

Overview

Commodity	Close	% Change							
		Previous Close	MTD	Last Month	QTD	Last Quarter	YTD	2021	2020
CPO Kandla	1109	-0.16	1.34	-0.52	1.34	-3.26	1.34	12.32	15.65
CPO Kakinada	1075	0.00	2.38	-2.27	2.38	-1.38	2.38	7.14	22.50
CPO FOB Indonesia	1387	0.00	3.12	1.99	3.12	10.34	3.12	32.51	30.97
CPO C&F Mumbai	1410	-0.35	3.30	1.08	3.30	11.02	3.30	31.25	26.83

BOILING PRICES OF CRUDE PALM OIL WILL CONTINUE TO HEAT HIGHER ON OUTPUT CONCERNS AND LOWER DECEMBER STOCKS

Crude Palm Oil (CPO) prices in Malaysian Bursa Malaysia Derivate, known as BMD, exchange have surged by about galloping 16.3% since 20 December 2020 and by 6.3% last week on account of output concerns caused by recent floods there that have caused damages to the major plantations.

Further, firm Soybean and Soybean oil CBOT prices are adding additional fuel to the ongoing rally in the CPO. Soybean CBOT March future prices have risen to a 4¼-month high of \$14.02/bushel last week on likely lower Brazilian soybean production caused by the drought that in turn has upped the concerns of decline in the global oilseed output and ending stocks this crop year. CPO Kandla has gained by 1.5% last week while CPO C&F Mumbai and RBD Palmolien C&F Mumbai have jumped by 3.66% and 2.65% respectively same week. Prices of domestic CPO are supported by the strong firm trend in the Malaysian palm oil prices and rally in the soybean and soybean oil. As we all know that India is the importer of Crude palm oil in the world and a gets substantial part of it from Malaysia that's why prices of domestic CPO take cues from BMD Malaysia.

Key Factors

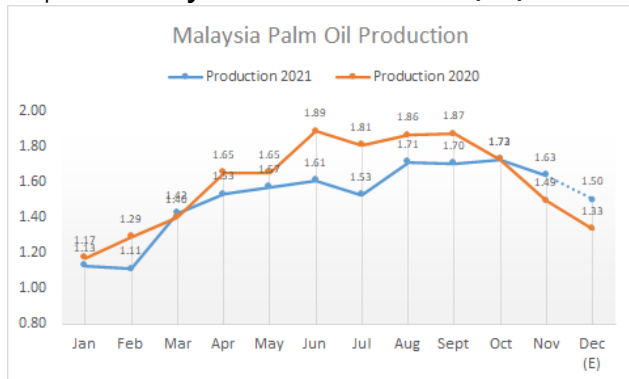
- **CPO BMD prices are likely to trade Strong:** CPO BMD prices are expected to stay strong in the coming fortnight mainly underpinned by the soaring fears of a drop in output of the commodity caused by the recent floods in Malaysia. Tight supply will usually mean higher prices.
- **CPO Production will stay tight in Q1,2022:** though the official Number for December will be released today, it is expected that Malaysia's December output will fall by 8.1% on month to 1.5 million tonnes, as per the CIMB survey while production is likely to drop by 9.8% to 1.47mt as per Bloomberg. Also, production is likely to stay tight in the first three months of 2022 as these months are typically low production seasons for the commodity. Moreover,

Malaysia is still having flooding risks and labor shortage issues.

