

## OVERVIEW OF THE MALAYSIAN OIL PALM INDUSTRY 2020

### FOREWORD

Overall, 2020 was a challenging year to the Malaysian oil palm industry due to the global outbreak of COVID-19 pandemic. The industry experienced a temporarily slowdown in the first half of 2020 in export demand and prices but towards the second half, the scenario had changed due to the re-opening of the global economic sectors with the relaxation of movement restrictions (MCO) coupled with the Government's initiative under the National Economic Recovery Plan (PENJANA). The year 2020 ended with higher export revenue at RM73.25 billion attributed to the higher average CPO price at RM2,685.50 per tonne and low closing stock at 1.27 million tonnes. Other key industry indicators, however, witnessed lower performance wherein CPO production, yield of fresh fruit bunches (FFB), National oil extraction rate (OER), exports and imports of palm oil as well as palm oil stocks witnessed declines.

The total oil palm planted area was recorded at 5.87 million hectares in 2020, a decrease of 0.6% as against 5.90 million hectares in the previous year. Sarawak still remained as the largest oil palm planted state with 1.59 million hectares or 27.0% of the total Malaysian oil palm planted area, followed by Sabah with 1.54 million hectares or 26.3%. Oil palm planted area in Peninsular Malaysia amounted to 2.74 million hectares or 46.7%.

In 2020, CPO production declined by 3.6%, to 19.14 million tonnes as against 19.86 million tonnes recorded in 2019. The decline was due to lower FFB processed, down by 2.2% arising from lower FFB yield which decreased by 2.7% and lower OER performance by 1.4% to 19.92 percent in 2020 as compared to 20.21 percent achieved in 2019. CPO production in all Regions, namely Peninsular Malaysia, Sabah and Sarawak declined by 1.4%, 7.7% and 4.3% to 10.44 million tonnes, 4.65 million tonnes and 4.05 million tonnes respectively.

The average FFB yield decreased by 2.7% to 16.73 tonnes per hectare in 2020 as against 17.19 tonnes per hectare in 2019. Sabah was the worst affected with average FFB yields declining by 4.6% to 16.84 tonnes per hectare, followed by Sarawak 3.7% to 14.99 tonnes per hectare and Peninsular Malaysia decreased by 1.1% to 17.76 tonnes per hectare.

The national oil extraction rate (OER) performance decreased by 1.4% to 19.92 percent as against 20.21 percent in 2019, mainly due to the lower quality of FFB processed by oil palm mills. All Regions recorded lower OER performance in 2020, Peninsular Malaysia declined by 1.2% to 19.69 percent, Sabah dropped by 1.1% to 20.74 percent and Sarawak felled by 2.0% to 19.62 percent.

Total Malaysian exports of palm oil and other palm-based products in 2020 amounted to 26.73 million tonnes, lower by 4.1% from 27.88 million tonnes exported in 2019. Total export revenue, however, increased by 8.4% to RM73.25 billion as compared to the RM67.55 billion in 2019 due to higher prices in world trade. In 2020, palm oil export earnings alone increased by 16.7% to 45.66 billion as against RM39.13 billion in 2019. In

contrast, palm oil export volume declined by 5.8% to 17.40 million tonnes as compared to the previous year attributed to lower demand, particularly from India, Iran, Vietnam and the European Union (EU).

India again maintained its position as the largest Malaysian palm oil export market in 2020 for the seventh year since 2014, with 2.75 million tonnes or 15.8% of total Malaysian palm oil exports. This was followed by China at 2.73 million tonnes (15.7%), the EU 1.94 million tonnes (11.1%), Pakistan 1.00 million tonnes (5.8%), the Philippines 0.69 million tonnes (4.0%), Turkey 0.62 million tonnes (3.5%) and USA 0.54 million tonnes (3.1%). These top seven markets accounted for 10.27 million tonnes or 59.0% of total Malaysian palm oil exports in 2020.

The lower exports of palm oil to India by 37.7% to 2.75 million tonnes in 2020 from 4.41 million tonnes in 2019 was attributed to the significant lower uptake of RBD palm olein by the Indian buyers in response to the restriction imposed on imports of processed palm oil since 8<sup>th</sup> January 2020. Arising from that, exports of RBD palm olein to the country declined tremendously by 2.33 million tonnes (99.7%) to only 7,323 tonnes from 2.34 million tonnes the previous year. Apart from that, higher uptake of soyabean oil by 15.1% to 3.43 million tonnes in January-November 2020 as against the same period in 2019 was another contributing factor for the decline.

China came in as the second largest market for Malaysian palm oil since 2019, with an uptake of 2.73 million tonnes, an increase of 9.6% from 2.49 million tonnes in 2019. The increase was attributed to lower intake of palm oil from Indonesia by 28.2% to 3.83 million tonnes in 2020 from 5.33 million tonnes in 2019.

Malaysian palm oil exports to the EU declined by 7.5% to 1.94 million tonnes from 2.09 million tonnes in 2019. This was due to higher intake of soyabean for domestic crushing by 5.3% to 16.41 million tonnes in 2020 as against 15.58 million tonnes in 2019.

