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Rice, Edible Oil and Sugar in GCC

A research report

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The report at a glance

Rice, oil and sugar are commodities of significant importance globally and are key imports to the GCC. These products are not produced in significant quantities within the GCC, therefore must be imported. Therefore, availability and pricing within the GCC can be heavily impacted by external market factors and trends.

In each section we examine the supply and demand of rice, oil and sugar at a global level before looking more closely at the GCC markets. The report first assesses global production and consumption, followed by a high-level review of global exports.

We then analyze the GCC production, consumption and import of each product. Each section ends with a summary of driving factors for trade at a global level.

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Rice

A global view

Rice is the primary staple food for many of the world's population, especially in Asia, Sub-Saharan Africa and South America. Rice consumption has grown from around 445 million tonnes in 2010, to over 500 million tonnes in 2021 and is estimated to surpass 510 million tonnes by the end of 2022[1]. The OECD predicts that global rice production will reach 582 million tonnes by 2029[2].

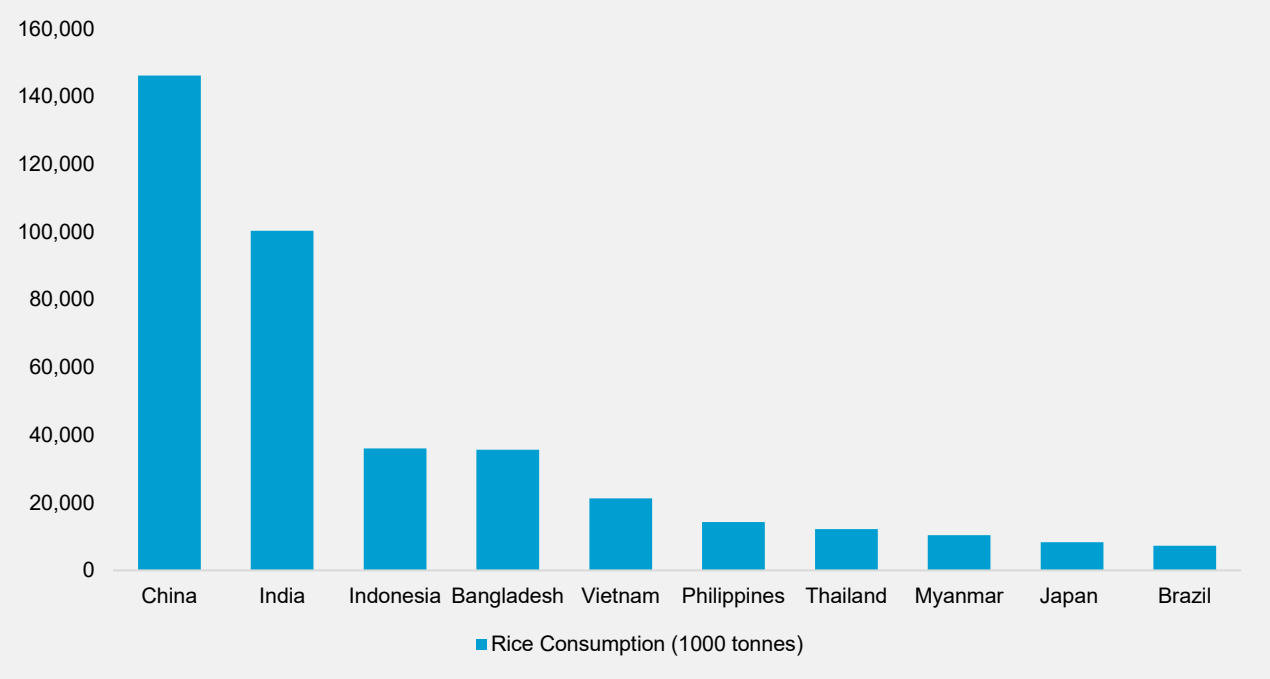
1. Global rice production

Traditionally, countries in Asia have the largest share in world rice production. Overall rice supply pursued relatively stable growth from 2007-2021. China and India are the primary producers of the commodity globally accounting for just over 148 million metric tonnes and 116 million metric tonnes of milled rice respectively[3]. Together, they are responsible for around 53% of global production[3]. These supplying countries are followed by Indonesia, Bangladesh, Vietnam, Thailand, Myanmar, Philippines, Brazil and Japan[3]. In 2020, the United States ranked 13th in global rice production, with average annual production reaching approximately 8.3 million metric tonnes. Though there are dozens of varieties of rice grown and consumed across the globe, the three most prominent types of rice are indica, japonica and aromatica. Out of these three, japonica is priced highest.[3]

2. Global rice consumption

As the most populous country in the world, China consumes more rice than any other country, with an average annual consumption amounts of 146.2 million metric tonnes between 2018/2019 and 2020/2021. India is the second largest consumer with 100.4 million metric tonnes in the same period[3].

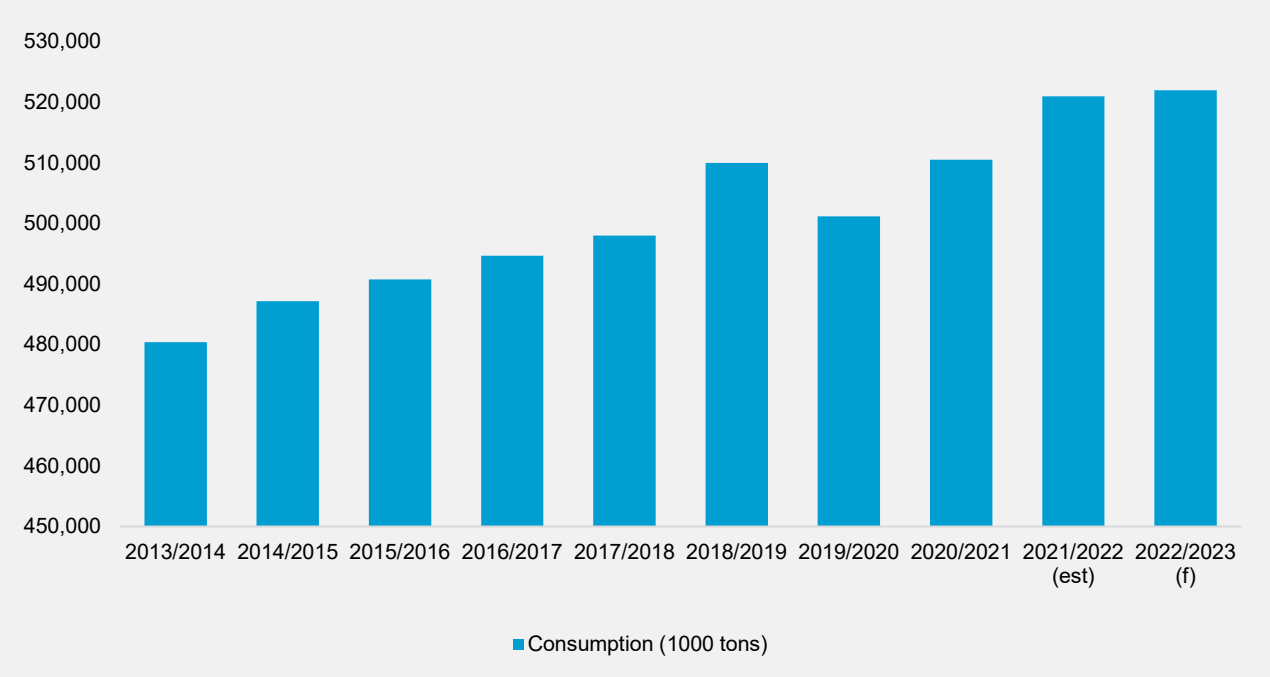
Figure 1: Top rice consuming countries



Source: USDA

Recent research shows that total rice consumption volume has slowly increased over the past 10 years with maximum utilisation in the 2021/2022 crop year[4]. Consumption rates will likely continue to grow, largely driven by an expected significant increase in the population of Sub-Saharan Africa.

