

Prices of Selected Oils and Fats in 2003 and 2004

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Some oils and fats improved in their prices from 2001 until 2003 (Figure 1). Among them cottonseed oil was the leader as its price increased by more than 100% from USD 414 t⁻¹ in 2001 to USD 895 t⁻¹ in 2003 (Table 1). The increases in palm olein and soyabean oil prices were about 55% and 57%, respectively, while those of palm kernel oil and coconut oil were about 49% and 47% respectively. The refined bleached deodorized (RBD) palm stearin price grew faster (59%) than that of tallow (42%) over the period.

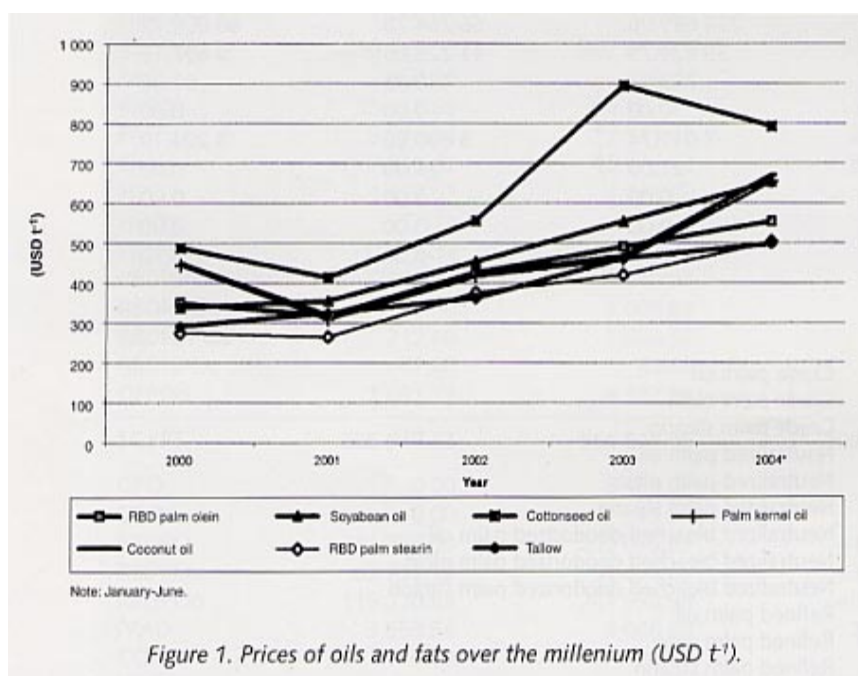


Figure 1. Prices of oils and fats over the millenium (USD t⁻¹).

In 2003, RBD palm olein registered a discount over soyabean oil and cottonseed oil by -USD 63 t⁻¹ and -USD 404 t⁻¹ respectively (Table 1). These were the biggest discounts experienced by olein in the past decade. In the case of lauric oils, palm kernel oil and coconut oil continued in their competition in the world market as their prices were very close with each other, resulting in a spread of less

than -USD 10 t⁻¹ in favour of the latter since 2000. Between RBD palm stearin and tallow, the latter was discounted to the former by -USD 41 t⁻¹ in 2003.

The scenario explains that palm products were cheaper than their equivalents in the world market in 2003. Notwithstanding this, the prices of all the selected oils and fats (except cottonseed oil) moved more or less in tandem from USD 400 t⁻¹ to USD 600 t⁻¹ (Figure 2).

In the first half of 2004, all the selected oils and fats, except

cottonseed oil, continued to perform better by higher prices than all and in the same period of 2003 (Figure 1 and Table 1). The prices of RBD palm olein, soyabean oil and cottonseed oil averaged USD 554 t⁻¹, USD 654 t⁻¹ and USD 793 t⁻¹ respectively. The prices of palm kernel oil and coconut oil registered averages of more than USD 650 t⁻¹ while stearin and tallow averages of about USD 500 t⁻¹.

As indicated in Table 1, palm products (except stearin) continued to be sold cheaper than their own equivalents in the first half of 2004. In the case of stearin, it was sold at a premium of USD 6 t⁻¹ over tallow compared to a discount of -USD 13 t⁻¹ in the same period of 2003, or -USD 41 for the whole of 2003. In general, prices of the selected oils and fats, including cottonseed oil, continued to move in tandem same as they did in the previous year (Figure 2). Towards June 2004, cottonseed oil became more competitive with the other oils and fats, being priced not far from them.

