

Malaysian Palm Oil Council



March 2024
Issue 11

PalmPulse



Opportunities for Malaysian Palm Oil in South Korea's Growing Prepared Foods Market



South Korea is one of the most vibrant and highly developed countries in the Asia Pacific region, boasting one of the world's most developed and dynamic economies. Ranking as the 4th largest economy in Asia and the 12th largest globally, South Korea's economic landscape is characterised by a robust industrial base, technological advancements, and an export-oriented nature.

With a population of 51.8 million, South Korea consumes 1.8 million tonnes of oils and fats annually. Palm oil and soybean oil are the most consumed oils, comprising 37% and 33% of total consumption, respectively. Soybean oil accounts for the majority of oil production in South Korea, meeting only 27% of the country's total oils and fats requirements. The remaining demand is met through imports. Soybean oil is mostly consumed in the hotel, restaurant, and institutional (HRI) sectors, as well as at home. Soybean oil has traditionally been favoured for salad/cooking purposes, but its usage is gradually being replaced by canola oil, rapeseed oil, corn oil, olive oil, and potentially palm olein. Palm oil has gained prominence for its versatility in making instant noodles, frying snack foods, and producing solid fats, offering superior functionality and cost-effectiveness compared to soybean oil.

South Korea: Consumption of Oils and Fats

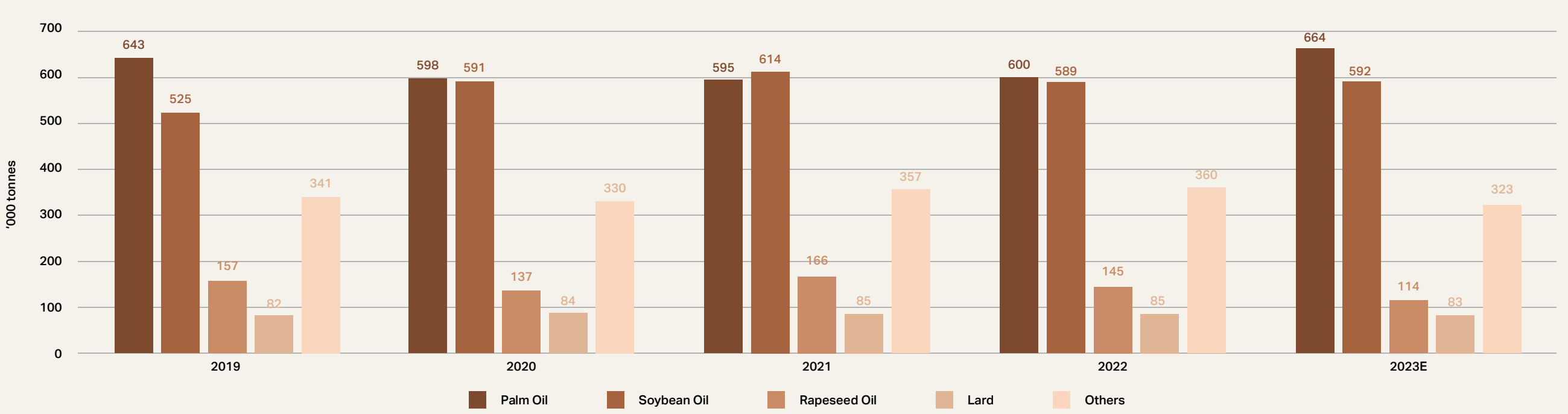


Figure 1: Consumption of oils and fats in South Korea from 2019 to 2023 (Oil World, 2023).

Palm oil dominates South Korea's oil imports, accounting for 51% of the total oil and fats import, followed by soybean oil at 28%. Over the past five years, palm oil imports in South Korea have experienced sluggish growth, with an average annual growth rate of 0.47% from 2019 to 2022, primarily due to demand disruption during the COVID-19 pandemic. However, in 2023, palm oil imports in South Korea rebounded significantly, increasing by 101,000 tonnes or 17% to 688,000 tonnes, with expectations of continued growth in the coming years.

The biodiesel sector has been the key driver of the rising palm oil imports in the country since 2007/08. Over time, palm oil usage in biodiesel has increased due to its price competitiveness over soybean oil. However, the narrowing price gap between soybean oil and palm oil has led to a resurgence of soybean oil usage in the biodiesel sector in South Korea. Consequently, this is expected to result in a slight drop in the share of palm oil used in the biodiesel sector.

Shifting Consumer Patterns: Growth of Convenience Stores in South Korea

The surge in popularity and size of convenience stores in South Korea has revolutionised the retail landscape in recent years. This shift is attributed to several factors, including their extended operation hours, diverse product offerings, and strategic locations. Evolving needs and preference of consumers, as well as intense competition among major convenience store chains, further fuel the growth of convenience stores in South Korea.

