

Palm Oil Economic Review and Outlook Seminar 2017
Pullman Kuala Lumpur City Centre, Kuala Lumpur
17 January 2017

Eastern Europe: The Untapped and Potential Growth Markets for Malaysian Palm Oil

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Introduction

Malaysian Oil Palm Industry (2016)

- **CPO production: 17.32 million tonnes**
- **Exports (CPO and PPO): 16.05 million tonnes**
- **Export value of oil palm products: RM64.6 billion**



Exports of Malaysian Palm Oil to Selected Destinations

Destination	Exports of Palm Oil ('000 tonnes)			
	2013	2014	2015	2016
India	2,325	3,252	3,686	2,826
EU	2,337	2,411	2,433	2,059
China, P.R.	3,700	2,839	2,380	1,882
Pakistan	1,435	816	728	880
USA	1,027	783	703	590
Philippines	207	494	648	625
Vietnam	500	604	584	556
Japan	501	514	545	456
Turkey	84	78	399	657
Singapore	492	483	393	353

Source: MPOB



Overview Eastern Europe

Eastern Europe

The term Eastern Europe is often used to refer to all European countries that were previously ruled by communist regimes (the Eastern Bloc), due to the concept of the “Iron Curtain” separating Western Europe and Soviet-controlled Eastern Europe throughout the period of the Cold War. Prior to German reunification, East Germany was often described as an Eastern European country.

Source: New World Encyclopedia





Eastern Europe

- Boundaries of Eastern Europe subject to considerable overlap and fluctuation depending on the context in which they are used, which makes differentiation difficult.
- The United Nations Statistics Division defines Eastern Europe as Belarus, Bulgaria, Czech Republic, Hungary, Moldova, Poland, Romania, Russia, Slovakia and Ukraine.

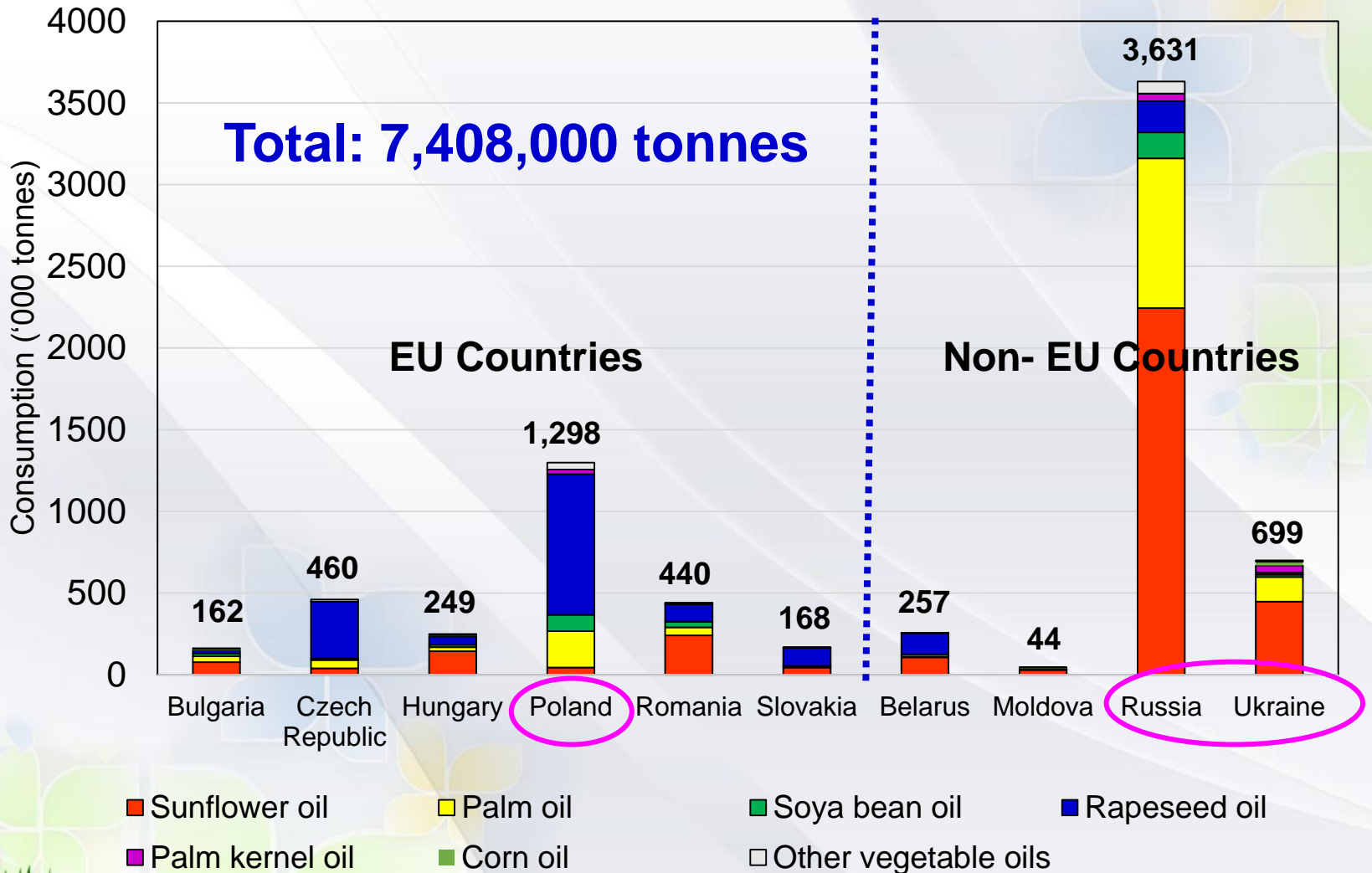
Population (2015)

