



PALM & LAURICS MARKET OUTLOOK

Malaysia Palm Oil Forum, Cairo, Egypt 2024

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Palm Oil Analytics

PRICE - NEWS - DATA - ANALYTICS

Extraneous – Big waves



Apart from fundamentals, the unknowns
are many...

Climate change

Pandemic

Geopolitics

Policy – Unintended consequences

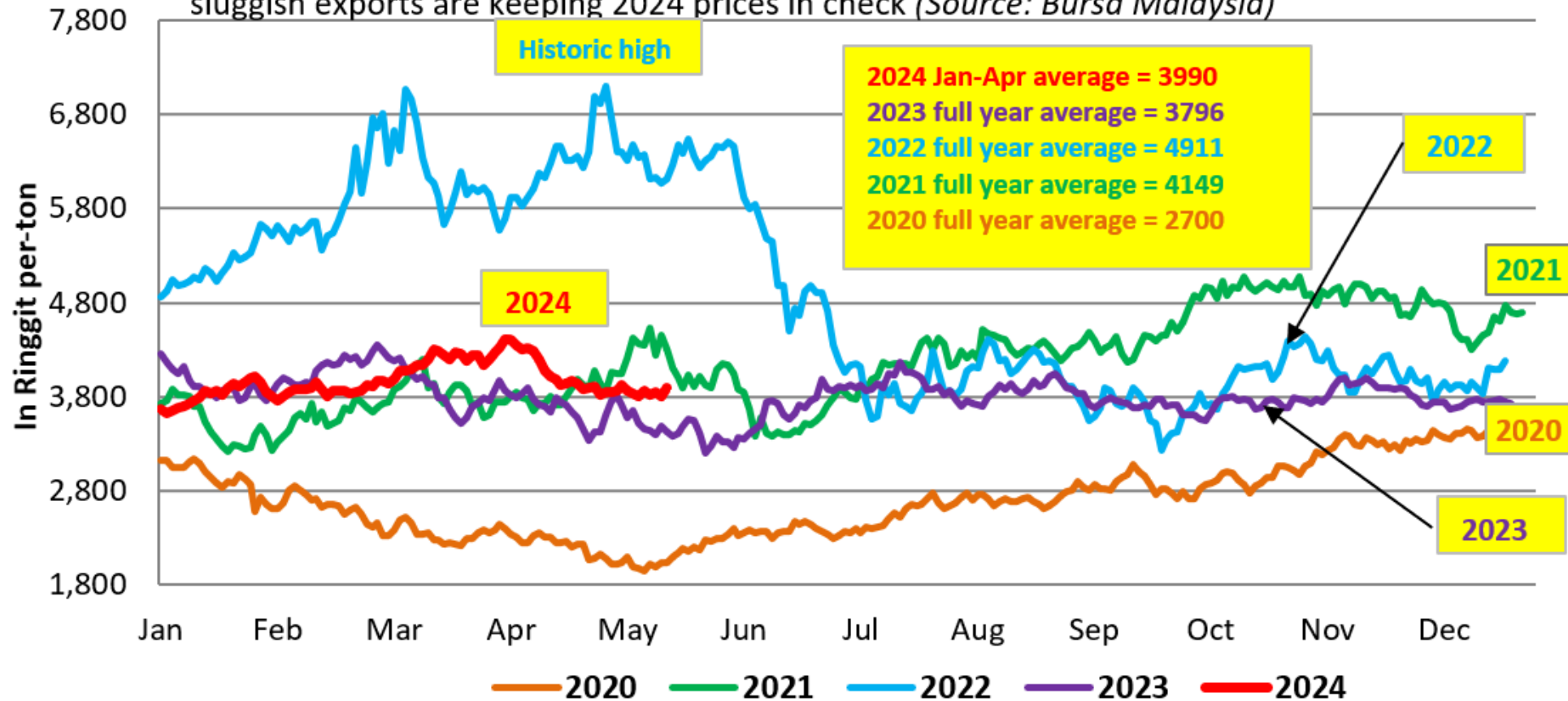
De-globalization

CPO futures 2020 to Jan-Apr 2024



Benchmark CPO Futures active daily close

CPO futures Jan-Apr 2024 price are flat to to last year. 2023 average prices was 23% lower to the record high 2022 prices. Expected improvement in production and sluggish exports are keeping 2024 prices in check (*Source: Bursa Malaysia*)





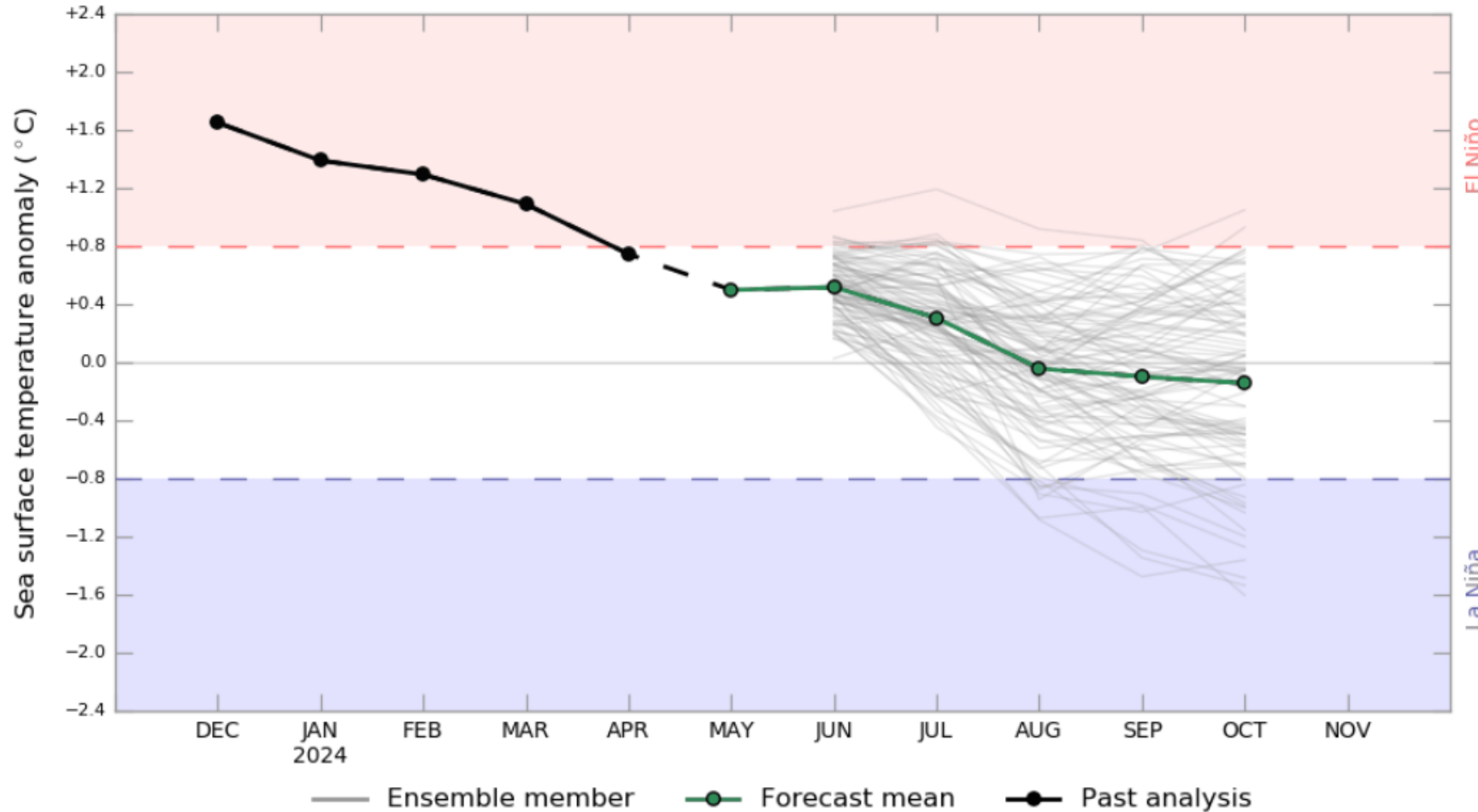
Main factors to consider in palm pricing in 2024-25

