LMC International

Forecasts of World Vegetable Oil Output & Demand: Can we keep up?

by Dr. James Fry, LMC International
to the Solidaridad Webinar, 23rd November 2021

Long run vegetable oil trends

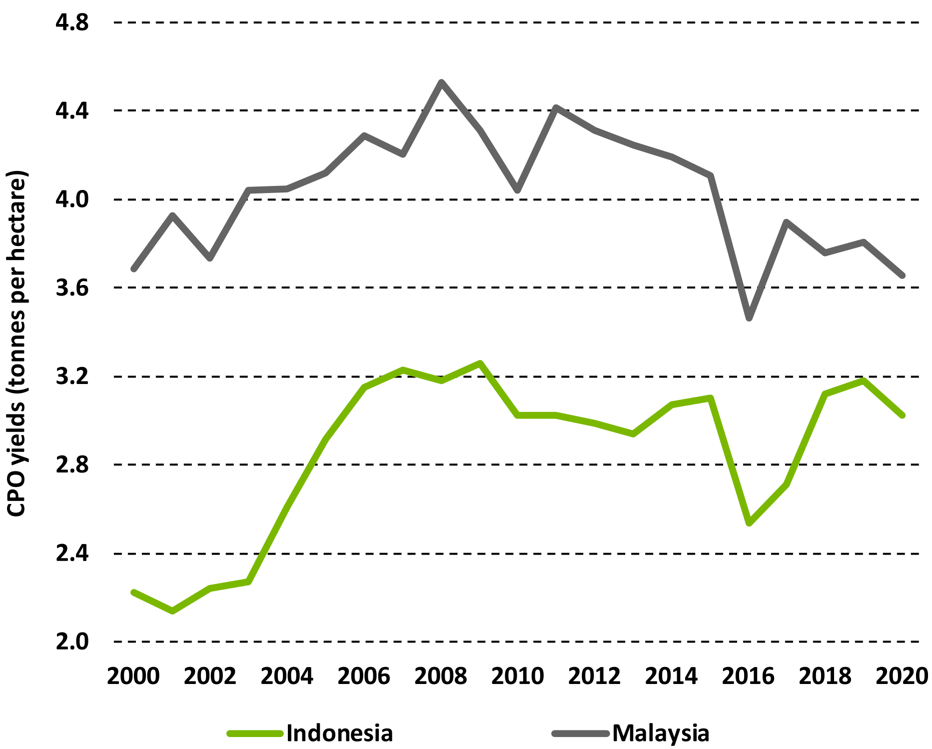
Oil palm will no longer take the lead in supply growth

The era when palm oil led the way in vegetable oil production growth is now over..

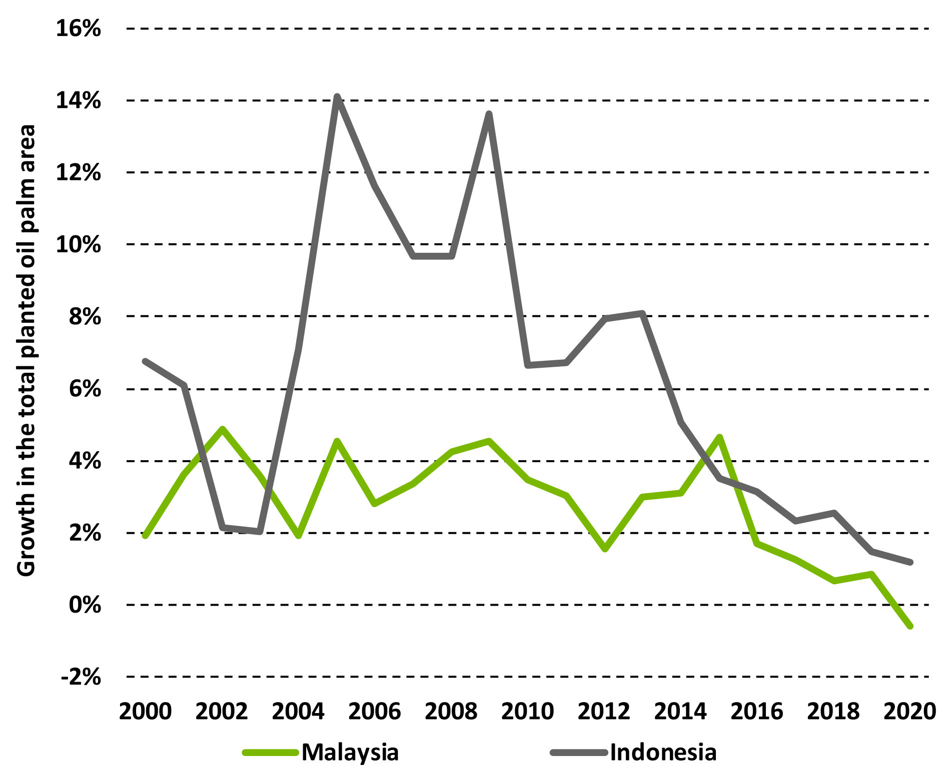
Pressures from many sources, notably labour shortages, rising production costs and environmental constraints, have pulled area growth almost to a halt.

