

# Executive brief

## Oil crops sector

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Oil crops are plants whose fruits or seeds contain a high proportion of oil. The seeds containing oil (such as soybean, rape and sunflower) are rich in protein. Accordingly, they are widely used as animal feed, especially in Europe. Oil palm, however, is cultivated above all for the edible oils which are extracted from the pulp of its fruit (palm oil) and its kernel (palm kernel oil). One hectare of oil palm produces between 2 and 7 tonnes of oil a year, compared with 1 tonne for rape or sunflower grown in a temperate climate. This makes it one of the cheapest oils to produce.

Eighty per cent of world production is generated by industrial plantations (2,500 to 10,000 ha per unit). The larger part of this oil production (palm and palm kernel oils) is used for human consumption (margarines, basic vegetable fats and food oils), but it is also increasingly used for energy purposes (bio-diesel). Its low production costs give it an advantage over other oils (rapeseed and soybean) that can be transformed into biofuels.

In the ACP countries, the main oil crop producers are in West Africa (Nigeria and Côte d'Ivoire for palm oil and Senegal for groundnut oil) and Papua New Guinea. ACP producers have to compete on the European market, their main export markets, with low-cost palm-oil imports from South-East Asia.

Papua New Guinea is the only ACP country to have succeeded in remaining among the main suppliers of palm oil to the EU. Papua New Guinea exports almost all its palm oil production to Europe and is the leading ACP supplier of oil crop products to the EU. Several other Pacific ACP countries, in particular the Solomon Islands, export coconut oil, palm oil and palm kernel oil. Oil crops are therefore an important agricultural export product for Pacific ACP countries.

Although West African countries were leaders on the palm-oil market in the 1950s and 1960s, they are now almost totally absent from the market. In 2008, Côte d'Ivoire exported around 30,000 tonnes of palm oil to the EU, while Senegal exported 20,000 tonnes of groundnut oil, some 60% of EU groundnut oil imports. However groundnut oil plays a very marginal role on international markets, mainly because of its high price in comparison to other oil crops.

The EU is a major importer of oil crop products. However, ACP countries do not benefit from any trade preferences for oil crops on the EU market, since imports enter duty free, irrespective of origin. Since 1990, Brazil and Argentina have emerged as major soybean producers and exporters of soybean products, although the expansion of livestock production for export has also expanded domestic demand considerably.

The EU27 countries produce approximately a quarter of their consumption of protein-rich products, down from 33% in 1999/2000. Following the 2003 CAP reform, oil crops have been incorporated into the non-crop-specific single-payment system. EU oil crop production is now more strongly influenced by global price developments (including oil price developments) and the relative price of EU arable crops. The European crushing industry transforms oilseeds into oil, for human or industrial use, and into oilcake for animal feed. Up to 2005, the oils produced by crushing were exported, with the ACP being an important export destination. Imported oil crop products were often substituted for oils produced locally at a higher cost.

The impact of the increased demand for biofuels in line with oil price increases was an important factor in the rise in price for oil products in 2007/08. Despite the global economic downturn, demand remained high during 2009. The evolution of oil prices and biofuel-related policies thus have a major influence on the price of oil crops used for biofuel.

The changing demand for protein-rich foods and growth in demand for meat in advanced developing countries will also have a major influence on oil crop product prices.

For ACP exporters of oil crop products, the emergence of consumer concerns regarding sustainability is an increasingly important factor in the market. In addition, new demand is emerging for oil crop products with special properties linked to health concerns in developed economies. There would therefore appear to be opportunities for ACP exporters in these areas.

## 2. Latest developments

### The international market for oil crops

#### Production

In 2009/10, with an output of more than 434.3 million tonnes world oilseed production (soybean, cotton, groundnut, sunflower, rapeseed, palm kernels and copra) set a new record, increasing by more than 12% compared with 2008/09. However, in 2010/11, the rate of growth slowed (up by 2.46% to 445m tonnes) and production is expected to grow by only 0.6% in 2011/12 according to the initial Oil World estimates (to 447.7m tonnes). However, consumption is expected to increase by 3.8%, which should lead to a decrease in world stocks. The main producers are the United States, Brazil, China, Argentina, India and the EU.

