

# PIPOC 2017



Trend & Outlook for Malaysian Oleochemical & its derivatives market

Carsten Mondrup Larsen  
Emery Oleochemical (M) Sdn. Bhd

# Flow of the presentation



**Oleo-chemicals & derivatives**



**Oils & Fats**



**Industry value chain**



**Oleo-chemicals trends**

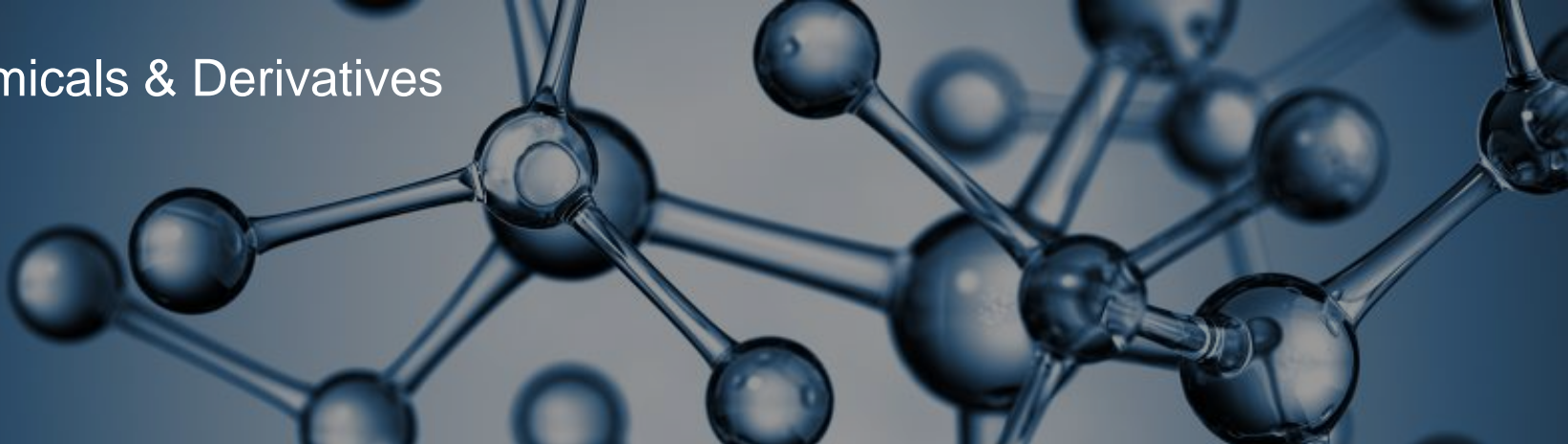


**Derivatives trends**



**Conclusion**

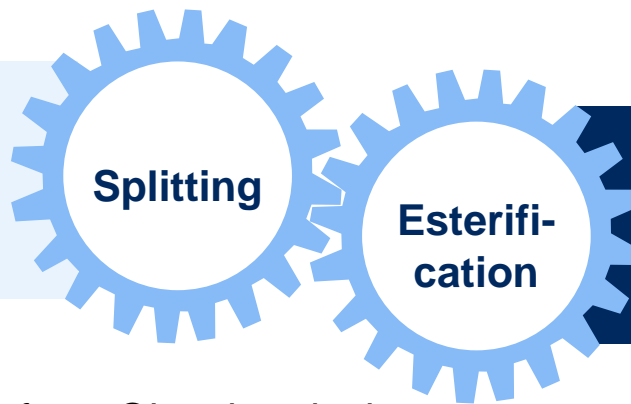
# Oleochemicals & Derivatives



Oleochemicals are chemicals derived from oils & fats

Feedstock from both Vegetable & Animal origins

**Vegetable or Animal Oil/Fat**



**Fatty acid  
Fatty alcohol  
Methyl Ester  
By product Glycerin**

Derivatives – Chemicals made from Oleochemicals

- Fatty alcohol based derivatives
- Fatty acids based derivatives
- Methyl Ester based derivatives
- Primary Surfactants (SLES & SLS), Fatty amines
- Secondary Surfactants (Betaines, CMEA, etc)
- Surfactants

# Sources of Oils & Fats



- Multiple sources of Oils & Fats
- Carbon chain lengths decide applications
- Sources of oil and fat

