250	250	147	112	84

Source : GTM Analyses & Indonesia Finance Ministry

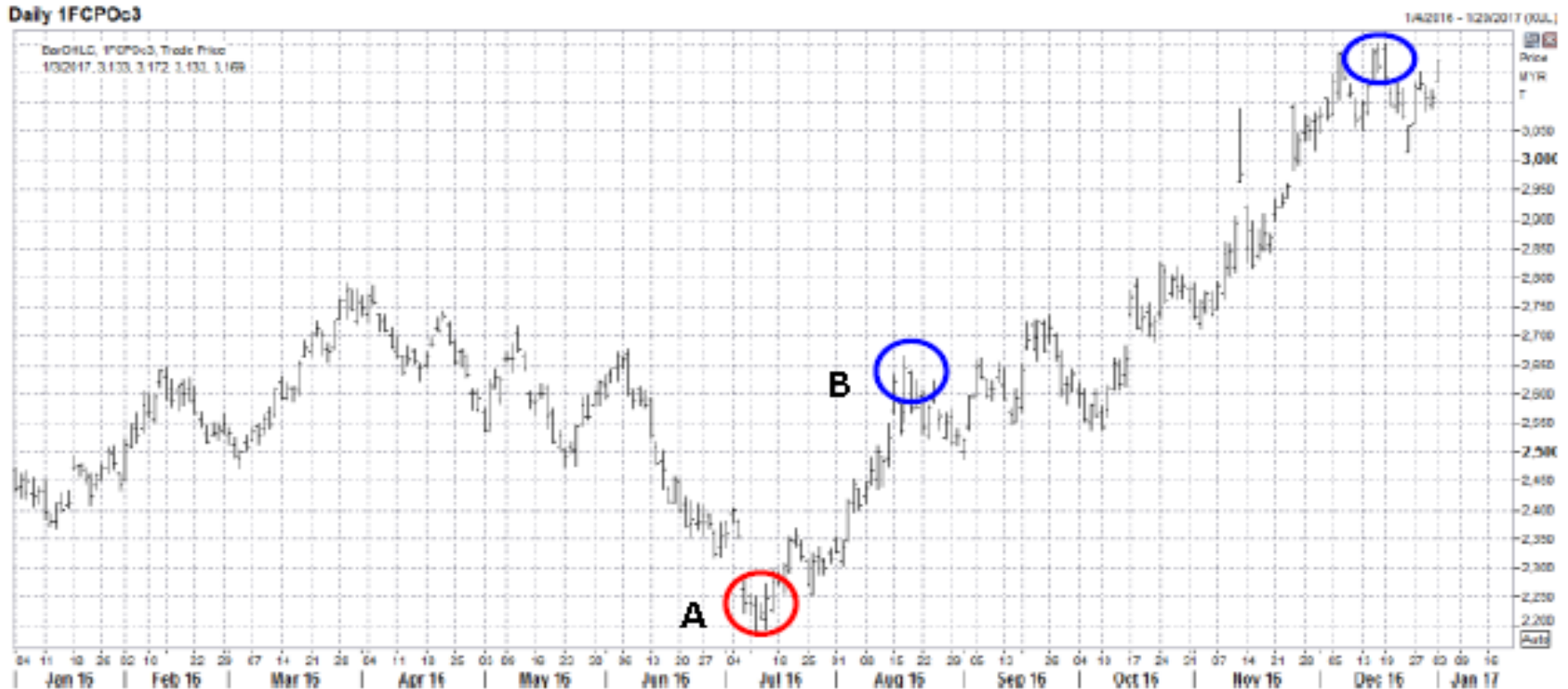
Note : Effective July 2015

For February 2017 :

- Malaysia raises its CPO export tax to 7.5% (RM 246 / MT) from 7% (RM 218 / MT) in January
- Indonesia raises its CPO export tax at USD 18/ MT for CPO from USD 3 / MT in January

