



Palm Oil

Market Information



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What is Palm Oil?

The oil palm (*Elaeis guineensis*) is an ancient tropical plant from the West African tropical rainforest region. Organic crude palm oil is a red oil containing high levels of natural antioxidants, carotenoids (Vitamin A) and the full spectrum of tocopherols and tocotrienols (*Vitamin E*).

It has been used throughout the ages for culinary and medicinal purpose from indigenous tribes in Africa to early evidence of its use in Egypt 5,000 years ago. More recently during the industrial revolution demand soared due to its use as a lubricant in steam engines and other machinery as well as soap.

'Palm oil is one of the least expensive and highest yielding oil crops and is an essential component of the human diet.'

A unique characteristic of the oil palm tree is that it yields two different types of oil: palm oil extracted from the flesh or mesocarp and palm kernel oil from the kernel. The first mainly serves the purpose of cooking oil, shortening, margarines, as a milk fat replacement, and in cocoa butter substitutes, whilst the other oil is primarily used in manufacturing of soaps, cosmetics, detergents, and toiletries. *Half of all packaged supermarket goods contain palm oil.*

The palm oil industry is becoming one of the key economic drivers of the agricultural sector in developing countries. Its economic potential is greatest in the oil palm growing belt, a region that encompasses 10 degrees north and south of the equator. The industry offers a *long-term and stable*

source of income for smallholders and employees of agricultural companies alike.

Oil palm is the highest yielding and most efficient oilseed crop in the world and is capable of producing an output that is 5 to 10 times greater than the output of other vegetable oils per hectare with average yield around 4 tons per hectare per year. Among the 10 major oil seeds, oil palm accounted for 5.5% of global land use for cultivation, but produced 32% of global oils and fats output in 2012. (Oil World 2013)



Global Market

To satisfy the rising demand of *palm oil for biofuel, agrifood, and the oleochemical industry*; global palm oil production is anticipated to be on a continuous rise in the foreseeable future.

The key factors driving growth of global palm oil demand include: Rising global populations and per capita consumption; in parts of *Asia and Africa* intake has not yet reached the recommended rate of 20kg per capita.

Yield efficiency, price competitiveness and health advantages compared to other major vegetable oils; demand in North America growing by *25% per year* as concern rises over health risks of

transfats in hydrogenated oils like soya bean. Finally growing government mandates for biodiesel blending in many parts of the world to meet environmental targets.

The demand for certified Sustainable Palm Oil (*RSPO*) is anticipated to grow in the near future as it addresses the environmental concerns by way of developing new plantations on existing cleared land, conservation of natural resources, and reduction in the use of fossil fuels as well as important social issues. More on how the RSPO system works [click here](#)

Africa

Palm oil remains the traditional and most consumed vegetable oil in Africa with a 52% share of the total vegetable oil market. Despite this, the continent is a net importer of palm oil with 2013/14 production of only *2.2 mil tonnes*; insufficient to meet the domestic consumption of *6.4 mil tonnes* and rendering a production deficit of *4.2 mil tonnes*. The outlook for Palm oil markets in Africa remains interesting for producers with consumption set to remain growing steadily at 6% whilst production remains relatively stagnant growing at only 2%.

The Palm oil industry in Africa involves relatively under-developed large-scale plantations with many estates ageing and with replanting taking place at a slow rate. United Nations Food and Agriculture Organisation (UNFAO) statistics show that oil palm area harvesting dropped to *3.6 mil ha* in 2013 with the decline largely in Nigeria. As a result, African production growth rates remain low, averaging *2.2% per year over the past 14 years*. As of 2013, Nigeria was the continent's largest producer, with *960,000 tonnes* and Côte d'Ivoire with *415,000 tonnes*.

Meanwhile and according to the African Development Bank the number of middle-class consumers in Africa has expanded by more than *60% to 313 million* out of a large population size of over 1 billion. This rising middle class coupled with the gross national income per capita of *US\$1,600* growing at *6% per year* and an economy growing at *4.6% per year* is drive consumption of palm oil. This demand has increased from *3.7kg per capital in 2000 to 5.7 kg per capita in 2013* and is set to continue in the foreseeable future sustaining the expansion of all palm oil-related projects.

Sierra Leone

The 15 countries of the Economic Community of West African States (*ECOWAS*) import *US\$400+*

million of oilseed products every year. As members of **ECOWAS**; producers in Sierra Leone have duty-free access to the whole region.

Sierra Leone currently consumes more than *70,000 tons of vegetable oil*, even though demand is suppressed by limited supplies and high prices. Significant potential also exists for biodiesel from palm-oil to replace a portion of the large market for charcoal as cooking fuel and a portion of diesel used as vehicle fuel. Local prices for edible oils and fuel, after duties and transport, exceed world averages



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