

MARKET ANALYSIS: SUNFLOWER OIL



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Prepared by :

Louise Swart, Economist, National Agricultural Marketing Council
Nico Scheltema, Economist, National Agricultural Marketing Council
Tshepo Ranoto, Department of Agriculture, Forestry and Fisheries
Gert van Rensburg, Department of Agriculture, Forestry and Fisheries

Under the supervision of:

Olivier MARTY, Market Analysis, Market Analysis and Research section, ITC

For additional information, please contact: marketanalysis@intracen.org

Foreword

Will be written by ITC

Acknowledgements

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Abbreviations

HS	Harmonized System
WCO	World Customs Organization
LB	Pounds
HTS	Harmonized Tariff Schedule
AMS	Agricultural Marketing Service
FDA	Food and drug Administration
USDA	United States Department of Agriculture
ITC	International Trade Center
UK	United Kingdom
PEST	Political, Economic, Social and Technology analysis
UN	United Nation
NATO	North Atlantic Treaty Organization
CIA	Central Intelligence Agency
EU	European Union
TDCA	Agreement on Trade, Development, and Cooperation
GSP	General System of Preference
WTO	World Trade Organisation
FSA	Food Safety Agency
HSE	Health and Safety Executive
CRD	Chemicals Regulation Directorate
BRC	British Retail Consortium
DEFRA	UK Department for Environment, Food and Rural Affairs

Executive Summary

One page executive summary

This market profile reviews the (name of the importing country) market (name of the product) its future prospects for new suppliers entering the market. The purpose of this market profile is to guide possible new entrants into (name of the product) market.

The (name of the importing country) market for (name of the product) is

Production in the (name of the importing country).....

The demand for (name of the product) has increased significantly due to the growth etc

A. Product Description

This market profile illustrates the United Kingdom (UK) market for Sunflower Oil and is intended for the use of producers and exporters of Sunflower Oil in South Africa.

Definition and description of product and its application(s)

Healthy, natural sunflower oil is produced from oil type sunflower seeds. Sunflower oil is light in taste and appearance and supplies more Vitamin E than any other vegetable oil. It is a combination of monounsaturated and polyunsaturated fats with low saturated fat levels. The versatility of this healthy oil is recognized by cooks internationally. Sunflower oil is valued for its light taste, frying performance and health benefits. Sunflower oil meets the needs of consumer and food manufacturers alike for a healthy and high performance non-transgenic vegetable oil.

Sunflower oil is mainly used in food or technical applications such as cooking oil, for biofuels and cosmetics in the UK. In South Africa sunflower oil is mainly used for cooking purposes in. The UK population is increasingly concerned about healthy eating habits thus the population has shifted away from the consumption of fatty acids and hydrogenated fats towards more unsaturated fats with the increase in the consumption of vegetable oils and fats.

Domestic demand for sunflower oil has increased in recent years as processors have built refineries and large buyers have committed to future purchases. Food processors use the oil for frying foods (including potato chips) and in salad and cooking oil, margarine, and dairy substitutes. Sunflower oil is preferred in many high-quality dining establishments for its neutral taste. A small supply of high-oleic oil is used in industrial frying applications where high temperatures require good oxidation stability. A small amount of oil is also used in cosmetics, resins, and lubricants (USDA, 2011).

Sunflower oil can be divided between linoleic, high-oleic, and mid-oleic sunflower oils. Until recently, linoleic oil was the predominant oil. Linoleic oil must be partially hydrogenated to maintain its stability in various uses, a process that also creates trans fats. Plant breeders began developing mid-oleic seed after research uncovered a link between trans fats and heart disease. Today, the majority of the sunflower oil supply is mid-oleic, which does not require hydrogenation. Mid-oleic oil has no trans fats, low monounsaturated fat, and a neutral taste (USDA, 2011).

HS code, NTL(s) for importing country and NTL(s) for South Africa

Specific codes to identify the product category are as follows:

HS (Harmonized System) Code¹: 151219

National Tariff Line code of the importing country: 15121991

National Tariff Line code of South Africa: 15121900

Production

World production

It is important to note that worldwide, the levels of sunflower seed production are determinant of, sunflower oil production levels.

¹ HS Codes are internationally standardized names and numbers that classify traded products that are developed and maintained by the World Customs Organization (WCO). The WCO is an independent organization of 160 countries based in Brussels, Belgium. The HS system represents almost 98 percent of world trade, which includes 200 countries. www.wcoomd.org

Sunflower seed oil production make up around 8 % of the total vegetable oil production in the world. The vegetable oil market is dominated by palm oil ($\pm 33\%$), soybean oil ($\pm 29\%$) and rapeseed oil ($\pm 16\%$).

World production has shown an increasing trend over the past 10 years, with Ukraine, the EU and Russia being the largest producers. During the 2010/2011 production season, South Africa was recorded as the 9th largest sunflower producer (USDA, 2011).

