

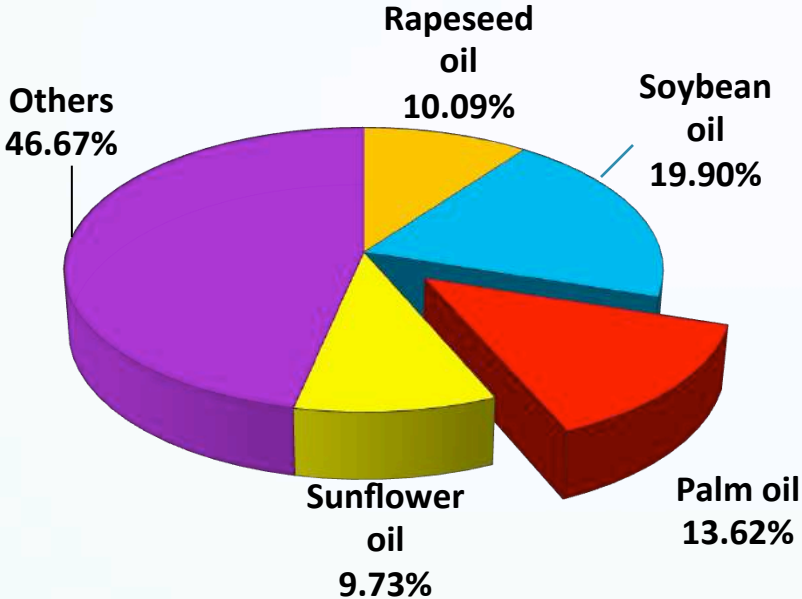


Malaysia's Palm Oil Journey -Bridging India's Demand Challenges

Presented at OFI Business Congress & SOPA
Soya Conference 2017

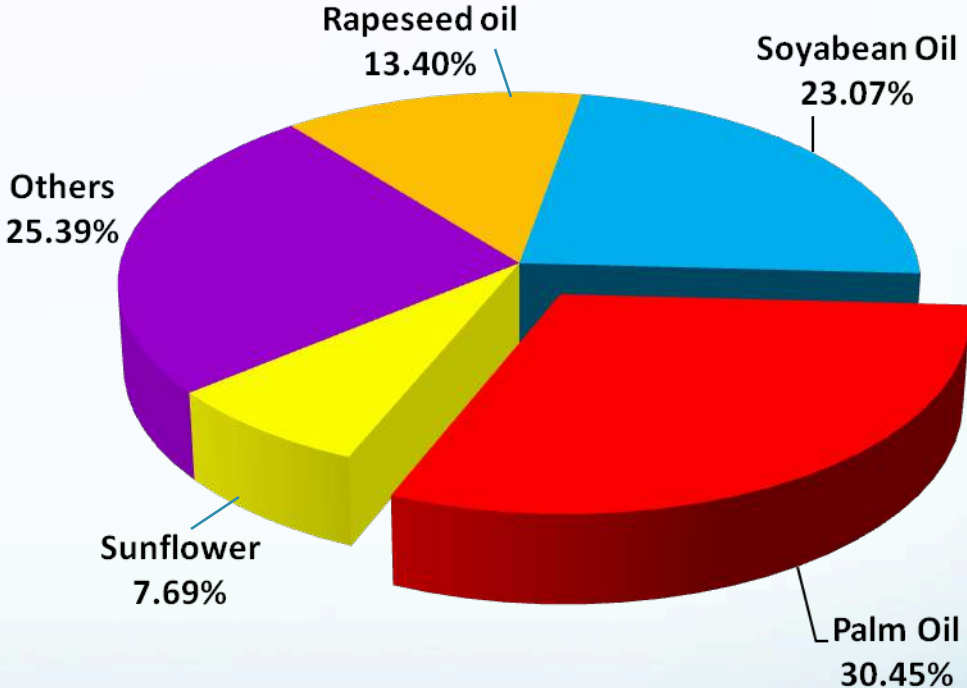
By Bhavna Shah
Malaysian Palm Oil Council
India & Sri Lanka

