

OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2015**FOREWORD**

The year 2015 saw mixed performance of the Malaysian oil palm industry. Oil palm planted area, crude palm oil (CPO) production, import, export and closing stocks increased, while that of prices and export revenue declined. Average CPO price was down by 9.6% to RM2,153.50 compared to RM2,383.50 in 2014.

Oil palm planted area in 2015 reached 5.64 million hectares, an increase of 4.6% as against 5.39 million hectares recorded in the previous year. This was mainly due to the increase in new planted areas especially in Sarawak, which recorded an increase of 13.9%. Sabah is still the largest oil palm planted state, with 1.54 million hectares or 27% of the total oil palm planted area, followed by Sarawak with 1.44 million hectares or 26%, while Peninsular Malaysia accounted for 2.66 million hectares or 47%.

In 2015, CPO production recorded a marginal increase of 1.5% to 19.96 million tonnes as against 19.67 million tonnes produced in 2014. The increase was due to higher FFB processed, arising from the increase in new matured areas coming into production, especially in Sarawak. CPO production in Peninsular Malaysia and Sarawak increased by 3.6% and 7.6% to 10.54 million tonnes and 3.70 million tonnes respectively. CPO production in Sabah, however, recorded a decline of 5.5% to 5.72 million tonnes.

The FFB yield for 2015 was slightly lower by 0.8% to 18.48 tonnes per hectare from 18.63 tonnes per hectare achieved in 2014. Sabah registered a decline of 6.3% to 19.99 tonnes per hectare as against 21.34 tonnes per hectare achieved in the previous year. Peninsular Malaysia and Sarawak, however recorded increases. FFB yield for Peninsular Malaysia improved by 3.0% to 18.77 tonnes per hectare, while that of Sarawak increased marginally by 0.5% to 16.21 tonnes per hectare. Sarawak's FFB yield was relatively lower as compared to other regions as 25% of its matured area were young palms.

The national OER in 2015 declined by 0.8% to 20.46 percent mainly due to lower quality of FFB processed by mills. OER in Peninsular Malaysia and Sarawak decreased by 0.9% and 1.4% to 20.01% and 20.15% respectively. Sabah, however, recorded an increase in OER performance by 0.4% to register at 21.57%.

Total exports of oil palm products increased marginally by 1.2% to 25.37 million tonnes in 2015 from 25.07 million tonnes exported in 2014. Total export revenue, however, declined by 5.4% to RM60.17 billion compared to the RM63.62 billion achieved in 2014 due to lower export prices. Palm oil export revenue declined by 7.3% to RM41.26 billion as against RM44.50 billion in 2014. Palm oil off-take increased marginally by 0.9% to 17.45 million tonnes as compared to 2014 due to higher demand, especially from India, Turkey, Philippines and South Africa.

India maintained its position as the largest Malaysian palm oil export market in 2015, with an intake of 3.69 million tonnes or 21.1% of total palm oil exports, followed by the European Union (EU) 2.43 million tonnes (13.9%), China, P.R 2.38 million tonnes (13.6%), Pakistan 0.73 million tonnes (4.2%), USA 0.70 million tonnes (4.0%), Philippines 0.65 million tonnes (3.7%) and Vietnam 0.58 million tonnes (3.3%). These seven (7) markets combined accounted for 11.16 million tonnes or 64.0% of total Malaysian palm oil exports in 2015.

Palm oil exports to India increased significantly by 13.4% to 3.69 million tonnes in 2015, from 3.25 million tonnes exported in 2014. The increase was attributed to the country's insufficient domestic production of vegetable oils as a result of lower output of oilseeds attributed to the deficit in rainfall in the last two years.

The increase in export of palm oil to the EU, up by 0.9% to 2.43 million tonnes from 2.41 million tonnes was due to EU's lower import of soyabean oil (down by 13.7% to 265,000 tonnes) and sunflower oil (down by 16.1% to 960,000 tonnes).

China, P.R came in as the third largest market for Malaysian palm oil, with an intake of 2.38 million tonnes, a decline of 16.2% from 2.84 million tonnes. The decline was due to higher imports of soyabean, amounting to 81.74 million tonnes (up by 14.5% in 2015) against 71.40 million tonnes in 2014 and the higher intake of Indonesian palm oil (amounted to 3.09 million tonnes) as against Malaysia's intake of 2.29 million tonnes during January-November 2015.

Pakistan positioned itself as the fourth largest export market similar to the position that it held in year 2014 with intake of 0.73 million tonnes. Export of palm oil to the country, however, declined by 10.8% from 0.82 million tonnes due to the higher import of Indonesian palm oil, 2.05 million tonnes during January-November 2015 and the higher import of soyabean oil from G4 countries (USA, Argentina, Brazil & Paraguay) amounting to 150,000 tonnes during January-October 2015.

The higher intake of Indonesian palm oil (up by 44.4% to 533,000 tonnes during January – November 2015) had attributed to the lower exports of Malaysian palm oil to USA, down by 10.2% to 0.70 million tonnes from 0.78 million tonnes exported in 2014. Similarly, palm oil

intake by Vietnam declined by 3.3% to 0.58 million tonnes from 0.60 million tonnes as a result of higher import of soyabean oil from the G4 countries.