Price trends in 2016

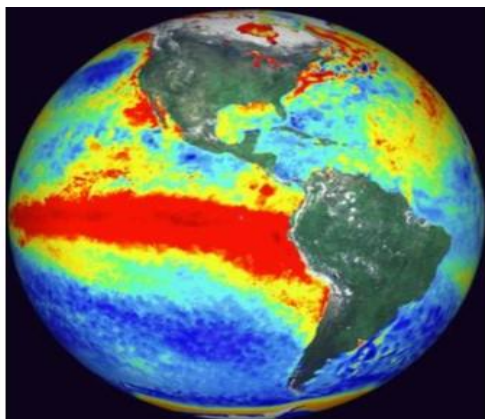
STEEP run up in CPO price , +22% in 2016 to average at RM 2,653 vs RM 2,172 in 2015



- A. BMD market enters BEAR market
- B. Market starts to climb into BULL market
- C. Market hits a 4 ½ year high (MYR 3,202) in the mid-Dec



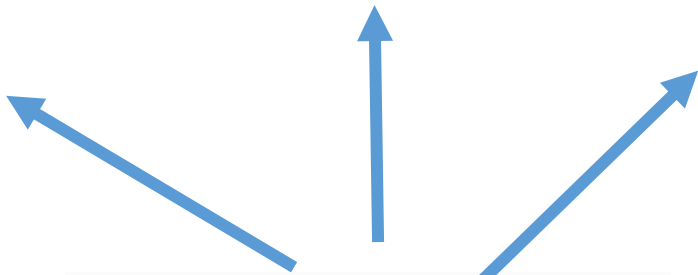
WEAK RM TO USD



EL NINO



REPLANTING ACTIVITY



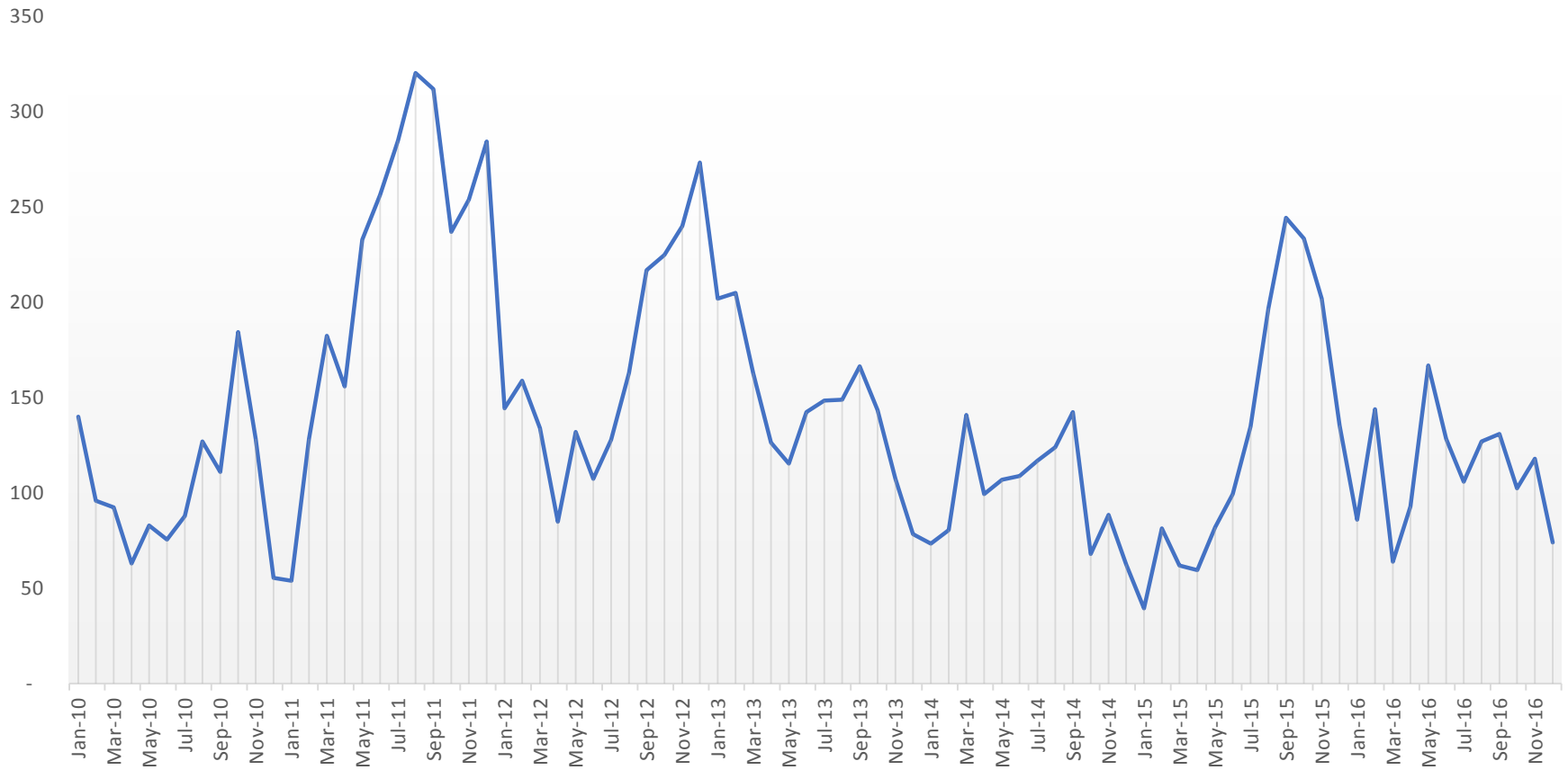


Palm Oil Spreads...



