

Supply and Disappearance of Malaysian Palm Oil: A Review

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Production of palm oil by Malaysia in 1997 increased to 9.07 million tonnes from 8.39 million tonnes in 1996 or by 8.14%. For the first six months in 1998, total palm oil production was 3 675 828 tonnes while during the first half of the previous year production was 4 090 365 tonnes. Thus production during January to June 1998 declined by 414 537 tonnes or by 10.13%. The decline was due to the biological yield cycle and the stress on the trees which was accentuated by the severe drought which began in March and lasted up to September in 1997. The combination of the two factors, the unusually long biological upturn and the drought effect are expected to result in unusually sharp decline in the Malaysian average yield by 8% this year.

The year 1998 started with January production at 513 716 tonnes which was lower than that of December 1997 by 17.64% and a decline of 11.33% when compared over the corresponding month of the previous year (*Table 1*). Except for February 1998, monthly production during the year was lower than that of the corresponding months of 1997. Production of June 1998 estimated at 701 284 tonnes saw a decline of 90 142 tonnes or by 11.39% in the same month in 1997.

Beginning stocks of palm oil in 1997 was 794 454 tonnes and together with the year's production made total palm oil available for trade at 9 863 182 tonnes. Beginning stock of palm oil in 1998 was 962 482 tonnes and with production for the year forecast at 8.84 million tonnes, total palm oil available for trade is estimated at 9.802 million tonnes for 1998. Thus the quantity

available for exports in 1998 would be lower than that of the previous year by 61 182 tonnes or by 0.62%. The fear of lower availability of palm oil for trade thus explains the declining ending stock situation during the first half of 1998. Ending stocks which stood at 962 482 tonnes in December 1997 decline to 714 210 tonnes in January 1998. Ending stock continued to decline to reach 694 833 tonnes by June 1998. For the first six months in 1998, Malaysia exported 3 421 561 tonnes of palm oil, an increase of 28 925 tonnes when compared to the same period in 1997 or by 0.85%.

Table 2 gives an illustration of the import volumes of the major importers of Malaysian palm oil. The European Union with imports of 468 285 tonnes was the largest importer of Malaysian palm products during January-May 1998 (*Table 2*). Imports by this group of countries increased by 41.25% from 331 518 tonnes or by 136 767 tonnes compared to January-May 1997. Composition of imports are mainly of 234 556 tonnes RBD Palm Oil, 105 370 tonnes RBD Palm Olein and 26 107 tonnes Palm Fatty Acid Distillates (*Table 3*). The other palm products imported included RBD Palm Stearin, NBD Palm Oil, Palm Acid Oil, Neutralized Palm Olein, Neutralized Palm Oil and RBDH Palm Olein. Among the EU countries, Netherlands, on its own is the fifth largest importer of Malaysian palm oil.

Pakistan was the second largest importer of palm oil during this period. The imports totaled 413 966 tonnes which was an increase of 45 013 tonnes or by 12.2% over imports during the first five months of 1997. The increase in imports occurred mainly during the earlier months of the first half of the

year due to domestic requirements in preparation for the end of the fasting month celebration despite of higher prices. However import prospects for the second half of the year remain uncertain after the testing of its nuclear weapon in May 1998. The nuclear blasts and subsequent international sanctions by the USA and G8 have precipitated financial crisis and affected the economy of the country. On the trade front, imports have become more expensive, forex cover risk has been increased by the banks and opening of L/Cs is getting difficult. The deepening financial crisis may have certain adverse effect on the imports of palm oil.

During the five months of 1998, India was the third largest importer of palm products from Malaysia. Imports during these five months totaled 400 636 tonnes, an increase of 9.79% against imports of the corresponding period in 1997 which totaled 364 900 tonnes. However, India is concerned with the spiraling prices of palm oil and it is trying to source imports of other oils especially that Indonesia had banned exports of the product in the earlier part of the year. With the lifting of the ban, Indonesia then imposed high export tariffs which made Indonesian palm oil not feasible to be imported. After not importing any oilseeds for the past 18 years, the government has recently decided to partially liberalize imports of oilseeds. However, importers of oilseeds would have to split the oilseeds on arrival at Indian ports to get customs clearance. This requirement is a problem since facilities to split the seeds are not available. Furthermore, if the facilities are available, costs involved in transportation of the seeds to the extraction plants and the de-oiled cake to the ports for exports coupled with poor demand for the meals make the activity not economical. Another development which may affect the Indian economy and the oils and fats sector was the testing of the nuclear bomb in May 1998. Economic sanctions may probably be imposed and the country may not be able to secure funds for development. So far, the US had slapped 'legally mandated' economic sanctions where the principal

impact would be the denial of US assistance to India. The World Bank has already postponed the consideration for five projects worth \$1.06 billion to India. This implies that available funds in the country would be strictly utilized and imports including that of oils and fats would be affected.

