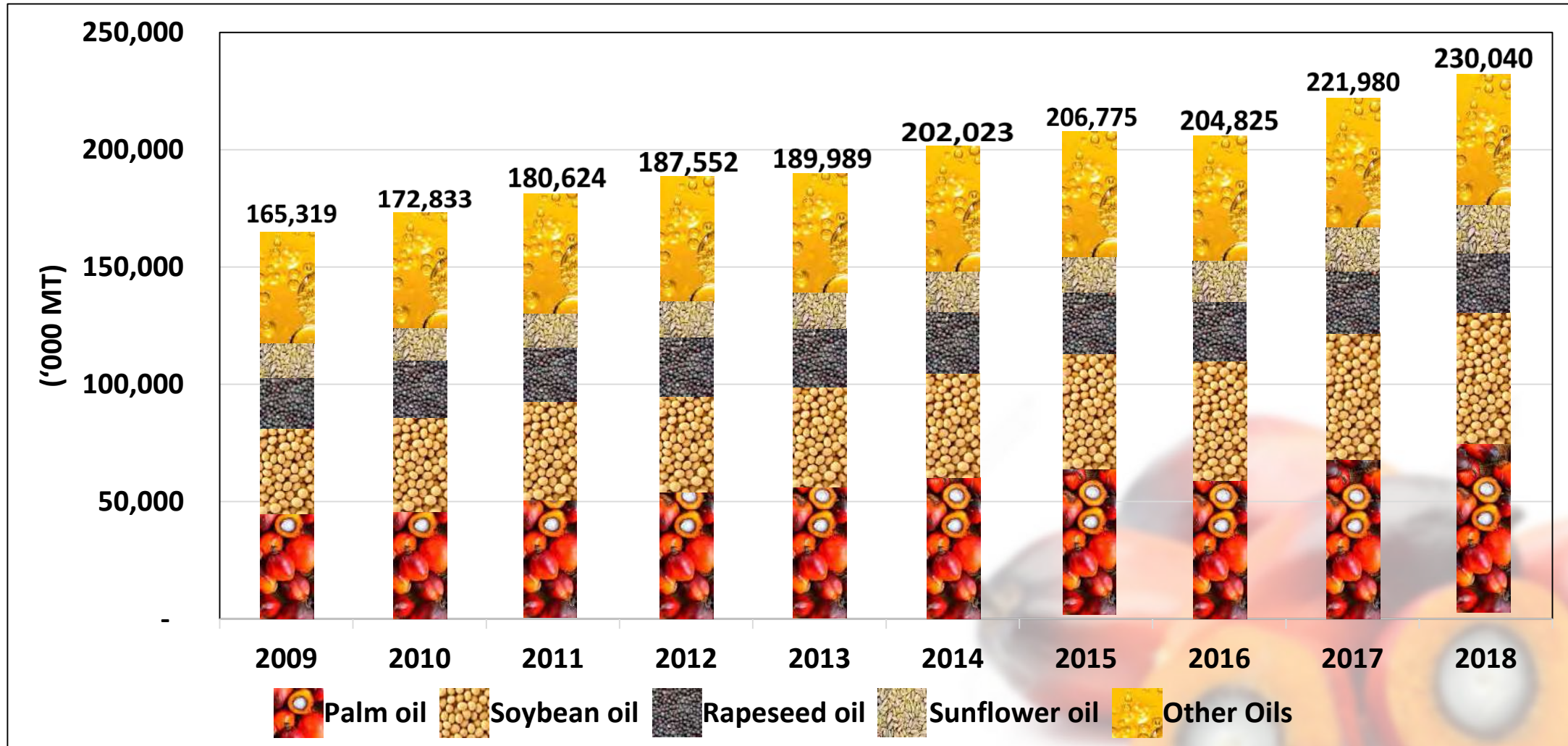




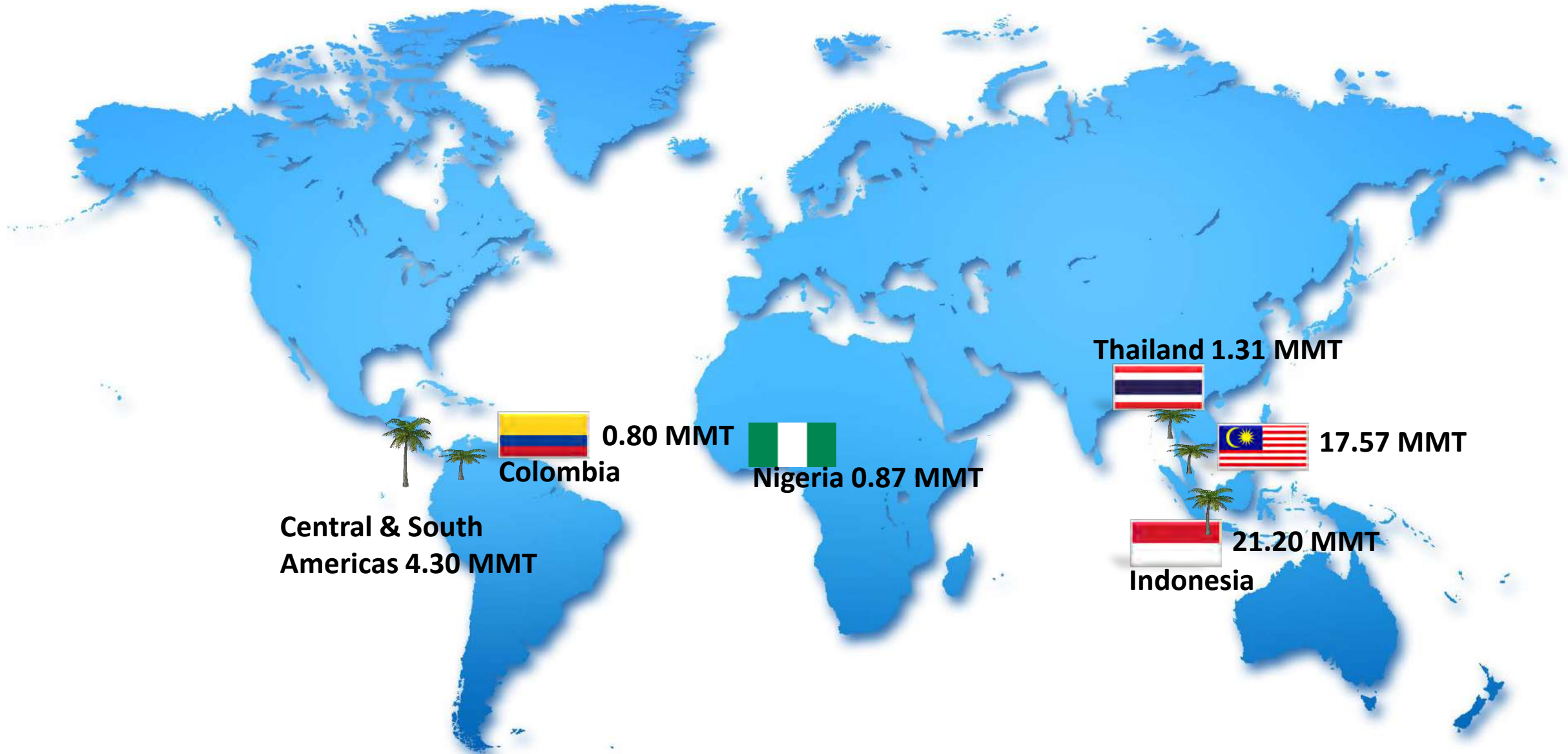
Challenges & Counter-Strategies for Malaysian Palm Oil Industry



Oils & Fats Production ('000 MT) 2009 - 2018



Major Palm Oil Producing Countries in 2009



Major Palm Oil Producing Countries in 2018



Malaysian Palm Oil Major Import Destinations – 2018*



*Jan – Nov 2018

Source: Oil World & MPOB

Industry Challenges

High Stockpiles

2018 saw the highest stock of over 3.0 million MT at the end of November 2018. High carry over stock from January 2018 and slow exports in the last quarter led to this situation

Low Price

Prices of palm oil saw the lowest point in 10 years in December 2018. Factors that drove the commodity prices down in the second half of 2018 were high production, slow exports, trade disputes and high soybean production