Figure 2: Total rice consumption worldwide (2013-2023)

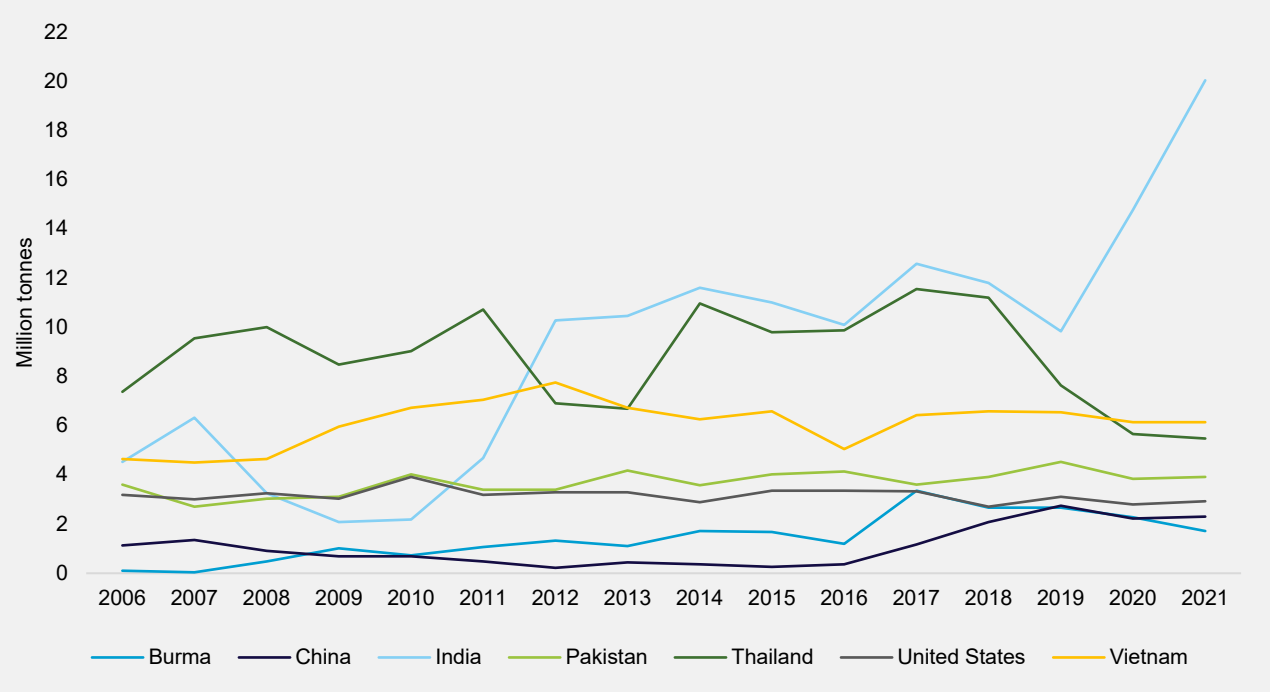


Source: FAO

3. Rice imports and exports

In 2021, the volume of global exports of milled rice totaled 55 million tonnes[5]. Top exporting countries in 2021 were India, Vietnam, Thailand, Pakistan, Vietnam, United States, China and Myanmar. India has retained its position as the largest global exporter of rice since 2012.[3] The OECD predicts that global rice exports will exceed 62 million tonnes by 2029.[2]

Figure 3: Rice exports by country, 2006-21

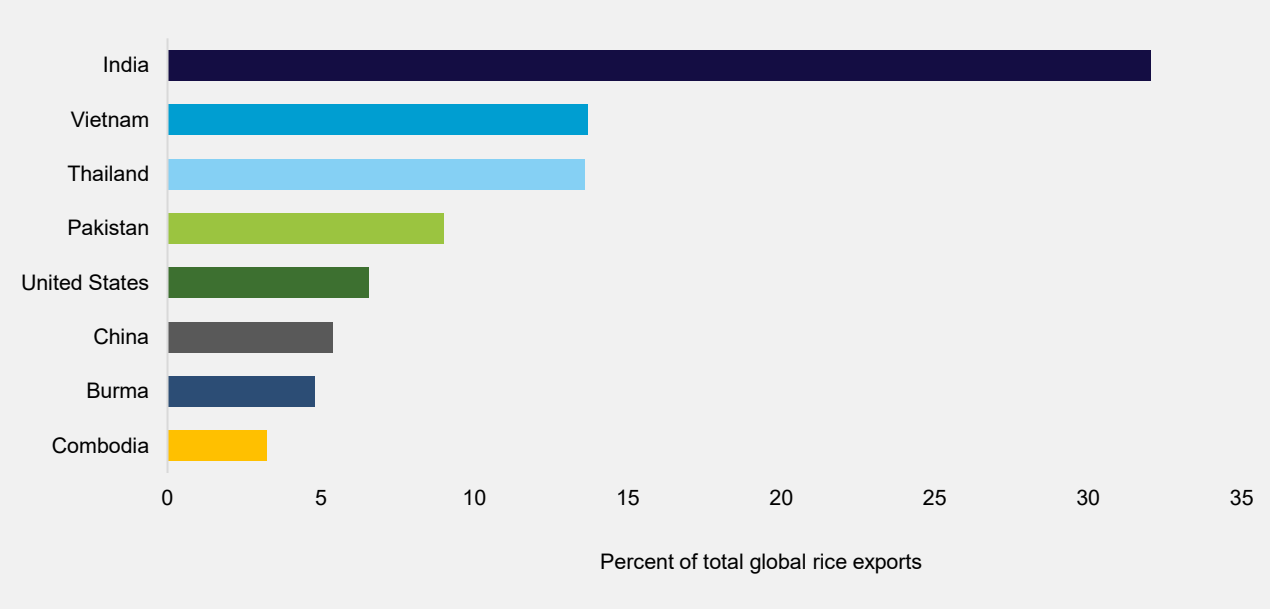


Notes: Calendar year. Exports reported on a milled-basis. 2021 forecasts as of November 2021.

Source: USDA, Foreign Agricultural Service, Global Agricultural Trade system database.

