



MALAYSIA-PAKISTAN **PALM OIL TRADE FAIR & SEMINAR 2014**

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“Edible Oil Scenario in Pakistan And Price Outlook for 1st and 2nd Quarter 2014”.

By

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EDIBLE OIL SCENARIO

- Per Capita Consumption : 17 kgs.
- Total Consumption : Around 3.4 Million Tons.
- Local Production : 0.7-0.8 Million Tons.
- Import of Edible Oils : Around 2.3 Million Tons.
- Oil Extracted from Imported Seeds : Around 0.4 Million Tons.
- Total Import Bill of Edible Oil about US\$ 1.8 to 2.0 Billion.
- Total Import Bill of Oilseeds about US\$ 0.5 to 0.6 Billion.

Edible Oil Duty Structure – Pak. Rupees / (M.Tons)

Product	Import Duty (Malaysia)	Import Duty (Indonesia)	CED	I.Tax	FED
Olein	7743	7743	17%	5%	1000
RBDPO	9230	9230	17%	5%	1000
CPO	6850	6850	17%	5%	1000

Product	Import Duty	CED	I.Tax	FED
CDSBO	9100	17%	5%	1000

After the effectiveness of PTA, the duty structure is now uniform for both Malaysian and Indonesian Origin.

Since there is heavy duty structure and taxes on the import of Edible Oils in Pakistan, I am taking the liberty of quoting the following quotes:

Everyone wants to live at the expense of the state.
They forget that the state wants to live at the expense of everyone.

