

Palm Oil Supply and Disappearance: A Review

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INTRODUCTION

The palm oil industry has been a significant driver of the Malaysian economy. Accentuated by high crude palm oil (CPO) price, growth in export earnings had strengthened to a new record high at RM 65.2 billion in 2008 from RM 45.1 billion in the previous year. But from the supply side, the national average fresh fruit bunches (FFB) yield in 2009 dipped by nearly 5% to 19.20 t ha⁻¹ as against 20.18 t ha⁻¹ achieved in 2008, while the oil yield posted a year-on-year decrease of 3.7% to 3.93 t ha⁻¹. Subsequently, there was a trivial year-on-year decrease of 1% in the production of Malaysian palm oil from 17.73 million tonnes in 2008 to 17.56 million tonnes in 2009 (*Table 1*).

TABLE 1. MALAYSIAN PALM OIL PRODUCTION (million tonnes)

Year	2007	2008	2009
Production	15.82	17.73	17.56

Source: MPOB statistics.

The monthly FFB yield for the year 2009 was lower by an average of 0.08 t ha⁻¹ compared to the previous year (*Figure 1*). The slowdown in production was mainly due to biological stress of palm trees after substantial increase last year and also partly due to limited fertilizer application that affected yield performance. In 2008, prices of fertilizers were exorbitantly high. Such slowdown prompted import to grow by 45% to 0.81 million

tonnes to cater for used in the refining industry.

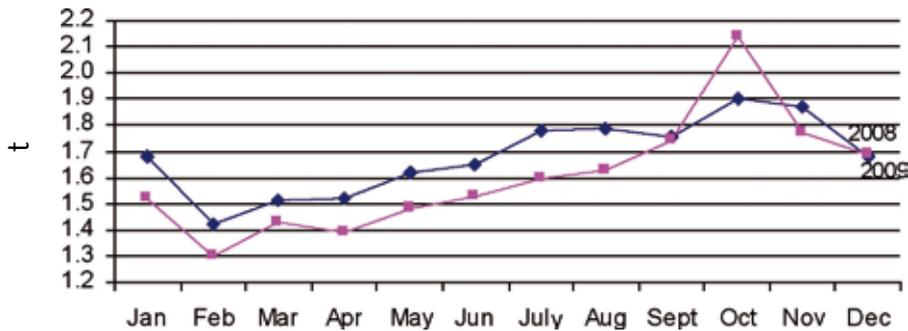
Beginning stock of palm oil in 2009 rose to 1.99 million tonnes, and with imports of palm oil at 0.93 million tonnes and the year's production of 17.56 million tonnes, total palm oil available for trade was 20.48 million tonnes. In 2009, 15.87 million tonnes of palm oil was exported and together with estimated disappearance within the country, this resulted in 2.24 million tonnes of stocks-carry-over in January 2010. Based on this estima-

tion, the total availability of palm oil for trade in 2010 is expected to be 20.31 million tonnes, lower by 0.8% than in the previous year.

China PR continued to be the largest importer of palm oil, accounting for 25.4% of total export of Malaysian palm products (4.03 million tonnes). The amount increased further by 6.3% against the same period last year due to smaller improvement of domestic oil output as compared to increase in demand (*Table 2*). Refined, bleached and deodorized (RBD) palm olein was the major palm oil intake amounting to 3.10 million tonnes (77%) (*Figure 2*). Compared to the corresponding period in 2008, the amount had declined by 6.2%.

The second largest palm product imported from Malaysia was RBD palm stearin, which inched up from 0.42 million tonnes in 2008 to 0.62 million tonnes in 2009. Import of crude palm oil (CPO) was the third largest with its quantum declining marginally from 0.30 million tonnes to 0.26 million tonnes respectively for the year 2008 and 2009. These three product grades accounted for 98.6% of the total import from Malaysia. Other products included palm fatty acid distillate, hydrogen-

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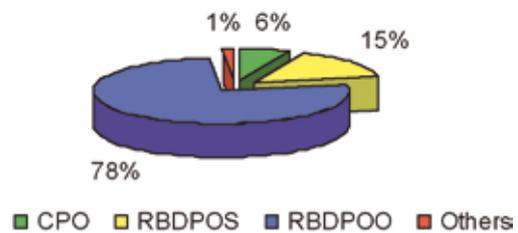
Source: MPOB statistics

Figure 1. Monthly Malaysian fresh fruit bunch (FFB) yield (t ha⁻¹).

TABLE 2. EXPORT OF PALM OIL PRODUCTS TO CHINA (million tonnes)

Year	Amount
2007	3.84
2008	3.79
2009	4.03

Source: MPOB statistics.