USDA (https://www.ers.usda.gov/webdocs/charts/102497/Rice_exports_by_country.png?v=2930)

Figure 4: Share of global rice exports, 2019-21



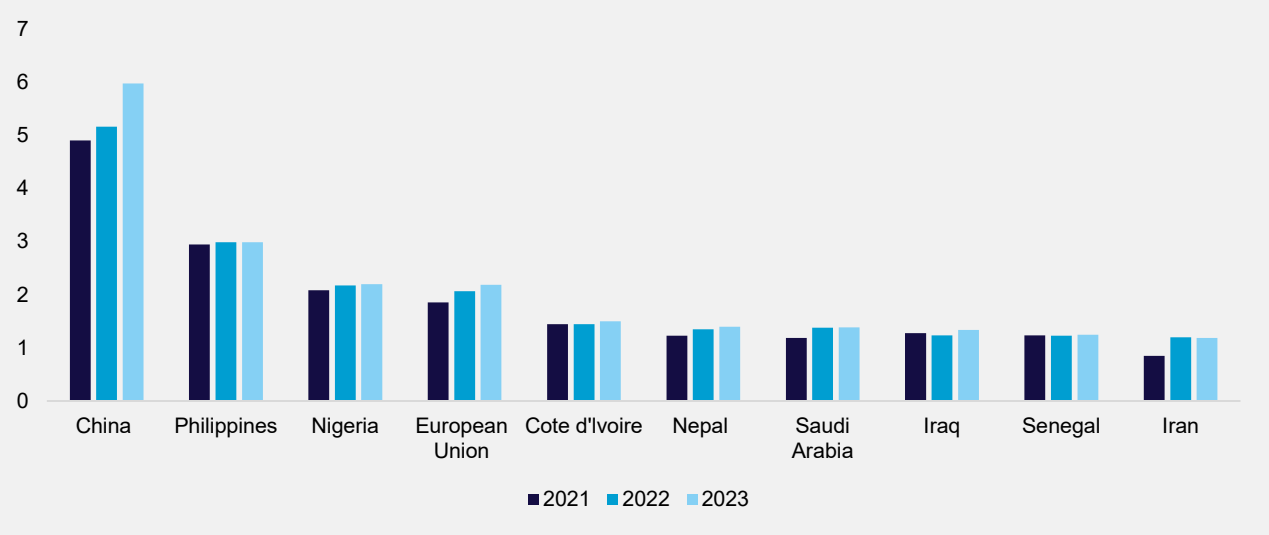
Notes: Trade share based on milled-equivalent basis of actual shipments. These exporters account for almost 90 percent of annual global rice exports.

Source: USDA, Foreign Agricultural Service, Production, supply, and distribution database.

USDA (https://www.ers.usda.gov/webdocs/charts/102495/share_of_global_rice_exports.png?v=6833.7)

The volume of global rice imports totalled 43.5 million tonnes in 2022 (in terms of milled rice weight)[6].

Figure 5: Top 10 Global Rice Importers

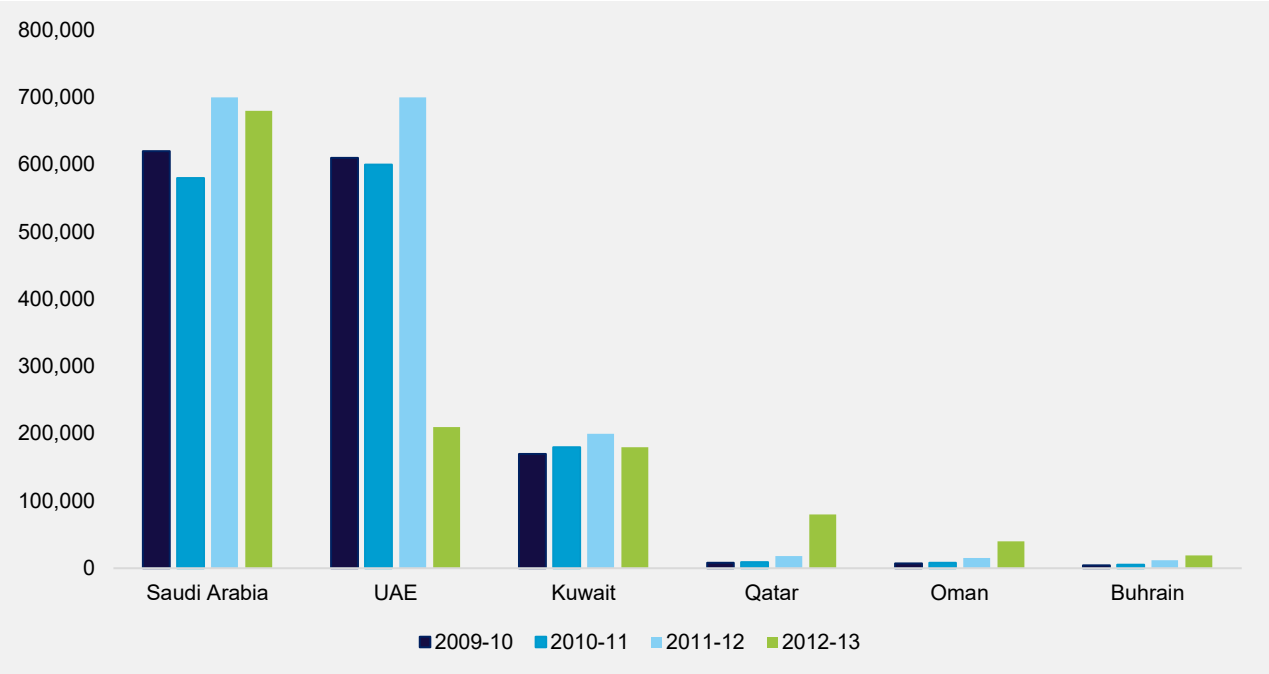


Source: USDA (https://downloads.usda.library.cornell.edu/usda-esmis/files/zs25x844t/4t64ht03b/kd17f006c/grain.pdf)

GCC production, consumption and imports

Due to unsuitable climatic conditions like high temperatures and unavailability of water, production of rice in the GCC region is lacking. The whole region depends on imports for rice. Consumption of rice in the region is increasing due to an increase in the number of expatriates from Asia for whom rice is one of the most important staples. Parboiled basmati rice is the most demanded product type. Within the region, Saudi Arabia is the leading market for basmati rice. Along with the driving factors such as increasing number of expatriates and the tourism sector, other factors responsible for increasing consumption are the presence of strong distribution channels in the region, rising urbanisation, changing demographics and inflating income levels.

