

Required Report: Required - Public Distribution

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Report Name: Oilseeds and Products Update

Country: Malaysia

Post: Kuala Lumpur

Report Category: Oilseeds and Products

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Report Highlights:

Post is adjusting its Marketing Year (MY) 2020/21 crude palm oil (CPO) production forecast down 1 million metric tons (MT) to 19.7 million MT. Acute COVID-19 related labor issues are expected to negatively impact the Malaysian palm oil industry through at least the first quarter of the marketing year. Post is maintaining its MY 2019/20 CPO export estimate at 16.8 million MT. As expected, Indian import restrictions on Malaysian palm oil through the first eight months of the marketing year were only temporary and demand from India in the final four months of MY 2019/20 has increased significantly. Post's MY 2020/21 export estimate has been reduced 500,000 MT to 7 million MT. This decrease is based on expectations of a slower than previously forecast recovery in global palm oil demand following the COVID-19 pandemic.

Palm Oil Production, Supply, and Distribution

Oil, Palm	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	5300	5300	5350	5350	5450	5350
Trees	0	0	0	0	0	0
Beginning Stocks	2529	2529	2449	2449	2254	2043
Production	20800	20815	19000	19300	19700	19700
MY Imports	1055	1053	780	695	800	600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	24384	24397	22229	22444	22754	22343
MY Exports	18362	18339	16700	16800	17025	17000
MY Exp. to EU	1,900	2007	2000	2000	2000	1970
Industrial Dom. Cons.	2766	2789	2500	2831	2800	3000
Food Use Dom. Cons.	737	750	700	700	750	700
Feed Waste Dom. Cons.	70	70	75	70	75	70
Total Dom. Cons.	3573	3609	3275	3601	3625	3770
Ending Stocks	2449	2449	2254	2043	2104	1573
Total Distribution	24384	24397	22229	22444	22754	22343

(1,000 HA), (1,000 trees), (1,000 MT)

Production

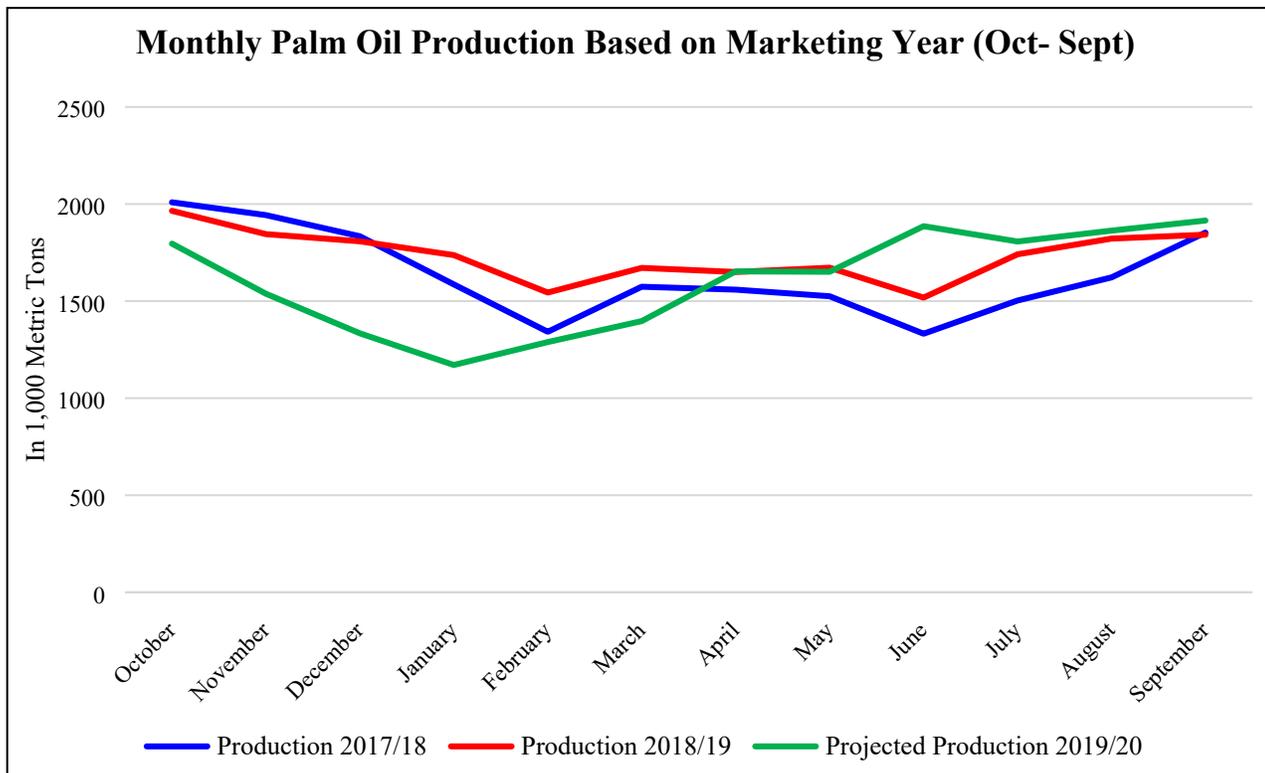
Post's marketing year (MY) 2019/20 crude palm oil (CPO) production estimate has been adjusted down 200,000 metric tons (MT) to 19.3 million MT. This decrease (compared to the June 30, 2020 quarterly report) is based on Malaysia Palm Oil Board (MPOB) marketing year data through August which indicates production is still down over eight percent compared to the same time the previous year. Although industry analysts have correctly anticipated a rebound in production in the second half of the marketing year (monthly production is up significantly since April), Post is adjusting downward as dry weather and diminished fertilizer use the previous year, combined with industry disruption and labor shortages due to the COVID-19 pandemic this year, have had a more significant impact on overall MY 2019/20 production than previously expected.

