



The Vegetable oil crisis in Egypt

With the outbreak of the Russia-Ukraine war on February 24, 2022, Egypt's food security crisis now poses threat to its economy. Cairo relies on large volumes of heavily subsidised imports to ensure sufficient as well as affordable supplies of bread and vegetable oil for its 105 million citizens. Securing those supplies has led Egypt to become the world's largest importer of wheat and among the world's top 10 importers of sunflower oil.

The Russia-Ukraine war catapulted prices to unsustainable levels for Egypt, increasing the price of wheat by an additional 44% and that of sunflower oil by 32% virtually overnight. Even more troublesome, the war also threatens Egypt's physical supply itself since 85% of its wheat comes from Russia and Ukraine, as does 73% of its sunflower oil.

With activity at Ukraine's ports at a complete standstill, Egypt already needs to find alternative suppliers. A further escalation that stops all Black Sea exports could also take Russian supplies off the market with catastrophic effect.

In addition to bread, the Russia-Ukraine war has begun to disrupt Egypt's supply of sunflower seed oil, the country's main vegetable oil along with soybean oil. The government imports 95% of its vegetable oil and offers Egyptian consumers a highly subsidized blend of sunflower oil and soybean oil.

The USDA forecasts Egypt's MY 2021/22 sunflower oil consumption to reach 355,000 metric tons (MT), with 350,000 MT or 98.6% being supplied by imports. Ukraine and Russia are the world's leading exporters, collectively accounting for over three-fourths of the global export supply of sunflower oil.

In 2020, Egypt imported 54.4% of its sunflower oil supply from Ukraine and 18.83% from Russia. On Feb. 28, Ukrainian sunflower oil was assessed at US\$1,950.50 per MT, up to



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US\$470.50 from the prewar price of US\$1,480 per MT on February 23, 2022. That price was for those who were actually able to acquire a consignment for physical delivery. The commodities price reporting firm Platts has paused the Black Sea sunflower oil assessments since February 23 of this year.

With Ukraine and Russia being the dominant exporters, Egypt cannot easily find replacement suppliers. It cannot easily increase the volume of soybean oil either, as producers Argentina, Brazil, and Paraguay will experience a 9.5 million tonnes soybean production shortfall due to

insufficient rainfall in South America's growing regions.

The global market for vegetable oils had already witnessed a perfect storm of rising oil prices in 2021. As of June 1, 2021, Egypt raised the price of subsidised unblended vegetable oils by 23.5% while the standard-issue one-litre bottle of blended soybean and sunflower oil was replaced by an 800-ml bottle at the same price, equivalent to a 20% reduction.

While the subsidy reduction was helpful in combatting the 2021 wave of global food oil inflation, the early 2022 Russia-Ukraine war has turned that wave into a price spike tsunami as countries scramble to find alternatives to sunflower oil.

In January 2022, Indonesia, which produces 58% of the global palm oil supply, placed strong limits on exports to bring down its own surging domestic cooking oil prices due to the increases in 2021.

Malaysia, the next largest palm oil producer with 26% of global output, experienced lower palm oil production and will not be able to cope with heightened demand from nations seeking to find a substitute for sunflower oil, leaving Egypt still facing a vegetable oil crisis.