MALAYSIAN PALM OIL
FORTUNE®

MPOC

MALAYSIAN PALM OIL COUNCIL KKDN PP 114669/05/2012 (029946) VOL: 2 2012

# 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*

**MARKETING & MARKET DEVELOPMENT DIVISION**

**DIRECTOR**

Faudzy Asrafudeen Sayed Mohamed
faudzy@mpoc.org.my

**MANAGERS**

Muhammad Kharibi Zainal Ariffin
kharibi@mpoc.org.my

Mohd Izham Hassan
izham@mpoc.org.my

**MARKET ANALYSTS**

| | |
|---|---|
| Asia Pacific | Desmond Ng Kok Hooi<br>desmond@mpoc.org.my<br>Lim Teck Chaii<br>lim@mpoc.org.my |
| South Asia | Fatimah Zaharah Md Nan<br>fatimah@mpoc.org.my |
| Middle-East | Mohamad Suhaili Hambali<br>msuhaili@mpoc.org.my |
| Africa | Nor Iskahar Nordin<br>iskahar@mpoc.org.my |
| Europe | Azriyah Azian<br>azriyah@mpoc.org.my |
| Americas | Ahmad Fadzli Abdul Aziz<br>fadzli@mpoc.org.my |

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

# Trade the global benchmark.
# Trade Crude Palm Oil Futures.


BURSA MALAYSIA
**DERIVATIVES**

- Commodity Derivatives
- Equity Derivatives
- Financial Derivatives

Bursa Malaysia's Crude Palm Oil Futures (FCPO) is the global price benchmark and reference point for market players in the global oils and fats industry for over 30 years. Plantations, refineries, exporters and millers manage price risk with FCPO. Traders use it to gain leverage. Global fund managers and traders gain immediate commodity exposure. Ask your broker or visit www.bursamalaysia.com to trade FCPO today.

**BURSA MALAYSIA DERIVATIVES**

BURSA MALAYSIA CME Group

www.bursamalaysia.com

NEXT VIEW
FINANCIAL DNA
Data | Network | Analytics

# 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*

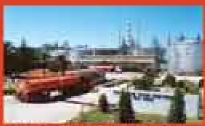
*Mr. Benny Lee is a private trader, trainer and sought-after speaker in the financial market. He is the Principle Consultant for NextView Academy, a leading investor education provider and also the Chief Market Strategist for Jupiter Securities. He can be contacted at bennylee.kl@gmail.com*

*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 .*

# FELDA WORLD'S MAJOR VEGETABLE OIL TERMINAL

# FJB GROUP

SUBSIDIARY OF
**FELDA GLOBAL VENTURES HOLDINGS SDN BHD**


SAHABAT BULKING INSTALLATION

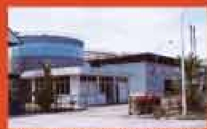

FELDA GRAINS TERMINAL

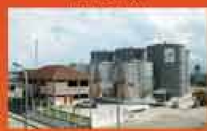

PT. PATISINDO SAWIT


LANGSAT BULKERS


FELDA-JOHORE BULKERS SDN BHD - 7 BERTHS / 17 EXPORT LINES
401,250 MT, 294 TANKS


KUANTAN BULKING INSTALLATION


KUANTAN OLEOCHEMICALS BULKING INSTALLATION


LAHAD DATU BULKING INSTALLATION


PORT KLANG BULKING INSTALLATION

**FJB Group comprises the following companies:**

- Felda-Johore Bulkers Sdn Bhd
- Felda Bulkers Sdn Bhd
- Felda Grains Terminal Sdn Bhd
- 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.

Weigbridge 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.