Marketing Year (to date) Production Comparison (in 1,000 MT)

	2018/19	2019/20	% Change
October	1,965	1,796	-8.6
November	1,845	1,538	-16.6
December	1,808	1,334	-26.2
January	1,737	1,171	-32.6
February	1,544	1,289	-16.5
March	1,671	1,397	-16.4
April	1,650	1,653	0.18
May	1,672	1,651	-1.2
June	1,511	1,886	24.8

July	1,741	1,807	3.79
August	1,822	1,863	2.25
Total (Oct – Aug)	18,973	17,385	-8.37

Source: MPOB



Source: MPOB

Note: The 2019/20 projection is based on actual MPOB data for the first eleven months and FAS/Kuala Lumpur analysis for the remaining one month.

Post’s MY 2020/21 CPO production forecast has been adjusted down 1 million MT to 19.7 million MT. This significant decrease (compared to the June 30, 2020 quarterly report) is based on an expectation of continued COVID-19 related industry disruption and labor shortage as result of the Government of Malaysian (GOM) closing the border with Indonesia until at least the end of the calendar year. In a recent meeting with the Ministry of Plantation Industries and Commodities, industry experts confirmed the border closing is expected to have a negative impact on palm oil production through at least the first quarter of MY 2020/21, as foreign workers (which make up more than 75 percent of the total palm oil labor force) are allowed to leave the country but cannot return until the border officially reopens.

Consumption

As the GOM announced early in 2020 they had postponed a planned move from a B10 mandate to a B20 mandate indefinitely due to low global fuel prices, Post continues to forecast MY 2019/20 CPO domestic consumption at a similar level as the previous year at 3.6 million MT. MY 2020/21 CPO domestic consumption is forecast at nearly 3.8 million MT and is based on the assumption the GOM will renew their efforts to move towards a B20 mandate during the year.

