

**POTS**  
**Malaysia-Egypt Palm Oil Trade-Fair & Seminar**  
**15-16 December, 2015**

**Competitiveness of Malaysian Palm Oil in the  
Global Markets  
with  
Special Emphasis on Egypt**



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**IFFCO S.E.A. Sdn. Bhd.**

# Competitiveness

The ability of a commodity to meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing it

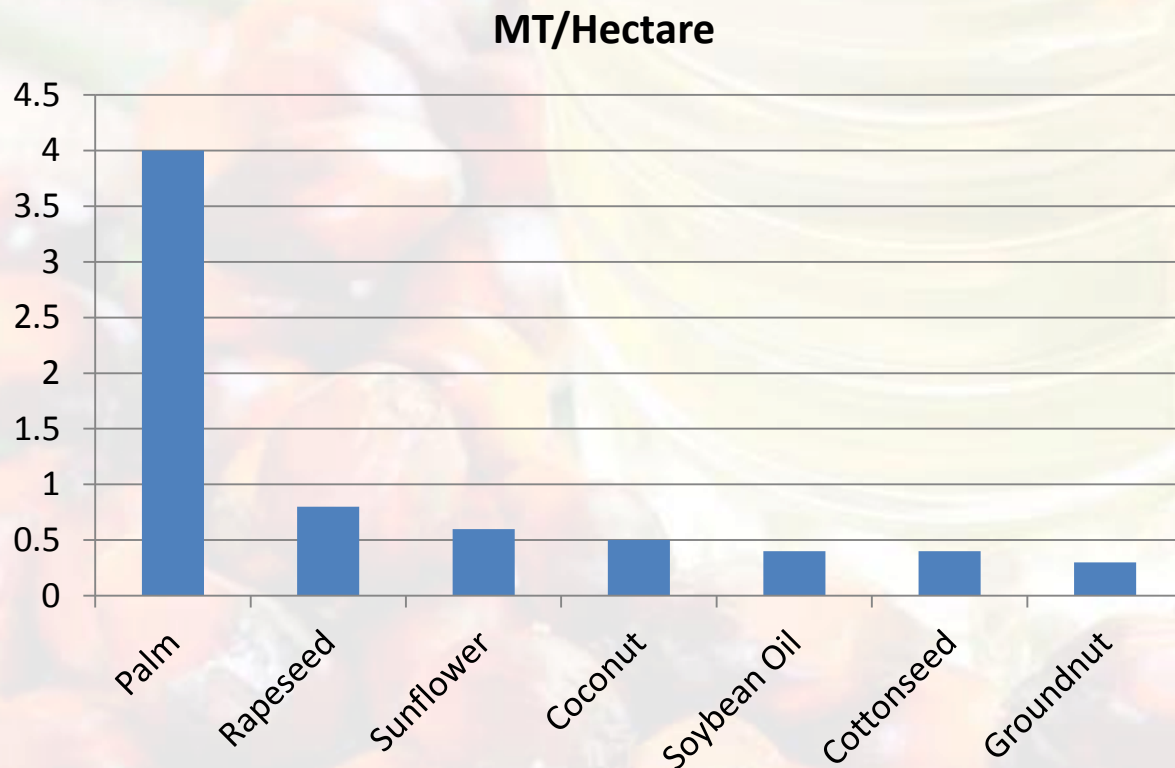
# Factors Affecting Competitiveness in Agriculture

- Technology
- Input Costs & Productivity of Land
- Economies of scale
- External Factors (Tariff barriers, FTAs, Mandates etc.)
- Marketing

**Competitiveness = f(technology, input costs, economies of scale, ext. factors, marketing)**

Competitiveness Index						
Edible Oil	Technology	Input Cost	Econ. of scale	External Fac.	Marketing	Score
Canola & Rapeseed Oil		x				4
Soya Oil (Brazil & Argentina)		x				4
Sunflower Oil		x		x		3
Palm Oil						<b>5</b>

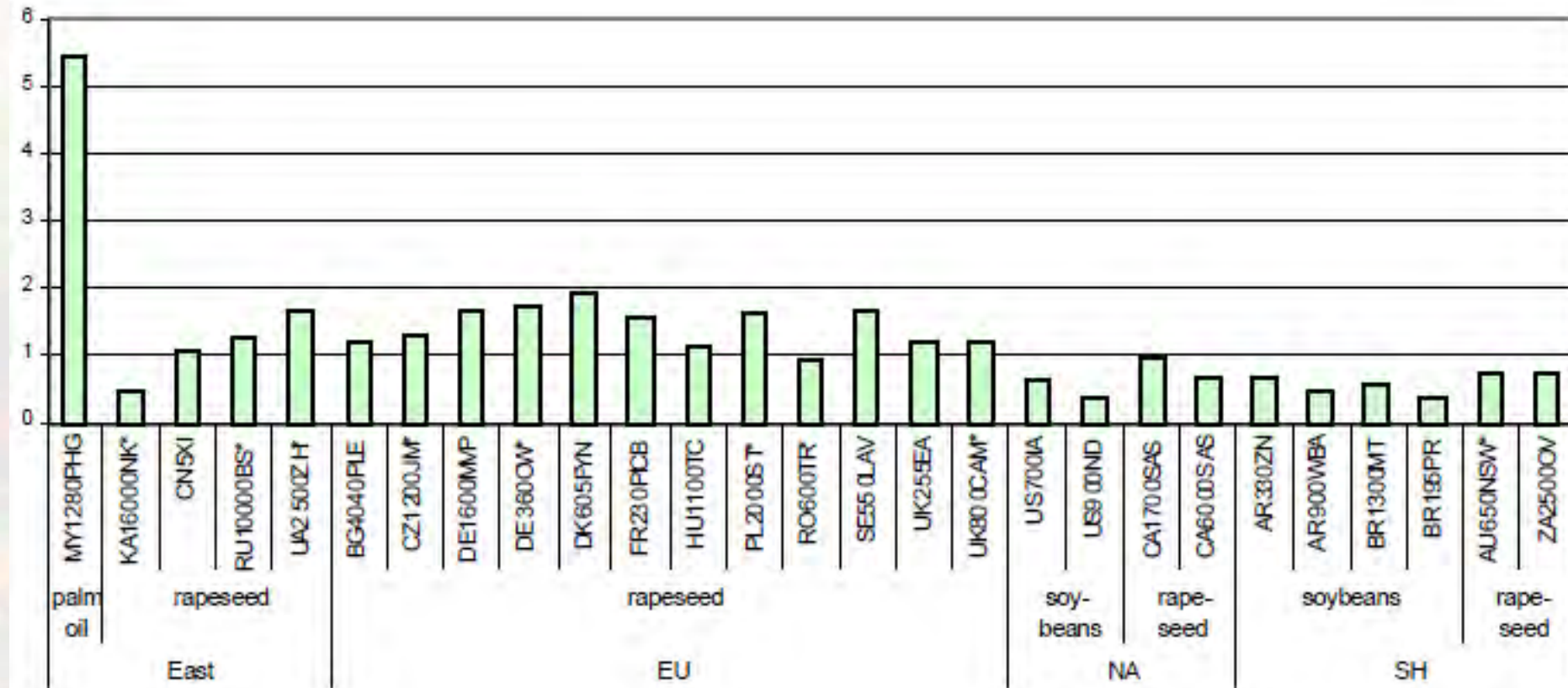
# Productivity of Major Oils



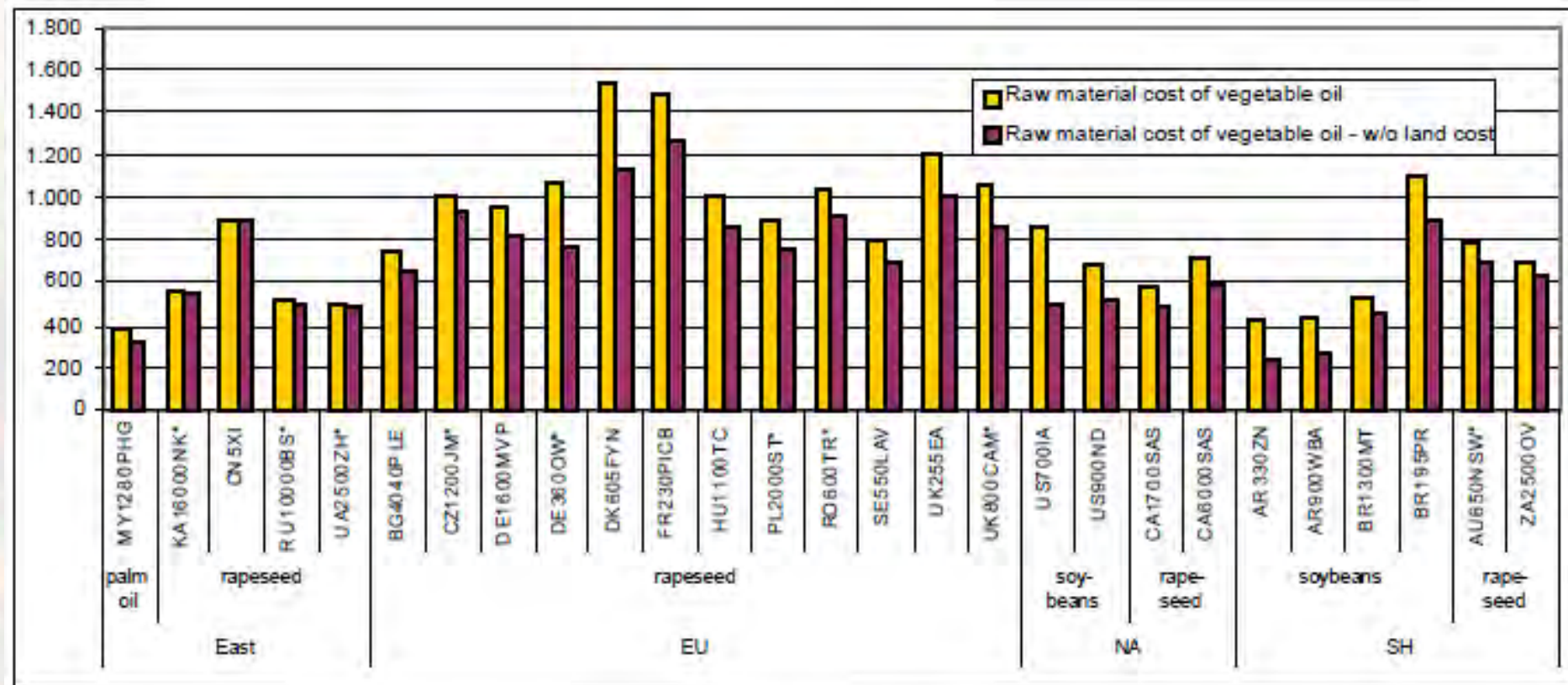
Palm Oil has the maximum production per hectare of land among 7 major oils



# Productivity of Major Oils

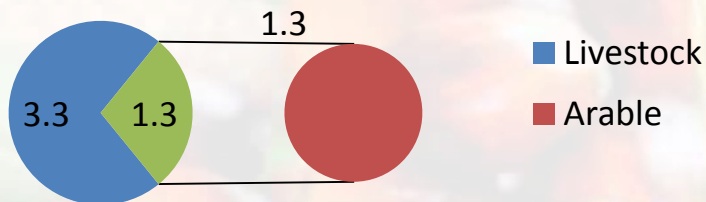


# Production Cost Per Ton of Oil



# Agricultural Land Use

## Global Agricultural Land



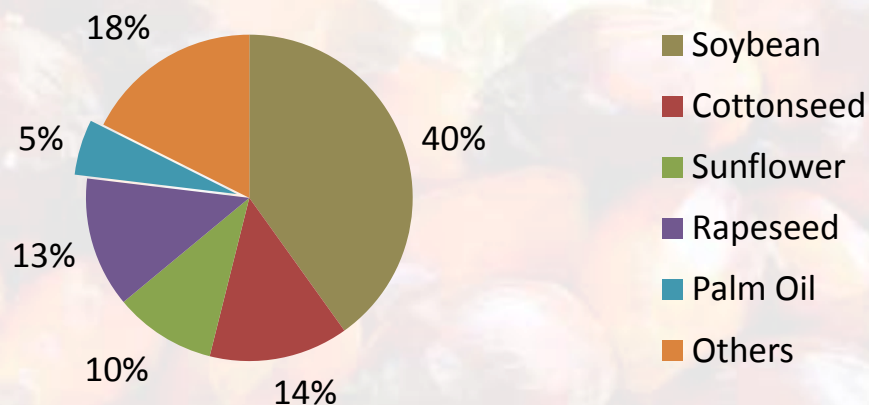
*Total = 4.6 billion hectares*

Out of the 4.6 billion hectares of total agricultural land available, 1.3 billion hectares is arable

