OPPORTUNITIES AND CHALLENGES FOR THE PALM OIL SECTOR IN 2012 AND 2013

Presentation by
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Chief Executive Officer
MALAYSIAN PALM OIL COUNCIL (MPOC)
Presentation

1. What is the demand for palm oil globally?
2. Current issues and hindrances for Malaysian palm oil production and trade for:
   • food & oleochemicals
   • biofuel
3. What are the solutions at hand?
4. Conclusions
PROSPECTS & OPPORTUNITIES FOR PALM OIL
The world population is projected to grow from 7 billion in 2011 to 9 billion by 2043, an increase of 29 percent. Food production must meet this rate of increase.
• Exponential growth causes reduction of resources & pollution increase.
• This will force reversal of growth.
• If industry can resist the decline, high prices due to shortages may occur.
ASPO depletion curves for all oil and gas
1. Source of food (global food security): 80%
2. Oleochemicals: 15%
3. Biofuel: 2%
4. Renewable energy source: Potential Remains Largely Untapped through Palm Biomass

Palm Oil Currently Accounts for 27% of Global Oils & Fats Supply
Net Importing & Exporting Countries for Oils and Fats (2011)
Net Importing & Exporting Countries of Oils & Fats

Net Importing Countries

- Others
- Bangladesh
- Pakistan
- India
- EU 27
- China
Global Supply and Demand of Oils and Fats – A 20 year Outlook

Production

Consumption

('000 MT)


120000 130000 140000 150000 160000 170000 180000 190000 200000 210000 220000 230000 240000
World’s growing dependence on palm oil will boost demand further into the future.

Source: Oil World
## GLOBAL OILS & FATS
### SUPPLY AND DEMAND SCENARIO
#### 2008 – 2012F

<table>
<thead>
<tr>
<th>('000 T)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Stock</td>
<td>17,650</td>
<td>17,940</td>
<td>19,472</td>
<td>20,329</td>
<td>21,078</td>
<td>21,199</td>
</tr>
<tr>
<td>Production</td>
<td>154,130</td>
<td>160,442</td>
<td>165,116</td>
<td>172,491</td>
<td>179,180</td>
<td>185,000</td>
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<tr>
<td>Import</td>
<td>58,000</td>
<td>61,450</td>
<td>64,225</td>
<td>66,718</td>
<td>67,348</td>
<td>69,832</td>
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<tr>
<td>Export</td>
<td>58,240</td>
<td>60,850</td>
<td>64,147</td>
<td>66,501</td>
<td>68,208</td>
<td>70,017</td>
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<tr>
<td>Consumption</td>
<td>153,600</td>
<td>159,510</td>
<td>164,337</td>
<td>171,959</td>
<td>178,199</td>
<td>185,000</td>
</tr>
<tr>
<td>Ending Stock</td>
<td>17,940</td>
<td>19,472</td>
<td>20,329</td>
<td>21,078</td>
<td>21,199</td>
<td>21,014</td>
</tr>
<tr>
<td>Stock Usage Ratio</td>
<td>11.68%</td>
<td>12.21%</td>
<td>12.37%</td>
<td>12.26%</td>
<td>11.90%</td>
<td>11.35%</td>
</tr>
</tbody>
</table>
PALM OIL AS BIOFUEL

MALAYSIA:
• Implementing B5 policy

GLOBALLY:
• Countries implementing biofuel programs
e.g. EU & US
Global food prices remain high, partly due to increasing fuel prices, and the World Bank’s Food Price Index is around its 2008 peak.

Since June 2010, an additional 44 million people fell below the $1.25 poverty line as a result of higher food prices.

Source: World Bank - Food Price Watch – April 2011
## PROJECTED WORLD REQUIREMENTS FOR FOOD & BIOFUELS (M tonnes)

<table>
<thead>
<tr>
<th>Source</th>
<th>2015</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>147.2</td>
<td>160.7</td>
</tr>
<tr>
<td>Biofuels</td>
<td>57</td>
<td>102</td>
</tr>
<tr>
<td>TOTAL</td>
<td>204.2</td>
<td>262.7</td>
</tr>
</tbody>
</table>

