

The Malaysian oil palm industry recorded mixed performance in 2010. Lower crude palm oil (CPO) production and higher exports pushed palm oil stocks down to 1.62 million tonnes. Tight vegetable oil supplies and high crude oil prices during the year pushed palm oil price from a comfortable level of RM2,500 in the first half of the year to more than RM3,000 towards the end of the year. Export earnings from oil palm products reached RM59.77 billion, an increase of 20.4% from RM49.66 billion recorded the previous year.

The total oil palm planted area in the country increased by 3.4% to 4.85 million hectares in 2010 with the largest expansion in Sarawak, an increase of 79,670 hectares or 9.5% and Sabah with an increase of 48,078 hectares or 3.5%. Peninsular Malaysia recorded an increase of 34,858 hectares or 1.4%. Sabah is still the largest oil palm planted state, accounting for 1.4 million hectares or 29% of the total planted area in the country, followed by Sarawak with 0.9 million hectares or 19%.

CPO production dropped by 3.3% to 16.99 million tonnes from 17.56 million tonnes in 2009. Peninsular Malaysia and Sabah both registered declines of 6.1% and 2.5% to 9.5 million tonnes and 5.3 million tonnes respectively. Sarawak's CPO production however increased by 9.3% to 2.2 million tonnes. The average Fresh Fruit Bunch (FFB) yield fell 6.1% to 18.03 tonnes per hectare while Oil Extraction Rate (OER) was 20.45%, lower by 0.2% compared to 20.45% in 2009. Unusual weather patterns of hot and dry conditions from El Nino phenomena in the first half of the year and excessive rainfalls from La Nina phenomena in the second half had affected the FFB yield and OER which in turn contributed to the lower CPO production. Heavy rainfall and floods especially towards end of the year had affected harvesting activity. Peninsular Malaysia was the worst affected with average FFB yields declining by 7.5%, followed by Sabah 4.7% and Sarawak 2.6%.

Replanting done under the SITS incentive programme which took place in 2009 and 2010 also had an impact on the CPO production. In 2009 and 2010, a total of 207,754 hectares of old palm trees had been felled for replanting. This would reduce an estimated 350,000 to 400,000 tonnes of CPO production in 2010. In line with the drop of CPO production, Palm Kernel (PK) production and Crude Palm Kernel Oil (CPKO) production also declined by 4.6% to 4.29 million tonnes and 3.9% to 2.01 million tonnes respectively.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 2.8% or 0.63 million tonnes to 23.06 million tonnes in 2010 from 22.43 million tonnes recorded in 2009. Total export earnings also rose by 20.4% or RM10.13 billion to RM59.77 billion compared to the RM49.66 billion achieved in 2009 because of higher export prices. Most of the oil palm products registered increases in exports, except for finished products and biodiesel.

Exports of palm oil gained 4.9 % to 16.66 million tonnes in 2010 as against 15.88 million tonnes in 2009. China, P.R continued to maintain its position as the largest palm oil export market for the ninth (9) consecutive year, with off-take totaling 3.48 million tonnes or 20.9% of total palm oil exports, followed by Pakistan 2.13 million tonnes (12.8%), the European Union (EU) 2.06 million tonnes (12.4%), India 1.17 million tonnes (7.0%), USA 1.03 million tonnes (6.2%), Egypt 0.94 million tonnes (5.6%) and Japan 0.55 million tonnes (3.3%). These seven (7) markets combined accounted for 11.37 million tonnes or 68.2% of total Malaysian palm oil exports in 2010.

The increase in palm oil exports was mainly due to higher export volume to Pakistan, Egypt, the EU, USA, UAE and Vietnam. Palm oil exports to Pakistan rose sharply by 20.6% to 2.13 million tonnes mainly attributed to further reduction in import duty of Malaysian palm oil by 15% under Margin of

Preference (MoP) for year 2010 under the Malaysia-Pakistan FTA Agreement. Exports to Egypt surged by 54.1% or 0.33 million tonnes to 0.94 million tonnes due to re-export activities to neighbouring countries, especially Sudan. The higher demand for palm oil in the EU from both edible and non-edible sectors had contributed to the increase in palm oil export to the country by 9.1% to 2.06 million tonnes. The trans-fatty acid labelling in the US which was enforced since 2006 has continued to spur a significant increase in palm oil usage in the food sector. Arising from this situation, exports of palm oil to the US increased by 19.6% to 1.03 million tonnes. The increase in palm oil export to UAE by nearly 2½ folds to 0.45 million tonnes was mainly due to higher demand for RBD palm olein and RBD palm stearin for both domestic and industrial usage. In addition, UAE is also a hub for re-export of cooking oil to the neighbouring Middle-East countries and North Africa. Palm oil exports to Vietnam rose by 43.4% to 0.35 million tonnes due to higher demand for palm oil for industrial frying as well as blended oil (with soyabean oil) in the household sector.