China PR was the fourth largest importer of palm oil during this period. The imports totaled 341 750 tonnes which was an increase of 23 441 tonnes or by 7.36% over imports during the first five months in 1997. One of the reasons for the increase in imports of palm oil was the reduction of tariff from 12% to 10% on palm oil effective from 1st January 1998. Another factor attributing to the increase in imports is that new licenses have also been issued for the imports of 500 000 tonnes of vegetable oils, mainly soya bean oil and palm oil. The major palm products imported were RBD Palm Olein which totaled 244 759 tonnes, RBD Palm Oil 46 207 tonnes, Crude Palm Olein 18 194 tonnes and Crude Palm Oil 13 617 tonnes. Other imports, as shown in *Table 3*, included Bleached Palm Oil, RBD Palm Stearin, Crude Olein, PFAD and Hydrogenated Palm Oil.

Japan with imports of 145 477 tonnes was the sixth largest importer of Malaysian palm products during the period. The imports had increased when compared to 145 011 tonnes imported during the same period the previous year. Japan's imports during this period in 1998 comprised 67 376 tonnes of RBD Palm Oil, 54 170 tonnes of RBD Palm Olein and 10 511 tonnes RBD Palm Stearin. A total of 12 753 tonnes of CPO was also imported during the period.

Egypt, the seventh largest importer of Malaysian palm products imported 138 528 tonnes during the period giving an increase of 40.64% over the corresponding period of 1997. Egypt's major imports comprised 115 345 tonnes of RBD Palm Oil, 16 168 tonnes RBD Palm Stearin and 5035 tonnes RBD Palm Olein. The breakdown of the palm products imported by these major importing countries are as shown in *Table 3*.

TABLE 1. MALAYSIAN PALM OIL — SUPPLY AND DISAPPEARANCE BY MONTH (tonnes)

Year	SUPPLY			DISAPPEARANCE			Ending Stock
	Beginning Stock	Production	Total	Adjusting Balance	Exports	Total	
1984	142 748	3 714 795	3 857 543	233 301	3 183 451	3 416 752	440 791
1985	440 791	4 134 463	4 575 254	289 152	3 434 025	3 723 177	852 077
1986	852 077	4 542 249	5 394 326	269 922	4 558 806	4 828 728	565 598
1987	565 598	4 531 960	5 097 558	365 574	4 218 344	4 583 918	513 640
1988	513 640	5 027 496	5 541 136	403 269	4 342 010	4 745 279	795 857
1989	795 857	6 056 501	6 852 358	741 113	5 051 330	5 792 443	1 059 915
1990	1 059 915	6 094 622	7 154 537	707 991	5 727 451	6 435 442	719 095
1991	719 095	6 141 353	6 860 448	599 804	5 573 223	6 173 027	687 421
1992	687 421	6 373 461	7 060 882	835 311	5 565 032	6 400 343	660 539
1993	660 539	7 403 498	8 064 037	775 994	6 117 171	6 893 165	1 170 872
1994	1 170 872	7 220 631	8 391 503	986 979	6 654 802	7 641 781	749 722
1995	749 722	7 810 546	8 560 268	1 187 424	6 512 956	7 700 380	859 888
1996	859 888	8 385 886	9 245 774	1 239 411	7 211 909	8 451 320	794 454
JAN 1997	794 454	579 366	1 373 820	76 458	568 026	644 484	696 487
FEB	696 487	503 780	1 200 267	86 457	390 047	476 504	723 763
MAR	723 763	684 949	1 408 712	137 307	579 642	716 949	691 763
APR	691 763	738 077	1 429 840	135 360	579 211	714 571	715 269
MAY	715 269	792 767	1 508 036	137 134	645 515	782 649	725 387
JUN	725 387	791 426	1 516 813	79 887	630 195	710 082	806 731
JUL	806 731	833 302	1 640 033	106 859	747 591	854 450	785 583
AUG	785 583	865 225	1 650 808	146 775	675 446	822 221	828 587
SEP	828 587	937 694	1 766 281	113 464	745 776	859 240	907 041
OCT	907 041	917 660	1 824 701	158 428	637 724	796 152	1 028 549
NOV	1 028 549	800 723	1 829 272	54 286	640 418	694 704	1 134 568
DEC	1 134 568	623 759	1 758 327	145 465	650 380	795 845	962 482
TOTAL*		9 068 728			7 489 971		
Jan/Jan		4 090 365			3 392 636		
JAN 1998	962 482	513 716	1 476 198	114 141	647847	761 988	714 210
FEB	714 210	601 251	1 315 461	40 367	537347	577 714	737 747
MAR	737 747	598 612	1 336 359	126 890	582713	709 603	626 756
APR	626 756	618 289	1 245 045	60 876	551472	612 348	632 697
MAY	632 697	642 676	1 275 373	94 261	531270	631 134	649 842
JUN	649 842	701 284	1 351 126	85 381	570912	656 293	694 833
JUL ^b	694 833	NA	NA	NA	NA	NA	NA
Jan/Jan		3 675 828			3 421 561		

