

Malaysian Palm Oil - Competing for Pakistan

By

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Pakistan in Brief

Population	187 million; growth rate: 1.57% (2011 est.)
Area	803,940 sq. km
Agricultural Products	Cotton, Wheat, Rice, Sugarcane, Fruits, Vegetables; Milk, Beef, Mutton, Eggs
Industries	Textiles And Apparel, Food Processing, Pharmaceuticals, Construction Materials, Paper Products, Fertilizer, Shrimp
Per capita edible oil consumption	16 kgs.
Imports of Oils & Fats	1.9 – 2.0 Million Tons.
Total Import Bill of Edible Oil	US\$ 2.0 Billion.

Total Disappearance of Oils & Fats

Sources	2007	2008	2009	2010	2011
Oil from local oilseed crops	857,000	833,000	640,000	662,000	696,000
Imported oils & fats	1,845,348	1,631,094	1,924,697	2,058,252	2,125,427
Oil from imported oilseeds	352,948	180,000	390,433	453,301	453,301
Butterfat	80,000	80,000	80,000	80,000	80,000
Total	3,133,296	2,724,094	3,173,130	3,253,553	3,354,728

Source: Pakistan Economic Survey, Seatrade Private Limited

Local Production of Oilseeds

Oilseeds	2006-07	2007-08	2008-09	2009-10	2010-11
Cottonseed	478,000	428,000	362,000	389,000	352,000
Rapeseed	63,000	58,000	62,000	51,000	50,000
Sunflower	251,000	264,000	227,000	195,000	244,000
Canola	65,000	83,000	33,000	27,000	50,000
TOTAL	857,000	833,000	640,000	662,000	696,000

Source: Economic Survey of Pakistan

Import of Oils & Fats

Commodity	2007	2008	2009	2010	2011
Crude Palm Oil	483,466	546,195	453,926	491,899	749,000
RBD Palm Oil	2,299	343,920	733,085	184,202	263,444
RBD Palm Olein	1,146,349	641,260	556,214	1,211,368	970,746
Palm Fats	66,527	39,652	93,851	62,889	65,260
Total Palm Imports	96,164	20,969	48,596	55,762	51,200
CD Soybean Oil	50,543	39,098	29,720	52,133	25,178
Tallow	483,466	546,195	453,926	491,899	749,000
TOTAL	1,845,348	1,631,094	1,915,391	2,058,252	2,125,427

Source: MPOC Market Intelligence, Shipping Agents

Oilseeds Imports

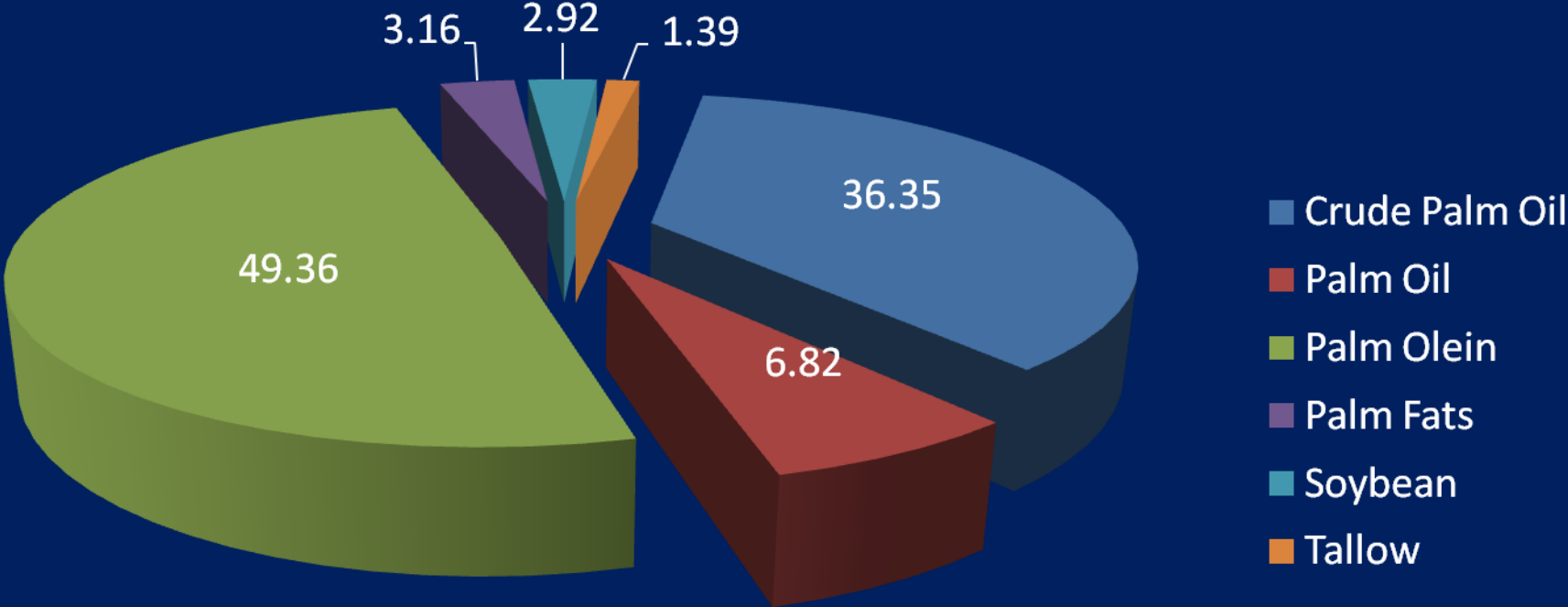
Commodity	2007	2008	2009	2010	2011
Sunflower	62,254	-	302,284	-	193,685
Canola / Rapeseed	820,116	422,755	589,991	1,133,250	747,124
Soyabean	-	-	-	-	-
Total	882,370	422,755	892,275	1,133,250	940,809

