

**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 adjusted the Marketing Year (MY) 2020/21 crude palm oil (CPO) production forecast down by 8,000 tons to 18.7 million tons. COVID-19 has caused acute labor shortages as the Government of Malaysia (GOM) halted the intake of new foreign workers indefinitely, while allowing foreign workers with expired work permits to return home, thus exaggerating the labor issues. Post revised the MY 2020/21 CPO export estimate to 16.85 million metric tons, a drop of 600,000 metric tons (MT) due to the recent increase in the price of CPO, relative to the price of soybeans, making palm oil less attractive than soybeans. In addition, the traditional export markets other than India, including China, the European Union, the United States, and Pakistan are replenishing their vegetable oil stocks at a slower pace than normal due to the slow recovery in demand for oil, caused by the COVID-19 pandemic.

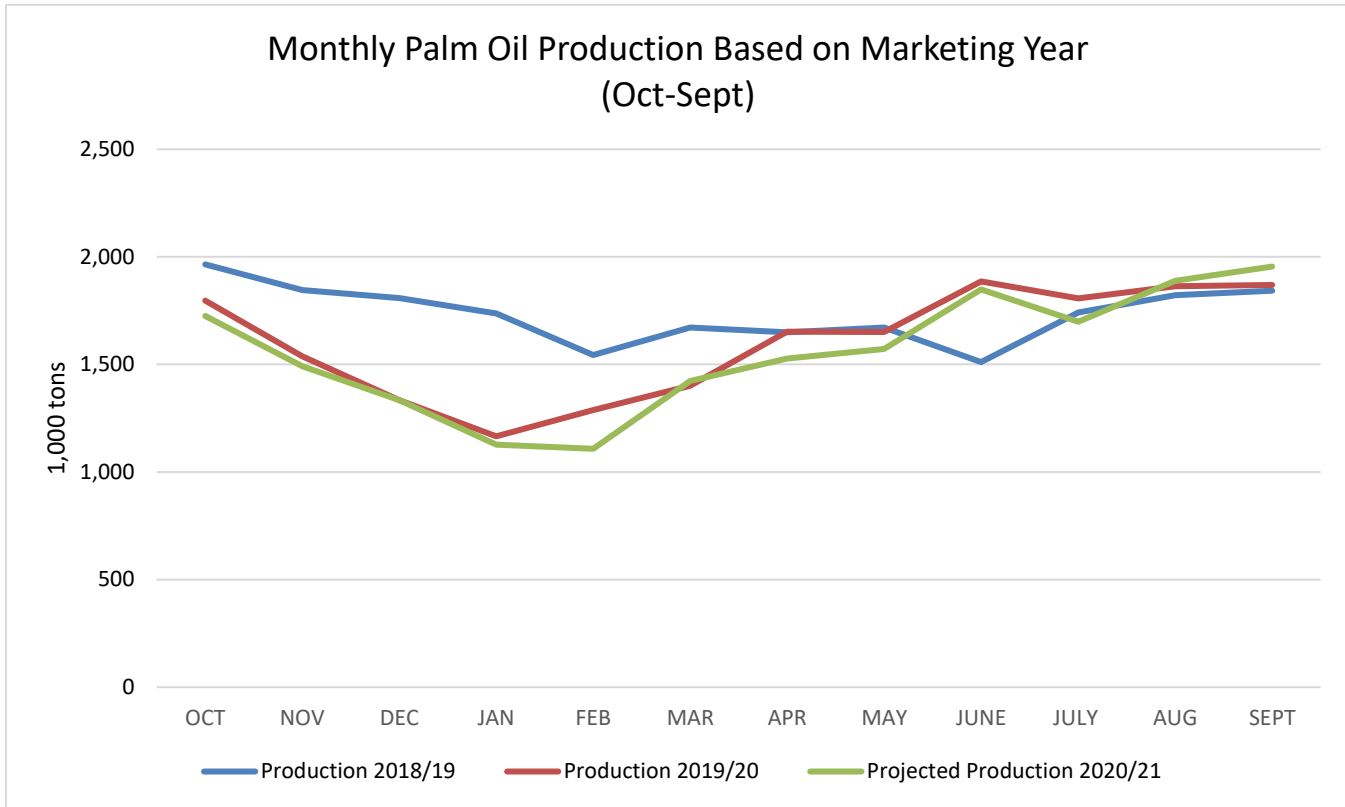
## Palm Oil Production, Supply, and Distribution