Country	Population (est.)
Belarus	9,513,000
Bulgaria*	7,177,990
Czech Republic*	10,551,220
Hungary*	9,844,690
Moldova	3,554,150
Poland*	37,999,490
Romania*	19,832,390
Russia	144,096,810
Slovakia*	5,424,050
Ukraine	45,198,200
Total	293,191,990

* EU-28 Countries

Source: World Bank Group

Consumption of Vegetable Oils (2015)



Source: Oil World

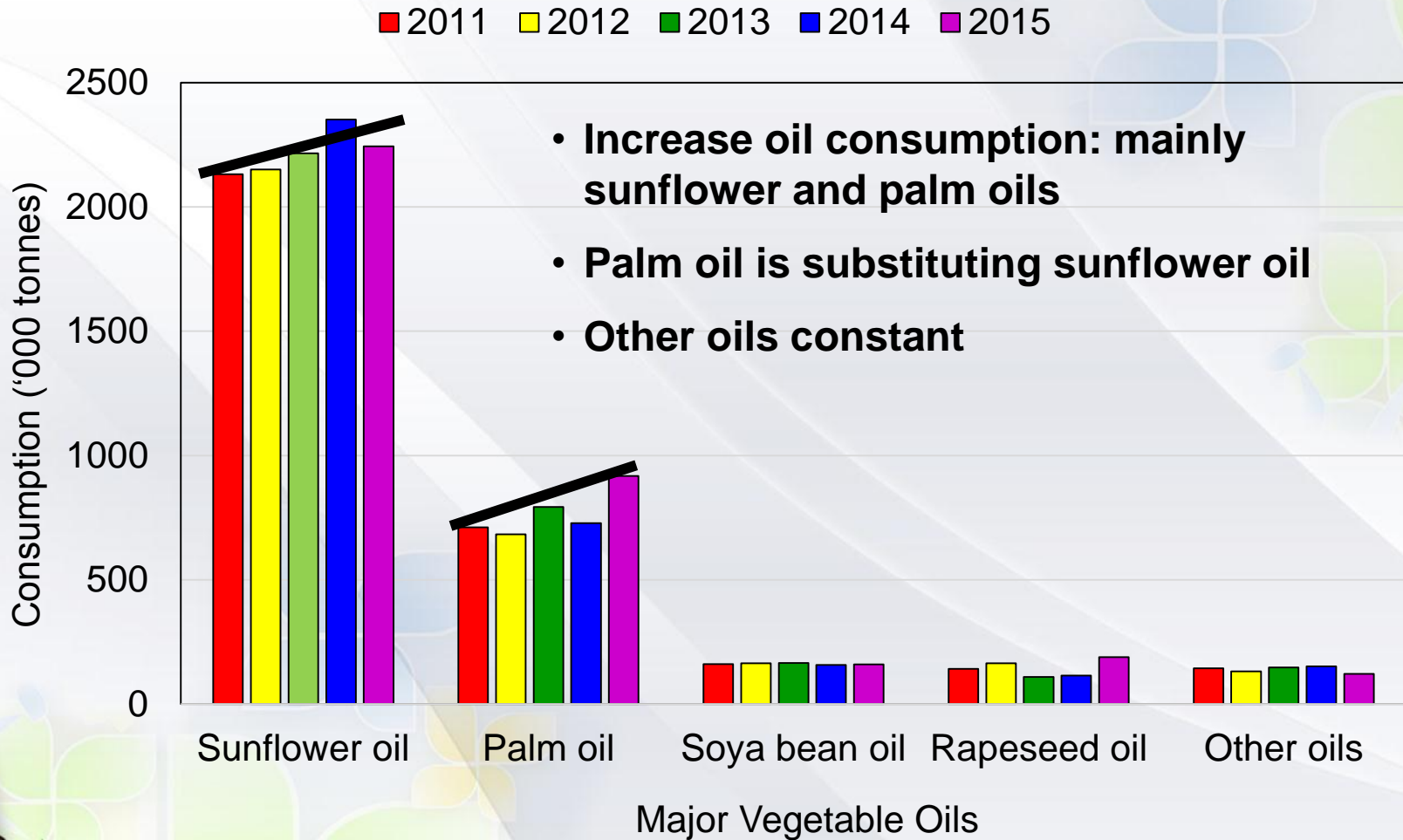
Challenges Faced by Malaysian Palm Oil Industry