Production of soybeans in 2010/11 reached 265.31m tonnes, i.e. up by 2.11%. The main producers are the United States (90.61m tonnes), Brazil (75.31m tonnes), Argentina (49.20m tonnes), which together represent more than 80% of world production. China comes next – though a long way behind, with 14.60m tonnes, and then India (9.50m tonnes). EU production is low, at around 1m tonnes. In the case of the world's leading soybean producer, the United States, output levels are in part determined by the price of maize. Oil World expects world production to decline in 2011/12 to 261.42m tonnes, mainly as a result of adverse weather conditions in the United States. However, given the increase in stocks in 2010/11

to a record level of 75.8m tonnes (10m tonnes up on 2009/10), soybean supply should increase by 1.8%.

For rapeseed, the world situation is tighter. Output fell in 2010/11 to 59.80m tonnes and is expected to fall again in 2011/12 to 58.95m tonnes. The main producers are the EU (one-third of world production), followed by Canada and China (about 20% each).

Sunflower production (the main producer countries being the EU, Russia and Ukraine, which together account for around 60% of world production) increased in 2010/11 and is expected to increase by 8% in 2011/12 to 36m tonnes.

#### Consumption

World consumption of vegetable oil continues to grow, sustained by demand from OECD countries for biofuels and from developing countries for food for human consumption, in part via the increase in consumption of meat and dairy products. Overall, for the main vegetable oils (palm, soybean, cotton, groundnut, rapeseed, palm kernel and coconut), supply and demand are balanced. Consumption increased from 131.53m tonnes in 2008/09 to 143.20m tonnes in 2010/11 and is expected to reach 149.43m tonnes in 2011/12. Vegetable oil consumption is dominated by palm oil (33%), followed by soybean oil (29%), rapeseed oil (15%) and sunflower oil (8.5%). Consumption levels of the other oils are between 3.5 and 5.5m tonnes. Palm oil is still advantageously priced, even if in mid 2011 supply shortages in Asia pushed prices to a level close to soybean oil prices.

The OECD and FAO expect the growth rate of global vegetable oil consumption to slow down. China is forecast to remain the world's main consumer, followed by the EU, India and the United States.

Table 1: World oil crop production and main producers (millions of tonnes)

	2011/12	2010/11	2009/2010
<b>Soybean</b>	<b>261.42</b>	<b>265.31</b>	<b>259.81</b>
United States	84.37	90.61	91.42
Brazil	73.30	75.31	68.39
Argentina	53.00	49.20	53.80
China	13.70	14.60	14.70
India	10.30	9.50	8.40
<b>Sunflower</b>	<b>36.00</b>	<b>33.20</b>	<b>32.87</b>
Ukraine	8.30	8	7.30
Russia	8	5.60	6.60
EU27	7.43	6.99	7
Argentina	3.40	3.56	2.65
<b>Rapeseed</b>	<b>58.95</b>	<b>59.80</b>	<b>60.65</b>
EU27	18.93	20.50	21.73
Canada	13.20	12.38	12.42
China	11.60	12.20	13.10
India	7.20	7.10	6
<b>Groundnut</b>	<b>24.63</b>	<b>24.73</b>	<b>24.58</b>
China	10.65	10	10.34
India	3.40	4.09	3.55
Nigeria	1.90	1.86	1.94
<b>Coconut</b>	<b>5.53</b>	<b>5.08</b>	<b>5.84</b>
Philippines	2.25	1.87	2.68
Indonesia	1.53	1.48	1.44
<b>Palm kernel</b>	<b>13.22</b>	<b>12.62</b>	<b>11.72</b>
Indonesia	6.27	5.80	5.40
Malaysia	4.72	4.69	4.29

Source: Oil World (2011/12 estimated; 2010/11 projected)

## Trade

With more than 40% of world production traded on international markets, oilseeds and oil crops are among the most widely traded products.

The main exporters of oilseeds are the United States, Brazil, Argentina and Canada, and the principal importer is China. In recent years, most countries

have initiated a policy of developing grinding capacity in order to obtain greater added value. Soybean leads the international trade in oilseeds, and the main exporters are the United States, Brazil and Argentina. After soybean comes rapeseed, at one-eighth of the volume of soybean, with Canada, Australia and Ukraine the main exporters.

