

CHAIRMAN'S REPORT



In 2006, Thailand's production of crude palm oil increased by a remarkable 49%, to 1.17 million tonnes. This was the first time that annual production exceeded one million tonnes, although that volume would have been achieved earlier if production had not been affected by drought conditions in 2004/2005. Recovery from drought in 2006 has distorted the apparent growth trend of Thailand's oil palm industry which is most likely to be growing at around 15% on a sustained annual basis.

It is interesting to note how the additional 384,000 tonnes of new CPO production was absorbed by the markets. Significant new demand was created by biofuels and we estimate that at least 140,000 tonnes of new palm oil production was consumed locally as fuel. A further 159,000 tonnes of crude palm oil was exported and Thailand became a regular supplier to overseas markets. Average palm oil prices in 2006 were lower than we have seen in recent years but overall, the market was sustained by very good demand growth.

World demand for vegetable oils has been forecast to increase by a further 29.2 million tonnes in the current five year period 2005 - 2010. Palm oil prices in particular are expected to benefit from this high rate of demand growth.

Univanich Palm Oil achieved another good result in 2006. This was largely attributable to the excellent production from our oil palm estates and good utilization of our factories which produced a record 147,800 tonnes of crude palm oils. We must acknowledge the initiative of our managers who moved quickly to develop new markets to absorb this rapid increase in production. The Company exported more than 110,000 tonnes to markets in India, Bangladesh and to the premium markets of Europe, where Univanich now has an established customer base.

During 2006, the Univanich Oil Palm Research Centre commissioned our new Tissue Culture laboratory, as well as new seed production facilities and an expanded programme of palm breeding trials. We will continue to invest in these activities for long term growth of our seeds business which is experiencing growing demand in overseas markets.

The Company is also investing in energy projects following the welcome expansion of the Governments VSPP (Very Small Power Producer scheme) and Thailand's move to approve the trading of Carbon Credits under the Kyoto Accord's CDM (Clean Development Mechanism). These combined incentives have convinced the Univanich Board to invest in two VSPP and CDM projects in 2007.

On behalf of the Board of Directors, I am pleased to congratulate our management team on another year of very good achievement. I would also take this opportunity to thank our shareholders for their continuing support and for their interest in the development of the Univanich business.

Apirag Vanich
Chairman

ผลผลิตน้ำมันปาล์มของยูนิวานิช Univanich Palm Oil Production

