PAKISTAN – MALAYSIA PALM OIL TRADE:
Why Buy
Malaysian Palm Oil

By
Tan Sri Datuk Dr Yusof Basiron
CEO
Malaysian Palm Oil Council
Malaysian Palm Oil - History

Originated from West Africa

1870 – brought to Malaysia by the British and planted as ornamental plant

1917 – was commercially planted at Tennamaran Estate, Selangor, Malaysia
The planted oil palm area of 4.69 mil ha accounts for more than 60% of the overall agricultural land use or 14.2% of the total land area.
Oil Palm – Fresh Fruit Bunch

Basic Facts

• Fruits per bunch: 1000 to 3000
• Bunch Weight: 15-25kg
• Fruit size: 5 cm
• Fruit shape: Oval
• Fruit Color: Yellowish Red
• Fruitlet weight: 10 gm
Anatomy of Oil Palm Fruit

Mesocarp: Palm Oil (PO)

Kernel: Palm Kernel Oil (PKO)

Shell

Basic Facts
- Kernel per fruit: 5-8%
- Mesocarp per Fruit: 85-92%
- Oil per mesocarp: 20-50%
- Oil per bunch: 23-25%
Malaysian Palm Oil Products

Palm Fruit
Milling, Extraction, Pressing

Crude Palm Oil
RBD Palm Oil

Palm Fruit
Milling, Extraction, Pressing

Crude Palm Kernel Oil
RBD Palm Kernel Oil

Refined, Bleached, Deodorized

RBD Palm Olein
RBD Palm Stearin
RBD Palm Kernel Olein
RBD Palm Kernel Stearin
Abundance of Oil Palm Biomass

10% oil
90% biomass

- OIL PALM TRUNK
- FRESH FRUIT BUNCH
- OIL PALM FRONDS
- PALM KERNEL CAKE
- SHELL, 5.5%
- EMPTY FRUIT BUNCH 22%
- FIBRE, 13.5%
- CRUDE PALM KERNEL OIL
- CRUDE PALM OIL
- POME
Dependence on Import Surge

![Chart showing net imports from 2000 to 2009 for China PR, EU-27, India, Pakistan, Bangladesh, and Others. The net imports are measured in thousands of metric tons (MT).]
Supply & Demand Situation

• World population increase by 70-80 mil / year

• Demand of oils & fats expands by 4-5 Mn. MT/year

• To supply 5 Mn. MT of soybean oil, requires 10 Mn. hectares land per year compared to only 1 Mn. Ha if oil palm is the choice.

• World arable land stagnant / shrinking due to population growth. By 2020, arable land will drop to less than 1 acre per capita.
Supply & Demand Situation

- Net exporters of oils and fats
  - Asia Pacific (palm oil) & Americas (soybean oil).

- The rest of other countries are net importers

- The dynamic economic interactions between the net exporters and importers have an impact on oils & fats prices.
## Global Oils & Fats Balance

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010E</th>
<th>2011F</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Stock</strong></td>
<td>16,290</td>
<td>16,927</td>
<td>17,805</td>
<td>17,980</td>
<td>16,698</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>150,799</td>
<td>156,712</td>
<td>161,221</td>
<td>164,850</td>
<td>170,587</td>
</tr>
<tr>
<td><strong>Import</strong></td>
<td>53,899</td>
<td>57,451</td>
<td>60,512</td>
<td>61,333</td>
<td>64,745</td>
</tr>
<tr>
<td><strong>Export</strong></td>
<td>57,321</td>
<td>59,948</td>
<td>63,466</td>
<td>63,563</td>
<td>66,358</td>
</tr>
<tr>
<td><strong>Consumption</strong></td>
<td>146,741</td>
<td>153,337</td>
<td>158,092</td>
<td>163,903</td>
<td>169,661</td>
</tr>
<tr>
<td><strong>Ending Stock</strong></td>
<td>16,926</td>
<td>17,805</td>
<td>17,980</td>
<td>16,698</td>
<td>16,013</td>
</tr>
<tr>
<td><strong>Stock Usage Ratio</strong></td>
<td>11.5%</td>
<td>11.6%</td>
<td>11.4%</td>
<td>10.2%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

Source: Oil World & MPOC Estimates
Stock-Usage Ratio of Oils & Fats

Source: Oil World, MPOB & MPOC Estimates
Palm Oil Role in Global Food Security
Urgency to Ensure World Food Security

• Today more than 1 billion (15%) of the world’s population do not have sufficient food on a regular basis.

