BANGLADESH

OILS & FATS PROFILE

NOVEMBER 2009

Overview of Oils and Fats

The country has limited land to develop for oilseed cultivation, and therefore the cultivated oilseed area has remain stagnant over the years. Rapeseed is the major oilseed cultivated, with a total area of 240,000 ha, yielding about 220,000 tonnes of rapeseeds annually. Other oilseeds cultivated in smaller scale are soybeans, groundnuts and coconut.

Bangladesh produces less than 200,000 tonnes of oils and fats annually. In 2008, the country only produces only 172,000 tonnes, comprising mainly of rapeseed oil (61 per cent of total output). Coconut oil and butter fat both combined constitute another 24 per cent.

The consumption of inedible oils and fats has remained steady for the last couple of years while that of edible oils and fats has been expanding with the growth in population as well as increase in higher propensity to spend as a result of higher income. The consumption of edible and inedible oils and fats in the country increased to 1,326,300 MT in 2006 from 906,000 tonnes in 2000, or an increase of about 46 per cent during the said period.

During 2008, Bangladesh's consumption of oils and fats reached a level of 1.36 million tonnes. Per capita consumption of total oils and fats also rose from 8 kg recorded in 2005 to 8.6 kg in 2008. Its local production of oils and fats is unable to meet domestic requirement which is estimated at approximately one million tonnes annually. Therefore Bangladesh has to rely on import to supplement domestic needs.

At present, Bangladesh's annual import is around one million tonnes of oils and fats. Palm oil now constitutes about 84 per cent of the import volume as compared to 30 per cent during 2000. The volume of palm oil imported during 2008 was 0.9 million tonnes, mainly from Malaysia and Indonesia. Crude palm olein is the major palm oil fraction being exported from Malaysia to Bangladesh.

Imports of Palm Oil from Malaysia (tonnes)		
	2008	Jan-Nov 09
Crude Palm Olein	225,342	32,535
Crude Palm Oil	31,817	-
RBD Palm Olein	10,294	22,233

Source: MPOB

Some volume of CPO was also exported from Malaysia to meet the requirement of its refineries. There are now local refineries who have embarked on the production of double fractionated palm olein by installing fractionation facilities. For instance, City Group already has three fractionation units while Meghna and T.K. Group have two units each. There is

Statistics

	2000	2002	2004	2006	2008
Production of Oils/Fats ('000 tonnes)					
Rapeseed	141	108	104	97	105
Coconut	23	24	21	21	22
Butter Fat	16	17	18	20	21
Others	13	14	30	36	24
Total	193	163	173	174	172

	2000	2002	2004	2006	2008
Imports of Oils/Fats ('000 tonnes)					
Palm Oil	226	436	644	887	901
Soybean	496	386	338	270	151
Coconut	8	6	4	4	4
Others	15	12	21	17	19
Total	745	840	1,007	1,178	1,075

	2000	2002	2004	2006	2008
Domestic Requirement('000 tonnes)					
Palm Oil	194	428	622	857	956
Rapeseed	141	108	114	97	105
Soybean	496	441	341	281	239
Coconut	31	30	26	25	26
Butter Fat	17	18	20	22	24
Others	221	452	644	880	975
Total	906	1,049	1,145	1,305	1,369

	2004	2005	2006	2007	2008
Palm Oil Imports ('000 tonnes)					
Malaysia	373	523	432	168	239
Indonesia	268	405	453	533	644
Others	3	3	2	8	18
Total	644	931	887	709	901
Soybean Oil Imports ('000 tonnes)					
Argentina	222	165	213	325	138
Others	69	6	0	37	42
Total	338	196	270	461	151

Source: Oil World

still good market potential for palm olein in consumer packs considering the fact that the loose oil market still accounts for more than half of the total edible oils consumed in the country. Price factors and accessibility of the oil in the market give palm oil better position in Bangladesh.

Palm olein is now the highest consumed oil, with consumption hitting 956,000 MT in 2008, as against 239,000 MT for soybean oil and 105,000 MT for rapeseed/mustard oil. Soybean imports at 151,000 tonnes were lower last year due to the high prices. Soybean oil used to be the most preferred cooking oil in Bangladesh. But due to the large price differentials between palm oil and soybean oil, the local edible oil manufacturers started blending soybean oil with palm oil. Soybean oil and palm olein are imported in crude form and refined locally. Some soybeans are also imported, crushed locally and the oil obtained is refined before marketing.

