World Supply, Demand and Price Outlook for Oils and Fats

GLOBOIL India in Goa on 23 Sept 2016

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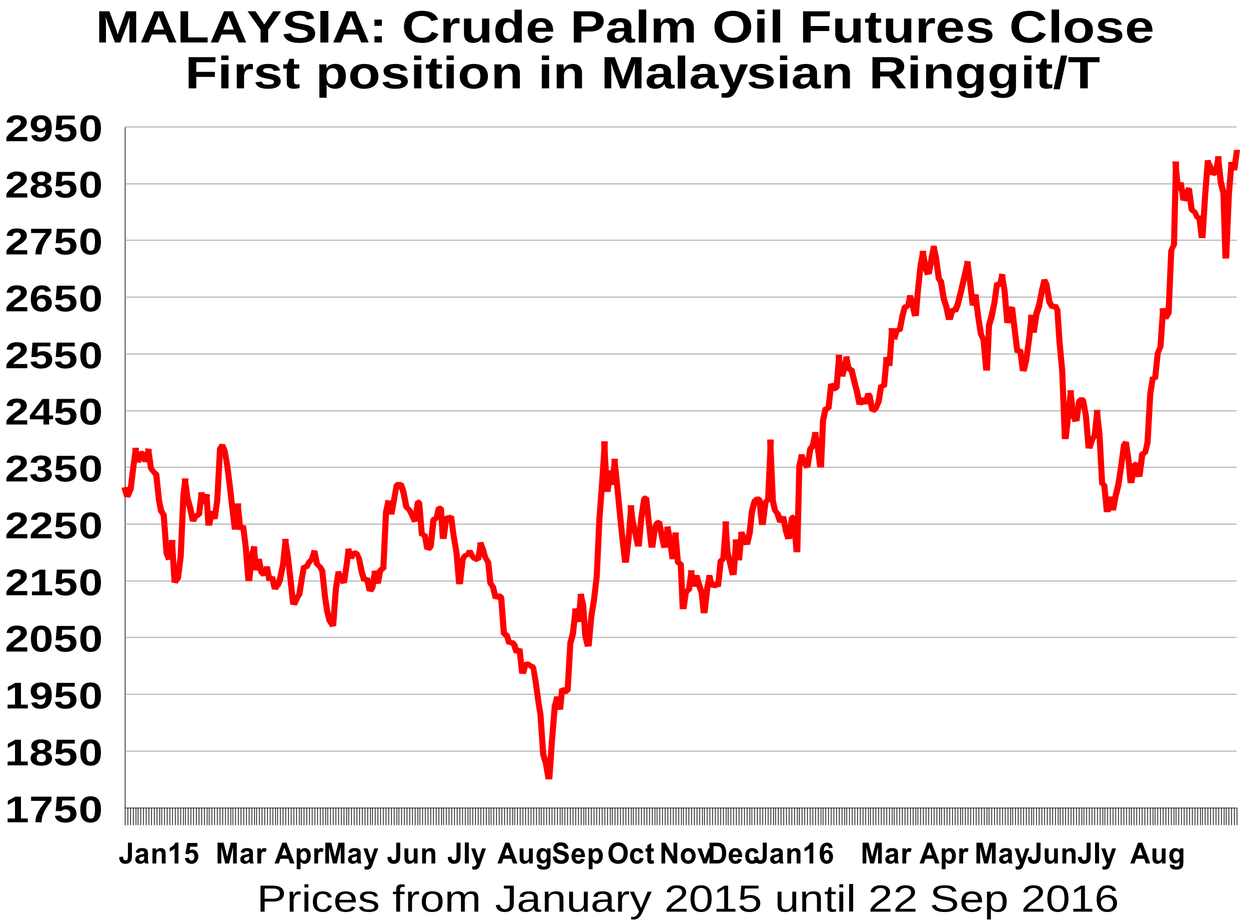
→Prices could rally to or above 3000 Ringgit soon due to low stocks & export supply

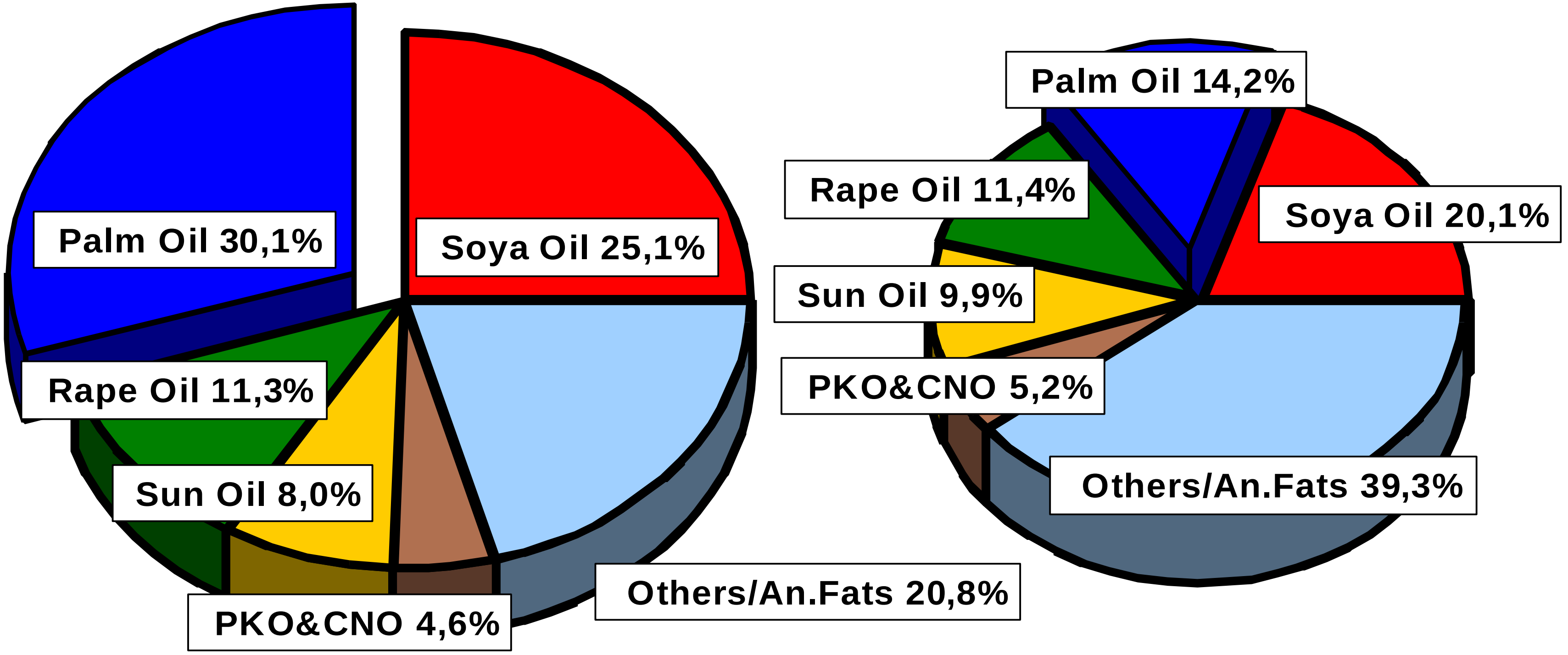
→But significant increases in production from April 2017 onward and in 2018




Governments
Demand
Financial Markets and Funds
Weather
Supply
Price

World Production of 17 Oils & Fats

2016/17F - - 213.7 Mn T | **1991/92 - - 83.5 Mn T**



World Outlook of 17 oils & fats in Oct/Sept 15/16:

Production Down1.1 Mn T

Total consumption growth to accelerate to 5.2 Mn T

Exports -3.2 Mn in Ap/Sep

Plunging stocks ! !

17 Oils & Fats: World Output & Consumption (Mn T)

	15/16F	14/15	13/14	12/13	11/12
Production	203.7*	204.8	201.1	189.8	187.1
	-1.1*	+3.7	+11.3	+2.7	+8.8
Consumption . .	**208.2***	**203.0**	**198.6**	**189.5**	**183.9**
	+5.2*	**+4.4**	**+9.1**	**+5.6**	**+7.2**
for energy	+1.0*	-1.5	+3.7	+2.4	+2.5
other uses	+4.2*	+5.9	+5.4	+3.2	+4.7
Stock change . .	**-4.5***	**+1.7**	**+2.5**	**+0.3**	**+3.2**

Company Profil and Services

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- Providing monthly and quarterly world supply and demand balances
- Daily, weekly and monthly publications. Now also a Chinese Report !
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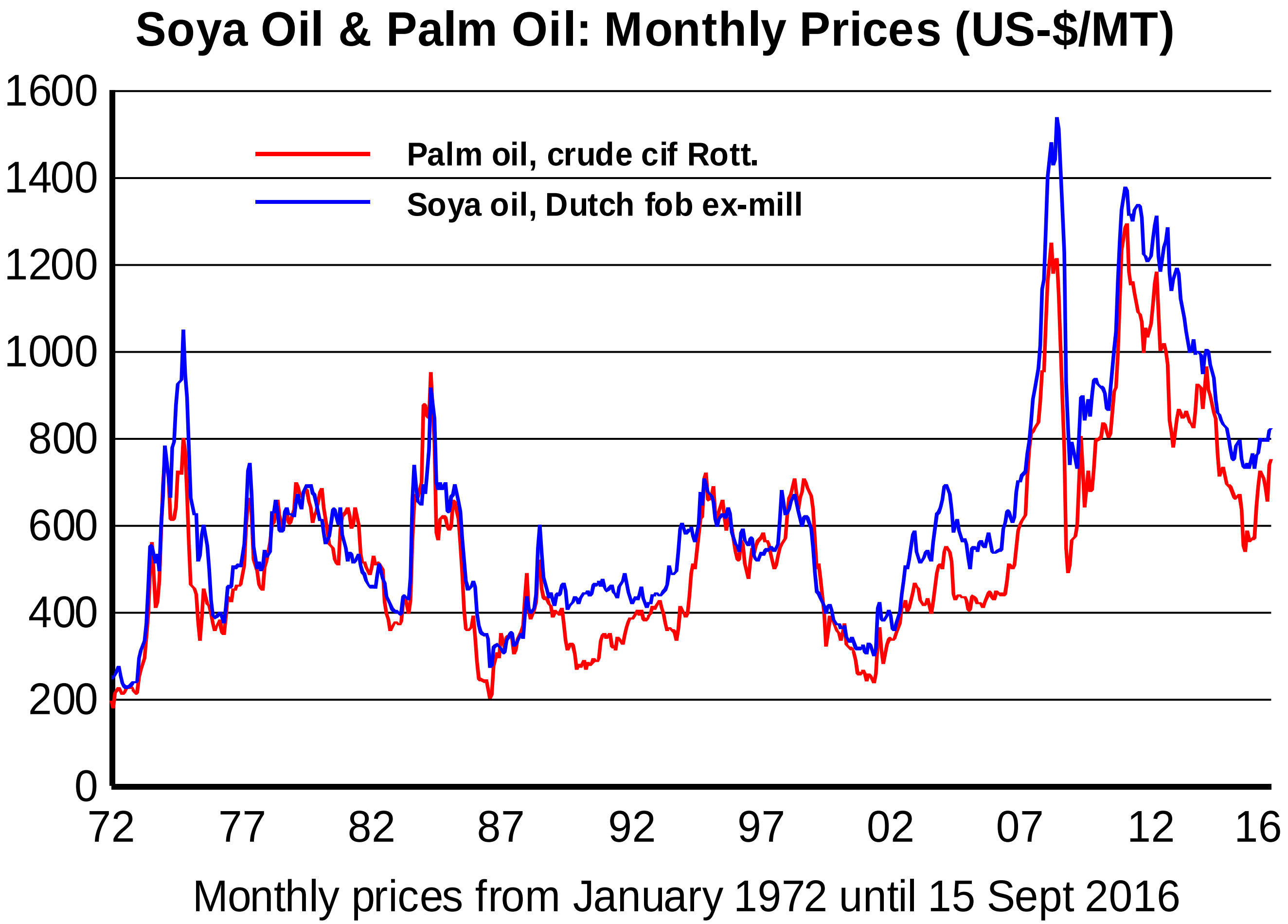
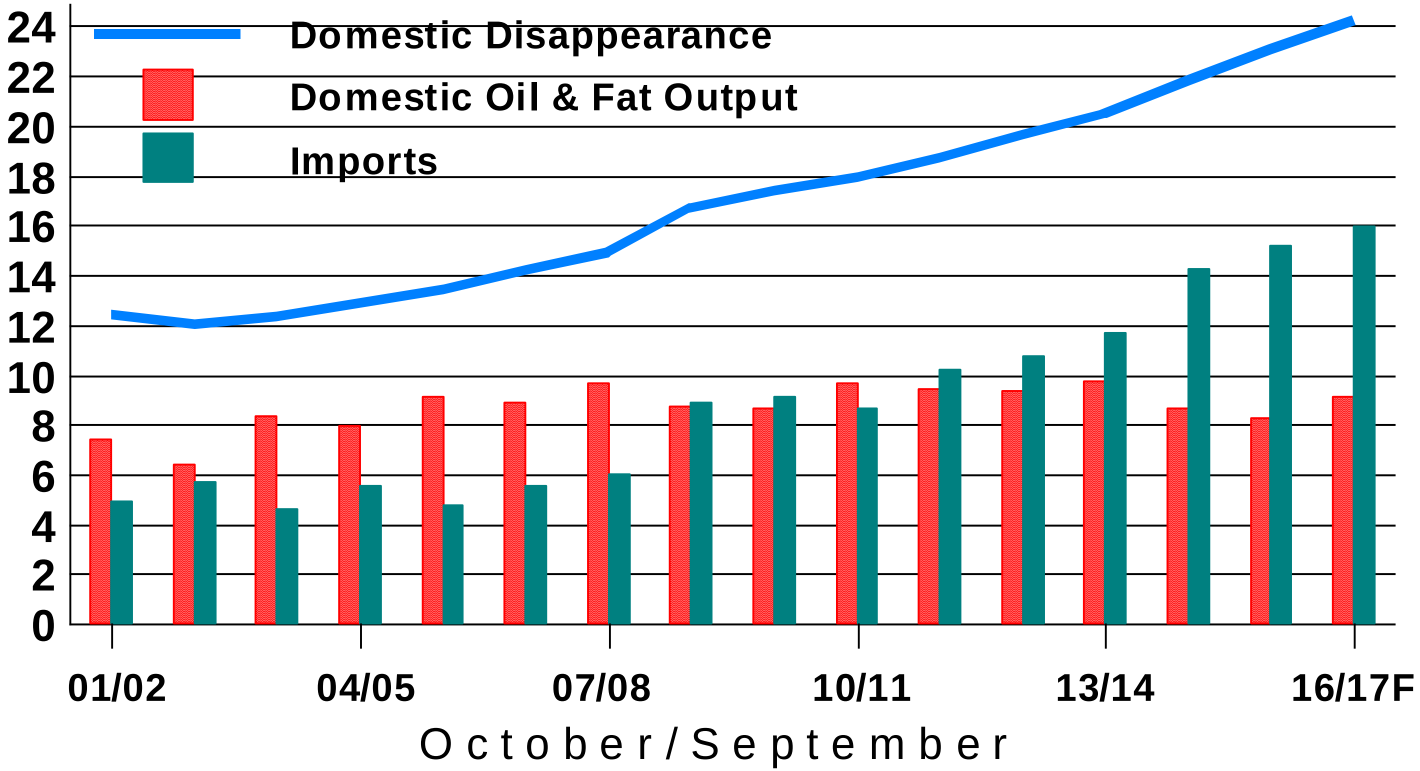
In 2015 prices have fallen below production costs for many farmers

