



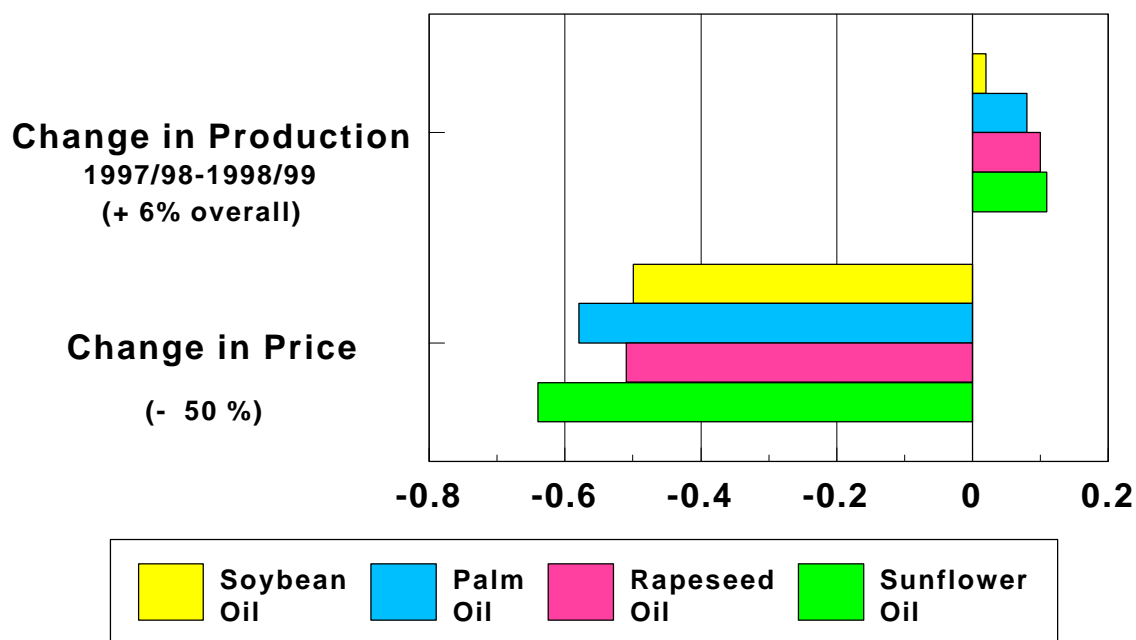
United States  
Department of  
Agriculture

Foreign  
Agricultural  
Service

Circular Series  
FOP 06-99  
June 1999

# Oilseeds: World Markets and Trade

## Palm Oil Supplies Lead Price Decline Amid Other Bearish Factors



The recent recovery in palm oil production in Southeast Asia has led to a dramatic decline in all vegetable oil prices. Bearish supply conditions also exist for other oils, although the growing supplies of palm oil available for export has been by far the most influential factor explaining price movements. Year-to-year USDA data indicate a six percent recovery in the production of the four major oils, while the decline in price from this increase in supply has exceeded fifty percent for these oils. The FOB price of Malaysian palm olein has recently fallen to a discount to U.S. crude soybean oil (FOB gulf), - reversing the discount that soybean oil has enjoyed for the past fourteen months. Other factors, in addition to increasing supplies have led to the sudden and dramatic bearish outlook for vegetable oils. China has yet to issue import quotas for vegetable oils, and rumors abound that once issued, these quotas will not be as large as quotas issued last year. Recent and large purchases by India have covered their near-term import demand. Indonesia has recently lowered its export tax on palm oil products, and the seasonally strong exports of soybean and sunflower oil out of South America complete the bearish outlook.