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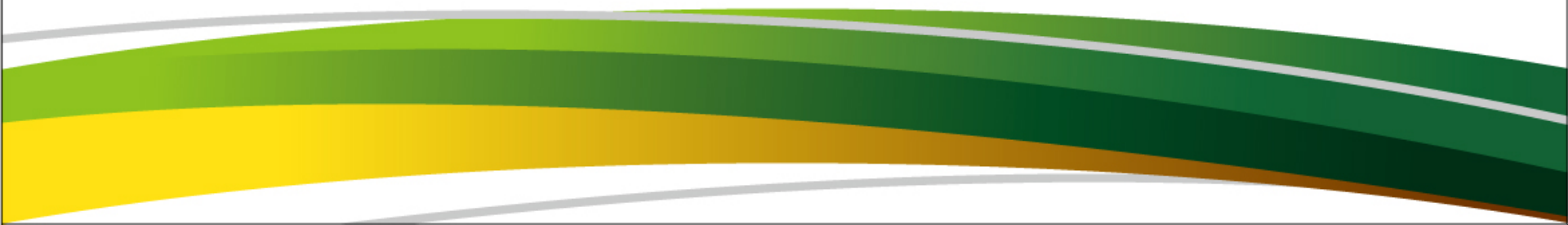
2012 Market Outlook

Palm Oil and Other Edible Oil in China

7th Indonesia Palm Oil Conference

Bali, Indonesia

Dec 1-2, 2011





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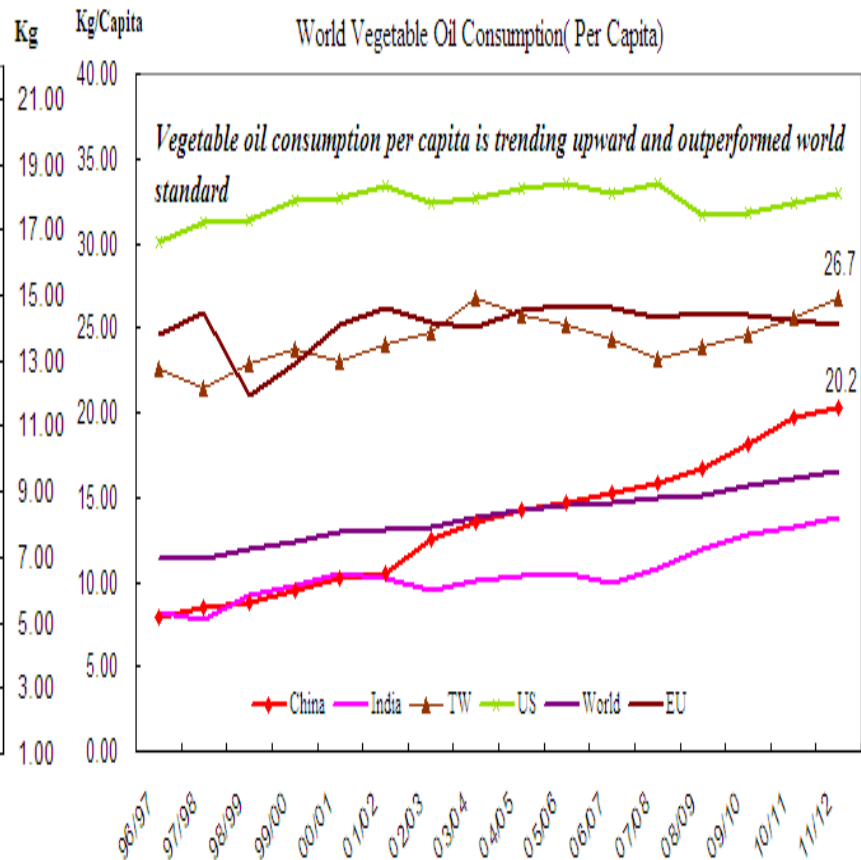
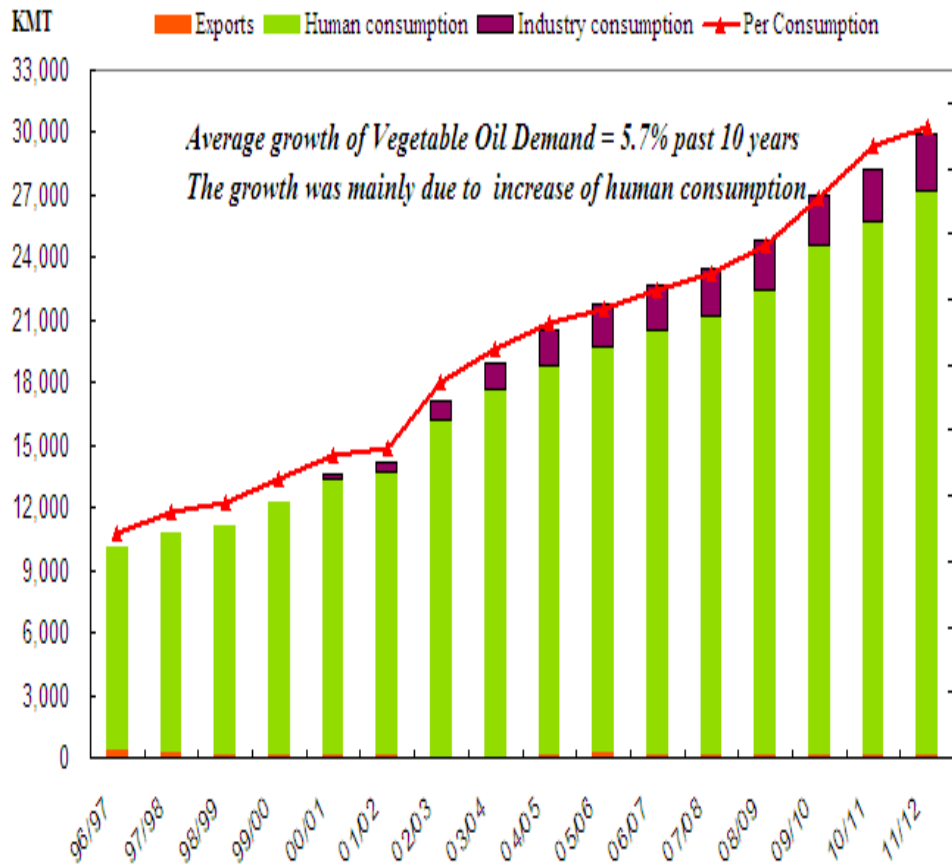
- ***I) Overview of Current Market***
- II) What Will Be in Coming 5 Years
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A. CHINA MARKET

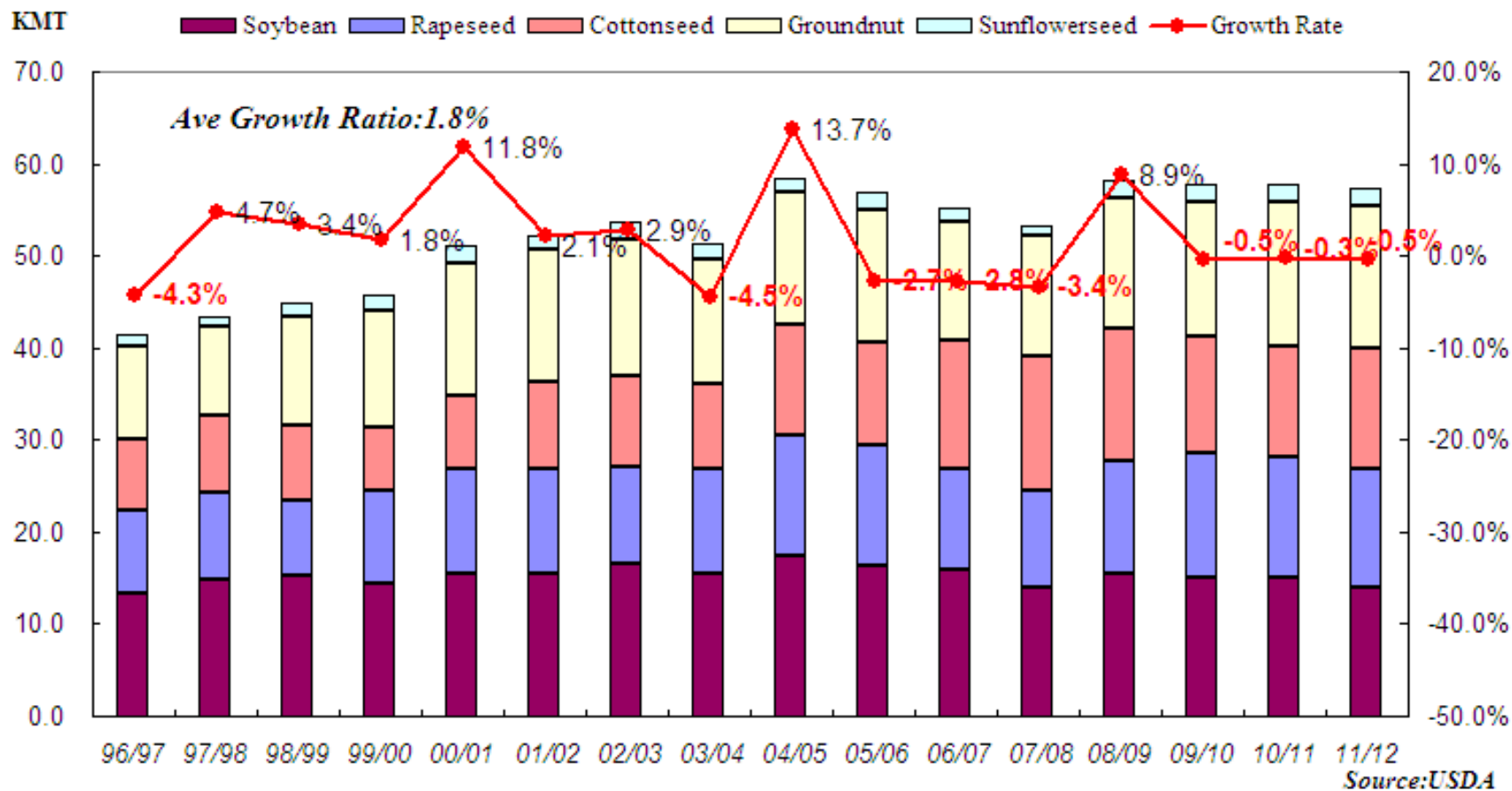
1、Robust Growth of Domestic Consumption – Vegetable oil





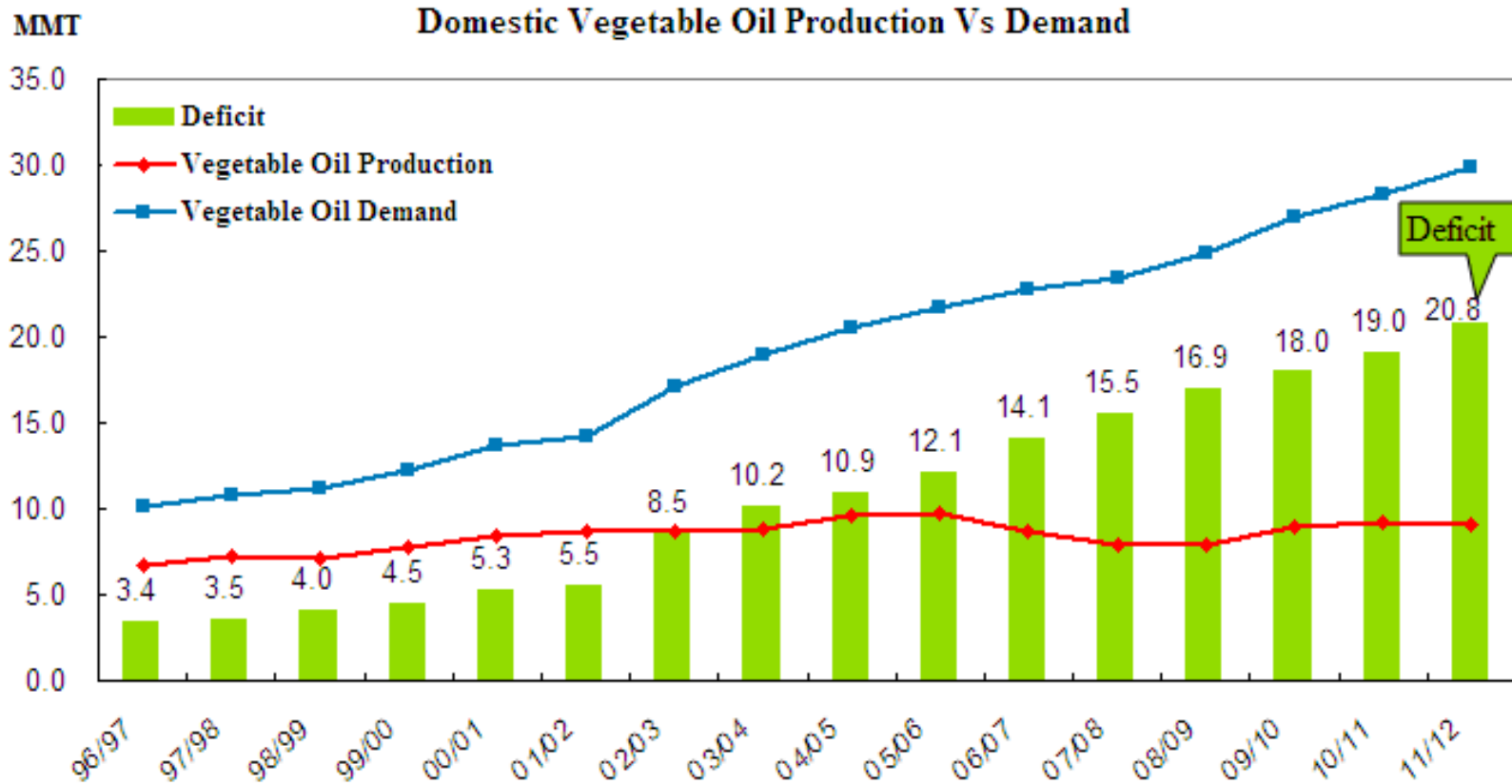
2、Stagnant Production of Domestic Oilseeds