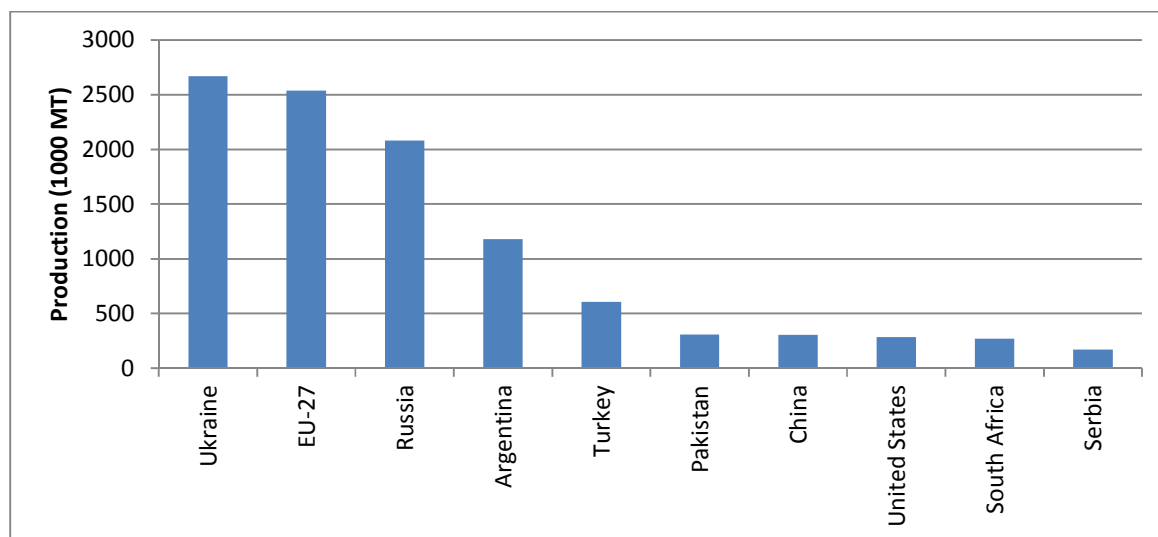


Figure 1: The largest sunflower oil producers during 2010/2011

Source: USDA, 2011

The growth in the oilseed sectors are tightly linked to increased demand for biodiesel feedstock, population driven increased demand for vegetable oil, and demand for oil meals in livestock feed rations (European Commission, 2009).

The global output for sunflower seed are predicted to remain the same in the 2010/11 production season as in the 2009/10 production season. Unfavourable weather conditions in Eastern Europe hampered sunflower cultivation but this is not expected to change global output due to production increases in Argentina, India and Turkey.

South Africa production

South Africa produced between 500 000 to 800 000 tons of sunflower seed per year between 2005 to 2010. Sunflower seeds are harvested from January up until June depending on the production area and planting time. Sunflower seed can be stored for up to 12 months. Nearly all of South Africa's sunflower seed are processed into sunflower seed oil and sunflower seed oilcake for human and animal consumption. A very small amount of South Africa's sunflower seed are exported to neighbouring countries. The volumes of sunflower seed produced by South African farmers depends largely on the price of substitute crops such as maize.

Over the past three years South Africa produced around 300 000 tons of sunflower seed oil (SAGIS, 2011). According to a report on the Manufacturing of Oil and Animal Fat in South Africa by Who Owns Whom (Pty) Ltd the current processing capacity for sunflower seed is 1 442 000 – 1 522 000 ton. The volume of sunflower seed crushed according to the South African Grain Information Service (SAGIS, 2011) is around 500 000 – 800 000 tons indicating that the processing capacity is not fully

utilized. The technology used for processing in South Africa is on par with foreign competitors (need to confirm).

Sunflower seed oil has a shelf life of 12 months (FAO, 2010). The tables below lists the sunflower seed processing companies as well as the oilseed refineries and their capacities.

Table 1: List of processor companies in South Africa

Processor Company	'000 tonnes per annum
Continental	430
Nola	430
Willowton-Isando	240-300
Epko	200
Willowton	144
Elangeni Oil & Cake	48
Total	1442 – 1522

Source: Who Owens Whom (2010)

Table 2: List of oilseed refineries in South Africa

Oilseed Refineries	'000 tonnes per annum
Continental	216
Willowton	180
Nola	90
Sealake	90
Sun Oil	72
Sunola	72
UBR	72
Capital	54
Elangeni	54
Epko	54
Total	945

Source: Who Owens Whom (2010)

The processing and refining company, Willowton oil and Cake Mills are exporting to Southern and Central Africa, the Middle East, the Far East, Europe and the United States (Who Owens Whom, 2010).

Contact details of Willowton Oil & Cake Mills

Telephone: +27 33 355 7800

Email: info@wocm.com

Web address: www.wocm.com

Sunflower seed are produced in the Free State Province (46 %) and the North West Province (36 %), (GrainSA, 2011). The processing and refining takes place in either Gauteng or KwaZulu-Natal near Durban harbour. The refined sunflower seed oil can then be exported from Durban harbour.

In South Africa sunflower seed oil is mainly used for human consumption. It is used at home or in restaurants and fast food outlets for frying and it is also used by food manufacturers as an ingredient in many food products such as salad dressings, mayonnaise and margarine. Sunflower seed oil is also used to a much lesser extent in beauty and laundry soaps.

Consumption

In the case of vegetable oil consumption China is the world's largest consumer. China is therefore also the largest importer of vegetable oils. China imported 9 million metric tons of vegetable oil in 2009/10, their imports consisted mainly of soybean oil, palm oil and rapeseed oil. One of the main

reasons cited for the significant increases in vegetable oil prices experienced lately is the increased demand for vegetable oils from China (USDA, 2011b).

A closer look at the vegetable oil market and more specifically the sunflower oil market shows that the EU-27 was the second largest importer of sunflower oil during the 2009/10 season (Oct-Sep), albeit the EU-27 being ranked as the largest producer of sunflower oil in the 2009/10 season. This indicates that the sunflower oil consumption exceeds the sunflower oil production in the EU-27. According to the USDA (2011b), the EU-27 has the largest domestic consumption of sunflower oil in the world of 3 402 thousand metric tons in 2009/10.

Within the EU-27, the UK ranked as the fifth largest consumer of vegetable oils and fats in 2007. Palm oil was the UK's main consumer product in 2007, followed by sunflower and safflower oil (CBI, 2009). Between 2003 and 2007, British sunflower oil consumption increased by an annual average rate of 11% and during the same period sunflower and safflower oil imports showed the sharpest annual average increase of all the vegetable oil and fats imports of 34 % (CBI, 2009).

The main market segments for vegetable oils and fats in the United Kingdom are the traditional food markets and the bio diesel sector. Sunflower oil accounted for 23 % of the UK's total industrial demand in 2007 (CBI, 2009). The demand for biofuels plays a large role in the market for vegetable oils and fats. Between 2005 and 2007, global biodiesel production increased from 4.5 to 11.5 billion litres and in 2008 world production jumped even more to 16.3 litres (European Commission, 2009). The EU is the most important player in the biodiesel sector, with a share of 50 % of global production, corresponding to roughly 8 billion litres, and 66 % on consumption in 2008.

The economic downturn benefited many product areas in nutrition/staples, due to consumers increasingly opting for home-cooked food. This benefited products used for cooking evening meals, such as pasta, rice, vegetables and cooking oil. Figure 2 shows the value and volume of packaged food sales in the UK for the category oils and fat over time as well as Euromonitor International's projections for volumes. It is evident from the figure below that oils and fats consumption in the UK has shown a strong increasing trend over the past few years and it is projected to continue in the future.

