CBI MARKET SURVEY

THE VEGETABLE OILS AND FATS (INCLUDING OIL SEEDS) MARKET IN THE EU

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Report summary

This market survey provides exporters in developing countries of vegetable oils and fats as well as oil seeds with a wide range of facts, figures and information with respect to the European Union (EU) market. The emphasis of this survey lies on those products which are of importance to developing country suppliers. Besides, where relevant and if information is available, this study will focus on organic vegetable oils & fats and oil seeds on the EU market. The vegetable oils and fats (including oil seeds) market in individual EU countries is discussed further in separate CBI market surveys. These market surveys can be downloaded through http://www.cbi.eu/marketinfo

Consumption

Driven by higher incomes, a larger world population and a strong demand for bio fuels, EU consumption of vegetable oils and fats is expected to grow along with global consumption.

According to Fediol (the EU Oil and Protein Meal Industry), EU consumption of vegetable oils and fats (excluding olive oil) amounted to 8.1 million tonnes in 2005, representing an average annual growth of 8% since 2001. Germany is the leading EU consumer of vegetable oils and fats (excluding olive oil) with a market share of 19% of total EU consumption in 2005. Other important EU consuming countries of vegetable oils are The Netherlands (17%), Spain (11%), Italy (10%), the United Kingdom (10%), and France (10%).

Within the group of vegetable oils and fats, palm oil is the leading consumer product in the EU with a market share of 46%, followed by sunflower oil (30%), coconut oil (12%), palm kernel oil (10%) and groundnut oil (2%).

The International Olive Oil Council reports a decrease in EU consumption of olive oil between 2004 and 2006, amounting to 1.9 million tonnes in the latter year. However, an increase of consumption of 12% is expected for the year 2007. Italy is by far the leading consumer of olive oil with a total EU market share of 44%, followed by Spain (25%) and Greece (14%).

With respect to oil seed consumption, Fediol crushing data show an annual average decrease of 2% between 2001 and 2005, amounting to 4.1 million tonnes in 2005. Within the EU, Spain is the leading EU consumer of oil seeds, holding a share of 24% of total EU consumption in 2005, followed by France (22%) , Hungary (14%) and The Netherlands (12%).

Within the group of oil seeds, sunflower seed is by far the most important consumer product with a total EU market share of 98%.

According to FAO data, total EU consumption of sesame seeds amounted to 86.4 thousand tonnes in 2005, representing an annual average decrease of 14% since 2001.

Production

Fediol data reveal an EU production of vegetable oils and fats (excluding olive oil) of close to 1.8 million tonnes in 2005, representing an average annual decrease of 2% since 2001. Spain and France are the leading producers of vegetable oils and fats, both having a market share of 23% of total EU production. Almost the entire production (98%) consists of sunflower oil.

According to the International Olive Oil Council, EU production of olive oil showed an annual average decrease of 6% between 2002 and 2006, amounting to 1.9 million tonnes in the latter year. Spain and Italy are the leading EU producers, together accounting for more than 75% of total EU olive oil production.

Trade channels

A producer of vegetable oils and oil seeds can choose from a number of distribution channel options available, depending on the requirements of the downstream companies. In general,

large volumes go straight from producer to processor, while suppliers of smaller volumes may opt to use agents, brokers or importers.

The main distribution intermediaries are:
- Traders (importers, agents or brokers)
- Refining industry (where required, combination with a trader)
- Final processing/manufacturing industry

Trade: import and exports
The EU is highly dependent on imports from developing countries, for most vegetable oil and oil seeds. In 2005, total EU25 imports of vegetable oils and fats amounted to € 8.0 billion / 10.2 million, representing an average annual increase of 13% in terms of value and 8% in terms of volume since 2001.

Leading EU importers are Italy, The Netherlands, Germany, France, and the United Kingdom, together accounting for almost 75% of total EU25 imports in terms of value. Developing countries play a crucial role in the supply of vegetable oils to the EU. Direct imports account for 45% of total imports in value and 65% in volume. However, a large share of the intra-EU trade consists of oils previously imported from developing countries and then re-exported to the other EU member states. Moreover, a number of oils is produced from raw materials originally sourced in developing countries.

Between 2001 and 2005, EU25 imports of oil seeds decreased slightly by 1% annually in value, and by 4% in volume, amounting to € 0.8 million / 2.2 million in 2005. Leading EU importers are Spain, The Netherlands and Germany, together accounting for more than 60% of total oil seed value imports in 2005. Imports of oil seeds are only partly sourced directly in developing countries. Direct imports account for 36% of total imports in value and 26% in volume.

Opportunities and threats
Opportunities for exporters in developing countries of vegetable oils and fats (including oil seeds) lie in the following fields:
- Organic oils and fats.
- Specialised vegetable oils and fats for niche markets (shea butter, sweet almond oil, sesame oil).
- Main products: palm oil, coconut oil and palm kernel oil.

Remark: palm oil business is fully dominated by multinationals in Malaysia and Indonesia, as these markets are rapidly growing in EU countries.

Introduction

This CBI market survey profiles the vegetable oils & fats market in the EU. The emphasis of the survey lies on those products, which are of importance to developing country suppliers. The role of and opportunities for developing countries are highlighted.

This market survey discusses the following product groups:
- Vegetable oils and fats
- Oil seeds

For detailed information on the selected product groups, please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product(group)s or documents on market access requirements, can be downloaded from the CBI website. For information on how to make full use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from http://www.cbi.eu/marketinfo Go to 'Search CBI database' and select your market sector and the EU.

1 Consumption

In this chapter, as well as in the next chapter, data from Fediol (the EU Oil and Protein Meal Industry) are used to describe the consumption of the following products:

- For vegetable oils: groundnut oil, sunflower oil, coconut oil, palm kernel oil, and palm oil
- For oil seeds: sunflower seeds, copra, and palm kernel

As can be seen, Fediol data are not comprehensive and do not cover all the products under the scope of this survey (see Appendix A for an overview of the product covered in this survey). Therefore, in addition, data from the International Olive Oil Council as well as from FAOSTAT are used to discuss the demand for olive oil and sesame seed respectively. For the other products (cocoa butter, sesame oil and safflower seed and its oil) unfortunately no data indicating EU demand are available.

1.1 Market size

Vegetable oils and fats
Due to higher incomes, a larger world population and a strong demand for bio fuels, EU consumption of vegetable oils and fats is expected to grow along with global consumption. Particularly growing markets are China and India because of the strong economic developments and large populations characterising these countries.

According to Fediol, the EU consumption of vegetable oils and fats showed a continued growth between 2001 and 2005, with an average annual rate of 8%. In 2005, total consumption amounted to almost 8.1 million tonnes.

Within the EU, Germany is the leading EU consumer of vegetable oils and fats, accounting for a market share of 19% of total EU consumption in 2005, which is equivalent to 1.5 million tonnes. Other important EU consuming countries of vegetable oils are The Netherlands (17%), Spain (11%), Italy (10%), the United Kingdom (10%), and France (10%). Of these countries, The Netherlands and Italy showed the largest average annual growth rates during the survey period with 13% respectively 8%. Furthermore, Sweden showed a very strong increase in consumption of vegetable oils and fats, with an annual average growth rate of 67%.

The relatively high position of The Netherlands can be explained by the method used by Fediol to calculate consumption. More specifically, Fediol's definition of domestic supply is based on the net result of domestic production, plus imports minus exports plus changes in the stocks. Consequently, the high ranking of The Netherlands is a direct outcome of its leading trading position.

Within the group of vegetable oils and fats (excluding olive oil), *palm oil* is the leading consumer product in the EU with a market share of 46%. Between 2001 and 2005, consumption of palm oil showed the strongest increase within the group of vegetable oils and fats with an annual average growth rate of 11%, amounting to 4.1 million tonnes in 2005. Other important markets for palm oil in the world are China and Indonesia, which have markets comparable to that of the EU.

A second important consumer product within this group is *sunflower oil* with a total EU market share of 30%. Compared to other markets in the world, the EU market for sunflower oil is by far the largest. Only the Russian market for sunflower oil comes somewhat close to the size of the EU sunflower oil market.

Other vegetable oils and fats consumed in the EU are *coconut oil* (12%), *palm kernel oil* (10%) and *groundnut oil* (2%). With respect to other global world markets, the EU market for groundnut is comparable in size to the US market. India and China are significant larger

markets for groundnut oil. The EU market for coconut oil is almost twice as large as that of the US, the Philippines and India, which all three have comparable consumption size. Finally, the EU market for palm kernel is substantial compared to global markets. Only Malaysia, with a market size of almost twice as big as in the EU, has a higher consumption of palm kernel oil.

According to the International Olive Oil Council, EU consumption of *olive oil* showed a decrease between 2004 and 2006, amounting to 1.9 million tonnes in the latter year. However, an increase of consumption of 12% is expected for the year 2007. This is in line with the expected growth in production of olive oil in the EU. The EU Mediterranean countries like Italy, Spain and Greece are the largest consumers of olive oil. Italy is by far the leading consumer of olive oil with a total EU market share of 44%, followed by Spain (25%) and Greece (14%). However, both Spain and Greece show a decrease in consumption between 2001 and 2005, at an annual average rate of -7% respectively -1%. In the review period, the United Kingdom shows a quite strong increase in olive oil consumption between 2001 and 2005 with an annual average growth rate of 19%.

Table 1.1 EU consumption of vegetable oils and fats and olive oil 2001-2005, in 1,000 tonnes

	Vegetable oils and fats (excl. olive oil)				Olive oil			
	2001	2003	2005	Average % change	2002	2004	2006	Average % change
Total EU	**5,952**	**6,478**	**8,077**	**8%**	**-**	**1,997**	**1,885**	**-**
Germany	1,320	1,366	1,508	3%	39	39	40	1%
The Netherlands	848	869	1,391	13%	9	11	13	9%
Spain	677	711	880	7%	631	614	471	-7%
Italy	600	645	824	8%	735	785	837	3%
United Kingdom	840	954	817	-1%	26	72	50	19%
France	783	875	816	1%	95	94	100	1%
Belgium	366	507	591	13%	13	11	12	-1%
Denmark	146	153	216	10%	3	3	2	-8%
Poland	0	0	165	-	3	0	3	-1%
Portugal	154	134	160	1%	62	67	70	3%
Greece	109	130	147	8%	270	270	258	-1%
Hungary	-	-	144	-	-	1.2	1.2	-
Czech Republic	-	0	89	-	-	2.7	2.8	-
Austria	55	51	81	10%	3.9	3.9	6.0	11%
Sweden	8	17	62	67%	5.3	3.8	3.6	-9%
Lithuania	-	-	54	-	-	0.2	0.2	-
Ireland	32	48	46	9%	2.2	2.3	2.2	0%
Slovakia	0	0	35	-	-	0.3	0.8	28%
Finland	14	18	19	8%	0.9	1.3	1.2	7%
Slovenia	0	0	16	-	-	2.0	1.5	-7%
Cyprus	0	0	9	-	-	6.8	8.0	4%
Latvia	-	-	2	-	-	0.6	0.5	-4%
Estonia	-	-	1	-	-	0.1	0.1	-
Malta	-	-	1	-	-	0.5	0.5	-

Source: Fediol (2006) and International olive oil council (2006)

With respect to cocoa butter, which is among the selected vegetable oils and fats, consumption data are much more difficult to assess. In 2003, the latest year for which FAO apparent demand data is available, world consumption of cocoa butter was over 700 thousand tonnes and was growing 2% a year. Europe was the largest consuming region, accounting for 60% of world consumption.