China Oilseeds Production for Past 15 Years





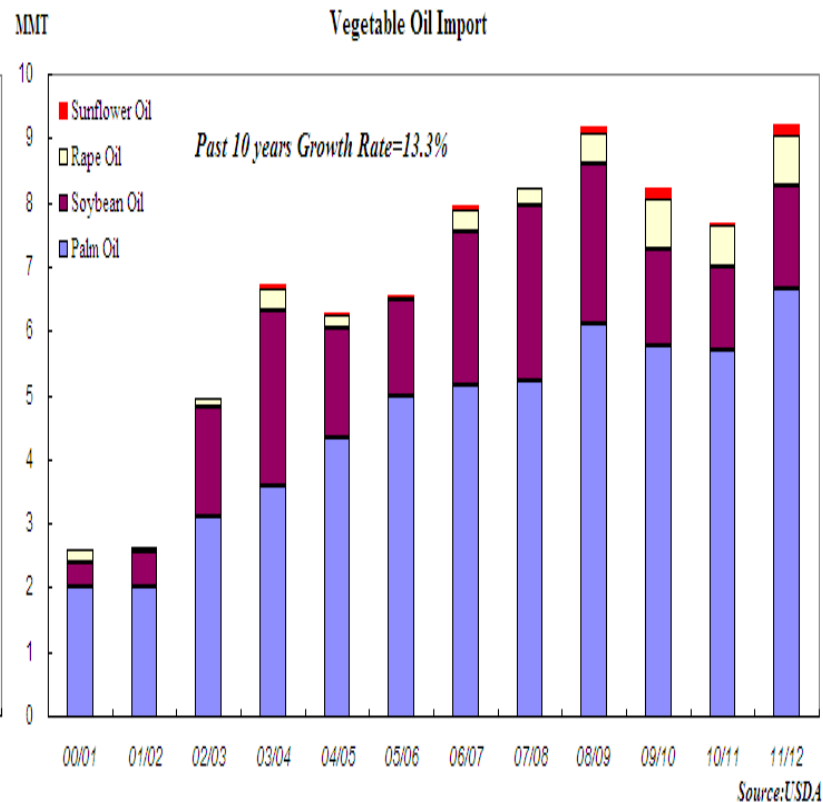
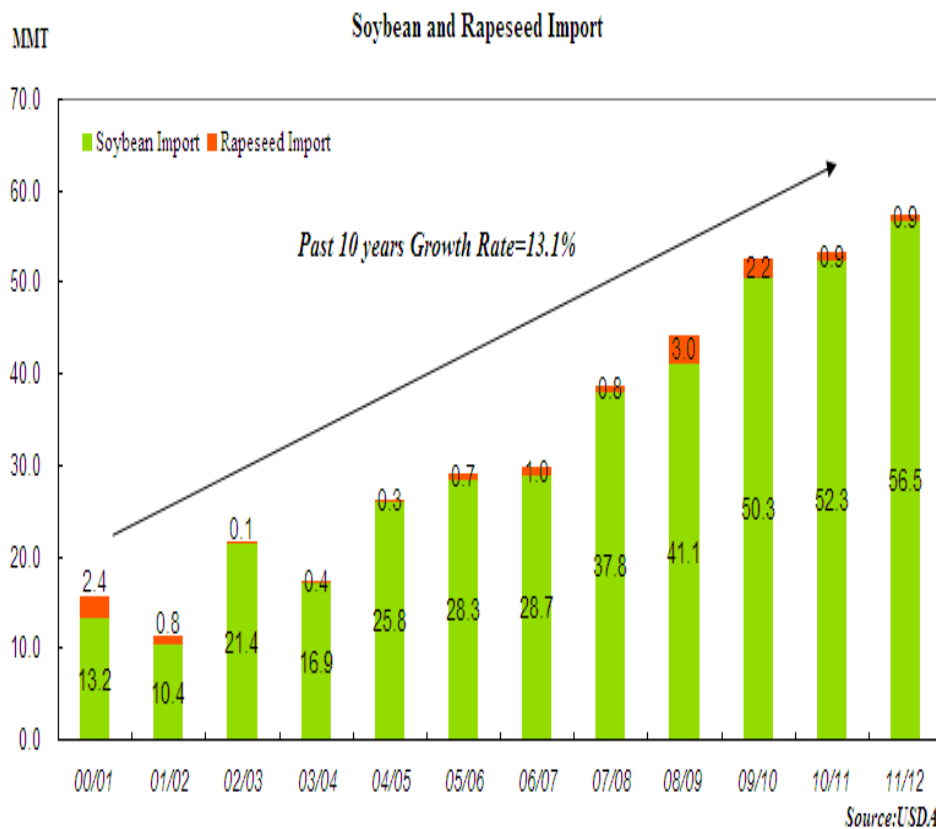
3、Widening Deficit of Domestic Supply of Vegetable Oils



Source:USDA

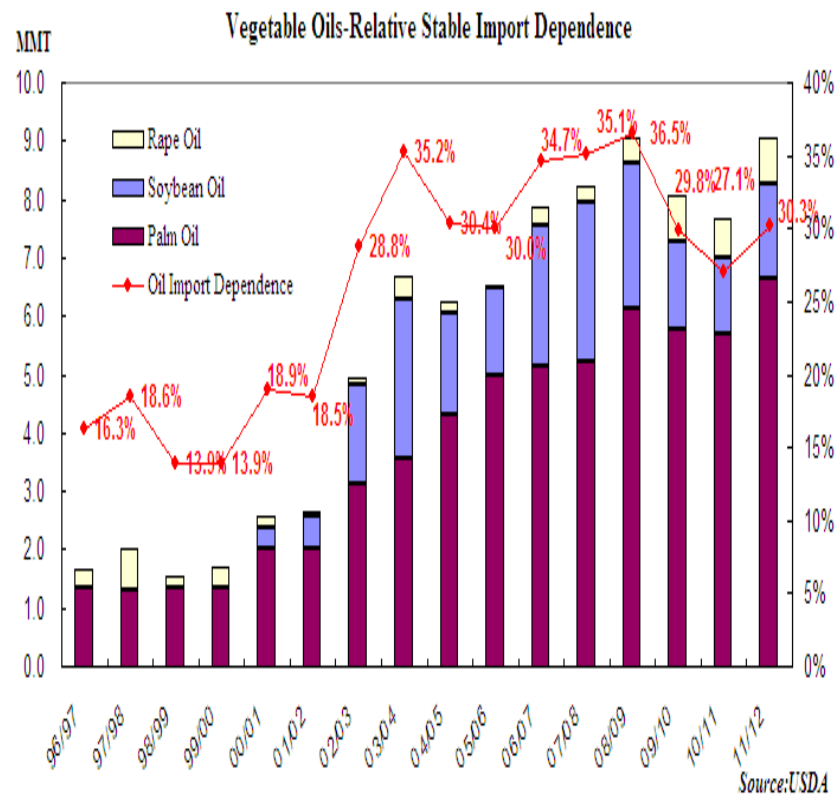
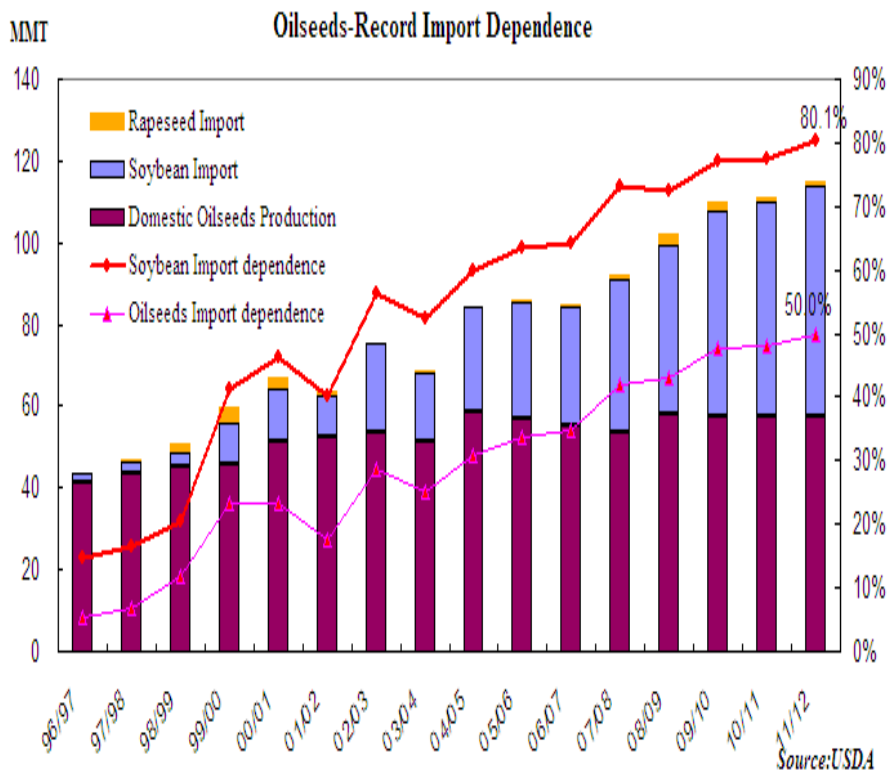


4、Accelerating Increase of Import Volume to Satisfy Domestic Deficit



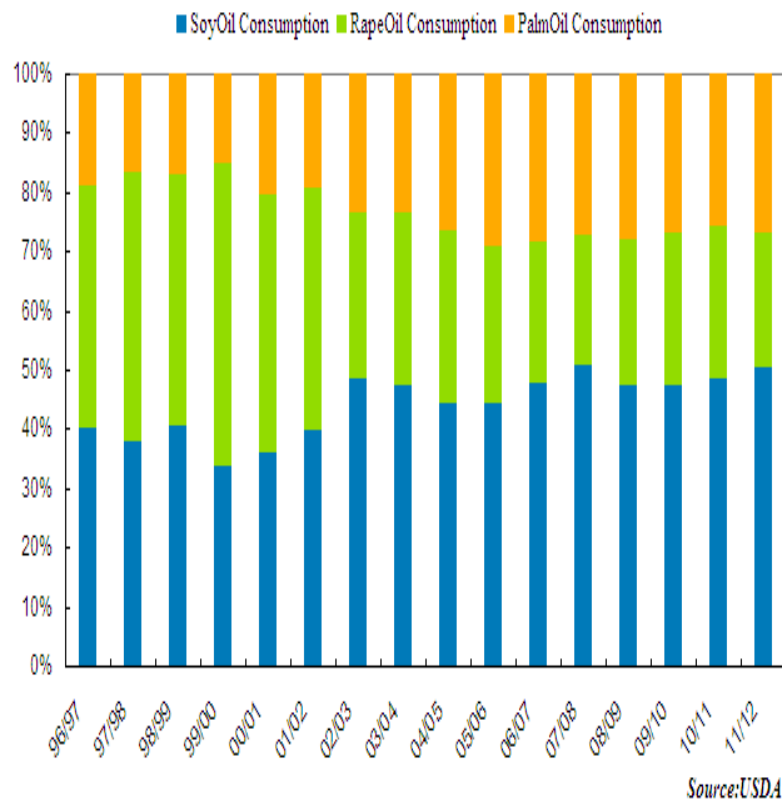
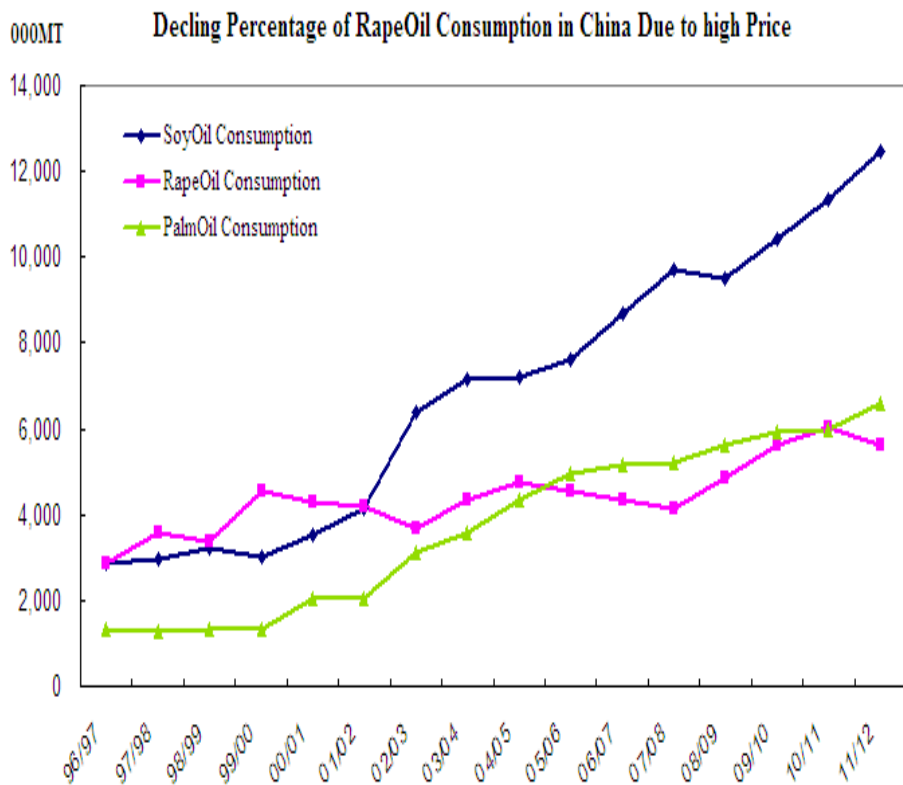