Market Size of Convenience Stores in South Korea, Based on Retail Sales

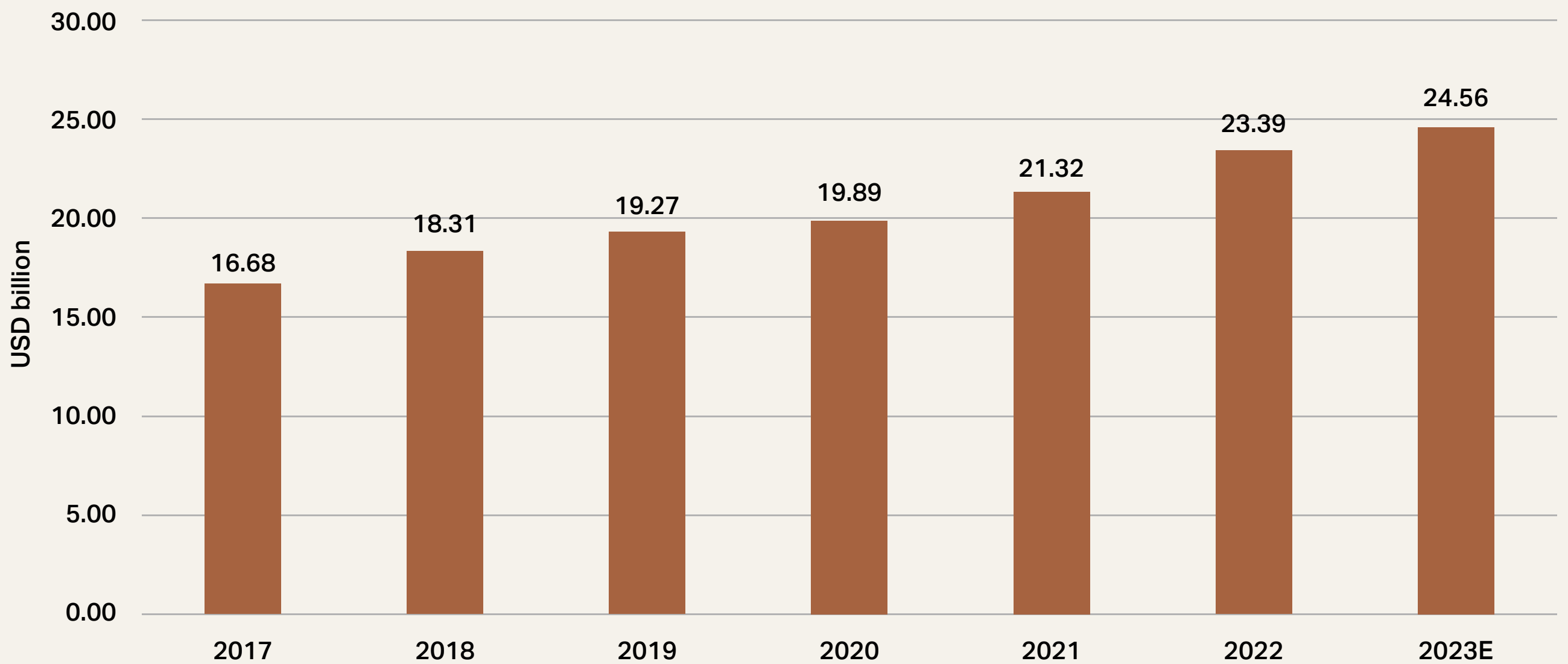
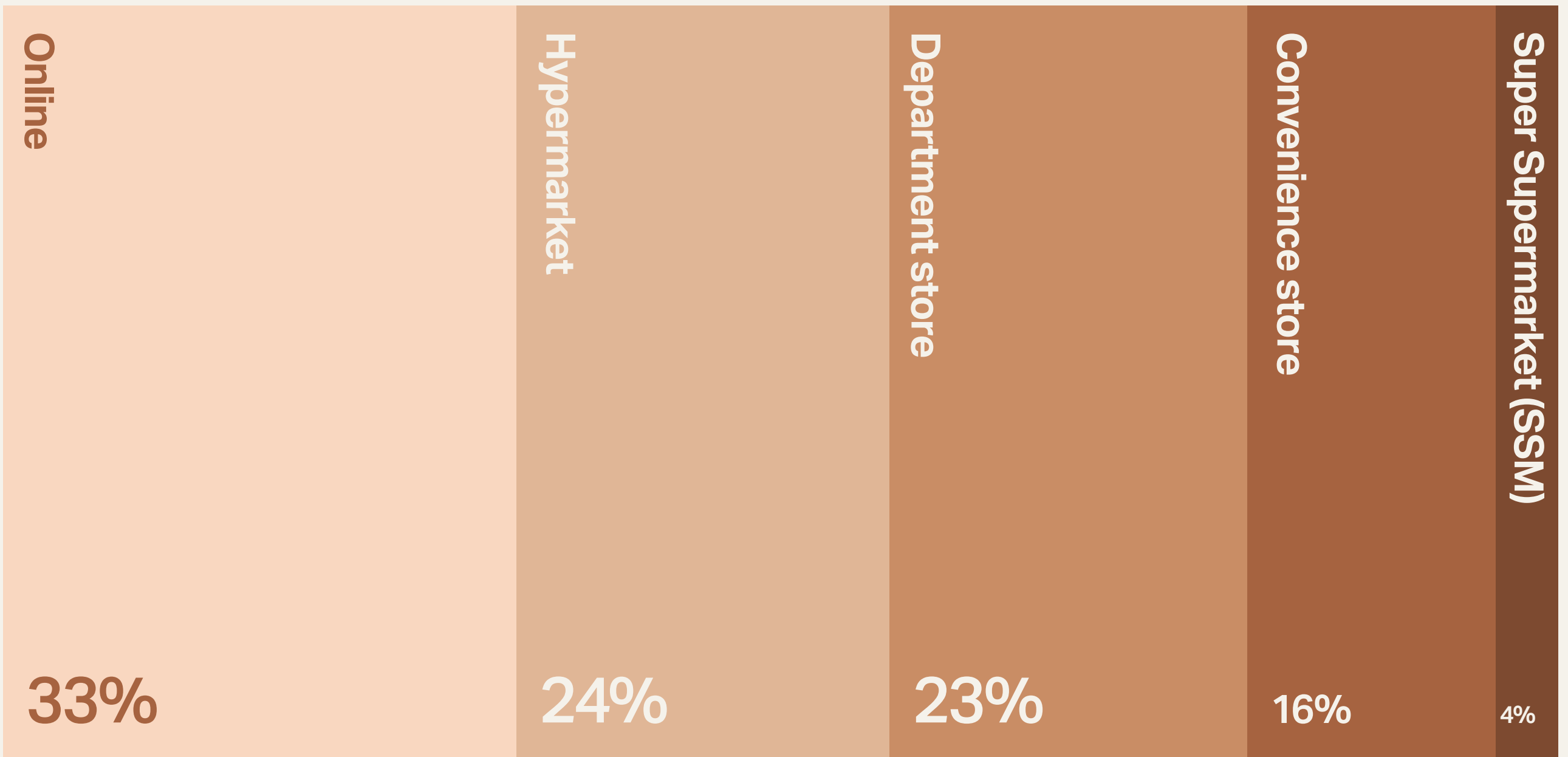


Figure 2: Market size of convenience stores in South Korea, measured based on retail sales (KOSIS@Statista & MPOC Intelligence, 2023).

In terms of revenue, the market size of convenience stores in South Korea soared by 47% to USD24.56 billion in 2023 from USD16.68 billion in 2017. This represents an average year-on-year growth rate of 9%. While the growth trajectory experienced a slowdown from 2019 to 2021 due to the impact of the COVID-19 pandemic, it regained momentum in 2022. According to industry estimates, more than half of these sales comprise food purchases. Convenience stores have emerged as the second-largest offline retail channel in South Korea, following closely behind department stores.

