

Veg Oils Price Outlook 2023

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At POC 2023 in KL



It is good to be back

I have presented at every POC since 1997

2022 Saw highest ever prices

Saw biggest ever drop in prices

Saw huge volatility

Very good to come back to K L

Malaysia also fortified her reputation as
an active vibrant democracy. Congrats

Theme for 2023

- CAPRICIOUS CLIMATE
- Climate Change was huge in 2022 and we managed to grow crops virtually by the skin of our teeth. We had never seen heat like 2022 in parts of Europe. God was kind with the wheat crop but the olive crop was not so lucky. India suffered record high temperatures which slashed her wheat crop

CAPRICIOUS CLIMATE

- With aggravated Climate Change, we cannot project normal crops anymore. God knows which crop will be affected by aberrations in climate in 2023.
- Therefore we cannot be bearish on Ag prices anymore. The path to safety lies in hedging and careful positioning

Our starting point – GAPKI conf

- Prior to Bali, I had forecast BMD would fall to 3000 Ringgits by end of September
- And further fall to 2500 Ringgit by end of 2022

Revised forecasts at Bali & Goa

- At Gapki Conference in November 22 in Bali, I revised my forecast
- Trading range of 4500 Ringgits to 3500 Ringgits until early 2023
- At Globoil Goa, I further changed my CPO futures forecast to a range of 3500 to 5000 Ringgits by end of May 23

The Bio Fuel Rally

- During October and early November, soya oil futures rallied almost everyday on the back of optimism about US biofuel mandates – for biodiesel as well as for Renewal Diesel
- Futures peaked at 76 cents per pound and engaged a Double Top
- Then doubts began to surface

Wednesday 23 Nov

- The EPA announcement on biofuel mandates was a damp squib
- The scale of the sell-off surprised most of us – such was the length in the market
- Soya oil futures dropped over 15 cents over 7 trading days
- Premium of soya over palm narrowed

Indonesia and B35

- 2022 was an unusual year for Indonesia
- First, very high Export Levy and Export Tax – USD 550 per tonne
- Then D M O followed by Export BAN
- Then a gradual recovery of exports and prices saved by the dramatic announcement of B35

The Dollar Drought

- For several months certain developing countries which are major palm and veg oil importers have been suffering from a Dollar Drought
- This factor has led to devaluation and a rise in local prices of veg oil. Consumption in these regions will be affected.

The Big Story for Palm

- For 2023 WEATHER is going to be the biggest factor for PALM.
- Are we going to have Haze in August this year? Will the optimistic production numbers for Malaysia, Thailand and Indonesia be achieved ?
- Will EL Nino affect major consumers like INDIA ?

Outlook for Palm for 2023

- All estimates are based on presumption of Normal Weather
- Will Malaysia in 2023 produce 19 million tonnes of CPO ?
- Will Indonesia in 2023 produce 1.5 mln mt more than in 2022 ?
- How will major consumer countries fare ?

Palm Outlook 2023

- Malaysian stocks will be drawn down until May 2023 and will go below 2 million tonnes
- Indonesian B35 programme will keep stocks tight in the First Half of 2023
- After May, we are in the hands of the Climate God – will an EL Nino unfold ?

Rapeseed

- We are seeing a recovery in Rapeseed production in 2022-23 driven by Canada
- Canola oil in USA is cheaper than US soya oil and also qualifies for biodiesel RINs
- European crops need to be watched
- Indian mustard seed production in 22-23 was shaping well but needs to be watched

Soya

- Brazilian soya crop looks well set to exceed 150 mln mt.
- However, this 3rd La Nina has had a sting in its tail and has badly affected Argentina
- As of now, we shall be lucky to achieve a soya crop in Argentina of 30 mln mt
- Farmer selling will be very slow and they will wait for the next SOYA Dollar prog

Soya

- The entire North American growing season for soya, corn & canola is in front of us.
- US farmers are likely to prefer to plant corn over soybeans.
- After 3 years of good growing weather, can we be confident of weather in 2023 ?
- What about the Brazilian bio diesel mandate

Sunseed

- The entire Black Sea region is engulfed in a war. Ukraine will plant less and harvest less than 2022. Could be 30% less
- Russia remains relatively promising for sunseed and other Black Sea countries will also produce more
- India has rightly abolished the duty free TRQ for sun oil

CHINA

- China is returning to higher growth and consumption
- Veg oil stocks in China are high and need to be trimmed
- Presently China demand has not been buoyant and we need to wait for an upturn which will eventually come

INDIA

- Indian Rabi crops look good
- Consumption growth has recovered and veg oil pipelines have been replenished
- Indian consumption and imports look very healthy. The Govt is concerned about inflation and so hikes in import duty are unlikely

Indian Imports

• 000	12-13	21-22	22-23
• Soya	1,090	4,187	3,880
• Palm	8,240	7,929	8,500
• Sun	980	1,997	2,100
• Others		120	120
• Total	10,670	14,233	14,600

World Energy Demand

- World Energy Demand grew in 21-22 by about 1 mln mt due to very high prices
- In 22-23 we project further increase in Energy Demand due to capacity expansion, by 3 mln mt.

World Food Demand

- World Food Demand for veg oils grows at a steady 3 mln mt annually
- In 21-22 World Food Demand grew by 1.5 mln mt due to very high prices
- 22-23 World Food Demand should expand by 3 mln mt from 21-22 level

Net Effect

- 21-22 2022-23
- + 1 + 3 Energy Demand
- + 1.5 + 3 Food Demand

Veg oil Incremental Supply

• 000 tonnes	21-22	22-23
• Soya oil	+ 0.500	+ 500
• Rape oil	- 1,500	+ 2,500
• Palm oil	+ 1,000	+ 2,000
• Others	+ 1,500	+ 500
• Total Supply	+ 1,500	+ 6,000
• Total Demand	+ 2,500	+ 6,000

Imponderables

- When will the FED pivot ?
- How bad or deep will the recession of 2023 turn out to be ?
- When will the Ukraine war terminate and how ?
- What is going to be the trajectory of the US Dollar

Price Outlook

- I expect Palm futures on the BMD third month to trade between Ringgit 4000 and 5000 between now and August.
- Beware the Brazilian biodiesel mandate
- A new EL Nino could drive prices higher so as to destroy demand
- If no El Nino, we can see lower prices after August.

Lauric Price Outlook

- Lauric oils are much more linked to economic growth
- Prices should remain around USD 1100 to 1400 CIF Rotterdam
- Again, EL Nino would affect prices
- CNO should regain its premium over PKO

Conclusion

- The biggest factor of influence is going to be Climate Change
- Prices will reflect the vagaries of climate
- A declining Dollar will help higher prices
- GOOD LUCK & GOD BLESS

