Palm Oil the Leader in Global Oils & Fats Supply

Presentation at the Malaysia / Myanmar Palm Oil Trade Fair & Seminar in Yangon on June 28, 2013

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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 and monthly publications
The Outline of my Presentation

- Introductory statements on how palm oil is linked within all oilseeds and oils & fats on the world market
- The dynamics of world supply & demand of oils & fats (edible & ined.)
- Biodiesel production has fallen below expectations
- Outstanding growth in world palm oil and palmkernel oil production
- Consumers worldwide are getting more dependent on palm oil, owing to insufficient supply growth of other oils & fats

Price Outlook

World Production of 17 Oils & Fats

2012/13 -- 187.4 Mn T
- Palm Oil 29.9%
- Soya Oil 22.6%
- Rape Oil 13.0%
- Sun Oil 7.3%
- PKO&CNO 5.1%
- Others/An.Fats 22.1%

1992/93 -- 84.7 Mn T
- Palm Oil 15.9%
- Soya Oil 20.3%
- Rape Oil 10.7%
- Sun Oil 9.1%
- PKO&CNO 5.5%
- Others/An.Fats 38.5%

World Production of all oils & fats more than doubled in the latest 20 years to 187 Mn T in 2012/13
Palm oil to account for 30% of world production in 12/13
And has become the by far largest vegetable oil
Insufficient production of seed oils coincided with a slowdown of demand from the biofuel sector in 2012/13 + ample palm oil supplies

For 2013/14 we expect a major recovery in the output of seed oils led by sunflower and soya oils if weather cooperates

But the uptrend of palm oil production is likely to slow down next season from the exceptional growth rates in the most recent 3 seasons

Palm Oil: Share of World Market
In % of all 17 oils & fats

Share of exports
Share of production
In the past 20 years world oilseed production doubled

On rising acreage and yields

About half of the acreage increased came from grains

But this shift has come to an end and agricultural land has become increasingly tight

Land values more than doubled (partly more than trebled) in the past 10 years

**World Production of 10 Oilseeds**

*2012/13 -- 463.2 Mn T*

- Soybeans: 57.4%
- Rapeseed: 13.5%
- Sunseed: 7.8%
- Cottonseed: 9.7%
- Groundnuts: 5.9%
- Other: 5.7%

*1992/93 -- 229.2 Mn T*

- Soybeans: 51.5%
- Rapeseed: 11.1%
- Sunseed: 9.5%
- Cottonseed: 14.0%
- Groundnuts: 7.7%
- Other: 6.2%
World supplies of soybeans were tight in the past 2 years (drought in USA and S.Ameri.).

World supplies of all oilseeds will only stagnate at around 530 Mn T in 2012/13.

World oilseed consumption will decline to 457 Mn T in 2012/13, down 6 Mn T y-o-y.

World palm oil production set to rise by 3.5 Mn in 12/13 while the other 16 oils/fats decline 1.9 Mn T combined

Early outlook 2013/14
More ample oilseed supplies in 2013/14. Biggest increases in soybeans, sunflowerseed, rapeseed and palmkernels

These 4 oilseeds were also the growth leaders in the past 15 years

In 2013/14 world production to rise by 21 Mn T and opening stocks up 6 Mn T, boosting world supplies by 27 Mn T

