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Central Asian Republics (CAR): A Vast Region, yet Untapped for Edible Oils

FIVE former USSR states – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – which are referred to as the Central Asian Republics (CAR), comprise a huge region of four million sq-km or 24% of the size of Russia. The region is located in the centre of the Euro-Asian continent, bordering Russia, Iran, Afghanistan and China.

Despite having such a vast area of land, the region last year had a combined population of only 61 million people. Uzbekistan, the third largest in the region, is the most populous country with 27.5 million people or 45% of the region's total population. Population density is low, at about 15 inhabitants per sq-km. This low density is due to the geographical landscape of the region, which is mostly mountainous and rugged terrain.

After the collapse of the Soviet Union in late 1991, all 15 republics under it won their independence and formed their own governments. The five CAR countries, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan, were no exception in undertaking reforms. As moves toward independence began, most of the 15 ex-USSR countries had to struggle to build their own nations. The region faced a difficult period of transition, as each country no longer had the backing of the federation, now Russia, and some of them were left behind in terms of infrastructure development.

However, the region is rich in minerals and natural resources, which enabled the development of the countries there. It is estimated that the Caspian region contains about 4% of the world's known oil reserves. The development in the oil and

gas sector has driven the economic boom and reform of the CAR.

Besides oil and gas, the services industry (including tourism and hospitality) contributes the most to the region's GDP – and this is despite approximately 42% of the region's population being involved in the agriculture sector, mainly in cotton production.

The economies of these five countries are affected by the salient geographical characteristics of the landlocked and mountainous region. Due to this, logistics has always been an issue and external trade has slowed down because of the time taken to deliver goods to the final destinations. In addition, the reluctance of the ruling governments to embrace a more liberalised economy has thwarted the economic viability of these countries.

Domestic Oilseeds, Oils and Fats Scenario

Central Asia produces almost 7% of the world's cottonseed. The region produces around 3 million MT of cottonseed annually, but last year's production was lower, at 2.68 million MT. For the period 2009-10, Uzbekistan alone accounted for 71.19% of the total cottonseed produced in the region, with Turkmenistan second, accounting for 16.4% of the production. The other three countries, Kazakhstan,

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MARKETING & MARKET DEVELOPMENT DIVISION

DIRECTOR

Wira Adam wira@mpoc.org.my

MANAGERS

Muhammad Kharibi Zainal Ariffin
kharibi@mpoc.org.my

Mohd Izham Hassan
izham@mpoc.org.my

MARKET ANALYSTS

Asia Pacific
Desmond Ng Kok Hooi
desmond@mpoc.org.my
Lim Teck Chai
lim@mpoc.org.my

South Asia
Fatimah Zaharah Md Nan
fatimah@mpoc.org.my

Middle-East
Mohamad Suhaili Hambali
msuhaili@mpoc.org.my

Africa
Nor Iskahar Nordin
iskahar@mpoc.org.my

Europe
Azriyah Azian
azriyah@mpoc.org.my

Americas
Ahmad Fadzli Abdul Aziz
fadzli@mpoc.org.my

For more information, please contact
Tel : 603 - 7806 4097 Fax: 603 - 7806 2272

Table 1: CAR – Cottonseed Production ('000T)

	2005/06	2006/07	2007/08	2008/09	2009/10
Kazakhstan	256	239	241	175	145
Kyrgyzstan	60	65	51	46	25
Tajikistan	246	242	231	194	163
Turkmenistan	370	420	460	510	440
Uzbekistan	2,125	2,052	2,118	2,115	1,910
Total	3,057	3,018	3,101	3,040	2,683

Source: Oil World

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Correction expected

by *Benny Lee*
Chief Market Strategist
of NextView Group

Bursa Malaysia Derivative Crude Palm Oil Futures (FCPO) continued its bullish rally in September with a buying frenzy, ahead of the year-end target I mentioned in my last article. In a month, the price of FCPO surged 12.5% to settle at RM3,007 per metric tonne on Oct 22.

The target price from my forecast was RM2,950. High demand for crude palm oil was the main reason for the rally and as the US dollar started to strengthen in September, crude palm oil was a better alternative to soybean oil.

Trading volume was firm last month with an average daily trading volume of 10,100 contracts as compared with the previous month's daily average of 9,900 contracts. Open interests remained almost unchanged at 24,000 contracts on a daily average. I have also mentioned, in my last article, that traders of FCPO are holding on to their long positions. So far, there is no selling pressure on the FCPO.

Slower production of FCPO and continued overwhelming demand for FCPO has supported its price. The Indonesian Palm Oil Board has said that the country's output, based on an industry forecast, will likely rise by 6% to 7% this year to 21 million metric tonnes. Indonesia's output has grown at an annual rate of 9 to 10%, and IPOB says output would probably not increase so much next year, due to re-planting plans.

The Malaysian Palm Oil Board (MPOB) said early in October that Malaysia's palm oil output this year would likely be unchanged from last year's 17.6 million metric tonnes. However, Malaysia's exports continue to rise.

According to the estimate of cargo surveyor SGS (Malaysia) Bhd, palm oil exports from the period Oct 1 to 20 rose 5.4% compared with the same period in September, while another surveyor, Intertek Agri Services Sdn Bhd estimates a 4.2% increase. According to MPOB, September's export was up by 21%.

Therefore, the increase in October, as a follow-up to strong exports in September, shows that the demand is still strong.

The price of FCPO continues to remain bullish. In fact, it has been too bullish, for the price of FCPO is currently trading 7% above the short-term 30-day average and 15% above the long-term 90-day average. The short- and long-term moving averages band continues to expand and this shows strong momentum in the uptrend.

