



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 8/1/2006

GAIN Report Number: MY6026

Malaysia

Oilseeds and Products

Update (July)

2006

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Report Highlights:

Malaysia's crude palm oil (CPO) production dropped 4.5% to 1.3 MMT in June 2006. Lower domestic disappearance and weaker overseas demand contributed to a 4.6% increase in carry-out stocks to 1.65 MMT at the end of June. The average local CPO price rose to RM1,457 (US\$398)/MT in July 2006, reflecting stronger overseas demand. On July 20, 2006, Malaysia and Indonesia signed a pact to set aside 40 percent of their respective CPO production for bio-fuel production.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled 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 4.5% to 1.3 MMT in June 2006. While output in Peninsular Malaysia decreased by 3.7%, East Malaysia's production was down by 5.7%. Compared to June 2005, output during June 2006 was 10% higher. CPO output is expected to rebound and should show an uptrend before peaking around the month of September. Post's earlier output forecast of 4.5 MMT for the Jul-Sep quarter should be within reach.

Price

Prices strengthened along with stronger overseas demand, particularly from China during the month of July. Overall, the monthly average CPO price rose from RM1,397/MT in June to RM1,457/MT in July 2006. For comparison, the average CPO price for July 2005 was RM1,408/MT. The Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also increased from US\$404/MT in June to US\$424/MT in July. With a bigger-than-expected CPO output, CPO prices are unlikely to go much higher in the current Jul-Sep quarter.

Stocks

Despite a drop in CPO production, lower domestic disappearance and weaker overseas demand contributed to a 4.6% increase in carry-out stocks to 1.65 MMT at the end of June. The anticipated increase in CPO output is likely to be offset by a bigger increase in overseas demand during the Jul-Sep quarter and Post forecast carry-out stocks to drop slightly to 1.62 MMT by the end of September.

Trade

Preliminary official PO exports dropped 5.6% from 1.17 MMT in May to 1.1 MMT in June while cargo surveyor Societe Generale de Surveillance reported exports of 1.2 MMT in July.

Other Palm Oil News

On July 20, 2006, Malaysia and Indonesia signed a pact to set aside 40 percent of their respective CPO production (6 MMT of CPO based on the current annual output of 15 MMT for each country) as feedstock for the manufacturing of biofuel and bio-diesel. Perhaps, this is a longer-term target.

On July 28, 2006, the Malaysian Minister of Plantation Industries and Commodities concluded a five-day palm oil mission to China to strengthen its market position as the top supplier to China in the midst of growing competition of Indonesian palm oil. While there, the Minister attended the first Malaysia-China palm oil trade fair and seminar in Shanghai.

Exchange Rate: US\$1.00 = RM3.649 (June 29, 2006); RM3.658 (July 31, 2006)

Annual Situation

With a small drop in PO exports in June, Post has revised the total exports for 2005/06 downward to 13,810 TMT. Accordingly, domestic usage was revised upward to 2,326 TMT for the same period. Please note that Post uses available official data for all items in the PS&D except for domestic usage which is a residual figure.

	Revised 2004/05	Prelim 2005/06	Forecast 2006/07
(1,000 tons)			
Beg Stock	1,332	1,436	1,620
Production	15,194	15,500	15,900
Imports	333	820	700
Total Supply	16,859	17,756	18,220
Exports	12,634	13,810	13,840
Domestic Use	2,789	2,326	3,180
Ending Stock	1,436	1,620	1,200

Quarterly Outlook for Palm Oil

	2005 1/	2006 2/	2005 1/	2006 2/
	Apr-Jun	Apr-Jun	Jul-Sep	Jul-Sep
	(1,000 tons)			
Beg Stocks 3/	1,437	1,586	1,187	1,646
Prod- Pen. Mal	2,227	2,397	2,330	2,675
- East Mal	1,526	1,633	1,760	1,860
- Total	3,753	4,030	4,090	4,535
Imports	50	144	45	106
Total Supply	5,240	5,760	5,322	6,287
Exports 4/	3,585	3,510	3,466	3,950
Dom Disap 5/	468	604	420	717
End Stocks	1,187	1646	1,436	1620

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

	2005	2005	2006	2006
	Jun	Jan-Jun	Jun	Jan-Jun
(In 1,000 MT)				
CPO:				
Pen. Malaysia	748	4,185	795	4,182
East Malaysia	459	2,985	533	3,080
- Total /1	1,207	7,170	1,328	7,262
Palm Kernel: Malaysia	303	1,919	341	1,936
Palm Kernel Oil: Malaysia	155	912	168	904
Palm Kernel Meal: Malaysia	179	1,040	188	1,022

1/ Revised

Prices

(Crude delivered basis; RBD Oils in Bulk, FOB Malaysia) 2/

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US\$/MT	US\$/MT	US\$/MT
July 2005	1,408	388	398	344
Sep	1,381	385	398	330
Oct	1,452	401	413	341
Nov	1,420	388	399	341
Dec	1,382	376	387	350
Jan 2006	1,398	383	390	366
Feb	1,435	398	404	381
Mar	1,422	400	407	392
Apr	1,396	402	410	391
May	1,422	413	421	400
Jun 1/	1,397	404	415	399
July (till 27 th)	1,457	424	435	406

1/ Revised 2/From June 2006, Prices are for West Malaysia only

Exchange Rate: US\$1.00 = RM3.649 (June 29, 2006); RM3.658 (July 31, 2006)

Stock

	2005	2006	2006	2006
	Jun	Apr	May 1/	Jun
(In 1,000 MT)				
Crude P. Oil	592	918	967	940
Processed PO	594	607	606	706
- Total PO	1,186	1,519	1,573	1,646
Palm Kernel	106	211	217	199
P. Kernel Oil	196	294	310	329

1/ Revised