Malaysian Palm Oil – Moving Forward and Addressing Challenges in A Changing Global Scenario

BY
Tan Sri Datuk Dr. Yusof Basiron
Chief Executive Officer
Malaysian Palm Oil Council
Global Oils and Fats Scenario
The Importance of Palm Oil
Role of Malaysian Palm Oil
Challenges Faced By Malaysian Palm Oil Industry
New Demand for Palm Oil
Challenges & Issues
Conclusions
GLOBAL OILS AND FATS SCENARIO
Global Oils and Fats Scenario

• The global oils and fats output in 2014 is forecast to increase by more than 6 million MT
• Palm oil alone is expected to contribute 2.3 million MT or 37.5% of this growth
• Soybean oil is also forecast to increase as US is expecting record yield and harvest
• There will be more oilseed crushing activities in 2014 especially sunflower seed
GLOBAL OILS AND FATS PRODUCTION
1990 – 2013 (‘000 MT)

Source: Oil World
<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th></th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>('000 MT)</td>
<td>(%)</td>
<td>('000 MT)</td>
<td>(%)</td>
</tr>
<tr>
<td>Palm oil</td>
<td>11,013</td>
<td>13.62</td>
<td>56,233</td>
<td>29.65</td>
</tr>
<tr>
<td>Soybean oil</td>
<td>16,096</td>
<td>19.90</td>
<td>42,588</td>
<td>22.45</td>
</tr>
<tr>
<td>Sunflower oil</td>
<td>7,869</td>
<td>9.73</td>
<td>13,942</td>
<td>7.35</td>
</tr>
<tr>
<td>Rapeseed oil</td>
<td>8,160</td>
<td>10.09</td>
<td>25,047</td>
<td>13.20</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>43,138</strong></td>
<td><strong>53.33</strong></td>
<td><strong>137,810</strong></td>
<td><strong>72.54</strong></td>
</tr>
<tr>
<td>Cottonseed Oil</td>
<td>3,782</td>
<td>4.68</td>
<td>4,974</td>
<td>2.62</td>
</tr>
<tr>
<td>Groundnut Oil</td>
<td>3,897</td>
<td>4.82</td>
<td>3,903</td>
<td>2.06</td>
</tr>
<tr>
<td>Sesame Oil</td>
<td>612</td>
<td>0.76</td>
<td>864</td>
<td>0.46</td>
</tr>
<tr>
<td>Corn Oil</td>
<td>1,477</td>
<td>1.83</td>
<td>2,922</td>
<td>1.54</td>
</tr>
<tr>
<td>Olive Oil</td>
<td>1,855</td>
<td>2.29</td>
<td>2,887</td>
<td>1.52</td>
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<tr>
<td>Palmkernel Oil</td>
<td>1,450</td>
<td>1.79</td>
<td>6,237</td>
<td>3.29</td>
</tr>
<tr>
<td>Coconut Oil</td>
<td>3,387</td>
<td>4.19</td>
<td>3,343</td>
<td>1.76</td>
</tr>
<tr>
<td>Butterfat</td>
<td>6,499</td>
<td>8.03</td>
<td>7,753</td>
<td>4.09</td>
</tr>
<tr>
<td>Lard</td>
<td>5,509</td>
<td>6.81</td>
<td>8,312</td>
<td>4.38</td>
</tr>
<tr>
<td>Fish Oil</td>
<td>1,378</td>
<td>1.70</td>
<td>890</td>
<td>0.47</td>
</tr>
<tr>
<td>Linseed Oil</td>
<td>653</td>
<td>0.81</td>
<td>608</td>
<td>0.32</td>
</tr>
<tr>
<td>Castor Oil</td>
<td>437</td>
<td>0.54</td>
<td>674</td>
<td>0.36</td>
</tr>
<tr>
<td>Tallow /Grease</td>
<td>6,812</td>
<td>8.42</td>
<td>8,503</td>
<td>4.48</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>37,748</strong></td>
<td><strong>46.67</strong></td>
<td><strong>52,170</strong></td>
<td><strong>27.46</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80,886</strong></td>
<td><strong>100</strong></td>
<td><strong>189,980</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Production VS Consumption of Oils and Fats

In 2013, Consumption exceeded Production

Source: Oil World
GLOBAL OILS & FATS PRODUCTION
Y-O-Y CHANGE 1990 – 2013 (‘000 MT)

Average Growth Rate 3.51%

Source: Oil World
OILS & FATS PRODUCTION VS CONSUMPTION 1990 – 2050 (F)

Source: Oil World
## Palm Oil Supply from Malaysia and Indonesia

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (Malaysia)</td>
<td>18,912</td>
<td>18,785</td>
<td>19,216</td>
<td>19,500</td>
<td>284</td>
<td>1.48</td>
</tr>
<tr>
<td>Production (Indonesia)</td>
<td>24,300</td>
<td>26,900</td>
<td>28,300</td>
<td>30,100</td>
<td>1,800</td>
<td>6.36</td>
</tr>
<tr>
<td>Total</td>
<td>43,212</td>
<td>45,685</td>
<td>47,516</td>
<td>49,600</td>
<td>2,084</td>
<td>4.39</td>
</tr>
</tbody>
</table>

Source: MPOB & Oil World
## Supply of Other Oilseeds (Million MT)

