

GLOBAL OILS & FATS

KDN No: PPI0311/10/2012(031241) • ISSN No.: 2180-4486
• VOL.15 ISSUE 1 (Jan-Mar), 2018

BUSINESS MAGAZINE
www.mpoc.org.my



**Palm oil provides
food for my family
Stop the Palm Oil Ban**

**In Defence of
Small Farmers**

Focus on Palm Oil

Comment

United against EU Protectionism

Markets

Egypt: Oils and Fats Demand Strengthens

Turkey Bars 'Palm Oil-free' Claim

Instant Noodles Take a Hit in China

Sustainability

The Race Is On ...

Health

Red Palm Oil to the Rescue

Publications

Effects of Konfrontasi, Part 2

Reach out to a global audience.

Advertise in GOFB today.



Global Oils & Fats Business, a quarterly news magazine with a circulation of 25,000 copies worldwide has been reporting on the oils and fats industry since 2004 and continues to inform decision makers, regulators, health professionals and those involved in the oils and fats business on key issues widely discussed in the industry.

The magazine covers developments in sustainability, nutrition, regional markets, branding and technology. It presents key opportunities and strategic challenges that exist in building a successful business globally in new and developing markets.

The Global Oils & Fats Business Magazine helps you to reach a worldwide audience through a distribution network that reaches the six major regions.

For details on advertising rates or to place an advertisement, please e-mail Advertising Sales - razita@mpoc.org.my or call 603-78064097/ Fax 603-78062272.

Download a copy of the GOFB at www.mpoc.org.my



CONTENTS



Editorial

The EU's relentless discrimination against palm oil 6

Cover Story

In Defence of Small Farmers 9
Act against EU ban on palm oil

Comment

United against EU Protectionism 11
Oil palm small farmers speak up

Markets

Egypt: Oils and Fats Demand Strengthens 13
Alongside growth of food industry

Turkey Bars 'Palm Oil-free' Claim 15
Hint for the EU

Instant Noodles Take a Hit in China 18
But it remains the world's top market

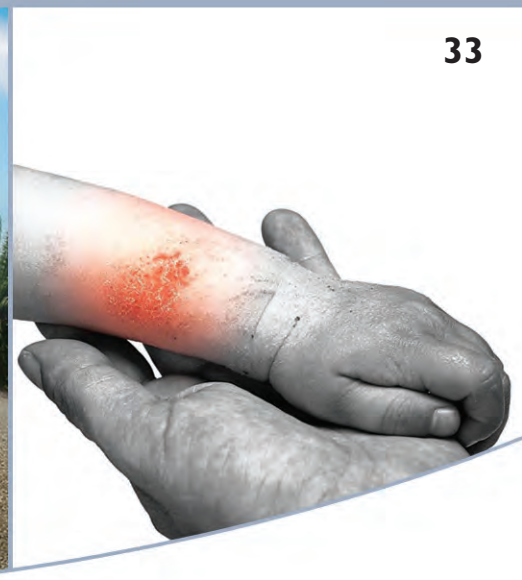
Market Updates 22



18



29



33

Sustainability

The Race Is On ...

... for a new palm oil standard

29

Health

Red Palm Oil to the Rescue

In eczema treatment

33

Publications

Effects of Konfrontasi, Part 2

A consecration and a wedding

37

Editor-in-chief

Datuk Dr Kalyana Sundram

Editor

Belvinder Sron

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

For advertising information, contact:

Razita Abd. Razak
Global Oils & Fats Business Magazine
Malaysian Palm Oil Council
Tel: 603-78064097
Fax: 603-78062272
e-mail: razita@mpoc.org.my

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

MPOC Copyright 2012

All rights reserved

KDN No: PP10311/10/2012(031241)

• ISSN No. : 2180-4486

All views expressed in the GOFB are not necessarily those of the publishers. No part of this publication may be reproduced, stored in a retrieval form or transmitted in any form or by any means without the prior written permission of the publisher.





The EU's relentless discrimination against palm oil

The European Parliament continues its discriminatory campaign against palm oil. On Jan 17, it adopted its position on the European Commission's (EC's) proposal for a Directive of the European Parliament and of the Council of the EU (Council) on the promotion of the use of energy from renewable resources (proposed RES Directive). A majority of the Members of the European Parliament (MEPs) voted in favour of including a phase-out of biofuels made from palm oil from 2021.

This position has now become part of the European Parliament's negotiating mandate for the inter-institutional 'trilogue' negotiations between the European Parliament, the Council and the EC. While the phase-out of palm oil biofuels can still be prevented, it could become reality if the position of the European Parliament prevails in the 'trilogue' negotiations at the end of February.

Currently, the EU's renewable energy framework is governed by the Renewable Energy Directive (RED). This is supposed to ensure that the EU meets its 2020 targets for reducing energy consumption (i.e. to reduce greenhouse gas emissions by 20%, to increase the share of renewable energy to 20% of consumption, and to achieve energy savings of 20%).



The framework calls for the EU to fulfil 20% of its energy needs via renewable sources by 2020 and, specifically with respect to transport fuels, it requires that at least 10% of transport fuel consumption be derived from renewable sources. Conversely, the proposed RES Directive requires that 27% of energy consumption in the EU be derived from renewable sources by 2030, and removes the requirements that 10% of transport fuel consumption be derived from such sources after 2020.

The proposed RES Directive includes a decreasing maximum share of first generation biofuels (i.e. biofuels and bio-liquids made from food and feed crops), starting from 2021, as a way of addressing emissions from Indirect Land Use Change (ILUC). Regarding the final consumption of energy in road and rail transport, the current framework states that the contribution from biofuels and bio-liquids, as well as from biomass fuels consumed in transport, if produced from food or feed crops, should be no more than 7% of the final consumption of energy.

This could get more restrictive with the future RES Directive. Even the proposal by the EC would require such sources to be reduced from 7% to 3.8% in 2030. A short-sighted approach, obviously adopted without taking into account the situation on the ground in producing countries. Not all palm oil and, therefore, not all palm oil-based biofuel is unsustainable or is related to so-called ILUC.

Even more worrisome as an alternative way to address ILUC, it would allow EU member-states to set lower limits and distinguish between different types of biofuels and bio-liquids produced from food and feed crops. The proposed RES Directive expressly includes an example explaining that member-states may set a lower limit for the contribution of biofuels produced from oil crops, taking into account ILUC. Even without specifically referring to palm oil, the RES Directive would expressly allow further discrimination by member-states.

Support for the discriminatory approach

The EU Energy Ministers discussed the proposed RES Directive



multiple times during the course of 2017 and the Council agreed on its general approach on Dec 18, 2017, largely supporting the controversial proposal by the EC. In its position, the Council supports the 27% EU target for 2030 as proposed by the EC.

However, it introduces a 14% renewable energy target for each member-state in the transport sector for 2030 and a sub-target of 3% for advanced biofuels (i.e. biofuels derived from various types of biomass). The Council supported continuing the 7% cap for the use of food and feed-based biofuels, compared to the EC's proposed reduction to 3.8% in 2030 of final consumption of energy in road and rail transport.

The Council stated that the existing cap of 7% on first generation biofuels was maintained in order to provide more certainty to investors. Of course, maintaining the previous limit also means continued discrimination against food and feed-based biofuels such as those derived from palm oil.

In the European Parliament, the Committee on Industry, Research and Energy (ITRE) is the responsible Committee for the proposed RES Directive. The ITRE Committee worked in close cooperation with other Committees, most notably the Committee on Environment, Public Health and Food Safety (ENVI), while the

Committee on International Trade is (quite astonishingly!) absent from the list of involved Committees.

With its contribution, the ENVI Committee continued its anti-palm oil campaign, which has so far culminated in the European Parliament's 'Resolution on Palm Oil and Deforestation of Rainforests' of April 2017. The key point of the ENVI Committee's opinion was the introduction of an actual phase-out (instead of the existing limitation) of food-crop based, first generation biofuels by 2030, with those derived from palm oil to be phased-out already by 2021.

On Nov 28, 2017, the ITRE Committee adopted its report, which included the elements from the ENVI Committee, and was used as the basis for the plenary debate and vote in January 2018. It added a new Recital 25a referencing the infamous 'Resolution on Palm Oil and Deforestation of Rainforests' and amended Article 7 of the proposed RES Directive to include the phase-out of food-crop based biofuels by 2030, with those derived from palm oil from 2021. The proposed changes to Article 7 were arguably the most controversial aspects *vis-à-vis* the EC's proposal and the Council's position, but apparently were not controversial at all within the European Parliament.

Likely illegality of the approach

Obviously, there are legitimate concerns about the European Parliament's position. In the context of international legal obligations, in particular of the World Trade Organisation (WTO), the EU and its member-states are bound to the General Agreement on Tariffs and Trade 1994 (GATT) and the Agreement on Technical Barriers to Trade (TBT).

Article III:4 of the GATT and Article 2.1 of the TBT Agreement, respectively, require non-discriminatory treatment between 'like' products. Such products could arguably include biofuels derived from a variety of sources, such as palm oil, coconut oil, soybean oil, rapeseed oil and sunflower oil. 'Like' products may arguably even encompass both first generation and advanced biofuels (e.g. biofuel



derived from food and feed-based biofuels versus biofuel derived from various types of biomass).

Traditionally, the approach used to determine 'likeness' includes the consideration of: 1) The properties, nature and quality of the products; 2) The end-uses of the products; 3) Consumers' perceptions and behaviour in respect of the products; and 4) The tariff classification of the products. Insofar as Article 2.1 of the TBT Agreement is concerned, the WTO Appellate Body found that the determination of 'likeness' using the factors listed above is also a determination of the competitive relationship between the products.

When applied to biofuels, it is questionable whether the secondary effects, such as the alleged ILUC and deforestation, are an issue that should be considered at all when assessing 'likeness'. They do not appear to have an impact on any of the factors listed above and deemed relevant by the WTO. If this is true, then the varying rules with respect to the different types of food and feed-based biofuels and so-called advanced biofuels could be *de facto* discriminatory. More importantly, the express phase-out of palm oil-based biofuels could be *de jure* discriminatory.

Furthermore, Article 2.2 of the TBT Agreement prohibits measures that are more trade-restrictive than necessary to fulfil a legitimate objective. Such legitimate objectives include 'plant life or health, or the environment'.

However, Article 2.2 of the TBT Agreement states that, in assessing such risks, relevant elements of consideration include available scientific technical information, related processing technology, or intended end-uses of products. Considering the statements by the MEPs, it appears rather questionable that solid science-based evidence could be provided to support the phase-out.

The clear distinction between biofuels produced from palm oil, which is a vegetable oil that is not even produced in the EU, and biofuels from other oil crops (e.g. coconut oil, rapeseed oil or sunflower oil) raises a number of political and legal questions. While MEPs argued during the debate on Jan 15, 2018 that their vote sent a clear message towards the EU's commitment to the Paris Climate Agreement, banning biofuels produced from palm oil alone also raises the question of whether the actual aim could be, instead, the protection of EU ethanol production against palm oil imports.

Now that the three EU institutions have internally agreed on their respective position, inter-institutional negotiations, the infamous 'trilogue', has begun behind closed doors. While any provisional agreement reached within the 'trilogue' is informal and still has to be approved by the formal procedures applicable within the Council and the European Parliament, the decision will be taken before anything is made public. This is the last chance to prevent the phase-out of palm oil-based biofuels. After that, the only remaining legal avenue will be the recourse to the WTO dispute settlement system, a set of procedures that are available only to WTO members.

