

PRICES

Based on their performances during the first quarter of 1993, palm products are most likely to enter another bullish year this year. The average price for palm oil (CIF Rotterdam) during the first quarter of 1993 was US\$414/tonne, higher than that of last year during the same quarter (*Table 1*). The price has also exceeded its 1992 average price of US\$394/tonne, which had increased since 1990. The price of RBD palm stearin also showed better performance during the first quarter of 1993 where the price was US\$381/tonne compared to US\$333/tonne for the same quarter last year. The 1993 average price for stearin has improved since 1990. A similar major improvement could also be observed for RBD palm olein where the average price for the first quarter of 1993 exceeded that of the same quarter last year and that of the whole of last year. The only palm product which did not show improvements was palm kernel oil. Its price movements were sliding downwards in 1992 and continued to decrease during the first three months of 1993. The average price of US\$448/tonne during this quarter was already lower than that of 1992 as a whole.

In January 1992, the prices of the selected oils and fats were widely spread with coconut oil having the highest average price at US\$738/tonne and RBD palm stearin the lowest at US\$339/tonne (*Figure 1*). With the exception of cottonseed oil, the spreads were narrow and tapered towards the end of 1992. Consequently some prices (especially that of lauric oils) were observed sliding downwards while others increasing upwards. They then became competitive at the end of the year and continued to be competitive during the first three months of 1993.

Thus it can be seen that during the first three months of 1993, the average price of cottonseed oil (US\$696/tonne) was very much higher than that of the other oils and fats. Its price in January 1993 was US\$698/tonne and its movements were still improving until March 1993. The average price also has surpassed the average price of last year's first quarter and that of the whole of last year. The price movements for this oil started to improve as early as 1989 and *Figure 1* shows the widening gap of the oil prices against other non-lauric oils and fats since 1992.

RBD palm olein and palm stearin both had price improvements too during the three months of 1993. The prices were US\$480/tonne for olein and US\$384/tonne for stearin in March 1993, compared to US\$468/tonne and US\$379/tonne for olein and stearin respectively in January 1993 (*Table 1*). The prices of soyabean oil and tallow more or less stabilized at US\$438/tonne and US\$369/tonne respectively. Lauric oils continued to decrease in price during the early 1993. The palm kernel oil price had decreased from US\$457/tonne in January 1993 to US\$428/tonne in March this year, while the price of coconut oil declined from US\$444/tonne in January to US\$427/tonne in March this year.

The increases in prices of palm oil and palm oil products followed the general behaviour of the prices of other oils and fats, which resulted from the global shortage in stocks. The stocks continued to decline due to lower production during the first quarter of 1993 and the demand continued to pick up because of the festive seasons such as Chinese New Year, Thaipusam and Hari Raya Puasa. Thus these activities reduced the Malaysian stocks from 531 945 tonnes in January to 461 706 tonnes in March 1993. Uncertainties in production of other oil bearing crops due to uncertainties in weather especially in the Southern Hemisphere also caused prices to rise.

The strengthening of cottonseed oil prices during the first quarter of this year was due to lower production in producing countries such as China, Pakistan, the ex-USSR, South America and a few other countries. Two possible reasons could be mentioned here for causing the low output of cottonseed and they are lower acreage and reduced yields (in China), and detrimental weather conditions (in Pakistan and Argentina).

Due to increases in prices of palm oil and palm oil products, palm oil has once again become more expensive than soyabean oil for the second consecutive year. This could be a repetition of what had happened in 1987 and 1988, when RBD palm olein was at premiums of US \$56/tonne and US\$8/tonne respectively over soyabean oil (*Table 1*). Then for the next three consecutive years, 1989-1991, RBD palm olein was sold cheaper than the

TABLE 1. PRICES OF SELECTED OILS AND FATS 1991 AND 1992 (US\$/tonne)

