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First Consultation Meeting on the  
Vegetable Oils and Fats Industry  
Madrid, 12-16 December 1977

ISSUES TO BE CONSIDERED BY THE CONSULTATION MEETING

Note by the UNIDO secretariat

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Explanatory notes

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## INTRODUCTION

1. The Second General Conference of UNIDO, held at Lima, Peru in March 1975, declared that in view of the low share of developing countries in total world industrial production, their share should be increased to the maximum possible extent and as far as possible to at least 25 per cent of total world industrial production by the year 2000 (Lima Declaration and Plan of Action on Industrial Development and Co-operation, ID/Conf.3/31, chap. IV, para. 28).
2. The General Assembly, at its seventh special session in September 1975, in its resolution 3362 (S-VII), endorsed the Lima Declaration and Plan of Action on Industrial Development and Co-operation and directed UNIDO to establish a system of continuing consultations in the field of industry between developed and developing countries. The consultations are intended to explore ways and means of bringing about a new distribution of industrial activities in the world that will adjust the present economic imbalance between developing and developed countries and allow a more equitable development in the interest of all countries.
3. The Lima Declaration and Plan of Action states that the consultations should in particular relate to industries processing raw materials exported by developing countries and should result in concrete proposals for inclusion in the development programmes of participating developing countries. The issues selected for the First Consultation Meeting on the Vegetable Oils and Fats Industry therefore include consideration of exports of oil-seeds from developing countries, opportunities for processing oil-seeds prior to export, and how international co-operation can help to develop specific projects to be implemented in developing countries.
4. After considerable growth in the last 25 years, consumption of vegetable oils and fats in developed countries has now reached almost saturation level. It is therefore suggested that some of the experience and skills accumulated by the industry in developed countries should be mobilized to assist in the establishment of new production capacity in developing countries, where most of the expansion of this industry will take place in the period up to 2000.
5. The population of developing countries (including the People's Republic of China) may reach 5,000 million by 2000, or over 75 per cent of the world's total population. If per capita consumption of vegetable oils and fats in developing countries is increased to half the level of that in developed

countries by 2000 (as the UNIDO Draft Study forecasts), the developing countries' share of world consumption of oils and fats will be over 60 per cent in 2000 compared with 45 per cent in 1975. This industrial sector could therefore make a higher than average contribution to the achievement of the Lima target.

6. The First Consultation Meeting on the Vegetable Oils and Fats Industry is therefore invited to consider:

- (a) The prospects for the growth of the vegetable oils and fats industry up to 2000 throughout the world;
- (b) Forms of international co-operation needed to establish new production capacity in developing countries;
- (c) Action required as a follow-up to the First Consultation Meeting.

7. These three issues have been selected by UNIDO as priority issues for inclusion in the provisional agenda of the Meeting. The selection was based on the conclusions of preparatory meetings of developing countries held at the regional level, the Draft World-wide Study prepared by UNIDO, and the deliberations of the Technical Expert Panel Meeting convened by UNIDO to review the Draft Study. However, the selection is neither exhaustive nor final; the Consultation Meeting is free to adopt its own agenda, adding or deleting issues as it sees fit.

8. The issues selected by UNIDO are presented in chapter I of this paper. The essential features of the background to them are set out in chapter II. For further background and supporting information the reader is referred to:

The UNIDO Draft World-wide Study of the Vegetable Oils and Fats Industry: 1975-2000 (UNIDO/ICIS.46)<sup>1/</sup>

The Summary of the UNIDO Draft World-wide Study on the Vegetable Oils and Fats Industry: 1975-2000 (UNIDO/ICIS.47)

Reports of the Regional Preparatory Meetings for the First Consultation Meeting on the Vegetable Oils and Fats Industry (a) for Asian countries, held in Bangkok, 9-13 May 1977 (ID/WG.260/1); (b) for Latin American countries, held in Santiago, 13-17 June 1977 (ID/WG.260/2) and (c) for African countries, held in Addis Ababa, 4-7 July 1977 (ID/WG.260/3).

9. The First Consultation Meeting is expected to reach broad agreement on the issues selected and to decide what action should be taken to stimulate and institute greater co-operation between developed and developing countries and between developing countries themselves in expanding the vegetable oils and fats industry. Other issues related to this sector may be considered at future consultation meetings. The First Consultation Meeting may therefore wish to recommend the establishment of working groups to prepare specific recommendations for further consultations.

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<sup>1/</sup> Referred to throughout this paper as the "UNIDO Draft Study."

