

Palm Oil Market Share in the US

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INTRODUCTION

The visit of Ambassador Demetrios J Marantis, Deputy Trade Representative of the United States, to Malaysia in early March 2010 to discuss the trade related issues between the two nations denotes a significant starting point for the enhancement of trade relation between Malaysia and the USA. The visit of Datuk Seri Mohd Najib Tun Abd Razak, the Malaysian Prime Minister, to the USA from 9-16 April 2010 marked a new era on the bilateral relationship between Malaysia and the USA in many aspects. The revived relation between the new administrations of Malaysia and the USA can be very advantageous to trade on agro-based products particularly palm oil.

Palm oil has played a significant role in the US market especially in the food sector. From the early 1980s, palm oil from Malaysia had struggled through many waves of resistance from the local producers, non-government organizations (NGOs) and came out well to claim its position as the most competitive and versatile food ingredient to replace *trans* fatty acid (TFA or *trans* fat) in food formulations.

Many events had taken place over the last few decades which had significantly influenced palm oil's position in the US's market especially in the food sector as illustrated in *Figure 1*.

Palm oil being natural, *trans*-free and containing equal ratio of saturated and unsaturated fatty acids plays a major role as a replacement for *trans* fat which is known to have negative effect to health. Consumers now realize that *trans* fat is bad for health and is

linked to the risk of heart disease or CVD. Consumers in the US may find it hard to accept but scientific studies over the last 20 years have shown that *trans* fat is in fact worse than saturated fat with respect to heart disease. On a one-to-one basis, saturated fats have been shown to be seven times better than *trans* fat. A new debate has begun based on the fact that saturated fats are much healthier and is not linked to the risk of heart disease. With nutrition science constantly evolving and the 'lipid hypothesis' was never really proven, we are now witnessing a major shift in thinking and perceptions about saturated fats in the next few years.

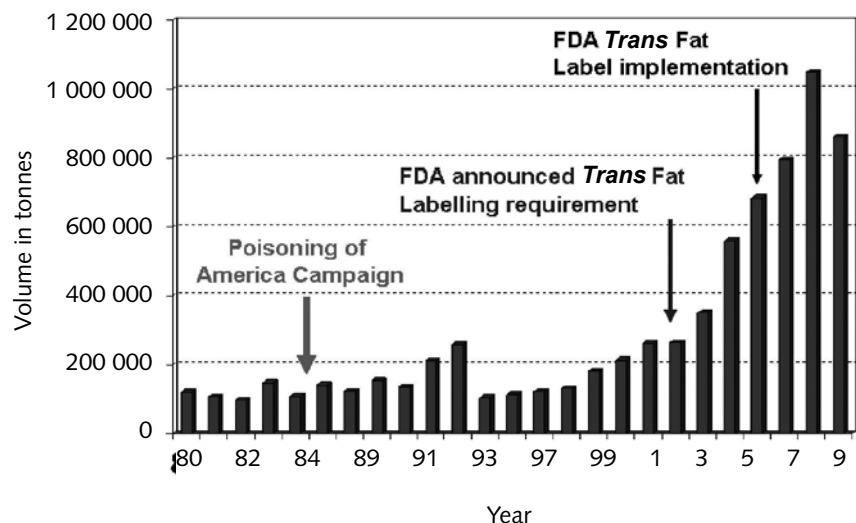


Figure 1. Palm oil market evolution in the USA from 1980 to 2009.

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Soyabean had always been the most widely consumed oil in the USA but over the last few years its applications in the food sector had been eroded by other vegetable oils as shown in Figure 2.