• November 2009
  • World Summit on Food Security, Rome held to address food security issues.

• April 2010
  • World Bank launched Global Agriculture & Food Security Program (GAFSP) to improve food security & income in low-income countries.
Ever Growing World Population Results in More Mouths to Feed

Future of palm oil is driven by growth in demand for food, oleochemicals and bio fuel due to population and economic growth.

The world population is projected to grow from 6 billion in 1999 to 9 billion by 2043, an increase of 50 percent. Food production must meet this rate of increase.
## Challenges – Scarce Land Resources

<table>
<thead>
<tr>
<th>Year</th>
<th>World’s population (bil)</th>
<th>Arable land per capita ((x10^{-3} \text{km}^2))</th>
<th>Arable land per capita (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1922</td>
<td>2.0</td>
<td>7.50</td>
<td>0.75</td>
</tr>
<tr>
<td>1975</td>
<td>4.0</td>
<td>3.75</td>
<td>0.38</td>
</tr>
<tr>
<td>2005</td>
<td>6.6</td>
<td>2.27</td>
<td>0.23</td>
</tr>
<tr>
<td>2030</td>
<td>8.0</td>
<td>1.88</td>
<td>0.19</td>
</tr>
<tr>
<td>2042</td>
<td>9.0</td>
<td>1.67</td>
<td>0.17</td>
</tr>
</tbody>
</table>

*Source: Freeworld Academy & University of Michigan*

- World population increasing
- Arable land resource decreasing
## Oil Palm vs. Other Oilseed Crops

### Average Oil Yield (t/ha/year)

<table>
<thead>
<tr>
<th>Oil Crop</th>
<th>Average Oil Yield (t/ha/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybean</td>
<td>0.40</td>
</tr>
<tr>
<td>Sunflower</td>
<td>0.58</td>
</tr>
<tr>
<td>Rapeseed Oil</td>
<td>0.75</td>
</tr>
<tr>
<td>Oil Palm</td>
<td>4.13</td>
</tr>
</tbody>
</table>

### Oil Crop Production and Area

<table>
<thead>
<tr>
<th>Oil Crop</th>
<th>Production (Mn/ T)</th>
<th>% of Total Production</th>
<th>Average Oil Yield (t/ha/year)</th>
<th>Total Area (Mn/ ha)</th>
<th>% Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybean</td>
<td>35.81</td>
<td>23.67</td>
<td>0.40</td>
<td>97.97</td>
<td>42.74</td>
</tr>
<tr>
<td>Sunflower</td>
<td>12.97</td>
<td>10.19</td>
<td>0.58</td>
<td>24.59</td>
<td>10.73</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>21.34</td>
<td>16.77</td>
<td>0.75</td>
<td>31.32</td>
<td>13.66</td>
</tr>
<tr>
<td>Oil Palm</td>
<td>50.33*</td>
<td>37.99</td>
<td>4.13</td>
<td>12.18</td>
<td>5.31</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>132.48</strong></td>
<td><strong>37.99</strong></td>
<td><strong>4.13</strong></td>
<td><strong>229.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Note:* for palm oil and palm kernel oil

*for 7 major oils (groundnut, coconut, cottonseed and above oils)
Oil Palm: Highest Oil Output on Least Land Area

Total Area: 241 mil ha
- Soybean: 40.7%
- Others: 27.1%
- Coconut: 3.9%
- Sunflower: 10.2%
- Rapeseed: 13.0%
- Oil Palm: 5.1%

Total Vegetable Oil Output: 139.7 mil MT
- Palm Oil: 32.3%
- Rapeseed Oil: 15.3%
- Sunflower Oil: 9.3%
- Soybean Oil: 29%
- Laurics: 6.0%
- Others: 11.4%