Issues and Challenges

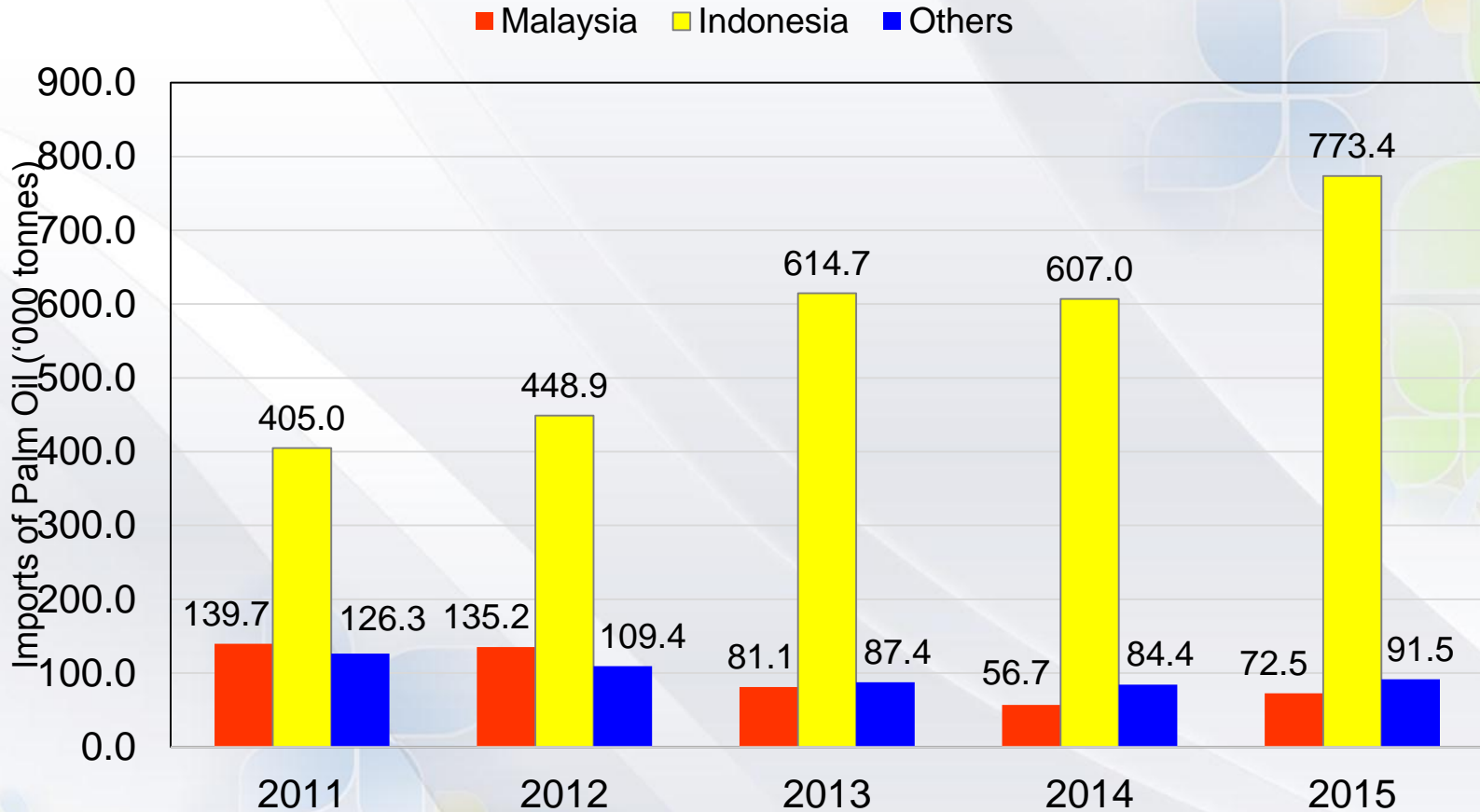
- Traditional oils and fats
- Competition from other palm oil producers
- Demographics
- Influence from Western European countries



Russia: Consumption of Major Vegetable Oils



Russia: Imports of Palm Oil



Total imports of palm oil into Russia (tonnes)