From the arable land, the total land used by oilseeds is 258.90 million hectares

Palm oil uses **only 5.5%** of the total land used by oilseeds

## Agricultural land by oilseed production

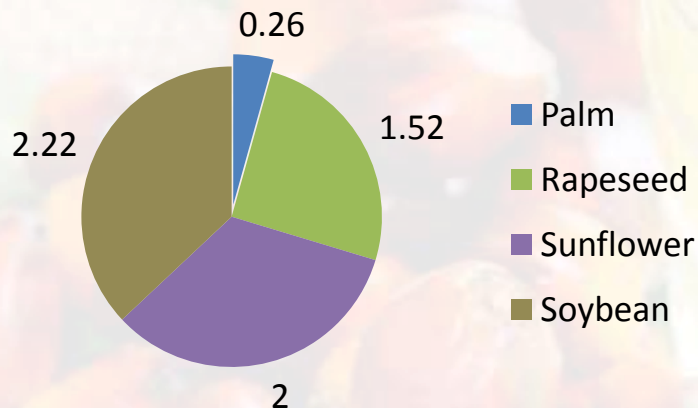


*Total = 258.9 million hectares*



# Agricultural Land Use

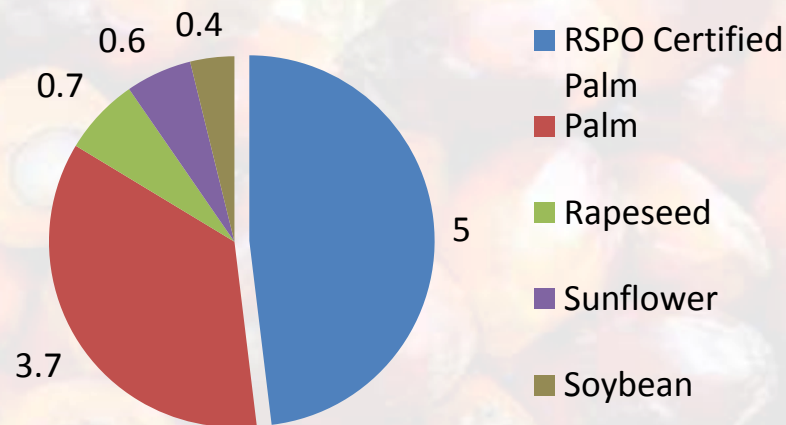
Hectares required to produce one tonne of oil



Palm Oil requires the least amount of land to produce 1 MT of oil

RSPO Certified Palm Oil produces the maximum output per hectare of land

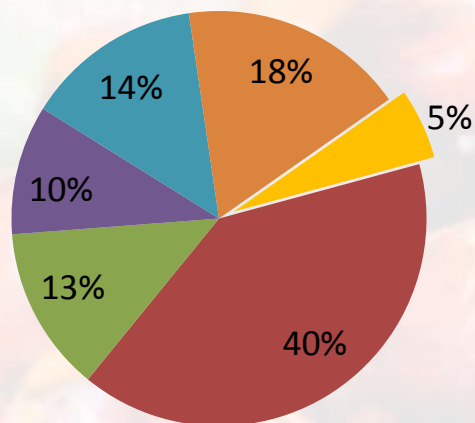
Most efficient oil bearing crops (tonnes per hectare)





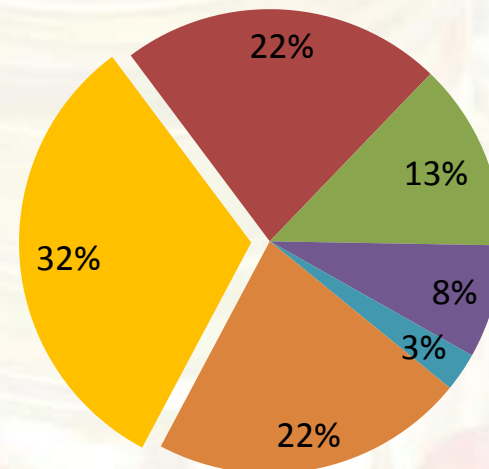
# Palm Oil Performance in Agricultural Land Use

**Agricultural Land by Oilseed Production**



■ Palm    ■ Soybean    ■ Rapeseed  
■ Sunflower    ■ Cotton    ■ Others

**Global Supply of Oils and Fats**



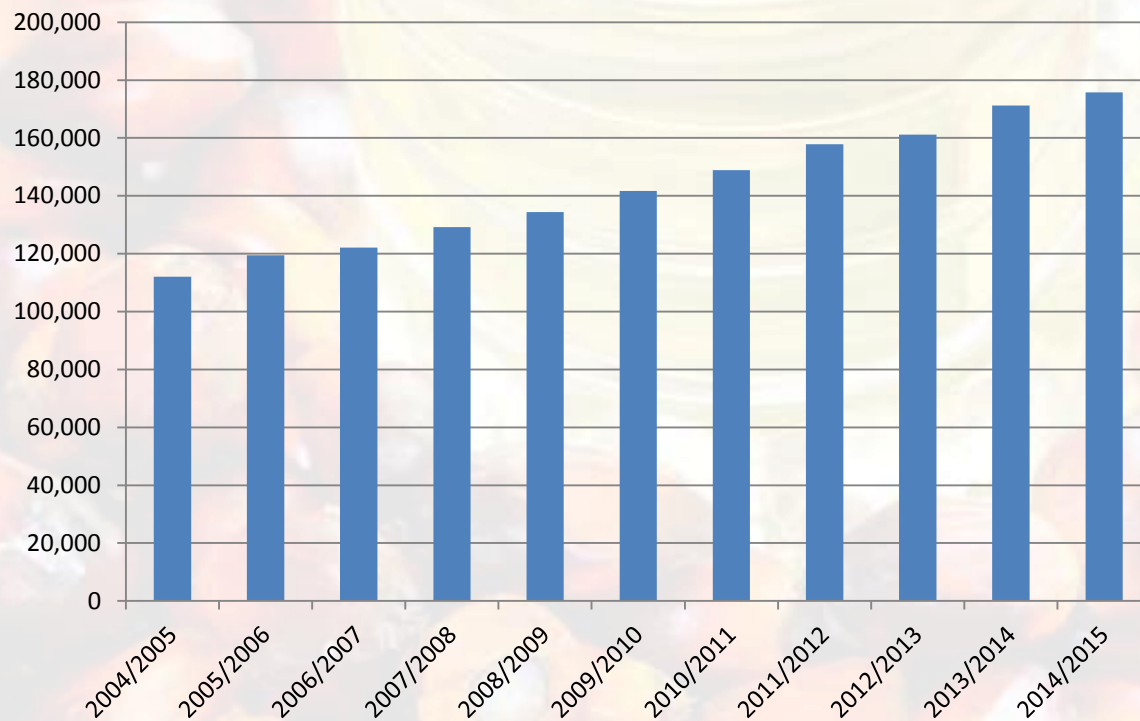
■ Palm    ■ Soybean    ■ Rapeseed  
■ Sunflower    ■ Cotton    ■ Others

Using just 5% of the land under oilseed production, Palm provides 32% of the global supply of oils and fats

# Growth in Production – 9 Oils & Fats

Overall production of oils has been increasing consistently over the last 10 years

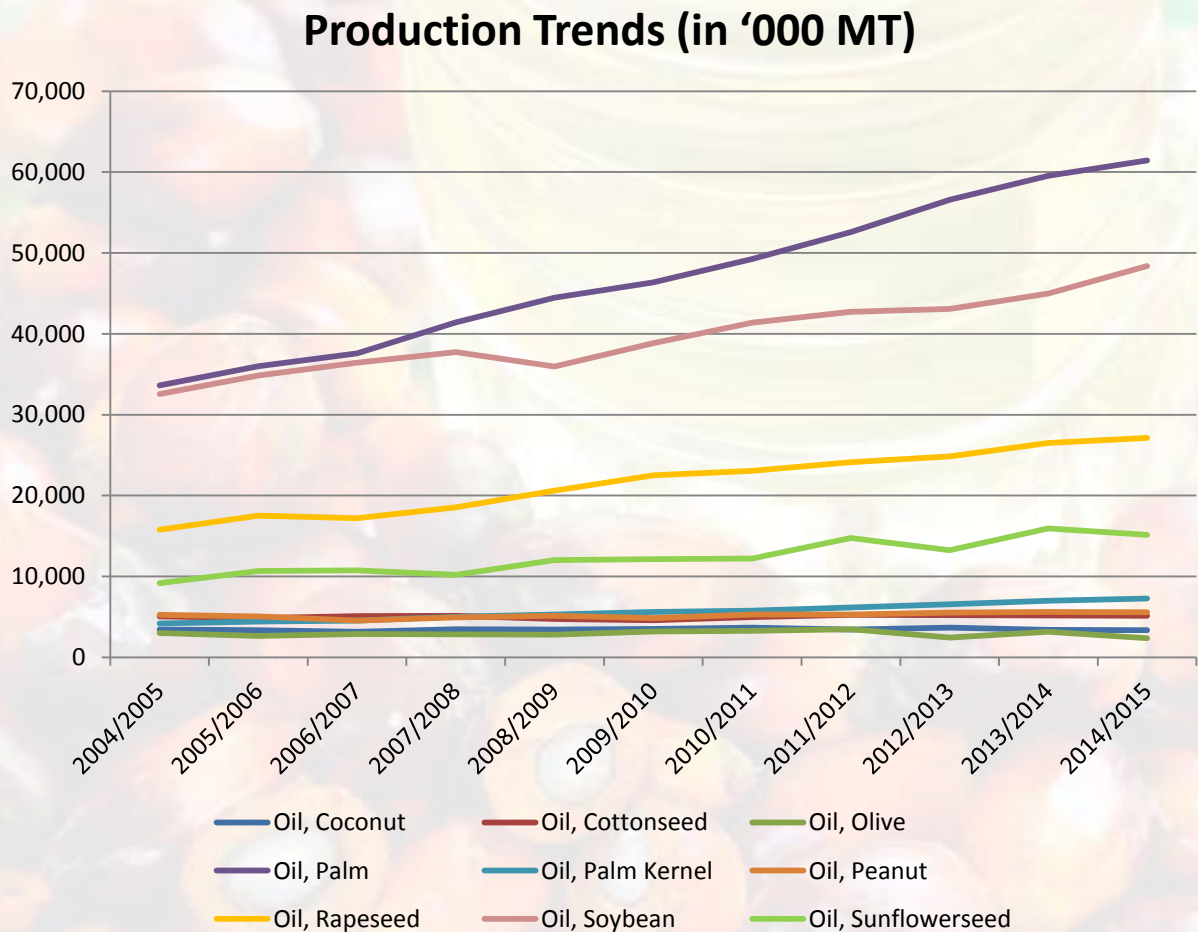
**World Production of 9 Major Oils (in '000 MT)**



9 major oils include Palm Oil, Soybean Oil, Sunflower Oil, Rapeseed Oil, Coconut Oil, Palm Kernel Oil, Cottonseed Oil, Peanut Oil & Olive Oil

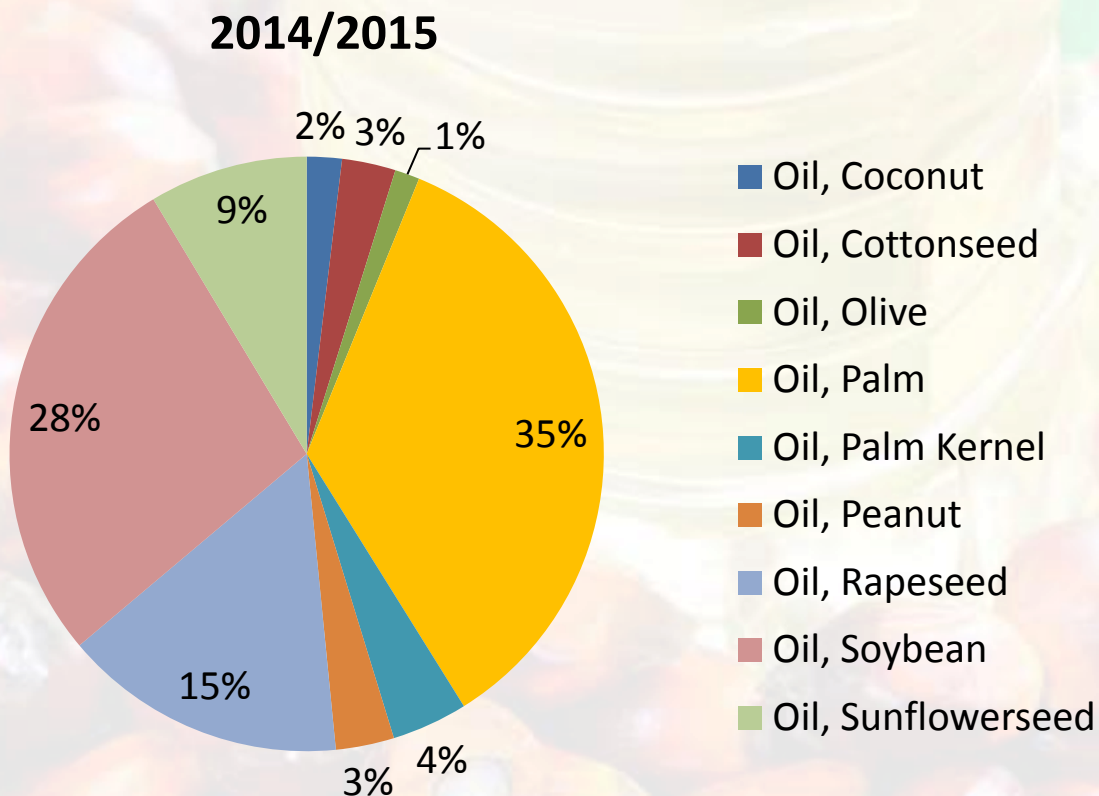
# Comparison of Growth in Production

Palm Oil continues to maintain the highest production among 9 major vegetable oils globally



# Comparison of Growth in Production

Palm Oil provides 35% (or 61million MT) of total vegetable oil production among 9 major oils