At the same time, the trends in CPO yields per harvested hectare are best described as dismal, with few signs of a sudden improvement since most of the trees that will be harvested in 2030 are already there and will not be replaced before then.

Indonesian and Malaysian palm oil yields since 2000



Indonesian and Malaysian oil palm area growth rates

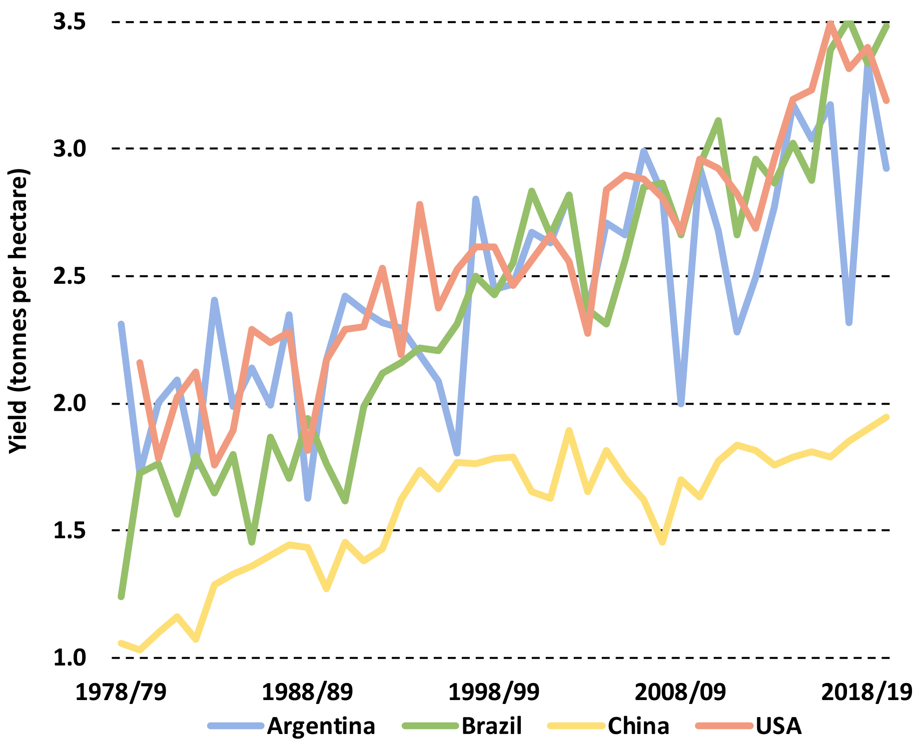


Soybean yields and areas, led by Brazil, move ahead

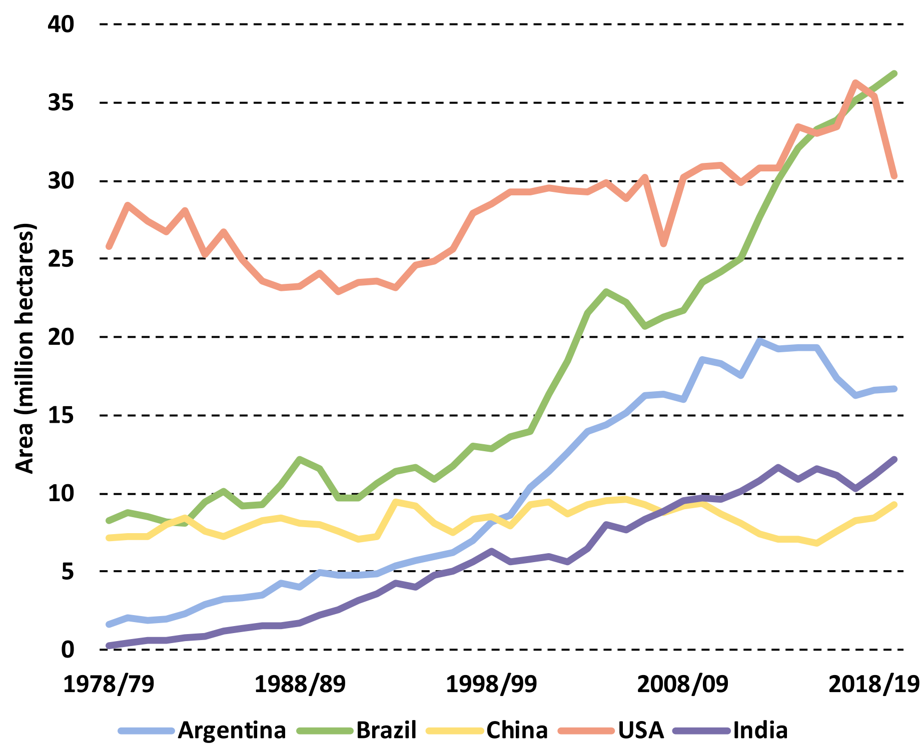
Palm oil producers would be delighted to enjoy the yield increases achieved by soybean producers with very clear and steady upward trends. Yields in Brazil, the US and Argentina are similar in years without climatic problems in Argentina.

Brazil now has the largest soybean areas, helped by double-cropping soybeans with *safrinha* maize in states like Mato Grosso. Argentine plantings have recently been held back by the much higher export taxes applied to soybeans than other crops, like grains.

