

West Asian Market – Developments and Prospects

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INTRODUCTION

Countries of the West Asian region are the major markets for Malaysian palm oil. In 1993, the region as a whole imported 2.6 million tonnes of palm oil. The region is deficient in its requirements for oils and fats and has to import about 70% of its needs. Palm oil is the major vegetable oil imported and consumed by the regional countries. The regional imports of palm oil have gone up from 1.15 million tonnes in 1985 to 2.5 million tonnes in 1993 thus registering a growth rate of 14.34% per annum.

This phenomenal growth of palm oil in the regional markets was made possible as a result of the promotional efforts undertaken by the Malaysian palm oil industry. Due to these efforts the trade and technical barriers have been mostly removed. Palm oil has been accepted as a general purpose vegetable oil for food and non-food applications.

This paper reviews the regional oils and fats situation in relation to the patterns of imports and consumption, the future prospects and the opportunities for greater market acceptance of palm oil.

OILS AND FATS SITUATION

Production

From the perspective of oils and fats production (*Table 1*), the West Asian countries can be divided into the following two groups:

Non-Producing	Producing
Iraq	Egypt
Jordan	Iran
Kuwait	Syria
Lebanon	Turkey
S. Arabia	Pakistan
U.A.E	
Gulf States (Bahrain, Oman, Qatar)	

The major vegetable oil produced by the regional countries is cottonseed oil. This is followed by sunflower oil, soya bean oil and some quantities of olive oil. During the period of 1985–1992 the regional production of oils and fats has grown from 1.52 million tonnes to 2.12 million tonnes, registering an average growth of 4.92% per annum.

IMPORTS OF OILS AND FATS

The major oils and fats imported by the West Asia region (*Table 2*) are palm oil, soya bean oil, corn oil, sunflower oil, butter and tallow. The imports of oils and fats by the region have increased from 3.2 million tonnes to 4.9 million tonnes during 1985–1993 by registering an average increase of 5.82% per annum. The imported oils and fats constituted a share of about 70% in the total regional disappearances. The imports of oils and fats were made by the private sector in most countries. However, in some countries like Pakistan, Egypt and Iran the imports were made by both private and public sectors.

TABLE 1. PRODUCTION OF OILS AND FATS IN WEST ASIA REGION ('000 tonne)

Countries	1985	1986	1987	1988	1989	1990	1991	1992	AV. % INC/Pa 1985-1992
Egypt	184	193	205	193	179	173	184	191	0.47
Iran	79	77	101	103	111	114	117	120	6.48
Iraq	-	-	13	14	17	30	23	28	19.23
Jordan	8	11	11	6	11	8	8	6	-3.12
Kuwait	-	-	-	-	-	-	-	-	-
Lebanon	3.5	-	5	5	4	4	5	6	8.92
Pakistan	525	570	677	733	762	774	860	932	9.69
S. Arabia	-	-	-	-	-	-	-	-	-
Syria	99	103	113	104	129	107	139	133	4.29
Turkey	622	6.72	736	742	806	771	707	704	1.64
U.A.E.	-	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-	-
Other Gulf States: Bahrain, Oman, Qatar	-	-	-	-	-	-	-	-	-
Total	1 520.5	1 630	1 861	1 900	2 019	1 981	2 043	2 120	4.92

Source: Oil World

TABLE 2. TOTAL IMPORTS OF OILS AND FATS IN WEST ASIA REGION ('000 tonne)

Countries	1985	1986	1987	1988	1989	1990	1991	1992	1993	AV. % INC/Pa 1985-1993
Egypt	768	611	637	872	737	825	825	854	939	2.38
Iran	477	447	609	461	608	573	616	622	673	4.21
Iraq	223	267	316	344	334	267	29	109	186	-2.7
Jordan	38	82	43	47	33	52	60	60	100	6.43
Kuwait	150	23	27	32	38	26	13	23	31	-9.25
Lebanon	35	39	54	50	44	45	54	42	52	3.17
Pakistan	870	945	926	1 104	1 103	1 150	1 180	1 250	1 540	8.41
S. Arabia	169	188	202	205	217	234	259	258	297	7.69
Syria	71	48	68	49	43	43	37	85	52	4.53
Turkey	322	284	323	442	657	657	822	798	881	19.28
U.A.E.	38	38	55	54	87	52	80	74	92	14.3
Yemen	35	35	38	40	40	34	57	58	125	7.3
Others	-	-	-	-	-	-	-	-	-	-
Total	3 234	3 049	3 370	3 787	4 026	4 056	4 138	4 316	4 968	5.82

Source: Oil World

DISAPPEARANCE OF OILS AND FATS

The major oils and fats consuming countries of the region are Pakistan, Turkey, Egypt and Iran. For the period of 1985–1992, the regional disappearance of oils and fats (Table 3) has increased from 4.4 million tonnes to 6.2 million tonnes by registering an average increase of 5.04% per annum. The regional self-sufficiency rate in the total disappearance of oils and fats has been stagnant between 30%–34%.

