SUPPLY AND DISAPPEARANCE — A REVIEW

Malaysia's production of CPO in 1990 was 6.094 million tonnes, an increase of 0.6% over production in 1989 (6.056 million tonnes). The slower growth of production in 1990 as compared with that of the previous year was possibly due to the biological reaction of the palms to overstress. (There was a sharp increase in production in 1989 of 20.5% year-on-year). Apart from the overstress, the sizeable rainfall deficit in the 15 months ending August 1990 also contributed to the limitation of production in 1990. Monthly production from August to December 1990 was actually lower than in the corresponding period the previous year (*Table 1*). Cumulative production during these months in 1990 was 2 728 485 tonnes against 3 082 283 tonnes in the same period the year before – a decline of 353 798 tonnes or 11.5 per cent.

In 1991, Malaysian palm oil production is forecast at 6.25 million tonnes, an increase of about 2.7% year-on-year. The production is expected to fall close to the trend line following the cyclical pattern. Monthly production of palm oil during January-March 1991 was lower than that in the corresponding months of 1990. Cumulative production for these first three months was 1 096 471 tonnes, a decline of 221 989 tonnes or almost 17% from that of the corresponding period in 1990 (1 318 460 tonnes).

The amount of palm oil in stock at the beginning of 1990 was 1.06 million tonnes and 6.09 million tonnes were produced during the year, making a total of 7.15 million tonnes available for trade. Exports of palm oil totalled 5.727 million tonnes: after taking into account local consumption, as well as making some adjustment for losses, the ending stock of palm oil in 1990 amounted to 719 095 million tonnes. Of the palm oil exported, 5 633 502 tonnes or 98.36% was in the form of processed palm products, with only 93 949 tonnes or 1.74% of crude palm oil.

Singapore was the largest importer of palm oil from Malaysia. During the year, she imported 742 405 tonnes (*Table 2*) comprising 731 658 tonnes of processed palm oil (PPO) and 10 747 tonnes of crude palm oil (CPO). However, Singapore re-exported most of these imports.

China was the second largest importer of Malaysian palm products, taking a total of 737 123 tonnes in 1990. This quantity included 502 263 tonnes of RBD olein, 213 389 tonnes of RBD stearin, 12 685 tonnes of RBD palm oil and 8 557 tonnes of crude olein. China's imports were 53.7% more than the 479 634 tonnes imported in 1989. This leap is attributable, firstly, to the competitive and favourable prices of palm products as compared with those of other oils and fats. Palm oil is established for the frying of instant noodles and its use is being extended to general frying operations in the catering sector. More palm products are also being used to make margarine, shortenings and confectionery. Improving living standards, an 'open door' policy, increased knowledge on solving technical problems related to palm oil and finally consumers, satisfaction with the quality of palm oil from Malaysia are also factors contributing to the increase in imports.

The third largest importer was Pakistan: the country's uptake in 1990 was 702 455 tonnes, an increase of 12% over the previous year's total. The imports included 603 058 tonnes of RBD palm oil, 13 794 tonnes of RBD palm olein and 848 tonnes of RBD stearin. The increase could have been due in part to the favourable price of palm products relative to that of other oils and fats, to the reduction in import duty during the year to Rs 5000 per tonne, and to a regulation specifying, a maximum of 35% soyabean oil in ghee blends, with the balance of 65% to be palm oil. A further reduction in the import duty on palm oil to Rs 4500 per tonne in early 1991 (as well as the favourable price) will be a further stimulus to imports of palm oil.

Imports by the EEC from Malaysia increased from 477 949 tonnes in 1989 to 621 548 tonnes in 1990. Of this total, 89% was PPO, including 187 132 tonnes of RBD palm oil, 141 227 tonnes of RBD olein, 62 201 tonnes of RBD stearin and other items. The increase in imports of PPO from Malaysia by the EEC could be attributed to the impact of the technical information and facts about the nutritional aspects and techno-economic advantages of palm products which were disseminated during the PORIM European Symposium in May 1990. This also implies that the anti palm oil campaign in the USA was not influencing consumers in the EEC. This is also evident in the statistics showing that imports of CPO from Malaysia by the Netherlands increased from 5 866 tonnes in 1989 to 54 471 tonnes in 1990 and those by the UK from nil to 13 754 tonnes. Similarly, total imports of palm oil by the EEC from all sources increased from 1.265 million tonnes to 1.555 million tonnes.