Retail Sales Share South Korea 2017, by Channel



Retail Sales Share South Korea 2023, by Channel

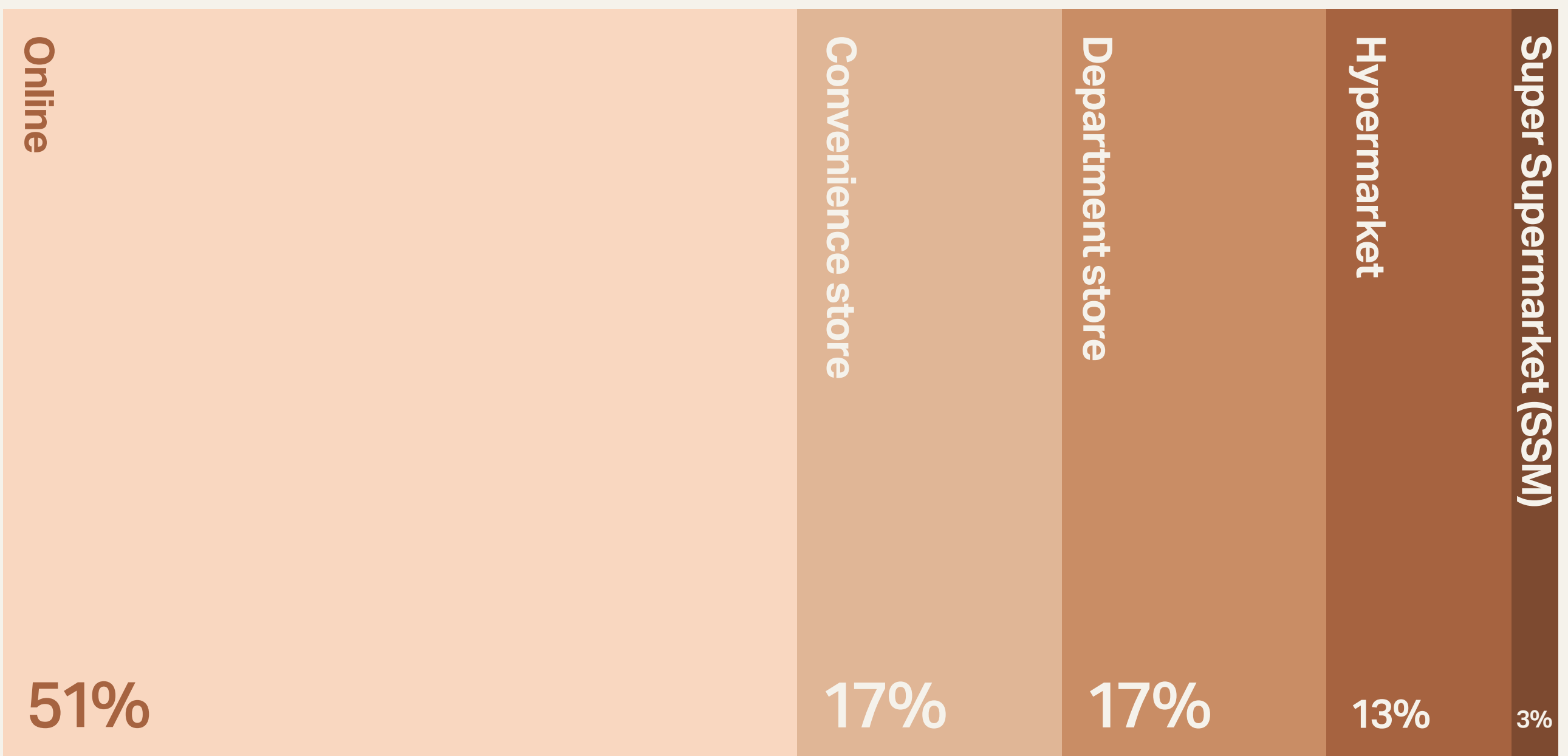


Figure 3: Comparison of retail sales share by channel in South Korea in 2017 vs. 2023 (MOTIE South Korea @ Statista, 2017 & 2023).

Prepared Foods or Ready-to-Eat Meals in South Korea Convenience Stores

Convenience stores in South Korea have adeptly responded to consumer demands by introducing a variety of innovative offerings, including a wide selection of ready-to-eat meals, salads, fruits, and other fresh items. This extensive range caters to the needs of busy individuals who prioritise convenience and nutritious options.

Prepared food, also known as “dosirak” or “bento” in South Korea, is widely available and highly popular among individuals seeking convenient meal solutions. Dosirak typically consists of a balanced combination of rice, protein (such as meat, fish, or tofu), and vegetables, occasionally accompanied by side dishes like kimchi. As consumer lifestyles continue to evolve, the demand for ready-to-eat meals is expected to remain robust.

According to a survey conducted in March 2023 among convenience store customers in South Korea, dosirak and kimbap emerged as the most frequently purchased items, accounting for approximately 52% of respondents. Close behind were instant noodles and snacks. In addition to dosirak, South Korean convenience stores offer a range of other ready-to-eat meals, including hot noodles, fried chicken, kimbap (rice and ingredients rolled in seaweed), dumplings, and pre-packaged salads. These options cater to individuals seeking a quick and satisfying meal on the go.

