

## OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2014

### FOREWORD

The year 2014 saw mixed performance of the Malaysian oil palm industry. Crude Palm Oil (CPO) production, closing stocks and export revenue increased while export volume and imports declined. Average CPO price was marginally higher by 0.5% at RM2,383.50 compared to RM2,371.00 in 2013.

The oil palm planted area in 2014 reached 5.39 million hectares, an increase of 3.1% as against 5.23 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 8.8% or 102,493 hectares. Sabah is still the largest oil palm planted state, with 1.51 million hectares or 28% of total oil palm planted area, followed by Sarawak with 1.26 million hectares or 23%, while Peninsular Malaysia accounted for 2.62 million hectares or 49%.

In 2014, CPO production recorded an increase of 2.3% to 19.67 million tonnes against 19.22 million tonnes recorded in 2013. This was due to the higher OER by 1.8% to 20.62 percent and increase in new areas coming into production, especially in Sarawak. CPO production in Sabah and Sarawak increased by 4.8% and 10.5% to 6.06 million tonnes and 3.44 million tonnes respectively. CPO production in Peninsular Malaysia however recorded a decline of 1.5% to 10.17 million tonnes.

The FFB yield for 2014 was lower by 2.1% to arrive at 18.63 tonnes per hectare from 19.02 tonnes per hectare achieved in 2013. Sabah accounted for the highest FFB yield, registering an increase of 2.2% to 21.34 tonnes per hectare as 71% of Sabah's oil palm planted area are in the peak production age (8 to 24 years). Peninsular Malaysia and Sarawak however recorded declines. FFB yield for Peninsular Malaysia declined by 5.3% to 18.23 tonnes per hectare, while Sarawak declined by 0.6% to register at 16.13 tonnes per hectare. Sarawak's FFB yield is relatively lower as 25% of the matured area are young palms (4-6 years).

OER was higher in 2014, registering an increase of 1.8 % to 20.62 percent. This was mainly due to good weather with fair rainfalls in the first half of the year as well as better quality crops received by the mills.

Total exports of oil palm products declined by 2.5% to 25.07 million tonnes in 2014 from 25.70 million tonnes exported in 2013. Total export revenue, however, increased by 3.7% to RM63.62 billion compared to the RM61.36 billion achieved in 2013 due to higher export prices.

Palm oil export revenue, however declined by 1.7% to RM44.50 billion as against RM45.27 billion in 2013.

Exports of palm oil declined by 4.6% to 17.31 million tonnes. The decline in palm oil exports was mainly due to lower demand from China, P.R, Pakistan, USA, Ukraine, Iran, Bangladesh and Egypt.

India overtook China's position as the largest palm oil export market, with intake of 3.25 million tonnes or 18.8% of total palm oil exports, followed by China, P.R 2.84 million tonnes (16.4%), the European Union (EU) 2.41 million tonnes (13.9%), Pakistan 0.82 million tonnes (4.7%), USA 0.78 million tonnes (4.5%), Vietnam 0.60 million tonnes (3.5%) and Japan 0.51 million tonnes (3.0%). These seven (7) markets accounted for 11.22 million tonnes or 64.8% of total Malaysian palm oil exports in 2014.

Palm oil exports to India increased significantly by 39.8% to 3.25 million tonnes in 2014 from 2.33 million tonnes exported in 2013. The increase was attributed to lower imports of Indonesian palm oil, a decline of 21.2% to 4.21 million tonnes especially during January-November 2014 from 5.34 million tonnes in the same period of last year.

After maintaining its position as the largest palm oil market for 12 consecutive years since 2002, China, P.R came as the second with an intake of 2.84 million tonnes. Export of palm oil to China, P.R however, declined due to higher imports of soyabean, which was up by 12.6% to 71.40 million tonnes from 63.40 million tonnes recorded in 2013.

The price competitiveness of palm oil and increase usage of palm oil as feedstock in the production of biodiesel had prompted the higher export volume of palm oil to the EU by 3.2% to 2.41 million tonnes from 2.34 million tonnes in 2013.

Pakistan positioned as the fourth largest market after the EU with intake of 815,618 tonnes from 1.44 million tonnes exported in 2013. Export to the country, however declined by 43.2% attributed to higher import of palm oil from Indonesia and rapeseed from Canada.

Palm oil intake to Vietnam increased by 20.9% to 604,193 million tonnes from 499,918 tonnes as a result of lower import of palm oil from Thailand.

Meanwhile, exports of palm oil to USA declined by 23.7% to 783,105 tonnes due to high intake of palm oil from Indonesia, which increased by 10.9% to 383,100 tonnes, especially during January-November 2014 from 345,500 tonnes in the same period of last year.

Palm oil intake by Ukraine also declined by 67.8% to 105,528 tonnes from 327,752 tonnes due to high production of sunflower oil, i.e. up by 31.4% to 4.77 million tonnes in 2014 from

3.63 million tonnes attained in 2013. Similarly, export of palm oil to Iran declined by 29.6% to 447,058 tonnes from 635,258 tonnes due to higher import of soyabean from Argentina and sunflower oil from Russia.