Supply responses, for example in India & China

Where are we going from here?



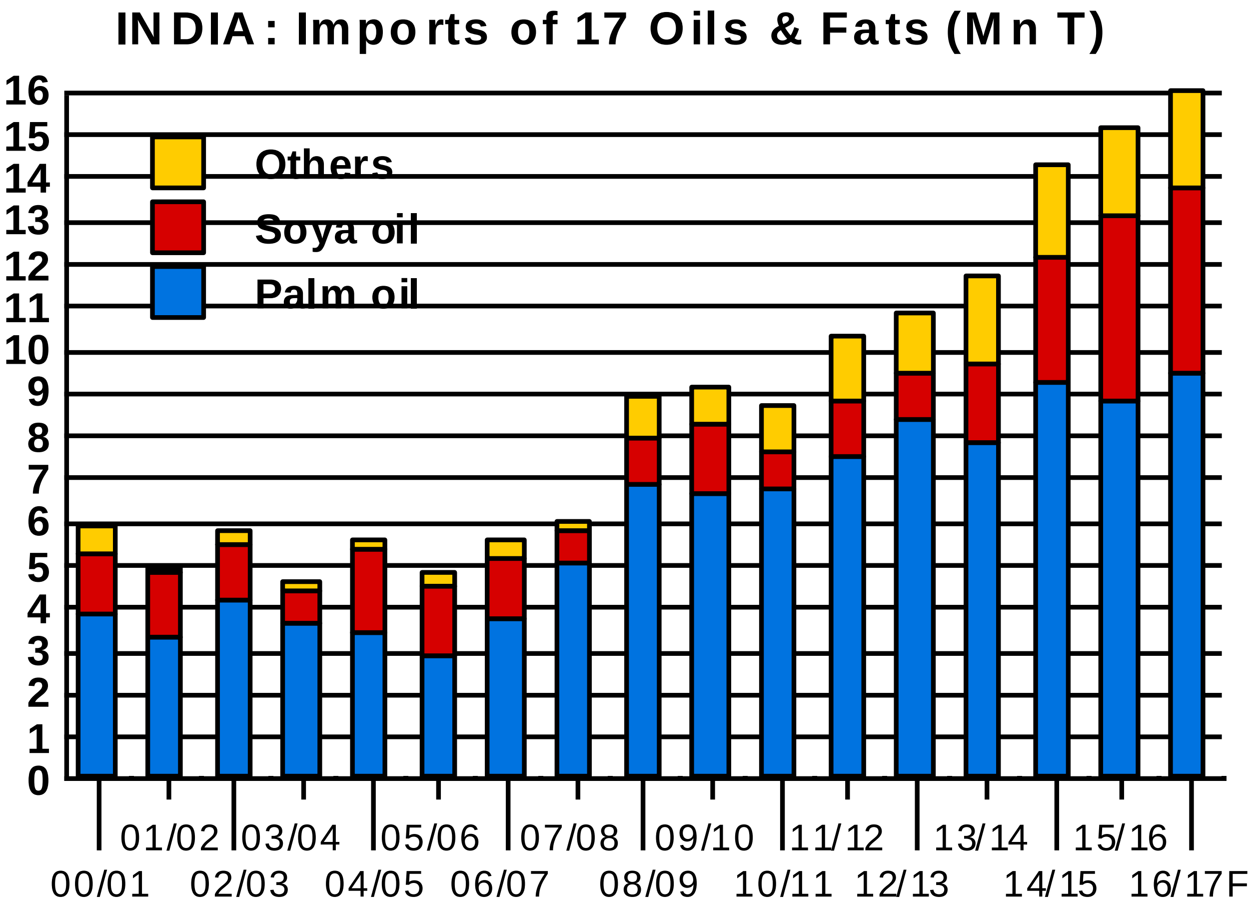
INDIA: Domestic Supply & Demand and Imports of 17 Oils & Fats (MnT)



Veg. oil imports up 75% within the last 5 years until 2015/16…

Will the world market be able to satisfy Indian demand in the future?

Outlook 2016/17? Soya crop and crush in India?



In India vegetable oil import dependence has increased to 76% !!

World exports of soya oil will at best stagnate at the year ago level in Oct/March 2016/17

Will palm oil develop a premium over soy oil in the next 4 – 8 weeks??

INDIA: Balance 8 Major Oils (Mn T)

	October / September				
	16/17F	15/16	14/15	13/14	12/13
Production	5.52*	4.61	5.08	6.30	5.96
Imports	**15.93***	**15.12***	**14.24**	**11.64**	**10.75**
Soybean oil	4.37*	4.30*	2.84	1.83	1.14
Sunflower oil . . .	1.75*	1.55*	1.53	1.58	.94
Rapeseed oil	.24*	.35*	.38	.16	.01
Palm oil	9.40*	8.80*	9.24	7.84	8.31
Exports	.05*	.04*	.05	.03	.11
change in stocks	+.35*	-.26*	+.46	+.40	-.11
Dom.Disappear	21.05*	19.95*	18.81	17.51	16.71
Stocks/use ratio	*13.0%*	*12.1%*	*14.2%*	*12.7%*	*10.9%*
Population (Mn)	1343*	1327*	1311	1295	1280
Caput use(kilos)	15.7*	15.0*	14.3	13.5	13.1

The Success Story of the past 30 Years

- <u>Substantial growth in world production of palm oil</u>
- 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: 46.2 Mn T or 27%

- In 2012: 53.9 Mn T (plus 5.9 Mn T of Palmkern oil)
- In 2015: 62.6 Mn T or 30% (only 6% of area)

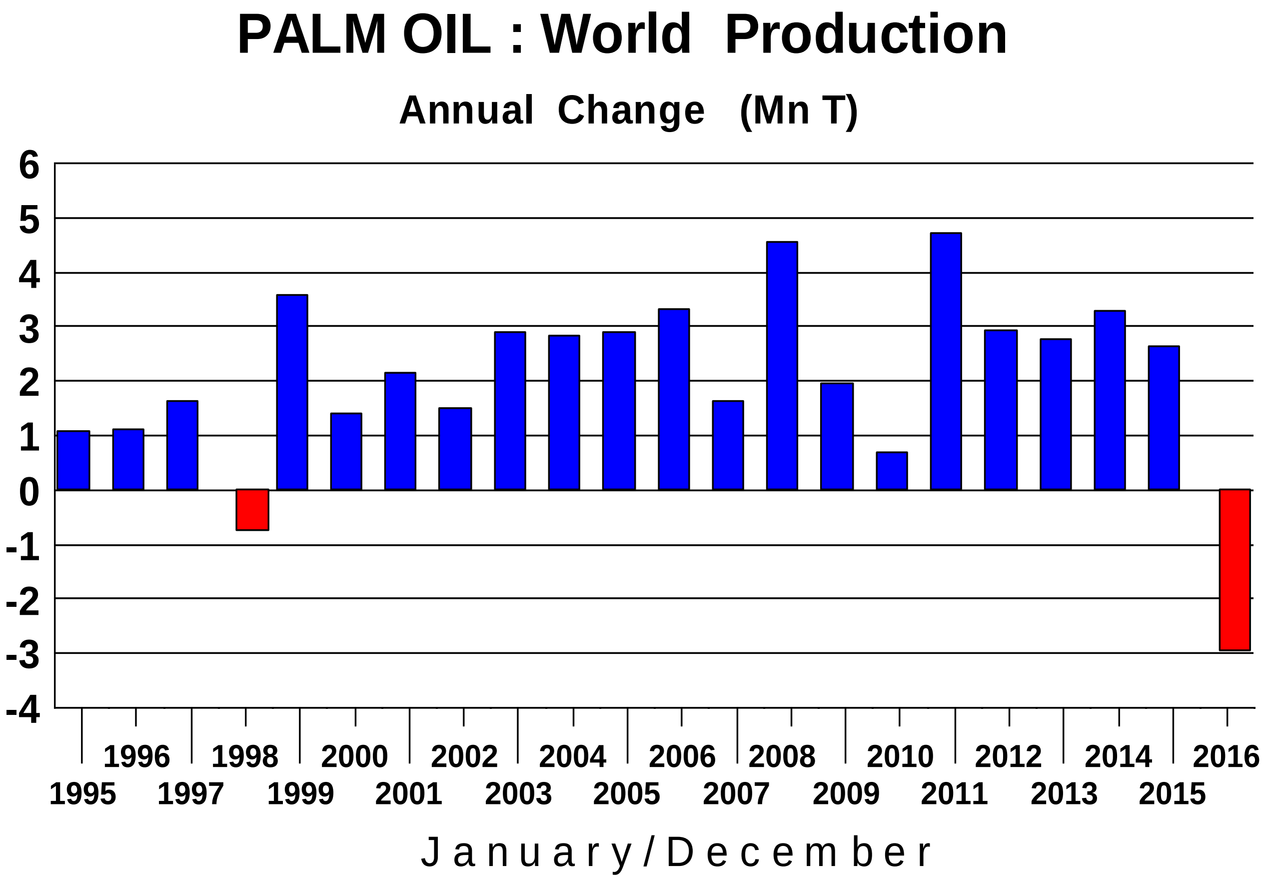
- In 2025 at least 86 Mn T of palm oil required