Note: CPO = crude palm oil.
 RBDPOS = refined, bleached, deodorized palm oil stearin.
 RBDPOO = refined, bleached, deodorized palm oil olein.

Figure 2. Export composition of palm oil products to China.

ated, refined, bleached and deodorized (HRBD) stearin, and RBD palm oil.

The second largest importer of Malaysian palm oil for the year was the European Union (EU) with imports totalling 1.89 million tonnes, a marginal decrease of 7.8% compared to 2.05 million tonnes in the previous year (Table 3). Palm oil export to Germany had increased substantially from 0.12 million tonnes to nearly 0.15 million tonnes, compensating export slowdown to Netherlands from 1.30 million tonnes to 0.99 million tonnes. EU currently accounted for 11.9% of total export of Malaysian palm products. Nearly 1.08 million tonnes of CPO was imported com-

prising almost 57%, followed by 0.25 million tonnes of RBD palm stearin, and 0.16 million tonnes of palm fatty acid distillate (Figure 3). These three products accounted for nearly 78% of the palm product imports.

Pakistan was the third largest importer of Malaysian palm oil products with total volume of 1.76 million tonnes in 2009 (Table 4 and Figure 4), a significant increase of 0.50 million tonnes or 39.7% over the same period in 2008. CPO import totalled at 0.36 million tonnes to become one of the two major palm products that accounted for 20.5% of the total import. Import of RBD palm olein registered at 0.60 million tonnes, increased by

0.10 million tonnes compared to the previous year.

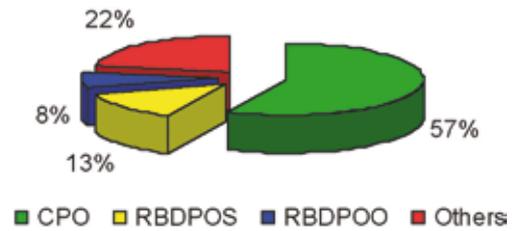
India had re-emerged as an important market for Malaysian palm oil. It is the fourth largest importer of Malaysian palm oil. Exports to India increased substantially by 38.7% to 1.35 million tonnes compared to 0.97 million tonnes over the same period in 2008 (Table 5). Major palm products comprised CPO (0.65 million tonnes), RBD palm olein (0.49 million tonnes), palm fatty acid distillate (0.13 million tonnes) and palm acid oil (0.2 million tonnes) (Figure 5).

Generally, imports of vegetable oils including palm oil have risen to the highest level since 1994 follow-

TABLE 3. EXPORT OF PALM OIL PRODUCTS TO EUROPEAN UNION (million tonnes)

Year	Amount
2007	2.06
2008	2.05
2009	1.89

Source: MPOB statistics.



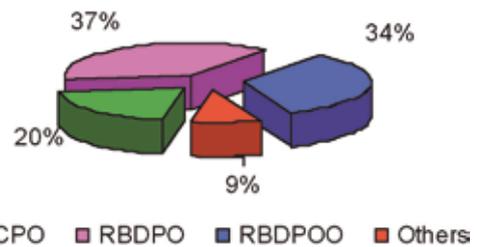
Note: CPO = crude palm oil.
 RBDPOS = refined, bleached, deodorized palm oil stearin.
 RBDPOO = refined, bleached, deodorized palm oil olein.

Figure 3. Export composition of palm oil products to European Union.

TABLE 4. EXPORT OF PALM OIL PRODUCTS TO PAKISTAN (million tonnes)

Year	Amount
2007	1.07
2008	1.26
2009	1.76

Source: MPOB statistics.



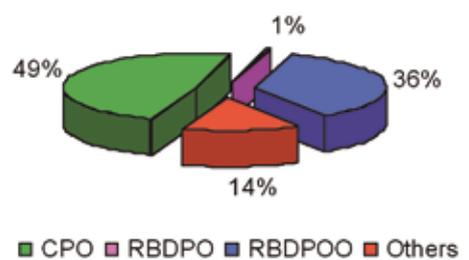
Note: CPO = crude palm oil.
 RBDPO = refined, bleached, deodorized palm oil.
 RBDPOO = refined, bleached, deodorized palm oil olein.

Figure 4. Export composition of palm oil products to Pakistan.

TABLE 5. EXPORT OF PALM OIL PRODUCTS TO INDIA (million tonnes)

Year	Amount
2007	1.07
2008	1.26
2009	1.35

Source: MPOB statistics.



Note: CPO = crude palm oil.
 RBDPO = refined, bleached, deodorized palm oil.
 RBDPOO = refined, bleached, deodorized palm oil olein.

