

FOCUS ON PALM OIL

AN SGS CORPORATE NEWSLETTER FOR AGRICULTURAL SERVICES

MARCH 2016

MARKET UPDATE

Seemingly exponential growth in demand for palm oil slowed in 2015, as the market was buffeted by severe weather conditions, such as El Niño. This affected production and, at the same time, a slump in global crude oil prices, to less than USD 30 a barrel, reduced demand for palm oil for biodiesel.

NEW YEAR, NEW CHALLENGES

In 2015, Indonesia and Malaysia exported a total of 42.7 million tonnes of palm oil. In Indonesia, the forecast for 2016 is for a small increase in overall production to 33 million tonnes, from 32 million tonnes in 2015. This growth in production is based on new trees, planted in 2010-2011, coming to maturity. However, the El Niño phenomenon is expected to limit production growth.

In Malaysia, the year has got off to a slower start, with palm oil exports in January down by 14%, to 1.28 million tonnes. At the same time, stockpiles have shrunk to an all-time low as the El Niño effect has negatively impacted both yields and production.

2015 REVIEW

Indonesia, the world's largest palm oil producer and consumer, has



plantations stretching across 6 million hectares, produced 32.5 million tonnes of palm oil in 2015, of which 26.4 million tonnes were exported. The majority of Indonesia's palm oil production is exported, with the most important destinations being China, India, Malaysia, Singapore and the Netherlands.

Malaysia's palm oil exports increased in 2015, to 16.3 million tonnes, up 3% on 2014. The majority of the country's production was sent for export, with India taking 21.2%, European Union countries 20% and China 15%, the balance going to the rest of the world. However, exports to China dropped 15.5% against the previous year, due to economic uncertainty in the country. Overall sales were not impacted though, as the excess palm oil was diverted to India, the EU and other countries.

OUTLOOK

Uncertainty in global commodities markets continues, which may lead to continued stagnation in demand, though this may be in some way offset by challenging growing conditions. At the same time, palm oil is seeing an increase in competition from other types of vegetable oil, such as soya and sunflower oil.

However, with production expected to keep growing, output is expected to rise and export markets remain steady.

NORO HUTOMO

Business Manager
PT SGS Indonesia
Noro.Hutomo@sgs.com

GOH BENG WAH

Business Manager
SGS Malaysia SDN BHD
Bengwah.Goh@sgs.com

SGS

PALM OIL SUPPLY CHAIN CERTIFICATION FIRST FOR SGS

In 2015, SGS completed its first palm oil supply chain certification against Italy's National Certification System for Biofuel and Bioliquid, helping companies in Indonesia and Malaysia to export fatty acids, from the palm oil refinery process, to Italy.

Working at three sites in Indonesia and Malaysia, SGS conducted certification audits to verify that the production of fatty acids (a residue of the palm oil refinery process) is compliant with the requirements of its destination market. Following successful completion of the certification audits, SGS has issued certificates to all three sites. These are valid for five years, subject to ongoing (thrice yearly) surveillance audits to verify consistency.



This development improves access to the Italian and European markets, as well as to the incentive schemes associated with the manufacture of biodiesel.

GLAUCO TOSCANI
Sales Manager

NEW AGRICULTURE AND FOOD ADDRESS BOOK APP LAUNCHED

Easily access details of SGS's network, agriculture and food services, capabilities and locations.

SGS has launched a new agriculture and food address book app, giving you enhanced access to our global network of experts. It helps you find out who to contact and where SGS has specific agriculture and food capabilities, putting essential information, and more, at your fingertips.

Available on the App Store and Android, our new app offers the following features:

