

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Malaysia

Oilseeds and Products Update

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Report Highlights:

With stiff competition from soybean and rapeseed oils, palm oil faced a tough year during MY2017/18. Long standing labor shortages, lack of mechanization in the collection of fresh fruit bunches (FFB), rising operational costs, lower demand from traditional export markets such as China and India, and increasing anti-palm oil campaigns in Europe confront the industry.

Post:

Kuala Lumpur

Executive Summary

With stiff competition from soybean and rapeseed oils, palm oil faced a tough year during MY2017/18. Long standing labor shortages, lack of mechanization in the collection of fresh fruit bunches (FFB), rising operational costs, lower demand from traditional export markets such as China and India, and increasing anti-palm oil campaigns in Europe confront the industry

Palm Oil Production, Supply, and Demand Table

Oil, Palm	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	4,800	4,800	4,900	4,900	0	5,200
Trees	0	0	0	0	0	0
Beginning Stocks	2,641	2,641	1,546	1,546	0	1,279
Production	17,700	17,700	19,500	19,500	0	21,000
MY Imports	816	816	800	800	0	450
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	21,157	21,157	21,846	21,846	0	22,729
MY Exports	16,621	16,621	17,000	17,000	0	18,000
MY Exp. to EU	2,000	2,000	1,900	1,900	0	2,000
Industrial Dom. Cons.	2,290	2,290	2,400	2,400	0	2,450
Food Use Dom. Cons.	650	650	720	720	0	700
Feed Waste Dom. Cons.	50	50	50	50	0	40
Total Dom. Cons.	2,990	2,990	3,170	3,170	0	3,190
Ending Stocks	1,546	1,546	1,676	1,676	0	1,539
Total Distribution	21,157	21,157	21,846	21,846	0	22,729

(1,000 HA) ,(1,000 trees) ,(1,000 MT)

Malaysian Palm Oil Board (MPOB) MY 2016/17 data

	Beginning Stocks	Production			Imports	Total Supply	Exports	Dome stic	Ending Stocks
		We st	Eas t	Tot al				DIS*	
(In 1,000 metric tons)									

Oct - Sept									
2016/17	1,547	9,910	8,948	18,858	632	21,037	16,305	2,713	2,019

*Disappearance (Domestic Consumption)

Production

Despite labor issues, the mandatory replanting program mandated by MPOB to plantation companies and use of high yield seedlings resulted in high oil yield recorded in every ton of FFB harvested. This, in turn, increased production of crude palm oil (CPO).

Production for MY2017/18 remained within Post's forecast of 21 million tons. Post El-Nino recovery will see production increase by month-on-month basis and will peak on third and last quarter of MY 2017/18.

Total harvested area in 2017/18 is projected to increase to 5.2 million hectares, an area with palm trees that produce fruit at least once or twice a year. Fully matured hectare equivalent (MHE) area for 2017/18, is estimated at 2.74 million hectares, an area where plantation with palm trees that produce fruits at least 4 times a year.

October vs November Comparison 2017

	Beginning Stocks	Production			Imports	Total Supply	Exports	Domestic	Ending Stocks
		Weight	East	Total				DIS 3/	
(In 1,000 metric tons)									
2017									
October	1,547	1,085	924	2,009	13	3,569	1,538	173	2,204
November	2,204	1,045	898	1,943	30	4,177	1,354	266	2,557
Percentage Change	42%	3.7%	-2.8%	3.3%	130%	17%	-12%	54%	16%

Oct- Nov Time Period – Comparison 2014-2017

	Beginning Stocks	Production			Imports	Total Supply	Exports	Domestic	Ending Stocks
		Weight	East	Total				DIS 3/	
(In 1,000 metric tons)									
2017									
October	1,547	1,085	924	2,009	13	3,569	1,538	173	2,204
Novemb	2,204	1,045	898	1,943	30	4,177	1,354	266	2,557

er		45		43					
2016									
October	1,547	856	822	1,678	27	3,252	1,436	243	1,573
November	1,573	829	746	1,575	63	3,211	1,370	178	1,663
2015									
October	2,641	1,023	1,014	2,037	73	4,751	1,712	204	2,835
November	2,835	813	841	1,654	122	4,611	1,500	201	2,910
2014									
October	2,090	971	922	1,893	83	4,066	1,611	289	2,166
November	2,166	871	880	1,751	99	4,016	1,514	221	2,281

Price

November's average price was \$670.50, down from \$676.00 in October. Prices dropped due to dampened exports to India by nearly 40% from 166,372 tons in October to 100,161 tons in November. The Indian government had increased import tariffs on crude palm oil (CPO) in late September, to protect domestically produced rapeseed oils. Exports to China, however, increased from 194,278 tons in October to 203,689 tons in November, an increase of 4.8% as Chinese importers started to stock up for the upcoming Chinese new year celebration in mid-February 2018.

