

# Price Scenario of Selected Oils and Fats in 2002

Ramli Abdullah\*

Price performance of palm oil and its products had generally improved in 2002. Local crude palm oil (CPO), for instance, showed a significant price improvement by registering at RM 1165.50 t<sup>-1</sup> in January and at RM 1626.50 t<sup>-1</sup> in December 2002, thus averaging at RM 1353 t<sup>-1</sup> for the whole year. This increasing price trend is shown in *Figure 1*, which at the same time shows another line for 2001 that trended in the same direction as that of 2002 but at lower prices. It can be seen also that price in 2000 had detrended significantly throughout the year and this implies that CPO price had recovered since 2001 as its price continued to increase since then.

Similar scenario was also observed in the international market in which palm products had significantly done better in 2002 than in 2001. *Table 1* shows that average price of refined bleached deodorized (RBD) palm olein was US\$ 425.70 t<sup>-1</sup> in 2002, compared to US\$ 317 t<sup>-1</sup> in the previous year. Average prices of other palm products such as palm kernel oil, RBD palm stearin, RBD palm oil and CPO were US\$ 415.80, US\$ 375.90, US\$ 374.70 and US\$ 390.30 t<sup>-1</sup> respectively for 2002 against US\$ 308, US\$ 264, US\$ 259 and US\$ 286 t<sup>-1</sup> respectively for the previous year. Thus, prices of all palm products had improved in 2002 by being higher than their own prices in the previous year. Their change in prices from 2001 to 2002 is shown in *Figure 2*.

Together with palm products, other selected oils and fats were also sold at higher prices in 2002 than in 2001. As indicated by *Figure 2*, positive price changes were observed for all the selected oils and fats. Thus, soyabean oil

and coconut oil were sold at a price higher than their own prices in 2001 by more than US\$ 100 t<sup>-1</sup> while tallow by about US\$ 36 t<sup>-1</sup>. Among these oils and fats, palm products (except RBD palm olein) stood up as the leader that recorded greater amount of price change in the three respective groups (*Figure 2*).

Many factors could contribute to the developments of these prices, especially that of palm products in

2002. These factors could be internally or externally to the oil palm industry. The significant one could be the uncertainty in the level of palm oil production, especially in Malaysia. In this respect, many experts, at the onset of 2002, raised the issues of weather and rainfall patterns in 2001, biological stress of the oil palm trees, and the replanting programme undertaken by the Malaysian Government. They believed that these factors would affect production and could constrain it from rising significantly. It is obvious that there were also other experts who had argued about this belief. Despite this argument, actual Malaysian production had turned out to be 11.9 million tonnes for the whole year, representing an increase of only 0.89% from that of 2001. This was only a slight increase in

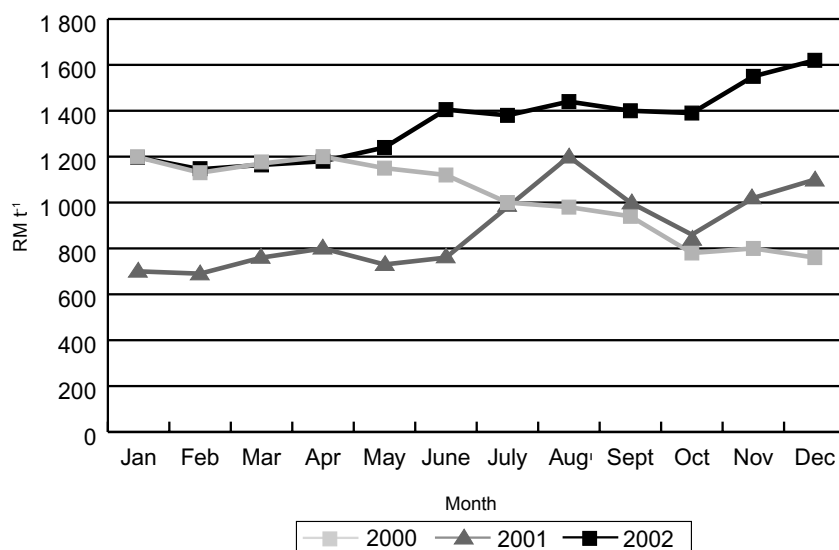


Figure 1. Malaysian crude palm oil price.

\* Malaysian Palm Oil Board,  
P. O. Box 10620,  
50720 Kuala Lumpur, Malaysia.

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

Year	RBD Products 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	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	-29	-130	416	421	-5	376	360	16	375	390
<b>2002</b>													
Jan	385	389	408	-4	-23	339	362	-23	306	312	-6	327	338
Feb	369	358	408	11	-39	359	376	-17	302	299	3	312	330
Mar	374	353	420	21	-46	358	366	-8	313	309	4	320	338
Apr	379	370	431	9	-52	411	411	0	330	314	16	329	349
May	402	397	443	5	-41	419	420	-1	363	315	48	352	371
June	442	438	462	4	-20	441	446	-5	427	400	27	393	411
July	430	470	474	-40	-44	438	445	-7	405	385	20	384	406
Aug	463	503	579	-40	-116	440	443	-3	413	384	29	414	425
Sept	430	494	556	-55	-117	412	410	2	390	385	5	390	400
Oct	443	517	595	-74	-152	430	434	-4	392	379	13	394	408
Nov	480	577	851	-97	-371	456	457	-1	428	404	24	431	442
Dec	503	585	1 043	-82	-540	487	482	5	442	438	4	450	465
<b>Avg</b>	<b>425.7</b>	<b>454.3</b>	<b>555.8</b>	<b>-28.5</b>	<b>-130.1</b>	<b>415.8</b>	<b>421.0</b>	<b>-5.2</b>	<b>375.9</b>	<b>360.3</b>	<b>15.6</b>	<b>374.7</b>	<b>390.3</b>

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.

production from the world's largest producer and consequently tightening the availability of palm oil supply in the world market.

