Global Supply, Demand and Prices of Edible Oils - Outlook 2021

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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 & meals
- Independent, not involved in trading, unbiased information

- We provide a variety of reports - the daily FLASH, the Weekly and updates from our huge statistical data base (monthly, quarterly and annual data) as well as the Oil World Annual (a 730-page compendium of world statistics), as described on www.oilworld.biz

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Weekly Edible Oil Price Index
the five-year average 2015-2019 = 100

Weekly Oilmeal Price Index
the five-year average 2015-2019 = 100

Prices on 22 March 2021
versus 3 Aug 2020 in US-$ per T:
- Arg soya oil, fob $1253 (vs. 782)
- Black Sea sun oil $1575 (vs. 815)
- Indo. crude palmoil $1100 (vs. 685)
- Palmkern oil, cif Rott $1480 (vs. 730)
- Soybeans, cif Rott. $582 (vs. 385)
- Arg soya meal, fob $420 (vs. 338)

Where are we going from here? **Bullish factors** are to a large extent already discounted.
Palm oil prices rallied to a 9-year high

Record price spread to fossil fuels

Discretionary palm oil demand for energy almost zero

Indonesian crude palm oil more than doubled from US $500 in May 2020 to US $1130 on 23 March 2021, a 9-year high

Palm oil use in biodiesel & HVO still high at 17.3 Mn T in 2020 (23% of total use)

In the 2020/21 season there is, for the first time, a simultaneous tightness of all the 6 major veg oils worldwide

World palm oil stocks are currently at a multi-year low and represent only 15.6% of annual usage.

More info is available on www.oilworld.biz

In 2020 palm oil accounted for 32% and soya oil for 25% of world production

Palm oil production has lost its growth momentum.

Next 5-10 years: palm oil growth to slow by 20-25%

Supply & demand changes of palm & soya oils are key price-determining factors for edible veg oil complex.
World production of palm oil likely to rebound by 3.2 Mn T in Oct/Sept 2020/21 (but not by as much as four years ago) with Indonesia +3.3 Mn, but Malaysia down 0.5 Mn T

Low opening stocks (-2.5 Mn T) will limit the supply growth to 0.7 Mn T

Only moderate price setback 2021.

Labour shortage (production losses) a major constraint. Rising investments in mechanisation likely in 2021 and 2022

Prospects of only a moderate recovery in world palm oil supplies and consumption will limit the price decline for the remainder of 2021.
Big Production Losses in Sunflower Complex

2nd bullish blow:

Drought in July/Sept 2020 severely damaged sunflowerseed crops in the Black Sea region

World sunseed output down 5.5 Mn T in 20/21
- in Russia down 2.1 Mn
- in Ukraine down 2.4 Mn

Lower oil content

World production of sun oil down even 3.0 Mn T in Oct/Sept 2020/21. Sun oil exports down 2.9 Mn T.

Skyrocketing sun oil prices trigger rationing of consumption

Demand shifts have been price-supportive for soya and palm oils
Rape oil. A declining trend in world production since the 2013/14 season.

Rapeseed cultivation has lost attractiveness in the European Union and China.

High import demand.

But prospects point to a price-driven recovery in the years ahead.

Disappearance

Production

Within 5 months the global soybean balance turned from surplus to tightness.

Downward revisions of US, Indian, Argentine and Brazilian crops.

Huge Chinese demand.

Global production deficits:
Detrimental weather, partly unusual dryness and partly excessive moisture have sharply reduced soybean crops in S.America.

My S. Amer. crop estimates are 15 Mn T below potential with this year's area.

My latest estimates in Mn T for early 2021:
- Brazil 131 (still too high?)
- Argentina 44 (too high?)
- Paraguay 9

Huge disposals in USA. Exports in Sep/Feb 54.5 Mn T or 87% of total (vs. 30.4 Mn)

In Sept 2021 stocks at 7-year low in the US and at 5-year low worldwide.

Word demand shift to S.America from March. What will China do?
Production deficit this season in the 2nd consecutive year
Soybean crushings up 10-11 Mn T
Stocks declining worldwide (5-year low)

On the demand side
Chinese buying is key uncertainty to watch

Increasing Dependence on Soya Meal Worldwide

12 Oilmeals: World Production (Mn T)

12 Oilmeals: World Production (Mn T)

Source: ISTA Mielke GmbH, Oil World
We at Oil World anticipate a sharp increase in Chinese soybean crushings by 6.3 Mn T this season (vs 5.2 lyr)

The pork sector has recovered from the crisis caused by the African Swine Fever two years ago


Soybean crushings are now increasingly driven by soya oil demand.

