

**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 MY 2021/22 crude palm oil (CPO) production forecast down 1.5 million metric tons (MT) from the USDA Official estimate to 18.2 million MT. Acute COVID-19 related labor issues are expected to negatively impact the Malaysian palm oil industry as the Government of Malaysia (GoM) has not finalized a decision to allow foreign workers to work in the sector. As the price of CPO is expected to stabilize in 2022, CPO export is forecast to recover slightly to 16.5 million tons, though this recovery will continue to be restrained by production limitations. CPO production for MY 2020/21 is revised slightly to 17.9 million MT. Exports for MY 2020/21 are revised to 15.5 million tons, a drop of 0.6 million tons from the USDA Official estimate, as all-time high CPO prices throughout 2021 prompt some buyers to switch from palm oil to other vegetable oils. Slower than expected recovery in global vegetable oil demand due to the COVID-19 pandemic also contributed to low export demand for palm oil.

## 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	2,500	2,500	1,790	1,760	1,320	2,310
Production	19,255	19,255	17,800	17,900	19,700	18,200
MY Imports	790	790	1,200	1,400	900	1,300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	22,545	22,545	20,790	21,060	21,920	21,810
MY Exports	17,212	17,212	16,100	15,500	17,220	16,500
MY Exp. to EU	2,000	2,000	2,000	1,950	1,900	1,850
Industrial Dom. Cons.	2,720	2,720	2,600	2,530	2,600	2,650
Food Use Dom. Cons.	750	775	700	650	700	730
Feed Waste Dom. Cons.	73	78	70	70	70	70
Total Dom. Cons.	3,543	3,573	3,370	3,250	3,370	3,450
Ending Stocks	1,790	1,760	1,320	2,310	1,330	1,860
Total Distribution	22,545	22,545	20,790	21,060	21,920	21,810
(1,000 HA), (1,000 trees), (1,000 MT)						

### Production

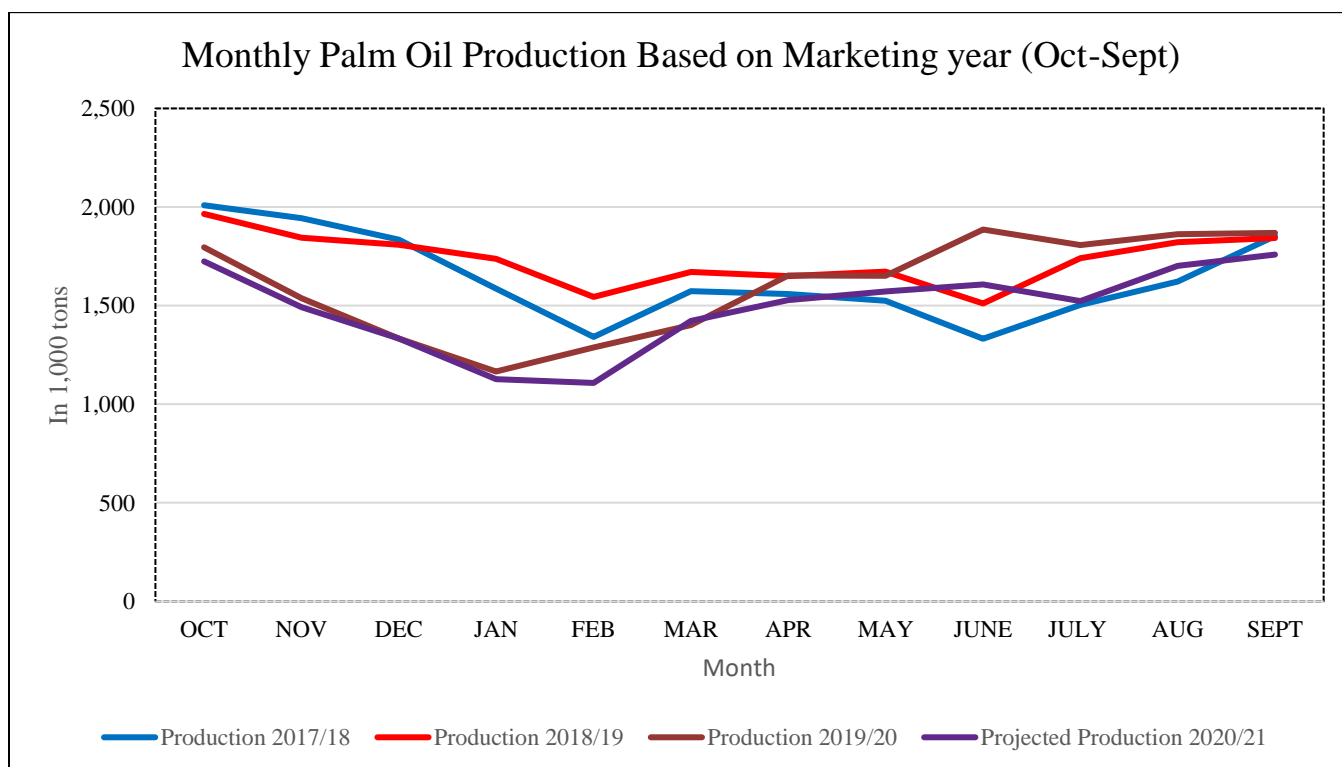
Post's marketing year (MY) 2020/21 crude palm oil (CPO) production estimate has been adjusted upward by 0.1 million metric tons (MT) from the USDA Official number to 17.9 million MT. This increase is based on Malaysia Palm Oil Board (MPOB) marketing year data through August, which indicates production is still down by approximately 7.15 percent compared to the same time the previous year. Lack of labor remains the biggest obstacle, as monthly production is recorded at lower levels than the same months in 2020. Based on the Malaysian Palm Oil Association (MPOA) analysis, due to the GoM moratorium on introducing new foreign labor in place since March 2020, the industry is currently short 75,000 harvesters. This translates to a 20-30 percent drop in potential production of fresh fruit bunches, according to MPOA.\* Malaysia's Ministry of Human Resources recently determined not to allow entry of any new foreign workers until after December 31 at the earliest, despite pressure from the palm oil industry and other sectors that desperately need labor. The ministry has tried to encourage the labor shortfall as a way to increase local employment, but jobs in the palm oil sector are generally not attractive to Malaysians.