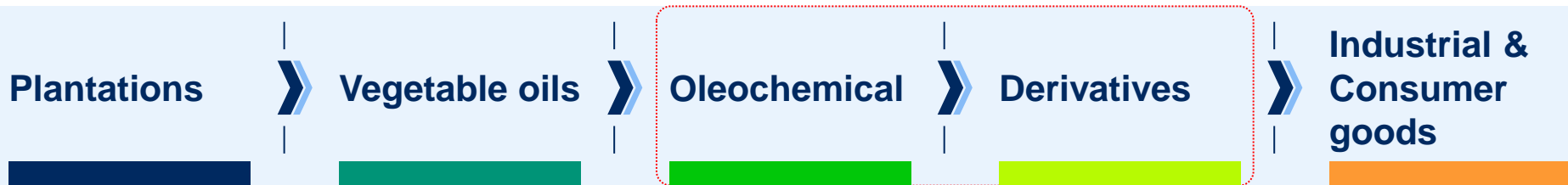
	<u>Soap</u>	<u>Surfactants</u>	<u>Reason</u>
<b>Traditional</b>	Tallow	Coconut oil	Stagnant production growth of traditional sources
<b>Replacement</b>	Stearin	Palm Kernel Oil	

- Rapid production growth in CPO/PKO support demand growth
- Indonesia-Malaysia key catchment
  - ~ 85% of production & 90% of export of oil

# Industry value chain



## Oleochemicals part of Palm & lauric value chain



- Oleochemicals a downstream Industry
- Value chain interconnects upstream and downstream
- Key trends
  - Integration of value chain
  - Epicenter shift
  - Sustainability

# Integration of value chain

- Plantations integrating downstream
  - Margin per hectare
  - Risk mitigation

- Adding or acquiring assets to link
- Landscape changing



SE Asia Integrated players



SE Asia Non-integrated players



Non SE Asia based players



Emery Oleochemicals



Access to competitive oil a key to success



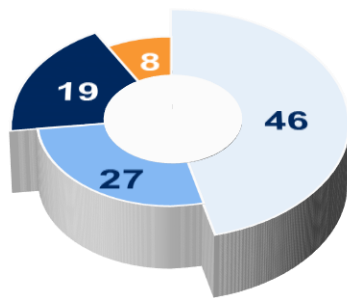
# Epicenter shift



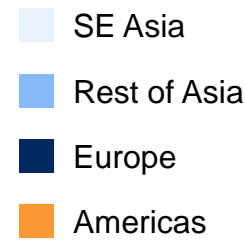
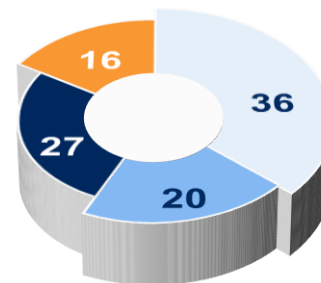
- S.E. Asian Integrated players gaining share of market
- Region source of most competitive oil
- Magnet for new World class/scale plants
- Moving from offering oil to complete basket (oil to oleo)

- Region exporting to the world
- Malaysia
  - Early entrant in Oleochemicals
  - Now net importer of oil
- Most new capacities in Indonesia

## Fatty acid capacities



## Fatty alcohol capacities



SOURCE: Internal database

## Malaysia consolidating while Indonesia continues to expand





- Evolved to a Composite definition of sustainability
  - Environmental, Social & legal
- Multiple approaches – RSPO, MPSO, ISPO, own
- Premium or Cost?
- Pick up slow
- Commitments by large end users – 2020
- Availability limited and challenged
- Malaysia in advantageous position

**Markets expected to pick up by 2020**





- Integrated plantations acquiring/building derivative assets
- Derivatives vs. Oleochemicals
  - Oleo closeness to feedstock, Derivatives closeness to Customers
  - Non-oleo feedstock security
  - Operates in regional clusters
- Malaysia a small player in derivatives
  - Small domestic market
  - Economics key to growth of industry

**Oleo SE Asian centric exporting to the world while  
Derivatives market centric importing from SE Asia**



## Summary & Conclusion

- Oleochemicals origin from vegetable oil or animal fat
- Oleo derivatives are chemicals made using Oleochemicals
- Demand growth has been met with rapid growth in Palm and Palm Kernel oil
- Indonesia and Malaysia account for 85% of total palm production
- Malaysia is consolidating, Indonesia is still growing
- 3 major trends
  - Integration of value chain
  - Shift in industry epicenter
  - Sustainability
- Oleochemicals close to feedstock – global exporter
- Derivatives close to markets – buyer of Oleochemicals

## Summary & Conclusion

- Global Oleochemicals market ~\$18.6b & growing ~6.3% CAGR while the downstream industry ~???
- Stagnant production of traditional oil/fat sources of tallow & Coconut oil displaced by the Palm complex which is the most competitive and growing
- Oleochemicals business converging into SE Asia aided by competitive oil availability while derivatives remain close to the Customers in user markets
- Malaysia as the second largest producer of palm based oils consolidates its position in Oleo and emerging as a global exporter to derivative markets around the world
- Derivatives to remain a cluster business and strong position in Oleo can be leveraged to participate in this segment through distributed facilities in key markets



# Question and Answers