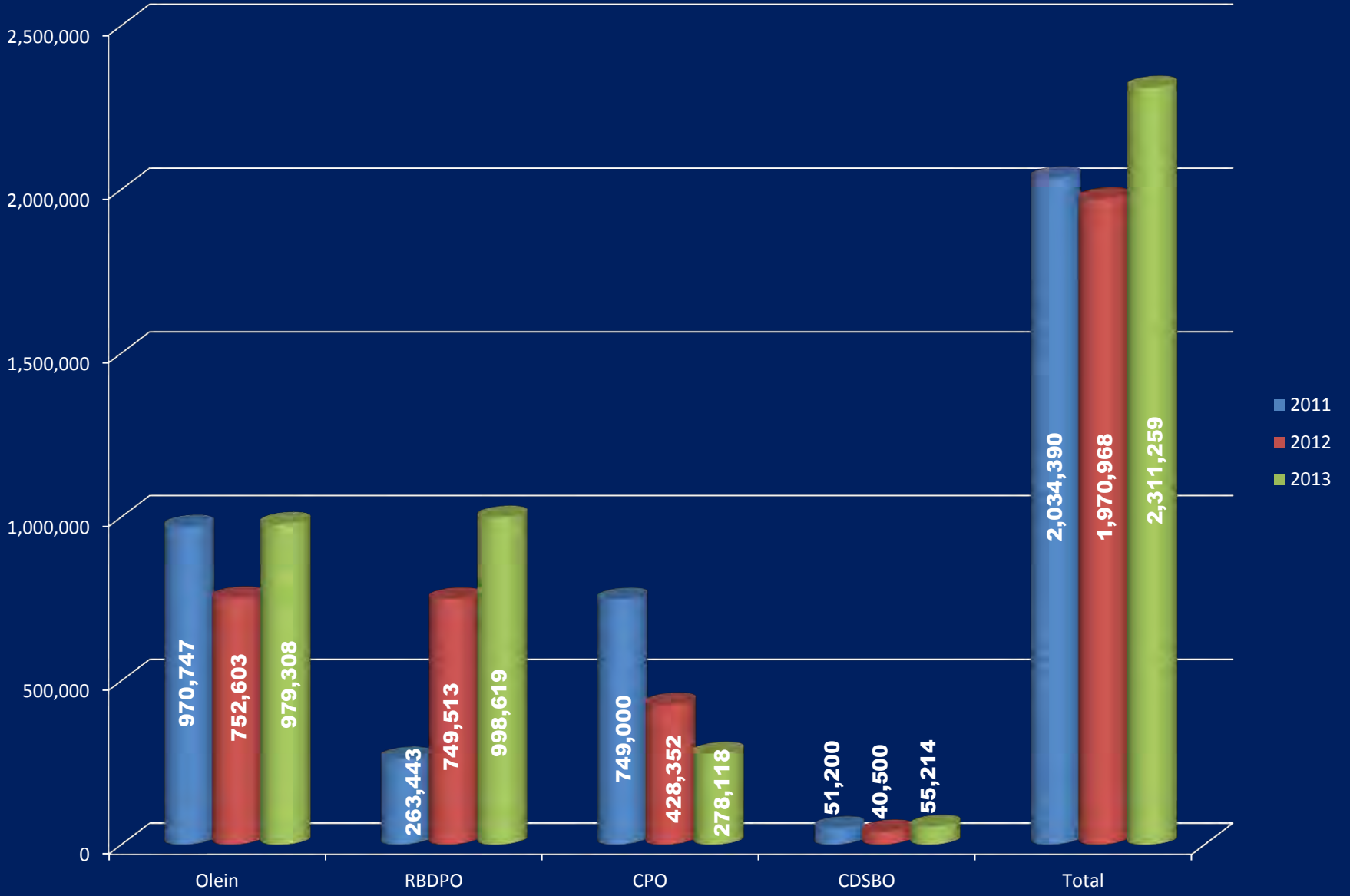
Frederic Bastiat

“We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.”

Winston Churchill

**Import of Edible Oils in Pakistan
(Basis Arrival) in M.Tons
For January-December 2011, 2012 and 2013**

Product	2011	2012	2013
Olein	970,747	752,603	979,308
RBDPO	263,443	749,513	998,619
CPO	749,000	428,352	278,118
CDSBO	51,200	40,500	55,214
Total	2,034,390	1,970,968	2,311,259



**IMPORT OF PALM OIL PRODUCTS
FROM MALAYSIA AND INDONESIA
DURING JANUARY-DECEMBER 2011 IN M.TONS (BASIS ARRIVAL)**

PRODUCT	MALAYSIA	%	INDONESIA	%	TOTAL
OLIEN	928,213	96	42,534	4	970,747
RBDPO	160,552	61	102,891	39	263,443
CPO	697,012	93	51,988	7	749,000
	1,785,777		197,413		
		<i>1,983,190</i>			
MALAYSIA	90%				
INDONESIA	10%				

**IMPORT OF PALM OIL PRODUCTS
FROM MALAYSIA AND INDONESIA
DURING JANUARY-DECEMBER 2012 IN M.TONS (BASIS ARRIVAL)**

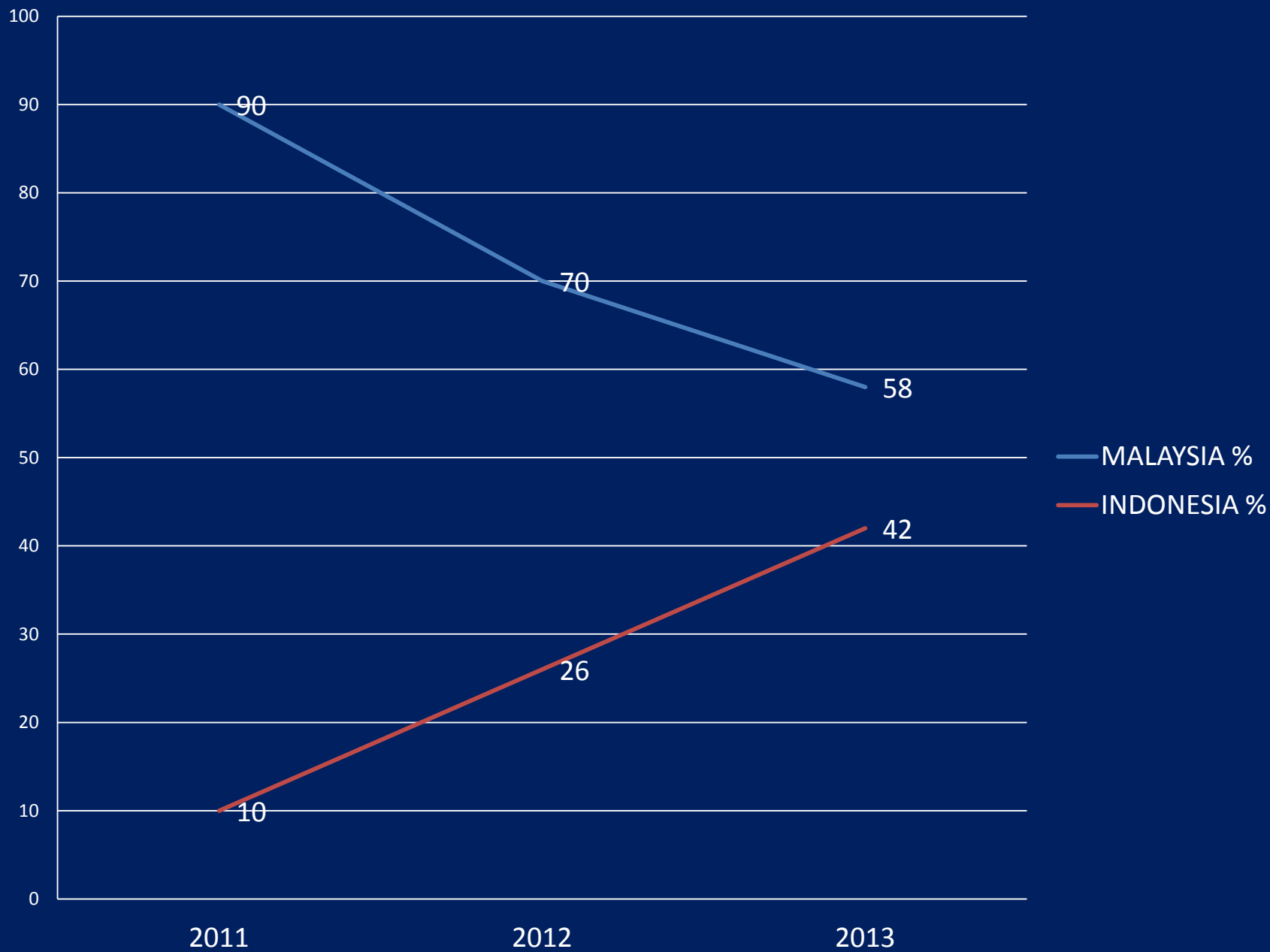
PRODUCT	MALAYSIA	%	INDONESIA	%	TOTAL
OLIEN	732,263	97	20,340	3	752,603
RBDPO	275,846	37	473,667	63	749,513
CPO	415,852	97	12,500	3	428,352
	1,423,961		506,507		
		<i>1,930,468</i>			
MALAYSIA	74%				
INDONESIA	26%				

