

GLOBAL OILS & FATS OUTLOOK EXPECTATIONS FOR 2ND HALF

2018

BY

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MALAYSIAN PALM OIL COUNCIL**

PRESENTATION OUTLINE

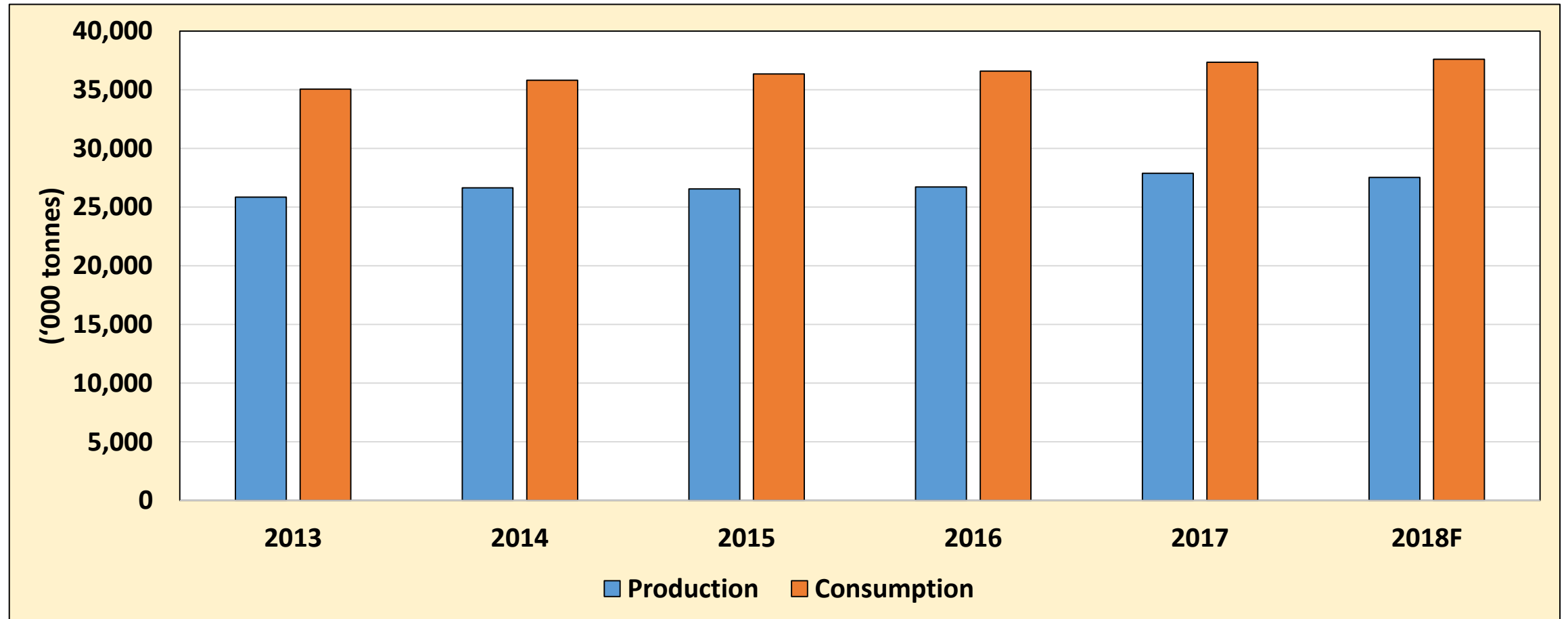
- 1. DEMAND SCENARIO**
- 2. SUPPLY SCENARIO**
- 3. MARKET OVERVIEW**
- 4. PRICE OUTLOOK**



DEMAND

DEMAND SCENARIO

CHINA OILS & FATS PRODUCTION VS CONSUMPTION 2012 – 2018(F)



Source : Oil World & MPOC Estimates

CHINA - OILS & FATS OUTLOOK 2018

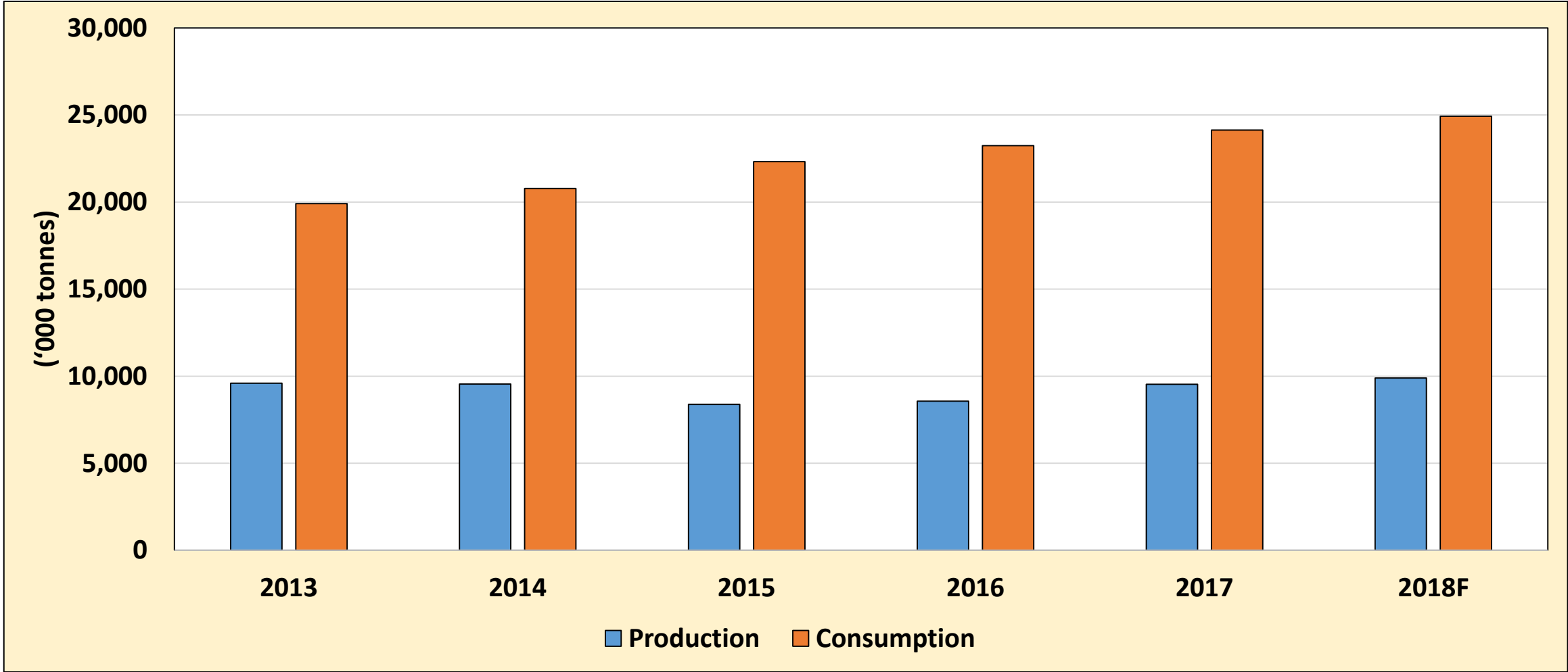
- **GDP growth and rising population are drivers expected to stimulate higher demand for vegetable oils and fats in China for 2018.**
- **China's population will grow by 0.5% or 6.9 million to 1.39 billion in 2018.**
- **We forecast that China's oils & fats consumption will increase by 0.26 million tonnes to 37.6 million tonnes in 2018**
- **Due to higher consumption and lower domestic production, China's oils & fats import will likely increase to 10.6 million tonnes out of which palm oil will comprise 5.3 million tonnes or 50%**