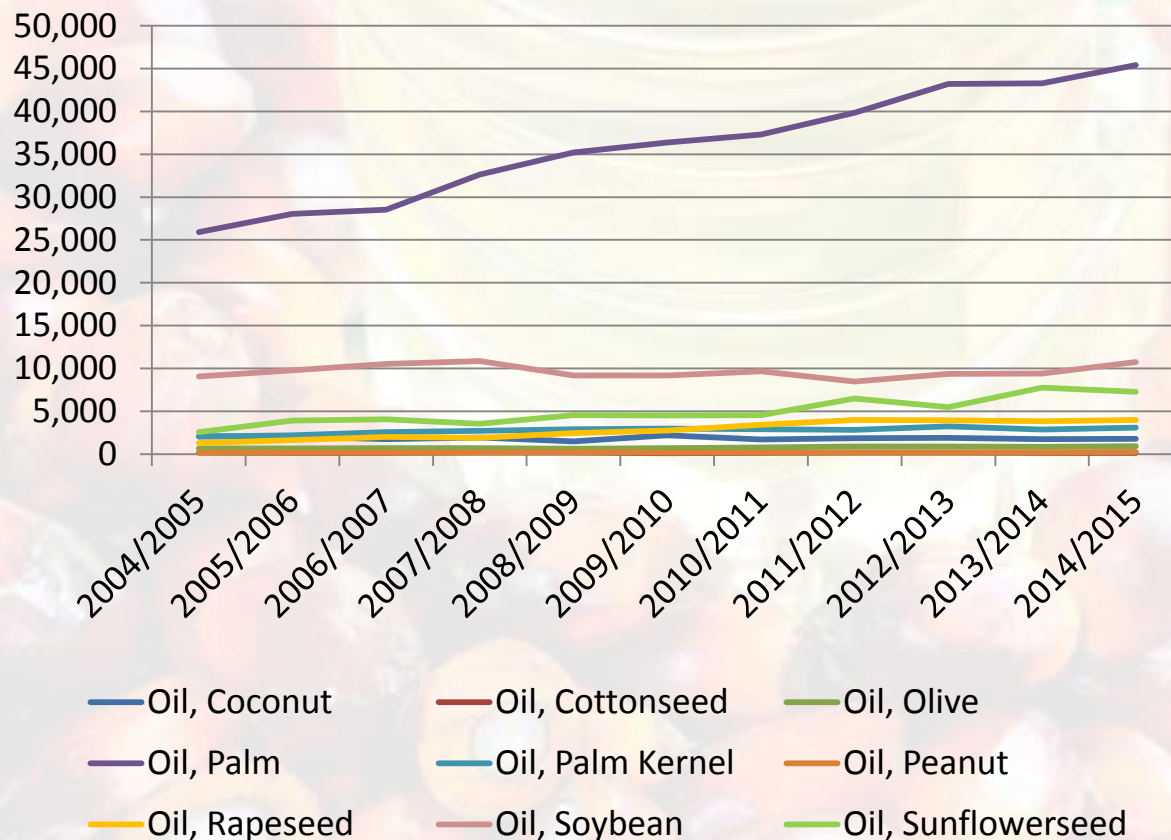


Total production = 175.79 million MT



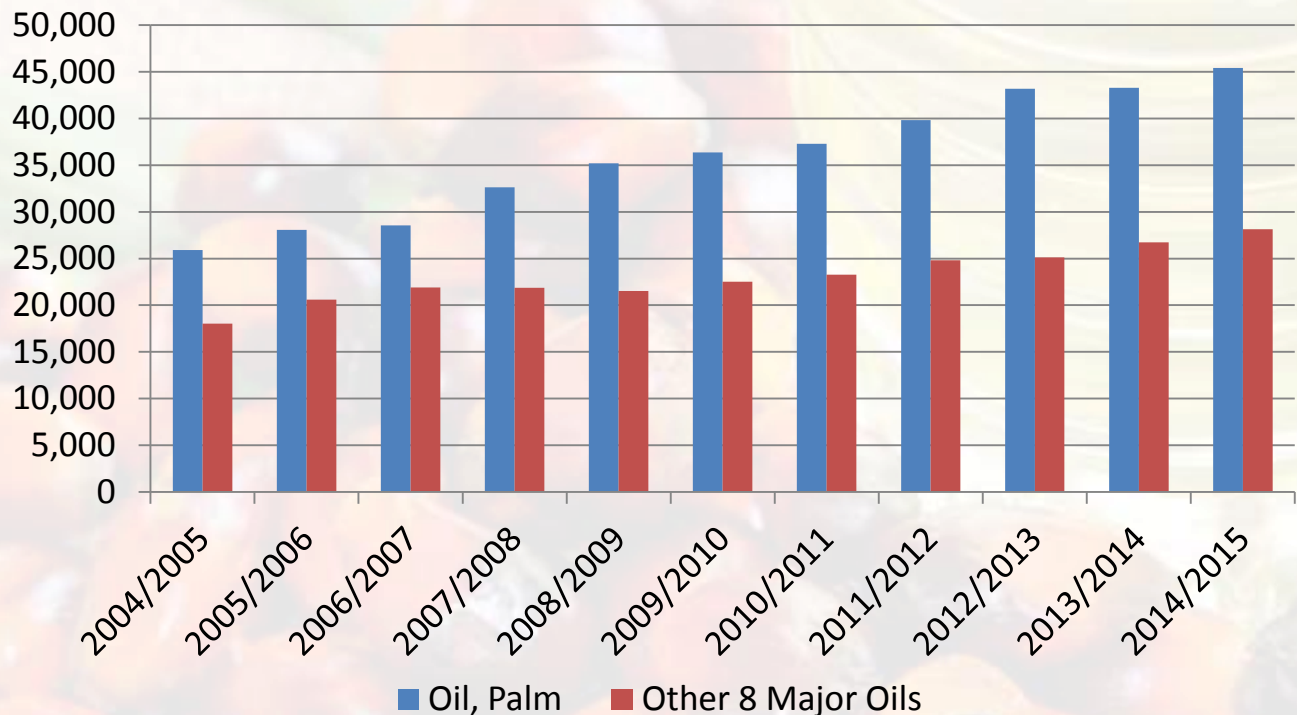
Palm Oil  
consistently  
outperforms  
all other oils  
in world  
exports

World Exports of 9 Major Oils (in '000 MT)



# Growth in Share of Palm Oil in Global Trade - 2014

World exports of Palm Oil vs. 8 other oils (in '000 MT)



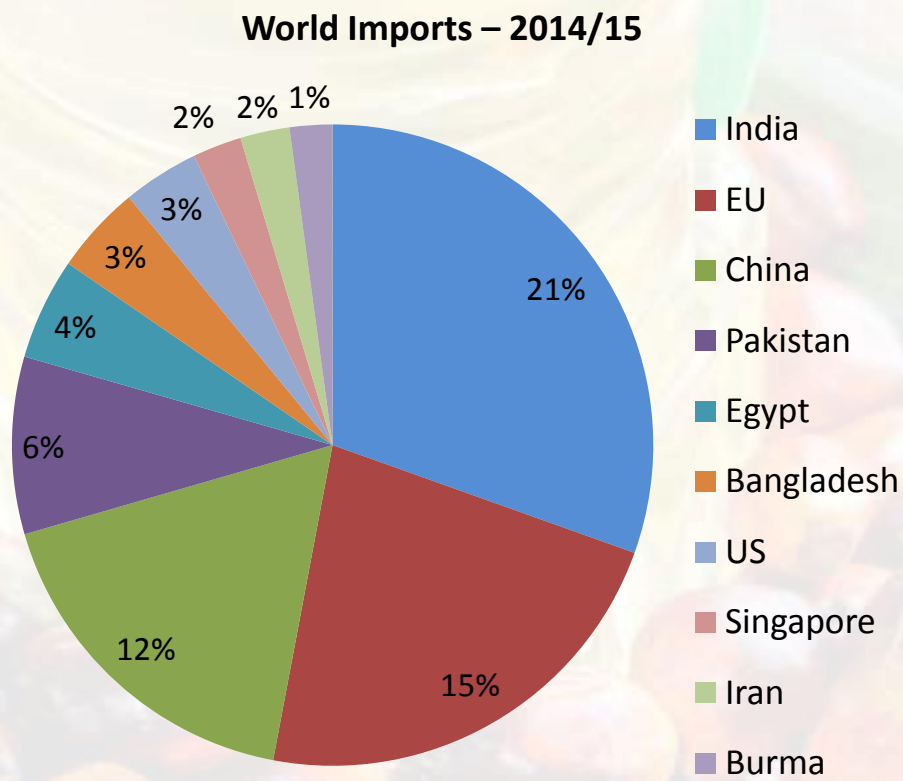
Palm Oil Exports are more than the total exports of other 8 major oils combined

Palm Oil Exports accounted for 62% among the total exports of 9 major oils in 2014

Coconut	Cottonseed	Olive	<b>Palm</b>	Palm Kernel	Peanut	Rapeseed	Soybean	Sunflowerseed
2.42%	0.16%	1.26%	<b>61.75%</b>	4.21%	0.32%	5.41%	14.60%	9.86%

# Demand of Palm Oil – Imports and Consumption

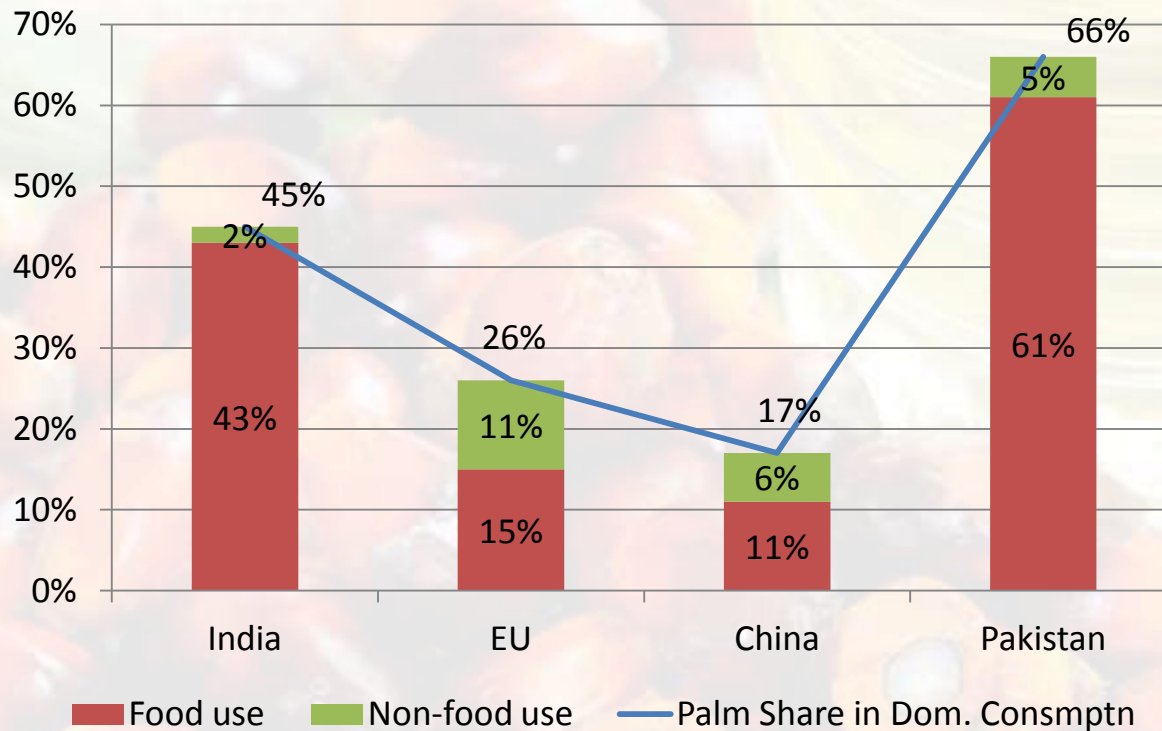
Country	%age of World Imports	Palm oil share in Dom. Consumption
India	21%	45%
EU	15%	26%
China	12%	17%
Pakistan	6%	66%
Others	45%	NA
Total	100%	NA



The top 4 consumers of palm oil (excl. Malaysia & Indonesia) account for **55%** of palm oil imports in the world

# Demand of Palm Oil – Domestic Consumption

Palm Share in Domestic Consumption of Vegetable Oils

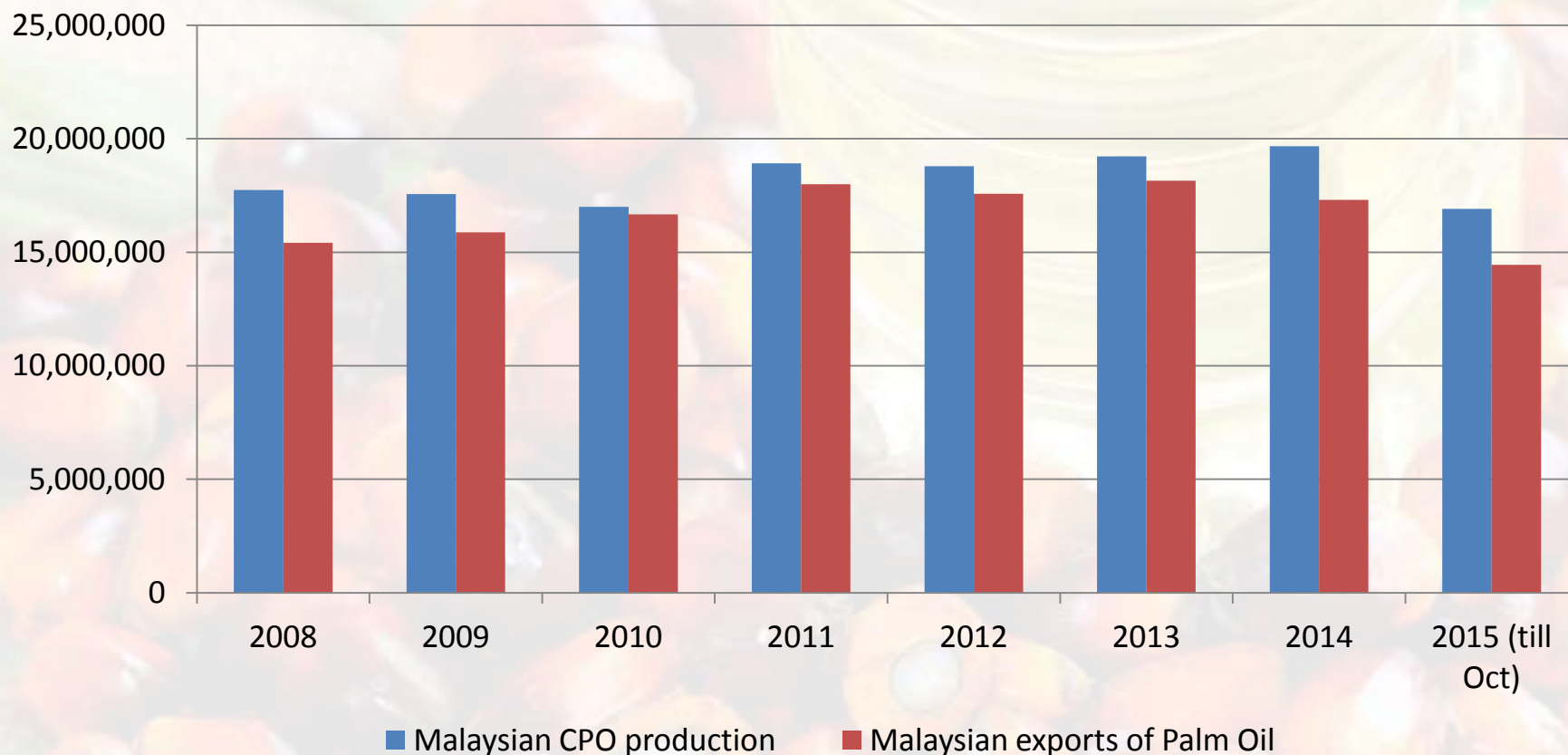


Palm oil is used for both, food and non-food applications by major consumers of the world



