

Cooking oil prices tamed amid the record 2023 canola harvest

Following a tough 2022 which saw a surge in both domestic and global vegetable oil prices, consumers breathed a sigh of relief in 2023 due to a downswing across the board.

Global vegetable oils inflation as measured by the United Nation's Food and Agriculture Organization (FAO) increased by 14% year-on-year in 2022 with a monthly peak of 58% year-on-year in March 2022 as the Russia-Ukraine war disrupted trade and curtailed availability on world markets as the two countries are the major exporters.



Source: user3802032 via [Freepik](#)

We saw a turnaround in the global vegetable oil price situation from the second half of 2022 as availability improved following the conclusion of the Black Sea Grain Initiative Deal brokered by Turkey and the UN to allow the movement of agriculture exports in the region.

Global vegetable oil inflation has since been in negative territory for the past fifteen months, clocking -20.7% year-on-year in October 2023 despite the ongoing war in Ukraine, production challenges in Spain, South America, and Malaysia, and the Turkish ban on olive oil exports.

Domestic market trends

In contrast, we saw an elevated trend on the domestic market in 2022 as South Africa remains a net importer of fats and oils, thus, volatility on the international market easily filters through locally with the depreciating rand exacerbating the situation.

The monthly fats and oils inflation reached a high of 37.6% year-on-year in August 2022 but has since reversed course and trended in negative territory since the beginning of the year on spillover losses from the international market and the improved domestic supplies.

Better prices encouraged farmers to increase plantings with canola hectares for 2023 hiked by 6.2% year-on-year to 131,200 hectares and the recent harvest estimates (fourth) indicate an impressive crop of 237,450 tonnes which is up by a whopping 13.1% year-on-year.

This bodes well for consumers as the improved availability of canola seed by-products such as oils, margarines, and mayonnaises will help maintain a downside for prices in a high food inflation environment.

Thus, the cost of frying your favorite meals will remain relatively low in the medium term. During October 2023, the cost of 750ml of canola (+sunflower) oil was down by 10% year-on-year at R36.01.

Sunflower production outlook

Boosting the fats and oils commodity complex supplies as the winter crop harvest tails off is the bullish production outlook for sunflower given the 2023/24 seasonal planting estimates which indicate a rebound of 15% year-on-year in planted area (640,000 ha).

This will more than offset the 2022/23 harvest decrease of 14% year-on-year at 724,110 tons. Furthermore, the near-term weather outlook still points to good showers early to mid-

December which increases prospects of another good agriculture season should the current El Niño conditions not deteriorate further during the critical crop growth stages.

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