In the area of trade in oil crop products, palm oil is the most traded vegetable oil in the world. Although its output is more or less identical to that of soybean, trade is almost three times higher. Unlike soybean, palm fruit must be ground where it is produced, which partly explains why 90% of palm oil production, produced mainly in Malaysia and Indonesia, is traded on world markets. In addition, demand for palm oil increased by 2.5m tonnes a year between 1970 and 2010. Although the EU was, for a long time, the leading importer of palm oil, it has now been overtaken by China and India.

## Prices

Prices are supported by a number of factors, such as expectations of a global imbalance between supply and demand with a decline in stocks; increasing consumption of vegetable oils and fats – particularly soybean – as feedstock for the production of bio-diesel; the acceleration of world dependence on palm oil, given the shortfalls in supply of soybean and rapeseed oil and the ongoing competition among oil crops, seeds and other crops for land. However, negative factors and market uncertainty cannot be excluded, such as budget tensions in Europe and the United States, which could lead to countries reducing their bio-diesel production subsidies. Similarly, the debt and financial crisis could affect the market, and the economic slowdown could have an impact on demand. Finally, if weather conditions are favourable, the high prices could boost the area under cultivation and thus increase output more than expected in the southern hemisphere.

## Developments in the EU oil crop sector in 2010/11

Oil crops do not benefit from any intervention purchase price, export subsidies or other forms of support in Europe. In accordance with the CAP reform in

Table 2: World consumption of oilseeds (millions of tonnes)

	2012/11	2011/10	2010/09	2009/08
Soybean	266.7	255.3	239.1	225.9
Sunflower	35.7	33.2	33.8	34.3
Rapeseed	59.3	61.3	60.6	55.5
Others (cotton, groundnut, coconut, palm kernel)	91	86.3	81.2	82.8
Total	452.7	436.1	414.7	398.8

Source: Oil World

Table 3: Main consumer countries' consumption of 8 main vegetable oils (millions of tonnes, October/September)

	2011/10	2010/09	2009/08
China	27.20	26.41	52.12
EU27	22.28	23.11	22.28
India	15.29	14.84	14.14
United States	11.29	10.80	10.84
World consumption	143.20	138.05	131.53

Source: Oil World

the framework of Agenda 2000, aid to oilseed producers has been decoupled from production.

The Community system enables all crude and refined oil crop products to enter the EU duty free, irrespective of their origin. There are therefore no trade preferences for the ACP countries for these products.

### EU production changes and trends

In 2010/11, European production of oil crops fell to 29.1m tonnes, from 30.2m tonnes in 2009/10. In 2011/2012, production is expected to decline again (for the second consecutive year) to 28.2m tonnes. Although production of sunflower seed is likely to reach a record 7.7m tonnes, compared to 7m tonnes in 2010/11, rapeseed production is likely to decline again.

The projected low rapeseed output in the EU – estimated at 18.7m tonnes, i.e. 20% less than demand – is likely to increase the EU's oil crop needs and benefit other oils, as it will be difficult to make good the shortfall simply by importing rapeseed. For food and bio-diesel needs alike, producers will have to purchase unaccustomed quantities of palm oil from Malaysia and Indonesia, sunflower oil from Ukraine or soybean from Argentina and Brazil in the coming months. The European Union could become the world's leading importer of rapeseed in 2011/12, with 3.1m tonnes. Approximately half will come from Ukraine, and the rest will be imported from Australia, Canada and other countries. However, these imports will not be sufficient and the demand gap will be filled by imports of palm and sunflower oil, for which the supply outlook is more promising.

As regards bio-diesel, the opening of the largest bio-diesel plant in the Netherlands by the Finnish company Neste Oil, with a capacity of 800 000 tonnes a year, could change the market.

