

**Required Report:** Required - Public Distribution

**Date:** December 17,2020

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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 100,000 metric tons (MT) to 19.6 million MT as labor issues stemming from the COVID-19 pandemic continue to plague the industry. Post's MY 2020/21 CPO consumption estimate has been adjusted down 150,000 MT due to increasing speculation that a nationwide shift from a 10 percent to a 20 percent biodiesel blend mandate (currently scheduled for mid-2021) won't be realized until 2022. Post's MY 2020/21 CPO export estimate has been adjusted up 400,000 MT based on media reports India recently reduced its customs duty on CPO imports. Also supporting increased Malaysian CPO exports in MY 2020/21 are reports from Indonesia indicating the country recently increased its CPO export levy.

## 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	1722
Production	20800	20815	19000	19255	19700	19600
MY Imports	1055	1053	780	790	800	750
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	22494	22754	22072
MY Exports	18362	18339	16700	17211	17025	17400
MY Exp. to EU	1,900	2007	2000	2000	2000	1970
Industrial Dom. Cons.	2766	2789	2500	2791	2800	2850
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	3561	3625	3620
Ending Stocks	2449	2449	2254	1722	2104	1052
Total Distribution	24384	24397	22229	22494	22754	22072

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

### Production

Post's marketing year (MY) 2020/21 crude palm oil (CPO) production estimate has been adjusted down 100,000 metric tons (MT) to 19.6 million MT. This reduction (compared to the September 30, 2020 quarterly report) is based on industry feedback that disruption and labor shortages stemming from the COVID-19 pandemic continue to negatively impact production.

While more favorable weather the previous year is expected to positively impact Malaysian palm plantation yields in MY 2020/21, the acute shortage of manual labor is a particularly challenging issue. With up to 84 percent of the industry's labor force normally comprised of foreign migrant workers (mostly from India, Bangladesh, and Indonesia), pandemic-induced travel restrictions have exacerbated local plantation's ability to collect palm fruit. Adding uncertainty to the situation, a Government of Malaysia (GoM) moratorium on new migrant labor (initiated in June 2020) is due to end in December 2020, but there are still no clear guidelines on how foreign workers will be able to re-enter the country once the moratorium is lifted. Malaysia Palm Oil Board (MPOB) data through the first two months of the marketing year indicates production is down 3.5 percent compared to the same time the previous year.

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

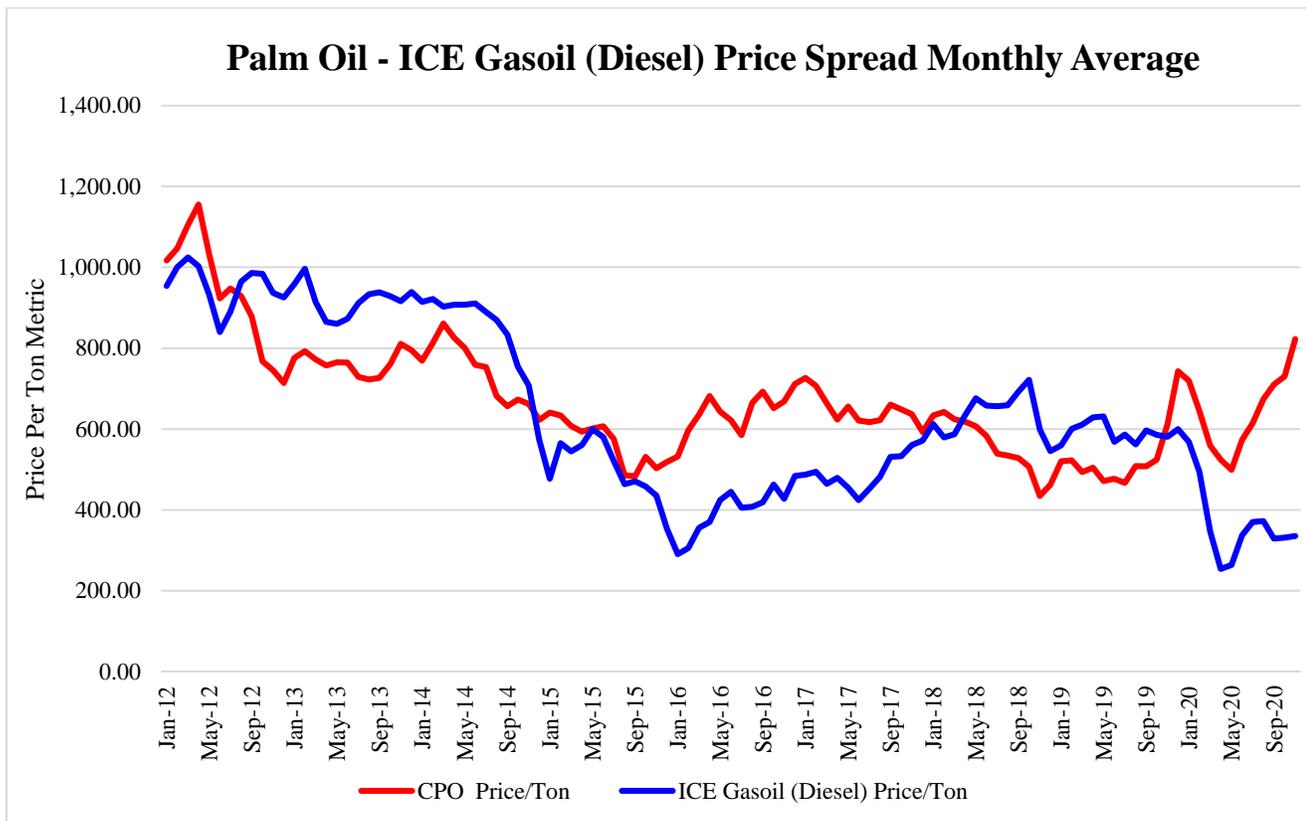
	2019/20	2020/21	Percentage Change
October	1,796	1,725	-4%

November	1,538	1,492	-3%
Total (Oct – Nov)	3,334	3,217	-3.5%

Source: MPOB

### Consumption

Post’s MY 2020/21 CPO consumption estimate has been adjusted down 150,000 MT (compared to the September 30, 2020 quarterly report) to 3.62 million MT. With CPO’s price premium over fossil diesel markedly higher in 2020 compared to 2019, the cost of maintaining the B10 blend mandate has also risen. Multiple analysts now expect a national B20 rollout (currently scheduled for mid-2021) won’t be realized until potentially 2022, supported by a return to price relationships more favorable for palm oil-based biodiesel.



Source: International Energy Agency and FAS USDA

### Trade

Post’s MY 2019/20 CPO export estimate has been adjusted up 410,000 MT (compared to the September 30, 2020 quarterly report) to 17.2 million MT based on full year MPOB data. Post’s MY 2020/21 CPO export estimate has been adjusted up 400,000 MT (compared to the September 30, 2020 quarterly report) to 17.4 million MT based on media reports that India (Malaysia’s largest CPO customer) has reduced its customs duty on CPO imports from 37.5 percent to 27.5 percent as of November 27, 2020 (for details, please click [here](#)). Also supporting increased Malaysian CPO exports in MY 2020/21 are reports from Indonesia (Malaysia’s largest competitor in the global CPO market) indicating the country increased its CPO export levy as of December 10, 2020 (for details, please click [here](#)).

**Attachments:**

No Attachments