Oil seeds

Oil seeds are supplied to the food industry as an ingredient in food products (primarily in the bakery sector) or for further processing to oil. As the trade in these products is business-to-business trade, there are no direct consumption figures available for these products. The crushing data are used to provide an indication of oil seed consumption and developments therein.

According to Fediol, the crushing of EU oil seeds was erratic between 2001 and 2005 with an annual average decrease of 2% amounting to 4.1 million tonnes in 2005.

Spain is the leading EU consumer of oil seeds, holding a share of 24% of total EU consumption in 2005, which is equivalent to 974 thousand tonnes. Other important EU consuming countries of oil seeds are France (22%) , Hungary (14%) and The Netherlands (12%). Most countries in the EU showed an annual average decrease in consumption of oil seeds between 2001 and 2005. Germany showed a particularly strong average annual decrease of 24% amounting to 119 thousand tonnes in 2005.

Within the group of oil seeds, *sunflower seed* is by far the most important consumer product with a total EU market share of 98% amounting to 4.0 million tonnes in 2005. Between 2001 and 2005 EU consumption of oil seeds slowly decreased at an annual average rate of 2%. Compared to other markets in the world, the EU market for sunflower seed is relatively large. Only the Russian market is larger. Other important markets like the US, India and China are about three times smaller than that of the EU.

There is also some small-scale crushing of *copra* in the EU, amounting to 44 thousand tonnes in 2005. According to Fediol, no crushing of palm kernel takes place within the EU.

According to FAO data, total EU consumption of *sesame seeds* amounted to 86.4 thousand tonnes. Between 2001 and 2005, EU consumption of sesame seeds showed an annual average decrease of 14%. Greece is the main EU consumer of sesame seeds, holding a share of 24% of total EU consumption in 2005. Other important EU consuming countries of sesame seeds are Germany (17%), the United Kingdom (12%) and France (10%). All countries showed an annual average decrease of sesame seeds consumption between 2001 and 2005. France showed a particularly sharp decrease in sesame seeds consumption with an annual average decrease of 22%.

Table 1.2 EU crushing of oil seeds 2001-2005, in 1,000 tonnes

	2001	2003	2005	Average % change
Total EU	**4,444**	**3,637**	**4,097**	**-2%**
Spain	1,024	956	974	-1%
France	1,349	1,155	914	-9%
Hungary	-	-	590	-
The Netherlands	644	488	491	-7%
Italy	517	337	400	-6%
Portugal	239	227	290	5%
Germany	349	246	119	-24%
Austria	103	125	87	-4%
Slovakia	0	0	84	-
Greece	100	61	65	-10%
Czech Republic	0	0	61	-
Poland	-	-	18	-
Lithuania	-	-	2	-

	2001	2003	2005	Average % change
Estonia	-	-	1	-
Latvia	-	-	1	-
Belgium	83	32	0	-100%
Denmark	24	6	0	-100%
United Kingdom	12	4	0	-100%

Source: Fediol (2006) and International olive oil council (2006)

1.2 Market segmentation

Vegetable oils and fats

Approximately 80% of vegetable oils and fats produced worldwide is used for human foodstuffs. Around 14% is available for oleo chemicals. The remaining 6% is used for non-food products (Interactive European Network for Industrial Crops and their Applications (IENICA), 2005).

The vegetable oils discussed in this survey are mainly used in the food-processing and industrial sector in the EU. 'Industrial' often refers to the cosmetic industry. The table below gives an overview of the principal applications of the different oils. The food industry covers the majority of both markets.

The two major end-users of the food industry are the ready-meals industry and other food industries, such as canned or bottled food, pet food, confectionery, bakery and baby food industries. The following table gives a short description of the application of selected vegetable oils in the food industry and the main markets within the EU for the respective vegetable oil:

Table 1.3 Industrial use and application of vegetable oils

Product	Industry use	Application food industry	Main EU markets
Groundnut oil	Mainly used in the food sector	Deep frying, pan frying, margarine, shortenings, salad oil, salad dressing	France, Italy, The Netherlands
Olive oil	Majority used in the food sector	Salad oil, cooking, dietetic food, health food	Mediterranean countries like Spain, Italy, Greece, France and Portugal
Palm oil	For 60% used in the food sector, for 25% industrial use	Margarine, ice-cream, confectionery, filled milk, salad oil, cooking, frying	The Netherlands, Germany, United Kingdom
Palm kernel oil	For 75% used in the food sector, for 15% industrial use	Confectionery, bakery, imitation dairy products	Germany, The Netherlands, United Kingdom
Sunflower oil	Mainly used in the food industry	Margarine, salad oil, cooking, dietetic food, health food	Spain, Italy, France, Germany, The Netherlands
Coconut oil	60% used in the food sector, 30% industrial use	Cooking, margarine, shortenings confectionery, bakery, filled milk, coatings	Germany, The Netherlands
Sesame oil	Mainly used in the food industry	Cooking, salad oil, confectionery	United Kingdom, Germany
Cocoa butter	Mainly used in the food industry	Chocolate industry, confectionery, bakery, dairy products, coatings	The Netherlands, Germany, United Kingdom

Source: ProFounds' references and calculations from USDA FAS data

Moreover, vegetable oils can be classified as *standardised* and *genuine & authentic* vegetable oils. Most manufacturing companies prefer to use refined vegetable oils in their products, not unrefined oils. This is related to concerns over the risk of susceptible consumers developing an allergic reaction to the oil. Some vegetable oils, notably groundnut oil, are known to trigger allergic reactions in those persons who are susceptible. The additional benefit of refining is that the end-product is standardised to certain analytical parameters, whereas unrefined oils naturally vary in their composition. Nevertheless, there is a small market for genuine oil, such as the market for natural or organically certified cosmetics, which is increasingly being explored.

The market for vegetable oil products can also be segmented according to whether the products are grown by *organic* farming/production (basically: growing without the use of artificial fertilisers, herbicides, pesticides) or by *conventional* farming. The market share of organic products, and thus also of vegetable oils as ingredients, is steadily increasing. Please note that organic vegetable oils can be refined, but the refining has to be documented and the additives and processes have to be organically certified.

Oil seeds

The market can be divided into segments, according to the type of destination and consumer of the oil seeds:

- processing industry / crushers
- animal feed industry
- human consumption, either as such or in cooking
- oil seeds used for agricultural (sowing)

The major part of the oil seeds is processed for oil, and the meal produced is utilised in animal feed compounds. Palm nut kernels and sesame seeds are also used in food snacks and confectionery.

Just like the market for vegetable oils and fat, the market for oil seeds can also be segmented according to whether the seeds are grown *organically* or *conventionally*. In fact, when a vegetable oil is claimed to be organic, all its raw materials (e.g. oil seeds) are of course organically grown.

1.3 Trends

- Consumers in developed countries are increasingly concerned about the quality of their oil intake. Consequently, animal fats are exchanged for vegetable oils. Furthermore, consumer concerns for genetically modified products causes a shift towards GMO-free (genetically modified organisms) products like rapeseed and palm oil. On the other hand, sustainability aspects related to palm oil production could have a negative effect on palm oil consumption.
- Driven by concerns for the environment, the dependence of most developed countries on petroleum imports in combination with the high petroleum prices, the demand for vegetable oils for the bio fuel industry has increased and is expected to increase even stronger. This trend is especially visible in the EU, where high taxes, greater use of diesel fuels, and government incentives, force initiatives in the field of renewable fuels. This is expected to boost European demand for soybean oil, as well as palm and rapeseed oil, with a corresponding impact on oilseed and vegetable oil trade for 2005/06 and beyond (USDA FAS, 2006). Please note that this trend concerns mainstream vegetable oils and is less interesting for the vegetable oils discussed in this report.
- Another trend resulting from the demand for bio-fuel is that an ever-growing area of agricultural land is designated for products intended for the bio fuel industry. Since less room is left for the cultivation of other sorts of products, this puts great pressure on the agricultural areas for human consumption. People all around the world are increasingly

concerned that this development could endanger food availability, particularly in developing countries. Moreover, while production of vegetable oils and oil seeds was driven by small and medium-sized producers, it is now increasingly dominated by large-scale (multinational) producing companies.
- Palm oil will increasingly replace other oils for food purposes, mainly due to the lower price compared to other vegetable oils such as rapeseed and sunflower oil. Moreover, palm oil is furthermore preferred, because it does not have to be hydrogenated, thus avoiding the production of trans-fatty acids.

1.4 Opportunities and threats

- Because of the growing demand from consumers in developed countries for healthy and 'green' foods, the demand for organic oils and fats is expected to grow. Growers, crushers and exporters in developing countries can distinguish themselves from the mainstream products by offering organic oils and fats to EU importers; they can have their fields and crushing facilities certified by EU certifying organisations.
- According to industry sources, the demand for bio-fuels is expected to have a spillover effect with regard to the demand for organic vegetable oils and fats and oil seeds. The demand for organic vegetable oils for the food industry is expected to grow as a spin off effect of the demand for organic vegetable oils for the bio diesel industry. Since the demand for bio fuel is partly driven by consumer concerns for the environment, attention is also drawn to organically produced vegetable oils; hence, market experts expect that consumers will increasingly demand organic vegetable oils and oil seeds for food consumption.
- The market for commodities like soy oil, palm oil, cocoa fat and sunflower oil is very competitive and large scale. Therefore, specialised vegetable oils and fats are a more interesting niche market for producers in developing countries. Small-scale products like macadamia nut oil, brazil nut oil serve various specialised market segments. They command higher prices, as competition is less intense compared to the mainstream products.
- Industry sources also confirm that most interesting opportunities for developing country suppliers can be found in niche markets, especially since the bulk for vegetable oils and fats for the bio diesel sector is supplied by countries like Brazil, Argentina, Malaysia and Indonesia, which are often considered as more developed countries.
- Although the EU olive oil market is able to fulfil its own demand, there might be opportunities in the future for developing country olive oil producers. CAP reform of the EU olive sector (http://ec.europa.eu/agriculture/capreform/com554/index_en.htm) is expected to lead to long term reductions, as less competitive producers leave the industry. The sector is also expected to restructure and focus efforts on production of high-quality bottled products.
- Niche markets for high-quality sesame seed and sesame oils are growing rapidly in EU countries. The trend for American and Japanese multinationals and for large international food and commodity groups, such as Unilever, Cargill or ADM, to invest or develop partnerships with overseas producers/exporters can support the development of exports of oil seed products from developing countries.

