

PALM OIL WEEKLY

3 - 7 JANUARY 2022

DATA IN FOCUS

Malaysia palm production

2021 vs. 2020

-5.35%

18.112 mil tons

Fundamental palm related data due in week 10 - 14 Jan 2022

- MPOB December supply and demand data—10 Jan 2022
- ITS, Amspec and SGS Malaysia 1-10 Jan 2022 export
- SPPOMA 1-10 Jan 2022 Malaysia production
- ITS Indonesia Dec 2021 export
- USDA World Supply & Demand Estimates Jan 2022—12 Jan 2022
- NOPA U.S soybean crush volume and soybean oil stock for Dec 2021
- Australian Bureau of Meteorology Climate Model Summary update for Jan to May 2022

WEEKLY AVERAGE

MAR 2022

RM 4957

(US\$ 1182)

RM +267

(US\$ +58.96)

Total volume: **119,130**

CPKO

1925

CIF Rotterdam—Jan-Feb

CPO

1385

FOB Indonesia—Jan

RBD Palm Olein

1310

FOB Malaysia—Jan

RBD PKO

2380

FOB Malaysia—Jan

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

Supply tightness from woeful weather conditions in South America and Malaysia propel CPO futures to 2 months high pricing

WEEKLY PRICE COMMENTARY

Futures traded to 2 months high boosted by a sharply lower CPO production outlook from severe floods enveloping key palm areas in peninsular Malaysia. MPOA data confirmed the extent of production fall of 13.15% for the peninsular and 11.38% overall. Futures added 5.69% to settle at RM4957/ton or US\$ 1182 week-on-week average basis. Meanwhile over in South America, drought weather raised the prospect of higher beans sales from the U.S volleying

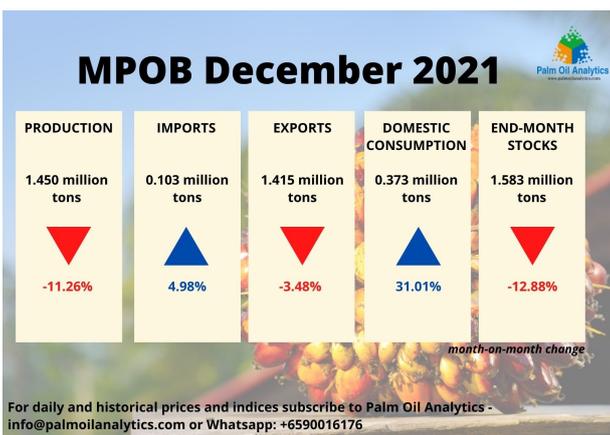
soy complex prices and spilling over to support palm prices. Cash CPO was offered RM142 or 2.76% higher to RM5296/ton or US\$1263, locking in second week of gain. RBD palm olein was offered between US\$1340-1310 or averaging US\$1322/ton rising higher by US\$20 from the previous week average. MPOB Dec data released at mid-day 10 Jan showed super bullish numbers resulting in CPO futures testing record high prices in the second half.

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—Jan 2022	5330	1,267	▲	72	1.37	2363
FCPO 2—Feb 2022	5226	1,242	▲	126	2.47	20,779
Benchmark Mar 2022	4996	1,187	▲	142	2.93	63,531
FCPO 3—Apr 2022	4797	1,140	▲	134	2.87	36,096
FCPO 4—May 2022	4641	1,103	▲	122	2.70	30,770

CHART OF THE WEEK



MPOB— Stocks falls sharply on lower production and higher usage
Malaysia palm oil stocks ended the year down 12.88% at 1.583 mil tons from Nov but 25% higher than the same time a year ago following production declining at low end of expectation and domestic usage rising to multi-year high. Government and non-government spending on food aid to assist flood victims following unusually heavy rains resulted in domestic palm use rising by 31% to 373,000 tons from Nov. Full year production fell to the lowest in 5 years as expected after finishing 2021 at 18.11 mil tons but production is poised to rebound in 2022 to 19.20 mil tons based on weather conditions returning to favourable conditions and labour supply rising from the previous year to aid higher crop recovery. Exports concluded the year at 10.61% lower to 2022 mainly due to higher prices, narrow palm price discount to soft oil and on sporadic demand change. CPO futures rebounded to hit all time high in the second half testing RM5123/ton on the active month.

