GLOBAL
OILS & FATS
BUSINESS MAGAZINE
www.mpoc.org.my

KDN No: PP10311/10/2012(031241) • ISSN No. : 2180-4486
• VOL.14 ISSUE 2 (Apr-Jun), 2017

Saturated Fats are Not Harmful

Focus on Palm Oil

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CONTENTS

8

11

14

Pullout

2016 was a challenging year for palm oil producers. We look back at how the Malaysian industry fared.

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Published by:
Malaysian Palm Oil Council (MPOC)
2nd Floor, Wisma Sawit,
Lot 6, SS6, Jalan Perbandaran
47301 Kelana Jaya,
Selangor, Malaysia.

Printed by:
Akitiara Industri Sdn Bhd (6641-M)
1 & 3, Jalan TPP 1/3,
Taman Industri Puchong,
Batu 12, 47100 Puchong,
Selangor, Malaysia

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For subscriptions, contact: anizah@mpoc.org.my

KDN No: PP10311/10/2012(031241)
• ISSN No. : 2180-4486

ISSN 2180-4486
9 772180 448002

Europe's bizarre resolution on palm oil

The ripples are spreading far and wide from the April 4 vote by the European Parliament that adopted a 'Resolution on Palm Oil and Deforestation of Rainforests'. This was approved by 640 votes to 18, with 28 abstentions. It will now be referred to the European Commission (EC) for deliberation and possible rule making.

The Resolution seeks a phase-out of 'unsustainably produced' vegetable oils – with palm oil being an identified target – as a component of biofuels in the EU by 2020. Curbs on the purported effects of 'unsustainable production' on forest loss, climate change, human rights and social standards are claimed to be the principal considerations behind the proposal.

Bizarre it is, binding it is not; at least not until the European Parliament passes the buck to the EC, which could then move its pawns towards prescribing legislative measures. Ominously, though, the Resolution encourages actions that are poised to discriminate against trade in palm oil and products that contain palm oil.

It urges the EU to:

- Define the sustainability criteria for palm oil production;
- Draw up a single certification scheme as well as traceability mechanisms;
- Impose higher import tariffs; and
- Step up regulation of greenhouse gas emissions.

Yet, thus far, European institutions have expended very little effort to conclusively prove that palm oil is the main driver of deforestation worldwide. Indeed, factually speaking and based on all available statistics, palm oil is not the main culprit. The blame for that has been unequivocally placed on cattle farming and soybean cultivation. But where is the resolve of the Members of the European Parliament to address this by way of the stringent measures that they want applied to palm oil alone?

If left unchecked, the Resolution has the potential to turn the palm oil industry topsy-turvy and to undermine its long-term viability. The industry generates vital economic activity in developing countries that produce palm oil, by providing jobs and raising income levels to lift people out

of poverty. Oil palm cultivation remains the most economically viable agricultural activity to help increase their meagre income.

In Malaysia alone, the industry supports nearly 600,000 smallholders and 400,000 others throughout the palm oil supply chain. If the multiplier effect were to be applied, almost four million Malaysians would feel the impact of the Resolution if it is carried through. No wonder there is vocal debate and deep concern each time related issues are raised unilaterally.

In this respect, it is worth noting that, at the end of last year, the EC awarded the contract for a 'Study on the environmental impact of palm oil consumption and on existing sustainability standards'. The findings are expected to be published by the end of this year. It is already anticipated that the EU will then move apace to regulate trade in palm oil.

On its part, the MPOC will challenge these moves. Even in the run-up to the EU Parliament vote, the documents provided as 'evidence' against palm oil by its expert committees were much flawed in many areas. The Malaysian industry – through the Plantations and Commodities Ministry and related agencies – has offered to work with the EU through active consultation and exchange of relevant data.

Malaysia has also declared its intention to impose mandatory certification of its entire industry through the Malaysian Sustainable Palm Oil standard by December 2019. In addition, the MPOC will strategise to develop alternate markets for Malaysian palm oil. In the long term, growth centres in Asia, Africa and the Middle East could become more important export destinations than Europe.

Currently, about 60% of the EU's palm oil imports are utilised by its biofuels and renewable energy sector, which reflects an obvious need for year-round supply of an affordable feedstock. So, if the region insists on adopting a one-dimensional, politically-driven agenda against palm oil, who else stands to lose? That's a no-brainer.

Dr Kalyana Sundram

CEO, MPOC

A 100-Year Journey, Part 2

Celebrating Malaysian palm oil

Since 1917, Malaysia's oil palm sector has recorded repeated success in taking palm oil forward as a global commodity in both food and non-food applications. From agricultural practices to research and development activities, the industry has pioneered innovations that have stood the test of time. We looked at the first five milestones in the previous issue. Five more are outlined, as we continue marking the industry's centenary this year.

Milestone 6

1980s

"I am sure the founders of Tennamaram Estate would recognise one thing about the modern industry – that the commodity and its fundamentals remain the same: a high-yielding, cost-effective, versatile oil that is far superior to any competing oil… The success story of Malaysia is linked to the success story of its palm oil industry."

Datuk Seri Mah Siew Keong
Minister of Plantation Industries and Commodities, Malaysia

Constant supply of palm oil and palm kernel oil enabled Malaysia to become a world leader in the oleochemicals sector.

A unique feature of the oil palm is that it produces two types of oil, respectively from the flesh and kernel of the fruit. Both are edible, but can also be used as feedstock for non-food applications such as the production of oleochemicals. These are renewable and environment-friendly chemicals derived from oils and fats of vegetable, animal or marine origin. As an alternative to petrochemicals, they are used in products like surfactants, personal care items, soaps, detergents, inks and coatings.

The Malaysian oleochemicals industry flourished in the 1980s following a shift in policy away from the mining- and agriculture-based economy, to one led by manufacturing. Initially, basic oleochemicals like fatty acids, fatty alcohols, methyl esters and glycerine were produced. As global demand for oleochemicals increased and new technologies emerged, the operations were expanded to produce oleo derivatives and consumer or industrial end-products.

Benefitting from the uninterrupted supply and competitive price of palm oil and palm kernel oil, the Malaysian oleochemicals industry became a world leader. Today, with 20 plants and joint capacity of 2.7 million tonnes, Malaysia accounts for at least 20% of global production of oleochemicals.

Milestone 7

2005

The National Biofuel Policy paved the way for commercialisation of biodiesel and a new high-growth industry in Malaysia.

Depleting reserves of fossil fuels and rising alarm over their negative environmental impact led to escalation of R&D efforts toward renewable and eco-friendly alternatives. The interest brought in new technologies and mandates to increase the global output and use of biofuels.

Malaysia has carried out extensive R&D work on palm-based biodiesel since the 1980s. The National Biofuel Policy was announced in August 2005, facilitating commercialisation of palm-based biofuel, in particular palm biodiesel. A year later, Malaysia's first commercial-scale biodiesel plant commenced operations in Pasir Gudang, Johor.

Following successful on-road trials of palm biodiesel, the government initiated the B5 programme – a blend of 95% diesel and 5% palm methyl ester (biodiesel) – in June 2011. Used first in the administrative capital Putrajaya, it was extended to the central region the same year and to the southern region by July 2013. The completion of blending facilities in the northern region, as well as Sabah and Sarawak, by mid-2014 enabled B5 biodiesel to reach users nationwide. Since January 2015, the government has mandated the use of B7, in which the percentage of palm biodiesel is increased to 7%.

Multiple grades of Malaysia's biodiesel are also exported, taking advantage of the indigenous properties and characteristics of palm oil. Apart from being suitable for use in temperate climates, these also meet stringent international specifications, namely ASTM D6751 and EN 14214.

Research into biofuel, in particular palm-based biodiesel, has been carried out in Malaysia since the 1980s.

Milestone 8

2008

Malaysia became the first country to produce and export certified sustainable palm oil (CSPO).

Consumption of vegetable oils has grown over the last decade, in tandem with an increase in the global population. As a key commodity, palm oil is traded to satisfy the demand for oils and fats. This necessitated the expansion of oil palm plantations. However, some quarters then questioned the industry's sustainability credentials and impact on the environment.

In 2004, the Roundtable on Sustainable Palm Oil (RSPO) was set up to promote the production and use of sustainable palm oil through a credible global standard derived in consultation with stakeholders. Following pilot implementation, the RSPO's Principles & Criteria for sustainable production of palm oil were finalised in November 2007.

Certification of oil palm plantations began in 2008. Malaysia became the first country to produce and export CSPO, when one of its companies received the inaugural RSPO certification. To date, Malaysia accounts for 31% of global CSPO production and the volume is growing.

Long before sustainability standards entered into use, the oil palm was grown responsibly in Malaysia.

Milestone 9

2010

Malaysia's oil palm sector was identified as a National Key Economic Area (NKEA) under the Economic Transformation Programme.

The combined oil palm and rubber sector was designated as one of 12 NKEAs in the Economic Transformation Programme, aimed at achieving high-income nation status by 2020.

Accounting for more than 5% of annual exports, the palm oil sector is a major contributor to the economy. It has moved up the value chain to introduce high-end products to meet food and health needs, among others. Efforts are also continuing to boost the productivity of smallholdings, because there is limited agricultural land for expansion of cultivation.

This two-pronged approach toward a more efficient palm oil supply chain targets the generation of RM178 billion in Gross National Income and 41,600 new jobs by 2020 through the implementation of eight Entry Point Projects. Currently, the palm oil industry is the second-biggest provider of jobs, employing more than 440,000 people.

Growth is projected to strengthen, powered by business opportunities in upstream expansion; development of existing downstream activities; and biodiesel production worth RM57.6 billion by 2020. The challenges to be addressed include mechanisation to reduce dependence on foreign labour, improved productivity, and the creation of value-added products.

Malaysia's small farmers can expect an improved livelihood from moves to uplift their productivity.

Milestone 10

2013

Malaysia's certification standard allows small farmers to voluntarily contribute to sustainable cultivation of oil palm.

Sustainability and transparency are taken to the next level through the Malaysian Sustainable Palm Oil (MSPO) standard.

While the RSPO is an important player in palm oil certification, its criteria and processes have proven to be simply too broad and too expensive for most small farmers to satisfy. The MSPO brings on board all levels of producers to meet a broad range of standards that still provide an assurance of sustainability and traceability.

The MSPO also represents the qualitative difference between palm oil from Malaysia and the output of other producers. Just as quality assurance is attributed to Japanese manufacturing or American innovation, a level of assurance can now be connected to the 'Malaysian Palm Oil' brand.

Following a pilot programme in 2014, a number of plantation companies and small farmers have received MSPO certification covering a planted area of more than 0.2 million ha. Progress is being made in training auditors and conducting awareness sessions across the country to further encourage acceptance of the scheme.

Establishing a standard was an important first step. Measures are being put in place to ensure that there is the capacity for the MSPO to be implemented and verified in a cost-efficient manner. It could then play a significant role in the future of palm oil certification.

The oil palm is a truly sustainable crop, feeding both mankind and wildlife.

MPOC

Saturated Fats are Not Harmful

Science is now clear on this

Science, generally, is a progressive discipline. In other words, our understanding of science improves over time: we are able to know and understand more today than we did yesterday, and we will understand even more tomorrow. New research, technologies, and techniques drive this constant improvement.

In the field of nutrition, it means that we are able to offer better, more evidence-based advice now than ever before. This has enormous benefits for public health, food safety, consumer protection and, of course, for making public policy decisions.

The best example, right now, is the science surrounding saturated fats. The *British Journal of Sports Medicine (BJSM)*, an affiliate of the world-renowned *British Medical Journal (BMJ)*, has published a new meta-analysis that demonstrates the clarity of the latest scientific evidence on the role of saturated fats in human nutrition. It is worth quoting directly from the research, as the findings are so clear:

- 'Despite popular belief among doctors and the public, the conceptual model of dietary saturated fat[s] clogging a pipe is just plain wrong.'

- '[There is] no association between saturated fat[s] consumption and (1) all-cause mortality, (2) coronary heart disease (CHD), (3) CHD mortality, (4) ischaemic stroke, or (5) type 2 diabetes.'

The authors of the *BJSM* study – leading experts from the UK and the US – could not be clearer. Our previous thinking, that saturated fats are harmful, is wrong. The authors go on to state that our approach to saturated fats "urgently requires a paradigm shift".

This may sound revolutionary, but to those of us involved in nutritional science, this is not a surprise. The evidence has been building for many years: the *BJSM* research is simply the latest in a long line of studies showing that saturated fats are not, in fact, harmful.

Last year, the *BMJ* itself had published a re-evaluation of previous studies that also questioned the prior consensus that saturated fats are bad for human health. Italian institutes, including the Nutrition Foundation of Italy, have come to the same conclusion. Professors in America, France, the UK and elsewhere also have demonstrated this new reality.

This new evidence around saturated fats is a great example of how science improves over time. It could be summed up simply as 'what we thought we knew about fats – and why we were wrong'.

We have been told most of our lives that saturated fats are harmful and should be avoided. All of us, for many years, thought that we knew this to be true. Put simply, that advice was wrong. We now need to abandon our misconceptions and embrace the new scientific reality.

Yesterday's dogma

What does this new science mean for our diets, and why does it matter?

First, it matters for public health. Many millions of people have been eating the wrong foods as a result of the previous erroneous advice. Low-fat foods – often full of sugar or trans fats – have proliferated and were promoted as healthy. This, now, must be recognised as a mistake.

Similarly, foods with higher saturated fats content – butter and palm oil, among others – have been unfairly criticised. This, too, must be recognised as a mistake: we should not be avoiding or denigrating these foods.

Second, it matters in making public health policy. In Italy, palm oil (with a content of 50% saturated fats) has been subject to a sustained negative public relations campaign and is accused of being 'unhealthy'. Well-known MPs and Senators have pressured companies to withdraw the product (some have caved in to this pressure), and Parliamentarians have even suggested taxes or bans.

The claim was always known in the scientific community to be untrue and baseless scaremongering. That fact has now been confirmed by the *BJSM* research, by scientists affiliated to one of the world's most prestigious academic journals. Policy makers now have a responsibility to accept, and reflect, the new science.

We should now see the end of attacks on saturated fats and palm oil: these are not justified by any evidence.

The media, too, bears a responsibility. Much of public opinion on nutrition is conditioned by what people read in the media. No journalist can be expected to be an expert in multiple fields of science – but when in doubt, trust the experts. They have spoken clearly – the latest *BJSM* research is just one of many studies stating that past claims – that saturated fats are harmful – were simply wrong.

In the era of 'fake news' and 'alternative facts', scientists have a more important role than ever before. New scientific findings have the ability to transform our lives – in this case, perhaps even to lengthen our lives through better nutrition. Similarly, old or disproved ideas have the ability to harm us, if they are spread by those with ulterior motives.

Policy makers, nutritionists and the media, take note: saturated fats must be demonised no longer. It is science that must drive this public health debate – not populists shouting loudly or lurid headlines. We cannot afford to cling to yesterday's dogma.

Manuela Mapelli
Biologist & Nutritionist, Italy

Similarly, foods with higher saturated fats content – butter and palm oil, among others – have been unfairly criticised. This, too, must be recognised as a mistake: we should not be avoiding or denigrating these foods.

EU Oils and Fats Outlook

2017 projections

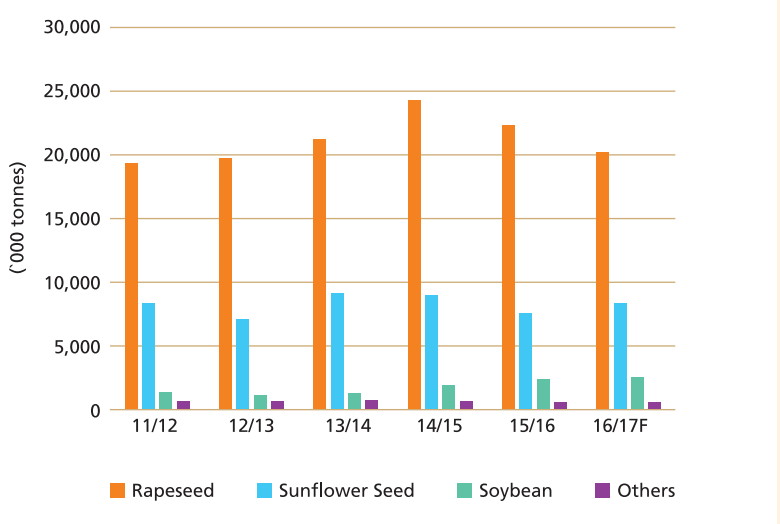
The European Union (EU) is among major players in the global oils and fats market. The upward trend in the region's consumption of oils and fats has been significant in recent years, due to expansion of its biofuels sector, as well as demand from the food and non-food sectors.

The region is the world's largest producer of rapeseed and derived products. However, rapeseed output was lower in 2015/16 at 22.3 million tonnes; this is expected to further decline in 2016/17 to 20.2 million tonnes. Unfavourable growing conditions will affect yields in France, Germany, Estonia, Latvia and Lithuania. Even the expansion of acreage and favourable growing conditions in countries like Hungary and Romania may not offset the reductions.

A higher average yield is expected for sunflower seed and soybean in 2016/17. Sunflower seed production is forecast to go up by more than 9% to 8.3 million tonnes. Major producing countries have expanded their planted area, with the highest growth rates in Spain, Hungary, Romania and Bulgaria. They have benefitted from favourable spring weather, which promises an excellent crop. However, the planted area in France will decline substantially due to unfavourable weather.

Soybean production, which is at a minor level but is constantly rising, is anticipated at 2.5 million tonnes in 2016/17, compared to 2.4 million tonnes in 2015/16. Apart from higher yields, the increase is also attributed to incentives under the Common Agricultural Policy (CAP).

