

# PCE

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## Palm Oil Industry Analysis 3rd Quarter 2024

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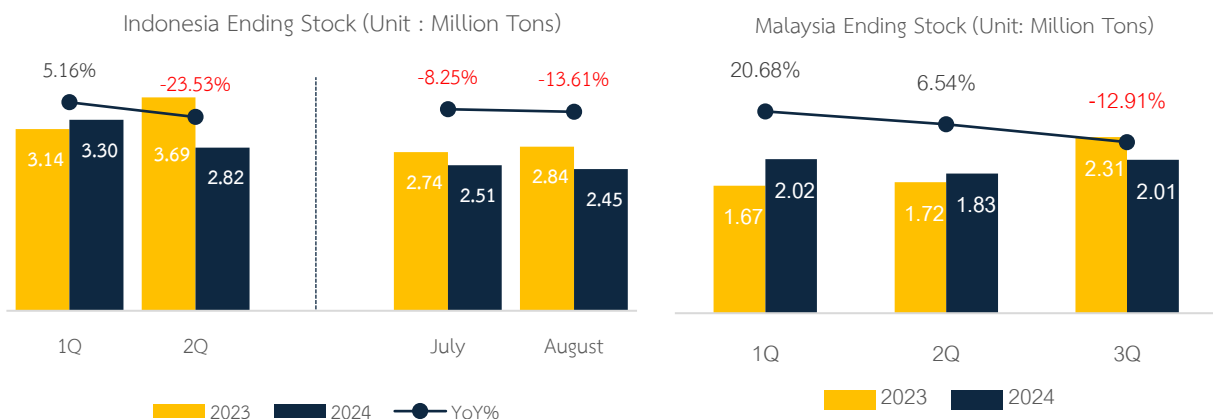


## Palm Oil Industry Analysis, 3rd Quarter 2024

By PETCHSRIVICHAH ENTERPRISE PUBLIC COMPANY LIMITED

### The global palm oil situation overview

Global palm oil supply in 3Q24 is relatively tight and the trend will continue until 2025 due to domestic consumption demand from major palm oil producers as well as growing global market demand. While fresh fruit bunch supply decreased, in Indonesia, CPO production in 3Q24 from July-August was 7.60 million tons, down to 7.42% from the same period in 2023 according to delays in fresh fruit bunch and weather conditions. So, to demand for biodiesel in the industry is expected to continue to grow in 2024 with the use of Biodiesel Mandate 35% that cause CPO amount at 2.01 million tons, growing 8.92% from the same period in 2023, resulting in Indonesia's CPO exports as the world's number 1 exporter, with a volume of 4.625 million tons, decreasing by 17.29% from the same period in 2023, with the CPO inventory at the end of August 2024 at 2.45 million tons, decreasing by 13.61%. For Malaysia, it is identical. Although CPO production in 3Q24 was 5.56 million tons, growing 7%, it still benefited from global market demand while Indonesia's CPO volume released into the market dramatically decreased, pushing exports in 3Q24 to 4.77 million tons, growing 25.88% from the same period in 2023, resulting in the amount of CPO inventory at the end of the quarter at 2.01 million tons, decreasing by 12.91% from the same period in 2023. Thailand is also benefiting from the above situation in terms of exports, where global supply is likely to become significantly tighter due to the decline in fresh fruit bunch in Indonesia, Malaysia, and Thailand due to seasonality, weather, and drought, as well as Indonesia's 40% increase in Biodiesel Mandate in 2025, which will reduce the amount of CPO released to the world market by around 400,000-500,000 tons per quarter.