POSITION OF PALM OIL IN WORLD



1990

Production : 80.89 million MT

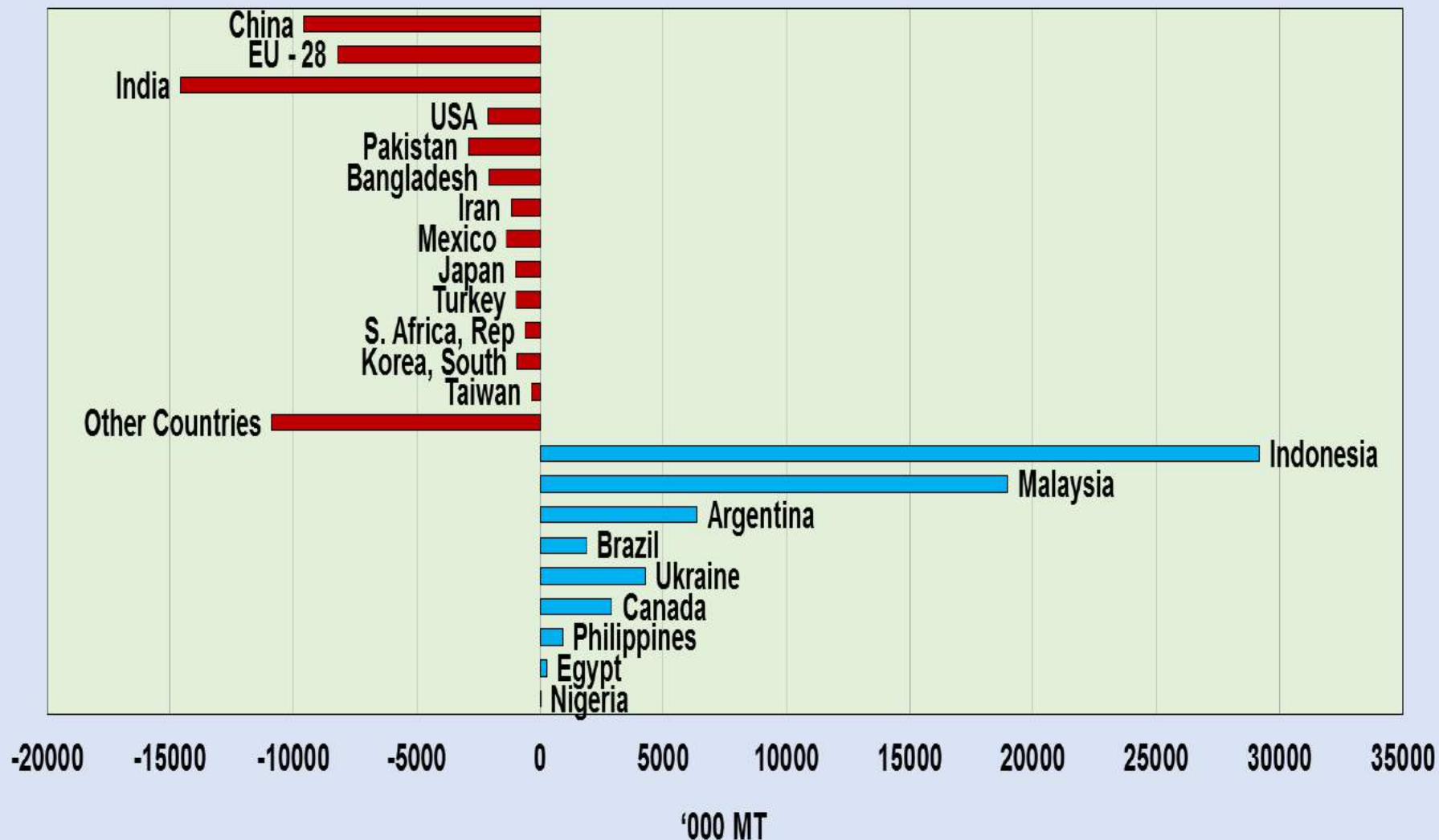


2015

Production : 204.89 million MT

Source: Oil World

Oils & Fats: Net Importers & Exporters 2015



Source : Oil World

■ Net Importer ■ Net Exporter

PALM OIL AND GLOBAL FOOD SECURITY

What Is Food Security?

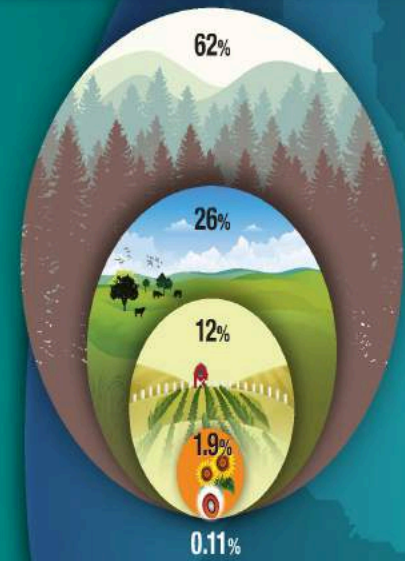
Food Security is the ability of all people at all times to access enough food for an active and healthy life

Feeding an additional 2 billion+ people by 2050 is no small task and will take the collective efforts of many stakeholders to achieve this huge but attainable goal

3 MAJOR DRIVERS OF FOOD DEMAND

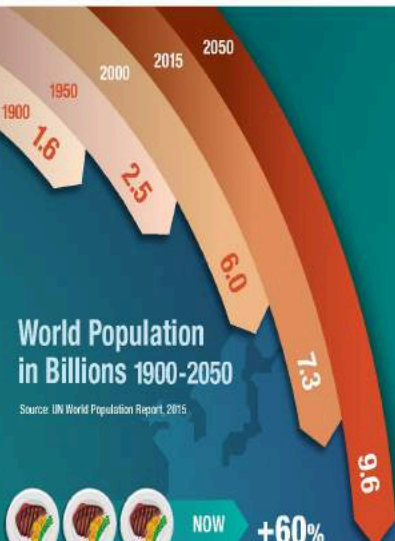


AS A SUSTAINABLE CROP, OIL PALM WILL PLAY A CRITICAL ROLL IN HELPING TO FEED THE WORLD AS IT IS:



World Population in Billions 1900-2050

Source: UN World Population Report, 2015

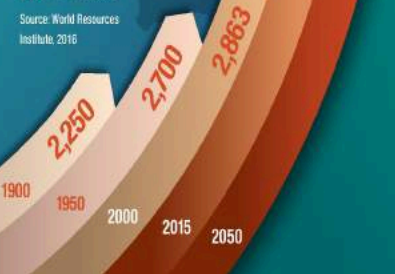


To meet population and dietary demands, 60% more food will be needed by 2050

Source: Climate Change, Agriculture and Food Security, 2015

Average Daily Calorie Intake 1900-2050

Source: World Resources Institute, 2016



Through a combination of waste and spoilage, about 1/3 of all edible food produced worldwide annually is lost