*Source: Legge (2008)*
Mileage per hectare per year - based on a VW Polo -

<table>
<thead>
<tr>
<th>Biofuel Type</th>
<th>Mileage (km)</th>
<th>Yield per hectare (litre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soy Biodiesel</td>
<td>8,000</td>
<td>440</td>
</tr>
<tr>
<td>Rapeseed Biodiesel</td>
<td>23,660</td>
<td>1,300</td>
</tr>
<tr>
<td>Bioethanol</td>
<td>33,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Jatropha Biodiesel</td>
<td>45,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Sundiesel (BtL)</td>
<td>75,330</td>
<td>4,050</td>
</tr>
<tr>
<td>Biomethane</td>
<td>99,600</td>
<td>4,980</td>
</tr>
<tr>
<td>Palm Biodiesel</td>
<td>109,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

Source: “Biofuels”, Fachagentur Nachwachsende Rohstoffe e.V. (FNR), 2006; Preusser (2008) and own data
US RFS2 Increasing Volume Requirement

(Bil. Gallons)

- Biomass-Based Diesel
- Cellulosic Biofuel
- Total Advanced Biofuel

Years: 2009 to 2022
US Biodiesel Production
Dependence on Federal Assistance

*Source: US National Biodiesel Board*
EU Biodiesel Production

Figure I. Trend in EU biodiesel production 1998-2011  Source: EBB 2011

Note: 2011 figures are only estimations
CHALLENGE NO. 1
TRADE PROTECTIONISM IN COUNTRIES IMPLEMENTING BIOFUEL PROGRAMS
1. USA

- **USDA Bioenergy Program (2001 – 2006):** Supported initial renewable fuel development.
- **Job Creation Act 2004:** Introduction of Tax Credit.
- **Energy Independence and Security Act 2007:** Extended Renewable Fuel Standard (RFS) Program
- **Emergency Stabilization Act 2008:** Tax Credit extended until December 2009.
- **January 2010:** Tax Credit lapsed
- **Tax Relief, Unemployment, Insurance Authorization and job Creation Act 2010:** Tax Credit reinstated in December, until December 2012. Reinstatement is retroactive from 2010.
US Biodiesel

- **Biodiesel Production Capacity**: 1.56 billion gallons
- **Ethanol Production Capacity**: 14.79 billion gallons
- **Government Assistance**: Keeping the industry alive
- **Approved Feedstocks for Biodiesel**: Soybean, Canola
- **Palm Pathway in RFS2**: Palm oil fails to qualify as RE under RFS program
Palm oil biofuel cannot qualify as RE based on EPA’s NODA

- Notice of Data Availability concerning renewable fuels produced from palm oil under RFS Scheme
- Available for public comment until 28 Feb 2012
- Date extended to 28 March 2012 upon request by Malaysian palm oil industry
- EPA’s analysis shows
  - Palm oil biodiesel has GHG emission reduction of 17%
  - Palm oil renewable diesel has GHG emission reduction of 11%
- Both palm oil based biofuels fail to qualify minimum 20% threshold value
- Cannot qualify as renewable fuel under RFS program
- MPOC and MPOB to repel such wrong results & conclusions
EPA RFS

GHG emission reduction for palm oil biodiesel

Seeking public comments currently
<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>Palm oil biodiesel</th>
<th>2005 Diesel base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net agriculture (w/o land use change)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Land use change, Mean</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Fuel production</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Fuel &amp; feedstock transport</td>
<td>4</td>
<td>*</td>
</tr>
<tr>
<td>Tailpipe emissions</td>
<td>1</td>
<td>79</td>
</tr>
<tr>
<td>Total emissions</td>
<td>80</td>
<td>97</td>
</tr>
<tr>
<td>LCA GHG% reduction compared to petroleum baseline</td>
<td>17%</td>
<td></td>
</tr>
</tbody>
</table>
MALAYSIAN GREENHOUSE GAS EMISSION AND REMOVAL

Land Use, Land Use Change and Forestry (LULUCF) is made up of Forestry and (Oil Palm) Plantation Sector

* Trend Estimate
2. EU

• **Objectives:** To achieve a 20% share of energy from renewable sources in the EU’s final consumption of energy and a 10% share of energy from renewable sources in each member state’s transport energy consumption by 2020.

• According to the Directive, only biofuels and bioliquids (including those imported and/or obtained from raw materials cultivated outside the territory of the Community) that fulfill these criteria can be taken into account for the following purposes:
  
  – Measuring compliance with the requirements of this Directive concerning national targets.
  
  – Measuring compliance with renewable energy obligations; and.
  
