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## Malaysia

**Post:** Kuala Lumpur

### **Palm Oil PSD Revisions**

**Report Categories:**

Oilseeds and Products

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**Report Highlights:**

This report includes updates for the palm oil PS&D table, including final figures for the 2014/15 Oct/Sept. marketing year (MY). MY 2014/15 output was dampened by floods affecting East Coast Malaysia in December 2014. Exports had been stagnant, and ending stocks surpassed 2 million tons. For 2015/16, production is not expected to increase, and exports will face stiff competition from large supplies of other vegetable oils. Restrictions placed on imports will dampen imports by nearly half of 2014/15 quantities.

## Executive Summary

Crude palm oil (CPO) production dropped slightly to 19.9 million tons in 2014/15, due to floods affecting East Coast Peninsular in December 2014. The area continues to grow in East Malaysia as plantations mature, but productivity remains stagnant. Increases in minimum wages, tree stress from induced over production of fruit, erratic labor supplies, disease problems, varying production practices, and introduction of replanting program incentives for plantation companies will hinder production growth in 2015/16 and beyond.

CPO exports, meanwhile, were stagnant due to reduced imports from key traditional markets, especially China and Pakistan. New emerging markets from Argentina and Brazil in Latin America and Burkina Faso, Congo and Djibouti in Africa show strong import demand. Imports from Indonesia are at an all-time high as local millers prefer to store or export their CPO rather than sell to local refiners and be subjected to the local Good Services Tax (6%).

With high opening stocks, stagnant production and exports, ending stocks have increased to an all-time high of 2.6 million tons. This put pressure on CPO prices, and, as such, no export taxes were imposed on CPO for the year 2015.

### Malaysia: PS&D for year 2013/14 to 2015/16

Palm Oil	2013/2014		2014/2015		2015/2016 (f)	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	4,526	4,526	4,689	4,689	4,800	4,800
Beginning Stocks	1,784	1,784	2,091	2,090	2,381	2,628
Production	20,161	20,161	19,800	19,878	21,000	19,900
MY Imports	358	319	950	1,016	500	550
Total Supply	22,303	22,264	22,841	22,984	23,881	23,078
MY Exports	17,344	17,344	17,400	17,354	18,100	18,000
Industrial Cons.	2,170	2,150	2,350	2,300	2,650	2,650
Food Use	648	640	660	662	670	650
Feed Use	50	40	50	40	50	40
Total Dom. Cons.	2,868	2,830	3,060	3,002	3,370	3,340
Ending	2,091	2,090	2,381	2,628	2,411	1,738

Stocks									
Total Distribution	22,303	22,264	22,841	22,984	23,881	23,078			

### CPO Marketing Year Production (October/September) by State

	2010/11	Change	2011/12	Change	2012/13	Change	2013/14	Change	2014/15
Johor	2,919,605	-5.11	2,770,456	8.95	3,018,449	4.31	3,148,456	-0.6	3,128,296
Kedah	295,427	8.82	321,491	-7.66	296,866	-6.92	276,331	7.9	298,209
Kelantan	232,926	7.91	251,342	15.86	291,206	0.64	293,058	-6.8	273,115
Negeri Sembilan	611,314	8.22	661,548	1.44	671,082	-3.57	647,097	7.2	693,639
Pahang	2,695,698	0.79	2,716,968	9.23	2,967,684	1.49	3,011,773	-2.8	2,925,465
Perak	1,916,769	-0.36	1,909,862	-1.95	1,872,566	7.40	2,011,191	-1.2	1,986,211
Selangor	602,092	4.89	631,512	-11.69	557,686	-2.40	544,290	-6.7	507,711
Terengganu	505,631	-4.65	482,142	3.86	500,763	-0.73	497,111	-5.7	468,625
Other States	229,233	-5.97	215,548	-7.12	200,199	4.95	210,103	-6.0	197,434
<b>P. Malaysia</b>	<b>10,008,695</b>	<b>-0.48</b>	<b>9,960,869</b>	<b>4.17</b>	<b>10,376,501</b>	<b>2.53</b>	<b>10,639,410</b>	<b>-1.5</b>	<b>10,478,705</b>
Sabah	5,642,823	-5.54	5,330,161	10.39	5,884,024	3.46	6,087,466	-4.5	5,812,856
Sarawak	2,557,624	<b>9.86</b>	2,809,922	<b>9.03</b>	3,063,619	<b>12.08</b>	3,433,820	<b>4.5</b>	3,587,650
<b>E. Malaysia</b>	<b>8,200,447</b>	<b>-0.74</b>	<b>8,140,083</b>	<b>9.92</b>	<b>8,947,643</b>	<b>6.41</b>	<b>9,521,286</b>	<b>-1.2</b>	<b>9,400,506</b>
Malaysia	18,209,142	-0.59	18,100,952	6.76	19,324,144	4.33	20,160,696	-1.4	19,879,211

