



An Insight into the Asian Oleochemicals Market

Supply and pricing perspectives

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ICIS oleochemical reports

Fatty acids

- Asia-Pacific
- Europe
- US

Fatty alcohols

- Global

Glycerine

- Asia-Pacific
- Europe
- US
- Latin America

Soap Noodles

- Asia-Pacific

Agenda

- ▶ Fatty acids and fatty alcohols
 - ▶ Market profile
 - ▶ Demand
 - ▶ Supply
 - ▶ Outlook
- ▶ Glycerine
 - ▶ Market profile
 - ▶ Demand
 - ▶ Supply
 - ▶ Outlook

Fatty acids and fatty alcohols

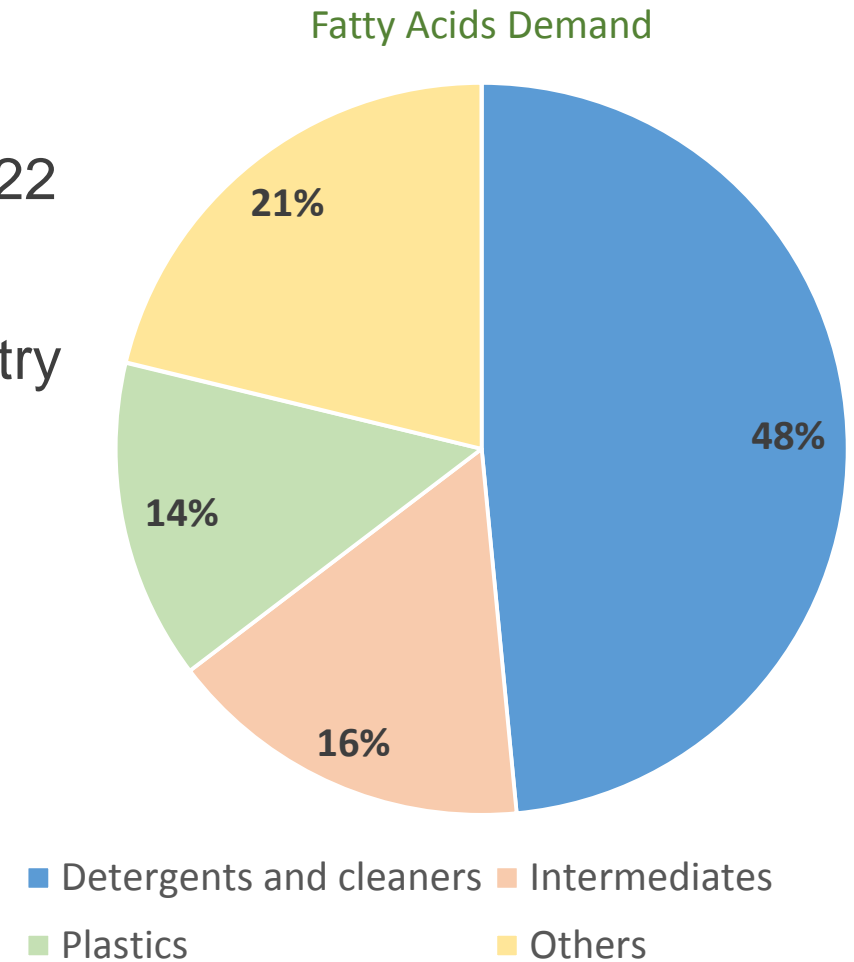


Market profile

- ▶ Price drivers: supply-demand, palm oil prices, inventory balancing
- ▶ Fatty acids/alcohols market projected to grow 5-6% per annum till 2022
- ▶ Southeast Asia accounts for around 75-80% of global fatty acids/alcohols production
- ▶ Chronic overcapacity due to aggressive expansion plans in 2012-2013

Fatty acids demand

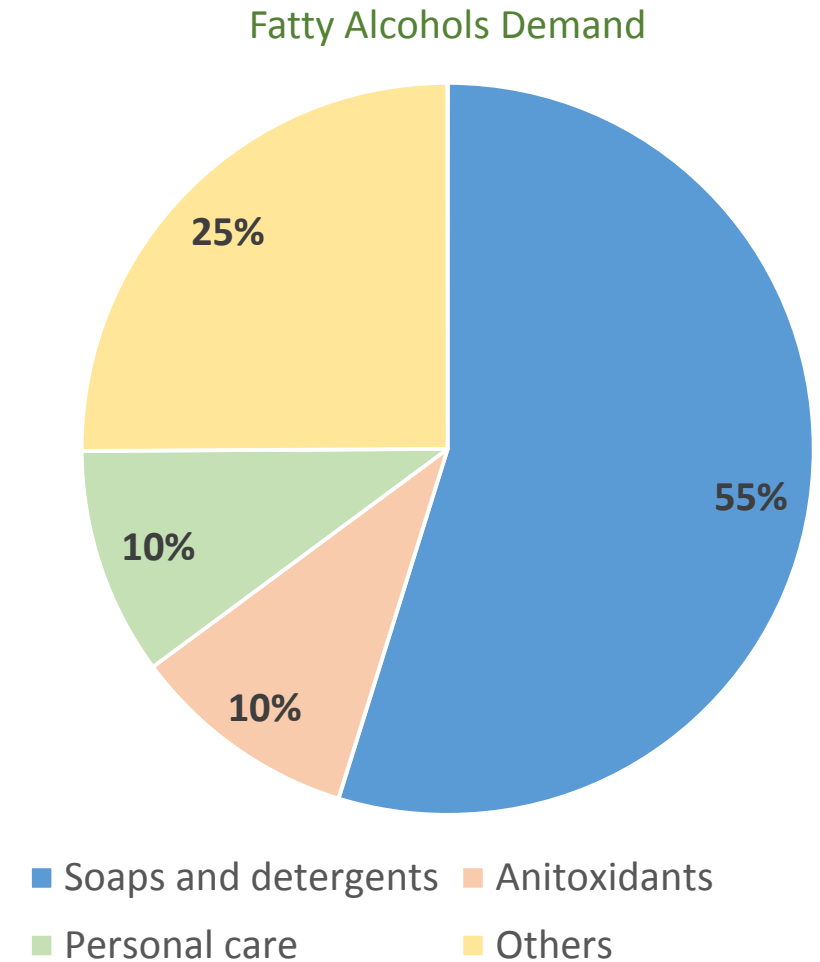
- ▶ Mainly used in soaps and detergents
- ▶ Projected to grow to over \$16.8 billion in value by 2022
- ▶ China will consume 30% by 2022
- ▶ Growth driven by cosmetics and personal care industry
- ▶ Growth from development economies