OILS & FATS SUPPLY & DEMAND SCENARIO FOR CHINA

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018F
Opening Stock	6,548	7,819	7,740	7,518	5,592	4,556	630
Production	25,852	26,639	26,541	26,719	27,876	27,521	0
Import	10,618	9,266	9,774	8,131	8,736	10,607	5,300
Export	148	178	199	188	239	264	0
Consumption	35,051	35,806	36,337	36,588	37,336	37,594	5,290
Ending Stock	7,819	7,740	7,518	5,592	4,556	4,826	640
Stock Usage Ratio	22.21%	21.51%	20.58%	14.70%	10.80%	12.75%	12.09%

Source : Oil World & MPOC Estimates

INDIA OILS AND FATS PRODUCTION VS CONSUMPTION 2012 – 2018(F)



Source : Oil World & MPOC Estimates



INDIA – PALM OIL OUTLOOK 2018

- The suspension of export duty for CPO in January has seen a tremendous increase in Malaysian palm oil exports to India in the first four months of 2018
- However, in March India raised import tax on crude and refined palm oil to the highest level in more than a decade in a move to support local farmers.
- Import tax on crude palm oil rose to 48.4% from 33% while tax on refined palm oil rose to 59.4% from 44%

Malaysian Palm Oil Exports to India (Tonnes)			
	2018	2017	DIFF
JANUARY	201,547	139,427	62,120
FEBRUARY	313,784	133,488	180,296
MARCH	394,947	171,463	223,484
APRIL	299,887	160,878	139,009
TOTAL	1,210,165	605,256	604,909

INDIA – IMPORT DUTY

 Products	Duty up to 10 Aug 2017	Effective 11 Aug 2017	Effective 17 Nov 2017	Effective 2 Feb 2018	Effective 2 Mar 2018
Crude Palm Oil	7.50%	15.00%	30.00%	33.00%	48.40%
RBD Palmolein	15.00%	25.00%	40.00%	44.00%	59.40%
RBD Palm Oil	15.00%	25.00%	40.00%	44.00%	59.40%
Crude Soybean Oil	12.50%	17.50%	30.00%	33.00%	33% (no change)
Crude Sunflower Oil	12.50%	12.50% (no change)	25.00%	27.50%	27.5% (no change)
Crude Rapeseed Oil	12.50%	12.50% (no change)	25.00%	27.50%	27.5% (no change)
Refined Soybean Oil	20.00%	20% (no change)	35.00%	38.50%	38.5% (no change)
Refined Sunflower Oil	20.00%	20% (no change)	35.00%	38.50%	38.5% (no change)
Refined Rapeseed Oil	20.00%	20% (no change)	35.00%	38.50%	38.5% (no change)
Crude Cottonseed Oil			12.50%	33.00%	33% (no change)
Refined Cottonseed Oil			20.00%	38.50%	38.5% (no change)

As of 2 March 2018

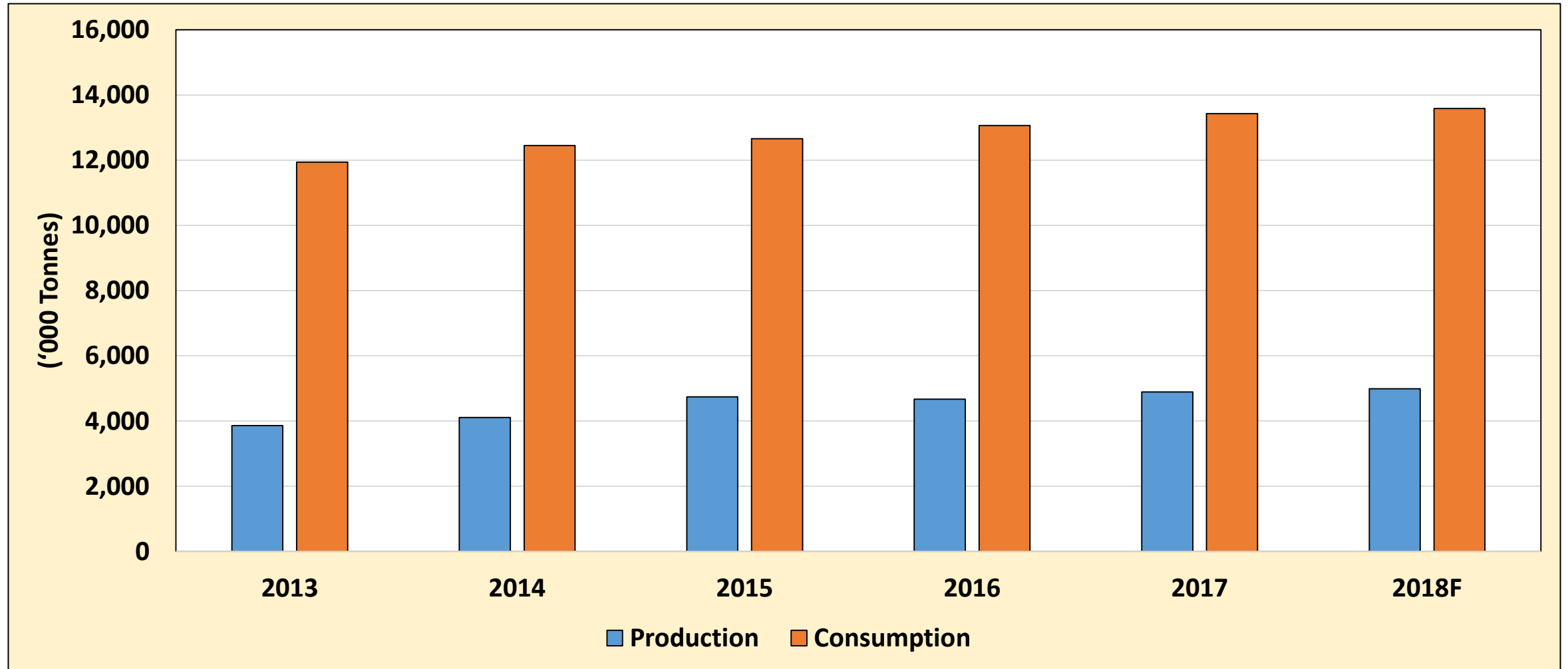
INDIA OILS & FATS OUTLOOK 2018

- **India oils & fats consumption is expected to reach 24.98 million tonnes and they rely on imports for 70% of its edible oil needs**
- **According to the Solvent Extractors Association, India's oilseed crushing plants are operating at only 20-30 percent of capacity.**
- **Declines in domestic production of soybeans, peanuts, and rapeseed this year are only exacerbating those circumstances**
- **India is expected to maintain its import level at almost the same level as last year at 15.5 million tonnes out of which palm oil will account about 9.8 million tonnes**

OILS & FATS SUPPLY & DEMAND SCENARIO FOR INDIA

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018 F
Opening Stock	1,875	2,129	2,615	3,260	2,293	2,581	1,626
Production	9,591	9,548	8,382	8,566	9,536	9,890	190
Import	11,162	12,209	15,133	14,290	15,502	15,563	9,805
Export	584	493	554	530	547	530	0
Consumption	19,915	20,777	22,316	23,237	24,139	24,928	9,971
Ending Stock	2,129	2,615	3,260	2,293	2,581	2,687	1,650
Stock Usage Ratio	10.38%	12.29%	14.25%	9.65%	10.45%	10.47%	16.55%

MIDDLE EAST OILS & FATS PRODUCTION VS CONSUMPTION 2013 -2018F (TONNES)