The world market situation affected the international prices of oils and fats in the first half of 2004. There was a 6% decline in the production of major oils and fats in January-March 2004 compared to 5.8% in the last quarter of 2003. The decline was mainly in palm oil, soyabean oil and sunflowerseed oil. The production of soyabean oil declined because of bad weather, especially in Brazil, Argentina and other countries in the southern hemisphere. The decline in palm oil production (by 18.7%) was expected from the seasonal decline

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TABLE 1. PRICES OF SELECTED OILS AND FATS (USD t⁻¹)

Product Year	RBD palm olein (CIF (Rott) (1)	Soya- bean oil (FOB (Rott) (2)	Cotton- seed 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)
	1990	332	447	668	-115	-336	334	336	-2	284	348	-64	280
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	491	554	895	-63	-404	459	467	-9	420	461	-41	437	443
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
Dec	551	637	802	-86	-251	583	582	1	502	540	-38	503	510
2004													
Jan	533	658	781	-125	-248	572	584	-12	499	581	-82	483	496
Feb	575	689	842	-114	-267	614	642	-28	516	436	80	527	535
Mar	598	691	852	-93	-254	669	685	-16	522	449	73	544	550
Apr	590	671	820	-81	-230	727	736	-9	535	519	16	533	538
May	550	632	763	-82	-213	711	716	-5	512	485	27	500	513
June	477	581	697	-104	-220	636	658	-22	440	519	-79	429	440
Average (Jan-June)*													
2003	476	528	1044	-52	-569	445	455	-11	411	424	-13	424	433
2004	554	654	793	-100	-239	655	670	-15	504	498	6	503	512

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- June 2004.

Source: Oil World.

in fresh fruit bunch (FFB) production in both Malaysia and Indonesia.

Another development that led to positive growth of prices of oils and fats in the first quarter of 2004 was the reduction of stocks of major oils and fats, such as soyabean oil, palm oil and palm kernel oil, although the total stocks of oils and fats increased. These three oils and fats registered negative growth in ending stocks of 3.2%, 22.8% and 16%, respectively.

It is expected that the bandwidth shown in *Figure 2* will

extend horizontally until the end of 2004 and that the prices of these selected oils and fats will move within this band. This implies that the prices of most oils and fats will remain strong in the remaining months of 2004. This is expected based on the developments in the first quarter of 2004. As a result of being cheaper in the world market, more palm oil will be imported to compensate for declines in the world production of major oils and fats. This will provide a bullish factor for prices, especially those of palm products in the remaining months of 2004.

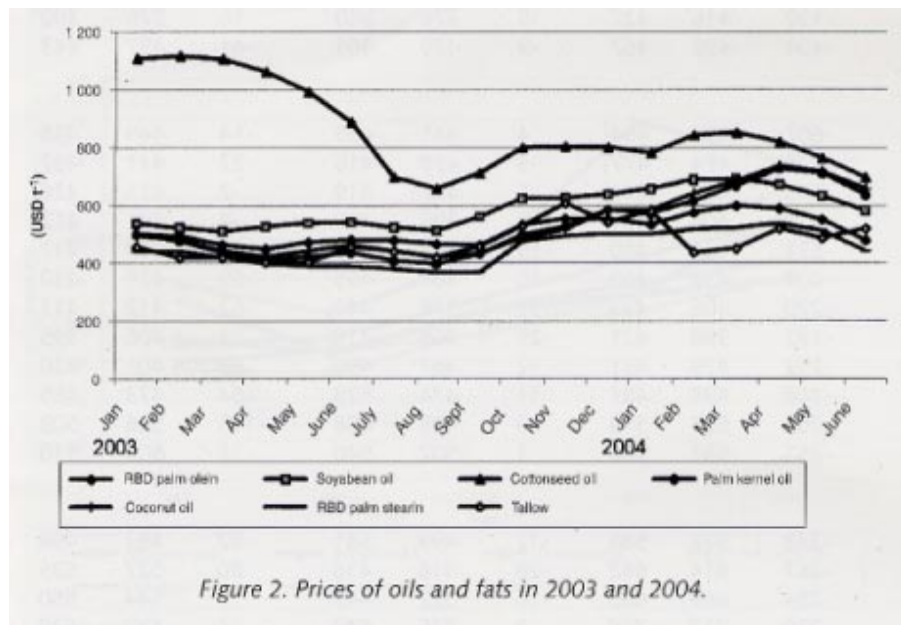


Figure 2. Prices of oils and fats in 2003 and 2004.