OMB NO. 1124-0002; Expires February 28, 2014

U.S. Department of Justice

Washington, DC 20530

Supplemental Statement
Pursuant to the Foreign Agents Registration Act of 1938, as amended

For Six Month Period Ending 6/30/2012
(Insert date)

I - REGISTRANT

1. (a) Name of Registrant
American Palm Oil Council

(b) Registration No.
4575

(c) Business Address(es) of Registrant
1010 Wisconsin Avenue, NW
Suite 307
Washington, DC 20007

2. Has there been a change in the information previously furnished in connection with the following?
(a) If an individual:
(1) Residence address(es) Yes ☐ No ☐
(2) Citizenship Yes ☐ No ☐
(3) Occupation Yes ☐ No ☐
(b) If an organization:
(1) Name Yes ☐ No ☒
(2) Ownership or control Yes ☐ No ☒
(3) Branch offices Yes ☐ No ☒
(c) Explain fully all changes, if any, indicated in Items (a) and (b) above.

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, AND 5(a).

3. If you have previously filed Exhibit C[1], state whether any changes therein have occurred during this 6 month reporting period.
Yes ☐ No ☒
If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐
If no, please attach the required amendment.

1 The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, National Security Division, U.S. Department of Justice, Washington, DC 20530.)

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4. (a) Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period?

Yes ☐ No ☒

If yes, furnish the following information:

Name	Position	Date Connection Ended

(b) Have any persons become partners, officers, directors or similar officials during this 6 month reporting period?

Yes ☐ No ☒

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed

5. (a) Has any person named in Item 4(b) rendered services directly in furtherance of the interests of any foreign principal?

Yes ☐ No ☒

If yes, identify each such person and describe the service rendered.

(b) During this six month reporting period, has the registrant hired as employees or in any other capacity, any persons who rendered or will render services to the registrant directly in furtherance of the interests of any foreign principal(s) in other than a clerical or secretarial, or in a related or similar capacity? Yes ☐ No ☒

Name	Residence Address	Citizenship	Position	Date Assumed

(c) Have any employees or individuals, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name	Position or Connection	Date Terminated

(d) Have any employees or individuals, who have filed a short form registration statement, terminated their connection with any foreign principal during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name	Position or Connection	Foreign Principal	Date Terminated

6. Have short form registration statements been filed by all of the persons named in Items 5(a) and 5(b) of the supplemental statement?

Yes ☐ No ☐

If no, list names of persons who have not filed the required statement.

N/A

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II - FOREIGN PRINCIPAL

7. Has your connection with any foreign principal ended during this 6 month reporting period? Yes ☐ No ☒
   If yes, furnish the following information:

   Foreign Principal — Date of Termination

8. Have you acquired any new foreign principal(s)[2] during this 6 month reporting period? Yes ☐ No ☒
   If yes, furnish th following information:

   Name and Address of Foreign Principal(s) — Date Acquired

9. In addition to those named in Items 7 and 8, if any, list foreign principal(s)[2] whom you continued to represent during the 6 month reporting period.

   Malaysian Palm Oil Promotion Council
   Kuala Lumpur, Malaysia

10. (a) Have you filed exhibits for the newly acquired foreign principal(s), if any, listed in Item 8?
    Exhibit A[3] Yes ☐ No ☐
    Exhibit B[4] Yes ☐ No ☐
    If no, please attach the required exhibit.

    (b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes ☐ No ☒
    If yes, have you filed an amendment to these exhibits? Yes ☐ No ☐
    If no, please attach the required amendment.

2 The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a) (9)). A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)
3 The Exhibit A, which is filed on Form NSD-3 (Formerly CRM-157) sets forth the information required to be disclosed concerning each foreign principal.
4 The Exhibit B, which is filed on Form NSD-4 (Formerly CRM-155) sets fourth the information concerning the agreement or understanding between the registrant and the foreign principal.

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III - ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 7, 8, or 9 of this statement? Yes ☒ No ☐

If yes, identify each foreign principal and describe in full detail your activities and services:

SEE ATTACHMENT #1

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity[5] as defined below?
Yes ☐ No ☒

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits your foreign principal(s)? Yes ☐ No ☒

If yes, describe fully.

5 The term "political activity" means any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

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IV - FINANCIAL INFORMATION

14. (a) **RECEIPTS-MONIES**
During this 6 month reporting period, have you received from any foreign principal named in Items 7, 8, or 9 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes ☒ No ☐

If no, explain why.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.[6]

Date	From Whom	Purpose	Amount
SEE ATTACHMENT #2			

Total

(b) **RECEIPTS - FUNDRAISING CAMPAIGN**
During this 6 month reporting period, have you received, as part of a fundraising campaign[7], any money on behalf of any foreign principal named in Items 7, 8, or 9 of this statement? Yes ☐ No ☒

If yes, have you filed an Exhibit D to your registration? Yes ☐ No ☐

If yes, indicate the date the Exhibit D was filed. Date ________________

(c) **RECEIPTS-THINGS OF VALUE**
During this 6 month reporting period, have you received any thing of value[9] other than money from any foreign principal named in Items 7, 8, or 9 of this statement, or from any other source, for or in the interests of any such foreign principal?
Yes ☐ No ☒

If yes, furnish the following information:

Foreign Principal	Date Received	Thing of Value	Purpose

6, 7 A registrant is required to file an Exhibit D if he collects or receives contributions, loans, moneys, or other things of value for a foreign principal, as part of a fundraising campaign. (See Rule 201(e)).
8 An Exhibit D, for which no printed form is provided, sets forth an account of money collected or received as a result of a fundraising campaign and transmitted for a foreign principal.
9 Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

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15. (a) **DISBURSEMENTS-MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 7, 8, or 9 of this statement? Yes ☒ No ☐

(2) transmitted monies to any such foreign principal? Yes ☐ No ☐

If no, explain in full detail why there were no disbursements made on behalf of any foreign principal.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To Whom	Purpose	Amount
SEE ATTACHMENT #3			

$293,452.42
Total

(b) **DISBURSEMENTS-THINGS OF VALUE**
During this 6 month reporting period, have you disposed of anything of value[10] other than money in furtherance of or in connection with activities on behalf of any foreign principal named in Items 7, 8, or 9 of this statement?

Yes ☐ No ☒

If yes, furnish the following information:

Date	Recipient	Foreign Principal	Thing of Value	Purpose

(c) **DISBURSEMENTS-POLITICAL CONTRIBUTIONS**
During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value[11] in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes ☐ No ☒

If yes, furnish the following information:

Date	Amount or Thing of Value	Political Organization or Candidate	Location of Event

10, 11 Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks" and the like.

V - INFORMATIONAL MATERIALS

16. (a) During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any informational materials?[12]
Yes ☒ No ☐
If Yes, go to Item 17.
(b) If you answered No to Item 16(a), do you disseminate any material in connection with your registration?
Yes ☐ No ☐
If Yes, please forward the materials disseminated during the six month period to the Registration Unit for review.

17. Identify each such foreign principal.
Malaysian Palm Oil Promotion Council

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating informational materials? Yes ☐ No ☒
If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of informational materials include the use of any of the following:
☐ Radio or TV broadcasts ☐ Magazine or newspaper ☐ Motion picture films ☐ Letters or telegrams
☐ Advertising campaigns ☐ Press releases ☒ Pamphlets or other publications ☐ Lectures or speeches
☐ Other *(specify)* ____

Electronic Communications

☐ Email
☐ Website URL(s): ____
☐ Social media websites URL(s): ____
☐ Other *(specify)* ____

20. During this 6 month reporting period, did you disseminate or cause to be disseminated informational materials among any of the following groups:
☐ Public officials ☐ Newspapers ☐ Libraries
☐ Legislators ☐ Editors ☐ Educational institutions
☐ Government agencies ☐ Civic groups or associations ☐ Nationality groups
☒ Other *(specify)* Trade Associations

21. What language was used in the informational materials:
☒ English ☐ Other *(specify)* ____

22. Did you file with the Registration Unit, U.S. Department of Justice a copy of each item of such informational materials disseminated or caused to be disseminated during this 6 month reporting period? Yes ☒ No ☐

23. Did you label each item of such informational materials with the statement required by Section 4(b) of the Act?
Yes ☐ No ☐

12 The term informational materials includes any oral, visual, graphic, written, or pictorial information or matter of any kind, including that published by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or any means or instrumentality of interstate or foreign commerce or otherwise. Informational materials disseminated by an agent of a foreign principal as part of an activity in itself exempt from registration, or an activity which by itself would not require registration, need not be filed pursuant to Section 4(b) of the Act.

VI - EXECUTION

In accordance with 28 U.S.C. § 1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)	(Print or type name under each signature or provide electronic signature[13])	
August 22, 2012	/s/ Mohamed Salleh Bin Mohd Kassim	eSigned

13 This statement shall be signed by the individual agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.

American Palm Oil Council
Registration #4575
Reporting Period: January 1, 2012 to June 30, 2012.

Attachment #1

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in 7,8, and 9 of this statement?

Yes.

If yes, identify each such foreign principal and describe in full detail your activities and services.

During this 6 month period, the registrant has continued to represent Malaysia Palm Oil Promotional Council at various exhibits, conferences, meetings and seminars throughout the country.

January 1 – June 30, 2012		
Date	**Exhibitions/Conferences**	**Venue**
February 4-9	National Biodiesel Conference	Orlando, FL
February 20-21	USDA Forum	Arlington, VA
March 7-10	National Product Expo West (NPEW)	Anaheim, CA
March 11-14	NIOP Annual Convention	Palm Springs, CA
March 21-28	YBM Minister's Visit	Washington, DC
April 24-26	Michigan Dietetic Association Conference (MDA)	Detroit, MI
April 29-May 3	AOCS Conference and Expo	Long Beach, CA
May 5-8	National Restaurant Association (NRA)	Chicago, IL
June 7-9	Palm Oil Workshop	Gainesville, FL
June 24-29	IFT Annual Meeting	Las Vegas, NV
June 30	IOPD Conference	London, UK

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American Palm Oil Council
Registration #4575
Reporting Period: January 1, 2012 to June 30, 2012.

Attachment #2

14. During this 6 month reporting period, have you received from any foreign principal named in Items 7,8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise?
Yes.

DATE	FROM	PURPOSE	AMOUNT
1/09/2012	MPOC	OPERATING FUNDS FOR JANUARY	$19,985.00
1/09/2012	MPOC	OPERATING FUNDS FOR JANUARY	$19,985.00
1/10/2012	US TREASURY	TAX REIMBURSEMENT	$2,100.84
1/12/2012	MPOC	OPERATING FUNDS FOR JANUARY	$17,985.00
1/12/2012	OCE IMAGISTICS	DEPOSIT/REFUND	$90.84
1/31/2012	BOG	CREDIT INTEREST	$2.80
2/10/2012	CAROTINO SDN BHD	DEPOSIT	$2,975.00
2/14/2012	MPOC	OPERATING FUNDS FOR FEBRUARY	$24,982.00
2/17/2012	MPOC	OPERATING FUNDS FOR FEBRUARY	$19,985.00
2/17/2012	MPOC	OPERATING FUNDS FOR FEBRUARY	$19,985.00
2/29/2012	BOG	CREDIT INTEREST	$2.21
3/15/2012	MPOC	OPERATING FUNDS FOR MARCH	$19,985.00
3/20/2015	MPOC	OPERATING FUNDS FOR MARCH	$24,982.00
3/21/2012	SIME DARBY JOMALINA	OPERATING FUNDS FOR MARCH	$3,777.00
3/31/2012	BOG	CREDIT INTEREST	$1.50
4/10/2012	MPOC	OPERATING FUNDS FOR APRIL	$19,985.00
4/19/2012	GLOBAL AGRI-TRADE CORP.	DEPOSIT	$2,500.00
4/25/2012	KALSON ISMAIL	MINISTER VISIT REIMBURSEMENT	$891.00
4/25/2012	VERIZON	DEPOSIT/REFUND VERIZON	$71.78
4/30/2012	BOG	CREDIT INTEREST	$1.64
5/07/2012	MPOC	OPERATING FUNDS FOR MAY	$9,985.00
5/21/2012	MPOC	OPERATING FUNDS FOR MAY	$39,982.00
5/30/2012	BOG	CREDIT INTEREST	$0.76
6/05/2012	MPOB	OPERATING FUNDS FOR MINISTER VISIT	$25,090.57
6/13/2012	MPOC	OPERATING FUNDS FOR JUNE	$24,982.00

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6/21/2012	MREC	OPERATING FUNDS FOR JUNE	$1,595.21
6/30/2012$	BOG	CREDIT INTEREST	$1.37
	TOTAL FUNDS RECEIVED		$324,395.52

American Palm Oil Council
Registration #4575
Reporting Period: January 1, 2012 to June 30, 2012.

Attachment #3

15. (a) During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 7, 8, and 9 of this statement?

Yes.

(2) transmitted monies to any such foreign principal ?

Yes.

MONTH	DESCRIPTION	AMOUNT
JAN	SALARIES	$5,000.00
	TAXES AND LEGAL DUES	$3,415
	OFFICE AND HOUSING RENTALS	$19,819.98
	OFFICE AND HOUSING PARKINGS	$252.86
	OFFICE AND HOUSING UTILITIES	$1,919.15
	AUTO LEASE AND MAINTENANCE	$1,834.71
	TELEPHONE/WEB SERVICES	$2,143.51
	OFFICE EQUIPMENT - LEASE	$170.82
	PRINTING / PRESS CLIPPINGS	
	OFFICE SUPPLIES	$384.58
	TRAVEL	$665.04
	COURIER SERVICES	$4,465.11
	EXHIBITIONS	$4,162.86
	ADMINISTRATION	$4,300.00
	INSURANCE - HEALTH / BUSINESS	
	ASSOCIATION MEMBERSHIP	
	SUBSCRIPTIONS	$63.12
	POSTAGES	$265.98
	PETTY CASH	
	MISCELLANEOUS	$505.99
	MEDIA RELATIONS INC	$13,751.14
	CONSULTANT	
	TOTAL	**$63,119.85**

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MONTH	DESCRIPTION	AMOUNT
FEB	SALARIES	$5,000.00
	TAXES AND LEGAL DUES	$2,581.25
	OFFICE AND HOUSING RENTALS	$10,924.70
	OFFICE AND HOUSING PARKINGS	$279.86
	OFFICE AND HOUSING UTILITIES	$491.13
	AUTO LEASE AND MAINTENANCE	$626.97
	TELEPHONE/WEB SERVICES	$1,286.94
	OFFICE EQUIPMENT - LEASE	$305.76
	PRINTING / PRESS CLIPPINGS	
	OFFICE SUPPLIES	$462.73
	TRAVEL	$848.59
	COURIER SERVICES	$1,899.09
	EXHIBITIONS	$5,865.06
	ADMINISTRATION	$5,100.00
	INSURANCE - HEALTH / BUSINESS	
	ASSOCIATION MEMBERSHIP	
	SUBSCRIPTIONS	$46.15
	POSTAGES	
	PETTY CASH	
	MISCELLANEOUS	$55.50
	MEDIA RELATIONS INC	$25,000.00
	CONSULTANT	
	TOTAL	$60,773.73
MONTH	DESCRIPTION	AMOUNT
MARCH	SALARIES	$5,000.00
	TAXES AND LEGAL DUES	$2,116.00
	OFFICE AND HOUSING RENTALS	$15,703.00
	OFFICE AND HOUSING PARKINGS	$505.72
	OFFICE AND HOUSING UTILITIES	$1,154.63
	TELEPHONE/WEB SERVICES	$95.16
	AUTO LEASE AND MAINT	$1,154.63
	OFFICE EQUIPMENT - LEASE	$95.16
	PRINTING / PRESS CLIPPINGS	$588.89
	OFFICE SUPPLIES	$296.02
	TRAVEL	$427.48
	COURIER SERVICES	$550.23
	EXHIBITIONS	$3,857.49
	ADMINISTRATION	$4,364.00
	INSURANCE – HEALTH / BUSINESS	
	ASSOCIATION MEMBERSHIP	

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	SUBSCRIPTIONS	
	POSTAGES	
	PETTY CASH	
	MISCELLANEOUS	$425.41
	MEDIA RELATIONS INC	$6,500.00
	CONSULTANT	
	TOTAL	**$42,380.13**
MONTH	**DESCRIPTION**	**AMOUNT**
APRIL	SALARIES	$5,000.00
	TAXES AND LEGAL DUES	$5,026.31
	OFFICE AND HOUSING RENTALS	$14,089.28
	OFFICE AND HOUSING PARKINGS	$252.86
	OFFICE AND HOUSING UTILITIES	$663.14
	AUTO LEASE AND MAINTENANCE	$919.09
	TELEPHONE SERVICES	$532.59
	OFFICE MACHINE - LEASE	$153.88
	PRINTING / PRESS CLIPPINGS	
	OFFICE SUPPLIES	$2,122.06
	TRAVEL	$1,531.98
	COURIER SERVICES	$2,228.72
	EXHIBITIONS	$29,441.66
	ADMINISTRATION	$2,517.00
	INSURANCE - HEALTH / BUSINESS	$371.00
	ASSOCIATION MEMBERSHIP	
	SUBSCRIPTIONS	
	POSTAGES	
	PETTY CASH	
	MISCELLANEOUS	$783.93
	MEDIA RELATIONS INC	$225.00
	CONSULTANT	
	TOTAL	**$65,858.50**
MONTH	**DESCRIPTION**	**AMOUNT**
MAY	SALARIES	$5,000.00
	TAXES AND LEGAL DUES	$2,618.64
	OFFICE AND HOUSING RENTALS	$10,656.00
	OFFICE AND HOUSING PARKINGS	$252.86
	OFFICE AND HOUSING UTILITIES	$579.18
	AUTO LEASE AND MAINTENANCE	$264.95

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	TELEPHONE/WEB SERVICES	$593.50
	OFFICE EQUIPMENT - LEASE	$132.59
	PRINTING / PRESS CLIPPINGS	
	OFFICE SUPPLIES	$795.84
	TRAVEL	$5,905.10
	COURIER SERVICES	$136.36
	EXHIBITIONS	$2,457.27
	ADMINISTRATION	$2,000.00
	INSURANCE - HEALTH / BUSINESS	$268.47
	ASSOCIATION MEMBERSHIP	
	SUBSCRIPTIONS	$541.15
	POSTAGES	
	PETTY CASH	
	MISCELLANEOUS	747.01
	MEDIA RELATIONS INC	
	CONSULTANT	
	TOTAL	**$32,948.92**
MONTH	**DESCRIPTION**	**AMOUNT**
JUNE	SALARIES	$5,000.00
	TAXES AND LEGAL DUES	$4,170.23
	OFFICE AND HOUSING RENTALS	$10,656.00
	OFFICE AND HOUSING PARKINGS	$686.22
	OFFICE AND HOUSING UTILITIES	$845.73
	AUTO LEASE AND MAINTENANCE	$499.52
	TELEPHONE/WEB SERVICES	$898.51
	OFFICE EQUIPMENT- LEASE	$142.59
	PRINTING / PRESS CLIPPINGS	
	OFFICE SUPPLIES	$80.45
	TRAVEL	$983.44
	COURIER SERVICES	$196.97
	EXHIBITIONS	$1,732.42
	ADMINISTRATION	$1,800.00
	INSURANCE - HEALTH / BUSINESS	
	ASSOCIATION MEMBERSHIP	
	SUBSCRIPTIONS	$46.15
	POSTAGES	
	PETTY CASH	
	MISCELLANEOUS	$213.26
	MEDIA RELATIONS INC	$419.80
	CONSULTANT	

			TOTAL					$28,371.29
			TOTAL DISBURSEMENT					$293,452.42

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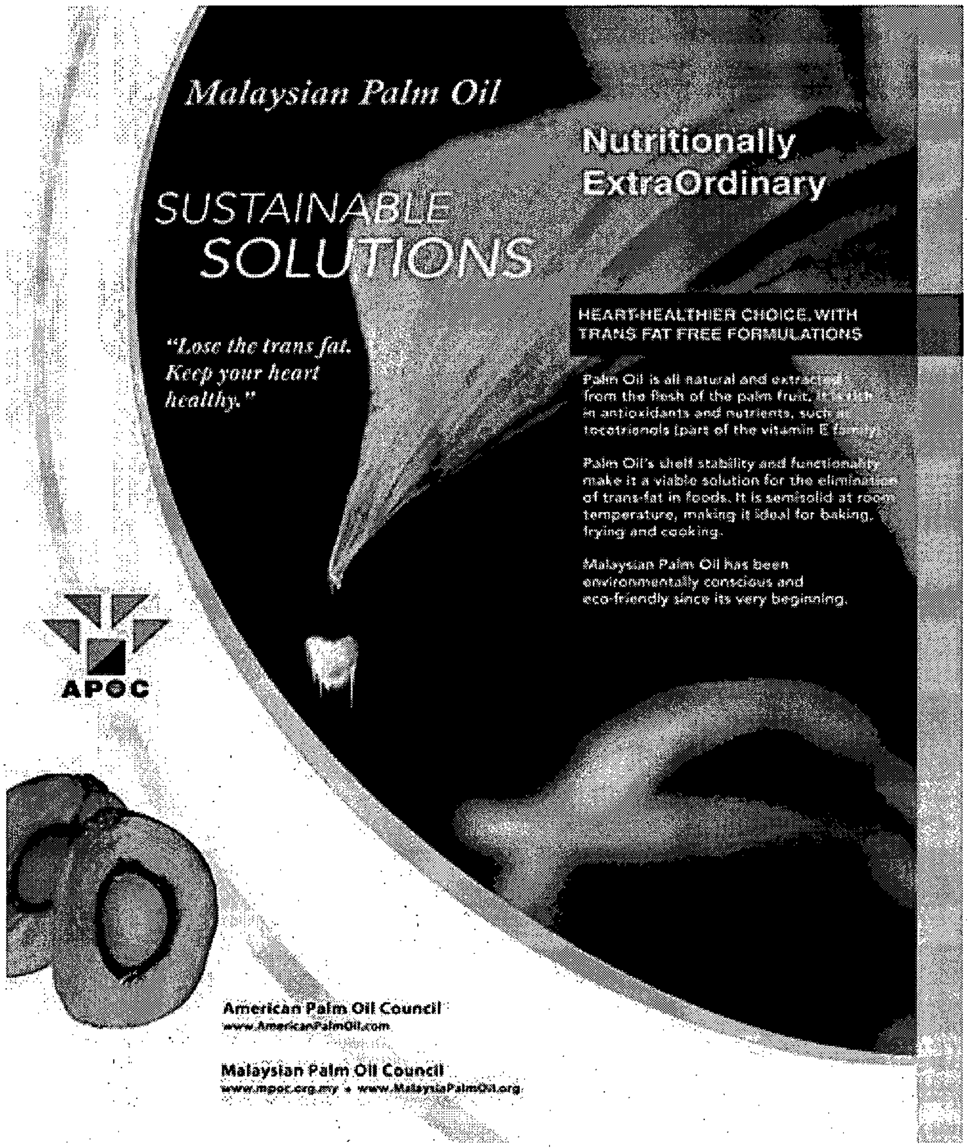
Malaysian Palm Oil
Sustainable and Balanced Solutions
with trans-fat free formulation
The Heart Healthier Choice
ExtraOrdinary Value.
Palm Oil is all natural and extracted from the flesh of the palm fruit. It is rich in antioxidants and nutrients, such as tocotrienols (part of the vitamin E family).
Palm Oil's shelf stability and functionality make it a viable solution for the elimination of trans-fat in foods. It is semisolid at room temperature, making it ideal for baking, frying and cooking.
Malaysian Palm Oil has been environmentally conscious and eco-friendly since its very beginning.
To learn more, visit
www.AmericanPalmOil.com
"Lose the trans-fat
Win the HEART of
your customers."
APOC
American Palm Oil Council
www.AmericanPalmOil.com
Malaysia Palm Oil Council
www.mpoc.org.my
www.MalaysianPalmOil.org



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MALAYSIAN PALM OIL FORTUNE®
MPOC
MALAYSIAN PALM OIL COUNCIL KKDN PP 114669/05/2012 (029946) VOL: 4 2012

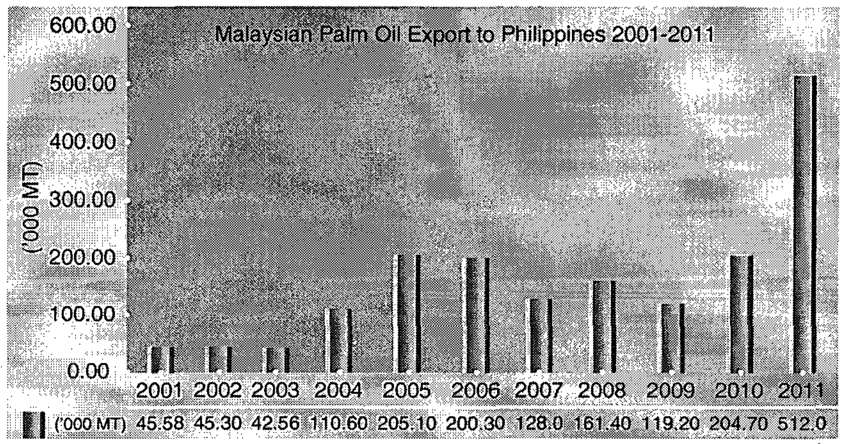
An **overwhelming response** to POTS Philippines 2012

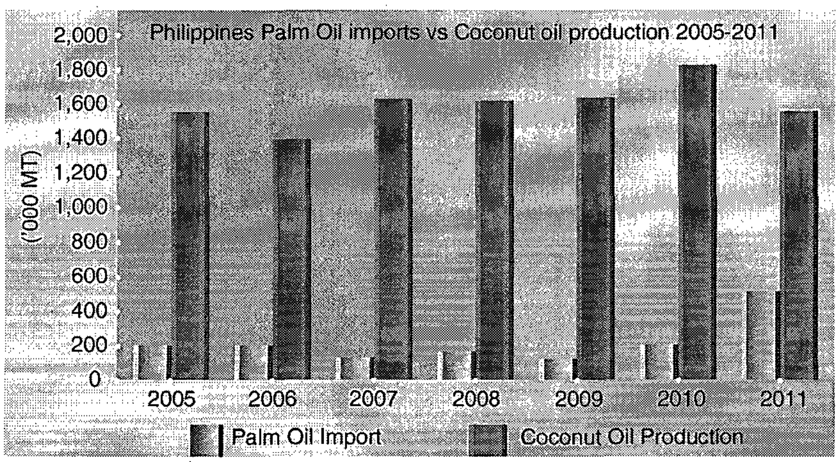
THE PHILIPPINES has emerged as an important market for Malaysian palm oil. In 2009, the country was the seventh largest importer of Malaysian palm oil in the Asia Pacific Region, with 119,255 metric tonnes (MT). The Malaysian palm oil import increased substantially to 204,731 MT in 2010 and in 2011 recorded a tremendous increase to 512,069 MT. This makes the Philippines the third largest importer of Malaysian Palm Oil (MPO) after China and Japan. They have even overtaken countries such as South Korea and Singapore, who are traditionally Malaysia's biggest importers.

