

POTS
2nd INTERNATIONAL PALM OIL
TRADE FAIR &
SEMINAR *2008*

Changing Marketing Landscape - Challenges for Business Sustainability

24 - 26 August 2008

**CHINA - THE GLOBAL DRIVER FOR ECONOMICS,
CONSUMPTION AND DEMAND IN THE
OILS AND FATS MARKET**

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SESSION 3

MARKET FUNDAMENTALS & PRICE OUTLOOK

China - The Global Driver for Economics, Consumption and Demand in the Oils and Fats Market

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Abstract

US financial market has been cracking severely in response to the obvious weaker real estate and related financial derivatives caused by the sub-prime mortgage crisis during April 2008, driving continued record highs from global commodity and commodity futures market indirectly. Firstly, greenback has been weakening continually in recent years. Secondly, greenback owners choose commodity and commodity futures market, mainly including crude oil, noble metals and agriculture products, to hedge and avoid further business loss. Thirdly, the serious decrease in Australian wheat production consecutively in 2006 and 2007 has also contributed to the quick surges in global grain market, with corn included. As a whole, continue surges in CBOT corn, rapidly weakened greenbacks and soaring crude oil have driven the global grain and edible oil into a history high stage. As one of the emerging markets, or one of BRIK counties, China has also been exposed to the quake in global commodity market. In line with the rapidly developed economy and naturally increase in population, China has been expanding its edible oil imports in recent years. Actually, large demand on grains and edible oils by China and India supports the price strongly in the international commodity market. Although China is deemed to face an adjustment in 2008, its economy is hopeful to keep hiking quickly. National reserving system has been strengthening its exports in raising oils and oilseeds import despite the monetary squeeze policy as set by the central government. In particular, regional difference in economy development in China helps to highlight the importance of palm oil recently, which gains more and more importance amid consumers. Chinese government is encouraging oilseed production nowadays, but oilseed import is deemed to rise continually in the future.

China-The Global Driver for Economics, Consumption and Demand in the Oil and Fats Market

Senior Analyst

Tommy Xiao

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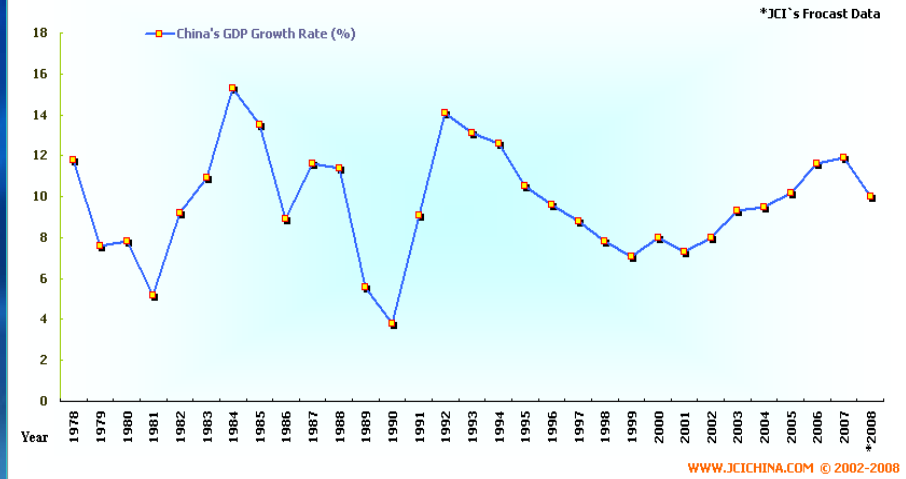
In particular, regional difference in economy development in China helps to highlight the importance of palm oil recently, which gains more and more importance amid consumers. Chinese government is encouraging oilseed production nowadays, but oilseed import is deemed to rise continually in the future.

PART I.

Chinese Oil Consuming Market Under Rapid Development of China's Economy.

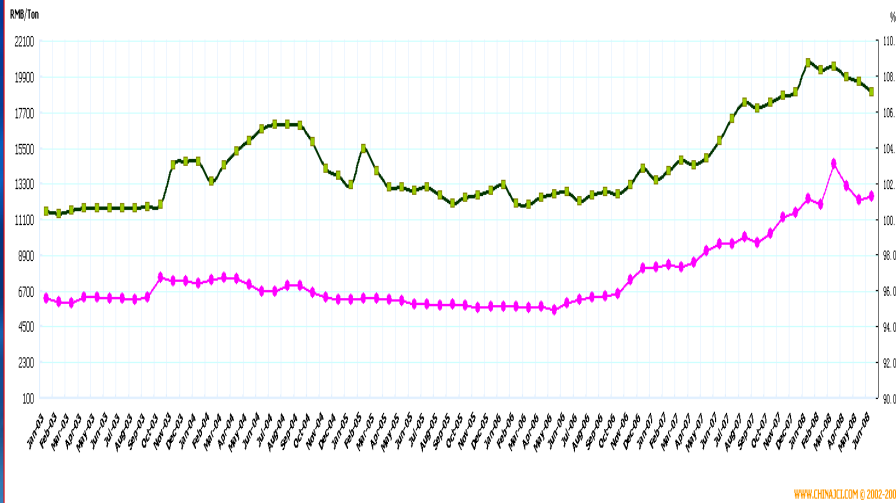
China's Economy keeps rapid growth, but also faces challenge from environmental problems brought by Labor-intensive Economy.

