

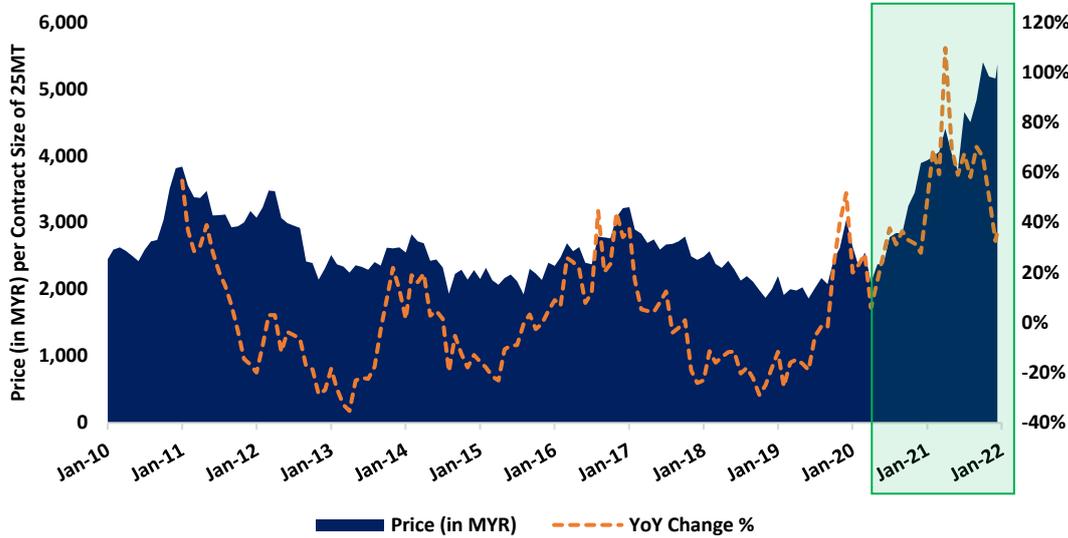


OIL PALM SECTOR

SUPPLY CRUNCH TO SUPPORT HIGH PRICES TO PERSIST IN 1H2022

FLASH NOTE

Palm Oil Futures Historical Data 2010 - 2022



FIRST CAPITAL RESEARCH

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Source: www.investing.com

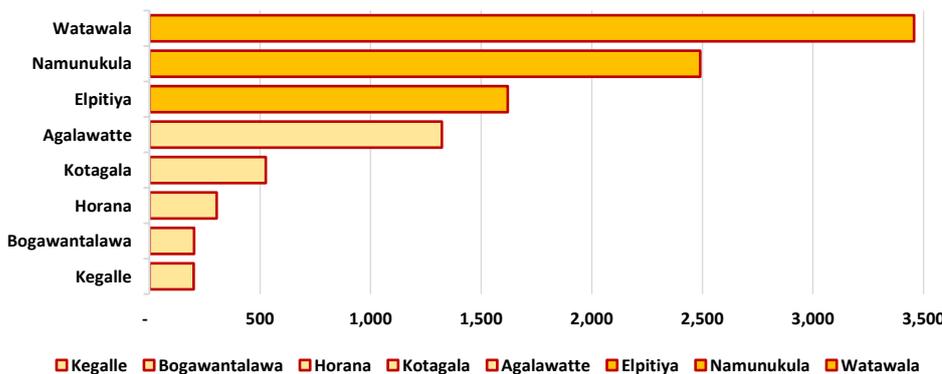
Palm oil prices to stay strong amidst supply-side constraints

The global palm oil prices elevated to a record high of 5,366 ringgit or USD 1,281 (1USD = 4.19 ringgit) per futures contract as of the previous closing. Tight supply has been fueling the continuous upsurge in prices that have been witnessed since May 2020. Usage of poor-quality fertiliser in 2018 and 2019 due to the increased fertiliser prices, along with the severe labour shortages during the pandemic era were hampering the yields of oil palm cultivation during 2021, thereby shooting up the prices as a result of failing to meet the global demand. The application of improved fertiliser and the revival in labour supply may allow Malaysia and Indonesia, which are the biggest palm oil producing nations, to enhance their level of output in the coming months. However, the continuous increase in prices of Nitrogen and Phosphate coupled with undesirable weather patterns may still act as barriers to produce the desired level of output to match the rising global demand in 2022. Therefore, we expect the palm oil prices to stay within a bullish range during 1H2022.

Resurgence of Covid-19 may curtail the upswing in demand

It was expected that the demand for palm oil may grow up further as the leading palm oil importing nations, namely China and India, are witnessing a rebound in economic activities while creating extra pressure on the prices. However, with the resurgence of Covid-19 with the Omicron variant, any potential lockdowns or travel restrictions leading to the closure of hotels and restaurants are expected to adversely affect the projected demand. Nonetheless, the palm oil prices are not expected to bounce back to the pre-pandemic levels in the near term.

Leading Oil Palm Cultivators in Sri Lanka



WATA, NAMU and ELPL leading way while accounting for the highest extent of Oil Palm among the listed players.



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