

Global Supply, Demand and Price Outlook of Oilseeds, Oils and Meals

Presentation at PEOC-2018 in Karachi on 20 Jan 2018

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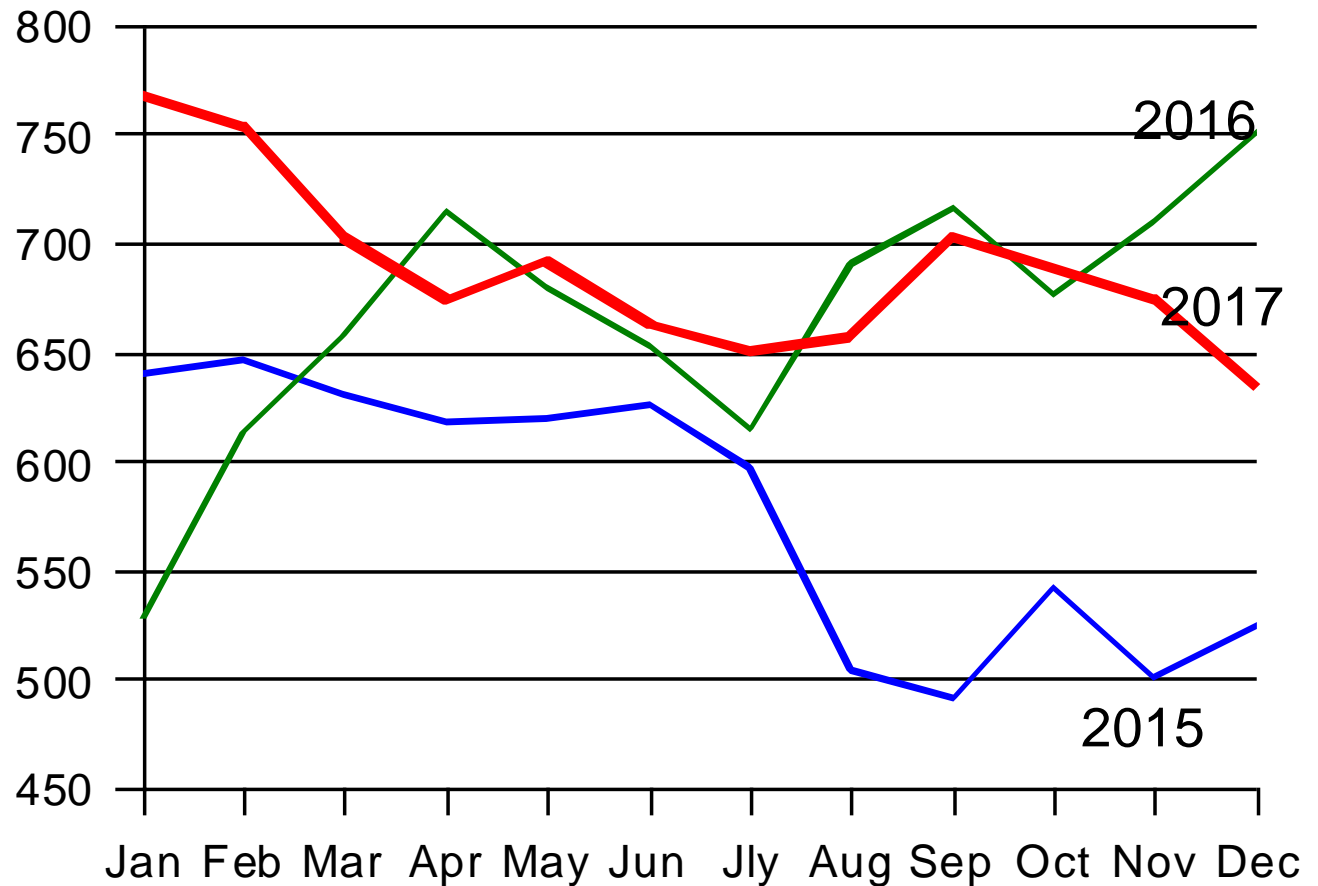


Prices of palm oil under pressure in Dec, falling to US \$ 618 (Dec 22).

Very strong demand has kept prices well above those of 2015. World PO exports 49.3 Mn T (+5.0).

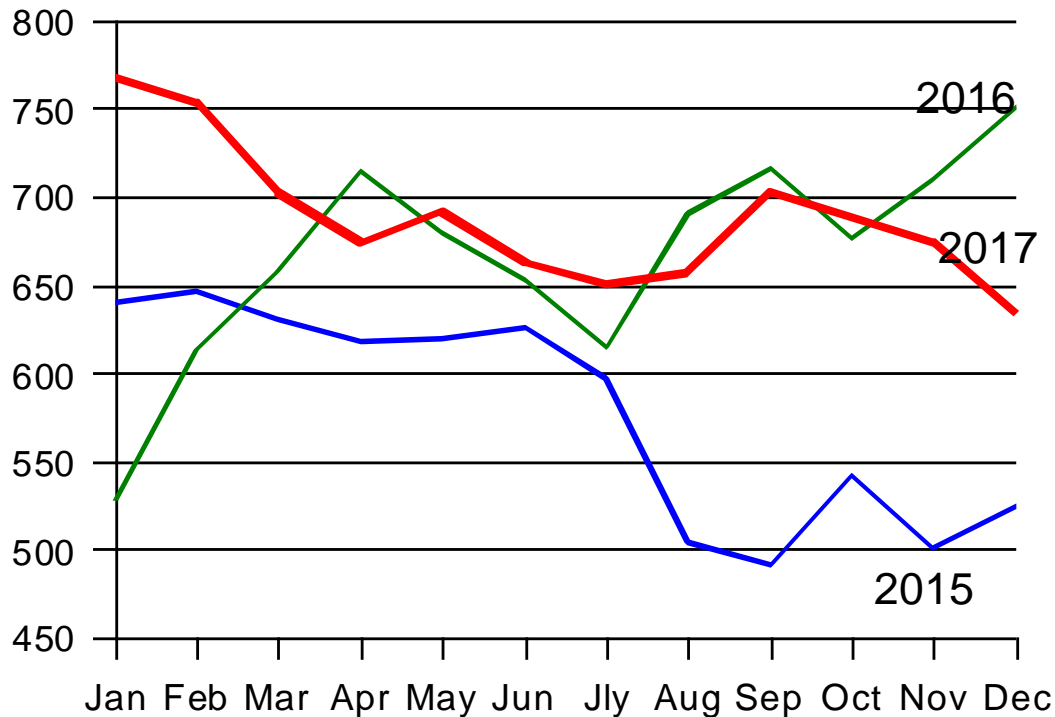
Price recovery by US \$ 40 until Jan 10 , followed by renewed pressure in week to Jan 19

Monthly Prices Crude Palm Oil, fob Indonesia (US-\$/T)
Monthly averages until November 2017



Monthly Prices Crude Palm Oil, fob Indonesia (US-\$/T)

Monthly averages until November 2017



**Current supplies are very large.
World stocks up 2 Mn T from y.a.**

**Production of 8 vegetable oils
increased 14.0 Mn T from last year in
Jan/Dec 2017.**

**The global situation changed from
deficit in 2016 to surplus in 2017.**

	Jan / Dec	
8 Veg. Oils:	2017	2016
-----	-----	-----
Production	183.7 (+14.0)	169.7
Consumption	181.8 (+6.5)	175.3
Surplus/Deficit	+1.9 Mn T	-5.6



Looking on Palm Oil alone:

World palm oil production jumped by 8.4 Mn T from last year in Jan/Dec 2017.

Also the PO situation changed from deficit in 2016 to surplus in 2017.

	J a n / D e c	
Palm Oil (Mn T)	2017	2016
-----	-----	-----
Production	67.5 (+8.4)	59.1
Consumption	65.2 (+2.5)	62.7
Surplus/Deficit	+2.3 Mn T	-3.6

Current supplies are very large.
World stocks up 2 Mn T from y.a.

Production of 8 vegetable oils increased 14.0 Mn T from last year in Jan/Dec 2017.

The global situation changed from deficit in 2016 to surplus in 2017.

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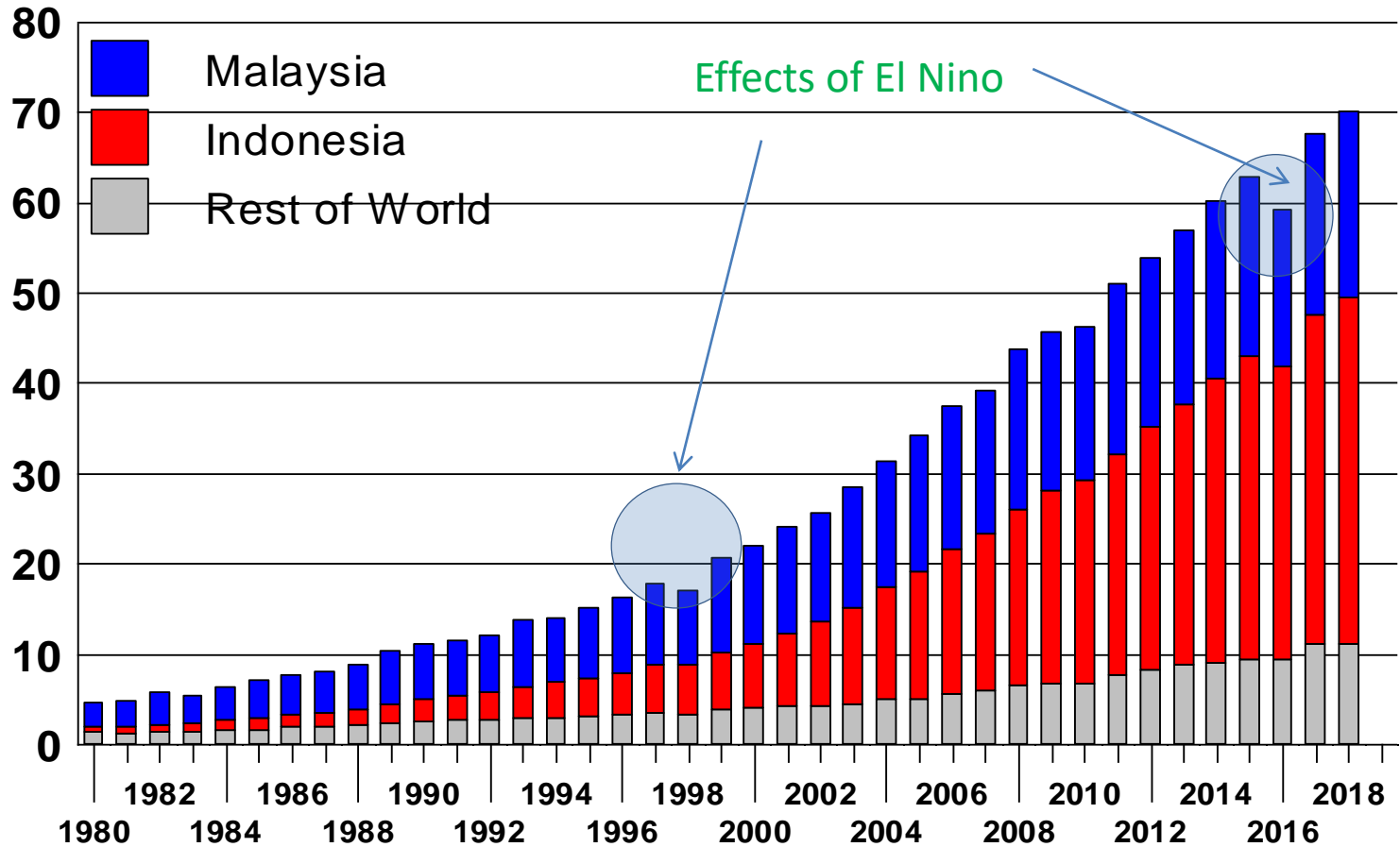
What is the Outlook for Palm Oil ?