Momentum indicators such as the Relative Strength Index (RSI), MACD and the Momentum Oscillator are making new highs and this shows that the market is totally controlled by the bulls. It was the same indication two months ago, and there are signs of the bullish momentum easing.

The price has been more volatile last month as compared with the previous month. The Bollinger Bands indicator, which calculates price volatility, started to expand in the second week of October.

The price is currently trading at the top band of this indicator and this shows extreme bullish momentum. The average weekly trading range for last month was RM137, higher than the previous month's weekly trading range of RM105. This shows that there was a very strong momentum last month.

The price can still be supported with favourable fundamentals. However, from the price chart, price seems to be overbought. The buying frenzy has pushed the price of FCPO beyond expectations. While there are no signs of the bullish momentum slowing down on the chart, the overbought price needs to be corrected. As any chartist would agree, the faster the price rises, the sharper it falls. I would not expect price to fall sharply though, because of the strong trend that it

has developed this year. I would expect a mild correction.

On the price chart, a parallel uptrend line channel can be established. The support level (bottom line) of the channel is currently at RM2,750 while the short-term moving average is at RM2,800. The resistance (top line) is at RM3,050.

With a strong bullish momentum and sentiment, I would expect the price to test the resistance level of between RM3,050 and RM3,100 before a pull back for a correction starts. At RM3,007, there is still some room for the price to move up. Then, I would expect a correction to happen and the price should find support between RM2,850 and RM2,900 in the next two months. Therefore, I'd expect the price of FCPO to trade between RM2,850 and RM3,100 in the very near term. The major trend will remain bullish, as long as it stays above RM2,800. ■

Mr. Benny Lee is a private trader, trainer and sought-after speaker in the financial market. He is the Chief Market Strategist for NextView Group. NextView Group is a group of companies in the Asian region that provides a leading real-time investment tool for both professional and retail investors. NextView is also a leading Investor Education training provider. For more information, log on to www.nextview.com.

The above analysis and commentary is based on the writer's personal opinion towards the price of crude palm oil using technical analysis and should not be construed as any form of investment advice. The writer will not be responsible for any decision made from using the above article.



FCPO daily chart as a 22 October 2010.
Charted by Benny Lee using NextView Advisor Professional



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Having served the Malaysian Palm Oil Board (MPOB) for 61/2 years in his career, the Managing Director of PLT Scientific, Tee Ka Siew, always has a soft spot for our local agricultural developments. Naturally, he is constantly on the hunt for innovations to help the research and development efforts of the local food and agricultural industries. A recent result of that special zeal of his is seen in PLT Scientific's appointment as the exclusive distributor for two cutting-edge analytical equipment, namely the CDR PalmOil Tester from Italy and Oxford Instruments' NMR Bench Top Systems for fats and oil analysis from UK. The CDR PalmOil Tester is certainly a handy tool for palm oil analysis work in our various palm oil processing plants and oleo chemical companies, while the Oxford Instruments' NMR Bench Top Systems would be of great help to the food processing, biotechnology, petrol-chemical, textile and palm oil industries.

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Malaysian Palm Oil in the CIS

Focus on Russia and Ukraine

AS significant as their counterparts in the European Union circle, the “giants” of the Commonwealth of Independent States, Russia and Ukraine, have a major influence on the oils and fats supply and demand balance of the whole of Eastern Europe. Changing consumption patterns have been seen in these two CIS countries over the last 10 years. The growing dependency on palm oil, as against soybean oil, in the usage as specialty fats and for the production of margarine and mayonnaise, as well as soaps and detergents in Russia and Ukraine, has been quite apparent.

With population growing every year, the domestic production of oils and fats has not been able to keep pace with the requirements in these two countries, especially in Russia, which has a population of more than 145 million. This has led the country to import attractively priced palm oil as an economical alternative in the manufacturing of its industrial products.

However, things may seem to be different in Ukraine, where imports of vegetable oils have dropped since last year, and palm oil has not been spared in this either. This could be attributed to the economic meltdown and the devaluation of the Ukrainian currency. Nevertheless, bumper sunflower seed crops last year, which had led to higher crushing activities, coupled with domestic consumer preference, continues to boost sunflower oil consumption.

Importance of Sunflower Oil in the Domestic Market

Russia and Ukraine are currently the two biggest producers of sunflower oil in the world. Combined production of sunflower oil in 2009 was recorded at more than 5.8 million metric tonnes (MT) or 44% of the total world sunflower oil production. This represents an increase of 20% from the previous year.

However, the worst drought to hit the region, in August this year, affected Russia and some parts of Ukraine and has had a major impact on the crushing activities, in Russia in particular. A total of 5.86 million MT of sunflower seed are expected to be crushed in Russia this year, a decline of 1.05 million MT from last year.

However, in Ukraine, the area planted under sunflower seed in the very early part of this year was higher than expected, and so the country largely escaped the damage caused by the drought. The recent bumper harvest will boost the rate of crushing, with 6.88 million MT of sunflower seed expected to be crushed in Ukraine this year, or an increase of almost 200,000 MT from last year.

Total production of sunflower oil in Russia will see a decrease to 2.46 million MT in 2010 from the 2009 figure of 2.94 million MT, while Ukraine’s total sunflower oil production this year is forecast to be 2.95 million MT, as against 2.87 million MT in 2009. Therefore, the combined total production for both

countries will see a decrease to 5.41 million MT, or 45% of the total global sunflower oil production in 2010.

Ukraine will continue to be the major world exporter of sunflower oil and export this year is forecast to be at 2.5 million MT, an increase of 165,000 MT from 2009 figure. Major export markets include India, the Middle East (largely Egypt, Iran and Algeria), Turkey and the EU 27, as well as the other CIS countries.