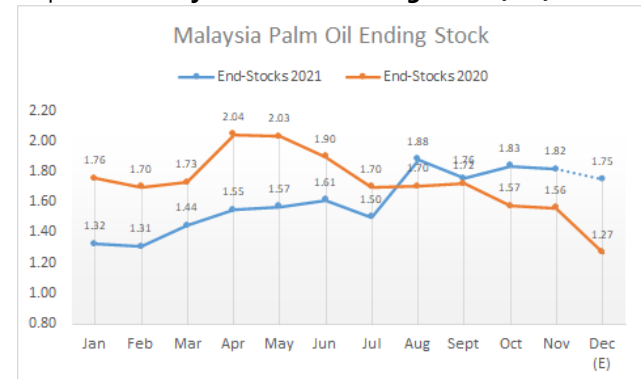
- **Malaysia Palm oil stocks are likely to fall by 6.6% to a 5-month low in December 2021:** Malaysian Palm oil stocks are likely to drop to a 5-month low of 1.7 million tonnes, 6.6% down on month from November's position of 1.82 million tonnes.
- **Soft Malaysian December exports:** Private cargo surveyor **AMSPEC Agri** reported that Malaysia's **CPO** exports for the December 01 to December 25 period plunged by 31.5% to 331,050 tonnes, against 483,894 tonnes in the same period last month. According to **ITS (Intertek Testing Services)**, Malaysia's 1-25 December **palm oil** exports fell by 2.56 percent to 1,306,408 Tons compared to 1,340,778 tonnes last month for the same timeframe. Deteriorating production outlook offsetting the fall in the exports.
- **Higher Soybean and Soybean Oil prices will add further spark:** Prices of Soybean have gained by about 15% since December 01, 2021, and by 5.3% this year so far. Soybean Oil CBOT March future has also shown a double-digit jump of 10% since December 15, 2021, tracking the firm undertone of Soybean. Further upside in these two commodities will give another support to the strong CPO prices.
- **WTI Crude oil prices rose to a 7-week high on supply outages in Libya and the unrest in Kazakhstan:** WTI crude oil prices once again have reclaimed the \$80 per barrel mark last week despite OPEC+ decision to boost its crude oil production by another 4,00,000bpd in February in line with expectations, with this OPEC will add 1.6mbdp supply to the global market. Output from Libya has fallen by 200,000 bpd to about 700,000bpd, the lowest in 12-month and sharply down from a year-ago level of about 1.3mbdp. There is a report of reduced production at Kazakhstan's top oilfield Tengiz. Both events are neutralizing the efforts of OPEC+.
- The government of India has recently cut the basic import duty on RBD (refined, bleached and deodorised) palmolien from 17.5% to 12.5%. Now, net effective duty stands 13.75 versus 19.25%, this step will encourage higher import of RBD oil, which in turn will ease the price pressure. But soaring prices in Malaysia will neutralize price cut benefit for sure.
- **The spread of the Omicron variant of Covid-19** is the factor to watch for especially in major consuming countries. But as of now, it has not impacted the prices but we need to have a check on daily cases as it might dim the demand for the short-term.
- India will likely import 8.6 million tonnes (mt) of palm oil during the November 2021-October 2022 season, up 3,00,000 tonnes from previous estimates, according to the United States Department of Agriculture (USDA).

Malaysia Palm Oil (MPO) Overview

Graph 1.1 - Malaysia Palm Oil Production (MT)



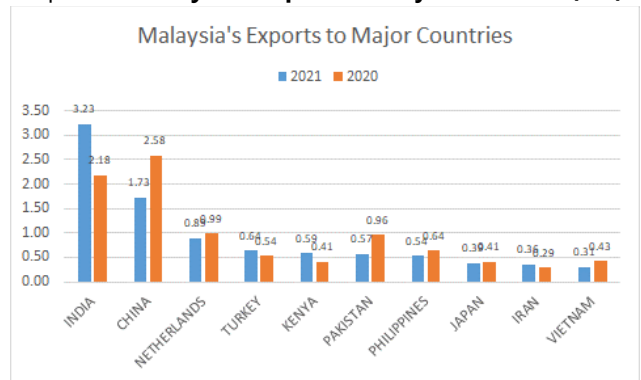
Graph 1.2 - Malaysia Palm Oil Ending Stock (MT)



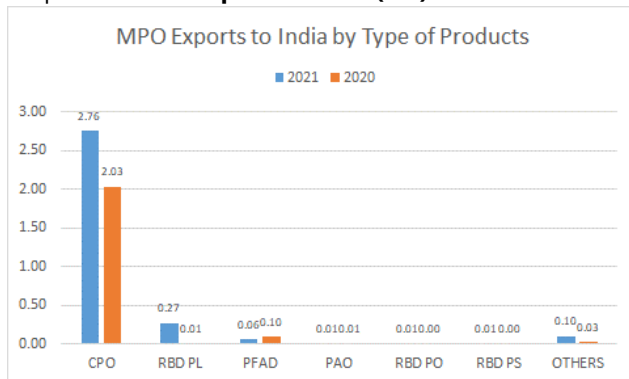
Graph 1.3 - Malaysia's Export Performance (MT)



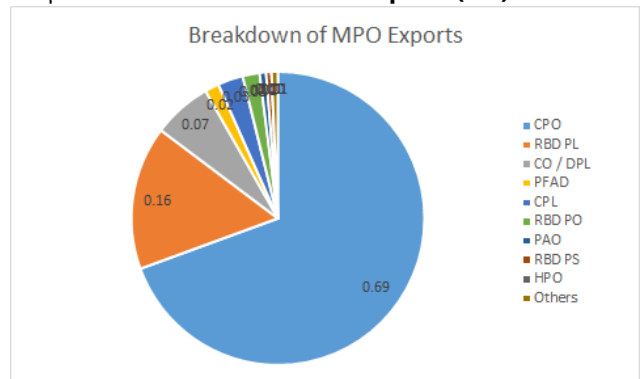
Graph 1.4 - Malaysia's Exports to Major Countries (MT)



