

Palm Oil in the West Asian Market

Mohd Nasir Hj. Amiruddin

The countries of West Asia have been, and will increasingly be, very important markets for Malaysian palm oil products. This is because only a few of these countries produce vegetable oils and animal fats, and even this production is insufficient, so that imports are required to meet the local demand.

The countries discussed in this paper are the *Yemen Arab Republic, Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates, Cyprus and Turkey.*

PRODUCTION OF OILS AND FATS

Of the West Asian countries studied, only Turkey, the Syrian Arab Republic and Jordan produce oilseeds, oils and fats. Their total production of oils and fats was 803 200 tonnes in 1989 against 500 400 tonnes in 1979, representing an annual growth rate of 5.4%.

The production of oils and fats in Turkey has been increasing yearly. In 1983 it was 594 400 tonnes while in 1989 it was 717 700 tonnes. The major oil produced was from sunflowerseed; output in 1989 was 388 600 tonnes or 54 % of the country's production. Oils from cottonseed and olives together contributed 28% of the total production (*Table 1*).

Production is expected to rise continuously because of the government's concern to increase agricultural productivity (Anon, 1982-83). Credits have been given to farmers for the purchase of equipment or other inputs through the establishment in March 1987 of the 'Agricultural Reform Fund' (Anon, 1986-87).

In 1989, the Syrian Arab Republic was the second largest producer of vegetable oil in the region with an output of about 75 300 tonnes of olive oil. Production has been fluctuating yearly because of the nature of the olive crop as well as the wide variation in rainfall, which affects, the crop. Jordan produced only 10 200 tonnes of olive oil in 1989.

IMPORTS AND EXPORTS OF OILS AND FATS

Imports of oils and fats by these countries in 1989 totalled 1.417 million tonnes. The major oil imported was palm oil; the intake of 684 600 tonnes accounted for 48.3% of total imports of oils and fats. Imports of sunflowerseed oil 232 900 tonnes represented 16.4%, while soyabean oil at 179 300 tonnes contributed 12.6 per cent. Imports of other oils and fats are indicated in *Table 1*.

Though Turkey was by far the largest producer of oils and fats in the region, she was also the largest importer, taking a total of 614 700 tonnes. The major oils imported in 1989 were sunflowerseed oil, soyabean oil and palm oil, which represented 31%, 25% and 24.8% of the total respectively. Imports by Turkey were necessary to supplement local production and meet domestic requirements.

Iraq, which does not produce any oils or fats, was the second largest importer with 341 600 tonnes. Imports of palm oil amounted to 280 000 tonnes and accounted for 82% of the total.

Saudi Arabia imported 224 200 tonnes of vegetable oils, and palm oil accounted for 60.4% of this.

The Yemen Arab Republic imported 62 100 tonnes, of which 93.9% was palm oil.

Syria imported 59 300 tonnes of oils and fats, of which palm oil accounted for 23 000 tonnes (38.8%) and soyabean oil for 16 000 tonnes (27%).

Total imports by the United Arab Emirates were 39 600 tonnes, of which palm oil was 19.2 per cent.

Lebanon's imports of palm oil represented 56.4% of the country's total while in Jordan, Kuwait and Cyprus palm oil's share of imports was 85.9, 19.4 and 0.4% respectively (*Table 1*).

Of the 2 220 300 tonnes of oils and

TABLE 1. PRODUCTION, IMPORT, EXPORT AND DISAPPEARANCE OF OILS AND FATS IN WEST ASIA, 1989
(^{'000 tonnes})