Exports of palm oil to Bangladesh declined by 27.2% to 0.32 million tonnes from 0.44 million tonnes due to an increase of soyabean oil imports, up by 20.9% to 445,000 tonnes in 2014 from 368,000 tonnes in 2013. Palm oil intake by Egypt also declined by 22.5% to 0.35 million tonnes from 0.45 million tonnes as a result of high import of soyabean from Brazil and US for domestic crushing activity.

Palm kernel oil exports declined by 4.6% to 1.12 million tonnes in 2014 from 1.17 million tonnes the year before due to lower demand from China, P.R, USA and Japan. The EU was the major export market for palm kernel oil with 0.25 million tonnes (or 22.6% of total palm kernel oil exports), followed by China, P.R 0.21 million tonnes (18.6%), USA 0.19 million tonnes (16.6%), India 0.08 million tonnes (7.1%) and Japan 0.06 million tonnes (5.5%).

Exports of palm kernel cake also declined by 3.5% to 2.57 million tonnes in 2014 as against 2.67 million tonnes in 2013 due to lower demand from South Korea, Turkey, China, P.R and the EU. The major palm kernel cake export markets were New Zealand with 1.07 million tonnes (or 41.4% of total palm kernel cake exports), the EU 0.77 million tonnes (30.0%), South Korea 0.34 million tonnes (13.3%) and China, P.R 0.14 million tonnes (5.4%).

Exports of oleochemical products increased by 3.7% to 2.83 million tonnes in 2014 from 2.73 million tonnes in 2013. The increase in exports of oleochemical products was due to higher demand from China, P.R, Japan, UAE, the EU and India. The EU was the major export markets for oleochemicals with 0.64 million tonnes (22.5% of total oleochemical exports), followed by China, P.R 0.43 million tonnes (15.4%), USA 0.26 million tonnes (9.4%), Japan 0.22 million tonnes (7.9%) and India 0.16 million tonnes (5.5%). The major oleochemical products exported were fatty acids (0.91 million tonnes or 32.1% of total oleochemical exports), followed by methyl ester (0.57 million tonnes or 20.2%), fatty alcohol (0.53 million tonnes or 18.9%), soap noodles (0.44 million tonnes or 15.4%) and glycerine (0.35 million tonnes or 12.3%).

Imports of palm oil declined by 12.6% to 485,567 tonnes from 555,776 tonnes recorded in 2013. The decline in overall palm oil imports for 2014 was due to lower export demand for palm oil during the period, i.e. down by 4.6% or 840,576 tonnes to 17.31 million tonnes as well as ample palm oil stocks arising from higher domestic palm oil production (up by 2.3% or 450,557 tonnes to 19.67 million tonnes) to cater for the local processing sectors. The higher Indonesian CPO prices (averaging at RM2,560.50 per tonne as compared to Malaysian CPO average price of RM2,383.50 per tonne) was also deemed as a disincentive for Malaysian importers of Indonesian CPO. Almost all of palm oil imports (both CPO & PPO) were sourced from Indonesia. Total palm oil imported from the country in 2014 amounted to 478,763 tonnes.

Palm oil stocks closed at 2.01 million tonnes, higher by 1.3% compared to 1.99 million tonnes recorded in December 2013. The higher closing stocks was mainly due to higher CPO production by 2.3% to 19.67 million tonnes and lower palm oil exports by 4.8% to 17.28 million tonnes.

In 2014, the overall CPO price showed a slight upward trend, increased by 0.5% to RM2,383.50/tonne against RM2,371.00/tonne in 2013. The highest traded price was in March at RM2,855.00/tonne and the lowest price was in September at RM2,055.50/tonne.

CPO price was traded higher during the 1<sup>st</sup> half of 2014, averaging at RM2,605.00, up by 12.8% compared to RM2,310.00/tonne during the same period in 2013. The higher price was mainly due to tight domestic palm oil supply during this period.

However, price was generally on a downward trend during the 2nd half of 2014, averaging at RM2,183.00, down by 9.3% compared to RM2,407.50 during the same period in 2013. The lower prices was in line with the weaker soyabean oil prices resulting from bumper crops, coupled with the weaker Brent crude oil prices traded hovering USD60/barrel.

Processed palm oil export prices traded mixed. RBD palm oil traded higher by RM23.50 or 0.9% to RM2,502.00/tonne, RBD palm stearin traded higher by RM189.00 or 8.4% to RM2,446.00/tonne and PFAD traded higher by RM386.00 or 20.5% to RM2,269.50/tonne. However, RBD palm olein was traded lower by RM31.00 or 1.2% to RM2,494.50/tonne.

The average price of palm kernel (PK) in 2014, increased by RM299.00 or 21.8% to RM1,670.50 compared to RM1,371.50 during last year. The firmer PK price was mainly due to bullish domestic CPKO price sentiments during the 1<sup>st</sup> half of 2014. The price of CPKO during 2014 also increased by RM838.00 or 31.5% to RM3,497.50 from RM2,659.50 registered in 2013. The higher prices were in tandem with the firmer world lauric oil prices in 2014, namely that of PKO higher by US\$225 or 25.0% to US\$1,122/tonne and coconut oil by US\$340 or 36.1% to US\$1,281/tonne.