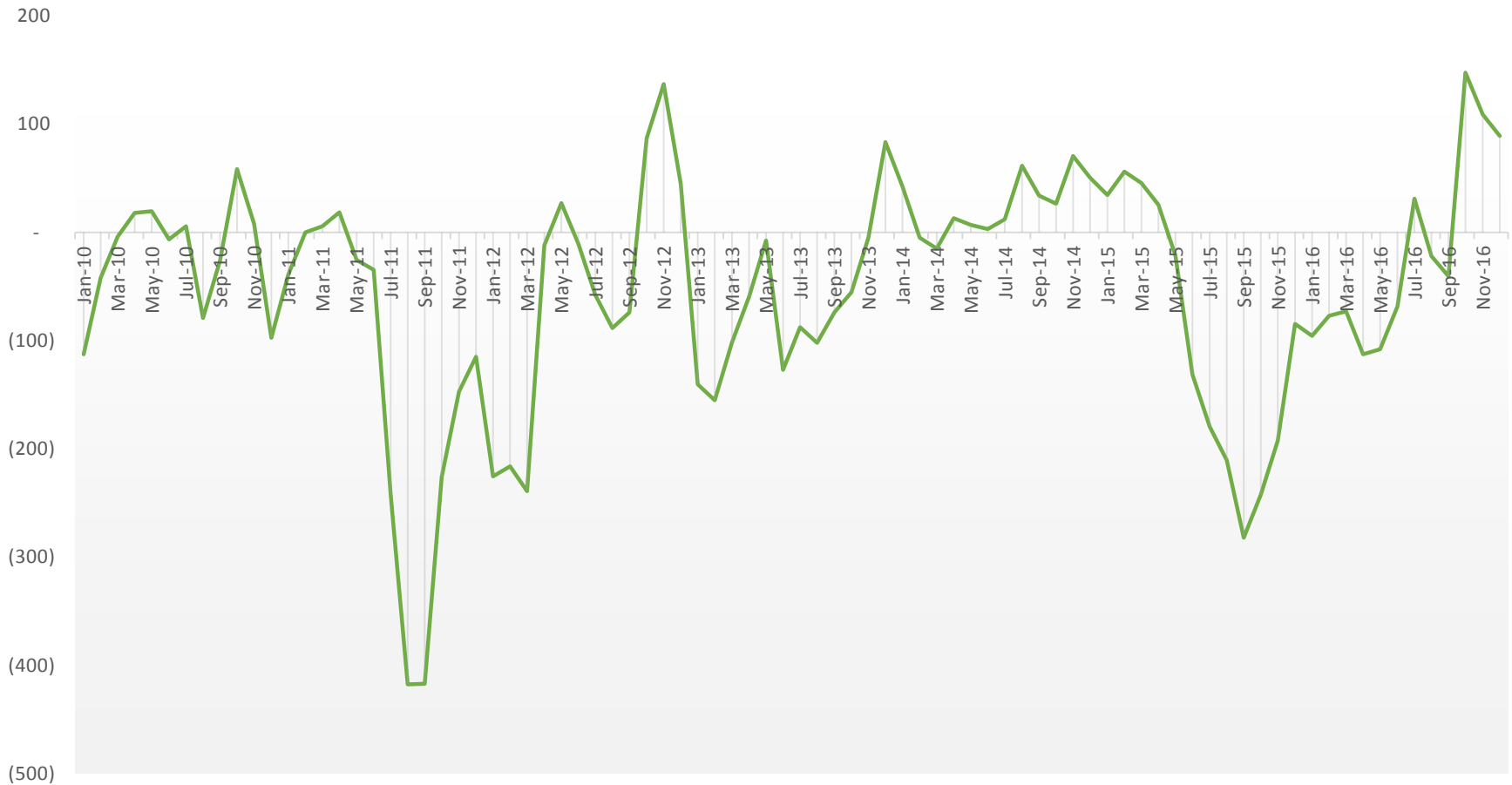
MPOB : RBD Olein vs CPO

Spread between Oln vs CPO (MYR/Ton)