Source : Oil World & MPOC Estimates

MIDDLE EAST OILS & FATS OUTLOOK - 2018

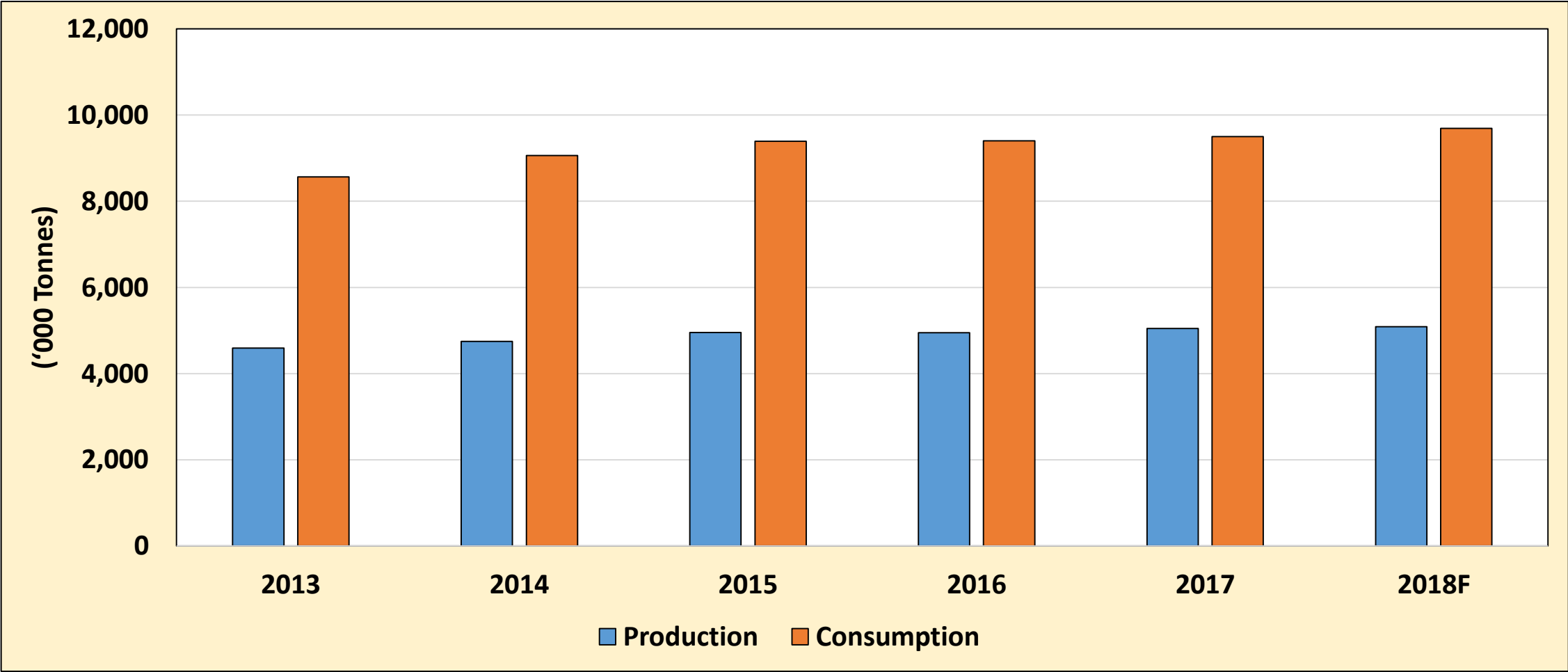
- The three biggest oils and fats consuming countries in this region are Turkey, Iran and Egypt.
- These three countries oils and fats import make up 44.7% (4.91 million tonnes) of the total of 10.99 million tonnes imported in 2017.
- In 2018, Egypt's oils and fats consumption is forecast 2.23 million tonnes while imports is forecast at 2.11 million tonnes
- Iran's oils & fats consumption is forecast to rise to 2.19 million tonnes while production will be at 0.66 million tonnes. Palm oil is gaining popularity due to relatively low selling price and versatility in both edible & industrial applications
- Turkey's oils & fats consumption is forecast at 2.75 million tonnes while production is forecast at 1.71 million tonnes.

OILS & FATS SUPPLY & DEMAND SCENARIO FOR MIDDLE EAST

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018 F
Opening Stock	2,563	2,752	2,721	3,210	3,289	3,159	717
Production	3,862	4,109	4,742	4,672	4,893	4,990	0
Import	10,604	10,776	10,716	10,862	10,878	10,990	4,353
Export	2,335	2,463	2,305	2,389	2,473	2,495	802
Consumption	11,941	12,452	12,663	13,066	13,428	13,586	3,927
Ending Stock	2,752	2,721	3,210	3,289	3,159	3,057	341
Stock Usage Ratio	19.27%	18.24%	21.45%	21.28%	19.86%	19.01%	7.21%

Source : Oil World & MPOC Estimates

SUB-SAHARAN AFRICA – OILS & FATS PRODUCTION VS CONSUMPTION 2013 – 2018F ('000 TONNES)



Source : Oil World & MPOC Estimates



SUB SAHARAN AFRICA – OILS & FATS OUTLOOK 2018

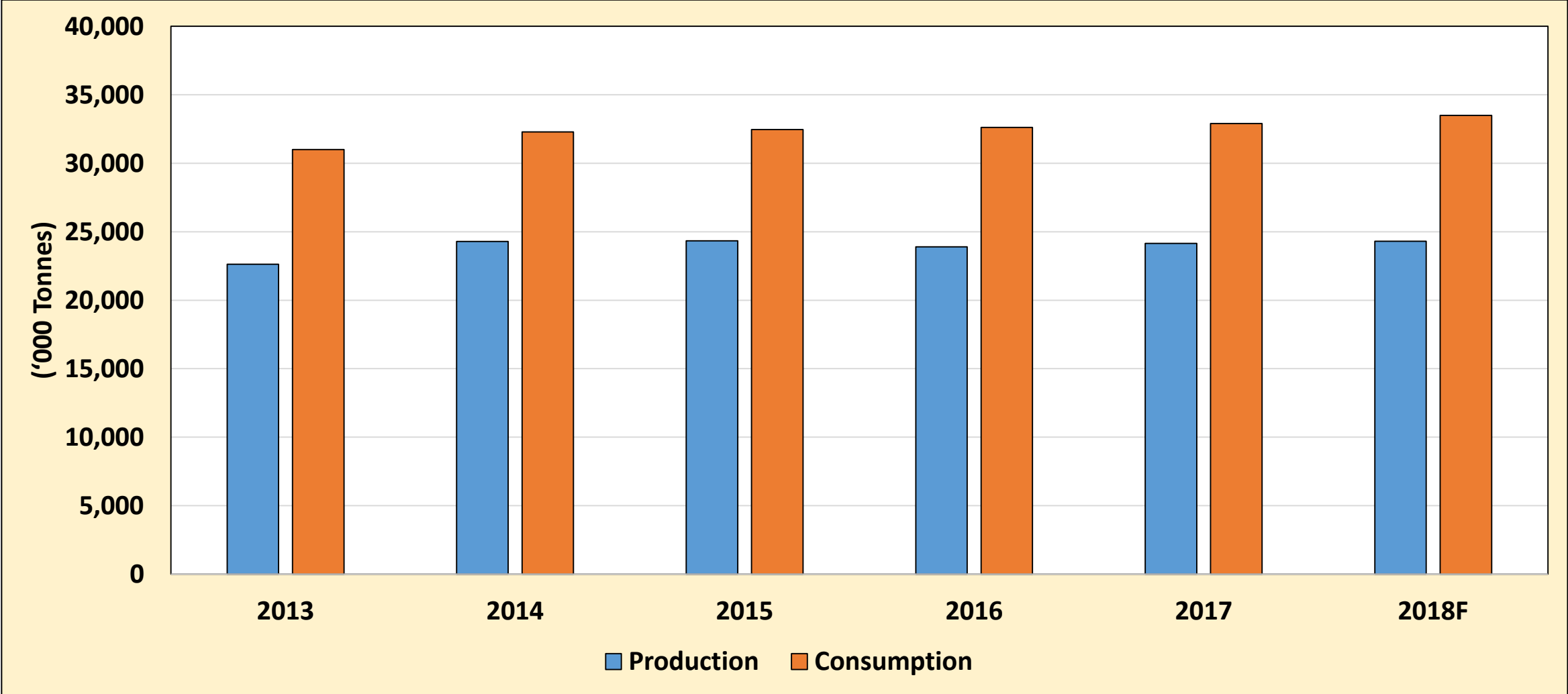
- **Based on World Bank report, economic growth in Sub-Saharan Africa is forecasted at 3.1% in 2018**
- **In 2018, it is forecast the this region will consume 9.69 million tonnes oils and fats but can only produce 5.74 million tonnes**
- **This gap in oils and fats demand are likely to be filled by the imports of palm oil**
- **This growth of palm oil demand can be attributed to several factors; among them are increasing population, economic growth and palm oil competitive price compared to other oils and fats**

