

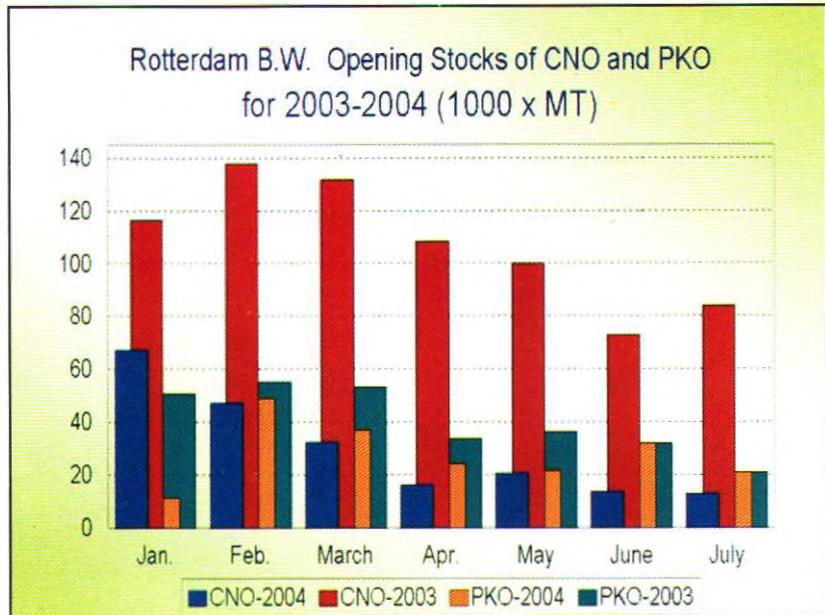
The Second Half Of 2004

## PRICES OF COCONUT OIL WEAKER FOR SIX MONTHS AHEAD

Amrizal Idroes

Before we assess market outlook of the coconut oil in the period of July to December 2004, let us review first the market situation of the oil in the immediate past period from January to June 2004. In the first half of 2004, market condition of the coconut oil faced an upward trend in prices, indicating a condition where the supplies of coconut oil was short than the demand in world market. Both European and USA markets indicated low carried over stocks for January 2004. Rotterdam Warehouse Bounded (RWB) in Rotterdam was only stocking 67,400 MT of coconut oil in early January 2004, which was about 42.19% and 50.26% respectively against corresponding stocks in the preceding two years. This is about 20.5% lower than the 7-year average of corresponding stocks. Opening stock of January for the same commodity in USA was estimated to 67,000 MT, which also went down by 16.5% when it is compared to the stock in December 2003. As a whole the total opening stock of the coconut oil for the period of January to June 2004 in Rotterdam Warehouse Bounded was 197,400 MT as against 668,500 MT in a year ago, decreased by 70.47%. Meanwhile the stock of palm kernel oil was 174,700 MT for the same period, which was 33.19% lower over the previous year's figure at 261,500 MT.

Under such low stock of the lauric oils in the world market,



made the prices to increase. The price of coconut oil increased by 2.97% on average for the period January to June 2004 with the average price at US \$680/MT.

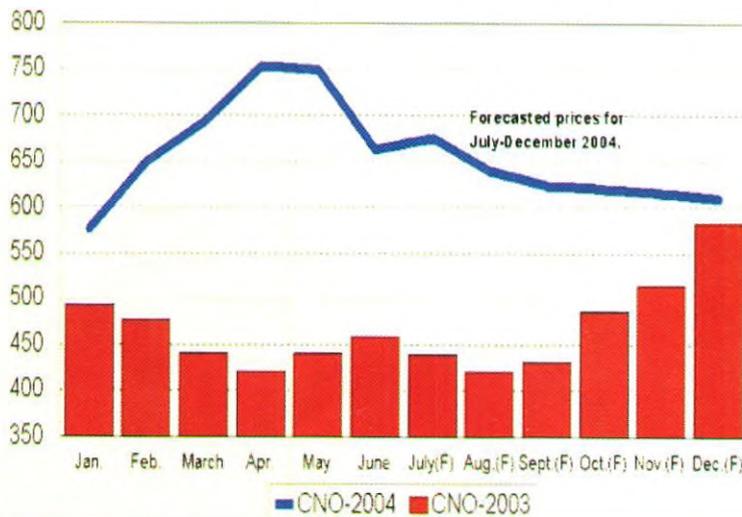
**In the second half of 2004, the coconut oil market outlook would face different rhythm to the first half and there will be a bit improvement in supply side but weaker in demand.**

The prices varied between US \$560 and US \$800 per MT. When compared to the last year's prices, the average price for the period concerned appreciated by US \$225/MT, increase by 49.5%.

