FGV Signs MoU with Sinograin to Expand Its China Market



Felda Global Ventures Holdings Berhad (FGV) signed a Memorandum of Understanding (MoU) with Sinograin Oils Corporation (Sinograin) with the aim to explore the feasibility of supplying and distributing palm oil products to penetrate China's midstream and downstream market.

Sinograin Oils is a wholly-owned subsidiary of China Grain Reserves Corporation, a national organisation specialised 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 soy beans, palm oil and other oils. They currently distribute and sell their own brand of consumer edible oils direct to the domestic market.

Currently Sinograin imports 700,000 MT of palm oil products annually and it is expected that this demand will grow in tandem with China economic and population growth.

FGV Group President and Chief Executive Officer, Dato' Zakaria Arshad said China is FGV's third biggest palm oil products market with 308,040 MT exported there in 2016.

"We want to expand our business in China and we believe FGV and Sinograin can

complement each other. Where Sinograin has access to soft oils such as soybean and rapeseed, FGV has access to over 3 million tons of palm oil. Sinograin also has world class facilities in the edible oil & oil seeds storage, processing and distribution network in China, while FGV has world class facilities in the cultivation of palm oil, mills, refineries and bulking facilities in Malaysia and Indonesia.

“With this MoU, we hope to extend FGV’s distribution and logistics network in China, through Sinograin’s various strategic storage, processing and distribution facilities. In addition, FGV can leverage on Sinograin’s extensive domestic knowledge on China’s edible oil market,” said Dato’ Zakaria.

He said that 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.

“This collaboration would also allow FGV to explore its downstream expansion in the supply, processing, packaging and distribution of blended oils, shortenings and specialty fats together with Sinograin,” added Dato’ Zakaria.

As the third largest of palm oil consumer in the world, China consumed 5.05 million MT palm oil in 2016 compared to 2.02 million MT in 2001. It is forecasted that their palm oil consumption will continue to grow driven by the rise of their population’s disposal income and changes in income habits brought on by demand for healthier edible oils.