Africa: Oils and Fats Scenario

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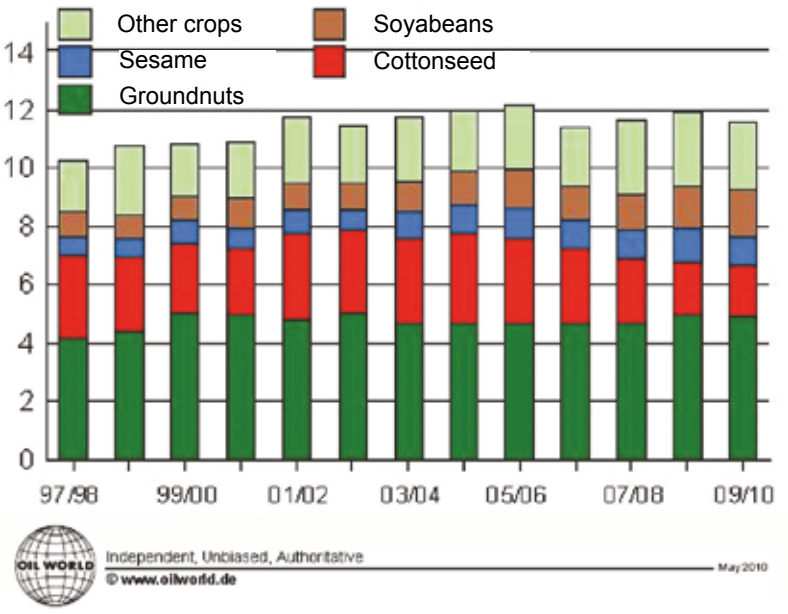
OILS AND FATS BALANCE

Agriculture is an integral part of the African economy. For example, in South Africa, the most developed African country, besides the presence of huge mining and industrial sectors in the country, the agricultural sector plays an important role in the economy. The agricultural sector contributes up to 8% of the Gross Domestic Products (GDP) of South Africa, which is a net exporter of agricultural products. The many agricultural cooperatives suggest the importance of this sector towards the socio-economic development in the country (About South Africa, 2001). In many African states, agriculture is the backbone of the economy employing about 60% of African workers. Three-fifths of African farmers are poor subsistence farmers (Wikipedia, 2001).

Ironically, being largely an agricultural continent, Africa is a net importer of food. This article will elaborate on the production of oilseeds and oil producing crops in Africa.

Sesame, groundnuts, soyabean and cottonseeds are the major oilseeds produced in Africa. *Figure 1* shows the production of selected oilseeds in Africa. The production of those selected oilseeds has been relatively stagnant since 1997 at about 10-12 million tonnes per year. Agriculture in Africa depends largely on rainfall patterns. Low rainfall would result in lower agricultural outputs and prolonged droughts would result in famine. In recent years, climate change has resulted in excessive rainfall, causing flooding in large cultivated areas destroying crops.

In Egypt and other countries sharing the Nile Basin, irrigation is the main source of water for agriculture. In these countries, the cultivation of agricultural crops is



Source: *Oil World Annual* (2010).

Figure 1. Selected African countries production of oil seeds (million tonnes).

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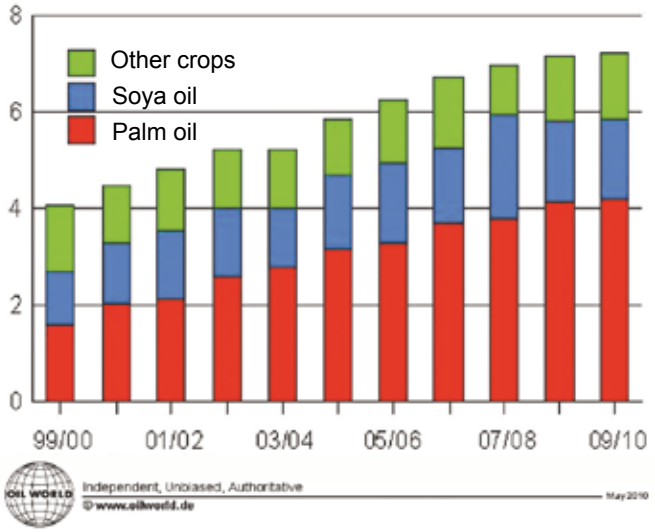
more stable but the production of oilseeds is still dwindling. Egypt, a large producer of cotton, has seen its production decreasing due to cotton farmers shifting to other crops for higher income. As a result, the production of cottonseeds has significantly declined. This trend is not unique to Egypt. Cotton farmers in Sudan, Burkina Faso, Niger, Mali and other cotton producing countries are experiencing the same problem. Until now there is no indication that the production of cotton will revive amidst high production cost and low international prices. The cotton subsidies in developed nations artificially depressed prices, making it very difficult for cotton from Africa to be competitive (UNCTAD, 2011).