**IMPORT OF PALM OIL PRODUCTS
FROM MALAYSIA AND INDONESIA
DURING JANUARY-DECEMBER 2013 IN M.TONS (BASIS ARRIVAL)**

PRODUCT	MALAYSIA	%	INDONESIA	%	TOTAL
OLIEN	864,332	88	114,976	12	979,308
RBDPO	225,374	23	773,245	77	998,619
CPO	224,128	81	53,990	19	278,118
	1,313,834		942,211		
		2,256,045			
MALAYSIA	58%				
INDONESIA	42%				

**PERCENTAGE OF PALM OIL PRODUCTS
FROM MALAYSIA AND INDONESIA IMPORTED
DURING JAN-DEC 2011, 2012 AND 2013 IN M.TONS (BASIS ARRIVAL)**

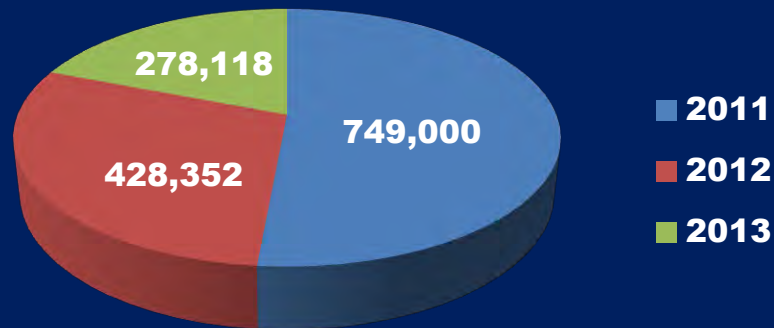
YEAR	MALAYSIA %	INDONESIA %
2011	90	10
2012	70	26
2013	58	42



**IMPORT OF CRUDE PALM OIL (CPO)
FROM MALAYSIA AND INDONESIA
DURING JAN-DEC 2011, 2012 AND 2013 IN M.TONS (BASIS ARRIVAL)**

YEAR	QUANTITY IN M.TONS
2011	749,000
2012	428,352
2013	278,118

QUANTITY IN M.TONS



The import of CPO into Pakistan is gradually coming down. The main reasons are the most aggressive prices of RBD Palm Oil being offered from Indonesia and the Export Duty imposed at the origin on CPO. This export duty structure is practically shutting down the Refineries in Pakistan.

The decision of Malaysian Government to impose 4.5% Export Duty on CPO over and above MDEX level of RM 2200, has changed the entire complex for the Edible Oil Refineries in Pakistan. Recently the Export Tax is equivalent to 5%.

