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Ceiling price proposed for cooking oil (HL)

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KUALA LUMPUR, Tues. - The Primary Industries Ministry has proposed a ceiling of RM3.15 for the retail price of a kilogramme of pure palm olein cooking oil and RM3.65 for a kilogramme of blended cooking oil beginning Jan 1.

This proposal is expected to be endorsed by the Cabinet at its meeting in Langkawi tomorrow.

Announcing this today, Primary Industries Minister Datuk Seri Dr Lim Keng Yaik said palm oil producers had agreed to sell palm oil olein at a discount to manufacturers of edible oil for the domestic market.

The manufacturers and traders will, in turn, reduce their profit margins to enable consumers to purchase cooking oil at affordable prices.

(Palm fruits after milling produce crude palm oil, which is processed into olein for the manufacture of cooking oil and stearin for other products like soaps and detergents).

The proposed prices are lower than the current average prices of pure olein and blended cooking oils in the Klang Valley, based on figures provided by the Domestic Trade and Consumer Affairs Ministry.

However, as late as last week, some major supermarkets in the city were selling 5kg of olein-based cooking oil for as low as RM13.95 which works out to RM2.79 per kilogramme.

The price of a kilogramme of pure olein oil in October was RM3.30 and for blended oil RM3.80. At its highest, one kilogramme of pure olein oil cost RM3.90 in June and RM4 for blended oil in February.

Explaining the background leading up to what he described as the "recent confusion", Lim said the proposal for a ceiling on the retail price of palm oil-based cooking oil was presented to the Cabinet about three weeks ago.

He said there were calls for the Government and oil palm plantation owners to introduce subsidies, but these were rejected.

"Manufacturers and retailers met with the Domestic Trade and Consumer Affairs Ministry and were supposed to come up with a retail price for cooking oil. However, discussions reached a stalemate and cooking oil prices continued to increase," he said.

The ministry, Lim added, decided to propose the ceiling under the Palm Oil Registration And Licensing Authority Act 1976.

Acknowledging that the price of pure olein had increased, the Minister said this was "associated" with the rise in the price of CPO as decided by international market forces at the commodities trading centre in Rotterdam.

However, he stressed that purchases for the domestic market were made in ringgit.

At present, Malaysia exports about nine million tonnes of CPO, or about 95 per cent of total production.

"The price of CPO on the international market is now pegged at RM1,700 a tonne," Lim said.

He said the fixed ceiling price would be similar to the scheme introduced in 1995.

He said price stabilisation scheme was implemented between February and October 1995 when the price of CPO on the international market exceeded RM1,400 per tonne.

"Under the scheme then, the Government absorbed about 75 per cent of the

manufacturing costs involved in pure palm olein production while the remainder was absorbed by palm oil producers."

With this move, Lim said that any increase in the price of palm oil-based cooking oil could not be justified.

He said that when the scheme was first introduced in 1995, it was only in force for six months.

"However, based on figures made available to us, a price fluctuation was evident after the scheme ended and in most instances, manufacturers and retailers had benefited from higher profit margins."

However, he added, the Government would ensure that commodity producers would not be the only ones who had to make sacrifices.

"Manufacturers and retailers are also expected to sacrifice a little of their profits," he said.

The palm oil-based cooking oil controversy was sparked off by a Malayan Edible Oil Manufacturers Association's proposal to raise prices by as much as 30 per cent, which led to protests from the public.

Many felt that consumers should not be burdened as the domestic market only consumed five per cent of the total palm oil produced.

They said it was unfair for producers to make the demand, especially when the Government was trying to promote the use of local products and defend the country against imported inflation.

On Sunday, Prime Minister Datuk Seri Dr Mahathir Mohamad rebuked manufacturers who indiscriminately raised the prices of goods and warned that the Government would introduce measures to deal with profiteers.

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