

OFI Middle East Conference
20-21 March 2007
Cairo

**The global oils & fats market –
current drivers, future prospects**

Robert Broeska, President, IASC &
Canadian Oilseed Processors Association



The global oils & fats market

1. Current drivers

2. Trade reform

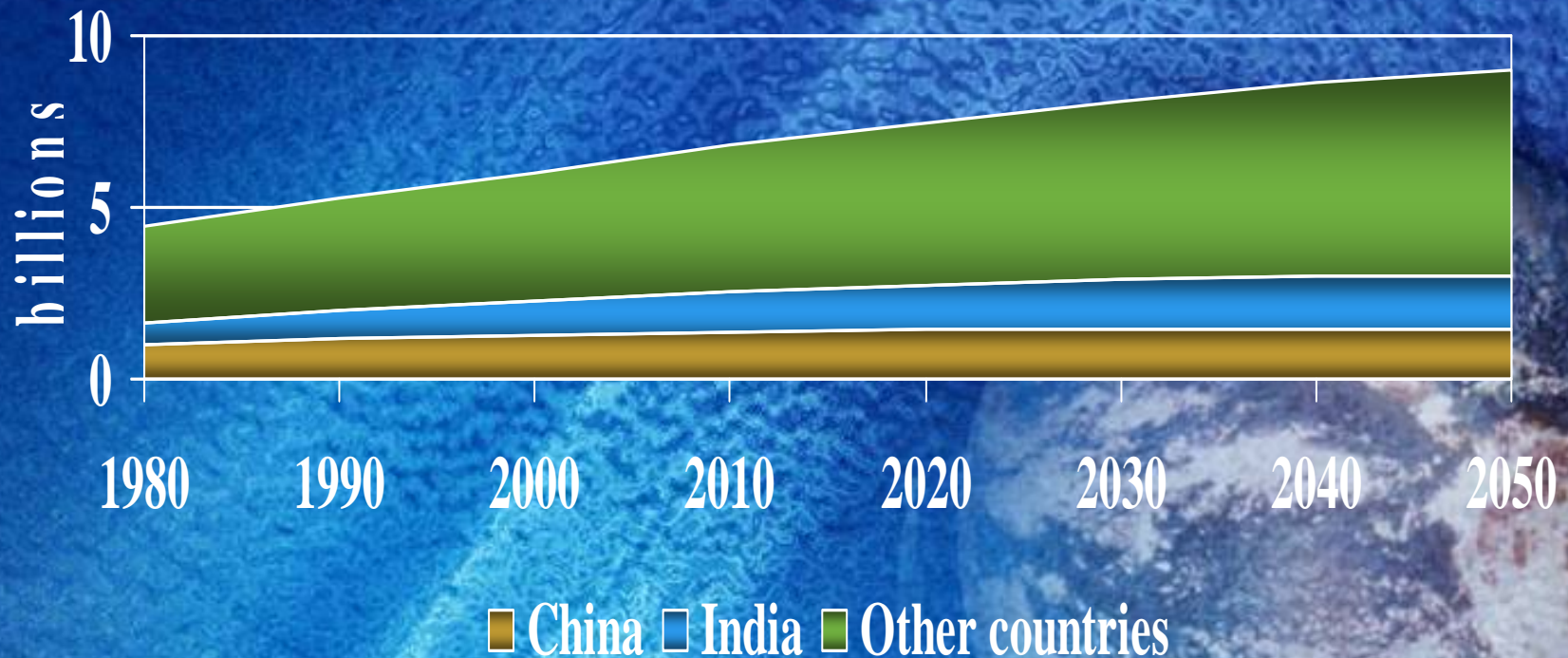
3. Biofuels

4. Biotechnology

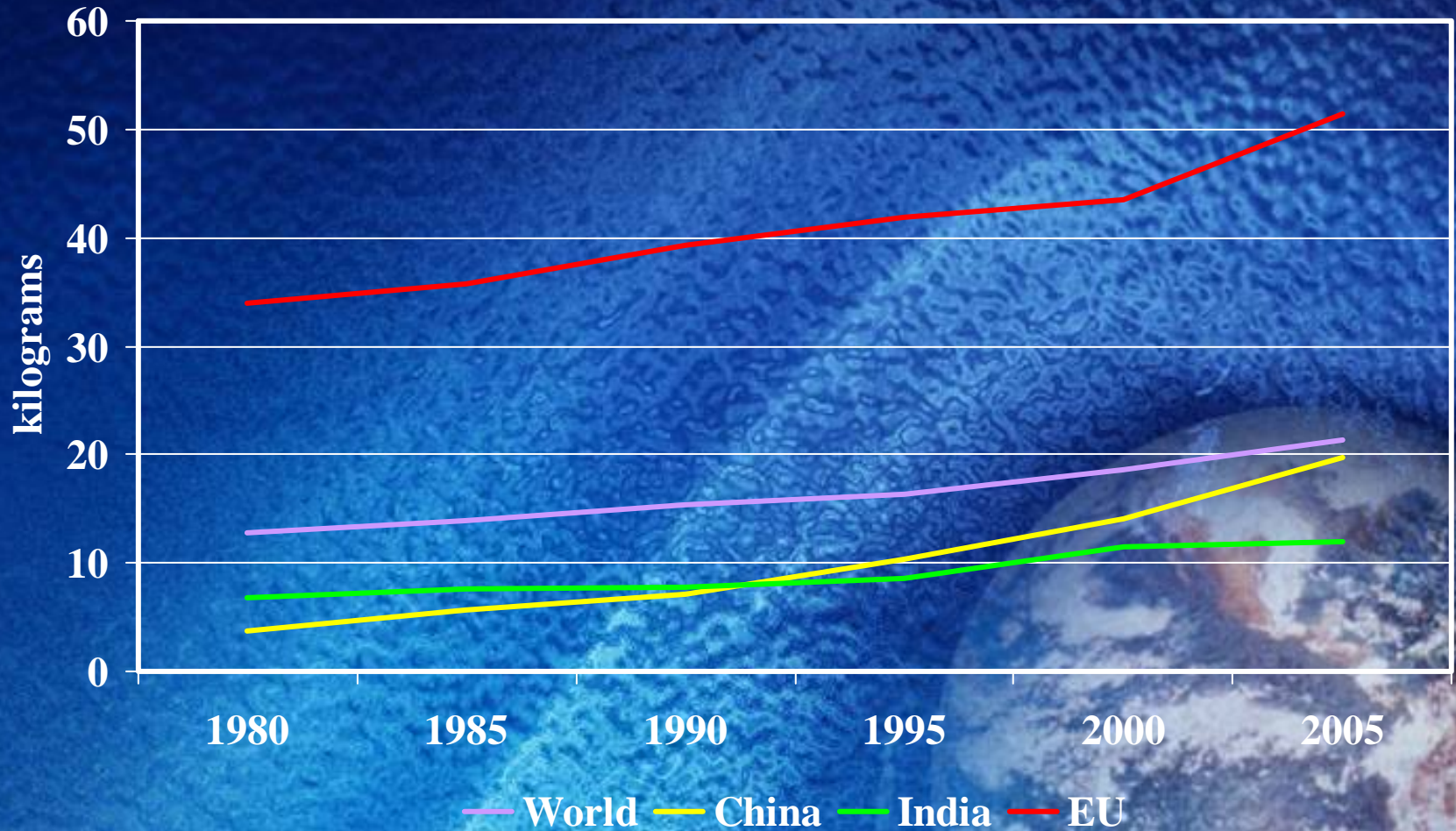
5. Sustainability

Population

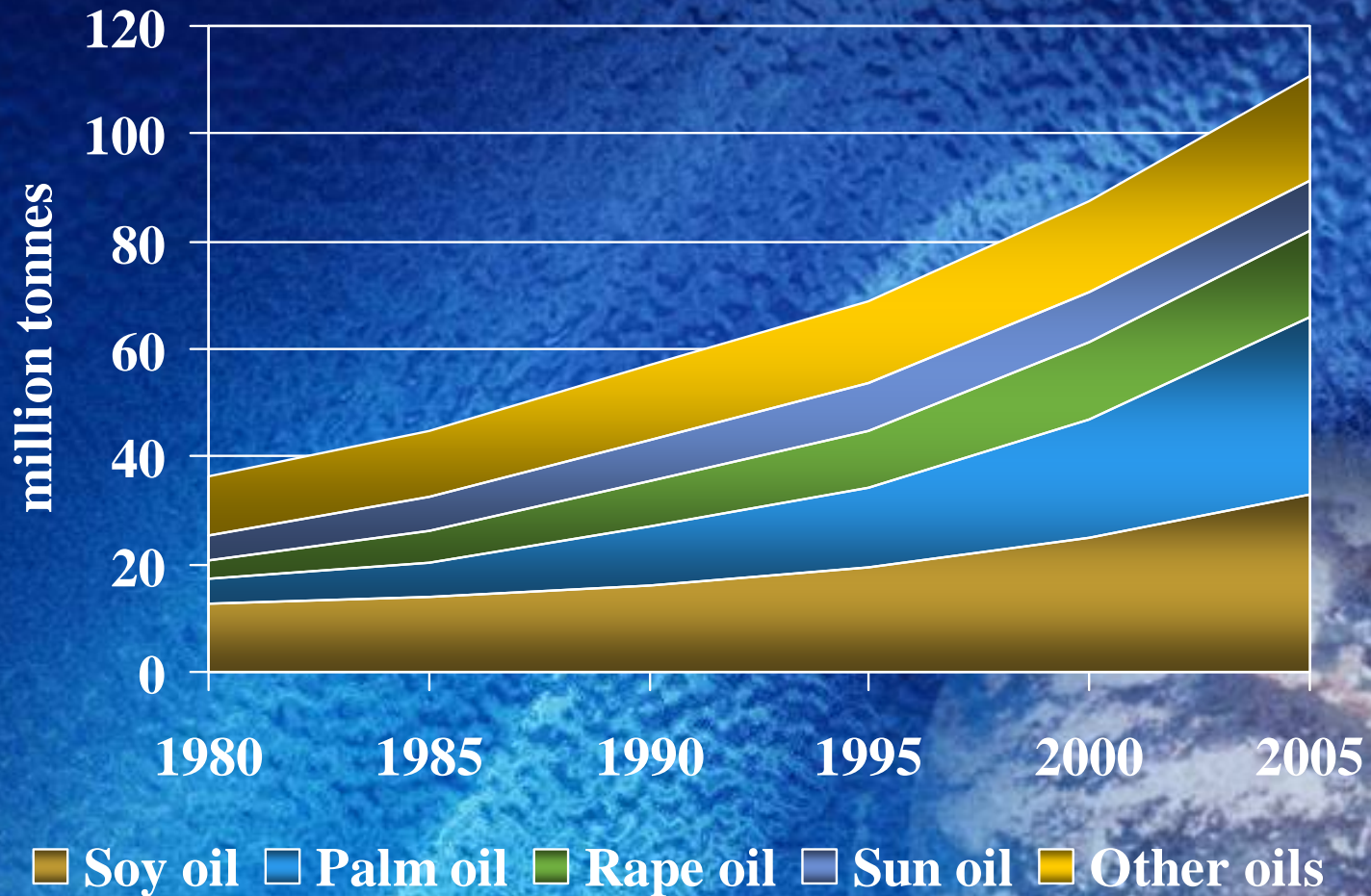
- current world population 6 billion people
- 2050 world population 9 billion
- 97% of increase in less developed regions
- key developing markets are China & India



