

FOREWORD

The year 2013 saw mixed performance of the Malaysian oil palm industry. Crude Palm Oil (CPO) production and export demand increased while imports were low throughout the year. The average price of CPO although lower than the previous year, was on an uptrend from a low of RM2,221 in January 2013 to close at RM2,574.50 in December 2013.

The oil palm planted area in 2013 reached 5.23 million hectares, an increase of 3.0% as against 5.08 million hectares recorded in the previous year. This was mainly due to the increase in new planted area in Sarawak, which recorded an increase of 7.9% or 84,660 hectares. Sabah is still the largest oil palm planted state, with 1.48 million hectares or 28% of total oil palm planted area, followed by Sarawak with 1.16 million hectares or 22%, while Peninsular Malaysia accounted for 2.59 million hectares or 50%.

In 2013, CPO production recorded an increase of 2.3% to 19.22 million tonnes against 18.79 million tonnes recorded in 2012. This was due to the higher FFB yield by 0.7% as well as additional new matured areas coming into production especially in Sarawak. CPO production in Peninsular Malaysia recorded an increase of 0.1% to 10.33 million tonnes, while Sabah increased by 4.2% to 5.78 million tonnes and Sarawak increased by 6.5% to 3.11 million tonnes.

The FFB yield for 2013 was higher by 0.7% to arrive at 19.02 tonnes per hectare from 18.89 tonnes per hectare achieved in 2012. Sabah accounted for the highest FFB yield, registering an increase of 2.4% to 20.88 tonnes per hectare as 65% of Sabah's oil palm planted area are in the peak production age (10 to 24 years). Peninsular Malaysia also recorded an increase of 1.1% to 19.26 tonnes per hectare, while Sarawak decreased by 1.7% to register at 16.23 tonnes per hectare. Sarawak's FFB yield is relatively lower as 28% of the matured area are young palms (4-6 years).

OER was lower in 2013, registering a decline of 0.5 % to 20.25 percent. This was mainly due to the effect of excessive rainfalls; and hot and dry weather in June and July as well as low quality crops from new matured areas coming into production especially in Sarawak.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 4.5% to 25.70 million tonnes in 2013 from 24.59 million tonnes exported in 2012. Total export revenue, however, declined by 14.1% to RM61.36 billion compared to the RM71.45 billion achieved in 2012 due to lower export prices of all palm products. Palm oil recorded a decrease of 14.6% to RM45.27 billion as against the previous year which was recorded at RM52.99 billion tonnes.

Exports of palm oil increased by 3.3% to 18.15 million tonnes. The increase in palm oil exports was mainly due to higher demand from China, P.R, Bangladesh, the EU, Iran and Pakistan as well as impact of CPO export duty structure, implemented in January 2013 which saw

increase in exports of processed palm oil by 9.5% from 12.93 million tonnes in 2012 to 14.16 million tonnes in 2013.

China, P.R continued to maintain its position as the largest palm oil export market since 2002, with off-takes totaling 3.70 million tonnes or 20.4% of total palm oil exports, followed by the European Union (EU) 2.34 million tonnes (12.9%), India 2.33 million tonnes (12.8%), Pakistan 1.43 million tonnes (7.9%), USA 1.01 million tonnes (5.7%), Iran 0.64 million tonnes (3.5%) and Japan 0.50 million tonnes (2.8%). These seven (7) markets combined accounted for 11.96 million tonnes or 65.9% of total Malaysian palm oil exports in 2013.

Palm oil exports to China, P.R increased significantly by 5.6% to 3.70 million tonnes in 2013 from 3.50 million tonnes exported in 2012. The increase was attributed to lower imports of soyabean oil, amounting to 0.89 million tonnes.

Exports of palm oil to Benin increased by 0.19 million tonnes (68.7%) to 0.47 million tonnes in 2013 from 0.28 million tonnes in 2012 mainly attributed to re-exports to its neighbouring countries, i.e. Nigeria and Togo.

Exports of palm oil to Bangladesh increased by 61.6% to 0.44 million tonnes from 0.27 million tonnes due to palm oil's price competitiveness as against other vegetable oils. Palm oil price was at a discount of US\$200/tonne against soyabean oil and US\$225/tonne against rapeseed oil.

Exports of palm oil to the EU increased by 5.2% to 2.34 million tonnes from 2.22 million tonnes in 2012 due to the palm oil's price competitiveness as against other vegetable oils as well as increase in consumption not only for biodiesel but also for the generation of electricity and heat.

The lower import of rapeseed and sunflower seed for domestic crushing activity had contributed to the increase in palm oil export to Pakistan by 6.8% to 1.44 million tonnes.

Meanwhile, exports of palm oil to Iran increased by 15.8% to 0.64 million tonnes from 0.55 million tonnes during the same period of last year. This was attributed to the reduced imports of oilseeds and oilseed products arising from the financial sanctions imposed on the country. The shift in demand was favorable to palm oil imports from Malaysia and Indonesia.