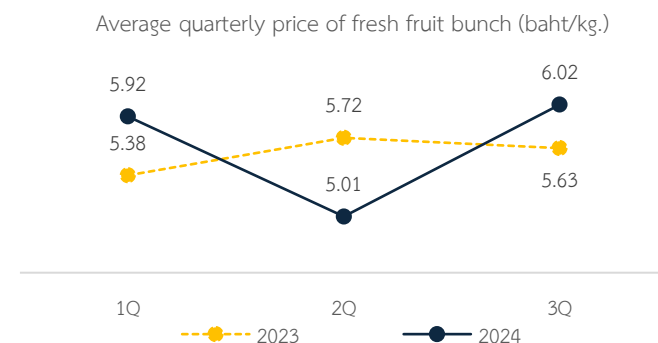
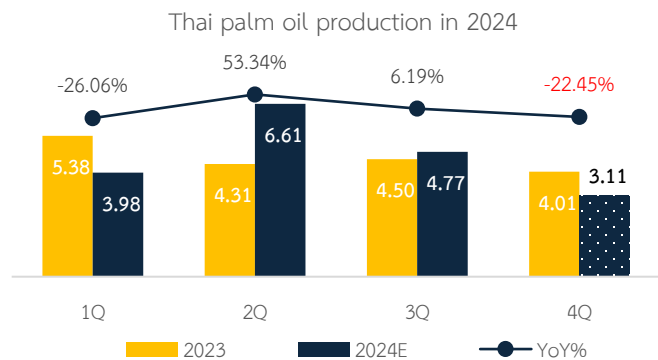
The global CPO price situation in 3Q24 remained stable at an average of around 31.76 baht/kg, even though the fresh fruit bunch situation and CPO production have been trending

down. However, Global market prices are still influenced by soybean oil prices, which have been gradually decreasing from above 45 cents/pound to below 40 cents/pound due to high soybean supply. The U.S. Department of Agriculture has revised its forecast for soybeans in the 2024/25 marketing year to 124.90 million tons, a revised forecast from the previous estimate of 120.70 million tons. It is also pressured by volatile crude oil prices due to geopolitical tension especially in the Middle East and between Russia and Ukraine, with the risk that crude oil production sources and related facilities could be damaged by missile attacks. In addition, China's crude oil imports fell due to the uncertain economic recovery. In 1-3Q24, China imported 3,024 million tons of crude oil, down 2.9% the same period in 2023, while crude oil production remained flat. At the same time, OPCE+ plans to increase its crude oil production capacity within the group and Russia's crude oil exports grow, leading the market to believe that the supply of crude oil may be oversupplying the market, pressuring CPO prices to adjust in line with the prices of these substitute products.

Nevertheless, the economic situation in the United States has also affected the CPO price in the world market, especially in terms of monetary value, which is a factor affecting the CPO exports of Indonesia, Malaysia and Thailand. However, the situation of crude palm oil supply tends to be tight continuously. Indonesia has a plan to increase the Biodiesel Mandate to B40 while India has increased the import tax of CPO to 27.5%, resulting in an even greater demand for CPO, pushing up the price in the world market. However, the above factors still push the price level to tend to increase continuously even until the end of 2024.

### The Thai palm oil industry overview

Thai palm oil industry in 3Q24 faced challenges from the decline in fresh fruit bunch throughout the season and from the influence of rainfall in 2Q24, with an estimated average rainfall nationwide of around 24% lower than normal, resulting in amount of fresh fruit bunch in 3Q24 at 4.77 million tons, despite growth from the same period in 2023 around 6.19% but still 27.77% lower than 2Q24, especially in September 2024, which had 1.29 million tons of fresh fruit bunch, down 14.33% from the same period in 2023, pushing the average fresh

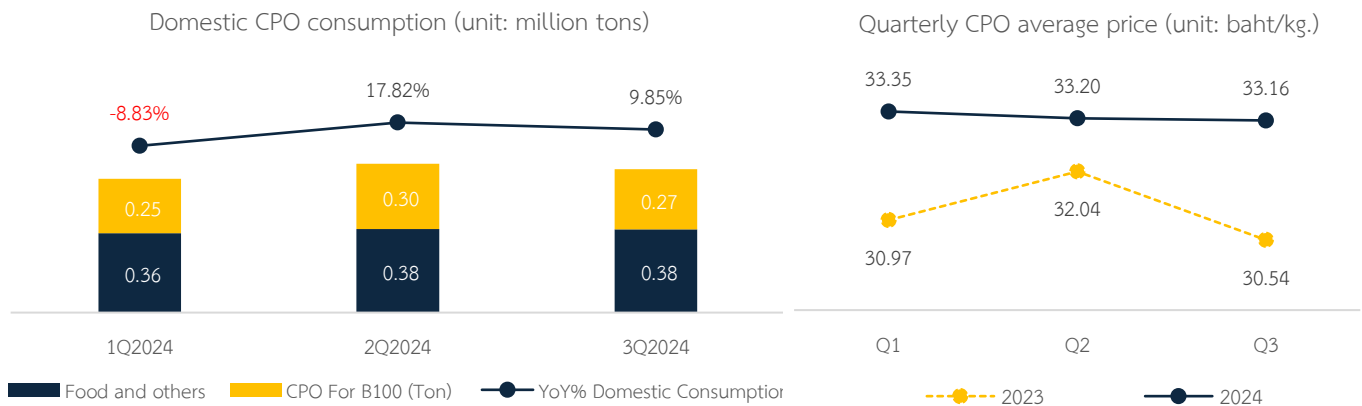


fruit bunch price to 6 baht/kg, higher than the 5-year average, which in September reached the highest price of 7.30 baht/kg.

