PALM OIL ECONOMIC & OUTLOOK SEMINAR 2017

Palm Oil : Driving The National Economy

Officiated by:

YB Datuk Seri Mah Siew Keong

Minister of Plantation Industries and Commodities

Tuesday, 17 January 2017

Session I

Dato' Sri Zainal Azwar Zainal Aminuddin
TH Plantations Berhad

QUALIFICATION

- Bachelor's Degree in Agricultural Science from Universiti Putra Malaysia (1983)

WORKING EXPERIENCE

- 1984 - Agricultural Officer with the Agricultural Department
- 1990 - Technical Advisor at Kumpulan Guthrie Berhad
- 1998 - Joined TH Plantations Berhad ("THP") as a Senior Agronomist
- 2003 - Appointed as the THP's Head of Operations (Overseas)
- June 2007 - Promoted to the post of Deputy Managing Director, THP
- July 2009 - Appointed as Chief Executive Officer/Executive Director of THP

EXPERTISE

- Agronomy and soil fertility

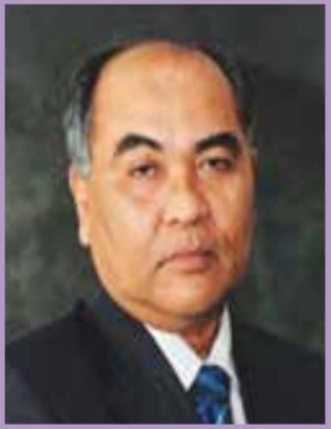
KEY ACHIEVEMENTS

- Lead major acquisition drive in THP, doubling the size of its land bank to almost 105,000 hectares in a span of 6 years
- Introduced a number of innovative changes in THP, including the mechanisation of various plantation activities towards enhancing productivity, the improvement of Fresh Fruit Bunch yields and oil extraction rates
- Advocate of initiative to accelerate THP's replanting programme, reducing its portfolio proportion of older, lower-yielding palms to a minimum
- Steered the setting up THP's own Research & Development Centre in Pusa, Sarawak which functions to conduct research and trials to improvement THP's plantation practices and management in the peat area
- Major driving force behind the running of Trurich Resources Sdn Bhd, a joint venture company between Lembaga Tabung Haji and Felda Global Ventures

PROFESSIONAL ACTIVITIES/ SOCIETIES

- Member of the Incorporated Society of Planters
- Presented a paper on Best Management Practices for Sustainable Development of Oil Palm Planting on Peat at the 15th International Peat Congress held in Kuching, Sarawak
- Moderated various panel discussions in conferences relating to the industry

LP1



Dr. Ahmad Kushairi Din
Director General
Malaysian Palm Oil Board (MPOB)

The Malaysian Palm Oil Industry Performance 2016 and Prospects for 2017

Dr. Ahmad Kushairi Din is the Director-General of the Malaysian Palm Oil Board (MPOB) since 4 July 2016. He was born in 1958 in Malim Nawar, Perak, Malaysia. Dr. Kushairi graduated with a B.Agric.Sc, two MSc and PhD in quantitative genetics. He is a pioneer of MPOB (formerly PORIM) since establishment of PORIM in 1979. He was based at three oil palm research stations for a total of 25 years. Dr. Kushairi specializes in oil palm breeding and genetics, where together with his team of breeders, bred 13 new varities, and prospected oil palm germplasm in Africa and South America. He was appointed the Deputy Director-General (R&D) in 2011, and prior to that the Director of Biology in 2004. He is a member of the teams that transferred 32 technologies for commercialization, filed four patents, developed or revised seven Malaysian Standards, organized more than 60 conferences and seminars.

Dr. Kushairi chairs the human resource development programme for graduate studies. He co-supervised PhD and MSc students in quantitative genetics. He edited conferences proceedings and scholarly manuscripts; authored and co-authored 270 publications. Dr. Kushairi was conferred the Johan Mangku Negara (JMN) by His Royal Highness YDP Agong, besides receiving other awards and honours. He is well conneted with the scientific community and the oil palm industry, and consultant to plantation companies. He sits as a Board of Directors in Ministries and companies, member of national committees, active in professional societies and President of The International Society for Oil Palm Breeders (ISOPB). Dr. Kushairi had served MPOB for nearly four decades.

100 ANNIVERSARY

Malaysian palm oil

MALAYSIAN PALM OIL INDUSTRY 1917 - 2017

Malaysian Oil Palm Industry Performance 2016 and Prospects for 2017

Dr. Ahmad Kushairi Din
Director General
Malaysian Palm Oil Board (MPOB)
Ministry of Plantation Industries & Commodities (MPIC)

Presentation Outline

- Introduction
- Global Oils and Fats Performance 2016
- Malaysian Oil Palm Industry Performance 2016
- Prospects for 2017
- Conclusion

Introduction

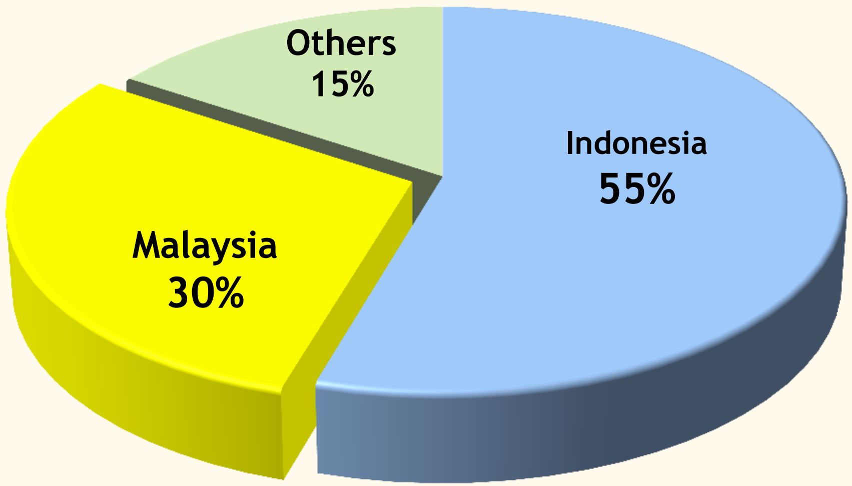
Challenges of the Malaysian oil palm industry in 2016:

- Supply
  - Weather: *El Nino* phenomena
  - Production: FFB, OER and CPO
- Demand
  - Prices
  - Market share: competing oils and fats