1.5 Useful sources

- The EU Oil and Protein-meal Industry (Fediol): http://www.fediol.be/
- The International Olive Oil Council (IOOC): http://www.internationaloliveoil.org/
- Interactive European Network for Industrial Crops and their Applications (IENICA): http://www.ienica.net/
- FAO's statistical database FAOSTAT: http://faostat.fao.org
- Oil World: http://www.oilworld.biz
- FAS Online - United States Department of Agriculture: http://www.fas.usda.gov/oilseeds/circular/2006/06-03/toc.htm

2 Production

For background information on the sources used in this chapter, please refer to the first paragraph of the previous chapter.

2.1 Size of production

Vegetable oils and fats
Approximately 150 production units for seed crushing and oil processing operate across the European Union. Some units are located in major seaports and concentrate on one type of seed; others carry out processing activities based on the crushing of several types of seeds (soybean, rapeseed and/or sunflower), some of which are imported and some produced locally. Other units depend almost exclusively on raw materials produced locally.

According to Fediol (2006), EU production of vegetable oils and fats (excluding olive oil) was erratic between 2001 and 2005 at an annual average rate of -2% amounting to 1.8 million tonnes in the latter year.

Spain and France are the leading EU producers of vegetable oils and fats, both having a market share of 23% of total EU production. Other important EU producing countries of vegetable oils are Hungary (14%), The Netherlands (12%) and Italy (9%). All these countries showed an annual average decrease of production between 2001 and 2005.

Within the group of vegetable oils and fats, the production of *sunflower oil* accounts for 98% of total EU production. Between 2001 and 2005, production of sunflower oil showed a slight decreased annual average rate of 2%, amounting to 1.8 million tonnes in 2005. Compared to other global producers of sunflower oil, the EU is by far the largest. Besides the EU, the Russian Federation, the Ukraine and Argentina are comparable producers of sunflower oil.

Besides sunflower oil, *coconut oil* is produced on a small scale in the EU, representing 2% of total EU vegetable oil production.

According to the International Olive Oil Council, EU production of *olive oil* showed an annual average decrease of 6% between 2002 and 2006, amounting to 1.9 million tonnes in the latter year. A decrease in production of olive oil was partly due to a severe drought in Spain and Portugal in 2005 and the natural fluctuations of the olive harvest. However, an increase in production of olive oil of 10% is expected for the year 2007. Only 7 EU countries produce olive oil, of which Spain (42%), Italy (34%), Greece (22%), Portugal (1.5%), Cyprus (0.4%), France (0.2%) and Slovenia (0.02%).

Table 2.1 EU production of vegetable oils and fats and olive oil 2001-2005, in 1,000 tonnes

	Vegetable oils and fats (excl. olive oil)				Olive oil			
	2001	2003	2005	Average % change	2002	2004	2006	Average % change
Total EU	**1,915**	**1,565**	**1,760**	**-2%**	**2,463**	**2,448**	**1,946**	**-6%**
Spain	430	411	410	-1%	1,411	1,412	824.6	-13%
France	590	505	405	-9%	3.6	4.6	4.4	0%
Hungary	0	0	251	-	-	-	-	-
The Netherlands	286	218	216	-7%	-	-	-	-
Italy	210	137	164	-6%	656.7	685.0	655.7	0%
Portugal	105	90	115	2%	33.7	31.2	29.0	-4%

	Vegetable oils and fats (excl. olive oil)				Olive oil			
	2001	2003	2005	Average % change	2002	2004	2006	Average % change
Germany	160	109	60	-22%	-	-	-	-
Austria	46	56	45	-1%	-	-	-	-
Slovakia	-	-	35	-	-	-	-	-
Czech Republic	-	-	25	-	-	-	-	-
Greece	38	24	25	-10%	358.3	308.0	424.0	22%
Poland	-	-	8	-	-	-	-	-
Lithuania	-	-	1	-	-	-	-	-
Belgium	33	12	-	-100%	-	-	-	-
Denmark	11	2	-	-100%	-	-	-	-
United Kingdom	-	-	-	-100%	-	-	-	-
Cyprus	-	-	-	-	-	7.0	8.0	-
Slovenia	-	-	-	-		0.2	0.4	-
								-

Source: Fediol (2006) and International olive oil council (2006)

Oil seeds

Because of climatic conditions, production of oil seeds covered in this survey is very limited in the EU countries. According to Fediol, there only is a significant production of *sunflower seeds* within the EU. In 2005, 3.8 million tonnes of sunflower seeds were produced in the EU. Between 2001 and 2005, production of sunflower seeds showed an annual average increase of 6%. Of all 27 EU countries, only 10 countries produce sunflower seeds. The leading producer of sunflower seeds in the EU is France with a market share of 40%. Other important sunflower seeds producing countries are Hungary (31%) and Spain (10%). However, Spain shows a quite a sharp decrease in production between 2001 and 2005 at an annual average rate of 20%.

Compared to other producers in the world, the EU is a large producer of sunflower seeds. Comparable producers are Ukraine, the Russian Federation and Argentina. India, China and the US produce about half as much sunflower seed as the EU.

Besides sunflower seeds, FAO statistics show that a small production of *sesame seeds* takes place in the EU. Of all 27 EU countries, Greece and Italy are the only countries producing sesame seeds. In 2005, Italy and Greece produced 1.3 thousand respectively 50 tonnes of sesame seeds.

Table 2.2 EU production of sunflower seeds 2001-2005, in 1,000 tonnes

	2001	2003	2005	Average % change
Total EU	**3,035**	**2,552**	**3,786**	**6%**
France	1581	1506	1502	-1%
Hungary	-	-	1189	-
Spain	896	656	361	-20%
Italy	360	175	250	-9%
Slovakia	-	-	205	-
Austria	51	54	80	12%
Czech Republic	-	-	75	-
Germany	57	73	66	4%
Portugal	64	62	32	-16%
Greece	26	26	26	0%

Source: FAOstat (2006)

2.2 Trends

- The EU is taking the lead in investments in capacity in the bio diesel industry. The EU controls approximately 80% of current bio diesel manufacturing capacity and will control 70% of the future expected capacity in 2010.
- A general trend in the Northern EU is that soybean-crushing plants are being converted into multi-seed crushing plants, capable of crushing rapeseed. In Germany and The Netherlands, most of this conversion has already taken place.
- The construction and expansion of refineries is continuing, partly explaining the increased imports of (unrefined) vegetable oil.

2.3 Opportunities and threats

- A number of vegetable oils and fats, like palm oil and palm kernel oil, are almost entirely produced in developing countries. Demand for these oils is increasing, which offers more opportunities for developing country producers of these oils.
- Tracing and tracking of oils and fats for application in food products is increasingly required by food processors in the EU. Suppliers in developing countries, who have a system of tracing and tracking supported by documentation, have a competitive advantage in trading with EU importers.
- Suppliers who have HACCP and ISO certification in the future will have a major competitive advantage, as these certifications provide guarantees on quality assurance and food safety.
- Due to climatic conditions, many oil seeds and other raw material for vegetable oils and fats cannot be grown in the EU, and have to be imported from elsewhere (predominantly from developing countries).
- The market for the mainstream vegetable oils is very competitive and large scale. Small and medium-sized exporters in developing countries will find more opportunities for exporting speciality vegetable oils such as macadamia nut oil, Brazil nut oil and cocoa butter, fat and oil.

2.4 Useful sources

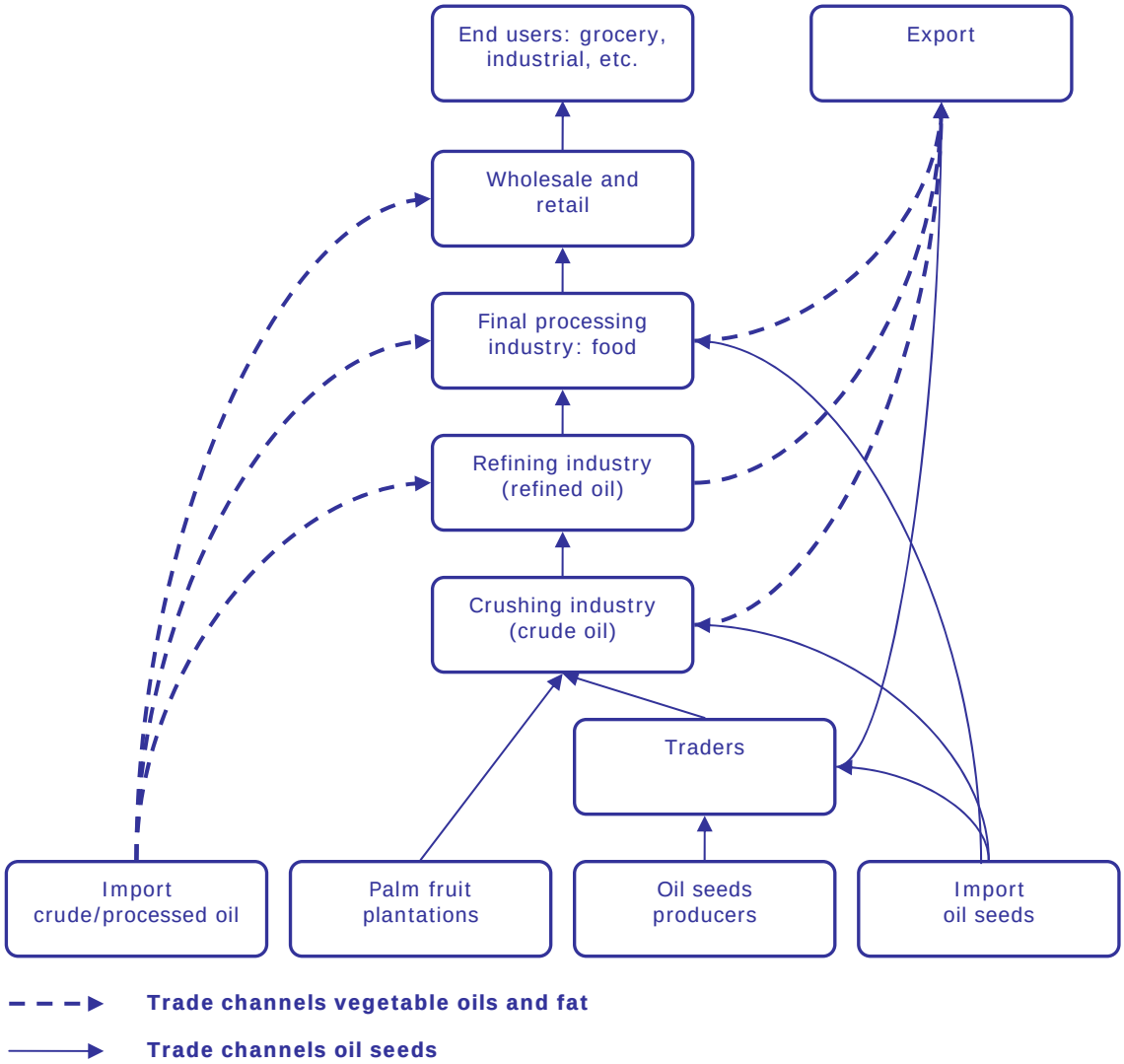
- The EU Oil and Protein-meal Industry (Fediol): http://www.fediol.be/
- The International Olive Oil Council (IOOC): http://www.internationaloliveoil.org/
- Interactive European Network for Industrial Crops and their Applications (IENICA): http://www.ienica.net/

3 Trade channels for market entry

3.1 Trade channels

Figure 3.1 gives an overview of the distribution channels for vegetable oils and fats and oil seeds. Please refer to the CBI market surveys covering the vegetable oils and fats (including oil seeds) market in the individual EU member countries for names of major players.