  – Eligibility for financial support for the consumption of biofuels and bioliquids.
• Vague and distortive formulations and values regarding the classification of “sustainable”, with significant variations in calculations that undermine the credibility of the values contained in the Directive.

• A study by Friedrich Schiller University, Germany shows that a more realistic overall default value for palm oil diesel was derived resulting in GHG savings potentials of palm-based biodiesel beyond the 35% threshold value required and not 19% default value as published in the Directive.

• This shows the unreliability of the Directive to support the EU’s low-carbon ambitions, thus exposing the EU and its commission to unfair practice and trade discrimination.
EU Directive

GHG emission reduction for palm oil biodiesel

Threshold value of 35%
### Constraints and Challenges

<table>
<thead>
<tr>
<th>No</th>
<th>Study / report</th>
<th>GHG emission savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Renewable Energy Directive - Default, process not specified</td>
<td>19%</td>
</tr>
<tr>
<td>2</td>
<td>Renewable Energy Directive - Default, process with methane capture at oil mill</td>
<td>56%</td>
</tr>
<tr>
<td>3</td>
<td>MPOB (with mill waste)</td>
<td>60%</td>
</tr>
<tr>
<td>4</td>
<td>MPOB (without mill waste)</td>
<td>75%</td>
</tr>
<tr>
<td>5</td>
<td>Carboncapital Solution (with mill waste)</td>
<td>60%</td>
</tr>
<tr>
<td>6</td>
<td>Carboncapital Solutions (without mill waste)</td>
<td>80%</td>
</tr>
<tr>
<td>7</td>
<td>ISCC</td>
<td>± 55%</td>
</tr>
<tr>
<td>8</td>
<td>CSIRO’s study</td>
<td>80%</td>
</tr>
<tr>
<td>9</td>
<td>The Gallagher Review (RTFO UK)</td>
<td>± 25 to 70%</td>
</tr>
</tbody>
</table>

**Variance in palm oil’s GHG emission savings**
Malaysian Oil Palm Biomass

- Oil palm plantation area: 4.85 million hectares

  - Estimated biomass: 78.72 million tonnes (dry)
    - Estimated oil palm fronds: 46.37 million tonnes (dry)
    - Estimated empty fruit bunch (EFB): 6.73 million tonnes (dry)
    - Estimated oil palm trunks: 14.45 million tonnes (dry)
    - Estimated oil palm fibre and shells: 11.17 million tonnes (dry)

  - Crude Palm Oil (CPO): 16.99 million tonnes

  - Palm Oil Mill Effluent (POME): 58.6 million tonnes

Oil palm biomass and POME potential based on 2010 statistics
Potential biofuel from palm oil biomass

Use biomass to produce biofuel so that palm oil continued to be used for food
Palm Biomass Briquettes

• Treated EFB can be used as a raw material for the production of palm based biomass briquettes

100% Pulverized EFB (PEFB)

Pulverized EFB + sawdust (PEFB+SD) (50:50)

EFB Fibre + sawdust (FEFB+SD) (50:50)

• As a substitute raw material for commercial sawdust briquette industry
• Made either from 100% palm biomass or mixed with sawdust
Malaysian Palm Oil Council

SAVE THE FORESTS
USE PALM WOOD
CHALLENGE NO. 2

Indonesia’s Export Tax
• In October, 2011, Indonesia proposed a new export tax structure which increase the difference between the export duty for crude and refined palm products. The change is aimed at encouraging palm oil refining and processing activities onshore.
### COMPARISON OF EXPORT TAX APPLIED IN CURRENT VERSUS OLD DUTY STRUCTURE FOR JAN. 2012

<table>
<thead>
<tr>
<th></th>
<th>New Structure* (%)</th>
<th>Old Structure (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPO</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td>RBD Palm Olein</td>
<td>7</td>
<td>12.5</td>
</tr>
<tr>
<td>RBD Palm Oil</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>RBD Palm Stearin</td>
<td>5</td>
<td>7.5</td>
</tr>
<tr>
<td>Biofuel</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

*Source: Indonesia’s Ministry Of Decree No. 67/PMK/2010*
NEW STRUCTURE SUPPORTS INDONESIAN GOVERNMENT’S FUTURE GOALS FOR OIL PALM INDUSTRY

<table>
<thead>
<tr>
<th>Indonesian Government’s vision</th>
<th>Existing</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPO production to reach 40 million MT in 2020</td>
<td>22.2 million MT</td>
</tr>
</tbody>
</table>

Source: The Plantation Training Institute, Medan Campus & Oilworld

- Indonesia targets an additional 17.8 million MT of CPO by 2020. Hence, higher exports of refined palm oil is encouraged by this policy and helps to absorb the increase in future CPO production.