Source: Seatrade Private Limited

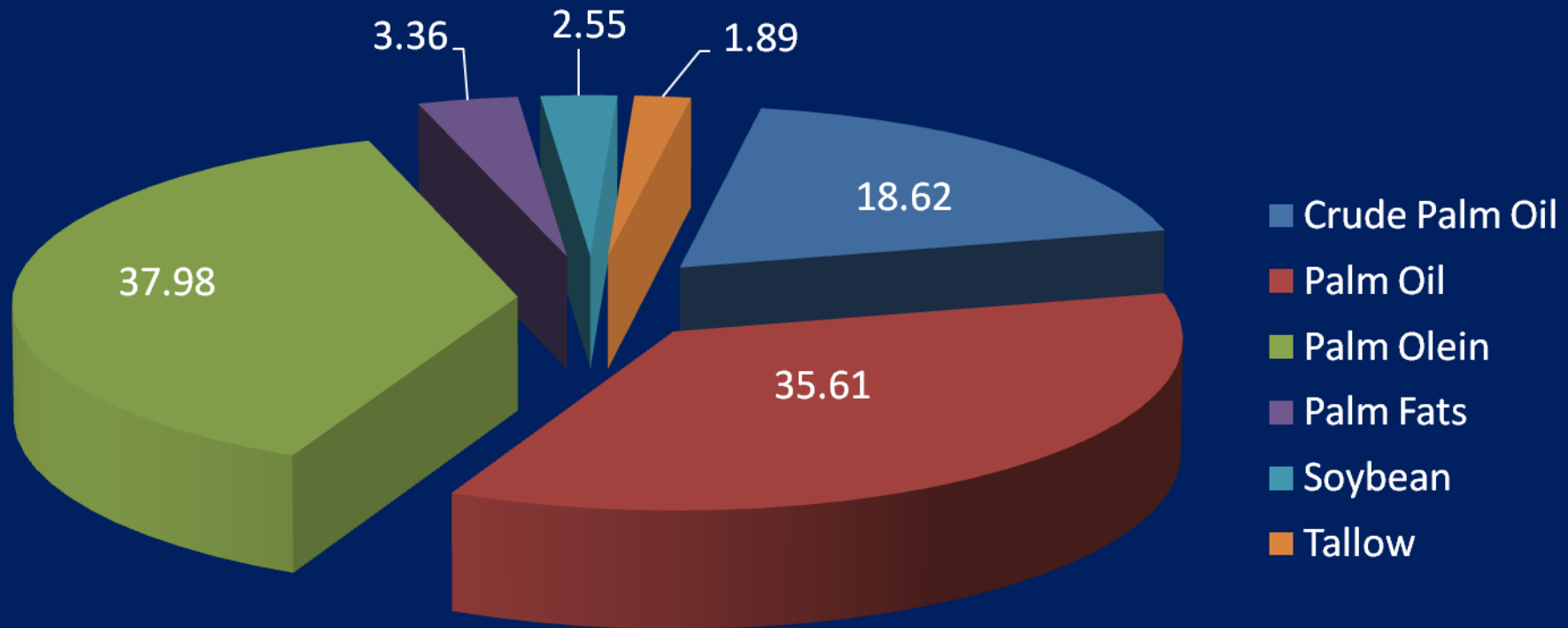
Edible Oil Import in 2012

Commodity	September 2011	September 2012	Change Vol.	Change %
Crude Palm Oil	537,265	295,993	(241,272)	(44.91)
Palm Oil	100,885	566,108	465,223	461.14
Palm Olein	729,654	603,770	(125,885)	(17.25)
Palm Fats *	46,667	53,373	6,706	14.37
Soybean oil	43,200	40,500	(2,700)	(6.25)
Tallow	20,533	30,049	9,516	46.34
Total	1,478,204	1,589,793	111,589	7.55

