

Prices of Selected Oils and Fats in 2003

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The market for selected oils and fats has been bullish since 2001 as the prices of these oils and fats gradually accelerated until 2003. The average price of refined bleached deodorized (RBD) palm olein increased from US\$ 317 t⁻¹ in 2001 to US\$ 485 t⁻¹ in 2003 (January-November) (Table 1). The palm kernel oil price averaged US\$ 308 t⁻¹ in 2001 and indicated a higher average of US\$ 447 t⁻¹ in 2003. The RBD palm stearin price also indicated the same increasing trend during the period. Other oils and fats in Table 1 also accelerated in the same direction. For instance, the soyabean oil price increased from US\$ 354 t⁻¹ to US\$ 546 t⁻¹ while the cottonseed oil price from US\$ 414 t⁻¹ to US\$ 903 t⁻¹ in the same period. The prices of coconut oil and tallow averaged out to almost the same amount in 2003 after increasing from US\$ 318 t⁻¹ and from US\$ 324 t⁻¹ respectively, in 2001. It can be seen that among these oils and fats, only the price of cottonseed oil had surged up significantly at a much faster rate than the other oils and fats to become the most expensive commodity in the market at US\$ 903 t⁻¹ in 2003 (Figure 1). Cottonseed oil also broke its own record for the past 13 years, as it had never reached this price before (Table 1).

As illustrated in Figure 2, the price for cottonseed oil formed a *hump*, starting from the last quarter of 2002 until the middle of 2003. Within this period, the price of cottonseed oil reached its highest level of US\$ 1105 t⁻¹ in February. After this period, the price rebounded gradually until the end of 2003. Despite this *hump-shaped* series, the cottonseed oil price gradually trended upward over the two years. The prices of other oils and fats, similarly, are observed to have accelerated positively and at the same time moved together over time in the same direction to form a bandwidth along the way. This indicates the level of competitiveness among these oils and fats.

With such a premier position in the world market in 2003, it is obvious that cottonseed oil was sold at a premium of US\$ 418 t⁻¹ over RBD palm olein (Table 1). This

was also the largest spread ever recorded by the prices of olein and cottonseed oil in the past 13 years (in 1990 the spread was -US\$ 336 t⁻¹ in favour of the latter). This average premium of US\$ 418 t⁻¹ was derived after averaging out the monthly spreads in 2003 which recorded a bigger gap between the two prices in the first half of 2003 than in the second half. The discount ranged from -US\$ 192 t⁻¹ in August to -US\$ 643 t⁻¹ in March. RBD palm olein was also discounted by soyabean oil in 2003 by -US\$ 61 t⁻¹. Table 1 also shows that palm olein was consistently sold cheaper than soyabean oil for all the months of 2003.

For the lauric oils market, palm kernel oil continued to be cheaper than coconut oil in 2003. On average, it was discounted by the latter by -US\$ 9 t⁻¹, thus indicating their competitiveness level, this situation having persisted since 2000 (Table 1). The prices of these oils were very close to one another in the first and fourth quarters of

2003 but widened in the second and third quarters.

For stearin and tallow, however, the spread had fluctuated in the past, especially since 2001. Stearin was at a discount to tallow in 2003 by -US\$ 41 t⁻¹ but was at a premium in 2002 by US\$ 16 t⁻¹. In 2001, stearin was sold cheaper again than tallow by -US\$ 60 t⁻¹. In 2003, the discount for stearin over tallow increased significantly towards the end of the year from -US\$ 2 t⁻¹ in March to -US\$ 115 t⁻¹ in December (Table 1).