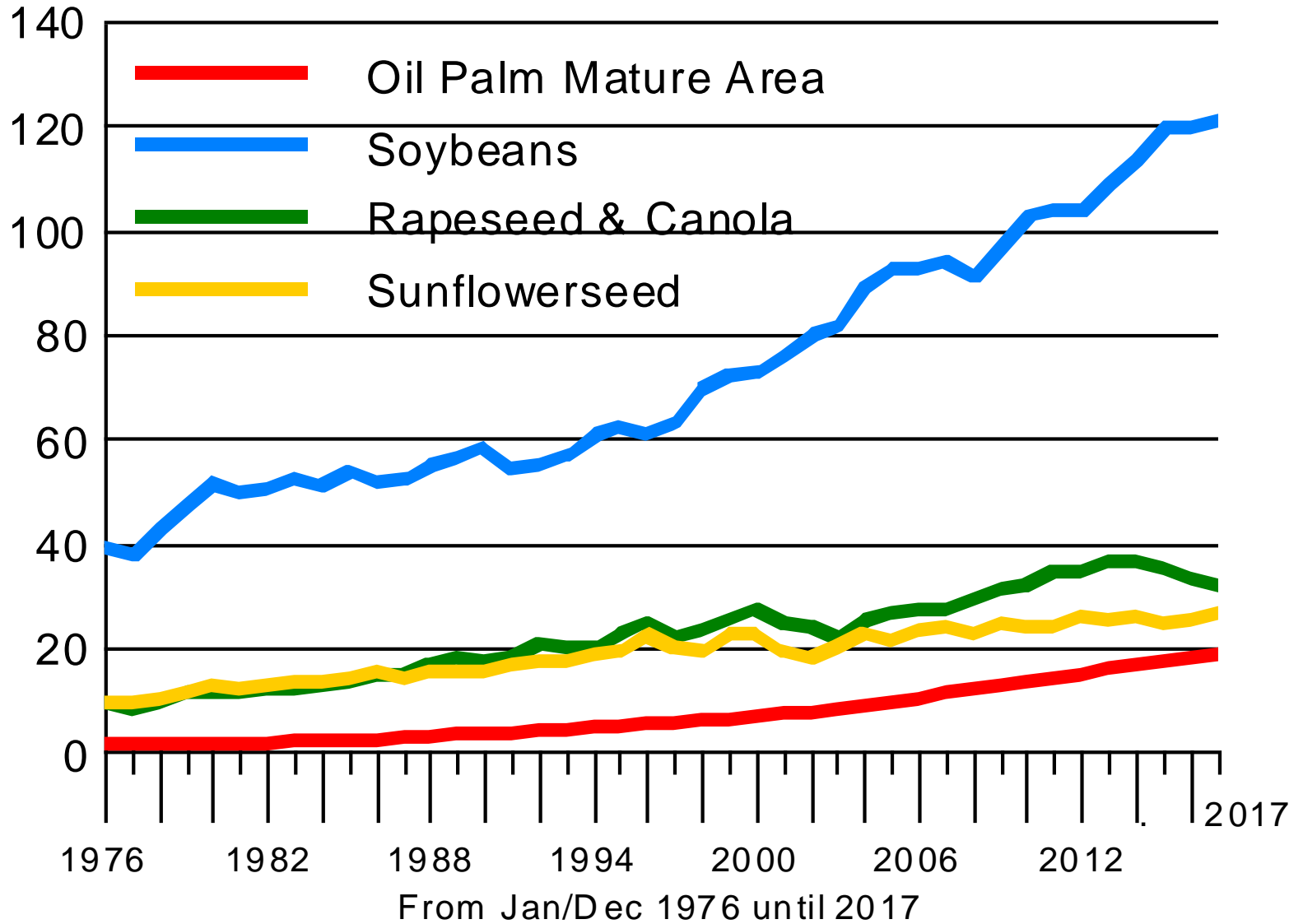
2016:
-6% = -3.8 Mn T

1998:
-5% = -0.8 Mn T

Palm Oil Production 1980 - 2018 in Major Countries (Mn T)



OIL PALMS and 3 OILSEEDS: World Area (Mn ha)



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

	Production				Yields			
	<u>2018F</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2018F</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Indonesia	38.30*	36.50*	32.30*	33.50*	3.83*	3.79*	3.53*	3.88*
Malaysia	20.70*	19.92	17.32	19.96	4.01*	3.93*	3.51*	4.18*
Thailand	2.28*	2.45*	1.80	2.07	2.73*	3.00*	2.34*	2.76*
America	4.81*	4.76*	4.04	3.83	3.18*	3.30*	2.93	2.99
Africa	2.64*	2.55*	2.44	2.38	1.70*	1.68*	1.65	1.66
Oth ctrs.	1.38*	1.31*	1.23	1.17	2.46*	2.38*	2.32	2.28
WORLD	70.11*	67.49*	59.13	62.91	3.57*	3.55*	3.24	3.62

+2.6 Mn T

+8.4 Mn T



My expectation is that Palm Oil Supplies will be comfortably large in Jan/Sep 2018:

Palm Oil (Mn T)	J a n / S e p t	
	2018	2017
-----	-----	-----
Opening stocks	+2.1	-3.4
Production	+2.3	+6.9
World Supplies	+4.4	+3.5

PALM OIL : World Production (Mn T) and Production

	<u>2018F</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Indonesia	38.30*	36.50*	32.30*	33.50*
Malaysia	20.70*	19.92	17.32	19.96
Thailand	2.28*	2.45*	1.80	2.07
America	4.81*	4.76*	4.04	3.83
Africa	2.64*	2.55*	2.44	2.38
Oth ctrs.	1.38*	1.31*	1.23	1.17
WORLD	70.11*	67.49*	59.13	62.91

+2.6 Mn T

+8.4 Mn T



Palm oil stocks likely to increase by 2.0 Mn T in April/Sept 2018

PALM OIL : World Supply & Demand (Mn T)

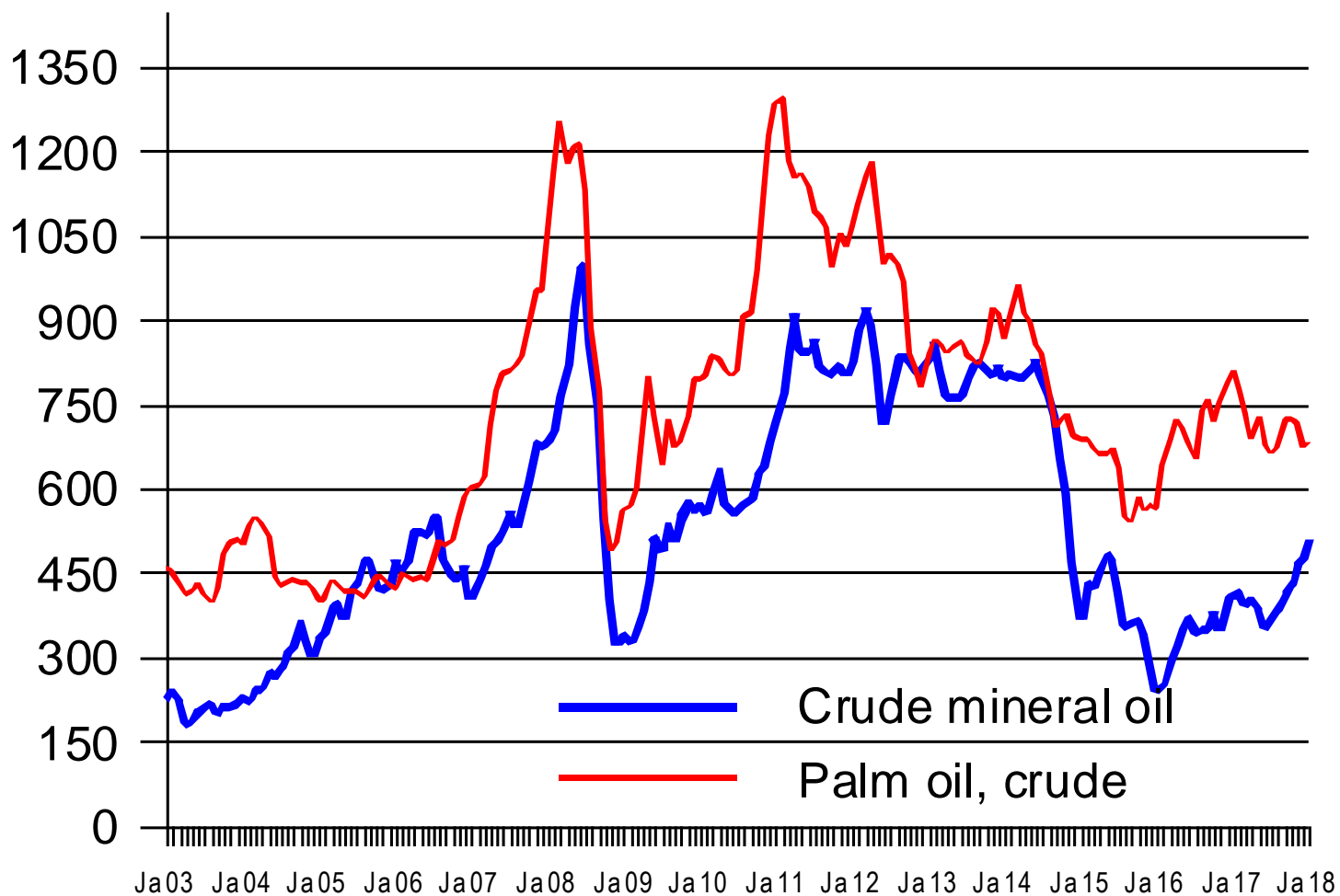
	Apr / Sept			Oct / March	
	<u>2018F</u>	<u>2017</u>	<u>2016</u>	<u>17/18F</u>	<u>16/17</u>
Opening stocks	10.37*	9.14	11.11	10.83	9.79
Production	36.32*	34.50	29.79	33.43*	31.50
<i>Indonesia</i>	19.79*	18.64*	15.74*	17.94*	17.86*
<i>Malaysia</i>	10.71*	10.13	9.20	10.08*	8.73
Imports	25.39*	24.94	21.11	24.33*	23.38
<i>EU-28</i>	3.76*	3.99	3.57	3.70*	3.57
<i>China</i>	2.61*	2.28	1.97	2.86*	2.73
<i>India</i>	5.08*	5.05	4.10	4.38*	4.33
<i>Pakistan</i>	1.48*	1.47*	1.21	1.44*	1.39
Exports	25.19*	24.88	21.04	24.85*	24.01
<i>Indonesia</i>	13.34*	13.65	10.55*	13.60*	13.89*
<i>Malaysia</i>	9.07*	8.58	8.27	8.48*	7.74
Disappearance	34.05*	32.87	31.18	33.36*	31.52
Ending stocks	12.84*	10.83	9.79	10.37*	9.14
Stocks/usage	18.9%	16.5%	15.7%	15.5%	14.5%



