

POTS
2nd INTERNATIONAL PALM OIL
TRADE FAIR &
SEMINAR **2008**

Changing Marketing Landscape - Challenges for Business Sustainability

24 - 26 August 2008

**CHANGES AND CHALLENGES IN THE
OLEOCHEMICAL MARKET -
OUTLOOK FOR LAURIC OILS**

CHEAH SENG CHYE

IOI Oleochemicals Industries Bhd

**SESSION 3
MARKET FUNDAMENTALS & PRICE OUTLOOK**

Changes and Challenges in the Oleochemical Market - Outlook for Lauric Oils

Cheah Seng Chye
IOI Oleochemicals Industries Bhd

Email: cheah@ioioleo.com

Abstract

The oleochemicals industries are facing challenges in getting the supply of lauric oils resulting from the changes in the supply and demand balance of lauric oils. The rapid development of new fatty acids and fatty alcohol plants in SEA, China and India have increased the demand for lauric oil. This new demand will cause a shortage in supply in the near future. The economic growth of both China and India has caused the increase in demand for food, thus resulting in higher demand for lauric oils.

CHANGES AND CHALLENGES IN THE OLEOCHEMICAL MARKET - OUTLOOK FOR LAURIC OILS

- ▶ *By S.C. Cheah*
- ▶ *IOI Oleochemical Industries Berhad*
- ▶ *Presented at the 2nd International Palm Oil Trade Fair & Seminar at Shangri-La Hotel, Kuala Lumpur*
- ▶ *on August 26, 2008*

PRESENTATION OVERVIEW

1. Development of Oleochemicals Industry
2. Current Oleochemicals producers in :-
 - ▣ Malaysia
 - ▣ Indonesia
 - ▣ Philippines
 - ▣ Thailand
3. Expansion in India & China
4. Supply & Demand for Lauric Oils

DEVELOPMENT OF OLEOCHEMICALS INDUSTRY

- ▶ **18th century:**
 - Initial use in production of soaps and candles
- ▶ **70s:**
 - 1st petroleum crisis
 - Oleochemicals started to replace Petrochemical
- ▶ **80s:**
 - Global population expand
 - 1st company in the world to produce Oleochemicals using **PO/PKO - ACIDCHEM INTERNATIONAL, MALAYSIA.**
 - Increasing demand on vegetable based material
 - 'Green Drive'

DEVELOPMENT OF OLEOCHEMICALS INDUSTRY – CONT'D

- ▶ **90s:**
 - Supply of Tallow and Coconut Oil unable to keep up the increasing demand.
 - Palm Oil (PO) & Palm Kernel Oil (PKO) have been identified as a sustainable supply of feedstock to the Oleochemicals. PO & PKO annual growth up to 9% annually.

DEVELOPMENT OF OLEOCHEMICALS INDUSTRY – CONT'D



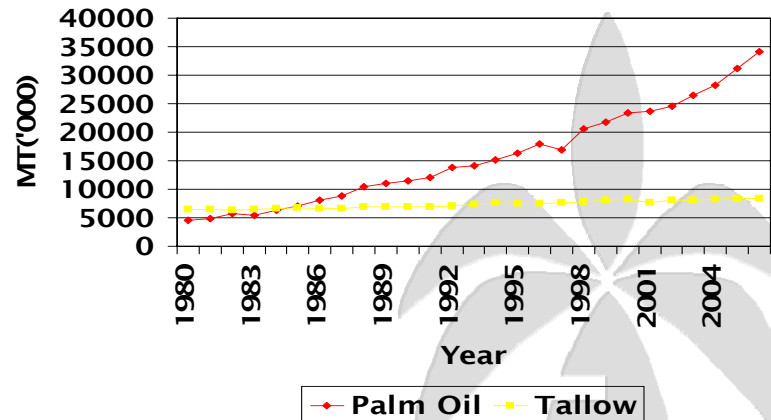
21st Century:

- SEA - the largest OC producing region
- 80% PO, PKO & CNO produced from Malaysia, Indonesia & Philippines.
- Economic growth in Asia eg. China & India will push for further development of Oleochemicals industry.



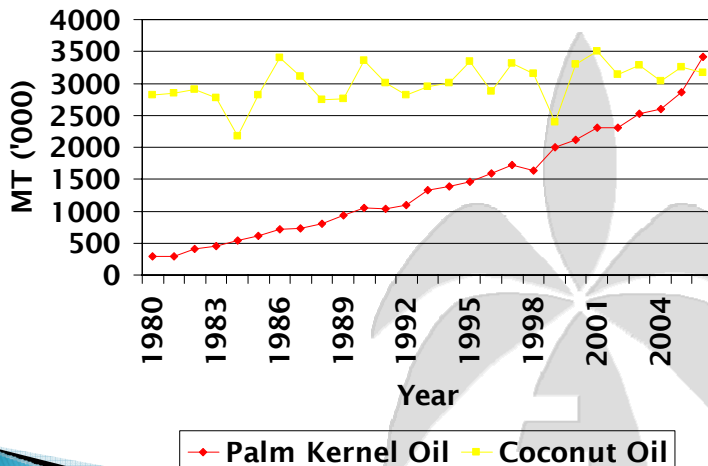
YOUR IDEAL GLOBAL PARTNER

WORLD PRODUCTION OF PALM OIL & TALLOW (1980-2006)



