

Palm Oil Supply and Disappearance: A Quarterly Review

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INTRODUCTION

The palm oil industry has been a significant driver to the Malaysian economic development and has established itself in the international oils and fats business. Export earnings from oil palm products reached RM 59.77 billion in 2010, an increase of 20.4% from RM 49.66 billion recorded in the previous year.

In the first-quarter of 2011, the production of crude palm oil (CPO) was 3.57 million tonnes, a decrease by 0.76 million tonnes from 4.33 million tonnes in the fourth-quarter 2010 and slightly lower compared to the same period in 2010 (*Table 1*).

The average fresh fruit bunch (FFB) yield dropped by 0.32% to 1.17 t ha⁻¹ ha compared to the previous quarter of 1.49 t ha⁻¹ (*Figure 1*). Unusual weather patterns of hot and dry conditions from the *El Nino* phenomenon in the first half of last year and excessive rainfalls from the *La Nina* phenomenon in the second half had affected the FFB yield which

in turn contributed to the lower CPO production. Heavy rainfall and floods especially towards end of 2010 and continued to early 2011 had affected harvesting activity. In addition, the first-quarter of the year is normally associated with low production period by old palm trees.

The average opening stock of palm oil in the first-quarter of 2011 was estimated at 1.50 million tonnes, which was smaller as compared to the previous quarter of 1.77 million tonnes, and 2.01 million tonnes of the equivalent period last year. As a result, the

total supply of palm oil for the first-quarter this year had shrunk by 16% from the previous quarter and also had dropped by 14% from the same period last year. Hence, import of palm oil in the first-quarter of 2011 had grown significantly to reach nearly half a million tonnes for the demand of the processing sectors.

In the first-quarter of 2011, the total exports of Malaysian palm oil products had accumulated to 3.57 million tonnes, which was smaller by 16% than the previous quarter, as well as 14% lower than the same period last year.

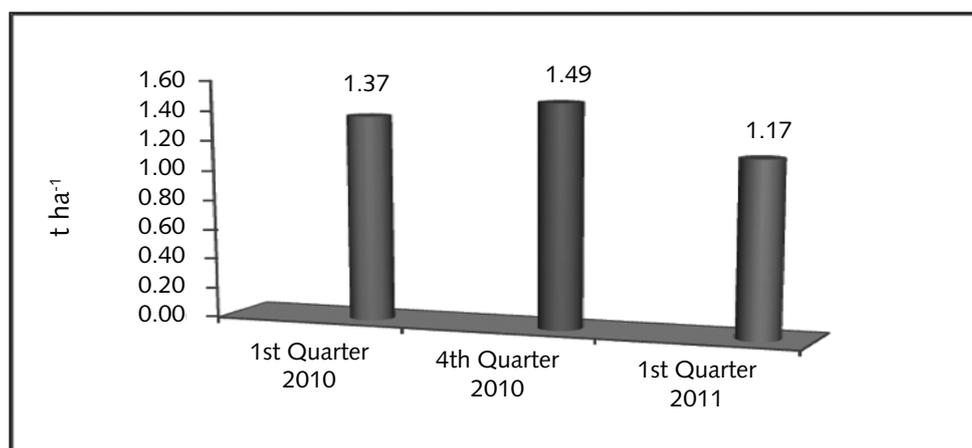
The amount of export to China, estimated about 0.76 million tonnes had slowed down marginally from the previous quarter, but had decreased significantly by 28% as compared to the same period last year (*Table 2*). Refined, bleached and deodorised (RBD) palm olein

TABLE 1. MALAYSIAN PALM OIL PRODUCTION (million tonnes)