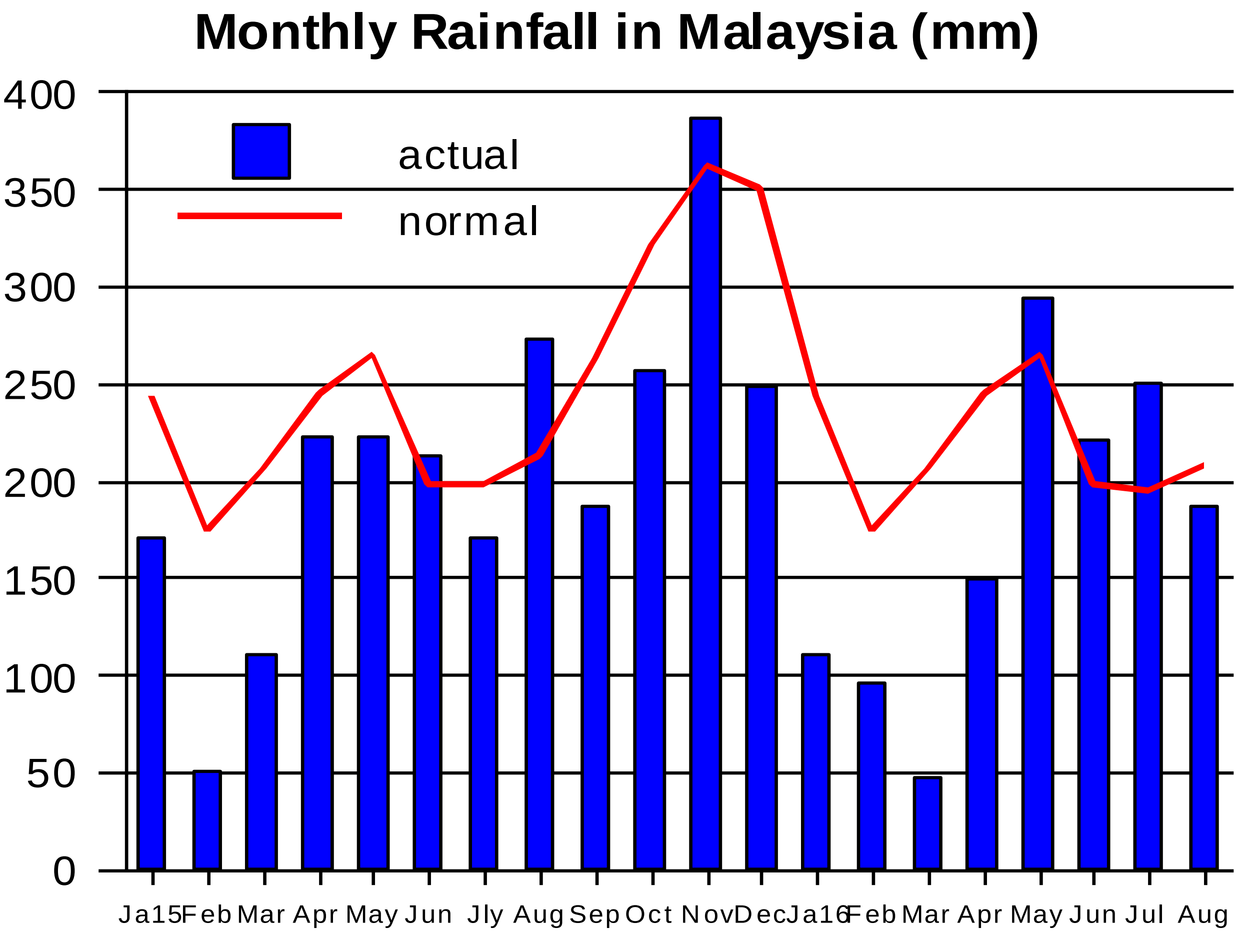
Palm Oil Outlook in 2016 (in Mn T):

Indonesia 32.3 against 33.4 in 2015

Malaysia 18.1 against 20.0 in 2015

El Niño is over. But yields are still falling in 2016



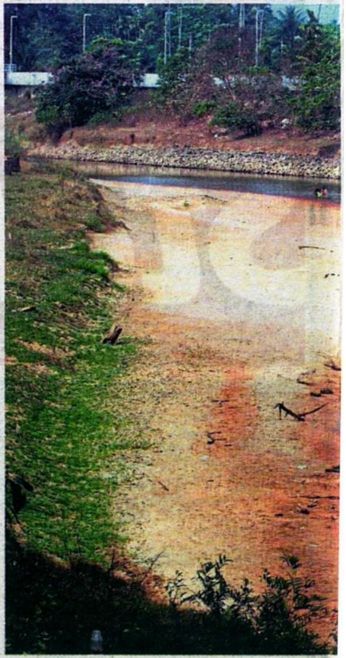


In Jan/April 2016 rainfall below the critical level of 100 mm/per month in large parts of Malaysia

Reports by NEVILLE SPYKERMAN, RUBEN SARIO, T. AVINESHWARAN, MOHD FARHAAN SHAH, ARNOLD LOH, CHONG KAH YUAN, R.S.N. MURALI, ZAZALI MUSA, LO TERN CHERN and G.C. TAN

Massive water crisis threatens nation

Water levels at rivers and dams dropping acutely by the day



PETALING JAYA: First, the prolonged dry spell, and now a potentially massive water crisis ahead as the country faces the full impact of El Nino.

The National Water Services Commission (SPAN) has raised the alarm bells, warning that not enough was being done to conserve water.

Rivers are drying up and dam levels are dropping acutely by the day.

SPAN chief executive Datuk Mohd Ridhuan Ismail said urgent measures were needed to remind the public to stop wasting and start conserving water.

The prolonged hot and dry spell is impacting different parts of the country in different ways.

The worst hit will be 85,000 domestic and industrial consumers in parts of Johor when rationing starts on Monday.

Output from four water treatment plants in the Kota Tinggi and Mersing districts have reached critical levels.

During the exercise, water supply will run normally for one day in the affected areas while there will be no water supply for the next two days.

In Pahang, Pengurusan Air Pahang Bhd (PAIP) said there was a need to start looking for alternative sources of water, including from wells.

This comes after the water level at rivers in Pahang dropped drastically, making it difficult for treatment plants in three districts to get raw water.

More than 7,000 account holders in Lipis, Pekan and Temerloh are facing supply disruptions.

In Malacca, Chief Minister Datuk Seri Idris Haron said the state will have to consider water rationing if the dry spell continues.

For now, there is enough water in all three major dams.

Up north, near the Perak-Thai border, an entire lake has all but "disappeared".

The man-made Tasik Takong, in the Takong Recreational Park, used to be popular spot for anglers, picnickers and tourists.

In Rantau Panjang, Sungai Golok which divides Kelantan and Thailand is now easier to cross without the need for any travel documents.

Dry weather has turned the river into a stream and some parts of the river can be walked across.

In Kangar, cows were seen grazing in the Timah Tasoh Dam which saw water levels dipping below the critical level.

A village road submerged when the dam was built over two decades ago is now usable again.

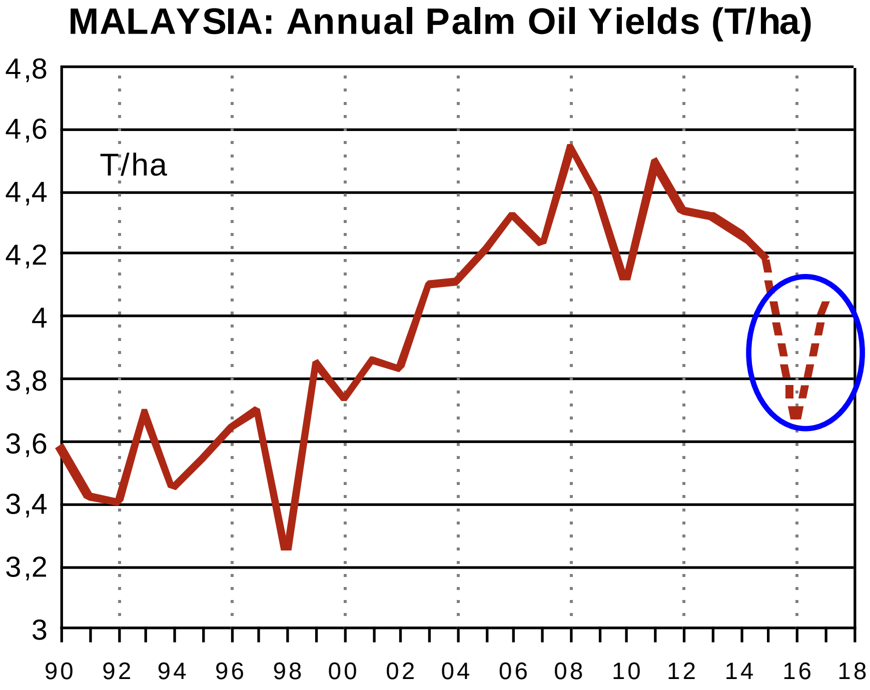
In Sabah, villagers on Banggi Island have resorted to digging into dry riverbeds while others are relying on wells and springs which are also drying up.

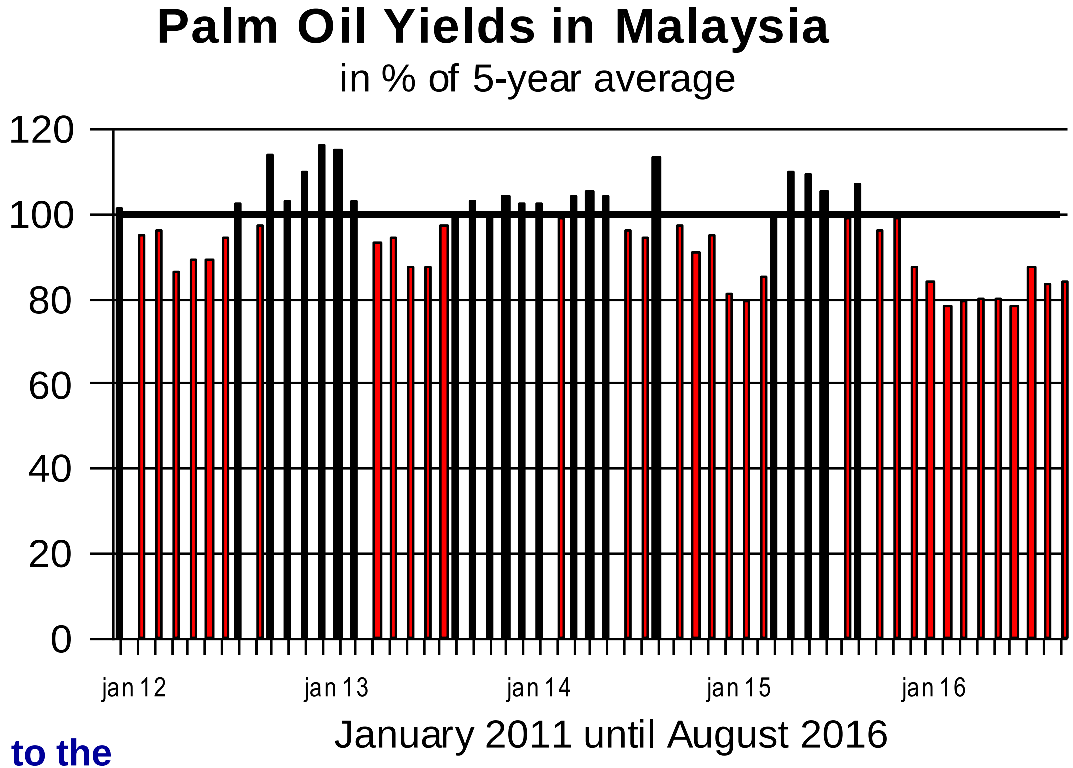
Penang's state-owned water corporation – PBA Holdings Bhd – urged the Federal Government to instruct all water authorities to stop irrigation of padi fields, especially in the northern region, until the rains return.

PBA Holdings chief executive officer Datuk Jaseni Maidinsa said the extraordinary move was needed to counter the effects of what he described as a "super drought".

Jaseni said the water of the Muda River in Kedah was too precious to be used in the thousands of hectares of padi fields in Kedah and Penang.

Drainage and irrigation canals have dried out





In 2016 the average annual oil yield is likely to fall to the lowest level in 15 years …

In 2017 yields will recovery…. However, they will remain substantially below the most recent 5-year average…

CPO yields steeply below average since Jan 2016. Slow recovery in Aug + Sept

OIL WORLD

Sept 23, 2016

World supplies of palm oil will still be tight in Oct/March 2016/17.

But production seen rebounding by 5.5-6.0 Mn T in Jan/Dec 2017.

World stocks of palm oil and of other oils very low as in Sept 2016.

