

OFI India 2017

New Strategies, New Approaches

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**“Global Oils & Fats Overview:
Political and Economic Scenario Ahead”**

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Five Major Global Commodity Market Drivers

- **Economic growth**
- **Geopolitics**
- **Monetary policy**
- **Currency**
- **Weather**

Political and Event Risks in 2017

VUCA world !!!

- **Trump-induced volatility**
- **Fed rate hike**
- **European elections**
- **Crude oil**
- **Weather**

Global Oils & Fats Overview

- **After a year of tight market balances, 2017-18 will see many bearish factors at play – benign weather, augmented output, modest demand growth, rising stocks, mineral oil prices under pressure, firming USD**
- **World vegoil market to get into surplus**

Global Oils & Fats Overview

- Production set to grow in 2017-18; **all major oils forecast to increase**; Palm, Rape, Cotton oils to see output jump; strong meal demand to spur higher soy crush
- **Global consumption will expand but less rapidly**
- **Global end-stocks forecast to grow**
– mainly palm (9.6 / 7.5)

Oilseed and Oil Output

- Large South Am soy crop 166 ml t
- U.S soy acreage to expand in 2017
- Soy inventory to touch record 50 ml t
- Palm's peak output season started
- FFB yield improving; will rise in H2
- Canola / Rapeseed output to expand

Production of Major Vegoils

(million tons)

• <i>Oil</i>	<i>2016-17</i>	<i>2017-18 (f)</i>
Palm	62.9	67.0
Soy	54.3	56.0
Rape	27.9	29.0
Sun	17.3	18.0
Others	23.7	25.0
TOTAL	186.1	195.0

Palm oil and Soy oil

- China bean demand strong; but import to pick up from July due VAT concession
- Oil import demand slowing in India, China
- Consumption slows in summer months
- **Soy-Palm price differential narrowing**
- **Soy and Palm markets feed on each other**
- Current crude oil price discourages discretionary blending

Policy challenges

- EU Parliament resolution: (a) single certification scheme for sustainably produce PO; (b) gradual phase out of vegoil (as biodiesel feedstock) causing deforestation
- US decision to conduct anti-dumping / subsidy investigations on biodiesel imports from Argentina and Indonesia

Commodity Market Axiom

- **Markets move based not on current fundamentals but on anticipated changes in future**
- **Anticipated changes signal bearish price outlook for 2017**
- Business Line: March 2 – CPO prices headed for correction from April
- Business Line: April 10 – Palm oil set to skid on output rebound
- Business Line: March 13 – Rocky road ahead for commodities
- Business Line: March 20: How will commodities fare in 2017?

Thank You

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