### Area and Yield

Based on production and mature hectares in calculating yield, (Yield as a function of production to area harvested) for 2013/14 yield was 4.45, in 2014/15, it dropped to 4.23. For 2015/16, it was estimated to drop further to 4.14. The decline in overall productivity was compensated by an increase in mature area. Mature area has increased about 1.4 percent from 2013 to 2014. Meanwhile, planted area increased from 5.23 million hectares in 2013 to 5.39 million hectares in 2014, an increase of 3.0

percent. An erratic labor supply, disease, and varying management practices continue to hamper productivity increases.

#### Malaysia Yield for year 2013/14 to 2015/16

	2013/14	2014/15	2015/16
Area Harvested (in '000 hectares)	4,526	4,689	4,800
Production (in '000 tons)	20,161	19,878	19,900
Yield	4.45	4.23	4.14

#### Palm Oil Yield (Tons/Hectares) Marketing Year (Oct/Sept) by States

States	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Johor	3.75	3.75	3.77	3.65	3.89	4.01	4.08
Kedah	4.47	4.47	3.90	4.15	4.01	3.70	3.77
Kelantan	2.61	2.61	2.36	2.40	2.80	2.61	2.31
Negeri Sembilan	3.94	3.94	3.81	3.79	4.00	3.86	3.88
Pahang	3.82	3.82	3.75	3.69	4.07	3.98	3.7
Perak	4.51	4.51	4.26	4.15	3.99	4.13	4.11
Selangor	4.08	4.08	3.98	4.10	3.80	4.01	3.97
Terengganu	2.80	2.80	3.02	3.09	3.13	3.00	2.82
<b>P. Malaysia</b>	<b>3.86</b>	<b>3.86</b>	<b>3.65</b>	<b>3.69</b>	<b>3.77</b>	<b>3.68</b>	<b>3.75</b>
Sabah	4.41	4.41	4.49	4.14	4.51	4.61	4.4
Sarawak	3.24	3.24	3.35	3.33	3.32	3.87	3.25
<b>E. Malaysia</b>	<b>3.83</b>	<b>3.83</b>	<b>3.92</b>	<b>3.74</b>	<b>3.92</b>	<b>4.24</b>	<b>3.87</b>
Malaysia	3.85	3.85	3.70	3.69	3.79	3.96	3.8

\*Palm oil yield based on MPOB published data.

#### Oil Palm Area By State, as of December 2014 (HA)

State	Mature	%	Immature	%	Total
Johore	651,242	88.8	82,225	11.2	733,467
Kedah	80,767	93.7	5,415	6.3	86,182
Kelantan	99,783	68.9	44,979	31.1	144,762

Melaka	49,501	93.7	3,348	6.3	52,849
N. Sembilan	142,503	84.1	26,865	15.9	169,368
Pahang	623,269	86.6	96,344	13.4	719,613
Perak	348,794	89.6	40,370	10.4	389,164
Perlis	189	64.1	106	35.9	295
Penang	13,309	93.7	895	6.3	14,204
Selangor	126,805	91.6	11,677	8.4	138,482
Terengganu	139,410	82.5	29,538	17.5	168,948
Sabah	1,355,541	89.7	155,969	10.3	1,511,510
Sarawak	1,058,208	83.8	205,183	16.2	1,263,391
<b>Malaysia</b>	<b>4,589,321</b>	<b>87.0</b>	<b>702,914</b>	<b>13.0</b>	<b>5,392,235</b>

\*Palm oil planted area based on MPOB published data.

