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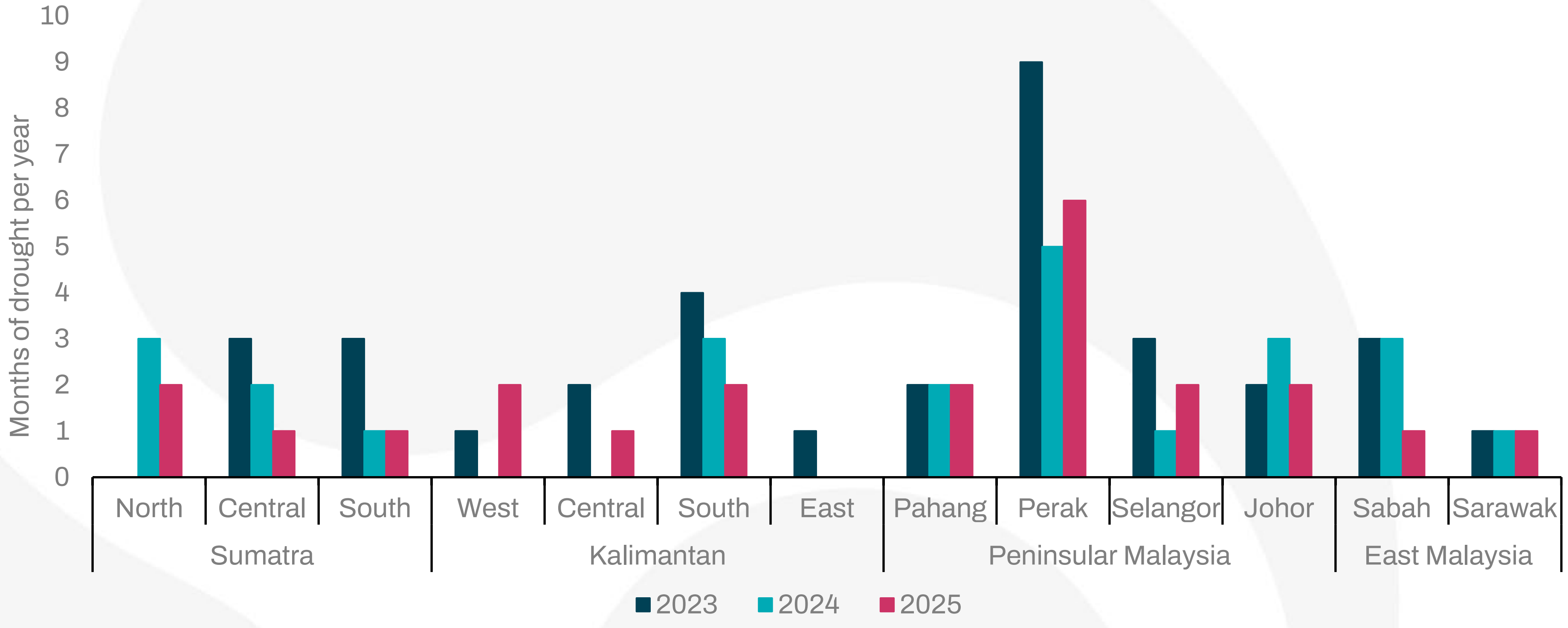
Palm Oil: Performance in 2025 and Outlook for 2026

