



# ***WORLD PALM OIL SUPPLY, DEMAND, PRICE AND PROSPECTS: FOCUS ON MALAYSIAN AND INDONESIAN PALM OIL INDUSTRY***

Ramli Abdullah

Datuk Dr Mohd Basri Wahid

*Malaysian Palm Oil Board*

*(MPOB)*



# This paper presents

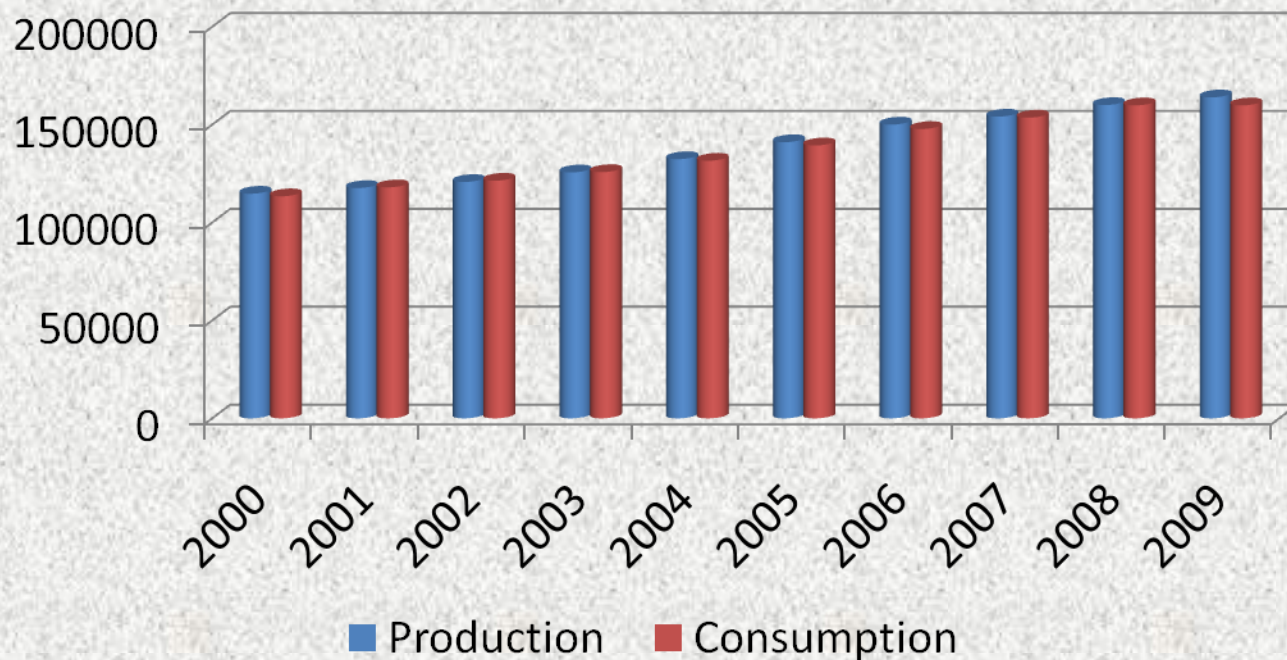
- Background
- World Production of Palm Oil
  - Malaysian Palm Oil Production
    - Area, yield, productivity, biodiesel
    - Outlook for CPO Production
  - Indonesian Palm Oil Production
    - Area, yield and productivity
    - Outlook for CPO Production
- World Demand for Palm Oil
  - Demand factors
  - Outlook for Global Demand for Palm Oil
- Prices of Palm Oil
  - Outlook for Palm Oil Price
- Conclusion

# BACKGROUND

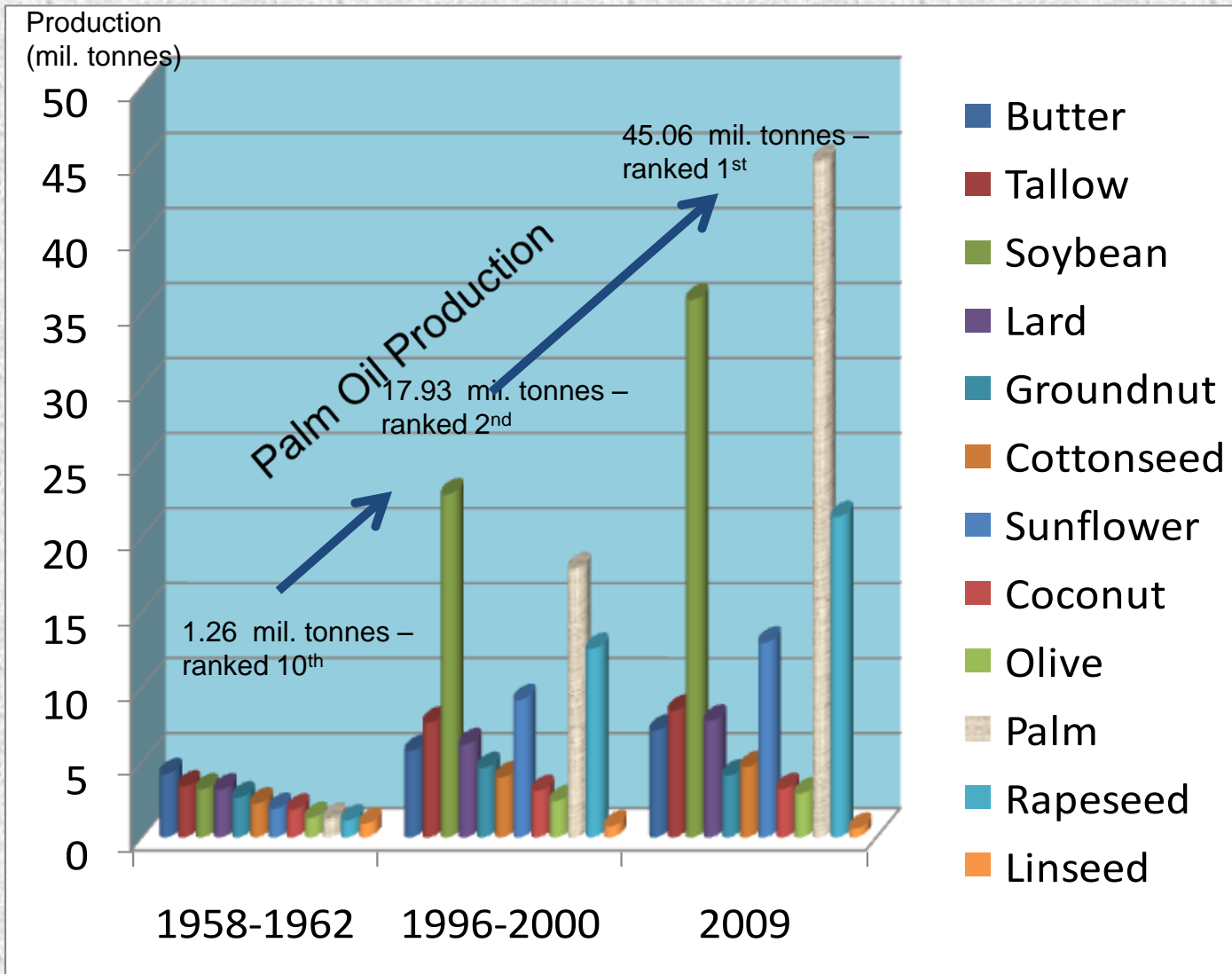
World prodn increased in tandem with consumption of oils and fats.

