

OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2018**FOREWORD**

The Malaysian oil palm industry faced a challenging performance in 2018, as compared to the achievement in 2017. Crude palm oil (CPO) production, exports of palm oil, CPO prices and total palm oil export earnings declined, while that of imports and closing palm oil stocks showed a significant increase. Meanwhile, yield of fresh fruit bunches (FFB) witnessed a significant decrease due to biological effect after experiencing high yield in 2017, coupled with the unpredictable rainy season, which affected harvesting.

Oil palm planted area in 2018 reached 5.85 million hectares, an increase of 0.7% as against 5.81 million hectares the previous year. Sarawak remained as the largest oil palm planted state for the second year, with 1.57 million hectares or 26.9% of the total Malaysian oil palm planted area, followed by Sabah with 1.55 million hectares or 26.5% and Peninsular Malaysia with 2.73 million hectares or 46.6%.

In 2018, CPO production declined by 2.0%, to 19.52 million tonnes as against 19.92 million tonnes recorded in 2017. The decrease was due to lower FFB processed, down by 3.2% arising from lower FFB yield, which decreased by 4.1%. CPO production in Peninsular Malaysia and Sabah declined by 3.6% and 1.5% to 10.20 million tonnes and 5.14 million tonnes, respectively. However, CPO production in Sarawak recorded an increase of 1.2% to 4.18 million tonnes.

The FFB yield declined by 4.1% to 17.16 tonnes per hectare in 2018 as against 17.89 tonnes per hectare in 2017. FFB yield for Peninsular Malaysia decreased by 6.7% to 17.44 tonnes per hectare as against 18.70 tonnes per hectare in 2017. FFB yield in Sabah registered a decrease of 1.0% to 18.16 tonnes per hectare as against 18.35 tonnes per hectare, while that of Sarawak was equally lower at 15.74 tonnes per hectare, down by 2.4% compared to 16.13 tonnes per hectare in 2017.

Total Malaysian exports of oil palm products in 2018 amounted to 24.88 million tonnes, higher by 3.8% from 23.97 million tonnes exported in 2017. Total export revenue, however, declined sharply by 13.3% to RM67.49 billion as compared to the RM77.81 billion in 2017 due to lower prices in world trade. In 2018, palm oil export earnings alone declined by 16.2% to RM38.63 billion as against RM46.09 billion in 2017. Palm oil export volume decreased marginally by 0.4% to 16.49 million tonnes compared to the previous year due to lower demand, particularly from Vietnam, Egypt and the European Union (EU).

India maintained its position as the largest Malaysian palm oil export market for the fifth year since 2014, with the intake in 2018 at 2.51 million tonnes or 15.2% of total global palm oil exports. This was followed by the EU at 1.91 million tonnes (11.6%), China 1.86 million tonnes (11.3%), Pakistan 1.16 million tonnes (7.0%), the Philippines 0.69 million tonnes (4.2%), Turkey 0.63 million tonnes (3.8%) and USA 0.54 million tonnes (3.3%). These top seven markets accounted for 9.31 million tonnes or 56.5% of total Malaysian palm oil exports in 2018.

The higher uptake of palm oil to India, up by 23.9% to 2.51 million tonnes in 2018 from 2.03 million tonnes in 2017 was due to lower imports of soyabean oil, down by 18.1% to 2.87 million tonnes in 2018, coupled with Malaysia's CPO export duty suspension during January-April 2018 and zero percent CPO export duties (September-December 2018), which triggered higher CPO exports to India.

Despite maintaining the second position in 2018, Malaysian palm oil exports to the EU declined by 4.0% to 1.91 million tonnes from 1.99 million tonnes in 2017. This was due to higher imports of soyabean, up by 12.6% to 0.31 million tonnes in 2018 from 0.28 million tonnes in 2017.

China was the third largest export market for Malaysian palm oil in 2018, with an uptake of 1.86 million tonnes, a decline of 3.0% from 1.92 million tonnes in 2017. This decline was due to higher uptake of palm oil from various other countries, up 9.5% to 3.62 million tonnes and higher import of rapeseed oil by 71.2% to 1.30 million tonnes in 2018.

Pakistan, maintained its position as the fourth largest export market since 2016, with an uptake of 1.16 million tonnes of Malaysian palm oil in 2018. Export of palm oil to Pakistan increased by 14.2% from 1.02 million tonnes in 2017 attributed to lower imports of soyabean from Brazil for crushing by 32.6% to 644,000 tonnes in 2018 from 956,000 tonnes in 2017.