Since becoming the third largest importer and user of MPO in the region, the Philippines has become an important market for the Malaysian palm oil industry. Coconut oil, which is largely used in the Philippines, has seen reduced production since 2009 and palm oil has naturally been the preferred alternate choice. The table below illustrates Philippines coconut oil production and palm oil import.

As a result of the shortfall in domestic production of oils & fats, the country is required to import to meet their demand gap. Being the most competitively-priced oil and coupled with its high nutritional values and versatility in various food and non-food applications, palm oil imports touched a record volume in 2011at 543,000 MT, out of which 512,000 MT or 95% is MPO, a record not seen since palm oil was introduced to this country. This is mainly due to the price hike in all vegetable oils and price discount available for palm oil against other oils and fats, and making palm oil the most affordable and economically viable to sustain business among all users.

In 2001, import of MPO by the Philippines was only 45,580 MT - less than 10% of the total MPO imports registered in 2011. The success of MPO in capturing and retaining a strong foothold in the Philippines market can be attributed to the shortfall in coconut oil production and high price of the oil in the domestic market. This shows the important role that MPO has played in the oils and fats market in the Philippines.





Producers are more likely to export coconut oil as the attractive price offered has brought about larger exports of coconut oil and as such, palm oil was imported to meet the demand for oils and fats in the domestic market. The price gap between palm oil and coconut oil has also widened considerably since 2009, from US$95/MT to US$520/MT in 2011, resulting in increased demand for palm oil due to its affordable price, bringing about the increased imports of MPO by this country.

Continued on page 7 ▶

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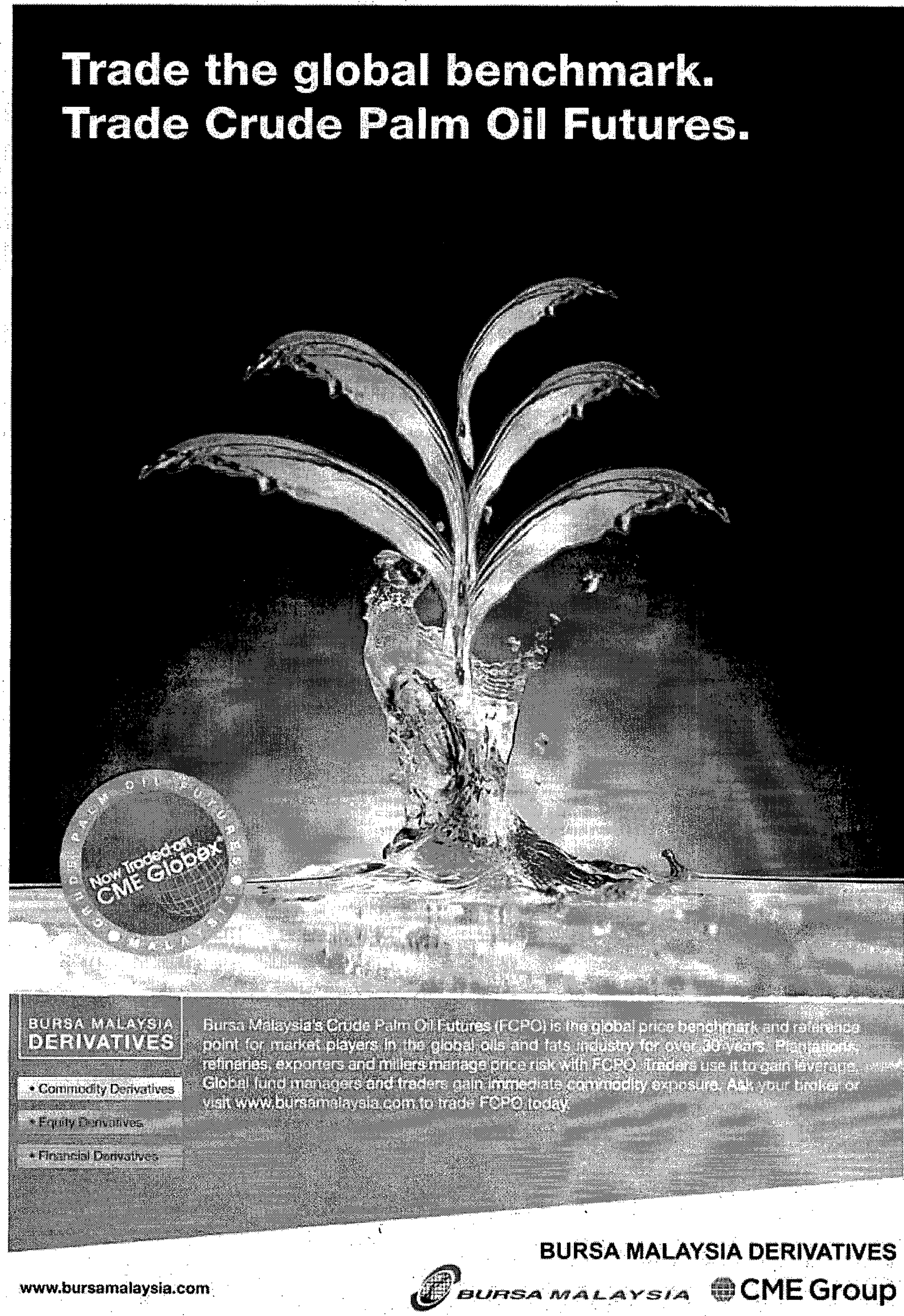

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FCPO bearish, technical rebound expected

by Benny Lee
Chief Market Strategist of NextView Group

THE PRICE of FCPO failed to sustain above RM3,600 last month and the market started to pull back, in line with the declining commodities prices as the Europe economic outlook appears uncertain, with the Greece government failing to form a coalition government to support the austerity measures and Germany's Chancellor Merkel's party losing in a populous state election.

The price of FCPO in Bursa Malaysia declined 8% in a month to RM3,226 per metric tonnne on May 15. The price range for the past one month was between RM3,150/MT and RM3,523/MT. Trading volume has increased to 16,793 contracts on a daily average in the past one month from 13,165 contracts in the previous month. The increase in volume and decline in price show a selling pressure.

The slowing down of the Chinese economy and strengthening of the US dollar pressured the demand for commodities, including palm oil. According to the recent Malaysian Palm Oil Board (MPOB) data, April palm oil exports only rose 0.1% to 1.33 million MT. Malaysian palm oil output rose 5.1% to 1.27 million MT but stocks at end April fell 5.4% to 1.85 million MT.

In a more recent export data, cargo surveyor SGS (Malaysia) Bhd estimated palm oil exports for the period May 1-15 to fall 7% to 564,477 MT as compared with the same period in April. Another surveyor, Intertek Agri Services, however, estimated a 0.7% rise from the previous month to 599,044 MT.

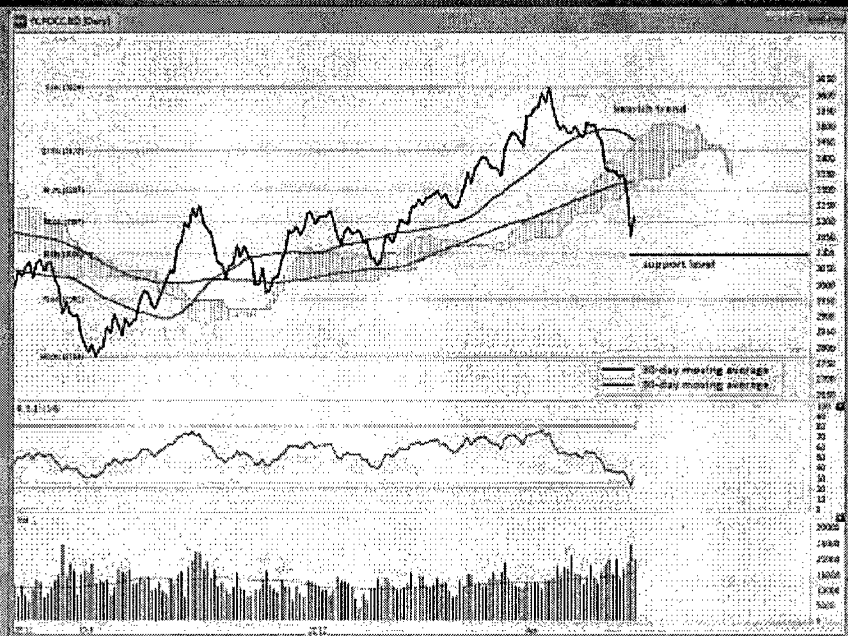
The price of FCPO has been heavily pressured in the past one month. FCPO price has gone below the short- and long-term 30- and 90-day moving averages and this indicates that the trend is now bearish. The price is also below the Ichimoku Cloud indicator, which indicated a weakening uptrend in the previous month. The ADX is increasing with the minus DI above the plus DI and this indicates strong bearish pressure. All the trend indicators are indicating a bearish market for FCPO.

Momentum indicators are very bearish and most of these indicators, MACD, RSI and momentum oscillator, are at oversold levels. There was basically no support for the FCPO price as it was heading downwards.

The Bollinger Bands continue to expand aggressively with the FBMKLCI continuing to trade below the bottom band of this indicator. This also indicates a strong selling pressure. The bears are definitely in control, where any rebound in the short-term creates opportunities for sellers to sell. With the strong momentum in declining price and increasing volume, more downside is expected.

Support levels are broken and the next technical support level is at RM3,000/MT. Although there is some support level at RM3,088/MT based on the 61.8% Fibonacci retracement level from the October 2011 to April 2012 uptrend. If the price is able to rebound from RM3,088/MT, then we may expect a sideway correction for the price of FCPO. However, if this RM3,088/MT support level is not able to hold, then expect price to only find support at RM3,000/MT.

The global economy is getting more uncertain as the equity and commodities markets are declining in sync. Basically, most of the asset classes are declining, breaking investors confidence. Although we may expect further downside, a technical rebound can be expected at RM3,088/MT as the price of FCPO has declined for three consecutive weeks and the immediate resistance level for the FCPO is currently at RM3,300/MT. However, if the price fails to rebound to RM3,088/MT, then expect it to decline to the next support level at RM3,000/MT. ■



FCPO daily chart as at 15 May 2011
Charted by Benny Lee using NextView Advisor Professional

Mr. Benny Lee is an established trainer and sought-after speaker in the financial market. He is the Chief Market Strategist for Jupiter Securities. He can be contacted at bennylee.kl@gmail.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.

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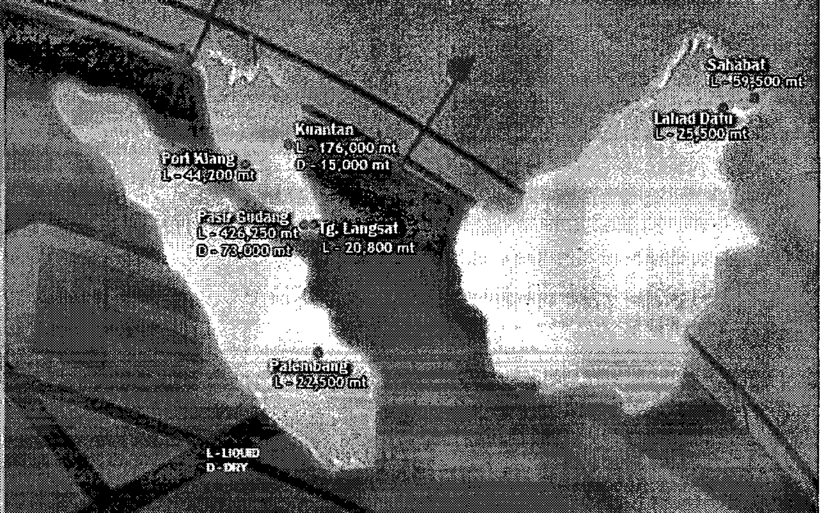

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Part II

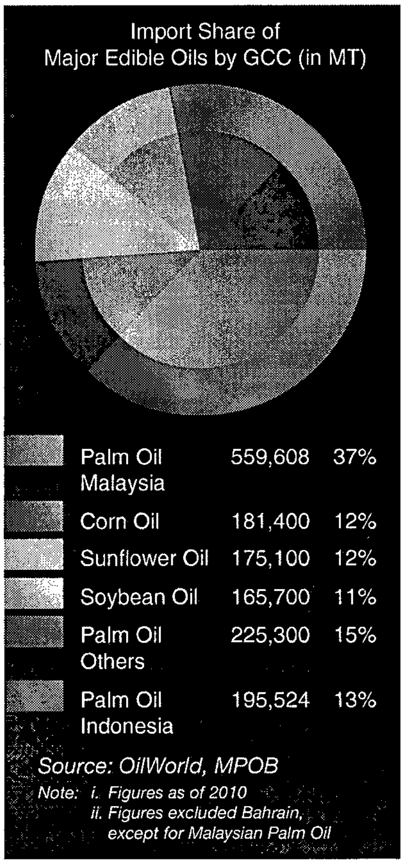
Lion's Share for Malaysia in GCC Edible Oil Imports

PALM OIL has for years been the most preferred and imported oil by the GCC's edible oil industry, with the dominant annual import average share of 65%. Sunflower and corn oils, on the other hand, have been steady rivals to palm oil, with annual average import shares of 12% each and soybean oil following closely behind with 11%.

Malaysia and Indonesia have been the principal exporters of palm oil to the GCC states, with an additional minor percentage from Singapore imported especially by the UAE and Oman. The bulk of the sunflower oil imports are from Ukraine, while 78% of the corn oil imported is from the United States.

The usage of palm oil has spread widely in the GCC states, not only in retail markets as consumer-packed finished products for frying or household end-products, including margarine, shortening and vegetable ghee. It has also spread to usage by the food manufacturing industry for snacks, baby foods, pastries and confectioneries and by fast food chains as well as hotel kitchens. It further finds applications in cosmetics, personal care, detergent and cleaning products in the GCC states. Use of palm in these products has been increasing gradually in the recent years due to the easy availability of the oil, competitive price and being a halal-proven.

Another reason for the wide preference for palm oil is the increasing awareness of health issues among consumers in the GCC states. Continuous efforts undertaken by MPOC and MPOB in disseminating accurate information on health benefits of palm oil have been going on in the region for many years.



The focused approach in creating awareness about palm oil, with emphasis on nutritional values, its non-animal source and its cholesterol-free and heart-friendly qualities have provided tough competition to other edible oils, especially to sunflower and corn oils, which are also deemed to be heart-friendly oil. Thus, food producers and manufacturers are under continuous pressure to provide healthy products as the demand for healthy food products increase significantly.

Advantage of Palm Oil as a Halal vegetable oil

The halal food market currently accounts for as much as 12% of global trade in agro-food products, which is estimated at US$80 billion. Estimates of the size of the global halal market ranges between US$500 billion and US$2 trillion. With expected increases in both population and incomes of halal consumers, this percentage is certain to increase. Furthermore, with the Muslim population projected to account for 30% of the world's population by 2025, halal food could easily account for 20% of world trade in food products in the future. Saudi Arabia and the United Arab Emirates (UAE) are seen as the most important import markets in the GCC region.

Palm oil has been proven as halal and has been widely made available to replace non-halal fats and oils for shortening, margarine, ghee and even in cosmetics and personal care products. This will be the other bonus point for palm oil to be the most preferred edible oil in highly populated Muslim regions, especially in the GCC.

Domestic Volatility and Tension: Consequences for Imports

While overall import of palm oil into the GCC have been exceptional all these years, with total import exceeding 3.5 million MT up to 2007, palm oil from Indonesia and Malaysia experienced a fluctuating ride over the last five years. Both saw drastic decline in exports to GCC in 2008 and 2009 as reflection of the region's economic crisis during this period.

Continued on page 9

Export Performance of Malaysian Palm Oil to GCC (in MT)

Country / Year	2007	2008	2009	2010	2011	Jan-Mar 2011	Jan-Mar 2012
Bahrain	986	1,177	4,982	1,941	3,352	220	2,032
Kuwait	13,527	44,237	21,526	7,132	12,512	3,241	5,302
Oman	96,359	92,942	98,601	63,836	64,495	17,632	11,213
Qatar	108	1,102	1,478	976	1,745	227	1,134
Saudi Arabia	33,736	28,121	49,306	37,931	40,406	3,401	11,006
UAE	360,509	357,949	186,878	447,792	402,378	126,759	71,769
Total	**505,225**	**525,528**	**362,771**	**559,608**	**524,888**	**151,480**	**102,456**

Source: MPOB

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Determinants in Iran
for Palm Oil Demand

CONSUMPTION of oils and fats in Iran increases at average of 6% a year. This is highly supported by the increase in population, at an average of 1.36% a year and higher Caput from 14.25kg in 1995 to 23kg in 2011. Consumption of palm oil showed a positive growth trend, recording a higher level than the growth of other oils.

As shown in Chart 1, most of the growth in consumption of oils and fats since 1995 was covered by the increase in the palm oil share. The share of palm oil, recorded at only 7% in 1995, grew to almost 40% in 2011. Caput use of palm oil increased from only 1.07 kg in 1995 to 9.3kg in 2011, whereas caput use of other oils and fats increased slightly from 13.18kg to 13.69kg.

Total consumption in 2011 was about 1.72 million metric tonnes (MT). Palm, soybean and sunflower oils are the main vegetable oils consumed, comprising 40.46%, 29.07% and 8.89% respectively of the total oils and fats. With a total consumption of 696,000 MT palm oil last year, Iran stands as the second biggest palm oil consuming country in the Middle East region after Egypt at 731,000 MT and followed by Turkey at 400,000 MT. However, in terms of total oils and fats consumed, Turkey is the highest, followed by Egypt and Iran.

This shows that Iran is an important country for palm oil market in the Middle East. Looking at this favourable scenario, it is very important to identify the main factors that encourage the demand for palm oil in this country. A better understanding of the demand situation in Iran can give some information on how to penetrate the market further and develop the product based on the required demands.

In this article, we will examine the factors that can contribute to the changes in demand for palm oil. This will require an understanding of the factors that shift palm oil demand over time, the direction of the shift caused by these factors and the relative magnitude of the shift caused by each factor. Using this approach, linear regression and elasticity of each of the variables will be applied to this assessment.

Demand Analysis

Chart 2 depicts a typical downward sloping demand curve. This illustrates that at lower prices, consumers are willing and able to consume larger quantities of palm oil, while at higher prices the quantity demanded will be lower. Changes in palm oil prices will affect the demand for palm oil along the demand curve line. This will happen only if all other factors stay constant. In the real world, not only palm oil prices will affect the demand for palm oil, for other exogenous factors such as changes in the prices of substitute products, local production of substitute products, palm oil price discounts and products preference will also shift the palm oil demand curve.

Chart 3 depicts one of the demand curve movements. In this chart, the demand

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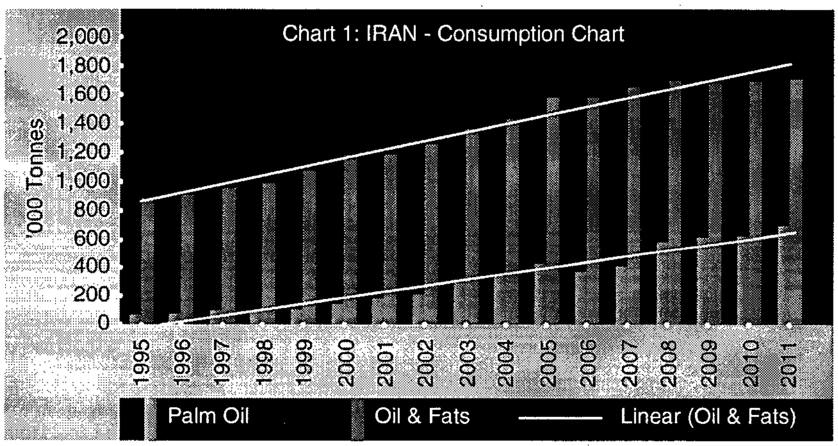

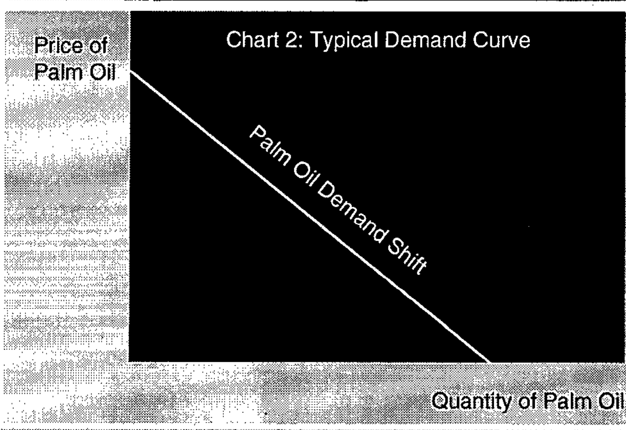

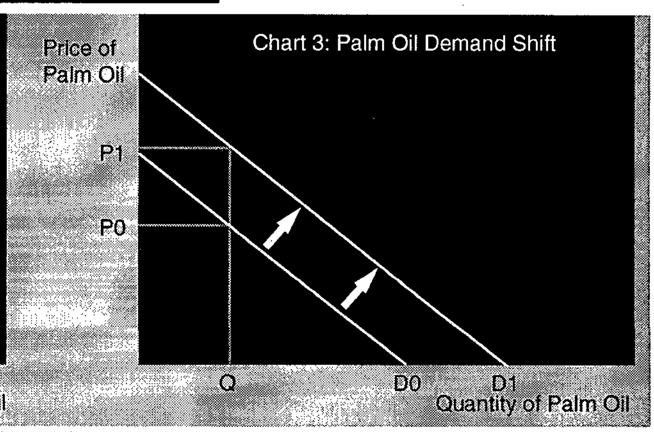

An overwhelming response to POTS Philippines 2012

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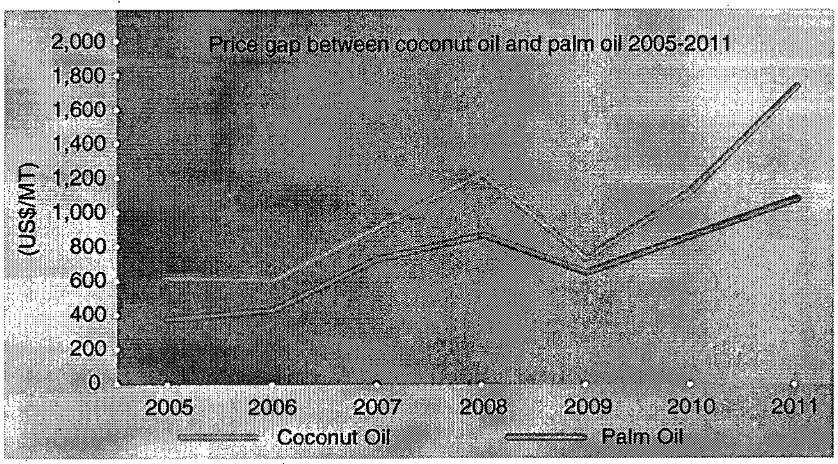

In view of this development, the flagship marketing conference of MPOC, POTS was organized in Manila, Philippines on 16 April 2012 to update the users on the latest development of palm oil industry and its applications. This event also serves as a platform for the interaction and network building for the Malaysian suppliers and Philippine users which ultimately increase Malaysian palm oil presence in this country. The event will also serve as an avenue to renew tie and business partnership among the existing Malaysian suppliers and Philippine buyers.

The Seminar

Jointly organised by MPOC and MPOB, the Malaysia-Philippines Palm Oil Trade Fair and Seminar 2012 (POTS Philippines 2012) was held on April 16, 2012, at Dusit Thani Hotel, in Makati, Manila, Philippines. The theme of POTS Philippines was ***Enhancing Trade Opportunities and Networking Through Malaysian Palm Oil***. For the first time, an evening forum was organised in conjunction with POTS which specifically targeted the medical fraternity in the Philippines. This is also expected to serve as an avenue to renew ties and business partnerships among the existing Malaysian suppliers and Philippine buyers.

Response to the POTS Philippines was overwhelming, with more than 400 participants from Philippines and Malaysia attending the programme. The seminar was graced by the presence of YB Tan Sri Bernard Dompok, Minister of Plantation Industries and Commodities, Malaysia, together with the Malaysian Ambassador to the Philippines, HE Dato' Seri Dr Ibrahim Saad. Other dignitaries were Dato' Lee Yeow Chor, Chairman of MPOC, Tan Sri Datuk Dr Yusof Basiron, CEO of MPOC, Datuk Dr Choo Yuen May, DG of MPOB and Mr Euclides G. Forbes, who represented the Secretary of Agriculture of the Philippines.

The Trade Fair

Being one of the biggest palm oil markets for Malaysia in the Asia Pacific Region, POTS Philippines attracted eight large private companies from Malaysia as well as MATRADE Philippines to participate. Taking advantage of the big crowd from the industry, Malaysian companies displayed their latest products and services for the benefit of all participants.

Evening Forum - A forum for the medical fraternity in the Philippines

As part of the POTS programme, an evening forum was organised together with Hovid, which was our partner for the programme. The Honourable Minister, Tan Sri Bernard Dompok, officially opened the programme and among the 400 participants were many staff from local medical schools, hospitals and private clinics in and around Manila. The theme of the evening forum was ***Healthy Living with Palm Products***.

The three papers presented were *Palm Oil: The Preferred Healthy Choice* by Dr Kalyana Sundram, Deputy CEO, MPOC; *Vitamin E & Tocotrienol in Stroke Prevention* by Dr Chandra Sen of Ohio State University; and *Nueroprotective Effects of Tocotrienols: Evidence from Human Studies* by Prof Yuen Kah Hay of Universiti Sains Malaysia.

Conclusion

Being the first instalment of POTS in the Philippines, the event was able to attract a sizable number of participants from both Malaysia and the Philippines. More than 450 participants registered for the Seminar while 400 participants attended the evening forum. By all indications, the sponsorship and exhibition showed strong interest from both the Philippines for palm oil and Malaysian participants on the market potential for palm in the Philippines. Responses from the participants on the event were very positive and encouraging as this event offers many opportunities, especially for those new to the market, to build their networks. The papers presented at the seminar also caught the interest among the participants on a number of topics, on which further discussions were held among the speakers and participants. ■

***Note:** Presentations made by the Speakers can be downloaded at www.mpoc.org.my*

Tan Sri Bernard Dompok receives a souvenir from MPOC Chairman Dato' Lee Yeow Chor after the opening ceremony.

