

1994 Palm Oil Prices

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Performances of palm oil products improved this year after their prices gradually increased over the first half of 1994 either at local or at international markets (*Table 1*). The gradual price increase of palm oil products over the first half of 1994, either at local or international markets indicates a price recovery over recent years. RBD palm olein (CIF), for example, grew at a monthly rate of 5.38%, raising its January price of US\$462/tonne to US\$596 in June. Its average for the first half of the year was US\$512 per tonne. Both RBD palm oil (FOB) and palm oil (CIF) grew at a monthly rate of 5.26% and 4.45% respectively while RBD palm stearin and palm kernel oil each increased by about 2%. Due to these good performances, the prices of all palm products in June were higher than those at the beginning of the year. As a result, their average prices surpassed their own average prices in the last eight years. This is a sign of price recovery for the palm products and greater competition with other oils and fats will be expected during the second half of 1994.

While prices of palm products increased over the past six months of 1994, prices of soya bean oil and cottonseed oil dropped monthly at a rate of 1.01% and 2.75% respectively. As a consequence, soya bean oil was sold at US\$571/tonne in June, cheaper than its own price in January at US\$602. The price of cottonseed oil was also lower to reach US\$749/tonne in June from US\$863 in January 1994. Tallow and coconut oil, on the other hand, followed the

general price movements of the palm products. Tallow increased every month at a rate of 1.54% to reach US\$415 in June from US\$385 at the beginning of the year while coconut oil rose by 0.55% monthly to reach its most expensive price so far at US\$608 per tonne in June (*Table 1*).

The general price increments for palm products and the fall of soya bean and cottonseed oils towards June 1994 narrowed down the spread between these products. The spread between RBD palm olein and soya bean oil became narrower and the former finally became more expensive than the latter by US\$25 per tonne in June. Although palm olein loses to cottonseed oil in price (since 1985) the spread between the two oils narrowed from US\$401 in January to US\$153 in June (*Table 1*).

Palm kernel oil had a tough competition with coconut oil since prices of both oils increased during the first six months of 1994. However, the monthly growth rate of prices for palm kernel oil is faster (2.03%) than that of coconut oil (0.55%). Due to that, the price of palm kernel oil overtook and became more expensive than that of coconut oil in April by US\$5/tonne and its price increased further in June widening the premium to US\$15/tonne. A similar competition between RBD palm stearin and tallow was also observed as their prices increased monthly. However, the closer monthly growth rates for the two oils caused the spread to become more unpredictable

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

products	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)	Stearin (CIF) (Rott) (6)	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)
1985	543	572	710	-29	-167	551	590	445	445	421	+26	504	501
1986	323	342	489	-19	-166	288	297	263	263	296	-33	258	257
1987	390	334	497	+56	-107	426	442	349	349	356	-7	329	343
1988	471	463	599	+8	-128	539	565	443	443	413	+30	418	437
1989	375	432	572	-57	-197	472	517	348	348	366	-18	328	350
1990	332	447	688	-115	-336	334	336	284	284	348	-64	280	290
1991	393	454	579	-61	-186	417	433	294	294	351	-57	323	339
1992	449	429	579	20	-130	571	578	349	349	366	-17	379	394
JAN (1993)	468	444	698	24	-230	457	444	379	379	377	2	404	410
FEB	485	433	688	52	-203	459	439	381	381	364	17	416	425
MAR	480	438	701	42	-221	428	427	364	364	367	17	407	408
APR	453	448	699	5	-246	405	402	382	382	373	9	388	392
MAY	430	448	692	-18	-262	401	418	379	379	369	10	369	371
JUN	413	461	705	-48	-292	412	436	367	367	361	6	351	356
JUL	414	505	824	-91	-410	430	460	364	364	356	8	351	362
AUG	412	483	665	-71	-253	414	455	366	366	364	2	348	356
SEP	405	489	651	-84	-246	397	424	365	365	358	7	343	352
OCT	392	491	656	-99	-264	391	419	347	347	357	-10	328	333
NOV	404	536	717	-132	-313	449	464	353	353	370	-17	350	357
DEC	448	558	794	-110	-346	598	612	368	368	382	-14	385	409
Avg (Jan-Jun)	455	445	687	10	-242	427	428	379	379	369	10	369	384
Avg (Jan-Dec)	434	478	708	-46	-274	437	450	370	370	367	3	370	378
JAN (1994)	462	602	863	-140	-401	567	595	367	367	385	-18	399	404
FEB	469	577	823	-108	-354	546	573	363	363	387	-24	396	387
MAR	457	588	805	-131	-348	532	539	360	360	383	-23	402	395
APR	518	584	772	-66	-254	565	560	381	381	383	-2	444	434
MAY	572	594	793	-22	-221	619	599	391	391	396	-5	491	488
JUN	596	571	749	25	-153	623	608	411	411	415	-4	513	508
Avg (Jan-Jun)	512	586	801	-74	-269	575	579	379	379	392	-19	441	436
Avg. monthly growth	5.38	-1.01	-2.75			2.03	0.55	2.33	2.33	1.54		5.28	4.45

RBD Palm Olein, Mal.CIF Rott; Soyabean Oil, Dutch FOB ex-mill; Cottonseed Oil, US, PB5Y, 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
Prepared on 23rd June, 1994

and fluctuating. On the average, stearin was sold cheaper than tallow by US\$13 per tonne during the first six months of 1994.

