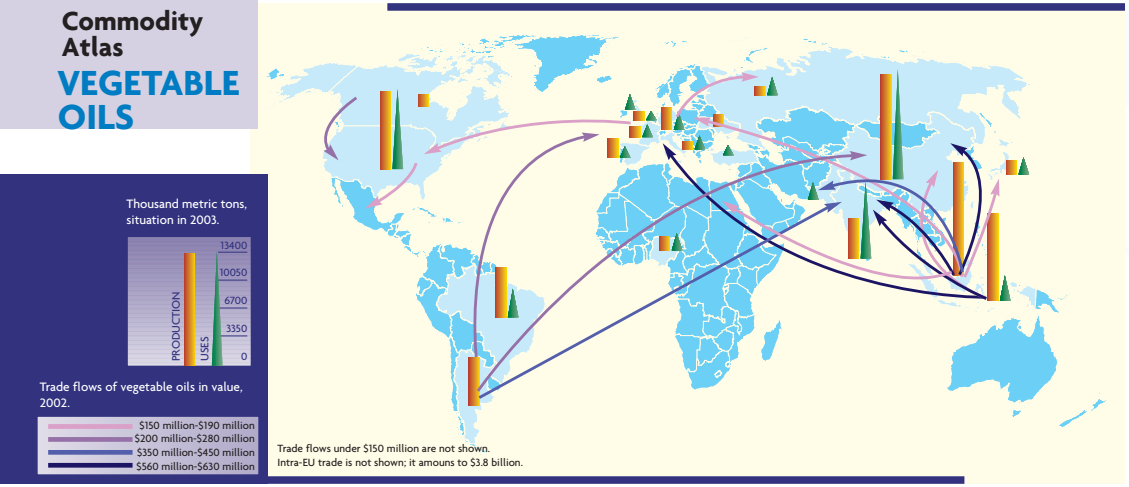
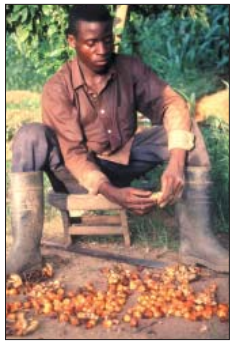


Production, consumption and trade of vegetable oils.

The United Nations SITC (revision 2) defines vegetable oils as soya bean oil SITC code 423.2, cotton seed oil 423.3, groundnut oil 423.4, olive oil 423.5, sunflower seed oil 423.6, rape, colza and mustard oils 423.91, palm oil 424.2.



Shelling palm nuts.

Vegetable oils are extracted from seeds such as soybeans, rapeseed, sunflower seed or cotton seed, or from the soft part of fruits such as palm or olive. After cereals, vegetable oils and oilseeds are the second largest group of internationally traded agricultural commodities in terms of value. Twelve vegetable oils – soybean, palm, palm kernel, rape (canola), sunflower, cottonseed, groundnut (peanut), coconut, olive, castor, sesame and linseed – are traded internationally. The most important of these – soybean, palm, rapeseed and sunflower oil – account for more than three quarters of world consumption.

Vegetable oils versus animal fats

During the past century, new technologies such as hydrogenation and improved crushing and refining processes have increased the functionality of vegetable oils and enabled them to compete with the animal fats that until then dominated consumption in many markets. By the mid-1970s, vegetable oils had displaced animal-based fats as the major source of oils and fats, and consumption has at least kept pace with population growth ever since. A wide range of products, whether for consumption (margarine, bakery products, confectionery products, soups and cooking oils) or for other uses (soap, cosmetics), are made from vegetable oils.

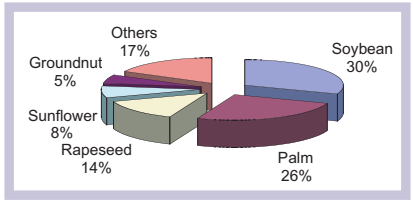
Production

From 1994 to 2002, global production of vegetable oils grew by about 4.5% annually to reach nearly 100 million metric tons. Vegetable oils account for 80% of global output of oils and fats. A significant portion of the output growth is attributed not to improved yields but rather to the expansion of area planted to palm oil in Malaysia and Indonesia and the rapid development of soybean cultivation in South America.