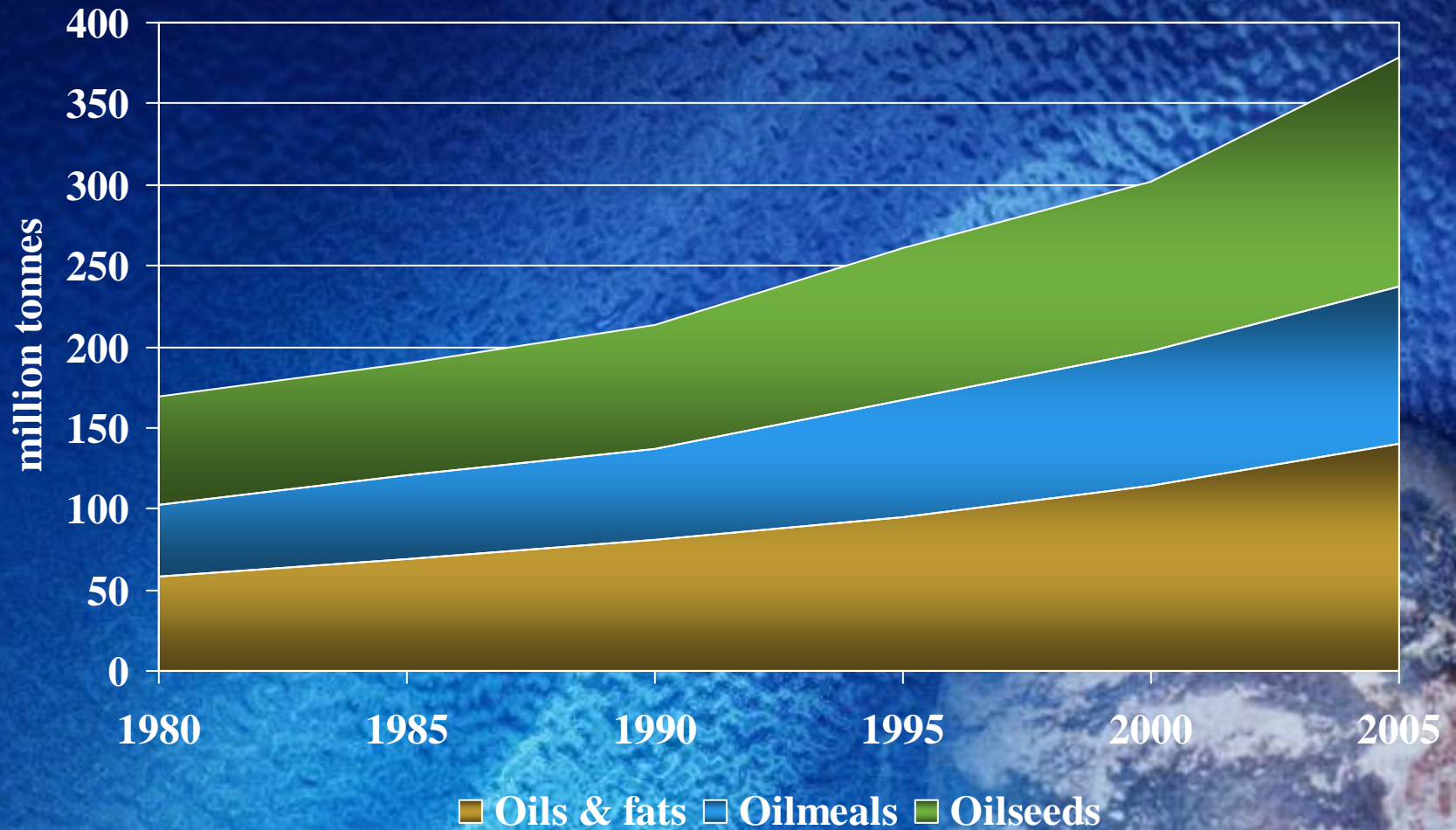
Per capita oils & fats consumption



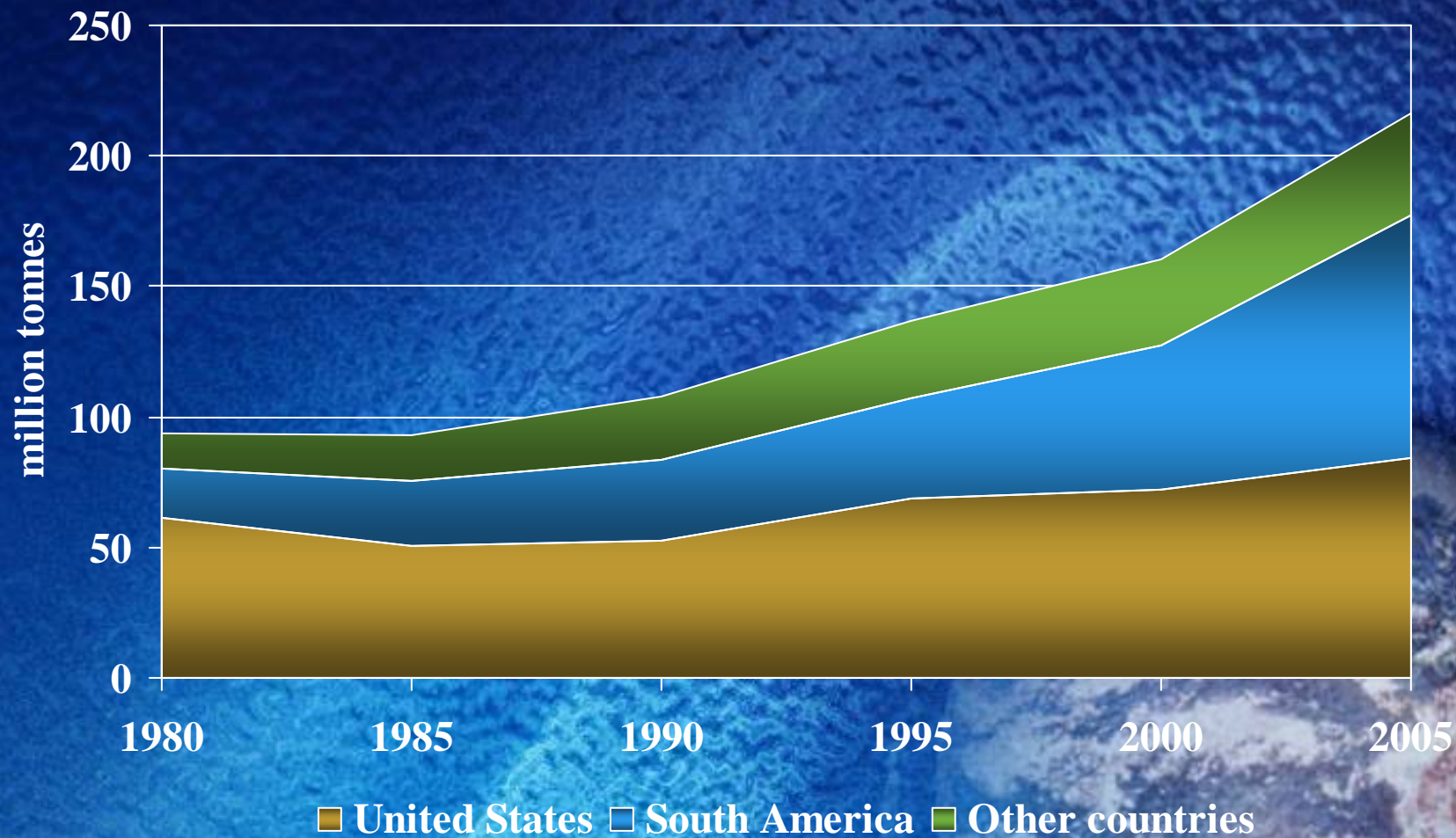
Vegetable oil disappearance



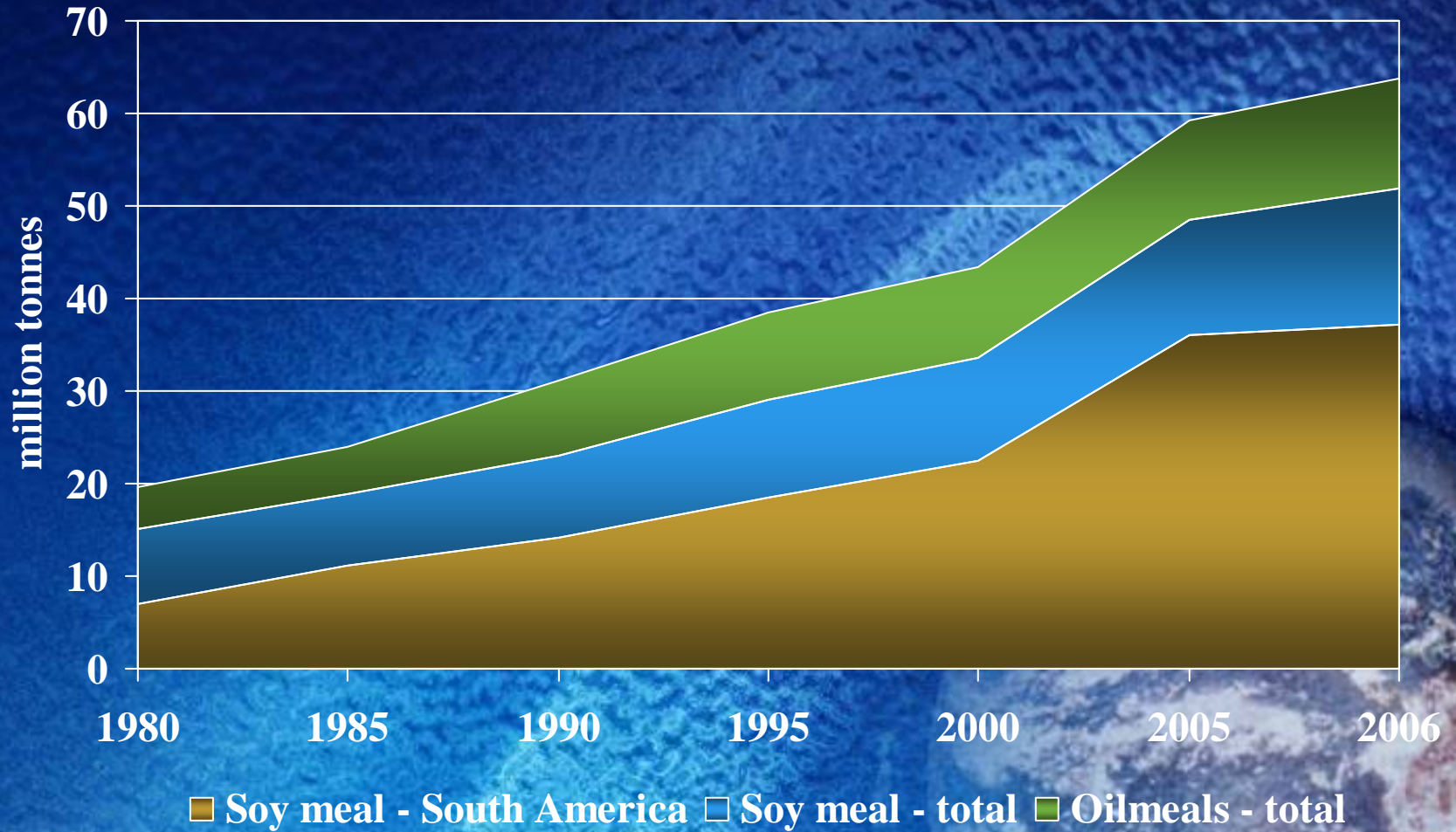
Production of oilseeds & products



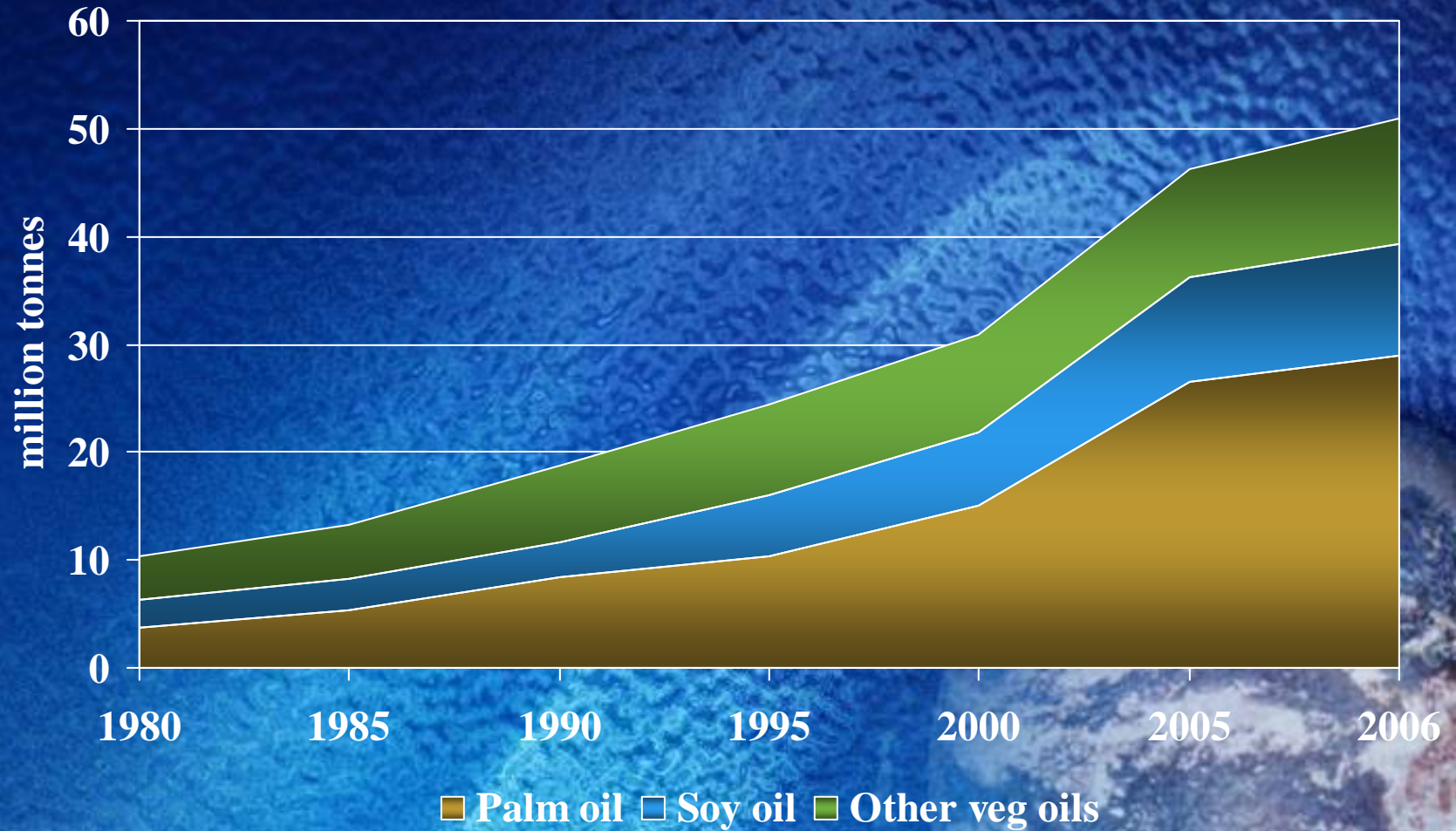
