

Required Report: Required - Public Distribution

Date: December 29, 2021

Report Number: MY2021-0019

Report Name: Oilseeds and Products Update

Country: Malaysia

Post: Kuala Lumpur

Report Category: Oilseeds and Products

Prepared By: Abdul Ghani Wahab

Approved By: Timothy Harrison

Report Highlights:

Post revised its MY 2021/22 crude palm oil (CPO) production downward from 18.2 million tons to 18.0 million tons, taking into account the effect of anomalous weather from the super typhoon Rai (a month of rain recorded in one day on December 18 in Peninsular Malaysia) and the continuing acute labor issue the industry has faced since 2019. Labor remained the biggest issue for the industry. The Government of Malaysia (GOM) recently concluded an MOU on migrant labor with Bangladesh, but a similar MOU with neighboring Indonesia, the primary supplier of migrant labor, remains outstanding. Post anticipates the labor issue may remain unresolved until the last quarter of 2022. As the price of CPO is expected to stabilize in mid-2022, CPO export is forecast to recover slightly to 16.3 million metric tons (MMT), though this recovery will continue to be restrained by production limitations and how quickly GOM is able to resolve the labor issue.

Palm Oil Production, Supply, and Distribution

Oil, Palm	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	5350	5350	5400	5400	5450	5400
Trees	0	0	0	0	0	0
Beginning Stocks	2,500	2,500	1,790	1,760	1,708	1,756
Production	19,255	19,255	17,854	17,844	19,700	18,000
MY Imports	790	790	1,300	1,365	900	1,300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	22,545	22,545	20,944	20,969	22,308	21,056
MY Exports	17,212	17,212	15,866	15,871	17,220	16,300
MY Exp. to EU	2,000	2,000	2,000	1,950	1,900	1,850
Industrial Dom. Cons.	2,720	2,720	2,600	2,622	2,600	2,650
Food Use Dom. Cons.	750	775	700	650	700	730
Feed Waste Dom. Cons.	73	78	70	70	70	70
Total Dom. Cons.	3,543	3,573	3,370	3,342	3,370	3,450
Ending Stocks	1,790	1,760	1,708	1,756	1,718	1,306
Total Distribution	22,545	22,545	20,944	20,969	22,308	21,256
(1,000 HA), (1,000 trees), (1,000 MT)						

Production

Post lowered the marketing year (MY) 2021/22 crude palm oil (CPO) production estimate at 18.0 million tons due to extreme weather recorded in December 2021 and lack of progress in resolving the labor issue since 2019.