The difference indicates shortage/oversupply

('000 tonnes)



Phenomenal increase in palm oil production in the world





# WORLD PRODN OF PALM OIL

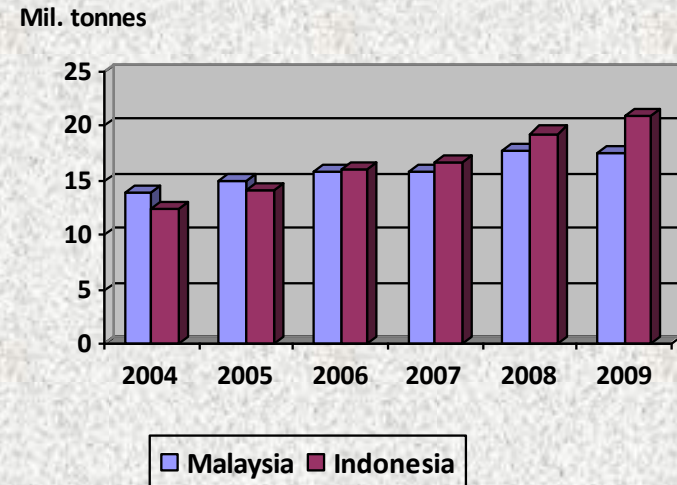
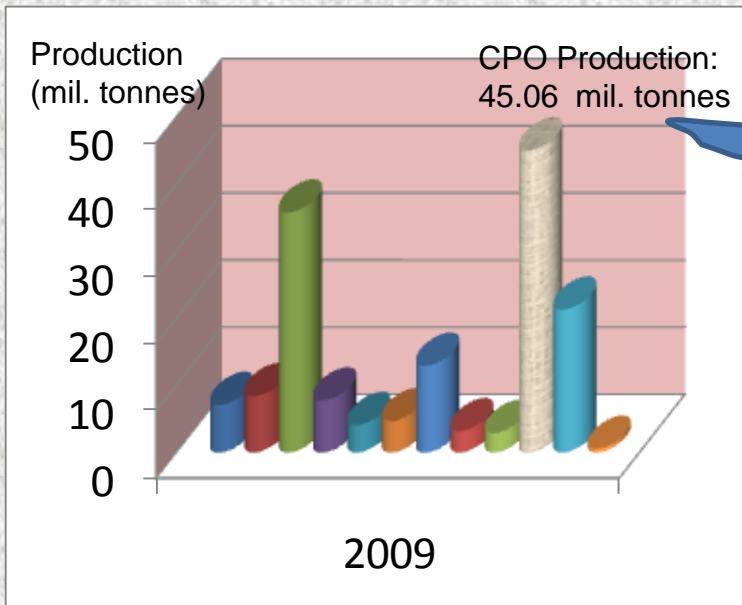
- The phenomenal increase in world palm oil production due to :
  - Reliability in supply
    - Life span of more than 25 years, assuring reliable supply of palm oil in future
  - Highest average productivity (most efficient crop)
    - Palm oil = 4,080 kg
    - PKO = 456 kg
    - Palm Products = 4,536 kg
      - 10 times more productive than SBO (403.3 kg)
- Palm oil now becomes no. 1 produced oil in the world
  - Overtook SBO since 2006

# Production Performance of Selected Oils and Fats and Their Ranking

	1958 - 1962		1996 - 2000		2009	
	Rank Order	Mil. tonnes	Rank Order	Mil. tonnes	Rank Order	Mil. tonnes
Total		29.16		103.45		163.94
Butter	1	4.21	7	5.75	7	7.12
Tallow	2	3.39	5	7.65	5	8.43
Soyabean	3	3.20	1	22.84	2	35.81
Lard	4	3.19	6	6.21	6	7.77
Groundnut	5	2.65	8	4.62	10	4.12
Cottonseed	6	2.26	9	4.00	8	4.69
Sunflower	7	1.90	4	9.14	4	12.97
Coconut	8	1.85	10	3.10	11	3.22
Olive	9	1.30	11	2.42	12	2.92
<b>Palm</b>	<b>10</b>	<b>1.26</b>	<b>2</b>	<b>17.93</b>	<b>1</b>	<b>45.06</b>
Rapeseed	11	1.13	3	12.56	3	21.34
Linseed	12	0.92	12	0.73	16	0.58



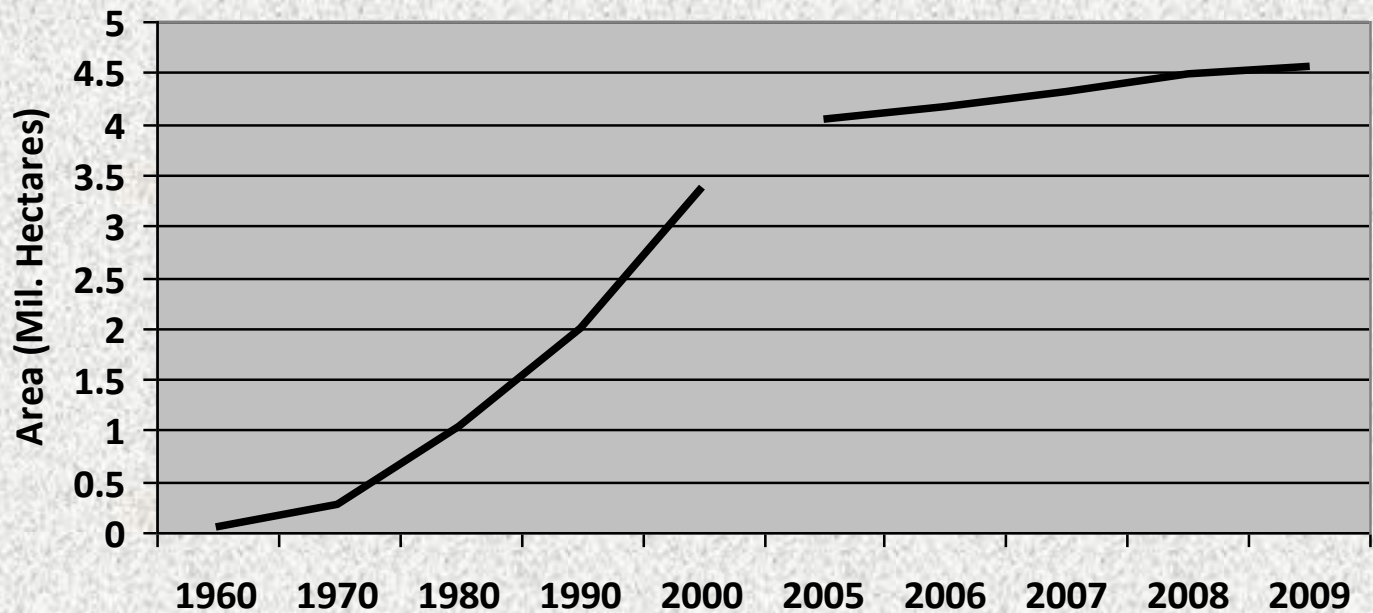
## MAJOR CONTRIBUTORS OF WORLD PALM OIL PRODUCTION



- Production of both countries accounted for 85% of world palm oil production and 23% of world oils and fats production in 2009
- Their production increased annually:
  - Malaysia at 6.1%
  - Indonesia at 11.8%
- Indonesia now the largest producer of palm oil

