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GAIN Report

Global Agricultural Information Network

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Malaysia

Oilseeds and Products Update

Palm Oil Quarterly Report - April-June 2019

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Report Highlights:

Malaysian crude palm oil (CPO) production for the first half of calendar year (CY) 2019 was up roughly 10 percent compared to the same time the previous year to 9.8 million metric tons (MT). Post has revised CPO export estimates for MY 2018/19 to 18 million MT due to unexpectedly strong demand from India through the first three quarters of the year. CPO import estimates for MY 2018/19 have also been revised up to 1.15 million MT based on Malaysia Palm Oil Board data.

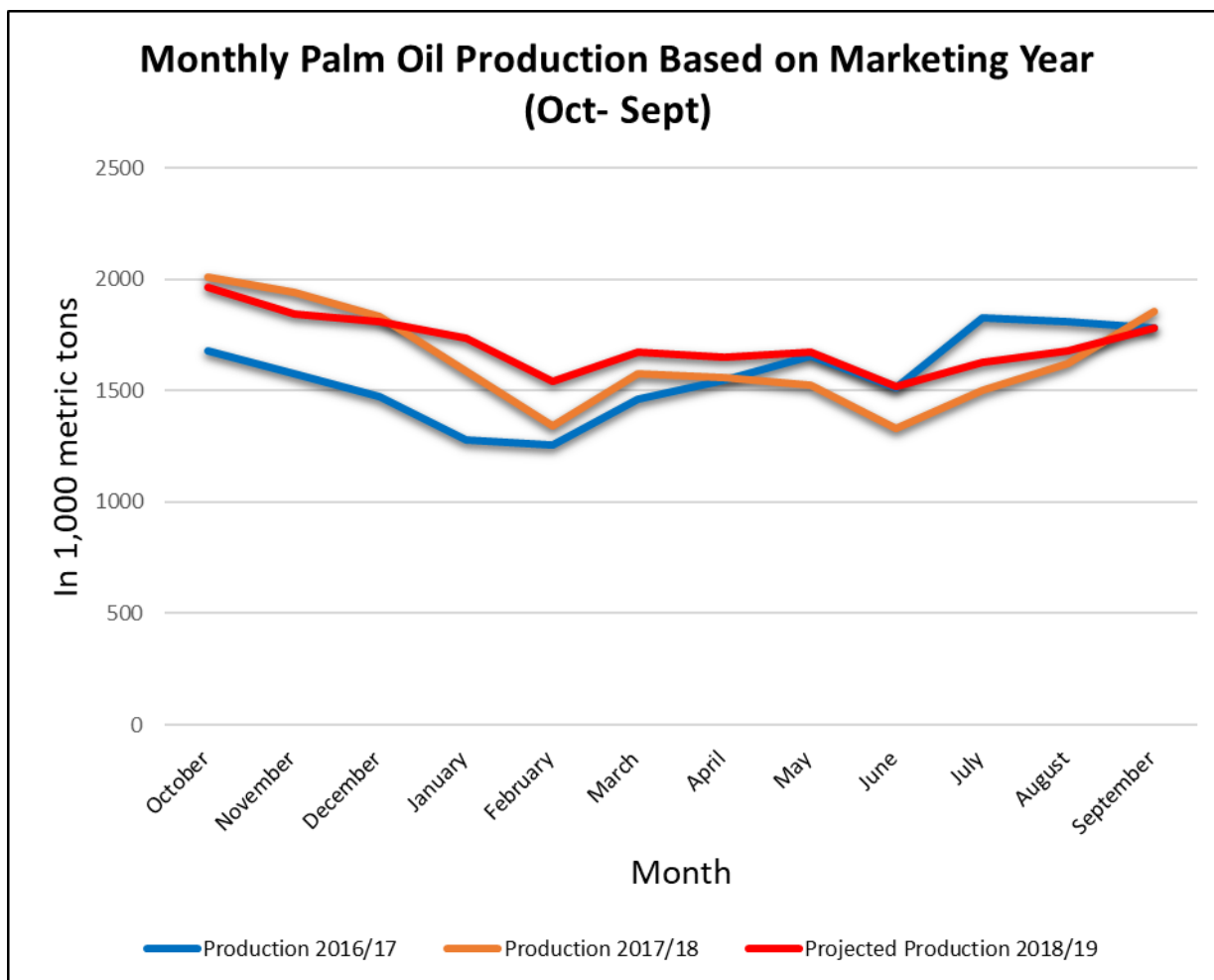
Palm Oil Production, Supply, and Distribution