China's GDP Growth from 1978 to 2008

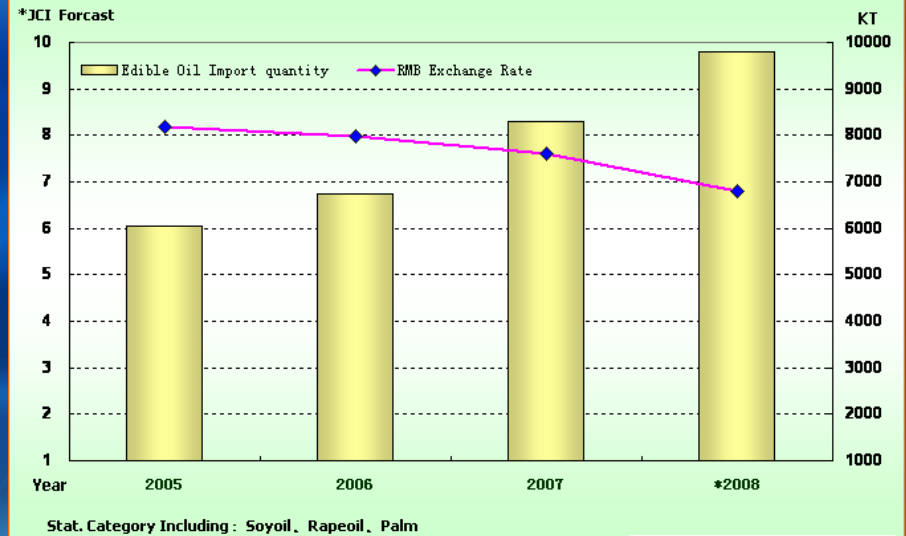


Rising RMB Makes Imported Oil More Competitive(in Chinese market)

China's CPI & Average Edible Oil Price Index

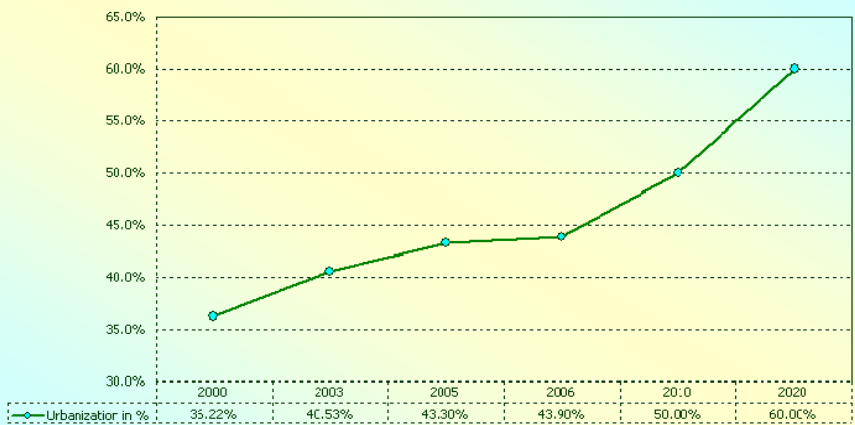


CNY/USD VS China's Edible Oil Imports



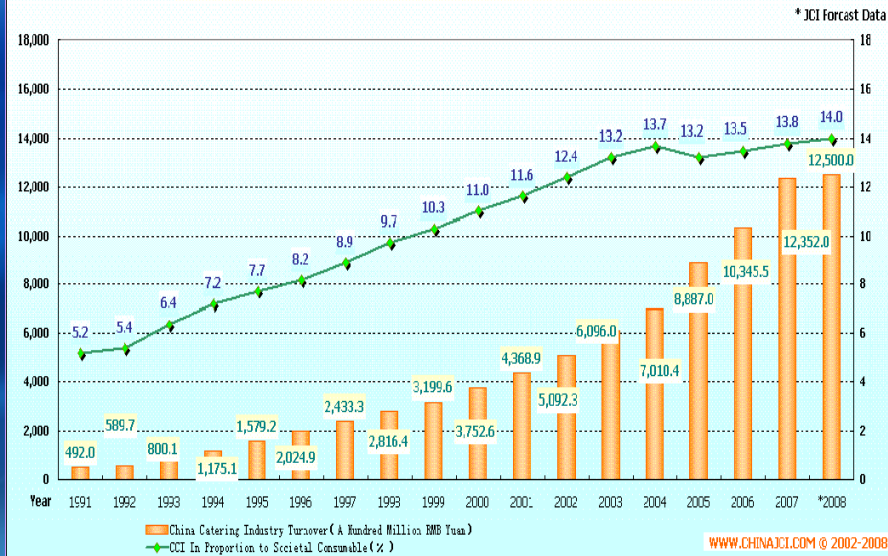
China's Rapid Economic Growth Boosts Urbanization and Edible Oil Consumption.

