

The First Half Of 2005

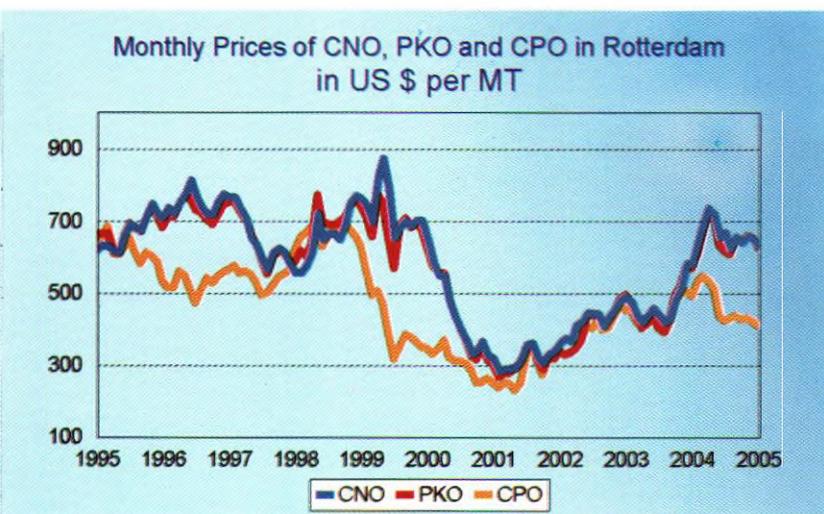
## PRICES OF COCONUT OIL FIRM FOR SIX MONTHS AHEAD

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Let's evaluate first the market performance of the coconut oil in the period of July to December 2004 before we assesses market outlook of the coconut oil for the first half of 2005 (January – June 2005).

In the immediate past period from July to December 2004, the market condition of the coconut oil was under low stocks of coconut oil in European market as presented at the stocks in Rotterdam Bounded Warehouse (RBW). The monthly stock of the oil at RBW was only 12,430 MT, where the stock varied between 11,000 MT and 15,000 MT every month for the period July – December 2004. By comparison, the stock was down by 76.9% over the same period a year ago. The same condition was also happened in the USA market where the monthly stock of the same commodity for the same period was 60,160 MT as against 88,167 MT last year, or decreased by 31.8%.

In the view of lauric oils, the available stocks in the European market were 33,030 MT per month during the period of July-December 2004 as opposed of 77,600 MT per month a year ago, down by 57.43%. The reason for the low stock of coconut oil is mainly due to low supplies of the oil from main producing countries such as Philippines and Indonesia. Philippines released its coconut oil production to the world market amounted to 491,073 MT during period



concerned as opposed of 640,000 MT in corresponding period previous year. Meanwhile, Indonesia only exported the coconut oil to the world market as much as 145,000 MT for the same period as against 248,5000 a year ago, which went down by 41.6%.

**Under condition of excess demand over the production of the coconut oil and palm kernel oil prevailed, it is forecasted that for the incoming six-month period (January-June 2005) the end-stocks of the both oils would remain low, and it would maintain firm prices of the coconut oil in the world market**

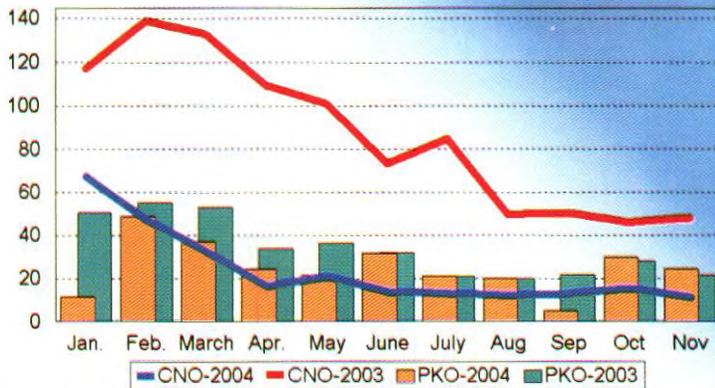
With average consumption of the coconut oil by European countries including Russia amounted to 68,300 MT every

month, the availability of oil at RBW was only able to meet around 18.20% of the demand.

This resulted in higher prices of coconut oil during the immediate past period July-December 2004 as compared to the prices in the corresponding period last year. The average price was US \$653/MT as against US \$479/MT, increased by 36.4%. The prices varied from US \$627/MT to US \$669/MT with the coefficient variant of 2.16%. Meanwhile, the price of palm kernel oil (PKO) was also higher over the last year's price of the same period. The price was US \$641/MT as opposed of US \$472/MT previous year, up by 35.80%.

In the first half of 2005, the coconut oil market outlook would have a small improvement in supply side. The Oil World forecasts the production of

Rotterdam B.W. Opening Stocks of CNO and PKO for 2003-2004 (1000 x MT)



coconut oil would increase to 3.152 million MT for Oct./Sept. 2004/05 as against 3.129 million MT a year ago, which is up by 0.73 %. Out of the coconut oil produced in 2005, about 1.577 million MT of the oil will be produced during period January-June 2005. By comparison, the production increases by 4.85% over the corresponding period previous year at level of 1.504 million MT, and is up by 2.2% over the production in immediate past period of July-December 2004 at level of 1.543 million MT.

Considering the opening stock of the coconut oil at level 340,000 MT (January-March), the estimate total supply of coconut oil for period January-June 2005 would be about 1.917 million MT as opposed of 2.179 million

MT in corresponding period a year ago, or down by 12%; and about 2.2% higher than total supply in the last six-month period July-December 2004.

In terms of export on the coconut oil, the figure would be 922,500 for January-June 2005, which is up from 856,000 MT of last year, or increased by 7.77%. The import would be 904,000 MT that increase by 3.08% over the last year's figure at 877,000 MT. The export would exceed the import of coconut oil for incoming six-month period. In regard to the total world consumption for period January-June 2005 there would be lower to the level of 1.588 million MT from 1.598 million a year ago at the same period, or decrease by 0.6%. However, this level of consumption surpasses the

production amounted to 19,000 MT or about 1.2%.

The market environment of coconut oil for period January-June 2005 would also be affected by performance of palm kernel oil since they are closely substitutive products. The production of the kernel oil for first half of 2005 is forecasted to 1.720 million MT, which is down by 8.02% over the production in immediate past period of July-December 2004; and about 8.93% higher than that of corresponding period a year ago at level of 1.579 million MT. The consumption of the kernel oil for the period concerned is up to 1.801 million from 1.678 million of last year and from 1.732 million in the last six-month period of July-December 2004. By comparison, the consumption of the kernel oil would exceed production level as much as 81,000 for the period of January-June 2005. Meanwhile, production of palm oil is forecasted to 14.64 million MT, which 10.4% lower than the production in the last six-month period of July-December 2004. The consumption of the oil is also exceeding the production by around 2.61% for the period January-June 2005.

Under condition of excess demand (consumption) over the production of the coconut oil and palm kernel oil prevailed, as previously mentioned it is forecasted that for the incoming six-month period (January-June 2005) the end-stocks of the both oils would remain low, and it would maintain firm prices of the coconut oil in the world market, and so does the palm kernel oil. The prices of the coconut oil would vary between US \$630 and US \$640 per metric ton.

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World: Supply and Consumption on CNO, PKO and CPO

