

Global Supply, Demand and Price Outlook for Vegetable Oils and Oilmeals

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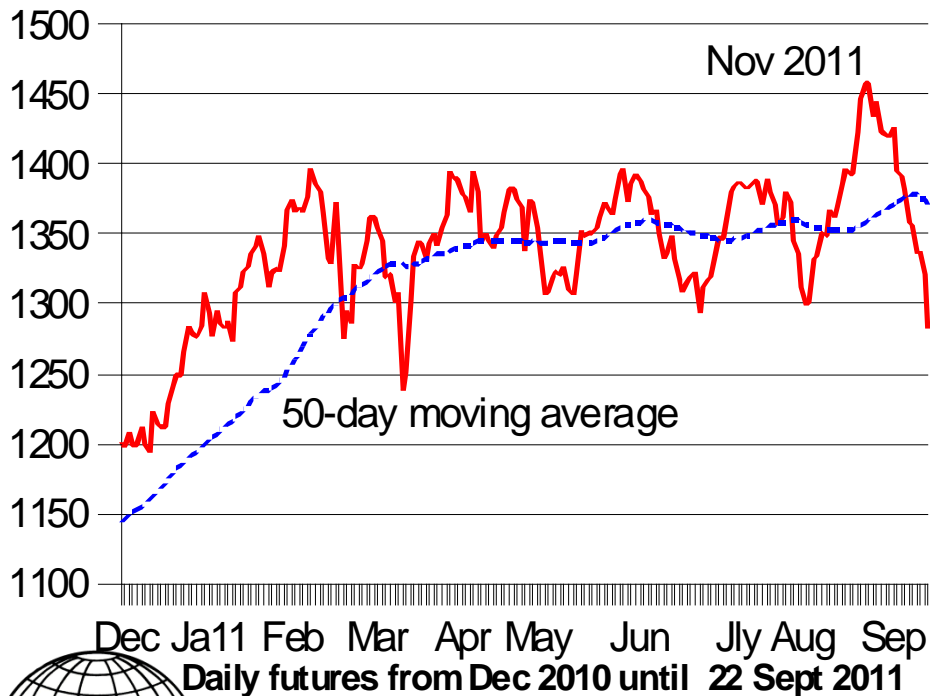
Who is OIL WORLD?

- **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
- Daily, weekly & monthly publications - - > www.oilworld.de
- **New Publication: Fish, Oil & Meal World**

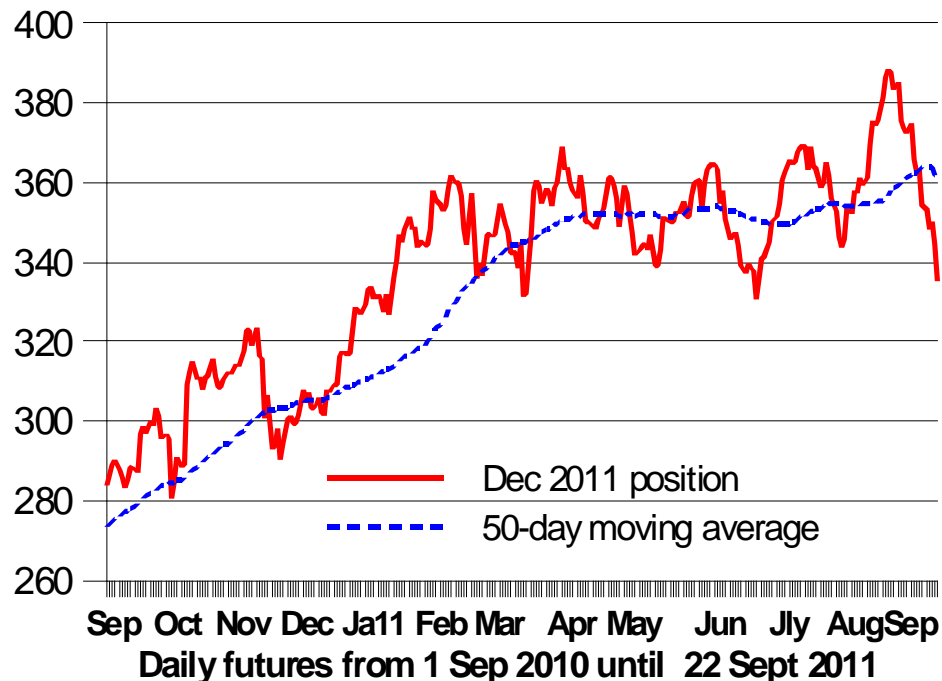


- Soybean, meal and corn have peaked
- I expect bearish factors to dominate in the near term

CBOT Daily Soybean Futures (c/bu)



CBOT: Daily Soya Meal Futures (\$/ST)



Bearish Outlook of Sunflowerseed

Output 2011/12:

World 37.5 vs 33.3

Ukraine 8.7 vs 8.0

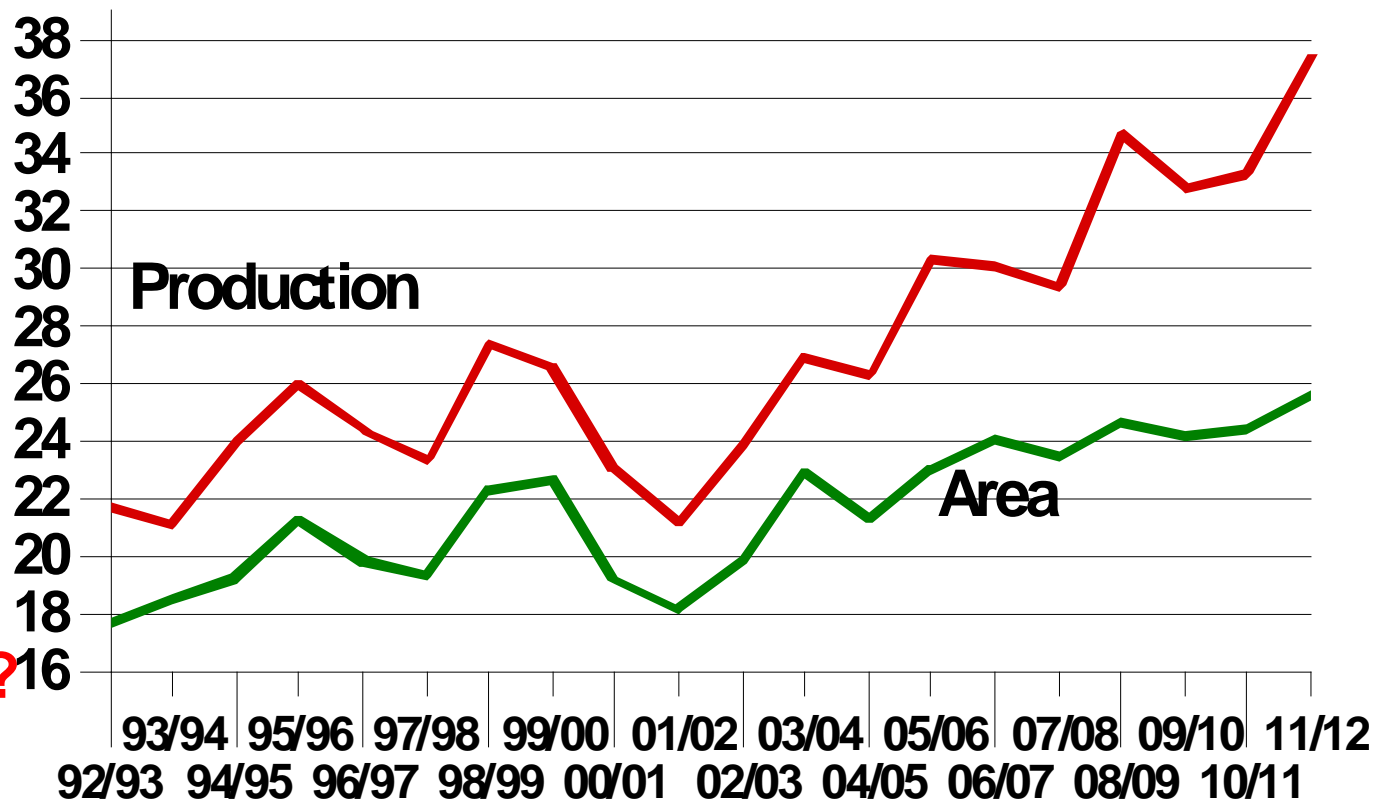
Russia 9.0 vs. 5.7

EU-27 7.8 vs. 7.0

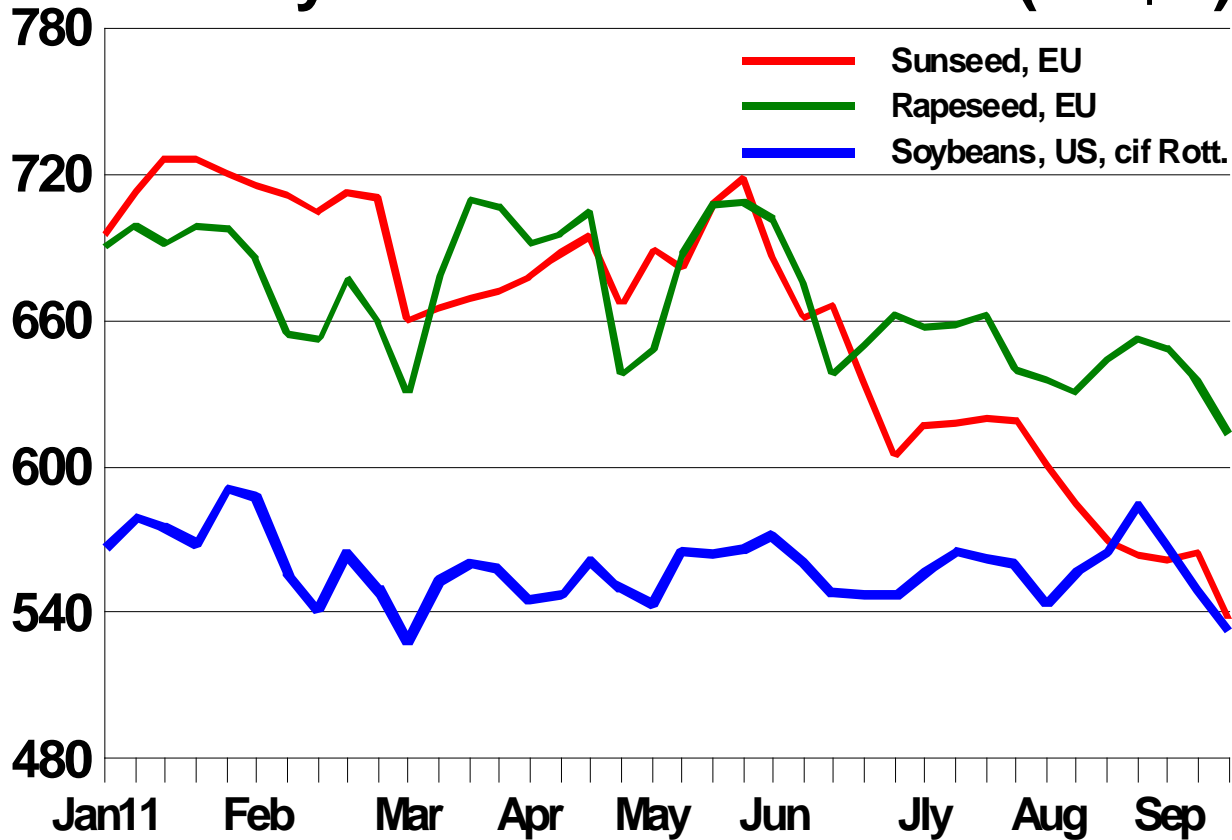
Drop in Argentina?

SUNFLOWERSEED

World Production (Mn T) and Area (Mn ha)



Weekly Oilseed Prices in the EU (US-\$/T)

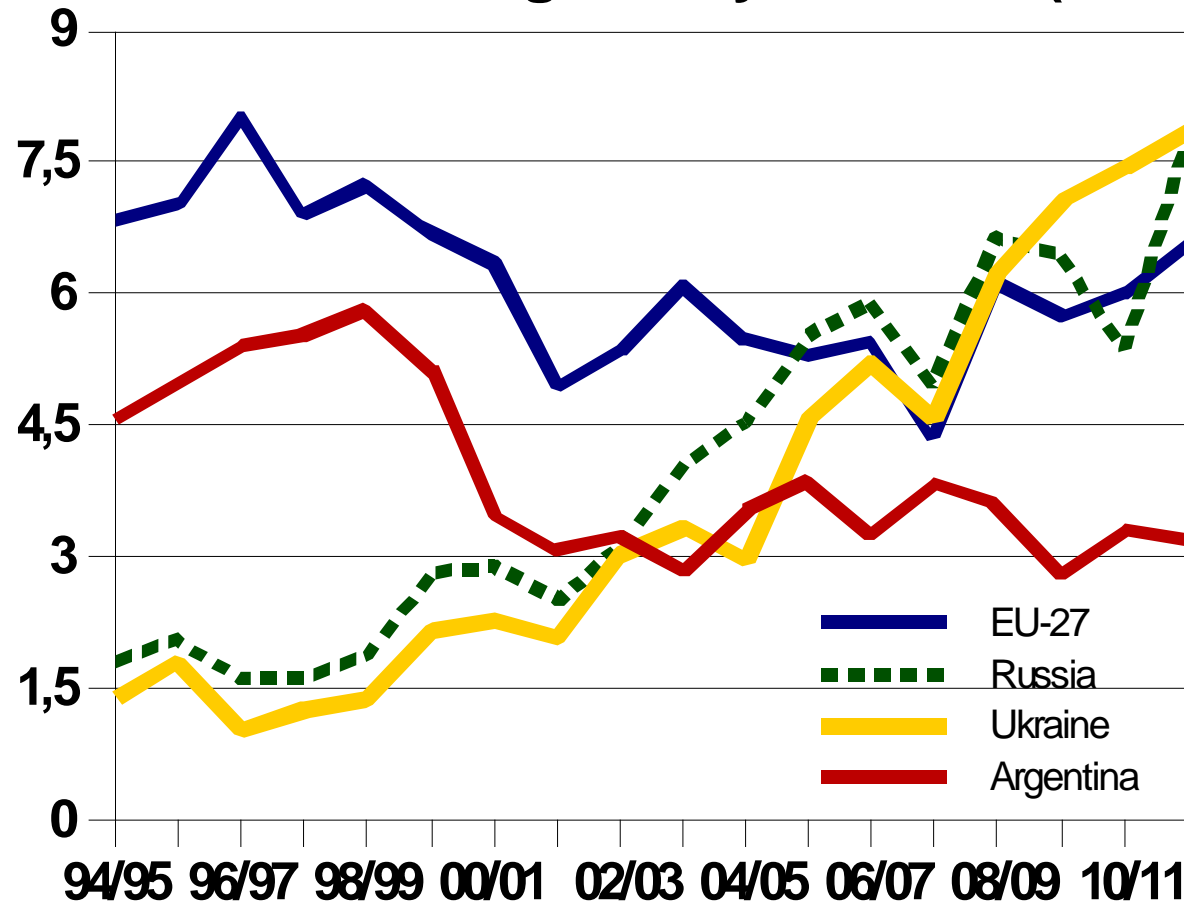


From 1 Jan 2011 to 22 Sept 2011



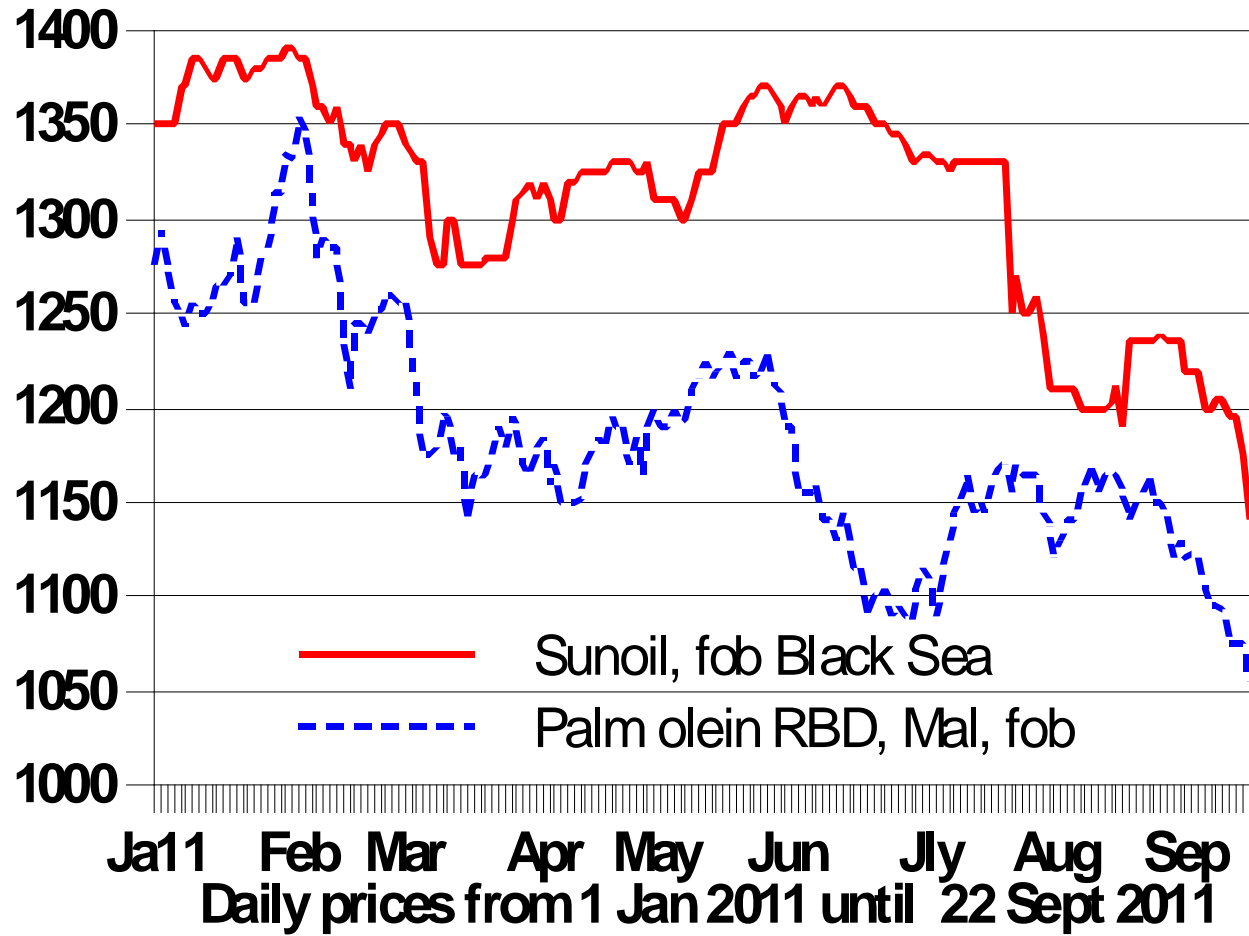
Sunseed: Crushings in Key Countries (Mn T)

