Palm dips on profit-taking, tighter supplies eyed
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Palm oil fruits are seen placed on a wheelbarrow at a palm oil farm in Klang, outside Kuala Lumpur, February 19, 2014. Malaysian palm oil futures dipped today on profit-taking after the tropical oil surged to a 17-month high in the previous session, although worries of dry weather tightening supplies curbed losses and kept prices propped up.

Benchmark prices yesterday had hit RM2,910 per tonne, their highest since mid-September 2012, after industry data showed that end-stocks in the world's No.2 producer fell steeply to an eight-month low of 1.66 million tonnes.

"There's a little bit of profit-taking but there is still concern over the weather, and whether yields will pull down further this month," said a trader with a foreign commodities brokerage.

"There could be a further drawdown in stocks in March, unless we see good rains in the next 48 hours," said the trader. Prices will likely trade between RM2,850–RM2,920 in the next two days, the trader added.

Malaysia's total output in February was only 1.28 million tonnes, industry regulator the Malaysian Palm Oil Board also reported, after dry and hazy weather interrupted growth of fresh fruit bunches and complicated harvesting.

By the midday break, the benchmark May contract on the Bursa Malaysia Derivatives Exchange had edged down 0.3% to RM2,891 (US$881) per tonne.

Total traded volume stood at 13,826 lots of 25 tonnes, above the average 12,500 lots.

Technicals show that Malaysian palm oil looks exhausted and is due for a deep correction, Reuters market analyst Wang Tao said, adding that a fall below RM2,860 could be the very early signal for such a correction.

High prices of palm oil, the world's most traded vegetable oil, could cause key consumers to switch to competing edible oils instead.

Cargo surveyor data reported that Malaysian palm oil products in the first 10 days of March fell between 4–5% from a month ago, as top buyers India, China and Pakistan cut back purchases.

In other markets, Brent futures were steady today and held above US$108 a barrel as a worsening crisis over Ukraine stoked supply disruption fears, while concerns over demand growth from the world's two biggest oil consumers kept a lid on gains.

In other competing vegetable oil markets, the US soyoil contract for May fell 0.2% in early Asian trade, while the most active May soybean oil contract on the Dalian Commodities Exchange gained 0.2%. – Reuters, March 11, 2014.

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