Quarter	1 st 2010	4 th 2010	1 st 2011
Production	3.87	4.33	3.57

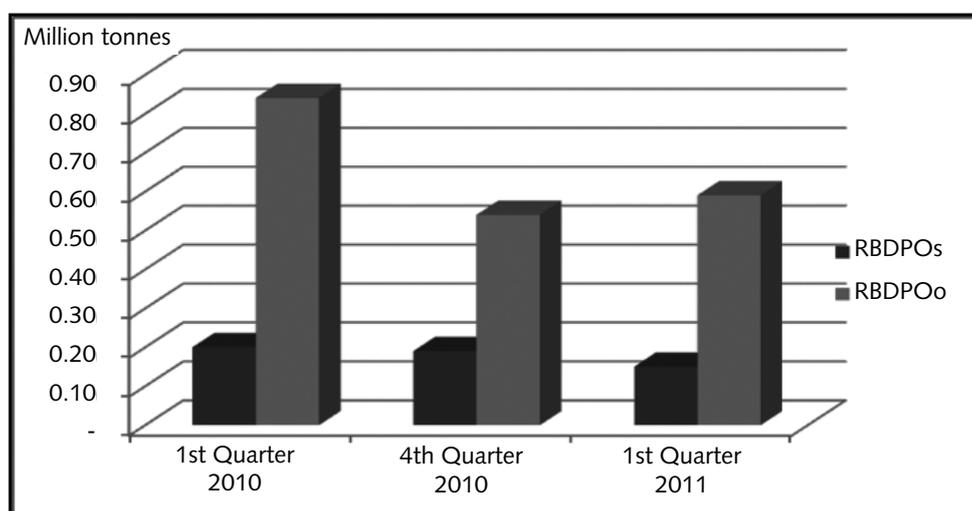
Source: MPOB statistics.

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Source: MPOB statistics.

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



Note: RBDPOs = refined, bleached, deodorised palm oil stearin.
RBDPOo = refined, bleached, deodorised palm olein.

Figure 2. Export composition of palm oil products to China (million tonnes).

was the major export product that had increased marginally from the previous quarter, but still lower as compared to first-quarter 2010, amounting to almost 0.6 million tonnes (Figure 2). Meanwhile, the export of RBD palm stearin in the first-quarter of 2011 was 0.15 million tonnes that had decreased by 20% from the fourth-quarter 2010 and by 25% from the first-quarter 2010. The smaller uptakes of palm oil is mainly due to larger imports

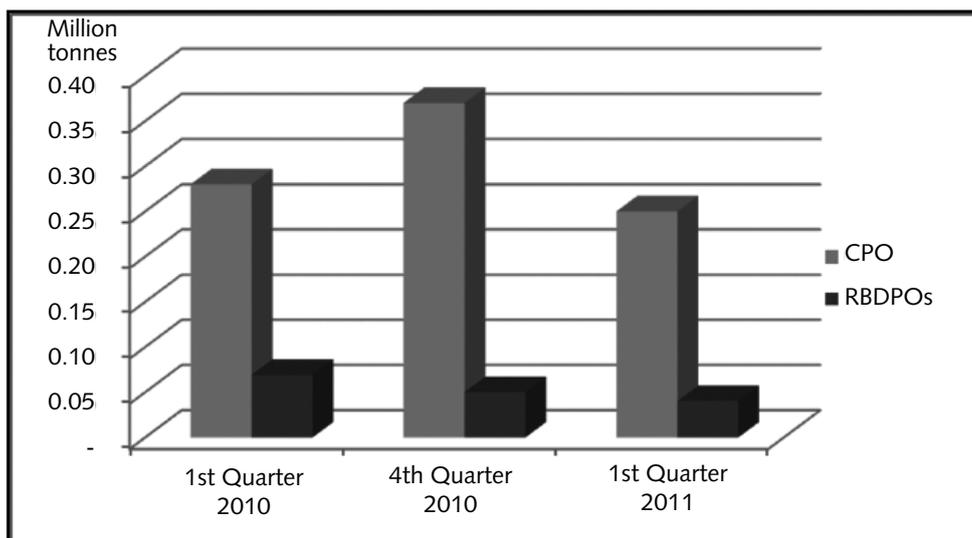
of oilseed, particularly soyabean amounting to 7.45 million tonnes in the first two months of 2011. This is 6.1% increase compared to the 2010.

The total exports of palm oil products to European Union (EU) had decreased by 29% to 0.39 million tonnes in the first-quarter of 2011 compared to 0.54 million tonnes in the previous quarter, and had reduced by 20% from the same