The performances of these prices can be seen very clearly in *Figure 1* and *Figure 2*. It is clear that these prices improved or increased since the last quarter of 1993 (*Figure 1*). Cottonseed oil was the most expensive oil compared to other selected oils and fats which more or less competed with one another. The coconut oil and the palm kernel oil, being comparable to one another (as lauric oils), led the competition by having the greatest rates of growth over the last quarter of 1993. Unfortunately, the good performances of these prices during the period, especially those of palm products, did not improve the price scenario for the whole of 1993 because their poor performances in the first three quarters of the year had pulled down the year's average prices.

The prices of palm products in 1994, especially RBD palm stearin, palm oil (CIF) and RBD palm olein, grew steadily during the first six months (*Figure 2*). On the other hand, coconut oil and palm

kernel oil weakened during the first quarter of this year after performing very well towards the end of last year. They later improved in the second quarter resulting in moderate increases during the period of January to June 1994. As in the past, cottonseed oil is separated from the other selected oils and fats (*Figure 2*). Its performance, however, was not very good this year since its price dropped since January. The decline in price of cottonseed oil also narrowed the gap between its price and that of RBD palm olein which showed tremendous increments during the period. It is obvious that nearly all oils and fats as shown in *Figure 2* were doing well in the first half of 1994 except cottonseed oil and soya bean oil.

The good performances in the prices of palm products were due to the fact that there could be a small increase in world production of palm oil. The increase is expected mainly from Indonesia. Malaysia, the world's largest producer and exporter of palm is expected to have a drop in production to about 7.2 million tonnes this year. Malaysian yield is expected to decline due to the biological nature of the palm trees which had over-produced last year. The stress of these

