

Prices of Selected Oils and Fats in 1999 and in the New Millennium

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Most oils and fats registered lower prices in 1999 when compared with the previous year (*Table 1*). CIF price of RBD palm olein at Rotterdam market, for instance, dropped from US\$ 710 t⁻¹ to US\$ 491 t⁻¹. Price of soyabean oil (FOB Rotterdam) averaged at US\$ 427 t⁻¹ in 1999 after registering a high average price of US\$ 626 t⁻¹ in 1998. Cottonseed oil also indicated the same declining trend, as prices fell from US\$ 718 t⁻¹ to US\$ 563 t⁻¹. Prices of other palm products (palm stearin, RBD palm oil, and crude palm oil) and tallow also behaved in the same manner as those of palm olein, soyabean oil and cottonseed oil. Prices of all these aforementioned products (except that of tallow) peaked in 1998 and are expected to form troughs anytime from 2000 (*Figure 1*). In the case of tallow, it experienced a continuous fall in price for the past three consecutive years; *i.e.* from US\$ 529 in 1997 to US\$ 466 in 1998 and then to US\$ 361 t⁻¹ in 1999. A different pattern, however, was created by the two lauric oils, namely palm kernel oil and coconut oil as they registered higher prices in 1999 than in 1998. In fact, their prices had been increasing since 1997. The price of palm kernel oil increased from US\$ 652 t⁻¹ in 1997 to US\$ 694 t⁻¹ in 1999 while that of coconut oil increased from US\$ 657 t⁻¹ to US\$ 737 t⁻¹ during the same period.

To measure performance or competitiveness of each product against other products, their price difference, either premium or discount, should be taken into consideration.

Hence, for RBD palm olein, its price was at a premium of US\$ 64 t⁻¹ compared to that of soyabean oil in 1999. RBD palm olein has maintained premium over soyabean oil since 1995. Palm olein, however, lost to cottonseed oil as it indicated a discount of US\$ 72 t⁻¹ in 1999. With the exception of 1995, this palm product had never been sold at a higher price than that of cottonseed oil since 1987 (*Table 1*). Between the two lauric oils, palm kernel oil was at a discount of US\$ 43 t⁻¹ to that of coconut oil in 1999 while in 1998, it was at a premium of US\$ 29 t⁻¹. It appears that palm kernel oil had tough market competition from coconut oil as it had recorded a discount at every alternate year since 1997. A tough competition was also realized between RBD palm stearin and tallow in 1999 as the former registered a discount of US\$ 2.6 t⁻¹ against the latter compared to a premium of US\$ 82 in the previous year.

Among RBD palm olein, soyabean oil and cottonseed oil, price of palm olein declined at a much faster rate than that of soyabean oil and cottonseed oil. The price of palm olein declined at a monthly rate of -4.2% while that of soyabean oil and cottonseed oil declined at the rates of -3.4% and -3.5% respectively (*Table 1*). Price of palm kernel oil dropped at a lower rate than that of coconut oil (-0.29% versus -0.36% respectively). The average monthly rate of change for RBD palm stearin was -3.34% while that of tallow was -0.41%.

The price developments of oils and fats depended on a number of bearish factors that dominated the price scenario in 1999. A possible contributing factor could be the

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

Products Year/ months	RBD palm olein (CIF) (Rott)	Soyabean oil (FOB) (Rott)	Cottonseed oil (CIF) (Rott)	Spread (1)-(2) +Premium -Discount	Spread (1)-(3) +Premium -Discount	Palm kernel oil (CIF) (Rott)	Coconut oil (CIF) (Rott)	Spread (4)-(5) +Premium -Discount	RBD palm stearin (CIF) (Rott)	Tallow (CIF) (Rott)	Spread (6)-(7) +Premium -Discount	RBD palm oil (FOB) (M'sia)	Palm oil (CIF) (Rott)
	(1)	(2)	(3)	(1)-(2)	(1)-(3)	(4)	(5)	(4)-(5)	(6)	(7)	(6)-(7)	(8)	(9)
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	-24	450	506	-56	505	531
1997	605	565	613	40	-8	652	657	-5	466	529	-63	529	546
1998	710	626	718	84	-8	687	658	29	548	466	82	632	671
1999	491	427	563	64	-72	694	737	-43	358	361	-2.60	411	436
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	554	503	51	609	633
July	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
Dec	696	591	751	105	-55	763	774	-11	527	436	91	613	663
Avg. (Jan-Dec)	709.5	625.9	717.6	83.6	-8.1	686.7	657.9	28.8	547.6	465.5	82.1	631.6	671.1
Avg. monthly change (%)	0.97	-0.46	1.22			2.60	3.22		-0.71	-1.45		0.64	0.69
Jan (1999)	677	546	719	131	-42	744	763	-19	494	421	73	590	632
Feb	604	487	649	117	-45	709	745	-36	442	364	78	524	561
Mar	538	444	597	94	-59	661	700	-39	417	321	96	459	497
Apr	560	442	603	118	-43	775	827	-52	428	338	90	480	509
May	515	428	575	87	-60	755	874	-119	378	321	57	438	475
June	448	410	550	38	-102	656	796	-140	303	319	-16	365	392
July	402	392	522	10	-120	571	656	-85	247	336	-89	315	319
Aug	443	413	550	30	-107	689	684	5	304	331	-27	354	354
Sep	453	414	529	44	-71	710	704	6	322	382	-60	374	388
Oct	425	401	495	24	-70	684	690	-6	328	411	-83	351	381
Nov	409	382	481	27	-72	693	703	10	319	396	-77	342	370
Dec	411	369	483	42	-72	681	703	-22	315	388	-73	344	354
Avg. (Jan-Dec)	490.8	427.3	562.8	63.5	-71.9	694.0	737.1	43.1	358.1	360.7	-2.6	411.3	436.0
Avg. monthly change (%)	-4.17	-3.41	-3.47			-0.29	-0.36		-3.34	-0.41		-4.38	-4.68

