

The year 2009 was a challenging one for the Malaysian palm oil industry amid the lingering effects of a weak global economy and issues on sustainability and environment associated with oil palm cultivation. Nevertheless, the industry still remains resilient, recording a satisfactory performance with exports of oil palm products rising by 2.9%, although export earnings declined by 24.0% to reach RM 49.6 billion because of the relatively lower oil palm product prices traded in 2009.

The total oil palm planted area in the country increased by 4.5% to 4.69 million hectares in 2009. Among the regions, Sarawak registered the largest increase in planted area with a growth of 12.8%, followed by Peninsular Malaysia 3.3% and Sabah 2.1%. Sabah is still the largest oil palm planted State, accounting for 1.36 million hectares or 29% of the total planted area in the country.

Crude palm oil (CPO) production declined by 1.0% to 17.56 million tonnes. Production was affected by the biological stress from the bumper production of the previous year and the effects of heavy rainfall early this year in Sabah and Sarawak, which curbed the output of fresh fruit bunches (FFB). The national average FFB yield per hectare fell 4.9% to 19.2 tonnes. On a regional basis, Sabah was the worst affected with average FFB yields declining by 8.1%, followed by Sarawak 5.7% and Peninsular Malaysia 1.4%. However, good agricultural and milling practices saw improvements in the average oil extraction rate (OER) achieved, which rose to 20.49% as against 20.21% in 2008. All in all, the average oil yield per hectare declined by 3.7% to 3.93 tonnes on account of lower FFB yields.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 2.9% or 0.64 million tonnes to 22.40 million tonnes in 2009 from 21.76 million tonnes recorded in 2008. However, total export earnings declined by 24.0% or RM15.62 billion to RM49.59 billion compared to the record RM65.22 billion achieved in 2008 because of lower export prices. Most of the oil palm products registered increases in exports, except for finished products.

Exports of palm oil gained 2.9 % to 15.87 million tonnes in 2009 as against 15.41 million tonnes in 2008. China, P.R continued to maintain its position as the largest palm oil export market for the eight (8) consecutive year, with off-take totaling 4.03 million tonnes or 25.4% of total palm oil exports, followed by the European Union (EU) 1.89 million tonnes (11.9%), Pakistan 1.76 million tonnes (11.1%), India 1.35 million tonnes (8.5%), USA 0.86 million tonnes (5.4%), Egypt 0.61 million tonnes (3.8%) and Ukraine 0.54 million tonnes (3.4%). These seven (7) markets combined accounted for 11.04 million tonnes or 69.6% of total Malaysian palm oil exports in 2009.

The increase in palm oil exports was mainly due to higher export volume to Pakistan, India, Egypt, China, P.R, South Korea, Russia, Iran and Ukraine contributed to the strong palm oil export performance this year. Palm oil exports to Pakistan rose sharply by 39.8% to 1.76 million tonnes due to the positive effect of the 10% Margin of Preference (MoP) imposed on imported palm oil from Malaysia. Exports to India surged by 38.7% or 0.38 million tonnes due to lower import duties imposed on both crude and processed palm oil, i.e. at 0% and 7.5% respectively (effective April, 2008), coupled with the reduction in domestic oilseeds production arising from the poor monsoon. The price competitiveness of palm oil saw exports to Egypt rising by 75.3% to 0.61 million tonnes, while exports to South Korea rose by 49.3% to 0.29 million tonnes due to lower imports of soyabean oil. The continued strong economic growth and rising household income in China, P.R further boosted demand for Malaysian palm oil, with exports rising by 6.3% to 4.03 million tonnes in 2009. In addition, the local expansion of fractionation capacity and import tariff reduction on palm stearin from 8% to 4% also contributed to the export increase. Exports to Ukraine witnessed an increase of 11.9% to 0.54 million tonnes in 2009 attributed to an increase in re-exports to neighbouring countries, namely Kazakhstan and Russia.

Some Malaysian palm oil export markets also posted declines during the year. Exports to Jordan and the UAE witnessed a sharp decline, down by 99.0% and 47.8% to 3,858 tonnes and 0.19 million tonnes respectively, mainly because of reduced re-exports to neighbouring countries such as Syria, which preferred to import palm oil directly from Malaysia. Palm oil off-take by the US declined by 18.0% to 0.86 million tonnes due to higher intake of soyabean from Canada for domestic crushing.

