

Required Report: Required - Public Distribution

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Report Name: Oilseeds and Products Update

Country: Malaysia

Post: Kuala Lumpur

Report Category: Oilseeds and Products

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Report Highlights:

Post is adjusting its marketing year (MY) 2019/20 crude palm oil (CPO) production estimate down 200,000 metric tons (MT) to 19.5 million MT. Dry weather and diminished fertilizer use the previous year, and short-term industry disruption due to the COVID-19 pandemic this year, have clearly had a more significant impact on MY 2019/20 production than previously predicted. Post's MY 2019/20 CPO export estimate has also been adjusted down 200,000 MT to 16.8 million MT. This decrease (compared to the previous 2020 Annual Report) is based on Malaysian trade data that indicates a dramatic drop in Indian demand of Malaysian palm oil through the first eight months of the marketing year.

Palm Oil Production, Supply, and Distribution

Oil, Palm	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	5300	5300	5350	5350	5350	5350
Trees	0	0	0	0	0	0
Beginning Stocks	2529	2529	2449	2449	2074	2243
Production	20800	20815	18500	19500	19300	20700
MY Imports	1055	1053	650	695	800	600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	24384	24397	21599	22644	22174	23543
MY Exports	18362	18339	16300	16800	16725	17500
MY Exp. to EU	1,900	2007	2000	2000	2000	1970
Industrial Dom. Cons.	2766	2789	2500	2831	2700	3130
Food Use Dom. Cons.	737	750	650	700	700	800
Feed Waste Dom. Cons.	70	70	75	70	75	70
Total Dom. Cons.	3573	3609	3225	3601	3475	4000
Ending Stocks	2449	2449	2074	2243	1974	2043
Total Distribution	24384	24397	21599	22644	22174	23543

(1,000 HA), (1,000 trees), (1,000 MT)