5、High Import Dependence of Oilseeds and Vegetable Oils



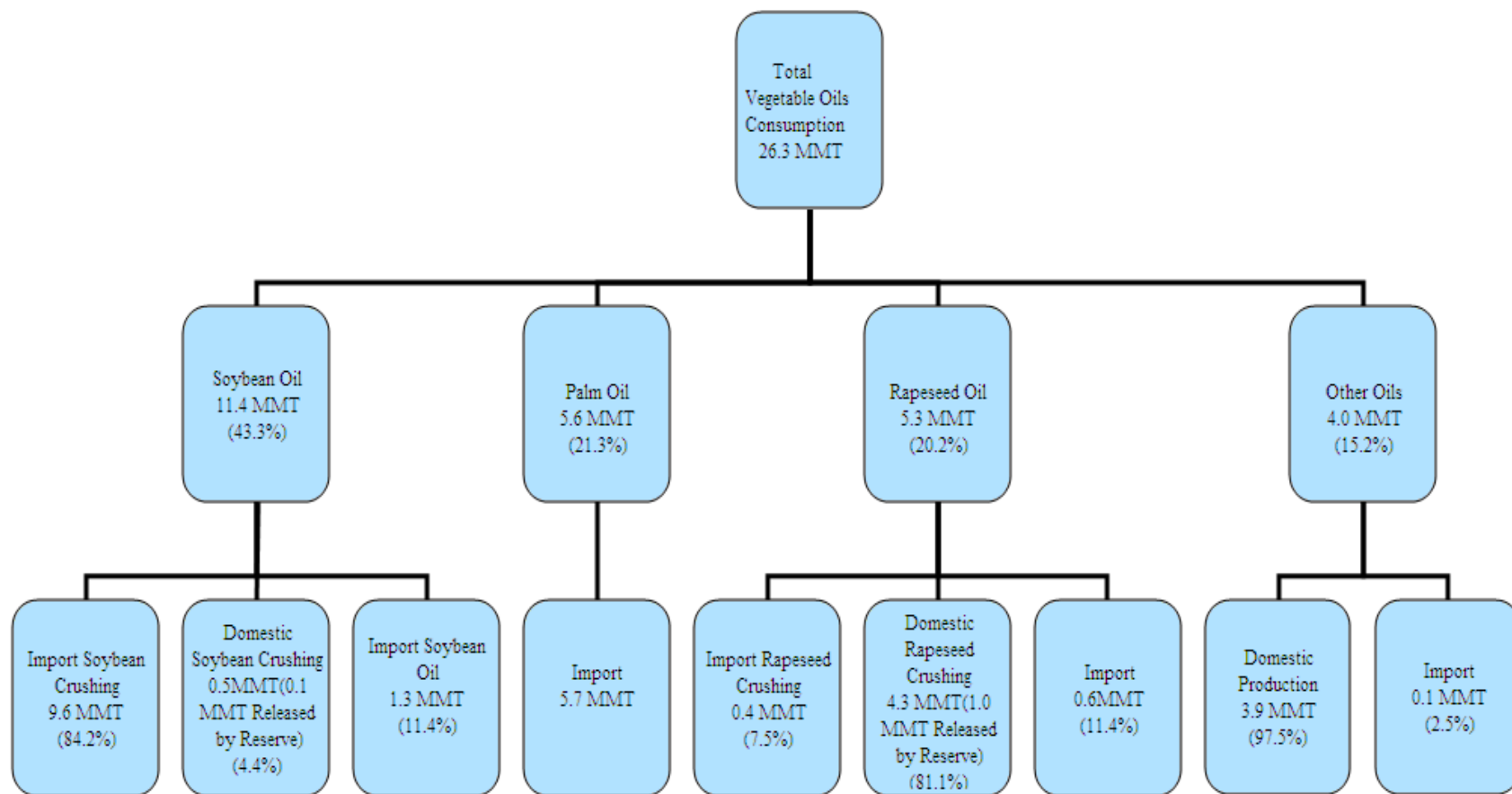


6、Structural Change of Vegetable Oil Consumption





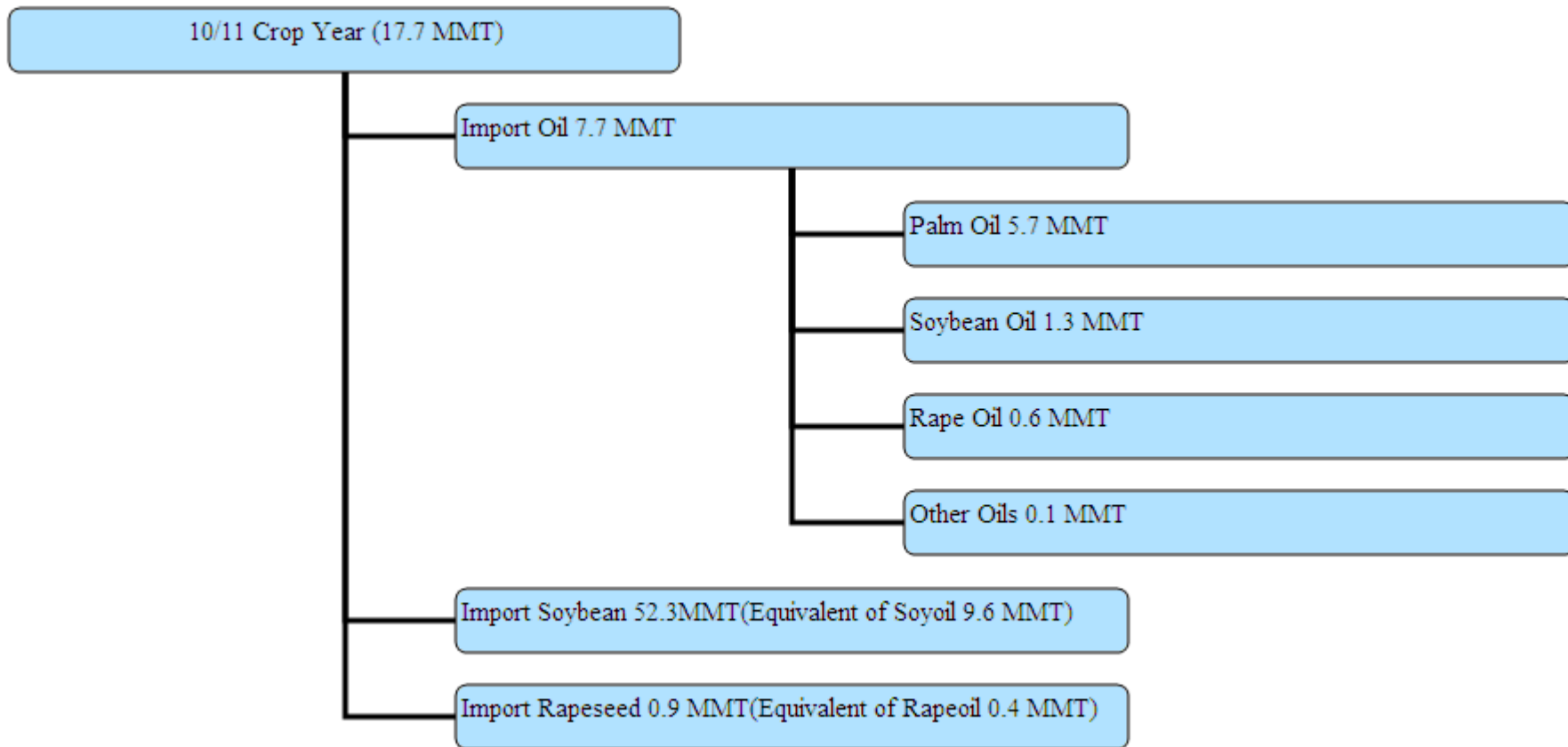
7、Breakdown of China Vegetable Oil Consumption (10/11)



Source: Dongling & Custom



8、 *Breakdown of China Oilseeds & Oils Import (10/11)*

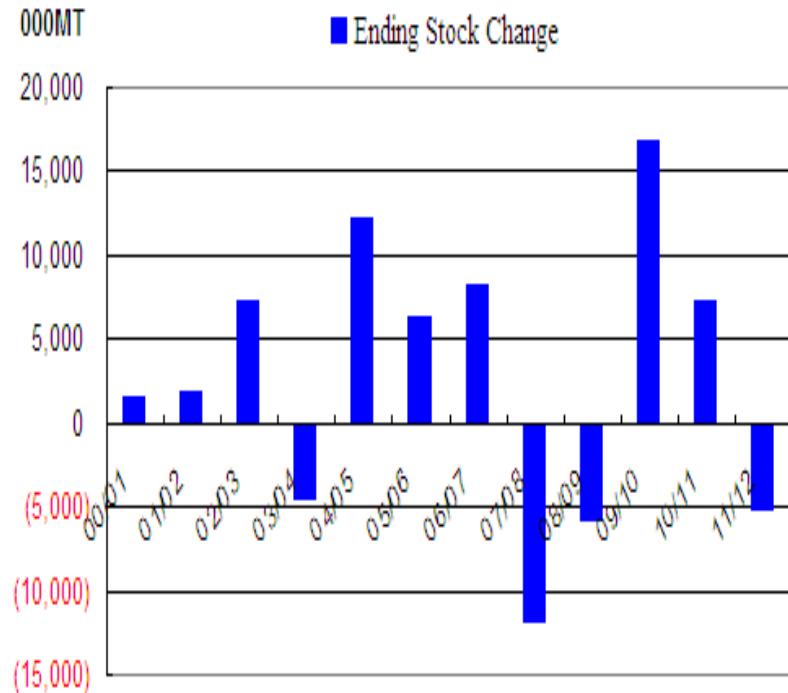
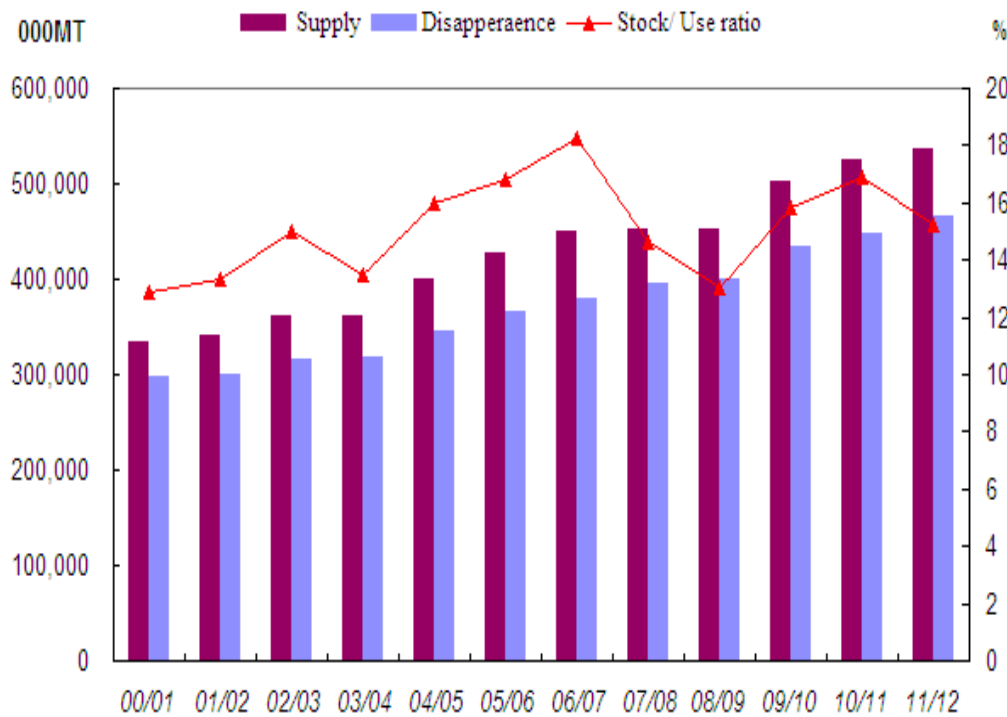