Commodity wise yearly analysis - 2011



Commodity wise yearly analysis - 2012



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

Although Edible Oil is an essential item and a necessity for a common man, the import of the same is subject to heavy duty. The details are as under:

Product	Import Duty (Malaysia)	Import Duty (Indonesia)	CED	I.Tax	FED
Olein	7,743	9,100	16%	3%	1,000
RBD PO	9,230	10,850	16%	3%	1,000
CPO	6,850	8,050	16%	3%	1,000

Product	Import Duty	CED	I.Tax	FED
CDSBO	9,100	16%	3%	1,000

- In view of FTA between Pakistan & Malaysia, import from Malaysia has an edge of 15% duty reduction equivalent to \$ 20 for RBDPO and \$ 15 for CPO.
- FTA Between Pakistan and Indonesia has now been signed. In view of this Custom Duty on import from Indonesia will also be decreased by 15%. However, date of effectiveness still awaited.
- For Commercial Importers, Advance I.Tax is 5%.

N.B. Point to note is that in India, there is no import duty on Crude Palm Oil and only 7.5% duty on import of Refined Palm Products. This shows that Government not only wants to avoid burden on common man but also encourage local Refining of Palm Oil which is a value added Industry.

In Bangladesh there is ZERO Import Duty on Edible Oils and they only have VAT 10% .

**Import of Palm Oil Products
From Malaysia and Indonesia
During January-December 2010 In M. Tons (Basis Arrival)**

Product	Malaysia	%	Indonesia	%	Total
Olein	1,196,914	99	14,453	1	1,211,367
RBD Palm Oil	179,703	98	4,500	2	184,203
CPO	491,898	100	0	0	491,898
	1,868,515		18,953		
		1,887,468			
Malaysia	99%				
Indonesia	1%				

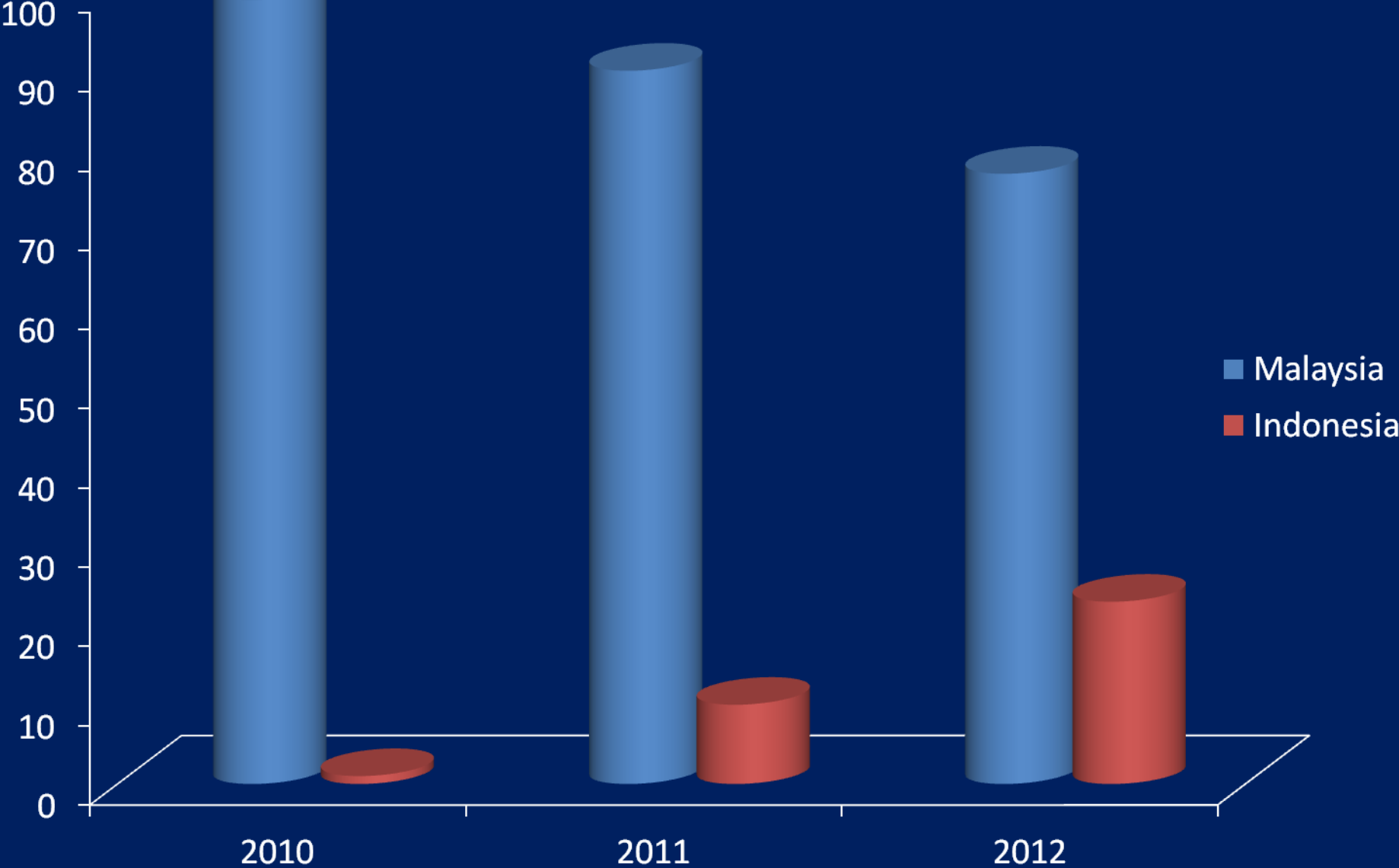
**Import Of Palm Oil Products
From Malaysia and Indonesia
During January-December 2011 In M. Tons (Basis Arrival)**