* Summation of the month's totals do not always equate to the total for the year because adjustments made to the latter are not incorporated into the former.

^b Preliminary NA — not available

Source: Palm Oil Update, PORLA (various issues)

TABLE 2. MALAYSIA — EXPORTS OF PALM OIL TO MAJOR DESTINATIONS (tonnes)

Countries	1996	1997	Jan-May	Jan-May
			1997	1998
India	1 027 048	963 642	364 990	400 736
Pakistan	1 159 406	1 132 988	368 953	413 966
China PR	873 616	1 065 393	318 309	341 750
EU (15)	738 130	729 117	331 518	468 285
– UK	(74 686)	(58 136)	(38 383)	(25 192)
– Netherlands	(341 638)	(350 872)	(141 478)	(281 999)
– Spain	(50 740)	(73 372)	(31 686)	(2 998)
USA	105 197	113 549	40 974	43 262
Indonesia	93 294	100 901	73 225	491
Egypt	346 919	333 511	98 500	138 528
UAE	80 242	106 723	34 848	34 935
Saudi Arabia	149 019	134 182	52 458	60 780
Singapore	240 269	308 217	87 216	69 914
Japan	359 809	358 947	145 011	145 477
Jordan	111 627	230 774	131 715	24 347
Rep. of Korea	183 691	182 486	63 106	52 510
Australia	88 752	95 587	36 719	42 154
Turkey	163 035	237 390	67 715	62 499
Hong Kong	336 178	221 905	76 808	43 508
Yemen	68 585	48 815	40 710	39 297
Myanmar	188 361	158 921	78 482	91 525
Bangladesh	102 887	141 666	44 449	51 564
South Africa	173 473	183 703	69 147	59 732
Rest of the World	622 371	641 554	237 588	265 389
Total	7 211 909	7 489 971	2 762 441	2 850 649

NOTE:

Figures in brackets denote sub-totals for EEC

EEC - 12 countries till 1994

EU - 15 countries effective 1995

TABLE 3. MALAYSIAN EXPORTS OF PALM OIL TO MAJOR DESTINATIONS (tonnes)

Countries	1996	1997	Jan-May	Jan-May
			1997	1998
CHINA PR	873 615.95	1 065 393.17	318 308.73	341 750.05
- CPO	-	-	-	13 617.19
- CPL	34 031.78	72 178.41	22 587.48	18 193.76
- RBDPO	111 691.02	89 746.61	38 181.79	46 207.26
- RBDPS	55 764.12	66 780.40	18 745.26	8 130.52
- RBDPL	642 442.36	777 051.42	225 620.31	244 758.77
- CO	-	38.00	38.00	500.08
- PFAD	-	249.43	249.43	533.92
- BPO	26 707.10	55 349.81	12 886.46	9 798.55
- RPO	2 979.57	-	-	-
- CPS	-	3 999.09	-	-
- HPO	-	-	-	10.00
PAKISTAN	1 159 405.75	1 132 987.86	368 953.31	413 965.69
- RBDPO	1 054 705.20	1 035 339.13	340 831.21	388 362.24
- RBDPS	5 481.67	3 492.73	2 997.20	-
- RBDPL	45 399.11	61 295.24	12 472.27	18 138.76
- PFAD	41 458.89	22 323.13	9 330.59	4 965.86
- PAO	11 756.65	10 517.63	3 322.04	2 498.83
- NBDPO	101.08	-	-	-
- NBDPL	8.50	-	-	-
- NBPL	494.65	-	-	-
- CO	-	-	-	-
- HPS	-	20.00	-	-
INDIA	1 027 048.11	963 641.61	364 990.16	400 735.51
- RBDPO	20 366.95	32 571.24	11 156.77	2 230.85
- RBDPS	1 885.69	3 249.48	-	2 043.84
- CPL	11 540.42	6 702.46	335.73	16 713.35
- RBDPL	922 244.22	821 935.06	314 904.23	346 064.20
- PFAD	35 440.92	65 375.19	19 521.14	17 635.96
- CPS	34 698.82	32 037.93	19 072.29	14 856.30
- CO	58.14	1 149.93	-	20.80
- HPFA	599.75	546.86	-	-
- HPS	-	73.46	-	-
- PAO	213.20	-	-	1 104.21
- RBDHS	-	-	-	66.00