GLENAUK ECONOMICS

THE WEATHER CONTINUES TO IMPROVE

Months with less than 100 mm of rain per year 2023-2025

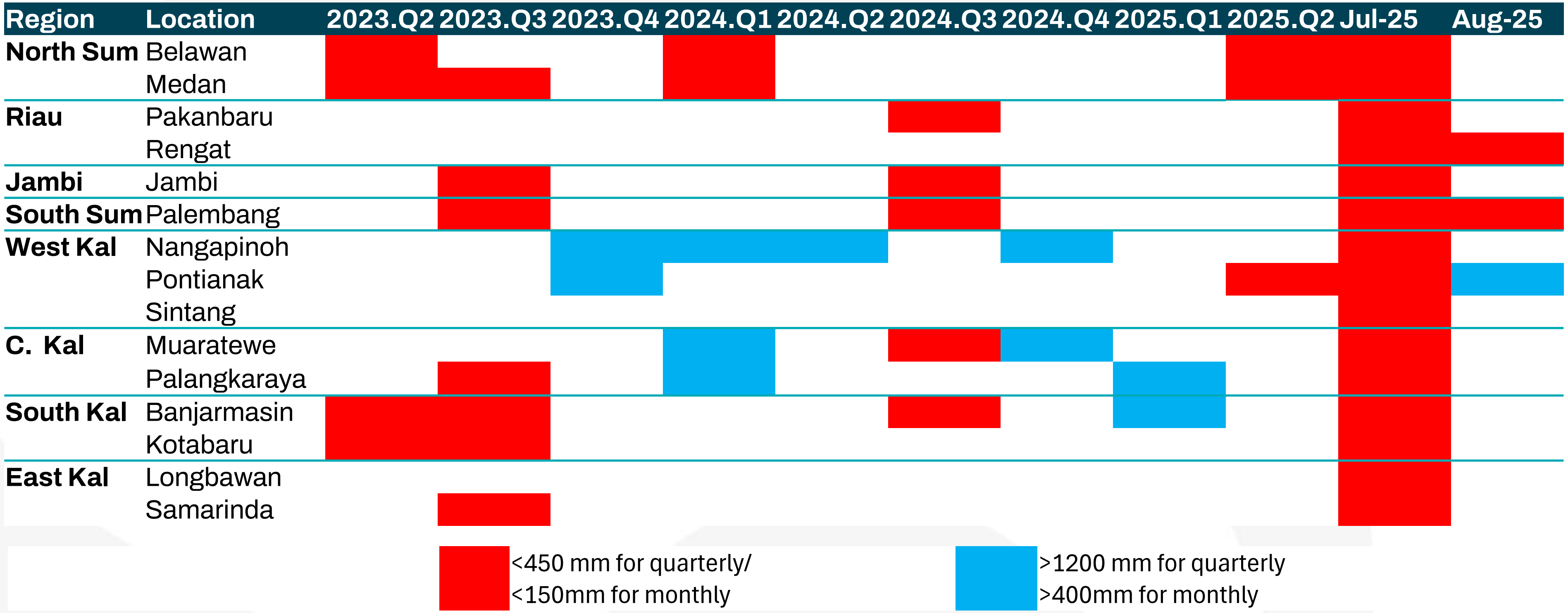


Source: Glenauk Economics

The two main forces in agricultural output are the weather and the government policies - the difference is that weather sometimes helps. In 2025 the weather has been very helpful: Indonesia has had almost no droughts, promising conditions for yield improvement into 2026.

INDONESIAN WEATHER IN 2025 WAS EXCELLENT

Rainfall patterns in Indonesia, 2023 Q2- Aug 25



Source: Glenauk Economics

The dry period in 2025 was extremely widespread but short lived, lasting only for July. In West Kalimantan low rainfall was followed almost immediately by flooding. Other than North Sumatra, most regions in Indonesia faced no droughts at all in 2025 which augurs well for productivity.

MALAYSIA SAW WIDESPREAD DROUGHTS

Rainfall patterns in Malaysia, 2023 Q2- Aug 25

Region	Location	2023.Q2	2023.Q3	2023.Q4	2024.Q1	2024.Q2	2024.Q3	2024.Q4	2025.Q1	2025.Q2	Jul-25	Aug-25
North PM	Ipoh`											
	Sitiawan											
East PM	Kota Bharu											
	Kerteh											
Central PM	Malacca											
	Bahau											
Johor	J Bharu											
	Mersing											
Pahang	Bentong											
	Kuala Lipis											
Sarawak	Bintulu											
	Miri											
Sabah	K Kinabalu											
	Sandakan											
	Tawau											

<450 mm for quarterly/
<150mm for monthly

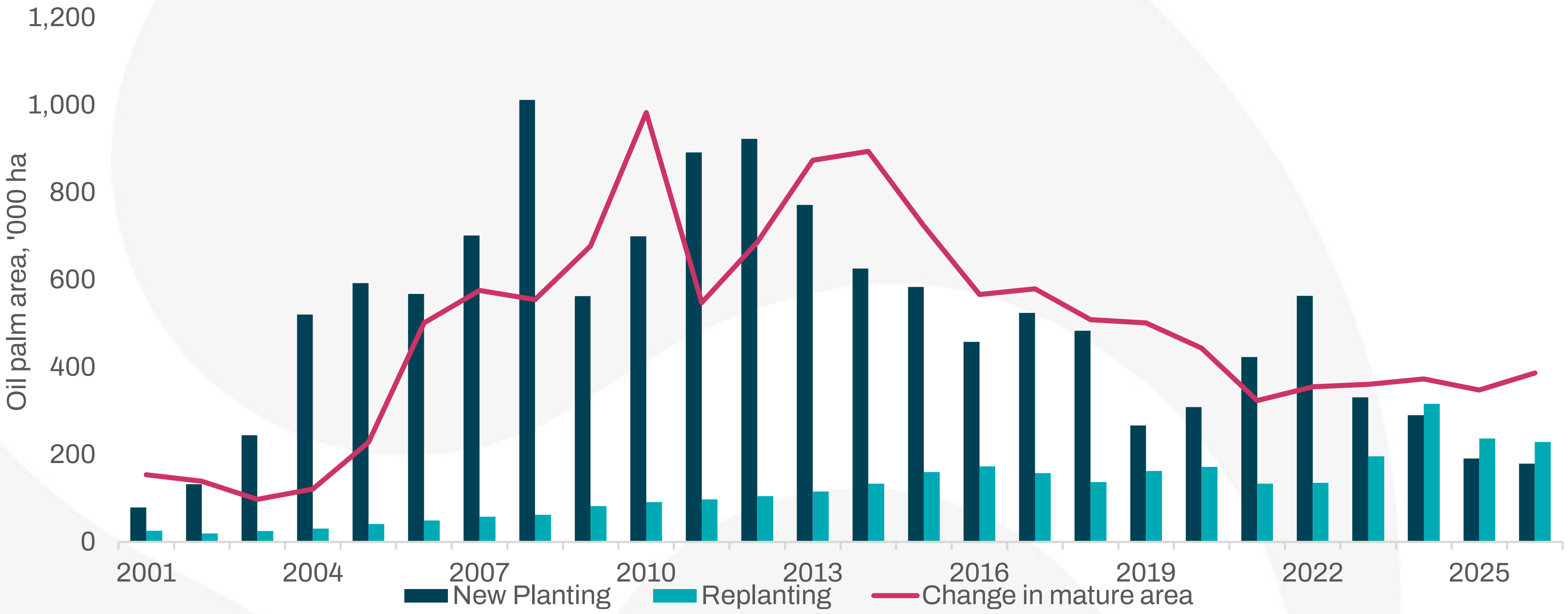
>1200 mm for quarterly
>400mm for monthly

Source: Glenauk Economics

Malaysia has seen widespread droughts. Output recovery in 2024 was due to the arrival workers, underlying conditions have not been good. We need to continue to monitor the availability of work permits. Recent flooding on the East coast of Sabah avoided the main plantation areas.

