

Global Supply, Demand and Price Outlook of Castor Oil

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on 18 Febr 2017**

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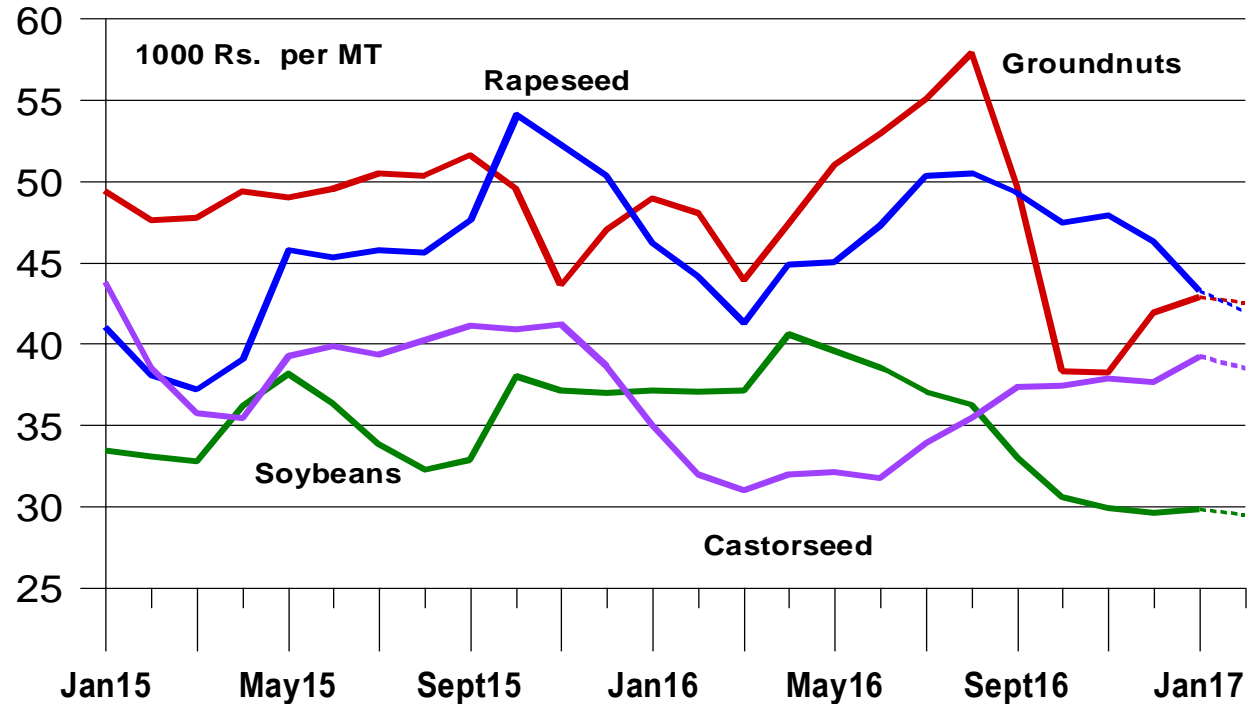
Farmers have reacted in 2016 to the very low castor prices in India, Brazil, China and other countries.

Consumers stepped up purchases to benefit from low prices, world imports jumped up, partly going into stocks.

Now the markets in India and worldwide are facing a significant production deficit in 2017.

Oilseed Prices in India

Monthly averages



Source: Solvent Extractors' Association of India.

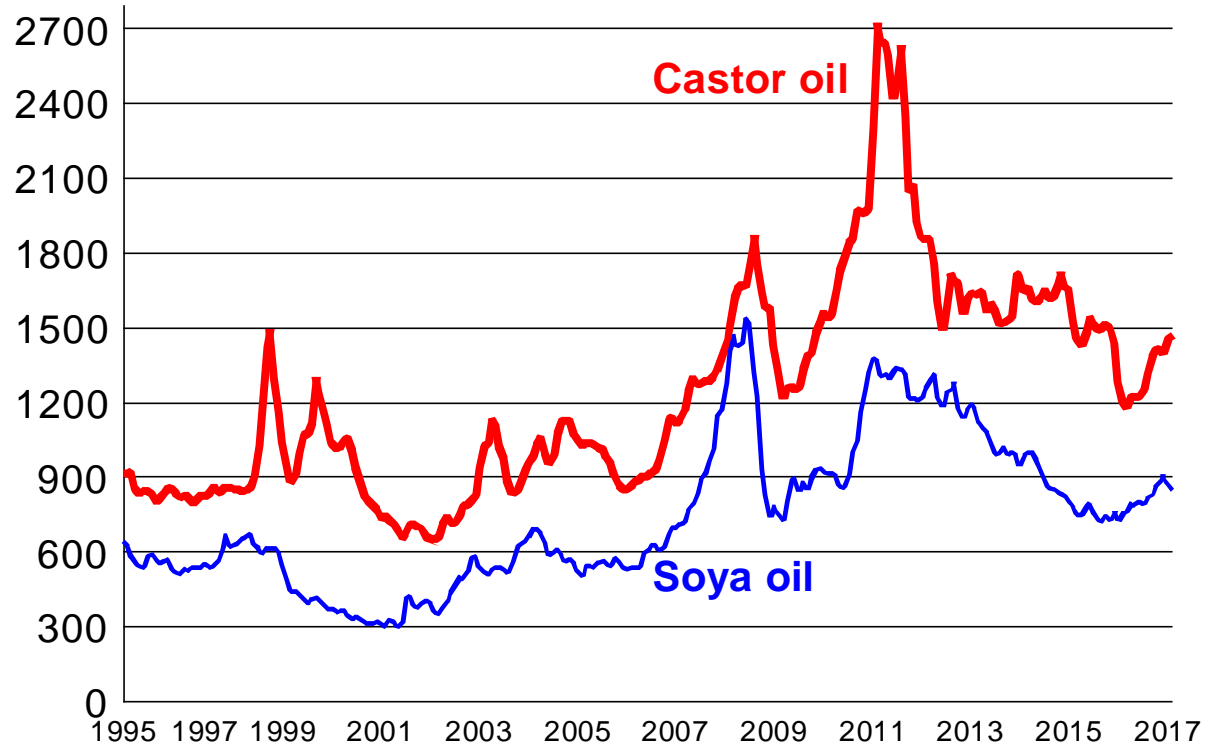


Currently castor oil prices are roughly US \$ 300 above their multi-year lows of 2016