This loss equals approximately 1.4 billion tonnes a year, which is enough to feed the world's 800 million+ undernourished people

Source: World Resources Institute, 2016

As diets changed and incomes have grown, these have greatly increased the need for more ranch land for cattle grazing



Grams of animal-based Protein per Capita per Day

Source: UN Food and Agricultural Organisation, 2013

YIELDS ARE KEY and will increase with:



Beef is EXTREMELY inefficient to produce taking a much higher amount of grain and water than other animal proteins

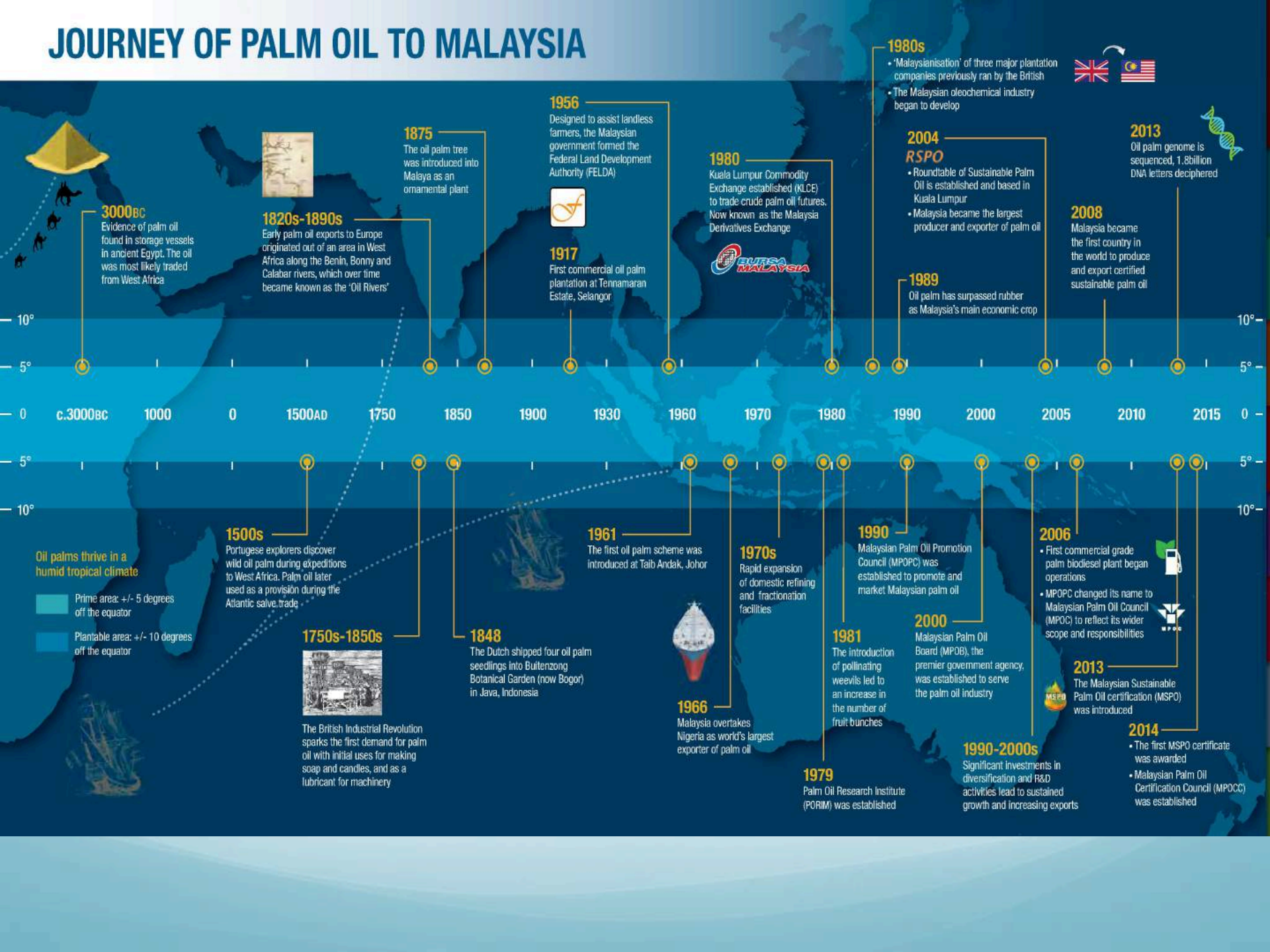


% of Total Land Surface Covered By:



Source: UN Food and Agricultural Organisation

JOURNEY OF PALM OIL TO MALAYSIA



3000BC
Evidence of palm oil found in storage vessels in ancient Egypt. The oil was most likely traded from West Africa

1820s-1890s
Early palm oil exports to Europe originated out of an area in West Africa along the Benin, Bonny and Calabar rivers, which over time became known as the 'Oil Rivers'

1875
The oil palm tree was introduced into Malaya as an ornamental plant

1956
Designed to assist landless farmers, the Malaysian government formed the Federal Land Development Authority (FELDA)

1917
First commercial oil palm plantation at Tennamaram Estate, Selangor

1980
Kuala Lumpur Commodity Exchange established (KLCE) to trade crude palm oil futures. Now known as the Malaysia Derivatives Exchange