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

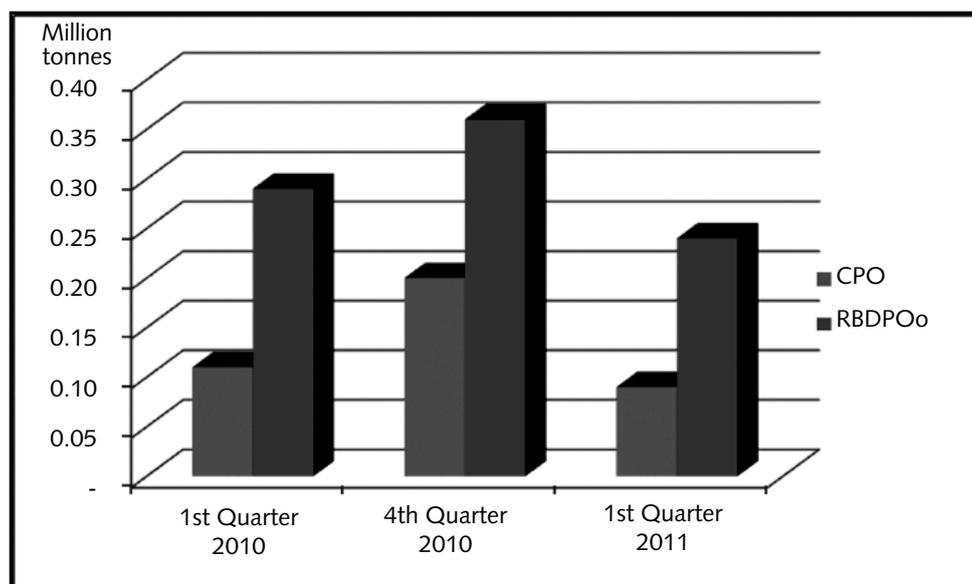
Quarter	Amount
1 st 2010	1.06
4 th 2010	0.76
1 st 2011	0.76

Source: MPOB statistics.



Note: CPO = crude palm oil.
RBDPOs = refined, bleached, deodorised palm stearin.

Figure 3. Export composition of palm oil products to European Union (EU) (million tonnes).



Note: CPO = crude palm oil.
RBDPOo = refined, bleached, deodorised palm oil olein.

Figure 4. Export composition of palm oil products to Pakistan (million tonnes).

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

Quarter	Amount
1 st 2010	0.48
4 th 2010	0.54
1 st 2011	0.39

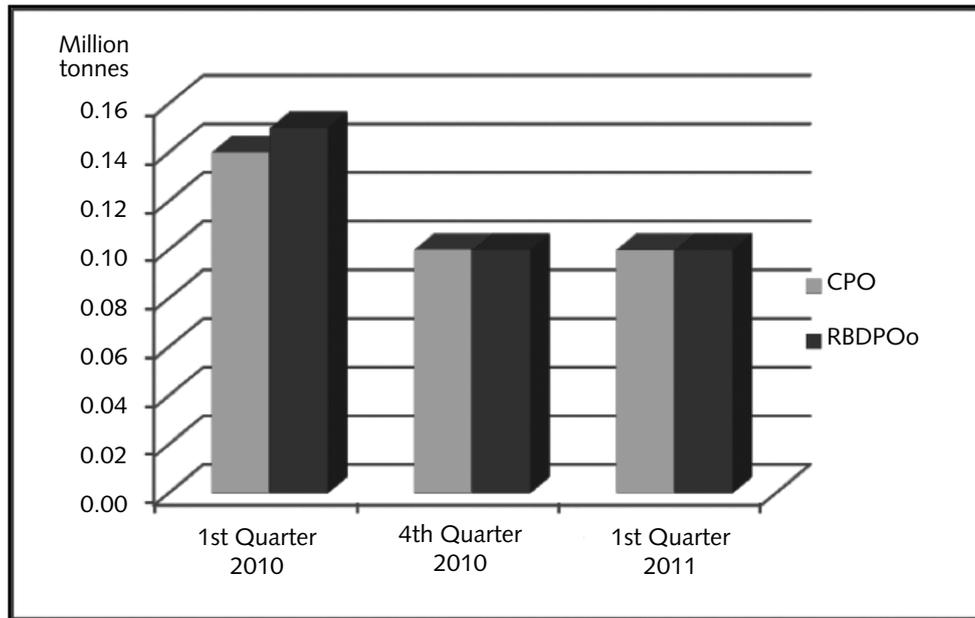
Source: MPOB statistics.