Global Oils & Fats Performance 2016

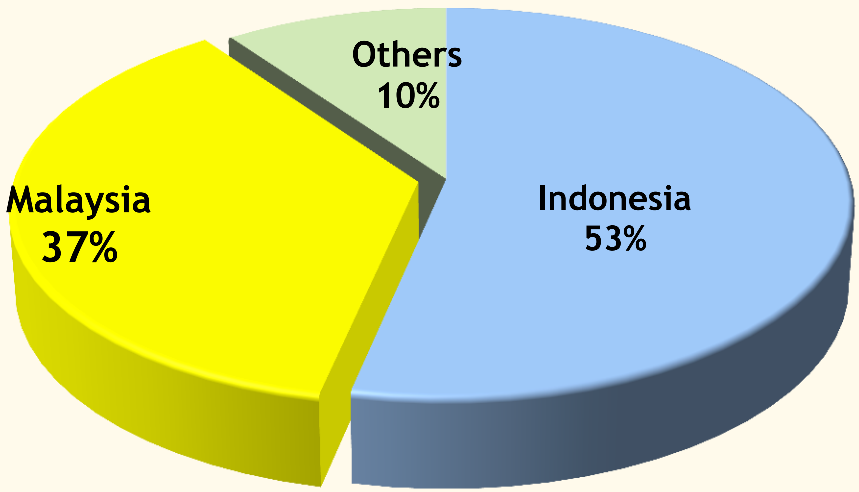
Global Oils & Fats Performance 2016

World Major Palm Oil **Producers**



TOTAL : 58.31 Mn T

World Major Palm Oil **Exporters**

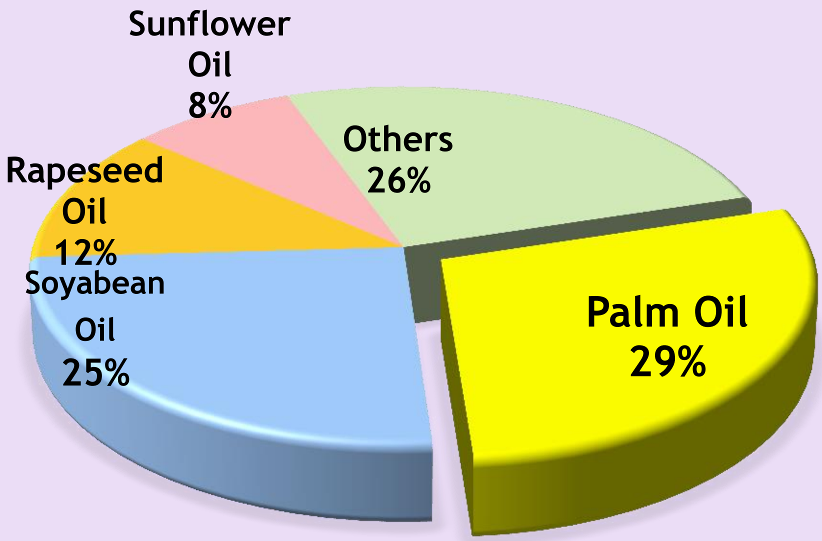


TOTAL : 43.76 Mn T

Sources: Oil World; MPOB

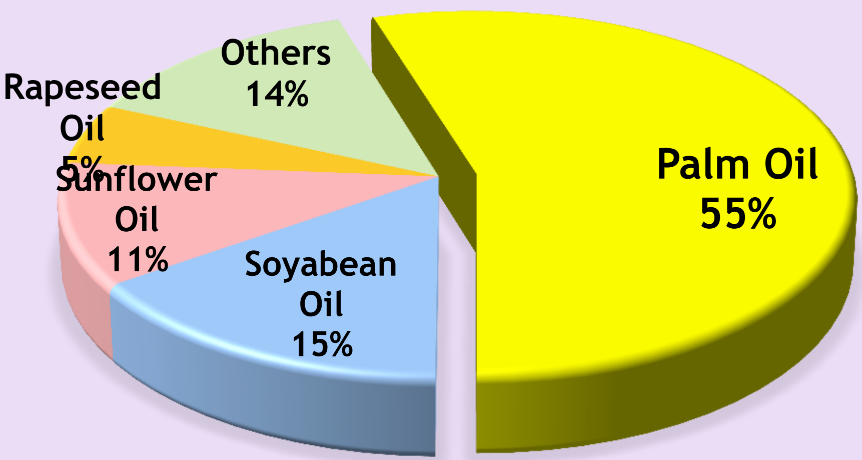
Global Oils & Fats Performance 2016

World **Production** of
17 Oils & Fats



TOTAL : 203.91 Mn T

World **Exports** of
17 Oils & Fats



TOTAL : 79.78 Mn T

Sources: Oil World; MPOB

Malaysian Oil Palm Industry Performance 2016





Oil Palm Planted Area by Region, 2016

PEN. M’SIA
- Matured 2.35 Mn Ha
- Immatured 0.33 Mn Ha
- Total 2.68 Mn Ha

↑ 0.8% (2015: 2.66 Mn Ha)

SABAH
- Matured 1.38 Mn Ha
- Immatured 0.17 Mn Ha
- Total 1.55 Mn Ha

↑ 0.5% (2015: 1.54 Mn Ha)

MALAYSIA
- Matured 5.00 Mn Ha
- Immatured 0.74 Mn Ha
- Total 5.74 Mn Ha

↑ 3.2% (2015: 5.64 Mn Ha)

SARAWAK
- Matured 1.27 Mn Ha
- Immatured 0.24 Mn Ha
- Total 1.51 Mn Ha

↑ 4.7% (2015: 1.44 Mn Ha)

Oil Palm Planted Area By States, 2016

Malaysia 5.74 Mn Ha

- Pen. Malaysia 2.68 Mn Ha (47%)
- Sabah 1.55 Mn Ha (27%)
- Sarawak 1.51 Mn Ha (26%)