- ✓ Weather - El-Niño to La Niña
- ✓ Production in Malaysia
- ✓ China's palm oil export demand
- ✓ Palm oil competitiveness to bean oil
- ✓ Geopolitics
- ✓ Soft oils

Weather



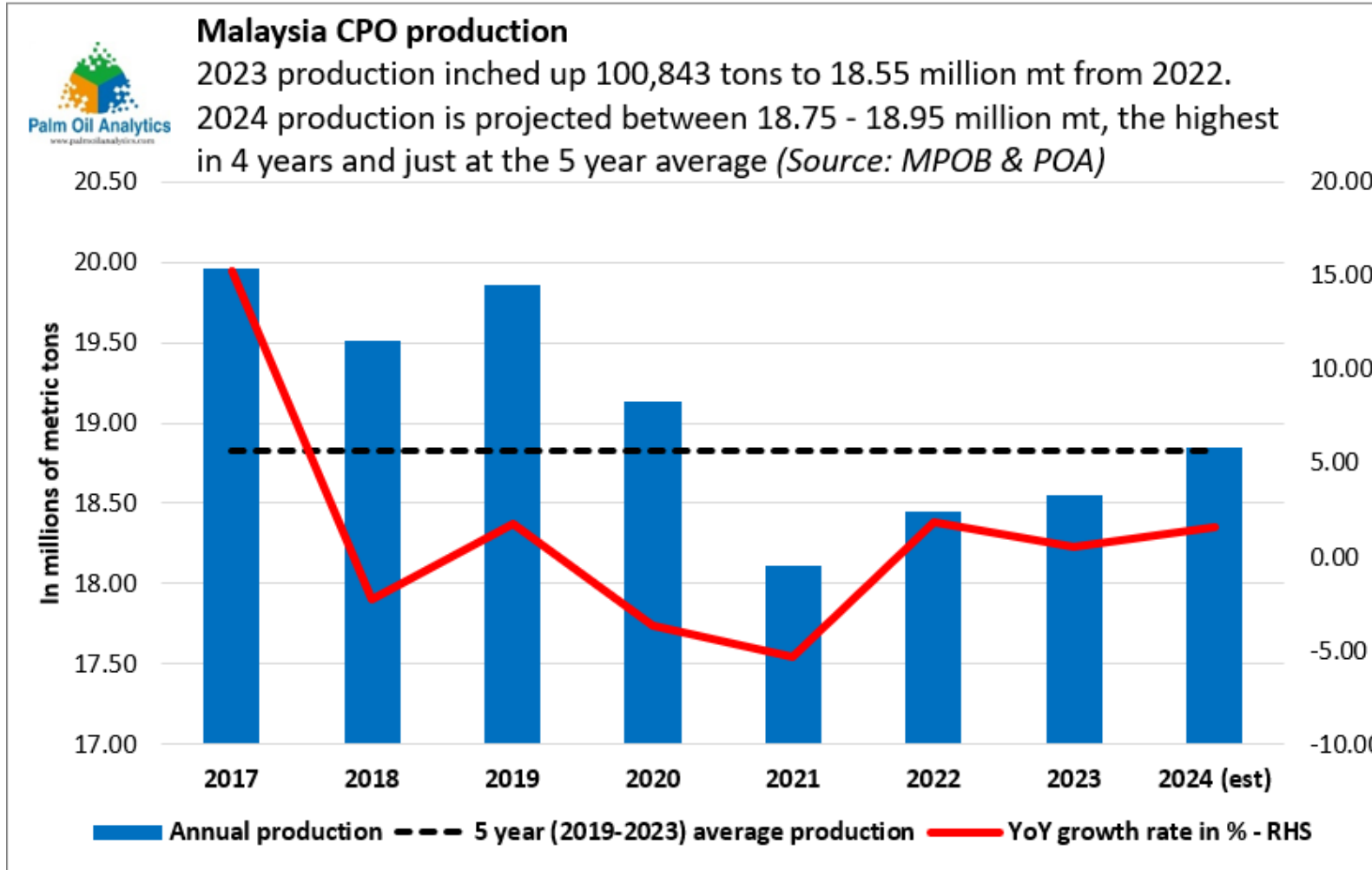
Niño3.4 index



The impact of climate change on weather and temperature is likely to dwarf the influence of El Niño and La Niña weather conditions.

Historically La Niña following an 'El-Niño is positive for oil palm yields, assisting in recovery

Palm production in 2024 – Malaysia



Jan-Dec 2022 production :
 18.45 million mt (1.88%)

Jan-Dec 2023 production :
 18.55 million mt (0.55%)

Jan-Dec 2024 production :
 18.75-18.95 million mt (1.59%)