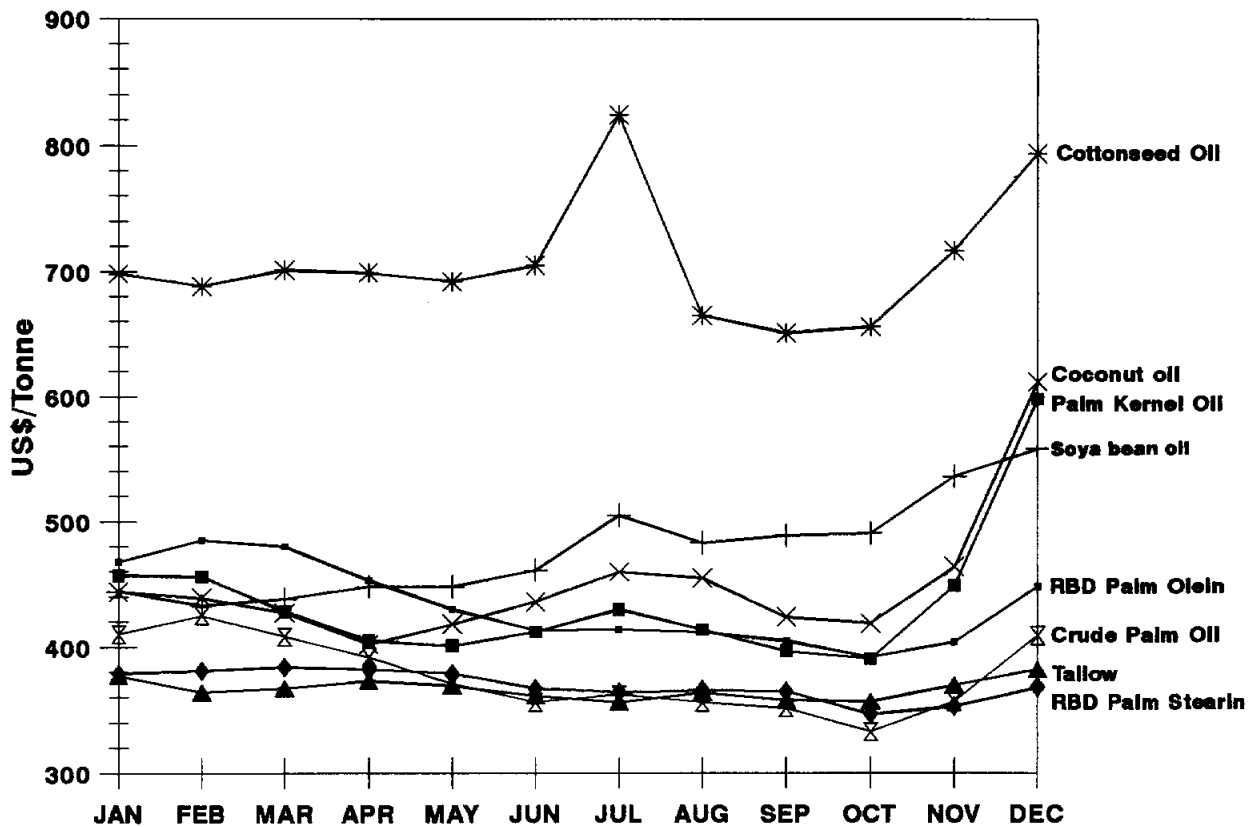


Figure 1. 1993 Prices Of Selected Oils and Fats

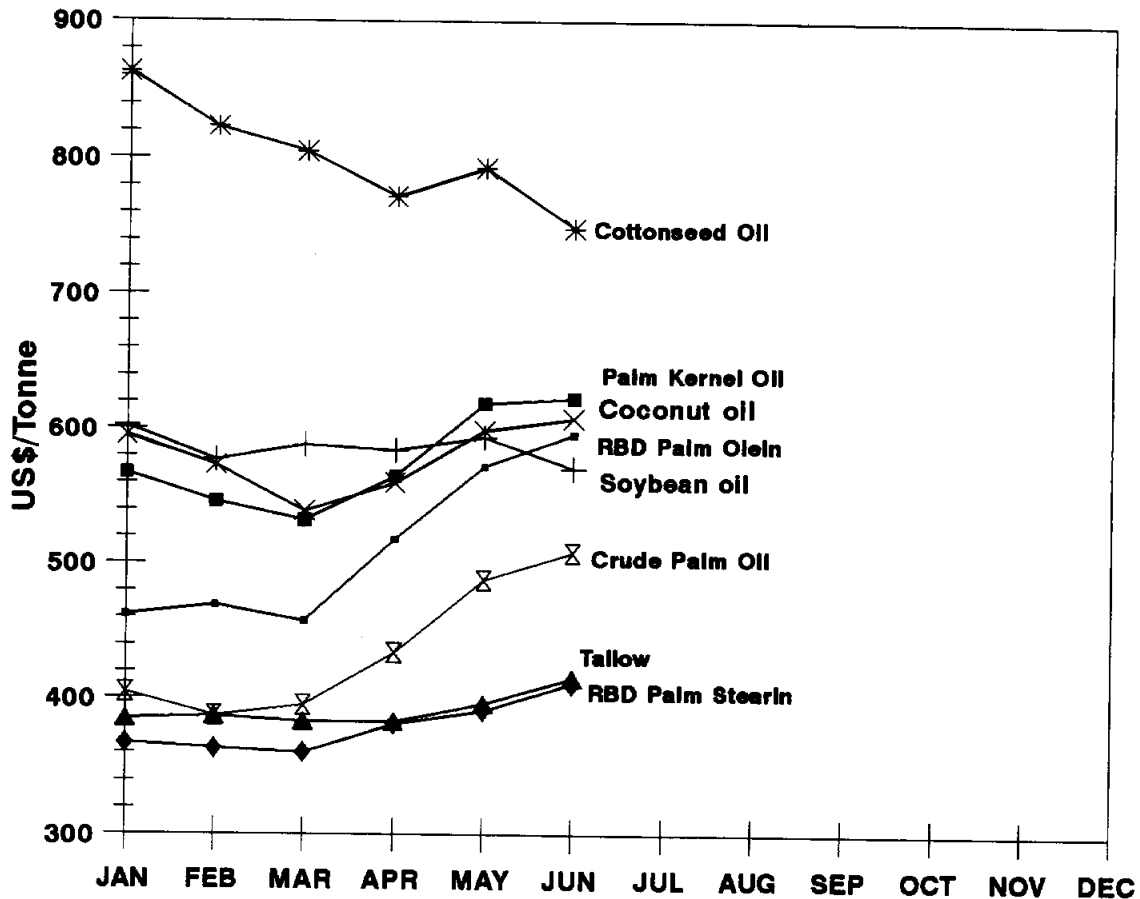


Figure 2. 1994 Prices Of Selected Oils and Fats

trees causes the yield to decline. The expected increase in Indonesian production of palm oil will not increase much the world availability of palm oil since her exports share from production is expected to drop. The increase in her production will be mostly consumed locally. Palm oil has also taken advantage of the shortage of soya bean oil last year. It could not take this chance before due to the anti-palm oil campaign carried out by the American Soya bean Association. Since the campaign is practically over, the world can easily accept the good and nutritious palm oil.

It is expected that the good performances of palm products will continue in the second half of 1994. This is due to the fact that more palm oil will enter foreign markets because of the continued shortage in supply of world oils and fats. The current availability of palm oil would be able to meet the increasing world demand for oils and fats. As a consequence stocks will be back to normal and prices of palm products will be good in 1994.

