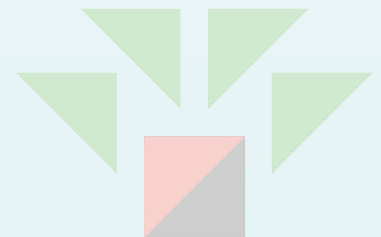


# **GLIMPSE OF 2011 – POINTERS FOR 2011 ON GLOBAL OILS & FATS TRADE**

**By**

**Tan Sri Datuk Dr Yusof Basiron  
CEO, MPOC**



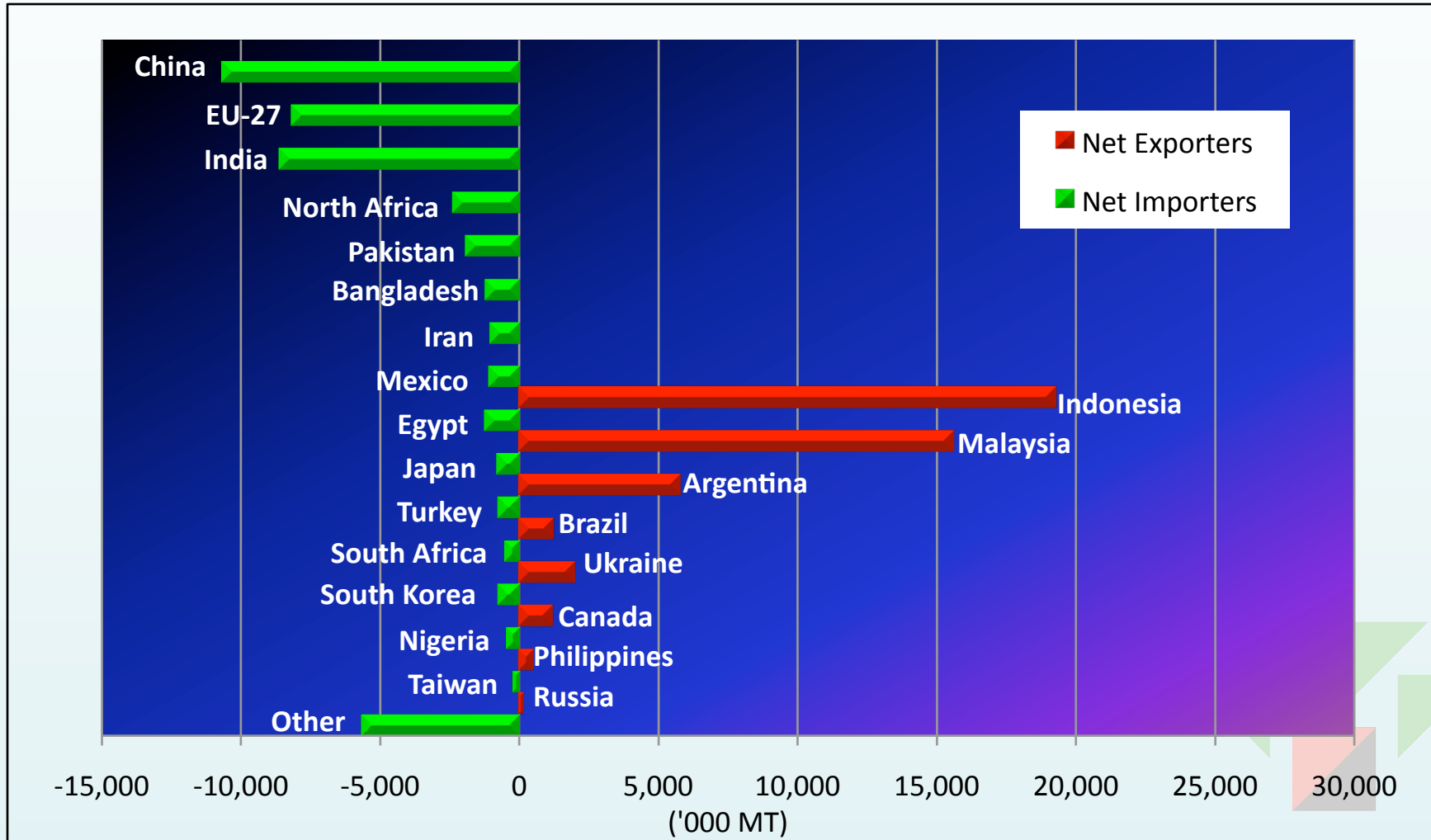
**M P O C**

# Overview

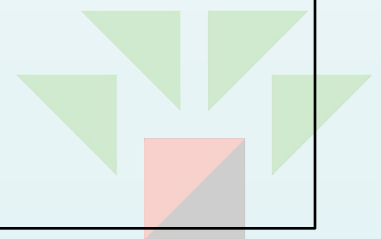
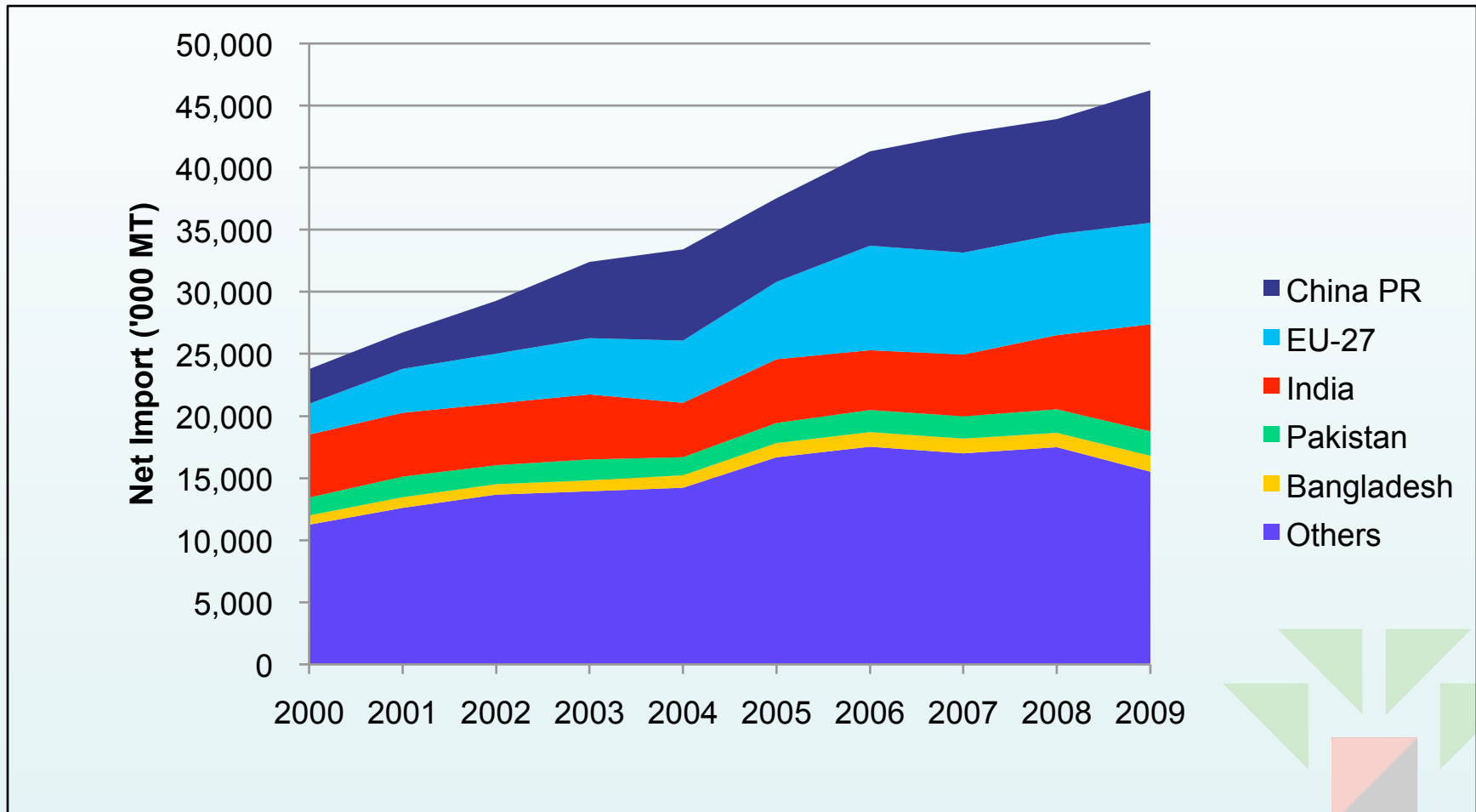
- World population increases by 70-80 mil / year
- Demand of oils & fats expands by 4-5 Mn. MT/ year
- If to supply 5 Mn. MT of soybean oil, need 10 Mn. hectares additional land per year. On the other hand, only 1 Mn. ha is required if palm oil is the choice.
- World arable land stagnant / shrinking due to population growth. By 2020, arable land will drop to less than 1 acre per capita.

# OVERVIEW: GLOBAL OILS & FATS

## Distinctive Supply And Demand Balance



# Dependence on Imported Oils Surged



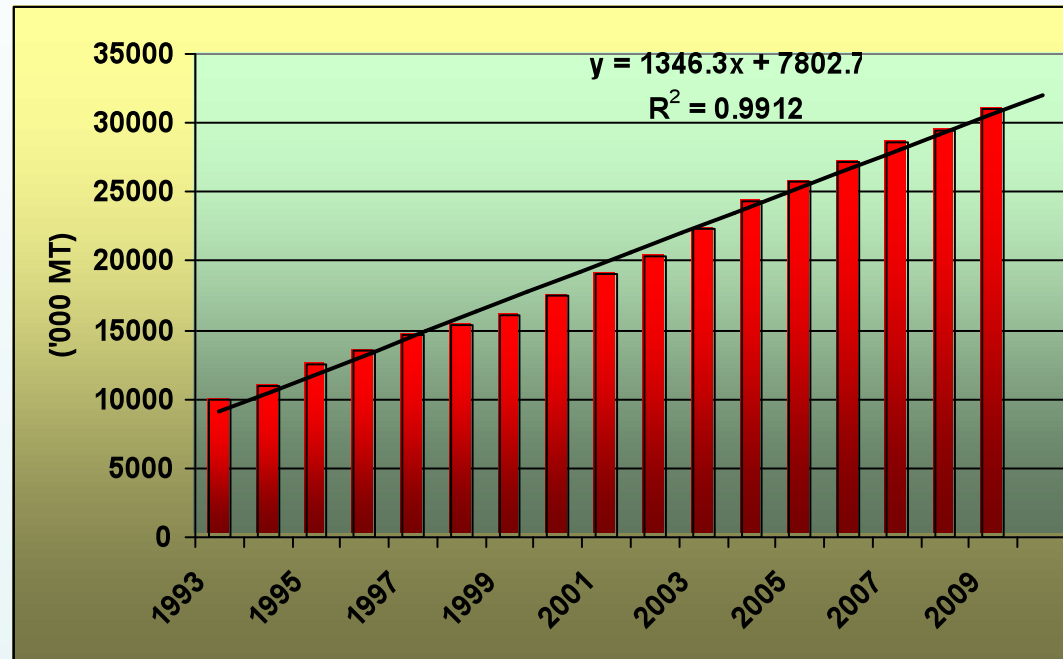
# OVERVIEW: GLOBAL OILS & FATS

- Looking at 6 regions of the world, only 2 regions are net exporters of oils & fats i.e. Asia Pacific (palm oil) & Americas (soybean oil).
- Other 4 regions are net importers.
- The dynamic economic interactions between the net exporters and importers impacted immensely on oils & fats prices.
- The following presentation discusses in details the supply & demand situations of **high impact net exporters and importers** in all regions.

# ASIA PACIFIC: CHINA

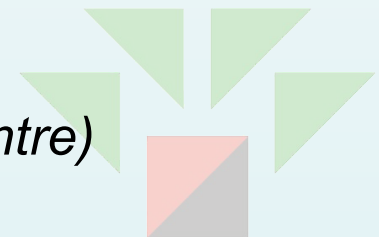


- Usage of edible oils, being essential goods, has been growing in tandem with the growing population.



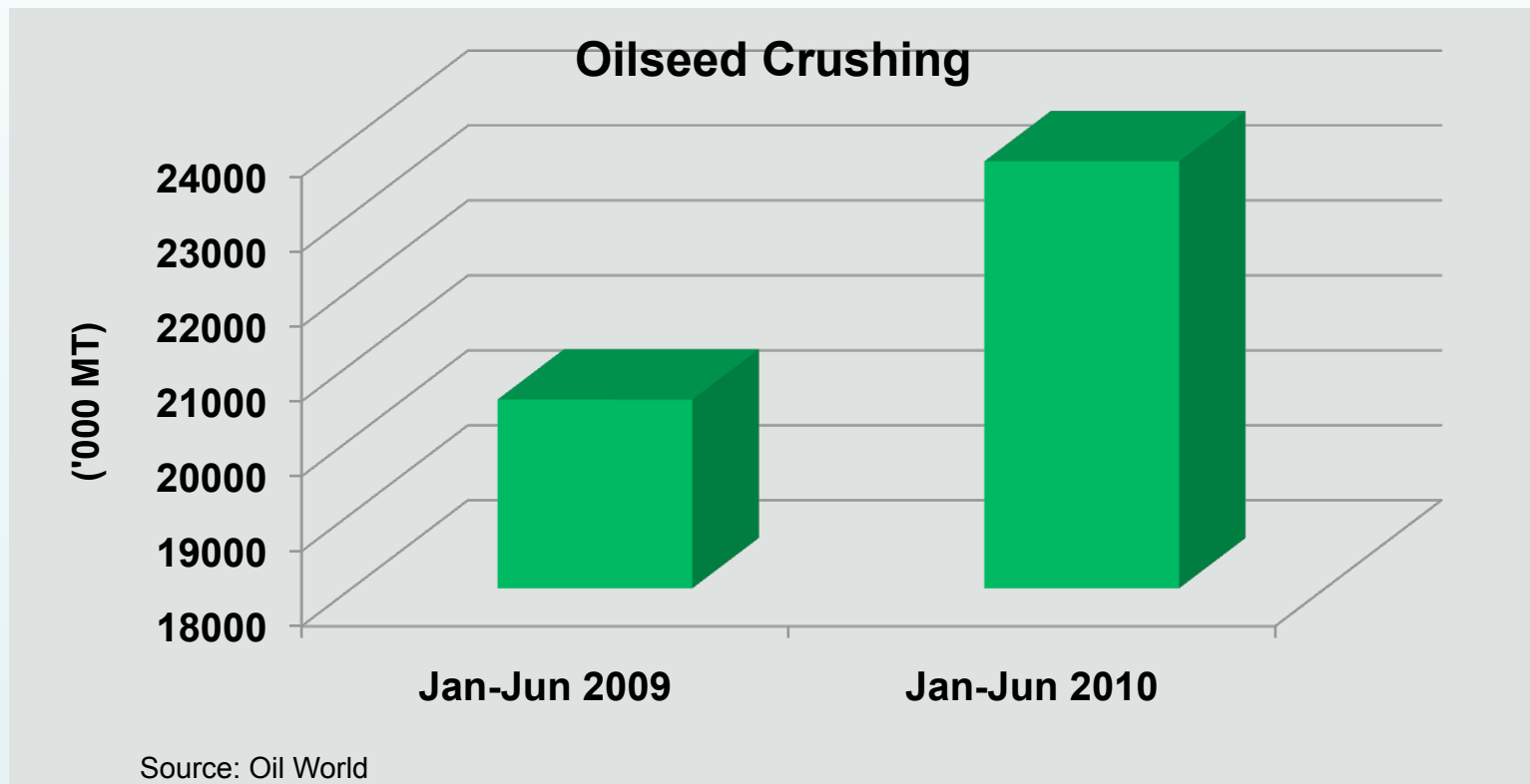
China's O&F Consumption

- Growing GDP:** 8.9% (2009). 9.25% (2010) (*Projection*)  
(Source :China State Council Development Research Centre)
- Growing Population:** 0.9% growth (+11.9 million to 1.33 billion in 2010)  
(Source : National Development and Reform Commission of China)



# Large Crushing Capacity and Demand for Soybean Meal Encourage More Crushing

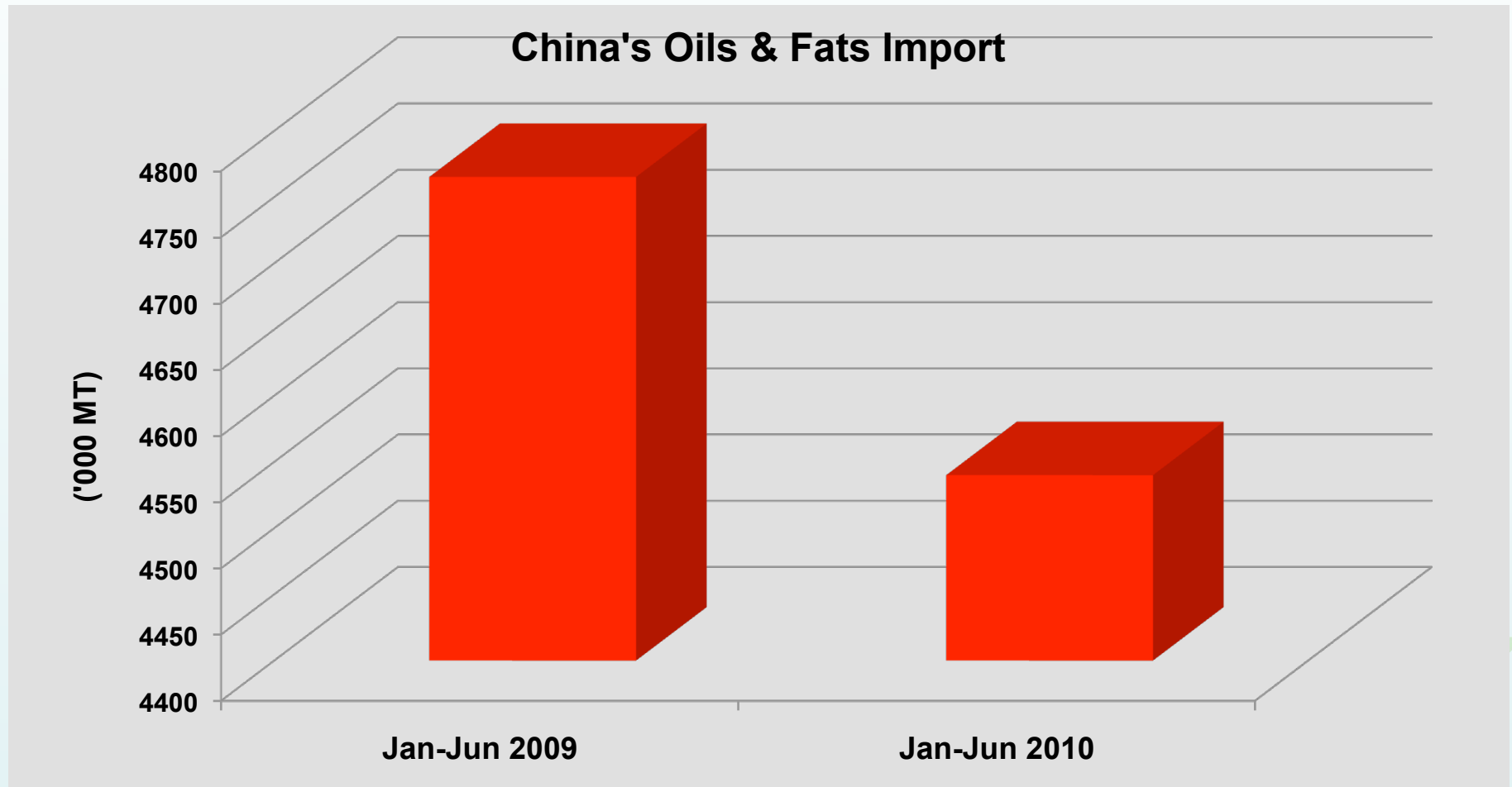
- **Jan – Jun 2010:** oilseed crushing increased by 3.2 million MT to 23.7 million MT especially on soybean which will see such trend till year end



- **Increased crushing:** China is thus not expected to import high volume of oils & fats

# CHINA: OILS & FATS IMPORT

- **Jan-Jun 2010:** oils and fats imports fell by 225,500 MT to 4.5 million MT. This could be attributed to excessive crushing.

