

Vegetable Oil

VEGETABLE OIL

What Inside

Early civilizations have extracted oil from various plants for a wide range of usage. Vegetable oil is used as cooking oil as well as other applications such as being used in the cosmetics, food, soaps and even biodiesel. One of such vegetable oils is palm oil. Indonesia is one of the largest producers of palm oil and its derivative products in the world.

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Dear Valued Readers

Welcome to the October 2012 issue of Export News. As promised, we will continue to update you with the latest information about the best Indonesian products. In this edition, we feature Palm oil and its fractions, not chemically modified products.

Palm oil products in Indonesia have been capitalized to support the national economic development. The sector growth is also as supported by growing demand of such products in the world.

As part of our country's efforts to improve non-oil-and-gas products, the Trade Ministry's Directorate General for National Export Development is working to promote Indonesia's leading products with this export bulletin.

We hope our readers will enjoy this bulletin. As for overseas buyers and importers, please do not hesitate to contact the selected companies to establish beneficial trade relations.

Thank you

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hot issue

Vegetables Oil

Mankind has been using oil extracted from plants since the ancient time and in various civilizations. Vegetable oils have many usages, including in culinary, industries and fuel.

In culinary, vegetables oil can be used not only as

cooking oil but also as shortening to give pastry a crumble; providing texture so other ingredients stick together less; flavoring and flavor base.

Industrial usage of vegetable oils include in making soaps, skin products, candles, perfumes and other

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personal care and cosmetic products. Some oils can be used as drying oil and in making paints. Vegetable oils is also being used in the electrical industry as insulators due to the fact that vegetable oils are not toxic, biodegradable if spilled and have high flash and fire points. Some oil also have medicinal benefits while the others can be used as hydrolics and lubricants.

Endowed with abundant natural resources, Indonesia has plenty of plants that can be extracted into oil, one of them is palm oil, one of the country's leading export commodities. The International Trade Center (ITC) data shows that the country



was exporting 16.4 million tons of palm oil making Indonesia the world's largest producer in 2011. Malaysia, however, took the spot in 2012 with a total production of 15.7 million tons.

Palm oil industry is one of the strategic industries with many agricultural-based industries thrive in tropical countries such as Indonesia, Malaysia and Thailand. The industries produce not only cooking oil but also base materials for other industries such as food, cosmetics and soaps industries.

The industry has great prospects to grow rapidly as there is an increase in the number of palm oil plantations, mills and refineries as well as ever increasing public consumption.

With such huge number being produced, there is certainly a positive impact for the Indonesian economy, both in terms of its contribution to state revenue and the opening of new jobs. Palm oil industry can be expected to be the engine of national economic growth.

Among the benefits of palm oil are that most parts of the plants can be used in addition to the oil which can be further processed into biodiesel, soap, cosmetics and food. The kernel waste can be made into cattle feed while stems and branches can be processed into particle board. The plant parts can also be used as materials for biomass and compost.

Considering the advantages, the Indonesian government is expanding the palm oil plantation area as palm oil is one of the top non-oil-and-gas export commodities. The government has also

encouraged further downstreaming to increase the added value.

The government is providing various incentives such as easy procedures for investment permits and assistance for plantation development through the Perkebunan Inti Rakyat (PIR) smallholder schemes and the opening of new areas to large private plantations.

The development of the sub-sector's palm oil plantations in Indonesia cannot be separated from government policies that provide a variety of incentives, especially in terms of ease of permitting investment subsidies and assistance for the development of plantation with patterns people's Core Company Plantation (PIR-Bun) and in the opening of new areas to large private estates acreage. The five largest national private companies holding the most plantation areas are Raja Garuda Mas, Wilmar Group, Guthrie Group, Sinar Mas and Astra Agro Lestari.

There are several PIR schemes according to the target and the source of funding, such as PIR-BUN or NES (Nucleus Estate and Smallholder), PIR-TRANS and PIR-KKPA. The development of palm oil plantation in Indonesia is quite phenomenal. Beginning in 1980, the first 10 years the area reached about 300,000 hectares while over the next decade there was 1 million more hectares. Currently there are more than 1.8 million hectares of palm oil plantation.