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

Quarter	Amount
1 st 2010	0.51
4 th 2010	0.62
1 st 2011	0.35

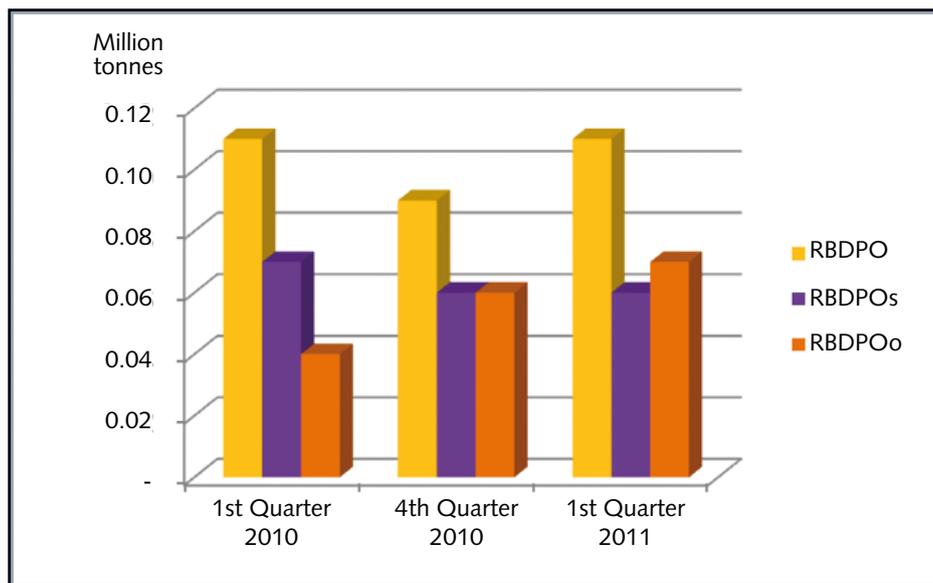
Source: MPOB statistics.

period last year (Table 3). Major palm oil products imported by the EU were CPO, followed by RBD palm stearin and other processed products (Figure 3). The export of CPO had dropped significantly by 32% from the previous quarter, and about 9% compared to the same period last year, partly due to high prices that suppressed demand. In addition, export of other



Note: CPO = crude palm oil.
RBDPOo = refined, bleached, deodorised palm olein.

Figure 5. Export composition of palm oil products to India (million tonnes).



Note: RBDPO = refined, bleached, deodorised palm oil.
RBDPOs = refined, bleached, deodorised palm oil stearin.
RBDPOo = refined, bleached, deodorised palm oil olein.

Figure 6. Export composition of palm oil products to USA (million tonnes).

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

Quarter	Amount
1 st 2010	0.35
4 th 2010	0.24
1 st 2011	0.21

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

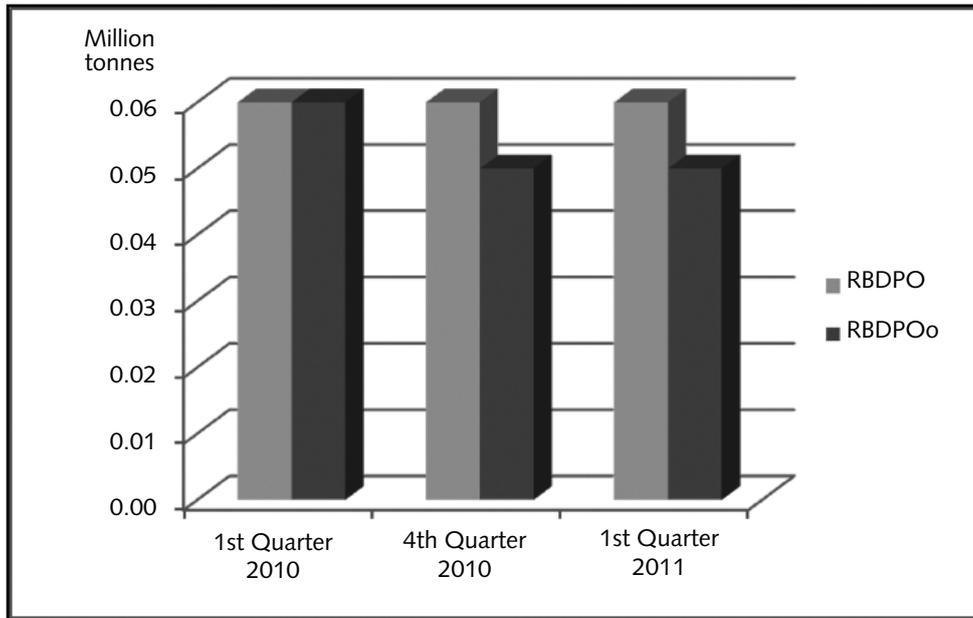
Quarter	Amount
1 st 2010	0.24
4 th 2010	0.25
1 st 2011	0.27

Source: MPOB statistics.

processed products such as RBD palm stearin, RBD palm oil and RBD palm olein also showed similar trend either on quarterly or yearly basis.

