

OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2021

FOREWORD

The year 2021 was the second year the Malaysian oil palm industry experienced operating in unprecedented pandemic period. The crude palm oil (CPO) production experienced lower performance in the first three (3) quarters of 2021 except for March; and only in October until December 2021, the performance was higher as compared to the same period 2020. Temporary suspension on foreign labour intake as part of COVID-19 containment measures had affected CPO production. The slowdown in CPO production had limited the capacity of the country to export palm oil and other palm-based products despite stable demand from importing countries. Palm oil stocks, national oil extraction rate (OER) and imports of palm oil however, witnessed increases. Nevertheless, the price of CPO had staged a remarkable performance for 2021, with the average price surging by 64.1% to RM4,407.00/tonne, its highest in the history of the palm oil industry, from RM2,685.50/tonne in 2020. The record higher prices had boosted total export revenue to reach the highest level of RM108.52 billion despite lower exports.

The total oil palm planted area was recorded at 5.74 million hectares in 2021, a decrease of 2.2% as against 5.87 million hectares in the previous year. Sarawak remained as the largest oil palm planted state with 1.61 million hectares or 28.0% of the total Malaysian oil palm planted area, followed by Sabah with 1.52 million hectares or 26.6%. Oil palm planted area in Peninsular Malaysia amounted to 2.61 million hectares or 45.5%.

In 2021, CPO production declined by 5.4%, to 18.12 million tonnes as against 19.14 million tonnes recorded in 2020. The decline was due to lower fresh fruit bunches (FFB) processed, down by 5.8% arising from lower FFB yield which decreased by 7.5% to 15.47 tonnes/hectare in 2021 as compared to 16.73 tonnes/hectare achieved in 2020. CPO production in all regions, namely Peninsular Malaysia, Sabah and Sarawak declined by 5.7%, 6.2% and 3.6% to 9.85 million tonnes, 4.36 million tonnes and 3.91 million tonnes, respectively.

The average FFB yield decreased by 7.5% to 15.47 tonnes/hectare in 2021 as against 16.73 tonnes/hectare in 2020. Peninsular Malaysia was the worst affected with average FFB yields declining by 8.6% to 16.24 tonnes/hectare, followed by Sarawak 7.0% to 13.94 tonnes/hectare and Sabah decreased by 6.4% to 15.77 tonnes/hectare.

The national OER performance increased by a marginal of 0.5% to 20.01 percent as against 19.92 percent in 2020, mainly due to higher proportion of the ripe FFB processed by oil palm millers throughout Malaysia. Peninsular Malaysia and Sarawak recorded higher OER performance in 2021, i.e. increased by 0.7% to 19.83 percent and 1.3% to 19.88 percent respectively; while Sabah's OER performance declined by 0.9% to 20.55 percent from 20.74 percent in 2020.

Total Malaysian exports of palm oil and other palm-based products in 2021 amounted to 24.28 million tonnes, lower by 9.2% from 26.73 million tonnes exported in 2020. Total export revenue, however, surged by 48.0% to RM108.52 billion as against RM73.33 billion in 2020 due to higher prices in world trade. In 2021, palm oil export earnings alone increased significantly by 41.6% to 64.62 billion as against RM45.65 billion in 2020. In contrast, palm oil export volume declined by 10.5% to 15.57 million tonnes as compared to the previous year attributed to lower demand, particularly from China, Pakistan, the European Union (EU), USA, Bangladesh, Philippines and South Korea. The decline in each market was more than 100,000 tonnes.

India again maintained its position as the largest Malaysian palm oil export market in 2021 for the eighth year since 2014, with 3.60 million tonnes or 23.1% of total Malaysian palm oil exports. This was followed by China at 1.87 million tonnes (12.0%), the EU 1.64 million tonnes (10.5%), Turkey 0.70 million tonnes (4.5%), Kenya 0.67 million tonnes (4.3%), Pakistan 0.61 million tonnes (3.9%) and the Philippines 0.58 million tonnes (3.7%). These top seven markets accounted for 9.68 million tonnes or 62.2% of total Malaysian palm oil exports in 2021.

Malaysian palm oil exports to India surged by 31.3% to 3.60 million tonnes in 2021 from 2.75 million tonnes in 2020 attributed to the significant lower palm oil uptake from Indonesia by 23.8% to 3.65 million tonnes in 2021 from 4.79 million tonnes in 2020 in view of higher export tax on Indonesian CPO.

Despite maintaining the second largest market for Malaysian palm oil since 2019, exports of palm oil to China declined by 31.4% to 1.87 million tonnes from 2.73 million tonnes in 2020. The decrease was attributed to higher imports of palm oil from Indonesia by 28.7% to 4.93 million tonnes in 2021 from 3.83 million tonnes in 2020. Apart from that, higher imports of soyabean from USA for domestic crushing by 24.8% to 32.31 million tonnes in 2021 as against 25.89 million tonnes in 2020 was another contributing factor for the decline.

Similarly, Malaysian palm oil exports to the EU also declined by 15.4% to 1.64 million tonnes from 1.94 million tonnes in 2020. This was due to higher imports of soyabean from Brazil for domestic crushing by 8.8% to 8.40 million tonnes in 2021 as compared to 7.73 million tonnes in 2020.