Figure 1: EU – Production of major oilseeds



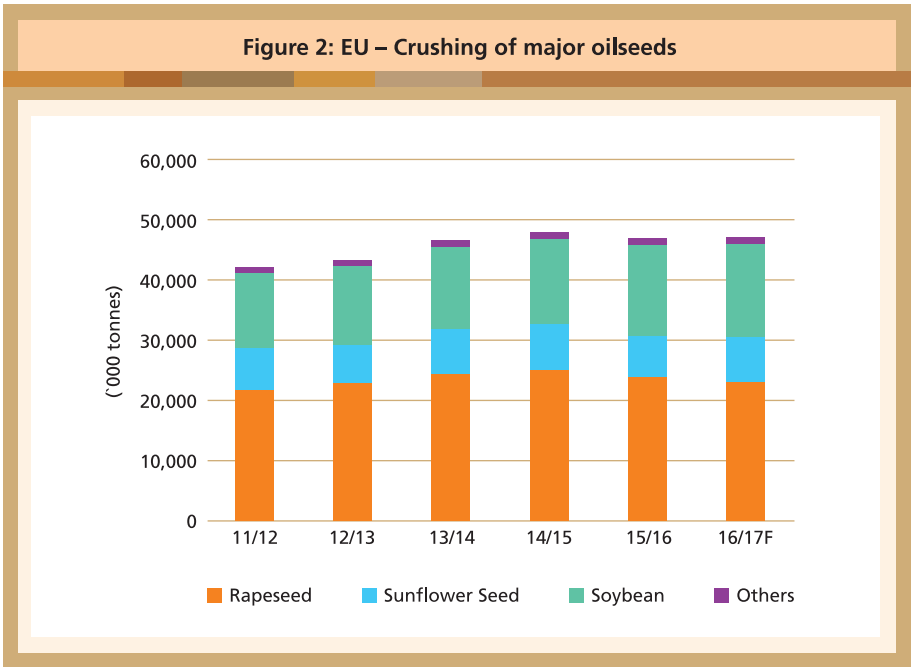
Source: Oil World
*** Others: Cottonseed, linseed, groundnuts*

For 2016/17, the production of major EU oilseeds – rapeseed, sunflower seed and soybean – is projected at 31.6 million tonnes. This is lower than the 32.9 million tonnes recorded in 2015/16 (Figure 1).

Soybean crushing has reached a high level in the EU because of the smaller rapeseed crop and lower demand for rapeseed oil. Imports of soybean for crushing have also increased, reflecting the growing demand for soybean oil in food use.

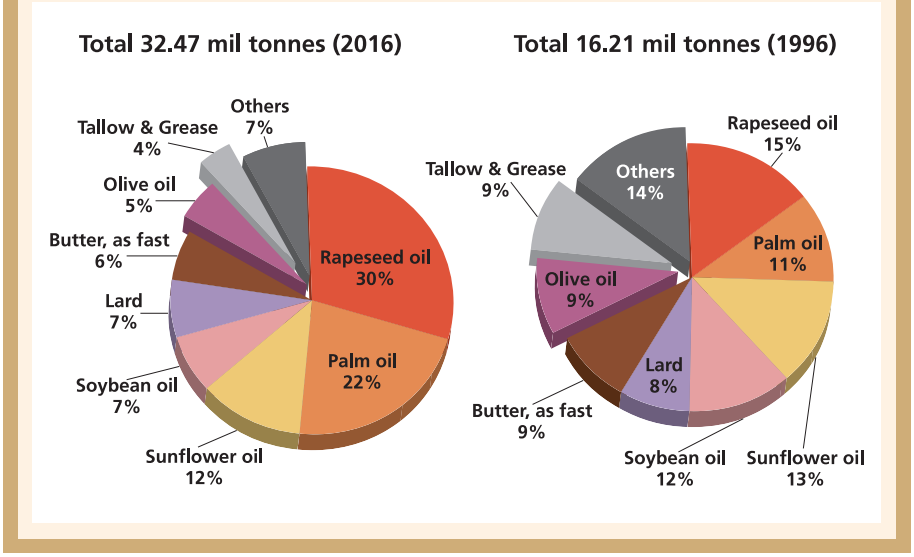
The abundant supply of sunflower seed has also encouraged crushing. This is supported by price-competitive imports, rapeseed deficits and strong demand for sunflower meal and oil for feed and food uses. Overall, crushing of oilseeds is estimated to remain stable in 2016/17 at 47.1 million tonnes (Figure 2).

Figure 2: EU – Crushing of major oilseeds



Source: Oil World
*** Others: Cottonseed, linseed, groundnuts, sesame seed*

Figure 3: EU – Consumption of oils and fats



Source: Oil World

Net importer

The region's oils and fats consumption has doubled over a 20-year period from 1996 (Figure 3). For example, palm oil, which was the fourth most-consumed edible oil in 1996, is now ranked second.

Last year, EU imports of four major vegetable oils went up by 3.3% or 293,000 tonnes on account of a larger volume of sunflower oil, mainly from Ukraine. Under a Free Trade Agreement that took effect from Jan 1, 2016, the country gained preferential access to the European market. In addition, sunflower oil prices in Europe enjoyed a better and wider discount *vis-a-vis* rapeseed oil, thereby extending its use in the food sector.

Palm oil imports from Indonesia and other countries remained stable, but the volume of Malaysian palm oil imports fell. The EU has also imported palm oil from countries such as Ivory Coast,

because of declining imports from Southeast Asia due to foreign exchange shortages and the weakness of local currencies.

Palm oil has maintained its market share as the preferred feedstock for biodiesel production at the expense of rapeseed and other oils. However, competition from waste and used cooking oil (UCO) cannot be ignored.

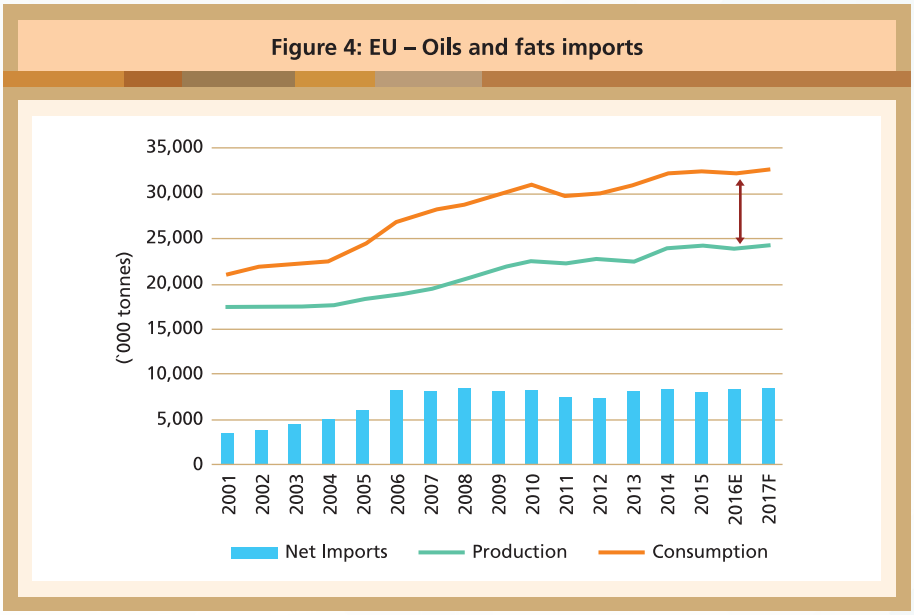
Rapeseed oil imports have dropped by 10.9%. This is partly attributed to demand shifts to palm oil and other feedstock (for biofuels) and to sunflower oil (in the food industry).

The main palm oil importers in the EU are the Netherlands, Italy, Spain, Germany and Belgium. Eastern European countries like Poland, Romania and Bulgaria have absorbed some amounts as well.

Indonesia and Malaysia are the major suppliers of palm oil to the EU. South and Central American countries, in particular Colombia, Honduras and Guatemala, are becoming significant exporters. Their combined market share rose from 2% in 2012 to 12% last year. Thailand and Ivory Coast have also emerged as suppliers.

The EU's import demand for oils and fats has been going up due to the domestic supply deficit, as well as the expansion of the biofuels sector (Figure 4). Total oils and fats output is projected to increase slightly to 24.2 million tonnes this year. This is reflective of the reduced production outlook for main crops, primarily rapeseed, hence driving down the demand for crushing.

Figure 4: EU – Oils and fats imports



Sources: Oil World, MPOC projection

Consumption of oils and fats is expected to be stagnant at around 32.7 million tonnes, despite the slight recovery in biodiesel production. The EU is expected to import 11.7 million tonnes of oils and fats, with palm oil imports estimated at about 7.8 million tonnes this year. The region will remain a net importer of oils and fats.

Biodiesel market

The EU is the world's largest producer of biodiesel, which currently represents 80% of the transport biofuels market on an energy basis. Biodiesel was the first biofuel developed and used in the EU's transport sector in the 1990s. Factors that led to rapid expansion of its use were the rise in crude oil prices; the Blair House Agreement; provisions on the production of oilseeds under CAP programmes; and generous tax incentives mainly in Germany and France. The biofuels goals in the Renewable Energy Directive strengthened the market for biodiesel.

EU biodiesel production is driven almost exclusively by member-states' mandates and, to a lesser extent, by tax incentives in the respective countries. In 2014, regional production benefitted from substantially lower imports and higher domestic consumption. As a result, production increased in Germany, Spain, Italy and the Netherlands. In the Netherlands, this was largely attributed to higher production of hydrogenated vegetable oils (HVOs). In 2015 and 2016, production remained stable in most of the countries.

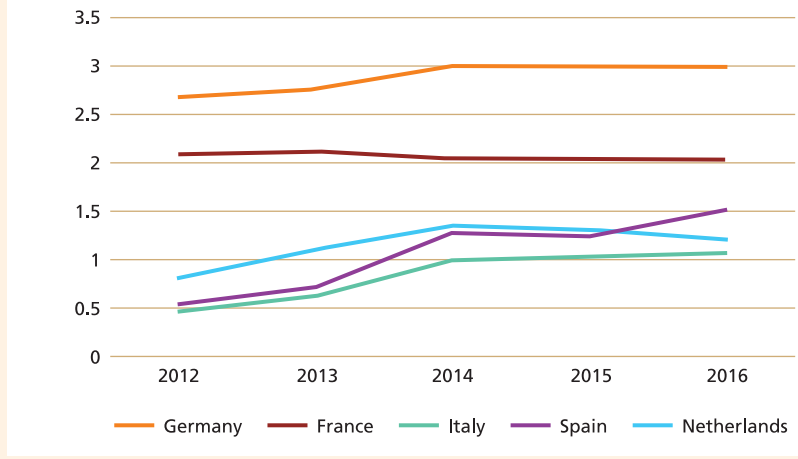
The ranking of the top five EU biodiesel producers – Germany, France, Netherlands, Spain and Italy – remains unchanged. Spain and Italy have invested significantly in renewable energy in recent years, most notably in electricity and power generation. Both countries have been driven by their commitment to EU directives and legislation, which explains the increase in their biodiesel output (Figure 5).

In terms of feedstock, rapeseed oil is the dominant vegetable oil, accounting for 51% of total production last year. Even then, its share of the feedstock mix has shrunk considerably, compared to a commanding 63% in 2009. This is due to wider use of recycled vegetable oil/ UCO and palm oil. The palm oil share has further expanded because of its use in HVO production. Currently, palm oil is used in Spain, the Netherlands, Finland, Italy and France; and, to a much lesser extent, in Germany, Portugal, Romania and Poland.

UCO has become an important feedstock in the EU (Figure 6). Its use received a boost after Austria, Belgium, Croatia, France, Hungary, Ireland, the Netherlands, Poland, Portugal, Slovenia and the UK introduced double-counting. The largest EU producers of UCOME (biodiesel produced from UCO) are the Netherlands, the UK and Germany.

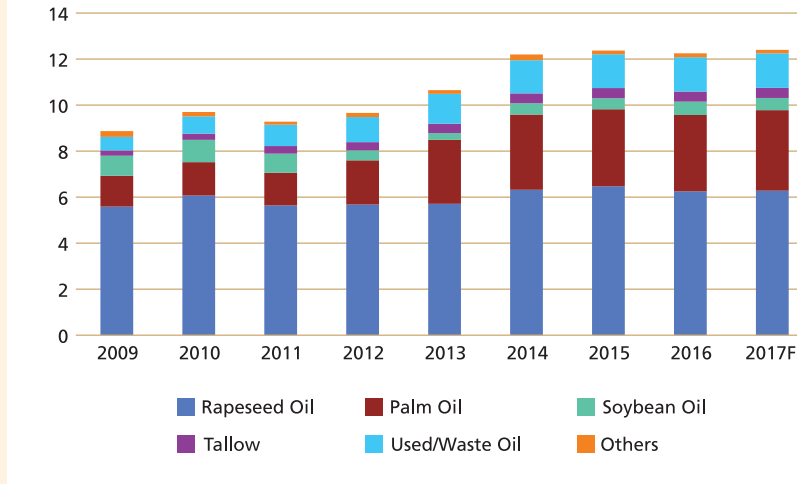
The outlook for EU biodiesel production is estimated at 12.4 million tonnes this year, a slight increase from 12.3 million tonnes last year. This is due to higher biofuel mandates in countries like Germany, Italy, the Netherlands, Portugal and Spain. Additionally, several plants producing HVOs are reportedly scheduled to start operations this year in France, Italy and Portugal. This will boost demand for vegetable oils for energy purposes.

Figure 5: EU – Biodiesel production in key countries ('000 tonnes)



Source: Oil World

Figure 6: EU – Biodiesel production and major feedstocks used ('000 tonnes)



Source: Oil World

Azriyah Azian
Executive,
Marketing & Market Development Division,
MPOC

Biscuit Production Expands in Ghana

Improved capacity

Credit: Olam International Twitter Account

An expanded biscuit production facility has been commissioned in Tema, Ghana. Jointly owned by Singapore-based Olam International (75%) and Sanyo Foods of Japan (25%), it is Ghana's leading biscuit factory.

Nutrifoods Ghana Ltd invested US$8.3 million in expansion work, upgrading the capacity of the facility with state-of-the-art equipment and technology, and a third production line. It manufactures products for both the domestic and West African market.

The expansion has strengthened Nutrifoods' position as Ghana's top biscuit producer, with a market share of 30% currently. It has also created 150 new jobs – raising the workforce to 600 employees, of whom 99% are Ghanaians.

Ghana's Minister for Trade and Industry Mr Alan K Kyeremanten and Singapore's Minister of State for Trade and Industry Dr Koh Poh Koon attended the inauguration ceremony held at the factory on March 31.

Dr Koh expressed the hope that more Singapore companies can participate actively in Ghana's growth. He noted that these companies are not just investing in the physical infrastructure

Biscuit production factory

Mr Alan K Kyeremanten with Dr Koh Poh Koon (*right*) at the inauguration ceremony

but also in building human resource capabilities, with companies such as Olam sponsoring educational programmes.

Mr Chitwan Singh, Business Head at Nutrifoods Biscuits, said: "With this expansion, we have doubled our production capacity, developed a new capability to make more varieties of biscuits, enhanced food safety and security through automation of our production line, and increased employment in other areas of operation."

Mr Amit Agrawal, Country Head of Olam Ghana, said the investment underlined the company's commitment to producing high-quality goods with local talent, in a supportive operating environment.

"The Ghanaian government has created a conducive environment for investments and businesses to thrive, which augurs well for future investments to flow into the country. We are proud to provide Ghanaian consumers with products suited to their tastes […]," he said.

As part of the commemoration, Olam Ghana will donate 63,000 packs of biscuits to the Klagon TMA Basic School. Over the year, 1,300 students will each receive four packets a month as a midday snack.

In January, Nutrifoods Biscuits became the first biscuit factory in West Africa to be awarded the globally acknowledged Food System Certification Scheme accreditation, affirming its focus on food safety initiatives and the ability to identify and control potential food safety hazards.

Olam Ghana, a subsidiary of Olam International, is an agro-commodity and packaged foods company. It also operates an integrated supply chain from the farm gate through processing and logistics, to marketing and distribution of agricultural products.

The company is ranked among Ghana's main Licensed Buying Companies. It is a leading supplier of Ghana's cocoa beans to the European and Asian markets, as well as the country's biggest exporter of cashew nuts and importer of rice.

Olam International Ltd,
Singapore

This is an edited version of the press statement issued on March 31, 2017.

China: Oils and Fats Review

Performance in 2016

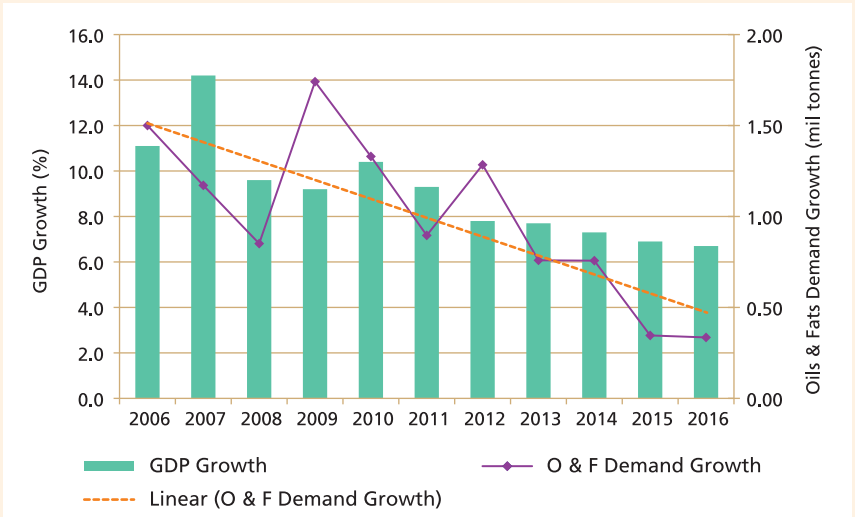
Oils and fats consumption in China has kept pace with the country's economic development, which was robust until recent years. However, the GDP growth rate fell last year to 6.7%, the lowest since the country initiated its open-door policy in the 1980s (Figure 1). Industrial production slowed in the food and non-food sectors. In tandem with this, demand growth for oils and fats declined by 340,000 tonnes compared to 2015 (Table 1), to the lowest level since 1993.

China's GDP growth also has a strong correlation with per capita consumption of oils and fats (Figure 2). Population growth is projected at 0.6% from 2016-20, but there will be an increase in the number of people who are ageing. For the current year, the GDP is forecast at 6.5-6.7%. This may be translated to growth of less than 0.5% in terms of per capita oils and fats consumption.

The per capita consumption growth rate was 0.4% over the past two years. Using this as a benchmark, an additional 0.1kg can be expected this year, to stand at 26.7kg. Multiplied by the projected population increase of 0.6%, overall demand for oils and fats is therefore likely to go up by 300,000 tonnes in the current year.