- Increasing price pressure in sunflowerseed
- and in sun oil
- Excellent crush margins



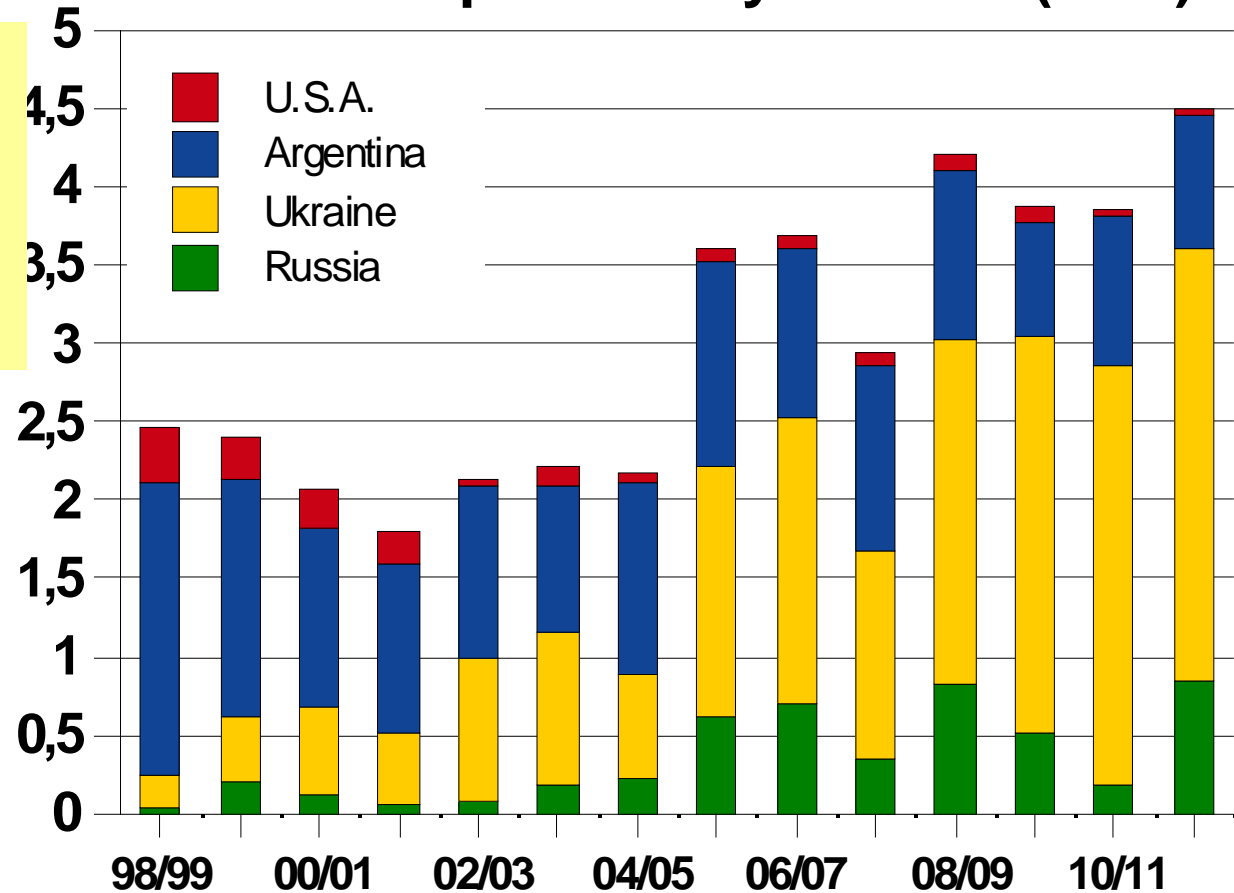
Daily Fob Prices of 2 Oils (US-\$/T)

- Sun oil prices fell by \$ 90 in past 3 weeks
- and may drop by another US \$ 50-80



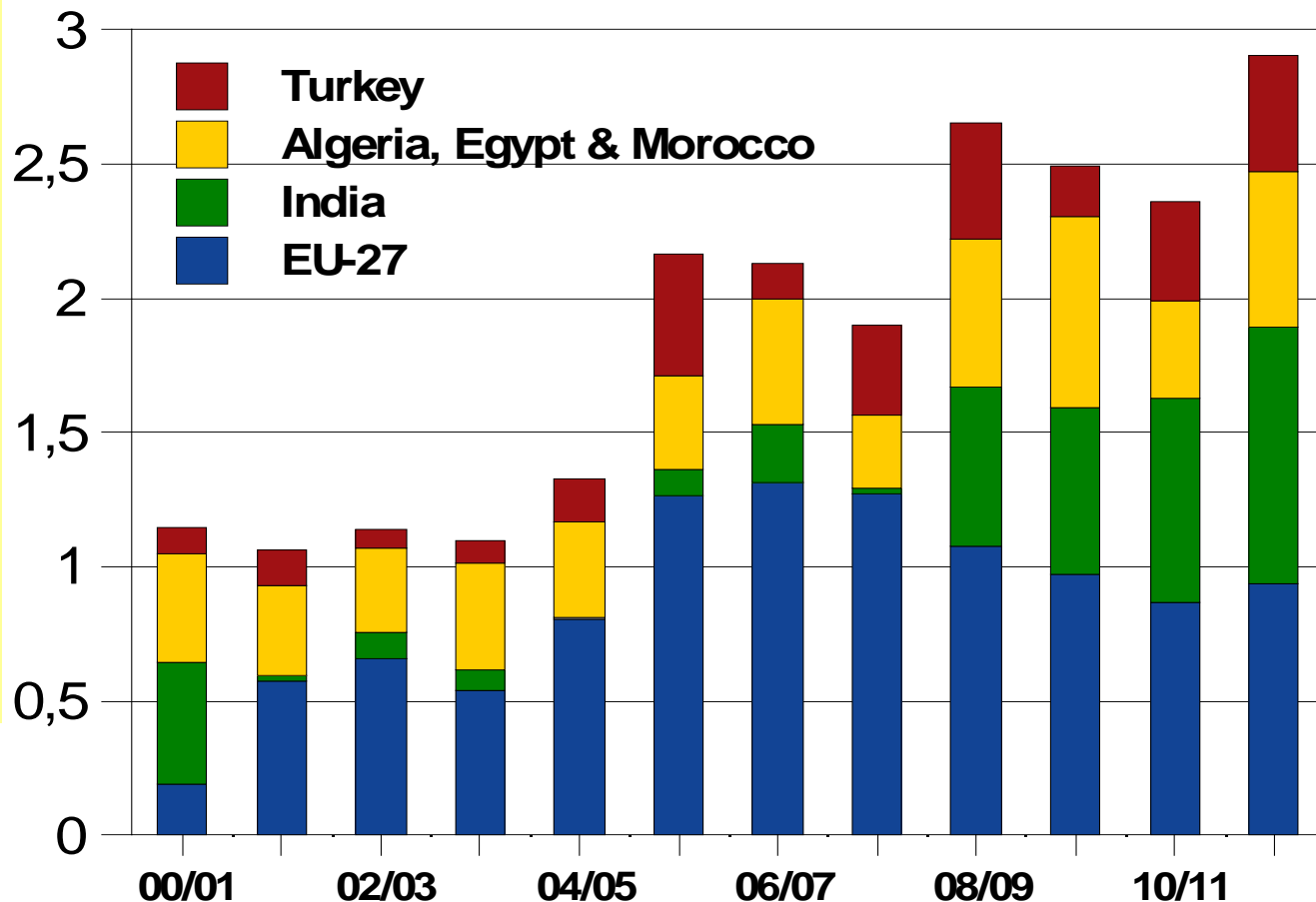
SUN OIL: Exports of Key Countries(Mn T)

- World sun oil exports may rise by 1.0 Mn T in Oct/Sept 2011/12



Sun Oil Imports of Key Countries (Mn T)

- India has started to buy large volumes of sun oil and may import 0.9-1.0 Mn in 11/12
- Uncertainty in palm oil adds to sun oil purchases
- Indian sun oil imp to exceed soya oil



Sep 23, 2011



Other Bearish Factors in the Near Term :

- Recent very high prices have hurt demand, confirmed by a slowing down of trade and of crushings (poor margins of soya & rapeseed)
- Soya meal world imports declining in July/Sept 2011
- Slow down in oilmeal offtake in the EU and the USA
- Risk: Smaller crushings curb soya oil output



Other Bearish Factors in the Near Term :

- **Concern that US exports will fall as result of high supplies at other export locations - - > soybeans in South America (+8) and grains at the Black Sea**
- **Large palm oil supplies in July/Dec 2011**
- **Debt problems in Europe & the USA as well as financial and economic uncertainties**



However, the downward potential in prices is limited as long as global stocks of agricultural commodities have not been raised sufficiently

Remember:

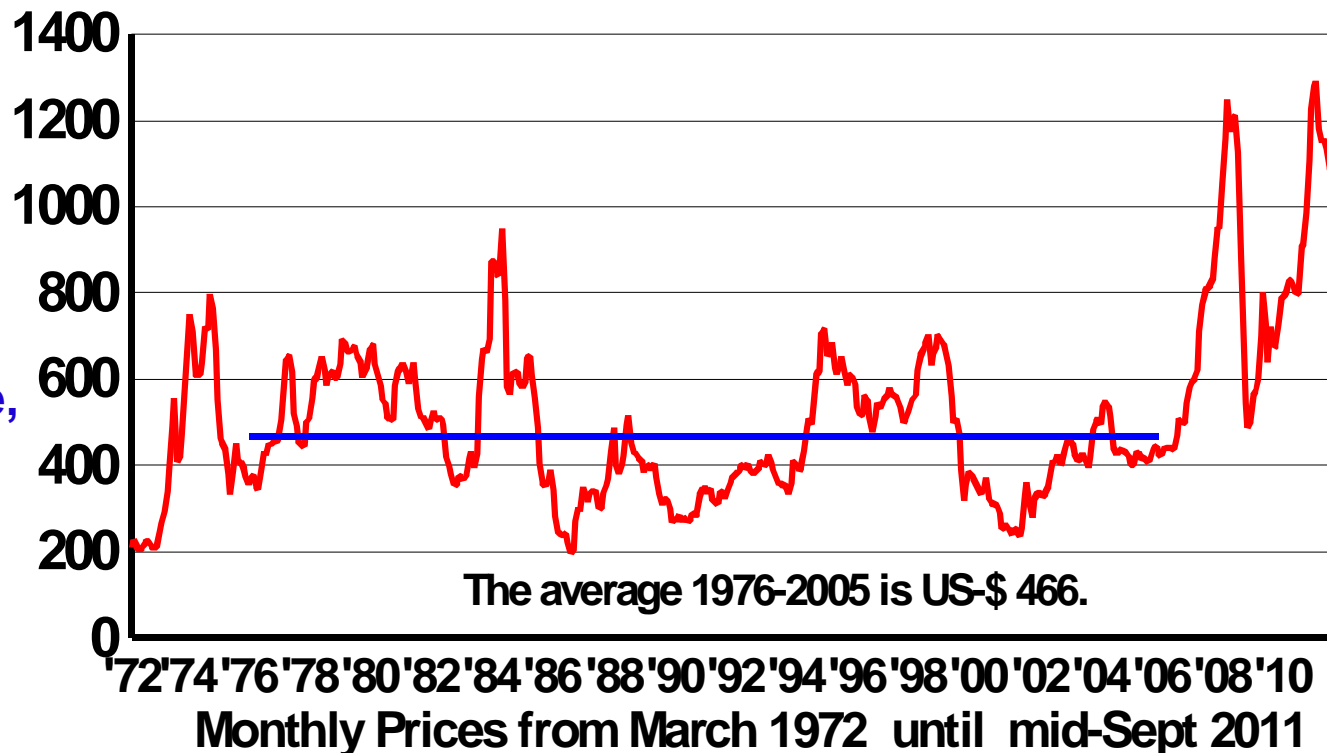
The key supply problems are not yet solved: 1) **corn and 2) **soybeans****



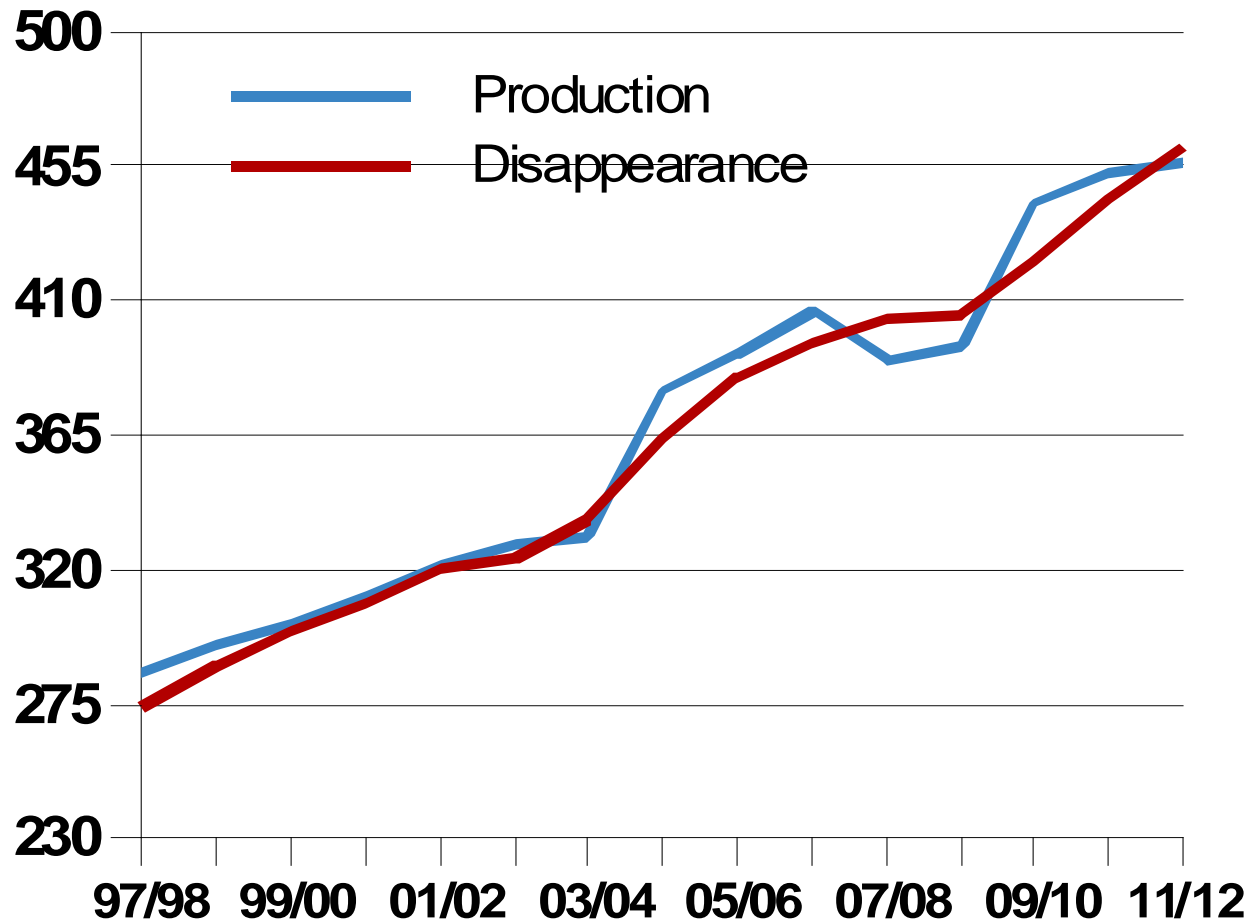
Global Agricultural Markets are in a Production Deficit

