

Expanding Malaysian Palm Oil Trade with Russia

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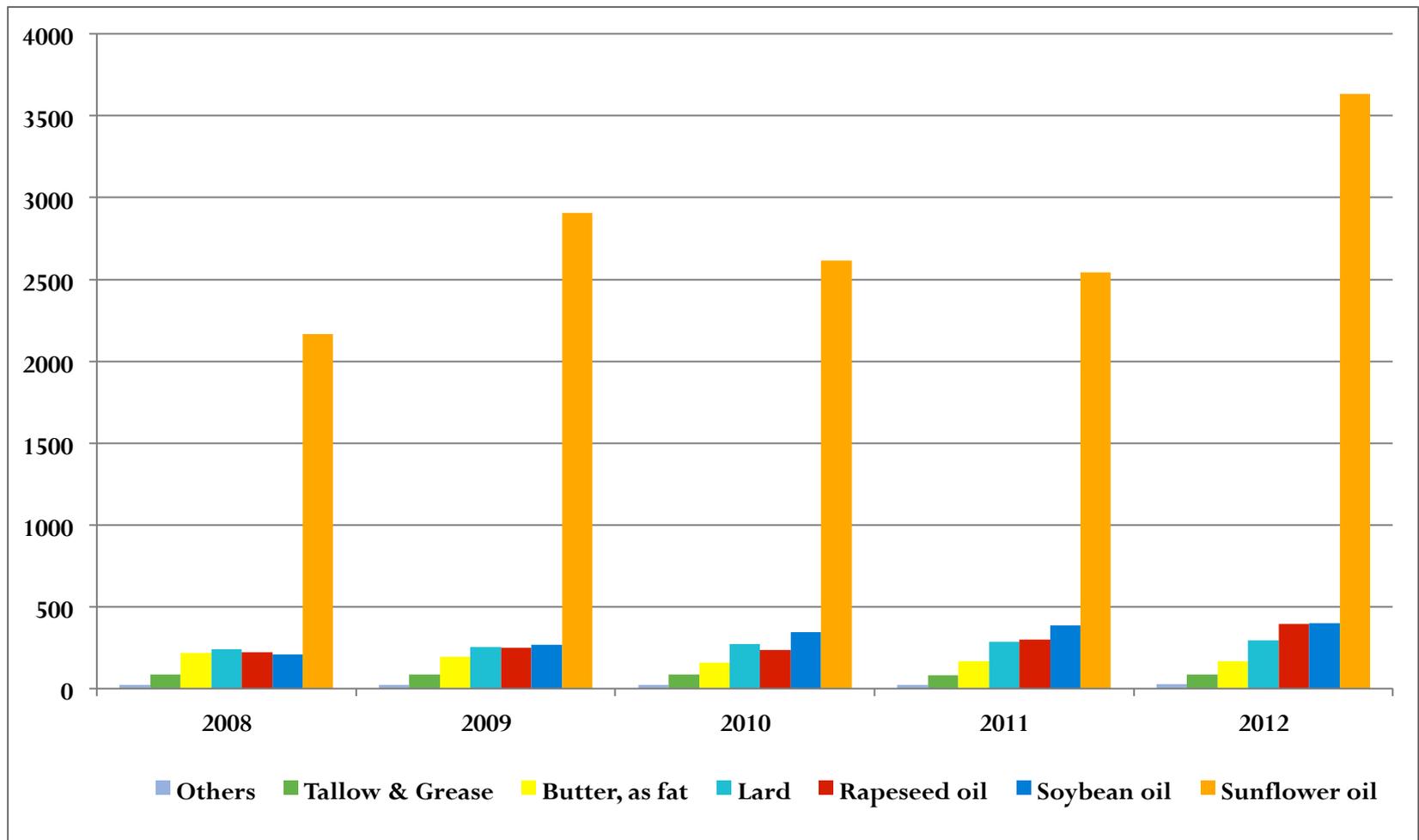
Country Background

- Population 142,517, 670 - 9th most populous country in the world.
- Major cities – Moscow (capital – 10.523 mil) and St Petersburg (4.575 mil).
- GDP growth went down to 3.5% in 2012 from 4.3% in 2011; and projected to stay at 3.6% in 2013 – The World Bank.
- Per capita oils and fats consumption is 30.0kg (2012); 29.2kg (2011) and 27.9kg (2010) – Oil World.

