



## **COMMODITY PROFILE – PALM OIL**

Palm Oil is also known as palm fruit oil. It is an expeller-pressed food oil, obtained from fresh fruit bunches (FFB) of oil palm cultivated in plantations.

Palm oil is the second largest edible oil and accounts for approximately 23 per cent of the world's fats and oil supply. Since 80 per cent of palm produced is used in food - its nutritional properties are of extreme importance. Palm oil is available in about 15 different grades, ranging from crude to semi-refined, refined, crude fractionated, refined fractionated oil and refinery by-products. Crude Palm Oil (CPO), Crude Palmolein, RBD (refined, bleached, deodorized) Palm Oil, RBD Palmolein and Crude Palm Kernel Oil (CPKO) are the various edible forms of palm oil traded in the market. While Oil is the stable derivative (saturated fat, solid at room temperature) of fresh fruit crushed, Olein is relatively unstable (unsaturated fat, liquid at room temperature, but low cholesterol). Palm oil is obtained from the mesocarp of the palm fruit while palm kernel oil is derived from the flesh of the kernel.

### **Importance & Uses**

Palm oil is the main vegetable oil consumed in the world today, accounting for 33% of all oils consumed globally, closely followed by soya oil with 31%.

Ninety percent of palm oil and its products are used for edible purposes while the remaining 10% is for non-edible applications. Palm oil's unique composition makes it versatile in its application in food manufacturing and in the chemical, cosmetic and pharmaceutical industries.

In the food industries, palm oil is the choice for manufacturing solid fat products. Palm oil olein and stearin are popularly used worldwide in making margarine, shortenings and confectionery, and in frying snack foods. It also gives fried products a longer shelf life, while its bland taste brings out the natural flavors of food.

Non-edible uses of palm oil and palm kernel oil are also of great economic value, especially in the manufacture of soaps, in biodegradable detergents, and in oleochemical products such as fatty acids, fatty esters, fatty alcohol, fatty nitrogen compounds, glycerol and other derivatives for the manufacture of cosmetics, pharmaceuticals and industrial products.

### **Palm Seasonality**

Oil palms have an economic lifecycle of 20 to 25 years with an average annual oil yield of 3.5-5 t / ha making it the highest oil bearing crop in the world. Planting can be done in any season. However, the best period is June to December.

**Planting Season:** June-December

**Harvesting Season:** Output of palm oil in Malaysia and Indonesia typically peaks between July and September

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## Global Scenario

Palm oil dominates the global vegetable oil export trade. A significant change in the oil palm industry has taken place during the past season, as Indonesia surpassed Malaysia in production of palm oil and is now the world leader.

### World Palm Oil Demand-Supply

**Table 1: Palm Oil Demand-Supply Balance**

#### World Palm Oil Supply and Demand

	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Beginning Stocks	2,597	2,619	3,112	3,565	3,443	3,447
Production	27,641	30,001	33,520	35,981	37,337	41,122
MY Imports	19,611	21,393	23,925	25,815	26,683	28,945
Total Supply	49,849	54,013	60,557	65,361	67,463	73,514
MY Exports	19,613	21,613	24,488	26,718	26,851	29,408
Total Dom. Cons.	27,617	29,288	32,504	35,200	37,165	40,176
Ending Stocks	2,619	3,112	3,565	3,443	3,447	3,930