## FJB GROUP

BULKERS
GRAINS

**BUSINESS ADDRESS :**
LORONG SAWIT SATU, JOHOR PORT AREA, 81700 PASIR GUDANG, JOHOR, MALAYSIA

**POSTAL ADDRESS :**
P.O. BOX 67 81707 PASIR GUDANG, JOHOR, MALAYSIA

TEL : +607-2511830 / +607-2521216
FAX : +607-2512790 / +607-2514865
EMAIL : fjb@tm.net.my
WEB : http://www.fjb.com.my

# **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

*Continued on page 11*

Figure 1: Import Shares of three Major Edible Oils

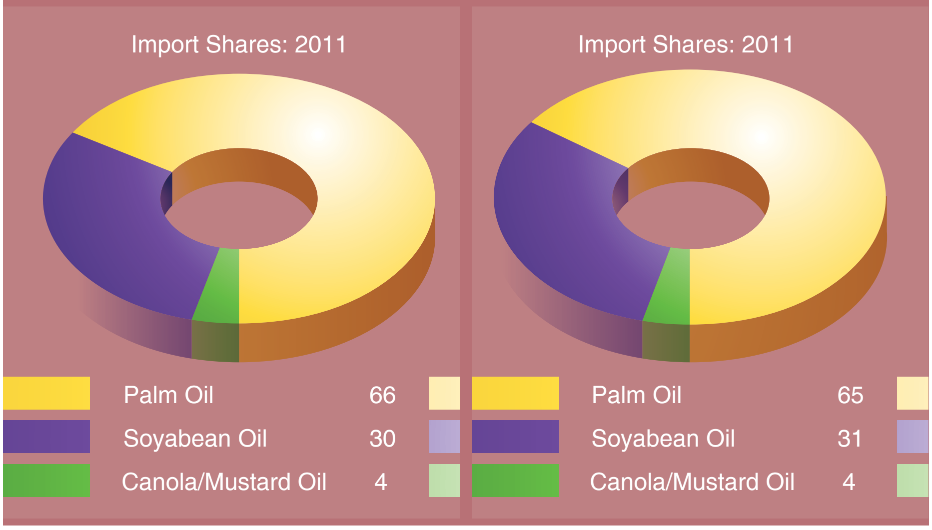



Table 2: Source-wise Import Share of Palm Oil: 2005-2011 (In Percentage)

| | 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*

Continued from page 1

# 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* 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*

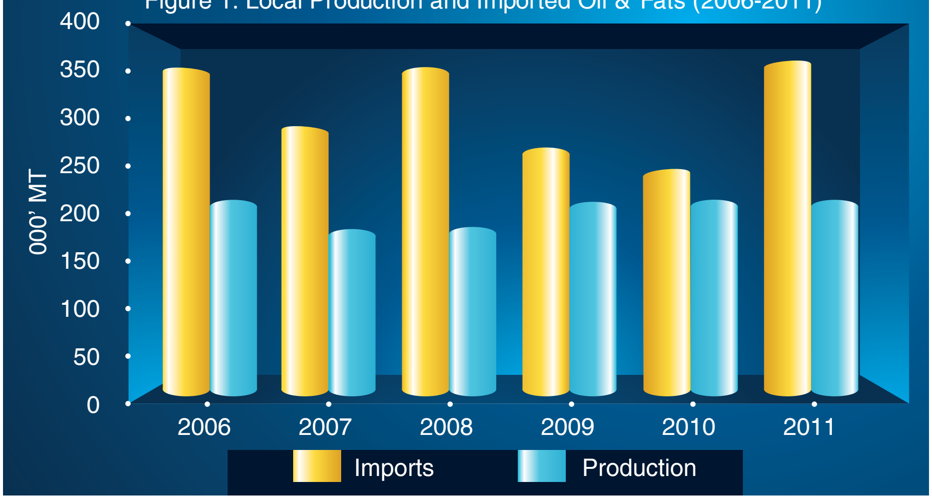
The Tunisian government through Decree No 2002-675 dated April 2002 suspended import duties on palm oil (PO) and its fractions, palm kernel oil (PKO) and its fractions and coconut oil (CNO) and its fractions intended for local manufacturing vegetable fats. This is a favourable development for PO and 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

*Continued on page 9*

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




# Give Your Career A Transformation

## Join The Richest Industry In The World Today.

There is a real need for capable people like you in the capital market. NextVIEW Industrial Linkage Training Program aims to train talents to become licensed professionals in the equities market. With our track record of nine batches of graduates currently working at major Investment Banks across Malaysia, this program has proven to give many individuals a transformation in their career.

