Palm Oil Demand Scenarios & Opportunities in the Turkish Market

Presentation for NAFI 2014, Izmir

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MPOC
INTRODUCTION OF MPOC ISTANBUL OFFICE

• Established – March 2009

• Istanbul Office covers 14 countries:
  Turkey, Armenia, Azerbaijan, Bahrain, Georgia, Iran, Iraq, Jordan,
  Kuwait, Oman, Qatar, Saudi Arabia, UAE and Yemen.

• To promote the market expansion of Malaysian palm oil and its products by enhancing the image of palm oil and creating better acceptance of palm oil through awareness of various technological and economic advantages (techno-economic advantages) and environmental sustainability.

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WORLD’S OILS & FATS DEMAND AND SUPPLY SCENARIOS
World’s Oils & Fats: Key Consuming Countries

In this 12-year comparison chart (2000-2012) there is a slight difference in the consumption percentage shares of key consuming countries, at around ±1-3% (China +3%, USA -3%, India +1% and Europe -3%).

These four countries still remain the key global oils and fats consuming countries.

* Source: Oil World
World’s Major Consumed Oils

Over 12 years of oils and fats consumption comparison, there was a higher increase in the consumption of Palm Oil & Palm Kernel Oil, at 10% compared with the other key oils. (Soybean +1%, Rapeseed – 0% & Sunflower oils -1%)

Palm, Soybean, Rapeseed and Sunflower oils are the key oils consumed in global market. 

* Country, Mil. Tonnes, % share

Source: Oil World
Demand

Year 2000
- CHINA, 17.5, 16%
- USA, 14.2, 13%
- INDIA, 11.7, 10%
- EUROPE, 19.6, 18%
- OTHERS, 48.5, 43%

Year 2012
- CHINA, 34.2 Mil, 19%
- USA, 17.4, 10%
- INDIA, 18.8, 11%
- EUROPE, 29.1, 16%
- OTHERS, 79.8, 44%

Supply

Year 2000
- Palm Oil & Palm Kernel Oil; 23.34; 21%
- Soybean Oil; 24.99; 22%
- Sunflower Oil; 9.47; 9%
- Rapeseed Oil; 14.55; 13%
- Other Oils; 39.29; 35%

Year 2012
- Palm Oil & Palm Kernel Oil; 55.95;...
- Soybean Oil; 41.44; 23%
- Sunflower oil; 44.30; 25%
- Rapeseed oil; 23.69; 13%
- Other Oils; 55.95;...
Major Countries’ Oils and Fats Consumption Trend – *Palm Oil is on an uptrend in all of these countries*

**China**
Consumed 19% of World’s Oils and Fats

**India**
Consumed 11% of World’s Oils and Fats

**USA**
Consumed 13% of World’s Oils and Fats

**Europe**
Consumed 16% of World’s Oils and Fats

Source: Oil World
Higher growth of palm oil consumption at CAGR of 7.03% compared to other main vegetable oils

Source: Oil World
Consumption trend in China

• Great demand for animal feed is driving higher soybean crushing in China to produce meal and use the oil for human consumption.
• China is the world’s biggest consumer of soybean meal.
  • Consumed 26% of the total soybean meal in the world (2012).
  • Consumption of soybean meal is in the uptrend, from 30 million metric tonnes (MT) in 2008 to 46 million MT in 2012, or @ 53% Increase.

• High production of soybean oil from the crushing of soybean in order to produce the meal, supports the higher intake of soybean oil for local consumption.

• Palm oil consumption increased by 276% and soybean oil by 264% for the period 2000-2012.

Source: Oil World
Consumption trend in India

- The increase in per capita consumption of edible oils and the uptrend has been very obvious from 2006.

- The per capita consumption is increasing as the GDP of the country has consistently grown by 8% for the last 10 years. (Caput 2006 = 11.81Kg, 2012= 14.94, world average Caput = 26 Kg)

- Zero import duty on crude edible oil and very nominal duty on refined oils have favoured the imports of edible oils, especially palm oil, which is the most competitive commodity.