These procedures are costly, time-consuming and riddled with legal, political, diplomatic and commercial intricacies. Both the EU and palm oil producing countries should spare themselves from such epilogue and find a negotiated and science-based solution through the joint definition of an internationally recognised multilateral standard for palm oil sustainability. Unilateral actions, and even more so discriminatory and trade restrictive measures, should be avoided.

Datuk Dr Kalyana Sundram
CEO, MPOC





In Defence of Small Farmers

Act against EU ban on palm oil

A lot has been written about the anti-palm oil campaigns that are currently underway in Europe. Two facts are really all you need to know about these.

- Fact 1: Palm oil is a major contributor to Malaysia's economy, society and prosperity. Over 650,000 small farmers rely on oil palm for their livelihood: when children are included, that's 2.3 million of our fellow-Malaysians.
- Fact 2: The EU has confirmed that it plans to ban palm oil biofuels – a major component of Malaysia's exports – from 2021. That is only three years away.

Where does the EU's plan come from? It is proposed within the Renewable Energy Directive (RED), a law that oversees all rules on renewable energy including sources such as palm oil biofuels. The law is currently going through the process of revision.

The European Parliament's Environment Committee voted on the RED in October 2017: as part of this, it voted to ban palm oil biofuels. This decision was endorsed by the Parliament's Industry, Research and Energy Committee in a vote in

November 2017. Two consecutive votes in the two Committees have confirmed the plan to ban palm oil biofuels.

This EU ban, if implemented, will cause significant harm to ordinary Malaysians. It would decrease the quality of life among our small farmers, and take money out of the pockets of communities across Malaysia. We cannot allow this to happen.

The Federal Land Development Authority (FELDA) is launching a petition to give small farmers a bigger voice in defending the Malaysian palm oil sector: We are also supporting a new campaign – facesofpalmoil.org – to defend Malaysian small farmers against such threats.

The simple facts remain: palm oil is essential to our nation and to our communities; and the EU is planning to ban this essential commodity.



Prime Minister Dato' Sri Najib Abdul Razak has led the way with a strong defence of our small farmers and the palm oil industry. He stated clearly, earlier this year: "We too buy products from them. So whoever boycotts oil palm products, they will face retaliation from us."

I feel certain that hundreds of thousands of small farmers across Malaysia will be grateful for the Prime Minister's support. It is important that a strong message is sent to Europe, about the importance of Malaysia's small farmers and how we will defend their livelihood.

The EU lawmaking process on the RED continues in Brussels. A meeting was held on Dec 18, 2017 by the region's Energy Ministers – in the Council of the EU (Council) – to discuss the issue. The Council has joint decision-making power with the European Parliament.

Over the coming three to six months, these institutions and the European Commission will have many more meetings, negotiations and votes on the RED. They will decide the future of palm oil biofuels in Europe.

If the EU bans palm oil biofuels under the RED, the future will be bleak for Malaysia; billions of Ringgit earned through exports of palm oil biofuels would simply disappear. That would have an impact on tax revenues and economic growth – and, more importantly, household incomes as well.

The time for talking is over. It is now time for action. FELDA's smallholders will mobilise to protect the livelihood of their families and communities. I hope fellow-Malaysians will do everything they can to support our campaign as well.

Tan Sri Shahrir Abdul Samad
Chairman,
FELDA, Malaysia

UNITED AGAINST EU PROTECTIONISM

Oil palm small farmers speak up

A draft of the revised EU Renewable Energy Directive (RED II) is making its way through the legislative process in Brussels. The proposals present a huge issue for Malaysia, specifically for its palm oil exports. This is because the European Parliament intends to ban palm oil biofuels from 2021 – last year, its Environment Committee and the Industry, Research and Energy Committee had respectively voted for the ban.

Brussels is to use the RED II as its main tool in regulating the biofuels sector from 2021-30. The objective is to highlight the EU's use of renewable energy to reduce greenhouse gas emissions, and contribute to the region's strategy to mitigate climate change. As part of this effort, the use of biofuels and other renewable energy sources is being promoted.

The move to ban palm oil biofuels has been led by multiple protectionist Members of the European Parliament (MEPs), with Dutch Greens MEP Bas Eickhout and Spanish Socialist MEP José Blanco López at the forefront.

The European Parliament's protectionist position was confirmed on Jan 17 with 492 MEPs voting in favour of banning palm oil biofuels, with 88 against and 107 abstentions. All other oilseeds will continue selling within the EU until at least 2030.

It has been heartening, however, to note that Malaysia received support from many quarters in Europe. The UK Conservative MEPs – part of the governing party of Prime Minister Theresa May – voted against the ban. In a statement confirming their stance, they said they 'could not support an arbitrary ban on palm oil, which will have an inflationary effect on food prices and cause significant economic damage to developing countries'.

UK Conservative MEP Daniel Hannan, in a speech during the plenary, criticised other MEPs for wanting to ban palm oil: "The reality is that this is a vote driven by the interests of rapeseed producers here in Europe, specifically the biofuels industry at home."



In addition, 57 MEPs from Europe's largest political party – the centre-right European People's Party – proposed an amendment to remove the provision on banning palm oil biofuels.

Following the vote, Malaysia's International Trade and Industry Minister Dato' Sri Mustapa Mohamed said the ban is a "potential violation of World Trade Organisation rules". Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong referred to it as "akin to crop apartheid".

Protest and petition

A day before the vote, more than 2,000 Malaysian smallholders had taken to the streets of downtown Kuala Lumpur to send out a strong signal to the EU. As the Jan 16 protest unfolded, photos, videos and comments were uploaded by advocacy group *facesofpalmoil.org*, which also posted tweets.

A delegation of smallholders and MPOC officials hand-delivered a petition at a meeting with H.E. Maria Castillo Fernandez, the Ambassador and Head of the EU Delegation to Malaysia. The petition was backed by 320,047 signatures collected from smallholders nationwide. The delegation relayed the message that millions of Malaysians would be affected by the unfair and discriminatory ban.

The Ambassador attempted to appease the group by saying that there is no ban on palm oil. However, many in the delegation felt otherwise. They based their stance on a press release by the European Parliament, which stated that 'MEPs want a ban on the use of palm oil from 2021'. Furthermore, during debates on the RED II, words such as 'ban', 'phase out' or 'stopping palm oil' were repeatedly used.

Almost all the representatives of the smallholders spoke up during the meeting. Among them was Tuai Rumah Thomas Lamet, representing the Sarawak Land Consolidation and Rehabilitation Authority. He urged the Ambassador and the EU not to penalise innocent people, describing this as "cruel". He said the ban would deprive them of a good life and create social problems because "oil palm [cultivation] sustains their life."

The Ambassador was further told that negative comments and claims made against the palm oil industry had affected the interests of smallholders. She then agreed to raise their concerns with the European Parliament, Council of the EU (Council) representing the 28 member-states, and European Commission (EC).

The protest generated widespread publicity in major European cities and in Malaysia. It drew attention to the problems that 650,000 smallholders would face, as they depend on palm oil to earn an income and provide for their families. The 'Faces of Palm Oil' campaign, supported by smallholder organisations in Malaysia, secured close to 100 articles in the international media in January.

Efforts remain in place to overturn the ban as the legislative process continues. A decision will be made in the coming months, in a 'trilogue' between the European Parliament, Council and EC. The Malaysian palm oil sector must ensure that it keeps up the pressure, day after day.

Belvinder Sron
Deputy CEO, MPOC

Egypt: Oils and Fats Demand Strengthens

Alongside growth of food industry

Egypt is among the world's fastest growing markets for imported food and agricultural products. It is, however, a price-sensitive market that also struggles with government austerity measures, soaring youth unemployment and double-digit inflation.

Demand for oils and fats, including palm oil, is supported by growth of the food industry. The sector grew with a compound annual growth rate of almost 15% from 2011-16. Driving growth is the shift to increased production for domestic consumption and export. Consumption of oils and fats will continue to rise, due in part to population growth which is expected to surpass 100 million by 2021 and to record 117 million by 2030.

Oils and fats imports were recorded at 1.9 million tonnes in 2017, a drop of 13.2% compared to the previous year. This was mainly due to reduction of the government's procurement under the cooking oil subsidy scheme, due to budget constraints. In 2017,

	Jan-Dec 2017	Jan-Dec 2016	Change (Vol)	Change (%)
PO	970,000	790,000	180,000	22.8
SFO	560,000	429,000	131,000	30.5
SBO	236,000	790,000	-554,000	-70.1
Corn oil	55,000	55,000	0	0.0
Others	84,000	131,000	-47,000	-35.9
Total	1,905,000	2,195,000	-290,000	-13.2

Source: Oil World

the government imported 547,235 tonnes of soft oils for the subsidy programme, compared to 688,174 tonnes in 2016.

Palm oil imports rose by 23% or 180,000 tonnes to record 970,000 tonnes in 2017, compared to 790,000 tonnes in 2016 (Table 1). The volume accounted for 51% of the total oils and fats imports (Figure 1).

Food processing sector

Consumer behaviour in Egypt has been changing in recent years because the retail prices of nearly all goods and services have increased. This has restricted the level of disposable income, which was already low. Food prices soared 40% in June

2017 compared to the same period in 2016, while food inflation reportedly reached 44% in April 2017.

The floating of the Egyptian pound, which has stoked inflation, has also pressured importers to raise the prices of goods. The government is imposing stricter rules on importers with the aim of reducing imports by 25% to save foreign currency reserves and protect local industries. A statement from the Central Agency for Public Mobilisation and Statistics revealed that the price of imported oils and fats increased by 18.5% in 2017.

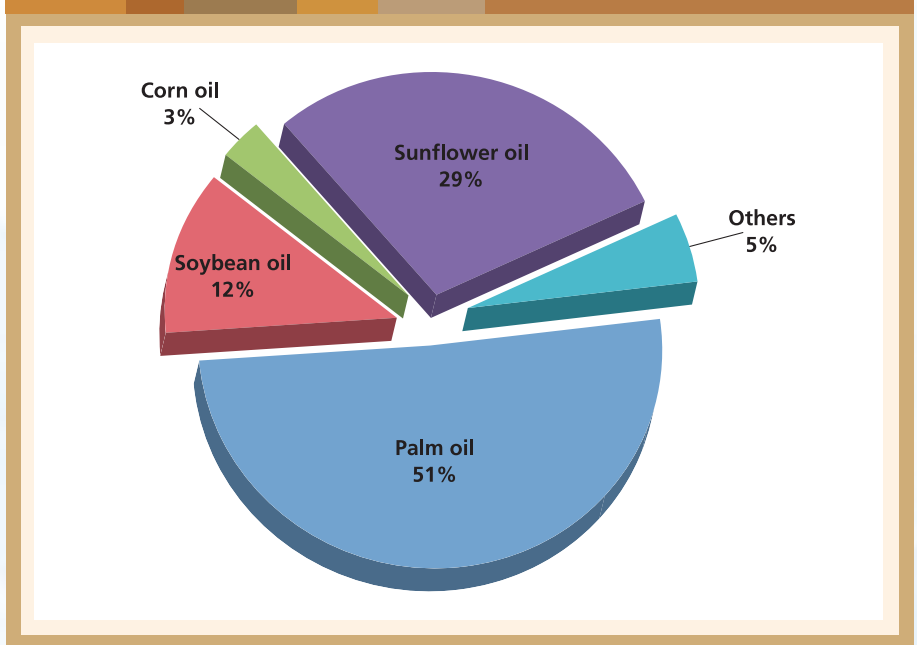
The value of domestic consumption of processed foods grew from US\$32 billion in 2008 to nearly US\$45 billion in 2017. The food processing sector is forecast to grow from 2017-21, albeit at a slower rate of 5% in terms of the local currency.