Join now and grab the career opportunity to be part of the richest industry in the world, where demand for capable talents far outweighs the supply. You will be offered a rewarding job with the renowned investment banks upon completion of the training and passing of the examinations.

### Professional Trader Certification Program:

☑ Advisory Services ☑ Equities Trading

### Benefit:

- ☑ Work with internationally well-known investment banks
- ☑ Certification recognized by the Investment Banks
- ☑ Hands-on industrial related training provided
- ☑ Enjoy high-paying and high-flying career
- ☑ Provide a pathway to further study

### Career Opportunities:

- ☑ Remisiers
- ☑ Licensed Dealers
- ☑ Licensed Advisors
- ☑ Professional Traders
- ☑ Backend Operation
- ☑ Premium Broking Relationship Managers

And many others...

### Scholarship Available. Apply Now

*Terms & Conditions Apply


Please call Fennie or Azlin at 03-27709388 or email to training_my@nextview.com.

NEXT VIEW Academy

Unit 8.1, Level 8, Menara Tokio Marine Life,
189 Jalan Tun Razak,
50400, Kuala Lumpur, Malaysia.

**T** (603) 2770 9388 **F** (603) 2770 9366
**E** training_my@nextview.com
**U** www.nextview.com

NextVIEW Malaysia
www.facebook.com/nextviewmalaysia

Continued from page 7

# 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.

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*

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

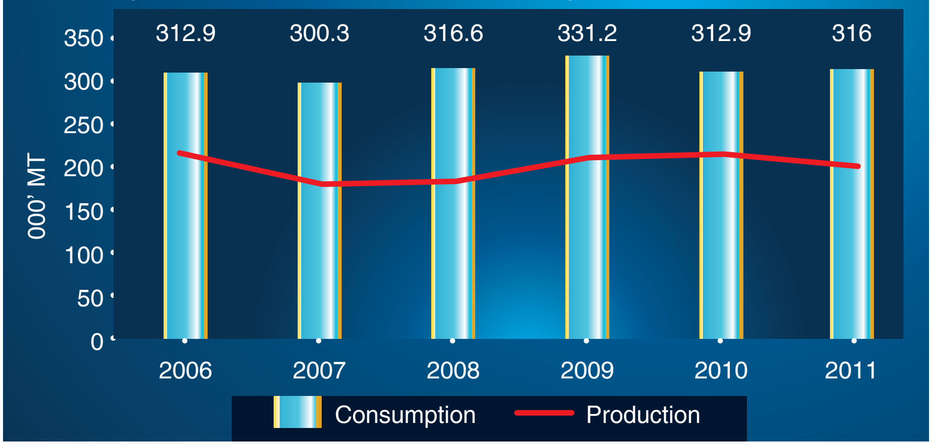



Table 4: Malaysian Exports to Tunisia by Products (MT)

| 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** |

# Malaysia's Largest Independent Common-user Multi-purpose Liquid Bulk Terminal Operator



FIMA

**North Port, Port Klang**

- Fima Bulking Services Berhad
- Fimachem Sdn Bhd
- Fima Liquid Bulking Sdn Bhd
- Fima Freight Forwarders Sdn Bhd

**Butterworth**

- Fima Palmbulk Services Sdn Bhd

**Located in a free commercial zone offer excellent opportunities for**

- Import and export
- Transhipment
- MDEX tender (approved delivery point)
- Regional collection / distribution hub

**Facilities available :**

- Carbonsteel
- Coated & stainless tanks come with heating facilities & nitrogen blanketing.

Jalan Parang, 2nd Extension, North Port, 42000 Port Klang, Selangor, MALAYSIA
Tel: +603 - 3176 7211 Fax: +603 - 3176 5641 Email: enquiry@fimabulking.com

