India's Demand- Supply of Edible Oils with special reference to

Scope for Sustainable Palm Oil in India

By:

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At

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Presentation Sequence

- SEA Profile
- Incredible India
- Indian General Economy
- Agricultural Economy
- Indian Oilseed Sector
- Consumption Pattern
- Imports of Edible Oils by India
- Scope for Sustainable Palm Oil in India

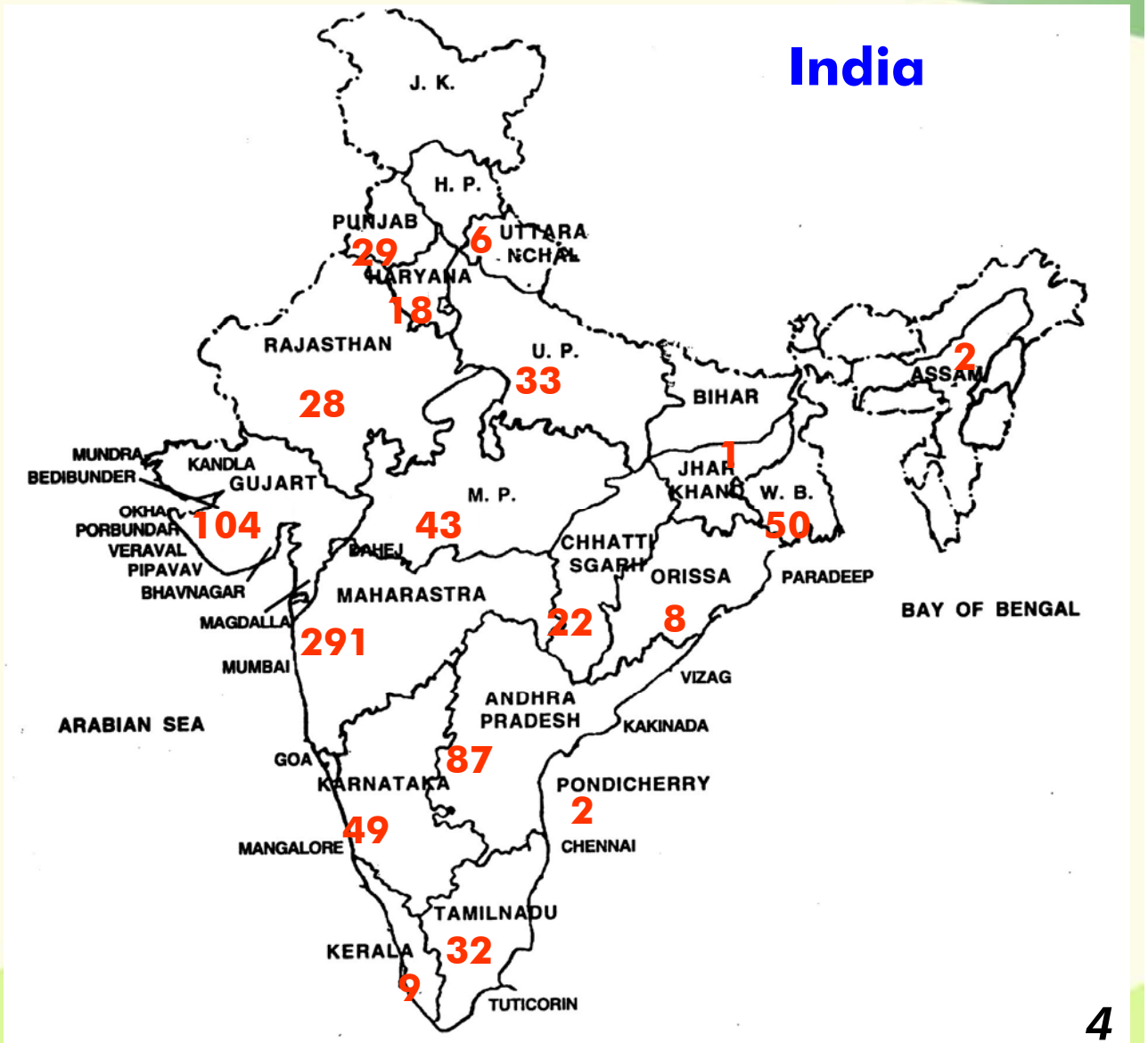
SEA Profile

- Formed in 1963 to foster the development & growth of the Solvent Extraction Industry in India
- Largest and Premier Association in the Vegetable Oil Sector in India
- First Association in Vegetable Oil & Oilseed sector to receive ISO 9001 Certification in India (2004)
- Recognised as NGO and TPO by Government of India
- SEA celebrating 2013 as Golden Jubilee year