WEEKLY SUMMARY

Indonesian prices—Indonesia was back in the market last week after a week break with tenders heading 8.56% higher to Rp.14,363/kg or US\$1382/ton on FOB basis from 2 weeks ago. Malaysian CPO was at US\$7.50 cheaper to Indonesian. Indonesian Rupiah fell 0.23% to a dollar. Tender prices averaged Rp. 11,720/kg in 2021 or US\$1170.40/ton.

Devastating floods to decimate Malaysia January production—Historical rain fall enveloping the east, west and now southern coast of peninsular Malaysia is widely expected to wreck significant damage to CPO production in January 2022 after being hit at the tail end of December output. Peninsular Malaysia January production is projected to be lower than December 2021 and below 582,653 tons recorded at the same time a year ago. Torrential rainfall well in excess of historical average in major oil palm crop areas in Selangor, Pahang and Johor submerged trees, damaged roads and raised water levels to dangerous levels in urban areas. The wetter than normal weather continued across large sections down to southern peninsular triggering Danger level status in most parts of oil palm areas in Johor. Johor is the largest CPO producer in the peninsular. SPPOMA data which covers production in the southern peninsular showed December full month output down 8.50% but fell by a staggering 45.75% in the first 5 days of January.

Brazilian soybean crop size slashed from intensifying drought conditions —Private forecaster Stonex cut Brazilian soybean production forecast by 11 million tons to 134 million tons from previously 145.10 million for marketing year 2021-22 in response to intensifying drought conditions in key southern farming areas. A lower production means buyers will increasingly look to cover their supplies from the U.S helping to elevate soybeans prices on CBOT and potentially lifting bean and palm oil prices. Though most planting of soy are complete, rainfall failed to materialize in sufficient quantity staying at below 5mm over much of the region from southern Mato Grosso do Sul and São Paulo southward to Uruguay. However in contrast to the southern drought, conditions in the north remained favorable with rainfall totaling more than 50mm across a broad area from Mato Grosso eastward to the coast cited the USDA report. Mato Grosso is the largest soybeans planted area in Brazil covering 25% production. The reduction in production outlook pushed soybeans to close higher by 16½ points to US\$13.55/bushels on CBOT or up 6.58% from a month ago.

Malaysia biodiesel export down but UCO on course to rise in 2022—Malaysia biodiesel exports are poised to fall for the third successive year in 2021 down by 3% to 367,000 tons and is projected to tumble further by 18% to 300,000 tons in 2022 on sustained palm oil price disadvantage over gas oil, and as the E.U deadline on phasing out of palm based feedstock nears. The E.U policy on Renewable Energy Directive II calls for capping of palm biodiesel at 2019 levels through to 2023 and eventual elimination of unsustainably produced palm based biodiesel into the E.U by 2030. The policy been enshrined in the E.U law since March of 2018 and the countdown began in the middle of 2019. The reduction in biodiesel usage in the E.U is increasingly being replaced by used cooking oil (UCO) exports. Malaysia UCO export is on course to rise for the third straight year in 2022 to 720,000 tons or up 16% from 2021.

Indonesia and Malaysia faces production outlook cut —Localized flooding risks amid wet season is likely to depress Indonesia palm oil production in the marketing year 2021-22 to 48.40 million tons or down 1% since the last update according to Reuters latest estimate released yesterday. The 2021-22 marketing year runs from October 2021 to September 2022. Wet weather conditions prevailing in much of the palm oil producing provinces in the country since December is likely to have increased flooding risk making harvesting and crop evacuation difficult resulting in higher risk of production losses. Malaysia's production was also pegged lower to 18.80 million tons or down 1% for 2021-22 from the last update due to persistent labour shortage and widespread flooding issues. Meanwhile, Thailand's palm oil production is expected to conclude at 2.98 million tons or up 2% from the previous update

USDA World Supply & Demand Estimates January 2022—Attention will be on the impact of weather on South American soybeans crop size for 2021-22. The world's largest global soybean producer Brazil and the third largest Argentina are likely to face cuts in 2021-22 projection from December numbers. Intensifying drought conditions in southern Brazilian areas has prompted private forecasters slash Brazilian output. potentially lifting bean and palm oil. The USDA last pegged Brazilian production at 144 million tons but is expected to reduce the projection in the next report. Argentina is also likely to face a cut from its current projected forecast of 49.50 million tons for 2021-22. Actual USDA report is due on Wednesday 12 January at mid-day U.S Eastern Time.

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