

Prices of Selected Oils and Fats in 2000

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Oils and fats registered lower prices in 1999, following the peaks in the previous year. The low price scenario was mainly due to the over supply of oils and fats, and in particular Malaysian palm oil. Malaysian palm oil production had increased significantly from 8.3 million tonnes in 1998 to 10.6 million tonnes in 1999, which in a way, had affected the world prices of oils and fats.

Prices continued to slide further in the year 2000, driven by bearish sentiments emanating from increased production and stocks of oils and fats in Malaysia as well as in the world. The increased Malaysian palm oil production is in line with the upward trends that normally occur from March to October. This situation was worsened by the decline in export demand, especially by traditional markets such as China and India. The reduction in export volume, in turn increased palm oil stocks level in Malaysia.

The world has partially realized the above effect, as most oils and fats had settled down at very low prices during the first six months of 2000. As indicated in *Table 1*, these prices were lower than corresponding prices during the same period last year, or in fact during the whole of last year. Thus, it can be seen that prices of both crude palm oil and RBD palm oil for the first six months of 2000 fell by about 33% when compared to prices during the corresponding period of 1999. Crude palm oil: US\$ 340 vs. US\$ 511 and RBD palm oil: US\$ 319 vs. US\$ 476. Prices of other palm products such as RBD palm

stearin, RBD palm olein and palm kernel oil also declined by 27%, 31% and 25% respectively during the two periods. The prices of other oils and fats except coconut oil generally declined at smaller rates than that of palm products. It can be seen that soyabean oil, cottonseed oil and tallow declined by 23%, 17% and 12% respectively. Thus, palm products, in this case, had led other oils and fats in the price decline.

Although palm products led the price decline, some of them still gave tough competition to their equivalents. It is interesting to note here that there was tough competition between prices of palm kernel oil and coconut oil, and between prices of RBD palm stearin and tallow. The price of palm kernel oil was very close to that of coconut oil with the former being discounted by only US\$ 4 t⁻¹, while stearin was being sold at only US\$ 5 cheaper than tallow (*Table 1*). In the past (except in 1995), RBD palm olein was always at a discount to cottonseed oil. During the first half of 2000, the discount was about US\$ 132 t⁻¹. RBD palm olein, on the other hand, was priced higher than soyabean oil and maintained its premium during the first six months of 2000, albeit at a reduced level of US\$ 28 t⁻¹ compared to US\$ 98 during the corresponding period in 1999.

Generally, it can be said that prices of oils and fats in the year 2000 were lower than that in 1999, indicating a fall in prices for the third consecutive year since 1998. *Figure 1* illustrates that prices of most oils and fats will be on a downward trend towards the later part of the year. Even if prices were to improve, it is unlikely that average price levels for the year would be higher than those of 1999. Furthermore, the continuous decline of prices in July and August gives an indication that there would probably not

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be much improvement during the second half of the year. In fact, they might be clustering around in one group towards the end of year. It may be interesting to see later that the two lauric oils may be joining the group to compete with the other oils and fats. Hence, it can be expected that all these oils may become more competitive towards the end of 2000. Thus, it is timely now for

Malaysia to take this advantage to export more of its products as prices of oils and fats may become comparable to one another. With all the benefits of consuming palm products, it is hoped that exports of palm products will increase in the last quarter of the year, thus reducing the stock level and improving the price situation of oils and fats next year.