TABLE 1. MALAYSIAN PALM OILS : SUPPLY AND DISAPPEARANCE BY MONTH (tonnes)

	SUPPLY			DISAPPEARANCE			
1990	Beginning Stocks	Production	Total[a]	Adjusting Balance	Exports	Total (a)	Ending Stocks
January	1 059 915	444 594	1 504 509	36 105	464 541	500 646	1 003 863
February	1 003 863	419 768	1 423 631	7 406	387 786	395 192	1 028 439
March	1 028 439	454 098	1 482 537	62 672	488 695	551 367	931 170
April	931 170	412 302	1 343 472	44 815	461 111	505 926	837 546
May	837 546	553 461	1 391 007	54 576	504 319	558 895	832 112
June	832 112	519 632	1 351 744	81 329	447 295	528 624	823 120
July	823 120	562 282	1 385 402	38 323	493 269	531 592	853 810
August	853 810	622 389	1 476 199	82 095	516 187	598 282	877 917
September	877 917	634 662	1 512 579	65 969	508 831	574 800	937 779
October	937 779	572 717	1 510 496	46 962	561 564	608 526	901 970
November	901 970	493 907	1 395 877	124 013	480 906	604 919	790 958
December	790 958	404 810	1 195 768	63 726	412 947	476 673	719 095
Total		6 094 622			5 727 451		
1991							
January	719 095	331 406	1 050 501	56 586	357 601	414 187	636 314
February	636 314	332 240	968 554	17 697	288 354	306 051	662 503
March	662 503	432 825[b]	1 095 328	33 517	436 488[b]	470 005	625 323[c]
April	625 323 c	NA	NA	NA	NA	NA	NA

a Summation of the month's totals do not always equate to the total for the year, because adjustments made to the latter are not incorporated into the former.

b Preliminary

c Estimate
NA not available

Source: Palm Oil Update, PORLA (various issues)

India was the fifth largest importer of Malaysian palm oil in 1990, taking 511 160 tonnes of PPO against 271 422 tonne the previous year. The total included 499 605 tonnes of RBD palm olein, 5 433 tonnes of RBD palm oil and 4 166 tonnes RBD stearin. Prior to 1988, India had been the most important customer for Malaysian palm products, importing an average of 890 000 tonnes yearly. However, the situation changed drastically from 1989 when India slashed her edible oil imports by 80% because of a 50% increased in local oilseed production. This led to a 65% drop in imports of Malaysian palm oil.

The year 1990 was not as good as 1989 for oilseed production in India and this, coupled with lower beginning stocks of edible oil in the country, led to a renewed increase in imports. These are expected to increase again in 1991 as a result of the same factors operating in 1990.

Egypt, the sixth largest importer, took 346 442 tonnes of PPO in 1990, including among other items 209 205 tonnes of RBD stearin, 70 540 tonnes of RBD palm oil and 66 998 tonnes of RBD palm olein. In 1989, Egypt imported 206 906 tonnes of PPO and 2179 tonnes of CPO. RBD stearin is used by the soap industry, while RBD palm olein and RBD palm oil are used for the manufacture of vegetable ghee. Imports of palm products are forecast to increase further when the country allows blended cooking oils to be marketed.

The quantum of Malaysian palm oil exports to major destinations in 1989 and 1990 is illustrated in *Table 2.* Based on the lower beginning stock of Malaysian palm oil in 1991 and the forecast production of 6.25 million tonnes, the estimated amount of palm oil available for trade in 1991, 6.969 tonnes, will be lower than in 1990, when it was 7.15 million tonnes. Such a situation suggests better price prospects for Malaysian palm products.