# MALAYSIAN OIL PALM INDUSTRY

## Oil Palm Area



Average Annual  
Growth  
Rate (%)\*

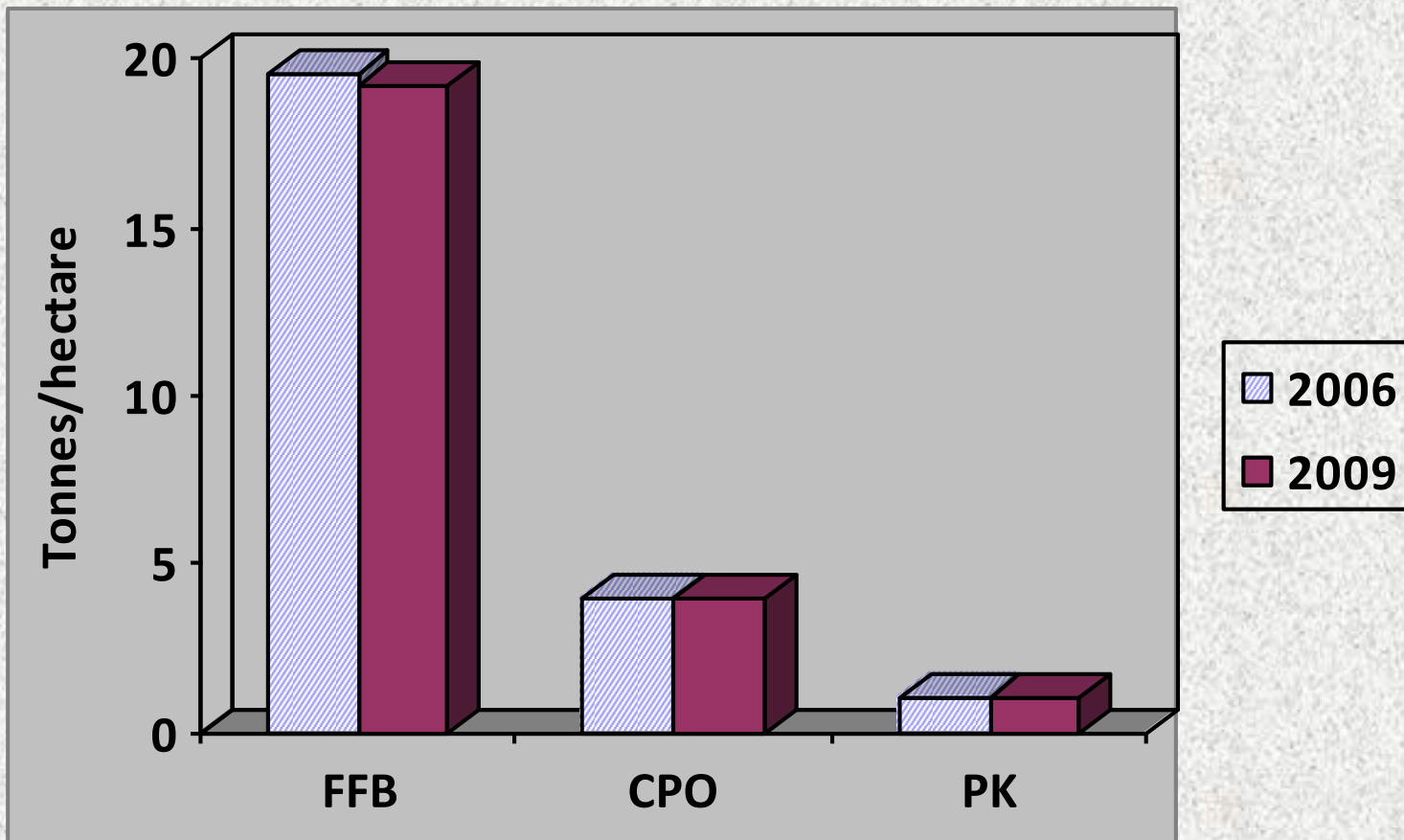
10.9%

3.4%

- Fast growth prior to 2000 – 10.9% annually
- Slower growth rate since then ( 3.4% annually)



## Oil Palm Yields: 2006 vs 2009

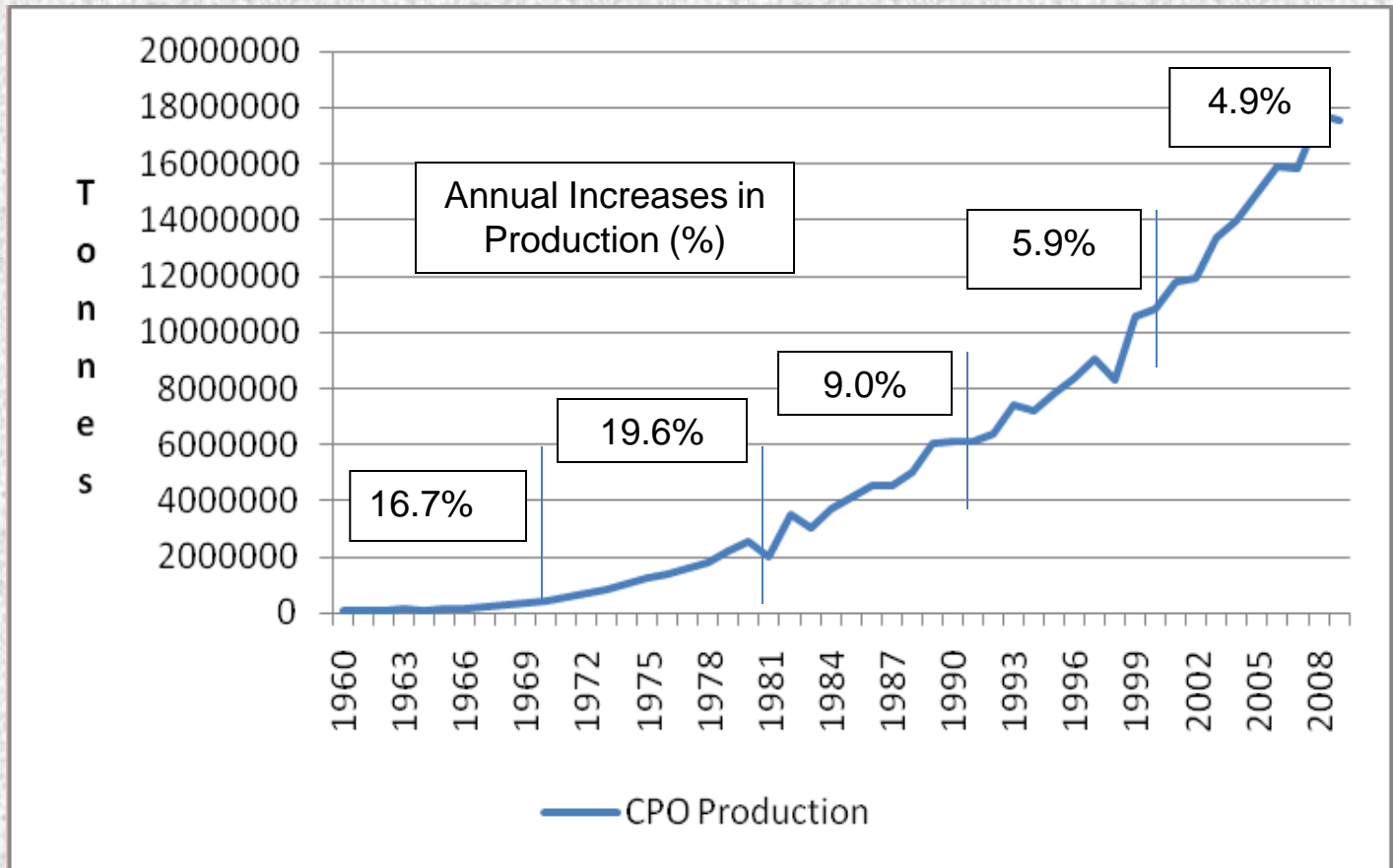




## DIFFERENT CATEGORIES OF OWNERSHIPS: 2009

CATEGORY	HECTARES	%
Private Estates	2,807,210	59.84
Govt. Schemes:		
FELDA	705,607	15.04
FELCRA	160,832	3.43
RISDA	78,932	1.68
State Schemes	329,543	7.03
Smallholders	609,036	12.98
<b>TOTAL</b>	<b>4,691,160</b>	<b>100.0</b>

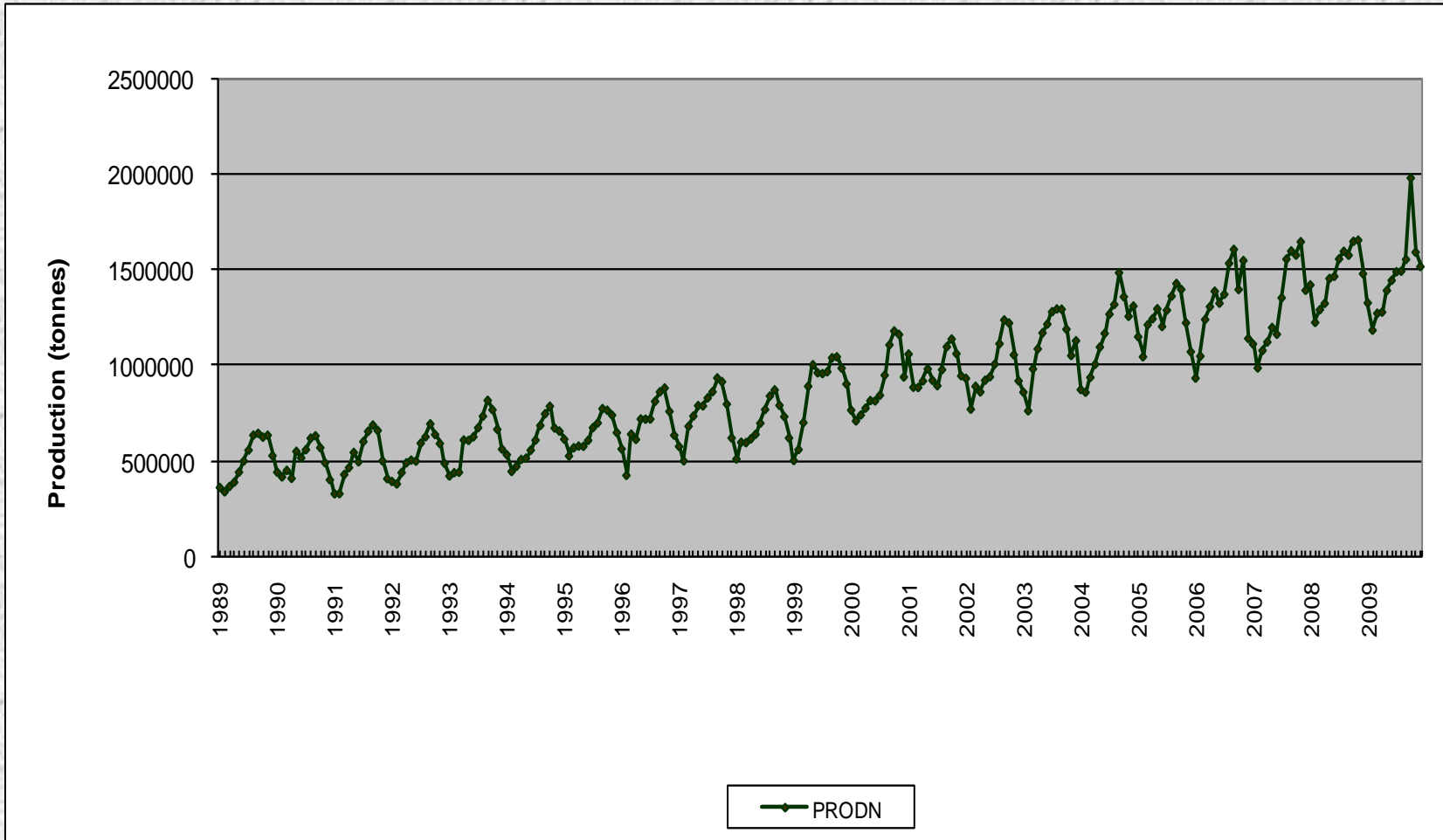
# M'SIA CRUDE PALM OIL (CPO) PRODUCTION : 1960-2009