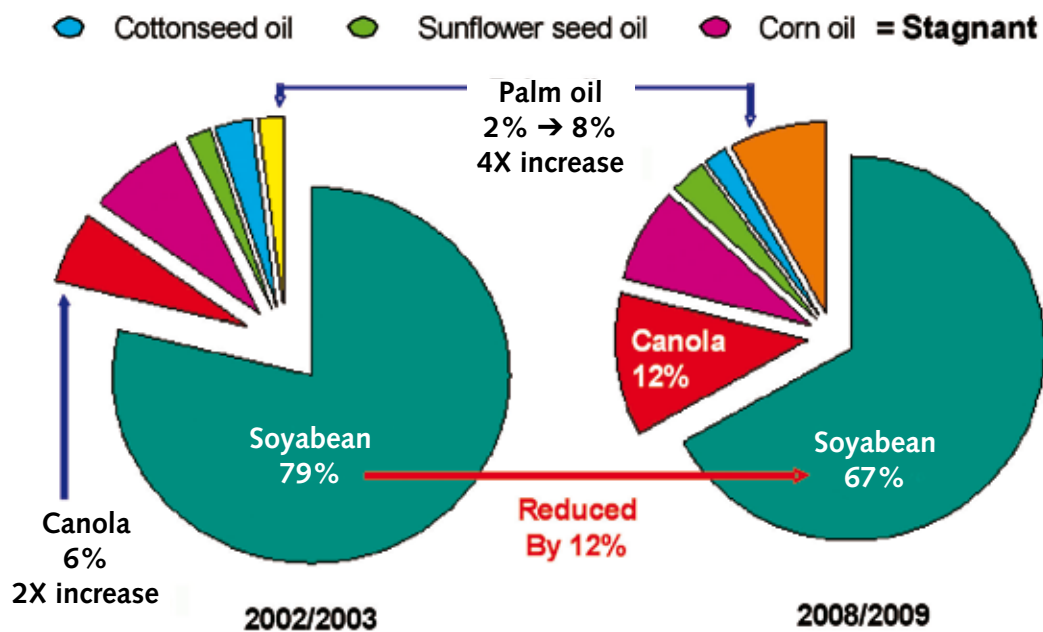
Historically, soyabean oil was able to provide opportunity to satisfy a broad range of applications; in food and non-food sectors. However, over the last six years its application in the food sector had been reduced by other vegetable oils notably canola oil and palm oil. The volume of soyabean oil for domestic consumption had shrunk by 12%. Canola oil consumption had doubled while consumption of palm oil increased four-fold during the same period. These changes are mostly driven by the removal of *trans* fat from food formulations. Palm oil with higher solid content provides the functionality

and performance naturally without the need for hydrogenation. This reflects the lower use of hydrogenated soyabean products in order to conform to the *trans* at labelling requirements particularly in California and the New York

Removal of *trans* fat from food formulations had caused some set back to the soyabean oil application in food sector particularly in the baking segment. *Qualisoy* has been spearheading the latest research and development in soyabean to overcome the *trans* fat issue through the development of new traits of high oleic, low linolenic and high stearic acid with higher oxidative stability. These new options are being developed to circumvent *trans* fat issue and to avoid hydrogenation process. The status of the development of these new traits is shown in Figure 3.

