

Palm oil rises on prospects of tighter stocks
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Malaysian palm oil futures rose today, snapping two days of losses on prospects of tighter stocks in the world's second-largest grower, despite a pick up in production this month.

Rainfall over most parts of palm-growing Malaysia last week ended a two-month drought that had hurt growth of palm fruit and planters said yields will take time to recover.

"Supply is still not that encouraging. Output is up, but the question is by how much," said a trader with a foreign commodities brokerage in Kuala Lumpur.

"Stocks are still going to be low. That's why the market has a tendency to go higher," the trader said, adding that crude palm oil buyers on the physical market are paying a premium of about RM60 compared to the futures market due to the current tightness in supply.

By the midday break, the benchmark June contract on the Bursa Malaysia Derivatives Exchange had edged up 0.8% to RM2,752 (US\$834) per tonne, with prices trading in a tight range between RM2,724–RM2,756.

Total traded volume stood at 16,895 lots of 25 tonnes, above the average 12,500 lots.

Palm oil inventories in Malaysia, the world's No.2 producer, sank to an eight-month low of 1.66 million tonnes at end-February, forcing some refineries to cut back operations as feedstock became scarce.

Lower output of processed palm oil products such as refined palm olein and palm stearin could tighten supplies for top buyers India, China and Europe.

Market players will be watching for export data for the March 1-25 period, that will be released by cargo surveyors tomorrow, to gauge demand for the tropical oil from key consumers.

Palm oil demand is expected to improve in the last week of March ahead of the Muslim festival of Eid al-Fitr, which typically drives up consumption of the tropical oil used in cooking and as an ingredient in a variety of food products.

In other competing vegetable oil markets, the US soybean contract for May gained 0.6% in early Asian trade, while the most active September soybean oil contract on the Dalian Commodities Exchange rose 0.1%.

In other markets, Brent crude held above US\$106 per barrel today weighed down by a seasonal slump in demand and weak economic data from China, after posting its fourth weekly loss in a row on Friday. – Reuters, March 24, 2014.

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