Soybean yields in major producers since 1978/79



Soybean areas in major producers since 1978/79

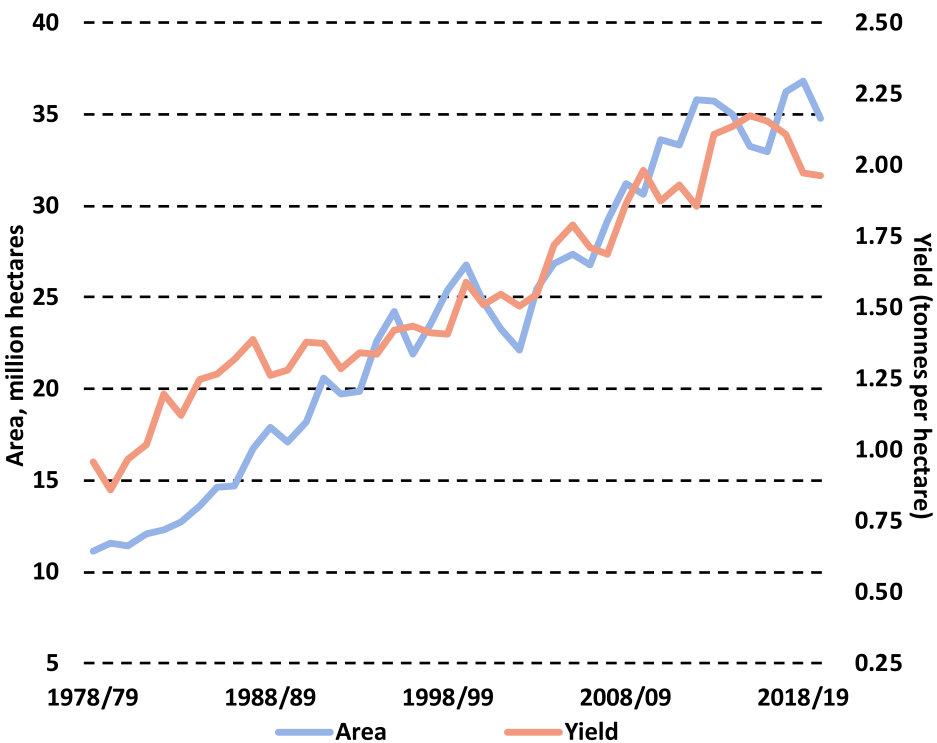


Rapeseed and sunflower yields and areas also grow

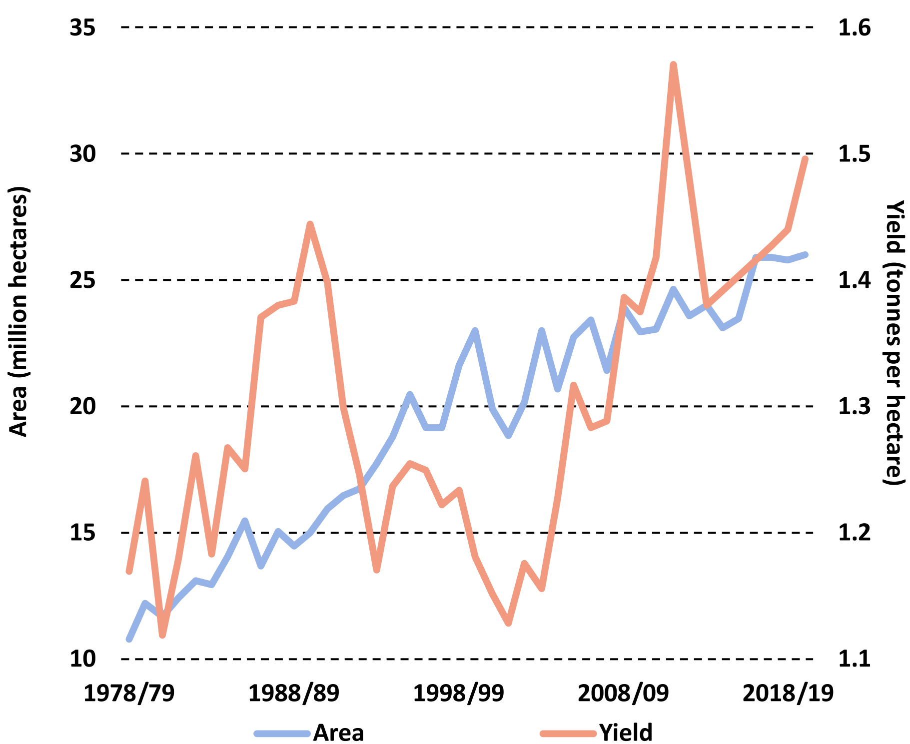
The rapeseed sector (also known as canola) has grown fairly steadily over the past 40 years, both in global planted areas and in its yields per hectare.

The area growth for sunflower has also been quite regular but it suffered two decades of very poor yields after the collapse of Communist governments in Eastern Europe as farming systems that were used to receiving subsidised inputs from the State adapted to the realities of market economies. Since the low point around 2000, yields have risen impressively.