With an uptake of 0.70 million tonnes of palm oil in 2021, Turkey overtook Pakistan's position as the fourth largest market for Malaysian palm oil in 2021. Exports of palm oil to the country increased by 14.2% from 0.62 million tonnes in 2020 due to lower import of palm oil from Indonesia by 42.0% to 18,400 tonnes in 2021 from 31,700 tonnes in 2020. In addition, lower intake of sunflower oil from Ukraine by 31.1% to 62,600 tonnes in 2021 from 90,900 tonnes in 2020 was another contributing factor for the decline.

Meanwhile, the intake of Malaysian palm oil to Kenya increased by 29.2% to 0.67 million tonnes due to increase in demand for CPO by the local refineries in Kenya and re-exporting activity to other land-locked countries such as Uganda, Rwanda, Burundi, and Congo.

Exports of Malaysian palm kernel oil in 2021 declined by 11.7% to 1.08 million tonnes from 1.22 million tonnes in 2020 due to lower demand particularly from USA, China and the EU. The EU was the major export market for Malaysian palm kernel oil with 0.31 million tonnes (albeit down by 10.1%), followed by China at 0.17 million tonnes (down by 25.2%) and India at 0.11 million tonnes (up by 28.8%).

Palm kernel cake (PKC) exports declined by 10.4% to 2.30 million tonnes in 2021 as against 2.57 million tonnes in 2020 due to lower demand from New Zealand, Pakistan and Saudi Arabia. New Zealand was the largest importer of Malaysian PKC with 0.57 million tonnes (24.6% of total PKC exports), followed by South Korea 0.54 million tonnes (23.3%), China 0.42 million tonnes (18.3%), Pakistan 0.33 million tonnes (14.3%) and Saudi Arabia 0.17 million tonnes (7.3%). These five countries imported 87.8% of Malaysia's PKC in 2021.

Exports of palm-based oleochemical products decreased by 6.6% to 2.88 million tonnes in 2021 from 3.09 million tonnes in 2020. The lower export volume was due to lower demand from USA, the EU, India, UAE, China and Turkey. China, albeit down by 4.1%, was the major export market for Malaysian palm-based oleochemical products with 0.53 million tonnes (18.3% of total oleochemicals exports), followed by the EU 0.41 million tonnes (14.3%), USA 0.29 million tonnes (10.1%), Japan 0.22 million tonnes (7.5%) and India 0.19 million tonnes (6.5%).

Imports of palm oil increased by 24.3% to 1.18 million tonnes in 2021 as compared to 0.95 million tonnes in 2020. The increase in imports was to cater demand from the domestic processing sector as a result of lower CPO production by 1.02 million tonnes (5.4%) in 2021. Almost all palm oil imports (both crude and processed) were sourced from Indonesia.

Palm oil stocks in December 2021 closed higher by 0.35 million tonnes or 27.6% to 1.61 million tonnes vis-à-vis 1.27 million tonnes in December 2020. The higher stocks were mainly due to higher 2021 palm oil imports by 24.3% and lower palm oil exports by 10.5% as compared to that of in 2020.

In 2021, the prices of all oil palm products were traded higher. CPO price was traded higher by 64.1% or RM1,721.50/tonne to RM4,407.00/tonne as compared to RM2,685.50/tonne in 2020. The highest traded price for 2021 was in November at RM5,341.00/tonne, while the lowest was in January at RM3,748.50/tonne. The higher CPO price in 2021 was mainly due to firmer prices of soyabean oil in the global market, supply disruptions including labour shortage in oil palm plantation, lower domestic stock of palm oil at below 2.0 million tonnes, firmer Brent crude oil prices in the global market and higher palm oil exports to major importing countries, especially to India. Prices of soyabean oil were traded higher by 68.0% to US\$1,393/tonne in 2021 compared to US\$829/tonne in 2020, thus impacting prices of

palm oil as they compete for a share in the global vegetable oils market. The lower palm oil stocks at 1.61 million tonnes at the end of 2021 mainly due to supply disruptions had also supported the higher CPO price in 2021. Prices of Brent crude oil were traded higher by 70.3% to US\$71.20/barrel in 2021 as against US\$41.80/barrel in 2020.

Prices of processed palm oil products in the world market were also traded higher in 2021. RBD palm oil price was traded higher by RM1,954.50 or 70.0% to RM4,748.50/tonne, RBD palm olein price was higher by RM1,920.50 or 67.5% to RM4,764.50/tonne, RBD palm stearin price was higher by RM1,797.00 or 64.2% to RM4,598.00/tonne and palm fatty acid distillate (PFAD) price was higher by RM1,687.00 or 66.3% to RM4,233.00/tonne.

The average price of palm kernel (PK) in 2021 increased significantly by 81.0% or RM1,241.00/tonne to RM2,773.00/tonne compared to RM1,532.00/tonne in 2020. The higher PK price was mainly due to higher domestic price of crude palm kernel oil (CPKO). The CPKO price in 2021 increased by RM2,427.50/tonne or 74.8% to RM5,674.50/tonne from RM3,247.00/tonne in 2020. The higher CPKO prices in 2021 were in tandem with the firmer world lauric oils prices namely, palm kernel oil, which price was higher by 83.7% to US\$1,517/tonne and coconut oil was higher by 59.6% to US\$1,618/tonne in 2020.