### Changes and trends in EU demand

In 2010/11 (for the year October–September), consumption of vegetable oils and fats in the EU declined for the first time in 22 years. This situation contrasts with the upward trend on the European market since the end of the 1980s, during which consumption more than doubled. As production could no longer keep up with this rate of growth, over the years the EU has increased its dependency on palm, soybean, sunflower and rapeseed oil imports. According to Oil World, European consumption is likely to fall by 0.7m tonnes compared to 2009/10. Part of this decline is linked to reduced demand for bio-diesel. But while European production of bio-diesel has declined,

Table 4: Imports and exports of the main oils (millions of tonnes, October/September)

	2011/12	2010/11	2009/10
<b>Palm oil</b>			
Imports	39,40	37,60	36,63
Exports	39,30	37,87	36,66
<b>Soybean oil</b>			
Imports	10,10	10,12	9,22
Exports	10,03	10,13	9,32
<b>Sunflower oil</b>			
Imports	5,10	4,64	4,88
Exports	5,10	4,67	4,76

Source: Oil World

net imports of bio-diesel have increased sharply. Over the period April/June 2011, net imports increased by 42% compared to the same period in 2009/10, reaching 407,000 tonnes. Further imports are expected, in particular from Indonesia (palm oil methyl ester) and Argentina.

#### Oil crop production in ACP countries

Of the seven main oil crops at world level, the ACP countries produce palm oil kernels, groundnut, cottonseeds and coconuts. Their position is however marginal in terms of both production and exports.

Although during the period 1950–60 Africa was a major palm oil producer,

it has been largely overtaken over the years by Asia, Malaysia and Indonesia, which have implemented proactive palm oil development policies, based on industrial plantations. As a result they are now among the world's leading producer countries. The leading palm oil producers in the ACP are Nigeria, Côte d'Ivoire and Papua New Guinea.

Nevertheless, production in Africa, as well as in Latin America, could increase over the medium-term. Faced with shortages of available land and environmental regulatory constraints, Asian countries are increasingly looking to the African continent to cultivate palm oil. Several investment agreements have been signed

in recent years: in Liberia, by the Malaysian company Sime Darby and the Singaporean company Golden Agri-Resources, in Côte d'Ivoire by the Singaporean companies Wilmar and Olam, in Gabon by the Singaporean company Olam, etc. (see *Agritrade* article '[Malaysian group Sime Darby invests in palm oil in Liberia](#)', August 2011).

In addition, in the Caribbean, in Suriname, projects to rehabilitate the palm oil sector are being implemented with the Chinese company China Zhaon Hen Tai Investment (see *Agritrade* article '[Suriname's palm-oil sector to be rehabilitated](#)', July 2011), while in the Pacific, the outlook is relatively favourable in Papua New Guinea (see *Agritrade* article '[Palm oil prospects looking good in Papua New Guinea](#)', June 2011). In 10 years, Papua New Guinea has increased its palm oil production by almost 40%, reaching 173 000 tonnes in 2009. The country is also firmly committed to the production of sustainable palm oil (certified by the Roundtable on Sustainable Palm Oil, RSPO). In November 2010, the Stephenson group, which produces 15,000 tonnes of soap a year, signed an agreement with New Britain Oils Limited (NBOL) to become the first British producer to use RSPO-certified palm oil directly from Papua New Guinea. NBOL is the biggest palm oil producer in Papua New Guinea, with a plantation of approximately 44,000 hectares.

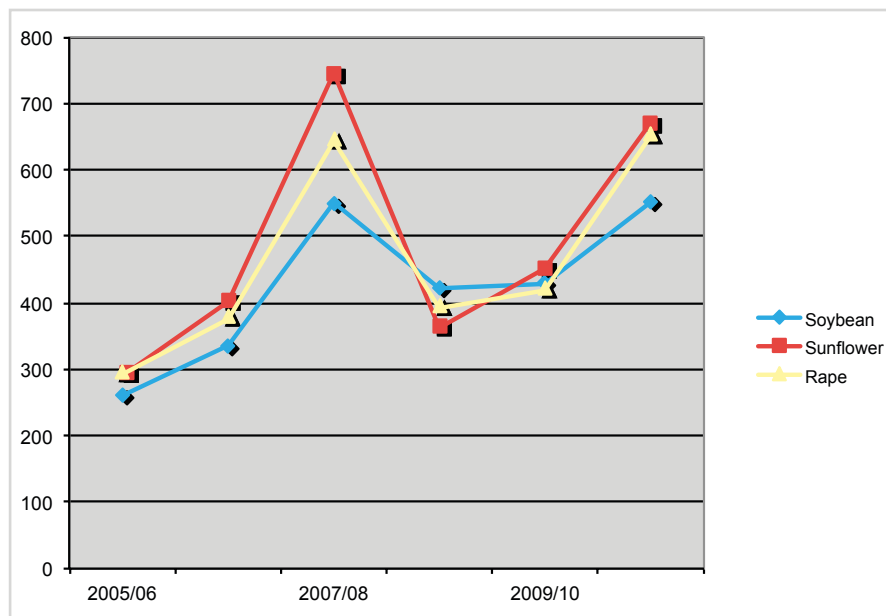
Table 5: Trends in FAO index for oil crops (2002–2004 = 100)