Figure 3.1 European distribution channels for vegetable oils and oilseeds



Vegetable oils and their raw materials can be traded directly from the source to the European processing industry or through one or more traders (agents, exporters, importers etc.).

Rotterdam (The Netherlands) is the main trading centre for the EU vegetable oils and fats trade. From here it is distributed by vessel, inland barge or truck to storage facilities and customers. Rotterdam is strategically located to serve continental EU countries with perfect port and infrastructural capacities, a multi-language business community and a well-established trading community. London is the second EU port for the import of vegetable oils and fats.

Oil seeds used for vegetable oil production are traded in bulk. This trade is largely dominated by multinational corporations, which in certain cases control the whole trade from producer to the end user. This is particularly the case for oil seeds like soy beans. However, since this survey focuses on oil seeds which are interesting for medium to small-scaled developing country exporters, soy beans fall outside the scope of the survey.

Distribution intermediaries

A producer of vegetable oils and oil seeds can choose from a number of distribution channel options available, depending on the requirements of the downstream companies. In general, large volumes go straight from producer to processor, while suppliers of smaller volumes may opt to use agents, brokers or importers.

For some downstream companies, information about the origin of the materials is not as important as ensuring that the goods meet the agreed specifications and price parameters, and are delivered on time. In such cases, there can often be a larger number of intermediaries in the supply chain and the goods could change hands many times. It is, for example, difficult to trace the origin of most of the palm oil supplied today to the industry, because traceability is lost early on in the supply chain.

On the other hand, a growing number of manufacturing and retail companies require traceability of the goods back to the producer of the raw material. These supply chains tend to be shorter, because it is then easier to manage the administrative tasks of tracking and traceability. Referring back to the example of palm oil, there is now a growing interest among many retail companies to be able to trace the origins of the palm oil; this development is related to the concerns over loss of tropical rainforest. However, traceability is also becoming increasingly important for vegetable oils which are traded in far smaller volumes than palm oil.

Looking at the distribution channels available to the exporter, the first point to make is that it is unlikely that manufacturing companies or retail companies themselves will be acting as buyers of unrefined vegetable oils from the country of origin. At the same time, it is possible that those final processing/manufacturing or retail companies might approach traders or even producers, particularly if the vegetable oil is new to the industry. However, the business transaction would rarely take place with those companies, because trading with unrefined vegetable oils is not one of their competencies. Moreover, big companies such as ADM Europe BV or Cargill will only trade directly with vegetable oil traders if large quantities are guaranteed.

Traders

Importers are specialised traders who import vegetable oils / fats and oil seeds for their own account. They sell the goods to domestic buyers (i.e. wholesalers and processing industry) or re-export the products to other countries. Another possibility is that the goods enter the country only as transit trade.

Agents and *brokers* are independent intermediaries in the buying and selling of orders. An agent operates on behalf of a particular buyer or seller, whereas a broker is not tied to an individual buyer / seller. Their fee consists of a commission on the price. They do not take title to the products, nor do the products physically pass through their hands. Brokers are well-informed sources in respect to market trends, price levels and availability.

Traders are the most suitable distribution channels for developing country exporters. This is particularly true in the case that small volumes or specialised products are involved. On the other hand, due to increasing concentration and consolidation, large processors in the EU also have direct contracts with suppliers in developing countries, thereby reducing the role of middlemen like brokers and traders.

Moreover, according to industry sources, the most common way for companies to get in contact with interesting suppliers is through brokers. Brokers have information with regard to

price, quantity and supply time, which are the most important factors with regard to trade in vegetable oils and fats.

Refining industry
Refiners produce vegetable oils as ingredients for making a wide variety of end products in the grocery, compound feed and industrial sectors. The exporter's first interesting point of contact could be a vegetable oil trader or a company which not only buys the vegetable oils, but also adds value by carrying out refining of the oil.

The benefit of supplying traders or trader/refiners is that they are likely to purchase bulk quantities of oils. Moreover, due to new technology, refiners can handle a variety of oils instead of just one.

Traders or trader/refiners either sell their products directly to processing/manufacturing companies or they work with distributors or agents. The trader may also work with refining companies, which offer a contract refining operation, so that the traders could supply manufacturing companies.

Final processing / manufacturing industry
After refining, the vegetable oil is bottled for human consumption (cooking oil) or shipped in bulk to the final processing industry. The latter uses the refined oil in a variety of grocery, compound feed and technical products.

Should the exporter target processing/manufacturing companies directly, the latter's requirements are small and frequent orders. These create an administrative burden on the supplier, who needs to be properly equipped to manage such situations and, at the same time, has to keep costs down to remain competitive.

3.2 Price structure

The margins charged by the different intermediaries in the vegetable oil and oil seed trade are influenced by many different factors like:
- Type of vegetable oil / oil seed (species, quality, grade, organic or not)
- Current and expected market prices of the product
- Availability / number of sources for the particular product
- Cost of refining and losses from refining
- Trends in processes
- Exchange rate
- Etcetera

All these factors make it extremely difficult to provide information on typical margins in the trade of vegetable oils and fats and oil seeds.

Regarding organic vegetable oils / oil seeds, there is a price mark-up attached to the good, which is also paid to the exporter. As the organically certified vegetable oils and oil seeds may be traded in relatively smaller quantities, there can be an additional cost incurred by the importer.

3.3 Useful sources

Brokers and traders are useful information sources for developing country exporters. They have intimate knowledge of the animal and vegetable oils and fats (including the oil seeds) markets in the EU. Based on market requirements, they source their products worldwide. Moreover, many EU importers have an Internet site, where interested parties can find more information on the field in which these importers are active.

Please refer to the CBI market surveys covering the vegetable oils and oil seeds market in individual EU member countries for more country-specific information on trade structure, especially for lists of companies active in the vegetable oil and oil seeds industries. Interesting business-to-business sources are the following;

- Agronetwork.com - http://www.agronetwork.com/global
- Organic Trade Services - http://www.organicts.com (also offering organic industry news)
- The site http://www.ingridnet.com is a marketing instrument for companies supplying ingredients to, among others, food industries. The database includes contact details of 15,000 ingredient suppliers.

Moreover, a trade fair is a good way to make contact with companies from all over the world, which could be interested in new suppliers. Please refer to Chapter 4 of the EU Export Marketing Guidelines for Vegetable Oils and Fats (including Oil Seeds) for more information on trade fairs.

A selection of vegetable oils trade associations, which can provide you with more information, is the following:

- The Federation of Oils, Seeds and Fats Associations (FOSFA): http://www.fosfa.org/
- The EU Oil and Protein-meal Industry (Fediol): http://www.fediol.be/
- National Institute of Oilseed Products: http://www.oilseed.org/
- Netherlands Oils, Fats and Oilseeds Trade Association: http://www.nofota.nl/
- Club Oils & Fats: http://www.oilsfats.nl/
- International Association of Seed Crushers (IASC): http://www.iasc-oils.org/
- Seed Crushers and Oil Processors Association (SCOPA) UK: http://www.scopa.org.uk/index.html

4 Trade: imports and exports

In this chapter, Eurostat data are used to indicate the trade flows for the EU25 and its individual member states. Please refer to Appendix A for the product selection and the corresponding CN codes. For the two newest EU member countries, Bulgaria and Romania, Comtrade data are used to indicate imports and exports. Please note however, that data for Bulgaria and Romania may be overstated, since Comtrade provides data only up to six-digit codes, whereas Eurostat gives data up to eight-digit codes. This implies that the data for Bulgaria and Romania contain more aggregated subgroups than the data for the EU25.

4.1 Total EU imports

Vegetable oils and fats
Between 2001 and 2005, EU25 imports of vegetable oils increased by 13% annually in terms of value, and by 8% in terms of volume, amounting to € 8.0 billion / 10.2 million in 2005. Taking the review period as a whole, all major EU importers showed increased imports in terms of value. Particularly Estonia, Spain, Poland, Slovakia, The Netherlands and Czech Republic showed substantial increases in imports. Import growth in terms of volume was a lot lower. The construction and expansion of refineries in The Netherlands, Germany and Poland is one of the underlying causes for the growth in EU imports of (unrefined) vegetable oils.

During the review period, imports by the two newest EU countries, Bulgaria and Romania, showed quite strong average annual growth rates in terms of value of 12% and 23% respectively.

Developing countries have a large share in EU imports of vegetable oils. Direct imports account for 45% of total imports in value and 65% in volume. However, a large share of the intra-EU trade consists of oils previously imported from developing countries and then re-exported to the other EU member states. Moreover, a number of oils are produced from raw materials originally sourced in developing countries.

Indonesia and Malaysia – and increasingly Tunisia – are the leading suppliers of vegetable oils and fats to the EU. Most developing countries showed increased exports of vegetable oils and fats between 2001 and 2005 in terms of value. Particularly Argentina showed a quite strong increase in export.

Table 4.1 EU Imports of vegetable oils & fats 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25,	**4,984**	**7,472**	**6,495**	**8,592**	**8,034**	**10,157**	**13%**
of which from							
Intra-EU	2,886	2,679	3,619	3,136	4,316	3,361	11%
Extra-EU	2,098	4,794	2,876	5,456	3,717	6,796	15%
Developing countries	2,005	4,645	2,788	5,331	3,610	6,612	16%
Bulgaria and Romania	31	48	58	94	63	86	19%
Of which from DC	14	26	37	71	36	62	28%

Source: Eurostat (2006), COMTRADE (2007)
DC: developing countries

Oil seeds

Between 2001 and 2005, EU25 imports of oil seeds decreased slightly by 1% annually in value, and by 4% in volume, amounting to € 0.8 million / 2.2 million in 2005. Taking the review period as a whole, some EU countries like Slovakia, Czech Republic, United Kingdom and Spain showed increased imports in terms of value. Other countries like Portugal, Ireland and Denmark showed decreased imports in terms of value. Imports in terms of value into the newest EU member countries, Bulgaria and Romania, increased in the review period by an annual growth rate of 42% and 15% respectively.

Imports of oil seeds are only partly sourced directly in developing countries. Direct imports account for 36% of total imports in value and 26% in volume. China and India are the leading suppliers of oil seeds to the EU. In the group of developing countries, China and Ethiopia showed strong increases in exports of oil seeds. Some countries, like Ukraine and Sudan, showed relatively sharp decreases in exports of oil seeds.

