



Market Monitor Report

MAF | GDS | WFP RAM | Food Security Analysis

Special Focus: Vegetable Oil

Highlights

- Vegetable oil prices continue to remain at elevated levels. However, the lifting of the export ban provides some relief.
- Local rice prices decrease for the first time in three months, as farmers supply the domestic market with fresh produce.
- Rice production estimates by the Ministry of Agriculture and Fisheries point to an 18 percent increase compared to the previous season. This is likely to sustain the downward pressure on prices in the short run.
- Imported rice prices slowed down in May 2022, reflecting high stock levels on the domestic market.

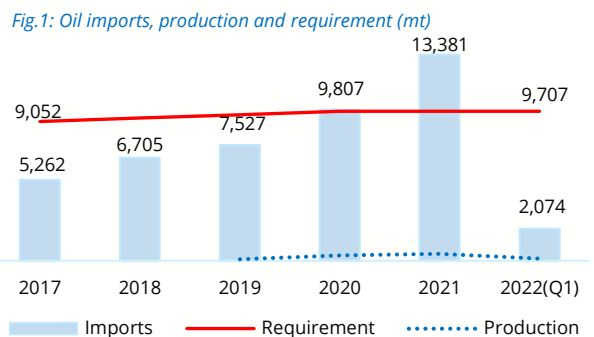
Price, production, and policy dynamics for Vegetable Oil

Vegetable oils are a group of fats that are derived from seeds, nuts, cereal grains, and fruits. Globally, the major food oils consumed as cooking oil and salad oil include rapeseed, soybean, sunflower, palm kernel and palm. Indonesia and Malaysia accounted for 92 percent of the total palm oil exports as of 2019-2021. Other major producers include Ukraine and Russia (sunflower oil), Canada (rapeseed oil), Brazil, Argentina, and Paraguay (soybean oil).

Recently, the global supply of vegetable oil has been hampered by climate change: heatwaves in Canada and drought in South America. Malaysia has also faced labour shortages. The conflict in Ukraine has added to these supply distortions. As global oil prices surged due to low supply, the government of Indonesia started limiting exports of palm oil in February 2022, culminating in a total export ban in April 2022 which aimed to ensure sufficient domestic supply and price stabilization.

Locally, vegetable oil is an essential component of the main meal eaten by people in Timor-Leste. Palm oil is the most consumed oil type while peanut oil, coconut oil, and olive oil are also popular. The consumption of vegetable oil has been increasing significantly, as reflected in the import volumes.

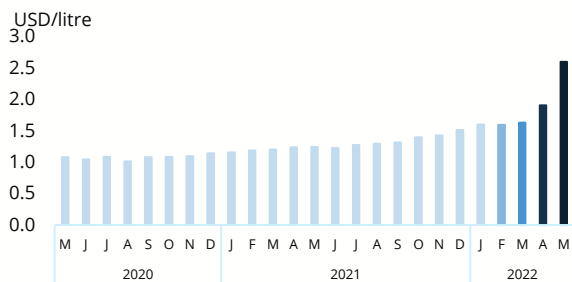
A total of 13,400 metric tonnes were imported in 2021, an increase of 36 percent from the previous year and nearly double the amount imported in 2018. In the last four years, the gap between requirements (estimated at 20 grams (g) per person per day) and imports have been decreasing significantly until reaching equilibrium in 2020 (Figure 1). Thereafter, imports grew significantly higher than requirements - by almost 40 percent - which could possibly be attributed to the *Cesta Basica* (Food Basket) programme.



Timor-Leste mainly imports vegetable oil from Indonesia. In the first quarter of 2022, around 2,074 metric tonnes were imported, of which less than approximately 1 tonne was imported in March 2022, a reflection of the trade barriers on cooking oil and its derivatives imposed by Indonesia in February 2022. As a result, prices soared to record levels and some shops started rationing.