Source: Industry

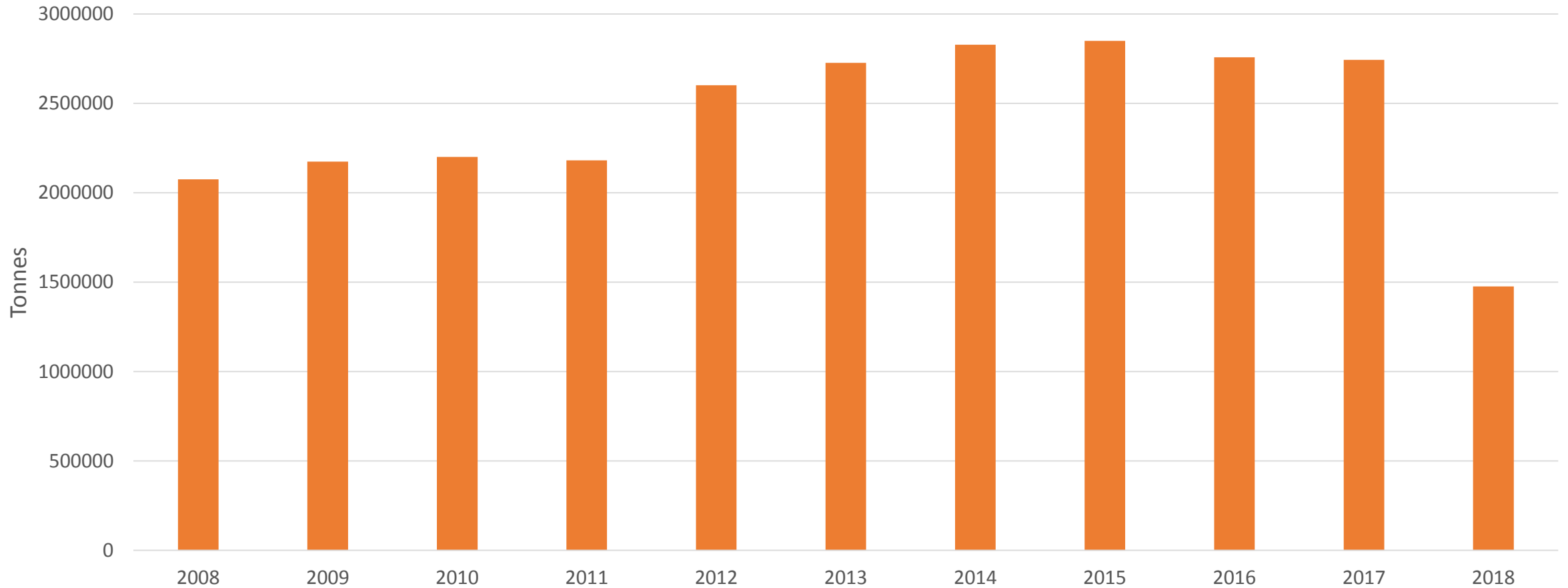
Fatty alcohols demand

- ▶ Mainly used in soaps and detergents
- ▶ Asia Pacific accounts for 35%
- ▶ Projected to grow to over \$7.5 billion in value by 2022
- ▶ Growth driven by personal care industry
- ▶ Growth from development economies