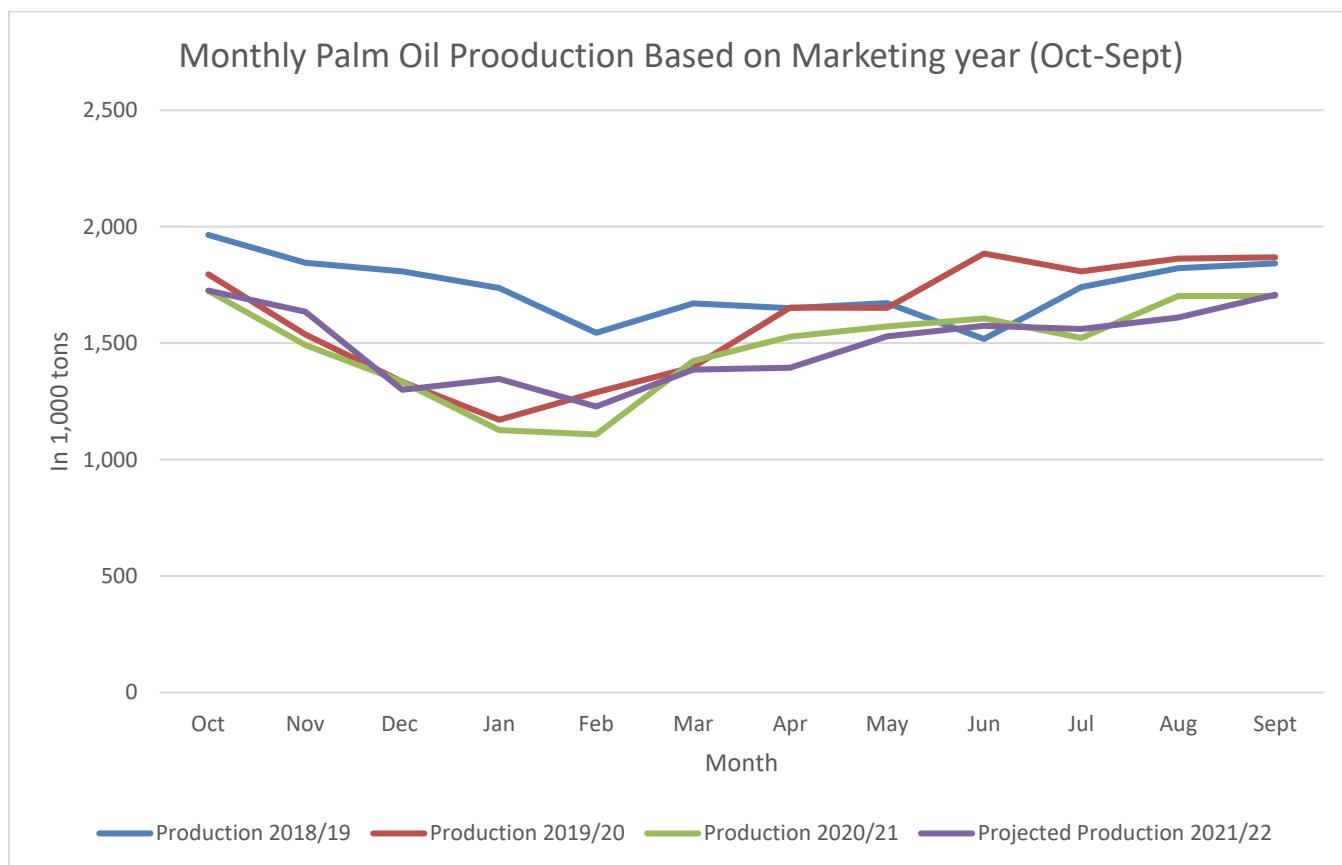
On December 16, a tropical depression caused by the super typhoon Rai led to torrential downpours throughout Peninsular Malaysia, where a month's worth of rainfall was recorded in a single day. This resulted in massive flooding across Peninsular Malaysia, and palm plantations located below sea level remain inundated with flood water for weeks. Post anticipates it will take months for the affected plantations to recover their production as many are inaccessible due to muddy ground. Post estimates the flood cost the industry around 1.1 percent of annual CPO production for 2021/22.

Labor issues remain the largest long-term constraint for the industry. Based on industry feedback, although GOM finalized an MOU on migrant labor with Bangladesh, the industry continues to prefer Indonesian migrant workers, who share similar culture and language and are more willing to work in the plantation sector.

As of late December, the Indonesian government is yet to sign an MOU with GOM on migrant labor and this delay has cost the industry dearly. It is estimated Malaysia lost around RM 9 billion in 2020 and RM 6 billion in 2019* due to the acute labor issue faced by the industry. To ensure the industry

operates at an optimum level, in late 2021 the Ministry of Plantation Industries and Commodities (MPIC) approved the recruitment of 32,000 migrant workers to work in the palm oil industry (pending MOUs with sending governments). However, the emergence of new COVID-19 variant Omicron complicated the situation as GOM delayed the opening of its international border for migrant workers.

*<https://www.theedgemarkets.com/article/year-two-halves-palm-oil-sector>



Source: MPOB

Note: The 2021/22 projection is based on actual MPOB data for the first two months and FAS/Kuala Lumpur analysis for the remaining ten months.

Consumption

Total domestic consumption for 2021/22 remains fairly stable at 3.45 MMT, given that GOM postponed the rollout of a B20 mandate (i.e., use of a 20 percent biodiesel blend) to mid-2022. Industrial domestic consumption remained at 2.65 MMT, a slight increase of 50,000 tons from 2020/21 figures. With interstate travel and dining out allowed, food use domestic consumption is projected to slightly increase to 730,000 tons for 2021/22.

Stocks

Ending stocks for MY 2021/22 are adjusted downward to 1.3 MMT, based on lower expected production.

Attachments:

No Attachments