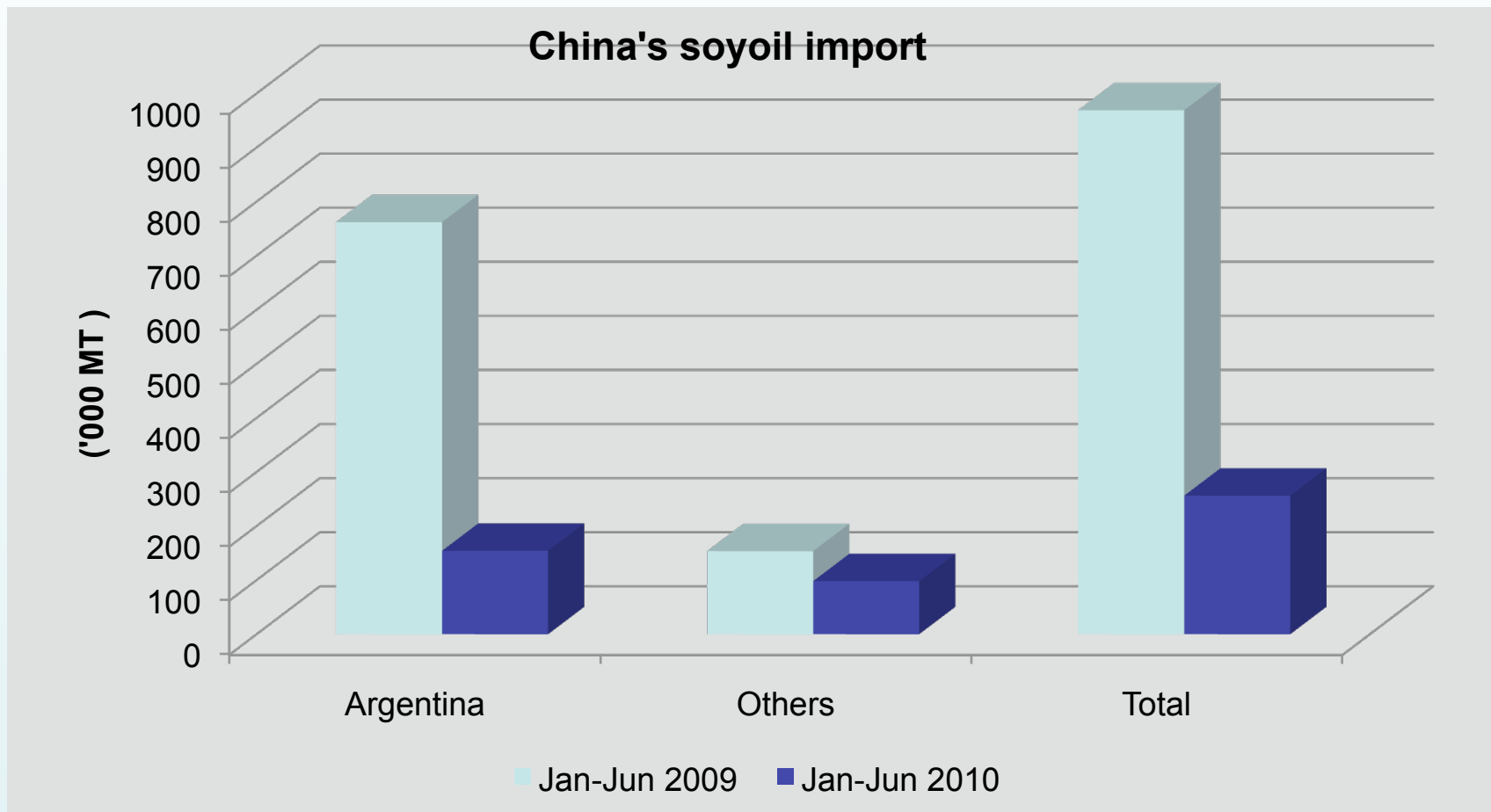


Source: Oil World



# TRADE DISPUTE: CHINA & ARGENTINA

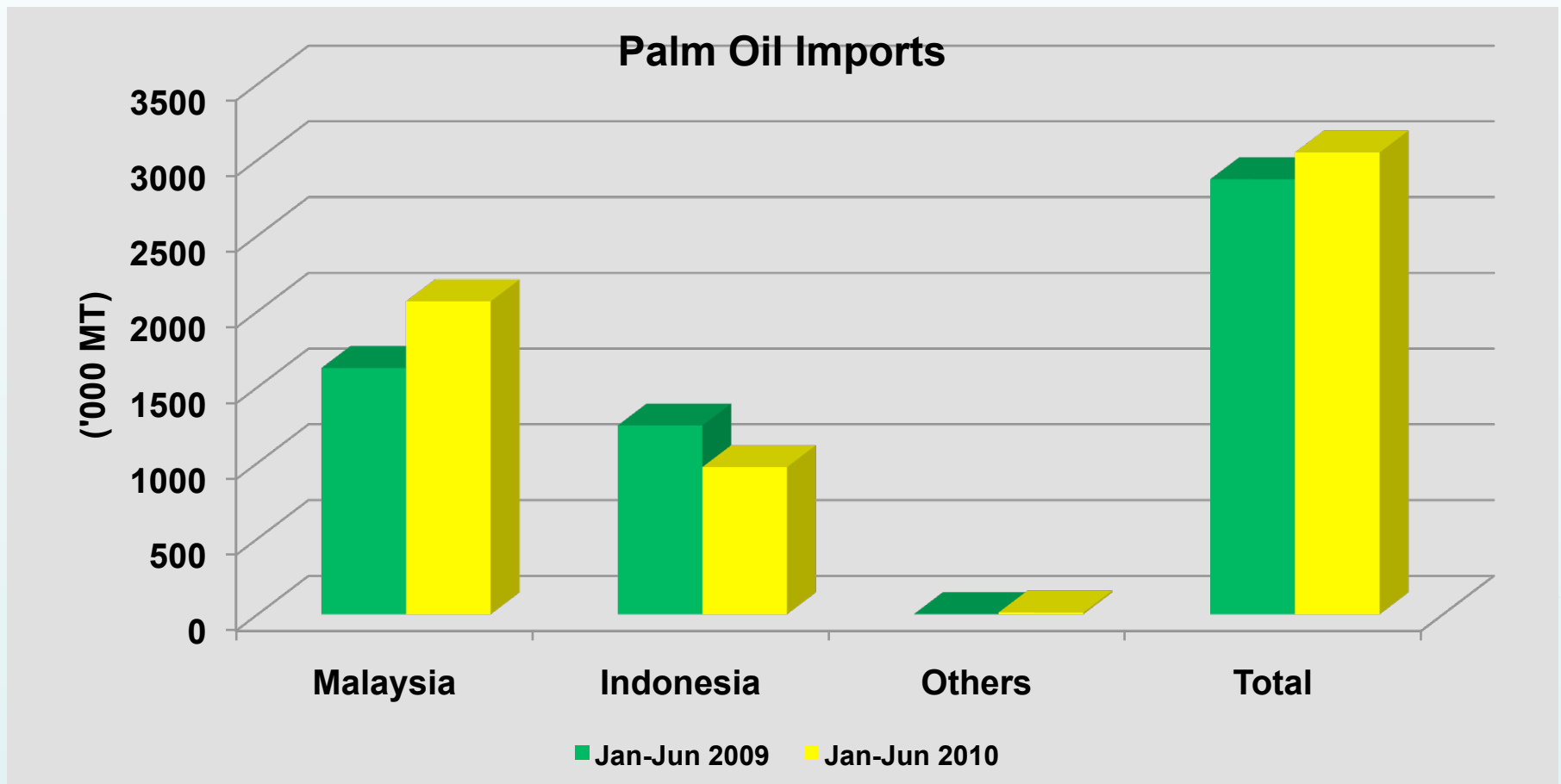
- **Falling:** country's soybean oil imports fell substantially. For Jan-June, 2010, total soybean oil imports fell by 712,800 MT to 256,300 MT.



Source: Oil World

# PALM OIL: IMPORT BY CHINA

- Palm oil is not affected by the reduction in oils and fats import. For Jan-Jun 2010, palm oil import rose by 177,400 MT to 3,048,000 MT. Meanwhile, Malaysia's export rose by 440,500 MT to 2,065,300 MT, Indonesia's palm oil import fell by 273,900 MT to 971,700 MT.



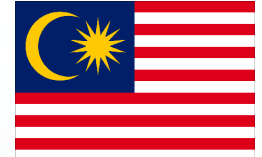
Source: Oil World

M P O C

# CHINA: O&F BALANCE

('000 T)	2006	2007	2008	2009	2010F
Opening Stock	2,042	2,059	2,315	2,044	2,626
Production	19,530	19,227	19,895	21,333	22,800
Import	8,011	9,795	9,490	10,462	9,114
Export	415	182	263	133	145
Consumption	27,109	28,584	29,393	31,080	32,736
Ending Stock	2,059	2,315	2,044	2,626	1,659
Stock Usage Ratio	7.5%	8.0%	6.9%	8.4%	5.0%

# ASIA PACIFIC: MALAYSIA



	2006	2007	2008	2009	2010F
Mature Area (Mn Ha)	3.68	3.74	3.90	4.02	4.2
Yields (T/Ha)	4.32	4.23	4.55	4.39	4.24
Production (MnT)	15.88	15.82	17.73	17.56	17.80

MPO Area

- Production:** Crude palm oil production in Jan-Aug 2010 was at **11.1 million MT**, up only marginally by 1.78 % from the previous year mainly due to:-
  - Low FFB yield due to higher rainfalls received in major producing states;
  - Dry spell in early part of the year.
- Stocks:** Palm oil stocks as of August 2010 were 1.72 million MT, the highest level since February mainly due to:-
  - slowdown in local demand
  - slowdown of imports from overseas market as China and Pakistan have stocked enough



# MPO: EXPORT

- Exports of palm oil from Jan to Aug 2010 were at 10.95 million MT, increased by 6% compared to the same period last year.
- For Jan-Aug 2010, China imported 2.45 million MT and Pakistan imported 1.34 million MT.

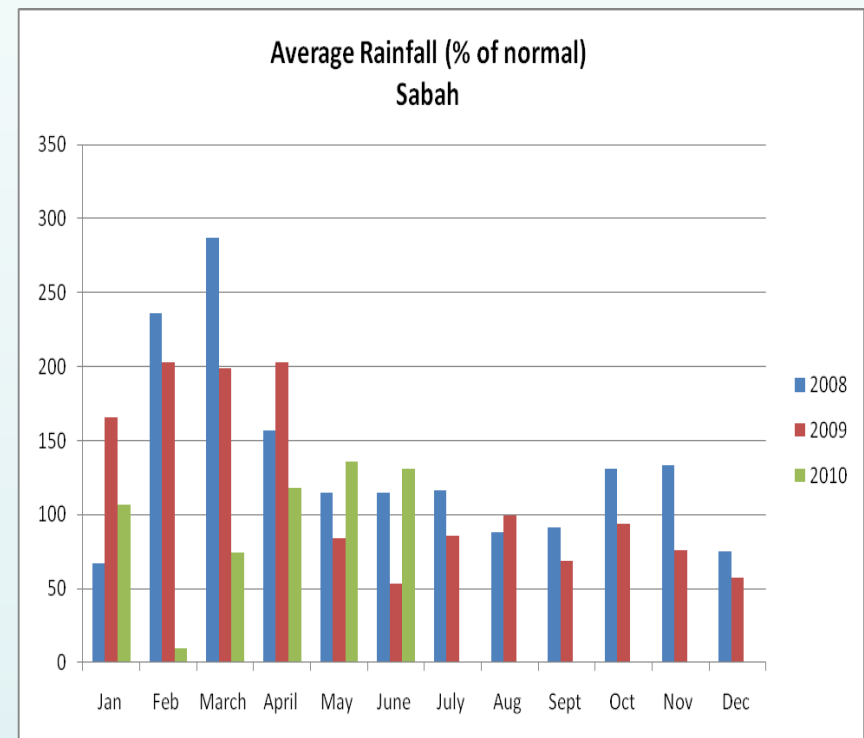
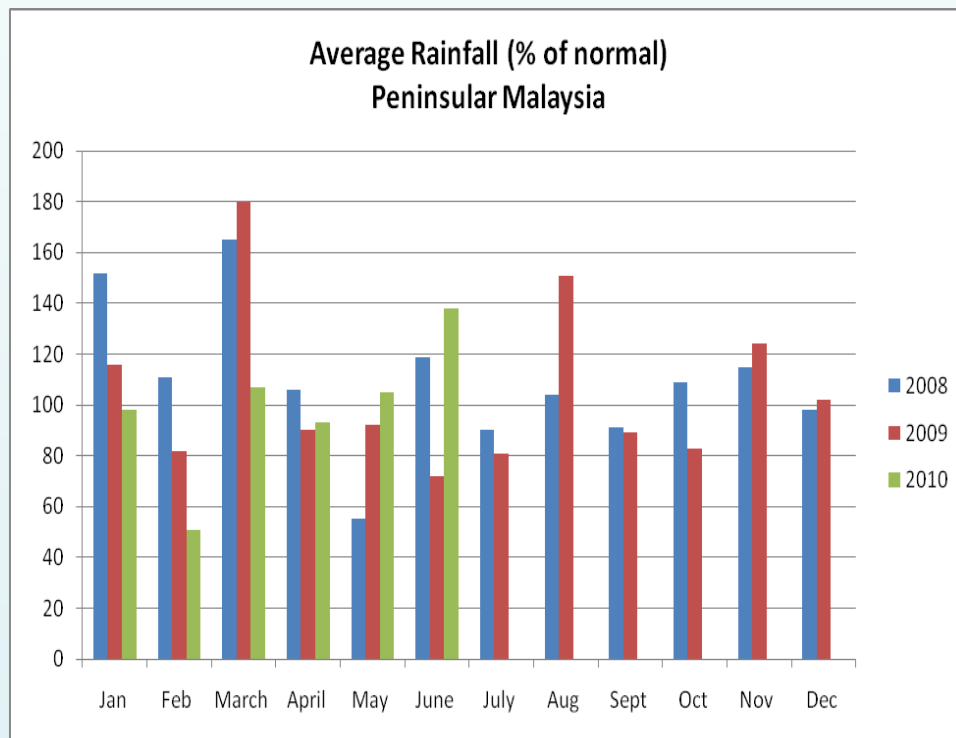
	Jan-Dec 2009	Jan-Aug 2009	Jan-Aug 2010	Volume increase	Percent Increase
Africa	<b>1,097,161</b>	<b>707,859</b>	<b>870,036</b>	<b>162,177</b>	<b>22.91</b>
Americas	<b>960,504</b>	<b>692,321</b>	<b>838,227</b>	<b>145,906</b>	<b>21.07</b>
East Asia & Oceania	<b>5,987,890</b>	<b>3,758,333</b>	<b>3,879,514</b>	<b>121,181</b>	<b>3.22</b>
Europe	<b>2,656,304</b>	<b>1,654,478</b>	<b>1,586,457</b>	<b>-68,021</b>	<b>-4.11</b>
Middle East	<b>1,644,012</b>	<b>1,147,270</b>	<b>1,315,150</b>	<b>167,880</b>	<b>14.63</b>
Sub-Continent	<b>3,519,647</b>	<b>2,365,993</b>	<b>2,457,697</b>	<b>91,704</b>	<b>3.88</b>
<b>Total</b>	<b>15,865,518</b>	<b>10,326,254</b>	<b>10,947,081</b>	<b>620,827</b>	<b>6.01</b>

Source: MPOB

# MPO: ISSUES

## La Nina: effect on PO production (H2, 2010)

- likely increase palm fruit moisture content and lower extraction rates.
- Reduced harvesting rounds
- Based on Oil World estimation, La Nina phenomenon will reduce Malaysian palm oil production by 200,000 MT.



# MPO: OTHER ISSUES

**IPO tax hike:** Export of MPO expected to increase due to hike in Indonesia palm oil export tax.

- Indonesia will revise its export tax on crude palm oil to 7.5% in October from the current 6% (September) due to rising global palm oil prices.
- Indonesia will also raise the CPO export base price to \$836 a metric ton from \$804/ton in September.

