## OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2011

## FOREWARD

The Malaysian oil palm industry has shown stellar performance with record highs in key performance indicators, namely price of palm oil products, crude palm oil production, imports, exports volume as well as revenue. Average annual price of palm oil for the year breached the RM3,000 mark to register at RM3,219, while export revenue of palm products reached a record high of RM80.4 billion, an increase of 34.5% against RM59.8 billion achieved in 2010.

The oil palm planted area in 2011 reached 5.00 million hectares, an increase of 3.0% against 4.85 million hectares recorded the previous year. This was mainly due to increase in planted area in Sarawak which recorded an increase of 11.0% or 102,169 hectares. Sabah is still the largest oil palm planted state with 1.43 million hectares or 28.6% of total oil palm planted area, followed by Sarawak with 1.02 million hectares with 20.4%.

CPO production in 2011, increased by 11.3% to reach a record high of 18.91 million tonnes. Sarawak's CPO production increased by 23.7% to 2.7 million tonnes while Sabah and Peninsular Malaysia increased by 9.9% and 9.2% to 5.84 million tonnes and 10.37 million tonnes respectively. The increase in production was mainly due to the recovery in the fresh fruit bunches (FFB) yield after experiencing two years of declining yield in 2009 and 2010. Improved weather conditions as well as more areas coming into peak production had also contributed to the increased production.

Palm oil stocks in 2011 closed at 2.06 million tonnes, an increase of 27.4% against 1.62 million tonnes recorded in 2010. Higher palm oil production by 1.92 million tonnes and higher imports by 0.19 million tonnes had contributed to the high closing stocks for the year.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 5.3% or 1.21 million tonnes to 24.27 million tonnes in 2011 from 23.06 million tonnes recorded in 2010. Total export earnings also rose by 34.5% or RM20.62 billion to RM80.41 billion compared to the RM59.79 billion achieved in 2010 because of higher export prices.

Exports of palm oil rose by 8.0 % to 18.00 million tonnes in 2011 as against 16.66 million tonnes in the previous. China, P.R continued to maintain its position as the largest palm oil export market for the tenth (10) consecutive year, with off-take totaling 3.98 million tonnes or 22.1% of total palm oil exports, followed by the European Union (EU) 2.01 million tonnes (11.2%), Pakistan 1.82 million tonnes (10.1%), India 1.67 million tonnes (9.3%), USA 1.05 million tonnes (5.8%), Egypt 0.71 million tonnes (3.9%) and Japan 0.54 million tonnes (3.0%). These seven (7) markets combined accounted for 11.78 million tonnes or 65.4% of total Malaysian palm oil exports in 2011.

The increase in palm oil export was mainly due to higher export volume to China, P.R, India, the Philippines, Turkey, Vietnam and South Africa. Palm oil exports to China, P.R rose sharply by 14.3% or 0.50 million tonnes to 3.98 million tonnes mainly due to lower imports of soyabean from Argentina for domestic crushing. Exports to India surged by 42.6% or 0.50 million tonnes to 1.67 million tonnes attributed to increased intake of crude palm oil (CPO) due to current import duty imposed by Indian Government (0%) which favours more of the imports of CPO. The higher demand for palm oil in the domestic biodiesel production had contributed to the

increase in palm oil export to the Philippines to 0.51 million tones, up by 150.1% (2.5 folds). Exports of palm oil to Turkey rose by 6 folds to 0.11 million tonnes due to high intake for food manufacturing companies with exports destined for Middle-East markets, namely Iran, Iraq and Afghanistan. The increase in palm oil export to Vietnam by 21.4% to 0.42 million tonnes was mainly due to lower imports of palm oil from Indonesia. Exports of palm oil to South Africa rose by 33.2% to 0.20 million tonnes due to increased usage of palm oil in various food applications.