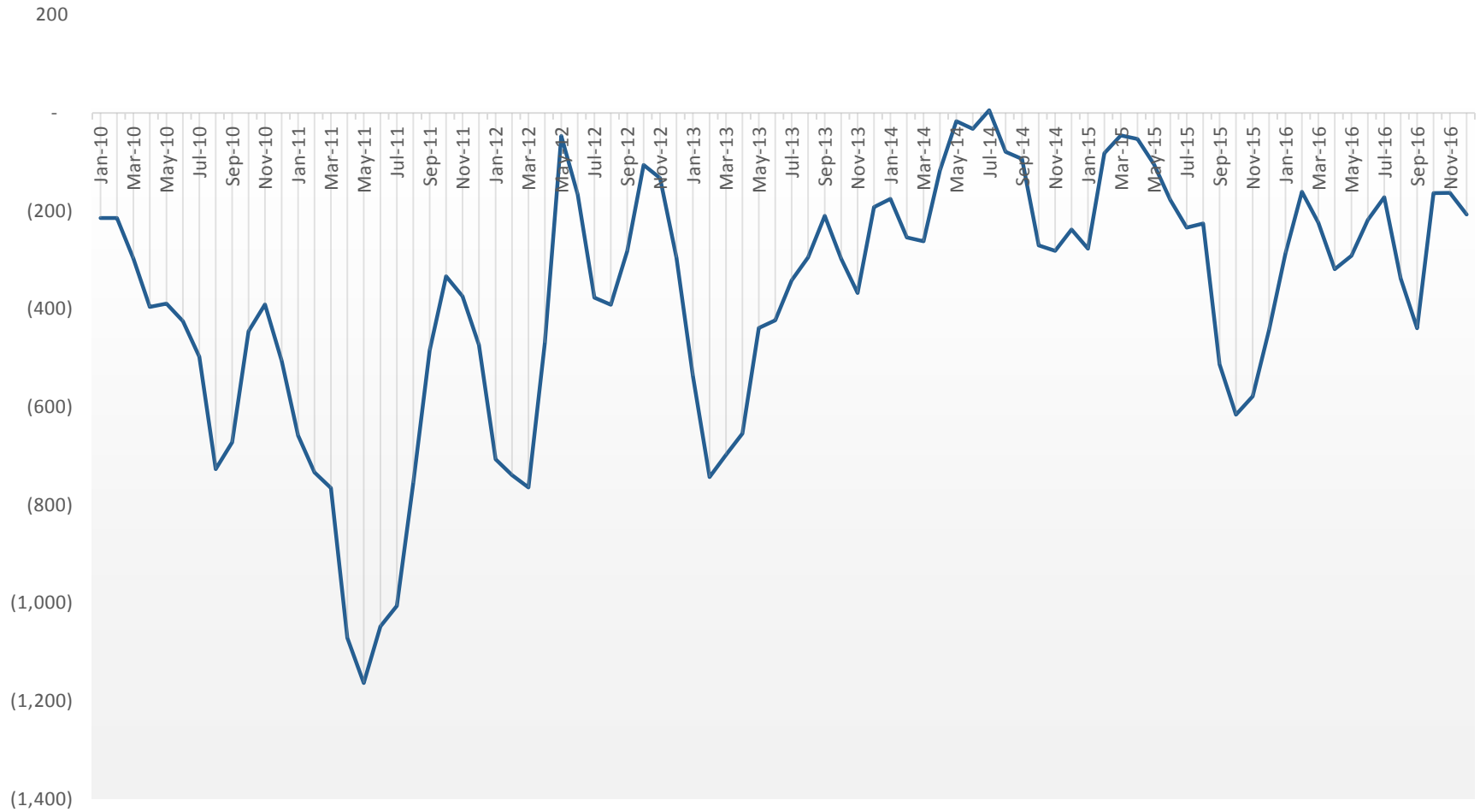
MPOB : RBD Stearin vs CPO

Spread Between Stn vs CPO (MYR/ton)