Source: Dongling & Custom



B、WORLD MARKET

1、Decline of World Major Oilseeds Ending Stock

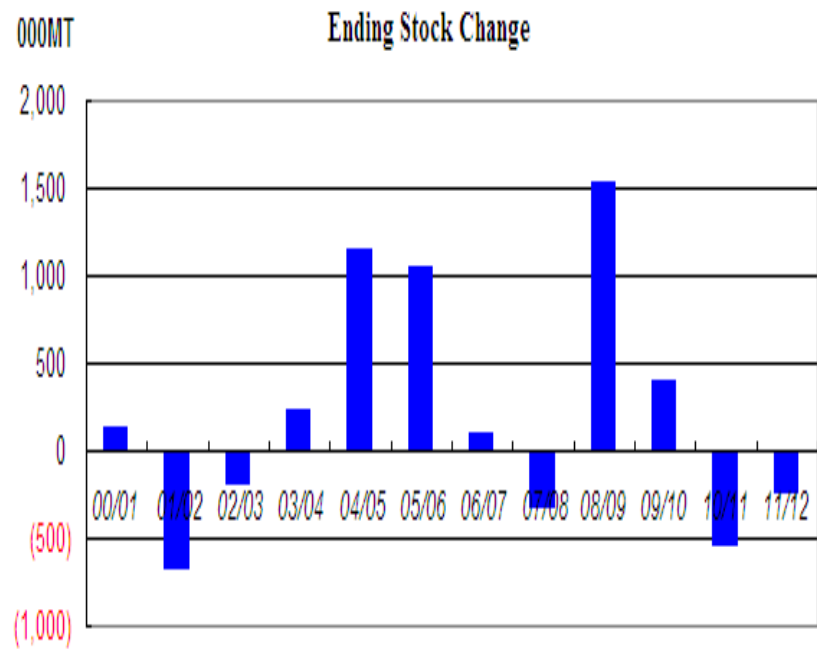
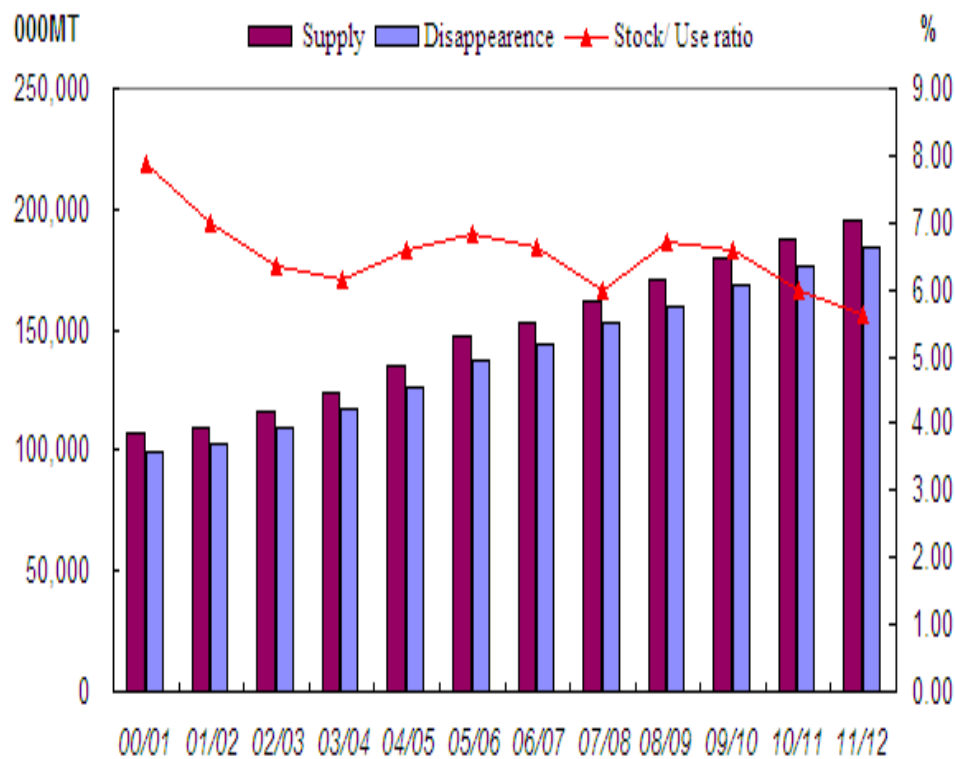


Source: USDA



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2、Decline of World Major Vegoils Ending Stock



Source: USDA



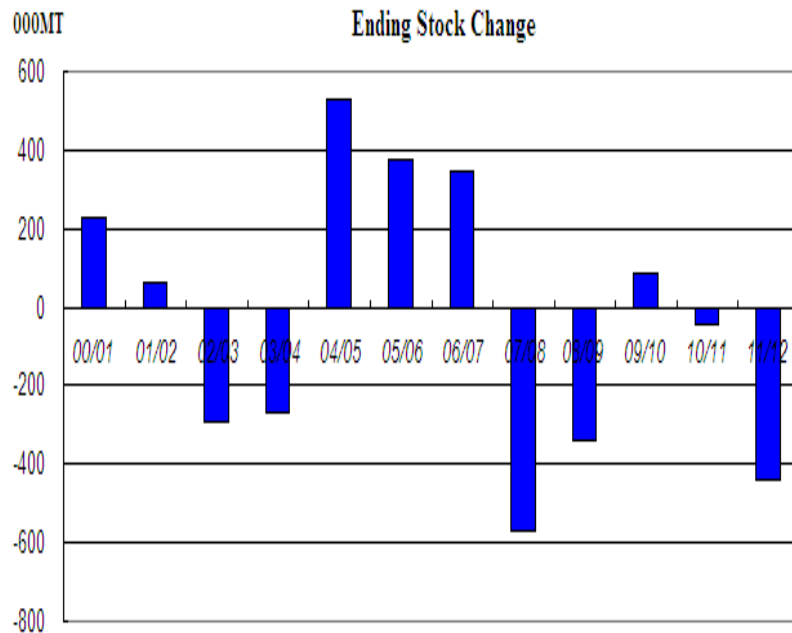
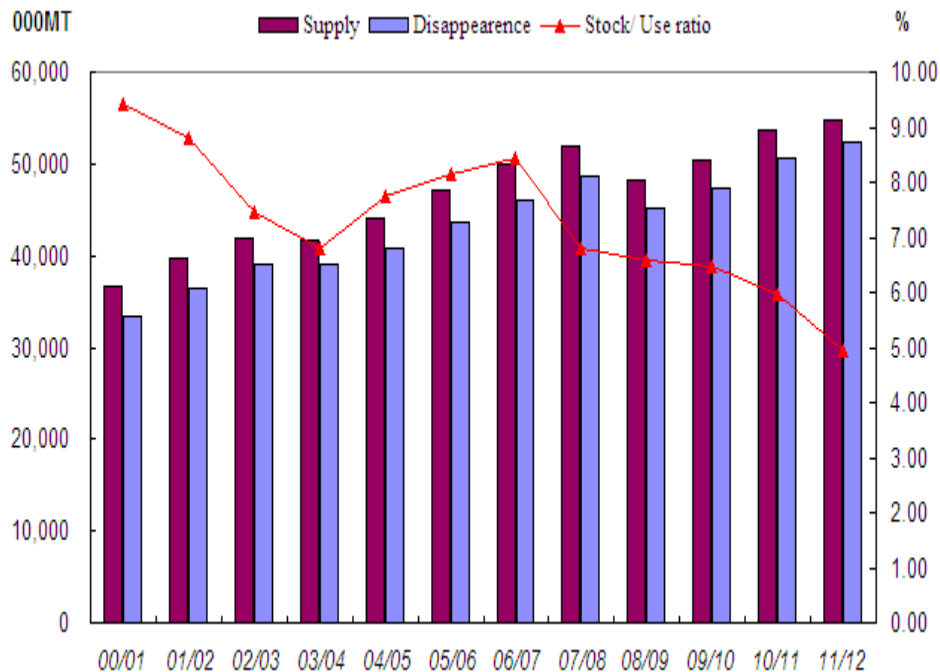
000MT	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
C/I	7,674	7,814	7,143	6,960	7,196	8,342	9,393	9,392	9,172	10,715	11,121	10,580
Production	72,598	74,751	78,576	83,651	90,926	98,631	101,684	107,360	112,388	118,771	124,129	129,394
Import	26,524	26,927	30,750	33,589	36,513	39,843	41,893	45,461	49,006	50,169	51,711	54,860
Total Supply	106,796	109,492	116,469	124,200	134,635	146,816	152,970	162,213	170,566	179,655	186,961	194,834
Exports	26,797	28,875	32,030	34,866	38,078	42,969	44,273	48,683	50,961	52,059	53,952	56,838
Industry consumption	13,147	13,179	14,357	16,204	18,608	23,385	26,594	27,690	57,726	61,558	63,264	67,018
Human consumption	58,281	59,474	62,324	65,119	68,712	70,197	71,693	75,702	50,130	53,876	58,067	59,509
Feed consumption	757	821	798	815	895	872	918	959	1,034	1,041	1,098	1,122
Total Demand	98,982	102,349	109,509	117,004	126,293	137,423	143,478	153,034	159,851	168,534	176,381	184,487
C/O	7,814	7,143	6,960	7,196	8,342	9,393	9,492	9,179	10,715	11,121	10,580	10,347
Stock/ Use ratio	7.89	6.98	6.36	6.15	6.61	6.84	6.62	6.00	6.70	6.60	6.00	5.61

Source:USDA



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4、World Soybean Oil – Record Low Stock Use Ratio

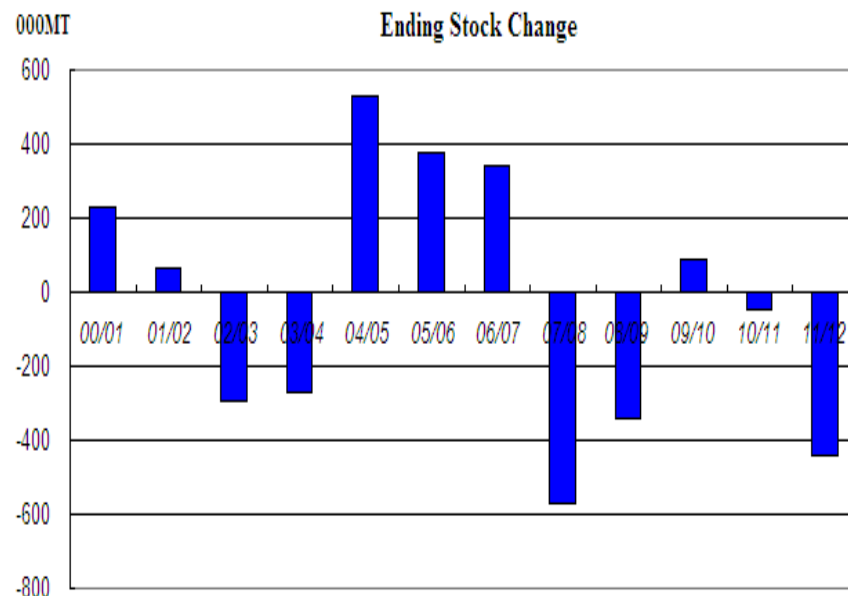
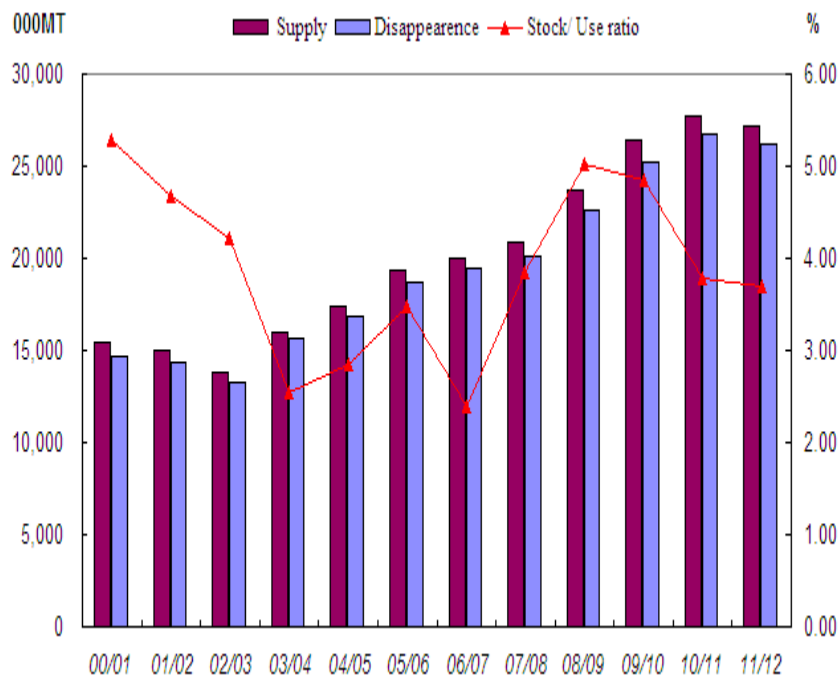


