

# Supply and Disappearance – A Review

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After a robust production year in 1993, where production of palm oil increased from 6.373 million tonnes in 1992 to reach 7.403 million tonnes, the golden crop of Malaysia is expected to go into its resting stage in 1994. The first half year production in 1994 was 3.044 million tonnes, a decline of 118 549 tonnes or 3.7% over production of the same period the previous year. Monthly production for the first three months of 1994 were higher than that of the corresponding period in 1993 (*Table 1*). However, monthly production from April to June in 1994 were much lower than that of the corresponding months in 1993 leading to cumulative production for the first six months in 1994 to be lower. Production forecast for 1994 is now revised to be about 7.50 million tonnes from the earlier forecast of 7.52 million tonnes.

The large increase in production of palm oil in 1993 resulted in stocks carry-over into 1994 to be large at 1.17 million tonnes as against beginning stocks of 0.66 million tonnes the year earlier. Based on expected production in 1994 and stocks beginning of the year, total availability of palm oil for trade is

estimated at 8.67 million tonnes. The amount of palm oil traded in the first six months of 1994 totalled 3.25 million tonnes, registering an increase of about 433 000 tonnes or 15.36% over exports of the previous year. The major importers of Malaysian palm products for January–April 1993 and 1994 are shown in *Table 2*.

In the first four months of 1994, China was the largest importer of Malaysian palm products. The imports during the period were 402 540 tonnes, an increase of 280 039 tonnes over the same period the previous year. Her imports during January–April 1994 comprised 261 502 tonnes RBD palm olein, 64 631 tonnes RBD palm stearin, 61 971 tonnes RBD palm oil and 14 434 tonnes crude palm olein. Increased imports of palm products were brought about by the severe drought conditions in the country causing threats to yield oil bearing crop. Hence China had to import more palm oil products since their prices were more favourable when compared with prices of other vegetable oils while taking advantage of the slight weakening in prices of oils and fats during the period. It is anticipated that more palm

TABLE 1. MALAYSIAN PALM OIL - SUPPLY AND DISAPPEARANCE BY MONTH (tonne)

Year	SUPPLY			DISAPPEARANCE			Ending Stock
	Beginning Stock	Production	Total	Adjusting Balance	Exports	Total	
1984	142 748	3 714 795	3 857 543	233 301	3 183 451	3 416 752	440 791
1985	440 791	4 134 363	4 575 254	289 452	3 434 025	3 723 177	852 077
1986	852 077	4 542 249	5 394 326	269 922	4 558 806	4 828 728	565 598
1987	565 598	4 531 960	5 397 558	365 574	4 218 344	4 583 918	513 640
1988	513 640	5 027 496	5 541 536	403 269	4 342 010	4 745 279	795 857
1989	795 857	6 056 501	6 852 358	741 113	5 051 330	5 792 443	1 059 915
1990	1 059 915	6 094 622	7 154 537	707 991	5 727 451	6 435 442	719 095
1991	719 095	6 141 353	6 860 448	599 804	5 573 223	6 173 027	687 421
1992	687 421	6 373 461	7 060 882	835 311	5 565 032	6 400 343	669 539
1993							
Jan	660 539	424 602	1 085 141	63 482	489 714	553 196	531 945
Feb	531 945	441 641	973 586	62 402	452 149	512 551	461 035
Mar	461 305	444 052	935 383	41 228	402 817	444 045	461 706
Apr	461 706	612 716	1 074 422	41 953	535 027	576 962	497 460
May	497 460	610 760	1 108 220	54 667	484 974	539 641	568 579
Jun	568 759	629 429	1 198 188	87 326	453 267	540 593	657 595
Jul	657 595	677 414	1 335 009	78 852	571 429	650 281	684 728
Aug	684 728	737 504	1 422 232	68 941	515 690	584 631	837 601
Sep	837 601	820 362	1 657 963	82 725	549 309	632 034	1 025 904
Oct	1 025 929	771 242	1 797 171	96 534	588 836	685 368	1 111 801
Nov	1 111 801	668 658	1 780 459	91 564	534 623	626 187	1 154 272
Dec	1 154 272	565 118	1 719 390	80 683	467 835	548 518	1 170 872
<b>Total</b>	<b>7 403 498</b>			<b>6 045 670</b>			
1994							
Jan	1 170 872	533 550	1 704 422	104 293	650 898	755 191	949 231
Feb	949 231	448 444	1 397 675	93 099	572 386	665 485	732 190
Mar	732 190	474 587	1 206 777	62 073	553 657	615 730	591 047
Apr	591 047	511 010	1 102 057	51 629	557 848	609 477	492 580
May	492 580	517 323	1 009 903	71 278	484 030	555 308	454 595
Jun	454 595	559 737 <sup>b</sup>	1 014 322	111 876	432 033	543 909	470 423 <sup>b</sup>
Jul	470 423 <sup>b</sup>	NA	NA	NA	NA	NA	NA

