

Summary of 1997 Prices of Oils and Fats

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With the exception of lauric oils, prices of selected oils and fats increased and averaged higher in 1997 than those in 1996.

This indicates a better performance by these oils and fats in terms of their prices. The prices were high especially in the first half of 1997 due to declining stocks in Malaysia as well as in the world. In contrast, lauric oils registered lower prices in 1997 after registering high prices in the past two years. It was observed that this price scenario of the selected oils and fats in 1997 was just the reverse of their scenario in 1996 (*Table 1*).

Based on the performance of the individual price of an oil or fat, that of RBD palm olein averaged at US\$606 per tonne in Rotterdam market, higher than its own price in 1996 (US\$581 per tonne). The average FOB price of soyabean oil was also high, averaging at US\$565 per tonne in 1997 compared to US\$552 per tonne in the previous year. Higher CIF prices in 1997 than in 1996 were also observed in the Rotterdam market for cottonseed oil, RBD palm stearin, and tallow. In the case of lauric oils, prices of both palm kernel oil and coconut oil dropped in 1997 after registering increases in their prices for the past two years. Their 1997 prices averaged at US\$652 and US\$657 per tonne respectively, while in 1996, their averages were US\$728 and US\$752 per tonne respectively.

The prices of these selected oils and fats competed fairly strongly in the year concerned as their price trends fell within a narrower bandwidth, compared to that of

1996 (*Figure 1*). The bandwidth tapered towards the end of the year, indicating closeness or tough competition of these oils and fats including those of lauric oils. The lauric oils' prices were far above the prices of non-laurics during the first half of the year but declined in the second half to be together in the bandwidth. If we can recall, this scenario was almost the same as in 1995 (POD No. 26).

A comparison among these oils and fats indicates that RBD palm olein in the Rotterdam market was generally sold at a very much higher price than that of soyabean oil but was cheaper than that of cottonseed oil. A premium of US\$40 per tonne resulted between the price of palm olein and that of soyabean oil in 1997. It indicates that the premium was better than that in the previous year (US\$29 per tonne). However, palm olein was sold cheaper than that of cottonseed oil in the Rotterdam market by about US\$8 per tonne, a smaller discount than that in the previous year of about US\$14 per tonne. In the case of RBD palm stearin, it was generally sold at a discount to tallow by about US\$62 per tonne in 1997. In 1996, the discount between these two oils was US\$56 per tonne. The prices of palm kernel oil and coconut oil were most of the time close to one another in 1997, resulting in a smaller difference (discount) of about US\$5 per tonne (the discount was bigger in 1996).

The above paragraphs described bullishness or bearishness of the selected oils and fats and also price performance of the individual oil or fat in 1997 compared

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

Products	RBD Palm Olein (CIF) (Rott) (1)	Soybean 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'asia) (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	-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	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	-23	450	506	-56	505	531
JAN (1996)	567	554	589	13	-22	686	711	-25	496	508	-12	504	535
FEB	554	548	580	6	-26	716	738	-22	491	447	44	501	518
MAR	558	538	575	20	-17	715	723	-8	481	443	38	492	519
APR	599	582	624	17	-25	755	756	-1	481	476	5	528	562
MAY	610	591	643	19	-33	775	778	-3	474	496	-22	536	552
JUN	567	563	610	4	-43	762	816	-54	423	480	-57	487	508
JUL	548	549	609	-1	-61	734	775	-41	390	501	-111	460	476
AUG	590	565	610	25	-20	725	742	-17	432	554	-122	501	513
SEP	598	569	611	29	-13	707	721	-14	457	605	-148	520	545
OCT	577	528	563	49	14	693	722	-29	426	528	-102	502	532
NOV	595	517	565	78	30	721	760	-39	421	503	-82	511	550
DEC	603	514	558	89	45	747	777	-40	430	528	-98	523	561
Avg (Jan-Dec)	581	552	595	29.0	-14.25	728	752	-23.3	450	506	-55.58	505	531
Avg. monthly change (%)	0.65	-0.60	-0.41			0.83	-0.88		-1.12	0.65		0.47	0.57
JAN (1997)	632	534	571	98	61	754	767	-13	478	566	-88	555	567
FEB	639	527	580	112	59	757	768	-11	509	554	-45	565	580
MAR	622	541	601	81	21	730	737	-7	486	498	-12	545	559
APR	635	541	602	94	33	705	710	-5	479	455	24	555	562
MAY	629	541	605	88	24	668	654	14	459	484	-25	545	553
JUN	601	550	588	51	13	635	637	-2	429	495	-66	516	533
JUL	571	535	588	36	-17	594	597	-3	412	494	-82	488	498
AUG	575	544	608	31	-33	556	567	-11	407	498	-91	491	504
SEP	579	555	627	24	-48	603	615	-12	414	510	-96	498	525
OCT	591	611	641	-20	-50	619	627	-8	474	580	-106	520	547
NOV	592	676	685	-84	-93	611	616	-5	524	613	-89	527	556
DEC	596	622	664	-26	-68	590	586	4	526	595	-69	538	566
Avg (Jan-Dec)	606	565	613	40	-8	652	657	-6	466	629	-62	629	546
Avg. monthly change (%)	-0.5034	1.5206	1.4190			-2.1144	-2.3244		1.0711	0.6618		-0.2328	-0.0391

RBD Palm Olein, Mal. CIF Rott; Soybean Oil, Dutch FOB ex-mill; Cottonseed Oil, US, PPSY, 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