Monthly crude palm oil prices cif Rotterdam in US-\$ / MT

- Veg oil prices sharply above average
- Total world demand still exceeding production
- Palm oil prices have come under pressure, but additional price weakness is limited (contrary to 2008)



World Output & Consumption of 10 Oilseeds (Mn T)



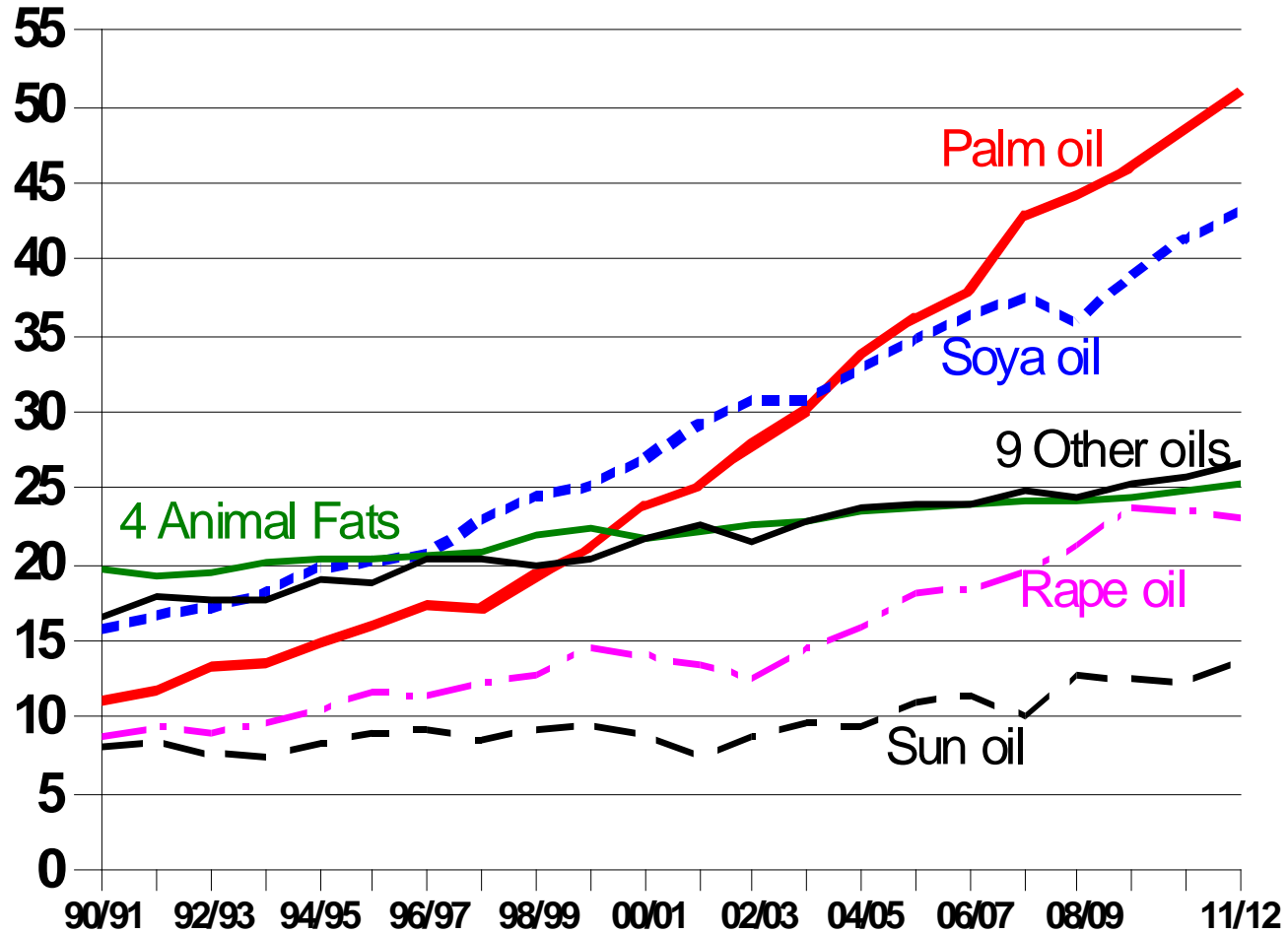
The Challenge

World production of agricultural crops has to rise sufficiently to satisfy increasing demand

- **for food** - - > caused by 1) population growth of 79 million per year and 2) rising capita usage
 - for the **oleo-chemical** industry
 - for **biofuels**
 - + other uses
- Conflict : Food versus Fuel**
- Limiting factors: land, water, logistics, etc
 - A break-through in yields is required (or more land)
 - Need to find alternative feedstocks for biodiesel



17 Oils & Fats: World Production (Mn T)



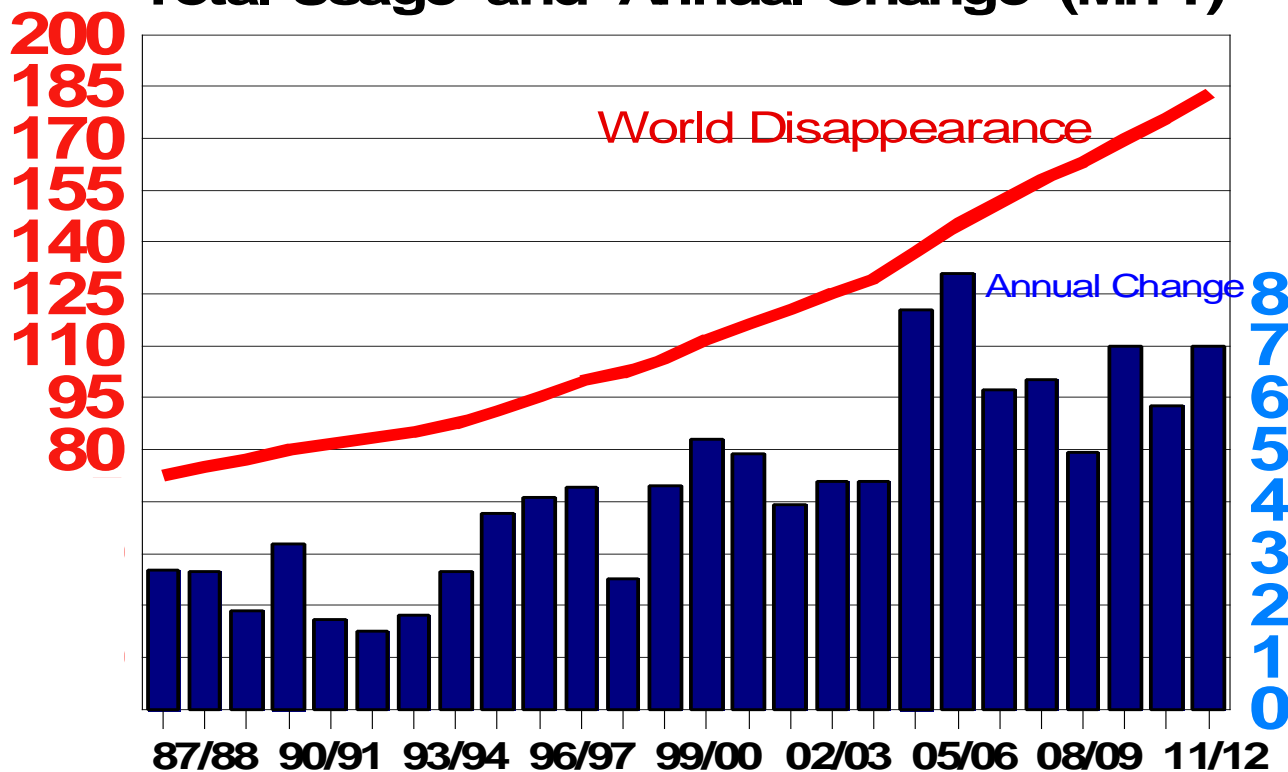
The annual growth rates of world demand of oils & fats virtually doubled since the late nineties

Average demand growth increased by 5.9 Mn T per annum in latest 10 years

The global consumption growth reached 59 Mn T during the past 10 years, of which 35% for biofuels

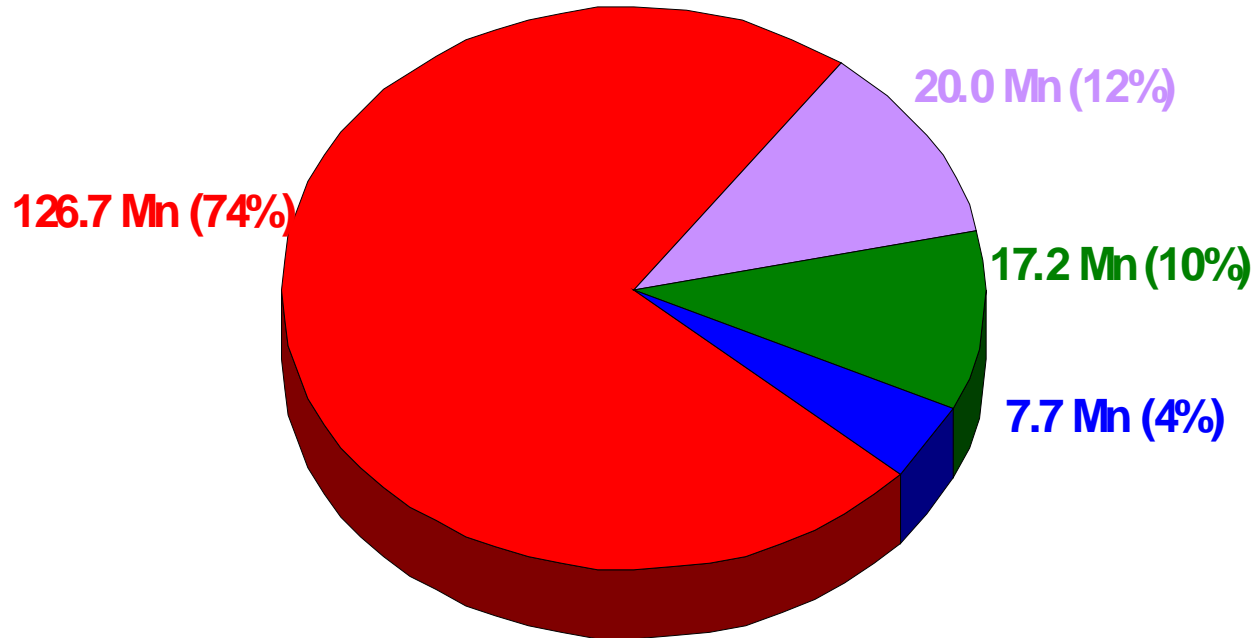
Since 2007 producers struggle to expand output

17 Oils & Fats : World Disappearance Total Usage and Annual Change (Mn T)





17 Oils & Fats: World Consumption, by Category

Jan/Dec 2010 total: 171.6 Mn T



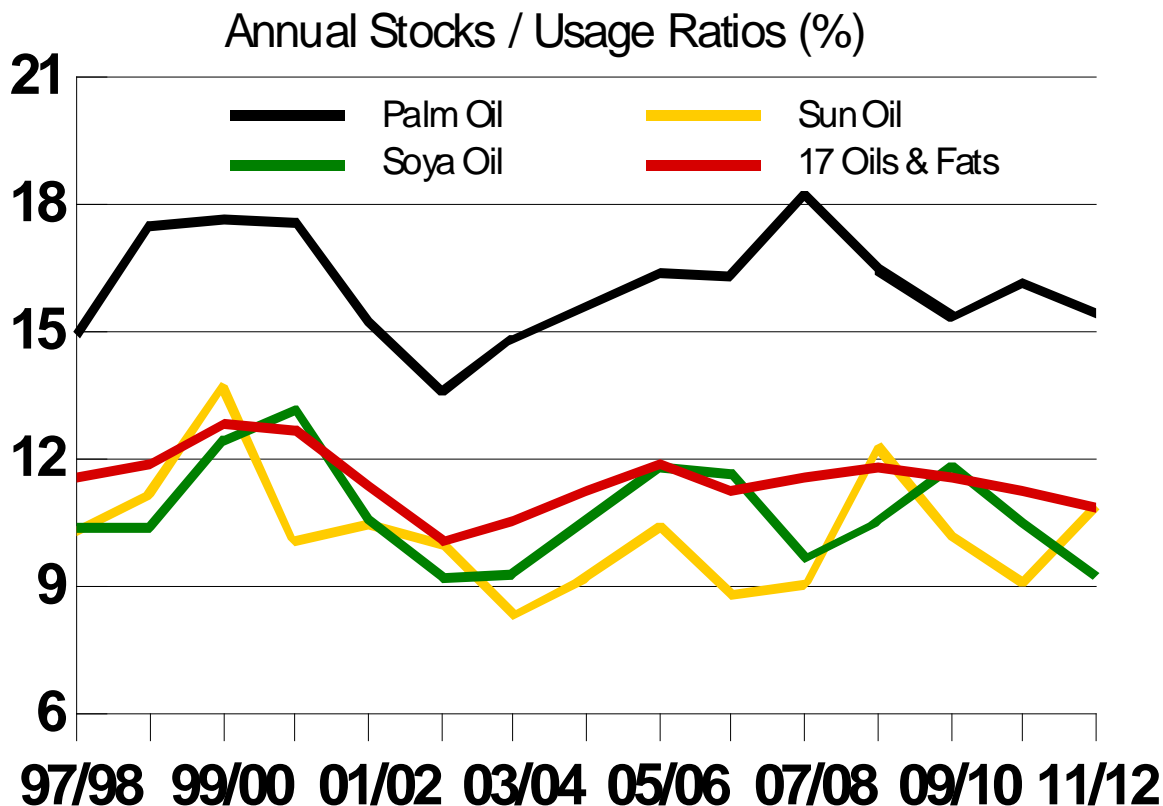
 Food use
 Chemicals

 Other (animal feed, etc.)
 Energy (biofuels)



Bullish Factors in the Medium Term : 17 OILS & FATS

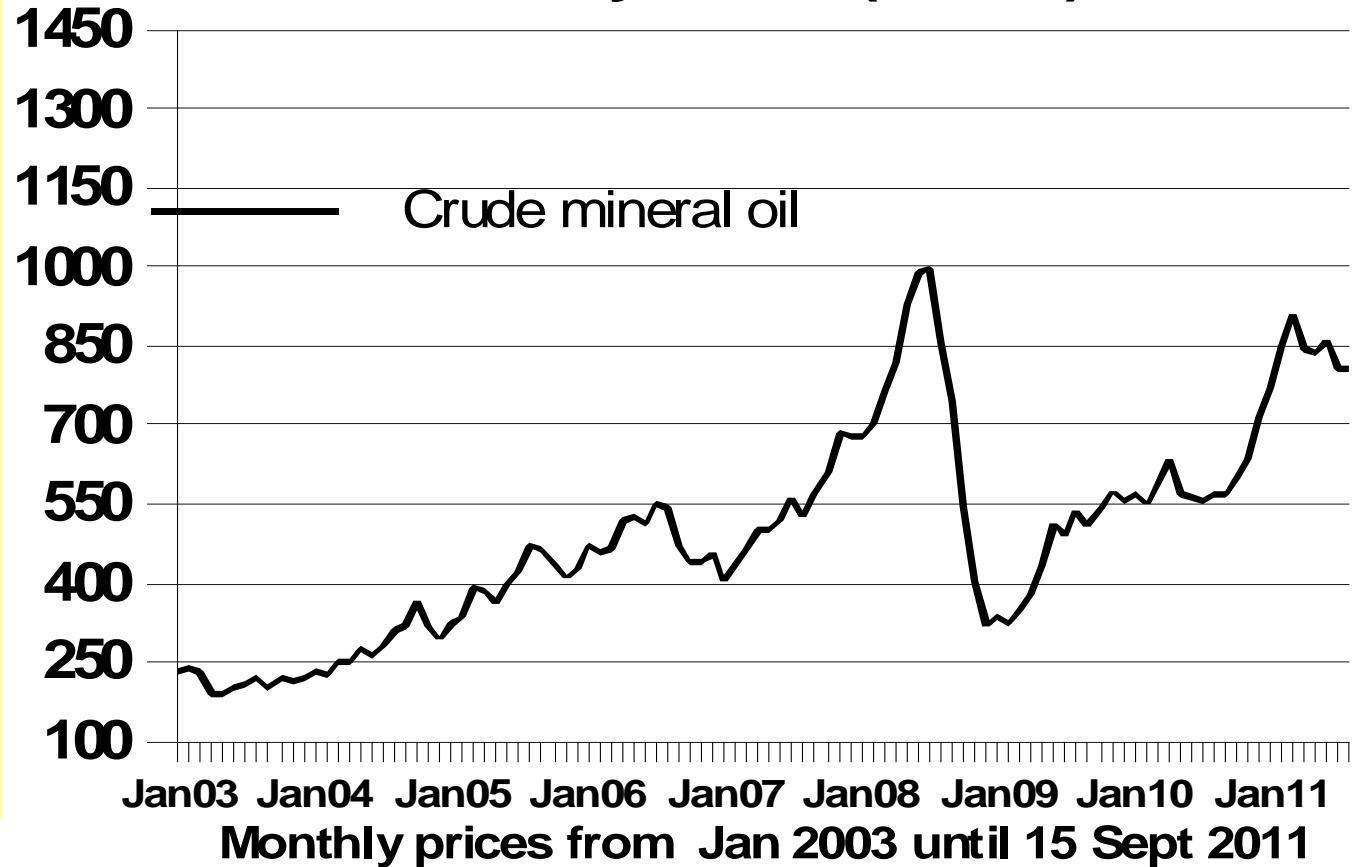
- World supplies of oilseeds & grains will be short in 2011/12.
- Stocks/usage ratios will decline.