Figure 5. Export composition of palm oil products to India.

ing the roll-back of import duties on palm and soyabean oils. At the same time, unfavourable weather conditions, particularly wayward monsoon had caused declining acreage under oilseeds and this had spurred import of vegetable oils.

USA was the fifth largest importer of the Malaysian palm products but its import had declined by 18.1% from 1.05 million tonnes in 2008 to 0.86 million tonnes in 2009

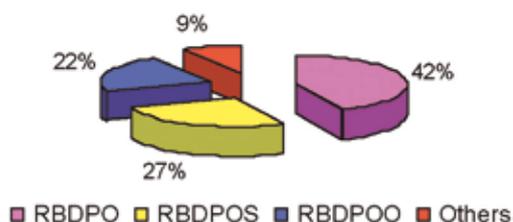
(Table 6). Major palm products comprised of RBD palm oil (0.37 million tonnes), RBD palm stearin (0.23 million tonnes), and RBD palm olein (0.18 million tonnes). Other imported products included palm fatty acid distillate (0.07 million tonnes) and small amount of double fraction RBD palm stearin (Figure 6). A substantial increase in the imports of RBD were registered, particularly palm olein (43.9%) and RBD palm stearin (12.9%).

Japan, with imports of 0.54 million tonnes, was the sixth largest importer of the Malaysian palm oil products accounting for about 3.4% of the total amount. Imports edged down by 0.01 million tonnes compared to the same period in 2008 (Table 7 and Figure 7). Japan's imports comprised of RBD palm oil (0.23 million tonnes), RBD palm olein (0.19 million tonnes), palm mid fraction (0.02 million tonnes) and crude palm oil (0.02 million tonnes).

TABLE 6. EXPORT OF PALM OIL PRODUCTS TO USA (million tonnes)

Year	Amount
2007	0.79
2008	1.05
2009	0.86

Source: MPOB statistics.



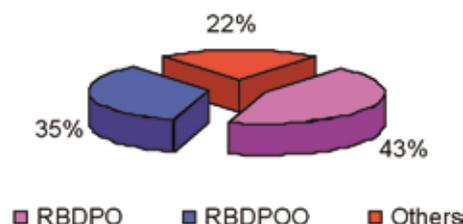
Note: RBDPO = refined, bleached, deodorized palm oil.
 RBDPOS = refined, bleached, deodorized palm oil stearin.
 RBDPOO = refined, bleached, deodorized palm oil olein.

Figure 6. Export composition of palm oil products to USA.

TABLE 7. EXPORT OF PALM OIL PRODUCTS TO JAPAN (million tonnes)

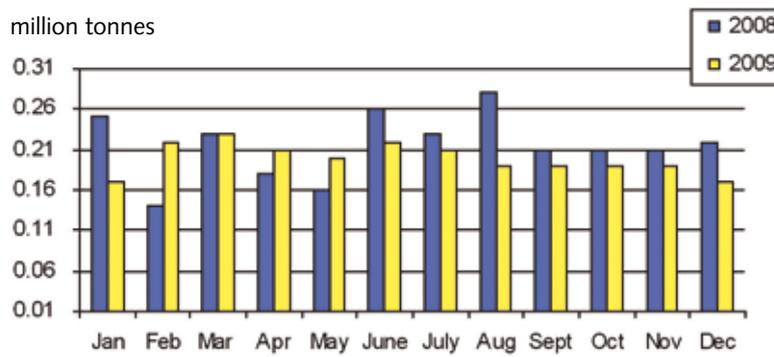
Year	Amount
2007	0.53
2008	0.55
2009	0.54

Source: MPOB statistics.



Note: RBDPO = refined, bleached, deodorized palm oil.
 RBDPOO = refined, bleached, deodorized palm oil olein.

Figure 7. Export composition of palm oil products to Japan.



Source: MPOB statistics.

Figure 8. Malaysian palm oil domestic disappearance (million tonnes).

For the year 2009, domestic disappearance¹ of palm oil slowed down by 7.4% from 2.57 million tonnes during corresponding period of last year to 2.38 million tonnes

(Figure 8). The average monthly palm oil disappearance was 0.20 million tonnes, lower compared to 0.21 million tonnes in 2008. The

lower domestic disappearance during this period was mainly attributed to economic slowdown that affected public and enterprise expenditures.

¹ The domestic disappearance of palm oil in the country measures the disappearance of palm oil in the domestic marketing system. It is arrived at by the following formula: opening stock + production + imports – exports – closing stock = domestic disappearance. Normally palm oil disappearance figures overstate actual consumption in the country because it includes among others, exports of palm-based finished products after further processing such as shortening, vegetable ghee and margarine; palm oil processed for oleochemical production which is destined for exports and estimated losses incurred by palm oil refineries during crude palm oil refining.