<table>
<thead>
<tr>
<th></th>
<th>2014F</th>
<th>2013</th>
<th>Diff (MMT)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybean</td>
<td>279.68</td>
<td>265.88</td>
<td>13.80</td>
<td>5.19</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>43.62</td>
<td>45.02</td>
<td>(1.40)</td>
<td>(3.11)</td>
</tr>
<tr>
<td>Groundnut</td>
<td>28.75</td>
<td>27.94</td>
<td>0.81</td>
<td>2.90</td>
</tr>
<tr>
<td>Sunflower</td>
<td>41.63</td>
<td>35.23</td>
<td>6.40</td>
<td>18.17</td>
</tr>
<tr>
<td>Sesame Oilseed</td>
<td>4.36</td>
<td>4.25</td>
<td>0.11</td>
<td>2.59</td>
</tr>
<tr>
<td>Castorseed</td>
<td>1.38</td>
<td>1.54</td>
<td>(0.16)</td>
<td>(10.39)</td>
</tr>
<tr>
<td>Linseed</td>
<td>2.32</td>
<td>2.03</td>
<td>0.29</td>
<td>14.29</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>69.82</td>
<td>63.68</td>
<td>6.14</td>
<td>9.64</td>
</tr>
<tr>
<td>Palmkernel</td>
<td>14.61</td>
<td>13.96</td>
<td>0.65</td>
<td>4.66</td>
</tr>
<tr>
<td>Copra</td>
<td>5.24</td>
<td>5.39</td>
<td>(0.15)</td>
<td>(2.78)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>491.41</td>
<td>464.92</td>
<td>26.49</td>
<td>5.70</td>
</tr>
</tbody>
</table>

*Source: Oil World*
## Oilseed Crushing (Million MT)

<table>
<thead>
<tr>
<th></th>
<th>2014F</th>
<th>2013</th>
<th>Diff (MMT)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybean</td>
<td>235.27</td>
<td>225.84</td>
<td>9.43</td>
<td>4.18</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>32.51</td>
<td>34.31</td>
<td>(1.80)</td>
<td>(5.25)</td>
</tr>
<tr>
<td>Groundnut</td>
<td>10.23</td>
<td>9.44</td>
<td>0.79</td>
<td>8.37</td>
</tr>
<tr>
<td>Sunflower</td>
<td>37.2</td>
<td>32.24</td>
<td>4.96</td>
<td>15.38</td>
</tr>
<tr>
<td>Sesame seed</td>
<td>2.05</td>
<td>2.34</td>
<td>(0.29)</td>
<td>(12.39)</td>
</tr>
<tr>
<td>Castorseed</td>
<td>1.5</td>
<td>1.55</td>
<td>(0.05)</td>
<td>(3.23)</td>
</tr>
<tr>
<td>Linseed</td>
<td>1.89</td>
<td>1.84</td>
<td>0.05</td>
<td>2.72</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>62.58</td>
<td>61.77</td>
<td>0.81</td>
<td>1.31</td>
</tr>
<tr>
<td>Palm kernel</td>
<td>14.5</td>
<td>13.75</td>
<td>0.75</td>
<td>5.45</td>
</tr>
<tr>
<td>Copra</td>
<td>5.16</td>
<td>5.52</td>
<td>(0.36)</td>
<td>(6.52)</td>
</tr>
<tr>
<td>Total</td>
<td>402.89</td>
<td>388.6</td>
<td>14.29</td>
<td>3.68</td>
</tr>
</tbody>
</table>

*Source: Oil World*
NET IMPORTING & EXPORTING COUNTRIES FOR OILS AND FATS (2013)

- Net Importers ('000 MT)
- Net Exporters ('000 MT)

FAO estimates that by 2050, rising population and incomes will require 70 percent increase in global food production

Net exporters of oils and fats – Asia Pacific (palm oil) & Americas (soybean)
The rest of the countries are net importers

Source: Oil World
Global Oils and Fats Scenario

- World production of 10 major oilseeds is forecast to climb 4.3% in 2014-15 to a record with the outlook for soybeans raised for the U.S. and Brazil
- Oilseed output may rise to 519.7 million MT from 498.2 million MT in 2013-14
- U.S. soybean production is seen rising to 106.5 million MT from 92.1 million tons
- World rapeseed and canola harvests may rise to 68.8 million tons from 67.3 million tons, while sunflower seed production may decline to 41.4 million tons in 2014-15 from 42.5 million tons
- Crushing of the 10 major oilseeds is predicted to increase 3.6% to 424.9 million MT, with processing of soybeans climbing to 253.3 million MT from 237.8 million tons
THE IMPORTANCE OF PALM OIL
The Importance Of Palm Oil