Meanwhile, the intake of Malaysian palm oil to the Philippines increased by 31.3% to 0.65 million tonnes from 0.49 million tonnes to supplement the insufficient supply of coconut oil for domestic consumption. The higher export (up by 413.3% or 5.1 folds to 0.40 million tonnes) of palm oil to Turkey was attributed to the implementation of Malaysia – Turkey Free Trade Agreement that became effective on 1st August, 2015.

Export of palm oil to South Africa also increased by 154.6% or up by 2.5 folds to 0.17 million tonnes from 0.07 million tonnes due to lower sunflowerseed production (down by 20.5% to 660,000 tonnes) and lower intake of Indonesian palm oil (down by 11.9% to 281,000 tonnes during the January – November 2015).

Palm kernel oil exports declined by 4.5% to 1.07 million tonnes in 2015 from 1.12 million tonnes in 2014 mainly due to lower demand from China, P.R. The EU was the major export market for palm kernel oil with 0.27 million tonnes (or 25.2% of total palm kernel oil exports), followed by USA 0.19 million tonnes (17.4%), China, P.R 0.14 million tonnes (12.9%), India 0.06 million tonnes (5.7%) and Japan 0.06 million tonnes (5.2%).

Exports of palm kernel cake, however, increased by 2.0% to 2.63 million tonnes in 2015 as against 2.57 million tonnes in 2014 due to higher demand from Pakistan, Saudi Arabia, China, P.R and the Philippines. The major palm kernel cake export markets were New Zealand with 1.02 million tonnes (or 38.8% of total palm kernel cake exports), the EU 0.69 million tonnes (26.3%), South Korea 0.34 million tonnes (12.9%), Pakistan 0.17 million tonnes (6.6%) and China, P.R 0.16 million tonnes (5.9%).

Similarly, exports of oleochemical products increased by 0.8% to 2.85 million tonnes in 2015 from 2.83 million tonnes in 2014. The increase in exports of oleochemical products was due to higher demand from South Korea, Turkey, Vietnam and Japan. The EU was the major export market for oleochemicals with 0.56 million tonnes (19.8% of total oleochemical exports), followed by China, P.R 0.41 million tonnes (14.4%), USA 0.25 million tonnes (8.9%), Japan 0.23 million tonnes (8.2%) and India 0.15 million tonnes (5.4%). The major oleochemical products exported were fatty acids (0.93 million tonnes or 32.7% of total oleochemical exports), followed by fatty alcohol (0.55 million tonnes or 19.4%), methyl ester (0.49 million tonnes or 17.3%), soap noodles (0.46 million tonnes or 16.1%) and glycerine (0.38 million tonnes or 13.3%).

Imports of palm oil increased by 111.7% or up by 2.1 folds to 1.03 million tonnes from 0.49 million tonnes recorded in 2014. The increase in overall palm oil imports for 2015 was due to higher value-adding locally to meet export demand. In addition, the lower Indonesian export levy imposed on processed palm oil (US\$20/tonne – US\$30/tonne) as against the US\$ 50/tonne export levy imposed on CPO had encouraged Malaysian importers to import Indonesian PPO and this had contributed to the overall increase in import for 2015. Almost all of palm oil imports (both CPO and PPO) were sourced from Indonesia.

Palm oil stocks closed at 2.63 million tonnes, higher by **30.7%** as compared to 2.02 million tonnes recorded in December 2014. The higher closing stocks was mainly due to higher opening stocks, up by 1.4% or 28,636 tonnes, higher CPO production by 1.5% or 294,565 tonnes and higher palm oil imports by **111.7% or 542,591 tonnes**.

In 2015, all oil palm products were traded lower. CPO price was traded lower by 9.6% or RM230.00 to reach RM2,153.50/tonne compared to RM2,383.50/tonne in 2014. The highest traded price was in January, 2015 at RM2,294.00/tonne and the lowest price was in August at RM1,970.00/tonne.

CPO price was traded lower during the first half of 2015, averaging at RM2,219.00, down by 14.8% compared to RM2,605.00/tonne during the same period in 2014. The lower price was in tandem with the weaker world vegetable oil prices, namely soyabean and rapeseed oil.

CPO price continued on a downward trend during the second half of 2015, averaging at RM2,090.50, down by 4.2% compared to RM2,183.00 during the same period in 2014. The lower prices was due to market concerns caused by the recent turmoil in the Chinese stock market which is likely to impact the demand for palm oil, coupled with the weaker Brent crude oil price averaging at US\$46/barrel.

Processed palm oil export prices were also traded lower. RBD palm oil was traded lower by RM222.50 or 8.9% at RM2,279.50/tonne, RBD palm olein traded lower by RM205.50 or 8.2% at RM2,289.00/tonne, RBD palm stearin traded lower by RM388.00 or 15.9% at RM2,058.00/tonne and PFAD traded lower by RM367.00 or 16.2% at RM1,902.50/tonne.