Malaysian palm oil price slips nearly 2% on worries of high stockpiles

PALM OIL

Tuesday, 4 Dec 2018
6:58 AM MYT



Malaysian palm oil price in biggest fall in 21 months as Indonesia axes export levy

PALM OIL

Tuesday, 27 Nov 2018
7:35 AM MYT



Palm oil's horrid year is down to more than just orangutans

Bloomberg - November 24, 2018 12:22 AM

256 Shares  181  28  31  12

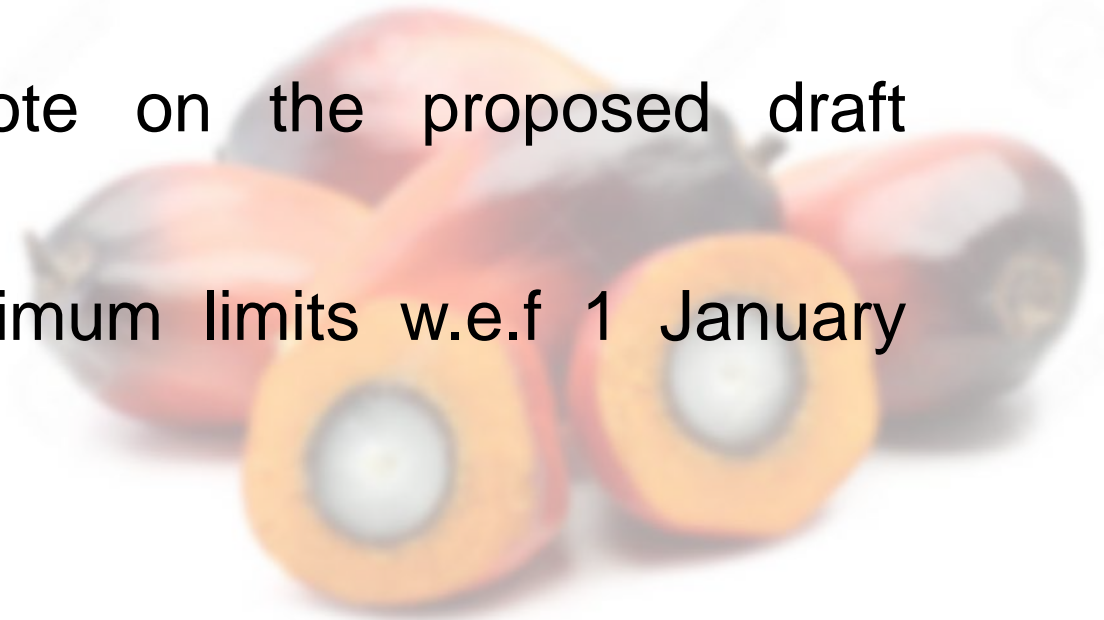


Negative Perception

Public opinion and perception of palm oil saw a new low in 2018. Aggressive smear campaigns were launched to limit palm oils growth using the arguments of environment and sustainability. These campaigns are threatening palm oils markets in major regions; especially EU

EU Ruling on 3MCPDE

- Following joint outreach to the EU Commission and the respective national authorities, Member States and the Commission agreed to set an implementation time of 18 months.
- Products placed on the market before the entry into force of the limits may remain on the market until the end of their shelf life.
- The Standing Committee will vote on the proposed draft legislation in April 2019
- Expected entry into force of maximum limits w.e.f 1 January 2021.



Proposed EU Ruling on 3MCPDE

- EU Ruling consensus to set 2 maximum limits
 - a. Soft oils (1250 ppm)
 - b. Palm oil (2500 ppm)
- The industry does not advocate proposed split levels as this will only add burden without increasing health benefits.
- Sends the wrong message that palm is an inferior oil
- Two levels will cause problems during blending and for various food formulations