Price impacts from mineral oils

- They establish a floor for vegetable oil prices
- But in a scenario of low veg. oil stocks relative to demand, veg oil prices will trade more or less sizeably above mineral oils

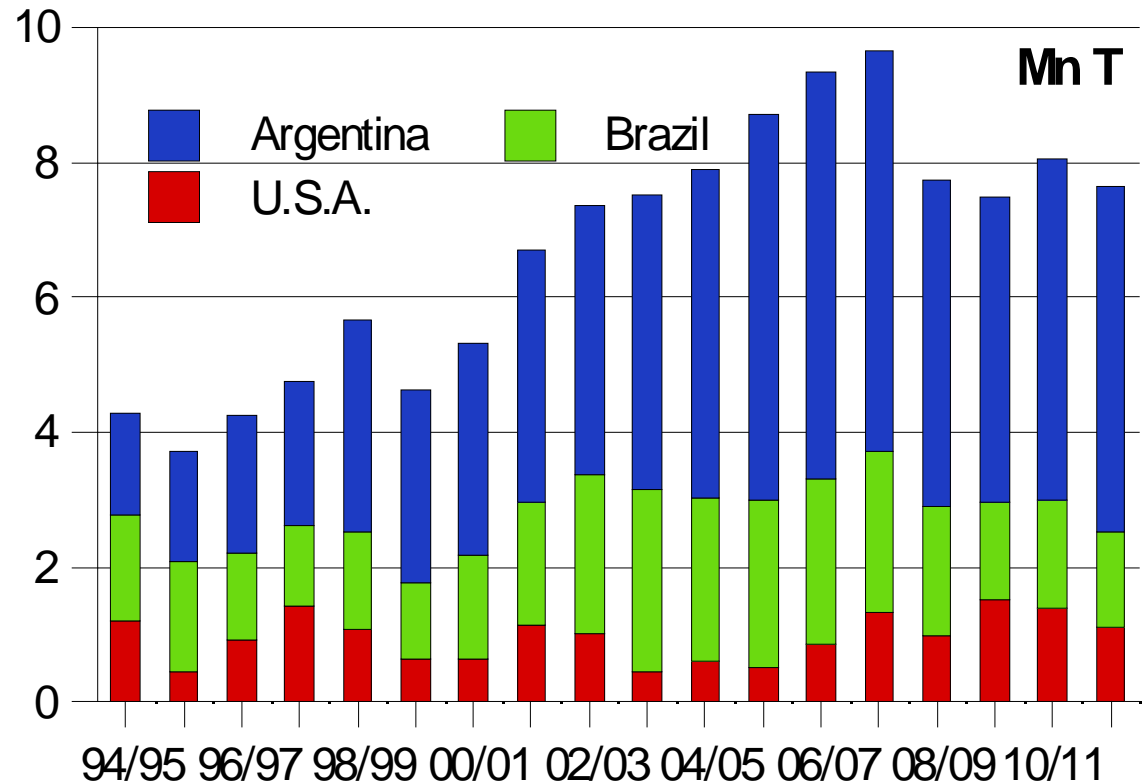
Monthly Prices (US-\$/T)



Bullish Factors in the Medium Term :

- Consumption of oils & fats for biodiesel will expand more sharply again,
- primarily of soya oil in USA, Argentina and Brazil, reducing world soya oil exports

Soya Oil Exports



Soybeans Dominate the Global Oilseed Market

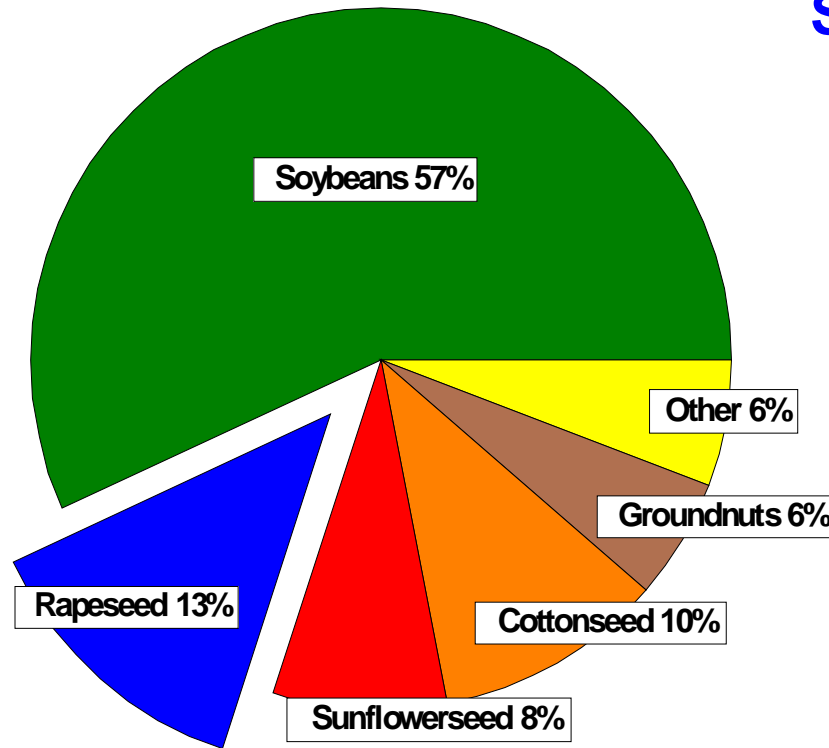
The Outlook of Soybeans & other Oilseeds



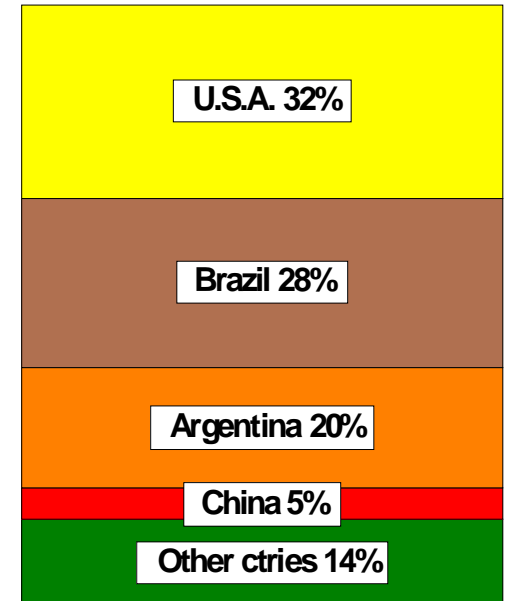
Global Production of 10 Oilseeds

- Dominance of Soybeans with a production of 261 Mn T in 2011/12 (4 Mn T below 10/11)
- Rapeseed crop 59 Mn in 11/12
- Sunseed crop 37 Mn T
- Cottonseed 48

2011/12 = 456 Mn T

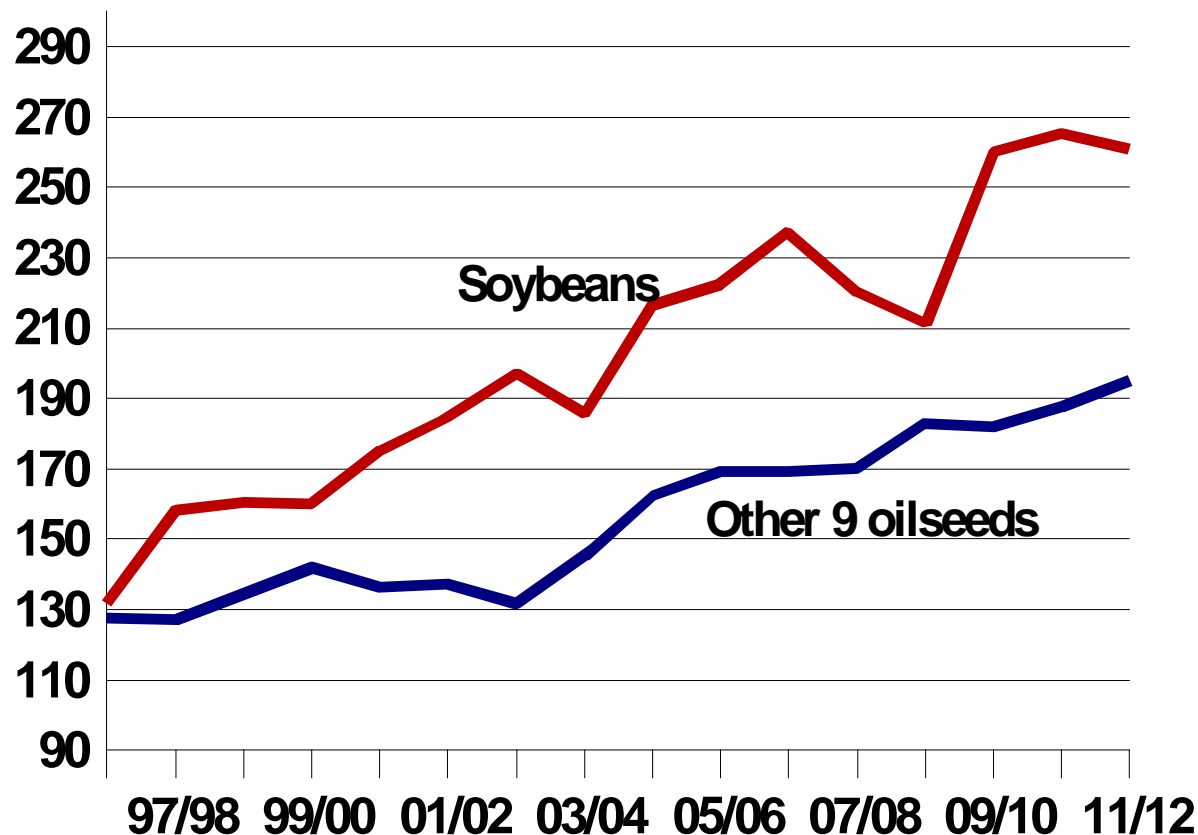


Soybeans = 261 Mn T

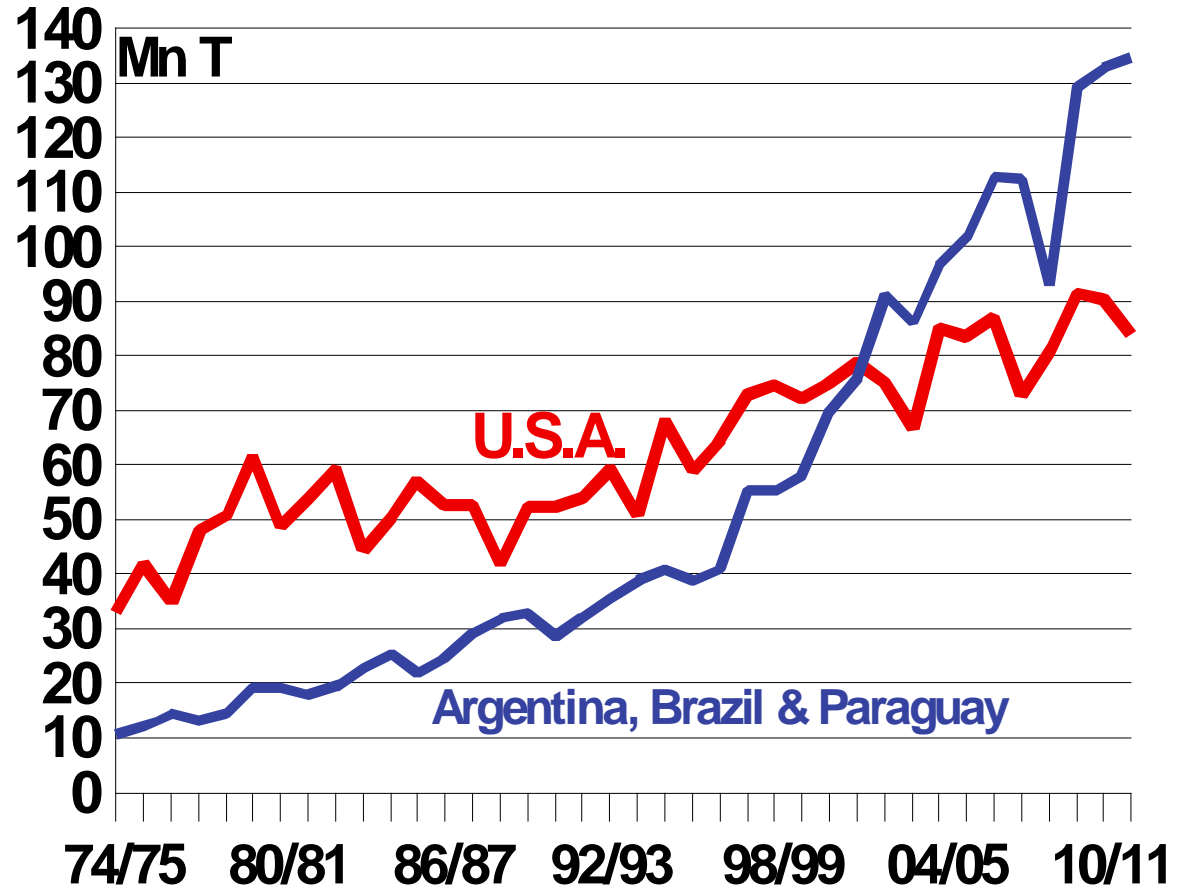


- World output of soybeans doubled since 1994/95
- But has slowed lately (acreage competition)
- 9 other oilseeds have grown 40%

10 Oilseeds: World Production (Mn T)



Soybean Crop Trend Since 74/75



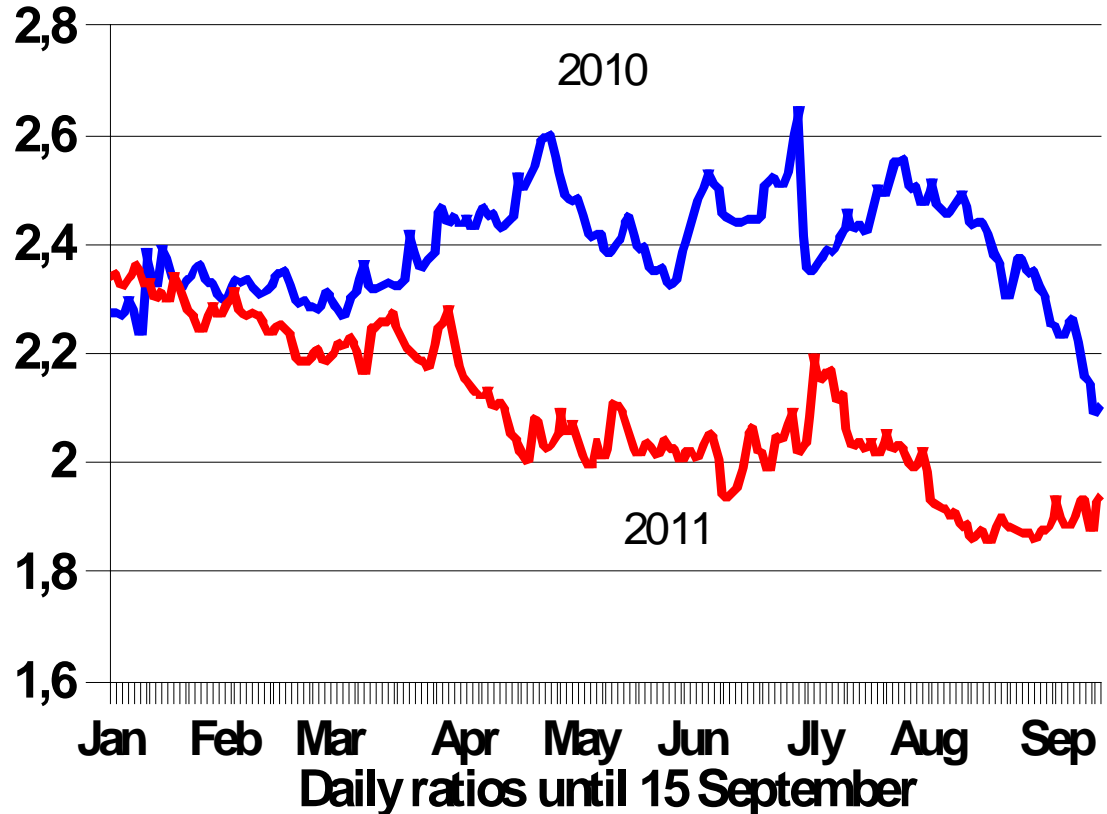
- **USA: Planting problems and acreage competition with corn, wheat and cotton**
- **Rising global dependence on South America**



