

## OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2019

### FOREWORD

The Malaysian oil palm industry in 2019 has shown a better performance as compared to that of in 2018. Improvements witnessed in key performance indicators, namely crude palm oil production, exports and palm oil stocks. Overall, CPO production, exports and imports of palm oil increased while palm oil stocks, CPO prices and total export earnings of oil palm products declined. Meanwhile, yield of fresh fruit bunches (FFB) witnessed a marginal increase.

Oil palm planted area in 2019 increased to 5.90 million hectares, an increase of 0.9% as against 5.85 million hectares in the previous year. Sarawak remained as the largest oil palm planted state for the third year, with 1.59 million hectares or 26.9% of the total Malaysian oil palm planted area, followed by Sabah with 1.54 million hectares or 26.2%. Oil palm planted area in Peninsular Malaysia amounted to 2.77 million hectares or 46.9%.

In 2019, CPO production increased marginally by 1.8%, to 19.86 million tonnes as against 19.52 million tonnes recorded in 2018. The increase was due to higher FFB processed, up by 0.5% arising from higher FFB yield which increased by 0.2%. Better OER performance, which was recorded higher by 1.3% to 20.21 percent as compared to 19.95 percent achieved in 2018 also contributed to higher CPO production. CPO production in Peninsular Malaysia and Sarawak increased by 3.8% and 1.4% to 10.58 million tonnes and 4.24 million tonnes respectively. However, CPO production in Sabah declined by 2.0% to 5.04 million tonnes.

Malaysia's FFB yield increased marginally by 0.2% to 17.19 tonnes per hectare in 2019 as against 17.16 tonnes per hectare in 2018. FFB yield in Peninsular Malaysia, which increased by 2.9% to 17.95 tonnes per hectare in 2019, offsetting the FFB declines in both Sabah and Sarawak of 2.8% to 17.66 tonnes per hectare from 18.16 tonnes per hectare and 1.1% to 15.56 tonnes per hectare from 15.74 tonnes per hectare in 2018 respectively.

In 2019, National oil extraction rate (OER) performance recorded an increase of 1.3% to 20.21 percent as against 19.95 percent in 2018, mainly due to better quality of FFB processed by palm oil mills. All Regions; namely Peninsular Malaysia, Sabah and Sarawak recorded a higher OER achievement by 1.2%, 1.8% and 0.9% to 19.93 percent, 20.97 percent and 20.03 percent from 19.69 percent, 20.60 percent and 19.85 percent respectively.

Total Malaysian exports of oil palm products in 2019 amounted to 27.88 million tonnes, higher by 12.1% from 24.88 million tonnes exported in 2018. Total export revenue, however, declined by 4.0% to RM64.84 billion as compared to the RM67.52 billion in 2018 due to lower prices in world trade. In 2019, palm oil export earnings alone declined by 1.6% to RM38.03 billion as against RM38.66 billion in 2018. In contrast, palm oil export volume increased sharply by 12.0%

to 18.47 million tonnes as compared to the previous year due to higher demand, particularly from India, China, the European Union (EU), Vietnam and Turkey.

India maintained its position as the largest Malaysian palm oil export market for the sixth consecutive year since 2014, with the intake in 2019 at 4.41 million tonnes or 23.9% of total Malaysian palm oil exports. This was followed by China at 2.49 million tonnes (13.5%), the EU 2.09 million tonnes (11.3%), Pakistan 1.09 million tonnes (5.9%), Turkey 0.71 million tonnes (3.8%), the Philippines 0.63 million tonnes (3.4%) and Vietnam 0.60 million tonnes (3.2%). These top seven markets accounted for 12.01 million tonnes or 65.0% of total Malaysian palm oil exports in 2019.

The higher uptake of palm oil by India, up significantly by 75.4% to 4.41 million tonnes in 2019 from 2.51 million tonnes in 2018 was due to the new import duty under Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) effective 1<sup>st</sup> January 2019 which had given advantage to the Malaysian palm oil, especially RBD palm olein (45% import duty) as compared to the Indonesian palm oil (50% via ASEAN-India FTA).

China became the second largest export market for Malaysian palm oil in 2019, with an uptake of 2.49 million tonnes, an increase of 33.9% from 1.86 million tonnes in 2018. The increase was attributed to lower imports of soyabean for domestic crushing by 0.5% to 88.51 million tonnes in 2019 as against 88.03 million tonnes in 2018 due to lower domestic demand for meal arising from swine fever and trade dispute with USA.

Malaysian palm oil exports to the EU increased by 9.5% to 2.09 million tonnes from 1.91 million tonnes in 2018. This was due to low imports of palm oil from Indonesia by 5.4% to 3.72 million tonnes during January-November 2019 and higher usage of palm oil as biodiesel feedstock due to insufficient supply of domestic rapeseed oil.