Source: USDA



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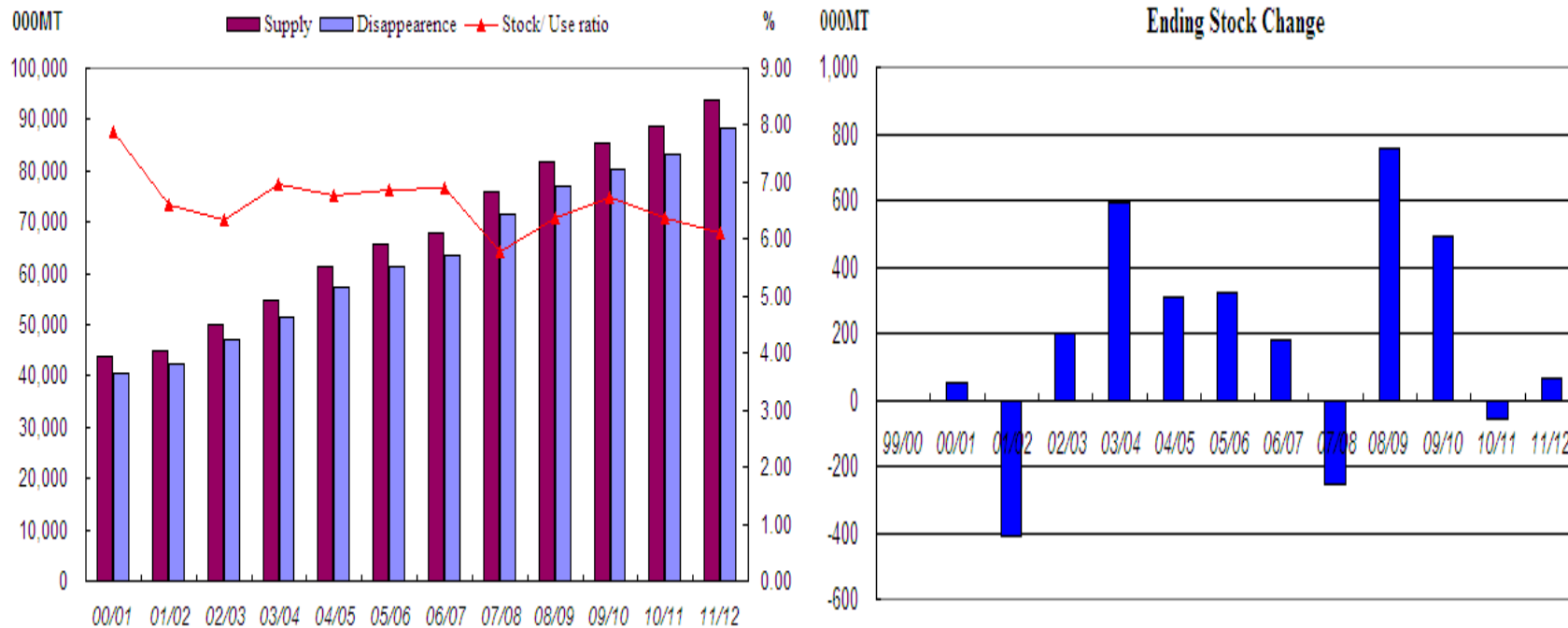
5、World Rapeseed Oil – Declining Stock Use Ratio



Source: USDA



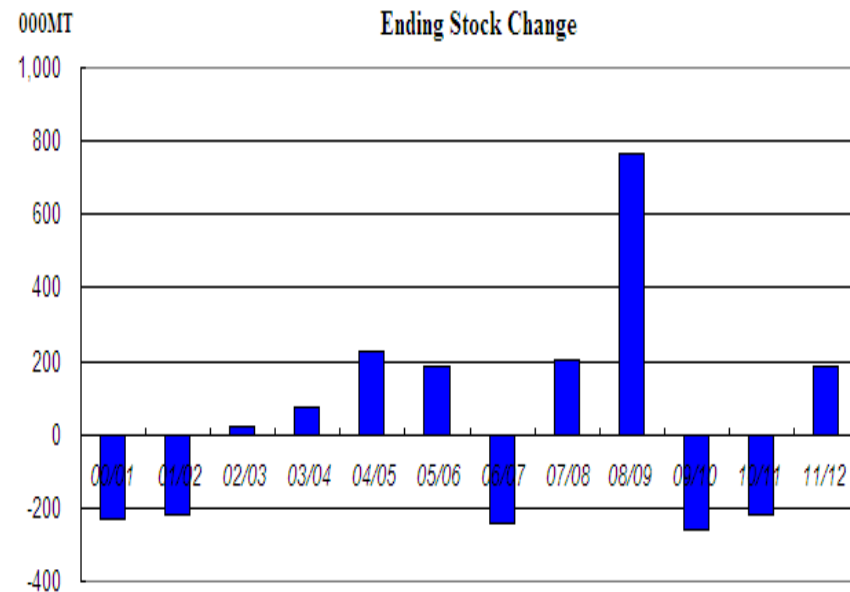
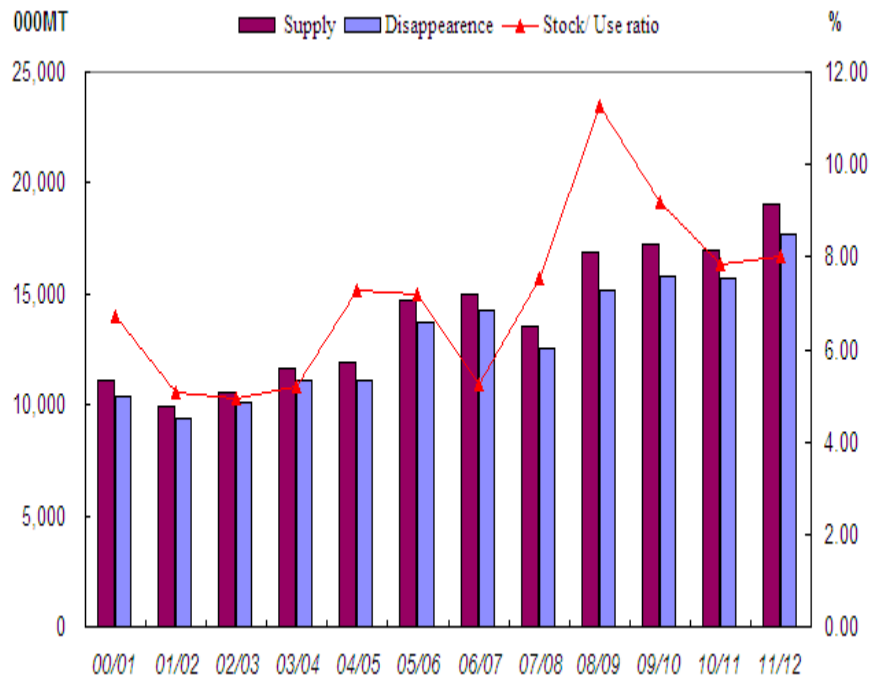
6、World Palm Oil – Approach to Record Low Stock Use Ratio



Source: USDA



7、World Sunflower Oil



Source: USDA



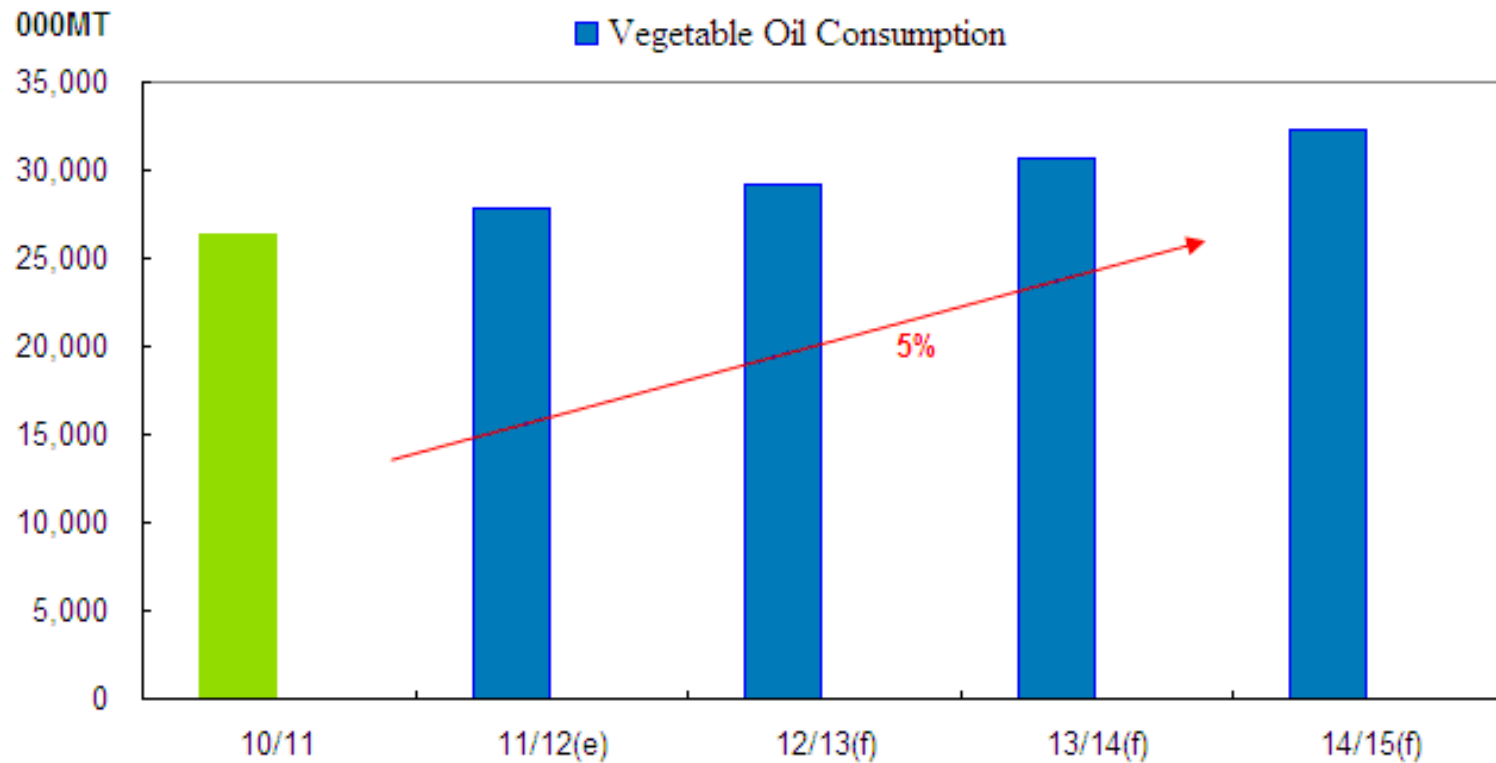
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China - Expected Higher Vegetable Oil Consumption

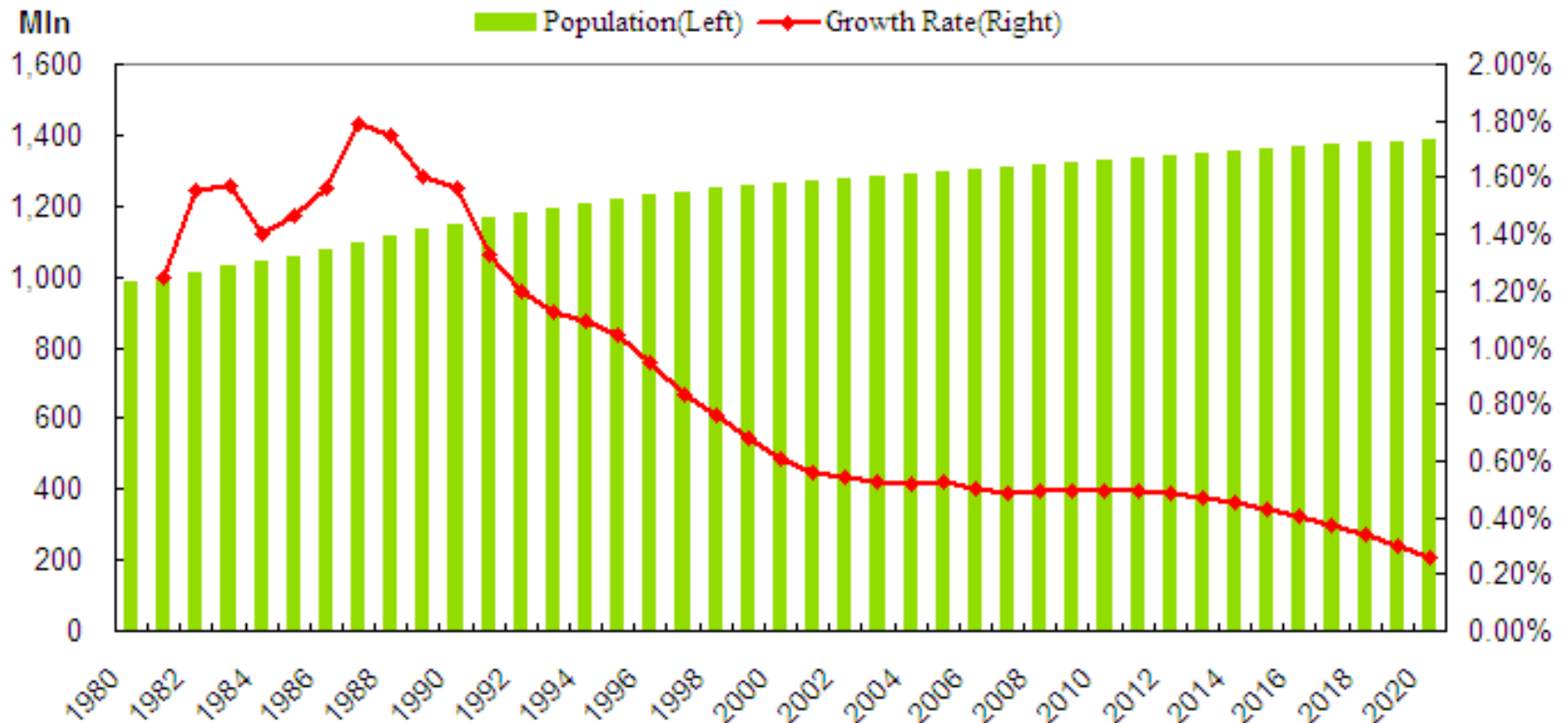


Source: Dongling



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1、Higher Vegetable Oil Consumption Due to Increase of Population Size