EU	738 130.07	729 117.34	331 517.96	468 284.54
- CPO	21 816.17	-	-	-
- NBDPO	8 401.54	11 168.50	2 757.58	5 654.72
- RBDPO	186 107.28	171 866.80	82 532.77	234 556.27
- CPS	4 047.12	841.42	250.72	-
- RBDPS	181 700.30	207 801.29	84 046.78	82 869.56
- NBDPL	9 338.45	3 458.48	2 862.04	-
- RBDPL	202 368.35	212 040.24	98 208.85	105 369.87
- PFAD	88 692.88	85 868.48	47 655.51	26 107.05
- HPFAD	2 024.82	3 101.66	499.72	-
- CO'	194.68	9.59	-	-
- RBDHPO	-	498.41	-	-
- HPFA	535.59	1 266.32	-	-
- PAO	30 112.92	29 315.68	12 646.33	13 591.60
- RBDHS	250.37	-	-	-
- RBDHSF	19.00	-	-	-
- RBDHPL	-	-	-	14.00
- HPS	-	26.00	-	-
- CPL	1 000.60	-	-	-
- NPL	1 520.00	109.44	36.48	91.20
- NPO	-	21.18	21.18	30.27
- NBPO	-	1 723.85	-	-
JAPAN	359 809.11	358 947.05	145 010.71	145 477.28
- CPO	33 744.57	31 302.78	13 622.49	12 752.63
- RBDPO	176 405.01	161 834.02	69 095.62	67 375.75
- RBDPS	32 237.32	28 523.70	10 584.17	10 510.68
- RBDPL	116 817.60	136 381.17	50 878.12	54 169.68
- PFAD	513.00	41.33	-	611.68
- CO	33.65	23.80	10.20	14.96
- NPL	19.72	39.45	19.31	41.33
- NPO	-	-	2.50	0.57
- HPS	-	2.50	-	-
- RBDHS	20.00	-	-	-
- CPL	18.24	798.30	798.30	-
EGYPT	346 919.44	333 511.45	98 499.56	138 528.08
- CPO	12 423.72	-	-	-
- RBDPO	216 300.63	249 822.40	80 611.91	115 345.07
- RBDPS	78 083.88	54 590.55	11 071.89	16 168.26
- RBDPL	40 111.21	23 518.23	6 395.03	5 034.76
- HPO	-	600.00	400.00	7.60
- CO	-	20.73	20.73	-
- CPS	-	4 959.54	-	1 972.39