Year/ Months	RBD Palm Oil (CIF) (Rott)	Soyabean Oil (FOB) (Rott)	Cottonseed Oil (CIF) (Rott)	Spread (1)-(2) +Premium -Discount	Spread (1)-(3) +Premium -Discount	Palm Kernel oil (CIF) (Rott)	Coconut oil (CIF) (Rott)	Spread (4)-(5) +Premium -Discount	RBD Palm Stearin (CIF) (Rott)	Tallow (CIF) (Rott)	Spread (6)-(7) +Premium -Discount	RBD Palm oil (FOB) (M'sia)	Palm oil (CIF) (Rott)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1985	543	572	710	-29	-167	551	590	-39	445	421	+26	504	501
1986	323	342	489	-19	-166	288	297	-9	263	296	-33	258	257
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	394	396	-2	284	348	-64	280	290
1991	393	454	579	-61	-186	417	433	-16	294	351	-57	323	339
JAN (1992)	418	429	507	-11	-89	699	738	-39	339	342	-3	357	383
FEB	435	414	503	21	-68	651	702	-51	332	330	2	368	382
MAR	464	434	530	30	-66	620	644	-24	328	345	-17	388	396
APR	465	425	519	40	-54	651	647	5	330	344	-14	365	402
MAY	451	439	583	12	-132	617	638	-21	329	348	-19	378	392
JUN	465	456	626	9	-161	589	589	0	357	359	-2	389	404
JUL	445	429	623	16	-178	532	528	4	353	366	-13	376	382
AUG	433	409	565	24	-132	507	494	13	352	385	-33	364	382
SEP	445	421	561	24	-116	523	501	22	360	387	-27	376	391
OCT	452	418	607	34	-155	506	493	13	366	392	-32	378	396
NOV	466	437	655	29	-189	499	496	3	377	400	-23	401	413
DEC	452	435	673	17	-221	463	461	2	369	390	-21	390	401
Avg(Jan-Mar)	439	428	513	13	-74	657	695	-20	333	339	-6	371	387
Avg(Jan-Dec)	449	429	579	20	-130	571	576	-7	349	368	-17	370	394
JAN (1993)	468	444	698	24	-230	457	444	13	379	377	2	404	410
FEB	485	433	688	52	-203	459	439	20	381	364	17	416	425
MAR	480	438	701	42	-221	428	427	1	384	367	17	407	408
Avg(Jan-Mar)	478	438	696	40	-218	448	437	11	381	369	12	409	414

RBD Palm Olein, Mal.CIF Rott; Soya bean 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