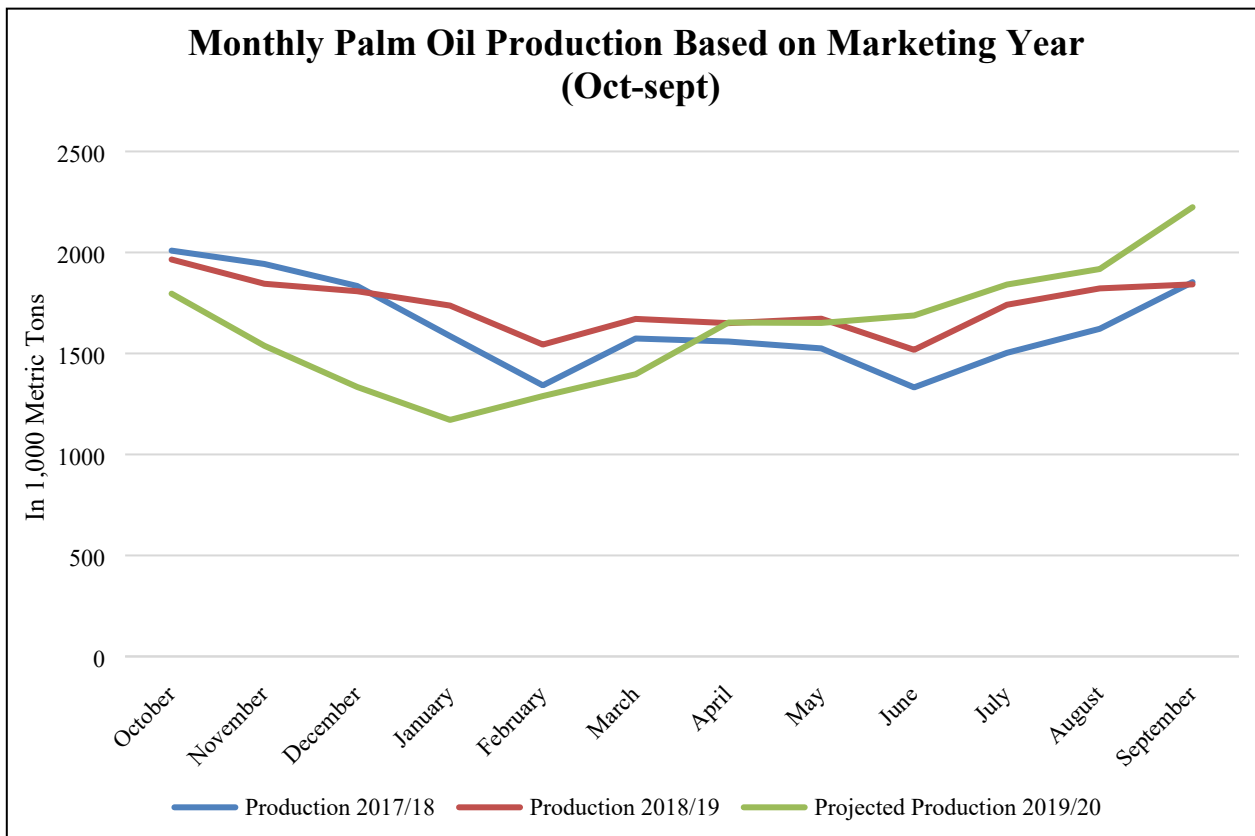
Production

Post's marketing year (MY) 2019/20 crude palm oil (CPO) production estimate has been adjusted down 200,000 metric tons (MT) to 19.5 million MT. This decrease (compared to the previous 2020 Annual Report) is based on Malaysia Palm Oil Board (MPOB) marketing year data through May which indicates production is currently down nearly 15 percent compared to the same time the previous year. Although industry analysts anticipate a rebound in production in the final quarter of MY 2019/20, Post is adjusting downward as dry weather and diminished fertilizer use the previous year, combined with short-term industry disruption due to the COVID-19 pandemic this year, have clearly had a more significant impact on MY 2019/20 production than previously forecast.

Marketing Year (to date) Production Comparison (in 1,000 MT)

	2018/19	2019/20	% Change
October	1,965	1,796	-8.6
November	1,845	1,538	-16.6
December	1,808	1,334	-26.2
January	1,737	1,171	-32.6
February	1,544	1,289	-16.5
March	1,671	1,397	-16.4
April	1,650	1,653	0.18
May	1,672	1,651	-1.2
Total (Oct- May)	13,892	11,829	-14.8

Source: MPOB



Source: MPOB

Note: The 2019/20 projection is based on actual MPOB data for the first eight months and FAS/Kuala Lumpur analysis for the remaining four months.

Post continues to forecast MY 2020/21 CPO production at 20.7 million MT. This robust increase (compared to the previous year) is based on an assumption of more regular weather patterns, a cyclical rebound after plantations recover from drought-induced tree stress, and a downward trend in fertilizer costs this year.

Consumption

Post's MY 2019/20 CPO domestic consumption estimate has been adjusted down 250,000 MT to 3.6 million MT. This decrease (compared to the previous 2020 Annual Report) is based on confirmation from the Government of Malaysian (GOM) that the move from a B10 mandate towards a B20 mandate has been put on hold indefinitely due to low global fuel prices (details on the GOM announcement can be found [here](#)). Post continues to estimate MY 2020/21 CPO domestic consumption at 4 million MT. This forecasted increase is based on the assumption the GOM will renew their efforts to move towards a B20 mandate during the year.

Recent Palm Oil Prices

	Crude #1	RBD Palm Oil	RBD Olein	RBD Stearin
	US\$/MT	US\$/MT	US\$/MT	US\$/MT
October 2019	542.50	515.50	525.00	520.00
November	604.50	622.00	619.50	617.50
December	621.00	631.50	637.50	624.50
January 2020	757.00	756.00	773.50	759.00
February	637.00	676.00	684.00	685.00
March	597.50	566.00	578.50	583.50
April	559.00	566.00	567.00	594.00
May	503.50	515.00	518.00	519.50

Source: MPOB

Crude #1= Prices FOB Northwest European Market

RBD=Refined, Bleached and Deodorized (RBD)