YOUR IDEAL GLOBAL PARTNER

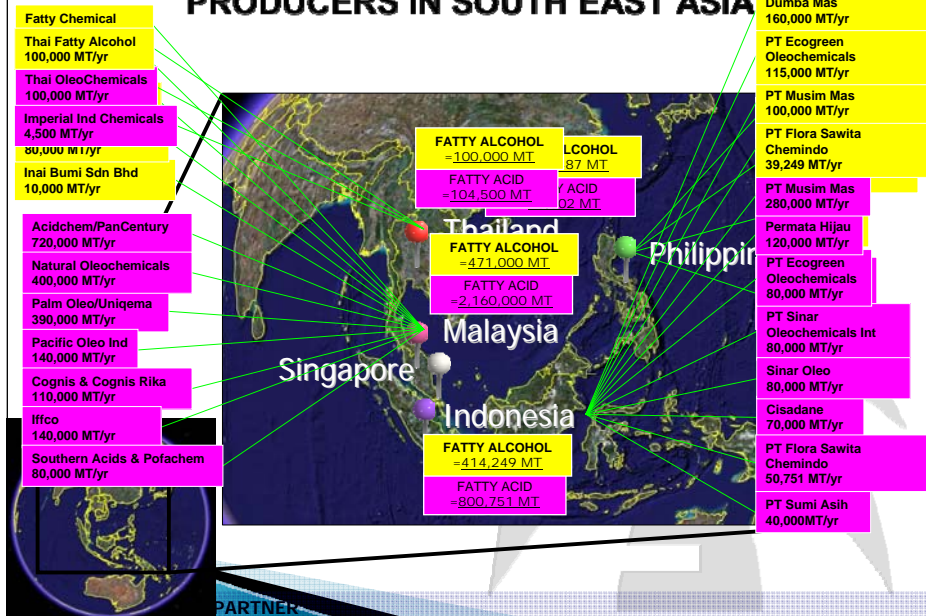
WORLD PRODUCTION OF PKO & CNO (1980-2006)



Reference: Statistics from IOI Corp. (2007)

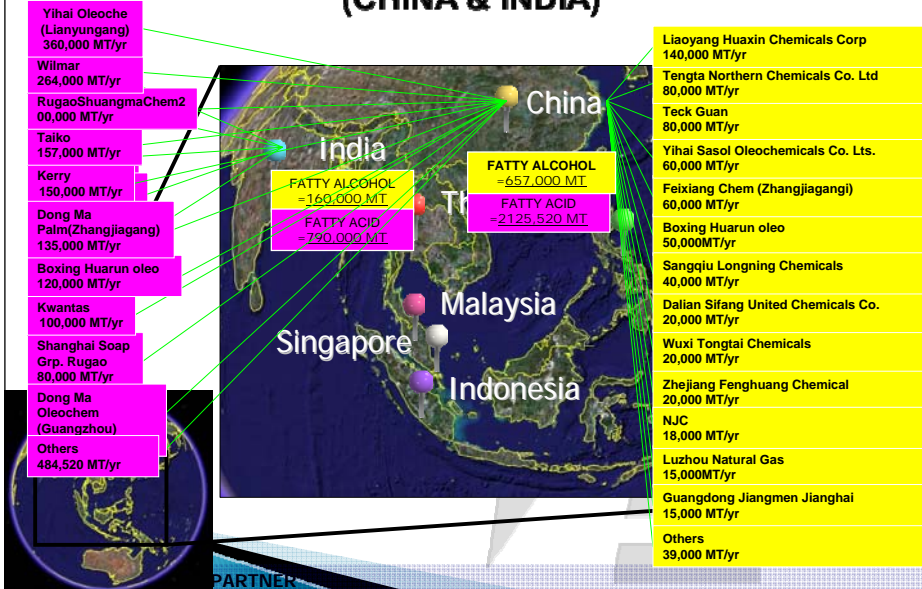
YOUR IDEAL GLOBAL PARTNER

FATTY ACID & ALCOHOL PRODUCERS IN SOUTH EAST ASIA

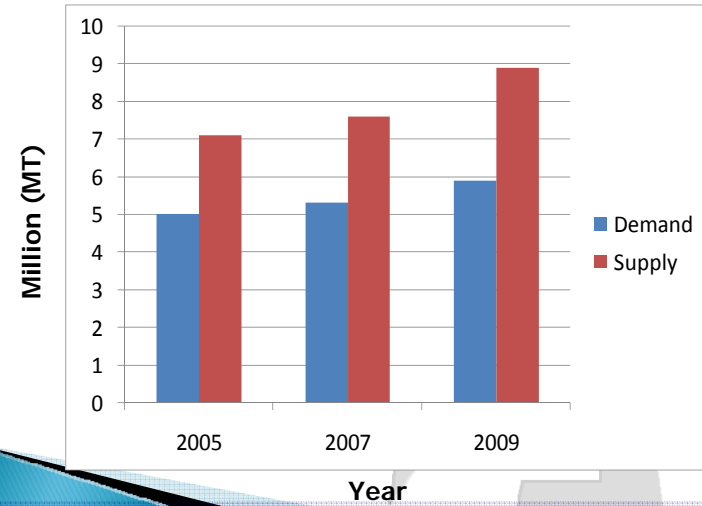


PARTNER

FATTY ACID & ALCOHOL PRODUCERS (CHINA & INDIA)

