

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



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INTRODUCTION

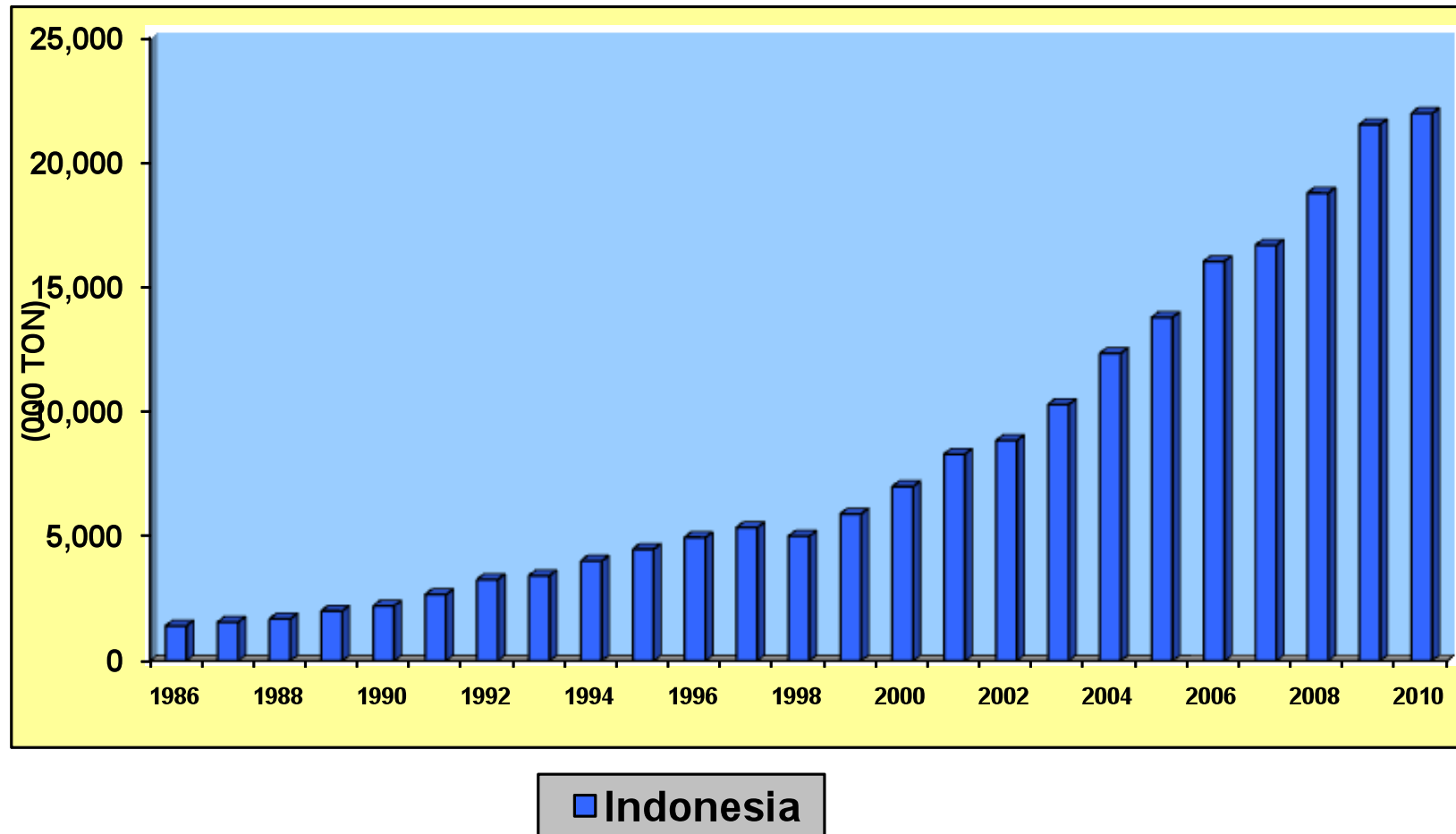
- FFB (Fresh Fruit Bunch) processed in Palm Oil Mill producing CPO and PK (Palm Kernel)
- PK to crushing plant producing PKO (Palm Kernel Oil) and PK Meal
- CPO to refinery producing RBD (Refined, Bleached, Deodorized) Palm Olein, RBD Palm Stearin and PFAD (Palm Fatty Acid Distillate)
- CPO to oleo-chemical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



