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Malaysia

Oilseeds and Products

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Report Highlights:

Malaysia's crude palm oil (CPO) production dropped by 1.3 percent to 1.6 MMT in September. The palms are showing signs of biological stress. Despite the decrease in CPO output, weaker PO exports resulted in a slight increase in carryout stocks to just below 2 MMT at the end of September. Weaker overseas demand and increasing stocks contributed to a further drop in CPO prices in October. PO exports declined by 12 percent to 1.3 MMT in September.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual 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 decreased by 1.3 percent to 1.6 MMT in September 2008. Peninsular Malaysia's production declined 5.5 percent while East Malaysia's output increased by 4.4 percent. Compared to September 2007, output during September 2008 was 1.5 percent lower. After fourteen months of strong growth, the palms are showing some signs of biological stress. Post estimates CPO output to decline to 4.1 MMT during the Oct-Dec quarter and 3.6 MMT during the Jan-Feb quarter in 2009.

Price

Weaker overseas demand for palm oil; increasing carry-in stocks; heavy losses in the Chicago's CME soybean futures; and hedge selling contributed to a further drop in CPO prices during the month of October. The CPO price was lower for the second consecutive month when compared to the same month of the previous year. The January future contract CPO price plunged to a 2008 low of RM1,378/ton before recovering to RM1,459 on Oct 28 (which was still 67 percent lower than its high of RM4,500/ton in the month of March). However, Post expects a rebound in palm oil prices once the palms enter the seasonal low production stage during the Oct-Dec quarter. Overall, the monthly average delivered CPO price dropped from RM2,350/MT in September to RM2,105/MT in October. For comparison, the average CPO price for October 2007 was RM2,771/MT. Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also dropped from US\$743/MT in September to US\$560/MT in October.

Stocks

Despite a drop in palm oil production, a sharper decrease in PO exports resulted in an increase in carryout stocks to just below the 2 MMT mark at the end of September. With an expected decrease in CPO output in October-December, Post expects the stock level to drop to the 1.5 MMT level by the end of December.

Trade

A preliminary official report shows PO exports declined by 12 percent to 1.3 MMT in September.

Exchange Rate: US\$1.00 = RM3.455 (Sep 30, 2008); RM3.571 (Oct 30, 2008)

Other Relevant Reports

Oilseeds & Products Annual (AGR Number MY8010)

<http://www.fas.usda.gov/gainfiles/200803/146294081.doc>

Oilseeds & Products Update (AGR Number MY8034)

<http://www.fas.usda.gov/gainfiles/200809/146295953.doc>

Annual Situation

In line with the latest official data available, Post has revised CPO production downwards to 17.6 MMT for 2007/08. Domestic use and ending stock for 2007/08 were also trimmed.

	Revised 2006/07	Prelim 2007/08	Forecast 2008/09
(1,000 MT)			
Beg Stock	1,800	1,463	1,949
Production	15,292	17,565	17,200
Imports	265	408	400
Total Supply	17,357	19,436	19,549
Exports	13,703	15,011	15,060
Domestic Use	2,191	2,476	2,789
Ending Stock	1,463	1,949	1,700

Quarterly Production for Palm Oil

	2007 1/	2008 1/	2007 1/	2008 2/
	Jul-Sep	Jul-Sep	Oct-Dec	Oct-Dec
(1,000 MT)				
Beg Stocks 3/	1,200	2,035	1,463	1,949
Prod- Pen. Mal	2,522	2,708	2,524	2,355
- East Mal	1,996	2,029	2,102	1,775
- Total	4,518	4,737	4,626	4,130
Imports	65	68	53	71
Total Supply	5,783	6,840	6,142	6,150
Exports 4/	3,735	4,160	3,930	4,000
Dom Disap 5/	585	731	530	650
End Stocks	1,463	1,949	1,682	1,500

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

	2007	2007	2008	2008
	Sep	Jan-Sep	Sep	Jan-Sep
CPO:				
Pen. Malaysia	866	6,102	875	7,445
East Malaysia	736	5,094	703	5,494
- Total /1	1,602	11,196	1,578	12,939
Palm Kernel: Malaysia	411	2,906	403	3,335
Palm Kernel Oil: Malaysia	187	1,359	189	1,553
Palm Kernel Meal: Malaysia	209	1,535	208	1,718

1/ Revised

Prices 1/

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US\$/MT	US\$/MT	US\$/MT
Oct 2007	2,771	834	853	796
Nov	2,965	925	937	875
Dec	2,956	925	931	880
Jan 2008	3,221	1,030	1,037	973
Feb	3,515	1,141	1,130	1,046
Mar	3,695	1,317	1,322	1,150
Apr	3,423	1,255	1,257	1,040
May	3,513	1,219	1,243	998
Jun	3,595	1,184	1,234	977
Jul	3,455	1,153	1,183	950
Aug	2,674	878	916	715
Sep 2/	2,350	743	768	598
Oct (till 30)	2,105	560	589	437

1/ Prices are for West Malaysia only (since September 2006),

2/ Revised

Exchange Rate: US\$1.00 = RM3.455 (Sep 30, 2008); RM3.571 (Oct 30, 2008)

Stocks

	2007	2008	2008	2008
	Sep	Jul	Aug 1/	Sep
(1,000 MT)				
Crude P. Oil	744	1,050	1,019	1,089
Processed PO	717	927	829	861
- Total PO	1,461	1,977	1,848	1,950
Palm Kernel	164	157	156	157
P. Kernel Oil	218	273	300	303

1/ Revised