

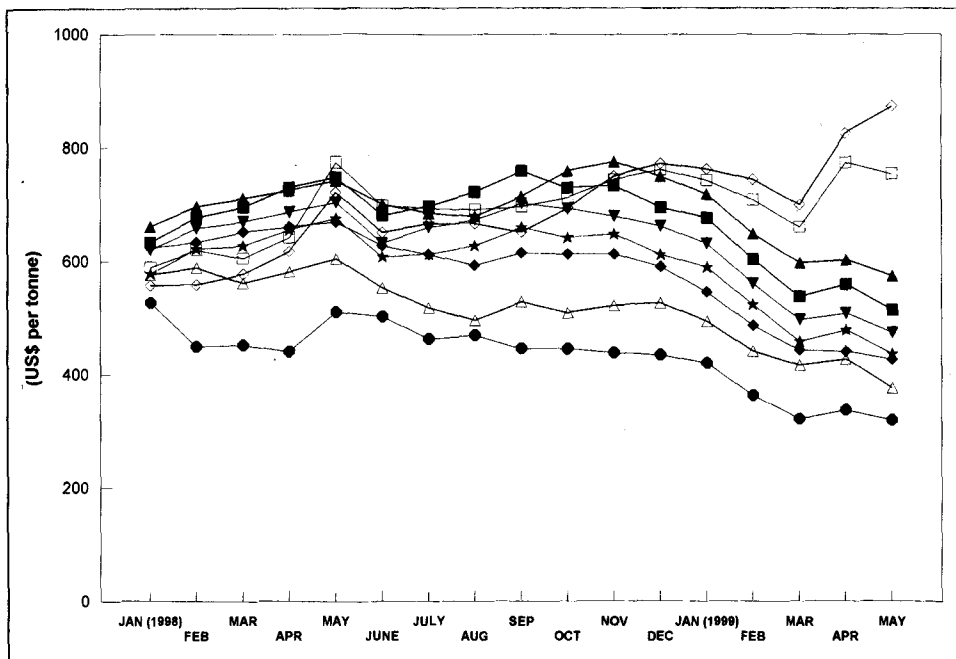
# 1998 and 1999 Prices of Oils and Fats

□ Ramli Abdullah

**M**ost oils and fats in the world market recorded lower prices during the first five months of 1999. In fact, monthly prices had continued to decline in 1999, thus forming negative trends for the prices of corresponding oils and fats during the period (Figure 1). Palm oil and its products, soyabean oil and cottonseed oil are perhaps good examples to illustrate this fall. One of the palm products, RBD palm olein, was initially sold at a high price of US\$ 677 per tonne in January and later in May 1999, the selling price dipped to US\$ 515 per tonne (Table 1). Hence, its price declined by 23.9% during the first five months of 1999. A drop of 21.6% was indicated by soyabean oil at the international market after its price dropped from

a high price of US\$ 546 per tonne in January 1999 to US\$ 428 per tonne in May the same year. Cottonseed oil's price declined by 20% during the period, falling from US\$ 719 per tonne in January to US\$ 575 per tonne in May 1999.

Due to the declining trends in the prices of RBD palm olein, soyabean oil, and cottonseed oil, their 1999 average prices (January-May) settled lower than that in 1998. For the first five months of this current year, the average prices of the three oils were US\$ 579, US\$ 469, and US\$ 629 respectively, compared to their prices for the same period of last year at US\$ 698, US\$ 649, and US\$ 708 per tonne (Table 1).



■ RBD P/olein (CIF)    ◆ Soyabean oil (FOB)    ▲ Cottonseed oil (CIF)    □ PKO (CIF)    ◇ Coconut oil (CIF)  
 △ RBD P/stearin (CIF)    ● Tallow (CIF)    ★ RBD palm oil (FOB)    ▼ Crude palm oil (CIF)

Figure 1. 1998/99 prices of selected oils and fats.

TABLE 1. PRICES OF SELECTED OILS AND FATS (US\$/tonne)

Products	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)
1987	390	334	497	56	-107	426	442	-16	349	356	-7	329	343
1988	471	463	599	8	-128	539	565	-26	443	413	+30	418	437
1989	375	432	572	-57	-197	472	517	-45	348	366	-18	328	350
1990	332	447	668	-115	-336	334	336	-2	284	348	-64	280	290
1991	393	454	579	-61	-186	417	433	-16	294	351	-57	323	339
1992	449	429	579	20	-130	571	578	-7	349	366	-17	379	394
1993	434	478	708	-44	-274	437	450	-13	370	367	3	370	378
1994	604	616	739	-12	-135	629	608	21	460	451	9	531	528
1995	694	632	665	62	29	678	665	13	573	522	51	634	636
1996	581	552	595	29	-14	728	752	-24	450	506	-56	505	531
1997	605	565	613	40	-8	652	657	-5	466	529	-63	529	546
1998	710	626	718	84	-8	687	658	29	548	466	82	632	671
JAN (1998)	634	625	662	9	-28	590	558	32	577	526	51	579	621
FEB	678	634	697	44	-19	620	559	61	589	450	139	622	659
MAR	696	652	711	44	-15	605	578	27	561	453	108	627	671
APR	731	662	726	69	5	643	618	25	582	442	140	657	688
MAY	750	671	743	79	7	776	723	53	605	511	94	677	705
JUNE	682	629	702	53	-20	700	652	48	554	503	51	609	633
JULY	698	612	686	86	12	694	667	27	518	463	55	613	661
AUG	723	592	680	131	43	692	667	25	496	470	26	628	674
SEP	760	615	715	145	45	697	652	45	529	446	83	661	703
OCT	731	614	761	117	-30	714	695	19	510	446	64	643	694
NOV	735	614	777	121	-42	746	752	-6	523	440	83	650	681
DEC	696	591	751	105	-55	763	774	-11	527	436	91	613	663
Avg. (Jan-May)	698	649	708	49	-10	647	607	40	683	476	106	632	689
Avg. monthly change (%)	431	1.79	2.94			7.41	6.87		1.26	-0.15		4.01	3.24
Avg. (Jan-Dec)	710	6.26	718	83.6	-8.1	687	658	28.8	548	466	82.1	632	671
Avg. monthly change (%)	0.97	-0.46	1.22			2.60	3.22		-0.71	-1.45		0.64	0.69
JAN (1999)	677	546	719	131	-42	744	763	-19	494	421	73	590	632
FEB	604	487	649	117	-45	709	745	-36	442	364	78	524	561
MAR	538	444	597	94	-59	661	700	-39	417	321	96	459	497
APR	560	442	603	118	-43	775	827	-52	428	338	90	480	509
MAY	515	428	575	87	-60	755	874	-119	378	321	57	438	475
Avg. (Jan-May)	578.8	469.4	628.6	109.4	-49.8	728.8	781.8	-53.0	431.8	353.0	78.8	498.2	534.8
Avg. monthly change (%)	-6.4	-5.8	-5.3			0.8	3.9		-6.3	-6.3		-6.9	-6.7