Per Capita Consumption

Regional average per capita growth of oils and fats for the period 1985–1992 stood at 1.7% (Table 6).

The highest per capita consumption increases were registered for Yemen, U.A.E, Turkey and Pakistan. The exceptionally high figure for Yemen was due to the direct import of oils and fats by this country compared to previous trend of unofficial imports from Saudi Arabia. For U.A.E, the reason was that some imports were meant for re-export to the neighbouring countries whilst the UN embargo is the main reason for the negative growth in per capita consumption in Iraq.

CONSUMPTION PATTERN

Table 7 depicts the consumption pattern of oils and fats in countries of West Asia. Generally, during the

TABLE 3. DISAPPEARANCE OF OILS AND FATS IN WEST ASIA REGION ('000 tonne)

Countries	1985	1986	1987	1988	1989	1990	1991	1992	AV. % INC/Pa 1985-1992
Egypt	851	862	929	971	970	988	1 008	1 025	2.55
Iran	568	562	630	660	682	694	709	745	3.89
Iraq	243	267	311	350	372	335	54	73	-8.74
Jordan	29	30	48	52	48	54	63	67	16.37
Kuwait	24	22	27	32	38	26	13	23	-0.5
Lebanon	35	39	59	50	48	45	60	42	2.5
Pakistan	1 364	1 420	1 616	1 752	1 864	1 969	2 068	2 190	7.56
S. Arabia	181	188	196	205	212	222	236	245	2.8
Syria	162	149	185	167	164	160	169	182	1.54
Turkey	873	905	959	1 029	1 156	1 279	1 345	1 412	7.71
U.A.E.	38	38	33	33	45	53	55	55	5.59
Yemen	35	42	79	83	91	97	107	123	31.42
Other	38	35	38	40	40	34	55	52	4.6
Gulf States:									
Bahrain, Oman,									
Qatar									
Total	4 441	4 539	5 110	5 424	5 730	5 956	5 942	6 234	5.04

Source: Oil World

period of 1985-1992, the consumption pattern has shifted towards liquid oils in most countries, while in some other countries there has been no shift. Jordan was the only country where the consumption pattern has shifted toward solid fats. This was due to the effects of the Iraqi demands for solid fats which are being met by Jordan.

PALM OIL POSITION

Palm oil enjoys a strong market position (Tables 4 and 5) in the region. In 1993 the share of palm oil

in the total regional imports of oils and fats was 53.5%. During 1993, countries in this region imported 2.56 million tonnes of palm oil as compared to the total palm oil import of 1.82 million tonnes in 1990 and 1.15 million tonnes in 1985. The average palm oil market growth rate between 1985-1993 has been 14.34%. About 90% of the palm oil imported by the region was from Malaysia while the balance of 10% has been imported from Singapore and Indonesia. During 1993, Malaysia's palm oil exports to the region stood at 2.2 million tonnes. The major palm products exported from Malaysia (Table 5) to these

TABLE 4. IMPORTS OF PALM OIL IN WEST ASIA REGION ('000 tonne)

Countries	1985	1986	1987	1988	1989	1990	1991	1992	1993	AV. % INC/Pa 1985-1993
Egypt	43	51	44	129	225	346	316	348	462.9	107.7
Iran	-	15	20	65	89.2	22	22	26	82.8	62.8
Iraq	194	220	212	241	257	210	22	45	164.3	-1.83
Jordan	14	60	91	30	21	34	38	31	56	15.0
Kuwait	136	8	11	11	13	15	9	10	7.81	-10.13
Lebanon	-	4	9	10	6	6	18	2	4.9	16.6
Pakistan	524	545	436	527	538	683	914	924	1 175	13.9
S. Arabia	107	126	128	126	135	128	142	160	173.9	7.0
Syria	5	3	11	9	23	28	11	21	21.5	40.0
Turkey	66	86	46	50	162	202	225	174	250.5	36.2
U.A.E.	22	21	33	30	35	29	49	48	52.3	15.15
Yemen	32	40	65	79	77	98	101	121	117.9	32.30
Other Gulf States:	9	11	13	19	22	24	30	40	45	44.44
Bahrain, Oman, Qatar										
Total	1 152	1 190	1 119	1 325	1 605.2	1 825	1 897	1 934	2 569.31	14.34