Several developing countries, primarily those on the African continent, benefit from the climatic, agricultural and logistical conditions necessary for the development of the oil seed sector. This is the case, for example, for sesame seed in Ethiopia, Eritrea, Tanzania, Uganda and Burkina Faso; for cottonseed in Sudan, Ethiopia, Mali, Guinea or Burkina Faso; for edible groundnuts in Gambia, Central African Republic and Mali; and for shea nuts in Burkina Faso and Mali. However, for strategic reasons or because of existing constraints, some of the developing countries quoted here may not be the leading exporters of the crops mentioned. Other advantages existing at the moment in selected developing countries include the low land costs, the low pest pressure and the availability of relatively low-cost labour resources, because oil crop cultivation and harvesting are labour-intensive.

Table 4.2 EU Imports of oil seeds 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25,	**782**	**2,538**	**765**	**2,378**	**760**	**2,187**	**-1%**
of which from:							
Intra-EU	188	651	147	439	350	1,233	17%
Extra-EU	595	1,888	618	1,939	410	954	-9%
Developing countries	302	945	294	841	271	561	-3%
Bulgaria and Romania	11	25	15	32	32	60	31%
Of which from DC	5	20	6	24	13	41	23%

Source: Eurostat (2006), COMTRADE (2007)
DC: developing countries

4.2 EU imports per product group

Vegetable oils and fats

Within the group of vegetable oils and fats, *olive oil* is the leading import product in the EU with a market share of 32% of total vegetable oils and fats imports in 2005. Between 2001 and 2005, imports of olive oil in the EU increased by an annual average growth rate of 13%, amounting to € 2.5 billion in the latter year. Olive oil imports in terms of volume increased by an average annual rate of only 2% between 2001 and 2005, amounting to 874 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 23% with a particularly strong increase of imports from Syria and Morocco.

The growth in the import of olive oil originates in increasing imports by Italy, France and Spain. In 2005, these olive producing countries suffered from severe drought and had to hen

climate allows, import olive oil to meet local, as well as export, demand. On the other hand and we, these Mediterranean EU member states, notably Spain, Greece and Italy, are particularly strong in the supply of olive oil.

Table 4.3 EU imports and leading suppliers of olive oil 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	1,575	1,911	2,537		
Intra EU	1,353	1,703	2,029	Spain (45%), Italy (18%), Greece (13%), France (1%)	80%
Extra EU ex. DC*	1.7	3.9	3.0	-	0%
DC*	221	204	505	Tunisia (10%), Turkey (5%), Syria (3%), Morocco (2%)	20%

Source: Eurostat (2006)
*Developing countries

Another relatively big import product within the group of vegetable oils and fats, with a total EU market share of 24%, is *palm oil*. Between 2001 and 2005, imports of palm oil in the EU increased by an annual average growth rate of 11%, amounting to € 2.0 billion in the latter year. Total volume imports of palm oil increased by an average annual rate of 9% between 2001 and 2005, amounting to 5.1 million tonnes in 2005.

In the same period, imports in terms of value from developing countries increased by an annual average rate of 12%. Syria as well as Tunisian supplies of olive oil increased substantially during the survey period. Note that even though The Netherlands is listed as a leading supplier of palm oil, this product is originally imported by The Netherlands from developing countries.

Due to several causes, palm oil imports are expected to increase even more. Palm oil is cheap, and it is not only imported into the EU as a substitute for some of the rapeseed oil that now goes to biofuels, but it is also used in biofuels itself. However, there have been protests in the EU against the use of palm oil in biodiesel. Protesters claim that palm oil harms the environment, because natural forests are being cut down for the plantation of the palm trees.

Table 4.4 EU imports and leading suppliers of palm oil 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	1,287	1,707	1,967		
Intra - EU	364.4	499.6	547.3	The Netherlands (15%), Germany (5%), Italy (2%), Belgium (2%), Spain (2%), United Kingdom (1%)	28%
Extra - EU ex. DC*	12.2	2.9	1.1	-	0.1%
DC*	909.8	1,204.6	1,418.7	Malaysia (32%), Indonesia (27%), Papua New Guinea (7%), Colombia (3%)	72%

Source: Eurostat (2006)
*Developing countries

Besides olive oil and palm oil, *cocoa butter, fat and oil* is a rather large import product group in the EU, with a market share of 16% of total vegetable oils and fats imports. Between 2001 and 2005, imports of cocoa butter, fat and oil into the EU increased by an annual average growth rate of 15%, amounting to € 1.3 billion in the latter year. Total volume imports of cocoa butter, fat and oil increased by an average annual rate of 6% between 2001 and 2005, amounting to 391 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 23%, with an notable increase of imports from Malaysia and Indonesia.

Table 4.5 EU imports and leading suppliers of cocoa butter, fat and oil 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	748.1	1,063.4	1,313.3		
Intra EU	542.2	681.7	860.0	The Netherlands (44%), France (12%), United Kingdom (3%), Spain (2%), Germany (2%), Denmark (2%)	66%
Extra EU ex. DC*	7.6	9.5	2.9	-	0.2%
DC*	198.3	372.2	450.5	Cote d'Ivoire (11%), Malaysia (6%), Indonesia (4%), Brazil (3%), Ghana (2%), Ecuador (2%), Nigeria (2%), Peru (1%)	34%

Source: Eurostat (2006)
*Developing countries

Having a total EU market share of 14.6%, *sunflower or safflower oil* is a medium-sized import product within the group of vegetable oils and fats. Between 2001 and 2005, imports of sunflower or safflower oil in the EU increased by an annual average growth rate of 17%, amounting to € 1.2 billion in the latter year. Total volume imports of sunflower or safflower oil increased by an average annual rate of 6% between 2001 and 2005, amounting to 2.0 million tonnes in the latter year. In the same period, imports in value from developing countries increased by an annual average rate of 49% with a particularly strong increase of imports from Argentina and Ukraine. Important to mention is that The Netherlands is the leading supplier of cocoa butter, fat and oil, but that cocoa beans used in the production of these products are imported from developing countries.

Table 4.6 EU imports and leading suppliers of sunflower or safflower oil, 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	626.4	874.9	1,172.2		
Intra - EU	481.7	524.4	656.7	The Netherlands (22%), France (12%), Belgium (5%), Germany (4%), Hungary (4%)	56%
Extra - EU ex. DC*	58.4	38.0	5.4	Russia (6%)	8%
DC*	86.3	312.6	420.1	Argentina (22%), Ukraine (13%)	36%

Source: Eurostat (2006)
*Developing countries

Within the group of vegetable oils and fats, *coconut oil* is a medium to small import product in the EU with a market share of 11%. Between 2001 and 2005, imports of coconut oil in the EU increased by an annual average growth rate of 10%, amounting to € 886.6 million in the latter year. Total volume imports of coconut oil increased by an average annual rate of 3% between 2001 and 2005, amounting to 1.7 million tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 10%, with a particularly strong increase of imports from Colombia.

Table 4.7 EU imports and leading suppliers of coconut oil 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	597.6	739.8	886.6		
Intra - EU	102.7	156.2	166.9	The Netherlands (13%), Germany (4%)	19%
Extra - EU ex. DC*	6.3	7.4	1.6	-	0.2%
DC*	488.7	576.2	718.1	Indonesia (38%), Philippines (26%), Malaysia (9%), Papua New Guinea (5%), Colombia (1%)	81%

Source: Eurostat (2006)

*Developing countries

Within the group of vegetable oils and fats, *groundnut oil* is a rather small import product in the EU, with a market share of 1.7%. Between 2001 and 2005, imports of groundnut oil in the EU increased by an annual average growth rate of 1%, amounting to € 138.2 million in the latter year. Total volume imports of groundnut oil decreased by an average annual rate of -2% between 2001 and 2005, amounting to 154.7 thousand tonnes in 2005. In the same period, imports in value from developing countries decreased by an annual average rate of -2% with a particularly large decrease in imports from Senegal in favour of imports from Brazil. Note that The Netherlands is the leading supplier of coconut oil in the EU, but that the basic products for coconut oil are imported by The Netherlands from developing countries.

Table 4.8 EU imports and leading suppliers of groundnut oil 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	134.2	182.1	138.2		
Intra EU	35.2	46.7	48.7	Belgium (16%), The Netherlands (10%), France (7%)	35%
Extra EU ex. DC*	2.7	22.7	0.6	-	0.5%
DC*	96.4	112.7	88.9	Senegal (19%), Argentina (19%), Brazil (12%), India (11%), China (4%)	64%

Source: Eurostat (2006)
*Developing countries

Within the group of vegetable oils and fats, *sesame oil* is the smallest import product in the EU, with a market share of 0.2%. Between 2001 and 2005, imports of sesame oil in the EU increased by an annual average growth rate of 6%, amounting to € 19.3 million in the latter year. Total volume imports of sesame oil increased by an average annual rate of only 13% between 2001 and 2005, amounting to 9.2 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 17%, with a particularly big increase in imports from Mexico and India.

Table 4.9 EU imports and leading suppliers of sesame oil 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	15.5	16.8	19.3		
Intra EU	6.7	7.4	7.6	The Netherlands (20%), Germany (8%), France (4%), UK (4%)	39%
Extra EU ex. DC*	4.0	3.7	3.0	Singapore (8%), Hong Kong (3%), USA (2%)	16%
DC*	4.7	5.7	8.7	Mexico (21%), China (13%), India (4%), Malaysia (2%), Turkey (2%), Nicaragua (1%)	45%

Source: Eurostat (2006)
*Developing countries

Oil seeds

Within the group of oil seeds, *sunflower seeds* is by far the leading import product in the EU with a market share of 81%. Between 2001 and 2005, imports of sunflower seeds in the EU decreased by an annual average 2%, amounting to € 612.3 million in the latter year. Total volume imports of sunflower seeds decreased by an average annual rate of -5% between 2001 and 2005, amounting to 1.9 million tonnes in 2005. In the same period, imports in value from developing countries decreased by an annual average 6%, with a decrease of imports from Ukraine in favour of China and the new EU countries Bulgaria and Romania.

Table 4.10 EU imports and leading suppliers of sunflower seeds 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	658.7	648.3	612.3		
Intra EU	159.3	116.3	307.7	Hungary (17%), France (16%), Bulgaria (7%), The Netherlands (4%), Germany (4%)	50%
Extra EU ex. DC*	286.7	319.3	137.6	Romania (6%), USA (5%), Russia (2%), Israel (2%)	22%
DC*	212.7	212.6	167.0	China (13%), Argentina (5%), Uruguay (4%), Ukraine (3%)	27%

Source: Eurostat (2006)
*Developing countries

Sesame seeds are traded much less than sunflower seeds, but the product is important for some developing countries and their import into the EU is climbing rapidly. Within the group of oil seeds, sesame seeds hold a market share of 15%. Between 2001 and 2005, imports of sesame seeds in the EU increased by an annual average growth rate of 4%, amounting to € 110.9 million in the latter year. Total volume imports of sesame seeds increased by an average annual rate of 4% between 2001 and 2005, amounting to 119.3 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 3% with a strong increase of imports from Paraguay and Ethiopia.

