

1995/96 Prices of Palm Oil and Other Major Oils and Fats

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After setting high records in 1994, palm oil and its products continued to show good performance in 1995 for the second consecutive year. Their prices averaged high and improved significantly since 1993 (*Table 1*). This was a good scenario especially for the palm oil industry.

Price of RBD palm olein (CIF) rose to US\$694/tonne in 1995, higher than its price in 1993 and 1994 by 59.9% and 14.9% respectively. The prices of other palm products such as palm kernel oil, RBD palm stearin and palm oil (at CIF), rose to US\$678/tonne, US\$573/tonne, and

US\$636/tonne respectively while RBD palm oil at FOB market increased to US\$634 per tonne in 1995.

Prices of other selected oils and fats, generally, showed similar trends as those of palm products, but at slower rates. Soya bean oil's price at FOB market increased to US\$632 per tonne in 1995 from US\$616/tonne in 1994 and US\$478/tonne in 1993. CIF prices of both coconut oil and tallow experienced increases in 1995 since 1993. In contrast, the CIF price of cottonseed oil dropped to US\$665 per tonne in 1995 from US\$739/tonne in the previous year and from US\$708/tonne in 1993.

TABLE 1. PRICES OF PALM OIL PRODUCTS AND OTHER SELECTED OILS AND FATS (US\$/TONNE)

Oils & Fats	1993	1994	1995	a	b
RBD Palm Olein (CIF)	434	604	694	59.9	14.9
Palm Kernel Oil (CIF)	437	629	678	55.1	7.7
RBD Palm Stearin (CIF)	370	460	573	54.9	24.6
RBD Palm Oil (FOB)	370	531	634	71.4	19.4
Palm Oil (CIF)	378	528	636	68.3	20.5
Soyabean Oil (FOB)	478	616	632	32.2	2.6
Cotton Oil (CIF)	708	739	665	-6.1	-10.0
Coconut Oil (CIF)	450	608	665	47.8	9.4
Tallow (CIF)	367	451	522	42.2	15.7

Note: a - Percentage change between 1993 and 1995 (%)
b - Percentage change between 1994 and 1995 (%)

In comparing the prices of the palm products and other selected oils and fats, the palm products showed greater improvements than the latter (see columns **a** and **b** of *Table 1*). This means that prices of palm products increased faster than that of other oils and fats. As a result palm products became more expensive and sold at higher prices than their equivalents in 1995 (*Table 2*). As can be seen, at Rotterdam, RBD palm olein was sold at a premium of US\$62/tonne when compared to soyabean oil (*Table 2*). It was also more expensive than cottonseed oil by US\$29/tonne in 1995. Between palm kernel oil and coconut oil, the former was sold higher than the latter by US\$13 per tonne. It is interesting to note that the premium of RBD palm stearin over tallow had been increasing since 1993 when it was only US\$3/tonne compared to US\$51 in 1995.

The monthly price developments of oils and fats between the past three years i.e. 1993, 1994 and 1995, were quite distinct from one another. In 1993, monthly prices of all oils and fats (except that of cottonseed oil) were low, below US\$500 per tonne and they were competing within that range. Only

cottonseed oil was seen separated from the others by being higher than the next (Ramli, 1995). That was a bad year for oils and fats where they were bearish in the market. A different scenario was observed in 1994 where the year started with a wide range of prices of oils and fats ranging from as low as US\$367/tonne for palm stearin to as high as US\$863/tonne for cottonseed oil. Towards the end of the year, these prices tapered on the uptrend (except cottonseed oil) and became bullish over the year.

The year 1995 presented a totally different scenario for the oils and fats (*Figure 1*). Over the year the prices of oils and fats can be said to be within a certain band width of prices and competed within that range which was quite stable throughout the year. The monthly fluctuation of these prices was also quite minimal (as indicated by the average monthly change in *Table 2*). The price of RBD palm olein declined at a monthly rate of 0.68% while those of soyabean oil, cottonseed oil, RBD palm stearin and tallow declined at higher rates of 1.18%, 1.11%, 1.43% and 1.18% respectively. Only lauric oils such as palm kernel oil and coconut oil increased at monthly rates