Pakistan, maintained its position as the fourth largest export market since 2016, with an uptake of 1.09 million tonnes of Malaysian palm oil in 2019. Exports of palm oil to Pakistan declined by 6.5% from 1.16 million tonnes in 2018 due to the higher imports of soyabean from Brazil for crushing by 22.0% to 786,000 tonnes in 2019 from 644,000 tonnes in 2018.

Meanwhile, in Turkey, palm oil exports increased by 12.2% to 0.71 million tonnes due to the lower imports of palm oil from Indonesia by 5.5% to 223,000 tonnes during January-November 2019 against 236,000 tonnes during the same period in 2018.

Lower exports of Malaysian palm oil to the Philippines, declined by 8.7% to 0.63 million tonnes in 2019 was attributed to ample supply availability of domestic coconut oil for consumption arising from higher production of coconut oil by 3.4% to 1.15 million tonnes in 2019 from 1.11 million tonnes in 2018.

Exports of Malaysian palm kernel oil in 2019 surged by 17.8% to 1.09 million tonnes from 0.92 million tonnes in 2018 due to the higher demand from China, Turkey and India. The EU was the major export market for Malaysian palm kernel oil with 0.24 million tonnes (up by 0.9%), followed by China at 0.19 million tonnes (up by 18.7%) and India at 0.11 million tonnes (up by 30.1%).

Palm kernel cake (PKC) exports increased by 8.8% to 2.49 million tonnes in 2019 as against 2.29 million tonnes in the previous year due to the higher demand from New Zealand, South Korea, Pakistan and Australia. New Zealand was the largest importer of Malaysian PKC with 0.83 million tonnes (33.1% of total PKC exports), followed by South Korea 0.48 million tonnes (19.3%), Pakistan 0.32 million tonnes (12.9%) and China 0.20 million tonnes (7.9%). These four countries imported 73.4% of Malaysia's PKC in 2019.

Exports of palm-based oleochemical products increased by 6.1% to 3.28 million tonnes in 2019 from 3.09 million tonnes in 2018. The higher export volume was due to the stronger demand from the China, the EU, Turkey and UAE. China was the major export destination with 0.58 million tonnes (17.5% of total), followed by the EU 0.48 million tonnes (14.6%), USA 0.35 million tonnes (10.7%) and Japan 0.23 million tonnes (6.9%).

Imports of palm oil, on the other hand, surged by 16.1% to 0.98 million tonnes in 2019 as compared to 0.84 million tonnes in 2018. The increase in palm oil imports for 2019 was to fulfill contract obligations based on either Malaysian or Indonesian delivery and to cater to the higher demand from local processing sector for exports by 10.0% to 20.34 million tonnes as against 18.49 million tonnes in 2018. Almost all palm oil imports (both crude and processed) were sourced from Indonesia.

Palm oil closing stocks in December 2019 was lower by 1.21 million tonnes or 37.5% to 2.01 million tonnes vis-à-vis 3.22 million tonnes recorded in December 2018. The lower stocks was mainly due to higher palm oil exports, which was increased by 1.98 million tonnes or 12.0%.

In 2019, the prices of all oil palm products were traded lower. CPO price traded lower by 6.9% or RM153.50/tonne to RM2,079.00/tonne compared to RM2,232.50/tonne in 2018. The highest traded price for 2019 was in December at RM2,813.00/tonne, while the lowest was in July at RM1,879.00/tonne. Although CPO price was traded lower in 2019, the price was on an upward trend, especially towards the last quarter. The lower CPO price during the year was mainly due to weaker prices of soyabean oil and Brent crude oil in the world market. Palm oil prices are impacted by soyabean oil prices as they compete for a share in the global vegetable oils market and by the movement of Brent crude oil prices, as palm is used as feedstock to produce biodiesel.

Prices of processed palm oil products in the global market were also traded lower in 2019. RBD palm oil price traded lower by RM52.00 or 2.3% to RM2,245.50/tonne, RBD palm olein price was lower by RM92.00 or 4.0% to RM2,236.50/tonne, RBD palm stearin price was lower by

RM63.00 or 2.8% to RM2,169.00/tonne and PFAD price was lower by RM115.00 or 6.0% to RM1,807.00/tonne.

The average price of palm kernel (PK) in 2019 declined by 33.6% or RM613.50/tonne to RM1,214.00/tonne compared to RM1,827.50/tonne in 2018. The lower PK price was mainly due to lower domestic price of crude palm kernel oil (CPKO). The CPKO price in 2019 declined by RM1,108.00/tonne or 29.7% to RM2,626.50/tonne from RM3,734.50/tonne in 2018. The lower CPKO prices in 2019 were in tandem with the weaker world palm kernel oil (PKO) prices, which was lower by 27.9% to US\$668/tonne. Prices of coconut oil were lower by 26.3% to US\$738/tonne in 2019 (coconut oil and PKO are sources of lauric oils).

The average FFB price at 1% oil extraction rate (OER) was lower by 10.9% at RM21.17 in 2019 as against RM23.75 in 2018. This was in tandem with the lower prices of CPO and PK. Based on National OER, the average price of FFB was equivalent to RM422/tonne in 2019 as against RM468/tonne in 2018.