Most Commonly Bought Items in Convenience Stores in South Korea in 2023

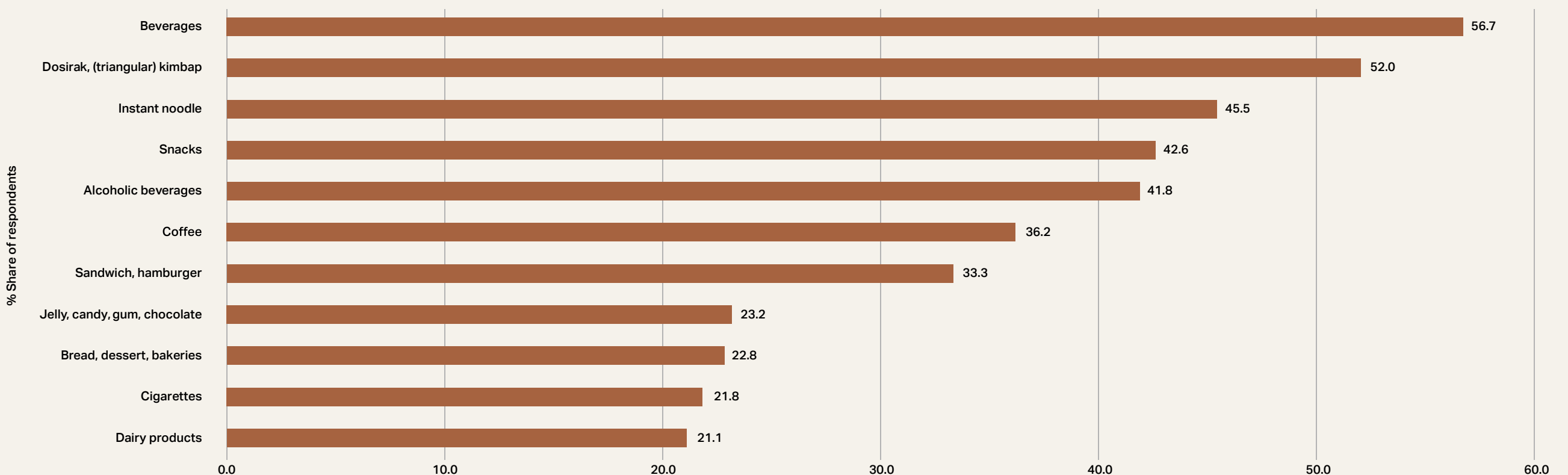


Figure 4: Most commonly bought items in convenience stores in South Korea in 2023 (Trendmonitor@Statista, 2023).

Malaysian Palm Oil Growth Opportunities in the Prepared Foods Market

The South Korean prepared foods market has demonstrated a favourable compound annual growth rate (CAGR) of 5.5% from 2018 to 2023, reaching a sales value of USD6.15 billion in 2023. This indicates a notable increase of 6% compared to the previous year, 2022. The market experienced its strongest performance in 2021, exhibiting a growth rate of 11.9% compared to the previous year, while its weakest performance was observed in 2020, with a growth rate of -0.62% over 2019. The drop in the growth rate in 2020 was due to the home quarantine measures taken by the government during the COVID-19 pandemic.

The remarkable growth in the consumption of prepared foods in South Korea is driven by changing lifestyles, increasing urbanisation, and evolving dietary preferences. The revenue of the prepared foods market in South Korea is expected to amount to USD8.08 billion in 2028 with a CAGR of 5.61% (2023-2028). Amidst this growth, palm oil has emerged as a promising ingredient, offering various opportunities for expansion and utilisation in the ready-to-eat meals market.

The growth opportunities for Malaysian palm oil in South Korea's prepared foods sector are significant. Palm oil's characteristic as a versatile oil that can enhance the texture and shelf life of foods, combined with its competitive pricing compared to other oils, makes it a viable ingredient choice in the prepared foods sector. The growth of Malaysian palm oil usage in the prepared foods sector can be achieved through collaborative efforts between Malaysian palm oil suppliers and convenience store players in South Korea. Responsible sourcing of palm oil can further promote its utilisation in the prepared foods sector, catering to the evolving demands of South Korean consumers. 📌

Most Commonly Bought Items in Convenience Stores in South Korea in 2023

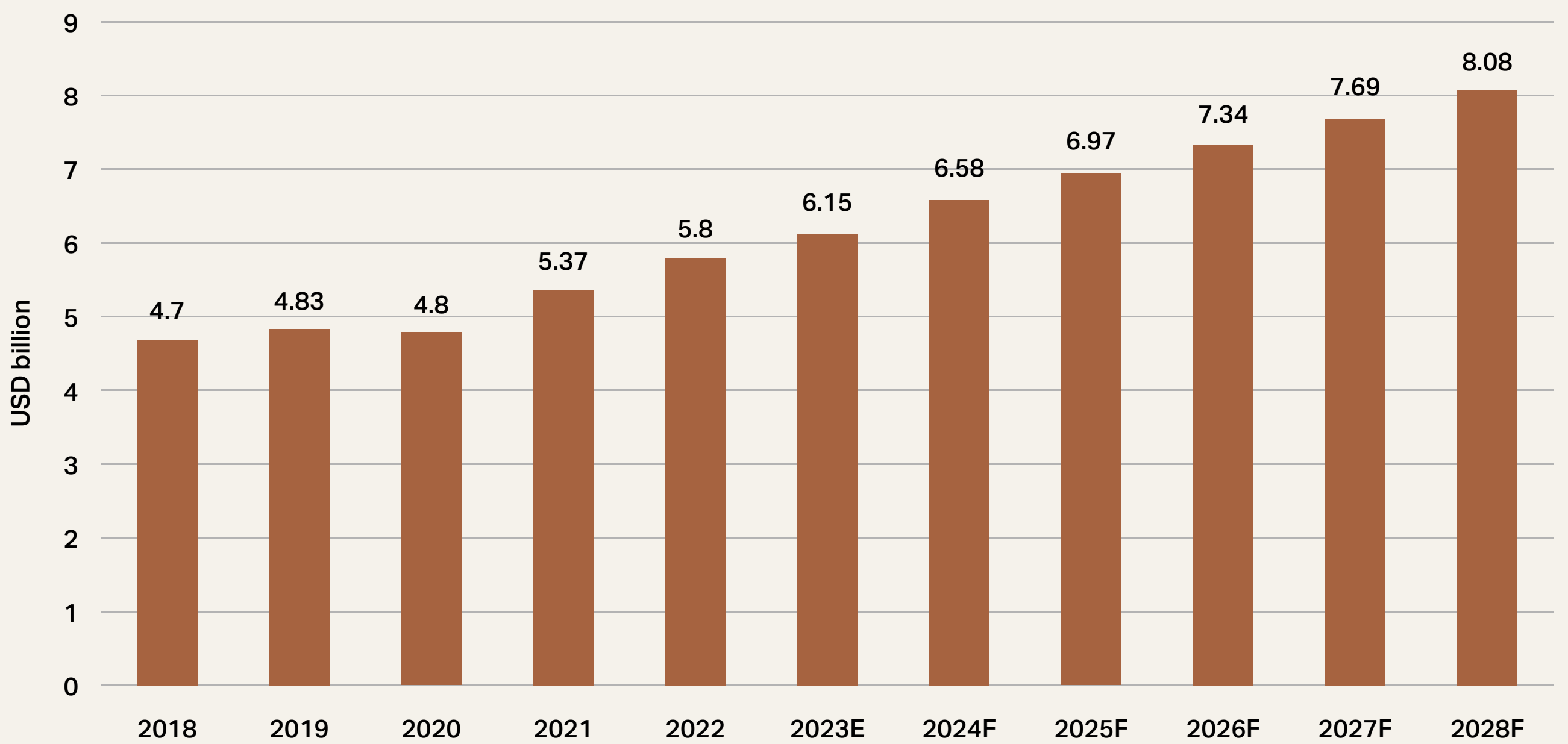


Figure 5: Revenue of prepared foods in South Korea (Statista Market Insights, 2023).