Hence, corollary to the above, palm and palm products were sold cheaper than other commodities equivalent to them in 2003 in the world market. This is evident from the discounts indicated in Table 1 between palm products and their equivalents. There is an advantage to this scenario, as demand for the palm products should increase due to the cheapness of the products compared to their equivalents. Based on the statistics compiled by the Malaysian Palm Oil Board (MPOB), Malaysian exports of palm oil recorded an increase in volume from 9.9 million tonnes for the first 11 months of 2002 (or 10.9 million tonnes for the whole of 2002) to 11.37 million tonnes for the same period of 2003. Thus, the demand for Malaysian palm oil, represented by the exports volumes, increased in 2003. In this aspect, Malaysia still has the four *millionaire* importers such as Pakistan, China, European Union (EU) and India, as their import volumes usually exceed 1 million tonnes of palm oil. The biggest of all these importers was China, importing about 2.337 million tonnes during the first 11 months of 2003, a drastic increase

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TABLE 1. PRICES OF SELECTED OILS AND FATS (US\$ t⁻¹)

Products	RBD	Soya-	Cotton-	Palm				RBD			RBD		
	palm olein (CIF) (Rott) (1)	bean oil (FOB) (Rott) (2)	seed oil (CIF) (Rott) (3)	Spread (1)-(2) +Premium -Discount	Spread (1)-(3) +Premium -Discount	kernel oil (CIF) (Rott) (4)	Coconut oil (CIF) (Rott) (5)	Spread (4)-(5) +Premium -Discount	palm stearin (CIF) (Rott) (6)	Tallow (CIF) (Rott) (7)	Spread (6)-(7) +Premium -Discount	palm Oil (FOB) (M'sia) (8)	Palm oil (CIF) (Rott) (9)
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
1999	491	427	563	64	-72	694	737	-43	358	361	-3	411	436
2000	349	338	489	11	-140	444	450	-6	274	290	-16	285	310
2001	317	354	414	-37	-97	308	318	-10	264	324	-60	259	286
2002	426	454	556	-28	-130	416	421	-5	376	360	16	375	390
2003*	485	546	903	-61	-418	447	457	-9	413	454	-41	431	437
2003													
Jan	500	535	1 107	-35	-607	498	494	4	441	455	-14	449	458
Feb	493	521	1 115	-28	-622	474	477	-3	438	416	22	441	452
Mar	462	508	1 105	-46	-643	436	441	-5	417	419	-2	411	426
Apr	448	524	1 060	-76	-612	406	421	-15	396	400	-4	401	412
May	471	538	992	-67	-521	421	440	-19	388	400	-12	419	417
June	480	541	887	-61	-407	434	459	-25	386	455	-69	425	430
July	477	523	697	-46	-220	406	439	-33	378	440	-62	412	411
Aug	465	512	657	-47	-192	396	421	-25	365	418	-53	406	395
Sept	460	558	712	-98	-252	429	431	-2	367	456	-89	401	420
Oct	531	624	799	-93	-268	498	487	11	474	528	-54	473	485
Nov	553	625	803	-72	-250	524	515	9	493	608	-115	506	503
Average:													
Jan-Nov	485	546	903	-61	-418	447	457	-9	413	454	-41	431	437

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.

* January- November 2003.

Source: Oil World.

from 1.61 million tonnes for the same period of 2002. EU and Pakistan both increased their import volumes of palm oil from Malaysia while India reduced slightly her import volume from 1.56 to 1.49 million tonnes. The imports from

these four major importers alone amounted to 6.459 million tonnes or about 56% of the total exports of palm oil by Malaysia in 2003. Despite increased production by the country, the increased exports significantly reduced Malaysian ending

stocks of palm oil to 0.994 million tonnes in 2003 (January to November) from 1.115 million tonnes in 2002 (same period). This scenario is a comfortable platform for bullishness of, especially, the palm oil price in 2003.

It is expected that the bullish scenario for palm oil will prevail throughout 2004. One of the factors that could affect the scenario

in 2004 is the moderate increase in palm oil production by Malaysia in 2004 by about one half of a million. No drastic increase in produc-

tion is expected as Malaysia had overproduced in 2003 which in a way could result in stress of the oil palm trees in 2004.