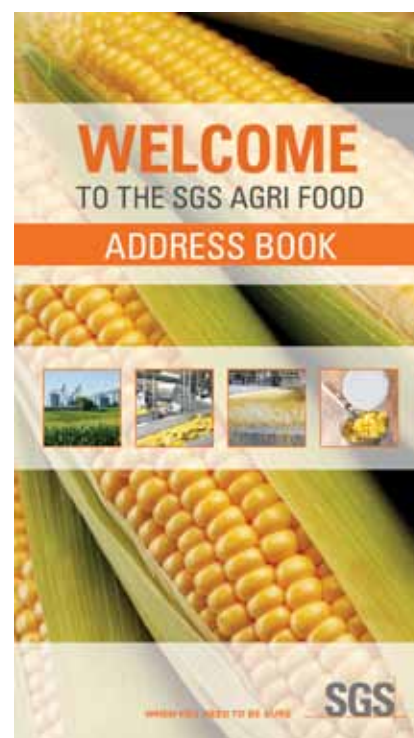
- **Address book:** Find the right person first time, every time. With details of the network we have in each country, simply scroll down to find the most appropriate person, and contact them directly by email or phone
- **Laboratories:** Looking for a specific test or capability? Search our easy-to-use capabilities directory. Select the country of interest to display our local facilities and contacts

- **Technical references:** Search for technical information related to the agriculture and food industry
- **Portfolio of services:** Find out how SGS can help you
- **Contact our team:** Got a question? Send your enquiry directly to our team
- **Follow us on LinkedIn:** Access our showcase page and follow us for all the latest news, events and service updates

Download the new SGS app now:

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Our new app represents a new way to access vital information. With it, users will have up-to-date information and contact details, at their fingertips, wherever they are in the world.



MALAYSIA

Malaysia, the world's second largest palm oil producer after Indonesia, exported 16.3 MMT of palm oil in 2015, an increase of 3% (500,000 tons) against the previous year.

Last year, SGS opened a new agriculture laboratory in Bintulu, Sarawak, which is approved by the MPOB (Malaysia Palm Oil Board) to perform refined palm oil and crude palm oil testing according to the PORAM specification.

As well as the Bintulu laboratory, we also have agriculture laboratories in Pasir Gudang, Port Klang, Kuala Lumpur and Lahat Datu, which have served the palm oil industry in Malaysia for more than 30 years. In addition to PORAM and FOSFA testing, our laboratories have the capability to test and analyse for the following:

- Pesticide residues
- Heavy metals
- GMO
- Antioxidants
- Others

We have a team of competent and experienced inspectors, technicians, chemists and agronomists to support the palm oil industry.

Locally, we can also deliver services including:

- Supervision of loading/discharging of palm oil and PKE
- Stock monitoring
- Full Outturn Guarantee (FOG)
- Fumigation and IPM

Meet the requirements of international palm oil markets with PORAM testing from our highly qualified local staff.



OFFICE TEAM

Goh Beng Wah	Business Manager
Wan Heng Kei	Operation Manager
Saravanan Kumeran	Operation Executive
Callie Ho	Customer Care
Manesah Saleh	Operation Assistant
Takiah Abdul Rahman	Operation Assistant
Norazwani Samsuddin	Operation Assistant
Isaac Leow	Head Seed & Crop
Tan Haw Siang	Field biologist



PORT KLANG LABORATORY TEAM

Siti Nurfajar	Senior Technician
Muhammad Nursahid	Technician
Yuvarajah Arumugam	Senior Technician
Hing Chai Hong	Laboratory Manager
Satiamaran Loganathan	Supervisor
Yap Ming Zhe	Chemist
Ling Yen Hwa	Senior Chemist



PENANG TEAM

Gaya Supramaniam	Administrative Clerk
Jimmy Teoh	Inspector
Mohd Munir Ahmad	Operations Executive Assistant
Jason Chua	Operations Manager
Saravanan Krishnan	Inspector



PASIR GUDANG TEAM

Azhar Selamat	Inspector
Nazri Abdul Bari	Operations Executive
James Tee	Operations Manager
Chan Sien Boon	Operations Executive
Sheryn Lee	Administrative Supervisor
Pubalan Gunesuran	Chemist
Manisah Sairin	Senior Clerk
Wan Azlina	Administrative Assistant
Irma Damayanti	Administrative Assistant



SANDAKAN TEAM

Jessica Tan	Administrative Operations
Phyllis Chin	Administrative Operations
Margaret Chew	Administrative Account
Chloe Thien	Administrative Operations
Wong Yeow Wai	Senior Inspector
Jumid Abdul	Inspector
Kwan Chee Kien	Assistant Operations Manager
Kwan Chee Fai	Assistant Operations Manager
Bryan Wong	Senior Inspector
Jamal Ali	Inspector

INDONESIA

The world's largest palm oil producer and consumer, Indonesia's plantations stretch across 6 million hectares and 26.4 million tonnes of palm oil was exported in 2015.

