

# PALM OIL WEEKLY

11–15 OCTOBER 2021

## DATA IN FOCUS

Indonesia palm export  
September

**-27.48%**

(1.964 mil tons)

## Fundamental palm related data due in week 18–22 Oct 2021

- CPO Futures front-month expires. Active month is Jan 2022
- Bursa Malaysia will be closed on Tuesday 19 October
- ITS, Amspec and SGS - 1-20 October Malaysia export
- SPPOMA 1-15 October production
- SPPOMA 1-20 October production

## WEEKLY AVERAGE

DEC 2021

**RM 4935**

(US\$ 1186)

**RM +133.40**

(US\$ +36.83)

Total volume: **134,721**

## CPKO

**1350**

CIF Rotterdam—Nov

## CPO

**1335**

FOB Indonesia—Oct

## RBD Palm Olein

**1310**

FOB Malaysia—Nov

## RBD PKO

**1910**

FOB Malaysia—Nov-Dec

The above table shows selection of cash prices on Friday close. All prices in US\$ per-metric ton

## CPO futures hit record high prices sparked by Indian import duty cut stoking higher export demand and lower stocks

### WEEKLY PRICE COMMENTARY

CPO futures added third week of hefty gains of RM133 to settle at weekly average of RM4935/ton or US\$1186. Futures traded highly volatile swinging up and down triple digit from Tue-Thurs. Bearish USDA Oct report, India import duty cut and improving Malaysia October exports for the period 1-15 pushed CPO futures to post record high prices on Wed after trading above RM5000/ton for the first time on the benchmark month to close at RM5021/ton. Cash

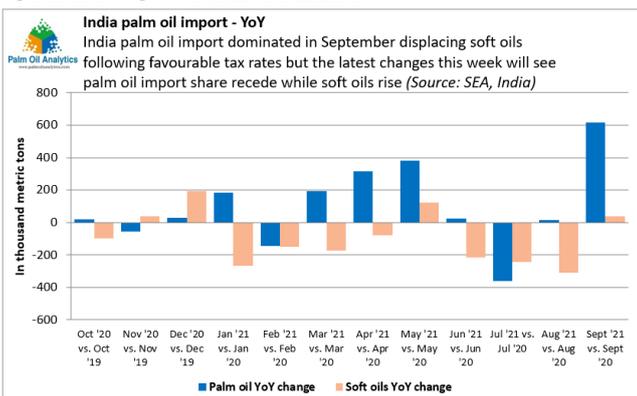
CPO traded RM246 higher to RM5096/ton on weekly average basis posting triple digit rise for the third straight week. RBD palm olein traded US\$42 higher to US\$1323/ton. Lots of olein trades took place on Fri for Dec cover. Ringgit gained 0.31% at the back of weaker dollar. This week is a 4 day trading week where trading will be focused on 1-20 Oct exports and indication on production. Jan-22 is the most active trading month from today.

### WEEKLY PRICE MOVEMENT

#### Futures - Bursa Malaysia Derivatives

FCPO on BMD	Friday Closing (RM)	Friday Closing (US\$)	▲ ▼	Week-on-week change in RM	Week-on-week change %	Total weekly volume
<b>FCPO 1—Oct 2021</b>	<b>5160</b>	<b>1,235</b>	▼	<b>-10</b>	<b>-0.19</b>	<b>344</b>
FCPO 2—Nov 2021	5102	1,221	▲	23	0.45	17,157
Benchmark Dec 2021	4965	1,188	▲	12	0.24	134,721
FCPO 3—Jan 2022	4862	1,164	▲	6	0.12	71,268
FCPO 4—Feb 2022	4770	1,142	▲	5	0.10	29,887

### CHART OF THE WEEK



### India palm oil import hit record high but unlikely to be sustained

India palm import shot to a record high of 1.262 million tons in September doubling from the same time last year following import tax changes and on lifting of restriction on refined palm oil imports from the 1<sup>st</sup> of July into the country. The latest SEA data showed import of RBD palm olein rose to an all time high of 397,386 tons with 76% of the volume originating from Indonesia and the rest from Malaysia while CPO import racked up 844,773 tons or up 53.38% from the previous month. Indonesia accounted for 60% of the volume despite the higher levy and tax rates of US\$341 on September shipment. However the latest change announced this week brings refined edible oil effective import tax rate even lower to 19.25% whilst CPO down to 8.25% but soft crude oils is taxed at the lowest level of 5.50%, implying depending on offer levels soft crude oils is most attractive to import.

## WEEKLY SUMMARY

**Malaysia export tax retained at 8%** - Malaysia retained its CPO export tax at the highest band of 8% for the eleventh successive month for November shipment after the calculated reference price came to RM4523.29/ton (US\$1084/ton) or up RM50.83 to RM 361.86 (US\$86.72) from October. The duty payable is higher by RM4.00 or just a Dollar.