2000 – 2020 China Urbanization Development Outlook



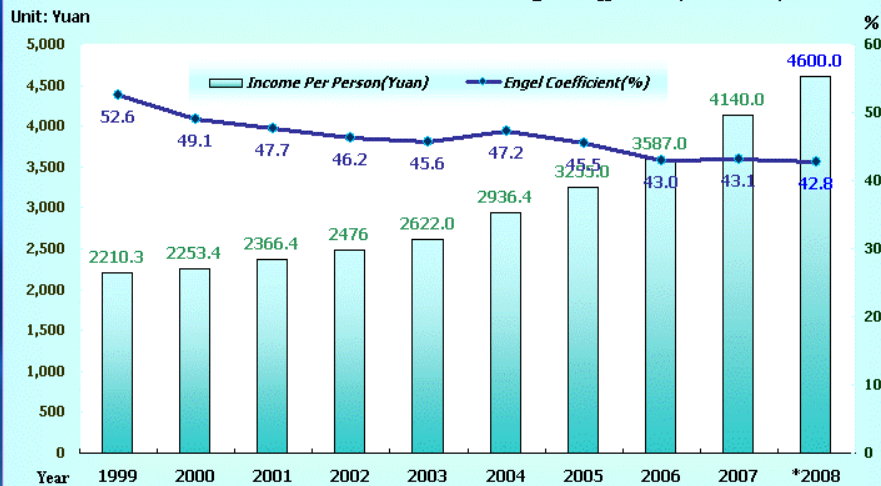
* From year 1985 to 2025, around 600 million people is expected to move from rural areas to urban cities.

Business Revenue Of China's Catering Industry & Its Weight In Social Economy



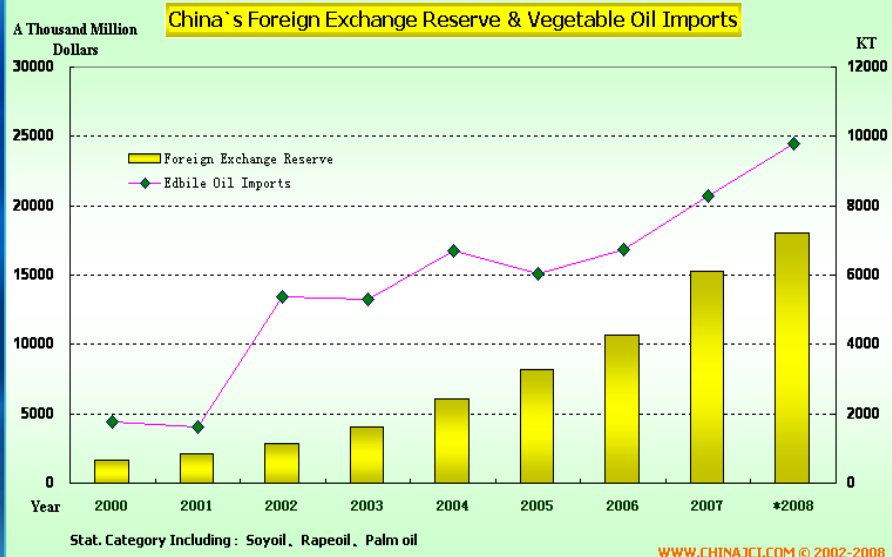
China's Edible Oil Consumption To Keep Substantial Rise.

Chinese Farm Income Per Person and Engel Coefficient (1999-2008)



*JCI Forecast Data

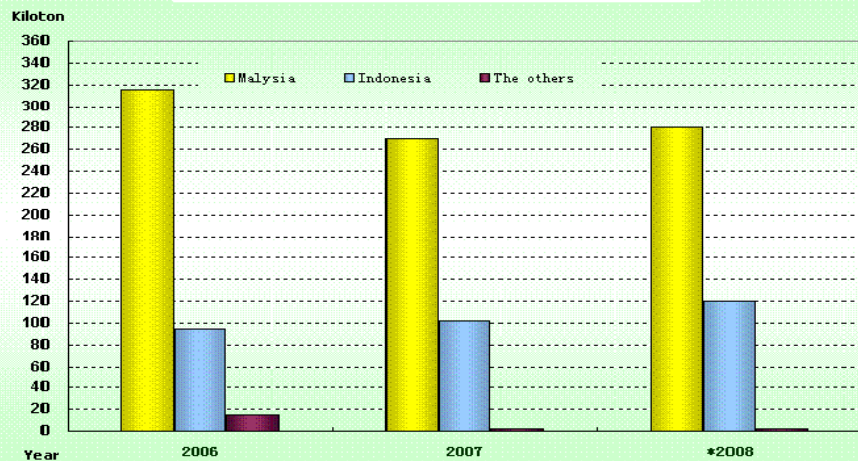
China's Foreign Exchange Reserve and Vegetable Oil Imports.



Stat. Category Including: Soyoil, Rapeoil, Palm oil

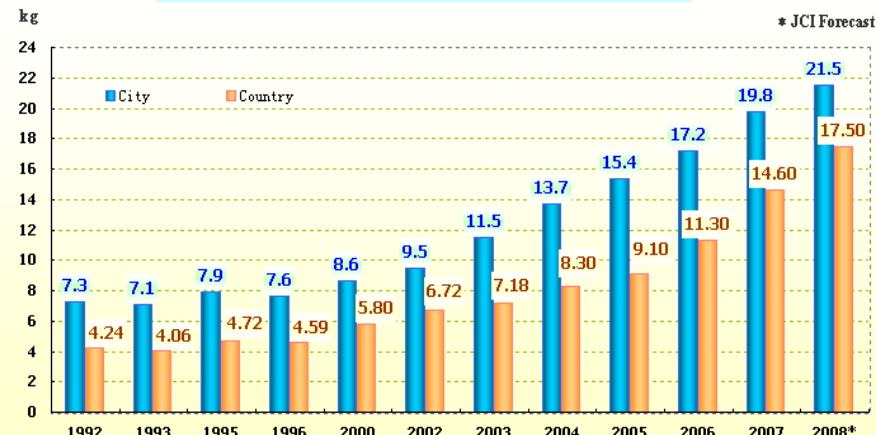
From November 1, 2007 till now, China has purchased 800,000-900,000 MT of soy oil in all. In near future, palm oil will be added into the state reserve variety, which can raise edible oil import strongly.

