

Overview of Oils and Fats in Bangladesh

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INTRODUCTION

Bangladesh is one of the world's most densely populated countries, with its people crammed into a delta of rivers that empties into the Bay of Bengal. Bangladesh is a secular parliamentary republic. The country faces a number of challenges like poverty, over population and vulnerability to climate change but has made significant progress in increasing life expectancy, achieving gender parity in education, reduced population growth and improved maternal and child health. Bangladesh having about 160 million population is heavily dependent on import to meet up its annual requirement of about 1.5 million tonnes of oils and fats (*Table 1*).

ECONOMY

The economy has grown by 5%-6% per year since 1996 despite political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms. Bangladesh remains a poor, overpopulated, and inefficiently-governed nation. Although more than half of her Gross Domestic Product (GDP) is generated through the service sector, 45% of Bangladeshis are employed in the agriculture

sector, with rice as the single most important product. Bangladesh's growth was resilient during the 2008-2009 global financial crisis and recession.

OILS AND FATS SITUATION

Production

Bangladesh was self-sufficient in oils and fats in the early 1960's. At that time mustard/rapeseed oil was the major oil consumed by the local people. Besides that, groundnut and sesame oils were also locally produced but the production and quantity produced were irregular.

Bangladesh's agricultural land is becoming insufficient for oilseed crops as the major farmlands are utilised for the cultivation of food crops and other cash crops. Mustard/rapeseed oil remains the main oilseed crop. Several soyabean processing plants have been commissioned, with a total processing capacity of 360 000 t yr⁻¹. This represents a potential market for US soyabean, provided prices are competitive *vis-à-vis* those of South American suppliers. Increased market promotional activities and technical assistance programs would help to create increased market access for US soyabean in Bangladesh. Following the American Soyabean Association's consumer education initiatives, a couple of pharmaceutical companies in Bangladesh have started using soya isolates and protein concentrates of US origin in their health and nutritional products.

Total production of oils and fats slightly increased, from 217 600 t in 2010 to 220 000 t in 2012. The main oils produced in Bangladesh are rapeseed oil (54%), soyabean oil (10%) and coconut oil (9%).

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TABLE 1. ECONOMIC REVIEW OF BANGLADESH

Item	Detail
Area	143 998 sq km
Population	151.6 million (2011-2012)
Population growth rate	1.57% (2011 estimate)
GDP - real growth rate	6.3 % (2012)
Per capita income	USD 848
GDP- composition by sector	Agriculture: 17.5% Industry: 28.5% Services: 53.6% (2012 estimate)
Inflation rate	8.1% (2010 estimate)
Exports - commodities	Garments, frozen fish and seafood, jute and jute goods, leather
Imports – commodities	Machinery and equipment, chemicals, iron and steel, textiles, foodstuffs, petroleum products, cement
Value of annual imports	USD 35.44 billion (2011-2012 estimate)
Value of annual exports	USD 24.28 billion (2011-2012 estimate)

Source: Economic Review 2012 published by Ministry of Finance, Bangladesh (2013).

Imports

When the local oils supply did not increase in parallel with the demand which has increased with population growth and per capita consumption, soyabean oil slowly infiltrated the country to meet the gap. Soyabean oil was gradually imported via the public distribution system for the lower income level of the population. Soyabean started to lead the market as it was at an economical price compared with the locally produced mustard/rapeseed oil. Palm oil was only introduced into the Bangladesh market in the early 1970's.

As of now, the major oils imported in 2012 were palm oil at 1 012 800 t (67%) and soyabean oil at 424 000 t (30%). Imports of oilseeds are favoured by the import duty structure.

Imports of Palm Oil

As Bangladesh is a price-sensitive market, the choice of oil to be imported is driven by prices and market considerations. However, as soyabean oil is preferred as a cooking oil over palm olein by the Bangladeshi consumers, imports of soyabean oil will increase when the price discount for palm olein narrows, or is in favour of the former. This was the case in 2007, compared with 2005 and 2006, when palm oil imports declined by 20% and soyabean oil imports increased by 71%.

Previously only crude palm oil and crude palm olein were imported into Bangladesh, but lately since 2011, import of refined, bleached and deodorised (RBD) palm olein is also peaking to be locally packed and marketed.

Domestic Disappearance

At present, Bangladesh consumes about 1.5 million tonnes of oils and fats annually. Edible oil consumption accounts for 97% of the total oils and fats while the soap industry and other industrial applications make up the rest.

The major oil consumed in Bangladesh is palm oil (62%), followed by soyabean oil (25%) and rapeseed oil (7%). Per capita consumption is 10.5 kg, way below the world average of 29.5 kg in 2012. Soyabean oil, rapeseed/mustard oil, palm olein and butter are for edible consumption while coconut oil, linseed oil and tallow are used mainly for inedible applications.

Bangladesh is predominantly a liquid oil market (85%-90%). The overall preference is for rapeseed/mustard oil which has been the oil traditionally consumed in Bangladesh. Soyabean oil has become accepted as a substitute for rapeseed/mustard oil. Palm olein is mainly imported because of its favourable price. Palm oil is consumed in the form of palm olein.