Notes: RBD palm olein, Mal.CIF Rott; Soyabean oil, Dutch FOB ex-mill; Cottonseed oil, US, PBSSY, 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

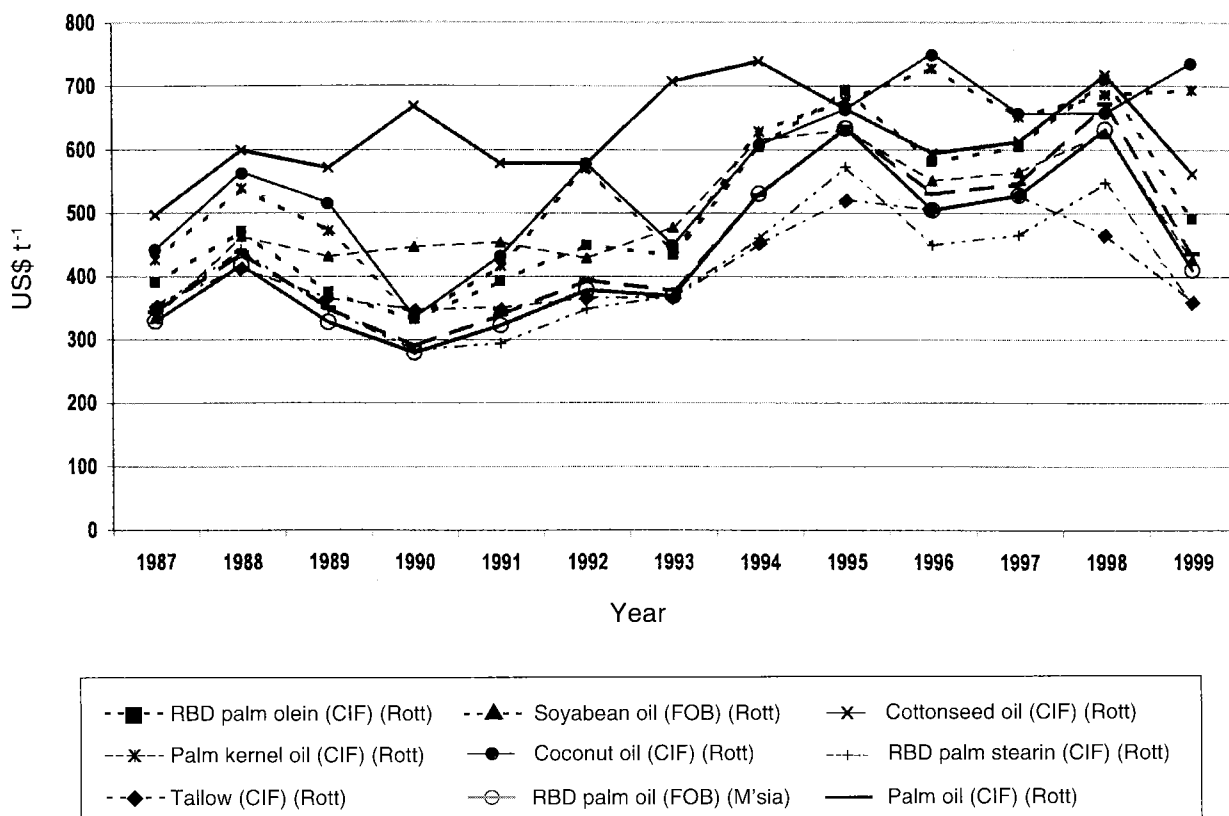


Figure 1. Annual prices of selected oils and fats.

significant increase in global oils and fats production in the year. Malaysian oil palm registered a bumper crop in 1999, recording an increase of 26.8% over the previous year's production. Malaysia produced about 10.55 million tonnes of palm oil and thus increased the availability of palm oil in world market. Another factor could be due to the excessive supply of oilseeds in general and of soyabeans, rapeseed, copra, and palm kernels in particular. The big supply of soyabeans and rapeseed in 1999 could be due to high government support measures, especially in the US and the EU.

This year, Malaysian palm oil production is estimated to increase moderately and not as drastically as in 1999. Malaysian production is estimated at 10.8 million tonnes, a slight increase from the production in 1999. This is due to the fact that palm trees are expected to be at resting stage after over production in 1999. Developments in Indonesia, another palm oil producing country, would also affect the supply of palm oil in the world market. Thus, total supply of palm oil in the world market would not increase significantly. Other factors such as global supply of oils and fats, and weather situation in producing countries, would also contribute to the price development in 2000.