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



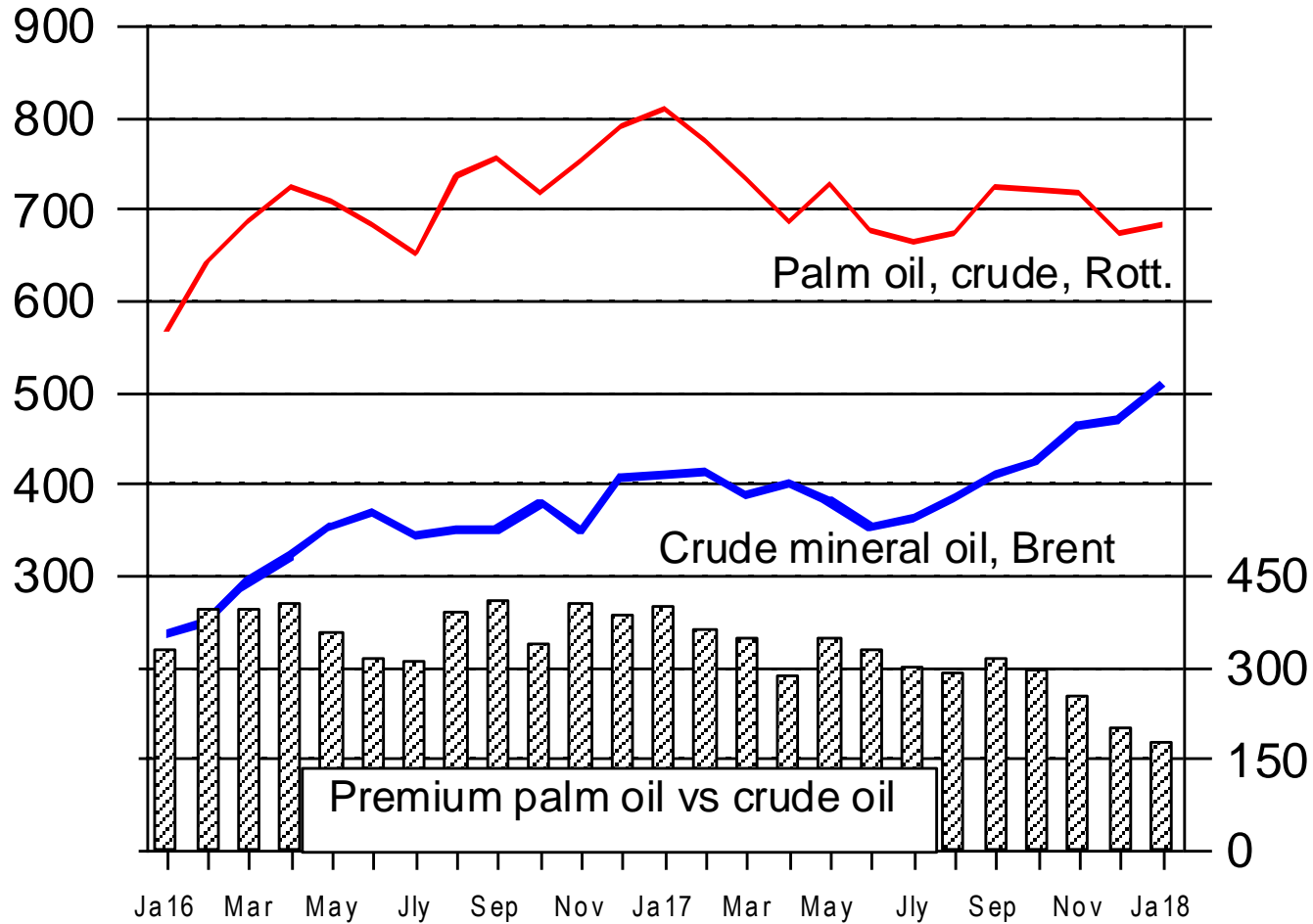
Monthly Prices of Palm Oil & Crude Mineral Oil (US-\$/T)



Monthly prices from Jan 2003 until 18 Jan 2018



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



Monthly prices from Jan 2016 until 18 Jan 2018



What is the Outlook for Soybeans and Products ?



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Ample world soybean supplies in 2017/18, if our crop estimates materialize. Stocks seen at 97 Mn T as of August 2018.

But weather risks still persist in South America.

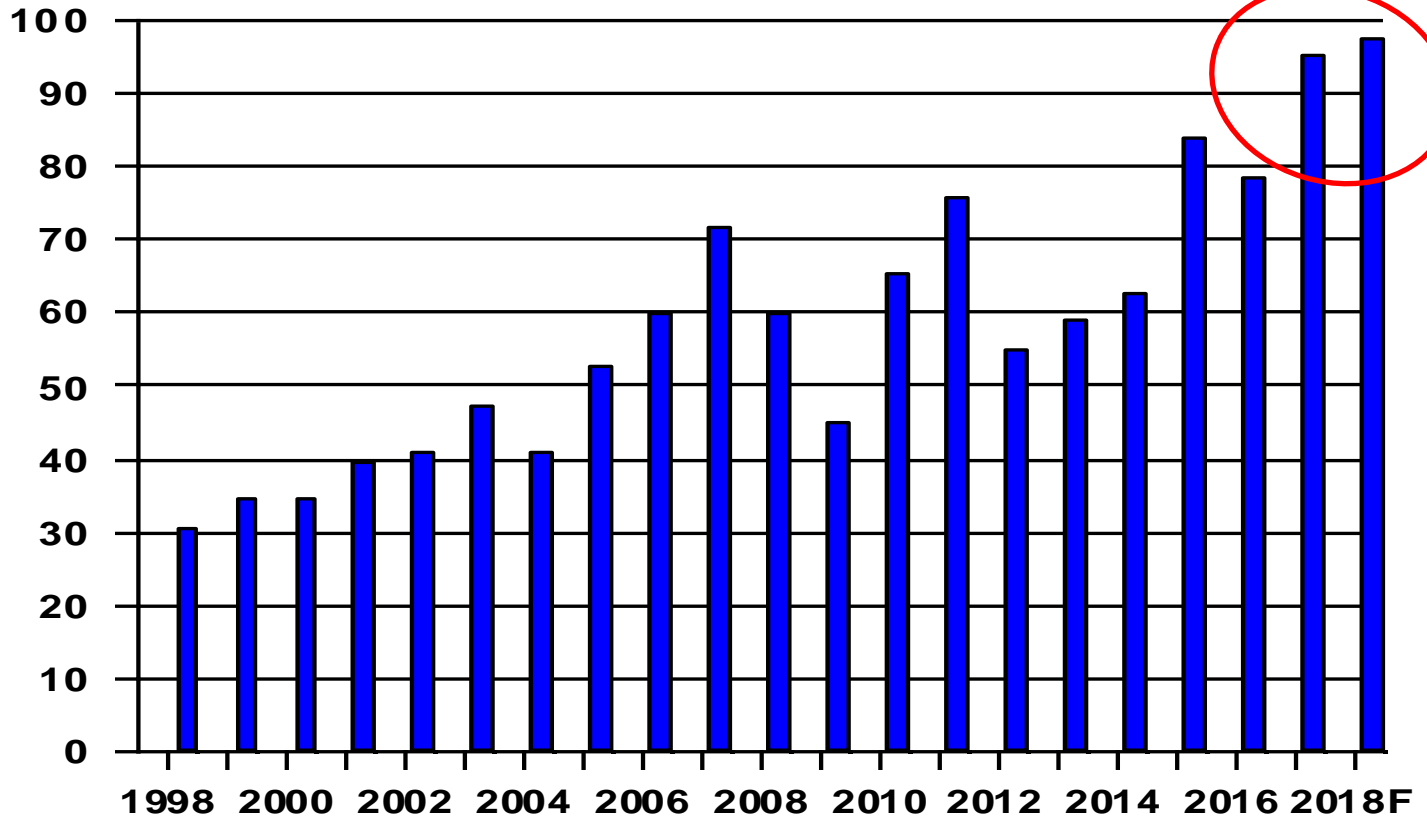
Additional swing factors to watch:

1) Farmer selling - - a new market factor

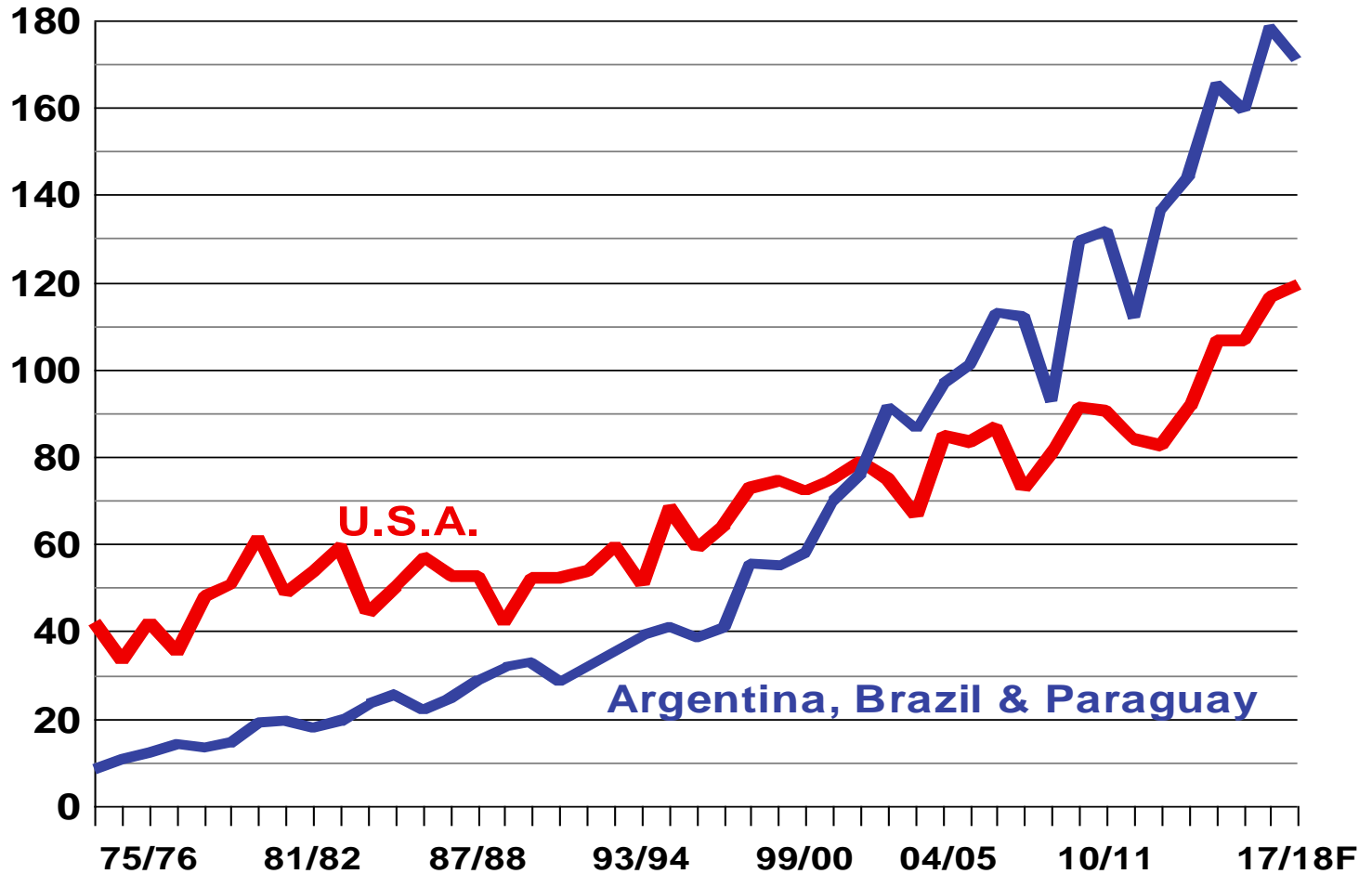
2) The crush economics

3) Chinese buying (timing and size)

Soybeans: World Stocks as of end-August (Mn T)



Soybean Crop Trend Since 74/75 (Mn T)