Uzbekistan's Growing Palm Oil Market: Trends and Challenges

In 2023, Malaysian Palm Oil (MPO) exports to Uzbekistan surged by 115%, reaching 50,567 tonnes from 23,532 tonnes in 2022. While the abolition of import duties contributed to this increase, concerns arise regarding a potential decrease post the return of tariffs. However, several trends continue to drive palm oil imports upwards in Uzbekistan.

O'zkiyosanoat, the predominant local industry association encompassing over 90% of oilseed processors in Uzbekistan, reports over 300 vegetable oil production enterprises in the country. Despite substantial processing capacity of approximately 4.3 million tonnes per year for oilseed processing, 500,000 tonnes for vegetable oil production, and an additional 88,000 tonnes for margarine, the utilisation rate struggles to reach 50-60%. Actual consumption of vegetable oils stands at approximately 488,000 tonnes annually, with domestic production contributing 293,000 tonnes. Experts predict a significant reduction in the number of enterprises over the next five years, down to 30-40, through the consolidation of competitive entities and the departure of inefficient ones. The closure of such enterprises, however, may lead to an optimistic surge in the utilisation rate, potentially reaching 80%.

It is likely that in 2024, Uzbekistan will continue to experience an oilseed deficit and a need for vegetable oils. The government may be compelled to secure its domestic industry with necessary raw materials through imports.

Uzbekistan's oil and fat sector grapples with a situation primarily stemming from low domestic production of oilseeds, resulting in significant reliance on imports. To address this challenge and bolster trade, the government has implemented a strategy of zero tariffs on imports, effective since 2021 and extended through 2023, and further prolonged until 2024. From 1 January 2024, to 1 January 2025, a zero rate of customs duty on imported vegetable oil was instituted. This strategic decision aims to meet domestic demand and mitigate inflationary pressures. Notably, the surge in vegetable oil consumption is linked to dynamic growth in the tourism, and hotels, restaurants and catering (HORECA) industries. The influx of tourists, along with continual establishment and expansion of tourist complexes, and opening of new facilities for confectionery and ice cream production, contribute significantly to this heightened demand.

However, it is worth noting that the rapidly growing market has attracted Indonesian suppliers, actively seeking to enter Central Asian markets. Additionally, Russia, a regular competitor in the region, leverages the Eurasian Economic Union to establish itself in neighbouring Kazakhstan and seeks ways to push palm oil suppliers out of Uzbekistan.

According to USDA data, oilseed production in Uzbekistan in 2023/2024 is expected to decrease by 11.97% to 1.21 million tonnes. In neighbouring Kazakhstan, sunflower production is projected to decrease by 5.21% to 1.24 million tonnes, while oilseed production in Russia is forecasted to increase by 5.46% to 28.00 million tonnes. It is likely that in 2024, Uzbekistan will continue to experience an oilseed deficit and a need for vegetable oils. The government may be compelled to secure its domestic industry with necessary raw materials through imports. There is confidence that Russia, being the largest supplier of fat and oil products, will continue to increase its exports to Uzbekistan. Kazakhstan, leveraging its geographical proximity, will maintain its position as a supplier of fat and oil products. Competition in the palm oil market will intensify with Indonesia, which has significantly increased its shipments in recent years. Malaysia has the opportunity not only to increase palm oil deliveries but also to dominate the market for specialty fats needed for Uzbekistan's rapidly developing confectionery industry. Along with the oleochemicals market, this segment has good growth potential. 📌

Did you know?

Palm Oil is the Ideal Choice for Vegetable Oil Blending

Scan for more info



Benefits of using palm oil in oil blending:

- 1 **Achieves a desirable fatty acid ratio**
- 2 **Increases oil stability without partial hydrogenation**
- 3 **Processing is simple and cost-effective**

For a healthy diet, WHO recommends dietary oil consumption in the ratio of

1:1.5:1

Saturated fats : Monosaturated fats : Polysaturated fats

Palm oil

Palm oil's unique properties make it the superior choice for oil blending.



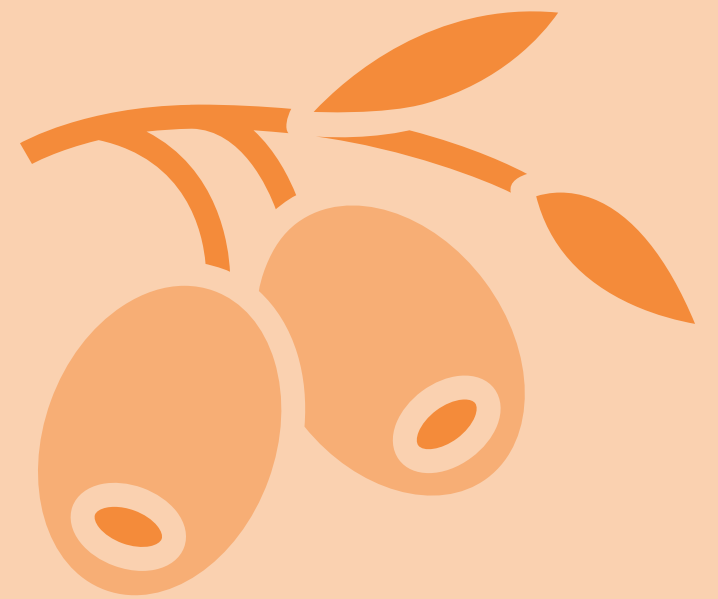
Vegetable oils that are commonly blended with palm oil:



Soybean



Canola



Olive



Sunflower



Peanut



Corn

References

World Health Organization (WHO). The joint FAO/WHO expert consultation on fats and fatty acids in human nutrition: Interim summary of conclusions and dietary recommendations on total fat and fatty acids (2008). Available at: https://www.foodpolitics.com/wp-content/uploads/FFA_summary_rec_conclusion.pdf

Analysis and Outlook for March 2024:

CPO Prices Expected to Remain within the Trading Range of RM3,700 (USD777) to RM3,950 (USD830)



In March, it is anticipated that CPO prices will remain within the same trading range observed in February. However, there is a possibility of prices easing by the end of March. Several key factors will influence palm prices in March, such as:

1

The conclusion of the low season for palm oil production in March may lead to palm oil prices reflecting the anticipated recovery of production in April.