Rapeseed areas and yields worldwide since 1978/79



Sunflower areas and yields worldwide since 1978/79



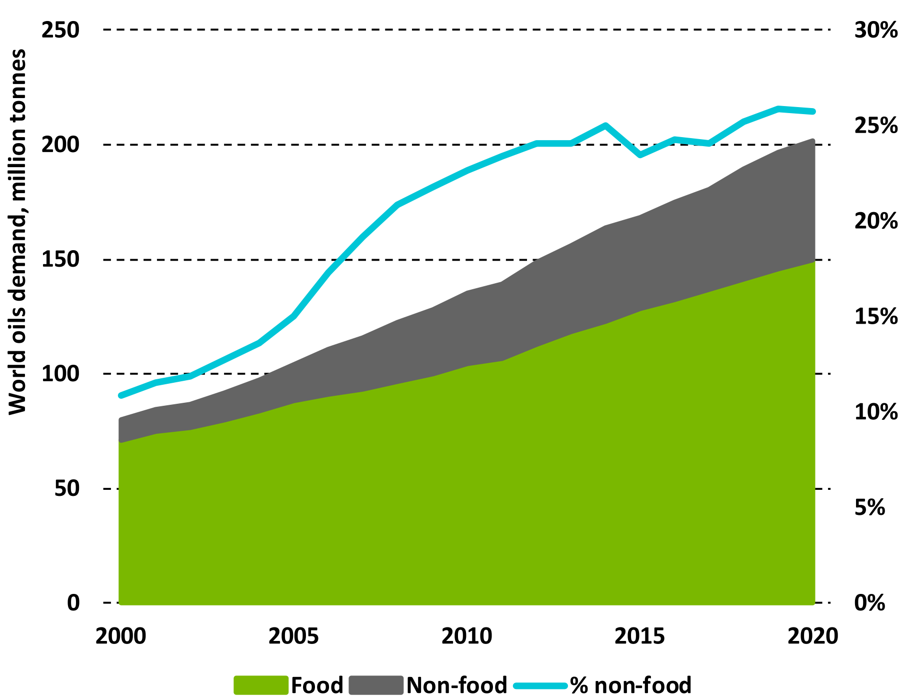
Biofuels are steadily increasing the demand for oils

These diagrams illustrate the growth in global demand for the major vegetable oils in 2000-2020 and looking forward to 2020-2035. *(Note they do not include the fats and waste oils favoured for biodiesel.)*

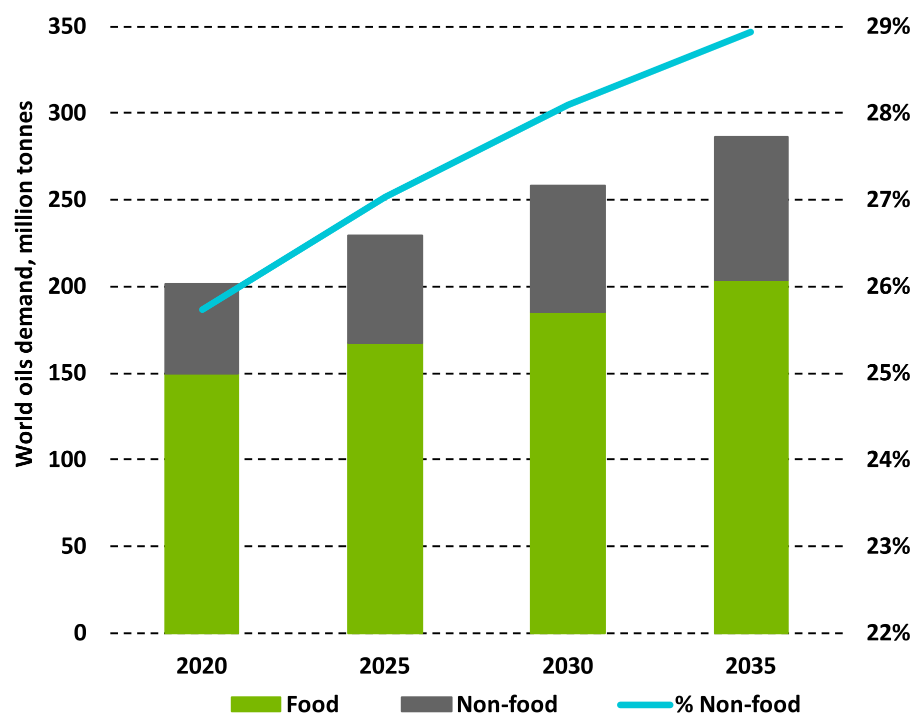
As biodiesel blends increase, renewable diesel is becoming an ever-more important end-use for oils.