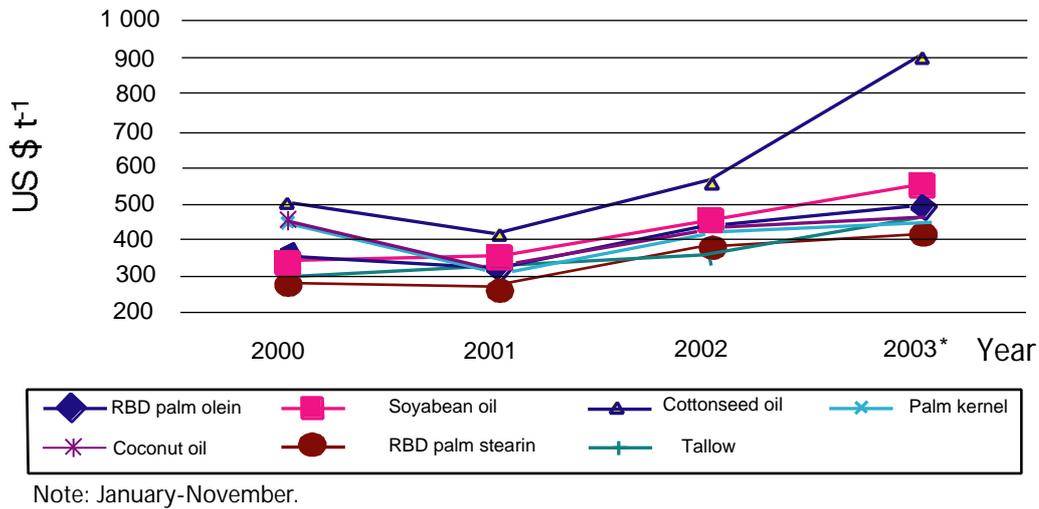


Figure 1. Annual prices of selected oils and fats (2000-2003).

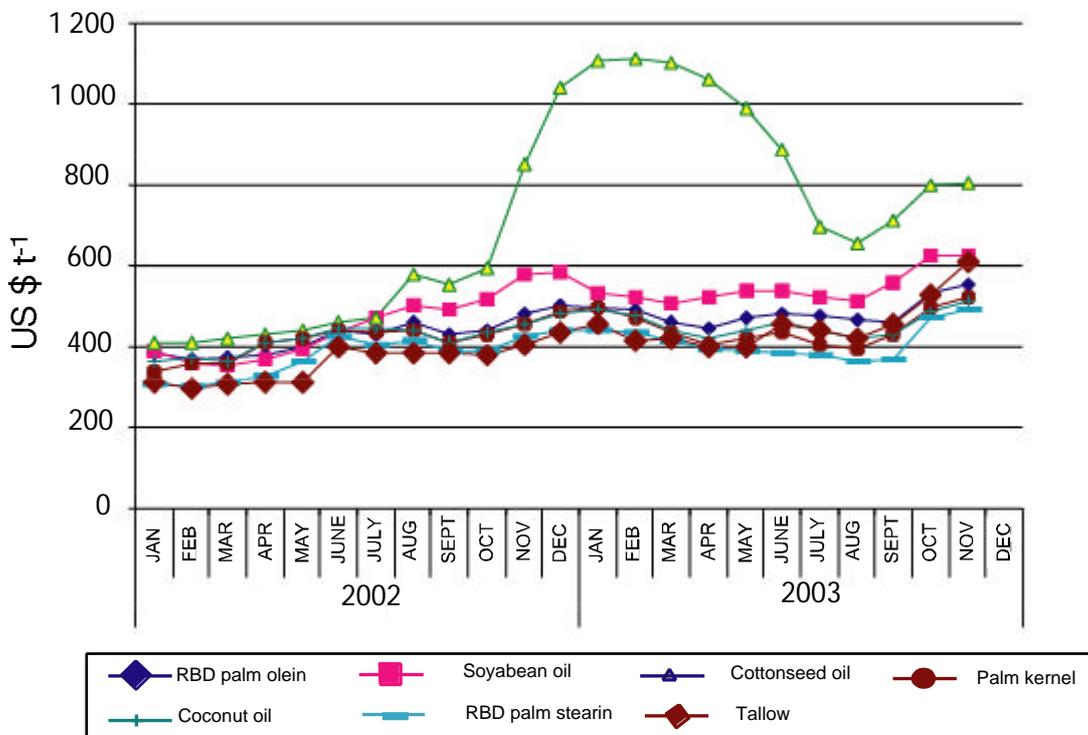


Figure 2. Monthly prices of selected oils and fats (2000-2003).