In addition to the above contributive factor, developments of stock and export of palm oil during 2002 also played their roles in affecting price in Malaysia. The stock had tracked along the negative trend in 2002 from 1.25 million tonnes in January to 1.1 million tonnes in December, thus averaging at 1.15 million tonnes. This average represents a drop in stock by 7.85% from the 2001 average of about 1.21 million tonnes. This could represent one of the bullish factors that favoured an increase in prices of palm products. The reduction in stock volumes of palm oil could be due to the increase in export volume which

Malaysia had recorded from 0.84 million tonnes in January to 0.94 million tonnes in December 2002. Totalling these export volumes throughout the year leads to an amount of 10.885 million tonnes, which was 2.4% increase from that of 2001. These two related factors synergically provided a platform to support palm oil price bullishness in 2002.

Finally, prices of these oils and fats can also be analysed by comparing their performances within 2002. In this aspect, we are interested in looking at the spread between them, either premium or discount. It can be seen in *Table 1* that RBD palm olein was sold higher (premium) than soyabean oil in the international market during the first half of year (except in January) after which it was

discounted in the second half of the year. On average, olein was generally sold cheaper by about -US\$ 28.50 t<sup>-1</sup> which was less than the discount for the same period of 2001 (-US\$ 37 t<sup>-1</sup>). This can also be considered as an improvement for olein as it managed to reduce the spread (discount) with soyabean oil. In the case of cottonseed oil, it was always sold at higher prices than olein in 2002. In fact, it can be seen in *Table 1* that the spread (discount) increased towards end of the year. As a result, price of cottonseed oil was on average US\$ 130 t<sup>-1</sup> higher than that of olein. For lauric oils, they experienced stiffer competition as they indicated the smallest spread between them during the year. On average, palm kernel oil was sold

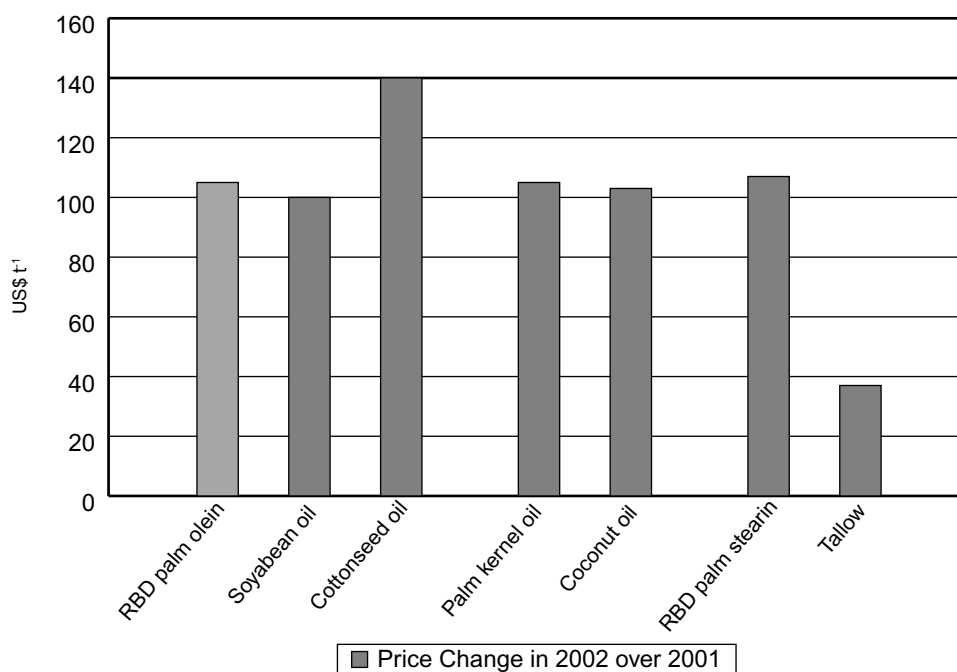


Figure 2. Change in price of selected oils and fats in 2002 over 2001.

cheaper than coconut oil by about -US\$ 5 t<sup>-1</sup>, compared to a bigger discount of -US\$ 10 t<sup>-1</sup> during 2001. Only RBD palm stearin broke the record for the palm products this time as it was sold more expensive than tallow at an average spread (premium) of US\$ 15.60 t<sup>-1</sup> in 2002. Prior to this (for the past few years) olein was sold at a price much cheaper than tallow but it was able to switch it this time to become premier in price to tallow.