

## **MALAYSIAN PALM OIL OUTPUT SET TO RECOVER**

During the 12 months ending Feb. 1999, Malaysian palm oil output dropped by more than 800,000 tons from a year earlier. However, during the 12-months ending Sept. 1999, Malaysian palm oil output is forecast to increase about 240,000 tons from a year earlier. The shortfall in Malaysian palm oil output emanates from the lagged effects of reduced rainfall which more than offset the increase in the number of bearing trees. This output shortfall has benefitted U.S. vegetable oil exports. During the past two decades, Malaysia's 12 month palm oil output registered four declines which lasted from 7 to 12 months. Since sharp rainfall recovery began last July, Malaysia's 12 month trailing palm oil output may begin to recover from a year earlier in Jul-Sep 1999, although seasonal recovery should have begun in March. Despite output recovery, low stocks will prevent Malaysian palm oil export expansion in 1998/99 and palm oil prices may continue at a premium to soybean oil, until oil stocks are rebuilt. Malaysia is the world's leading vegetable oil producer-exporter accounting for more than one-fourth of global oil exports and in most years an even larger share of the growth. Malaysia's oil output recovery sets the stage for downward pressure on most vegetable oil prices and could curb U.S. vegetable oil exports in Y2K. (See charts on page 33 for additional information)