China's 24C Refined Palm Oil Assoeted Imports



Regional Difference Of Economic Growth Makes Palm Oil More Valuable.

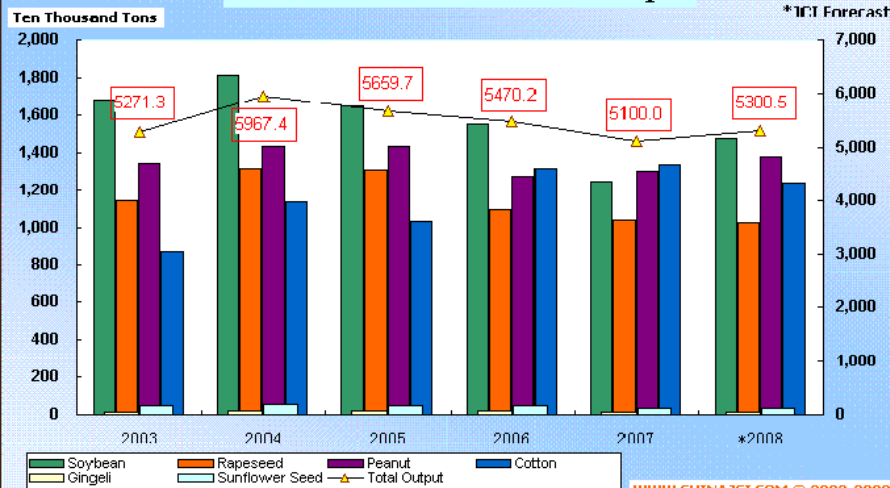
JCI: China's Vegetable Oil Consumption Per Capita



Data processing: Including familial and social consumption

Chinese Government Encourages Oilseed Production, But Still Face Short Domestic Supply.

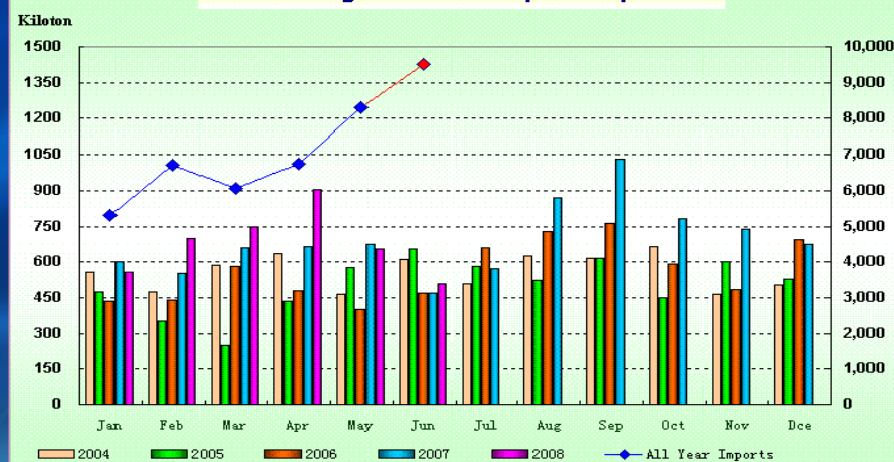
JCI: China's Main Oilseeds Output



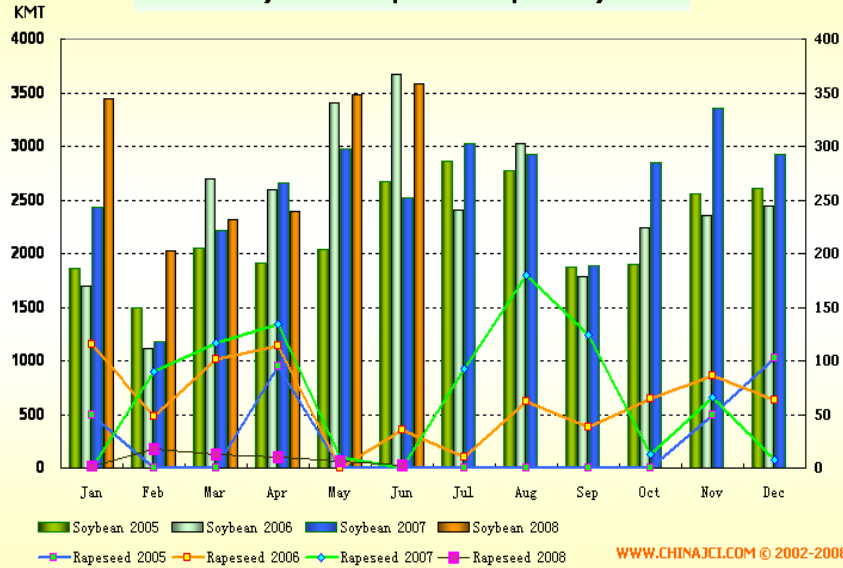
PART II. Future Trend Of China's Oil Consuming Market.

China's Oil and Oilseed Import to Maintain High Increase Rate.