Figure 6: Rice consumption in GCC countries

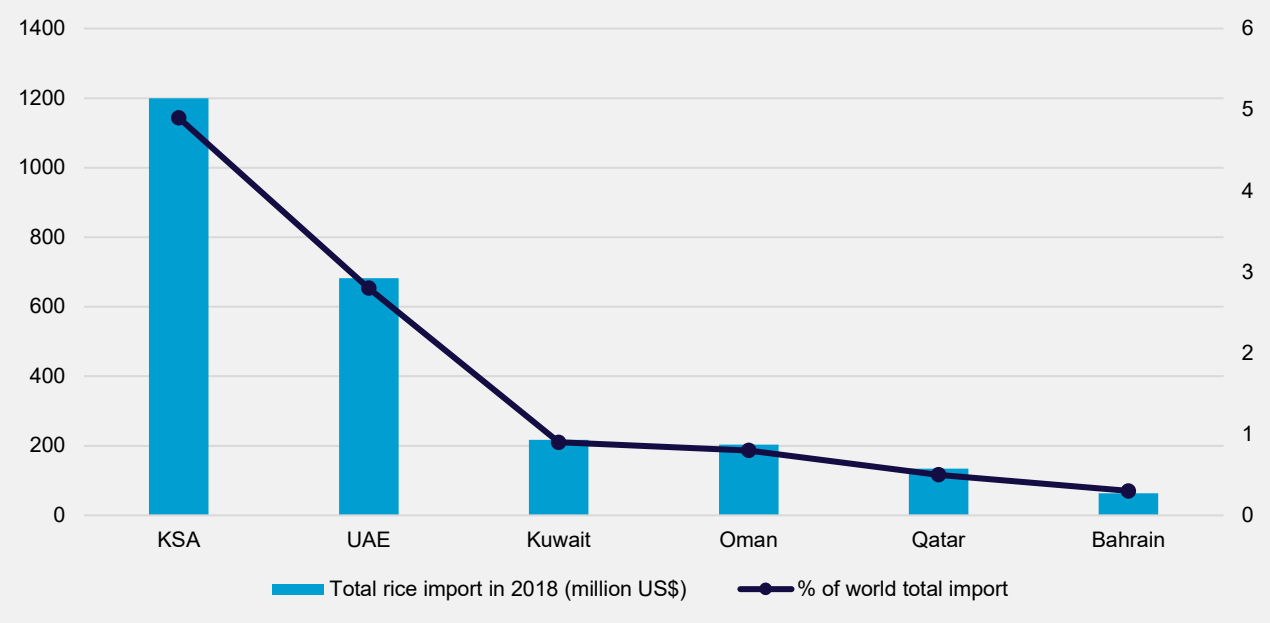


Source: Arab Business Review

The GCC region has fulfilled its needs for rice mainly from the Indo-Pak region (India and Pakistan), Egypt and Thailand. Each of these regions provides rice of different varieties with varying properties. Basmati rice grown in the India and Pakistan subcontinent is the preferred variety in almost all the parts of Arab regions. Lower gulf markets such as the UAE, Oman, Qatar, Bahrain and Kuwait have a preference for trade in uncooked raw rice, while KSA has more demand for parboiled rice.

GCC rice imports (2018):

Figure 7: Rice imports in GCC by country (2018)



Source: World's Top Exports

The driving factor for rice consumption in Qatar is mostly the number of expatriates from the Asian subcontinent, which contribute significantly to of the total population of the country. Qatar doesn't have the highest demand for rice across the GCC because of its small size geographically and smaller population.

In 2020, rice imports in Qatar were recorded at US$171 thousand, primarily coming from India, Pakistan, Vietnam, United States and Thailand[7].

Driving factors for global rice trade

Trade prices of rice depend on supply and demand, with equilibrium prices derived from basic competitive forces. The actual production/consumption balance for rice has been relatively favourable since 2005. Nearly half of the world's population consumes rice as a leading staple food, and 90% of rice is produced in Asia[8]. Of the 480 million metric tonnes of milled equivalent rice produced globally, most are consumed within a short distance of where it was produced, and only 7-8% is traded internationally[9].

Gradual changes in supply and demand cause a gradual increase in prices. Market structure plays a vital role in the price formation of the commodity. The world rice market is fragile, leaving it vulnerable to significant price moves.

This has been evident with the coronavirus outbreak and its obvious impact on food prices globally. We are currently seeing record food prices across markets and rising inflation; this has an impact on prices internationally. The market is relatively concentrated, with a small number of countries contributing to the majority of imports.

The volatility of rice pricing is difficult to understand due to the nature of the market, where countries stabilise internal prices with the disposal of surpluses onto the market or by importing more to meet deficits. Hence, the political decisions of key Asian countries directly influence worldwide supply and demand. Rice price volatility is also driven by production structure, marketing and consumption trends in Asia.

Edible Oil

Global Scenario

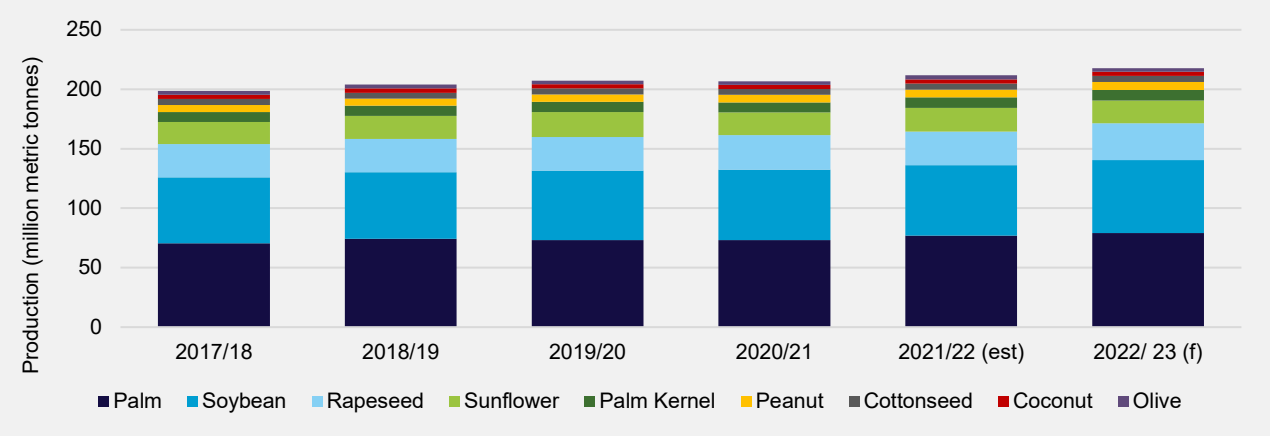
1. Global edible oil production

According to the USDA, global vegetable oil production amounted to 206 million tonnes in 2020/21, with palm oil having the highest production volume (73 million tonnes), followed by soybean oil (59 million tonnes)[10]. According to the USDA[11], global vegetable oil production is expected to grow by 3 percent, with major gains for soybeans, rapeseed, and palm oil, more than offsetting losses for sunflower seed and olive oil. Global consumption is forecast to expand by nearly 4.6 million tons (2 percent), primarily driven by palm and soybean oil growth in China.

Soybean oil saw the most significant growth towards the end of the year 2018 of 5%, because of bumper harvests in Brazil and the USA. Favourable growing conditions in Southeast Asia and high yields at oil palm plantations are likely to lead to an increase in production capacity of the region. The global rapeseed oil output volume in 2020/21 was little over 29 million MT, after decreasing between the 2017/18 and 2018/19 crop year due to the drought-induced situation in the EU and Australia.

The chart below shows the production volume of major vegetable oils worldwide by type, between 2012 and 2021.

