

**OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2017****FOREWORD**

The Malaysian oil palm industry showed sterling performance in 2017. Crude palm oil (CPO) production and fresh fruit bunch (FFB) yield witnessed significant increases following recovery from the impact of the El-Nino phenomenon a year earlier. According to the Department of Statistics, Malaysia, higher palm oil prices and improved export demand helped push export earnings to RM77.85 billion, up from RM67.92 billion in 2016.

Oil palm planted area in 2017 reached 5.81 million hectares, an increase of 1.3% as against 5.74 million hectares the previous year. Sarawak overtook Sabah as the largest oil palm planted state, with 1.56 million hectares or 26.8% of the total Malaysian oil palm planted area, followed by Sabah with 1.55 million hectares or 26.6% and Peninsular Malaysia with 2.70 million hectares or 46.6%.

In 2017, CPO production increased by 15.0%, reaching 19.92 million tonnes as against 17.32 million tonnes in 2016. The increase was due to higher FFB processed, up by 17.7% arising from higher FFB production that increased by 12.4%. CPO production in Peninsular Malaysia, Sabah and Sarawak increased by 19.0%, 7.6% and 15.1% to 10.58 million tonnes, 5.22 million tonnes and 4.13 million tonnes, respectively.

The FFB yield improved significantly in 2017 by 12.4% to 17.89 tonnes per hectare as against 15.91 tonnes per hectare in 2016. FFB yield for Peninsular Malaysia increased by 18.6% to 18.70 tonnes per hectare as against 15.77 tonnes per hectare in 2016. Sabah's FFB yield registered an increase of 7.3% to 18.35 tonnes per hectare as against 17.10 tonnes, while that of Sarawak was equally higher at 16.13 tonnes per hectare, up by 8.5% compared to 14.86 tonnes per hectare in 2016.

The National oil extraction rate (OER) in 2017 declined slightly by 2.3% to 19.72% from 20.18% in 2016 due to lower quality FFB processed by the mills. OER in Peninsular Malaysia, Sabah and Sarawak declined by 2.8%, 2.4% and 0.2% to 19.21%, 20.60% and 19.98% respectively.

Total exports of oil palm products rose 2.9% to 23.97 million tonnes in 2017 from 23.29 million tonnes exported in 2016. Similarly, total export revenue increased sharply by 14.6% to RM77.85 billion as compared to the RM67.92 billion in 2016 due to higher export volume and price. In 2017, palm oil export earnings alone increased by 11.3% to RM46.12 billion as against RM41.44 billion in 2016. Palm oil export volume in 2017 increased by 3.2% to 16.56 million tonnes

compared to 2016 due to higher demands, especially from Saudi Arabia, Iran, Pakistan and the Philippines.

India, yet again maintained its position as the largest Malaysian palm oil export market, i.e. fourth in a row since 2014. Its intake in 2017 stood at 2.03 million tonnes or 12.2% of total palm oil exports, followed by the European Union (EU) at 1.99 million tonnes (12.0%), China at 1.92 million tonnes (11.6%), Pakistan at 1.02 million tonnes (6.1%), the Philippines at 0.75 million tonnes (4.5%), Turkey at 0.68 million tonnes (4.1%) and Vietnam at 0.63 million tonnes (3.8%). These top seven (7) markets combined accounted for 9.02 million tonnes or 54.5% of total Malaysian palm oil exports in 2017.

Despite maintaining the top position, Malaysian palm oil exports to India declined by 28.2% to 2.03 million tonnes in 2017 from 2.83 million tonnes in 2016 due to higher uptake of palm oil from Indonesia by 32.8% to 7.05 million tonnes and higher import of sunflower oil by 42.7% to 2.26 million tonnes in 2017.

The EU was the second largest palm oil export market for Malaysia with 1.99 million tonnes albeit down by 3.3% to 1.99 million tonnes from 2.06 million tonnes year-on-year. This was due to higher import of palm oil from elsewhere, coupled with higher intake of sunflower oil, up by 17.0% to 1.85 million tonnes in 2017 from 1.58 million tonnes in 2016.

China was the third largest export market for Malaysian palm oil in 2017, with an intake of 1.92 million tonnes, an increase of 1.9% from 1.88 million tonnes. This increase was due to lower import of soyabean (as bean) from USA for crushing, recording a decline of 2.4% to 32.85 million tonnes in 2017 compared to 33.66 million tonnes in 2016.

Pakistan, with an intake of 1.02 million tonnes of Malaysian palm oil was the fourth largest export market in 2017, maintaining its position in 2016. Export of palm oil to Pakistan increased by 15.5% (from 0.88 million tonnes in 2016) attributed to lower imports of rapeseed (as seed) for crushing to produce rapeseed oil.

