Price and demand surge seen in no-trans oils
No compelling counterweight seen to bullish influences on alternatives to soybean oil

(Foodbusinessnews.net, May 27, 2008)
by Jay Sjerven

Prices of edible oils with no trans fatty acids surged to record-high levels in recent months, pulled higher not only by increased demand from food processors responding to health-conscious consumers but also by the soaring soybean oil market, tight world supplies of vegetable oils confronting record demand and increased use of certain edible oils, including no-trans oils, in the production of biodiesel.

The U.S. Department of Agriculture in its May Oilseeds Outlook said, "Food use of soybean oil has declined slowly for several years, and the trend is expected to continue into 2008-09. Expanding use of other vegetable oils (canola, corn, sunflowerseed and palm) should trim the nonfuel uses of soybean oil, as they have this year."

The U.S. Census Bureau indicated soybean oil accounted for 73% of oil usage in edible products in 2006, down from 81% four years earlier. The bureau plans to issue its 2007 Fats and Oils: Consumption and Stocks summary in June, and it was expected to show a further decline in soybean oil share in edible oil usage and expanding shares for the principal no-trans oils.

The U.S.D.A. projected domestic use of canola oil in the United States in 2007-08 at a record 2,393 million lbs, up 24% from the previous record of 1,925 million lbs in 2006-07 and compared with 1,641 million lbs as the recent five-year average domestic use.

Canola oil prices, U.S. Midwest points, were about 73c a lb in mid-May having declined from the recent high of about 80.75c a lb in late February. A year ago, canola oil was trading at around 41.5c a lb and in May 2006 was about 31.75c a lb.

Like soybean oil, canola oil has found acceptance as a raw stock for biodiesel production, particularly in Europe. This makes the price of crude oil an increasingly important factor in determining the value of canola oil.

The U.S.D.A. indicated U.S. producers intend to plant fewer acres to canola this year than in 2007. Planted area was projected at 1,010,000 acres compared with 1,183,000 acres a year ago and with 1,067,000 acres as the recent five-year average.

Domestic U.S. disappearance of corn oil in 2007-08 was projected at 1,856 million lbs, down 3 million lbs from 2006-07 usage at a record 1,859 million lbs and compared with 1,695 million lbs as the recent five-year average. The mid-May price of corn oil was 90c a lb, Midwest, down from a recent high of 90.75c but compared with 33c a lb in May 2007 and 25.25c a lb two years ago.

Domestic U.S. disappearance of sunflowerseed oil in 2007-08 was projected at 595 million lbs, down 10 million lbs from the previous year, when usage spiked to a record 605 million lbs from 359 million lbs in 2005-06. The recent five-year average sunflowerseed oil usage was 371 million lbs.

At mid-May, sunflowerseed oil, f.o.b. plant, was priced 99c a lb compared with a recent high of 100c and with 53c a lb a year ago and 31.75c a lb in May 2006.

Sunflowerseed oil production in 2007-08 was projected at 659 million lbs, up from 625 million lbs in 2006-07 and 544 million lbs in 2005-06. Production in the current year was projected to be the highest since 2001-02 but was far from a record. The highest production was 1,177 million lbs in 1999-00.

U.S. producers intend to plant 1,848,000 acres of oil-type sunflower in 2008, up 5% from 1,764,000 acres in 2007 and compared with the recent five-year average of 1,810,000 acres. The 2007 production of oil-type sunflowerseed was 2,496,970,000 lbs, up 40% from 1,787,966,000 lbs in 2006 and compared with the recent five-year average of 2,211,000,000 lbs.

U.S. imports of palm oil in 2007-08 were projected at 790,000 tonnes (1,746 million lbs), up 13% from 700 million tonnes (1,543 million lbs) in 2006-07 and compared with 600,000 tonnes (1,323 million lbs) in 2005-06 and 345,000 tonnes (761 million lbs) in 2004-05. The recent increase in U.S. palm oil imports was attributed to demand for no-trans oils.

Palm oil prices in the United States have held above 60c a lb, U.S. ports, since late February and reached a high of nearly 71c a lb in early March. Prices in late May 2007 were about 40c a lb and in late May 2006 about 22c a lb. World palm oil production in 2007-08 was projected at a record 41,122,000 tonnes, up 10% from 37,337,000 tonnes in 2006-07, the previous record. If the projection is realized, production will have increased to a new record level each year for 10 consecutive years. But consumption has increased apace, with new record highs set for world usage in each year since 1998-99.

World food use of palm oil also set record levels each year during this span even while giving up some share in the total market to industrial users. Industrial usage of palm oil was projected at 8.71 million tonnes in 2007-08, or 22% of total palm oil usage in the year projected at 40.18 million tonnes. The industrial sector's market share in total palm oil usage was 17% five years earlier and 16% 10 years ago. Industrial usage of palm oil has more than doubled since 2001-02 with the increase largely attributed to increased demand from the biodiesel sector in both Europe and Asia.

This article can also be found in the digital edition of *Food Business News*, May 27, 2008, starting on Page 28.
http://www.foodbusinessnews.net/feature_stories.asp?ArticleID=93812