With declining or stagnating domestic production of oilseeds and oils, China has increasingly relied on imports to meet the shortfall. Self-sufficiency in oils and fats has decreased from 50.3% to 33.1% over the past decade. The share of oils from imported oilseeds has more than doubled – from 19.6% to 43.6% (Figure 2). The share of imported oils has decreased from 30.1% to 23.3% because greater demand for oil meal for animal feed has driven local crushing activities.

Figure 1: China – GDP growth vs oils and fats demand growth



Source: Oil World

Table 1: China – Oils and Fats Consumption (mil tonnes)

	2012	2013	2014	2015	2016
SBO	11.67	11.88	12.67	13.08	14.20
RSO	6.03	6.13	6.33	6.55	6.51
PO	6.16	6.29	6.05	5.83	5.09
GNO	2.03	2.05	2.02	1.97	1.96
CSO	1.63	1.64	1.54	1.43	1.16
Lard	3.59	3.70	3.82	3.69	3.62
Others	3.38	3.55	3.58	3.80	4.14
Total	**34.48**	**35.24**	**36.00**	**36.34**	**36.68**
Y-o-Y Growth (%)	3.87	2.20	2.15	0.96	0.92
Population (mil)	1,355	1,363	1,369	1,376	1,382
Caput use (kg)	25.45	25.85	26.29	26.41	26.54
GDP (%)	7.8	7.7	7.3	6.9	6.7

Source: Oil World

Over the last five years, China's imports of oils and fats have fallen from 11.1 million tonnes to 8.1 million tonnes, due mainly to smaller imports of soybean oil and, to some extent, rapeseed oil (Table 2).

Lower volumes of all three major vegetable oils were recorded last year (Table 3).The steep decline in palm oil imports was attributed to a drastic drop in global output.

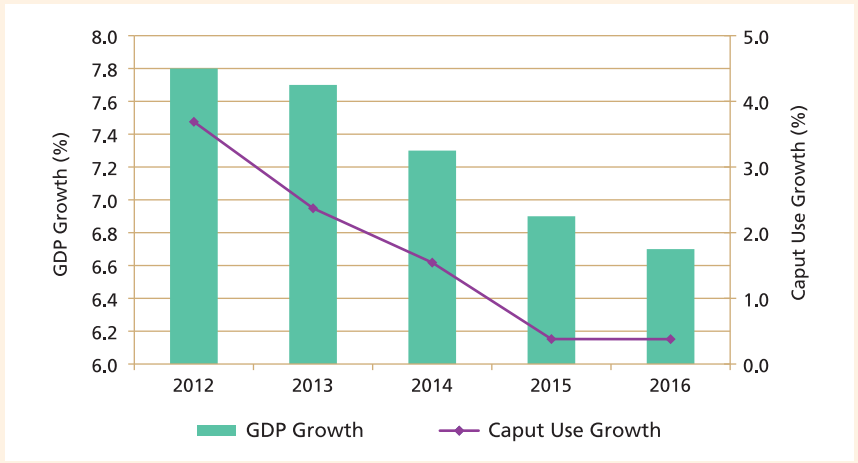
Palm oil imports

CPO from Indonesia and Malaysia accounts for 84% of global supply. However, this fell significantly by about 8% last year (Table 4), due to the impact of the *El Nino* phenomenon which started in early 2015 and lasted about 15 months. It affected the production of fresh fruit bunches, as well as the oil yield. The decline in the combined CPO output of both countries last year was estimated at 4.2 million tonnes. This limited the availability of CPO and processed palm products for export, as the two countries ship at least 70% of their production to more than 150 countries.

China's palm oil imports from Indonesia and Malaysia fell by 23.3% and 25.4% respectively, compared to 2015 (Table 5). The rate of decline was higher than the drop in CPO output of both countries. An explanation for this can be found in China's import duty structure for palm-based products.

China mainly imports RBD palm olein and RBD palm stearin (Table 6) to meet industrial demand. The decision is

Figure 2: China – GDP growth vs per capita demand growth



Source: Oil World

Table 2: China – Oils and Fats Imports (mil tonnes)

	2012	2013	2014	2015	2016
PO	6.59	6.19	5.63	6.03	4.57
SBO	1.83	1.16	1.14	0.82	0.54
RSO	1.18	1.53	0.81	0.82	0.71
Others	1.48	1.74	1.69	2.11	2.28
Total	**11.07**	**10.62**	**9.27**	**9.77**	**8.10**
Y-o-Y Growth (%)	20.79	-4.11	-12.73	5.48	-17.14

Source: Oil World

Table 3: China – Imports of 3 Major Oils and Fats (tonnes)

	Jan-Dec 2016	Jan-Dec 2015	Change (Vol)	Change (%)
PO	4,478,530	5,909,657	-1,431,126	-24.22
SBO	560,225	817,879	-257,654	-31.50
RSO	699,751	815,061	-115,310	-14.15
Total	**5,738,506**	**7,542,597**	**-1,804,090**	**-23.92**

Source: General Administration of Customs, China

Table 4: Global Palm Oil Production

	Production (mil tonnes)		Yield (tonnes/ha)	
	2016	2015	2016	2015
Indonesia	31.80	33.40	3.48	3.87
Malaysia	17.32	19.96	3.51	4.18
Central & South America	3.96	3.82	3.09	3.13
Africa	2.46	2.38	1.67	1.66
Others	2.75	3.00	2.12	2.38
Total	**58.29**	**62.56**	**3.22**	**3.61**

Source: Oil World

Table 5: China – Palm Oil Imports from Major Producers (tonnes)

	Jan-Dec 2016	Jan-Dec 2015	Change (Vol)	Change (%)
Indonesia	2,643,879	3,449,009	-805,130	-23.34
Malaysia	1,829,384	2,451,333	-621,949	-25.37
Others	5,267	9,315	-4,047	-43.45
Total	**4,478,530**	**5,909,657**	**-1,431,126**	**-24.22**

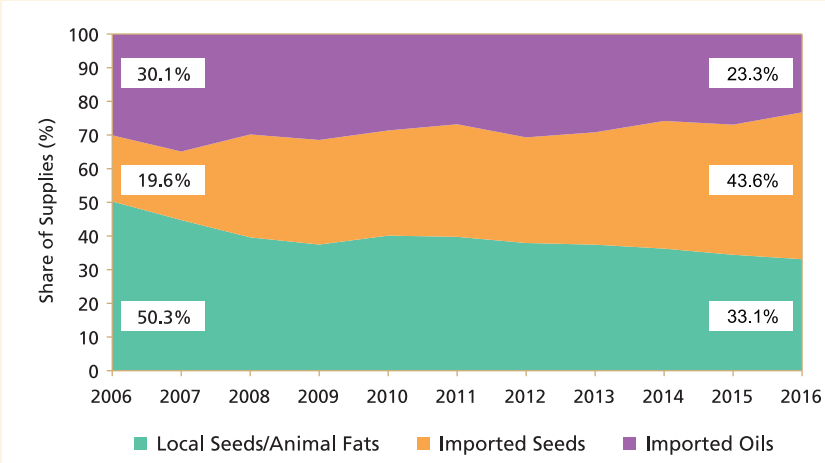
Source: General Administration of Customs, China

Table 6: China – Palm Oil Imports by Product (tonnes)

	Jan-Dec 2016	Jan-Dec 2015	Change (Vol)	Change (%)
RBD PL	3,069,956	4,289,181	-1,219,225	-28.43
RBD PS	1,321,643	1,597,020	-275,376	-17.24
CPO	20,169	13,434	6,735	50.13
Others	66,762	10,021	56,740	566.19
Total	**4,478,530**	**5,909,657**	**-1,431,126**	**-24.22**

Source: General Administration of Customs, China

Figure 3: China – Share of oils and fats supplies



Sources: Oil World, MPOC estimates

greatly influenced by the import duty structure. Duty is set at 9% for all palm-based products, except RBD palm stearin (8% for melting point below 50°C, and 2% for melting point from 50-55°C). There is also a difference in the value added tax – 13% for RBD palm olein, RBD palm stearin and CPO; and 17% for other palm-based products. As such, it is more economical for China to import RBD palm olein and RBD palm stearin.

Competition and price sensitivity also play a role in the choices made. RBD palm olein is used in the food processing and catering sectors; in winter, however, it has to be fractionated to a lower melting point to be used in pure or blended form with other soft oils.

But whether it is used or not depends on its price competitiveness against soft oils like soybean oil and rapeseed oil. There are also certain applications where the three vegetable oils are substitutable for each other; as such, users do not hesitate to make a switch whenever the price is not attractive.

As a result of tighter CPO supply last year, the supply-demand gap for palm oil had to be partially bridged by utilising available stocks in the country. The stock level dropped from over 1 million tonnes in January to 428,000 tonnes as at Dec 30. The price of RBD palm olein moved up from RMB4,560/tonne to RMB6,700/tonne over this period (Figure 4).

Rapeseed oil

The domestic supply-demand balance of vegetable oils, as well as their prices, were disrupted substantially last year when the government auctioned close to 3.4 million tonnes of the state reserve of rapeseed oil. An estimated 6.2 million tonnes were available as at the end of 2015, having been purchased annually and stored since 2009 to protect the interests of rapeseed farmers. Prior to last year, only a small

quantity had been auctioned and released into the market.

Since the quality of some of the oil had deteriorated over the years, the auction base-price was far lower than the market price of rapeseed oil – and even soybean oil – so that it could be sold at a competitive price after refining (Figure 5).

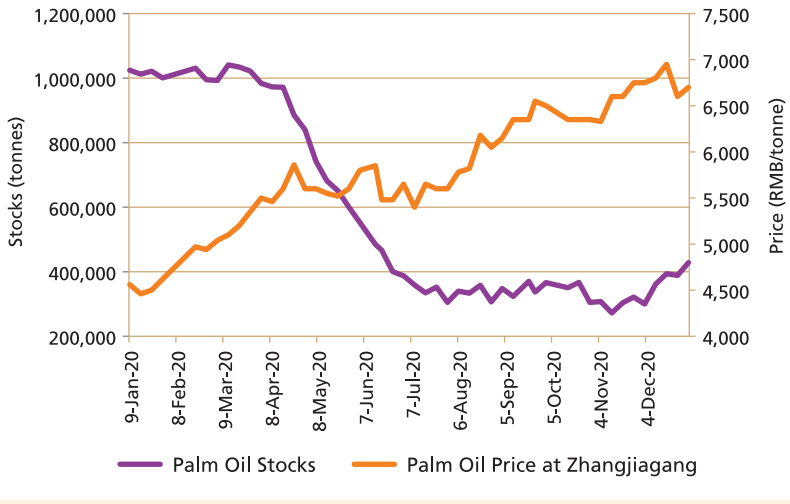
Many traders took advantage of the competitive auction price, which was lower than, or on par with, that of RBD palm olein over the first half of last year. This eroded the import share of RBD palm olein, especially in the blended cooking oil segment. Soybean oil and rapeseed oil imports were similarly affected.

The impact spread to rapeseed imports, which decreased for the second consecutive year (Table 7) although this was also due to two other factors. China had intended to impose a requirement from April 1 to reduce impurity in imported rapeseed, from 2% to 1%. Implementation was postponed to Sept 1, and then suspended after a meeting with Canada's leaders. It, however, deterred importers and traders from placing orders. Import activities were further affected by the smaller rapeseed output worldwide.

Soybean imports

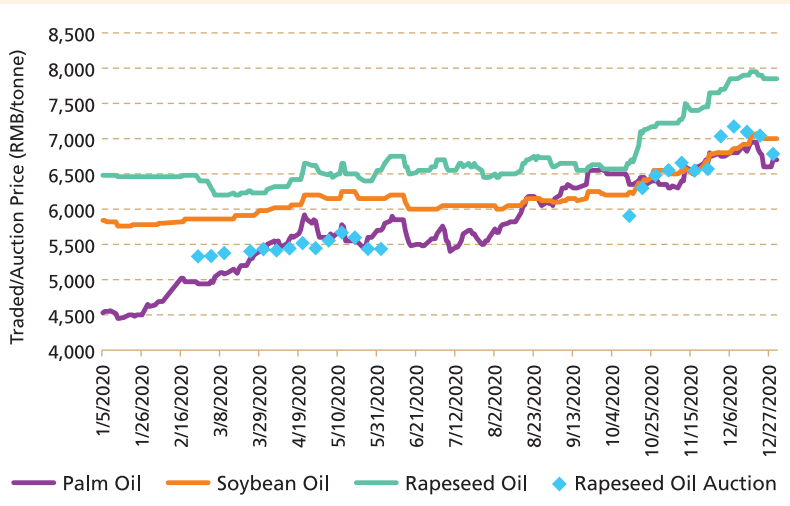
Since the 1990s, China has imported bigger amounts of soybean (Figure 6) for crushing to produce meal for animal feed,

Figure 4: China – Palm oil stocks vs price



Sources: Shanghai Pansun, CNOGIC

Figure 5: China – Price of major oils and RSO auction price, 2016



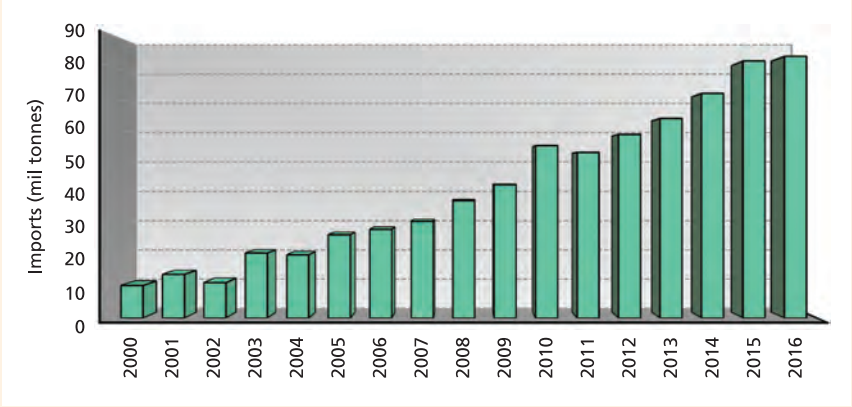
Sources: CNGOIC, National Grain Trade Centre

Table 7: China – Rapeseed Imports from Major Producers (mil tonnes)

	Jan-Dec 2016	Jan-Dec 2015	Change (Vol)	Change (%)
Canada	3.44	3.90	-0.46	-11.81
Mongolia	0.04	0.07	-0.03	-38.68
Australia	0.06	0.47	-0.41	-86.62
Russia	0.02	0.03	-0.01	-25.92
Total	**3.56**	**4.47**	**-0.91**	**-20.24**

Source: General Administration of Customs, China

Figure 6: China – Soybean imports, 2000-16



Source: Oil World

Table 8: China – Soybean Imports from Major Producers (mil tonnes)

	Jan-Dec 2016	Jan-Dec 2015	Change (Vol)	Change (%)
Brazil	38.04	40.13	-2.09	-5.21
US	33.66	28.41	5.25	18.46
Argentina	8.01	9.44	-1.43	-15.08
Uruguay	1.66	2.32	-0.66	-28.32
Canada	1.46	1.07	0.39	35.91
Russia	0.40	0.37	0.03	7.41
Others	0.004	0.001	0.003	258.92
Total	**83.23**	**81.74**	**1.49**	**1.82**

Source: General Administration of Customs, China

Table 9: China – Change in Supply-Demand Balance of Oils and Fats (mil tonnes)

	2015	2016	Change
Supply Change			
SBO (from imported beans)	12.29	13.76	+1.47
SBO imports	0.82	0.54	-0.28
Change in SBO stocks	0.89	0.92	-0.03
RSO (from imported seeds)	1.75	1.40	-0.35
RSO (from local seeds)	3.40	2.85	-0.55
RSO (from the state reserve)	0.08	3.39	+3.31
RSO imports	0.82	0.71	-0.11
PO imports	6.03	4.57	-1.46
Change in PO stocks	1.02	0.43	+0.59
Other oils produced	9.10	8.69	-0.41
Other oils imported	2.11	2.28	+0.17
Demand Change			
Total consumption	36.34	36.68	+0.34
Balance Change			+2.00

Sources: Oil World, MPOC estimates

with oil being a by-product. From 2003-16, the volume grew at an average rate of 11.3%, accounting for more than 90% of all imported oilseeds.

Last year, a reduction in South American soybean supply and the depreciation of the Renminbi increased the cost of – and discouraged interest in – importing soybean from Brazil, Argentina and Uruguay (Table 8). The price of US soybean rose by 25% – from RMB2,850/tonne to RMB3,550/tonne – over the year. Nonetheless, domestic crushing remained strong at 77.6 million tonnes, against 70.1 million tonnes in 2015.

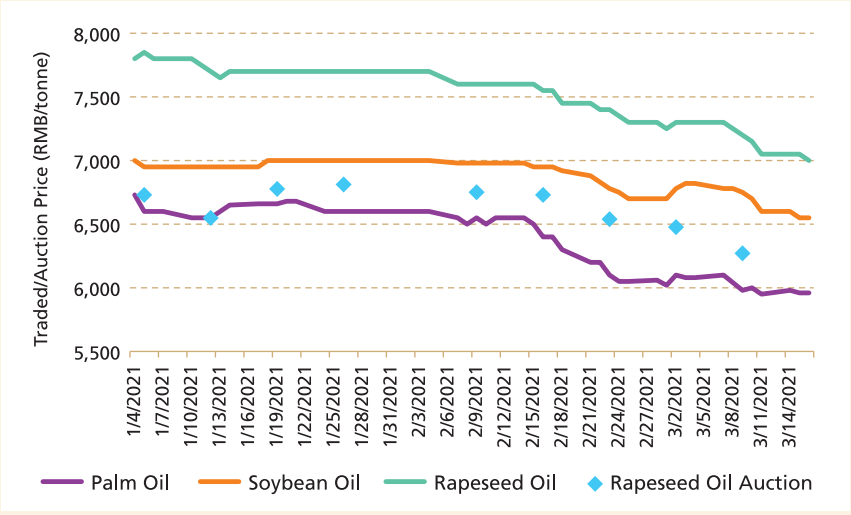
Supply-demand landscape

Rapeseed oil

From analysis of available data, there appears to be a huge carryover stock of rapeseed oil – estimated at 2 million tonnes – into this year (Table 9). The government continued to release the state reserve of rapeseed oil through a weekly auction of 100,000 tonnes until March 15. About 889,540 tonnes have been auctioned to date this year, while an estimated 1.4 million tonnes remain in reserve.