OILS & FATS SUPPLY & DEMAND SCENARIO FOR SUB SAHARAN AFRICA

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018 F
Opening Stock	1,104	1,327	1,557	1,766	1,576	1,676	950
Production	4,595	4,747	4,955	4,950	5,050	5,090	2,650
Import	5,243	5,725	5,768	5,340	5,600	5,740	5,040
Export	1,050	1,181	1,124	980	1,050	1,150	280
Consumption	8,565	9,061	9,390	9,400	9,500	9,690	7,650
Ending Stock	1,327	1,557	1,766	1,676	1,676	1,666	710
Stock Usage Ratio	13.80%	15.20%	16.80%	16.15%	15.89%	15.37%	8.95%

Source : Oil World & MPOC Estimates

EU 28 OILS & FATS PRODUCTION VS CONSUMPTION 2013 -2018F (TONNES)



Source : Oil World & MPOC Estimates



EUROPE - OILS & FATS OUTLOOK 2018

- Lower rapeseed output is estimated in 2017/18. The main contributing factor is unfavourable growing conditions that will result in lower yields, especially in France, Germany, Estonia, Latvia and Lithuania.
- Higher average yield for sunflower and soybean are expected, compared to the previous output, with sunflower production forecast to be up by more than 9 percent
- The demand for oils and fats in this region has been increasing due to the supply deficit of domestic oils and fats plus demand from growth in the biodiesel sector
- Anti-dumping duties on Argentinian and Indonesian biodiesel exports have left Malaysia as the major exporter to the EU. However, while palm oil consumption saw an increase in energy purposes, its demand in the food sector suffered a setback as food manufacturers shifted to use more sunflower oil
- Nevertheless, the EU will continue to be a net importer of oils and fats due to supply shortage

EU-28: BIODIESEL CONSUMPTION BY COUNTRY

**Table 8. EU Biodiesel/HVO Consumption
Main Consumers (million liters)**

Calendar Year	2011 ^r	2012 ^r	2013 ^r	2014 ^r	2015 ^r	2016 ^e	2017 ^f	2018 ^f
France	2,624	2,914	2,971	3,232	3,249	3,272	3,270	3,290
Germany	2,756	2,874	2,581	2,678	2,465	2,467	2,640	2,640
Spain	1,921	2,563	941	1,036	1,091	1,293	1,460	1,530
Italy	1,654	1,623	1,404	1,371	1,321	1,322	1,320	1,890
United Kingdom	1,034	636	977	954	909	966	1,020	1,080
Sweden	289	415	569	909	1,022	1,022	1,020	1,020
Poland	1,079	837	843	730	738	738	740	740
Austria	576	567	575	708	710	716	720	720
Finland	137	131	195	460	460	454	450	450
Belgium	344	354	364	375	454	454	450	450
Portugal	476	356	332	351	399	327	380	385
Others	1,473	1,711	1,703	1,911	1,913	1,858	1,920	1,925
Total	14,363	14,981	13,454	14,716	14,732	14,890	15,390	16,120

Biodiesel sector has contributed to the increase of oils and fats consumption in the region. The forecast for biodiesel consumption in 2018 is 16.12 billion litres, equivalent to 14.2 million tonnes

r = revised / e = estimate / f = forecast EU FAS Posts.

Source: FAS EU Posts based on information collected in MT, then converted to liters using a conversion rate of 1 MT = 1,136 liters for biodiesel and 1,282 liters for HVO.

Source: USDA

OILS & FATS SUPPLY & DEMAND SCENARIO FOR EU 28

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018 F
Opening Stock	2,963	2,803	3,199	3,299	2,885	3,030	517
Production	22,628	24,287	24,343	23,903	24,141	24,300	0
Import	11,002	11,011	11,059	11,333	12,212	12,500	7,400
Export	2,785	2,615	2,835	3,037	3,315	3,400	150
Consumption	31,005	32,287	32,467	32,613	32,893	33,500	7,260
Ending Stock	2,803	3,199	3,299	2,885	3,030	2,822	543
Stock Usage Ratio	8.30%	9.17%	9.35%	8.09%	8.37%	8.75%	7.33%