Jan-Dec 2025 production :
 Projected to exceed 19 million mt

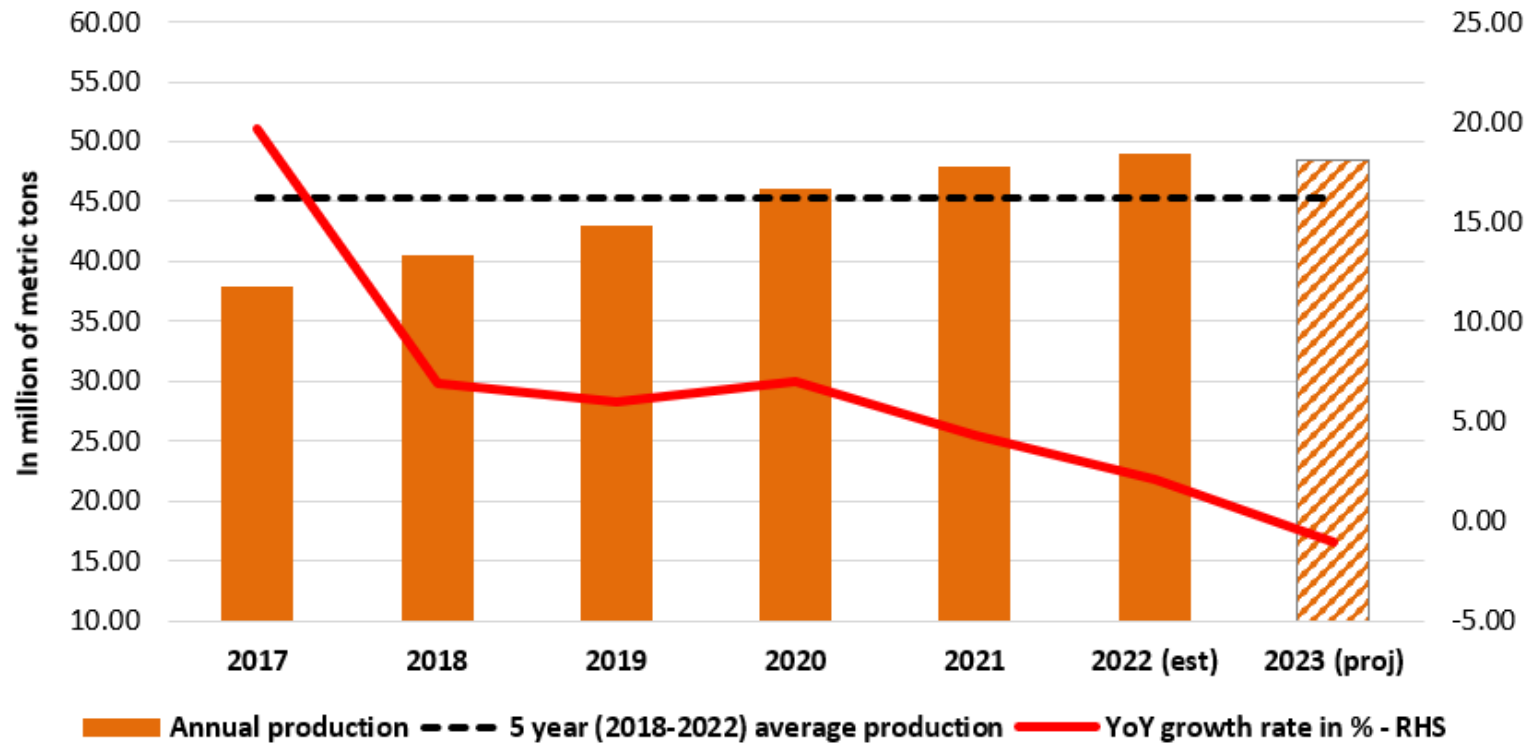
- Favorable weather conditions
- Gains in productivity of workers
- Increase in certifications

Palm production in 2024 - Indonesia



Indonesia CPO production

2023 production is projected to be flat in 2023 at 48.50 mil tons as plantations reported mixed growth performance in the first half of 2023.
(Source: GAPKI, BPS and IOPRI)



Jan-Dec 2022 production:
49.00 million tons (+2.08%)

Jan-Dec 2023 production:
48.00-48.50 million tons

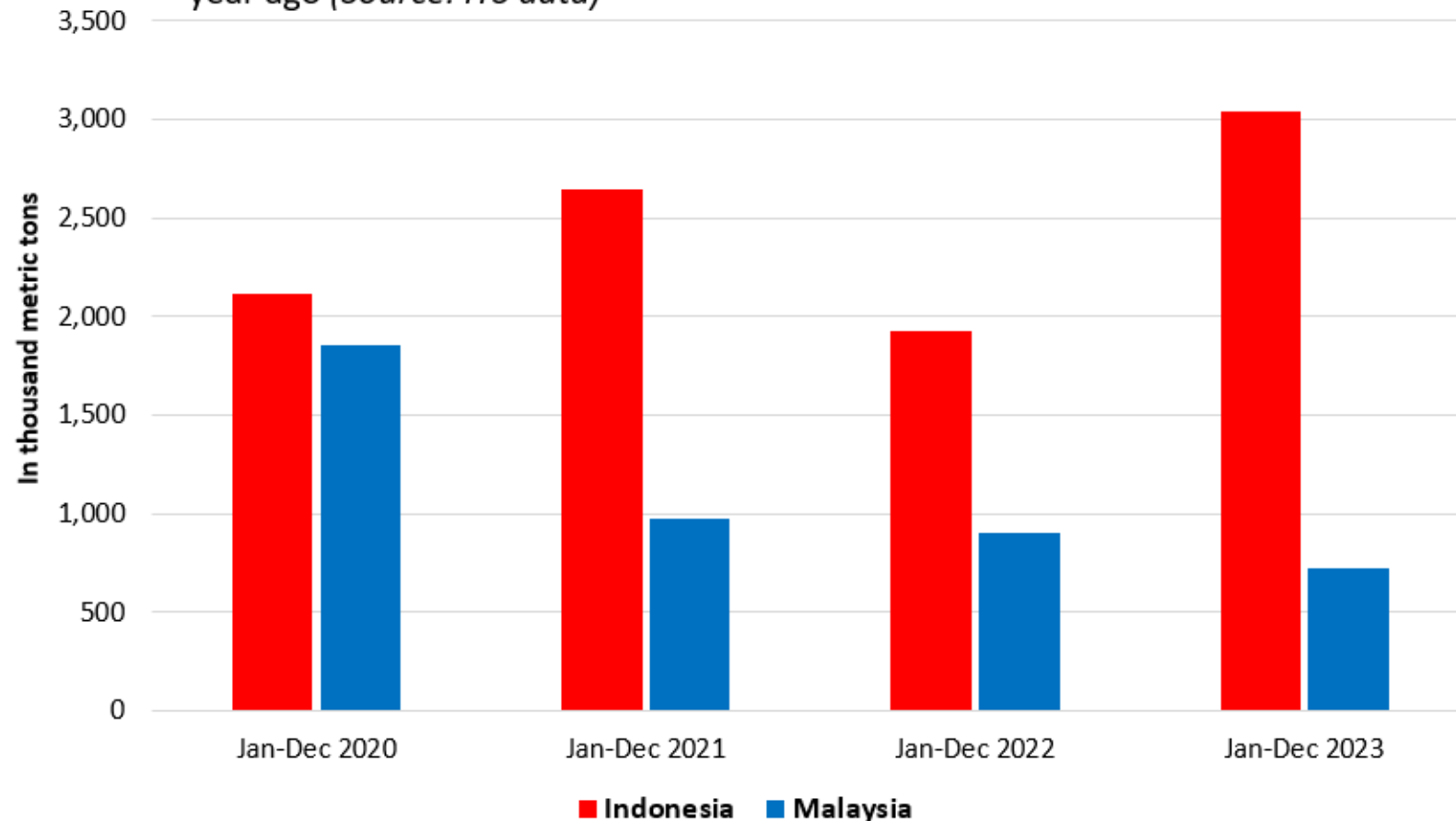
Jan-Dec 2024 production:
48.00 – 48.50 million tons

