FEED & INDUSTRIAL PRODUCTS

This segment comprises the processing, merchandising and distribution of animal feeds, non-edible palm and lauric products, agricultural commodities, oleochemicals, gas oil and biodiesel.

We operate crushing plants in China, India, Vietnam, Malaysia, Zimbabwe, Zambia and South Africa. We crush a wide range of oilseeds including soybean, rapeseed, groundnut, sunflower seed, sesame seed, cotton seed, copra and palm kernels. We are the world's largest producer of palm biodiesel and oleochemicals. We offer a comprehensive range of products from basic oleochemicals, derivatives to biofuels. We also operate an integrated sugar business with milling, refining and ethanol production. We have a market-leading merchandising team headquartered in Singapore and trade about 15 million MT of raw and white sugar globally on an annual basis.

Oilseeds & Grains – Crushing

Soybean prices rose at the start of 2022 driven by concerns over a drought in Argentina, the escalation of the Russia-Ukraine war in February as well as Indonesia's palm oil export ban in end-April. By end-May, soybean prices had started to retreat as palm oil prices fell after Indonesia lifted its export ban on palm oil.

Soybean meal demand in China was weaker due to prolonged Covid-19 lockdowns, poor hog margins, higher freight costs and high prices.

Tropical Oils

Crude palm oil (CPO) prices were on an upward trend in 1Q2022 due to tight supply of vegetable oils following implementation of Indonesia's Domestic Market Obligation (DMO) scheme and palm oil export ban as well as the Russia-Ukraine war which resulted in a shortage of sunflower oil. Prices started to come off after Indonesia lifted its palm oil export ban and removed the export levy for all palm oil products.

CPO prices started the year at RM5,228, reached a record RM8,076 in March before closing the year at RM4,048, down 23% from the beginning of the year. Nonetheless, palm prices stayed at elevated levels compared to historical prices, partly due to continued support from the Indonesian biodiesel programme. Biodiesel production increased more than 10% to approximately 10.4 million kilolitres (kL) in 2022 from approximately 9.2 million kL in 2021.

Sugar

Tight supply and demand environment in the global sugar market resulted in sugar prices remaining range-bound between 18 and 21 US cents per pound for most of 2022 and the white sugar premium (the difference between the price of raw sugar and white sugar) staying above US$80 per MT.


Oleochemicals plant in Gresik, Indonesia.

Our Performance

In FY2022, the Feed and Industrial Products segment continued to perform well and delivered pre-tax profit of US$1.56 billion, an improvement of 23% compared to FY2021. The robust results were achieved on the back of sustained good performance from the tropical oils business as well as better margins from sugar merchandising activities. However, these were partially impacted by weaker crush margins from the oilseeds business in China. Overall sales volume for the segment increased by 1% to 55.6 million MT, driven by improvement in sales in the oilseeds and grains, as well as sugar businesses.

Outlook & Strategy

Soybean demand in China is expected to improve in 2023 due to the easing of Covid-19 restrictions in China and lower prices are projected due to higher soybean supplies from Brazil.

For sugar, the market is expected to stay tight with lower production from Europe, Thailand and China, and lower exports from India in 2023.

For tropical oils, we expect demand to be supported by higher biodiesel blending in Indonesia and the re-opening of the Chinese economy. The Indonesian government increased its biodiesel blending mandate from 30% to 35% for 2023. The government also announced tightening of export trade rules, reducing the volume of exports allowed from eight to six times of the domestic palm oil sales volume. Palm oil exports will likely be further restricted between February and April 2023 to ensure sufficient supply to the domestic market ahead of the Lebaran holiday in Indonesia.

However, considering the weaker global economic environment, we maintain a cautious outlook for 2023.