Figure 8: Global Edible Oil Production



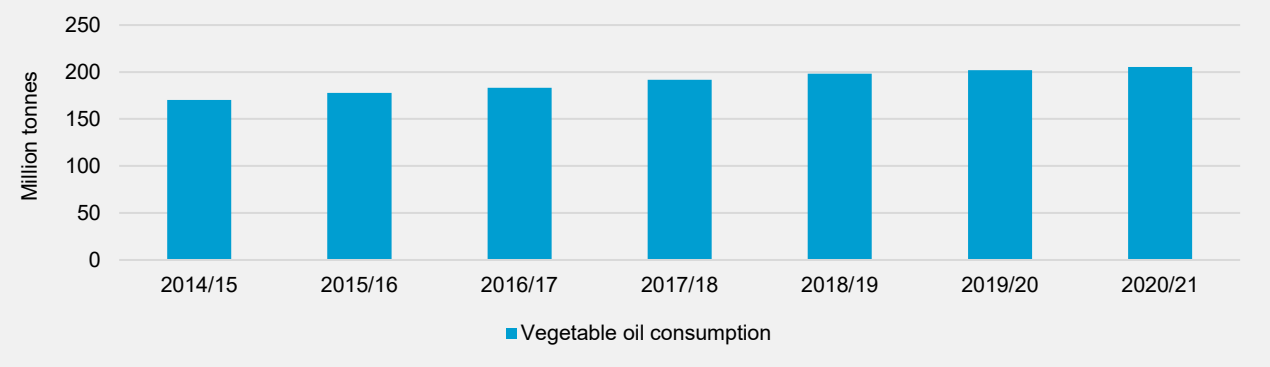
Source: USDA https://apps.fas.usda.gov/psdonline/circulars/oilseeds.pdf

2. Global Edible Oil Consumption

As demand drives production, palm oil is the most widely-used vegetable oil in foods globally and has ranked high consistently for many years. China is a major consumer of vegetable oil followed by the US, EU, Brazil, Mexico, Vietnam, India and Indonesia. It is observed that global oilseed consumption continues to grow despite the slowing of trade and production. Global consumption is expected to grow by nearly 4.6 million tons (2 percent) by 2023, mainly as a result of the palm and soybean oil growth in China[16].

Growth rate in global consumption of vegetable oils every year:

Figure 9: Global Vegetable Oil Consumption



Source: USDA[12]

3. Global Edible Oil Trades

Over 40 percent of global vegetable oil production is traded internationally, making it the agricultural commodity with one of the highest trade shares . The top traded vegetable oils globally include palm oil, sunflower oil, soybean oil, rapeseed oil and palm kernel oil.

Palm oil:

International purchases of imported palm oil cost an estimated total of US$33.8 billion in 2020[14] while global production volume was over 73 million MT in the same year. Since 2016, when global purchases of palm oil cost $28.4 billion, the value of palm oil imports has increased by 19% and increased by 12% between 2019 and 2020. From a continental perspective, Asian countries imported the highest dollar worth of palm oil during 2020 with purchases valued at $17.7 billion, accounting for over half (52.3%) of the global total. In second place were European importers at 24.8%, while a fast-growing 15.7% of palm oil imported worldwide was delivered to Africa. India, China, Pakistan, Netherlands, Spain, Italy and United States rank in the top importers of the oil.

Indonesia is the leader in palm oil exports, accounting for 56% of global exports. Malaysia is the second largest exporter with a 33% share. Other key exporters are Guatemala, Colombia and Papua New Guinea[15].

Soybean oil:

Compared to the last decade, growth in world soybean trade is likely to slow in the next ten years; a decrease in growth rate that is directly related to the slower growth of soybean crush in China. Chinese soybean imports are expected to grow only by 1.5% per annum to reach 113 MT by 2027, accounting for two-thirds of world soybean imports[16]. Exports of soybean are dominated by the Brazil, United States, Canada, Paraguay and Argentina, accounting for 97% of total global soybean exports[16].

Even though over 40% of total vegetable oil production worldwide is traded, exports are still dominated by a few players with Indonesia and Malaysia accounting for almost half of the total oil exports in 2020[17]. Argentina is expected to become the world's third-largest supplier of vegetable oils (mainly soybean oil) by 2028, accounting for around 7.9% of global exports. Exports are expected to account for more than two-thirds of domestic vegetable oil production in all three countries, however, in Indonesia and Malaysia, this percentage is expected to shrink considerably as local food, biofuel, and oleochemical consumption is expected to outpace exports. India's robust import growth is predicted to continue at 4.7 percent per year, reaching 26 MT in 2027, or roughly 27% of global vegetable oil imports[18].

4. Global outlook

The global market for vegetable oils was estimated at 200 million MT in the year 2020 and is projected to reach 330 million MT by 2030, Availability of a broad range of applications in the food and industrial sector are driving the market, the OECD predicts that food use will account for 68% of total demand for vegetable oils in 2030.

Key market trends responsible for consumption growth are expected to be:

- **Increased demand for palm oil in developed countries:** Considering the multi-functional properties of palm oil, it remains the highest consumed oil in the world. Primary users include China, India, Indonesia and the European Union, out of which none of the countries except for Indonesia, produces palm oil and so ultimately depend on imports. Palm oil also costs less than most vegetable oils and is very versatile, driving demand[19].
- **Asia pacific region emerges as the fastest growing market** due to huge demand from the food sector, increasing health-conscious consumers, rising population and changing living standards. Europe is the second-largest growing market due to healthier lifestyles and technological developments. The rising affluence of middle-class consumers is permitting them to purchase high-priced, packaged vegetable oils.
- **Competitive landscape:** The global vegetable oil landscape is highly fragmented owing to the prevalence of small manufacturers. Some of the key players in the market are Cargill Incorporated, Kerry Inc., Olam International, and Archer Daniels Midland Company. Global companies are most likely to work in joint ventures and partnering with local players to increase market penetration.

GCC production and consumption of edible oil

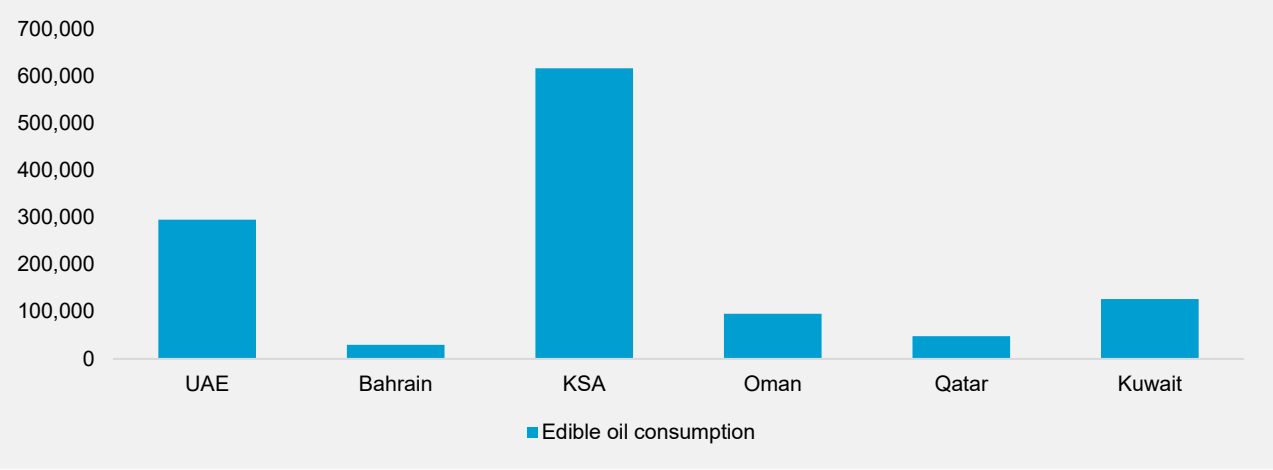
In terms of revenue, the cooking oil market in GCC was valued at US$988.2 million in 2015 and is expected to reach US$1736.1 million by 2024, growing at a CAGR of 6.6% from 2016-2024[20]. In terms of volume, it is expected to reach 685.1 thousand tonnes from 334.8 thousand tonnes by the end of 2024, increasing by CAGR 8.4% during the stated period. The cooking oil industry has witnessed a major shift in terms of investments in the last decade, doubling the investments in the sector triggered by the ever-increasing population in the region and growing affluence among the consumers.