Perlis = 652 ha

Kedah = 87,786 ha

P. Pinang = 14,135 ha

Perak = 397,908 ha

Selangor = 138,831 ha

N. Sembilan = 178,958 ha

Melaka = 56,149 ha

Johor = 745,630 ha

Kelantan = 155,458 ha

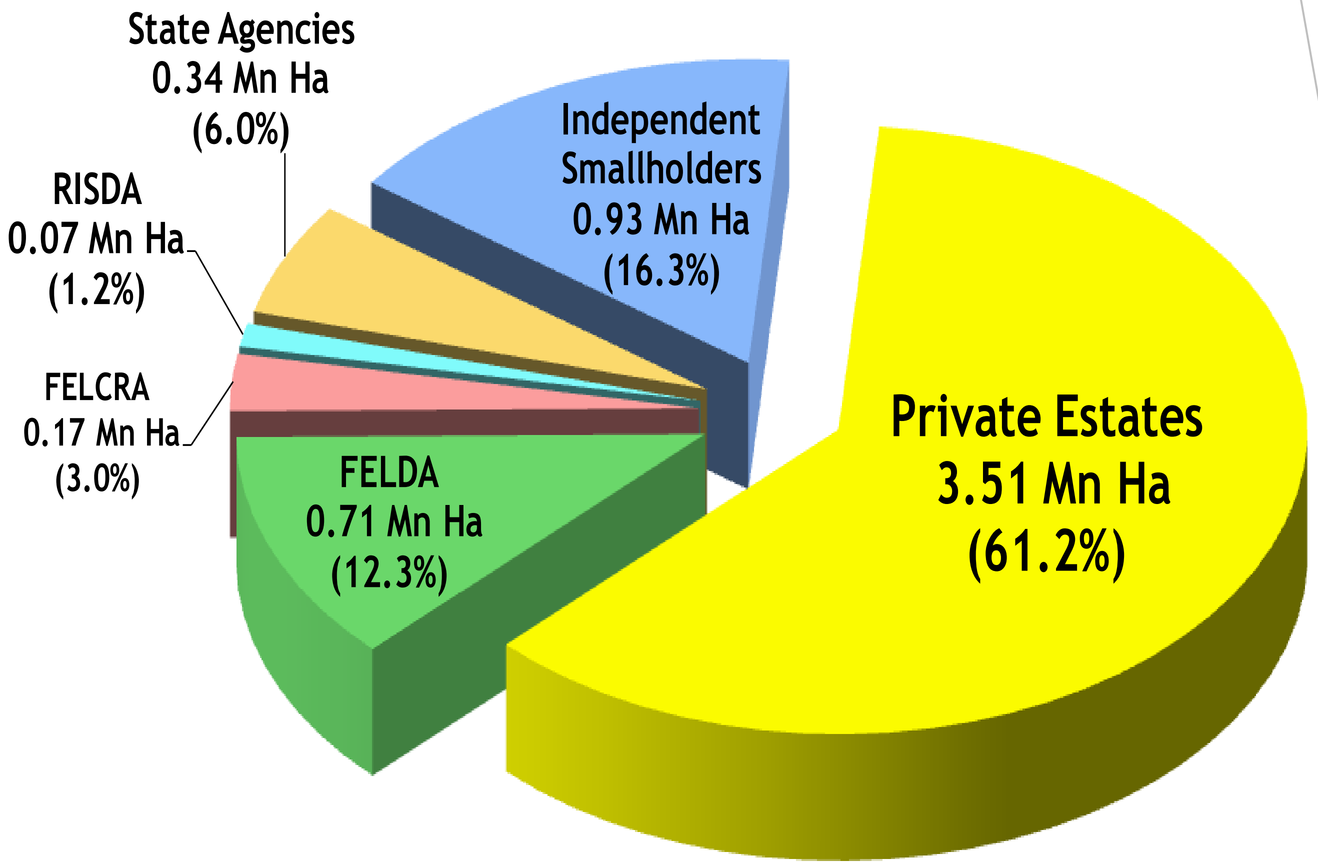
Terengganu = 171,943 ha

Pahang = 732,052 ha

Sabah = 1,551,714 ha

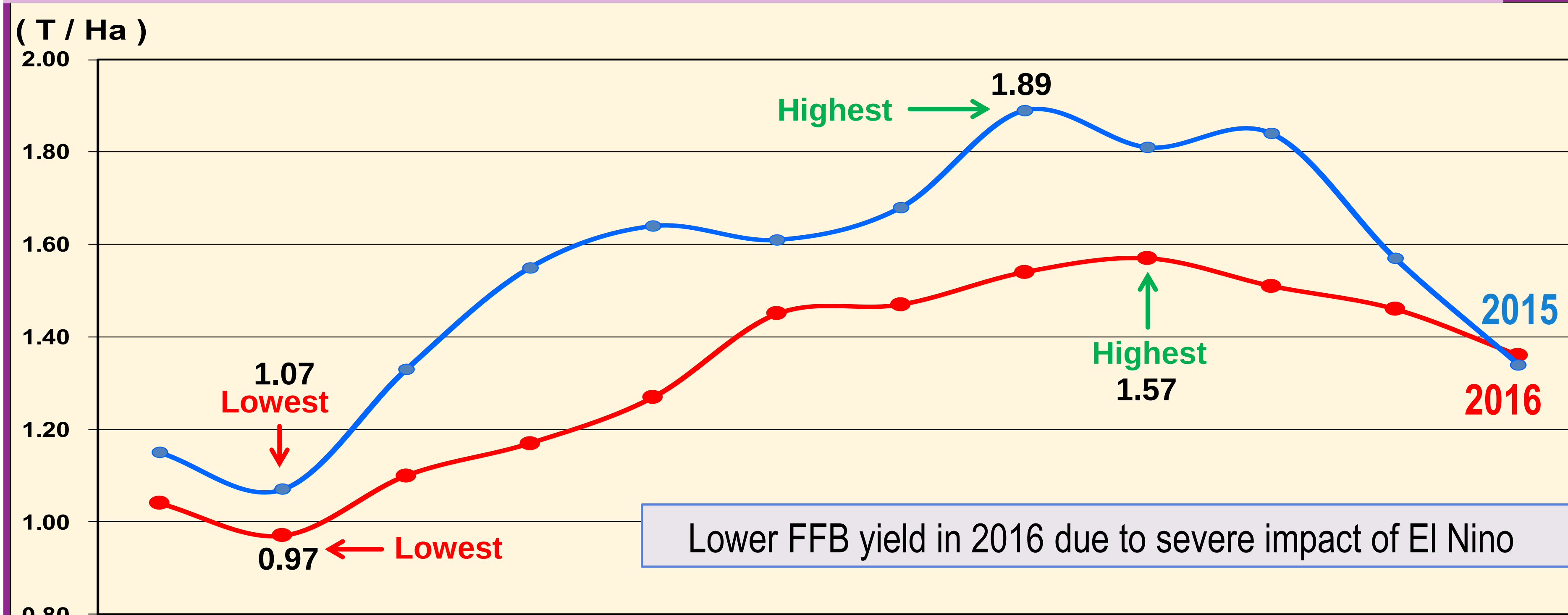
Sarawak = 1,506,769 ha

Oil Palm Planted Area by Category, 2016



Total Oil Palm Planted Area = 5.74 Mn Ha

Fresh Fruit Bunch Yield, 2016 vs 2015



	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2016	1.04	0.97	1.10	1.17	1.27	1.45	1.47	1.54	1.57	1.51	1.46	1.36
2015	1.15	1.07	1.33	1.55	1.64	1.61	1.68	1.89	1.81	1.84	1.57	1.34

Region	2016	2015	Diff. (%)
Pen. Malaysia	15.77 t/ha	18.77 t/ha	↓16.0%
Sabah	17.10 t/ha	19.99 t/ha	↓14.5%
Sarawak	14.86 t/ha	16.21 t/ha	↓8.3%
Malaysia	15.91 t/ha	18.48 t/ha	↓13.9%

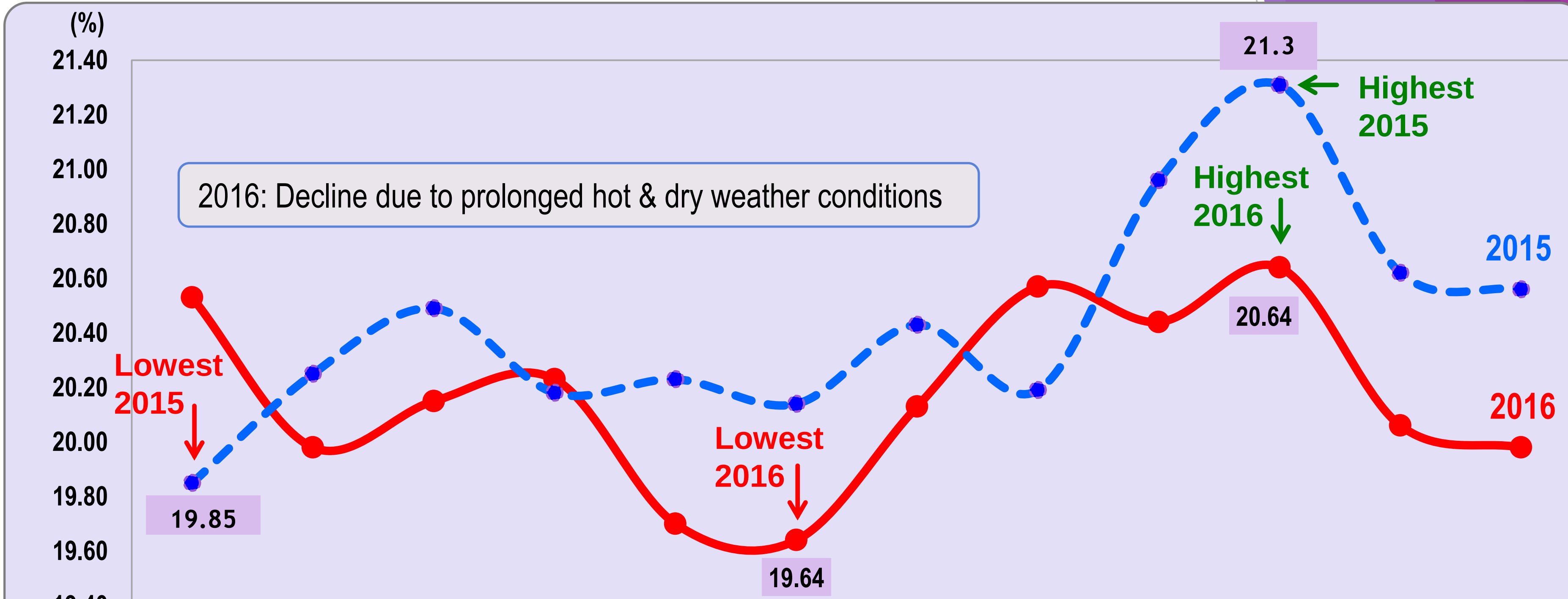
Status of Palm Oil Mills, 2016

In Operation
- 453 Mills

FFB Processing Capacity
- 110.33 Mn t/yr

Performances
- Utilization Rate: 77.8%
- Oil Extraction Rate: 20.18%
- CPO Production: 17.32 Mn T
- Palm Kernel Production: 4.19 Mn T

Oil Extraction Rate (%), 2016 vs 2015



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016 (%)	20.53	19.98	20.15	20.23	19.70	19.64	20.13	20.57	20.44	20.64	20.06	19.98
2015 (%)	19.85	20.25	20.49	20.18	20.23	20.14	20.43	20.19	20.96	21.31	20.62	20.56