Food processors are also taking advantage of Egypt's central location in the Middle East and North Africa to increase exports to regional markets. Its processed food products are exempted from import duty in nearly all of the Arab and African export destinations.

Egypt's exports of processed foods earned nearly US\$2.6 billion up to November 2017. Of this, some US\$1.1 billion worth of goods went Saudi Arabia (\$289 million), Libya (\$144 million), and Jordan (\$123 million). Top exports were edible oils (\$397 million), processed cheese (\$152 million), and sugar and confectionery (\$143 million).

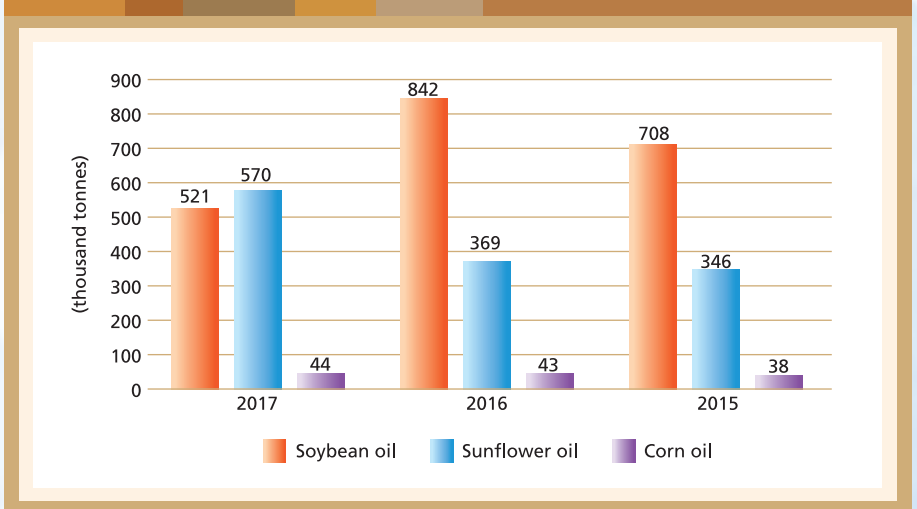
MPOC Egypt

Figure 1: Egypt – market-share of imported vegetable oils, 2017



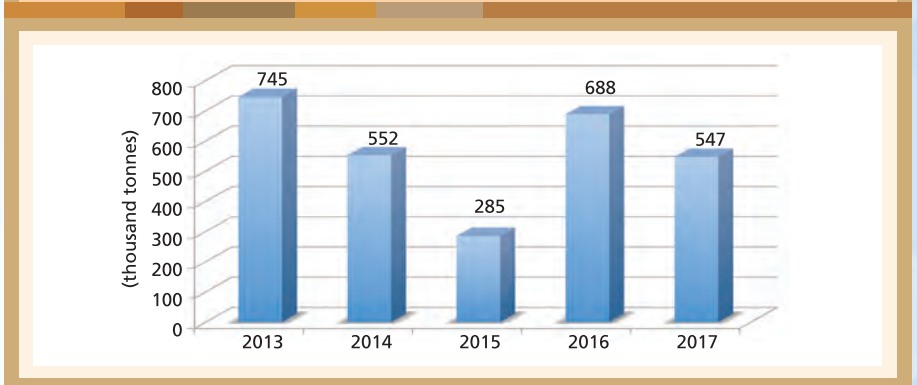
Source: MPOC

Figure 2: Egypt – consumption of soft oils, 2015-17



Source: Oil World

Figure 3: Egypt – import of soft oils by the government, 2013-17



Source: Trade calculations

Turkey Bars 'Palm Oil-free' Claim

Hint for the EU

Nutrition Facts	
Serving Size 1 bag (66g)	
Servings Per Container 1	
Amount Per Serving	Calories from Fat 30
Calories 270	% Daily Value*
Total Fat 3.5g	5%
Saturated Fat 1g	5%
Sodium 0mg	0%
Total Carbohydrate 33mg	11%
Dietary Fiber 6g	24%
Protein 27g	
Vitamin C 2%	Calcium 8%
Iron 30%	

Not a significant source of trans fat, cholesterol, sugars and vitamin A
*Percent Daily Values are based on a 2,000 calorie diet.

A guidance note on food labelling in Turkey expressly states that the 'palm oil-free' claim is illegal. The guidance for the food industry, prepared by the government, is of great interest regarding the notorious 'palm oil-free' claim commonly used in many EU member-states.

Turkey's interpretation should be seen as an important hint in the direction of EU authorities that continue to ignore the illegal, anti-competitive and misleading labelling of food products carrying the 'palm oil-free' claim.

The government of Turkey had published the updated Food Codex Regulation on Labelling in the *Official Journal* on Jan 26, 2017. Last July, after collaborating with different food industry associations and food business operators for more than three years, the Ministry of Food,

Agriculture and Livestock of Turkey published a guidance note entitled 'Turkish Food Codex: Guidance on Food Labelling and Consumer Information Regulation', which interprets the updated labelling rules.

The updated Food Codex Regulation on Labelling and the related guidance are part of Turkey's efforts to bring its food law in line with EU law. Turkey has been a candidate-country since 1999. Accession negotiations started on Oct 3, 2005.

A revised Accession Partnership was adopted in 2008 and established the principles, priorities and conditions for accession negotiations. Under Chapter 12 on 'Food safety, veterinary and phytosanitary policy', Turkey committed to adopt a framework on food, feed and veterinary matters compliant with EU requirements and

The Turkish guidance note expressly spells out that claims such as 'palm oil-free' and 'no glucose syrup' are prohibited.



allowing for a complete transposition of the so-called 'acquis', the body of EU law.

In this context, the Turkish Food Codex Regulation on Labelling is particularly relevant. Article 50(1) states: 'This Regulation has been prepared in accordance with the legislation of the European Parliament, taking into consideration the Regulation (EC) No. 1169/2011 of the European Parliament and of the Council of [Oct] 25, 2011 on the provision of food information to consumers' (also known as the Food Information Regulation, FIR).

Ahead of the EU

In an innovative and forward-thinking manner, the Turkish Food Codex Regulation on Labelling and the guidance note address matters that have not yet been agreed at the EU level. This concerns, in particular, specific rules on declarations on the absence of food ingredients and rules on the establishment of so-called nutrient profiles.

Particularly relevant to the infamous 'palm oil-free' claim is Article 7(1)(c) of

the Turkish Food Codex Regulation on Labelling. It states: 'Informing about food cannot be misleading, in particular by claiming that a particular food has special qualities, in particular, by highlighting the presence or absence of certain ingredients and/or nutrients, when all similar foods have the same qualities.'

This provision implements Article 7(1)(c) of the FIR on fair information practices, which provides that food information must not be misleading, particularly 'by suggesting that the food possesses special characteristics when in fact all similar foods possess such characteristics, in particular by specifically emphasising the presence or absence of certain ingredients and/or nutrients'.

Article 7(1)(c) of the FIR further addresses the legal concept of misleading advertisements with certainties (i.e. 'obvious', 'self-evident' and 'flagrantly misleading' advertising), which has been so far mostly applied in cases of the so-called 'clean' labelling. Clean label claims, such as 'additives-free' or 'free from preservatives', may only be made as long

as they are true and the use of additives in such foods is legal.

Since Dec 13, 2014, the FIR has required the specific vegetable oils to be indicated in the list of ingredients. Listing the generic indication 'vegetable oils' is no longer sufficient. Now that the specific origin of the vegetable oil must be declared, the 'palm-oil free' claim has become irrelevant and illegal. It is also misleading because it gives consumers the impression that food products carrying the claim have special properties that other similar foods do not.

The Turkish guidance note expressly spells out that claims such as 'palm oil-free' and 'no glucose syrup' are prohibited. The aim of the guidance is to protect consumers from being misled and to help food business operators to comply with the updated rules on food labelling that ban terms such as 'real' or 'genuine' and prevent firms from making certain claims like 'no palm oil'. The same restrictions apply to claims used in English that are generally recognisable by consumers, such as 'original' or 'natural'.

The most relevant part of the guidance on certain terms and expressions used on food labels in private practice reads as (unofficially translated):

(3) Other Negative and Positive Statements

1. Declarations on the absence of food ingredients ('... contains no ...') other than those specified in this guideline cannot be used. Examples: 'Sunflower oil-free'; 'Does not contain glucose syrup'; 'Palm oil-free', etc. These expressions cannot be used.

Since the guidance note implements the FIR, it should arguably not be a challenge for European food exporters to comply when supplying the Turkish market. However, EU member-states and the European Commission (EC), in their guidance to the FIR, have unfortunately not gone as far as Turkey in explicitly noting that 'palm oil-free' or 'no palm oil' claims cannot be made. Some EU food business operators might have to change their labelling to bring it into compliance with the Turkish rules and their interpretation provided in the guidance.

Nutrient profiles

The guidance note also goes a step further with respect to nutrient profiles – these aim at classifying or ranking foods according to their nutritional composition for reasons related to preventing diseases and promoting health. More specifically, nutrient profiles are nutritional requirements that foods must meet in order to bear nutrition and health claims.

Within the EU, rules on nutrition and health claims have been established by Regulation (EC) No. 1924/2006 on nutrition and health claims made on foods (NHCR). Under this regulation, nutrient profiles are generally intended to

determine whether foods are, based on their nutrient composition, eligible to bear claims.

The establishment of nutrient profiles under the NHCR has proven to be difficult. Under the EC's Regulatory Fitness and Performance programme, the concept of nutrient profiles is currently being re-evaluated and may even be abandoned.

Turkey seized the opportunity in the context of updating its Food Codex Regulation on Labelling and introduced nutrient profiles. Article 42(1)(c) states that the use of nutrition claims may only be permitted if the food/the product fulfils at least three of the following conditions:

- The product contains no more than 120mg/100kcal sodium;
- A maximum of 8% of the energy that it contains comes from saturated fatty acids;
- A maximum of 10% of the energy that it contains comes from added sugar; and/or
- The product contains at least 55mg/100kcal natural calcium.

Specific regulations may be adopted for foodstuffs that cannot meet these conditions. A list of permitted nutrition claims has been established in the Annex to the Turkish Food Codex on the Nutrition and Health Declaration.

Essentially, nutrient profiles aim at preventing nutrition claims from being made on foods that are high in fats, sugar and salt. Such products also often bear the 'palm oil-free' claim which, when made in a nutritional context, is arguably not an approved nutrition claim.

Producers often argue, though, that whatever fat (other than palm oil) is used

is nutritionally advantageous. Products that bear the 'palm oil-free' claim are most often potato crisps, breakfast cereals and biscuits. Arguably, such products, which are often high in fats, sugar and salt, must not bear nutrition claims.