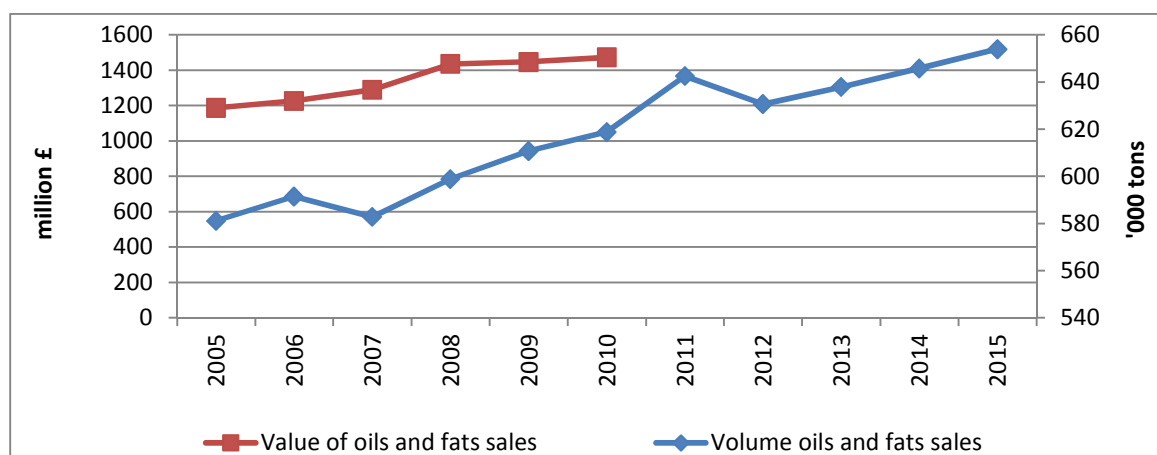


Figure.2: Value and volume of sales of packaged food in the UK: Oils and fats category
Source: Euromonitor International

The FAO reported that the largest increase in sunflower oil imports is expected to take place in the EU-27 region. The FAO further stated that the EU is one of the world's largest importers of vegetable oils and that a rise in imports will be required to satisfy internal demand for oil and for food and, in particular, non-food (biofuel) purposes (FAO,2010.)

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It is forecasted by the FAO Food Outlook that a net decrease in stocks appears to be very likely in the EU due to weak production and rising domestic consumption. Oils/fats imports by the EU are expected to climb to a new record, given the concurrence of poor rapeseed harvests with further rising demand from biofuel producers.

B. Foreign Trade and Potential Importing Markets

Foreign Trade

World Trade characteristics for selected product

The total world trade in sunflower oil were US\$2 billion in 2009. The annual growth in the value of the worlds sunflower oil exports were 22% annually since 2006. As the annual growth in the quantity exported is - 8% over the last 4 years, the growth in value (22%) is much higher than the growth in quantity. This mean that less sunflower seed oil is trade, but the value of exports are higher. In total there are 190 importing countries in the world, that imports sunflower-seed oil and 100 exporting countries of sunflower-seed oil in the world.

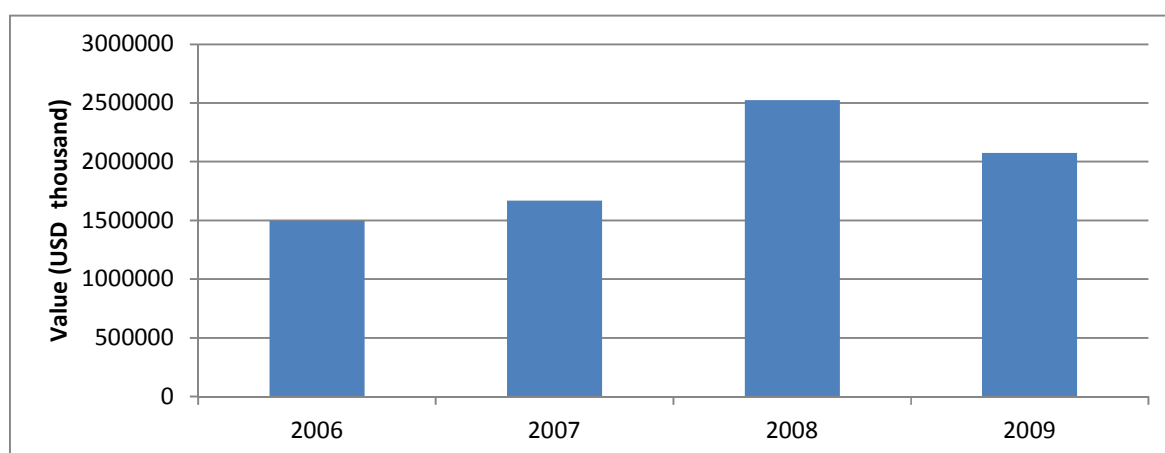


Figure 3: Imported value of sunflower-seed oil in the world (2006 – 2009)

Source: Trade Map, 2011

Table 3 shows the leading importers and exporters of sunflower oil. The top importers of sunflower-seed oil import 22.4% of total imports, indicating that imports are not concentrated. The same table shows that the top exporters contribute 29.5% of total world exports, indicating that exports are relatively concentrated.

Table 3: Imported value of sunflower-seed oil in the world (2009)

Rank	Importers	Value of imports, USD million	Share in World Imports, %	Rank	Exporters	Value of exports, USD million	Share in World Imports, %
1.	UK	210.2	10.1	1.	France	237.5	11.3
2.	Belgium	149.2	7.2	2.	Hungary	200.6	9.6
3.	Germany	105.5	5.1	3.	Netherlands	181.2	8.6

Source: ITC TradeMap, 2011.