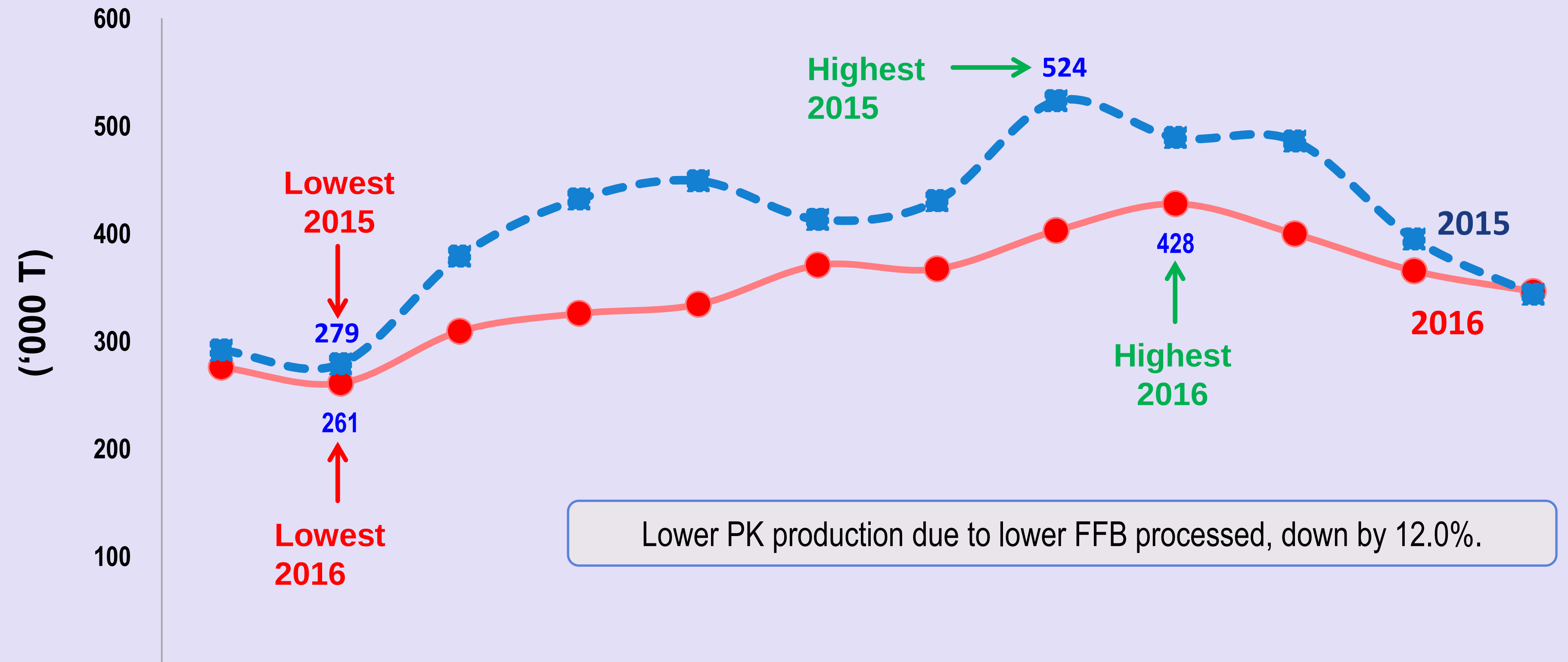
Region	2016	2015	Diff
Pen. Malaysia	19.76%	20.01%	1.2%
Sabah	21.11%	21.57%	2.1%
Sarawak	20.02%	20.15%	0.6%
Malaysia	20.18%	20.46%	1.4%

Crude Palm Oil Production, 2016 vs 2015

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	1,130	1,043	1,219	1,301	1,365	1,533	1,585	1,702	1,715	1,678	1,575	1,474
2015	1,161	1,122	1,495	1,693	1,811	1,764	1,816	2,051	1,959	2,037	1,654	1,399

Region	2016	2015	Diff
Pen. Malaysia	8.89 Mn T	10.54 Mn T	15.7%
Sabah	4.85 Mn T	5.72Mn T	15.3%
Sarawak	3.59 Mn T	3.70 Mn T	3.2%
Malaysia	17.32 Mn T	19.96 Mn T	13.2%

Palm Kernel Production, 2016 vs 2015



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016 (Tonnes)	276,236	261,451	309,658	326,138	334,628	371,048	367,561	403,245	428,104	400,125	365,729	346,520
2015 (Tonnes)	291,989	279,309	379,309	432,422	449,426	413,561	430,990	523,692	489,614	486,309	395,211	343,829

Region	2016	2015	Diff
Pen. Malaysia	2.38 Mn T	2.87 Mn T	↓ 17.1%
Sabah	1.08 Mn T	1.27 Mn T	↓ 15.6%
Sarawak	0.74 Mn T	0.77 Mn T	↓ 4.7%
Malaysia	4.19 Mn T	4.92 Mn T	↓ 14.8%

Status Of Palm Kernel Crushing Plants, 2016

In Operation

- 45 crushing plants

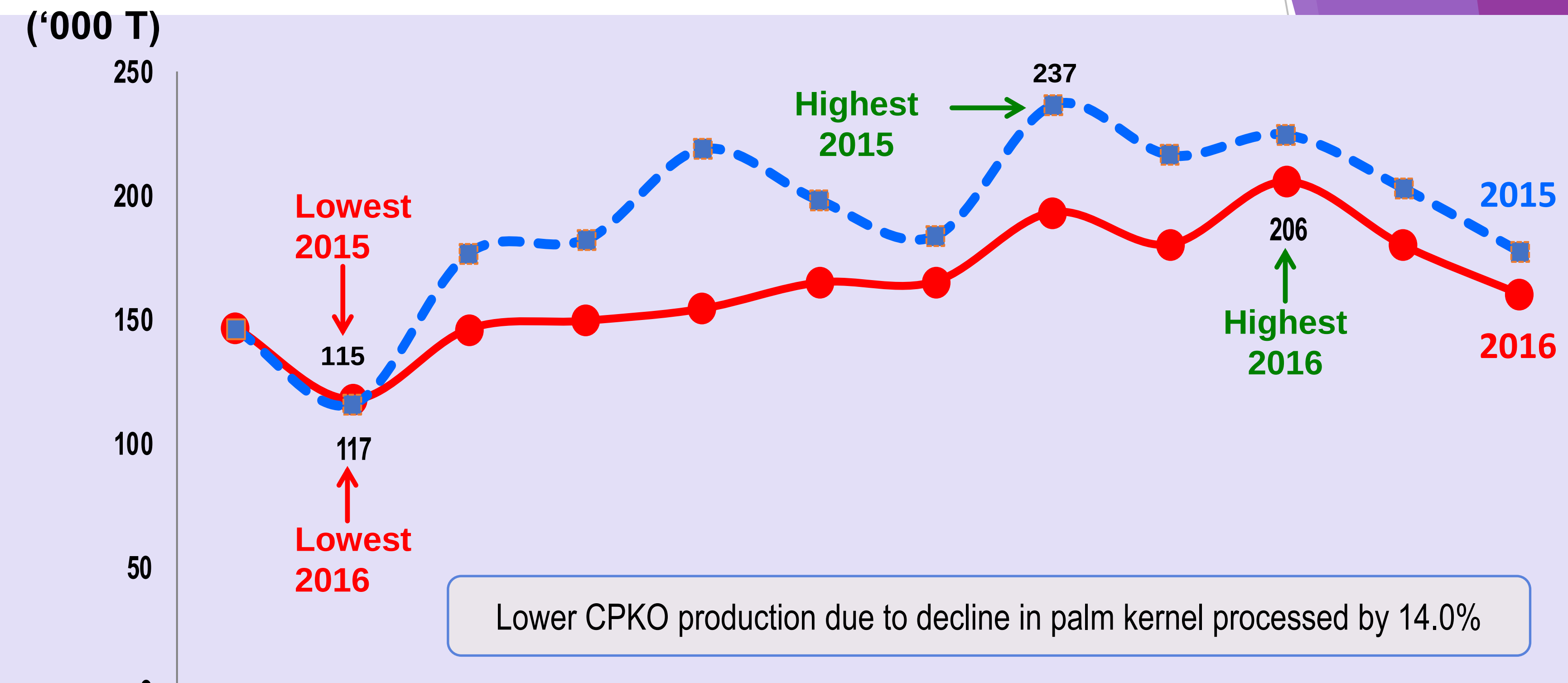
PK Processing Capacity

- 7.30 million tonnes / year

Performance

- Utilization rate: 59.5%
- CPKO Production: 1.96 Mn T

Crude Palm Kernel Oil Production, 2016 vs 2015



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016 (Tonnes)	146,455	116,975	145,595	148,928	153,826	164,508	164,963	193,064	179,970	205,514	179,748	159,877
2015 (Tonnes)	145,734	115,072	176,180	182,163	218,716	197,626	183,287	236,648	216,411	224,405	202,821	177,403