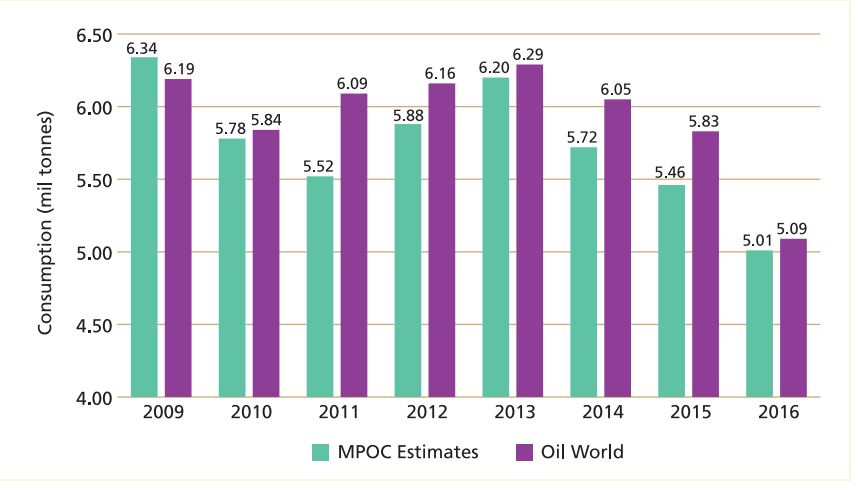
The government suspended the auction because of the build-up of rapeseed oil stocks in the market. This put pressure on the selling price, especially when the auction price fell in February. Buyers of earlier batches have had difficulty selling their stocks because they had paid a higher price last December and in January this year.

Figure 7: China – Price of major oils and RSO auction price up to March 2017



Sources: CNGOIC, National Grain Trade Centre

Figure 8: China – Annual palm oil consumption



Source: Oil World, Chinese Customs, Shanghai Pansun, MPOC estimates

Table 10: China – Supply-Demand Balance of Palm Oil (tonnes)

	2013	2014	2015	2016	2017F
Opening Stocks	1,147,000	923,000	511,950	962,000	428,300
Imports	5,980,594	5,309,514	5,909,686	4,478,530	5,471,700
Consumption	6,204,594	5,720,564	5,459,636	5,012,230	5,400,000
Ending Stocks	923,000	511,950	962,000	428,300	500,000

Sources: Chinese Customs, Shanghai Pansun, MPOC estimates

According to official data, about 1.8 million tonnes of the rapeseed oil auctioned since last October had been collected from the designated tanks. However, only some 800,000 tonnes had been utilised as at the end of March. So, about 1 million tonnes remain in the bidders' storage tanks.

Based on the policy of the National Grain Trade Centre, successful bidders are required to collect the oil within 60 days. This means that the volume auctioned since Feb 15 this year – 397,134 tonnes – had yet to be released into the market at the time of writing. The price will come under further pressure when the volume is fully offloaded into the market by mid-May.

However, this may not necessarily prevent importers or traders from importing oils. For instance, the auction price from January to March this year was higher than the market price of RBD palm olein. When the cost of refining the auctioned rapeseed oil is taken into account, RBD palm olein will be more competitively priced.

At the same time, the auctioned rapeseed oil will compete with imported rapeseed and rapeseed oil. Domestic rapeseed production is forecast to be lower by 931,000 tonnes this year, which is equivalent to a reduction of about 460,000 tonnes of rapeseed oil.

Another reason why RBD palm olein will not face competition is that the state reserve consists of Grade 4 rapeseed oil, which is mainly used as cooking oil in rural or suburban areas in the central region of China. Refining it to Grade 1 – for use as bottled cooking oil – would cost about RMB300-400/tonne. Complicating the situation is that the quality of the Grade 4 oil is below par or adulterated with cottonseed oil. It therefore cannot be used for applications that RBD palm olein fulfils.

However, the cheaper auctioned rapeseed oil could still create difficulties in the domestic market by putting pressure first on the soybean oil price, and then that of RBD palm olein. If the price discount of RBD palm olein against soybean oil does not stay at an attractive level – given that it varies throughout the year due to weather conditions – consumption of RBD palm olein will be flat this year compared to last year.

Palm oil

Despite a significant reduction in China's palm oil imports by 1.4 million tonnes last year, consumption only dropped 450,000 tonnes and was pegged at about 5 million tonnes based on MPOC estimates. Part of the demand was met by utilising stocks held in the country. In the years when there was no disruption in global supply, the minimum consumption in China was 5.5 million tonnes (Figure 8).

Since the palm oil stock level in China is relatively low (less than, or close to, the one-month buffer stock required to ensure that supply is not disrupted), demand will be largely satisfied through imports of at least 5.5 million tonnes this year – up by 993,170 tonnes compared to last year (Table 10). About 1.6 million tonnes will be utilised by the oleochemicals industry and the rest by the food sector.

Soybean oil

The supply-demand balance of soybean oil is reliant on the animal feed sector, which expects to generate better demand this year. The volume of soybean imports will therefore also expand, as will soybean oil supply.

The China National Grain and Oils Information Centre has predicted that 2016/17 soybean imports will grow by about 3.3 million tonnes, or by 3.9%, compared to 2015/16. Soybean oil supply is expected to rise by 318,600 tonnes (at an extraction rate of 18%), which is about equivalent to China's additional oils and fats needs this year.

Desmond Ng
MPOC China

Brazil in push for GM-free soybean

A movement to replace genetically modified (GM) soybean with conventional seeds is gaining traction in Brazil's largest soybean-producing state of Mato Grosso, as farmers anticipate growing demand from Asia and Europe.

Brazil was an early adopter of transgenic crops and more than 96% of its soybean harvest is of GM varieties, which helped to transform the country into the world's largest soybean exporter.

Biotech crops, such as corn, soybean and cotton, are genetically modified to resist pests or disease, tolerate drought or withstand sprayings of weed killers like glyphosate, the active ingredient in Monsanto Co's herbicide.

Wininton Mendes, coordinator of a programme to promote the use of conventional seeds – run by Mato Grosso growers and the government agricultural research agency Embrapa – said doubts about the impact of GM food on human health are a driver behind demand for conventional raw materials.

Proponents of biotech crops say that the technology lowers the cost of food and helps farmers to manage pests and diseases more safely. But some consumers and environmental groups argue that GM crops boost pesticide use and pose threats to the environment and human health.

Mendes said Mato Grosso's drive to plant more conventional soybean is backed by three trading firms – Amaggi SA, Imcopa International SA and Caramuru Alimentos SA – which pay a premium. The average premium stood at 12 Reais per 60kg bag of GM-free soybean this season.

Reintroduction of conventional soybean creates a niche market for farmers with deep pockets, since non-GM crops require strict controls to avoid contamination during production and shipping, which may raise costs.

Encouraged by the premium paid this season, farmers may plant more non-GM soybean in the next cycle, said Daniel Ferreira, the superintendent of agricultural research agency Imea. However, for many farmers, the difficulty remains the availability of seeds.

An estimated 13.6% of the 2016/17 soybean harvest in Mato Grosso was of the conventional variety. This was down slightly from 15% previously as Brazil's conventional seeds supply remains low, said Mendes.

Soybean demand from China, a major factor in Brazil's agricultural expansion, remains strong. However, a consumer backlash there against GM crops is beginning to dent demand for soybean oil, its main cooking oil; this could spell trouble for the crushing industry, which relies on GM soybean from Brazil and the US.

China, which does not grow GM soybean, needs 11 million tonnes of conventional soybean for food production per year, said Lin Tan, an executive at Hopefull Grain & Oil Group. Local farmers cannot supply at least 3 million tonnes of demand from crushers, and the "additional grains must come from somewhere".

A group of 14 EU countries imported about 2.7 million tonnes of non-GM soybean meal equivalent, according to a 2015 report, and there is potential demand from India, Mendes said.

Brazil's Agriculture Minister Blairo Maggi said the country needs to step up research to develop conventional seeds for mass production. He cautioned that the government has no funds to promote GM-free soybean production, adding there is space for both kinds in the marketplace.

Source: Reuters, May 11, 2017

Russian soybean oil exports keep up record pace

Russia exported 53.8 kilo metric tonnes (KMT) of soybean oil in March – almost 53% more than in the previous month (35.2 KMT) – and up 86% from March 2016. This was the second-biggest shipment after the 63.2 KMT exported last October.

The top importers in the 2016/17 season include Algeria (152.9 KMT or 51% of total exports), Tunisia (32.5 KMT or 11%) and Cuba (29.7 KMT or 10%). China remains a major importer, although it decreased purchases to 28.4 KMT, against 35.5 KMT a year earlier.

In addition, the current season features an expansion of the range of export destinations to countries like Saudi Arabia, Venezuela, Rwanda, Haiti and Yemen.

Source: UkrAgroConsult, May 8, 2017

Malaysia to defend palm oil in Europe

Malaysia remains ready to defend its palm oil industry, following the European Parliament's support for the 'Resolution on Palm Oil and Deforestation of Rainforests'.

Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said in a statement that the Ministry is ready with credible facts and figures "to face those unfair, biased and distorted allegations about the palm oil industry".

The Resolution, adopted on April 4, calls on the EU to phase out by 2020 the use of vegetable oils – including palm oil – in biodiesel, if produced in an unsustainable way that leads to deforestation. It also wants a single EU-led certification scheme to be drawn up for palm oil.

At the 30th ASEAN Summit in Manila in late April, leaders issued a statement urging the EU to recognise the palm oil sustainability certification schemes of the region's producer countries. They noted that these government-led schemes also demonstrate ASEAN's commitment to the UN's Sustainable Development Goals.

Mah said the region's palm oil industry supports the livelihood of 3.5 million smallholders, mainly in Malaysia, Indonesia and Thailand.

The EU imports between 7 million tonnes and 7.5 million tonnes of palm oil annually. Last year, Malaysia accounted for 29.4% of the imports, while Indonesia supplied 48.6%. Malaysian palm oil exports to the EU were valued at RM9.9 billion.

On April 5, Datuk Seri Mah had said that Malaysia and Indonesia would team up to convince European Parliament lawmakers that the two countries are already taking steps to ensure that oil palm production activities do not harm the environment.

"We know that the global community is concerned about the environment and deforestation, but it is unfair just to target palm oil […] .We want to be given a chance to address the lawmakers […] as to why we feel the resolution is unfair to palm oil," he said.

The minister said he would also fight for the EU to recognise the Malaysian Sustainable Palm Oil certification scheme. All plantations must be certified by December 2018. Estates and smallholdings have until June and December 2019 respectively, to achieve certification.

Sources: Bernama, May 4, 2017; The Star Online, April 6, 2017

Labour shortage in Malaysian oil palm plantations

Malaysian oil palm planters are bracing for a severe labour shortage, with Indonesian workers staying away due to the weaker Ringgit and increased opportunities at home. This could delay harvests and curb output, as extraction rates fall when fruit is picked late.

About 70% of the workforce in the Malaysian oil palm industry comes from Indonesia. But the Ringgit has plunged in value, falling 15% against the Indonesian Rupiah since the start of 2015.

That, along with increased demand for labour in Indonesia as new plantations open there, is cutting the number of workers prepared to head for Malaysia, planters said. Some also cited tighter employment regulations in Malaysia, with stricter Immigration procedures for foreign workers.

"This year, output will be impacted by [the shortage of] workers," said Datuk Zakaria Arshad, chief executive of Felda Global Ventures Bhd, one of Malaysia's largest oil palm plantation operators. "Workers are more difficult to get now, especially from Indonesia."

Plantation workers usually make little more than the minimum wage, which is about RM1,000 in Peninsular Malaysia and 3.35 million Rupiah in Indonesia.

Indonesia is the world's top producer of palm oil, churning out 31.8 million tonnes last year. Malaysia produced 17.3 million tonnes.

Source: Reuters, April 8, 2017

Pacts to promote Malaysian palm oil in India

The Malaysian Palm Oil Council has signed pacts with two bodies in India – the Solvent Extractors Association and the Mumbai Dabbawala Association – to extend acceptance of palm oil among food manufacturers and consumers.

The memorandum of understanding (MoU) with each was exchanged in the presence of Malaysian Prime Minister Datuk Seri Najib Abdul Razak, a statement said. It aims at educating consumers on the nutritional and health properties of Malaysian palm oil, as well as its uses.

With their outreach to consumers by way of distribution of daily meal-boxes, the Dabbawalas are in a unique position to assist the MPOC in enhancing the image of Malaysian palm oil, the statement said.

Source: Press Trust of India, April 3, 2017

India set to boost oil palm cultivation

India's government has relaxed the land ceiling for oil palm cultivation under the National Mission on Oilseeds and Oil Palm (NMOOP). The aim is to attract farmers and corporate bodies to boost output and cut imports.

Domestic production of edible oils stands at about 9 million tonnes, while demand is around 25 million tonnes. The gap is met through imports, valued at Rs 68,000 crore in 2015-16. Palm oil contributes 70% of the vegetable oil imports.

The Cabinet also revised norms for assistance under Mini Mission-II of the NMOOP. It approved revisions in assistance for planting materials, maintenance costs, inter-cropping costs and bore-wells. All this is intended to make investment in oil palm plantations more attractive and to help utilise waste land.

This programme is being implemented in 12 states – Andhra Pradesh, Karnataka, Tamil Nadu, Mizoram, Odisha, Kerala, Assam, Telangana, Chhattisgarh, Gujarat, Arunachal Pradesh and Nagaland. Nearly 133 districts are under oil palm cultivation in these states.

There will be some financial implications in relaxing restrictions on the acreage and upscaling the norms of subsidies, but this will be accommodated within the NMOOP fund, a statement said.

The government has promoted oil palm planting since 1986-87. From 2014-15, this was done via the NMOOP. The planted area has expanded from 8,585 ha in 1991-92 to about 3 lakh ha in 2015-16. An additional 1.3 lakh ha is planned to be cultivated in 2016-17.

Source: Press Trust of India, April 12, 2017

Benefits from Brexit for Malaysian palm oil?

Malaysia's food-based exports, especially palm oil, could reap trade opportunities through the changes created by the UK's departure from the EU.

Glenreagh Sdn Bhd Managing Director Nordin Abdullah expects better opportunities for Malaysian companies with the capacity to operate in highly-regulated and competitive environments.

"It is no secret that certain countries in the EU are less receptive to imports of palm oil for protectionist reasons. Malaysia can now [re-examine how it deals] with the issue, as regulations and attitudes can change post the UK's departure," he said in a statement today.

Nordin said that, in the short-term, both the UK and EU economies will be competing for trade and investments with external parties.

In February, Malaysia's exports of palm oil to the EU and the UK stood at 153,165 tonnes and 1,759 tonnes respectively.

Source: Bernama, March 30, 2017

MSPO-certified palm oil for Europe by year-end

Malaysia will send its first consignment of domestically-certified palm oil to Europe by the end of the year, said Minister of Plantation Industries and Commodities Datuk Seri Mah Siew Keong.

Malaysia's target is to send 5 million tonnes of certified oil to Europe by 2019. The industry will also continue to engage with European buyers, he told a press conference.

He said that mandatory implementation of the Malaysian Sustainable Palm Oil (MSPO) standard by December 2019 is a move towards branding the output as being sustainably-produced and safe.

The government plans to organise more than 100 nationwide briefings on the MSPO up to next year, to enhance awareness among the 550,000 smallholders.

Source: Bernama, Feb 28 & March 30, 2017

Drop expected in India's vegetable oil imports

India's booming edible oils imports are expected to decline or hold flat in the year to October 2017, failing to grow for the first time in six years as near-record domestic oilseeds output boosts supplies, industry executives said in Kuala Lumpur.

India, the world's biggest edible oils importer, is expected to purchase about 14-14.5 million tonnes of vegetable oils this year, compared to 14.5 million tonnes in 2015/16.

"We are going to have an additional [1.2] million tonnes of edible oils this year because of higher soybean production last year, and expectations of a bumper rapeseed crop which will be harvested in the coming months," said Sandeep Bajoria, chief executive of Mumbai-based brokerage Sun Win Group.

India's edible oils purchases – mainly palm oil from Malaysia and Indonesia and soybean oil from Argentina – have risen each year since 2010/11, according to US Department of Agriculture data. The imports have grown at an average of 11% a year.

India's soybean crop, harvested in October, rose to 11.5 million tonnes, up from 7 million tonnes a year ago. This was the biggest annual output jump in more than a decade, boosting supplies and dragging down prices.

Rapeseed production is forecast to rise to 7 million tonnes, from 5.8 million tonnes a year ago, Bajoria said.

India's soybean oil imports are expected to decline to 3.4 million tonnes from 4.3 million tonnes a year ago. However, palm oil imports are forecast to rise to 8.8 million tonnes this year from 8.4 million tonnes last year.

Source: Reuters, March 6, 2017

Indonesia seeks better productivity in oil palm planting

The Indonesian Palm Oil Board (DMSI) – an umbrella organisation of the country's main palm oil associations – says higher productivity will be the key to boosting CPO production.

Amidst international pressure, particularly after the devastating forest fires in Sumatra and Kalimantan in the second half of 2015, President Joko Widodo had announced a five-year moratorium on new concessions in order to limit the expansion of oil palm plantations.

Although the authorities want higher CPO output to safeguard foreign exchange earnings and create employment opportunities, further growth should come on the back of rising productivity, not by adding new plantations.

DMSI Chairman Derom Bangun said higher productivity should be achieved by replanting. Currently, the average production is close to 3.7 tonnes/ha/year. This should be raised to at least 5 tonnes/ha/year. The estimated maximum (perfect) productivity is 9 tonnes per ha, but this is considered too difficult to achieve.

Without higher productivity, the moratorium will curtail growth of the palm oil industry, both in terms of production and plantation size. Bangun said the sector had expanded by 13-15% per year in the 1990s, in production and plantation size. However, over the past couple of years, growth had fallen to 5-8% per year.