Source :MPOB

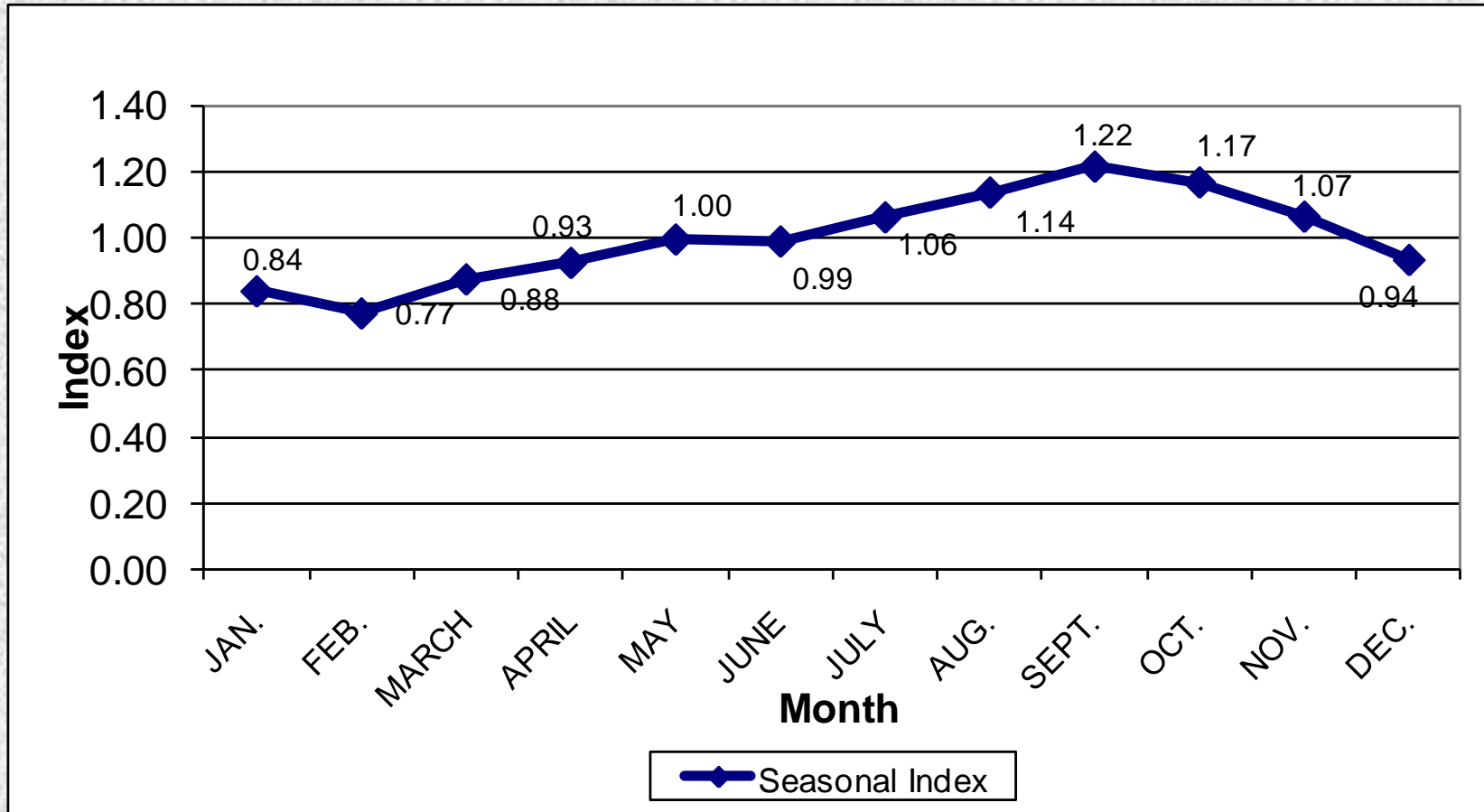


# Malaysian CPO Production Cycles: 1989- 2009

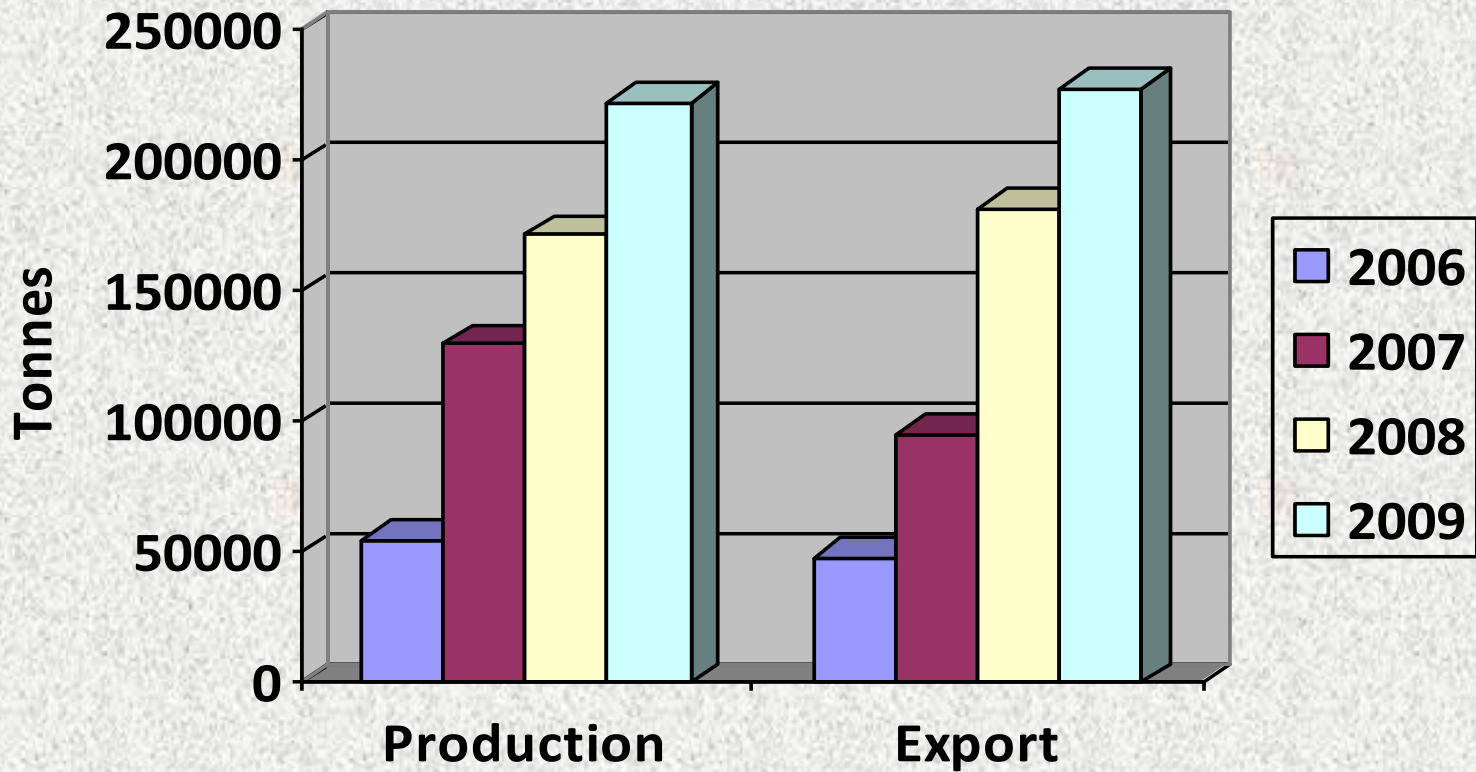


**Malaysian CPO Production exhibits cycles**

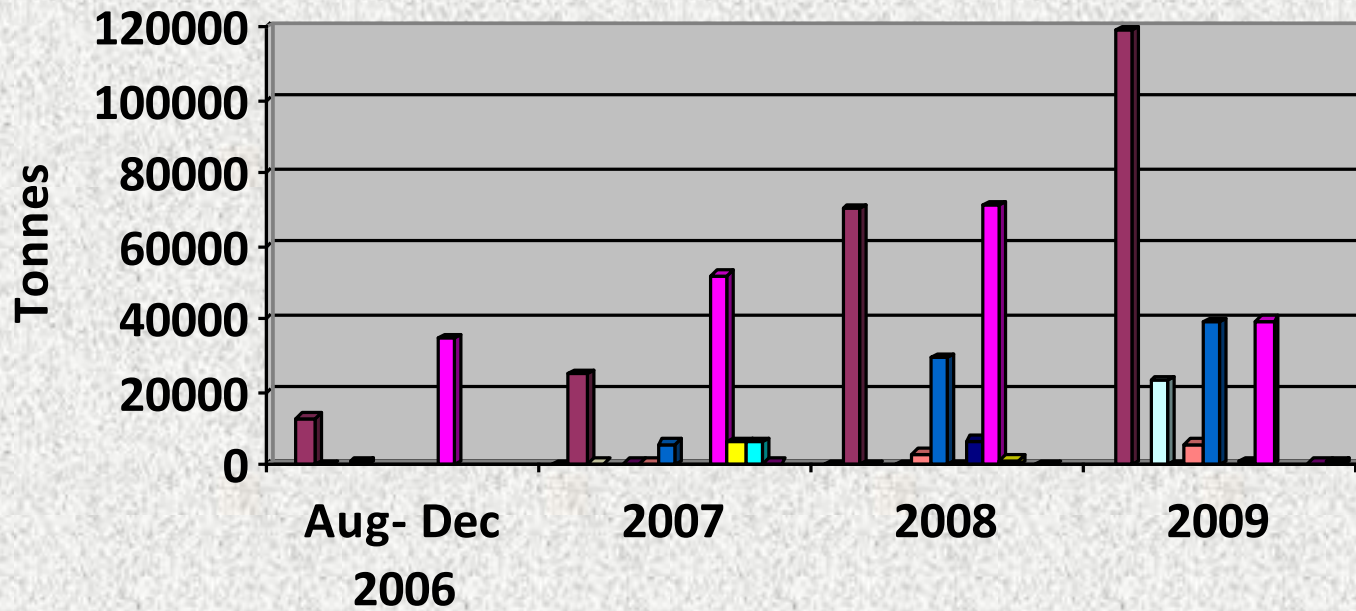
## Seasonality Index Pattern of Malaysian CPO Production



# M'SIA BIODIESEL PRODUCTION AND EXPORTS



# EXPORT DESTINATIONS OF MALAYSIAN PME



- |           |             |           |           |       |
|-----------|-------------|-----------|-----------|-------|
| China     | EU          | Hong Kong | Indonesia | Japan |
| Taiwan    | Singapore   | S. Africa | S. Korea  | USA   |
| Australia | Puerto Rico | India     | Kenya     |       |



# OUTLOOK FOR MALAYSIAN CPO PRODUCTION IN 2010

- Bullish year – prodn is projected at 17.8 million tonnes
  - effect of El Nino – very minimal
  - effect in the increase in total planted areas, projected at 4.82 million ha
  - OER is projected at 20.5%
  - FFB is projected at 19.26 tonnes/ha/year