Palm oil exports to the Philippines declined by 8.3% to 0.69 million tonnes due to higher supply of domestic coconut oil for consumption.

Lower exports of Malaysian palm oil to Turkey, down by 7.0% to 0.63 million tonnes in 2018 was attributed to higher imports of soyabean from Brazil for crushing by 4.5 folds to 1.31 million tonnes in 2018.

Exports of Malaysian palm kernel oil in 2018 declined by 4.7% to 0.92 million tonnes from 0.97 million tonnes in 2017 due to the lower demand from Brazil, Turkey, China and the EU. The EU was the major export market for Malaysian palm kernel oil with 0.24 million tonnes (albeit down by 4.4%), followed by China at 0.16 million tonnes (down by 6.5%) and India at 0.08 million tonnes (up by 31.0%).

Palm kernel cake (PKC) exports by Malaysia increased by 3.9% to 2.29 million tonnes in 2018 as against 2.21 million tonnes in the previous year due to higher demand from Turkey (up by 0.14 million tonnes) for the poultry industry. New Zealand was the largest importer of Malaysian PKC with 0.68 million tonnes (29.6% of total PKC exports), followed by the EU 0.47 million tonnes (20.7%), South Korea 0.36 million tonnes (15.8%), Pakistan 0.21 million tonnes (9.4%) and China 0.17 million tonnes (7.3%). These five countries imported 82.8% of Malaysia's PKC in 2018.

Exports of palm-based oleochemical products increased by 11.4% to 3.09 million tonnes in 2018 from 2.77 million tonnes in 2017. The higher export volume was due to stronger demand from China, UAE, India, South Korea, Turkey and USA. China was the major export destination with 0.53 million tonnes (17.2% of total), followed by the EU 0.44 million tonnes (14.2%), USA 0.33 million tonnes (10.7%) and Japan 0.24 million tonnes (7.9%).

Imports of palm oil, on the other hand, surged by 51.3% to 0.84 million tonnes in 2018 as compared to 0.56 million tonnes in 2017. The increase in palm oil imports for 2018 was to fulfill contract obligations based on either Malaysian or Indonesian delivery and to supplement lower production of palm oil (down by 403,190 tonnes) in 2018 to cater local processing sector. Almost all palm oil imports (both crude and processed) were sourced from Indonesia.

Palm oil stocks in December 2018 closed higher at 3.22 million tonnes, increased by 17.7% from 2.73 million tonnes recorded in December 2017. Higher closing stocks in 2018 was mainly due to higher opening stocks and lower palm oil exports.

In 2018, the prices of all oil palm products were traded lower. CPO price traded lower by 19.8%, averaging RM550.50/tonne to RM2,232.50/tonne compared to RM2,783.00/tonne in 2017. The highest traded price for 2018 was in February at RM2,488.00/tonne, while the lowest was in December at RM1,794.50/tonne. The lower CPO price during the year was mainly due to the higher palm oil stocks arising from lower palm oil export demand coupled with weaker prices of other vegetable oil in the world market.

Prices of processed palm oil products in the global market were also traded lower in 2018. RBD palm oil price traded lower by RM582.50 or 20.2% to RM2,297.50/tonne, RBD palm olein price was lower by RM625.00 or 21.2% to RM2,328.50/tonne, RBD palm stearin price was lower by RM567.50 or 20.3% to RM2,232.00/tonne and PFAD price was lower by RM811.00 or 29.7% to RM1,922.00/tonne.

The average price of palm kernel (PK) in 2018 declined by RM708.50/tonne or down 27.9% to RM1,827.50/tonne compared to RM2,536.00/tonne in 2017. The lower PK price was mainly due

to lower domestic price of crude palm kernel oil (CPKO). The CPKO price in 2018 decreased by RM1,590.50/tonne or 29.9% to RM3,734.50/tonne from RM5,325.00/tonne in 2017. The lower CPKO prices in 2018 were in tandem with the weaker world palm kernel oil (PKO) prices, which was lower by 27.5% to US\$926/tonne. Prices of coconut oil were lower by 37.5% to US\$1,002/tonne in 2018 (coconut oil and PKO are sources of lauric oils).

The average FFB price at 1% oil extraction rate (OER) was lower by 24.7% at RM23.75 in 2018 as against RM31.54 in 2017. This was in tandem with the lower prices of CPO and PK. Based on National OER, the average price of FFB was equivalent to RM468/tonne in 2018 as against RM606/tonne in 2017.