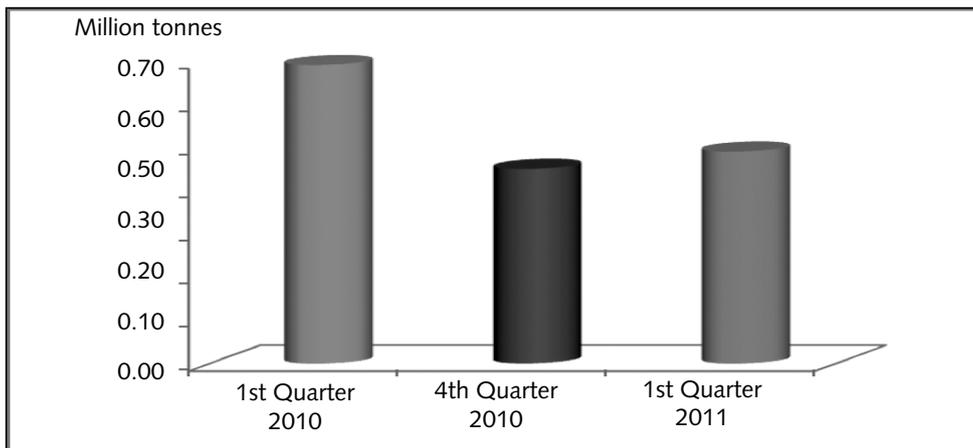
For the first-quarter of 2011, the amount of palm oil exported to Pakistan had decreased by 44% to 0.35 million tonnes from the previous

Source: MPOB statistics.



Note: RBDPO = refined, bleached, deodorised palm oil.
 RBDPOo = refined, bleached, deodorised palm olein.

Figure 7. Export composition of palm oil products to Japan (million tonnes).



Source: MPOB statistics.

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

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

Quarter	Amount
1 st 2010	0.15
4 th 2010	0.13
1 st 2011	0.14

Source: MPOB statistics.

quarter, and by 32% as compared to the same period in 2010 (*Table 4* and *Figure 4*). RBD palm olein which constituted nearly 70% of palm oil products to Pakistan, had decreased by 33% on quarterly basis and by 16% on yearly basis. Similarly, export of CPO also showed similar trend *i.e.* reducing by 55% from the previous quarter and about 14% compared to the same period last year. Exports of palm oil to Pakistan declined due to sufficient availability of vegetable oils in the country. This is contributed by the large volume of canola imported from Canada for domestic crushing activities as well as surplus of palm oil imports from previous months.

India has been one of major export destinations of Malaysian palm oil products. For the first-quarter of 2011, the amount of palm oil exported to India had accumulated to 0.21 million tonnes, a reduction of 10% compared to the fourth-quarter of 2010 and also 39% lower as compared to the first-quarter 2010 (*Table 5*

and *Figure 5*). The export of CPO, which was nearly 0.10 million tonnes, had depreciated by 7% from the previous quarter, while the exports of RBD palm olein had shrunk by 6%. Export of both products decreased more than 30% when compared to the equivalent period last year. This decrease in export volume was linked to the higher global prices of Malaysian palm oil and increased domestic oilseeds crushing. Rapeseed, the main winter season oilseed crop, is harvested from February onwards, thus raising domestic cooking oil supplies.

The export of Malaysian palm processed products to the United States had accumulated to 0.27 million tonnes for the first-quarter 2011, which was 11% higher than the previous quarter and 14% bigger than the first-quarter of 2010 (*Table 6*). The exports to US have been encouraging since the regulation of *trans* fatty acid labeling in 2006. Export of RBD palm oil had increased by 27% and 8% from final quarter and first-quarter of last year, respectively. Meanwhile, export of RBD palm stearin had increased significantly *i.e.* by 17% on quarterly basis and 60% on yearly basis, amounting to 0.07 million tonnes in the first-quarter of 2011 (*Figure 6*). The renewed acceptance of palm oil in the US market create

opportunities in non-traditional segments of the US market, such as instant noodles, specialty fats, baking, frying as well as the margarine applications for future growth.

Japan is one of the regular export destinations of Malaysian palm oil products. For first-quarter of 2011, the volume of palm oil export to Japan had reached nearly 0.14 million tonnes, which increased marginally by 2% from the fourth-quarter of 2010, but had decreased by 7% from the same period last year (*Table 7* and *Figure 7*). The export of RBD palm oil had shrunk by 4% on quarterly basis and 3% on yearly basis. Meanwhile, export of RBD palm olein had not changed much from the previous quarter, but decreased by 13% from the final quarter of last year.

In the local scenario, domestic disappearance of palm oil had improved by 8% from the previous quarter, but still lower by nearly 30% from the same period last year, to reach nearly half a million tonnes in the first-quarter of 2011 (*Figure 8*). Overall, the lower supply of palm oil in the current first-quarter is contributed by lower production and smaller stock volume, coupled with higher prices of vegetable oils, suppressing export demand as well domestic consumption.