Tan Sri Bernard Dompok's opening speech at the Evening Forum

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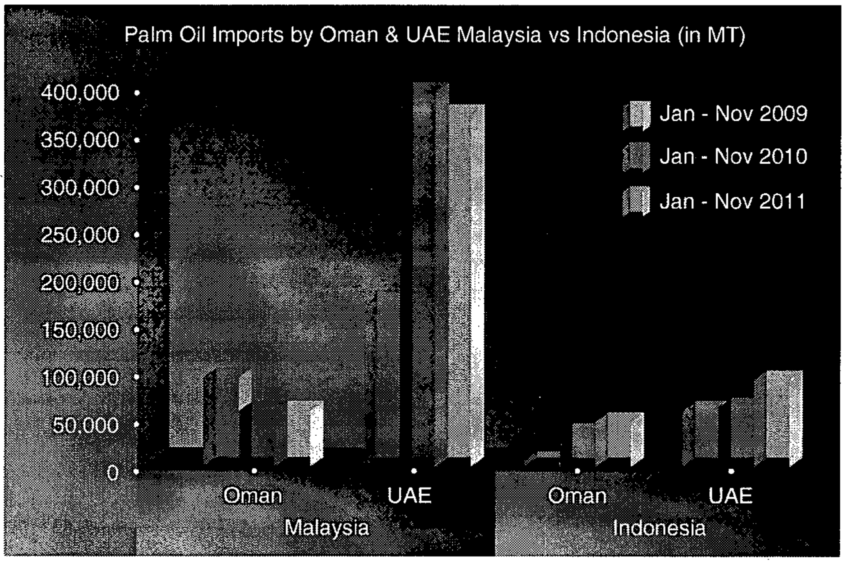
Lion's **Share** for Malaysia in GCC Edible Oil Imports



Last year the GCC states witnessed major economical changes and events, especially in politics, prior to the global and regional financial crisis - as well as domestic tensions and protests. The political situation in the GCC has been very volatile since the beginning of 2011. Being the market leader and taking the lion's share of GCC's palm oil imports, Malaysia has experienced this impact. For 2011, Malaysia's total palm oil export to the GCC registered 524,888 MT, a slim decline of 6.2%.

With the situation in the region still deemed to be unstable, the GCC states are in a 'push' to improve overall economic and political conditions. Indirectly, due to these reasons, the imports of edible oil by the region have been slowing down towards the end of 2011 and beginning of 2012. Malaysian palm oil experienced the impact again at the starts of 2012. Total exports for the first quarter of 2012 totalled 102,456 MT only, compared with 151,480 MT during the same period last year. Of all the six GCC states, Malaysia's palm oil exports to Oman and UAE dropped significantly by 6,419 MT and 54,990 MT respectively.

Despite Malaysia dominating palm oil imports by both Oman and UAE, the other potential reason for the drop was possibly due to the increased intake from Indonesia. Data from OilWorld shows that from January 2009 to November 2011, Oman and UAE increased their palm oil intake from Indonesia. There was a declining pattern in imports from Malaysia while import from Indonesia showed an increasing pattern. Oman imported 46,000 MT in January-November 2011, compared with only 5,000 MT during same period in 2009, while UAE beefed up its stock from Indonesia to 91,000 MT during the corresponding period last year, compared with 58,000 MT imported in 2009.

Therefore, one can conclude that the huge drop in UAE palm oil import from Malaysia in recent years was partly due to the increased intake from Indonesia and partly to increased UAE re-exports to neighbouring countries. This significant decline in UAE import of Malaysian palm oil, which in January-February this year dropped to half the volume imported during the same period last year, is a major reason for the overall decline of exports to the GCC states.

Malaysian Palm Oil as the Market Leader in GCC

Malaysia remains in the superior position at present (January 2010 - November 2011), with 57% import share, with other nations making up 23% and Indonesia in third position, with 20% of the edible oils import market. However, on a one-to-one comparison, Indonesia is at number two after Malaysia. The others referred to a combination of other edible oil re-exporting countries, which are mainly the UAE, Singapore and Oman. The biggest import was by the UAE, which accounted almost 59% of overall imports of palm oil into the GCC. However, almost 61% of its imports were re-exported, mainly to Ethiopia, Somalia, Afghanistan, Iran, Iraq, Oman, Saudi Arabia and Syria, with the remaining being for local consumption.

The demand for palm oil in Kuwait has been in tandem with its economic growth. From 20,000 MT in 2005, it has increased to 47,900 MT in 2010. Nevertheless, based on data from OilWorld, there is no evidence that Indonesia has exported to Kuwait for the last 7 years. The imports are largely from Malaysia and Singapore. This is a marked diggerence from Saudi Arabia, which import about 37% from UAE and 30% from Indonesia.

Regardless of all the recent economical and political tensions in the region as well as the strong competition in supply from Indonesia, Malaysia import share of palm oil still stands as number one in the GCC as an overall. As the GCC states are 95% dependent on edible oil imports to fill in the vacant space of demand, Malaysian palm oil still has a chance to rebound and continue as the market leader in the GCC.

Opportunities from solid growth of GCC economies and population

Despite the prospect of further turmoil in the global financial situation, the GCC economies should see a solid growth in 2012. Real GDP growth is seen at 4.6%, compared with an oil output boost of 7% in 2011. Oil markets are assumed to stay firm, while further increases in government spending will support investment and consumer spending. The risks from an external financial shock from Europe or elsewhere appear to be manageable. GCC banks are well-capitalised and liquid, direct exposure to risky euro-zone government debt is negligible, while financial and economic excesses are much smaller now than in 2008.

Qatar is one of the highest per-capita income countries, with the world's second-highest GDP per capita, after Liechtenstein. This makes Qatar remain as the region's strongest economic performer, although their growth is likely to slow down as their natural gas production levels off.

In 2012, spending by GCC governments could record its lowest rate of increase in several years, at 6%. However, this drop will be due to the result of the super-strong 17% increase in spending in 2011, which was driven by US$27 billion in incomparable spending by Saudi Arabia – more than any deliberate belt tightening. The Arab protest movement in 2011 will help ensure that governments remain focused on their medium-term development targets and that fiscal policy remains supportive of growth. Private

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Determinants in Iran for Palm Oil Demand

curve shifts upward (demand increase) where consumers are willing to pay a higher price for the same quantity. In this scenario, one of the possibilities is due to the price increases of substitute products such as soybean oil, which is the next most consumed oil in the country. Another possibility is an increase in preference for palm oil products.

There is also the possibility of the palm oil demand curve shifting downward (demand decrease) if consumers are only willing to buy it at a lower price. Therefore, to identify the demand determinant factors, it is important that the movement of the demand curve is monitored and at the same time, the factors contributing to this movement must be analysed.

Palm Oil Demand Curve Analysis
In this study, the analysis is focused on demand movement for the period 1995 to 2009 due to data availability. The chart above illustrates various points of the palm oil demand curve and generally has been divided into three main curve lines. Obviously, since 1996, the palm oil demand curve has shifted upward and showed an increase in per capita consumption, even at higher prices. This is due to several factors as explained below.

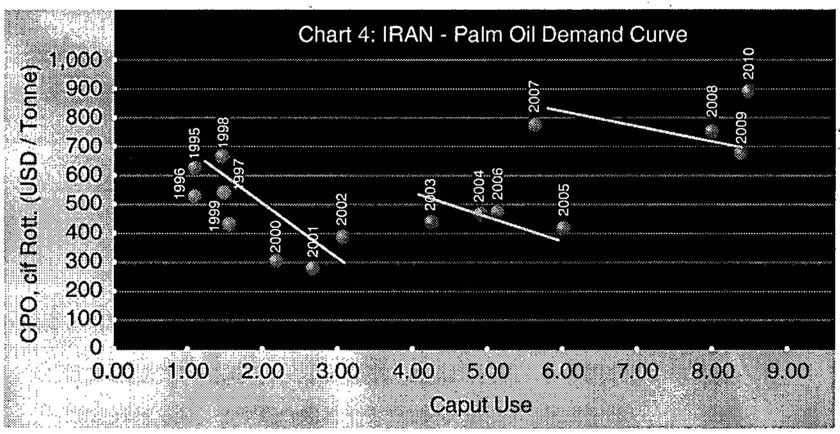

Chart 4: IRAN - Palm Oil Demand Curve

Factor 1: Substitute products
Based on Chart 4, there are two significant transition periods, 2002-2003 and 2006-2007, when the demand curve moved upwards. Since soybean oil is the second highest oil consumed after palm oil, it is the main substitute product for palm oil in Iran. During the period 2002-2003, the yearly average price of soybean oil increased substantially by US$100/MT. For the period 2006-2007, prices of soybean increased to the highest level of US$282/MT in 2007. This has caused palm oil to become the substitute oil for soybean oil, shifting its price to a higher level and the demand curve upward.

Cross-elasticity* for palm oil caput use over soybean prices are 6.75 (1995-2002) and 12.9 (2007-2009). Self-elasticity for palm oil caput use over palm oil prices are 4.9 (1995-2002) and 3.8 (2007-2009). This showed palm oil demand is more sensitive over the change of soybean price compared with its own price.

** Elasticity = % change in palm oil Caput use / % change of variable (eg. price of the substitute product)*

Factor 2: Local production of substitute products
For the period 2005-2006, caput use of palm oil dropped to about 1kg per person. This was mostly due to higher production of rapeseed, with a pronounced increase of 42,000 hectares in the total area planted, producing an additional of 35,000 MT of rapeseed oil. Slight increases in palm oil and soybean oil prices at US$56 and US$60 respectively also contributed to the drop.

Factor 3: Palm Oil Price Discount
For the period 2007-2008, caput use of palm oil increased to more than 2kg per person. The price of palm oil dropped by US$24/MT, while the price of soybean oil increased by US$67/MT and the discount of palm oil over soybean oil increased from US$101 in 2007 to US$192 in 2008. This price factor made palm oil more favourable in the market place.

Factor 4: Product preference
Malaysian palm oil record lower imports during the winter season, which is between November and March.

As shown in chart above, usage of palm oil is lower in November to May because of the winter season, when a lower ratio of palm oil is used for blending cooking oil. Palm oil usage as liquid oil covers almost half of the requirements. Last year, for the period of April to November, 47% (or 446,000 MT) of palm oil was used to produce liquid products and the rest for solid ghee. The usage is usually lower in November to May, which will affect the demand for palm oil.

Findings
Soybean price has a significant effect on the demand for palm oil in Iran. During the period 2007-2009, based on cross-elasticity for palm oil caput use over soybean price at 6.75 (1995-2002) and 12.9 (2007-2009), every 1% increase in soybean price pushed the demand for palm oil up by 12.9%, higher than the 1995-2002 period, which was only 6.75%.

Palm oil becomes less sensitive to its own price. (Self-elasticity = 4.9, 1995-2002; 3.8, 2007-2009). Any changes in palm oil prices will be followed positively by other competing

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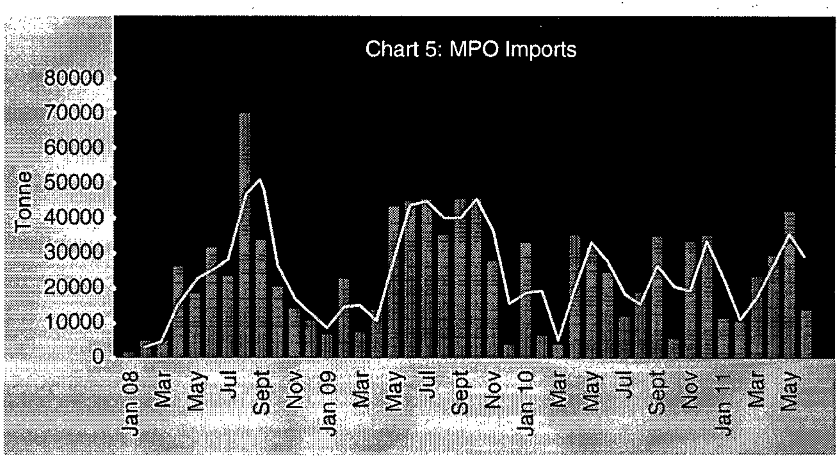

Chart 5: MPO Imports

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Lion's **Share** for Malaysia in GCC Edible Oil Imports

Continued from page 9

sector activity, which is still held back by de-leveraging and sluggish credit growth in some countries, should continue to recover.

In spite of decent growth and big increases in government spending, inflation remained generally in check through 2011, averaging an estimated 3% or a fraction of the increase from 2010. Key to this was the deceleration in food price inflation in the second half of 2011, led by softer global commodity prices, but 'core' inflation has also remained low, at around 2%. Another year of solid economic growth and an improvement in monetary conditions across the region could presage a slight pick-up in inflation in 2012 to 3.8%. Given regional currency pegs, the 6% strengthening of the US dollar trade-weighted index in the second half of 2011 will help cap 'imported' inflation through 2012.

The population of the six GCC states reached an estimated 46.8 million in 2011, a sharp increase from 33.2 million in 2004, and it is predicted to hit 51 million by July this year. The GCC is considered to have one of the fastest growing populations in the world. The compound annual growth rate for the period between 2009 and 2013 (3.2%) looks set to be lower than that between 2004 and 2008 (5.9%), but will remain significantly ahead of the global average of around 1.2% a year.

The population boom in the GCC bloc has been driven by a variety of factors, including high birth rates, a young population and an influx in foreign workers who are needed to fill jobs in the region's thriving economy. Growth in the expatriate population has slowed since the 2004-2008 boom years in oil prices and when the number of foreign workers grew at a rate of 10.8%. However, this is forecast to continue at a "steadier rate" of 4% from 2009 to 2013. This means that by the time 2013 ends, nearly half (or 48.4%) of the GCC population will be from abroad.

Taking into consideration the solid growth in their economies and population, along with the high dependency on imports to feed local and export requirements, it is an opportune time for Malaysia to keep the existing good relationship and supply performance with the GCC states. In addition to the strong and promising markets awaiting us, the GCC also could play a principal role as gateway for Malaysian palm oil into the other surrounding areas, including Jordan, Iran, Iraq, Syria, Azerbaijan, Armenia, Georgia as well as Afghanistan..

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Determinants in Iran for Palm Oil Demand

Continued from page 10

oils, but palm oil remains cheapest vegetable oil available. This has made palm oil the best alternative among the vegetable oils.

Local production of oilseeds has also affected the demand for palm oil, especially for the period 2005-2006 when there was a significant increase in the planted area. Since then, oilseeds have maintained the planted area at around 500,000 hectares. This analysis also shows that any drop in local production will probably increase the demand for palm oil.

Iran is a price-sensitive market. A higher palm oil price discount over other competing oils will definitely bring a positive impact to palm oil demand.

By having a good reputation and aggressive promotion campaigns in Iran, together with the support of MPOC and MPOB, Malaysian palm oil will have a greater advantage over other oils & fats. Currently, Malaysia holds around 60% of the Iranian palm oil market.

Chart 5 shows palm oil having a lower demand during winter season. Lower ratio of palm oil for blended cooking oil in this winter season has affected palm oil demand significantly. However, this can be reduced by penetrating further into the solid products market, such as shortening and ghee, which have a 50% share in Iran's vegetable oil products market.

In 2011, imports of oils and fats recorded a slight increase by some 9,000 MT only, compared with 168,000 MT increase a year earlier. This was due to the political situation and stiffer sanctions imposed by the United States and its allies. The sanctions have made an impact on Iran's local industries, and this has also reflected on the demand for oils and fats by consumer and industry users.

Towards the end of 2011, the US and its allies put another pressure on the country by enforcing financial transaction sanctions. This has created further difficulties for Iran's industry players to trade with other countries. The sanctions limit the availability of import sources, thus reducing their sensitivity to fluctuations in the prices of oils and fats in the world market. At the same time, this situation can create higher prices in local market and make Iranian products less competitive for export. Therefore, if this situation prolongs, we can expect lower imports of oils and fats by Iran this year and next year. ■ **M Suhaili**

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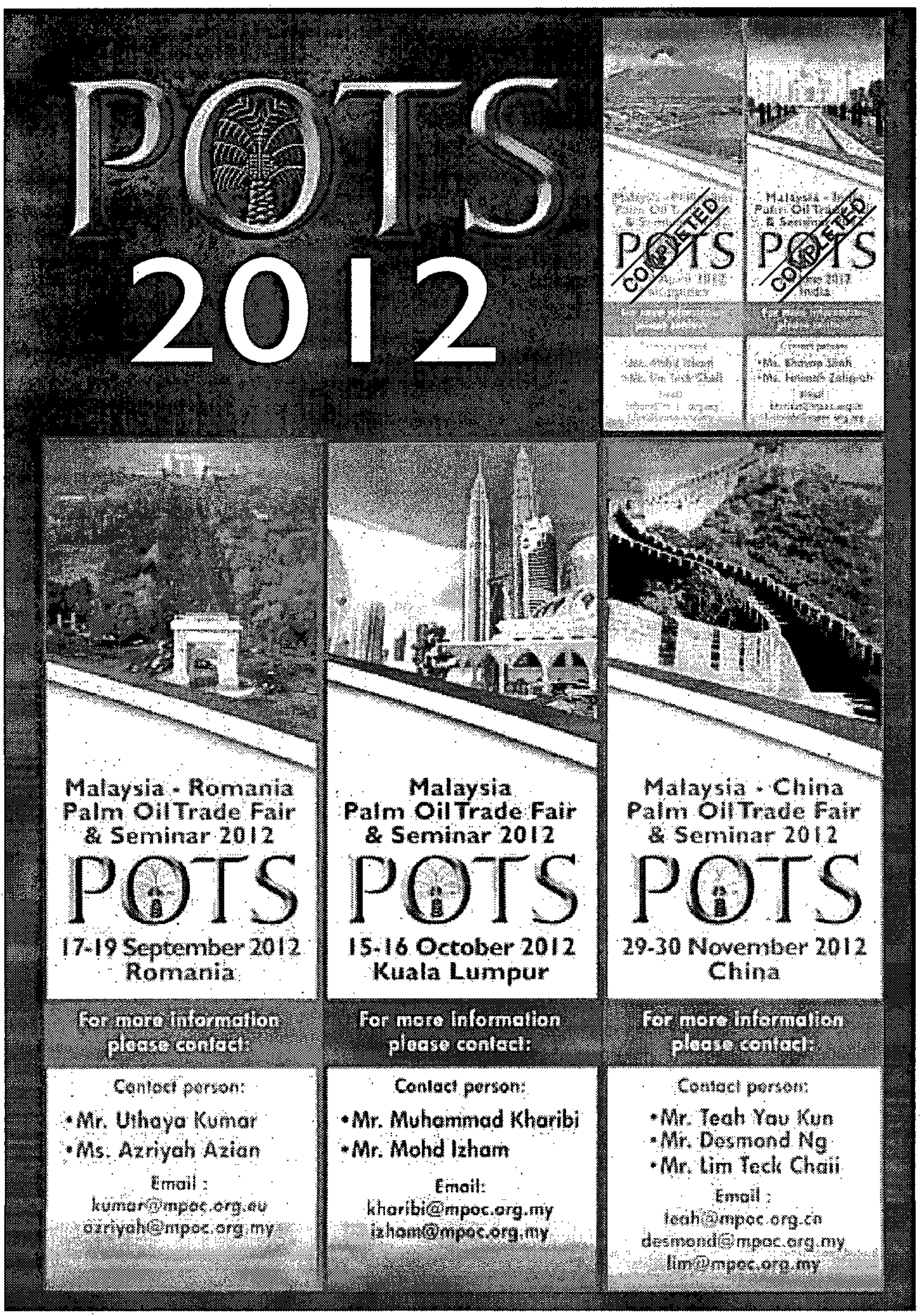
Lion's Share for Malaysia in GCC Edible Oil Imports

Continued from page 11

The parallel growth of the food industries with the expanding population, the ongoing removal of trans fat from many consumer products and change for healthier food choices are giving ample room for palm oil usage to grow. Over the years, we have seen that palm oil, or RBD palm olein for that matter, has been growing in terms of sales and market share. Therefore, we are confident that Malaysian palm oil will find a bigger market, not just in any one particular GCC country but regionally.

Moreover, Malaysia, as the biggest exporter of palm oil and a pioneer in halal certification, has the potential to be a permanent major supplier of palm-based halal foods and non-food halal products in the GCC states.

The challenge now is how to strike a partnership to tap the potential business opportunities that are growing rapidly, with the palm oil industry seeing an exciting and dynamic period of continuous, strong demand globally. Malaysia should keep strengthening its role as the market leader and capitalise on the advantages that palm oil holds for wider usage in the GCC. ■ **Haznita**



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MALAYSIAN PALM OIL FORTUNE®
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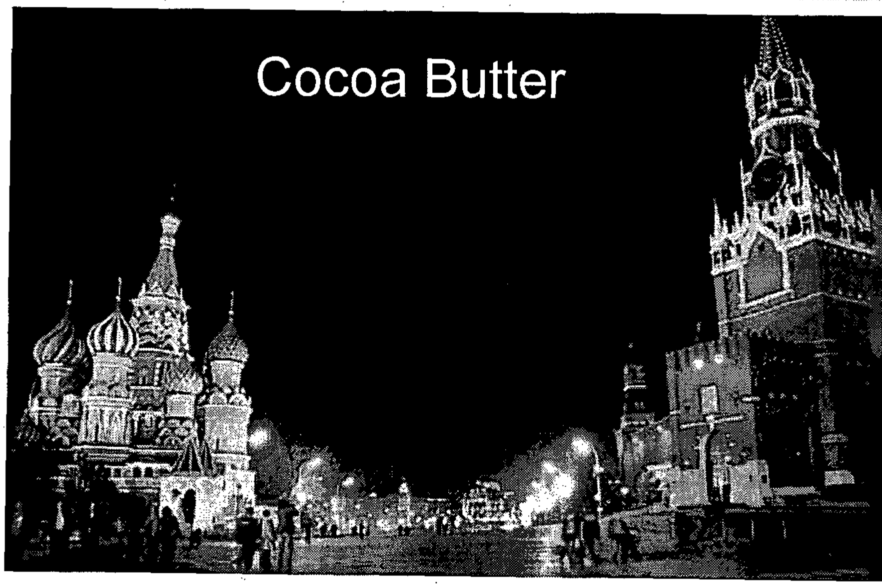
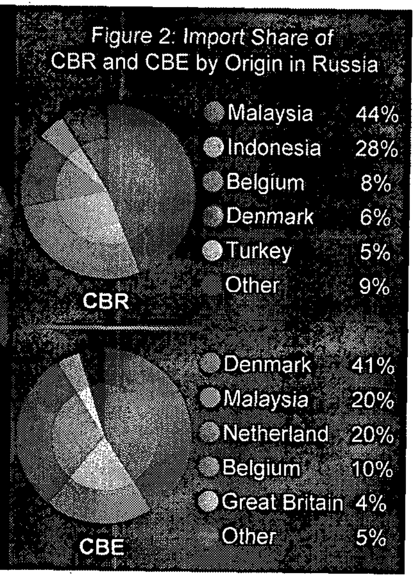
Cocoa Butter





COCOA butter is an essential component in the manufacture of confectionery products, but it is a major factor in the cost of production. The use of substitutes and equivalents[1] can not only reduce the cost of production, but it may simplify the manufacturing process itself. Equivalents and substitutes of cocoa butter are therefore imported into Russia in sufficient quantities[2].

From 2008 to the first half of 2011, 185,100 metric tonnes (MT) of these products were imported, and the share of CBR is about 74.6% of total imports. The increase of these products to Russia was observed from 2008 to 2010.

In 2009, imports of substitutes compared with the previous year increased by 15%, and in 2010, by almost 20%. Import of cocoa butter equivalents in the same period increased by 26% and 35.5%.

In the first half of 2011, the import of of substitutes decreased by 25%, compared with the same period in 2010. Increase in imports of cocoa butter equivalents in January-June 2011 was 56% (Figure 1).

Malaysia holds the leading position in Russia's import of substitutes and equivalents. The shares of Malaysia in import of substitutes and equivalents over last 3.5 years were 42% and 30% respectively. This situation is no surprise, because Malaysia and Indonesia are the world's leading producers of palm oil, which is the basis of the substitutes and equivalents.

Equivalents that have a similar composition to the cocoa butter are made primarily from palm oil. Substitutes of non-lauric type (CBR) are made of hydrogenated and fractionated oils, such as soybean, corn, palm and other vegetable oils. Lauric substitutes (CBS) are made from palm kernel and coconut oils. Currently, the share of Malaysia, according to United States Department of Agriculture's Foreign Agricultural Service (FAS-USDA), accounts for 37% of the world's palm oil production and 42% of the global exports of this product.

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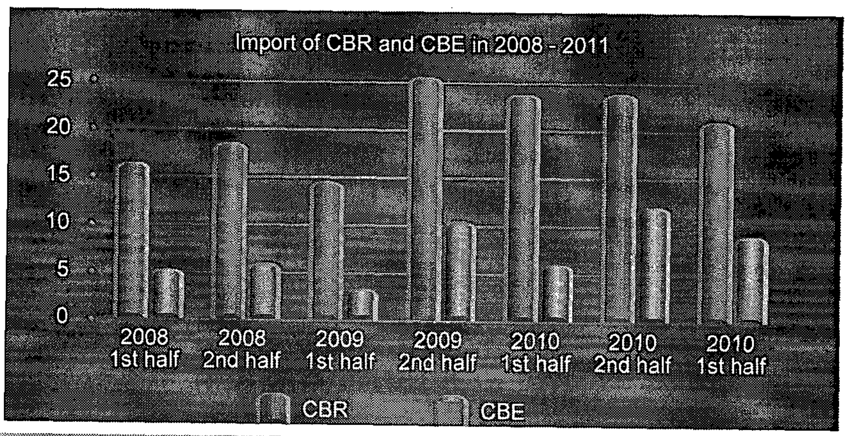

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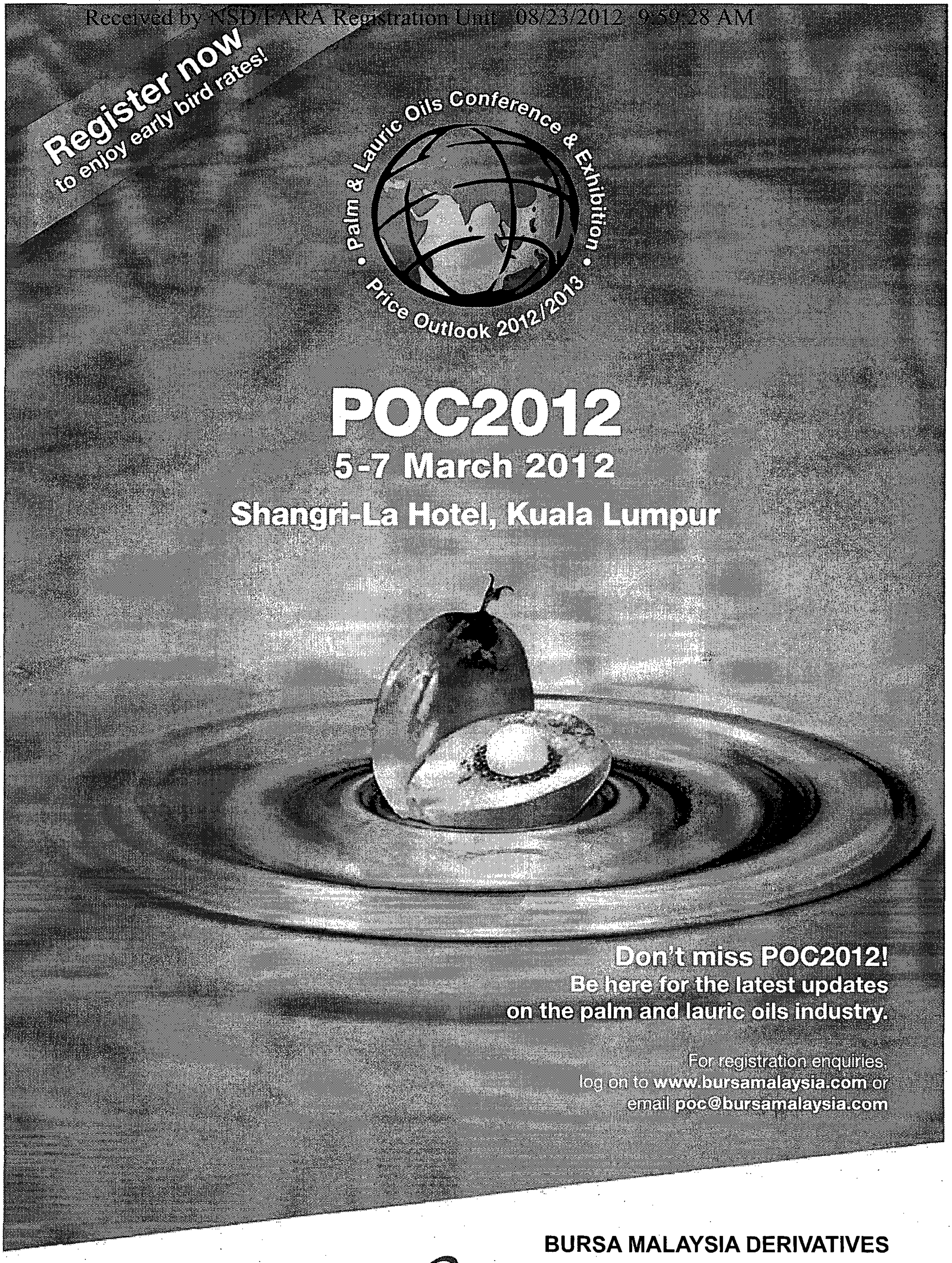

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NEXT VIEW

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Breakout in correction chart pattern

by Benny Lee
Chief Market Strategist of NextView Group

In my last article, I wrote that the price of FCPO would be bullish if the price can climb and stay above RM3,100. That was two months ago. Today, price of FCPO is well above RM3,100 although there was pullback to below RM3,100 in late January this year. However, it was not long before price went above RM3,100 again. For the past two months, price of FCPO has increased 7.4% to RM3,245 as at 20 February but with relatively lower volume. For the past one month price of FCPO has been trading in a range between RM3,036 and RM3,276. However, number of open positions is significantly higher as compared to the previous month. Open interest stands at 34,794 contracts on 20 February, much higher than 20 January's 24,671 contracts.