While most major markets registered increases in off-takes, some market recorded declines in exports, namely Pakistan, Egypt, Ukraine, UAE and Benin. Malaysian exports of palm oil to Pakistan declined significantly by 14.7% or 0.31 million tonnes to 1.82 million tonnes arising from higher imports of rapeseed/canola from Canada. The major contributing factor for the significant shortfall in palm oil exports to Egypt by 24.3% or 0.23 million tonnes to 0.71 million tonnes was the higher imports of soyabean oil from Argentina (for crushing activity) coupled with local political tensions affecting demand. Exports to Ukraine also declined by 48.3% to 0.14 million tonnes due to increased supply availability of domestic sunflower oil. Meanwhile, palm oil exports to UAE and Benin fell respectively by 10.1% to 0.40 million tonnes and 28.2% to 0.27 million tonnes due to decline in palm oil re-exporting activities to neighbouring Arab and African Countries.

Palm kernel oil exports increased by 1.1% to 1.18 million tonnes in 2011. USA was the major export market for palm kernel oil with 0.29 million tonnes (or 24.6% of total palm kernel oil exports), followed by China, P.R 0.18 million tonnes (15.3%), the EU 0.14 million tonnes (11.9%) and Japan 0.10 million tonnes (8.5%). Exports of palm kernel cake declined by 8.8% to 2.23 million tonnes. The major palm kernel cake export markets were the EU with 0.88 million tonnes (or 39.5% of total palm kernel cake exports), New Zealand 0.57 million tonnes (25.6%) and South Korea 0.45 million tonnes (20.2%).

Exports of oleochemical products down by 1.9% to 2.18 million tonnes in 2011. The major export markets for oleochemicals were the EU with 0.49 million tonnes (22.5% of total oleochemical exports), China, P.R 0.32 million tonnes (14.7%), Japan 0.21 million tonnes (9.6%), USA 0.19 million tonnes (8.7%) and India 0.12 million tonnes (5.5%). The major oleochemical products exported were fatty acids (0.81 million tonnes or 37.2% of total oleochemical exports), followed by fatty alcohol (0.44 million tonnes or 20.2%), soap noodles (0.35 million tonnes or 16.1%), methyl ester (0.31 million tonnes or 14.2%) and glycerine (0.26 million tonnes or 11.9%).

The average CPO price recorded for the year 2011 was the highest ever annual average price, reaching RM3,219.00 per tonne, increased by RM518.00 or 19.2% against RM2,701.000 in the previous year. CPO prices traded firmer at RM3,659.00 per tonne during the first quarter of the year, supported by positive sentiments related to world supply tightness of vegetable oils and low domestic palm oil stocks level during this period. Subsequently, during the second quarter of the year, bullish market sentiments supported by firmer crude oil price, coupled with world vegetable oils supply tightness, especially that of palm oil and soyabean oil supported positive price sentiments.

Despite pressured by prolong Euro-zone financial debt crisis during the second half of the year, which weakened the world vegetable oils market, CPO price still traded stable, averaging at RM3,027.00 per tonne, though, its reached the lowest in October, 2011 at RM2,838.50 per tonne.

In line with the overall increase in local CPO prices, the average export price for processed palm oil products also increased, namely that of RBD palm oil, higher by RM624.50 or 22.3% to RM3,426.00; RBD palm olein by RM655.00 or 23.0% to RM3,507.50; and RBD palm stearin by RM402.00 or 14.9% to RM3,103.00.

The average price of palm kernel in 2011 rose marginally by 27.1% or RM470.50 to RM2,206.00 from RM1,735.50 recorded in the previous year because of domestic tight supply situation during the first quarter of the year. The average price of CPKO increased by 26.8% or RM974.00 to RM4,611.00 from RM3,637.00 registered in the previous year as a result of higher palm kernel price coupled with firmer lauric oil prices in the world market. In the case of FFB, its average price at 1% OER was higher by 25.6% to RM36.28 from RM29.48 achieved in the previous year, which was in tandem with higher CPO and PK prices. Based on the national OER, the average price of FFB in 2011 was equivalent to RM732 per tonne as against RM587 per tonne in the previous year.