Source : Oil World & MPOC Estimates

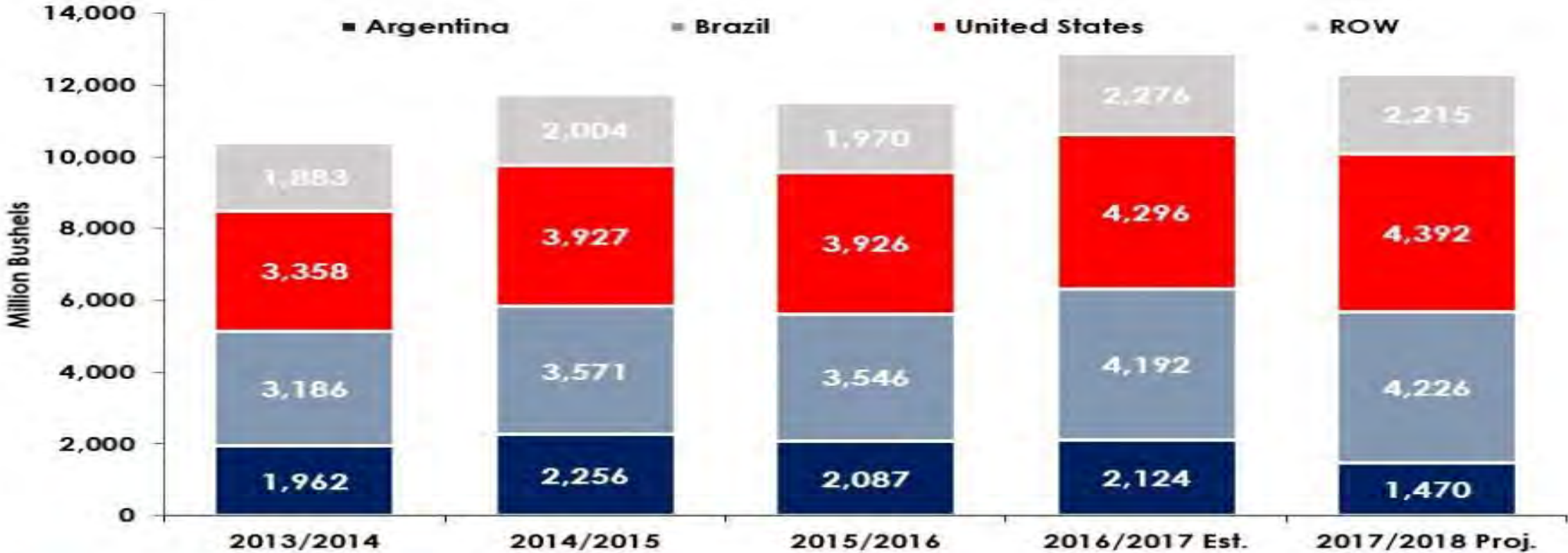


Supply

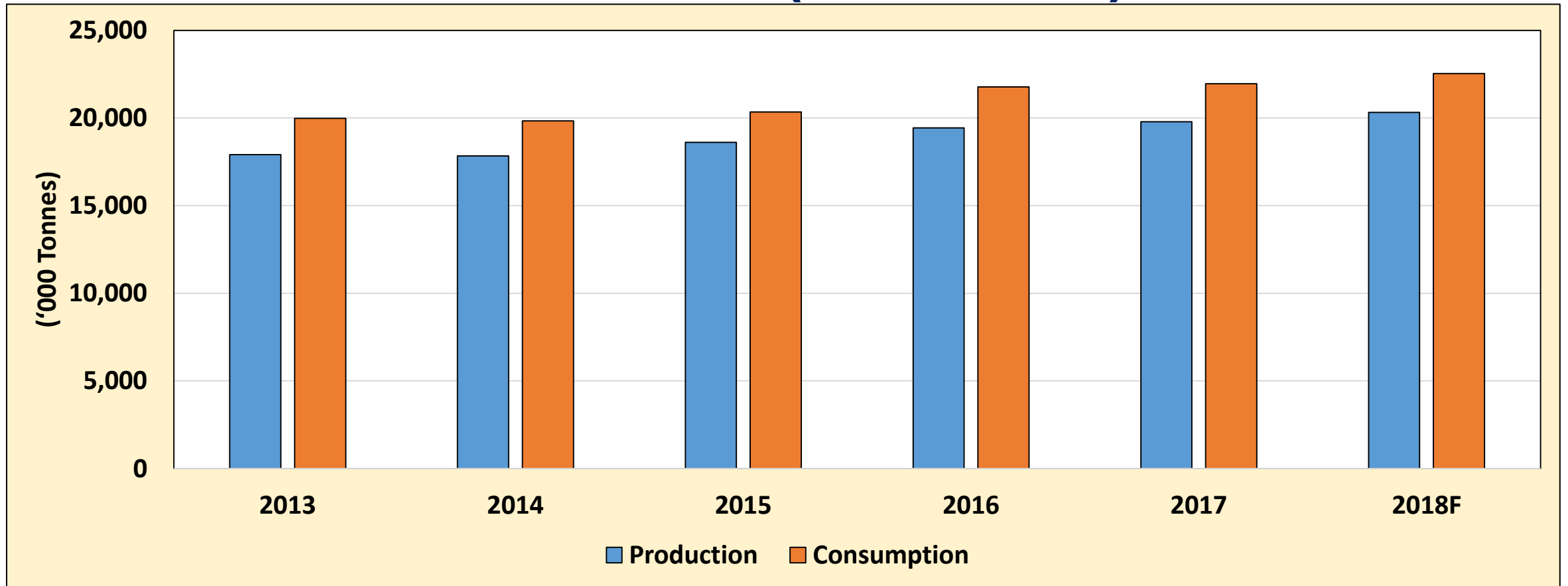
SCENARIO

GLOBAL SOYBEAN PRODUCTION

Figure. Actual and Projected Global Soybean Production



U.S.A OILS & FATS PRODUCTION VS. CONSUMPTION 2013 – 2018F ('000 TONNES)



Source: Oil World & MPOC Estimates

- The USA oils and fats consumption has always been more than its production and thus will continue to depend on imports

USA SOYBEAN OUTLOOK

United States (38 percent of world production)

Planting: Late April through June.

Harvest: Late September through the end of November

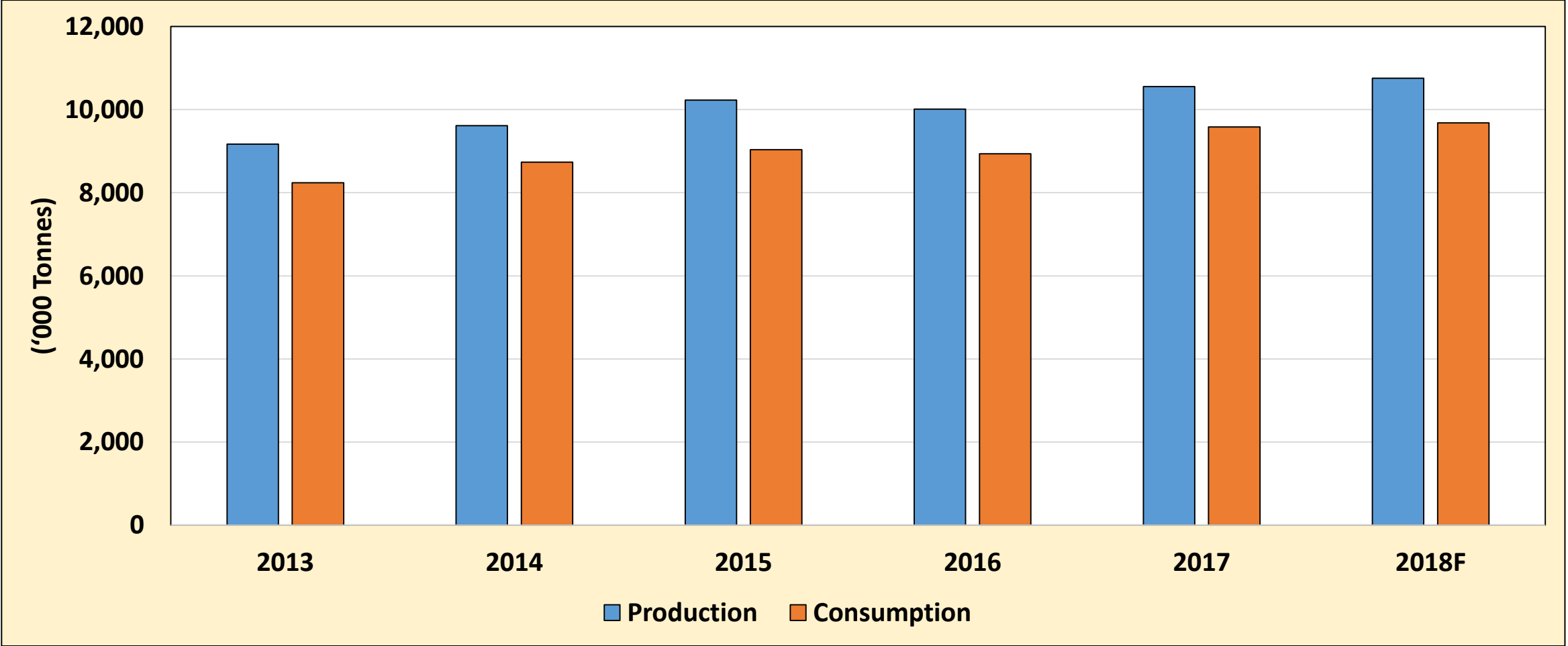
- **As at April 1, U.S. soybean stocks totalled 57.43 million tonnes, above the previous high of 48.72 million tonnes in 2006/07.**
- **Larger soybean inventories have accumulated in the first half of 2017/18 not only due to a higher beginning supply but also due to a decline in September-February 2018 use—particularly exports.**
- **So far in 2017/18, U.S. production gains for soybean oil are up 2 percent while use has increased negligibly and consequently, soybean oil stocks rose again in February.**
- **Minimal growth for soybean oil demand by biodiesel producers prompted a lower forecast (by 91,000 tonnes) of domestic use at 9.44 million tonnes.**