**http://www.fimabulking.com**

Continued from page 9

# 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

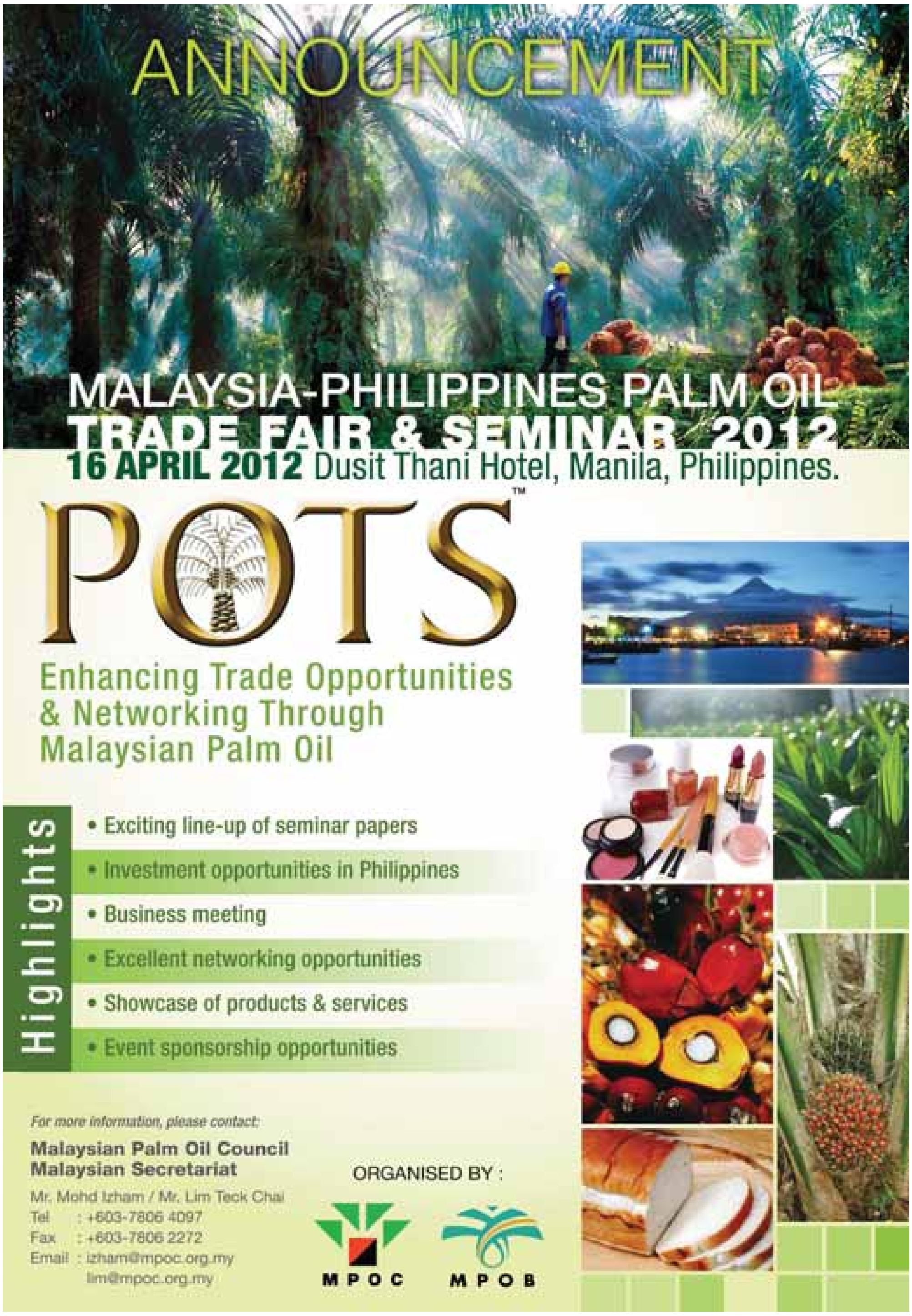
Continued from page 11

# 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**




## MPOC Offices Worldwide

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

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

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

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

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

**MPOC Pakistan**
11 – 3rd Floor, Leeds Centre
Main Boulevard Gulberg, 111 Lahore, Pakistan
Tel: +92 (42) 3571 6600 / 3571 6601
Fax: +92 (42) 3571 6602
E-mail: faisal@mpoc.org.pk
Contact: Faisal Iqbal

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

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

**MPOC Moscow**
Moscow, 4th Dobrininskiy side-street,
8 BC 'Dobrinya', 1st floor, Office R00-126
Tel : +790 963 520 40
Email : udovenko@mpoc.org.my
Contact: Aleksey Udovenko

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

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