In January, palm oil supply, stocks and exports fell. According to Malaysian Palm Oil Board (MPOB) data recently, Malaysia's January crude palm oil output declined 14% from December to 1.29 million metric tons. Stocks at the end of January fell 2.5% to 2.01 million tons. In the data, palm oil exports for January fell 13% to 1.38 million tons. Decline in exports failed to provide the market confidence to boost FCPO prices. In a more recent data, cargo surveyor SGS (Malaysia) Bhd estimated Malaysian palm oil exports for the period February 1 to 20 period to decline 0.6% to 777,728 metric tons from the same period in January. Intertek Agri Services estimated a 2% decline at 783,112 tons. However, there was a significant increase in exports as earlier, the surveyors estimated a 15% decline in exports for the February 1-15 period.

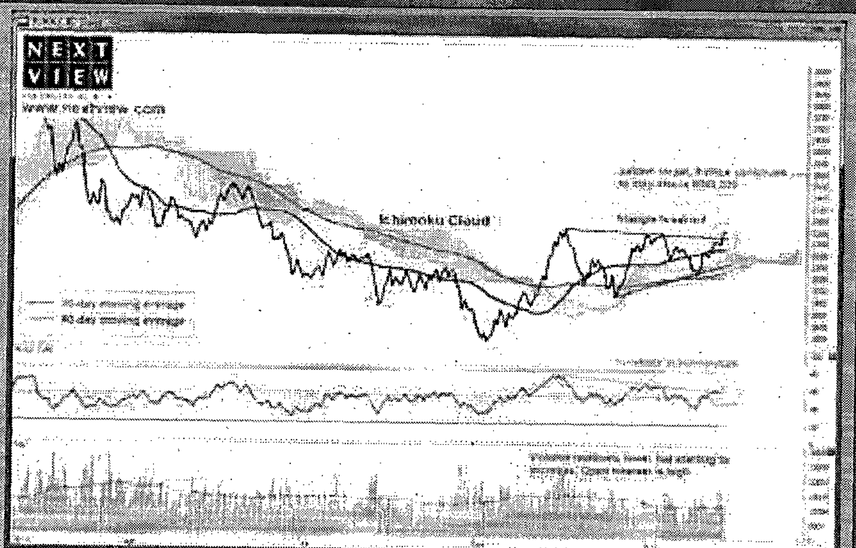
Trend wise, price trend for FCPO is still bullish. It has maintained well above the long term 90-day moving average despite having whipsawed between the short and mid-term moving averages. The price has rebounded twice from the 90-day moving average since December last year. The price is also well maintained above the Ichimoku cloud despite some pullbacks in the past two months. The cloud, which was getting thinner in the past one month, has started to expand and this indicates stronger support for the current up trend. The increasing ADX indicator also shows that the bullish momentum strength is building up.

Price of FCPO for the past three months has formed a long term continuation triangle chart pattern (please see FCPO chart below) and the resistance level of this triangle pattern has been broken indicating that the trend my continue rallying upwards. Based on this triangle pattern, the target for the pattern breakout alone is RM3,500. I would not want to be optimistic at the moment until the FCPO can continue to stay above RM3,200 in the next two weeks.

Momentum indicators has been in a whipsaw or sideways mode for the past three months as price of FCPO went into a sideway correction that formed the classic triangle chart pattern. MACD, RSI and Momentum oscillator indicators have been hovering around their middle levels in the past three months but during this period, the values are above the middle level more than below it. The Bollinger Bands has expanded showing strong upward momentum in the short term. However, price is slightly overbought in the short term.

Fundamentally, tighter soybean output may help support to push palm oil prices higher. Major soybean supply areas in South America faced sever dry weather and this may reduce soybean output. The positive development in western economies may boost demand for palm oil. However, US dollar has declined against the Malaysian Ringgit in the past few days. US dollar weakens about 0.9% in a week against the Ringgit. The Malaysian currency is now at RM3.0178 against the greenback.

Now that price of FCPO just broken above the resistance level and is overbought in the short term, investors are expecting a pullback because the 90-day moving average which has been supporting the price is currently at RM3,070. FCPO should remain very bullish if the price continues to stay above RM3,200 at least for the next weeks. If price declines, then the upward rally to the triangle chart pattern may not materialize. However, trend remains bullish in the long term as long as the price stays above the 90-day moving average. Although it may bullish in the short term, I am expecting price to moving into a correction in the 2nd quarter and find bottom only in the third quarter before price starts to rebound and become bullish in the last quarter this year. ■



FCPO daily chart as at 20 February 2011.
Charted by Benny Lee using NextView Advisor Professional

Mr. Benny Lee is a private trader, trainer and sought-after speaker in the financial market. He is the Chief Market Strategist for NextView, a pan-Asian multiple-markets financial terminal and data vendor, investor education and conferences for both professional and retail investors in the Asia region. 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.

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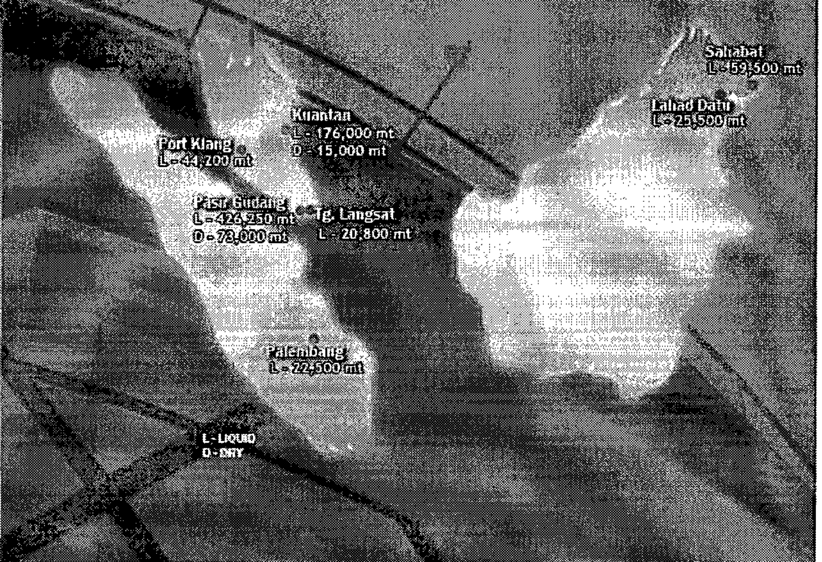

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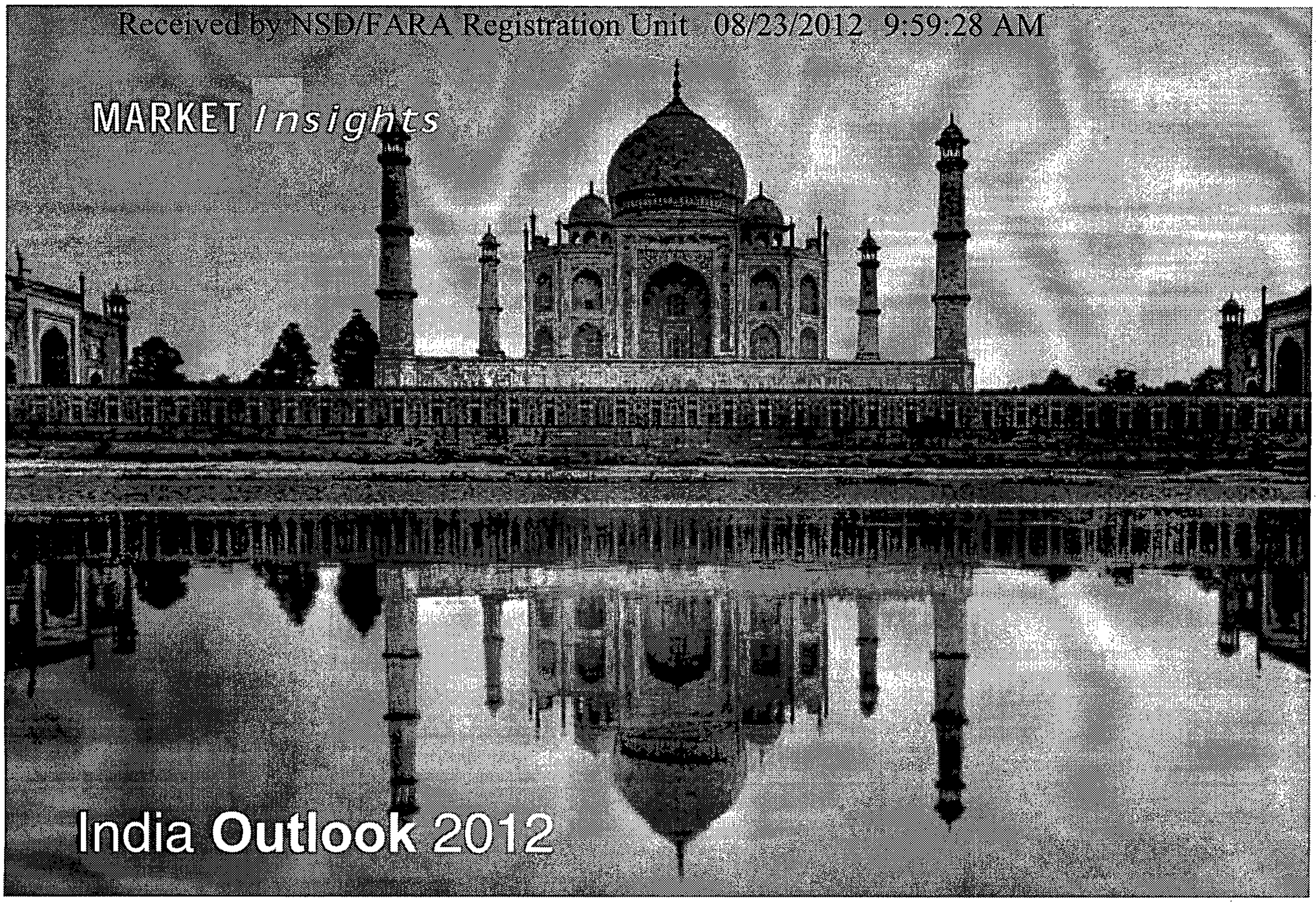
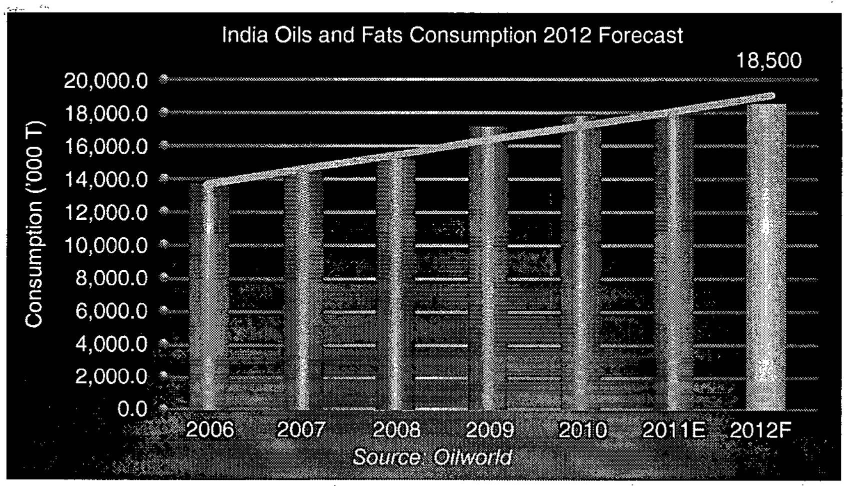


India Outlook 2012



2011 Review

In term of consumption, India would require around 15 to 18 million tonnes of oils and fats to feed local demand. The requirement is met through locally produced vegetable oils as well as imported vegetable oils.

India production of oils and fats in 2011 went up by 8.9% from 9 to 9.8 million MT. Increase in domestic oils and fats production has somehow reduced India import dependence by 5% in 2011.

Consumption however, continues to increase in tandem with the growing population but at a slower rate as indicated in the last few years. Per capita consumption increased marginally at the rate of less than 1% annually since 2009. As the year 2011 ended, per capita consumption was recorded at 14.6kg against 14.5 kg recorded the year before.

Higher food inflation in India has influenced Indian consumers' oils and fats intake, which reflected in the per capita consumption of oils and fats in the country

2012 Outlook

India oils and fats consumption will continue to increase and for 2012 it is estimated that the intake will be 18.5 million tonnes from 18 million tonnes recorded in 2011. The increase is mainly due to increase in country's population.

It is also estimated that for 2012, consumers spending for durables are restricted and real disposable incomes have been eroded by sustained high food and fuel prices. With that in mind and base on last 3 years per capita consumption of oils and fats, 2012 per capita consumption is expected to rise very marginally at 14.7 kg.

Domestic oils and fats production in India is expected to be higher with Kharif crop production to increase from 5.48 million tonnes to 5.76 million tonnes in 2011/12 season. The increase is mainly in soybean and castor oil production.

The sowing of Rabi crop which is due completion has indicated reduced oilseed acreage by 655,000 ha. Rapeseed, the main oilseed crop planted during Rabi only covered 6.53 million ha against 7.11 million ha. in the previous oil year. Based on rapeseed yield, it is estimated that it will only generated 2.13 million tonnes of oils against 2.32 milion tonnes in the previous season.

Imports may slow down due to strengthening of US$ and the anticipation of upward movement of oils and fats prices in the international market. While increase in the domestic vegetable oils production is expected, demand has exceeded the production and has to be compensated through imports as well.

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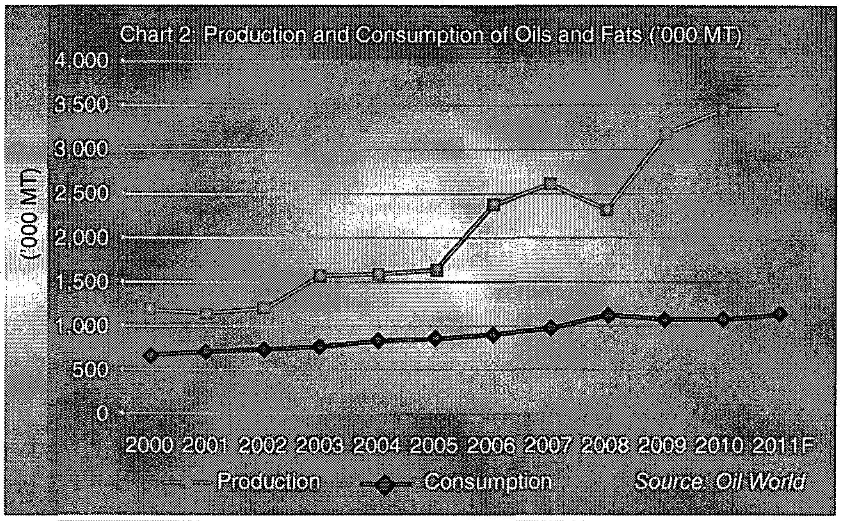
PART 2

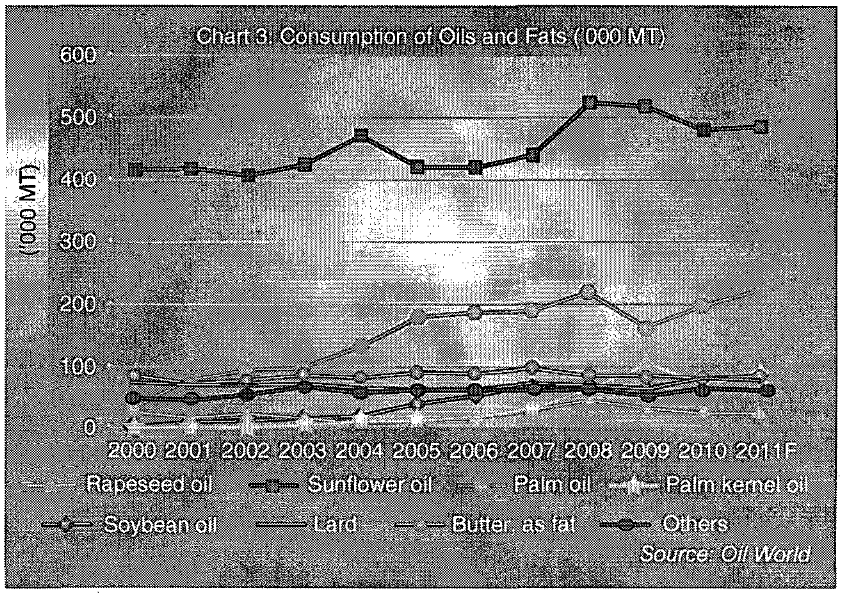
Europe's **New Force** Ukraine
Paves Way for Continuous Palm Oil Imports

Strong demand for rapeseed by the European Union biofuel sector has been driving the growth in its production in Ukraine over the last few years. However, EU's new policy requiring certification for sustainability of agricultural crops used as feedstock by the biofuel industry is likely to have some impact on Ukrainian producers. Although the burden may be carried by the EU importers, some experts believe that this EU move will encourage Ukrainian their rapeseed producers to look for alternative markets.

Oilseed crushing has been on the uptrend over the last few years, mainly due to an increase in sunflower seed production as well as crushing activities. In 2010, total oilseeds crushed were recorded at 8.1 MMT, up from 7.3 MMT in 2009. A total of 7.2 MMT of sunflower seeds went into crushing in 2010, higher than 6.7 MMT recorded in 2009. Total oilseeds to be crushed are projected to reach 8.2 MMT in 2010-11, of which 7.3 MMT will be sunflower seed. Both rapeseed and soybean crushing are intended for the export market.

Ukraine exported about 2.4 MMT of oilseeds in 2010, down from 2.9 MMT recorded in 2009. However, the export of oilseeds is expected to increase to 2.9 MMT again in 2010-11, reflecting higher crop production and favourable world market trends that have been supportive of Ukraine's domestic market oilseeds prices. In addition, export restrictions on grains, which were in place since the fall of 2010, have made oilseed exports more attractive. Ukraine imports very small quantities of oilseeds, mostly groundnuts and sunflower seeds as well, almost all of which are for planting.





Oils and Fats Scenario

The production of vegetable oils in Ukraine has been on a steady growth trend in the past decade. Some large producers of vegetable oils in the country are reportedly expanding their production capacities by acquiring oil extracting plants and modernising production technology. In 2010, total production of oils and fats reached 3.5 MMT, up from 3.2 MMT recorded in 2009. Sunflower oil recorded 3.1 MMT in 2010, roughly an increase of 218,600 MT from 2.87 MMT recorded in 2009. According to the official State Statistics Committee of Ukraine, FAS-Kyiv, sunflower oil production is expected to increase by another 5% in 2010/11 due to the larger output. Sunflower oil production is forecast to remain at 3.11 MMT by the end of 2011.

Industry experts estimate Ukraine's oilseed processing capacity at 30,000 MT a day and production capacity for sunflower oil to be at 10,000 MT a day. Ukraine's estimated annual vegetable oil processing capacity is expected to reach 10 MMT in 2011. It is also acknowledged that rapeseed oil production is expected to increase significantly in 2011-12 due to the expected growth in the rapeseed meal production, which is estimated to reach almost 250,000 MT on the expectation of a surge in domestic rapeseed crushing in the new season. The bulk of the rapeseed oil produced in the country is intended for the export market.

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Continued from page 1

Cocoa Butter **Equivalents**
An Overview of the Russian Market

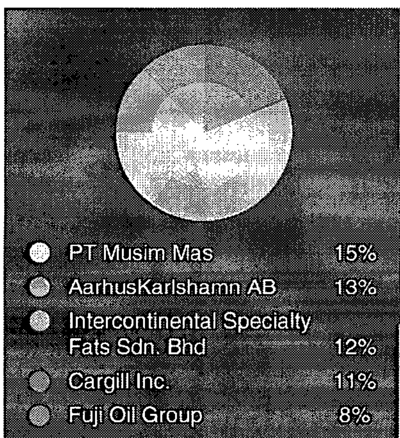
Indonesia holds second place in terms of the import of substitutes by Russia in the first half of 2011, with 27.9%. Denmark occupies second place, in terms of cocoa butter equivalent supplies, with a share of 29%. AarhusKarlshamn AB, a leading global manufacturer of this product, represents Denmark. The company uses raw materials from Asia and West Africa, with its production facilities located in AarhusKarlshamn Denmark, Mexico, the Netherlands, Sweden, United Kingdom, Uruguay and the US.

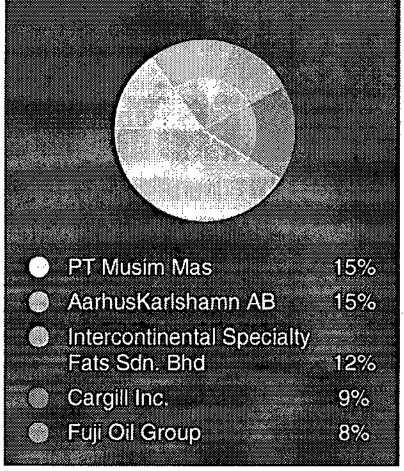
The company's policy is oriented towards the increase in production and marketing of cocoa butter equivalents. In 2010, Denmark's share in Russia's imports of cocoa butter equivalents grew and overtook the import volume from Malaysia. So, if in 2009 the share of these countries accounted for 27%, then in 2010, Denmark won more than 40% of the cocoa butter equivalent imports (Figure 2).

In the first half of 2011, Russia's imports of cocoa butter substitutes from Malaysia and Indonesia were 47.8% and 27.9% respectively. Malaysia and Denmark accounted for 34% of total imports of cocoa butter equivalents by Russia. Thus, these three countries are the leading suppliers of cocoa butter alternatives. Indonesia's PT Musim Mas has been the leading supplier of cocoa butter substitutes from 2008 to the first half of 2011 (Figures 3 & 4).

Malaysian Intercontinental Specialty Fats Sdn Bhd has been among the leaders for imports by Russia in the first half of 2011. AarhusKarlshamn, which has its head office in Malmo, Sweden, is competing with the top three producers in Russia's total import of cocoa butter substitutes, after being in the second place in 2010 (Figure 5).

Currently, AarhusKarlshamn is promoting the use of cocoa butter equivalents actively. In second place in the import of cocoa butter equivalents, at the end of 2008 and the first half of 2011, is the company IOI Group Loders Croklaan.

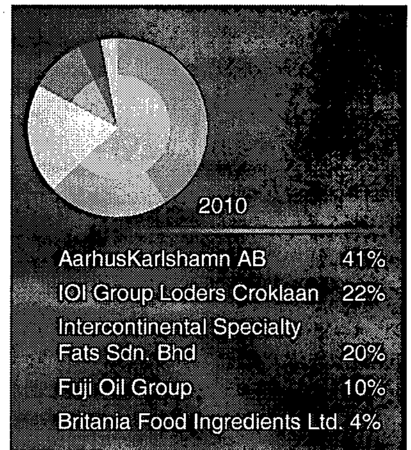


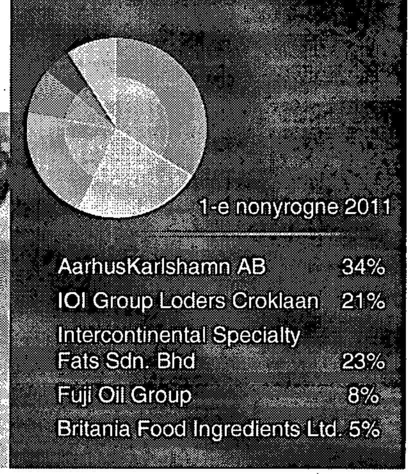


The main manufacturing facilities are located in the Netherlands, Malaysia and the US. In 2010, imports of cocoa butter equivalents, produced by Loders Croklaan, increased by 17% compared with 2009 and in the first half of 2011, this climbed to 50%.

It must be noted that Intercontinental Specialty Fats Sdn Bhd of Malaysia, which was at the third position in 2010 in exports to Russia, took the second spot in the first half of 2011. Imports of cocoa butter equivalents from Intercontinental Specialty Fats during this period increased by two times compared with January-June 2010.

In 2010, the leading buyer of equivalents and substitutes for cocoa butter in Russia was Prodtorg, which is based in St Petersburg, with a share of about 13.9% of the total imports. During the same period, chocolate mass factory, Shokolma, in Moscow, increased its volume of cocoa butter alternatives purchases by several times. Shokolma accounts for 6.4% of the total imports.