TABLE 1. MONTHLY PRICES OF SELECTED OILS AND FATS IN 1999 AND 2000

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg (Jan- June)	Avg (Jan- Dec)
1999														
RBD palm														
olein (1)	677	604	538	560	515	448	402	443	458	425	409	411	557	491
Soyabean oil (2)	546	487	444	442	428	410	392	413	414	401	382	369	460	427
Cottonseed oil (3)	719	649	597	603	575	550	522	550	529	495	481	483	616	563
Spread (1)-(2) *	131	117	94	118	87	38	10	30	44	24	27	42	98	64
Spread (1)-(3) *	-42	-45	-59	-43	-60	-102	-120	-107	-71	-70	-72	-72	-59	-72
Palm kernel														
oil (4)	744	709	661	775	755	656	571	689	710	684	693	681	717	694
Coconut oil (5)	763	745	700	827	874	796	656	684	704	690	703	703	784	737
Spread (4)-(5) *	-19	-36	-39	-52	-119	-140	-85	5	6	-6	-10	-22	-68	-43
RBD palm														
stearin (6)	494	442	417	428	378	303	247	304	322	328	319	315	410	358
Tallow (7)	421	364	321	338	321	319	336	331	382	411	396	388	347	361
Spread (6)-(7) *	73	78	96	90	57	-16	-89	-27	-60	-83	-77	-73	63	-3
RBD palm oil (8)	590	524	459	480	438	365	315	354	374	351	342	344	476	411
Palm oil (9)	632	561	497	509	475	392	319	354	388	381	370	354	511	436
2000+														
RBD palm														
olein (1)	394	373	387	409	369	360	354	342					382	
Soyabean oil (2)	371	357	362	368	340	328	340	329					354	
Cottonseed oil (3)	501	493	513	555	522	501	473	466					514	
Spread (1)-(2) *	23	16	25	41	29	32	14	13					28	
Spread (1)-(3) *	-107	-120	-126	-146	-153	-141	-119	-124					-132	
Palm kernel														
oil (4)	628	580	556	557	483	436	401	366					540	
Coconut oil (5)	654	591	552	550	481	437	400	371					544	
Spread (4)-(5) *	-26	-11	4	7	2	-1	1	-5					-4	
RBD palm														
stearin (6)	298	285	305	322	295	295	276	265					300	
Tallow (7)	339	309	306	294	294	289	269	266					305	
Spread (6)-(7) *	-41	-24	-1	28	1	6	7	-1					-5	
RBD palm oil (8)	328	311	323	344	305	301	291	277					319	
Palm oil (9)	348	332	349	372	324	315	312	306					340	

Notes: 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.

+ for Jan-June 2000.

* + = premium, - = discount.

Source: Oil World.

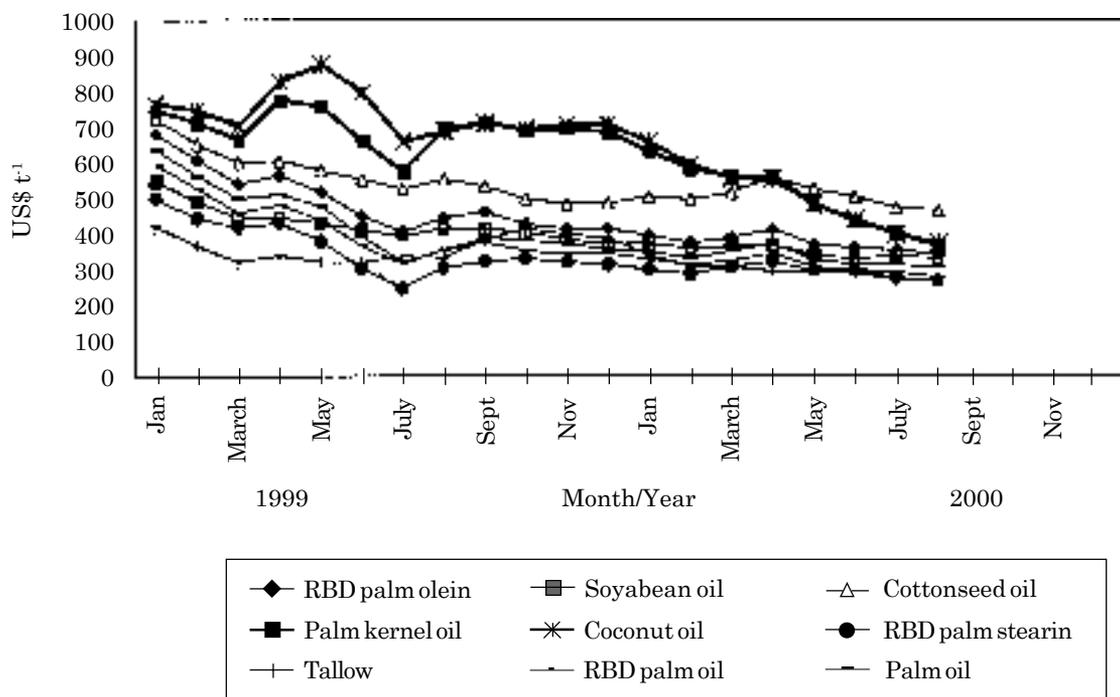


Figure 1. Price trends of oils and fats in 1999 and 2000.