In Africa, the biggest amount of oilseed produced is groundnut. However, production has been stagnant at about 5 million tonnes per year. Unlike cotton, groundnut enjoys good and attractive international prices (Indexmundi, 2011). The constraint lies in the expansion of cultivation area as arable land for groundnut cultivation is limited. Expansion means farmers have to forego other crops. Groundnut production also depends on the amount of rainfall. West African countries, Senegal, Gambia, Nigeria, Niger and Sudan are major groundnut producers. Groundnut is generally consumed in the form of nut and only the excess is converted into groundnut oil. Thus, volume of groundnut oil produced is not necessarily in line with the production volume of groundnut.

The production of sesame and soyabean oil has gradually increased in the last 10 years. The production of sesame seeds is supported by the demand from consuming countries such as Japan and China which results in attractive selling prices. Soyabean production has been supported firstly by government policy to reduce dependence on imported oil and secondly by the effect of the biodiesel drive. In South Africa, soyabean production was initiated to create jobs and for biodiesel production. However, considering that South Africa is a net importer of edible oils, it is not feasible to use soyabean oil for biodiesel production (MPOB, 2007). Soyabean projects were also initiated in Egypt, Sudan and Nigeria for the animal feed industry. Increase in local production reduces the dependence on imports of soyabean meal.

The African continent's ability to increase production of oilseeds is still uncertain due to the numerous challenges involved. Sixty percent of the farmers are subsistence farmers with low capital to effectively increase production. For example, without the help of their respective governments to provide subsidised fertilisers, it is quite hard for the farmers to increase yields. Another complication is the availability of irrigation systems. Only the Nile Basin countries have good irrigation systems while others depend on rainfall. Significant investment in infrastructure is needed to modernise the agricultural sector. Recently, Sudan upgraded its dams and built new ones. This will increase the irrigated areas by a few million hectares. New dams are reported to be built in the continent by Chinese companies through bilateral agreements with individual countries. With new investments in dams and irrigation systems, there is a chance to increase production of oilseeds but priority will be given to cultivate food crops – corn, wheat, sorghum, *etc*. (MPOB, 2010).

Based on the rise of imports of palm oil in the last 10 years (*Figure 2*), there is certainty that palm oil will maintain its hold on the share of imports of edible oil. Slightly over 4 million tonnes of palm oil



Source: *Oil World Annual* (2010).

Figure 2. Selected African countries imports of oils and fats (million tonnes)

were imported. Import of other oils has been relatively stagnant for decades.

The demand for edible oils in Africa has outpaced its production of oils and fats. Even with the increasing production of palm oil, Africa will continue to be a net importer. As seen in *Figure 3*, the gap was about 2.5 million tonnes in 1996 and grew to 6 million tonnes in 2010. The demand will keep increasing in tandem with the population growth and prosperity of the country. Consumption per capita is still low. In certain African countries the consumption is less than 5 kg per person per year, far below the world's average of 20 kg per person per year. If the per capita consumption increases together with the growth in population, the demand for edible oils would significantly increase.

Based on current production figures (Oil World, 2011) Malaysia is no longer capable of meeting Africa's demand for palm oil; production of palm oil has been stagnant in the last three years. Considering this, half of its palm oil requirements are supplied by Indonesia. Due to this, foreign investors' participation is perhaps the most practical way to increase the supply of palm oil to Africa.

