

## CPO price may remain volatile

By [Sharen Kaur and S. Birruntha](#) - March 28, 2024 @ 7:56am

KUALA LUMPUR: TH Plantations Bhd (THP) cautioned over potential volatility in commodity prices, projecting crude palm oil (CPO) prices to fluctuate between RM3,500 and RM4,000 per tonne in 2024, compared to the average of RM3,809.50 per tonne in 2023.

its chief executive officer, Mohamed Zainurin Mohamed Zain attributed this to climate and geopolitical shocks, as well as the weak ringgit against the US dollar, as contributing factors.

He said the impending impact of El Nino in 2024 could further impede harvests and production, thereby jeopardising supply.

Anticipating demand growth of 3.0 to 4.0 percent in 2024, akin to 2023, the supply-demand constraints will likely keep CPO prices on a delicate balance, he said in the company's 2023 annual report released on Wednesday (Mac 27).

"Although CPO prices were lower than the previous year's historic highs, they remained firm in 2023 due to demand from major importers China, India, the EU, and Indonesia, coupled with the expected impact of El Nino on the production of competing edible oils in the second half of 2023.

"Malaysia also saw an overall modest increase in production, as the manpower crunch faced in previous years was gradually resolved with the return of foreign workers. While stockpiles increased year-on-year, higher domestic consumption has helped to ease supplies," he said.

India maintained its position as Malaysia's largest palm oil export market last year for the 10th consecutive year since 2014, with 2.84 million tonnes

or 18.8 per cent of Malaysia's total palm oil exports, followed by China at 1.47 million tonnes (9.7 per cent).

Other significant importers were the European Union 1.07 million tonnes (7.1 per cent), Kenya 0.92 million tonnes (6.1 per cent), Turkiye 0.88 million tonnes (5.8 per cent), Japan 0.55 million tonnes (3.6 per cent) and Pakistan 0.50 million tons (3.3 per cent). These seven main markets contributed 8.23 million tonnes or 54.4 per cent of Malaysia's total palm oil exports in 2023.

Malaysia exported 24.49 million tonnes of palm oil and palm-based products and generated an income of RM94.95 billion in 2023. In 2024, export revenue from palm oil and palm-based products is expected to reach RM110 billion.

Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid opined that CPO price should be fairly stable throughout the year.

However, he said between now until October, production cycle is expected to go up which then might affect the prices due to higher supply.

He added that the outlook for CPO price should be in the region RM3,800 to RM3,900 per tonne by end of 2024.

"But having said that, there is great potential in the palm oil sector in relation to the renewable energy space.

"Areas like waste-to-energy and sustainable aviation fuel (SAF) would mean there are greater use of palm oil," he told Business Times.

Moving forward, Afzanizam said factors such as aging trees, the necessity of replanting, increased fertiliser costs, and labor supply are anticipated to impact CPO prices.

Meanwhile, Tradeview Capital fund manager Neoh Jia Man said CPO prices could potentially breach the RM4,000 per tonne level this year.

He noted that this could be driven by the impact of drier weather on supply growth.

Additionally, he said higher biodiesel consumption in neighbouring Indonesia, as the B35 blending mandate has been fully adopted, may also play a role.

"We believe that Malaysia's CPO prices have largely reflected the sluggish demand from China and high inventory levels in end-user markets.

"Looking ahead, we are concerned about the potential slowdown in consumer demand globally and intensified competitive pressure from soybean oil due to a strong harvest in the US this year," he added.

Malaysian Palm Oil Board director-general Datuk Dr Ahmad Parveez Ghulam Kadir said higher export revenue from the oil palm sector is expected this year.

"Our palm oil is poised to remain a key contributor to the nation's economy this year. We anticipate an increase in export revenue from palm oil and palm-based products.

"The rise in revenue is expected due to higher demand from our primary importers, notably China and India, as well as improved prices of CPO," he said in his column in the Business Times recently.

Ahmad Parveez said that similarly, palm oil exports may increase by 3.3 per cent to 15.6 million tonnes in 2024, as opposed to 15.1 million tonnes in 2023, attributed to expectedly higher export demand, especially from China.

He added that the B35 implementation (35 per cent palm oil blend in biodiesel) in Indonesia and the high crude oil price are expected to increase export demand for Malaysian palm oil.

MPOB foresees the price of CPO to average higher at between RM3,900 per tonne and RM4,200 per tonne this year, which will support the country's income from palm oil exports, he said.

"The expected higher average price of CPO may be mainly due to the tight palm oil supply as a result of unfavourable weather conditions, which are expected to remain at least until April 2024. Malaysia's palm oil stocks, expected to be below two million tonnes this year, will also support the price of CPO," he said.

Ahmad Parveez said that Malaysia is recording better production of CPO, although the numbers are still below the actual production potential level.

In 2023, CPO production recorded an increase for the second year in a row to 18.55 million tonnes compared to 18.45 million tonnes in 2022 and 18.12 million tonnes in 2021.

The higher CPO production of 0.5 per cent in 2023 was partly contributed by the improved estate's yield performance of fresh fruit bunches (FFB) during the year, up by 1.9 per cent to 15.79 tonnes per hectare compared to 15.49 tonnes per hectare in the previous year.

In 2024, CPO production is expected to increase marginally by 1.1 per cent to 18.75 million tonnes from 2023's production due to an improvement in the labour situation and increased fertiliser application, he said.

"However, CPO production is expected to remain below potential due to the El Nino event, which is expected to affect FFB production in the second half of this year," he said.

#### Headwinds ahead

THP's Mohamed Zainurin cautioned about existing headwinds, notably the potential slowdown in China's economy owing to stress in the real estate sector, despite some alleviation of inflationary pressures globally.

To leverage the favourable industry outlook, THP plans to sustain its focus on operational efficiency to enhance yields and profitability, including rehabilitating specific plantation assets, he said.

Mohamed Zainurin also said the company is open to the possibility of unlocking the value of its plantations as well as continuing its mechanisation initiatives in 2024, including the option of a leasing programme for all infield collection machines.

THP chairman Datuk Dr Ahmad Kushairi Din highlighted the anticipated impact of the El Nino phenomenon in 2024, forecasting decreased fresh fruit bunch (FFB) production due to rain deficits.

Last year, the company's FFB production increased by 13.2 per cent to 787,741 MT from 695,824 MT in 2022. Production of FFB increased across all regions, resulting in a higher yield of 15.18 Mt/ha in 2023 compared to 13.21 Mt/ha in 2022.

In his chairman statement, Ahmad Kushairi emphasised the continuation of robust demand in 2024, driven by the persistently strong demand for food and biodiesel, following the trend observed in 2023.

"Moving forward, I am pleased to inform that the board has approved THP's five-year strategic business plan (2024-2028), which serves as a roadmap for mapping our journey for sustainable growth and profitability," he said.

Ahmad Kushairi added that this strategic plan is anticipated to drive the company's growth trajectory over the next five years.