671,000

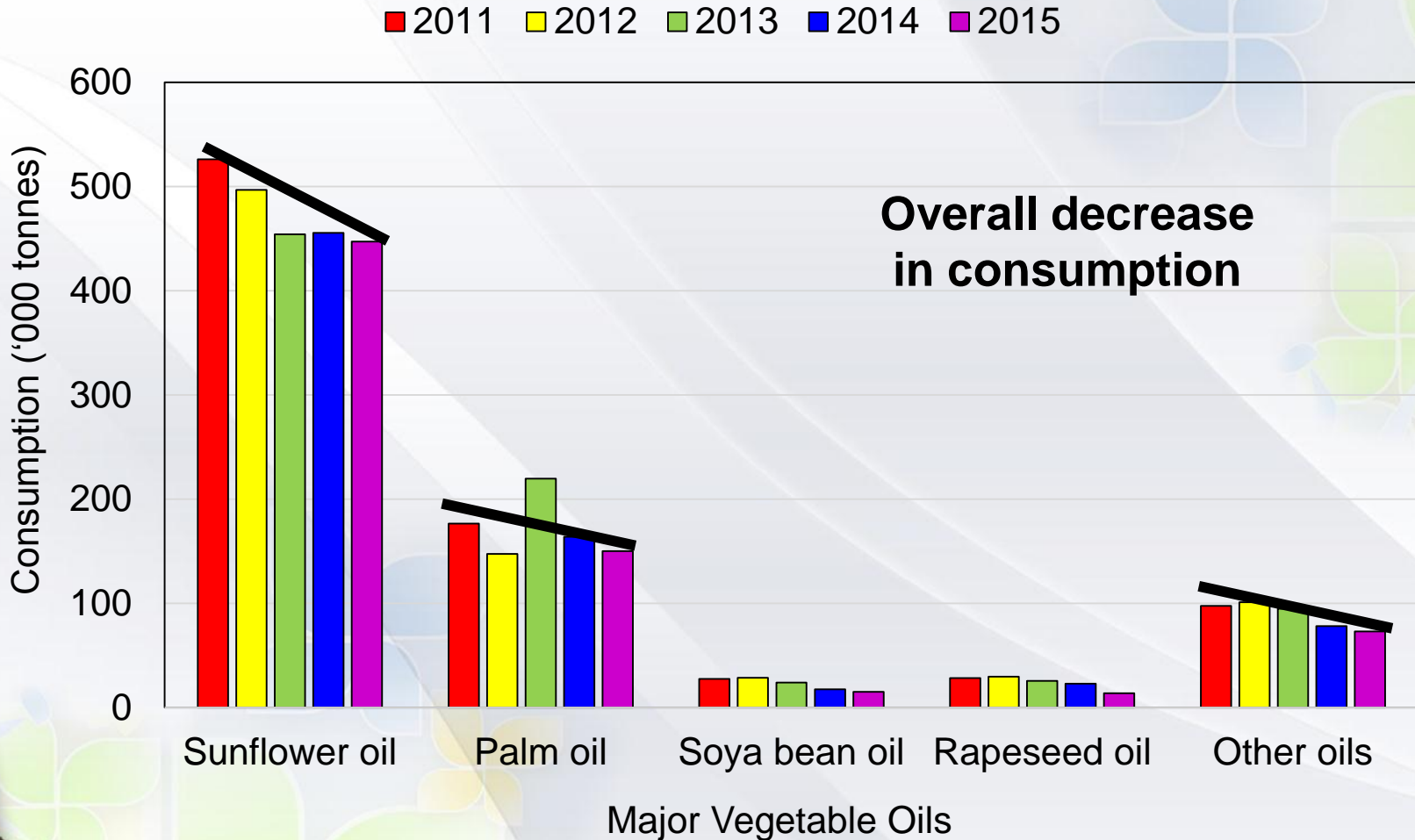
693,500

783,200

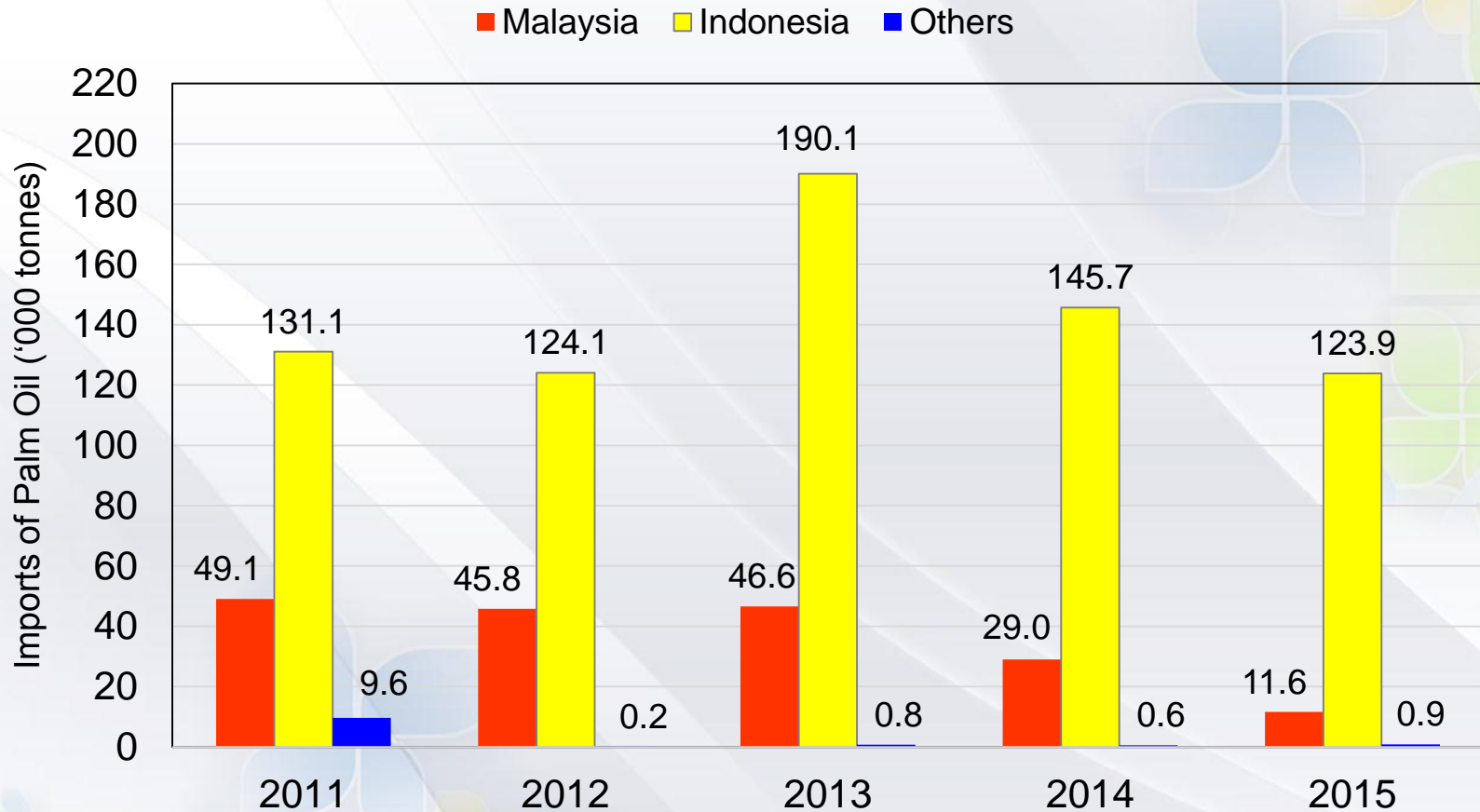
784,100

937,400