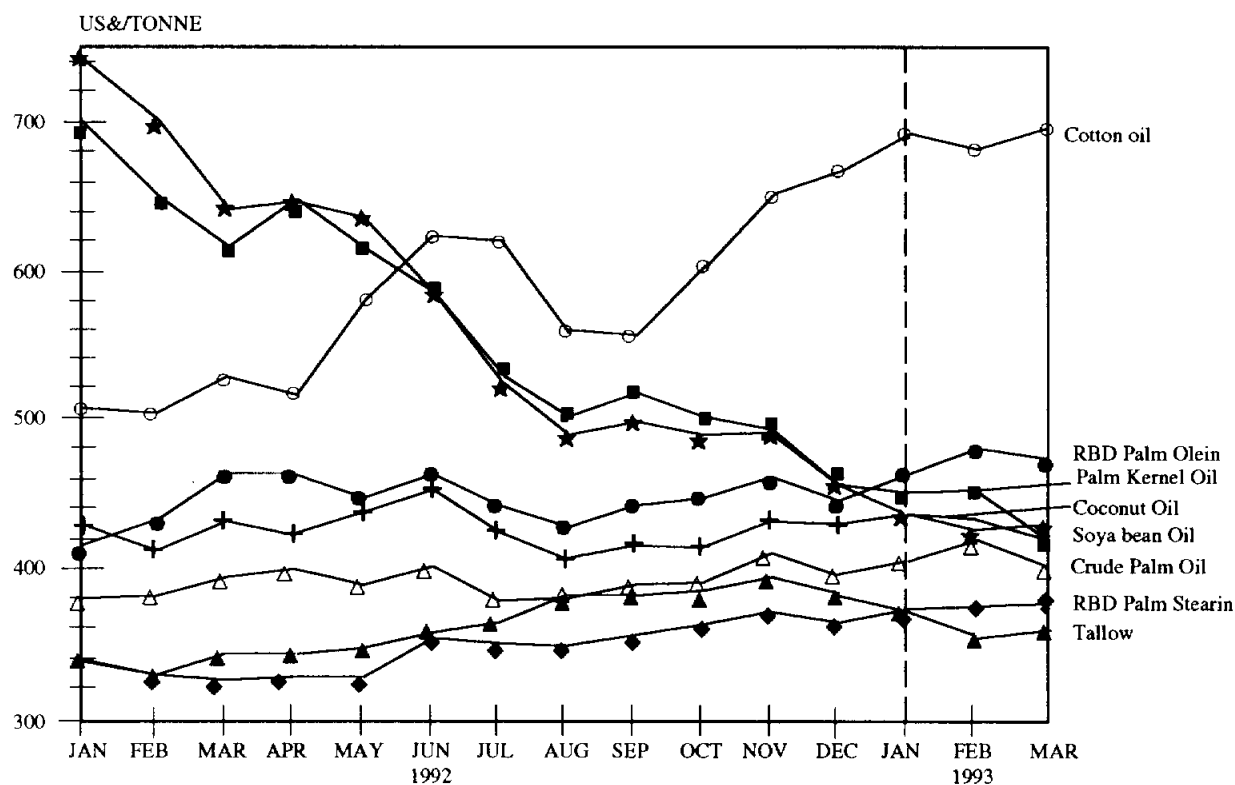


Figure 1. 1992 and 1993 prices of selected oils and fats (US\$/Tonne)

soyabean oil. The price of olein started to be expensive again in 1992 with the average spread of US\$20/tonne in its favour and continued being favoured during the first quarter of 1993 at a premium of US\$40/tonne.

The scenario is different for the spread between palm olein and cottonseed oil. Palm olein has never been favoured over cottonseed oil since 1985. It has been at a discount for several years and continued in 1993. The discount during the first quarter of this year was US\$218/tonne higher than that of the same quarter last year and that for the whole of last year. The increase of the discount means that RBD palm olein can be a substitute for cottonseed oil, which is becoming less competitive.

There was a narrow price spread (US\$11/tonne) between palm kernel oil and coconut oil in favour of the former during the first quarter of this year, in contrast with the situation in the same period last year when coconut oil was at an average premium of US\$38/tonne. This means the price of palm kernel oil was higher than that of coconut oil during January to March 1993, and the former enjoyed premiums as early as June last year when the prices of the two oils concerned were the same at US\$589/tonne. This year will be the first occurrence when palm kernel oil is at premium level after being discounted by the coconut oil for several years.

RBD palm stearin has once again lost its discount to tallow during January to March this year at an average spread of US\$12/tonne. The last time this happened was in 1988 when the spread was US\$30/tonne in favour of RBD palm stearin. RBD palm stearin, however, became less competitive towards last year when the average spread reduced from US\$64/tonne in 1990 to US\$17/tonne in 1992 in favour of tallow.

Prices are expected to be better this year for most oils and fats, and while the supply of other oils is likely to remain tight, that of Malaysian palm oil is expected to increase. This should benefit the Malaysian palm oil producers since they can enjoy the favourable prices while output and prices increase. Malaysian producers are expected to net a higher revenue from palm oil sales, and hence Malaysia will earn more foreign exchange from this source. The better price spreads between palm oil and palm oil products relative to other oils are not expected to affect sales significantly in the short-term. The improvement of price spread is good for the image of palm oil by showing the world that it is as good as any other oil if not better.

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