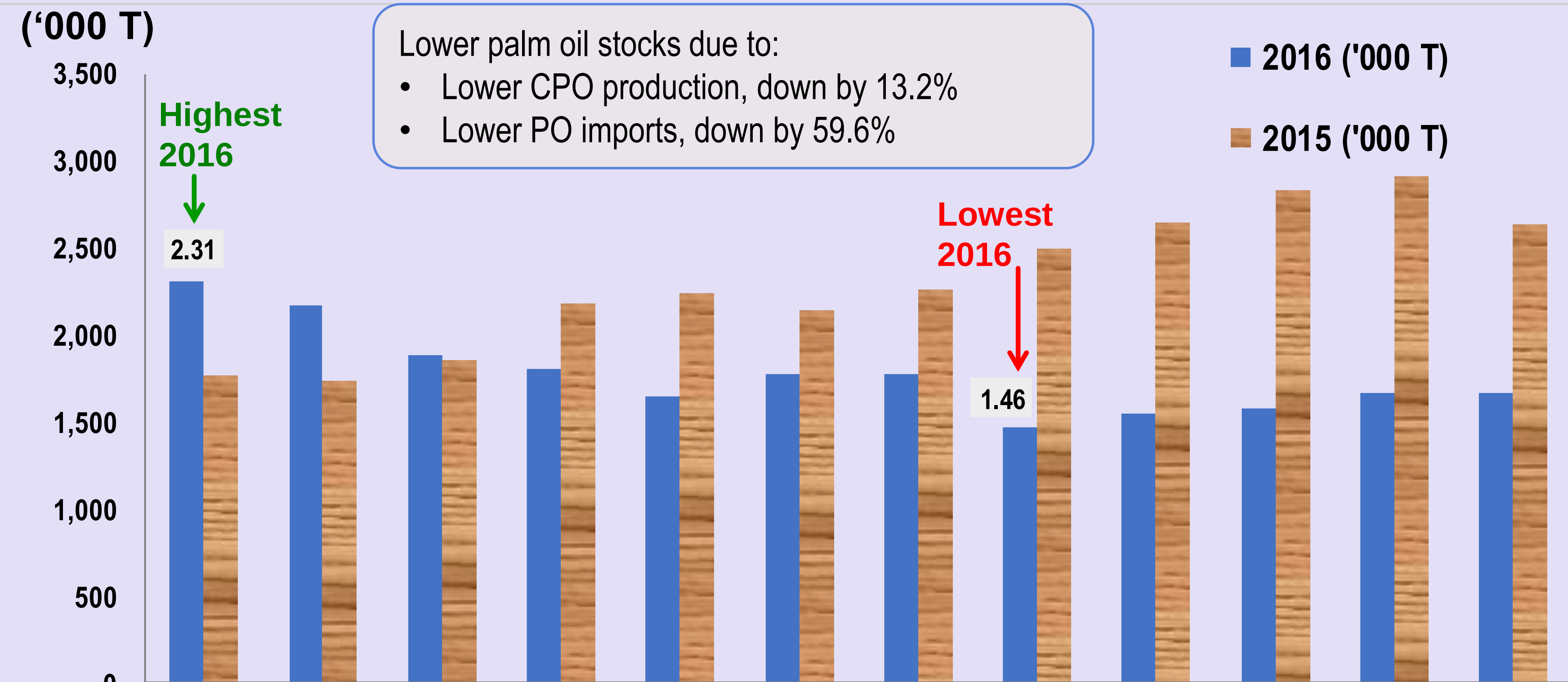
Region	2016	2015	Diff
Pen. Malaysia	1.15 Mn T	1.39 Mn T	↓ 17.5%
Sabah	0.49 Mn T	0.59 Mn T	↓ 16.5%
Sarawak	0.32 Mn T	0.29 Mn T	↑ 8.5%
Malaysia	1.96 Mn T	2.28 Mn T	↓ 13.9%

Status of Downstream Sectors, 2016

	Number in Operation	Processing Capacity (Mn T/yr)	Utilisation Rate (%)
Palm Oil Refineries	52	26.26	59.4
Oleochemical Plants	20	2.73	84.6
Biodiesel Plants	17	2.07	31.0

Palm Oil Closing Stocks

Palm Oil Closing Stocks, 2016 vs 2015



Lower palm oil stocks due to:

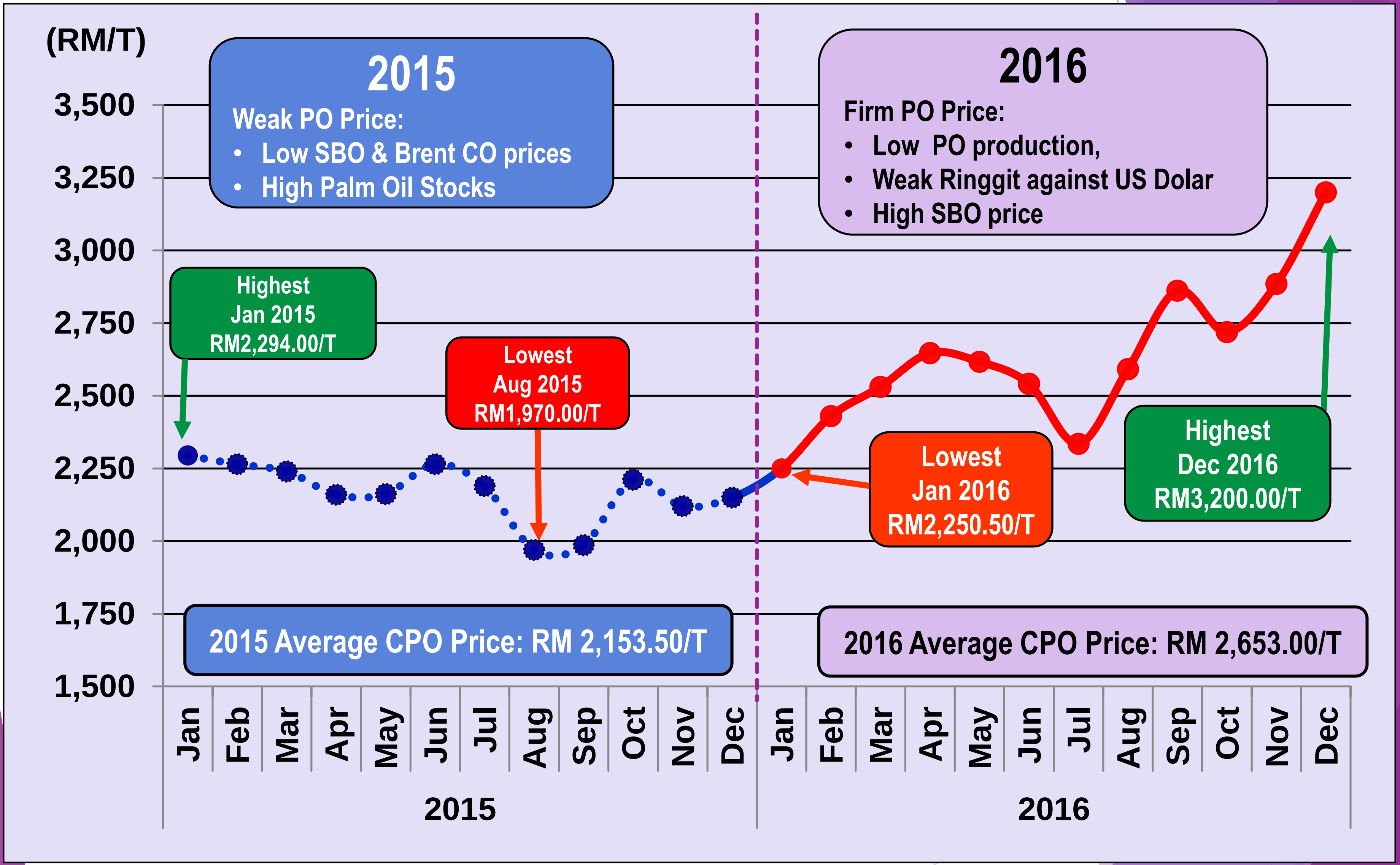
- Lower CPO production, down by 13.2%
- Lower PO imports, down by 59.6%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016 ('000 T)	2,309	2,170	1,886	1,804	1,650	1,775	1,770	1,464	1,546	1,573	1,663	1,665
2015 ('000 T)	1,762	1,736	1,858	2,182	2,239	2,142	2,258	2,492	2,641	2,835	2,911	2,634