Source: Oil World
Malaysian Palm Oil Scenario – Production

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature Area (Mn Ha)</td>
<td>3.68</td>
<td>3.74</td>
<td>3.90</td>
<td>4.02</td>
<td>4.2</td>
</tr>
<tr>
<td>Yields (T/Ha)</td>
<td>4.32</td>
<td>4.23</td>
<td>4.55</td>
<td>4.39</td>
<td>4.24</td>
</tr>
<tr>
<td>Production (MnT)</td>
<td>15.88</td>
<td>15.82</td>
<td>17.73</td>
<td>17.56</td>
<td>17.25</td>
</tr>
</tbody>
</table>

Source: Oilworld

Production:
- Total planted areas, projected to increase to 4.82 million hectare in 2010 from 4.69 million ha in 2009
- Oil Extraction Rates is projected at 20.5%
- FFB is projected at 19.26 tonnes/ha/year
- Crude palm oil production in 2010 is estimated at 17.25 MT, 1.76% lower than 2009. Reason for decline:
  i) Low FFB yield due to higher rainfalls received in major producing states;
  ii) Dry spell in early part of the year.
## Malaysian Palm Oil Export to Major Importing Countries (‘000 MT)

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3,578</td>
<td>3,840</td>
<td>3,794</td>
<td>4,027</td>
<td>3,484</td>
</tr>
<tr>
<td>EU</td>
<td>2,586</td>
<td>2,063</td>
<td>2,053</td>
<td>1,892</td>
<td>2,061</td>
</tr>
<tr>
<td>Pakistan</td>
<td>968</td>
<td>1,070</td>
<td>1,257</td>
<td>1,769</td>
<td>2,134</td>
</tr>
<tr>
<td>India</td>
<td>562</td>
<td>511</td>
<td>971</td>
<td>1,354</td>
<td>1,170</td>
</tr>
<tr>
<td>USA</td>
<td>685</td>
<td>795</td>
<td>1,048</td>
<td>859</td>
<td>1,028</td>
</tr>
</tbody>
</table>

Source: MPOB
Pakistan- Imports of Malaysian Palm Oil
Malaysia – Pakistan FTA

• Malaysia’s first bilateral free trade agreement with an Organization of Islamic Countries (OIC) member and Pakistan’s first agreement with any ASEAN member country
• Came into force on 1 January 2008
• Palm oil and its products get import duty discount of 10% in 2008 – 09 & 15% from 2010 – 14

• Objectives:
  – To facilitate and strengthen two-way trade and investment
  – Enhance bilateral economic and industrial cooperation on a long term basis
Way Forward for Palm Oil in Sustaining Malaysian Palm Oil Market in Pakistan

• Establishment of JVs
  MAPAK QASIM BULKERS (PVT) LTD.
  MAPAK EDIBLE OIL (PVT) LTD
  FELDA WESTBURY QASIM ENTERPRISE (PVT) LTD. (FQW LIQUID CARGO TERMINAL)

• Technical Support (MPOB)

• Trade Seminar and Other Customer Familiarization and Appreciation Program
Why buy Malaysian palm oil

COMPETITIVELY PRICED

Landed Price of Vegetable Oils in Pakistan’s Market
Jan – Nov 2010

- RBD PO
- RBD PL
- Rapeseed Oil
- Cottonseed Oil
- Canola Oil
- Sunflower Oil

Jan - Nov 2010
Why buy Malaysian palm oil

COMPETITIVELY PRICED

- Palm oil prices have been at discount against soybean oil and sunflower oil, indicating the efficiency of production per unit area among these crops.
- Discounted by approximately US$100 since 2009 though smaller than the record US$400, palm oil remains attractive to lowering cost and making the products more competitive in the market.
- Semi-solid in nature - further reduces the cost of producing solid or specialty fats, and contains no trans fats.
- Versatility of palm oil in various food and non-food applications offers vast options in marketing / utilizing this vegetable oil
Pakistan Palm Oil Consumption Against Total Oils and Fats Consumption

Source: Oilworld
Why buy Malaysian palm oil

FUNCTIONALITY

• Highly stable as a frying oil and a preferred natural ingredient for production of all solid fats including margarine, shortenings, bakery and frying fats

• Best natural alternative for trans fat free formulations.