Despite the lifting of the ban during the third week of May, which has brought some relief, average prices have remained elevated. Observed at USD 2.60 per kilogram (kg), the average price is 36 percent higher than the previous month and more than double from a year ago. It is worth noting that current alternative sources are likely to come at an increased cost due to soaring shipping costs and insurance costs.

Fig 2: Vegetable oil price trends (USD/kg)



The production equation remains undeveloped. The edible oil production industry in Timor-Leste is in its infancy stage; less than 600 mt are estimated to have been produced in 2021, and the same volume is estimated for 2022. These volumes are equivalent to 24 days of the country's national requirement.

Timor-Leste has the potential to significantly increase its production to more than 3 months coverage of the national oil requirement in the medium to long term. This is premised on relatively high outputs of coconut, groundnuts (with shell), and soybeans whose production in 2021 was estimated at 7,600, 4,300 and 900 mt respectively. Furthermore, a significant amount of potential cultivatable land remains unused that could boost the production of edible oil crops, according to the Ministry of Agriculture and Fisheries.

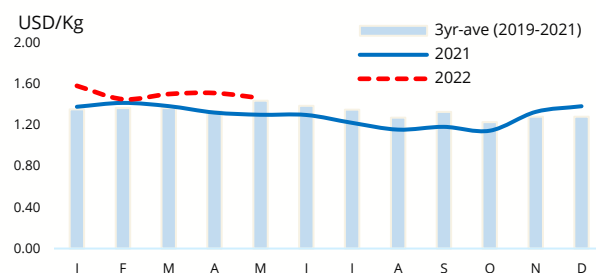
With this substantial increase in vegetable oil consumption, it might be worthwhile trying to influence a change in consumer behaviour based on health concerns, given the high use of oil exceeds the 20 grams of the WHO-DRI value.

Prices for local rice

The month of May saw local rice prices decrease by 3 percent compared to the previous month, averaging USD 1.46 per kg. However, the current price remains elevated, 11 percent higher than the same time last year and 2 percent higher than the three-year average.

Falling prices coupled with improved production estimates are likely to ease food access constraints for households in the short run.

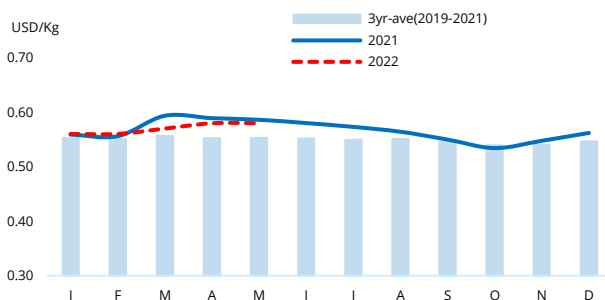
Fig. 3: Price trends of local rice (USD/kg)



Prices for imported rice

Similarly, imported rice prices eased in the month of May, remaining unchanged at USD 0.58 per kg compared to the previous month, and almost the same compared to a year ago. However, prices remain 5 percent higher than the three-year average. The stable prices are likely the result of improved supply to the local market, reflecting the 60,000 mt imported in the first quarter of 2022.

Fig. 4: Price trends of imported rice (USD/kg)



Prices for other commodities

The other notable uptick in prices, compared to a month ago, were observed for beans and tomatoes. Decreases, over the same period, were noted for taro and sweet potatoes. Compared to a year ago, significant increases were observed for beans, eggs, and chili (Table 1).

Table 1. Price of other commodities (USD/kg)

	May-22	1M	3M	1Y
Wheat	0.99	0	2	3
Sweet Potato	0.93	-11	-11	-18
Potato	1.37	1	1	2
Taro	0.81	-11	-13	-13
Beans	2.71	6	8	8
Egg*	0.22	2	16	10
Chicken	3.26	2	3	-2
Tomato	2.01	5	10	5
Onion	2.91	-3	-1	5
Cooking Oil**	2.60	36	63	108
Chili	4.52	-10	-3	28
Sugar	0.98	-1	0	1
Salt	0.62	-2	2	7

*USD per unit
**USD per litre