10. As regards the report of the Meeting, the Industrial Development Board at its eleventh session decided that:

"Final reports of the meetings should include such conclusions and recommendations as agreed upon by consensus among the participants. The reports should also include other significant views expressed during the discussion." (ID/B/193, para. 163).



I. ISSUES TO BE CONSIDERED BY THE CONSULTATION MEETING

Issue No. 1: The prospects for the growth of the vegetable oils and fats industry up to 2000 throughout the world.

The future growth of demand for vegetable oils and fats throughout the world

11. Consumption of fats and oils is likely to increase in most developing countries<sup>1/</sup> by 2000 as population rises, incomes improve and consumer products are made more widely available to all income groups.

12. Consumption of fats and oils is high in most developed countries and it may already have reached saturation level in some of them. Demand is therefore unlikely to increase much faster than the increase attributable to population growth.

13. From the information given in the UNIDO Draft Study, it seems that the consumption of vegetable oils and fats is likely to increase in the period 1975-2000 as follows:<sup>2/</sup>

Estimated world consumption of vegetable oils and fats  
(million tons)

	1975	1985	2000	Increase 1975-2000
Developed countries	15-16	17-19	20-22	4-7
Developing countries	<u>12-13</u>	<u>18-20</u>	<u>33-37</u>	<u>20-25</u>
	27-29	35-39	53-59	24-32

It therefore appears likely that the major part of the future growth of this industry will be in developing countries to satisfy their own growing requirements.

<sup>1/</sup> In this paper and the UNIDO Draft Study, centrally-planned economy countries in Asia (China, Democratic People's Republic of Korea, Mongolia and the Socialist Republic of Viet Nam) are included in the classification "developing countries".

<sup>2/</sup> The UNIDO Draft Study covers 10 vegetable oils that account for 60 per cent of world consumption of oils and fats. (See chapter II of this paper.)

The factors likely to determine the overall volume and types of vegetable oils imported by developed countries in the future

14. The developed countries as a group imported over 10 million tons of vegetable oils and fats in 1975, compared with about 7 million tons in 1965. The largest importers of oils and fats in the world in 1975 were Western Europe (importing 60 per cent of its total oils and fats requirements) and Japan (importing 90 per cent of its requirements). Canada, Eastern Europe, USSR and the United States were nearly self-sufficient in 1975, importing 10 per cent or less of their total requirements.<sup>3/</sup>

15. During the past decade, the use of soya beans to produce soya meal for the animal-feeds industry has provided a large source of supply for vegetable oils in developed countries. Some developed countries have increased their production of other temperate-zone oil-seeds such as rape, sunflower and safflower. As a result, much of the growth in their demand for vegetable oils and fats has been satisfied by temperate-zone oils, and imports of tropical oils from developing countries have suffered.

16. This competition from temperate-zone oils may continue in the future. The share of the developing countries' oils and fats in the markets of developed countries in the period up to 2000 seems likely to be determined by the following factors:

(a) The further growth in the use of soya beans for the animal-feeds industry, which yields soya-bean oil as a by-product (the possible development of soya-bean varieties with higher protein and low oil content cannot be overlooked);

(b) The extent to which the Governments of developed countries continue to support domestic production of temperate-zone oil-seeds;

(c) The extent to which tariff or non-tariff barriers continue to discourage imports of tropical oils from certain developing countries;

(d) The price at which tropical oils are sold on international commodity markets;

(e) The technical capability of some oil-seed producing developing countries.

The prospects for on-the-spot processing of oil-seeds exported by developing countries

17. It would seem that most developing countries will wish to establish as soon as possible manufacturing units to extract or expel crude oil from the oil-seeds that they export at present.

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<sup>3/</sup> Total requirements for oils and fats include those obtained from animal and marine sources.

18. The vegetable-oils industry in developed countries has begun to accept imports in the form of crude vegetable oil instead of oil-seeds. No difficulty is anticipated in accepting a steadily growing volume of imports in the form of crude vegetable oil in the future. Indeed, by 2000, developing countries may have established capacities to process all of their oil-seeds up to at least this semi-processed stage before exporting to other countries.

19. The value added in the later stages of processing is much greater, however, and developing countries may prefer to export their products in semi-processed form whenever possible. Once the difficulties of shipping refined (neutralized bleached) oils have been overcome, exports from developing countries to developed countries can be increased. For deodourized oil, there are various constraints to be overcome, including market acceptance. Consumer products with a long shelf-life can generally be shipped long distances without the additional expense of refrigerated transportation.

