

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Malaysia

### Oilseeds and Products Update

#### Palm Oil Quarterly Report: October-December 2018

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**Report Highlights:**

Crude palm oil (CPO) production in marketing year (MY) 2018/19 is forecast down a half million metric tons (compared to official USDA estimates for the same year) due to industry reports that labor shortages are expected to continue to be a limiting factor for production during the year. With the recent Government of Malaysia (GOM) administrative change and the currently very low CPO price, there is reportedly strong political interest in finally establishing an option for a 10 percent biodiesel blend (B10) at gas stations nationwide by mid-2019. As analysts report the 2019 move to B10 will likely only be an option (depending on the region) and not a steadfast mandate, Post expects CPO domestic consumption to only moderately increase in MY 2018/19.

**Post:**

Kuala Lumpur

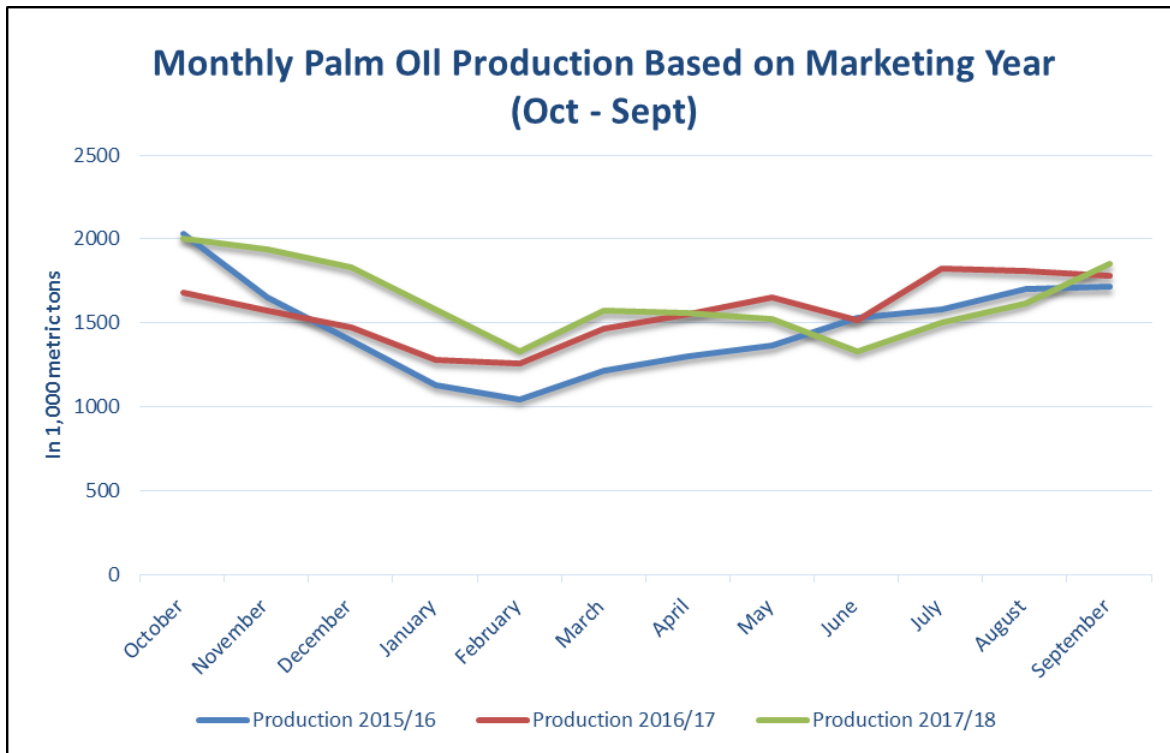
Palm Oil Production, Supply, and Demand Table

