

Market Headline: Indonesian export restrictions propel CPO futures to a record closing

A Morning Market Commentary

Summary

- Palm rallies to record peak in fifth weekly climb
- Indonesia palm oil export recovered to rise by 25% in December - POA

BMD crude palm oil futures rallied on Friday to close the week at an all-time high while notching their fifth straight weekly gain. Indonesia confirmed plans to limit exports of palm oil and estimates of lower output for Malaysia January drove CPO futures to new highs. Benchmark CPO futures had raced to dizzy heights reaching an impressive RM5327 before closing at an all-time peak of RM5322 +(2.62%) for a weekly gain of 3.9%. Front-month Feb rose RM104 to 5504.

Prices skyrocketed after the Indonesian government confirmed move to restrict palm exports but left the details of the domestic to export share ratio to the individual producers to come up with. Indonesia's plan to limit palm oil exports that has driven prices to record highs is likely to make leading importer India shift to substitute soy and sunflower oils, potentially capping the market's rally. Market whispers has it that most likely the proposal will be 70% domestic supply and 30% exports and would apply for 6 months.

Malaysia's Southern Peninsula Palm Oil Millers' Association (SPPOMA) estimated production during Jan. 1-20 declined 16.7% from the month before. While exports of Malaysian palm oil products for January 1 - 20 fell 38.4 percent to 660,866 tonnes from 1,072,968 tonnes shipped during December 1 - 20, cargo surveyor Intertek Testing Services said last week while exports of Malaysian palm oil products for January 1 - 20 fell 36.4 percent to 633,531 tonnes from 996,331 tonnes shipped during December 1 - 20, AmSpec Agri Malaysia said last week.

Indonesia palm oil export recovered to rise by 25% to 1.849 million tons in December from the previous month following a robust rise in shipment of refined palm products helping to offset the drastic drop in CPO. CPO exports fell to the lowest in multiyear to just 37,780 tons or down 40.29% from November or 93% below the same time a year ago from escalating export prices inflated by hefty levy and taxes on crude products said Palmoilanalytics in a note last Friday.

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Malaysia MPOA 1-20 Jan 2022 production is expected to be down between 5 to 8% in the first 20 days of the month reflecting a small recovery from subsiding floods and rebound in yields compared to 1-20 December 2021 said Palmoilanalytics in the note on Friday. As floods subside in major oil palm areas of Selangor, Pahang and Johor crop recovery cycle is set to increase contributing to higher FFB collection and oil. Same time last month MPOA production fell 13.18%. Full month production is predicted to show a small increase over December.

BMD FCPO APRIL22 FUTURES (Continuous Active Month)



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