SEA Members

Over 850 Members

- S. E. Units
- Oil Millers
- Refiners
- Vanaspati Mnfrs.
- Importers
- Exporters
- Surveyors
- Shipping Agents
- Fin. institutes
- Foreign Buyers & many more....

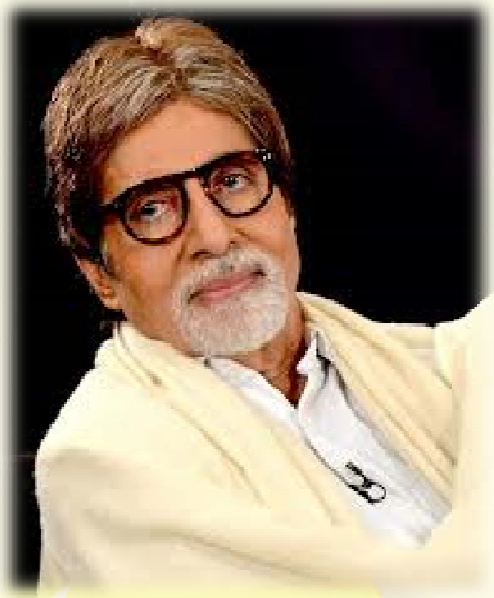


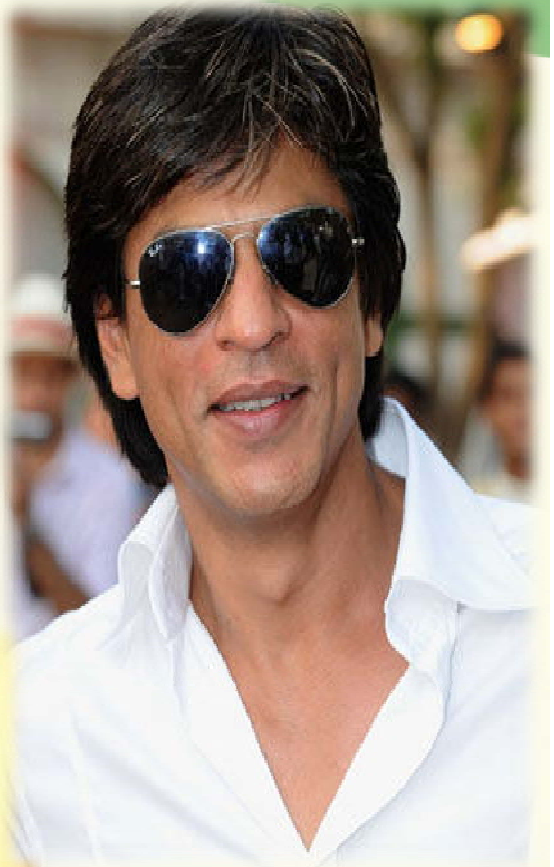

Incredible India

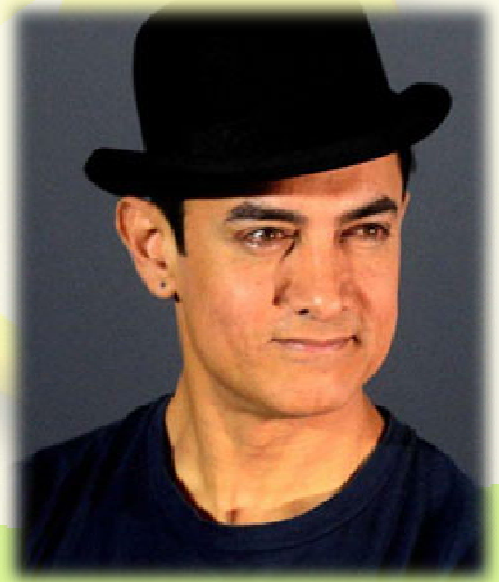
What People Talk About India

- Second most populous nation
  - 1.25 Bn people
- Largest Democracy
- Multi ethnic country
- Country with maximum young people
