

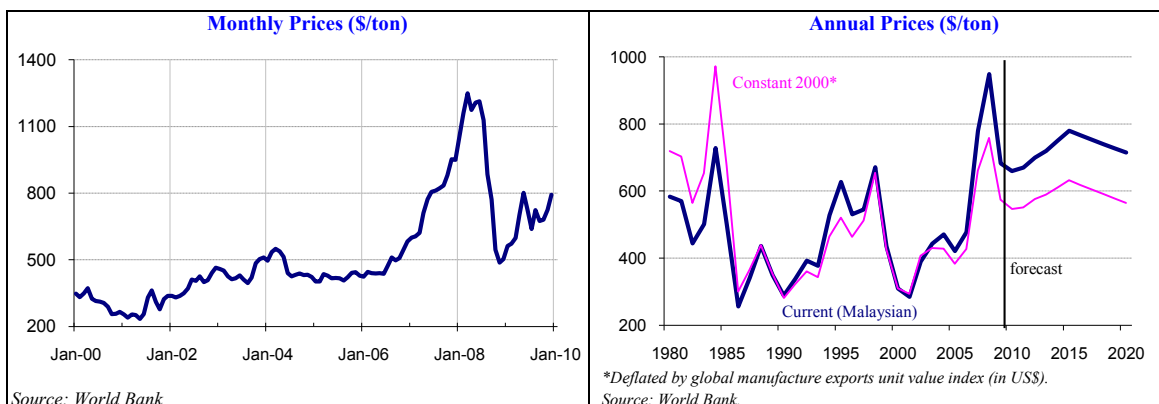
## PALM OIL

Palm oil prices averaged \$683/ton in 2009, 28 percent lower than their \$1,170/ton average of 2008. Prices of almost all edible oils rose dramatically during the first half of 2008, to levels not seen since 1973. However, they declined sharply during the second half of 2008 to levels more in line with fundamentals. Though strong import demand-especially by China and India-and increased use of competing oils for biofuel use played key roles during the rally, the sharp downward correction during the first half of 2008 suggests the rally had an element of overshooting. During 2009:Q4 prices picked up again in response to strong import demand, weak supplies of substitute oils (especially soybean oil), and rising crude oil prices. Global production of soybean oil is estimated at 37.6 million tons during 2009/10, up from 36.0 million tons in 2008/09 but very similar to the 2007/08 level.

**Oil World expects global palm oil output to reach**

**47.2 million tons during the 2009/10 (Oct to Sep) season, 6.5 percent higher than the year before.** Palm oil import demand is expected to rise by about 2 percent during 2009/10 (far less than last season's 9 percent increase) because the two key importers, China and India, will experience limited consumption growth. The projected stock-to-use ratio during 2009/10, at 14 percent, is about 2 percentage points below historical levels.

**Given the projected recovery of soybean production from last year's weather-induced shortfall, and restraint in biofuel mandates in several countries, including in the EU (the world's largest biodiesel producer), palm oil prices are expected to average \$660/ton in 2010 and to be marginally higher in 2011.** In real terms, however, the 2010-12 average is expected to be two thirds higher than in the early 2000s.



	2006/07	2007/08	2008/09	2009/10		2006/07	2007/08	2008/09	2009/10
<b>PRODUCTION (000 metric tons)</b>					<b>EXPORTS (000 metric tons)</b>				
Indonesia	16,730	18,880	20,450	22,090	Indonesia	12,465	14,100	16,110	16,840
Malaysia	15,294	17,567	17,259	18,200	Malaysia	13,768	15,041	15,990	16,180
Thailand	989	1,273	1,310	1,420	PNG	406	385	451	422
Nigeria	752	812	853	880	Ecuador	180	178	173	189
Colombia	830	779	758	773	Thailand	327	399	123	160
Ecuador	409	417	431	466	<b>World</b>	<b>29,638</b>	<b>32,850</b>	<b>35,480</b>	<b>36,350</b>
<b>World</b>	<b>37,591</b>	<b>42,666</b>	<b>44,262</b>	<b>47,154</b>	<b>IMPORTS (000 metric tons)</b>				
<b>CONSUMPTION (000 metric tons)</b>					China	5,543	5,559	6,297	6,200
India	3,698	4,882	6,565	6,800	India	3,664	5,019	6,875	6,550
China	5,461	5,660	5,917	6,348	EU-27	4,634	5,012	5,790	6,150
EU-27	4,478	4,806	5,592	6,000	Pakistan	1,743	1,769	1,800	1,840
Indonesia	3,920	4,362	4,846	5,230	US	692	955	1,036	985
Malaysia	2,132	2,449	2,474	2,540	Bangladesh	871	855	832	850
Pakistan	1,638	1,734	1,792	1,800	Egypt	716	508	770	660
Nigeria	1,042	1,219	1,265	1,301	Iran, Islamic Rep.	419	589	571	610
Thailand	700	941	1,161	1,280	Japan	516	551	531	550
US	635	935	917	936	<b>World</b>	<b>29,366</b>	<b>32,730</b>	<b>35,773</b>	<b>36,280</b>
Colombia	467	457	580	748	<b>STOCKS (000 metric tons)</b>				
Egypt	598	486	550	569	Indonesia	1,780	2,230	1,760	1,820
Japan	509	550	536	545	Malaysia	1,461	1,951	1,579	1,750
Russian Fed.	527	690	485	520	India	350	540	920	740
Turkey	401	443	388	440	China	472	370	750	600
<b>World</b>	<b>37,256</b>	<b>41,325</b>	<b>44,700</b>	<b>47,260</b>	<b>World</b>	<b>5,812</b>	<b>7,060</b>	<b>6,876</b>	<b>6,700</b>

Source: Oil World, Hamburg, Germany and US Department of Agriculture