Potential Markets: market screening

Table 4: Potential markets for South African sunflower oil

Top potential Import Markets	Share of market in world imports	Import quantity growth from the world (2005-2009)	Tariff applied to South African sunflower oil	Competition		
				Competitor	Market share	Tariff faced
1. Romania	3.8%	147%	0%	1.Hungary	76.3%	0%
				2.Bulgaria	12.1%	0%
				3.Moldova	10.9%	0%
				4.United States	0.3%	8.1%
2. U.K	10.1%	19%	0%	1.France	54.1%	0%
				2.Netherlands	21.3%	0%
				3.Belgium	9.2%	0%
				4.Argentina	8.7%	6.1%
3. Belgium	7.2%	1%	0%	1.Netherlands	75.6%	0%
				2.France	14.5%	0%
				3.Germany	6.3%	0%
				4.Austria	0.6	0%

Source: ITC, 2011

Rationale for the target market

It was decided to explore markets to which South Africa does not currently export sunflower oil. Among the new markets with the highest potential to export South African sunflower oil, the UK was chosen as the market with the most suited for South African sunflower oil. The UK is the world biggest importer of sunflower oil, consuming 10.1% of world exports. The amount of Sunflower oil imported into the UK also increased by 19% between 2005 and 2009. South Africa faces a 0% import tariff when importing into the UK. This provides South African sunflower oil exporters with a 6.2% tariff advantage over a competitor with a considerable market share in the UK, namely Argentina. Therefore the decision was based on the large size of the market, the strong growth and the absence any tariffs.

South Africa’s trade performance in target market

South Africa is currently not exporting to the UK which brings about that South Africa currently has no trade performance in the UK.

Competition in the target market

South Africa’s main competitors for sunflower oil in the UK market in terms of value is France. In 2009 France exported sunflower oil to the value of US\$ 113 626 000 to the UK. Following France was the Netherlands exporting sunflower oil to the value of US\$ 44 689 000 and Belgium with exports to the UK of US\$ 19 314 000. In terms of quantities France exported 82 147 tons of sunflower oil and the Netherlands exported 32 766tons of sunflower oil to the UK. Belgium, Argentina and Germany exported respectively 14 306 tons, 14 910 tons and 7 907 tons.

Table 5: Potential markets for South African sunflower oil

Rank	Supplying markets for sunflower oil imported by the United Kingdom	Imported value 2009 (USD thousand)	Imported quantity 2009 (tons)
1.	France	113 626	82 147
2.	Netherlands	44 689	32 766
3.	Belgium	19 314	14 306
4.	Argentina	18 204	14 910
5.	Germany	12 044	7 907

Source: ITC TradeMap, 2011.

UK sunflower oil imports from the world grew by 40 % per annum in value from 2005 to 2009 and 19 % per annum in quantity. Sunflower oil imports from France in value grew by 56 % per annum, indicating that France is gaining market share. Sunflower oil imports from the Netherlands, Belgium and Germany grew in value terms per annum from 2005 to 2009 by 31 %, 4 % and 54 %, respectively. It can therefore be concluded that Germany is gaining market share while the Netherlands and Belgium is losing market share. The import growth in value for imports for Argentina for the period 2005 to 2009 was not available.

The unit values for France is US\$ 1383 / ton is higher than the unit value for the second and third largest supplying countries. The unit value for the Netherlands and Belgium is US\$ 1364 / ton and US\$ 1350 / ton respectively. Argentina has the lowest unit value of US\$ 1221 / ton and Germany has the highest unit value of US\$ 1523 / ton of the five largest suppliers to the UK. Since South Africa is not currently exporting to the UK makes it difficult to compare unit values with the supplying countries.

Four of the five largest supplying countries to the UK is European countries, these countries are located closer to the UK and they are part of the Euro-zone making it much cheaper for them to export to the UK. Argentina on the other hand is much farther away from the UK than South Africa. This might count in South Africa's favour in terms of less carbon emissions when the oil is shipped.

C. Panorama

Macro-economic information about the UK following the PEST factors analysis will now be discussed.

Political factors

The UK is a multi-party system and since the 1920s, the two largest political parties have been the Conservative Party and the Labour Party. As a result of negotiations following the election, they entered a formal coalition with the Liberal Democrats to form a majority government. As one of five permanent members of the UN Security Council, a founding member of NATO, and of the Commonwealth, the UK pursues a global approach to foreign policy. The UK is also an active member of the EU, although it chose to remain outside the Economic and Monetary Union. Political pressure groups include the Confederation of British Industry, the National Farmers' Union and the Trades Union Congress (CIA World Factbook, 2011).

Economic factors

The UK is a developed country, with the world's ninth largest economy by purchasing power parity and growing by 1.5% above inflation during 2010. The UK is also a leading trading power and financial center as well as the third largest economy in Europe after Germany and France (CIA World Factbook, 2011). In 2008, the global financial crisis hit the economy particularly hard, due to the importance of its financial sector. Sharply declining home prices, high consumer debt, and the global economic slowdown compounded Britain's economic problems, pushing the economy into recession in the latter half of 2008, with the economic recovery only taking place in the August of 2009. Value added taxes have increased to 20% in January 2011.

Social factors

From 2010, the UK population has grown by 0.55% to an estimated 62.6 million people in 2011 (CIA World Factbook, 2011). The urban population represents 80% of the total population, and is expected to grow 0.7% each year until 2015. London, Birmingham and Glasgow are the largest cities in the UK. Growing consumer demand for healthier products have spurred producers to focus on offering healthier products to consumers (Euromonitor, 2010)

Technological factors

In 2006, it was reported that the UK provided 9 percent of the world's scientific research papers and a 12 per cent share of citations, the second highest in the world after the US (MacLeod, 2006). In 2009, 81.2% of the UK population had access to internet. (CIA World Factbook, 2011)



Figure 4: Map of the United Kingdom (depicted in dark blue)

D. People

Our focus is on household users, but the buyer of our product is retailers, more specific major national retailers. The traditional main markets segments for vegetable oils and fats are the food markets and bio-diesel sectors. Vegetable oils and fats are mainly used in liquid cooking oils, personal care products and a small amount in catering, biscuits and snacks.

The market segmentation for sunflower-seed oil is as follows:

<p>Product</p> <p>Sunflower- seed oil for human consumption. Part for industrial oilcake but focus on human consumption. All vegetable oils are free of cholesterol and have the same energy value, but different fatty compositions.</p>	<p>Production</p> <p>Sunflower oil for consumption / the part is locally sold.</p>
<p>End user</p> <p>The consumer is the end user, but the buyer is the retailer from national chain shops.</p>	<p>Socio - Economic</p> <p>The typical consumers of sunflower oil are the household consumers.</p>

The end consumer influences the buying decisions of the retailers and the following has been picked up about the end consumers (Euromonitor, 2010):

- During the economic downturn to consumers increasingly opting to home-cooked food. This benefited products used for cooking evening meals, such as pasta, rice and vegetable and seed oil.
- Consumers reducing the salt, sugar, trans-fat and fat intake due to the government's nutritional education campaigns.

