

1998/99 Prices of Selected Oils and Fats

□ Ramli Abdullah

Prices of most oils and fats in the world market continued to increase in 1998 for the third consecutive year. As shown in *Figure 1*, prices of all palm products, soyabean oil, and cottonseed oil performed better and averaged higher in the first six months of 1998, compared to their own prices in the past two years. As a result, their 1998 prices became more strengthened and firmer than before.

Corollary of the above, average CIF price of RBD palm olein at Rotterdam market was US\$695 per tonne in 1998 while its prices in 1997 and in 1996 were US\$605 and US\$581 per tonne respectively (*Table 1*). In the case of palm kernel oil, its CIF price improved slightly from US\$652 per tonne in 1997 to US\$656 per tonne in the first half of 1998. Price performances of other palm products, such as RBD palm oil, RBD palm stearin, and crude palm oil were much better off in 1998 than in the previous year.

Similar to the palm products, soyabean oil and cottonseed oil had also shown positive price trends since the past two years. Soyabean oil had indicated an increase in price from US\$552 per tonne in 1996 to US\$565 per tonne in 1997 and finally to US\$646 per tonne in the first six months of 1998. The increasing price trend for cottonseed oil is observed from US\$595 in 1996 to US\$613 in 1997 and to US\$707 per tonne in 1998 (first half).

Prices of other oils and fats, such as that of coconut oil and tallow, in contrast, continued to perform badly in 1998, as they were sold lower/cheaper than that in the

past. For instance, the decreasing price of coconut oil finally dipped to US\$615 per tonne in the first six months of 1998 for the third consecutive year from US\$752 per tonne in 1996. Tallow experienced the same fate as coconut oil as its price performance continued to deteriorate in 1998 to reach US\$481 per tonne from US\$529 per tonne in the previous year.

Table 1 also shows price comparison between the selected oils and fats within a particular year. It can be seen that RBD palm olein was sold at a premium to soyabean oil by about US\$50 per tonne. The premium is widening this year since it was smaller in the previous year at only US\$40 per tonne and US\$29 per tonne in 1996. Olein, however, has always been cheaper than cottonseed oil and its discount was US\$12 per tonne in the first half of 1998.

Between the two lauric oils, the decline in price of coconut oil in the first half of 1998 resulted in the palm kernel oil outperforming the former by US\$41 per tonne. In 1997, palm kernel oil lost to coconut oil by a discount of US\$5 per tonne. In another comparison, the reverse price trends of the two RBD palm stearin and tallow had resulted in the stearin being more expensive than tallow by US\$97 per tonne. In the past two years, stearin was sold cheaper than tallow.

Generally, it can be said that palm oil and its products performed better this year than in the previous year. Their prices continued to increase to reach high firmed average. As a result of these higher prices,

they were sold at premium to their equivalents except cottonseed oil. Between RBD palm olein and cottonseed oil, the former has yet to out-perform the latter.

The outstanding performance of palm products and other selected oils and fats is because of the global deficit of oil production mainly palm oil and other vegetable oils in the world market. The 1998 Malaysian palm oil production, in particular, is expected to drop by about 2% from 9.06 million tonnes in 1997 to 8.8 million tonnes this year. The decline in palm oil production in South East Asia including Malaysia is brought about mainly by the lagged effect of the severe El Nino drought that took place in late 1997/early 1998. The effect has just started

to show up in the first half of 1998. Supplies of most oilseeds, such as rapeseed and sunflower seed are also expected to decline. There would be a rapid drawdown of supplies and tightened availabilities of rapeseed oil in India and China due to crop losses, and sunflower seed in Argentina due to an increase in moisture, wind damage and outbreak of diseases. As a result of these developments, there would be reduced plantings in most parts of the world and hence, a tight world supply of vegetable oils is expected in 1998 and also in 1999. The above developments would support the high oils and fats prices in the world market for the second half of 1998 as well as for 1999.