TABLE 2. MALAYSIAN EXPORTS OF PALM OIL TO MAJOR DESTINATIONS (tonnes)

Countries	1990	1989
Processed Palm Oil		
India	511 160	271 422
Pakistan	702 455	627 060
China	737 123	479 634
EEC	553 323	472 083
USA	143 782	126 772
Iran	10 573	77 787
Iraq	137 646	130 661
Indonesia	0	325 459
Egypt	346 442	206 906
USSR	160 473	378 365
Saudi Arabia	86 061	115 249
Singapore	731 658	817 856
Japan	274 699	262 612
Jordan	45 939	122 163
South Korea	215 091	167 263
Australia	58 615	65 120
Turkey	191 118	146 232
Yemen	85 245	62 033
Mozambique	49 025	31 501
Bangladesh	25 190	14 882
Kenya	19 168	12 401
Others	548 716	264 374
Sub-Total	**5 633 502**	**5 177 835**
Crude Palm Oil		
Netherlands	54 471	5 866
UK	13 754	0
Singapore	10 747	2 179
Rest of the World	14 977	80
Sub-Total	**93 949**	**8 125**
Total	**5 727 451**	**5 185 960**

Source: Palm Oil Update (PORLA).

PRICES

For January-March 1991 the prices of palm oil products (except palm kernel oil) were at a discount to all other oils and fats. Such discounts will continue to prevail at least in the short run, so that buyers will save if they buy palm oil rather than other oils. *(Table 3).*

RBD palm oil was at a discount to crude soyabean oil of US$114/tonne in January 1991 and of US$122/tonne in March 1991, averaging US$115/tonne for January-March. Against crude rapeseed oil RBD palm oil was at a discount of US$74/tonne in January 1991, and this widened to US$84 and US$98 in February and March 1991 respectively. The price discount for RBD palm oil against crude sunflowerseed oil was even greater, at US$153/tonne in January 1991, declining to US$134 and US$128 in February and March respectively, and averaging US$139 tonne for January-March 1991 *(Table 3).*

RBD palm olein (CIF Rott equi) was at a discount to soyabean oil (crude degummed FOB Rott) of US$89/tonne in January, US$90/tonne in February and US$93/tonne in March 1991. For January-March the average discount of RBD palm olein to crude soyabean oil was US$90/tonne *(Table 3).*

There was also a discount for RBD palm olein (CIF Rott equi) against rapeseed oil (CIF) Rott) of US$49/tonne in January, US$60/tonne in February and US$69/tonne in March 1991. When compared with sunflowerseed oil (any origin CIF Rott) RBD palm olein (CIF Rott equi) was at even greater discounts ranging from US$99/tonne in March to US$128/tonne in January 1991. The average discount for RBD palm olein against crude sunflowerseed oil for January-March was US$113/tonne *(Table 3).*

The discount for RBD palm stearin (CIF Rott equi) against tallow (US Fancy bleached CIF Rott) was US$124/tonne in January 1991, and US$106/tonne in March, averaging US$118/tonne for January-March 1991. The palm kernel oil (M'sia/Indon CIF Rott) price was at a slight premium to coconut oil (Phil/Indon CIF Rott) of US$12/tonne in January, US$15/tonne in February and US$7/tonne in March 1991 *(Table 3).*

For 1990 and the first quarter of 1991 the relationships between the prices of palm oil products, *viz.* RBD palm oil, RBD palm olein, RBD palm stearin and crude palm oil, and those of their competitors, *i.e.* crude soyabean oil, crude cottonseed oil, tallow and coconut oil are shown in *Table 2.*

The prices of palm oil products were at a discount to those of their competitors in 1990. For January-December 1990 the discount for RBD palm olein to crude soyabean oil was US$115/tonne, and to cottonseed oil it was US$336/tonne. In the same period the discount for palm kernel oil against coconut oil was US$2/tonne while that for RBD palm stearin against tallow was US$64/tonne.

The discounts for palm oil products were on a steady decline from the first quarter of 1990 to the first quarter of 1991, especially for the case of RBD palm olein against crude soyabean oil and cottonseed oil. The discount for RBD palm stearin against tallow in the first quarter of of 1990 widened in the first quarter of 1991. However the discount for palm kernel oil against coconut oil in the first quarter 1990 was replaced by a premium in the first quarter of 1991 *(Table 4).*

The price competitiveness of palm oil products *vis-a-vis* other oils and fats is shown graphically in *Figure 1.*

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TABLE 3. PRICE COMPETITIVENESS OF PALM OIL PRODUCTS VS OTHER OILS AND FATS