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

	Production				Yields		
	2017F	2016	2015	2014	2017F	2016	2015
Indonesia	35.00*	32.30*	33.40*	31.50*	3.64*	3.54*	3.87*
Malaysia	20.60*	18.10*	19.96	19.67	4.06*	3.66*	4.18*
C&S America	4.10*	3.94*	3.81*	3.42*	3.11*	3.10*	3.12*
Oth ctrs.	5.54*	5.25*	5.39*	5.34*	1.94*	1.90*	2.00*
WORLD	**65.24***	**59.59***	**62.56***	**59.93**	**3.46***	**3.29***	**3.61***

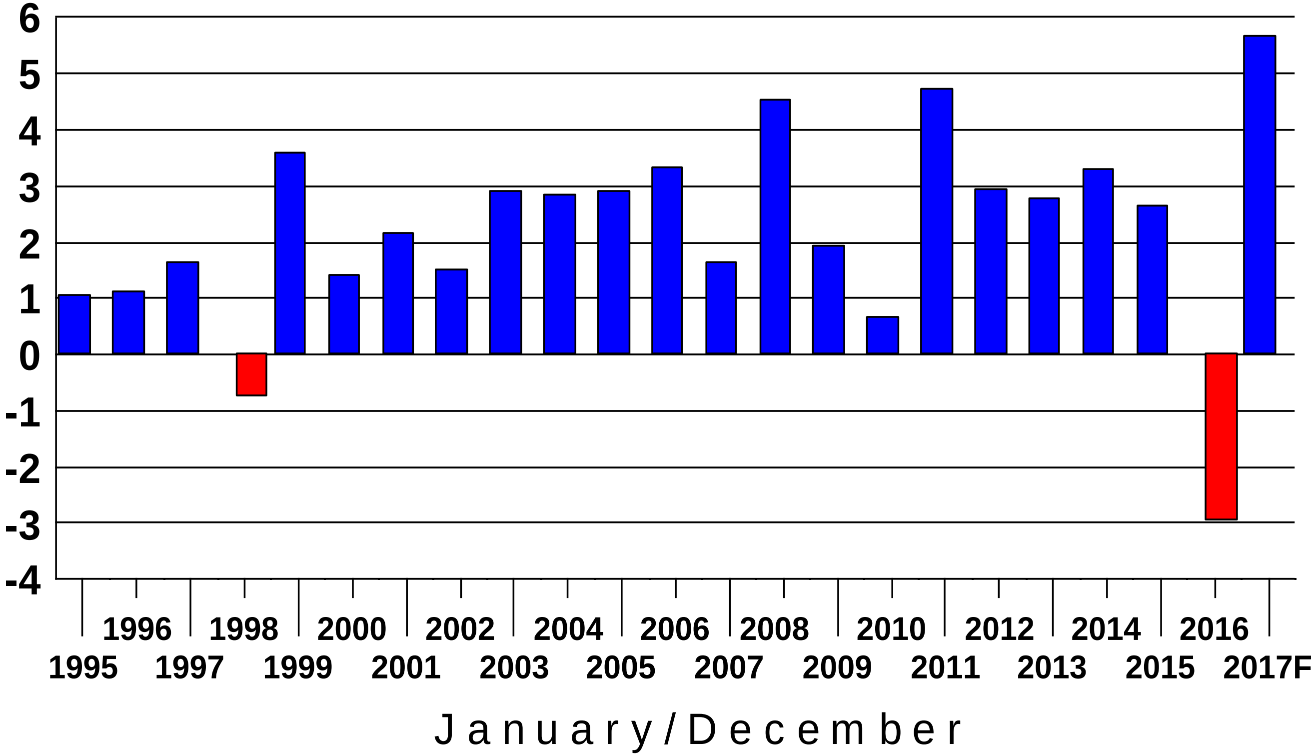
Palm Oil Outlook in 2017 (in Mn T):

Indonesia 35.0 against 32.3 in 2016

Malaysia 20.6 against 18.1 in 2016

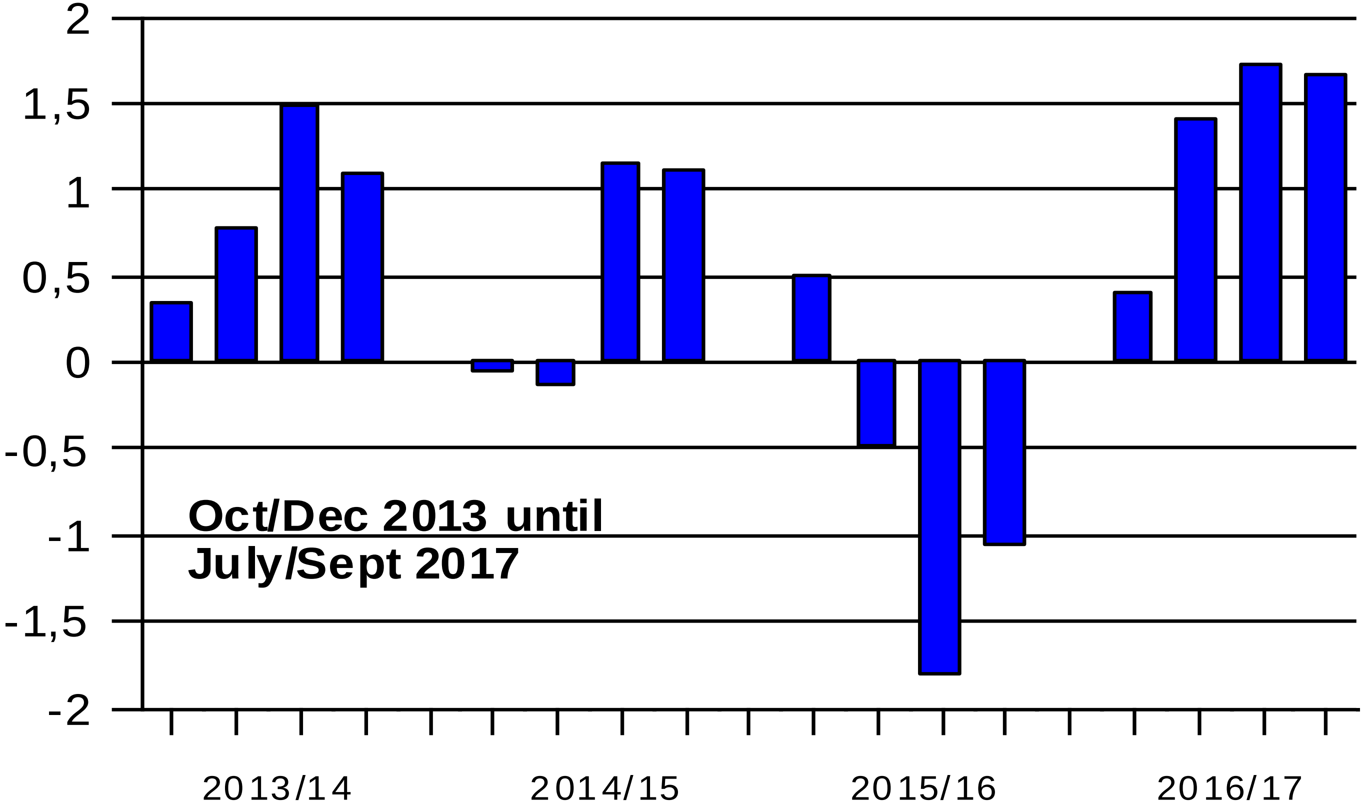
PALM OIL : World Production

Annual Change (Mn T)



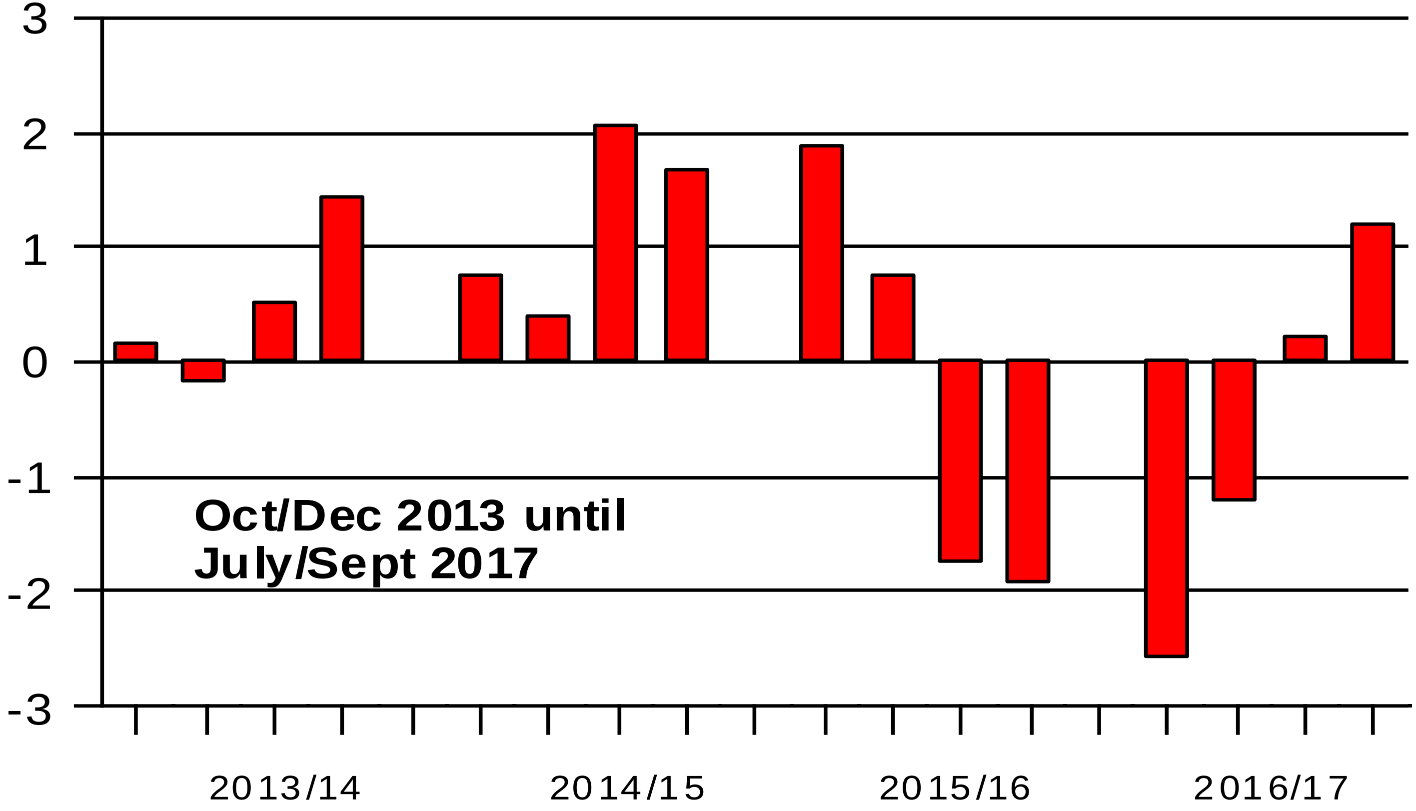
PALM OIL : World Production Growth

Quarterly, Change on year in Mn T



PALM OIL : World Supply Growth

Quarterly, Change on year in Mn T



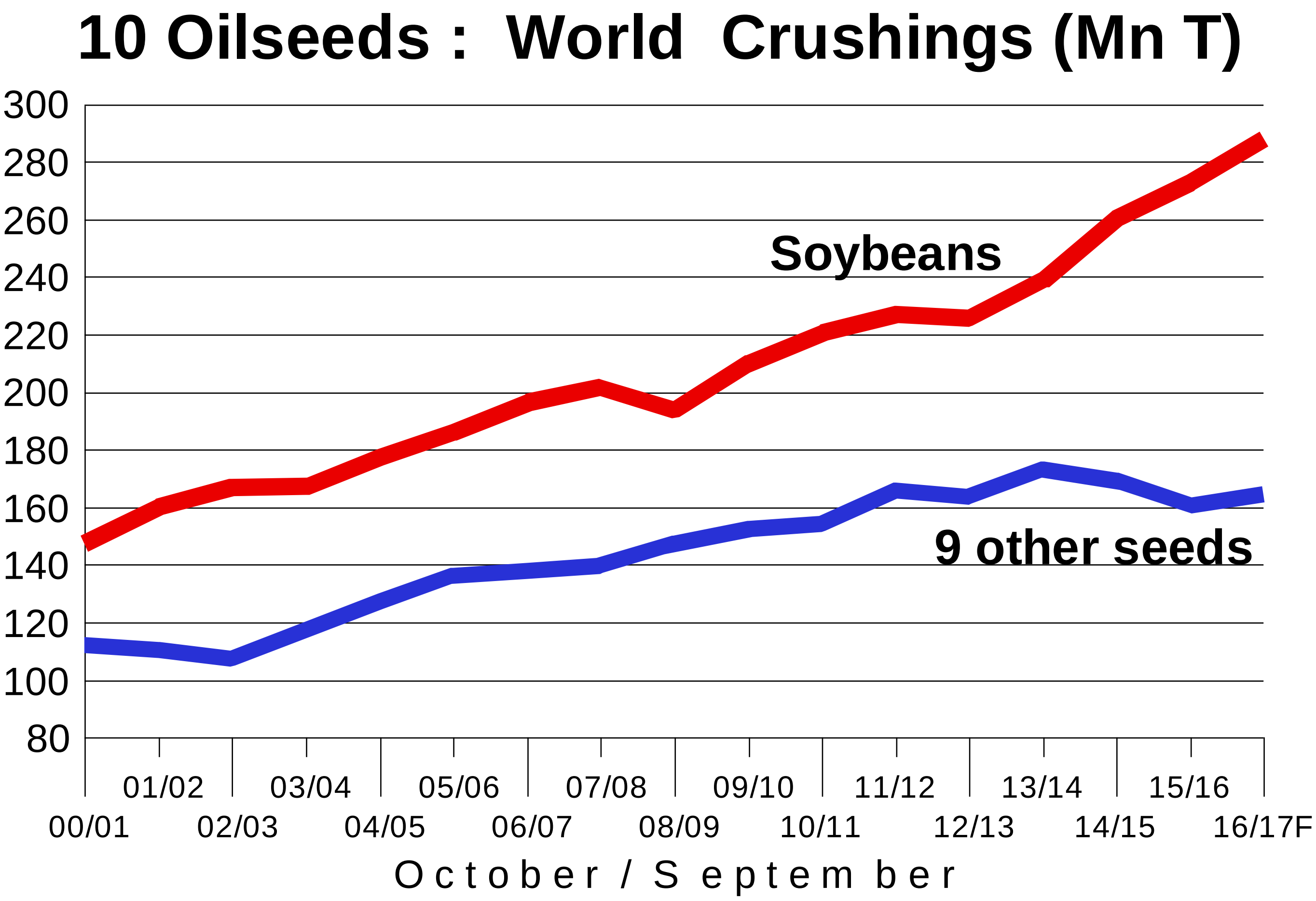
Further boost in world soybean crushings by 15 Mn T required in 2016/17, because