**Production for 2010:** 17.8 million MT (Projection)

- Total planted areas, projected to increase to a 4.82 million hectare from 4.69 million ha in 2009
- Oil Extraction Rates is projected at 20.5%
- FFB is projected at 19.26 tonnes/ha/year



# MALAYSIA: O&F SUPPLY & DEMAND

(MnT)	2006	2007	2008	2009	2010F
Opening Stocks	1,873	1,910	1,971	2,415	2,580
Production	17,949	17,845	19,977	19,774	19,808
Import	1,254	976	1,309	1,623	1,500
Export	15,725	15,156	16,693	17,226	17,600
Consumption	3,441	3,604	4,149	4,006	4,000
Ending Stocks	1,910	1,971	2,415	2,580	2,288
Stock/Usage	10.0%	10.5%	11.6%	12.1%	10.6%

Source: Oil World



# ASIA PACIFIC: INDONESIA

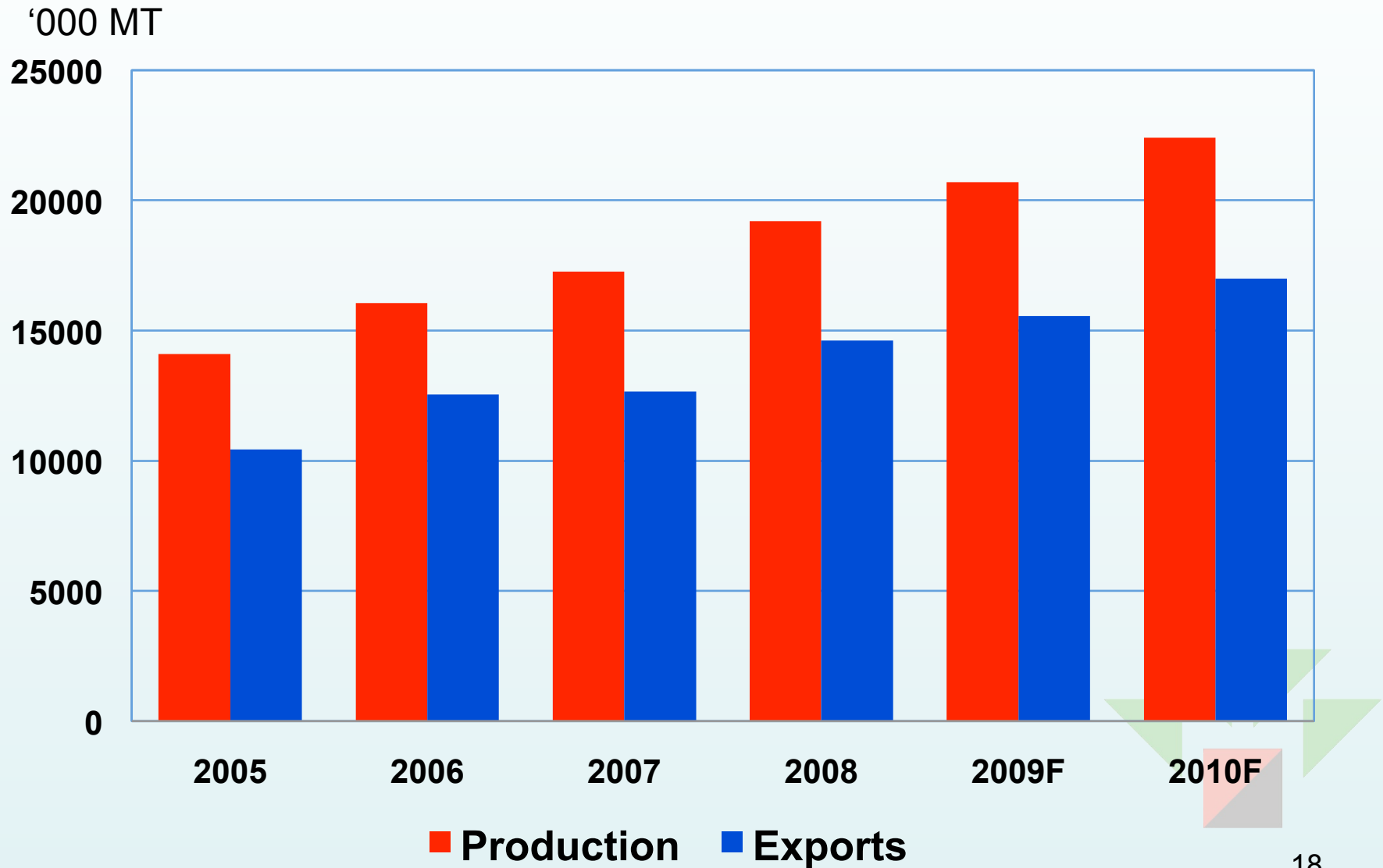


- **Production:** 21.14 million MT of palm oil (2009).
- **Exports:** total export of 16.94 million MT (2009)
- **Major Destination:** India (36%), EU (19%), China (16%)
- **Area:** 7.3 million hectares of oil palm plantations (5.35 million ha is matured area)

	2006	2007	2008	2009	2010F
<b>Mature Area (Mn ha)</b>	<b>4.11</b>	<b>4.54</b>	<b>4.95</b>	<b>5.35</b>	<b>5.73</b>
<b>Yields (T/ha)</b>	<b>3.91</b>	<b>3.80</b>	<b>3.88</b>	<b>3.95</b>	<b>3.89</b>
<b>Production (Mn T)</b>	<b>16.05</b>	<b>17.27</b>	<b>19.23</b>	<b>21.14</b>	<b>22.30</b>

Source: Oil World

# IPO: PRODUCTION & EXPORT



Source: Oil World

# IPO: LATEST UPDATES

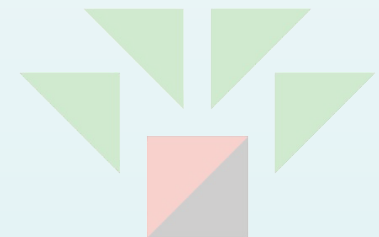
- **2 years ban:** on permits for forest clearing
- **ISPO:** Indonesian Government to issue Indonesian Sustainable Palm Oil (ISPO) certification soon.
- **Export Tax:** on crude palm oil to be revised to 7.5% in October from the current 6%.
- **CPO Export Base Price:** to be increased to \$836 a metric ton from \$804/ton in September.

# IPO EXPORT TAX: NEW

New Export Tax (%) & Base Price (US\$/MT) for Indonesian Palm Products (Effective 1–31 Sep 10)

Palm Products	Before 1 Sep 2010			After 1 Sep 2010			Difference of Tax Paid
	Base Price	Export Tax (%)	Effective Tax Paid	Base Price	Export Tax (%)	Effective Tax Paid	
Crude Palm Oil	725	3	21.75	804	6	48.24	+26.49
Crude Palm Olein	762	3	22.86	850	6	51.00	+28.14
Crude Palm Stearin	780	1.5	11.70	796	4.5	35.82	+24.12
RBD Palm Oil	768	1.5	11.52	856	4.5	38.52	+27.00
RBD Palm Olein	771	3	23.13	859	6	51.54	+28.41
RBD Palm Stearin	748	0	0	809	3	24.27	+24.27
Crude PKO	989	1.5	14.84	1,094	4.5	49.23	+34.39
RBD PKO	1,060	1.5	15.90	1,134	4.5	51.03	+35.13
Biofuel	878	0	0	926	0	0	-

Source: Reuters

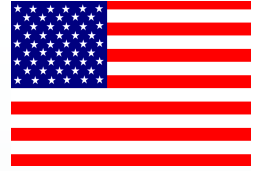


# INDONESIA: O&F SUPPLY & DEMAND

('000 MT)	2006	2007	2008	2009	2010F
Opening Stocks	1,225	1,083	1,706	1,968	1,363
Production	18,569	20,100	22,175	24,352	26,000
Imports	86	80	76	94	85
Exports	14,393	14,787	16,705	19,360	20,000
Consumption	4,405	4,770	5,284	5,690	6,138
Ending Stocks	1,083	1,706	1,968	1,363	1,310
Stocks/Usage	5.8%	8.7%	9.0%	5.4%	5.0%

Source: Oil World

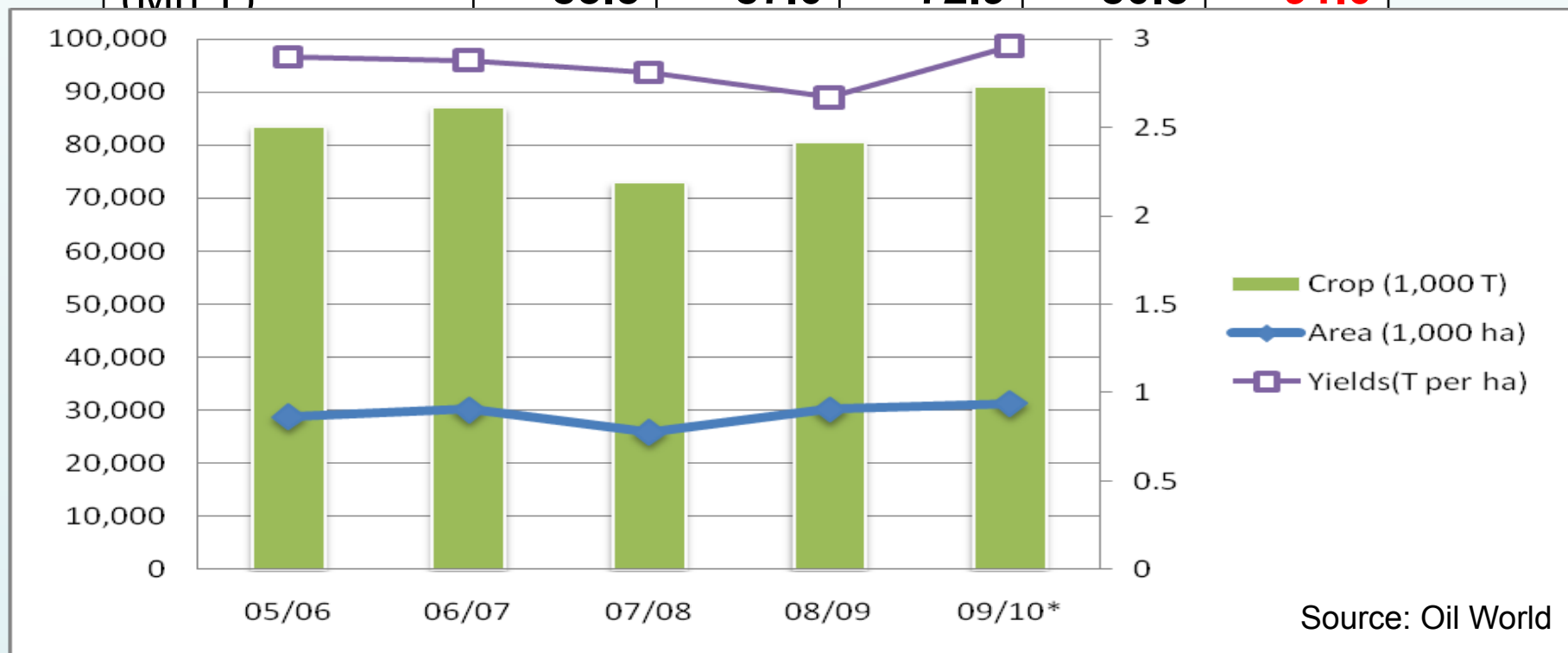
# AMERICAS: US SOYBEANS



- A record of 91 Mn T was achieved for production in 2009/10:-
  - An increase of 13% from 08/09 (80.53MnT)
  - An increase of 5% from previous record (06/07: 86.6MnT)
- Record average yield of 2.96 tons/ha-
  - An increase of 0.06 tons than previous record in 2006
- Record 31.36Mn Ha of planted areas of which 30.9Mn. Ha are harvested areas. Both areas registered an increase of 2% against last year's record.

# US: SOYBEANS AREA

	05/06	06/07	07/08	08/09	09/10F
Area (Mn Ha)	28.8	30.2	29.06	30.2	31.4
Yields (T per Ha)	2.9	2.9	2.8	2.7	3.0
Crop (Mn T)	83.5	87.0	72.9	80.5	91.0



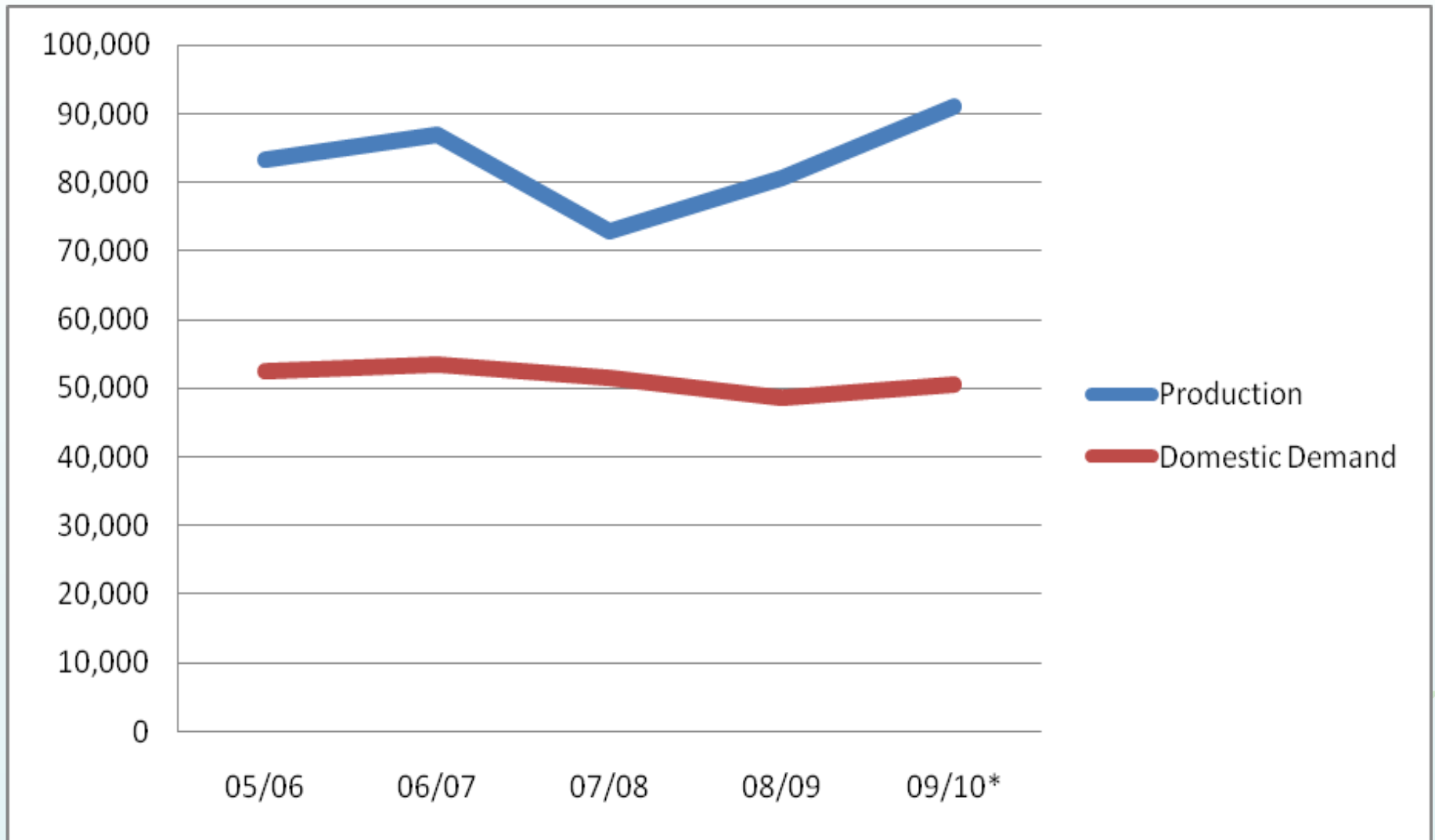
# US: SB SUPPLY & DEMAND

(Mn T)	06/07	07/08	08/09	09/10F
Opening Stock	12.2	15.6	5.6	3.6
Production	87.0	72.9	80.5	91.0
Import	0.3	0.3	0.4	0.4
Export	30.4	31.7	34.2	38.2
Domestic Demand	53.5	51.5	48.7	50.6
Ending Stock	15.6	5.6	3.6	6.2
Stock Usage Ratio	18.6%	6.7%	4.3%	7.0%

Source: Oil World



# US: SB SUPPLY & DEMAND



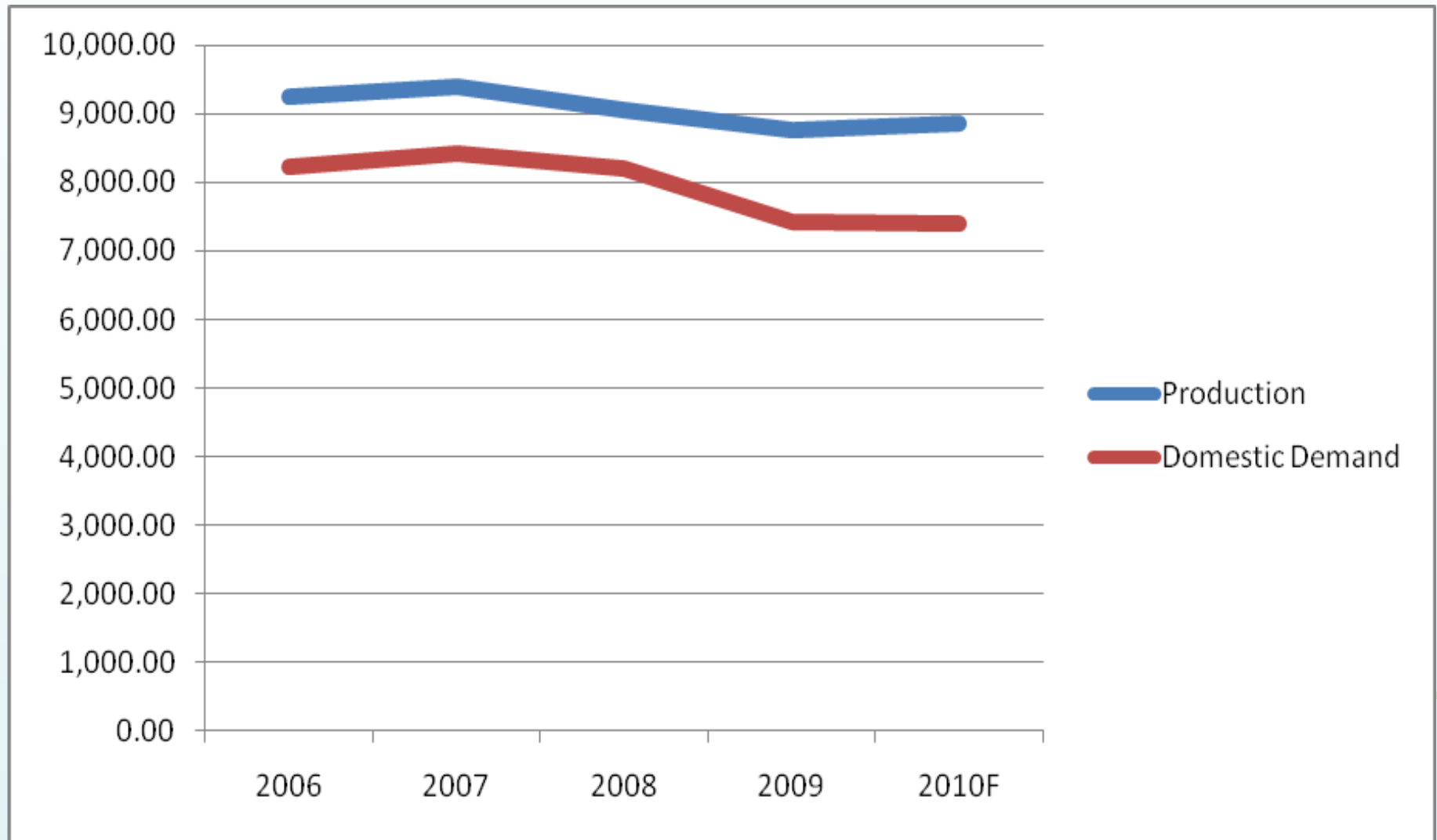
Source: Oil World

# US: SBO SUPPLY & DEMAND

(MnT)	2007	2008	2009	2010F
Opening Stock	1.4	1.5	1.2	1.3
Production	9.4	9.1	8.8	8.9
Import	0.02	0.03	0.04	0.03
Export	0.9	1.2	1.3	1.2
Domestic Demand	8.4	8.2	7.4	7.9
Ending Stock	1.5	1.2	1.3	1.1
Stock Usage Ratio	16.1%	12.8%	14.9%	12.1%