Russia: Oils & Fats Industry

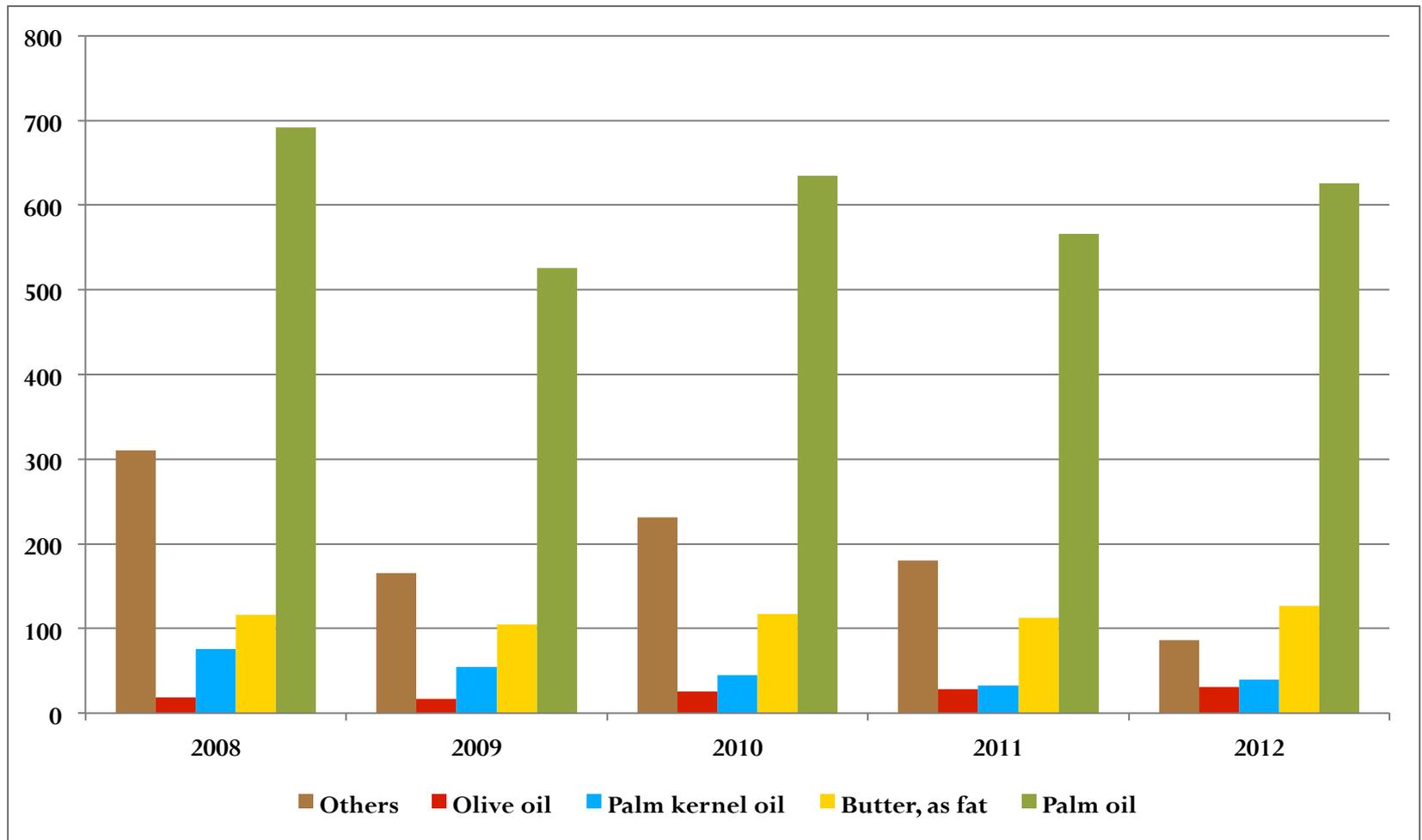
- Russia is the second largest producer of sunflower oil in the world.
- 2012 – Production of oils and fats reached a record-breaking 5.0 mil MT thanks to the higher production of sunflower oil – 3.6 mil MT (against 2.5 mil MT of SFO produced in 2011) – Oil World.
- 2012 - Palm oil is the major imported vegetable oil imported into Russia, accounting for 69% of total imports – Oil World.