- **rising demand**

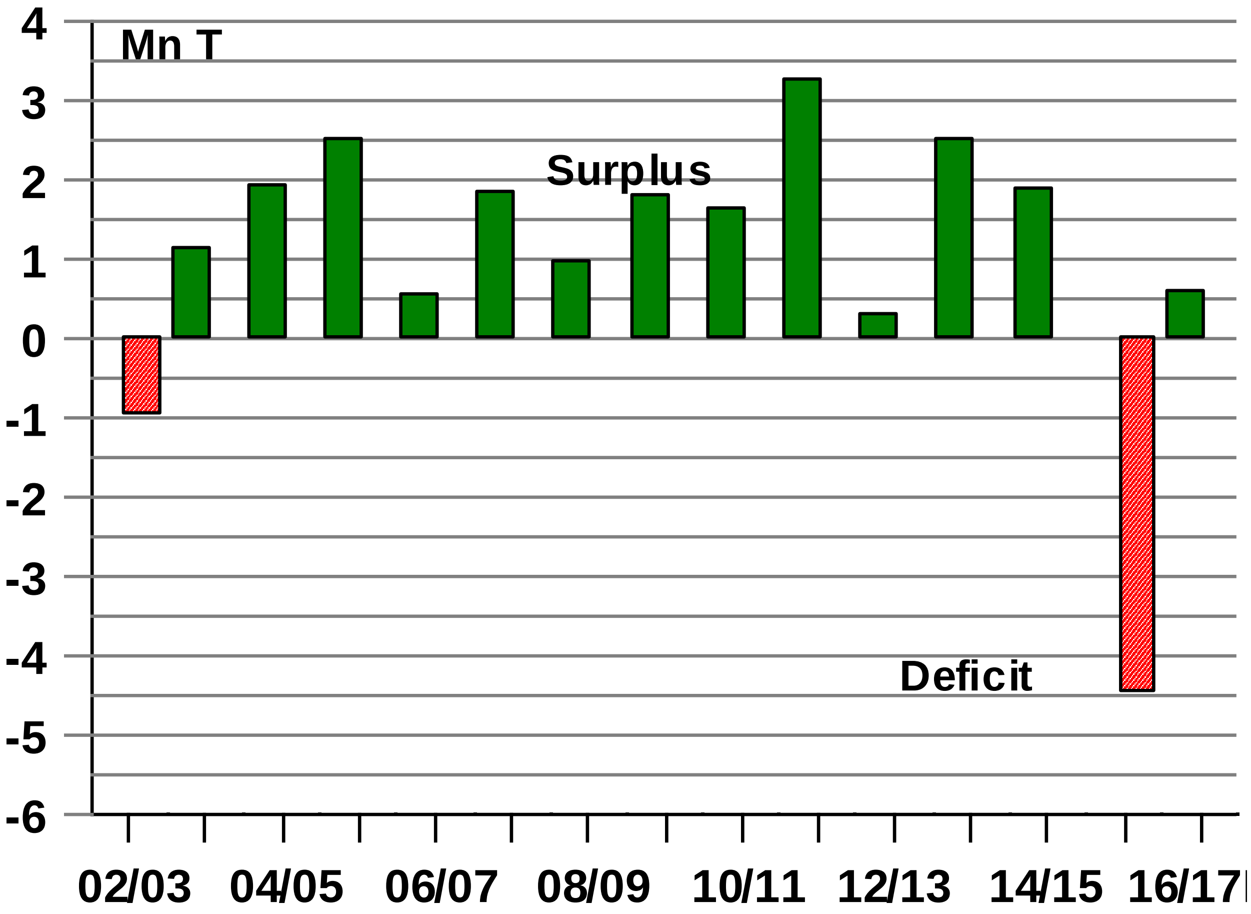
- **still insufficient palm oil supplies**

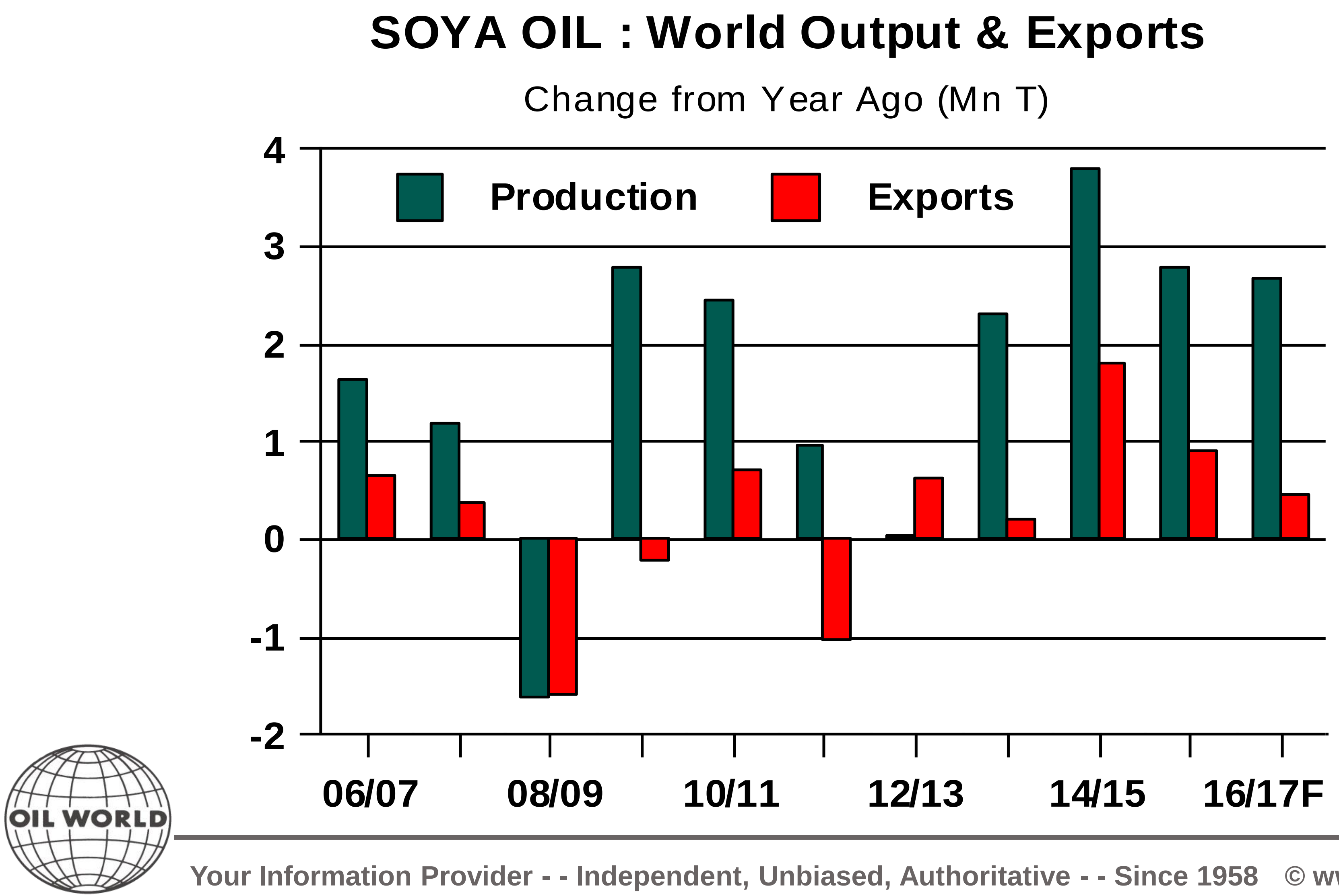
- **tightness of oth seeds**

- **low stocks of veg oil…**



17 OILS & FATS: Surplus/Deficit of Output vs. Usage

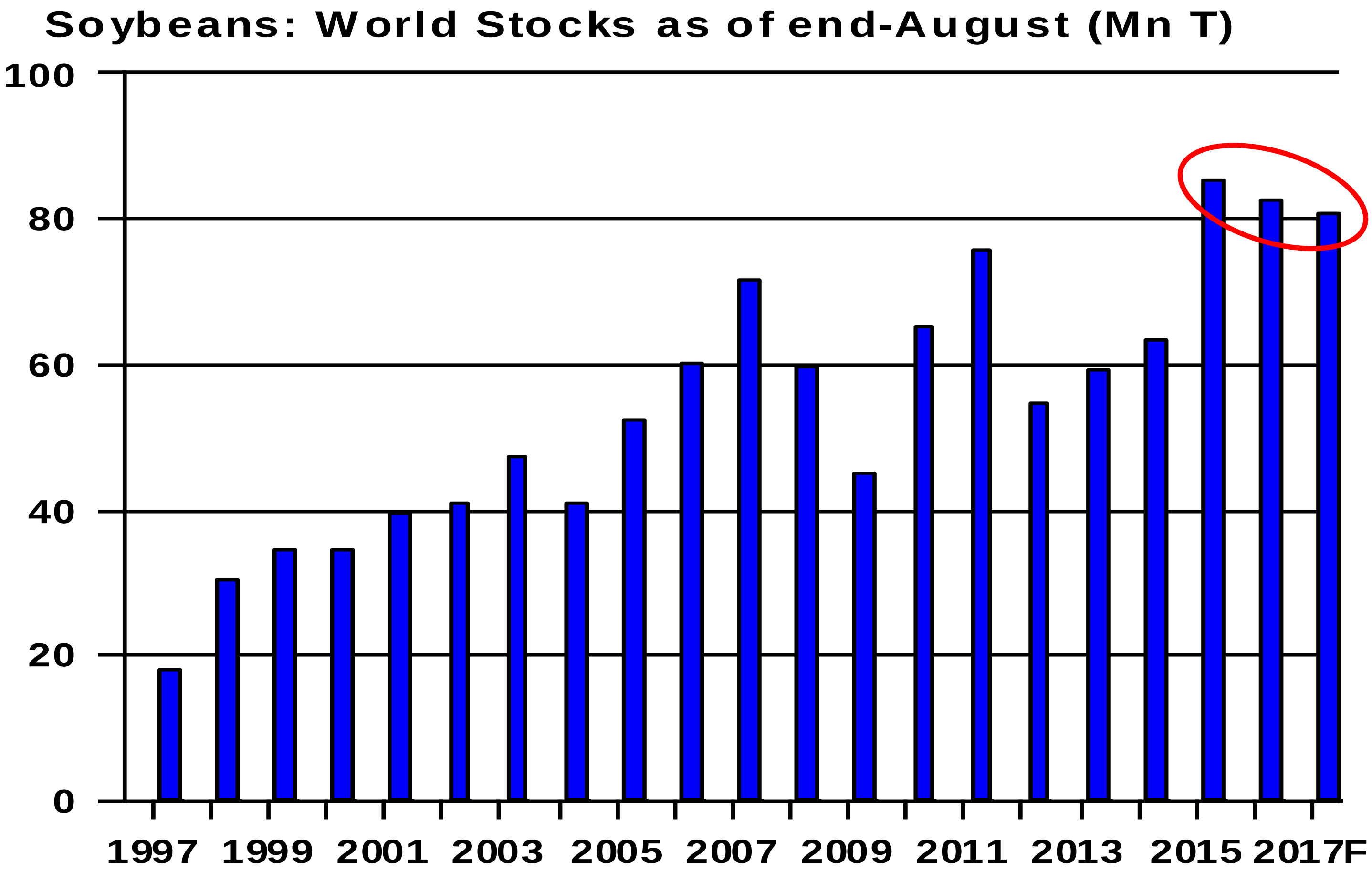



SOYA OIL : World Output & Exports
Change from Year Ago (Mn T)
Production
Exports
4
3
2
1
0
-1
-2
06/07
08/09
10/11
12/13
14/15
16/17F
OIL WORLD