1980s
• 'Malaysianisation' of three major plantation companies previously ran by the British
• The Malaysian oleochemical industry began to develop

2004 RSPO
• Roundtable of Sustainable Palm Oil is established and based in Kuala Lumpur
• Malaysia became the largest producer and exporter of palm oil

2008
Malaysia became the first country in the world to produce and export certified sustainable palm oil

2013
Oil palm genome is sequenced, 1.8billion DNA letters deciphered

1989
Oil palm has surpassed rubber as Malaysia's main economic crop

Oil palms thrive in a humid tropical climate

- Prime area: +/- 5 degrees off the equator
- Plantable area: +/- 10 degrees off the equator

1500s
Portuguese explorers discover wild oil palm during expeditions to West Africa. Palm oil later used as a provision during the Atlantic slave trade

1750s-1850s
The British Industrial Revolution sparks the first demand for palm oil with initial uses for making soap and candles, and as a lubricant for machinery

1848
The Dutch shipped four oil palm seedlings into Buitenzorg Botanical Garden (now Bogor) in Java, Indonesia

1961
The first oil palm scheme was introduced at Taib Andak, Johor

1966
Malaysia overtakes Nigeria as world's largest exporter of palm oil

1970s
Rapid expansion of domestic refining and fractionation facilities

1979
Palm Oil Research Institute (PORIM) was established

1981
The introduction of pollinating weevils led to an increase in the number of fruit bunches

1990
Malaysian Palm Oil Promotion Council (MPOPC) was established to promote and market Malaysian palm oil

2000
Malaysian Palm Oil Board (MPOB), the premier government agency, was established to serve the palm oil industry

1990-2000s
Significant investments in diversification and R&D activities lead to sustained growth and increasing exports

2006
• First commercial grade palm biodiesel plant began operations
• MPOPC changed its name to Malaysian Palm Oil Council (MPOC) to reflect its wider scope and responsibilities

2013
The Malaysian Sustainable Palm Oil certification (MSPO) was introduced

2014
• The first MSPO certificate was awarded
• Malaysian Palm Oil Certification Council (MPOCC) was established

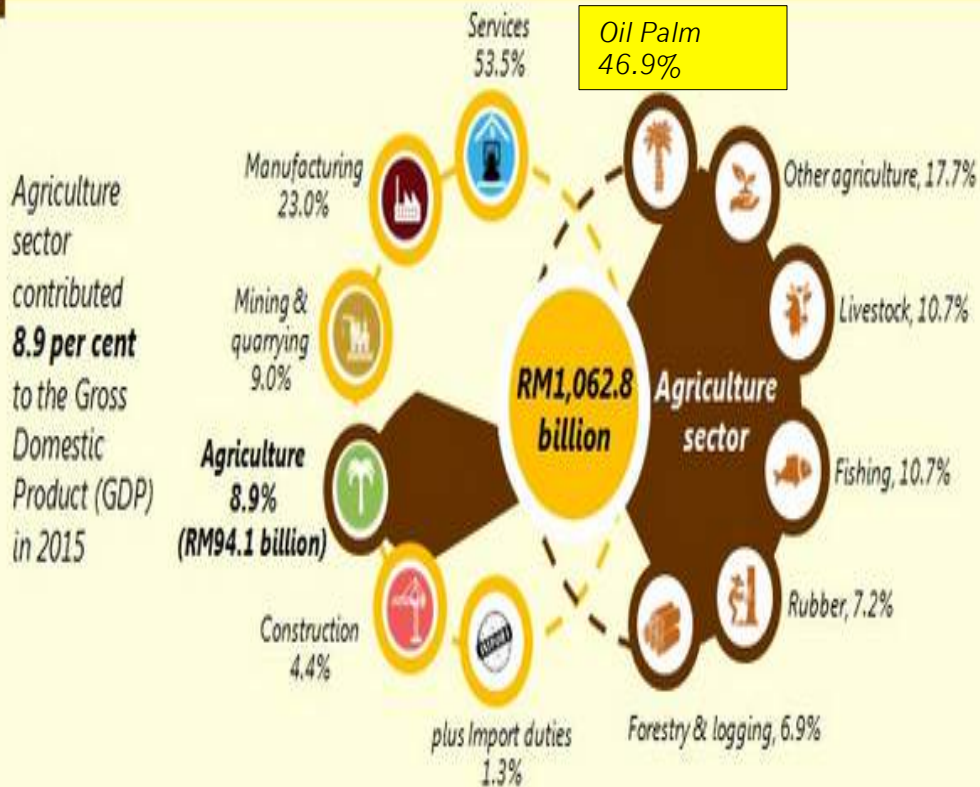
Importance of palm oil in rural development & poverty eradication

- Oil palm cultivation helps reduce migration from rural to urban areas
- Alleviate poverty of rural areas
- Instrumental in the development of secondary towns in rural areas
- Provides places of worship, houses, schools, clinics, and other basic necessities in rural oil palm estates



IMPORTANCE OF PALM OIL TO MALAYSIA - GDP CONTRIBUTION FROM AGRICULTURE IN 2015

PERCENTAGE SHARE TO GDP BY KIND OF ECONOMIC ACTIVITY, 2015
(CONSTANT 2010 PRICES)



- Palm oil is the biggest contributor from the agricultural sector towards Malaysia's GDP
- In 2015, palm oil contributed to 46.9% of the agricultural sector's contribution to the economy
- This is about 4.2% of the total national GDP