<b>Oil, Palm</b>	<b>2016/2017</b>		<b>2017/2018</b>		<b>2018/2019</b>	
<b>Market Begin Year</b>	<b>Oct 2016</b>		<b>Oct 2017</b>		<b>Oct 2018</b>	
<b>Malaysia</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
Area Planted	0	0	0	0	0	0
Area Harvested	4,900	4,900	5,200	5,200	5,300	5,300
Trees	0	0	0	0	0	0
Beginning Stocks	1,460	1,460	1,904	1,904	2,748	2,748
Production	18,858	18,858	19,683	19,683	20,500	20,000
MY Imports	598	598	750	750	700	500
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	20,916	20,916	22,337	22,337	23,948	23,248
MY Exports	16,313	16,313	16,469	16,469	17,900	17,200
MY Exp. to EU	1,800	1,800	1,850	1,850	1,900	2,000
Industrial Dom. Cons.	1,964	1,964	2,350	2,350	2,625	2,550
Food Use Dom. Cons.	670	670	700	700	750	750
Feed Waste Dom. Cons.	65	65	70	70	75	50
Total Dom. Cons.	2,699	2,699	3,120	3,120	3,450	3,350
Ending Stocks	1,904	1,904	2,748	2,748	2,598	2,698
Total Distribution	20,916	20,916	22,337	22,337	23,948	23,248

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

### Production

Crude palm oil (CPO) production in marketing year (MY) 2018/19 is forecast down a half million metric tons (compared to official USDA estimates for the same year). Industry contacts report labor shortages are expected to continue to negatively impact production throughout the country during the year.



Source: Malaysia Palm Oil Board (MPOB)

### Consumption

Post estimates MY 2017/18 domestic consumption was at 3.12 million tons, in line with official USDA estimates. With the recent administrative change within the Government of Malaysia (GOM) combined with the currently very low CPO prices, there is reportedly strong political interest in finally establishing an option for a 10 percent biodiesel blend at gas stations by mid-2019. As analysts report the 2019 move to B10 will likely only be an option (depending on the region) and not a steadfast, nationwide increase from the current seven percent blend mandate, Post expects CPO domestic consumption to only moderately increase in MY 2018/19 to 3.35 million tons.

## Prices – 2017 and 2018

	Crude #1	RBD Palm Oil	RBD Olein	RBD Stearin
	US\$/MT	US\$/MT	US\$/MT	US\$/MT
January 2017	809	746	752	749
February	774	729	757	742
March	736	701	706.5	678
April	685	671	679	618
May	727	681.5	693.5	606
June	677	667.5	673.5	597
July	665	713	718	688.5
August	690.5	730	735	727
September	727.5	747	754	755
October	676	670	678	680
November	670.5	672	681.5	683
December	622	617.5	616.5	615
January 2018	632	636	649.5	656
February	634.5	635.5	651.5	662
March	630.5	646.5	651	641.5
April	624.5	645.5	647	646
May	622	632	633	612
June	582.5	595	606.5	596.5
July	591.5	594.5	600	595
August	553	564.5	557	552.5
September	530	551.5	559.5	539.5
October	511.5	543	553	531.5

Source: MPOB

Crude #1= Prices FOB Northwest European Market

RBD=Refined, Bleached and Deodorized (RBD)

## Trade

Post estimates CPO exports in MY 2017/18 were at 16.5 million tons, in line with official USDA estimates. India (Malaysia's largest CPO customer for the past multiple years, according GTA and MPOB data) introduced a new import tax on CPO in early 2018 which significantly impacted trade flows during the year. Malaysian CPO also saw stiff competition from low priced soybeans and

rapeseed in the international market during the year. Although strong competition from other oilseeds in the international market and India’s import tax will likely limit upside, Post forecasts Malaysia’s CPO exports in MY 2018/19 at 17.2 million tons as a result of steady demand from China, the European Union (EU) and other key customers.



Source: MPOB

Post estimates CPO imports for MY 2018/19 will reach 500,000 tons, significantly less than the previous year’s estimates. GOM continues to maintain import restrictions on CPO to keep stocks at manageable levels. Although GOM maintains these restrictions, some Malaysian refiners (with long-term agreements with suppliers in Indonesia) are reportedly allowed to continue to import.

**Stocks**

Post expects MY 2018/19 ending stocks to slightly decrease to 2.7 million tons as consumption and exports outpace production.

Source:  
MPOB