Source: Oil World

TABLE 5. MALAYSIAN PALM OIL EXPORTS TO THE REGIONAL MARKET IN 1993 ('000 tonne) (Breakdown)

Countries	Total	RBD palm oil	RBD palm olein	RBD POS	PFAD	P.A.O	Other products
Bahrain	6.02	-	5.96	-	-	-	0.56
Egypt	419.55	235.7	58.8	261.1	-	-	-
Iran	56.57	12.2	44.4	-	-	-	-
Iraq	5.39	3.6	-	1.8	-	-	-
Jordan	174.69	151.5	14.3	8.8	-	-	-
Oman	25.22	0.5	24.4	0.2	-	-	-
Pakistan	1 024.04	958.2	16.3	0.3	33.6	15.5	0.50
Kuwait	8.0	6.0	2.0	-	-	-	-
S. Arabia	112.06	2.6	108.8	0.1	-	-	-
Syria	4.15	-	-	0.2	-	-	0.2
Turkey	184.96	43.2	103.2	35.7	3.9	-	-
U.A.E.	38.22	2.3	30.2	2.6	0.7	-	1.5
Yemen	123.37	62.2	59.0	2.0	1.5	-	0.13
Total	2 182.21	1 478.0	459.11	177.8	39.7	15.5	2.2
% Share	-	67.7	21.0	8.4	2.0	0.7	0.2

Source: Oil World

countries were RBD palm oil (67%), RBD palm olein (21%), RBD palm stearin (8.1%) and other by-products (4%).

The major palm oil importing countries of the region were Pakistan, Egypt, Turkey, Saudi Arabia, Jordan/Iraq and Yemen. These markets have shown remarkable growth in their palm oil imports (*Table 4*).

This growth trend for the palm oil market is expected to remain in the nineties. In some markets its growth rate can be affected by many factors namely health and nutrition awareness, increasing publicity from competitors on other liquid oils such as corn oil, sunflower oil and olive oil. In Iraq and Iran, the import is expected to grow rapidly due to the possible lifting of some technical constraints.



Palm Oil Exhibition to Capture West Asian Market

TABLE 6. POPULATION, GDP PER CAPITA, OILS AND FATS CONSUMPTION IN WEST ASIA REGION

Countries	Population		Population Growth (%)	Per Capita Consumption		Growth in Per Capita (%)	GDP Per Capita (\$)		Growth (%)
	1985	1992		Oils and Fats (KGS)			1985	1992	
				1985	1992				
Egypt	47.6	54.8	2.2	18.4	18.7	0.2	660	1 250	12.7
Iran	47.6	61.6	4.2	11.9	12.1	0.2	385	3 200	104.4
Iraq	15.6	19.3	3.3	16.2	3.8	-10.9	-	2 943	-
Jordan	3.5	4.3	3.2	13.5	15.7	2.3	1 144	1 242	1.2
Kuwait	1.7	1.4	-2.5	14.2	16.4	2.2	13 956	11 244	-2.7
Lebanon	2.6	3	2.1	13.5	14	0.5	-	-	-
Pakistan	103.2	124.8	2.9	13.1	17.6	4.9	305	355	2.3
S. Arabia	11.6	15.9	5.2	15.5	15.4	-0.1	8 523	7 020	-2.5
Syria	10.5	13.3	3.8	16.6	13.7	-2.4	2 000	1 428	-4.0
Turkey	50.1	58.4	2.3	17.2	24.2	5.8	1 064	2 050	6.8
U.A.E	1.4	1.7	3.0	20.5	33.1	8.7	21 777	18 305	-2.2
Yemen	10.3	12.5	3.0	3.5	9.8	25.7	737	690	-0.9
Other Gulf States: Bahrain, Oman, Qatar	2.0	2.8	5.7	19	21	1.5	14 773	8 016	-6.53
Total	308	374	3	193	216	1.7	65 324	54 800	-2.3

Source: Oil World

The palm oil position in the regional countries will be generally governed by its strengths and weaknesses on the regional basis (Table 8).

According to Table 8 the principal strengths for palm oil in the West Asia region are (a) high population growth rate and (b) regional deficiency in the indigenous production of oils and fats. Whereas the major weaknesses are:

- a) Shifting consumption pattern from solid fats to liquid oils; and
- b) Weak nutritional and dietary image of palm oil and the growing publicity from competing vegetable oils.