Table 4.11 EU imports and leading suppliers of sesame seeds 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	94.1	90.5	110.9		
Intra EU	16.4	21.1	24.1	The Netherlands (11%), Germany (4%), United Kingdom (2%)	22%
Extra EU ex. DC*	1.3	1.0	0.6	-	0.6%
DC*	76.4	68.4	86.2	India (41%), Ethiopia (8%), Guatemala (7%), Sudan (5%), Paraguay (4%), Pakistan (2%), Venezuela (2%), Nigeria (1%), Mexico (1%), Turkey (1%)	78%

Source: Eurostat (2006)
*Developing countries

With a market share of 3%, *copra* is a rather small import product within the group of oil seeds. Between 2001 and 2005, imports of copra in the EU increased by an annual average growth rate of 6%, amounting to € 22.4 million in the latter year. Total volume imports of sesame seeds increased by an average annual rate of 6% between 2001 and 2005, amounting to 87.4 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 5%, with an increase of imports from Papua New Guinea and a particularly strong increase from India.

Table 4.12 EU imports and leading suppliers of copra 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	17.9	10.7	22.4		
Intra EU	8.2	4.8	10.5	The Netherlands (46%)	47%
Extra EU ex. DC*	0	0	0	-	0%
DC*	9.7	5.9	12.0	Papua New Guinea (28%), Solomon Islands (15%), Cote d'Ivoire (6%), Vanuatu (5.0%)	53%

Source: Eurostat (2006)
*Developing countries

Within the group of oil seeds, *palm nuts and kernels* is a quite small product group imported into the EU, with a market share of 1.1%. Between 2001 and 2005, imports of palm nuts and kernels in the EU increased strongly by an annual average growth rate of 19%, amounting to € 8.2 million in the latter year. Total volume imports of sunflower seeds increased by an average annual rate of 17% between 2001 and 2005, amounting to 57.9 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 5%, with a strong increase of imports from Ghana and Ecuador.

Table 4.13 EU imports and leading suppliers of palm nuts and kernels 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	4.1	5.5	8.2		
Intra EU	1.7	2.4	5.2	Italy (37%), The Netherlands (15%), Spain (3%), Poland (2%), Austria (1%), France (1%)	63%
Extra EU ex. DC*	0.1	1.8	0.2	Canada (2%)	2%
DC*	2.3	1.3	2.8	Indonesia (11%), Malaysia (9%), Ghana (3%), Ecuador (3%), Argentina (3%), China (2%), Nigeria (1%)	34%

Source: Eurostat (2006)
*Developing countries

Within the group of oil seeds, *safflower seeds* is a small import product in the EU, with a market share of 0.8%. Between 2001 and 2005, imports of safflower seeds in the EU decreased by an annual average decline rate of -5%, amounting to € 6.1 million in the latter year. Total volume imports of safflower seeds decreased by an average annual rate of -4% between 2001 and 2005, amounting to 15.8 thousand tonnes in 2005. In the same period, imports in value from developing countries increased by an annual average rate of 24%, with a quite strong increase of imports from India and Argentina.

Table 4.14 EU imports and leading suppliers of safflower seeds 2001 - 2005, share in % of value

	2001 € mln	2003 € mln	2005 € mln	Leading suppliers to EU in 2005 Share in %	Share (%)
Total EU, of which from	7.5	9.8	6.1		
Intra EU	2.0	2.1	2.3	The Netherlands (21.9%), Czech Republic (6%), Belgium (3%), Germany (2%), Hungary (2%)	38%
Extra EU ex. DC*	4.0	1.5	0.5	Australia (6%)	7%
DC*	1.4	6.2	3.2	India (29%), Kazakhstan (13%), Argentina (7%), Tanzania (35)	53%

Source: Eurostat (2006)
*Developing countries

4.3 The role of developing countries

Almost half of the total EU imports of vegetable oils and fats is supplied by developing countries. Between 2001 and 2005, imports of vegetable oils and fats from developing countries increased by an annual average growth rate of 16%, amounting to € 3.6 billion in the latter year. Total volume imports of vegetable oils and fats increased by an average annual growth rate of 9% between 2001 and 2005, amounting to 6.6 million tonnes in 2005. The Netherlands is the leading importer of vegetable oils and fats from developing countries, accounting for 30% of the total value supplied by developing countries, followed by Italy (19%) and Germany (15%).

Among the developing countries, Indonesia and Malaysia are the leading suppliers of vegetable oils and fats, with a market share of 11.5% respectively 9.7%. Most imports from developing countries showed an annual average increase between 2001 and 2005, with strong increases in imports from Syria, Morocco and Ecuador. Please refer to the country surveys for imports per product group by individual member states.

Table 4.15 Imports of vegetable oils and fats from developing countries 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
EU25	**2,005**	**4,645**	**2,788**	**5,331**	**3,610**	**6,612**	**16%**
The Netherlands	535.3	1,442	877.5	1,811	1,074	2,303	19%
Italy	377.2	539.6	407.1	573.6	684.8	770.3	16%
Germany	368.3	1,017.8	421.2	1,027.8	528.6	1,249	9%
France	181.9	241.0	305.8	360.0	374.6	460.1	20%
Spain	130.6	307.6	191.4	381.7	317.8	537.0	25%
United Kingdom	194.5	575.9	286.0	598.7	305.9	650.0	12%
Belgium	86.4	199.6	88.7	182.3	95.2	184.0	2%
Denmark	42.3	113.3	50.0	115.7	76.2	184.6	16%
Poland	20.9	46.8	50.0	67.7	45.0	57.1	21%
Greece	21.8	54.1	39.4	86.8	33.9	75.3	12%
Sweden	5.1	14.6	5.6	11.9	21.7	53.6	44%
Portugal	9.8	26.1	14.8	27.9	20.3	34.6	20%
Lithuania	1.9	3.5	5.7	9.6	6.4	11.3	36%
Finland	0.0	0.0	0.0	0.0	6.0	13.1	482%
Ireland	0.6	0.3	6.0	8.9	5.8	8.8	74%
Hungary	8.3	16.6	11.9	19.8	3.3	5.6	-21%
Czech Republic	7.6	21.8	11.4	24.5	2.1	4.0	-28%
Estonia	0.4	0.4	0.6	0.6	1.7	0.9	47%
Slovenia	5.8	10.8	5.8	9.0	1.7	2.1	-27%
Austria	1.0	1.6	1.9	2.4	1.5	2.1	9%
Slovakia	0.9	2.0	2.8	4.9	1.4	2.4	11%
Cyprus	3.9	8.0	2.9	5.6	1.2	2.4	-25%
Latvia	0.6	1.2	0.8	1.3	0.4	0.7	-8%
Malta	0.0	0.0	0.0	0.0	0.0	0.0	17%
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	-
Romania	69.0	148.8	244.7	472.3	279.3	475.8	42%
Bulgaria	68.8	108.7	124.8	233.7	84.9	140.9	5%

Source: Eurostat (2006)

In 2005, developing countries supplied 36% of total EU oil seeds imports. Between 2001 and 2005, imports of oil seeds from developing countries decreased by an annual average rate of 3%, amounting to € 271.1 million in the latter year. Total volume imports of oil seeds decreased by an average annual growth rate of 12% between 2001 and 2005, amounting to 651 thousand tonnes in 2005. Germany is the leading importer of oil seeds from developing countries.

China and India are the leading suppliers of oil seeds and Chinese supply showed a quite strong increase between 2001 and 2005. Please refer to the country surveys for imports per product group by individual member states.

Table 4.16 Imports of oil seeds from developing countries 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
EU25	**302**	**945**	**294**	**841**	**271**	**561**	**-3%**
Germany	35.6	54.6	37.8	50.3	65.8	75.6	17%
Spain	44.9	173.2	40.3	136.9	57.7	181.0	6%
The Netherlands	85.5	261.7	75.9	200.6	45.2	85.2	-15%
United Kingdom	11.9	37.8	12.8	28.2	22.0	69.0	17%
Greece	23.1	50.1	19.4	34.8	18.6	22.9	-5%
Belgium	18.3	76.0	11.6	32.8	18.3	54.5	0%
Poland	-	-	-	-	11.8	15.9	-
Italy	20.1	79.9	20.1	73.2	11.6	33.5	-13%
France	20.9	80.5	37.9	155.5	4.9	4.6	-30%
Denmark	1.9	3.7	1.7	5.4	2.8	3.0	10%
Sweden	2.0	4.5	1.2	1.2	2.7	2.4	7%
Lithuania	1.0	2.1	1.7	4.3	2.6	4.1	28%
Czech Republic	0.7	0.8	1.3	1.5	1.8	1.9	27%
Cyprus	1.9	2.5	1.2	1.5	1.7	2.0	-3%
Austria	2.3	6.0	0.9	2.5	1.1	1.2	-17%
Hungary	0.7	0.9	0.2	0.3	0.7	0.8	-1%
Latvia	0.4	0.7	0.3	0.6	0.7	0.9	15%
Portugal	26.9	105.5	29.3	109.2	0.4	1.1	-64%
Estonia	0.3	0.7	0.4	0.7	0.4	0.7	11%
Slovakia	0.2	0.2	0.3	0.4	0.2	0.3	3%
Finland	0.3	0.2	0.0	0.0	0.2	0.4	-15%
Malta	0.1	0.1	0.1	0.1	0.1	0.1	-7%
Slovenia	0.2	0.3	0.3	0.4	0.0	0.0	-46%
Ireland	3.3	2.6	0.0	0.0	0.0	0.0	-74%
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	-
Romania	2.7	14.3	4.6	19.4	9.8	36.5	0%
Bulgaria	2.8	5.5	1.4	4.2	2.9	4.7	38%

Source: Eurostat (2006), COMTRADE (2007)

4.4 Exports

The EU export data should be interpreted and used with caution. The Netherlands, for example, is listed as a leading exporter of vegetable oils and fats. It must be understood, however, that a substantial amount of these products is imported, further processed and re-exported at a higher value.

Of the total EU vegetable oils and fats exports, 72% is exported to other EU countries. In the period between 2001 and 2005, intra-EU trade in vegetable oils and fats increased by an annual average growth rate of 12%, amounting to € 4.1 billion in the latter year. Total volume exports to other EU countries increased by an annual average growth rate of 5% amounting to 3.1 million tonnes in 2005.

Italy and Germany are the largest EU markets for vegetable oils and fats. Furthermore, exports from Poland and Spain show strong increases between 2001 and 2005. The USA is the largest market outside the EU. Another growing market outside the EU is South Korea.

Table 4.17 EU exports of vegetable oils & fats by the EU and principal exporters, 001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU25	3,796	3,193	4,594	3,384	5,729	3,783	11%
of which from							
Intra-EU	2,679	2,520	3,247	2,608	4,141	3,097	12%
Extra-EU	1,117	672.9	1,347	776.3	1,588	686.1	9%
Bulgaria and Romania	32.9	64.6	26.1	53.4	68.2	132.3	20%

Source: Eurostat (2006)

Of the total EU oil seeds exports, 93% is exported to other EU countries. In the period between 2001 and 2005, intra-EU trade of oil seeds increased by an annual average growth rate of 18%, amounting to € 372.8 million in the latter year. Total volume exports to other EU countries increased by an annual average growth rate of 22%, amounting to 1.4 million tonnes in 2005.