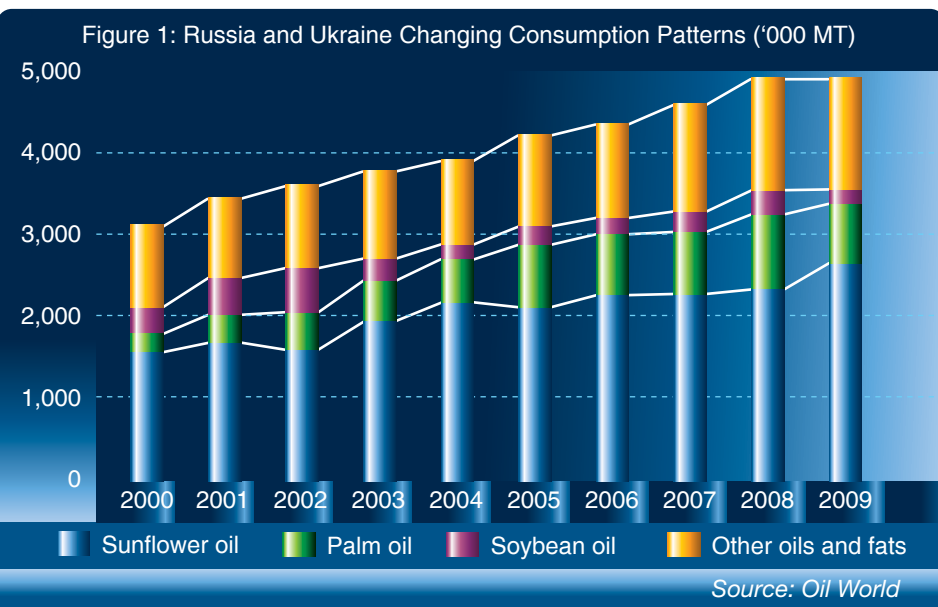
Domestic preference for sunflower oil will continue to boost the consumption of this oil in both these countries, although the rate is expected to go down to 2.59 million MT in 2010, or by 83,000 MT or 3% from a year before. In Russia, competing oils such as palm oil and soybean oil are expected to win the market share, especially for margarine production.

Soybean oil production in the current season, October 2010 to September 2011, is expected to increase by 14% to 384,000 MT and consumption is likely to reach 220,000 MT, up 15% from around 190,000 MT during the last season. Palm oil consumption is likely to increase by 7% to 540,000 MT. Palm oil and palm kernel oil also remain high as the most imported oils in Ukraine, with more than 90% of the market share.

Palm Oil versus Sunflower Oil

Based on MPOB figures, Malaysian palm oil and palm products exported to Russia and Ukraine were recorded at 249,888 MT and 597,622 MT respectively in 2009. During this year, three major palm products were exported to both countries, namely palm oil, palm kernel oil and oleochemicals. In Russia, Malaysian palm oil holds almost 50% of market share, followed by Indonesia with 21%. A sizeable amount of palm oil was imported via Ukraine and the rest was sourced from the EU countries. On the other hand, 50% of the palm oil imported by Ukraine comes from Indonesia, followed closely by Malaysian palm oil with a 46% market share.

In recent years, the surge in palm oil imports began to put pressure on the local ingredients and oils and fats producers, especially in Russia. This prompted the dairy union to pressure the government to increase the import tariff on palm products, claiming that the surge in the import of palm fats and shortenings was having a significant impact on the domestic dairy sector. However, the affected palm oil suppliers say that the dairy union, in putting forward its justification for a higher tariff, suggested that poor quality palm products have affected the quality of the locally produced ice creams and chocolates.



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Yemen

Another great market for Malaysian palm oil



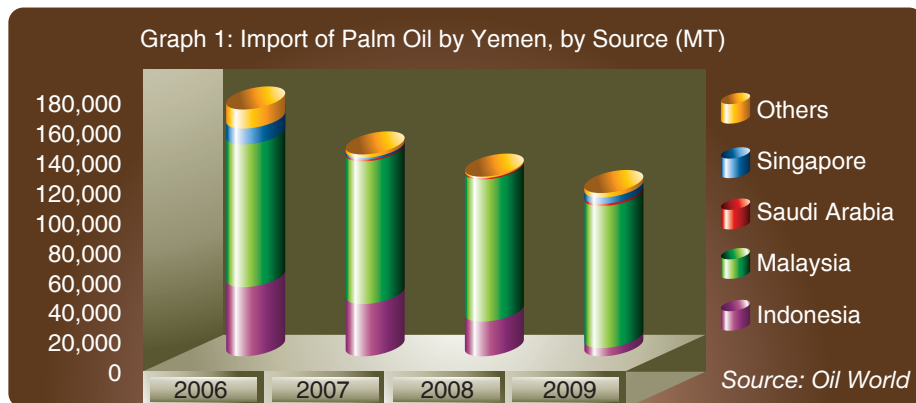
LOCATED in the south-western corner of the Arabian Peninsula and bordering the Arabian Sea, Gulf of Aden and Red Sea, south of Saudi Arabia and west of Oman is Yemen, the world's 49th largest country.

Almost as large as Thailand, and larger than the state of California in the United States, the Republic of Yemen has a population of some 22.9 million, according to a July 2010 estimate. This means the country has the highest population density in the Arabian Peninsula and by the year 2050, Yemen's population is expected to increase to about 60 million.

Despite significant progress made to expand and improve its economy, Yemen to date continues to depend heavily on its declining oil resources for revenue. Some 25% of its GDP comes from petroleum, which accounts for 70% of the government revenue. The country has almost been unaffected by, and insulated from, the effects of the recent global economic chaos because of its underdeveloped financial system, which is not well integrated with the international system.

Yemen has tried to counter the effects of its declining oil resources by diversifying its economy through an economic reform programme initiated in 2006, which is designed to bolster the non-oil sectors of the economy and attract foreign investment.