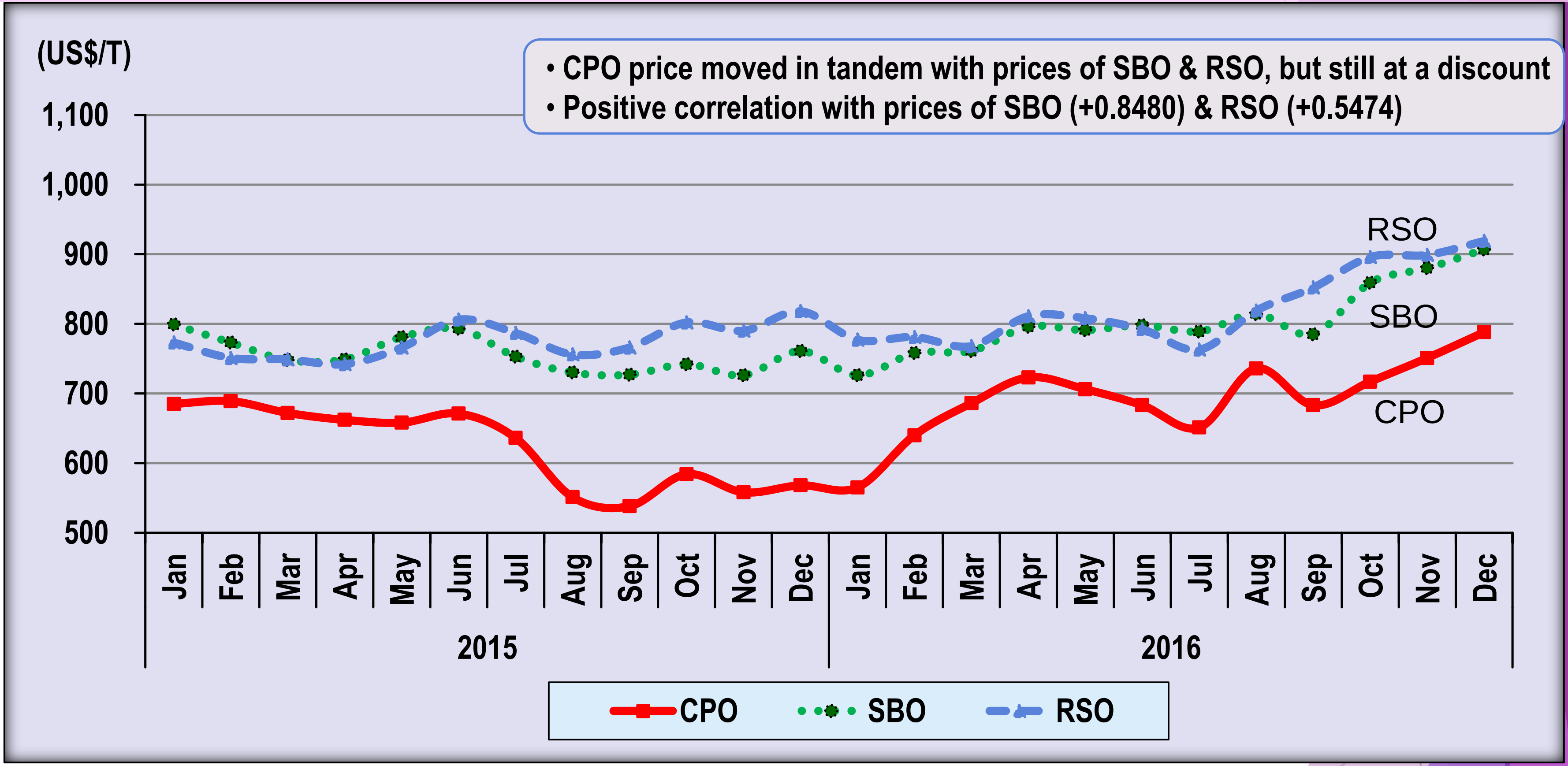
Region	2016	2015	Diff
Pen. Malaysia	0.84 Mn T	1.42 Mn T	↓ 40.7%
Sabah	0.54 Mn T	0.88 Mn T	↓ 38.0%
Sarawak	0.28 Mn T	0.34 Mn T	↓ 17.1%
Malaysia	1.67 Mn T	2.63 Mn T	↓ 36.8%

Prices

Local CPO Prices, 2016 vs 2015



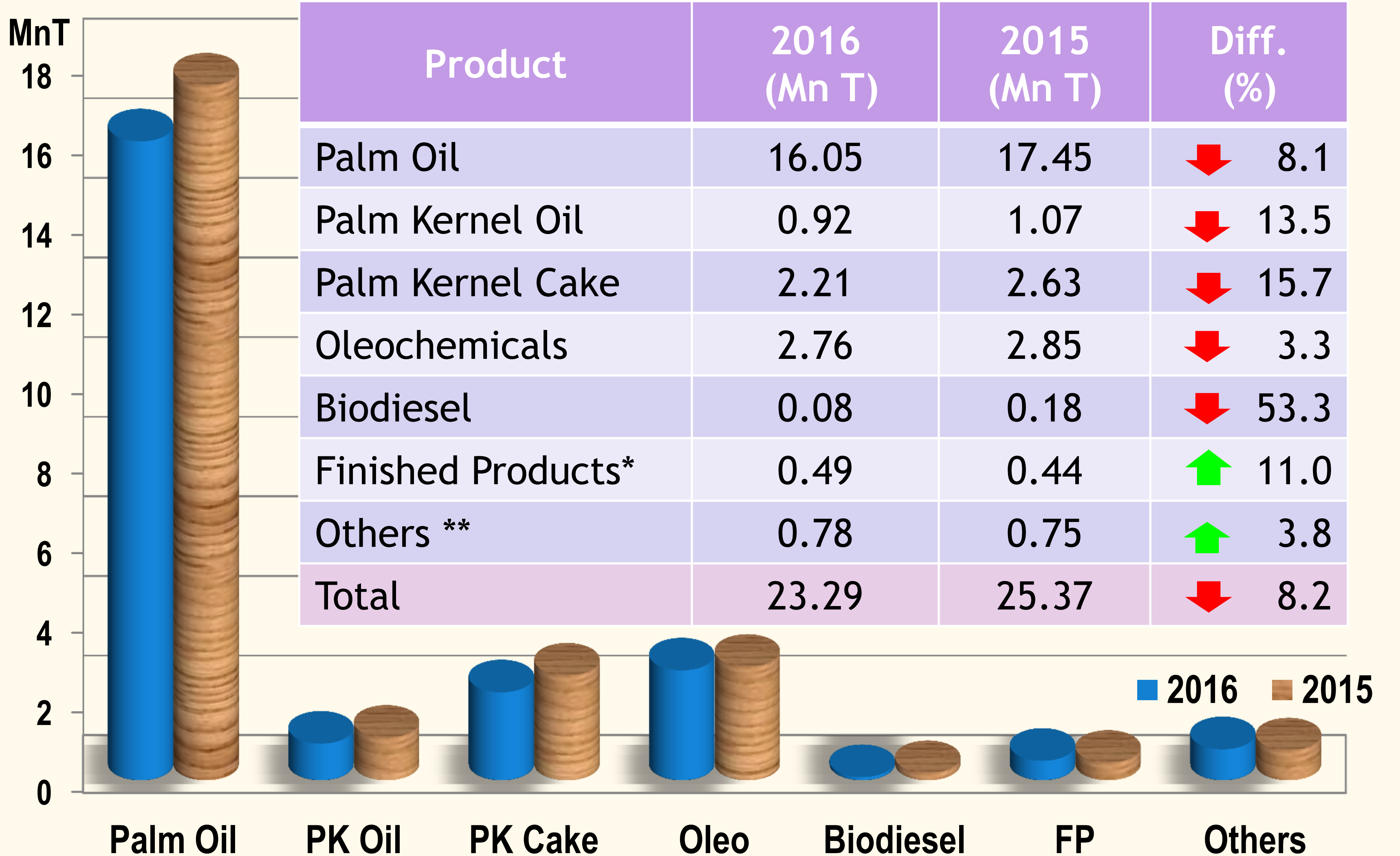
Relationships among CPO, SBO & RSO Prices (CPO Price Discount), 2016 vs 2015