Source: Oil World

# US: SBO SUPPLY & DEMAND



Source: Oil World

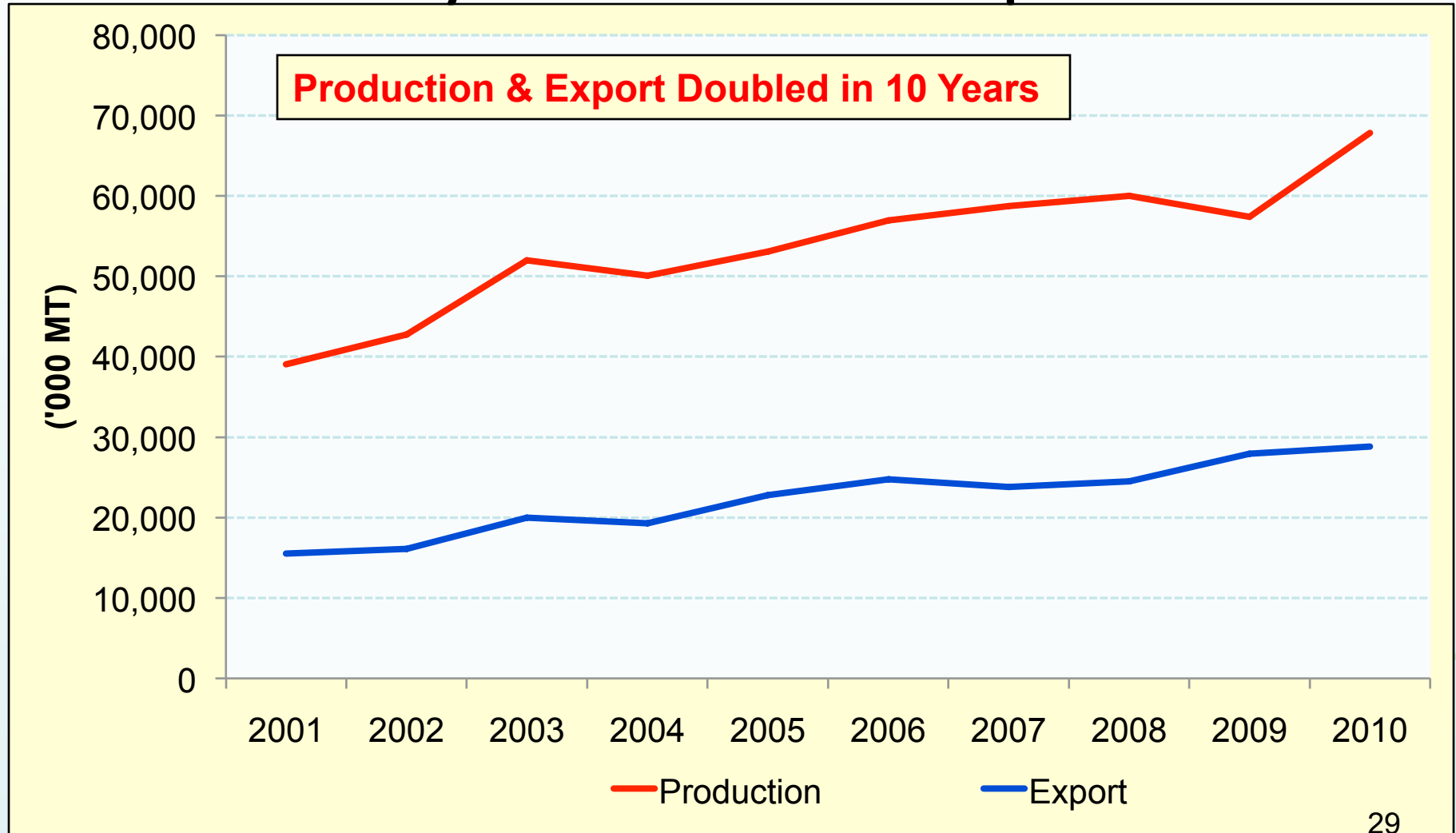
# US BIODIESEL: LATEST UPDATE

- **The Biodiesel Tax Credit** failed to get an extension in September, as the US Senate did not pass the bill which was inserted into the Small Business Bill.
- **This is a further setback** to the US Biodiesel Industry after the motion to pass the bill was also rejected in July as the H.R. 4213, or the Unemployment Extension Act of 2010, was passed without the Biodiesel Tax Credit included.
- **For 2010**, the USDA forecasted that the amount of biodiesel to be produced from soybean oil will be at 1 million MT. Previously, the production figure for biodiesel was dependable on the passing of extension to the Biodiesel Tax Credit. Even though it has emerged that the subsidy may not be passed at all, the production figure is still maintained at 1 million MT due to the July ruling for Renewable Fuel Standard (RFS2) which requires 36 billion gallons of renewable fuel to be used by 2022, heightening the demand for US blended biodiesel.

# AMERICAS: BRAZIL



## Soybean Production & Export



# BRAZIL: S & D OF SOYBEAN

('000 T)	2006	2007	2008	2009	2010F
Opening stocks	1,140	2,000	2,800	3,730	1,200
Production	56,942	58,726	60,018	57,400	67,865
Import	40	108	83	127	180
Export	24,770	23,805	24,514	27,950	28,800
Crushing	28,756	31,511	31,895	29,300	35,000
Other Use	2,596	2,718	2,761	2,807	2,790
End Stock	2,000	2,800	3,730	1,200	2,655
Stock Usage Ratio	3.6%	4.8%	6.3%	2.0%	4.0%

Source: Oil World & MPOC estimates

# BRAZIL: A SOYBEAN PLAYER IN THE OILS & FATS MARKET

- In 2010, Brazil is estimated to ship 28.8 Mn. MT of soybean and 1.6 Mn. MT of soybean oil.
- If convert all soybean to soybean oil, Brazil is forecasted to export 7.1 Mn. MT of soybean oil, equivalent to 27% of soybean oil (both in oil & bean forms) traded in the world, but exports are mostly in beans.
- Nevertheless, requirement for soybean oil as feedstock for biodiesel production may slow down soybean export in future; subject to soybean production expansion.
- Biodiesel production has grown from 70 mil litres in 2007 to 2.4 bil litres in 2010



# BIODIESEL: MANDATORY BLENDING INCREASES DOMESTIC CONSUMPTION

- Brazil imposed biodiesel blending policy since 2006 which authorized the use of 2% until become mandatory in 2008, then increased to 3% in July 2008.
- Blend further increased to 4% in Jul 2009 and 5% in Jan 2010. As a result, production of soybean oil is forecasted to increase while export will remain flat despite record crop this year.
- No further indication of increase in blend beyond 2010 but biodiesel demand is expected to increase by 250,000 kilolitres or 208,000 MT in 2011. This will require additional 166,400 MT of soybean oil or 876,000 MT of soybean domestically.
- Can Brazil continue to expand soybean area or yield?



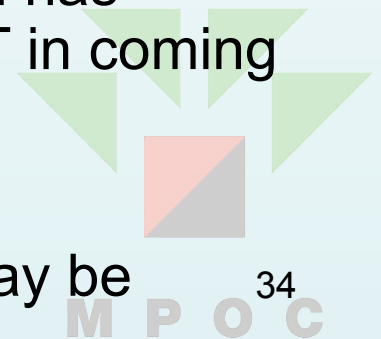
# BRAZIL: O&F SUPPLY & DEMAND

('000 T)	2006	2007	2008	2009	2010F
Opening stocks	388	294	423	409	340
Production	7,126	7,803	8,093	7,722	8,187
Import	231	313	393	411	450
Export	2,543	2,435	2,399	1,702	1,700
Consumption	4,908	5,551	6,101	6,500	6,900
End Stock	294	423	409	340	377
Stock Usage Ratio	4.1%	5.5%	5.0%	4.4%	4.6%

Source: Oil World & MPOC estimates

# BRAZIL: LATEST UPDATE

- Outlook for 2011 soybean output will remain favorable due to the market liquidity as compared to other grains. Planting is progressing.
- Furthermore, the corn:soybean price ratio declined for the first 6 months as compared to 2009.
- USDA estimated that soybean planting area will be slightly higher in this season at 23.6 Mn. ha as compared to 2009/10 at 23.47 Mn. ha.
- However, there is possibility that the dryness may persist for next one month, delaying plantings of soybean and leading to decline in soybean output.
- Based on this information at the moment, Oil World has estimated the soybean crop to decline by 2 Mn. MT in coming season.
- With the decline in production and increase in local requirement for this oilseed, vegetable oil prices may be firmer in 2<sup>nd</sup> quarter of 2011.

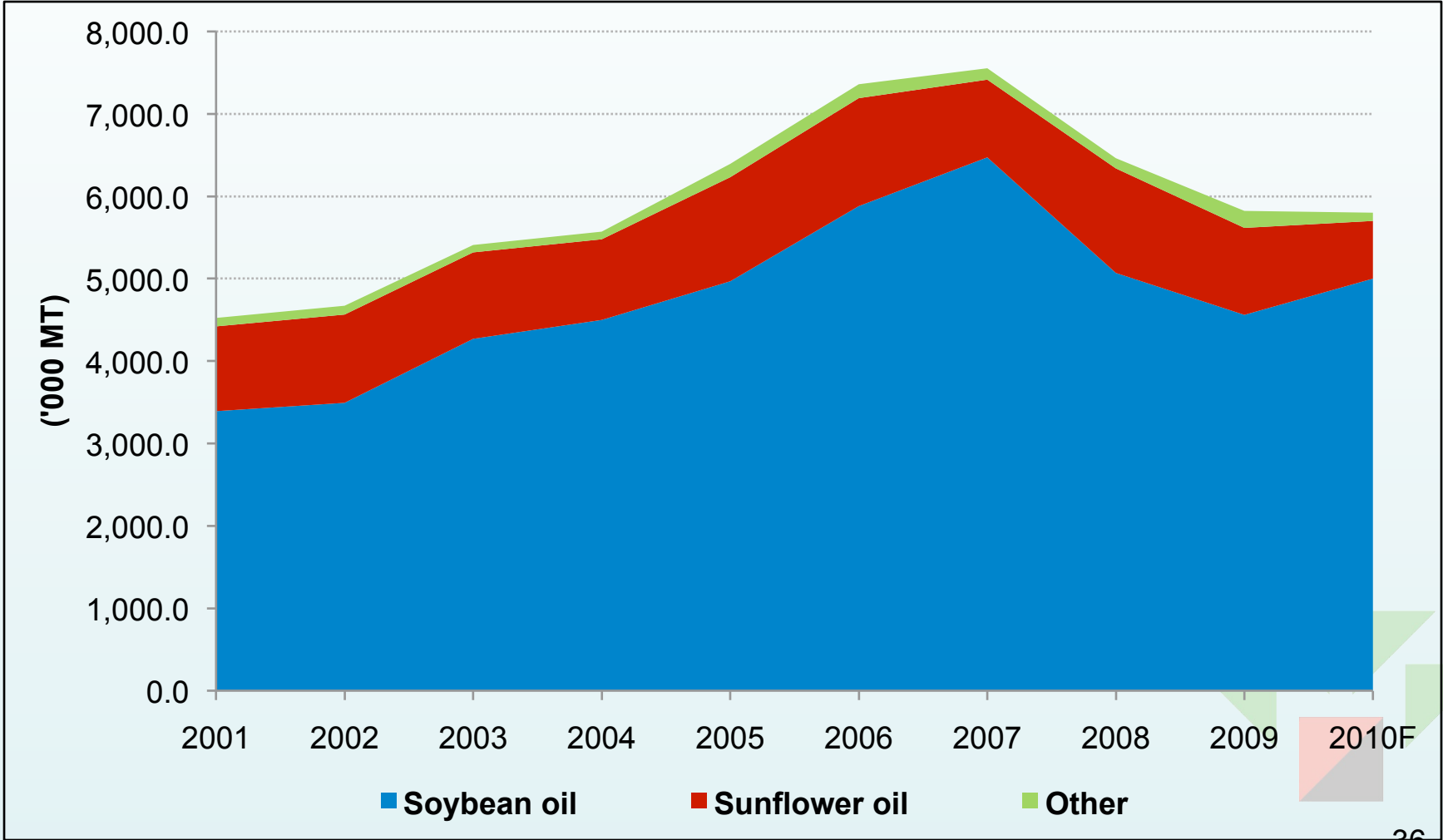




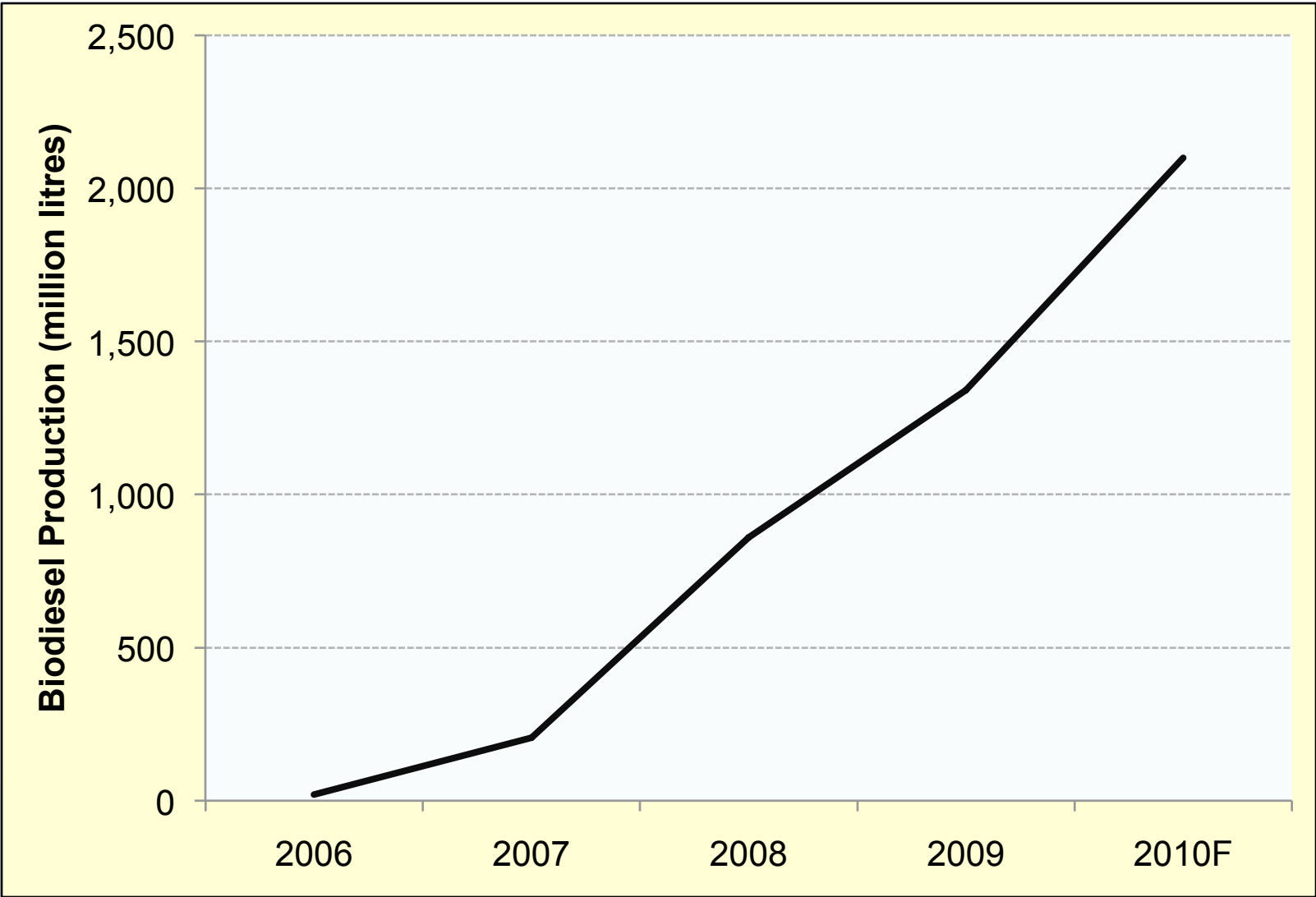
# ARGENTINA: BIGGEST SOYBEAN OIL EXPORTER

- Being the 3<sup>rd</sup> largest soybean producer, export tax regime encourages more export of soybean oil.
- Expansion was fast between 2001 and 2007. In 2007, Argentinean soybean oil (6.5 Mn. MT) accounted for 11% of soybean oil traded globally.
- If coupled with sunflower oil exported which Argentina is the second biggest country, Argentina accounted for 13% of oils & fats traded.
- However, with introduction in mandatory blending and various incentives to encourage biodiesel production, soybean oil export slowdown in past 3 years.

# ARGENTINA: DECLINE IN OILS EXPORT



# ARGENTINA: BIODIESEL PRODUCTION



# BIODIESEL: PRODUCTION WILL SLOWDOWN SBO EXPORT

- Similar to Brazil, Argentina has become a major biodiesel producer but exported most of it before 2010, due to various incentive including differential export tax of 17.8% against soybean oil.
- Almost all feedstock of biodiesel are from soybean oil.
- Mandatory blending begin in Jan 2010 at 5% and increased to 7% in Aug. Estimated domestic consumption at 700 million litres, increased local demand for soybean oil by 582,000 MT.
- With domestic requirement of biodiesel to reach 1.2 bil. litres, and export to surge to 1.7 bil. litres in 2011, additional 666,000 MT of soybean is needed.
- This could slowdown Argentina's soybean oil export in 2011 unless soybean production expands more than 3.51 Mn. MT next year.

# ARGENTINA: LATEST UPDATE

- Record production of soybean in Argentina in 2010 has increased the availability of soybean oil, which is expected to increase by estimated 1.1 Mn. MT.
- Nevertheless, the total oils & fats production is only estimated to surge by 0.7 Mn. MT due to poor sunflowerseed output.
- Sunflower seed production declined by 0.9 Mn MT in 2010, reduced the availability of sunflower oil by close to 360,000 MT.
- Coupled with increase in mandatory blending of biodiesel to 7% since Aug this year and demand from EU, the export of oils from Argentina will be stagnant for 2010.