The existence of nutrient profiles in Turkish law permits a calculation of whether a food may actually carry a nutrition claim or not. Again, Turkey appears to have learned from the EU's shortcomings and exercised much better judgement than the EU.

Section 15 of the Turkish Food Codex Regulation on Labelling provides food businesses with time to bring their products in line with the updated rules. Foods placed on the market or labelled by Dec 31, 2019 must comply with the Turkish Food Codex Regulation on Labelling, while foodstuffs labelled or marketed before Dec 31, 2019 may be marketed until the end of their shelf-life. On the basis of the Turkish guidance, products from EU member-states, which are labelled 'palm oil-free', may then no longer be placed on the Turkish market.

This is an important precedent in light of the ongoing campaigns against palm oil in important EU markets such as France, Belgium or Italy, where the number of products labelled 'palm oil-free' continues to increase.

Turkey appears to be well ahead of the curve on the proper interpretation and application of EU law. When will EU member-states wake up and stop private parties from denigrating palm oil through campaigns that are illegal, anti-competitive and deceptive?

FratiniVergano
European Lawyers



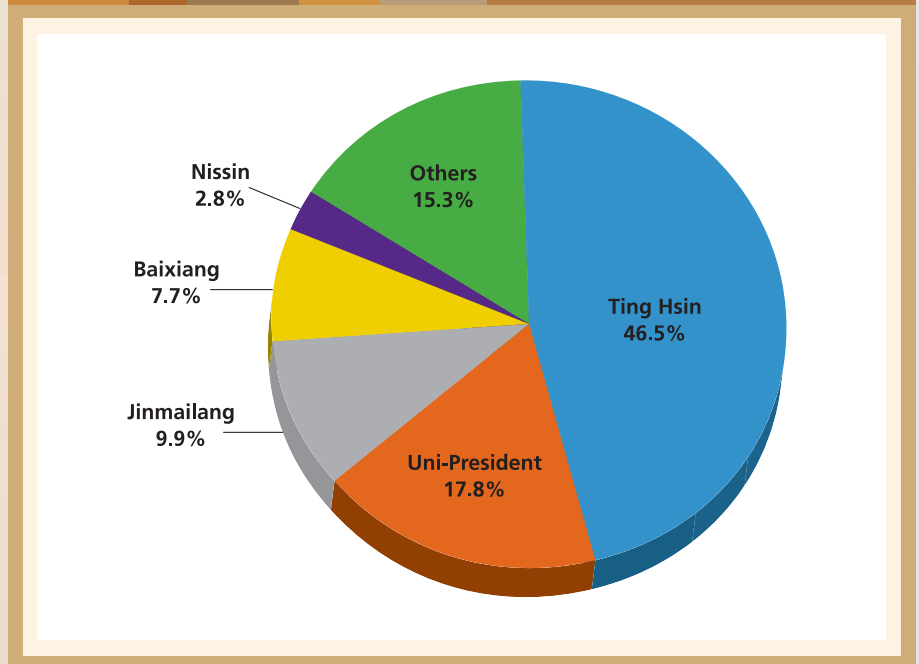
Instant Noodles Take a Hit in China

But it remains the world's top market

China's appetite for instant noodles flourished from the 1990s to 2013, with the market dominated by brands such as *Master Kang* (produced by Ting Hsin), *Uni-President* and *Nissin* at the national level, and by *Baixiang*, *Jinmailang* and *Hua Long* at the regional level (Figure 1).

According to the World Instant Noodles Association, sales in China grew at a double-digit rate annually between 1992 and 2010. This peaked in 2013, surpassing 46.2 billion packets – equivalent to 1,465 packets being opened every second. However, sales then fell for three consecutive years. In 2016, 38.5 billion packets were sold, a drop of 17% compared to 2013 (Figure 2).

Figure 1: China – market-share of instant noodles producers, 2016



Source: Frost & Sullivan

Given that the Chinese economy has been robust and that the population has continued to grow, what has contributed to the fall in instant noodles sales? Four factors, all linked to the rising quality of life, provide some answers.

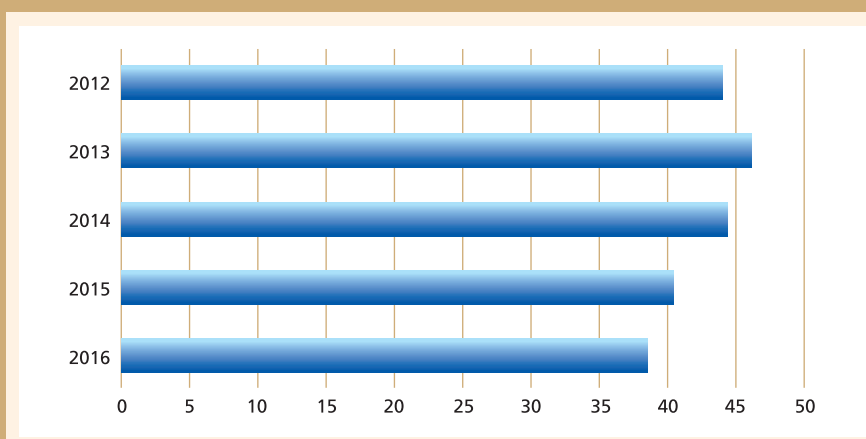
Reverse migration of workers

In China, migrant workers responding to the rural-urban pull have been among the biggest buyers of instant noodles. Rapid economic growth was first registered in the major coastal cities in the mid-1990s, and gradually expanded into the interior. Workers from rural areas rushed into these cities to find work. While the absolute numbers still go up each year, the growth rate has slowed tremendously since 2010 (Figure 3).

This growth rate covers workers who moved to cities other than their hometowns. If examined by region, the number of rural Chinese who opted for jobs in coastal or first-tier cities rose only up to 2014. In 2015, the migrant population decreased for the first time in about 30 years. The following year, 1.7 million fewer migrant workers arrived in these cities than in 2015.

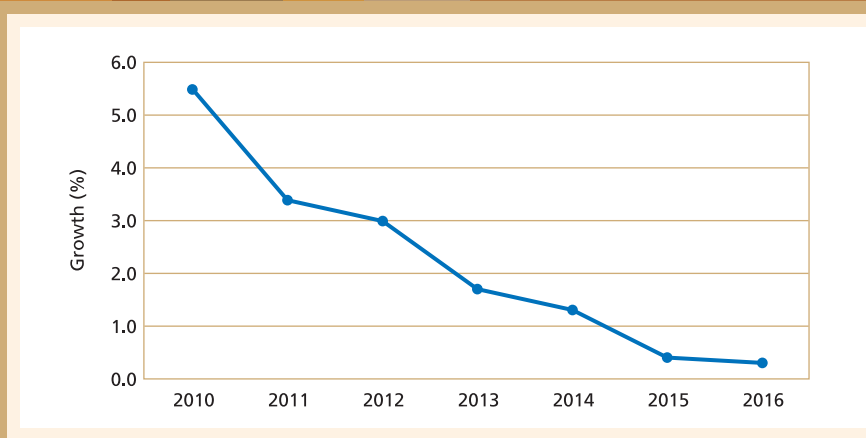
In recent years, economic growth in China's interior regions has been luring back migrant workers from the coastal cities. Now job opportunities have come up in areas closer to their hometowns. Apart from earning higher wages, the workers have benefitted from the lower cost of living and additional savings. With the skills and capital acquired in cities, many migrant workers have started their own businesses in their hometowns.

Figure 2: China & Hong Kong – sale of instant noodles, 2012-16 (billion packets)



Source: World Instant Noodles Association

Figure 3: China – growth rate of migrant workers, 2010-16



Source: National Bureau of Statistics, China

Those in second- or third-tier cities now utilise their higher disposable income for better-quality meals. This has affected the sale of instant noodles, which used to be the main food option for those who could not afford the cost of meals in metropolitan areas.

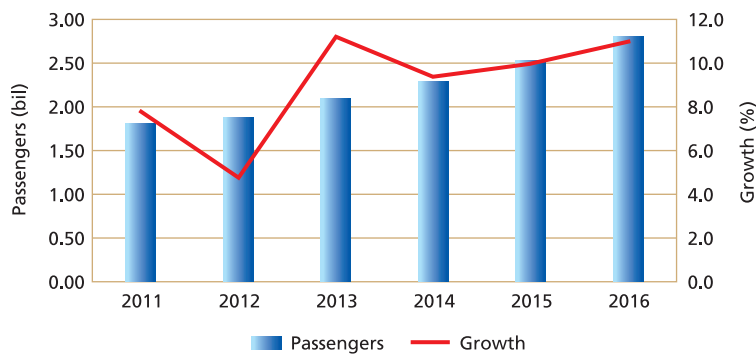
Improved transport infrastructure

Train stations were once an important venue for the sale of instant noodles. However, sales have fallen despite the consistently higher turnover of passenger traffic, which rose to 2.8 billion in 2016 (Figure 4).

This is attributed to improvements to the railway system over the past 10 years, in particular the introduction of high-speed trains. About 20 years ago, passengers chose to eat instant noodles during long journeys that lasted three or more days on trains that had a maximum speed of 130km/h.

But better train services and station amenities have had a knock-on effect on the sale of instant noodles. Journeys are quicker, while the range of food options is far more varied and include international cuisines.

Figure 4: China – railway passenger traffic, 2011-16



Source: National Railway Administration, China

Another point to consider is the boom in aviation travel, with middle-class Chinese flying to domestic destinations instead of taking the train. Almost 500 million domestic and international passengers were recorded in 2016, according to the Civil Aviation Administration of China.

Food delivery services

The rise of food delivery services and the smartphone industry have contributed as well to the declining fortunes of the instant noodles industry. About 730 million people in China now have access to the Internet, with about 95% of them using smartphones to connect to the

food delivery sector via apps like *Eleme*, *Meituan* and *Baidu*.

Food ordered online is delivered to homes, offices or wherever one happens to be. Although most of the items are more expensive than a bowl of instant noodles, some of the food is affordable and tasty.

Users of food delivery services reached 295 million by the end of June 2017, a 41.6% increase from the end of 2016. This is the new booming industry, according to the China Internet Network Information Centre. The China Cuisine Association has estimated that the food delivery market exceeded RMB200 billion in 2017 (Figure 5).

Move towards better nutrition

As consumers in the world's second-largest economy became wealthier, they





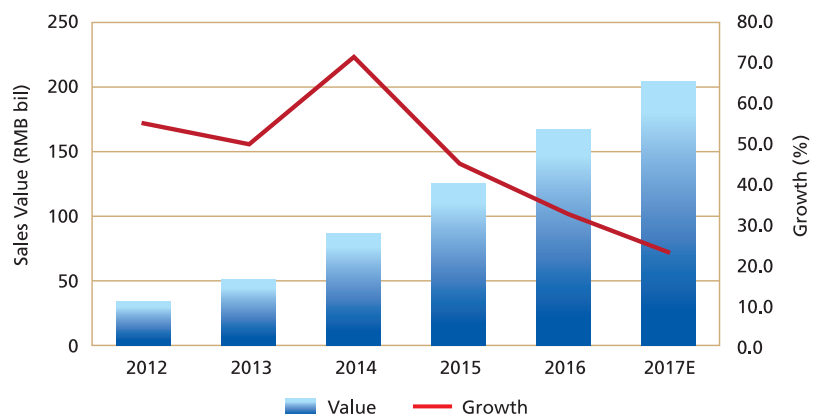
also became more health-conscious and developed an interest in improved nutrition. The fall in the sale of instant noodles has reflected this trend. Manufacturers are responding by intensifying R&D efforts to upgrade the nutritional value of instant noodles.