The palm oil sector is one of the key foreign exchange earners for Indonesia and provides employment to millions, especially in Sumatra and Kalimantan.

Indonesia's oil palm plantation size is currently estimated at 11 million ha. Bangun said that, if productivity can be raised to 6 tonnes/ha/year, then CPO production would nearly double to 66 million tonnes per year.

The Indonesian Palm Oil Association said CPO production recorded 34.5 million tonnes in full-year 2016, down 3% from 35.5 million tonnes the previous year. The drop was due to the impact of the *El Nino* phenomenon, which brought dry weather to Southeast Asia in 2015.

Source: www.indonesia-investments.com, Feb 18, 2017

RM50mil R&D boost for Malaysia's palm oil sector

Malaysia has allocated RM50 million to develop the quality of its palm oil, said Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong.

The money will be disbursed as matching grants for research and development to improve the safety and quality of Malaysian palm oil and derived products.

"R&D will be done on a joint-venture basis with the private sector," he said, noting that the scientific research will focus on eliminating contaminants in palm oil.

He said palm oil is already safe in terms of nutritional value, and that research would make it even better.

Malaysian-owned palm oil mills and refineries based in the country will be eligible to apply for funds via the allocation.

Source: The Star Online, March 8, 2017

These are edited versions of the articles.

US BIODIESEL INDUSTRY FILES PETITION

It alleges 'dumping' of imports

The US National Biodiesel Board (NBB), which is an industry association, has filed an anti-dumping and countervailing petition with the US Department of Commerce and US International Trade Commission, against Argentine and Indonesian biodiesel imports.

Submitted on behalf of the NBB Fair Trade Coalition, comprising the NBB and domestic biodiesel producers, the complaint claimed that companies from Argentina and Indonesia are violating trade laws by flooding the US market with "dumped and subsidised" biodiesel.

NBB CEO Donnell Rehagen said the board is committed to fair trade and supports the right of producers and workers to compete on a level playing field, but called the concerned imports "illegal" and "unfair".

"This is a simple case where companies in Argentina and Indonesia are getting advantages that cheat US trade laws and are counter to fair competition. [The] NBB is involved because US biodiesel production, which currently supports more than 50,000 American jobs, is being put at risk by unfair market practices," Rehagen said in a statement dated March 23.

According to the NBB, biodiesel imports from Argentina and Indonesia had surged by 464% from 2014-16 due to "illegal trade activities", which had sucked 18.3 percentage points of the market share from US producers.

"The resulting imbalance caused by unfair trade practices is suffocating US biodiesel producers. Our goal is to create a level playing field to give markets, consumers and retailers access to the benefits of true and fair competition," said Rehagen.

The NBB claimed that producers from the two countries are dumping biodiesel in the US by selling at prices "substantially below" the cost of production, alleging a margin of 23.3% for Argentina and 34% for Indonesia. The petition also claimed the existence of illegal subsidies, based on numerous government programmes in both countries.

The Argentine biofuels industry has lashed out against the petition, with local industry chambers claiming that exports could be "devastated" if anti-dumping duties are imposed, according to a *Reuters* report on March 31.

"If a sanction is applied against Argentina in the US, our exports will no longer be viable. At this point, there is no alternative market," Claudio Molina, Executive Director of the Argentina Biofuels Association, told *Reuters*.

According to *Reuters*, Argentina exported 90% of the 1.6 million tonnes of biodiesel it produced last year. The country taxes biodiesel at a variable rate, but its producers pay significantly less for soybean oil than their US counterparts, as they do not have to pay import taxes.

Europe used to be Argentina's leading export client, but the relationship came to an end when the EU imposed anti-dumping duties on the country in 2013.

The World Trade Organisation ruled in favour of Argentina's complaint against the duties last year, but a counter-claim by the EU has kept these in effect for the time being.

Source: OFI Magazine, April 18, 2017

This is a slightly edited version of the article.

Game-changer in US Biofuels Sector

Uncertainty rules

At the insistence of US President Donald Trump, climate change was not on the agenda when he met with Chinese Premier Xi Jinping in early April. This came after Trump signed an executive order on March 28, directing the EPA to roll back the Obama-era Clean Air Action Plan that called for a 26% reduction in US greenhouse gas (GHG) emissions from electric utilities by 2025.

That plan was used in 2014 by then-President Barak Obama to negotiate with Premier Xi to secure a commitment from China to ensure that country's GHG emissions would peak no later than 2030. The 2015 Paris Climate Accord spurred both plans into action.

While neither regulatory blueprint was targeted at electricity generation and had nothing to do with renewable transportation fuel directly, Trump's actions have confounded the US biofuels industry.

At the Nebraska Ethanol Board's recent Issue Forum, Doug Durante, Executive Director of the Clean Fuels Development Coalition, said the Trump administration doesn't "… feel it's very important to reduce carbon. They are very sceptical about climate change. They are very clear about that."

The administration's stance makes it more difficult for the biofuel industry to push for expanded use based on environmental grounds, leaving the sector to come up with a new line of reasoning for expanding the required volumes for biofuels.

Furthermore, although Trump – both as candidate and president – has expressed his support for biofuels and the Renewable Fuel Standard (RFS), the sector is nervous about the administration's true position. The nervousness is driven by the number of RFS critics who are now administration officials, including EPA Administrator Scott Pruitt, as well as key players in the agency and Department of Energy transition teams.

Box 1: Why WPI is Neutral Ethanol, Bearish Biodiesel

- The biofuels industry is highly dependent on federal renewable energy policy, but there is a great deal of uncertainty over the future of that policy under the Trump administration.
- Ethanol production is 4.5% ahead of last year and on pace to exceed the cap of 15 billion gallons for domestic use.
- Ethanol exports will be crucial to reducing record-high stocks; January 2017 exports have been strong despite the loss of China's market and the potential loss of Brazil in the second half of 2017.
- The biodiesel blenders' tax credit has expired, which historically means reduced profitability for the biodiesel sector. Production and margins are down versus last year.
- An anti-dumping and countervailing duty case filed by the US industry against Argentina and Indonesia likely won't be completed until a year from now.

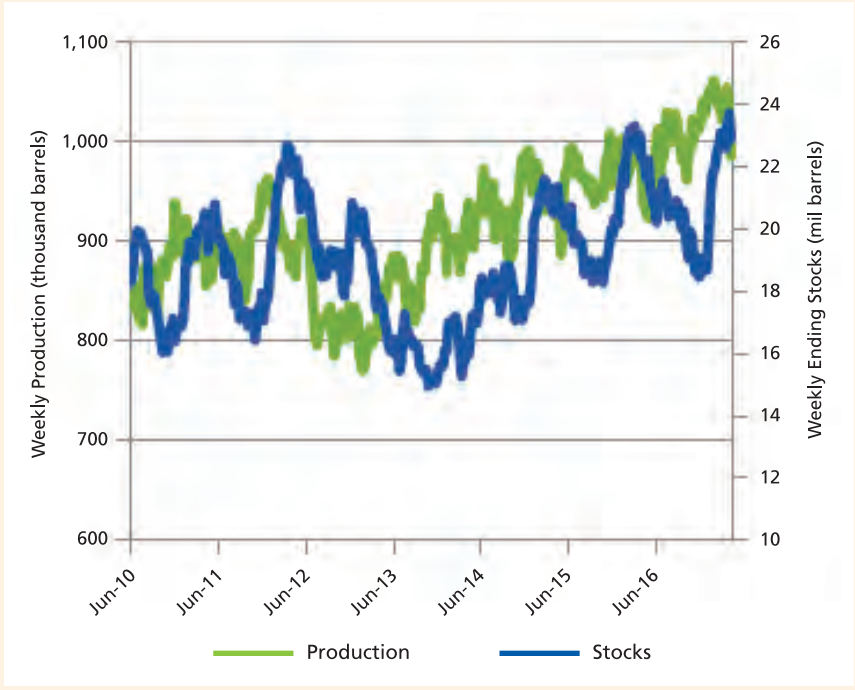
Moreover, the president's softening of many of his key campaign platform issues – ranging from a hard stance on China trade (including that country's new import tariffs on ethanol and DDGS) to the harsh rhetoric about renegotiating NAFTA – is causing the sector to worry.

The timing of Trump's actions is critical as the EPA approaches the deadline for releasing its proposed Required Volume Obligations (RVOs) of biofuels for CY 2018 and that of biodiesel for CY 2019. There is a good chance that the agency will intentionally drag its feet this year, however. A final decision from the DC Circuit Court of Appeals on whether the EPA retains its waiver authority to reduce ethanol RVOs isn't expected until this summer.

The case stems from the proposed volumes issued for CY 2014. At that time, the EPA reduced the advanced and overall volume totals by waiving the applicable statutory volumes due to an "inadequate domestic supply". However, it interpreted the phrase "inadequate domestic supply" as applicable to a shortage of motor fuels that could be blended and not to biofuels.

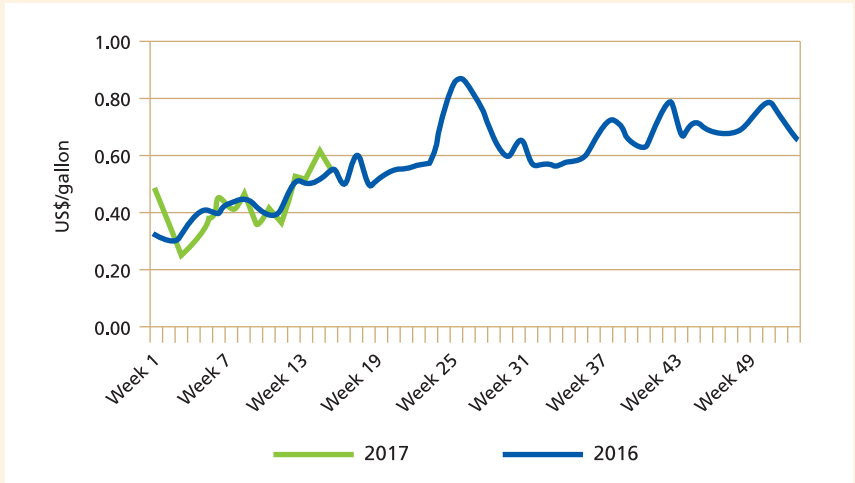
In short, the EPA argued that a general waiver can be granted by equating the market's inability to consume with its inability to supply enough biofuels. This authority is not clearly delineated in the 2007 Energy Independence and Security Act (EISA) and was subject to a legal challenge from the biofuels industry. With the court decision pending, the EPA could be waiting to see what its options are, potentially delaying the 2018 volume proposal until this summer.

Figure 1: Weekly ethanol production and ending stocks



Sources: EIA, WPI

Figure 2: WPI-estimated gross margins for ethanol (including corn oil extraction)



Sources: USDA, WPI

Ethanol sector

While ethanol production dropped slightly at the end of March, it stayed above the 1 million barrels/day mark as the US Energy Information Administration (EIA) reported that the daily average for the last week of the month was 1.019 million barrels. That is the lowest total in 19 weeks and down 25,000 barrels/day from the previous week.

However, it is also the 23rd straight week that production has exceeded 1 million barrels/day. In addition, the volume was

4.5% higher than the same week a year ago and has helped push up stocks to the highest level on record since the EIA started tracking ethanol data in June 2010.

Such a drop in weekly production is not unusual as production follows a typical seasonal pattern, heading lower into March and April as plants start maintenance and the supply chain moves toward summer blends. Through March 31, ethanol production is on pace to reach about 15.7 billion gallons.

The RVO for this year is 15 billion gallons, which is at the statutory cap for conventional ethanol under the EISA. Thus, exports will be critical to move the additional ethanol being produced. Data for the month of January showed that exports were surprisingly up from December and reached the fifth-highest monthly total on record.

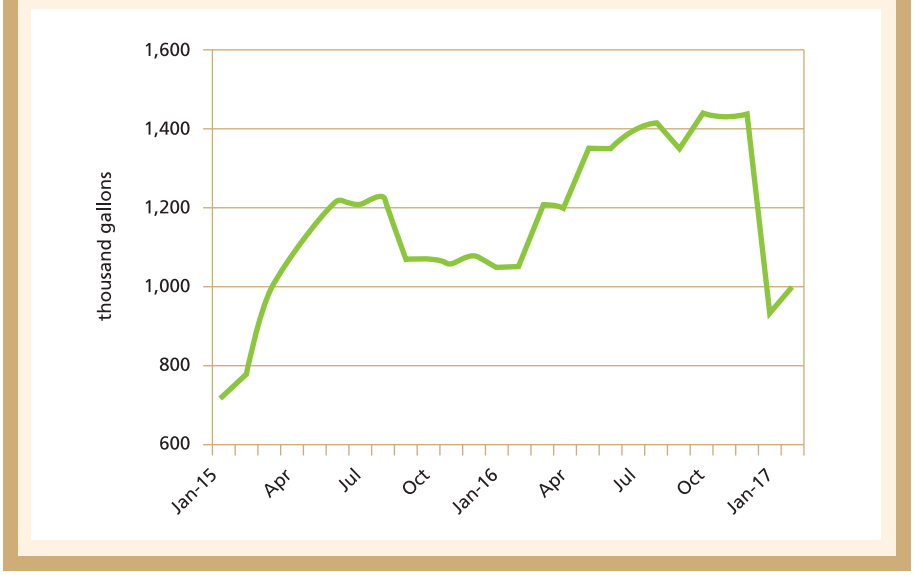
However, shipments to China have stopped due to new tariffs imposed late last year; thus, the robust pace of production, coupled with slower exports, added about 131,000 barrels to ethanol stocks as at the week ending April 14, 2017.

In Brazil, the ethanol sector is pressing for a new import tariff of 16%, and there is widespread agreement that it is very likely to be enacted. Reportedly, that has helped boost US export sales for shipments between now and June. Last year the US exported about 1.1 billion gallons of ethanol with Brazil accounting for 267 million gallons or about 25% of that volume.

Domestically, the market looks good for the rest of the year. According to the EIA's April Short-Term Energy Outlook (STEO), fuel ethanol blending is projected to increase to 960,000 barrels/day, approximately 20,000 barrels/day higher than last year, and will make up 10.1% of total motor gasoline consumption.

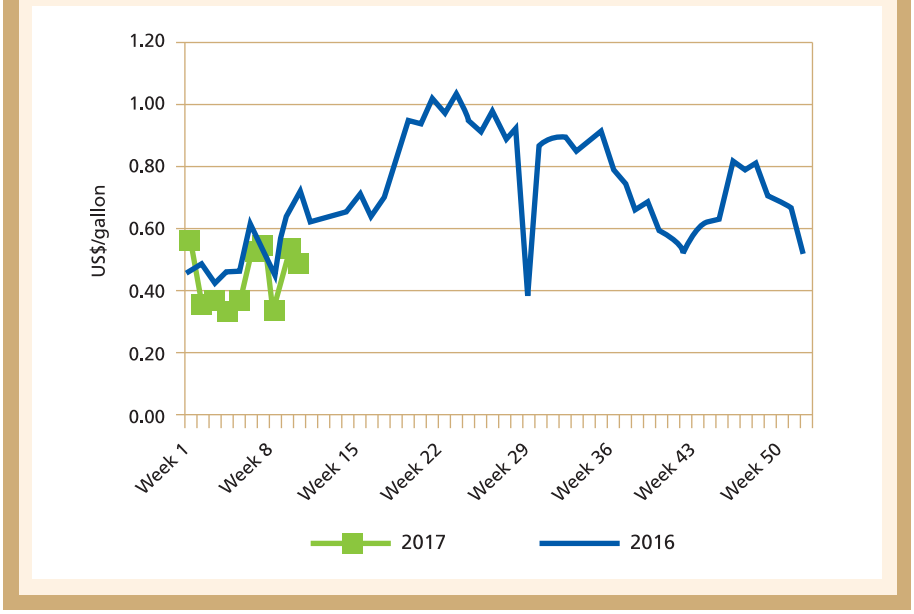
The EIA's forecast for ethanol blending for the high-mileage, summer driving season is 963,000 barrels/day, up 1.7% from the 2016 season average of 947,000 barrels/day. The increases are due to greater highway travel despite overall motor gasoline prices being forecast at 10% higher than last year.

Figure 3: US methyl ester biodiesel production



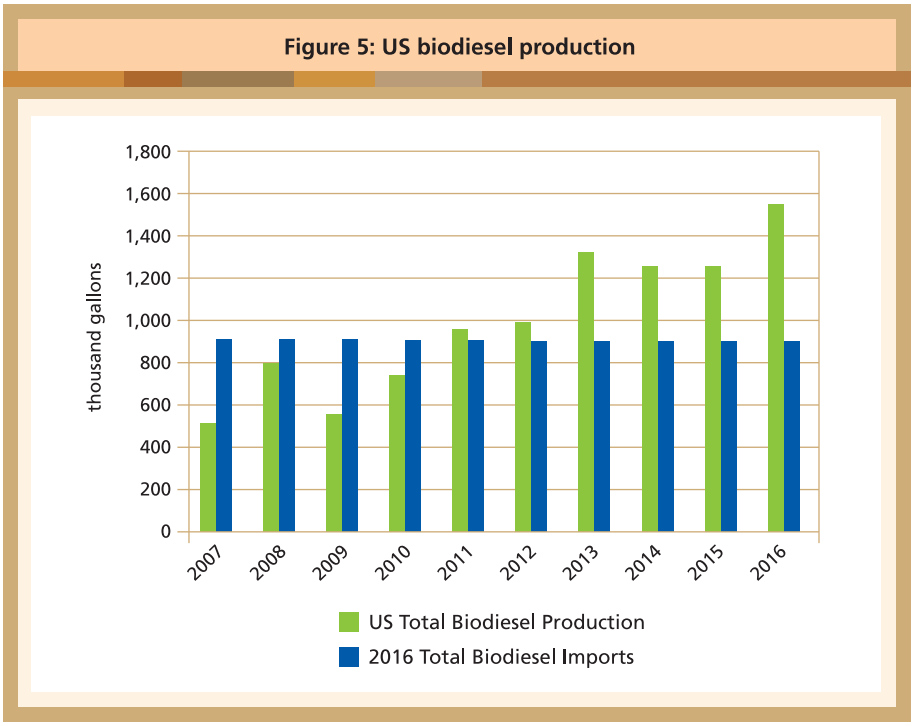
Sources: EIA, WPI

Figure 4: WPI-estimated biodiesel gross margins



Note: Returns are per gallon for soybean oil methyl ester
Sources: USDA, WPI

Figure 5: US biodiesel production



Sources: EIA, WPI

Over the first 15 weeks of the year, ethanol prices FOB Iowa plants are up 7% on average, while corn prices are down 1.7%. Natural gas prices are 8.4% lower, which is helping to offset a 28% decrease in DDGS prices. In total, this year's average ethanol plant gross margin is very similar to last year's and is following the same pattern.