Country Oils & Fats	Turkey	Kuwait	Jordan	Cyprus ^a	Syrian Arab Republic	UAE	Yemen Arab Republic	Lebanon	Saudi	Iraq	Total
	Production										
Soyabean oil	12.2	-	-	-	-	-	-	-	-	-	12.2
Sunflowerseed oil	388.6	-	-	-	-	-	-	-	-	-	388.6
Olive oil	92.2	-	10.2	-	75.3	-	-	-	-	-	177.7
Butter	95.0	-	-	-	-	-	-	-	-	-	95.0
Cottonseed oil	113.9	-	-	-	-	-	-	-	-	-	113.9
Fish oil	15.8	-	-	-	-	-	-	-	-	-	15.8
Total	717.7	-	10.2	-	75.3	-	-	-	-	-	803.2
Imports											
Soyabean oil	153.0	-	-	-	16.0	-	3.8	-	6.5	-	179.3
Sunflowerseed oil	190.0	-	-	19.5	7.6	-	-	-	-	15.8	232.0
Olive oil	3.2	3.5	3.2	-	3.5	-	-	-	-	1.2	14.6
Butter	0.7	5.8	-	-	6.0	-	-	2.4	24.0	4.6	43.5
Cottonseed oil	2.1	-	-	-	-	-	-	-	1.4	-	3.5
Palm oil	152.3	5.4	19.5	0.07	23.0	7.6*	58.3	3.1	135.3	280.0	684.6
Tallow	76.2	-	-	-	-	-	-	-	-	34.0	110.2
Rapeseed oil	4.5	-	-	-	2.8	-	-	-	-	-	7.3
PKO ^b	11.2	-	-	-	-	-	-	-	7.0	5.5	23.7
CNO ^c	7.0	-	-	-	-	-	-	-	-	-	7.0
Corn oil	14.5	13.1	-	-	-	32.0	-	-	50.0	0.5	110.1
Fish oil	-	-	-	-	0.4	-	-	-	-	-	0.4
Total	614.7	27.8	22.7	19.6	59.3	39.6	62.1	5.5	224.2	341.6	1417.1
% Palm Oil	24.8	19.4	85.9	0.4	38.8	19.2	93.9	56.4	60.4	82.0	48.3
Exports											
Soyabean oil	37.7	-	-	-	-	-	-	-	-	-	37.7
Sunflowerseed oil	69.2	-	-	15.5	-	-	-	-	-	-	84.7
Olive oil	40.0	-	1.3	-	-	-	-	-	-	-	41.3
Cottonseed oil	3.5	-	-	-	-	-	-	-	-	-	3.5
Fish oil	3.8	-	-	-	-	-	-	-	-	-	3.8
Palm oil	-	-	-	-	-	-	-	-	-	-	-
Tallow	6.5	-	-	-	-	-	-	-	-	-	-
Total	160.7	-	1.3	15.5	-	-	-	-	-	-	177.5
Disappearance^d											
Soyabean oil	127.5	-	-	-	16.0	-	3.8	-	6.5	-	153.8
Sunflowerseed oil	468.4	-	-	4.0	7.6	-	-	-	-	15.8	495.8
Olive oil	65.1	3.5	11.5	-	63.5	-	-	-	-	1.2	144.8
Butter	95.7	5.8	-	-	6.0	-	-	2.4	24.0	4.6	138.5
Cottonseed oil	112.5	-	-	-	-	-	-	-	1.4	-	113.9
Fish oil	12.0	-	-	-	0.4	-	-	-	-	-	12.4
Palm oil	152.3	5.4	19.5	0.07	23.0	7.6*	58.3	3.1	135.3	280.0	684.6
Tallow	69.7	-	-	-	-	-	-	-	-	34.0	103.7
Rapeseed oil	4.5	-	-	-	2.8	-	-	-	-	-	7.3
PKO	11.2	-	-	-	-	-	-	-	7.0	5.5	23.7
CNO	7.0	-	-	-	-	-	-	-	-	-	7.0
Corn oil	14.5	13.1	-	-	-	32.0	-	-	50.0	0.5	110.1
Total	1140.4	27.8	31.0	4.1	119.3	39.6	62.1	5.5	224.2	341.6	1995.6
% Palm Oil	13.4	19.4	62.9	1.7	19.3	19.2	93.9	56.4	60.4	82.0	34.7

*Estimate

^bPKO - Palm Kernel Oil^cCNO - Coconut Oil^dDisappearance = Beginning Stocks + Production + Import - Exports - Ending Stocks

Sources: Oil World

Department of Statistics, Malaysia.

fats available from local production and imports, 177 500 tonnes were exported. Turkey was the main exporter with 160 700 tonnes in 1989. The major oils exported were sunflowerseed oil (69 200 tonnes), olive oil (40 000 tonnes) and soyabean oil (37 700 tonnes). Other oils exported were fish oil, tallow and cotton seed oil. Cyprus exported 15 500 tonnes of sunflowerseed oil.

CONSUMPTION PATTERN

The countries referred to in this paper had a total population of approximately 119 million people in 1989. The average per capita consumption of oils and fats was 15.6 kg/year. Iraq and Turkey had the highest per capita disappearance of oils and fats of 19.13 kg in each case, followed by UAE with 19 kg, Lebanon with 14.45 kg, Syria with 13 kg, Saudi Arabia with 12 kg, Cyprus with 11.88 kg and Arab Republic Yemen with 10 kg. The remaining countries, Jordan and Kuwait, per capita consumptions of 6.92 kg and 7.3 kg per year respectively (*Table 2*).

The total disappearance or consumption of oils and fats by these countries in 1989 was 1.995 million tonnes, of which 71% was supplied from imports (*Table 1*). Approximately 50% of the oils and fats were consumed as solid fats in the forms of margarine, shortening and vegetable ghee. The balance of 50% was consumed as liquid oils for frying and cooking, and as

salad oils. The ratios of solid fat to liquid oil consumption in some of the West Asian countries were 50:50 for Turkey, 95:5 for Iraq, 76:24 for Kuwait, 40:60 for Jordan and the Yemen Arab Republic, and 30:70 for Syria.

From *Table 2*, it can be seen that the region consumed 1 007 200 tonnes of solid fats in 1989. The availability of solid and semi-solid oils and fats in the region was 939 200 tonnes, comprising 684 600 tonnes of palm oil products, 138 500 tonnes of butter, 103 700 tonnes of tallow and 12 400 tonnes of fish oil. The palm products consumed in West Asia a year ago consisted of palm oil and its fractions, which were palm olein (liquid fraction) and palm stearin (solid fraction). Imports of Malaysian palm products by the region totalled 489 740 tonnes and comprised 249 827 tonnes of palm oil, 204 957 tonnes of palm olein and 34 956 tonnes of palm stearin. Since palm olein is a liquid oil, the region could have hydrogenated as much as 272 957 tonnes of liquid oil to be consumed as solid fats.