For CY2018, based on analysis by *The Star* newspaper*, palm oil traders pegged the average price per ton of crude palm oil (CPO) at \$588.30 to \$686.30 which is still reasonable as the average cost of production recorded by the industry is in the range of \$294.20 and \$367.70 per ton of CPO.

* <https://www.thestar.com.my/business/business-news/2018/01/02/challenging-outlook-for-palm-oil-market/>

Stocks

Stocks increased from 2.2 million tons at the end of October to 2.5 million tons at the end of November due to low export figures recorded during the month of November. As production of soybean projected to be high in upcoming months, demand for palm oil are expected to soften, and this will lead to increasing ending stocks till the end of the calendar year 2017.

TRADE

2017/18 Outlook

Crude palm oil (CPO) exports for marketing year (MY) 2017/18 are forecast at 18 million tons, a million tons more than MY 2016/17. The increase is based on improved demand from China, India and the Middle East.

MPOB's MY2016/17 Data

Total exports for MY2016/17 was 16.305 million tons, below Post's projection at 17.15 million tons. Less exports recorded for the marketing year were due to less CPO production recorded as recovery does not pick up as expected and increased in export tariff from 5.5% in July to 6.5% in September 2017. MPOB's data shows MY2016/17 production still below pre-El Nino season (MY2014/15 production level) which recorded production at 19.9 million tons.

As export prices are influenced by the end stock level, it is important for Malaysia to maintain end stocks at manageable levels to avoid any panic in the market. The acceptable and manageable end stock stands at 1.5 to 2.0 million tons.

Imports

Import estimates remained the same, as Malaysian government (GOM) maintains import restrictions on CPO to reduce end stock at manageable levels.

CONSUMPTION

2017/18 Outlook

Palm oil consumption was stable with a slight increase of 20,000 tons, from 3.17 million tons in MY 2016/17. The increase is in line with population growth and marginal growth in biodiesel production for domestic consumption.

MPOB's MY2016/17 Data

Consumption for MY2016/17 was at 2.7 million tons which is lower than Post's projection at 3.17 million tons. The drop in domestic consumption was attributed to abolishment of cooking oil subsidies on November 1, 2016 which meant prices were now subject to market supply and demand.

5 Major Export Markets for Malaysia Palm Oil month by month analysis (in metric tons)

2017	September	October	November
China	267,756	194,278	203,689
India	189,290	166,372	100,161
EU	108,579	200,444	154,875
Pakistan	127,907	125,641	94,032
USA	47,044	41,048	52,742
Others	777,187	810,258	748,874
Total	1,517,763	1,538,041	1,354,373

Export duty rates for crude palm oil (CPO) - 2017

Month (2017)	Duty Rate
November	6.5%
October	6.0%
September	5.5%
August	5.5%
July	5.5%
June	6.0%
May	7.0%
April	7.5%
March	8.0%
February	7.5%
January	7.0%

Prices – 2016 and 2017

	Crude #1	RBD Palm Oil	RBD Olein	RBD Stearin
	US\$/MT	US\$/MT	US\$/MT	US\$/MT
January 2016	565	533	535	493.5
February	640	598	605.5	563
March	686	625	630.5	599
April	722	693.5	703	650
May	706	679	691	615.5
June	683	641	653	605.5
July	651	603	610	592.5
August	736	653	676.5	638
September	756	728.5	730.5	693.5
October	716	669.5	675	684.5
November	751	689.5	699	703
December	788	737.5	738	740
January 2017	809	746	752	749
February	774	729	757	742
March	736	701	706.5	678
April	685	671	679	618
May	727	681.5	693.5	606

June	677	667.5	673.5	597
July	665	713	718	688.5
August	690.5	730	735	727
September	727.5	747	754	755
October	676	670	678	680
November	670.5	672	681.5	683

(Source: MPOB)

#1- Prices FOB North-West Europe Market US\$/MT

Exchange Rate: US\$1 = RM4.28 (July 28, 2017)

RBD= Refined, Bleached and Deodorised (RBD)