SUMMARY ON THE PERFORM	MANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2011			
	2010	2011	DIFFERENCE	
			QUANTITY / VALUE	(%)
PLANTED AREA (HECTARES)				
	4,853,766	5,000,109	146,343	3.02
PRODUCTION (Tonnes)				
CRUDE PALM OIL	16,993,717	18,911,520	1,917,803	11.3
PALM KERNEL	4,292,076	4,706,603	414,527	9.7
CRUDE PALM KERNEL OIL	2,014,943	2,144,699	129,756	6.4
PALM KERNEL CAKE	2,242,277	2,387,056	144,779	6.5
CLOSING STOCKS (Tonnes)				
CRUDE PALM OIL	710,541	1,066,291	355,750	50.1
PROCESSED PALM OIL	905,696	992,109	86,413	9.5
TOTAL PALM OIL	1,616,237	2,058,400	442,163	27.4
EXPORT (Tonnes)		1 1		
PALM OIL	16,664,068	17,993,265	1,329,196	7.98
PALM KERNEL OIL	1,163,586	1,176,203	12,617	1.08
PALM KERNEL CAKE	2,443,383	2,227,410	-215,973	-8.84
OLEOCHEMICALS	2,223,668	2,181,430	-42,238	-1.90
BIODIESEL	89,609	49,999	-39,610	-44.20
FINISHED PRODUCTS	409,359	402,909	-6,450	-1.58
OTHER PALM PRODUCTS	66,343	240,456	174,114	262.45
TOTAL EXPORTS (Tonnes)	23,060,017	24,271,672	1,211,655	5.25
EXPORT REVENUE (RM MILLION)	20,000,017	24,271,072		0.20
PALM OIL	44,859.88	60,471.92	15,612.04	34.80
PALM KERNEL OIL	4,341.70	6,097.36	1,755.66	40.44
PALM KERNEL CAKE	742.95	924.69	181.74	24.46
OLEOCHEMICALS	8,035.57	10,846.90	2,811.33	34.99
BIODIESEL	266.53	179.72	(86.81)	-32.57
FINISHED PRODUCTS	1,464.84	1,717.08	252.24	17.22
OTHER PALM PRODUCTS	81.05	173.76	92.71	114.39
TOTAL REVENUE (RM MILLION)	<b>59,792.52</b>	80,411.43	20,618.91	<b>34.48</b>
IMPORT (TONNES)	57,172.52	00,411.43	20,010.71	34.40
PALM OIL	1,112,169	1,305,676	193,507	17.40
PALM KERNEL OIL	445,066	388,516	-56,550	-12.71
PRICE (RM/TONNE)	445,000	300,310	-30,330	-12.71
	587.00	732.00	145.00	24.7
FFB (MILL GATE) CPO (LOCAL DELIVERED)	2,701.00	3,219.00	518.00	19.2
	1,735.50	2,206.00	470.50	27.1
PALM KERNEL (EX-MILL)	3,637.00	4,611.00	974.00	27.1
CPKO (LOCAL DELIVERED)	2,801.50	3,426.00	624.50	20.8
RBD PALM OIL (FOB)				
RBD PALM OLEIN (FOB)	2,852.50	3,507.50	655.00 354.50	23.0 13.1
RBD PALM STEARIN (FOB)	2,701.00 2,310.00	3,055.50 2,495.00	185.00	8.0
PFAD (FOB)	2,310.00	2,490.00	165.00	0.0
	10.01	20.00	0.17	0.0
PENINSULAR MALAYSIA	19.91	20.08	0.17	0.9
SABAH	21.33	20.74	-0.59	-2.8
SARAWAK	20.85	20.59	-0.26	-1.2
MALAYSIA	20.45	20.35	-0.10	-0.5
YIELD (TONNES / HECTARE)	10.02	10 ( 0	1 / /	0.01
FFB	18.03	19.69	1.66	9.21
OIL	3.69	4.01	0.32	8.67

## SUMMARY ON THE DEDEORMANCE OF THE MALAVELAN OUT DATM INDUSTRY 2011

Note: 22/02/2012