As we already indicated in the previous market assessment of first half of 2004 that the main cause of the low stocks of coconut oil in the world market

was due to low production of coconut in Philippines and Indonesia for 2004. This had restricted their coconut oil production and export quantities. For period January to June 2004 Philippines released the coconut oil to the world market amounted to 454,668 MT as against 657,915 MT in the previous year, down by about 30.9%. We estimated the export of coconut oil from Indonesia was about 171,750 MT for the period January to June 2004, which was also down by 5.8% from the last year's figure. Assuming other coconut producing countries performed the same amount of coconut oil export as an average for the last ten years at level of 66,537 MT, the export supply of oil for that period was around 692,955 MT. With January 2004 opening stock of 407,000 MT the total coconut oil that was available for the period January-

The Prevailed and Forecast Prices of the Coconut Oil for 2003-2004 in Rotterdam (US \$ per MT)



June in the world market amounted to 1.100 million MT as against 1.293 million MT of the corresponding period a year ago, down by 14.93%.

The world import demand of coconut oil for the same period (Jan.-June '04) amounted to 984,000 MT, which was 29.57% higher than the total export. The gap was fulfilled from the existing oil stock, and this accordingly brought down the coconut oil stocks to the lower level both in EU and USA markets as previously indicated.

In the second half of 2004, the coconut oil market outlook would face different rhythm to the first half and there will be a bit improvement in supply side but weaker in demand. The Oil World forecasts the production of coconut oil would increase to 793,000 MT for period July-September 2004 as against 751,000 MT from April-June, which is up by 5.59%. The export supply would also be up by 6.20% to the level 497,000 MT as against 468,000 MT from April-June. However, when it is compared to the production and exports supply in the corresponding period a year ago,

the incoming oil production and export supply is still lower by 3.88% and 12.19%, respectively. For the period of October-December it is forecasted that the world production of coconut oil

**In view of demand side, the import demand of coconut oil for July-September would be 470,000 MT, which is about 5.43% lower over the export supply at 497,000 MT of the same period. The world total consumption also decreases to 767,000 MT as against 798,000 in April-June (down by 2.76%), and against 771,000 MT of July-September a year ago.**

would be further up at rate of 1.26% to 803,000 MT, over the production of July-September. But the export supply decreases to 474,750 MT from 497,000 MT in the previous quarter.

In view of demand side, the import demand of coconut oil for July-September would be 470,000 MT, which is about 5.43% lower over the export supply at 497,000 MT of the same period. The world total

consumption also decreases to 767,000 MT as against 798,000 in April-June (down by 2.76%), and against 771,000 MT of July-September a year ago. This means that there would be excess supply of coconut oil during July-September, and it consequently would result in downward pressure of the prices of coconut oil and bring up the stock carryover in the world market for the incoming period. **We estimate the prices of oil for July-September would be between US \$670 and US \$624 per MT.**

For the last quarter of 2004 (October-December), it is forecasted that the coconut oil production would be 803,000 MT as against 793,000 MT of July-September, up by 1.26%, but 8.75% lower than that of July-September of previous year. However, the export supply would decrease to 474,750 MT as against 497,000 MT of July-September, down by 4.47% and against 525,000 of the corresponding period last year. Meanwhile the import demand is forecasted at level of 477,500 MT, which is 1.59% higher than the supply, and as against 476,000 MT a year ago. With the minor excess demand for the period October - December accompanied by slight improvement in production and relatively high stock carryover from previous period this market condition would not be strong enough to increase the oil prices in the world market. In short, the downward pressures on prices for the period October-December 2004 still persist. We estimate the prices of oil for the period would vary between US \$605 and US \$620.

The market environment of coconut oil for period of second half of this year will also be furnished by increasing production and export supply of palm kernel oil and palm oil. The production and export supply of

palm kernel oil, for the period July-September, would be up at rate of 14.8% and 23.06%, than those of April-June. Mean while for the palm oil there will have an increase of production and export supply for the same period as much as 11.31% and 11.35%, respectively, over the corresponding figures of April-June.

The export supply of kernel oil in the world market amounted to 459,000 MT for July-September would exceed the estimated import demand at only 385,000 MT. The export supply is 25.71% higher over the import demand. This excess supply would remain for the next quarter

of 2004, where the figures for export supply and import demand would be 465,250 MT and 462,500 MT, respectively. The same condition would also apply for the palm oil market, where the export supply exceeds the import both for period July-September and October-December at the rate of 4.74% and 0.3%, respectively. These market environments would lead to give another pressure on the prices of coconut oil during the second half of 2004 since the consumers would have an alternative to buy relatively cheaper oil from palm kernel oil and partly from palm oil as substitute products to meet the demand of coconut oil.

In conclusion it could be summarized that over the period of the second half of 2004 the prices of coconut oil in the world market would be under pressure and lower than those of the first half of the year but still appreciated over the prices prevailed in previous year. The main causes are improvement in export supply, slight weakening in import demand, and relatively higher export supplies of close product substitutes like palm kernel oil and palm oil.

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