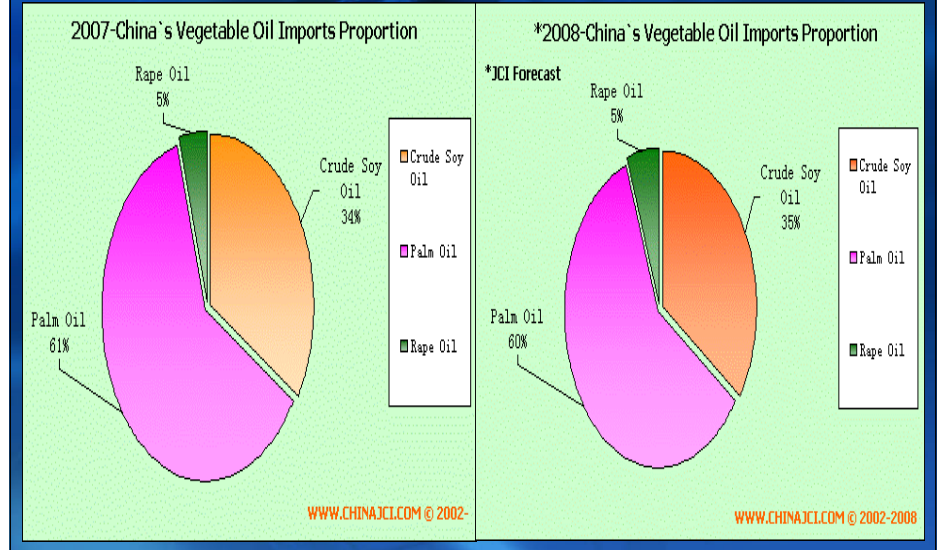
China's Vegetable Oil Imports By Month



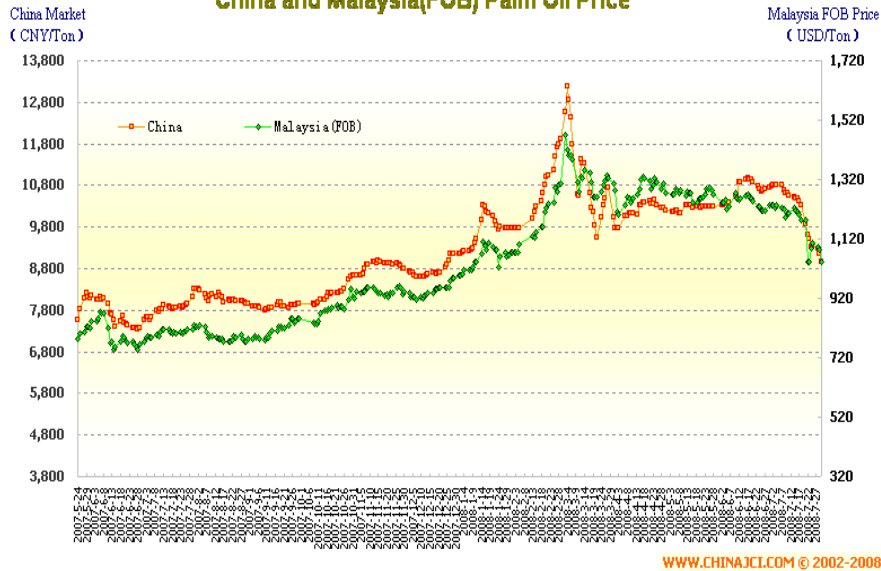
China's Soybean & Rapeseed Imports By Month



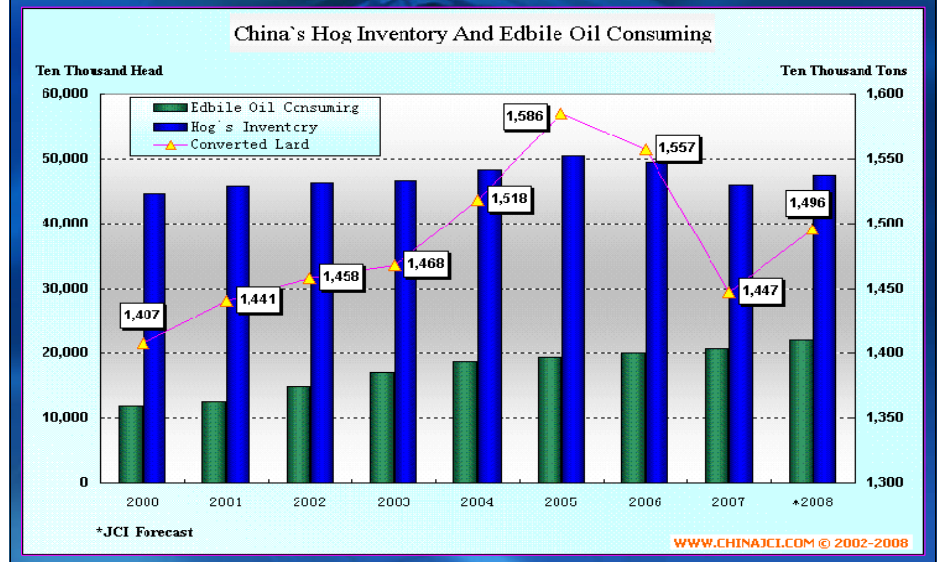
Palm Oil ranks the first among China's Vegetable Oils Imports.