# ARGENTINA: S & D OF OILS & FATS

('000 T)	2006	2007	2008	2009	2010F
<b>Opening stocks</b>	405	334	428	601	437
<b>Production</b>	8,170	8,617	8,218	7,664	8,400
<b>Import</b>	17	18	22	14	20
<b>Export</b>	7,359	7,552	6,461	5,822	5,800
<b>Consumption</b>	899	989	1,605	2,021	2,500
<b>End Stock</b>	334	428	601	437	557
<b>Stock Usage Ratio</b>	4.1%	5.0%	7.5%	5.6%	6.7%

Source: Oil World & MPOC estimates



# ARGENTINA: LATEST UPDATE

- As biodiesel production is forecasted to increase by 666,000 MT in 2011, larger soybean output in 2011 is anticipated by Argentine government as demand for this crop surged.
- However, USDA anticipated that soybean area to decline by 1% due to conversion to sunflower seed which is fetching a premium over soybean oil.
- Furthermore, some of the areas are due for conversion as the field needs to be rotated after being planted with soybean for several seasons.
- Dry spells lower soybean yield and soybean production to 53.0 Mn. MT, affecting soybean oil export further.
- With increase biodiesel production expected, soybean oil available for export will further decline by close to 1.0 Mn. MT in 2011.
- Hence, similar to Brazil, tightness of oilseeds situation in Argentina may support the oils & fats prices in early 2011.



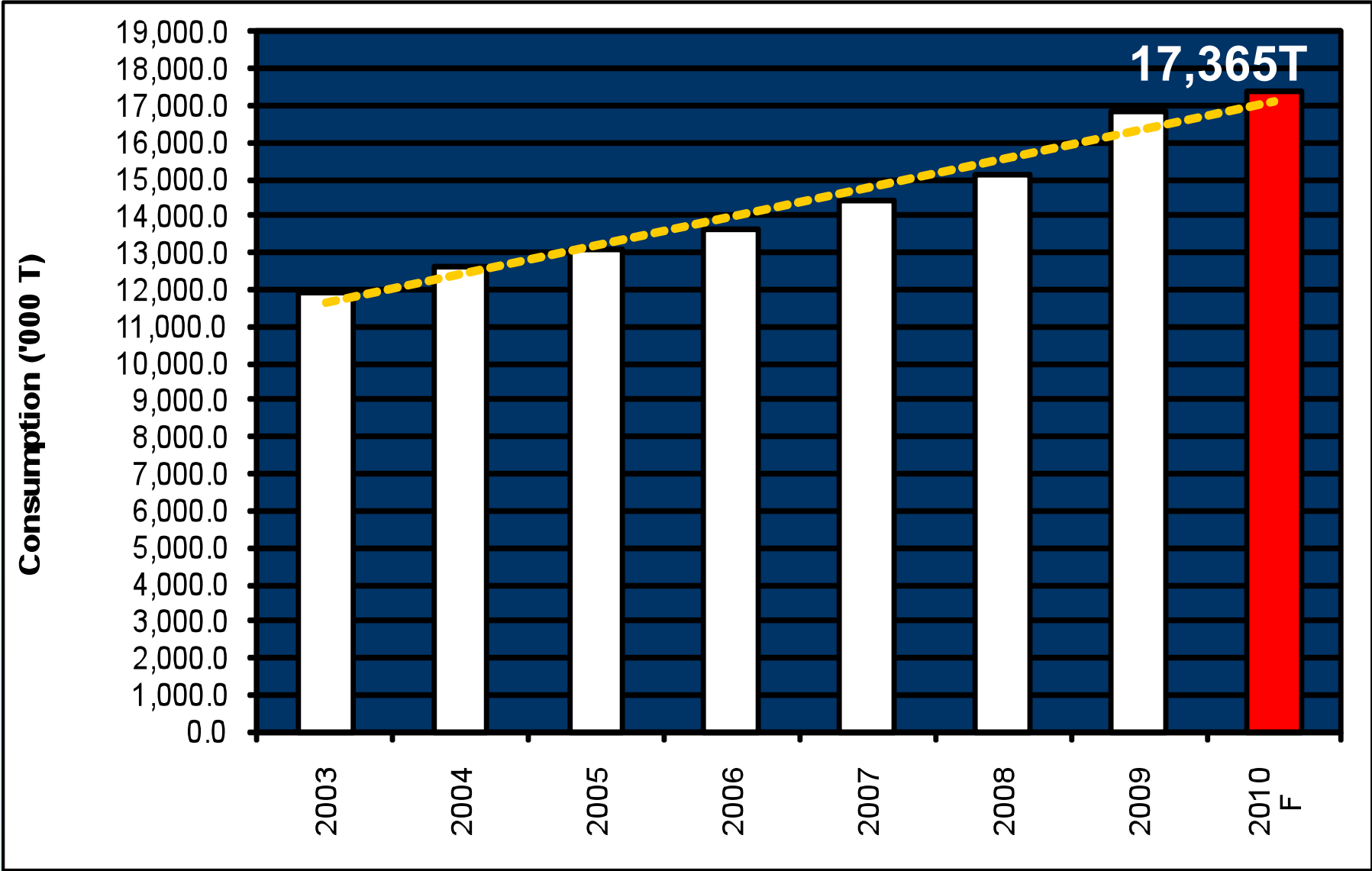
# SUB CONTINENT: INDIA



- **GDP:** 6 - 7% growth (2010 forecast)
- **Population:** 1.66% growth (from 1.19 bil to 1.21 bil) (2010 forecast)
- **Imports:** Jan – Aug 2010 imports of oils and fats was 5.9 MnT (2009 Total O&F Import recorded at 8.9 MnT)
- **Total PO import:** (Jan – Aug 2010) was at 3.9 MnT, with MPO import at 0.83 MnT
- **Consumption Forecast:**

	2009	2010F
<b>Population</b> (estimated growth of 1.66% annually )	1,198	1,217.9
<b>Consumption</b> (caput use of 14.1 kg) (Mn T)	16,855	17,050
<b>Consumption</b> (if caput use increase by 3.5%~2010 caput use will be 14.6 kg) (Mn T)		17,780

# INDIA: OILS AND FATS CONSUMPTION



Source: Oil World & MPOC Projection

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# INDIA: O&F SUPPLY & DEMAND

('000 T)	2006	2007	2008	2009	2010F
Opening Stock	933	1,204	892	1,433	1,595
Production	9,127	9,142	9,341	8,603	8,080
Import	5,148	5,317	6,847	8,925	8,700
Export	332	337	385	307	300
Consumption	13,672	14,434	15,262	17,008	17,500
Ending Stock	1,204	892	1,433	1,595	575
Stock Usage Ratio	8.6%	6.0%	9.2%	9.5%	3.2%

Source: Oil World

# EUROPE REGION

- Being a net importing region, EU-27, Russia and Ukraine have the highest impacts on oils and fats scenario in Europe. Palm oil remains an important commodity to supplement the local industry. The price discount against soybean, rapeseed and sunflower oil remained intact making palm oil an economic alternative.
- Encouraging demand growth for palm oil in EU new member states in Eastern Europe plus the CIS countries.
- Russia has become a major importer of palm oil due to insufficient domestic output of oils and fats and huge demand for its sunflower oil from EU member states.
- Ukraine is an important redistribution hub for palm oil in Eastern Europe. Food manufacturers are expected to continue leaning towards cheaper oil especially palm oil.

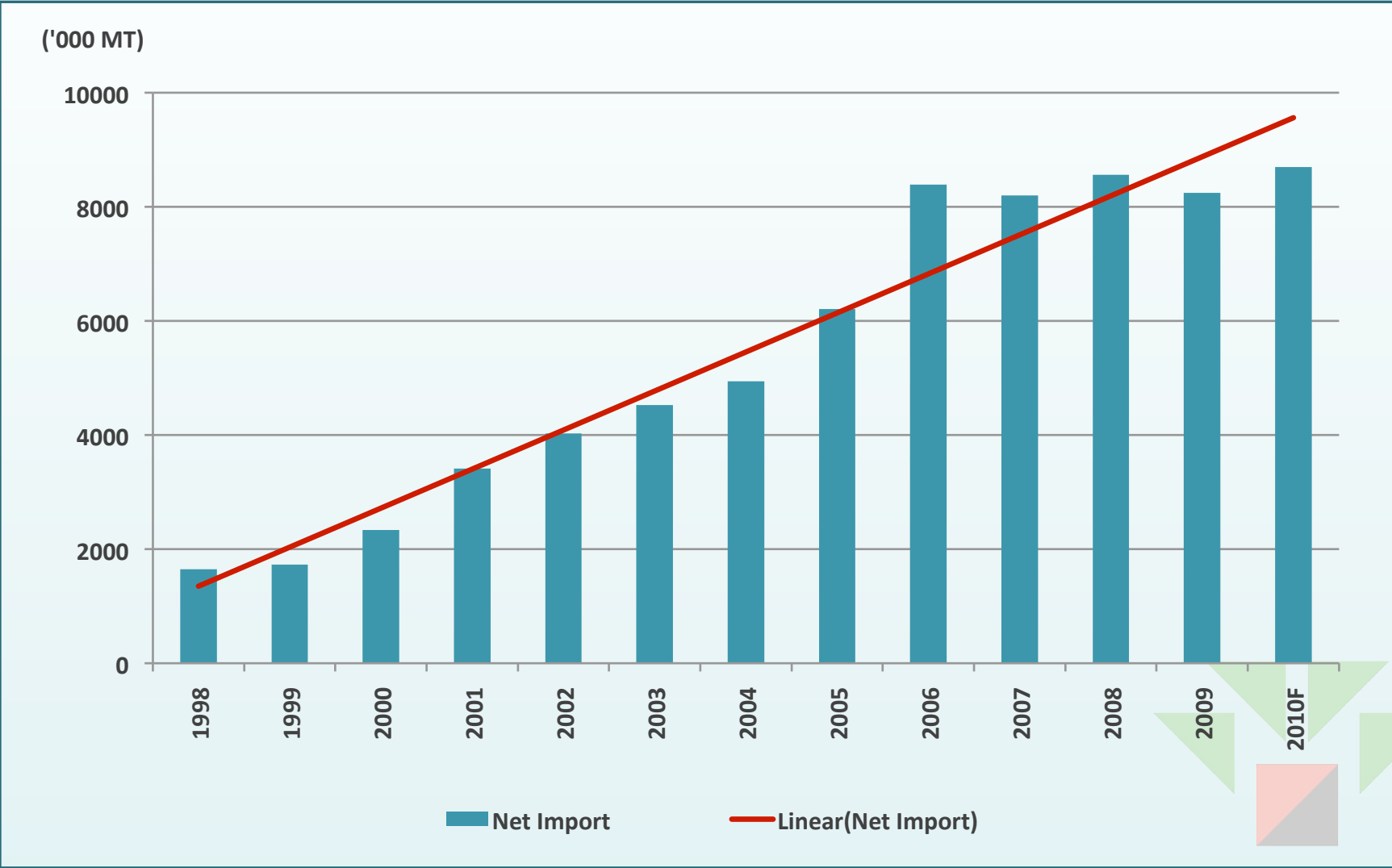


# Europe: Oils & Fats Supply & Demand

('000 T)	2006	2007	2008	2009	2010F
Opening Stock	3,446	3,661	3,322	3,537	3,329
Production	25,855	27,129	27,614	30,429	30,459
Import	11,939	12,140	12,816	12,119	12,739
Export	4,187	4,738	4,176	5,622	5,090
Consumption	33,392	34,870	36,039	37,134	38,092
Ending Stock	3,661	3,322	3,537	3,329	3,345
Stock Usage Ratio	9.7%	8.4%	8.8%	7.8%	7.7%

