Global Supply, Demand and Price Outlook of Oils and Fats

GLOBOIL India on 27 Sept 2019

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Company Profile 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 as described on www.oilworld.de
- Individual customer support. If you need assistance, email to Thomas.Mielke@oilworld.de
- Take a free 3-week trial and contact info@oilworld.de
In June 2019 prices were below costs for many of the smallholders in Malaysia and Indonesia.

Prices have started to recover. Further rise in 2020.

World consumption will exceed production in 2019/20. The decline in stocks could be significant.

Indonesia has become the world largest consumer of palm oil.

By sharply raising the biodiesel consumption mandate, the Indonesian Government will reach its goal of rising palm oil prices.

B-30 mandate from Jan 2020 onward, will require an additional quantity of palm oil of at least 2.5 Mn T next year. Will B-30 be really enforced?

Impacts on exports and prices
Palm Oil Outlook:
- World output to rise by 4.8 Mn T in Oct/Sept 2018/19. (76.9 Mn T)
- Consumption is forecast to increase by 7.9 Mn T in 2018/19. (76.8 Mn T)
- Global supply & demand balance expected to tighten in 2019/20, as production will probably be only 78.6 Mn T (+1.8) and usage to 80-81 Mn T
- Palm oil stocks peaked in Dec 2018

The Dominance of Palm Oil in the World Market

Source: ISTA Mielke GmbH, Oil World
Palm Oil Losing Competitiveness

**MALAYSIA: Annual Palm Oil Yields (T/ha)**

- **Yield increases in the past 15 years:**
  - Soybeans: +26%
  - Rapeseed: +6% (+42% without EU)
  - Sunflowerseed: +62%

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**Palm Oil Outlook:**
- Reduced investments (in new area; in fertilizers)
- Slow down of the production growth in Indonesia to 1.9 Mn T in 2020 (46.0 Mn T) from +2.5 Mn T in 2019 (44.1) and +4.2 Mn in 2018 (41.6)
- Malaysian production set to drop slightly in 2020 from 20.5 Mn T in 2019.
- Rest of world: output to grow +0.3 Mn T in 2020
Global Outlook Soybeans

Record soybean stocks in early Sept 2019.

The global situation likely to remain relatively ample in 2019/20, despite the sharp decline in US soybean production...

Little upward potential in soybean prices (world market).

Of course, uncertainties remain in
- China buying and usage
- S. America: the weather

Impacts of the Trade War China - USA

Chinese soybean imports picks up in July/Sept 2019.

Low stocks in China

China has resumed purchasing US soybeans:
- 3 Mn T in past 2 weeks
- new purchases expected

We expect another drop in soya crush in 2019/20
China will raise imports of oils & fats instead in Oct/Sept 2018/19 in Mn T:
- all oils 11.9 (9.4 in 17/18)
  of which:
  - palm oil 6.8 (vs 5.4)
  - soya oil 0.8 (vs 0.5)
  - rapeseed oil 1.5 (vs 1.1)
  - sunflower oil 1.0 (vs 0.8)

Further increase in imports to 13.2 Mn T in 2019/20

Rapidly increasing imports of palm oil in 2018/19,
rising by about 4.4 Mn T or almost 10% globally

In 2019/20 imports reaching new records in India (9.9 Mn T) and China (7.3 Mn T)
- World oils & fats demand currently relatively stronger than oilmeal demand

17 OILS & FATS: World Disappearance
Total Usage and Annual Change (Mn T)

12 OILMEALS: World Disappearance
Change from Previous Season (in Mn T)

- World Production of 4 Major Oils
Change on Year in Mn T

All the details by country and by commodity are available in the internet at www.oilworld.de

Also our latest estimates on production, crushings and trade of rapeseed, sunflowerseed and other oilseeds.
Biodiesel production almost trebled in the past 11 years. And will rise sharply again to 45-46 Mn T in 2019. But the growth is set to slow from 2020 onward.

15.3 Mn T of palm oil for biofuels in 2018 or 21% of world PO consumption (14.3 for biodiesel and 1 Mn for electricity)

Driven by Indonesia and Malaysia, probably 18.6 Mn T of palm oil will be used worldwide in Jan/Dec 2019.


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Veg oils are getting firmer relative to meals. The oil share is going to rise within the next 12 months.