- Government schemes such as mid-day meals and subsidised oil supply to poor families have boosted the demand for edible oils, especially palm oil, due to its price advantage.

- Palm oil consumption increased by 109% and soybean oil by 64% during the 2000-2012 period.

Effective Jan 20, 2014, the Indian Government revised the import duty to higher rate, from 7.5% previously to 10% for refined vegetable oils, including refined palm oil and RBD Palm Olein. Total of Malaysian Palm Oil Product imported Jan-April 2013/2014 = 687,578 / 725,784 Tonnes
Consumption trend in the USA

- USA, as one of the largest producers of soybean, protects its soybean industry.

- In 2012, USA produced around 82 million MT of soybean (31% of the world production) and 9.2 million MT of soybean oil (22% of world production).

- The increase in demand for palm oil was attributed largely to the food industry, due to efforts to significantly reduce or eliminate trans fatty acids in food services and consumer products.

- Palm oil consumption increased by 559% and soybean oil by 10% for the period of 2000-2012.

Source: Oil World
Consumption trend in Europe

• The scenario is about the same as USA. Europe is the biggest producer of rapeseed and most of the rapeseed products are used for domestic consumption.

• The big increase in the consumption of oils and fats is due to the emergence of the biodiesel industry.

• In 2012 EU produced 9.5 million MT of biodiesel (40% of world production)

• 63% of the feedstock used for biodiesel production is rapeseed oil.

• Palm oil consumption increased by 162% and rapeseed oil by 126% for the period 2000-2012.

Source: Oil World
SUPPLY SCENARIOS
World’s 4 Main Veg. Oils Production

* Palm Oil is the most stable in supplying vegetable oil for the world’s demand
NET IMPORTING AND EXPORTING COUNTRIES FOR OILS AND FATS (2012) – REFLECTING REAL AVAILABILITY

(Source: Oil World)
Palm Oil price is mostly at a discount compared to other vegetable oils - making it the most competitive vegetable oil.

Vegetable Oils price trend

Source: Oil World
Palm oil is priced lower because

- More productive at 10 times higher yield compared to other oils
- Perennial crop which sustains up to 25 years
- Hence cost of production is much lower

Average Oil Yield – Tonne / Ha / Year

<table>
<thead>
<tr>
<th></th>
<th>Soybean</th>
<th>Sunflower</th>
<th>Rapeseed</th>
<th>Oil Palm</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.40</td>
<td>0.58</td>
<td>0.73</td>
<td>4.73</td>
<td></td>
</tr>
</tbody>
</table>

Source: Oil World
### WORLD CULTIVATED AREA OF OILSEEDS

<table>
<thead>
<tr>
<th>Land Use Type</th>
<th>Total Area (mil ha)</th>
<th>As % Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Agricultural Land</td>
<td>4911</td>
<td>100</td>
</tr>
<tr>
<td>Oil Seeds</td>
<td>258.03</td>
<td>5.25</td>
</tr>
<tr>
<td>Soybean</td>
<td>103.88</td>
<td>2.12</td>
</tr>
<tr>
<td>Rapeseed</td>
<td>33.28</td>
<td>0.68</td>
</tr>
<tr>
<td>Sunflower</td>
<td>25.83</td>
<td>0.53</td>
</tr>
<tr>
<td>Oil Palm</td>
<td>14.14</td>
<td>0.29</td>
</tr>
<tr>
<td>Coconut</td>
<td>9.76</td>
<td>0.2</td>
</tr>
<tr>
<td>Other Oil Seeds</td>
<td>57.8</td>
<td>1.17</td>
</tr>
<tr>
<td>Malaysian Palm Oil</td>
<td>5.07</td>
<td>0.1</td>
</tr>
</tbody>
</table>

- 5.25 percent of total land area planted with oil seeds
- Only 0.29 percent of world agricultural land is used for palm oil and Malaysian palm oil only took 0.1 percent

TURKEY - OILS & FATS DEMAND AND SUPPLY SCENARIOS
Turkey is the third largest oils & fats importing country for Middle East Region.
Turkey has a consistent growth of consumption at 4.4% SAGR for the last two years and the trend expected to be the same in 2014.