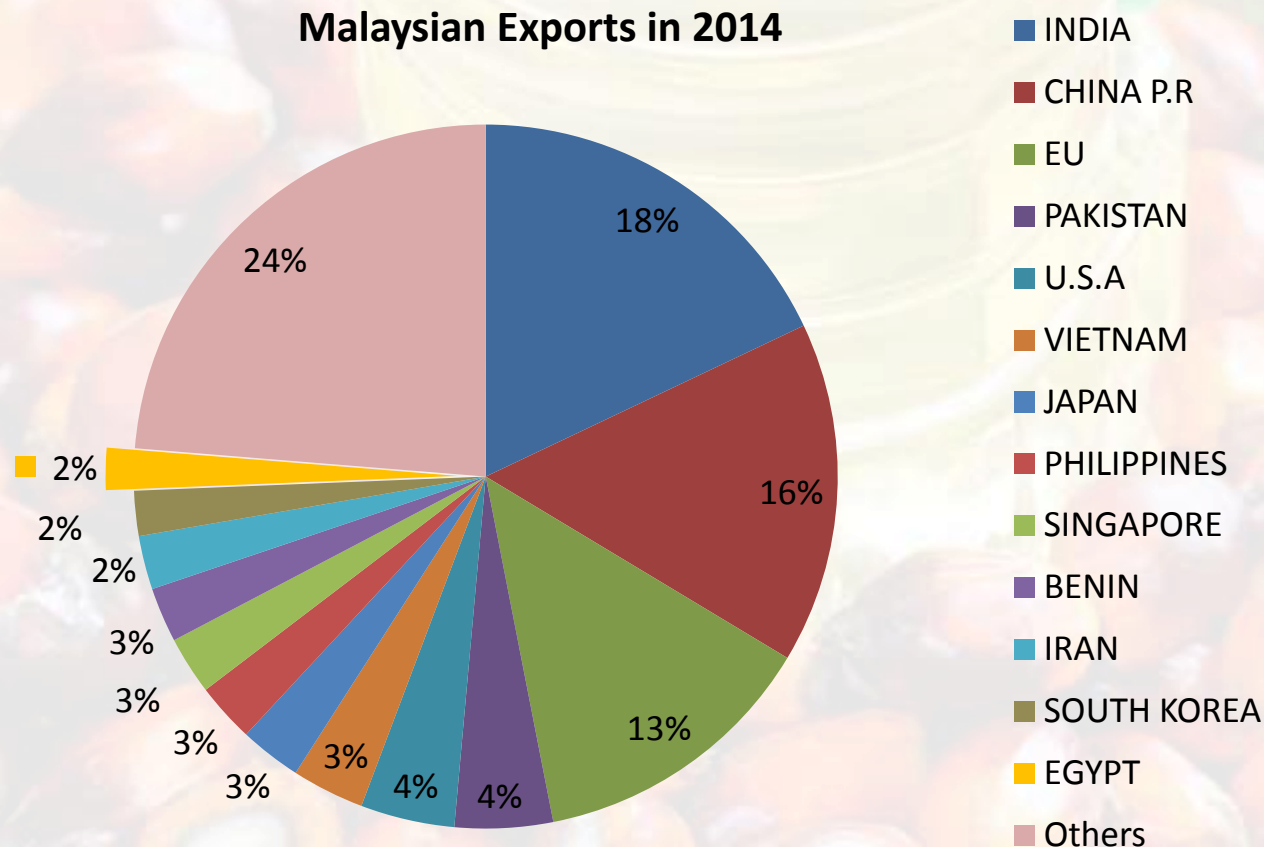
# Malaysian Palm Oil: Production and Exports

Malaysian Palm Oil: Production and Exports



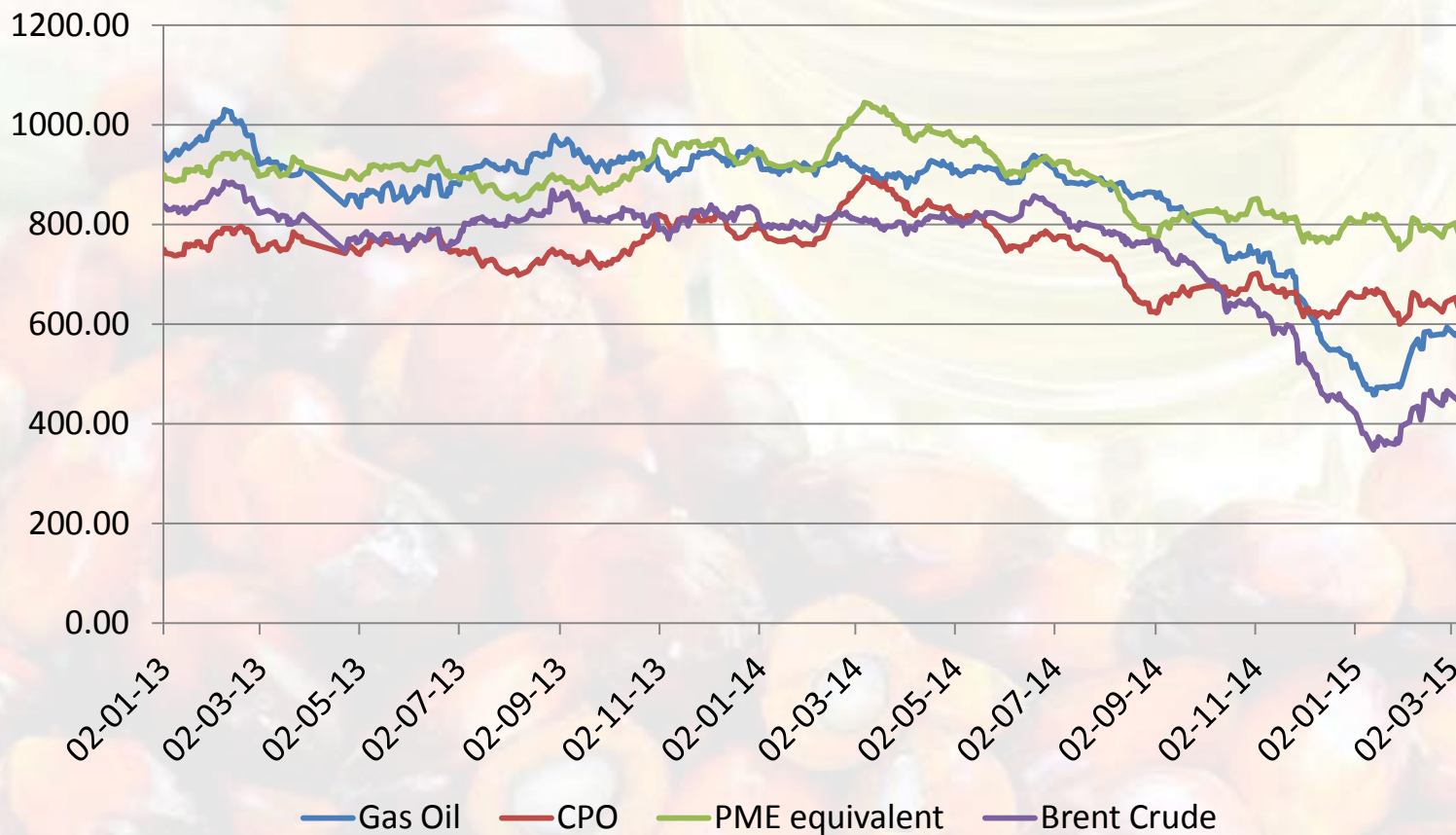
# Malaysian Exports by Destination (2014)

Egypt accounted for 2% of the world imports of Malaysian palm oil in 2014



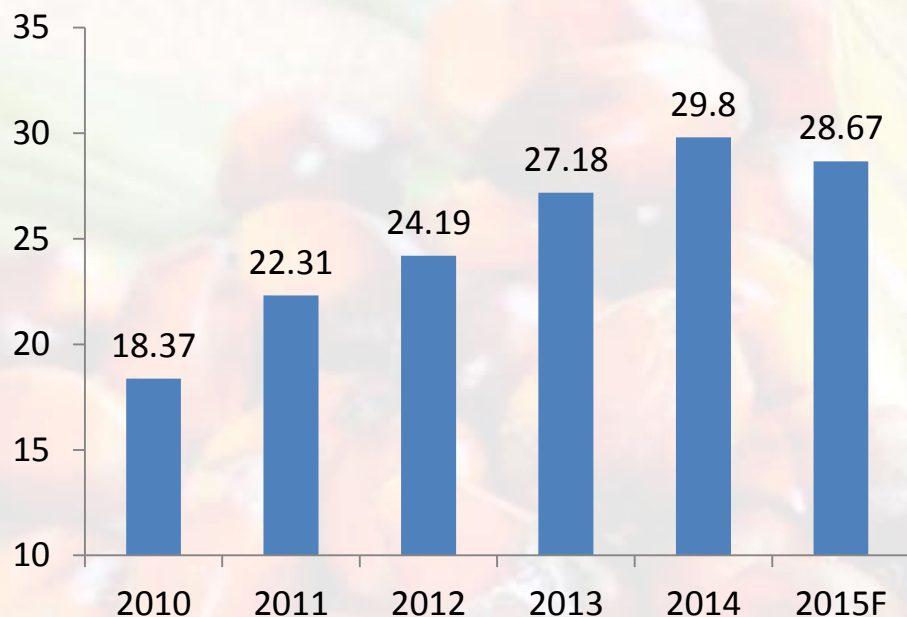
# Palm vs. Brent Crude

**CPO vs. CPO with conversion cost to derive as PME vs. Brent Crude**

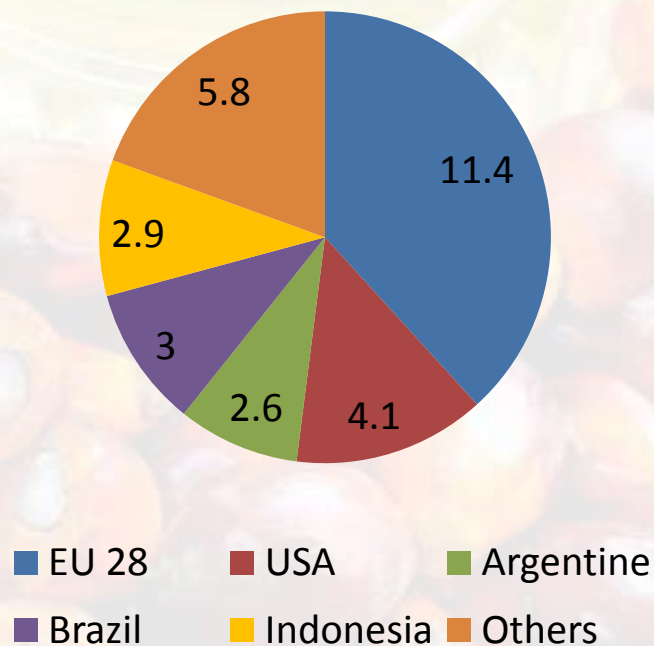


# Biodiesel World Production

World Bio-Diesel production in MMT (Jan-Dec)