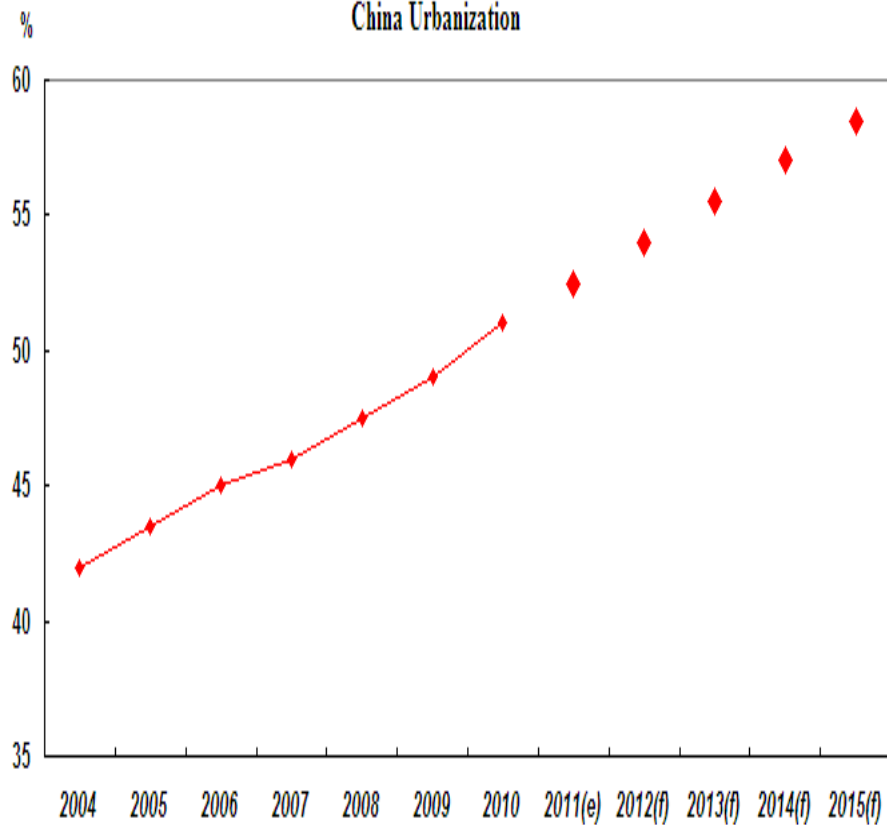




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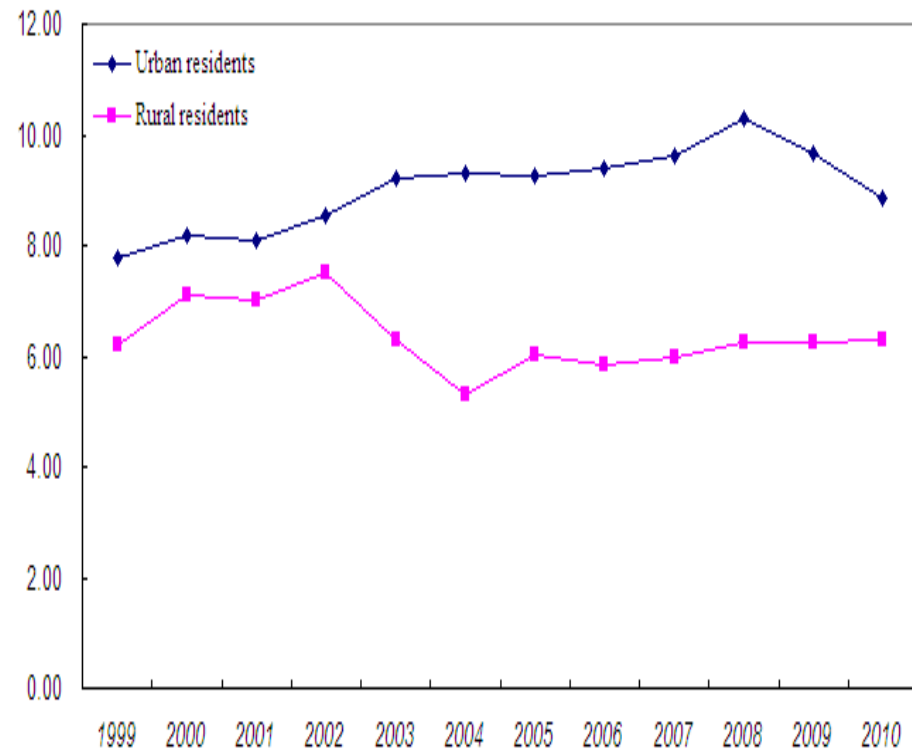
2、Higher Vegetable Oil Consumption Due to Higher Urbanization Rate

China Urbanization



Kg/Capita

Higher Per Capita Purchase /Consumption of Vegetable Oils in Urban Area

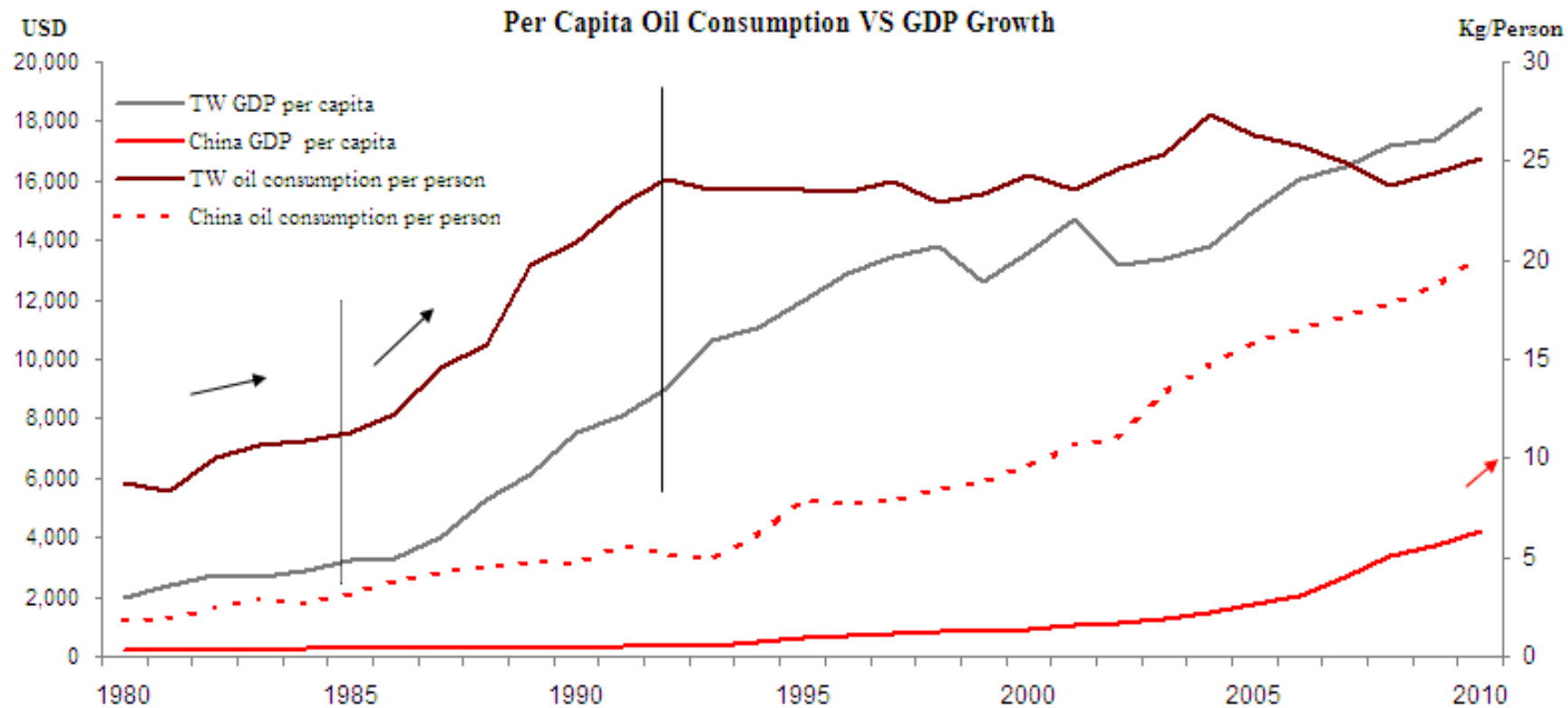


China Statistics Yearbook+Tonghuaxun iFinD



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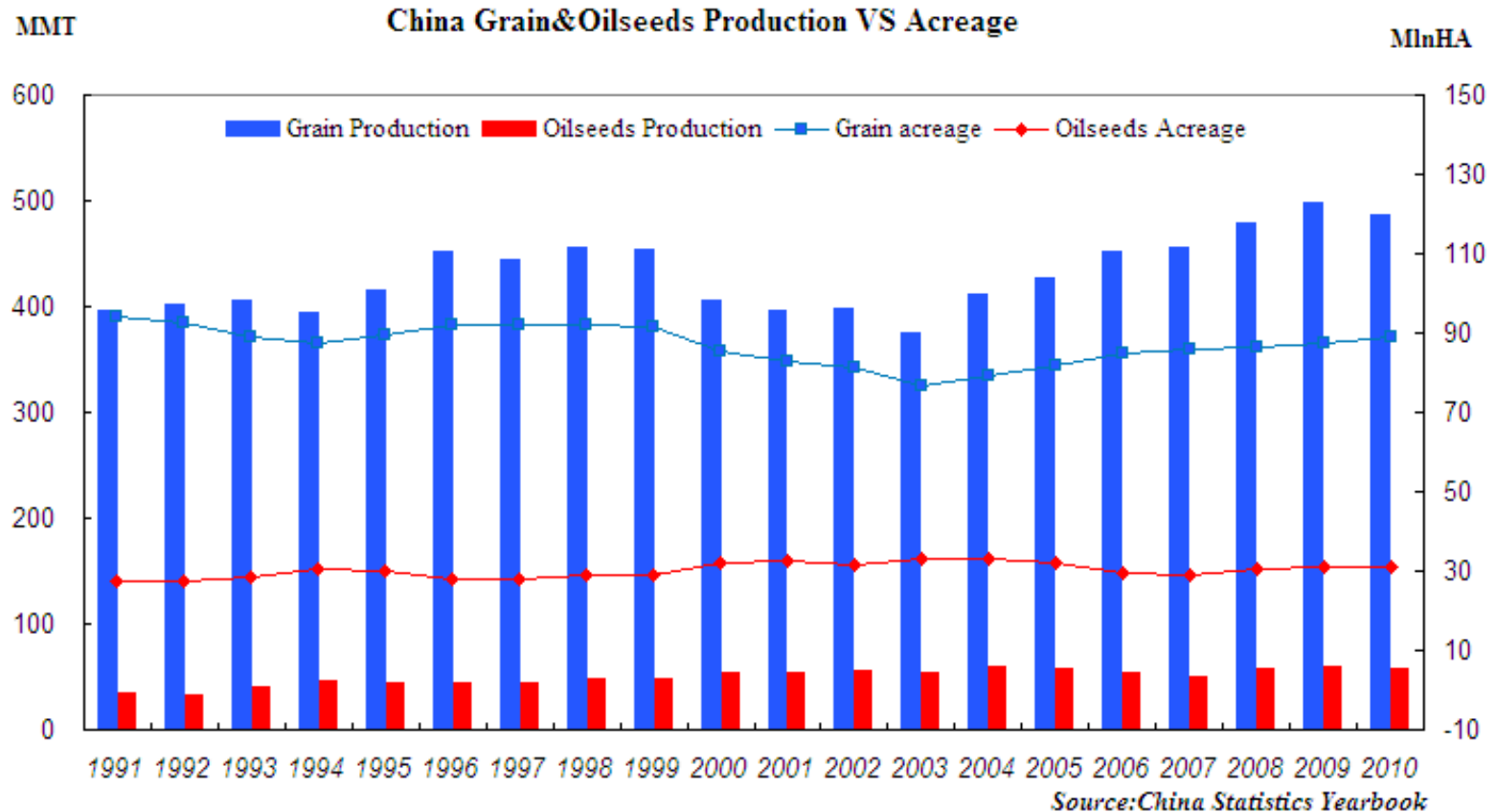
3、Higher Vegetable Oil Consumption Due to Higher GDP Per Capita