Mechanisms for increased co-operation between developing countries in the oils and fats industry

20. The developing countries consume mostly oils and fats derived from vegetable sources (as opposed to animal and marine sources). Although many developing countries produce their own requirements of oils and fats, others do not; as a group they import on an average 25 per cent of their total requirements. In 1975, this amounted to 3.7 million tons, or about one-third of the level of imports by developed countries. The developing countries, however, account for more than one-third of total world imports of tropical oils, since developed countries rely heavily on soya-bean oil.

21. At present, there appear to be inadequate mechanisms and incentives to promote the regular flow of oil-seeds and vegetable oils and products between developing countries with a surplus or a deficit of these products. It would therefore appear useful to organize a forum in which developing countries that are large net importers or large net exporters of oil-seeds and vegetable oil products can discuss the best way to increase industrial co-operation. Prior to such discussions, the constraints that have so far inhibited the development of such co-operation need to be assessed so that forms of agreement may be suggested that might be acceptable to the parties involved. (See paragraphs 58-60 for a description of some of the constraints.)

22. Developing countries that find their domestic market is too small to support a viable unit to produce a range of vegetable-oil products may wish to explore possibilities for the establishment of a sub-regional plant. If the countries reach agreement on this approach, the co-operation of an external industrial partner can be sought, possibly with the assistance of UNIDO.

23. The Consultation Meeting is therefore invited to consider:

(a) Whether it is likely that most of the new capacity to be established in the world in the period up to 2000 will be in the developing countries, mainly to supply their own growing needs for vegetable oils and fats;

(b) What measures can be taken to increase the overall volume of vegetable oils imported by developed countries from developing countries;

(c) What measures can be taken to increase on-the-spot processing of oil-seeds currently exported as such by developing countries;

(d) What mechanism is needed to facilitate increased co-operation between developing countries in the oils and fats industry.

Issue No. 2: Forms of international co-operation needed to establish new production capacity in developing countries for:

- (a) Expelling or extracting oil from oil-seeds;
- (b) Processing crude vegetable oil into end-products;
- (c) Manufacturing animal feeds.

The establishment of oil expelling or extraction units

24. Although a few developing countries have established large-scale and efficient oil expelling or extraction units, over half of the oil-seed crushing capacity in most developing countries consists of small-scale or village-level processing units. A basic need for those countries is to establish units that process enough oil-seed to produce at least 100 tons a day of semi-processed or crude vegetable oil.

25. There is also a need to provide such units with a continuous supply of oil-seeds that allows operation at full capacity throughout the year. Governments may wish to consider the introduction of measures for the integration of agricultural production and industrial processing.

26. When a developing country is establishing an oil-extraction industry for the first time, it may need the co-operation of an industrial enterprise in another country that can provide assistance not only with the selection of the equipment and with plant operation and management but also with marketing the product or products.

### Processing crude oil into end-products

27. There is a growing need in developing countries to produce their own requirements of basic foods, including those from the vegetable oils and fats industry. Suitable technologies will be needed to produce quality consumer products for all income groups.

28. Those consumer products are by and large quite different from the ones used by developed countries,<sup>4/</sup> and adaptation of existing machinery or manufacturing processes for their production will need to be carefully examined. There might also be a need for the development of new processes and/or equipment.

29. It is therefore suggested that a project's success in this industry is crucially dependent on extensive product development and market testing, careful process adaptation, and appropriate plant design. These tasks can best be carried out with assistance from an industrial enterprise that has accumulated knowledge and experience in the industry.

30. There will be a need in most developing countries for specialized personnel to carry out research and development work in this area, and a co-ordinated programme for the training of such personnel seems to be called for. In addition, there will also be a need for training plant management.

### Manufacturing of animal feeds

31. Many developing countries at present export oil-seed cake instead of using it to develop their own livestock industries, which could supply the increasing population with essential animal protein.

32. Instead of exporting oil-seed cake, developing countries can establish a plant for the manufacture of compound animal feeds for poultry, pigs and cattle. Such a plant may have the added advantage in some countries of utilizing other readily available raw materials (such as cereals, brans and molasses) that might otherwise be wasted.

33. The locally produced animal feeds can be used to develop reliable local supplies of animal products, particularly for the growing urban population. Any surplus of production can be exported, giving returns considerably higher than those obtained for exports of seed-cake.

<sup>4/</sup> In developing countries large quantities of vegetable oils are used directly for cooking in an unrefined form. The extent to which ghee, vanaspati, shortening and other edible fats are produced depends on local tastes and customs, which vary from country to country.