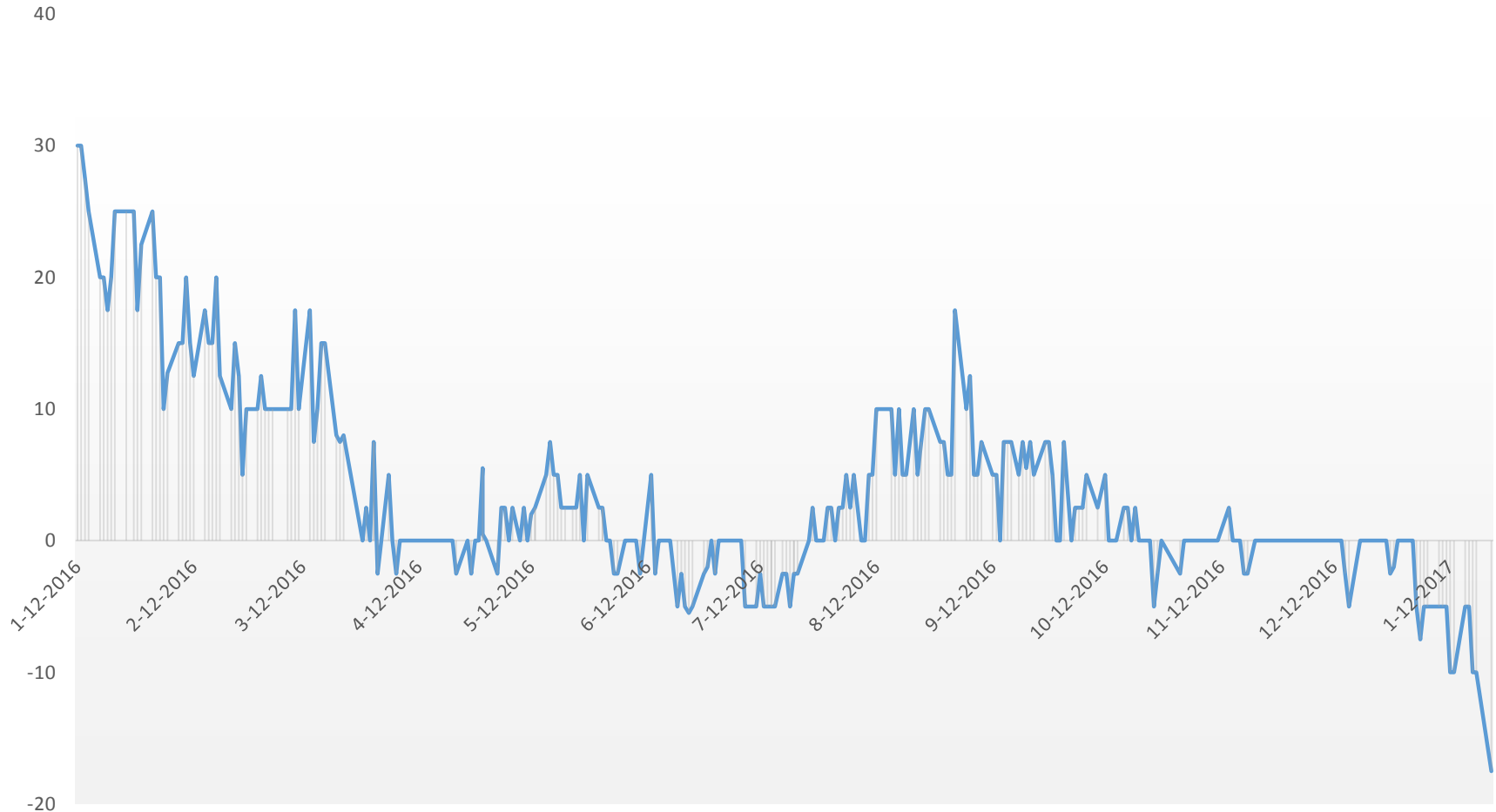
MPOB : PFAD vs CPO

Spread between PFAD vs CPO (MYR/Ton)



CPO vs RBD Olein (CNF India)

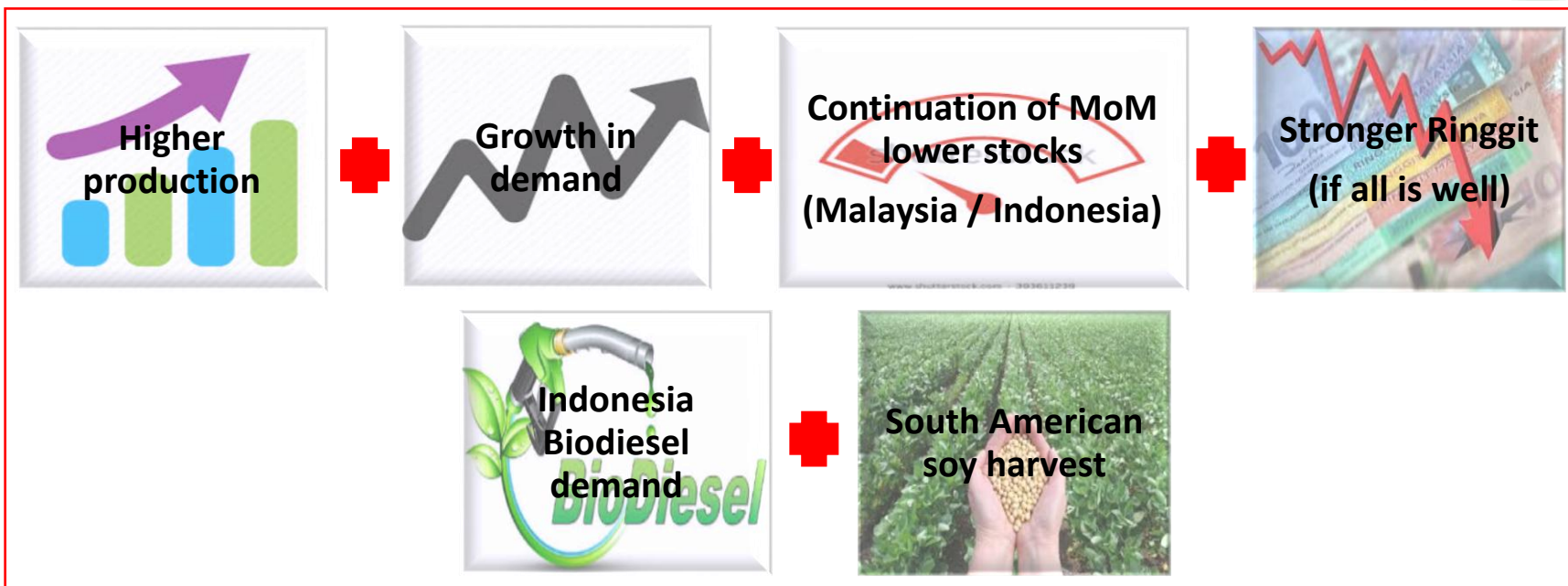
Spread Between CPO vs RBD Olein (CNF \$/Ton)



**WHAT TO
EXPECT**

2017
2016





THIS WILL BE THE MAIN CONTRIBUTORS TOWARDS PRICE MOVEMENT...



The End

THANK
YOU