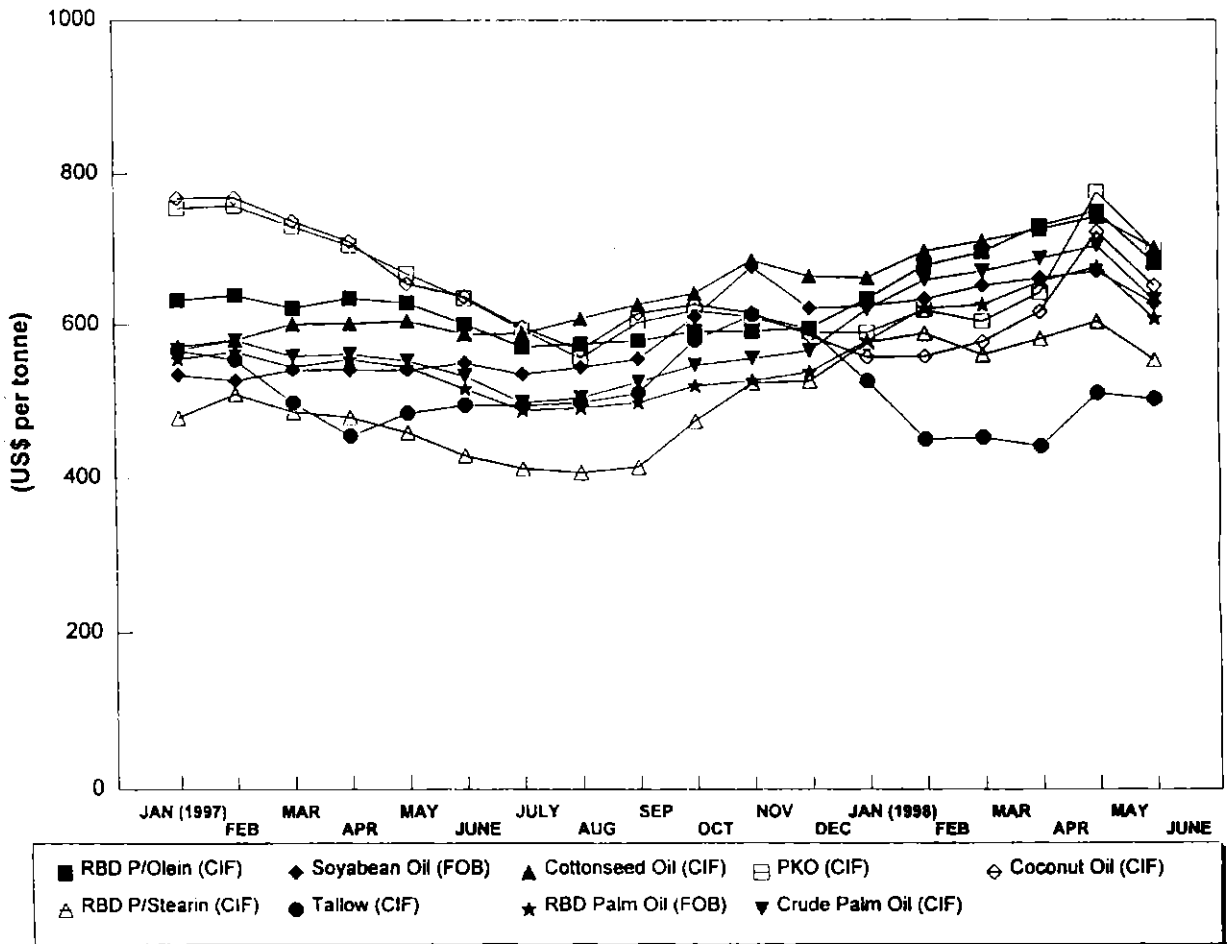


Figure 1. 1997/98 prices of selected oils and fats

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)	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)
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	561	552	595	29	-14	728	752	-24	450	506	-68	505	531
1997	605	565	613	40	-8	652	657	-5	466	529	-63	529	546
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
JUNE	601	550	588	51	13	635	637	-2	429	495	-66	516	533
JULY	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-June)	626	539	591	87	35	708	712	4	473	509	35	547	559
Avg monthly change (%)	-0.97	0.60	0.61			-3.36	-3.61		-2.04	-2.44		-1.41	-1.20
Avg(Jan-Dec)	605	565	613	40.4	-8.2	652	657	-4.9	466	529	-62.1	529	546
Avg monthly change (%)	0.50	1.52	1.42			2.11	2.32		1.07	0.66		+0.23	0.04
JAN (1998)	634	625	662	9	-28	590	558	32	577	526	51	579	621
FEB	678	634	697	44	-19	620	559	61	589	450	139	622	659
MAR	696	652	711	44	-15	605	578	27	561	453	108	627	671
APR	731	662	726	69	5	643	618	25	582	442	140	657	688
MAY	750	671	743	79	7	776	723	53	605	511	94	677	705
JUNE	682	629	702	53	-20	700	652	48	564	503	51	609	633
Avg(Jan-June)	695.2	645.5	706.8	49.7	-11.7	655.7	614.7	41.0	578.0	480.8	97.2	628.5	662.8
Avg monthly change (%)	1.6	0.2	1.2			4.0	3.5		-0.7	-0.		1.2	0.5

RBD Palm Olein, Mal CIF Rott.; Soyabean Oil, Dutch FOB ex-mill; Cottonseed Oil, US, PDSY, 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 Mat; Palm Oil, Sum/Mal, CIF, N.W. Europe.

Source: Oil World