Oil, Palm	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	5350	5350	5400	5400	5450	5400
Trees	0	0	0	0	0	0
Beginning Stocks	2500	2500	1790	1760	1455	1510
Production	19255	19255	18500	18700	19700	19300
MY Imports	790	790	1000	1400	900	1000
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	22545	22545	21290	21860	22055	21810
MY Exports	17212	17212	16400	16850	17220	17000
MY Exp. to EU	2000	2000	2000	1950	1950	1850
Industrial Dom. Cons.	2720	2720	2600	2730	2600	2700
Food Use Dom. Cons.	750	775	765	700	780	750
Feed Waste Dom. Cons.	73	78	70	70	70	70
Total Dom. Cons.	3543	3573	3435	3500	3450	3520
Ending Stocks	1790	1760	1455	1510	1385	1290
Total Distribution	22545	22545	21290	21860	22055	21810
(1,000 HA), (1,000 trees), (1,000 MT)						

### Production

Post's marketing year (MY) 20120/21 crude palm oil (CPO) production estimate has been adjusted down 8,000 metric tons (MT) to 18.7 million MT. This decrease, compared to the April 2021 Annual Report estimate of 19.5 million tons, is based on the acute labor shortage the industry is currently facing. Although palm oil production in 2021, is expected to recover based on the favorable weather recorded in 2020, along with trees recovering from tree stress; the lack of manual labor to collect palm fruit led to a drop in fresh fruit bunches (FFB) collection, which in turn affected the production of CPO. Some palm fruits were left to rot on trees and replanting programs have been kept on hold for the moment.

Based on a survey done by the Malaysian Palm Oil Board (MPOB), before the GOM introduced the Movement Control Order (MCO) in 2020, to control the COVID-19 pandemic, the industry faced a labor shortage of 31,021 harvesters. In early May 2021, it was reported that the GOM approved the return of 32,000 foreign workers (mostly harvesters) from plantation companies in tranches. With no new recruitment of foreign workers in the immediate future, and local Malaysians not interested in taking the jobs, the situation is worsening every day. Although the price of CPO is at an all-time high and plantation companies are able to offer higher salaries to local Malaysian workers, the initiative to recruit local Malaysian workers to take jobs in the plantation sector has failed as most Malaysians are not interested in working in the harsh and demanding nature of the sector. MPOB estimated the labor situation caused a loss of production of 3.4 million tons of CPO and 0.857 million tons of palm kernel (PK), roughly around 18 percent of Malaysian production of CPO and PK for CY 2020.



Source: Malaysian Palm Oil Board (MPOB)

Note: The 2020/21 projection is based on FAS Kuala Lumpur analysis for the marketing year.

### Consumption

Consumption for MY2020/21 is projected to slightly increase from the initial estimate of 3.47 million MT to 3.50 million MT as the domestic demand for food use increases as the GOM has extended the MCO for a third time. During the lockdown, more people cook their meals at home and consumption of cooking oil, especially palm oil, increased as the prices of competing cooking oils such as olive, canola, corn, peanut, sunflower, and rapeseed were high. As for industrial domestic consumption, it remains the same as the rollout of B20 biofuel had been deferred to end of 2022<sup>1</sup>.

