Global Price Outlook of Palm Oil and Other Vegetable Oils

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Company Profil and Services

- ISTA Mielke GmbH – publisher of OIL WORLD - was founded in 1958
- ISTA = International STatistical Agricultural Information
- Leading private authority for global research and market analyses for oilseeds, oils & fats and oilmeals
- Independent, not involved in trading, unbiased information
- Providing monthly and quarterly world supply and demand balances
- Daily, weekly and monthly publications in English, as described on www.oilworld.de
- A Chinese report in Mandarin on oilseeds & products and a Spanish report on fish oil & meal
- Individual customer support. If you need assistance, email to Thomas.Mielke@oilworld.de
- Take a free 3-week trial and contact info@oilworld.de

Source: ISTA Mielke GmbH, Oil World
At the end of 2018 and in mid-2019 palm oil prices were below production costs (smallholders)

Slowdown in production

Global consumption exceeding production.

World palm oil stocks peaked at 15.1 Mn T in Jan 2019, and may drop to 11.0-12.0 Mn T until end-Sept 2020

Prices have rallied to US $ 810 on Jan 10. There is a high probability of higher prices in Jan/June 2020.

Weekly Prices of Palm Oil, fob Indonesia (US-$/T)

Jan 17 | Jan 18 | Jan 19 | Jun 17 | Jun 18 | Jun 19 | Jan 20
--- | --- | --- | --- | --- | --- | ---
400 | 440 | 480 | 520 | 560 | 600 | 640
680 | 720 | 760 | 800 | 840

Daily Prices of Palm & Soya Oils (in US-$/T)

Daily prices from 2 July 2019 until 9 Jan 2020

Palm oil discounts to soya oil narrowing

Price outlook to be discussed

Are prices high enough?

Will there be a setback before prices resume uptrend?

A bull run must be fed

Uncertainties
MALAYSIAN palm oil production plummeted by 950 Thd T or 17% from a year in Oct/Dec 2019.

Further year-on-year decline anticipated in Jan/June 2020.

PALM OIL Production Outlook:

In the 3 years to 2018/19 world production skyrocketed by 18 Mn T!

World output to rise by 3.6 Mn T in 2018/19 (76.7 Mn). In Indonesia +1.8 and Malaysia +1.1

World production to drop by 0.5-1.0 Mn in Oct/Sept 2019/20. Indonesia up 0.6-1.0 Mn T Malay down 1.2-1.5 Mn T

Additional info is given in the Oil World Reports.
Indonesia holds a major key for the future future price trend - - in respect to both production and consumption!

Production smaller than expected in second half of this year. Next year below-average growth.

Indonesian domestic palm oil consumption more than doubled from 7 Mn T in 2015 and reached about 14.5 Mn T in 2019.

In 2020 with full implementation of B-30, Indonesian domestic palm oil use would be at around 16 Mn T in Jan/Dec 2020.

World PALM OIL Outlook
World output rose by 3.6 Mn T in Oct/Sept 2018/19. (76.7 Mn T)

Consumption increased by 7.8 Mn T in 2018/19. (77.3 Mn T)

Global supply & demand balance is tightening in 2019/20, as production will probably be only 76 Mn and usage at 79 Mn T

Palm oil stocks may fall by 3 Mn T till Sept 2020
Latest Government policies in India:
- - Export taxes
- - Stop of private imports of ref palm oil
What are the implications?

**India: Import Duties of Major Vegetable Oils in %**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm oil, crude</td>
<td>37.5</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>Soya oil, crude</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>RBD palmolein</td>
<td>45</td>
<td>50</td>
<td>54</td>
</tr>
</tbody>
</table>

**India: Imports of Palm Oil (1000 T)**

<table>
<thead>
<tr>
<th></th>
<th>Nov</th>
<th>Jan / Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Crude</td>
<td>552</td>
<td>533</td>
</tr>
<tr>
<td>Indonesia</td>
<td>420</td>
<td>403</td>
</tr>
<tr>
<td>Malaysia</td>
<td>99</td>
<td>85</td>
</tr>
<tr>
<td>Processed</td>
<td>132</td>
<td>129</td>
</tr>
<tr>
<td>Indonesia</td>
<td>72</td>
<td>119</td>
</tr>
<tr>
<td>Malaysia</td>
<td>32</td>
<td>4</td>
</tr>
<tr>
<td>Nepal</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>PFAD (a)</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>707</td>
<td>682</td>
</tr>
</tbody>
</table>

(a) as reported by SEA.