E. Permission: Market Access

Tariffs

Due to the Agreement of Trade, Development and Cooperation (TDCA) between South Africa and the European Union South African sunflower oil is free from any tariff charges when entering the UK market. South Africa's strongest competitors in the UK are members of the EU, and therefore also exempt from any tariffs. Under the Generalized System of Preferences (GSP) of the WTO, Argentinean sunflower oil exporters face a 6.2% tariff when exporting to the UK. Argentina is the only competitor in the UK market that faces a tariff when exporting to the UK.

South African sunflower oil exporters have a 6.2% tariff advantage over Argentinean exporters. However, a small tariff advantage of only 6.2% can easily be eroded by inefficiencies in the South African supply chain. Overall South African exporters will enter the UK market with no strong advantages or disadvantages over their competitors.

Table... : Tariff faced by South Africa and its competitors in the UK

	Market share	Tariffs faced	Trade Regime	
South Africa	0%	0%	TDCA	
South Africa's main competitors in target market	Market share	Tariffs faced by competitors	Trade Regime	Tariff advantage for South Africa (yes or no)
1. <i>France</i>	54.1	0%	EU member rate	No
2. <i>Netherlands</i>	21.3	0%	EU member rate	No
3. <i>Belgium</i>	9.2	0%	EU member rate	No
4. <i>Argentina</i>	8.7	6.2%	Preferential tariff awarded under the GSP	Yes
5. <i>Germany</i>	5.7	0%	EU member rate	No

Non-tariff measures

The non-tariff measures that South African exporters will face in the UK market can be divided into mandatory and voluntary measures.

Mandatory measures:

Mandatory measures are enforced by government entities to ensure that sunflower oil placed on the UK market is safe to consume and does not contain contaminants at levels which could threaten human health. The requirements of these measures must be met before sunflower oil will be allowed into the UK. These measures will be enforced in South Africa, the European Union and the UK itself. For or more information regarding the requirements of these regulatory entities, please refer to Annex 5.

South African regulations:

South Africa sunflower oil destined for exports must first meet the requirements of the Agricultural Products Standards Act 119 of 1990; the Foodstuffs, Cosmetics and Disinfectants Amendment Act,

No. 39 of 2007; and the Health Act of 1977. A brief description of these requirements will be discussed.

Firstly, standards regarding food safety and food hygiene of regulated agricultural food products of plant origin destined for export, as stipulated under **4(3)(a)(ii) of the Agricultural Products Standards Act 119 of 1990** sets out strict controls over food safety and hygiene, production, harvesting, on-site packaging and cold storage for products designed for export. The records to be kept are very detailed, from the chemicals used on the crops to records for each field, orchard or greenhouse (Whoswho Reports, 2010).

The **Foodstuffs, Cosmetics and Disinfectants Amendment Act, No. 39 of 2007** is designed to control the sale, manufacture, importation and exportation of foodstuffs, cosmetics and disinfectants; and to provide for incidental matters. The Act serves to impose additional checks and balances on the named industries, including those encompassing fats and oils, ensuring regular inspections of all phases of the production line and prescribing penalties on transgressors.

Lastly, the **Health Act of 1977** regulates the standards and requirements to which apparatus, equipment, storing spaces and working surfaces and places employed in connection with the handling of food, and the cleansing of the afore-mentioned facilities, the manner of transport of various foodstuffs, the holders in which food is stored, processed, displayed or transported and the clothing worn by persons handling food, shall conform.

European regulations:

Imports of foodstuffs of non-animal origin into the European Union (EU) must comply with general conditions and specific provisions designed to prevent risk to public health and protect consumers' interests. Hence, the general rules applicable to these products are as follows.

Council Regulation (EEC) No 315/93 of 8 February 1993, food containing a contaminant to an amount unacceptable from the public health viewpoint and in particular at a toxicological level, shall not be placed on the EU market and will be rejected

Commission Regulation (EC) No 1881/2006 of 19 December 2006 setting maximum levels for certain contaminants in foodstuffs sets maximum levels for certain contaminants in food to be placed on the EU market. Low levels of dioxins, dioxin-like polychlorinated biphenyls, and Benzopyrene are important for sunflower oil.

Basic food law requirements applying to all food imported into the EU fall under **Regulation (EC) No 178/2002** of the European Parliament and of the Council, which among other topics covers compliance or equivalence, traceability and the responsibilities of food importers

The relevant hygiene rules of food which need to be respected by food business operators in third countries are contained in **Regulation (EC) No. 852/2004** of the European Parliament and of the Council, which includes the general obligations on the operator to monitor the food safety of products and the processes under his responsibility;

Regulation (EC) No 1935/2004 of the European Parliament and of the Council establishes a list of groups of materials and articles (such as plastics, ceramics, rubbers, paper, glass, etc.) which may be covered by specific measures that include a list of the authorised substances, special conditions of use, purity standards, etc. Specific measures exist for ceramics, regenerated cellulose and plastics.

United Kingdom regulations:

The Food Standards Agency (FSA) is an independent government department set up by an Act of Parliament in 2000 to protect the public's health and consumer interests in relation to food. Specific requirements when exporting sunflower oil into the UK can be requested from the FSA.

South African exporters may not need a health or hygiene licence to import food, but many foods from countries outside the EU require licences for trading purposes and may be subject to quotas. Further information in this regard can be collected from the UK Rural Payments Agency.

Some oils may contain food colourings, flavourings or sweeteners. Although these may be approved by the food authority in the country of origin, some of them may not be approved in the EU. For information on food flavourings, sweeteners, colourings and preservatives, please contact the FSA Food Additives team.

Information on pesticides safety levels for sunflower oil imports can be collected from the Health and Safety Executive's (HSE) Chemicals Regulation Directorate (CRD).

A guidance note on the **Contaminants in Food (England) Regulations 2009**, which make provision for enactment and enforcement of Commission Regulations setting regulatory limits for contaminants in food (nitrate, mycotoxins, metals, 3-MCPD dioxins and PAHs), can be requested from the FSA.