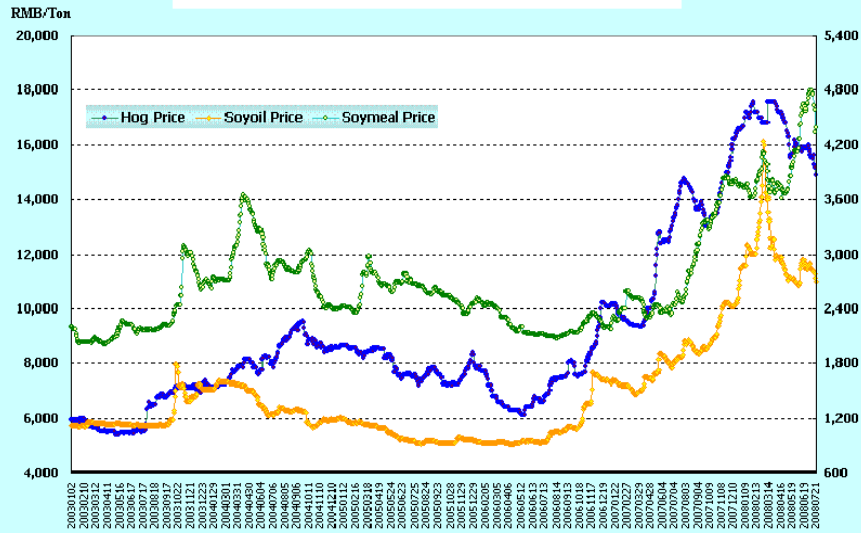
China and Malaysia(FOB) Palm Oil Price



China's Edible Oils Consumption Fluctuation Period Closely Related to Lard.