Soybean production



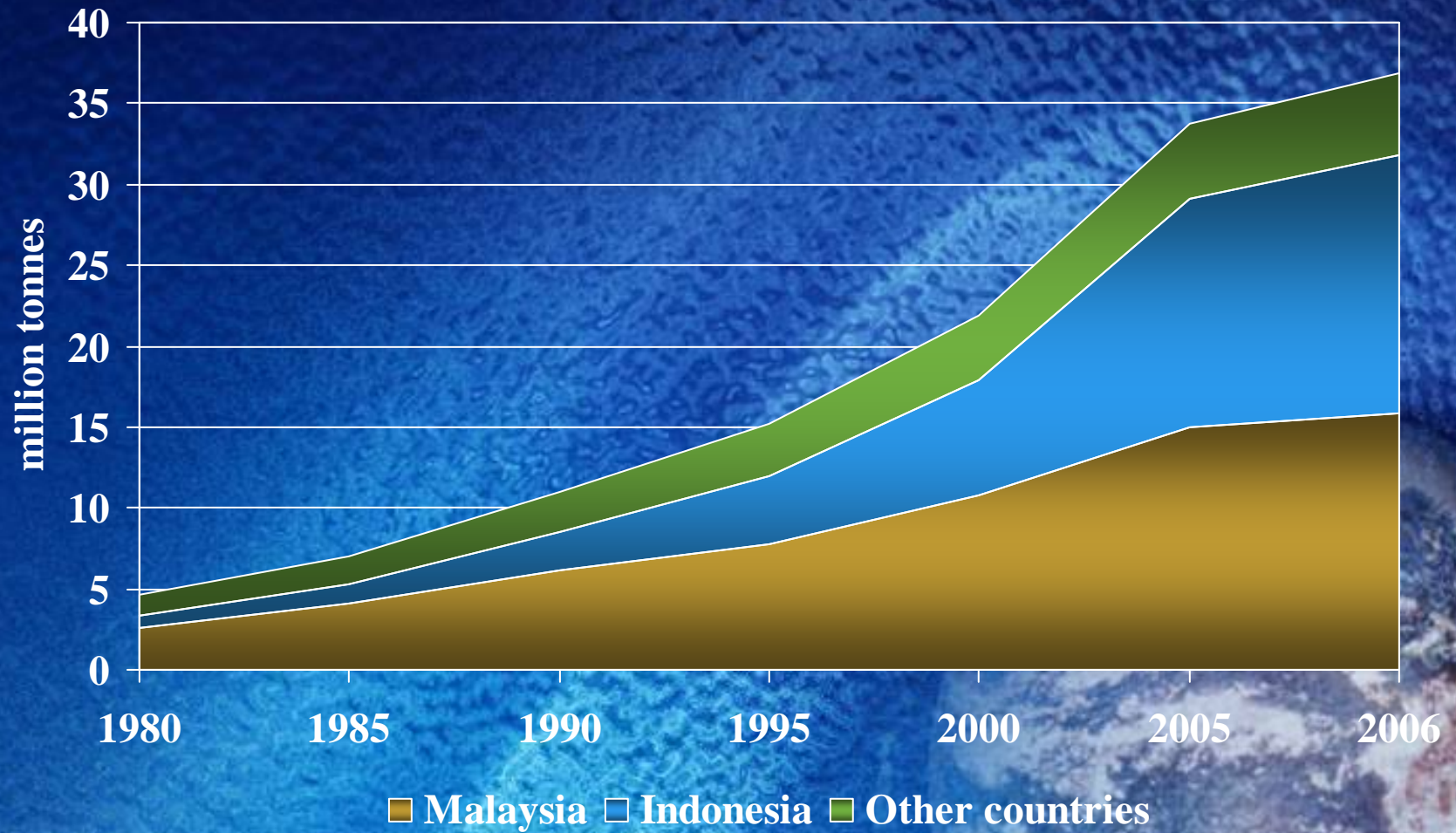
Oilmeal exports



Vegetable oil exports



Palm oil production



The global oils & fats market

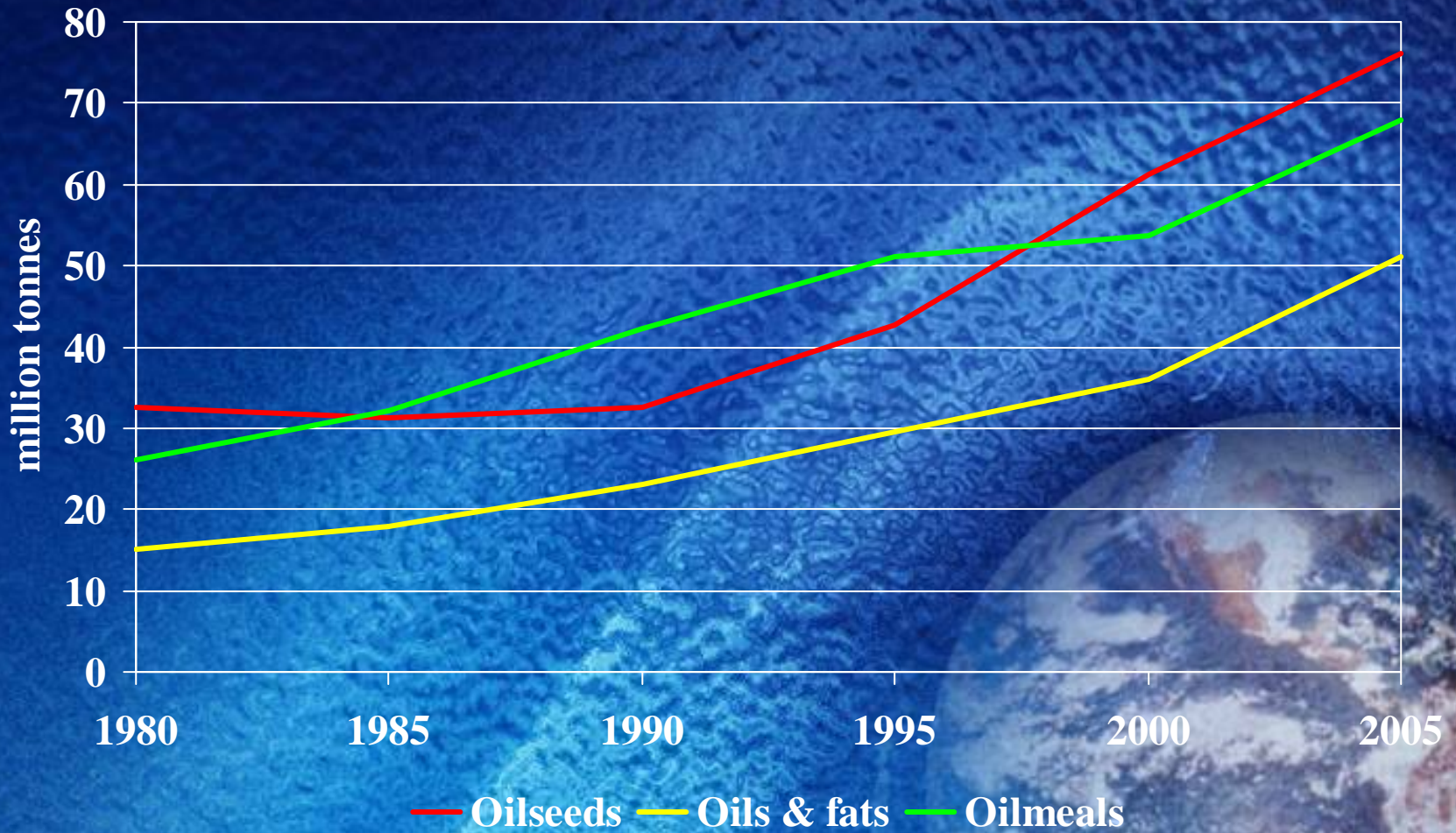
2. Trade reform

3. Biofuels

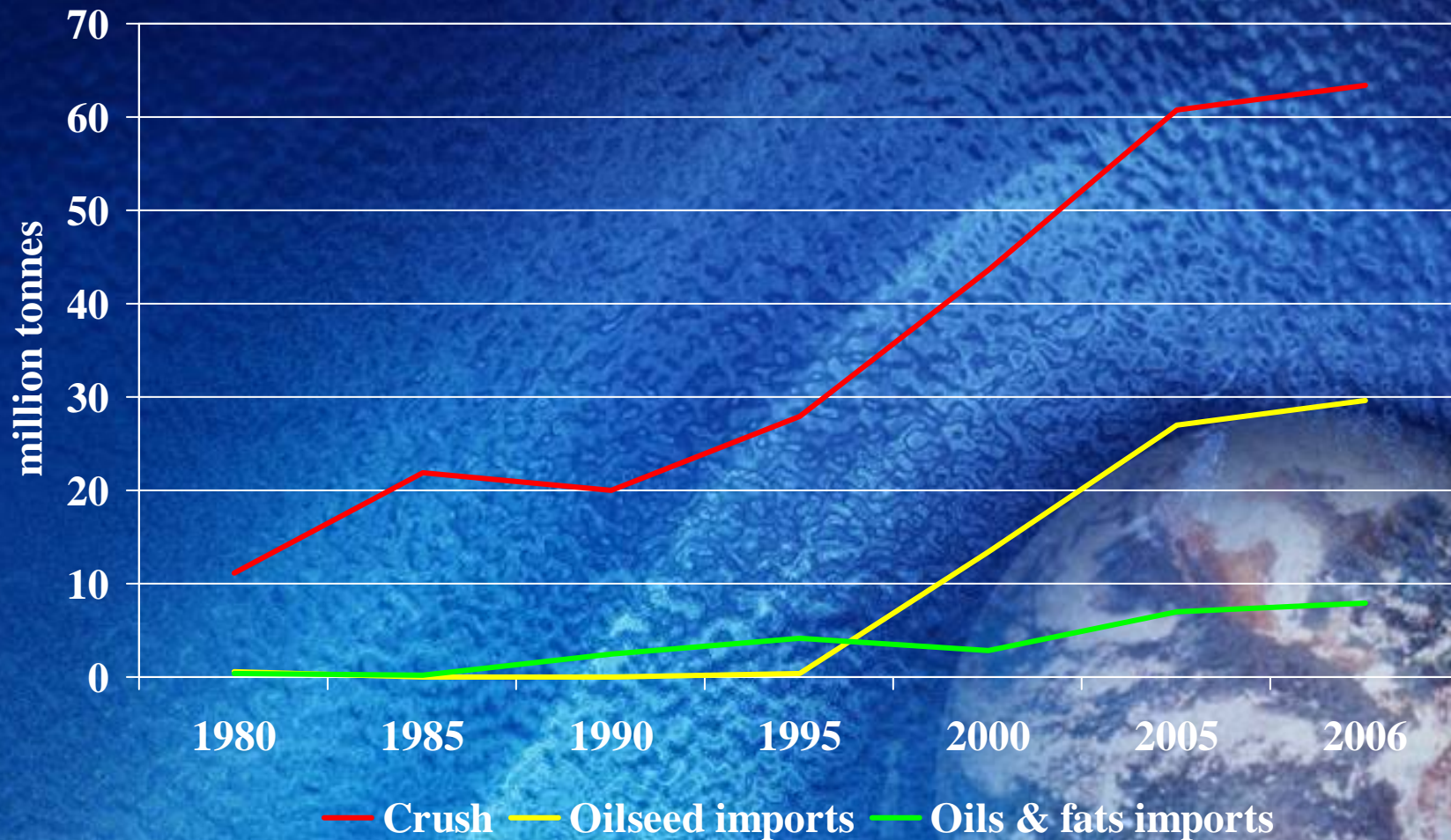
4. Biotechnology

5. Sustainability

Trade of oilseeds & products



China oilseed situation



Trade – IASC policy statement

A new vision for the international trade of oilseeds & oilseed products

A WTO Development Round sectoral initiative

31 March 2003

The members of the International Association of Seed Crushers Council today announce their support for an oilseed industry sectoral initiative under the auspices of the World Trade Organization. The IASC seeks a broad agreement for the liberalization of global trade in oilseeds, oilseed products and edible oils.