### Trade

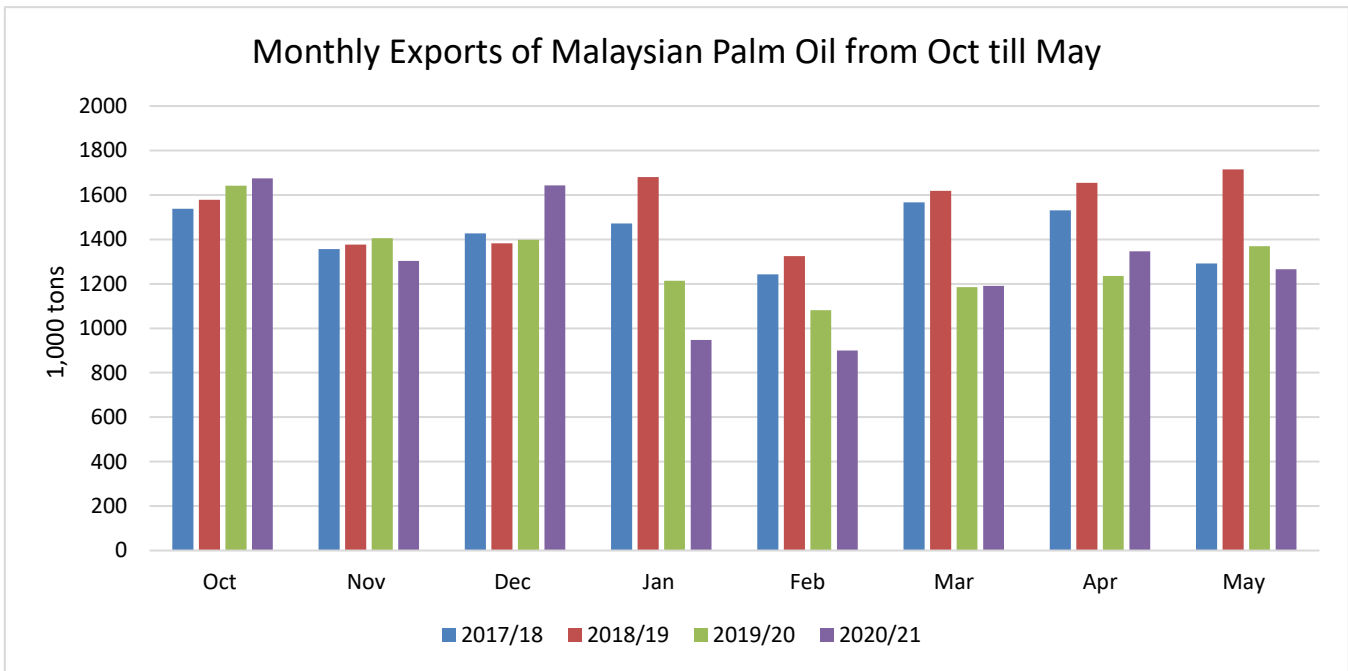
Post revised the 2020/21 CPO export estimate to 16.85 million MT from the previous estimate of 17.45 million MT, a reduction of 600,000 MT. The revision is based on the narrowing gap between the price of palm oil and soybeans. The recent increase in the price of palm oil made it less attractive to buyers who switched to soybeans instead.

Other countries' imports of palm oil are declining, with the exception of India. For 2021, exports of palm oil to India show positive growth after the Indian government reversed the ban imposed on

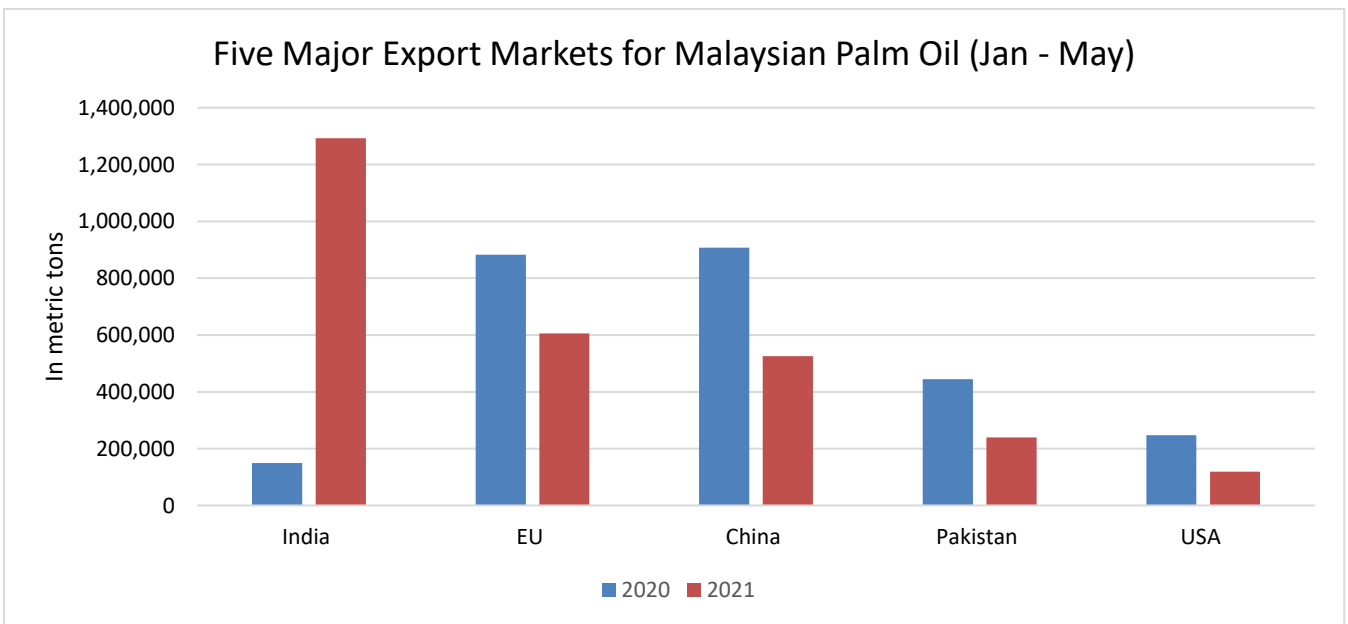
<sup>1</sup> <https://www.theedgemarkets.com/article/implementation-b20-biodiesel-mandate-sabah-peninsular-malaysia-delayed-due-pandemic-mco-%E2%80%94>  
<https://paultan.org/2021/06/24/b20-biodiesel-rollout-delayed-further-now-end-of-2022/>