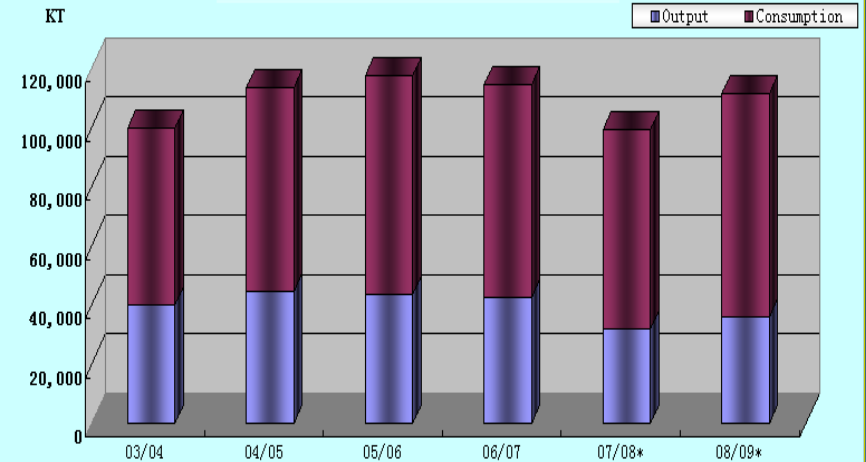


China's Soyoil Soymeal & Hog Price Daily Chart



Edible Oil Imports to Keep Quick Increase Without Government Control

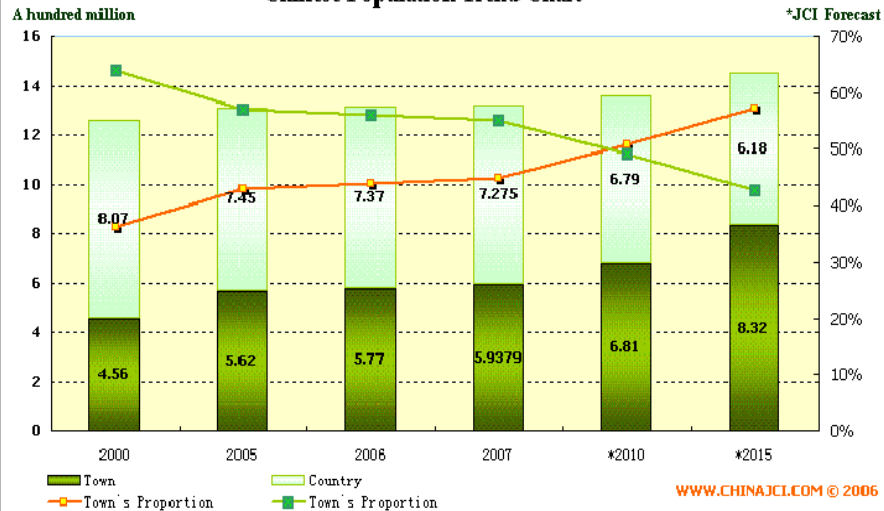
China's Main Oilseeds Demand & Imports



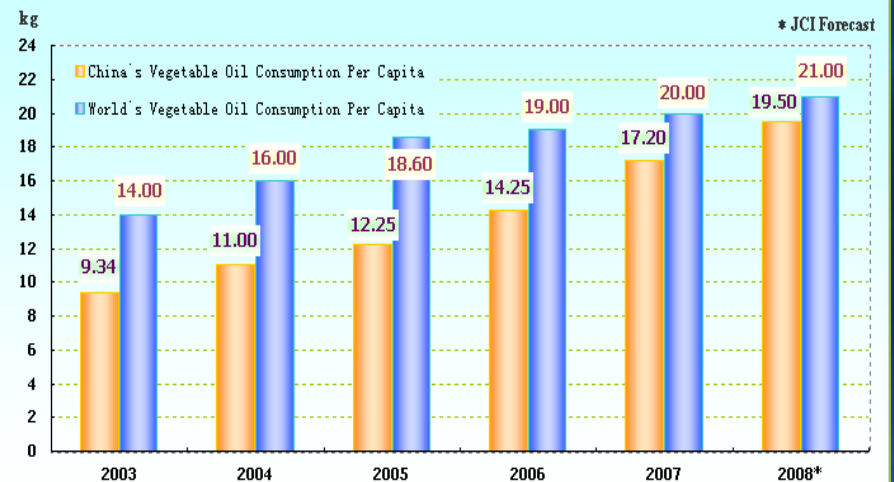
Variety: Soybean, Rapeseed, Peanut

China's Vegetable Consumption Per Capita to Stabilize at High Level with Economic and Population Growth.

Chinese Population Trend Chart

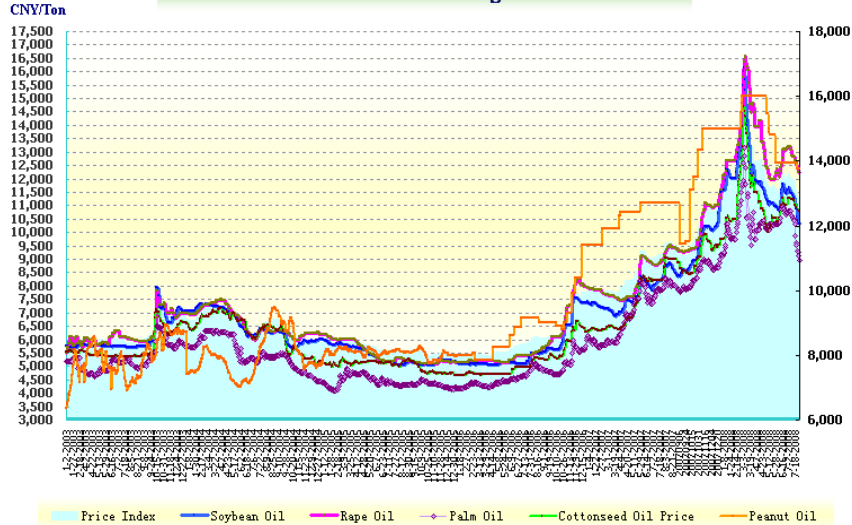


JCI: China's & World's Vegetable Oil Consumption Per Capita



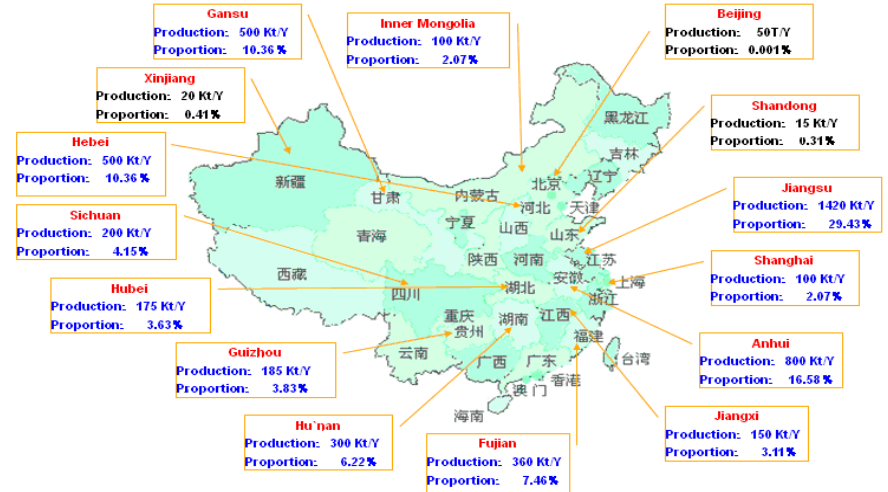
Data processing: Including familial and social consumption

JCI: Price Chart Of Five Main Vegetable Oils In China

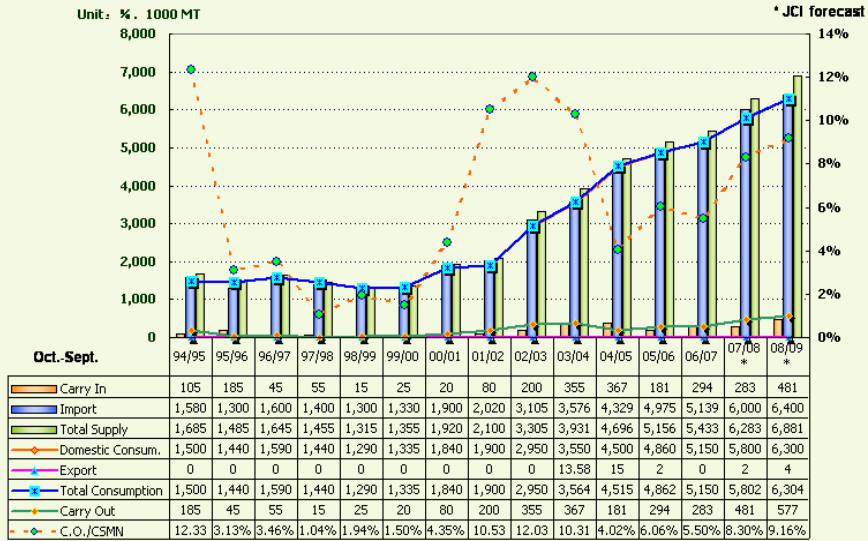


Quick and stable development of China's bio-diesel industry helps to boost local industrial demand of edible oil, including palm oil.