Source: Department of Statistics, Malaysia

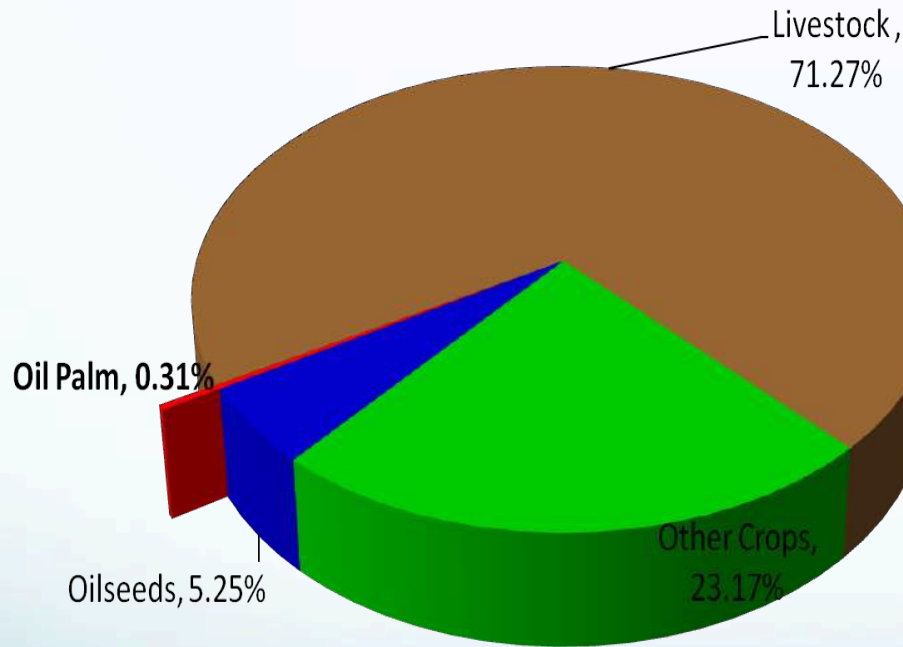


**GOODNESS OF
MALAYSIAN PALM OIL**

Malaysian Oil Palm Grown With Sustainable Practices

- Sustainable agriculture is resource-conserving, socially supportive, commercially competitive and environmentally sound
- Malaysian palm oil industry existence for almost a hundred years
- Using sustainable practices for long time
- Such practices keep land in good condition and sustain high yields
- Net result : high sustainable yields lead to good profits
- Many of RSPO principles & criteria are based on such sustainable practices

Palm Oil – The Ultimate Sustainable Oil



Total Agricultural Area : 5 Billion Hectares

The accusation of oil palm being the leading cause of deforestation cannot be true

Malaysia's commitment to sustainability: MSPO

- Malaysia has its own national palm oil sustainability scheme
- Malaysian Sustainable Palm Oil
- Contains 4 Malaysian Standards (MS)
- Produced following ISO Standards
- Adoption is voluntary currently
- Alternative to other palm oil sustainability systems e.g. RSPO, ISCC
- Launched in 2015
- MPOCC to implement MSPO



India: Macro Features

- 7th largest economy in the world by nominal GDP
- 3rd largest economy by PPP
- Estimated GDP growth for 2017- 18 @7.4 %
- Domestic oils production 2015-16 @ 7.2 MMT
- Vegoils imports estimated at 14.6 MMT