The Netherlands and Spain are the largest EU markets for oil seeds. Furthermore, exports to Italy and Sweden show strong increases between 2001 and 2005. Exports to Belgium show a decrease in the review period as well as from The Netherlands. Turkey and Morocco are growing markets outside the EU.

Table 4.18 EU exports of oil seeds by the EU and principal exporters 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual % change in value
	value	volume	Value	volume	value	volume	
Total EU25	344.7	1,215.0	336.2	1,108	400.1	1,470	4%
of which from							
Intra-EU	315.2	1,142	294.8	1,024	372.8	1,393	4%
Extra-EU	29.5	72.9	41.5	83.3	27.3	77.5	-2%
Bulgaria and Romania	56.3	248.8	144.5	663.2	172.5	714.6	32%

Source: Eurostat (2006)

4.5 Opportunities and threats

In the previous sections, it became clear that the imports of vegetable oils and fats by EU member countries increased substantially during the past few years. This increase, driven by a boost in worldwide demand for oils, was for a large part to the benefit of developing countries, which saw their share increase from 40% in 2001 to 45% in 2005. The share by developing countries is, however, even more substantial, since part of the intra-EU trade concerns exports of oil previously imported from developing countries and further redistributed to other EU member countries.

The increase in imports was witnessed for all the individual product groups falling under vegetable oils and fats, with the exception of groundnut oil imports, which stagnated during the survey period. Overall, based on the trade data, it can be concluded that vegetable oils and fats in the EU form an interesting group of products, offering increasing opportunities for exporters in developing countries. In particular, coconut oil, palm oil, groundnut oil are

interesting oils for developing country suppliers, since more than 60% of the respective import values are directly supplied by developing countries.

On the other hand, olive oil and cocoa butter, oil and fat, and sunflower oil are less interesting products for developing countries, since the largest part of these products is supplied by other EU member countries.

Oils seeds imports by EU member countries takes place on a smaller scale than vegetable oils and fats. With the exception of sunflower seeds, it van be concluded that relatively small quantities of oil seeds are imported into the EU. In general, the supply of oil seeds to the EU is less interesting than in the case of vegetable oils and fats. This has to do with the fact that most of the crushing of oil seeds happens in the country/region of origin, after which the oil is exported to the country of destination.

Interesting oil seeds are sesame seed, copra and safflower seed, since more than half of the respective import values is supplied by developing countries. On the other hand, because of the extensive production and supply within the EU itself, sunflower seed offers less opportunity for developing countries.

Most of the trade in vegetable oils and fats and oil seeds takes place in bulk. Since a substantial part of this trade is in the hands of big companies, some developing country exporters could find more opportunities by focusing on markets for niche products like

- high-quality sesame seed,
- sesame oils
- shea nuts and shea butter,
- organic oils and oil seeds.

4.6 Useful sources

- EU Expanding Exports Helpdesk
  ➔ http://export-help.cec.eu.int/
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.cec.eu.int
  ➔ go to ‘themes’ on the left side of the home page
  ➔ go to ‘external trade’
  ➔ go to ‘data – full view’
  ➔ go to ‘external trade - detailed data’
- Federation of Seed Crushers and Oil Processors (FEDIOL)
  ➔ http://www.fediol.be
  ➔ go to: statistics

5 Price developments

5.1 Price developments

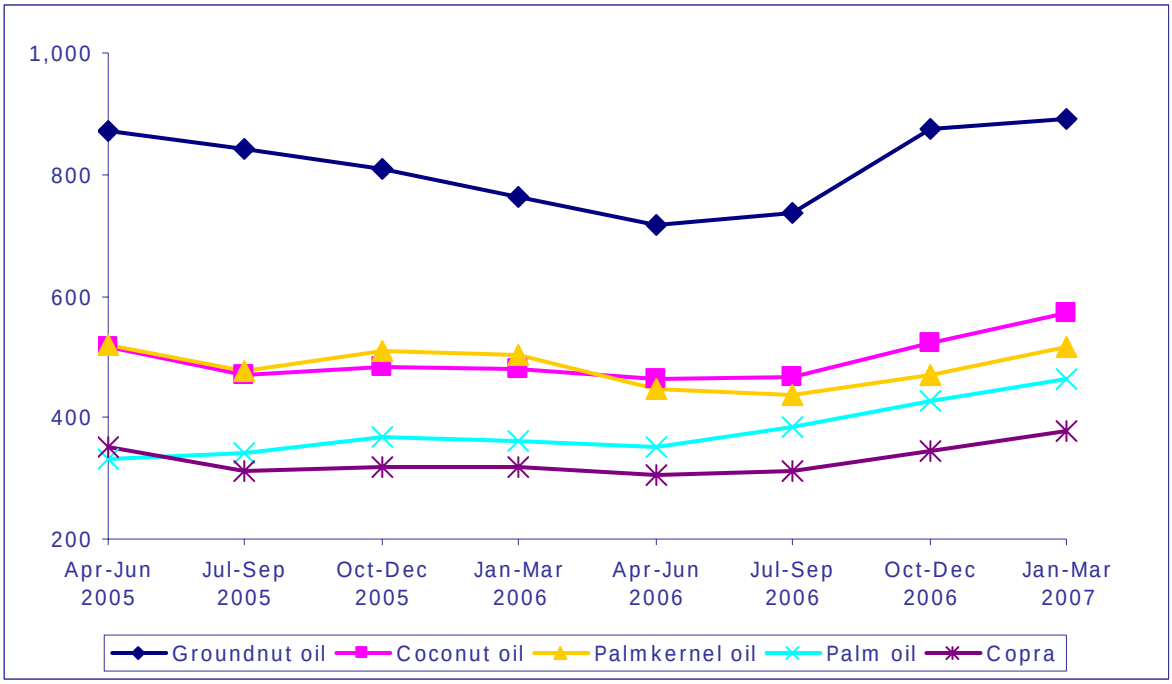
Developments on the Chicago exchange are leading indicators in the price setting of the different vegetable oils, while Kuala Lumpur (Malaysia) is the main exchange market for palm oil.

Due to improved technology, different vegetable oil products are substitutable: this has a major impact on price settings. For example, as mentioned in Chapter 1 of the underlying survey, palm oil is becoming increasingly popular in the food industry and, consequently, the price rises.

Other factors also influence prices of vegetable oils and oil seeds:

- The climatic conditions. Spain, the major producer of olive oil in Europe, has an enormous impact on the development of prices. At the moment, the price is stable and high. During the European summer time, there is low demand and low offer. Prices for next year can be forecasted with the help of the rain precipitations in the autumn, which influences the size of the olives.
- According to industry sources, the continuous demand for bio-fuels is expected to raise the price for agricultural raw materials.
- Increasing welfare in the world, and in the new EU member states in particular, leads to increased demand for vegetable oils and fats and a switch in consumption to more luxurious and expensive oils.
- Decline in the consumption of animal fat to the advantage of vegetable oils and fats, which offer healthier alternatives.
- Quantities of vegetable oils and oil seeds in stocks. Higher stock generally lead to lower or at least stable prices.
- Due to the resistance to genetically modified soy bean among EU consumers, many European food-processing companies switched to the use of other oils and oil seeds, making the latter products scarcer.

Figure 5.1 Price developments of 5 of the selected vegetable oils 2005-2007, in € per tonne



Source: The World Bank, Commodity Price data (2006, 2007)

With regard to oil seeds, in general, the prices of large volumes of oil seeds depend on exchange rates, in which the value of the dollar is a dominant factor. Prices of most products are not fixed and may fluctuate strongly, depending on season and global yields. Therefore, it is essential to have continuous access to up-to-date price information. Furthermore, the price of the oil seeds is heavily dependent on their quality. Oil seeds are traded by standard contracts, in which the price for a particular quality is stated.

Table 5.1 High/low prices for selected oil seeds on main European port basis, January-December 2006, prices in € per tonne

	Jan-Dec High	Jan-Dec Low
Sunflower seed		
• US hulled cif	1,020	1,020
• Ukraine unhulled Black Sea Origin	231	231
Sesame seed		
• Guatemala cif Europe ($/mt)	1,116	1,116
• Nigerian natural 98% cleaned fob Lagos ($/mt)	717	717
• Indian natural cif Europe ($/mt)	717	717
• Indian origin mechanically hulled & sun dried	948	948
Copra		
• Philippines, cif Rotterdam	379	266

Source: Public Ledger (December 2006)

For many end-products containing vegetable oils, and this is particularly the case in the cosmetic sector, there is an almost direct relationship between the price of a raw material and how much is used in the end-product. Every finished product has its target price which the manufacturer must hit, in order for the company to achieve its profit margin from that product. However, the type of product also affects the amount of raw material used. A high-quality product permits the use of more expensive ingredients. At the same time, the formulator can vary the amount of ingredients used in a product, to achieve both functional benefits and price targets.

When negotiating prices with a buyer, it is critical to know the bottom line – a point below which you will not go. That calls for an in-depth understanding of the costs of the product and the overheads and, crucially, how the cost of overhead is shared across the range of products. A single product has to absorb the entire overhead. At the same time, costs are also affected by factors such as quality, reliability, uniqueness of the supply and the attitude of the buyer.

It is important from the outset to emphasise that it is difficult to obtain information on the prices which are paid for goods in the country of origin, especially as most selected vegetable oils and oils seeds are not commodity items. Brokers and traders form the main source of price information, as they are in daily touch with the major trading centres around the world. Moreover, it calls for market research and market intelligence. It can be easier if similar items are already exported from the same country, because it may be possible to obtain crude price data from published statistics.

5.2 Useful sources

In general, exporters should receive regular information from their European business partner. The best up-to-date price information on vegetable oils, as well as on oil seeds, can be obtained from the weekly *Public Ledger*. Also, major brokers and traders publish regular market reports to advise their customers about supply, demand and price developments.

- The Public Ledger and Foodnews magazine: http://www.agra-net.com
- CommodityIndia.com: http://www.commodityindia.com
- Oil World Magazine: http://www.oilworld.biz/app.php
- World Bank, Commodity Price Data, Pink Sheets: http://www.worldbank.org/
- Price developments of coconut, palm kernel and palm oil, can be found on the Internet site of MVO (The Dutch Commodity Board for Margarine, Fats and Oils): http://www.mvo.nl
- UNCTAD Commodity Price Statistics: http://www.unctad.org/Templates/Page.asp?intItemID=1889&lang=1
- Asian and Pacific Coconut Community (APCC): http://www.apccsec.org/
- FAS Online - United States Department of Agriculture: http://www.fas.usda.gov/oilseeds/circular/2006/06-03/toc.htm
- LMC International: http://www.lmc.co.uk/cms/main.html

6 Market access requirements

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements which your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select vegetable oils & fats and oil seeds and the EU in the category search, click on the search button and click on market access requirements.