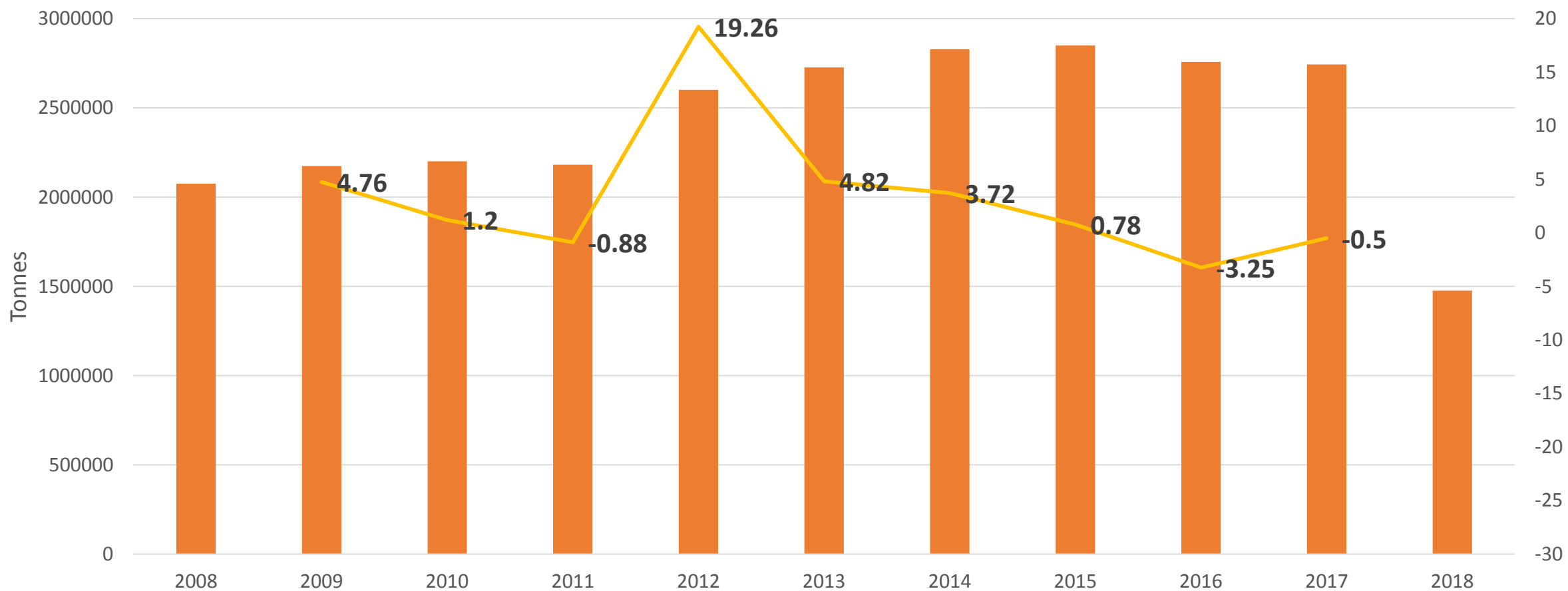
Source: Industry

Malaysia's oleochemical exports



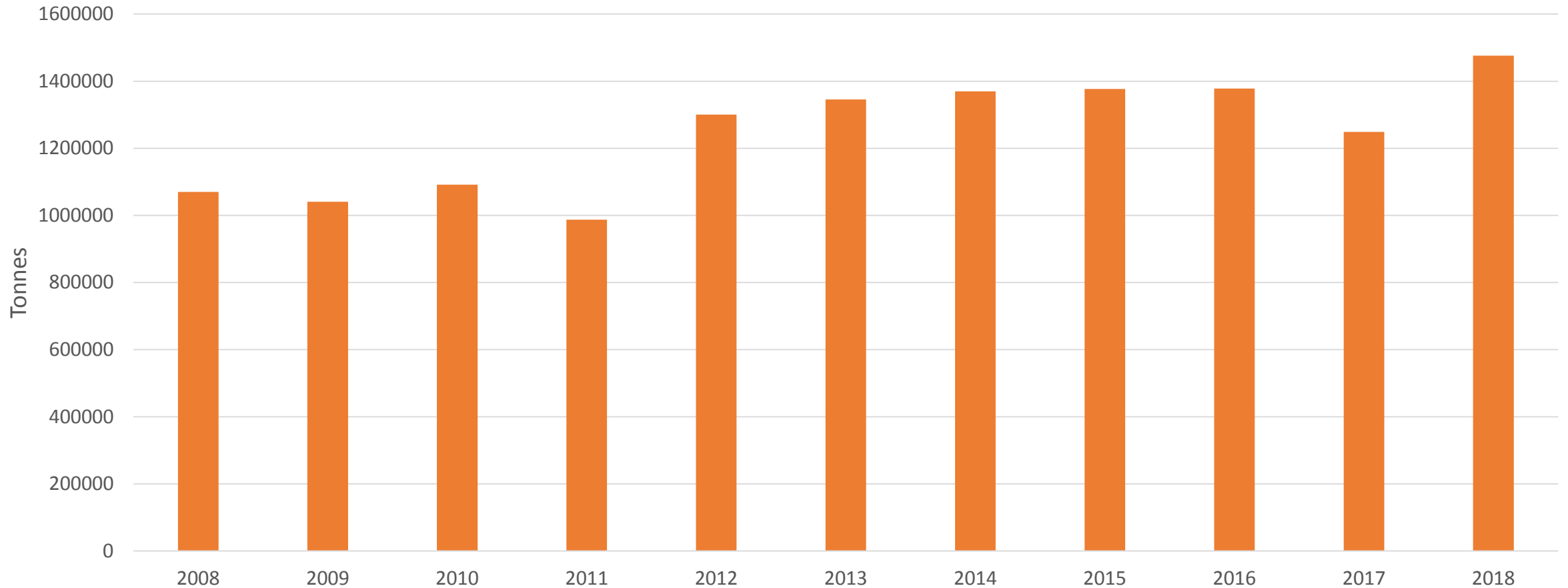
Source: MPOB

Malaysia's oleochemical exports



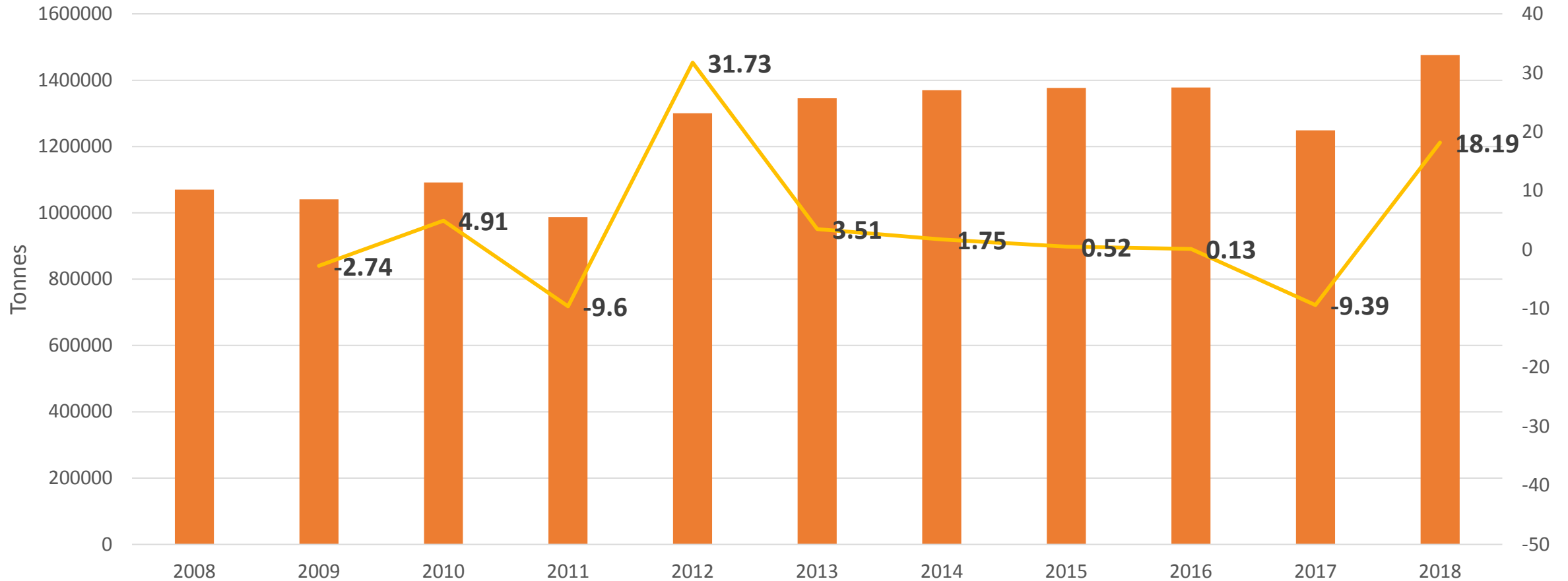
Source: MPOB

Malaysia's oleochemical exports (First 6 months)



Source: MPOB

Malaysia's oleochemical exports (First 6 months)



Source: MPOB

Fatty acids/alcohols supply

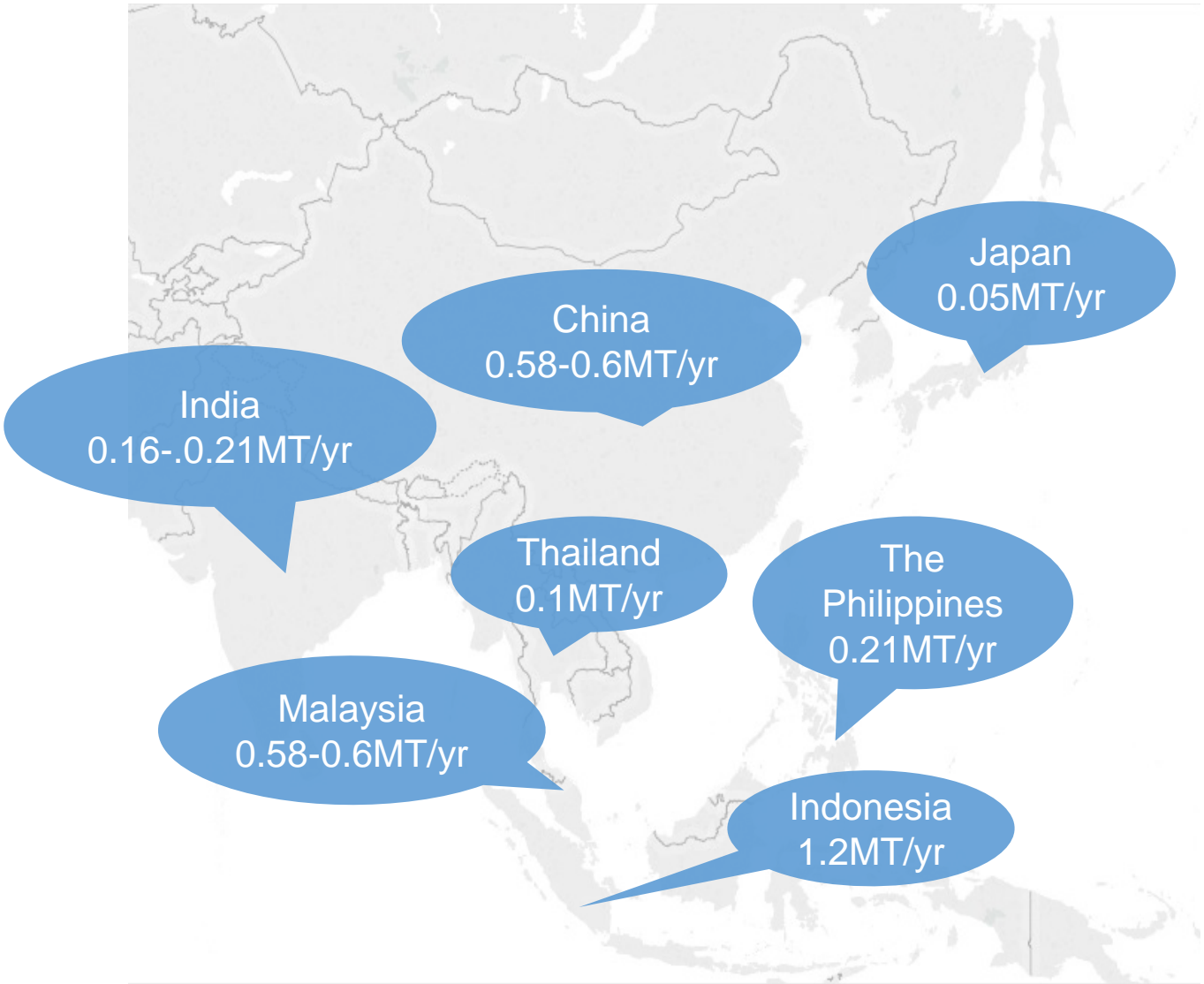
- ▶ Southeast Asia accounts for around 80% of global fatty acids/alcohols production
- ▶ Chronic overcapacity due to aggressive expansion plans in 2012-2013
- ▶ Southeast Asia's fatty acids capacity increased by 30%
- ▶ Southeast Asia's fatty alcohols capacity increased by 40%

Asia's fatty acids production capacity grew by 10%



Region	2013 Capacity (MT/yr)	2016 Capacity (MT/yr)
Asia Pacific	6.43	7.1
Global	8.93	9.5-10

Asia's fatty alcohols production capacity grew by 50%



Region	2013 Capacity (MT/yr)	2016 Capacity (MT/yr)
Asia Pacific	2	3
Global	2.6	3.6

