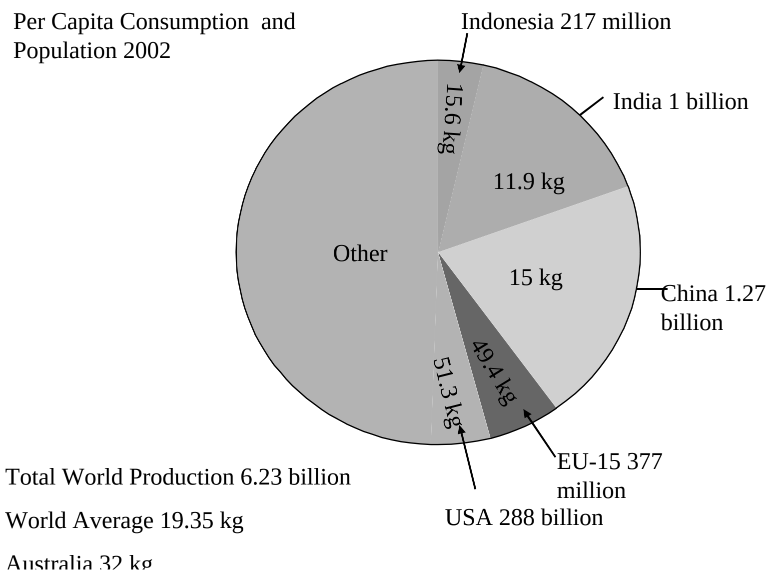
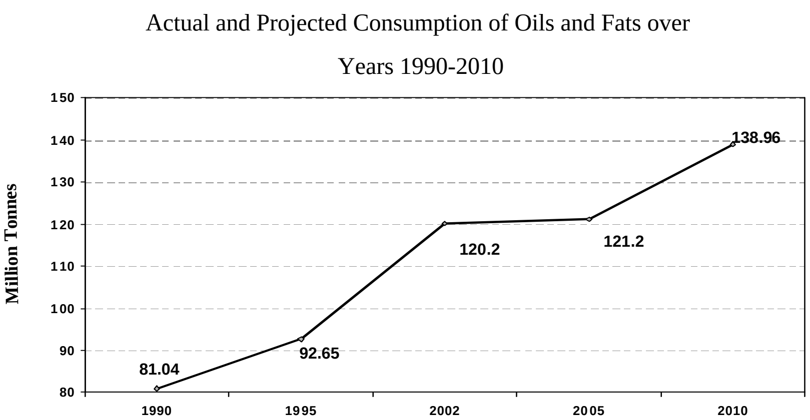
Consumer Trends and Usage of Fats and Oils

Charles Aldersey – Meadow Lea Foods

World usage fats and oils



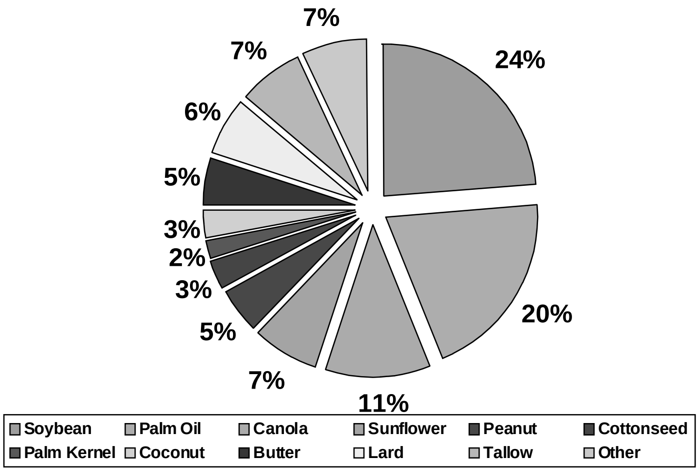
World usage in fats and oils - projection



Year	1990	1995	2002	2005	2010
Population (in Billions)	5.300	5.670	6.23	6.280	6.649
Consumption (KG/Caput)	15.29	16.34	19.35	19.95	20.90

World usage of fats and oils- by oil type

World Consumption (2002)

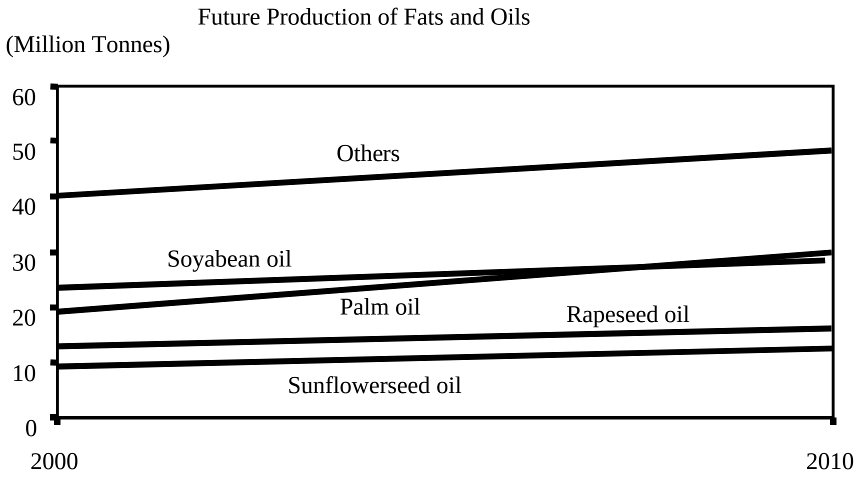


World usage in fats and oils - oil type trends

Average annual production of the major commodity oils and fats in the five-year periods 1958-1962 and 1996-2001