Ukraine: Consumption of Major Vegetable Oils



Ukraine: Imports of Palm Oil

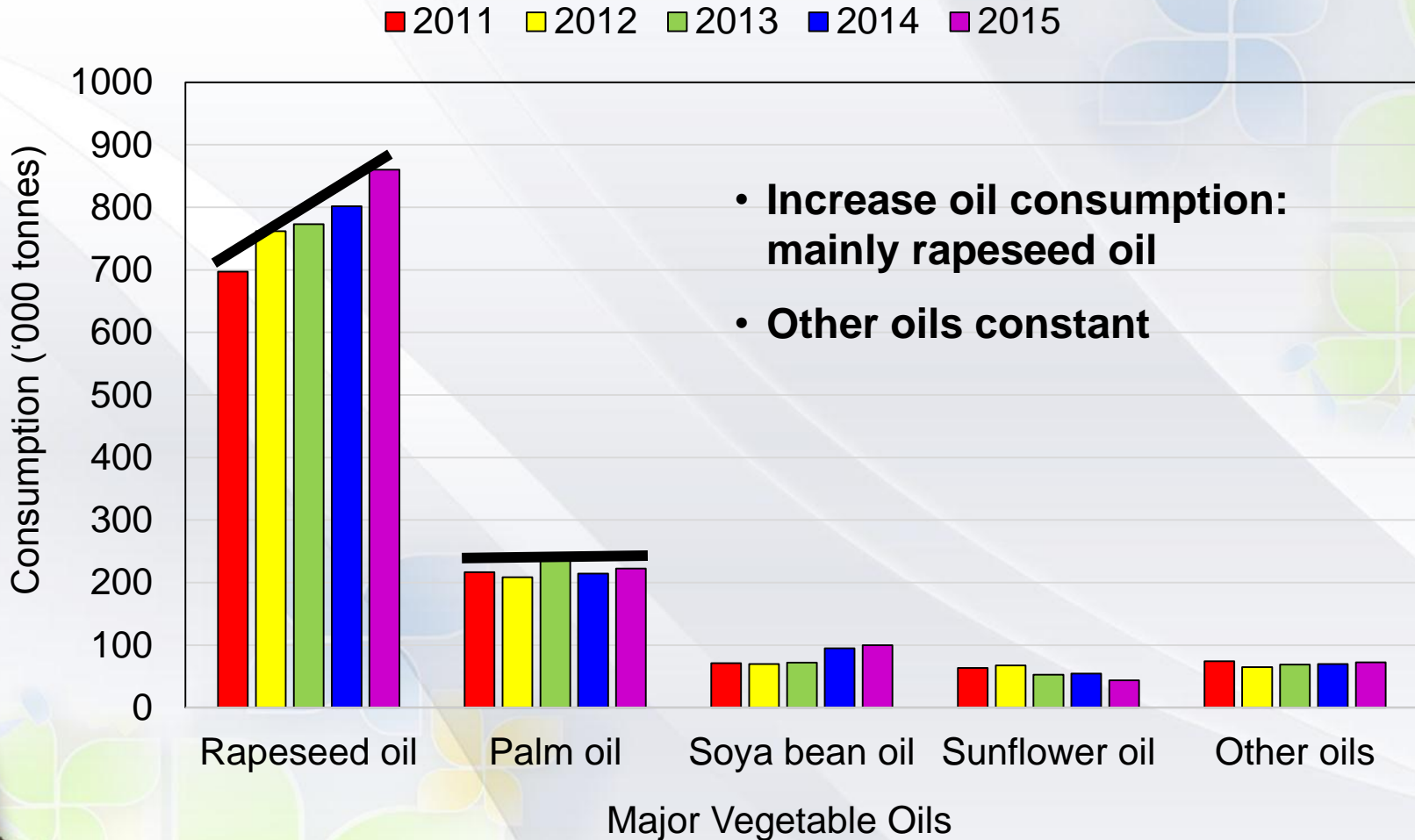


Total imports of palm oil into Ukraine (tonnes)