INDONESIAN MATURE AREA IS INCREASING

Indonesian new planting, replanting and change in mature area

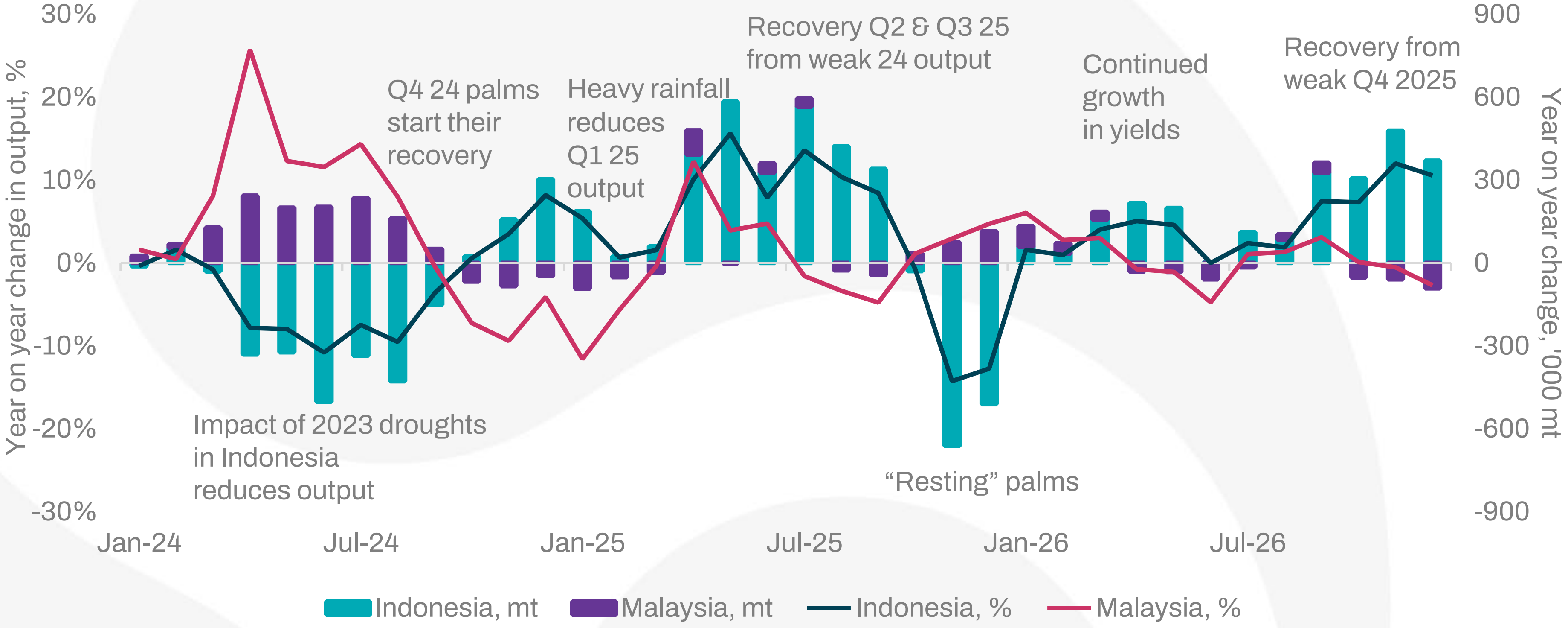


Source: Glenauk Economics

Area expansion has slowed dramatically since the boom period of 2008-13, but mature area is still expanding in Indonesia. While replanting is necessary for long term productivity replanting in the short term reduces output. Government land "reclassification" reduces replanting.

1H 2025 SAW VERY STRONG GROWTH

Malaysia & Indonesia monthly production growth,



Source: Glenauk Economics

The peak will likely be in October. We expect a sharp slow-down in Q4 25. 2025 saw output almost evenly distributed between the two halves, 2026 will be more normal with slower growth in 1H. Reduced fertilizer or upkeep on "reclassified" land will only become a factor at the very end of 2026.