And more than US-\$ 600 above soya oil

Castor Oil & Soya Oil Prices in Rotterdam

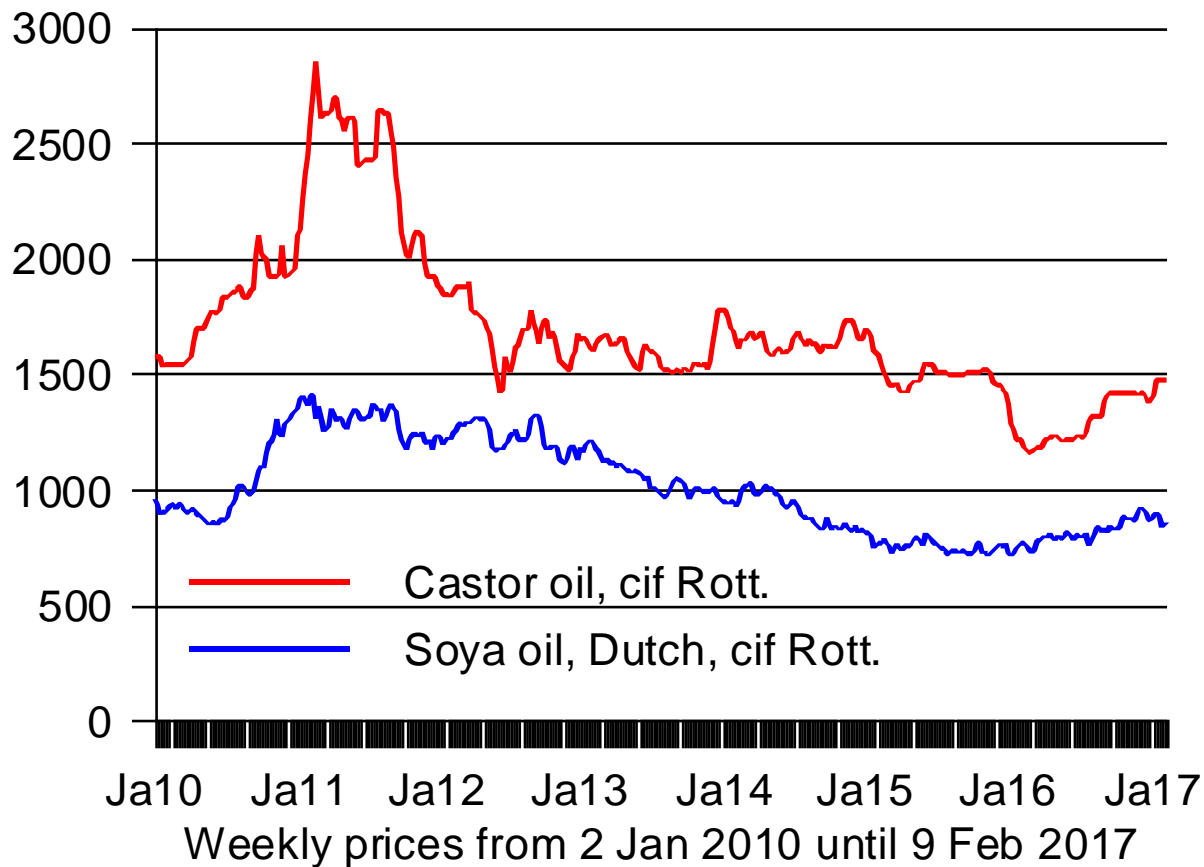
Monthly average prices in US-\$/T



Prices from Oct 1995 up to 16 Feb 2017



Weekly Prices of Castor Oil & Soya Oil (US-\$/T)



India: production estimated at 1.05-1.10 Mn T this year.

This is creating a sizeable production deficit of 250-300 Thd T in India.

But carryover stocks from last season's crop were still very large at 450-550 Thd T.

Key factors to watch: Export demand for Indian castor oil as well as farmer selling.

CASTORSEED : World Production (1000 T)

	<u>16/17p</u>	<u>15/16</u>	<u>14/15</u>	<u>13/14</u>	<u>12/13</u>	<u>11/12</u>	<u>01/02</u>
World ...	1236*	1608	1487	1395	1547	2206	1044
India...	1070*	1410*	1270*	1200*	1300*	1800*	610
China...	40*	40*	60*	65*	110*	160*	260
Thailand.	11*	11*	11*	12*	11*	11*	9
Africa	20*	20*	20*	22*	20*	17	12
Brazil ...	14	47	45	16	25	141	100



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Brazil . . .	14	47	45	16	25	141	100

India: production estimated at 1.05-1.10 Mn T this year.

China only 35-40 Thd T, but sizeable investments in castorbeans seem to be successful in boosting the crop in 2017/18

Brazil: previous targets were not accomplished

Little growth in past 15 years in the rest of the world



Several factor curb Brazil castorseed production :

- 1) Very low yields per ha
- 2) Production costs are higher than in India
- 3) High transportation costs from the northern areas
- 4) Plans to promote castor cultivation and dispose the castor oil in the biodiesel industry did not materialize, because castor oil is not suitable and too expensive.
- 5) The Government has cut financial assistance

BRAZIL : Castorseed & Oil Data (1000 T)

<u>Jun/May</u>	<u>Castorseed</u>			Net <u>imports</u>	<u>Castor oil</u>	
	<u>Area</u> (1000ha)	<u>Crop</u> (1000 T)	<u>Crush</u>		<u>Imp- orts</u>	<u>Exp- orts</u>
83/84-87/88	380	236	259	53	-	78
88/89-92/93	249	131	166	40	5	40
93/94-97/98	119	53	53	15	21	7
98/99-02/03	137	68	59	8	3	8
03/04-07/08	166	111	116	7	2	4
08/09-12/13	165	97	98	5	6	4
2011/12	219	141	140	5	7	1
2012/13	128	25	40	9	5	.
2013/14.	87	16	22	7	1	.
2014/15	101	45	50	6	1	1
2015/16.	82	47	49	3	1	5
2016/17	30	14	15*	1*	3*	.*
2017/18F	30*	13*	14*	2*	4*	.*



CHINA, P.R.: Castor Oil Imports by Country of Origin**(1000 T)**

	January / December					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2006</u>
India.	245.3	221.6	167.2	227.3	225.9	82.9
Thailand. . .	1.1	5.0	5.8	4.2	1.1	-
Oth.ctries.	0.7	0.4	.	0.4	0.6	0.6
Total	247.1	227.0	173.0	231.9	227.6	83.5

EU-28 : Imports of Castor Oil (a) (1000 T)

	January / December					
from:	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2006</u>
India.	188.0	160.2	159.6	162.8	148.3	101.4
Brazil	0.6	0.6	-	.	-	3.5
Other	2.3	1.9	2.6	2.4	1.3	1.7
Total (a)	190.9	162.7	162.2	165.2	149.6	106.6

(a) Intra-EU trade is excluded.