<sup>a</sup> 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

<sup>b</sup> Preliminary  
NA not available

products would be imported in 1994 when more palm olein would be blended for use as household cooking oil especially in the Southern provinces of China.

Pakistan, with imports of 396 651 tonnes, was the second largest importer of palm products from Malaysia in the first four months of 1994. During the same period the previous year, the imports totalled 508 337 tonnes and occupied the top spot in Malaysian palm oil imports. One of the reasons contributing to the decline in imports was the uncertainty regarding the budget for the financial year which was announced only in early June 1994. RBD palm oil was the major oil imported which at 335 442 tonnes accounted for 84% of total palm products imported from Malaysia. The other products imported were 36 192 tonnes palm fatty acid distillate, 15 882

tonnes RBD palm olein and 9 134 tonnes palm acid oil. Most of the RBD palm oil which were imported were utilized in the manufacture of vegetable ghee. The share of palm oil in the vegetable blend was maintained at between 70%–100%. It is anticipated that more palm products would be imported in the second-half of 1994. This is due to the fixation of lower import duty on palm oil against soya bean oil. The import duty of palm oil has been fixed at 8 650 Rupees per tonne while soya bean oil faces an import duty of 300 Rupees more than palm oil.

The European Union was the third largest importer of Malaysian palm oil. Cumulative imports during January–April 1994 were 267 605 tonnes, an increase of 85 056 tonnes or 46.6% over imports of the first four months the previous year. Among the

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

Countries	1992	1993	Jan-Apr 1993	Jan-Apr 1994
India	125 620	82 552	4 078	16 525
Pakistan	688 623	1 040 294	508 337	396 651
China PR	557 787	769 256	122 501	402 540
EEC	643 424	531 102	182 549	267 605
-UK	(96 898)	(113 485)	(30 529)	(56 599)
Netherlands	(255 729)	(208 877)	(81 964)	(129 022)
-Germany	(73 075)	(60 915)	(24 236)	(19 337)
USA	211 463	259 196	70 987	66 571
Iran	7 620	57 571	195	15 017
Iraq	-	5 399	-	-
Indonesia	265 721	126 916	58 560	56 670
Egypt	301 840	424 856	113 037	153 199
USSR	26 297	4 464	-	5 497
Saudi Arabia	117 419	112 069	34 935	30 033
Singapore	708 852	528 753	161 183	142 613
Japan	303 029	339 120	110 788	102 956
Jordan	88 229	178 690	44 437	62 429
Rep. of Korea	195 309	188 371	60 924	63 717
Australia	67 282	88 649	25 770	39 466
Turkey	148 849	185 469	34 208	70 262
Yemen	117 930	123 377	41 170	31 335
Mozambique	7 262	23 844	2 750	2 495
Bangladesh	70 573	106 972	33 376	39 531
Kenya	40	24 970	20 380	13 621
Others	733 863	843 780	249 242	356 056
<b>Grand Total</b>	<b>5 265 032</b>	<b>5 945 670</b>	<b>1 879 707</b>	<b>1 531 789</b>

Note:

Figures in brackets denote sub - totals for EEC.

Source: PORLA

Malaysian palm products imported were 81 641 tonnes RBD olein, 77 408 tonnes RBD palm oil, 42 660 tonnes RBD stearin 40 256 tonnes PFAD and 10 248 tonnes NBD olein. The increase in imports of palm products were due to the draw down on stocks of vegetable oils in the region and the inavailability of production to meet demand. Increased in imports could also be attributed to the concern in the use of hydrogenated oils, containing *trans*-fatty acids which has been shown to contribute to coronary heart disease, in the manufacture of solid fats such as margarine. Among the EEC countries, the Netherlands continued to be the largest importer of Malaysian palm products. Her imports during January-April 1994 were 129 022 tonnes while during the same period in 1993 her imports totalled 81 964 tonnes. The UK was the next largest importer with imports increasing from 30 529 tonnes to 56 599 tonnes in the first four months of 1993 and 1994 respectively.