Seasonally rising South American crushings from March onward

Soya meal prices have come under pressure

Soybeans cannot solve an oil supply tightness without creating a surplus in soya meal
Tight supplies and skyrocketing prices of sunflower oil

Consumers switch to soya and palm oils

Soya oil and palm oil prices are being pulled up by sunflower oil tightness
Concluding Statements

For the first time, world consumption did not increase in 2019/20 (partly due to covid + lockdowns)

Vegetable oils stocks very low. (Exception is China)

Another production deficit in 2020/21, reducing stocks again

17 OILS & FATS: World Supply & Demand (Mn T)

For the first time, world consumption did not increase in 2019/20 (partly due to covid + lockdowns)

Vegetable oils stocks very low. (Exception is China)

Another production deficit in 2020/21, reducing stocks again

17 OILS & FATS: Production & Use
Change From Year Ago in Mn T

Another below-average consumption growth this season

17 oils: Biggest usage increases in 2020/21:
- US, Braz & Indonesia up 2.2 Mn combined
- China up 1.0 Mn T
- India up 0.3-0.4 Mn
- Other countries down 0.5

Details released in the new Oil World Monthly www.oilworld.biz
World trade of oils & fats is declining in 2020/21 for the second consecutive year.

The shortage of export supplies is occurring in sun oil, palm oil and soya oil to varying degrees and has been price supportive in recent months.
Biodiesel policies are an uncertainty to watch

The spread between palm oil and gas oil reached record levels in recent months. Biodiesel production and usage are still high in Indonesia, the US & Brazil. Some rationing in the EU. Indonesian palm oil producers & consumers in the import countries partly finance Indonesian biodiesel program.

Will there be temporary adjustments of mandates in 2021?
Biodiesel Use of Major Feedstock (Mn T)

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<thead>
<tr>
<th></th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>2021F</th>
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<tr>
<td>Others</td>
<td>17.9</td>
<td>12.6</td>
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<td>Tallow</td>
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<td>Rape Oil</td>
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<td>Soya Oil</td>
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2011 2013 2015 2017 2019 2021F

Palm Olein, Fob Mal, 18 Mar 2021

nearby and deferred in US-$/T

Inverted market for vegetable oils

World supplies tighter than expected in Jan/Mar 2021.

Prices at multi-year highs.
How long?
Risk: Fund liquidation.
Demand destruction.

Some price pressure likely in Apr/Jun for soya + palm oils.

Lower prices forecast for July/Dec 2021
Price forecasts Jan/Dec 2021 (average of range forecast)

Soya oil, Arg. fob, US $ 1100

RBD palm olein, Mal fob, US $ 950

Selected Nearby and Deferred Prices (US$/T)

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<tr>
<th>As of March 18, 2021:</th>
<th>Nearby</th>
<th>Deferred Positions</th>
</tr>
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<tbody>
<tr>
<td>Soybeans, cif Rot.</td>
<td>579 Ap</td>
<td>579 My 588 Je 519 O</td>
</tr>
<tr>
<td>Soya oil, Arg. fob.</td>
<td>422 Ap</td>
<td>422 My 421 Je/Jy 424 Ag</td>
</tr>
<tr>
<td>Sun oil, Black Sea, fob</td>
<td>1590 Ap</td>
<td>1610 My/Je</td>
</tr>
<tr>
<td>Palm olein RBD fob Mal</td>
<td>1055 Ap</td>
<td>1000 My/Je 915 Jy/S 840 O/D</td>
</tr>
<tr>
<td>Coconut oil, cif Rott.</td>
<td>1555 Ap/My</td>
<td>1550 My/Je 1545 Jy/Jy</td>
</tr>
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Coconut oil prices doubled during the past 10 months

CNO & PKO production lower than expected, but recovery in July/Dec 2021

Coconut oil premium set to narrow relative to PKO

Price forecasts J/D 2021:
Coconut oil - US $ 1380
Palmkern oil - US $ 1310

Source: ISTA Mielke GmbH, Oil World
How long will current tightness last? Uncertainties:

- 1) The weather.
- 2) Chinese policies (imports & reserve stocks)
- Covid-19 pandemic. How quickly can the vaccination be done?
- Several Governments apply export restrictions to curb domestic food-price inflation. More to come?
  - this is a disincentive for producers to expand (contra-productive)
- Impacts of current very high prices on consumption
  - In many developing countries edible oil consumption will be affected
- High volatility from rising fund activity and money flows
- Farmers will increase plantings and investments for 2021/22

Prices are likely to stay elevated and above average throughout 2021, but weaken from current levels, if world production of 10 oilseeds rebounds in 2021/22 (on the assumption of higher plantings and normal to favourable weather) and a global production surplus becomes likely.

My 2021/22 world production forecasts (tentative):
- soybeans to 379 Mn T (against 354 in 2020/21), of which the USA 122 Mn T (vs. 113), Brazil 138 (vs. 131), Arg. 50 (vs. 44).
- Rapeseed & canola 66 (64) and sunflowerseed 56 Mn T (vs. 50).
- I currently expect a recovery of oilseed stocks in 2021/22.
- Veg oil stock recovery may take longer if palm oil growth is low
Thank You for Your Attention!

More market info required?  
You may get in touch with me

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