

**CPO Be Capped At RM3,000 Mid-Year But El-Nino Could Drive Prices To RM3,500, Say Experts Year**  
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KUALA LUMPUR, March 5 (Bernama) -- Crude palm oil prices are expected to trade between RM2,600 and RM2,900 per tonne by the middle of the year aided by high demand, tight inventories and reduced production as a result of the current drought.

"If the El-Nino weather pattern returns, this could drive prices to RM3,500 per tonne later this year.

"This will result in countries opting for cheaper alternatives like rapeseed oil and sunflower oil, thus hurting CPO demand," leading analyst Dorab Mistry told participants of the Palm and Lauric Oil Conference and Exhibition (POC) 2014 here Wednesday.

He also said prices could also receive a boost from Indonesia's biofuel industry.

Malaysia and Indonesia are the top two palm oil producers in the world, accounting for about 85 per cent of global output.

Benchmark crude palm oil futures on Bursa Malaysia Derivatives closed RM40 higher at a 17-month high of RM2,830 per tonne.

Prices are also expected to receive a boost from Indonesia's biofuel industry which is moving towards raising the requirement for a minimum palm oil content of 10 per cent in bio-diesel, said Mistry, who heads the vegetable oil trading arm of India's Godrej Industries.

"The Indonesian factor will keep palm oil prices relatively high for a long time," he added.

Meanwhile, another speaker, James Fry, Chairman of the UK-based LMC International Ltd, said prices could appreciate to slightly above RM3,000 per tonne for palm oil and RM4,500 per tonne for palm kernel oil.

He also said the Indonesian mandate could see prices spiraling as stocks deplete in Indonesia by mid-year as the drought in Southeast Asia hurts the region's output.

STA Mielke GmbH Oil World Executive Director Thomas Mielke said since the introduction of biofuels, prices were fluctuating in the higher territory.

"Prices could rebound to an average of RM3,173 (US\$970) this year, up 14 per cent from last year.

"Palm oil has become the most important vegetable oil worldwide.

"Its production, which was 14 million metric tonnes in 1994, is expected to reach 58.5 million metric tonnes in 2014, with Malaysia accounting for 19.6 million tonnes.

Pakistan-based Mapak Edible Oils (Pvt) Ltd Chief Executive Officer Abdul Rasheed Janmohammed said prices would not dip below RM2,650 per tonne in the first half of the year.

"Due to weather-related issues and complacency by buyers, the market also had the potential to go up to RM3,000 in the short-term.

"For the second half of the year, demand will be the key factor as supply will likely improve. This may suppress the market, particularly in the third quarter, therefore CPO prices will be in the range of RM2,550-RM2,750 a tonne," he said.

Pakistan is the third largest importer of the commodity, after China and India.

The country's total consumption of edible oil is 3.4 million tonnes with imports amounting to 2.3 million tonnes.

Indian-based ITC Ltd Assistant Procurement Manager Alimuhammad Lakdawala said March would be a crucial month as it would set the base for currencies and commodities for the rest of this year.

"CPO prices are over-heated at present due to the weather but it will cool down and head towards RM2,450-RM2,500 per tonne during the end of the second quarter and middle of the third quarter in 2014.

"If the El-Nino fear turns real then we expect prices to fire up towards RM3,300 per tonne between April and May, but it will be short-lived," he added.

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