The process of extracting various types of cooking oils involves extraction operations which require a significant capital investment — furthermore, GCC countries are highly dependent on imports for vegetable oils consumption due to weak local production. Economic and political instability in some countries and adverse climatic conditions are major factors restraining production.

Although palm oil is most popular in the rest of the world, in the GCC region sunflower oil recorded the largest market share. The market dominance of sunflower oil is followed by corn oil in the region, capturing less than 7% market in 2015, but is expected to grow at the fastest rate in the period up to 2024[21].

The leading players processing vegetable oils in the GCC are Savola Group, United Foods Company, Asia Africa General Trading LLC, Hayel Saeed Anam Group and Co., Omani Vegetables Oils and Derivatives Co. LLC, and Al Ghurair Resources Oils and Proteins.

Figure 10: Edible oil consumption



Source: Statista

Edible oil consumption is more evenly distributed relative to population, with Saudi Arabia taking almost 617,000 tonnes (50.8%), the UAE 24.4% and Kuwait 10.5%. Oman consumed 7.9%, Qatar 4% and Bahrain 2.5%.

Driving factors for edible oil trade

There are several factors responsible for driving the price of oils depending upon the type of oil. It depends on the production cost, supply and demand ratios of oils in different regions.

According to the FAO, oil seeds and vegetable oil annual average prices reached an all-time high in 2021 and is expected to surpass that in 2022. However, even though price of oil meals in 2021 did not record an all-time high, it significantly recorded a 46.8% increase from its 2019 value and 26% increase from 2020[22].

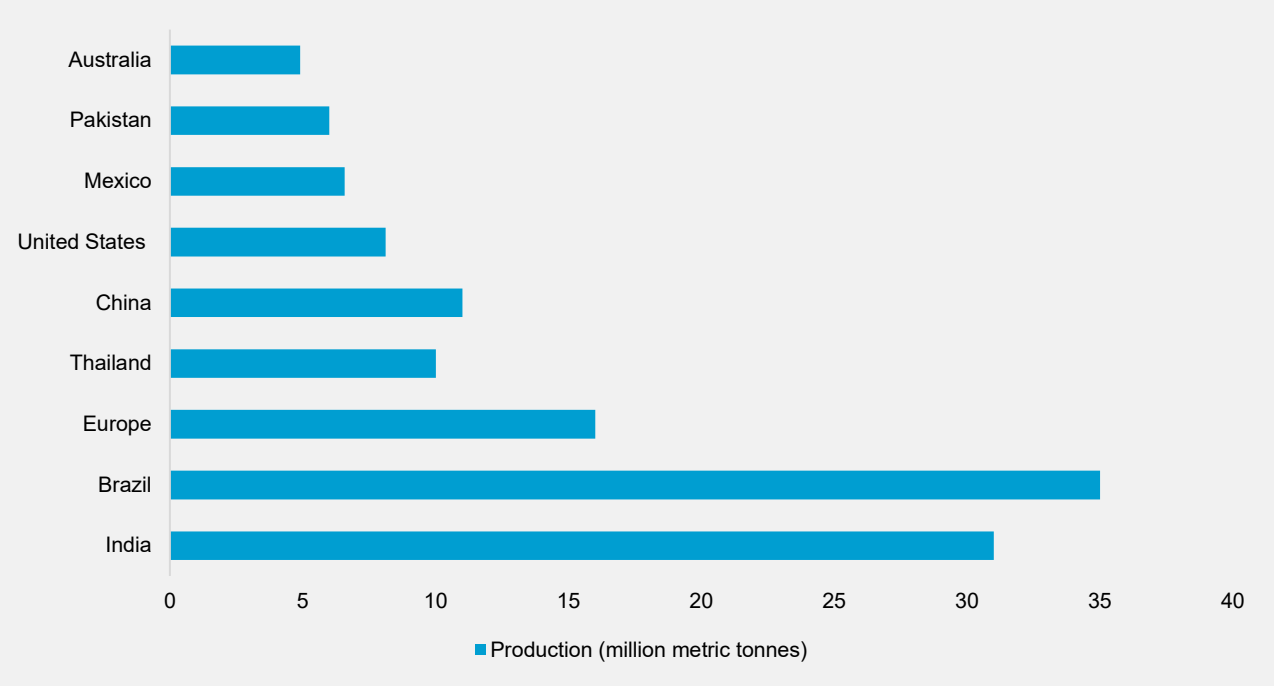
Sugar

Global view

1. Sugar production and consumption

Sugar is manufactured from sugar cane and sugar beet. Sugarcane is the main crop used to produce sugar (86% of total production) and is cultivated largely in tropical and subtropical countries of Africa, Asia and Latin America and Caribbean. The remaining sugar comes from sugar beet which is mainly grown in temperate zones of Europe. Brazil is the largest producer and processor of sugarcane, but India also produces a significant amount. Global sugar production for 2022/23 is forecast to reach 182.9 million tonnes, an increase of 1.7 million tonnes from the most recent 2021/22 estimate.

Figure 11: Global sugar production in 2018-19



Source: USDA (OECD Library[23])

Asia accounts for more than 41% of global sugar consumption, followed by Europe consuming around 16%. In 2021, global sugar consumption was over 175 million tonnes in volume. Non alcoholic beverage manufacturers account for approximately 20% of total global sugar utilisation.