	1991			
Prices (US$/tonne)[b]	**Jan**	**Feb**	**Mar[a]**	**Average**
RBD palm oil (RBD PO)	340	332	329	333
RBD palm olein (RBD POLN)	365	356	358	359
Crude soyabean oil (CSBO)	454	441	451	448
Crude rapeseed oil (CRSO)	414	416	427	419
Crude sunflowerseed oil (CSFO)	493	446	457	472
RBD palm stearin (RBD PSTN)	258	241	240	246
Tallow (T)	382	356	346	361
Palm kernel oil (PKO)	347	347	347	347
Coconut oil (CNO)	335	332	340	335
Crude palm oil futures (CPOF)[c]	324	314	310	316
Soyabean oil futures (SBOF)[d]	448	470	486	468
Premium (+) or Discount (-) (US$/tonne)				
RBD PO/ CSBO	-114	-190	-122	-115
RBD PO/ CRSO	-74	-84	-98	-85
RBD PO/ CSFO	-153	-134	-128	-139
RBD POLN/ CSBO	-89	-90	-93	-90
RBD POLN/ CRSO	-49	-60	-69	-60
RBD POLN/ CSFO	-128	-110	-99	-113
RBD PSTN/ T	-124	-115	-106	-118
PKO/CNO	+12	+15	+7	+12
CPOF/SBOF	+124	-156	-176	-152

Source: Uniquote, Bernama

Notes

[a] first three weeks only

[b] RBD palm oil, RBD palm olein (CIF Rott equi), Soyabean oil (crude degummed FOB Rott), Rapeseed oil (crude Dutch FOB Rott), Sunflowerseed oil (crude any origin CIF Rott), (CIF Rott equi = FOB + US$45/tonne being cost of freight RBD palm stearin (CIF Rott equi), Tallow (US fancy bleached CIF Rott), Palm kernel oil (Mal/Indon CIF Rott), Coconut oil (Phil/Indon CIF Rott),

[c] Kuala Lumpur Commodity Exchange

[d] Chicago Board of Trade

TABLE 4. PRICES OF SELECTED OILS AND FATS (US$/TONNE 1990 AND 1991)

	RBD Palm Olein (CIF) (Rott) (1)	Soyabean Oil (FOB) (Rott) (2)	Cottonseed Oil (CIF) (Rott) (3)	Spread (1)-(2) +Premium -Discount	Spread (1)-(3) +Premium -Discount	Palm Kernel oil (CIF) (Rott) (4)	Coconut oil (CIF) (Rott) (5)	Spread (4)-(5) +Premium -Discount	RBD Palm Stearin (CIF) (Rott) (6)	Tallow (CIF) (Rott) (7)	Spread (6)-(7) +Premium -Discount	RBD Palm oil (FOB) (M'sia) (8)	Palm oil (CIF) (Rott) (9)
JAN 1990	313	417	583	-104	-270	403	433	-30	302	364	-62	267	279
FEB	308	428	610	-120	-302	366	393	-27	300	366	-66	265	271
MAR	314	442	661	-128	-347	357	372	-15	303	348	-45	273	286
APR	307	440	677	-133	-370	342	343	-1	302	327	-25	266	267
MAY	320	449	714	-129	-394	353	353	0	305	336	-31	279	281
JUN	315	435	730	-120	-415	320	317	3	290	338	-48	269	272
JUL	318	437	716	-119	-398	305	297	8	279	335	-56	268	279
AUG	339	460	700	-121	-361	303	297	6	261	317	-56	274	291
SEP	341	461	674	-120	-333	286	294	-8	246	321	-75	271	284
OCT	342	468	655	-126	-313	289	284	5	252	338	-86	276	290
NOV	370	456	648	-86	-278	348	343	5	284	378	-94	316	332
DEC	396	476	645	-80	-249	335	325	10	285	406	-121	335	346
AVG	332	447	668	-115	-336	334	336	-2	284	348	-64	280	290
JAN 1991	411	455	641	-44	-230	353	340	13	288	389	-101	342	349
FEB	404	445	621	-41	-217	345	330	15	279	358	-79	334	338
MAR[a]	402	446	615	-44	-213	350	342	8	280	345	-65	330	340

RBD Palm Olein, Mal.CIF Rott; Soyabean Oil, Dutch FOB ex-mill; Cottonseed Oil, US, PBSY, CIF Rott; Palm Kernel Oil, Mal. CIF Rott; Coconut Oil, Phil./Indo.,CIF Rott; RBD Palm Stearin, CIF Rott; Tallow US Bleach Fancy, CIF Rott; RBD Palm Oil, FOB Mal; Palm Oil, Sum/Mal, CIF. N. W. Europe.