Palm oil consumption also grew rapidly following increasing imports on account of its competitive prices. There are two major users of palm olein in Bangladesh, i.e. industrial and consumers. Palm oil is also used in restaurants. While soybean oil is still the preferred edible oil in the country and enjoys a better "image", the price advantage of palm olein allows palm oil to capture the domestic market. Double fractionated palm olein which is now available in the market is contributing to the gradual shift away from the negative perception consumers have about palm olein earlier. No doubt soybean oil is available in abundant number of brands, but consumers are gradually becoming aware and accept palm olein.

The Bangladeshi Government imposes zero customs duty and value added tax imported oils in order to support the local industry. While currently refiners and importers enjoy no import tariff on crude and refined palm oil, a 15 per cent value-added tax is payable as follows:

Import Tariff on Major Imported Oils and Fats

Description	Tariff	Notes
Crude Palm Oil / Olein	0%	15% VAT
Crude Degummed Soybean oil	0%	15% VAT
Refined Palm Olein*	0%	15% VAT
Refined Soybean oil	0%	15% VAT
Refined Sunflower oil	0%	15% VAT
Crude Palm Stearin	13%	Restricted to soap producers
Palm Kernel Oil	25%	5% regulatory duty
Crude Palm Kernel Oil	13%	-

Note: If imported by processors for production of shortening, VAT is exempted. Imports of Refined olein/refined soyabean oil/refined sunflower oil imported in consumer packs and 186.6kgs/200 kgs drums are subject to 15% VAT and 3% advance income tax.

Source: MPOC

COUNTRY AT A GLANCE

Basic Statistics

Area: 143,998 km^2
Capital: Dhaka
Largest city: Dhaka
Ports: Chittagong; Mongla Port

Population: 156 million (Jul 2009 est)
Urban population: 27% of total population
Population Growth: 1.29% (2009 est)

GDP: US$ 81.94 billion (2008 est)
GDP per capita (PPP): US$1,500 (2008 est)
GDP Real Growth: 4.9% (2008 est)

Total Exports: US$13.97 billion (2008 est)
Commodities: Garments, jute and jute products, leather, frozen fish and seafood.

Total Imports: US$19.59 billion (2008 est)
Commodities: Machinery & equipment, chemicals, iron and steel, foodstuffs, petroleum products, cement.

Currency: Taka (Tk)
Exchange Rate: 68.9 Tk per US$1 (14 Dec '09)

Source: World Factbook www.cia.gov

Additional Information:

Palm Oil Industry and Key Players in Bangladesh

	Number of Plants (Units)	Capacity (Tonnes per day)
City Group	Refineries - 3 Fractionation - 2	2,300 1,800
S.A. Group	Refineries - 3 Fractionation - 2	1,000 1,000
Nurjahan Group	Refineries - 2 Fractionation - 1	1,300 500
T.K. Group	Refineries - 3 Fractionation - 2	1,700 1,000
Mostafa Group	Refineries - 1 Fractionation - 1	450 300
S. Alam Group	Refineries - 2 Fractionation - 2	150 120
MEB	Refineries - 1 Fractionation - 1	500 300
Mostafa Group	Refineries - 2 Fractionation - 2	1,300 1,100

Source: Extracted from MPOC - Malaysian Palm Oil Fortune Vol 10 2009

Palm Oil Imports and Major Palm Olein Brand in Bangladesh

	Estimated Volume of Palm Oil Imports	Brand name of Palm Olein
City Group	38,700 MT CPO 98,753 MT CPL	*Natural*
S.A. Group	5,000 MT CPO 57,589 MT CPL	-
Nurjahan Group	6,000 MT CPO 146,950 MT CPL	-
T.K. Group	49,158 MT CPO 75,840 MT CPL	*Hilsa Family*
Mostafa Group	20,000 MT CPO 17,704 MT CPL	*Shakti*
S. Alam Group	40,327 MT CPL	-
MEB	6,000 MT CPO 122,513 MT CPL	*Dada Super*
Meghna Group	9,500 MT CPO 92,871 MT CPL	*Pure*

Source: Extracted from MPOC - Malaysian Palm Oil Fortune Vol 10 2009

References:

1. Malaysian Palm Oil Board (MPOB)
2. Malaysian Palm Oil Council (MPOC)
3. Oil World
4. USDA/FAS