Exports of Malaysian palm oil to the Philippines rose significantly by 20.3% to 0.75 million tonnes due to lower supply of domestic coconut oil.

Higher exports of Malaysian palm oil to Turkey by 3.4% to 0.68 million tonnes in 2017 was attributed to lower imports of rapeseed (as seed) for domestic crushing to produce rapeseed oil. Similarly, palm oil intake by Vietnam increased by 13.8% to 0.63 million tonnes due to lower imports of soyabean (as bean) for local crushing to produce soyabean oil.

Exports of palm kernel oil in 2017 increased moderately by 4.8% to 0.97 million tonnes, up from 0.92 million tonnes in 2016 due to the higher demand from China, Brazil and India. The EU was the major export market for palm kernel oil with 0.25 million tonnes (up by 2.4%), followed by China at 0.17 million tonnes (up by 27.5%) and Turkey at 0.78 million tonnes (up by 18.1%).

Palm kernel cake (PKC) exports declined by 0.3% year-on-year to 2.207 million tonnes in 2017 as against 2.214 million tonnes due to lower demand from the EU. Exports to the EU was down by 28.6% to 0.48 million tonnes against 0.68 million tonnes last year. In terms of export market, New Zealand was the largest importer of PKC with 0.65 million tonnes (29.4% of total PKC exports), followed by the EU at 0.48 million tonnes (21.9%), South Korea at 0.34 million tonnes (15.4%), Pakistan at 0.30 million tonnes (13.6%) and China at 0.17 million tonnes (7.6%). These five countries imported 87.9% of Malaysia's PKC in 2017.

Exports of palm-based oleochemical products increased, slightly by 0.6% to 2.77 million tonnes in 2017 from 2.76 million tonnes in 2016. The higher export volume was due to stronger demand from China and USA. Nevertheless, the EU maintained as the major export destination with 0.45 million tonnes (16.2% of total), followed by China at 0.44 million tonnes (15.9%), USA at 0.31 million tonnes (11.1%) and Japan at 0.23 million tonnes (8.5%). The major palm-based oleochemical products exported were fatty acids at 0.99 million tonnes (35.7%), fatty alcohol at 0.58 million tonnes (20.9%), methyl ester at 0.44 million tonnes (15.8%), glycerine at 0.40 million tonnes (14.5%) and soap noodles at 0.34 million tonnes (12.1%).

Imports of palm oil, on the other hand, increased by 33.9% to 0.56 million tonnes compared with 0.42 million tonnes recorded in 2016. The increase in palm oil imports for 2017 was to cater demand in the domestic processing sector that increased by 14.0% to 18.20 million tonnes in countering the higher export of palm oil by 3.2% to 16.56 million tonnes. The export levy differential of USD20 – USD30 between CPO and processed palm oil (PPO) mooted imports of PPO, up by 174,028 tonnes. Almost all palm oil imports (both CPO and PPO) were sourced from Indonesia.

Arising from higher palm oil production (up by 15.0% or 2.60 million tonnes), stocks also closed higher at 2.73 million tonnes, an increase of 63.9% from 1.67 million tonnes recorded in December 2016.

In 2017, prices of oil palm products were traded mixed although in a declining trend. CPO price traded higher by 4.9% or on average RM130.00/tonne to RM2,783.00/tonne compared to RM2,653.00/tonne in 2016. The highest traded price for 2107 was in January at RM3,268.00/tonne while the lowest was in December at RM2,407.00/tonne. The higher CPO price during the year was mainly due to the firmer prices in the world market for soyabean oil

(SBO) and Brent crude oil in addition to improved demand for palm oil arising from price competitiveness against competing oils and fats.

Prices of processed palm oil in global markets were also traded higher. RBD palm oil price traded higher by RM169.50 or 6.3% to RM2,880.00/tonne, RBD palm olein price, higher by RM184.00 or 6.6% to RM2,953.50/tonne, RBD palm stearin price, higher by RM149.00 or 5.6% to RM2,799.50/tonne and PFAD price higher by RM270.50 or 11.0% to RM2,733.00/tonne.

The average price of palm kernel (PK) in 2017 declined by RM75.00/tonne or down 2.9% to RM2,536.00/tonne compared to RM2,611.00/tonne in 2016. The lower PK price was mainly due to the lower domestic price of crude palm kernel oil (CPKO). The CPKO price decreased by RM167.50/tonne or 3.0% to RM5,325.00/tonne from RM5,492.50/tonne in 2016. The lower CPKO prices in 2017 were in tandem with the weaker world palm kernel oil (PKO) prices, which was lower by 0.9% to US\$1,279/tonne. On the contrary, prices of coconut oil (coconut oil and PKO are sources of lauric oil) were higher by 8.7% to US\$1,604/tonne in 2017.