Oils & Fats Production ('000 MT)



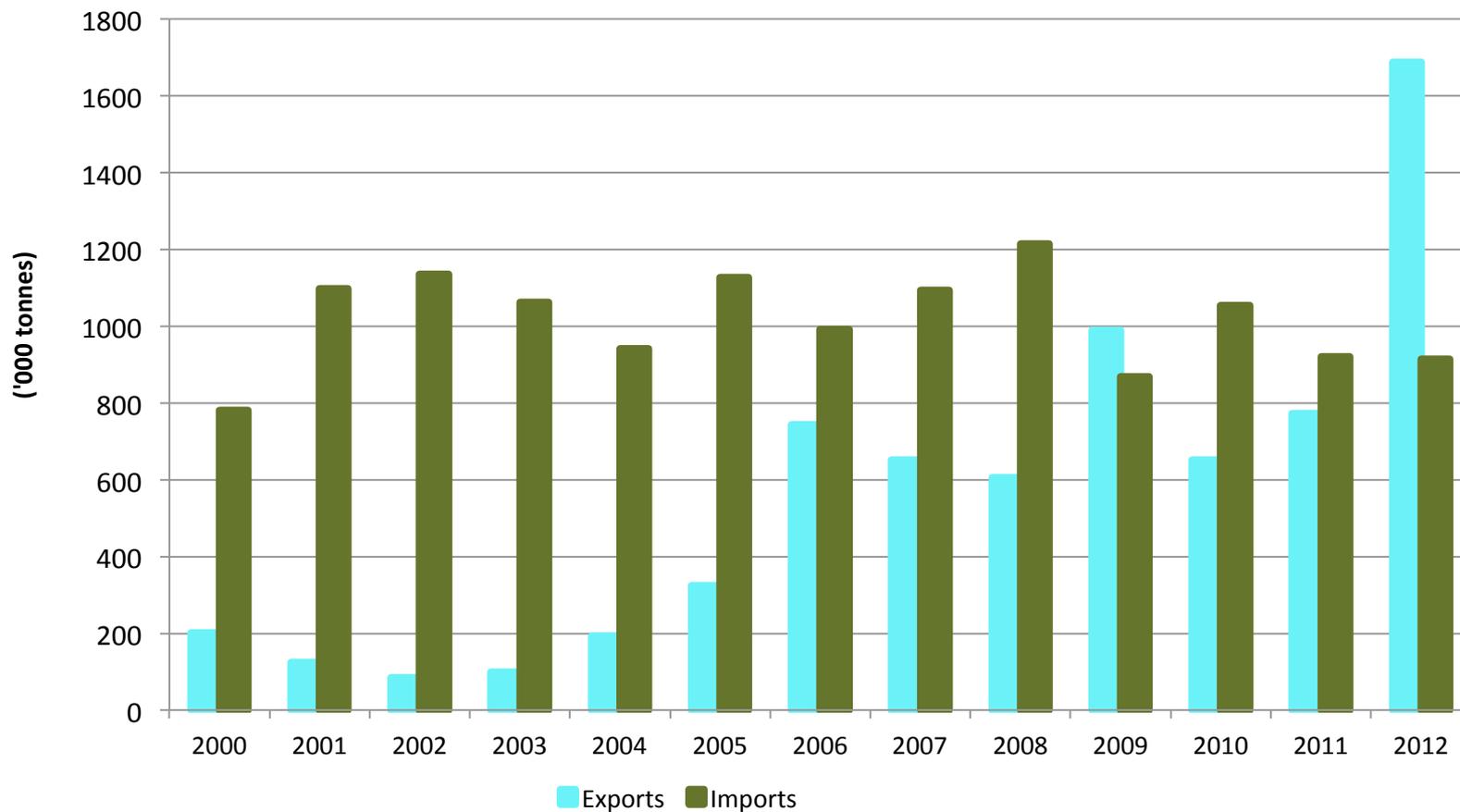
Source: Oil World

Oils & Fats Imports ('000 MT)