MALAYSIAN PALM OIL SITUATION

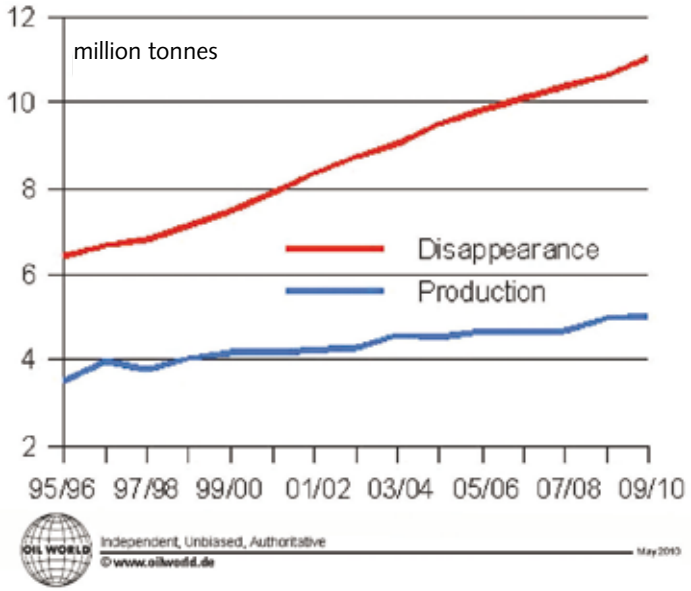
Based on figures in *Table 1*, in the last five years the export of Malaysian palm oil to Africa showed an upward trend; from 1.49 million tonnes in 2005 to 2.5 million tonnes in 2010. In 2011, the export from January to August reached 1.76 million tonnes; an increase of 10.4% compared to 2010. Import by Egypt, Benin, Mauritania and Djibouti consistently increased yearly as these countries are also re-exporting palm oil to neighbouring countries.

Egypt remained a major importer of Malaysian palm oil with a

TABLE 1. EXPORT OF MALAYSIAN PALM OIL TO AFRICA (t)

	January - August		January - December				
Country	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Algeria	24 177	18 305	31 578	10 335	13 769	29 208	39 570
Angola	47 234	21 099	42 139	23 847	36 516	37 508	20 098
Benin	227 447	283 570	376 742	353 275	343 359	251 596	172 226
Cameroon	8 693	22 802	23 743	13 487	32 569	25 906	30 992
Congo	48 985	19 387	30 323	33 044	36 386	39 842	38 228
Cote D'Ivore	1 184	2 373	5 846	5 129	14 543	766	937
Djibouti	95 410	132 084	162 557	136 239	104 121	80 981	47 805
Egypt	471 709	541 535	938 722	609 210	347 558	184 588	211 686
Ethiopia	41 583	10 669	14 005	17 534	9 982	5 824	9 567
Gabon	9 810	5 379	9 170	5 277	7 106	2 185	2 557
Gambia	11 219	8 224	10 903	18 370	21 993	33 148	28 154
Ghana	71 738	51 706	100 914	74 949	114 162	106 034	105 739
Guinea	40 245	5 218	15 481	14 007	7 981	9 288	9 154
Kenya	16 427	22 917	29 641	19 406	54 332	95 254	103 400
Madagascar	13 228	11 107	27 395	34 525	6 590	13 993	11 121
Mauritania	65 944	53 128	76 146	81 966	64 994	53 855	48 618
Mozambique	6 533	17 420	42 822	49 221	56 088	38 358	52 159
Nigeria	240 786	17 539	27 893	38 643	14 335	1 099	1 028
Senegal	6 261	2 160	2 414	9 525	8 950	9 000	12 707
Sierra Leone	5 985	5 781	7 623	10 366	9 126	9 426	4 261
Somalia	4 172	6 806	7 796	9 676	20 933	16 398	11 563
South Africa	124 102	100 629	151 216	114 661	156 950	246 807	260 322
Tanzania	29 716	66 522	99 376	74 666	133 789	146 491	120 310
Togo	122 889	134 184	230 545	95 707	106 242	101 944	119 304
Tunisia	354	16 315	22 319	31 282	16 210	9 544	3 057
Others	28 187	21 013	31 840	29 653	42 007	44 020	25 534
Total	1 764 018	1 597 872	2 519 150	1 914 000	1 780 591	1 593 063	1 490 098

Source: MPOB (2011a).



