

PALM OIL WEEKLY

15–19 NOVEMBER 2021

DATA IN FOCUS

Exports

Malaysia 1-20 Nov

1.130 mll tons



18.12%

Fundamental palm related data due in week 22–26 Nov 2021

- ITS, Amspec and SGS - 1-20 November Malaysia export
- ITS, Amspec and SGS - 1-25 November Malaysia export
- SPPOMA 1-20 November production
- SPPOMA 1-25 November production
- MPOA 1-20 November Malaysia production
- Indonesia December CPO reference price and export tax

WEEKLY AVERAGE

FEB 2022

RM 4929

(US\$ 1181)

RM +44

(US\$ +6.46)



Total volume: **123,144**

CPKO

2270

CIF Rotterdam—Dec-Jan

CPO

1435

FOB Indonesia—Dec

RBD Palm Olein

1375

FOB Malaysia—Dec

RBD PKO

2320

FOB Malaysia—Dec

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

CPO futures trades significantly higher driven by rises in related edible oils and strong Malaysia November export outlook

WEEKLY PRICE COMMENTARY

CPO futures locked in RM44 gain on weekly average to RM4929/ton (US\$1181), reversing the losses from the previous week. Trade on Friday rose to a spectacular height of 5069 or just 2 points short of record high of 5071 notched on 3rd Nov. CPO trading was bullish driven by rises in soybean oil and palm olein on Dalian and gains on rapeseed oil

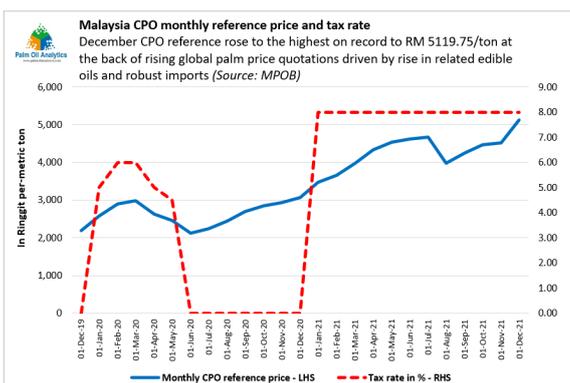
on Zhengzhou Exch. In addition solid Nov exports from Malaysia reflected in mid-month data further bolstered gains on the futures market while, production is widely expected to be lower based on early indications. Cash CPO recovered to rise RM60 higher to RM5400/ton and RBD palm olein was up US\$3 to US\$1367/ton. JFM averaged US\$1234/ton

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
FCPO 1—Dec 2021	5439	1,304	▲	19	0.35	4,169
FCPO 2—Jan 2022	5200	1,246	▼	-27	-0.52	47,276
Benchmark Feb 2022	4993	1,197	▲	28	0.56	123,144
FCPO 3—Mar 2022	4795	1,149	▲	28	0.59	47,045
FCPO 4—Apr 2022	4626	1,109	▲	38	0.83	20,391

CHART OF THE WEEK



Malaysia's export tax retained at 8% but reference price rises

Malaysia kept its CPO export tax for December unchanged at 8% after the calculated reference price rose to a record high of RM5119.75/ton (US\$1224/ton) or up 13.19% from November. The tax payable on CPO shipment in December will be at RM409.58 /ton or up RM47.72/ton from November. Malaysia's move is likely to be echoed by Indonesia when it announces the December CPO reference price next week. Indonesia's CPO reference prices is projected to jump to record high. Malaysia's relatively lower export taxes to its competitor Indonesia in December will extend the CPO export advantage in favour of Malaysia. Malaysian palm exports recovered strongly in November, mainly on robust shipment of CPO bound to the E.U. Malaysia CPO exports are poised to post month-on-month increase in December. CPKO and RBDPKO exports are taxed at a flat rate of 10% and 5% respectively.

WEEKLY SUMMARY

Indonesian prices—Average weekly CPO tender recovered gaining Rp.295.60 to Rp.47,787/kg or US\$1419/ton on FOB basis after declining by Rp,206.40/kg a week ago. Indonesia CPO moved US\$27 more expensive than Malaysia's week-on-week average from US\$5 in the previous week. Higher levy and taxes on December shipment sustained the high prices.

