The 2006-2015 Outlook for the Vegetable Oil Market in Russia

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Summary

According to BusinesStat, during the period from 2006 to 2010 the volume of manufacture of vegetable oil in Russia increased by 4% and reached 2.87 million tons. In 2010 it decreased by 12.9% compared to 2009. The slump in production of vegetable oil had been caused by reducing demand and increasing stocks. The demand of enterprises for vegetable oil in 2010 fell almost by 10%. The demand of retailers for vegetable oil in 2010 remained at the level of 2009. The volume of consumption increased only in the HoReCa sector, backed up by rising sales in fast food chains.

The industrial processing sector, which purchased 1,393 thousand tons of vegetable oil in 2010, remains the major sector of sales. In 2010 1,434 thousand tons of oil were sold through the retailing sector, and 133 thousand tons were realized via the HoReCa sector. Industry consumes large amounts of soybean, palm, coconut and rapeseed oils. The retailing sector generally sells olive and sunflower oils.

Sunflower oil remains the main type of vegetable oil in the Russian market. It takes up 70% of the market turnover. Palm oil ranks second with the market share of 20%. The other types of vegetable oil occupy 10% of the market.

The volume of vegetable oil with high degree of processing is rapidly increasing in Russia. While in 2006 the share of refined and hydrogenated oils was only 41% of the total volume of production, in 2010 their share reached 60%. According to BusinesStat, the share of refined and hydrogenated oils in the total volume of vegetable oil production will have reached 71% by 2015.

The 2006-2015 Outlook for the Vegetable Oil Market in Russia contains the essential data, necessary to comprehend the current market opportunities and conditions and to assess the future prospects, covering such points as:

- The overall assessment of the economic environment in Russia
- Depth and capacity of the market, balance of demand for and supply of vegetable oil
- Purchase amount, number of purchasers and users of vegetable oil
- Economic output, total exports and imports, the volume of merchandise in storage
- Cost price, import and export cost, retail price for vegetable oil in the domestic market
- Ratings of the industry in terms of economic output and sales revenue
- Financial and economic profiles of leading enterprises.

In this report the products are categorized the following way:

- Sunfloweroil
- Cornoil
- Soybean oil
- Olive oil
- Palm oil
- Coconut oil
- Rapeseed oil

The report presents an account of top vegetable oil producers, including: “Yug Rusi” Oil-Extracting Plant, Efirnoe, Bunge CIS, Sodruzhestvo-Soya, Atkarsk Oil-Extracting Plant , Aston Foods and Food Ingredients, Kazan Oil-Extracting Plant , Uryupinsk Oil-Extracting Plant , Food Ingredients, Masloprodukt, Orenburg Oil-Extracting Plant , PovolzhyeAgricultural and Industrial Association, Valuisky VEGETABLE OIL PLANT, Yuzhny, Chishminskoe, Anninsk Oil-Extracting Plant , Liskinsk Oil-Extracting Plant , “Elit-Maslo” Kuban Company, “Florentina” Essential Oils Extracting Plant of Ust-Labinsk, Stavropol Oil, Pavlovskagroprodukt, Sunoil-Bakar, Chernyansky VEGETABLE OIL PLANT, etc.

BusinesStat carries out researches into the global vegetable oil market as well as local markets.

The survey of the Russian market contains data concerned with different regions of the country. Along with this report, you can purchase a research into the vegetable oil markets of Moscow and Saint Petersburg.

The survey is based on the official statistics, obtained from:

- Federal State Statistics Service of the Russian Federation
- Ministry of the Economic Development of the Russian Federation
- Ministry of Agriculture of the Russian Federation
- Federal Customs Service of the Russian Federation
- Federal Tax Service of the Russian Federation

Apart from the official statistics, the survey also contains the results of the research done by BusinesStat:

- Survey of consumers of vegetable oil in Russia
- Audit of vegetable oil retailing in Russia
- Survey of experts of the vegetable oil market

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Condition of the Russian Economy

Basic Characteristics of the Russian Economy

Table 1. Volume of nominal and real GDP, Russia, 2006-2015 (trillion rubles)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Trillion rubles(current prices)	26.9	33.2	41.4	39.1	45.7	51.6	57.1	63.2	68.5	74.0
Trillion rubles(prices of 2003)	16.3	17.6	18.6	17.1	17.7	18.3	18.9	19.5	20.5	21.4

Source: Ministry of the Economic Development of the Russian Federation

In 2008 the GDP of Russia was 41.3 trillion rubles on the current basis. At the year-end the economic growth equaled 24.6% in nominal terms (in current prices, unadjusted for inflation) and 5.6% in real terms (in fixed prices for 2003). Nevertheless, the GDP decreased by 6% in 2009.