USA: OILS & FATS SUPPLY AND DEMAND SCENARIO

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018 F
Opening Stock	2,259	1,793	1,609	1,963	1,984	1,970	180
Production	17,914	17,832	18,608	19,436	19,783	20,317	0
Import	4,164	4,286	4,559	4,902	4,892	5,163	1,470
Export	2,566	2,472	2,483	2,544	2,736	2,927	92
Consumption	19,980	19,830	20,340	21,773	21,953	22,541	1,382
Ending Stock	1793	1,609	1,963	1,984	1,970	1,982	176
Stock Usage Ratio	7.95%	7.21%	8.60%	8.16%	7.98%	7.78%	11.94%

Source Oil World , MPOC Data & USDA Estimates

BRAZIL OILS & FATS PRODUCTION VS. CONSUMPTION 2013 – 2018F ('000 Tonnes)



Source: Oil World & MPOC Estimates



BRAZIL SOYBEAN OUTLOOK

Brazil (25 percent of world production)

Planting: Mid August through mid December

Harvesting: February through May

- **The 2017/18 Brazilian soybean crop is turning out to be much better than what was originally anticipated back in September when dry weather delayed the planting.**
- **Growing conditions are now generally favourable throughout the country. Brazil's 2017/18 harvested area for soybeans is expected to be 35 million hectares, from which a crop of 108 million metric tons would be produced.**
- **Brazil soybean exports for 2017/18 is forecast at 65.5 million tonnes based strong demand from China.**

BRAZIL : OILS & FATS SUPPLY AND DEMAND SCENARIO

('000 T)	2013	2014	2015	2016	2017	2018F	Palm Oil Balance 2018 F
Opening Stock	352	328	367	253	545	445	28
Production	9,169	9,614	10,230	10,011	10,556	10,754	495
Import	587	622	588	619	628	628	240
Export	1,541	1,460	1,899	1,401	1,701	1,803	90
Consumption	8,239	8,737	9,033	8,937	9,583	9,683	650
Ending Stock	328	367	253	545	445	341	23
Stock Usage Ratio	3.36%	3.60%	2.31%	5.27%	3.94%	2.97%	3.11%

Source : Oil World

ARGENTINA SOYBEAN OUTLOOK

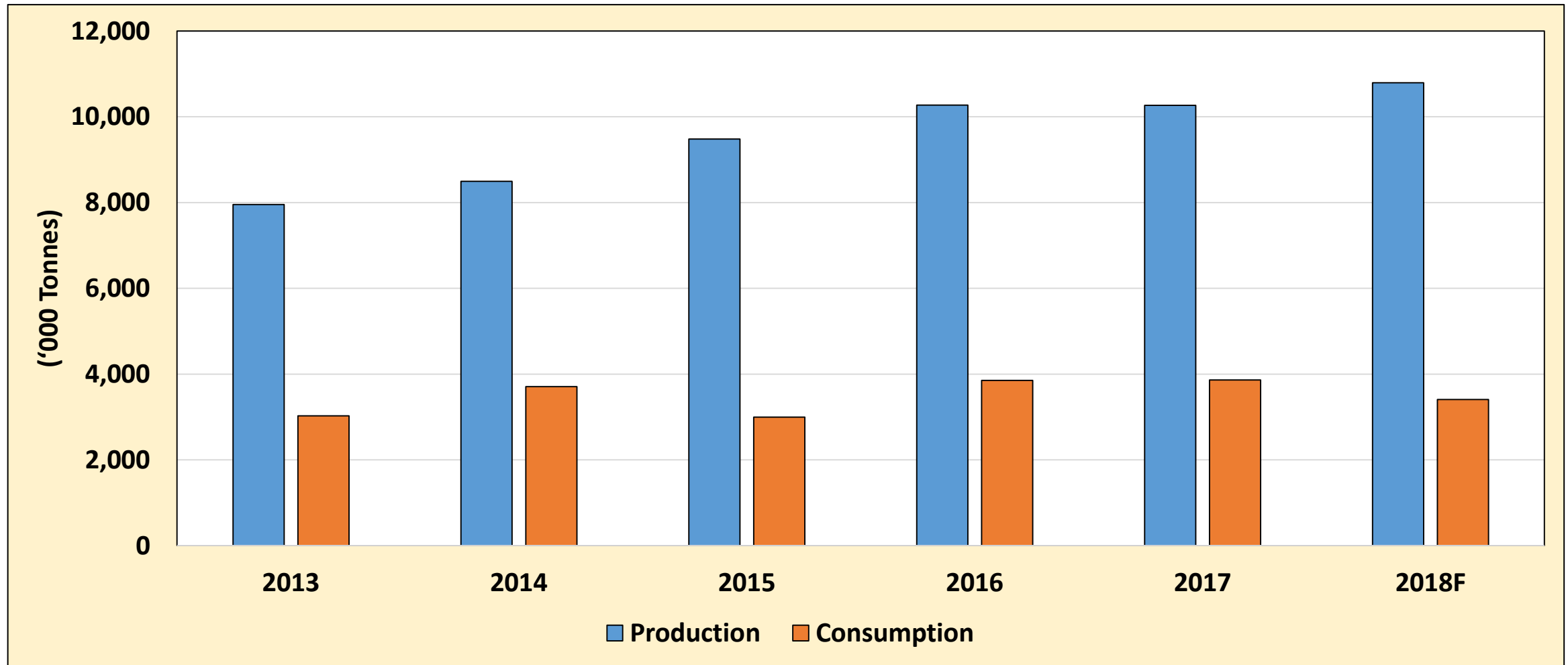
Argentina (19 percent of world production)

Planting: October through December.

Harvest: April through early June

- **The adverse growing conditions in Argentina has affected soybean area and yields are anticipated to be lower in 2018. For the 2017/18 marketing year, soybean production in Argentina is expected to fall 31 percent from the 2016/17 marketing year to 42 million tonnes.**
- **According to The International Soybean Growers Alliance (ISGA), hope has withered for any recovery in Argentine soy yields hit by a four-month drought that shows no signs of abating**

ARGENTINA OILS & FATS PRODUCTION VS CONSUMPTION 2013 – 2018F ('000 Tonnes)