B40 IS ON TARGET, B50 LOOKING UNLIKELY

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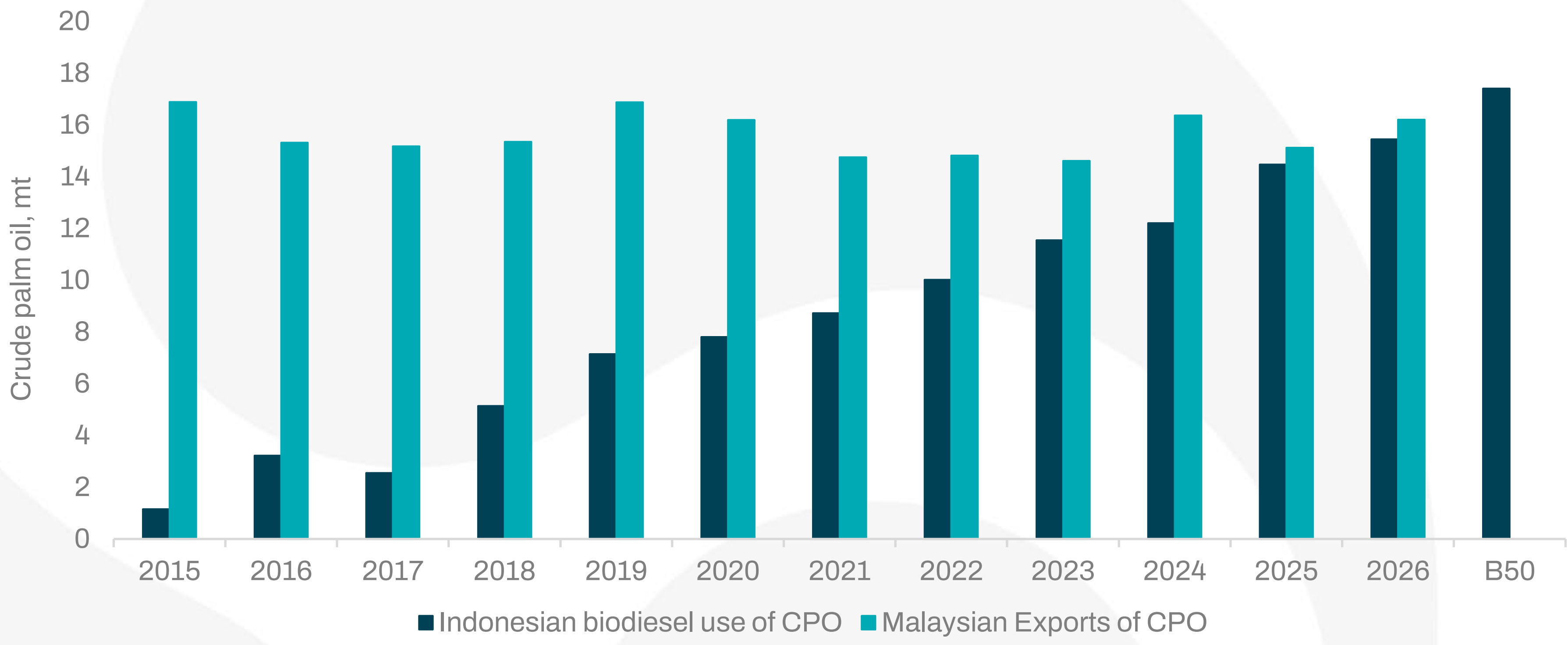
Indonesian CPO used in biodiesel



Source: Glenauk Economics

B50 will consume the equivalent of Malaysia's entire export of CPO, but biodiesel will grow less quickly than in 2025. Road trials now starting will take at least six months. At current spreads funds will soon be depleted: higher levies and slower payments to suppliers are likely.