34. Consequently, when a developing country establishes new production units for processing oil-seeds, an additional integrated unit to process the oil-seed cake into animal feeds should be seriously considered. A project producing 50,000 to 100,000 tons a year of compound animal feeds will usually provide a high return on the additional investment required.<sup>5/</sup>

35. It is suggested that the tasks of (a) identifying suitable raw materials, (b) considering what types of animal feeds are needed, (c) developing formulas, and (d) selecting the manufacturing processes to be used can best be carried out with the co-operation of an industrial enterprise that has accumulated experience in the production and marketing of animal feeds.

36. The Consultation Meeting is invited to consider the forms that international co-operation should take in the following areas:

(a) The establishment and operation of the above-mentioned three types of plants in developing countries;

(b) The purchasing of products from these plants that are surplus to local or sub-regional requirements;

(c) The training of personnel from developing countries, as required.

Issue No. 3: Action required as a follow-up to the First Consultation Meeting on the Vegetable Oils and Fats Industry

A. Promoting the development of specific projects in developing countries

37. In the past 25 years, most of the new capacity to produce vegetable oils and fats has been established in developed countries; in the next 25 years, most of the new capacity is likely to be located in developing countries.

38. The skills and experience accumulated by industrial enterprises in developed countries can contribute to the successful design, establishment and operation of new facilities in developing countries to the benefit of both partners. However, if such international co-operation is to develop on the scale required, a new effort will be needed to promote it.

39. Part of the follow-up action to the First Consultation Meeting might therefore consist of recommendations to the UNIDO secretariat along the following lines:

<sup>5/</sup> The concentration here on animal feeds does not exclude consideration of the use of protein derived from oil-seeds for human consumption. Although developing countries may derive food for human consumption from oil-seed cakes, it is recommended that this subject be considered at a later consultation meeting.

(a) To develop, in co-operation with Governments and other interested parties, projects that could be established in developing countries;

(b) To suggest the basis on which industrial enterprises in developed countries may provide the necessary inputs;

(c) To identify interested parties from developed and developing countries to examine jointly and eventually co-operate in the implementation of these individual projects;

(d) To facilitate the negotiation and conclusion of co-operation agreements and to provide, when requested, a forum for the negotiation of such agreements.

B. Steering committee on international co-operation in developing the vegetable oils and fats industry

40. There seems to be a need for a steering committee to guide the development of this new form of international co-operation, which could be convened and serviced by the UNIDO secretariat. The committee, which for functional purposes should be small in number, might include members representing interested industrial companies from developed countries and developing countries, representatives of Governments, and interested international organizations and trade associations.

41. The broad terms of reference of the committee might be to steer UNIDO activities in implementing the recommendations of the First Consultation Meeting and to report on the progress achieved to the Second Consultation Meeting. Its specific tasks might include:

(a) Advising on the potential for international co-operation in developing the vegetable oils and fats industry, for example, by suggesting developing countries and industrial companies that might be interested in such co-operation;

(b) Developing model agreements to establish such co-operation, which it may recommend to both parties;

(c) Reviewing experience gained in the first few projects that implement this approach;

(d) Examining obstacles encountered in negotiating and operating such projects, and recommending ways to overcome them that are acceptable to both parties;

(e) Promoting industrial co-operation between developing countries.

42. The Consultation Meeting is finally invited to make recommendations concerning:

(a) The action proposed in connection with this issue;

(b) Other follow-up action required, such as topics to be examined in further consultation meetings and the establishment of working groups to examine those topics.

II. BACKGROUND TO THE ISSUES PRESENTED TO THE CONSULTATION MEETING

World production of vegetable oils in 1965, 1975 and 1985

43. The UNIDO Draft Study is concerned with the ten vegetable oils produced in largest volume in the world: they accounted in 1975 for 28.5 million tons or nearly 60 per cent of a total world production of oils and fats of 48 million tons.<sup>6/</sup> According to the UNIDO Draft Study, world production of these ten vegetable oils is expected to increase to 40 million tons by 1985, as shown in table 1.