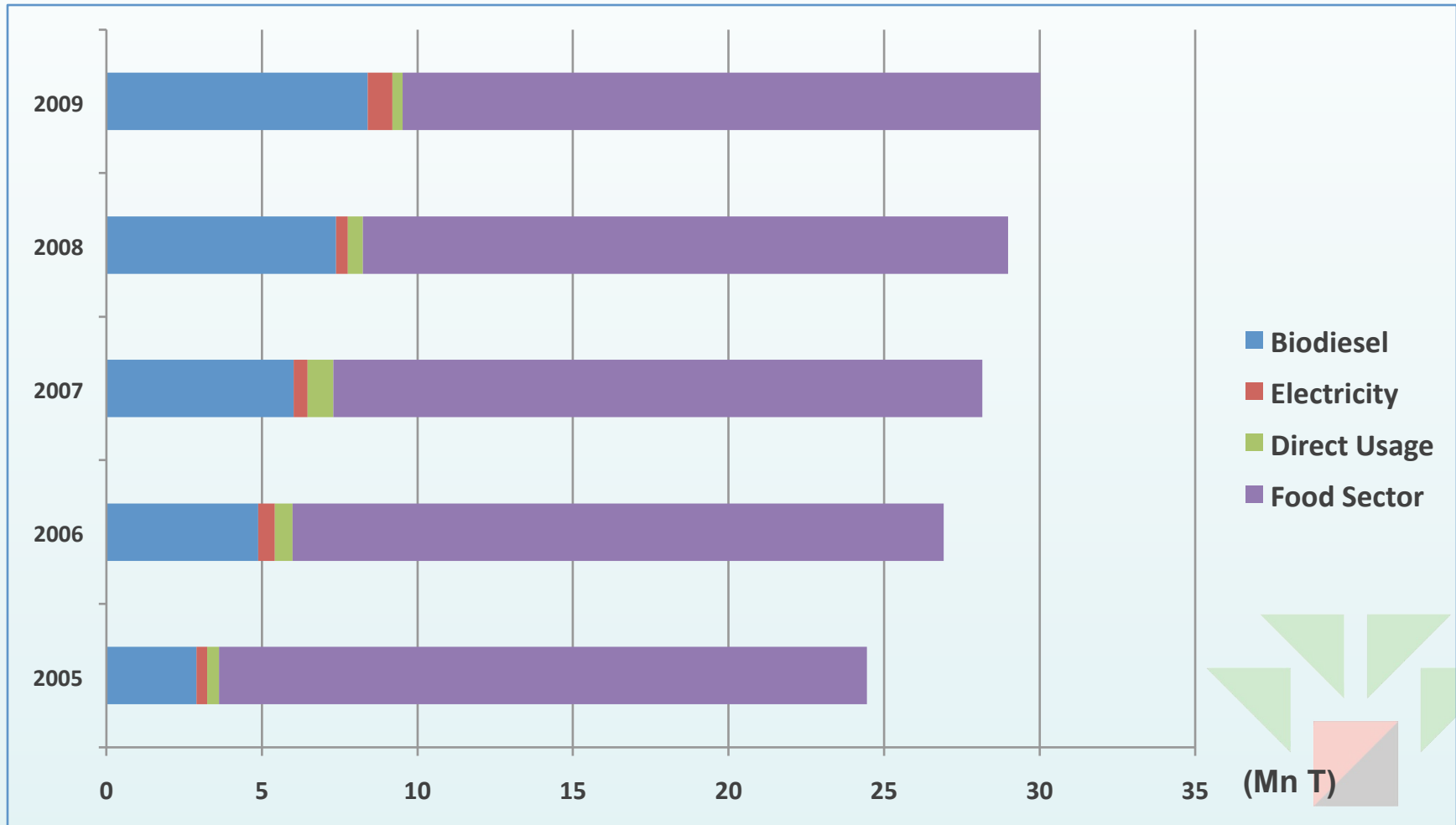
Source: Oil World

# EU-27: NET IMPORT TREND

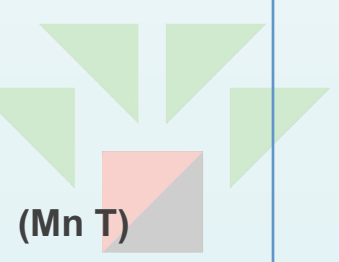


Source: Oil World

# TOTAL USAGE OF OILS AND FATS: IMPORTANCE OF THE ENERGY SECTOR

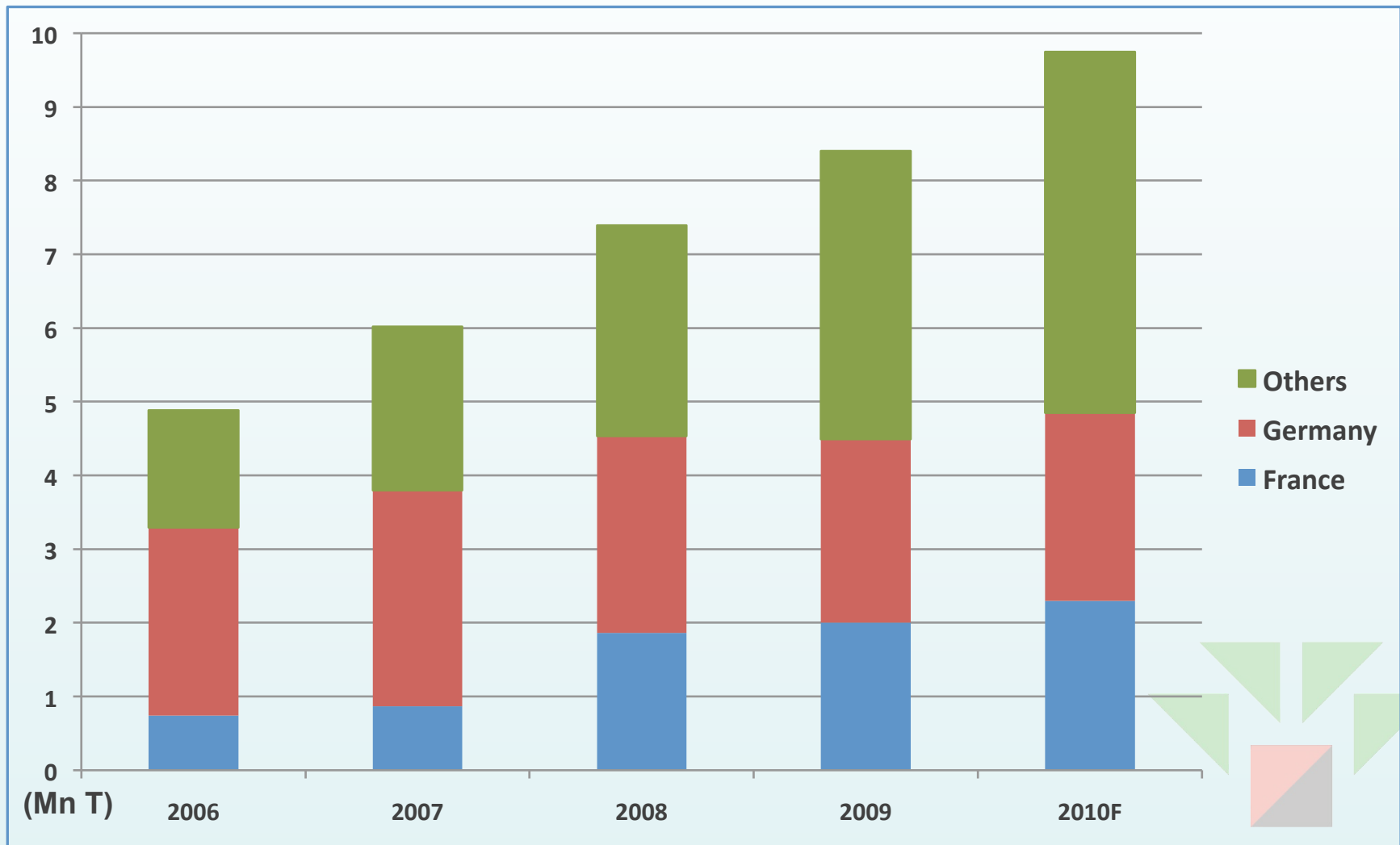


Source: Oil World



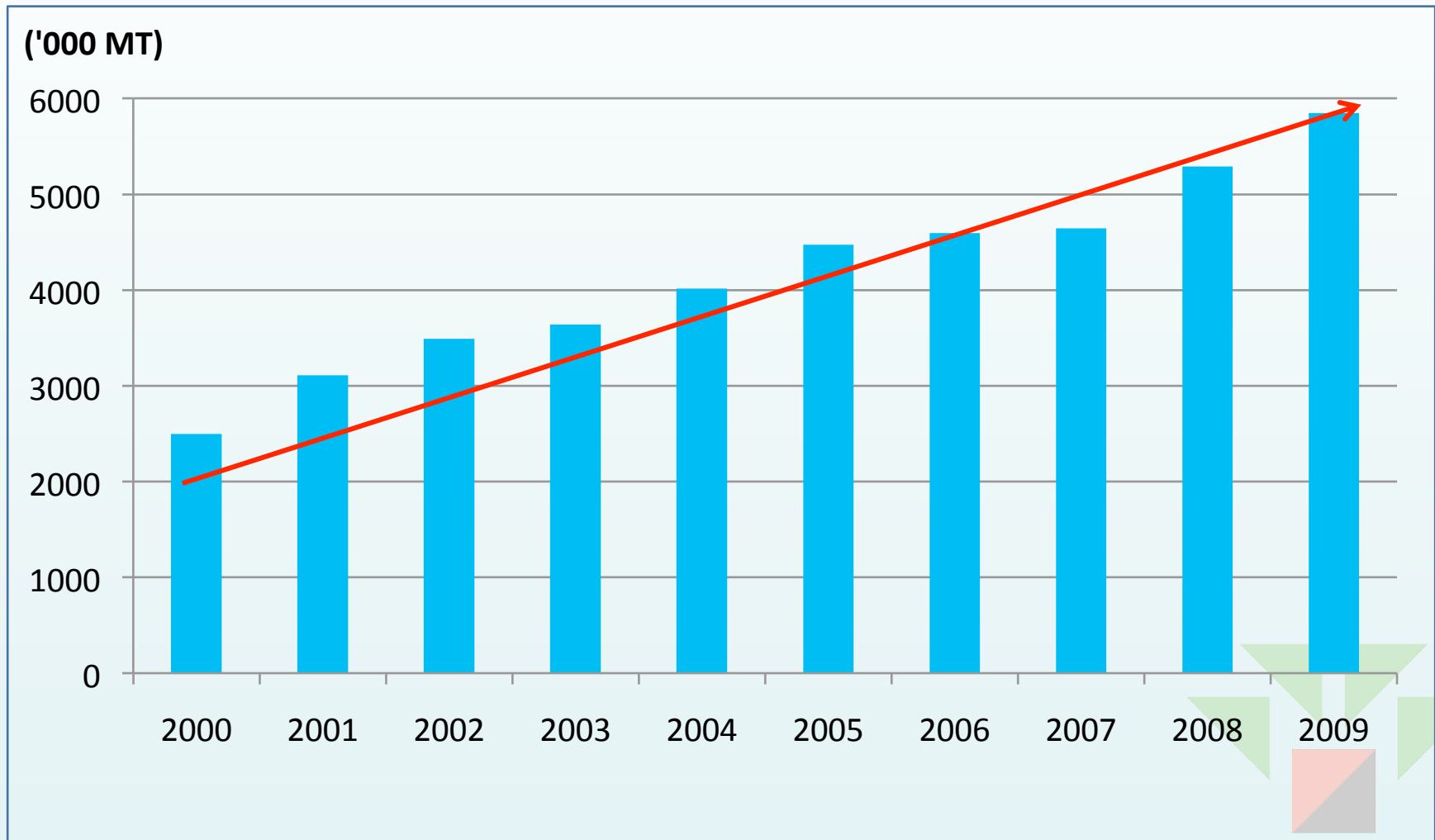


# BIODIESEL: PRODUCTION TREND



Source: Oil World

# EU-27: Palm Oil Import Trend



Source: Oil World

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# EU-27: INSTRUMENTAL FACTORS

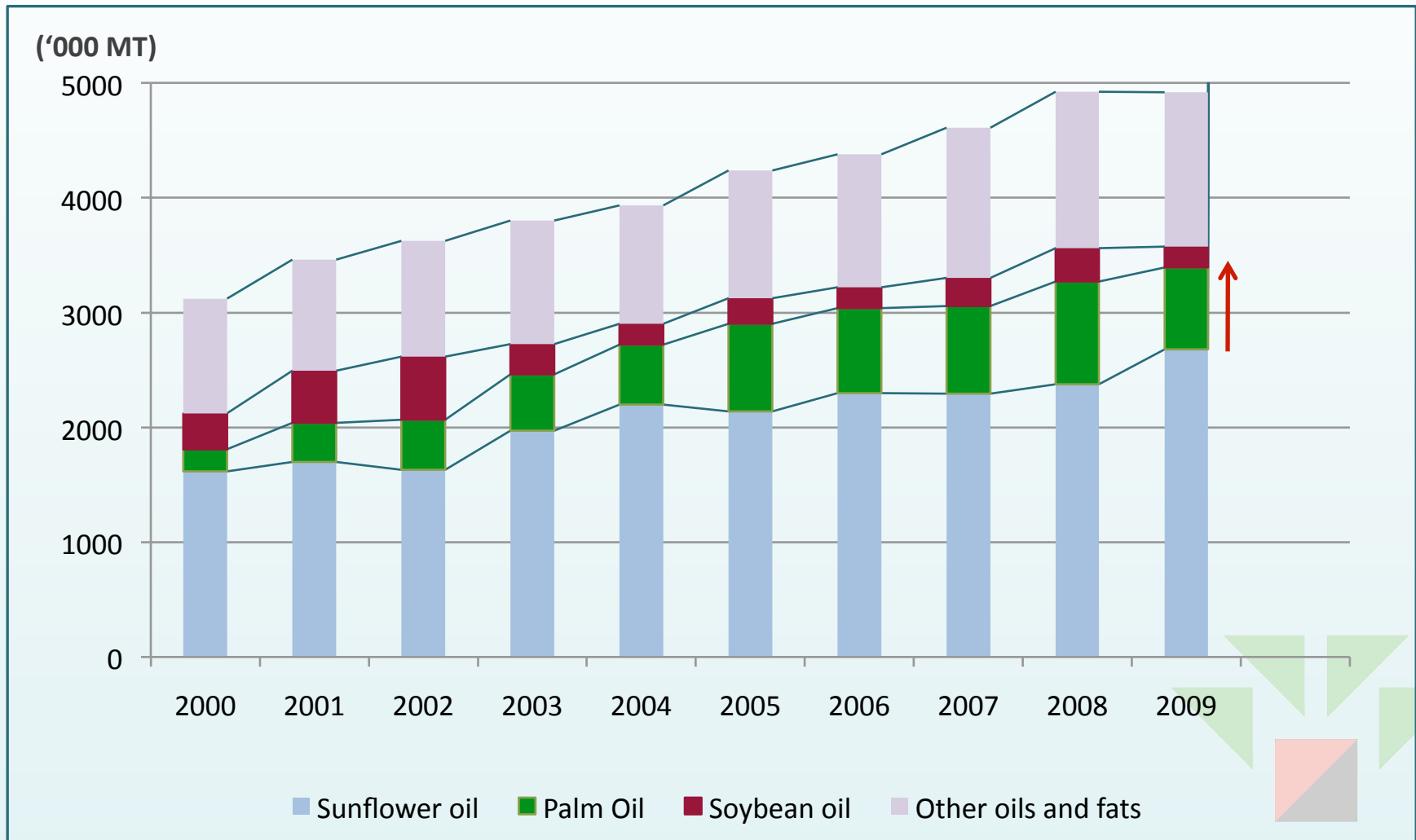
- **Shortage in the food industry** – ongoing strong expansion of biofuel use propels the consumption of oils and fats especially rapeseed and sunflower oil.
- Insufficient world export supplies of rapeseed especially from Ukraine and stagnation in the production of sunflower oil.
- The price margin with soybean, rapeseed and sunflower oil remained intact making palm oil an economic alternative.
- **Biofuel policy** – the EU commission is very determined to demand certificates for biofuels to fulfill the targeted reduction of carbon dioxide emissions and are produced within the sustainability guidelines.

# EU-27: OILS & FATS S&D

('000 T)	2006	2007	2008	2009	2010F
Opening Stock	2,654	2,924	2,568	2,702	2,510
Production	18,793	19,604	20,551	21,584	22,300
Import	9,816	9,720	10,103	9,893	10,350
Export	1,424	1,518	1,534	1,645	1,650
Consumption	26,915	28,162	28,986	30,024	30,900
Ending Stock	2,924	2,568	2,702	2,510	2,610
Stock Usage Ratio	10.3%	8.7%	8.9%	7.9%	8.0%

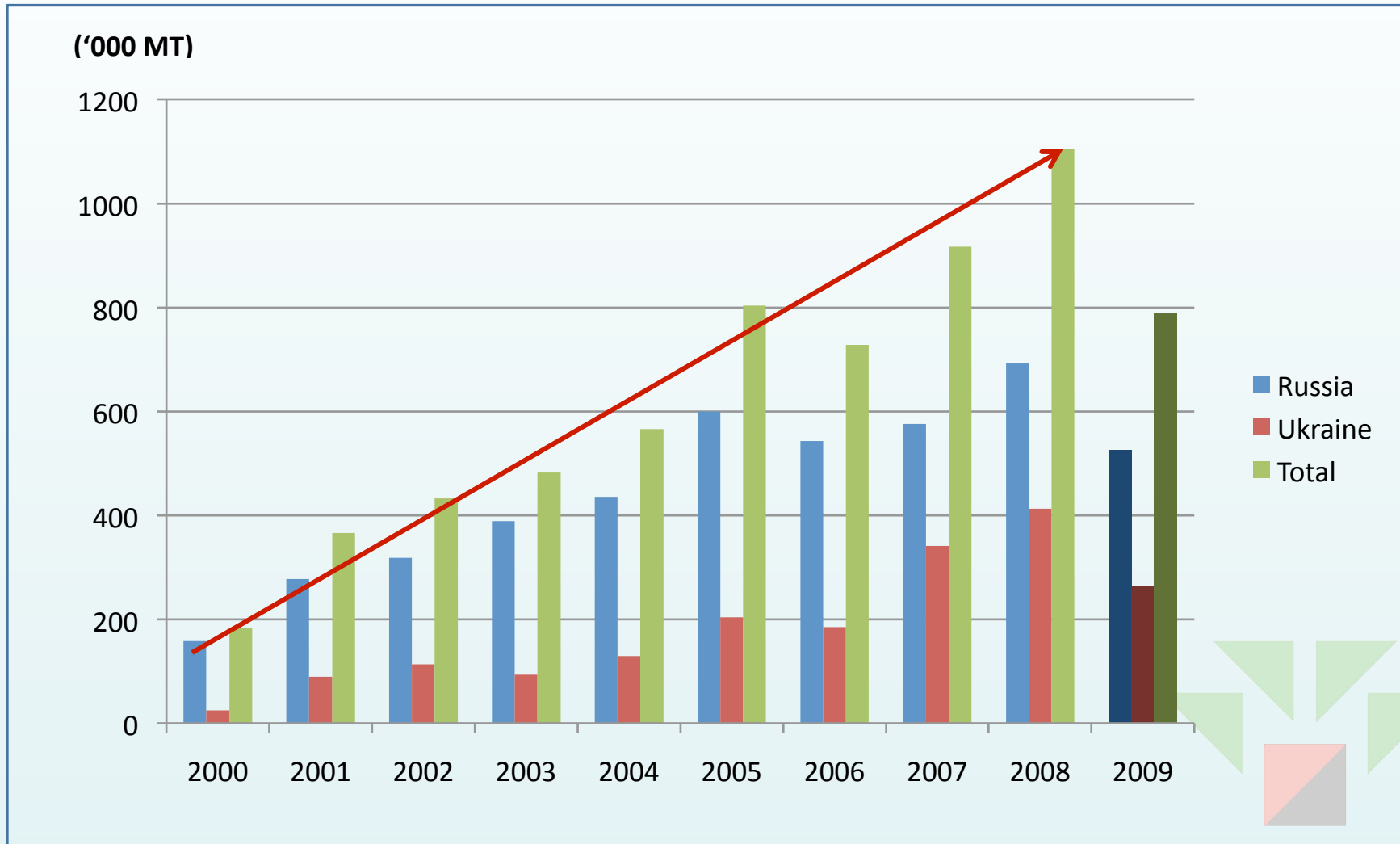
Source: Oil World

# RUSSIA & UKRAINE: CHANGING CONSUMPTION PATTERNS



Source: Oil World

# RUSSIA & UKRAINE: PALM OIL IMPORT TREND



Source: Oil World

# RUSSIA & UKRAINE: INSTRUMENTAL FACTORS

- **Bumper crops** – higher crushing activities and domestic consumer preference continue to boost sunflower oil consumption.
- **Weather** - key variable to watch as it could affect crops' prospects and production forecast .
- **Economic meltdown and Ukrainian currency devaluation** - could have an influence on the demand for palm oil although palm oil remains high compared to imports of other vegetable oils.

# RUSSIA: O&F SUPPLY & DEMAND



('000 T)	2006	2007	2008	2009	2010F
Opening Stock	402	310	434	359	496
Production	3,110	3,301	3,149	4,020	3,579
Import	990	1,091	1,213	872	906
Export	742	655	643	993	708
Consumption	3,450	3,614	3,794	3,762	3,815
Ending Stock	310	434	359	496	458
Stock Usage Ratio	7.4%	10.2%	8.1%	10.4%	10.1%



# UKRAINE: O&F SUPPLY & DEMAND

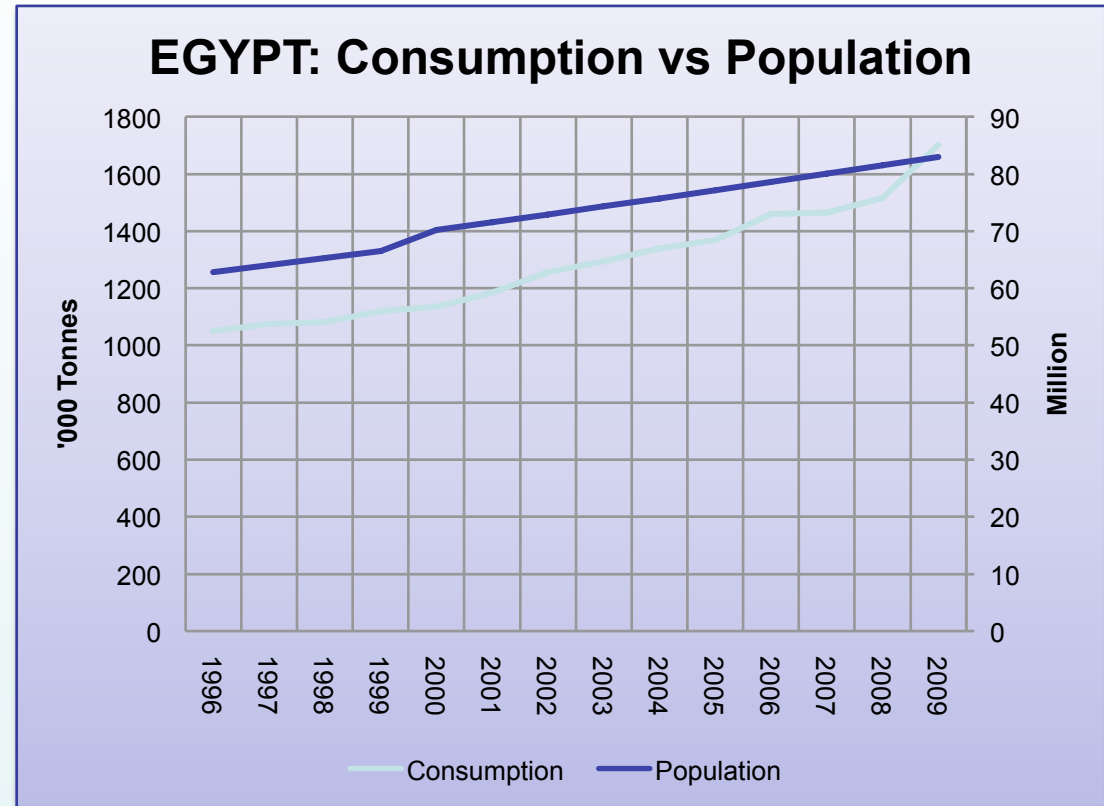


('000 T)	2006	2007	2008	2009	2010F
Opening Stock	221	253	149	270	248
Production	2,397	2,623	2,327	3,190	3,093
Import	226	395	501	420	434
Export	1,665	2,126	1,577	2,475	2,347
Consumption	926	996	1,130	1,157	1,180
Ending Stock	253	149	270	248	248
Stock Usage Ratio	9.8%	4.8%	10.0%	6.8%	7.0%

# MIDDLE EAST: EGYPT



- Population increased at average 3.1% a year from 62.8 in 1996 to some 84.5 million expected by the end of 2010. (83 mil in 2009)
- Consumption-population ratio increased significantly at only 16.7 in 1996 to 20.5 in 2009 and expected to reach 21 kg/person/year by the end of 2010.
- Industrial usage of oils & fats supported the increase of ratio. Egypt has an encouraging economic environment, where GNP recorded at around 240.7 L.E billion in 1996 to 1.082 L.E trillion in 2009.7%, and expected to be around 1.24 L.E trillion for 2010.