Oil, Palm	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0			
Area Harvested	5,200	5,200	5,300	5,300	5,350	5,350
Trees	0	0	0	0	0	0
Beginning Stocks	2,016	2,016	2,529	2,529	2,975	2,746
Production	19,683	19,683	21,000	20,700	21,200	20,800
MY Imports	535	535	600	1,150	650	850
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	22,234	22,234	24,129	24,379	24,825	24,396
MY Exports	16,472	16,472	17,500	18,000	18,000	18,200
MY Exp. to EU	1,850	1,850	1,900	2,007	2,000	2,100
Industrial Dom. Cons.	2,460	2,460	2,850	2,813	3,150	3,000
Food Use Dom. Cons.	700	700	725	750	760	800
Feed Waste Dom. Cons.	73	73	79	70	75	55
Total Dom. Cons.	3,233	3,233	3,654	3,633	3,985	3,855
Ending Stocks	2,529	2,529	2,975	2,746	2,840	2,341
Total Distribution	22,234	22,234	24,129	24,379	24,825	24,396

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

Production

According to Malaysia Palm Oil Board (MPOB) data, crude palm oil (CPO) production for the first six months of calendar year (CY) 2019 was up roughly 10 percent compared to the same time the previous year from 8.9 million metric tons (MT) to 9.8 million MT. Industry contacts report that favorable weather conditions and an improving labor situation are contributing factors in the increased production so far in CY 2019. Provided weather and labor conditions remain favorable, Post forecasts total Malaysian CPO production for marketing year (MY) 2018/19 at 20.7 million MT and MY 2019/20 production at 20.8 million MT.



Source: MPOB data and FAS/Kuala Lumpur analysis

Consumption

Post estimates MY 2018/19 CPO domestic consumption at just over 3.6 million MT, an increase of roughly 12 percent from the previous year. Analysts report the government of Malaysia (GOM) shift from a B7 to a B10 biodiesel mandate earlier in the calendar year has had a positive impact on domestic consumption. For MY 2019/20, Post forecasts domestic consumption at 3.86 million MT as the GOM moves towards a B20 mandate. Although the GOM has stated the B20 mandate will be implemented by CY 2020, many analysts believe this higher blend rate may require a longer transition time in order to manage industry and consumer expectations. Other analysts point out that another challenging dynamic for an increased blend rate in Malaysia is the fact that current palm oil prices are higher than crude oil prices.

Recent Crude and Palm Oil Prices

	Crude #1	RBD Palm Oil	RBD Olein	RBD Stearin
	US\$/MT	US\$/MT	US\$/MT	US\$/MT
October 2018	497	540.50	540	516.50
November	446	477.50	487	448.50
December	435.50	479	480	446.50
January 2019	495	527.50	524.50	523
February	528.50	553.50	556.50	542
March	487.50	513	521.50	507.50
April	504	525.50	533.50	502
May	471.50	500	502	460
June	467.50	496	503	463.50
July	481	495.50	499.50	470.50