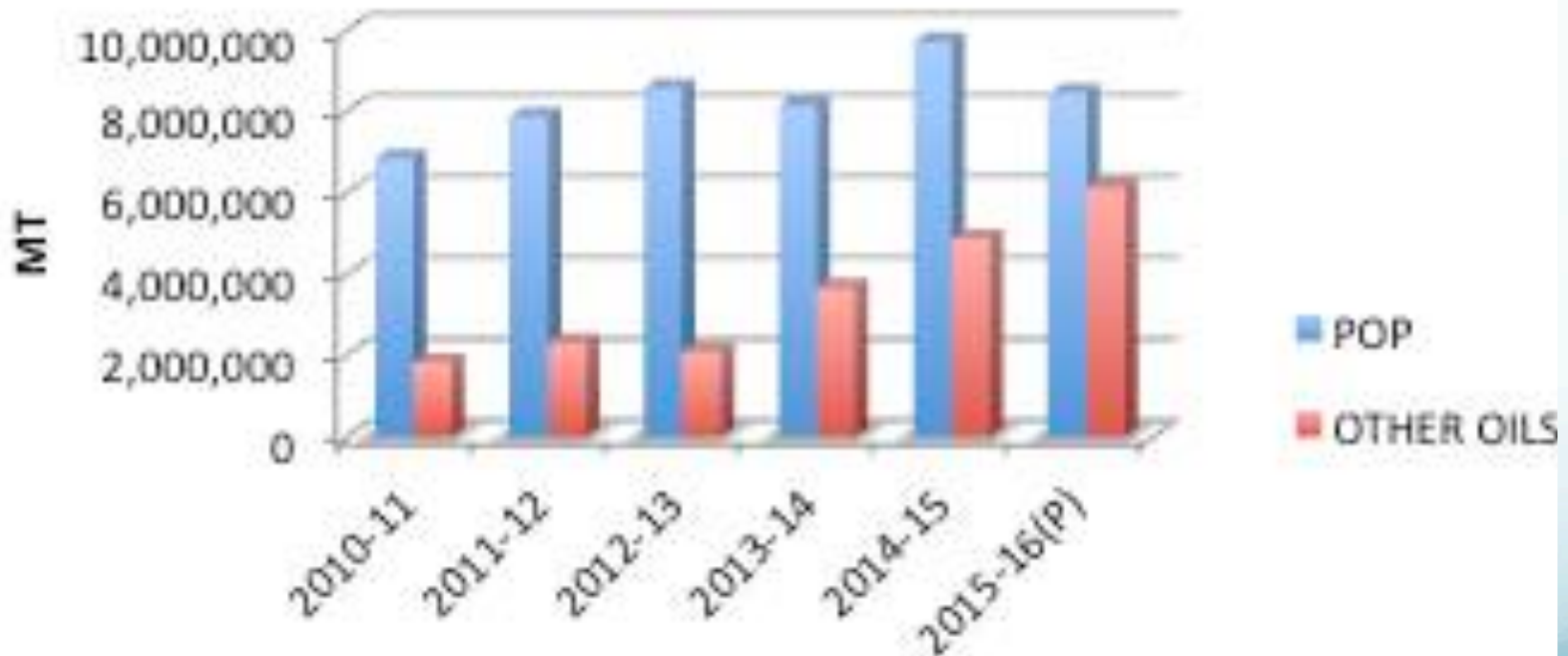
Domestic Oilseed Production



Source: SEA of India

Import Basket Composition

PALM OIL vs OTHER OILS IMPORTS



Source: SEA ; MPOC Intelligence



Demand Supply Gap

<u>India - Production and Imports of Vegetable Oils (Million MT)</u>						
	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Dom. Prodn.	7.20	7.20	8.38	8.03	8.15	8.52
Imports	14.59	14.62	11.82	10.68	10.19	8.67
Total Available	21.79	21.82	20.20	18.71	18.34	17.19
Imports as % of Total Available	66.96	67.00	58.51	57.08	55.56	50.44

Source: The SEA of India, COOIT



Sensitivity Analysis

<u>Year</u>	<u>Population</u>	<u>Oil consumption (kg/capita)</u>					
	<u>(Billion)</u>	17.00	17.50	18.00	18.50	19.00	
		<u>Vegoils Demand (Million MT)</u>					
2015	1.31	22.30	22.96	23.61	24.27	24.92	36.73
2016	1.33	22.57	23.23	23.90	24.56	25.22	37.17
2017	1.34	22.84	23.51	24.18	24.85	25.53	37.62
2018	1.36	23.11	23.79	24.47	25.15	25.83	38.07
2019	1.38	23.39	24.08	24.77	25.45	26.14	38.52
2020	1.39	23.67	24.37	25.06	25.76	26.46	38.99