Source: USDA

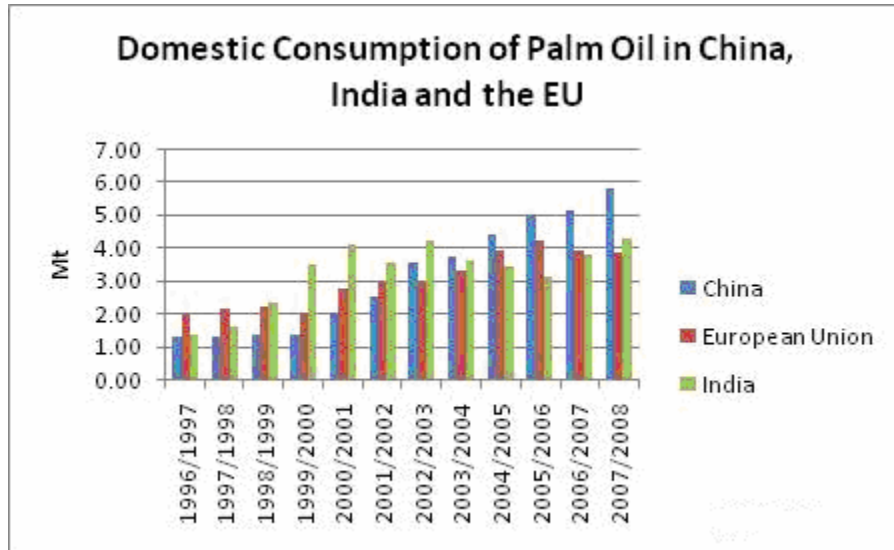
### Palm Oil Major Producing Countries

Malaysia and Indonesia are the two largest producers of palm oil accounting for 35.7Mt of world production, or 87% in 2007/08. **Indonesia** has nearly quadrupled output in the past decade from 5Mt in 1997/98 to around 18.3Mt in 2007/08 making it the largest producer of palm oil in the world, accounting for 45% of total world output.

The remaining production of palm oil comes from countries including Thailand, which accounts for 2.5% of world output, and Columbia and Nigeria contributing 2% each.

## Consumption of Palm oil in Major Consuming Countries

Fig. 1: Consumption of Palm Oil



Source: USDA

### Major Importers of Palm Oil

India, China, Pakistan, the Middle-East countries and the European Union are the major importers of the commodity. India and China are the largest importers of Asian palm oil buying up 15.2 million metric tons of the 32.7 million metric tons of palm oil shipments from Indonesia and Malaysia in 2008-09.

## Domestic Scenario

India is basically a net importer of the palm oil. India produces around 70000 tons of palm oil annually which stands at approximately 0.2% share in the world's total production. Kerala is the largest palm producing state in India

India, which is one of the largest importer and consumer of edible oils in the World, imports nearly 3 million tons of palm oil annually (mainly from Malaysia and Indonesia). This implies that the country is dependent on palm oil imports for over 25% of its annual edible requirement. The domestic production is very meager at 0.5 lakh tons. India imports CPO mainly from Indonesia while from Malaysia it imports mostly refined, bleached and deodorised (RBD) palm olein. India imports about 65,000 tonnes of palm oil from Malaysia every month.

Palm oil imported into India is used in various forms- consumed directly as 'palm oil' after refining, used in the manufacture of Vanaspati, for blending with other vegetable oil, crude oil and kernel oil for industrial purposes, etc.

### Major Trading Centers

The major importing and trading centers for palm oil in India are Chennai, Kakinada, Mumbai and Kandla.

**Table 2: Palm Oil- Major Trading Centers**

State	Major Trading Centers
Gujarat	Kandla
Maharashtra	Mumbai
Andhra Pradesh	Kakinada & Vijaywada
Tamilnadu	Chennai
West Bengal	Haldia
Madhya Pradesh	Indore

## Import of Palm Oil in India

The import is mainly through the ports of Kandla, Kakinada, Kolkata, Mangalore, Mundra, Mumbai and Chennai. There is a sharp increase in palm oil imports in India over the period. Palm products are dominating with import share nearly 4/5th of the total oil imports. Import of Palm Oil in first nine months (Nov'08-July'09) is reported at 4,803,274 tons compared to 3,201,114 tons.

At present, crude oils can be imported duty-free while refined oils attract 7.5%. India's decision not to impose import duty on crude palm oil (CPO) while maintaining a 20 per cent duty on soybean oil has boosted CPO imports.