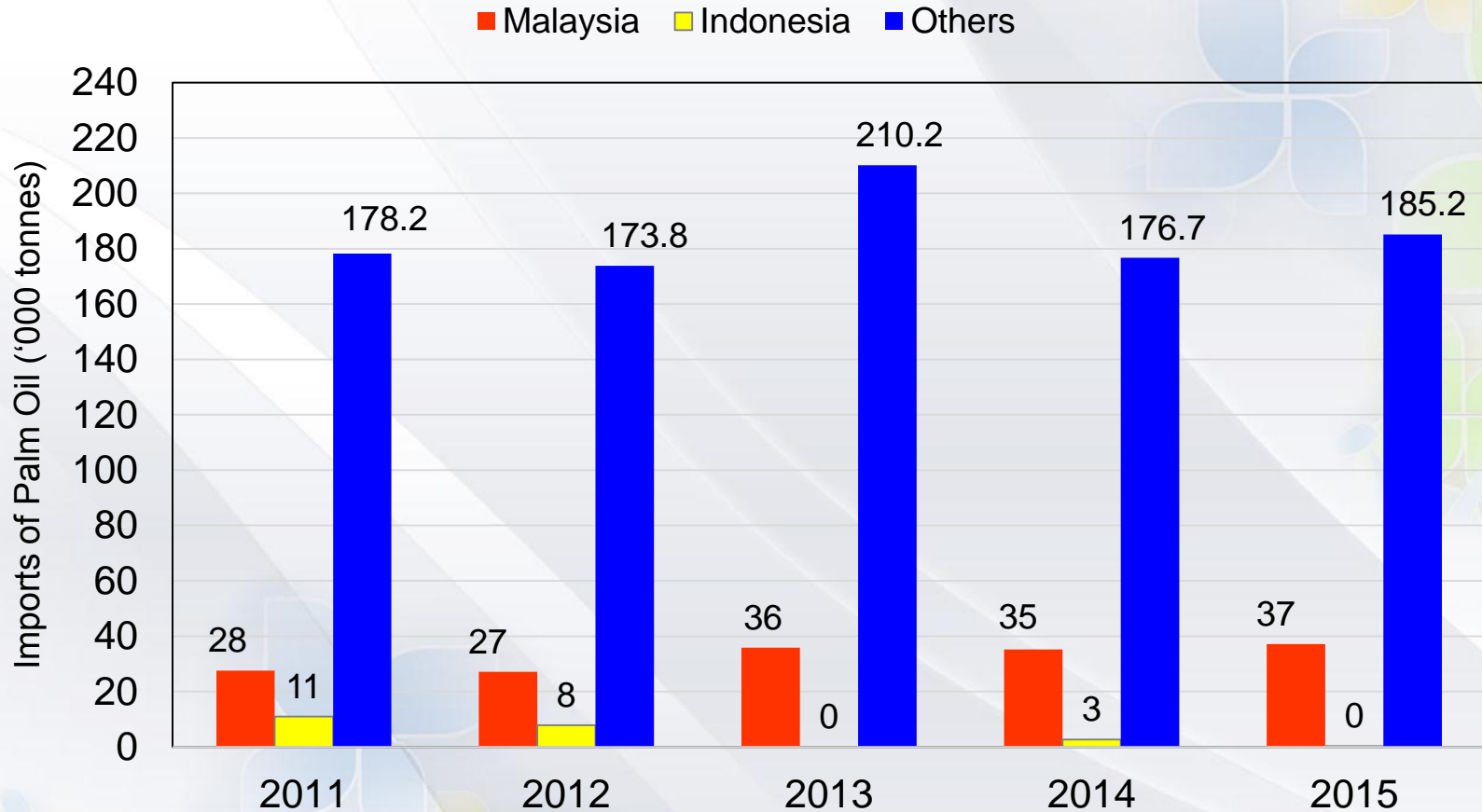
189,800	170,100	237,500	175,300	136,400
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Poland: Consumption of Major Vegetable Oils



Poland: Imports of Palm Oil



Total imports of palm oil into Poland (tonnes)

216,700

208,700

246,100

214,500

222,600



Demographics

- Euromonitor International projected Eastern Europe region to experience depopulation in 2012 – 2030
- Net migration will remain positive overall, but not enough to mitigate depopulation

Country	Population growth rate (%) (2016 est.)
Belarus	-0.21
Bulgaria*	-0.6
Czech Republic*	0.14
Hungary*	-0.24
Moldova	-1.04
Poland*	-0.11
Romania*	-0.32
Russia	-0.06
Slovakia*	0.01
Ukraine	-0.39