  - Median age is 24 years
- Amongst the fastest growing economies
- Fourth largest economy
- Literacy level – 65% (2012)
- & 3 B's....

BOLLYWOOD







BEAUTY

BRAINS…….

- 38% of doctors in USA are Indians
- 12% of scientists in USA are Indians
- 37% of NASA scientists are Indians

- 31% of MICROSOFT employees are Indians
- 27% of IBM employees are Indians
- 17% of INTEL scientists are Indians

- 13% of XEROX employees are Indians

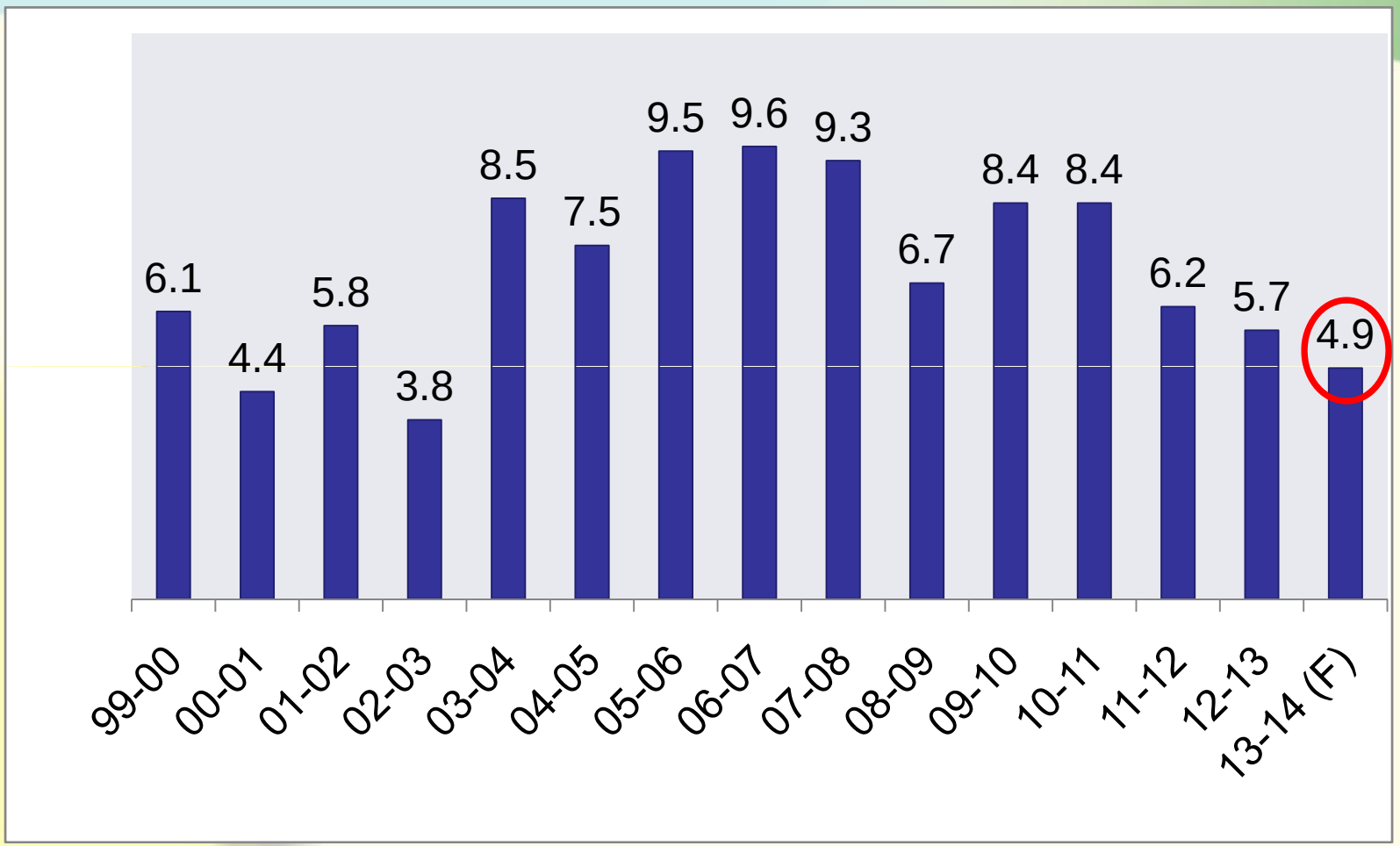
And so on …..