	Oilseeds	Oils	Oilcake
2007/2008	217	202	243
2008/2009	161	150	194
2009/2010	162	173	215
January 2010	163	169	221
January 2011	225	278	234
August 2011	214	244	206

Source: FAO food outlook (September 2011)

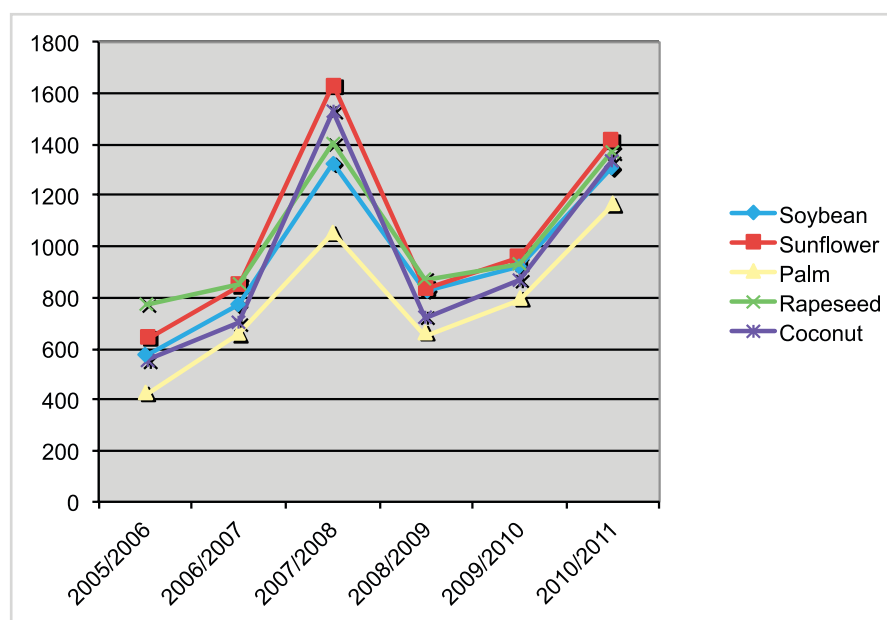


Figure 1: Main oil crop prices (US\$ per tonne; Oct/Sept)



Note: Soybean and sunflower – Rotterdam; rapeseed – Hamburg.  
Source: USDA, Oilseeds: World markets and trade

Figure 2: Main vegetable oil prices (US\$ per tonne; Oct/Sept)



Note: all prices Rotterdam, except palm oil – Malaysia.  
Source: USDA, Oilseeds: World markets and trade

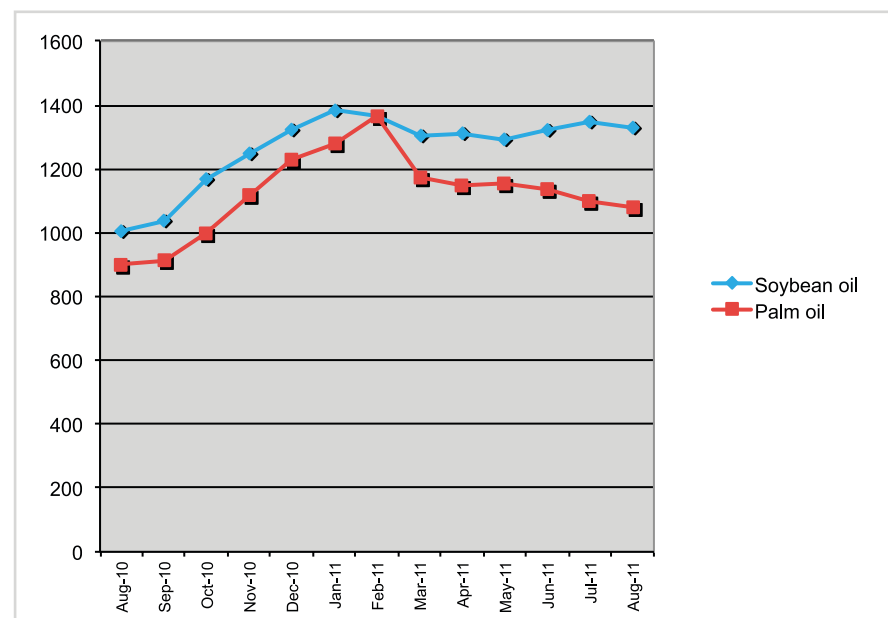
For groundnut production, the two biggest ACP groundnut producers are Nigeria and Senegal. However, these represent only around 10% of world production of groundnut, groundnut oil and groundnut oilcake. The main producer countries are China (40%) and India (16%). However, unlike Nigeria whose production is mainly intended for the domestic market, Senegal exports significant volumes not only of oil, with more than 30% of world exports, but also oilcake (40%). In 2009/10, Senegal exported 65,000 tonnes of groundnut oil, mostly to Europe. However, compared with the eight other main oils, groundnut oil together with coconut oil represent between 2 and 3% of world vegetable oil production.