The average FFB prices at 1% OER for Peninsular Malaysia, Sabah and Sarawak were registered at RM48.14, RM43.20 and RM43.42 respectively in 2021. This price was higher as against in 2020 in tandem with the higher prices of CPO and PK in 2021. Based on the average OER for each region, the average price of FFB for Peninsular Malaysia was equivalent to RM955/tonne, Sabah RM887/tonne and Sarawak RM864/tonne.

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SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2021 & 2020

	2021	2020	DIFFERENCE	
			VOLUME / VALUE	(%)
PLANTED AREA (HECTARES)				
MALAYSIA	5,737,731	5,865,297	(127,566)	(2.2)
PENINSULAR MALAYSIA	2,607,847	2,737,723	(129,876)	(4.7)
SABAH	1,523,624	1,543,054	(19,430)	(1.3)
SARAWAK	1,606,261	1,584,520	21,741	1.4
CPO PRODUCTION (TONNES)				
MALAYSIA	18,116,354	19,140,613	(1,024,259)	(5.4)
PENINSULAR MALAYSIA	9,846,997	10,438,899	(591,902)	(5.7)
SABAH	4,361,537	4,647,375	(285,838)	(6.2)
SARAWAK	3,907,820	4,054,339	(146,519)	(3.6)
CLOSING STOCKS (TONNES)				
CRUDE PALM OIL	852,877	583,811	269,066	46.1
PROCESSED PALM OIL	761,717	681,887	79,830	11.7
TOTAL PALM OIL	1,614,594	1,265,698	348,896	27.6
EXPORTS (TONNES)				
PALM OIL	15,566,439	17,393,127	(1,826,689)	(10.5)
PALM KERNEL OIL	1,076,732	1,219,699	(142,967)	(11.7)
PALM KERNEL CAKE	2,300,759	2,568,704	(267,945)	(10.4)
PALM-BASED OLEOCHEMICALS	2,882,070	3,086,430	(204,360)	(6.6)
BIODIESEL	366,143	378,582	(12,439)	(3.3)
PALM-BASED FINISHED PRODUCTS	560,565	584,825	(24,261)	(4.1)
OTHER PALM PRODUCTS	1,526,861	1,500,484	26,377	1.8
TOTAL EXPORTS (TONNES)	24,279,569	26,731,852	(2,452,283)	(9.2)
EXPORT REVENUE (RM MILLION) (P)*				
PALM OIL	64,615.01	45,647.15	18,967.86	41.6
PALM KERNEL OIL	6,668.30	4,151.58	2,516.71	60.6
PALM KERNEL CAKE	1,394.29	1,295.16	99.13	7.7
PALM-BASED OLEOCHEMICALS	26,802.58	16,500.81	10,301.77	62.4
OTHER PALM-BASED PRODUCTS ⁽¹⁾	9,035.44	5,737.60	3,297.84	57.5
TOTAL REVENUE (RM MILLION)	108,515.62	73,332.30	35,183.31	48.0
IMPORT (TONNES)				
PALM OIL	1,177,251	946,917	230,335	24.3
PALM KERNEL OIL	273,691	281,514	(7,823)	(2.8)

Note: (P) * - Preliminary data from Department of Statistics Malaysia.

⁽¹⁾ - Includes biodiesel, finished products and other palm products.

Source: MPOB

Department of Statistics, Malaysia

	2021	2020	DIFFERENCE	
			VOLUME / VALUE	(%)
PRICE (RM/TONNE)				
FFB (MILL GATE)	955.00	561.00	394.00	70.2
CPO (LOCAL DELIVERED)	4,407.00	2,685.50	1,721.50	64.1
PALM KERNEL (EX-MILL)	2,773.00	1,532.00	1,241.00	81.0
CPKO (LOCAL DELIVERED)	5,674.50	3,247.00	2,427.50	74.8
RBD PALM OIL (FOB)	4,748.50	2,794.00	1,954.50	70.0
RBD PALM OLEIN (FOB)	4,764.50	2,844.00	1,920.50	67.5
RBD PALM STEARIN (FOB)	4,598.00	2,801.00	1,797.00	64.2
PFAD (FOB)	4,233.00	2,546.00	1,687.00	66.3
OER (%)				
MALAYSIA	20.01	19.92	0.09	0.5
PENINSULAR MALAYSIA	19.83	19.69	0.14	0.7
SABAH	20.55	20.74	(0.19)	(0.9)
SARAWAK	19.88	19.62	0.26	1.3
FFB YIELD (TONNES/ HECTARE)				
MALAYSIA	15.47	16.73	(1.26)	(7.5)
PENINSULAR MALAYSIA	16.24	17.76	(1.52)	(8.6)
SABAH	15.77	16.84	(1.07)	(6.4)
SARAWAK	13.94	14.99	(1.05)	(7.0)

Source: MPOB