

Global palm oil output may rise over 2% next season

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LOOKING NORTH. BMI said global palm oil consumption will increase by 3.7 per cent y-o-y to 78.9 mt in 2023-24 REUTERS

Global palm oil production will likely increase during the 2023-24 season (November-October), though there are risks of the warm ocean water phenomenon El Nino affecting the output. "We forecast that global palm oil production will increase by 3.6 per cent year-on-year (y-o-y) to 80 million tonnes (mt) (subject to downside El Nino-driven risks)," research agency BMI, a unit of Fitch Solutions said.

WATER STRESS

According to the US Department of Agriculture (USDA), palm oil production across the globe next season is likely to be 2.4 per cent higher y-o-y at 79.46 mt compared with 77.58 mt this season. "El Nino may impact palm oil yield around December. Currently, production in Malaysia is being af-

ected due to water stress, which is impacting production in August — the peak production month," said Lahore-based Abdul Hameed, Director-Sales, Manzoor Trading Pakistan.

Malaysian States such as Sabah and Sarawak are witnessing a drop in production, he said. "At the present time (and subject to change over the next six months), we anticipate close-to-trend palm oil pro-

duction growth in both Indonesia and Malaysia based upon the as-yet unknown strength of El Nino, noting that direct comparisons to 2014-16 contain an implicit assumption of a historically severe El Nino event," BMI said.

RISE IN CONSUMPTION

BMI said global palm oil consumption will increase by 3.7 per cent y-o-y to 78.9 mt in

2023-24. The USDA has projected the offtake at 77.51 mt compared with 74.73 mt this season. "Palm oil demand is increasing due to weather conditions in Asia. With festival demand ahead, palm oil is the cheapest oil in the Asian region. India, which imported 1 mt in July, is still actively buying," Hamid said.

The USDA sees palm oil ending stocks a tad lower at 16.67 mt against 16.74 this season. These estimates have turned the focus on how prices will behave, going forward.

"We see the global palm oil balance remain more-or-less unchanged when compared to the estimated 1.1 mt surplus in 2022-23," BMI said.

The research agency forecast crude palm oil third-month futures to average at 3,800 MYR in 2023..Hamid said in the near-term, palm oil prices will rule between 3,800 and 4,500 MYR.