This will bring the total consumption expected in 2014 to be around 2.485 million tonnes, an increase of 95 thousand tonnes as estimated in 2013.
Turkey still need to import more than 1.5 million tonnes of oils & Fats a year.

- Local production of oils and fats in Turkey covered around 66% of the consumption. Based on this ratio, with expected consumption for 2014 of 2.485 million tonnes, local production is forecasted to be around 1.647 million tonnes in 2014.

- Imports of oils and fats by this country in 2014 is forecasted to some 1.558 million tonnes.
Sunflower and Cotton are the important crops for Turkey

For 12/13 season, Turkey produced 1.1 million tonnes of Sunflower seed (458,000 tonnes sunflower oil) and 1.18 million tonnes of cotton seed (185,000 tonnes cotton oil).
Imports of Sunflower Oil increased substantially since 2010. Surpassed the imports of Palm oil for the last two years.
Sunflower Oil price is always at Premium over Crude palm oil.

Vegetable Oils price trend

Source: Oil World
POSITIVE growth of cooking oil usage in Turkey increase the dependency on Sunflower import

<table>
<thead>
<tr>
<th>% current value growth</th>
<th>2012/13</th>
<th>2008-13 CAGR</th>
<th>2008/13 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>16.40</td>
<td>20.47</td>
<td>153.70</td>
</tr>
<tr>
<td>Margarine</td>
<td>-3.70</td>
<td>-0.60</td>
<td>-2.96</td>
</tr>
<tr>
<td>Olive Oil</td>
<td>10.30</td>
<td>10.48</td>
<td>64.58</td>
</tr>
<tr>
<td>Spreadable Oils and Fats</td>
<td>8.51</td>
<td>6.06</td>
<td>34.22</td>
</tr>
<tr>
<td>Vegetable and Seed Oils / Cooking Oils</td>
<td>16.70</td>
<td>17.18</td>
<td>120.91</td>
</tr>
<tr>
<td>Oils and Fats</td>
<td>14.22</td>
<td>14.01</td>
<td>92.66</td>
</tr>
</tbody>
</table>
# Share of Cooking Oil in Turkish Market

<table>
<thead>
<tr>
<th>Type of Oils</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>14.3</td>
<td>9.6</td>
<td>5.4</td>
<td>6.0</td>
<td>4.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>3.0</td>
<td>2.9</td>
<td>2.1</td>
<td>6.1</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Sunflower</td>
<td>77.9</td>
<td>78.0</td>
<td>80.4</td>
<td>82.2</td>
<td>87.0</td>
<td>89.0</td>
</tr>
<tr>
<td>Others</td>
<td>4.8</td>
<td>9.5</td>
<td>12.1</td>
<td>5.7</td>
<td>2.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Euromonitor*
Can Palm Oil Be Used as Cooking Oil in Turkey?
MPOC experience with Working Group in Egypt

*Blended palm cooking oil increase the good attributes & Cost savings*

Study of Blended Palm Cooking Oil in Egypt

- Working group consist of:
  - Food Industries Holding Company (FIHC)
  - General Authority of Supply Commodity (GASC)-Ministry of Supply and Internal Trade
  - Egyptian Organization of Standardization and Quality (EOS)
  - Malaysian Palm Oil Board (MPOB)
  - Malaysian Palm Oil Council (MPOC)

- The working group was established to study using palm oil derivatives (palm olein IV 56 & 58 and palm super olein IV 60) in preparing edible oil blends for cooking and frying purposes according to the Egyptian standards 2142/2005.
Using of palm olein (IV56), palm olein (IV58) and palm olein (IV60) in preparing cooking/frying oil blend leads to:

• Increasing oxidative stability of prepared oils blends significantly. The oxidative stability increased as palm olein fractions used increased, as the pure palm olein fractions used were found to have oxidative stability 5.5 times (Egyptian Organization of Standardization and Quality - EOS) as compared to sunflower oil and soybean oil used in preparing cooking oil blends.