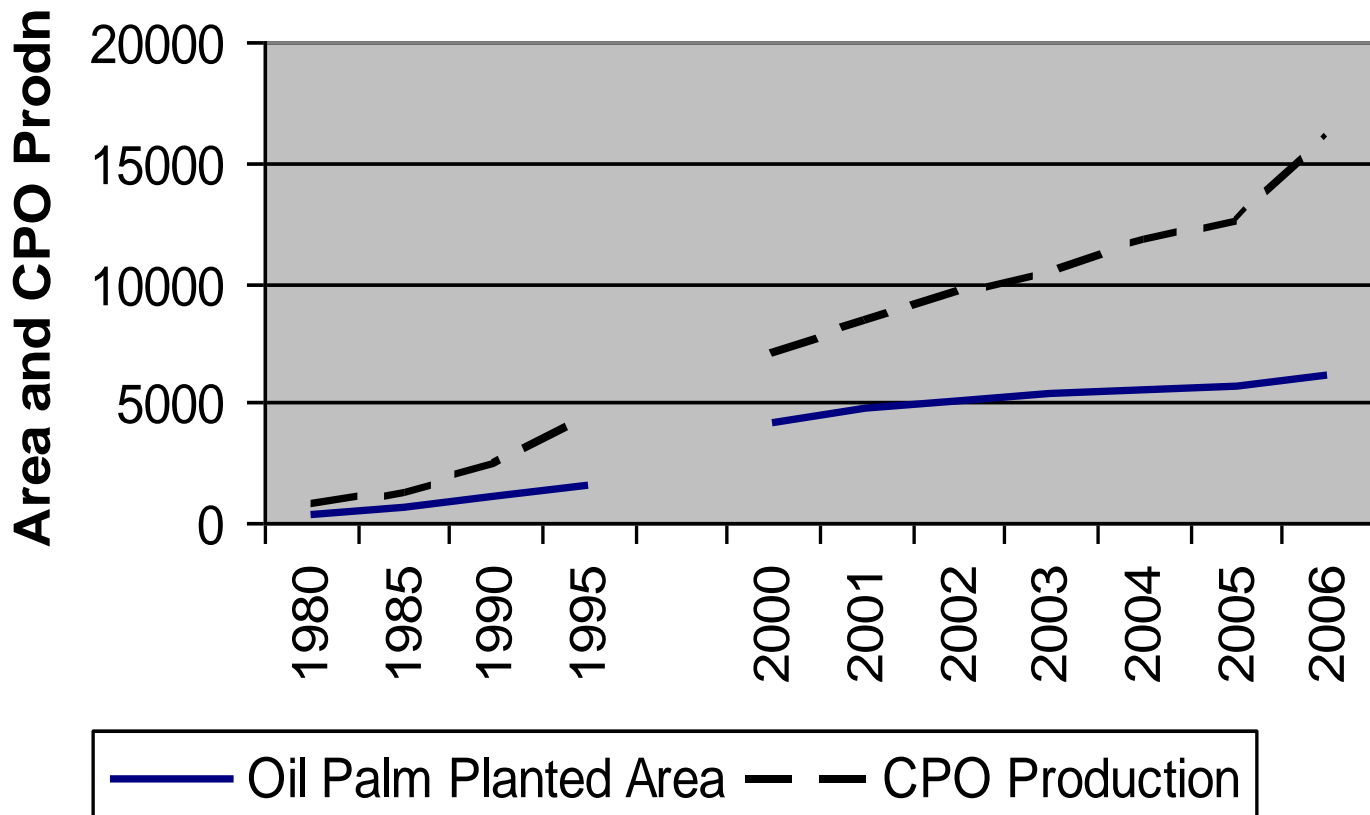


# OUTLOOK FOR MALAYSIAN SUPPLY AND DEMAND FOR PALM OIL IN 2010

Year	CPO					CPO Production (vi)
	Production (i)	Export (ii)	E. Stock (iii)	Local Disap (iv)	Import (v)	
2010 Jan	1,248,208	1,461,747	2,003,175	177,806	155,803	1,321,304
	1,149,269	1,295,038	1,789,194	132,303	64,091	1,156,814
Mac	1,301,369	1,396,949	1,655,748	88,004	50,138	1,387,234
	1,374,842	1,285,467	1,622,580	232,999	110,456	1,306,228
May	1,479,467	1,362,056	1,562,323	292,065	114,397	1,385,424
	1,470,615	1,410,400	1,462,538	250,000	90,000	1,470,615
July	1,578,402	1,490,000	1,390,940	250,000	90,000	1,578,402
	1,689,112	1,480,000	1,440,052	250,000	90,000	1,689,112
Sept	1,804,800	1,515,000	1,569,852	250,000	90,000	1,804,800
	1,734,383	1,490,000	1,654,235	250,000	90,000	1,734,383
Nov	1,581,485	1,400,000	1,675,720	250,000	90,000	1,581,485
	1,388,053	1,300,000	1,603,773	250,000	90,000	1,388,053
<b>Total</b>	<b>17,800,004</b>	<b>16,886,657</b>		<b>2,673,176</b>	<b>1,124,885</b>	<b>17,803,855</b>