2. Global sugar imports and exports

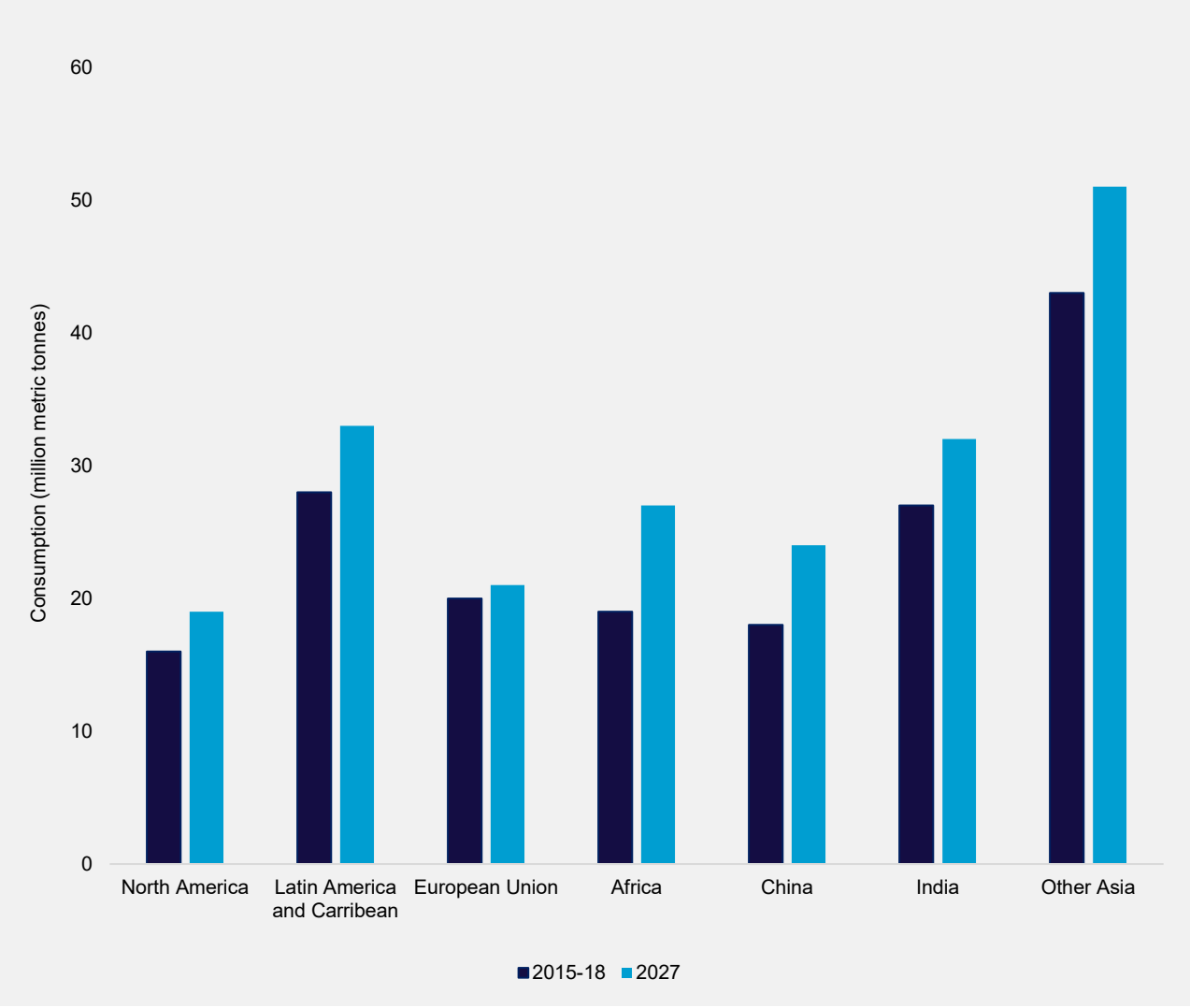
Brazil is the world's biggest exporter of sugarcane, responsible for around 32.1 million or 50% of global exports of the commodity in either raw or processed form in the 2020/21 market year[24]. About two-thirds of the sugar produced in the country is exported; more than 100 countries across the world depend on Brazil for sugar to satisfy their domestic needs[25]. It mainly exports to China, Algeria, Bangladesh, India and Indonesia. Other export destinations include Nigeria, Malaysia, Morocco, Saudi Arabia and the UAE 43. China was the top importer of sugar in 2021, importing 6.3 million MT of the commodity in the 2020/21 market year[26]. Indonesia, the United States and Bangladesh are among other top importing countries of sugar 44.

3. Global outlook

According to the OECD, the nominal price of raw and white sugar is expected to increase at an average rate of 2% per annum till 2029, while the average real price remains unchanged within the same period[27]. Sugar cane and sugar beet are both expected to continue to expand in producing countries, with production driven by remunerative returns in comparison to alternative crops. Over the next ten years, majority of the increase in sugar output is expected to originate from developing countries, which will see them producing almost 80% of all sugar globally 46. Major changes in global production are also expected in India, followed by China, Brazil, Thailand and the European Union. Brazil is forecast to remain the primary producer, providing more than a fifth of the world's sugar, although it is expected that the food sector could face increased competition from use of sugarcane for ethanol production.

Due to the COVID-19 pandemic, which resulted in national lockdowns for several months, global sugar consumption fell by 0.4 percent in 2019. However, demand is expected to keep increase, with low-income countries experiencing the fastest growth in per capita sugar consumption. Consumption is expected to grow slowly at an average rate of 1.5% per annum which is less than historic growth rates, with the biggest contributions from Asia (66%) and Africa (30%). This is because these regions are still sugar deficit compared to other high economy regions and the world average. In contrast, due to increased worries about the harmful health effects of sugar overconsumption, per capita sugar consumption in many high economy regions is expected to continue to fall.

Figure 12: Global sugar consumption forecast

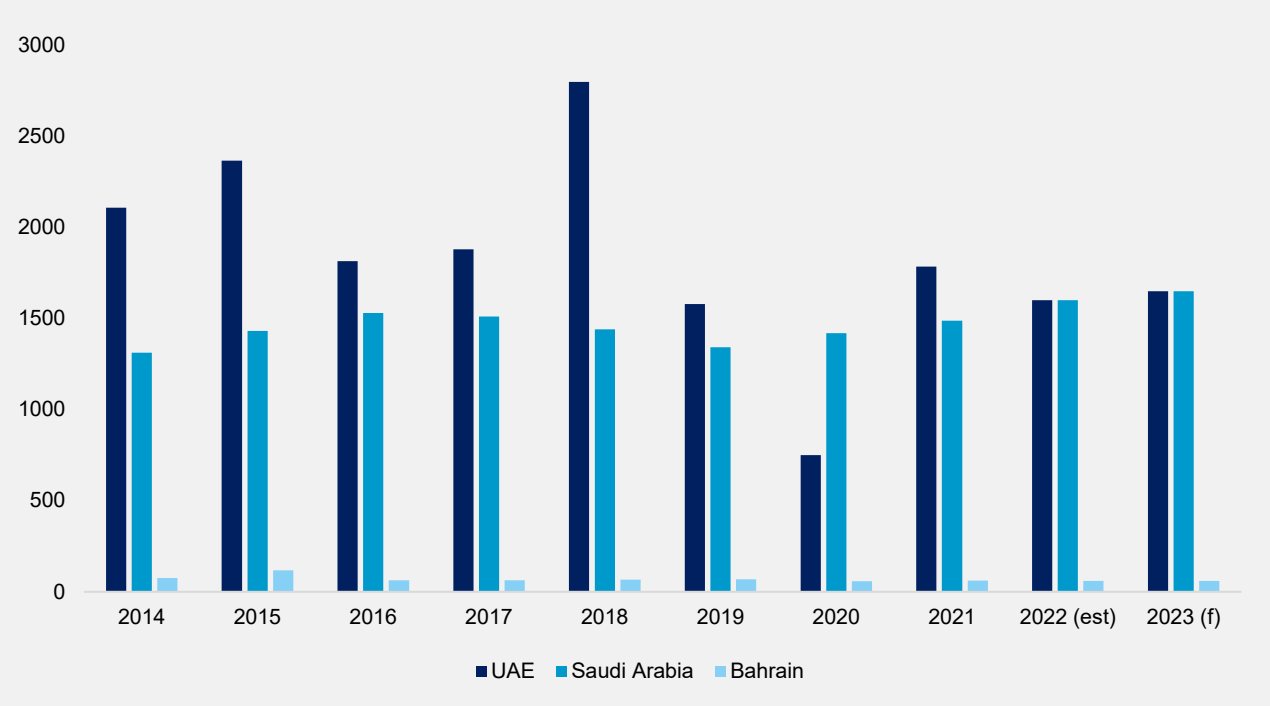


Source: FAO

GCC consumption and imports of sugar

According to the USDA, the United Arab Emirates (UAE) was the biggest sugar consumer in the GCC in 2021, followed closely by Saudi Arabia[28]. The chart below illustrates sugar imports in the UAE, Saudi Arabia and Bahrain, according to USDA data. Recent data was not available for Bahrain, Kuwait, Oman or Qatar.