Pakistan entrepreneurs invested huge amount in the Physical Refining Plants and now they all are suffering as the dependency was on the Crude Palm Oil as the basic raw material.

This Export Tax on CPO has not only affected the Pakistan Refiners but have also reduced the export quantum of Malaysian origin which is very well reflected from the export numbers.

Presently we have Ten Refineries having capacity of 4,500 M.Tons per day. The additional Six Refineries are under construction. The sudden imposition of Export Duty is creating huge obstacle for the Refining Industry.

Production of Major Oil Seeds Crop

	2010-2011 Production		2011-2012 Production		2012-2013 Production	
	Oil Seed	Oil	Oil Seed	Oil	Oil Seed	Oil
	(000 Tons)	(000 Tons)	(000 Tons)	(000 Tons)	(000 Tons)	(000 Tons)
Cotton Seed	2934	352	3212	385	3393	407
Rape Seed	157	50	202	61	158	51
Sunflower	643	244	473	179	378	144
Canola	131	50	30	11	18	10
Total		696		636		612

Source : Pakistan Oil Seed Development Board / Economic Survey of Pakistan.

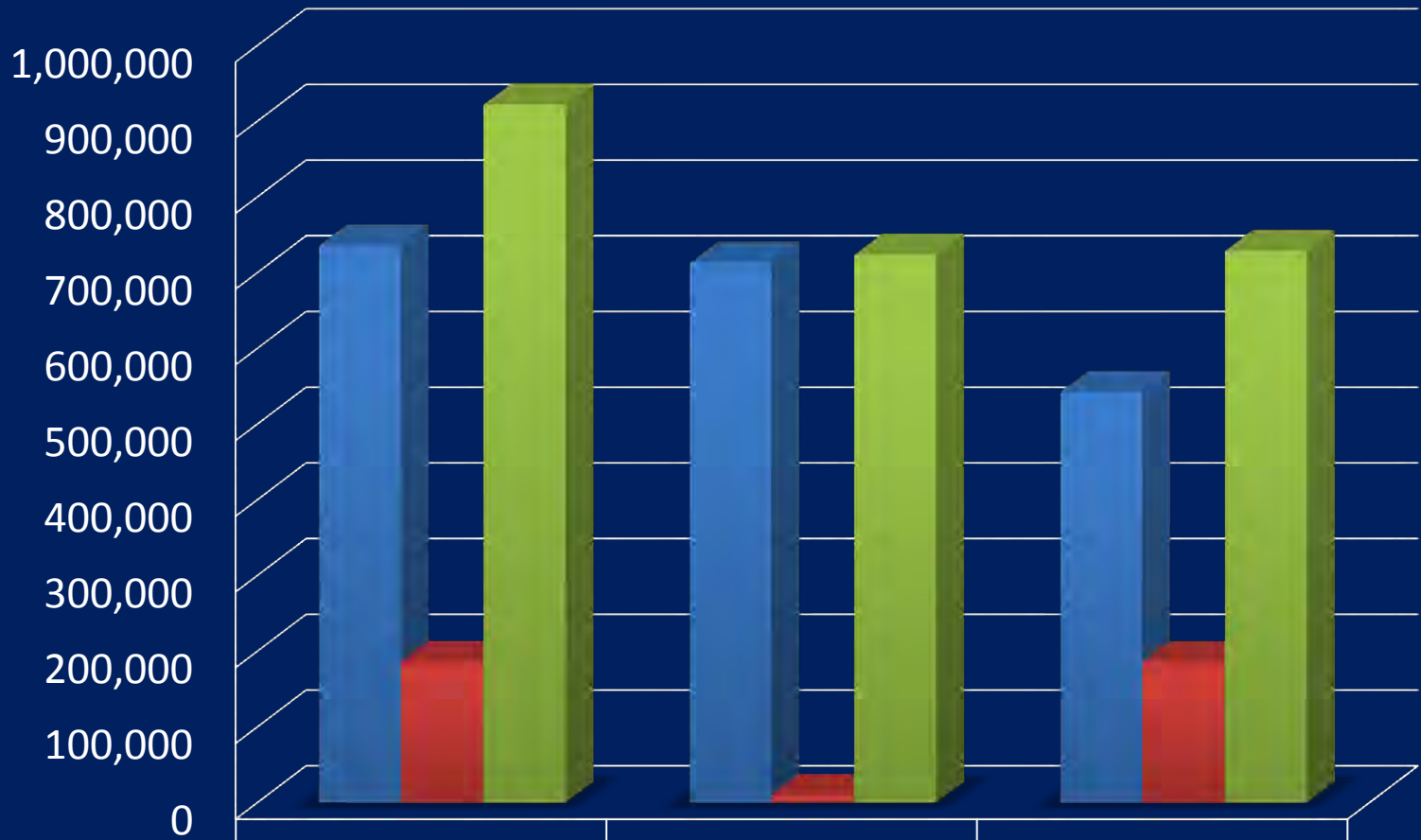
Oil Seed Duty Structure 2013 – Pak. Rupees / (M.Tons)

