

# Fats and Oils Industry Overview

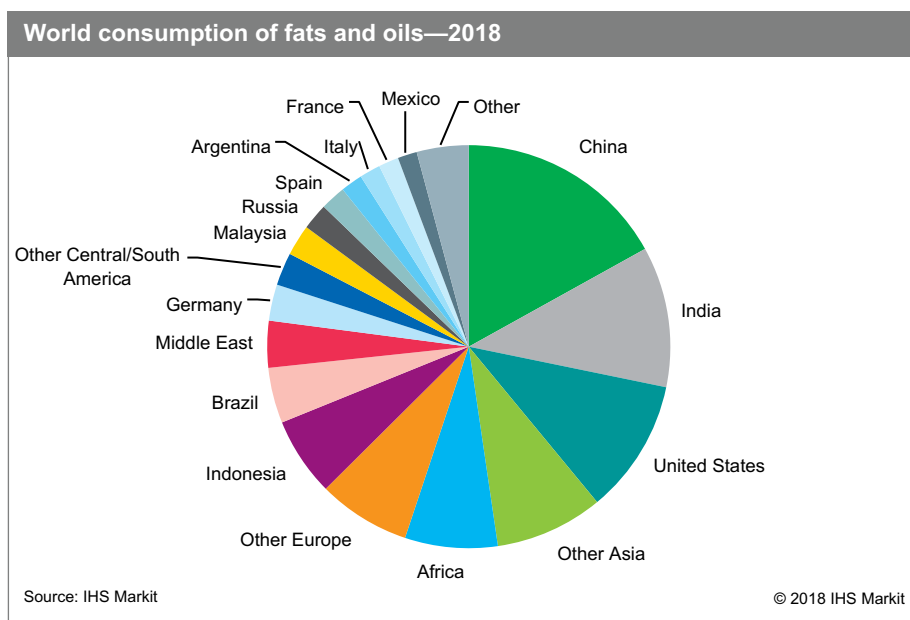
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## Abstract

Fats and oils are used throughout the world for both food applications and industrial uses. They are consumed in butter, shortening, margarine, salad oils, and cooking oils, as well as in animal feeds, fatty acids, soaps, personal care products, biodiesel, paints (made from alkyd resins), lubricants, and greases. The sources of fats and oils include edible vegetable oils, palm oils, industrial oils, animal fats, and marine oils. Food applications account for the major share (about three-fourths) of the worldwide consumption of fats and oils. However, there has been a continued shift from food to industrial consumption, particularly in biodiesel. In Europe and the United States, this has been due mainly to the increased use of rapeseed (canola) oil and soybean oil for biodiesel production. In Central and South America, soybean oil consumption has also increased in use for biodiesel as a result of country mandates. Industrial applications of other oil crops are also being studied and developed.

Global production of fats and oils is led by Asia. Indonesia is the world's largest producer, and accounts for more than half of the global production of palm oil. China ranks second in total world production of fats and oils in 2018, and is a larger producer of soybean and rapeseed (canola) oils. Malaysia ranks third in world production because of its place as the world's second-largest palm oil producer. India also produces large volumes of canola and butter. Overall, Asia accounts for more than half of global fats and oils production in 2018.

The following pie chart shows world consumption of fats and oils:



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World consumption is also driven mainly by Asia, which accounts for almost 50% of the world total. China and India together make up almost 30% of the world total. Chinese demand is mainly for soybean oil, followed by palm and canola oils. India is a major consumer of canola oil, as well as palm oil and butter. Both countries expect continued strong growth. Indonesia and Malaysia also contribute to overall consumption, especially in palm oil demand.

Palm oil is produced mainly by Indonesia and Malaysia. Palm oil consumption accounts for 30% of the world total and is expected to grow by about 4% annually. The main consumers include India, Indonesia, and China, as well as the rest of Asia, Europe, and Africa. Palm oil use has grown significantly because of its lower cost, edible properties, and supply availability.

Soybean oil is the second-most-widely produced and consumed oil in the world. It is made and used extensively in the United States, Brazil, Argentina, and China. Its growth in North and South America has been supported by its use as a feedstock in biodiesel production. Soybean oil consumption accounts for nearly one-fourth of the world's fats and oils consumption in 2018 and is expected to grow at a rate of about 2.5% per year.

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Animal fats, including tallow and grease, butter, and lard, still account for a significant amount of global fats and oils production and consumption, although volumes have remained fairly steady or only slightly increased in recent years because of health concerns (e.g., regarding higher saturated acids or cholesterol content). Tallow and grease are produced in high volumes in the United States and are second in the United States (after soybean oil) in terms of oil or fat consumed. Tallow competes with soybean oil as a feedstock for biodiesel production.

Overall, world fats and oils consumption is expected to grow at a rate of 2.5–3.0% per year, driven mainly by growth in Asia and steady increases in the United States and Europe. In Asia, China and India will continue to experience growing populations and economies, which will result in an increase in per capita consumption of fats and oils. In the United States, Europe, and Central and South America, fats and oils consumption for nonfood use, particularly biodiesel production, is expected to continue to increase.

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