Waste oils and fats are major feedstocks in renewable diesel, but we must not forget that as lower grade fats are diverted to biodiesel, they leave gaps in the animal feed and oleochemical sectors that palm oil often fills as the cheapest and most suitable alternative among the vegetable oils.

The growth in demand for vegetable oils 2000-2020



The growth in demand for vegetable oils 2020-2035



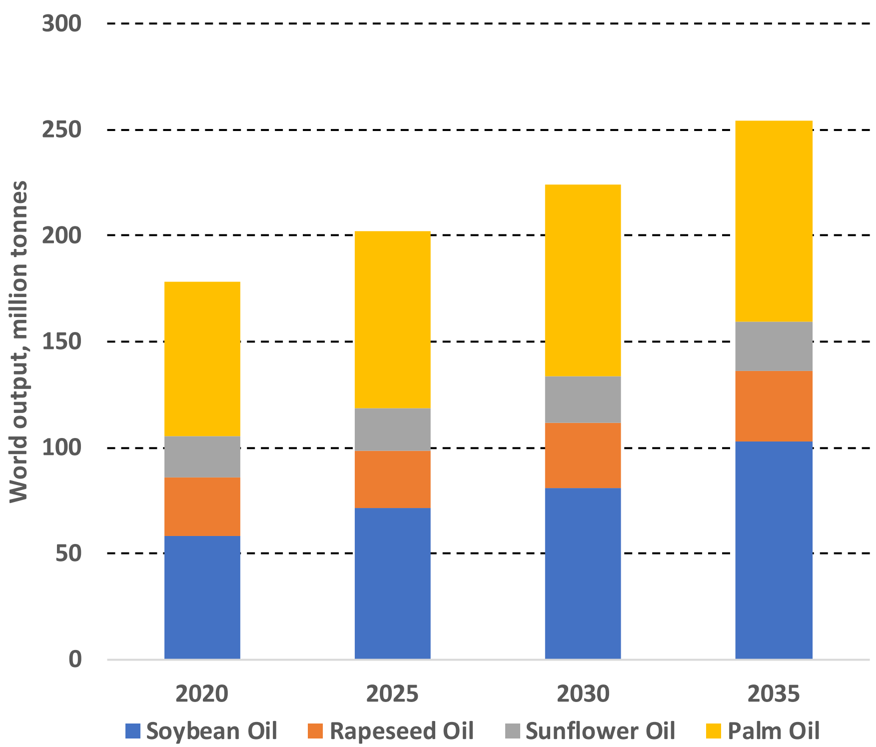
Soybean will be the big gainer among the main oils

When we examine the allocation of demand growth between the main vegetable oils, we expect their overall annual growth to be slightly under 2.5% in the next 15 years, but while soybean with the greatest scope for area expansion will grow at over 3.5%/annum, the other oils will grow at between 1% and 2%.

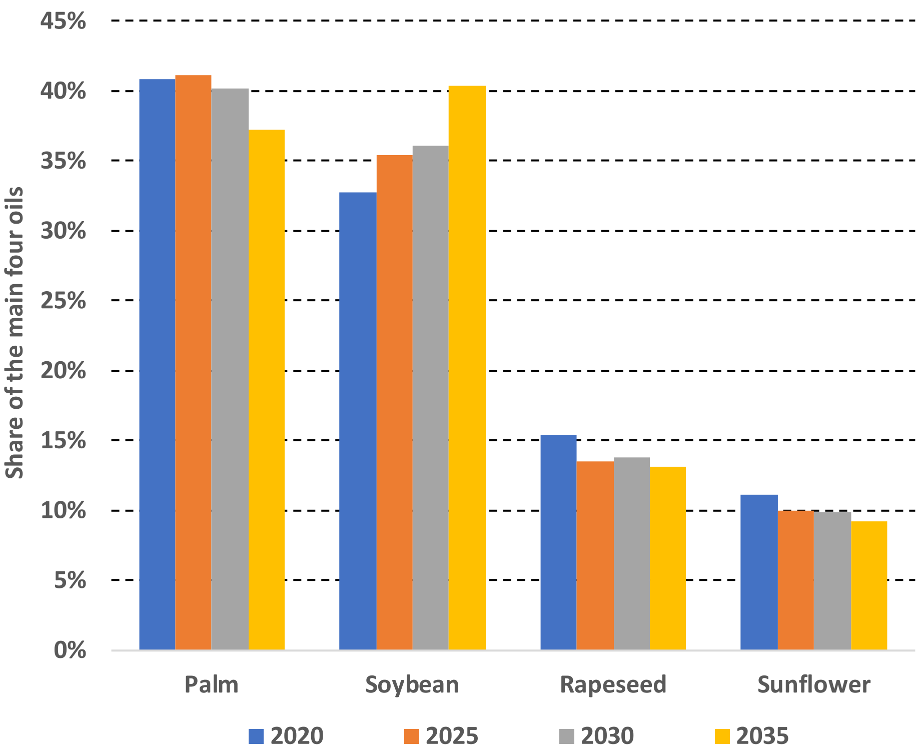
This pulls soybean above palm in total oil output, with associated pressure on land use in South America.