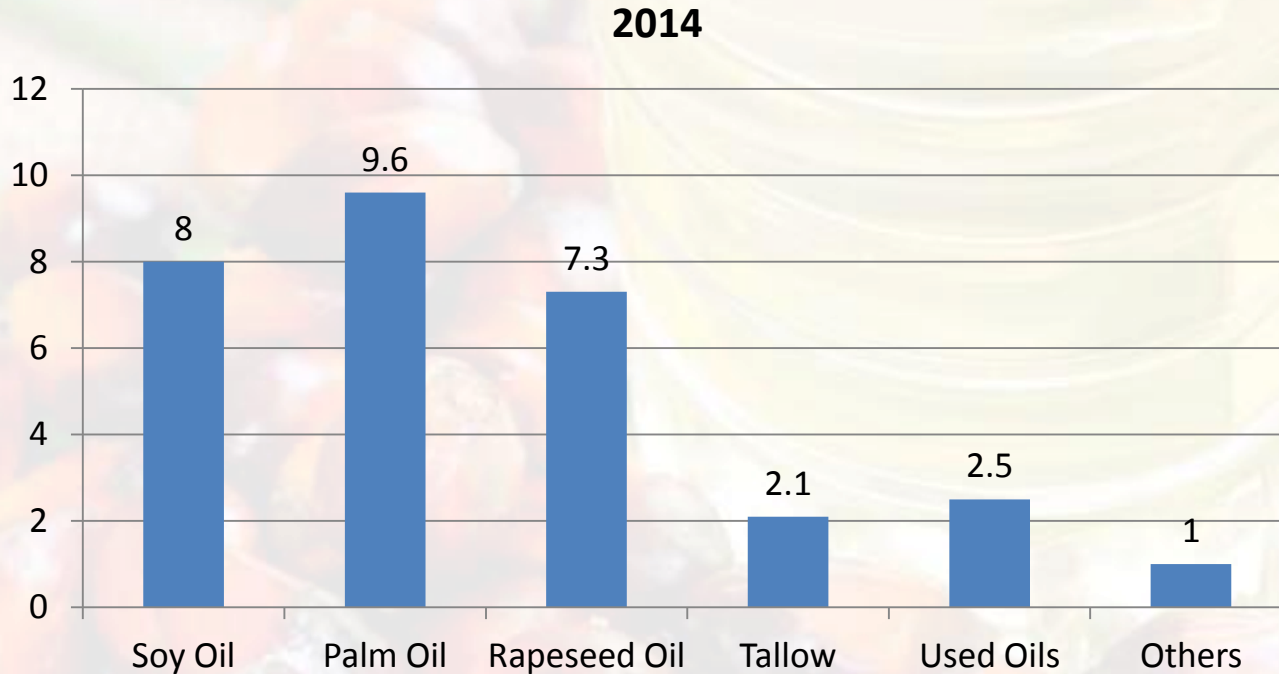


Country-wise production in 2014 (in MMT)





# Edible Oil Uses in Biodiesel

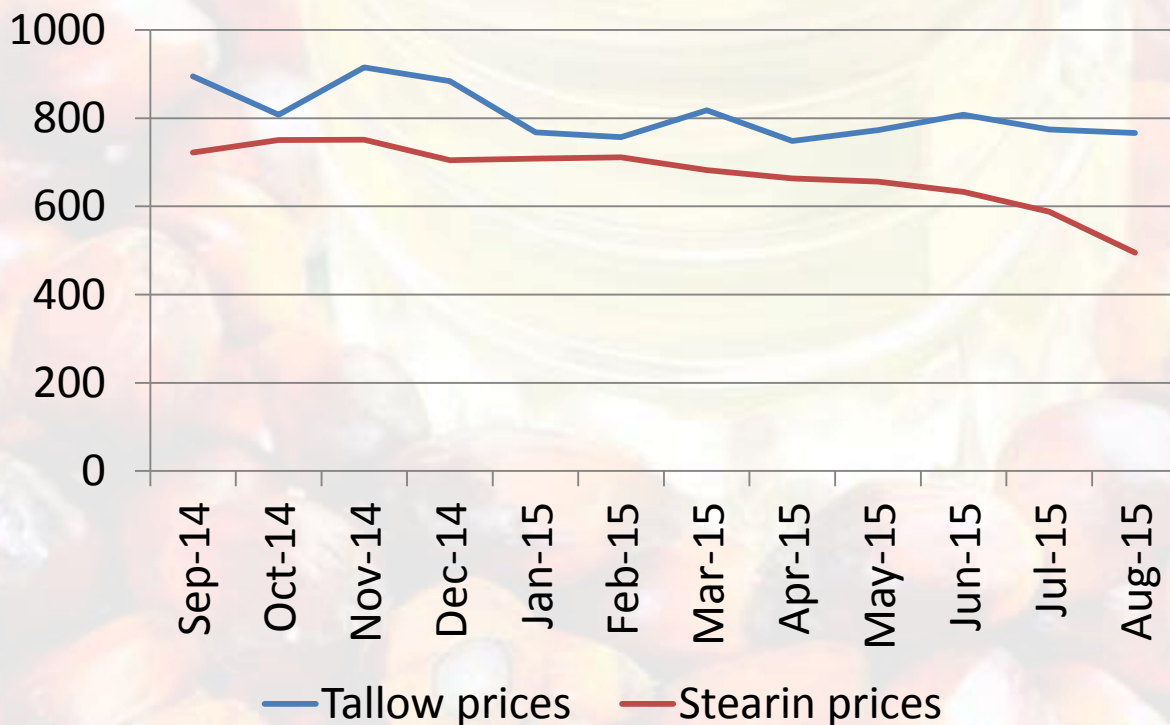


Today, 80-90% palm oil use in biodiesel is mandated

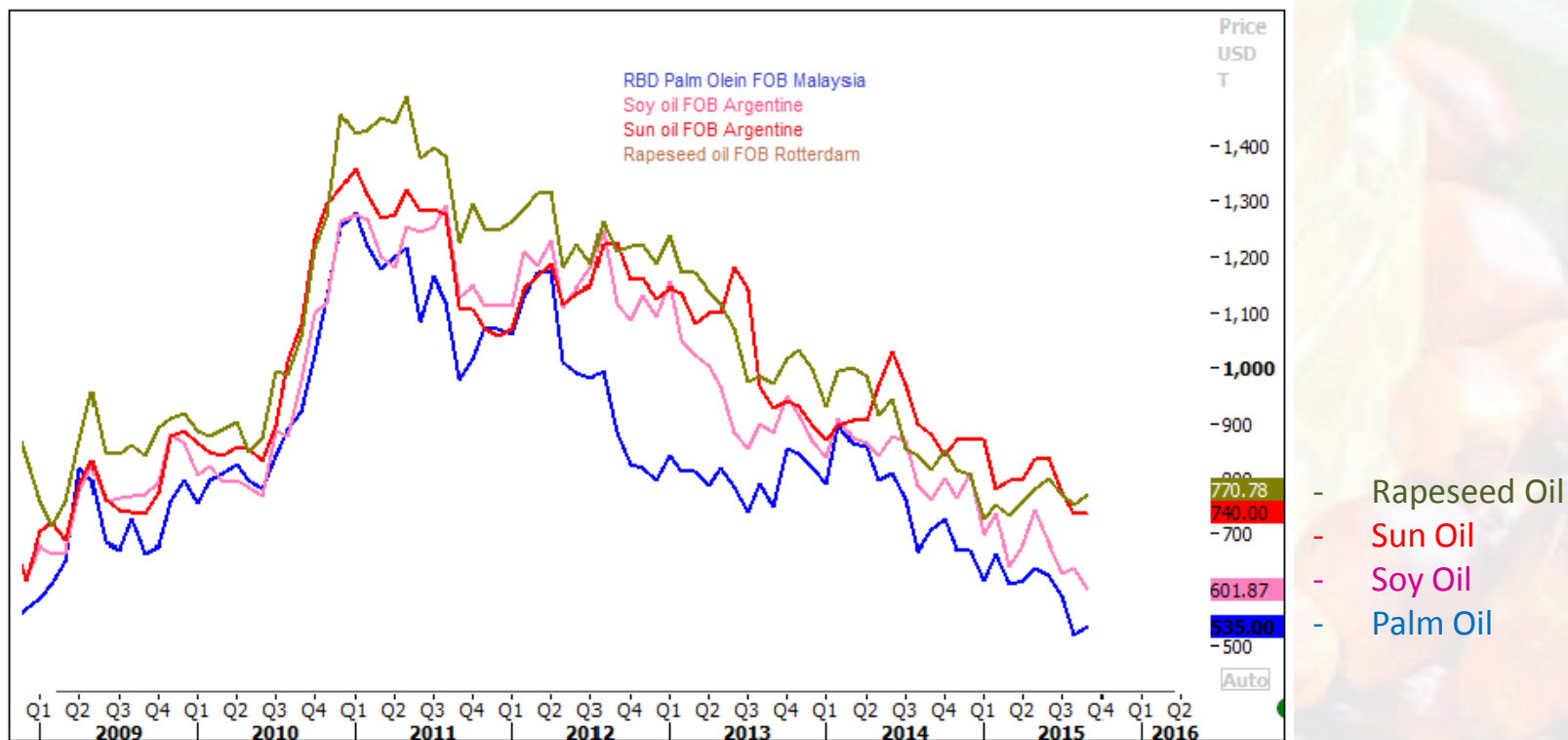
# Tallow Prices vs. Palm Stearin Prices

Palm Stearin has consistently been cheaper than tallow, thus making palm products more competitive

**Tallow prices vs. Palm Stearin (\$/MT)**

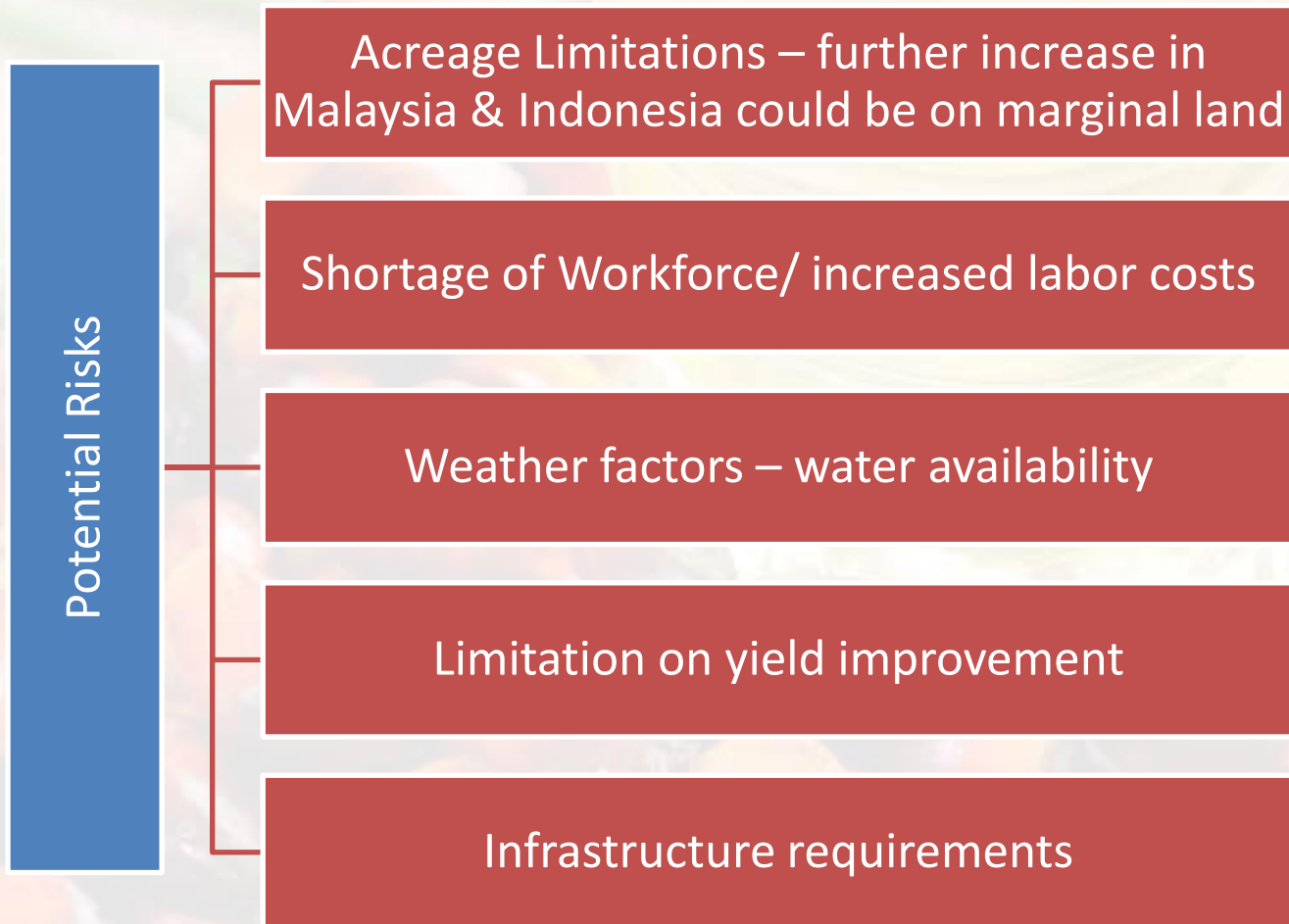


# Price Trend of 4 Major Oils



Palm Oil continues to be the cheapest among 4 major oils over the last 5 years

# Potential Risks to Competitiveness of Palm Oil





# SWOT Analysis - Palm

## Strengths

- Low land use
- High yields
- Largest supply in the world
- Wide applicability

## Weaknesses

- Substitutable
- Replanting in Malaysia is less than what is required
- Pressure from anti-palm NGOs
- Too much reliance on exports

## Opportunities

- Acreage growth likely in African continent
- Use in biodiesel
- Use in trans-fat free products

## Threats

- Labor shortage/ labor costs
- Water availability
- Logistics
- Global economic & political factors
- El-Nino/ weather

# To Summarize

Palm Oil accounts for 35% of world production of vegetable oils, 62% of exports of vegetable oils; while utilizing only 5% of the land under oilseeds production

Palm Oil prices have consistently remained lower than the prices of other major vegetable oils

Palm oil exports are the largest among vegetable oils in the world

The biggest consumer-countries are dependent upon imports for their domestic consumption of palm oil

