

Palm rises for fourth day, lifted by firm crude oil
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Malaysian palm oil futures stretched gains into a fourth session today, lifted by firm crude oil prices and concerns that the onset of dry weather could curb palm yields, although poor export data dragged on prices.

The benchmark September contract on the Bursa Malaysia Derivatives Exchange had edged up 0.8% to RM2,447 per tonne by the midday break, with prices swinging between RM2,413 and RM2,447 during the session.

Total traded volume stood at 13,945 lots of 25 tonnes, above the average 12,500 lots.

"It is now feasible for biodiesel producers to use palm for biodiesel. If crude moves down below US\$103 (RM332.59) then the attraction won't be there, but at the moment it definitely is," said a trader with a foreign commodities brokerage.

Brent crude held near US\$113 per barrel today with the United States considering air strikes in Iraq as the security situation worsens in the key oil producing country. US July crude was down 25 cents at US\$106.65 a barrel.

Firm crude makes palm oil a more attractive feedstock option to produce biodiesel.

Benchmark palm prices were also supported by worries there would be drought if El Nino emerges in Southeast Asia, where most of the world's palm oil is cultivated. Hot and dry weather hinders growth of the tropical palm fruit.

"We are a bit worried about the weather. El Nino is very likely going to happen... if you look at the weather condition, it will be hotter than what we experienced early in the year," the Kuala Lumpur-based trader added.

Poor export data for the first half of June, however, put a lid on gains.

Cargo surveyors reported that exports of Malaysian palm oil products fell about 8% to between 587,000-590,000 tonnes compared to the same period a month ago, due to weaker demand from Europe and China.

But some market participants say prospects of slowing exports have already been taken into account, and that prices could be lifted by a bout of technical buying following the drop to an eight-month low last week.

"Overall, the market is anticipating exports for this month to be slightly unchanged or see a 3-5% drop (from May)," said another Kuala Lumpur-based trader.

"Slow exports means that eventually stocks will build up. But that has already been factored in. The market is moving higher for a technical correction," the trader added.

In other competing vegetable oil markets, the US soyoil contract was nearly flat in early Asian trade, while the most active soybean oil contract on the Dalian Commodities Exchange fell 0.6%. – Reuters, June 17, 2014.

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