Malaysian palm oil in mid-2020. The ban was due to a political comment made by Malaysia on the India-Kashmir issue in late 2019.

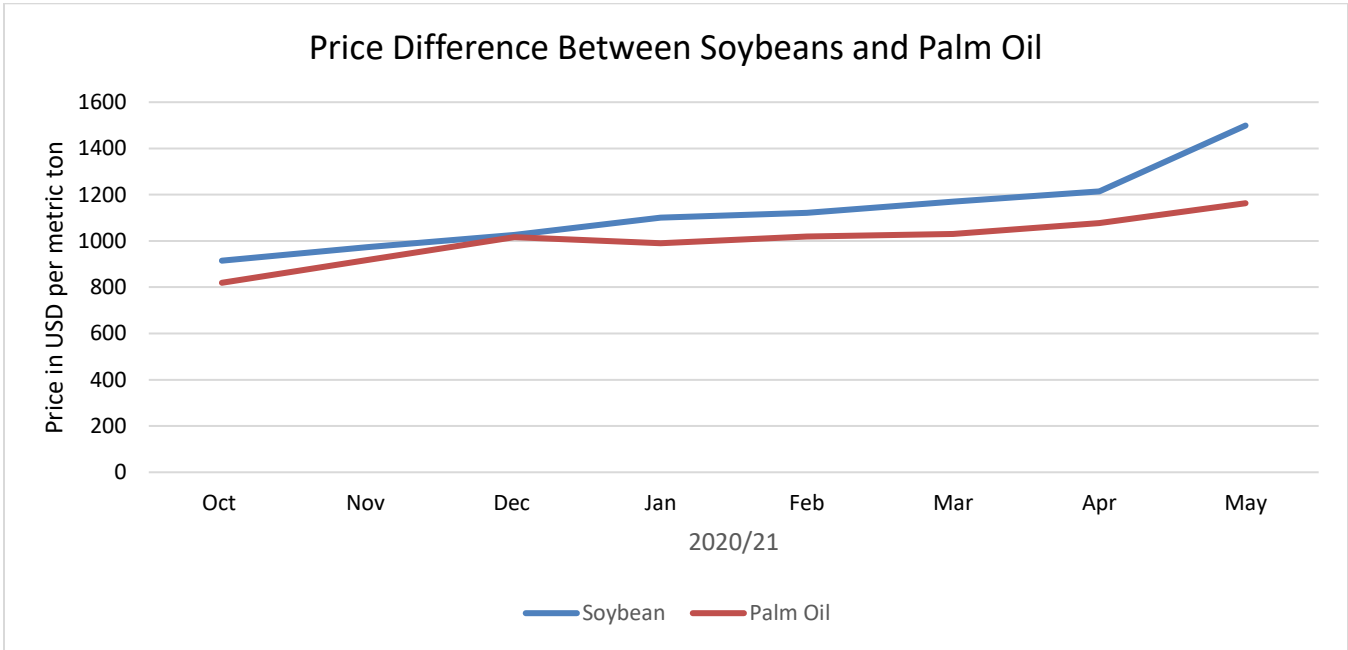
Post maintains its MY 2020/21 CPO import estimate at 1.4 million MT as oleochemical refiners faced difficulties in sourcing CPO domestically, as palm oil millers prefer to export it at higher price overseas. As an alternative, Malaysian refiners sourced their CPO from Indonesia at a discounted price compared to the Malaysian millers.



Source: Malaysian Palm Oil Board (MPOB)



Source: Malaysian Palm Oil Board (MPOB)



Source: Indexmundi (www.indexmundi.com)

**Attachments:**

No Attachments