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## SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2019 &amp; 2018

	2019	2018	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PLANTED AREA (HECTARES)</b>				
<b>MALAYSIA</b>	<b>5,900,157</b>	<b>5,849,330</b>	<b>50,827</b>	<b>0.9</b>
PENINSULAR MALAYSIA	2,769,003	2,727,608	41,395	1.5
SABAH	1,544,481	1,549,245	(4,764)	(0.3)
SARAWAK	1,586,673	1,572,477	14,196	0.9
<b>CPO PRODUCTION (TONNES)</b>				
<b>MALAYSIA</b>	<b>19,858,367</b>	<b>19,516,141</b>	<b>342,226</b>	<b>1.8</b>
PENINSULAR MALAYSIA	10,583,788	10,197,446	386,342	3.8
SABAH	5,037,168	5,139,356	(102,188)	(2.0)
SARAWAK	4,237,411	4,179,339	58,072	1.4
<b>CLOSING STOCKS (TONNES)</b>				
CRUDE PALM OIL	1,019,510	1,940,680	(921,170)	(47.5)
PROCESSED PALM OIL	991,017	1,275,796	(284,779)	(22.3)
<b>TOTAL PALM OIL</b>	<b>2,010,527</b>	<b>3,216,476</b>	<b>(1,205,949)</b>	<b>(37.5)</b>
<b>EXPORTS (TONNES)</b>				
PALM OIL	18,471,065	16,487,546	1,983,519	12.0
PALM KERNEL OIL	1,086,254	922,428	163,826	17.8
PALM KERNEL CAKE	2,492,738	2,292,144	200,595	8.8
PALM-BASED OLEOCHEMICALS	3,280,127	3,091,710	188,417	6.1
BIODIESEL	609,777	515,467	94,310	18.3
PALM-BASED FINISHED PRODUCTS	593,714	615,136	(21,422)	(3.5)
OTHER PALM PRODUCTS	1,345,502	952,340	393,162	41.3
<b>TOTAL EXPORTS (TONNES)</b>	<b>27,879,177</b>	<b>24,876,769</b>	<b>3,002,407</b>	<b>12.1</b>
<b>EXPORT REVENUE (RM MILLION) (P)*</b>				
PALM OIL	38,027.44	38,655.13	(627.69)	(1.6)
PALM KERNEL OIL	3,305.81	4,092.97	(787.16)	(19.2)
PALM KERNEL CAKE	1,008.34	1,134.27	(125.93)	(11.1)
PALM-BASED OLEOCHEMICALS	16,932.65	19,114.87	(2,182.22)	(11.4)
OTHER PALM-BASED PRODUCTS <sup>(1)</sup>	5,565.13	4,518.74	1,046.39	23.2
<b>TOTAL REVENUE (RM MILLION)</b>	<b>64,839.37</b>	<b>67,515.98</b>	<b>(2,676.61)</b>	<b>(4.0)</b>
<b>IMPORT (TONNES)</b>				
PALM OIL	977,131	841,452	135,679	16.1
PALM KERNEL OIL	258,925	241,026	17,899	7.4

	2019	2018	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PRICE (RM/TONNE)</b>				
FFB (MILL GATE)	422.00	468.00	(46.00)	(9.8)
CPO (LOCAL DELIVERED)	2,079.00	2,232.50	(153.50)	(6.9)
PALM KERNEL (EX-MILL)	1,214.00	1,827.50	(613.50)	(33.6)
CPKO (LOCAL DELIVERED)	2,626.50	3,734.50	(1,108.00)	(29.7)
RBD PALM OIL (FOB)	2,245.50	2,297.50	(52.00)	(2.3)
RBD PALM OLEIN (FOB)	2,236.50	2,328.50	(92.00)	(4.0)
RBD PALM STEARIN (FOB)	2,169.00	2,232.00	(63.00)	(2.8)
PFAD (FOB)	1,807.00	1,922.00	(115.00)	(6.0)
<b>OER (%)</b>				
<b>MALAYSIA</b>	<b>20.21</b>	<b>19.95</b>	<b>0.26</b>	<b>1.3</b>
PENINSULAR MALAYSIA	19.93	19.69	0.24	1.2
SABAH	20.97	20.60	0.37	1.8
SARAWAK	20.03	19.85	0.18	0.9
<b>FFB YIELD (TONNES / HECTARE)</b>				
<b>MALAYSIA</b>	<b>17.19</b>	<b>17.16</b>	<b>0.03</b>	<b>0.2</b>
PENINSULAR MALAYSIA	17.95	17.44	0.51	2.9
SABAH	17.66	18.16	(0.50)	(2.8)
SARAWAK	15.56	15.74	(0.18)	(1.1)

Note: (P)\*- Preliminary data from Department of Statistics Malaysia.

<sup>(1)</sup> - Includes biodiesel, finished products and other palm products.

Source: 1. MPOB

2. Department of Statistics Malaysia