The availability of land for palm oil production in Indonesia:





PALM OIL

The world's demand for palm oil is increasing every year as can be seen in the imports and exports figures. Asian countries dominate both the supplying and buying countries, such as Indonesia, Malaysia and Thailand in the supplying countries as well as China and India in the buying countries.

Indonesia's potential is very large in producing and exporting palm oil and its derivative products to countries all over the world.

Market Review

These palm oil products are categorized under the Harmonized System (HS) code 1511 and is further divided into several sub-categories which include:

1. HS 1511100000 "Crude palm oil"
2. HS 1511909020 "Olein, refined, bleached & deodorised (rbd)"
3. HS 1511909030 "Stearin, refined, bleached & deodorised (rbd)"
4. HS 1511909010 "Palm oil, refined, bleached & deodorised (rbd)"
5. HS 1511901000 "Fractions of unrefined palm oil, not chemically modified"
6. HS 1511909090 "Other palm oil and its fractions, not chemically modified"

The export of products under the HS 1511 category has been increasing in the past three years with a total figure of US\$17.26 billion in 2011.

Indonesia exported 8.42 million tons of CPO in 2011 with a value of US\$8.78 billion, an increase of 14.73% from 2010's export figure of US\$7.65 billion. This has made CPO the sub-category with the highest export value. The second-highest category was Olein, refined, bleached and deodorized (rbd) with 4.55 million tons at US\$4.87 billion or an impressive increase of 50.59% from US\$3.23 billion in 2010.

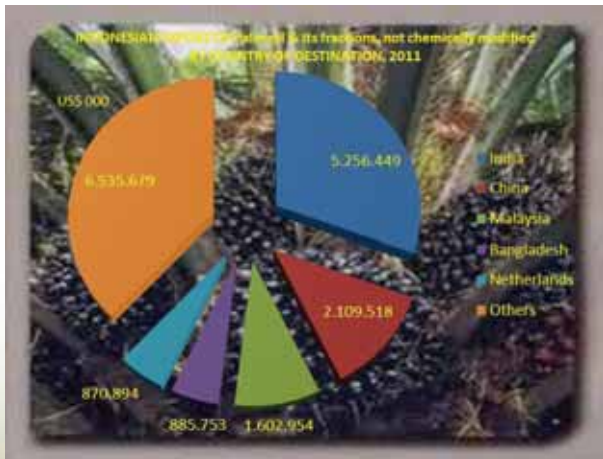
There were 1.39 million tons of Stearin rbd exported in 2011 worth US\$1.37 billion while the export in 2010 was US\$1.11 billion for a 22.75% increase. Palm oil rbd came in fourth with 1.22 million tons worth US\$1.32 billion in 2011 when compared with US\$886 million in 2010, or an increase of 48.59%

The second highest increase was experienced by Fractions of unrefined palm oil, not chemically modified at 58.06% from US\$547 million in 2010 to US\$886 million while Other palm oil and its



fractions, not chemically modified, had the highest growth at 75.12% from US\$36.7 million in 2010 to US\$64.4 million in the following year.

The major destinations for Palm oil and its fractions, not chemically modified are shown in the following graph:



India was the main destination country for Indonesia export of palm oil products its fractions, whether or not refined, but not chemically modified with a value of US\$9.09 billion or a market share of 30.45% followed by China with US\$2.11 billion (12,22%), Malaysia at US\$1.60 billion (9,29%), Bangladesh US\$885 million (5,13%) and the Netherlands US\$870 million (5.05%).

On the other hand, fellow ASEAN country member Malaysia is the major competitor in palm oil having exported US\$17.45 billion of palm oil and its derivative products. Other ASEAN country members, Thailand and Singapore, exported US\$398.5 million and US\$207 million respectively. Cambodia, Vietnam, the Philippines, Myanmar and Laos are also supplying countries although in much smaller quantities.

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