Meanwhile, palm oil exports to the EU fell by 7.7% to 1.89 million tonnes, arising from an increase in its domestic vegetable oils production, especially rapeseed oil which rose by 39% to 0.48 million tonnes during Oct/Sept 2008/09.

Palm kernel oil exports increased by 6.7% to 1.12 million tonnes in 2009. USA was the major export market for palm kernel oil with 0.23 million tonnes (or 20.4% of total palm kernel oil exports), followed by China, P.R 0.19 million tonnes (16.7%), the EU 0.10 million tonnes (9.2%) and Japan 0.08 million tonnes (6.8%).

Exports of palm kernel cake increased by 5.2% to 2.38 million tonnes. The major palm kernel cake export markets were the EU with 1.37 million tonnes (or 57.6% of total palm kernel cake exports), South Korea 0.35 million tonnes (14.7%) and New Zealand 0.32 million tonnes (13.4%).

Exports of oleochemical products rose by 4.4% to 2.17 million tonnes in 2009. The major export markets for oleochemicals were the EU with 0.55 million tonnes (25.3% of total oleochemical exports), China, P.R 0.37 million tonnes (17.1%), USA 0.17 million tonnes (7.8%) and Japan 0.17 million tonnes (7.6%). The major oleochemical products exported were fatty acids (0.83 million tonnes or 38.2% of total oleochemical exports), followed by fatty alcohol (0.46 million tonnes or 21.2%), soap noodles (0.38 million tonnes or 17.5%), methyl ester (0.24 million tonnes or 11.1%) and glycerine [0.24 million tonnes (11.0%).

Exports of finished products declined by 13.6% to 0.58 million tonnes from 0.67 million tonnes in 2008. The major export markets were Iraq with 124,499 tonnes (or 21.5% of total exports of finished products), followed by Pakistan 35,932 tonnes (6.2%) and Russia 33,627 tonnes (5.8%). The major products exported under this category were shortening and vegetable ghee/vanaspati with 205,876 tonnes and 189,584 tonnes respectively.

Exports of biodiesel increased by 24.9% to 0.23 million tonnes in 2009 as against 0.18 million tonnes recorded in 2008. The EU was the largest biodiesel export market, accounting for 119,277 tonnes (or 52.4% of total biodiesel exports), followed by USA with 39,594 tonnes (17.4%).

Palm oil stocks for the year closed at 2.24 million tonnes, up by 12.2% as compared to the previous year's closing level of nearly 2.0 million tonnes. The decline in exports by 19.5% and the one-and-half fold increase in CPO imports in December 2009 against the previous month contributed to the higher palm oil closing stocks at the end of the year.

CPO prices traded at RM2,241.50/tonne during the first half of the year, supported by positive sentiments related to higher crude oil prices and supply tightness of vegetable oils in the world market as well as the low domestic palm oil stocks. However, during the second-half of the year bearish sentiments prevailed in the market influenced by the sharp decline in crude oil price as well as that of other vegetable oils prices, coupled with high palm oil stocks and fears of a continued global recession. This resulted in the monthly average CPO price declining below the RM 2,200/tonne level since September, 2009. The average CPO price in 2009 decreased by 19.2% or RM533.00 to RM2,244.50 against RM2,777.50 in the previous year. Palm oil prices traded quite widely during the year, with the highest monthly average CPO price recorded in May at RM2,743.50 and the lowest attained in January at RM1,842.00.

In line with the overall decline in local CPO prices, the average export price for processed palm oil products also decreased, namely RBD palm oil, down by RM357.00 or 13.2% to RM2,342.00; RBD palm olein by RM607.50 or 19.9% to RM2,447.00; and RBD palm stearin by RM474.50 or 18.6% to RM2,076.50.