2012 will again be the year for corn in the USA

- Fight for acreage to intensify again in early 2012
- Land values have more than doubled in the past 5 years
- The current low soya/corn ratio is a price supportive for soybeans

Daily Ratios of Nov Soybeans & Dec Corn Futures



World Rapeseed Plantings and Production

RAPESEED & CANOLA

World Production (Mn T) and Area (Mn ha)

In 2011/12 (vs year ago):

EU-27 18.7 Mn vs 20.5

C.I.S. 3.2 Mn vs 2.7

China 11.6 Mn vs 12.2

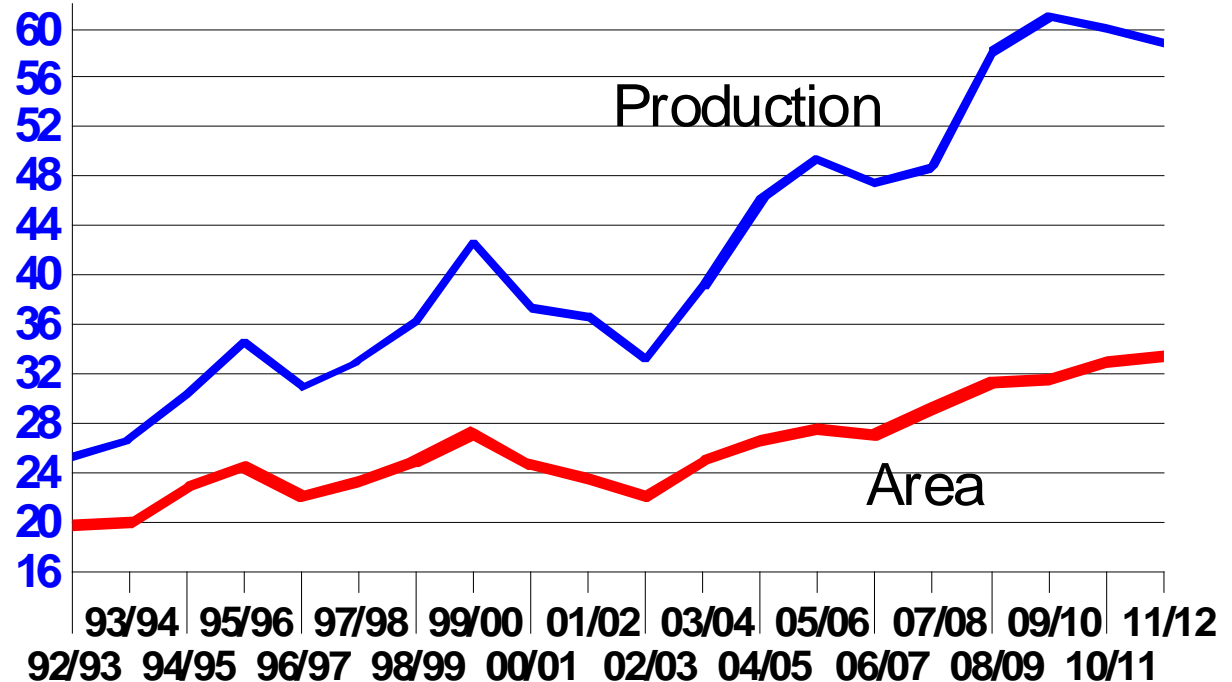
Australia 2.6 Mn vs 2.3

India 7.2 Mn vs 7.1

Canada 13.5 Mn (vs 12.8)

Strong demand

Stocks reduced

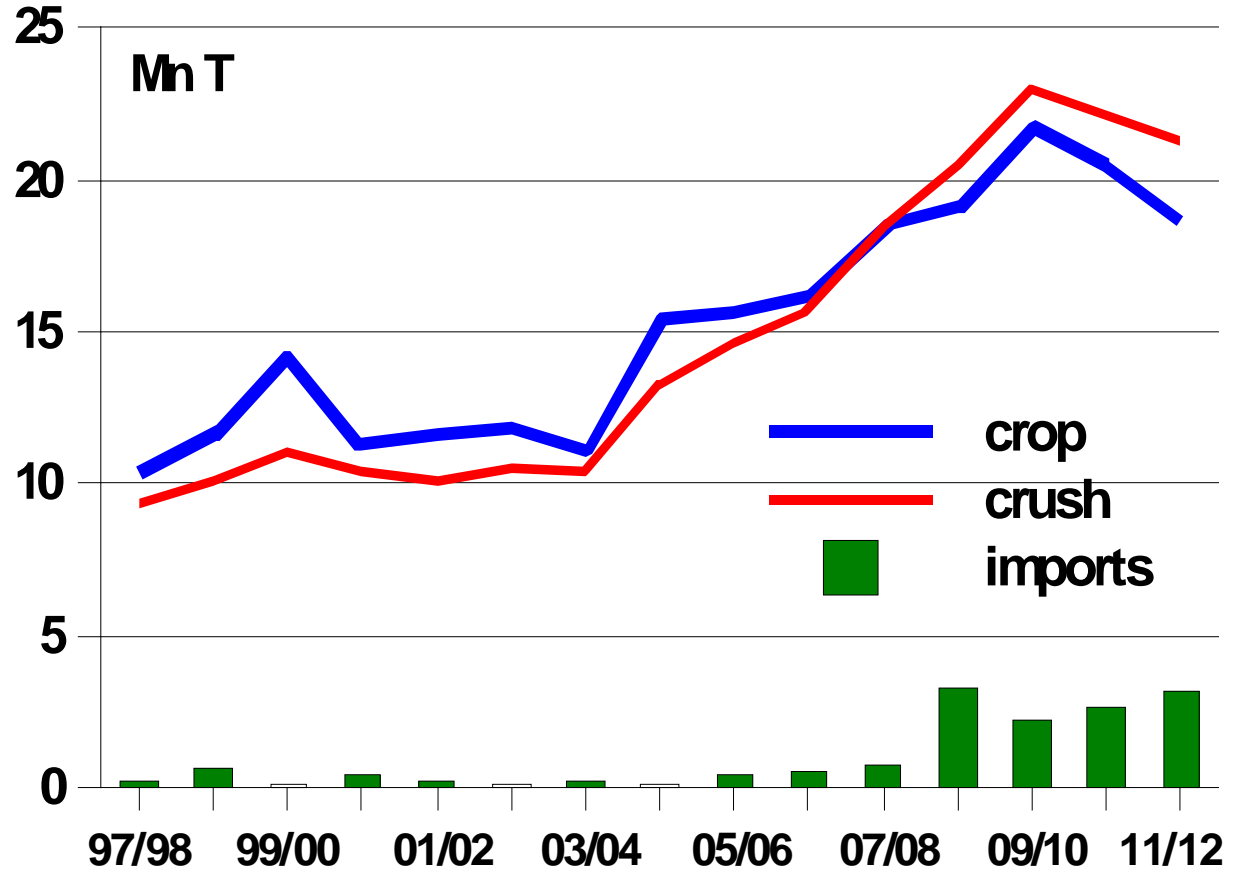


In 2011/12 world crush to fall for 1st time in many years



- 2011 crop 3.0 Mn T below 2009
- In the EU 27 dom. supplies of rapeseed will be about 5 Mn T or 20% below requirements in 2011/12
- Only 60-65% of that covered by imports
- Poor crush margin

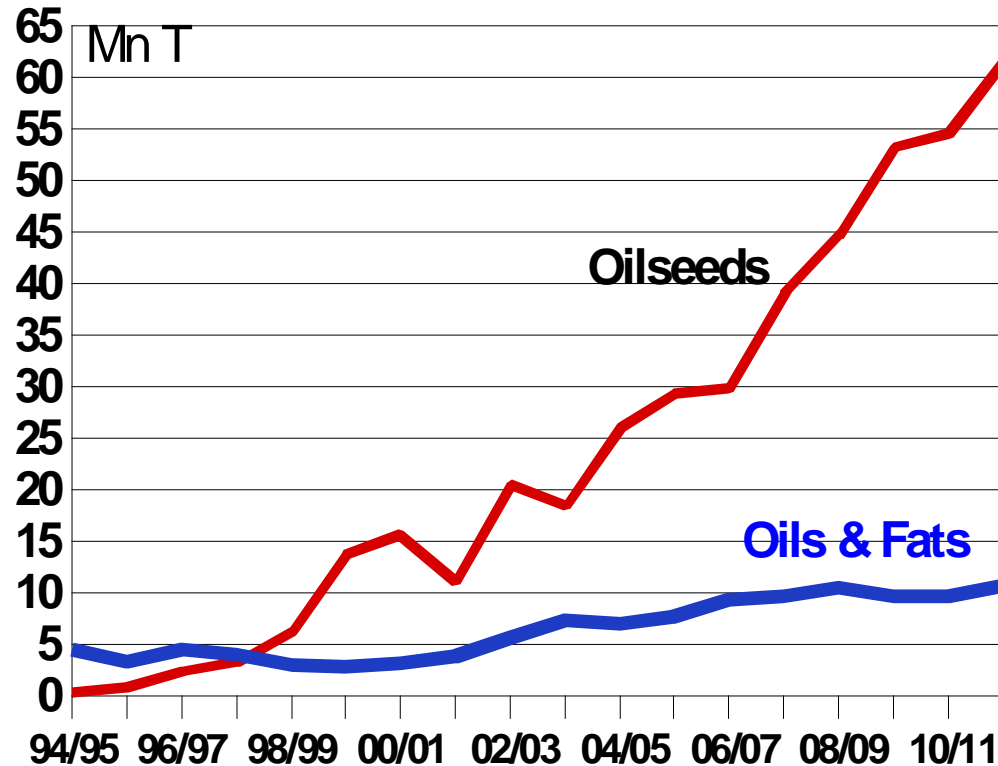
EU-27 Rapeseed Supply & Demand



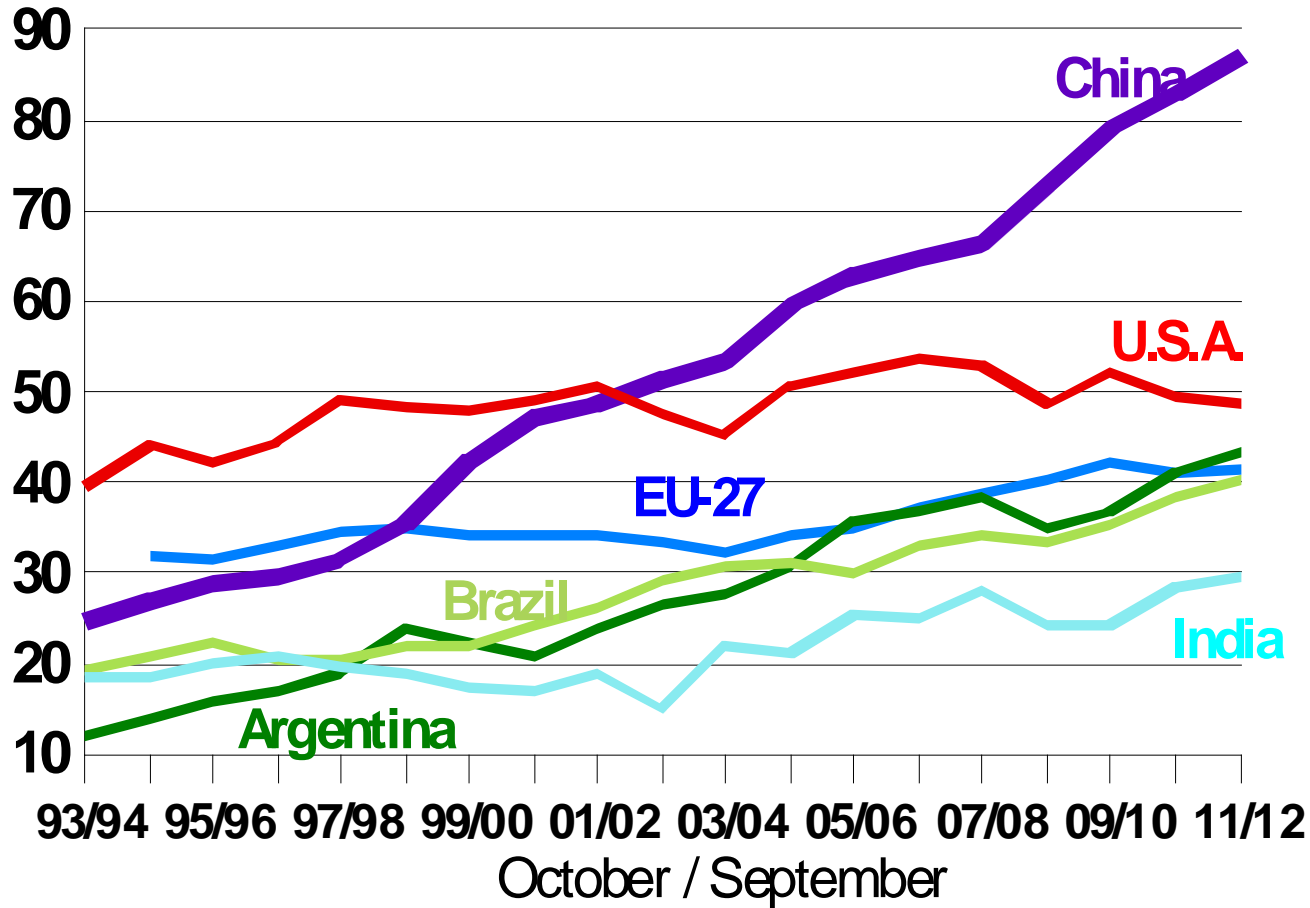
China - - a Potential Bullish Demand Factor in 2011/12

- Stocks of seeds & oils reduced in 2011
- China active buyer of soybeans and soya oil recently
- High buying pace likely in the months ahead

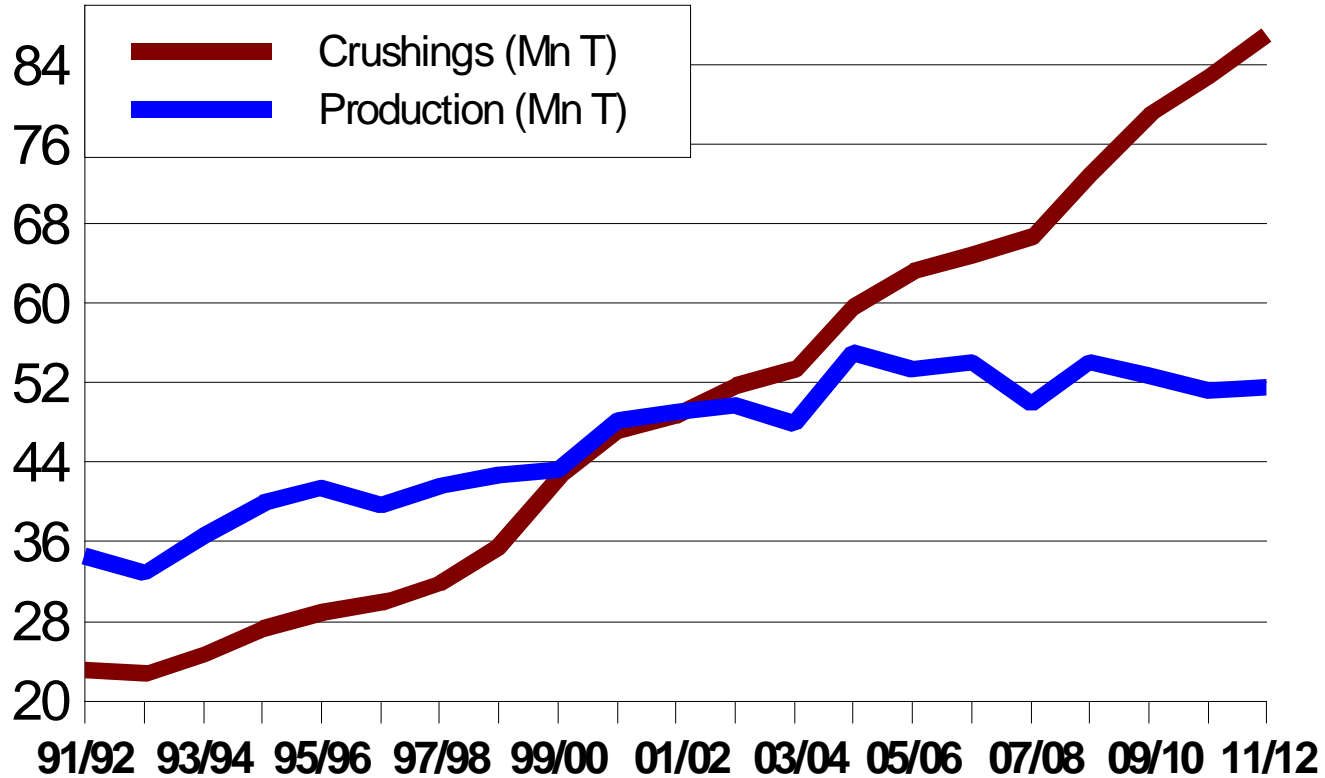
CHINA : Imports of Oilseeds and Oils & Fats