Note: RBD palm olein, Mal.CIF Rott; Soyabean oil, Dutch FOB ex-mill; Cottonseed oil, US, PPSY, 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.

Source: Oil World.

Another palm product, RBD palm stearin, also performed quite poorly in 1999 as its price dropped from its 1998 price level. For the period between January to May 1999, palm stearin's average price was US\$ 431.8 per tonne after ranging from US\$ 494 in January to US\$ 378 in May. Its average price during the same period in 1998 was US\$ 583 per tonne. Its equivalent, tallow, also experienced the same fate as its price dropped from US\$ 421 per tonne in January to US\$ 321 in May 1999, to average at US\$ 353 per tonne. Its average in 1998 for the same period was US\$ 476 per tonne. Prices of both stearin and tallow dropped by 23% since last January.

Lauric oils, however performed better than other oils and fats. *Figure 1* shows that their prices were increasing, especially between March and May 1999 and generally remained high, above US\$ 700 per tonne throughout the first five months of 1999. Unlike in 1998, their prices in 1999 seemed to be separated from the rest of the oils and fats. The average prices for palm kernel oil and coconut oil at Rotterdam market were hovering at US\$ 729 and US\$ 782 respectively, compared to their respective prices for the same period of 1998 at US\$ 647 and US\$ 607 per tonne (*Table 1*).

Palm products led the fall in prices of the selected oils and fats. Price of RBD palm olein, for instance, was observed to decline by 23.9% since January 1999, resulting in a monthly change of -6.4%. In fact, CIF price of crude palm oil and FOB price (Malaysia) of RBD palm oil (not discussed above), had declined at much faster monthly rates of 6.7% and 6.9% respectively (*Table 1*). Price of palm stearin and tallow both decreased at the same monthly rate of 6.3% while prices of soyabean oil and cottonseed oil declined monthly at the rates of 5.8% and 5.3% respectively.

Until May 1999, although prices of palm products had declined at much faster rates than that of non-palm products, they were

in fact sold at much higher prices than most non-palm products in the international market. Between RBD palm olein and soya-bean oil for example, price of the former was at premium to the latter by US\$ 109.40 per tonne. RBD palm stearin was also sold higher than its competitor, tallow, by US\$ 78 per tonne in 1999 for the second consecutive year. Palm olein, however, lost to cottonseed oil in term of price by about US\$ 50 per tonne while palm kernel oil was at a discount to coconut oil by US\$ 53 per tonne.

As mentioned above, most oils and fats, especially palm oil, had indicated lower prices in 1999 than in 1998. The main factor affecting this could be the surplus output of most oils and fats in the world market. Palm oil supply is expected to be huge in this current year with production from Malaysia, the biggest producer, expected to increase significantly. In fact, the actual production by this country until May 1999 had already risen to 3.67 million tonnes, higher than what was expected (about 3.2 million tonnes). Cumulative palm oil production until May 1999 had also outpaced production in 1998 and in 1997 for the same period. For the whole of 1999, Malaysia is expected to produce more than 9 million tonnes, a significant increase from that of 1998. Due to the increase in production, Malaysian palm oil stocks had accumulated despite export activities being carried out. The stocks during the current period of 1999 was 780 643 tonnes, higher than the averages during the same period of 1998 (672 250 tonnes) and of 1997 (710 534 tonnes).

The price of crude palm oil may continue to fall during the second half of 1999. This is expected as production of palm oil normally increases during this period, thus increasing its availability in the world market. This situation may dampen palm oil price from increasing any further. An industry source predicted that price of crude palm oil at local Malaysian market may average at RM 1500 per tonne for the whole of 1999.

**PRICES OF MALAYSIAN PFAD (FOB Malaysia)**

<b>Month</b>	<b>Price</b>	<b>Month</b>	<b>Price</b>
January	334.50	April	228.50
February	289.00	May	221.00
March	249.50	June	196.50

**Note:**

The author wishes to include in this issue and the following ones, prices of minor palm products as requested by some interested readers. This issue contains price of PFAD, FOB Malaysia, in US\$ per tonne.