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March 26, 2008



## Malaysian palm at 2-week high on veg oil squeeze

KUALA LUMPUR - MALAYSIAN crude palm oil futures soared 5.7 per cent on Wednesday to near a two-week high as concerns of tight global oilseed supplies spurred investors to buy after last week's sell-off.

Palm oil has staged a solid come-back with three straight sessions of gains as edible oil producing countries from Argentina to Indonesia raised export taxes while consuming nations such as India slashed import duties.

The benchmark June contract on the Bursa Malaysia Derivatives Exchange rose as much as 200 ringgit to settle at 3,700 ringgit (\$S1,602), a level not seen since March 14.

Other traded months rose between 136 and 201 ringgit. Overall trade rose to more than doubled to 21,920 lots of 25 tonnes each.

'People realised that the spill-over turbulence from financial markets did not do justice to the strong fundamentals of palm oil,' said Mr Fordyanto Widjaja, a Singapore-based analyst with Morgan Stanley.

Mr Widjaja said palm oil market was riding higher on the back of bullish soy oil prices due to an Argentinian grain farmers' strike at the start of the South American soy season due to the increase in export taxes.

And the strike has triggered a force majeure in soy and soyoil shipments to China, prompting worries over a possible shortage in May in the world's top importer of the oilseed.

Soy-oil for May delivery at the Chicago Board of Trade shot up 2.4 per cent to 59.17 cents per pound, while the most-active September soy oil contract on China's Dalian Exchange jumped 2.1 percent to 11,120 yuan by 1027 GMT.

Meanwhile, Indonesia's move to double crude palm oil export taxes to 20 per cent in April would see a heavier reliance on Malaysian palm oil to satisfy world demand, Malaysian traders said.

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'There has been talk of Indonesian exporters rushing to ship out palm oil to Malaysia prior to the export hike announcement on Tuesday,' said a trader with a local commodities brokerage.

'They are pretty desperate.' Export curbs by producer countries have followed moves by consumer countries such as India in slashing import duties for crude palm oil to 20 per cent from 45 per cent.

Soy oil may also be the next item to get a cut in import duties, an Indian government source said on Monday.

But Asian traders said Malaysian palm oil will be the main benefactor of the flurry of import duty cuts and export tax hikes.

'Soyoil available for food demand is low and the Argentinian export tax increase has made that worse,' said a trader with a foreign brokerage in the Malaysian capital.

He added: 'Palm oil will have to satisfy Indian food demand regardless of whether the government cuts soyoil import duties.'

Cargo surveyor Intertek Testing Services said Malaysian palm oil exports rose 10.2 percent to 1,006,100 tonnes for March 1-25, while Societe Generale de Surveillance reported a 14.8 percent jump to 1,037,210 tonnes.

In Malaysia's physical market, crude palm oil for March shipment in the southern region was quoted at 3,630/3,650 ringgit a tonne. Trades were quoted between 3,600 and 3,630 ringgit. -- REUTERS

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