

M'sian palm oil millers halt production as CPO prices plummet

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Some palm oil millers in Malaysia, the world's second-largest producer, have temporarily halted production following a dramatic plunge in prices of this edible oil, a senior official from a miller's association said on Monday.

Malaysian crude palm oil (CPO) prices have seen their biggest one-month decline in more than 13 years in June, tumbling 22 percent from a high of RM6,632 (US\$1,506.25) a tonne to RM4,922 on Monday, erasing most of this year's gains.

Malaysian millers purchase palm fruit bunches based on the monthly average CPO price - currently about RM6,200 - but sell the extracted oil based on the daily market price.

"No mills can afford to buy fresh fruit bunches at these prices," Steven Yow, northern president of the Malaysian Palm Oil Millers Association (POMA) told Reuters.

Malaysia's benchmark CPO futures had rallied to records this year due to a global edible oil supply squeeze caused by a labour shortage, the Russia-Ukraine conflict and an export ban by top palm producer Indonesia.

The contract fell when Indonesia ended that ban and sought to boost exports, which ignited more market volatility.

At current prices, the mills - which are already facing labour shortages and high input costs - stand to lose at least RM150,000 for every 100 tonnes of CPO produced, Yow said, adding that buyers are currently offering around RM4,700 for CPO.

He said millers that have delivered on their contracted sales have stopped receiving fresh fruit bunches from suppliers until prices normalise.

The stoppages may range from one day to one week.

"This kind of situation has never happened before in the last 35 years," he added.

A substantial number of millers are affected, especially independent millers sourcing from smallholders, Yow said.

He expects operations to normalise in July if price volatility and the difference between the monthly average CPO price and the daily traded price declines.

- Reuters

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