Sept 23, 2016

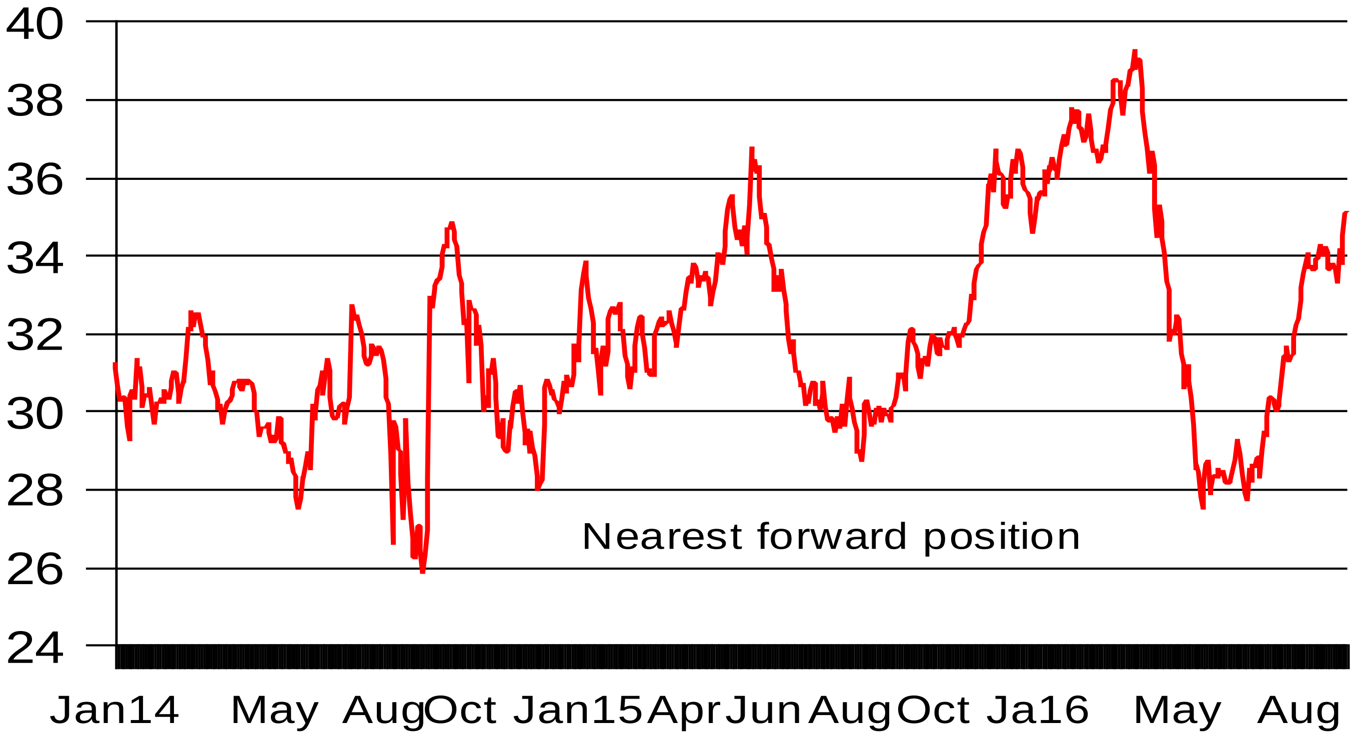
World stocks of soybeans at a record 85 Mn T at the end of 2014/15 season

BUT stocks already started to decline in 2015/16, and are likely to decline further in 2016/17, despite record US crop