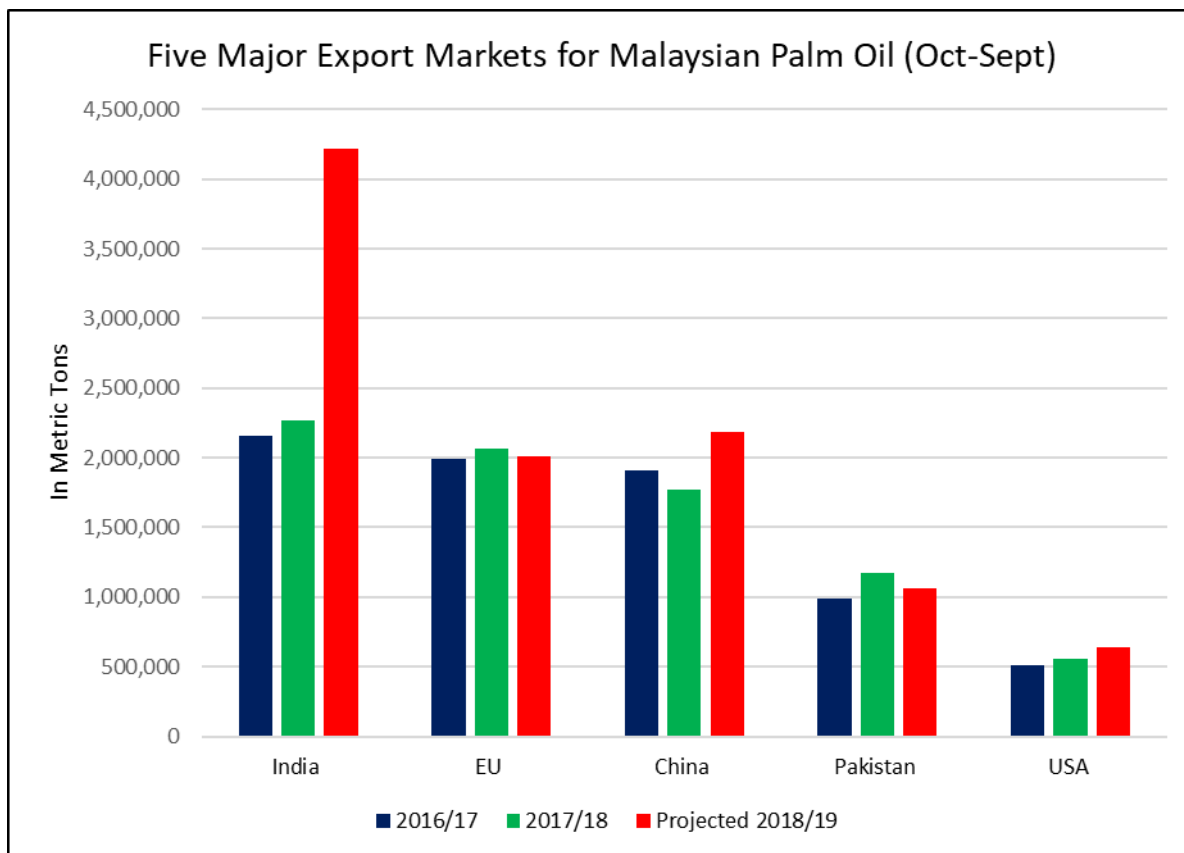
Source: MPOB

Crude #1= Prices FOB Northwest European Market

RBD=Refined, Bleached and Deodorized (RBD)

Trade

Post estimates CPO exports in MY 2018/19 at 18 million MT, significantly higher than the previous year's estimate. Global Trade Atlas (GTA) data indicates India (the world's biggest edible oil importer and Malaysia's largest CPO customer for the past multiple years) has purchased an unexpectedly large amount of Malaysian CPO through the first three quarters of the marketing year. Strong demand from other major customers such as China, the European Union and Pakistan have also supported higher Malaysian exports in MY 2018/19. CPO exports in MY 2019/20 are forecast at 18.2 million MT as strong demand from major importing countries is expected to continue.



Source: MPOB data and FAS/Kuala Lumpur analysis

Post has significantly raised MY 2018/19 CPO import estimates to 1.15 million MT based on MPOB data through the first three quarters of the year. Although the GOM continues to maintain import restrictions on CPO to keep stocks at manageable levels, analysts report some Malaysian refiners (with long-term agreements with suppliers in Indonesia) are allowed to continue to import. MY 2019/20 CPO imports are forecast at 850,000 MT.