While most major markets registered increases in off-takes, some markets recorded declines in exports, namely India, Philippines, and UAE. Malaysian exports of palm oil to India declined by 11.9% to 2.33 million tonnes from 2.64 million tonnes the previous year due to higher import of Indonesian palm oil. According to Oil World, the Indian intake of Indonesian palm oil during January-October 2013 had increased by 15.6% to 4.81 million tonnes from 4.16 million tonnes during the same period of 2012.

Export of palm oil to the Philippines also declined by 27.5% to 0.21 million tonnes from 0.29 million tonnes due to sufficient availability of coconut oil for domestic consumption due to unattractive prices for export.

Meanwhile, export of palm oil to UAE was down by 25.6% to 0.13 million tonnes from 0.17 million tonnes due to the decline in re-export activity to Iran as the latter imported palm oil directly from Malaysia.

Palm kernel oil exports increased by 7.9% to 1.17 million tonnes in 2013 from 1.08 million tonnes the year before. China, P.R was the major export market for palm kernel oil with 0.27 million tonnes (or 23.2% of total palm kernel oil exports), followed by USA 0.22 million tonnes (18.6%), the EU 0.21 million tonnes (17.7%) and Japan 0.08 million tonnes (6.7%).

Exports of palm kernel cake increased by 7.9% to 2.67 million tonnes in 2013 as against 2.47 million tonnes in 2012. The major palm kernel cake export markets were the EU with 0.83 million tonnes (or 31.2% of total palm kernel cake exports), New Zealand 0.78 million tonnes (29.4%) and South Korea 0.48 million tonnes (18.0%).

Exports of oleochemical products rose by 4.8% to 2.73 million tonnes in 2013 from 2.60 million tonnes in 2012. The increase in exports of oleochemical products was due to higher demand from the EU, China, P.R, USA and Japan. The major export markets for oleochemicals were the EU with 0.63 million tonnes (23.0% of total oleochemical exports), China, P.R 0.47 million tonnes (15.0%), USA 0.26 million tonnes (9.7%), Japan 0.21 million tonnes (7.7%) and India 0.15 million tonnes (5.3%). The major oleochemical products exported were fatty acids (0.91 million tonnes or 33.2% of total oleochemical exports), followed by fatty alcohol (0.52 million tonnes or 19.2%), methyl ester (0.51 million tonnes or 18.9%), soap noodles (0.41 million tonnes or 15.0%) and glycerine (0.34 million tonnes or 12.6%).

Imports of palm oil, however, declined by 60.1% to 0.56 million tonnes from 1.39 million tonnes recorded in 2012. The decline was due to higher domestic palm oil production, which had led to the higher supply availability. Indonesia was the major source of palm oil imports (both CPO & PPO) accounting for 89% of palm oil imports. Total palm oil imported from the country in 2013 amounted to 495,398 tonnes. This was followed by Thailand with 9% or 47,639 tonnes.

Palm oil stocks in 2013 was down by 24.4% to close at 1.99 million tonnes as compared to 2.63 million tonnes recorded in 2012. The lower closing stock was mainly due to higher exports by 3.1% to 18.12 million tonnes as well as decline in imports by 60.1% to 0.56 million tonnes.

In 2013 the overall CPO price trend showed an improved upward price performance as a result of the Government's measure to re-structure the CPO export duty. CPO price increased marginally by RM170.00 from its lowest level of RM2,221.00 in January, 2013, raising to RM2,391.00 in February, 2013. After which the price was generally on a downward trend until May, 2013, reaching the second lowest level at RM2,270.00, mainly resulting from market concerns over the build-up in domestic palm oil stock levels. However, the CPO price rebounded in June to reach RM2,386.50, but declined again to RM2,325 in July. After that, the CPO price rebounded to its highest level of RM2,574.50 in December mainly supported by higher export performance during the 3rd quarter of the year and concerns over palm oil supply disruption as a result of the monsoon season in the oil palm growing States of the East Coast and Johor. The super typhoon Haiyan in the Philippines which affected coconut oil

supplies, thus shifting some demand to palm oil-based substitutes added to the positive price sentiment.

However, the annual average CPO prices in 2013 was still lower, reaching RM2,371.00 per tonne as against RM2,764.00 per tonne in 2012, mainly pressured by market sentiments of a higher palm oil stock level at 2.56 million tonnes and 2.43 million in January and February 2013 respectively. In addition, the weaker soyabean oil and rapeseed oil prices in 2013, down by US\$169/tonne and US\$158/tonne to US\$1,057/tonne and US\$1,082/tonne respectively, further added to the bearish palm oil price sentiment.

In line with the overall decrease in local CPO price, coupled with the weaker Brent crude oil prices in 2013, down to US\$109.56/barrel as against US\$112.51/ barrel in 2012 and concerns over the uncertain global economic outlook during the first half of the year, which affected world vegetable oils demand, had pressured the average export prices for processed palm oil products. The price of RBD palm oil was down by RM492.00 or 16.6% to RM2,478.50; RBD palm olein by RM437.50 or 14.8% to RM2,525.50; RBD palm stearin by RM529.00 or 19.0% to RM2,257.00; and PFAD by RM639.00 or 25.3% to RM1,883.50.