Biodiesel output

The EIA's STEO shows methyl ester biodiesel production at 930 million gallons for January 2017, a considerable drop from December 2016 that can be attributed to the expiration of the biodiesel blenders' tax credit at the end of last year.

The fate of the credit – whether it is reinstated, reinstated as a producer credit rather than a blender credit, or left expired – is caught up with the congressional effort on a comprehensive tax reform bill.

Prior to the Easter recess, there were private negotiations between key Republican and Democratic lawmakers in the House, the chamber where tax bills must originate; but the concept of the Border Adjustment Tax (BAT) is still a major roadblock to moving toward any kind of consensus on a reform bill.

Whether or not the BAT will be included in a tax overhaul bill must be settled before such legislation proceeds, and it is difficult to handicap the biodiesel credit until then. The credit has always been a catalyst to biodiesel production and producer margins. Without it, those margins are following seasonal patterns, but continue to trend below those last year.

Biodiesel imports are also down dramatically. In January, there were 10.1 million gallons of methyl ester biodiesel from Argentina and 4 million gallons from Canada, as well as 11.5 million gallons of renewable diesel from Singapore, for a total of 25.6 million gallons. That compares to December when total imports were nearly 135 million gallons: 112 million gallons of methyl ester biodiesel and 23.4 million gallons of renewable diesel.

Overall imports in 2016 were more than 915 million gallons, including 693 million gallons of methyl ester biodiesel and 222 million gallons of renewable diesel. The 2016 import volume was greater than US domestic production in every year prior to 2011, and it nearly matched the domestic production of 2011 and 2012.

Last year's record imports are the reason domestic biodiesel producers are seeking to change the tax credit to apply to production rather than to blending. In this form, foreign producers would not be able take advantage of it. However, blenders currently access the credit even by using foreign-produced biodiesel.

Of the 2016 imports, 48.5% (444 million gallons) came from Argentina, 64 million gallons more than was cumulatively imported over the previous three years. Imports from Indonesia were 102 million gallons, nearly double the 52.4 million gallons in 2015. This is assumed to be biodiesel made of palm oil, which generates D6 Renewable Identification Numbers (RINs). While these imports would compete with ethanol on a compliance basis, they compete with domestic biodiesel that generate D4 RINs in the physical fuel market.

On March 23, the National Biodiesel Board (NBB) filed an anti-dumping and countervailing duty petition with the US

Box 2: Timeline – USITC Biodiesel Investigation

Date	Action
March 23, 2017	Petitions are filed
April 12, 2017	DOC initiates AD/CVD investigations
April 13, 2017	ITC staff conference
May 8, 2017	Deadline for ITC preliminary injury determination
June 16, 2017	Deadline for DOC preliminary CVD determination, if deadline is not postponed
Aug 21, 2017	Deadline for DOC preliminary CVD determination, if deadline is fully postponed
Aug 30, 2017	Deadline for DOC preliminary AD determination, if deadline is not postponed
Oct 19, 2017	Deadline for DOC preliminary AD determination, if deadline is fully postponed
March 5, 2018	Deadline for DOC final AD and CVD determinations, if both preliminary and final AD determinations are fully postponed and CVD deadline is aligned
April 19, 2018	Deadline for ITC final injury determination, assuming fully postponed DOC deadlines

Source: WPI

Department of Commerce and the US International Trade Commission (USITC) against both Argentina and Indonesia. It alleges dumping margins of 23.3% for Argentina and 34% for Indonesia that result from selling biodiesel at below the cost of production.

The petition claims that Argentina subsidises feedstock and that Indonesia provides direct grants to biodiesel producers. Both countries impose an export tax on feedstock, which is applied to soybean in Argentina and palm oil in Indonesia.

The USITC must make a preliminary decision within 45 days (May 8) on whether to move the case forward. The law is stacked in favour of the petitioners (in this case, the US) as, in the early proceedings, the burden of proof needed to move a case forward is low. Accordingly, the USITC probably will vote to proceed, especially if the NBB has good, experienced lawyers who know the ITC system; and there is no reason to think it did not.

The hearing in the investigation's final phase is likely to occur a year from now (Box 2). It's significantly more likely for respondents (Argentina and Indonesia) to prevail in the final phase than in the preliminary stages. But if the facts show injury to the US industry, the law still would require the commissioners to vote in favour of imposing duties. The ITC will receive the staff report on May 1 and will likely vote on May 5.

Dave Juday
Ag Review, April 2017
World Perspectives, Inc

This is a slightly edited version of the article.

Sabah Raises Rainforest Conservation Target

A landmark project aims to extend protection over Sabah's rainforests to 30% of the state's land area by 2025. More than 60 top scientists from leading international universities are spearheading the effort.

The Sabah Forestry Department and South East Asia Rainforest Research Partnership (SEARRP) have signed a memorandum of understanding for the project.

The scientists – from universities in Britain, Europe, the US, Australia and Malaysia – witnessed the signing ceremony at the Cambridge Conservation Initiative's David Attenborough Building in England on April 20.

Prince William officiated at the event, which saw attendance by representatives of philanthropies, NGOs and interested parties.

Speaking at the opening of a related meeting on the science of tropical rainforest research in Kota Kinabalu on April 21, Sabah Forests Chief Conservator Datuk Sam Mannan said that forest conservation is a major priority for the state government.

"Over the past 20 years, we have worked to increase the extent of protected forests in Sabah to almost 1.9 million ha today. This is equivalent to 26% of the state's land area," he said, noting that this has surpassed goals set by the International Union of Conservation of Nature and Aichi Biodiversity Target.

In a speech released to the media, Mannan said the Sabah government is committed to reaching its aim.

"This will involve the protection of an additional 1 million acres [404,685 ha] of rainforest in Sabah. The location of these new areas has yet to be identified. This is the work that lies ahead of us," he said.

Supported by the Rainforest Trust, the project is based on a strategic partnership involving the Sabah Forestry Department, SEARRP, the Carnegie Institution for Science, community-based organisation Pacos Trust, and BC Initiative.

SEARRP Director Dr Glenn Reynolds, who heads the coordination of the project, said: "Between now and 2020, the project will generate maps of forest carbon, biodiversity and functional composition that will be integrated with archived and new field observations."

Critical habitat connections will be identified for various plant and animal species, with emphasis on those that provide important ecosystem services such as pollination and dispersal. This is to ensure the usefulness of forest protection over time, to cope with climate change.

"Integrating the livelihood requirements of forest-dependent communities will be a vital consideration in the selection of new protected areas. Led by our partners Pacos Trust and BC Initiative, the project will consult with local communities and stakeholders to reach consensus on an optimal scenario for rainforest protection," Dr Reynolds added.

"This project presents a unique window of opportunity to catalyse world-leading science and protect an additional 1 million acres of rainforest – forest that will otherwise face mounting and very imminent threats."

Source: The Star Online, April 21, 2017

This is an edited version of the article.

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Health Canada, the governmental health department, has introduced a regulatory proposal to prohibit the use of partially hydrogenated oils (PHOs), the main source of industrially produced trans fats in food.

According to a statement released on April 7, prohibiting PHOs in all food sold in Canada would represent a "significant and final step" in Health Canada's efforts to reduce trans fats to the lowest possible level, in order to promote greater national health.

The move follows the October 2016 launch of the Healthy Eating Strategy by Health Minister Jane Philpott, itself based on a mandate letter sent to her in 2015.

"Through the Health Eating Strategy, our government is working to make the healthier choice the easier choice. By prohibiting PHOs, we are removing the largest source of industrial trans fats from Canada's food supply and helping [to] reduce the risk of heart disease," she said in the statement.

Under the strategy, trans fats must be reported in the nutritional facts table on product labels; the making of claims that products are 'trans fats-free' is regulated; and voluntary programmes to reduce the use of trans fats have been set up.

While Health Canada said this approach has proven successful, some foods still contain industrially-produced trans fats. It now intends to add these to Part 1 of the Canadian List of Contaminants and Other Adulterating Substances in Foods.

The first part of the list declares substances that will, at any concentration, result in the food being considered adulterated; and the second part lists the maximum levels of certain substances allowed in food without it receiving the adulterated label.

By Health Canada's definition, PHOs in the list would be defined as fats and oils that have not been hydrogenated to complete or near-complete saturation and have an iodine value greater than 4.

This definition would apply to PHOs used in foods intended for human consumption and PHOs added to foods for minor use applications or technical purposes, such as processing aids and pan release agents.

If the regulation is introduced, Canadian producers would have a 12-month transition period to switch their production away from trans fats; re-label products; and sell existing stock.

A notice of proposal detailing the legislation has been posted to seek comments from Canadians and will remain open until June 21.

Trans fats are a type of unsaturated fatty acid found naturally in food from ruminant animals, such as milk and beef, but which can also be produced industrially.

Consumption of trans fats has been linked to increased risk of coronary heart disease. Major authoritative health bodies, such as the World Health Organisation and the Institute of Medicine, have recommended limiting their consumption to a maximum of 1% of total daily energy intake.

Source: OFI Magazine, April 18, 2017

'Support Palm Oil – Don't Tax It'

A message for the French President

French President Francois Hollande visited Malaysia at the end of March to discuss trade and expand France's presence in Southeast Asia. His visit came at a time when France-Malaysia relations are at a fork in the road.

Why? Because of the ongoing attack by the French elite, environmental NGOs and domestic oilseed producers against one of Malaysia's most important exports: palm oil.

We've been here before. Since 2012, the Socialist and Green parties, with the occasional support of certain Republicans, have attempted to impose a tax on palm oil. This is specifically designed to make palm oil less competitive in France compared to domestic oils.

Each time this proposal is presented, a flurry of action unfolds. Environmental groups make wildly inaccurate claims about palm oil; the media fans the flames; and at times, political leaders also join in the attacks.

In 2016, French Environment Minister Segolene Royal famously claimed "we should stop eating *Nutella* because it contains palm oil". Italian politicians quickly responded, countering that she should "leave Italian products alone". The defence of *Nutella* reached all the way to the Italian Prime Minister's office – his wife and son visited a *Nutella* stand in an open rebuke to Minister Royal.

Alongside this, Malaysia launched an aggressive defence of its palm oil, while an open threat was made by Indonesia that it would stop buying Airbus. The end result? Minister Royal apologised, and the '*Nutella* Tax' was dropped. The pressure worked.

Recently, Paris established a little-known committee called the Sustainability Criteria Commission. Its stated purpose is to advance sustainability of produce. In reality, it is about re-introducing the '*Nutella* Tax' through the back door.

The Commission is focusing on palm oil. Producer countries are not involved. This is a Potemkin Committee, set up to justify a predetermined outcome to criticise palm oil.

This is not all. Recently, CIRAD, the respected organisation with years of palm oil engagement, launched a programme with the French Alliance for Sustainable Palm Oil. The stated purpose of this joint programme is to 'set up policy frameworks promoting, in an incentive way, behaviour compatible with the sustainability of the [palm oil] sector which is not yet achieved'.

CIRAD has done much good work, and there is of course a place in the debate for sustainability alliances in Europe. However, Malaysia should look at this joint programme carefully and make sure the planters' voice is heard, in order to avoid another new European-led sustainability standard at the end of the process.

Guarantee of fair treatment?

Euro-centric sustainability criteria may not fit the national development goals of Malaysia that incorporate economic, social and environmental needs, and are further defined by Malaysian federal and state legislations. Rather, some Euro-centric criteria are designed to only appease European buyers.

In other words, these standards may not be designed to benefit Malaysia but for sure they are designed to benefit Europe. The French government's Sustainability Criteria Commission should be looked at in the same way.

Thus far, France and most European governments have ignored Malaysia's efforts on sustainable palm oil. Malaysia's environmental management credentials lead the region. The Malaysian Sustainable Palm Oil standard (MSPO) follows international best practices.

The industry is investing in a far-reaching method for high carbon stock forests. It has also signaled that it is open to bilateral trade arrangements for palm oil based on sustainability and incorporating the MSPO.

But apparently this means little. The old European way of dealing with developing countries needs to change. Malaysia is one of many developing nations now with more power and influence in the world. It is time to use this to defend its products.

Hollande's visit to Malaysia was important for French business. According to French media reports, there are hopes of defence contracts being signed. Alongside such priorities, the President was asked to recognise the Malaysian priority on palm oil.

He responded by guaranteeing that palm oil would be treated fairly in France. The French government needs to hold to this promise.

MPOC

EU's Palm Oil Curbs Could Backfire

Unresolved issues

At the beginning of April, the European Parliament voted in favour of a 'Resolution on Palm Oil and Deforestation of Rainforests'. This proposes to set up a single certification scheme by 2020, to guarantee that only sustainably produced palm oil enters the EU market. It will also require food labels to state that the palm oil used has been sustainably produced or for this information to be accessible through technological features.

Recently, many environmental activists and politicians have been demanding the adoption of various government policies based on the rather vague concept of 'sustainability', 'carbon neutrality' and 'green' sourcing. The goal of these 'green' policies are to minimise the human impact on the environment.

Of course, those goals are laudable, and one cannot help but think that it is good to try to produce stuff without impairing the environment. However, one might wonder as well if this fight against palm oil is really going to be efficient.

One should be reminded that the cultivation of oil palm is the result of a worldwide demand for affordable vegetable oil. This demand is not going to disappear. The cultivation of all oil crops presents some advantages and disadvantages. It is no surprise that the WWF has also warned against soybean production, because its cultivation has involved the conversion of Amazon forest and other valuable wild land in many South American countries.

The question that one has to solve is this: How will it be possible to ensure that the demand for vegetable oils is met with minimum environmental damage in the long term?

In order to answer that question, one needs to be reminded that palm oil has obvious advantages in terms of productivity, production volume, price, high quality and versatility compared to other vegetable oil sources such as rapeseed oil and soybean oil – and this explains the success of palm oil in the world market.

For example, oil palm trees produce almost 10 times more oil per hectare than soybean and over five times more oil than rapeseed. Also, oil palm requires about 70% less fertilisers, pesticides and fuel to produce the same amount of rapeseed oil and soybean oil. Thus,

replacing the oil palm with other crops would result in greater degradation of the environment.

Fair terms vital

Even more importantly, one should not make the mistake of believing that it is possible to separate economic growth and environmental improvement. Indeed, history has shown that as much as nine-tenths of all deforestation caused by human beings since the emergence of civilisation had occurred before 1950. This was because people needed to clear massive areas of forested land in order to provide themselves with shelter, food, warmth and a multitude of objects.

The significant increase in the use of coal in the early decades of the 19th century, however, marked the beginning of a reversal of this trend – later accelerated by the advent of natural gas and petroleum. These not only acted as substitutes for the use of biomass fuels, but also dramatically improved agricultural productivity and eliminated the use of farm animals which consumed a significant portion of agricultural crops.

France was perhaps the first major country to experience what has since been termed as a 'forest transition' – its forest area expanded by one-third between 1830 and 1960, and by a further quarter since 1960.

Similar processes, although of varying intensity and scope, have been occurring in all major temperate and boreal forests,

and in every country with a per capita GDP now exceeding US$4,600 (roughly equal to the GDP of Chile) – as well as in some developing economies, most notably China and India.

In Indonesia today, people die 9.5 years earlier than those in France. The infant mortality rate is 7.6 times higher. Indonesians also make 84.4% less money than the French. They need to get richer and in doing so, they will be able to better take care of their environment – this, by the way, already seems to be the case.

Tariffs, trade barriers and other centralised political tools might give us the feeling that we are doing the right thing. But it is not going to help poor countries get richer and experience a forest transition or any other environmentally-friendly transition that might be needed.

A much more decentralised system based on the responsibility of all players – be they producers or buyers (manufacturers, political bodies) – as well as well-defined property rights and competition might be a much better way to make sure that the economic development needed in poorer countries – and even sometimes in our own countries – goes hand in hand with a better environment.

In the palm oil saga, we get the impression that a developed Europe feels it has the moral right to reduce market opportunities in emerging countries, without realising that this is going to hinder their economic development and their environment as well. This is exactly contrary to the long-term goal one should try to reach.

Cécile Philippe, Director-General &
Hiroko Shimizu, Associate Researcher
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This is an edited version of the article.

Trust in the Malaysian Palm Oil Brand

How to retain it

Last year, the European Food Safety Agency (EFSA) issued a report that warned of consequences for human health from contaminants created during the processing and refining of edible oils. The findings have since been widely circulated.

It is clear that oils derived from all sources – soybean, olive, rapeseed, corn, sunflower and oil palm – are affected. However, the EFSA report also acknowledges that the palm oil industry has taken voluntary measures to reduce the process contaminants.

Interestingly, too, laboratory experiments by German group Stiftung Warentest have found that products without palm oil are more likely to contain harmful elements and contaminants, compared to those containing palm oil.

Stiftung Warentest notes: '*Nocciolata* (palm oil-free spread) on the other hand, with sunflower oil and cocoa butter, performs well in sensory tests; but harmful substances make it the loser of the test. The reason for *Nocciolata's* low rating is critical substances in its fats: 3-MCPD-Ester and glycidyl-ester. These can occur during the refinement of edible oils.'

Health concerns are a main driver of change in the food industry. According to *Bloomberg*, companies worldwide had curbed the use of ingredients such as sugar and salt, in about one-fifth of products last year. Coca-Cola has 200 reformulations in the works to lower the sugar content of its products.

Indeed, the slowdown in sugar consumption has become a turning point for that industry, which had seen near-linear growth for half a century due to rising demand from expansion of the world population.

German group Stiftung Warentest have found that products without palm oil are more likely to contain harmful elements and contaminants, compared to those containing palm oil.

As the Malaysian palm oil industry celebrates its centennial this year, the challenge will be to continue meeting the expectations of consumers for the next 100 years. To do so, it needs to engage with, and listen to, consumers. Doing the right thing means gaining the trust of consumers; in turn, a trusted brand-name rewards producers and manufacturers.