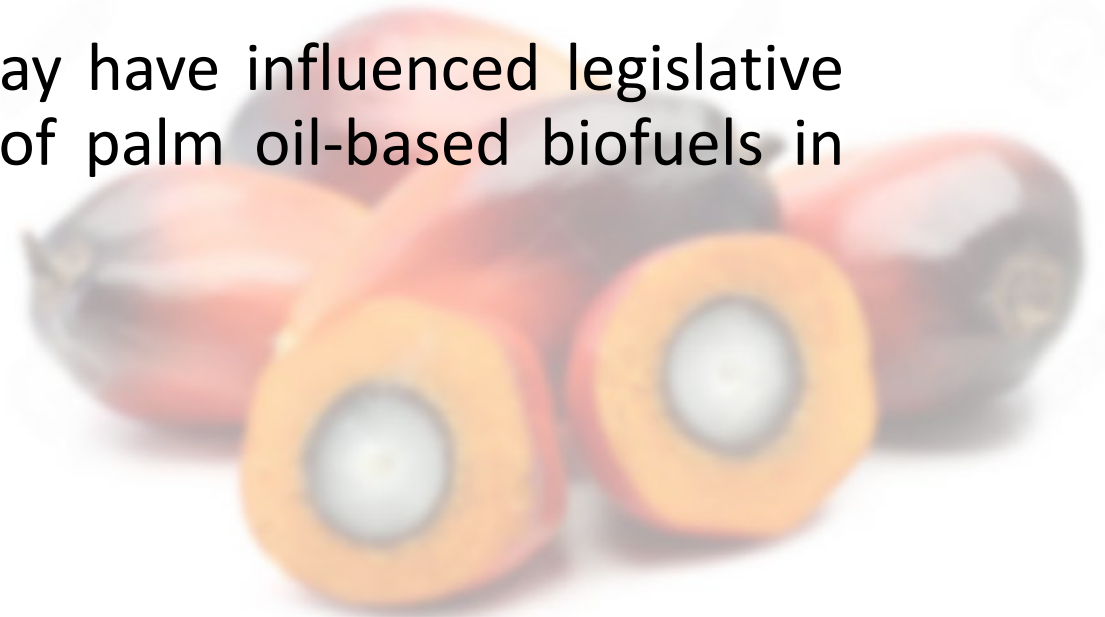
No Palm Oil Labelling

- Originated in 2008 by Carrefour (and later Casino Group) in France and Belgium
- Became popular and spread to other European food retailers - Iceland Foods Ltd (latest)
- Supported by NGOs (eg Greenpeace) and consumer groups
- Food products with this label is now commonly found on Malaysia's supermarket shelves (Jaya Grocer, Cold Storage)
- Several websites advocating palm oil free products created to support this movement (www.gopalmoilfree.org, <https://orangutanalliance.org>)



No Palm Oil Labelling

- Negatively impacted palm oil's credibility as it is a smear campaign to denigrate a sustainable and healthy commodity
- Misleading – as the label offers no nutritional information to consumers, nor they are required by European laws
- Led to consumer-driven boycotts, and may have influenced legislative efforts by governments to ban the use of palm oil-based biofuels in Norway and France




No Palm Oil Labelling

- MPOC, through the Ministry of Primary Industries of Malaysia (MPI) has been constantly engaging the European governments and its MEPs to address this issue
- Joint effort with other palm oil producing countries via CPOPC to address this issue
- It has been established that the label is not required by EU's mandatory food labelling legislations
- In fact, the labelling is deemed illegal under EU legislation
- Declared misleading and illegal by Belgian Court of Appeal in 2017 (Nutella vs Delhaize, a Belgian supermarket chain)