Palm oil nursery in Thailand.

Vegetable oils and oilseeds are often grown for domestic consumption. When this is the case, then smallholder production is important for employment, income generation and domestic savings. In Brazil, for example, a million people are engaged in soybean production, and an additional five million in other soybean-related activities. However, production for export in developing countries usually comes from large plantations that can achieve economies of scale (for instance, palm oil plantations in Indonesia and Malaysia).

World vegetable oil production, 2002



Source: Data from FAO.

Commodity Atlas
VEGETABLE OILS

Demand

Several factors support continued growth in demand for vegetable oils, including steady population growth in key consuming developing countries, growth in food processing, and new uses (for instance, in bio-diesel fuels). The market shares of different types of vegetable oils vary between countries and have changed over time. While soybean oil has dominated utilization since the 1950s, use of palm oil has grown significantly over the last 25 years and is now nearly as widespread.

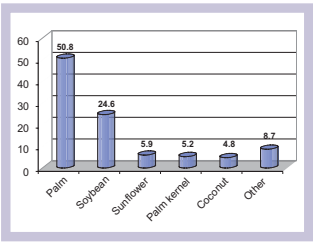
Health-related concerns have played an important role in consumption trends. Consumption of rapeseed and sunflower oil has increased rapidly in response to perceived health advantages, since these oils contain proportionately less saturated fat than their competitors. On the other hand, concerns about genetically modified organisms have affected demand for soybean products, since a large portion of world soybean production comes from genetically modified varieties.

International trade

World trade in vegetable oils as a group has grown slowly since the mid-1990s. Within the group, however, there have been considerable differences, with world exports of soybeans increasing (although exports of soybean oil have grown only slightly) along with exports of rapeseed oil, palm oil and palm kernel oil, while exports of groundnut and coconut oil have stagnated.

International trade in vegetable oils is affected by agricultural support schemes in developed countries, which at times have led to surpluses that in turn have resulted in depressed prices. Tariffs on imported vegetable oils and oilseeds are also high in many countries.

World exports of major vegetable oils, 2002 *(per cent)*



Source: Malaysian Palm Oil Board.

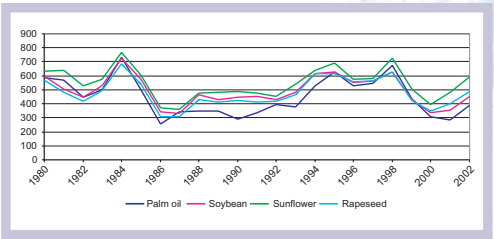
Industry structure

Vegetable oil production and trade have undergone dramatic changes in recent years. The industry is increasingly responding to consumer requirements for greater variety, quality and safety. Competitive market conditions are driving consolidation and vertical integration within the crushing and refining sectors of the industry and favour large, vertically integrated companies. The leading companies, including Unilever, Montesdison SPA, Nisshim Oil Mills, Bunge, ADM, Cargill, ConAgra Inc., Raisio Group and Ajunomotto-Dreyfuss, control global processing chains, from trading and importing seeds to crushing, refining, bottling and marketing to retailers.

Prices

The prices of leading vegetable oils tend to move in parallel, since the oils are close substitutes for each other. With the exception of 2002/2003, when prices were influenced by massive Chinese imports, prices have fallen since 1997/98 (and even more since the mid-1980s). A number of futures contracts (which are used as protection against price risks) are traded on exchanges in the United States, Latin America, Europe and Asia.

Annual average prices of major vegetable oils in Northwestern Europe, 1975–2001 *(US$/metric ton)*



Source: Malaysian Palm Oil Board.

International cooperation

The International Olive Oil Council, established in 1959, is the intergovernmental organization responsible for administering the International Agreement on Olive Oil and Table Olives. The goals of the Agreement are to encourage international cooperation and concerted action to achieve integrated development of the world olive and olive oil economy; promote the expansion of trade; draw up standards for olive products; modernize olive farming, olive oil production and table olive processing; transfer technology; and defend and promote olive oil and table olives.

To learn more

Food and Agricultural Organization www.fao.org

International Olive Oil Council www.internationaloliveoil.org

Malaysian Palm Oil Board mpob.gov.my