Vegetable oils: some observations on world markets and trade
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Setting the scene: global consumption and trade in vegetable oils expands strongly on food and industrial demand

- Consumption grows by almost 40% in past decade, centred on palm and soya gains
- Food demand is key, but industrial demand important, especially in Americas/Asia

- Near-comparable expansion of trade.
- But with especially sharp gains in sunflower oil trade, less so for palm/soy oils.

Source: IGC, USDA
Importers in Asia and Africa central in shaping trade......some especially reliant on the world market to meet food needs.

Average imports of palm oil, soybean oil, rapeseed/canola oil and sunflower oil in 2018/19-2022/23 period.

Source: IGC, USDA
After spiking higher in early 2022, vegetable oils markets have trended significantly lower.

* Ukrainian prices refer to west border

Ukrainian quotations cease, owing to effective shutdown of export market.
Despite the backdrop of the Black Sea conflict, availabilities and exports of sunflower oil large.....helping to press values lower.

**Sunflowerseed Production**

- Purple: < Ukraine
- Blue: < Russia
- Green: Share of world

**Total consumption**

- Blue: Russia
- Purple: Ukraine

**Sunflower oil exports**

- Blue: Russia
- Purple: Ukraine
- Red: Others

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Collectively, oilseeds supplies in key exporters are ample, thereby boosting availabilities for processing.

- **Rapeseed/canola**: 21/22 to 23.24: +4m t (+14%)
- **Sunflowerseed**: +4m t (+7%)
- **Soybeans**: +17m t (+6%)
- **Palm oil**: +7m t (+11%)

* Canada, Australia, Ukraine
* Russia, Ukraine, EU, Moldova
* Argentina, Brazil, US
* Indonesia, Malaysia
Solid growth in biodiesel production supports expanded industrial demand for vegetable oils

Biodiesel Production

2013
Top 4:
76%

EU 39%
US 18%
Indonesia 10%
Brazil 9%
Argentina 7%
Others 17%

2023
Top 4:
81%

EU 27%
US 24%
Indonesia 18%
Brazil 12%
Argentina 2%
Others 17%

Source: US EIA, ANP, CIARA-CEC, Oil World, USDA GAIN reports.
Broad patterns of feedstock use (major raw material) for selected key producers

- Rapeseed/canola oil
- Soybean oil
- Palm oil
- Other raw materials

Other raw materials include used cooking oils, other oils, fats, wastes.
US production of biodiesel/renewable diesel surges in recent years, with industrial demand for soybean oil seen at a record

Aggregate Production *

- Renewable diesel (RD)
- Biodiesel (BD)
- Share RD

US processing

Soybean oil: US local demand vs exports *

- Exports
- Industrial use
- Food use

* USDA PSD
* US EIA
Expanded US uptake of soybean oil for biofuels sees the emergence of a sustained, wide premium over other origins.

- Soybean oil (Argentina, Up River)
- Soybean oil (US Gulf)
- Soybean oil (Brazil, Paranagua)
Brazilian biodiesel production is expected to return to growth in 2023, boosting demand for soya oil in a season of record processing.
Summary of key points

- Vegetable oils prices rally sharply to fresh highs in the early stages of 2022;
- Gains were initially shaped by near-panic about sunflower oil availabilities; added to that were tightness in other markets (rapeseed/canola); increasing uptake of soybean oil for biofuels in the US;
- Which factors led markets significantly lower since early-to-mid 2022?
- Markets broadly retreat on supply-side pressure, broader economic conditions, softer external markets, such as energy;
- Black Sea Grain Initiative important in supporting shipments from Black Sea ports, together with deliveries across western borders;
- Looking ahead, food use to remain by far the largest component of demand, but biofuels mandates supporting expanded industrial use (80% of total biodiesel/renewable diesel production due to Brazil, the US, Indonesia and the EU).