- Palm oil is the most produced and consumed edible oil in the global market
- Palm oil is the most inherently sustainable of all oilseed crops in the world
- Planted on only 0.3% of the world’s agricultural lands and yet producing 30% of global supply of edible oils, palm oil has assumed market leadership in the world’s edible oil market
## EXPORTS OF PALM OIL TO SELECTED MARKETS 2009 - 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th></th>
<th></th>
<th></th>
<th>2013</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume ('000 T)</td>
<td>Market Share (%)</td>
<td>Volume ('000 T)</td>
<td>Market Share (%)</td>
<td>Volume ('000 T)</td>
<td>Market Share (%)</td>
<td>Volume ('000 T)</td>
<td>Market Share (%)</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>Indonesia</td>
<td>Others</td>
<td>Total</td>
<td>Malaysia</td>
<td>Indonesia</td>
<td>Others</td>
<td>Total</td>
</tr>
<tr>
<td>China, P.R.</td>
<td>4,027</td>
<td>60.8</td>
<td>2,579</td>
<td>39.0</td>
<td>12</td>
<td>0.2</td>
<td>6,618</td>
<td>58.3</td>
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<tr>
<td>EU</td>
<td>1,892</td>
<td>31.9</td>
<td>3,086</td>
<td>52.1</td>
<td>949</td>
<td>16.0</td>
<td>5,927</td>
<td>35.0</td>
</tr>
<tr>
<td>India</td>
<td>1,354</td>
<td>20.4</td>
<td>5,255</td>
<td>79.1</td>
<td>31</td>
<td>0.5</td>
<td>6,641</td>
<td>28.2</td>
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<tr>
<td>Pakistan</td>
<td>1,769</td>
<td>88.8</td>
<td>218</td>
<td>10.9</td>
<td>6</td>
<td>0.3</td>
<td>1,993</td>
<td>56.7</td>
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<tr>
<td>Iran</td>
<td>342</td>
<td>61.6</td>
<td>170</td>
<td>30.5</td>
<td>44</td>
<td>7.8</td>
<td>555</td>
<td>66.5</td>
</tr>
<tr>
<td>Japan</td>
<td>539</td>
<td>50.3</td>
<td>532</td>
<td>49.7</td>
<td>1</td>
<td>0.0</td>
<td>1,071</td>
<td>84.7</td>
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<tr>
<td>Vietnam</td>
<td>241</td>
<td>48.5</td>
<td>208</td>
<td>41.7</td>
<td>49</td>
<td>9.8</td>
<td>498</td>
<td>83.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>353</td>
<td>85.2</td>
<td>59</td>
<td>14.1</td>
<td>3</td>
<td>0.7</td>
<td>415</td>
<td>56.1</td>
</tr>
<tr>
<td>Egypt</td>
<td>609</td>
<td>64.2</td>
<td>340</td>
<td>35.8</td>
<td>0</td>
<td>0.0</td>
<td>949</td>
<td>37.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>110</td>
<td>12.6</td>
<td>729</td>
<td>84.0</td>
<td>29</td>
<td>3.4</td>
<td>868</td>
<td>35.6</td>
</tr>
<tr>
<td>South Korea</td>
<td>293</td>
<td>99.1</td>
<td>1</td>
<td>0.2</td>
<td>2</td>
<td>0.8</td>
<td>296</td>
<td>88.2</td>
</tr>
<tr>
<td>Myanmar</td>
<td>181</td>
<td>55.1</td>
<td>118</td>
<td>35.8</td>
<td>30</td>
<td>9.1</td>
<td>329</td>
<td>42.3</td>
</tr>
</tbody>
</table>

Source: MPOB & Oil World
MEETING FUTURE PALM OIL DEMAND

- The world's current demand for oils and fats is being met by 17 major sources. Production of oils and fats totalled 189.9 million MT in 2013 of which palm oil and soybean production were 56 million tonnes and 43 million MT respectively, thus together accounting for more than 50% of the total.

- Production of palm oil has grown faster than that of any other oil or fat and overtook soybean as the most produced oil in 2005.
Importance Of Palm Oil & Its Derivatives

1. Source of food (global food security): 80%
2. Oleochemicals: 15%
3. Biofuel: 2%
4. Renewable energy source: Potential Remains Largely Untapped through Palm Biomass

Palm Oil Currently Accounts for 30% of Global Oils & Fats Supply

- Palm Oil: 30%
- Soybean Oil: 23%
- Rapeseed Oil: 13%
- Sunflower Oil: 7%
- Others: 7%

Source: Oil World
Meeting Future Palm Oil Demand Is Dependent On Yield Improvements

Limited land area for oil palm plantation expansion
The Importance Of Palm Oil

Alleviating Poverty through Wealth Creation

- Palm oil provides developing nations and the poor a path out of poverty. Expanding efficient and sustainable palm oil Plantations provides people to improve their standard of living

Sustainable Development

- Sustainable development of palm oil plantations and growth of the palm oil industry in Malaysia has been achieved through consultation and collaboration with industry, growers, government and the wider community

Climate and the Environment

- Palm Oil is a highly efficient, high yielding source of food and fuel. While palm oil plantations are an efficient way of producing fossil fuel alternatives and capturing carbon from the atmosphere.
The Importance Of Palm Oil

An Economic Driver

- The palm oil industry is one of the key economic drivers of the agricultural sector in developing countries such as Malaysia and Indonesia. Its economic potential is greatest in the oil palm growing belt, a region that encompasses 10 degrees north and south of the equator.