S. American soybean crop to plunge in early 2018 (our current estimate is for a drop of 7.4 Mn)

Uncertainty

In past few years sizeable yield jump



Precipitation Forecasts

Precipitation (mm)
during the period:

Fri, 19 JAN 2018 at 00Z

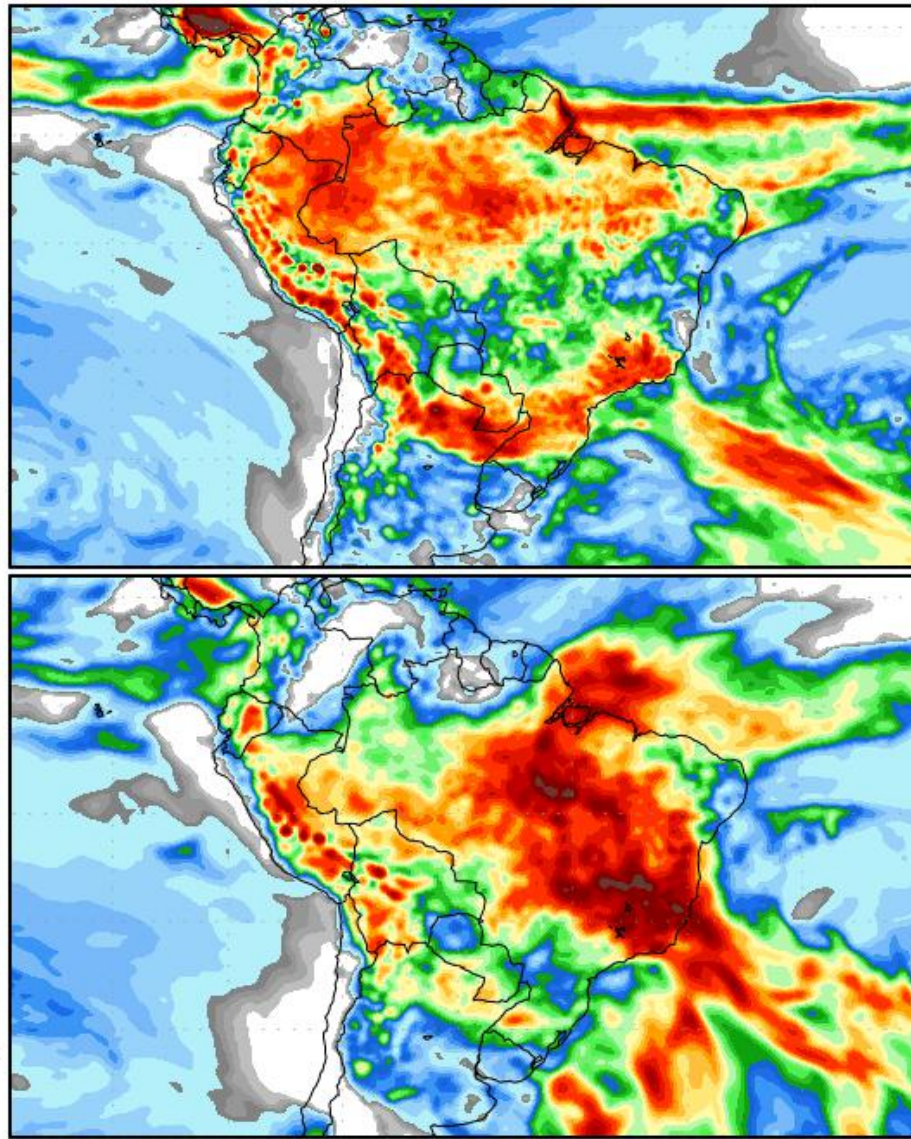
-to-

Sat, 27 JAN 2018 at 00Z

Sat, 27 JAN 2018 at 00Z

-to-

Sun, 04 FEB 2018 at 00Z

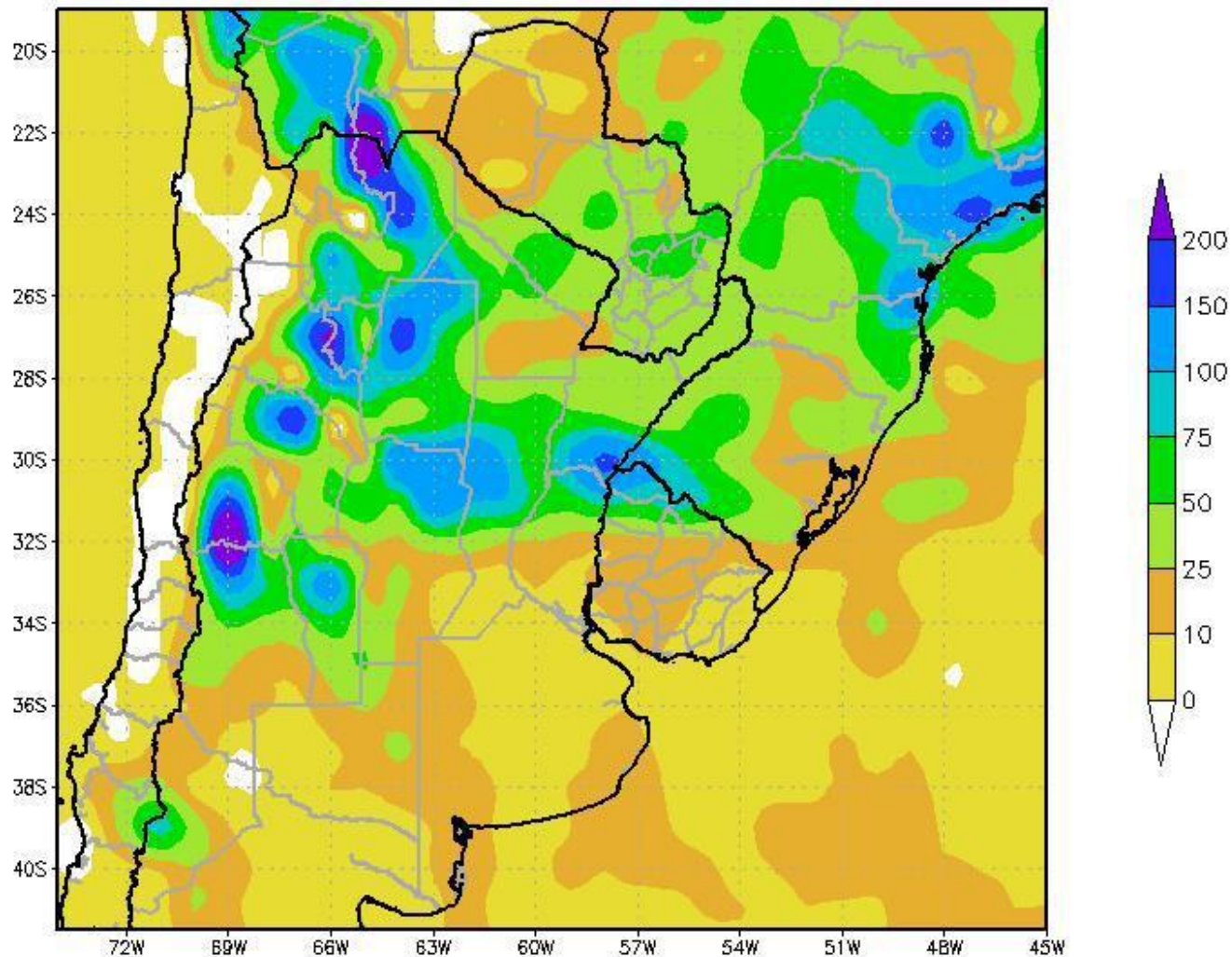


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Perspectiva Climática 18 al 24 de Enero de 2018

Precipitación Acumulada (mm)

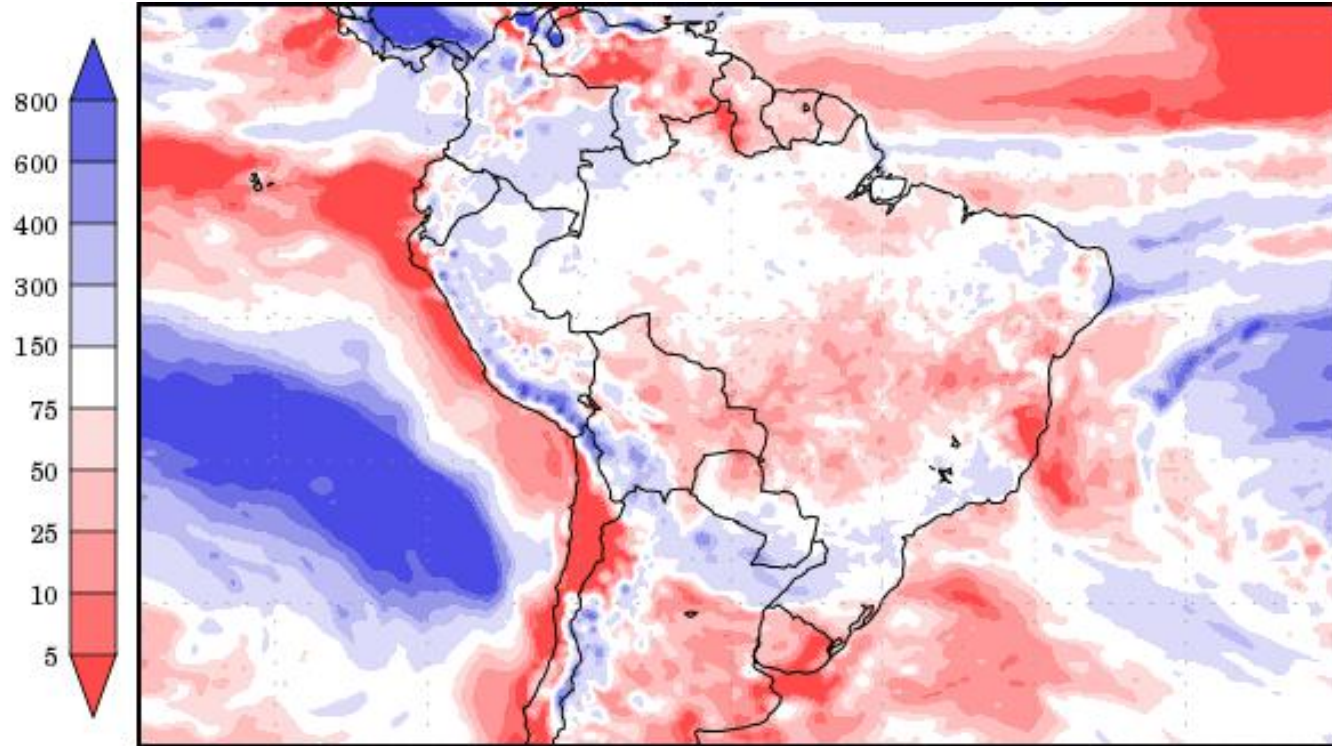


Precipitation (% of normal)
during the first period:

Fri, 19 JAN 2018 at 00Z

-to-

Sat, 27 JAN 2018 at 00Z



Precipitation forecasts from the National Centers for Environmental Prediction.
Normal rainfall derived from Xie-Arkin (CMAP) Monthly Climatology for 1979-2003.
Forecast Initialization Time: 00Z19JAN2018



Despite a slight decline in 17/18, world soybean production.

