

Outlook for development of supply/demand for oilseed and oilseed products

Philippe Dusser

*Director - Economic and International Affairs – FOP (French oilseed Producers) 12th IRC Wuhan China
Email: p.dusser@prolea.com*

Oilseeds have recently reached a significant position on the world market and become a major agricultural commodity.

The strong growth of demand for both vegetable oils for human consumption and protein-rich meals for animal feed have resulted, over the last 30 years, in a making of oilseeds one of the fastest growing agricultural commodity. An average annual rate of 3 to 4 % of growth has brought oilseed world production at around 400 million tons, almost in line with that of major grains as rice (400 million tons) or wheat (600 million tons).

Around 50% of oilseed production is traded on the world market. This situation of high export orientation is very specific to oilseeds compared to other major agricultural commodities resulting in an ever more prominent rank of oilseeds and oilseed products on the world trade. With around \$50 billion of trade value, oilseeds represents twice that of all cereals (\$25 bn) and meats (\$22 bn); in term of volume with 180 million tons (120 meals and 60 oils) oilseed trade compares to that of cereals (200 million tons). Continuation of these trends will accentuate the rank of oilseeds on the markets.

Soybean represents 60% of oilseed production worldwide. Soybean and soybean products make up to 70% of oilseed world trade. South America (Brazil-Argentina) have developed soybean production and exports and since 2000 have overtaken the USA, the long time leader on that market. Nevertheless, Brazil recent monetary adjustments have led to economical difficulties for export driven agricultural sector. This situation, compounded with sanitary problems (soybean rust) has stopped the soybean “fever” in this country and even resulted in a reduction of soybean acreage since 2004.

Rapeseed production (12% of world production) is currently experiencing a strong growth worldwide with a production of around 50 millions tons in 2005, up from the former record of 40 million tons only 2 years ago. Current rapeseed area expansion is responding to a worldwide growing interest for energy (biodiesel) for which rapeseed oil presents an excellent technical profile.

Sunflower (8%) is developing in Russia and Ukraine, both countries having become the world first sunflower producing region.

As significant other oilseeds must also be mentioned cotton (11%) and groundnut (8%).

If soybeans remains the major oilseed for the meals, on the vegetable oil market, palm and soybean oils are the two leading oils with a production of around 33 million ton each, while rapeseed oil (16 million tons) comes 3rd, before sunflower oil (10 million tons).

Oilseeds are grown for more than half of the production in a few exporting countries : the Americas (US, Mercosur for soybean, sun– Canada for rapeseed), South East Asia (Indonesia/Malaysia for Palm oil). China, India, Europe, Australia are other significant oilseed producers.

The oilseed demand on the world market has long been driven by Europe’s soybean and soybean meal imports. This is not any longer the case : Asia and especially China is now driving the trade with an ever growing share of world imports. China alone imports over 30 million tons of soybean and soybean products, and the annual 10% growth of these imports will soon take China at the first rank of for this commodity.

On the oil world market, India stays the major import market.

The outlook for future expansion of demand from traditional markets of oils and meals remains very promising. The scale of future needs is given by the gap between per capita consumption in emerging countries compared to that in developed countries (meats : 50 kg vs 100 kg, vegetable oils : 10 – 15kg vs 35kg). The current economic development taking place in emerging countries is fuelling a 4-5 % growth trends for white meats and vegetable oils markets and hence, for oilseed products.

In addition to traditional demands, the new demand for energy uses is already active on the vegetable oil market. FAME (fatty acid methyl ester) is used as a biofuel in all diesel motors in blends from 5 up to 10% and with minor modifications up to 100%.

Recently, high prices for energy have triggered a booming interest worldwide for biodiesel as well as for biofuel in general.

In Europe, where a large part of individual vehicles run on diesel, biodiesel current production of 4 million tons is planned to reach up to 12 million tons by 5 to 6 years (corresponding to the official EU objective of 5,75% of fuel for transportation).

Biodiesel production could also develop in the USA up to 2 – 3 million tons by 2012, and in Brazil up to 2 million tons

by 2013. Malaysia and Indonesia are also planning to produce up to 5 million tons.

Apart from use as biofuel, it may also be mentioned that vegetable oil -palm oil- has been used for electricity production in Europe these last 2 years.

Rapeseed currently benefits from biodiesel demand due to the technical advantages of rapeseed oil over other oils – resistance to oxidation and low solidification temperature -. This situation translates in a positive evolution of rapeseed oil prices with a significant premium over other oils prices ; as a result, areas dedicated to rapeseed has expanded in major producing countries.

In conclusion, supply/demands fundamentals offer a very positive outlook for future developments of oilseeds in general and rapeseed in particular.