Since then, Yemen has actively diversified its economy, including aggressively importing edible oils and



fats for household and industry sectors. Food is the main import item of Yemen and the country is solely dependent on the imports of oil and fats to fulfill its requirements.

Yemen's oils and fats imports have experienced volatility over the years. In the last four years, imports have decreased from 195,800 metric tonnes in 2006 to 138,100 MT in 2009. Palm oil has been consumed for a long time and is the major portion of oil imported into Yemen.

Regardless of the fluctuation in imports, which also affect sunflower and corn oils, palm oil continues to hold the major share, accounting for 81% (or 112,500 MT) of Yemen's import of oils and fats, followed by corn oil at 8,200 MT and palm kernel oil at 7,600 MT (Table 1).

The palm oil imported is mainly from Malaysia, which accounts for 85% of Yemen's palm oil imports, followed by Indonesia (6%) and Singapore (4%)

(Graph 1). The oil is imported mostly for domestic consumption, with a small portion of it being re-exported as finished products, mainly to West Africa. After a slight decrease in 2008 to 94,900 MT over the 2007 import of 96,800 MT, the import of Malaysian palm oil rebounded to 95,700 MT in 2009. During the same period, imports from Indonesia dropped tremendously, by 70%, from 26,100 MT in 2008 to only 7,800 MT last year.

The bulk of the palm products imported into Yemen are used in the edible oils sector. RBD palm oil and stearin are mainly used in the formulation of vegetable ghee while palm olein is used as cooking oil by both the industrial and household sectors. RBD palm stearin is used for soap production as well. The import of palm kernel products, especially RBD palm kernel oil and olein, are picking up and there is potential for these imports to grow.

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Central Asian Republics (CAR): A Vast Region, yet Untapped for Edible Oils

Tajikistan and Kyrgyzstan, made up the balance of 12.4%. Other oilseeds, such as sunflower and rapeseed, are also produced and for the 2009-10 production period, the volumes were about 465,000 MT and 140,000 MT respectively.

The total cottonseed produced generated about 433,000 MT of cotton oil last year, which provided for 43% of the total oils and fats requirements of the region. Sunflower, the second largest oilseed crop produced in the region with a volume of 154,600 MT in 2009, supplies 15% of the total oils and



Table 2: CAR – Oils and Fats Consumption ('000 T)

	2005	2006	2007	2008	2009
Soybean oil	23.5	20.9	37.4	34.6	35.7
Cotton Oil	452.2	465.7	462.4	476.0	439.1
Sunflower Oil	207.9	241.1	237.4	256.0	348.5
Rapeseed Oil	3.5	22.5	22.7	24.0	24.1
Corn Oil	0.9	0.6	1.3	1.5.0	0.1
Coconut Oil	0.1	0.7	1.5	1.0	1.6
PO	30.8	24.3	23.3	31.0	21.8
PKO	5.9	4.3	4.7	5.0	4.9
Butter Fat	37	35.2	39.9	38.0	42.8
Lard	28.4	27.3	30.1	28.0	25.4
Tallow & Grease	51.8	54.3	56.2	58.0	59.5
Total	842.0	896.9	879.5	952.7	1003.5

Source: Oil World

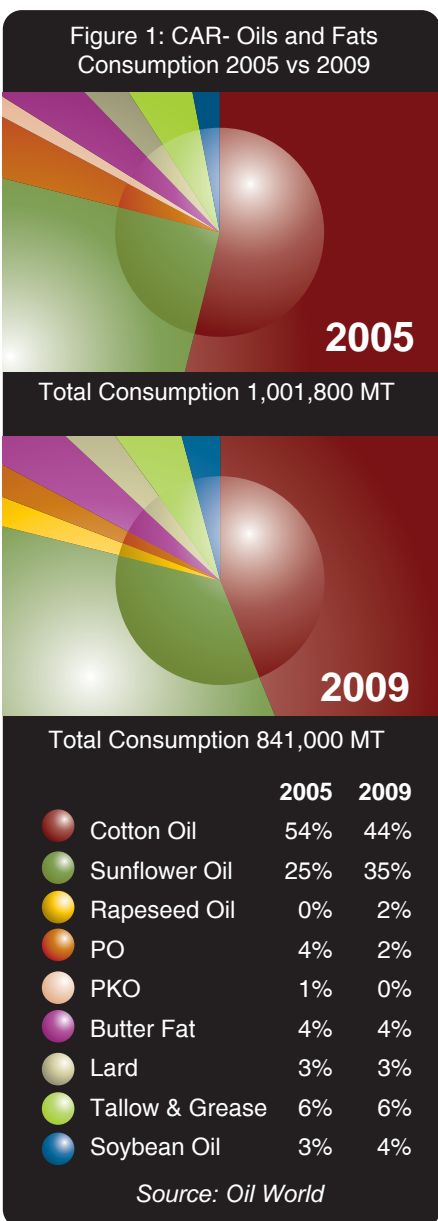


Table 3: CAR – Oils and Fats Self-Sufficiency

	O/F Production ('000 T)	O/F Consumption ('000 T)	Self-Sufficiency
Kazakhstan	249.2	329.9	75.54%
Kyrgyzstan	47.6	83.7	56.87%
Tajikistan	32.2	102.2	31.51%
Turkmenistan	77.5	90.4	85.73%
Uzbekistan	330.5	397.3	83.19%
Total	737.0	1003.5	

Source: Oil World

fats consumed in the region. Other oils and fats produced in the countries are butter fat, lard and tallow and grease. The production volume of these three types of animal fats in 2009 was 109,800 MT and accounted for 11% of the total oils and fats consumption in the region.