* EU-28 Countries

Source: CIA – The World FactBook

Influence from Western Europe

- The Western Europe countries influence the development of tariff and non-tariff barriers on palm oil in the Eastern Europe region
- Anti palm oil campaign including non-tariff barriers disguised as sustainability requirements

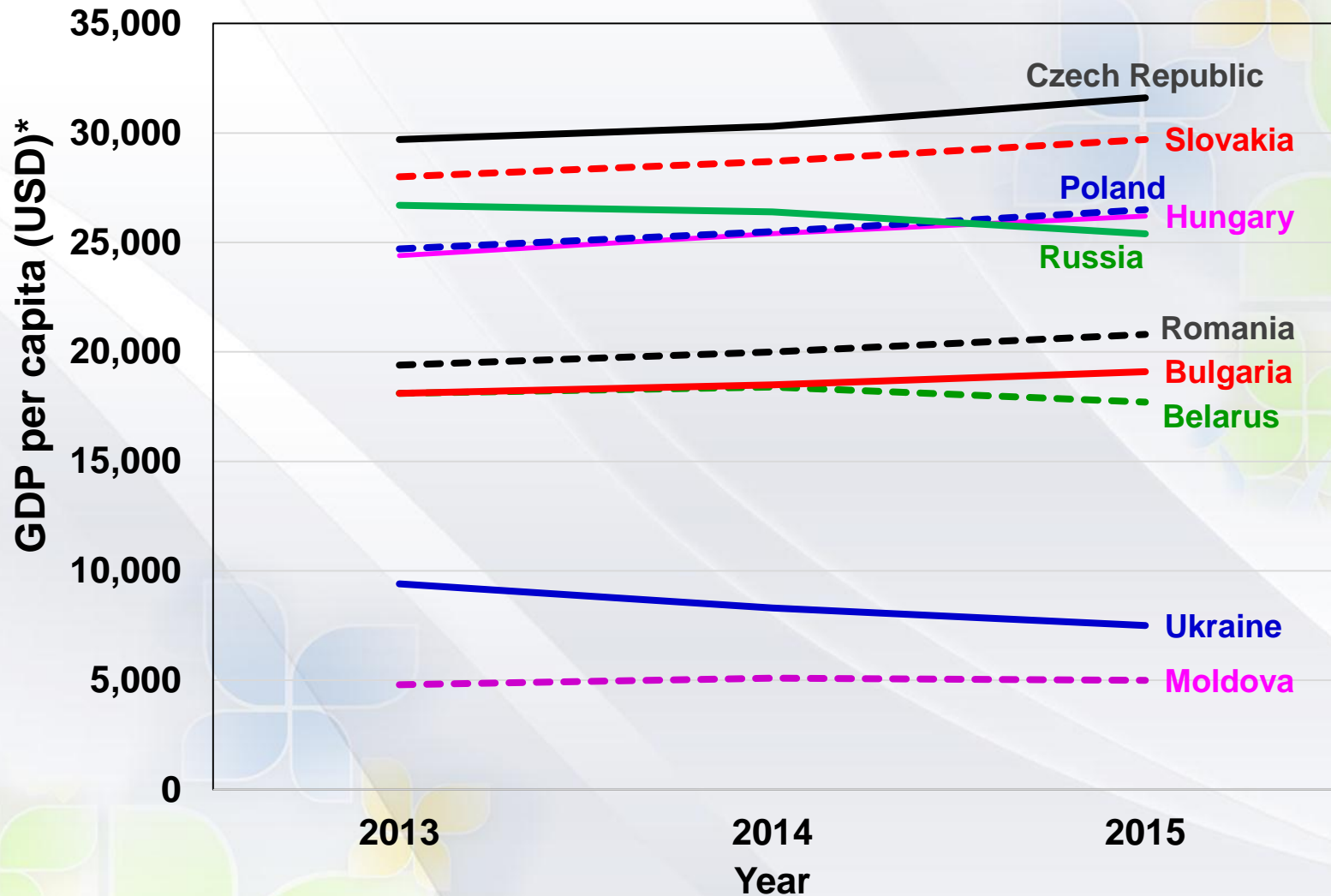
Opportunities for Malaysian Oil Palm Industry



Positive Economic Outlook

- The growth dipped due to geopolitical tensions, however recovery in 2016
- Positive GDP growth and lower inflation rate contribute to better economic performance
- Higher growth rate boost per capita disposable income
- Per capita consumer expenditure is recovering and expected to increase

