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Malaysia

Oilseeds and Products Update

Palm Oil PS&D Revisions

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Report Highlights:
This report includes an updated palm oil PS&D table, including final estimates for the 2013/14 Oct/Sept. marketing year (MY). MY 2013/14 output reached a record, while exports fell, and ending stocks surpassed 2 million tons. For 2014/15, production is not expected to increase, and exports will face stiff competition from the large supplies of other vegetable oils.

Post:
Kuala Lumpur

Executive Summary:

Crude palm oil (CPO) production reached a record 20.16 million tons in 2013/14, fueled by growing output in East Malaysia. Area continues to grow in E. Malaysia, while productivity throughout remains stagnant. Erratic labor supplies, disease problems, varying production practices, and a leveling off of mature area will hinder production growth in 2014/15 and beyond.

CPO exports, meanwhile, were off from the previous year due to less shipments to certain key traditional markets, including China, Pakistan, and the United States. Large supplies and increased availability of competing vegetable oils slowed exports. Imports also fell as trade with Indonesia became less attractive.

With higher production and lower exports, and only modest growth in domestic use, 2013/14 ending stocks surpassed the psychologically important level of 2 million tons to finish the year at 2.09 million. As a result of the growth in ending stocks, and continued pressure on prices, the CPO export tax is expected to remain at zero through at least December 2014.

Palm Oil PSD Table

Palm Oil	2012/2013		2013/2014		2014/2015 (f)	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,481	2,481	1,784	1,784	2,304	2,090
Production	19,321	19,321	20,200	20,160	21,250	20,500
MY Imports	957	957	350	274	350	350
Total Supply	22,759	22,759	22,334	22,218	23,904	22,940
MY Exports	18,524	18,524	17,350	17,308	18,000	18,000
Industrial Cons.	1,781	1,781	2,000	2,140	2,250	2,100
Food Use	630	630	640	640	650	650
Feed Use	40	40	40	40	40	40
Total Dom. Cons.	2,451	2,451	2,680	2,820	2,940	2,790
Ending Stocks	1,784	1,784	2,304	2,090	2,964	2,150
Total Distribution	22,759	22,759	22,334	22,218	23,904	22,940

Production

East Malaysia, which accounted for about two-thirds of the expansion of production in 2013/14, is driving the overall increase in output. Of the States in East Malaysia, Sarawak is growing the fastest. Indeed, Sarawak is the only State in all of Malaysia where consistent growth has occurred in recent years. Output in other key producing States such as Sabah, Pahang and Kelantan has been more erratic. Although Peninsular (P) Malaysia still accounts for slightly more than 50 percent of total production, output in E. Malaysia is expected to soon overtake that of P Malaysia. Limited land availability prevents expansion in P. Malaysia, while plans for area expansion continue in E. Malaysia, particularly in Sarawak. Despite an indication of expansion in mature area in E. Malaysia, given stagnant productivity levels overall, production in 2014/15 is not expected to increase significantly over 2013/14.

CPO Marketing Year Production (Oct/Sept) by State

States	2009/10	Change	2010/11	Change	2011/12	Change	2012/13	Change	2013/14
Johor	2,937,980	-0.63	2,919,605	-5.11	2,770,456	8.95	3,018,449	4.31	3,148,456
Kedah	297,782	-0.79	295,427	8.82	321,491	-7.66	296,866	-6.92	276,331
Kelantan	252,929	-7.91	232,926	7.91	251,342	15.86	291,206	0.64	293,058
Negeri Sembilan	547,184	11.72	611,314	8.22	661,548	1.44	671,082	-3.57	647,097
Pahang	2,665,967	1.12	2,695,698	0.79	2,716,968	9.23	2,967,684	1.49	3,011,773
Perak	1,878,812	2.02	1,916,769	-0.36	1,909,862	-1.95	1,872,566	7.40	2,011,191
Selangor	622,178	-3.23	602,092	4.89	631,512	-11.69	557,686	-2.40	544,290
Terengganu	499,219	1.28	505,631	-4.65	482,142	3.86	500,763	-0.73	497,111
Other States	204,892	11.88	229,233	-5.97	215,548	-7.12	200,199	4.95	210,103
P. Malaysia	**9,906,943**	**1.03**	**10,008,695**	**-0.48**	**9,960,869**	**4.17**	**10,376,501**	**2.53**	**10,639,410**
Sabah	5,677,094	-0.60	5,642,823	-5.54	5,330,161	10.39	5,884,024	3.46	6,087,466
Sarawak	2,181,113	**17.26**	2,557,624	**9.86**	2,809,922	**9.03**	3,063,619	**12.08**	3,433,820
E. Malaysia	**7,858,207**	**4.36**	**8,200,447**	**-0.74**	**8,140,083**	**9.92**	**8,947,643**	**6.41**	**9,521,286**
Malaysia	17,765,150	2.50	18,209,142	-0.59	18,100,952	6.76	19,324,144	4.33	20,160,696

Area and Yield

The national average yield in 2013/14 declined slightly (from 3.79 tons to 3.77 tons/HA); however, the decline in overall productivity was compensated by an increase in mature area. Mature area has increased about 5.86 percent since 2011. Meanwhile, planted area increased from 4.98 million hectares in 2011 to 5.21 million hectares in 2013, an increase of 4.6 percent. An erratic labor supply, disease, and varying management practices continue to hamper productivity increases.