Provides Stable And Long Term Employment

- In Malaysia, the industry provides direct employment for about 570,000 people. The industry also offers a long-term and stable source of income for its smallholders.
ROLE OF MALAYSIAN PALM OIL
Role of Malaysian Palm Oil

- Malaysia produced more than 19 million MT of palm oil in 2013 which is 10% of total global oils and fats produced.
- As at December 2013, Malaysian oil palm accounted for just 1.97% (5.3 million hectares) of the total 258.9 million hectares planted with the 10 major oilseed crops globally.
- This 1.97% was able to supply a total of 10.0% (18.8 million MT) of global vegetable oils and fats production in 2013.
- Malaysian palm oil accounted for 24.1% (17.6 million MT) of the total global trade of oils and fats in 2013.
- In Malaysia, oil palm plantations make up 77% of agricultural land or about 15% of total land area.
Distribution Of The Malaysian Oil Palm Business & Ownership In 2013

**OIL PALM PLANTED AREA BY CATEGORY AS AT DECEMBER 2013**

- **Private Estates**: 62%
- **FELDA**: 13%
- **FELCRA**: 3%
- **RISDA**: 2%
- **Independent Smallholders**: 14%
- **State Schemes/Govt. Agencies**: 6%

**Total Area**: 5.23 million Hectares

*Source: MPOB*
## Distribution Of The Malaysian Oil Palm Business & Ownership In 2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>Peninsular Malaysia</th>
<th>Sabah</th>
<th>Sarawak</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFB Mills</td>
<td>247</td>
<td>56,866,200</td>
<td>124</td>
<td>32,281,200</td>
</tr>
<tr>
<td>PK Crushers</td>
<td>27</td>
<td>4,168,800</td>
<td>13</td>
<td>2,129,200</td>
</tr>
<tr>
<td>Refineries</td>
<td>35</td>
<td>14,647,200</td>
<td>14</td>
<td>7,734,300</td>
</tr>
<tr>
<td>Oleochemicals</td>
<td>17</td>
<td>2,598,971</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MPOB
R&D Efforts – Malaysian Palm Oil Industry

- It is widely acknowledged that Malaysia is the leader in palm oil research and development.

- In 1979, the Palm Oil Research Institute of Malaysia (PORIM) was established and in year 2000, the Malaysian Palm Oil Board (MPOB) was established following the merger of the Palm Oil Research Institute of Malaysia (PORIM) and the Palm Oil Registration and Licensing Authority (PORLA).

- The principal objectives are to conduct and promote research and development in oil palm tree breeding, palm oil nutrition and potential oleochemical use.

- MPOB is world renowned as the leader in palm oil research and development and their facility is second to none in terms of R&D.
Malaysian Palm Oil Production Vs Export (Million Mt)

Source: MPOB

- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
Malaysian Palm Oil Exports – By Region

(Poll MT)
CHALLENGES FACED BY MALAYSIAN PALM OIL INDUSTRY
Ideology Threats

1. **IDEOLOGY Threat** – Developed countries *(already deforested)* promoted to play the role of supplying food, whereas developing countries to play the role of “Forest Ranger” - preserving their forest, leading to anti-growth movements.

2. **Growth in World Population/Food security** - Ever Growing World Population resulting in more mouths to feed. Growing economies, and improving incomes will increase per capita demand for oils and fats.

5. **Scarcity of land/Policies** - Expansion vs Productivity vs Environmental Pressure

6. **Food vs Fuel** - Higher crude oil prices encourage greater use of food products such as corn, vegetable oil, and sugar in the production of biofuels, plus higher cost of production unless offset by effect of fracking shale gas

7. **Global Warming/Climate Change** - The impact of climate change on weather variability and yields
Ideology Threats

CONCEPT: Make developed countries as food granary & keep undeveloped or developing countries for forest conservation

- Wrong ideology on land use policy, denying developing countries from developing their agricultural sector.
- Correct ideology should be to choose crops that produce most food with least land area: need for UN Sustainable Agriculture Initiative
- Developed countries have limited new land for agriculture use
- Oil palm is perennial & yields 10 X more than annual crop of soya on same land area
## Market Challenges – Trade Protectionism

<table>
<thead>
<tr>
<th>Rank</th>
<th>Ranked by number of (almost certainly) discriminatory measures imposed</th>
<th>Ranked by the number of tariff lines (product categories) affected by (almost certainly) discriminatory measures</th>
<th>Ranked by the number of sectors affected by (almost certainly) discriminatory measures</th>
<th>Ranked by the number of trading partners affected by (almost certainly) discriminatory measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EU27 (242)</td>
<td>Vietnam (927)</td>
<td>Algeria (62)</td>
<td>China (195)</td>
</tr>
<tr>
<td>2</td>
<td>Russian Federation (112)</td>
<td>Venezuela (786)</td>
<td>EU27 (58)</td>
<td>EU27 (181)</td>
</tr>
<tr>
<td>3</td>
<td>Argentina (111)</td>
<td>Kazakhstan (729)</td>
<td>China (47)</td>
<td>Argentina (175)</td>
</tr>
<tr>
<td>4</td>
<td>UK (59)</td>
<td>China (698)</td>
<td>Nigeria (45)</td>
<td>Germany (161)</td>
</tr>
<tr>
<td>5</td>
<td>Germany (58)</td>
<td>Nigeria (599)</td>
<td>Kazakhstan (43)</td>
<td>India (154)</td>
</tr>
<tr>
<td>6</td>
<td>India (56)</td>
<td>EU27 (550)</td>
<td>Germany (42)</td>
<td>UK (154)</td>
</tr>
<tr>
<td>7</td>
<td>China (55)</td>
<td>Algeria (476)</td>
<td>USA (42)</td>
<td>Belgium (153)</td>
</tr>
<tr>
<td>8</td>
<td>France (51)</td>
<td>Russian Federation (439)</td>
<td>Ghana (41)</td>
<td>Finland (153)</td>
</tr>
<tr>
<td>9</td>
<td>Brazil (49)</td>
<td>Argentina (429)</td>
<td>Indonesia (40)</td>
<td>Indonesia (151)</td>
</tr>
<tr>
<td>10</td>
<td>Italy (47)</td>
<td>Indonesia (388)</td>
<td>Russian Federation (40)</td>
<td>France (150)</td>
</tr>
</tbody>
</table>