Food imported into the UK also has to meet the requirements of the **Arsenic in Food Regulations 1959**. More information regarding these requirements can be collected from the FSA.

Voluntary measures:

South African exporters will need to consider voluntary measures when supplying to UK retailers. Unlike mandatory measures, sunflower oil originating from South Africa does not have to comply with private standards to enter the UK. However, since sunflower oil is traditionally bought in supermarkets as cooking oil, exporters will need to comply with private standards before gaining access to UK consumers.

Exporters have to meet the standards of the chosen retailer and, in some cases, the standards set by third parties such as those of the British Retail Consortium (BRC). To illustrate these standards, the requirements and contact details of the two largest retailers in the UK (ASDA and TESCO) are shown in Annex 5.

F. Packaging and Labelling Regulations

Packaging and labelling regulations:

Sunflower-seed oil is normally imported in bulk into the UK, but we are going to export directly in plastic containers that can directly be sold to the end consumer. The reason for this is because we are going to cut out the middle man and is going to distribute directly via the major retailers, e.g. ASDA UK (WallMart in the US).

Thermoplastic bottles of two sizes, with a net weight of 750 ml and a net weight of 2 l are going to be used. The reason why we rather use plastic than glass, is because the shipping cost for plastic is less than glass and there is less breakage.

Table **...** : Packaging and labelling regulations in the EU and the UK

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Level	Field	Regulation/ Source of information
EU	Labelling for foodstuffs	<ul style="list-style-type: none"> • Council Directive 2000/13/EC • European Commission, ec.europa.eu/food/
UK	Labelling requirements for food	<ul style="list-style-type: none"> • Food Standards Agency, www.food.gov.uk
	Food contact materials	<ul style="list-style-type: none"> • Food Standards Agency, www.food.gov.uk

As we plan to distribute via ASDA UK (Wal*Mart in the UK), their labelling and packaging requirements are discussed (Fedoil, 2011, ASDA, 2011):

Packaging volume and weight must be the minimum amount to maintain the necessary levels of safety, hygiene and acceptance for the packed product and for the consumer. Packaging must be manufactured so as to permit reuse or recovery in accordance with specific requirements, and noxious or hazardous substances in packaging must be minimised in emissions, ash or landfill

Transit case packing requirements of ASDA: Cases containing more than one product is prohibited. The supplier must ensure the corrugated case is optimally sized to suit the contents. Internal dividers should be utilised on fragile products which are deemed likely to sustain damage during distribution. It is essential that the transit packaging protects against damage • Adhesive tape or glue are the only methods to be used for securing case flaps. For compliance issues to the above an ASDA buyer can be contacted. The advantage of using the ASDA private mark is that all EU regulations are met, and if there is later decided to distribute to other countries, the same label can be used to comply to the Wal*Mart requirements.

In SA the regulations of edible fats and oil products fall under GN R146 of 1 March 2010 that brought the new Food Labelling regulations into effect in two stages as from 1 June 2010 and 1 March 2012. In SA it is not necessary to put the gross weight on the label and at least one of the official languages must be used on the label, while in the UK English must be used on the label.

Food contact materials and articles, including those used for food packaging, are controlled by a comprehensive EU harmonised legislation that has been fully implemented in the UK. This legislation is particularly thorough in its control of plastic materials and articles intended for food use. For information on the safety of packaging in the UK please contact the FSA. For general information on labelling requirements for food, please contact the UK Department for Environment, Food and Rural Affairs (DEFRA).

G. Prices

It is important to state again as previously stated that the levels of sunflower seed production and prices are interrelated to, and determinant of, sunflower oil production levels and prices.

According to the CBI (2009), in general terms, a number of factors influence the price of vegetable oils, such as climatic conditions, demand for biofuels, increased demand due to income growth and population growth and health concerns driving the substitution of animal fats for vegetable oils and fats

In more specific and current terms, The Food Outlook by the FAO in November 2010 identified four key unknowns that will impact world oilseed prices in the near future and which might cause world oilseed prices to increase beyond their present level. These four key unknowns are the following:

- I. the impact of the currently developing La Niña weather pattern on the next South American soy crop and on Southeast Asia's palm oil production
- II. next year's allocation of land among soy, maize and wheat, primarily in the United States, as all three commodities appear to be at risk of additional tightness in 2011/2012
- III. the pattern of energy prices, which will influence vegetable oil demand by biodiesel producers
- IV. the development of the United States currency given its influence on global trade patterns

The impact of energy prices on oilseed prices is an old food versus fuel debate. As petroleum prices increase the demand for a substitute product such as biofuel also increases. As the demand for biofuel increases the demand for biofuel feedstocks increases leading to higher prices for vegetable oils such as sunflower oil and palm oil which serves as a feedstock for biofuel.

Figure 5 below shows the price of sunflower oil and the average price of mineral oil. As indicated by the graph vegetable oil prices follow mineral oil prices very closely.

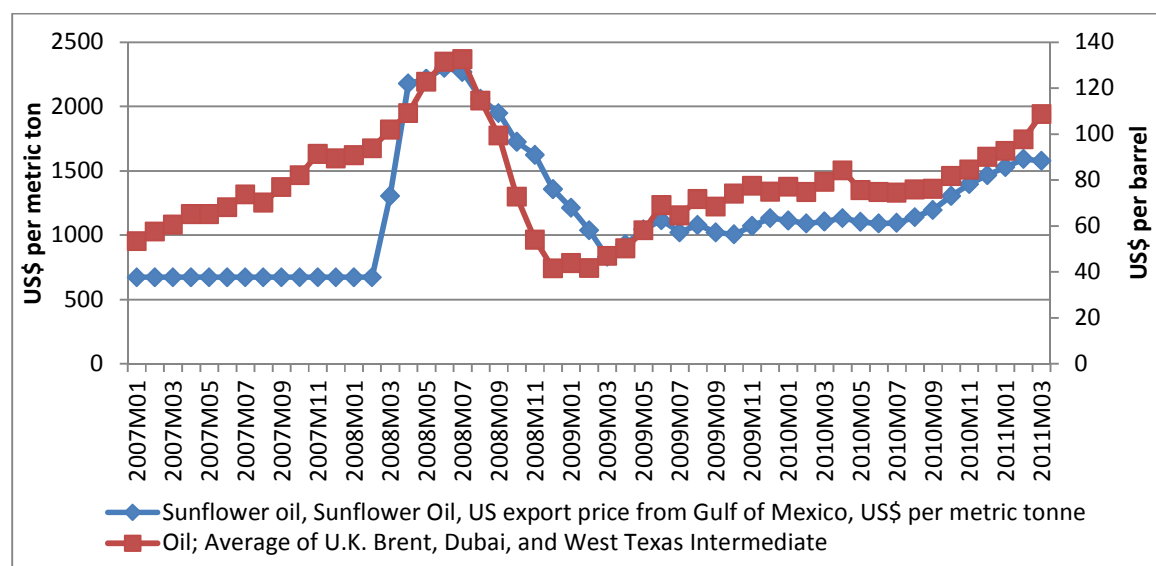


Figure 5: Sunflower oil price and the average oil price
Source: IMF, 2011

The price of sunflower cooking oil in a UK supermarket are the following:

Flora Pure Sunflower Oil (1l)	£1.89
Flora Pure Sunflower Oil (2l)	£2.99
Tesco Brand (1l)	£1.59
Tesco Brand (3l)	£3.42

MARKET ANALYSIS: SUNFLOWER OIL

South African exporters are able to provide 2 liter bottles of sunflower cooking oil at a FOB price of US\$ 2.08 per 2 litre bottle (Alibaba, 2011).

If an exchange rate of £1 = US\$ 1.64781 (4 May 2011), then the FOB price of one 2 liter bottle of oil will be £1.27.

Deducting the FOB price from the retailer price (£2.99 - £1.27), leaves a margin of £1.72 per 2 litre bottle to cover shipment cost, customs clearance, agents commission (if any), transport cost and retailer margins.

The bottles can be shipped as follows, 6 x 2l plastic bottles filled with refined sunflower oil in a carton, 1250 cartons per 1x20'FCL. The weight will be 11.04kg per carton, in total 13.8 ton for all 1250 cartons. The value of the total shipment will be £9525.

H. Placement: Distribution Channels

Potential areas of distribution:

The largest cities in the UK are London, Birmingham and Glasgow. Jointly these cities hold close to 8.7 million residents. London is the UK's largest city, and therefore represents the largest potential market. The ports of London, Bristol and Greenock are situated close to the potential markets.

City	Residents, 2001	Nearest Port
London, England	7.1 million	London
Birmingham, England	0.97 million	Bristol
Glasgow, Scotland	0.62 million	Greenock

Sunflower oil distribution channels:

South African sunflower oil exporters can choose between of two potential distribution channels. The shortest route to the consumer will entail that the exporter deliver directly to the chosen retailer. Alternatively, the exporters can use the expertise of an import agent to deliver the sunflower oil to the retailers. Tesco, ASDA, Sainbury's and Morrisons are the largest retailers in the UK, jointly representing 75.8% of the UK retail market (TNS Global, 2009). Sunflower oil can be transported using any means of transportation since it is a non-perishable product

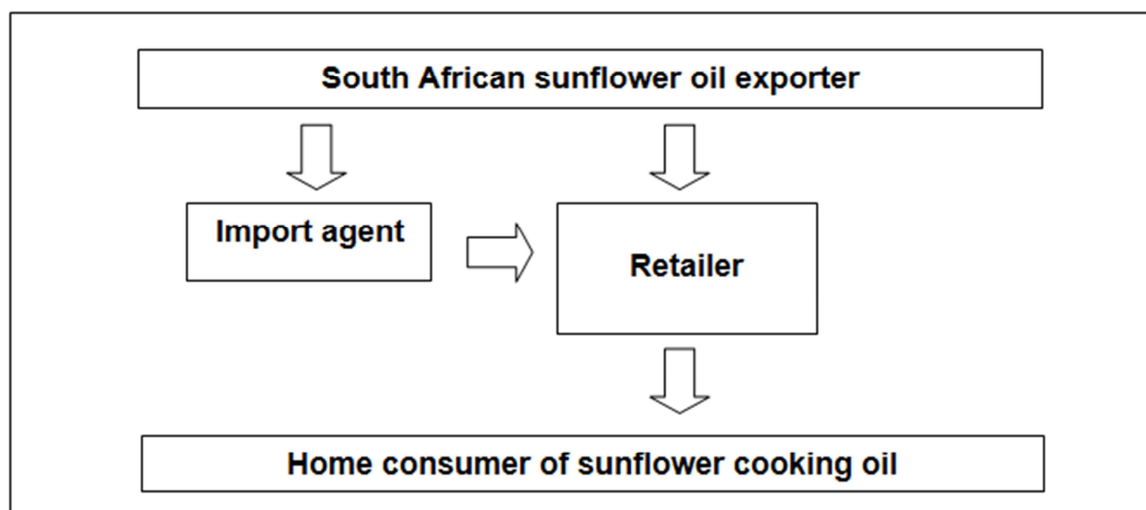


Figure ? : Distribution channels available to South African sunflower oil exporters

I. Promotion

The following events take place in the UK for promoting Sunflower Oil:

- Food and Drink Expo 2012
25-28 March
Birmingham
UK
- The Retail London Show 2012,
Business Design Centre
London
- HAWKSHEAD RELISH COMPANY
The Square
CA22 0NZ Hawkshead, Cumbria, United Kingdom
Tel: 015394 36614 Fax: 015394 36614
Products promoted: Relishes, Pickles, Chutneys, Mustard, Oils, Flavoured Salts, Sauces
- HOO HING COMMERCIAL CENTRE
Freshwater Road
Romford, Essex, United Kingdom
Tel: +44-20 8548 3636
Products promoted:
Sugar, Salt, Flour, Starches, Rice, Rice Products, Canned Fruits, Vegetables Preserves,
Mushroom Preserves, Seasonings, Sauces, Meat Extracts, Soup Stocks, Vinegar, Ketchup,
Tomato Puree, Soya Sauce, Dried Fruits, Dried Vegetables, Vegetable Oil, Soya Products, Sugar
Confectionery