The average price of PK in 2013, declined by RM151.00 or 9.9% to RM1,371.50 compared to RM1,522.50 during the same period of last year. The lower PK price was mainly due to the lower domestic CPKO price during the first half of the year. The price of CPKO declined by RM590.00 or 18.2% to RM2,659.50 from RM3,249.50 registered during the same period of last year. The lower prices were in tandem with the weaker world lauric oil prices, namely that of PKO which was lower by US\$213 or 19.2% to US\$897/tonne and coconut oil by US\$170 or 15.3% to US\$941/tonne as against US\$1,110/tonne and US\$1,111/tonne respectively in 2012.

The average FFB price at 1% OER was lower by 19.2% to RM24.39, down from the RM30.18 achieved in the previous year, which was in tandem with the lower CPO and PK prices. Based on the National oil extraction rate (OER), the average price of FFB in 2013 was equivalent to RM485/tonne as against RM615/tonne in the previous year.

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SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2012 & 2013

	2012	2013	DIFFERENCE	
			VOLUME / VALUE	(%)
PLANTED AREA (HECTARES)				
MALAYSIA	5,076,929	5,229,739	152,810	3.0
PENINSULAR MALAYSIA	2,558,103	2,593,733	35,630	1.4
SABAH	1,442,588	1,475,108	32,520	2.3
SARAWAK	1,076,238	1,160,898	84,660	7.9
CPO PRODUCTION (Tonnes)				
MALAYSIA	18,785,030	19,216,459	431,429	2.3
PENINSULAR MALAYSIA	10,319,774	10,328,025	8,251	0.1
SABAH	5,542,649	5,776,459	233,810	4.2
SARAWAK	2,922,607	3,111,975	189,368	6.5
CLOSING STOCKS (Tonnes)				
CRUDE PALM OIL	1,575,103	1,118,531	(456,572)	(29.0)
PROCESSED PALM OIL	1,052,316	868,580	(183,736)	(17.5)
TOTAL PALM OIL	2,627,419	1,987,111	(640,308)	(24.4)
EXPORT (Tonnes)				
PALM OIL	17,575,486	18,146,823	571,337	3.3
PALM KERNEL OIL	1,084,618	1,170,800	86,181	7.9
PALM KERNEL CAKE	2,473,732	2,668,393	194,661	7.9
OLEOCHEMICALS	2,601,377	2,726,930	125,553	4.8
BIODIESEL	28,983	175,032	146,049	6 folds
FINISHED PRODUCTS	361,143	367,161	6,019	1.7
OTHER PALM PRODUCTS	465,686	447,568	(18,118)	(3.9)
TOTAL EXPORTS (Tonnes)	24,591,025	25,702,707	1,111,682	4.5
EXPORT REVENUE (RM MILLION)				
PALM OIL	52,994.56	45,269.23	(7,725.33)	(14.6)
PALM KERNEL OIL	4,097.34	3,406.38	(690.96)	(16.9)
PALM KERNEL CAKE	1,027.81	1,278.66	250.85	24.4
OLEOCHEMICALS	11,458.38	9,297.66	(2,160.72)	(18.9)
BIODIESEL	98.44	502.61	404.17	5.1 folds
FINISHED PRODUCTS	1,494.71	1,356.29	(138.42)	(9.3)
OTHER PALM PRODUCTS	276.92	252.52	(24.40)	(8.8)
TOTAL REVENUE (RM MILLION)	71,448.16	61,363.35	(10,084.81)	(14.1)
IMPORT (TONNES)				
PALM OIL	1,391,483	555,776	(835,707)	(60.1)
PALM KERNEL OIL	366,684	140,435	(226,249)	(61.7)

	2012	2013	DIFFERENCE	
			VOLUME / VALUE	(%)
PRICE (RM/TONNE)				
FFB (MILL GATE)	615.00	485.00	(130.00)	(21.1)
CPO (LOCAL DELIVERED)	2,764.00	2,371.00	(393.00)	(14.2)
PALM KERNEL (EX-MILL)	1,522.50	1,371.50	(151.00)	(9.9)
CPKO (LOCAL DELIVERED)	3,249.50	2,659.50	(590.00)	(18.2)
RBD PALM OIL (FOB)	2,970.50	2,478.50	(492.00)	(16.6)
RBD PALM OLEIN (FOB)	2,963.00	2,525.50	(437.50)	(14.8)
RBD PALM STEARIN (FOB)	2,786.00	2,257.00	(529.00)	(19.0)
PFAD (FOB)	2,522.50	1,883.50	(639.00)	(25.3)
OER (%)				
MALAYSIA	20.35	20.25	(0.10)	(0.5)
PENINSULAR MALAYSIA	19.98	19.86	(0.12)	(0.6)
SABAH	21.02	21.05	0.03	0.1
SARAWAK	20.43	20.12	(0.31)	(1.5)
FFB YIELD (TONNES / HECTARE)				
MALAYSIA	18.89	19.02	0.13	0.7
PENINSULAR MALAYSIA	19.05	19.26	0.21	1.1
SABAH	20.40	20.88	0.48	2.4
SARAWAK	16.51	16.23	(0.28)	(1.7)

Note : Data revised on 10th Feb 2014