This is bullish for oils prices. Faster growth in soybean supply pushes down meal prices but the bean price must rise to attract more plantings. This means higher soy oil values, which will benefit the other oils.

The growth in output of the four main oils, 2020-2035



The shares of these four oils in global production



To contact LMC Oxford

LMC International Ltd
4th Floor, Clarendon House
52 Cornmarket Street
Oxford OX1 3HJ
UK

Tel: +44 1865 791737

Email: info@lmc.co.uk

To contact LMC New York

LMC International Ltd
1350 Avenue of the Americas,
Floor 2
New York, NY 10019
USA

Tel: +1 212 586-2427

Email: info@lmc-ny.com

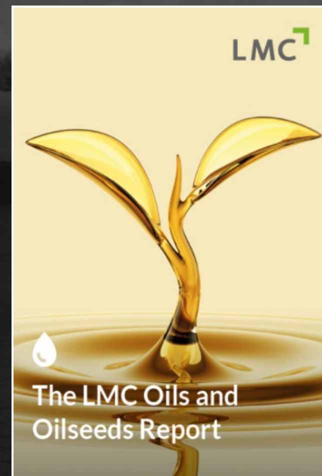
To contact Kuala Lumpur

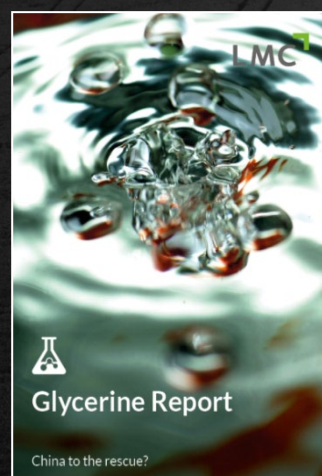
LMC International Ltd
SO-30-8, Menara 1
No. 3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur
Malaysia

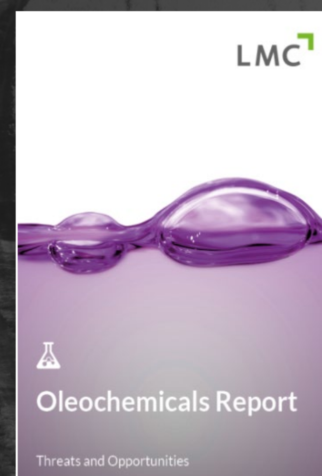
Tel: +603 2202 1414

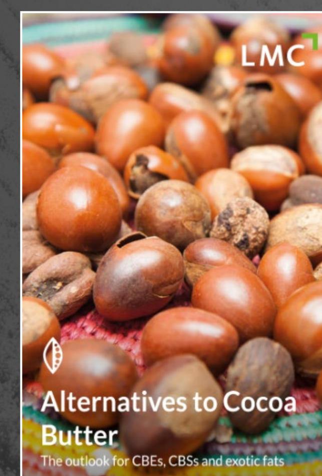
Email: info@lmc-kl.com

Some LMC oils publications









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