

# Palm oil outlook dim in short term

## But the medium to long-term is much better

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**KUALA LUMPUR:** The country's crude palm oil futures prices could fall below RM1,000 in the near-term on weak export demand but lower output may come to the rescue later in the year, a leading Indian trader said yesterday.

"I would say the short-term outlook is bearish. (Prices) could trade below RM1,000," said Dorab Mistry, director of Godrej International Ltd, defining short-term as September to halfway through October.

"But the medium to long-term outlook is much better.

Certainly, a recovery of RM200 by February/March will not be out of place," the London-based Mistry told Reuters by telephone.

He said Malaysian palm oil futures could stay above RM1,000 from the second half of October supported by the seasonal downturn in output in November and December.

Godrej International is a leading Indian international trading house.

Private forecaster Ivan Wong has estimated November output at 1.0 million tonnes, which would be down from a year earlier of 1.17 million tonnes.

Wong forecast October output at up to 1.12 million tonnes, which would be higher than the year earlier 891,480 tonnes.

Mistry forecast December output could fall below 900,000 tonnes, down from 942,715 tonnes in December 2000.

Thirt-month palm oil futures had hit a 22-month high of RM1,315 a tonne on Aug 8 over dry weather concerns. But rising supply and wet weather has seen prices weaken.

India, the world's largest edible oil importer, has slowed its palm

oil imports, causing anxiety in the Malaysian market, where prices are struggling to keep above RM1,000.

In February, India imposed its heaviest-ever import duty of 75% on crude palm oil and 85% on refined palm oil but left soyoil duties unchanged at 45%.

By midday yesterday, the benchmark November contract was down RM11 at RM1,003 a tonne.

India was Malaysia's main palm oil buyer in 2000, taking 2.03 million tonnes or about 22% of Malaysia's exports. India is also the main market for exports from Indonesia, the world's second largest producer after Malaysia.

Mistry said India slowed imports in anticipation of a better oil seeds crop this year and lower soybean oil import duties.

Traders in India said the country's winter-harvest oil seeds production is likely to rise to 12.5 to 13.0 million tonnes from about 11

million tonnes a year earlier due to good rains.

"The crop will only come at the end of October. But in the meantime, they are running down their stocks. India also bought a lot of crude degummed soybean oil from Argentina and Brazil because the duty is much lower," said Mistry.

Mistry said India's palm oil imports from Malaysia and Indonesia may not even reach 200,000 tonnes in September, half historical imports.

Malaysia's October exports may slightly improve from September to as much as 300,060 tonnes.

"But again, that is below expectation. Normally (India imports) 400,000 tonnes for September and 350,000 tonnes for October," said Mistry.

India's monthly soft oil imports normally stand at 150,000 tonnes, but this month could reach 270,000 tonnes, he said. Reuters