The rapid growth of the Russian economy in the middle of the 2000's was made for by 3 major factors:

- Record income of energy product and metal exporters
- Availability of financial resources to the Russian enterprises in the credit and stock markets
- Permanent income growth and availability of consumer loans

Pumping of the economy with easy money and rush demand urged the manufacturers and distributors to augment trade stocks, hoping for greater demand. With the beginning of the crisis availability of loans plummeted, devaluation reduced attraction of import, and consumer pessimism prevailed in the market. The stocked merchandize became surplus. Consumers refused to do shopping, and production started slumping without orders. Customers went on strike: instead of spending, they began to save money.

By the middle of 2008 Russian banks and companies had accumulated significant external debts, which totaled 540 billion dollars. It is particularly remarkable, that it took them only 3 and half years to do it: on 1 January 2005 the volume of external debt equaled 100 billion dollars. It was the credit abundance that was the major driver of the economic buoyancy in the middle of the 2000s, not oil sales.

However, as soon as the sources of foreign borrowings became unavailable, the whole Russian economy received a great shock. According to Sergey Aleksashenko, Macroeconomic Research Director of the State University – Higher School of Economics, 40% of the foreign debts were short-term. From the middle of 2008 to the end of 2009 banks and enterprises were to acquit 200 billion dollars of debt. This sum should be added to uncollected 200 billion dollars that had been sunk into the economy for the previous one and a half years. All in all, the total credit crunch neared 400 billion dollars (25% of the national GDP).

The greatest losses in Russia fell on the financial, construction, automobile and metallurgical industries, that were greatly dependent on the investments, loans and external economic conditions. The rest of the industries suffered as well, to a greater or lesser extent. The demand was the same only for staple foodstuffs and essential commodities. However, manufacturers of these goods incurred losses because of the prolonged arrears in payment from distributors and retailers.

In 2009 about 37 thousand of companies were dissolved in Russia, 30% of which were liquidated due to bankruptcy. Such companies as “KrasAir”, “IzhAuto”, “Avia”, “Betalink”, “Tsifrograd”, “Dixis”, “Neotorg” and “Tyumenenergobank” went out of business as well.

Classification of Vegetable oil

Vegetable oil are products extracted from oily raw materials and composed by 95-97% of triglycerides (organic compounds, compound full esters of glycerin and fatty acids). The remaining part falls on waxes and phospholipids as well as on free fatty acids, lipochromes, tocopherols, vitamins and other substances thatimpart color, flavor and smell to the oils.

By the degree of purification vegetable oil are classified into:

- Unrefined –mechanically purified
- Hydrated – mechanically purified and processed by hydration
- Refined– mechanically purified, processed by hydration and neutralization, and sometimes by deodorization

Vegetable oil include the following **types of oils**:

- Sunflower oil
- Corn oil
- Soybean oil
- Olive oil
- Palm oil
- Coconut oil
- Rapeseed oil
- Peanut oil
- Other oils

Sunflower oil is one the most important vegetable fat oils extracted from sunflower seeds. Typically it is consumed directly with food. In cookery, sunflower oil is used for frying and dressing salads. It is also used for making margarine and cooking fats (by means of hydration). Sunflower oil is used for making canned food, as well as in soap boiling and paint and varnish industry. Sunflower oil is the component of various ointments.

Corn oil is fat vegetable oil extracted from corn seeds. By chemical structure it is similar to sunflower oil. Corn oil is used in bakery, for making salads, mayonnaise and margarine.

Soybean oil is solid fat oil extracted from soya seeds. It has the largest share in the world manufacture of vegetable oil. Refined soybean oil is used with food and as a source for margarine manufacture. Along with fat oil extracted from soya seeds there are another valuable component, which is lecithin. Lecithin is separated from soybean oil and can be used in confectionery and pharmaceutics. By the volume of vegetable oil production in the world it ranks second after palm oil.