Product	Import Duty	FED	Sales Tax	Adv. I.Tax
All Oil Seeds	NIL	Rs. 400 PMT	15%	5%

Import of Oil Seeds in Pakistan
(Basis Arrival) in M.Tons
For January-December 2011, 2012 and 2013

Product	2011	2012	2013
Rapeseed / Canola	736,539	713,828	543,384
Sunflower	186,208	10,572	185,985
Total	922,747	724,400	729,369

Quantity in MT



	2011	2012	2013
■ Rapeseed / Canola	736,539	713,828	543,384
■ Sunflower	186,208	10,572	185,985
■ Total	922,747	724,400	729,369

MARKET FACTS

Let us see where the Market could head on the basis of following facts:

1. Malaysian Palm Production was **19.21** (M) tons in 2013 against **18.78** (M) tons in 2012
2. Indonesian Palm Production was around **27.00** (M) tons in 2013 against around **26.50** (M) tons in 2012. (It is bit difficult to be exact on the Indonesian numbers).
3. US Soyabean Crop was around **88.66** (M) Tons in 2013 against **82.56** (M) Tons in 2012.
4. Argentina New Soyabean Crop was around **49.05** (M) Tons in 2013 against **39.43** (M) Tons 2012 and expected to be around **54.00** (M) Tons in 2014,
5. Brazilian Soyabean Crop was **82.50** (M) Tons in 2013 against **66.60** (M) Tons 2012 and expected to be around **86.4** (M) Tons in 2014.
6. Malaysian Stocks of Palm Oil in December 2013 were **1.98** (M) Tons.
7. Indian import was **10.38** million tonnes of edible oil and during 2013 against **9.98** million tonnes in 2012.

8. The year 2013 has been a dull year as far as trading of Palm Oil is concerned. The lowest we have seen on MDEX was 2133 on 30th July 2013 and the highest we have seen was 2692 on 22nd November 2013 i.e. the variation of 20.77% during Jan-Dec. Most of the time the prices remain under pressure due to various factors. This year the most vulnerable factor was the volatility in the currencies. Practically all currencies against Dollar depreciated including Malaysia, Pakistan and India.
9. The Sun seed crop was huge this year which has penetrated in the market and put the other seeds and soft oil on the back foot.
10. Crude oil has performed well inspite of various odds. The US / Syria conflict did inflate the prices, however, the World is not ready for another adventure by the US. Hence the prices have retreat. In long term one should not be very friendly on Crude Oil as USA will have sufficient stocks.
11. Markets as usual are reacting on diversified forces like Funds, Fundamentals, Currencies and Political Situation. Presently Palm is weak mostly due to external factors like huge supply of Soya Oil and less demand of Bio Diesel.
12. Although MDEX have seen reasonable correction lately, physical prices of Palm Oil are holding well due to negative refining margin with Malaysian Refiners.
13. Canola / Rape seed are facing huge logistics / elevation problem. This may restrict the supply source and it is generally believed that Oilseed supply will remain tight in the first half of 2014.

14. Pakistan will be having indigenous Rapeseed crop in the second quarter this year and it is generally believed that crop will be good which perhaps may restrict the import of Oilseed particularly for Feb/Mar/Apr.
15. Ramadan is expected to be in End June / Early July, therefore, demand of Edible Oils is expected to be good in the second quarter of 2014.

FORECAST

Since Soya Oil and Sun Oil have gone down considerably, Palm is losing its market share. Consequently Palm is now getting huge correction inspite of the fact that November to February are low production months. In the year 2013 most of the forecast have not proved correct as markets were not following the fundamentals but were influenced by the external factors.

However, based on the above market facts, it is my belief that Palm may not go below _____ in the first quarter 2014. My forecast for Jan-Mar will be in the range of _____.

And

For second quarter, I believe demand will improve particularly in the month of May as Ramadan is expected in End June/Early July. I therefore feel that market will be in the range of _____.

I would like to conclude my Presentation with a famous quote :

Try not to become a man of success,
but rather try to become a man of value.

Albert Einstein

Thank You