

# 1997/1998 Prices of Selected Oils and Fats

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Prices of all selected oils and fats (except coconut oil and tallow) increased significantly during the first 11 months of 1998 compared to the same period of the previous year (Figure 1). (It is observed that development in the last month of 1998 (December) will not have much effect on the eleven months averages of 1998, thus they will be referred to as the year's averages from this point onwards.) Among them, palm products showed the most significant improvement. CIF prices of RBD palm olein and crude palm oil at Rotterdam market averaged at US\$ 711 and US\$ 672 per tonne respectively in 1998, compared to US\$ 605 and US\$ 546 per tonne respectively in the previous year. These are the highest prices ever recorded for the twelve years since

1986. Other palm products such as RBD palm oil (FOB, Malaysia), RBD palm stearin (CIF, Rotterdam) and palm kernel oil (CIF, Rotterdam) also registered higher prices in 1998 compared to 1997. Their averages in 1998 (and in 1997) were US\$ 633 (US\$ 529), US\$ 550 (US\$ 466), and US\$ 680 (US\$ 652) per tonne respectively (Table 1).

Prices of non-palm products were either up or down in 1998. Prices of soyabean oil and cottonseed oil, for example, had increased since 1996; however, their 1998 prices were still below their peaks earlier—in 1995 for the former (US\$ 632) and in 1994 for the latter (US\$ 739). Only coconut oil and tallow registered lower prices in 1998 from that of the previous year. In this respect, price of coconut oil dropped for the

