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Malaysia

Oilseeds and Products Update

July 2012

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Report Highlights:

Biological stress over the recent two quarters has reduced yields, and the Ramadan holiday in late August is limiting labor availability, hindering collection, and will further contribute to the year-to-year decline in production. The 2011/12 production forecast is lowered to 18.2 million tons, roughly equal to output the previous year. Malaysia has not experienced a year-to-year drop in output since 2006/07. To boost exports, the Government of Malaysia recently increased the tax free CPO export quota from 3 to 5 million tons.

Post:

Kuala Lumpur

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Executive Summary

Production

The Malaysian Palm Oil Board (MPOB) reported that total crude palm oil (CPO) production rose 5 percent to 1.47 million tons in June 2012. Peninsular Malaysia's production increased by 9.8 percent during the month of June, while East Malaysia's output was up 1.8 percent. However, compared to June 2011, output during June 2012 was 16 percent lower. Biological stress beginning in early 2012 has led to lower yields. CPO output for July-Sept is estimated to be about 5.4 million tons, compared to 5.3 million in the July-Sept quarter previous year. In addition to the cyclical biological stress effecting yields, the long Ramadan holiday in mid to late August will limit labor availability, hinder collection, and contribute to the year-to-year decline in production during the quarter. During the holiday period, expected to last for 3 weeks of August, premature harvesting will lead to lower oil extraction rates and uncollected fresh fruit bunches will further exacerbate lower CPO production. Dry weather is forecast for the month of September onwards (El Nino effect).

Price

The monthly average delivered CPO price increased from \$939/ton in June to \$970/ton in July. For comparison, the average CPO price for July 2011 was \$1,009/ton. Continued uncertainty in Eurozone and sluggish demand from China are limiting upward price movements while lower soybean oil production expected in other countries is lending strength to future palm oil price prospects.

Refined/Bleached/Deodorized (RBD) Palm Oil FOB average price increased from \$956/ton in June to \$991/ton in July.

Stocks

Improved export demand and domestic consumption for the month of June resulted in reduction in stocks at the end of June to 1.7 million tons. The stock level was 368,000 tons higher in June 2011. Stocks rebounded in July and are estimate to be at about 2.2 million tons. The GOM announced a 2 million ton increase for the CPO tax free export quota to 5 million tons, which should lead to lower year-end stocks as well.

Trade

A preliminary official report shows a marginal increase in palm oil exports of 64,610 ton to 1.5 million tons in June.

Exchange Rate: US\$1 = RM3.187 (Jun 28, 2012); RM3.126 (Jul 31, 2012)

Other Relevant Reports:

Oilseeds & Products Annual 2012 (AGR Number [MY2002](#))

Oilseed & Products Update Jun 2012 (AGR Number [MY2005](#))

Biofuel Annual 2012 (AGR Number [MY2006](#))

**Author Defined:
Annual Situation**

PS&D CPO

	Revised 2010/11	Prelim 2011/12	Forecast 2012/13
(1,000 MT)			
Beg Stock	1,756	1,887	1,787
Production	18,211	18,200	18,500
Imports	1,650	1,700	1,650
Total Supply	21,617	21,787	21,937
Exports	16,300	16,400	16,550
Domestic Use	3,430	3,600	3,570
Ending Stock	1,887	1,787	1,817

Quarterly CPO Total Production (1,000 tons)

	2010/11	2011/12
(1,000 MT)		
Oct / Dec	4,329	5,031
Jan / March	3,570	3,686
Apr / Jun	5,025	4,128
July / Sept	5,287	5,355*

*forecast

Quarterly Production for Palm Oil

	2011	2012	2011 1/	2012 2/
	Jan-Mar	Jan-Mar	Apr-Jun	Apr-Jun
Beg Stocks 3/	1,615	2,058	1,614	1,954
Prod- Pen. Mal	1,964	1,970	2,761	2,600
- East Mal	1,606	1,712	2,264	2,200
- Total	3,570	3,686	5,025	4,800
Imports	487	587	278	400
Total Supply	5,672	6,331	6,917	7,154
Exports 4/	3,574	3,920	4,328	4,400
Dom Disap 5/	484	457	536	545
End Stocks	1,614	1,954	2,053	2,200

1/ Revised;

2/ Forecast;

3/ Stocks include crude and refined for all Malaysia;

4/ Exports exclude shipments of fatty acid oil distillate
and all intra-Malaysia trade;

5/ Residual

Production

	2011	2011	2012	2012	2012	2012
	Jun	Jan-Jun	Apr	May 1/	Jun	Jan-Jun
(1000 MT)						
CPO:						
Pen. Malaysia	956	4,724	704	767	843	4,288
East Malaysia	797	3,869	569	617	628	3,527
- Total /1	1,753	8,593	1,273	1,384	1,471	7,815
Palm Kernel: Malaysia	422	2,155	324	343	357	1,984
Palm Kernel Oil: Malaysia	194	966	139	161	161	925
Palm Kernel Meal: Malaysia	215	1,076	155	179	179	1,025

1/ Revised

Prices

	Local Crude	RBD Palm Oil	RBD Olein	RBD Stearin
	RM/MT	US\$/MT	US\$/MT	US\$/MT
Jul 2011	3,091	1,107	1,122	947
Aug	3,121	1,112	1,153	907
Sep	3,067	1,101	1,111	861
Oct	2,841	947	974	830
Nov	3,073	1,026	1,056	929
Dec	3,065	1,034	1,055	933
Jan 2012	3,189	1,046	1,062	950
Feb	3,116	1,061	1,081	959
Mar	3,291	1,116	1,130	1,012
Apr	3,493	1,162	1,167	1,136
May	3,197	1,049	1,081	1,044
Jun 2/	2,961	956	967	928
Jul (till 31 st)	3,033	991	997	941

1/ Prices are for West Malaysia only (since January 2006),

2/ Revised

Exchange Rate: US\$1 = RM3.187 (Jun 28, 2012); RM3.126 (Jul 31, 2012)

Stocks

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	2011	2012	2012	2012	2012
	Jun	Mar	Apr	May 1/	Jun
(1,000 MT)					
Crude P. Oil	1,092	976	989	979	786
Processed PO	962	978	858	807	913
- Total PO	2,054	1,954	1,847	1,786	1,699
Palm Kernel	157	91	120	116	127
P. Kernel Oil	270	347	314	342	318

1/ Revised