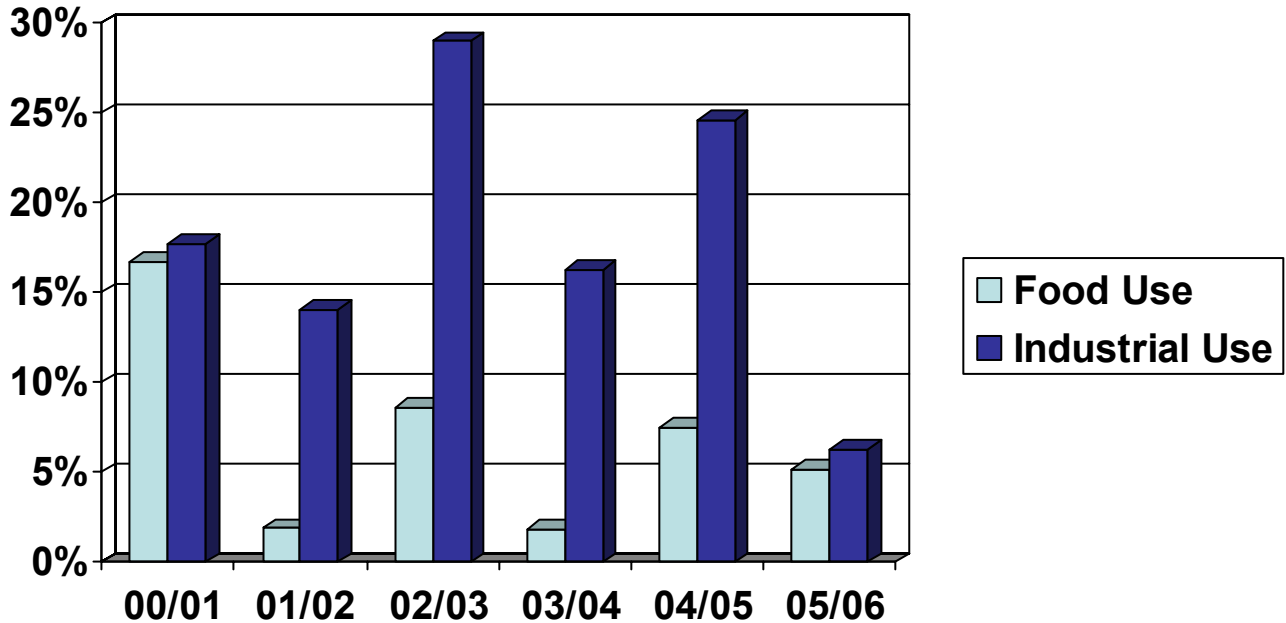


Oilseeds: World Markets and Trade

Growth in Industrial Uses of Palm Oil Exceeds Food Uses

Annual Growth



The industrial use of palm oil has continued to grow dramatically, rising 54 percent in the last three years. While the rapid growth in the industrial use of palm oil before 2003/2004 was due to the expansion of the oleo chemical industry in Southeast Asia, recent increases are linked to the rise in petroleum prices beginning in 2003/2004. Palm oil is increasingly used as a fuel, especially in the European Union. The European Union became the second largest importer of palm oil last year just behind China, almost exclusively on the basis of its use as a fuel. Industrial use of palm oil in the European Union for 2004/2005 is estimated at 1.3 million tons, with about 1 million of that for fuel. This fuel is mostly used for generating electricity in power plants rather than in automobiles or trucks.

The annual change in food use since 2000/2001 has averaged 7 percent while changes in industrial use have been a more robust 18 percent. Food use still dominates the overall use of palm oil at 74 percent of production for 2004/2005, but this is down from 83 percent of production in 2000/2001.

Given its price advantage relative to other vegetable oils, palm oil will likely receive increasing attention as an alternative fuel. Such attention is driven by high petroleum prices and efforts to reduce dependence on fossil fuels. However, as a result of increased industrial use of vegetable oil in the longer term, stocks are likely to come under pressure and prices should rise, moderating the growth in demand for industrial vegetable oil.