Source: Census USDA, World Bank



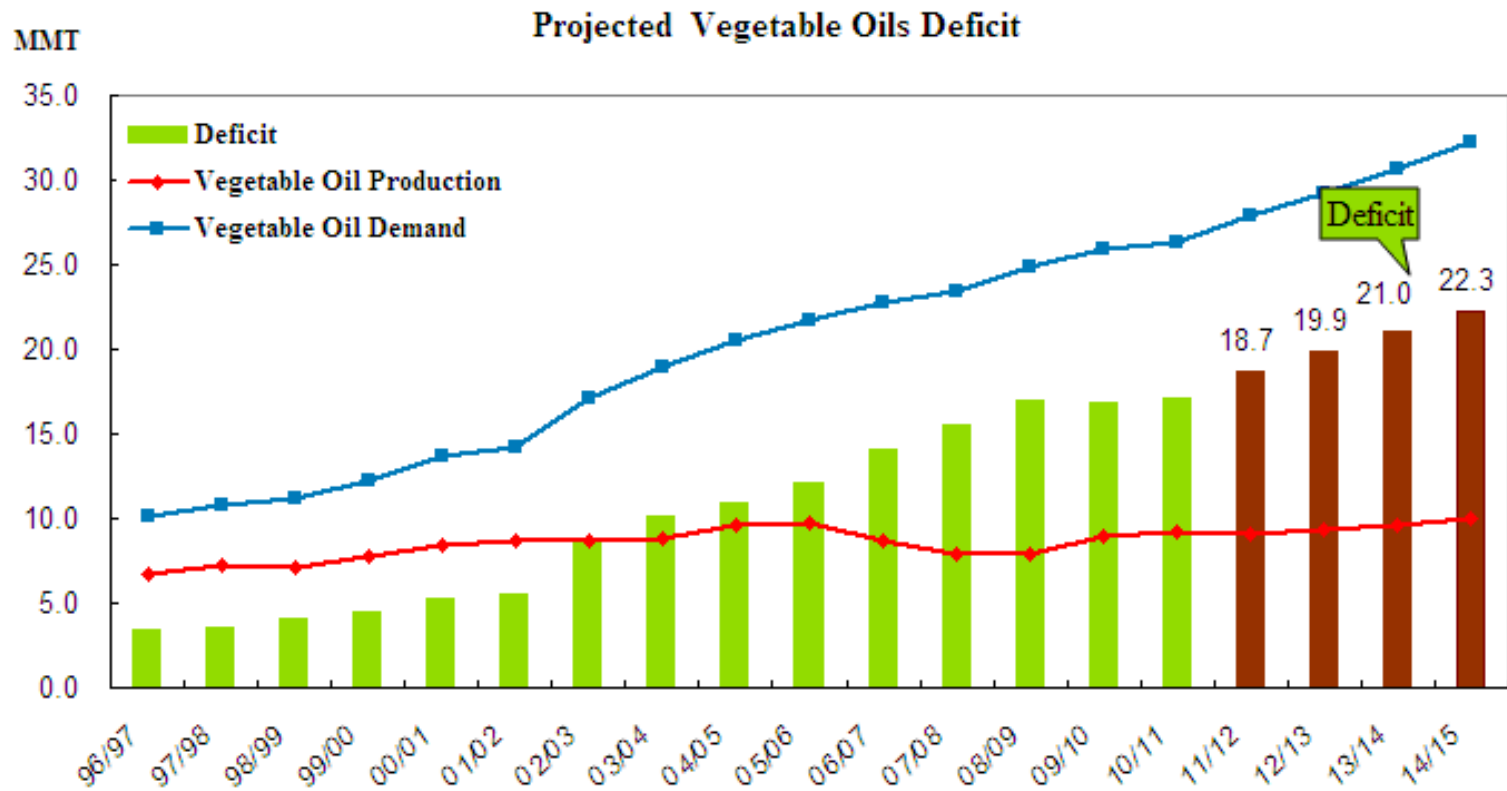
4、National Policy - in favor of Grains Production instead of Oilseeds





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5、Widening Vegoil Deficit Resulting From Stagnant Supply of Domestic Oilseeds



Source: USDA & Dongling



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1、China's Oilseeds Supply

China's Oilseeds Production

000 tonnes	2007-08	2008-09	2009-10	2010-11	2011-12	Change	USDA	CNGOIC
Soybean	13,400	15,540	14,700	14,400	12,400	-13.9%	14,000	13,500
Rapeseed	10,573	12,100	11,200	10,005	11,360	13.5%	12,800	12,500
Groundnut	13,027	14,286	14,708	15,640	15,500	-0.9%	15,500	16,200
Cottonseed	14,500	14,400	12,540	11,953	13,130	9.8%	13,130	12,600
Sunflowerseed	1,250	1,790	1,956	1,900	2,000	5.3%	2,000	2,400
Total	52,750	58,116	55,104	53,898	54,390	0.9%	57,430	57,200

China's Oilseeds Import

000 tonnes	2007-08	2008-09	2009-10	2010-11	2011-12	Change	USDA	CNGOIC
Soybean	37,816	41,098	50,338	52,339	58,500	11.8%	56,500	56,000
Rapeseed	805	3,034	2,177	938	1,900	102.6%	900	1,800
Total	38,621	44,132	52,515	53,277	60,400	13.4%	57,400	57,800

Source: USDA, CNGOIC & Dongling



2、China's Vegetable Oils Supply

China's Vegetable Production

000 tonnes	2007-08	2008-09	2009-10	2010-11	2011-12	Change	USDA	CNGOIC
Soyoil	7,258	7,925	9,419	10,008	10,792	7.8%	10,847	10,815
Rapeoil	3,870	4,700	4,764	3,684	4,473	21.4%	4,952	4,884
Groundnut oil	2,020	2,174	2,189	2,372	2,387	0.6%	2,387	2,315
Cottonseed oil	1,625	1,600	1,466	1,389	1,425	2.6%	1,425	1,430
Sunflower oil	130	315	324	306	327	6.9%	327	392
Total	14,903	16,714	18,162	17,759	19,404	9.3%	19,938	19,836

China's Vegetable Import

000 tonnes	2007-08	2008-09	2009-10	2010-11	2011-12	Change	USDA	CNGOIC
Soyoil	2,727	2,494	1,514	1,318	1,500	13.8%	1,700	1,500
Rapeoil	277	453	785	644	700	8.7%	800	600
Palm oil	5,223	6,118	5,760	5,712	6,000	5.0%	6,300	6,000
Others	8	145	216	75	76	1.3%	52	200
Total	8,235	9,210	8,275	7,749	8,276	6.8%	9,202	8,300

Source: USDA, CNGOIC & Dongling



3、China's Vegetable Oils Consumption

		China's Vegetable Oils Consumption							
000 tonnes	2007-08	2008-09	2009-10	2010-11	2011-12	Change	USDA	CNGOIC	
Soyoil	9,463	9,736	10,400	11,324	12,145	7.3%	12,490	11,900	
Rapeoil	3,646	3,609	4,650	5,250	5,350	1.9%	5,645	6,150	
Palm oil	5,259	5,905	5,850	5,571	6,090	9.3%	6,600	6,050	
Groundnut oil	2,016	2,184	2,227	2,407	2,427	0.8%	2,417	2,300	
Cottonseed oil	1,621	1,595	1,462	1,386	1,422	2.6%	1,425	1,300	
Sunflower oil	129	439	493	336	353	5.1%	353	392	
Total	22,134	23,468	25,082	26,274	27,787	5.8%	28,930	28,092	

Source: USDA, CNGOIC & Dongling



4、China's Vegetable Oils S&D (Oct-Sep)

	07/08	08/09	09/10	10/11	11/12
C/I	1,904	2,781	5,129	6,389	5,565
Production	14,903	16,714	18,162	17,759	19,404
Import	8,235	9,210	8,275	7,749	8,276
Total Supply	25,042	28,705	31,566	31,897	33,245
Exports	127	108	95	58	58
Human consumption	20,484	21,638	23,032	24,024	25,329
Industry consumption	1,650	1,830	2,050	2,250	2,458
Feed consumption	0	0	0	0	0
Total Demand	22,261	23,576	25,177	26,332	27,845
Commercial Stock	1,006	1,569	1,809	2,295	1,530
State Reserve	1,775	3,560	4,580	3,270	3,870
C/O	2,781	5,129	6,389	5,565	5,400
Stock/Usage ratio	5%	7%	7%	9%	5%

Note: State Reserve figures are our best guess as government does not release any data over State Reserve.

Source: Dongling



5、China's Vegetable Oils S&D (Oct-Mar)

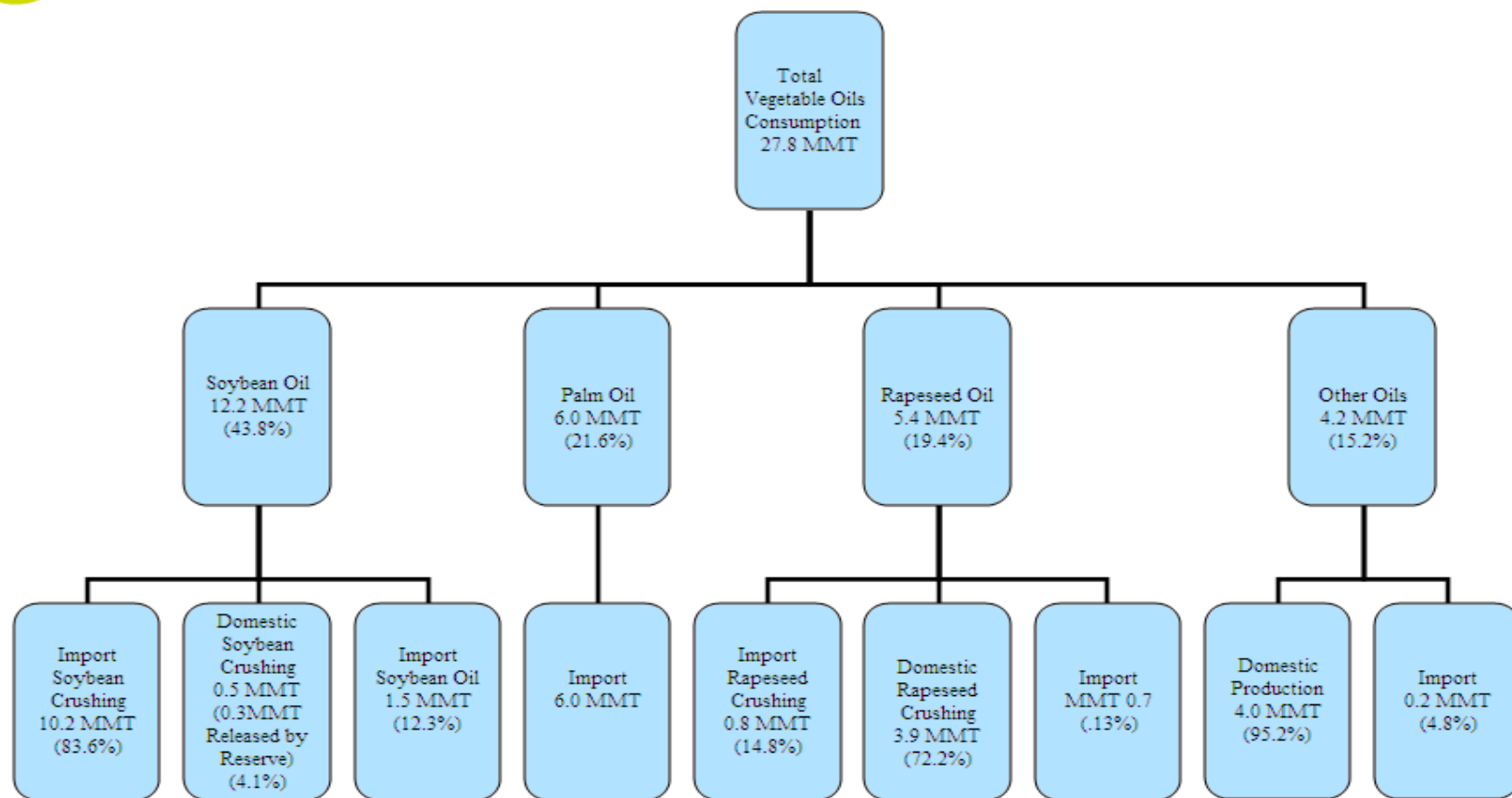
China Incremental Supply & Demand			2011-2012(Oct-Mar)	
000 tonnes	10/11	11/12	In '000 Mts	Oct.11-Mar.12
Soyoil	849	928	Carry-in	2,295
Rapeoil	(327)	(82)	Production	9,502
Palm oil	(138)	429	Import	3,781
Groundnut oil	181	20	Total Supply	15,578
Cottonseed oil	(77)	36	Export	29
Sunflower oil	(157)	17	Human Consumption	12,766
Released /Replenishing by Reserve	1,310	(600)	Industry Consumption	1,229
Increase In Supply	1,641	748	Total Demand	14,024
Food Consumption	992	1,305	Ending Stocks	1,554
Industry Consumption	200	208		
Increase In Demand	1,192	1,513		

Note: State Reserve figures are our best guess as government does not release any data over State Reserve.