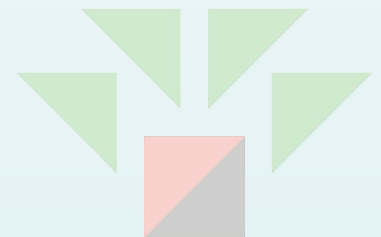


- Consumption of oils & fats is estimated to be around 1.731 million tonnes by the end of 2010. An increase of 29,000 tonnes compared to previous year.



# EGYPT: LOCAL PRODUCTION

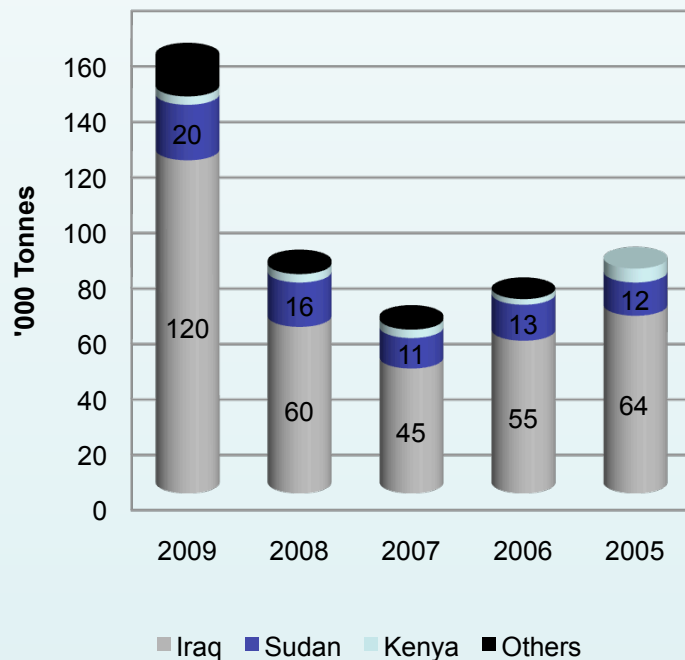
- Soybean oil is the major oil produced accounting for 63.5% of total domestic output. As at July this year, around 1.0 million tonnes of soybean imported into Egypt, boosted by 26% compared to the previous year, translating into a pronounced increase of soybean crushing and supplies of soybean oil.
- Production of Butter fat and local cotton oil is estimated at the same level of last five years around 120,000 MT. Total local production of oils and fats by the end of 2010 to be around 410,000 MT.



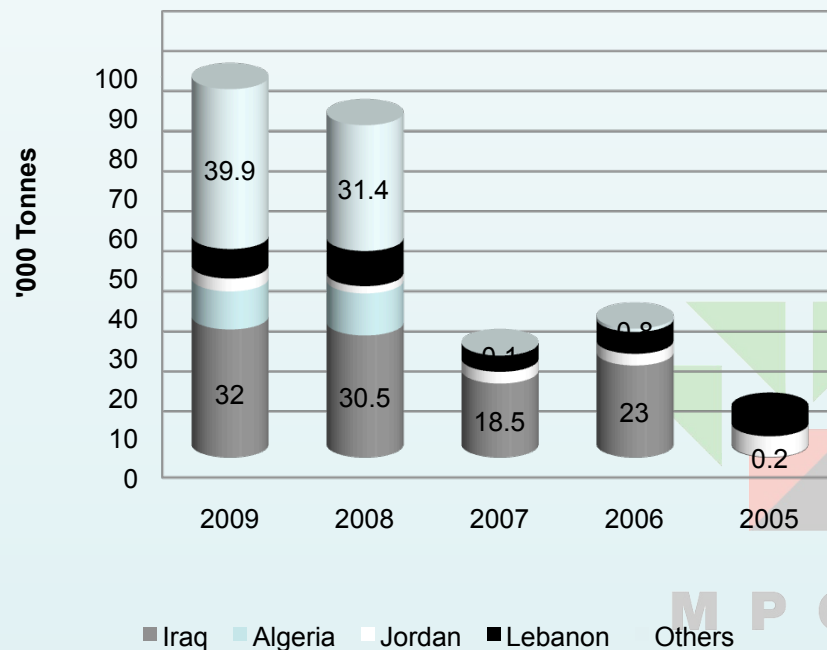
# EGYPT: EXPORTS

- Of the total 287,000 MT oils re-exported last year, 54% was palm oil and 32% soybean oil, others were sunflower, corn and olive oils. Iraq is the most important market, imported about 58% (168 thousand tonnes) from the total amount of oils from Egypt.
- Sudan posted an uptrend intake of palm oil from Egypt. As of last year, 20,000 MT of palm oil exported to this country from Egypt vis-à-vis 12,000 MT in 2005.
- Overall, the total export of oils & fats from Egypt by end of this year is expected to reach 300 thousand tonnes.

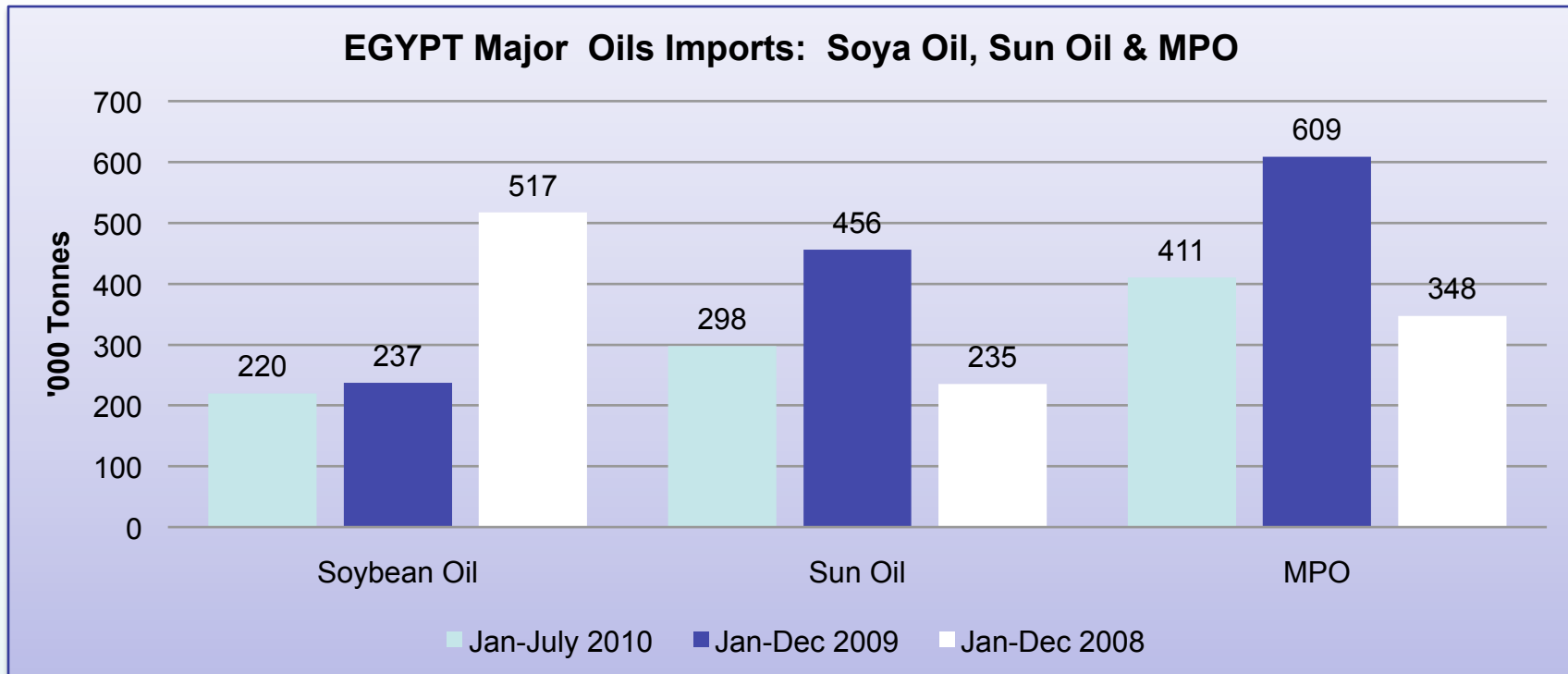
Palm Oil Re-export Market



Soybean Oil Re-export Market

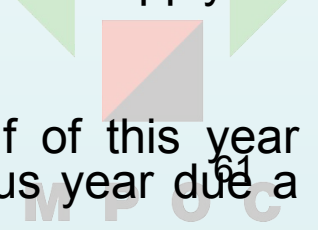


# EGYPT: IMPORTS



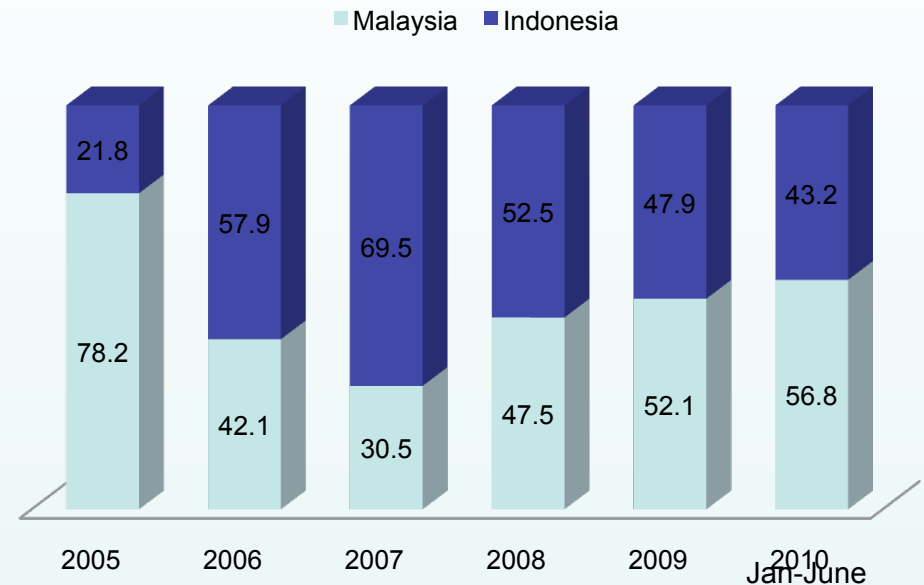
Source: Oil World

- Imports of soybean oil for the second half of this year are expected to be lower as significant increase in the first half of 2010 coupled with higher volume of soybean seed crushed locally resulted in ample supply of soybean oil for local market.
- Higher volume for sunflower oil imports for the second half of this year expected and better volume for palm oil compared to previous year due a favourable re-export market and increase of local consumption.



# EGYPT: IMPORTS

## Egypt's Palm Oil Market Share



- Malaysian palm oil seems to take advantage of the duty imposed by Indonesian government at around 3 to 4.5% this year and improve Malaysian palm oil market share in Egypt.

- To cover the expected surplus in exports and consumption of oils & fats, Egypt would need to surpass the total import recorded last year, but this is capped due to a better local production in the first half of 2010.
- Oils & fats imports for 2010 would be more than 1.6 million tonnes, an increase about 100 thousand tonnes compared to 2009, by the end of this year.

# EGYPT: OILS & FATS BALANCE

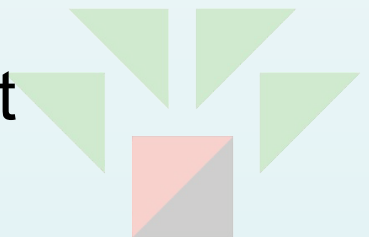
('000 T)	2006	2007	2008	2009	2010F
Opening Stock	165	188	160	301	234
Production	327	370	363	355	410
Import	1,339	1,160	1,510	1,567	1,667
Export	182	94	217	287	300
Consumption	1,461	1,464	1,517	1,702	1,731
Ending Stock	188	160	301	234	280
Stock Usage Ratio	12.9%	10.9%	19.8%	13.7%	16.2%

Source: Oil World



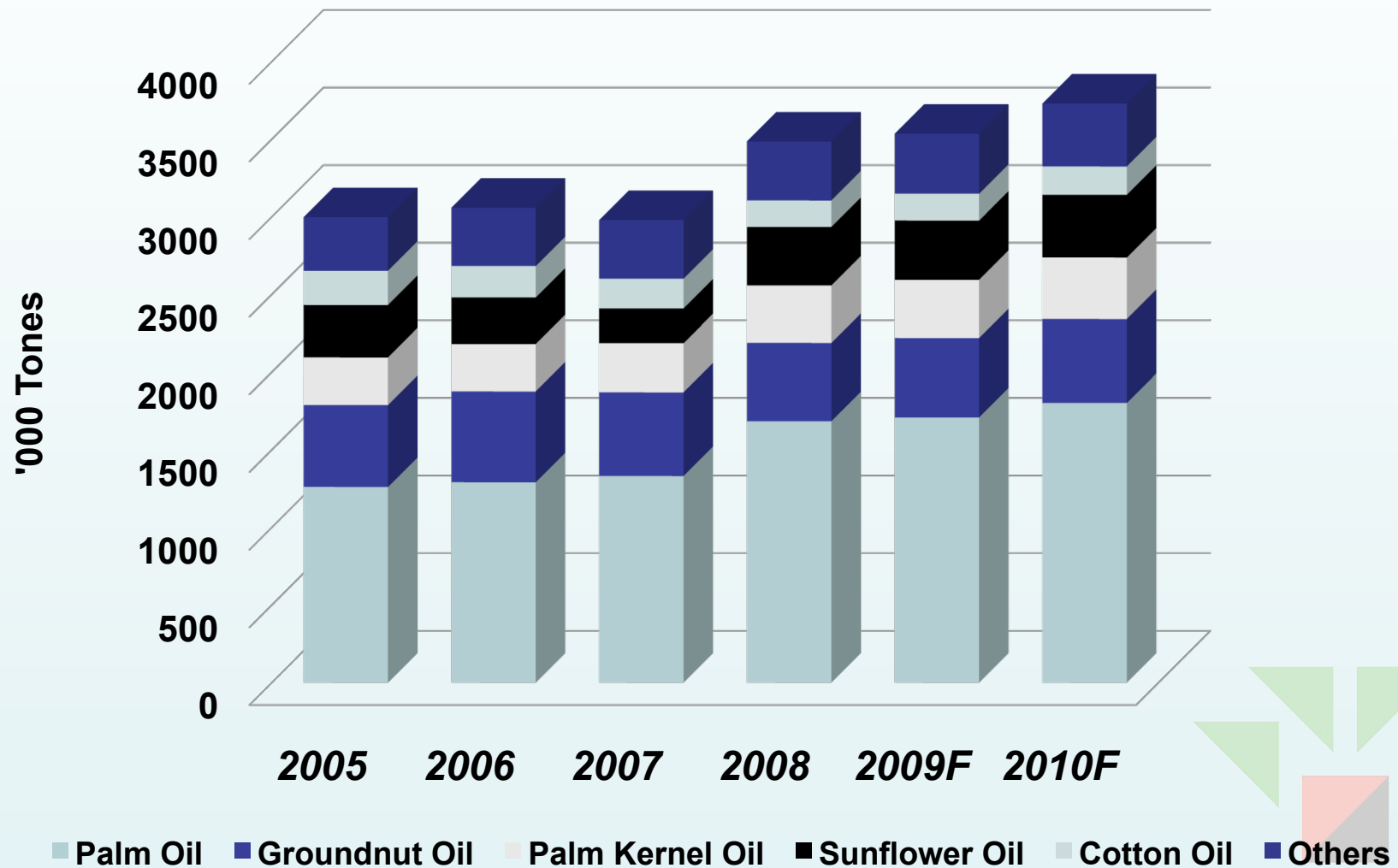
# AFRICA: OILS & FATS SITUATION

- Africa's oils and fats per capita consumption for 2009 was only 11.3 kg which was very low compared to world average of 24.1 kg.
- 2009 population: 685 million
- GDP is projected to grow between 5.6 to 6.0 percent  
*(Source: African Development Bank)*
- Population is expected to grow by 2.2 percent  
*(Source: United Nations Population Fund - UNFPA)*