# INDONESIAN OIL PALM INDUSTRY

Indonesian Oil Palm Planted Area ('000 ha)  
and CPO Production ('000 tonnes)



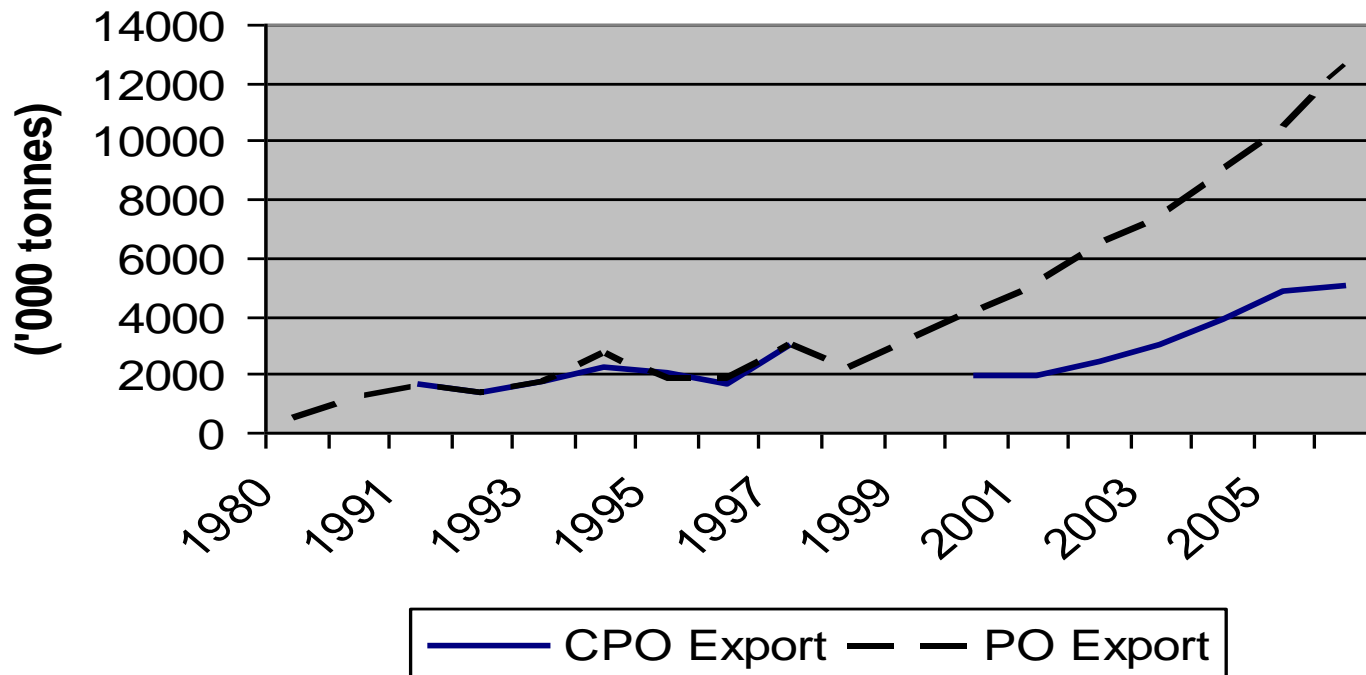


## Oil Palm Productivity

- Varied among producers
  - Smallholders : 2.34 tonnes
    - 13 tonnes FFB and 18% OER
  - Small companies : 3.04 tonnes
    - 16 tonnes FFB and 19% OER
  - Big companies: 5.52 tonnes
    - 23 tonnes FFB and 24% OER

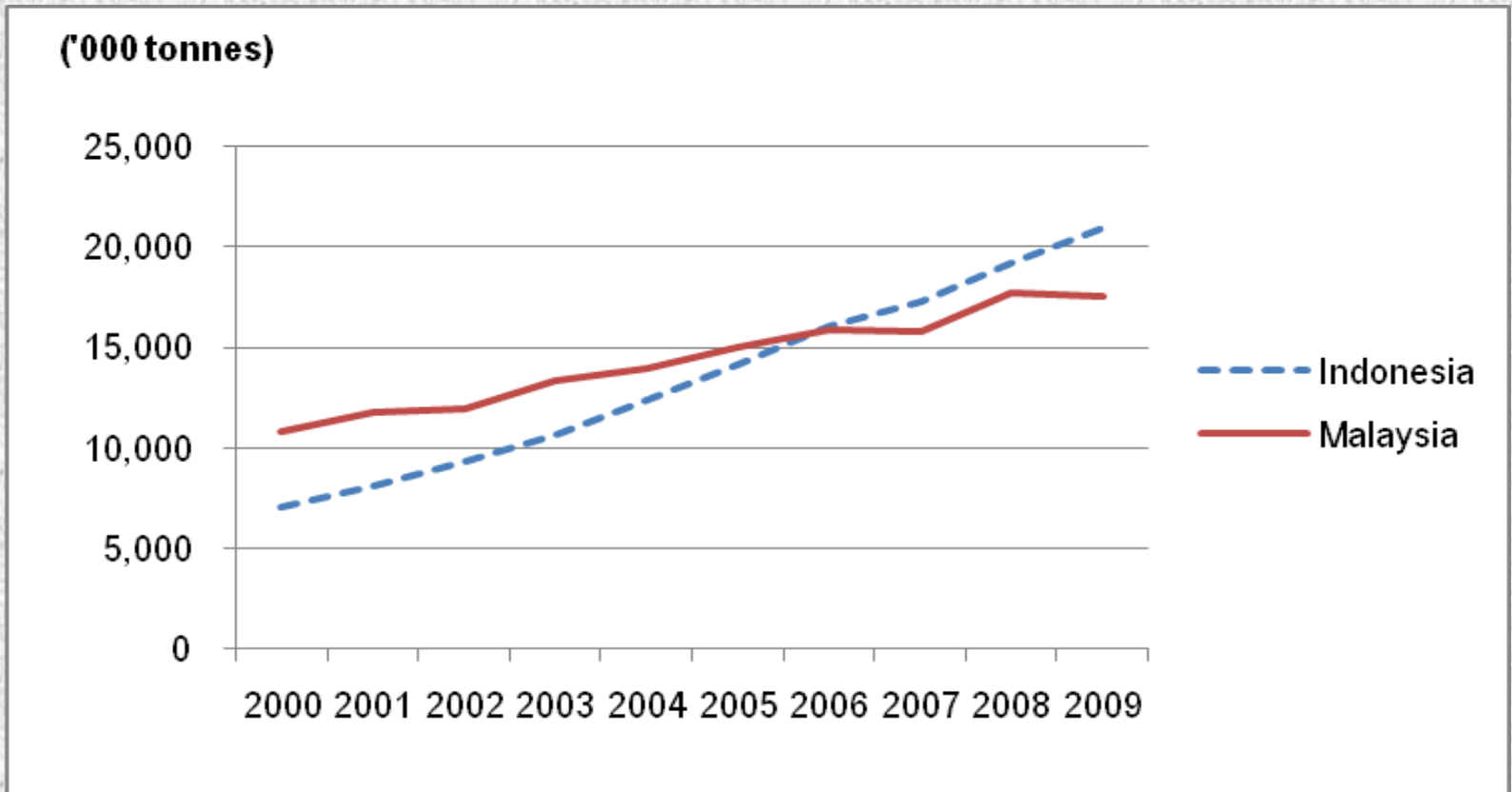
## INDONESIAN PALM OIL DEMAND

### Indonesian Export of Palm Products



Domestic demand – cooking oil (12 kg) made up of 10.5 kg RBD palm olein and 1.5 kg of coconut oil. This leads to 2.31 million tonnes of cooking oil required every year . The balance is exported

# OUTLOOK FOR INDONESIAN CPO PRODUCTION



- Based on the land availability and past performance of the oil palm areas, Indonesia is forecasted to have its planted areas growing to about 6.9 million ha. in 2010 from about 6.1 million ha in 2009. As such, CPO production in the country is projected to reach about 22.1 million tonnes in 2010.