Source: Oil World

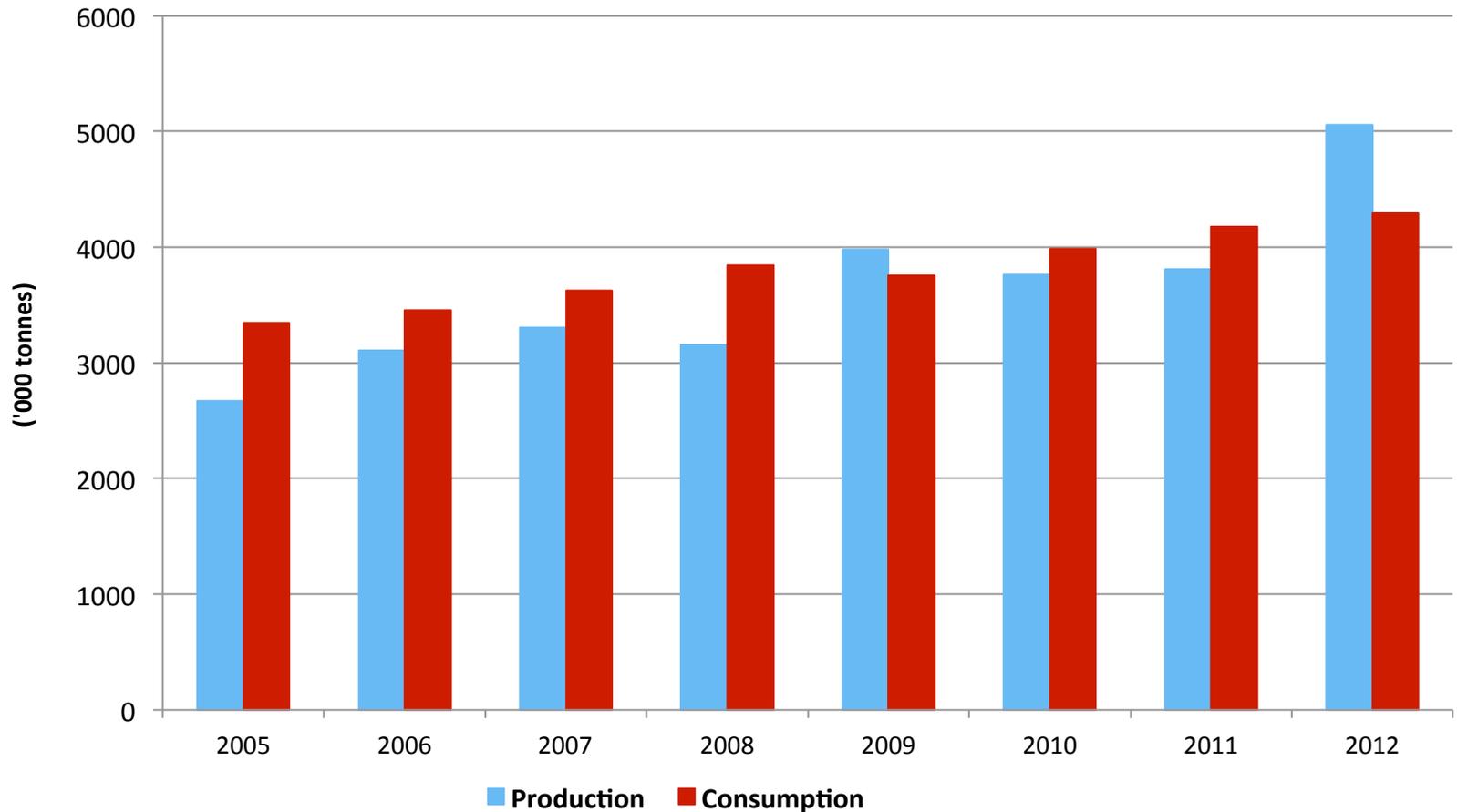
Oils and Fats Imports vs Exports



Source: Oil World

* Net Importer Position Since 2000 except for 2009 and 2012

Comparison on Supply & Demand Gap



Source: Oil World

Big Jump in Domestic Production - 2012

- Production of oilseeds in Russia has been increasing since the beginning of 2000s - USDA
- The increase was stimulated by construction of new large crushings facilities and growing domestic demand for oilseeds.
- 2011 – Area sown to oilseeds increased by 9% and reached 10.4 mil ha; of which 9.7 mil ha were sown to Russia's three main crops – sunflowerseeds, soybeans and rapeseeds.
- Oilseed crushing remains a profitable and attractive business for large agro-holding companies and crushing capacity continues to grow.