Crushings of 10 OILSEEDS (Mn T)

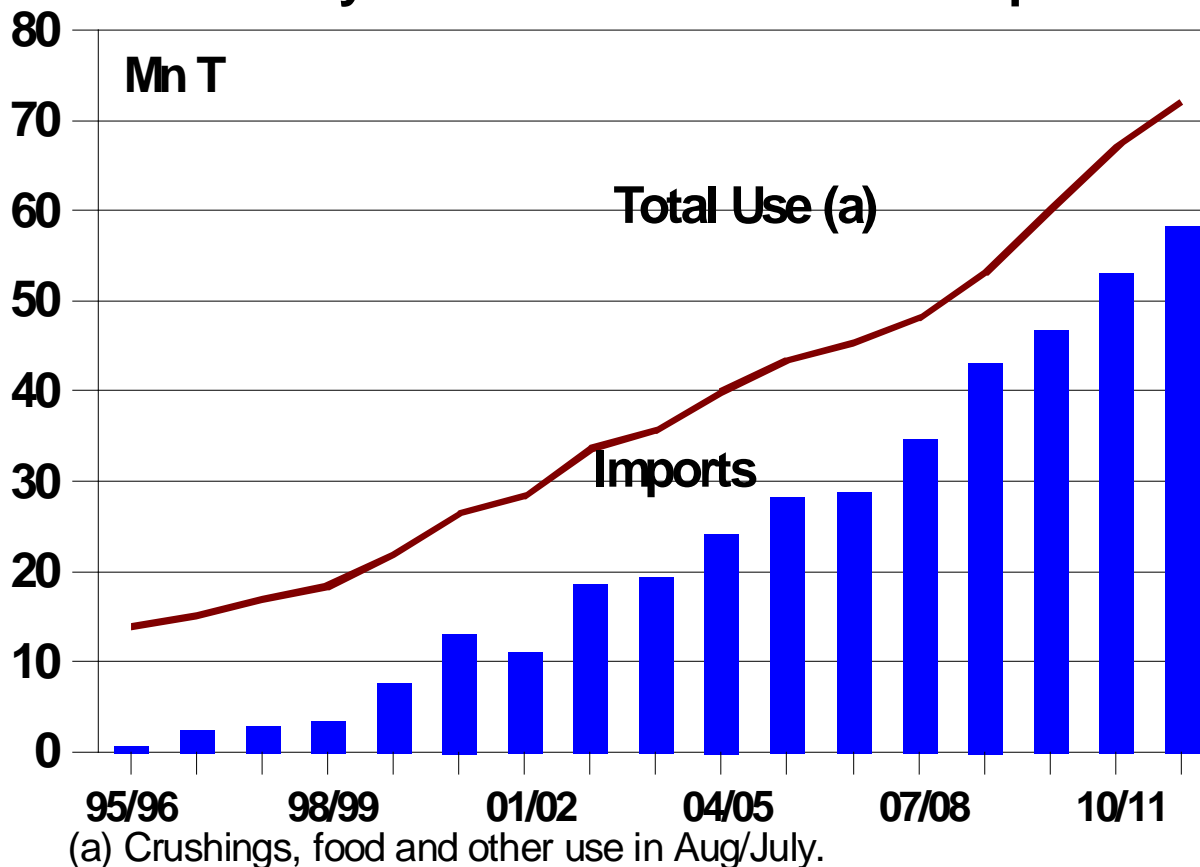


CHINA: Oilseed Output & Crushings



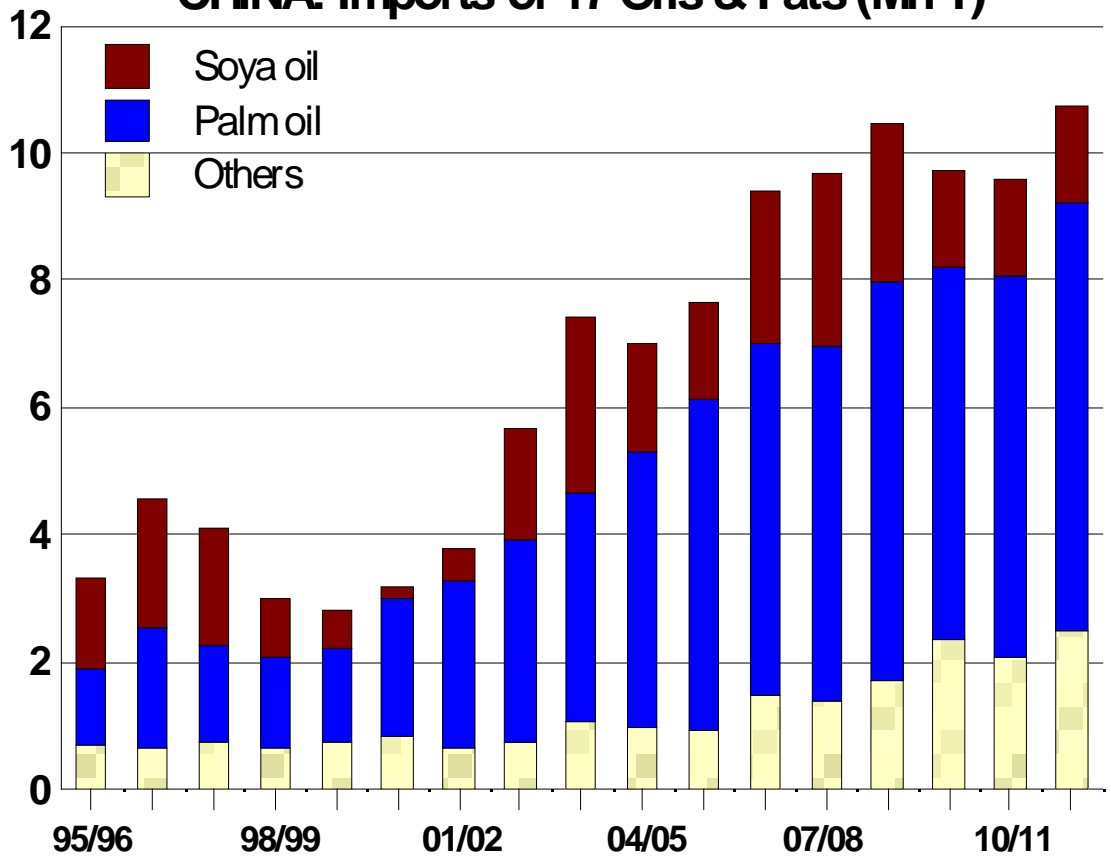
- **China: High import dependence is alarming.**
- **And imports will rise further.**
- **Soybean imports 53 Mn in 10/11 and 59 Mn T in 2011/12 (60% of world)**
- **Imports of oils & fats 10-11 Mn T**
- **of oilmeals 3-4 Mn**

CHINA: Soybean Demand and Share of Imports



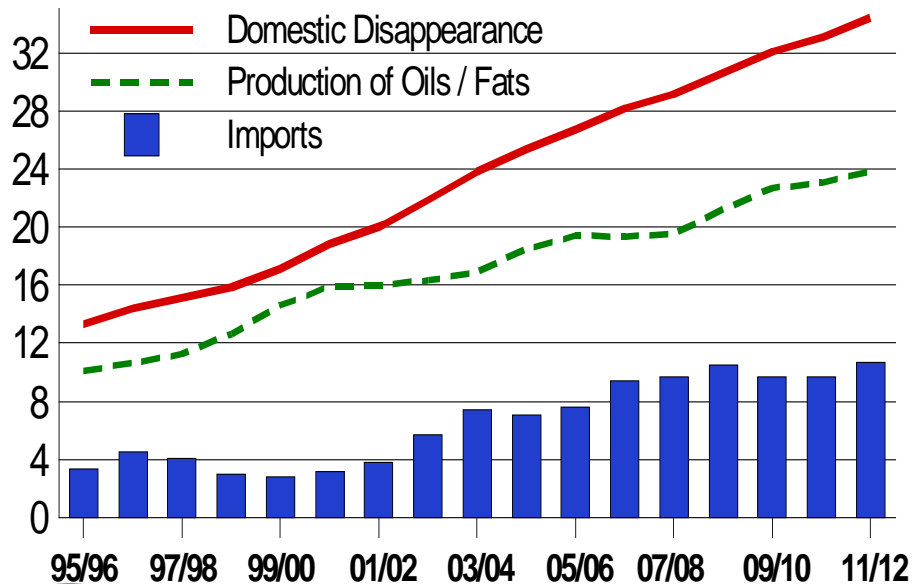
- Sun oil imports may reach 150-200 Thd T in 2011/12 (vs. 25)
- Palm oil imports seen at 6.7 Mn T next season (vs. 6.1)

CHINA: Imports of 17 Oils & Fats (Mn T)

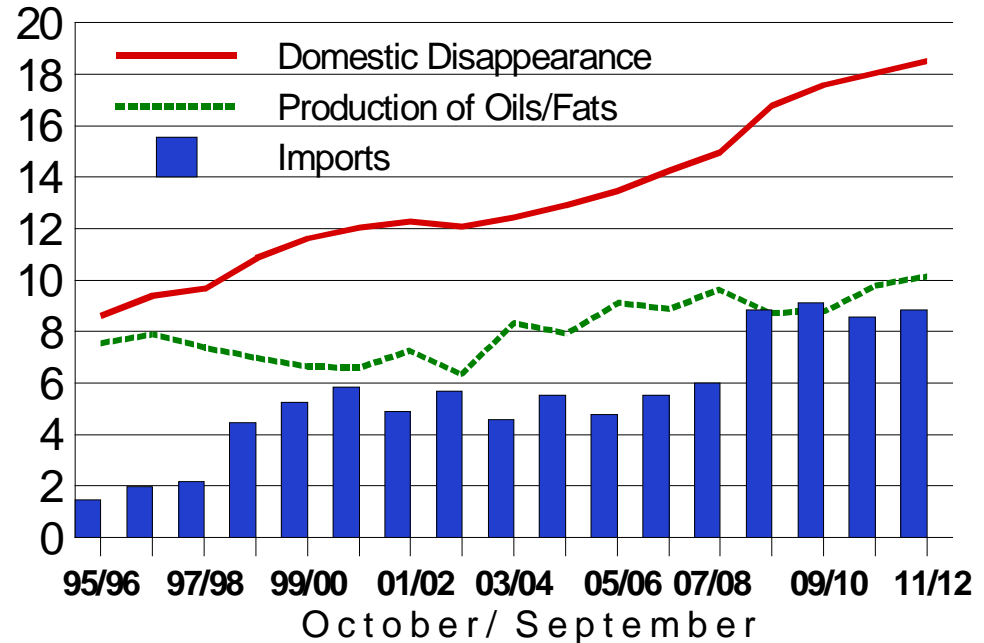


China & India together need about 2 Mn T more veg. oils each year -- > mainly for food

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



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

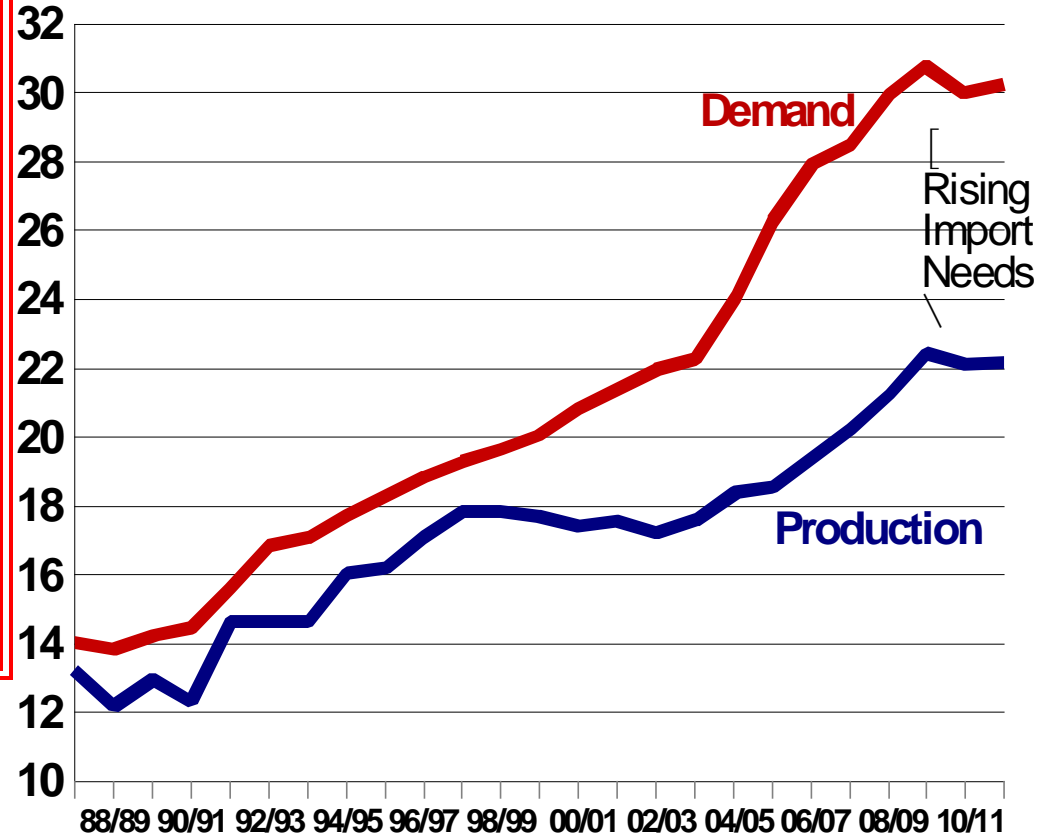


EU-27: Imports (a) of Biodiesel (1000 T)

	Apr/June		Jan/June		2009
	2011	2010	2011	2010	
Norway	24	2	27	2	2
Canada	-	10	1	64	23
U.S.A.	511
Argentina.	283	230	595	494	264
India	25	25	25	25	9
Indonesia.	314	141	433	189	67
Malaysia	9	46	16	61	37
Oth countries.	4	4	7	24	13
Total (a).	659	458	1104	859	926

(a) Intra-EU trade is excluded.

EU-27: Demand & Production of 17 Oils & Fats (Mn T)



Major Changes in Palm Oil

- World production of palm oil increased substantially
- 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: 45.8 Mn T or 28% (only 6% of area)

- In 2010 palm and palmkern oils 61% of world exports
- Rising global dependence on palm oil



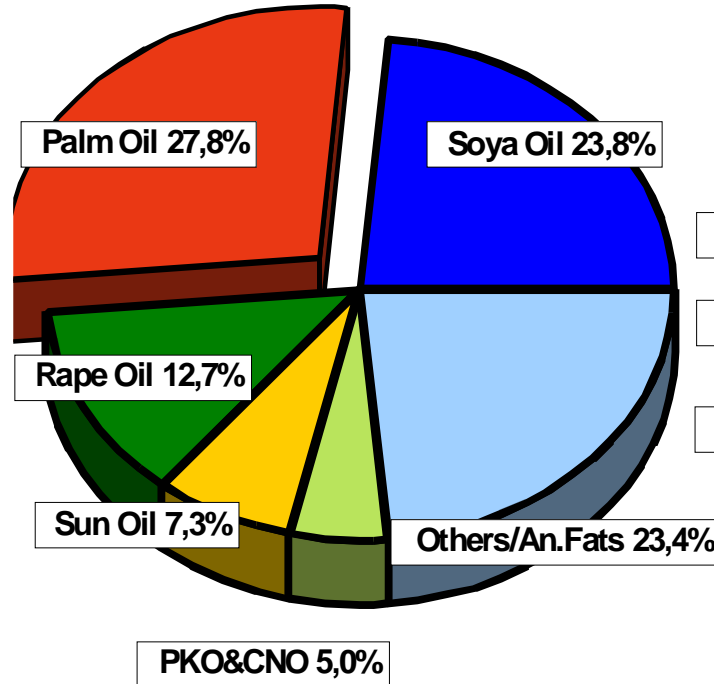
Dominance of Palm Oil - - usage boosted from 11.4 Mn in 90/91 to 47.8 Mn T in 2010/11 and to 50.8 Mn T in 2011/12

Consumption of 17 oils & fats more than doubled in 20 years !