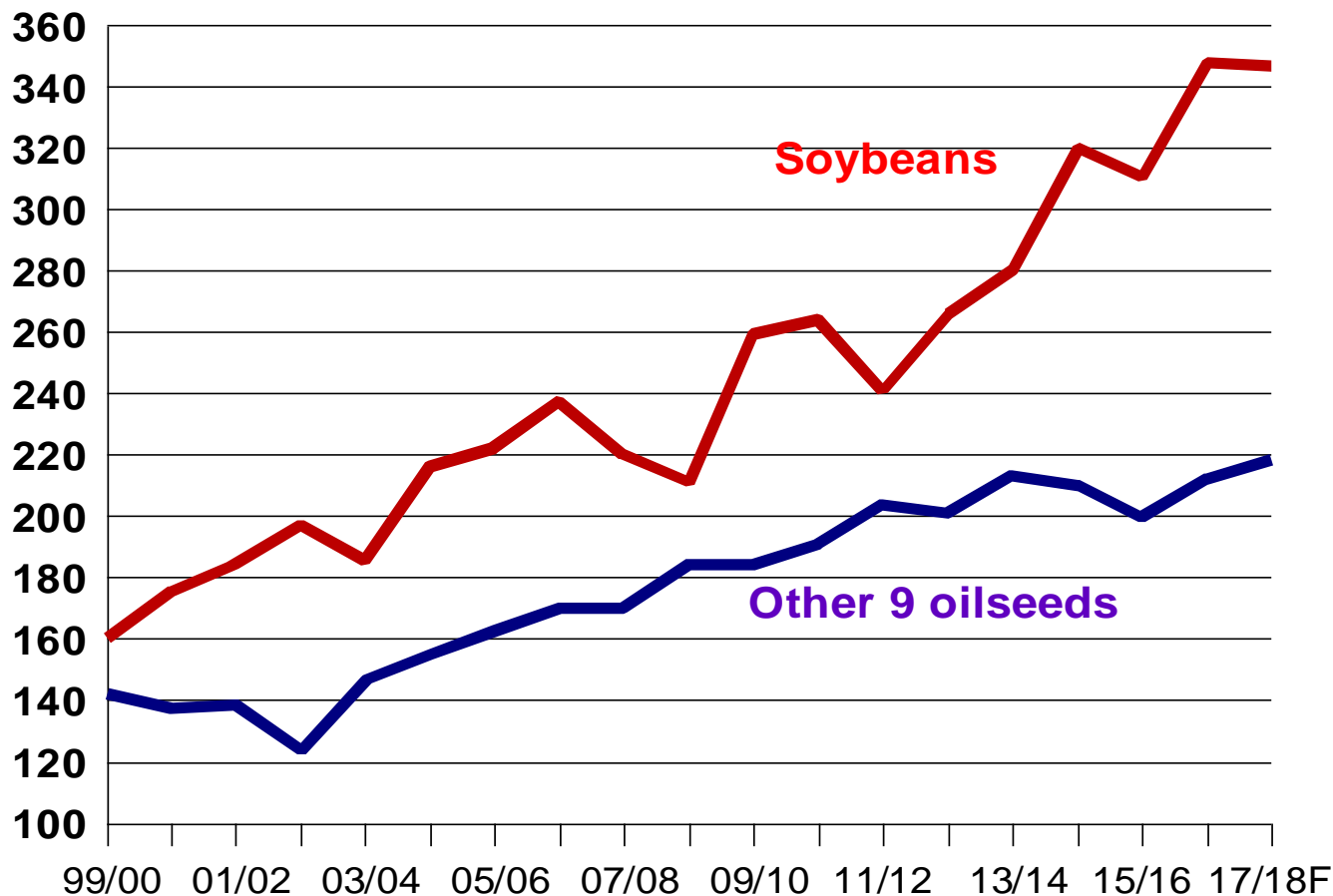
Soya Crop will still be sufficient to satisfy another above average growth in

demand by 13-14 Mn T without reducing stocks

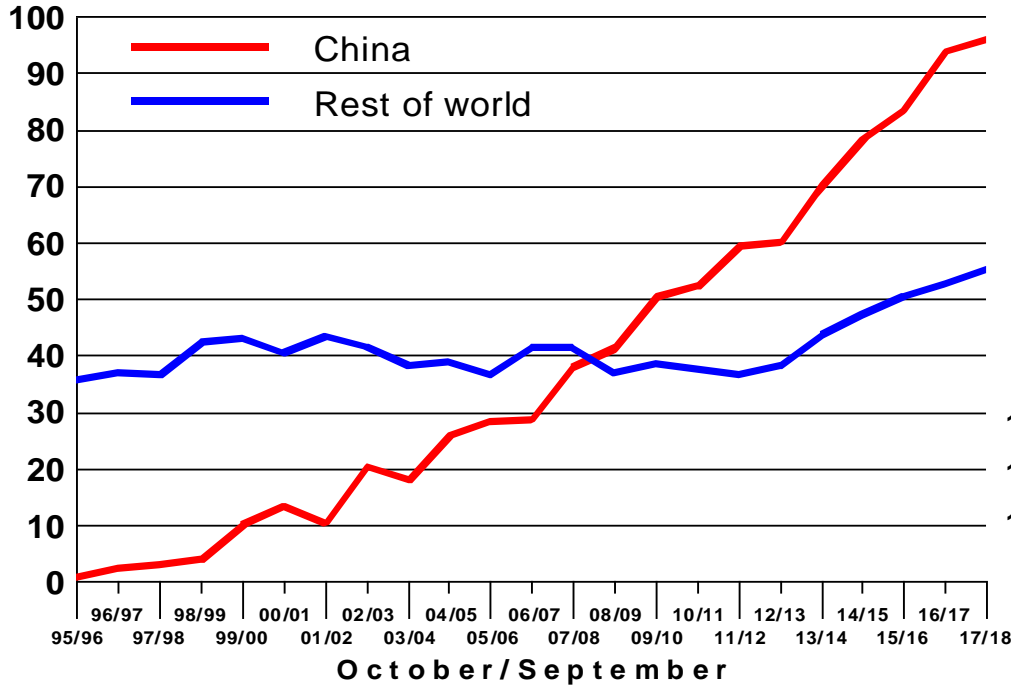
Production:
Sunfl.seed -1.5

Rapeseed +2.3

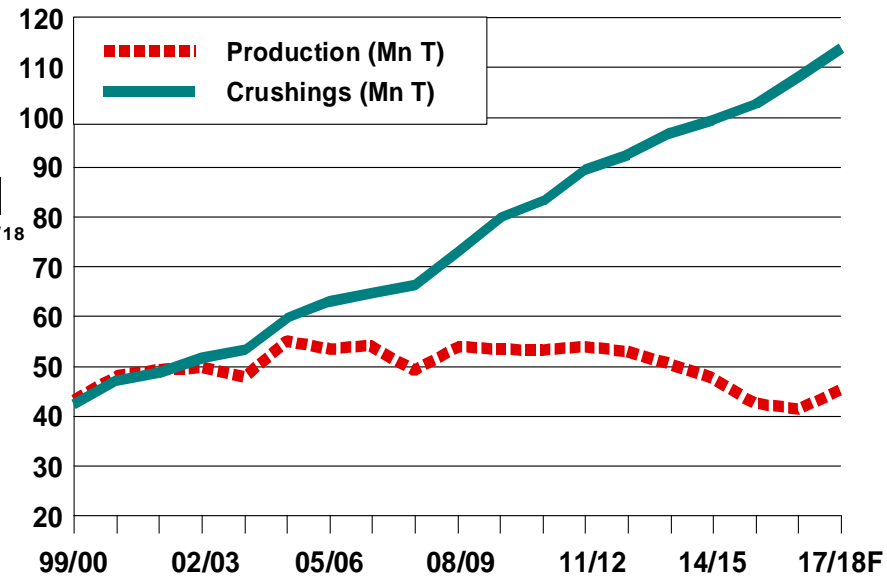
10 Oilseeds: World Production (Mn T)



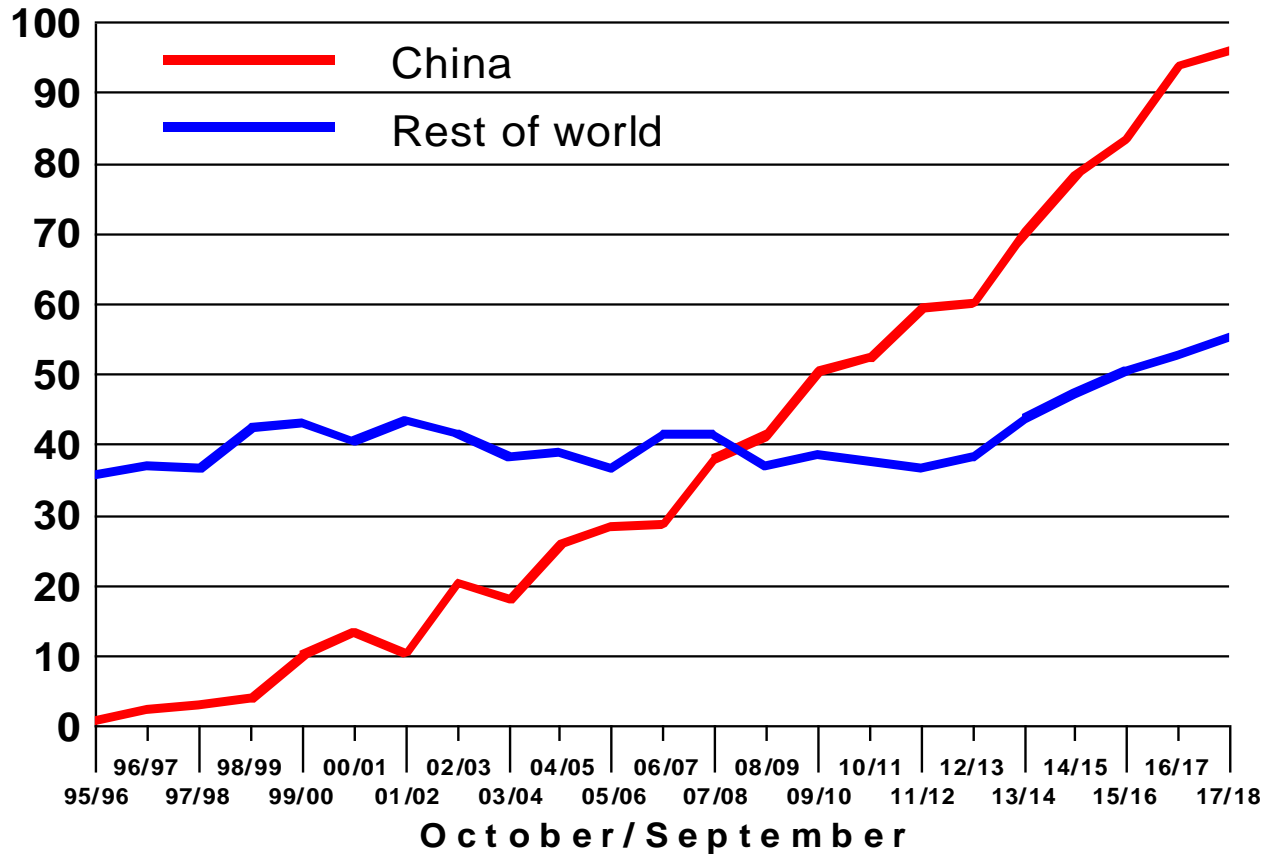
Imports of Soybeans (Mn T)



CHINA: Oilseed Output & Crushings



Imports of Soybeans (Mn T)



China imports likely to be boosted to 96 Mn T in 2017/18.

Soybean imports of all countries other than China boosted from 38.2 Mn T in 2012/13 and may reach 55.2 Mn T this season.