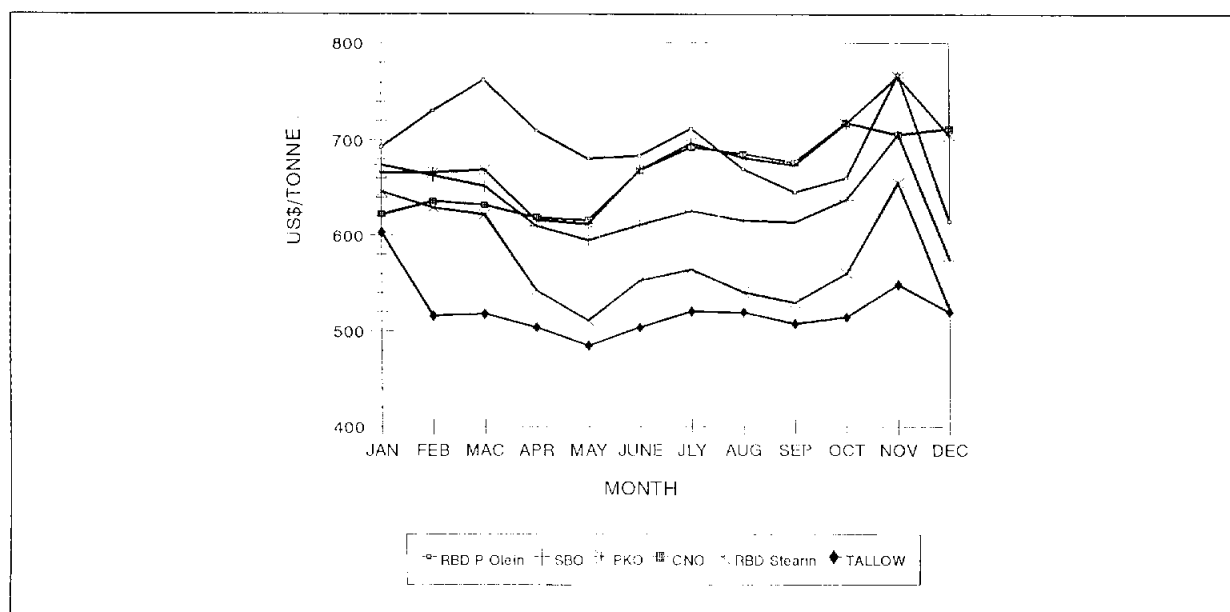


Figure 1. 1995 prices of selected oils and fats.

TABLE 2. PRICES OF SELECTED OILS AND FATS (US\$/tonne)

Products	RBD Palm Oil (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)
1984	786	724	836	62	-50	1037	1155	-118	595	531	64	750	729
1985	543	572	710	-29	-167	551	590	-39	445	421	+26	504	501
1986	323	342	489	-19	-166	288	297	-258	263	296	-33	257	258
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	351	351	-17	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	6126	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
JAN (1994)	462	602	863	-140	-401	567	595	-28	367	385	-18	399	404
FEB	469	577	823	-108	-354	546	573	-27	363	387	-24	396	387
MAR	457	588	805	-131	-348	532	539	-7	360	383	-23	402	395
APR	518	584	772	-66	-254	565	560	5	381	383	-2	444	434
MAY	572	594	793	-22	-221	619	599	20	391	396	-5	491	488
JUN	596	571	749	25	-153	623	608	15	411	415	-4	513	508
JUL	587	560	668	27	-83	590	579	11	423	426	-3	508	494
AUG	666	600	672	66	-6	625	596	29	454	449	5	581	575
SEP	708	672	672	36	36	679	622	57	484	499	-15	610	614
OCT	688	642	644	46	44	684	621	63	527	509	18	606	616
NOV	768	706	705	62	63	766	706	60	656	549	107	707	713
DEC	754	693	701	61	53	756	692	64	708	628	79	703	719
Avg (Jan - Dec)	604	616	739	-12	-135	629	608	21	460	451	9	531	528
JAN (1995)	693	674	706	19	-13	666	622	44	646	603	43	649	655
FEB	730	663	673	67	55	666	636	30	629	516	113	674	661
MAR	763	652	674	111	89	669	632	37	622	518	104	705	687
APR	710	610	631	100	79	616	619	-3	543	504	39	634	625
MAY	681	595	620	86	61	612	616	-4	511	485	26	610	611
JUN	684	611	663	73	21	669	668	1	553	504	49	622	631
JULY	712	626	685	86	27	697	693	4	565	521	44	652	655
AUG	670	616	685	54	-15	682	686	-4	541	520	21	609	616
SEP	646	614	665	32	-19	674	677	-3	530	508	22	583	586
OCT	661	638	659	23	2	717	718	-1	561	515	46	602	615
NOV	768	706	705	62	63	766	706	60	656	549	107	713	707
DEC	615	575	614	40	1	705	712	-7	523	520	3	557	583
Avg (Jan - Dec)	694	632	665	62	29	678	665	13	573	522	51	634	636
Avg. monthly change (%)	-0.68	-1.18	-1.11			0.66	1.29		-1.43	-1.18		-0.88	-0.71

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, various issues

of 0.66% and 1.29% respectively. The price trends of palm products were noted to be most of the time above their equivalents and thus became premiums during the year.

The price developments of palm products and selected oils and fats over 1995 depended on a few key factors. One of them was the bad weather in Brazil, the US and the Philippines. Little rain towards the end of 1995 in Rio Grande do Sul, Brazil, an important growing region in the Southern end of the world's second largest soyabean-producing region, had reduced the 1995 soyabean production. Similarly, the hot and relatively dry weather in August across much of the US Mid-West region had stalled the development of the soyabean pods, which should be filling. As a consequence, the soyabean yields in 1995 dropped. The last event was the typhoon which attacked the

largest coconut oil producer in the world, the Philippines, in September 1995. All these events had lowered the production prospects of oils and fats while raising the prices of oils and fats, especially those of palm products.

As for 1996, prices of oils and fats especially palm products are again expected to remain firm and strong. Malaysia is expected to have a tight production of palm oil; there could be a marginal drop from the previous year. The bullishness of the palm products is not expected to become a threat to demand as the commodity (palm oil) has a global market acceptance by the world. The rapid growth of palm oil production and consumption in the past reflects its nutritional acceptability in various countries and its competitiveness has led to the rapid displacement of other oils and fats in many markets. ■