While most major markets registered increases in off-takes, some market recorded declines in exports, namely China, P.R, Ukraine, India, Iran and Russia. The major contributing factor for the significant shortfall in palm oil exports to China, P.R by 13.5% or 0.54 million tonnes to 3.48 million tonnes was the higher imports of soyabean for local crushing activities. Imports of soyabean from the US, Argentina and Brazil was estimated at 54.8 million tonnes, up by 28.8% as compared to that imported during 2009. Exports to Ukraine also witnessed a sharp decline, down by 51.4% to 0.26 million tonnes due to a decline in palm oil re-exports to the Central Asian Republics (CAR). Palm oil off-takes by India declined by 13.6% to 1.17 million tonnes mainly due to an increase in domestic rapeseed oil production by 15.1% to 2.12 million tonnes in 2010. Higher intake of soyabean oil from Argentina and Brazil had contributed to the decline of 20.2% to 0.27 million tonnes exports to Iran. Meanwhile, palm oil exports to Russia fell by 22.5% to 0.16 million tonnes, arising from an increase in its domestic oilseeds production, which resulted in increased crushing activities and subsequently, higher domestic vegetable oils availability.

Palm kernel oil exports increased by 4.1% to 1.16 million tonnes in 2010. USA was the major export market for palm kernel oil with 0.26 million tonnes (or 22.8% of total palm kernel oil exports), followed by China, P.R 0.21 million tonnes (17.7%), the EU 0.12 million tonnes (10.1%) and Japan 0.09 million tonnes (8.0%).

Exports of palm kernel cake increased by 2.6% to 2.44 million tonnes. The major palm kernel cake export markets were the EU with 1.00 million tonnes (or 41.1% of total palm kernel cake exports), New Zealand 0.64 million tonnes (26.2%), South Korea 0.46 million tonnes (18.9%) and China, P.R 0.23 million tonnes (9.3%).

Exports of oleochemical products rose by 2.3% to 2.22 million tonnes in 2010. The major export markets for oleochemicals were the EU with 0.60 million tonnes (26.9% of total oleochemical exports), China, P.R 0.31 million tonnes (13.9%), USA 0.18 million tonnes (8.0%) and Japan 0.18 million tonnes (8.0%). The major oleochemical products exported were fatty acids (0.82 million tonnes or 36.7% of total oleochemical exports), followed by fatty alcohol (0.46 million tonnes or 20.7%), soap noodles (0.41 million tonnes or 18.5%), methyl ester (0.29 million tonnes or 13.0%) and glycerine (0.23 million tonnes or 10.4%).

Palm oil stocks in 2010 closed at 1.62 million tonnes, down by 27.9% as compared to the previous year's closing level of 2.24 million tonnes. The decline was mainly due to lower CPO production by 3.3% coupled with increase in export demand by 4.9%.

CPO prices traded at RM2,549.50 per tonne during the first half of the year, supported by positive sentiments related to supply tightness of vegetable oils in the world market and low domestic palm oil stocks. Subsequently, during the second-half of the year, bullish market sentiments supported by firmer crude oil price, coupled with world vegetable oils supply tightness, especially that of palm oil and soyabean oil supported positive price sentiments. This resulted in the increase of second half of the year average CPO price to RM2,837.50 per tonne level. The average CPO price in 2010 increased by 20.8% or RM464.50 to RM2,701.00 against RM2,236.50 in the previous year. Palm oil prices traded wider during the year, with the highest monthly average CPO price recorded in December at RM3,620.00 and the lowest attained in July at RM2,453.00.

In line with the overall increase in local CPO prices, the average export price for processed palm oil products also increased, namely that of RBD palm oil, higher by RM459.50 or 19.6% to RM2,801.50; RBD palm olein up by RM405.50 or 16.6% to RM2,852.50; and RBD palm stearin up by RM624.50 or 30.1% to RM2,701.00.