- In pursuit of this objective, IASC member associations agree to solicit the support of their national trade authorities and WTO negotiators for a global sectoral agreement, which harmonizes, reduces, and ultimately eliminates all trade distorting policies and practices for oilseeds, oilseed products and edible oils. Such an agreement would accommodate and define the necessary degrees of staging and/or phasing as agreed to by the participants.
- The IASC Council envisions that this endeavour will provide a global trading environment, which is conducive to the expansion of production, processing, trade, and consumption of all oilseeds, oilseed products and edible oils. The Council urges all WTO members to avoid trade distorting policies at production or trade levels (i.e. tariff and non-tariff trade barriers, export incentives, export subsidies, export taxes, product-specific supports, etc.).
- The Council firmly believes that an open and unfettered food trade system is essential to the efficient provision of food for the world's next billion citizens and beyond. The elimination of trade barriers will reduce food costs for consumers while creating a larger global marketplace for producers.
- The IASC intends to convey this message directly to the Chairman of the WTO Agricultural Negotiating Committee without delay, and agrees to provide any supporting discussion requested.



OILSEED PROCESSORS LEVEL PLAYING FIELD COALITION JOINT DECLARATION

September 2005

In order to establish an international Level Playing Field (LPF) during the Doha Development Agenda negotiations on agriculture, our national associations hereby endorse the following reciprocal objectives to be implemented as part of a WTO Sectoral Agreement which provides that member countries eliminate all trade barriers for oilseeds, oilseed products, and edible oils:

- Eliminate import tariffs for oilseeds, oilseed products, and edible oils
- Eliminate export subsidies for oilseeds, oilseed products, and edible oils
- Eliminate differential export taxes (DETs) on oilseeds, oilseed products, and edible oils
- Provide export credits only in conformance with WTO rules and disciplines

In addition to the above LPF objectives, we support the following mutual undertakings:

- To actively encourage our respective governments to provide an increasing portion of domestic support for agriculture in a decoupled form
- Not to implement any other trade distorting practices

ABIOVE - Associação Brasileira das Industrias de Óleos Vegetais, São Paulo, Brasil

AOF - Australian Oilseeds Federation, Melbourne, Victoria, Australia

CIARA - Cámara de la Industria Aceitera de la República Argentina, Buenos Aires, Argentina

COPA - Canadian Oilseed Processors Association, Winnipeg, Canada

FEDIOL - Fédération de l'Industrie d'Huilerie de la CE, Brussels, Belgium, European Union

NOPA - National Oilseed Processors Association, Washington, DC, United States

WTO trade liberalization significantly increases global production, consumption & trade of vegetable oils & protein meals

**A study commissioned by the
International Association of Seed Crushers
and undertaken by
LMC International (Oxford, England)
June 2006**

- Vegetable oil demand would rise by more than 40% & oilseed meal demand by 30% in low-income countries
- Global vegetable oil production would increase by about 30% & oilseed meal production by about 40%
- In total, world trade would expand by 35% for vegetable oil & by 45% for oilseed meals

**An independent report by
IPC (Washington, USA)
October 2005**

- Global oilseed production (7 major oilseeds) would increase by about 25% (currently from 380 mmt to 475 mmt)
- Palm oil production would increase by 39% (currently from 38 mmt to 52 mmt) to meet these increased levels of consumption and trade requirements

Biofuels – IASC policy statement

The IASC Council

- Supports reasonable & sustainable mineral fuel substitution by renewables
- Recognizes environmental benefits of biofuels, such as reduced GHG emissions
- Supports necessary environmental research, market supports and consumption targets for biofuels development
- Recommends only moderate market impact on food supply, demand and price should be acceptable

IASC criteria

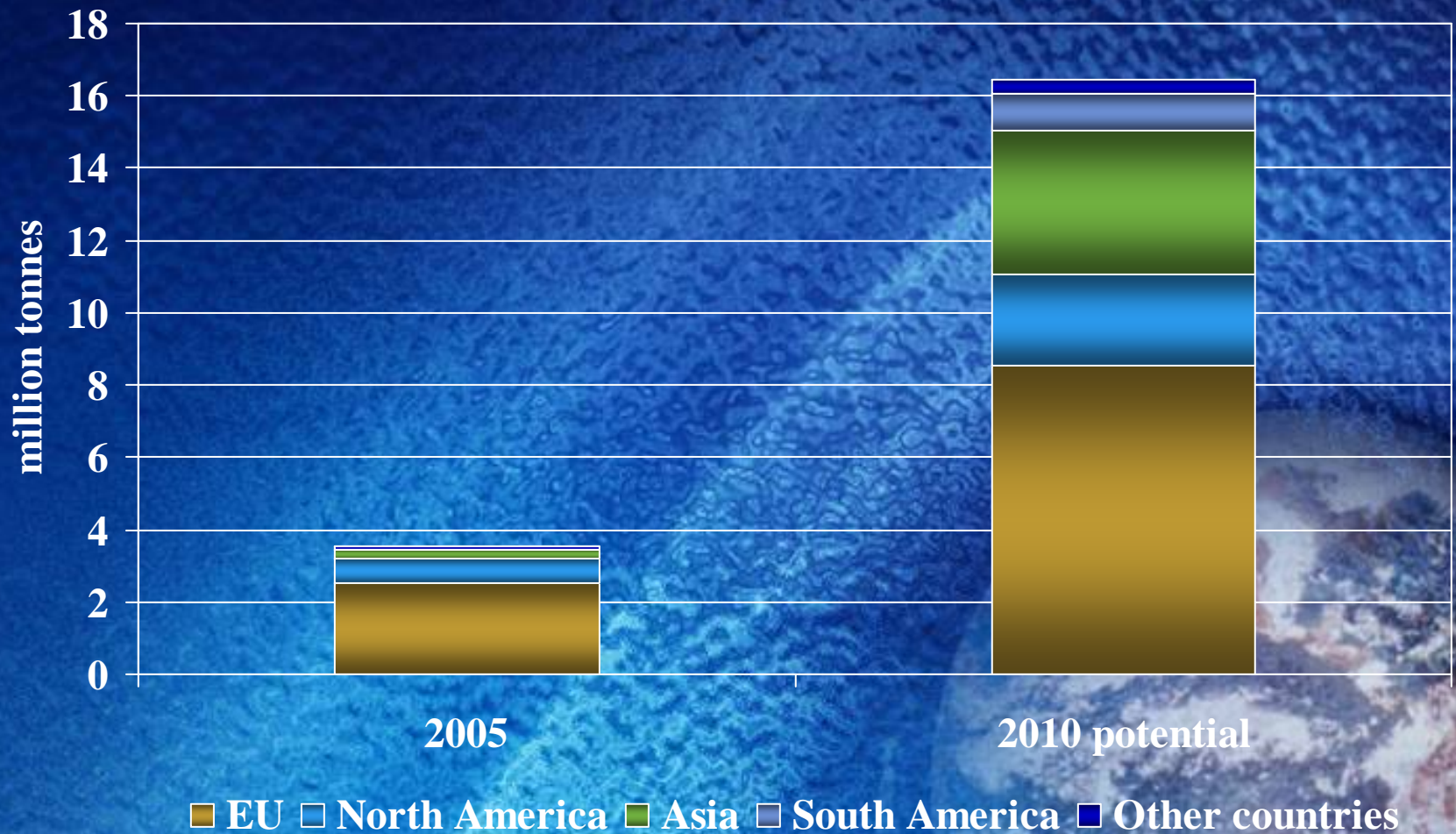
- “Green” type policy supports should not be limited only to oilseeds as renewables
- “Green” type measures should benefit only sustainable and environmentally positive policies
- Proportionate detaxation should not extend/support export trade distortions