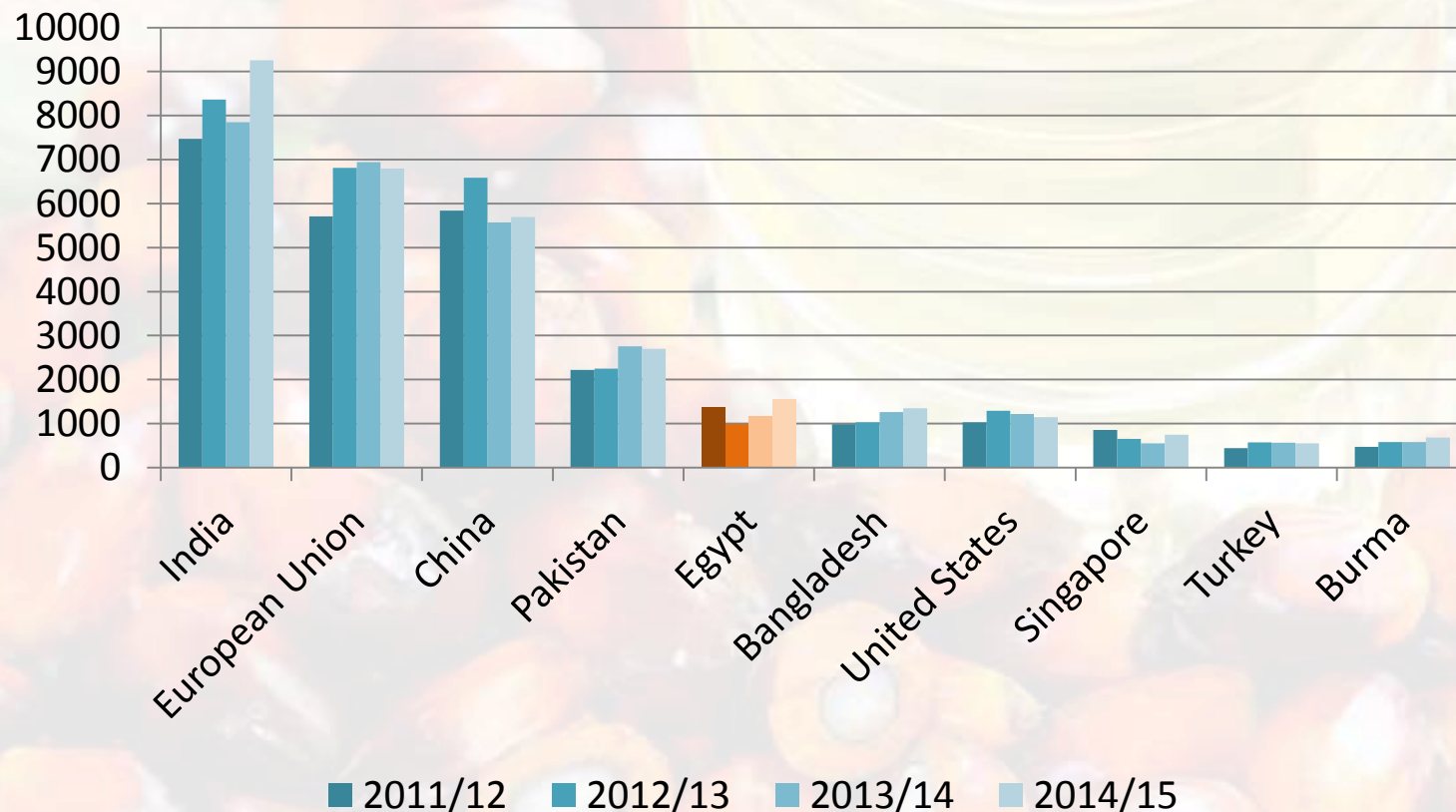
In conclusion, palm oil's competitiveness among vegetable oils remains unchallenged



**Palm Oil in Egypt:  
Current Scenario & Opportunities  
for Malaysian Palm Oil**

# Major Importers of Palm Oil in the World

Major Importers of Palm Oil (1000 MT)



Egypt is the 5<sup>th</sup> largest importer of palm oil in the world



# Egypt: Oilseed Production

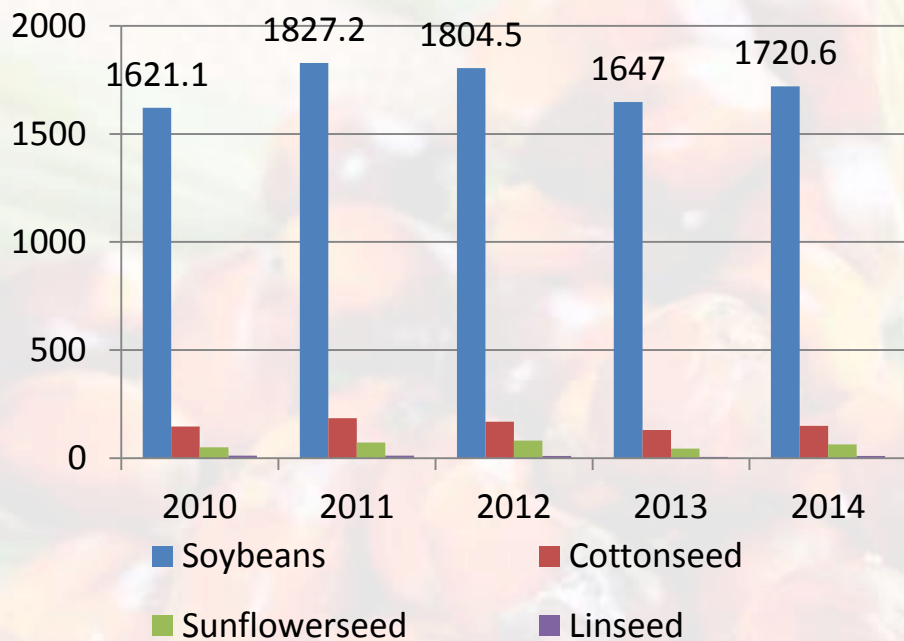
## Egypt: Oilseed Production (1000 MT)

Crop Production	2010	2011	2012	2013	2014
Soybeans	43	30	26	23	25
Cottonseed	187	219	155	140	200
Groundnuts	103	103	100	102	102
Sunflowerseed	39	19	20	22	25
Sesameseed	46	44	33	40	44
Linseed	5	5	5	7	10
<b>Total</b>	<b>424</b>	<b>419</b>	<b>339</b>	<b>334</b>	<b>406</b>

Egypt only produces a small qty. of oil crops; most of its requirements are fulfilled by imports of oilseeds and oils

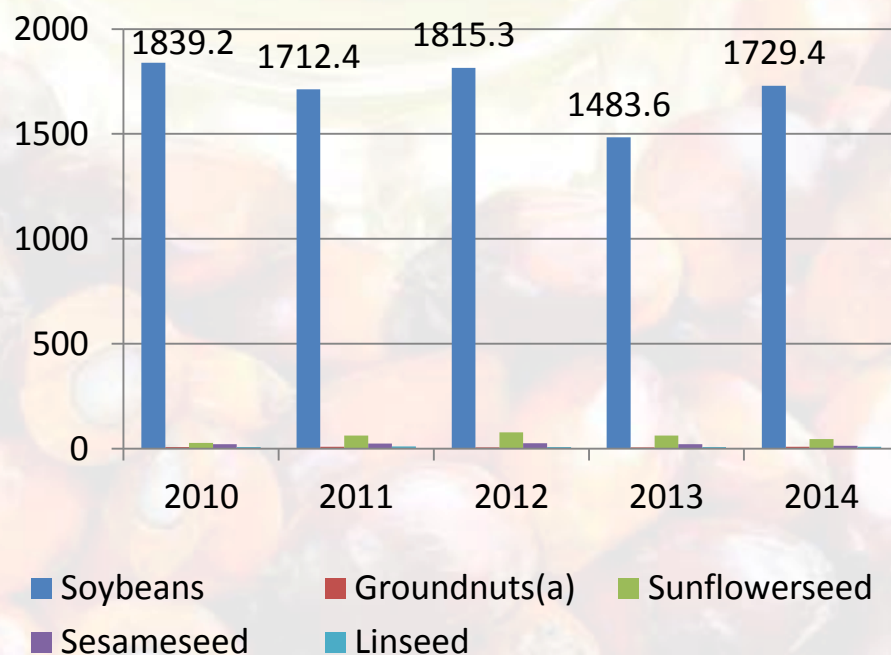
# Egypt: Oilseeds Trade

**Egypt: Crushing of Oilseeds (1000 MT)**



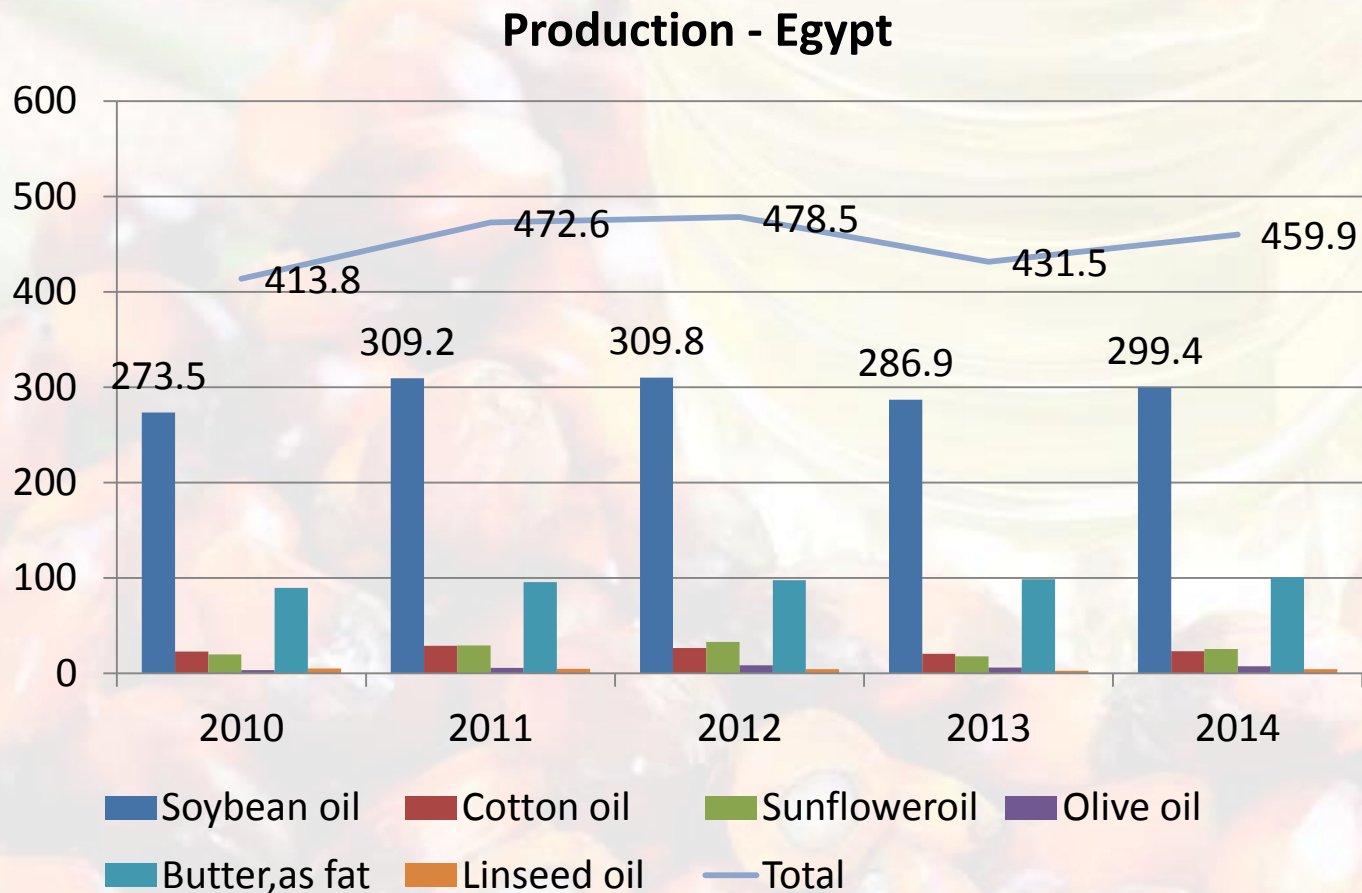
Soybeans form the biggest crushed oilseed in Egypt