With an uptake of 1.00 million tonnes of palm oil in 2020, Pakistan maintained its position as the fourth largest export market for Malaysian palm oil since 2016. Exports of palm oil to the country however, declined by 7.5% from 1.09 million tonnes in 2019 due to the higher imports of palm oil from Indonesia by 12.4% to 2.13 million tonnes in 2020 from 1.89 million tonnes in 2019.

Meanwhile, the intake of Malaysian palm oil to the Philippines increased by 10.2% to 0.69 million tonnes due to lower imports of palm oil from Indonesia by 8.1% to 400,400 tonnes in 2020 as against 435,600 tonnes in 2019 and lower imports of copra for crushing by 12.4% to 52,300 tonnes in 2020 from 59,700 tonnes in 2019.

Exports of Malaysian palm kernel oil in 2020 surged by 12.3% to 1.22 million tonnes from 1.09 million tonnes in 2019 due to stronger demand particularly from the EU and China. The EU was the major export market for Malaysian palm kernel oil with 0.34 million tonnes (up by 41.9%), followed by China at 0.22 million tonnes (up by 18.0%) and USA at 0.94 million tonnes (up by 11.0%).

Palm kernel cake (PKC) exports increased by 3.0% to 2.57 million tonnes in 2020 as against 2.49 million tonnes in 2019 due to strong demand from Pakistan, Saudi Arabia, China and South Korea. New Zealand was the largest importer of Malaysian PKC with 0.77 million tonnes (29.8% of total PKC exports), followed by South Korea 0.53 million tonnes (20.7%), Pakistan 0.45 million tonnes (17.6%), China 0.25 million tonnes (9.9%) and Saudi Arabia 0.23 million tonnes (9.0%). These five countries imported 87.0% of Malaysia's PKC in 2020.

Meanwhile, exports of palm-based oleochemical products declined by 5.5% to 3.10 million tonnes in 2020 from 3.28 million tonnes in 2019. The lower export volume was due to lower demand from Japan, the EU, USA, China and South Korea. China, albeit down by 4.3%, was the major export market for Malaysian palm-based oleochemical products with 0.55 million tonnes (17.9% of total oleochemicals exports), followed by the EU 0.44 million tonnes (14.3%), USA 0.32 million tonnes (10.4%), India 0.21 million tonnes (6.8%) and Japan 0.19 million tonnes (6.1%).

Imports of palm oil declined by 3.1% to 0.95 million tonnes in 2020 as compared to 0.98 million tonnes in 2019. The decrease in imports was the result of lower demand from domestic processing sector by 13.9% to 17.51 million tonnes as against 20.34 million tonnes in 2019. Almost all palm oil imports (both crude and processed) were sourced from Indonesia.

Palm oil stocks in December 2020 closed lower by 0.74 million tonnes or 37.0% to 1.27 million tonnes vis-à-vis 2.01 million tonnes in December 2019. The lower stocks were mainly due to lower 2020 opening stocks by 37.5%, lower CPO production by 3.6% and lower palm oil imports by 3.1% as compared to that of in 2019.

In 2020, the prices of all oil palm products were traded higher. CPO price was traded higher by 29.2% or RM606.50 per tonne to RM2,685.50 per tonne as compared to RM2,079.00 per tonne in 2019. The highest traded price for 2020 was in December at RM3,620.50 per tonne, while the lowest was in May at RM2,074.00 per tonne. The higher CPO price in 2020 was mainly due to firmer prices of soyabean oil in the global market and lower domestic stock of palm oil. Prices of soyabean oil were traded higher by 9.7% to US\$829 per tonne in 2020 compared to US\$756 per tonne in 2019, thus impacting prices of palm oil as they compete for a share in the global vegetable oils market. The lower palm oil stocks at 1.27 million tonnes at the end of 2020 had also supported the higher CPO price in 2020.

Prices of processed palm oil products in the world market were also traded higher in 2020. RBD palm oil price was traded higher by RM548.50 or 24.4% to RM2,794.00 per tonne, RBD palm olein price was higher by RM607.50 or 27.2% to RM2,844.00 per tonne, RBD palm stearin price was higher by RM632.00 or 29.1% to RM2,801.00 per tonne and PFAD price was higher by RM739.00 or 40.9% to RM2,546.00 per tonne.

The average price of palm kernel (PK) in 2020 increased by 26.2% or RM318.00 per tonne to RM1,532.00 per tonne compared to RM1,214.00 per tonne in 2019. The higher PK price was mainly due to higher domestic price of crude palm kernel oil (CPKO). The CPKO price in 2020

increased by RM620.50 per tonne or 23.6% to RM3,247.00 per tonne from RM2,626.50 per tonne in 2019. The higher CPKO prices in 2020 were in tandem with the firmer world lauric oils prices namely, palm kernel oil, which price was higher by 23.7% to US\$826 per tonne and coconut oil was higher by 37.4% to US\$1,014 per tonne in 2020.