The CAR oils and fats market has been growing quite rapidly, and over a period of five years, the consumption of oils and fats increased by 19% or 160,800 MT. Being cotton producers, cotton oil is readily available and is the most consumed oil in the region, with a market share of 44%. Sunflower oil accounted for 35% of the market share and the balance made of animal fats (13%), soybean oil (4%), palm oil (2%) and other oils (2%).

In general, most of the countries in the region are quite self-sufficient and are

not dependent on the import of oils and fats. Of these five countries in the region, Turkmenistan, Uzbekistan and Kazakhstan are more than 75% self-sufficient for their edible oils and fats requirements, while Kyrgyzstan and Tajikistan are only 56.87% and 31.51% self-sufficient respectively.

With regard to the pattern of oils and fats consumption, the region is experiencing changes in the types of oils consumed. Five years ago, cottonseed oil dominated 54% of the total oils and fats consumed but in 2009, its market share shrunk to just 44%, the result of a higher intake volume of sunflower oil. The use of soybean and rapeseed oils also increased last year. Palm oil consumption was down from 4% in 2005 to just 2% in 2009.

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Yemen Another great market for Malaysian palm oil

Palm olein continues to hold a strong foothold in the household sector. In the industrial sector, palm olein is used for frying by the snack food factories and by restaurants and fast food outlets. Palm-based vegetable ghee, cocoa butter substitutes, palm mid-fraction, palm-based filled milk and non-dairy creamers are also domestically produced for the local market.

Yemen's industrial sector constitutes 47.2% of its Gross Domestic Product. Together with services, construction, and commerce, the industry accounts for less than 25% of the labour force. The largest contributor to the manufacturing sector's output is crude mineral oil refining, which generates roughly 40% of the country's total revenue, with the others being the production of consumer goods and construction materials.

In 2000, Yemen had almost 34,000 industrial establishments employing some 115,000 workers. The majority of these establishments were small businesses,

Table 1: Yemen – Balance of Oils and Fats (MT)

Imports	2006	2007	2008	2009
Soybean Oil	1,700	1,400	5,700	900
Sunflower Oil	3,300	2,900	3,100	4,500
Rapeseed Oil	300	500	300	-
Corn Oil	12,300	18,400	3,200	8,200
Palm Oil	165,600	137,600	122,700	112,500
Palm Kernel Oil	2,600	1,600	5,400	7,600
Coconut Oil	600	100	1,500	1,200
Butter, as fat	3,200	4,700	2,000	2,900
Linseed Oil	6,200	3,200	300	300
TOTAL	195,800	170,400	144,200	138,100
Exports				
Palm Oil	700	100	1,100	2,600
TOTAL	700	100	1,100	2,600
Local Consumption				
Soybean Oil	1,700	1,400	5,700	900
Sunflower Oil	3,300	2,900	3,100	4,500
Rapeseed Oil	300	500	300	-
Corn Oil	12,300	18,400	3,200	8,200
Palm Oil	171,000	138,500	122,500	109,800
Palm Kernel Oil	2,600	1,600	5,400	7,600
Coconut Oil	600	100	1,500	1,200
Butter, as fat	3,200	4,700	2,000	2,900
Linseed Oil	6,200	3,200	300	300
TOTAL	201,200	171,300	144,000	135,400

Source: Oil World

having one to four employees, with almost half of all industrial establishments involved in processing food products and beverages.

The production of flour and cooking oil have increased in recent years. Therefore, in the near future, the use of palm oil and palm oil products are expected to increase as shown by the increase in local cooking oil manufacturing as a result of the growing demand by the expanding population. Also, the middle- and lower-income earners, who form the larger segment of the population, prefer cheaper edible oils over the higher cost soft oils such as corn and sunflower oils.

Even though the road system in Yemen is considerably poor, its strategic location on Bab el Mandeb, the strait linking the Red Sea and the Gulf of Aden, which is one of world's most active shipping routes offer the country's ports – Port of Al-Hudaydah, Port of Aden and Port of Salif – the value and massive potential as centres for the re-export of palm products to the neighbouring countries, especially in East and West Africa.

Despite the fact that there was a 21% decline in Malaysian palm oil exports to Yemen during the January-September 2010 period compared with the same period last year (Table 2), Malaysian exporters should not neglect this market.

■ Haznita

Table 2: Export Performances of Malaysian palm oil to Yemen
Jan-Sept 2009 vs. 2010 (MT)

Palm Products	By-products	2009 Jan-Sept	2010 Jan-Sept
Palm Oil	RBD Palm Oil	2,184	2,998
	RBD Palm Olein	32,642	26,775
	RBD Palm Stearin	3,904	516
	Others	25,887	19,267
	Total	64,617	49,556
Palm Kernel Oil	RBD Palm Kernel Oil	36	73
	RBD Palm Kernel Olein	112	279
	H Palm Kernel Oil	987	1,491
	Others	872	713
	Total	2,007	2,556
Oleochemical	Purified/Refined/Distill Glycerin	0	119
	Soap Noodles/Stock/Blend	600	600
	Triple Pressed Stearic Acid	51	34
	Others	19	25
	Total	670	778
Finished Products	Shortening	213	213
	Veg.Ghee / Vanaspati	1,087	345
	Margarine	0	0
	Others	192	660
	Total	1,492	1,218

Source: MPOB

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Malaysian Palm Oil in the CIS Focus on Russia and Ukraine

During a roundtable meeting with Russian palm oil representatives in April this year, EFKO, one of the biggest palm oil users in Russia, stated that the Oil and Fat and Soap Association has been battling with the dairy union for the removal of the 10% import duty. The import duty was eventually abolished on Jan 1, 2010.