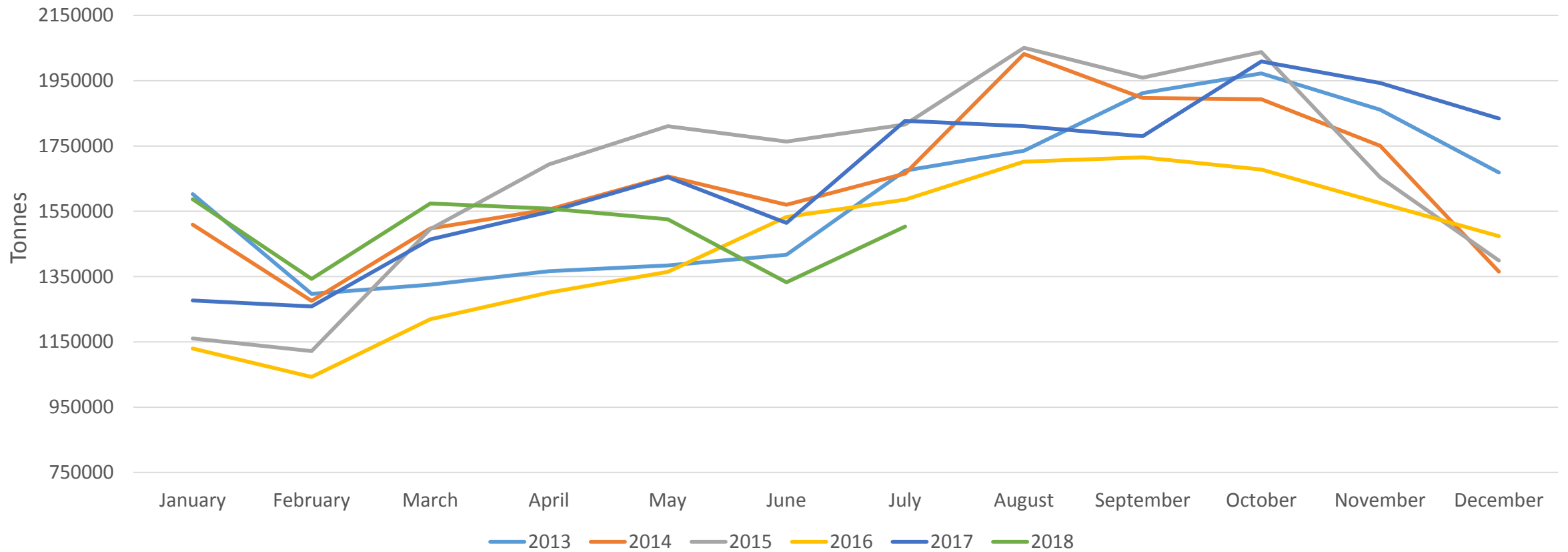
Outlook

- ▶ Overcapacity issue persists
- ▶ Need innovative downstream applications to stimulate demand
- ▶ Possible comeback for natural alcohols vs synthetic alcohols
- ▶ Capacity losses in the alcohols market restoring some balance
- ▶ Fatty acids/alcohols prices continue to track palm oil prices closely

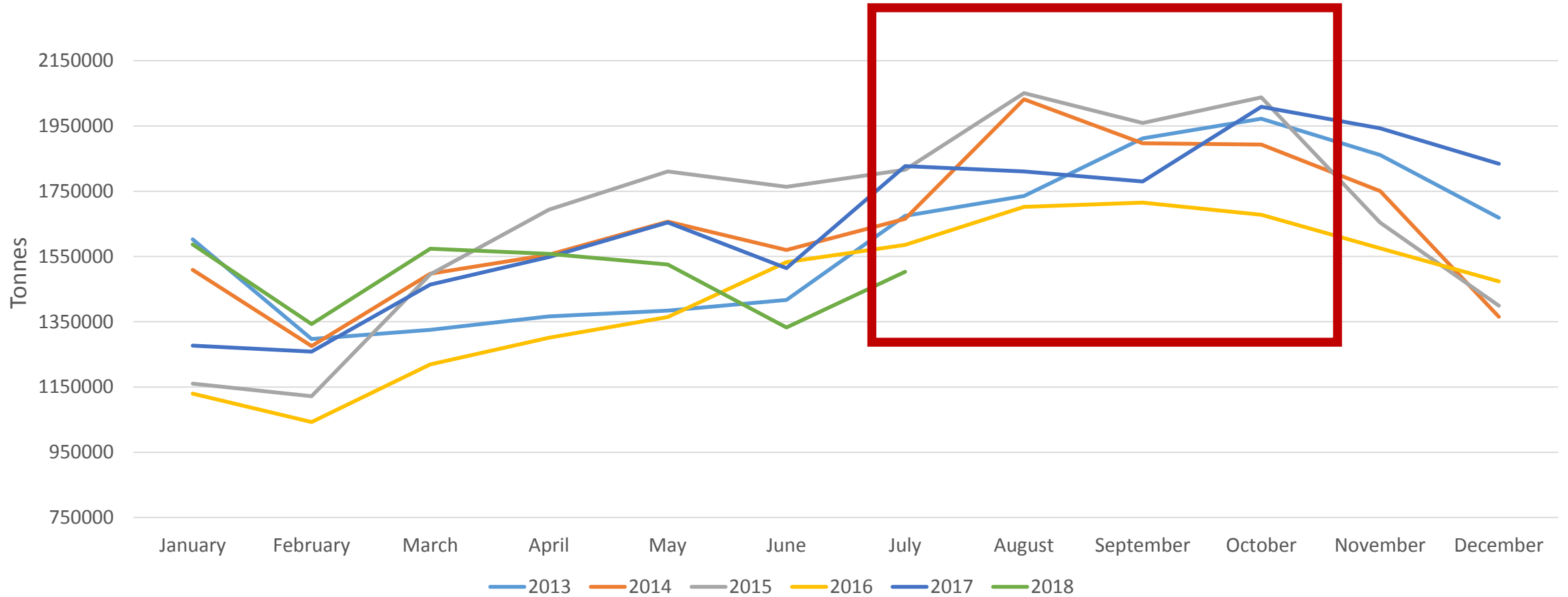
Feedstock outlook

- ▶ Post-el Nino recovery
- ▶ Peak palm harvest season from July to October
- ▶ India's increase of import tariffs in March