Source: Global Trade Alert
Market Challenges – Trade Protectionism

- French Senator, Yves Daudigny proposed a bill which would have seen tax on palm oil go from €100 (US $129) to €300 (US$390) per tonne (known as Nutella Tax).
- His argument is that the French public needed to be protected from consumption of the supposedly high levels of saturated fats in palm oil.
- This completely disregards other products on the market such as butter and cheese which contain a lot more saturated fats that Nutella and other similar products.
- This Bill, was rightly rejected by the French National Assembly’s Social Affairs Commission. Now they are desperately seeking the support of other European countries such as Belgium and Switzerland.
- These giants of Europe have no intention of fighting fair and have now reverted to the discredited claims of health risks for those who consume products that contain palm oil.
Market Challenges – Trade Protectionism

Frits Bolkestein, the former Dutch EU Commissioner for Internal Markets, argued that EU farm protectionism continues to threaten market access and harm international trade and development. For example, the French agricultural protectionism poses significant dangers to global development, particularly undermining farmers in developing nations.

Bolkestein indicated that French protectionism is a danger to free trade in Europe and growers in developing countries. He noted undeserving harm done to oil palm growers in developing countries like Malaysia, Indonesia and Papua New Guinea.
Market Challenges – Trade Protectionism

“According to the latest data, the EU has become the most protective region amid rising debt-ridden crisis concerns……….. Since July 2011, new protectionist measures have outnumbered liberalization measures by nearly three to one. As the vast majority of these initiatives are not traditional trade defense measures or tariff increases, but new forms of protectionism” 10th Global Trade Alert (Global Trade Alert), http://www.todayszaman.com/columnist-272915-rising-trade-protectionism-and-turkey.html
TRADE PROTECTIONISM?

Discriminating Directives Against Palm

Threshold value of 20%

Threshold value of 35%
With all its positive attributes, the oil palm industry is subjected to certifications, while other oilseed producers are not required to, or have yet to adopt certifications. NGOs are pushing for adopting the EU’s “Renewable Energy Directive” (RED), which would restrict imports of biofuels by imposing more onerous environmental standards on them than on biofuels produced in the EU such as rapeseed oil. Such favoritism is prohibited under the World Trade Organization’s (WTO’s) nondiscrimination and national treatment rules. Efforts to implement the requirement for certification must be mandated for all vegetable producing countries, to ensure a level playing field.
TRADE PROTECTIONISM? Discriminating Directives Against Palm Oil

Major European Food Retailers
They “Horse” Around with Your Food Quality & Nutrition

Product: Speed Pocket Bolognaise
Producer: Findus
Product Details: Pre-cooked
Bolognese pizza, 2 x 125 g
Shelf Price: 2.7 euro
Distributed in: All
Other: Without food coloring, preservatives, palm oil

How is this done: Palm Oil is removed – because they Claim it is unhealthy, environmentally unfriendly!
Replace this with Horsemeat; origins – who cares, as long as it is not palm oil!
These groups are sometimes government sponsored or funded by entities that are threatened by the presence of better, more viable vegetable oils and fats products.

They have become anti-growth agents to prevent developing countries from expanding their agricultural production via “no deforestation” ideology.

The real culprits with devastating deforestation records are the countries where these green NGOs are coming from, UK(11%), France(29%), US(33%) and Australia(19%) compared to Malaysia (56% forest).
NGOs/Environmental Pressure

- NGOs argue that “palm oil often comes at the expense of tropical forests and the wildlife that lives in them”, and make an unabashed appeal for donations to help them “look after the world” and save it from palm oil.
- This in itself is a strange paradox. If environmentalism is its raison d’etre and sustainability its goal, the WWF should be rooting for palm oil. After all, palm oil is very likely the most inherently sustainable of all oilseed crops in the world.
- It is about time that the world’s media wakes up to this sinister exploitation of the desire of organizations and individuals to support worthy causes. Often times these worthy causes are just ploys by environmental wolves in sheep’s clothing to milk their generosity!
NGOs/Environmental Pressure

- Policies emerging, proposed or imposed either by developed nations or activist groups that issue misrepresented statements under the misguided concern for the protection of the environment.

- Impose export controls such as:
  - Bans
  - Embargoes
  - Quotas and taxes
  - Enforce unfair certifications which distort or mislead the consumers and disrupt the growth of vegetable oils, its production and supply potential
NGOs/Environmental Pressure

- The real reason behind these slurs appears to stem from palm oil's success in the oils and fats markets.

- Environmental NGOs in the developed world such as the USA, Australia and several in the EU have lobbied their governments to develop unlawful protectionist measures in order to protect their own indigenous oilseeds against the super competitive palm oil.