In 3Q24, fresh fruit bunch was used to produce CPO at 5.21 million tons, producing 0.97 million tons of CPO at an average %Yield of 18.68%, while domestic demand remained stable at 0.66 million tons from 2Q24 but grew by 9.85% from 2023.

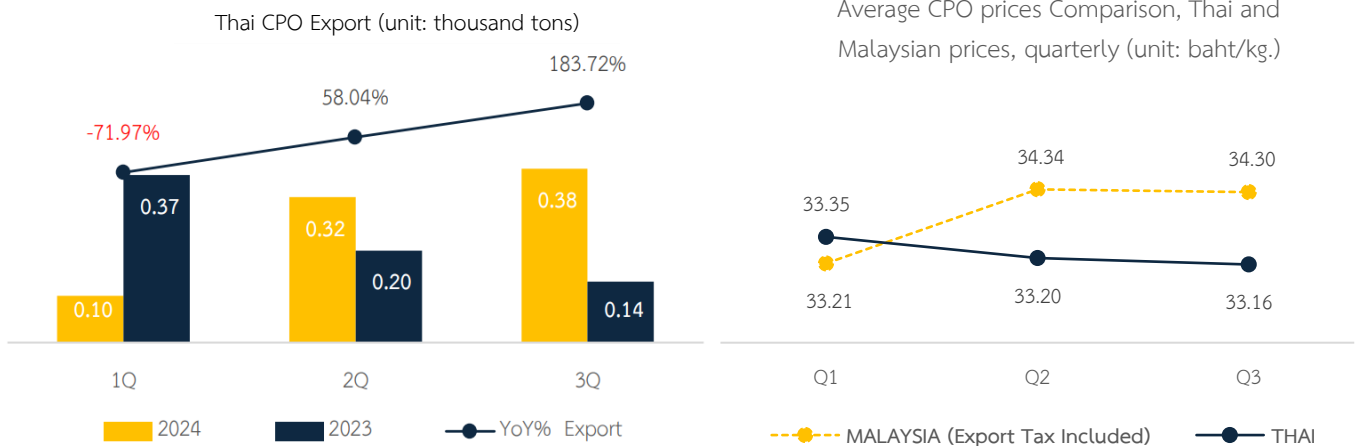
The demand in the food and other industries was 0.38 million tons, growing 11.93%, and the demand in the biodiesel industry was 0.38 million tons growing 7.09% because of the economic recovery that stimulated consumption, consistent with the country's consumer price index for the third quarter of 2024, it was found that it slightly increased by 0.60% from 2023, especially the food and non-alcoholic beverage category, which increased by 1.78%, in contrast to the energy category, which decreased by 0.83%.

From the fluctuating and gradually decreasing world crude oil prices, coupled with the appreciation of Thai baht, it has not affected the demand for biodiesel much. The average demand for biodiesel is 62.87 million liters per day, growing from 2023 by 3.76%, with B100 inventory at 49,315 tons. Although it increased from 2023 by 21.82%, it decreased from the second quarter of 2024 by 7.28%. Domestic consumption is expected to grow in the fourth quarter from consumption behavior during festivals, both consumption and energy, at 600,000-700,000 tons.



On the other hand, exports in 3Q24 grew significantly at around 0.38 million tons, growing by 183.72% from the same period in 2023 and continuing to grow by 19.24% from 2Q24 due to global demand, especially in India, where Thailand and Malaysia benefited from Indonesia's reduced exports due to increased domestic consumption. In addition, Thailand also had the advantage of not having an export tax on palm oil, resulting in importers receiving slightly lower prices than Indonesia and Malaysia, even though the baht appreciated during that period. As of

September, India imported about 0.43 million tons of CPO, of which about 0.09 million tons were imported from Thailand, accounting for 21% of the total import share.