PRICES RALLY BASED ON BIOFUEL NEWS

Daily Crude Palm Oil 3rd Month Contract Price, Aug 24 - Sep 25

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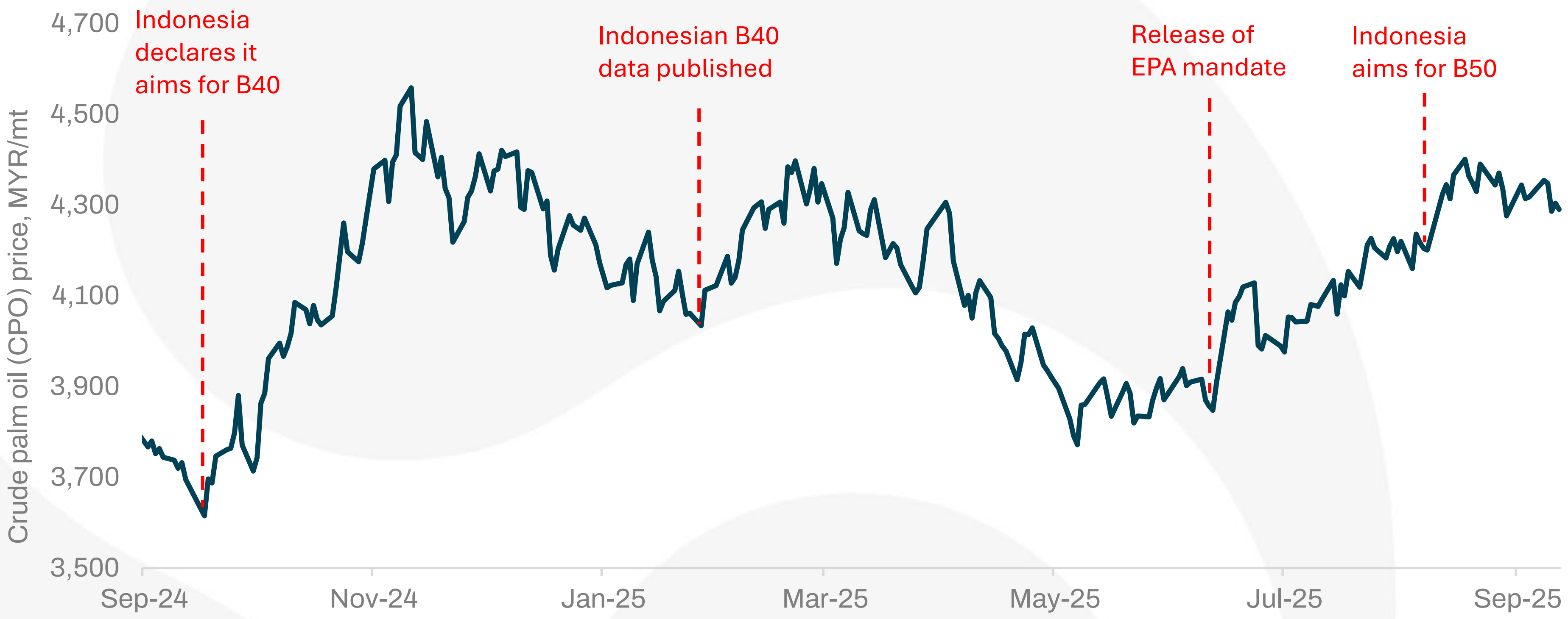
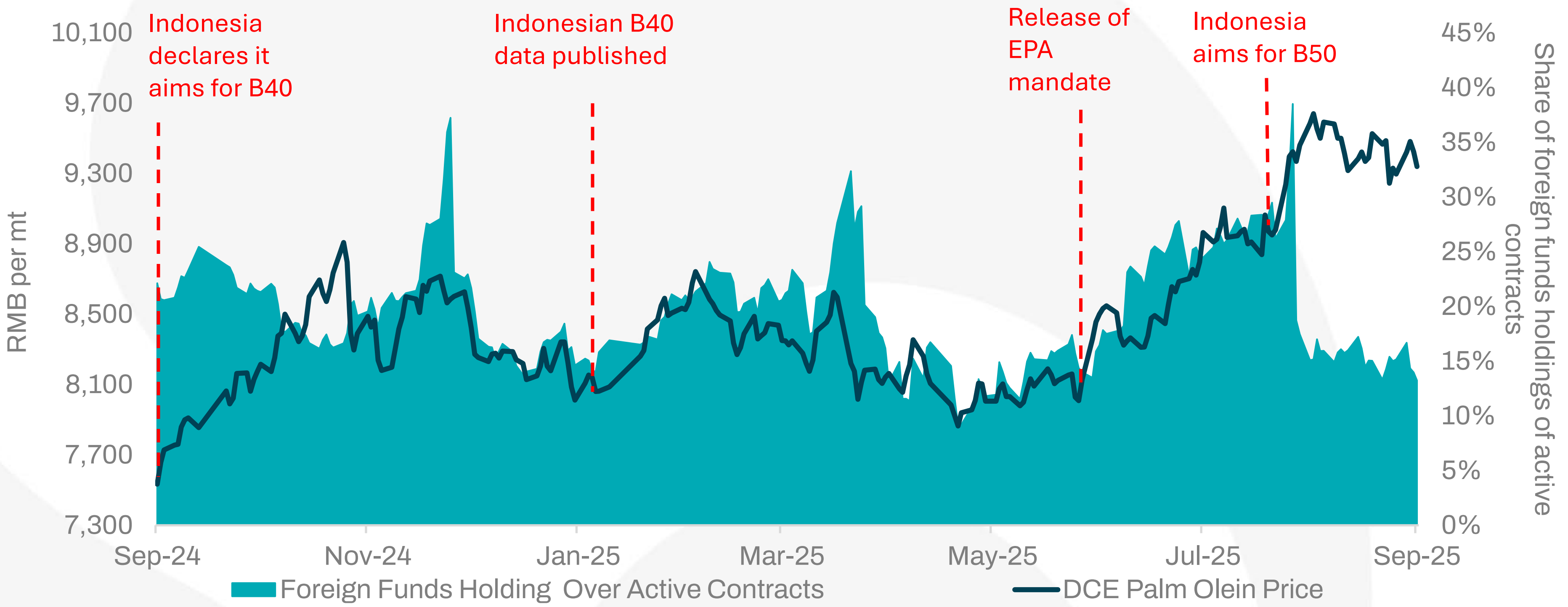


Source: Glenauk Economics

The size of the Indonesian biodiesel program makes it a very important swing factor, but its power has been exacerbated by the enthusiasm with which the market greets any announcement. There have even been cases of fake news items being prepared to try to influence the market.

FUND ACTIVITY IS NOW AN IMPORTANT DRIVER

Dalian olein future price vs major fund holding, Sep 24 – Sep 25



Source: Glenauk Economics

The increased participation of speculative funds in the palm oil/olein futures markets exacerbates the periods of high prices and leads to extended rallies. This has become a major problem for companies used to trading on fundamentals. Current participation from funds is low.