Despite the drop in domestic sales, China remains the world's biggest market for instant noodles. At the same time, demand for instant noodles has been growing steadily in neighbouring Japan and South Korea since 2012 (Figure 6).

Japan's Nissin Foods remains bullish about its business prospects in China, where it is the fifth-biggest brand in the market for instant noodles. It plans a stock market flotation in Hong Kong to raise about US\$145 million. Chief Executive Kiyotaka Ando noted that most consumers want to improve their diet. Innovation is therefore the way forward for food giants like Nissin to sustain their business.

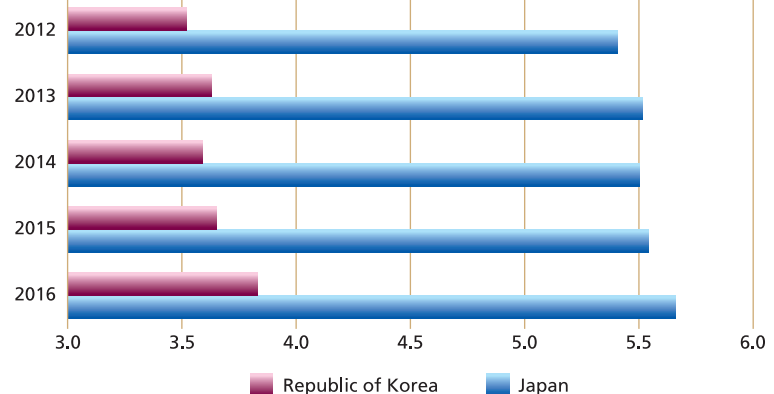
MPOC China

Figure 5: China's online food delivery services, 2012-17E



Source: Meituan-Dianping Research Team

Figure 6: Japan & Republic of Korea – sale of instant noodles, 2012-16 (billion servings)



Source: World Instant Noodles Association

Envoy: China will not ban Malaysian palm oil

China will not impose a ban on Malaysian palm oil and palm-based products, said H.E. Bai Tian, who is China's Ambassador to Malaysia.

Instead, China will import more primary products such as palm oil and rubber-based products from Malaysia in the future.

"We will not set any limit on the import of Malaysian palm oil and related products. There will be no glass ceiling for the imports," he said after paying a courtesy call on Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong in Putrajaya.



Malaysia exported palm oil and palm-based products worth RM8.5 billion to China from January to November 2017, compared to RM7.8 billion over the same period in 2016 – this reflects an increase of 9.8%.

Bai said China would encourage more of its business community to invest in primary industries, especially biomass, in Malaysia.

On China's biodiesel market, he said diesel and biodiesel B5 consumption in 2016 stood at about 165 million tonnes and 8.3 million tonnes, respectively, while its biodiesel production in 2015 was 300,000 tonnes.

"This means, we need to import 8 million tonnes of biodiesel. I think this is good news for palm biodiesel producers. We hope Malaysia will take up this golden opportunity," he said.

Meanwhile, Mah said China is the second-biggest buyer of Malaysian palm oil and palm-based products after the EU for its biofuel needs.

"China has overtaken India to become the Number Two export destination for Malaysian palm oil and palm-based products. We expect China to become the biggest importer of our commodity in two years' time," he said.

Mah further said the Ministry, through the Malaysian Palm Oil Board, is conducting a study with China's Tsinghua University on biodiesel B5.

To counter the EU's intended palm oil ban in biofuels, Mah said Malaysia is pursuing the growth potential in markets like Iran, Vietnam, the Philippines, Japan and the Middle East.

On rubber and rubber products, Mah said China has overtaken the US and the EU to become Malaysia's top export destination.

He said Malaysia exported rubber and rubber products worth RM7.5 billion to China from January to November 2017, an increase of 76% compared to RM4.2 billion over the same period in 2016.

Source: Bernama, Feb 3, 2018

Another stiff hike in India's import duty on palm oil

India has raised import tax on crude and refined palm oil to the highest level in more than a decade, the government said in a statement, as the world's biggest edible oil importer tried to support local farmers.

The duty increase would lift oilseed prices and encourage domestic supply for crushing, helping to cap edible oil imports in the 2017/18 marketing year that started on Nov 1, dealers said.

India raised import tax on crude palm oil to 44% from 30% and on refined palm oil to 54% from 40%, a government order said.

India relies on imports for 70% of its edible oil consumption, up from 44% in 2001/02.

The fourth increase in import tax in less than six months would push up domestic edible oil prices and support prices of local oilseeds like soybean and rapeseed, said BV Mehta, executive director of the Solvent Extractors' Association, a Mumbai-based trade body.

"Supplies from the new season rapeseed crop have just started. Now farmers will get remunerative prices due to the duty hike," Mehta said.

India primarily imports palm oil from Indonesia and Malaysia and soybean oil from Argentina and Brazil. It also buys small volumes of sunflower oil from Ukraine and canola oil from Canada.

The duty hike will narrow the difference between palm oil and soft oils like soybean oil and sunflower oil, making it lucrative for refiners to increase purchases of soybean oil and sunflower oil in the coming months, said a Mumbai-based dealer with a global trading firm.

"Palm oil's share is likely to fall substantially unless India raises import tax on soybean oil and sunflower oil," the dealer said.

Source: Reuters, March 2, 2018



Traceability required for sale of CPO futures in Malaysia

Sellers of crude palm oil futures who want to be involved in physical deliveries must now provide traceability details up to the palm oil mill's location, according to a document posted on the Bursa Malaysia Derivatives website.

Crude palm oil sellers should submit traceability documents to port tank installations approved by Bursa Malaysia Derivatives.

The traceability document requires the name of the parent company, mill address and coordinates, and quantity of crude palm oil received. The requirement took effect from Feb 26.

Source: Reuters, Feb 26, 2018

Leading analyst predicts higher Malaysian palm oil prices

Malaysian palm oil prices are expected to trade at RM2,500 to RM2,700 per tonne as production falls from March and stock levels decline between January and July.

Leading vegetable oils analyst Dorab Mistry said this would mean a recovery for benchmark palm oil prices that have slumped more than 10% since early November 2017 on rising Malaysian stockpiles. Inventory levels in Malaysia rose to their highest in more than two years in December 2017, hitting 2.7 million tonnes.

"Palm oil looks oversold and demand is at record levels," Mistry said at an edible oils conference in Karachi, Pakistan.

"We must expect measures from the Malaysian government to assist small growers and to support prices. Stocks have peaked and will gradually decline from now until July."

Mistry said his price outlook is based on an assumption of Brent crude oil prices at US\$60-75 a barrel.

Palm oil production typically rises during the fourth quarter of each year before declining through the middle of the following year. Analysts, however, expect to see slower seasonal tapering this year, as output trends have been affected by the *El Nino* event of 2015.

Mistry, the director of Indian consumer goods company Godrej International, pegged Malaysia's 2018 palm oil output at 21 million tonnes, while Indonesia's was forecast at 38 million tonnes. Together, these countries account for nearly 90% of global palm oil production.



The Malaysian Palm Oil Board reported an output of 19.9 million tonnes last year, while the Indonesia Palm Oil Association estimated its production at 36.5 million tonnes.

"Overall in oil year 2017-2018 [ending September 2018], palm oil production will be up at least 4.5 million tonnes [globally]," said Mistry.

Based on rainfall patterns and weather forecasts, production is expected to surge from September, he said.

The crude palm oil price would rise to US\$750 per tonne CIF Rotterdam by mid-year, while the RBD palm olein price would touch US\$720 a tonne on a free-on-board basis, he added.

Source: Reuters, Jan 22, 2018

India's branded edible oils sales cross Rs 1.3 trillion mark



Health-conscious Indians are driving the sale of branded edible oils, ditching 'loose oil' sold by neighbourhood grocery stores.

According to market research firm Euromonitor International, the edible oils category in India grew 25.6% to cross the Rs 1.3 trillion mark last year – the first time any packaged food category has done so. Dairy products were second, achieving Rs 1.2 trillion or 16.5% more than in 2016.

Edible oils formed over 30% of the Rs 4.3 trillion packaged foods market in India, compared to the 8.8% share held by rice, pasta and noodles.

“Growth is primarily coming from new consumers who are shifting from loose to packaged oils,” said Atul Chaturvedi, chief executive officer of Adani Wilmar Ltd, which refines and produces edible oils.

Deoki Muchhal, managing director of Cargill's food business in India, said: “Packaged oil sales are growing at 2.5 times the rate of overall edible oils consumption in India.

“Increasing awareness of safe products, the food law administration restricting loose product sales and the crackdown by the government on unfair trade practices have aided this growth.”

According to Euromonitor, the rice, pasta and noodles category will grow faster than others until 2022 with a 12% cumulative average growth rate, followed by breakfast cereals (10.6%). Edible oils are expected to maintain a healthy rate of 9%.

Source: Business Standard, Feb 7, 2018

India's cooking oil imports on the rise



In the wake of unsatisfactory oilseed production in the harvesting year 2017-18, India is expected to import 15 million tonnes of cooking oil. This is likely to push up the annual bill for edible oils imports to about Rs 650 billion.

The latest survey by the Soybean Processors Association estimates that Indian soybean production will register 8.4 million tonnes, or 24% less compared to 10.9 million tonnes previously. Soybean contributes nearly a third of domestic oilseeds output.

India is the world's largest importer of edible oils, buying nearly 70% of the volume required to keep pace with consumer demand for cooking oil.

Local farmers having been planting less soybean each year to avoid losses arising from low prices. Last year, industry players and farmers requested the government to impose higher import duty on edible oils in order to safeguard their interests. As a result, the import duty was raised to the highest level in more than 10 years.

Source: Financial Express, Feb 13, 2018

Turning oil palm waste into biogas in Thailand

Thai palm oil producer Agriculture of Basin Co Ltd (ABC) and Japan's Osaka Gas Co Ltd are engaged in a joint project to refine biogas – generated from agriculture process residues – for use as fuel in vehicles that run on natural gas.

ABC has installed a facility to refine biogas, as well as a natural gas station, at its palm oil factory in southern Thailand. Organic matter in the factory's wastewater first goes through the process of digestion to generate biogas. This is then refined into biomethane – a renewable natural gas – after removing carbon dioxide (CO₂) and other impurities.

The hybrid biogas refining system, developed by Osaka Gas, is based on an original combination – CO₂ separation membrane with Pressure Swing Adsorption, a technology that selectively adsorbs and removes CO₂. The system, which can extract 99% of the methane contained in biogas, is among the most efficient of its kind, according to Osaka Gas.

A year-long pilot project was launched last November to focus on verification of a long-term stable operation, as well as methods to minimise the cost of producing methane gas and determine the effectiveness of the output as a vehicle fuel.

Once approved as meeting Thailand's quality standards for vehicle fuel, ABC will use the refined methane gas to run its own natural gas-powered vehicles. Based on the outcome of pilot testing, ABC will develop further transportation initiatives to effectively utilise the renewable natural gas.

The project is supported by the Thai government, which has provided over 40% of the 35 million baht (US\$1.1 million) that ABC has spent building the natural gas station.