#### Oil Palm Area By State, as of December 2013 (HA)

State	Mature	%	Immature	%	Total
Johore	639,946	87.58	90,748	12.42	730,694
Kedah	77,843	91.38	7,339	8.62	85,182
Kelantan	94,320	67.35	45,715	32.65	140,035
Melaka	49,635	94.18	3,069	5.82	52,704
N. Sembilan	142,452	83.77	27,596	16.23	170,048
Pahang	609,962	85.89	100,233	14.11	710,048
Perak	344,271	89.52	40,323	10.48	384,594
Perlis	190	68.35	88	31.65	278
Penang	13,163	97.65	317	2.35	13,480
Selangor	125,122	91.33	11,881	8.67	137,003
Terengganu	137,289	80.99	32,231	19.01	169,520
Sabah	1,330,039	90.17	145,069	9.83	1,475,108
Sarawak	961,857	82.85	199,041	17.15	1,160,898
<b>Malaysia</b>	<b>4,526,089</b>	<b>86.55</b>	<b>703,650</b>	<b>13.45</b>	<b>5,229,739</b>

\*Palm oil planted area based on MPOB published data.

#### Consumption

Driven by need to lower ending stocks, consumption increased from 2.83 million tons to 3.00 million tons, with almost all the increase coming from the industrial sector. Full implementation of the biodiesel mandate continues to be a government priority, but as of yet, the program accounts for little

more than 10 percent of total industrial use. Domestic consumption is forecast to increase in 2015/16 with the implementation of B10 mandate by 2016, but the tabling of such mandate by Parliament has yet to be approved, and the current blending rate is still at 7%. (a blend of 7% Palm Methyl Ester and 93% of Petroleum Diesel). By comparison, the current blending rate in Indonesia is 20% of palm methyl ester with 80% petroleum diesel.

## Exports

Exports in 2014/15 were stagnant at 17.3 million tons from the previous year. Affected by lower prices of competing vegetable oils, and continued competition from Indonesia, shipments to major buyers China, Pakistan, and the U.S. declined. Shipments to India, on the other hand, increased 13.58 percent relative to the previous year.

As for 2015/16, exports forecasted to slightly increase to 18 million tons with strong demand from India and emerging markets in West Africa. The set-up of the Council of Palm Oil Producing Countries (CPOPC) in November 2015, will see Malaysia and Indonesia work together in promoting exports and to avoid direct competition with each other. At the time of writing no details are available yet on how CPOPC will operate and how it will manage stocks and export markets for both Indonesia and Malaysia.

As for the Trans Pacific Partnership Agreement (TPPA), there will be insignificant impact of palm oil exports to the United States as most of palm oil products are zero rated except for margarine which has 6% tariff. TPPA, however will have bigger impact on Malaysia's palm oil exports to Canada (10% tariff) and Mexico (20%).

## Exports to 5 Top Markets (Oct/Sept)

Country	2009/10	2010/11	2011/12	2012/13	2013/14	% Change	2014/15
<b>China</b>	3,419,036	3,715,054	3,419,036	3,780,699	3,040,153	-8.23	2,789,818
<b>India</b>	2,374,342	1,386,576	2,374,342	2,376,251	3,034,563	13.58	3,446,690
<b>EU</b>	2,201,699	1,936,859	2,201,699	2,264,189	2,412,265	0.95	2,435,336
<b>Pakistan</b>	1,551,988	1,853,872	1,551,988	1,479,580	946,928	-21.34	744,786
<b>USA</b>	1,062,589	1,012,530	1,062,589	1,039,377	835,172	-15.53	705,449

## Imports

Imports in 2014/15 reached over 1 million ton, and this had caused GOM to take drastic action by imposing import restriction on CPO in November 2015. Through this restriction, ending stocks can be reduced as local millers are forced to source their feedstock locally rather than importing from Indonesia. Although GOM cannot totally ban imports of CPO, for 2015/16, imports of CPO are expected to reduce to 550,000 tons. The GOM still allows existing contracts between millers and CPO suppliers in Indonesia, but new contracts are no longer allowed.

## **Stocks.**

Ending stocks for year 2014/15 were at 2.6 million tons, compared to 2.0 million tons in 2013/14. With such high stock levels, it has become a new norm for stocks to average 2.2 million tons as the market now accepts such levels. Although stocks have a direct correlation to CPO prices (high stocks level lead to lower CPO prices), the strengthening of American currency (which is used to pay for Malaysian exports to the States) relative to Malaysia currency saw the price of CPO in Malaysia currency still at acceptable levels even though its value relative to the U.S. dollar dropped by nearly 30% in the last 12 months.