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Malaysia

Oilseeds and Products

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Report Highlights:

Malaysia's crude palm oil (CPO) production dropped 7.1 percent to 1.2 MMT in June 2005 due to the trees undergoing biological stress. Post revised CPO production to 15.2 MMT in 2004/05 and 15.5 MMT in 2005/06 to reflect a better-than-expected improvement in yields. Carry-over stock level at the end of the June eased to 1.2 MMT reflecting the drop in CPO output for the month but is expected to rise in the Jul-Sep quarter. The average local CPO price hovered above the US\$368 level until the upward revaluation of the Malaysian ringgit on Jul 21 when prices in ringgit terms fell a few notches. In the longer term, the revaluation will have lesser impact on local prices since supply and overseas demand for PO are more important factors.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Kuala Lumpur [MY1]
[MY]

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Executive Summary

Production

The Malaysian Palm Oil Board (MPOB) reported that total crude palm oil (CPO) production dropped 7.1 percent to 1.2 MMT in June 2005. Both output in the Peninsula Malaysia and East Malaysia's production declined by 3.8 and 12.1 percent respectively. Compared to June 2004, output during June 2005 was 3.1 percent higher. The decline in output was attributed to the trees undergoing some biological stress after three contiguous months of high production and the erratic precipitation in late May and early June. Post now expects a smaller growth in CPO growth during the Jul-Sep quarter than the previous year. However, even with a smaller estimate, total CPO output is likely to reach 15.2 MMT in 2004/05 (Oct/Sep).

Price

Low carry-in stock level propped the local CPO prices above the US\$368 level during most of July. However, prices suffered a 1.5 to 3 percent drop in ringgit terms after the 'unpegging' of the Malaysian ringgit to the US dollar on July 21. Since palm oil is quoted in US dollars, a stronger ringgit would translate to lesser income for the exporters in the near term. Industry sources indicate that an expected rise in demand would cushion the shortfall in the longer term. The monthly average CPO price rose from US\$368/MT in June to US\$371/MT in July 2005. For comparison, the average CPO price for July 2004 was US\$388/MT. The Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also rose from US\$384/MT in June to US\$386/MT in July.

Stocks

Lower CPO output resulted in a further drop in carryout stocks to 1.2 MMT at the end of June. With an expected higher CPO output and a small decline in PO exports for the Jul-Sep quarter, Post expects the carry-over stocks to be at around 1.3 to 1.4 MMT by the end of Sept.

Trade

Preliminary official PO exports rose from 1.3 MMT in May to 1.2 MMT in June. PO exports further weakened in July ahead of heavier buying months of Aug and Sep, especially from India as it prepares for the celebration of 'Dewali' on Nov 1.

Annual Situation

CPO output had already reached 11.1 MMT for the first 9 months of 2004/05. With the Post's current forecast of 4.1 MMT for the last quarter, CPO output has been revised upwards to 15.2 MMT for 2004/05 and 15.5 MMT for 2005/06. Some reasons cited for the increase in yields in the recent months are the improved yields from enhanced tree varieties in newly planted and replanted areas; an increase of area reaching peak fruit bearing stage; the relatively high PO prices have encouraged a sufficient usage of fertilizers which has positive impact on yields; and better cultural practices have resulted in better extraction rate of CPO (OER) at mills. The Board made a tolerance rate of 2-3% of unripe fruits at the mills. The average OER has improved from 19.8% during Nov03/Apr04 to 20.16% during Nov04/Apr05.

Post foresees a decline in yields in 2005/06 to reflect the biological stress on the trees after a period of high production. However, the increase in fruit bearing area should partially offset the decline in yields.

PO exports has also been revised slightly downwards while domestic usage has been higher than Post's earlier expectation. Stocks at the end of 2004/05 have been adjusted upwards accordingly to about 1.36 MMT.

	Revised 2003/04	Prelim 2004/05	Forecast 2005/06
(1,000 tons)			
Beg Stock	975	1,332	1,360
Production	13,420	15,200	15,500
Imports	773	370	400
Total Supply	15,168	16,902	17,260
Exports	11,602	13,000	13,460
Domestic Use	2,234	2,542	2,600
Ending Stock	1,332	1,360	1,200

Quarterly Outlook for Palm Oil

	2004 1/	2005 2/	2004 1/	2005 2/
	Apr-Jun	Apr-Jun	Jul-Sep	Jul-Sep
	(1,000 tons)			
Beg Stocks 3/	958	1,447	1,212	1,183
Prod- Pen. Mal	1,989	2,227	2,339	2,460
- East Mal	1,290	1,526	1,742	1,640
- Total	3,279	3,753	4,081	4,100
Imports	259	57	161	80
Total Supply	4,496	5,257	5,454	5,363
Exports 4/	2,715	3,440	3,590	3,400
Dom Disap 5/	569	634	531	603
End Stocks	1,212	1,183	1,333	1,360

1/ Revised;

2/ Forecast;

3/ Stocks include crude and refined for all Malaysia;

4/ Exports exclude shipments of fatty acid oil distillate and all intra-Malaysia trade;

5/ Residual

Production

	2004	2004	2005	2005	2005
	June	Jan-June	May 1/	June	Jan-June
(In 1,000 MT)					
CPO:					
Pen. Malaysia	721	3,580	777	748	4,186
East Malaysia	449	2,377	522	459	2,984
- Total /1	1,170	5,957	1,299	1,207	7,170
Palm Kernel: Malaysia	298	1,583	340	303	1,919
Palm Kernel Oil: Malaysia	132	723	164	155	913
Palm Kernel Meal: Malaysia	152	837	186	176	1,040

1/ Revised

Prices

(Crude delivered basis; RBD Oils in Bulk, FOB Malaysia)

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US\$/MT	US\$/MT	US\$/MT
July 2004	1,473	409	425	385
Aug	1,476	411	427	376
Sep	1,547	432	448	375
Oct	1,460	414	426	357
Nov	1,475	405	421	358
Dec	1,408	392	402	350
Jan 2005	1,331	363	376	336
Feb	1,299	351	364	324
Mar	1,421	392	402	349
Apr	1,428	389	401	355
May	1,410	389	401	355
June 1/	1,398	384	395	348
July (till 26)	1,409	386	398	344

1/ Revised

Exchange Rate: US\$1.00 = RM3.75 (Jul 28 2005).

Stock

	2004	2005	2005	2005
	Jun	Apr	May 1/	June
(In 1,000 MT)				
Crude P. Oil	580	809	702	590
Processed PO	632	670	593	593
- Total PO	1,212	1,479	1,295	1,183
Palm Kernel	96	144	127	106
P. Kernel Oil	144	190	205	196

1/ Revised