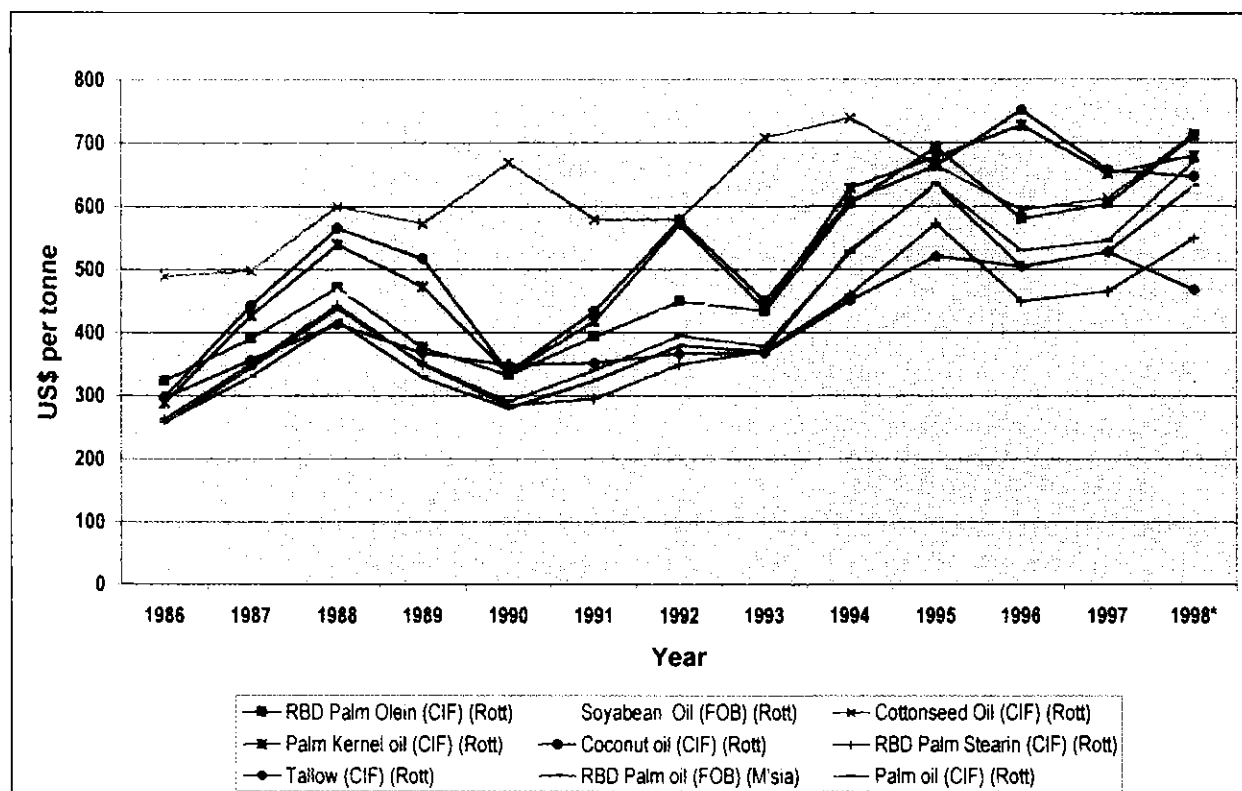


Figure 1. Annual Prices of Selected Oils and Fats

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

Products	RBD Palm Oil (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 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)
Year/ Months													
1986	323	342	489	-19	-116	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	366	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	269	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	-24	450	506	-56	505	531
1997	605	565	613	40	-8	652	657	-5	466	529	-63	529	546
1998	711	629	715	82	-4	680	647	33	549	468	81	633	672
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	319	627	-8	474	580	-106	547	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-Nov)	606	660	609	46	-3	657	663	-6	461	522	-61	528	544
Avg (Jan-Dec)	605	565	613	40.4	-8.2	652	657	-4.9	466	529	-61	529	546
Avg. monthly change (%)	-0.50	1.52	1.42			-20.11	-2.32		1.07	0.66	-62.1	-0.23	0.04
JAN (1998)	634	625	652	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
JUN	682	629	702	53	-20	700	652	48	554	503	51	609	633
JUL	698	612	686	86	12	694	667	27	518	463	55	613	661
AUG	723	592	680	131	43	692	667	25	496	470	26	628	674
SEP	760	615	715	145	45	697	652	45	529	446	83	661	703
OCT	731	614	761	117	-30	714	695	19	510	446	64	643	694
NOV	735	614	777	121	-42	746	752	-6	523	440	83	650	681
Avg (Jan-Nov)	711	629	715	82	-4	680	647	32	549	468	81	633	672
Avg. monthly change (%)	1.6	-0.1	1.7			2.6	3.3		-0.9	-1.5		1.3	1.0

Note: \* Average for Jan.-Nov. 1988  
 RBD Palm Oil, Dutch FOB ex-mill; Cottonseed Oil, US, PBSY, CIF Rott; Soybean Oil, Mal. 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.

third consecutive year since 1996 when its price averaged at US\$ 752 per tonne and later dipped down to reach US\$ 647 per tonne in 1998. The price of tallow also fell to US\$ 468 per tonne in 1998 after reaching its peak in 1997 at US\$ 529 per tonne (*Table 1*).

From the above development, it is observed that prices of all palm products proved to be better than that of non-palm products in 1998. *Table 1* indicates that palm olein continued to be at a premium to soyabean oil in the Rotterdam market. The premium increased from US\$ 29 per tonne in 1996 to US\$ 82 per tonne in 1998. The discount of olein to cottonseed oil narrowed during the same period from – US\$ 14 per tonne to – US\$ 4 per tonne. Historically, the price of cottonseed oil has been far above that of olein. The two lauric oils, palm kernel oil and coconut oil, experienced opposite trends in 1998. The price of palm kernel oil rose and that of coconut oil declined, leading to the former being sold at a premium to the latter by US\$ 33 per tonne. This was one of the rare occasions when palm kernel oil was sold higher than coconut oil. The same scenario applied to RBD palm stearin and tallow. In 1998, the palm product out performed tallow by US\$ 81 per tonne. This was a significant improvement by stearin as in the past two years its price was very much lower than that of tallow.

A closer look at the development of prices in the past two years can also be seen in *Table 1*. During 1998, prices of RBD palm olein grew at a rate of 1.6% monthly,

compared to its negative growth of – 0.5% in the previous year. Soyabean oil indicated a different scenario whereby its price declined at – 0.1% monthly in 1998 after growing at 1.52% in 1997. This explains why there existed a wider premium between olein and soyabean oil in 1998 than in the past two years. For cottonseed oil, the price rose in the last two years but for the two lauric oils, their prices increased in 1998, after having declined the previous year. However, the price movements differed somewhat for stearin and tallow. The prices of stearin and tallow declined monthly at – 0.9% and – 1.5% respectively in 1998 while they increased at 1.07% and 0.66% respectively in 1997.

Generally, prices of all the selected oils and fats were higher than their own prices in the past since 1986. *Figure 1* shows that a general trend, inclined positively, can be formed during the period. The higher prices during the later years indicated a tougher or rising overall competition of these oils and fats in the world market. As world population and income increase with time, more oils and fats were demanded. Depending on the availability of each oil or fat, prices fluctuated with time but on the higher side.

The prices of most oils and fats in 1998 were higher due to supply shortages in the world market. As what had happened in many instances such as 1973/1974, 1978/1979, 1983/1984, 1994/1995 and 1997/1998, shortages during these periods had caused prices to soar. For palm oil in 1998, production by world leaders, especially

**TABLE 2. PRICES OF MALAYSIAN PFAD (FOB Malaysia)**

Month	Jan	Feb	Mar	April	May	June
Price	342.00	363.00	368.00	367	390.50	409.50
Month	July	Aug	Sept	Oct	Nov	Dec
Price	366.00	366.50	385.50	358.50	364.50	375.00

Average for 1998 : US\$ 371.33

*Readers have requested prices of minor palm products. In this issue we include the prices of one minor palm product PFAD (FOB Malaysia, in US\$ per tonne).*

Malaysia, declined due to stress of the palms effected by the dry season in some months of 1997. As a result, Malaysia registered a lower production of 8.4 million tonnes of palm oil in 1998 from 9.06 million tonnes in 1997. Coupled with the beginning stocks of palm oil in 1998 of about 962 482 tonnes, total palm oil available for exports in 1998 was about 9.4 million tonnes, lower when compared to that in 1997 (9.9 million tonnes). This has resulted in a price hike in 1998. In the case of Indonesia, stagnated production and exports were observed in 1998, mainly due to the economic crisis and

also the dry weather. This situation caused a tight palm oil supply to the world, and provided an ideal platform for palm oil price hiking in 1998.

The prices of palm products in 1999 will at least remain stagnant or slightly lower than in 1998, depending on the weather and the effects of other oils and fats. Under normal circumstances, the price of crude palm oil in the Malaysian market will be slightly lower than in 1998 due to an expected marginal increase in Malaysian palm oil production.