	1958-1962		1996-2001	
	Rank order	Million metric tons	Rank order	Million metric tons
Total		29.16		103.45
Animal	37%		19%	
Vegetable	63%		81%	
Butter	1	4.21	7	5.75
Tallow	2	3.39	5	7.65
Soybean	3	3.20	1	22.84
Lard	4	3.19	6	6.21
Peanut	5	2.65	8	4.62
Cottonseed	6	2.26	9	4.00
Sunflower	7	1.90	4	9.14
Coconut	8	1.85	10	3.10
Olive	9	1.30	11	2.42
Palm	10	1.26	2	17.93
Canola	11	1.13	3	12.56

World usage in fats and oils - future



Source : MPOB Estimate, Oil World

World consumption trends in fats and oils

Developing countries

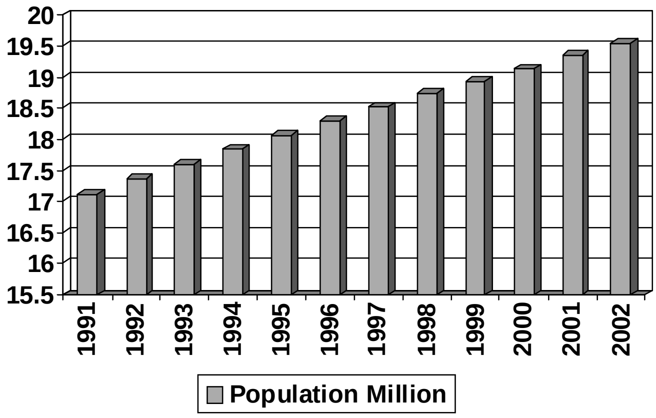
- Per capita consumption is likely to increase most in developing countries (e.g. China and India)
- Developing countries account for an increasingly large portion of the worlds population
- Preference for oil type depends largely on price and availability in developing countries
- Price elasticity of demand is more relevant in developing countries
- Palm share of consumption in developing nations is expected to grow more rapidly because of availability and price

Developed countries

- Per capita consumption of fats and oils are near saturation point
- Limited demand growth expected for fats and oils in developed countries
- Historical swing away from animal fats to vegetable oils

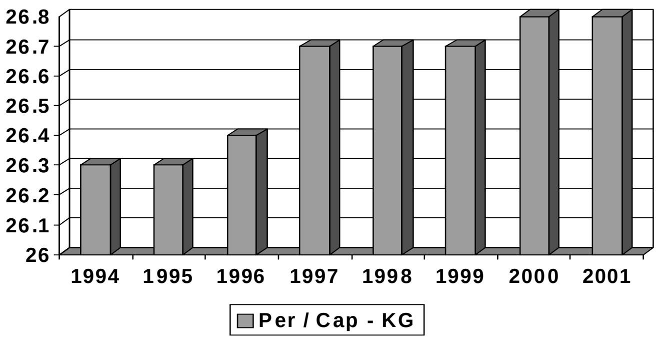
Domestic consumer trends - Australia

Market Size



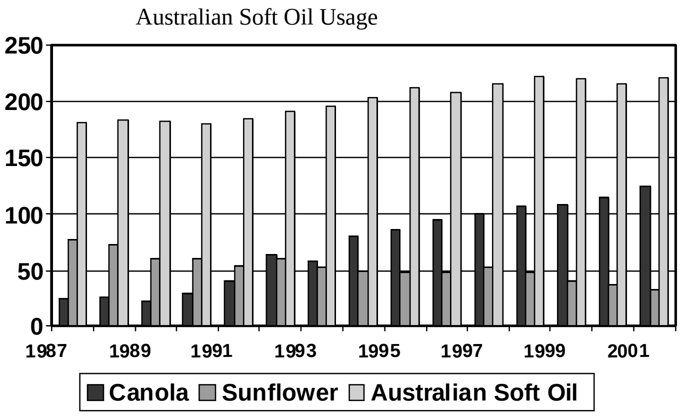
Domestic consumer trends – Australia

Market Size



- Per cap Consumption up 2.0% over 10 years or 0.20% p.a.
- "Oil World" 32.8 kg per cap
- GF 26.8 kg per cap

