

# Prices of Selected Oils and Fats in 2004 and their Prospects in 2005

Ramli Abdullah\*

The prices of most of the oils and fats studied in this paper have improved quite markedly in the past few years. As indicated in *Figure 1* and *Table 1*, the prices of soyabean oil, refined bleached deodorized (RBD) palm olein, palm kernel oil, coconut oil, RBD palm stearin and tallow increased gradually from 2001 to 2004 (January to October). RBD palm olein, for instance, increased from USD 349 t<sup>-1</sup> to USD 521 t<sup>-1</sup> and soyabean oil from USD 338 t<sup>-1</sup> to USD 627 t<sup>-1</sup>. Palm kernel oil and coconut oil also registered increases to USD 632 t<sup>-1</sup> and USD 662 t<sup>-1</sup>, respectively. The same scenario applied for RBD palm stearin and tallow. The price of cottonseed oil, however, fluctuated – dropping in 2001 from 2000, then gradually increasing to USD 895 t<sup>-1</sup> in 2003, its highest ever price, before dropping again in 2004 to USD 715 t<sup>-1</sup>.

These oils and fats (except cottonseed oil) had better prices in 2004 than 2003. It can be seen in *Figure 2* that their prices moved in tandem, in a horizontal band over the two years. In 2003, the prices were mostly between USD 400 to USD 600 t<sup>-1</sup>, quite stable over the year. It was much the same for 2004, except that the band was wider at between USD 400 to USD 800 t<sup>-1</sup>. But the prices still moved in tandem, rising slowly above those in 2003. Cottonseed oil, however, started very high in January 2003 but suffered a significant drop in July/August to the levels of the other oils and fats.

Among these oils and fats, palm products were sold much cheaper than their equivalents in 2003 with the discounts bigger

than those in previous years (*Table 1*). For instance, RBD palm olein was at a discount to soyabean oil of USD 63 t<sup>-1</sup> in 2003, much higher than the discount in the previous years (USD 28 t<sup>-1</sup> in 2002 and USD 37 t<sup>-1</sup> in 2001). The discount of olein over cottonseed oil also increased significantly in 2003 - USD 404 t<sup>-1</sup> compared to USD 130 t<sup>-1</sup> in 2002. RBD palm stearin and palm kernel oil also showed wider discounts over tallow and coconut oil, respectively, in 2003 than in the previous year.

In 2004, the prices of palm products continued to be lower than their own equivalents in the world market. This means that they were discounted again. At an average price of USD 521 t<sup>-1</sup> until October 2004, RBD palm olein was discounted to soyabean oil by USD 106 t<sup>-1</sup> compared to USD 63 t<sup>-1</sup> in 2003. However, the discount for olein over cottonseed oil was USD 194 t<sup>-1</sup>, narrower than in 2003. The

discount also increased for palm kernel oil against coconut oil but that of stearin against tallow decreased to USD 6 t<sup>-1</sup> in 2004 from USD 41 t<sup>-1</sup> in 2003.

The bullish situation of oils and fats prices in the world market was driven by the developments of various factors in 2004. There was a decline in the world production of major oils and fats in January-March 2004 by 6% compared to 5.8% in the last quarter of 2003. The decline was mainly in the production of palm oil, soyabean oil and sunflowerseed oil. The production of soyabean oil declined because of bad weather which hindered the growth of the crops, especially in Brazil, Argentina and other countries in the southern hemisphere. The decline in palm oil production (by 18.7%) was due to the seasonal decline in fresh fruit bunch (FFB) production in Malaysia and Indonesia. Hence, the prices of oils and fats, especially those of palm products, accelerated during the quarter.

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

\* Malaysian Palm Oil Board,  
P. O. Box 10620,  
50720 Kuala Lumpur,  
Malaysia.  
E-mail: ramli@mopb.gov.my

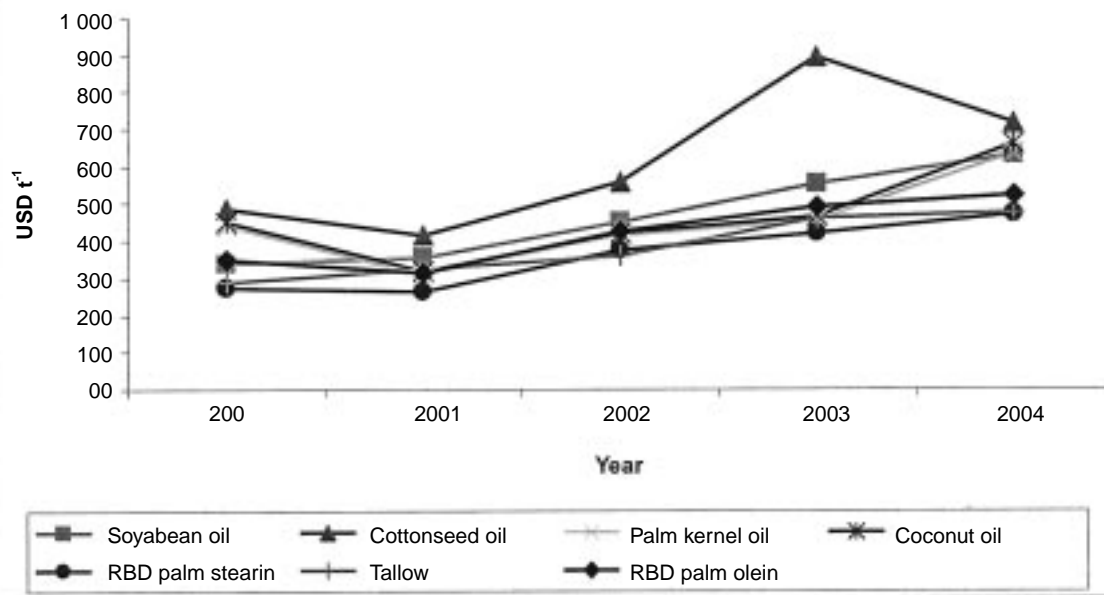


Figure 1. Prices of oils and fats (2000-2004).