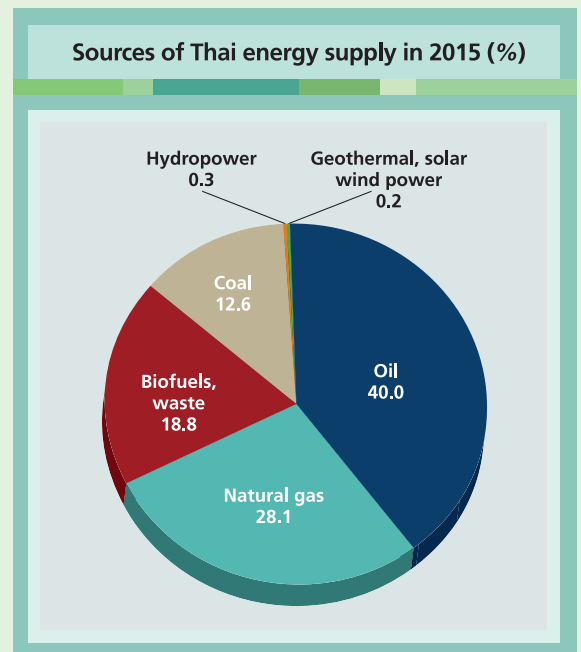
With concerns growing about the depletion of domestic natural gas reserves – the principal source of electricity in Thailand – the government is keen to develop new sources of energy.

It is therefore looking to biogas to help raise the share of renewable energy sources in the country's overall final energy consumption to 30% by 2036.

The clean energy campaign is also driven by growing concerns about the heavy dependence on imported energy. Thailand uses imports for over 40% of its energy needs, according to the International Energy Agency.

The government views biomethane as an important energy source that can help the country wean itself off its reliance on imports, a top official at the Ministry of Energy said.

Since agriculture is one of Thailand's most prominent industries, there is an abundance of biomass resources. These include oil palm residue; the remnants of sugarcane crushed to extract juice; and food factory wastewater. The use of natural gas vehicles is also becoming more prevalent in Thailand.



Source: International Energy Agency
Note: Electricity trade not included

Sources: Business Wire, Nov 26, 2017; NVG Global News, Dec 3, 2017; Nikkei Asian Review, Jan 5, 2018

Malaysia enhances use of oil palm trunks, rubber trees

Malaysia is making better use of wood from oil palm trunks and rubber trees, given the versatility and durability of this raw material.

The move away from hardwood timber is also in line with efforts to conserve the country's natural forests, said Malaysian Timber Industry Board (MTIB) director-general Datuk Dr Jalaluddin Harun.

Timber industry players are looking at using raw materials from rubber trees and oil palm trunks to produce veneer, plywood and panels, he said.

"We have relatively huge rubber and oil palm plantations. Currently, 80% of our furniture exports [are made of] rubber wood. The future of the plantation sector is secure," he said.



Malaysia has close to 1.1 million ha of rubber estates to sustain demand for timber downstream businesses.

"We also have 5.7 million ha of oil palm plantations. These estates undergo replanting after 25 years. We have about 80,000 ha to 100,000 ha of oil palm plantations available for harvesting and replanting annually," he said.

Currently, five factories produce veneer plywood and soft-timber made from oil palm trunks.

Jalaluddin said the National Forestry Department is also active in replanting trees: "In that sense, we are managing the situation sustainably for the future. For example, we plant *Acacia mangium*. We have more than 300,000 ha in Sabah, Sarawak and Peninsular Malaysia."

Malaysia is the world's eighth-largest exporter of wooden furniture. Japan is its biggest market for timber exports, followed by the US, European Union, India and Australia.

The MTIB also encourages the import of raw materials from North America, Europe, Africa and Latin America to add value to the furniture-making chain. Finished products are then exported at a premium price.

Logs are processing into furniture parts and building components like flooring, wall panels and mouldings, said an industry player.

Affin Hwang Capital plantation analyst Nadia Aquidah said timber is in scarce supply globally due to reduced availability of natural forest logs.

"There is no problem in selling our logs [while] the demand for plywood remains stable," she added.

Within this scenario, oil palm smallholders have been urged to make better use of oil palm trunks whenever they carry out replanting.

Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said the sale of oil palm trunks would generate additional income for the small farmers.

About 18 million mature oil palm trunks are produced every year during replanting exercises in Malaysia, with 136 oil palm trunks being extracted from every hectare planted, he noted.

Sources: *New Straits Times*, Dec 9, 2017; *Bernama*, Dec 19, 2017

Record volume of soybean imports by India

High domestic soybean prices coupled with a smaller crop in 2017 are causing processors in India to import a record volume of soybean this year. Reports indicate that they have contracted to import up to 100,000 tonnes since December 2017, with the 2017/18 total likely reaching 200,000 tonnes.



The shipments are said to be primarily sourced from Ethiopia and Benin – likely re-exports – because those countries have preferential access to the Indian market. India's most-favoured nation tariff rate is 30%, and it does not allow the importation of genetically-modified (GM) soybean.

Over the last five crop years, the average soybean yield in India has been about 0.8 tonnes/ha. The crop is almost exclusively grown under dryland conditions and subject to the vagaries of rainfall during the monsoon season.

Many farmers do not want to grow soybean because of the low yield and despite the government's guaranteed high minimum price. With some forecasters now predicting below-average rainfall during the upcoming monsoon season, it appears that 2018 may not be a good year for Indian soybean production.

Indian soybean meal demand is rising at about 10% annually due to its rapidly growing poultry and aquaculture sectors, and there is no foreseeable way that domestic soybean production is going to keep up.

Source: Ag Perspective, March 13, 2018

China to import 100 million tonnes of soybean in 2017/18?

JY Chow, a food and agriculture analyst with Japan's Mizuho Bank, has predicted that China will import 100 million tonnes of soybean in 2017/18. He based this forecast on a rapidly growing swine sector that is requiring more soybean meal.

Muyuan Foods Co Ltd, China's second-largest swine producer, recently indicated that the company plans to boost the number of hogs it will produce and slaughter to 12 million, up from 7 million in 2017.

An increase in China's soybean imports may also be partly driven by expectations that it will export more meal in 2017/18. One trader has told *Reuters* that he estimates the country will export 2 million tonnes, almost double the volume in 2016/17.

The increases are anticipated because the drought in Argentina will likely reduce the amount of soybean meal that it exports. Another trader told *Reuters* he expects China will export more meal this year to Japan, Vietnam, Thailand and Indonesia, among other countries.

China imported 93.5 million tonnes in MY 2016/17, and the USDA is forecasting 97 million tonnes in 2017/18. The total increased by an average 6.9 million tonnes over the previous five years; therefore, achieving 100 million tonnes is certainly a possibility.

China's growing demand for soybean makes it very unlikely that the country will retaliate against US soybean exports, as some have suggested. Even if it took all the soybean exported by Brazil, Argentina, Paraguay and Uruguay, China would still need to import about 25 million tonnes from the US.

In addition, the US would simply export to the other nations that could no longer source from those origins. Retaliation against US soybean would also be disproportionate since the volume exported to China in 2016/17 was valued at over \$14.5 billion versus US imports of Chinese steel and aluminum worth slightly less than \$1.7 billion.

Source: Ag Perspective, March 13, 2018

The Race Is On ...

...for a new palm oil standard

Reports indicate that, by November, the Roundtable for Sustainable Palm Oil (RSPO) is set to release revised Principles and Criteria (P&C) for the production of sustainable palm oil. This will bring new standards into force.

At the same time, the European Parliament is pushing for the creation of a 'Eurocentric sustainable palm oil standard'. This is beginning to encroach on the standardisation work of the RSPO and of the two biggest palm oil producing countries.

In addition to its P&C on the production of sustainable palm oil, the RSPO develops and maintains a number of documents and standards. They include those relating to the supply chain, internal and external certification systems and processes, and other relevant guidance for its members. On June 14, 2017, the RSPO Board of Governors (BoG) approved revised versions of such documents. These in part help set the foundation for the upcoming P&C.

On July 4, 2017, the RSPO Secretariat published the revised Certification Systems for P&C. The document entered into effect on July 1, 2017, but all members and certification bodies have been given 12 months to bring their systems into compliance.

The document sets out the requirements for the systems that must be followed in the implementation of certification against the requirements of the P&C and/or its National Interpretations. Although most of the document will apply from July 1, 2018, Clauses 4.10 and 4.11 entered into force on Sept 1, 2017.

Clause 4.10 addresses reporting and communications. The certification body must prepare a peer-reviewed certification audit report, including a public summary report, and submit it to the RSPO by the deadlines set. Clause 4.11 pertains to the certificates that the certification body must complete and send to the RSPO Secretariat within the stipulated time-period.

The RSPO Secretariat has also published a revised Standard Operating Procedure (SOP) for Standard Setting and Review. This document, also approved at the June meeting, took effect from July 1, 2017. It sets out the procedures and describes the processes by which the RSPO standards are to be set and reviewed.

In general, two standing committees are charged with the oversight of the standards: the RSPO Standards & Certifications Standing Committee (S&C SC); and the Trade & Traceability Standing Committee (T&T SC).



The S&C SC is responsible for documents describing and relating to the RSPO P&C, while the T&T SC is responsible for documents describing the RSPO supply chain certification standard.

The SOP is particularly relevant as the S&C SC finalises the new P&C. The RSPO standards are reviewed at least once every five years. The existing standard from 2013 is being reviewed for continued relevance and effectiveness, including through the assessment of results of ongoing monitoring and evaluation by the RSPO.

The S&C also decides to what extent it is necessary to conduct stakeholder engagement during the revision process; whether a task force is required; and the extent of public consultation. The Terms of Reference of the S&C SC include:

1. The definition of sustainable palm oil production through stakeholder expertise and research;
2. The development of P&C that, both individually and in aggregate form, reflect the definition;
3. The construction of measurable indicators for the various criteria;
4. The adaptation of criteria and indicators for the various socio-environmental conditions under which palm oil is produced, without compromising the criteria and definitions;
5. The provision of support to the Secretariat to organise a credible mechanism for scrutinising and recording the production of RSPO-defined sustainable palm oil in the various environments, including where deemed necessary, through engagement with governments; and
6. The provision of support to the Secretariat to strengthen the capacity to produce palm oil sustainably and to set aside the resources to support monitoring.

Once developed, revised standards are to be field-tested so as to assess their feasibility and the extent to which the requirements can be audited. Pilot tests can take place in

multiple locations to assess differences in geographical regions. Once endorsed by the BoG, the revised standards are voted upon by the RSPO General Assembly, where a single majority of a fixed quorum of ordinary members is required for adoption.

There are as yet few details of the new RSPO P&C. In terms of the three main roles of the S&C SC – stakeholder engagement; task force creation; and public consultation – reports indicate that the stakeholder engagement process was launched in May 2017.

In addition, on May 26, 2017, the RSPO announced the formation of a Labour Rights Task Force. It is expected that addressing labour rights will be an important part of the revised P&C.

It is also expected that the revised P&C will take steps to improve the ability of smallholders to meet the sustainability criteria, in the hopes of recruiting more of them into the RSPO membership.

Developments within the EU

As noted, the RSPO is moving forward with the development of its revised P&C – a process that includes stakeholders (including those based in Europe); committee and task force involvement; and public consultation. Curiously, the EU now appears poised to create its own set of governmental, and hence mandatory, palm oil standards.