Olive oil is fat vegetable oil extracted from olive pulps. It is widely used in cookery, cosmetology, and soap manufacture. Olive oil is a valuable diet food due to high content of monounsaturated fat acids and polyphenols. It is widespread in the Mediterraneancuisine, especiallyin Italy.

Palm oil is oil extracted from pulps of oil-palm. It is used in soap boiling, stearin preparation, margarine manufacture, in cookery and confectionery, and also as lubricant. Sometimes a small amount of palm oil can be found in packages with instant noodles. Palm oil ranks first in the production of vegetable oil in the world.

Coconut oil is vegetable fat oil extracted from copra. It is produced by hot pressing of fresh dried pulp of coconut. It is mainly used in soap boiling, cosmetics manufacture for preparing cooling fillings in wafer cakes and margarine manufacture.

Rapeseed oil is vegetable oil extracted from rape seeds. Generally it is used in soap boiling, textile and leather industry as well as in manufacture ofdrying oil. After refining and hydrogenation rapeseed oil is used in margarine industry. Nowadays rape is cultivated widely as oil crop in areas where most oil crops not always and noteverywhere mature. In the near future it will be rape that will be able to compete adequately with sunflower. Recently rapeseed oil has been also of great interest as raw material for diesel fuel.

World production of rapeseed oil accounts for 12% of the total volume of production of vegetable oil in the world, ranking third after palm and soybean oils.

Peanut oil is vegetable oil extracted by pressing peanuts (Arachis).It is produced in two variations: refined and unrefined. Unrefined oil is red-brown, while refined oil is pale yellow.

Other oils include linseed, castor, sesame and mustard oils.

Industrial Processing of Vegetable oil

Industrial processing is aimed at creating food products, paint materials, biofuels and other products using vegetable oil as a raw material. Industrial processing also includes internal consumption of vegetable oil at the plant in course of manufacture. In this chapter we analize only the vegetable oil that is processed into other products. The vegetable oil that is purified and prepackaged for the retaililing market or wholesale sales in the HoReCa sector are described in separate chapters of the report.

Processing

Production capacity is the maximum possible output of goods (per year, day, or shift) or the volume of production and processing of raw materials in the classification and range. It is determined on the base of full use of the set mode of production equipment and production area. The capacity to produce a specific type of product, factors of its change and the level of its utilization are characterized by the balance of production capacities. The ашпгкуы of the balance help calculate the average annual production capacity for the accounting period and its efficiency ratio. The level of utilization of production capacity is a relative index that characterizes the degree of utilization of capacities for manufacture of particular types of products. It is calculated as the ratio of the actual output of products to the average annual production capacity for the accounting period. It is usually given for large- and medium-scale industrial organizations.

Table 31. The average annual production capacity of enterprises processing vegetable oil, Russia, 2006-2010 (million tons; %)

	2006	2007	2008	2009	2010
Production capacity (million tons)	4.0	4.1	3.9	4.9	4.9
Dynamics (% of the previous year)	-	3.9	-5.1	25.5	-0.4

Source: BusinesStat, Complex Analysis of Marketing Data

Table 32. Forecast of the average annual production capacity of enterprises for processing vegetable oil, Russia, 2011-2015 (million tons; %)

	2011	2012	2013	2014	2015
Production capacity (million tons)	5.1	5.2	5.3	5.3	5.4
Dynamics (% of the previous year)	4.1	2.2	2.2	0.1	1.8

Source: BusinesStat, Complex Analysis of Marketing Data

Table 33. Utilization of production capacities for processing of vegetable oil, Russia, 2006-2010 (%)

	2006	2007	2008	2009	2010
Utilization of production capacities (%)	69.3	66.2	63.4	66.9	61.5

Source: BusinesStat, Complex Analysis of Marketing Data

Table 34. Forecast of the utilization of production capacities for processing of vegetable oil, Russia, 2011-2015 (%)

	2011	2012	2013	2014	2015
Utilization of production capacities (%)	62.2	65.0	65.2	66.1	66.4

Source: BusinesStat, Complex Analysis of Marketing Data

Incomplete utilization of the production capacities is connected with the fact that harvesting of oil crops depends on season. This does not allow all enterprises to process raw materials evenly throughout the year.

Not all production capacities, suitable for processing of oil crops, are effective. More than half of all the facilities are outdated.