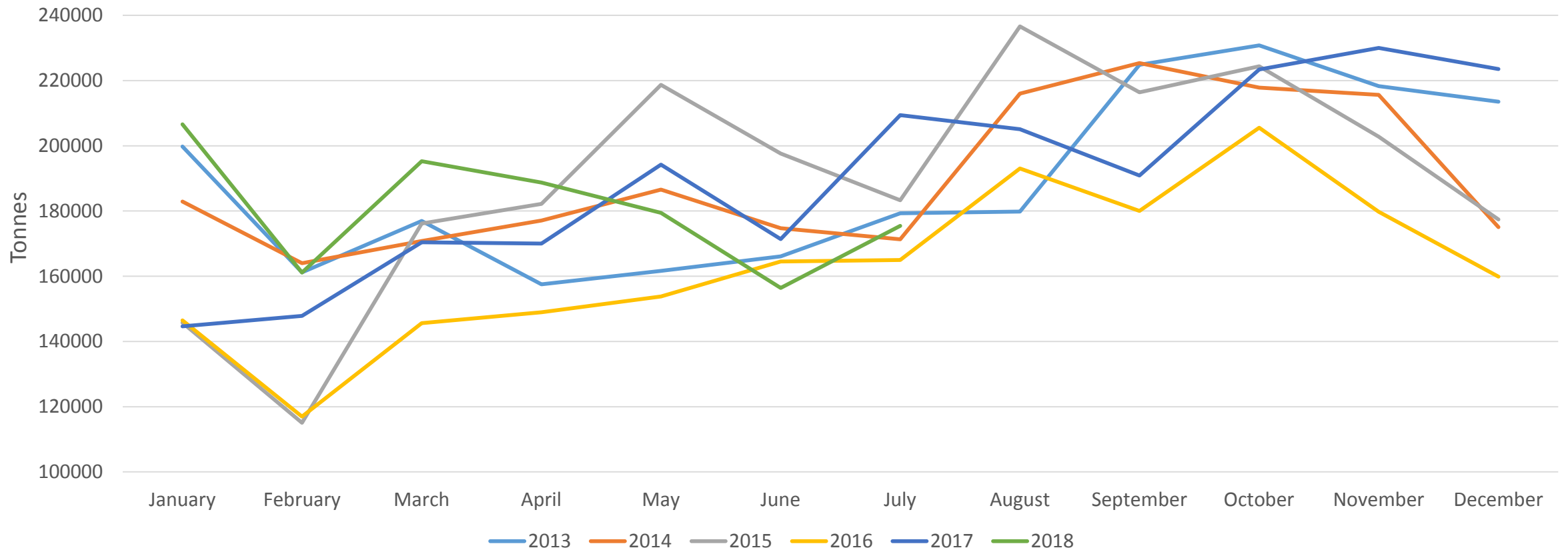
Malaysia's CPO production



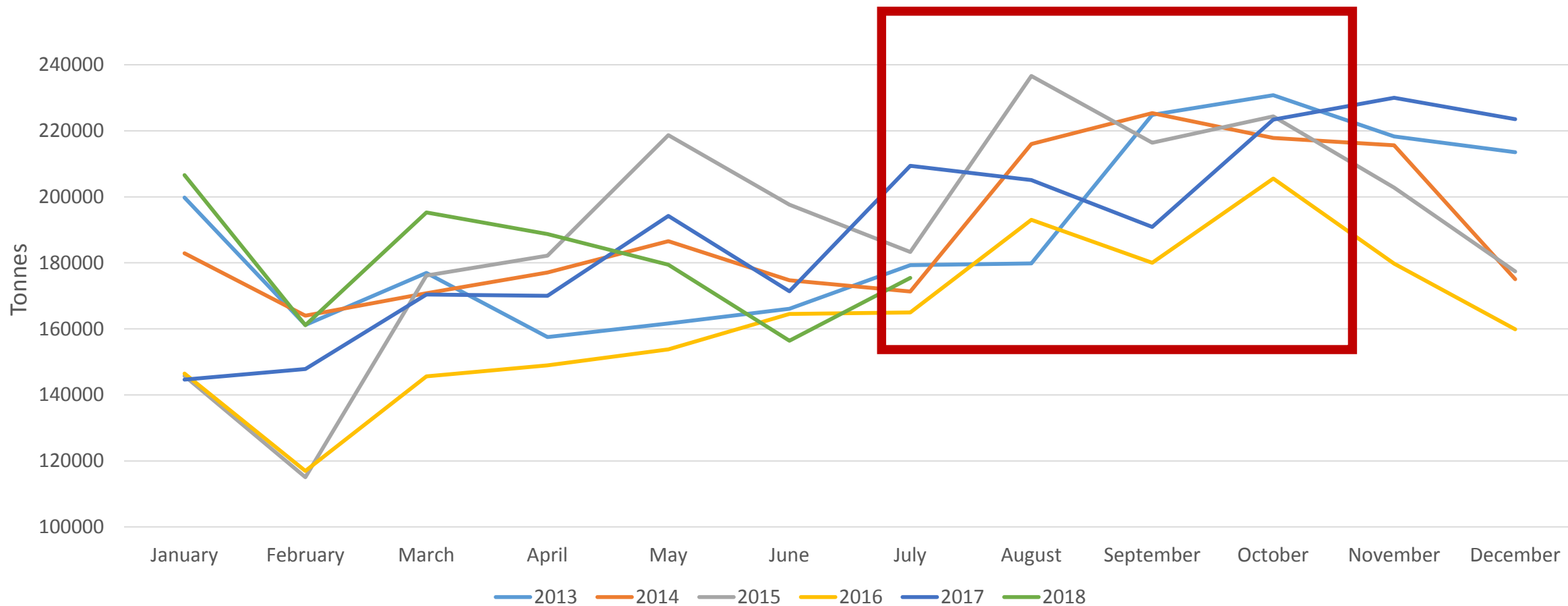
Malaysia's CPO production



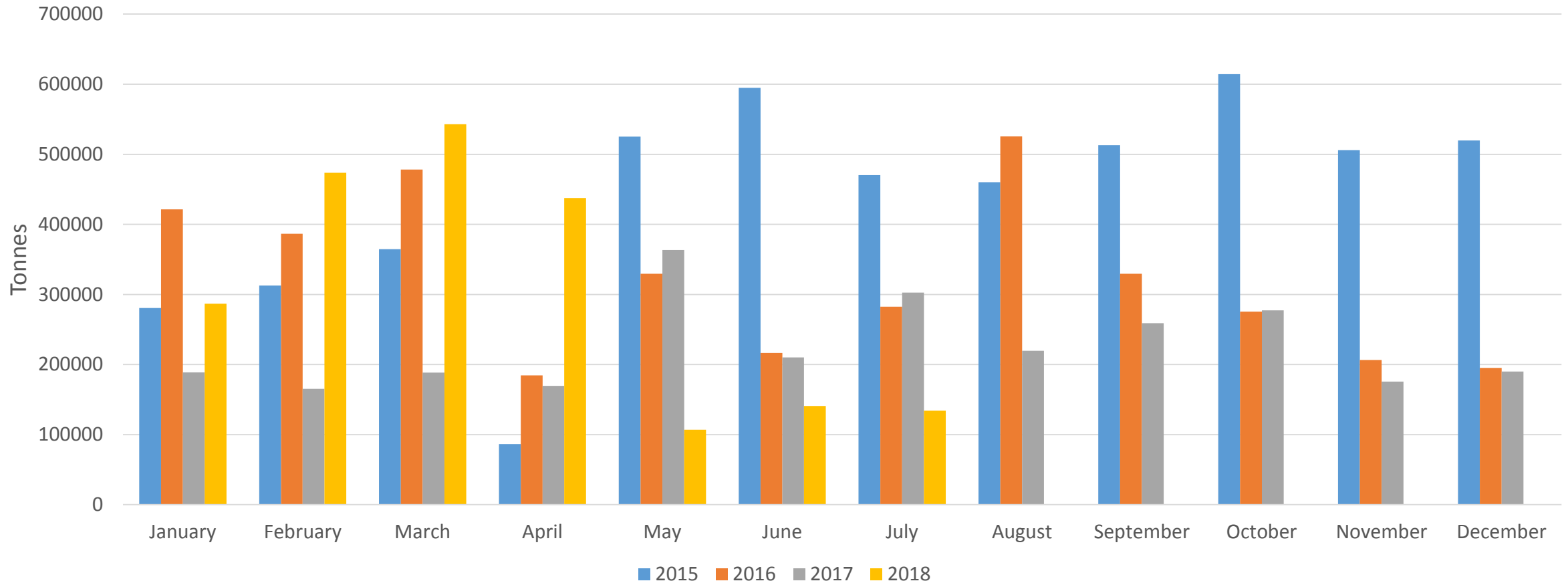
Malaysia's CPKO production



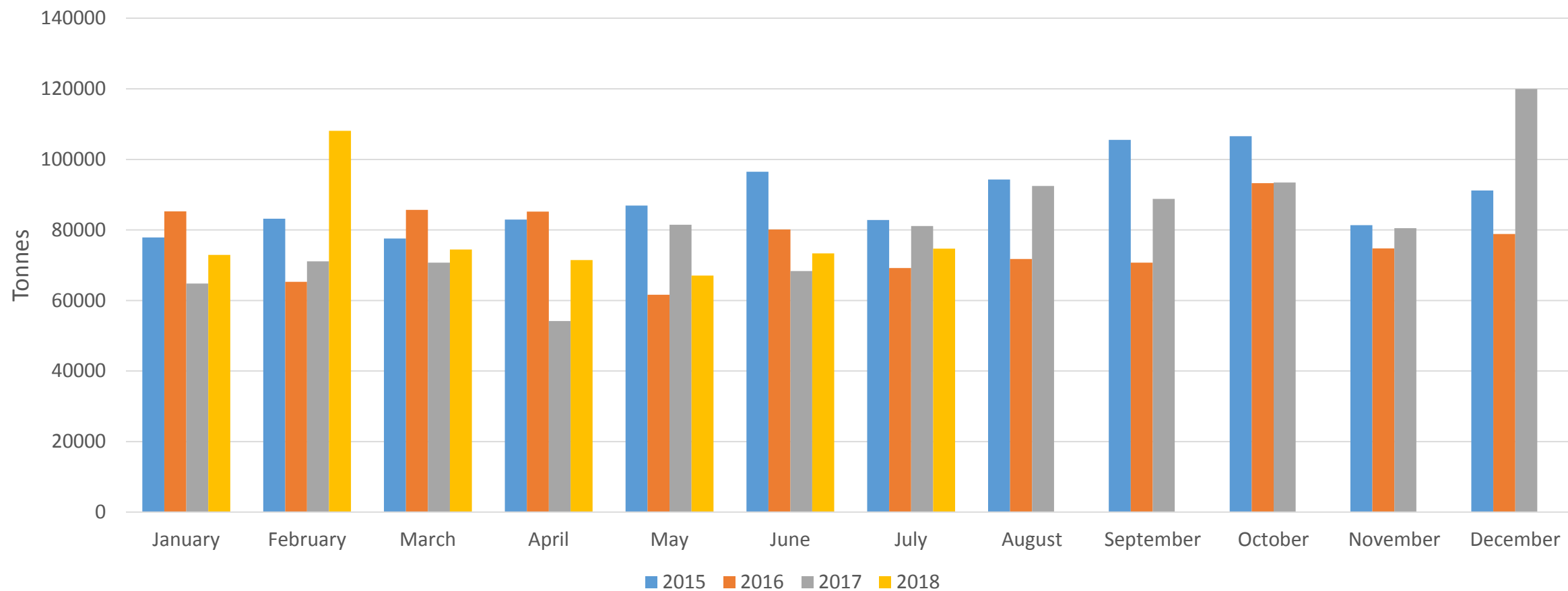
Malaysia's CPKO production



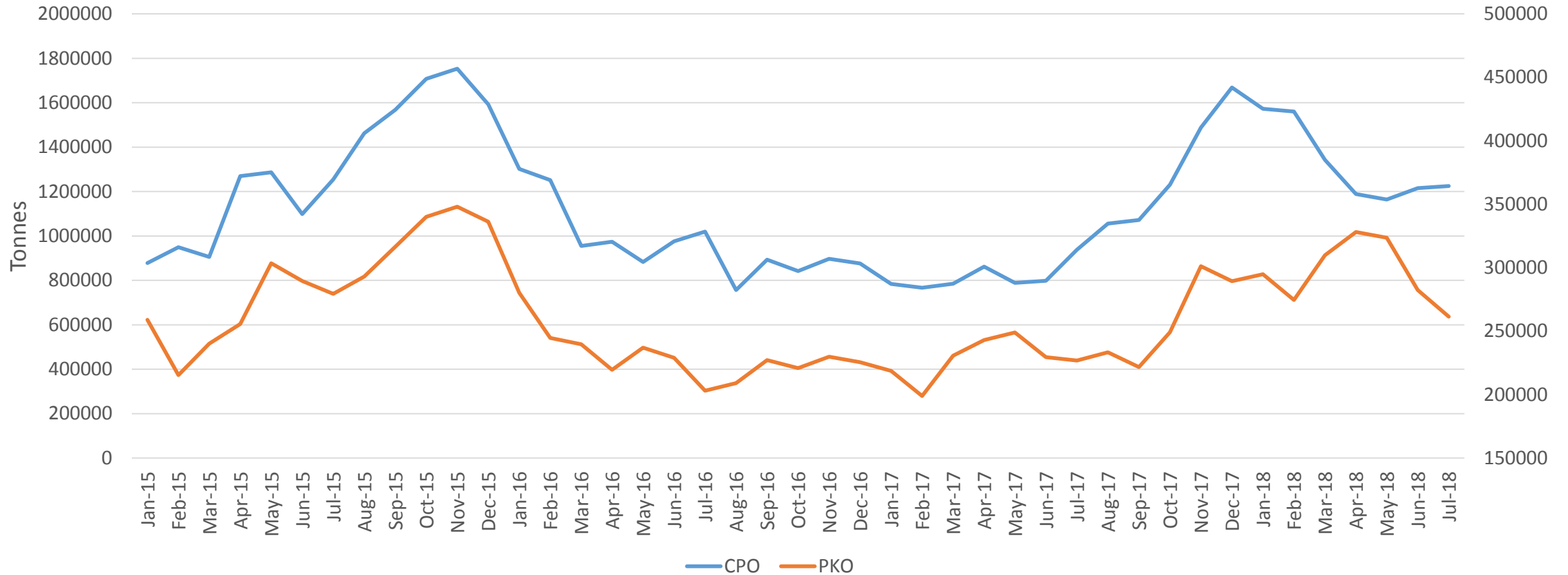
Malaysia's CPO exports



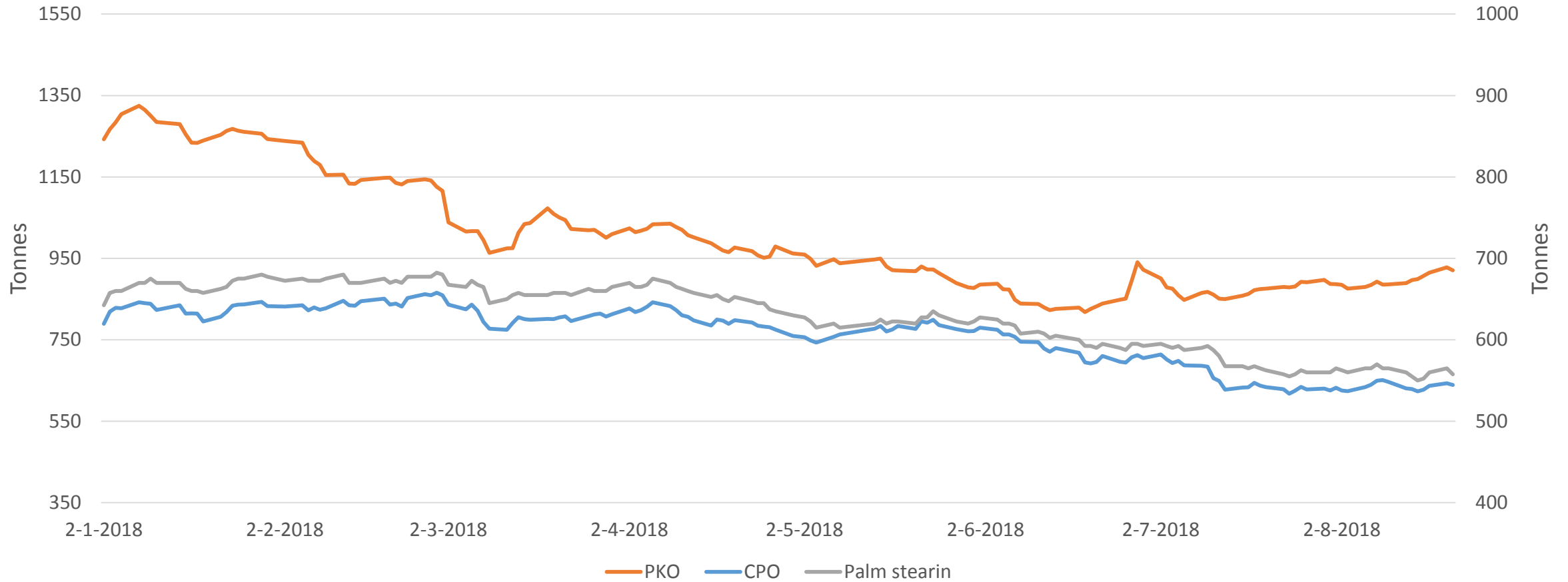
Malaysia's PKO exports



Malaysia's CPO and PKO stocks



Palm oil price trend



Glycerine

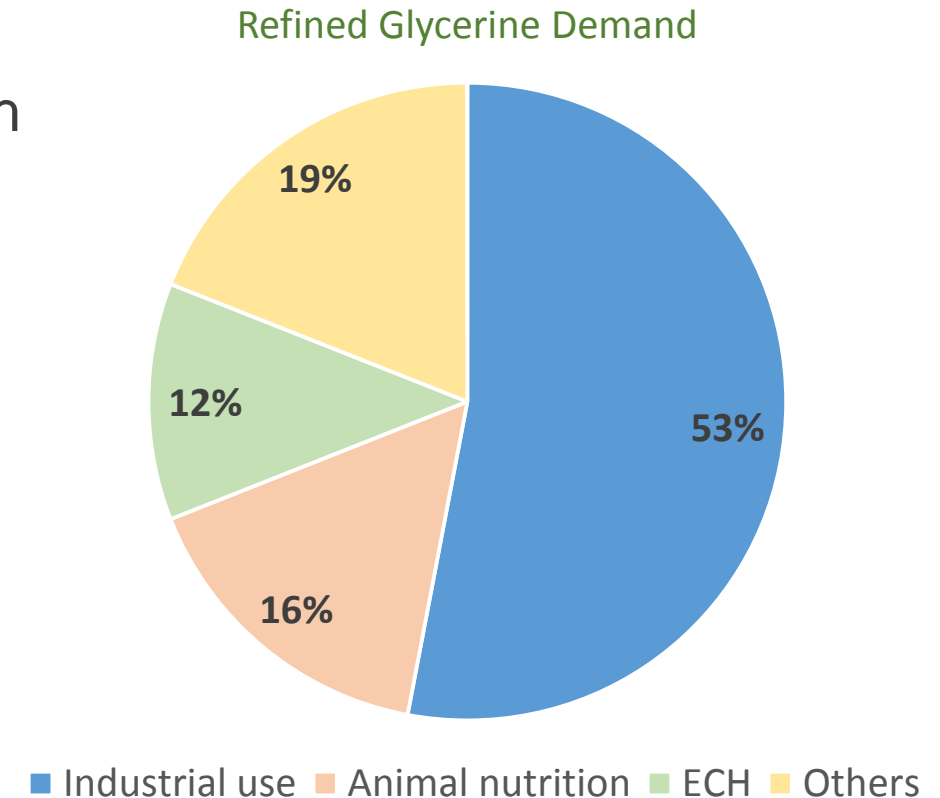


Market profile

- ▶ Byproduct of biodiesel and fatty acids/alcohols
- ▶ Supply-driven market
- ▶ Stable demand, less sensitive to economic fluctuations

Demand

- ▶ Sales in 2017 around 4.5 million tonnes
- ▶ CAGR of around 6.5-6.8% till 2021
- ▶ Technical grade expected to register the fastest growth