\* <https://www.theedgemarkets.com/article/mpoa-urges-govt-lift-freeze-foreign-worker-recruitment-palm-oil-industry-breaking-point>

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

	2019/20	2020/21	% Change
October	1,796	1,725	-3.95
November	1,538	1,492	-2.99
December	1,334	1,334	0
January	1,171	1,127	-3.75
February	1,289	1,108	-14.04
March	1,397	1,423	1.86
April	1,653	1,528	-7.56
May	1,651	1,572	-4.78
June	1,886	1,607	-14.79
July	1,807	1,523	-15.71
August	1,863	1,702	-8.64
Total (Oct – Aug)	17,385	16,141	-7.15

Source: MPOB



Source: MPOB

Note: The 2020/21 projection is based on actual MPOB data for the first eleven months and FAS/Kuala Lumpur analysis for the remaining one month.

Post's MY 2021/22 CPO production forecast has been adjusted down 1.5 million MT from the USDA Official estimate to 18.2 million MT. This significant decrease is based on an expectation of continued COVID-19 related industry disruption and labor shortage as result of the moratorium on foreign labor.

## Consumption

The postponement of a B20 mandate, scheduled to be implemented in the first quarter of 2021 but now expected in mid-2022, reduced projected industrial domestic CPO consumption for MY 2020/21 from the USDA official 2.6 million MT to 2.53 million MT. For MY2021/22, Post estimates domestic consumption at nearly 2.65 million MT, based on the assumption that the B20 mandate will be implemented by mid-2022 without further delay. Food consumption estimates for MY 2020/21 and MY 2021/22 have been reduced slightly from previous estimates, due to the continuing shift from dining out to home dining, where other cooking oils are used at a higher rate.

## Recent Palm Oil Prices

	Crude #1	RBD Palm Oil	RBD Olein	RBD Stearin
CY 2021	US\$/MT	US\$/MT	US\$/MT	US\$/MT
January	1,017.50	994.00	989.00	978.00
February	1,038.00	1,012.50	1,010.50	973.50
March	1,064.50	1,040.50	1,043.00	1,024.50
April	1,091.50	1,060.00	1,056.50	1,025.50
May	1,193.50	1,163.50	1,189.00	1,143.00
June	1,011.00	1,020.00	1,015.50	1,007.50
July	949.00	1,042.50	1,049.50	1,015.00
August	1,097.50	1,140.00	1,143.50	1,093.50

Source: MPOB

Crude #1= Prices FOB Northwest European Market

RBD=Refined, Bleached and Deodorized (RBD)

## Trade

Post revised its MY 2020/21 CPO export estimate to 15.5 million MT, down 0.6 million MT from USDA Official estimate. High CPO prices are expected to continue to the first quarter of 2022, resulting in a narrowing gap between the price of palm oil and soybean oil. This makes palm oil less attractive than soybean oil and has impacted palm oil trade to key traditional markets of India and China.

Post has established its MY 2020/21 import estimate at 1.4 million MT and has revised upwards the MY2021/22 estimate from 0.9 million MT to 1.3 million MT. The revision is based on the expectation that export prices for Malaysian CPO will remain high for the rest of calendar year 2021 and in the first quarter of 2022. Malaysian palm oil millers prefer to export CPO as it fetches a better price and good payment terms from overseas buyers than selling it to the local refiners. Local refiners then import CPO to meet domestic demand. 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