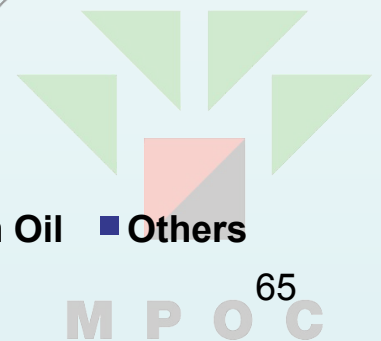




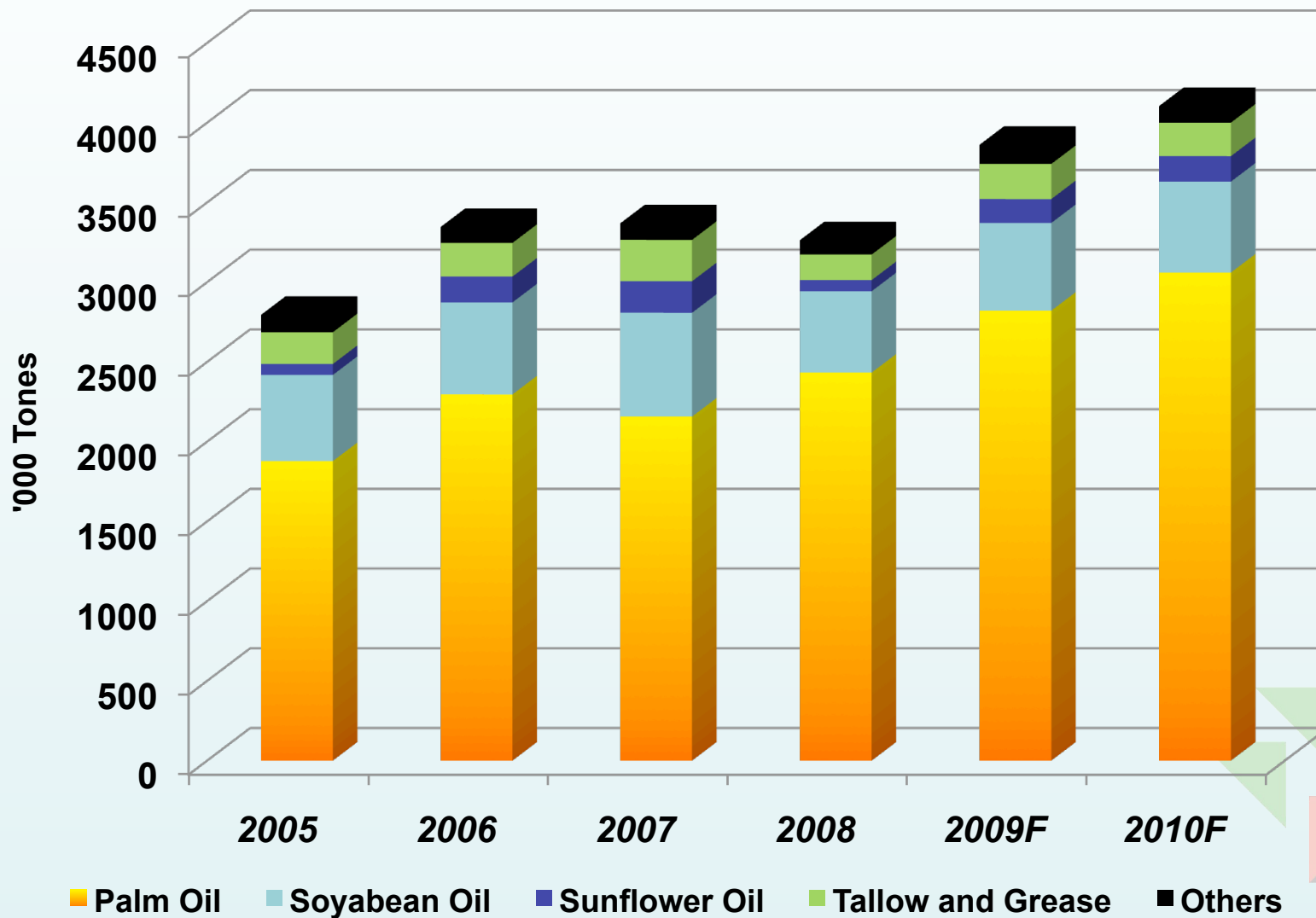
# AFRICA: OILS & FATS PRODUCTION



Source: Oil World



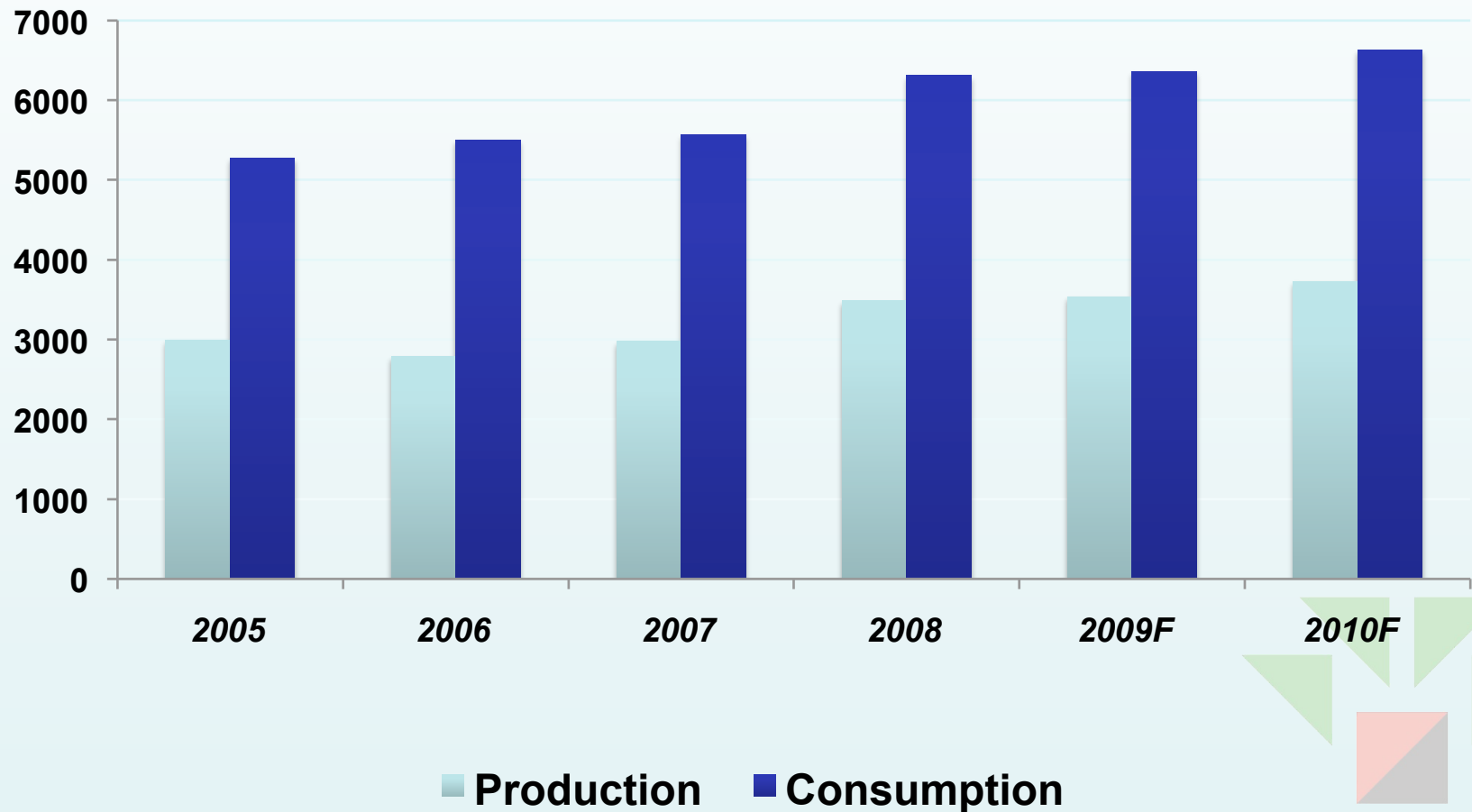
# AFRICA: OILS & FATS IMPORTS



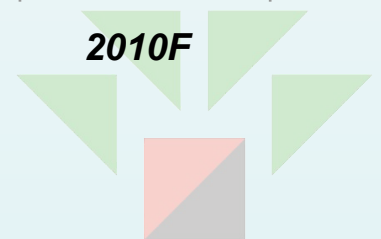
Source: Oil World

# AFRICA: OILS & FATS PRODUCTION vs CONSUMPTION

('000 MT)



Source: Oil World

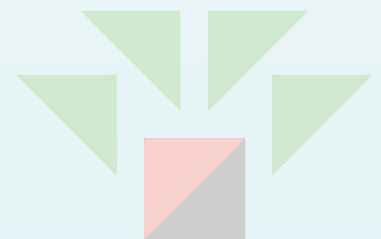


# AFRICA: O&F SUPPLY & DEMAND

('000 T)	2006	2007	2008	2009	2010F
Opening Stock	568	652	873	517	713
Production	2,792	2,979	3,485	3,535	3,730
Import	3,346	3,368	3,263	3,861	4,104
Export	552	555	793	840	944
Consumption	5,502	5,571	6,311	6,360	6,628
Ending Stock	652	873	517	713	975
Stock Usage Ratio	10.8%	14.3%	7.3%	9.9%	12.9%

Source: Oil World

# Global Situation of Oils & Fats and Its Outlook in 2010



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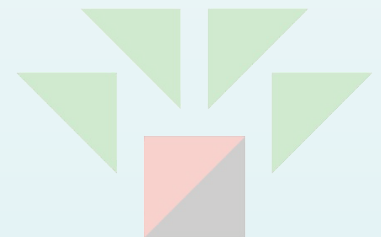
# GLOBAL BALANCE OF OILS & FATS

('000 T)	2006	2007	2008	2009	2010F
Opening Stock	15,241	16,496	17,103	17,842	17,878
Production	147,129	151,354	157,208	161,684	166,521
Import	53,403	54,647	57,957	60,893	60,323
Export	56,758	57,325	59,945	63,391	64,425
Consumption	142,518	148,070	154,480	159,150	164,895
Ending Stock	16,496	17,102	17,842	17,878	15,402
Stock Usage Ratio	11.6%	11.6%	11.5%	11.2%	9.2%

Source: Oil World & MPOC Estimates

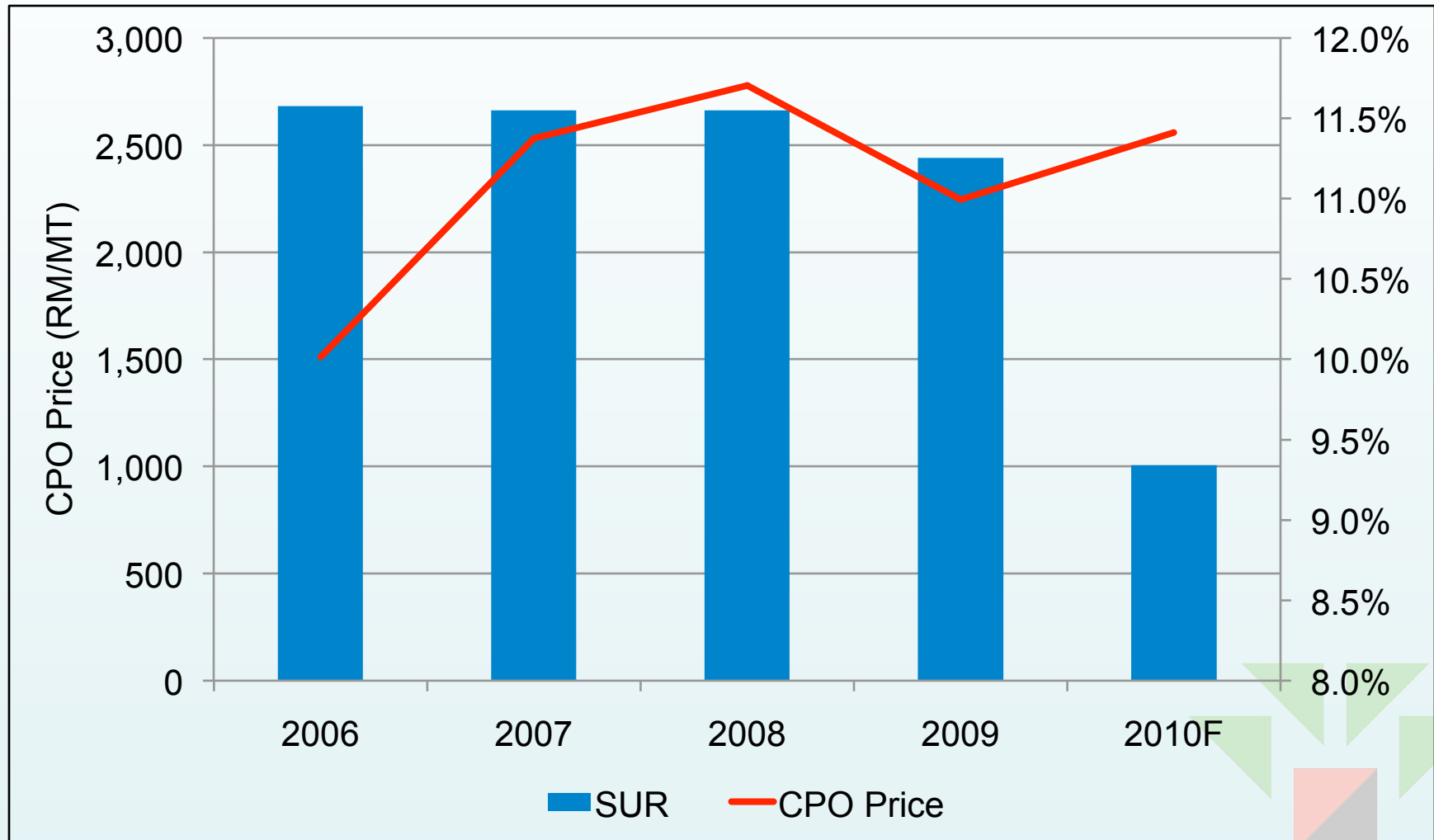
# TIGHT OILS & FATS SUPPLY IN 2010

- Production of oils & fats grows at slower pace vis-à-vis consumption.
- This tightness has so far being the major factor behind the strong vegetable oil prices including palm.
- For example, CPO average price is at RM2,559 for Jan-Aug, while average price for 2009 was RM2,244.
- Tightness of the oils & fats supply is also clearly reflected through the Stock-Usage ratio.



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# STOCK-USAGE RATIO OF OILS & FATS



Source: Oil World , MPOB & MPOC Estimates

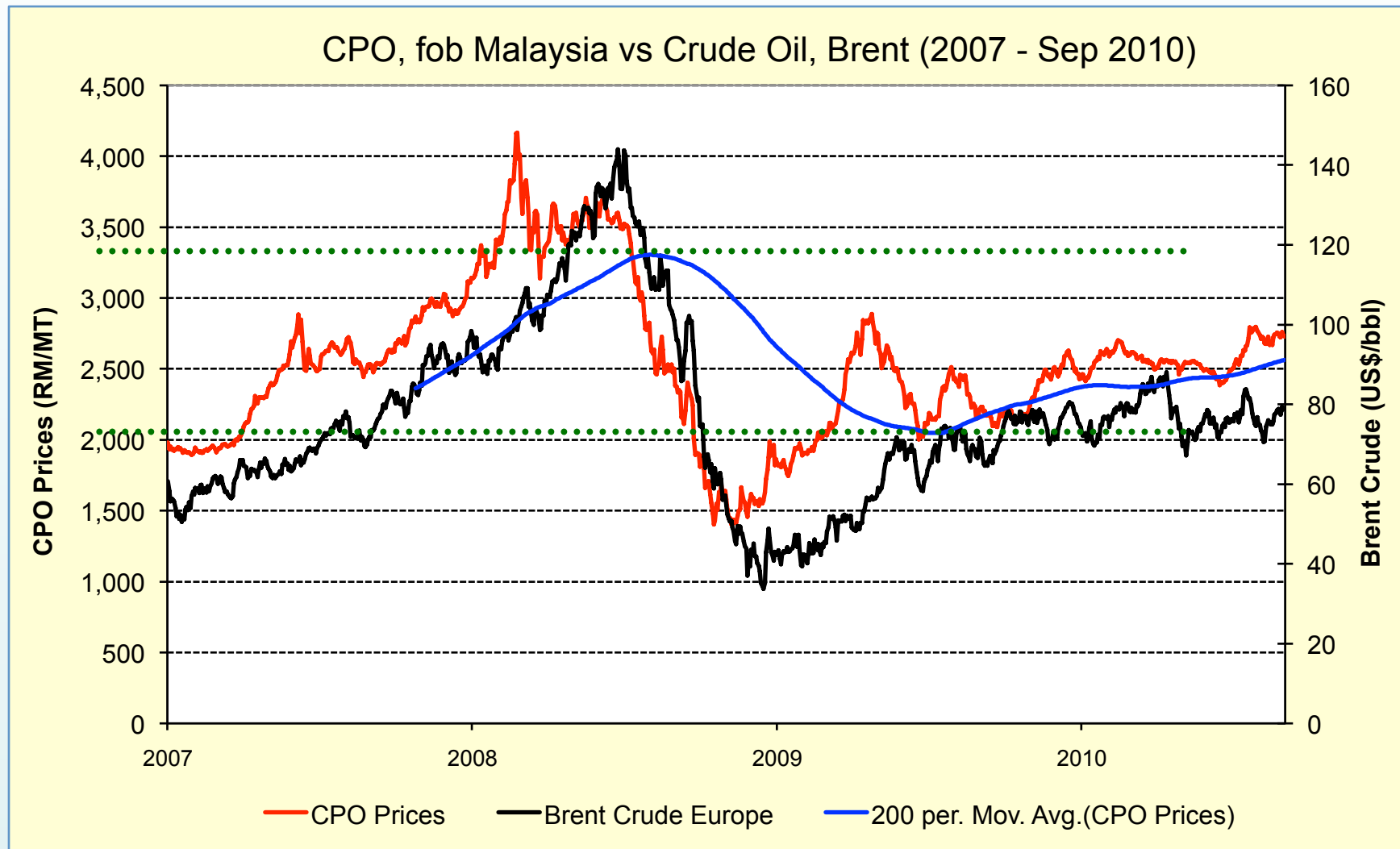


# INCREASED BIODIESEL PRODUCTION COMPETE WITH OTHER SECTORS FOR SAME FEEDSTOCK

('Mn. T)	2006	2007	2008	2009	2010F
EU-27	4.9	6.0	7.5	8.4	9.6
USA	1.1	1.7	2.7	1.8	2.1
Argentina	0.1	0.2	0.7	1.2	1.7
Brazil	0.1	0.4	1.0	1.4	2.0
Colombia	0.0	0.1	0.0	0.2	0.4
Thailand	0.0	0.1	0.4	0.5	0.7
Turkey	0.3	0.1	0.1	0.0	0.1
Other	0.7	1.2	1.9	2.4	2.9
TOTAL	7.1	9.5	14.3	15.9	19.5
% Change	98.3%	33.7%	50.4%	11.2%	22.6%

Source: Oil World & USDA

# CPO PRICE CORRELATES CLOSELY WITH CRUDE OIL

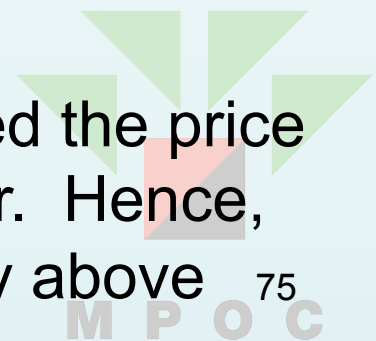


Source: MPOB & EIA

M P O B

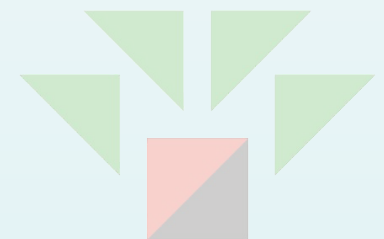
# SUMMARY

- While demand is projected to increase by 4.3 Mn. MT in 2010, the performance of oils & fats production in the last quarter will determine whether there will be any changes in production volume projected in 2010. The countries that are in the radar are EU, China and USA as their major oil crops are due for harvesting and entering the market at this period.
- Currently, the estimated production remains intact and this has been factored into the current price of CPO at above RM2,700. The price was also supported by the greater role that palm oil played in satisfying global demand this year.
- Firm crude mineral oil price which has supported the price so far, is expected to last for the rest of the year. Hence, average CPO price for 2010 is projected to stay above **RM2,600**



# SUMMARY

- Palm oil is expected to continue as the growth leader in output with Malaysia & Indonesia as main source of supply for 2011.
- Production of soybean in South America in 2011 will be the focus in determining price direction in 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2011. At this point in time, projected lower soybean production may further deteriorate as dry spell remain a teething factor for the output.
- Increase in soybean oil application for biodiesel production in South America also expected to reduce the availability of soybean oil traded globally.



# SUMMARY

- However, CPO output in both Malaysia and Indonesia in 2011 may increase substantially due to the delay in potential yield in 2010 as a result of El Nino and La Nina effect.
- Hence, CPO price may remain firm into the first quarter of 2011 if the projected lower soybean output in South America materialized.
- Further update on the development will be available on MPOC Online Seminar: **POINTERS on PRICE TREND** on 7-13 Feb, 2011.



- **POINTERS on PRICE TREND** will also make available presentation by experts on topics attending to latest development of palm oil industry.