Of course, challenges can be expected in many forms in the technical, environmental or health-related fields. But such issues have to be faced and managed, even if the process hurts business. A good example is the way the American firm SC Johnson & Son Inc addressed concerns about the environmental effects of chemicals in its products and packaging, even without being legally obliged to do so.

A *Harvard Business Review* article (April 2015) outlines the case of *Saran Wrap*, launched as a food-storage product in 1953 by Dow Chemical Co. The formulation was derived from a dry-cleaning chemical residue from chlorine and had served non-food purposes up till then.

SC Johnson acquired *Saran Wrap* from Dow in 1998. By then, the product had become popular because of its impenetrable barrier to odour and effectiveness in microwaving. The presence of polyvinylidene chloride (PVDC) enabled these qualities.

However, the acquisition coincided with a time of rising concern over the widespread industrial use of polyvinyl chloride (PVC) – a thermoplastic made of 57% chlorine from industrial grade salt and 43% from carbon derived predominantly from oil/gas via ethylene.

SC Johnson was quick to accept that, when chlorine-based materials like PVDC and PVC are burnt, the process releases toxic contaminants into the environment. Its Chairman and CEO Fisk Johnson notes in the article: 'Although *Saran Wrap* did not actually contain PVC, the wrap category as a whole came under scrutiny, and the difference between PVC and PVDC got lost in the discussion.'

Rather than quibble over this, the company decided to act in the interests of customers who had placed their trust in its products. In 2001, it began reviewing its use of PVC. Although the production costs would increase, the company felt it was more important to do the right thing in order to retain customer loyalty.

There is a similar story about the Malaysian palm oil industry in relation to the presence of process contaminants. It too acted swiftly and voluntarily to reduce or eliminate these in palm oil intended for infant formulations, and has since committed to eliminating them altogether from Malaysian palm oil in the shortest possible time.

It is important for the industry to continue adopting new processes or technologies to meet evolving needs. This will ensure that Malaysian palm oil remains the preferred choice – not just for its versatile technical properties and health benefits, but also because the industry unswervingly demonstrates that it cares enough to supply only the best.

Belvinder Sron
Deputy CEO, MPOC

Test of Front-of-Pack Nutrition Labelling

Effectiveness in doubt in France

France has tested the use of front-of-pack nutrition labelling schemes in four regions: Auvergne-Rhône-Alpes, Île-de-France (the Paris metropolitan area), Haute Normandie and Hauts-de-France. Sixty stores in the *Casino, Carrefour Market* and *Simply Market* chains took part in the trial, during which 2 million labels were attached to about 1,200 food products.

The trial, conducted over 10 weeks from last September, implemented three such nutrition labelling schemes:

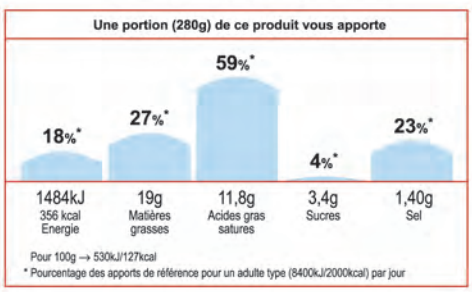
- The *Nutri-Score* system: This includes a logo with five colours ranking food products from A (good, indicated in dark green) to E (bad, in red).
- The *SENS* system: It uses a mixture of colours and logos to show how often food products should be eaten as part of a healthy diet ('very often', 'often', 'moderately'; 'regularly in small quantities'; or 'occasionally in small quantities').
- The *Nutri-Repère* system: This indicates the fat, sugar and salt content of food products, as well as calorie levels, but it does so without distinguishing the levels by colour.

On Feb 14 this year, the country's Agency for Food, Environmental and Occupational Health and Safety (ANSES) released an opinion on the effectiveness of such schemes. This assessed the potential impact of the

Nutri-Score system

SENS system

Nutri-Repère system



schemes (also called nutrition information programmes) in reducing the incidence of certain diseases, through their effects on consumers' food choices. In addition to the three systems on trial, the opinion also assessed the *Nutri-couleurs* and *Health Star Rating* systems.

According to ANSES, the reviewed systems indiscriminately and imprecisely incorporate the specific needs of different population groups, without taking into account all of the diet-related variables that affect public health issues. The opinion also states that there is insufficient evidence to observe the effects of front-of-pack nutrition labelling schemes on consumer choices.

It recognises that contradictory effects may even occur, including creating a negative bias in consumers that induces inappropriate purchasing behaviour. The opinion concludes that front-of-pack nutritional labelling schemes "appear to have little relevance at the nutritional level".

Inadequate study

It is important to note that, as acknowledged by ANSES, that there is no sufficient level of proof in these types of studies to determine their relation to specific public health issues such as obesity and cardiovascular disease.

This is especially true with respect to a 10-week trial period conducted only in selected regions of a single country. It seems highly unlikely that data could be obtained to show with sufficient accuracy a causal link between the use of the front-of-pack nutrition labelling schemes and any decrease in public health issues.

At most, surveys could be conducted to track consumer opinions on the use of such labels, but this information would be irrelevant to the task of determining whether such labelling schemes are actually beneficial in improving public health.

Given the lack of convincing, conclusive and scientifically-sound evidence provided by such trials and by the use of front-of-pack nutrition labelling schemes in general, food manufacturers and relevant supply chains risk being harmed by potentially negative shifts in opinion among consumers.

Nonetheless, in April 2017, France's Ministry of Social Affairs and Health notified the European Commission of a draft Order implementing the five-colour *Nutri-Score* labelling approach as the official (but voluntary) front-of-pack nutrition label. In its notification, France justified the measure on the basis of its 10-week impact study. This had concluded that the *Nutri-Score* logo was the most effective at allowing consumers to rate groceries and improve the nutritional quality of their purchases.

It is important for the palm oil industry to act. The use of these types of trials should be halted or they should conducted in a more scientific and less commercial manner. Achieving that outcome would require a coordinated effort by all stakeholders, including delegations at the World Trade Organisation and UN Food and Agriculture Organisation, as well as representatives of industries that stand to be most affected.

FratiniVergano
European Lawyers

Front-of-Pack Nutrition Labelling Schemes – Global Developments

Multilateral level

Front-of-pack nutrition labelling schemes have been criticised and partially addressed within the context of the World Trade Organisation (WTO), as well as the *Codex Alimentarius* Commission, which is a joint body of the World Health Organisation (WHO) and the UN Food and Agriculture Organisation (FAO).

During the meeting of the WTO Committee on Technical Barriers to Trade (TBT Committee) from Nov 10-11 last year, a report of the thematic session of regulatory cooperation between WTO members on food labelling was distributed, addressing, in part, front-of-pack nutrition labelling schemes. It was reportedly recalled that Costa Rica, among other WTO members, had expressed concerns on this matter since 2014.

Recent reports of the TBT Committee meetings reveal in particular that there are differences of opinion between a number of WTO members and proponents of such schemes – including Canada, the US and the EU – with respect to the WTO and *Codex* consistency of regimes such as Chile's nutrition 'stop' sign and warning labels.

Such schemes have been increasingly adopted in the EU. The most notable example is the UK's 'traffic light' nutrition labelling scheme. Similar systems emerged in France and in the Netherlands last year (i.e. the 'Choices' logo by a smartphone application that allows consumers to scan products for nutrition information). Outside of the TBT Committee, such labelling has not been formally addressed within the context of the WTO.

From May 9-13 last year, the *Codex* Committee on Food Labelling (CCFL) agreed to discuss front-of-pack nutrition labelling through an electronic Working Group composed of 43 countries and 13 NGOs, and co-chaired by Costa Rica and New Zealand.

The working group has been given three main tasks: to collect information on existing front-of-pack nutrition labelling schemes around the world; to consider the need to develop general principles for such labelling; and to prepare a discussion paper and a draft project document for consideration at the next CCFL meeting.

Its objectives are to determine whether the *Codex* Guidelines on Nutrition Labelling provide adequate guidance on front-of-pack nutrition labelling; and the role of *Codex* in promoting the harmonisation of such labelling implemented by various stakeholders.

The approval of this new task for the *Codex Alimentarius* Commission reportedly occurred last July, and a first discussion paper should have been circulated to working group members the following month. The deadline for comment on the first document lapsed last October. From May to October this year, the discussion document could be further considered and a draft revised standard could be adopted.

EU level

Front-of-pack nutritional labelling schemes must be implemented in line with the EU Regulation on the Provision of Food Information to Consumers, also referred to as the Food Information Regulation (FIR).

As of Dec 13 last year, point (l) of Article 9(1) and Article 55 of the FIR require a nutrition declaration on the labelling of all foodstuffs – including the energy value and the amounts of fat, saturates, carbohydrates, sugar, protein and salt (eventually supplemented by the amount of monounsaturates; polyunsaturates; polyols; starch; fibre; and certain vitamins or minerals).

Article 35(1) of the FIR allows for the voluntary declaration of the energy value and of the amount of nutrients. Such labelling cannot be given in isolation. It must be provided in addition to the full mandatory nutrition declaration.

Any additional labelling of foodstuffs must be objective, non-discriminatory and must not create obstacles to the free movement of goods. Moreover, supplementary forms of expression of the nutritional content of the food must be based on sound and scientific research and may not mislead consumers.

The European Commission is set to submit a report on the effects of 'visual labelling' schemes to the Council of the EU and the European Parliament by December this year.

Source: FratiniVergano, European Lawyers

SDP Managing Director Datuk Franki Anthony Dass (left) and Dr David Ross Appleton, SDP Head, Bio-technology & Breeding, with the Bronze Award for Sustainability at the Edison Awards 2017

Malaysian Firm Wins Innovation Award

For high-yielding oil palm

Sime Darby Plantation (SDP) Sdn Bhd has become Malaysia's first company to win one of the coveted Edison Awards. This recognises its ground-breaking genome initiative to develop oil palm with a higher yield.

SDP took the Bronze award for Sustainability under the Energy & Sustainability category of the 2017 Edison Awards, in recognition of its achievement in developing the Genome Select Oil Palm. Managing Director Datuk Franki Anthony Dass accepted the award in New York on April 20.

"To be chosen for this prestigious award among the best from 400 nominations received from around the world, by 3,000 panellists comprising the world's top senior business executives, academics and innovation professionals, is a testament of our passion and pursuit of continuous improvement in sustainable plantation practices," he said.

"Essentially, this has been one of the *raisons d'etre* of our foray into the oil palm genome research, which made the Genome Select Oil Palm planting material a reality in 2016."

SDP was the first worldwide in 2009 to sequence, assemble and annotate the 1.8 billion chemical units that make up the genetic code of the oil palm. Last year, the company commenced large-scale planting of the Genome Select high-yielding oil palm.

"With the potential to produce at least 15% more oil than SDP's current best planting material (Calix 600), the Genome Select Oil Palm will enable the company to significantly produce higher oil yields equivalent to 50,000 ha of new land, without having to increase our planted [area]," said Datuk Franki.

"This is in line with SDP's sustainability commitment to increase yields, thus minimising green and brown field expansions. The technology is being scaled over the next three years to full capacity and we are already using this technology to develop the next generation of palms that are tolerant to drought and can be harvested more efficiently."

With Malaysia's oil palm industry celebrating its centenary anniversary this year, the award has special significance.

"This is a historic achievement, not just for our company but for the nation's palm oil industry. We believe this recognition is proof of how far our palm oil industry has grown over the last 100 years," added Datuk Franki.

"It also demonstrates that continuous and higher commitment on Research & Development initiatives are crucial and necessary for our industry to rise to greater heights and accomplish international recognition."

SDP is a co-founding member of the Roundtable on Sustainable Palm Oil. It produces about 4% of the global crude palm oil output, and is the largest producer of certified sustainable palm oil, with an annual production of 2.2 million tonnes.

The Edison Awards honour excellence in innovation, development of new products and services, as well as marketing and design. Organised by Edison Universe, a non-profit organisation, the Awards have recognised the best innovations and innovators since 1987.

The Awards are named after Thomas Alva Edison, the American inventor whose extraordinary new product development methods garnered 1,093 US patents and made him one of the most influential inventors of all time.

Sime Darby Plantation Sdn Bhd

Sarawak Strengthens Forest Conservation

Large-scale agriculture slows down

Land development for agriculture has been part and parcel of economic growth in Malaysia's largest state Sarawak, which embarked on this process in the 1970s. The policy is geared toward reducing poverty in rural areas, increasing food production, and generating revenue for the state.

The state government has set aside 3 million ha for agriculture, with 2 million ha of this for oil palm cultivation. As at December 2016, the oil palm planted area was 1,506,769 ha (MPOB data), with the remaining 493,231 ha to be planted by 2020.

Large-scale planting of oil palm in Sarawak only started in the late 1980s, led by commercial companies. The majority of plantations are therefore less than 30 years old, contrasting with states in the peninsula which are marking their centennial of oil palm planting this year.

In 2010, Sarawak's oil palm acreage stood at 919,418 ha (MPOB). By 2013 the planted area was 1,160,898 ha, rising to 1,263,391 (by 23.5%) in 2014. In 2015, it was 1,439,359 ha (a 25.5% increase) and 1,506,769 ha (up by 4.7%) in 2016.

The slow rate of growth in 2016 reflects the end of commercial planting, as much of the available area has been planted. In 2015, a total of 175,098 ha was planted by smallholders, mainly comprising those exerting Native Customary Rights (NCR) to land.

The Sarawak government has since declared that state land will no longer be opened up for agriculture *(The Star, Nov 4, 2016)* and that expansion of the oil palm acreage will be done through development of NCR land in collaboration with federal and state ministries, as well as private enterprises.

Sarawak Chief Minister Datuk Amar Abang Johari Tun Openg has maintained the policy articulated by his predecessor, Tan Sri Adenan Satem. It strives to achieve a better future for Sarawak in economic terms, while transforming the state into one that is clean, green and healthy *(The New Sarawak Tribune, March 3, 2017)*.

The economic importance of oil palm to Sarawak's development is immense. From 2010-15, the industry generated RM1.9 billion in direct sales tax for the state, for use in alleviating poverty and general development purposes.

The industry employs over 103,000 workers in rural communities, while also supporting the growth of the logistics, administrative and banking sectors. This approach fits into the federal government's Transformation Programme for a higher standard of living and developed nation status by 2020.

Oil palm cultivation in Sarawak closely adheres to standards and good agricultural practices set by the MPOB. Therefore, the palm oil is responsibly produced and traceable. Many estates are working to achieve the Malaysian Sustainable Palm Oil standard, while others are already certified by the Roundtable for Sustainable Palm Oil.

Conservation measures

The state government will continue to consolidate efforts to conserve forests. As Chief Minister, Tan Sri Adenan had stopped issuing timber licences and provisional leases for new plantations, and had been tougher on illegal logging activities.

Datuk Amar Abang Johari has reiterated the stance against new timber licences *(The Borneo Post, March 2, 2017)*, saying that priority will be given to protecting and preserving forests and the environment.

The number of national parks is to be increased so that at least one-tenth of Sarawak's land mass is totally protected. Such areas have been opened up for research activities, with international participants being invited under the Research for Intensified Management of Bio-rich Areas project launched in 2015 *(The Star, Nov 4, 2016)*.

Meanwhile, WWF-Malaysia is working with the state government to promote a systematic way of identifying priority conservation areas.

The plan will be used to guide conservation and development planning, and will include better understanding of what happens outside protected areas. This is to ensure that the long-term existence and integrity of protected areas are not threatened (*The Borneo Post, Aug 11, 2016*).

Sarawak Oil Palm Plantation Owners Association

Multi-channel Branding

Making this work

Now that we are well into the 21st century and enjoying many technological advances (particularly with communication options), branding experts are finding it increasingly difficult to know which channels to use. This is a problem particularly for the edible oils and fats industry, a business in which, relative to many other consumable products, the branding budget is rather small.

Even a partial list of current options is quite long and includes newspapers, television, radio, product placement in movies, celebrity endorsements, Twitter, Facebook, YouTube and blogs or vlog (with video content). But with such a focus on modern technology and its relative merits, it is easy to forget that older methods are alive and well, and working just fine.

This latter point was brought home to me a few years ago when I bought a new car. Did that sale get initiated because of Internet marketing? No. It happened because I was walking through a shopping mall and a young guy thrust a flyer into my hand, as he had done with a couple of hundred people in the preceding hour.

There was nothing high tech and no digital photos, just basic black and white body text, and it was cheaply photocopied at that. But it did the job. It got me thinking: "Hmm, I'll take a look." The numbers on the flyer were sufficiently good and the promotional discounts were big enough to get me to walk to a showroom 10 minutes away, and buy a car. But I couldn't help wondering how something so 'old-school' worked so well. The branding and marketing were the same as what happened, say, two centuries ago.

You don't hear the world 'pluralistic' very much these days, and certainly not when it comes to marketing. This is a pity, as it refers to one of the biggest things we need to bear in mind when selling any product or idea. Pluralism, when it comes to branding, is about how many different (and in some cases, very different) channels there are for making your presence known.

A few millennia ago, branding was totally about word of mouth: either you got known by meeting someone in person and talking to them (say at a market stall), or you talked to someone in person and they recommended someone.

All that changed in the mid-1400s when Johannes Gutenberg gave us the printing press and mass printing. Then came the practice of leafleting; not long after that, newspapers came along too. As the 19th century moved into the 20th century, additional channels came along in the form of radio and television. But here's the point: channels kept on being added (or if you prefer, no channel disappeared).