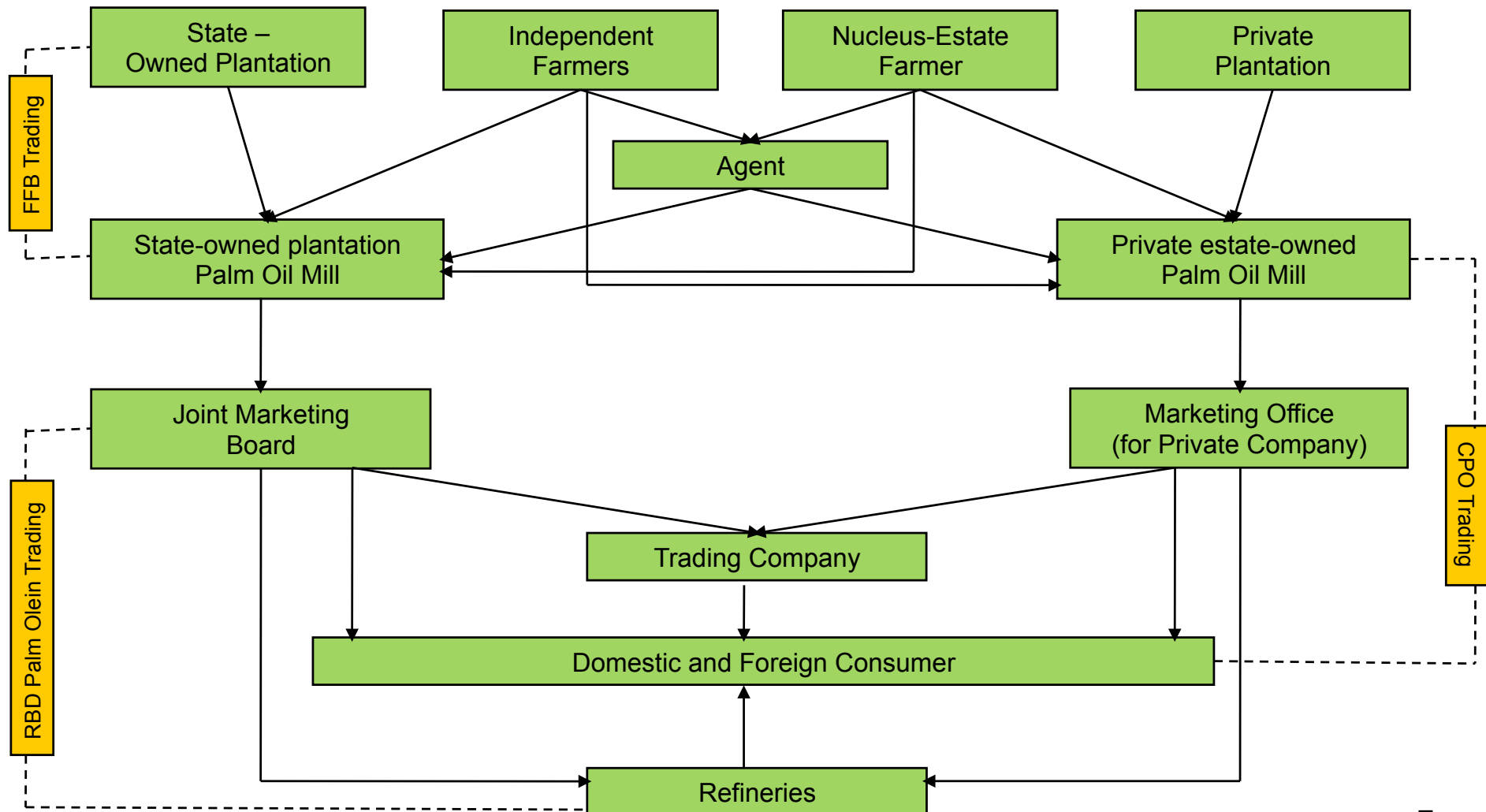




Indonesia CPO Production



MARKETING SYSTEM



ROLE OF TRADERS

- Agents purchase FFB from farmers then sell it to p.o. mill
- Formulae: $\text{FFB price} = k(P_c \cdot R_c + P_k \cdot R_k)$
- 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 down stream industries**
- **Improvement of infra structure 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

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