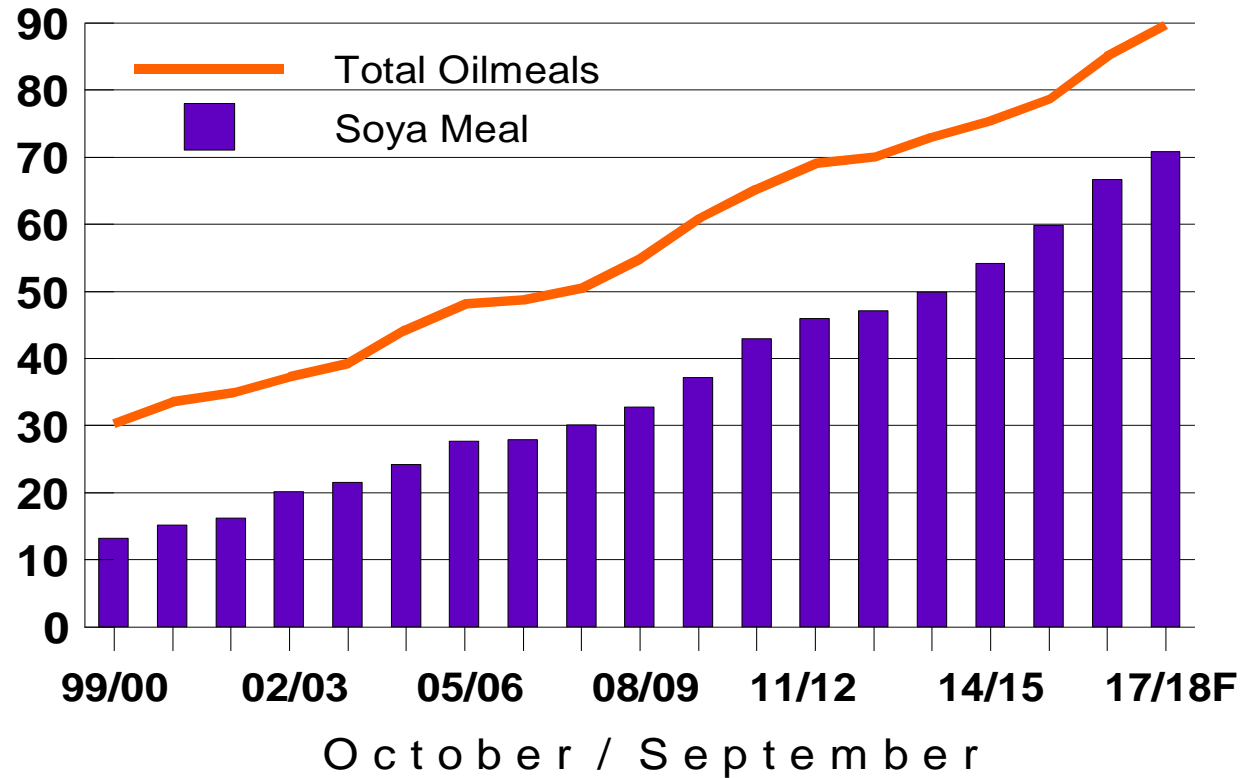
Pakistan seen at 2.1 Mn T this season (virtually nil only a few years back)



Feed usage up 3% in
2016/17

Soya consumption jumped
by 11% in 2016/17

CHINA: Total Oilmeal Consumption & Growing Importance of Soya Meal (Mn T)

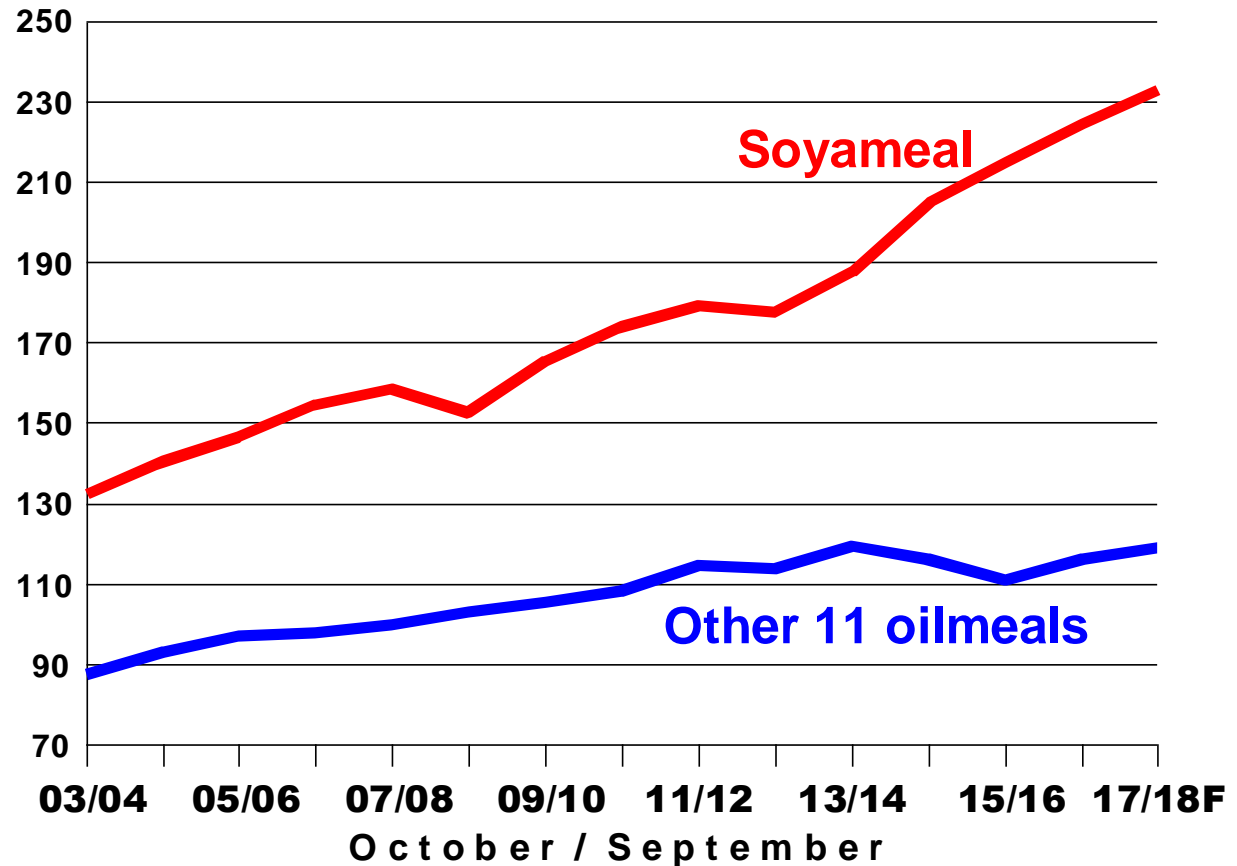


12 Oilmeals: World Production (Mn T)

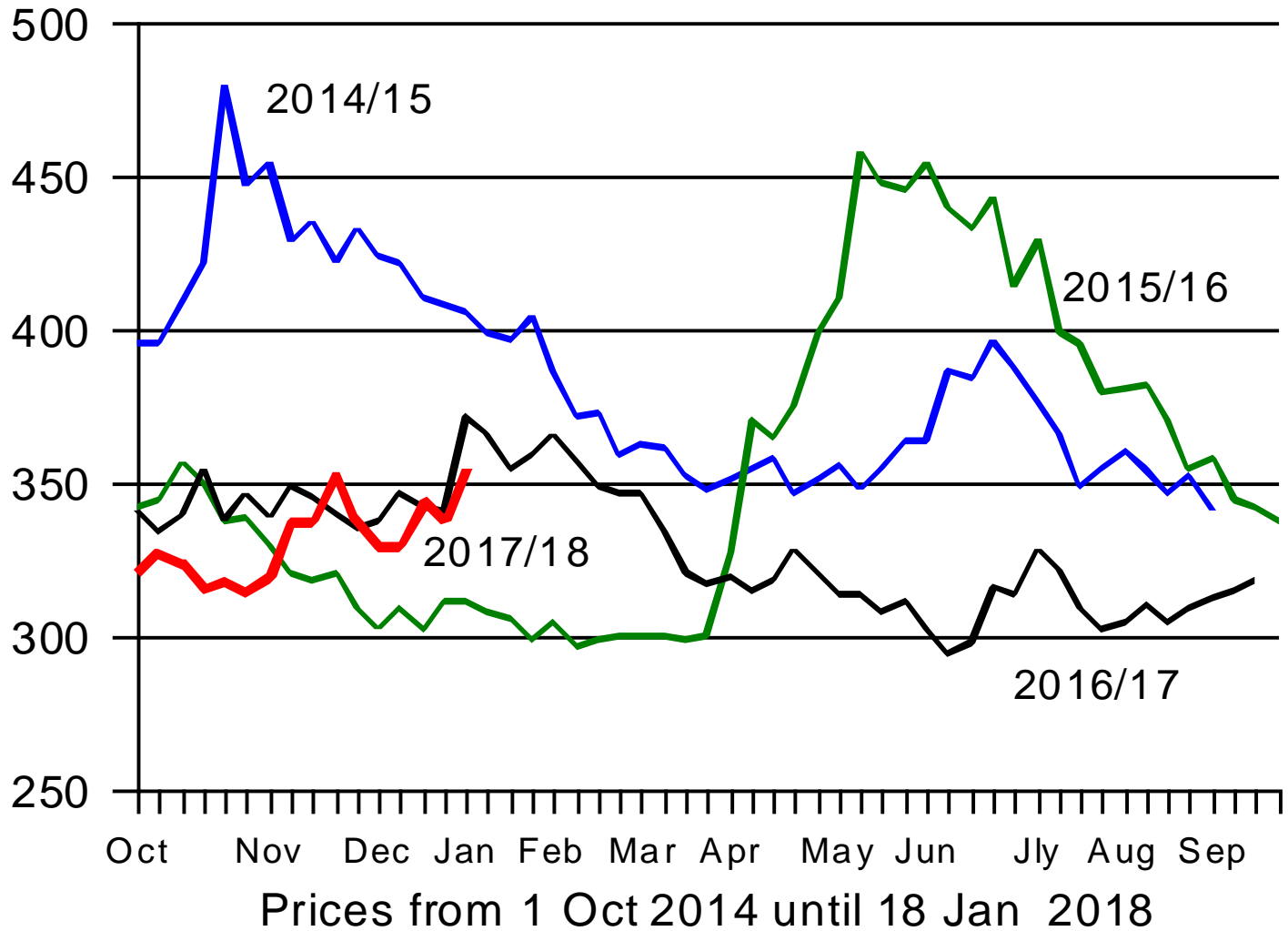
Strong demand increase for oilmeals from the livestock industry has boosted world production of oilmeals by 150% in 25 years

Global dependence of soya meal increasing

Declining supplies of fish meal and of sunflower meal in 2017/18



Weekly Prices of Soya Pellets, 47% Arg., fob (US-\$/T)



Concluding Statements

17 OILS & FATS : World Supply & Demand (Mn T)

	Forecast	October / September		
	<u>17/18F</u>	<u>16/17</u>	<u>15/16</u>	<u>14/15</u>
Op'g stocks	27.02	26.67	31.85	30.12
Production	225.55*	217.77	204.30	206.01
<i>Growth</i>	<i>+3.6%</i>	<i>+6.6%</i>	<i>-0.8%</i>	<i>+2.2%</i>
Imports	87.65*	86.25	81.76	81.11
Exports	88.11*	87.00	80.98	82.09
Consumption	222.71*	216.65	210.25	203.30
<i>Growth</i>	<i>+2.8%</i>	<i>+3.0%</i>	<i>+3.4%</i>	<i>+2.3%</i>
End stocks	29.40*	27.02	26.67	31.85
<i>Stocks/usage</i>	13.2%	12.5%	12.7%	15.7%