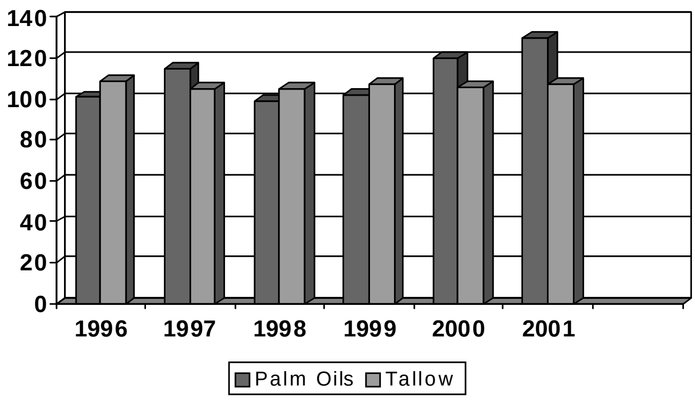
Domestic consumer trends – Australia



Canola %	14	13	22	30	46	47	49	57

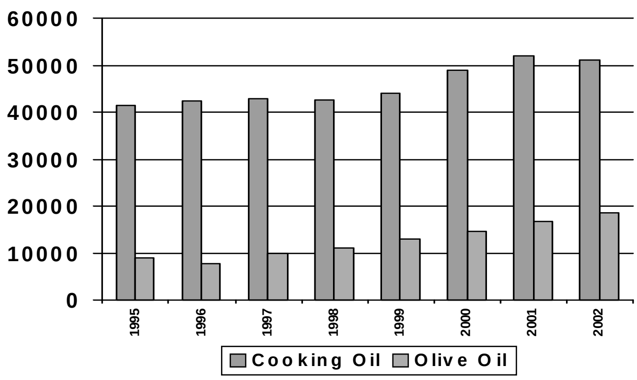
Domestic consumer trends – Australia

Palm Oils - Tallow Usage



Domestic consumer trends – Australia

Total Retail Cooking Oils - Volume (Tonnes)

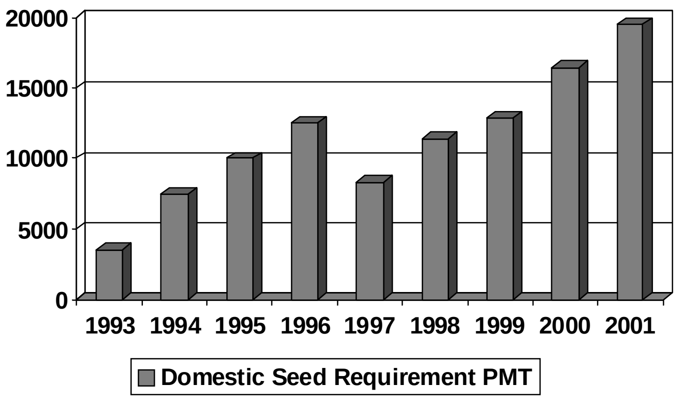


	41,444T	42,388T	42,758T	42,644T	43,917T	48,464T	51,858	51,000
Growth :		+2.3%	+ 0.9%	-0.3%	+3.0%	+10.4%	+7%	-1.3%

Domestic consumer trends – Australia

Domestic High Oleic Sunflower Seed Crush

High Oleic SFO Usage



Domestic consumer trends – Australia

Market size

a) Total Australian market increasing by 0.7%pa

b) Total retail yellow spreads 105,000 mt

i) Declining at 3% pa

ii) Butter 35,500 mt (34%)

- Increasing at 3% pa

iii) Margarine 70,000 mt (66%)

- Declining at 5% pa

c) Bottled oils 51,000 mt pa

i) Non olive growth –1.3%pa

ii) Olive 11% pa (37% market)

d) Food Service/Commercial 375,000 mt pa

i) Growing at 2% pa

Trends over the past years

a) Low growth – around population increase

i) Decline in retail sector (visible)

ii) Increase in food service and commercial sectors (invisible)

b) Increase in canola oil consumption and speciality oils such as peanut and sesame oil

c) Increase in olive oil consumption – extra virgin and extra light driving growth

d) Decline in blended vegetable oil and sunflower oil consumption

e) Decline in spreads consumption – same household number

i) Butter increasing – more households, higher consumption

ii) Dairy spreads increasing

iii) Vegetable oils spreads declining – less consumption

iv) Reduced oil content of vegetable oil spreads

v) Spreads offering unique positioning eg cholesterol lowing and olive oil

f) Soyabean oil consumption decline (Trans fatty and GMO issues)

g) Stable tallow consumption (lower per cap)

h) Increase in palm oil consumption (higher per cap)

i) High oleic oils introduced

j) Greater import participation in Food Service sector

Future directions – Australia

a) Past trends to continue

i) Ageing population = lower food + fat intake

ii) Further increase in out of home eating = higher fat intake

iii) Shallow frying in home declining

iv) Increased emphasis on healthier oil

v) Olive oil growth to continue

b) GMO Free and Organic oils

i) Will be increase in intrinsic demand

c) Potential Australian olive oil production 26,000 mt in 2007

d) Growth in Food Service and Commercial Sector

i) Implications for oil type, palm likely

e) Next Generation frying oils

i) High oleic above 65% + linoleic 20% and linolenic below 3% canola oil

ii) Substitute for palm olein

iii)Substitute for tallow (BSE, Aesthetic reasons)