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Vegetable oil prices soar, far outstripping other food inflation

War in Ukraine, drought and competition with biofuels have put the squeeze on food oils

By Laura Reiley

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Washington's District Doughnut locations have seen the price of vegetable oil double in the past six months. (Dayna Smith for the Washington Post)

District Doughnut, which made its name on sophisticated flavors like brown butter and dulce de leche, has weathered a number of food price hikes in recent years as flour, sugar and eggs all got more expensive during the pandemic.

But a new crisis unrelated to the pandemic has sparked fresh worries for Christine Schaefer, founder and executive pastry chef of the Washington doughnut company: the rising cost of cooking oil. Extreme weather and the war in Ukraine have tightened global supplies of the four most commonly used types of vegetable oil — staple ingredients that are as ubiquitous in home kitchens as they are in restaurants and packaged foods. In low-income countries, cooking oil represents one of the biggest weekly expenditures for

poor families and the source of about 10 percent of the world's daily calories, [according to](#) the International Food Policy Research Institute.

But even in affluent countries, these higher prices are being sharply felt. The blocks of vegetable oil Schaefer uses for frying has doubled in recent months to \$70 apiece. "Every week it goes up a dollar," she said. "There was one point it jumped \$10 in a single week."

Schaefer said they've increased the price of single doughnuts for customers at their five shops, but are trying to hold steady on the pricing for multiple doughnuts so they don't lose too much business.

"We're holding down the fort, hoping this is a passing storm," she said.

Agricultural economists say this particular storm is unlikely to pass anytime soon.

Vegetable oil prices worldwide hit a then-record high in February and increased an additional 23 percent in March, according to the U.N. Food and Agriculture Organization. The oils commonly used by food manufacturers in the United States have shot up 45 percent since last March and have surged by 152 percent over the past two years, outpacing overall food inflation, according to Gro Intelligence, an agriculture data platform.

In the United States, vegetable oils are in everything, from ice cream to shampoos, and are the fastest growing category of food commodities, said John Baffes, senior economist for the World Bank's Prospects Group. And demand is outstripping supply: Over the past decade, vegetable oil production has increased by 5.7 million metric tons per year on average, but consumption has increased by an average of 6.2 million metric tons per year, according to Gro Intelligence data.

Thirty-five percent of world's production of vegetable oil is palm oil, 29 percent is soybean, 14 percent is canola and 9 percent is sunflower oil, according to U.S. Agriculture Department data.

Each of those four faces new and unprecedented shortfalls or supply disruptions related to the war, problems that will have a ripple effect on pricing for grocery store items and restaurant meals, said Chris Johnson, an

analyst for S&P Global Ratings, a credit ratings agency. In developing countries, skyrocketing vegetable oil prices may threaten basic subsistence, but developed countries, where affluent people lean more heavily on restaurant meals (people eat a lot more fried food out than at home) and prepackaged foods that contain vegetable oils, will feel a significant sting as well, Baffes said.

While these oils are “highly substitutable,” Baffes said, countries around the world are competing for limited vegetable oil reserves and scrambling to reformulate products if they manage to find them.



Workers gather fresh fruit bunches that produce palm oil in Pekanbaru, Riau province, Indonesia, on April 27. (Willy Kurniawan/Reuters)

Palm oil

Indonesia is the world’s biggest producer and exporter of palm oil, the most widely used oil globally. On April 28, the Indonesian government banned all palm oil exports in an effort to quell domestic unrest about rising food prices. A 40 percent increase in the domestic price of palm oil, the most common cooking oil in Indonesia, has prompted long lines and protests.

Experts expect the palm oil shortage to ease eventually. Indonesia can use only about a third of the palm oil the country produces and will have difficulty finding storage for all the excess: Exports of palm oil and palm oil

products typically average 2.3 million metric tons per month, according to Gro Intelligence data. The country's liquid storage tanks for palm oil products at ports are estimated to be able to store only up to 2 million metric tons overall.

"The ban in Indonesia will be short-lived," said Tim Luginsland, a Wells Fargo agribusiness sector manager. "They have more than they need, they don't have enough storage and it's worth a lot. It is driving up prices temporarily, but a rising tide lifts all ships — prices for all oils are going up."

But the ban could remain in place for months. And once the oil is flowing again, it will take time to ramp the exports back up. World prices for palm oil jumped 7.5 percent last week and are up 75 percent year over year, according to Gro Intelligence data.