Indian General Economy

Indian Macro-economic Overview

- India – a fast growing significant economy in spite of global slowdown
- Strong Macro-economic fundamentals
- GDP Value: Over US$ 2.0 Trillion (Tn)
- Purchasing Power Parity (PPP): US$ 5 Tn
- Forex Reserve: US$ 297 Bn
- FDI Flow US$ 24.2 Bn (2012-13)
- Household Savings Rate 30.8% (2011-12) (world's highest)

India's Overall GDP Growth



- **The average GDP growth in last five years is registered at 7.1%**
- **For FY13-14, growth is Forecasted at 4.9% only due to slowdown in Economy**

Source : CMIE

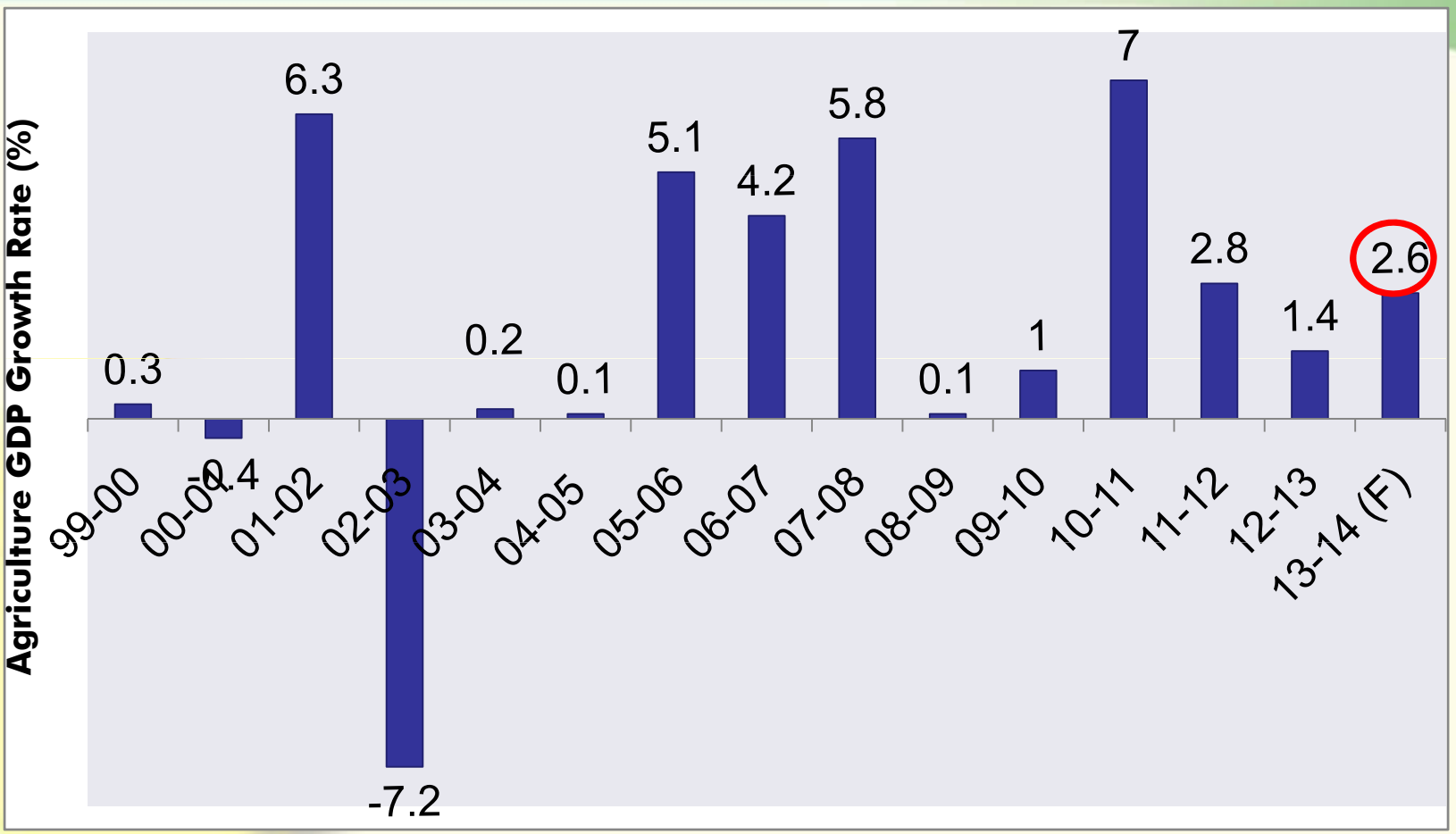
India's Agriculture Production

India is well connected with cellular phone having 930 Million users and with the talk time rate cheapest in the world

India's Ranking in the World

• Area (3.3 Mn Km^2)	No. 7
• Arable Land (161.7 Mn Ha)	No. 2
• Irrigated land (56.0 Mn Ha)	No. 1
• Milk Production	No. 1
• Rice Production	No. 2
• Wheat Production	No. 2
• Rapeseed Production	No. 2
• Fruit Production	No. 2
• Tea Production	No. 2
• Sugar Production	No. 2
• Cotton Production	No. 2
• Coffee Production	No. 5

Agriculture Sector GDP Growth



- **Agriculture Sector Growth depends heavily on monsoon performance.**
- **For the year 2013-14, due to good monsoon, growth is forecasted at 2.6% compared to 1.4% in previous year**