U.S.A. : Castor Oil Imports by Country of Origin

(1000 T)

January / December

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>		<u>2006</u>
Brazil	1.2	2.7	-	-	.		1.6
India.	43.1	57.8	60.6	53.1	51.8		44.1
Oth.ctries.	0.1	0.3	0.1	0.2	0.2		0.2
Total	44.4	60.8	60.7	53.3	52.0		45.9

JAPAN : Castor Oil Imports by Country of Origin

(1000 T)

January / December

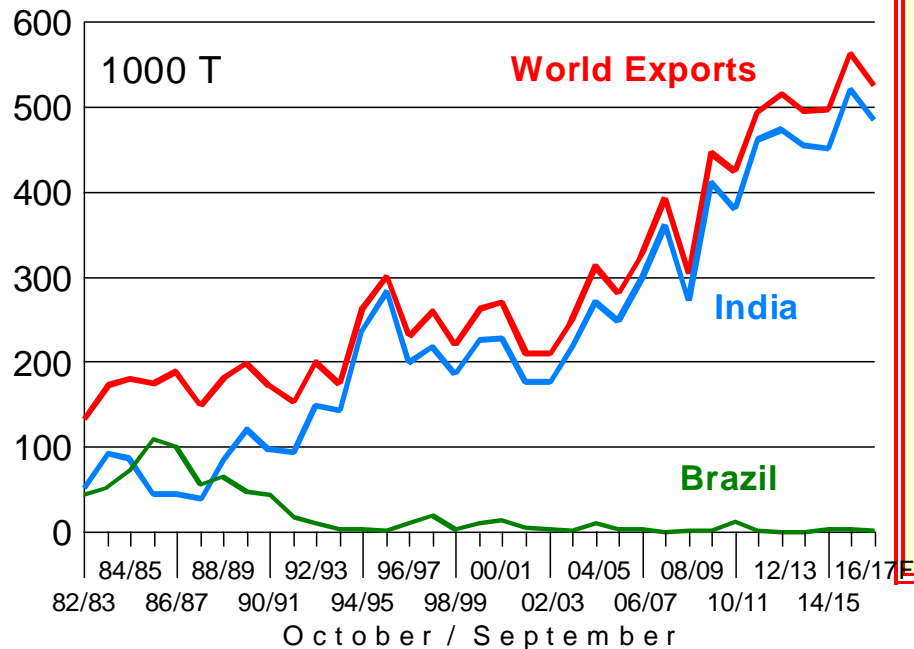
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>		<u>2006</u>
India.	17.0	17.3	14.5	15.4	15.1		16.6
Oth.ctries.	.	.	.	0.1	.		.
Total	17.0	17.3	14.5	15.5	15.1		16.6



Dominance of India.

India accounts for 91-93%
of world exports

CASTOR OIL: World Exports

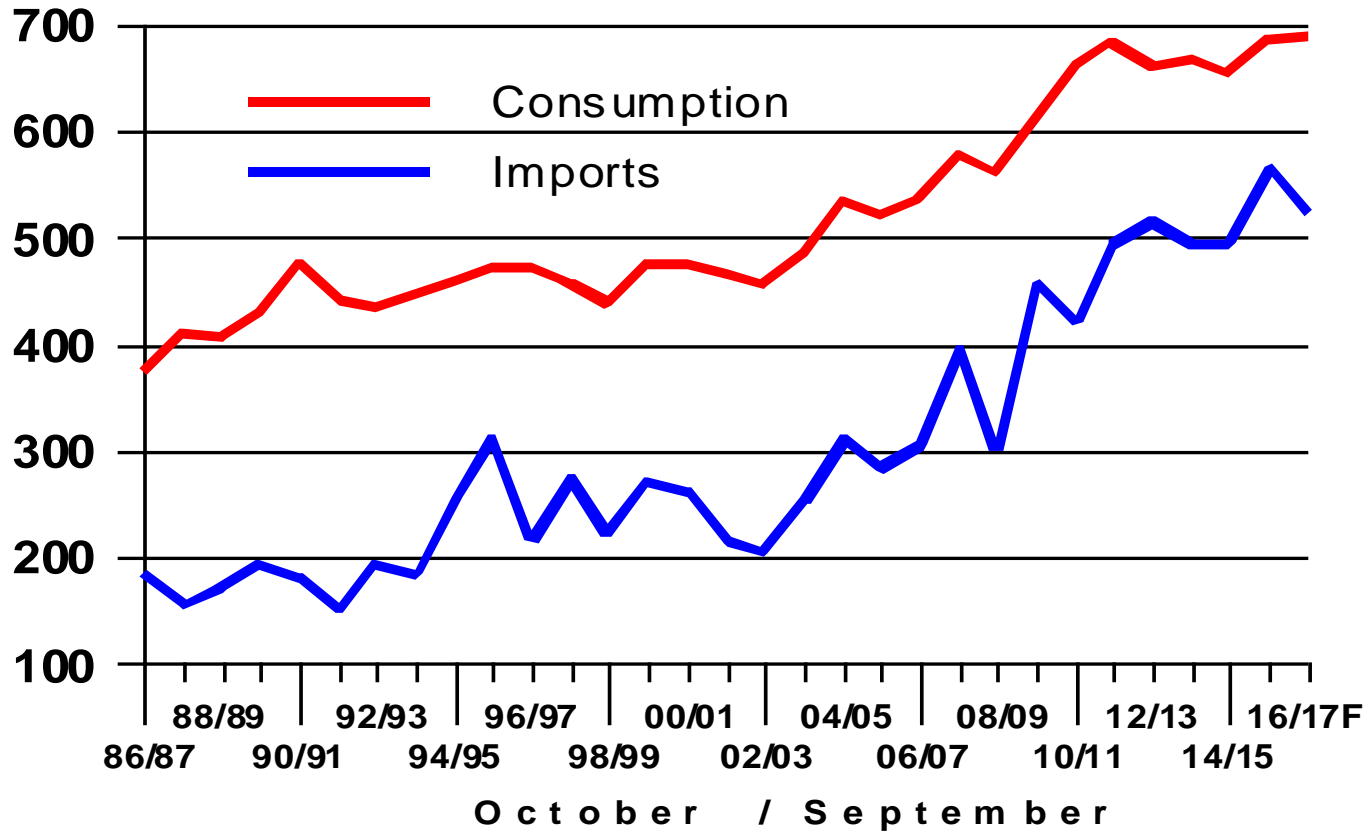


CASTOR OIL : World Exports (1000 T)