WE HAVE REACHED PEAK PALM OIL

Southeast Asia palm oil and palm kernel oil exports, 2010-2024

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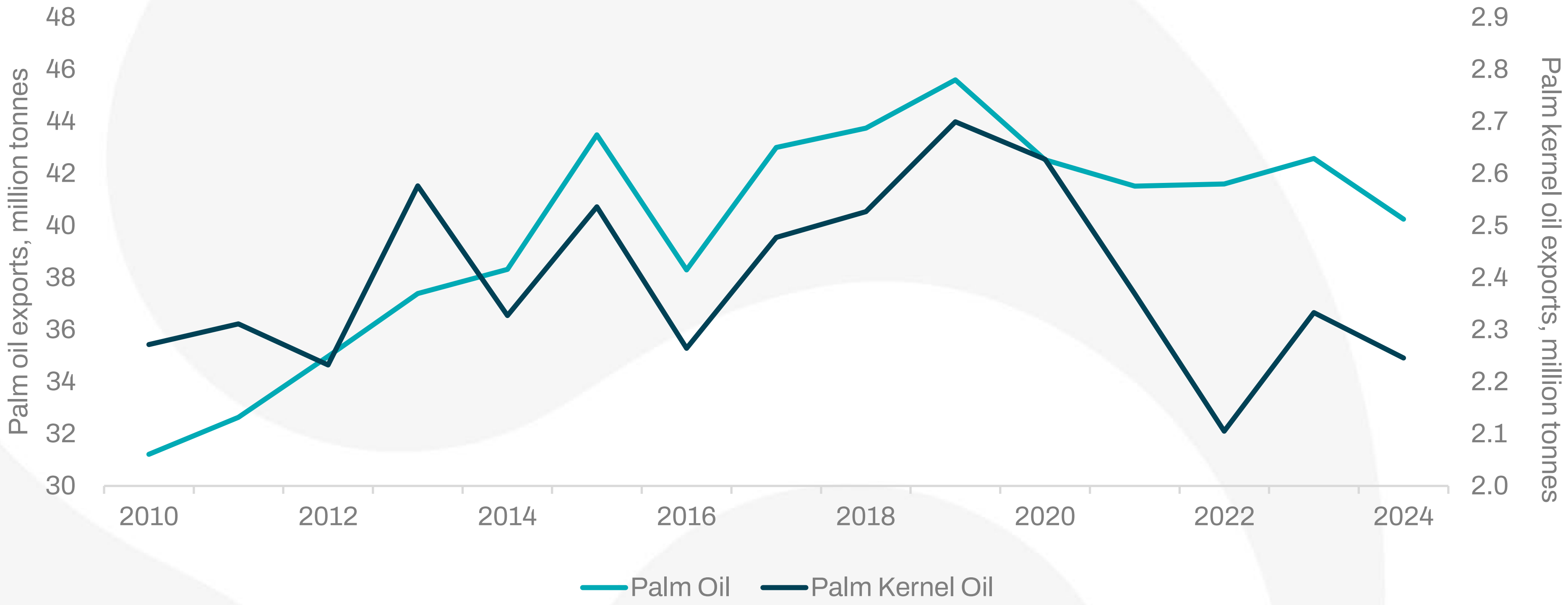

Source: Glenauk Economics

Even though we expect Indonesian output to continue to improve in 2026, export volumes still remain lower than at their peak in 2019. This