- Under their plasma scheme, increase in private estates oil palm cultivation will be accompanied by the increase in smallholders cultivation. Therefore, the government’s vision to raise CPO output helps farmers to own land for oil palm cultivation and improves economic benefits for farmers.

<table>
<thead>
<tr>
<th>Year</th>
<th>Smallholders (ha)</th>
<th>State-owned Enterprises (ha)</th>
<th>Private owned (ha)</th>
<th>Total (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3,013,973</td>
<td>608,580</td>
<td>3,885,470</td>
<td>7,508,023</td>
</tr>
<tr>
<td>2010</td>
<td>3,314,663</td>
<td>616,575</td>
<td>3,893,385</td>
<td>7,824,623</td>
</tr>
</tbody>
</table>

Source: Department of Agriculture of Indonesia, 2010
Indonesia’s refineries operated at 66.8%-69.2% of capacity between 2009-2010. The refinery capacity is stagnant as there is no incentive for refiners to expand capacity since difference in duty between CPO and refined palm oil is low in the old tax structure. This new tax structure with wider duty differences between crude and refined palm oil will encourage more refining.

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Refining Capacity</td>
<td>15,300,000</td>
<td>15,300,000</td>
</tr>
<tr>
<td>Production</td>
<td>10,596,800</td>
<td>10,230,000</td>
</tr>
<tr>
<td>Utilization rate (%)</td>
<td>69.2%</td>
<td>66.80%</td>
</tr>
</tbody>
</table>

Source: Department of Industry of Indonesia, 2010
BASIS: The average of CIF Rotterdam CPO price in US$ (x) of the preceding month to determine the export duty for the full next month.

<table>
<thead>
<tr>
<th>PRODUCTS</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
<th>VIII</th>
<th>IX</th>
<th>X</th>
<th>XI</th>
<th>XII</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPO</td>
<td>0</td>
<td>7.5</td>
<td>9.0</td>
<td>10.5</td>
<td>12.0</td>
<td>13.5</td>
<td>15.0</td>
<td>16.5</td>
<td>18.0</td>
<td>19.5</td>
<td>21.0</td>
<td>22.5</td>
</tr>
<tr>
<td>CPKO</td>
<td>0</td>
<td>7.5</td>
<td>9.0</td>
<td>10.5</td>
<td>12.0</td>
<td>13.5</td>
<td>15.0</td>
<td>16.5</td>
<td>18.0</td>
<td>19.5</td>
<td>21.0</td>
<td>22.5</td>
</tr>
<tr>
<td>RBD Palm Olein</td>
<td>0</td>
<td>2.0</td>
<td>3.0</td>
<td>4.0</td>
<td>5.0</td>
<td>6.0</td>
<td>7.0</td>
<td>8.0</td>
<td>9.0</td>
<td>10.0</td>
<td>11.5</td>
<td>13.0</td>
</tr>
<tr>
<td>RBD Palm Oil</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2.0</td>
<td>3.0</td>
<td>4.0</td>
<td>5.0</td>
<td>6.0</td>
<td>7.0</td>
<td>8.0</td>
<td>9.0</td>
<td>10.0</td>
</tr>
<tr>
<td>RBD Palm Stearin</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2.0</td>
<td>3.0</td>
<td>4.0</td>
<td>5.0</td>
<td>6.0</td>
<td>7.0</td>
<td>8.0</td>
<td>9.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Margarine / Shortening</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Biofuel</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>7.5</td>
</tr>
<tr>
<td>Oleochemical</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
</tbody>
</table>

Source: Indonesia’s Ministry Of Decree No. 67/PMK/2010

The average CPO CIF Rotterdam (x):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>IV</td>
</tr>
<tr>
<td>II</td>
<td>V</td>
</tr>
<tr>
<td>III</td>
<td>VI</td>
</tr>
<tr>
<td>IV</td>
<td>VII</td>
</tr>
<tr>
<td>V</td>
<td>VIII</td>
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<tr>
<td>VI</td>
<td>IX</td>
</tr>
<tr>
<td>VII</td>
<td>X</td>
</tr>
<tr>
<td>VIII</td>
<td>XI</td>
</tr>
<tr>
<td>IX</td>
<td>XII</td>
</tr>
</tbody>
</table>