Russia: Oils & Fats Balance

('000 MT)	2009	2010	2011	2012	2013F
Opening Stock	353	481	678	518	620
Production	3,983	3,740	3,790	5,000	4,700
Imports	868	1,054	920	910	915
Exports	988	651	887	1,728	1,450
Consumption	3,735	3,946	3,983	4,080	4,150
Ending Stock	481	678	518	620	635
Stock Usage Ratio	10.2%	14.7%	10.6%	10.7%	11.3%

Source: Oil World & MPOC Projection

Supply Gap and Palm Oil Trade

- Until recently, Russia's domestic production was insufficient to meet the demand of its 143 million people.
- Growth in domestic income will spur the development of domestic food-processing industry.
- Palm oil import demand is expected to remain strong.
- 2012 – Russia imported approximately 626,000 MT of palm oil, an increase of 10.6% from a year earlier.

Palm Oil Import Prospect for 2013

- During January to July 2013, palm oil imports into Russia is recorded at 391,900 MT, an increase of 44% from 271,800 MT registered same period last year (Jan-July 2012) – Oil World
- Looking at this upward trend, the share of imported palm oil into Russia is expected to rise in 2013.

Malaysian Palm Oil Exports to Russia (MT)

	2008	2009	2010	2011	2012
RBD Palm Oil	50,319	110,701	103,041	67,157	38,789
RBD Palm Stearin	3,463	19,055	8,070	279	401
RBD Palm Olein	69,742	78,762	50,436	38,722	19,222
HRBD Palm Olein	532	605	301	601	659
Others	970	1,686	1,306	437	423
Total	125,026	210,809	163,154	107,196	59,494

Source: MPOB

Russia's PO Import from Malaysia

- 2012 – Total MPO exports as recorded by MPOB were at 59,494 MT; a decrease of 44% from 2011.
- The reduction could occur as a result of the high domestic production of oils and fats in 2012 (5 million MT) - preference for locally produced sunflower oil and price competitiveness in the domestic market.
- Total palm oil imports from Malaysia as recorded by Oil World – 119,000 MT (2012)
- Competition from other supplying countries

Other Palm Products Imported from Malaysia (MT)

	2008	2009	2010	2011	2012
Palm Kernel Oil	36,039	33,551	25,906	18,137	8,380
Oleochemicals	3,346	5,528	27,326	6,974	7,064
Finished Products	52,679	33,627	13,087	6,062	12,023
Total	92,064	72,706	66,319	31,173	27,467

Source: MPOB

Why Malaysian Palm Oil?

- Highly stable as a frying oil and a preferred natural ingredient for production of all solid fats including margarine, mayonnaise, shortenings, bakery and frying fats.
- Best natural alternative for trans fat free formulations.
- Palm kernel stearin and palm mid fractions are excellent cocoa butter substitutes and highly geared for the confectionary industry.

Why Malaysian Palm Oil?

- Palm oil and palm products are the major raw materials for the oleochemical industry for products such as soaps, detergents, personal health care products, cosmetics, etc.
- Being one of the world's largest exporters of palm and palm products, Malaysia is in a good position to provide a consistent supply for the needs and requirements of the food, oleochemical and biofuel industries.

How Malaysian & Russian Industry Players Can Collaborate?

- *Joint Venture and Cooperation in Trans-shipment Facilities* - Malaysian companies must have palm oil stock locally available to capture the market. This can be done by having a joint venture and cooperation with local bulking facilities, which are appropriate for palm oil handling - storage and transshipment. Local stock of palm oil allows importer to deliver fast, which is very important for the local buyer. This saves money and time for the customer.

How Malaysian & Russian Industry Players Can Collaborate?

- *Engagement with Financial Institutions* - Other collaboration could include a possibility in engaging financial institutions in Malaysia to support Malaysian business ventures in Russia. Numerous meetings have been arranged by MPOC Moscow office with several Russian companies and Malaysian Exim Bank has the ability to support Malaysian palm oil industry in doing their businesses in Russia. This can be explored further by companies from both countries.

MPOC Initiatives

- MPOC through Moscow office has embarked on a plan to educate Russian end-users about Malaysian palm oil, its qualities and technical features. Programmes such as **POTS Russia** is held to be a catalyst for more direct interest in MPO.

MPOC Initiatives

- An **Experts Panel** has been created consisting of a group of Russian opinion makers, who were selected by MPOC. The first group travelled to Malaysia in October 2012 and the group visited an oil palm plantation and had meetings with both MPOC and MPOB. The Experts Panel will act as spokespersons in promoting MPO and assist MPOC in coming out with articles based on their own research, for the use in various publications and websites.