Moving Forward

Often viewed by Ukraine as being high handed in the use of its vast energy resources, Russia has since improved its ties with Ukraine, after Ukraine's

facility with modern technology for the edible oils refining industry. This gives producers the opportunity to produce specific fats for export.

Overall, Ukraine's total solid fats manufacturing capacity is about 1.1 million MT annually. The margarine industry has grown significantly, with production at 360,000 MT in 2009. Other sectors such as spreads and milk fats have also experienced growth at a rate of 10% annually. It is estimated that 500,000 MT of margarine and spread will be produced in three to four years' time.

With the establishment of Port of Taman in the Krasnodar Krai district, major Russian palm oil importers such as EFKO and Solnechnye Produkty are able to source palm oil without going through Port of Odessa in Ukraine.

However, Ukraine, which has seven seaports that are generally big in size, is a key gateway for trade with the other CIS countries. The seaports are mainly

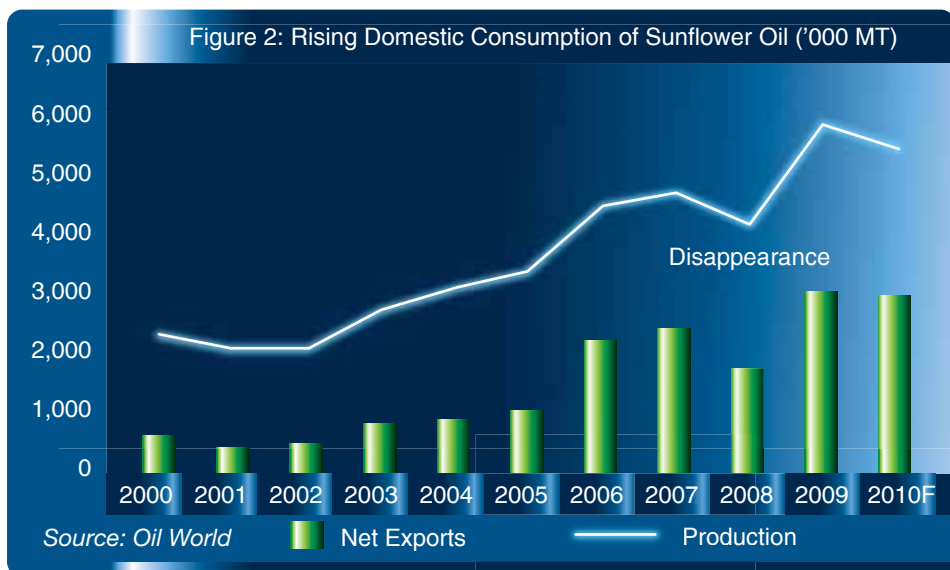
have different usages and applications. Palm oil can be blended with sunflower oil to produce better oil, which can be exported to the world market. The Japanese market has seen success in the blending of palm, rapeseed and corn oils to diversify the quality of cooking oil. This practice of blending can be taken as a benchmark by the Malaysian palm oil industry, whether for the manufacturing of food or non-food products using palm and sunflower oils.

MPOB research on such blending can provide data on the improved functional value of such blended oil and this certainly offers some sort of encouragement for the Malaysian palm oil industry to export more palm oil to both Russia and Ukraine. The Malaysian palm oil industry can get its team of experts and scientists to collaborate in developing the best formula for blended oil and new products with their counterparts in these two countries.

Other suggestions worth considering with Russia and Ukraine are a re-look or limiting the actual fraction in terms of the specification of palm oil and other palm products, promotion of counter-trade between our countries as gateways or centres for trade, cross-listing of Russian and Ukrainian companies in Malaysia for the objective of fund raising and increased participation in the trading of CPO futures and setting up an exchange of information.

With its natural ingredients, vegetable-based palm oil can be used in making specialty fats and other household products instead of animal fats that are traditionally used. This will result in the diversification of product portfolios in both countries. With buyers and consumers in Russia and Ukraine becoming more concerned about the health attributes of vegetable oils, a wider exposure to the true attributes and values of palm oil is very much needed.

Dissemination of information in local languages is crucial in Russia and Ukraine, as lack of knowledge could lead to misunderstanding and misleading information on palm oil. With this in view, MPOC is in the midst of setting up a new regional office in Moscow to oversee promotional activities and cater to the needs of the people in the CIS region as well as in Eastern Europe. Look out for more information in our website at www.mpoc.org.my. ■ Azriyah Azian



presidency election earlier this year. Since moving out of the Soviet Union era, these two countries have produced over 5 million MT of sunflower oil annually, from only 2 million MT 10 years ago. The Oil and Fat and Soap Association has reiterated that palm oil is the most suitable and economical raw material, especially for the production of soap and specialty fats. Another factory has been built in St Petersburg, with a capacity of 1.5 million MT, more than enough to meet Russia's domestic consumption needs.

Ukroilprom Association, which represents the major oils and fats players in Ukraine, stated that there is a new

used for the storage of sunflower oil and palm oil. With the availability of direct palm oil import access from Odessa port, palm oil usage is expected to surge. Coupled with the expansion of these facilities and the setting up of other bulking and refinery facilities in Odessa, there is a possibility that future palm oil exports from Malaysia will be through this Black Sea port.