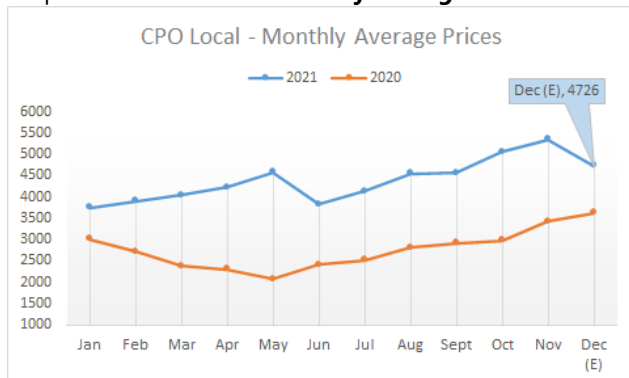
Graph 1.5 - MPO Exports to India (MT)



Graph 1.6 - Breakdown of MPO Exports (MT)



Graph 1.7 - CPO Local - Monthly Average Prices



Graph 1.8 - Total Ending Stock in India (till Nov 2021)

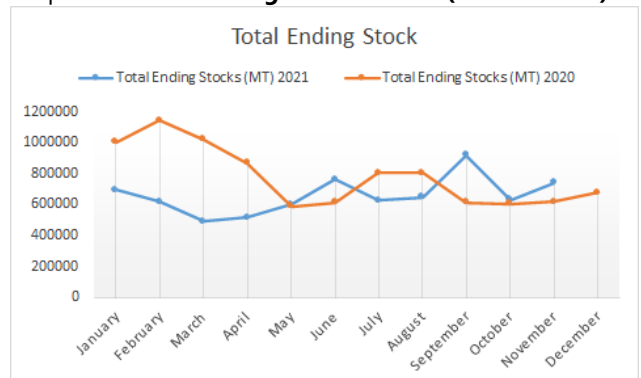
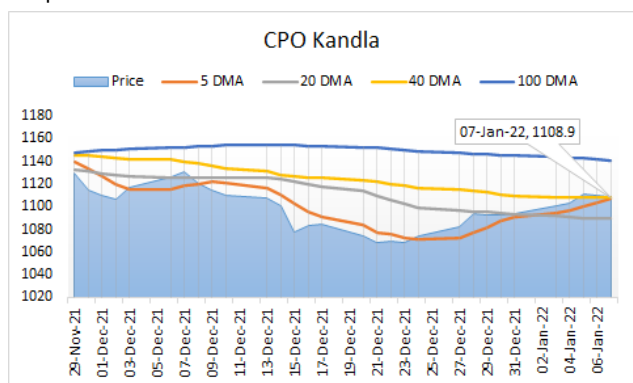


Table 1.1 - India – Oils and Fats – Total Ending Stock (till Nov 2021)

	Palm Oil (MT)		Soybean Oil (MT)		Sunflower Oil (MT)		Rapeseed Oil (MT)		Other Oils (MT)		Total Ending Stocks (MT)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
January	401695	657547	118327	153082	175553	191371	-	-	-	41	695575	1002041
February	317878	672605	181820	234376	119470	233285	-	1552	-	-	619168	1141818
March	213162	533094	138090	237014	141126	248085	-	2015	-	-	492378	1020208
April	244644	497	81977	119136	191293	251697	-	452	-	-	517914	868720
May	314760	315101	125738	99678	162190	173397	-	1075	-	-	602688	589251
June	316770	330207	186535	100256	256980	183899	-	173	-	-	760285	615535
July	219568	460302	223333	147634	185517	198013	-	-	-	-	628418	805949
August	320267	420613	215574	206444	106523	178975	5641	-	-	-	647825	806032
September	602429	304957	175852	210691	131559	81048	10417	16552	-	-	920257	613248
October	420691	353361	108025	151280	87185	93783	15233	7640	-	-	631134	606064
November	437789	303123	206160	171356	80978	141032	14083	1232	-	-	739010	616743
December		376317		142401		157091		15				675824