	India	Brazil	China P.R.	Other ctr.	Total
1985/86 - 89/90	67	75	22	15	179
1990/91 - 94/95	144	16	17	16	193
1995/96 - 99/00	223	9	1	22	255
2000/01 - 04/05	214	7	1	29	251
2005/06 - 09/10	319	2	.	30	351
2011/12	461	1	.	33	495
2012/13	474	.	.	42	516
2013/14	454	.	.	41	495
2014/15	451	3	.	42	496
2015/16	522	3	.	38	563
2016/17F	485*	1*	. *	39*	525*



CASTOR OIL: Increasing Trend of World Imports & Consumption (in Thd T)



Low prices generated a pick up in world imports to a high of 567 in 2015/16

Part of that was used to satisfy rising demand and part of it to accumulate stocks

Record stocks at start this season will curb castor oil imports

India exports down 30-40

Consumption flat in 16/17

CASTOR OIL: World Supply & Demand Balance

(1000 T)	October / September				
	<u>16/17F</u>	<u>15/16</u>	<u>14/15</u>	<u>13/14</u>	<u>12/13</u>
Open'g stocks	145	125	107	134	119
Production	655*	705	675	641	675
Imports	524*	567	495	496	518
<i>EU-28</i>	169*	180	162	169	157
<i>U.S.A</i>	50*	49	61	57	54
<i>China,PR</i>	225*	247	189	189	229
<i>Thailand</i>	19*	27	24	20	18
Exports	525*	563	496	495	516
<i>India</i>	485*	522	451	454	474
Consumption	690*	688	657	667	662
Ending stocks	108*	145	121	109	134



Castor oil prices are likely to increase in coming months.

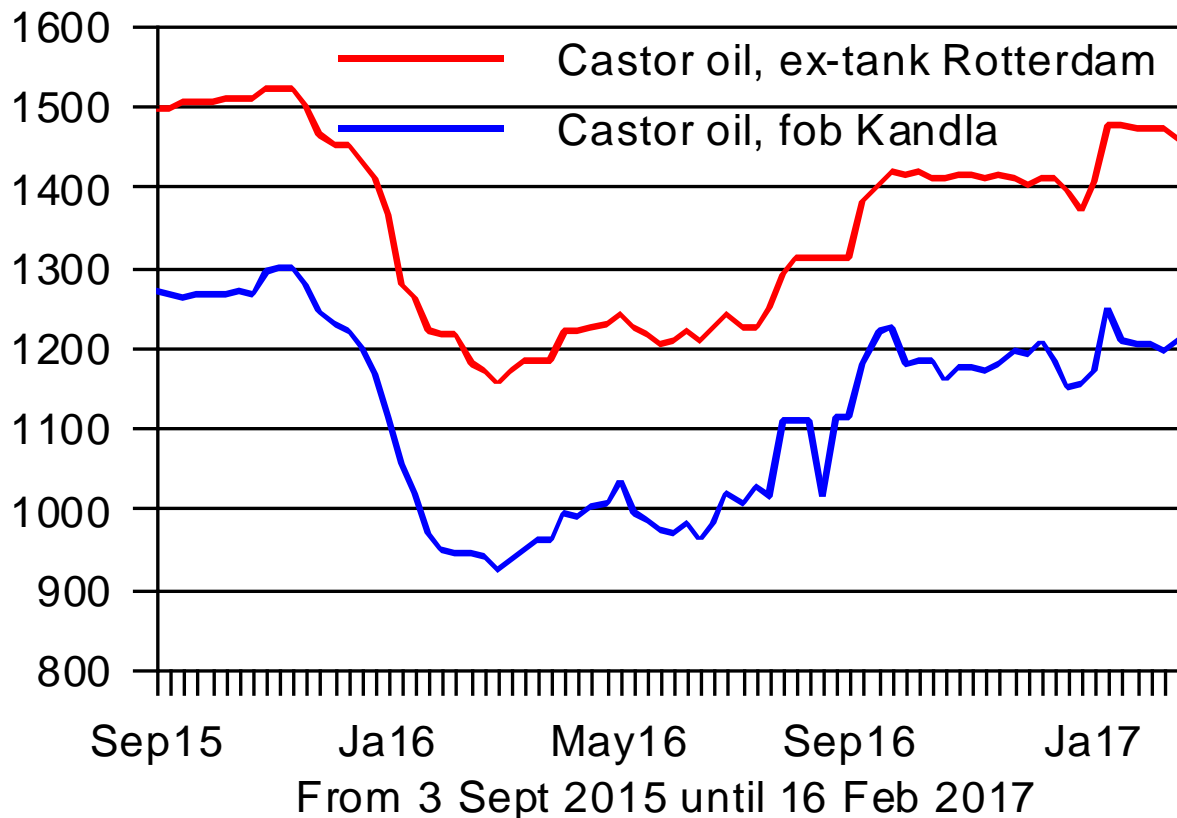
**Global production deficit.
Lack of alternatives.**

Factors to watch:

- 1) Actual crop size**
 - 2) Farmer selling**
 - 3) Import demand from China and other countries**
 - 4) Planting prospects and new crop outlook.**
- With normal monsoon there will be a lot of competition from other crops**

Weekly Prices of Castor Oil (US-\$/T)