Source : CMIE

Indian Oilseed Sector

Demand - Supply

and

Import of Vegetable Oils

Oilseed Sector 2012-13
(Nov-Oct)

• Area Under Oilseed Cultivation		26-27	Mn. Ha.
• Average yield		1100	Kgs.
• Output of 9 cultivated Oilseeds		30.7	Mn. T.
• Output of Cottonseed & Copra		10.8	Mn. T.
	Total	41.5	Mn. T.
• Production of Vegetable Oils		8.20	Mn. T.
• Demand of Veg. Oils (Edible)		17 .5	Mn.T.
• Import of Veg. Oil 2012-13 (Nov-Oct) (Edible)		10.4	Mn.T.
• Per capita consumption (2011)		14.3	Kg.

- Per capita consumption is rising by 3 to 4% per annum.

Present Status of Indian Vegetable Industry

Particulars	No. of Units	Annual Capacity Mn/T.	Capacity Utilisation
Oil Mills (Crushing Units)	15000	36.0	20% - 30%
Solvent Extraction Plants	600	31.0	35% - 40%
Vegetable Oil Refineries	650	20.0	35% - 40%
Vanaspati (Hydrogenated Units)	250	3.0	25% - 30%

Oilseed Sector - Share of India

- **Vegetable Oil Sector Turnover** — **US$ 25.0 bn. (Rs.150,000Cr)**

- **Import & Export from Oilseed Sector** — **US$ 14.0 bn. (Rs.80,000 Cr.)**

2012-13

- **In World's Oilseed Production** — **7.7 %**
- **In World's Oilmeal Production** — **6.5 %**
- **In World's Oilmeal Export** — **5.8 %**
- **In World's Production of Veg. Oils** — **5.0 %**
- **In World's Vegetable Oil Import** — **14.7 %**
- **In World's Edible Oil Consumption** — **10.4 %**