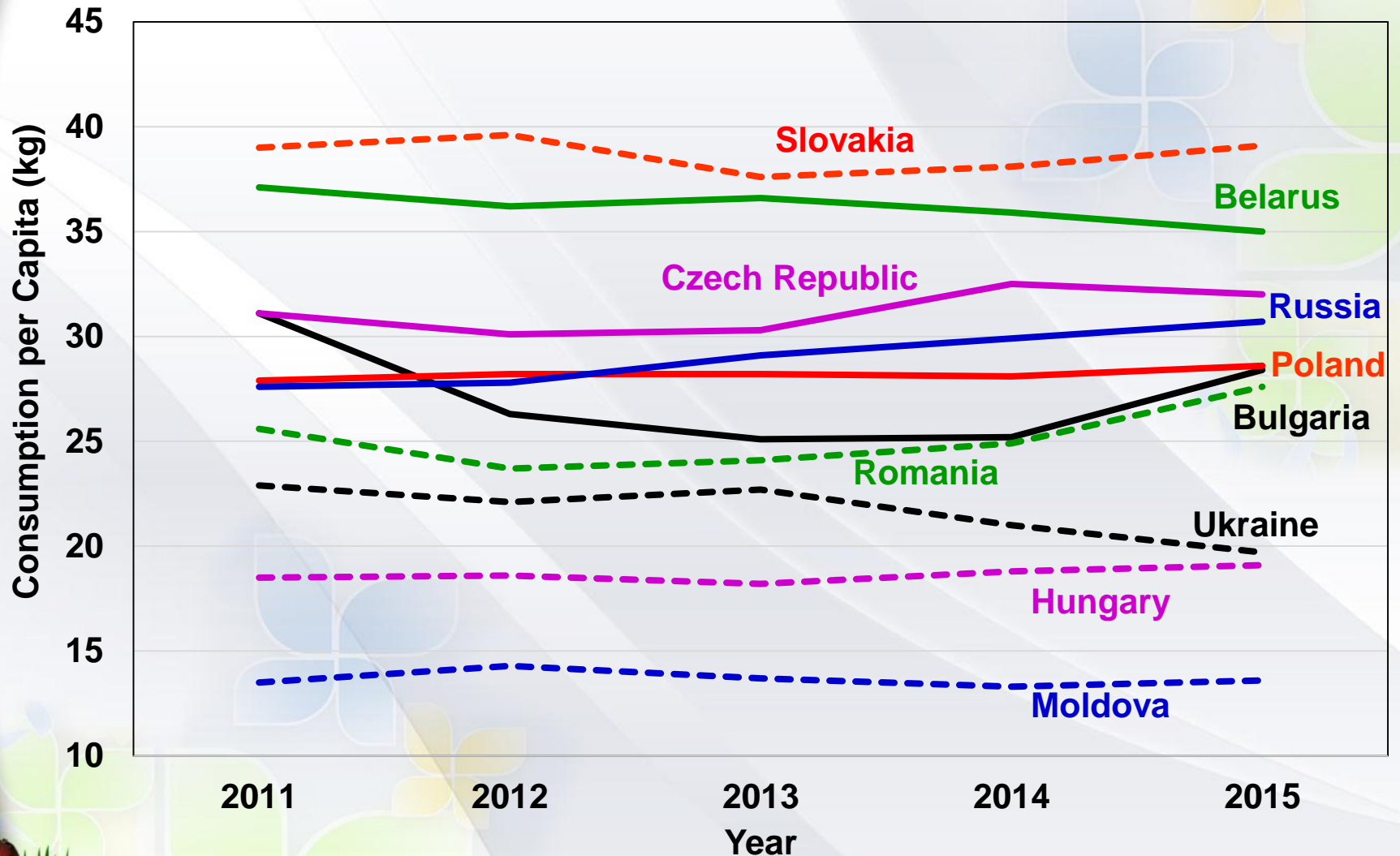
GDP per capita (USD)



*Data are in 2015 US dollars

Source: CIA The World Factbook

Consumption of Oils and Fats Per Capita (kg)



Source: Oil World



Palm Oil in Russia

- Palm oil is widely used and increasing but at the same time relatively unknown.
- Palm oil products gaining exports volume: cocoa butter substitute and shortening



Palm Oil in Ukraine

- **Palm oil** imports and consumption **increased** while consumption of domestic sunflower oil decreased for 2015/16
- Palm oil is ideal due to its **price competitiveness** and suitable as the substitute for more expensive vegetable oils for the food industry
- Palm oil is used as **substitute for butterfat** in the confectionary industry

Source: Global Agricultural Information Network



Events to Boost Tourism

- The travel industry has strong potential for further growth, which will be mainly driven by the country's upcoming hosting of various cultural and sport events
- The current economic environment provides additional advantages these countries as a travel and tourism destinations for both international and domestic travellers



M F



FIFA Confederations Cup Russia 2017



2018 FIFA World Cup Russia™

Key Inferences

- Russia and Ukraine are two (2) largest non-EU potential growth markets
- Poland is the potential growth in the EU countries
- Population growth has stagnated in Eastern Europe
- Potential demand growth will be in per capita consumption in line with GDP growth
- Growth in palm oil imports will be satisfied mainly from Indonesia palm oil
- Aggressive and innovative marketing strategies are required by Malaysia to capture greater market share

Conclusion

- MPOB continues to work with MPOC to intensify promotional activities in the Eastern Europe region
- R&D to introduce new innovative products to substitute local products through collaboration with local companies
- Continue to cultivate good networking and strategic partnership with potential buyers



Thank you