CRUDE PALM OIL EXPORTS

CHINA SET TO BE FGV'S NO. 1 MARKET

Sinograin Oils deal is worth hundreds of millions of ringgit, says Zakaria

AMIR HISYAM RASID
KUALA LUMPUR
bt@mediaprima.com.my

CHINA is set to overtake Pakistan as Felda Global Ventures Bhd's (FGV) biggest export market following its deal worth hundreds of millions of ringgit annually with Sinograin Oils Corp.

China is currently FGV's second-biggest crude palm oil (CPO) market with 308,040 tonnes exported.

Group president and chief executive officer Datuk Zakaria Arshad said the deal was expected to double its CPO and olein (cooking oil) production and contribute significantly to its revenue starting the next two months.

"We want to expand our business in China and we believe FGV and Sinograin can complement each other.

"FGV hopes to explore the opportunity to integrate the operations of our existing subsidiary, FGV China Oils Ltd (FGVCO) in Dongguan, Guangdong, with Sinograin's domestic operations to bring value and cost savings to both parties," said Zakaria after subsidiary MSM Malaysia Holdings Bhd's annual general meeting, here, yesterday.

The collaboration, he added, would allow FGV to explore expansion in its downstream activities such as supply, processing, packaging and distribution of blended oils, shortenings and specialty fats.

"We are looking at doubling our CPO production to 600,000 tonnes yearly and olein at 300,000 tonnes to China. It will contribute significantly to FGV's revenue starting this year to around a few hundred million ringgit annually," he said.

MIDF Research analyst Alan Lim said he was long-term positive on the news as FGV could determine higher CPO selling prices in the future.

However, he said, FGV's rating remained "neutral" this year with earnings forecast unchanged as the plantation company's earnings growth driver — CPO price — stayed unchanged.

Yesterday, FGV signed a memorandum of understanding with Sinograin to penetrate China's midstream and downstream markets.

Zakaria said China's palm oil consumption would continue to grow, driven by the rise in the population's disposable income and demand for healthier edible oils.

China consumed 5.05 million tonnes of palm oil last year, compared with 2.02 million tonnes in 2001, making it the third-largest palm oil consumer in the world.

Sinograin Oils is a wholly-owned subsidiary of China Grain Reserves Corp, a national organisation specialising in the operation and management of China national grains and oil reserves, with integrated functions to purchase, store, transport, process and trade.

Sinograin Oils produces edible oils from soya beans, palm oil and other oils. It sells its own brand of consumer edible oils directly to the domestic market.

(From left) MSM president Mohamad Amri Sahari, Felda Global Ventures Bhd Group president and chief executive officer Datuk Zakaria Arshad and MSM chief financial officer Aznur Kama Azmir after MSM's annual general meeting in Kuala Lumpur yesterday. PIC BY EIZAIRI SHAMSUDIN

FIRST-QUARTER PROFIT

Petronas Chemicals nets RM1.38b

KUALA LUMPUR: Petronas Chemicals Group yesterday reported a doubling in quarterly profit, helped by higher prices and sales volume, but was cautious about recovery in the petrochemicals market as crude prices remained volatile.

The chemicals manufacturer, a subsidiary of Petroliam Nasional Bhd (Petronas), reported a first-quarter profit of RM1.38 billion, compared with RM671-million a year earlier.

Revenue rose 49 per cent to RM4.7 billion from the year-ago quarter. Sales volume increased 16 per cent, while product prices rose by an average of 22 per cent.

"Petrochemical product prices have risen in tandem and demand has also shown some improvement," said chief executive officer Datuk Sazali Hamzah in a statement.

"Despite the improvements that we have seen so far, crude oil and as such petrochemical prices, are forecast to remain volatile."

Petronas Chemicals makes olefins, polymers, fertilisers and methanol, among others. Petronas owns about 65 per cent of the chemicals unit.

The company said it anticipates the olefins and derivatives market to soften in the near term due to post re-stocking activities amid stable supply and feedstock prices. Methanol prices are also expected to soften in the near term, it said.

The fertiliser market was likely to firm on the back of seasonal demand from Southeast Asia and India coupled with tight supply from the Middle East, said Petronas Chemicals.

Plant utilisation rate for the year will be slightly lower than last year due to higher statutory turnarounds planned, it said. **Reuters**

A file picture of Sabah Ammonia Urea Plant. Petronas Chemicals's revenue rose 49 per cent to RM4.7 billion from the year-ago quarter while sales volume increased 16 per cent.