Malaysia export to the E.U set to rise to 17 months— Malaysia's exports are expected to rebound strongly in November, lifted by demand from key importer the E.U, poised to reach more than a year high. Overall exports in the first half of November rose to 26.63% to 882,385 tons according to cargo surveyor ITS, a noticeable improvement from 1-10 Nov which recorded a rise of 8.04%. The rise was largely attributable to cyclical recovery from a low base in October when exports fell in response to higher prices. The E.U. saw the largest monthly increase in shipment of CPO and UCO in November.

Stronger crush and higher stocks—NOPA—NOPA members reported U.S October soybean crush rising to 183.993 million bushels or up by a solid pace of 19.63% from the previous month, reflecting large arrival of beans in the harvest period from September to November. The volume of crush came at higher-than-average market expectations of 181.945 million bushels, but slightly lower than the same time last year. The USDA is projecting a record crop of 4.425 billion bushels in 2021-22. Soybean oil stocks in November topped 1.835 billion pounds from September and again above average market expectation of 1.724 billion. Strong demand for meal is increasing the crush rate and by-product bean oil production.

Indonesia October exports rebound in October — Indonesia palm oil exports rebounded to rise by 6.86% to 2.099 million tons in October after plunging by 27.50% in September, data from ITS showed on strong export to China rising by 31.05%. Exports were pulled higher by robust shipment of RBD palm olein and oil posting a rise of 6.49% and 20.42% respectively but exports of upstream CPO fell sharply by 55.39% in response to higher levy and taxes in September and October at US\$341 on CPO. Indonesia RBD palm olein is generally priced US\$15 lower on a spot month contract. Indonesia's October export was mainly boosted by strong shipment of RBD palm olein to China.

India's palm oil imports rise 15% in 2020-21. Imports may see a slack in 2021-22—India's palm oil imports rose 15% to 8.321 million tons in the just concluded marketing year 2020-21 (Nov-Oct) compared to a year ago official data from the Solvent Extractors' Association of India showed while imports of soft oils took a dip. Repeated cuts in import duties to tame food price inflation and lifting of refined palm oil import restriction saw a sharp surge in palm oil imports in 2020-21. On soft oils soybean oil imports fell 15.31%, sunflower oil edged down 24.81% and rapeseed oil tumbled 5.45%. However, the outlook for 2021-22 is for lower palm oil import given the sustained narrow palm spread to soft oils particularly to sunflower and bean oil, plus projection of better domestic crop in this oil year.

E.U aims to curb deforestation by targeting palm, beef and coffee imports—European Union is proposing a new law to ensure that commodities imported into the 27-country bloc are deforestation-free. The proposed law is both targeted – EU companies importing the commodities must (through geo-spatial analysis on forest cover and supply chain monitoring) be produced in accordance to the laws of the producing country – and supra-national, a EU mandate that the commodities were not grown or produced on land deforested or degraded after December 31, 2020. Companies failing to comply with the requirements will face fines of up to 4% of revenue earned within the E.U. Indonesia and Malaysia collectively exported 7.268 million tons of palm products to the E.U in 2020 with Indonesian accounting for 73% of the total exports. Nearly 90% of palm imported into the E.U but not biodiesel according to European Palm Oil Alliance.

2021 exports to plunge to the lowest in 12 years but seen rebounding by 10% in 2022—Exports are projected to plunge to 12 years low to 15.61 million tons from 17.20 million tons a year ago or nearly 8% below 5 year average (2016-2020). Record high palm prices from reduced supply, narrow palm discount to bean oil particularly in the first 2 months of the year and then again from middle of the October to date, plus slowdown in consumption in destination markets in the first half of 2021 culminated to depress overseas demand. Malaysia exports to China took the biggest hit with a decline of 33.23% in the first 10 months of this year to 1.523 million tons versus the same time a year ago with RBD palm olein declining the most by 42% or down 597,765 tons to the same period in 2020. Malaysia's full year CPO production is widely expected to post the lowest output in 5 years at around 18.30 million tons or 4.27% lower than 2020.

Indonesia December CPO reference price and export tax—CPO reference price is likely to see fourth successive monthly rise edging up by US\$35-40 to around US\$1320/ton, implying the tax rate and levy will remain at the top level for December shipment. The levy and tax rate on CPO is currently at US\$375/ton. This means CPO buyers will remain reliant on buying from Malaysia in December, however the main risk is narrowing palm discount to bean and sunflower oil rendering palm uncompetitive for international buyers.

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