The average price of palm kernel in 2009 declined by 35% or RM577.00 to RM1,070.00 from RM1,647.00 in the previous year because of lower CPKO prices in the domestic market. The average price of CPKO declined by 31.9% or RM1,095.50 to RM2,341.50 from RM3,437.00 in the previous year as a result of lower lauric oil prices in the world market. In the case of FFB, its average price at

1% OER was down by 25% to RM22.62 from RM30.16 in the previous year in tandem with lower CPO and PK prices. Based on the national OER, the average price of FFB in 2009 is equivalent to RM465/tonne as against RM610/tonne in the previous year.

CPO production is forecast to rise by 3.1% to 18.1 million tonnes in 2010 because of a recovery in FFB yields and an expansion in matured area. The outlook for palm oil prices continues to remain strong in view of the global oils and fats tightness, coupled with the increase in vegetable oils demand amid improving global economic situation.

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Director-General MPOB

12 January, 2010

SUMMARY OF THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY - 2009

	2008	2009	Diff. (%)
PLANTING (Hectares)			
Area	4,487,957	4,691,160	4.5
PRODUCTION (Tonnes)			
Crude Palm Oil	17,734,441	17,564,937	-1.0
Palm Kernel	4,577,500	4,500,683	-1.7
Crude Palm Kernel Oil	2,131,399	2,097,096	-1.6
Palm Kernel Cake	2,358,732	2,312,222	-2.0
Oleochemical Products	2,201,939	2,168,930	-1.5
FFB YIELD (Tonnes / Hectare)			
Peninsular Malaysia	19.63	19.36	-1.4
Sabah	23.02	21.15	-8.1
Sarawak	16.22	15.29	-5.7
Malaysia	20.18	19.2	-4.9
OIL YIELD (Tonnes / Hectare)			
Peninsular Malaysia	3.85	3.86	0.3
Sabah	4.85	4.52	-6.8
Sarawak	3.41	3.24	-5.0
Malaysia	4.08	3.93	-3.7
OER (%)			
Peninsular Malaysia	19.61	19.93	1.6
Sabah	21.07	21.35	1.3
Sarawak	21.05	21.2	0.7
Malaysia	20.21	20.49	1.4
EXPORTS (Tonnes)			
Palm Oil	15,412,512	15,865,529	2.9
Palm Kernel Oil	1,047,418	1,117,468	6.7
Palm Kernel Cake	2,261,268	2,379,232	5.2
Oleochemical Products	2,075,897	2,167,741	4.4
Biodiesel	182,108	227,457	24.9
Finished Products	670,612	579,714	-13.6
Others	114,114	64,453	-43.5
TOTAL EXPORTS (Tonnes)	21,763,929	22,401,595	2.9
EXPORT REVENUE (RM Million)			
Palm Oil	47,926.0	36,906.3	-23.0
Palm Kernel Oil	4,159.8	3,021.0	-27.4
Palm Kernel Cake	990.9	495.7	-50.0
Oleochemical Products	8,706.4	6,559.2	-24.7
Biodiesel	610.7	605.8	-0.8
Finished Products	2,656.6	1,911.1	-28.1
Others	164.8	91.2	-44.7
TOTAL REVENUE (RM Million)	65,215.2	49,590.3	-24.0
IMPORTS (Tonnes)			
Palm Oil	561,035	930,179	65.8
Palm Kernel Oil	225,096	338,793	50.5
CLOSING STOCKS (Tonnes)			
Palm Oil	1,994,710	2,238,717	12.2
Palm Kernel	142,098	129,249	-9.0
Palm Kernel Oil	349,171	305,912	-12.4
Palm Kernel Cake	302,278	320,008	5.9
PRICES (RM / Tonne)			
Fresh Fruit Bunches (1% OER)	30.16	22.62	-25.0
Palm Kernel (Ex-Mill)	1,647.00	1,070.00	-35.0
Crude Palm Oil (Local Delivered)	2,777.50	2,244.50	-19.2
Crude Palm Kernel Oil (Local Delivered)	3,437.00	2,341.50	-31.9
RBD Palm Oil (FOB)	2,699.00	2,342.00	-13.2
RBD Palm Olein (FOB)	3,054.50	2,447.00	-19.9
RBD Palm Stearin (FOB)	2,551.00	2,076.50	-18.6
PFAD (FOB)	1,674.00	1,553.50	-7.2