### Overview Ending Stock Thai Palm Oil

As mentioned above, although the domestic consumption demand situation in 3Q24 is stable, it remains at a high level, under the situation of relatively tight fresh fruit bunch supply and CPO production. Coupled with the continuous growth of CPO exports since the second quarter, Thailand's CPO inventory at the end of the third quarter of 2024 decreased no differently than Indonesia and Malaysia, at 0.278 million tons, down 22.60% from 2023, which is still influenced by world market prices as a price taker. Thailand's average price in the third quarter of 2024 was 33.16 baht/kg, up 8.58%, higher than the same period in 2023, but not much different from the second quarter of 2024. Since the world market price, especially since August, has been pressured by the soybean oil price due to the risk of soybean oversupply. The USDA forecasts soybean production at 428.9 million tons, an 8.7% increase from 2023, coupled with the fact that soybean exports at that time were not very good, resulting in the world CPO price in 3Q24 at 31.76 baht/kg (excluding Malaysia's export tax of 8%). However, Thai and world palm oil prices are likely to increase until the end of 2024 because the production volume, including CPO, of Thailand and the world market is still likely to decrease, which is affected by the seasonality, including the demand for CPO in the Indonesian biodiesel industry, which is disrupting the world palm oil supply.

### Growth of Thailand's palm oil industry

The Thai palm oil industry has grown from the upstream from farmers' expansion of planting areas to replace rubber, other agricultural areas, and attractive palm oil prices. In 2024,

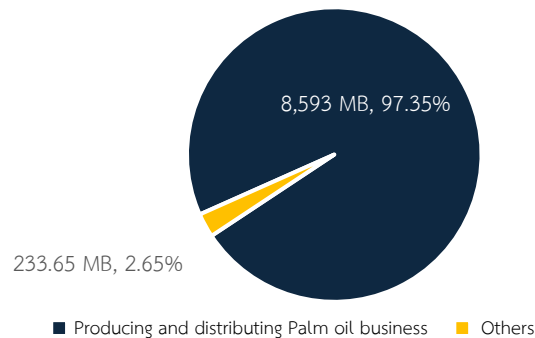
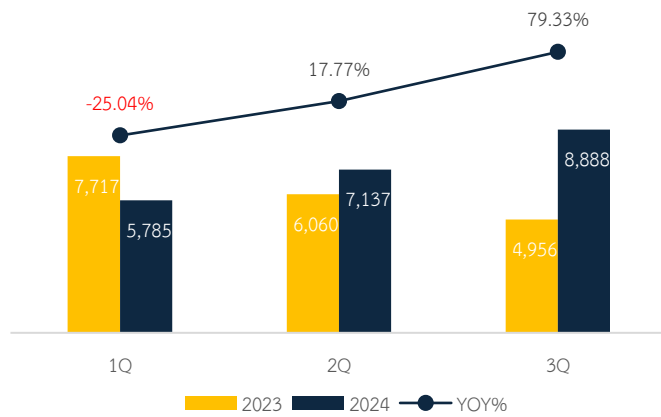
the total productive area will be 6.38 million rai, growing 2% from 2023. Although the yield per rai decreased from last year due to the impact of El Niño in late 2023 to early 2024, however, from 2020-2023, the plantation area grew by an average of 2% CAGR per year and tends to expand, as does the volume of fresh fruit bunch supply. In 2024, the Office of Agricultural Economics forecasted it to 18.607 million tons, growing by 3%, and from 2020-2023, growing by an average of 4% CAGR per year. As for domestic consumption, it has the potential to grow, forecasted at around 2.5 million tons in 2024, growing slightly at 2%, with an average growth rate of around 2-3% per year from the demand in the food industry and others, including the oleochemical industry and related industries that have recovered since 2022, with an expected demand for CPO in 2024 of around 1.5 million tons. It tends to grow by an average of 6-7% per year. Meanwhile, the demand for biodiesel in the industry in 2024 is expected to remain stable at around 1 million tons and continue until the end of the year. The government has drafted the fuel operation plan for 2024-2037. In the first phase, the biodiesel blending ratio will still be set at 6.6-7% before increasing the maximum ratio to 9.9%. Furthermore, Thailand has the potential to grow in the global market. It is expected that in 2024, Thailand will export CPO of approximately 0.91 million tons, growing slightly from the previous year, partly due to the factor of shrinking production. In the third quarter of 2024, Thailand exported CPO of approximately 0.36 million tons. When considering that the world's largest palm oil planter and producer, Indonesia, will blend biodiesel from B35 to B40 in 2025. This will result in a decrease in global supply by around 300,000-400,000 tons per quarter, and there is a plan to increase it to B50, while global demand, especially the Indian market, in 2020-2023 will grow at an average rate of around 1.24% CAGR. In the third quarter of 2024, a total of 2.07 million tons were imported, although it decreased by 12.70% from 2023 due to the excessive import situation in September. However, as of July, CPO imports were as high as 11.34% compared to 2023. Likewise, there is a tendency to return in 4Q24, despite the obstacle of the import tax increase of more than 27.5%, but the supply is still not enough for domestic demand during the festival. Thailand still has the advantage of no export tax, resulting in potential to compete in the world market. For China, the demand trend remains stable due to the uncertain domestic economy, even though the economy is slightly growing. It is expected that in 3Q24, China imported a total of 1.4 million tons, down 22% from 2023. However, Thailand may be at risk of being affected by the shortage of fresh fruit bunch supply and the volatility of the baht.