Table 1. World production of ten major vegetable oils and fats  
(million tons oil equivalent)

	1965	1975	1985
<u>From oil-seeds</u>			
Soya bean	3.9	8.5	13.4
Ground-nut	3.4	3.2	4.3
Cotton-seed	2.7	3.2	4.0
Sunflower seed	3.1	4.0	5.0
Rape-seed	1.4	2.6	3.0
Sesame seed	0.6	0.7	0.7
Safflower seed	0.2	0.2	0.4
<u>From trees</u>			
Palm	1.3	2.9	5.6
Palm kernel	0.4	0.5	0.8
Coconut	<u>2.1</u>	<u>2.7</u>	<u>3.3</u>
Total	19.1	28.5	40.5

Source: UNIDO Draft Study.

<sup>6/</sup> The oils and fats that are not considered in the UNIDO Draft Study are mainly of animal origin. The principal types and the level of production in 1975 of these oils were:

Butter	5.2 million tons	Olive oil	1.5 million tons
Lard	4.2 million tons	Marine oils	1.2 million tons
Tallow and greases	4.7 million tons	Industrial oils	1.4 million tons

The production figures for oils and fats of animal origin are included for information purposes only.



World consumption of vegetable oils in 1975, 1986 and 2000

44. An estimate is made in the UNIDO Draft Study of world consumption of vegetable oils, on the basis of forecasts made by FAO and other organizations. The most detailed forecast of world consumption of all types of oils and fats was made by FAO in 1967. It is summarized in table 2. FAO forecast that world consumption would be between 45.5 and 48.8 million tons in 1975.

Table 2. FAO 1967 forecasts of consumption of oils and fats  
in 1975 and 1985  
(million tons oil equivalent)

	Developed countries <sup>a/</sup>	Developing countries	World total
1961-1963	22.4	10.4	32.8
1975 high	29.9	18.9	48.8
1985 low	34.4	23.4	57.8
high	36.5	32.0	68.5

Source: Agricultural Commodities Projections for 1975 and 1985, FAO, Rome, 1967.

a/ Including China.

45. Of this total oils and fats consumption in 1975, vegetable oils appear to have accounted for about 50 per cent in developed countries and about 70 per cent in developing countries. If it is assumed that vegetable oils maintain this share of the total oils and fats market, the 1967 FAO forecast for 1985 would suggest that consumption in 1985 may be: 17.6 to 18.7 million tons for developed countries, and 16.4 to 22.4 million tons for developing countries. The forecasts were based on the assumption that GDP annual growth rates in the period 1975-1985 would be 3.9 and 6.0 per cent for developing countries, 3.5 and 5.0 per cent for China, 3.1 and 4.8 per cent in developed market-economy countries and 4.8 and 6.2 per cent in developed centrally-planned-economy countries. The rough estimates of consumption in 1985 suggested in paragraph 13 of this paper - 17-19 million tons and 18-20 million tons for developed and developing countries respectively - are therefore in line with the FAO forecast made in 1967.

46. For the period 1985 to 2000, the UNIDO Draft Study assumes that demand for vegetable oils will increase by about 4 per cent a year in developing countries and by 0.6 per cent a year in developed countries. The projected increase in consumption in developing countries is about the same as that experienced in the period 1965-1975; the projected increase in consumption in developed countries assumes that there will be no increase in per capita consumption after 1985. The result of the projections to 2000 are summarized in table 3.

Table 3. Per capita consumption of vegetable oil 1975, 1985 and 2000

	Consumption of vegetable oils (million tons)	Population (million)	<u>Per capita</u> consumption of vegetable oils (kg)
<u>Developed countries</u>			
1975	15.5	1,170	13.2
1985	18.5	1,280	14.4
2000	21.0	1,440	14.6
<u>Developing countries</u>			
1975	13.0	2,800	4.9
1985	19.0	3,500	5.4
2000	35.0	5,000	7.0

Source: UNIDO Draft Study and United Nations estimates of world population.