is particularly noticeable for Palm Kernel Oil whose export volumes have been reduced by the fact that 70% is now consumed inside Indonesia.

PALM OIL IS NO LONGER THE MARGINAL TON

Annual exports, 2011-2024

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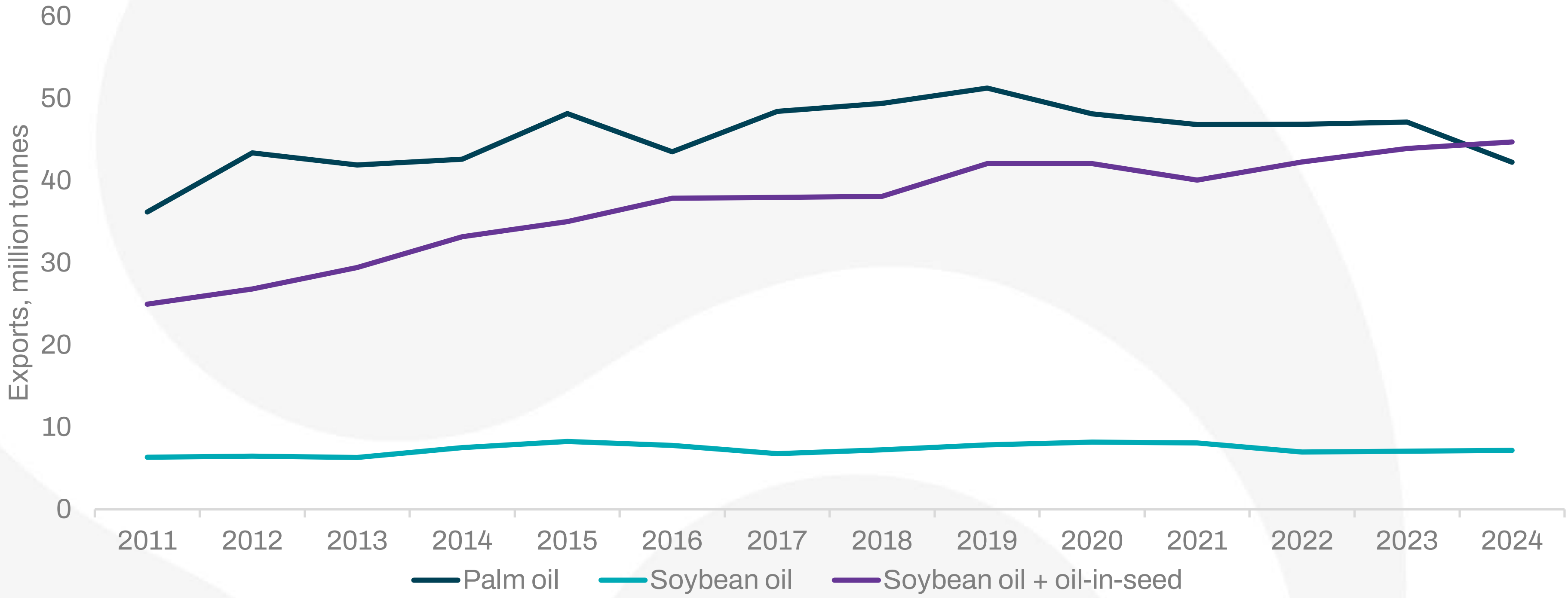
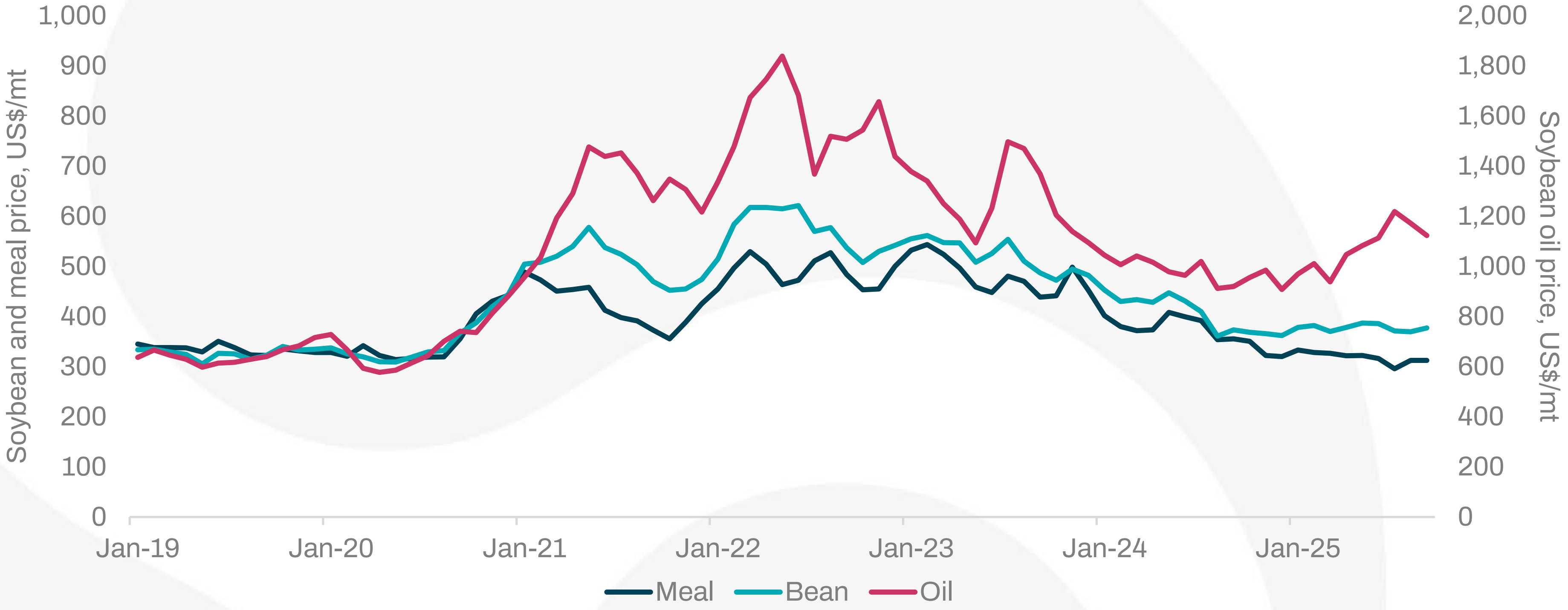


