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Malaysia

Oilseeds and Products

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2005

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Report Highlights:
Malaysia's crude palm oil (CPO) production rose 4.8 percent to 1.4 MT in September 2005, bringing the total CPO output to 15.2 MMT for FY2004/05. Carry-over stock level at the end of the September increased to 1.4 MMT reflecting the increase in CPO output for September. Stronger overseas demand at the beginning of the month influenced the average local CPO price to increase to RM1,458 (US$386)/MT in October, 2005. Preliminary official PO exports rose from 1.17 MMT in August to 1.2 MMT in September.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Kuala Lumpur [MY1]
[MY]

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Executive Summary

Production

The Malaysian Palm Oil Board (MPOB) reported that total crude palm oil (CPO) production rose 4.8 percent to 1.4 MMT in September 2005 bringing the total CPO output to 15.2 MMT for FY2004/05. While East Malaysia's production rose 11 percent, output in the Peninsula Malaysia was only marginally higher. Compared to September 2004, output during September 2005 was 3.8 percent lower. The palms are showing the signs of biological stress after recording strong production for the past 14 months. With Post's forecast of 4.1 MMT CPO output for the Oct-Dec quarter, total CPO for CY2005 should reach 15.3-15.4 MMT. However, due to an anticipated slow down in yields, Post expects only a marginal increase in CPO in 2005/06.

Price

The strengthening Indonesian rupiah and stronger overseas demand resulted in an increase in local CPO prices during the month of October. The monthly average CPO price rose RM1,381/MT in September to RM1,458/MT in October 2005. For comparison, the average CPO price for October 2004 was RM1,460/MT. The Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price also rose from US$385/MT in September to US$401/MT in October.

Stocks

Higher CPO output offset the growth in PO exports, resulting in an increase in carryout stocks to 1.4 MMT at the end of September. An anticipated small increase in CPO output is expected to be offset by an increase in exports during the Oct – Dec quarter. Post expects the increase in the carry-in stocks at the beginning of the quarter to be passed to the carry-over stocks at the end of December, at 1.5 MMT.

Trade

Preliminary official PO exports increased from 1.17 MMT in August to 1.2 MMT in September. PO exports strengthened slightly in October.

Other news

Biofuel is the new buzzword in the palm oil industry. With the world facing soaring petroleum prices, worsening environment pollution and depleting fossil fuel reverses, Malaysian palm oil producers see huge opportunities to transforms palm oil to biofuel and do not want to lose out on the predicted huge export markets. The Malaysian Palm Oil Board (MPOB) has announced plans to build the country's first biofuel plant in partnership with a private plantation company. Scheduled to come on stream in October 2006, it would have an annual production capacity to process 60,000 tons of refined palm olein into biofuel. MPOB expects at least five more plants to be established by the next two years. At the recent international palm oil conference, the Malaysian Minister of Plantation Industries and Commodities announced that 3 biofuel plants are to be built. Europe is the targeted market due to its regulation that required the usage of biofuel to reach 5.75% by 2010. The production cost of palm oil is said to be about 40 percent lower than other biofuel feedstocks. The GOM is drafting the National Biofuel Policy and hopes to submit it to Parliament in 2006.

Exchange Rate: US$1.00 = RM3.769 (Sep 23 2005); RM3.774 (Oct 22 2005).

Annual Situation

PS&D table for palm oil has been revised to reflect the latest official data for the full year of FY 2004/05.

	Revised 2003/04	Prelim 2004/05	Forecast 2005/06
	(1,000 tons)		
Beg Stock	975	1,332	1,436
Production	13,420	15,194	15,500
Imports	773	430	400
Total Supply	15,168	16,956	17,336
Exports	11,602	13,563	13,740
Domestic Use	2,234	1,957	2,396
Ending Stock	1,332	1,436	1,200

Quarterly Outlook for Palm Oil

	2004 1/	2005 2/	2004 1/	2005 2/
	Jul-Sep	Jul-Sep	Oct-Dec	Oct-Dec
	(1,000 tons)			
Beg Stocks 3/	1,212	1,185	1,333	1,436
Prod- Pen. Mal	2,339	2,330	2,173	2,370
- East Mal	1,742	1,758	1,763	1,720
- Total	4,081	4,088	3,936	4,090
Imports	161	116	108	80
Total Supply	5,454	5,389	5,377	5,606
Exports 4/	3,590	3,445	3,410	3,560
Dom Disap 5/	531	508	477	500
End Stocks	1,333	1,436	1,490	1,546

1/ Revised;
2/ Forecast;
3/ Stocks include crude and refined for all Malaysia;
4/ Exports exclude shipments of fatty acid oil distillate and all intra-Malaysia trade;
5/ Residual

Production

	2004	2004	2005	2005	2005
	Sep	Jan-Sep	September 1/	Sep	Jan-Sep
(In 1,000 MT)					
CPO:					
Pen. Malaysia	822	5,920	772	774	6,516
East Malaysia	666	4,119	593	658	4,742
- Total /1	1,488	10,039	1,365	1,432	11,258
Palm Kernel: Malaysia	392	2,640	366	379	3,013
Palm Kernel Oil: Malaysia	156	1,177	166	164	1,402
Palm Kernel Meal: Malaysia	180	1,361	190	187	1,597

1/ Revised

Prices

(Crude delivered basis; RBD Oils in Bulk, FOB Malaysia)

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US$/MT	US$/MT	US$/MT
Oct 2004	1,460	414	426	357
Nov	1,475	405	421	358
Dec	1,408	392	402	350
Jan 2005	1,331	363	376	336
Feb	1,299	351	364	324
Mar	1,421	392	402	349
Apr	1,428	389	401	355
May	1,410	389	401	355
Jun	1,398	384	395	348
July	1,408	388	398	344
Sep 1/	1,381	385	398	330
Oct (till 24)	1,458	401	413	342

1/ Revised
Exchange Rate: US$1.00 = RM3.769 (Sep 23 2005); RM3.774 (Oct 23 2005)

Stock

	2004	2005	2005	2005
	Sep	Jul	September 1/	Sep
	(In 1,000 MT)			
Crude P. Oil	781	667	667	788
Processed PO	552	668	668	648
- Total PO	1,333	1,335	1,335	1,436
Palm Kernel	158	125	125	155
P. Kernel Oil	169	207	207	241

1/ Revised