SGS has two agriculture laboratories at Medan and Banjarmasin, delivering testing and analysis to support the country's palm oil industry.

ISO 17025 accredited, our state-of-the-art facilities and equipment can meet all your testing needs, as well as providing all mandatory and optional FOSFA analyses. Our team of competent and experienced inspectors, technicians, chemists and agronomists deliver testing services including:

- Palm oil, based on PORAM and FOSFA specifications
- Pesticide residue testing
- Molasses, palm kernel expeller, cocoa, palm kernel shell, mung bean, soy bean, cashew nut, cassia, etc.

On request, we can also test for the following:

- Heavy metals
- And many more

Beyond testing and analysis, our experts can also deliver a range of services to the local agriculture industry, such as:

- Supervision of loading/discharging of palm oil and other products
- Full Outturn Guarantee (FOG)
- Indonesian Sustainable Palm Oil (ISPO) – International Sustainability and Carbon Certification (ISCC)

SGS is also a superintendent member of FOSFA and can provide market research, audit and certification services.



OFFICE TEAM

Nora Hutomo	Business Manager
Soedarno	Operation Manager - Grain
Fajar Hidayat	Operation Manager - Liquid
Sukarmat	Technical Coordinator
Erick Prihadi	Fibers & Forest Products
Syarifuddin	Customer Care
Agus Mamun	Customer Care
Rita Tamba	Customer Care
Anne Agustiane	Customer Care
Dianing Paramita	Customer Care
Wuri Rostiani	Customer Care
Muhammad Fuad	Auditor ISCC
Nurul Qomaria	Auditor ISCC



BANJARMASIN LABORATORY

Zul Amran	Chemist
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MEDAN LABORATORY

Rony Darwin	Chemist supervisor
Yusran Ramli	Chemist
Rinaldi Sinaga	Chemist

FLEXI SOLUTIONS STREAMLINE LOGISTICS

Transporting and storing palm oil has traditionally been expensive and complex. Flexitanks offer a more agile and cost-effective approach.

SGS is working in collaboration with BeFlexi, a leading flexitank solution provider, to provide global bulk cargo transportation to the palm oil industry.

Cheaper and lighter than traditional tanks and drums, flexitanks are single-use and require no cleaning. However, they are also green, recyclable and compliant with major health and safety regulations.

Quick to use and easy to set up, flexitanks can be used to optimise shipments, saving you money and increasing liquidity because you will have less cash tied up in the supply chain.



HOW FLEXITANK WORKS

Immediate implementation: Flexitank stocks are always available, meaning no waiting for the arrival of empty ISO-tanks.

Cost savings: Transporting palm oil using flexitanks means there is no need to pay rental and tank relocation fees.

Control: SGS inspectors supervise all loading activities, as directed by the client, offering reassurance and full control of the situation via regular updates.

Ease of operations: On-site teams issue all shipping documentation on behalf of the client and prepare drafts for those that must be issued elsewhere. All the client needs to do is check and print them.

OUR GLOBAL TEAM IS ALSO HERE TO SUPPORT YOU:



OLIVIER COPPEY
Executive Vice President



PAUL HARRISON
Vice President Trade & Logistics
Paul.Harrison@sgs.com



JOHNY BOERJAN
Vice President Technical Governance
Johnny.Boerjan@sgs.com



GENNADIY SHULGA
Vice President Global Business
Development
Gennadiy.Shulga@sgs.com



BRUNO WIDMER
Business Development Manager
Bruno.Widmer@sgs.com



AXEL HARMSEN
International Sales Manager
Axel.Harmsen@sgs.com



DIDIER COLLET
International Sales Manager
Didier.Collet@sgs.com



ENRIQUE CALDERON
Customer Care Manager
Enrique.Calderon@sgs.com



MARIA CARDONA
Grain Coordinator
Maria.Cardona@sgs.com



DOUNIA AMAMOU
Soft and Food Coordinator
Dounia.Amamou@sgs.com



PATRIZIA WEBER
Guarantee Services Administrative
Manager
Patrizia.Weber@sgs.com



FREDERICO STEWART
Guarantee Services Coordinator
Frederico.Stewart@sgs.com

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