• As well as its competitive price when compared with sunflower oil and soybean oil.
The study of blended Palm Cooking Oil done in Egypt - 2012

- Based on the study conducted by the working group, recommends the best and suitable percentage at which palm olein fractions that can be safely used in preparing clear liquid cooking/frying oil blend without occurrence of any turbidity or solidification during winter months (5 degree Celsius) in Egypt are as follows:

  - Palm Olein (IV56) at 5% + Soft oil (Soybean oil or Sunflower oil)
  - Palm Olein (IV58) at 10% + Soft oil (Soybean oil or Sunflower oil)
  - Palm Olein (IV60) at 15% + Soft oil (Soybean oil or Sunflower oil)
  - Palm Olein (IV56, IV58, IV60) + Blended Soft Oil (Soybean Oil 25% + Sunflower Oil 75%)

- More ratio of palm olein can be used during the summer.
## Cost analysis of Blended Palm Cooking Oil – Egypt 2012

<table>
<thead>
<tr>
<th>Blending (USD/Tonne)</th>
<th>Year 2012</th>
<th>Cost Saving Of</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBO (100%) - (A)</td>
<td>1227</td>
<td></td>
</tr>
<tr>
<td>SBO (95%) + IV56 (5%)</td>
<td>1219</td>
<td></td>
</tr>
<tr>
<td>SBO (90%) + IV58 (10%)</td>
<td>1213</td>
<td></td>
</tr>
<tr>
<td>SBO (85%) + IV60 (15%)</td>
<td>1210</td>
<td></td>
</tr>
<tr>
<td>SFO (100%) (B)</td>
<td>1263</td>
<td></td>
</tr>
<tr>
<td>SFO (95%) + IV56 (5%)</td>
<td>1253</td>
<td></td>
</tr>
<tr>
<td>SFO (90%) + IV58 (10%)</td>
<td>1254</td>
<td></td>
</tr>
<tr>
<td>SFO (85%) + IV60 (15%)</td>
<td>1255</td>
<td></td>
</tr>
<tr>
<td>SFO (75%) + SBO (25%) ('C)</td>
<td>1254</td>
<td></td>
</tr>
<tr>
<td>SFO (71.25%) + SBO (23.75%) + IV56 (5%)</td>
<td>1244</td>
<td></td>
</tr>
<tr>
<td>SFO (67.50%) + SBO (22.50%) + IV58 (10%)</td>
<td>1237</td>
<td></td>
</tr>
<tr>
<td>SFO (63.75%) + SBO (21.25%) + IV60 (15%)</td>
<td>1233</td>
<td></td>
</tr>
<tr>
<td>IV56 (100%)</td>
<td>1062</td>
<td>USD 165 per tonne Compared to (A)</td>
</tr>
<tr>
<td>IV58 (100%)</td>
<td>1087</td>
<td>USD 140 per tonne Compared to (A)</td>
</tr>
<tr>
<td>IV60 (100%)</td>
<td>1112</td>
<td>USD 115 per tonne Compared to (A)</td>
</tr>
</tbody>
</table>

Source: MPOC
CONCLUSIONS

• Increasing global demand for palm oil will continue in the food, oleochemicals and biofuels sectors. Today 1 in 10 food products contains palm oil as one of its ingredients.

• Palm oil will be the primary oil source to supplement the increasing needs of oils and fats’ requirements globally, due to population growth and reduced land availability for agriculture.

• Malaysian palm oil is produced using sustainable and good agricultural practices. Malaysian producers are also active through the RSPO certification processes.

• Malaysia will continue to be the most reliable supplier of palm oil in the global markets and supported by its technical and quality benchmarks.
CONCLUSIONS

• Turkish oils and fats industry should take the opportunity of Palm oil price discount over other vegetable oils by increase the usage of palm oil in their production which will at the same time reduce their input cost.

• Net returns from this exercise involving sale of finished products locally and for export will be a significant profit driver for the Turkish oils and fats industry.

• Malaysia will continue to support such activities in the Iranian market through increased technical support to our end users.