**Egypt: Imports of Oilseeds (1000 MT)**



Most of this soybean is imported

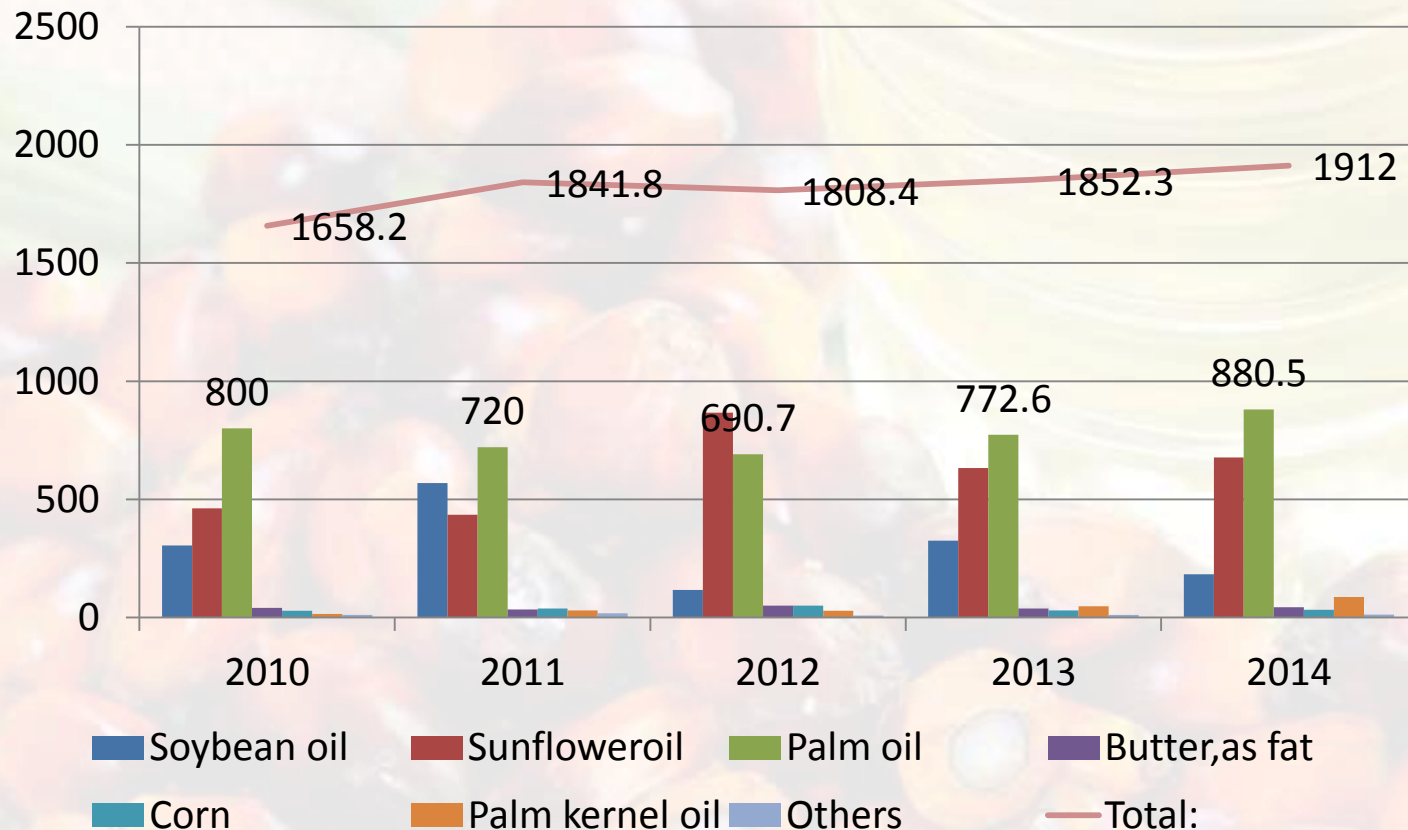
# Production of Edible Oils in Egypt



Soybean oil forms about **65%** of the total edible oil production in Egypt

# Imports of Edible Oils in Egypt

Imports of Edible oils - Egypt



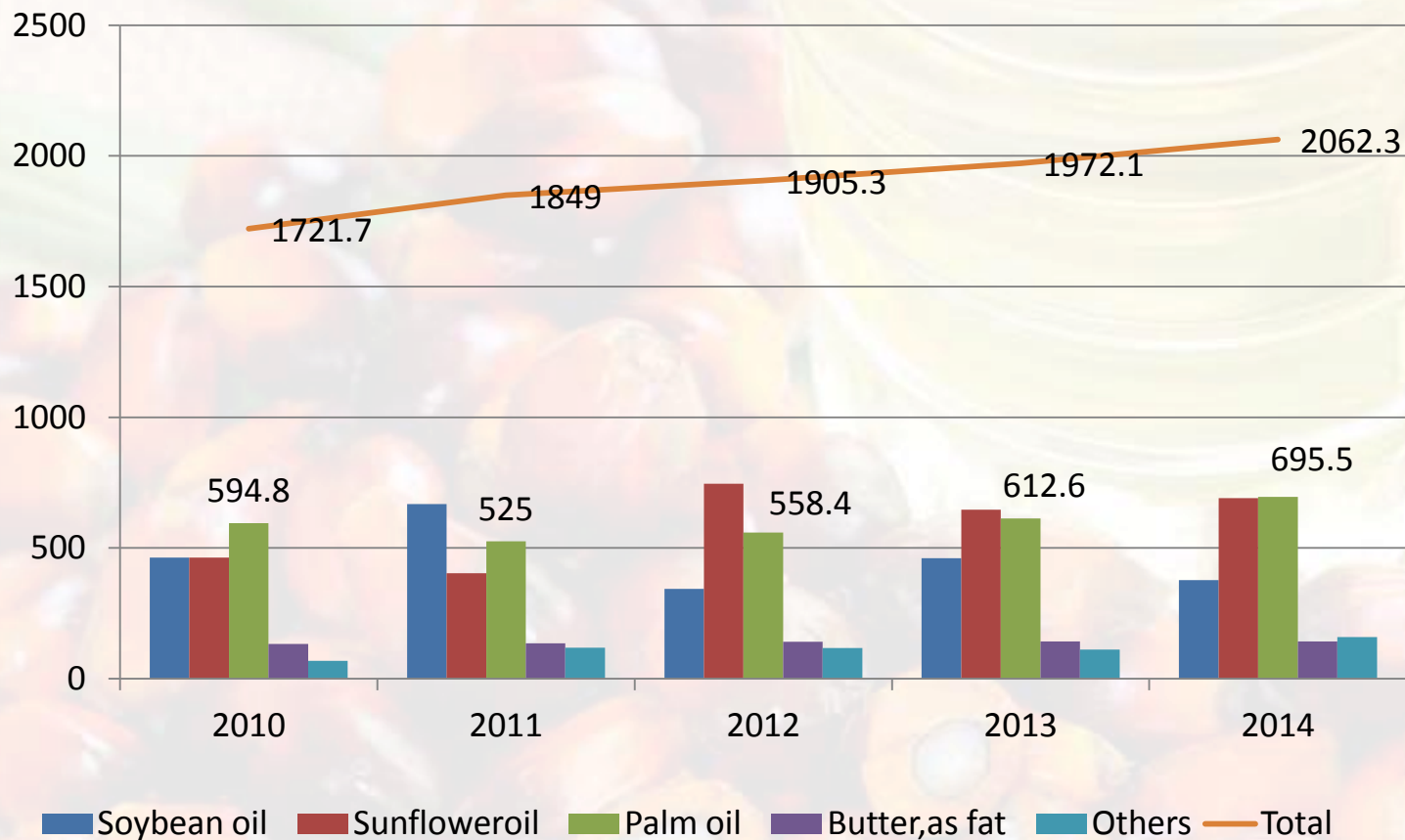
Palm oil imports are increasing; sunflower oil and; soybean oil imports have been irregular over the last few years

Others include: cotton oil, rapeseed oil, olive oil, coconut oil, lard, linseed oil, castor oil and tallow & grease



# Domestic Usage of Edible Oils in Egypt

Domestic Usage of Edible Oils in Egypt

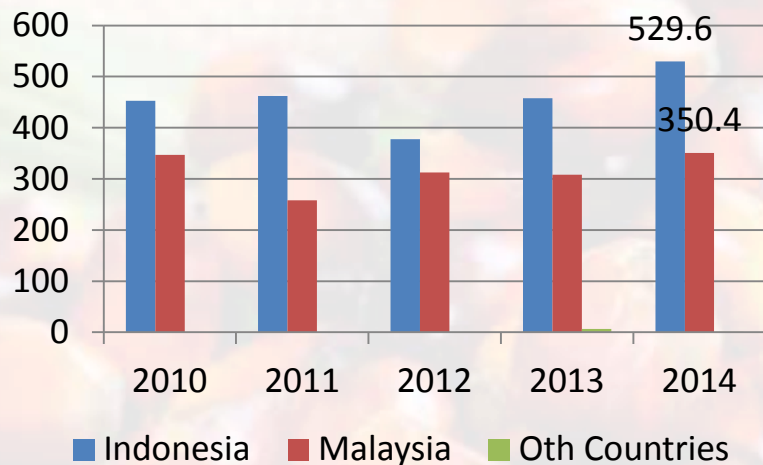


The overall trend in edible oils consumption in Egypt is increasing, along with the **increase in palm oil consumption**

Consumption of soy oil and sun oil is irregular

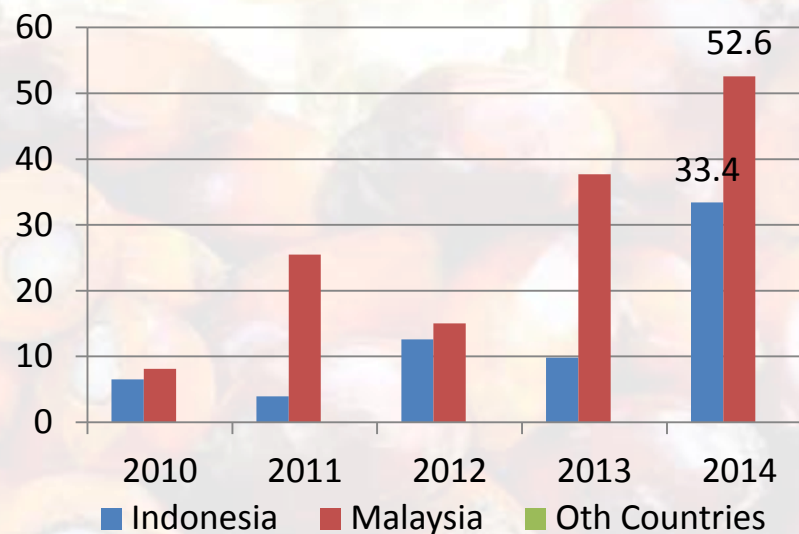
# Egypt: Imports of Palm Oil & Palm Kernel Oil

**Egypt Imports of Palm Oil  
(1000 MT)**



Egypt imports most of its palm oil from Indonesia; and most of its palm kernel oil from Malaysia

**Egypt Imports of Palm Kernel Oil  
(1000 MT)**



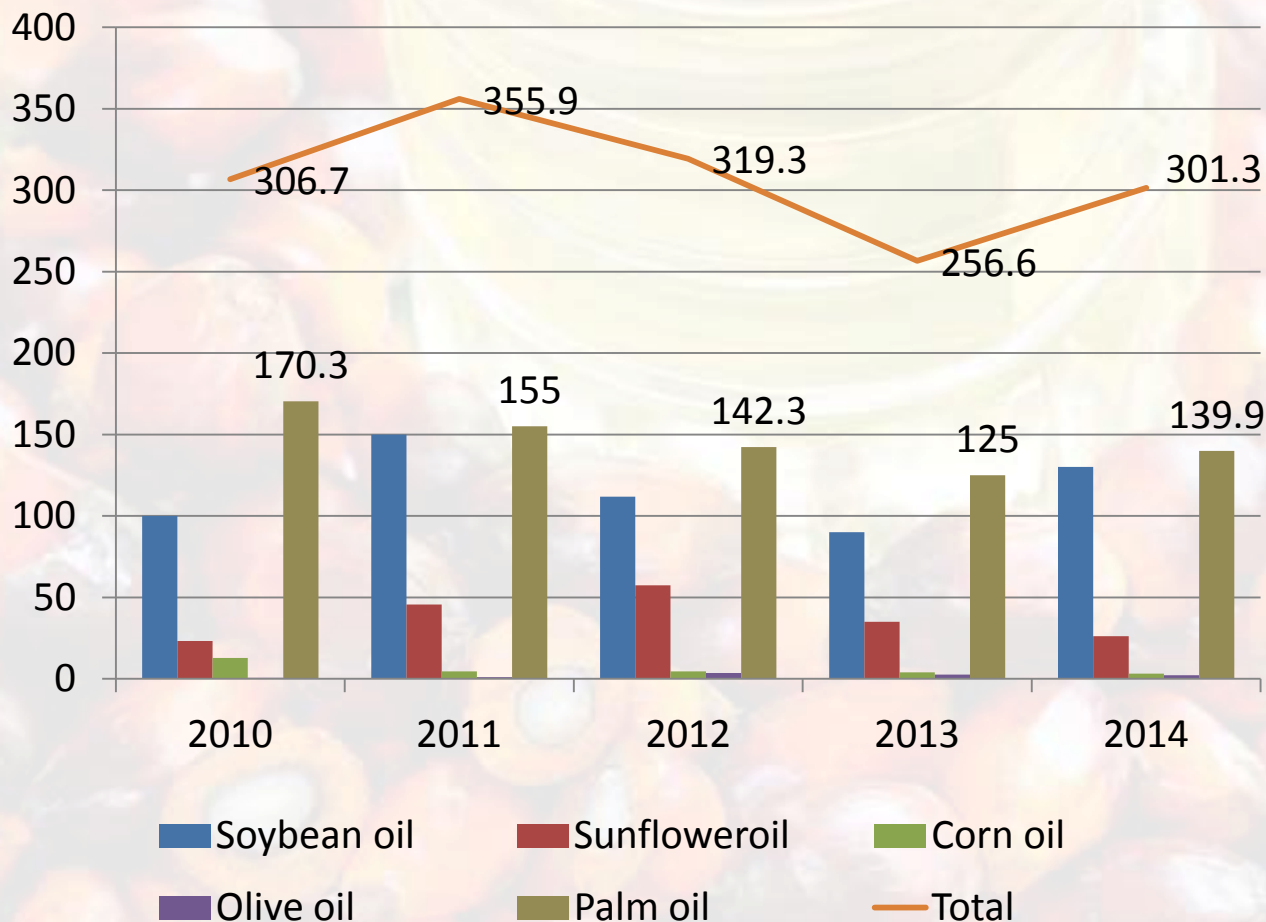
The import of palm kernel oil from Malaysia has increased sharply from 2012-2014

# Egypt: Exports of Vegetable Oils

Egypt is also a regional hub for re-export of vegetable oils; primarily palm oil and soybean oil

