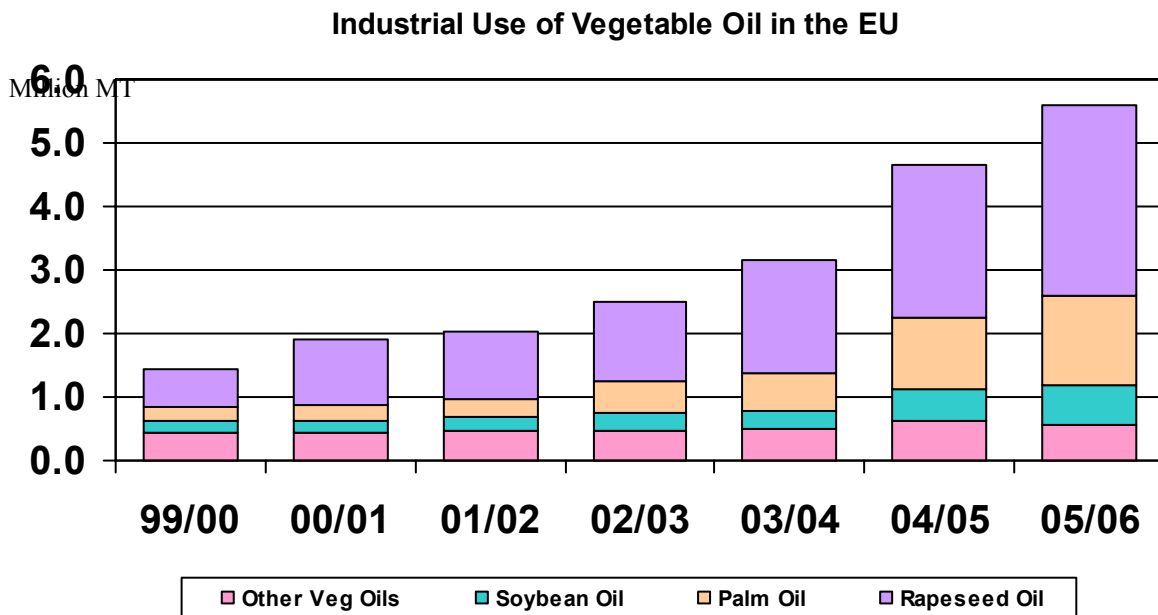




Oilseeds: World Markets and Trade

Growing Industrial Use of Vegetable Oil Expected to Impact EU Oilseeds and Products Trade



The recent rise in petroleum prices has increased interest in utilizing vegetable oils as fuels. Nowhere has this trend progressed farther than in the EU, where high taxes, greater use of diesel fuels, and government incentives have combined to propel them to the forefront of renewable fuels use. Early efforts beginning in the 1990's focused on bio-diesel produced from rapeseed oil. By 2002/03, interest in using palm oil in blended fuels and in power generation led to increased imports. With petroleum prices above \$60 per barrel, the demand for vegetable oil based fuels is expected to climb considerably. 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.

As demand for soybean oil as a fuel grows, a rebound in EU soybean imports and crush is expected as crush margins improve. Vegetable oil exports, particularly rapeseed and soybean oil, are forecast to decline from levels observed in the late 1990's. Imports of rapeseed, palm and sun oils are also expected to climb in the coming years, with sun oil growth (primarily for food use) resulting from a shift to rapeseed crushing in Germany. With current consumption of biofuels constrained by limited processing capacity, consumption growth should be highly correlated with the amount and pace of infrastructure investment. At current prices, infrastructure expansion in the EU is likely to continue at an accelerated pace.