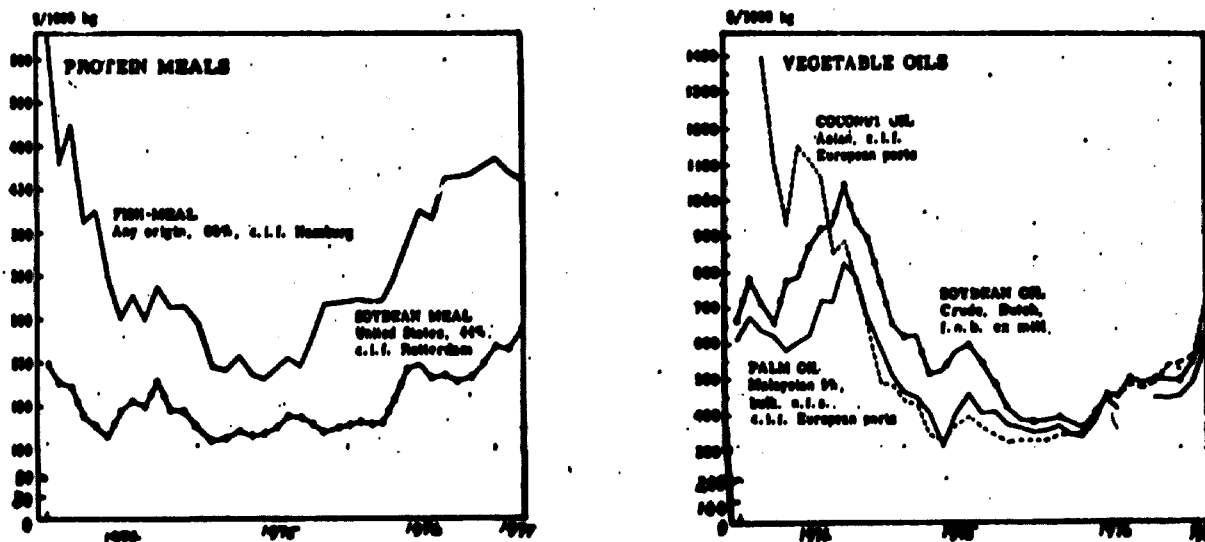
Balance of world production and consumption

47. The estimates of consumption and production in 1985 are only forecasts. It is therefore difficult to draw firm conclusions. Nevertheless, it seems likely that, in the period up to 1985, consumption will need to be stimulated if it is to absorb all the vegetable oils available in the world at prices which are remunerative to the producing countries.

48. The sharp fluctuation in prices over the period 1974-1977 are shown in figure I. This chart suggests (a) that the prices of different vegetable oils tend to move together<sup>1/</sup> (b) that there is some link between trends in the price of soya-bean meal and soya-bean oil, and (c) that the price of soya-bean meal may be linked to the price and availability of fish-meal.

<sup>1/</sup> This suggests that certain oils are inter-changeable and that buyers on the international market buy the cheapest available.

Figure. Prices of protein meals and vegetable oils



Source: FAO Commodity Review and Outlook 1976/77.

49. An effort to produce better-quality consumer products at lower prices in developing countries is one initiative that might lead to a larger increase in the world consumption of vegetable oils than has been forecast in the UNIDO Draft Study. And it is concrete steps in this direction that the Consultation Meeting is asked to consider in Issue No. 2.

International trade in oils and fats in 1975

50. The pattern of international trade in all types of oils and fats in 1975 is summarized in table 4. The figures shown there include the oil equivalent of oil-seeds that are traded (in the import and export figures).<sup>8/</sup>

<sup>8/</sup> The following rates for converting oil-seeds into oil are used by the International Seed Crusher Association (ISCA):

Soya beans	18 per cent	Sunflower seed	35 per cent	Safflower seed	35 per cent
Ground-nuts	46 per cent	Rape-seed	38 per cent	Coconuts (Copra)	64 per cent
Cotton-seed	18 per cent	Sesame seed	48 per cent	Palm kernels	48 per cent

Table 4. International trade in oils and fats in 1975  
(million tons oil equivalent)

	Production	Imports <sup>a/</sup>	Exports <sup>b/</sup>
North America	11.15	1.27	4.97
EEC	4.04	5.29	1.31
Other countries of Western Europe	1.92	1.28	0.45
Japan and other developed countries	<u>1.49</u>	<u>1.62</u>	<u>0.61</u>
	18.60	9.46	7.34
USSR and Eastern Europe	<u>8.53</u>	<u>0.71</u>	<u>0.99</u>
Total developed countries	27.13	10.17	8.33
Africa	2.96	0.65	1.03
Latin America	4.78	0.99	1.46
Near East	1.38	1.20	0.17
Far East	8.15	0.79	3.18
Other developing countries	<u>0.24</u>	<u>0.02</u>	<u>0.21</u>
	17.51	3.65	6.05
Asia Centrally Planned	<u>3.23</u>	<u>0.38</u>	<u>0.13</u>
Total developing countries	20.74	4.03	6.18

Source: FAO Commodity Review and Outlook 1976/77

a/ Including the oil equivalent of oil-seeds; excluding quantities subsequently re-exported.

b/ Including the oil equivalent of oil-seeds; excluding main re-exports and exports of oils from imported oil-seeds.