- They lobby these governments to put policies and measures in place that make it increasingly difficult for palm oil to enter these supposedly free markets.
NGOs/Environmental Pressure

- In such scenarios the good usually end up as the victims as innocent oil palm farmers that seek to eke out a living within the industry have to bear the brunt of the scurrilous attacks against palm oil.
- The unwarranted campaigns that are being sustained by the anti-palm oil NGOs are seeing to it that many small holders in poverty being pushed to a corner.
- 40% of palm oil in Malaysia is produced by small farmers and there loss of livelihood is a real likelihood as a direct result of NGOs campaigning for certified segregated palm oil.
- The reason for these campaigns is that they are trying to protect the rainforests and the orangutans that live there. In fact Malaysia is already doing sufficient work to protect the countries rainforests and wildlife with our strict policies that are in place.
- NGOs such the Rainforest Action Network, World Wildlife Fund, and Friends of the Earth, have been embarking on their vicious campaigns against the palm oil industry by using any piece of evidence they can evince failing which they have never hesitated to manufacture false evidence.
NGOs/Environmental Pressure

Just how transparent or truthful are the NGOs?

A Forbes Special Report entitled “Defund the World Wildlife Fund”

(see: specials.forbes.com/article/0cxh9TJ5FcaUF) points out that “In the past few days, WWF has become embroiled in one of the largest scandals to hit the organization since its inception, raising serious questions regarding its accountability, integrity and, most significant, trustworthiness.”
NEW DEMAND FOR PALM OIL

NEW MARKETS
DIFFERENTIATED PRODUCTS

Innovation

Development
Penetration

POTs

PALM OIL TRADE FAIR & SEMINAR
KUALA LUMPUR, 28 & 29 OCTOBER 2014
NEW MARKETS FOR PALM OIL

Expanding Markets And Products

- Eastern Europe
- Philippines demand for edible oils
- Opaque Bottling of palm oil
- Trans Fats Issues
- Palm Kernel Cake (PKC) marketing
- Palm Biomass
Eastern Europe : Potential in Russia

- WTO will transform the Russian business environment to become more accommodating to imports.
- It is likely that with Russia’s accession to the WTO, the prices and availability of these imported goods will improve for the benefit of Russian consumers.
- This bodes well for Malaysian palm oil as access to the Russian market will be easier and more affordable as a result of the reduced duties.
- Palm oil currently accounts for 69 per cent of the total oils and fats imported by Russia, and is the second most popular vegetable oil consumed in the country after sunflower oil.
Potential in Russia

- Malaysia aims to increase its palm oil import market share in Russia from the current 14% to 25%
- Russia, within the WTO framework, agreed on a maximum import duty for refined palm oil of 5%
- Russia can reduce barriers on palm oil and has maintained minimum import duties for palm oil, palm kernel oil, coconut oil after it joined the WTO
- Focus will be given on the food industry, oleochemicals and biodiesel as well as on increasing Malaysia’s participation in the blended oil market segment in Russia
Philippines Market

- New market not well tapped previously
- Palm oil to substitute coconut oil
- Marketing of cooking oil in opaque containers
- Locals used to buy light colored corn oil
- Packing in smaller volumes e.g. 400 or 800ml (usual is 500-1,000ml) to meet price affordability
Innovative Way Of Marketing Palm Olein In Opaque Bottles

- MPOC initiated idea of marketing of cooking oil in opaque bottles or packaging
- Highly suitable in regions with temperate climate
- Successfully done in Romania, Iran, Philippines, Dubai, Saudi Arabia
Opportunities: Trans Fats in Food

- Many countries around the world have banned the use of trans fats in food
- The government of India has made it compulsory for food manufacturers to mention trans fats content on labels
- The U.S. Food and Drug Administration is looking to ban trans fats included in food
- Harvard scientists estimate that trans fats may contribute to more than 30,000 premature deaths each year
- FDA officials estimate as many as 7,000 deaths and 20,000 heart attacks would be prevented by eliminating trans fats from processed foods
- Palm oil is proven to be healthy and trans fats free
- Opportunity to expand market by capitalizing on this theme
Capitalizing On Trans Fats Issue

Big market potential that is just emerging

- **Solid food formulation**
  Promote sales of palm stearin to make margarines, vanaspati and shortenings

- **Blending soft oils with palm oil**
  Blending soft oils with palm oil
  E.g. Smart Balance

- **US still hydrogenationg 900,000t of soft oils. At 50% replacement, US alone will need 450,000t palm oil to make trans free products**
Palm Kernel Cake

Advantages

- PKC total metabolizable energy per USD is higher than soyameal, rapeseed and sunflower meal
- For every USD spend on PKC, the energy value is 52.7 MJ which is 29.5%-108% higher than that of soya, rapeseed and sunflower meal
- For crude protein, PKC has 22.1%-33% lower protein content compared to rapeseed and sunflower meal
- However, the crude protein content that can be obtained per USD is the same for soyameal and PKC
- PKC crude fibre content is high at 17%
- The high crude fibre content is said to be more suitable for ruminants than non-ruminants
## PKC export by Malaysia