2008 China's Strategic Distribution of Bio-diesel Production

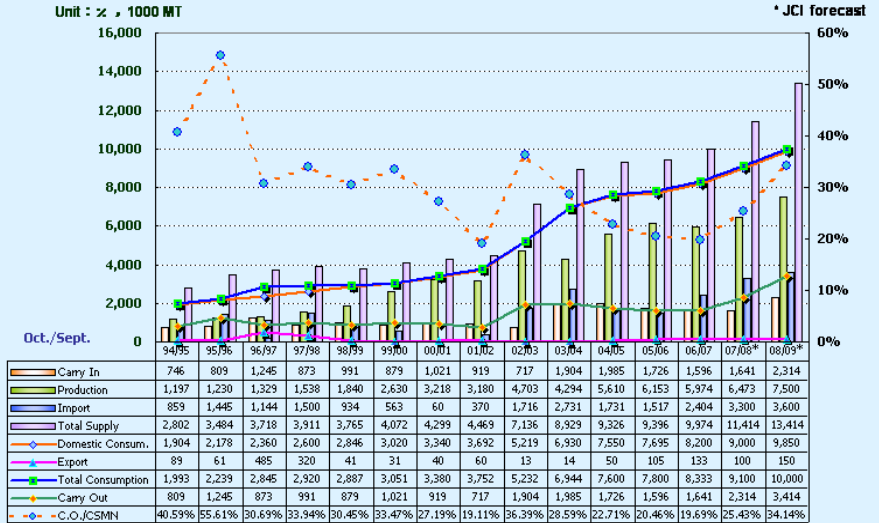


China Palm oil Supply & Demand (August, 2008)



*2008/09 year witnessed the historically highest import, 1992/93 year witnessed the lowest

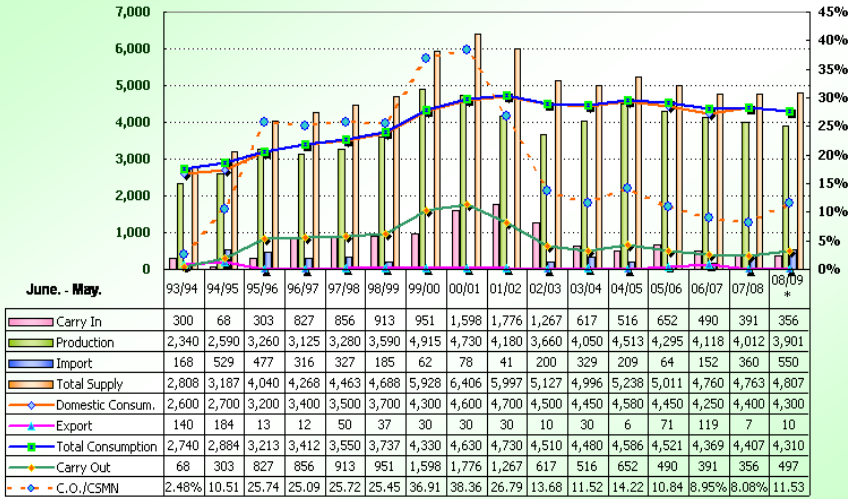
China Soyoil Supply & Demand (August, 2008)



*2008/09 year witnessed the historically highest output, 1992/93 year witnessed the lowest

China Rapeoil Supply & Demand (August, 2008)

Unit: % , 1000 MT * JCI Forecast

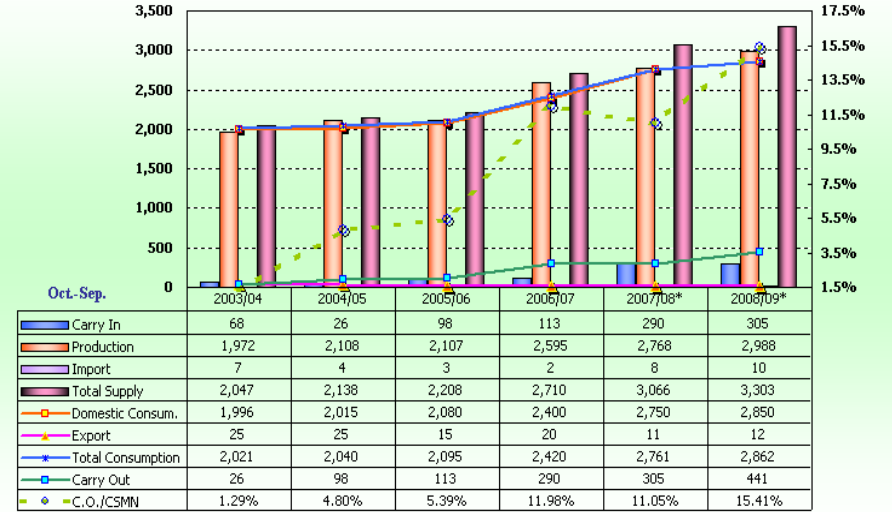


*1999/2000 year witnessed the historically highest output, 1993/94 year witnessed the lowest

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China Peanut Oil Supply and Demand Balance Sheet (August, 2008)

Unit: % , KMT * JCI forecast



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Thank you !

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