Source: OIL WORLD

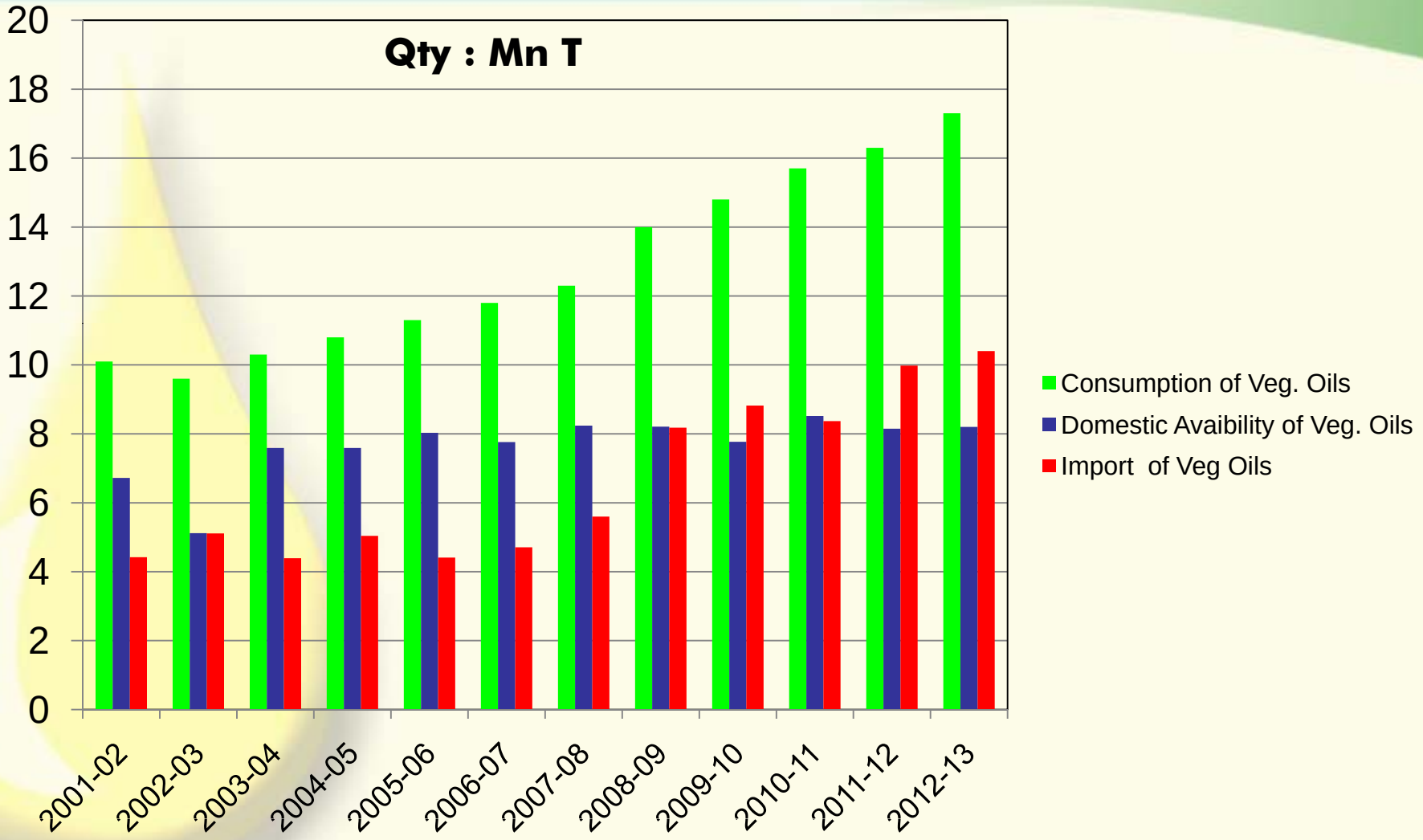
Oilseeds Production (2007-08 to 2012-13)

(Qty. in Million Tonnes)