SINGAPORE	240 269.21	308 216.68	87 216.11	69 913.83
- CPL	6 520.02	3 007.95	1 016.19	84.54
- NBDPO	315.78	22.80	-	11.40
- RBDPO	13 933.32	19 651.37	3 079.91	3 100.68
- RBDPS	17 444.98	10 642.53	3 151.78	3 350.93
- RBDPL	161 521.91	270 760.47	76 179.84	61 461.68
- PFAD	38 115.97	3 764.39	3 601.22	927.50
- CO	1 465.71	99.39	99.39	36.00
- RBDHPL	113.58	-	-	-
- HPL	100.00	140.00	40.00	120.00
- HPS	439.53	39.78	39.78	176.78
- HPO	259.00	80.00	-	-
- CPS	-	-	-	644.32
- NPL	39.41	8.00	8.00	-
JORDAN	111 626.46	230 774.16	131 714.65	24 346.90
- RBDPO	56 093.16	151 863.84	84 432.50	19 725.55
- RBDPS	22 013.77	28 483.95	19 489.08	297.74
- RBDPL	28 882.29	49 880.96	27 285.26	2 883.76
- PFAD	4 637.24	507.81	507.81	1 439.85
- HPO	-	37.60	-	-
TURKEY	163 034.83	237 389.97	67 714.99	62 498.56
- RBDPO	80 652.47	127 944.49	33 899.02	15 208.04
- RBDPS	21 121.43	31 881.29	10 267.24	8 877.88
- RBDPL	60 107.90	72 880.63	21 450.60	37 897.98
- PFAD	999.81	3 683.70	1 098.27	498.16
- NBDPS	-	999.86	999.86	-
- RBDHPO	2.50	-	-	-
- RBDHS	16.50	-	-	16.50
- RBDHSF	11.00	-	-	-
- CO	123.22	-	-	-
S. AFRICA	173 472.83	183 702.61	69 146.74	59 731.69
- CPL	5 663.87	1 081.17	1 081.17	998.25
- RBDPO	3 349.28	3 189.30	1 443.36	1 294.68
- RBDPS	80 258.33	97 553.70	34 010.79	28 905.21
- RBDPL	55 952.32	52 352.55	21 117.99	15 148.78
- PFAD	23 035.08	27 310.87	10 626.04	9 337.72
- CO	1 367.44	210.59	-	290.44
- PAO	995.28	248.60	-	1 199.00
- RBDHPL	1 799.78	822.94	373.74	-
- RBDHS	-	-	-	19.20
- HPL	1 031.95	523.68	224.44	299.80
- HPO	19.50	160.00	20.00	740.00
- CPS	-	249.21	249.21	1 498.61

S. KOREA	183 690.46	182 485.64	63 106.19	52 509.90
- RBDPO	103 215.13	106 241.71	40 916.55	30 804.90
- HPS	16.50	-	-	-
- RBDPS	33 214.58	19 907.40	5 019.14	3 516.12
- RBDPL	43 749.24	55 960.14	17 170.50	18 172.38
- CPS	1 499.01	-	-	-
- HPL	1 496.00	309.00	-	-
- RBDHS	-	-	-	16.50
- NBDPL	500.00	-	-	-
- GO	-	67.77	-	-
MYANMAR	188 360.65	158 920.86	78 482.05	91 524.76
- RBDPO	16 962.08	-	-	1 999.82
- RBDPS	2 464.62	-	-	-
- RBDPL	166 054.01	153 000.16	76 982.11	86 395.78
- PFAD	811.03	3 615.51	499.95	2 844.92
- CO	173.58	505.44	-	247.76
- PAO	390.72	-	-	-
- HPO	-	-	-	36.48
- CPS	1 504.61	1 799.75	999.99	-
- Note :				
CPL	Crude Palm Olein			
CPO	Crude Palm Oil			
CPS	Crude Palm Stearin			
NPO	Neutralized Palm Oil			
NPL	Neutralized Palm Olein			
NPS	Neutralized Palm Stearin			
NBDPO	Neutralized Bleached Deodorized Palm Oil			
HPFA	Hydrogenated Palm Fatty Acid			
CO/DBL Olein	Cooking Oil/Double Olein			
NBDPL	Neutralized Bleached Deodorized Palm Olein			
NBDPO	Neutralized Bleached Deodorized Palm Oil			
NBDPS	Neutralized Bleached Deodorized Palm Stearin			
RBPO	Refined Bleached Palm Oil			
HPL	Hydrogenated Palm Olein			
PAO	Palm Acid Oil			
PFAD	Palm Fatty Acid Distilled			
RBDHPO	Refined Bleached Deodorized Hydrogenated Palm Oil			
RBDHPL	Refined Bleached Deodorized Hydrogenated Palm Olein			
RBDHPS	Refined Bleached Deodorized Hydrogenated Palm Stearin			
RBDPO	Refined Bleached Deodorized Palm Oil			
RBDPL	Refined Bleached Deodorized Palm Olein			
RBDPS	Refined Bleached Deodorized Palm Stearin			
HPFAD	Hydrogenated Palm Fatty Acid Distilled			
HPS	Hydrogenated Palm Stearin			
RPS	Refined Palm Stearin			
HPO	Hydrogenated Palm Oil			

Source : PORLA