## Past Performance and Prospects in 2010 of Indonesian Oil Palm Areas

Year	Planted Areas		Matured Area from (mil. ha)	
	Mil. ha	Source	MPOB	Oil World
2006	6.07	IPOB	4.01	-
2007	6.91	MPOB	4.3	4.54
2008	7.20	MPOB	5.01	4.95
2009	7.55	MPOB	5.47	5.35
Forecasts				
2010	7.91	MPOB	6.01	5.73

## Past Performance and Prospects in 2010 of Indonesian CPO Production

	Indonesian CPO Production from (mil. tonnes)	
Year	MPOB	Oil World
2007	18.5	17.3
2008	19.3	19.23
2009	20.9	21.14
Forecasts		
2010	22.91	22.3



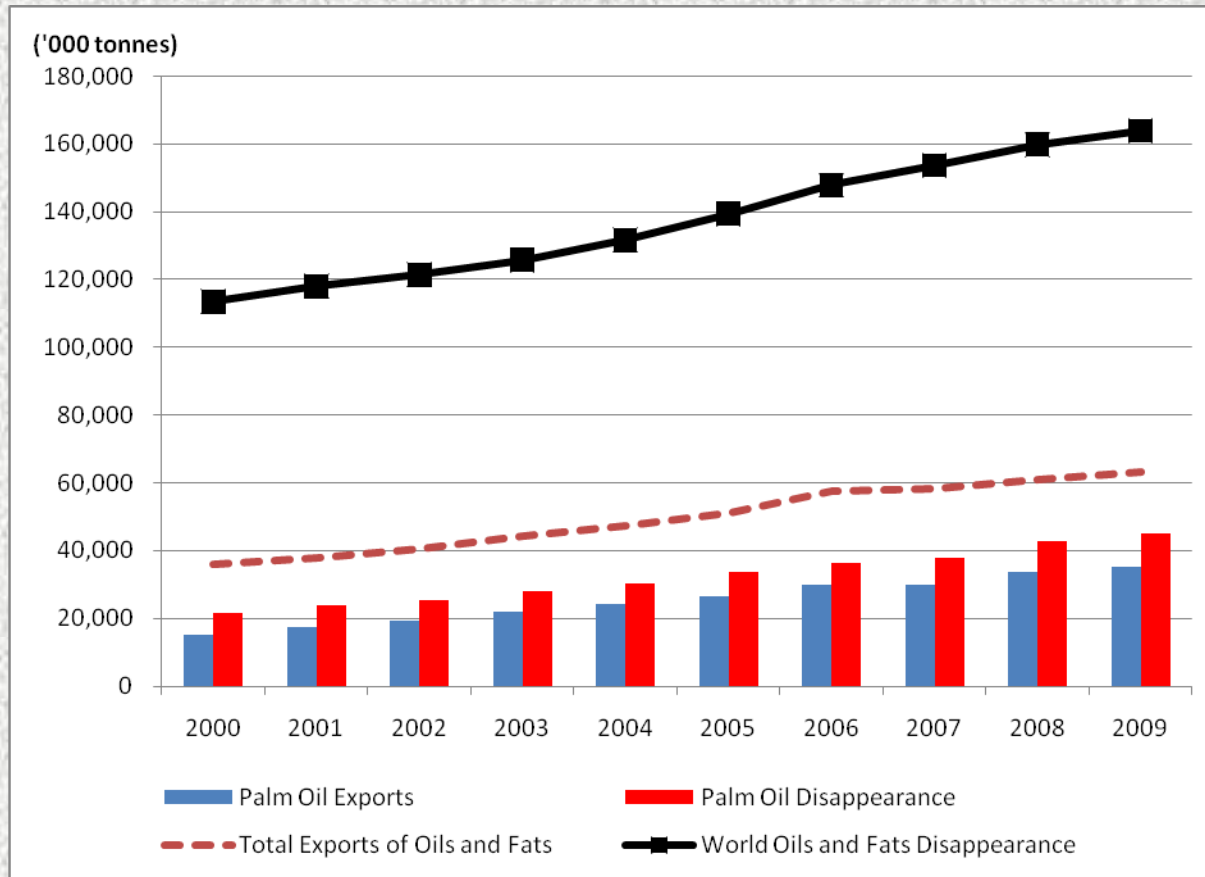
# WORLD DEMAND FOR PALM OIL

## World Demand Factors:

- World Population
- World Income
- Additional Application in Biodiesel
- Exchange Rate



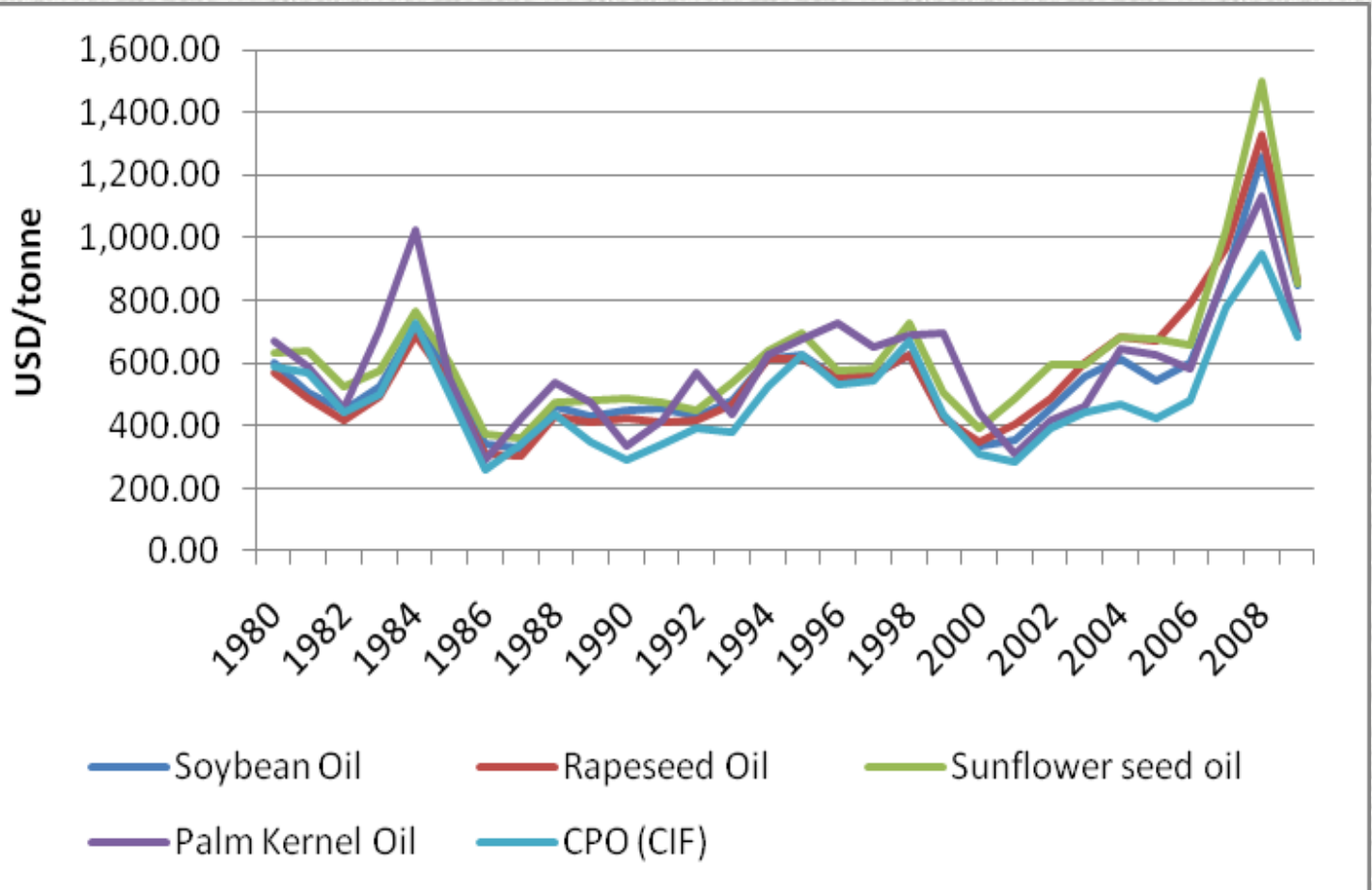
## Outlook for Global Demand



Outlook for Global Demand ('000 tonnes)

Countries	Exports of Palm Oil		Palm Oil Consumption	
	2009	Forecast for 2010	2009	Forecast for 2010
Malaysia	15,881	16,887	Not done	Not done
Indonesia	15,910	17,900	Not done	Not done
Others	3,361	4,033	Not done	Not done
<b>TOTAL PALM OIL</b>	<b>35,152</b>	<b>38,820</b>	<b>45,188</b>	<b>48,980</b>
Other Oils and Fats	27,038	28,000	118,700	122,000
<b>TOTAL OILS AND FATS</b>	<b>63,090</b>	<b>66,820</b>	<b>163,888</b>	<b>171,000</b>

