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Malaysia

Oilseeds and Products

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Report Highlights:

Malaysia's crude palm oil (CPO) production dropped 2.9 percent to 1.2 MMT in June 2007. Yields are still lagging behind those in the previous year but are expected to recover in Jul-Sep quarter. Despite an increase in CPO production, a sharp drop in palm oil exports resulted in an increase in carryout stocks to 1.2 MMT at the end of June. Palm oil prices strengthened during the last week of July reflecting the increase in overseas demand and the surge in US crude oil prices.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled 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 dropped 2.9 percent to 1.2 MMT in June 2007. Output in Peninsular Malaysia was marginally lower while East Malaysia's production declined by 5.8 percent. Compared to June 2006, output during June 2007 was 12 percent lower. Yields are still lagging behind those in the previous year but are expected to recover in the July-Sep quarter. Post revised CPO output at 4.6 MMT for the Jul-Sep period, bringing total CPO production for 2006/07 to 15.4 MMT.

Price

Palm oil prices strengthened during the last week of July upon news of India's import duty reduction on CPO and Palm Olein and the sharp increase in US crude oil to above US\$77 per barrel. October contacts touched RM2,583/MT on July 27, about RM77 higher than the previous week. Overall, the monthly average delivered CPO price rose from RM2,609/MT in June to RM2,640/MT in July. For comparison, the average CPO price for July 2006 was RM1,447/MT. Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also increased from US\$792/MT in June to US\$793/MT in July.

Stocks

Despite a drop in CPO production, a sharp decline in palm oil exports resulted in an increase in carryout stocks to 1.2 MMT at the end of June. With an anticipated smaller increase in CPO output in Jul-Sep quarter, Post revised the stock level downwards to 1.5 MMT by the end of September.

Trade

Preliminary official PO exports decreased by 18 percent to 945 TMT in June while cargo surveyor Societe Generale de Surveillance reported exports of 936 TMT for the first 25 days of July, 12 percent higher than the amount exported during the corresponding period of the previous month. In the month of July, India initially reduced the import duty on CPO from 50 percent to 40 percent but later adjusted it higher to 45 percent. Import duty on refined palm olein was also reduced from 57.5 percent to 52.5 percent.

Exchange Rate: US\$1.00 = RM3.476 (Jun 27,2007); RM3.465 (Jul 27,2007)

Annual Situation

Changes in the PS&D table reflect downward revisions in CPO production in FY2006/07. The palms have not recovered from the biological stress although a turn-around is expected in the Jul-Sep quarter. With lower CPO production, carryout stocks for both 2006/07 and 2007/08 were reduced downwards.

	Revised 2005/06	Prelim 2006/07	Forecast 2007/08
(1,000 MT)			
Beg Stock	1,436	1,800	1,500
Production	15,486	15,350	16,600
Imports	696	280	300
Total Supply	17,618	17,430	18,400
Exports	12,781	13,825	13,800
Domestic Use	3,037	2,105	3,150
Ending Stock	1,800	1,500	1,450

Quarterly Outlook for Palm Oil

	2006 1/	2007 2/	2006 1/	2007 2/
	Apr-Jun	Apr-Jun	Jul-Sep	Jul-Sep
(1,000 MT)				
Beg Stocks 3/	1,586	1,337	1,646	1,310
Prod- Pen. Mal	2,397	1,895	2,664	2,425
- East Mal	1,633	1,598	1,858	2,150
- Total	4,030	3,493	4,522	4,575
Imports	148	71	51	80
Total Supply	5,764	4,901	6,219	5,856
Exports 4/	3,292	3,215	3,553	3,850
Dom Disap 5/	826	485	867	506
End Stocks	1,646	1,201	1,799	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

	2006	2006	2007	2007	2007
	Jun	Jan-Jun	May	Jun	Jan-Jun
(1000 MT)					
CPO:					
Pen. Malaysia	826	3,386	644	642	3,582
East Malaysia	565	2,547	557	525	3,097
- Total /1	1,391	5,933	1,201	1,167	6,679
Palm Kernel: Malaysia	364	1,595	313	289	1,755
Palm Kernel Oil: Malaysia	172	737	153	138	849
Palm Kernel Meal: Malaysia	194	834	173	157	961

1/ Revised

Prices

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US\$/MT	US\$/MT	US\$/MT
Jul 2006	1,447	421	431	404
Aug	1,605	468	477	422
Sep	1,524	451	457	419
Oct	1,515	441	450	408
Nov	1,690	487	493	432
Dec	1,865	548	553	482
Jan 2007	1,930	567	574	517
Feb	1,927	567	578	526
Mar	1,959	585	588	544
Apr	2,209	648	676	624
May	2,472	748	752	721
Jun 1/	2,609	792	796	777
Jul (till 26)	2,637	793	767	759

1/ Revised 2/ From July 2006, Prices are for West Malaysia only

Exchange Rate: US\$1.00 = RM3.476 (Jun 27,2007); RM3.465 (Jul 27,2007)

Stock

	2006	2007	2007	2007
	Jun	Apr	May 1/	Jun
(1,000 MT)				
Crude P. Oil	940	534	492	517
Processed PO	708	657	625	684
- Total PO	1,648	1,191	1,117	1,201
Palm Kernel	199	126	111	104
P. Kernel Oil	329	312	267	215

1/ Revised