

April 22, 2009 | Roffie Kurniawan

Indian Firm Seeks to Buy More Indonesian Oil Palm Plantations

Singapore. KS Oils, one of India's major edible oil companies, is considering the purchase of more oil palm plantations in Indonesia as part of its strategy to secure crude palm oil supplies for its fast-growing market, a company official said on Tuesday.

"When new opportunities arise, we will certainly look at them," Sanjay Agarwal, managing director of KS Oils, told the Jakarta Globe after an event to mark the establishment of KS Natural Resources, a fully-owned subsidiary of the company in Singapore.

Agarwal declined to elaborate further.

Jeffery Mahtani, KS Natural Resources' assistant vice president of business strategy, said that the company was in talks with a number of palm oil companies, "but nothing concrete has been reached at this time."

Agarwal said KS Oils was the first Indian edible oils company to acquire oil palm plantations in Indonesia and Malaysia. The company purchased 20,000 hectares of plantations in Jambi, Sumatra Island, last May. He said the purchases were "the first phase of our expansion" in Southeast Asia.

Currently, India is one of the world's biggest consumers of edible oils, with the bulk of the demand being for palm oil. India needs to import between 5 million and 6 million tons of edible oils per year.

Agarwal said KS Oils' overseas investments and acquisitions would be managed by KS Natural Resources. The company's current purchases of agricultural assets, like plantations in Indonesia and Malaysia, and future investments in green field and brown field agricultural assets, would be channelled through Singapore.

"This international expansion is part of KS Oils' ongoing strategy to becoming a fully integrated edible oils company having a presence across the entire value chain — from edible oils to owning plantations," he said.

"Edible oil companies like KS Oils are venturing abroad to create assured supplies at value prices," Agarwal said.

He also said that the company was planning to spend \$75 million over the next three years on developing its oil palm plantations in Jambi. Of this, \$20 million would be spent on constructing a mill and the remaining \$55 million on land preparation, planting and other working capital needs.

"It will probably take three-and-a-half years before we can harvest from our own oil palm plantations," Agarwal said.

He said his company expected to supply up to 80,000 tons of crude palm oil from its own plantations in Jambi to its refinery in Haldia Port, Calcutta, on India's eastern coast, which is the closest Indian port to Southeast Asia.

"Between now and then, we will continue to buy CPO from other Indonesian producers," he said, adding that KS Oils is expected to buy about 250,000 tons of CPO from Indonesia this year, up from 150,000 tons last year.

"Due to land shortages, India cannot produce enough CPO to meet demand. Indonesia will continue to remain an important source of edible oils," Agarwal said.