Source: Glenauk Economics

Growth in vegetable oils supply is no longer determined by palm oil. The major source of immediate vegetable oil supply today is rapeseed and sunflower seed – both of which are looking promising. Ultimately, however, growth depends on soybean crushing (not soybean output).

OILS DRIVES THE US SOYBEAN CRUSH

U.S. meal, bean and oil prices, Jan-19 – Sep 25

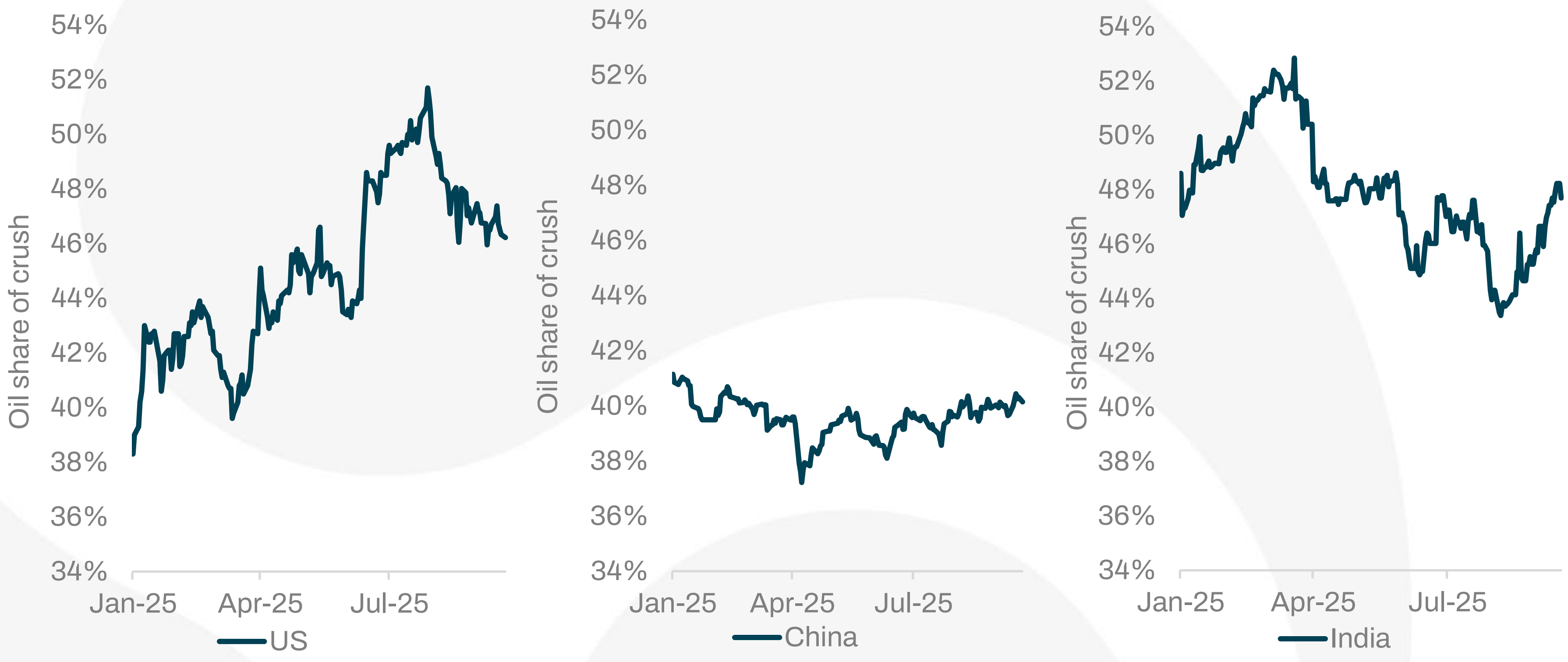


Source: Glenauk Economics

Bean and product prices have diverged since soybean oil became the main driver. Inside the US meal is now usually cheaper than the soybean and crush capacity is significantly enlarged. Soybean oil is highly sensitive to EPA news, next expected in mid December.

NOT ALL COUNTRIES ARE VEG OIL DEFICIT

Share of revenue from soybean oil in soybean crush

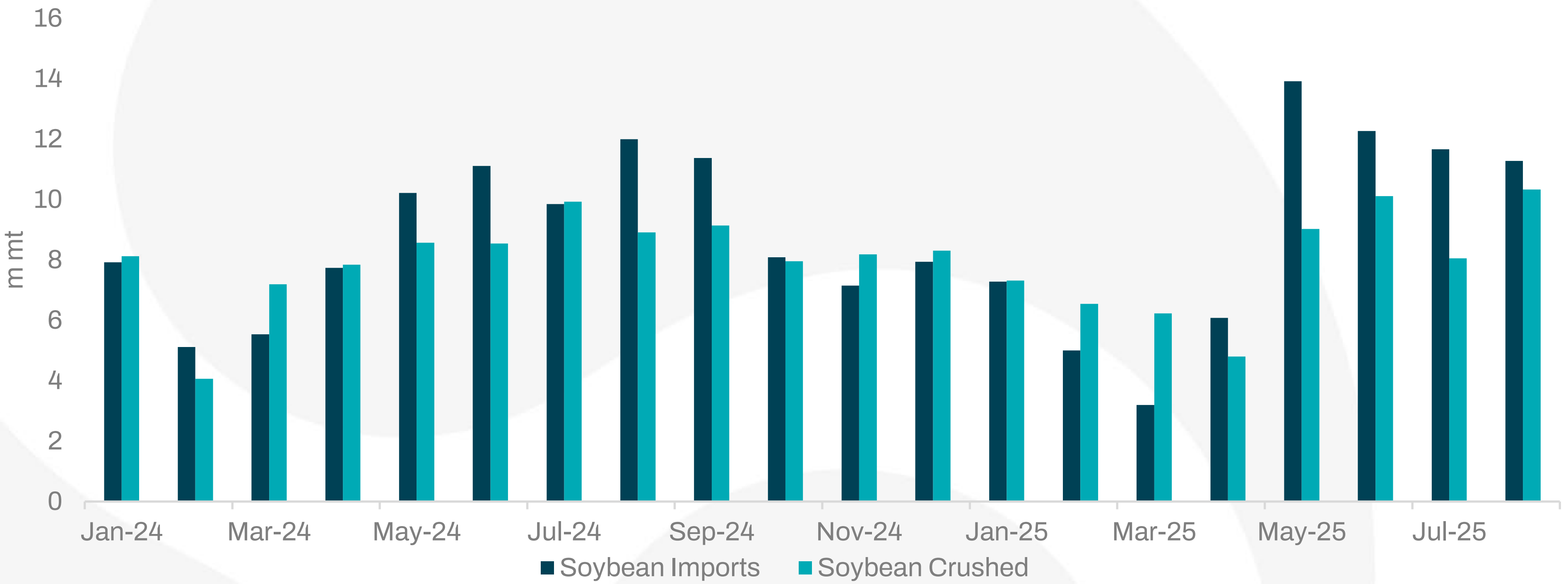


Source: Glenauk Economics

Soybean is increasingly an oil not a meal crop, but individual regions differ in terms of their surplus and deficits. Increased ethanol production inside India is creating rival protein supply from DDG, though increased CPO imports have brought down revenue share from oil. China is oil surplus.

CHINESE CRUSHING IS PUSHED TO NEW HEIGHTS

Chinese soybean imports and crush



Source: Glenauk Economics

Slow domestic oil consumption, healthy pork margins and the need to avoid US beans turned China into a soybean oil exporter. The Argentine tax holiday means soybean import volumes will remain elevated. Palm oil is less attractive in winter so rival oils limit potential for price appreciation.

CONCLUSIONS

2026 looks promising for the Oil Palm industry

- Weather in Indonesia has been benign; we see yields improving into 2026.
- Mature area is increasing; there is a reluctance to replant due to land permit issues..
- The pattern of output is changing – growth is slowing towards the end of 2025.
- We believe the impact of the land seizure will not be large in 2026.
- B40 is on track, B50 is very unlikely at current spreads but road tests will start soon.
- Biodiesel “news” is a major driver of price movements, ignore the funds at your peril!
- Biofuel policy and the position of meal/oil demand are reshaping global trade flows.
- CPO is price competitive in India – as south American exporters also realize.
- China is an exporter of soybean oil, due to weak consumption and a glut of beans.
- Prices will be supported in the 1H 2026 between 4,300 MYR/mt to 4,500 MYR/mt.

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2025