Annex 1: Market Attractiveness Table

Importing Markets Ranking by Country (Index)	Market total imports from the world	Share of market in world imports	Import growth from the world	Preference margin for South Africa vis-à-vis its competitors in target market	Does SA have an tariff advantage Y or No?	Index of the distance	SOUTH AFRICA Top 1st competitor on the market:name(share on the market;market tariff applied)	SOUTH AFRICA Top 2nd competitor on the market:name(share on the market;market tariff applied)	SOUTH AFRICA Top 3rd competitor on the market:name(share on the market;market tariff applied)	SOUTH AFRICA Top 4 th competitor on the market:name(share on the market;market tariff applied)
1. Romania (84)	79 713	3.8	144.5	-1.04%	Y	50	Hungary (76.3%;0%)	Bulgaria (12.1%;0%)	Moldova R. (10.9%;0%)	United States (0.3%, 8.1%)
2.U.K (79,-)	210 166	10.1	30.5	-0.66%	Y	38	France (54.1%;0%)	Netherlands (21.3%;0%)	Belgium (9.2%;0%)	Argentina (8.7%, 6.1%)
3. Belgium (71)	149 174	7.2	13.3	-1.07%	Y	40	Netherlands (75.6%;0%)	France (14.5%;0%)	Germany (6.3%;0%)	Austria (0.6%, 0%)
4. Uzbekistan (65)	48 150	2.3	89.0	-11%	Y	43	Russia (66.1%;0%)	Ukraine (23.2%;0%)	Kazakhstan (10%;0%)	Moldova (0.6%, 0%)
5.Canada (61)	82 052	4.0	22.5	-10%	Y	1	U.S.A (92.9%;0%)	Bolivia (5.1%;10.3%)	Argentina (1.3%;10.3%)	Mexico (0.2%, 0%)

Annex 2: Potential Prospects

- Provide a list of potential selected importers/traders in target market. Try to identify the main importing companies.

Import agents

Name

Address

Phone (with International Code)

Website:

Email:

Name

Address

Phone (with International Code)

Website:

Email:

Name

Address

Phone (with International Code)

Website:

Email:

Retailers

Name

Address

Phone (with International Code)

Website:

Email:

Name

Address

Phone (with International Code)

Website:

Email:

<http://www.cadexco.bo/actual/boletin-inteligencia/Promising%20EU%20export%20markets%20for%20sunflower%20oil.pdf>

Vegetable oil (sunflower and other seeds) is used for frying.
(<http://www.fdin.org.uk/2010/04/half-of-uk-households-use-olive-oil/>)

Specialty stores

Name

Address

Phone (with International Code)

Website:

Email:

...etc

Annex 3: Non-tariff Measures

Mandatory measures:

Level	Field	Description	Regulation/Sources of information
South Africa (WhosWho Report, 2010)	Food safety and food hygiene	South African sunflower oil will not be allowed to be exported if the product contains any prohibited ingredients or chemicals, is of a poor quality or poses a danger for the consumer.	<ul style="list-style-type: none"> • 4(3)(a)(ii) of the Agricultural Products Standards Act 119 of 1990 • Foodstuffs, Cosmetics and Disinfectants Amendment Act, No. 39 of 2007 • Health Act of 1977 • Department of Health, www.doh.gov.za
European Union (Export Helpdesk, 2011)	Control of contaminants in foodstuffs	In order to ensure a high level of consumer protection, imports into the European Union (EU) of foodstuffs should comply with EU legislation designed to ensure that food placed on the market is safe to eat and does not contain contaminants at levels which could threaten human health. Low levels of dioxins, dioxin-like polychlorinated biphenyls, and Benzopyrene are important for sunflower oil.	<ul style="list-style-type: none"> • Council Regulation (EEC) No 315/93 of 8 February 1993 • Commission Regulation (EC) No 1881/2006 of 19 December 2006 • Regulation (EC) No 178/2002 • Regulation (EC) No. 852/2004 • Regulation (EC) No 1935/2004 • European Commission, ec.europa.eu/food/
United Kingdom (Food Standards Agency, 2011)	Regulations related to import licenses, food hygiene, pesticides, contaminants	The Food Standards Agency will provide information regarding the specific requirements of sunflower oil imports into the UK.	<p>Food Standards Agency, www.food.gov.uk</p> <p>Rural Payments Agency , www.rpa.gov.uk</p> <p>Health and Safety Executive's (HSE) Chemicals Regulation Directorate (CRD), www.pesticides.gov.uk</p>

Voluntary measures:

Retailer	Standards	Sources of information:
TESCO	Supplying to TESCO	http://suppliermanual.tescois.com
	BRC Global Standard for Food Safety Certification	http://www.brcglobalstandards.com
ASDA	Supplying to ASDA	http://www.asdasupplier.com/
	British Retail Consortium Certification	http://www.brcglobalstandards.com/

Annex 4: List of Sources

“Briefing Room: Sunflower Seed”, USA, United States Department of Agriculture: Economic Research Service, 2011, < <http://www.ers.usda.gov/Briefing/SoybeansOilcrops/sunflower.htm>>

“Trademap and MacMap”. Switzerland, International Trade Centre, 2011, <www.trademap.org> and <www.macmap.org>

“The World Factbook”, USA, Central Intelligence Agency of the United States, 2011, <<https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html>>

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“Euromonitor: Packaged Food – United Kingdom”, Euromonitor international, December 2010.

“Code of Practice for the transport in bulk of oils into or within the European Union “, United Kingdom, Standards Agency – 17 March 2011

“ASDA Supplier Requirements Transit Packaging, Labelling and Documentation UK Suppliers Only Fifth Edition”, United Kingdom, Food Standards Agency, October 2006

“Tesco share turnaround (plus an update on grocery price inflation)”, United Kingdom, TNS Global, 10 November 2009, <<http://www.tnsglobal.com/news/news56F59E8A99C8428989E9BE66187D5792.aspx>>

“Oilseeds: World Markets and Trade”, United States Department of Agriculture, Washington, January 2011

Additional information:

CBI:FROM SURVEY TO SUCCESS: GUIDELINES FOR EXPORTING VEGETABLE OILS AND FATS TO THE EU

http://www.cbi.eu/marketinfo/cbi/docs/european_buyer_requirements_vegetable_oils_and_fats
SOURCING FROM EMERGING MARKETS

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Contact us

If you cannot find the supplier you are looking for or if you have a specific question, please feel free to contact us:

Phone: +31 (0) 10 201 3421
Fax: +31 (0) 10 411 4081
Email: marketinfo@cbi.eu