### Summary of ACP-EU trade in oil crops and issues

The EU is the world's leading importer of vegetable oils and is a net importer. Over the years, the difference between domestic production and consumption in the EU has grown continuously. However, the ACP countries have not taken advantage of this situation. In the case of palm oil, the main oil imported by the EU, the ACP countries supply approximately 10% of EU imports, much of this from Papua New Guinea, which has succeeded in maintaining its export levels (around 500,000 tonnes a year). Côte d'Ivoire is the second largest supplier with 70,000 tonnes. Indonesia and Malaysia, the world's largest exporters, have market share of 55% and 32% respectively, while the EU's third largest partner is Papua New Guinea.

For coconut oil, ACP countries, mainly PNG, Vanuatu and the Fiji Islands, have approximately 6% of the EU market. The EU's main suppliers are the Philippines, the world's leading exporter, with a market share of 80%. Indonesia is the second largest supplier with 11%.

Figure 3: Monthly price evolution for palm oil and soybean oil (US\$ per tonne; August 2010 – August 2011)



Source: FAO, Food outlook (September 2011)

For groundnut oil, the ACP share of the European market, mainly from Senegal and to a lesser extent Gambia, is more than 40%. However, the EU is importing less and less groundnut oil and in 10 years the volume of its imports has halved. Over the last 3 years, its imports decreased from 97,000 tonnes in 2007 to 76,000 tonnes in 2009, before increasing to 83,000 tonnes in 2010. In addition, the volumes exported by Senegal vary significantly from one year to another (from 57,000 tonnes in 2007 to a low of 10,000 tonnes in 2009). While Argentina has exported between 26,000 and 31,000 tonnes to the EU in recent years, Brazil's market share has increased (with 8,500 tonnes in 2007 and 18,500 tonnes in 2010) with, however, significant fluctuations.

#### Biofuel policies and the oil crop sector

In April 2009, the European Council adopted Directive 2009/28/EC on the promotion of the use of energy from renewable sources as part of the energy-climate package adopted in 2008 with

Table 6: Supply and demand for vegetable oil in the EU (in millions of tonnes, October/September)

	2010/11	2009/10	2008/09
Production	22.30	22.46	21.29
Soybean oil	2.38	2.35	2.38
Sunflower oil	2.55	2.43	2.58
Rapeseed oil	9.28	9.73	8.75
Imports <sup>a</sup>	9.51	10.03	10.25
Soybean oil	0.86	0.58	0.81
Sunflower oil	0.88	0.97	1.08
Rapeseed oil	0.58	0.43	0.48
Palm oil	5.20	5.94	5.84
Consumption	30.10	30.80	29.98
Soybean oil	2.78	2.54	2.82
Sunflower oil	3.30	3.33	3.41
Rapeseed oil	9.70	9.96	9.02
Palm oil	5.12	5.78	5.61

a. Excluding intra-EU trade  
Source: Oil World

the 20-20-20 plan: a 20% reduction in greenhouse gas emissions, a 20% share for renewable energy in energy consumption and a 20% improvement in energy efficiency by 2020. The targets set in Directive 2009/28/EC are 20% for the share of energy produced from renewable sources in final energy consumption and 10% for the share of energy produced from renewable energy sources in transport energy consumption in each member state by 2020. This requirement will increase EU demand for oilseeds, thereby leading to an increase in EU imports, as its production capacity is limited.