Datuk Dr. Ahmad Kushairi Din
Director General of MPOB

SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2018 & 2017

	2018	2017	DIFFERENCE	
			VOLUME / VALUE	(%)
PLANTED AREA (HECTARES)				
MALAYSIA	5,849,330	5,811,145	38,185	0.7
PENINSULAR MALAYSIA	2,727,608	2,708,413	19,195	0.7
SABAH	1,549,245	1,546,904	2,341	0.2
SARAWAK	1,572,477	1,555,828	16,649	1.1
CPO PRODUCTION (TONNES)				
MALAYSIA	19,516,141	19,919,331	(403,190)	(2.0)
PENINSULAR MALAYSIA	10,197,446	10,575,920	(378,474)	(3.6)
SABAH	5,139,356	5,215,345	(75,989)	(1.5)
SARAWAK	4,179,339	4,128,066	51,273	1.2
CLOSING STOCKS (TONNES)				
CRUDE PALM OIL	1,940,680	1,669,196	271,484	16.3
PROCESSED PALM OIL	1,274,372	1,062,897	211,475	19.9
TOTAL PALM OIL	3,215,052	2,732,093	482,959	17.7
EXPORTS (TONNES)				
PALM OIL	16,487,556	16,559,957	(72,402)	(0.4)
PALM KERNEL OIL	922,428	967,465	(45,038)	(4.7)
PALM KERNEL CAKE	2,292,144	2,206,657	85,487	3.9
PALM-BASED OLEOCHEMICALS	3,091,710	2,774,235	317,475	11.4
BIODIESEL	515,467	235,291	280,176	2.2 folds
PALM-BASED FINISHED PRODUCTS	615,136	406,270	208,866	51.4
OTHER PALM PRODUCTS	952,340	824,650	127,690	15.5
TOTAL EXPORTS (TONNES)	24,876,779	23,974,526	902,253	3.8
EXPORT REVENUE (RM MILLION) (P)*				
PALM OIL	38,629.46	46,085.42	(7,455.96)	(16.2)
PALM KERNEL OIL	4,078.79	5,774.28	(1,695.49)	(29.4)
PALM KERNEL CAKE	1,137.35	927.21	210.14	22.7
PALM-BASED OLEOCHEMICALS	19,119.48	20,395.89	(1,276.41)	(6.3)
OTHER PALM-BASED PRODUCTS ⁽¹⁾	4,529.05	4,624.65	(95.60)	(2.1)
TOTAL REVENUE (RM MILLION)	67,494.13	77,807.45	(10,313.32)	(13.3)
IMPORT (TONNES)				
PALM OIL	841,452	556,095	285,357	51.3
PALM KERNEL OIL	241,026	182,106	58,919	32.4

	2018	2017	DIFFERENCE	
			VOLUME / VALUE	(%)
PRICE (RM/TONNE)				
FFB (MILL GATE)	468	606	(13.8)	(22.8)
CPO (LOCAL DELIVERED)	2,232.50	2,783.00	(550.50)	(19.8)
PALM KERNEL (EX-MILL)	1,827.50	2,536.00	(708.50)	(27.9)
CPKO (LOCAL DELIVERED)	3,734.50	5,325.00	(1,590.50)	(29.9)
RBD PALM OIL (FOB)	2,297.50	2,880.00	(582.50)	(20.2)
RBD PALM OLEIN (FOB)	2,328.50	2,953.50	(625.00)	(21.2)
RBD PALM STEARIN (FOB)	2,232.00	2,799.50	(567.50)	(20.3)
PFAD (FOB)	1,922.00	2,733.00	(811.00)	(29.7)
OER (%)				
MALAYSIA	19.95	19.72	0.23	1.2
PENINSULAR MALAYSIA	19.69	19.21	0.48	2.5
SABAH	20.60	20.60	0.00	0.00
SARAWAK	19.85	19.98	(0.13)	(0.7)
FFB YIELD (TONNES / HECTARE)				
MALAYSIA	17.16	17.89	(0.73)	(4.1)
PENINSULAR MALAYSIA	17.44	18.70	(1.26)	(6.7)
SABAH	18.16	18.35	(0.19)	(1.0)
SARAWAK	15.74	16.13	(0.39)	(2.4)

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

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

Source: 1. MPOB
2. Department of Statistics, Malaysia