**Indonesian prices**—Tender prices moved 2.23% higher on average to Rp.13,739/kg or US\$1315/ton on FOB basis. Indonesian prices turned to discount of around US\$6 after trading on premium to Malaysia's for 8 consecutive weeks.

**Palm olein discount to bean oil falls to 8 months low**—Palm olein cash price discount to bean oil fell sharply to just US\$36 on Monday declining by 40% from Friday after olein cash offers stayed steady at US\$1315/ton on FOB Malaysia basis while crude degummed soybean oil (CDSBO) fell by US\$24 to US\$1351/ton on FOB Brazil basis. A sustained narrowing of palm discount to its nearest substitute, bean oil will reduce palm competitiveness and diminish its market share especially in destinations like India and the African continent which are likely to rely on importing soft oils. Further, palm discount to sunflower oil been declining steadily moving CPO offers at a premium to sunflower oil. CPO CIF Rotterdam was asking at US\$1400/ton yesterday while sunflower oil was offered at US\$1375/ton on FOB Ukraine basis. As a comparison CPO was trading at a discount of US\$400-580 to sunflower oil 7 months ago.

**Indonesia August exports rise to a record high** —Indonesia August exports rose by 56% to 4.274 million tons from July propelled by shipment of CPO rising by three and a half fold to 541,000 tons mainly destined to India -GAPKI data. Overall exports to India rose to 958,500 tons in August from 231,200 in July following reduction in palm oil import tax from 15% to 10%. Export of processed palm product recorded an impressive 49.57% to 3.156 million tons. Meanwhile ITS reported exports down by 3.48% to 2.709 million tons for the same period. Production of CPO and CPKO fell 4% to 4.618 million tons while domestic consumption inched up 1.25% on higher biodiesel and food use. Month end-stocks closed 24.53% lower to 3.433 million tons after rising for 2 successive months.

**FEPO trades RM120 premium to FCPO but liquidity and volume still scant**—CPO Futures (FEPO) contract launched and the number of trades averaged 5 lots per-day. Traded volumes were very minor over the first week, with equally low open interest, while the FEPO contract itself tracked the price of FCPO very closely. FEPO been trading at a premium of over 100 points daily on average. FEPO December settled at RM4975/ton while FCPO settled at RM4859.

**U.S soybeans production higher than expected and ending stock raised**—U.S soybeans production for 2021-22 was raised to 4.448 billion bushels, up 74 million from September report underpinned by higher yields—USDA October. from September forecast of 50.60 bpa while harvested area was left unchanged at 86.40 million acres but higher than market expectation of 86.349 million acres. The rise in production was higher than market expectation which pegged yields at 51.10. Higher production from hike in yields while leaving total use little changed boosted new crop ending stock projection to 320 million bushels from 185 million in September.

**Indonesia palm export decline in September on sufficient stocks**—Indonesia palm export fell 27.50% to 1.965 million tons in September compared August as most importing countries had sufficient stocks from increased purchases in July and August when exports reached 2.806 and 2.709 million tons respectively. Escalating export prices inflated by higher levy and taxes in September compared to July and August kept buying interest restrained. ITS data showed shipment to China and India which accounted for a third of total exports fell by 36% and 53% or 188,492 and 344,616 tons respectively. Shipment of CPO and RBD palm olein tumbled 54.42% and 31.24% accordingly after export tax was hiked to US\$206 in September from US\$116 in August. The tax on RBD palm olein rose to US\$83 from US\$40.

**India slashes palm and soft crude oil import duty to zero**—India slashed its basic import duty on crude palm, soybean and sunflower oil to zero from 2.50% previously and reduced the refined oil (palm and soft) duty to 17.50% from 32.50% earlier. In addition the Agriculture and Infrastructure Development Cess, a fund setup to fund India agriculture development was lowered to 7.50% on CPO and down to 5.00% on soft crude oils from 20% previously. There is no cess on refined products. This is the fifth cycle of changes to India import tax since February of this year as the world largest edible oil importer battle the accelerating oils and fats in the food price inflation basket.

**India palm oil import hit record high but unlikely to be sustained**—India palm oil import shot up to a record high of 1.262 million tons in September or nearly double from the same time last year following import tax changes and on lifting of restriction on refined palm oil imports from the 1<sup>st</sup> of July into the country. The latest SEA data showed import of RBD palm olein rose to an all time high of 397,386 tons with 76% of the volume originating from Indonesia and the rest from Malaysia while CPO import racked up 844,773 tons or up 53.38% from the previous month. Higher imports boosted October edible oil beginning stocks to just over 2 million tons, the highest level since September 2019.

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