[a] as at 21st March

Source: Oil World

Prepared on 10 Apr. 1991

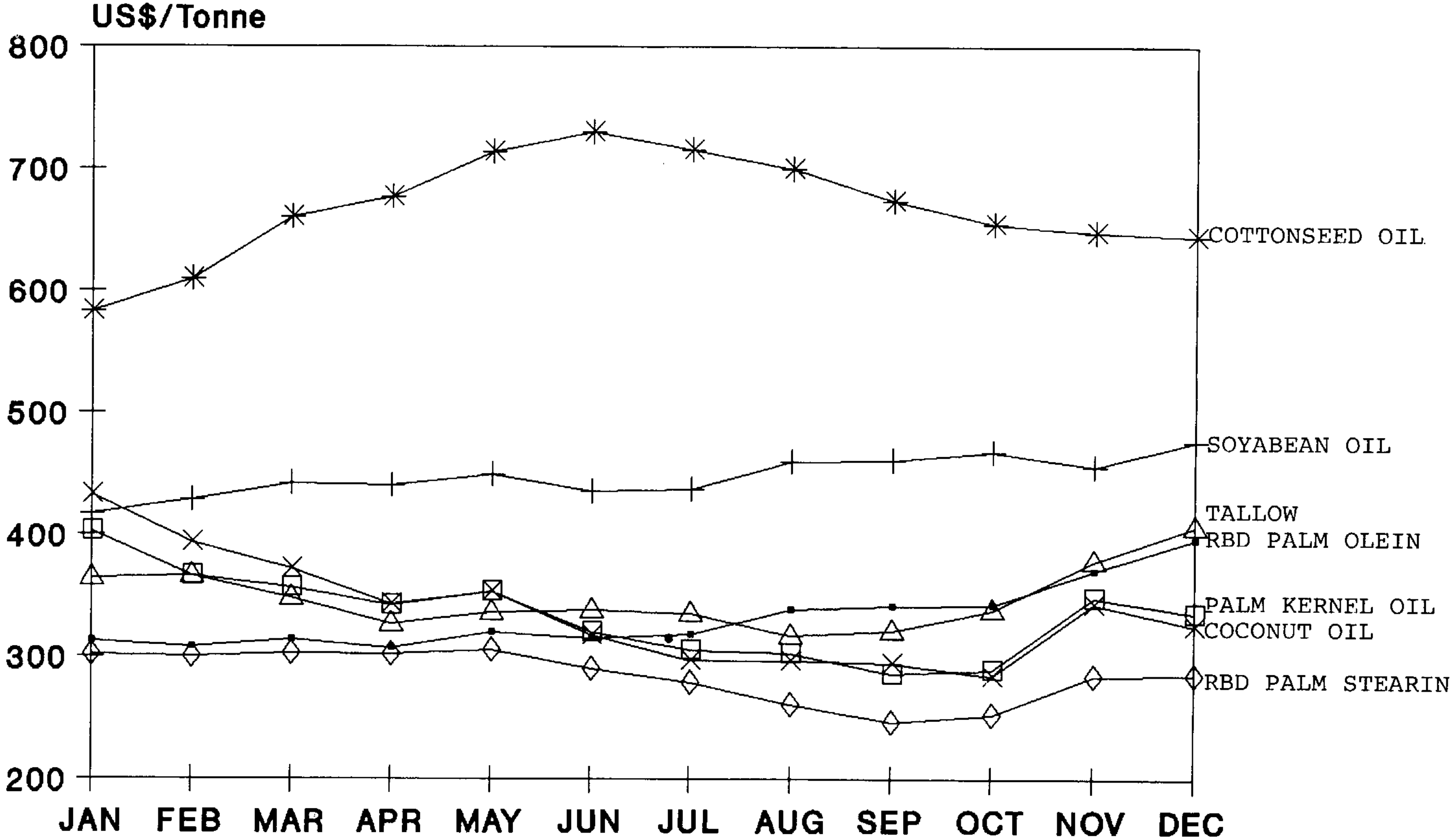

FIGURE 1. PRICES OF SELECTED OILS AND FATS 1990