CPO Discount to:	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
SBO (USD/T)	91	111	162	173	118	91	106	130
RSO (USD/T)	76	108	195	233	145	100	121	153

Exports of Palm Oil Products

Export Volume of Oil Palm Products, 2016 vs 2015



Product	2016 (Mn T)	2015 (Mn T)	Diff. (%)
Palm Oil	16.05	17.45	↓ 8.1
Palm Kernel Oil	0.92	1.07	↓ 13.5
Palm Kernel Cake	2.21	2.63	↓ 15.7
Oleochemicals	2.76	2.85	↓ 3.3
Biodiesel	0.08	0.18	↓ 53.3
Finished Products*	0.49	0.44	↑ 11.0
Others **	0.78	0.75	↑ 3.8
Total	23.29	25.37	↓ 8.2

* Finished Products – Shortening, Veg. Fat, Veg. Ghee, Soap, etc.

** Others – Palm Kernel Shell, Oil Palm Fibre, Sludge/Residue Oil, etc.

Export of Palm Oil Products, 2016

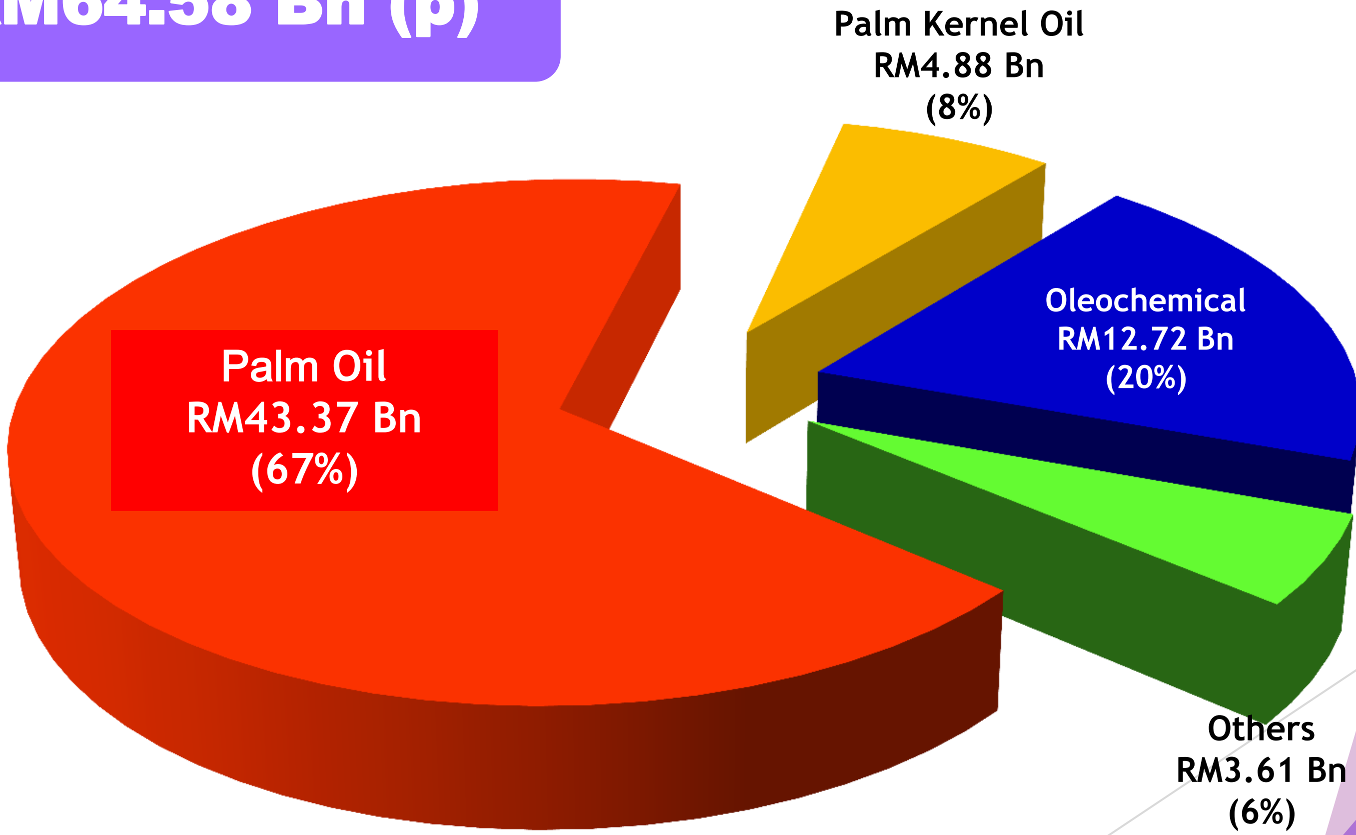
Million Tonnes

	2016	2015	Diff %
CPO (Crude Palm Oil)	3.82	5.28	↓ 27.5
PPO (Processed Palm Oil)	12.22	12.18	↑ 0.4
RBD Palm Oil	1.20	1.26	↓ 5.0
RBD Palm Olein	7.03	7.24	↓ 2.9
RBD Palm Stearin	1.24	1.28	↓ 2.9
Other PPO	2.75	2.40	↑ 14.6

Export Value of Palm Products, 2016 (preliminary)

2016

RM64.58 Bn (p)



