# Prices of Selected Oils and Fats in 1999 and in the New Millennium

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Most oils and fats registered lower prices in 1999 when compared with the previous year (*Table 1*). CIF price of RBD palm olein at Rotterdam market, for instance, dropped from US$ 710 $t^{-1}$ to US$ 491 $t^{-1}$. Price of soyabean oil (FOB Rotterdam) averaged at US$ 427 $t^{-1}$ in 1999 after registering a high average price of US$ 626 $t^{-1}$ in 1998. Cottonseed oil also indicated the same declining trend, as prices fell from US$ 718 $t^{-1}$ to US$ 563 $t^{-1}$. Prices of other palm products (palm stearin, RBD palm oil, and crude palm oil) and tallow also behaved in the same manner as those of palm olein, soyabean oil and cottonseed oil. Prices of all these aforementioned products (except that of tallow) peaked in 1998 and are expected to form troughs anytime from 2000 (*Figure 1*). In the case of tallow, it experienced a continuous fall in price for the past three consecutive years; *i.e.* from US$ 529 in 1997 to US$ 466 in 1998 and then to US$ 361 $t^{-1}$ in 1999. A different pattern, however, was created by the two lauric oils, namely palm kernel oil and coconut oil as they registered higher prices in 1999 than in 1998. In fact, their prices had been increasing since 1997. The price of palm kernel oil increased from US$ 652 $t^{-1}$ in 1997 to US$ 694 $t^{-1}$ in 1999 while that of coconut oil increased from US$ 657 $t^{-1}$ to US$ 737 $t^{-1}$ during the same period.

To measure performance or competitiveness of each product against other products, their price difference, either premium or discount, should be taken into consideration. Hence, for RBD palm olein, its price was at a premium of US$ 64 $t^{-1}$ compared to that of soyabean oil in 1999. RBD palm olein has maintained premium over soyabean oil since 1995. Palm olein, however, lost to cottonseed oil as it indicated a discount of US$ 72 $t^{-1}$ in 1999. With the exception of 1995, this palm product had never been sold at a higher price than that of cottonseed oil since 1987 (*Table 1*). Between the two lauric oils, palm kernel oil was at a discount of US$ 43 $t^{-1}$ to that of coconut oil in 1999 while in 1998, it was at a premium of US$ 29 $t^{-1}$. It appears that palm kernel oil had tough market competition from coconut oil as it had recorded a discount at every alternate year since 1997. A tough competition was also realized between RBD palm stearin and tallow in 1999 as the former registered a discount of US$ 2.6 $t^{-1}$ against the latter compared to a premium of US$ 82 in the previous year.

Among RBD palm olein, soyabean oil and cottonseed oil, price of palm olein declined at a much faster rate than that of soyabean oil and cottonseed oil. The price of palm olein declined at a monthly rate of -4.2% while that of soyabean oil and cottonseed oil declined at the rates of -3.4% and -3.5% respectively (*Table 1*). Price of palm kernel oil dropped at a lower rate than that of coconut oil (-0.29% versus -0.36% respectively). The average monthly rate of change for RBD palm stearin was -3.34% while that of tallow was -0.41%.

The price developments of oils and fats depended on a number of bearish factors that dominated the price scenario in 1999. A possible contributing factor could be the

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## TABLE 1. PRICES OF SELECTED OILS AND FATS (US$/t)

| Products Year/ months | 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 |
| 1999 | 491 | 427 | 563 | 64 | -72 | 694 | 737 | -43 | 358 | 361 | -2.60 | 411 | 436 |
| 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-Dec) | 709.5 | 625.9 | 717.6 | 83.6 | -8.1 | 686.7 | 657.9 | 28.8 | 547.6 | 465.5 | 82.1 | 631.6 | 671.1 |
| 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 |
| June | 448 | 410 | 550 | 38 | -102 | 656 | 796 | -140 | 303 | 319 | -16 | 365 | 392 |
| July | 402 | 392 | 522 | 10 | -120 | 571 | 656 | -85 | 247 | 336 | -89 | 315 | 319 |
| Aug | 443 | 413 | 550 | 30 | -107 | 689 | 684 | 5 | 304 | 331 | -27 | 354 | 354 |
| Sep | 453 | 414 | 529 | 44 | -71 | 710 | 704 | 6 | 322 | 382 | -60 | 374 | 388 |
| Oct | 425 | 401 | 495 | 24 | -70 | 684 | 690 | -6 | 328 | 411 | -83 | 351 | 381 |
| Nov | 409 | 382 | 481 | 27 | -72 | 693 | 703 | 10 | 319 | 396 | -77 | 342 | 370 |
| Dec | 411 | 369 | 483 | 42 | -72 | 681 | 703 | -22 | 315 | 388 | -73 | 344 | 354 |
| Avg. (Jan-Dec) | 490.8 | 427.3 | 562.8 | 63.5 | -71.9 | 694.0 | 737.1 | 43.1 | 358.1 | 360.7 | -2.6 | 411.3 | 436.0 |
| Avg. monthly change (%) | -4.17 | -3.41 | -3.47 | | | -0.29 | -0.36 | | -3.34 | -0.41 | | -4.38 | -4.68 |

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.