More than 80 Russian companies were importing these products in 2010, largely a wholesale company and confectionery manufacturers. In contrast to imports, Russia's exports of cocoa butter equivalents are much more modest. The export of cocoa butter equivalents produced locally was almost zero. Export volumes were almost 10 times lower in comparison with the volume of imports.

One of the leading Russian producers and exporters of cocoa butter substitutes

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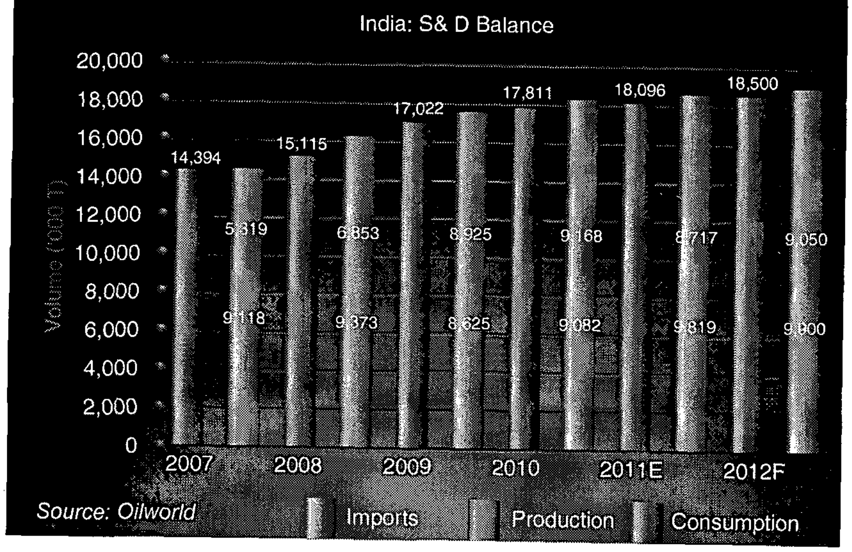
India Outlook 2012



Source: Oilworld

Oils and Fats Supply & Demand
Production of oils and fats during Kharif 2011/12 season went up by at least 300,000 tonnes. Soybean and castor oils are two main contributors of the increase where soybean production alone expected to increase by 280,000 tonnes. Castor oil production is also contributing to the increase in Kharif oil production but most of castor oil is meant for export market.

Base on Rabi sowing area, production is estimated to be lower due to reduce acreage in rapeseed cultivation area. Rapeseed area for 2011/12 covers 6.53 million ha against 7.11 million ha in the previous season. The estimated oil production from rapeseed cultivation is about 2.13 million tonnes, almost 190,000 less than the previous season.

Government of India moves towards encouraging oilseed planting through 10% increase in minimum support price (MSP) to boost Rabi crop production unable to encourage farmers to increase oilseed acreage as the new MSP of oilseed (rapeseed and mustard) remains below the current market rates.

2011/12 oil year is expected to operate almost 100,000 tonnes increase in India oils and fats production through Kharif and Rabi oilseed crops.

Base on the last three years, India has been consistently keeping at least 1.6 million tonnes of various vegetable oils as stock. We would expect that the situation remains as that level could provide secured feeling to the consumers and to avoid any panic buying which could lift the price not just in India but in the international market. This is also to control domestic price and maintain food inflation in check.

In conclusion, India imports is expected to increase even though domestic vegetable oils production is expected to increase. its imports despite the fact that Rupees is depreciating against US Dollar and the upward movement of oils and fats prices in the international market could slow down imports but it is still required to meet growing domestic demand. Castor oil, which recorded substantial increase, does not have significant impact towards domestic oils and fats supply as the oil is mostly meant for exports.

It is estimated that in 2012 imports to go up to 9.05 million MT as such volume would give India a comfortable stock level besides compensating the shortage.

India Vegetable Oils Import Composition
With India's import in 2012 is expected to increase by 4% to 9.05 million tonnes, the volume is expected to be distributed among four major oils, palm, soybean, sunflower and palm kernel oil. These four, made up 99% of the total India oils and fats imports.

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India: Vegetable Oils Production for 2011/12

	Kharif		Rabi		2010/11	2011/12
	2010/11	2011/12	2010/11	2011/12		
Oil availability est. (Mn T)	5.48	5.76			5.48	5.76
Oil availability est (rapeseed only) in Mn T			2.32	2.13	2.32	2.13
Total					7.80	7.89

Rapeseed yield is based on Oilworld estimate of 0.99T/ha and OER of 33%
(Another 2 milion tonnes of oils and fats is generated through butter fat)
Source: SEA of India

Continued from page 9

India Outlook 2012

India: S&D						
('000 T)	2007	2008	2009	2010	2011E	2012F
Opening Stock	1,204	892	1,446	1,666	1,657	1,681
Production	9,142	9,373	8,625	9,082	9,819	9,900
Import	5,317	6,847	8,925	9,168	8,717	9,052
Export	337	387	308	448	416	520
Consumption	14,434	15,279	17,022	17,811	18,096	18,500
Ending Stock	892	1,446	1,666	1,657	1,681	1,613
Stock Usage Ratio	6.0%	9.2%	9.6%	9.1%	9.1%	8.5%

It is estimated that most India import will go to palm oil, which comprised at least 75% of the total oils and fats imports. As for soybean oil, it will depend on its price discount to sunflower oil. In the recent months, sunflower oil price (cif, Indian Ports) has been cheaper than soybean oil which gives sunflower oil greater advantage to soybean oil.

As for palm oil import source, Indonesia and Malaysia will continue to be the main palm oil suppliers into India with ratio of 75:25. ■ Fatimah

Estimate imports of vegetable oils by India 2012 ('000 T)	2011 Imports	2012 Import Forecast
Palm Oil	6,640	6,880
Soybean Oil	980	880
Sunflower Oil	859	960
Palm Kernel Oil	190	200
Total	**8,669**	**8,920**

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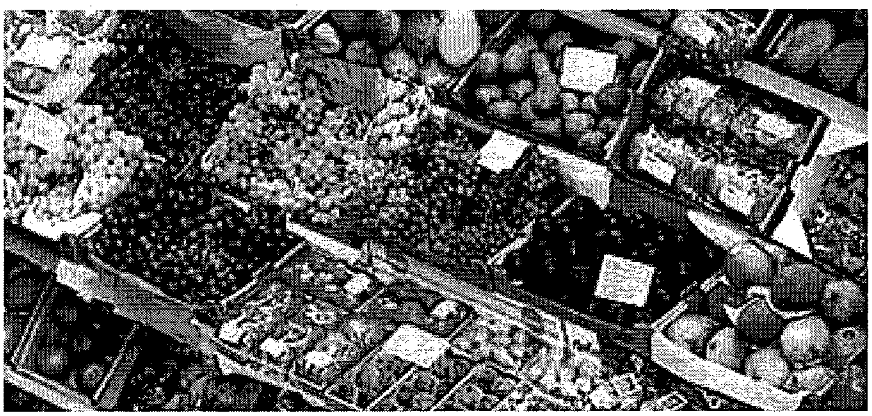
Cocoa Butter **Equivalents**
An Overview of the Russian Market



is EFCO Food Ingredients in the Belgorod region, with its products using the trademark Ekolad. In 2010, the company increased its exports by 42%, but in the first half of 2011, shipments declined to 13%.

The main exports substitutes manufactured by the company are sent to Ukraine. In addition, it is worth noting that in 2010, EFCO Food Ingredients opened its own transshipment and production complex for processing palm oil in the port of Taman in Krasnodar Territory.

Another major Russian producer of cocoa butter substitutes is JSC Nizhny Novgorod Oil and Fat Plant and its products are trademarked Margo. The main buyer of products, produced by Russian companies is Kazakhstan. A major player here is the corporation Soyuz, based in Kaliningrad and producing under the brand SDS.

The share of cocoa butter substitutes in total exports of confectionery fat for the period 2008-2010 was 39%. In 2009, compared with 2008, the volume of imports of confectionery fats rose by 15.7% and in 2010, compared with the January-December period of 2009, it rose by 24.4%. During the last three years, the share of cocoa butter substitutes and equivalents in total imports amounted to 28.3% and 9.3% respectively. ■ Aleksey

Note:

1. *Cocoa Butter Equivalents have similar composition with cocoa butter. Substitutes are different in their characteristics. Substitutes can replace cocoa butter in the production partially or completely, the final product will have the same properties as in the use of cocoa butter.*
2. *The analysis of the foreign market (without data on Belarus and from July 1, 2010, excludes Kazakhstan, since these two countries are in the Customs Union.*

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Europe's **New Force** Ukraine
Paves Way for Continuous Palm Oil Imports

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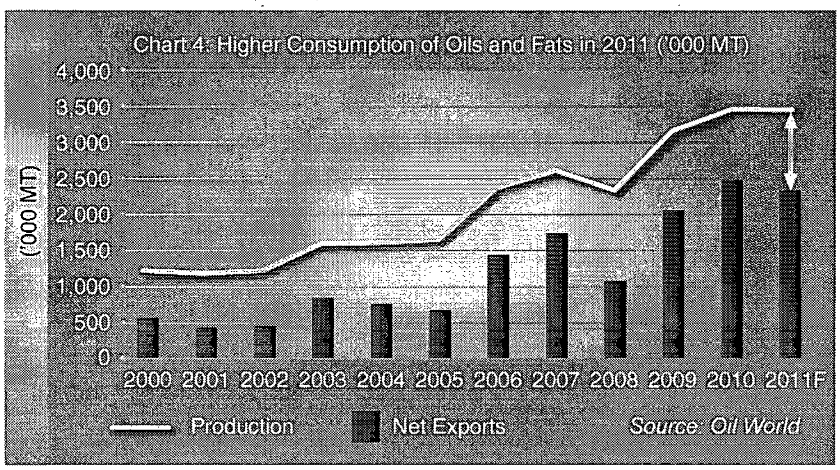
While the production of vegetable oils has been exceptional, consumption, on the other hand, has been increasing slowly. Per capita consumption is forecast to be 25.6kg in 2011, an increase from 24.2kg recorded in 2010. This reflects a good potential in the consumption side when total consumption is projected to increase to 1.2 MMT in 2011, up from 1.1 MMT recorded in 2010. Sunflower oil forms an integral part of the Ukrainian diet. Aside from that, food products such as margarine and mayonnaise are produced with sunflower oil as the main ingredient, plus the addition of other inexpensive oils, mostly palm oil.

Being one of the world's biggest producers of sunflower oil, Ukraine has always been a net exporter of oils and fats. In 2010, it exported a total of 2.85 MMT of oils and fats, more than the 2.48 MMT recorded in 2009, with sunflower oil forming the bulk of this at 2.7 MMT recorded in 2010 and 2.34 MMT in 2009. However, Oil World has predicted that exports of oils and fats could slightly decrease to 2.8 MMT in 2011, as exports of sunflower oil are also forecast to decrease to 2.64 MMT. Most of the exports of sunflower oil go to the EU countries, India, Egypt and a small amount of sunflower oil is also exported to Russia.



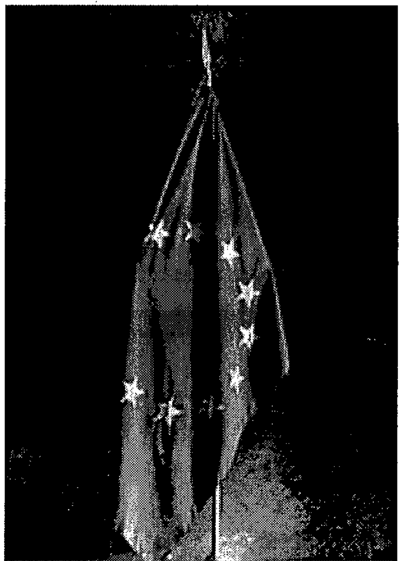
Importance of Palm Oil in Ukrainian Oils and Fats Market

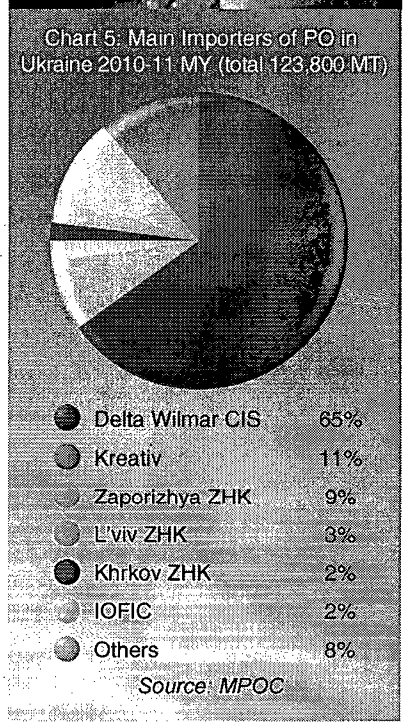
Although a major producer of sunflower oil, Ukraine's import of oils and fats, in particular palm oil, has been growing. In the last 10 years, Ukraine has seen changing consumption patterns taking place. Consumption of soybean oil in the country used to be quite huge, but now more palm oil is used in the production of margarine and mayonnaise, as well as in soaps and detergents.

However, palm oil imports decreased in 2010 as only 371,500 MT of oils and fats were imported, compared with 419,600 MT imported in 2009. The economic meltdown and Ukrainian currency devaluation certainly had a major influence on the demand for palm oil, although palm oil imports remained high compared with imports of other vegetable oils. The bumper crops since the last two years have also led to higher crushing activities and domestic consumer preference continues to boost sunflower oil consumption.

Palm oil (or tropical oil as it is widely known in the country) and its fractions are used by major producers of specialty oils and fats, namely Zaporozhye, Vinnitsa, Kharkiv, Lviv, Kyiv Margarine Factory and Kirovograd. The companies are consumers of tropical oils and its fractions, which are imported for their production needs. Before the introduction of specialised plants for palm oil processing, only six types of specialty fats were produced in the country. Today, a company like Zaporizhya ZHK alone produces more than 60 types of specialty fats.

Yuzhne and Illichivsk were the first two places where new facilities for processing and fractionation of CPO were built; creating job opportunities and a new era of specialty fats in Ukraine. Ukraine's position is not just an importer of palm oil, but a several metric tonnes are also re-exported, especially to neighbouring CIS countries.





Specialised terminals for handing tropical oils were introduced in sea port of Yuzhne, Odessa, as an extension to the building of a complex for processing palm oil. Construction was completed in 2006 and with a capacity of 1.5 MT/day, this saw CPO coming from both Malaysian and Indonesia. Delta-Wilmar CIS is the major importer of tropical oils in Ukraine, and the company re-exports the tropical oils and fractions to the CIS region.

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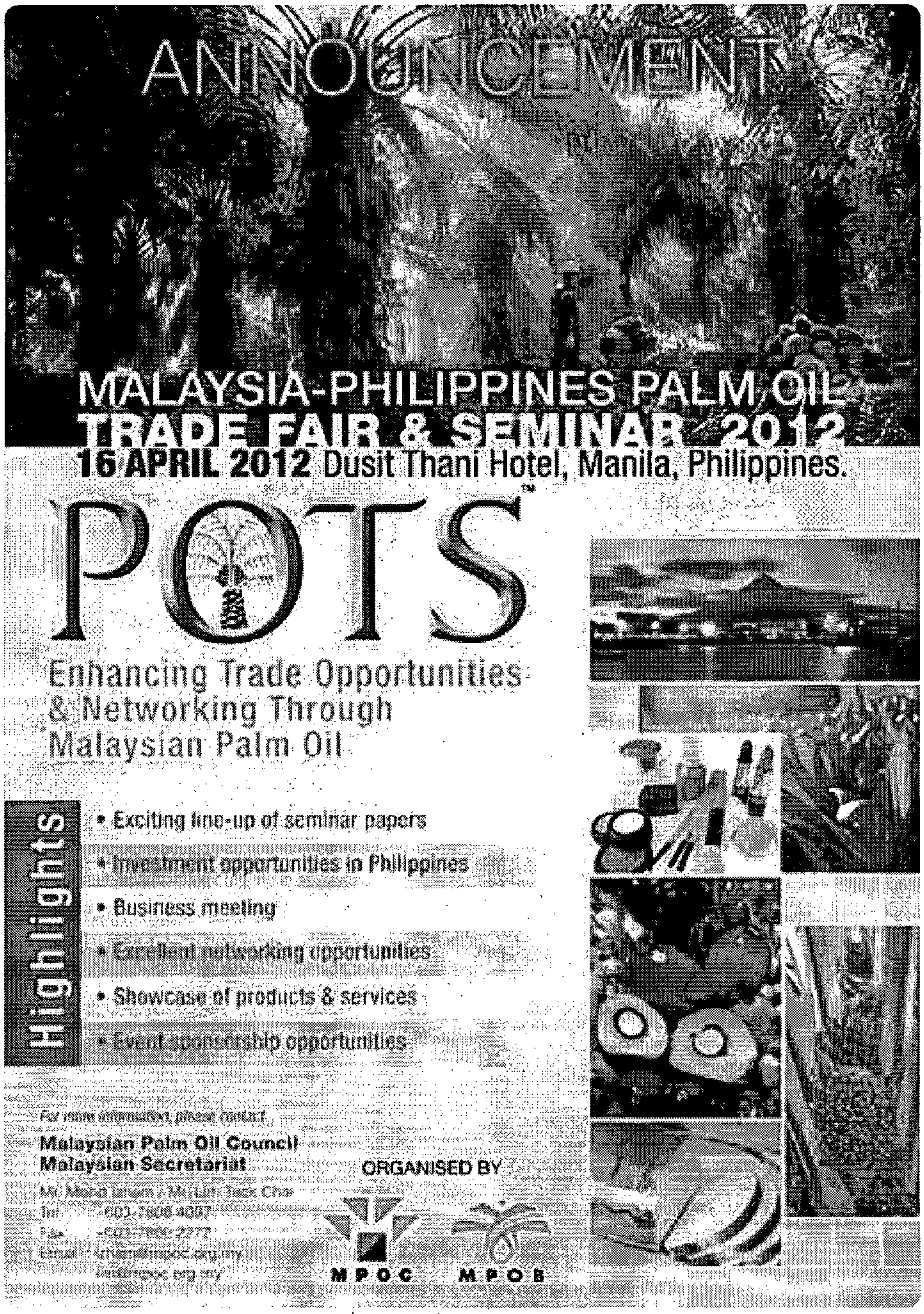
Europe's **New Force** Ukraine Paves Way for Continuous Palm Oil Imports

In conclusion, palm oil demand in Ukraine is acknowledged to be facing increased competition from domestically-produced vegetable oils. The country's relatively small population makes the growth potential for palm oil rather limited. Nevertheless, the potential of palm oil usage in the country still remains great, primarily in the development of specialty fats.

With rich farmlands, a well-developed industrial base, a highly trained labour force of 20 million and a good education system, Ukraine has the potential to become a major European economy, thus paving the way for continuous palm oil import and consumption in the country. Experts believe that the price relationship between specific vegetable oils will be an important variable for future palm oil demand in Ukraine. ■ Azriyah Azian



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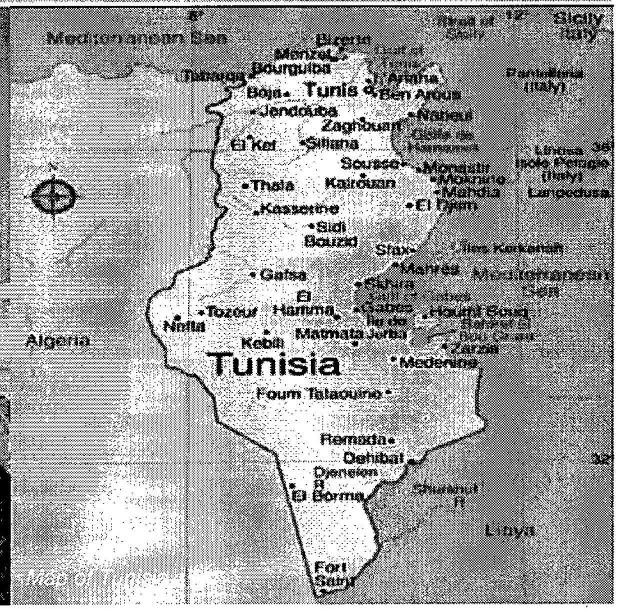
Tunisia's Edible Oil Market: Setting pace for a new era

Tunis: African Mystery



Map of Tunisia

TUNISIA is situated in North Africa, between Algeria and Libya, bordered by the Mediterranean Sea in the north and north-eastern side. Its strategic geographical position facilitates commercial exchanges between Tunisia and the European Union. Tunisia preserves its external and internal balances at manageable levels and the GDP growth has averaged 5.1% over the last decade. One important challenge is to strengthen spillover effects from rising foreign direct investment to bolster local private investment.

On the basis of several socioeconomic indicators Tunisia seems to perform better than the average middle-income country. It was also able to resist the shocks of the rise in the world prices of fuel and cereal products. The inflation rate was limited to 3.5% in 2009 versus 5.1% in 2008. The government's prudent monetary policy and policy of price compensation had limited the growth of inflation. Beyond trade reforms, measures such as strengthening the banking system and development of securities markets and diversification of sources of finance will ensure good access to finance for private investment.

Following the large-scale public demonstrations that toppled the regime of former president Zine el Abidine Ben Ali in 2011, the country is at critical point of its history. A significant determinant of its future stability and economic progress will be the outcome of its political transition this year. There are still significant obstacles to be overcome, include the ongoing need to create high-value jobs, the threat of radical military groups, restoring security and making policy choices that will attract foreign direct investment (FDI).

In the long run, the country's democratic transition focused on the low quantity and quality of jobs available to ensure creating employment opportunities remains a top priority for policymakers. Consequently, a major challenge going forward will ensure that Tunisia can attract FDI that capitalises on the country's relatively high level of human capital by creating high-value jobs rather than the low-skill manufacturing promoted by Ben Ali.

Maintaining a stable security situation and favourable business environment will be a key to attracting foreign capital. A further challenge involves promoting job creation in the interior of the country, as economic development up to now has been heavily skewed toward the northern and eastern coastal areas. Along this line, the World Bank, together with European Bank for Reconstruction, seeks to provide financial aid to the Tunisian government in conjunction with technical assistance for political and economic reforms. This aid is to help establish capacity building for efficient bureaucracies and an effective public management.

Macroeconomic Setting

There is no major economic change in the near term that can quell the optimism of the recent election. Real GDP growth in the country stagnated in 2011, causing the unemployment to hit 18.6%. The success of the election has brought a sense of optimism but the appointment of a new interim government and the

Continued on page 6 ▶

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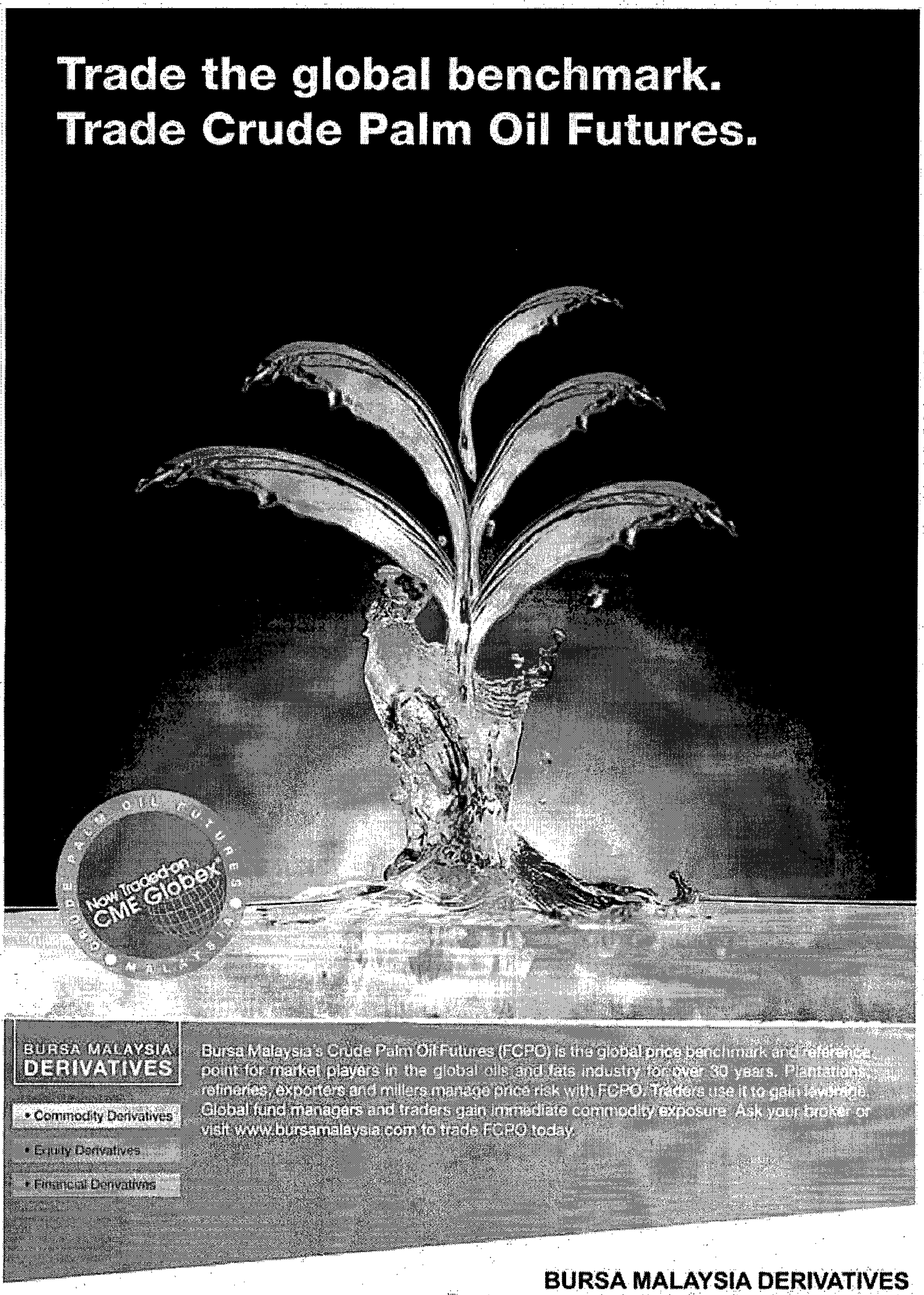

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Bullish trend set to continue

by Benny Lee
Chief Market Strategist
of NextView Group

Price of FCPO rallied in the past one month after a breakout of the triangle chart pattern it formed since late last year. The triangle pattern was highlighted in last month's article when price was at RM3,245 per metric ton with a target of RM3,500. Since then price of FCPO has increased 5.6% to RM3,426 on 23rd of March, the highest level in 9 months. Trading range for the past one month was between RM3,222 and RM3,436 with a relatively higher trading volume. Average daily trading volume for the past 20 trading days was 12,710 contracts as compared to 10,920 contracts in the previous corresponding month. Open interest as at 23 March was at 38,747 contracts as compared to 34,846 contracts in 23 February.