I = $x \leq $750  
II = $750 < x \leq $800  
III = $800 < x \leq $850  
IV = $850 < x \leq $900  
V = $900 < x \leq $950  
VI = $950 < x \leq $1000  
VII = $1000 < x \leq $1050  
VIII = $1050 < x \leq $1100  
IX = $1100 < x \leq $1150  
X = $1150 < x \leq $1200  
XI = $1200 < x \leq $1250  
XII = >$1250
NEW AND OLD DUTY STRUCTURE – THE DIFFERENCE

• The minimum reference price for export tax was raised from USD700/MT to USD750/MT. Therefore, at reference price below USD750/MT, there is no export duty compared to USD700/MT previously. This will reduce the tax burden of the growers when CPO price is low.

• Traditionally, export tax is passed down to the growers which means that when the CPO export tax is 15%, FFB producers will be paid the market rate, less 15%. Similarly, refiners will also obtain discount from CPO producers.

• The widening duty disparity between CPO and refined palm oil gives incentives for Indonesian palm oil players to increase refining activity. Under Indonesia’s market condition, millers share the discounted CPO with the refiners enabling the refiners to obtain cheaper resources (i.e. discounted by more than the tax rate imposed on processed products.). This means the refiners could export refined products at price lower than international price without compromising on profit margin.
Malaysia’s CPO export tax is computed on graduated scale

Schedule of CPO Export Duty For The Period From 27th Dec. 2011 to 2nd Jan, 2012

<table>
<thead>
<tr>
<th>Crude Palm Oil</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The first RM 650.00 per tonne</td>
<td>Nil</td>
</tr>
<tr>
<td>The next RM 50.00 per tonne</td>
<td>10%</td>
</tr>
<tr>
<td>The next RM 50.00 per tonne</td>
<td>15%</td>
</tr>
<tr>
<td>The next RM 50.00 per tonne</td>
<td>20%</td>
</tr>
<tr>
<td>The next RM 50.00 per tonne</td>
<td>25%</td>
</tr>
<tr>
<td>The balance</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: MPOB

- Malaysian CPO exporters have to pay an export duty of RM865.80 per MT of CPO exported at the gazetted price of CPO for the calculation of export duties between 27th Dec. 2011 - 2nd Jan 2012; CPO price was RM3,619.54 per MT
- Based on the tax paid for CPO export, it effectively converts to a tax rate of 27.9% based on the current BMD price of RM3,100.
- All other palm products except CPO are duty free.
- Malaysian CPO tax discourages CPO export but targets to make available sufficient CPO for refineries.
REASON FOR LOWER INDONESIAN DOMESTIC CPO PRICE DESPITE BOTH COUNTRIES HAVING HIGH EXPORT DUTY ON CPO

- Excess refining capacity in Malaysia vs. high CPO availability in Indonesia.

- Supply and demand dis-equilibrium forces Indonesian millers to compete for buyers. In Malaysia’s case, it forces the refiners to compete for CPO. Thus, in Indonesia, refiners are able to obtain lower prices for their CPO compared to their Malaysian counterparts.

Source: MPOB.

Source: Department of Industry of Indonesia & Oilworld
INDONESIA DOMESTIC CPO PRICE VERSUS PENINSULAR LOCAL DELIVERED PRICE

Source: Indonesia’s CPO price is gathered from PT Astra Agro Lestari daily price.
  : Malaysian CPO price is obtained from MPOB average local delivery price in Pen. M’sia.

• Chart above shows Indonesia’s CPO is consistently offered at a discount over Malaysia’s price.
• Since the change of export duty structure, effective October, 2011, the discount is higher.
  This makes the export of refined palm products from Indonesia more competitive.
• When Indonesia’s new tax structure was announced, RBD palm olein declined by USD55/MT while CPO price fell only by USD20/MT in Rotterdam. This is in reaction to the likely rise in Indonesia’s exports of refined palm oil.

• India announced that the country may increase the import tax for refined oil to protect its local refineries. To the Indian government, India’s refineries face the risk of short supply of CPO and influx of cheaper Indonesia refined oil with Indonesia’s new export duty.