Rapidly Rising World Demand of Oils & Fats

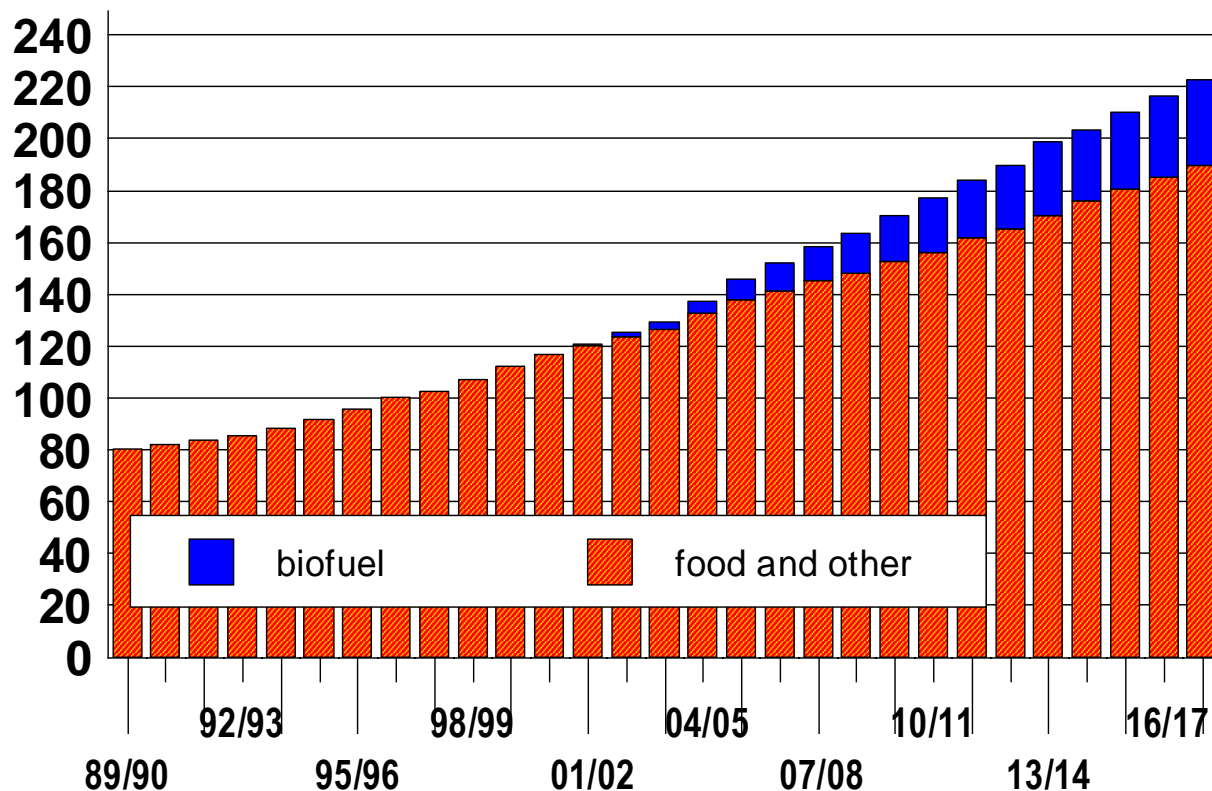
17 Oils & Fats : World Consumption Total Usage in Mn T

Average demand growth in past 5 seasons:

Total per year +6.5 Mn T

Biofuel +1.7 Mn T

Food/other +4.8 Mn T

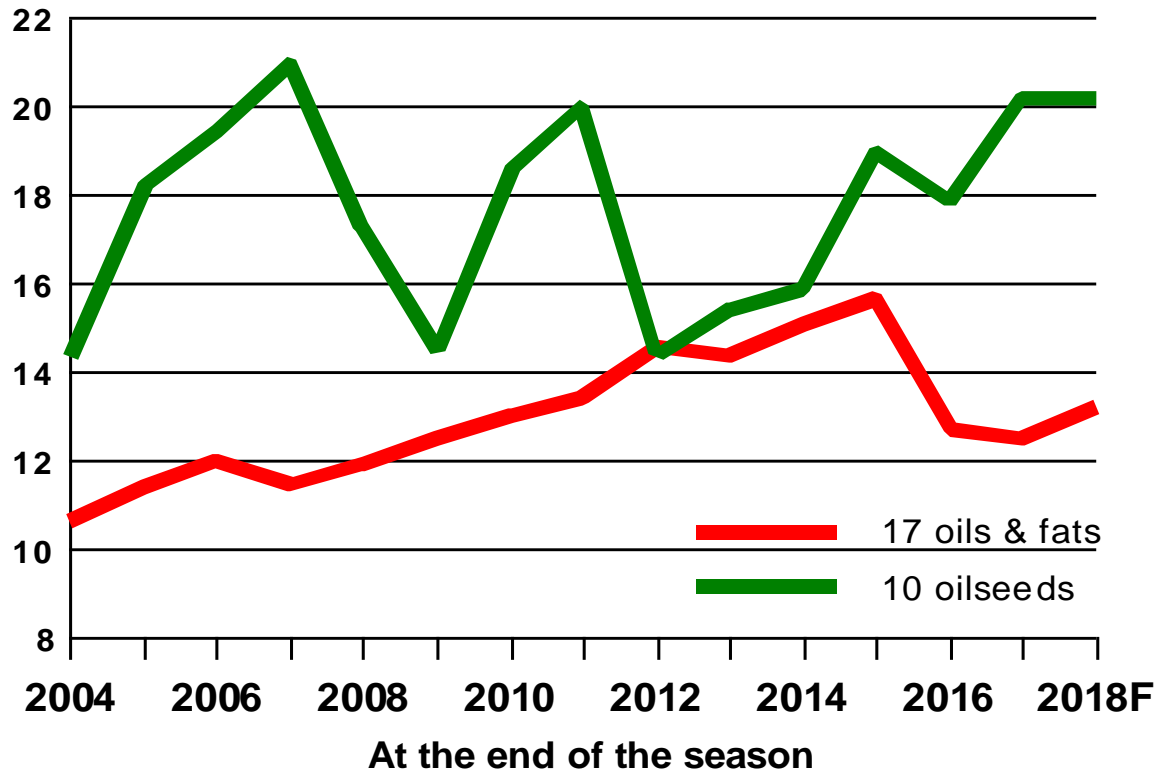


But ample supplies of soybeans
keep a lid on prices
(Risk South American crop??)

World stocks of oils & fats have
increased, but are not
burdensome

We forecast a recovery of oils &
fats stocks by 2.4 Mn T in
2017/18

World Stocks in Percent of Annual Usage (%)



Implications on prices:

Following the latest price declines, palm oil and soy oil may be near their lows for the time being.

But a new price weakness likely to emerge from Apr 2018 onward

Average Apr/June 2018:

Crude palmoil (Indon.) 620 (low 590)

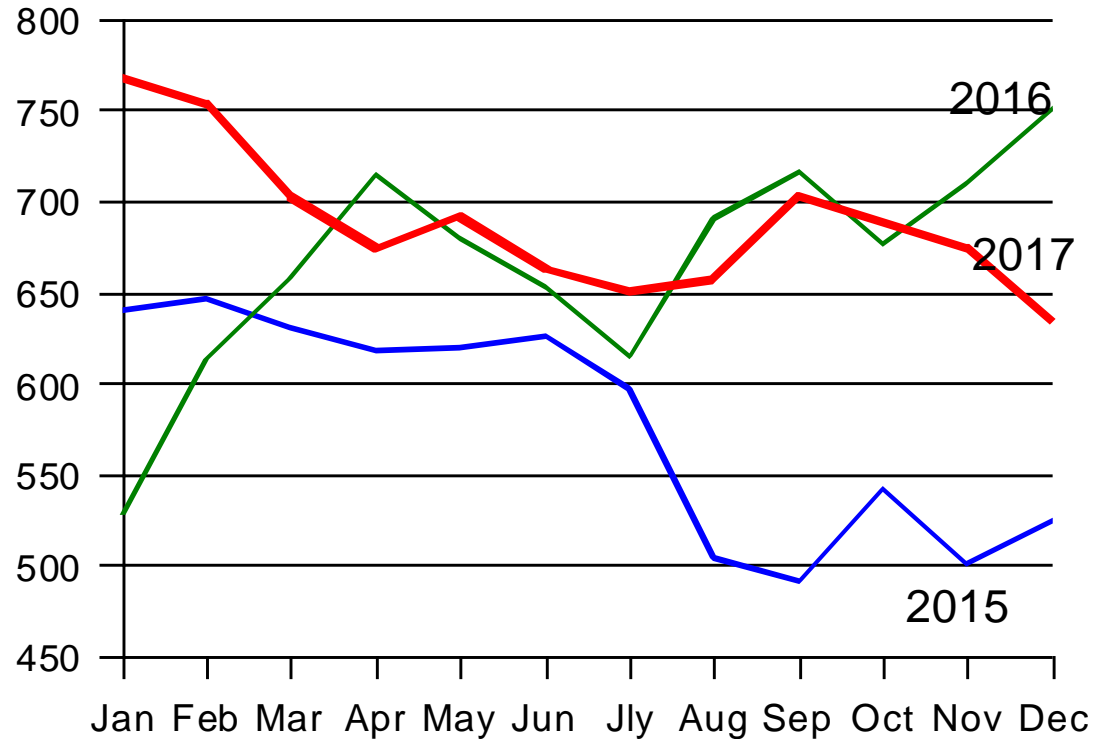
Soya oil (fob Arg.) 740 (low 700)