The average FFB prices at 1% oil extraction rate (OER) for Peninsular Malaysia, Sabah and Sarawak were registered at RM28.51, RM25.38 and RM25.52 respectively in 2020. This prices were higher as against in 2019 in tandem with the higher prices of CPO and PK in 2020. Based on the average OER for each region, the average price of FFB for Peninsular Malaysia was equivalent to RM561/tonne, Sabah RM526/tonne and Sarawak RM501/tonne.

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**SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2020 & 2019**

INDICATOR	2020	2019	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PLANTED AREA (HECTARES)</b>				
MALAYSIA	<b>5,865,297</b>	<b>5,900,157</b>	<b>(34,860)</b>	<b>(0.6)</b>
PENINSULAR MALAYSIA	2,737,723	2,769,003	(31,280)	(1.1)
SABAH	1,543,054	1,544,481	(1,427)	(0.1)
SARAWAK	1,584,520	1,586,673	(2,153)	(0.1)
<b>CPO PRODUCTION (TONNES)</b>				
MALAYSIA	<b>19,140,613</b>	<b>19,858,367</b>	<b>(717,754)</b>	<b>(3.6)</b>
PENINSULAR MALAYSIA	10,438,899	10,583,788	(144,889)	(1.4)
SABAH	4,647,375	5,037,168	(389,793)	(7.7)
SARAWAK	4,054,339	4,237,411	(183,072)	(4.3)
<b>CLOSING STOCKS (TONNES)</b>				
CRUDE PALM OIL	583,811	1,019,510	(435,699)	(42.7)
PROCESSED PALM OIL	681,887	991,017	(309,130)	(31.2)
<b>TOTAL PALM OIL</b>	<b>1,265,698</b>	<b>2,010,527</b>	<b>(744,829)</b>	<b>(37.0)</b>
<b>EXPORTS (TONNES)</b>				
PALM OIL	17,395,072	18,471,065	(1,075,993)	(5.8)
PALM KERNEL OIL	1,219,739	1,086,254	133,485	12.3
PALM KERNEL CAKE	2,568,704	2,492,738	75,966	3.0
PALM-BASED OLEOCHEMICALS	3,099,577	3,280,127	(180,550)	(5.5)
BIODIESEL	378,582	609,777	(231,194)	(37.9)
PALM-BASED FINISHED PRODUCTS	562,552	593,714	(31,162)	(5.2)
OTHER PALM PRODUCTS	1,500,908	1,345,502	155,406	11.6
<b>TOTAL EXPORTS (TONNES)</b>	<b>26,725,135</b>	<b>27,879,177</b>	<b>(1,154,042)</b>	<b>(4.1)</b>
<b>EXPORT REVENUE (RM MILLION) (P)*</b>				
PALM OIL	45,656.33	39,128.22	6,528.11	16.7
PALM KERNEL OIL	4,150.81	3,305.81	845.00	25.6
PALM KERNEL CAKE	1,295.16	1,045.26	249.90	23.9
PALM-BASED OLEOCHEMICALS	16,415.18	18,121.32	(1,706.14)	(9.4)
OTHER PALM-BASED PRODUCTS <sup>(1)</sup>	5,735.72	5,945.54	(209.81)	(3.5)
<b>TOTAL REVENUE (RM MILLION)</b>	<b>73,253.19</b>	<b>67,546.15</b>	<b>5,707.05</b>	<b>8.4</b>
<b>IMPORT (TONNES)</b>				
PALM OIL	946,917	977,131	(30,214)	(3.1)
PALM KERNEL OIL	279,284	258,925	20,359	7.9

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

INDICATOR	2020	2019	DIFFERENCE	
			VOLUME / VALUE	(%)
<b>PRICE (RM/TONNE)</b>				
FFB (MILL GATE)	561.00	422.00	139.00	32.9
CPO (LOCAL DELIVERED)	2,685.50	2,079.00	606.50	29.2
PALM KERNEL (EX-MILL)	1,532.00	1,214.00	318.00	26.2
CPKO (LOCAL DELIVERED)	3,247.00	2,626.50	620.50	23.6
RBD PALM OIL (FOB)	2,794.00	2,245.50	548.50	24.4
RBD PALM OLEIN (FOB)	2,844.00	2,236.50	607.50	27.2
RBD PALM STEARIN (FOB)	2,801.00	2,169.00	632.00	29.1
PFAD (FOB)	2,546.00	1,807.00	739.00	40.9
<b>OER (%)</b>				
MALAYSIA	<b>19.92</b>	<b>20.21</b>	<b>(0.29)</b>	<b>(1.4)</b>
PENINSULAR MALAYSIA	19.69	19.93	(0.24)	(1.2)
SABAH	20.74	20.97	(0.23)	(1.1)
SARAWAK	19.62	20.03	(0.41)	(2.0)
<b>FFB YIELD (TONNES / HECTARE)</b>				
MALAYSIA	<b>16.73</b>	<b>17.19</b>	<b>(0.46)</b>	<b>(2.7)</b>
PENINSULAR MALAYSIA	17.76	17.95	(0.19)	(1.1)
SABAH	16.84	17.66	(0.82)	(4.6)
SARAWAK	14.99	15.56	(0.57)	(3.7)

Source: MPOB, Department of Statistics, Malaysia