A European Parliament 'Resolution on Palm Oil and Deforestation of Rainforests', adopted on April 4, 2017, notes the existence of voluntary certification schemes including the RSPO standard, the Indonesian Sustainable Palm Oil (ISPO) standard and the Malaysian Sustainable Palm Oil (MSPO) standard. The Resolution, however, claims that these sustainability criteria 'are the subject of criticism especially with regard to ecological and social integrity'.

The Resolution emphasises that the existence of different schemes is confusing for consumers. It states that the ultimate objective should be the development of a single certification scheme which would improve the visibility of sustainable palm oil for consumers. The Resolution then calls on the European Commission (EC) to ensure that such a certification scheme guarantees that only sustainably-produced palm oil enters the EU market.

Arguably, this aspect of the Resolution is paradoxical at best when the solution proposed to address the issue of 'confusion for consumers' is to produce yet another scheme. This would definitely be the case should the EU decide to unilaterally develop its standard and add it to the plethora of existing schemes, whether voluntary or mandatory.

The logical solution should be to take part (multilaterally and/or plurilaterally) in the revision, modernisation and harmonisation of existing standards and their criteria, rules and procedures. This would enable the end result to become the overwhelmingly applied standard worldwide and thus decrease 'consumer confusion'.

Nonetheless, in the Resolution, the European Parliament goes further. In its list of Recommendations, it again acknowledges 'the positive contribution made by existing certification schemes, but observes with regret that RSPO, ISPO, MSPO and all other recognised major certification schemes do not effectively prohibit their members from converting rainforests or peatlands into [oil] palm plantations'. The Resolution calls on the EC to ensure that independent auditing and monitoring of the schemes is carried out.

Most notably, the Resolution calls for the EU to introduce minimum sustainability criteria for palm oil and products containing palm oil, on the basis of six assurances – that palm oil entering the EU market:

1. Has not led to ecosystem degradation, such as deforestation of primary and secondary forests and the destruction or degradation of peatlands or other ecologically valuable habitats, whether directly or indirectly, and does not cause a loss in biodiversity, foremost of all endangered animal and plant species;
2. Has not given rise to changes in land management practices, which have negative environmental impacts;
3. Has not given rise to economic, social and environmental problems and conflicts, including the particular problems of child labour, forced labour, land grabbing or the eviction of indigenous or local communities;
4. Fully respects fundamental human and social rights, and is in full compliance with adequate social and labour standards designed to guarantee the safety and well-being of workers;
5. Enables small-scale oil palm cultivators to be included in the certification system, and ensures that they receive their fair share of profits; and
6. Is cultivated on plantations that are managed using modern agro-ecological techniques in order to drive the conversion to sustainable agricultural practices so as to minimise adverse environmental and social outcomes.





Moreover, instead of supporting the RSPO, the ISPO and/or the MSPO, the Resolution appears to endorse the standards developed by the Palm Oil Innovation Group, but does not recognise the RSPO Next standard. Lastly, the Resolution calls for enhanced traceability requirements for palm oil entering the EU market.

Logical option

It is important to emphasise the illogical nature of the European Parliament's proposal, given the ongoing standardisation work by the RSPO and by the governments of Malaysia and Indonesia as the main palm oil producing countries.

The assurances requested by the European Parliament for palm oil entering the EU market would likely already fall within the scope of RSPO standards – be they the P&C, enhanced standards such as RSPO Next, or the revised P&C due in November.

Indeed, the RSPO committee process includes stakeholder engagement, while at least one task force has already been formed, and there is scope for future public consultations. European RSPO members should make clear to their respective government representatives at the EU level that they will be actively involved in these efforts.

They must also argue that the creation of a 'Eurocentric palm oil sustainability standard' would be a waste of taxpayers' funds, given that there is a more logical option. This would involve working with the RSPO and palm oil producers, ideally represented by the Council of Palm Oil Producing Countries.

Together, they could develop a truly international and multilateral sustainability standard that is governmental in nature, mandatory and duly representative of the environmental, socio-economic, industrial and commercial interests at stake.

If, however, a race to the next global palm oil sustainability standard were to be launched, major palm oil producing countries must step up and ensure that their own standards are accepted worldwide. Arguably, they are the natural catalysts to trigger this process and to drive the scientific, socio-economic and commercial negotiations that must define a global palm oil sustainability standard.

No unilateral EU impositions should occur. In an interconnected and globalised world, 'unilateral' is definitely not sustainable and all too often synonymous with protectionism and trade wars.

FratiniVergano
European Lawyers



Red Palm Oil to the Rescue

In eczema treatment

Professor Dr Lai Oi Ming of Universiti Putra Malaysia's (UPM) Department of Bioprocess Technology had her first child in 2013. However, her initial joy was marred because he had an unexpected skin condition.

"My son had very severe eczema when he was born. I come from a family that does not have asthma, eczema or other allergic conditions, so I didn't know how to deal with him," she said.

At the time, the lipid and enzyme technology expert was working on a tocotrienols clinical trial with one of her Masters students.

Tocotrienols are one of the two forms of Vitamin E, with the other being tocopherols. They are differentiated by the type of chemical bonds they have in



their side chain; tocotrienols have three double bonds, while tocopherols have single bonds. Both forms have four members, or isomers, each – namely, alpha, beta, gamma and delta.

Said Prof Lai: "From that trial, I knew that

tocotrienols have very good anti-inflammatory properties; they have always been used for cardiovascular diseases, cancer, etc, but there wasn't any study for eczema or atopic dermatitis [the most common form of eczema].

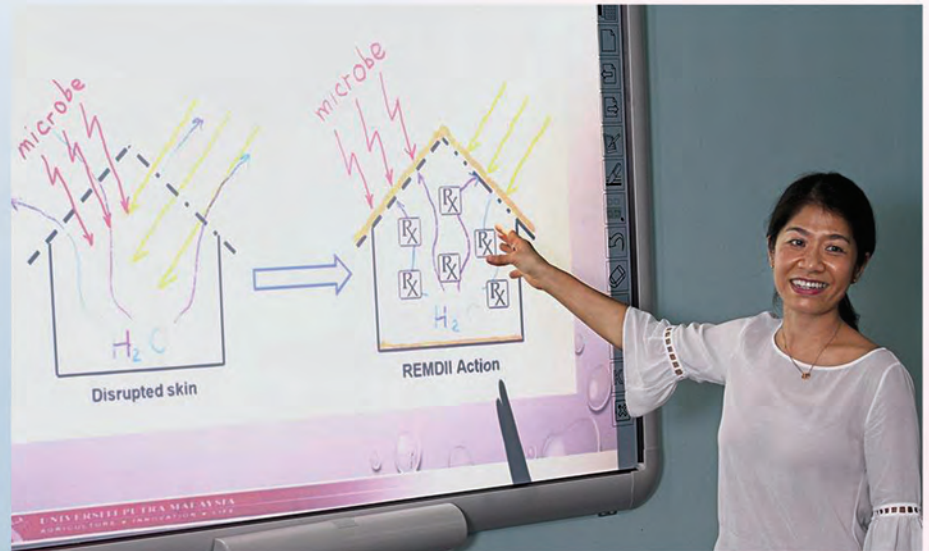
“So I decided to have a look at all the [eczema] creams that were out there; it was very frustrating to find out that most do not have anti-inflammatory properties – I just couldn't wrap my head around that.

“Whenever I saw doctors, they would tell me there is no cure for eczema. That was even harder to accept because, in the 21st century, you would think that a skin condition would have a treatment. So, I decided to work on it.”

Studies have shown that in many cases, eczema patients do not have a protein known as filaggrin in the skin, said Prof Lai.

“This particular protein is supposed to protect the skin barrier so that the moisture below the skin doesn't evaporate. At the same time, allergens and microbes from the outside are unable to penetrate the skin.”

Using the analogy of a house, Prof Lai explained the problems that eczema causes to the skin, and how the cream



that she and her students developed has helped to solve those problems.

Without a properly-functioning barrier, the skin is unable to maintain its moisture, leading to the dry and scaly skin of eczema. Foreign substances are able to penetrate the skin, causing the inflammation that results in red and itchy rashes and, in severe cases, infection.

Eczema can occur at any age, although it more commonly begins in childhood or

even infancy. While some children outgrow this condition by the age of two, around half will continue to suffer from the chronic condition for life. Based on the latest available data from 2005, about a quarter of the Malaysian population has eczema.

Doctors take a two-prong approach for a flare-up – they prescribe a steroid to reduce the inflammation and tell patients to continuously moisturise. However, Prof Lai's team discovered a problem with this.



While many other skincare products also contain Vitamin E in the form of tocopherols, Prof Lai noted that tocotrienols are 60 times more potent as an anti-inflammatory agent, compared to tocopherols.

“When we did a survey of all the creams in the market, we found that 90% don’t even have an active ingredient. Considering that eczema is an inflammatory skin condition, you would think that there should be some bioactive ingredient to reduce inflammation – an anti-inflammatory bioactive – but most of the creams do not have any.

“Of the 10% that do have it, some are synthetic ones. Most of the time, they only act on the surface [of the skin]. But inflammation happens in the dermal layer. That’s when we realised that something doesn’t match.”

Reduction of inflammation

With her Masters student’s work fresh in her mind, Prof Lai wanted to see if they could develop an emollient for eczema with the anti-inflammatory properties of tocotrienols.

They ended up with a cream that has three anti-inflammatory ingredients: tocotrienols, tocopherols and carotenoids.

“The main one is tocotrienols. We have the full spectrum – the alpha-, beta-, gamma- and delta-tocotrienols. These isomers work together to reduce inflammation,” she explained.

While many other skincare products also contain Vitamin E in the form of tocopherols, Prof Lai noted that tocotrienols are 60 times more potent as an anti-inflammatory agent, compared to tocopherols.

Most tocopherols in creams come in their synthetic form of tocopherol acetate, which requires the body to do additional work in breaking it down into its active component.

“The enzymes in the body need to break it down. In most people, the enzymes are not that efficient. That’s why some forms of Vitamin E are not as effective, such as tocopherol acetate,” she said.



“Our tocotrienols, tocopherols and carotenoids, which are pro-Vitamin A, are basically from a natural source – red palm oil. This has the second-highest natural amount of tocotrienols in the world. We don’t separate and extract the tocotrienols, but use them in their natural form.”

In addition to the three anti-inflammatory ingredients, the cream Prof Lai and her team developed also contains Vitamin C.



“We found that there is a synergistic effect – when Vitamin C is added with Vitamin E, it enhances the properties of Vitamin E by four times, [meaning] that it becomes four times more effective,” she said, adding that Vitamin C is also good for wound-healing.

The process was not as simple as putting together all the ingredients. For example, while the natural form of Vitamin E is more potent and works better, it is also heat- and light-sensitive.

“[Through technology], we made it stable, able to withstand high temperatures and light so that [the cream] can last up to three years. At the same time, we can turn it into a water-soluble form. We realised that eczema patients, adults especially, don’t want to be slapping [on] creams that are really greasy. We wanted a cream that works, but is non-greasy.”

Another important consideration was that the cream – in particular, the anti-

inflammatory ingredients – should penetrate the dermal layer of the skin, where the inflammation occurs.

