

This is What's Eating the Global Edible Oils Market

Rising inflation—and the likely potential that price increases are nowhere near their peak—is the biggest economic news story in the United States. Behind the scenes, supply chain disruptions are compounding on rising costs of consumer goods. One specific sector that's being severely hampered by historic logistical obstacles is the edible oils market, and shippers need to take action.

Ukraine has been accurately described as the “Breadbasket of Europe”, but that doesn't necessarily cover the country's entire exporting and production power. Not only does Ukraine excel at producing breads and other dry grain products, it's also one of the largest exporters of edible oils derived from grains. Before the conflict between Russia and Ukraine, Ukraine was the single largest exporter of sunflower oil. Now that ports around the Black Sea are all but shut down and manufacturing within the country has become extremely difficult, the loss of Ukrainian sunflower oil is a huge hit.

To destabilize the edible oils market even further, Indonesia, the world's largest exporter of palm oil, abruptly halted all exports of the product in from April 28th to May 23rd. The stoppage was an attempt to control costs of cooking oils for Indonesian consumers, but it did not have the desired effect.

“Over the last few years, we've been dealing with dozens of market difficulties that we've never seen before, and this situation is certainly a first,” explains Lynn Stacy, Managing Director of OEC Group's Liquid Logistics Division. “Fortunately for us at LLS, we can leverage OEC Group's international relationships and give our clients the option to diversify their sourcing strategy and obtain oils elsewhere. We also have access to producers of potential replacement products, like soy oil.”

Without that access, even soy oil may be hard to come by. Based on unusually dry climates in Argentina, Brazil, and Paraguay, soy oil will be much more difficult to acquire now than it would be in a normal year. Building sufficient inventories of any edible oils is going to be a complex puzzle in the current logistical landscape.

With cold supply chains struggling and food shortages emerging around the world, the time is now for shippers in that sector to get ahead of schedule. Not only should shippers be spreading shipments out across gateway ports into the United States, they must also consider diversifying their sourcing strategies at origin. In this market, shipping across multiple lanes and taking advantage of all available options will put shippers in the best position to succeed. We suggest shippers begin collaborating with logistical partners immediately to put that strategy in motion.