SITUATION OF MALAYSIAN PALM OIL IN BANGLADESH

Imports of palm oil used to be mainly from Malaysia, taking up about 58% of the import market share in 2004 based on *Oil World* data. Since then the Malaysian share has declined to as low as 15% in 2011 (*Table 3*). Malaysian exports have also declined from a peak of 511 000 t in 2005 to only 273 535 t in 2011. The main factor for both the decline in Malaysian

TABLE 2. TOTAL EXPORT OF MALAYSIAN PALM PRODUCTS TO BANGLADESH

Product	2010		2011		2012	
	t	RM (million)	t	RM (million)	t	RM (million)
Palm oil	168 117	475.44	150 095	505.31	273 535	833.72
Palm kernel oil	4 190	15.75	6 572	33.83	7 636	29.59
Palm kernel cake	1 264	0.47	0	0	0	0
Oleochemicals	20 468	55.63	14 618	48.2	18 758	60.76
Finished products	1 363	4.55	1 107	5.12	982	3.94
Other Products	2 248	1.44	1 495	1.31	1 876	2.08
Total	197 650	553	173 887	594	302 787	930

Source: MPOB.

TABLE 3. MAJOR IMPORTS OF PALM OIL, BY COUNTRY (t)

Country	Year (000' t)						
	2011	2010	2009	2008	2007	2006	2005
Indonesia	792 (84%)	880.4 (83%)	726 (84%)	643.6 (71%)	532.5 (75%)	453.3 (51%)	404.6 (44%)
Malaysia	143.9 (15%)	183.9 (17.30%)	139 (16%)	239 (26.50%)	167.8 (23.70%)	432.2 (48.70%)	523.2 (56.20%)
Thailand	9.9 (1%)	0.5	1.4 (0.20%)	18.1 (2.00%)	6.9 (1.00%)	0.3 (0.00%)	1.7 (0.20%)
Other countries	0.2	0.3	0.6 (0.10%)	0.4 (0.04)	1.4 (0.20%)	1.3 (0.10%)	1.1 (0.10%)
Total	946	1065.1	867	901	708.6	887.1	930.6

Source: Oil World Annual (2012).

palm oil market share and the decline in total palm oil market share is the price-sensitiveness of the edible oil market in Bangladesh. In terms of products, crude palm olein was the major palm oil product imported by Bangladesh while imports of RBD palm olein by Bangladesh is increasing steadily as of 2006. The total import of palm oil products for the period January-December 2012 was 302 787 t.

Imports of Malaysian palm kernel oil products by Bangladesh have been fluctuating over the last five years. Based on MPOB statistics, Bangladesh imported 7636 t of palm kernel oil products from Malaysia in 2012, an increase

of 16.8% from 2010. RBD palm kernel olein was the major palm kernel oil product imported by Bangladesh in 2012, amounting to 3507 t, followed by crude palm kernel olein at 1363 t.

Imports of oleochemicals during 2012 from Malaysia increased by 28.6% compared with 2011. Bangladesh imported 982 t of other products from Malaysia in 2012, a decrease of 11% compared with 2011. Imports of oleochemicals and other products for 2012 were 18 758 t and 1876 t, respectively.

In 2012, Malaysia's exports of palm oil and palm-based products

to Bangladesh were valued at RM 0.93 billion, a increase from RM 0.59 billion the previous year (Table 2).

IMPORT TARIFFS

In order to support the local oilseed crushing industry, the government has made oilseed imports duty-free and has abolished the value-added tax (VAT) on oilseeds. The industry also enjoys duty-free imports of processing machinery. There are no quantitative restrictions on imports of vegetable oils, oilseeds and oil meals into Bangladesh.

At present, the import duty on bulk imports of RBD palm olein,

soyabean oil, crude palm oil and crude palm olein is zero with a 10% VAT on C&F value while imports of oilseeds still enjoy zero duty and zero VAT. The import duty for refined olein, soyabean oil and sunflower oil in consumer packs is also zero with 15% VAT.

MARKET TREND

Generally, the nutritional value of oils and fats is still a minor matter of concern among the public. What matters to them is that cooking oil prices should be within their reach. However, consumers who buy cooking oils in consumer packs may show concern over the nutritional attributes of the oil they buy although their knowledge on the subject is limited and is based on the perceptions of the general public.

Bangladeshi people prefer crystal-clear oils like soyabean oil or mustard/rapeseed oil. Although mustard/rapeseed oil is the traditional cooking oil, over the years the people have acquired a taste for soyabean oil.

CONCLUSION

Palm oil/olein still suffers from a poor image and is regarded as an inferior oil for consumption. Palm olein is still sold in the market in loose form, or at best in plastic pouches, thus perpetuating its poor image among consumers. However, palm oil has a good image among the industrial users. The image problem for palm oil/olein should be addressed to ensure its long-term presence in the market. This should be done through strategic promotions to reach as many con-

sumers as possible. Edible branded oil with *Origin from Malaysia* displayed prominently would really help in improving palm oil's image in Bangladesh. The active presence of Malaysian palm oil suppliers in Bangladesh will also improve Malaysian palm oil exports to the country.

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