Recent Palm Oil Prices

CY 2020	Crude #1	RBD Palm Oil	RBD Olein	RBD Stearin
	US\$/MT	US\$/MT	US\$/MT	US\$/MT
January	757.00	756.00	773.50	759.00
February	637.00	676.00	684.00	685.00
March	597.50	566.00	578.50	583.50
April	559.00	566.00	567.00	594.00
May	503.50	515.00	518.00	519.50
June	496.50	513.00	516.50	543.50
July	588.50	623.50	627.00	597.50
August	681.00	704.00	706.00	686.00
September	678.50	692.50	698.50	691.50

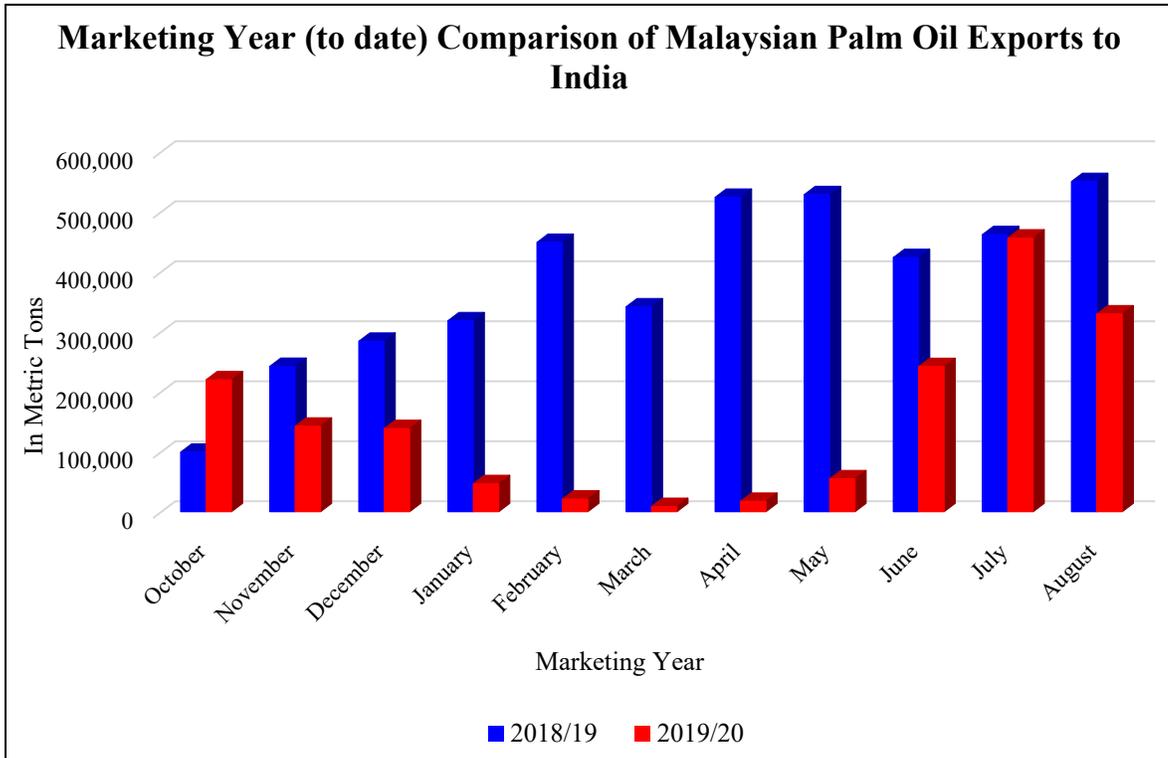
Source: MPOB

Crude #1= Prices FOB Northwest European Market

RBD=Refined, Bleached and Deodorized (RBD)

Trade

Post maintains its MY 2019/20 CPO export estimate at 16.8 million MT. As forecast in Post's June 30, 2020 quarterly report, Indian import restrictions on Malaysian palm oil through the first eight months of the marketing year were only temporary and demand from India in the final four months of MY 2019/20 has increased significantly. Post's MY 2020/21 export estimate has been reduced 500,000 MT to 7 million MT. This decrease (compared to the June 30, 2020 quarterly report) is based on industry analyst expectations of a slower than previously forecast recovery in global demand for palm oil following the COVID-19 pandemic.



Source: MPOB

Post maintains its MY 2019/20 and MY 2020/21 CPO import estimates at 695,000 MT and 600,000 MT, respectively. Although the GOM continues to maintain import restrictions on CPO to keep stocks at manageable levels, analysts report some Malaysian refiners (with long-term agreements with suppliers in Indonesia) are allowed to continue to import.

Attachments:

No Attachments