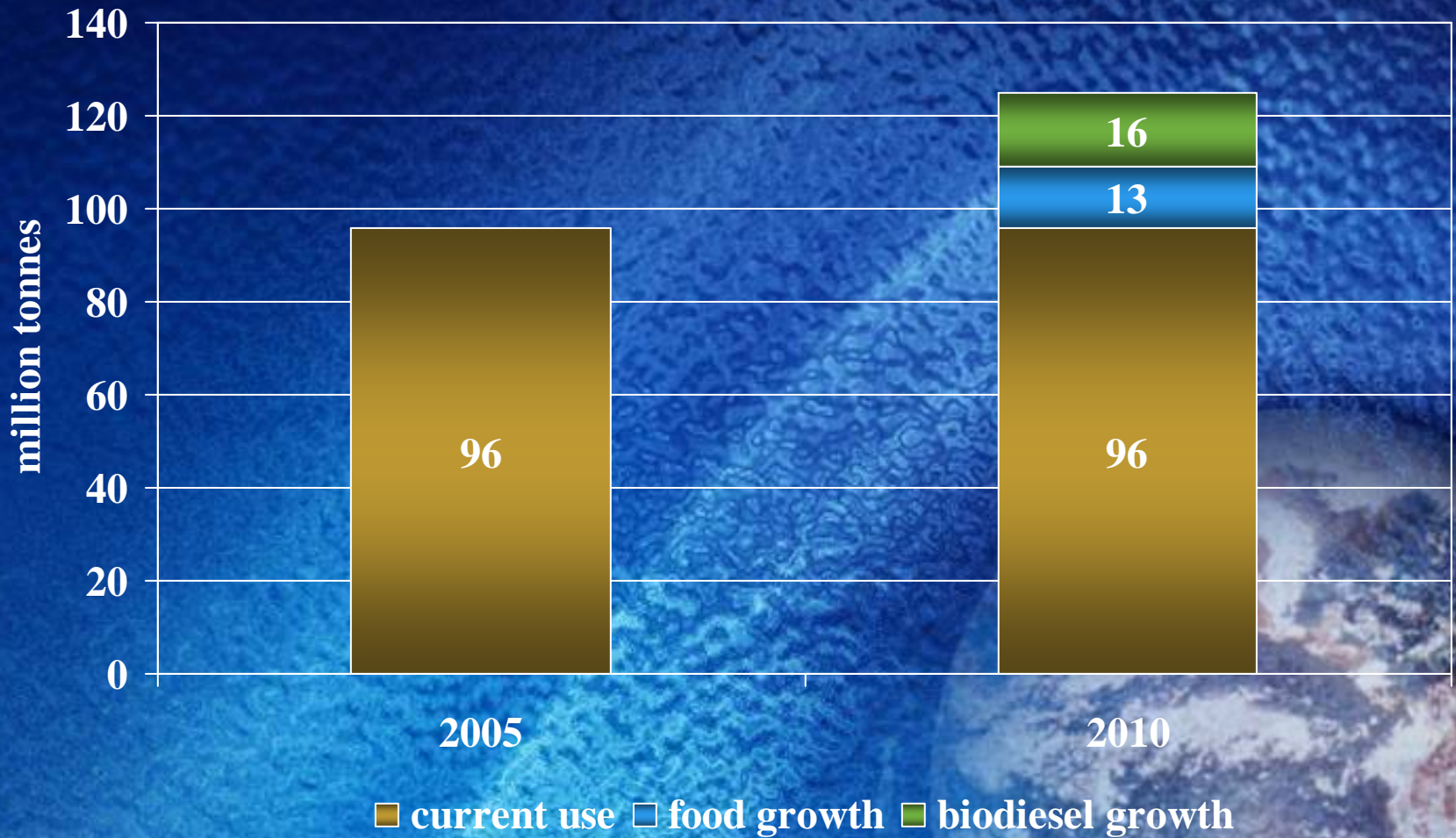
Public policy for biodiesel

- Canada — B2 by 2012; detaxation
- Argentina — B5 mandatory by 2010; tax exemption
- Bolivia — B20 mandatory by 2010
- Colombia — B5 mandated (main regions) 2008
- Peru — B5 mandated 2010
- EU — 20% renewables/10% biofuels - 2020
- Japan — 10% biofuel blend proposed; voluntary B5
- USA — E.P.A. - mandate renewable component - 2012
- Brazil — B2 mandatory by 2008 (B5 2013); tax exemption
- Malaysia — biodiesel act (proposed)
- China — renewable energy focus (biodiesel target 2020)
- India — biodiesel legislation introduction
- Mexico — biofuels legislation
- Indonesia — bio allowed; legislation planned
- South Korea — mandatory blending

World biodiesel production



Veg. oil demand growth



Biotechnology – IASC policy statement

Preamble

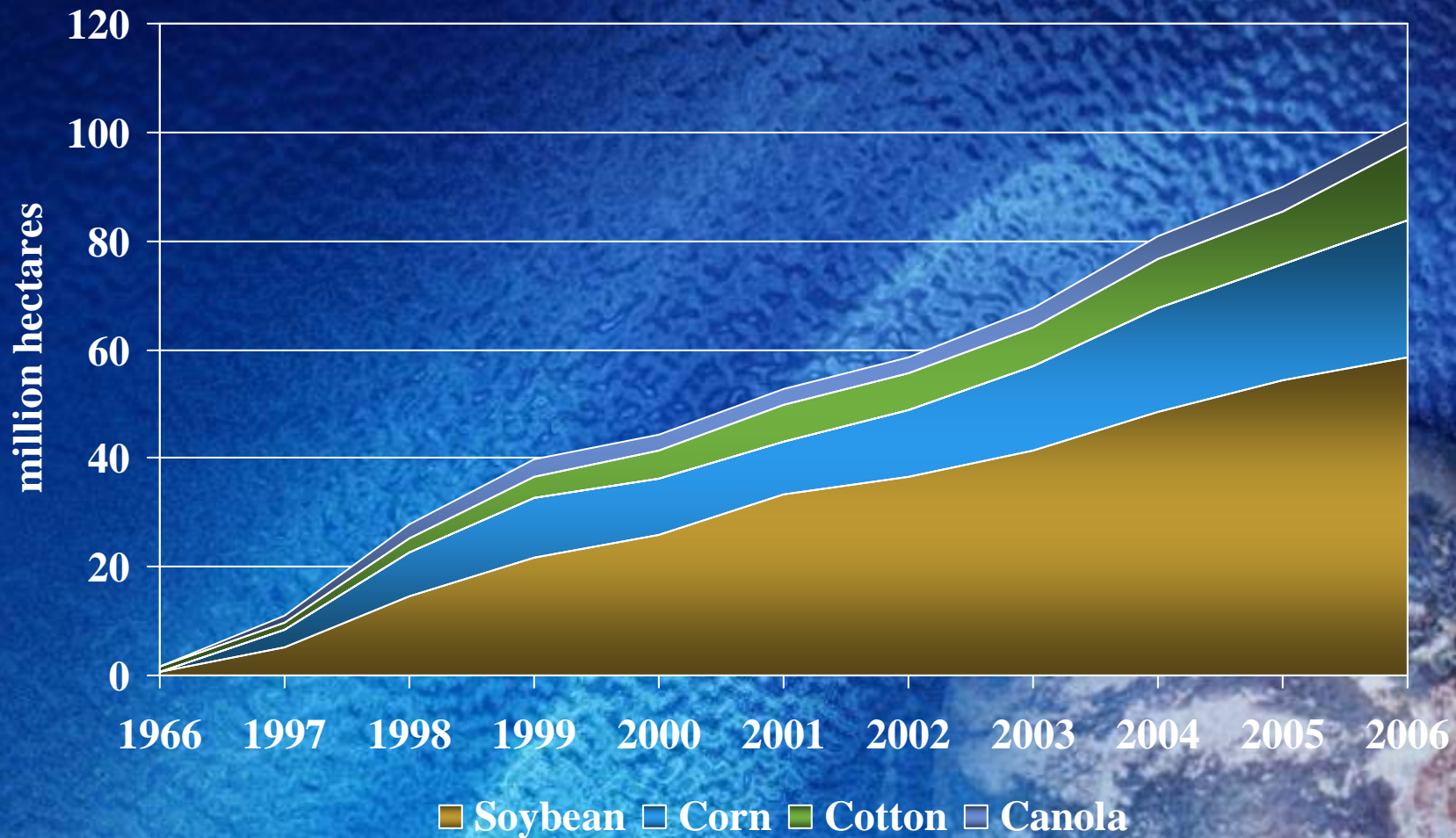
- IASC is committed to the socially responsible use of biotechnology
- IASC members apply biological knowledge and techniques to develop products and services for agriculture
- IASC recognizes that biotechnology needs to be approached with caution