The trend of palm oil exports and soy oil exports is similar

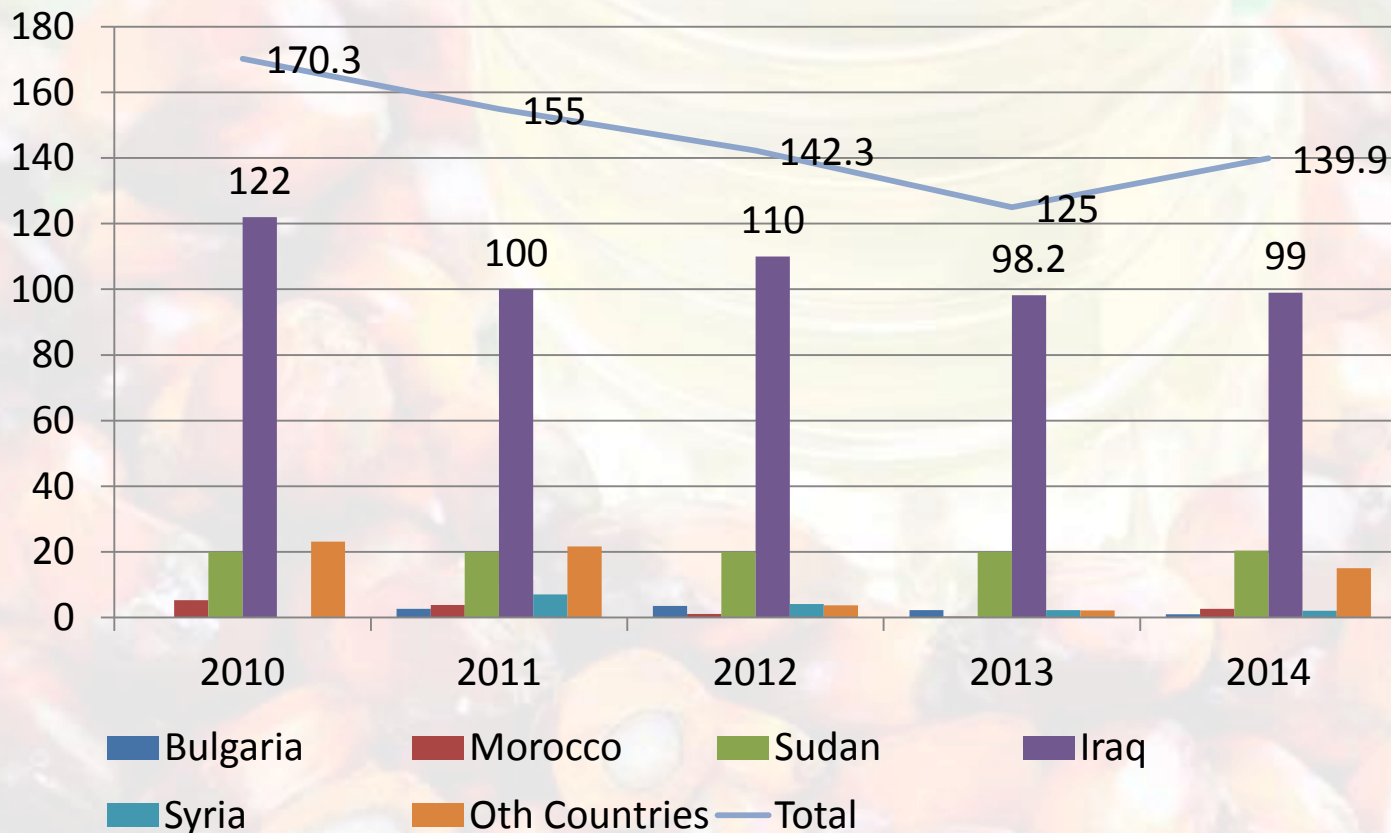
**Egypt: Exports of Vegetable Oils**



# Egypt: Exports of Palm Oil (by Destination)

Egypt's exports of palm oil were falling till 2013, but have picked up from 2014 onwards

**Egypt Export of Palm Oil (1000 MT)**

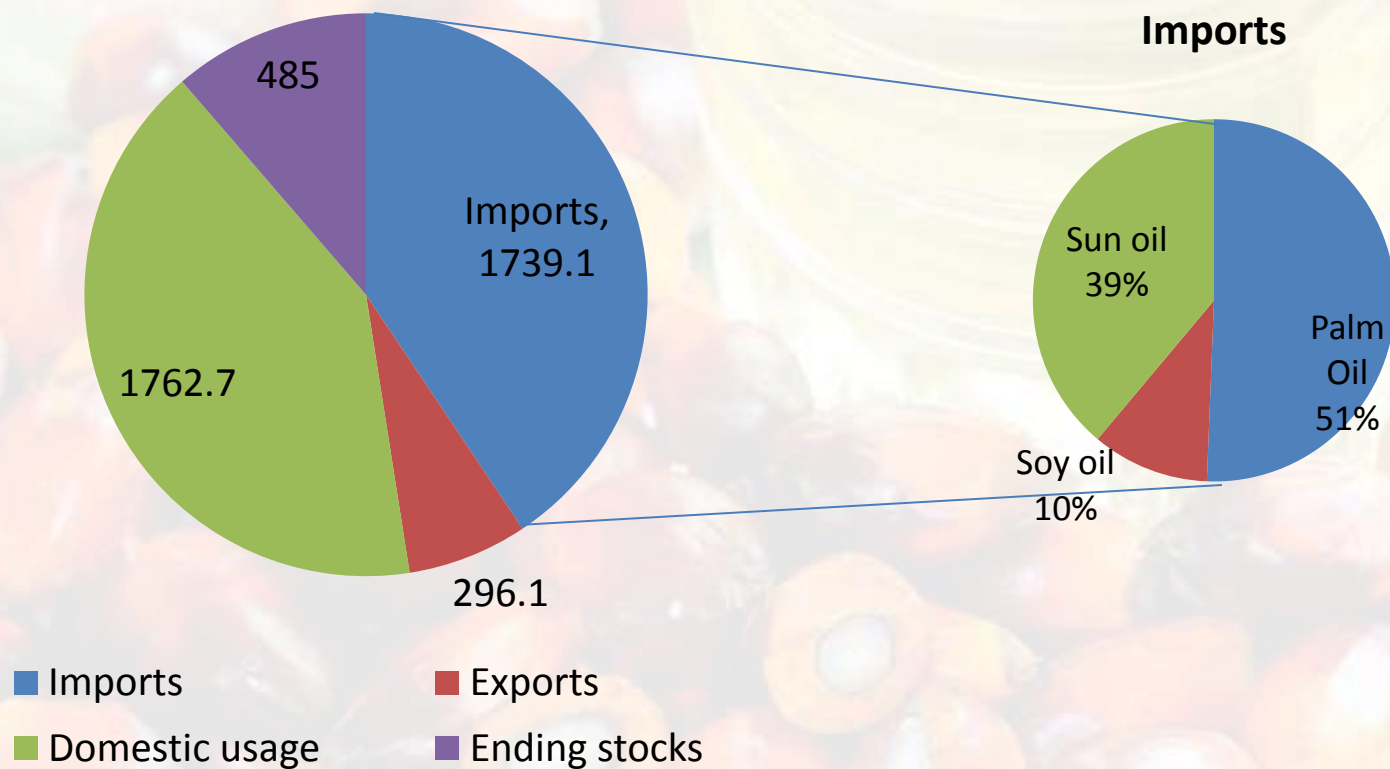


**Iraq** is the major market for Egypt exported palm oil, contributing for about **70-80%** of the total exports



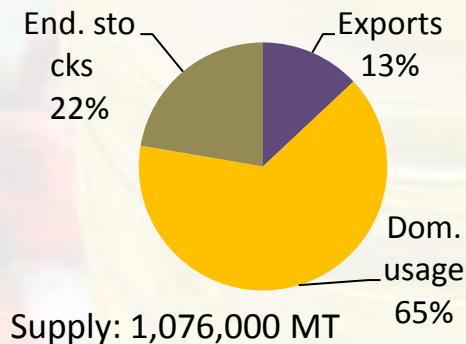
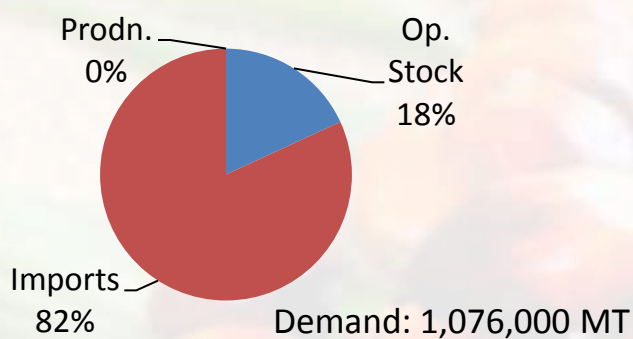
# Egypt 3-Edible Oils' Balance Sheet

## Egypt: Soy oil, Palm oil, Sun oil



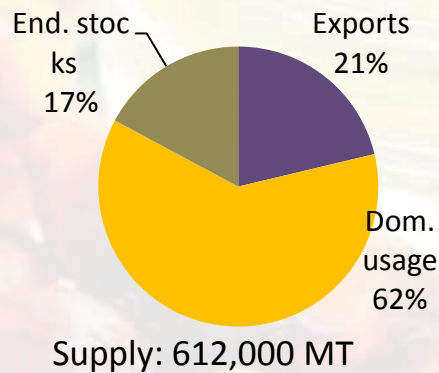
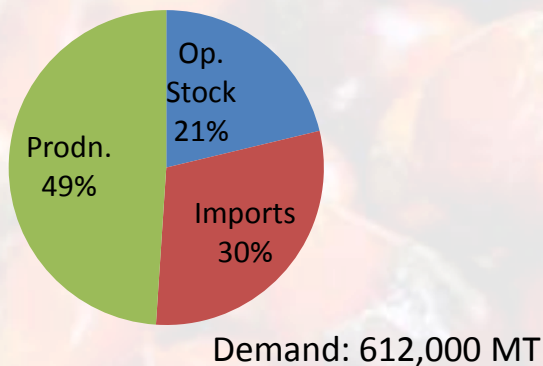
# Egypt: 3 Main Oils Balance Sheet - 2014

## Palm Oil



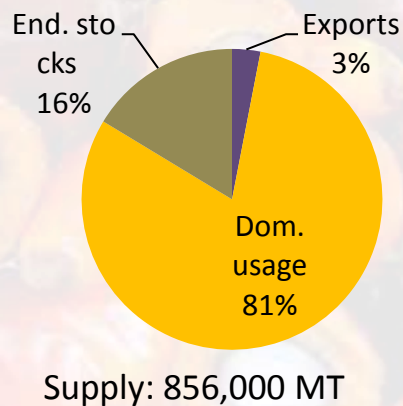
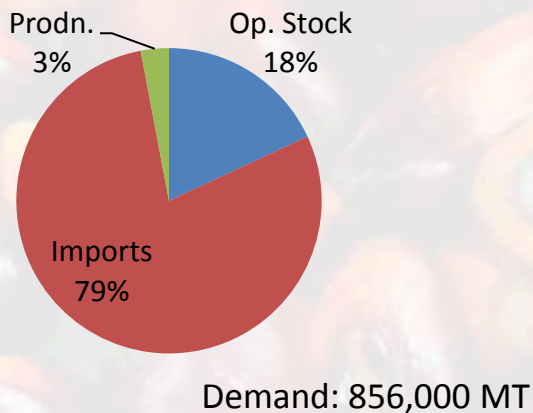
Palm Oil ('000 MT)	2014
Op. Stock	195
Imports	880.5
Prod.	0
Exports	139.9
Dom. usage	695.5
End. stocks	240

## Soy Oil



Soy Oil ('000 MT)	2014
Op. Stock	130
Imports	182.2
Prod.	299.4
Exports	130.1
Dom. usage	376.5
End. stocks	105

## Sun Oil



Sun oil ('000 MT)	2014
Op. Stock	155
Imports	676.4
Prod.	25.5
Exports	26.1
Dom. usage	690.7
End. stocks	140

# In a Nutshell...

- Egypt's oilseed production constitutes mostly of cottonseed and groundnuts
- In order to cater to its domestic demand, Egypt imports palm oil (46%), sun oil (35%) and soy oil (10%) along with soybeans for crushing (96% of oilseeds imported)
- Palm oil consumption in Egypt has been steadily increasing; while that of sunflower oil and soybean oil has been irregular over the years
- Egypt imports most of its Palm Oil from Indonesia; and Palm Kernel Oil from Malaysia
- Egypt also acts as a regional hub for re-export of vegetable oils; with Palm Oil and Soy oil forming the major part of such exports

# Opportunities for Malaysian Palm Oil

- Based on the competitiveness of palm oil, it has not realized its full potential in Egypt. It accounts for only 46% of imports in Egypt, while it accounts for 65-70% of imports in the top 5 palm oil importers
- Malaysia is next to Indonesia in supplies of palm oil to Egypt and there exist opportunities to increase the market share
- Malaysia can become a source for more value added palm products to Egypt
  - High IV oleins to compete against soft oils
  - Specialized palm fats for the bakery and confectionery industry
  - High end speciality products from PKO/PO
- Need to identify mutually beneficial products for barter trade in view of Forex issues
- Need to identify possible banking arrangements between Malaysian & Egyptian banks to offer credit arrangements that can increase trade
- Malaysia is able to provide Sustainable Palm Oil with consistent quality and strong infrastructural support which enhances its competitiveness



A glass bottle of palm oil is the central focus, surrounded by a large quantity of palm oil fruits (bunches) on a wooden surface. The background is a soft-focus green, likely representing palm fronds.

# Thank You!



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