Sunfl oil (fob Ukraine) 800

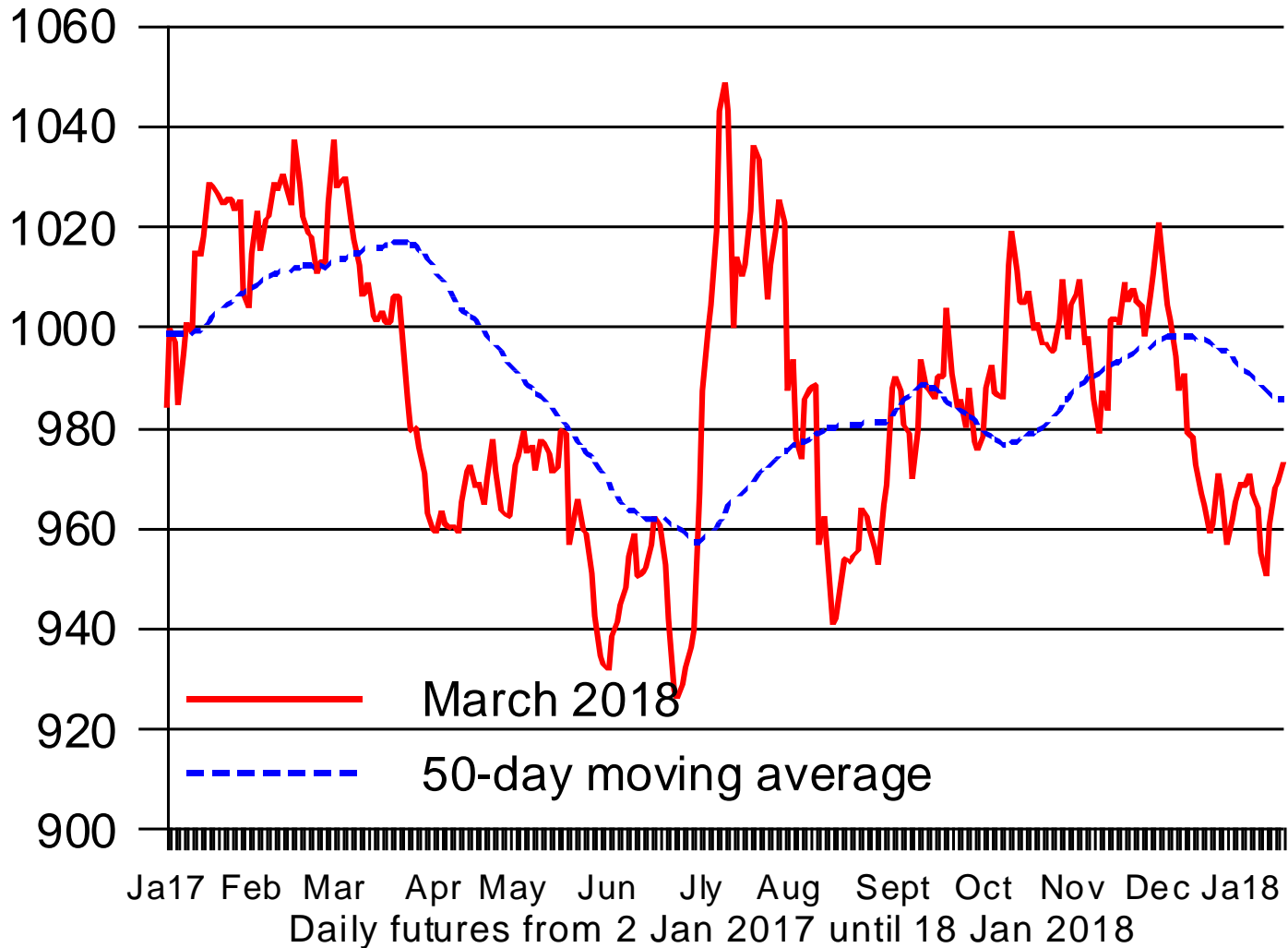
Dutch soya oil 830

Dutch Rape oil 825

Monthly Prices Crude Palm Oil, fob Indonesia (US-\$/T)
Monthly averages until November 2017



CBOT: Daily Soybean Futures (c/bu)



Palm oil challenged by many constraints



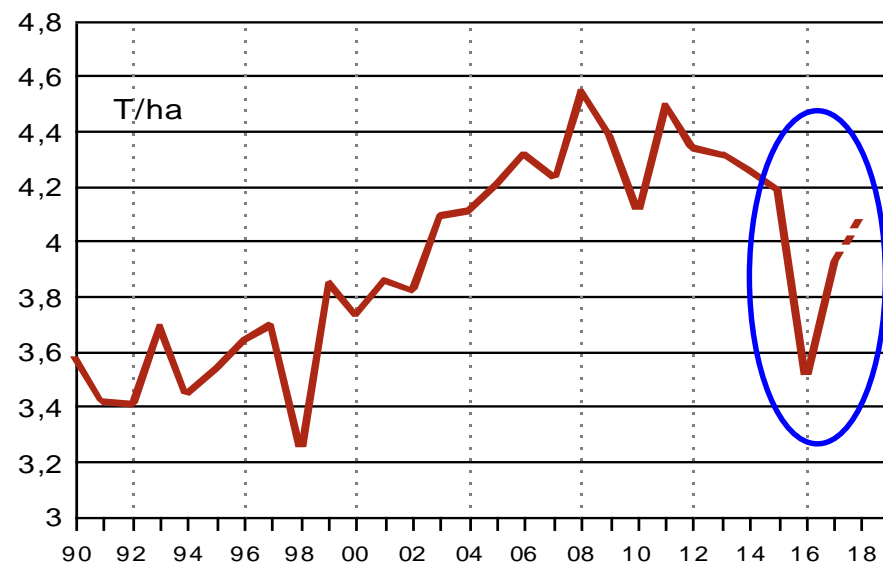
A labour shortage, despite rapidly rising wages.

Longer harvest intervals, less loose-fruit collection and delayed replanting contributed to falling yields in last 10 years

Acreage limitations.

Lack of replanting.

MALAYSIA: Annual Palm Oil Yields (T/ha)

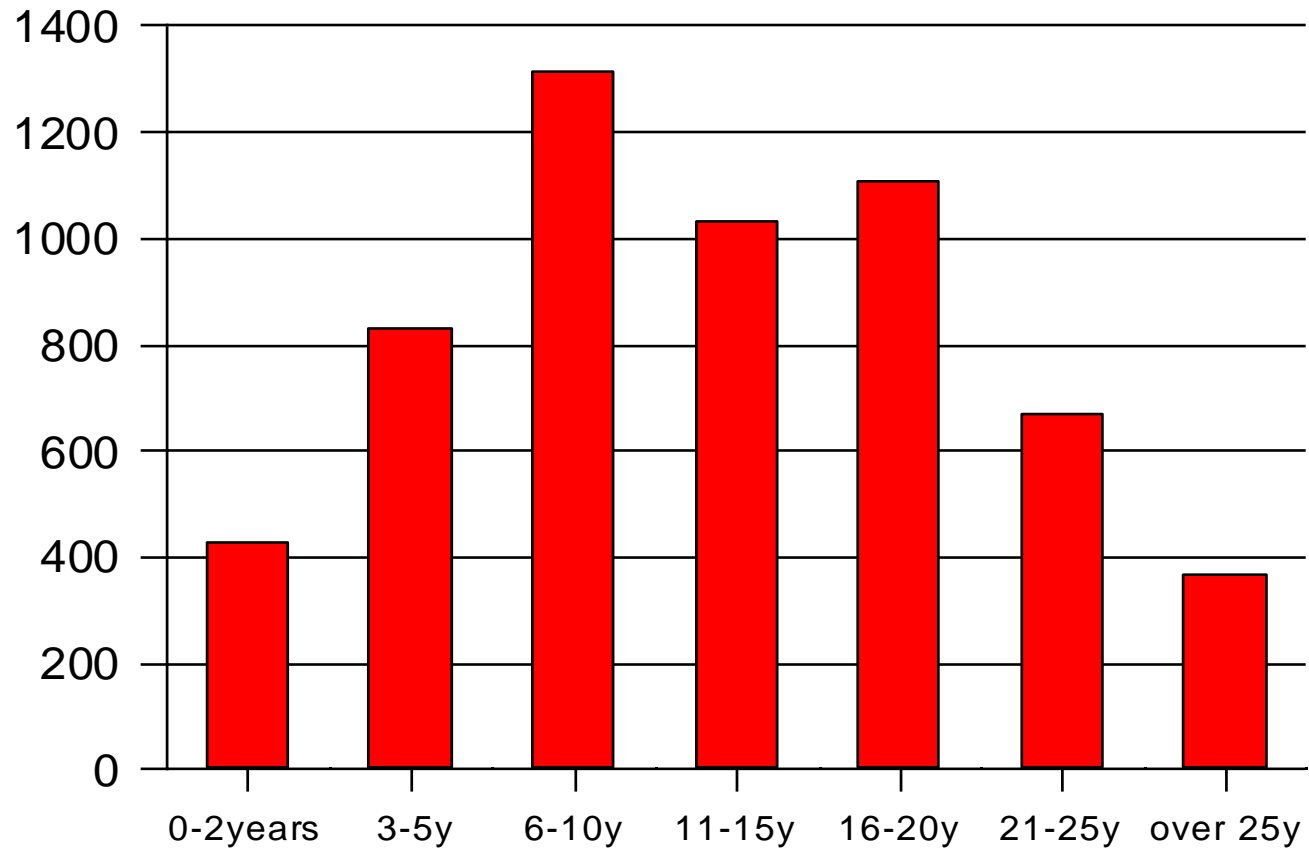


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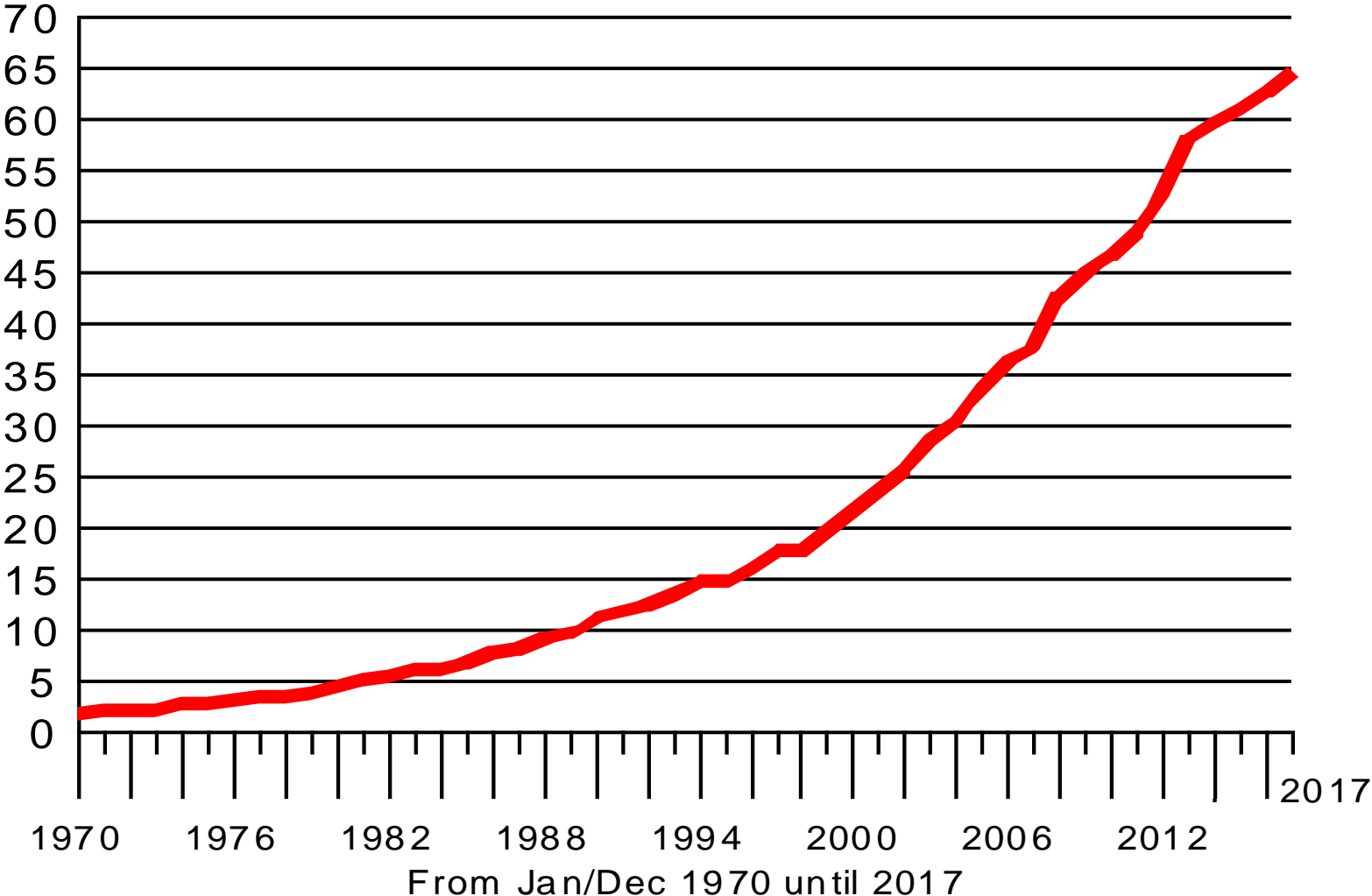


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MALAYSIA: Age Profile of Oil Palms (1000 ha) (Total Area 5738 Thd ha as of Dec 2016)



PALM OIL: World Consumption (Mn T)



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Thank you for your attention!

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