Price Chart

Graph 1.9 – CPO Kandla

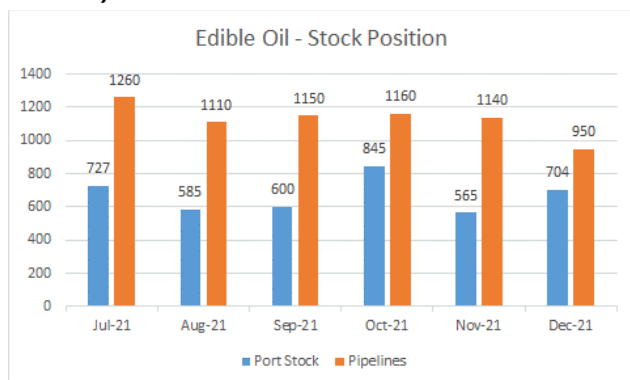


Graph 1.10 – CPO BMD MYR4993

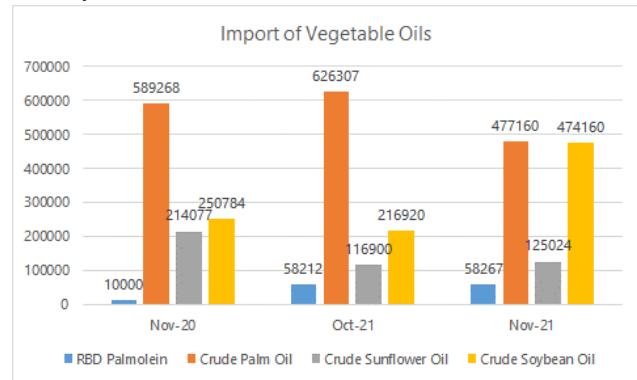


Edible Oils – Stock Situation and Imports

Graph 1.11 Stock Position at Ports and Pipelines (Qty in '000 MT)



Graph 1.12 Import of Vegetable Oils (Edible and Non-edible)



Oil Production of India

Graph 1.13 – Oil Production in India

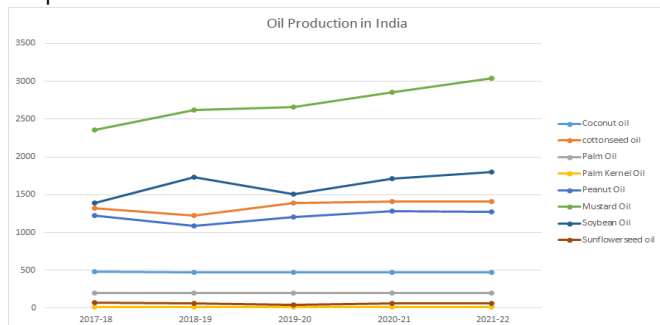
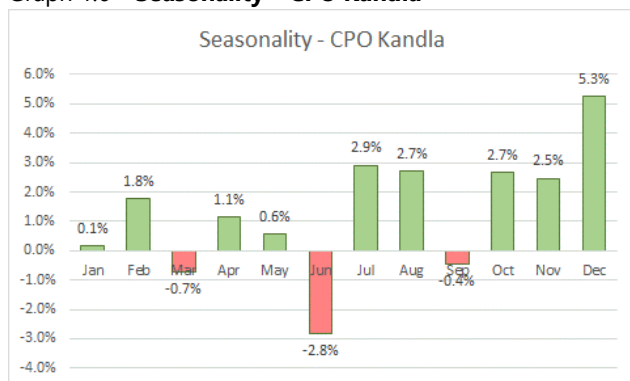


Table 1.2 – Oil Production in India

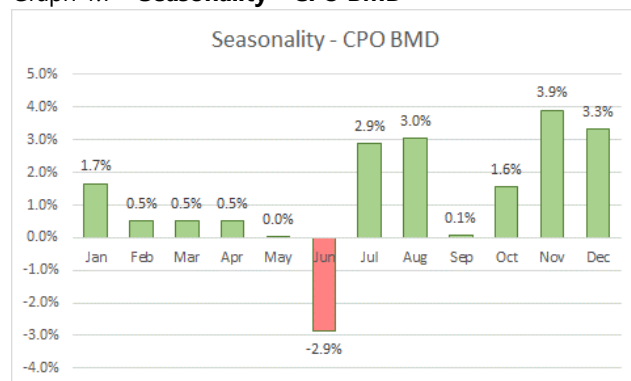
Oil	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Coconut oil	446	481	474	474	474	474
cottonseed oil	1166	1325	1225	1390	1405	1410
Palm Oil	200	200	200	200	200	200
Palm Kernel Oil	9	9	9	9	9	9
Peanut Oil	1190	1220	1089	1205	1283	1273
Mustard Oil	2166	2356	2622	2660	2854	3040
Soybean Oil	1620	1386	1728	1512	1710	1800
Sunflowerseed oil	105	75	58	45	62	63
Total Oil	6902	7052	7405	7495	7997	8269

Seasonality

Graph 1.6 – Seasonality – CPO Kandla



Graph 1.7 – Seasonality – CPO BMD



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