Product	Malaysia	%	Indonesia	%	Total
Olein	92,213	96	42,534	4	970,747
RBD Palm Oil	160,552	61	102,891	39	263,443
CPO	697,012	93	51,988	7	749,000
	1,785,777		197,413		
		1,983,190			
Malaysia	90%				
Indonesia	10%				

**Import Of Palm Oil Products
From Malaysia and Indonesia
During January-August 2012 In M. Tons (Basis Arrival)**

Product	Malaysia	%	Indonesia	%	Total
Olein	565,181	97	20,340	3	585,521
RBD Palm Oil	220,974	43	297,935	57	518,909
CPO	268,428	100	0	0	268,428
	1,054,583		318,275		
		1,372,858			
Malaysia	77%				
Indonesia	23%				

Malaysia Indonesia Import Comparison



Malaysia and Pakistan have been steadfast trading partners for over two decades. The bilateral trade between these two countries has shown exponential growth and has increased from RM 741.90 million in 1991 to RM 8,594.26 million in 2011. Both countries trade a wide range of products and commodities, however, palm oil always claims the lion's share of this trade. According to trade statistics, palm oil maintains a share of approximately 78% in the overall Malaysian exports to Pakistan.

Indonesians are taking away Malaysian share particularly for the RBD Palm Oil. This trend is expected to continue as the Indonesian Export Tariff is very much favoring the Indonesian Refiners.

In view of above, time has come that Malaysia need to give more focus on their consistent buying countries like Pakistan.

Although Pakistan has been the Third Largest Importer of Palm Oil Products from Malaysia, it is an admitted fact that Pakistan have not received an appropriate recognition as being done to other countries.

Indonesians enjoyed 50% market share in 2006 which was reduced to 3% in 2010. They have since started gaining the market share in 2011 after revision of the export duty and this share is likely to increase significantly after the Pakistan – Indonesia FTA comes into effect.

Pakistan is an attractive and dependable export destination as it will always be a net importer of oils and fats. Consumption is growing steadily and the gap between supply and demand is being met with imports of edible oil and oilseeds. At the end of the year 2011, Pakistan imported 2.1 million MT of oils and fats and 1.0 million MT of oilseeds which is more than 75% of the overall requirement of the country.

After the commencement of the Pakistan – Indonesian FTA, the battle for market share between Malaysian and Indonesian exporters will begin again. Malaysians have had a head start of 3 years and have enjoyed monopolistic market shares since 2008. They have the advantage of strong, long-standing relationships with Pakistani importers, as well as the lead in joint ventures and investments within the country. In order to remain in the dominant position in the Pakistani market, Malaysian exporters will have to remain committed and consistent.

I would therefore suggest that:

- More G to G contact may be established which can explore the potential Investment opportunities in the infrastructure / energy sector of Pakistan.**
- Ministry of Plantation Industries & Commodities should ensure uninterrupted Duty Free Supply of Crude Palm Oil (CPO) to Pakistan.**
- More focus may be given for the establishment of Joint Ventures.**

Thank You