Palm Oil Technical Seminar in Sudan

TABLE 7. CONSUMPTION PATTERN OF EDIBLE OILS AND FATS (West Asia Region)

Countries	1985		1992		Shift Towards		Major Edible Oil Products Used
	Solid Fats	Liquid Oils	Solid Fats	Liquid Oils	Solid Fats	Liquid Oils	
Egypt	70	30	50	50		→	Vegetable Ghee Cooking Oil
Iran	70	30	70	30		—	Vegetable Ghee Cooking Oil
Iraq	95	5	90	10		→	Cooking Oil Vegetable Ghee
Jordan	20	80	40	60	←		Cooking Oil Vegetable Ghee
Kuwait	60	40	30	70		→	Cooking Oil Vegetable Ghee
Lebanon	30	70	30	70		—	Cooking Vegetable Ghee
Pakistan	95	5	90	10		→	Cooking Vegetable Ghee
S. Arabia	50	50	15	85		→	Cooking Vegetable Ghee
Syria	50	50	50	50		—	Vegetable Ghee Cooking Oil
Turkey	60	40	50	50		→	Margarine Cooking Oil
U.A.E.	60	40	20	80		→	Cooking Oil Vegetable Ghee
Yemen	85	15	80	20		→	Vegetable Ghee Cooking Oil
Other Gulf States: Bahrain, Oman, Qatar	60	40	20	80		→	Cooking Oil

Source: Oil World

TABLE 8. REGIONAL PALM OIL POSITION (STRENGTHS AND WEAKNESSES)

Strengths	Weaknesses
<ul style="list-style-type: none"> • High population growth rate of 3% • Region deficient in the oils and fats. Some countries have no indigenous production. • Share of solid fats consumption fairly high • Hot climate countries. Use of palm olein suitable • Developing restaurants and food industry • Increasing per capita consumption • Price and cost advantage • Acceptance of palm oil in Iran • Iraq is back as palm oil buyer • Technical advantages for palm oil (for low <i>trans</i> margarines) • Privatization and trade liberalization in certain countries • Palm oil joint ventures. 	<ul style="list-style-type: none"> • Consumption pattern gradually shifting towards liquid oils. • Weak nutrition and dietary image for palm oil • Stagnation in palm oil quality and products standards • Import tariff and sales tax constraints in some regional countries • 15% subsidy on corn oil in Kuwait • Technical barriers in Oman, Iran and Syria • Inadequate shipping facilities for some regional markets.

PROSPECTS AND OPPORTUNITIES

The events like Iran-Iraq war of the early eighties, the Gulf War of 1990/1991, United Nation trade embargo on Iraq and the drains on the economies of the rich countries of the Middle East, have negatively affected the overall imports and consumption of oils and fats by the West Asia region. Without these events the region

could have been importing additional quantities of half million tonnes of oils and fats.

With the future scenario of "Peace" between Israel and the Arabs, political stability in the Middle East, liberalization of economies and the on-going disinvestment and privatization processes in Egypt, Pakistan, Iran and Syria, it is envisaged that oils and

fats demand and consumption in the West Asia region will increase.

In view of the above politico-economic scenario and the regional population growth of 3% (Table 4) it is envisaged that the oils and fats growth rate of 5%-6% per annum can be expected by the year 2000.

Imports of palm oil as well as its share in the regional disappearance of oils and fats will increase in the nineties. Some of the reasons being:

- Increased prospects of palm oil utilization in Iraq and Iran.
- Malaysian palm oil joint ventures in Pakistan, Egypt and possibly in Iran in the future.
- The emergence of new markets of Afghanistan and Central Asian Republics neighbouring Pakistan, Iran and Turkey.
- The privatization and liberalization of oils and fats industry and trade in some important regional markets.
- Increased use of palm products in the soap industry of the regional countries in particular that of Egypt, Turkey and Syria.
- Development of secondary fractionation facilities for palm olein.
- Increased technical and nutritional awareness about palm oil.
- Increased availability of palm oil at competitive prices, followed up by technical back-up services provided by the Malaysian palm oil industry.
- Availability of palm oil export credit facilities to selected countries.
- Price and cost competitiveness of palm oil *vis-a-vis* other vegetable oils.

- Flexibility of palm oil usage in a wide range of edible products particularly in view of the growing concern against the use of hydrogenated products.

CONCLUSION

In the eighties, the development of palm oil in the West Asian markets has been positive and progressive. The prospects for palm oil in the nineties should be bright in view of the prevailing politico-economic stability and the on-going policies of economic liberalization and privatization in some countries.

The economic acceptability of palm oil in these countries will be enhanced by the continuous reliability of supplies and price competitiveness. On the technical front, product diversification through the creation of secondary fractionation facilities and the growing concern against the use of hydrogenated products will play an important role in furthering market acceptance of palm oil.

The Malaysian policies to set up palm oil joint ventures in the consuming markets and the offers of palm oil export credits to selected countries are steps in the right direction. However, there is a strong need to carry out commercial promotion and publicity of palm oil to build and uplift the consumer's image of palm oil.

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