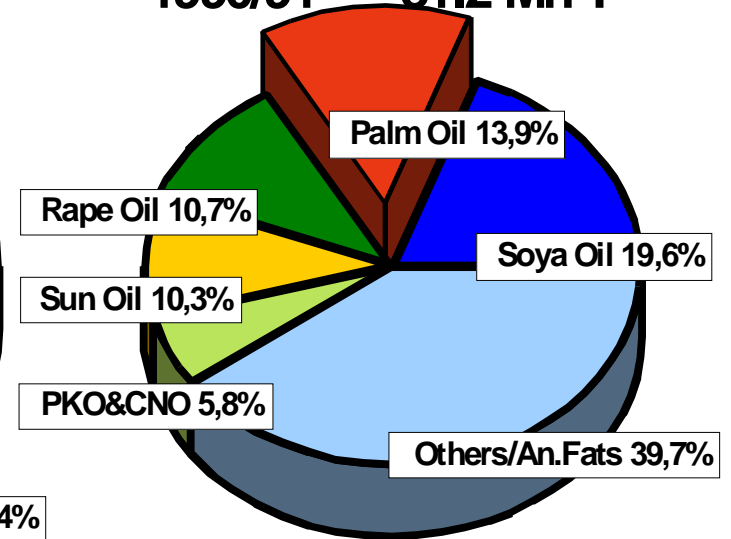
183 Mn in 2011/12

About 22 Mn T (or 12%) for biofuel usage in 2010/11

2011/12 -- 183.0 Mn T



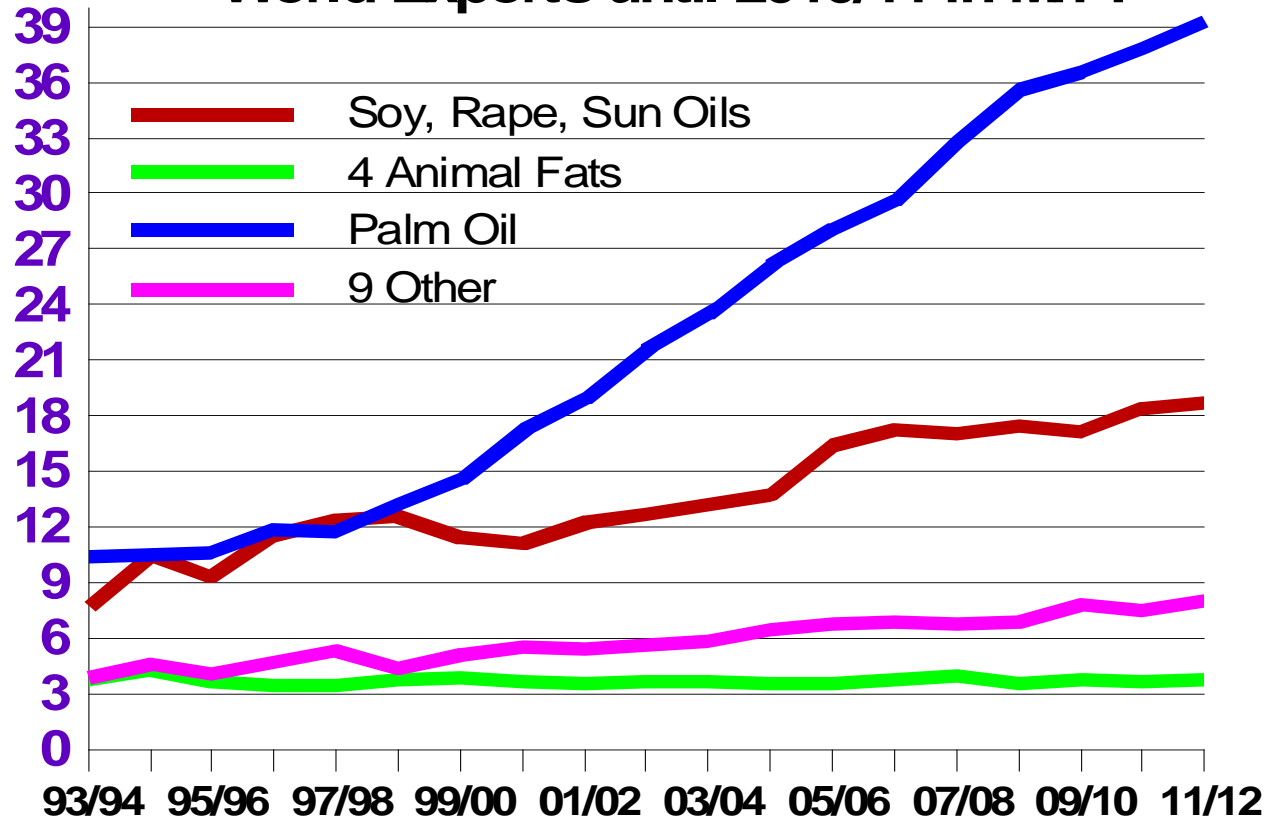
1990/91 - - 81.2 Mn T



Rising Dependence on Palmoil

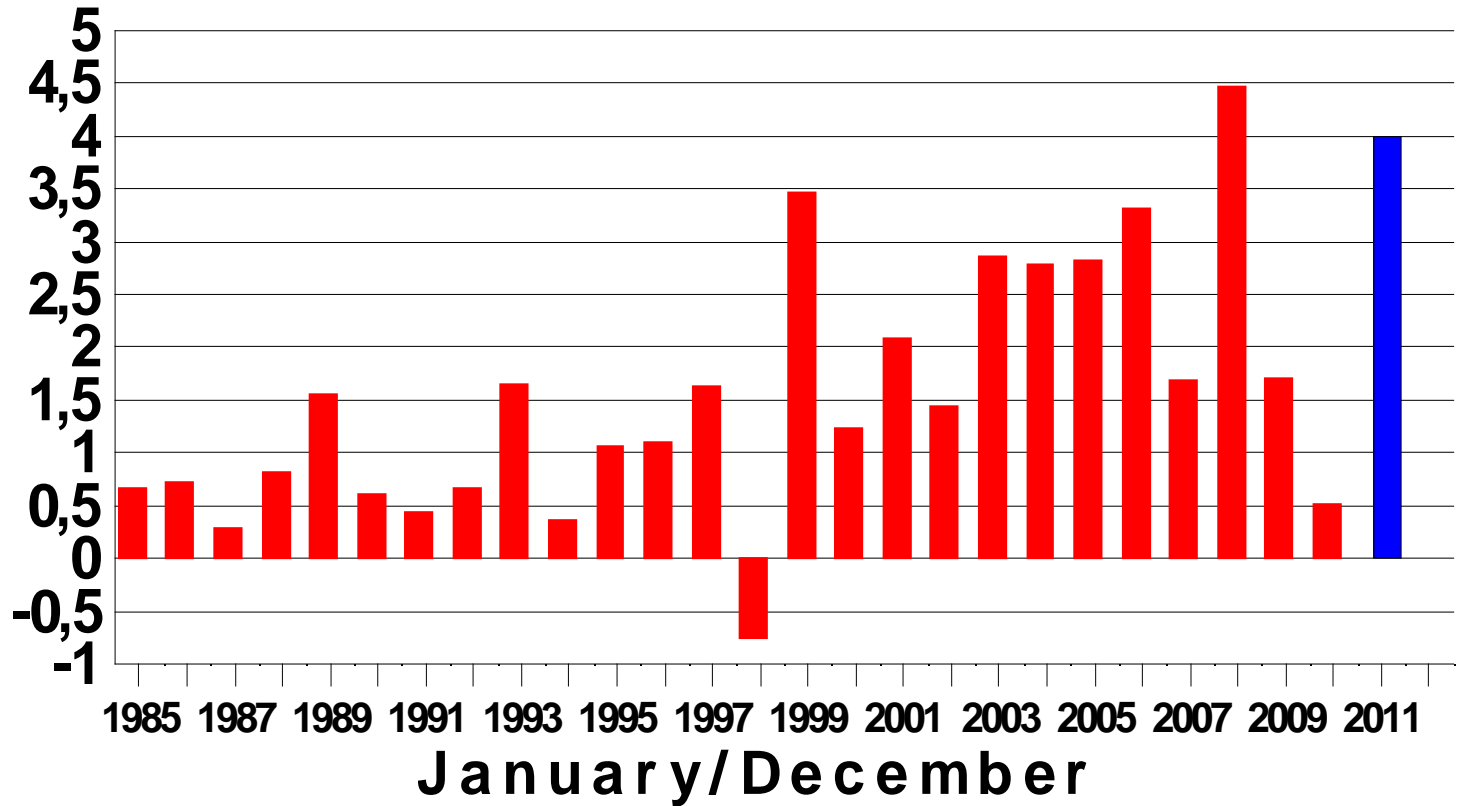
- World **palm oil** exports 38 Mn T in 2010/11, **up 230% since 1997/98**
- PO exports to rise by at least 1.5 Mn in 2011/12
- Exports of **soya, rape & sun oils stagnating** in recent years
- Since 1997/98 exports of all 17 oils & fats to double to 66.5 Mn T in Oct/Sept 2010/11

17 Oils & Fats World Exports until 2010/11 in Mn T



Palm Oil : World Production

Annual Change (Mn T)



Accelerating
growth in 2011
(higher yields)

World output may
be up 4.0 Mn T
in Jan/Dec 2011

Indonesia +1.9 Mn
to 24.0 Mn T

Malaysia +1.6 Mn T
to 18.6 Mn

- This is bearish, but largely discounted



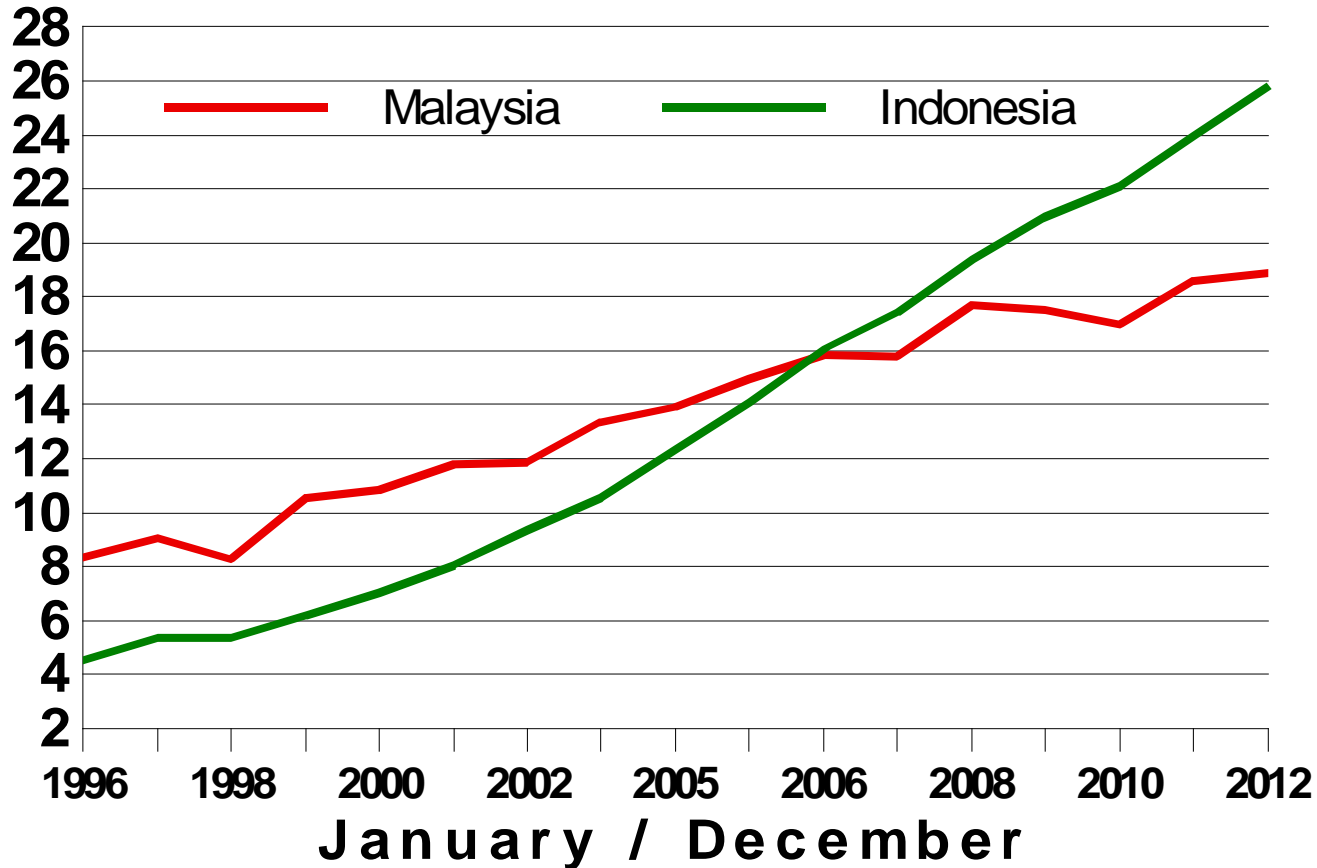
Palm oil output:

**=====
Outlook for 2012
points to slow
down in growth
(rain deficits)**

**with Malaysia up
only 0.3-0.4 Mn**

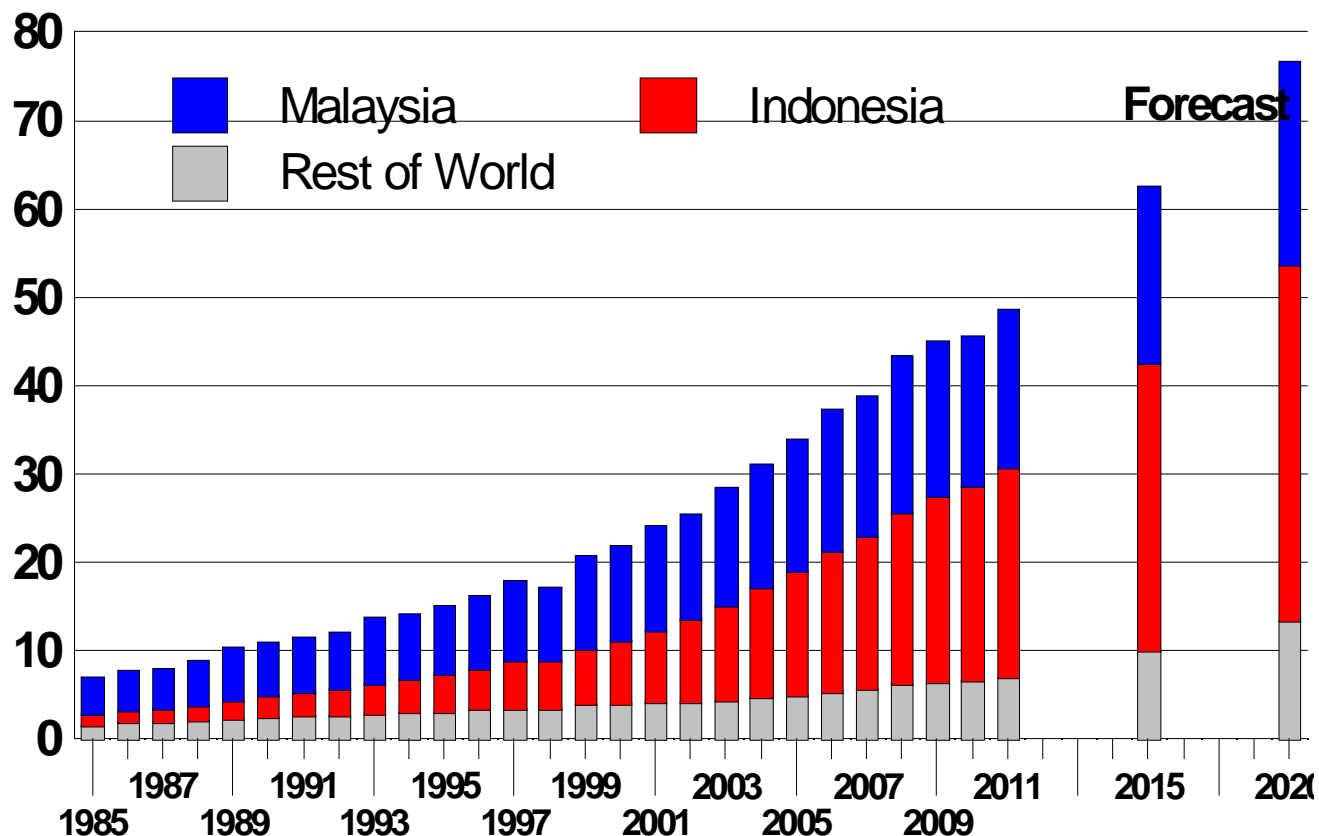
**Indonesia another
big increase of
1.7-1.9 Mn T
ahead**