- ▶ Industrial applications represent bulk of demand
- ▶ Asia Pacific region continues to see high growth
- ▶ China growth slows down



Source: Industry

Major crude glycerine exporters to China

(tonnes)

Country	2013	2014	2015	2016	2017 (Jan-Nov)
Brazil	138,381.21	180,423.93	214,763.58	177,348.22	172,022.17
Indonesia	183,925.56	252,503.85	103,312.20	254,749.37	169,136.66
Argentina	26,095.87	91,663.56	60,202.00	89,134.91	101,725.81
Thailand	63,733.04	45,010.98	33,690.97	31,639.38	32,025.13
US	30,413.34	32,442.01	30,080.78	15,030.46	28,079.85
Malaysia	18,834.14	36,168.98	29,978.79	17,561.32	25,555.15
Columbia	18,065.42	26,892.34	24,350.29	15,838.94	22,650.43
The Philippines	9,812.73	7,867.98	10,436.24	10,405.68	11,530.99
South Korea	25,696.11	13,782.89	11,730.93	17,309.61	6,327.40

Source: China customs data

Major refined glycerine exporters to China

(tonnes)

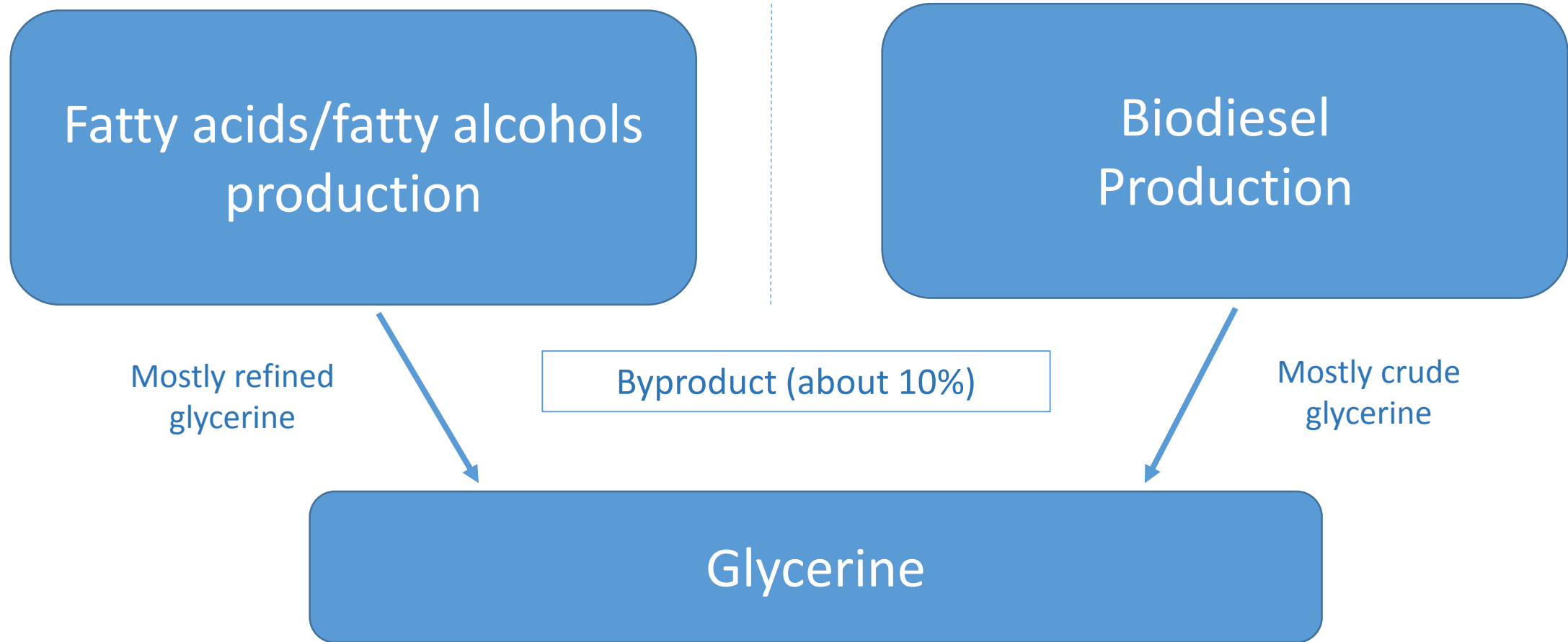
Country	2013	2014	2015	2016	2017 (Jan-Nov)
Malaysia	47,230.23	54,590.59	65,759.42	55,026.94	63,205.01
Indonesia	40,285.92	63,172.44	65,641.64	57,954.49	50,396.24
Argentina	1,599.50	24,465.50	29,771.46	18,103.75	14,204.34
Brazil	0	11,553.34	36,496.73	7,919.82	8,200.86
Thailand	181.615	1,375.35	2,404.64	1,201.16	3,251.87
The Philippines	1,504.89	1,565.30	1140.66	1,094.65	1,446.28
US	53.527	413.535	46.244	143.821	1,132.18
South Korea	401.621	233.162	64.851	72.297	135.393
Columbia	0	0	0	411.65	0

Source: China customs data

Supply

- ▶ Dependent on run rate of biodiesel and fatty acids/alcohols plant
- ▶ Biodiesel sector accounts for bulk of supply
- ▶ Biodiesel almost exclusively produced to meet local blending mandates
- ▶ Domestic consumption cannot ensure full capacity utilization

