

Palm Oil in the EU – Current Issues and Prospects

Nagendran Balasundram*

INTRODUCTION

The European Union (EU) which covers a land area of 4.32 million square kilometres comprises 27 member states with a total population of 501 million. With an annual per capita usage of over 41 kg, the EU is a leading user of oils and fats, with an annual consumption exceeding 30 million tonnes. The EU is a net importer of oils and fats, as its domestic production of about 22 million tonnes is insufficient to meet its annual consumption. Palm oil is among the major oils imported by the EU, making the region as a whole, the world's second largest market for palm oil.

EUROPEAN UNION (EU) OILS AND FATS BALANCE

Based on the figures from the *Oil World*, the EU's total production of the 17 major oils and fats in the year 2010 touched 22.41 million in 2010, up from the 21.65 million produced the previous year. The major oils produced were rapeseed oil, sunflower oil and soyabean oil, which together accounted for 64.2% of the region's oils and fats production (*Table 1*). The EU had imported a total of 10.03 million tonnes of oils and fats in 2010, a significant increase from the 9.90

million tonnes imported the previous year. Palm oil accounted for 5.86 million tonnes of the imports, taking up more than half of the share of the EU's imports of oils and fats. Other major oils imported into the EU in the year 2010 included sunflower oil (0.97 million tonnes), soyabean oil (0.72 million tonnes), palm kernel oil (0.56 million tonnes) and rapeseed oil (0.40 million tonnes) (*Table 1*).

The EU is also a major importer of oilseeds and had imported a total of 17.36 million tonnes of oilseeds in the year 2010. Soyabean imports were recorded at 13.76 million tonnes, followed by rapeseed (1.96 million tonnes) and relatively smaller quantities of sunflowerseed (0.25 million tonnes) (*Figure 1*).

EUROPEAN UNION (EU) PALM OIL IMPORTS

The EU was the third largest importer of palm oil in the year 2009, with total imports of 5.86 million tonnes and was ranked second in year 2010 with imports of 5.86 million tonnes (*Oil World*, 2011). Most of the palm oil imported into the EU is in the form of crude palm oil (USDA, 2011). The EU imports palm oil from several countries, including Indonesia, Malaysia, Papua New Guinea, Colombia and others (Cote d'Ivoire, Guatemala, Honduras and Ecuador). Indonesia has been the major source of the EU's palm oil exports, though Malaysia's share in the EU's palm oil import basket in 2010 at 34.7% was a slight improvement over the 31.1% share recorded the previous year (*Figure 2*).

PALM OIL PROSPECTS IN THE EUROPEAN UNION (EU)

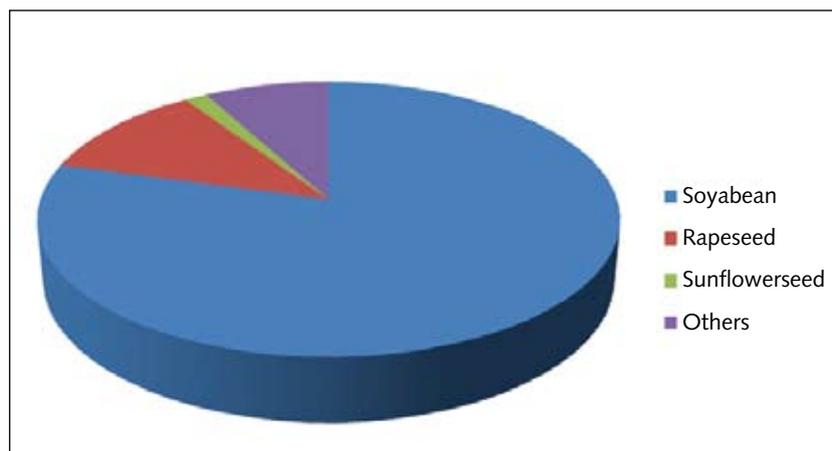
The EU has been a net importer of oils and fats, and it is forecast that the dependence on imports would continue in the near future. *Figure 3* illustrates the gap between the EU's oils and fats consumption and its domestic production over the period October/September 2006/07 through 2010/11. In this

* Malaysian Palm Oil Board,
P. O. Box 10620, 50720 Kuala Lumpur,
Malaysia.
E-mail: nagen@mpob.gov.my

TABLE 1. EUROPEAN UNION (EU) OILS AND FATS BALANCE IN 2010 (million tonnes)

	Rapeseed oil	Sunflower oil	Soyabean oil	Palm oil	Palm kernel oil	Others	Total
Production	9.562	2.457	2.378	-	-	8.010	22.407
Imports	0.399	0.973	0.717	5.857	0.564	1.516	10.026
Exports	0.183	0.141	0.441	0.145	0.018	0.879	1.807
Disappearance	9.878	3.345	2.639	5.734	0.551	8.718	30.865

Source: *Oil World*.