## Palm Oil Imports (in MT)

**Table 3: Import of CPO & RBD Palmolein in India**

Months	2005-06		2006-07		2007-08	
	RBD Palmolein	Crude Palm Oil	RBD Palmolein	Crude Palm Oil	RBD Palmolein	Crude Palm Oil
Nov	11,248	196,196	5,500	180,036	30,014	314,611
Dec	18,399	138,683	17,489	310,755	12,019	253,923
Jan	16,185	59,355	500	209,474	5,999	366,353
Feb	12,114	133,139	500	107,137	23,283	322,576
Mar	9,084	202,022	3,941	211,928	10,395	355,559
Apr	6,199	175,313	8,000	254,369	11,257	295,874
May	5,300	240,112	9,621	292,269	19,386	265,945
June	8,249	188,007	15,137	280,498	92,846	334,816
July	1,748	159,733	18,895	255,615	77,973	388,730
Aug	5,629	223,425	13,919	276,151	115,170	359,199
Sept	12,897	266,433	9,000	246,400	139,349	334,334
Oct	6,499	390,263	12,640	369,593	193,103	452,143
<b>Total</b>	<b>113,551</b>	<b>2,372,681</b>	<b>115,142</b>	<b>2,994,225</b>	<b>730,794</b>	<b>4,044,063</b>

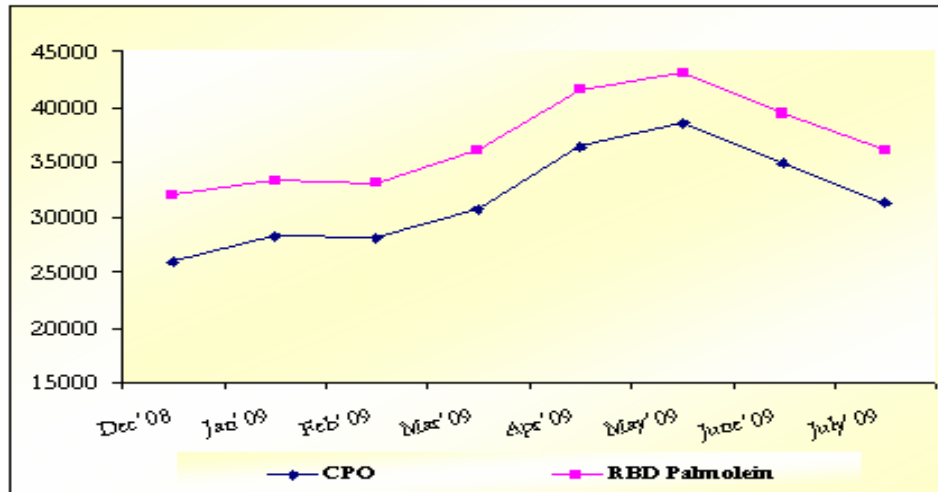
Source: SEA of India

## Palm Oil Prices

Imported crude oil/olein is traded at the cities of the importing ports in the form of RBD palmolein and RBD palm oil (60-70% of palm oil is imported by organised players in the

industry i.e. By large refiners/corporates who own brands). Since 100% of the palm oil traded in the country is 'imported' from Malaysia and Indonesia, the prices in the main trading centres of Mumbai, Chennai, Kandla, Kakinada, etc. depend mainly on the futures prices of palm oil at Malaysia Derivatives Exchange.

**Fig. 2: Average Domestic Palm oil Prices (Rs/ Ton)**



Source: SEA of India

### Factors influencing Palm Oil Prices

- Oilseeds production at domestic and global level
- The supply-demand and price scenario of competitive oils, viz., soy oil.
- The Government export-import policy
- The supply-demand scenario of all oils and oilseeds in the consuming centers, viz., India, China and EU. This in turn is manifested as imports from these countries.
- The palm oil production cycle: April - December is peak production period.
- Import regulations imposed in the importing countries.

### References

- USDA
- PalmOilWorld.Org
- Solvent Extractors Association of India