Malaysian palm oil industry can capitalise on its position as one of the world's biggest producers of palm oil. Palm oil and sunflower oil, of which Russia and Ukraine are the world's biggest producers, are incomparable, as both

◀ Continued from page 7

Central Asian Republics (CAR): A Vast Region, yet Untapped for Edible Oils

Palm oil consumption in the region is considered small, at just 2.18% or 21,800 MT of the total oils and fats consumed in the region. Uzbekistan, Kazakhstan and Kyrgyzstan are three countries consuming palm oil. Palm oil is imported into the region mainly from Malaysia (80%), Ukraine (7.3%) and Indonesia

Table 4: CAR – Palm Oil Consumption

	2002	2003	2004	2005	2006	2007	2008	2009
Kazakhstan	15.7	18.1	16.9	22	11.1	11	17.50	9.6
Kyrgyzstan	0.7	1.1	2	1.7	2.3	2.4	3.30	1.2
Tajikistan	-	-	-	-	-	-	-	-
Turkmenistan	-	0.1	0.1	0.3	0.1	0.1	-	-
Uzbekistan	0.5	0.3	1.1	6.8	10.8	9.8	10.30	11
Total	16.9	19.6	20.1	30.8	24.3	23.3	31.10	21.8

Source: Oil World

At present, palm oil is mostly used in the food processing industry, by bakeries and in the production of confectionery and snack food. There have been efforts to market palm oil as cooking oil, but trials have been unsuccessful because of the weather conditions. However, the use of palm oil in confectionery and bakery products has gained better acceptance.

imported into the region. Kazakhstan comes second with import percentage of 12%. Imports by Turkmenistan, Tajikistan and Kyrgyzstan are very marginal. However, these countries are increasing their import volumes of Malaysian palm oil, largely with the higher imports of finished products and palm kernel oil over the last three years.

Market prospects for palm oil

The economies of some of the countries in the region are not fully developed and foreign trade with countries outside the former Soviet Union is fairly reserved. However, these countries are becoming friendlier to foreign investments.

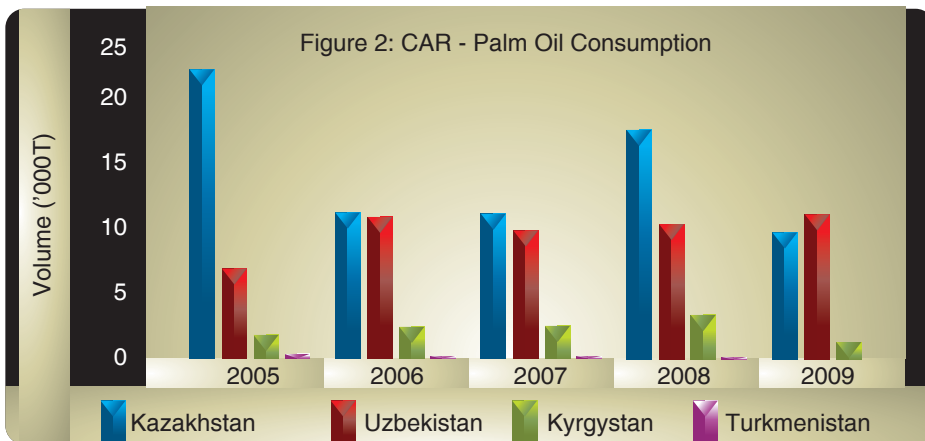
In terms of Malaysian palm oil prospects in the region, the competition is quite stiff, especially with the establishment of the Wilmar facility in Ukraine. This is in view of logistics efficiency and the cost of shipping palm oil from Ukraine, if compared with shipment from Malaysia.

It would make sense to route Malaysian palm oil to the CAR region through our existing joint ventures in Europe or Pakistan. The Pakistan joint venture could be the likely option in view of the proximity of this country to the region, but this could involve border crossing through Afghanistan, where security is an ongoing issue. Nevertheless, palm oil trade between Pakistan and the Central Asian Republics has been established, and this can be further enhanced.

Conclusion

The Central Asian market has good potential and is definitely growing. Under the current scenario, the market is inclined towards downstream products, which will give Malaysia a greater advantage over its rivals.

The main obstacle in improving exports to the region is its remoteness, but there are ample opportunities to consider. Perhaps a more innovative approach could be looked into, especially in supplying through our joint venture establishments in Pakistan, just as how Wilmar is making use of its facility in Ukraine. In addition to this, Pakistan and Afghanistan are now discussing trade pacts with the five countries, and this could well open doors to greater business deals with the CAR region through the Afghanistan border. ■ Fatimah



Source: Oil World

(5%). Imports of palm oil from Russia and Iran were also recorded and accounted for 2.8% of the total imports.

Over the last eight years, total palm oil consumption in the region grew moderately and was at its peak in 2005 and 2008, before slowing down again in 2009.

Besides palm oil, other processed palm oil products such as margarine and shortening from Malaysia are available in the MPOB export figures.

Uzbekistan is the main importer of Malaysian palm oil and palm products, accounting for about 83% of the total Malaysian palm oil and palm products

Table 5: CAR - Malaysian Palm Oil and Products Imported by Product Category ('000 T)

	2006	2007	2008	2009	2010*
Palm Oil	13,292	12,853	12,636	13,228	10,683
Finished Products	3,759	1,144	12,396	17,291	10,147
Palm Kernel Oil	1,320	1,556	793	6,729	1,838
Other Products	2,048	1,005	130	667	205
Total	28,013	32,833	29,753	37,914	23,209

Source: MPOB * January - September

Table 6: CAR - Malaysian Palm Oil and Products Imports by countries ('000T)

	2006	2007	2008	2009	2010*
Kazakhstan	8,147	3,362	6,394	8,942	2,729
Kyrgyzstan	1,422	1,697	1,133	1,288	927
Tajikistan		140	144	443	61
Turkmenistan	741	281	20	264	245
Uzbekistan	17,702	27,353	22,062	26,977	19,247
Total	28,013	32,833	29,753	37,914	23,209

Source: MPOB * January - September

Malaysia - Egypt Palm Oil Trade Fair & Seminar 2010

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7 – 8 November 2010
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Final Announcement

HIGHLIGHTS

- Exciting line-up of seminar papers
- Networking opportunities with participants from North African Countries & Middle-East region
- Showcase of companies / products & sponsorship opportunities
- Business meeting (BIZMatch)