2

The upcoming soybean supply from South America is poised to affect global soybean prices. Brazil's soybean harvest progress has reached 48% as of 29 February, with projections to reach 70% by March. Soybean harvesting in Argentina is anticipated to commence in the second half of March.

3

Both Malaysia and Indonesia currently have low palm oil inventories. According to GAPKI, Indonesia's palm oil inventory stood at 3.14 million tonnes as of December 2023.

A Brief Market Recap

The Biden administration's approval of year-round sales of E15 gasoline (gasoline with 15% ethanol), effective from April 2025, marks a significant development. Currently, the US Government imposes restrictions on the sale of E15 gasoline during summer months due to environmental concerns over smog. Increased ethanol consumption might lead to a decrease in biodiesel consumption.

Brazil's largest farm cooperative began 2024 with grain inventories 50% higher than in 2023, driven by a bumper crop and sluggish exports. Coamo Agroindustrial Cooperative, a company involved in the purchase and marketing of grains, beans, and other crops in Brazil, commented that soybean deliveries from the 2024 crop are pressuring its existing storage capacity.

On 28 February, GAPKI announced that Indonesia's palm oil inventory stood at 3.14 million tonnes as of 31 December 2023. This marks the lowest year-end stocks recorded in Indonesia since 2015. CPO prices traded on Bursa Malaysia increased by RM63 (USD13), closing at RM3,970 (USD834) the following day.

MPOB: Malaysia January 2024 Data

Table 1: Monthly statistics of Malaysian palm oil for January 2024 (MPOB, 2024).

	January 2024 (in million tonnes)	December 2023 (in million tonnes)	Changes from December 2023 (%)	January 2023 (in million tonnes)
Opening Stocks	2.291	2.402		1.618
Production	1.402	1.551	- 9.59	1.380
Palm Oil Imports	0.029	0.040	- 26.38	0.156
Exports	1.350	1.362	- 0.85	1.136
Local Disappearance	0.352	0.341	3.22	0.318
End Month Stocks	2.019	2.291	- 11.83	2.268

What to Expect in February 2024

Malaysian palm oil stocks continued their downward trend in January 2024, declining by 11.83% to 2.019 million tonnes. This marks the lowest level of stock registered since July 2023. The reduction in palm oil inventory exceeded industry expectations, driven primarily by reduced imports, robust domestic consumption, and exports.

In January 2024, Malaysian palm oil imports experienced an 81% decrease year-on-year, plummeting to 0.029 million tonnes. This amount accounts for merely 3.2% of total imports in 2023. Historically, Malaysian palm oil inventory has heavily relied on imports for build-up. Therefore, closely monitoring the upcoming month's import figures is crucial to gauge palm oil stock levels in Malaysia.

Another significant factor contributing to the larger-than-anticipated decline in stocks is the strong domestic consumption and exports. Malaysian palm oil exports and domestic consumption both reached their highest levels for the month of January since 2020.

It is unlikely that Malaysia's palm oil stocks will experience any growth in March due to robust domestic consumption, particularly during the Ramadan month. Additionally, production is not expected to increase until April and beyond.

Palm Oil Price Outlook in March 2024

The CPO price outlook for March is anticipated to remain relatively stable compared to February, with prices expected to stay within the same trading range of RM3,700 (USD777) to RM3,950 (USD830). The strong price trends observed in the first two months of 2024 is predominantly influenced by the dynamics of supply growth deficit.

As the low season for palm oil production ends in March, palm oil prices may begin to reflect the expected recovery in production and inventory levels in April and May, potentially putting a cap on palm oil prices. Furthermore, the price premium of palm oil over soft oils continued to widen in February. Figure 6 illustrates that the palm oil price premium over sunflower oil in Europe widened from USD38 to USD65 in February, while the premium over soybean oil stood at USD70. This also marks the first instance of palm oil prices surpassing the prices of three major soft oils concurrently in the European market.

The forthcoming soybean supply from South America is likely to continue exerting pressure on soybean prices. Soybean

harvesting season in Brazil and Argentina typically spans from March to May. However, due to adverse weather conditions in Brazil, farmers began soybean harvesting in January, with harvest progress reaching 48% as of 29 February and expected to reach 70% by March. Meanwhile, Argentina will adhere to its schedule, commencing harvesting in the second half of March.

According to Oil World, soybean production in South America for 2024 is forecasted to grow by 9.6%, reaching 218 million tonnes, whereas soybean production in the United States is anticipated to decrease by 2.5%, reaching 113 million tonnes. The United States typically begins soybean planting in May and harvests in September. This implies that a significant portion of the soybean supply enters the market between March and May, coinciding with South America’s harvesting season.

Price Premium or Discount (-) on Sun Oil, Soy Oil, Rape Oil over Crude Palm Oil in European Market (USD per tonne)