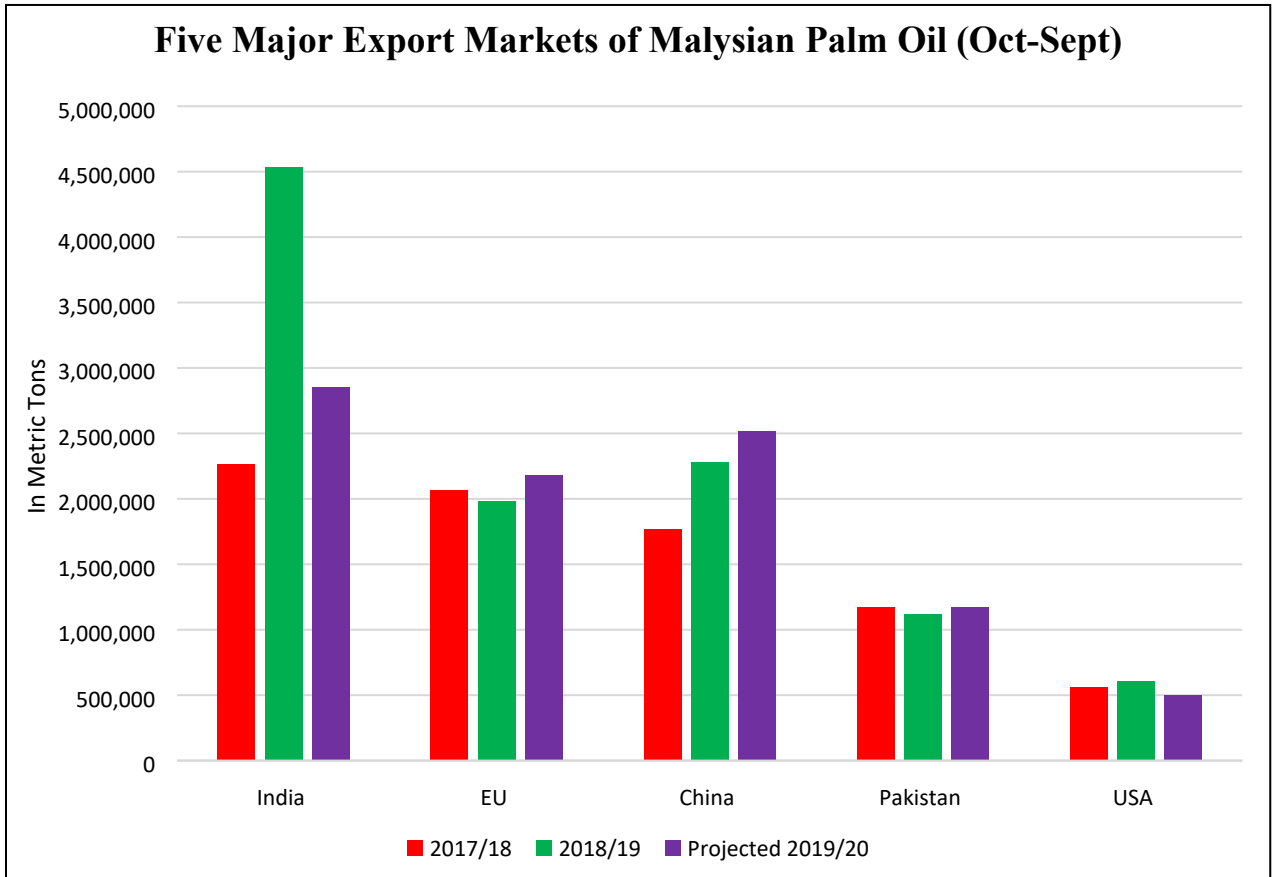
Trade

Post's MY 2019/20 CPO export estimate has been adjusted down 200,000 MT to 16.8 million MT. This decrease (compared to the previous 2020 Annual Report) is based on MPOB trade data which indicates a dramatic decrease in Indian demand of Malaysian palm oil through the first eight months of the marketing year. This major drop from Malaysia's largest customer was reportedly due to [import restrictions](#). However, recent [reports](#) imply these restrictions were likely temporary and multiple analysts expect Indian demand for Malaysian palm oil to increase significantly in the final four months of MY 2019/20. Post's MY 2020/21 export forecast remains at 17.5 million MT and is based on increased production for the year, the assumption Indian palm oil restrictions are temporary, and a recovery in global demand following the Covid-19 pandemic.

Marketing Year (to date) Comparison of Malaysian Palm Oil Exports to India

India	Oct	Nov	Dec	Jan	Feb	March	April	May	Oct-May Total
2018/19	99,335	242,279	284,178	318,342	448,996	341,540	524,127	528,599	2.79 million MT
2019/20	219,956	142,696	138,647	46,876	21,130	10,806	17,333	54,961	652,405 MT

Source: MPOB



Source: MPOB

Note: The 2019/20 projection is based on actual MPOB data for the first eight months and FAS/Kuala Lumpur analysis for the remaining four months.

Post maintains its 2019/20 CPO import estimate at 695,000 MT. Although the GOM continues to maintain import restrictions on CPO to keep stocks at manageable levels, analysts report some Malaysian refiners (with long-term agreements with suppliers in Indonesia) are allowed to continue to import.

Attachments:

No Attachments