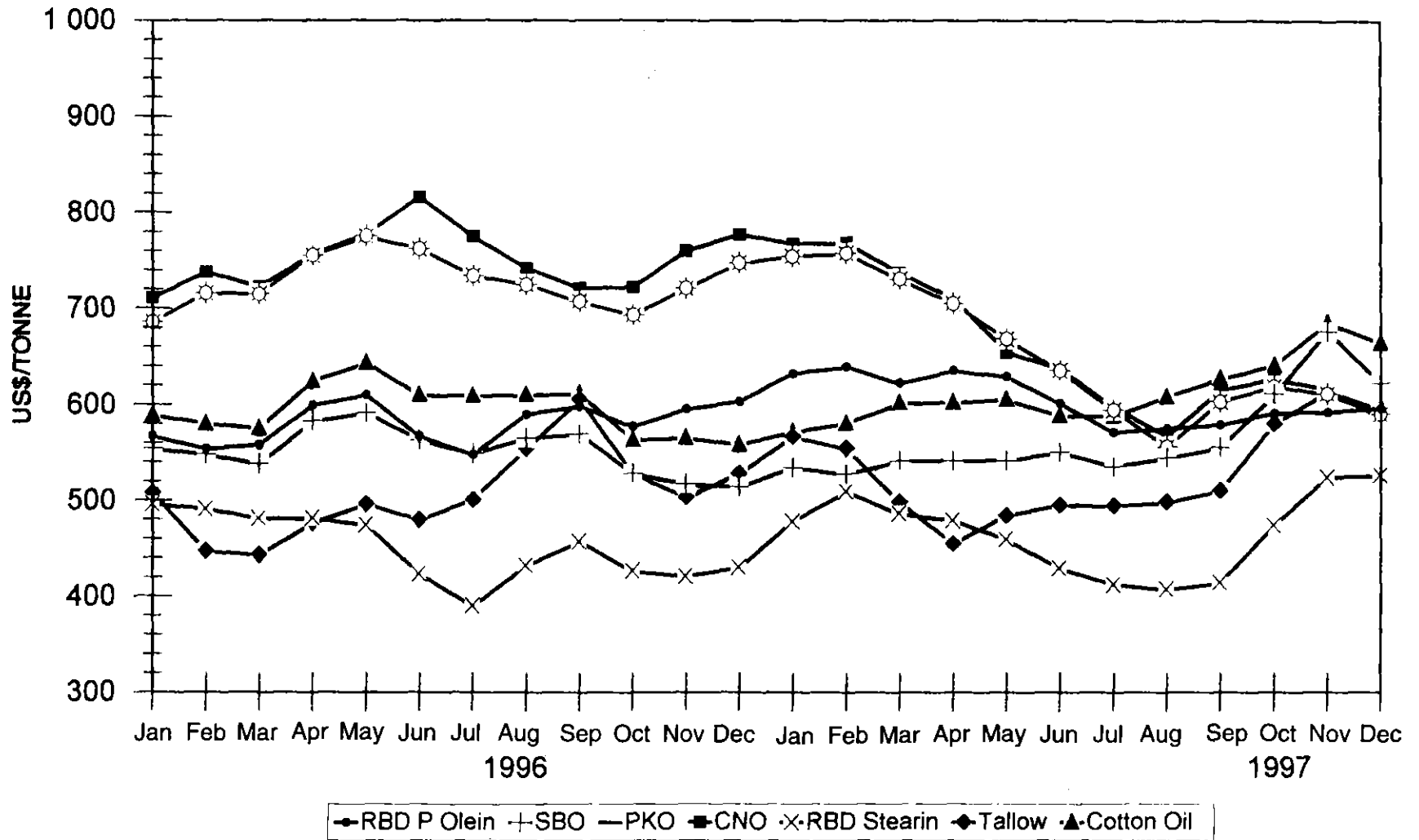


Figure 1. 1996 and 1997 Prices of Selected Oils and Fats

to the oil's or fat's own performance in the previous year. Generally speaking, there are many inter-related factors which affected the above price scenario. Among others, these are described below.

It can be said that the amount of palm oil available for trade in the world market and its stock level can affect the development of prices of palm oil and other oils and fats. From Malaysia alone, the amount traded in 1997 was about 9.8 million tonnes, compared to about 9.25 million tonnes in 1996. There was an additional of one half of a million tonnes. With this availability of 9.8 million tonnes, Malaysia exported about 7.4 million tonnes of palm oil, an increase of about 2.4% from the previous year. This was to meet the increasing world demand for oils and fats as there was a shortage in supply in some producing countries. This situation, in a way, had affected the price development in 1997.

The 1997 price development may also have affected by the world's concerned about the effect of El Nino on agriculture and the impact of haze resulted from the widespread bush fires and air pollution in

South East Asia. Although no study has been carried out on the effect of these weather calamities on agriculture, especially on oil palm, the world was already concerned for a few months of 1997 about the impacts on the supply of palm and lauric oils in 1997 as well as in 1998. The effect of these disasters had caused price levels (especially that of palm oil) in the second half of 1997 to surge.

The above weather calamities in the South East Asia may have a spill-over effect in the 1998 supplies of palm oil and lauric oils. The weather calamities are suspected to reduce yields in 1998. Furthermore, the Malaysian palm is expected to enter its resting cycle in 1998 after the high production in 1997. Therefore, it is forecast that there may be a squeeze of supplies of palm oil in Malaysia as well as in the world. This could be a contributing factor that puts production of oils and fats to be behind disappearance as world demand will continue to grow due to an estimated significant world income growth of about 4.2%. Hence palm oil price and soyabean oil price may be firmed and bullish in 1998.