• In Malaysia, the issue is still being debated and an announcement has yet to be made. Currently, Indonesia and Malaysia are working together to evaluate options so that a win-win situation can be derived.
CHALLENGE NO. 3

Expansion of Restriction by Foreign Investment in Oils & Fats Processing Industry in China from 30 January 2012
• In 2007, the Chinese government reorganized the country’s oils & fats processing industry by introducing restriction on foreign investment in soybean and rapeseed crushing plant, which was effective from 2008.

• The effort is undertaken to reduce industry overcapacity in the soybean and rapeseed crushing industry.

• The effort also aimed at reducing foreign companies’ ownership of this strategic resource which is too strong.

• Strong ownership is view as dangerous because it allows foreigners to have influence on national food security.
The initiative is undertaken in view that in 2007, the soybean crushing sector capacity utilization rate was low and it is mainly controlled by major foreign investor such as Wilmar, Bunge, ADM etc, by owning 65-70% of the utilized capacity.

Meanwhile, the capacity utilization rate among the soybean crushers was low at only 40% of the industry installed capacity of 80 million MT at that time.

Another glaring case was the consumer pack cooking oil sector where more than 40% market share is accounted by Yihai Kerry (a subsidiary of Wilmar International).
On 24 Dec 2011, Chinese government revised the list of processing activities in oils & fats industry and included few other major oils including palm oil, as a result of aggressive expansion of the processing capacity of these oils.

• According to trade information, the inclusion of palm oil in the list was mainly to restrict further expansion of palm oil processing by one of the major foreign players in the country.

• The move was also a measure meant to manage the constant discount of local palm oil price against the landed CNF price.

• It also allows Chinese company to increase its involvement in this sector and hopefully reduce the commanding share of the particular foreign owned company.
OTHER IMPORTANT CONCERNS AFFECTING MALAYSIAN PALM OIL INDUSTRY

Will fertilizer price lead to crisis in 2012/2013?
1. Fertilizer price unlikely to spike in 2012/2013 and unlikely to create crisis of 2008/2009

2. However some concern on quality of fertilizer as too many new players on market, compromising on quality sometimes
• Prospects for palm oil is very rosy particularly for food
• Palm oil biodiesel is the most environment friendly biofuel but trade protectionism has to be overcome to enter global markets
• There is big potential to use palm biomass (Weath from Waste)
• Growing need to stimulate the palm wood furniture industry
• Impending issues to tackle in 2012/2013, namely
  - Indonesian Tax Structure
  - Restriction in China by foreign companies to set up refineries in oils & fats
  - Unfair Trade Protection for biofuel in countries implementing biofuel programs
• Continuing efforts by MPIC, MPOC and MPOB to address these issues & ensure markets for Malaysian palm oil
CEOs blog presents an informed, balanced and experienced perspective on the Malaysian palm oil industry. Here, we get the facts right with hope that you will get the real insight of the Malaysian palm oil industry.

PRESENTATION
Global Market Challenges: Impact on Palm Oil and Other Vegetable Oil
by DR YUSOF BASIRON on Nov 25, 2011 · 1 Comment
This paper was presented as the plenary paper at the International Palm Oil Congress 2011 event in Kuala Lumpur Convention Center, Kuala Lumpur on 15th November 2011. It discusses on how the

ENVIRONMENT SUSTAINABILITY
Indirect Land Use Change, Green House Gas Emission and Trade Protectionism
by DR YUSOF BASIRON on Feb 21, 2012 · No Comments
Malaysia made a policy commitment at the Rio Earth Summit in 1992 to keep a minimum of 50% of the country’s land area under permanent forest. Today, it still has 55% of its land under forest. Forests act as a carbon sink,
THANK YOU
Important Facts of the Directive

• To reach the 20% goal until 2020, every member state shall increase its renewable energy share from 2005 to 5.5 %, in addition an increase due to the gross domestic product of each country is added (e.g. Germany: 18 %);

• Member states can decide on their own renewable energy mix;

• July 2010 - National Action Plans (NAP) submitted. Consequently, progress reports need to be prepared every two years for these sectors - electricity, heating, cooling and transport;

• Member states are allowed to combine their systems with other member states and they can import renewable energy from third countries;

• If a member state has reached its goal it can sell its certificates to other member states on the basis of statistical transfers;

• If the goals cannot be reached, the member states have to provide new NAPs and the EU is allowed to initiate special proceedings (RL 2009/28/EG).

• 5 December 2010 - Implementation of the directive by all member states (BMU 2010).