Malaysia export rise is dependent on China



Malaysia and Indonesia RBD palm olein export to China

Indonesia RBD palm olein to China jumped over a million metric ton in 2023 to reach 3.039 million while Malaysia's export fell 20% to 725,959 mt from a year ago (*Source: ITS data*)

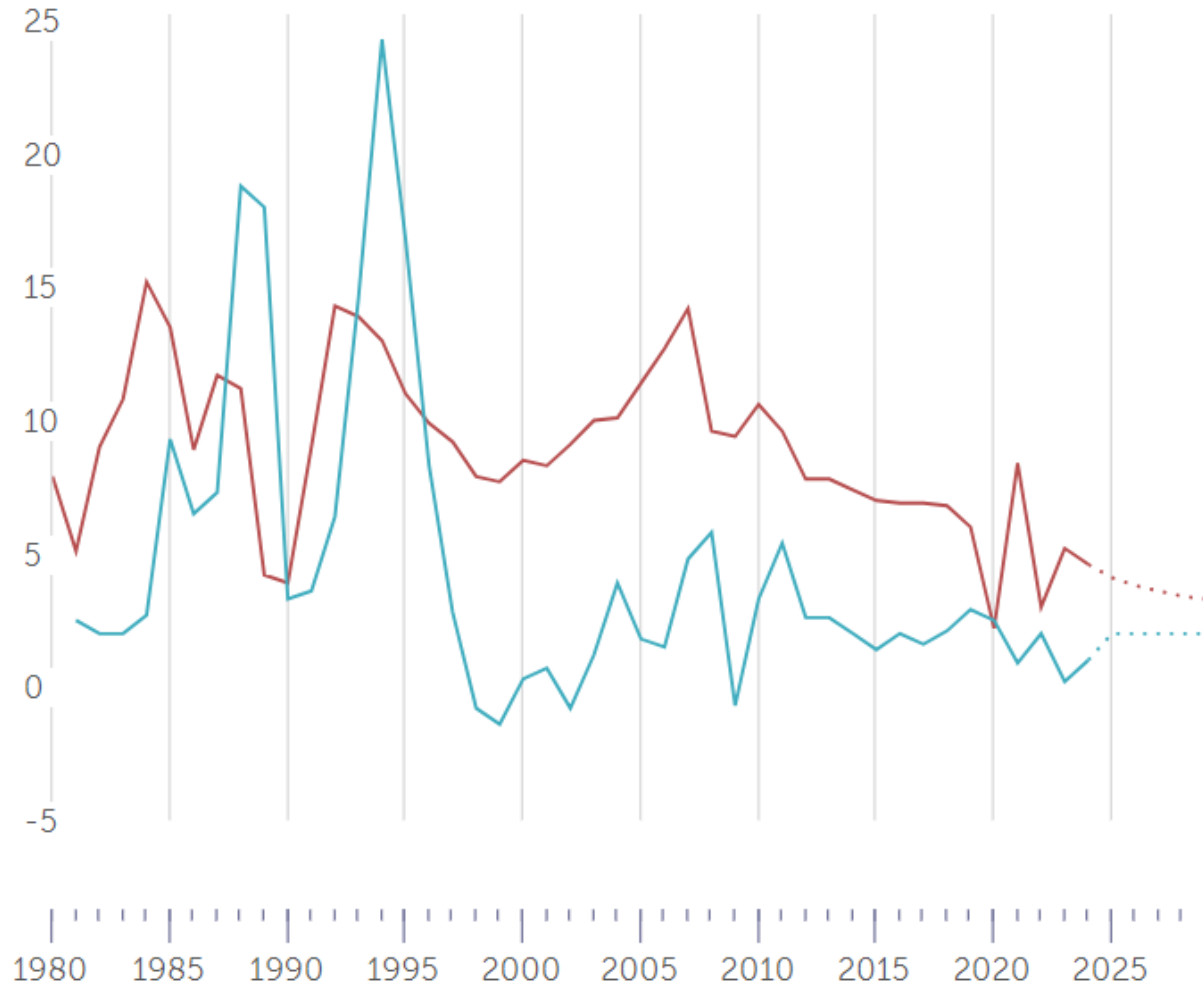


- Can Malaysia and Indonesia return to pre-covid export of 7 million tons to China in 2024?
- Malaysia and Indonesia's total export to China Jan-Dec 2023 is 6.932 million tons
- Malaysia's export growth is mainly dependent on China's domestic economic policies

China - Stalling growth



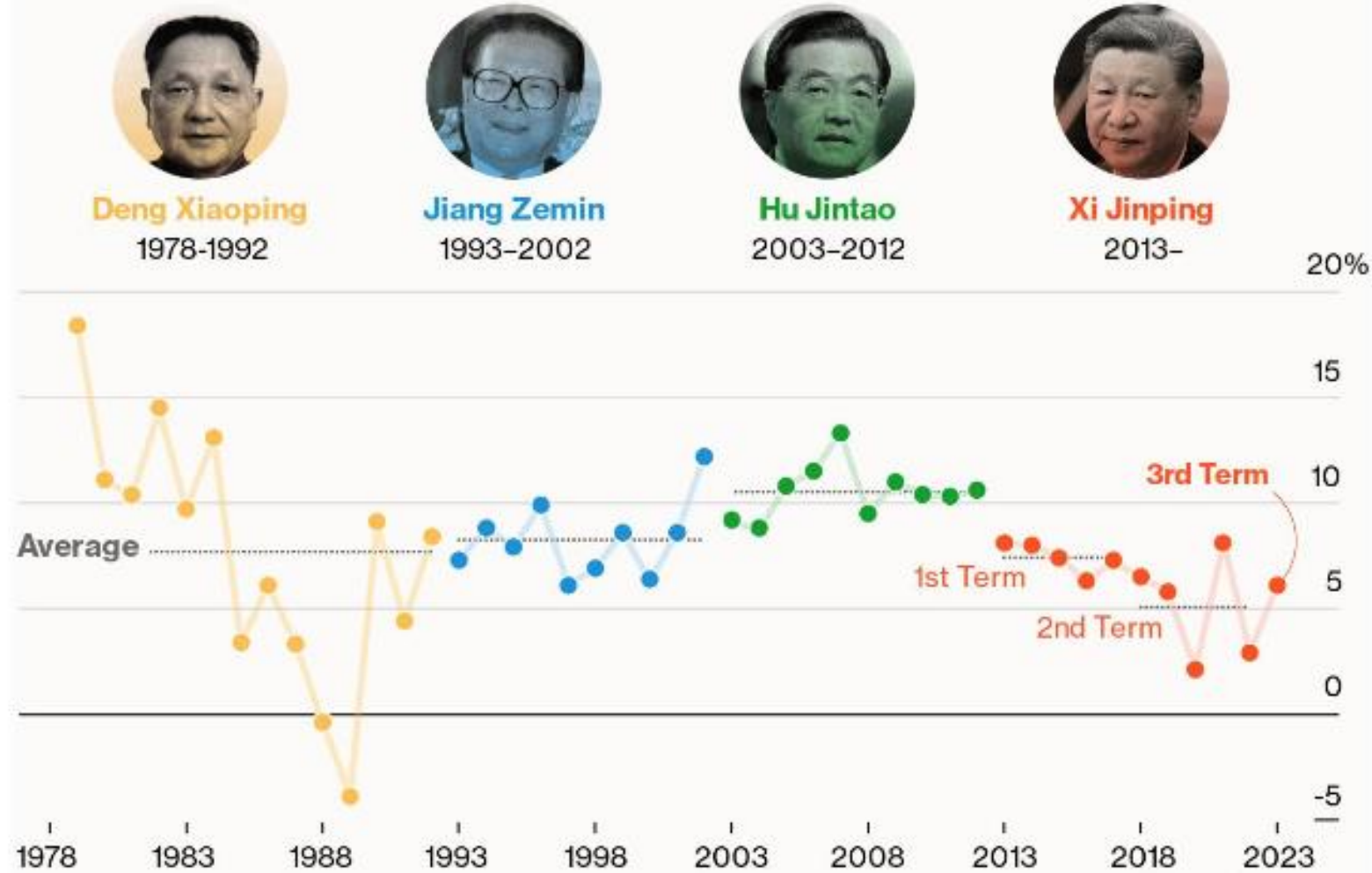
- Real GDP growth (Annual percent change) 4.6
- Inflation rate, average consumer prices (Annual percent change) 1