Soybean oil

Ed Cinco, director of procurement at Schwebel's Baking, a regional bread bakery in Ohio employing 750 people, started seeing the price of soybean oil go up more than a year ago. It went from 50 cents a pound to more than a dollar — a huge increase, particularly considering Schwebel's uses 30,000 pounds of soybean oil a week.

Cinco said the price shot up an additional 20 cents in the past two months, and his vendor has said it is going up again. In turn, Schwebel's has had to raise wholesale bread prices more than 10 percent, with another hike likely in July.

"I can't get quotes from any other company because no one has supply," Cinco said. "And if you substitute another oil, all your nutritional values have to change on the packaging, so you need to order new packaging, and right now there's a 14-week lead time on that because of supply-chain issues."

Supplies of soybean oil have been pressured by a drought in Argentina, the top global exporter. After Russia invaded Ukraine, the South American country raised export taxes on soybean oil and briefly suspended exports to protect its domestic supplies and prices. That, coupled with lack of rain in Brazil, another major exporter, and there's a short supply coming out of South America.

The bigger issue, Luginsland said, is the “push-pull between food usage and fuel.”

Biofuel usage accounts for much of the annual increase in vegetable oil demand, [according to](#) Gro Intelligence. [About 40 percent](#) of corn is being pulled away from feeding humans and animals to produce ethanol, and [about 30 percent](#) of soy goes to produce biodiesel.

Experts worry that might go higher, further tightening supply. In June, the Environmental Protection Agency will announce its updated requirements for blending regular diesel with biodiesel, which uses soybean oil. Food manufacturers will face more competition for that oil if the EPA increases the amount of renewable fuel that must be mixed with gasoline and diesel, said Robb MacKie, president of the American Bakers Association.

“The vegetable oil crisis we’ve been warning the EPA about since July of 2021 is now happening. If the EPA doesn’t reduce the proposed 13 percent increase in biofuel mandates in light of what we’re experiencing, grocery store shelves have a real chance of missing key, everyday products. This is our scary reality,” he said.

His association is asking the EPA to allow soybean oil stocks to shift back into food instead of being diverted to biodiesel production.

The United States has historically been a net exporter of soybean oil. But with 26 renewable diesel plants operational or under construction, with the majority coming online in the next couple years, there won’t be enough domestically grown soy to meet demand, said Steve Nicholson global sector strategist on grains and oilseeds for Rabobank.

“Policymakers had admirable goals, but the crops got lost in translation,” he said.



Cooking oils sit on a shelf at a Chicago grocery store on April 26. (Scott Olson/Getty Images)

Canola oil

Canada is the largest producer and exporter of canola, also called rapeseed oil. Last year the Canadian crop saw a 35 percent drop because of drought, leading to a 14-year production low, Luginsland said.

“At this point, people are not assuming this year’s crop will be significantly better,” he said. “We don’t plant until May, so there’s still a chance of a decent crop if we get the rains.”

But there are other factors at play that may further tighten supply. Nicholson said this year growers have said they plan to plant 7 percent fewer acres of canola, choosing instead to plant wheat because prices are high and farmers “have a better [profit] margin with that crop.”

A shortfall of Canadian canola means some manufacturers will buy it from places such as Australia, but additional shipping and transportation costs for these substitutions will likely result in higher prices to consumers, Baffes said.

Sunflower oil

Ukraine accounts for two-thirds of global exports of sunflower oil, making up about 7 percent of total global edible oil exports, Baffes said. Delivery of last year’s crop was disrupted as a result of the destruction of storage

facilities and blockading of exports after the Russian invasion of Ukraine, and experts anticipate half of the acreage will not be planted this year.

Sunflower oil as well as the seeds that are made into the oil are sold primarily into Europe, said Johnson. It is a non-genetically modified product, he said, so European manufacturers are having to reformulate with different oils and finding it difficult, and expensive, to find other non-GMO oils so they can sell products in European countries that have banned GMOs.

“There is no sunflower oil on the grocery store shelves,” Nicholson said.

The industry organization Consumer Brands Association [is asking](#) the federal government for greater flexibility so companies don’t have to keep changing their labels as they hustle to find substitution for their ingredients, often from much more far-flung places, said the association’s vice president of communications Katie Denis.

“When one market goes down, there’s no slack in the system. There are ripple effects,” she said.