Organised By:

For more information please contact:

MPOC Cairo office Mr. Kamal Azmi Tel: + 202 2273 8108 Fax: + 202 2273 8106 Email: Kazmi@mpocegypt.com	MPOB Egypt Mr. Johari Minal Tel: + 202 3761 0184 Fax: + 202 3761 0174 Email: johari@mpob.gov.my	MPOC Malaysia Mr. Mohd Suhaili Tel: + 603 7806 4097 Fax: + 603 7806 2272 Email: msuhaili@mpoc.org.my	MPOB Malaysia Mr. Mohd Mokmin Tel: + 603 8769 4796 Fax: + 603 8920 1918 Email: mokmin@mpob.gov.my
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www.mpoc.org.my / www.mpocegypt.com

MPOC Offices Worldwide

Malaysian Palm Oil Council (MPOC)
 2nd Floor Wisma Sawit
 Lot 6, SS 6, Jalan Perbandaran
 47301 Kelana Jaya, Selangor
 Tel: 603-7806 4097
 Fax: 603-7806 2272
 www.mpoc.org.my

American Palm Oil Council
 1010 Wisconsin Av, Suite 307
 Washington DC 20007
 Tel: +1 (202) 333 0661 / 333 0661
 Fax: +1 (202) 333 0331
 www.americanpalmoil.com
 E-mail: kassim@americanpalmoil.com
 Contact: Mohd Salleh Kassim

MPOC Africa Regional Office
 5 Nollsworth Crescent, Nollsworth Park
 La Lucia Ridge Office Estate,
 La Lucia 4051, KwaZulu-Natal, South Africa
 Tel: +27 (31) 5666 171
 Fax: +27 (31) 5666 170
 E-mail: kumar@mpoc.org.za
 Postal Address:
 P.O.Box 1591
 M.E.C.C. 4301, South Africa
 Contact: Uthaya Kumar

MPOC Bangladesh
 62-63 Motijheel Commercial Area,
 7th Floor, Amin Court Building,
 Dhaka, Bangladesh
 Tel: +88 (02) 9571 216
 Fax: +88 (02) 9551 836
 E-mail: fakhrul@mpoc.org.bd
 Contact: Fakhrul Alam

MPOC Shanghai, China
 Shanghai Westgate Mall Co. Ltd.
 Room 1610B, 1038 Nanjing Rd. (w.)
 Shanghai 200041, P. R. China
 Tel: +86 (21) 6218 2085 / 6218 2513
 Fax: +86 (21) 6218 1125
 E-mail: teah@mpoc.org.cn
 Contact: Teah Yau Kun

MPOC Pakistan
 11 – 3rd Floor, Leeds Centre
 Main Boulevard Gulberg, 111 Lahore, Pakistan
 Tel: +92 (42) 5716 600 / 5716 601
 Fax: +92 (42) 5716 602
 E-mail: faisal@mpoc.org.pk
 Contact: Faisal Iqbal

MPOC India
 S-4, New Mahavir Building, Cumballa Hill Road Kempas
 Corner, Mumbai 400 036
 Tel: +91 (22) 6655 0755 / 6655 0756
 Fax: +91 (22) 6655 0757
 E-mail: bhavna@mpoc.org.in
 Contact: Bhavna Shah

MPOC Europe Regional Office
 31 Avenue Emile Vandervelde
 1200 Brussels Belgium
 Tel: +32 (2) 7748 860
 Fax: +32 (2) 7794 371
 E-mail: zainuddin@skynet.be
 Contact: Zainuddin Hassan

MPOC Moscow (Opening Soon)
 Tel: +79096352040
 Email: udovenko@mpoc.org.my
 Contact: Aleksey Udovenko

MPOC Cairo
 3 Gamal E1-Din Afify Street, Nasir City
 Zone No.6, 11371 Cairo, Egypt
 Tel: +20 (2) 2273 8108
 Fax: +20 (2) 2273 8106
 E-mail: kazmi@mpocegypt.com
 Contact: Kamal Azmi

MPOC Istanbul
 Guzel Konutlar Sitesi
 Dilek Apartment Daire 3
 Balmumcu, Besiktas - Istanbul, Turkey
 Tel: +90 (212) 2668234
 Fax: +90 (212) 2668236
 E-mail: haznita@mpoc.org.my
 Contact: Norhaznita Husin

<p>Completed</p> <p>Malaysia - Russia Palm Oil Trade Fair & Seminar 2010</p> <p>POTS</p> <p>19 - 20 April 2010 Moscow, Russia</p> <p>For more information please contact:</p> <p>Contact person: • Zainuddin Hassan • Azriyah Azian Email: potsrussia@mpoc.org.my</p>	<p>Completed</p> <p>Malaysia - China Palm Oil Trade Fair & Seminar 2010</p> <p>POTS</p> <p>02 - 03 June 2010 Beijing, China</p> <p>For more information please contact:</p> <p>Contact person: • Teah Yau Kun • Lim Teck Chai Email: potschina@mpoc.org.my</p>	<p>Malaysia Palm Oil Trade Fair & Seminar 2010</p> <p>POTS</p> <p>04 - 06 October 2010 Kuala Lumpur</p> <p>For more information please contact:</p> <p>Contact person: • Muhammad Kharibi • Fatimah Zaharah Email: potskl@mpoc.org.my</p>	<p>Malaysia - Egypt Palm Oil Trade Fair & Seminar 2010</p> <p>POTS</p> <p>07 - 08 November 2010 Cairo, Egypt</p> <p>For more information please contact:</p> <p>Contact person: • Kamal Azmi • Mohamad Suhaili Email: potsegypt@mpoc.org.my</p>
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