Statement of Principles

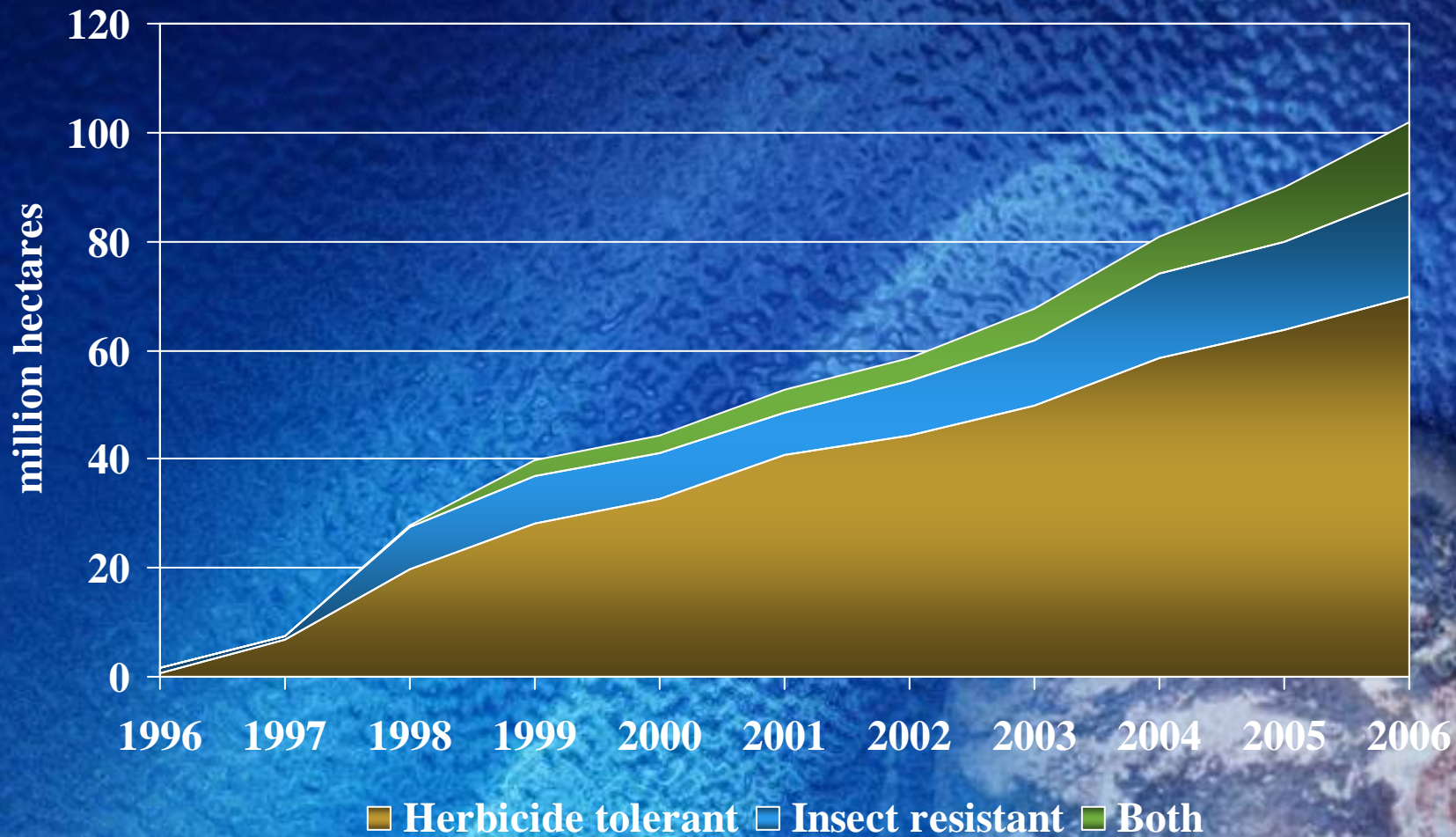
- We respect the power of biotechnology and apply it for the benefit of humankind
- We shall listen and respond to bioethical concerns
- We shall help educate the public about biotechnology
- We support science-based regulation by government agencies
- We develop our agricultural products to enhance the world's food supply and to promote sustainable agriculture



GMO area by crop



GMO area by trait



Generation 2: GMO technology

Modified designer oilseeds

Altered trait

- stress/drought resistance
- disease resistance
- altered oil & protein composition
- altered amino acid & fatty acid profile
- pollutant resistance
- modified (polyunsaturated & monounsaturated) oil content
- high erucic acid rape
- modified/enhanced oil content

Commercial application

- drought, heat, salt tolerance
- combat crop virus
- genetic engineered foods
- genetic engineered pharmaceutical, nutraceutical, oleochemical, industrial applications
- tolerance to contaminated (metals, petroleum) soils
- health foods
- industrial plastics, lubricants
- biofuel application

Sustainable agriculture – IASC policy statement

IASC recognizes

- World available natural resources are precious and limited
- World population growth and improved living standards create increased fats/oils demand

IASC supports

- Development of sustainability initiative on an international basis with realistic, proportionate and achievable goals
- The work of the Roundtable on Sustainable Palm Oil
- Development of the newly-formed Roundtable on Responsible Soy



Roundtable on sustainable palm oil (RSPO)

Objectives

- Research/development on sustainable palm oil production
- Facilitate sustainable best practices
- Best management practices for plantation establishment, operation, procurement, trade, logistics
- Secure public/private resources to support RSPO
- Communication to shareholders/public

Players in the palm oil supply chain



Roundtable on responsible soy (RTRS)

Multi-stakeholder initiative

Objective

- To promote economically viable, socially equitable and environmentally sustainable production, processing and trade of soy

Principles

- Transparency & accountability
- Clear cost-benefit assessments for practices
- Minimum threshold – legal compliance
- Management practices based upon improvements to economic, social, environmental responsibility

Roundtable on responsible soy (RTRS)

Organizing committee

- Swiss retailer – COOP
- Brazil NGO – IPAM
- Consumer goods – Unilever
- Argentine Growers – AA PRESID
- ABN AMRO Bank Group
- Dutch NGO – Solidaridad
- Brazil – André Maggi Group
- Environmental NGO – Guyra Paraguay
- Brazil grain trade – ABIOVE
- WWF

Support/assistance:

Swiss State Secretariat for Economic Affairs