

The First Half Of 2007

BULLISH MARKET OF CNO DURING THE FIRST HALF OF THE YEAR

Amrizal Idroes

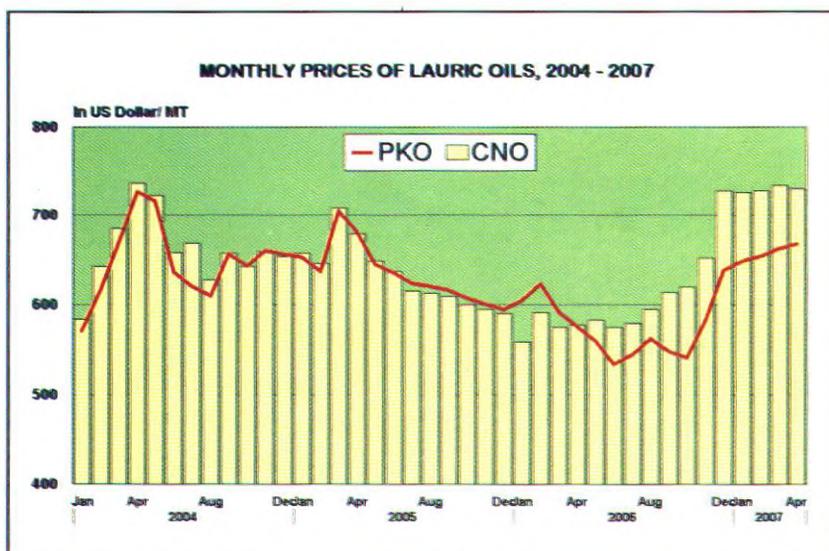
The coconut oil (CNO) market experienced an upward trend for the period July – December 2006. The price went up by 4.14%/ month for the said period. The average price was US\$ 647/ metric ton, ranging from US\$ 575 to US \$770 with instability index of 8.92%.

The notable causes of the improved price are:

1. Decrease by 9.44% in the total production of coconut oil in the world market from 1.694 million MT to 1.534 million MT. and
2. Increase by 4.41% in the total consumption of the coconut oil from 1.566 million MT to 1.635 million MT. This resulted in curbing the stocks of the CNO in the world market.

For instance, the stocks in the Rotterdam bonded warehouses had declined at a rate of 24.3% during that period. Meanwhile, the stocks of the palm kernel oil as a substitutive product of CNO also faced a downward trend at 6.4% during the period concerned.

Based on the OIL WORLD data, the total export of coconut oil for the period July



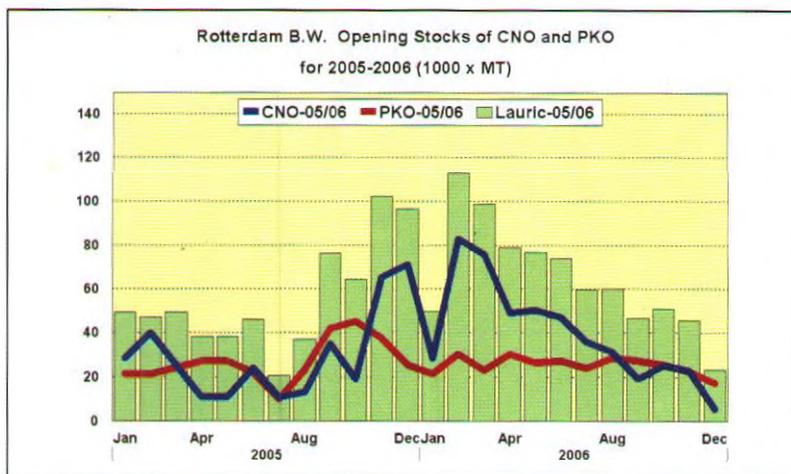
-- December 2006 was 2.1% lower or 0.955 million MT as

...the forecast export figure of coconut oil for 2007 will follow the rhythm of production of coconut in the main producing countries, especially Indonesia and the Philippines. As a consequence of drought in 2006, it is forecasted that the total coconut production of Indonesia will be down by 14.06% to a level of 2.26 MT. The Philippines is also expected to have a lower production due to devastating typhoons affecting a substantial area of coconut farms in the Bicol region last year.

opposed to previous year's figure of 1.205 million MT. Meanwhile, the export of palm

kernel oil was 1.17 million MT or an increase of 5.8% as opposed to the previous year's 1.106 million MT. The two (2) sources of lauric oil brought the total export from 2.311 million MT to 2.125 million MT, a decrease of 8.75%.

For the first half of 2007, the forecast export figure of coconut oil will follow the rhythm of production of coconut in the main producing countries, especially Indonesia and the Philippines. As a consequence of drought in 2006, it is forecasted that the total coconut production of Indonesia will be down by 14.06% to a level of 2.26 million tons. The Philippines is also expected to have a lower production due to



devastating typhoons affecting substantial area of coconut farms in the Bicol region last year. It is forecasted that the production will decrease to 2.24 million tons as against 2.44 million tons last year or 8.2% lower. This projection is consistent with forecast made by the United Coconut Associations of the Philippines (UCAP). With this scenario the forecast figure of the world production will be around 10.39 million tons copra equivalent, which is 5.9% lower than that of 2006.

The production of coconut oil for 2007 will be significantly different compared to the production figure in 2006. It is forecasted that the total production would be 2.95 million MT as opposed to 3.17 million MT last year. About 49.3% of the production will be released during the first half of this year or around 1.45 million MT of coconut oil, 10.8% lower than that of last year which was 1.63 million MT. The Philippines and Indonesia will be

contributing 68.4% of the total coconut oil production.

The performance of the export figure of coconut oil to the world market will depend on the domestic oil consumption in the country of origin, especially in Indonesia and the Philippines. The OIL WORLD forecasts that the export figure of coconut oil for the period January – June 2007 is around 1.0 million MT. It is down by 5.3% over the corresponding figure a year ago and is a result of low production.

Moreover a lower Rotterdam's stock of the coconut oil last December would be a bullish factor for the coconut oil market ...

...the export quantity of the lauric oil is also tight during that period, especially when it is compared to the forecasted import demand which will be at a level of 2.18 million MT.

Assuming the import demand of the coconut oil during the period concerned is the same as last year's quantity at 1.12 million MT, this will

accordingly lead to the drain on the stocks of coconut oil in the world market to meet the demand. Moreover, a lower Rotterdam's stock of the coconut oil in last December would be a bullish factor, which in turn will keep the price of coconut oil in the world market high during the period of the first half of 2007.

A lower export quantity of coconut oil during the first half of the year will be compensated by the increasing palm kernel oil export in the world market. The export of palm kernel oil will go up at the rate of 7.2% to the level of 1.15 million MT from 1.07 million MT of corresponding figure in the previous year. With those two oil export figures, the lauric oil export performance for the period of January – June 2007 will be about 2.15 million MT as opposed to 2.13 million MT in the same period of last year. There will be a minor increase of less than one percent, meaning that the export quantity of the lauric oil is also tight during that period, especially when it is compared to the forecasted import demand which will be at a level of 2.18 million MT.

Again, this situation will be a bullish factor for the lauric oil market, which will accordingly push the prices up in the upcoming six-month period of 2007.

Amrizal Idroes is Market Development Officer, Asian and Pacific Coconut Community.