From Surge to Slowdown

Under Xi, average incomes are growing at a much slower pace

- Real disposable income growth



Source: Bloomberg Economics

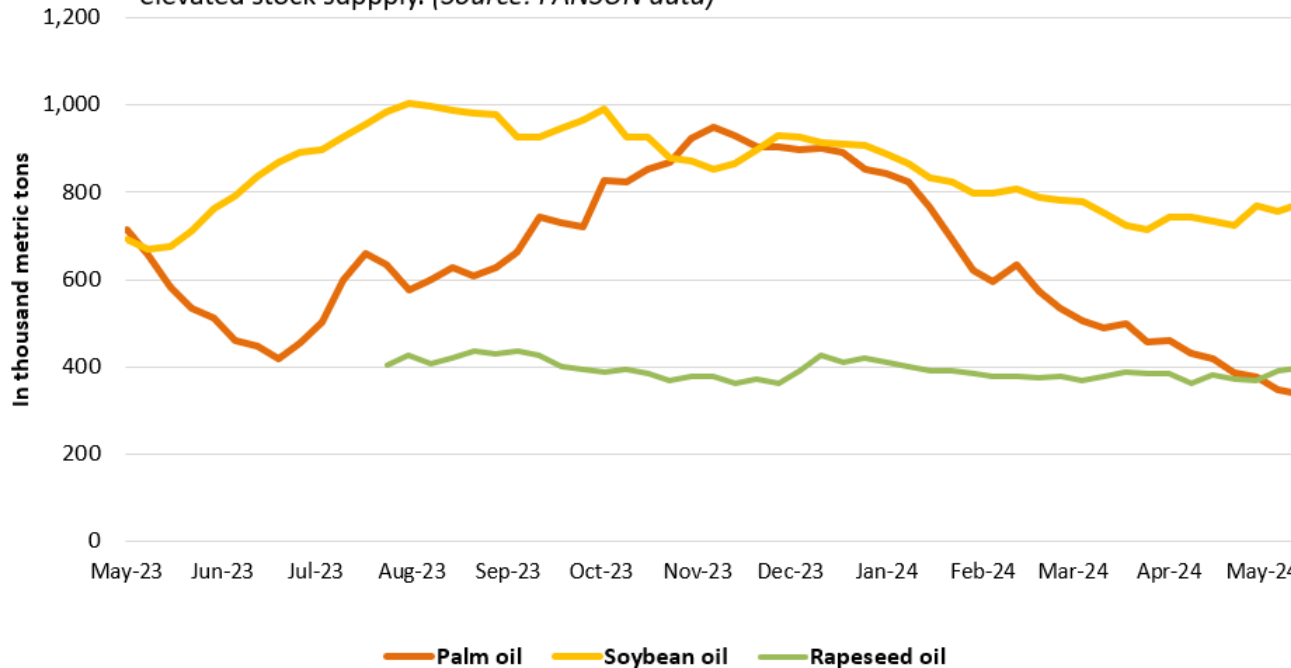
Bloomberg

China palm oil import demand - stagnant



China palm and soybean oil stocks

Palm oil stocks continue to decline on lower imports while bean oil stocks keeps rising on increased crushing activity. Slower consumption spending is also contributing to the elevated stock supply. (Source: PANSUN data)