(p) = preliminary

Palm Oil: Major Export Destinations, 2016

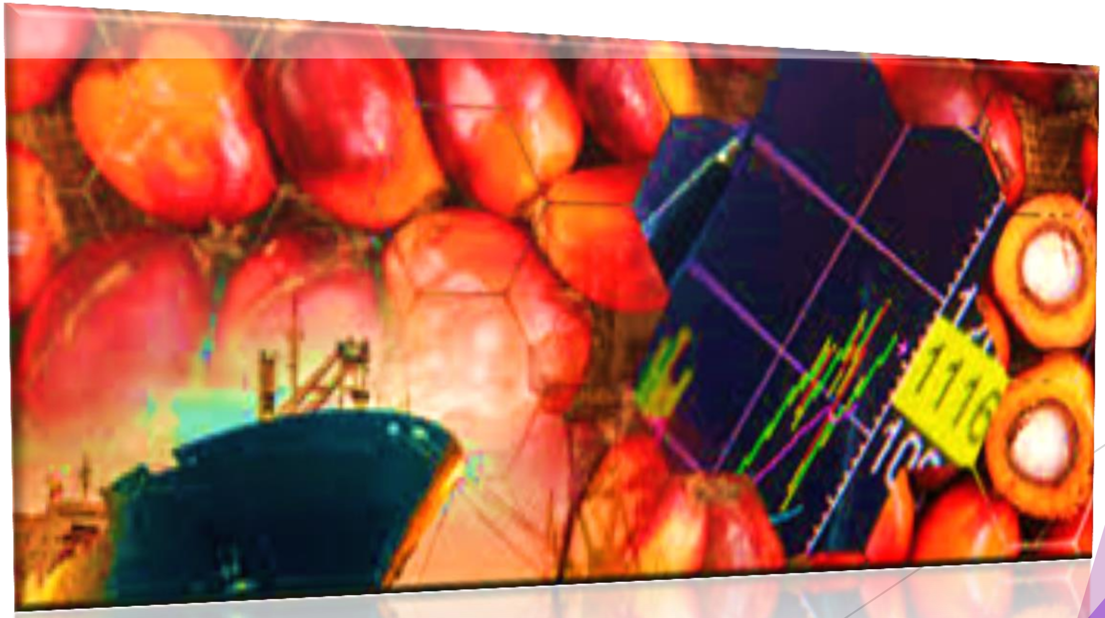
Country	2016 (Mn T)	2015 (Mn T)	Diff (%)
1. India	2.83	3.69	23.3
2. EU	2.06	2.43	15.3
3. China	1.88	2.38	20.9
4. Pakistan	0.88	0.73	21.0
5. Turkey	0.66	0.40	64.8
6. Philippines	0.62	0.65	3.6
7. USA	0.59	0.70	16.1
8. Vietnam	0.56	0.58	4.7
9. Japan	0.46	0.54	16.2
10. Bangladesh	0.43	0.26	64.1

Imports of Palm Oil

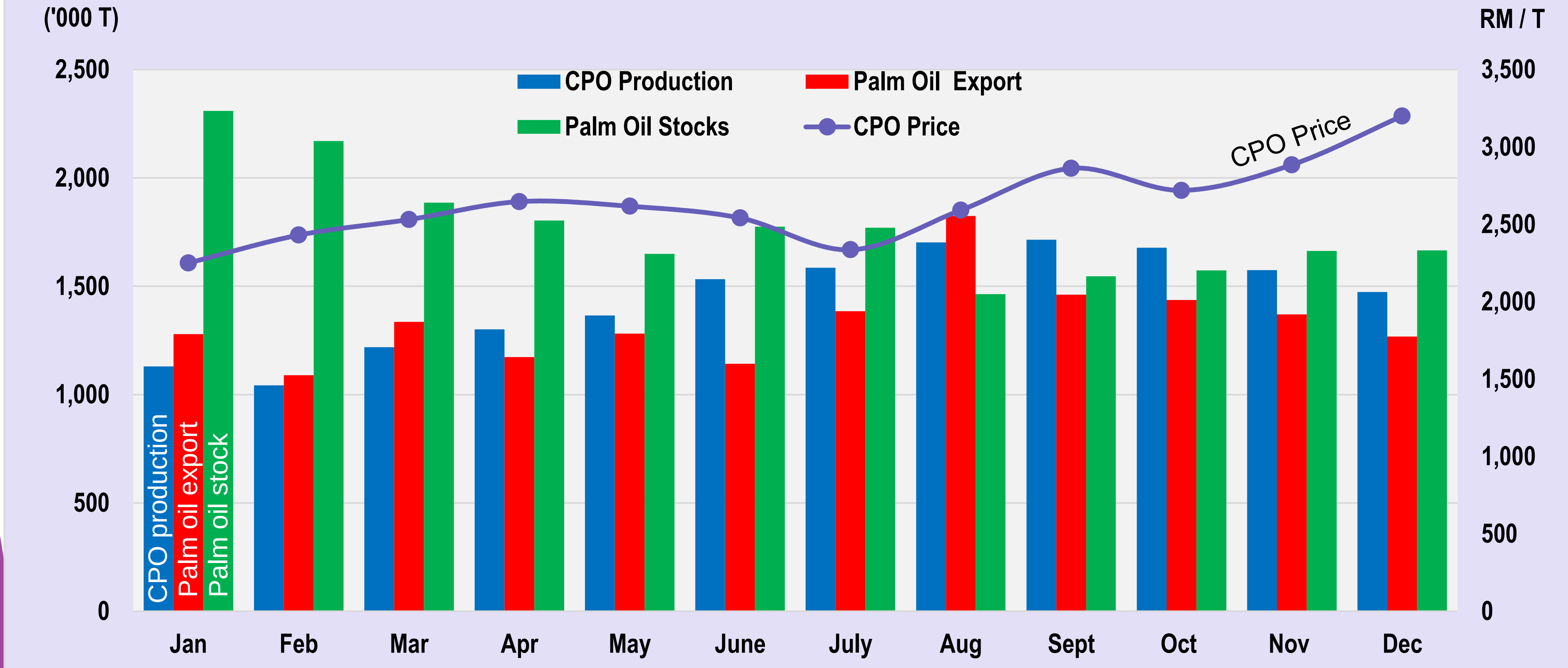
Imports of Palm Oil, 2016 vs 2015

	2016 (Tonnes)	2015 (Tonnes)	
CPO	93,486	485,907	↓ 80.8%
PPO	321,928	542,251	↓ 40.6%
Total Palm Oil	415,414	1,028,158	↓ 59.6%

Summary of Performance 2016



Performance of the Malaysian Oil Palm Industry 2016



Indicator	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	(Jan-Dec)
CPO Production ('000 T)	1,130	1,043	1,219	1,301	1,365	1,533	1,585	1,702	1,715	1,678	1,575	1,474	17,319
Palm Oil Exports ('000 T)	1,279	1,089	1,336	1,173	1,282	1,142	1,385	1,824	1,451	1,431	1,370	1,268	16,046
Palm Oil Stocks ('000 T)	2,309	2,170	1,886	1,804	1,650	1,775	1,770	1,464	1,546	1,573	1,663	1,665	1,665
CPO Price [RM/Tonne]	2,250.50	2,430.50	2,531.00	2,647.00	2,617.00	2,541.50	2,335.50	2,591.50	2,862.00	2,719.50	2,885.00	3,200.00	2,653.00

Performance of the Malaysian Oil Palm Industry 2016

Indicator	2016	2015	Difference	
			Quantity/ Value	%
Planted Area (Mn ha)	5.74	5.64	↑ 0.10	↑ 3.2
CPO Production (Mnt)	17.32	19.96	↓ 2.64	↓ 13.2
FFB Yield (t/ha)	15.91	18.48	↓ 2.57	↓ 13.9
Oil Extraction Rate (%)	20.18	20.46	↓ 0.28	↓ 1.4
PO Imports (Mnt)	0.42	1.03	↓ 0.61	↓ 59.6
PO Exports (Mnt)	16.05	17.45	↓ 1.41	↓ 8.1
Closing Stocks (Mnt)	1.67	2.63	↓ 0.97	↓ 36.8
CPO Price (Rm/t)	2,653.00	2,153.50	↑ 499.50	↑ 23.2
Export Revenue (RM Bn)	64.58 (p)	63.22	↑ 4.41	↑ 7.3

(p) = preliminary

Prospects for 2017

Prospects for 2017

Indicator	2016	2017	Diff. (%)
CPO Production (Mn t)	17.32	19.40	12.01
Palm Oil Exports (Mn t)	16.05	17.85	11.22
Palm Oil Stocks (Mn t)	1.67	1.80	1.69
Export Revenue (RM Bn)	64.58	73.19	13.33

CPO Price Outlook, 2017

- FFB, OER, Palm Oil Production expected to improve
  - Biological cycle of palms
  - Weather
- CPO price is expected to remain firm
- Factors influencing CPO price
  - Marginal growth in palm oil supply
  - Higher palm oil exports
  - Malaysian Ringgit remains weak against US Dollar
  - Firmer SBO and SFO prices in world market

Conclusions

- Performance 2016
  - Decreased production
  - Increased price, revenue
- Prospects 2017
  - Improve production
  - Firm price, revenue
- MPOB-Industry cooperation strengthening performance, competitiveness

PIPOC 2017

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