Source: *Oil World Annual* (2010).

Figure 3. Selected African countries imports of oils and fats (million tonnes).

total import of 938 722 t in 2010, an increase of 35% compared to 2009. Some of the products were re-exported to North African and Mediterranean countries as well as Eastern and Southern Africa who are members of the COMESA common market treaty. However, until August, the import decreased by 13%, from 541 000 t in 2010 to 471 709 t in 2011, mainly due to political instability in Egypt. Other major importers are Benin (376 740 t), Togo (230 545 t), Djibouti (162 550 t), South Africa (151 210 t) and Ghana (100 910 t). From January-August 2011, Nigeria imported 240 780 t of Malaysian palm oil, an increase of 92.7% compared to 2010. This increase was due to the Nigerian government allowing direct import into the country.

Algeria, Angola, Congo, Ethiopia, Ghana, Guinea, Mauritania and South Africa also showed an increase in imports in the January-August 2011 compared to the same period in the previous year. However, Benin, Djibouti, Egypt, Kenya, Mozambique, Tanzania, Tunisia and Togo experienced a big drop in their import of Malaysian palm oil. Benin and Togo are the transit countries for import of Malaysian palm oil into Nigeria. Therefore an increase in direct import by Nigeria will impact negatively on imports by Benin and Togo. Similarly, Djibouti is a transit port for palm oil imports to Ethiopia; increasing imports by Ethiopia results in a decline in imports by Djibouti.

In terms of palm oil products, refined, bleached and deodorised (RBD) palm olein is a product preferred by the most of African countries. *Table 2* shows that from 2006 to 2010, the quantity of RBD palm olein imported by Africa was the highest followed by cooking oil, RBD palm stearin and RBD palm oil. In 2010, the export of RBD palm olein was 1.33 million tonnes and cooking oil was 0.48 million tonnes. These two products contributed 72% of the total export of Malaysian palm oil to Africa. Major importers of RBD palm olein in 2010 were Egypt, Benin, Togo, South Africa, Djibouti, Ghana and Mauritania while for cooking oil, Benin, Togo, Djibouti, Mauritania and Ghana, Angola and Congo were the major importers. Egypt and South Africa imported RBD palm olein for blending with soft oils for local distribution and also for re-exporting to neighbouring countries. Benin, Togo and Ghana re-exported RBD palm olein to Nigeria and other landlocked countries such Niger, Mali, Chad and Republic of Central Africa. Djibouti mainly re-exported to Ethiopia and Mauritania for further re-exporting to West Sahara, Mali, Niger and Gambia.

Export of Malaysian palm kernel oil (PKO) to Africa can be seen in *Table 3*. For the last five years, there was an increasing trend in export, from 69 000 t in 2006 to 112 900 t in 2010. The slight decline in 2008 was probably due to price inconsistency during the year. In the January to August period of 2011, there was a 23.9% decline compared to the same period in 2010; from 63 000 t to 48 000 t. This was due to the political unrest in Egypt and Algeria. Major importers of Malaysian PKO are Egypt, South Africa and Algeria. Egypt alone imported about 65% of the total Malaysian palm kernel products imported by the region.

RBD palm kernel olein was the main PKO product exported to the region, about 50% of the total export, followed by RBD palm kernel oil, hydrogenated palm kernel oil, hydrogenated palm kernel olein and RBD palm kernel

TABLE 2. EXPORT OF MALAYSIAN PALM OIL TO AFRICA BY PRODUCTS (t)

	January - August		January - December				
Products	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
CPO	63 849	22 060	53 097	21,522	21 819	14 380	1 402
RBDPO	104 992	105 661	178 159	144 313	69 668	59 748	107 290
PFAD	10 960	8 607	18 375	6 154	28 990	44 679	49 661
CPOo	13 189	51 606	91 305	42 979	70 541	93 657	70 938
RBDPOo	892 953	829 674	1 329 960	857 734	863 693	780 892	734 692
RBDPOs	164 488	123 172	175 752	154 855	91 843	104 219	102 876
Cooking oil	420 170	319 588	481 369	457 683	312 520	287 553	202 009
Others	93 417	137 503	191 132	228 759	321 517	207 936	221 229
Total	1 764 018	1 597 872	2 519 150	1 914 000	1 780 591	1 593 063	1 490 098