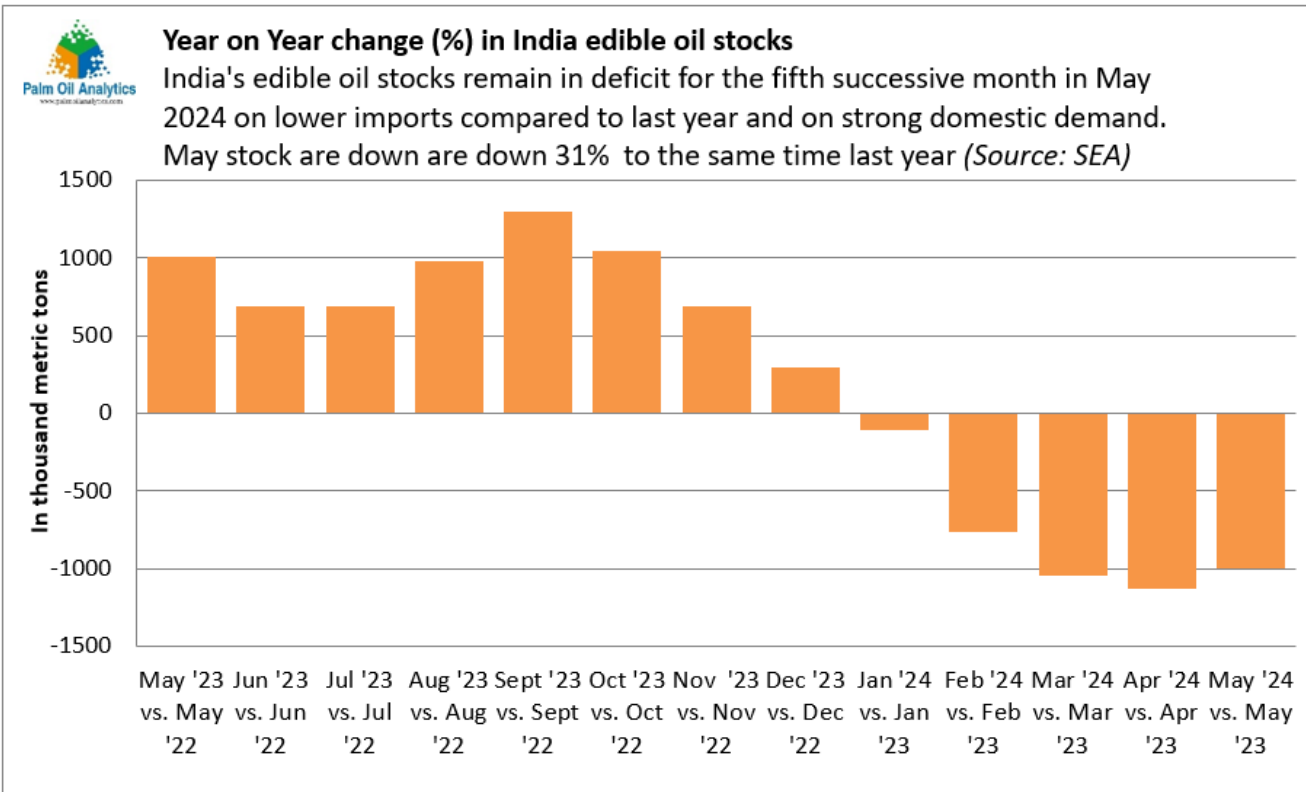


Chinese imports to remain largely stagnant to lower

Malaysia and Indonesia's total export to China from Jan-Dec 2023 is 6.932 million tons

Jan-Dec 2024 export forecast 6.50 – 6.90 million mt

India's edible oil stocks - steady



India's edible oil imports in 2023-24 are forecast at 15.055 million mt, 9% lower than the 16.47 million mt recorded in the 2022-23 oil year.

Palm oil imports are likely to fall to 9.50 million mt in 2023-24 from 9.789 million mt in 2022-23 oil year

Jan-Dec 2023 palm oil import was 9.301 million mt
 Jan-Dec 2023 edible oil import 15.837 million mt

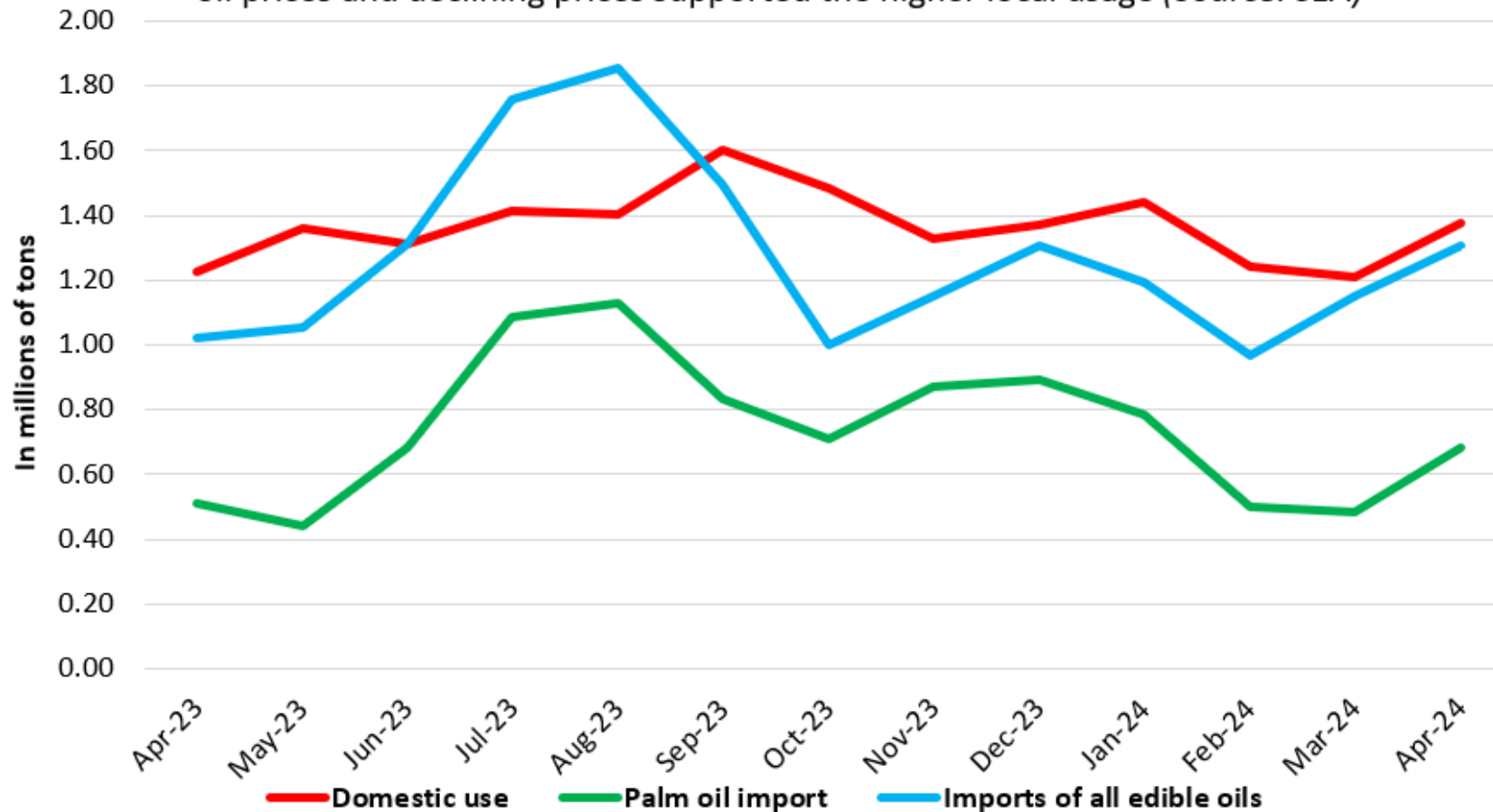
Jan-Dec 2024 palm oil import: 9.012 (-3%)
 Jan-Dec 2024 edible oil import: 14.426 (-9%)