Palm Oil Yield (Tons/Hectares) Marketing Year (Oct/Sept) by States

States	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Johor	3.76	3.75	3.75	3.77	3.65	3.89	4.01
Kedah	4.07	4.47	4.47	3.90	4.15	4.01	3.70
Kelantan	2.92	2.61	2.61	2.36	2.40	2.80	2.62
Negeri Sembilan	3.79	3.94	3.94	3.81	3.79	4.00	3.86
Pahang	3.77	3.82	3.82	3.75	3.69	4.07	3.98
Perak	4.48	4.51	4.51	4.26	4.15	3.99	4.13
Selangor	4.08	4.08	4.08	3.98	4.10	3.80	4.01
Terengganu	3.01	2.80	2.80	3.02	3.09	3.13	3.00
P. Malaysia	**3.80**	**3.86**	**3.86**	**3.65**	**3.69**	**3.77**	**3.68**
Sabah	4.93	4.41	4.41	4.49	4.14	4.51	4.61
Sarawak	3.39	3.24	3.24	3.35	3.33	3.32	3.87
E. Malaysia	**3.32**	**3.83**	**3.83**	**3.92**	**3.74**	**3.92**	**4.24**
Malaysia	3.86	3.85	3.85	3.70	3.69	3.79	3.77

Oil Palm Area By State, as of December 2011 (HA)

State	Mature	%	Immature	%	Total
Johore	631,210	87.5	89,935	12.5	721,145
Kedah	76,442	93.9	4,975	6.1	81,417
Kelantan	86,853	67.3	42,111	32.7	128,964
Melaka	48,959	92.6	3,892	7.4	52,851
N. Sembilan	145,422	88.4	19,091	11.6	164,513
Pahang	591,319	85.1	103,482	14.9	694,801
Perak	347,658	89.8	39,584	10.2	387,242
Selangor	122,453	91.2	11,780	8.8	134,233
Terengganu	137,353	82	30,081	18	167,434
Sabah	1,274,620	89	157,142	11	1,431,762
Sarawak	805,905	78.9	215,682	21.1	1,021,587
Total					4,985,949

Oil Palm Area By State, as of December 2013 (HA)*

State	Mature	%	Immature	%	Total
Johore	639,946	87.58	90,748	12.42	730,694
Kedah	77,843	91.38	7,339	8.62	85,182
Kelantan	94,320	67.35	45,715	32.65	140,035
Melaka	49,635	94.18	3,069	5.82	52,704
N. Sembilan	142,452	83.77	27,596	16.23	170,048
Pahang	609,962	85.89	100,233	14.11	710,048
Perak	344,271	89.52	40,323	10.48	384,594
Selangor	125,122	91.33	11,881	8.67	137,003
Terengganu	137,289	80.99	32,231	19.01	169,520
Sabah	1,330,039	90.17	145,069	9.83	1,475,108
Sarawak	961,857	82.85	199,041	17.15	1,160,898
Total					5,215,834

*Excludes Penang and Melaka

Consumption

Driven by lower prices, consumption increased from 2.45 million tons to 2.82 million tons, with almost all the increase coming from the industrial sector. Full implementation of the biodiesel mandate continues to be a government priority, but as of yet the program accounts for little more than 10 percent of total industrial use. Domestic consumption is not forecast to increase in 2014/15.

Exports

Exports in 2013/14 were off about 1.2 million tons, or about 6.5 percent, from the previous year. Affected by lower prices of competing vegetable oils, and continued competition from Indonesia, shipments to major buyers China, Pakistan, and the U.S. declined. Shipments to India, on the other hand, increased 28 percent relative to the previous year. Removing the export tax at the end of the MY resulted in a resurgence in exports, which should continue through the end of calendar year 2014. However, the large global supplies of other vegetable oils, combined with continued growth in availability from Indonesia, will limit export growth in 2014/15.

Export Matrix (Oct/Sept) ('000 tons)

Country	2011/12	2012/13	2013/14
China	3,419	3,781	3,040
India	2,374	2,376	3,031
EU	2,202	2,264	2,412
Pakistan	1,552	1,479	947
USA	1,063	1,039	835
Egypt	810	383	346
Japan	532	569	511
Philippines	602	230	446
Singapore	549	569	475
Vietnam	410	465	581
Other	3,993	5,369	7,715
Total	17,506	18,524	17,308

Exports to 5 Top Markets (Oct/Sept)

Country	2008/09	2009/10	2010/11	2011/12	2012/13	% Change	2013/14
China	3,715,054	3,419,036	3,715,054	3,419,036	3,780,699	-20	3,040,153
India	1,386,576	2,374,342	1,386,576	2,374,342	2,376,251	28	3,034,563
EU	1,936,859	2,201,699	1,936,859	2,201,699	2,264,189	7	2,412,265
Pakistan	1,853,872	1,551,988	1,853,872	1,551,988	1,479,580	-36	946,928
USA	1,012,530	1,062,589	1,012,530	1,062,589	1,039,377	-20	835,172

While shipments to the new and emerging markets of Benin, Iran, Bangladesh and Angola, dropped in the most recently concluded year, their overall performance for the last 5 years has been very positive.

Exports to New and Emerging Markets (Oct/Sept)

Country	2008/09	2009/10	2010/11	2011/12	2012/13	% Change	2013/14
Benin	392,830	369,643	321,355	197,142	488,551	-11	436,595
Iran	309,440	277,380	308,008	464,880	753,883	-45	417,735
Bangladesh	139,275	181,396	165,398	244,284	426,995	-19	345,546
Angola	19,480	37,189	73,303	90,626	151,424	-8	139,538