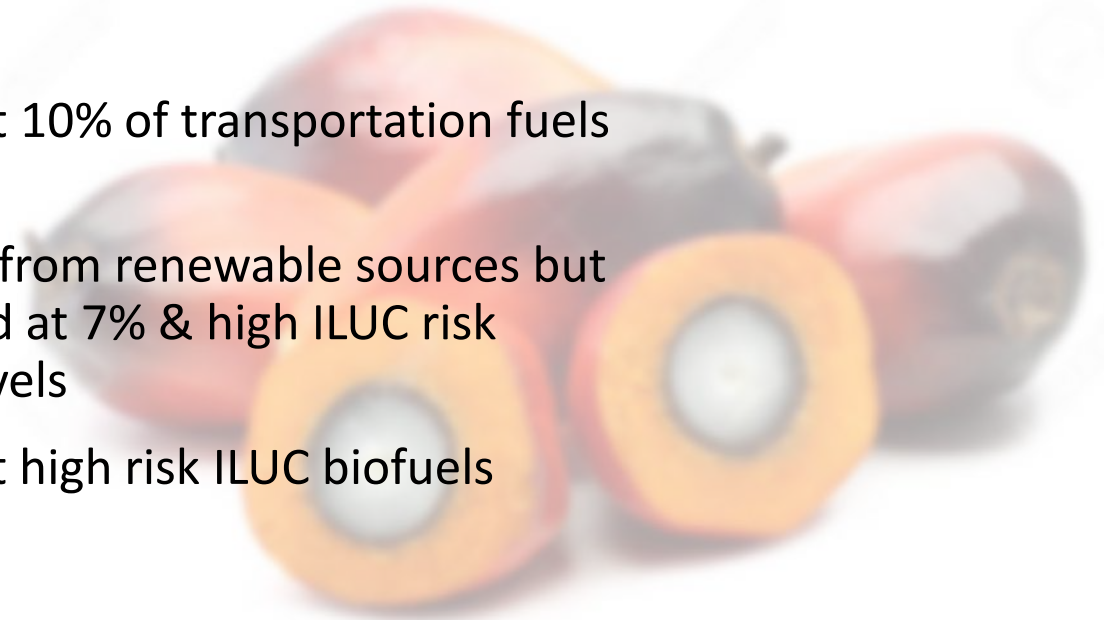


Low and High Risk ILUC biofuels under RED II

Low ILUC-risk biofuels	High ILUC-risk biofuels
<ul style="list-style-type: none"><li data-bbox="163 434 1243 762">❑ Produced from feedstocks that avoid displacement of food & feed crops through improved agricultural practices or cultivation on areas not previously used for crop production <li data-bbox="163 851 1243 1179">❑ Produced in accordance with Sustainability Criteria in EU Directive namely<ul style="list-style-type: none"><li data-bbox="257 993 1166 1043">▪ Not grown on high biodiversity land<li data-bbox="257 1062 1192 1112">▪ Not grown on high carbon stock land<li data-bbox="257 1130 894 1180">▪ Not grown on peatlands	<ul style="list-style-type: none"><li data-bbox="1281 434 2288 548">❑ Produced in manner that do not comply with 'low ILUC-risk biofuels' 

Implications of ILUC on Palm Oil-based Biofuel

- Palm oil-based biofuel is considered high ILUC risk due to significant expansion onto high carbon stock land
- High carbon stock land are wetlands, continuously forested land & other forested land with trees higher than 5 meters & more than 10-30% canopy cover
- Impact from ILUC
 - By End 2020 EU Member states to use at least 10% of transportation fuels from renewable sources
 - By End 2023 EU Member states to use 7-14% from renewable sources but crop-based biofuels to be capped at 7% & high ILUC risk biofuels to be capped at 2019 levels
 - By End 2030 EU Member states will phase out high risk ILUC biofuels



Some Positive Outlooks for 2019

B10 Mandate Implementation

Prospect of utilization of over 700,000 MT of stocks in 2019

MICECA – MPO Duty Advantage

Malaysia-India Comprehensive Economic Agreement, 5% discount on import duty on Malaysian palm olein

Target Developing Markets

Aggressive marketing of Malaysian palm products in developing markets in ASEAN, Middle East and Africa

PM: B10 biodiesel to drive green efforts and economy

NATION

Wednesday, 12 Dec 2018

PUTRAJAYA: Malaysia's initiatives to use palm-based biodiesel as fuel will reduce stock and stabilise commodity prices amid attempts by others to restrict its export and sales, said the Prime Minister.

India cuts tax on palm oil imports; Malaysia to gain most

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3 minute read

Malaysia to explore new markets aggressively for palm oil



Primary Industries Minister Teresa Kok (centre) listens during the consultation session on the ministry's 2019 budget. Looking on is the ministry's secretary-general Datuk Zurinah Pawanteh. Pic by MOHD FADLI HAMZAH



MPOC's Focus for Developing Markets in 2019

MPOC's Major Activities in 2019



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