The average price of palm kernel (PK) in 2015 declined by RM143.00 or 8.6% to RM1,527.50 compared to RM1,670.50 during last year. The lower PK price was mainly due to the bearish domestic CPKO price sentiment during the 1st half of 2015. The price of CPKO during 2015 also declined by RM124.50 or down by 3.6% to RM3,373.00 from RM3,497.50 registered in 2014. The lower prices were in tandem with the weaker world lauric oil prices in 2015, namely that of PKO, lower by US\$213 or 19.0% at US\$909/tonne and coconut oil by US\$172 or 13.4% at US\$1,109/tonne.

The average FFB price at 1% OER was lower by 10.7% to RM22.96, from RM25.72 achieved in the previous year, which was in tandem with the lower CPO and PK prices. Based on the national oil extraction rate (OER), the average price of FFB in 2015 was equivalent to RM459/tonne as against RM519/tonne in the previous year.

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SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2015 & 2014

	2015	2014	DIFFERENCE	
			VOLUME / VALUE	(%)
PLANTED AREA (HECTARES)				
MALAYSIA	5,642,943	5,392,235	250,708	4.6
PENINSULAR MALAYSIA	2,659,361	2,617,334	42,027	1.6
SABAH	1,544,223	1,511,510	32,713	2.2
SARAWAK	1,439,359	1,263,391	175,968	13.9
CPO PRODUCTION (TONNES)				
MALAYSIA	19,961,581	19,667,016	294,565	1.5
PENINSULAR MALAYSIA	10,536,467	10,172,108	364,359	3.6
SABAH	5,722,967	6,055,569	(332,602)	(5.5)
SARAWAK	3,702,147	3,439,339	262,808	7.6
CLOSING STOCKS (TONNES)				
CRUDE PALM OIL	1,593,073	995,691	597,382	60.0
PROCESSED PALM OIL	1,040,867	1,020,098	20,769	2.0
TOTAL PALM OIL	2,633,940	2,015,789	618,151	30.7
EXPORT (TONNES)				
PALM OIL	17,454,213	17,306,247	147,966	0.9
PALM KERNEL OIL	1,066,694	1,116,697	(50,003)	(4.5)
PALM KERNEL CAKE	2,626,969	2,574,881	52,087	2.0
OLEOCHEMICALS	2,850,495	2,828,467	22,028	0.8
BIODIESEL	178,942	87,356	91,586	104.8
FINISHED PRODUCTS	440,594	449,624	(9,031)	(2.0)
OTHER PALM PRODUCTS	752,388	708,830	43,558	6.1
TOTAL EXPORTS (TONNES)	25,370,2294	25,072,103	298,192	1.2
EXPORT REVENUE (RM MILLION)				
PALM OIL	41,257.50	44,498.45	(3,240.95)	(7.3)
PALM KERNEL OIL	4,080.40	4,202.90	(122.50)	(2.9)
PALM KERNEL CAKE	936.01	1,263.20	(327.19)	(25.9)
OLEOCHEMICALS	11,295.43	11,291.98	3.45	0.03
BIODIESEL	483.57	257.37	226.20	87.9
FINISHED PRODUCTS	1,728.54	1,718.39	10.15	0.6
OTHER PALM PRODUCTS	388.04	386.59	1.45	0.4
TOTAL REVENUE (RM MILLION)	60,169.49	63,618.87	(3,449.39)	(5.4)
IMPORT (TONNES)				
PALM OIL	1,028,158	485,567	542,591	111.7
PALM KERNEL OIL	224,563	141,969	82,594	58.2

	2015	2014	DIFFERENCE	
			VOLUME / VALUE	(%)
PRICE (RM/TONNE)				
FFB (MILL GATE)	459.00	519.00	(60.00)	(11.6)
CPO (LOCAL DELIVERED)	2,153.50	2,383.50	(230.00)	(9.6)
PALM KERNEL (EX-MILL)	1,527.50	1,670.50	(143.00)	(8.6)
CPKO (LOCAL DELIVERED)	3,373.00	3,497.50	(124.50)	(3.6)
RBD PALM OIL (FOB)	2,279.50	2,502.00	(222.50)	(8.9)
RBD PALM OLEIN (FOB)	2,289.00	2,494.50	(205.50)	(8.2)
RBD PALM STEARIN (FOB)	2,058.00	2,446.00	(388.00)	(15.9)
PFAD (FOB)	1,902.50	2,269.50	(367.00)	(16.2)
OER (%)				
MALAYSIA	20.46	20.62	(0.16)	(0.8)
PENINSULAR MALAYSIA	20.01	20.19	(0.18)	(0.9)
SABAH	21.57	21.49	0.08	0.4
SARAWAK	20.15	20.43	(0.28)	(1.4)
FFB YIELD (TONNES / HECTARE)				
MALAYSIA	18.48	18.63	(0.15)	(0.8)
PENINSULAR MALAYSIA	18.77	18.23	0.54	3.0
SABAH	19.99	21.34	(1.35)	(6.3)
SARAWAK	16.21	16.13	0.08	0.5

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