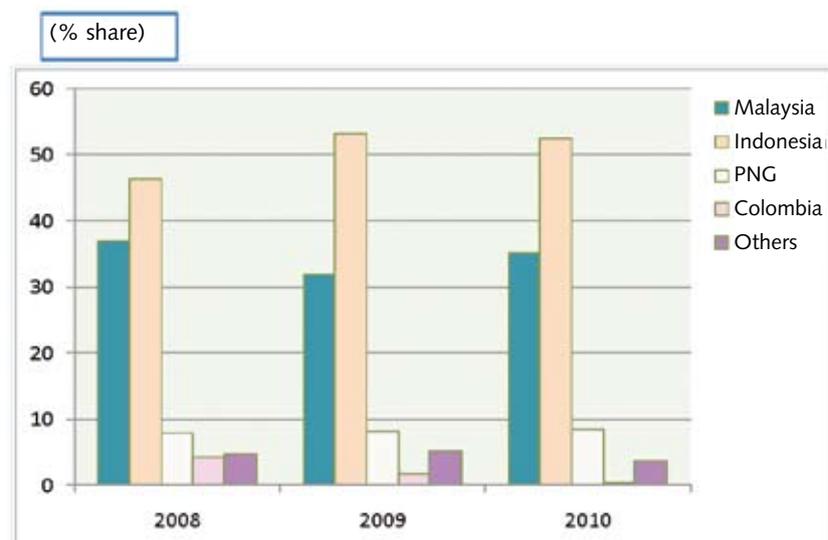


Source: *Oil World*.

Figure 1. European Union (EU) oilseeds imports in 2010 .

TABLE 2. WORLD PALM OIL IMPORTS 2009-2010 (million tonnes)

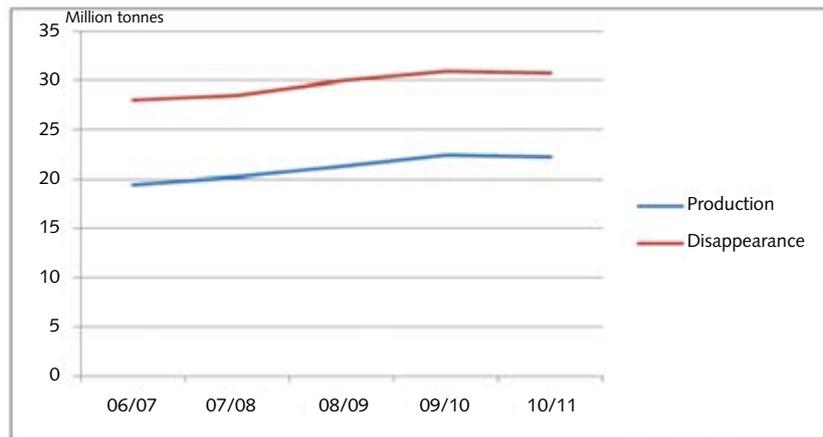
Country	2009	2010
India	6.828	6.649
EU-27	5.854	5.857
China PR	6.557	5.804
Pakistan	1.925	2.010
Malaysia	0.924	1.112
Bangladesh	0.867	1.065
USA	0.979	0.948
Egypt	0.710	0.800
Russia	0.525	0.635
Iran	0.561	0.630
Japan	0.551	0.569
Others	10.058	11.073
Total	36.339	37.137



Source: *Oil World*.

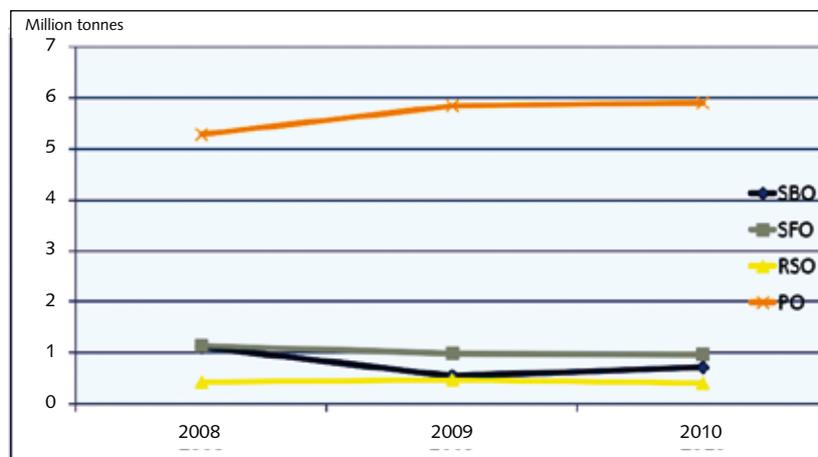
Figure 2. European Union (EU) imports of palm oil from different countries.