ex-tank Rotterdam and fob Kandla

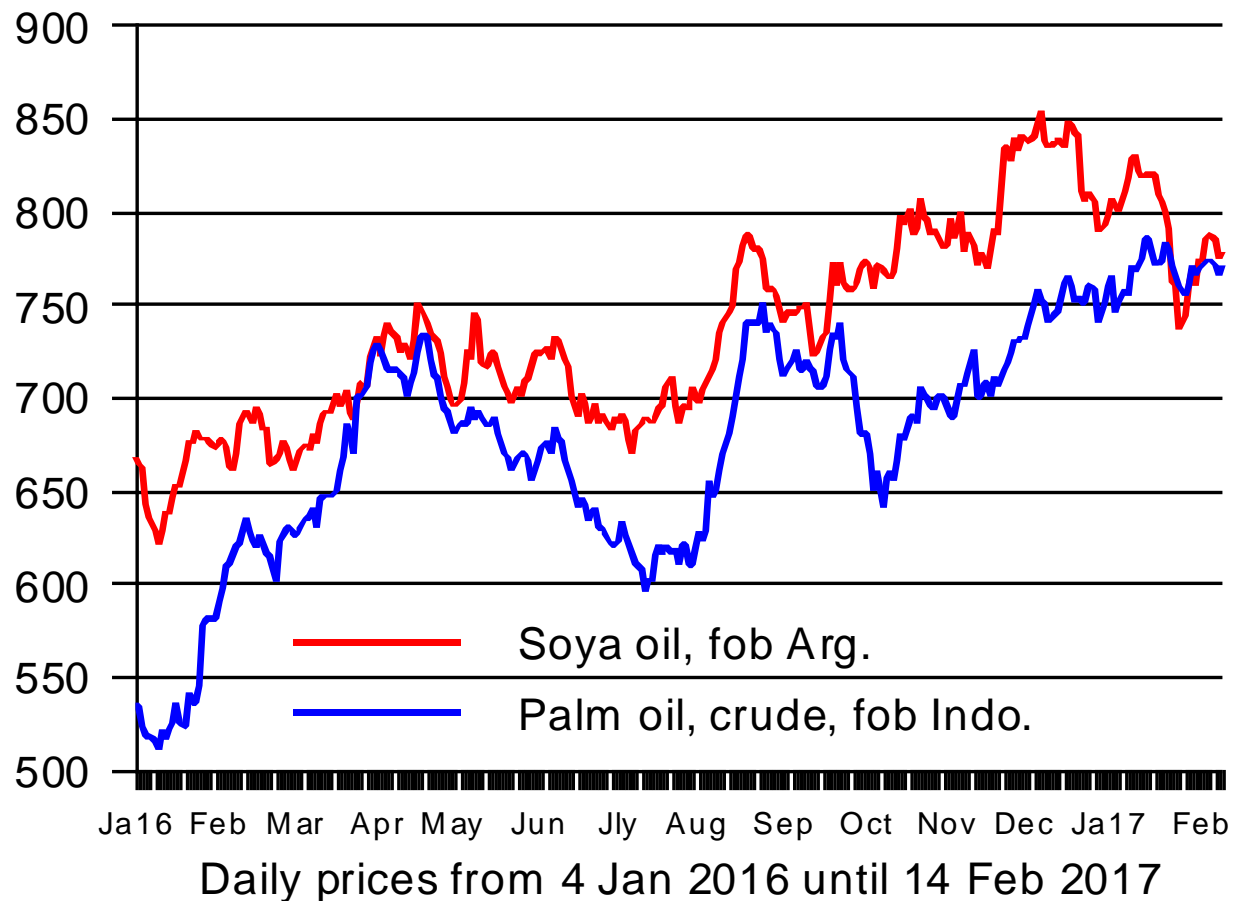


Palm oil prices increased by around US-\$ 300 in the past 16 months

But palm oil prices have peaked or are close to their peak

And likely decline moderately in Mar/June and sizeably from July 2017 onward

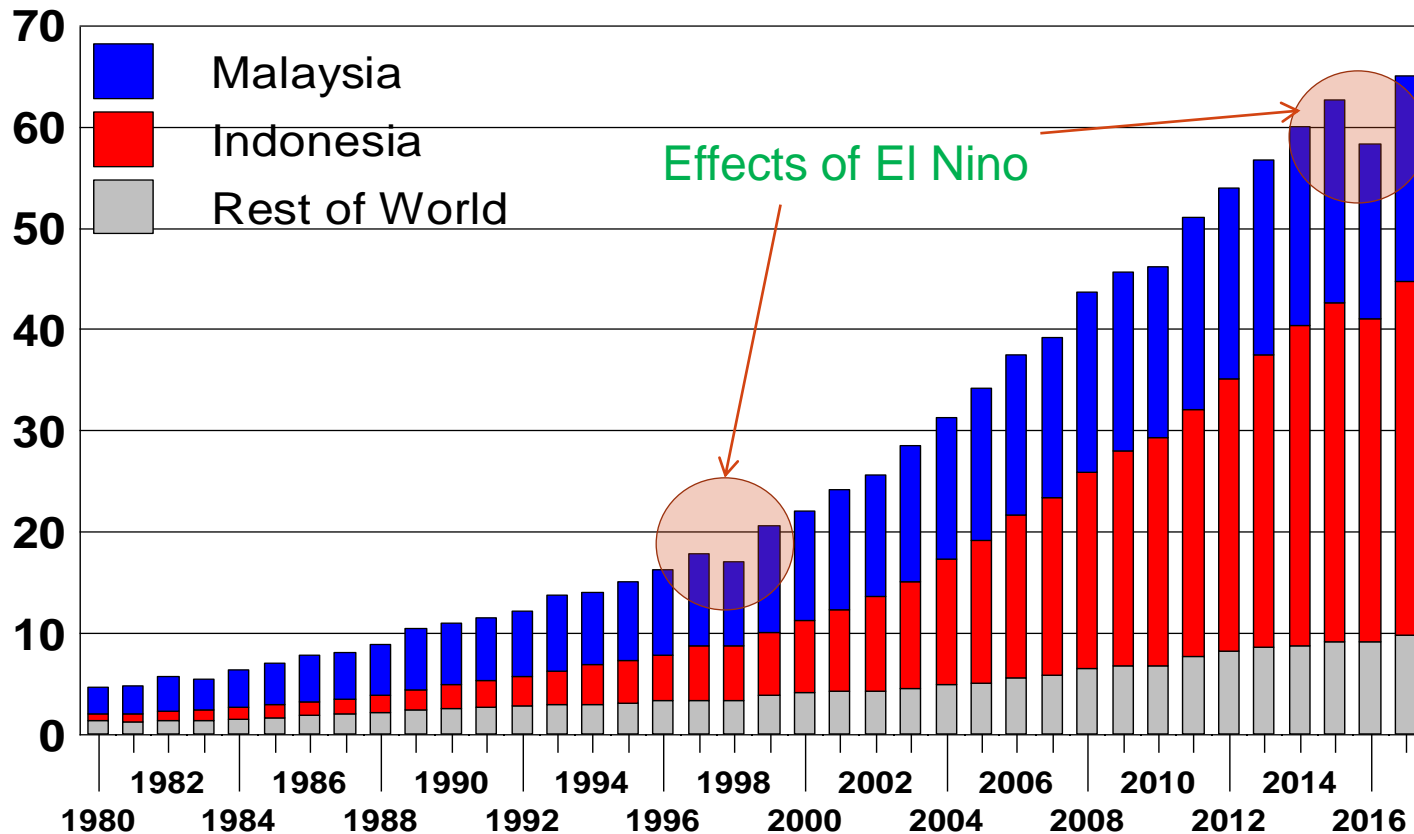
Daily Prices of Crude Soya Oil & Palm Oil (US-\$/T)