<table>
<thead>
<tr>
<th>Oilseed</th>
<th>13/14F</th>
<th>12/13</th>
<th>11/12</th>
<th>10/11</th>
<th>Avg. Change 15 Years to 12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybeans</td>
<td>284.00*</td>
<td>265.91*</td>
<td>239.10</td>
<td>264.94</td>
<td>+3.5%</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>42.60*</td>
<td>44.84*</td>
<td>47.12</td>
<td>43.55</td>
<td>+1.8%</td>
</tr>
<tr>
<td>Groundnuts, shelled</td>
<td>28.00*</td>
<td>27.49*</td>
<td>27.15</td>
<td>27.75</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Sunflowerseed</td>
<td>38.75*</td>
<td>35.98*</td>
<td>39.44</td>
<td>33.61</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>63.48*</td>
<td>62.60*</td>
<td>60.62</td>
<td>61.06</td>
<td>+4.3%</td>
</tr>
<tr>
<td>Sesame seeds</td>
<td>3.93*</td>
<td>3.71*</td>
<td>3.83</td>
<td>3.83</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Palmkernels</td>
<td>14.59*</td>
<td>13.92*</td>
<td>13.29</td>
<td>12.54</td>
<td>+7.4%</td>
</tr>
<tr>
<td>Copra</td>
<td>5.33*</td>
<td>5.34*</td>
<td>5.26</td>
<td>4.80</td>
<td>+0.4%</td>
</tr>
<tr>
<td>Linseed</td>
<td>2.44*</td>
<td>2.04*</td>
<td>2.13</td>
<td>1.82</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Castorseed</td>
<td>1.32*</td>
<td>1.40*</td>
<td>2.03</td>
<td>1.56</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Total</td>
<td>484.43*</td>
<td>463.23*</td>
<td>439.96</td>
<td>455.45</td>
<td>+3.3%</td>
</tr>
</tbody>
</table>

10 Oilseeds: Estimated Production Change in 2013/14

Annual Change from 2012/13 (in Mn T)

-4 -2 0 2 4 6 8

EU C.I.S. Can USA Arg Bra Australia India China

Significant improvement in production in most countries ahead next season

Major exception is China, resulting in much higher Chinese import requirements of oilseeds and products in the 2013/14 season.
CHINA: Rapidly rising import requirements

Mainly of soybeans, but also of rapeseed, groundnuts and many other agricultural commodities

Following a stagnation of oilseed imports (at the expense of stocks in 12/13), big jump in imports by 8-9 Mn T is likely in 2013/14
Rapidly Rising World Consumption of Oils & Fats

Demand Growth doubled in past 10 years (up 63 Mn T)

- biofuels
- population
- income

But major slowing down since mid-2012

- The year-on-year consumption growth of the biofuel sector has slowed down in 2012/13
- The sluggish trend is likely to prevail in 2013/14 with little scope for further growth of veg. oil demand for biodiesel production
Rising needs of feed-stock for biodiesel production (soya oil, palm oil, rape oil and others) as well as for ethanol (corn, sugar) require additional agricultural land.

This has contributed to a sizeable increase prices of most agricultural products as well as land values.

But the growth in biodiesel consumption has recently slowed.

### World Production of Biodiesel (Mn T)

- **2004**: 0 Mn T
- **2005**: 2 Mn T
- **2006**: 4 Mn T
- **2007**: 7 Mn T
- **2008**: 10 Mn T
- **2009**: 15 Mn T
- **2010**: 20 Mn T
- **2011**: 24 Mn T
- **2012**: 25 Mn T
- **2013**: 25 Mn T

### World Production of 17 Oils & Fats

**2013/14**: 193.8 Mn T
- Palm Oil 30.0%
- Soya Oil 22.7%
- Rape Oil 12.6%
- Sun Oil 7.6%
- PKO&CNO 5.0%
- Others/An.Fats 22.1%

**1991/92**: 83.5 Mn T
- Palm Oil 14.2%
- Soya Oil 20.1%
- Rape Oil 11.4%
- Sun Oil 9.9%
- PKO&CNO 5.2%
- Others/An.Fats 39.2%
World stocks of palm oil were boosted to a record 11.7 Mn T as of end-Dec 2012. Thereof: Malaysia 2.6 Mn T, Indonesia 4.0 Mn T.