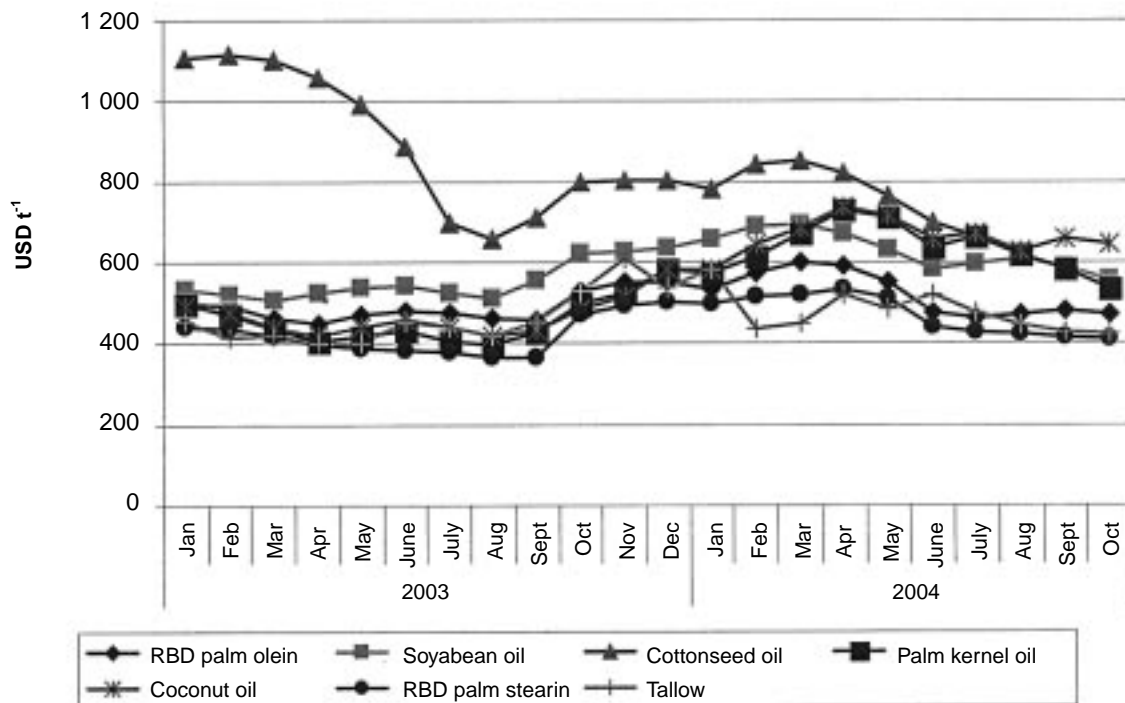


Figure 2. Prices of selected oils and fats in 2003 and 2004.

TABLE 1. PRICES OF SELECTED OILS AND FATS (USD t<sup>-1</sup>)

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) (Rott) (8)	Palm oil (CIF) (Rott) (9)
	2000	349	338	489	11	-140	444	450	-6	274	290	-16	285
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
July	464	597	660	-133	-196	660	669	-9	428	477	-49	417	426
Aug	470	610	616	-140	-146	616	627	-11	423	446	-23	421	432
Sept	481	585	583	-104	-102	583	657	-74	414	428	-14	434	439
Oct	471	558	535	-87	-64	535	642	-107	412	425	-13	413	431
Nov	-	-	-	-	-	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-	-	-	-	-	-
Average (Jan-June):													
2003	478.7	538.4	913.1	-59.7	-434.4	439.8	451	-11.2	405	438.7	-33.7	423.8	433
2004	520.9	627.2	714.9	-106.3	-194	632.3	661.6	-29.3	470.1	476.5	-6.4	470.1	512

Notes: 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.

In the second and third quarters of 2004, the prices of most oils and fats, especially palm products were slightly de-trended. The main reasons for this were the increasing stocks and production of palm oil in Malaysia. For production, it was quite normal behaviour of the palms to increase their production during these periods. In the fourth quarter, in addition to the increasing production of palm oil,

the stock was also significantly higher at about 1.4 million tonnes in October. The high stock was mainly due to low consumption and low export volumes. This condition should normally led to a major decline in prices. However, only a slight decline resulted. It is expected that the price would at least remain at the present level for November and December 2004 with the band, as shown in *Figure 2*, extending

horizontally till the end of the year. This implies that the prices of most oils and fats would remain as good as in the past few months for the remaining months of 2004.

2005 will begin with a good scenario for oils and fats, although not as good as that in early 2004. The prices of most oils and fats are expected to remain at their levels recorded at the end of 2004.