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Malaysia

Oilseeds and Products

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Report Highlights:

Malaysia's crude palm oil (CPO) production declined 13% to 1.4 MMT in October 2006 as the palms experienced a seasonal downtrend in CPO production. The drop in CPO production coupled with an increase in exports contributed to an 11.5% drop in carryout stocks to 1.6 MMT at the end of October. The monthly average CPO price soared from RM1,515/MT in October to RM1,709/MT in November 2006, reflecting a bullish CBOT soyoil market as well as a downtrend of local CPO output. CPO future price for February 2007 surged to a 30-month high of RM1,922/MT by Nov 27 2006.

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 declined 13% to 1.4 MMT in October 2006. Output in Peninsular Malaysia dropped by 3.2% while East Malaysia's production fell 4.7%. Compared to October 2005, output during October 2006 was only marginally lower. CPO output is expected to experience a seasonal drop of 14% to 15% in the Oct-Dec quarter, bringing the total CPO output for CY 2006 to around 15.7 MMT.

Price

Aided by stronger soyoil future prices at CBOT and the seasonal downtrend in CPO output, the monthly average CPO price soared from RM1,515/MT in October to RM1,709/MT in November 2006. CPO future price for Feb 2007 surged to a 30-month high of RM1,922/MT by Nov 27. For comparison, the average CPO price for November 2005 was RM1,420/MT. The Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also rose from US\$441/MT in October to US\$486/MT in November.

Stocks

A drop in CPO production and an increase in exports contributed to a 11.5% drop in carry-out stocks to 1.6 MMT at the end of October. A lower forecast of COP production in the Oct-Dec quarter should keep stocks at the above level till the end of December 2006.

Trade

Preliminary official PO exports rose 10% to 1.4 MMT in October while cargo surveyor Societe Generale de Surveillance reported exports of 857TMT for the first 20 days of November, 9% lower than the amount exported during the corresponding period of the previous month.

Other Palm Oil News

Since the USG's mandatory requirement of trans fat levels on nutritional levels effective January 1 2006, the U.S. has emerged as a sizeable market for Malaysian palm oil. During the first 10 months of 2007, U.S. was the fourth top buyer (with 549TMT) after China (2.9MMT), the Netherlands (1.3MMT) and Pakistan (810TMT).

On Nov 27 2006, CIMB Investment Bank unveiled its proposal for a merger of three of Malaysia's biggest palm-oil plantation companies (Sime Darby, Guthrie and Golden Hopes) to create a plantation conglomerate with a substantial land bank of about 600,000 hectares in Malaysia and Indonesia. The enlarged group would produce 2.5 MTT of CPO a year, accounting for about 6% of global output.

Exchange Rate: US\$1.00 = RM3.652 (Oct 31,2006); RM3.627 (Nov 29,2006)

Annual Situation

PS&D table for palm oil remains unchanged since the submission of the Oilseed Update MY6043.

	Revised 2004/05	Prelim 2005/06	Forecast 2006/07
(1,000 tons)			
Beg Stock	1,332	1,436	1,799
Production	15,194	15,486	15,900
Imports	333	700	650
Total Supply	16,859	17,622	18,349
Exports	12,634	13,078	13,700
Domestic Use	2,789	2,745	3,149
Ending Stock	1,436	1,799	1,500

Quarterly Outlook for Palm Oil

	2005 1/	2006 2/	2005 1/	2006 2/
	Jul-Sep	Jul-Sep	Oct-Dec	Oct-Dec
	(1,000 tons)			
Beg Stocks 3/	1,187	1,646	1,436	1,799
Prod- Pen. Mal	2,330	2,664	1,882	2,340
- East Mal	1,760	1,858	1,820	1,560
- Total	4,090	4,522	3,702	3,900
Imports	45	55	187	71
Total Supply	5,322	6,223	5,325	5,770
Exports 4/	3,466	3,850	3,039	3,500
Dom Disap 5/	420	574	682	670
End Stocks	1,436	1799	1,604	1600

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
	Oct	Jan-Oct	Oct	Jan-Oct
(In 1,000 MT)				
CPO:				
Pen. Malaysia	708	7,223	729	7,575
East Malaysia	693	5,437	671	5,609
- Total /1	1,401	12,660	1,400	13,184
Palm Kernel: Malaysia	365	3,378	349	3,443
Palm Kernel Oil: Malaysia	162	1,564	170	1,620
Palm Kernel Meal: Malaysia	183	1,780	190	1,825

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
Nov 2005	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	1,397	404	415	399
August	1,447	421	431	404
Aug	1,605	468	477	422
Sep	1,524	451	457	419
Oct 1/	1,515	441	450	408
Nov (till 27 th)	1,709	486	501	438

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

Exchange Rate: US\$1.00 = RM3.652 (Oct 31,2006); RM3.627 (Nov 29,2006)

Stock

	2005	2006	2006	2006
	Oct	Aug	Sep 1/	Oct
(In 1,000 MT)				
Crude P. Oil	839	1,031	1,130	1,009
Processed PO	658	653	669	584
- Total PO	1,497	1,684	1,799	1,593
Palm Kernel	177	181	199	184
P. Kernel Oil	260	363	362	356

1/ Revised