### PCE Performance 3Q24

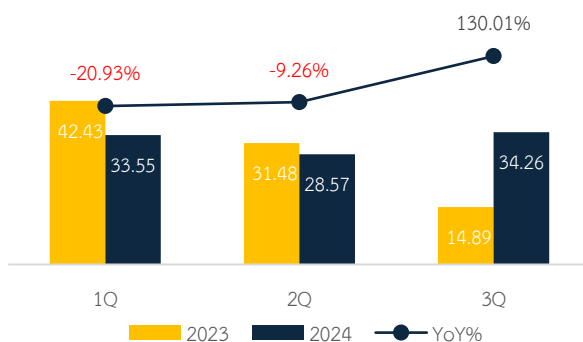
As for the operating results in 3Q24, PCE had revenue of 8,888 million baht, growing 79.33% from the same period in 2023. For the palm oil production and distribution business group, revenue was 8,593 million baht, growing around 75.98%, with a proportion of 97.35% from the total business group, which can be divided into 3 sectors: Food Sector, Energy Sector, and Export Sector.

**1) Food sector** Consisting of Refined Bleached Deodorized Palm Oil (RBDPO) and Refined Bleached Deodorized Palm Olein (RBDOL) products, which are one of the key growth drivers of the business, with RBDPO having a sales volume of 34,260 tons, growing 130.01%, and RBDOL having a sales volume of 13,882 tons, growing 13.41% from the same period in 2023, resulting from the better recovery direction of the Thai economy affecting the demand for consumption of goods and services. This is reflected through the Consumer Confidence Index towards the Thai economy, especially in September when the overall Consumer Confidence Index rose to 51.6 from August, with a tendency to rise to 57.2 in the fourth quarter of 2024, along with the country's Consumer Price Index for the third quarter of 2024 rising by 0.60% from 2023, especially in the food and non-alcoholic beverage category, which grew by 1.7%, indicating that consumers are spending more.

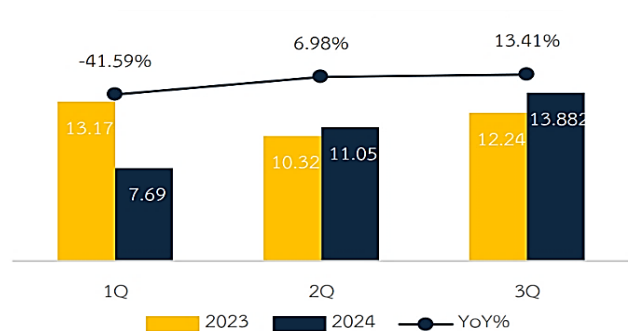
Quarterly PCE performance (unit: million baht)



RBD PO sales volume (unit: thousand tons)



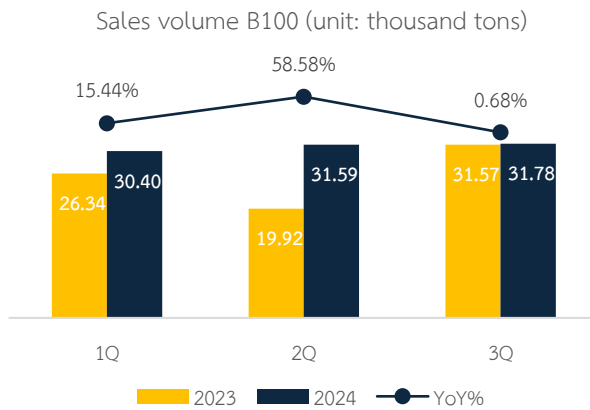
RBD OL sales volume (unit: thousand tons)