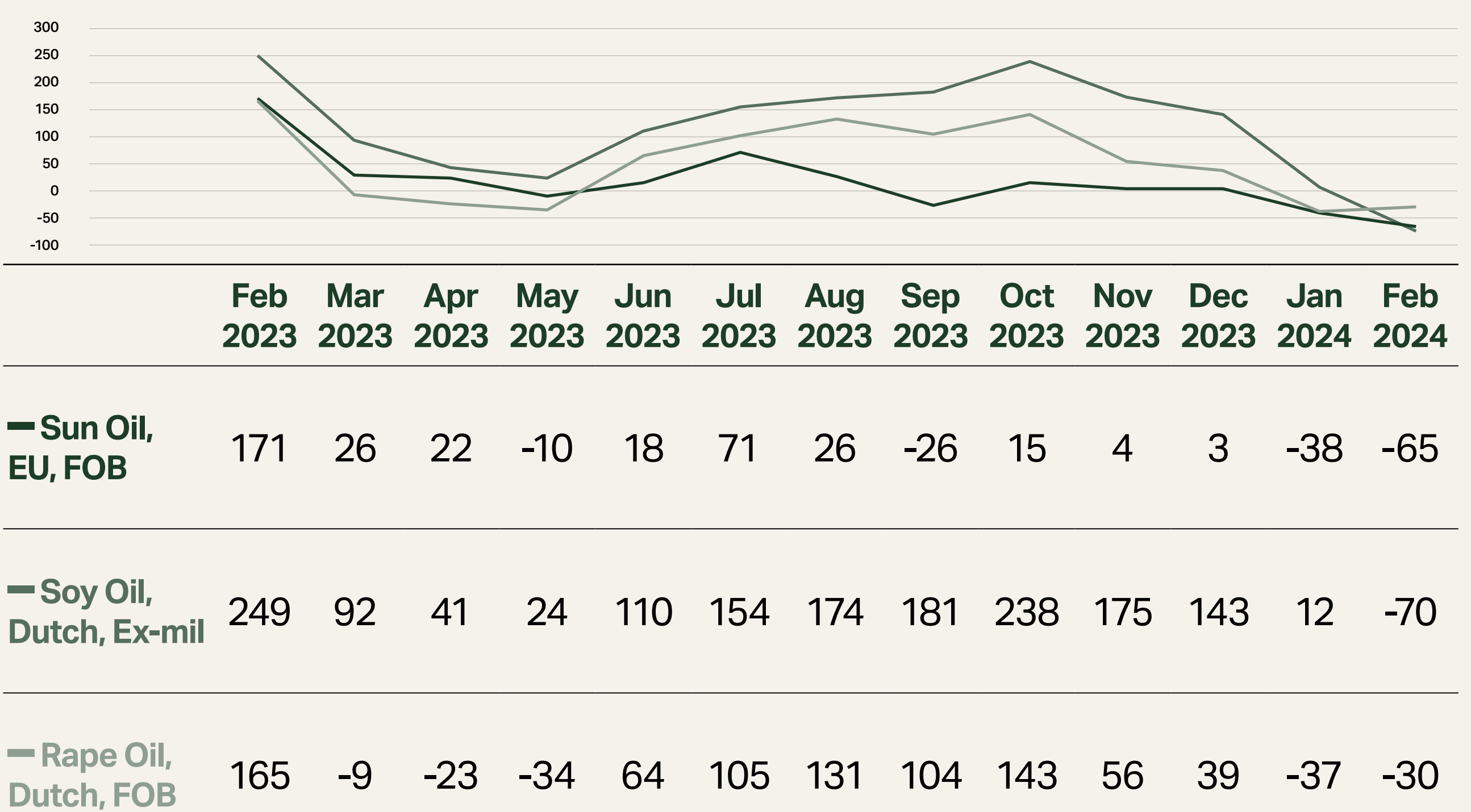
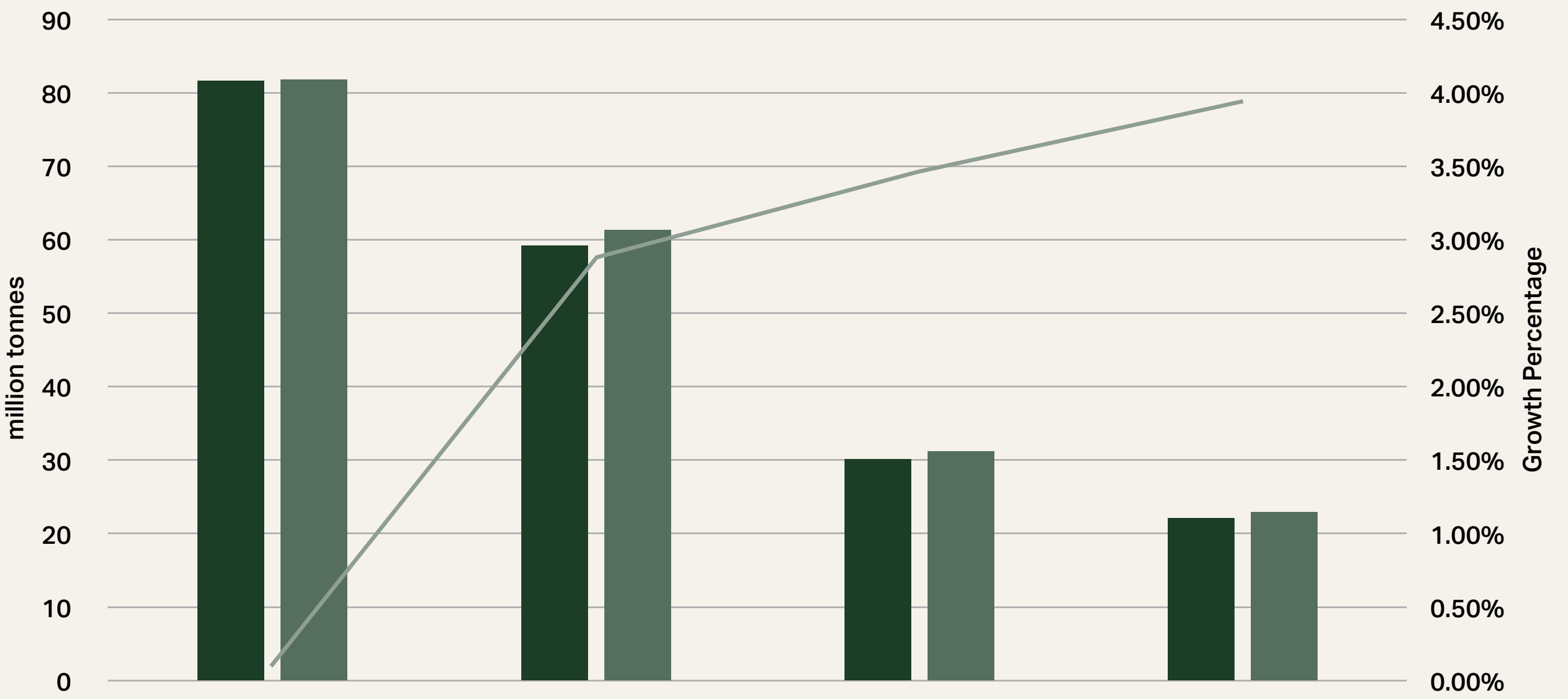


Figure 6: Price premium or discount (-) on sun oil, soy oil, and rape oil over crude palm oil in Europe (OilWorld, 2024).

Global Production of Major Vegetable Oils (million tonnes)



	Palm Oil	Soybean Oil	Rapeseed Oil	Sunflower Oil
■ 22/23	81.57	59.4	30.21	22.07
■ 23/24 (F)	81.66	61.11	31.26	22.94
— Growth (%)	0.11	2.88	3.48	3.94

Figure 7: World production of major vegetable oils (OilWorld, 2024).

The United States typically begins soybean planting in May and harvests in September. This implies that a significant portion of the soybean supply enters the market between March and May, coinciding with South America’s harvesting season.

