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Russia may buy 500,000 tonnes of palm oil under credit facility

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RUSSIA is ready to buy at least 500,000 tonnes of Malaysia's palm oil in the medium to long term following the activation of an export credit facility for the commodity.

Malaysian Palm Oil Promotion Council regional market committee (Europe) chairman Sabri Ahmad said that both countries are ready to start the long-overdue Palm Oil Credit Payment Arrangement (Pocpa).

"The central banks of both countries have given the green light for the arrangement to go ahead. Buyers want their deliveries as soon as possible," Sabri told Business Times recently.

"A Malaysian consortium made up of four companies is ready to supply the palm oil to Russia," said Sabri, who is also Golden Hope Plantations Bhd group chief executive.

Shipments are expected to begin at an aggressive pace before Russian ports become inaccessible in winter.

Traders said about 200,000 tonnes of palm oil could be delivered to Russia over two years on a credit basis.

Pocpa was introduced by the Government in 1992 whereby credit was offered to long-term Russian buyers of Malaysia's palm oil.

The countries, especially those facing foreign exchange shortage, are normally granted a two-year credit line.

The bilateral payment arrangement scheme promotes counter-trade involving the exchange of palm oil for a host of products while expanding the global market for the Malaysian commodity.

Products for exchange with palm oil include machinery, rice, groundnut oil, sesame seed and beef.

Apart from Pocpa, Malaysia also has palm oil counter-trade arrangements with Russia for the purchase of fighter jets.

Out of the US\$500 million (US\$1 = RM3.80) allocated for the scheme, Malaysia has extended US\$227.4 million in credit to nine countries as at March 2002.

The recipients are Algeria, Sudan, Pakistan, Iraq, Iran, Myanmar, Bosnia-Herzegovina, Cuba and North Korea.

New deals in the works include those with Egypt, Bangladesh, Ukraine, Djibouti, Hungary, the Czech Republic, and other African and South American nations.

Malaysia signed a US\$50 million Pocpa arrangement when former Prime Minister Tun Dr Mahathir Mohamad visited Russia in March 2002. However, the scheme never really took off.

With this latest development, Russia, which bought 135,347 tonnes last year, could leap-frog to become one of the top five buyers of Malaysia's palm oil from 18th position last year.

Malaysia was exporting between 350,000 and 400,000 tonnes of palm oil a year to the former Soviet Union before its collapse, of which 80 per cent was consumed by Russia.

Since 1993, Russia has been buying 40,000-60,000 tonnes a year, which steadily grew to above 100,000 tonnes over the past few years.

China was Malaysia's top palm oil buyer last year purchasing 2.5 million tonnes, followed by the European Union (1.6 million tonnes), India (1.5 million tonnes), Pakistan (1 million tonnes), Egypt (564,850 tonnes and Singapore (471,632).

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