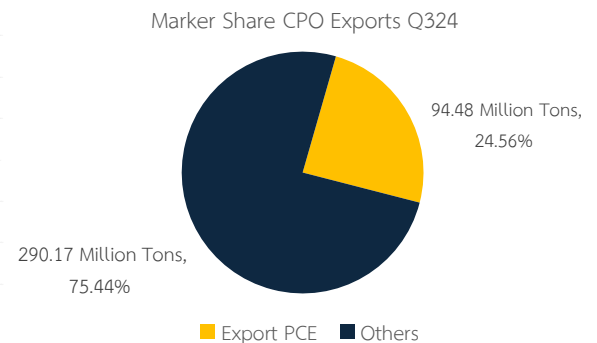
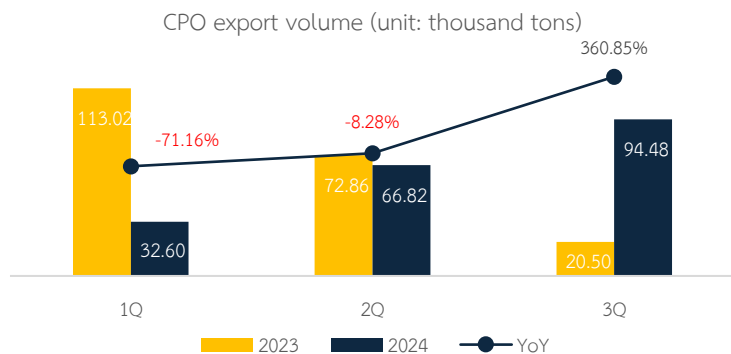
**2) Energy Sector** The sales volume of biodiesel (B100) was stable with the same period from 2023, even though at that time the price of crude oil in the world market was volatile and gradually adjusted down due to concerns that the supply of crude oil would be oversupplying the market from China, the world's top crude oil importer, reducing imports.

By virtue of the uncertain economic recovery in China and consumers' lack of confidence in the domestic economy, which pressured crude oil prices in the world market, coupled with the appreciation of Thai

baht at the end of 3Q24, which helped lower the cost of importing crude oil in Thailand. However, it has not affected the demand for biodiesel as a mixture in diesel, especially Diesel B7, which is the grade of oil that the government has specified to be used as a basic diesel, which is mixed with biodiesel (B100) at 6.6-7%. The average daily demand for Diesel B7 in 3Q24 was 62.87 million liters/day, growing from 2023 by 3.76%, while the sales volume of biodiesel (B100) remained stable at 31,780 tons, growing slightly by 0.68% from 2023.

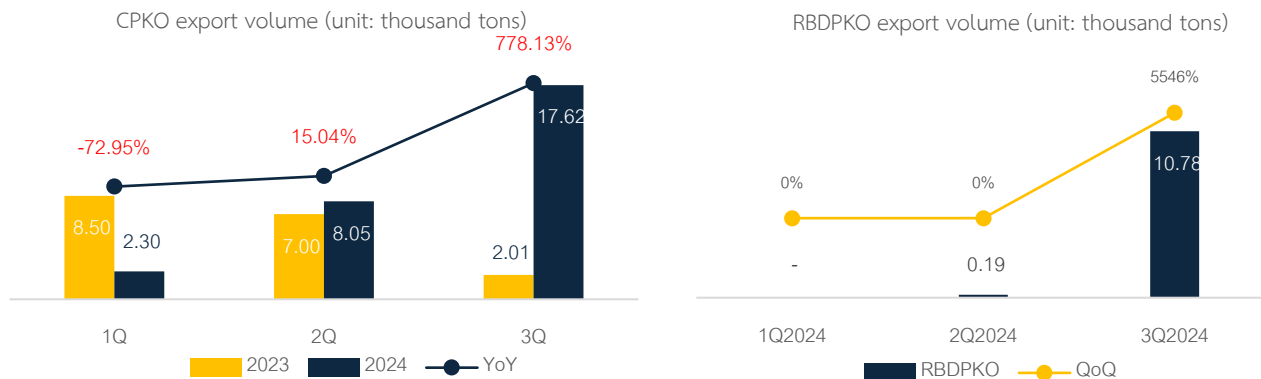


**3) Export Sector** PCE CPO export volume in 3Q24 was 94,476 tons, up more than 360% from 2023, benefiting from demand in the global market such as India, especially in July, where the overall CPO import was more than 936,000 tons, the highest in 5 years, although it decreased in September due to the excessive import situation. At the same time, the supply in Indonesia showed signs of tightness from the demand for biodiesel in the industry, coupled with Thai baht at that time gradually appreciating, but Thailand still had a competitive advantage from exporting Thai CPO without an export tax, unlike Indonesia which had an export tax of 7.5% and Malaysia at 8% respectively. In the third quarter of 2024, PCE was able to capture a market share of palm oil exports at 24.56%, an increase of 9.44% from the same period in 2023.