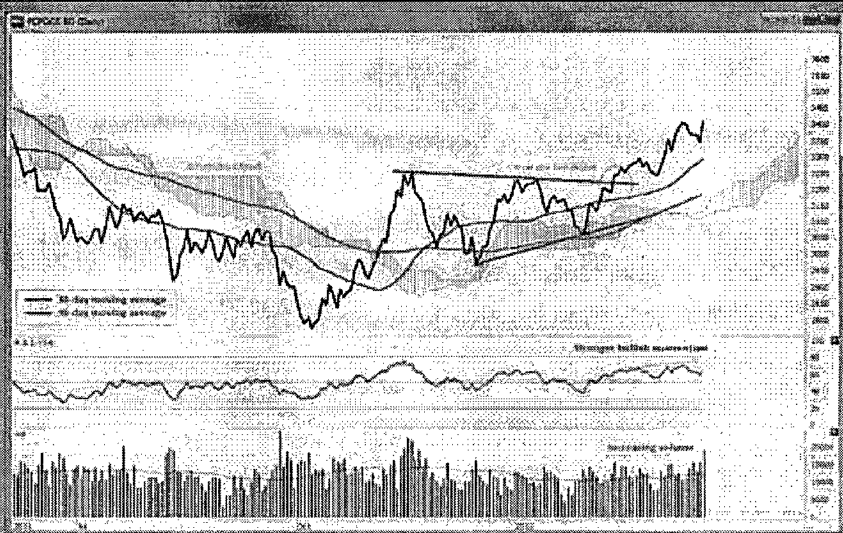
In February, Malaysia palm oil supply and exports decline but stocks increase. The Malaysian Palm Oil Board data showed that palm oil output fell 7.9% to 1.19 million tons on month and end-February stocks increased 2% to 2.06 million tons. February palm oil exports declined 13% to 1.21 million tons as global demand weakens. However, the situation started to improve significantly in March that caused price to rally. In a recent data, cargo surveyor SGS (Malaysia) Bhd estimated Malaysian palm oil exports for the period March 1 to 20 period to increase 14% from the same period in February to 888,706 metric tons. Another surveyor, Intertek Agri Services also estimated a 14% increase at 894,594 tons. The market was further boosted with the increase in palm oil export tax in Indonesia from 16.5% to 18% on March 22.

Price of FCPO continues to be bullish as the short to long term 30- to 90-day moving averages are increasing and price has been trading above the averages for the past one month, after breaking the corrective triangle chart pattern. Price of FCPO has also been trading above the Ichimoku Cloud indicator since November last year. Therefore, the price has been bullish since late last year and the expanding Ichimoku Cloud, together with the breakout in the triangle chart pattern indicate that the price trend is likely going to continue at least till the next one month. The strong up trend is also support by the ADX indicator, which has been rising since early March.

Momentum indicators, which were whipsawed two months ago, have started to show clearer direction in the past one month. The momentum indicators like RSI, MACD and Momentum Oscillator has increased to newer highs. The convergence of these indicators with the price trend of FCPO indicates a very strong bullish trend. The strong bullish momentum is also supported by the Bollinger Bands indicator which has been expanding since early March and the price of FCPO trading near the top band of the Bollinger Bands indicator.

Long term up trend support level (using the 90-day moving average) is technically at RM3,200 while the immediate support level is at the 20-day moving average and is currently at 3,350. The strong bullish momentum should continue as long as the price starts above the immediate support level. Price is overbought in the short term and therefore we may expect mild pullbacks to the 20-day average as the trend continues to head upwards. Price has hit the immediate resistance level at RM3,480 but the triangle chart pattern objective at RM3,500 is still intact and this would be the long term resistance level.

The increase in palm oil tax in Indonesia and increasing palm oil exports coupled with increasing crude oil prices may provide some positive catalyst to the price of crude palm oil. Global economic growth continues to mildly increase in the short term but the concern is in the slowing economic growth in China. Technically, the strong up trend momentum indicates that the bullish run still on as long as the support levels are not broken. With a price target based on the triangle pattern at RM3,500, price is expected to be bullish this month. ■



FCPO daily chart as at 23 March 2011
Charted by Benny Lee using NextView Advisor Professional

Mr. Benny Lee is a private trader, trainer and sought-after speaker in the financial market. He is the Principle Consultant for NextView Academy, a leading investor education provider and also the Chief Market Strategist for Jupiter Securities. He can be contacted at bennylee.kl@gmail.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.

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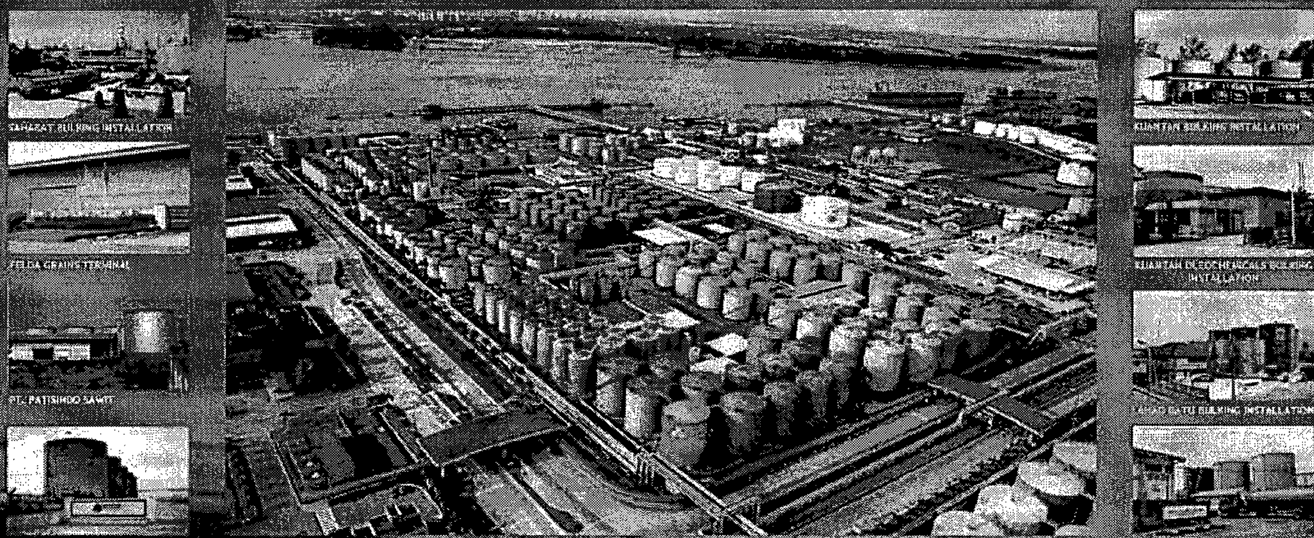

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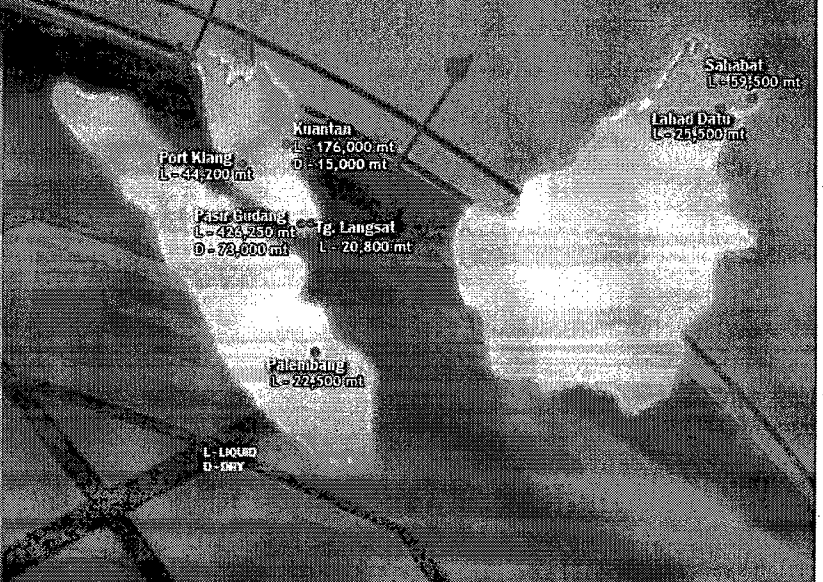

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Opportunities in Bangladesh for MPO Suppliers and Investors

BANGLADESH, with a population of 160 million, is heavily dependent on imports to meet up its annual requirements of oils and fats of some 1.5 million metric tonnes. Due to limited agricultural land for oilseed crops, local annual production of edible oils and fats has remained stagnant at around 150,000 MT.

In 2011, the country's import of CPO, CPL and RBD PL together registered a growth of 2.03% compared with 2010, while import of total palm oil and palm oil products increased by 2.57%. Total import of CPO, CPL and RBD PL in 2011 was 949,075 MT, (943,270 MT in bulk and 5,405 MT in flexi tanks/drums), while the import quantity of palm oil and palm products was 976,784 MT.

Out of 976,784 MT of palm oil and palm oil products, 949,075 MT or 97.16% was amd up of palm oil (CPO, CPL and RBD PL), made up of 129,476 MT or 13.64% of CPO, 541,646 MT or 57.07% of CPL and 277,953 MT or 29.29% of RBD PL.

Table 1: Year-wise Import of Palm Oil (CPO, CPL & RBD PL)

Year	Import Volume	Change in %
2011	949,075	+2.03
2010	930,147	-9.09
2009	1,023,128	+25.39
2008	815,965	+40.21
2007	581,183	

Source: MPOC Market Intelligence

In 2011, import of RBD PL, both in bulk and in flexi tank/drums increased significantly. Allowing the import of RBD PL by the vanaspati producers at zero tariff and increased import of RBD PL by industrial food processors are the reasons of increased imports of RBD PL. On the other hand, increased import of RBD PL is the reason for the decline in the import of CPL.

In 2011, total imports of edible oils and fats by Bangladesh reached 1,465,202 MT, of which palm oil and palm oil products made up 66.67%. The three major edible oils, palm oil, soybean oil and canola/mustard oil imported in 2011 touched 1,431,087 MT, or 97.67% of the total oils and fats imported. Among these three edible oils, the palm oil imported came to 949,075 MT or 66.32% followed by soybean oil and canola/mustard oil at 422,301 MT or 29.51% and 59,711 MT i.e. 4.17% respectively. Palm oil has been the leading edible oil imported by the country since 2003.

Import Comparison: MPO vs IPO

Since 2006, the MPO imported has been gradually declining. In 2011, 19 companies from Singapore, Malaysia and Indonesia were active in the Bangladeshi market, supplying 943,270 MT (only bulk supplies) of palm oil (CPO, CPL and RBD PL) from Indonesia, Malaysia and Thailand. Most of the globally leading producers and exporters of palm oil in Malaysia, Singapore and Indonesia are active in the Bangladesh market.

Table 2 reveals that in 2011, only 134,010 MT of palm oil (CPO, CPL and RBD PL together) came from Malaysia – or only 14% of total import of palm oil imported by Bangladesh.

Bulk Installations

There are five bulk storage terminals in the country with a total vegetable oil storage capacity of 287,300 MT, which is equivalent to about two months' consumption quantity of edible oils. Besides vegetable oils, bitumen, furnace oil and liquid caustic soda are also stored in the bulk facilities. All the terminals are owned by local entrepreneurs and situated in the Customs bonded area of Chittagong port.

Edible Oil Refineries

Bangladesh has eight edible oil refining groups, each with two or more refineries that are responsible for more than 96% of the country's total oils and fats import, processing and marketing. There is only one edible oil refinery in the country owned by Wilmer International Pte Ltd of Singapore. Previously 40% share of the company was owned by Sime Darby Bhd of Malaysia, which recently offloaded its stake.

Capacities of the Refineries

There are at present 16 refineries processing CPO, CPL and CDSBO in the country, of which 12 are in regular operation and the others run

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Figure 1: Import Shares of three Major Edible Oils

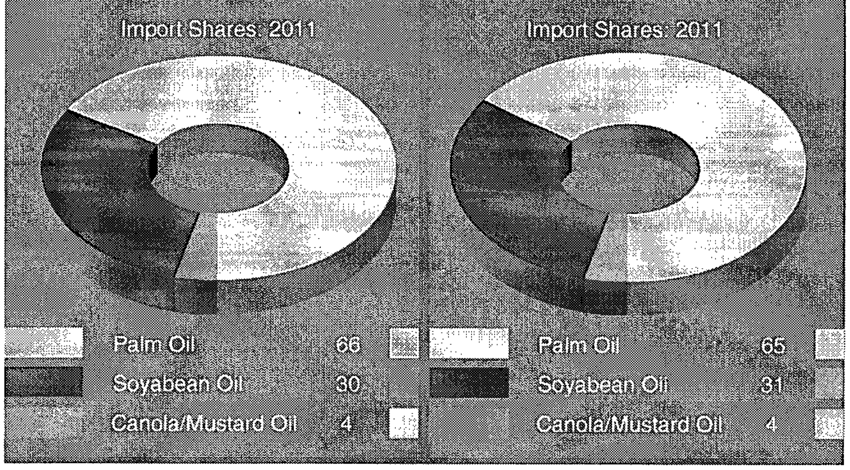

Table 2: Source-wise Import Share of Palm Oil: 2005-2011 (In Percentage)

	2005	2006	2007	2008	2009	2010	2011
Malaysia	56	47.25	27.5	30	16	18	14
Indonesia	44	52.5	71	68	84	82	85
Others	-	0.25	1.5	2	-	-	1
Total	100	100	100	100	100	100	100

Source: MPOC Market Intelligence

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Tunisia's Edible Oil Market: Setting pace for a new era

drafting of a constitution will take several months. During this time, there will be no major economic boom as foreign investors will remain cautious about Tunisia until a permanent government and regulatory framework are in place.

Tunisia currently faces several challenges that may threaten the viability of its development strategy in the future. First, unemployment, particularly among educated Tunisians, remains high at around 15% on average in recent years. Second, there is still high regional inequality, with increased spending on social programmes, health and education needed in order to reduce poverty in the rural areas. A continuous high influx from the rural areas may increase the fragility of the infrastructure and social structure of the cities. Third, although Tunisia's financial sector has been liberalised under liberalisation and reform programmes in early 1990s, it failed to mobilise significant domestic savings. Hence, access to credit for small- and medium-scale businesses is low.

Tunisia's medium-term outlook is positive overall under the current domestic and external conditions. Real GDP growth in the range of 4.2% to 5.6% is foreseeable under the current domestic and external conditions. This outlook is predicted on continued prudent macroeconomic policies, low inflation and further progress in structural reforms which are expected to improve productivity. However, the positive medium-term outlook hinges on demand in the EU market not faltering sharply, oil prices, absence of repetitive droughts and a good security condition in the region to encourage tourists to continue coming and FDI flow. To sustain a 6% growth in the medium term, an acceleration of reforms and a recovery of private domestic investment will be necessary.

Tunisia's economy recorded an annual increase in GDP of over 4.5% in 2008. The country has since that time experienced an economic slowdown, in particular a significant decline in its exports as the economies of its major trading partners slowed down (Table 1).

Tourism, agriculture and services are particularly important for Tunisia's economy, accounting for over 90% of the GDP. Its close trade relationship with the European Union (EU), including an agreement to liberalise trade, has been very positive for the Tunisian economy, with more than 70% of its exports going to the EU. However, economic contraction in the EU has reduced imports and is leading to a significant slowdown in the economic growth of Tunisia.

The 2011 political turmoil and unrest has shifted Tunisia's economic landscape due to business disruptions. However, owing to early success in the country's democratic transition and pledges to embark on a market-orientated policy framework, Tunisia will be able to break out of its stagnation period experienced during political turmoil and unrest. World Bank forecasts for 2012 and 2013 have been revised up to 4.2% and 5.6% respectively, from 2.3% and 4.9% previously. Tunisia will still have to cope with the real effects of the decline in European demand for the next two years, which may further affect the production of clothing items and auto parts. The economy is suitably diversified and measures aimed at limiting the negative effects of the crisis have been adopted. First, there were interventions in favour of the banking and financial system, after which measures were implemented in favour of enterprises that cause exports to rise and increase domestic demand as well.

On the other side, Tunisia has a fragile natural environment with limited natural resources. Some 83% of its water is already mobilised and groundwater is over-extracted in most agricultural areas. Poor land management is also increasing land degradation through water-logging and salinity level.

Oils and Fats Situation

With a population of about 10.5 million, Tunisia not only has been producer and exporter of edible oil but also an importer of oils and fats. It is currently one of the largest producers of olive oil, contributing about 4% of the world production and 8% of the world exports. Despite being the exporter of edible oils for decades, Tunisia needs to import other edible oils in order to meet local consumption for cooking and frying purposes. The production of olive oil has regressed in recent years due to drought, resulting in reduction of exports and the country had to import edible oils and fats for domestic needs.

Tunisia is a predominantly a liquid oil market and is considered to be small market for palm oil, which nevertheless is an important growing commodity in North Africa because of vibrant economic conditions that are spurring the development of the food industry. Tunisia's edible oil supply is derived mainly from locally produced olive oil and three major imported oils, soybean palm and corn. Tunisian consumption of oils and fat was 331,800 MT in 2009, with soybean oil recording the highest consumption at 60%, followed by palm oil at 15%. During drought periods, the country relies heavily on imported agricultural commodities while the years of rainfall favourable to domestic crops bring about a drop in the import of agricultural products, including soft oils.

On the import side, Tunisia continues to rely heavily on soybean and corn oils to meet household needs. These up-and-down scenarios in the supply-demand of soft oils in Tunisia, as illustrated by import statistics, also explain the vulnerability of the high-priced soft oils in Tunisia, which in turn has given some market access advantage to palm oil (Table 2). In 2010,

Table 1: Macroeconomic Indicators

Indicator	2008	2009	2010	2011(p)	2012(p)	2013(p)	2014(p)	2015(p)
Real GDP Growth	4.6	3.1	4.0	1.3	4.2	5.6	5.1	4.8
CPI Inflation	5.1	3.5	3.1	3.5	2.7	2.6	2.2	2.0
Budget balance % GDP	-0.8	-3.9	-3.5	-5.6	-4.7	-4.1	-3.2	-3.6
Current account % GDP	-4.2	-2.7	-1.1	-1.3	-4.5	-0.5	-0.5	-3.2

Source: World Bank and Business Monitor *(p) = Projection*

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the total edible oils imported by Tunisia declined by 31% compared with the previous year, due mainly to the decline of oil trans-shipments to the Libyan and Algerian markets. However, Tunisia in 2011 reinstated its position as an important transit market for the Libyan and Algerian markets (Figures 1 and 2).

With about 70 million olive trees, olive oil remains the principal edible oil produced in Tunisia. Other oilseeds produced have been in insignificant quantities, despite the Ministry of Agriculture's efforts to encourage farmers to grow rapeseed and sunflower in order to diversify oilseed production. Olive production in 2011 was estimated at 146,000 MT, down from 160,000 MT produced in 2010. The drop in production is a common feature of the pre-dominantly rain-fed olive farming system in Tunisia, where production fluctuates with the weather conditions from one season to another. The bulk of the olive harvested is processed into various grades of oil by 1,660 mills in Tunisia.

Tunisia did not have any oilseed meal production capacity prior to the construction of the Carthage Grains crushing plant. In 2009, the crushing plant produced about 165,000 MT of soybean meal and production projected to reach 320,000 MT in 2010. The Carthage Grains crushing plant produced about 50,000 MT of soybean oil and production is expected to rise to 80,000 MT in near future. All soybean oil produced by the Carthage crushing plan is destined for export as the state oil buying agency, Office National des Huiles (ONH), is involved in a financial dispute with the plant and has not bought any oil from it.

Import Tariff and Policies

Olive oil plays important economic, social and environmental roles in Tunisia. The commercial policies engaged since 1962 gave marked priority to olive oil export and seed import, while subsidising the consumption price of the latter. Two main goals were sought through these policies: to increase currency incomes and to preserve the purchasing power of the most impoverished social layers.

Table 2: Statistics for Selected Oils and Fats in Tunisia, 2005-2011 ('000 MT)

Oils/Fats	2005	2006	2007	2008	2009	2010	2011
Production	162	215	182	185	212	215	202
Soybean oil	0	0	6	3	36	55	56
Olive oil	162	215	176	182	176	160	146
Imports	305	363	297	361	273	250	370
Soybean oil	172	181	168	238	140	127	165
Corn oil	89	116	48	46	31	43	116
Palm oil	34	51	60	60	71	66	65
Others	10	15	21	17	31	14	24
Consumption	304	313	300	317	331	332	316
Soybean oil	170	188	175	202	197	199	165
Olive oil	46	41	27	25	30	35	33
Corn oil	26	17	17	14	6	18	28
Others	62	67	81	76	98	80	90

Source: Annual Oilworld, various issues

The Tunisian government through Decree No 2002-675 dated April 2002 suspended import duties on palm oil (PO) and its fractions, palm kernel oil (PKO) and its fractions and coconut oil (CNO) and its fractions intended for local manufacturing vegetable fats. This is a favourable development for PO and PKO products for fats production. Under, this decree, the duty for use of palm olein as liquid cooking oil was given consideration as palm olein was imported for such a purpose then. However, in maintaining low prices of edible oils in the local market, the Tunisian government undertook a notable policy development through Decree 2009-3836 on Dec 30, 2009, which reduced Customs duties and Value Added Tax (VAT) on a list of edible oils as in Table 3 below.

Tunisia's requirements of edible oils are mostly met by imports of crude soybean oil and RBD palm oil that are refined and packaged locally. Although the monopoly of the Office National des Huiles (ONH, the state-run edible oil board) was abolished in 2004, the Tunisian olive oil sector has not yet gained complete autonomy.

The Tunisian government policy concerning edible oils continues to promote the export of olive oil, given its importance as a major source of hard currency earnings. Tunisia's goal in 2011 was to increase the quantity of exported olive under Tunisian labels to 10% of the total olive exports. In fulfilling the bulk of the domestic demand of vegetable oils, imports of crude soybean, corn oil and palm oil are made at the lowest costs possible. Those imports, carried out by the state-run ONH, are handed over to local refiners according to a toll refining quota system. The government will also continue to subsidise vegetable oil purchased by ONH in order to maintain relatively low retail prices. Through the Compensation Fund, the government writes off the losses incurred by the ONH

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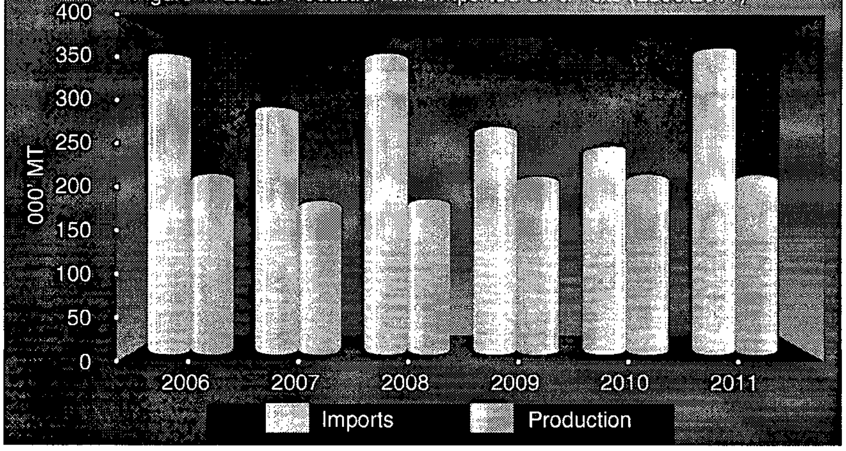
Figure 1: Local Production and Imported Oil & Fats (2006-2011)



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Tunisia's Edible Oil Market: Setting pace for a new era

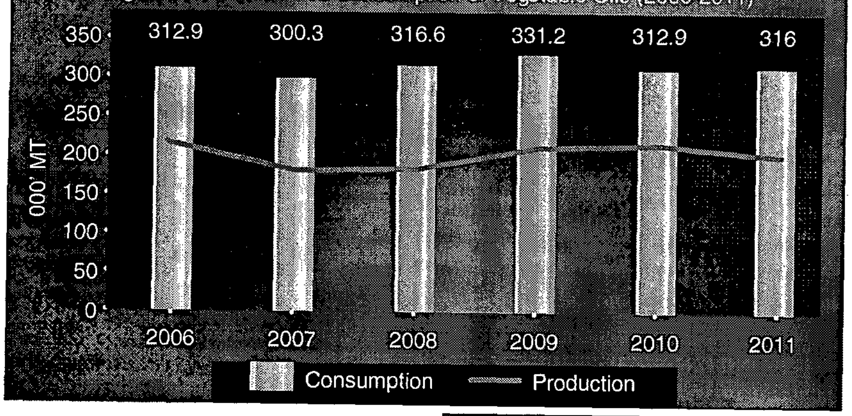
as a result of selling edible oils at subsidised prices. For instance, in 2009 the Tunisian government provided US$600 million (RM1.847 billion) through the compensation fund to support vegetable oil prices in local retail channels.

The oils and fats industry is currently being highly regulated by Tunisian government in order to shield and protect the olive oil industry from competition from other imported edible oils. As a government organisation responsible for the import and distribution of liquid oils and export of olive oil, ONH is given a subsidy on sale of liquid soft oils and has a monopoly on the import and distribution of liquid oil for cooking and frying. It has no refining capacity of its own and uses private sector capacities under a toll refining scheme allocated by quota system, with refining charges fixed by the government. As is usual with public sector operations, ONH buys on tender basis based on its yearly requirements under the subsidy programme. Purchases are mainly soybean oil, but lately small parcels of palm olein have been brought in as the ONH tries to minimise its subsidy costs for frying oil.

Regardless of the size of the domestic crop, olive oil remains relatively expensive and thus unaffordable for the large part of Tunisian households. Olive oil tends to be used mostly as salad dressing whereas imported vegetable oils are used mainly for cooking and frying. Consumption of margarine produced locally using palm oil is growing, at an average rate of 7% a year.

Palm oil products made some headway into Tunisia's predominantly liquid oil market in recent years. Oilworld statistics show that about 60,000 MT and 71,000 MT of palm oil were imported in 2008 and 2009 respectively. ONH, which was reluctant to use palm oil in past, is beginning to import palm olein for cooking oil distributed under its subsidised scheme. The total liquid oil market in Tunisia is about 300,000 MT, with fat and soap markets estimated at only 30,000 MT and 17 MT respectively. Large quantities of palm oil products are going into solid fat while small quantities of PFAD and palm stearin are going into the soap sector. Palm kernel oil is being used in fats as well as in soap production.

Figure 2: Production Vs Consumption of Vegetable Oils (2006-2011)



While the volume of imported vegetable oils is determined by the overall domestic supply of oils, the liberalisation of Tunisia domestic policy did play a role in the overall imports. The Tunisian government's recent duty waiver on palm oil and its fractions for fat manufacturers helped to increase local consumption of palm products in the recent years (Table 3).