As part of the CAP reform in 2003, special aid for energy crops was introduced. In addition, in 2007 a bonus of €45 per

hectare was introduced. This bonus was however stopped on 1 January 2010.

The report 'Prospects for agricultural markets and income in the EU 2010-2020, published in December 2010 by the European Commission, indicates that demand for oil crops will be strong to meet the needs of the bio-diesel industry. However, the EU notes that by 2020 the current situation will be reversed, with the share of ethanol reaching 9.2% of the EU's gasoline consumption while bio-diesel will reach 8.2% of the EU's diesel consumption. In addition, the debate on bio-diesel's climate change benefits has intensified this year. Several reports published in July 2011, and others in preparation, indicate that Asian palm oil, South American soybean and European

rapeseed have a more important environmental impact than traditional diesel. However, several billion euros have been invested in the European bio-diesel sector.

In September 2011, the European Commission was due to present its analysis of the carbon footprint of biofuels and was due to issue policy guidelines for the promotion of biofuels in the EU. The European Commission has already adopted a number of conditionalities and recognised seven voluntary sustainability standards (ISCC, Bonsucro EU, RTRS EU RED, RSB EU RED, 2BSvs, RSBA and Greenergy). In addition, in 2007, the EU recognised the Roundtable on Sustainable Biofuels (RSB) standard, an initiative of the Energy Center of the École polytechnique fédérale de Lausanne.

Table 7: Production and exports of groundnuts/groundnut oil/groundnut oilcake ('000 tonnes)

	2011/12	2010/11	2009/10
Production of groundnut	25,025	24,743	24,581
Nigeria	1,900	1,860	1,940
Senegal	540	520	630
China	10,650	10,000	10,335
Production of groundnut oil	4,051	4,118	326
Nigeria	312	299	326
Senegal	133	141	122
Sudan	155	159	181
China	1,864	1,883	2,003
Exports of groundnut oil	217	207	221
Senegal	65	65	46
Production of groundnut oilcake	5,659	5,753	8,752
Nigeria	383	367	400
Senegal	161	170	147
Sudan	224	231	261
China	2,760	2,789	2,966
Exports of groundnut oilcake	148	152	146
Senegal	60	65	44

Source: Oil World



Table 8: Main ACP oil crop producers by country and crop (2009, in tonnes)

	Palm kernel	Groundnut	Coconut
Cameroon	1,600,000		
Côte d'Ivoire	1,300,000		213,317
RD Congo	1,100,000		
Ghana	2,103,600		316,500
Guinea	830,000		
Nigeria	8,500,000	2,969,260	
Senegal		1,032,650	
Tanzania			577,099
Papua New Guinea	173,000		930,000
Dominican Republic	188,800		
Solomon Islands	190,000		384,000
Vanuatu			309,000

Source: FAOSTAT

### 3. Implications for ACP countries

#### Sustainable production of oil crops

Western consumers are increasingly concerned about the social and environmental aspects of production and marketing of products. Several NGOs have launched campaigns criticising environmental impacts, such as

deforestation and the weakening of biodiversity, of the production of palm oil, in particular in Malaysia. This has led to several agri-food industries promoting RSPO (Roundtable on Sustainable Palm Oil) certified sustainable palm oil.

The RSPO oil market currently represents less than 10% of palm oil production. However, it is expected to continue to grow and this growth could offer opportunities for ACP countries. The strategy of the British company New Britain Palm Oil Limited (NBPOL) in Papua New Guinea illustrates the capacity to

develop sustainable palm oil exports to Europe. NBPOL has signed agreements with British soap manufacturer Stephenson and the chocolate maker Ferrero to supply them with sustainable palm oil, thereby ensuring long-term outlets for Papua New Guinea. As well as having built a refinery in Papua New Guinea, NBPOL imports crude palm oil which it refines at its plant in Liverpool and distributes the refined products on the European market.

Sustainability certification for biofuels is also developing in Europe.