Source: *Oil World*.



Source: Oil World.

Figure 3. European Union (EU) disappearance and production of 17 oils and fats (million tonnes).



Source: Oil World.

Figure 4. European Union (EU) imports of the four major oils 2008-2010 (million tonnes).

context, palm oil has been fulfilling the major role in meeting the EU's import demand, compared to other oils and has been the main oil imported into the EU (Figure 4).

Despite this crucial role played by palm oil in meeting the EU's oils and fats needs, it faces several challenges, particularly on sustainability-related issues. One common accusation against palm oil is that it contributes towards deforestation. This is harped on by critics of palm oil despite Malaysian palm oil's holistic approach towards sustainability, based on the three pillars – People, Planet and Profit (the 3-Ps) – reflecting the three equally important dimensions of

social development, environmental protection and economic growth, respectively. The oil palm industry has been instrumental in helping to alleviate or even eradicate poverty in Malaysia, and is the backbone of the country's economic and social development, and it provides direct employment to more than 600 000 people.

In addition, oil palm has been cultivated on legally designated agricultural land in Malaysia over three to four 25-year cycles. Malaysia's oil palm industry is one of the most highly regulated industries of the modern agricultural systems, being governed by more than 60 laws

and regulations. These regulations are wide-ranging, and cover land acquisition and use, protection of wildlife and the environment, and control of potential pollutants and contaminants, besides emphasising on the importance to the health, safety and welfare of workers in the industry. Much of the expansion of oil palm plantations in Malaysia has been through utilisation of idle land or conversion from other crops, primarily rubber and cocoa. Malaysia still has 18 million hectares under forests and national parks, wildlife sanctuaries and nature reserve. Oil palm plantations in Malaysia occupy about 14% of Malaysia's land area.

The high yields of the oil palm (average 4.26 t oil ha⁻¹ yr⁻¹ in Malaysia and 3.92 t oil ha⁻¹ yr⁻¹ in Indonesia), allows for the crop which comprises about 5% of the world's total area planted with the four major oil bearing crops (palm, soyabean, rapeseed and sunflowerseed) to account for over 38% of the global production of oils from these crops. Besides this, the Malaysian oil palm industry has for many years, been carrying out sustainable practices to ensure that the environment and the biodiversity within the plantations remain unharmed due to the cultivation of the crop. As such, good agricultural practices (GAP) incorporating integrated pest management (IPM) to reduce the use of pesticides, the planting of cover crops to reduce soil erosion, zero burning to reduce air pollution, mulching of plantation land with fronds and empty fruit bunches, are standard practices. The Malaysian palm oil industry too has shown its commitment toward

sustainability by actively embracing the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder business initiative which aims to promote sustainable palm oil through cooperation within the supply chain and engagement with stakeholders.

To further these, the Malaysian Palm Oil Board (MPOB), has developed codes of practices (CoP) that cover the entire supply chain of oil palm and palm oil (CoP). These CoP incorporate elements of sustainability and food safety to ensure the production of sustainable environmental-friendly and food-safe palm oil for consumers worldwide.

CONCLUSION

Palm oil has played a crucial role in meeting the worlds' oils and fats requirements. In the EU, in particular, palm oil has been instrumental in meeting the gap

between supply and demand, and has fulfilled an important role in meeting the region's oils and fats requirements in both the food and non-food sectors, due to its higher productivity and versatility.

ACKNOWLEDGEMENT

The author wishes to thank the Director-General of MPOB and Director of Product Development and Advisory Services Division, MPOB for permission to publish this article.

REFERENCES

OIL WORLD (2011). *Oil World Statistics Update 1 June 2011*. ISTA Mielke GmbH.

USDA FOREIGN AGRICULTURAL SERVICE (2011). *Global Agricultural Information Network (GAIN) Report No. E60016, 7 April 2011*.