Given the size of the imported oil market estimated at 300,000 MT per annum, there seems to be some potential for palm oil to capture a bigger slice of this market. The scope for larger palm oil imports lies in the use of palm olein in the liquid sector. Technically, palm olein can be marketed as blended oil (with SBO/SFO) and with 30% blending of palm olein, around 90,000 MT can be imported. Tunisian's market witnessed increase imports of palm oil when ONH started importing palm olein in 2007 as an alternative to soybean oil and sunflower oil. Therefore, there are greater prospects for the palm oil market to expand in Tunisia. However, increased usage of palm oil in fats sector and soap sector is constrained by its relatively small markets.

The recent reduction of import duty on refined palm oil products (to 10%) and elimination of VAT will help to simulate Malaysian palm oil exports to Tunisia and could change the status of palm olein for use as cooking and frying oils. However, the Tunisian market is constrained by small parcels of purchases made by private sector. Many of them make their palm oil products purchases through

Continued on page 11

Table 3: Import Duties for Edible Oils (in percent)

Products	Duties	VAT
Groundnut - Raw	0	0
Groundnut- Refined	10	0
Palm -Raw	0	0
Palm Oil- Refined	10	0
Sunflower-Raw	0	0
Sunflower-Refined	10	0
Rapeseed oil-Raw	0	0
Rapeseed oil-Refined	10	0
Corn Oil- Raw	0	0
Corn Oil- Refined	10	0
Soybean Oil- Raw	0	0
Soybean Oil- Refined	0	0

Note: As per Decree 2009-3836; VAT = Value Added Taxes

ONH is currently relying on imported vegetable oils to satisfy local needs

Table 4: Malaysian Exports to Tunisia by Products (MT)

Product	2011	2010	2009	2008	2007
Palm oil	8,249	22,319	31,282	16,209	9,544
Palm Kernel	112	74	1,847	313	60
Oleo chemical	1,281	1,315	1,175	888	1,038
Finished products	221	114	527	216	125
Total all products	9,863	23,822	34,830	17,627	10,767

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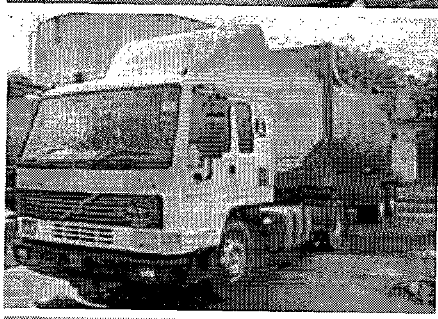

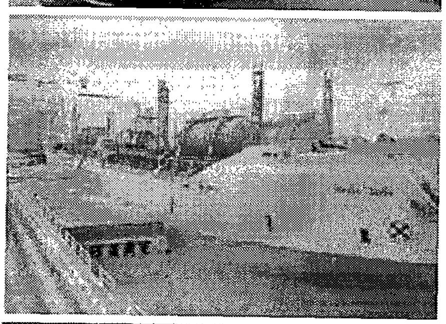

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Tunisia's Edible Oil Market: Setting pace for a new era

European traders and brokers. Therefore, the consolidation of such orders by the private sector should be explored by Malaysian exporters in order to service these small buyers.

The Way Forward

Tunisia can be a potential market for palm oil, considering its sizeable annual import of edible oils. Currently, liquid oil is dominated by soybean oil which is imported by ONH in crude (de-gummed) form. However, the country has witnessed a greater penetration of palm oil in recent years with ONH diversifying its edible oil imports. Palm oil import by Tunisia showed an upward movement to 71,000 MT in 2009, with Malaysia's market share being 48%. Palm oil is expected to derive more positive movement upon the recovery of the local economy by mid-2012. Palm oil has been seeing growing preference among the locals since 2003, with other major imported soft oils gradually losing out.

While the ONH holds the monopoly for importing and distributing edible oils under the subsidised cooking oil scheme, the solid fats and soap sectors are private sector hands. However, the liberalisation of the edible oils market is expected to take place in the next few years and the private sector should be able to compete with ONH in the liquid oils market as well.

The potential for palm olein usage in Tunisia can reach up to 100,000 MT a year (assuming at 30% blending) and up to 30,000 MT a year in the solid fats and soap markets. However, penetrating the industrial market is crucial, since anchoring palm oil on the Tunisian consumer market is highly competitive, besides the subsidised oils provided by the government. In view of this, Malaysian exporters should explore consolidating the small parcels of purchase by Tunisian buyers in order to minimise the shipping and logistics costs. Tunisia is also developing new port in Sousse, with a huge hinterland area for new industrial zone as well.

This new development will help to simulate the growth of the local manufacturing and food processing sectors and even expand Tunisia's re-exports to North Africa and Southern Europe as well. With the reduction of import duties and elimination of VAT on edible oils and the development of the new port, Tunisia can be an important location for the re-export of palm oil to North African countries such as Algeria, Morocco and Libya as well as to the Southern European nations. ■ Kamal Azmi Kamarudin

◀ Continued from page 5

Opportunities in Bangladesh for MPO Suppliers and Investors

intermittently. Total annual refining capacity of the plants is about 2.5 million MT, against country's total annual requirement of 1.5 million MT. Because of a high demand for super olein, all the refineries are equipped with dry fractionation plants with a total annual capacity of about 2 million MT.

Last year, 11 of the local palm oil refiners were active in the market and of them, eight refiners imported 910,880 MT or 96% of total palm oil (CPO, CPL and RBD PL together) into Bangladesh in bulk. The remaining 38,195 MT or 4% of the palm oil was imported by the remaining three refiners and industrial users of palm oil.

Oilseeds Crushing Plants

Apart from the numerous small crushing plants scattered throughout the country, which are equipped with primitive oil crushers and expellers and mainly used for crushing locally produced oilseeds, the large entrepreneurs are today eyeing modern seed crushing plants, where solvents are used to extract oil from seeds such as soybean and canola.

There are two such oilseed crushing plants in the country with an annual crushing capacity of 450,000 MT, which were established during 2005 and 2006. One, which has an annual capacity of 150,000 MT has since closed down with the other is running at a slow pace, at 20% of its capacity. Despite this situation, another two oilseed crushing plants with a total annual crushing capacity of 1.2 million MT and being built and are expected to begin commercial production this year. However, due to insufficient demand for soybean meal in the country and bleak possibility of an export market for this, it is feared that the fates of the two new plants may be bleak as well.

State Incentives for Foreign Investment

Foreign investors are free to invest in Bangladeshi industrial enterprises, except for a few reserved sectors. Main incentives for foreign investors are give to seven years' tax exemptions in many areas, 5% ad valorem tariff for the capital machinery, and facilities for full repatriation of invested capital, profit and dividends are also available in most situations. More details on this can be obtained at www.boi.gov.bd

Import Tariff

Since July 2007, there is no import duty on CPO, CPL and CDSBO while import of RBD PL has been given zero tariff from July 2011, provided it is imported as raw material for vanaspati industries. Hence the C&F price and landed price for these oils are same. There is also no import duty on refined olein, refined soybean oil and refined sunflower oil, provided these oils are imported in consumer packs.

The import duty on canola/mustard seeds and soybean has been zero for a long time now, while that on RBD palm stearin, crude PKO, other PKO, PFAD and copra are 12%, 12%, 25%, 12% and 5% respectively on C&F values. The import of CPO, CPL, RBD PL in bulk and CDSBO are subjected to 10% import VAT, while import of RBD PS, PKO, PFAD and COPRA are subjected to 15% import VAT and 3% Advance Income Tax (AIT). Oilseeds are exempted from VAT.

Continued on page 12 ▶

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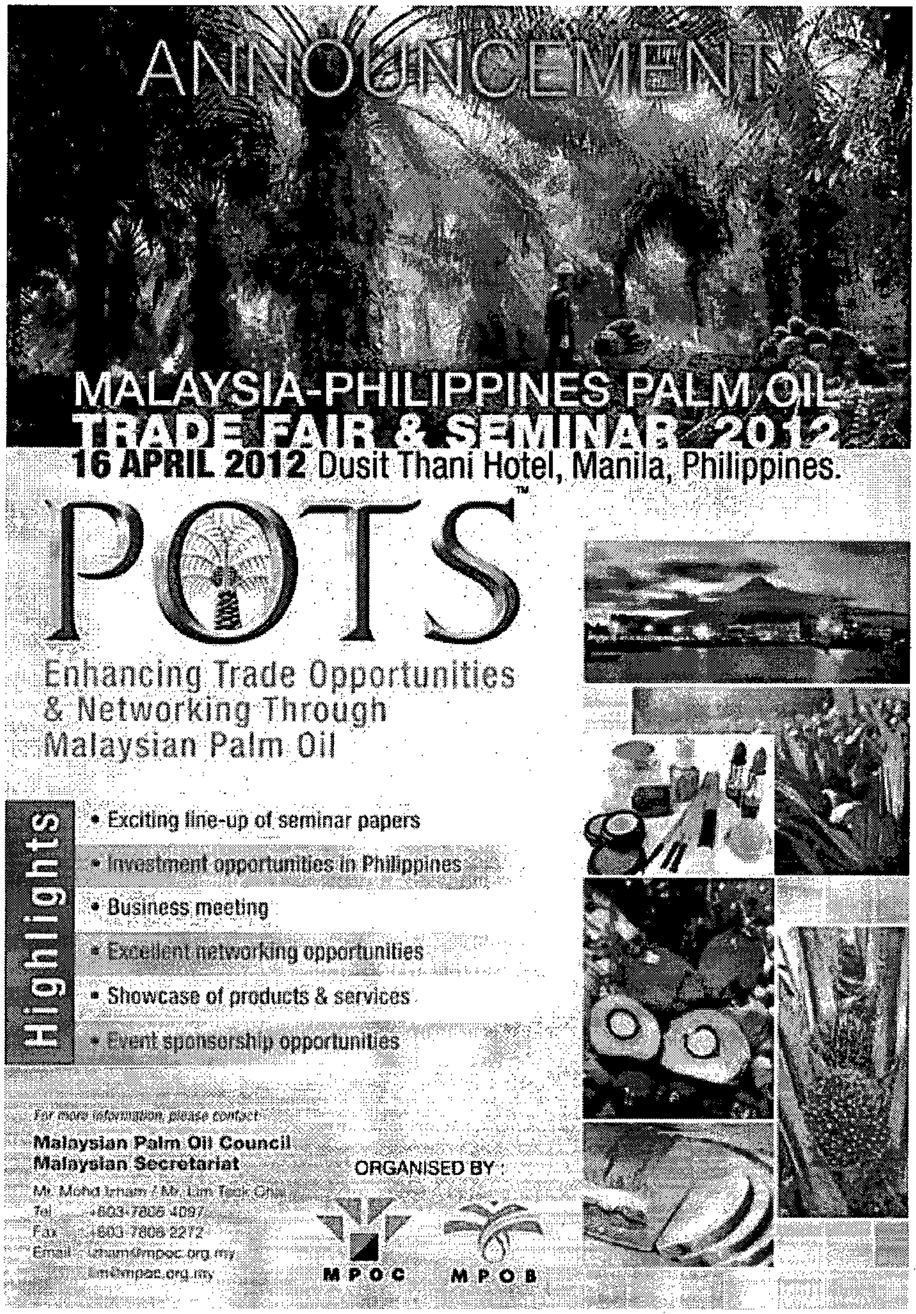
Opportunities in Bangladesh for MPO Suppliers and Investors

Conclusion

In pace with Bangladesh's economic efforts to raise the earning levels of its people by 2020, the consumption of oils and fats will also increase. It is expected that country's total oils and fats consumption will reach to about 2 million MT annually by the year 2020.

As palm oil has been occupying about 65-70% of the edible oils market share since the last few years, it is expected that the import volume of palm oil will reach 1.3 to 1.4 million MT a year by 2020. Accordingly, it is necessary for MPO suppliers to be active in this market by maintaining close interactions with Bangladeshi importers as well as refiners of edible oils to increase and sustain the MPO share in the market. ■ **Fakhrul**



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MALAYSIAN PALM OIL FORTUNE®
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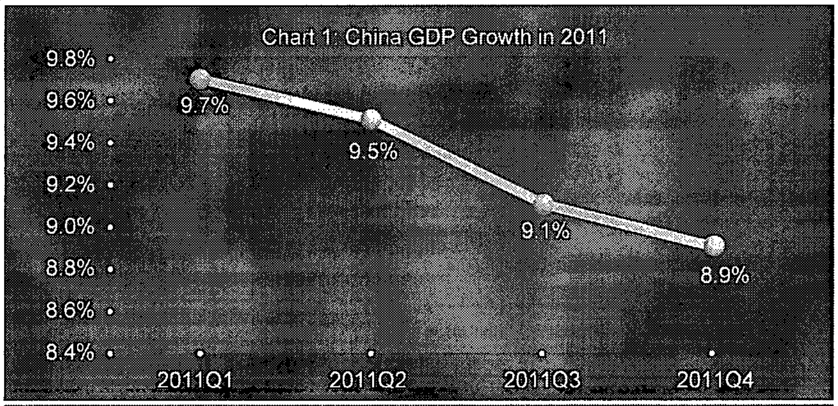
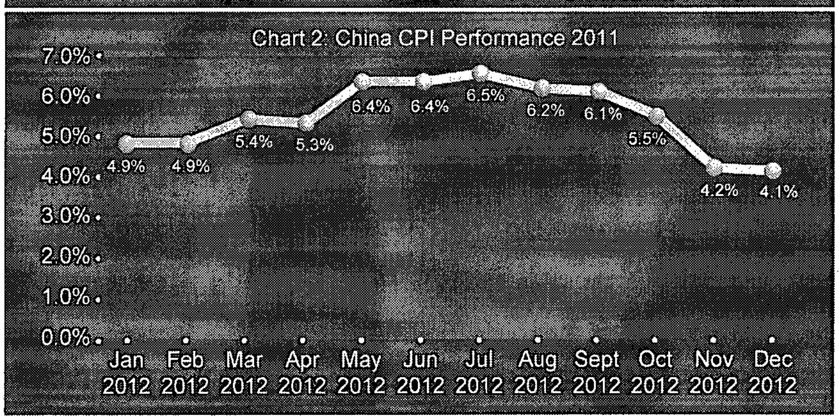
Growing Demand for
Oils and Fats in China

AFTER a strong resurgence from the last financial crisis, China's economic growth suffered a slowdown in 2011. GDP growth decreased to a three-year low at 9.2% and in spite of this, the country with over 1.3 billion people remains the world's second largest economy.

China also had to contain high inflation by taking firm steps against rocketing food prices. The government tightened currency circulation and temporarily intervened in consumer goods prices. Under this cooling economic climate, China's oils and fats industry development hit the doldrums in 2011.





Oils and Fats Development

Even though China is highly dependent on imports to meet its domestic oils and fats requirements, the country remains one of the world's largest oilseed producers. According to data from China Customs, 52.63 million metric tonnes (MT) of soybean and 1.26 million MT of rapeseed were imported in 2011, but this was a decrease from 54.79 million MT and 1.6 MT in the previous year. China's soybean purchases account for 60% of the global soybean trade and play a very important role in the international vegetable oil market.

At the same time, overall imports of oils and fats also saw a decline, to 9.43 million MT in 2011 or down by 3.28% from a year earlier. The drop was largely attributed to constant release of national oil and oilseed reserves, amounting to about six million MT of local soybean and 200,000 MT of soybean oil and rapeseed oil during the first half of 2011, when the prices of edible oils were capped to tame inflation, leading to huge losses in oils and oilseeds import market.

Table 1: China Oilseeds Imports (Million MT)

	2011	2010
Soybean	52.63	54.79
Rapeseed	1.26	1.60
Cottonseed	0.38	0.02
Groundnut	0.06	0.01
Sunflower seed	0.00	0.00
Sesame seed	0.39	0.39
Linseed	0.09	0.22
Castro seed	0.01	0.01
Total	54.83	57.05

Source: Oil World

The output of oils and fats in China gradually increased to 23.4 million MT in 2011 to 23.02 million MT in 2010, an increase of 1.65%. The growth was mainly due to the increasing local oilseed crushing activities. Soybean oil production rose to 9.6 million MT, which was 11.14% higher than the previous year, whereas rapeseed oil production fell by 10.19% from a year earlier to 4.76 million MT. In recent years, rapeseed planting also saw a heavy fall compared with the other grains. The government is set to revitalise rapeseed cultivation under the 12th Five-Year Plan.

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FCPO in an uptrend correction

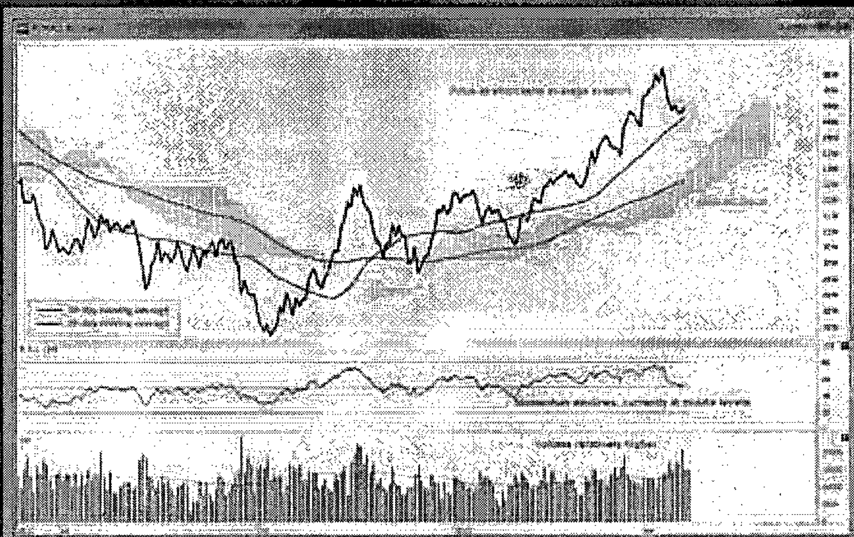
by Benny Lee
Chief Market Strategist
of NextView Group

IN LAST month's article, price of FCPO was expected to be bullish and in fact, the bullish movement was detected two months ago when the price came out of its correction zone. In the past one month, price of FCPO has risen 4% to the current price of RM3,500 per metric tonne. The price went as high as RM3,621 on April 10, the highest level in slightly more than a year. Trading volume was relatively higher in the last one month as compared with the previous month. Average trading volume for the past one month was 13,900 contracts as compared with 12,000 contracts in the previous month. Open Interest was 34,521 as at April 20 as compared to 33,434 contracts as at March 20. With the rise in price and volume, it clearly showed that the market was accumulating.

Malaysian palm oil supply exports were encouraging in March and caused stocks to fall. The Malaysian Palm Oil Board (MPOB) data showed that palm oil output was 1.21 million tonnes, up 2.13% on-month but palm oil stocks declined 5% to 1.96 million tonnes end March. The decline in stocks was due to strong exports. According to MPOB, March exports rose 10.8% to 1.34 million tons. In a more recent data, cargo surveyor SGS (Malaysia) Berhad estimated a 5.3% decline in exports for the period March 1 – 20 as compared with the same period in February. Another surveyor, Intertek Agri Services estimated a 5.6% decline. This explains the pullback in palm oil prices in the past one week.

The price of FCPO has met the triangle pattern objective at RM3,500 and therefore the correction is expected. The price of FCPO is currently at the 30-day moving average after a pullback from the high on April 10. However, FCPO price trend continues to be bullish as the short to long term 30 to 90-day moving averages are increasing. FCPO is also above the Ichimoku Cloud, indicating that the trend is still bullish. However, the cloud has started to shrink, indicating a weakness in the current uptrend momentum because of the pullback in the past two weeks. The decline in the ADX indicator also indicates a weakness in the trend.

The pullback has also caused momentum indicators to decline. The RSI has declined to near the middle level and the MACD has gone below its slow MACD, indicating a weakness in the current uptrend. Nevertheless, these indicators are above the middle levels which mean that the bulls are still in control. Only the momentum oscillator has gone below the middle level. The declining Bollinger Bands also indicate a weakness in the current uptrend. Therefore, these indicators show that the market is in a correction and still early to indicate selling pressure.



FCPO daily chart as at 20 April 2011
Charted by Benny Lee using NextView Advisor Professional

The long term up support level is currently at the 90-day moving average at RM3,280 and the short term up support level is at the short term 30-day moving average at RM3,470. If the price is able to stay above this short term support level, the price may rebound to test the high at RM3,600 again because it is currently oversold in the short term. However, if it falls and stays below this level, we are going to expect further downward correction with support at RM3,300.

The uncertainty in global economy especially the slowdown in China may put pressure on crude palm oil price. This is already showing in the latest export estimates by the cargo surveyors. As price has gone up from the strong uptrend rally since February, resistance may be stronger as current rally may not be sustainable as we have not seen a good price correction. However, the strong up trend in price of soybean may provide some support on the price. Therefore, the price of FCPO is expected to trade sideways with a downward bias in the next one month if it fails to rebound from current level with a trading range between RM3,330 and RM3,530. If the price is able to rebound and stay above the short term 30-day moving average, expect price to rise and test the RM3,600 levels. ■

Mr. Benny Lee is a private trader, trainer and sought-after speaker in the financial market. He is the Principle Consultant for NextView Academy, a leading investor education provider and also the Chief Market Strategist for Jupiter Securities. He can be contacted at bennylee.kl@gmail.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.

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FELDA WORLD'S MAJOR VEGETABLE OIL TERMINAL

FJB GROUP

SUBSIDIARY OF
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FELDA-JOHORE BULKERS SDN BHD - 7 BERTHS / 17 EXPORT LINES
401,250 MT; 394 TANKS

FJB Group comprises the following companies:
- Felda Johore Bulkers Sdn Bhd
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- PT. Patisindo Sawit
- Langsat Bulkers Sdn Bhd

It provides storage and handling for vegetable oils, oleochemicals, biodiesels, palm kernel expellers and grains via vessels, road tankers and pipelines.

Total liquid storage is 774,750 mt consisting of vertical tanks constructed of mild steel, coated and stainless steel tanks.

Total warehouse storage for dry cargo is 88,000 mt.

Handles crude and processed vegetable oils including fatty acids, specialty oils and grains exceeding 8 million MT annually.

Comprehensive road tankers and vessels facilities including nitrogen blanketing and sparging in Pasir Gudang and Kuantan.

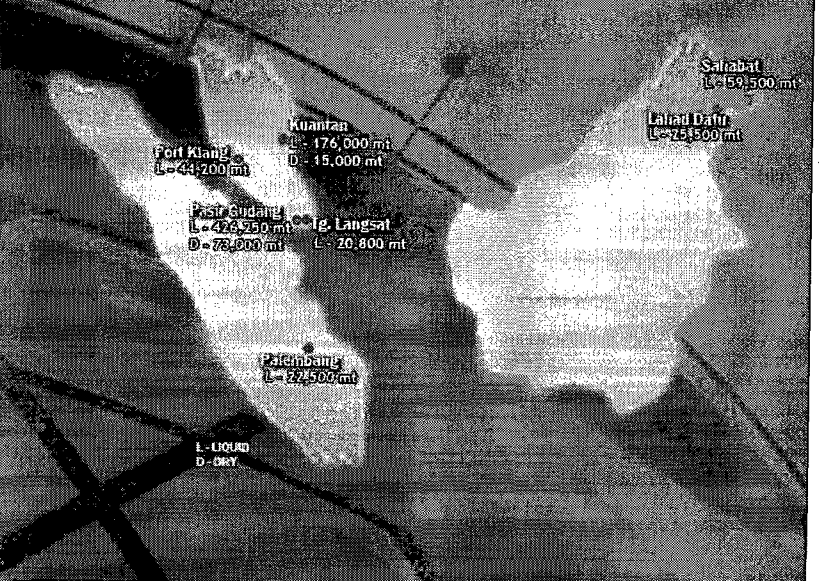
Weighbridge weights monitored against real time tank gauging systems.

Computer-controlled tank level and temperature measurements in Pasir Gudang and Kuantan.

Bonded and transhipment facilities in Pasir Gudang, Kuantan and Port Klang ports.

Approved Port Tank Installations in Pasir Gudang and Port Klang for BURSA Futures tradings of CPO and CPKO.

Accredited with ISO 9001, ISO 22000, ISO 14001, OHSAS 18001, ISO 17025 (FJB's Laboratory) and certified with Halalan-Toyyiban in 2011.



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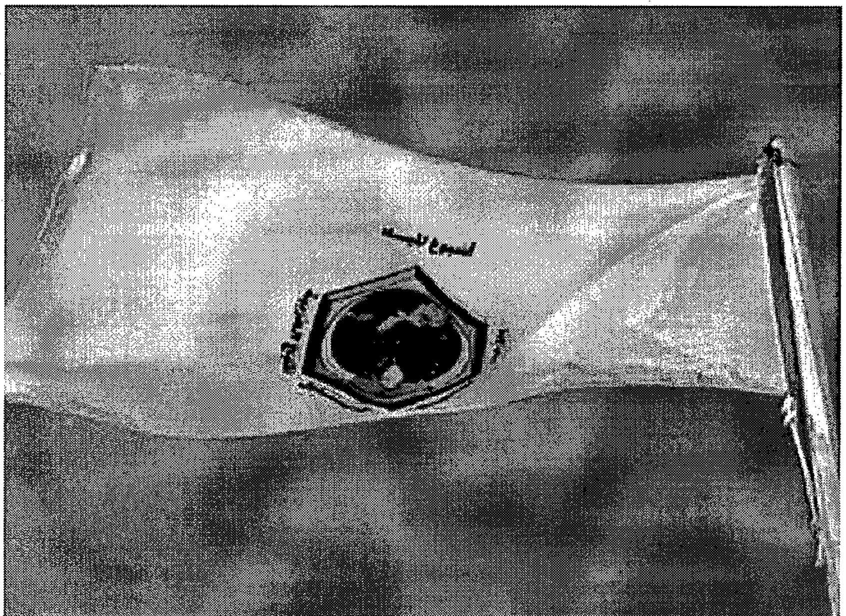
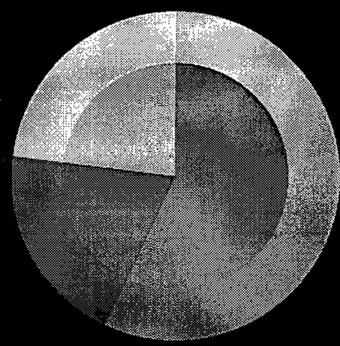


Part I of II

Lion's Share for Malaysia in GCC Edible Oil Imports

Import Share of Palm Oil in GCC (in MT)

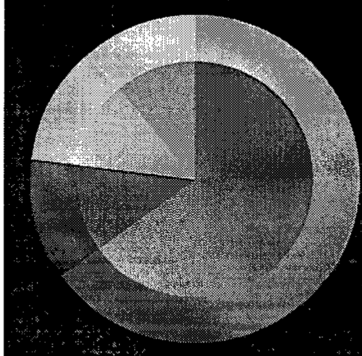


Malaysia	559,608	57%
Indonesia	195,524	20%
Others	225,300	23%

Source: OilWorld, MPOB

Note: i. Figures as of 2010's record
ii. Others included from UAE, Singapore and Oman

Import Share of Major Edible Oils in GCC (in MT)



Palm Oil	980,432	65%
Corn Oil	381,499	12%
Sunflower Oil	175,100	12%
Soybean Oil	165,700	11%

Source: OilWorld

Note: i. Figures as of 2010's record
ii. Figures exclude Bahrain

THE Gulf Cooperation Council or GCC is officially called the Cooperation Council for the Arab States of the Gulf (CCASG). Founded on May 26, 1981, GCC is a political and economic union comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. These countries are often referred to as the GCC States Union, while the GCC itself is also known as the Arab Gulf Cooperation Council (AGCC). The unified economic agreement among the countries of the GCC was signed in Abu Dhabi on Nov 11, 1981.