In addition, in terms of exports, crude palm kernel oil (CPKO) is another product that has seen significant growth in 3Q24. PCE exported CPKO at 17,622 tons, up 778.13% from the same period in 2023, due to demand in the food and oleochemical industries. CPKO also has the potential to replace coconut oil, which can be used as an ingredient in margarine, sweetened condensed milk, chocolate, and others. Similarly, Refined Bleached Deodorized Palm Kernel Oil (RBDPKO), although a new product, is in demand in the world market for use in both the food and pharmaceutical industries. PCE was able to export RBDPKO in 3Q24 at 10,780 tons, up more than 5,500% from 2Q24, and is likely to be another major product of the company.



In terms of sustainability, PCE has operated in accordance with a clearly defined ESG policy, with tangible results that can assure that the company's operations create the least environmental impact and create a positive impact on society under good corporate governance. From the beginning of 2024 to the third quarter of 2024, 44 projects have been implemented, consisting of 13 environmental projects, 17 social projects, and 14 governance projects.

**1) Environmental aspect,** PCE has increased the proportion of renewable energy usage to 67.42% and electricity usage to 32.58%, which can reduce electricity usage by 23.32% when compared to 2023. When considering fuel usage, it was found that fuel usage in operations decreased from 2023, especially biomass fuel, which decreased by 73.86%, B7 diesel decreased by 32.99%, and fuel oil decreased by 17.04%. At the same time, the use of liquefied petroleum gas increased by 98.71%. Furthermore, it emphasizes waste management, which can handle up to 928 tons of recycled waste, resulting in PCE reducing greenhouse gas emissions to 0.596 tons of carbon dioxide equivalent.

PCE aims to achieve carbon neutrality by 2030 and net zero carbon emissions by 2064. PCE also takes proactive actions with communities and government agencies to prevent the impact of improperly managing used vegetable oil. In the past, PCE collected more than 15,840 kilograms of used vegetable oil from Surat Thani Province before developing it into sustainable

fuel. The company is also expanding its cooperation to the private sector to access sources of used vegetable oil from the public comprehensively, reducing the impacts of improperly managing used vegetable oil on the environment and society, both directly and indirectly. In addition, PCE's operations as a manufacturer and distributor in the palm oil industry have placed great importance on environmental conservation from upstream, midstream and downstream throughout the palm oil supply chain. It has been certified by the Sustainable Palm Oil Production Standards (RSPO) and the company has also received international carbon and sustainable development certifications, reflecting environmentally and socially responsible production in a sustainable manner.

**2) Social aspect,** PCE operates based on integrity and respect for human rights principles. It has established human resource management policies and corporate communications that focus on fair labor practices, diverse and equal employment, and operates under policies on diversity, equality and inclusion. The proportion of employees is 72% male, 27% female and 1% LGBTQ+, most of whom are aged between 30-50 years, accounting for 59%. Of these, 83.35% are Thai nationals and 16.65% are Burmese nationals. There are also 8 employees with disabilities. PCE also emphasizes the development of employees' skills, knowledge, and capabilities by increasing training and development courses and increasing average training hours per person by approximately 33.33% compared to 2023. In terms of safety and work environment, it was found that the employee accident rate was 29 times, with 6 work-related injuries resulting in work stoppage. The company strictly supervises operations under the policy on safety, occupational health, and work environment. In addition, for responsibility towards customers, partners, and business partners, PCE has protected personal data from leakage to prevent such personal data from being used for improper purposes.

**3) Governance aspect,** PCE has complied with the Code of Conduct and good corporate governance, opposing all forms of corruption in the Company's business activities. It has established relevant policies and regulations and has opened channels to receive opinions and complaints from all stakeholders. It also has appropriate policies and guidelines to deal with risks that may occur to the Company's and the Group's business activities.