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>827,651</td>
<td>1,000,766</td>
<td>1,559,852</td>
<td>1,534,492</td>
<td>(706,841)</td>
<td>(-46.06)</td>
</tr>
<tr>
<td>NEW ZEALAND</td>
<td>795,642</td>
<td>640,296</td>
<td>225,543</td>
<td>21,018</td>
<td>774,624</td>
<td>3,685.47</td>
</tr>
<tr>
<td>SOUTH KOREA</td>
<td>470,156</td>
<td>462,169</td>
<td>165,578</td>
<td>201,221</td>
<td>268,935</td>
<td>133.65</td>
</tr>
<tr>
<td>CHINA P.R</td>
<td>202,580</td>
<td>227,008</td>
<td>-</td>
<td>28,856</td>
<td>173,724</td>
<td>602.03</td>
</tr>
<tr>
<td>TURKEY</td>
<td>123,949</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>123,949</td>
<td>-</td>
</tr>
<tr>
<td>SAUDI ARABIA</td>
<td>111,546</td>
<td>47,000</td>
<td>-</td>
<td>-</td>
<td>111,546</td>
<td>-</td>
</tr>
<tr>
<td>PAKISTAN</td>
<td>57,062</td>
<td>19,871</td>
<td>-</td>
<td>-</td>
<td>57,062</td>
<td>-</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>22,455</td>
<td>4,759</td>
<td>-</td>
<td>-</td>
<td>22,455</td>
<td>-</td>
</tr>
<tr>
<td>OTHER COUNTRIES</td>
<td>56,054</td>
<td>43,524</td>
<td>83,027</td>
<td>23,842</td>
<td>32,212</td>
<td>135.11</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,667,096</strong></td>
<td><strong>2,445,393</strong></td>
<td><strong>2,034,000</strong></td>
<td><strong>1,809,430</strong></td>
<td><strong>857,666</strong></td>
<td><strong>47.40</strong></td>
</tr>
</tbody>
</table>

MPOC’s efforts to inform end users of PKC’s use for animal feed which is economically feasible have paid off

Source: MPOB
NATIONAL BIOMASS STRATEGY 2020:

- Pellets
- Bioethanol
- Biochemicals
Applications Of Oil Palm Biomass

**PROPERTIES OF OPT, OPF & EFB FIBRE BUNDLES**
- Fibre quality
- Fibre morphology
- Fibre properties
- Usable fibre fractions

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**OIL PALM BIOMASS**

**BOARD OF VARIOUS KINDS**
- MDF
- Plywood
- Moulded particleboard
- Sawn lumber

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**PAPER PULP & PAPER PRODUCTS**
- Chemical pulp
- Semi-mechanical pulp
- Mechanical pulp
- Moulded paper products
- Soilless planting medium

---

**FIBRE REINFORCING COMPOSITES**
- Agrolumber
- Plastic composite

---

**OTHER PRODUCT TYPES**
- Oil palm heart
- Carbon products
- Carboxymethyl cellulose
- Fine chemicals
MPOC saw potential of palm wood furniture
Started Palm Wood Promotion Scheme in 2012
For Furniture China 2012 exhibition, confirmed sales were at RM1,500,000 while Furniture China 2013 had RM1,000,000 confirmed sales.
MTC to promote palm wood furniture aggressively.
OIL PALM BIOMASS AND RENEWABLE ENERGY

Potential scenarios of life cycle pathways for oil palm biomass conversion into bioenergy

- Oil Palm Fronds: Pelletising or pyrolysis
- Empty Fruit Bunch (EFB): Pelletising or pyrolysis
- Oil Palm Trunks: Chipping and drying
- Shells and Fibres: Pelletising

- Direct combustion
- 2nd generation bioethanol/Biomass to Liquid (BtL)
Areas Of Opportunities For Malaysian Palm Oil – A Malaysian Product Innovation

2007:
Boulder Specialty Brands, Inc.
Announced Acquisition of GFA Brands, Inc., Marketer of Smart Balance(R) Heart-Healthy Food Products for US$485 Million based on patents (Sundram et al.)

A Malaysian Research Outcome that Became A US Household name

Believe it or not, the basis of all these products with annual sales of US$250 million and Nasdaq Market Capitalization of US$800 million is Malaysian Palm Oil
Challenges Issues
OILS AND FATS GLOBAL CHALLENGES

GLOBAL WARMING/CLIMATE CHANGE

POLICY CHANGES

FINANCIAL RISK

OILS AND FATS GLOBAL EXTERNAL CHALLENGES

CROP SELECTION AND PRODUCTIVITY

LAND TENURE

INFRASTRUCTURE AND LOGISTICS

ECONOMIC POLICY INCENTIVES

POLITICAL STABILITY

TRADE POLICIES

OILS AND FATS-DEVELOPING COUNTRIES INTERNAL CHALLENGES

FINANCIAL AND BANKING

PRIVATE AND GOVERNMENT SECTOR INITIATIVES

POPULATION GROWTH

FOOD SECURITY

LAND SCARCITY

CONSUMERS SENTIMENTS

FINANCIAL AND BANKING

POLITICAL STABILITY

TRADE POLICIES

PRIVATE AND GOVERNMENT SECTOR INITIATIVES

OILS AND FATS GLOBAL CHALLENGES

PALM OIL TRADE FAIR & SEMINAR
KUALA LUMPUR, 28 & 29 OCTOBER 2014
Implication Of “No Deforestation” On Palm Oil Industry