“We made, or bioengineered, our bioactives – the tocotrienols, tocopherols, carotenoids and Vitamin C – so that they are nano-size, in order to penetrate the dermal layer. When you apply the cream, the bioactives get absorbed into the dermal layer, where they reduce inflammation and try to repair the skin from underneath. On the top layer, they try to protect [the skin] to prevent moisture loss. So it is a two-prong approach.”

The team was also careful to control the size of the bioactive compounds so that these would not unnecessarily enter the bloodstream.

The various technologies are unique and covered by five patents, two of which have been received. The patents are owned by Lipidware Sdn Bhd, a biotechnology start-up based in UPM. It was founded by Prof

Lai, two of her postgraduate students and two friends from the business sector to develop and market the cream, which was launched in June 2017.

The cream is being used not only by eczema patients, but also by those suffering from psoriasis, burns and side-effects of chemotherapy on the skin.

Lipidware Business Development director Hishamuddin Mohamed said the company has received inquiries about exporting the cream. With this, though, comes the need to tweak the formulation to suit other climates. Prototypes have already been developed for potentially exportable versions.

The company also hopes to launch an ‘ultra-sensitive’ version of the cream which will contain ceramides.

“Basically, it’s skin-mimic technology. Even our seal on the upper layer of the skin will mimic the skin – the ceramides are identical to the skin structure,” said Prof Lai, noting that the cream will stay effective for 72 hours, even if the area where it is applied is washed.

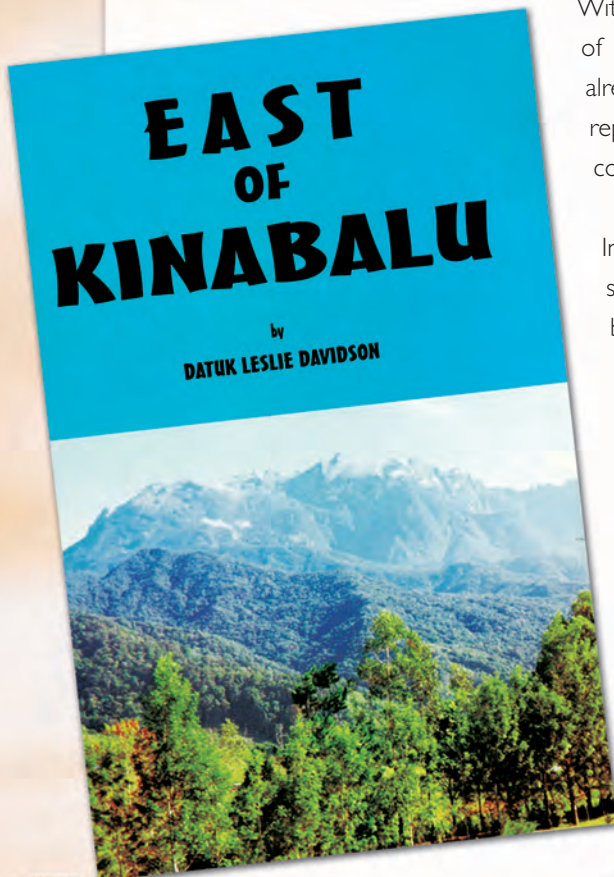
The team has also developed baby shampoo and body wash gels that are suitable for eczema patients.

Source: The Star, Jan 3, 2018

This is an edited version of the article which can be viewed at <https://www.star2.com/health/2018/01/03/eczema-inspired-anti-inflammatory-moisturising-cream/>

Effects of *Konfrontasi*, Part 2

A consecration and a wedding



With the increase in numbers of Filipinos, we now had a large number of Christians on the estate, both Catholic and Protestant. We had already built a beautiful mosque for our Muslim workers. The Filipino representatives asked if we could have a church for the Christian community.

In consultation with our leading Christians, I produced a rough sketch. Pablo turned it into a professional-looking plan, and our building gang had it erected in a matter of a few weeks. It was sited on a picturesque spot on the Tungud River; beside the new bridge. The Christians contributed nearly half the cost and the company contributed the rest.

The church was light and airy and, as in the general manager's house, it made much use of decorative hollow blocks, which Kong Miew produced on the site. We built a spire with a cross on top using some metal pipes. Finally at the request of the Catholics, we built a confessional box in one corner near the back door.

On one of my visits to Kota Kinabalu, I contacted the Catholic and the Anglican Bishops. They were both delighted to learn of the new church. They agreed that there would be no problem in having it used, at different times, by both the Protestants and the Catholics. The Bishops agreed that they would conduct a joint, ecumenical, opening ceremony.

We arranged to have the opening when Colin Black was on a visit to the estate, accompanied by his wife Eileen. There was a large crowd in attendance. We had flown in several dignitaries from Sandakan and Kota Kinabalu. But we were disappointed that the Catholic Bishop was unable to attend since he had been summoned to Rome to the Ecumenical Council.

The old Dutch priest from Sandakan had been instructed to attend in his place, but he was not happy about sharing a church with Protestants. Although he turned up, he resolutely refused to participate in any sort of joint opening ceremony. The Anglicans were represented by Bishop Roland Koh. He was dressed in resplendent white and gold robes. He had a mitre on his head and he carried his Bishop's crook.

Eileen Black opened the proceedings by making a short speech and cutting the ribbon across the gate into the churchyard. The congregation then advanced up the path, to assemble in front of the new church. Bishop Koh positioned himself in front of the church door and commenced the dedication ceremony for the Church of St Peter of the Labuk. It was lengthy.

The ceremony was being held at mid-day to allow the VIPs to fly back to Sandakan or Kota Kinabalu after lunch. It was blistering hot in the noonday sun. The ladies in their hats and gloves were already showing signs of discomfort. The Bishop in his heavy robes must have felt even worse, but he continued stoically.

At last after a final prayer he advanced and struck the door symbolically three times with his crook and said: "Ladies and Gentlemen, I now invite you to take your places inside the church." Turning to me the Bishop said "You may open the door now, Mr Davidson." I grasped the handle firmly but with due reverence. To my dismay, it would not turn. I rattled the door but it remained closed. It was, in fact, locked.

David Marsh was in the crowd. "I'll get the key," he said and dashed off. He returned after what seemed an age. "The building foreman has got it."

"Good," I said. "Let me have it."

"No," he replied, "he has the key, but he left for Sandakan a couple of hours ago as soon as they finished decorating the church. He will be back on Monday."

The Bishop and I looked at each other and at the waiting congregation. "We shall have to break down the door," I whispered. The Bishop thought that would be very improper, just after he had blessed it. The crowd were beginning to get restive. The VIPs were starting to fidget.

We had to come up with something quickly. "Bishop," I said, "You haven't blessed the back door, have you? Can I suggest we break in from the rear?" He gave his reluctant agreement to this.

In a second or two, there were loud crashes and a couple of workmen opened the front door from the inside. The congregation filed swiftly into the welcome shade of the church for the Anglican service, which was followed by lunch at the Club.

Standing in ...

I was not myself a regular attender either at the church or the mosque. However, a few weeks later, I was back in St Peter's Church again. This time it was for a big Filipino wedding. Natividad Balangue was a Botany graduate from Manila. She worked for Chris Ho as a research assistant. She was to be married to George Villacero, one of our bulldozer drivers.

The wedding celebrations were organised jointly by the research department and Joe Joyce's roads department. The marriage ceremony was to be performed by the Catholic Father from Sandakan at 6pm, and would be followed by a great feast in the Club, to which almost the whole community had been invited.

We had our usual weekly management meeting the afternoon of the wedding. While it was underway, my secretary came in to report that Sabah Air had rung to announce that the plane we had chartered to bring in the Catholic priest had been cancelled owing to a mechanical problem. It would not be available for a charter until the following week. This was a disaster.

Joe Joyce reported that the buffalo had already been slaughtered. Someone jokingly said that the captain of a ship could perform wedding ceremonies, so why not the manager of an estate? None of us took this seriously, and Chris dashed off to investigate whether we could bring the priest up

by speed-boat or, alternatively, if the feast could be postponed by a week. We carried on with the meeting and Chris did not reappear.

When I got back to the house at about 5.30pm, Olive was waiting for me anxiously, dressed in her smartest clothes. "I'm sorry," I said. "I should have rung to tell you the wedding has been postponed. The priest can't get in because the plane has broken down."

"No," Olive said. "The wedding is still on, and we have to be at the church in half an hour. Chris Ho has just been round to tell everyone that it is to proceed as planned, and that you, heaven help us, are going to perform the ceremony."

While I bathed and changed, Olive was frantically searching for a prayer book. All she could find was a Bible. Whilst we were being driven to the church I searched through it ...Genesis, Exodus, Leviticus and so on. There was nothing I could find in the shape of a wedding service.

I stood at the altar with the Bible in my hands, facing a packed congregation. George stood in front of me with his best man at his side. Natividad's arrival on the arm of Joe Joyce, was heralded by the massed guitars of the Filipino community lined up on each side of the aisle. They were playing, for some mysterious reason, the American marching tune, 'Blaze Away'.

Natividad was radiant in an elaborate white wedding gown, and Mrs Castelotte, one of our teachers, was her maid of honour. I had never attended a Catholic wedding ceremony, least of all a Filipino one. Remembering snatches of my own wedding service, I intoned solemnly: "We are gathered here today to witness the joining together in holy matrimony ...", and then read a lengthy extract from the Sermon on the Mount. It seemed to go down well.

The happy couple exchanged rings with no prompting from myself, and Mrs Castelotte did something elaborate with a silk cloth which she tied round both their hands. Then her husband Pio stepped up with his guitar and led the congregation in a very lovely 'Ave Maria'.

Then it was my turn again. I repeated the words I could remember from past weddings. "Speak now or forever hold your peace...Let no man put asunder...Do you George Villacero?... Do you Natividad Balangue? ...I now pronounce you man and wife.....You may kiss the bride...."

Joe Joyce said that if we had rehearsed it for a week beforehand it could not have gone more smoothly. Mrs Castelotte said that it was the first time any of them had attended a Presbyterian form of wedding ceremony. It was, she said, very different from the Catholic service which they were used to back home, but they had all found it very moving.

A week or so later the Dutch priest arrived on the estate. He asked to see me in my office. I braced myself for what I expected to be an unholy row. Not for the first time the Father surprised me.

"I want to thank you, my son, for performing the ceremony on my behalf. It is of course perfectly permissible for a lay person to perform a wedding ceremony in an emergency. All that remains now is for me to formally bless the union. Natividad tells me that it was a beautiful wedding."

Datuk Leslie Davidson
Author, *East of Kinabalu*

Former Chairman, Unilever Plantations International

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

IPOSC

ORGANISED BY



INTERNATIONAL PALM OIL
SUSTAINABILITY CONFERENCE **2018**

19-20 September 2018

Shangri-La's Tanjung Aru Resort & Spa,
Kota Kinabalu, Sabah, Malaysia

The 5th IPOSC 2018 is a dedicated platform that focuses on current and emerging sustainability issues in the palm oil industry. These include global agricultural sustainability, certified sustainable palm oil, wildlife conservation and deforestation. Updates on sustainability initiatives and achievements by the palm oil industry will also be highlighted.



**SAVE
the
DATE**

For more information, please visit www.mpoc.org.my

Contact persons : Michael Ng - michael@mpoc.org.my
Sarafhana - sara@mpoc.org.my