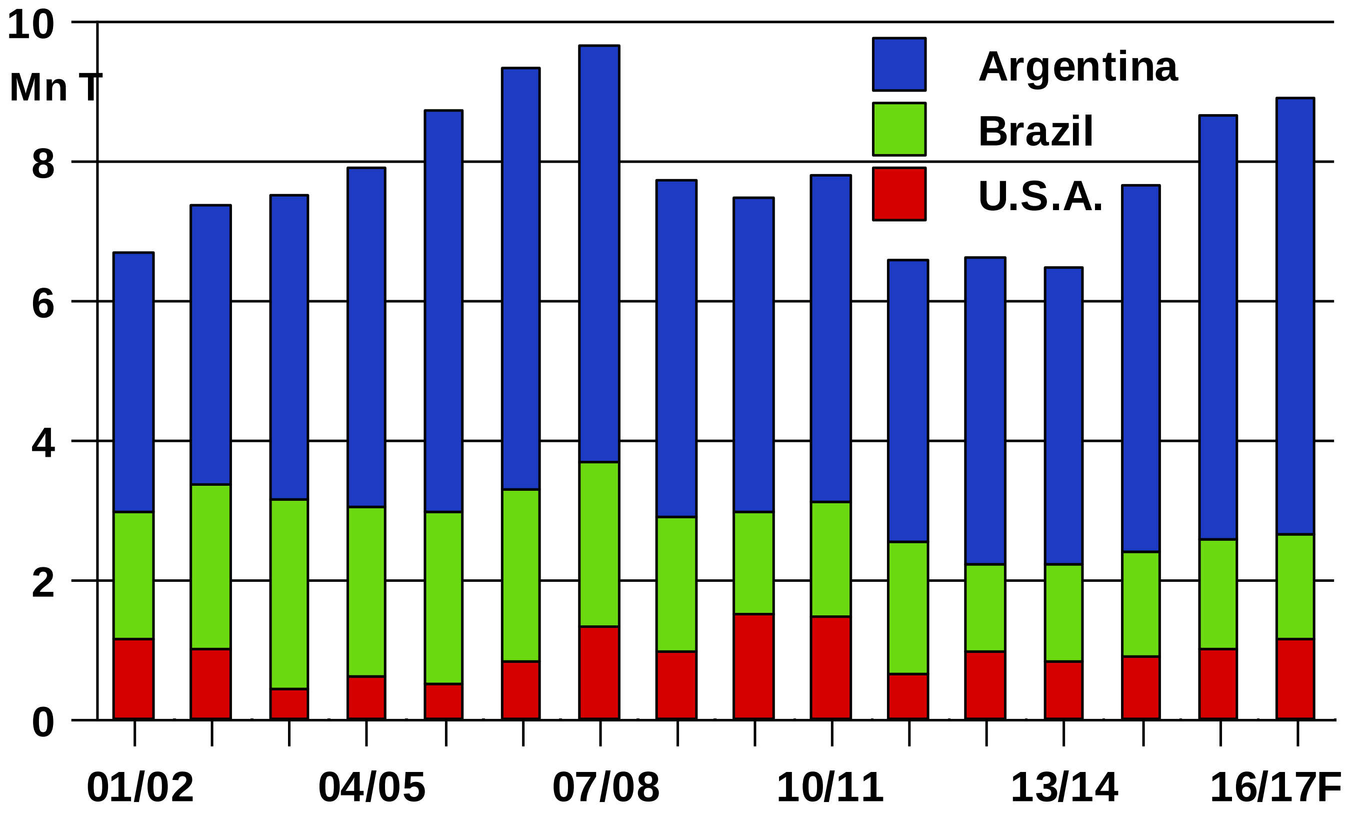
CBOT : Daily Soya Oil Share

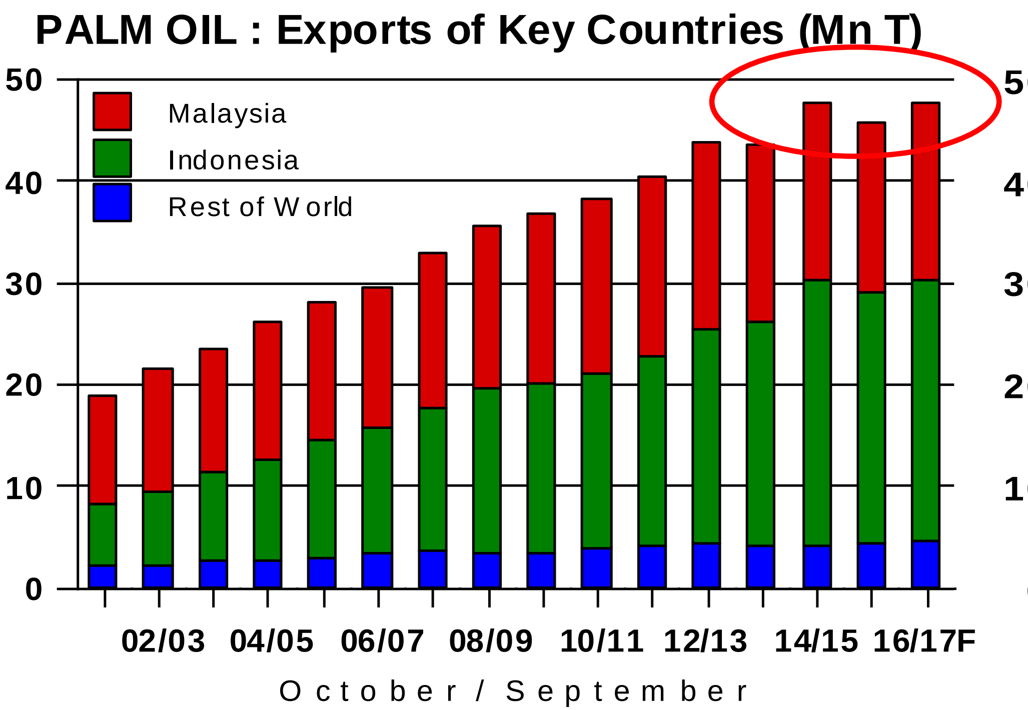
in % of total product value

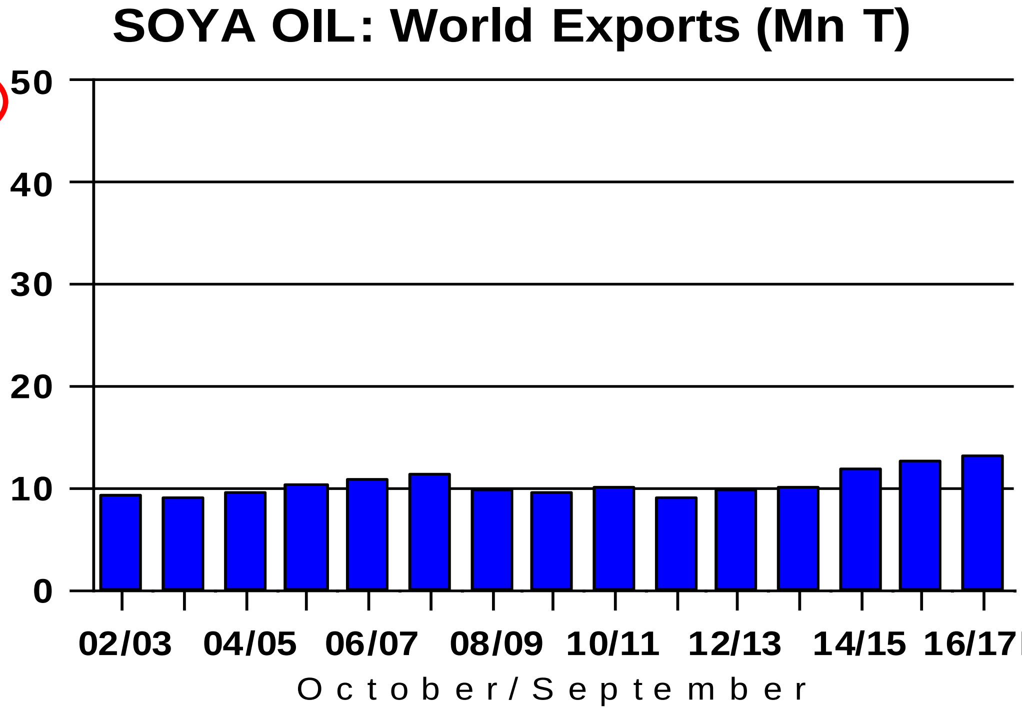


Daily share from 1 Jan 2014 until 21 Sept 2016

Soya Oil Exports




PALM OIL : Exports of Key Countries (Mn T)
50
40
30
20
10
0
Malaysia
Indonesia
Rest of World
02/03
04/05
06/07
08/09
10/11
12/13
14/15
16/17F
October / September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50
40
30
20
10
0
02/03
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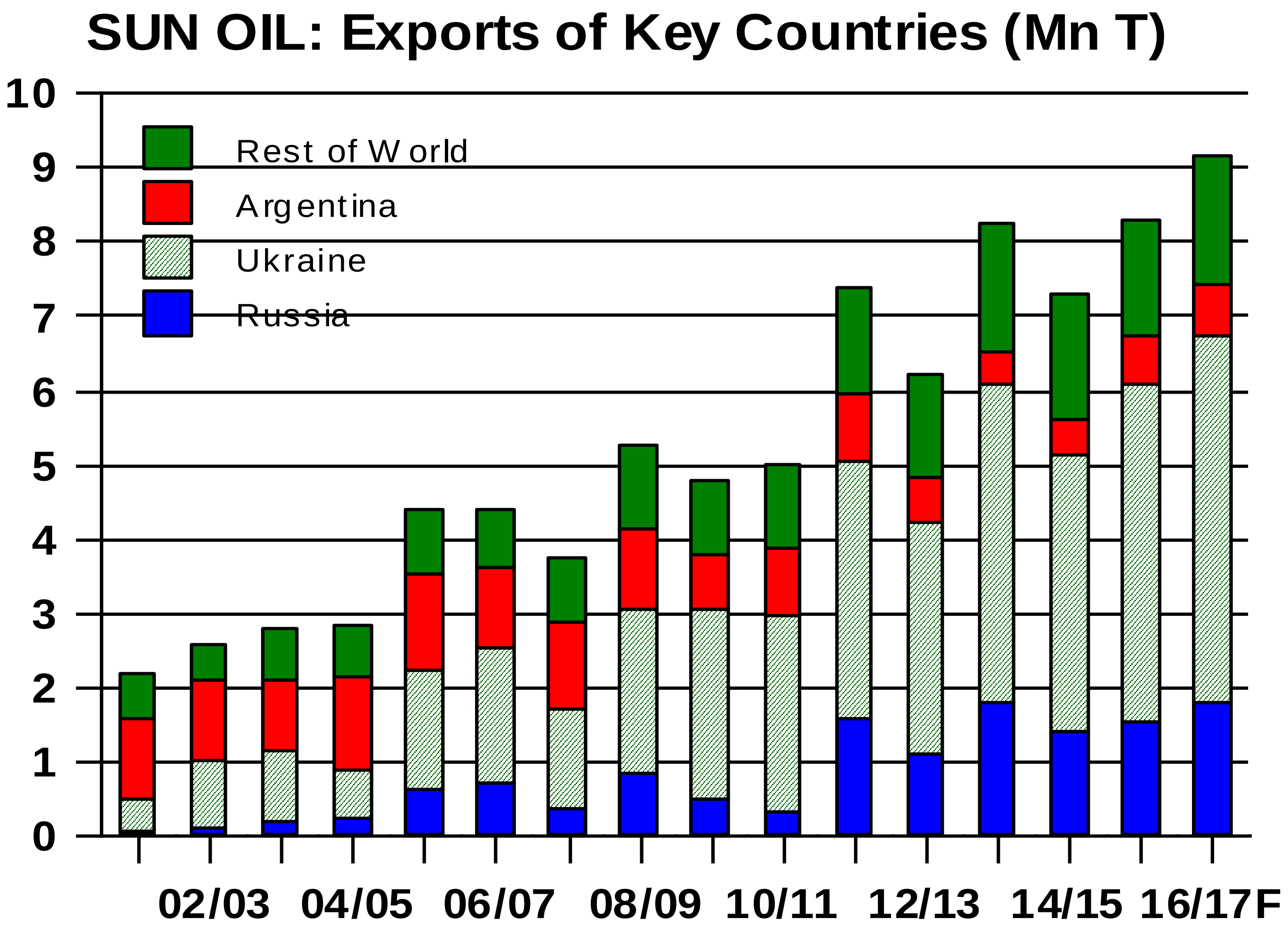
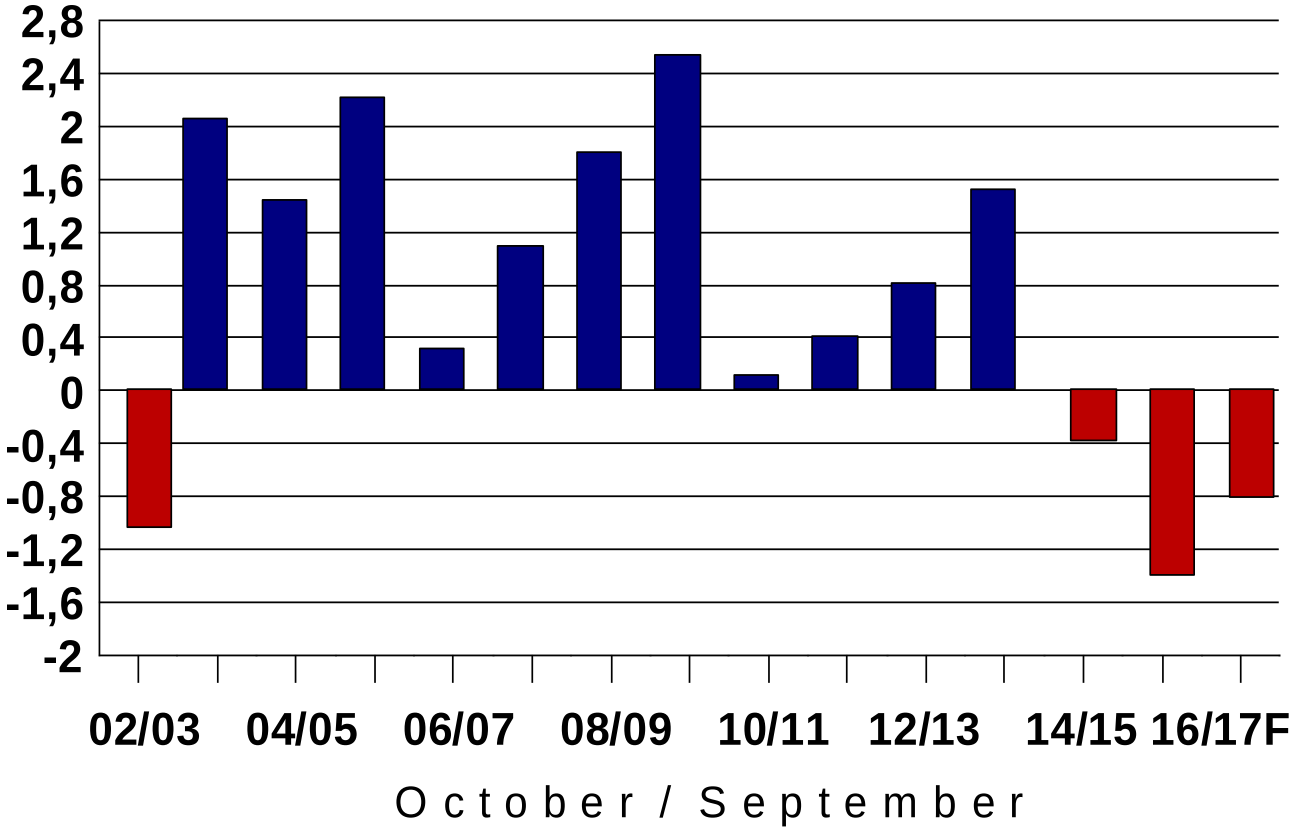
08/09
10/11
12/13
14/15
October/September

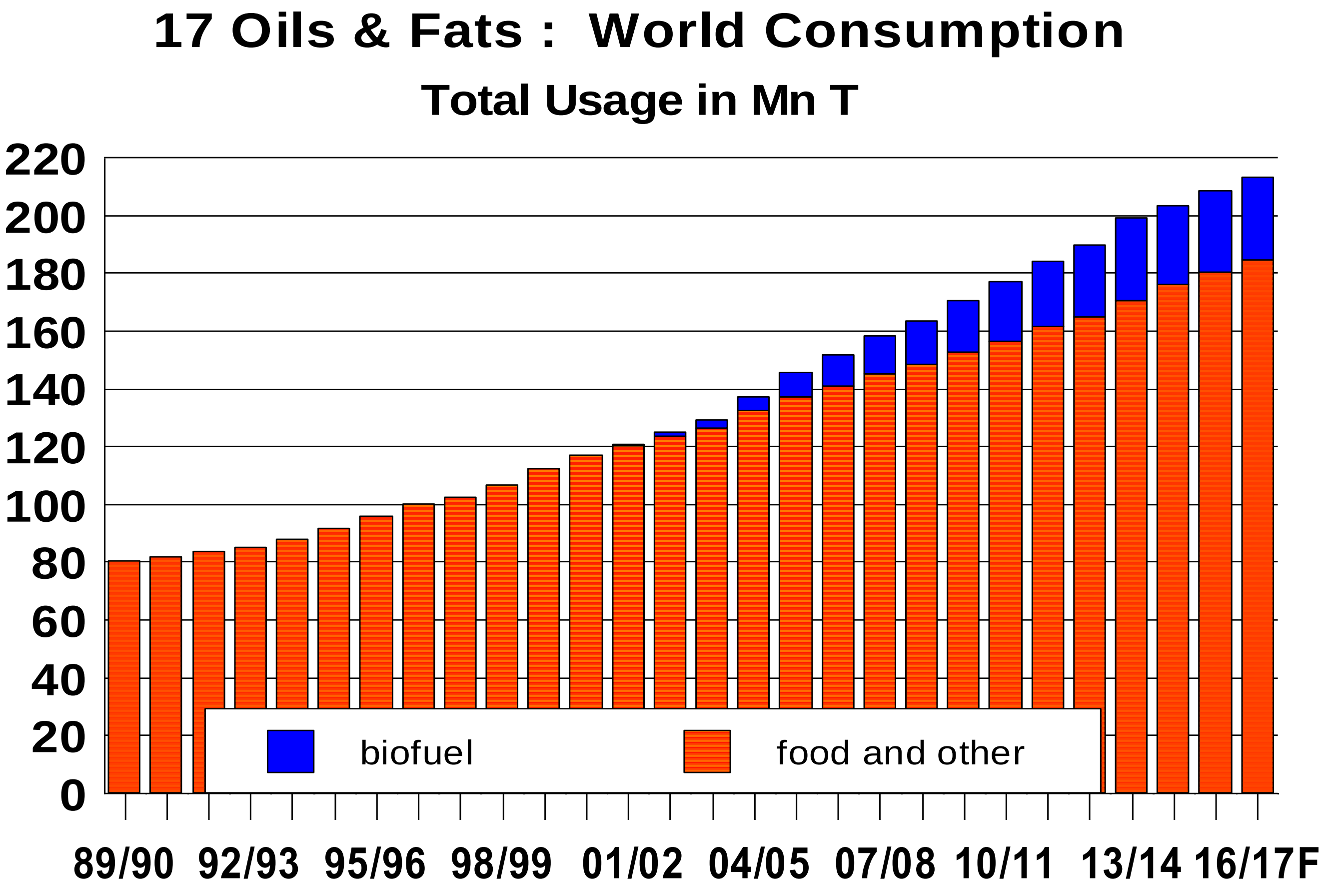

SUN OIL: Exports of Key Countries (Mn T)
Rest of World
Argentina
Ukraine
Russia
10
9
8
7
6
5
4
3
2
1
0
02/03
04/05
06/07
08/09
10/11
12/13
14/15
16/17F

RAPESEED OIL : World Production

Annual Change (Mn T)

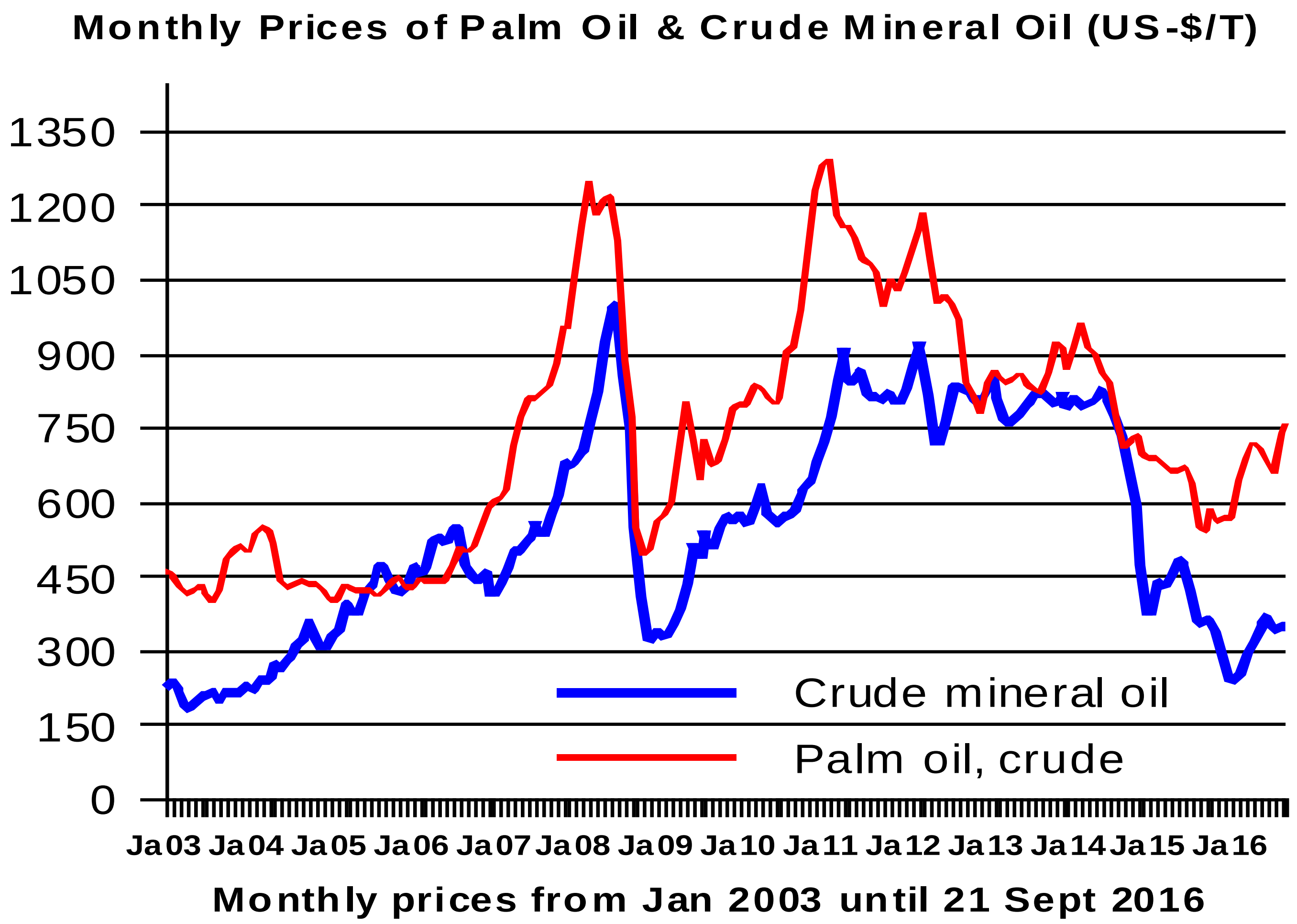


Substantial Growth in World Demand of Oils/Fats ! !



