THE ROLE OF LARGE CORPORATIONS, COMMODITY TRADERS AND COMMODITY EXCHANGES IN PALM OIL MARKET

By: Derom Bangun
Vice Chairman, Indonesian Palm Oil Board
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INTRODUCTION

• FFB (Fresh Fruit Bunch) processed in Palm Oil Mill producing CPO and PK (Palm Kernel)
• PK to crushing plant producing PKO (Palm Kernel Oil) and PK Meal
• CPO to refinery producing RBD (Refined, Bleached, Deodorized) Palm Olein, RBD Palm Stearin and PFAD (Palm Fatty Acid Distillate)
• CPO to oleo-chemical plant producing fatty acids, fatty alcohols etc
Indonesia CPO Production

Source: GAPKI, Oil World, IPOB
MARKETING SYSTEM

Source: Rifin Amzul (Dissertation, University of Tokyo), 2011
ROLE OF TRADERS

• Agents purchase FFB from farmers then sell it to p.o. mill
• Formulae: FFB price = k(Pc . Rc + Pk.Rk)
• Traders purchase CPO from p.o. mills and sell it to large corporations and export markets
• Penetrate new export markets
• Eventually traders participate in exchange
ROLE OF LARGE CORPORATION

• To produce CPO from own plantation, purchase CPO from smaller producers, refine/ process CPO then market products in domestic and export markets
• Penetrating new export markets
• Take part in commodity exchange
Over the next five years

• Lower growth rate of expansion due to limited suitable area and environmental consideration
• Improvement of yield especially by large corporations
• Expansion of downstream industries
• Improvement of infrastructure and supporting industries
• More active commodity exchanges
Commodity Exchanges

• The role of large corporations: active participation
• The challenges: uncertainty in export tax rate, lacking possibility of physical delivery
• Need to promote the exchanges to both potential sellers and buyers
Potential Collaboration

- International organizations can collaborate with association and/or companies to promote the value chain
- Increase awareness of small cpo producers
- Conduct a study on current FFB supply chain to improve price transparency and possibility of establishing FFB future contract
- Educating small producers to get organized in collecting and marketing FFB and CPO
THANK YOU

Office:
IPOB Secretariat
Kantor Pusat Kementerian Pertanian Gedung C, Lt.5, Wing B
Jl. Harsono R.M. No.3
Ragunan, Jakarta Selatan

Phone/Fax: 021-78834817
E-mail : ipob@dmsi.or.id