51. The trend in imports by developed countries is shown in table 5. The main part of the increase in imported supplies between 1965 and 1975 was in soya beans (1.6 million tons, oil equivalent), soya-bean oil (0.3 million tons), palm oil (1.0 million tons) and coconut oil (0.4 million tons).

Table 5. Imports of oil-seeds and vegetable oils by developed countries  
(million tons)

	Oil-seeds		Oil	
	1965	1975	1965	1975
Soya beans	6.32	15.16	0.37	0.69
Palm oil	-	-	0.44	1.43
Coconuts	1.19	0.95	0.39	0.80
Others	<u>3.11</u>	<u>2.63</u>	<u>0.85</u>	<u>1.28</u>
	10.62	18.74	2.05	4.20

Source: UNIDO Draft Study.

52. The trend in imports by developing countries is shown in table 6. The main part of the increase in imported supplies between 1965 and 1975 was in soya beans (0.15 million tons oil equivalent), soya-bean oil (0.32 million tons), palm oil (0.33 million tons) and cotton-seed oil (0.16 million tons).

Table 6. Imports of oil-seeds and vegetable oils by developing countries  
(million tons)

	Oil-seeds		Oil	
	1965	1975	1965	1975
Soya beans	0.30	1.10	0.37	0.69
Palm oil	-	-	0.14	0.47
Coconuts	0.16	0.07	0.07	0.15
Others	<u>0.33</u>	<u>0.32</u>	<u>0.39</u>	<u>0.82</u>
	0.79	1.49	0.97	2.13

Source: UNIDO Draft Study.

53. The UNIDO Draft Study discusses in more detail how world supplies of soya beans, other temperate-zone oil-seeds and tropical oils may increase up to 1985. It is against this background that the future volume of imports required by developed countries needs to be considered.

Opportunities for on-the-spot processing in developing countries

54. It has been estimated that the proportion of exports by developing countries in processed form averaged 35 per cent in 1962-1964, 50 per cent in 1972-1974 and a markedly higher figure in 1975-1976.<sup>9/</sup> The increase is due to growing exports of palm-oil (which must be processed on the spot) and, in Brazil, the development of capacity to export soya-bean oil rather than soya beans.

55. Access to the markets of developed countries may be discussed when vegetable oils and oil-seeds are considered under the UNCTAD Integrated Programme for Commodities. A joint UNCTAD/FAO report prepared for this purpose notes the effective action would involve:

- (a) Reducing the higher level of tariffs on processed oils and products;
- (b) Extending the coverage of the GSP to all oil-seeds and oil-seed products;
- (c) Phasing out existing non-tariff barriers;
- (d) Adjusting agricultural support systems in developed countries that promote the growth of temperate-zone oil-seeds.

These government policies are an important part of the background to Issue No. 1, since they will influence the planning of new processing capacity in the developing countries.

Removing the obstacles to regional co-operation between developing countries

56. The oils and fats imported by developing countries in recent years are shown in table 7, which shows that only 10 per cent of total oils and fats imports are in the form of butter/ghee or lard/shortening. Tallow and greases account for another 20 per cent. Of the various oils imported soya-bean oil has the largest share of imports (20 per cent).

57. The existing trade between developing countries requires further study; but it is perhaps even more important to identify obstacles to the further development of this trade and industrial co-operation. (The imports of oil-seeds from developed countries that are financed as development aid may also be a relevant factor in some countries.)

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<sup>9/</sup> Consideration of International Measures on Vegetable Oils and Oil-seeds. (TD/B/IPC/OILS/2). UNCTAD, 1977, page 7.

Table 7. Imports of fats and oils by developing countries by product  
(thousand tons)

	1964-1966 Average	1969-1971 Average	1973-1975 Average
Soya-bean oil	360	610	730
Tallow/greases	400	590	700
Palm oil	90	120	280
Cotton-seed oil	150	120	230
Rape-seed oil	100	140	220
Sunflower seed oil	100	200	160
Butter/ghee	80	150	160
Lard	100	120	140
Coconut oil	140	70	90
Ground-nut oil	100	60	80
Others	<u>310</u>	<u>430</u>	<u>530</u>
Total	1,930	2,610	3,320

Source: ID/B/IPC/OILS/2 (statistics prepared by FAO).