MPOC Initiatives

- **Standardization process** occurs as a result of competition between industry players. A company, which can afford importing palm oil of a better quality, tends to be more demanding when it comes to standards, which eventually will have an impact on the importation. This issue is definitely a concern of both Malaysia and Indonesia. Thus, Moscow office will continue participating in the standardization process in collaboration with Corporation Soyuz.

MPOC Initiatives

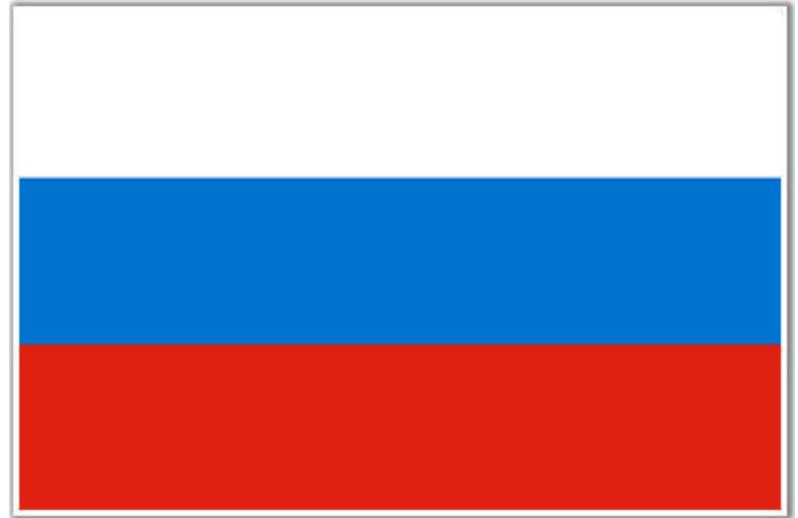
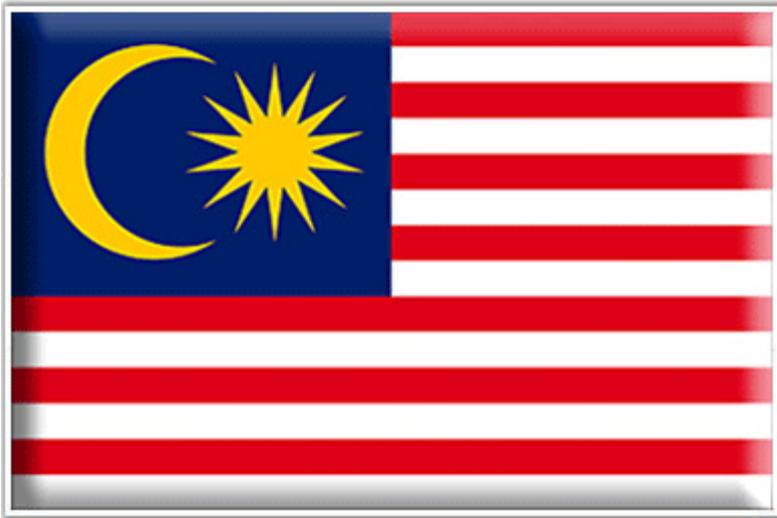
- **PRIME** Grant (*Program for Rebuilding and Improving Malaysia 's Exports*)
- Buyer Seller Mission
 - ✓ *Group of overseas buyers coming to Malaysia, meetings with Malaysian counterparts or vice versa*
- **POTAP** (*Palm Oil Trade Awareness Program*)
 - ✓ *New and potential users of palm oil*
 - ✓ *To introduce various applications of palm oil*
 - ✓ *Avenue to develop business contacts*

MPOC Initiatives

- **CARES** (*Customer Appreciation and Recognition Scheme*)
- ✓ *Biz-match sessions and participation in local conferences*
- *All potential participants are invited to join the abovementioned programmes.*
- *Those who would like to apply for the above schemes, you may kindly contact MPOC HQ (Kuala Lumpur) or MPOC Moscow.*

Conclusion

- Palm oil is cost competitive, versatile and nutritious and has a role to supplement Russia's needs and requirements in food and non-food industries.
- Malaysia is your reliable supplier of palm oil judging from the years of experience in being the world class producer and exporter.
- Its products are exported to about 170 countries globally. This is contributed by the strict regulations in assuring that all palm oil produced is of good quality.



Terima Kasih!
Спасибо!