The average price of palm kernel in 2010 rose sharply by 62.2% or RM665.50 to RM1,735.50 from RM1,070.00 recorded in the previous year because of higher CPKO prices in the domestic market. The average price of CPKO increased by 55.3% or RM1,295.50 to RM3,637.00 from RM2,341.50 registered in the previous year as a result of firmer lauric oil prices in the world market. In the case of FFB, its average price at 1% OER was higher by 30.3% to RM29.48 from RM22.62 achieved in the previous year, which was in tandem with higher CPO and PK prices. Based on the national OER, the average price of FFB in 2010 was equivalent to RM605 per tonne as against RM465 per tonne in the previous year.

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SUMMARY ON THE PERFORMANCE OF THE MALAYSIAN OIL PALM INDUSTRY, 2010

	2009	2010	DIFFERENCE	
			QUANTITY / VALUE	(%)
PLANTED AREA (HECTARES)				
	4,691,160	4,846,822	155,662	3.30
PRODUCTION (Tonnes)				
CRUDE PALM OIL	17,564,937	16,993,717	-571,220	-3.25
PALM KERNEL	4,500,683	4,292,076	-208,607	-4.64
CRUDE PALM KERNEL OIL	2,097,059	2,014,943	-82,116	-3.92
PALM KERNEL CAKE	2,312,222	2,242,277	-69,945	-3.03
CLOSING STOCKS (Tonnes)				
CRUDE PALM OIL	1,197,315	710,310	-487,005	-40.67
PROCESSED PALM OIL	1,041,942	905,308	-136,634	-13.11
TOTAL PALM OIL	2,239,257	1,615,618	-623,639	-27.85

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EXPORT (Tonnes)				
PALM OIL	15,880,744	16,664,068	783,324	4.93
PALM KERNEL OIL	1,117,478	1,163,586	46,108	4.13
PALM KERNEL CAKE	2,381,571	2,443,383	61,812	2.60
OLEOCHEMICALS	2,174,667	2,223,668	49,001	2.25
BIODIESEL	227,457	89,609	-137,848	-60.60
FINISHED PRODUCTS	580,233	409,373	-170,861	-29.45
OTHER PALM PRODUCTS	64,898	66,343	1,445	2.23
TOTAL EXPORTS (Tonnes)	22,427,050	23,060,031	632,981	2.82
EXPORT REVENUE (RM MILLION)				
PALM OIL	36,947.58	44,859.88	7,912.30	21.41
PALM KERNEL OIL	3,021.22	4,341.70	1,320.48	43.71
PALM KERNEL CAKE	496.13	742.95	246.82	49.75
OLEOCHEMICALS	6,582.91	8,035.57	1,452.66	22.07
BIODIESEL	605.75	266.53	-339.22	-56.00
FINISHED PRODUCTS	1,913.22	1,464.84	-448.38	-23.44
OTHER PALM PRODUCTS	92.16	81.05	-11.11	-12.06
TOTAL REVENUE (RM MILLION)	49,659.00	59,792.52	10,133.52	20.41
IMPORT (TONNES) Import				
PALM OIL	930,179	1,112,169	181,991	19.57
PALM KERNEL OIL	344,293	445,066	100,772	29.27
PRICE (RM/TONNE)				
FFB (MILL GATE)	465.00	605.00	140.00	30.11
CPO (LOCAL DELIVERED)	2,236.50	2,701.00	464.50	20.77
PALM KERNEL (EX-MILL)	1,070.00	1,735.50	665.50	62.20
CPKO (LOCAL DELIVERED)	2,341.50	3,637.00	1,295.50	55.33
RBD PALM OIL (FOB)	2,342.00	2,801.50	459.50	19.62
RBD PALM OLEIN (FOB)	2,447.00	2,852.50	405.50	16.57
RBD PALM STEARIN (FOB)	2,076.50	2,701.00	624.50	30.07
PFAD (FOB)	1,553.50	2,310.00	756.50	48.70
OER (%)				
PENINSULAR MALAYSIA	19.93	19.91	-0.02	-0.10
SABAH	21.35	21.33	-0.02	-0.09
SARAWAK	21.20	20.85	-0.35	-1.65
MALAYSIA	20.49	20.45	-0.04	-0.19
YIELD (TONNES / HECTARE)				
FFB	19.20	18.03	-1.17	-6.10
OIL	3.93	3.69	-0.24	-6.10