India's edible oil usage - strong



India edible oil domestic use and palm oil imports

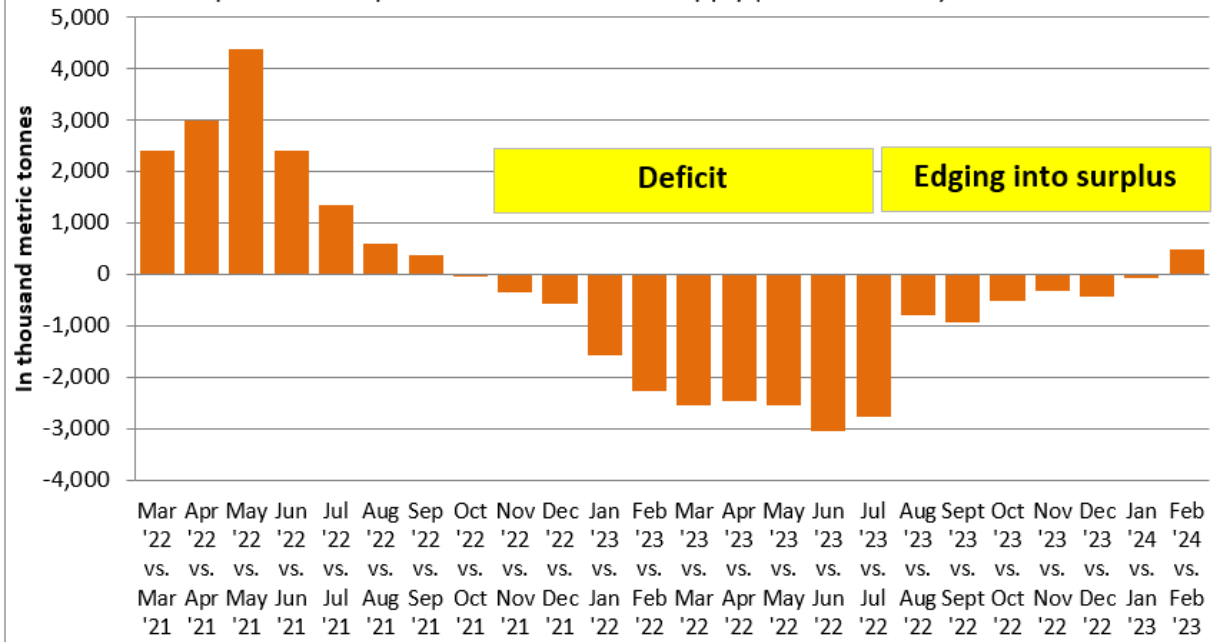
Domestic consumption picked up pace in April after a brief slowdown in March. Rising incomes, greater domestic consumption on food products and lower soft oil prices and declining prices supported the higher local usage (Source: SEA)





Indonesia palm oil stocks : Year-on-year change

Y-o-Y stocks edged up in February 2024 rising by 494,000 tonnes from the same period last year on a larger drop in demand particularly processed palm oil product compared to the decline in supply (Source: GAPKI)



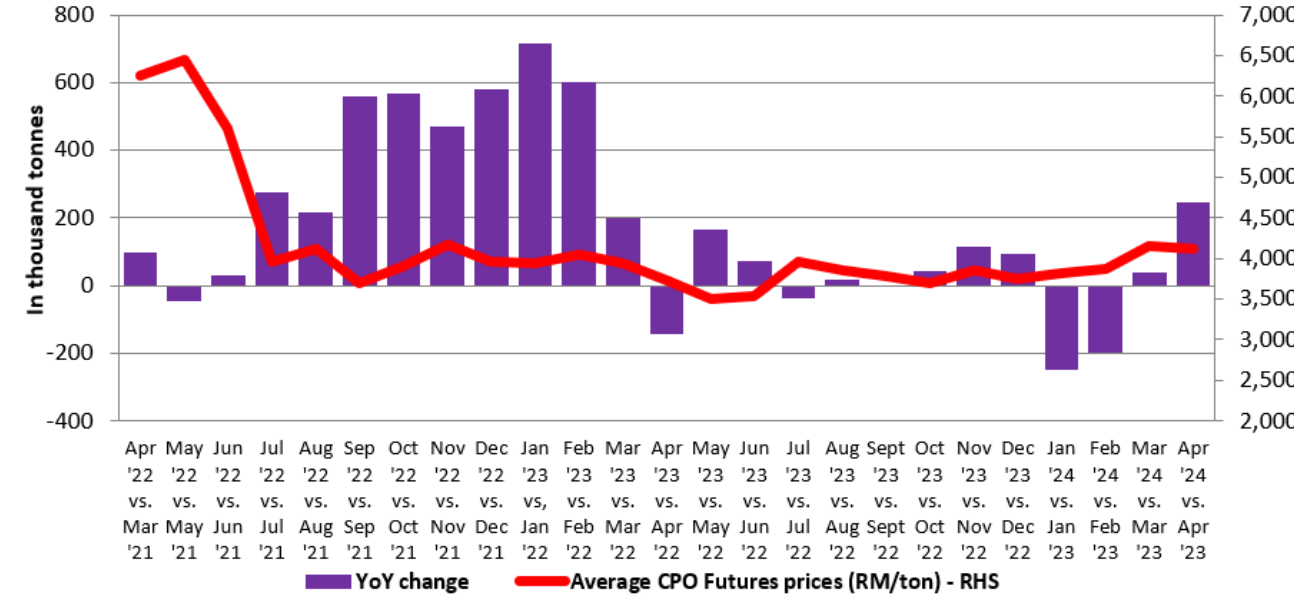
Malaysian stocks are set to rise in July/August

Indonesian stocks are low but are expected to recover in Jun/Jul

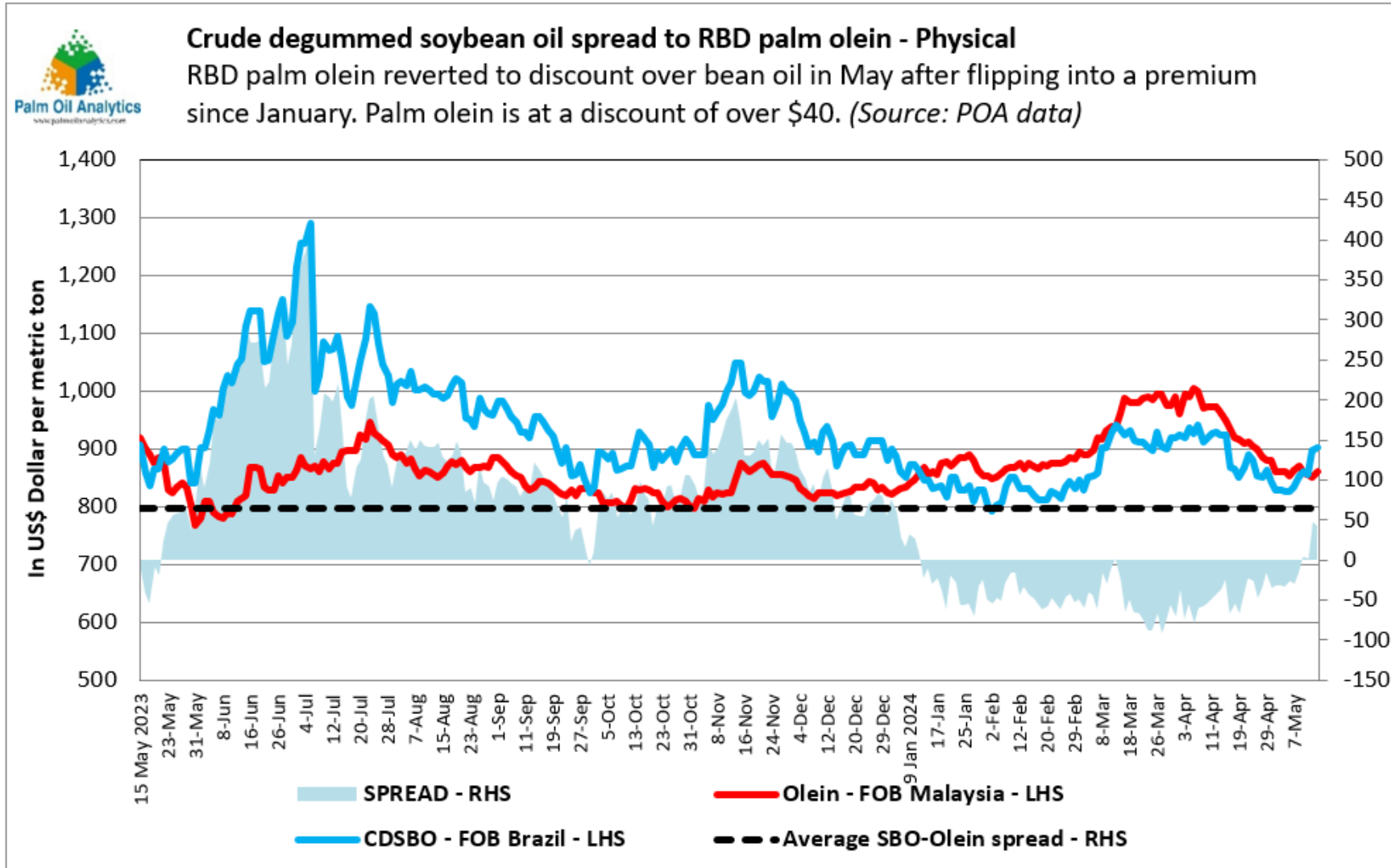
Biodiesel usage is the dominant domestic sector in Indonesia