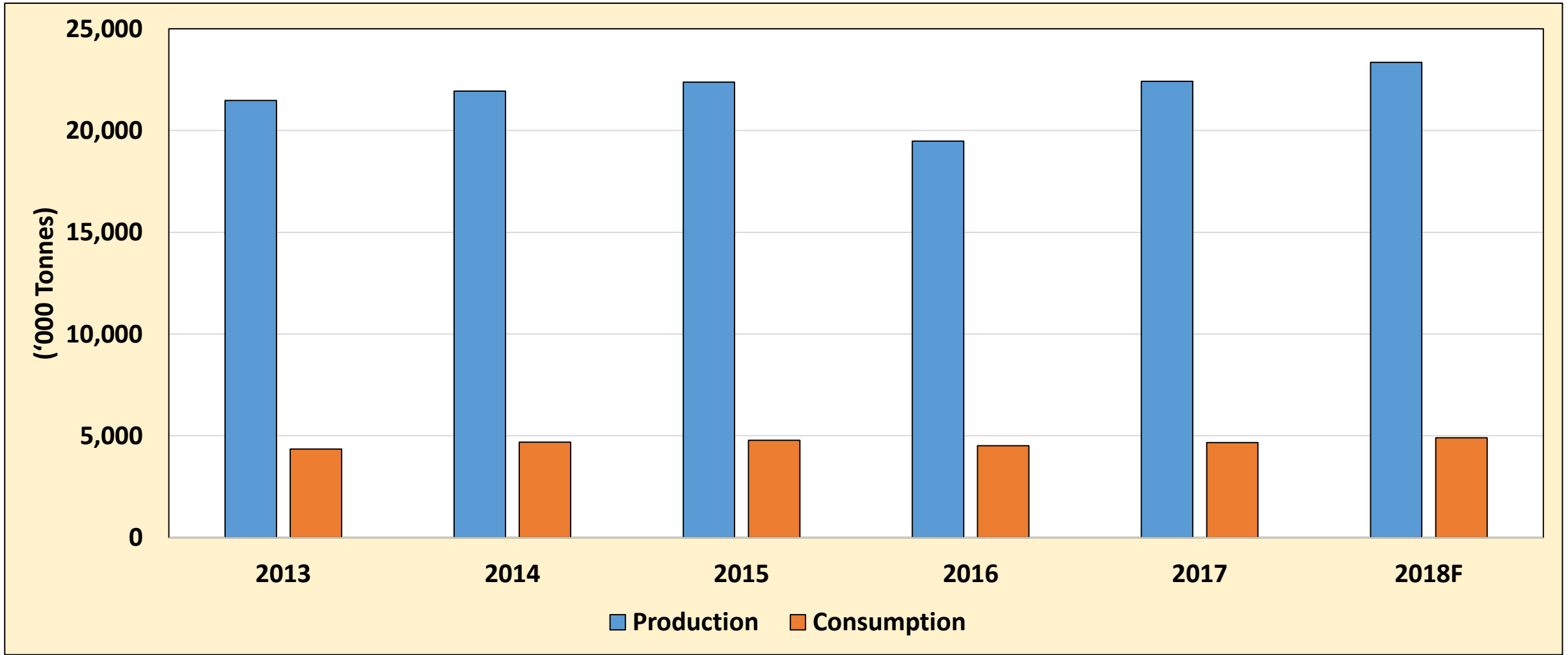
Source : Oil World

ARGENTINA : OILS & FATS SUPPLY AND DEMAND

('000 T)	2013	2014	2015	2016	2017	2018F
Opening Stock	468	414	470	545	366	469
Production	7,955	8,496	9,484	10,271	10,270	10,794
Import	18	18	33	21	25	33
Export	5,013	4,751	6,373	6,621	6,373	6,456
Consumption	3,025	3,707	2,998	3,851	3,864	3,406
Ending Stock	414	470	545	366	469	469
Stock Usage Ratio	5.15%	5.56%	5.82%	3.50%	4.58%	4.76%

Source : Oil World

MALAYSIA OILS & FATS PRODUCTION VS CONSUMPTION 2013 – 2018F ('000 Tonnes)



Source : MPOC Estimates & MPOB

MALAYSIAN PALM OIL OUTLOOK

- **Malaysian CPO production in 2017 was 19.92 million tonnes, increased by 2.66 million tonnes or 15.01% higher compared to 2016.**
- **It is forecast that Malaysian palm oil production will be at 20.5 million tonnes by the end of 2018**
- **First four months Malaysian palm oil exports was 5.9 million tonnes compared to 4.9 tonnes million in the same period last year**
- **Malaysian palm oil exports is forecast to reach 19.4 million tonnes in 2018 with India, China, Europe, ASEAN Countries, Middle East & Africa as the main destinations**

MALAYSIAN PALM OIL SUPPLY AND DEMAND BALANCE

('000 T)	2013	2014	2015	2016	2017	2018F
Opening Stock	2,628	1,987	2,016	2,634	1,667	2,732
Production	19,216	19,667	19,961	17,319	19,919	20,500
Import	556	487	1,027	415	556	450
Export	18,122	17,278	17,440	16,046	16,555	17,900
Consumption	2,291	2,850	2,933	2,657	2,855	3,500
Ending Stock	1,987	2,016	2,634	1,665	2,732	2,282
Stock Usage Ratio	9.73%	10.00%	12.91%	8.90%	14.07%	10.66%

Source : MPOB & MPOC Estimates

MALAYSIAN OILS & FATS SUPPLY AND DEMAND BALANCE

('000 T)	2013	2014	2015	2016	2017	2018F
Opening Stock	3,092	2,272	2,294	2,994	1,877	2,947
Production	21,481	21,944	22,380	19,480	22,420	23,350
Import	1,340	1,200	2,070	1,324	1,420	1,400
Export	19,293	18,440	18,970	17,404	18,100	19,400
Consumption	4,348	4,682	4,780	4,517	4,670	5,300
Ending Stock	2,272	2,294	2,994	1,877	2,947	2,997
Stock Usage Ratio	10.38%	9.90%	12.60%	8.56%	12.94%	12.13%

Source : Oil World & MPOC Estimates

INDONESIAN PALM OIL OUTLOOK

- **Indonesia's palm oil production is forecast to reach 37.5 million tonnes in 2018**
- **Consumption of palm oil in 2018 is expected to increase to 9.65 million tonnes in compared to 8.75 million tonnes in 2017 fuelled by demand to fulfil biofuel mandates**
- **Growth in mature tree area and high yields (supported by a favorable start to the rainy season) are primary factors in the expected production gains.**
- **Although the outlook for major import markets has dimmed, Indonesia will remain as the main exporter of palm oil.**
- **Indonesia's main export markets are India, China, Europe, Central & South Asia, while their overall exports for 2017/18 are forecast at 27.5 million tonnes.**

INDONESIAN PALM OIL SUPPLY AND DEMAND BALANCE

('000 T)	2013	2014	2015	2016	2017	2018F
Opening Stock	4,250	3,650	3,640	3,450	3,011	2,951
Production	28,820	31,500	33,400	32,100	36,500	37,500
Import	84	13	15	10	17	21
Export	21,471	22,950	26,548	23,360	27,330	27,500
Consumption	8,033	8,573	7,057	9,189	9,247	9,700
Ending Stock	3,650	3,640	3,450	3,011	2,951	3,272
Stock Usage Ratio	12.37%	11.55%	10.56%	9.25%	8.06%	8.79%

Source : Oil World & GAPKI

INDONESIAN OILS & FATS SUPPLY AND DEMAND BALANCE

('000 T)	2013	2014	2015	2016	2017E	2018F
Opening Stock	4,622	4,083	4,163	3,993	3,519	3,276
Production	32,791	35,774	37,943	36,325	41,000	42,200
Import	161	89	94	103	108	161
Export	23,828	25,371	29,203	25,639	29,706	29,900
Consumption	9,663	10,412	9,004	11,263	11,645	12,300
Ending Stock	4,083	4,163	3,993	3,519	3,276	3,437
Stock Usage Ratio	12.19%	11.63%	10.45%	9.54%	7.92%	8.14%