Packaging, marking and labelling

The EU Commission and the International Maritime Organisation (IMO) in London issue packaging requirements for crude and (semi) processed products. Directive 96/3 EU regulates the sea transport in bulk of liquid oil and fats, in respect to food hygiene standards. The Maritime Safety Division of IMO has advised that animal and vegetable oils and fats are, to some extent, a flammable product. For that reason, oils and fats transported by ships are classified under class 4.2 of the International Maritime Dangerous Goods Code (IMDG). It is strongly recommended that exporters in developing countries comply with "IMO Guidelines for the Packing of Cargo in Freight Containers and Vehicles".

The overall trend in Europe is towards facilitating re-use and recycling of packaging through incentives. In order to harmonise the different forms of legislation, the EU has issued a directive for packaging and packaging materials (Directive 94/62/EC) in which minimum standards are regulated. Directive 79/831/EEC details 'laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous substances'.

Vegetable oils are generally transported in iron drums. EU Directive 93/43/EC applies to bulk packaging of animal and vegetable oils and fats. Requirements in this Directive primarily relate to the quality of the inner coatings and the seams of the oil drums. Both must be safe and must rank on the Positive List of Plastics, which forms an integral part of the Directive concerned.

Communication with your European trade partner regarding the required packaging is of the utmost importance when trading with the EU. Your partner should know what is officially required and state his specific preferences.

Furthermore, Fediol, the EU Oil and Protein Meal Industry, has developed a code of practice for the transport in bulk of oils and fats in or within the European Union, which can be downloaded from the following link: http://www.fediol.be/dm/docs/95dda85467b21ad13f04a938ed9147db/fediol_05COD236_0229.pdf.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Finally, according to industry sources, vegetable oils can best be transported to the EU in crude form. This has to do with the fact that most vegetable oils and fats are transported by ships which usually takes 4 to 5 weeks. The time for transportation is in general too long to secure the stability and quality of refined vegetable oils and fats.

Information on tariffs and quota can be found at http://export-help.cec.eu.int/

7 Opportunity or threat?

The demand for vegetable oils and fats and their raw materials (i.e. oil seeds) is booming all around the world, and most certainly also among the EU member countries. The EU already has an extensive local industry for some oil and oil seeds. Within the group of reviewed oil, this is particularly the case for sunflower oil and olive oil.

However, the EU market for these oils, as well as for other oils and oil seeds, is far from self-sufficient. Hence the EU imports huge amounts of these products in order to meet demand and import data show that the traded amounts are ever-increasing. Some of the underlying causes for this are:

- The high petroleum prices combined with environmental concerns have led to a stronger demand for bio-fuels. Numerous bio fuels initiatives have been implemented in developed countries and, more recently, also in developing countries.
- Rising incomes, resulting in an increasing demand for vegetable oils (particularly in less developed countries) as well as a switch to more expensive specialty oils (mostly in the more developed countries).
- The trend towards health food, triggering the substitution of animal fats by the less unhealthy vegetable oils.

The effect of the stronger demand for oils will have different effects for the various oil seeds; it will increasingly favour those with a higher oil content, like palm oil and sunflower oil.

Trade data for the EU reveal that the trade of vegetable oils and fats and oil seeds in the EU is characterised by the exports, as well as re-exports, of substantial amounts of goods. Moreover, for various vegetable oils and fats, the raw material is imported from developing countries, further processed in the EU and then re-exported or sold to domestic users.

Since a large part of the EU imports (and re-exports) of vegetable oils and oil seeds originates in developing countries, these developments could entail great opportunities for exporters in these countries. On the other hand, these opportunities are not without hazards. The trade of a number vegetable oils and oil seeds is completely in the hands of large multinational corporations (e.g. palm oil, soy bean and its oil), which makes it hard for small or medium-sized players to enter the market.

Therefore, as already mentioned, developing country suppliers may find more opportunities in the following fields:

- Organic oils and fats; although still a small segment, the market for organic ingredients is expected to grow substantially in the coming years. Growers, crushers and exporters in developing countries can distinguish themselves from the mainstream products by offering organic oils and fats to EU importers; they can have their fields and crushing facilities certified by EU certifying organisations.
- Specialised vegetable oils and fats for niche markets; small products like jojoba oil serve specialised market segments like the aircraft industry. Specialised oils and fats command higher prices, as competition is less intense compared to the mainstream products.

Appendix A Product characteristics

Although this survey covers the market for both vegetable oils & fats and oil seeds, the focus is more on the first group as the size of the trade in vegetable oils and fats is far more substantial than in oil seeds.

Furthermore, not all the products usually classified under these two groups are covered in this survey (e.g. soy bean and its oil, rapeseed and its oil, linseed and its oil, etc.). This survey focuses only on products which are, for a considerable part, supplied by developing countries, or which are important for developing countries one way or another.

Vegetable oils and fats
Fats which are liquid at room temperature are often referred to as oil. Vegetable oil originates from seeds containing oil which are mainly processed by crushing or solvent extraction. Vegetable oils and fats constitute about 80% of total edible oils and fats production. They form major constituents of the food chain. The performance and use of vegetable oils is determined by the fatty-acid composition.

Groundnut oil
The smallest of the five leading annual oil-seed crops, groundnut oil is an important vegetable fat source in large producing and consuming countries (China, India). Refined groundnut oil is an excellent product for deep-frying and pan-frying and can be re-used many times over.

Olive oil olive oil is a vegetable oil obtained from the olive (*Olea europaea*), a traditional tree crop of the Mediterranean Basin. It is used in cooking, cosmetics, pharmaceuticals, and soaps, and as a fuel for traditional oil lamps. Olive oil is a healthful oil, because of its high content of mono saturated fat.

Palm oil
Palm oil is the second largest source of vegetable oil in the world. It is the third most widely traded oil after soybean and rapeseed oil. Palm oil is the largest perennial crop. It is used in many food items like margarine, ice cream, confectionery, filled milk and as cocoa-butter substitute. Due to its characteristics, palm oil is often blended with other oils in colder countries.

Sunflower oil
Sunflower oil is the fourth largest source of vegetable oil. The increasing output is due to plant agronomic characteristics and an increasing demand for polyunsaturated oils. The high digestibility and high vitamin E content makes it popular oil in the health food sectors. Sunflower oil is mainly used in the following food products: margarine, salad oil and cooking oil, as it does not affect the natural flavours of foods cooked in it.

Coconut oil
Coconut oil is the second perennial crop after palm oil and a vital product for the economies of more than 100 countries. Apart from being a major foreign exchange earner, coconut oil supplies an important dietary component for human consumption. It has a high content of saturated fatty acids. Coconut oil is produced from copra and has multiple applications.

Sesame oil
Sesame oil is an oil derived from sesames. It is often used in Southeast Asian cuisine as a flavour enhancer, e.g. adding it to instant noodles. It is now also increasingly popular among EU consumers, usually added at the end of cooking as a flavour highlight and not used as a cooking medium.

Cocoa butter
Cocoa butter is the edible natural fat of the cocoa bean, extracted during the process of making chocolate and cocoa powder. Cocoa butter is not only an increasingly popular ingredient in the confectionery industry, it is also used in the cosmetic industry thanks to several of its properties.

Safflower oil
Safflower oil has the same nutritional properties as sunflower oil. It is used as a cooking oil, but also in the production of margarine.

Oil seeds
Oil seeds are mainly processed by crushing or solvent extraction, into vegetable oil. The oil seeds covered in this survey are:

Copra
Copra is the dried meat, or kernel, of the coconut. This product is imported into the EU for the manufacturing of coconut oil.

Sunflower seeds
One type of edible sunflower seeds is used directly for confectionery purposes. The kernels are appreciated for their nutritional value and their flavour. They can be roasted as a snack and crushed into sunflower seed. They are also used in the manufacture of a large number of food products, including meals, desserts, cereals, confectionery, ice creams, salad toppings, snacks and margarine. Part of the production of confectionery sunflower seeds is used as bird feed.

Palm nut and kernels
Palm nuts and kernels are used for the extraction of palm oil. Palm oil production mainly takes place in the countries of origin, which explains why only small amounts of palm nuts and kernels are exported.

Sesame seeds
Sesame seeds are grown primarily for their oil-rich content. Cooking oil can be extracted from sesame seeds, and this is their main use, especially in Asia. The product is supplied by countries in Africa, Latin America, and South Asia. In North America and Europe, raw sesame seeds are generally used for toppings on bread products (bread, bagels, hamburger buns, etc.).. Restaurants and natural food store customers purchase sesame seeds for use in ethnic dishes. Sesame seeds may also be baked into crackers, often in the form of sticks.

Safflower seeds
Safflower seed is used mainly for the production of safflower oil, but is now also used as bird seed.

The vegetable oils and oil seeds covered in this survey are classified under the following HS codes:

	VEGETABLE OILS AND FATS
1508	groundnut oil and its fractions (not chemically modified)
1509	olive oil, raw and processed
1511	palm oil, raw and processed
1512 11/19	sunflower or safflower oil and their fractions
1513	coconut oil, raw and processed, not chemically modified
1515 50	sesame oil, raw and processed
1804	cocoa butter, fat and oil

	OIL SEEDS
1203	Copra
1206 0091/99	sunflower seeds (excl. for sowing)
1207 1090	palm nuts and kernels (excl. for sowing)
1207 4090	sesame seeds (excl. for sowing)
1207 6090	safflower seeds (excl. for sowing)

Statistical product classification

Combined nomenclature (CN)

This survey uses trade data based on the Combined Nomenclature. These data are provided by Eurostat, the statistical body of the EU. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, which puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Appendix B Introduction to the EU market

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, but also significantly increased its complexity. Because of more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision-making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia http://en.wikipedia.org/wiki/Portal:Europe.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within twelve EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Since 2002 Euro, coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2006	March 2007
Bulgaria	Lev	BGN	0.51387	0.51300
Cyprus	Pound	CYP	1.77133	1.74272
Czech Republic	Crown	CZK	0.03532	0.03495
Denmark	Crown	DKK	0.13407	0.13402
Estonia	Crown	EEK	0.06390	0.06390
Hungary	Forint	HUF	0.00380	0.00386
Latvia	Lats	LVL	1.44130	1.44278
Lithuania	Litas	LTL	0.28962	0.28962
Malta	Lira	MTL	2.33703	2.33735
Poland	Zloty	PLN	0.25748	0.25900
Romania	Lei	ROL	0.28480	0.28594
Slovakia	Crown	SKK	0.02694	0.02676
Sweden	Crown	SEK	0.10812	0.10651
United Kingdom	Pound	GBP	1.46725	1.45179

Source: Oanda http://www.oanda.com/ (April 2007)

Appendix C List of developing countries

OECD DAC list - January 2006

When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicargua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezeula
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2007:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldova
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia

Appendix D References

- Interactive European Network for Industrial Crops and their Applications (IENICA), '*Summary Report for the European Union 2000-2005*' – http://www.ienica.net/reports/ienicafinalsummaryreport2000-2005.pdf