Note: CPO – crude palm oil, RBDPO – refined, bleached and deodorised palm oil, PFAD – palm fatty acid distilled, CPOo - crude palm olein, RBDPOo - refined, bleached and deodorised palm olein, RBDPOs - refined, bleached and deodorised palm stearin.
Source: MPOB (2011b).

TABLE 3. EXPORT OF MALAYSIAN PALM KERNEL OIL TO AFRICA (t)

	January - August		January - December				
Country	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Algeria	3 713	5 457	8 766	8 432	9 660	6 602	3 419
Egypt	32 023	39 684	72 484	42 389	28 303	30 599	25 307
Ghana	520	660	1 120	1 201	1 064	788	688
Libya	0	423	508	148	86	525	204
Madagascar	660	434	825	391	422	418	336
Morocco	474	493	723	1 490	2 365	1 692	4 314
Nigeria	0	591	1 011	1 288	231	412	0
Sierra Leone	84	1 066	1 694	886	0	495	0
South Africa	9 345	13 038	23 827	19 968	21 613	29 734	32 004
Tanzania	446	126	273	405	827	580	980
Others	816	1 200	1 706	4 613	3 239	4 420	1 930
Total	48 080	63 172	112 937	81 210	67 810	76 266	69 183

Source: MPOB (2011).

TABLE 4. EXPORT OF MALAYSIAN PALM KERNEL TO AFRICA BY PRODUCTS (t)

	January - August		January - December				
Products	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
CPKO	2 478	0	925	2 710	204	302	41
RBDPKO	3 953	4 321	16 081	12 143	10 460	17 180	20 169
RBDPKL	23 953	30 085	56 509	28 427	22 440	27 932	22 233
RBDPKS	5 012	7 216	9 468	8 250	6 262	8 749	9 192
HPKO	6 556	11 341	14 967	12 691	12 157	7 179	6 495
HPKL	3 189	6 768	9 748	9 969	9 921	8 735	4 630
HPKS	1 770	2 900	4 302	3 643	2 645	2 036	1 906
Others	1 177	541	938	3 377	3 721	4 153	4 517
Total	48 088	63 172	112 937	81 210	67 810	76 266	69 183

Note: CPKO – crude palm kernel oil, RBDPKO – refined, bleached and deodorised palm kernel oil, RBDPKL- refined, bleached and deodorised palm kernel olein, RBDPKS- refined, bleached and deodorised palm kernel stearin, HPKO-hydrogenated palm kernel oil, HPKL-hydrogenated palm kernel olein, HPKS-hydrogenated palm kernel stearin.
Source: MPOB (2011).

stearin. Egypt was the main importer of all palm kernel oil products.

Table 5 shows the export figures of Malaysian oleochemical products to Africa. The import pattern shows an increasing trend from 74 700 t in 2006 to 134 600 t in 2010. There was slight deficit in 2011 (January to August period) to 60 950 t from 74 410 t in 2010 (January to August). Major importing countries were Egypt, Ethiopia, South Africa and Nigeria. All major importers experience deficit in import in 2011. This could be due to the decline in prices of palm oil products causing importers to purchase in smaller quantities while waiting for prices to stabilise.

Total export of Malaysian palm finished products to Africa was 86 839 t in 2010. This was an increase of 7.7% compare to 2009. For the last five years, the import experienced an increasing trend from 54 000 t in 2006 to 86 839 t in 2010 with a slight reduction in 2007, as shown in *Table 6*. Algeria, South Africa and Nigeria were the major importers of Malaysian finished palm products. From January to August 2011, the total import was 50 350 t, this was a 19% compared to same period 2010 mainly due to the lower demand by Egypt, Nigeria and South Africa.