The average FFB price at 1% OER was higher by 5.5% to RM25.72, increased from RM24.39 achieved in the previous year, which was in tandem with the higher CPO and PK prices. Based on the national oil extraction rate (OER), the average price of FFB in 2014 was equivalent to RM521/tonne as against RM485/tonne in the previous year.

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## SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2014 &amp; 2013

	2014	2013	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PLANTED AREA (HECTARES)</b>				
MALAYSIA	5,392,235	5,229,739	162,496	3.1
PENINSULAR MALAYSIA	2,617,334	2,593,733	23,601	0.9
SABAH	1,511,510	1,475,108	36,402	2.5
SARAWAK	1,263,391	1,160,898	102,493	8.8
<b>CPO PRODUCTION (Tonnes)</b>				
MALAYSIA	19,666,953	19,216,459	450,494	2.3
PENINSULAR MALAYSIA	10,172,052	10,328,025	(155,973)	(1.5)
SABAH	6,055,558	5,776,459	279,099	4.8
SARAWAK	3,439,343	3,111,975	327,368	10.5
<b>CLOSING STOCKS (Tonnes)</b>				
CRUDE PALM OIL	995,529	1,118,531	(123,002)	(11.0)
PROCESSED PALM OIL	1,017,797	868,580	149,217	17.2
TOTAL PALM OIL	2,013,326	1,987,111	26,215	1.3
<b>EXPORT (Tonnes)</b>				
PALM OIL	17,306,247	18,146,823	(840,576)	(4.6)
PALM KERNEL OIL	1,116,697	1,170,800	(54,103)	(4.6)
PALM KERNEL CAKE	2,574,881	2,668,393	(93,512)	(3.5)
OLEOCHEMICALS	2,828,467	2,726,930	101,537	3.7
BIODIESEL	87,356	175,032	(87,676)	(50.1)
FINISHED PRODUCTS	449,624	367,161	82,463	22.5
OTHER PALM PRODUCTS	708,830	447,568	261,262	58.4
<b>TOTAL EXPORTS (Tonnes)</b>	<b>25,072,103</b>	<b>25,702,707</b>	<b>(630,605)</b>	<b>(2.5)</b>
<b>EXPORT REVENUE (RM MILLION)</b>				
PALM OIL	<b>44,498.45</b>	<b>45,269.23</b>	<b>(770.78)</b>	<b>(1.7)</b>
PALM KERNEL OIL	4,202.90	3,406.38	796.52	23.4
PALM KERNEL CAKE	1,263.20	1,278.66	(15.46)	(1.2)
OLEOCHEMICALS	11,291.98	9,297.66	1,994.32	21.4
BIODIESEL	257.37	502.61	(245.24)	(48.8)
FINISHED PRODUCTS	1,718.39	1,356.29	362.10	26.7
OTHER PALM PRODUCTS	386.59	252.52	134.07	53.1
<b>TOTAL REVENUE (RM MILLION)</b>	<b>63,618.87</b>	<b>61,363.35</b>	<b>2,255.52</b>	<b>3.7</b>
<b>IMPORT (TONNES)</b>				
PALM OIL	<b>485,567</b>	<b>555,776</b>	<b>(70,209)</b>	<b>(12.6)</b>
PALM KERNEL OIL	141,969	140,435	1,534	1.1

	2014	2013	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PRICE (RM/TONNE)</b>				
FFB (MILL GATE)	521.00	485.00	36.00	7.4
CPO (LOCAL DELIVERED)	2,383.50	2,371.00	12.50	0.5
PALM KERNEL (EX-MILL)	1,670.50	1,371.50	299.00	21.8
CPKO (LOCAL DELIVERED)	3,497.50	2,659.50	838.00	31.5
RBD PALM OIL (FOB)	2,502.00	2,478.50	23.50	0.9
RBD PALM OLEIN (FOB)	2,494.50	2,525.50	(31.00)	(1.2)
RBD PALM STEARIN (FOB)	2,446.00	2,257.00	189.00	8.4
PFAD (FOB)	2,269.50	1,883.50	386.00	20.5
<b>OER (%)</b>				
MALAYSIA	20.62	20.25	0.37	1.8
PENINSULAR MALAYSIA	20.19	19.86	0.33	1.7
SABAH	21.49	21.05	0.44	2.1
SARAWAK	20.43	20.12	0.31	1.5
<b>FFB YIELD (TONNES / HECTARE)</b>				
MALAYSIA	18.63	19.02	(0.39)	(2.1)
PENINSULAR MALAYSIA	18.23	19.26	(1.03)	(5.3)
SABAH	21.34	20.88	0.46	2.2
SARAWAK	16.13	16.23	(0.10)	(0.6)

Data update as at 18 Feb 2015