**Chinese Veg Oil Imports are Booming**

China is increasing imports of palm oil, soya oil, sun oil and other oils to compensate smaller domestic production of seed oil and animal fats.

Imports will remain very high in 2020.

**China, P. R.: Imports of Vegetable Oils (1000 T)**

<table>
<thead>
<tr>
<th></th>
<th>Nov</th>
<th>Oct</th>
<th>Jan / Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2018</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Soybean oil</td>
<td>57</td>
<td>56</td>
<td>98</td>
</tr>
<tr>
<td>Cotton oil</td>
<td></td>
<td></td>
<td>761</td>
</tr>
<tr>
<td>Groundnut oil</td>
<td>23</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Sunflower oil</td>
<td>158</td>
<td>43</td>
<td>77</td>
</tr>
<tr>
<td>Rapeseed oil</td>
<td>172</td>
<td>138</td>
<td>158</td>
</tr>
<tr>
<td>Palm oil</td>
<td>852</td>
<td>566</td>
<td>809</td>
</tr>
<tr>
<td>Palmkem oil</td>
<td>97</td>
<td>82</td>
<td>98</td>
</tr>
<tr>
<td>Coconut oil</td>
<td>11</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>1369</td>
<td>905</td>
<td>1267</td>
</tr>
</tbody>
</table>

Source: ISTA Mielke GmbH, Oil World
Impacts of the Trade War China/USA and of ASF

Soybeans: Crushings in Key Countries (Mn T)

- World soybean crushings declined in 2019, despite ample world supplies.
- Global impacts on veg oils: soya oil balance is tightening, boost palm oil demand in 2019.
- In 2019/20 world soya crush seen recovering, raising soya oil supplies and exports.

Outlook 2019/20:
- World Production of Soybeans: -21 Mn T
- Open'g stocks +16 Mn T
- End Stocks -11 Mn T
- Our current soya crop estimates 2019/20:
  - USA 96.8 (vs 120.5)
  - Brazil 124* (vs 119.6)
  - Argentina 53* (vs 54)
- World 339* (360 Mn)

Source: ISTA Mielke GmbH, Oil World
Record soybean ending stocks in 2018/19.

World supplies of soybeans less ample as expected. Production deficit in 2019/20

But stocks sufficiently large

Ample supply outlook 20/21

I am bearish on the price outlook for soybeans and also for soya meal.

World production on a declining trend and down again in 2019/20, falling to an 8-year low of 62 Mn T.

Farmers losing interest in rapeseed cultivation.
Biggest crop losses in the past few years where in: the EU, China & Australia

EU rape oil consumption seen declining 0.5 Mn T

Excess stocks in Canada
Phenomenal growth in sunflowerseed cultivation and production in recent years.

Production in 2019 and in 2015:
Russia: 15.1 Mn T (vs. 9.7 Mn)
Ukraine: 15.8 Mn T (vs. 12.1 Mn)

World production of sun oil in 2019/20 is forecast to increase by 1.1 Mn T to a record of 21.1 Mn T.

Our new estimates will be released in the O.W. Monthly of Jan 17.

Prices of all vegetable oils increased steeply since Oct 2019.
Biggest price increase in palm and lauric oils.
Palm oil price discounts narrowing.
Significant price increases also in soya and sun oils.
Substantial Growth in World Demand of Oils/Fats

Average demand growth in past 5 seasons:

- Total: +7.2 Mn T per year
- Biofuel: +2.6 Mn T
- Food/other: +4.6 Mn T

In 2018/19 world consumption of 17 oils/fats reached 236 Mn T. About 17% of that was used for energy.

Biodiesel and HVO

Biodiesel production trebled in the past 11 years to 45.7 Mn T in Jan/Dec 2019.

But the growth is set to slow from 2020 onward. Probably up only 1.5-2.0 Mn T this year.

Driven by Indonesia, about 18.6 Mn T of palm oil (24% of world consumption) was be used worldwide for energy in Jan/Dec 2019.

For details see the Dec 20 Oil World and the Oil World Data Base of Dec 2019.

Source: ISTA Mielke GmbH, Oil World
Palm oil stocks/usage ratio falling to critically low levels. Not yet reflected in prices.

- There is more upward potential for palm, soya and other oils/fats
- Palm oil prices (fob Indonesia) of US $810 on Jan 10 are just at the 10 year average. They could further rally by US $50-100 or more in the next 3-4 months, depending on the outcome of many uncertainties.
- Forecasts for the average of Jan/June 2020 (vs Dec 2019):
  - Palm oil (fob Indo) US-$830 (708)
  - Soya oil (fob Arg.) US-$860 (765)
Thank You for Your Attention!

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