As per *Table 7*, shortening, soap (flakes, noodles and chips) and vegetable fat were the most

TABLE 5. EXPORT OF MALAYSIAN OLEOCHEMICAL TO AFRICA (volume and value)

	January - August		January - December				
Country	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Algeria	2 180	2 792	5 172	3 928	3 397	5 380	12 079
Cote D'Ivore	839	1 562	1 861	1 666	2 293	1 266	1 083
Djibouti	2 818	2 632	3 546	3 835	5 771	6 763	2 124
Egypt	16 082	19 531	28 733	34 139	28 857	22 660	9 147
Ethiopia	985	567	28 733	2 226	2 972	2 105	4 502
Kenya	2 081	1 917	3 392	1 889	3 465	5 294	6 697
Nigeria	10 828	16 334	20 976	22 734	14 220	18 934	7 462
South Africa	12 159	16 343	23 431	14 950	15 983	19 436	17 520
Others	12 978	12 736	18 732	21 210	25 749	16 733	14 108
Total	60 950	74 414	134 576	106 576	102 706	98 572	74 721

Source: MPOB (2011).

TABLE 6. EXPORT OF MALAYSIAN FINISHED PRODUCTS TO AFRICA (t)

	January - August		January - December				
Country	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Algeria	15 134	15 940	23 894	14 731	12 113	6 365	9 317
Benin	3 430	3 164	4 581	3 299	3 684	212	191
Djibouti	421	2 394	2 736	3 273	5 118	3 334	3 411
Egypt	2 254	6 084	7 332	7 477	2 125	1 002	4 064
Ghana	812	1 009	1 442	2 230	2 334	2 112	2 680
Madagascar	858	424	1 045	1 119	737	996	503
Mauritania	2 872	1 142	1 466	698	267	308	0
Mauritius	362	227	587	2 340	1 921	504	422
Morocco	630	864	964	1 330	661	932	783
Mozambique	4 116	2 037	3 416	4 533	4 014	4 150	2 729
Nigeria	4 843	9 095	10 908	11 250	14 418	5 056	5 846
Senegal	2 144	1 325	2 851	557	1 232	687	613
South Africa	2 087	10 356	14 282	11 706	10 737	10 267	12 103
Sudan	7 577	4 837	6 013	5 964	4 860	6 510	5 534
Others	2 816	3 121	5 321	10 147	8 434	7 097	5 981
Total	50 357	62 018	86 839	80 653	72 655	49 531	54 178

Source: MPOB (2011).

TABLE 7. EXPORT OF MALAYSIAN PALM FINISHED PRODUCTS TO AFRICA BY PRODUCTS (t)

	January - August		January - December				
Products	**2011**	**2010**	**2010**	**2009**	**2008**	**2007**	**2006**
Veg ghee/vanaspati	462	217	217	985	1 556	1 538	2 300
Margarine	554	422	630	1 949	616	244	418
Shortening	17 225	24 723	34 530	27 400	25 469	17 142	16 186
Cocoa-butter subs	758	635	879	920	1 584	906	1 239
Vegetable fat	2 133	1 830	3502	2 704	1 706	1 423	3 244
Palm fat	550	137	481	2 005	3 436	2 675	1 580
Coating fat	846	600	912	983	240	400	60
Soap chips/flakes/noodles	7 739	5 718	8 215	8 625	4 320	245	220
Total	30 267	34 282	49 366	45 571	38 927	24 573	25 247

Source: MPOB (2011).

popular products imported. In 2010, shortening (70%) was the main product exported, followed by soap (flakes, noodles and chips) (16.6%) and vegetable fat (7%). The decline of total exports in this category occurred in the January to August 2011 period, reducing to 30 267 t from 34 282 t in 2010, could be due to the political instability in some countries which had hampered trade. With the lower prices in 2011, and improvement in stability, import should pick up to narrow the deficit.

Africa has potential to be a large market for palm oil. It has a large population of over one billion, and in many countries the economic growth is helped by a rising petroleum output. Therefore demand is likely to keep increasing year by year. Even with current new plantings, Africa is still far from being self-sufficient and will need to continue importing oils and fats to satisfy its domestic requirements.

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