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

2016:
-7% = -4.3 Mn T

1998:
-5% = -0.8 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

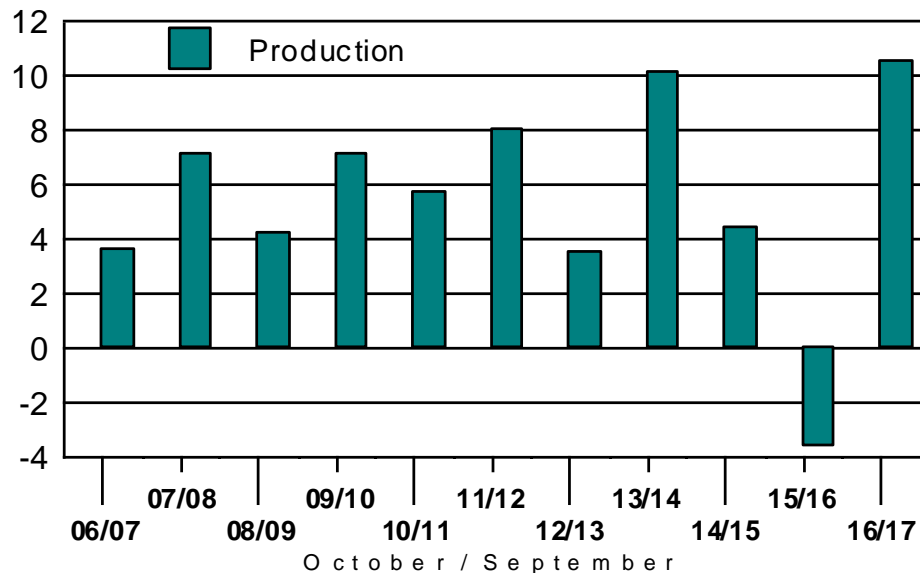


Steep increase in production in 2016/17...

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

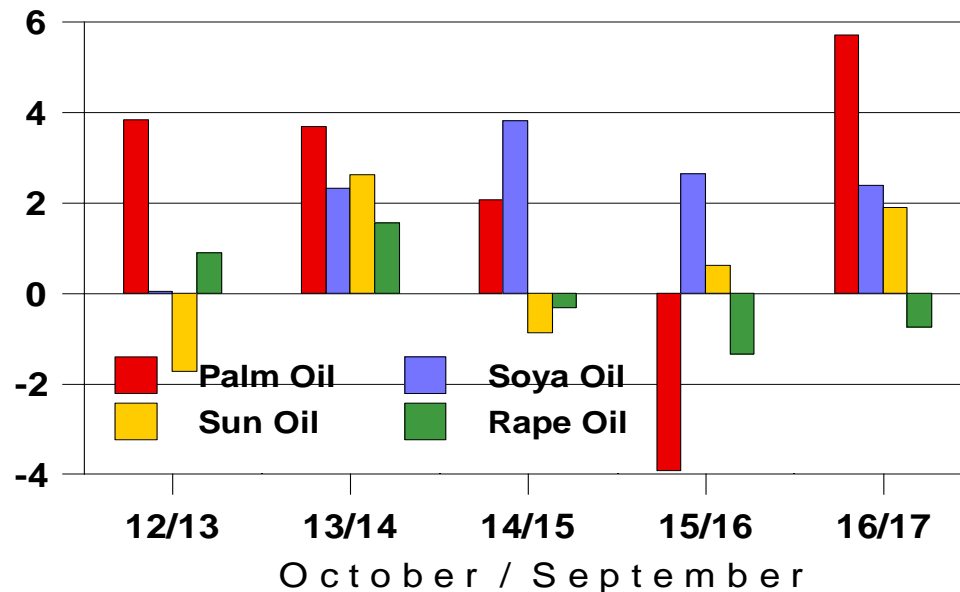
8 Veg. OILS: World Production

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

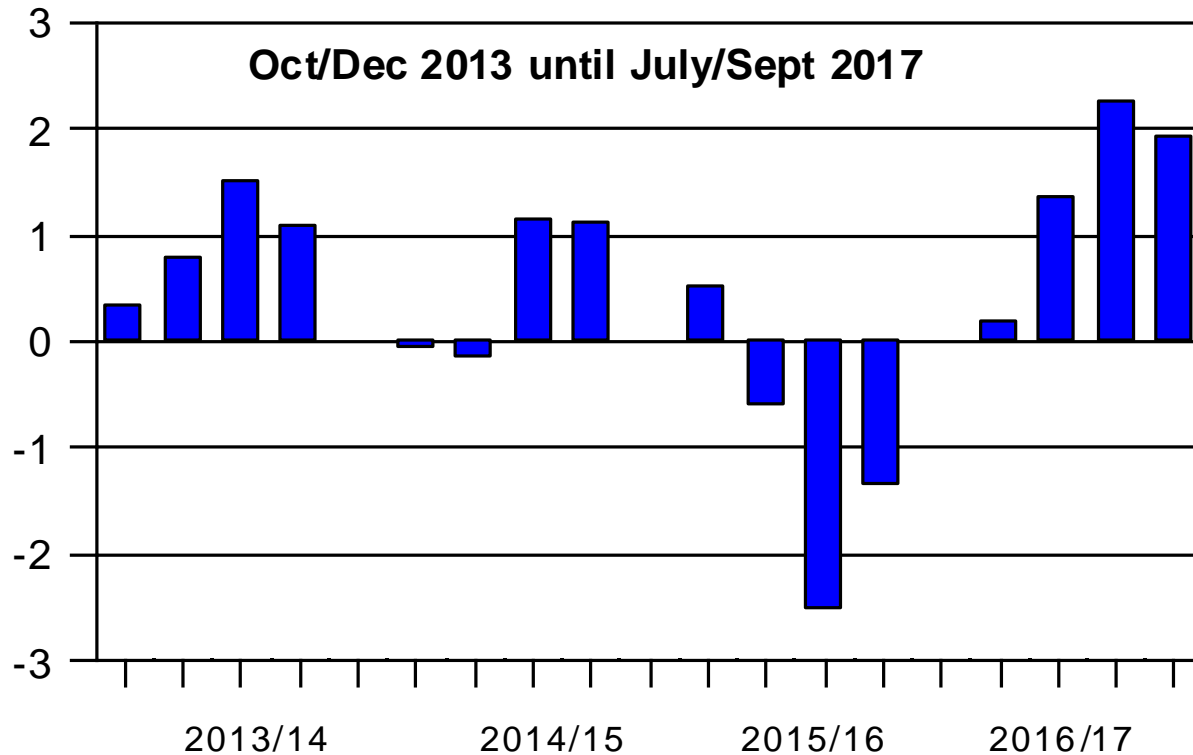
Groundn. oil +0.5

Cotton oil . +0.07



PALM OIL : World Production Changes

Quarterly, Change on year in Mn T



Outlook Jan/Mar 2017:

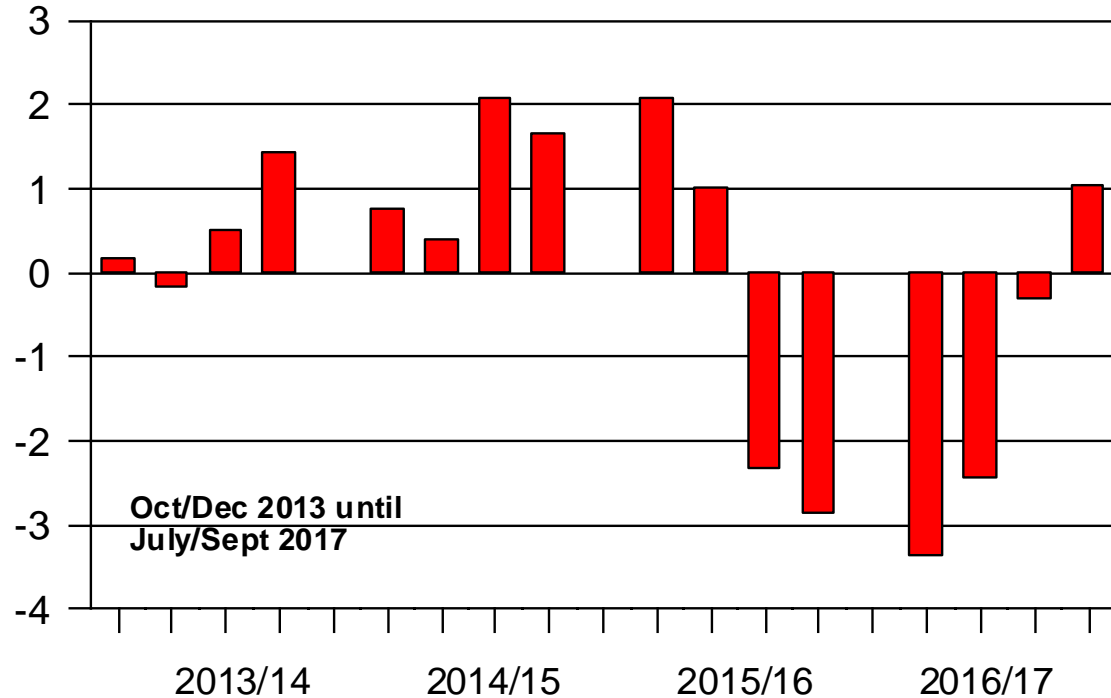
With palm oil stocks down about 3.8 Mn T from a year earlier in early Jan 2017,

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

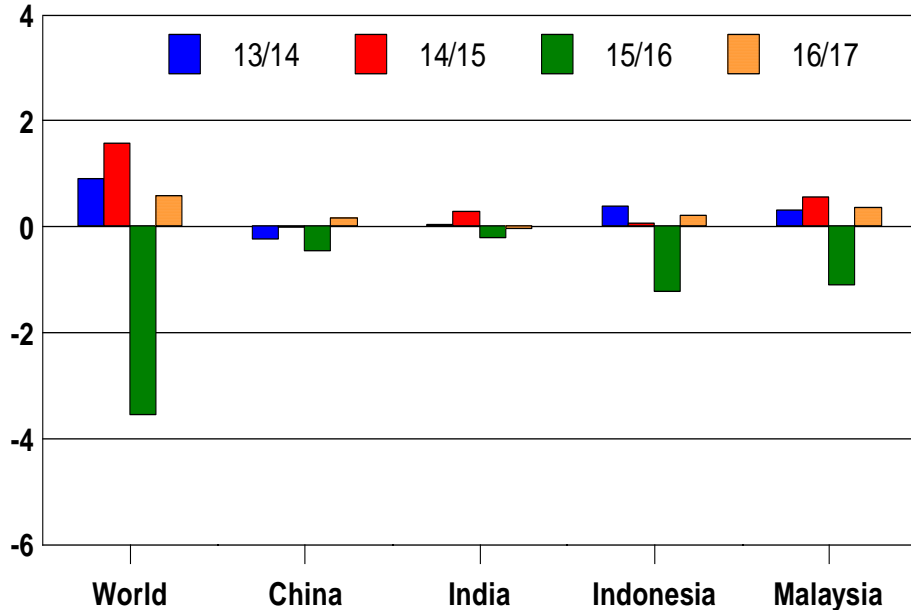
Quarterly, Change on year in Mn T



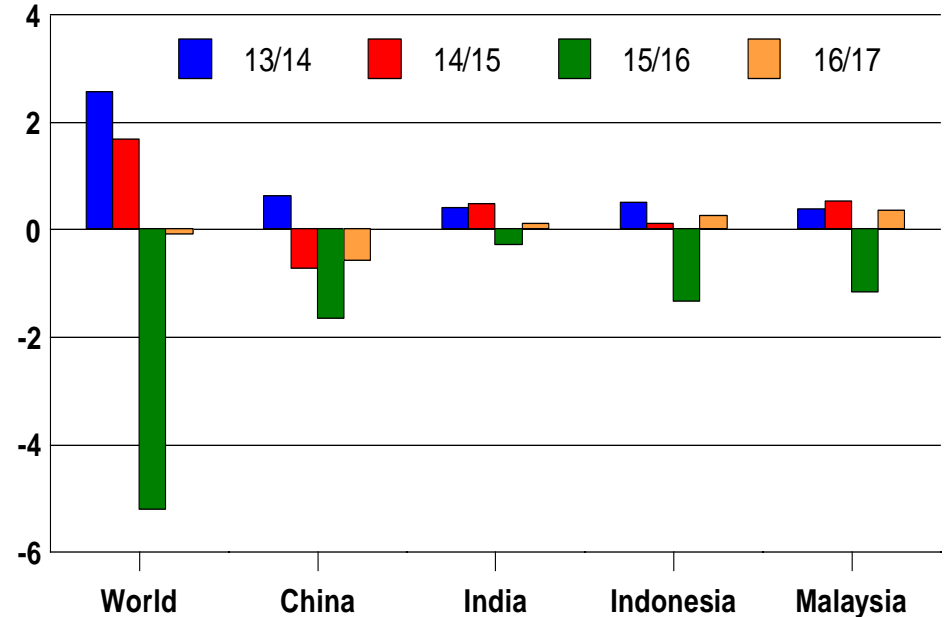
The Legacy of a Severe Production Deficit...