But with consumption picking up sharply, stocks declined by 1.6 – 1.8 Mn T in Malaysia & Indonesia.
Growing Dependence on Palm Oil

The Success Story of the past 30 Years

- **Substantial growth in world production of palm oil**
- 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: 46.1 Mn T or 27% (only 6% of area)
- In 2011: 50.8 Mn T or 28% (57% of exports)
- In 2012: 53.7 Mn T (plus 5.9 Mn T of Palmkern oil)
- **In 2020 at least 78 Mn T of palm oil required by consumers worldwide**
In 2013 production of palm oil is set to rise to close to 29 Mn T in Indonesia and to 19.2 Mn T in Malaysia.
Price Attractiveness of Palm Oil

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

Prices from 1 Jan 2012 until 21 June 2013
Growing Dominance of Palm Oil & Palmkernel Oil Worldwide

World Consumption of 17 Oils & Fats

Palm Oil Exports (Mn T)
Soya Oil Exports (Mn T)

Argentina
Brazil
U.S.A.

G-3: Exports of Soya Oil (Mn T)

<table>
<thead>
<tr>
<th>From</th>
<th>12/13F</th>
<th>11/12</th>
<th>10/11</th>
<th>09/10</th>
<th>08/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A</td>
<td>.97</td>
<td>.66</td>
<td>1.47</td>
<td>1.52</td>
<td>1.00</td>
</tr>
<tr>
<td>Argentina</td>
<td>4.59*</td>
<td>4.04</td>
<td>4.67</td>
<td>4.50</td>
<td>4.83</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.54*</td>
<td>1.89</td>
<td>1.67</td>
<td>1.45</td>
<td>1.91</td>
</tr>
<tr>
<td>Total</td>
<td>7.10</td>
<td>6.59</td>
<td>7.81</td>
<td>7.47</td>
<td>7.74</td>
</tr>
</tbody>
</table>

G-3: Exports of Soya Oil (Mn T)

<table>
<thead>
<tr>
<th>From</th>
<th>2013F</th>
<th>2012</th>
<th>2011</th>
<th>12/13</th>
<th>11/12</th>
<th>10/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A</td>
<td>.23</td>
<td>.42</td>
<td>.39</td>
<td>.74</td>
<td>.25</td>
<td>1.07</td>
</tr>
<tr>
<td>Argentina</td>
<td>3.12</td>
<td>2.20</td>
<td>2.54</td>
<td>1.47</td>
<td>1.84</td>
<td>2.13</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.08*</td>
<td>1.10</td>
<td>.98</td>
<td>.46</td>
<td>.79</td>
<td>.69</td>
</tr>
<tr>
<td>Total</td>
<td>4.43*</td>
<td>3.71</td>
<td>3.92</td>
<td>2.67</td>
<td>2.88</td>
<td>3.89</td>
</tr>
</tbody>
</table>

Daily Prices of Soya Oil & RBD Palm Olein (US$/T)

Soya oil, Arg.fob
RBD palm olein, Mal.fob
Soya oil Premiums/discounts

Daily prices from 1 Jan 2010 until 21 June 2013
Rising Dependence on Palmoil

1997/98 - 2011/12:
- Palm oil exports +243%
- Exports of all 16 other Oils/Fats + 50%

In Oct/Sept 2012/13:
- PO exports likely to be up by 3.4 Mn T to 43.7 Mn T
- Combined exports of soya, rape & sun oils down by 0.2 Mn T to 20.3 Mn T

Indonesia & Malaysia expected to export 43.5 Mn T of oils & fats in 2012/13,
- thus accounting for 57% of total world exports all oils & fats this season.
Concluding Statements

- The global dependence on palm oil will continue to rise in the years ahead owing to insufficient production of other oils & fats
- Palm oil has competitive advantages over other oils and fats, e.g. much higher yields and lower production costs
- Palm oil is generally priced at quite sizeable discounts versus other oils & fats
- Higher investments are necessary to raise oil palm plantings and yields to get ready for rising palm oil demand in the future
- But this has to done in a sustainable way, in line with the regulations of the Round Table of Sustainable Palm Oil (RSPO)

Prices of most vegetable oils to fall to a 4-year low in July/June 2013/14

- RBD Palm olein to $840
- Arg soya oil to $980

In Rotterdam:
- Crude palm oil $860
- Soya oil $1050
- Sunflower oil $1100
- Rapeseed oil $1100
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 given in the Oil World Weekly & Monthly Reports, which can all be obtained from the Internet.

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