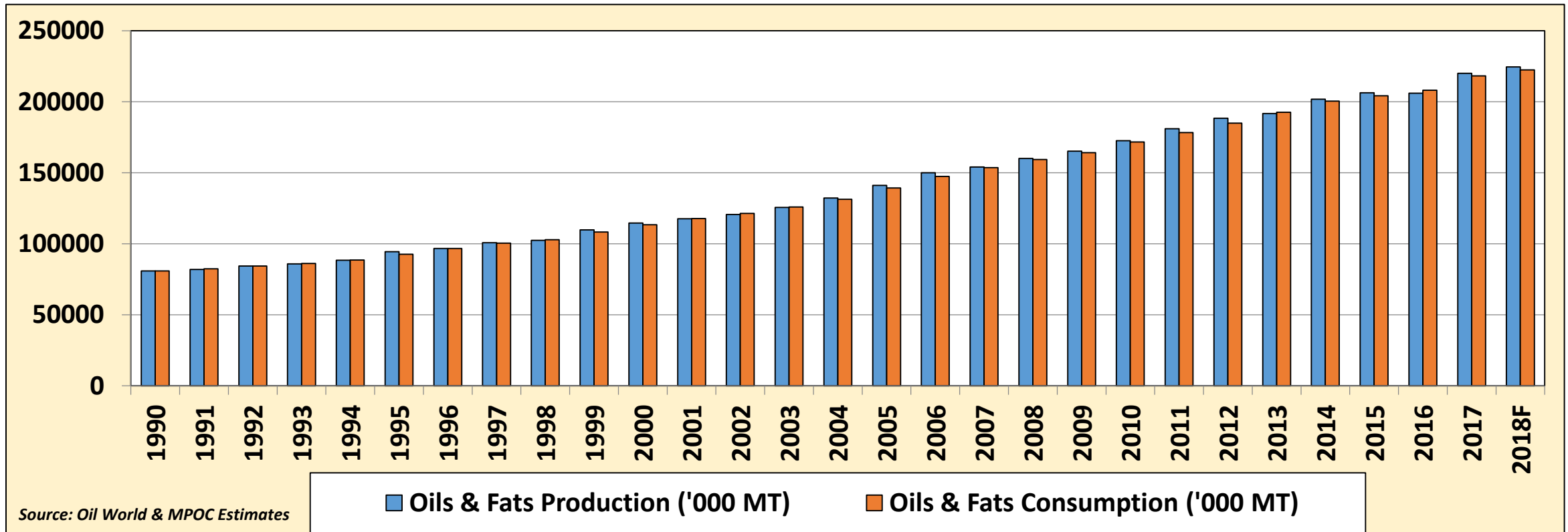
Source : Oil World & GAPKI

MARKET & PRICE

OUTLOOK

2018
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PRODUCTION VS CONSUMPTION OF OILS AND FATS



- World production of oils & fats is forecast to increase to 225 tonnes in 2018 while consumption is forecast at 222.5 million tonnes due to global population growth and higher disposable income which will spur demand

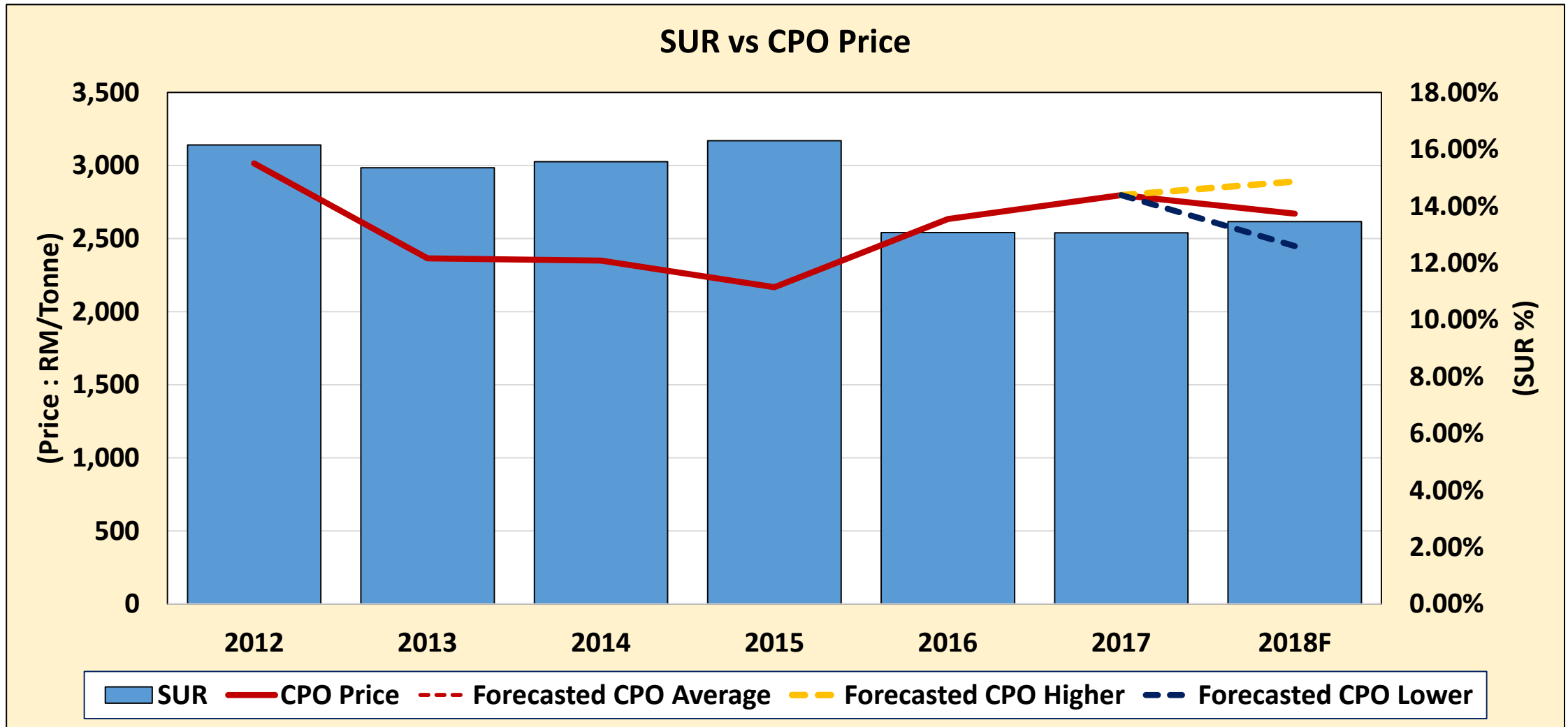
GLOBAL OILS & FATS SUPPLY & DEMAND SCENARIO

('000 T)	2013	2014	2015	2016	2017	2018F
Opening Stock	29,841	29,531	31,174	33,270	27,649	28,501
Production	192,036	202,023	206,775	205,618	219,974	225,000
Import	75,628	77,417	83,118	80,560	86,507	87,900
Export	75,539	77,487	84,086	80,273	87,423	88,400
Consumption	192,435	200,310	203,763	211,526	218,206	222,500
Ending Stock	29,531	31,174	33,218	27,649	28,501	30,501
Stock Usage Ratio	15.35%	15.56%	16.30%	13.07%	13.06%	13.71%

MARKET OUTLOOK

- **The total vegetable oil production is forecast to reach 225 million tonnes in 2018 contributed mainly by palm oil**
- **Global palm oil production is projected at 69 million tonnes with Malaysia and Indonesia as leading producers**
- **Malaysian palm oil production is projected to reach 20.5 million tonnes, in 2018 due to better yields**
- **India looks set to retain its position as the largest consumer and importer of palm oil**
- **China will increase their palm oil imports in 2018 due to the current attractive price**
- **Demand for oils and fats in 2018 is forecast at 222.5 million tonnes while palm oil consumption will reach 67 million tonnes**

TRACKING CPO PRICES AGAINST STOCK USAGE RATIO



PRICE OUTLOOK

- **The Stock Usage Ratio (SUR) for 2018 is forecast at 13.71%.**
- **Palm oil is the most consumed and the most competitively priced oil in the market**
- **Based on our model of linking global stock/usage ratio to palm oil prices, we forecast that in 2018 palm oil price will average at RM2,670/tonne, stabilising in a range of between a low of RM2,449/tonne and a high of RM2,891/tonne.**