- What is “forest?”
- FAO definition: “Forest” is
- *land where tree crown cover >10*
- *area>0.5 ha*
- *trees can reach > 5m at maturity*

- In tropical countries almost all areas can be classified as forest by following this definition
- Almost all land can grow back to forest if left alone (except maybe in tin mining areas)
- Does that mean no more expansion of oil palm area? Or oil palm is producing palm oil as a forest product?
DISTRIBUTION OF AGRICULTURAL AREA

Livestock, 71.27%

Oilseed, 5.25%

Oil Palm, 0.31%

Other Crops, 23.17%

Total Agricultural Area: 5 Billion Hectares

Source: FAOSTATS
Malaysian palm oil industry actually conserves more forest in the world instead of being blamed for causing deforestation

<table>
<thead>
<tr>
<th>Year</th>
<th>2025</th>
<th>2040</th>
<th>2080</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (billion)</td>
<td>7.9</td>
<td>8.5</td>
<td>9.1</td>
</tr>
<tr>
<td>Projected additional <strong>palm oil</strong> needed to be supplied by Malaysia (million MT)</td>
<td>2.7</td>
<td>5.3</td>
<td>7.7</td>
</tr>
<tr>
<td>Estimated additional land needed for palm oil cultivation in Malaysia (m ha)</td>
<td>0.7</td>
<td>1.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Additional land needed to cultivate <strong>Rapeseed</strong> to offset this palm oil cultivation (m ha)</td>
<td>4.5</td>
<td>9.0</td>
<td>13.4</td>
</tr>
<tr>
<td>Additional land needed to cultivate <strong>Sunflower</strong> to offset this palm oil cultivation (m ha)</td>
<td>5.7</td>
<td>11.3</td>
<td>17.0</td>
</tr>
<tr>
<td>Additional land needed to cultivate <strong>Sunflower</strong> to offset this palm oil cultivation (m ha)</td>
<td>7.2</td>
<td>14.4</td>
<td>21.6</td>
</tr>
</tbody>
</table>

- 21.6 m ha of land for soya cultivation in 2080 is 2/3 land area of Malaysia
- **DEFORESTATION** or AVOIDANCE OF DEFORESTATION
Forest Area vs Agriculture Area Percentage

<table>
<thead>
<tr>
<th>Country</th>
<th>Forest</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarawak</td>
<td>84%</td>
<td>15%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>62%</td>
<td>24%</td>
</tr>
<tr>
<td>United States</td>
<td>45%</td>
<td>29%</td>
</tr>
<tr>
<td>France</td>
<td>33%</td>
<td>19%</td>
</tr>
<tr>
<td>Australia</td>
<td>53%</td>
<td>53%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>71%</td>
<td>12%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>56%</td>
<td>11%</td>
</tr>
</tbody>
</table>


UN Convention Baseline: 10% forest

Malaysia’s Pledge: 50% forest

Sarawak is huge CO₂ Sink
Palm Oil Industry Strategy

- In recent the palm oil industry took on the might of several established Non-Governmental Groups and their unscrupulous donor governments.

- Taking on the might of the European Commission and NGOs such as Friends of the Earth, Greenpeace, World Wildlife Fund, and the Rainforest Action Network is no easy feat, especially for a product that is grown in countries with very limited media resources in the developing world.

- The giants of Europe are constantly coming up with inventive new ways to erect unwarranted trade barriers to palm oil, and these discriminatory health claims are just another on the list of desperate claims that make up the anti-palm oil campaigns. With truth and evidence on its side the palm oil underdog keeps defeating the giants.
CONCLUSION
Conclusions

- The word “Sustainability” resonates in the ears and lingers in the minds of concerned consumers.
- The market demand that “sustainable palm oil” for food and biofuel cannot be sourced from oil palm grown on land previously under forest and peatland restricts uplifting the livelihood of poor nations which is still developing.
- This means to find the compromise between the need for economic expansion while minding both the social and environmental impacts that may arise from the related activities. It is a market-driven agenda stemming from the rise of ethical consumerism.
Conclusions

- Rising global demand for oils & fats will not be easily met with limited arable land. Possible solution is to rely on high yielding crop like oil palm and identifying the developing country with best potential.
- Palm oil as the powerhouse in the oils and fats market and is a suitable crop for tropical developing countries.
- ASEAN and Developing countries can emulate the remarkable success and performance of the Malaysian oil palm industry by providing endless sustainable and green opportunities for the economic growth of its national economy through palm oil.
Conclusions

- Palm oil’s preferential applications in solid fats including TFA-free products, could be used advantageously in the region creating more demand for such palm based products.

- Oils and fats industry is urged to maximize SFO-PO price differentiation by exporting more SFO and committing the savings to higher palm oil usage.

- Malaysia is committed to support such activities in the market through increased technical support to our end users.

- Malaysia will continue to be the most reliable supplier of sustainable palm oil (through RSPO) in the world markets and supported by its technical and quality benchmarks as well as good agricultural practices.
Conclusions

- Dominance of Palm Oil Increasing: Palm oil continues to be an attractive long term commodity for producers and consumers.
- Investment in oil palm cultivation should continue in the long term.
- Solution Provider: Consumers get strategic solutions from palm oil: food security, trans free products and competitive prices.
THANK YOU

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