The average fresh fruit bunch (FFB) price at 1% OER was higher by 4.9% at RM31.54 in 2017 as against RM30.08 in 2016, in tandem with the higher prices of CPO. Based on the National oil extraction rate (OER), the average price of FFB in 2017 was equivalent to RM606/tonne as against RM594/tonne in 2016.

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## SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2017 &amp; 2016

	2017	2016	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PLANTED AREA (HECTARES)</b>				
MALAYSIA	5,811,145	5,737,985	73,160	1.3
PENINSULAR MALAYSIA	2,708,413	2,679,502	28,911	1.1
SABAH	1,546,904	1,551,714	(4,810)	(0.3)
SARAWAK	1,555,828	1,506,769	49,059	3.3
<b>CPO PRODUCTION (TONNES)</b>				
MALAYSIA	19,919,331	17,319,177	2,600,154	15.0
PENINSULAR MALAYSIA	10,575,920	8,886,638	1,689,282	19.0
SABAH	5,215,345	4,847,253	368,092	7.6
SARAWAK	4,128,066	3,585,286	542,780	15.1
<b>CLOSING STOCKS (TONNES)</b>				
CRUDE PALM OIL	1,669,196	877,082	792,114	90.3
PROCESSED PALM OIL	1,062,897	789,591	273,306	34.6
<b>TOTAL PALM OIL</b>	<b>2,732,093</b>	<b>1,666,673</b>	<b>1,065,420</b>	<b>63.9</b>
<b>EXPORT (TONNES)</b>				
PALM OIL	16,559,957	16,045,957	514,000	3.2
PALM KERNEL OIL	967,465	923,097	44,369	4.8
PALM KERNEL CAKE	2,206,657	2,213,847	(7,190)	(0.3)
OLEOCHEMICALS	2,774,235	2,757,756	16,479	0.6
BIODIESEL	235,291	83,581	151,711	2.8 folds
FINISHED PRODUCTS	406,270	489,071	(82,800)	(16.9)
OTHER PALM PRODUCTS	824,650	780,832	43,818	5.6
<b>TOTAL EXPORTS (TONNES)</b>	<b>23,974,526</b>	<b>23,294,140</b>	<b>680,387</b>	<b>2.9</b>
<b>EXPORT REVENUE (RM MILLION) (P)*</b>				
Palm Oil	46,124.76	41,442.91	4,681.85	11.3
Palm Kernel Oil	5,774.28	5,095.81	678.48	13.3
Palm Kernel Cake	927.21	838.36	88.85	10.6
Palm-based Oleochemical	20,395.25	16,838.24	3,557.01	21.1
Other Palm-based Products <sup>(1)</sup>	4,626.88	3,706.84	920.04	24.8
<b>TOTAL REVENUE (RM MILLION)</b>	<b>77,848.39</b>	<b>67,922.16</b>	<b>9,926.22</b>	<b>14.6</b>
<b>IMPORT (TONNES)</b>				
PALM OIL	556,095	415,414	140,681	33.9
PALM KERNEL OIL	182,106	143,436	38,671	27.0

	2017	2016	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PRICE (RM/TONNE)</b>				
FFB (MILL GATE)	606	594.00	12.00	2.0
CPO (LOCAL DELIVERED)	2,783.00	2,653.00	130.00	4.9
PALM KERNEL (EX-MILL)	2,536.00	2,611.00	(75.00)	(2.9)
CPKO (LOCAL DELIVERED)	5,325.00	5,492.50	(167.50)	(3.0)
RBD PALM OIL (FOB)	2,880.00	2,710.50	169.50	6.3
RBD PALM OLEIN (FOB)	2,953.50	2,769.50	184.00	6.6
RBD PALM STEARIN (FOB)	2,799.50	2,650.50	149.00	5.6
PFAD (FOB)	2,733.00	2,462.50	270.50	11.0
<b>OER (%)</b>				
MALAYSIA	19.72	20.18	(0.46)	(2.3)
PENINSULAR MALAYSIA	19.21	19.76	(0.55)	(2.8)
SABAH	20.60	21.11	(0.51)	(2.4)
SARAWAK	19.98	20.02	(0.04)	(0.2)
<b>FFB YIELD (TONNES / HECTARE)</b>				
MALAYSIA	17.89	15.91	1.98	12.40
PENINSULAR MALAYSIA	18.70	15.77	2.93	18.60
SABAH	18.35	17.10	1.25	7.30
SARAWAK	16.13	14.86	1.27	8.50

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

<sup>(1)</sup> - Includes biodiesel, finished products and other palm products.

Source: MPOB

Department of Statistics, Malaysia