Malaysia palm oil stocks : Year-on-year change - April 2024 year-on-year stocks post large surplus after edging up in March and the previous two months of deficit supporting higher palm prices. The start of higher production phase from April onwards will see stocks moving into YoY surplus (Source: MPOB & BMD)



Recovery in palm discount to bean oil to boost exports

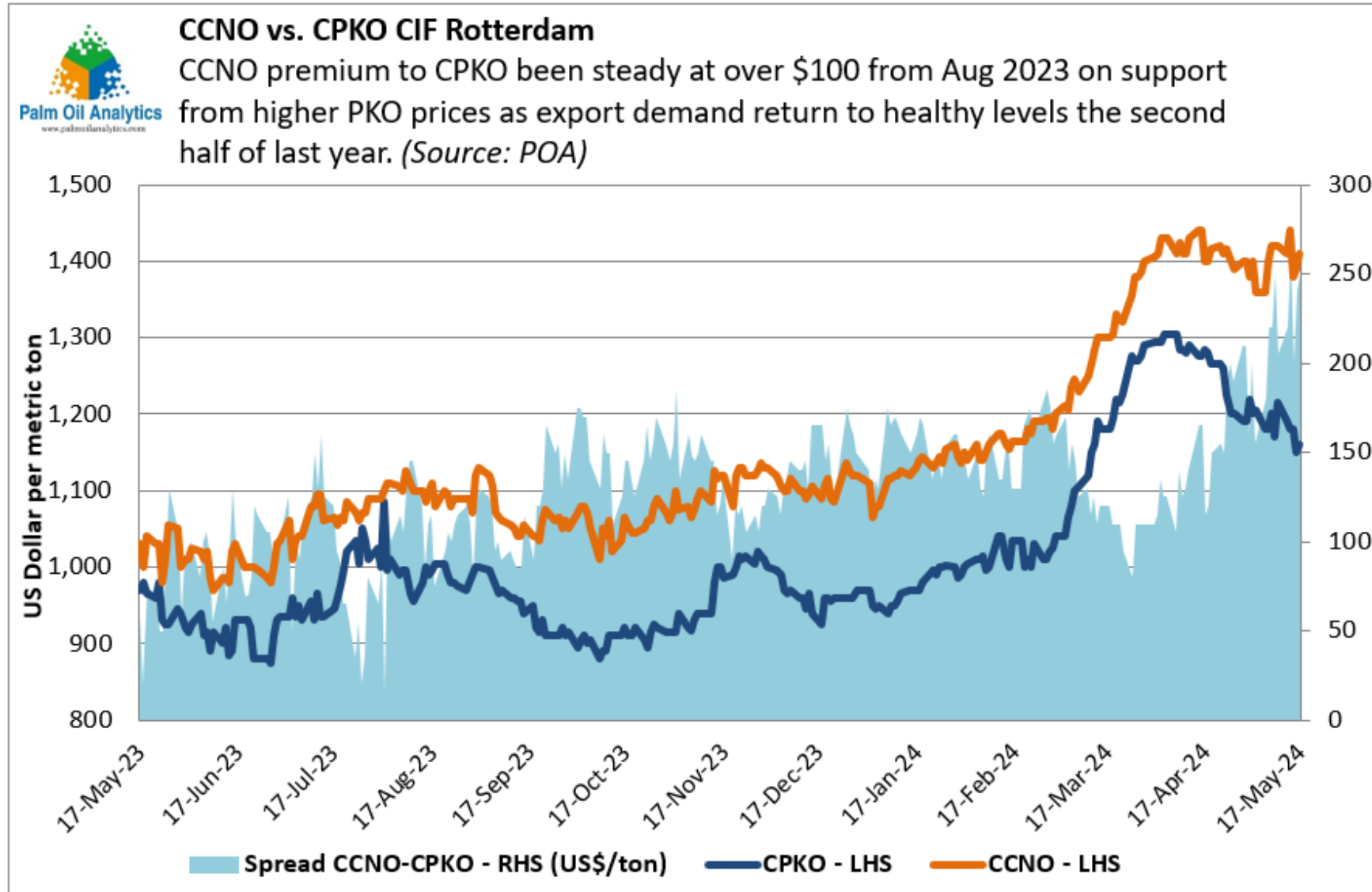


Major Geopolitical Factors at Play



- U.S Presidential Elections – Outcome and policy?
- U.S interest rate and its impact on Ringgit
- Ukraine-Russia war - Black Sea
- Tension in the Middle East and the Red Sea

Laurics market – CCNO premium to remain firm



Malaysia supply and demand outlook- 2024



Estimate

MALAYSIA	2023	2024	% change
Carry forward	2.20	2.29	4.27
Production	18.55	18.95	2.16
Imports	0.89	1.00	12.74
TOTAL SUPPLY	21.63	22.24	2.80
Exports	15.13	16.00	5.76
Domestic consumption	4.22	4.20	-0.45
Stocks	2.29	2.04	-10.95
TOTAL DEMAND	21.64	22.24	2.78

in million metric tons

Stock will remain under pressure moving above and below 2 million tons for the rest of this year 2024

Summary and price Outlook



- Supply and geopolitical tension are the 2 main factors in determining CPO pricing direction for the rest of 2024.
- Malaysia palm production is in a high cycle now and is likely to peak in July-Aug-Sept keeping prices under pressure
- In the event of a strong La Niña, we can be optimistic about production projected to exceed 19 million mt in 2025.
- Palm prices are expected to remain rangebound between RM 3700 – 3900 per tonne on the CPO futures active month contract as the state of production will be the main price driver for the rest of this year.
- Exports are likely to pick up pace in June and July on price competitiveness
- Laurics CCNO premium over CPKO to stay above \$100 for the rest of this year
- CPKO to pick up pace from June, keeping supply low. Rotterdam prices supported \$1000-1200 per-tonne