• Palm kernel stearin and palm mid fractions are excellent cocoa butter substitutes and highly geared for the confectionery industry

• Palm and palm products are major raw materials for the oleochemical industry for products such as soaps, detergents, personal health care products, etc.

• Being the world’s largest exporter of palm and palm products, Malaysia is well poised to supply the needs of the food, oleochemical and biofuel industries.
Why buy Malaysian palm oil

GOOD BUSINESS ETHICS

• Long history of cultivation (about 100 years) with good agricultural and production practices. Therefore, quality is assured.

• Malaysia has proven to honour contracts through good & bad times (danger of being over-dependent on a few key suppliers).

• Long history in palm oil export assured experience and capability in meeting specifications on products required by buyers.
Why buy Malaysian palm oil?

**MOST SUSTAINBLY PRODUCED**

- Malaysian plantations are established totally on legitimate agriculture land.
- New plantings on land legally gazetted as agricultural land, 100% sustainable, all are licensed and legally registered,
- Increase in no. of companies producing Certified Sustainable Palm Oil although there are still more than 99.9% of other oils & fats produced globally which are not yet certified sustainable.
RSPO Certified Mills and Certified Sustainable PO Production in Malaysia

<table>
<thead>
<tr>
<th>Company</th>
<th>Mills</th>
<th>CPO (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Plantations Bhd</td>
<td>6</td>
<td>200,456</td>
</tr>
<tr>
<td>Sime Darby</td>
<td>16</td>
<td>548,298</td>
</tr>
<tr>
<td>Kulim (M) Bhd</td>
<td>3</td>
<td>88,914</td>
</tr>
<tr>
<td>IOI Group</td>
<td>7</td>
<td>400,969</td>
</tr>
<tr>
<td>KLK Bhd</td>
<td>5</td>
<td>211,978</td>
</tr>
<tr>
<td>JC Chang Group – Carotino Sdn Bhd</td>
<td>1</td>
<td>30,300</td>
</tr>
<tr>
<td>FELDA</td>
<td>2</td>
<td>102,884</td>
</tr>
<tr>
<td>Keresa Plantations</td>
<td>1</td>
<td>33,874</td>
</tr>
<tr>
<td>Wilmar International – PPN Oil Palms Bhd</td>
<td>7</td>
<td>283,458</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>48</strong></td>
<td><strong>1,901,131</strong></td>
</tr>
</tbody>
</table>

Source: RSPO
Highly Regulated Industry

1) National Land Code 1965
2) Land Acquisition Act 1960
3) Protection of Wildlife Act 1972
4) Environmental Land Conservation Act 1960 revised in 1989
5) Quality Act 1974 (Environmental Quality) (Prescribed Premises) (Crude Palm Oil) Regulation 1977
6) Environmental Quality (Clean Air) Regulation 1978
7) Labor Law
8) Workers’ Minimum Standard of Housing & Amenities Act 1990
9) Occupational Safety & Health Act 1977
11) Pesticides (Licensing for sale & storage) Rules 1988
12) Pesticides (Labeling) Regulations 1984
13) Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987
14) Factories & Machinery (Noise Exposure) Regulations 1989
15) MPOB Act: Licensing, Registration and Quality Control of Palm Oil 1988
Summary

• 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.

• In the long run, deficit of oils & fats in Pakistan will remain. Palm oil being cost competitive, versatile & nutritious has a role to supplement this shortage.

• Currently, Malaysia, Indonesia and Argentina are the only 3 countries able to export oils in large quantity. Among these, 2 are palm oil exporters signifying the ability for palm to meet global deficit including Pakistan. Palm oil is playing an important role in assuring food security globally.
Summary

• Malaysia is your reliable supplier of palm oil judging from the years of experience in being the world class producer and exporter where its products are exported to more than 150 countries globally. This is contributed by the strict regulations in assuring that all palm oil produced is of good quality.
THANK YOU
Visit my blog: www.ceoplamoil.com