# PRICES OF PALM OIL AND SELECTED OILS AND FATS



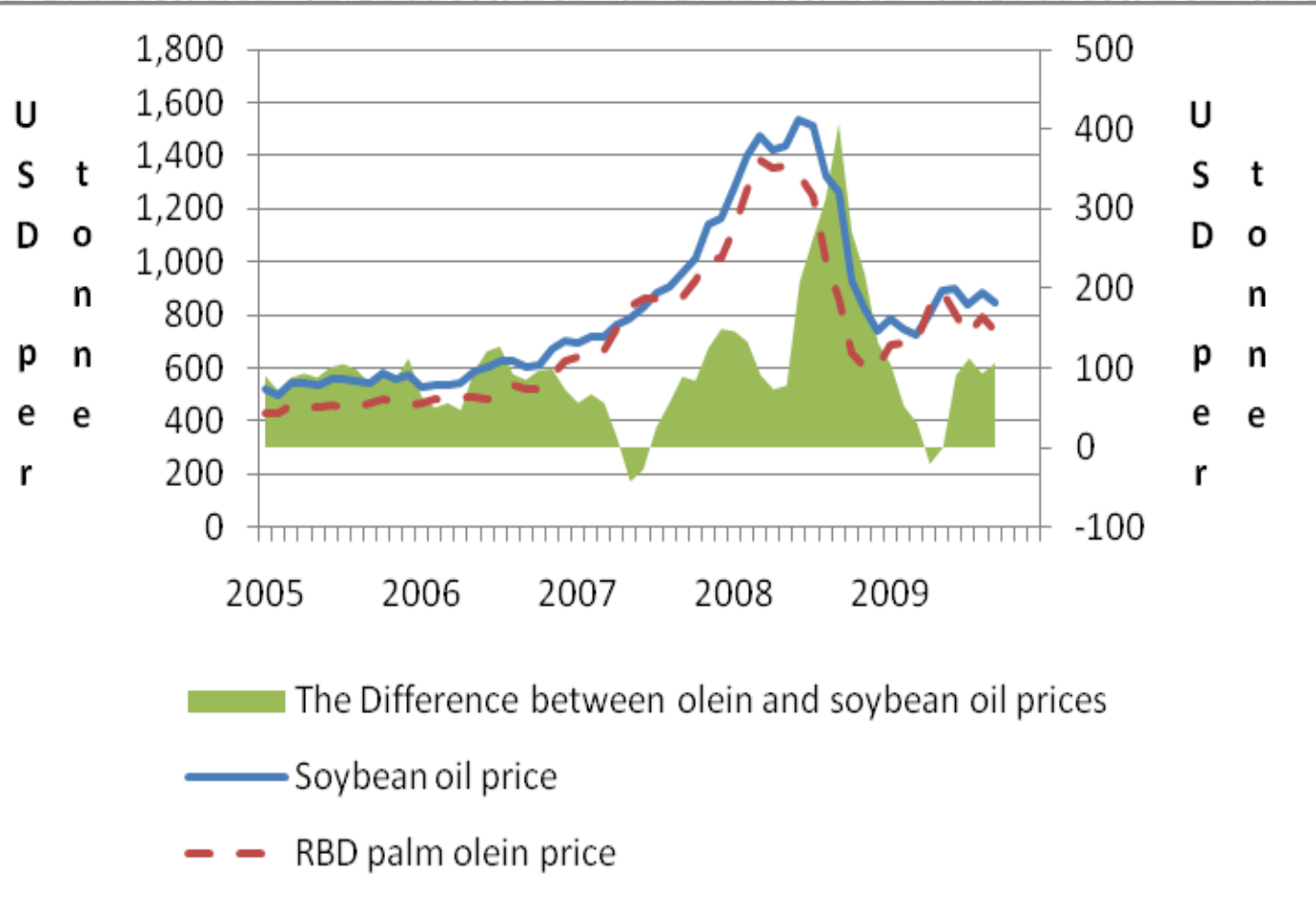
Conversion of price from FFB to CIF, add the following to the FOB prices:

- a) US\$60 per tonne freight charges
- b) 1% of FOB value for insurance
- c) 2% of FOB value as arrival loss



# PRICES OF PALM OIL AND SELECTED OILS AND FATS

## Prices of Oils & Fats with Similar Characteristics

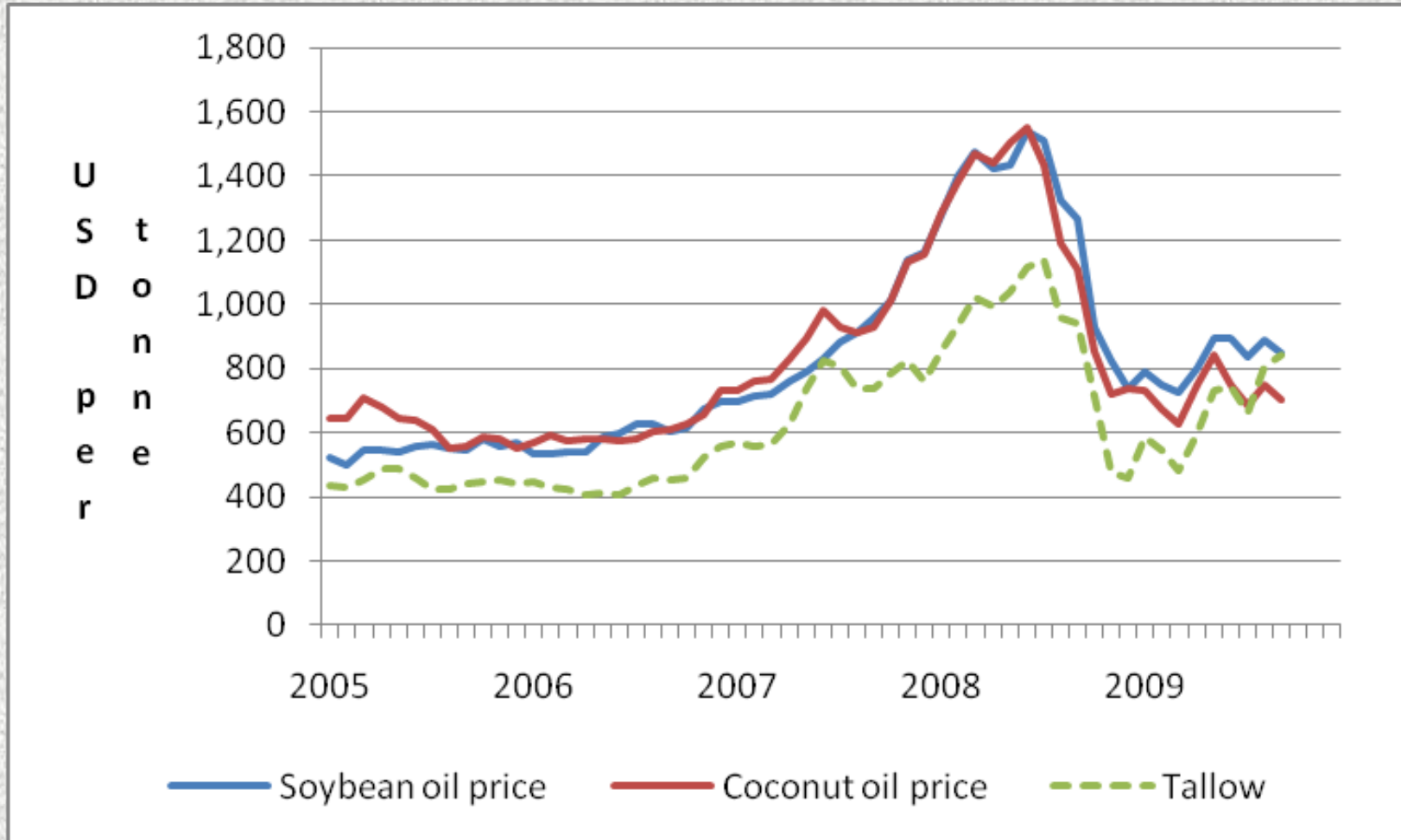


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# PRICES OF PALM OIL AND SELECTED OILS AND FATS

## Prices of Oils & Fats with Different Characteristics



## Outlook for Palm Oil Price

Factors involved:

- stock-usage ratio of oils and fats
- Price of soybean oil
- Price of crude petroleum

Palm oil price in 2010:

- RM2,400 – 2,800 or
- USD706 – USD824





## CONCLUSION

- Palm oil will continue to be the most produced oil in future.
- Palm oil will also be the most consumed oil in future.
- Its prospect is bright in 2010.





THANK YOU