**FACTORS TO WATCH:**
- Economic activity (slowing down), financial markets, currencies?
- US-China? Canada-China?
- Weather
- timing of the demand rationing and buying strategies of consumers
- biodiesel policies (Indonesia, etc)

**CBOT: Daily Indices Soybean Complex**

3 June 2019 = 100

- Soya Oil Dec 2019
- Soybeans Nov 2019
- Soya Meal Dec 2019

Daily indices from 3 June 2019 until 23 Sept 2019

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**Monthly Prices of 4 Oils (in US-$/T)**

- Palm oil & Sun oil fell to 10-year lows in Nov/Dec 18
- Veg oil prices started to recover and are set to rise more
- Forecasts for the average of Jan/June 2020 (vs July 2019):
  - Palm oil (fob Indo) US-$ 580 (468)
  - Soya oil (fob Arg.) US-$ 710 (640)
  - Sun oil (fob Black Sea) $740 (750)
Lauric oil prices are forecast to appreciate. Decline in Phil. coconut oil output and exports.

Forecasts for the average of Jan/June 2020 (vs July 2019) in Rotterdam:
- Palm oil (Rott.) US-$ 610 (497)
- PKeroin (Rott.) US $ 710 (554)
- Coconut oil (Rott.) $ 850 (665)

Thank You for Your Attention!

More market info is available from www.oilworld.de

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Global Supply, Demand and Price Outlook of Oilseeds and Oilmeals

GLOBOIL India on 26 Sept 2019

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Source: ISTA Mielke GmbH, Oil World
The Global Oilseed Outlook in 2019/20

Growing importance of soybean worldwide and further big growth ahead

In past 30 years world soybean imports doubled every 10 years

Combined world Supplies of other oilseeds only stagnating. Rapeseed on a declining trend, but increases in sunseed.

Outlook 2019/20: World Production of Soybeans:
- 18 Mn T

Open'g stocks +18 Mn T
End Stocks -6 Mn T

Our current soya crop estimates 2019/20:
USA 99* (vs 124)
Brazil 124* (vs 118)
Argentina 54* (vs 56)
World 344* (362 Mn)
Record soybean stocks in early Sept 2019.

The global situation likely to remain relatively ample in 2019/20, despite the sharp decline in US soybean production...

Little upward potential in soybean prices (world market).

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**Significant Yield Increases in Major Exporting Countries**

Yield increases in the past 15 years:
- Soybeans +26%
- Rapeseed +6% (+42% without EU)
- Sunflowerseed +62%

Indian farmers fall further behind. Hardly any yield increases. Indian farmers need more and more protection by the government (rising income taxes and rising MSP)
In India the premium of domestic prices over the world market is widening.

Indian crushers cannot compete with those in S. America & USA.

Very wide price premiums of Indian soya meal over Argentine & other origins.

Hardly any export sales for Oct/Dec. Soya crush limited to domestic requirements.

Indian soybean stocks set to rise in 2019/20 despite reduces crop.

**Impacts of the Trade War China - USA**

- Oilseed crush in China down sharply by 12 Mn T in Oct/Sept 2018/19
- Another decline in 2019/20
- This year’s soybean crop about 15 Mn T
- Global impacts (China far by largest crusher)
Declining soya meal usage in China creates a bearish scenario for oilmeals in the world.

In 2018/19 soya meal consumption in China seen plunging by 8 Mn T due to trade war and ASF. Another reduction in 2019/20.

Imports of meat are likely to be boosted to 4.5 Mn T in 2019 (3.0 in 2018)

- World production of 12 oilmeals to decline by 4 Mn T in 2018/19 vs. average growth of 14 Mn T in previous 2 seasons

Source: ISTA Mielke GmbH, Oil World
Veg oils are getting firmer relative to meals. The oil share is going to rise within the next 12 months. Meal prices likely to stay relatively weak.

FACTORS TO WATCH:
- Economic activity (slowing down), financial markets, currencies
- US-China? Canada-China?
- Weather
- timing of the demand rationing and buying strategies of consumers
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![World Stocks in Percent of Annual Usage (%)](chart1.png)

- Forecasts for the average of Jan/June 2020 (vs July 2019):
  - Soya oil (fob Arg.) US-$ 710 (640)
  - Soy meal (fob Arg) US $ 315 (320)

- It is currently too dry in Brazil. If the weather normalizes and current S. Amer. crop estimates materialize, soya meal prices will be depressed on the world market. Then Indian soya meal remains uncompetitive and soybean crush very low.

![Weekly Prices of Soya Meal (US-$/T)](chart2.png)

Source: ISTA Mielke GmbH, Oil World
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