POTENTIAL FOR PALM OIL

Malaysia produced 6.05 million tonnes of palm oil in 1989 and it is forecast that she will produce 7.8 million tonnes annually by the year 2000. Based on her population growth rate of 2.4% per annum, a per capita consumption of 16.4 kg/year of oils and fats, and the present population estimated at 17 million, the amount of palm oil available for trade will increase to 7.2 mil-

TABLE 2. PER CAPITA CONSUMPTION, RATIO OF SOLID FAT TO LIQUID OIL CONSUMPTION, AND CONSUMPTION OF SOLID FATS IN WEST ASIA, 1989

Country	Consumption* Per capita (kg)	Ratio of Solid Fat to Liquid Oil Consumption Per capita*	Consumption of Solid Fat ('000 tonnes)
Turkey	19.13	50:50	570.20
Kuwait	7.3	76:24	16.72
Jordan	6.92	40:60	12.40
Cyprus	11.88	0:100	0
Syrian Arab Republic	13.00	30:70	35.79
UAE	19.00	11:89	4.35
Yemen Arab Republic	10.00	40:60	24.84
Lebanon	14.45	8:92	0.44
Saudi Arabia	12.0	8:92	17.94
Iraq	19.13	95:53	324.52
Total			1007.20

*Various TAS reports.

TABLE 3. AVERAGE CIF PRICES OF OILS AND FATS AND PREMIUMS OR DISCOUNTS TO PALM OIL PRODUCTS, 1987-1989

Product	Average CIF Price US\$/Tonne		Premiums/Discounts 1989*					
	1987	1988	RBD	RBD Palm Olein	Crude Palm Oil	RBD Palm Oil	Palm Palm Stearin	Kernel Oil
			1989					
RBD palm olein	390	471	375	-	NR	NR	NR	NR
Soyabean oil	334	463	492	117	65	142	NR	NR
Cottonseed oil	497	599	572	197	145	222	NR	NR
Rapeseed oil	305	427	473	98	46	123	NR	NR
Sunflowerseed oil	360	476	544	169	117	194	NR	NR
Groundnut oil	500	590	775	400	348	425	NR	NR
Palm kernel oil	426	539	472	NR	NR	NR	NR	-
Coconut oil	442	565	517	NR	NR	NR	NR	45
RBD palm stearin	349	443	348	NR	NR	NR	-	NR
Tallow, fancy bleached	356	413	366	NR	NR	NR	18	NR
RBD palm oil	374	463	427	NR	-	NR	NR	NR
Palm oil, crude	343	437	350	NR	NR	-	NR	NR
Lard, refined	597	671	634	NR		-	286	NR

Notes: *Premiums are indicated by a negative sign; the other figures are all discounts.

NR: not relevant

Sources: PORLA, PORAM and Oil World.

TABLE 4. SUMMARY OF COSTS/BENEFITS (US\$/tonne)

Items	Sunflowerseed Oil	Soyabean Oil	RBD Palm Oil
Price	544.00	492.00	427.00
Cost differential	117.00	65.00	-
Added cost of process losses	16.78	18.26	4.93
Cost of chemicals	21.43	21.43	4.28
Cost of hydrogenation	22.31	21.93	-
Total	177.52	126.62	9.21
Savings from using palm oil	168.31	117.41	-

lion tonnes in 2000 compared with 5.186 million tonnes traded in 1989. Thus, future availability of palm oil, especially from Malaysia, is assured. Furthermore, palm oil products are favourable priced in relation to competing oils. Table 3 shows prices for some palm oil products and competitive oils in 1987, 1988 and 1989, and the price differentials.

The price of palm oil is comparable with the prices of partially hydrogenated oils from soyabean, rapeseed, sunflowerseed and cottonseed. The price of palm olein is comparable with the prices of non-hydrogenated oils of soyabean, rapeseed, sunflowerseed and cottonseed. The price of palm stearin is comparable with that of tallow and lard.

Table 4 gives a typical cost summary

comparing palm oil with sunflowerseed oil and soyabean oil hydrogenated to a melting point of 36°C. Hydrogenation costs are very dependent on the cost of electricity, which in Table 4 is taken as 4.6 pence sterling per kiloWatt hour. There is a saving of \$168.31 if RBD palm oil is used instead of sunflowerseed oil and of \$117.41 by using RBD palm oil instead of soyabean oil.

CONCLUSION

This paper has described how countries in the West Asian region have accepted palm oil products for consumption as solid fats and also as liquid oils. Palm oil products are competitively priced and have a reliable source of supply. Since palm products have the flexibility to be used in a very wide range of products, they may be competing

directly with or complementing other liquid oils. Substantial cost savings can be made when palm products are used in place of other substitutable oils and fats in various applications.

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