

Market Report March 2022

■ GENERAL OILS AND FATS COMPLEX

Due to the ongoing war in Ukraine, prices on the vegetable oil markets have risen to unknown heights. Uncertainty about physical availability is causing great volatility.

Sunflower Oil

Since there have been no shipments of crude oil or sunflower seeds from the most important Black Sea ports for about three weeks, the supply of sunflower oil in the EU has become tight. Existing commitments cannot be met at all or only in part by European producers, i.e. existing contracts are also being rationed. Many consumers in the food industry are therefore forced to switch to other oils, which also increases their prices.



The upcoming crop in Ukraine, which is supposed to harvest in autumn 2022, is also in danger due to the war. Farmers cannot get to the fields, do not have enough fuel available to run the agricultural machinery and there is not enough fertilizer available. This means that the available quantities of sunflower oil will also be lower in the medium term, as the Ukraine is the most important supplier for the EU market with approx. 88 %. The cultivation areas in the EU (Spain, France, Romania) and also in Argentina are being expanded, which can only partially compensate for the missing quantities. Currently, there are almost no offers for alternative products and sellers are also very cautious with the new harvest. This could change if the war ended. It must be remembered that the destroyed infrastructure in the ports must first be rebuilt. This will certainly take several months.

Rapeseed Oil

Many consumers want and need to switch to rapeseed oil. This means that demand here is increasing significantly. In the EU, a slightly larger harvest than last year is expected, but this cannot compensate for the lower quantities of sunflower oil. Much depends on the upcoming harvest in Canada, where farmers are expected to cultivate larger areas with rapeseed. At the moment, suppliers are behaving rather careful. There are almost no offers for the old crop. Larger quantities will not be offered until August.

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Soybean Oil

Soybean oil prices have risen very significantly in the last few months. Quantities in South America are still scarce and US soybean oil is currently limited for export. Soybean oil could change to some extent if the US government reduces the blending quotas for biodiesel in the short term. In Southern Europe, the temporary use of genetically modified soybean oil for the food industry is currently being discussed. The shortage of sunflower oil led to supply bottlenecks in the food retail sector in the short term. Another important factor is the current demand development in China. Because of the new lockdowns due to rising corona numbers in China, analysts are assuming a weakening of demand, which could have a dampening effect on prices. Currently, no quantities are being offered for early dates (Q2) in Europe.



Palm Oil

Palm oil prices have initially increased to unexpected heights in recent days. After Indonesia, the country with the world's largest oil stocks, increased the mandatory quota of domestic marketing to 30% of export volume. This is to stabilize food prices before Ramadan. In the meantime, this regulation has been replaced by export duties that take effect at certain market price levels.



Outlook

In the short term, it will not be possible to compensate the loss of sunflower oil from the Black Sea region with other products. Currently, the demand for US soybean oil is increasing. All other edible oils such as rapeseed oil, olive oil, sesame oil and linseed oil are also in greater demand and are becoming considerably more expensive. Many poorer countries therefore have to reduce demand because of the high prices.

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Consumers in Europe in particular face a dilemma:

- On the one hand, the food industry has to replace sunflower oil, but can only fall back on limited quantities of domestic rapeseed oil, since in Europe biofuel produced from rapeseed oil, among other things, must continue to be mandatorily mixed with diesel. Perhaps there is a rethink in politics to lower or suspend the blending mandates (currently 7%) at least temporarily.
- In addition, there would be quantities of soya oil available, which are produced from genetically modified soya beans in the USA and South America.
- Finally, the fact that many brand-name manufacturers deliberately avoid palm oil/palm olein in their recipes and declare this is an additional complicating factor.

All these aspects must now be newly evaluated for the future.

■ KEY PRODUCTS FROM THE GUSTAV HEESS PRODUCTION IN THE USA

Almond Oil

The beautiful almond bloom is over. There were a few hours of frost during the bloom, but the impact on the final crop should be neglectable. More precise information about this year's crop will be available in the next month as the buds begin to mature.



Pistachio Oil

2021 crop receipts are currently at 1.166 billion lbs. which indicates a healthy crop. The strong domestic consumption of pistachios is keeping the pricing very stable.



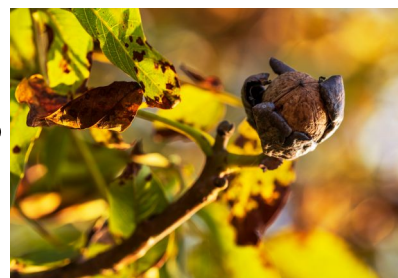
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Walnut Oil

Final crop size is down 8.3% from last year which has firmed up the price level.



■ AMENDED SPECIFICATIONS

190031 MCT Oil Type V Ph. Eur.

312030 Linseed oil refined food grade

224030 Peach kernel oil refined

Click [here](#) for all actual specifications.

- Each month we will send you current information on the vegetable oils and fats market in form of this market report. Stay tuned and assess the current developments. If you have any questions, please do not hesitate to contact your usual contact person or Mrs. Hofhansel.

Your Gustav Heess Team



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