Source: Oil World

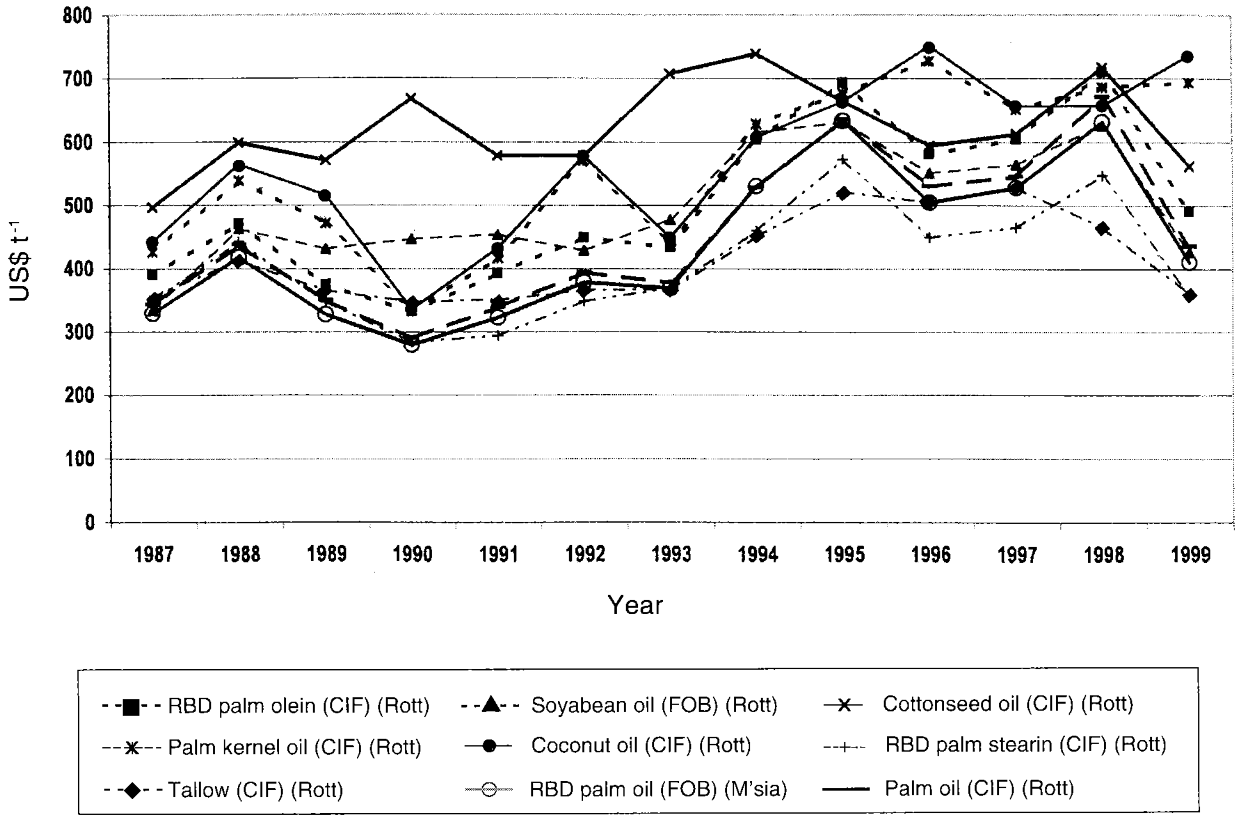


*Figure 1. Annual prices of selected oils and fats.*

significant increase in global oils and fats production in the year. Malaysian oil palm registered a bumper crop in 1999, recording an increase of 26.8% over the previous year's production. Malaysia produced about 10.55 million tonnes of palm oil and thus increased the availability of palm oil in world market. Another factor could be due to the excessive supply of oilseeds in general and of soyabeans, rapeseed, copra, and palm kernels in particular. The big supply of soyabeans and rapeseed in 1999 could be due to high government support measures, especially in the US and the EU.

This year, Malaysian palm oil production is estimated to increase moderately and not as drastically as in 1999. Malaysian production is estimated at 10.8 million tonnes, a slight increase from the production in 1999. This is due to the fact that palm trees are expected to be at resting stage after over production in 1999. Developments in Indonesia, another palm oil producing country, would also affect the supply of palm oil in the country. Thus, total supply of palm oil in the world market would not increase significantly. Other factors such as global supply of oils and fats, and weather situation in producing countries, would also contribute to the price development in 2000.