Edible oil sector

EDIBLE OIL SECTOR. According to the Humburg –based world Trade Journal global production of oils & fats stood at 160 million tons in 2009. There are two sources of fats and oils; those extracted from vegetables such as coconuts, cotton seeds, cashewnuts, groundnuts, sunflower seeds, simsime, soya beans, maize germ and palm fruits and those extracted from milk animal meat. In Kenya the preference source of oils and fats and oils is extracted from vegetable oils with domestic production at 380, 000 tons a third of the annual demand. The rest is imported at a cost of 140 million USD.

The key players extract oil from seeds and fruits to produce the oil and fats and by products of oil cake used in manufacture of animal feeds and palm flakes used for soap manufacturing. The key players are Bidco oil refineries Ltd with 49% market, Kapa oil refineries, Palmac refineries, Pwani oil refineries ltd. They also export mainly to the horn of Africa as well as Europe and the USA. The Organisation Started over 35 years ago, Bidco has asserted its position as the East and Central Africa’s leading most advanced edible oil and hygiene products manufacturers and marketers.

The Company is the brainchild of Bhimji Depar Shah the grand patriarch of Bidco after whom the company is named. Over the years, Bidco successfully won over the market, becoming, the largest and fastest growing manufacturer of vegetable oils, fats, margarine, soaps and protein concentrates in East and Central Africa. The market success of these products has led Bidco to look to the future and expand its horizons. Currently, Bidco market the largest and widest range of quality edible oil and hygiene products in East and Central Africa. To Grab, Grow and Sustain No: 1

Market Share in the African Markets by 2030. BIDCO exists to serve daily consumer needs to enhance happy healthy living by Branding, Transforming, Distributing the goodness of Mother Nature. The industry faces a few challenges: Political/Legal With the increase of inflation from a low of 4% last year to a high of 16. 5% in August this year has seen the price of edible oil go up by up to 50%. This has lead to Public outcry that saw among other things the industry accused of cartel like behavior by the………………………

The president also assented to the Price control bill that among other things gives the minister of finance the powers to fix maximum prices of essential products with consultation with the private sector. Economical The Kenya shilling has lost 25% of its value over the last three months, this has increased the price of imported raw material such as crude: palm oil, soy bean oil and sunflower oil. The interest rates went up after the central bank of Kenya increased its base lending rate from 6. 25% to 7% further putting pressure on lending rates. (www. usinessdailyafrica. com/borrowers+facehigher+cost++of+loans+after+CBK+rate) Social/Cultural There has been increased sense of health consciousness after experts downed that 12% of Kenyans were obess which was mostly caused by eating transfat and food high in transfats. This has made customers to be weary of what they eat and be keen to read the labels of how many calories the food contains and whether its cholesterol free. Technology The technology of palm olien from palm fruit has become readily available increasing competitors to 30 form 3 over the last decade.

Special containers that can be fit into 40 foot container have made it possible for small companies to be able to import smaller containers or even have the oil imported when refined. Enviromentally The recent harsh climatic such as flooding in Malaysia, drought in Agentina and in Kenya affected the yield of the farming industry which provides for the materials such as groundnuts, soya beans, maize germ and palm fruit. This resulted in low production that caused the prices to skyrocket.

The drought weather affects the Hydro-electric power production which is the cheapest form of power in Kenya. To bridge the Gap diesel power engines may be used however this form of power is more expensive as it uses oil. 1) For an increased cost of raw materials due to devaluation of the shilling and the low yields due to extreme weather conditions 2) An increased cost of manufacturing driven by inflation as workers demand higher pay, cost of borrowed money goes up and increase of prices other products that aid the supply chain such as petrol in transportation.) Increased competition rivalry as the extraction process becomes readily available and companies expand product offering. 4) There may be increased demand for healthier oils as consumers became weary of what they eat. 5) If the industry does not regulate it -self or seen to be doing so it may find government enacting regulations to regulate it. Change of consumer behavior. The companies may pass the increased cost of production and cost of material to the consumer.

In the event they do so there may be a shift from packaged to un-packaged oils which are a bit cheaper or what the industry calls dalloping (this is when the retailers buy 10kgctn or 20lts and repackage themselves to smaller quantities to sell to consumers). The companies could also increase focus to smaller packaging. With the disposable income reduced due to inflation more customers may prefer to eat at home rather than go out. This may impact on the restraunts who are purchasers of bulk oils and fats.

The increased consciousness of health may result to consumers asking for more disclosure on labeling. It will also mean that demand for healthier oils and fats is bound to increase. Industry Change As the industry becomes more competitive companies are bound to try to invent new or better ways of doing activities. More of the companies my computerize or move to a marketing information system in order to better manage the linkages in the value system. Those already with this in place may try to implement Customer relationship management