Source: Dongling



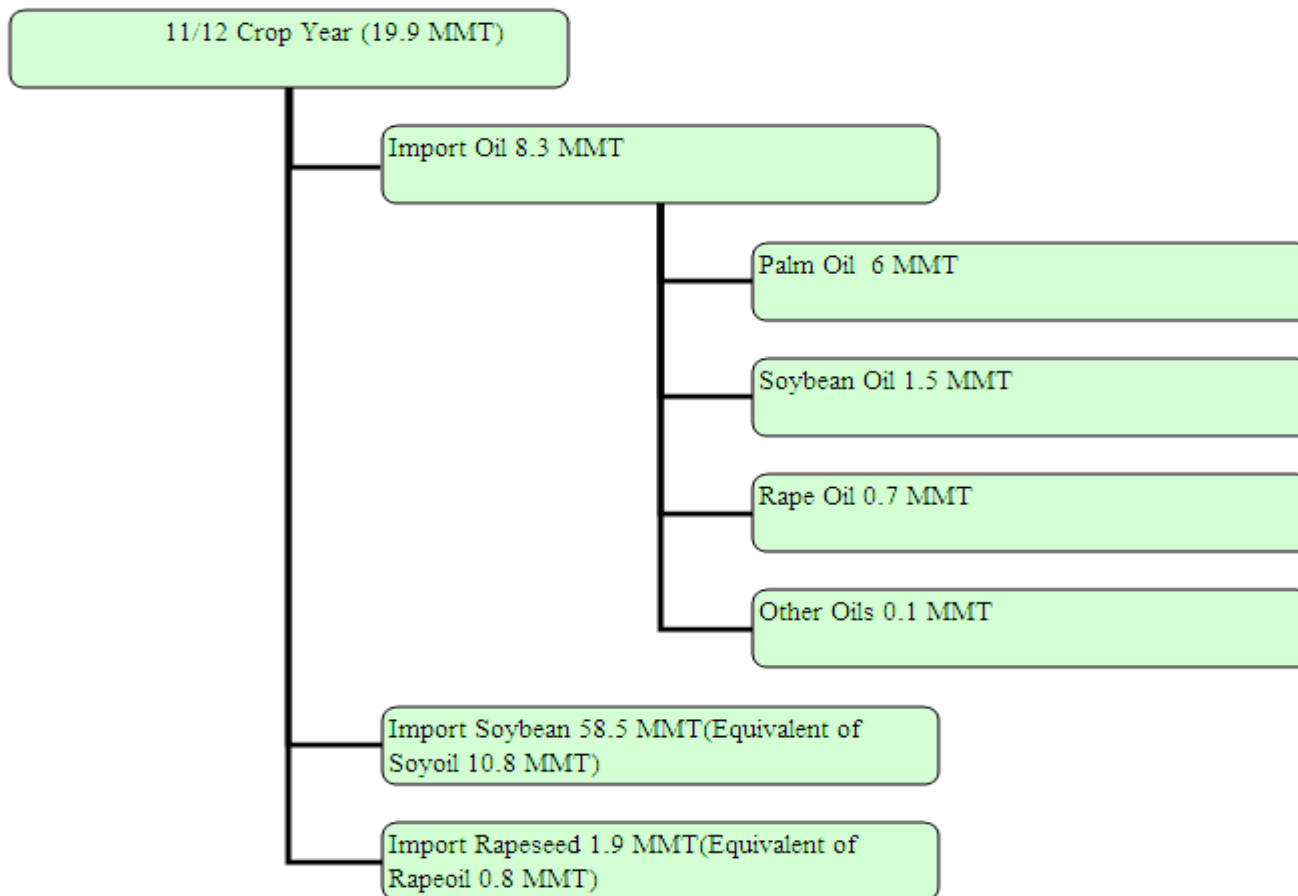
6、Breakdown of China Vegetable Oil Consumption (11/12)



Source: Dongling



7、*Breakdown of China Oilseeds & Oils Import (11/12)*



Source: Dongling



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• *Summary of Market Outlook*

- Vegoil Stock, particularly commercial stock, will be drawn down because of higher increase of consumption;
- Import volume for both Oilseeds and Vegoil will be higher because of stronger consumption and replenishment of State Reserve;
- Vegoil Price in local market will be well supported and firm up unless collapse of international market;
- Relative higher growth of SBO Consumption vs PO because of rigid rules over Food Safety and Fighting against “Ditch Oil”;



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Swing Factors

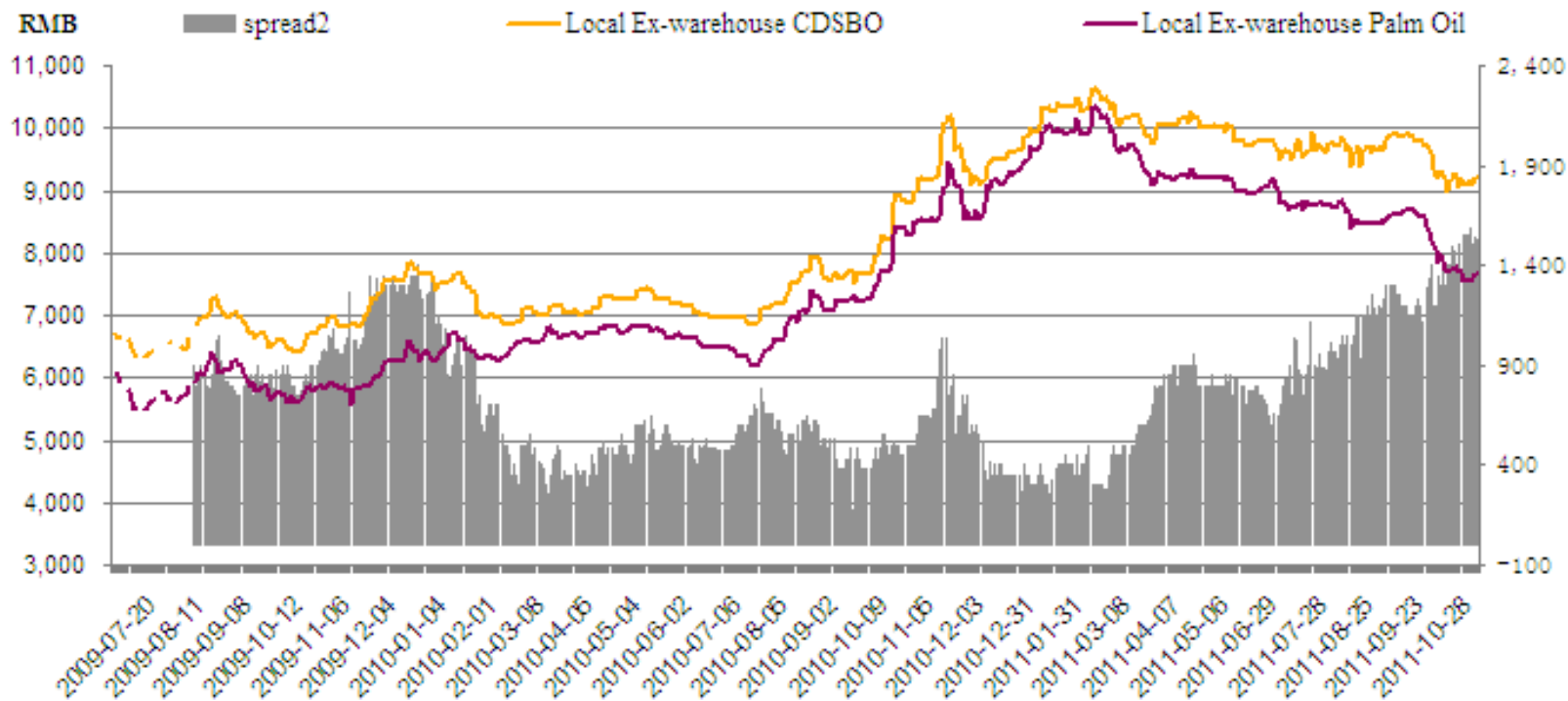
- Macro-factor: Euro Debt Crisis Development / US\$;
- S America Weather by Jan/Feb; Actual PO Production for 11/12; Actual China Rapeseed Production;
- Government Policy:
 - * Continual enforcement of rigid rules over food safety and degree of fighting against “Ditch Oil”;
 - * Subsidizing policy over local oilseed crush for oil to replenish State Reserve;
 - * Degree of loosening Monetary Policy in 2012;



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Widening Price Spread of SBO Over PO

Local Ex-warehouse CDSBO and Local Ex-warehouse Palm Oil Price

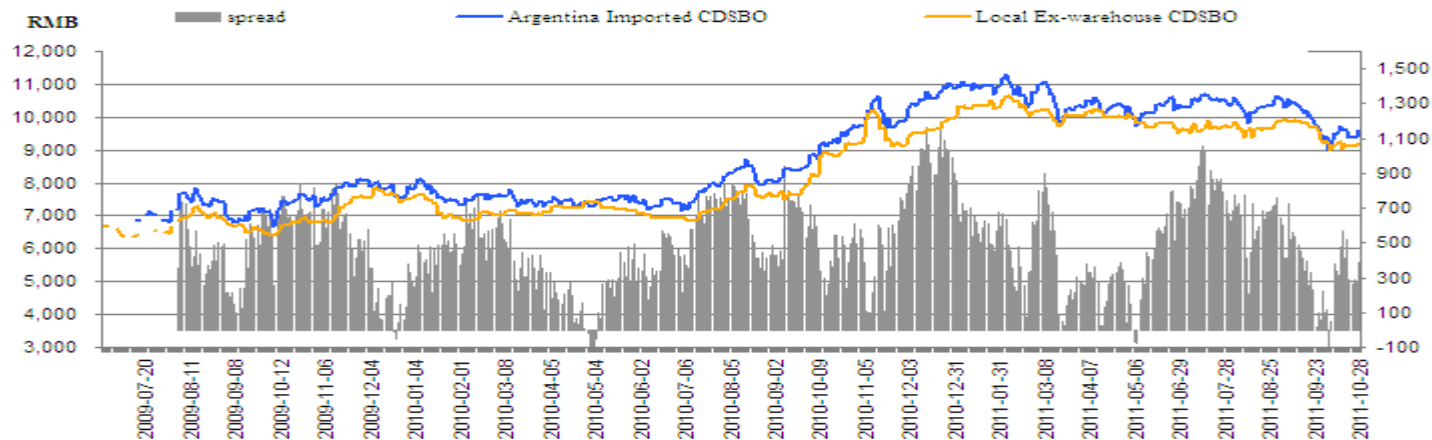




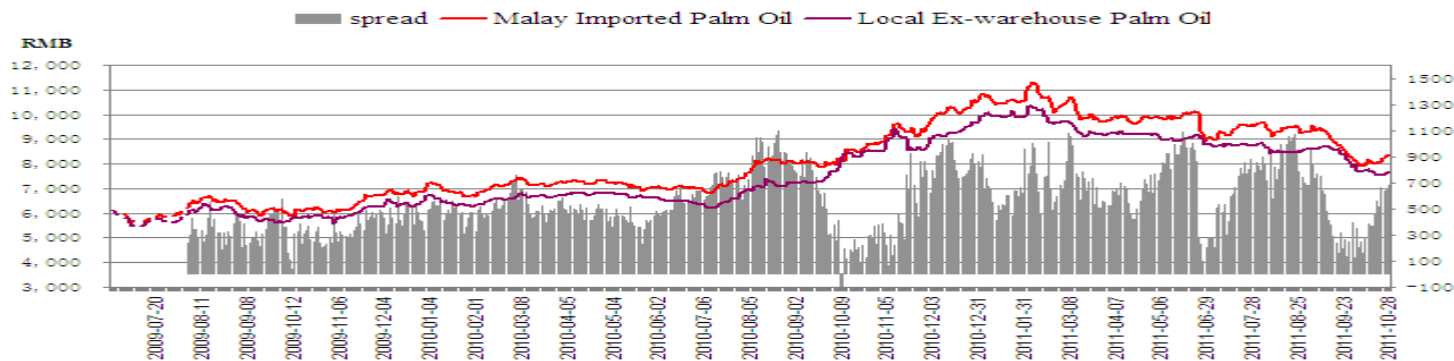
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”Abnormal” Lengthy Inverted Vegoil Market

Argentina Imported CDSBO and Local EX-warehouse CDSBO



Malay Imported Palm Oil and Local EX-warehouse Palm Oil





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Thank You

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