Retail Sales of Vegetable oil

The retail trade includes sales of unchanged vegetable oil, often in consumer and with different degrees of purification. The retailing sector sells vegetable oil to end-users, who can process it in the household, or consume it as it is.

Consumption

In the current chapter the market is analyzed in terms of consumption patterns. It concerns all the consumers, including foreigners living in Russia, because they can also turn out to be consumers of vegetable oil.

The vegetable oil that has been consumed in the public catering is taken into account as well.

In order to gather data about consumption of vegetable oil, BusinesStat carries out annual surveys of vegetable oil consumers with the sample of 4,200 respondents.

It should be noted that BusinesStat distinguishes between purchasers and consumers of vegetable oil. According to the classification by BusinesStat, a purchaser is not only the person who buys the product, but also any other person who uses the purchased products.

Table 51. Number of consumers of vegetable oil, Russia, 2006-2010 (million people)

	2006	2007	2008	2009	2010
Number of consumers of vegetable oil (million people)	139.1	138.9	138.7	138.4	138.4
Dynamics (% of the previous year)	-	-0.14	-0.16	-0.22	-0.04

Source: BusinesStat, Standardized Survey of Vegetable Oil Consumers, All-Russian regular survey, sample of 4,200 respondents.

Table 52. Forecast of the number of consumers of vegetable oil, Russia, 2011-2015 (million people)

	2011	2012	2013	2014	2015
Number of consumers of vegetable oil (million people)	138.4	138.3	138.2	138.1	138.0
Dynamics (% of the previous year)	0.02	-0.05	-0.06	-0.12	-0.06

Source: BusinesStat, Standardized Survey of Vegetable Oil Consumers, All-Russian regular survey, sample of 4,200 respondents.

Consumers of vegetable oil are the people who bought it at least once a year. People who did not buy the product but consumed it are also considered to be consumers. For example, family members who eat purchased products, or service men who consume stocked canned food with vegetable oil are regarded as consumers as well.

Cost Volume of Export

Table 103. Cost volume of export of vegetable oil from Russia, 2006-2010 (billion dollars)

	2006	2007	2008	2009	2010
Export (billion dollars)	0.432	0.497	0.782	0.775	0.649
Dynamics (% of the previous year)	-	15.1	57.3	-0.9	-16.3

Source: Federal Customs Service of the Russian Federation. Customs Declaration / Transit Entry for participants of the foreign economic activity "Record of Cargo and Vehicle Transit across the Border".

Index "Export of Vegetable Oil" is calculated by multiplying the net weight of the cargo (tons) by the cost of one ton of the cargo (dollars per ton). The weight of all the cargoes is taken into consideration. Unit of account: all enterprises engaged in foreign economic activities in Russia.

Table 104. Forecast of the cost volume of export of vegetable oil from Russia, 2011-2015 (billion dollars)

	2011	2012	2013	2014	2015
Export (billion dollars)	0.752	0.887	0.927	1.019	1.119
Dynamics (% of the previous year)	16.0	17.9	4.5	10.0	9.8

Source: BusinesStat, Complex Analysis of Marketing Data.

Table 105. Cost volume of export of vegetable oil from Russia by type, 2006-2010 (million dollars)

	2006	2007	2008	2009	2010
Sunflower oil	397.2	466.3	658.1	576.5	416.9
Corn oil	0.5	0.6	2.0	1.1	1.1
Soybean oil	0.8	4.2	36.6	123.4	151.5
Olive oil	0.0	0.0	0.0	0.0	0.0
Palm oil	0.7	0.8	1.5	0.2	0.2
Coconut oil	0.1	0.2	0.3	0.1	0.2
Rapeseed oil	31.4	22.7	81.6	71.9	77.1
Peanut oil	0.0	0.0	0.0	0.0	0.0
Other oils	0.9	2.1	1.9	1.9	1.7
Vegetable oil - total	**431.6**	**496.9**	**781.9**	**775.1**	**648.6**

Source: Federal Customs Service of the Russian Federation. Customs Declaration / Transit Entry for participants of the foreign economic activity "Record of Cargo and Vehicle Transit across the Border".

Index "Export of Vegetable Oil" is calculated by multiplying the net weight of the cargo (tons) by the cost of one ton of the cargo (dollars per ton). The weight of all the cargoes is taken into consideration. Unit of account: all enterprises engaged in foreign economic activities in Russia.