

Sigh of relief as Indonesia says won't ban crude palm oil export

Experts say decision will ensure there aren't any supply issue in May

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Indian edible oil markets heaved a sigh of relief on Monday after Indonesia, the world's largest producer of palm oil, clarified that the export ban announced last week will not apply to crude palm oil (CPO), and will only cover shipments of bulk and packaged refined, bleached, deodorized (RBD) palm olein.

This is beneficial to the Indian refining industry as any move to curb imports of refined oils boosts domestic oilseeds crushing and refining.

"Almost 70 per cent of the total annual palm oil imported into India estimated to be around 8-8.5 million tonnes (mt) is in the crude form, while the rest is refined. Curbing refined exports by Indonesia will further aid domestic refining," said B V Mehta, director general of the Solvent Extractors Association of India (SEA).

Sougata Niyogi, chief executive officer of Oil Palm of Godrej Agrovet, said the decision will ensure that there won't be any CPO supply issues in May.

"Higher refined palm oil imports hit India's domestic refining capacity and



any move to curb such imports is welcome," Niyogi told *Business Standard*.

India imports around 13-13.5 mt of edible oils, of which around 8-8.5 mt (around 63 per cent) is palm oil. Of this, almost 45 per cent comes from Indonesia and the rest from neighbouring Malaysia.

After last week's announcement, trade sources feared that if monthly supplies of around 300,000-325,000 tonnes of palm oil stop from May there would be a sharp escalation in edible oil prices in India, which have already been on the boil after the Russian invasion of Ukraine.

Meanwhile, *Reuters* reported that Malaysian benchmark crude palm

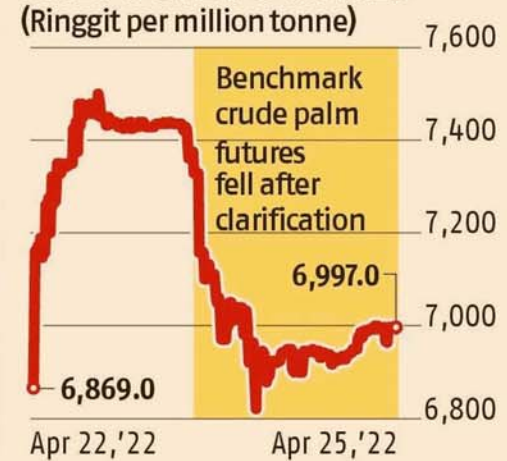
futures fell 2.09 per cent after Indonesia's clarification, having jumped nearly 7 per cent to their highest in six weeks.

According to Refinitiv Eikon, Indonesia exported an average of roughly 620,000 tonnes per month of RBD in 2021, compared to an average of around 100,000 tonnes of crude palm oil. Top destinations included India, Pakistan, and Spain.

The Indonesian government's curbs caused a slump in shares of its biggest palm oil companies on Monday, while the rupiah-headed currency fell in Asia.

According to data from Indonesia's palm oil association (GAPKI), exports

MALAYSIA CRUDE PALM OIL FUTURES



of processed CPO in 2021 stood at 25.7 mt, or 75 per cent of total exports of palm products. CPO exports were 2.74 mt in 2021, or 7.98 per cent of the shipments.

In January and February, processed CPO exports were 3.38 mt or 79 per cent of exports, while CPO exports were 90,000 tonnes, 2 per cent of the total shipped.

Global prices of crude palm oil, which Indonesia uses for cooking oil, have surged to historic highs this year amid rising demand and weak output from top producers Indonesia and Malaysia, plus a move by Indonesia to restrict palm oil exports in January that was lifted in March.