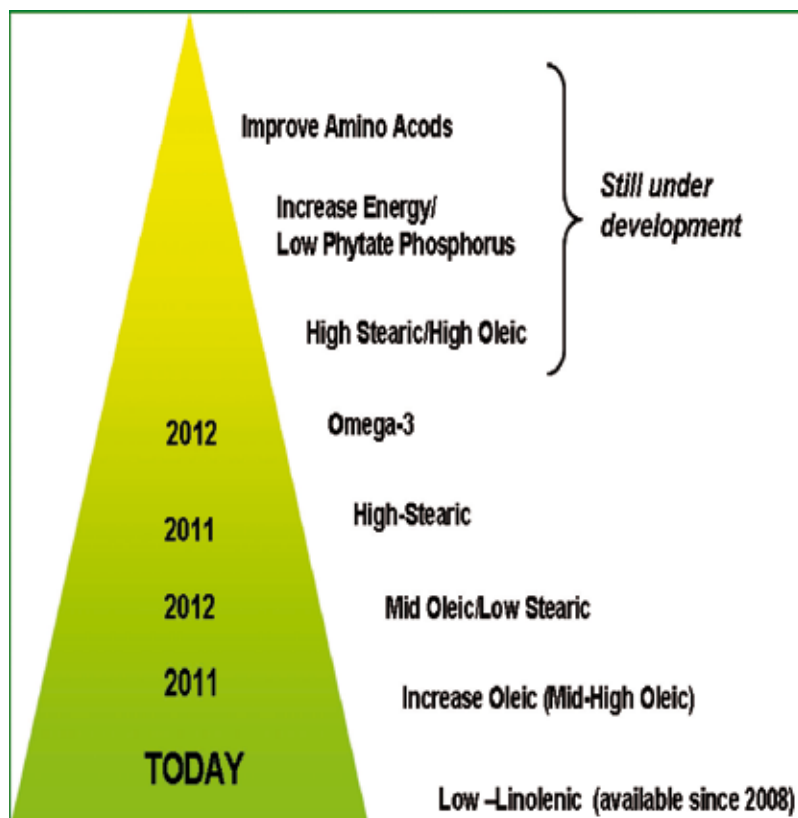
The US Food and drug Administration (FDA) announcement in 2003 of *trans* fat labelling requirement and its implementation in 2006 were the great turning point for saturated fats such as palm, palm kernel and coconut oils in the USA food industry. Palm oil is perceived as a natural oil and is now enjoying a greater acceptance than before among the formulators and food processors. Companies like Fuji Oil, California Oils LLC, AAK, Ventura Foods LLC, Kellogg and Kraft were among the first to switch to palm oil as an ingredient in their products. The increased application of palm oil in the USA food industry is translated in the palm oil volume imported by the USA as shown in Figure 4.

Since 2003, after the announcement of the TFA labelling requirement, palm oil export volume



Source: P. de Laperouse. *Nutracon 2010 – Health Oil Track*; US census and USDA FAS.

Figure 2. Improvement of palm oil share in the USA vegetable oil market.



Source: Qualiso website.

Figure 3. Timeline for the development of new traits of soybean oil.

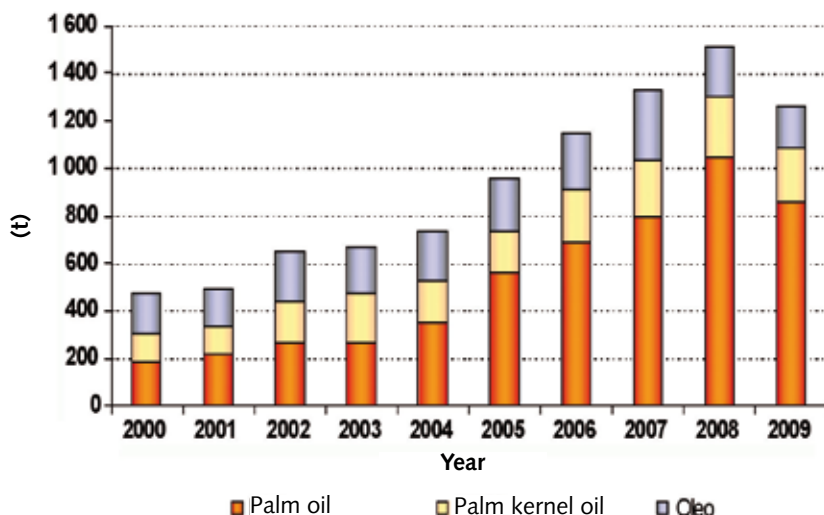


Figure 4. Export of palm oil products to the USA in the last decade.

to the USA increased steadily and reached its peak in 2008 when the volume of palm oil exported to the USA exceeded 1.0 million tonnes while the overall volume for palm products were 1.52 million tonnes with a total revenue of USD 1.42 billion. In January 2010, California banned *trans* fat in food services and restaurants and this will give further advantage to palm oil compared to soyabean oil. Other states in the USA are also following California's decision in banning *trans* fat in food formulation as shown in Figure 5.

