



Shahriar Bin Lutfur, head of business for CE division at Samsung Electronics Bangladesh, and Arshad Huq, managing director and CEO of Transcom Electronics, attend the launch of an extensive line-up of Samsung-branded real 4K UHD televisions at The Daily Star Centre in Dhaka yesterday. The models, 43NU7470, 50NU7470, 55NU7470 and 65NU7470, are priced at Tk 72,900, Tk 114,900, Tk 134,900 and Tk 209,900 respectively.

## Global palm oil demand set for first contraction in two decades

REUTERS, Kuala Lumpur

World palm oil demand may suffer its first contraction in two decades during the 2019/20 crop year due to rising domestic oilseed supplies in top buyer India and slowing demand in Europe and China, industry participants told Reuters.

Indian traders expect flat to slightly larger palm oil imports this year against a backdrop of record oilseed production that should boost domestic edible oil supplies.

In the European Union, the world's second-largest palm oil importer, buyers are avoiding the oil because of concerns of alleged environmental damage from palm cultivation, while the Washington-Beijing trade war has caused uncertainty over demand potential in the third-largest market in China.

Malaysian palm oil futures slipped almost 8 percent in February as rising inventories and declining demand weighed. Sustained sub-par demand in major markets is expected to keep prices on the defensive, three traders said.

"Overall domestic availability of edible oil in India will be much higher which will reduce our dependence on imported oil," said Atul Chaturvedi, a director at Adani Wilmar Ltd, one of the country's biggest vegetable oil companies.

"India's edible oil imports will be at a similar level to last year."

Production of rapeseed, used to make an alternative oil to palm, is likely to be a record 8 million tonnes said, B.V. Mehta, Executive Director of the

Solvent Extractors Association of India, the industry group representing oilseed producers.

Because of that increase "the domestic availability (of rapeseed oil) will increase by more than half a million tonnes which will take care of incremental growth in (edible oil) demand, so imports will be the same around the last level of 15 million tonnes," he said.

Still, lower prices and reduced import tariffs are expected to encourage imports into India in 2019, but purchases will be capped over the near-term by a drawn out winter that has cut palm use in northern areas, said Sandeep Bajoria, chief executive of the Sunvin Group, a Mumbai-based vegetable oil importer.

Buyers in Europe have cut back on large, long-term palm oil orders due to a high profile push back against the edible oil which is linked to deforestation.

"European countries can impose more restrictions on palm oil," said a Kuala Lumpur-based trader which supplies palm oil to Europe. "Importers are not willing to take risks."

European countries also bought more soybeans than normal last year amid the United States' and China's trade standoff, and the increase in local soyoil production may reduce the need for overall edible oil imports.

The trade war is also causing uncertainty over Chinese palm demand, as any resolution with the United States could see China buy more US soybeans and need less oil imports.

Palm oil exports from Malaysia, the

world's second-largest palm producer, to the European Union slid to 264,005 tonnes in February from 405,867 tonnes a month ago, according to cargo surveyor Societe Generale de Surveillance (SGS).

China's palm oil purchases from Malaysia dropped to 98,635 tonnes last month from 264,722 tonnes in January.

"We don't know how this trade war will turn out," said Ivy Ng, regional head of plantations research at CIMB Investment Bank. "For China, it's still a question mark."

Palm demand in Pakistan, Turkey and Egypt is expected to increase in the run up to Muslim holiday of Ramadan, though it will likely stay within seasonal norms and not create more demand growth.

Traders also said that markets hit by currency depreciations last year have better purchasing power now due to improved currency management and lower palm prices versus 2018.

"Palm prices now are quite cheap as compared to last year, which improves the purchasing power for Pakistan," said a Pakistan-based oilseed trader.

"This is seasonal demand which we see every year, there is no incremental demand."

Even with the Ramadan-linked purchases, overall world palm demand is likely retreat from last year's record 73.4 million tonnes given the potential cooling in import interest from India, Europe and China, which together accounted for 46 percent of total imports last year.

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