The announcement by GAPKI regarding Indonesia's palm oil inventory of 3.14 million tonnes as of December 2023 further indicates tight palm oil supply. Therefore, it is predicted that combined palm oil stocks of Malaysia and Indonesia will be less than 5 million tonnes in February 2024. Figure 7 illustrates that global palm oil production is projected to rise minimally by 0.11%, whereas production growth for soybean oil, rapeseed oil, and sunflower oil is expected to increase by 2.88%, 3.48%, and 3.94%, respectively.

Palm oil prices are anticipated to continue following their independent price trend, as observed in January and February 2024, primarily due to low palm oil stocks in both Malaysia and Indonesia. However, a bullish price movement is unlikely due to the ample supply of soybeans from South America entering the global market from March onwards, as well as the gradual seasonal recovery of palm oil production in Malaysia. Palm oil prices were trading at a premium of USD30 to USD70 above soft oils in February. Therefore, a recovery in soft oil prices is expected in March to narrow the price spread.

Exchange rate: USD1 = RM4.76 ₪

1

Indian Institute of Foreign Trade's Students visit to MPOC

17 January 2024 ● MPOC HQ, Selangor, Malaysia



1 & 2

Caption

1 & 2 MPOC hosted a group of 24 final-year students from the Indian Institute of Foreign Trade, Kolkata, led by Dr. Jayanta Kumar Seal. The students were briefed by Mr. Faisal Iqbal, General Manager of Marketing and Market Development on the Malaysian palm oil industry and its trade with major markets, including India. The session with the group was highly engaging, with students expressing their keen interest in learning about the palm oil market, as well as the MSPO sustainability scheme.

2

Inner Beauty Tokyo 2024

17–19 January 2024 ● Tokyo International Exhibition Centre, Tokyo, Japan



3 & 4

- 3 MPOC participated in the Inner Beauty Tokyo 2024 event held at Big Sight Tokyo, Japan, alongside Malaysian companies such as Phytogaia Sdn. Bhd., Nutri Action Sdn. Bhd., Sacha Inchi Marketing Sdn. Bhd., and Morimoto Formula Sdn. Bhd.
- 4 During the 3-day event, Malaysia showcased health and beauty products derived from sustainable palm oil raw materials, exploring the intersection of beauty and sustainability in Japanese market.

3

IKA/Culinary Olympics 2024

3-7 February 2024 ● Messe, Stuttgart, Germany



5



6



7

- 5 MPOC in collaboration with the Worldchefs Association participated in this event, showcasing Malaysian palm oil product brands at the exhibition booth, as well as hosting cooking demonstrations.
- 6 MPOC was joined by Nonosugar Health Tech and Saha Asia Industries as co-exhibitors in the event, showcasing palm-based products.
- 7 MPOC's involvement in collaboration with the Worldchefs Association during the Culinary Olympics 2024 underscores our commitment to sustainability and our mission to encourage informed consumer choices worldwide.

4

MSP0 Recognition; Roadshow Factory Briefing, Egypt

14 February 2024 ● Al Ahmady for Chocolate and Food Industries, Cairo, Egypt



8 & 9

8 & 9 MPOC Egypt organised an informative programme at Al Ahmady Food Industries Factory, focusing on Malaysian palm oil advancements and its application in chocolate manufacturing. The event highlighted the benefits of the MSP0 certification and delved into various aspects such as palm oil composition, production techniques, properties, and its diverse applications.

Expo

Food Ingredients China (FIC 2024)

Date & Venue

20–23 March 2024 ● National Exhibition and Convention Centre, Shanghai, China

Summary

Join MPOC and four Malaysian palm oil companies, namely Sime Darby Oils, Premium Vegetable Oils, Britz Networks, and ExcelVite, at our booth (51J04 at Hall 5.1) during the 27th Food Ingredients China exhibition (FIC 2024) from 20 - 22 March.

This exhibition has been expanding year by year, attracting not only food industry players from China but also international visitors seeking food ingredients from China and surrounding regions. As a result, it presents extensive opportunities for palm oil stakeholders to penetrate the Chinese and international markets, while providing valuable insights and updates on developments in China's food processing sector and market.

Visit our booth to discover the range of palm products and services offered, and learn more about the Malaysian Sustainable Palm Oil (MSPO) certification, which offers

sustainable solutions for the development of the food processing industry. Mark your calendar and visit us at our booth to discover more!

Learn More



Programme

5th Global Oils and Oilseeds Industry Summit

Date & Venue

29 March 2024 ● Marriott Hotel, Nantong, Jiangsu Province, China

Summary

MPOC, in collaboration with LYDODO, CFNA, and Galaxy Futures, will be co-organising the 5th Global Oils and Oilseeds Industry Summit on 29 March 2024 at the Nantong Marriott Hotel.

This annual summit brings together experts from both overseas and local sectors to share the latest insights into the global and Chinese markets for oils, oilseeds, and oilmeals. Participants will gain a comprehensive understanding of the demand for oils and fats and how China's supply and demand dynamics influence the global market, and vice versa.

The event will also provide valuable networking opportunities with major oils and fats traders and users. Limited free passes are available for Malaysian participants on a first-come, first-served basis. Don't miss this chance to attend the first major industry summit of the year in China!

Expo

SupplySide East

Date & Venue

*16–17 April 2024 ● Meadowlands Exposition Center,
New Jersey, USA*

Summary

Come and visit us at booth #406 at SupplySide East 2024 in New Jersey, USA! MPOC is thrilled to be joined by Twin Rivers Technologies, PhytoGaia, and Softgel Manufacturing. Don't miss out on the opportunity to explore our wide range of products, engage with experts, and stay updated on the latest trends in the health and nutrition industry.

Seminar

Sustainable Beauty Ingredients by MPOC

Date & Venue

*17 April 2024 ● Education Theatre, Meadowlands
Exposition Center, New Jersey, USA*

Summary

Come and visit us at booth #406 at SupplySide East 2024 in New Jersey, USA! MPOC is thrilled to be joined by Twin Rivers Technologies, PhytoGaia, and Softgel Manufacturing. Don't miss out on the opportunity to explore our wide range of products, engage with experts, and stay updated on the latest trends in the health and nutrition industry.



Discover MPOC's all-new website!

Dive into our trove of valuable resources, insightful content, and seamless navigation, designed to elevate your understanding of Malaysian palm oil.



Visit mpoc.org.my now
and experience the difference.

#MPOC #NewWebsite



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