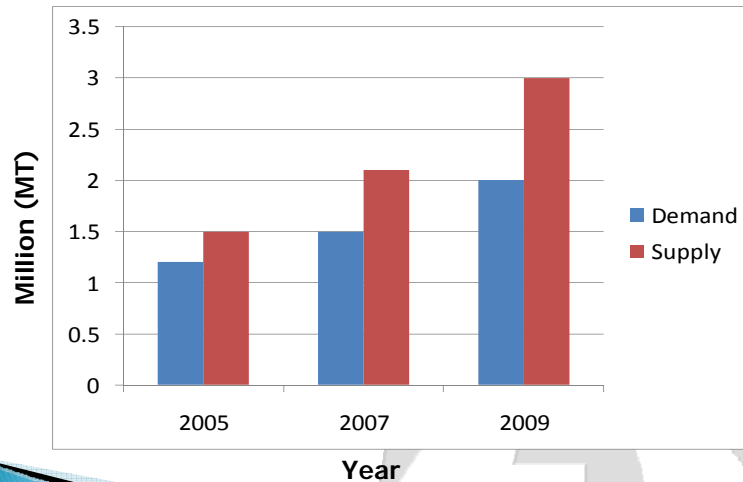


WORLD SUPPLY & DEMAND OF FATTY ACID (2005-2009 EST.)



YOUR IDEAL GLOBAL PARTNER

WORLD SUPPLY & DEMAND OF FATTY ALCOHOL (2005-2009 EST.)



YOUR IDEAL GLOBAL PARTNER

OLEOCHEMICALS PRODUCTION IN SOUTH EAST ASIA



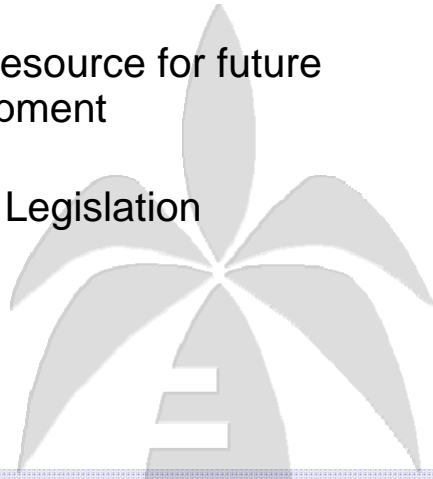
SEA	MT	Biodiesel	Fatty Acid	Glycerine	Alcohol
Malaysia		4,145,000	2,160,000	268,000	471,000
Indonesia		1,478,000	800,751	125,000	414,249
Philippines		279,520	73,302	26,000	166,487
Thailand		35	104,500	210	100,000
Singapore		866,000	-	-	-
TOTAL		6,768,555	3,138,553	419,210	1,151,736
India		12,000	790,000	96,000	160,000
China		3,070,000	2,125,520	290,000	657,000
TOTAL		9,850,555	6054,073	805,210	1968,736

YOUR IDEAL GLOBAL PARTNER

CHALLENGES FACED BY OLEOCHEMICALS INDUSTRY



- ▶ Scarce of Land Resource for future plantation development
- ▶ REACH & RSPO Legislation

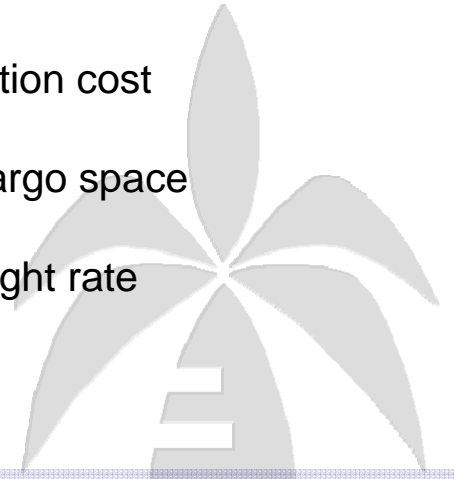


YOUR IDEAL GLOBAL PARTNER

CHALLENGES FACED BY OLEOCHEMICALS INDUSTRY – CONT'D



- ▶ Higher production cost
- ▶ Shortage of cargo space
- ▶ Increasing freight rate



YOUR IDEAL GLOBAL PARTNER

THANK YOU!



YOUR IDEAL GLOBAL PARTNER