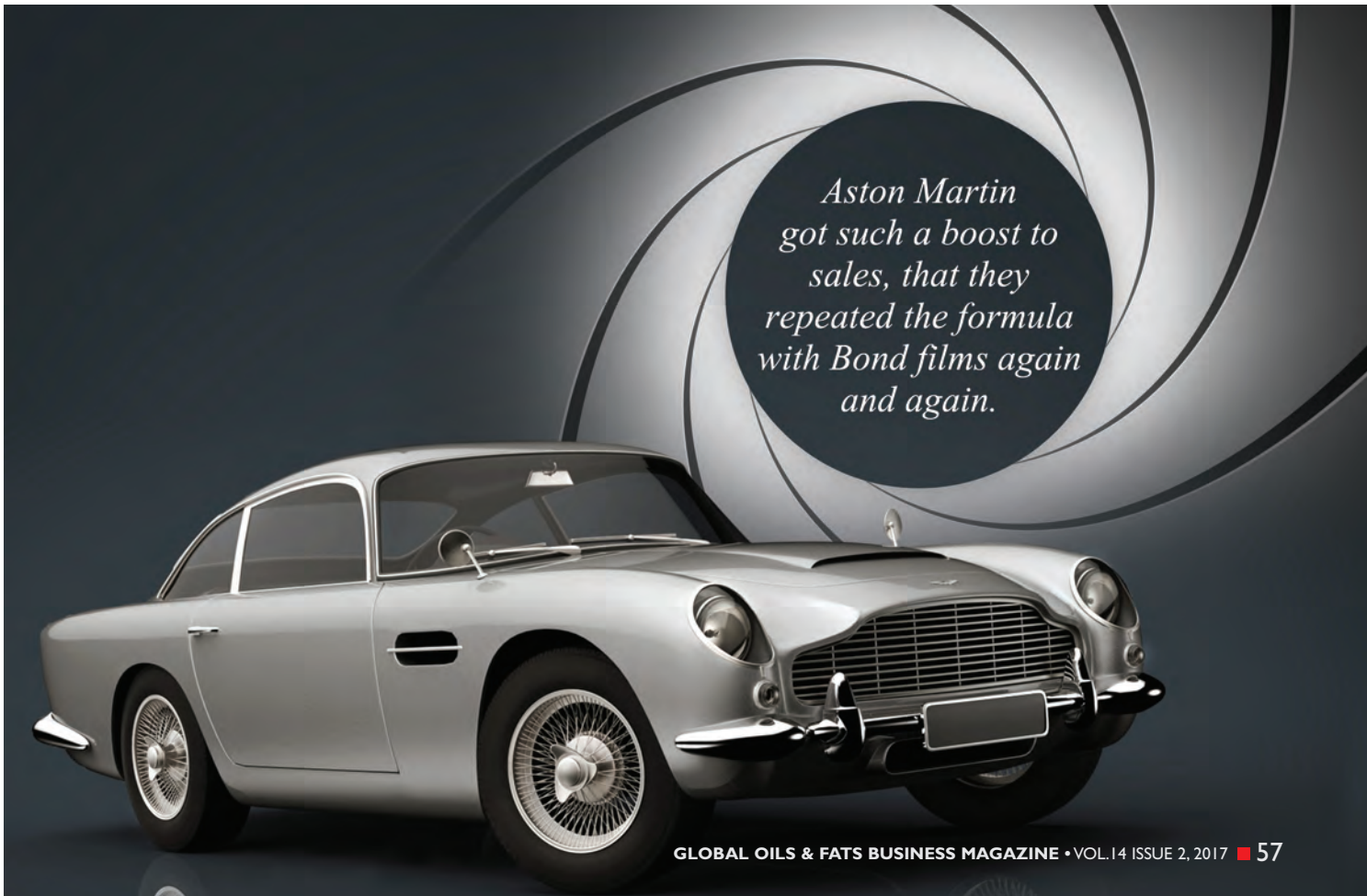
The printed leaflet didn't mean word of mouth ceased operation. Equally the widespread adoption of TV didn't mean that radio stopped. In the 'Internet generation', we simultaneously aren't! In the middle of technologies like Facebook and Twitter, we are still handing out leaflets and chatting over a cup of coffee just like we always have.

Product placement

Like many people, I first became aware of product placement because of the 1964 movie *Goldfinger*, in which James Bond drove his now trademark Aston Martin DB5. As the story goes, producers Albert Broccoli and Harry Salzman said to the Aston Martin Company: "Give us a car." Its reply: "How much will you pay?" Their response: "Nothing, but you'll get some great publicity."

This turned out to be very much the case. Aston Martin got such a boost to sales, that they repeated the formula with Bond films again and again; so much so that an upmarket sports car became an essential part of the James Bond brand (could anybody even imagine Bond waiting at a bus-stop in order to confront his arch-baddie?).

By the time 1995 came along with *Goldeneye*, the secret agent had changed allegiance to BMW. According to *The Huffington Reporter*, BMW sold 9,000 of the BMW Z3 roadster featured, in the first month of the film's release. Given that the sales refer to one model in one month and don't take into account the following years and spin-off publicity for BMW models generally, the "undisclosed" sum that BMW paid the Bond movie folks for product placement could have been well into millions of dollars – and still have been very cheap.



In many ways, product placement in movies has become too common. A good example of rather a lot of product placement was the 2005 Tom Hanks movie *Cast Away*. When I watched the film, it didn't seem so much a movie with a story-line, but more like a very long advert for Federal Express parcel delivery and Wilson sporting goods. But it looks like I am in a tiny minority – the film was both a critical and financial success at a budget of US$90 million and with box office receipts of $429.6 million.

Product placement is actually rather old. The generally regarded first product placement in the mass media took place in 1902 in the German magazine *Die Woche* which had a photograph, but not just any photograph. A countess held a copy of the magazine, making the article simultaneously an advert for the magazine itself. In 1925, the movie *The Lost World* had an important scene with a Corona typewriter. Products have been gaining market share via movies and television shows regularly ever since.

There are some strange dynamics with product placement. Sometimes they morph into something far from the original. A good example of this is the soap opera – a term coined because Procter & Gamble and Unilever funded radio and TV dramas in the 1930s to 1950s to promote detergents to home-makers. The broadcast times fitted in with the time when women were at home, focusing on housework.

The format was new – half-hour episodes, spread out to one per week. Each episode picked up where the last one left off, and the story line generally didn't really have much of a direction; it just kept on going. The format lives on today, stronger than ever, yet strangely divorced from anything to do with the detergents that spawned it.

How do we put all this into a usable strategy for edible oils and fats?

The first thing is not really about what to do, but finding out what not to do. Many people ask me questions like: 'With all these channels these days, what is the best one to focus on?' My answer is: 'It's the wrong question to ask. It assumes that there is one best one when there quite probably isn't. It's far more likely that there is a whole bunch of best ones.'

My suggestion would be not to put all your eggs in one basket. It's a pluralistic world, so you'll probably want to try several approaches, and simultaneously at that. Obviously you won't want to dilute your brain-power, time and cash on too many channels either. For many organisations, that probably would mean three to six channels at a time. If you choose just one, the chances of choosing the right one are very low indeed.

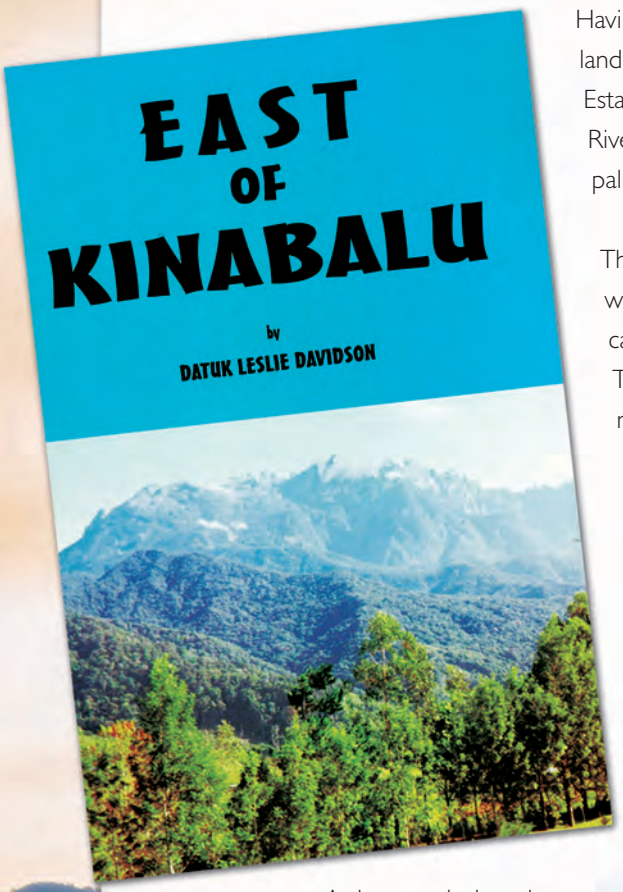
There are exceptions to that rule. Top marketing blogger Seth Godin chooses to only blog and not use anything else, not even Twitter, let alone television and radio. But that works for him because he has found that one special formula which keeps on giving him the results he wants.

By contrast, the oils and fats industry's marketing and branding hasn't evolved the same way at all. So I'd say we are at a stage where quite a bit of experimentation is needed, and several channels need to be tried out. And if you can figure out a story-line where James Bond loves food fried in palm oil, then all the better!

Dr Ian Halsall
Author & Researcher

Expanding the Property, Part 1

Buying land, improving amenities



Having been given permission to expand, we acquired a large block of land from Kwong Borneo, a Sandakan trading firm. This was Kimansi Estate, a property of 10,000 acres, on the other side of the Tungud River. Kwong Borneo had already cleared about 400 acres to plant oil palm. We were thus able to start planting operations immediately.

The rapid expansion put new demands on our management. We were able to recruit, via Pamol Kluang, our first three Malaysian cadet managers – Eugene Menon, Bharpur Singh and Douglas Lee. They proved to be swift learners and were all promoted to full management positions before completing their two-year cadetship.

The following year we were very fortunate to recruit our first Sabahan managers, Anthony Wong and David Wan. They were among the first Sabahans to return from a New Zealand university with a degree in agriculture. Before making them an offer of employment, I cleared this with Tun Mustapha of the state government. He was agreeable to their transfer. He told me that the two were the cream of the first bunch of graduates. He said the state government would be keeping a close eye on their progress.

A short period on the estate was enough for us to confirm Tun's high opinion of them. Anthony, who was undoubtedly one of the most intelligent managers I ever worked with, was sent with his wife Josie to one of our plantations in West Africa, to gain experience with mature oil palm; and subsequently to a training course in Holland on drainage techniques. David was sent on attachment to Pamol Kluang.

Inevitably, however, Tun Mustapha appointed them to senior positions in government agricultural projects. We were sorry to lose them, but well-educated Sabahans with experience of oil palm development were thin on the ground at that time and the training they had received with us was put to good use by the state government.

Their loss was partly compensated by the recruitment, over the next year or two, of four more Sabahan managers. Chris Hoh, our first research officer, was recruited from the government agricultural department to set up our research department. Alex Huang had worked on Cadbury's cocoa estate at Rumidi before it was closed down.

Simon Fong and Ho Sui Ting were engineers who had obtained their qualifications overseas. They each in turn became the chief engineer of the palm oil mill. Fong died tragically, shortly after being promoted to be the general manager of the Sabah business, and he was succeeded by Ho.

Kimansi Estate was a better acquisition than Tungud had been. Apart from the 400 acres cleared, it was still covered with jungle from which Kwong Borneo had removed all the marketable logs; we were able to use some of their logging roads.

We divided the estate into two divisions of about 5,000 acres, with a manager in charge of each. Tindakon Division in the southern half was flat but easily drained, with none of the deep peat swamps which had caused us so many problems in the early days on Tungud. Rungus Division was quite undulating.

Animal invasion

Although Kimansi was easier to develop than Tungud, we were to discover that our pioneering tribulations were not yet over. At the end of the 1965 monsoon, by which time we had planted over 1,200 acres on Kimansi, a huge herd of bearded-pigs migrated down from the jungles to the north.

They settled in the jungle on the borders of Tindakon and proceeded to wreak havoc. The pigs swiftly acquired a taste for oil palm, especially for the sweet central spears. They poured into the planted areas at dusk and every morning we found hundreds of trees destroyed.

Every local hunter in the district was out shooting them night after night. I suggested that the divisional managers should pay the locals a bounty for every pig shot. There was a slight temporary hitch when I found that David Marsh on Tindakon was checking the numbers by counting one pig's head for every $10 paid out, whilst Bharpur on Rungus was insisting on the hunters producing a tail. It did not take our wily neighbours long to discover this golden opportunity for doubling their returns.

Over three months, well over 300 pigs were killed. The size of the herd was such that it seemed to make little impact on their numbers. I had seen plenty pig-damage on new plantings in Johore; however, I had never seen damage on this scale.

Ibrahim, our source of local knowledge, told us that every decade or two, bearded-pigs gathered in huge herds and made their way from the interior down through the Labuk Valley to the Sulu Sea. He thought that this instinct might have something to do with their need for salt, just as in the case of the migrating otters I had seen years earlier.

The herds having found a delicious new source of food in the shape of young oil palm, had no inclination to proceed further. The wire collars which kept out rats and porcupines were of no use against wild boars. Eventually we had to erect a 12-mile pig-proof fence at vast expense around the jungle boundary. It had to be patrolled nightly by hunters to check for break-ins.

After this, the pigs migrated to the Labuk delta, as Ibrahim had predicted. The last I saw of them was a few weeks later when, *en route* to Sandakan, I bumped into a small herd swimming across Labuk bay, at least a mile from the nearest shore.

A final census showed that we had lost 25,575 oil palm trees in Tindakon and 7,460 in Ulu. This was the equivalent of just over 600 acres of oil palm. Once we replaced the dead trees, we continued to make swift progress with the planting operations.

Need for a bridge

When we acquired Kimansi, our access to it was by means of a ferry across the Tungud River. As development proceeded, the ferry became inadequate to handle all the traffic. Plantations Group agreed with us that the properties must be linked by a bridge.

We enlisted the help of a civil engineering company, Steen Sehested. Their local representative was a Sabahan, Nasir Yeo, a young Chinese civil engineer who had got his qualifications and early training in the UK. He designed the bridge. It was about 300 feet long and had to be built well above the level of the highest known floods.

We put the bridge construction out to tender in Singapore, Kuala Lumpur and Hong Kong. As usual when it was found that it had to be built in the interior, in an area inaccessible by road, the tenders we received were absurdly high. The cheapest was over $2 million. We decided that we would build the bridge ourselves with Yeo acting as our on-site consultant.

The Unilever engineer, John MacDonald, who was to take charge of the construction of the new mill, was given, as his first job, the task of constructing the bridge. Nasir's design had called for the piles to be driven to a depth of 30 feet below the bed of the river.

We hired a Chinese pile-driving expert from Hong Kong for this part of the operation. MacDonald then completed the steelwork and the concrete decking, using Kong Miew and his local building workers. When finished, the bridge had cost us just under $300,000.

Over the next few decades, Nasir's design was frequently put to the test when the Tungud was in flood, and it withstood every one. I am sure that a hundred years from now, it will still be there, a monument to one of Sabah's first civil engineers.

Next, an airstrip

Tan Sri Richard Lind was the Resident in Sandakan over this period. He followed with interest our progress with the bridge. He arranged for a big delegation including Chief Minister Tan Sri Peter Lo and two State Ministers to come up for the official opening on Sept 5, 1966.

In his speech, Lo predicted that before many years passed, the bridge would become a vital link in Sabah's road network, connecting the lower Labuk to Sandakan and Kota Kinabalu. He hoped that the pioneering work being done by Unilever in the Labuk Valley, would encourage other investors into the oil palm industry; and he foresaw the Labuk region becoming one of the main centres of oil palm development in the state.

He also suggested that with the increasing amount of activity in the Labuk Valley, it would be very helpful not only to our company but also to the expanding community and to the state government, if we were to build an airstrip on the estate.

He told us that the government was planning to introduce a regular internal air service connecting a few places in the interior to Kota Kinabalu and Sandakan. He promised that if our strip was up to the standard required, he would have Pamol put on to a regular twice-weekly scheduled service. This was too good an offer to miss. Joe Joyce and his road-team completed the new runway in a couple of months.

The opening of the airstrip was another important step forward. One of the first planes to land (or perhaps I should say, *nearly* land!) on the new airfield, was a single-engine Cessna, belonging to a

company called Sabah Air. It was chartered by Brian Bodie, the manager of Borneo Company, from whom we purchased the bulk of our fertilisers.

The plane flew low over our house and circled the estate a few times. I jumped into my car and drove to the airstrip to greet them. They landed just as I arrived. Unfortunately the pilot touched down about 50 yards short of the runway in a patch of swamp.

I could not have had a better view of the accident. The plane bounced once, then stuck in the mud, rolled upside-down, and slid gracefully along backwards to end up right at my feet. The occupants were unharmed but they were swinging upside down from their safety straps like canaries. It was an unusual sight.

The plane was a write-off. After the owners had stripped out the engine and other salvageable parts, we flattened it, and bulldozed the carcase into the swamp which had been its downfall. No doubt it remains there to this day waiting to be a source of speculation to future archaeologists.

Peter Lo was as good as his word and a year or two later Pamol became one of the scheduled stops for the internal service of Borneo Airlines. Until the introduction of the scheduled service, however, we arranged a regular weekly charter flight to and from Sandakan with Sabah Air, in spite of their unfortunate introduction to our strip.

The air-service proved its usefulness when one day our entire Timorese community asked for a few days off work to go down by boat to Sandakan to arrange the funeral of Johanes, a colleague who had died in Sandakan Hospital. It was a particularly busy period on the estate. I suggested that instead of the community losing three or four days' work, we should fly Johanes in and bury him on the estate.

I contacted Sabah Air. They refused to transport the body because the pod, which they usually had fixed to the underside of the plane for carrying large objects was being repaired. I suggested that they could sit Johanes in the passenger seat behind the pilot. They told me their Chinese pilot was superstitious and was reluctant to agree to this.

We were Sabah Air's best customer on the east coast at the time, and I had to threaten to cancel our contract unless they agreed. Our Sandakan driver collected Johanes' body from the mortuary. The coffin could not of course fit in the small single-engine plane; so, as instructed, he arranged to have Johanes wrapped in a sort of winding-sheet. They managed to sit him in the passenger seat behind the pilot, and fastened his safety strap.

When the pilot landed at Pamol he was looking rather white about the gills. He said that all the way to the estate, alone in the plane, he kept thinking he heard rustling noises coming from behind him. When he banked the plane to start the landing, Johanes fell forward against his shoulder, and he had to push him back with one hand while manipulating the landing controls with the other. He really was not a very happy man!

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The second part will be published in the next issue. This is an edited chapter from the book published in 2007. It can be purchased from the Incorporated Society of Planters; email: isph@tm.net.my

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