Natural glycerine production



Max oleochemical glycerine output by nameplate capacity

► Maximum glycerine output from the oleochemical sector:

Total fatty acids
capacity

10MT*



Total fatty alcohols
capacity

3.6MT*



10%



1.36MT

*Nameplate capacity, actual utilisation is lower

Max oleochemical glycerine output by nameplate capacity

- ▶ Maximum glycerine output from the oleochemical sector:

Total fatty acids
capacity

10MT*



Total fatty alcohols
capacity

3.6MT*



10%



1.36MT

*Nameplate capacity, actual utilisation is lower

**Demand in 2017 was around
4.5MT!**

Global biodiesel importers and exporters

Top 3 biodiesel importers

Country	Average Production 2014-2016 (mln L)	Average Domestic Use 2014-2016 (mln L)
United States	6,316	7,660
Peru	0	371
Canada	343	598

Top 3 biodiesel exporters

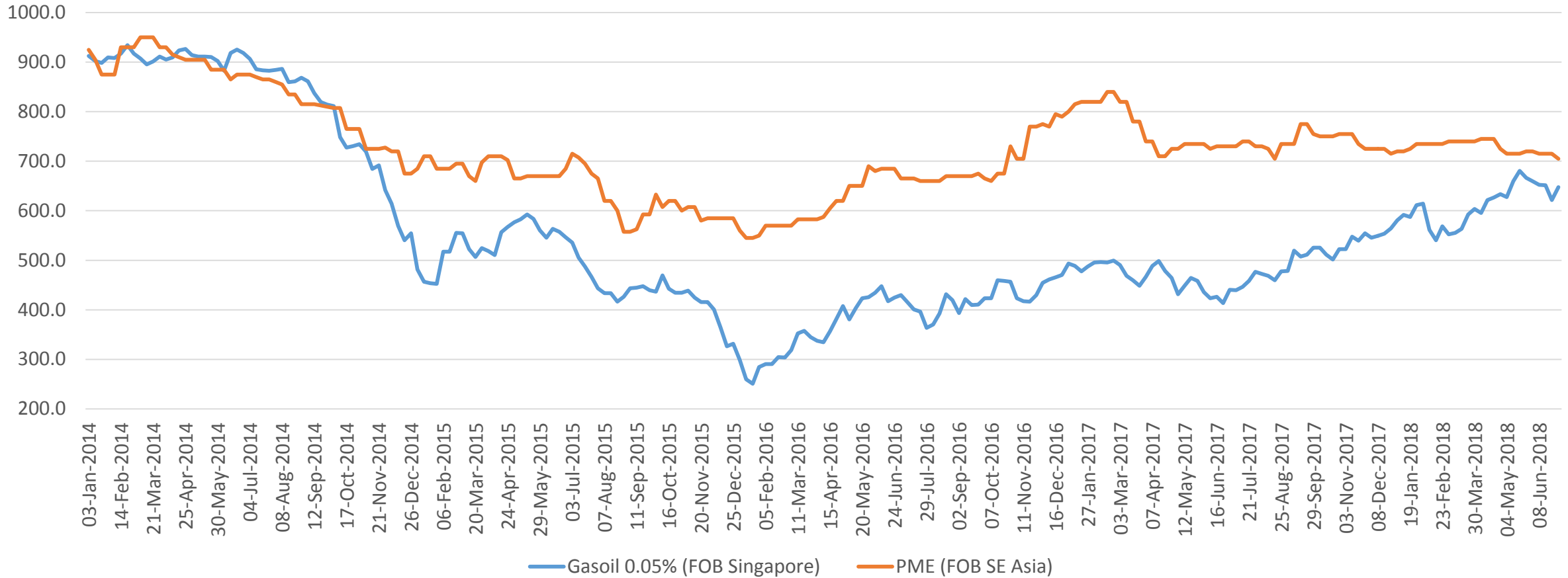
Country	Average Production 2014-2016 (mln L)	Average Domestic Use 2014-2016 (mln L)
Argentina	2,698	1,153
Indonesia	2,293	1,570
Malaysia	644	475

Changes in biodiesel market

- ▶ US biodiesel tax credit changed from blenders to producers
- ▶ US' anti-dumping duties on Argentinian and Indonesian biodiesel
- ▶ EU's reduction of anti-dumping duties on Argentinian and Indonesian biodiesel
- ▶ Argentina raises export tariff for biodiesel
- ▶ Brazil started B10 in March 2018
- ▶ Palm oil-gas oil spread makes discretionary blending viable

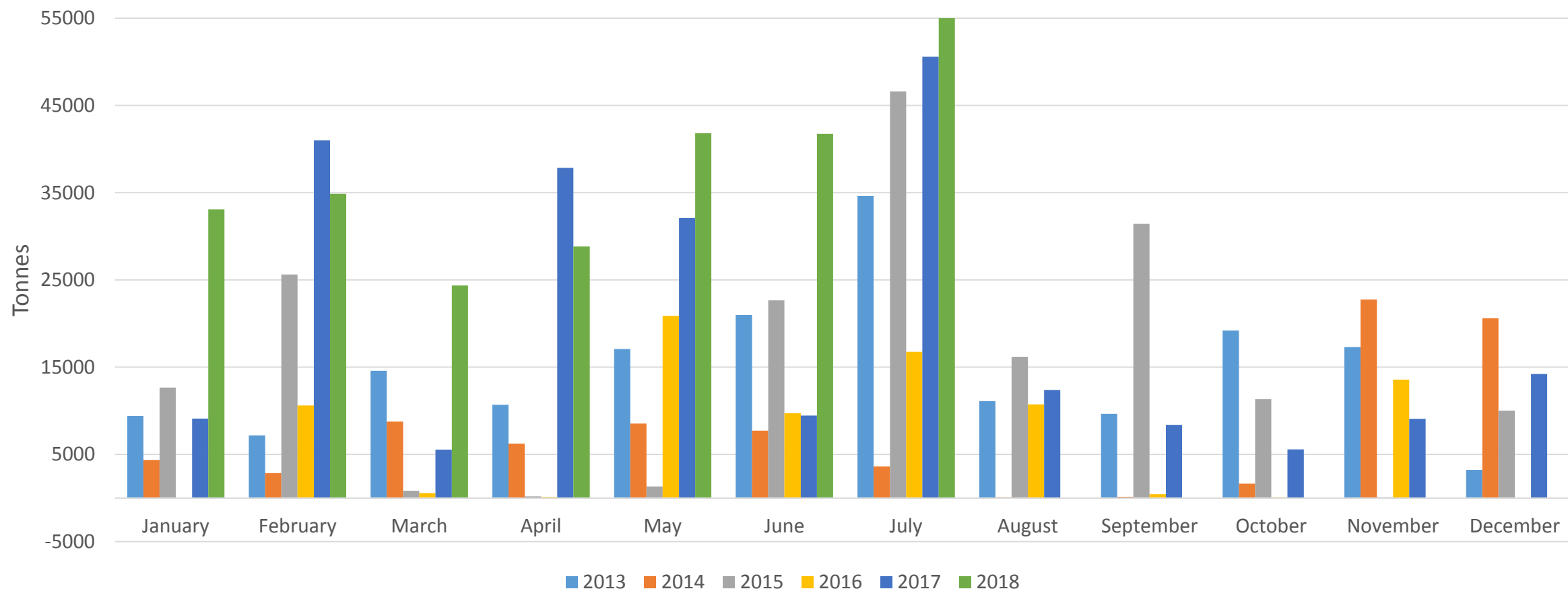
Biodiesel vs gas oil prices

(\$/tonne)



Source: ICIS

Malaysia's biodiesel exports



Outlook

- ▶ Glycerine output to increase due to stronger biodiesel demand
- ▶ Malaysia B10?
- ▶ Indonesia accelerating plans for B25 and B30
- ▶ EU's anti-subsidy investigations on Argentinian and Indonesian biodiesel
- ▶ Winter is coming

Thank you for your time

Q&A