Figure 13: Sugar Imports by Country (1000 MT)



The UAE imports large volumes of unrefined sugar to process and convert to white sugar and also takes the major share in re-exporting the processed sugar. Al Khaleej, one of the largest sugar refineries in the world, imports raw sugar from Brazil and India in vast amounts and refines more than 7000 tonnes per day[29] or approximately 1.8 million tonnes per year.

Driving factors for global sugar trade

Following a supply deficit of 3.7 million tonnes in the 2020/21 market year, a global sugar surplus expected for the 2021/22 marketing year[30]. Over the next ten years, prices are forecasted to go up; however, the increase will be modest as supplies are expected to remain abundant. By 2027, nominal world price is projected to be US$392 / tonne for raw sugar and US$427 / tonne for white sugar. The white sugar premium is low at the moment due to higher white sugar deliveries from the European Union and increasing refining capacities in Middle Eastern countries.

Recent policies in the supply side of sugar include the elimination of the sugar quota system and removal of production quotas. Similarly, reforms on the demand side are also expected to take place, with cuts to sugar consumption subsidies in response to budgetary pressures. Moreover, the demand for sugar is also influenced by sugar taxes on sugar-sweetened beverages which are already in place in many countries.

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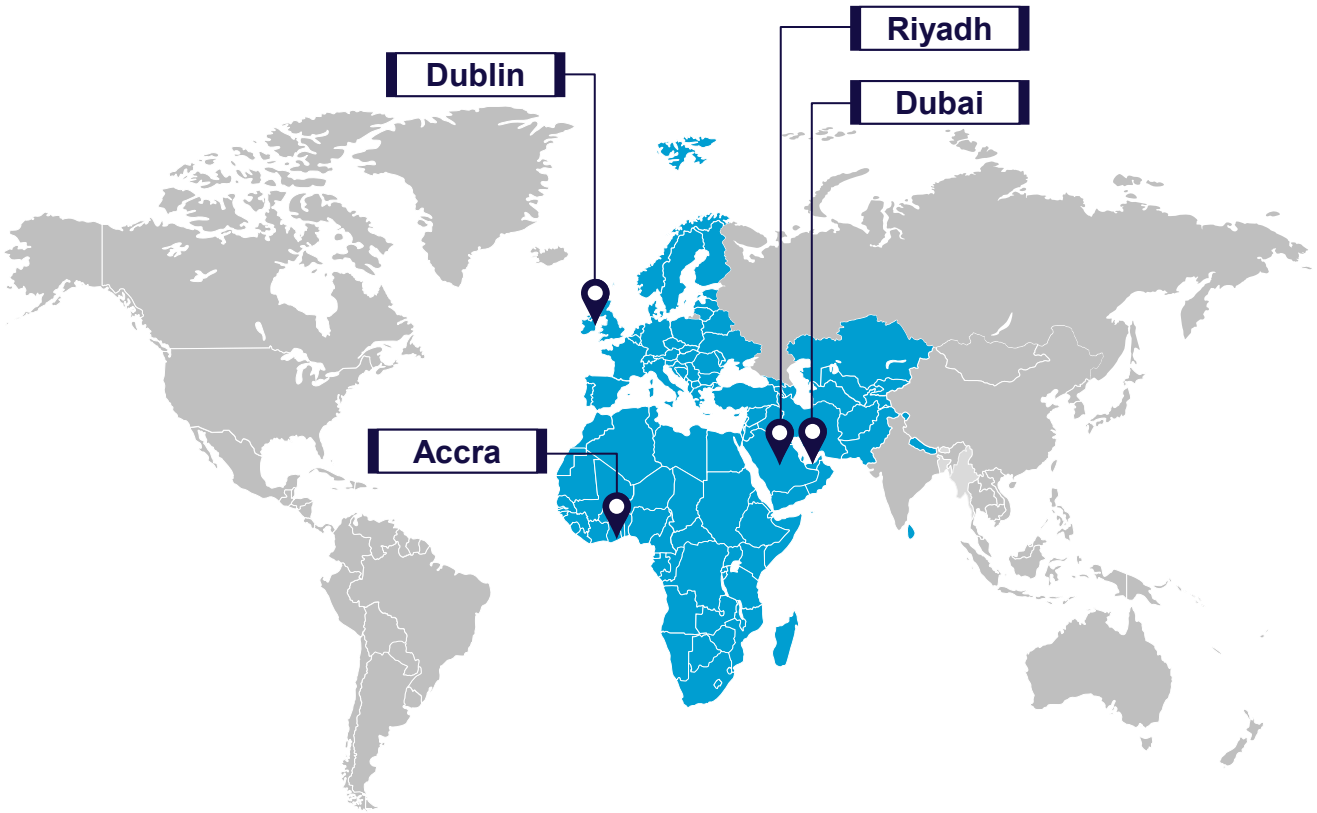

About us

Farrelly & Mitchell empower some of the world's most ambitious companies and agencies to make the right decisions. With expert insight, local market intelligence and airtight recommendations, we build and implement sustainable strategies that allow our clients to restructure, transform and grow.

We have the hands-on industry experience and expertise, which we combine with local market insight and contacts to help our agribusiness, food and beverage clients to increase profits and improve efficiencies.

What makes us different?

We go above and beyond traditional consultants. As an international management consultancy, we specialise in the global food and agribusiness industry, with a particular focus on the implementation or execution of our recommendations. So we are committed to working with our clients, not just in the development or planning phase of a project, but importantly in its full implementation.

Food an agribusiness specialists

We understand food and agribusiness; we built our experience in this sector, and we employ the best global talent to provide in-depth solutions by addressing real problems sustainably and creating new opportunities for clients.

For the past decade, we have worked with clients across the globe and generated measurable results. We have worked on mandates across every link of the food and agribusiness value chain from large-scale farming operations to food or beverage manufacturing, distribution, retail and hospitality.

Each member of our team of over 200 experienced consultants has worked in industry at an operational and executive level.

We work globally with significant experience in Europe, Middle East and African markets.

Why partner with Farrelly & Mitchell?

Our team has worked at operational and strategic levels all over the European, Middle Eastern, and broader international food, beverage and agribusiness sectors. We have seen projects through from paddock to plate.

We understand the opportunities presented by the growth of the food, beverage and agribusiness sectors, in the Gulf region and across the globe. We work with primary producers, manufacturers, distributors and retailers.

If you are you looking to grow or expand your business, improve efficiency or quality control, or are buying or selling a business, get in touch, and let Farrelly & Mitchell become your project partners.

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Over 15 years

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Corporate & Government

Strength
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Value chain
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