The *Tropical Grease Campaign* and *Poisoning of America* campaigns are also almost forgotten after the new research finding about the effect of *trans* fat on health. Consumers are now turning away from foods derived from chemical processing such as hydrogenation.

Although palm oil is playing a very significant role as an alternative for *trans* fat replacement, continued media publicity on the saturated issue is starting to make some impact on the palm oil users in the USA. Consumers are again becoming more concerned about using palm oil in their products. Media and consumer advocacy groups are now throwing allegations against palm oil related to saturated fat issue, which rekindles the old belief about saturated fats. The negative perception about palm oil is now creeping back into consumers' minds. Consumer advocacy groups such as Center of Science for Public Interest, American Heart Association and American Medical Association are also lobbying the

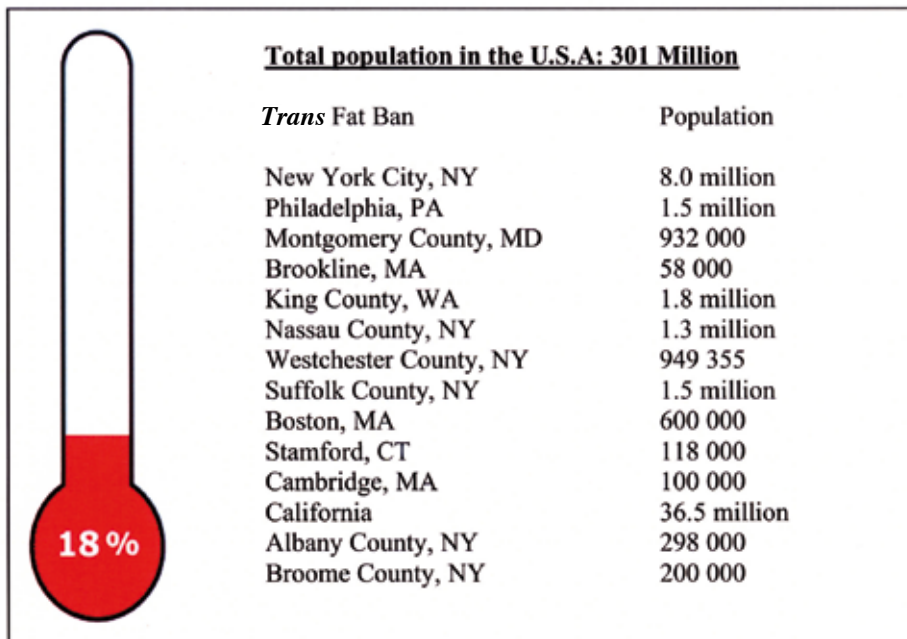


Figure 5. *Trans* fats bans in restaurant.

US government for a policy to lower the intake of saturated fats. Currently, the limit for saturated fatty acid (SFA) intake under the US Dietary Guideline 2005 is 10%; they are lobbying that this level goes down to 7% or lower.

The latest World Health Organization (WHO) publication on recommendation for saturated fats mentioned that C₁₂-C₁₆ increases

LDL-C while C₁₈ (stearic acid) has no effect. The way it is written is very damaging to palm oil because palm oil contains a level of palmitic acid (C16). Without clear understanding of the fatty acid profile of palm oil, some of the customers have begun to label palm oil as ‘bad fat’ because of its ~50% saturated fat content even though research had proven that not all saturated fat is the same.

There is clearly a need to strike a fine balance between educating the media, customers and consumers about the fatty acid profiles of palm oil and its nutritional benefits as well as its effect on blood cholesterol while promoting palm oil to replace *trans* fat in food formulations. With new research findings on saturated fats and support from food manufacturers, palm oil will definitely grow in volume as an integral part of US food supply.