...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)



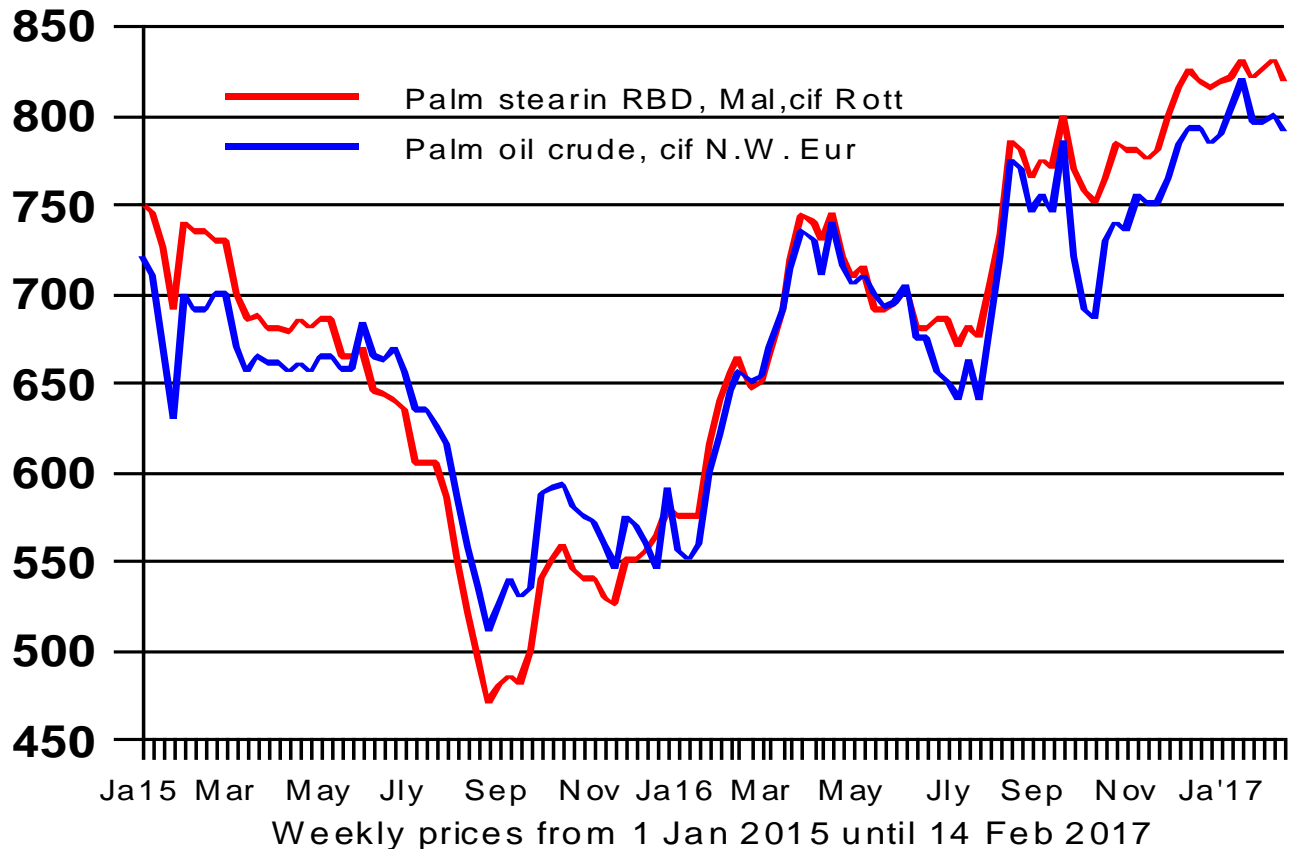
Price decline ahead.
In Apr/June 2017 average prices of soya oil and palm oil may fall \$ 40-50 below the Jan/Mar 2017 average

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

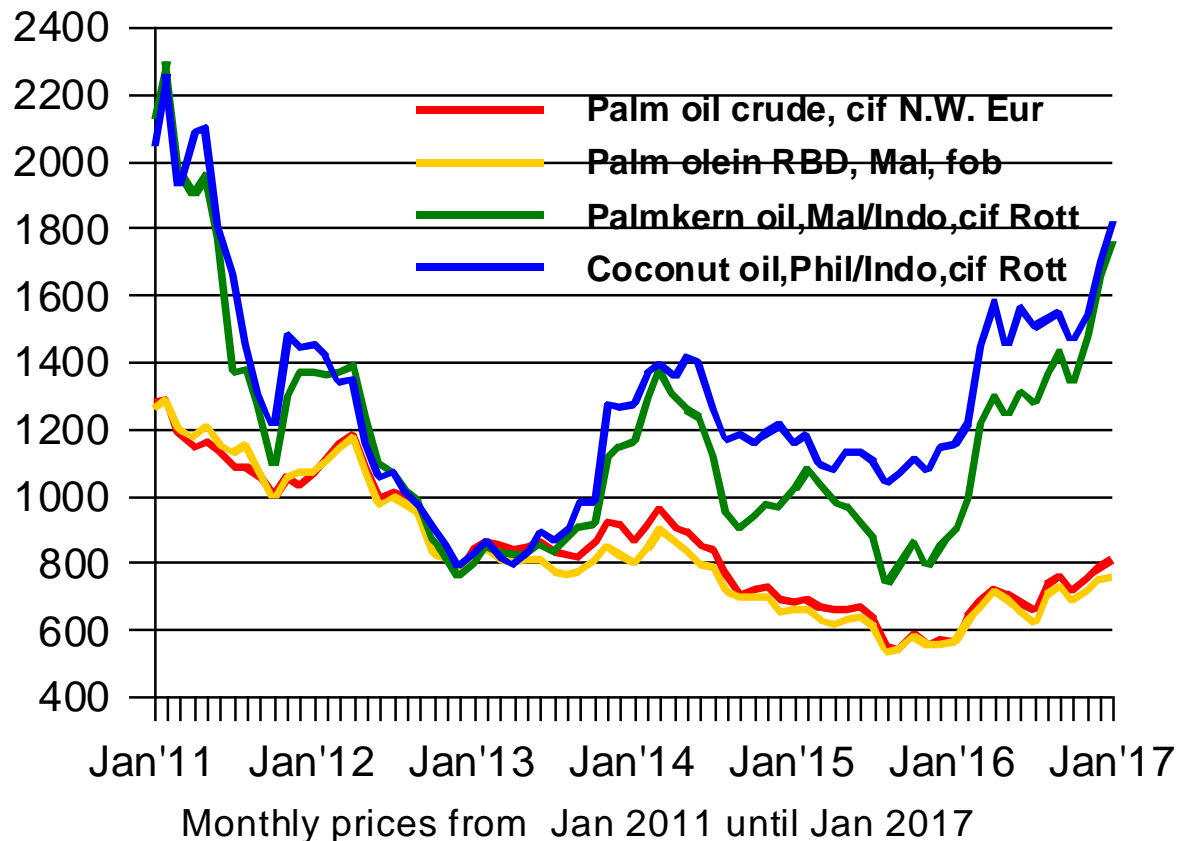
Weekly Prices of Palm Stearin & Oil (US-\$/T)



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)



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