Table 9: Changes in EU oil imports (excluding intra-EU trade) ('000 tonnes, October/September)

	2010/11	2009/10	2008/2009	2007/2008
Soybean oil	865	581	805	1,027
Sunflower oil	935	972	1,076	1,269
Rapeseed oil	550	435	479	344
Palm oil	5,200	5,943	5,842	5,035
Total	7,550	7,930	8,203	7,674

2010/11: Estimate  
Source: Oil World

Table 10: EU imports of palm, coconut and groundnut oil from ACP countries in 2010 (tonnes)

	Palm oil	Coconut oil	Groundnut oil
Benin		0.50	
Cameroon	56.20		
Congo	0.40		
Côte d'Ivoire	69,184.20		
Fiji		1,798.40	
Gambia			7,690.80
Ghana	3,138.80	6.30	
Guinea	194.60		
Guinea-Bissau	16.70		
Haiti	0.10		
Kenya		2.00	
Liberia	40.80		
Nigeria	32.80		
Papua New Guinea	490,224.10	38,827.50	
Solomon Islands	23,456.80	26.80	
Dominican Republic		16.70	
Samoa		19.40	
Senegal	10.40		27,826.20
Sierra Leone	60.80		
Togo	19.30		0.40
Vanuatu		6,644.40	
Total ACP countries	586,436.00	47,342.00	35,517.40
Total EU imports	5,426,256.20	799,837.00	82,977.10

Source: European Commission Export Helpdesk

## The development of biofuels

With the various biofuel targets set not only in the United States and Europe but also in developing countries, in particular in Asia and Latin America, oil crop demand is set to increase. The production of bio-diesel is likely to increase and reach 41 billion litres in 2019, with the EU being one of the main markets. The OECD and FAO estimate

that by 2020 bio-diesel production will represent 15% of global consumption of vegetable oils, compared to 10% in 2008–2010. ACP producer countries of palm oil could benefit from this additional demand, in particular from Europe, since the latter's production capacity will be insufficient and it will have to rely on imports. Nevertheless, the ACP countries will face competition from palm oil from Asian countries, which is more competitive because of high production levels.

Several bio-diesel production projects have been launched in recent years in ACP countries, often with foreign investors, using mainly jatropha, but also sugar for ethanol production. Nevertheless, the OECD and FAO note in their 2010 outlook reports that current commercial production is very low, and estimate that Mozambique and Tanzania are likely to produce 100 million litres of bio-diesel in 2019. Half of this production will be intended for export to the EU.

The growth of the biofuel market is very strongly influenced by public policies, which can change.

## Regional trade in oil crops

The African continent is a net importer of oil crops. For West Africa alone, the vegetable oil deficit is estimated at around 1.5m tonnes. A country such as Nigeria produces only around 1.5m tonnes, compared to consumption of 2.5m tonnes. In recent years, the country has imposed restrictions on imports of vegetable oils. At the beginning of 2009, the ban on imports of crude vegetable oils was

lifted. Duty free imports are authorised for ECOWAS member countries, facilitating imports from neighbouring countries such as Côte d'Ivoire. Nevertheless, a large proportion of Nigeria's vegetable oil needs are covered by unauthorised re-exports of palm oil from neighbouring countries. This practice, which developed during the import embargo, is still common.

Overall, the WAEMU and ECOWAS countries impose customs duties of 20% on imported oils plus VAT of 18%. It would therefore be in the interests of countries to develop regional trade. As Senegal exports its groundnut oil outside Africa, the only country currently

in a position to increase its trade is Côte d'Ivoire, which produces approximately 500,000 tonnes of oil for domestic consumption of around 250,000 tonnes. However, the recent palm oil dispute between Senegal and Côte d'Ivoire shows that, even in a harmonised area, conflicts of interest can occur. In addition, small-scale oil manufacturing units are developing in Senegal, as well as in Mali and Burkina, with low yields and no health checks. Industrial oil manufacturing units are therefore facing competition from these small-scale mills, as well as from 'untaxed' Asian oil imports.

Table 11: EU imports of bio-diesel ('000 tonnes, October/May)

	2010/11	2009/10	2008/09
Canada	3	125	12
United States	-	30	867
Argentina	800	661	242
Indonesia	420	152	136
Malaysia	27	71	29
Other countries	43	55	6
Total	1,293	1,094	1,292

Source: Oil World

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#### About this update

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