

Market Report January 2023

■ VISIT US AT BIOFACH NUREMBERG

From 14 to 17 February 2023, the world's leading trade fair for organic food, Biofach will once again open its doors in Nuremberg, Germany. This year you will find us at the shared stand Baden-Württemberg in hall 6, stand 255.

We are very much looking forward to your visit!

You are also welcome to make appointments for a meeting at the booth in Advance!



■ GENERAL OILS AND FATS COMPLEX

Vegetable Oils

The past year was characterized by extreme volatility in agricultural commodity prices. At the beginning of the year, prices for vegetable oils rose sharply as South American harvests (soybeans and sunflowers) were significantly lower due to the exceptional drought. Prices received a further boost from Russia's attack on Ukraine. Important trade routes across the Black Sea were suddenly interrupted, which led to a further drastic increase in the price of sunflower oil in particular. In addition, Indonesia imposed a temporary export ban on palm oil, which further boosted prices. Other driving factors were the extremely high prices for gas and mineral oil.

However, in the course of the year, prices dropped significantly after availability returned to normal. This was partly due to the good harvests and partly to the agreement between Russia and Ukraine to keep certain corridors in the Black Sea open for the shipment of grain, oilseeds and vegetable oil.

Soybean Oil

Soybean oil also fell in price following the other oils. However, expectations for the coming harvest in South America remain mixed. Meanwhile, the USA has become a net importer as the biodiesel industry continues to demand very large volumes.

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Sunflower Oil

Prices for sunflower oils have also fallen significantly. So here, current quotations are also below those before the start of the war in February 2022.

Rapeseed Oil

Prices for rapeseed oil remain under pressure after estimates for the coming harvest remain good. Analysts expect significantly better yields per hectare than last year. And the expansion of cultivation areas in Germany and France is also contributing to this.

However, current rapeseed oil prices are very attractive for the energy sector, so demand here may shift price levels upward again.



Outlook

Whether prices will remain at these levels depends on various factors:

- How will the coming harvests in South America actually turn out?
- How will demand from the biodiesel sector in the USA and Europe behave?
- Will the Chinese economy pick up after the pandemic restrictions are lifted?
- How is end-user demand developing this year?

Olive Oil

In Spain, 431,090 tons of olive oil were produced until December inclusive. This is about half of an average year. Many large consumers from the food retail sector are not yet covered, as the cooperatives are not yet ready to sign longer-term contracts. In addition, current price levels are more than 50% above last year's levels. These high prices have not yet reached the end consumers. However, it can be assumed that demand will drop significantly.

Due to increased rainfall in Andalusia, oil qualities have decreased. The fruitiness in the extra virgin oils is not very prominent this year and many oils have sensory defects and thus fall into the category "lampante", which must be refined.

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■ KEY PRODUCTS FROM THE GUSTAV HEESS PRODUCTION IN THE USA

Climate

California is being pummeled with storm after storm. Snow pack in the Sierras is currently 179% of historical averages. This is great news for California farmers.

Almond Oil

We are 2 years away from the 2025 self-imposed 5-year deadline set by the Almond Board of California (ABC). In these 5 years the ABC set out to reach 4 goals described below. The first is to reduce total water usage in Almond Farming by 20%. After 3 years we have reduced water usage by 15% and are certain to achieve our goal. The next goal was to achieve 0 waste in our orchards. The main cause of waste is the almond hull which is like the fleshy portion of a peach or apricot that you would eat. The ABC has developed prototypes using ground hulls as an ingredient in protein bars to double the fiber while cutting carbohydrates. The third goal was to increase the adoption of environmentally friendly pest management tools. Regulations made this goal simple but more importantly Leaf footed bug infestations have been managed successfully by a new pheromone trap developed at UC Riverside funded by the ABC. The final and most difficult goal to reach is to improve local air quality during harvest. Equipment manufacturers have developed new low dust harvesting equipment in recent years. It is effective but can be cost prohibitive to the small family operations that make up a majority of California farms. The ABC working with the San Joaquin air control district have secured federal and state incentive programs which have already replaced 182 harvester units.



Walnut Oil

The situation at the California ports continues to improve. After this year's record crop, it is a much-needed relief for Walnut handlers to be able to ship walnuts out of California efficiently. This week we visited the Annual California Walnut conference in Yuba City. The main topic of discussion was driving demand for a great product. There have been recent studies showing Walnuts make the perfect brain food for college students. Studies have shown eating 2 ounces of Walnuts per day improves mental health indicators and has a protective effect against some of the negative impacts of academic stress.

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Pistachio Oil

Pistachios are becoming the fastest growing tree nut in California in terms of acreage expansion. Over the past 2 decades crop bearing acreage has grown fivefold. House Ag Chair David Scott announced the intention to introduce a bill to help small family farmers and address the national crisis in our nation's beef supply chain. The bill creates a new program that strengthens the federal safety net and makes insurance products work better for small farmers. The second pillar establishes a grant program at USDA to help small farmers and ranchers and producer-owned cooperatives. This will protect the small family farms from the higher volatility seen in growing pistachios.



■ AMENDED SPECIFICATIONS

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. Seyfried.

Your Gustav Heess Team



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