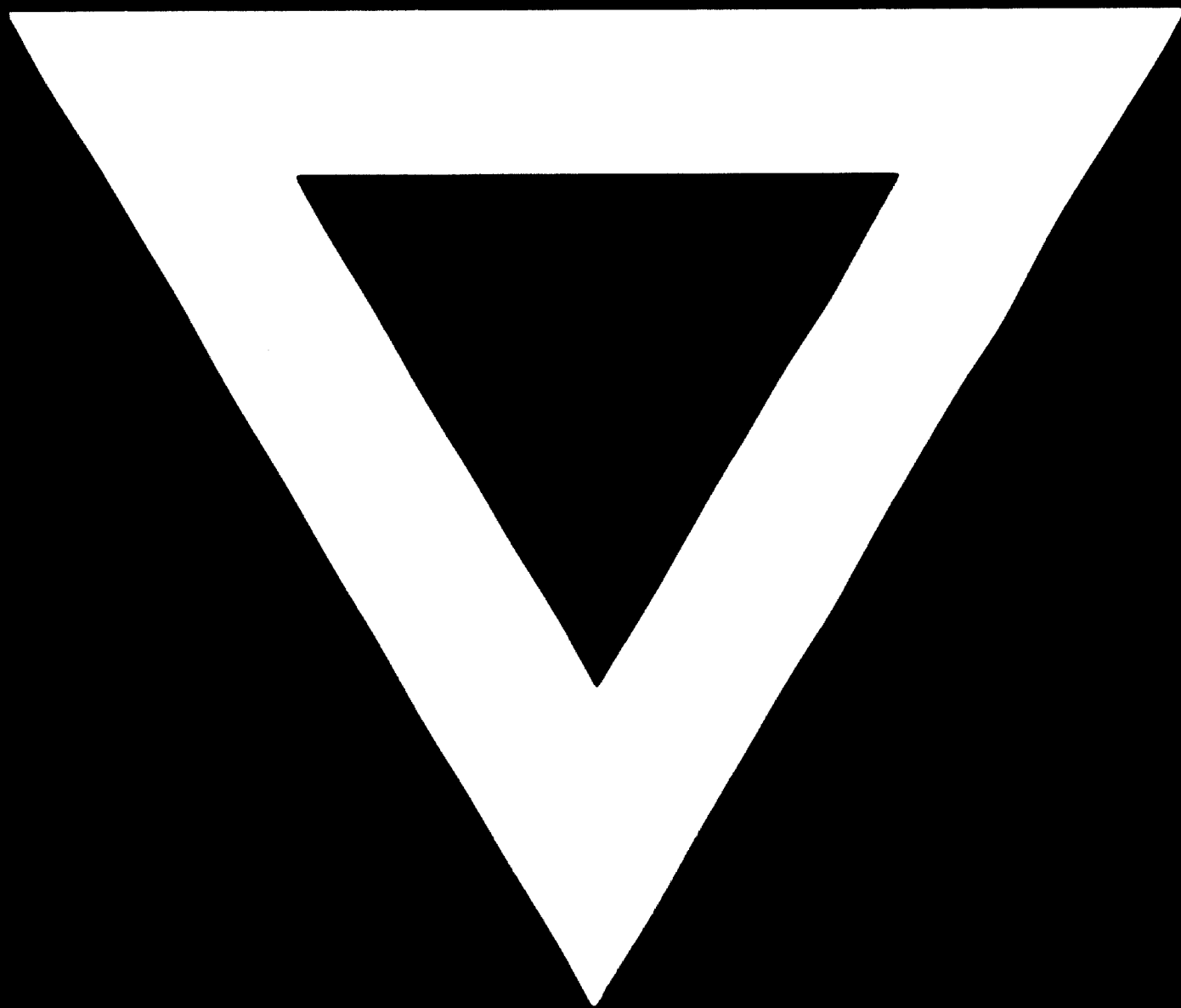
58. The main obstacle to increasing trade between and industrial development in developing countries is the shortage of hard currency in many of them. Because of this, an enterprise that exports oil-seeds, oil-seed cake or vegetable oils usually prefers to sell to a developed country for hard currency rather than to another developing country. Overcoming this constraint will usually need some modification of foreign-exchange control regulations and hence will require the intervention of the Government and central bank.

59. Some of the other obstacles to trade between developing countries appear to be:

- (a) A lack of information on the market requirements of other developing countries;
- (b) The orientation of the existing channels of distribution to established foreign products;
- (c) The preference of customers for products they already know;
- (d) Non-tariff and tariff barriers.

60. Some of these obstacles can be overcome by Government-to-Government discussions and agreement; other approaches, such as customer education, are largely up to the commercial enterprises concerned. All approaches will require time. But given the long-term mutual advantages, regional co-operation should develop and prosper in this industry.

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