Egypt, the fourth largest importer of Malaysian palm products, had imports increasing from 113 037 tonnes to 153 199 tonnes during January to April

1993 and 1994 respectively. Her imports during the period in 1994 comprised 84 910 tonnes RBD palm oil, 50 412 tonnes RBD stearin, 16 471 tonnes RBD olein and 1 404 tonnes crude palm oil. The palm products are utilized for the manufacture of ghee, cooking oil and soap. It is anticipated that imports of palm products would increase in 1994 to reach 500 000 tonnes from 424 855 in 1993. There would be a maximization in the use of palm stearin for soap-making.

The fifth largest importer of Malaysian palm products was Singapore. Total imports during the first four months of 1994 were 142 613 tonnes. She imported a wide variety of products, amongst which the majority were RBD palm olein which totalled 85 885 tonnes and accounted for 60% of the total palm products imported from Malaysia. Most of the palm products were re-exported.

Japan which imported 102 956 tonnes of Malaysian palm products was the seventh largest importer.

The Netherlands, one of the country in the European Community being the sixth largest importer. Imports of Japan comprised 47 760 tonnes RBD palm oil, 34 429 tonnes RBD olein, 13 503 tonnes RBD stearin, 6 953 tonnes CPO and 303 tonnes NBD olein. Imports increased due to the insufficient domestic production of fish oil.

Turkey was the eight largest importer of Malaysian palm products during January–April 1994.

The imports increased more than two folds from 34 208 tonnes to 70 262 tonnes in the first four months of 1993 and 1994 respectively. High imports were due to increases in domestic demand and the shortfall in domestic production. The imports comprised mainly RBD palm olein, RBD palm oil and RBD stearin. RBD olein accounted for 58% of total imports of palm products from Malaysia.



## 1994 Palm Oil Prices

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Performances of palm oil products improved this year after their prices gradually increased over the first half of 1994 either at local or at international markets (*Table 1*). The gradual price increase of palm oil products over the first half of 1994, either at local or international markets indicates a price recovery over recent years. RBD palm olein (CIF), for example, grew at a monthly rate of 5.38%, raising its January price of US\$462/tonne to US\$596 in June. Its average for the first half of the year was US\$512 per tonne. Both RBD palm oil (FOB) and palm oil (CIF) grew at a monthly rate of 5.26% and 4.45% respectively while RBD palm stearin and palm kernel oil each increased by about 2%. Due to these good performances, the prices of all palm products in June were higher than those at the beginning of the year. As a result, their average prices surpassed their own average prices in the last eight years. This is a sign of price recovery for the palm products and greater competition with other oils and fats will be expected during the second half of 1994.

While prices of palm products increased over the past six months of 1994, prices of soya bean oil and cottonseed oil dropped monthly at a rate of 1.01% and 2.75% respectively. As a consequence, soya bean oil was sold at US\$571/tonne in June, cheaper than its own price in January at US\$602. The price of cottonseed oil was also lower to reach US\$749/tonne in June from US\$863 in January 1994. Tallow and coconut oil, on the other hand, followed the

general price movements of the palm products. Tallow increased every month at a rate of 1.54% to reach US\$415 in June from US\$385 at the beginning of the year while coconut oil rose by 0.55% monthly to reach its most expensive price so far at US\$608 per tonne in June (*Table 1*).

The general price increments for palm products and the fall of soya bean and cottonseed oils towards June 1994 narrowed down the spread between these products. The spread between RBD palm olein and soya bean oil became narrower and the former finally became more expensive than the latter by US\$25 per tonne in June. Although palm olein loses to cottonseed oil in price (since 1985) the spread between the two oils narrowed from US\$401 in January to US\$153 in June (*Table 1*).

Palm kernel oil had a tough competition with coconut oil since prices of both oils increased during the first six months of 1994. However, the monthly growth rate of prices for palm kernel oil is faster (2.03%) than that of coconut oil (0.55%). Due to that, the price of palm kernel oil overtook and became more expensive than that of coconut oil in April by US\$5/tonne and its price increased further in June widening the premium to US\$15/tonne. A similar competition between RBD palm stearin and tallow was also observed as their prices increased monthly. However, the closer monthly growth rates for the two oils caused the spread to become more unpredictable