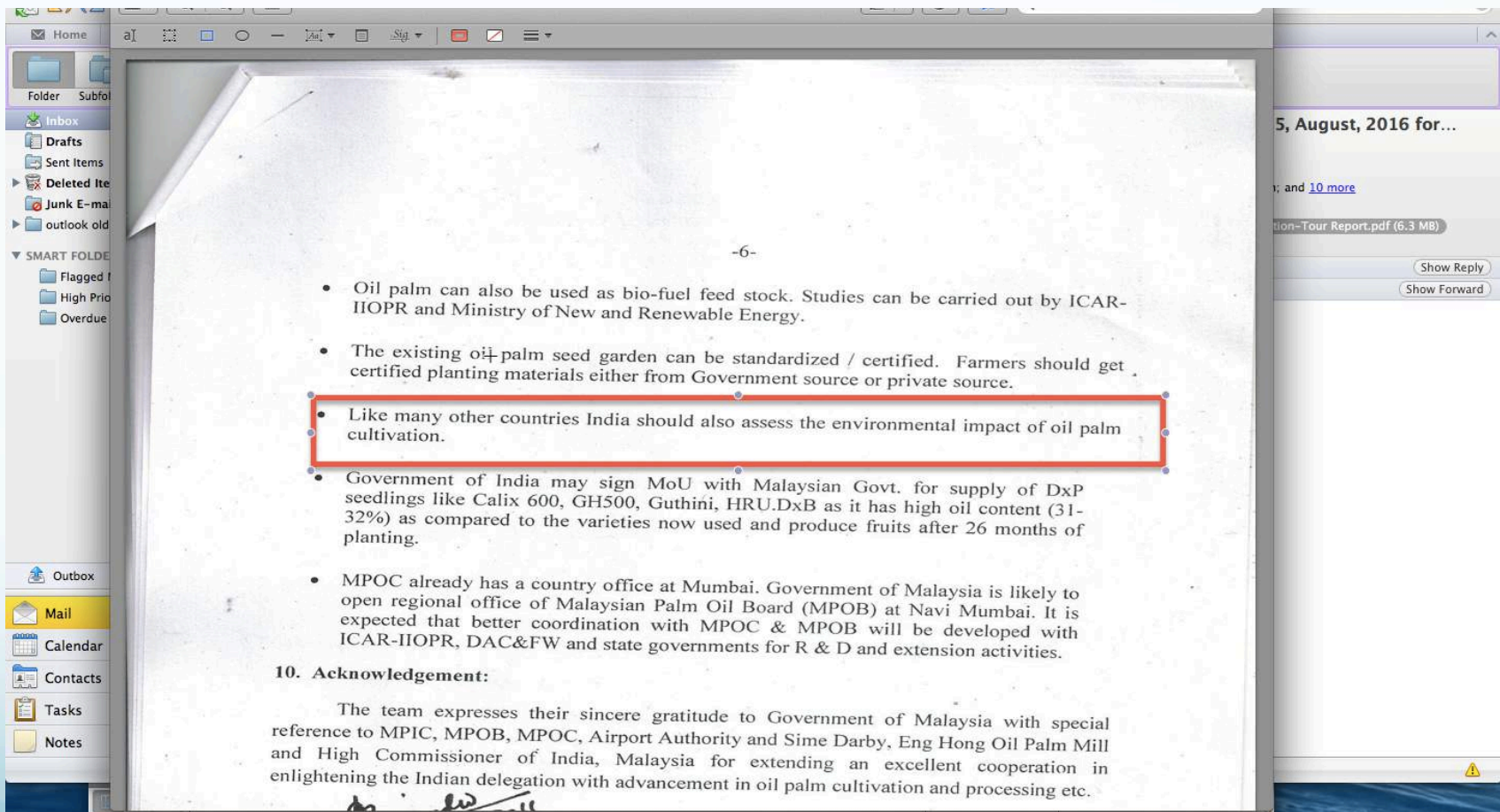
Source: OIL WORLD, MPOC INTELLIGENCE

Processing Capacity Utilisation



	No. Of Units	Annual Capacity (Mn/T)	Capacity Utilisation (%)
Oil Mills (Crushing Units)	1500	36	20-30
Solvent Extraction Plants	600	31	30-35
Vegetable Oil Refineries	650	24	40-50
Vanaspati (Hydrogenation) Units	250	3	25-30

Sustainability Awareness



The screenshot shows an Outlook email client window. The main content is a document page with a bulleted list of points. The third bullet point is highlighted with a red box. The document is titled "10. Acknowledgement:" and contains a paragraph of text. The Outlook interface includes a sidebar with folders like "Inbox", "Drafts", "Sent Items", "Deleted Items", "Junk E-mail", and "outlook old". The right sidebar shows the email date "5, August, 2016 for..." and a "Tour Report.pdf (6.3 MB)" attachment. The bottom right corner of the Outlook window has a yellow warning icon.

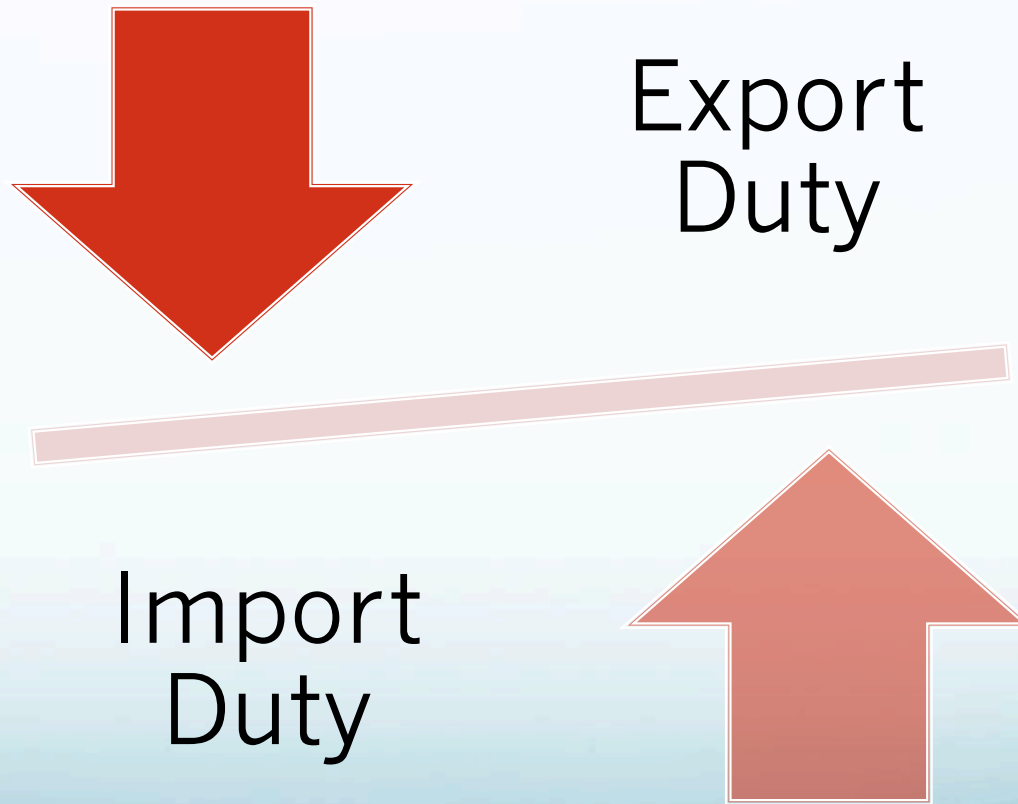
-6-

- Oil palm can also be used as bio-fuel feed stock. Studies can be carried out by ICAR-IIOPR and Ministry of New and Renewable Energy.
- The existing oil palm seed garden can be standardized / certified. Farmers should get certified planting materials either from Government source or private source.
- Like many other countries India should also assess the environmental impact of oil palm cultivation.
- Government of India may sign MoU with Malaysian Govt. for supply of DxP seedlings like Calix 600, GH500, Guthini, HRU.DxB as it has high oil content (31-32%) as compared to the varieties now used and produce fruits after 26 months of planting.
- MPOC already has a country office at Mumbai. Government of Malaysia is likely to open regional office of Malaysian Palm Oil Board (MPOB) at Navi Mumbai. It is expected that better coordination with MPOC & MPOB will be developed with ICAR-IIOPR, DAC&FW and state governments for R & D and extension activities.