The "Gulf" refers to the body of water known in the six GCC countries as the Arabian Gulf, while in many other places it is referred to as the Persian Gulf. All GCC countries have part of or their entire coastline in the Arabian Gulf. Although Yemen geographically lies in the same region and shares a land border with Saudi Arabia and Oman, it is not included in the GCC.

This area has some of the fastest growing economies in the world, mostly due to a boom in oil and natural gas revenues, coupled with a building and investment boom backed by decades of saved petroleum revenues. GCC countries have a significant economic dependence on oil exports; Kuwait, Saudi Arabia and Abu Dhabi in the UAE in particular. Qatar has a large natural gas industry, while Oman and Bahrain have much less dependence on oil.

In an effort to build a tax base and economic foundation before the reserves run out, the UAE's investment arms, including Abu Dhabi Investment Authority, have retained more than US$900 billion (RM2.77 trillion) in assets. Other regional funds also have assets under management that are worth several hundreds of billions in US dollars.

Recently, the GCC leaders have been coming under fire for doing too little to combat the economic downturn. While GCC countries were among the first to be hit by the economic downturn - and the first to respond to the crisis - their programmes have been prone to disparities, and they have placed their region on the brink of even deeper crises. Recovery plans have been criticised for crowding out the private sector, failing to set clear priorities for growth, failing to restore weak consumer and investor confidence and for undermining long-term stability.

All GCC countries are Islamic states with all citizens (or almost all) belonging to the Muslim faith. The political and legal systems of these six countries are based on the Islamic religion. Syariah law is in

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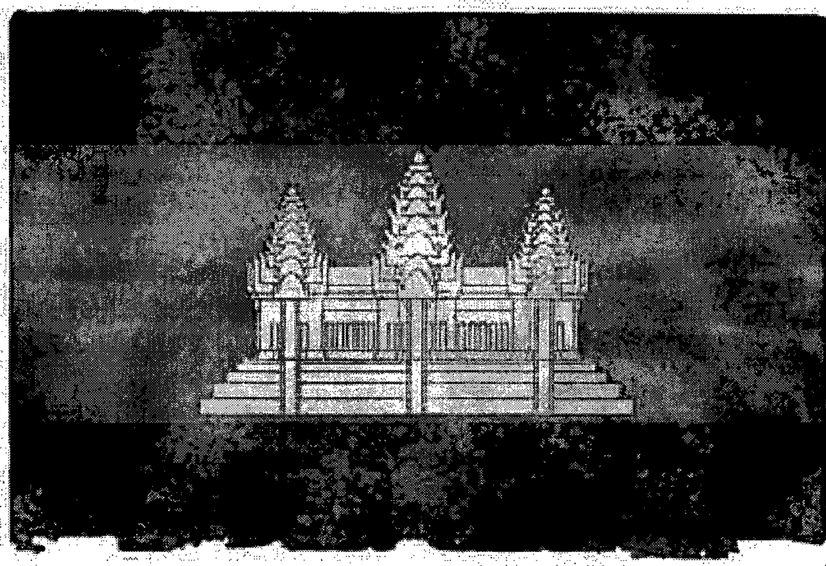
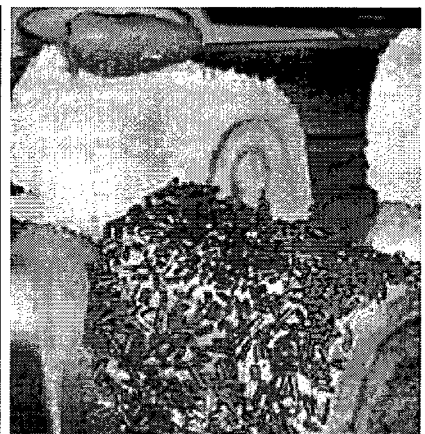
Cambodians **get a Taste** of Cooking with Palm Oil



CAMBODIA is the third largest importer of palm oil from Malaysia in the Indochina region, after Vietnam and Thailand. Almost 75% of the people's income is spent on food and there is great potential for palm oil to be marketed in this country, where most of the oils and fats consumed is from soybean. As an up-and-coming market in this region, a seminar and baking demonstration was organised by MPOC together with Lam Soon Malaysia on Feb 24, 2012, at Sunway Hotel in the capital, Phnom Penh.

Participants at the seminar and baking demonstration.



Some of the pastries made that were put on display

The theme of the programme, "Palm Oil – Good in Taste, Better for Health, Best for Everyone" was aimed at educating confectionery manufacturers and bakery operators in Cambodia on the benefits of using palm-based solid and specialty fats in the production of bakery products and confectionery.

The baking demonstration was conducted by Master Chef Peter Lim of Lam Soon.

Before the baking demonstration began, two papers were presented by MPOC, namely "Introduction to Malaysian Palm Oil" by Mr Faudzy Asrafudeen, Director,

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Mr Faudzy making his presentation.

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Growing Demand for Oils and Fats in China

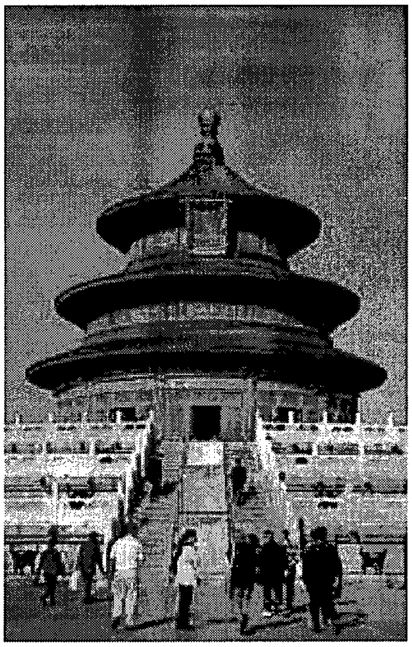

Table 2: China Vegetable Oil Balance (Million MT)	Production	Import	Consumption
Soybean oil	9.60	1.26	11.01
Rapeseed oil	4.76	0.65	5.90
Groundnut oil	1.87	0.07	1.92
Palm oil	-	6.17	6.16
Palm kernel oil	-	0.43	0.43
Cotton oil	1.64	-	1.64
Sunflower oil	0.19	0.08	0.26
Sesame oil	0.24	-	0.23
Coconut oil	-	0.31	0.21
Corn oil	0.24	-	0.20
Olive oil	-	0.04	0.04
Butter	0.13	0.02	0.16
Lard	3.56	-	3.54
Fish oil	0.02	0.07	0.06
Linseed oil	0.16	0.00	0.18
Castor oil	0.08	0.17	0.25
Tallow and Grease	0.92	0.33	1.17
Total	**23.40**	**9.43**	**33.36**

Source: Oil World

In 1996, the per capita edible oil consumption was only 11.1kg per year and this increased tremendously to 25.6kg in 2011. Such a hefty increase can be attributed to China's impressive economic development and improvement in living conditions. The overall consumption of oils and fats touched 33.36 million MT in 2011, an increase of 2.39% from a year earlier. The average growth rate of oils and fats consumption reached 4.29% in the past five years and was a little higher than the 3.87% achieved at the global level.

With increasing consumption of oils and fats, a series of food safety problems related to cooking oil arose in China, such as the use of up to two million MT of gutter oil by restaurants and the blending of carcinogenic oil with crude cottonseed oil in bulk that began to affect consumers. These issues not only caused more tension in the area of food safety, including the use of cooking oil – and probably led to misunderstandings about palm oil as a sub-quality edible oil for use as cooking oil.

Palm Oil Market

According to China Customs, palm oil import in 2011 saw a year-on-year rise of 3.79% or 216,070 MT to 5,912,516 MT, as against 5,696,446 MT recorded in 2010. Palm olein (PL) import grew moderately, with China buying 4,609,262 MT of this product from January to December 2011, up by 12.18% or 500,543 MT from 4,108,719 MT in 2010, while palm stearin (PST) imported was 1,210,945 MT or 12.37% (170,952 MT) less if compared with the 1,381,897 MT imported in 2010.

Table 3: China Major Palm Oil Products Imported (MT)	2010	2011
CPO	202,357	91,962
PL	4,108,719	4,609,262
PST	1,381,897	1,210,945
OTHER	3,473	347
Total	**5,696,446**	**5,912,516**

Source: China Customs

Table 4: Malaysian and Indonesian Palm Oil Imports (MT)	Malaysia	Indonesia
2010	3,433,783	2,245,164
2011	3,780,091	2,119,214

Source: China Customs

On the other hand, crude palm oil (CPO) imports registered 91,962 MT, significantly down by 54.55% or 110,395 MT as compared with 2010. The sound development of the domestic food, oleochemical and feedstuff industries strongly stimulated palm oil consumption in China, which at 6.16 million MT in 2011 was the second largest oil consumed oil in the country.

In the period from January to December 2011, Malaysia shipped 3,780,091 MT of palm oil to China, accounting for 63.93% of the market share (as against 60.28% in 2010). This was an increase of 10.09% or 346,308 MT from the previous year. Indonesia contributed 2,119,214 MT, which was a small drop of 5.61% or 125,950 MT as compared with the 2010 import. While Sino-Malaysia trade volume for 2012 is set to break the US$100 billion mark, the close ties between the two countries will continue to promote Malaysian palm oil exports to China.

China's stocks of palm oil rose to a high level of 688,000 MT on Dec 30, 2011, which was 130.87% higher than a year earlier. The large purchase of palm oil for the second half of 2011 raised stocks at

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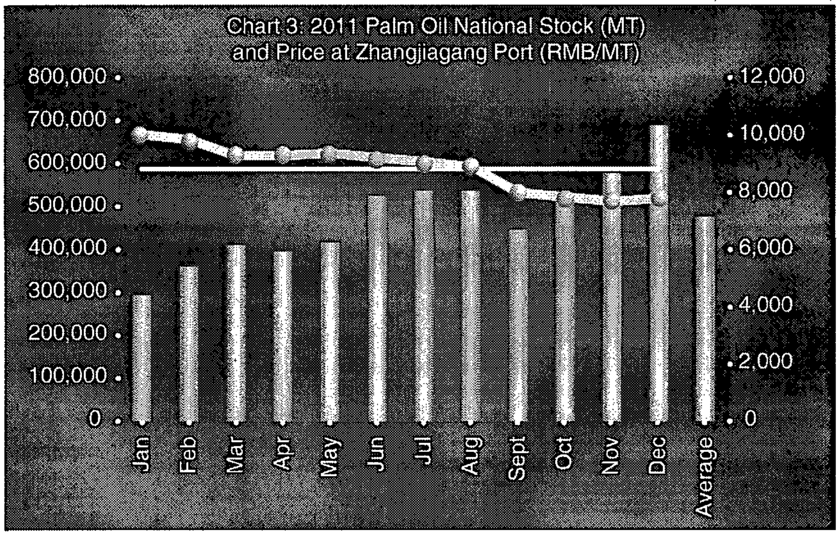
Growing Demand for Oils and Fats in China

the ports, which remained high because of low consumption of the oil during China's winter season.

Trading price at the domestic ports plummeted from RMB10,000/MT in January to RMB7,800/MT in December, or a drop of 22%. This can be attributed to the falling prices of commodities in the international market as well. The fall in price, though, did not enjoy an uptrend in consumption and the price stayed till the end of year.

Conclusion
China's 12th Five-Year Plan will look into measures to encourage further downstream development of oils and fats products in the country. This will first be achieved by reorganising the oils and fats processing industry based on the major oilseeds producing areas, shutting down inefficient plants and encouraging the setting up of bigger and better integrated plants. At the same time, the state government has also restricted all oils and fats processing, including palm oil processing, to foreign wholly-owned plants.



By 2015, the oilseed crushing capacity will be fixed at around 180 million MT, with the crushing capacity for soybean

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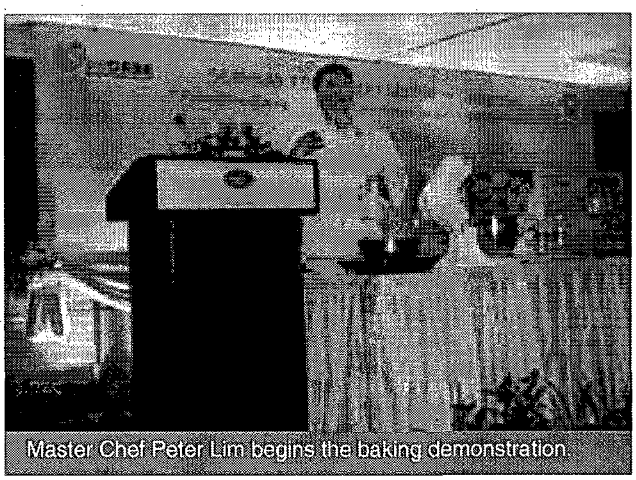
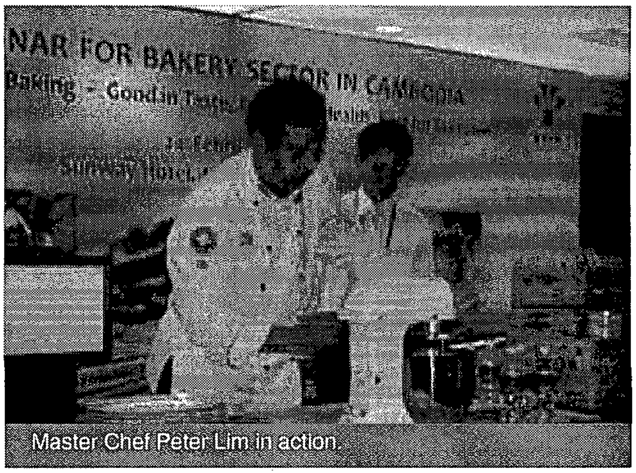
Cambodians get a Taste of Cooking with Palm Oil

Marketing & Market Development Division , MPOC, and "Health Benefits of Palm Oil" by Mr Mohd Muslimin Hashim, Manager, Science & Environment Division, MPOC.

A total of 50 participants attended this event and they were made aware of the various health benefits, uses, about the ample supply available as well as affordability of palm oil as a baking or cooking ingredient. After tasting the bakery products tastefully made by Master Chef Peter Lim, the audience was very impressed about how good palm oil tastes in these products and this could be a major step to making palm oil accepted by the people of Cambodia. ■ **Mohd Izham Hassan**



Master Chef Peter Lim begins the baking demonstration.



Master Chef Peter Lim in action.

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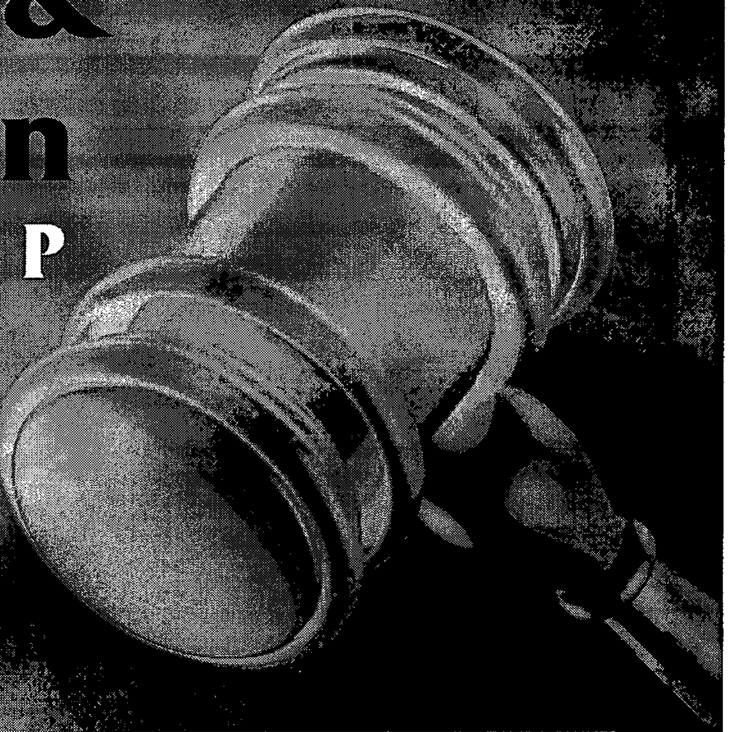
Contracts & Arbitration
WORKSHOP



Friday & Saturday
6 & 7 July 2012

Grand Dorsett Subang Hotel
Selangor Darul Ehsan

About the Workshop
This 2 days workshop is designed to provide fundamental understanding of contracts, performance and enforcement of contracts and the practice of dispute resolution in the palm oil industry. The workshop will cover topics on:

- Understanding the Contract Terms & Clauses
- Charter Party
- Contract Terms Related to Surveying
- Common Disputes in the Sales & Carriage of Palm Oil Trade
- Trade Dispute Solving Mechanisms
- PORAM Rules of Arbitration and Appeal
- Case Studies

This workshop is beneficial for all oil/fats personnel who are directly or indirectly involved with contracts. It is particularly tailored for traders, marketing executives, operations managers and executives, procurement officers, contract & legal department personnel and individuals wishing to familiarize themselves with the arbitration process and to receive training as arbitrators.

PORAM

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Lion's **Share** for Malaysia in GCC Edible Oil Imports

Table 1: GCC - Population and GDP		
Country	Population[1] (million)	GDP per capita[2] (US$)
Bahrain	1.25	27,300
Kuwait	2.65	40,700
Oman	3.10	26,200
Qatar	1.96	102,700
Saudi Arabia	26.53	24,000
UAE	5.31	48,500

Source: CIA – The World Factbook
Note: [1] July 2012 Estimate [2] 2011 Estimate

Table 2: GCC - Real GDP Growth (%)					
GDP (US$ million)	2007	2008	2009	Exp.2010	Exp.2011
Bahrain	8.4	6.3	3.1	4.0	4.5
Kuwait	4.5	5.5	-4.8	2.3	4.4
Oman	6.8	12.8	3.6	4.7	4.7
Qatar	26.8	25.4	8.6	16.0	18.6
Saudi Arabia	2.0	4.2	60.0	3.4	4.5
UAE	6.1	5.1	-2.5	2.4	3.2

Source: IMF

place for the most part, and applicable to citizens but sometimes not to expatriate residents. GCC citizens can usually travel freely among the member states without the need for visas, or sometimes passports even, as a national identity card is sufficient, at least at land border crossings.

All GCC countries operate as a monarchy of some sort, with an autocratic system of leadership. Governments and parliamentary bodies are usually unelected, although some GCC nations are introducing a greater degree of democratic governance - for example the Council of Representatives (or Chamber of Deputies) in Bahrain, the National Assembly in Kuwait and the Federal National Council in the UAE.

On March 6, 2012, the six members of the GCC, who fear that the democratic campaigns and unrest in the other parts of the Arab world would spread to their region, as well as the increased Iranian influence and pressure in the region, announced that the GCC would evolve from a regional bloc into a confederation.

Experts believe Saudi Arabia, Qatar and the UAE will drive positive growth for the region as a whole. Saudi Arabia, followed by Qatar, will be at the forefront of job creations, taking recent employment trends into account.

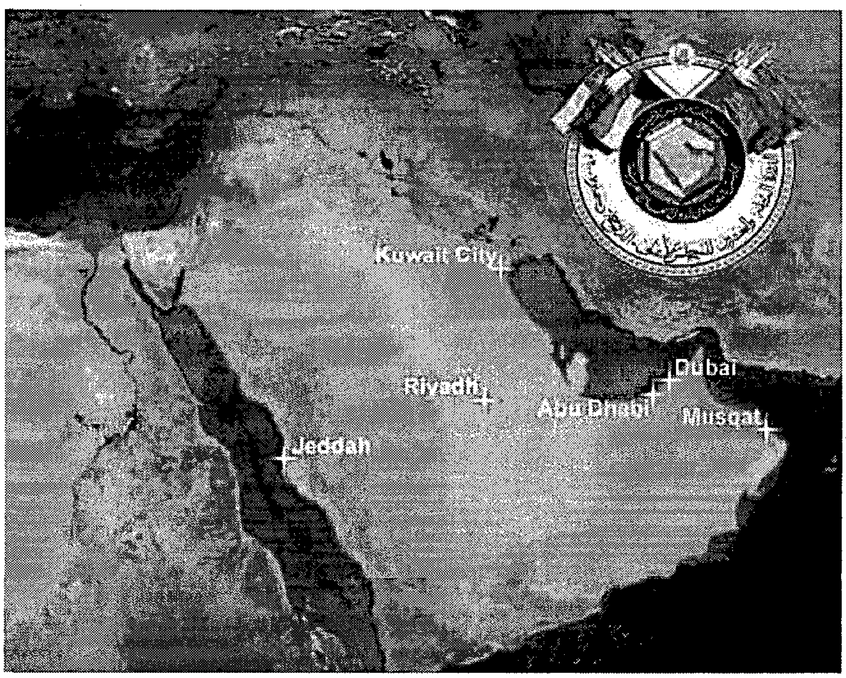
Kuwait Finance House (KFH) expects the overall economic growth of GCC countries to slow down in 2012, Kuwait's official news agency reported on Jan 7, 2012. According to a report prepared by KFH's Beitak Research, growth will not exceed 5%, and will be supported by high oil prices, which are expected to hover at an average of US$100 per barrel.

Table 3: GCC – Inflation (%)					
Average Inflation	2007	2008	2009	2010	Exp.2011
Bahrain	3.3	3.5	2.8	2.6	2.5
Kuwait	5.5	10.6	4.0	4.1	3.6
Oman	5.9	12.6	3.5	4.4	3.5
Qatar	13.8	15.0	-4.9	1.0	3.0
Saudi Arabia	4.1	9.9	5.1	5.5	5.3
UAE	11.1	12.3	1.2	2.0	2.5

Source: IMF

The KFH report says positive growth in GCC countries this year is the result of growing government budgets and stable interest rates, but warned of increased inflation as a result of huge government expenditures. It also says expectations are still pessimistic about the global economy, given the likely recession of Eurozone markets, slight growth in the United States and a slowdown in China.

■ **Haznita Hussein**



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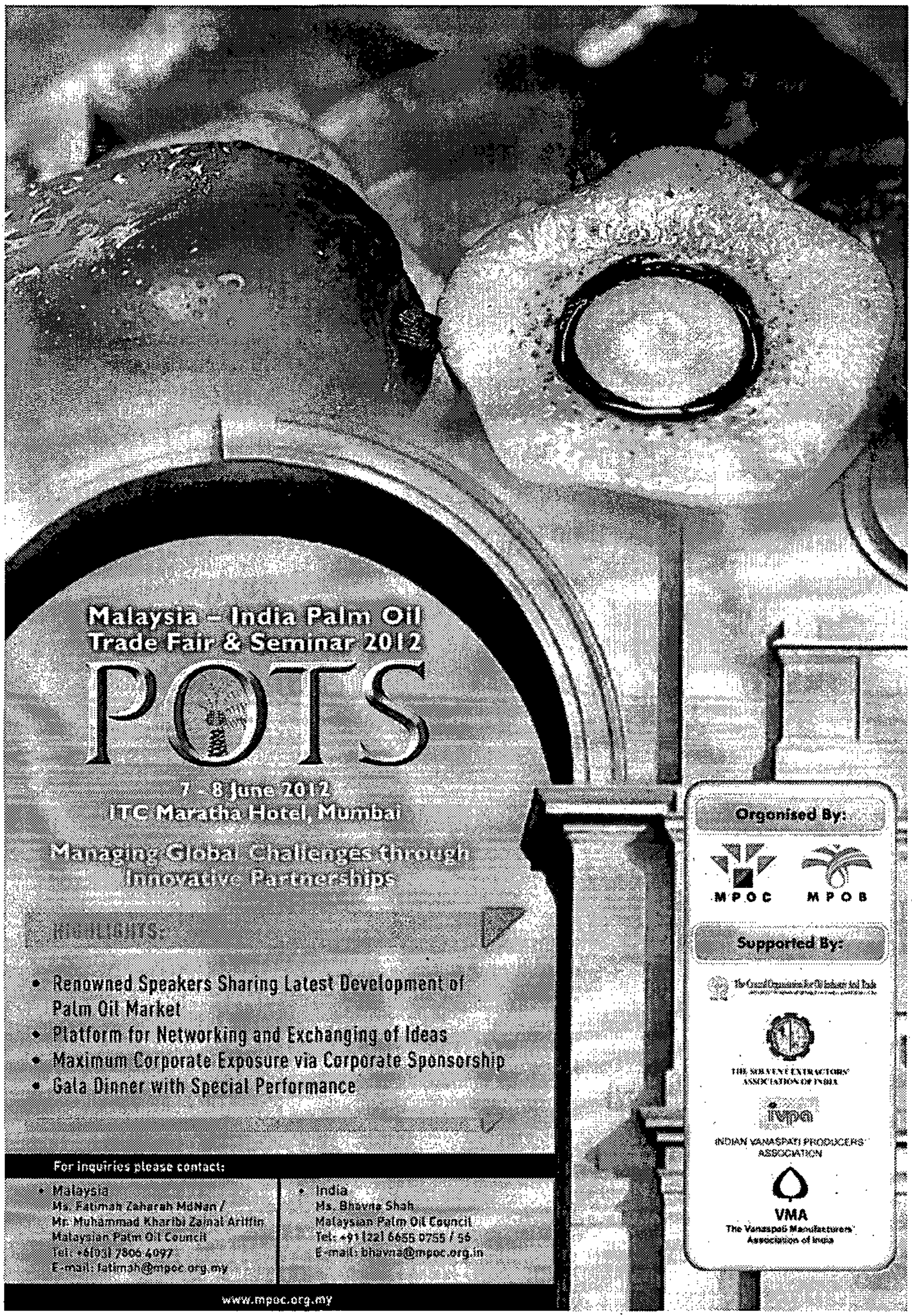
being 95 million MT. The plan also outlines strategies to increase the domestic output of vegetable oils to 24.4 million MT, of which 50% or 12.2 million MT is to be from locally-produced oilseeds. Despite this, China still has to import vegetable oils to satisfy increasing demand, given its population coming close to 1.4 billion in 2015.

As for palm oil, high stocks will deter its import, especially during the low consuming period in the early part of the year. Nevertheless, with vegetable oil requirements forecast to grow continuously in 2012, the demand for palm oil is expected to remain sound this year. ■ Sky Teng



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