Palm Oil Production in Key Countries (Mn T)



- Dependence on palm oil will rise. More efforts needed
- About 76-77 Mn T of palm oil will be required in 2020 (vs 45.5 Mn in 2010)
- This means: an annual average output growth of 3.1 Mn T worldwide
- and of 1.9 Mn T per year until 2020 in Indonesia

Palm Oil Production 1985 - 2020 in Major Countries (MnT)



Concluding Statements

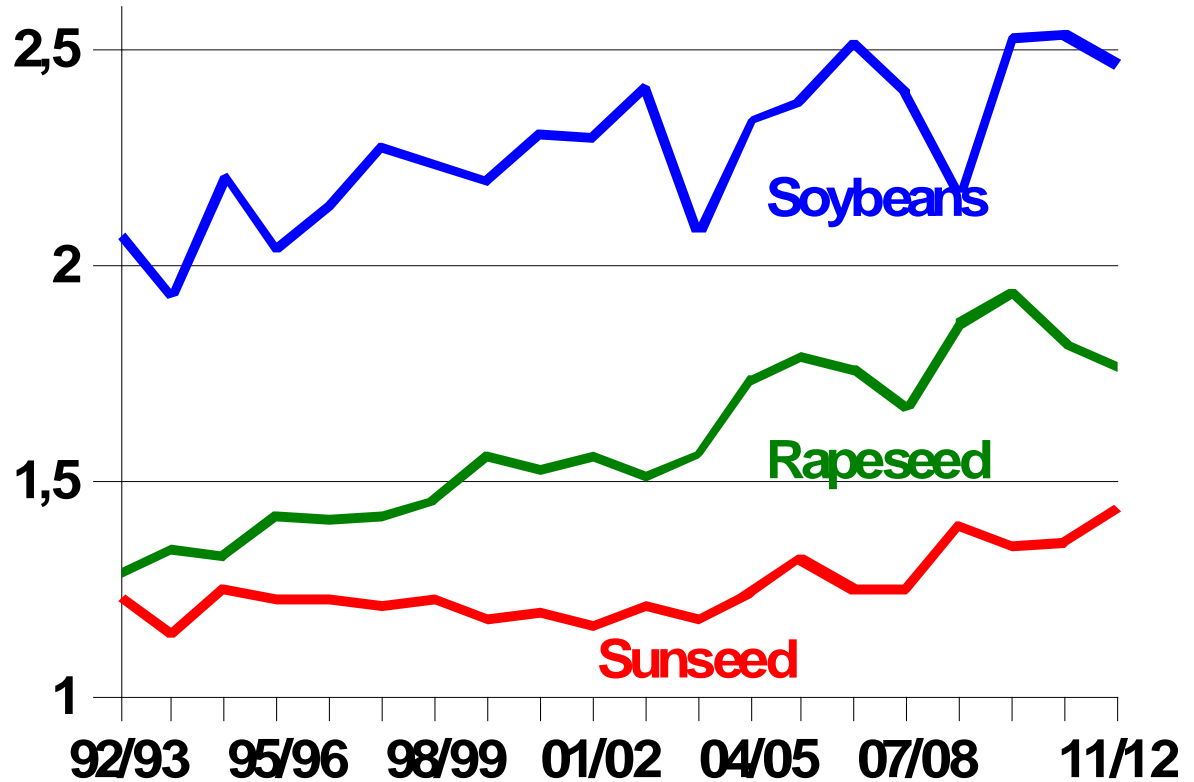
- First of all, there is a volume problem that needs to be solved globally
- in soybeans and products, other oilseeds, veg. oils, meals and grains
- Limitation of land and water
- More focus to raise yields. (They stayed behind expectations in most of the past 10 years.)



- More focus to raise yields :
- Better quality of seeds planted
- More investment
- More inputs (fertilizer, pesticides)
- New technology needs to be introduced (GMO)

Yields of Soybeans, Rape & Sunseed

worldwide in Tonnes per Hectare



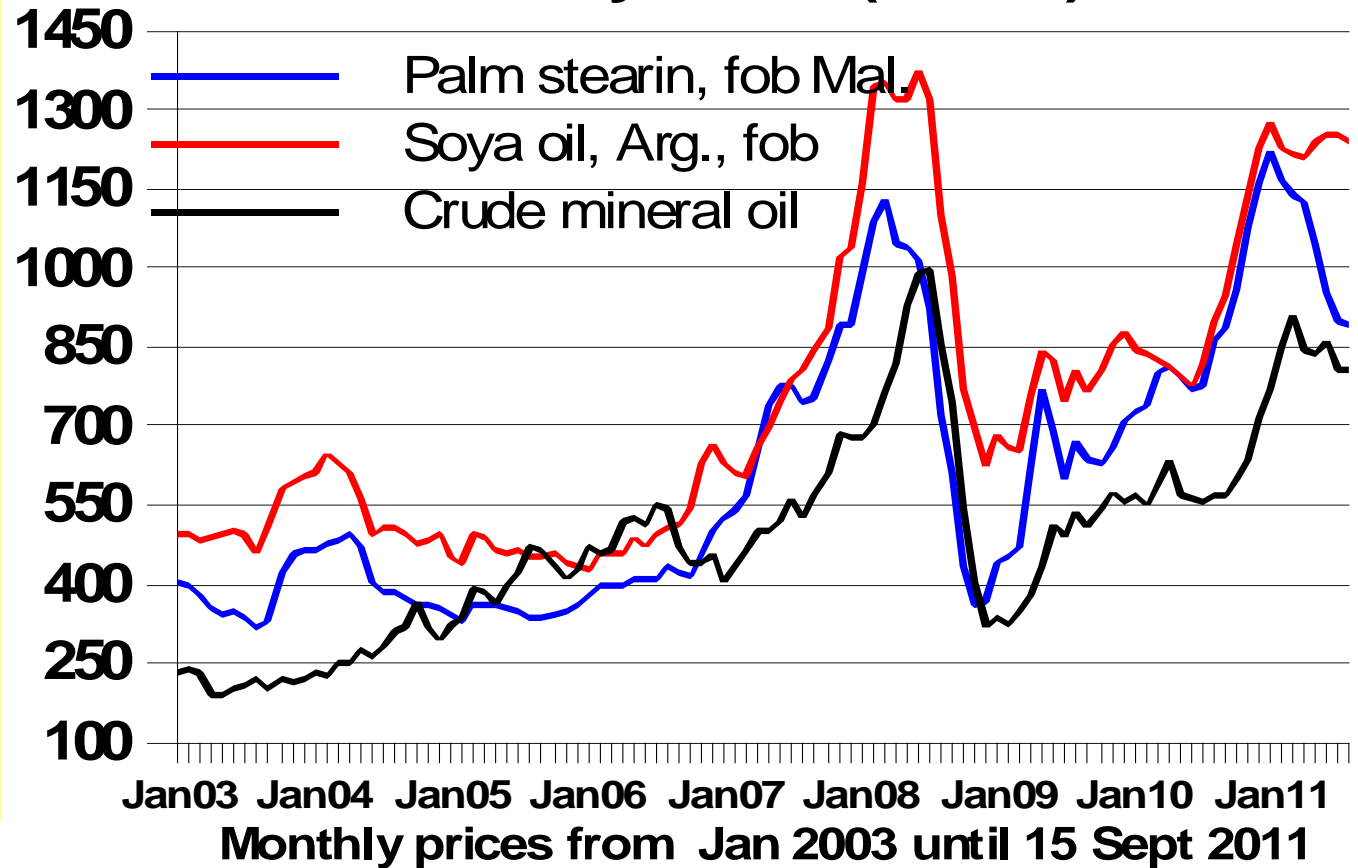
Concluding Statements

- Although demand for biofuels account for only 12% of world consumption of all oils & fats, it has a major price impact
- Veg. Oil Prices will remain relatively high until the volume problem is solved
- **But bearish risk** - - > biofuel policies may be subject to change: 1) getting more difficult to find finance and 2) conflict food vs. fuel

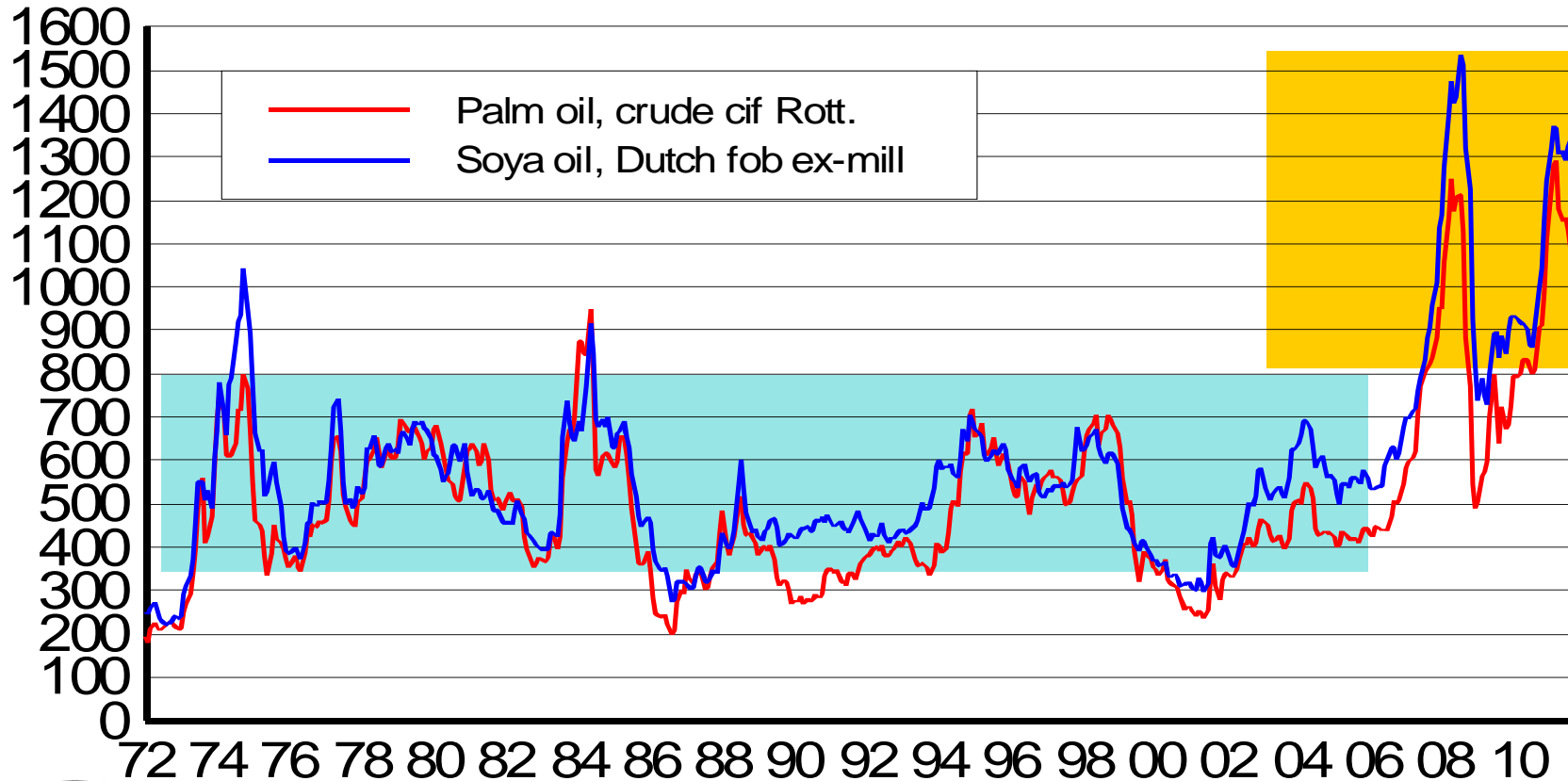


- World supplies are sufficiently ample until Dec 2011
- I expect price setback in Sept/Dec 11
- Palm oil discounts have widened relative to oth. Oils
- Poor Weather in S. America could stop bearishness

Monthly Prices (US-\$/T)



Soya Oil & Palm Oil: Monthly Prices (US-\$/MT)



New price range

Monthly prices from Jan 1972 until Sept 2011

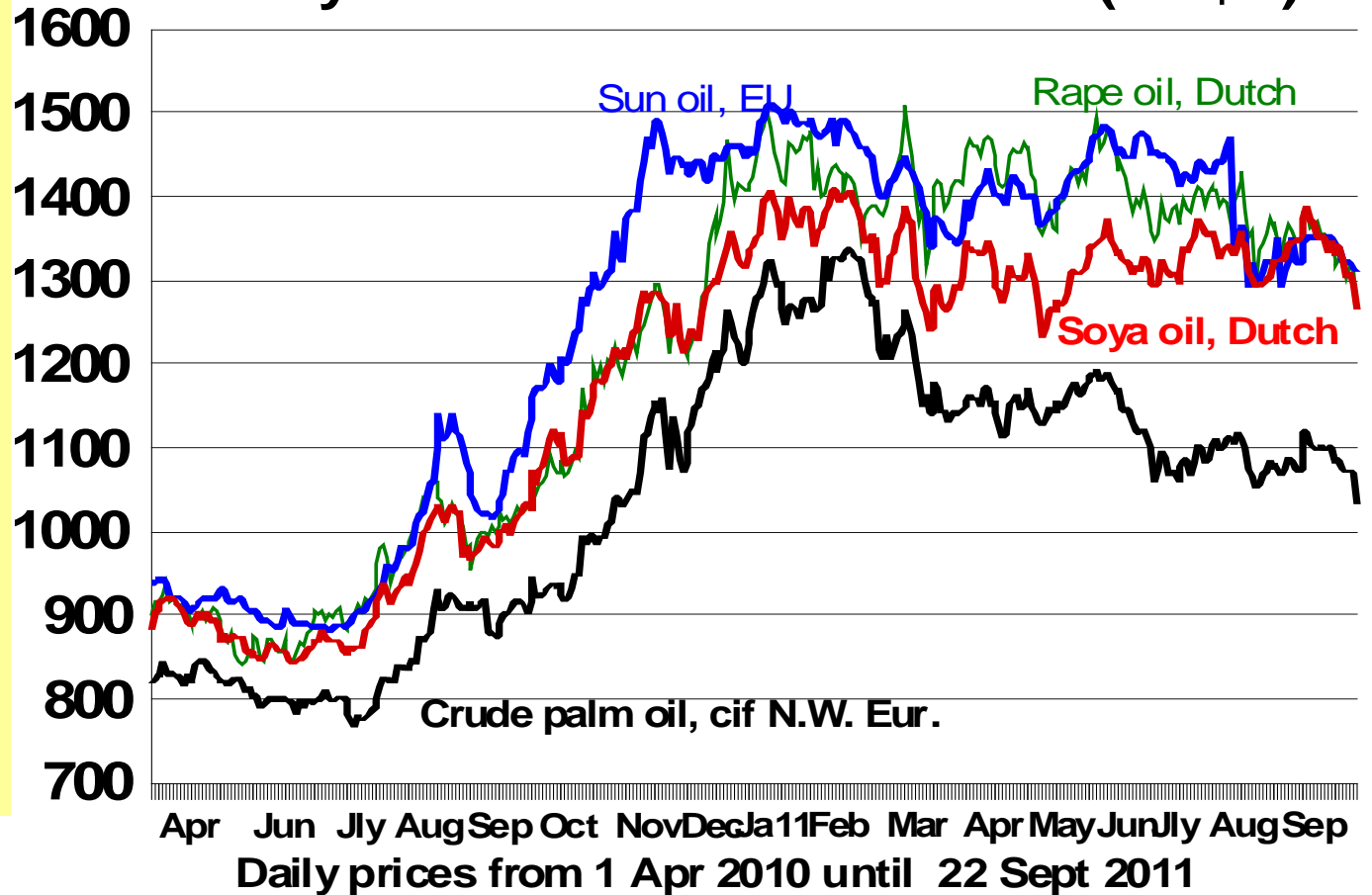


Forecast lows in the next 3 months:

- Crude palm oil US\$ 950 in Rott
- RBD palm olein 970 fob Mal
- Arg SBO 1100
- Bl.Sea SFO 1050
- PO BMD 2850

Prices to strengthen again Jan/June 12

Daily Prices of 4 Oils in Rotterdam (US-\$/T)



Thank You for Your Kind Attention !

If I can be of assistance to you in the future, you are invited to contact me any time.

More details and background information are provided in the OIL WORLD reports and can be provided upon request. It will be my pleasure to assist whenever possible.

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