10. Acknowledgement:

The team expresses their sincere gratitude to Government of Malaysia with special reference to MPIC, MPOB, MPOC, Airport Authority and Sime Darby, Eng Hong Oil Palm Mill and High Commissioner of India, Malaysia for extending an excellent cooperation in enlightening the Indian delegation with advancement in oil palm cultivation and processing etc.

Barriers To Trade



Growth Story To Continue



Opportunity – Domestic Market

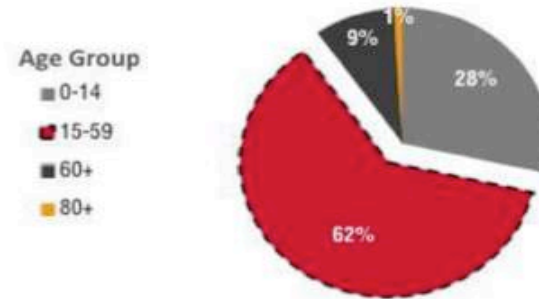
India to become a **US\$7 trillion** (current market price) economy by 2025



Indian Economy: A shift to a high growth path

Note: Figures in the circles denotes nominal GDP in the terminal year f: D&B forecasts, data from FY16 are forecast | Source: Mospi

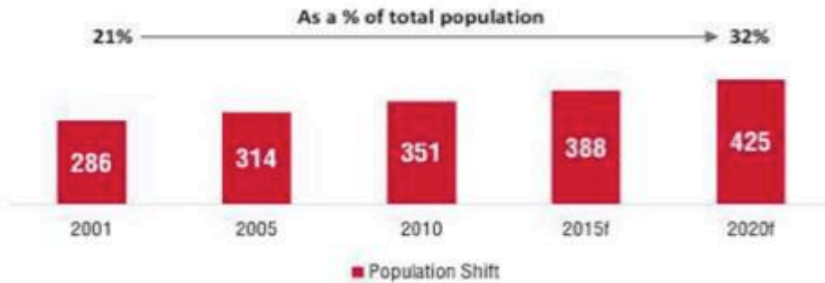
India's demographic profile (year-2015)



Source: United Nations report "World Population Prospects: The 2015 Revision"

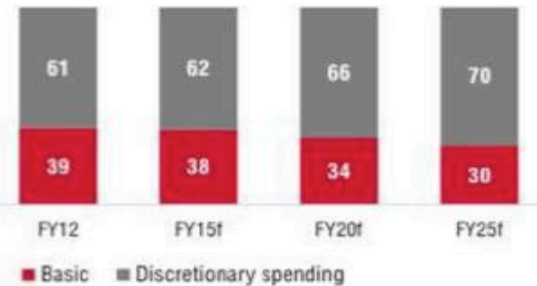
Growth in urbanization

(in mn)



Source: Census of India 2001, population projection 2001-2016

Rising share of discretionary spending over the year (%)



F: D&B forecast | Source: CSO, D&B India

Food For Thought



Challenges

- Potential for consumption increase
- Shift in favor of soft oils
- Price sensitive market
- Impact of GMO
- Drive towards oil palm cultivation
- Barriers to trade: Export – Import duties

CONCLUSION

- **Palm oil continues to be an important source of oils and fats in the world**
- **Malaysian palm oil industry is 100 years old**
- **Malaysian palm oil is sustainably produced**
- **Continuous effort to improve its quality and sustainability**
- **Only palm oil industry in the world with a dedicated wildlife conservation fund**

MALAYSIAN PALM OIL INDUSTRY HAS WIDE NETWORK TO ASSIST YOU

MPOC has an office in India to serve you better



Visit:
<http://www.mpoc.org.in>

Malaysian Palm Oil Council (MPOC) : Official Website India

www.mpoc.org.in

Malaysian Palm Oil Council
MPOC INDIA

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100th ANNIVERSARY
MALAYSIAN PALM OIL INDUSTRY 1917-2017

THE CENTENNIAL CELEBRATION
18 MAY 2017

TENNAMARAM ESTATE

DAILY PALM OIL PRICES

Settlement Price (RM)

Date	Price (RM)
11 May	2672
12 May	2651
15 May	2684
16 May	2610
17 May	2643

FEATURED

Palm International Nutra-Cosmeceutical Conference (PINC) 2017
Palm International Nutra-Cosmeceutical Conference (PINC 2017) was first organized in 2009 to recognise and acknowledge [...]

Is Palm Oil A Cancer Risk? Let Truthful Science Prevail!
In addition to the Nutella / Palm oil cancer link streamed extensively in the media, [...]

Malaysian Palm Oil Industry: Our Stand On The Nutella Ferrero Report and Misinformation about Palm Oil and Cancer
The palm oil industry is regularly confronted by misinformation which is then absorbed by the [...]

GLOBAL HIGHLIGHTS

- Recent Studies Further Confirm that Oil Palm Cultivation is not the Main Cause of Deforestation
- Malaysian Sustainable Palm Oil (MSPO) to be Made Mandatory by 2019

REGIONAL HIGHLIGHTS

- CPO hedgers' meet jointly organized by MCX & IVPA
- India edible oil producers fight losing battle against cheap palm oil imports
- MPOC – Lokmat Consumer Program

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