

(BN) Palm Oil Has Biggest Monthly Gain in Three Years as Supply Drops

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(For physical price assessments, see MPOI1.)

By Ranjeetha Pakiam

Oct. 31 (Bloomberg) -- Palm oil advanced to the highest level in a year, capping the largest monthly increase since 2010, on speculation that rain will disrupt harvests in Malaysia and as the high-production cycle ends this month.

The contract for delivery in January jumped 2 percent to 2,598 ringgit (\$823) a metric ton on the Bursa Malaysia Derivatives, the highest close for most-active futures since October 2012. The surge in prices narrowed its discount to soybean oil to \$103 a ton, the smallest since May 2012 and compared with \$379 in October last year.

Prices surged 12 percent this month, the most since October 2010, on expectation that the monsoon season that usually begins in November would slow production. While palm oil is produced year-round, the peak is from July to October in Malaysia, the world's second-largest supplier.

"The adverse weather in Malaysia is likely to hamper production in the upcoming months; it may cause some disruption to harvesting as well as complicate logistics," Tan Chee Tat, an analyst at Phillip Futures Pte, said by phone in Singapore.

"Because of the kicking in of the monsoon season and the end of the high-production cycle, we're expecting production to slow."

Isolated showers and thunderstorms are predicted over Sabah, Sarawak and Johor, the biggest palm oil producing states, according to a seven-day outlook on the Malaysian Meteorological Department's website.

Relative Strength

Production in Indonesia, the biggest supplier, has also declined this year, said Derom Bangun, chairman of the Indonesian Palm Oil Board. Output in the first 10 months may be as much as 10 percent below a year earlier because of rain and the effect of annual growing cycle, said Bangun this week.

Exports by Malaysia gained 2.9 percent to 1.55 million tons in October from a month earlier, SGS (Malaysia) Sdn. said today.

The 14-day relative strength index was at 77. Some traders see readings above 70 as a sign a drop is imminent. Volume was

32,292 contracts. Palm for physical delivery in November was at 2,550 ringgit, data compiled by Bloomberg show.

Refined palm oil for May delivery lost 0.6 percent to close at 6,292 yuan (\$1,033) a ton on the Dalian Commodity Exchange and soybean oil ended little changed at 7,212 yuan.

Soybeans for delivery in January climbed 0.7 percent to \$12.86 a bushel on the Chicago Board of Trade, while soybean oil for December rose 0.5 percent to 41.82 cents a pound.

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