Sept 23, 2016

Prices of palm oil and other veg. oils are divorcing from the trend of crude oil

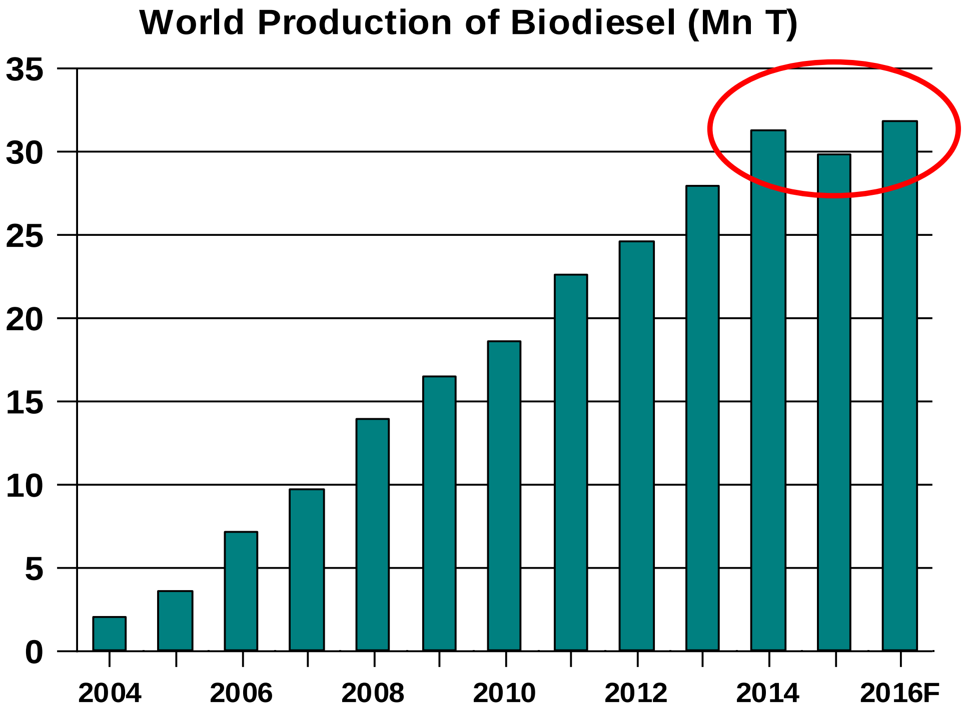


OIL WORLD

Sept 23, 2016

BIODIESEL: World Production by Country (Mn T)

	January/December				
	2016F	2015	2014	2013	2012
EU-28	12.27*	12.37*	12.20*	10.65	9.74
U.S.A.	**5.70***	**4.90**	**4.80**	4.72	3.50
Argentina. . .	**2.55***	**1.81**	**2.58**	2.00	2.46
Brazil	**3.40***	**3.46**	**3.00**	2.56	2.39
Colombia . . .	.50*	.51	.52	.50	.49
Singapore . .	.86*	.82	.76	.79	.74
Indonesia. . .	**2.40***	**1.40**	**2.86**	2.60	1.91
Malaysia . . .	.50*	.67	.60	.47	.25*
Thailand. . . .	.98*	1.03*	.99	.93	.92*
Oth. ctries. . .	2.56*	2.80*	2.94*	2.65*	2.20
Total	**31.72***	**29.77***	**31.24**	**27.87**	**24.58**
Change in (Mn T)	*+1.95**	*-1.47**	*+3.37*	*+3.29*	*+2.02*



Concluding Statements

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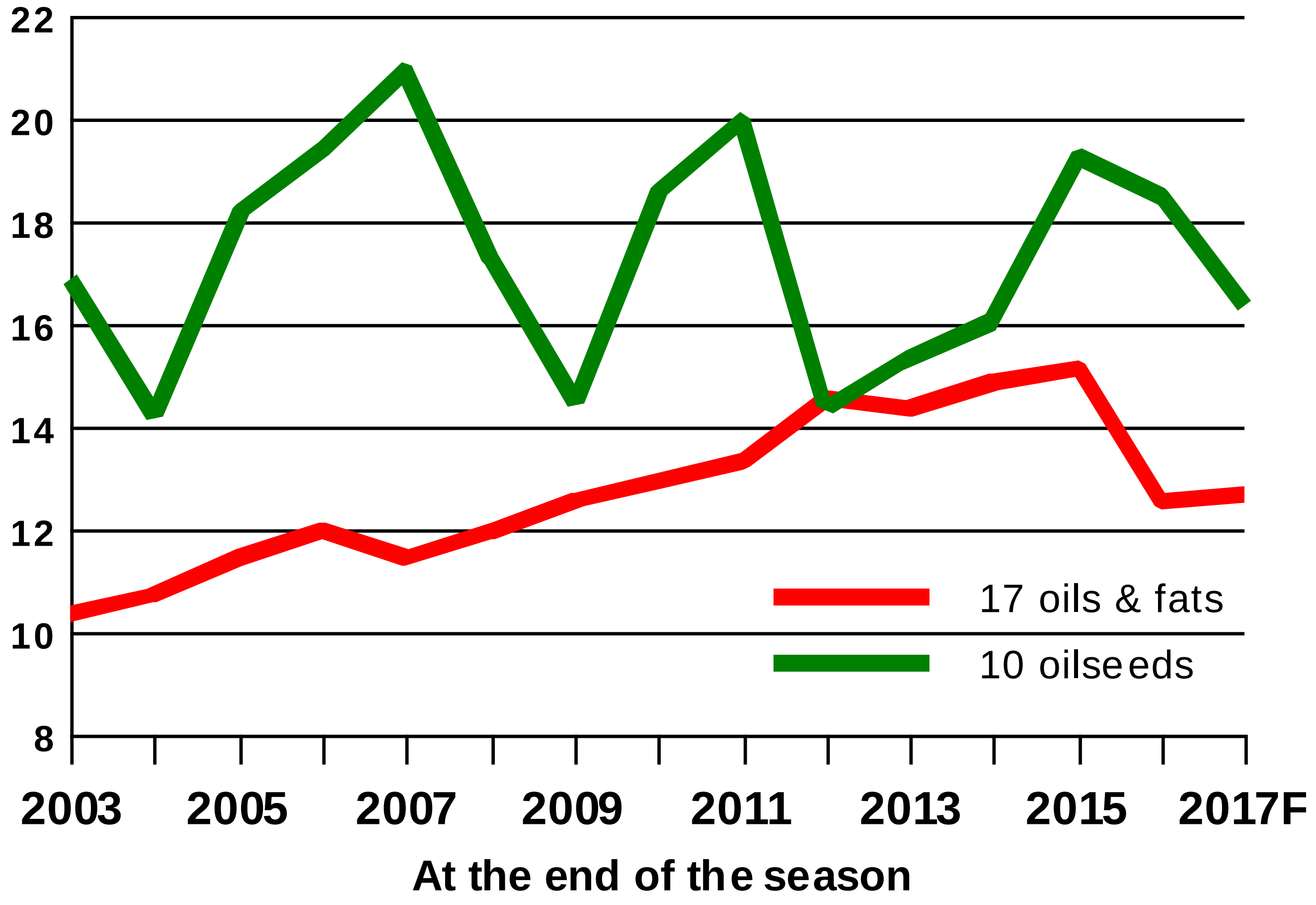
	+4.9*	**+5.2***	**+4.4**	**+9.1**	**+5.6**
for energy	+0.8*	+1.0*	-1.5	+3.7	+2.4
other uses	+4.1*	+4.2*	+5.9	+5.4	+3.2
Stock change . .	**+0.6***	**-4.5***	**+1.7**	**+2.5**	**+0.3**

World Stocks in Percent of Annual Usage (%)



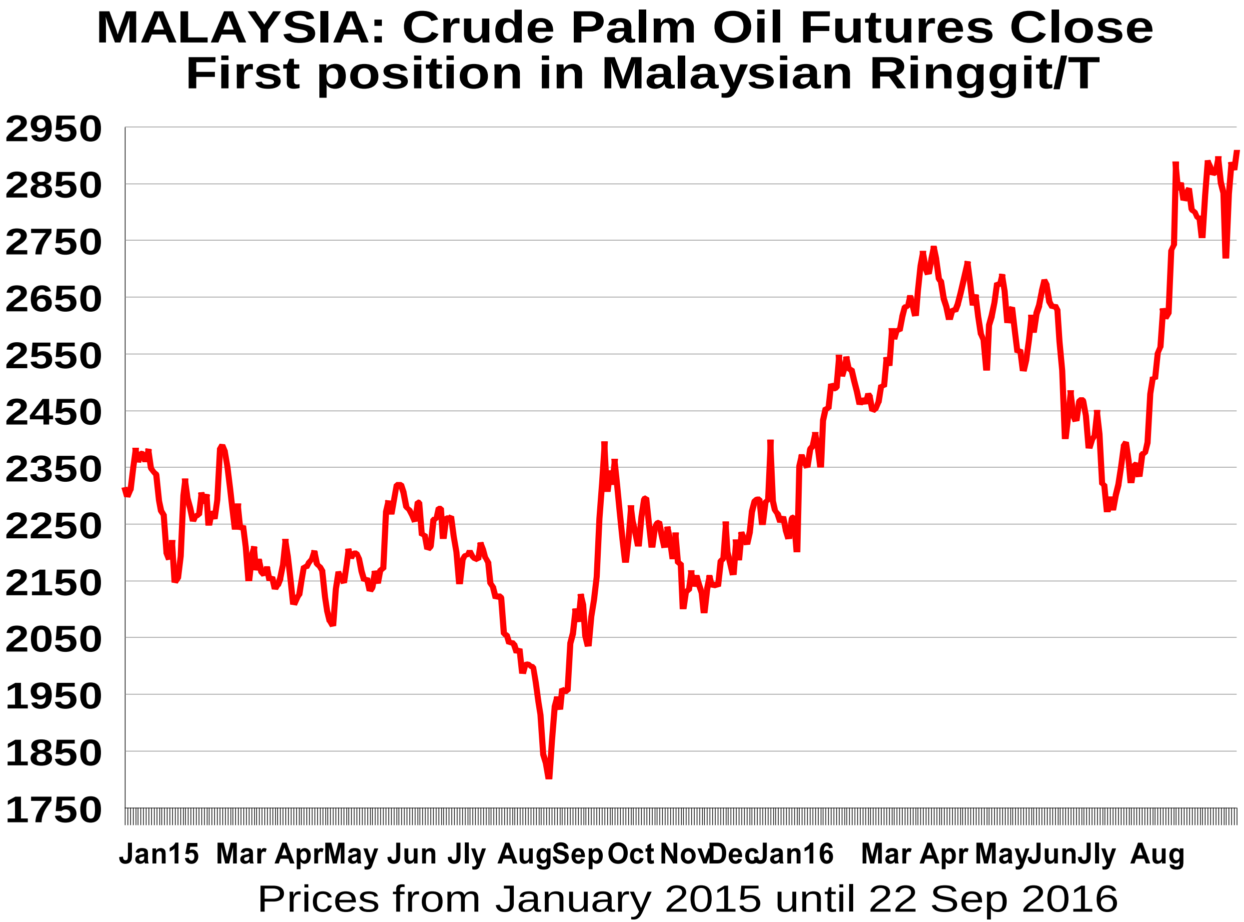
→Prices could rally to or above 3000 Ringgit

→RBD palm olein (fob Malaysia) likelky to reach a high of US $ 800 sometime in the next 4-8 weeks

→Also Arg soya oil has more upward potential - - US $ 800-820

→Sun oil bearish, but will follow soya and palm oils

→There is no room for major production losses



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