Crop	07-08	08-09	09-10	10-11	11-12	12-13
Major Oilseeds						
Groundnut	9.2	7.2	5.4	7.5	6.9	5.4
Rape/Mustard	5.8	7.2	6.6	7.6	6.6	7.4
Soybean	11.0	9.9	10.0	12.7	12.2	14.1
Sesamum	0.8	0.6	0.6	0.9	0.8	0.7
Sunflower	1.5	1.2	0.8	0.6	0.5	0.6
Safflower	0.2	0.2	0.2	0.2	0.2	0.1
Niger	0.1	0.1	0.1	0.1	0.1	0.1
Linseed	0.2	0.2	0.2	0.2	0.2	0.2
Castor	1.0	1.1	1.0	1.3	2.3	2.1
Sub-Total	29.8	27.7	24.9	31.1	29.8	30.7
Others						
Cottonseed	9.9	8.9	9.2	10.1	10.9	10.2
Copra	0.6	0.6	0.6	0.6	0.6	0.6
Grand Total	40.3	37.2	34.7	41.8	41.3	41.5

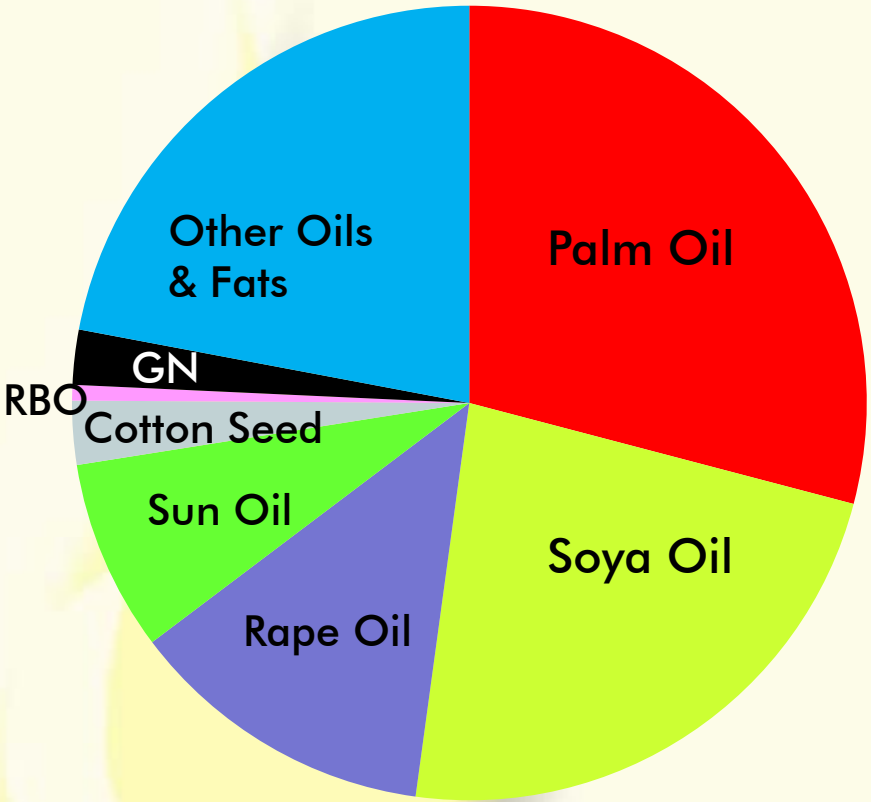
Source: Ministry of Agriculture

Edible Oil Production, Demand & Import



For the year 2012-13 consumption was 17.3 Mnt. Gap of 10 Mnt between Demand & Supply was bridged Through Import

World & India Production of Oils & Fats 2012-13



WORLD

Qty : Mn T

Oil & Fats	World	India
Palm Oil	55.95	0.08
Soya Oil	42.29	1.76
Rape Oil	24.26	2.34
Sun Oil	13.74	0.21
Cottonseed Oil	4.95	1.11
Groundnut Oil	3.78	0.28
Rice Bran Oil	1.20	0.93
Other Oils & Fats	41.59	1.49
TOTAL	187.40	8.20

Major Veg.Oils produced in India are Rapeseed Oil, Soybean oil, Cottonseed Oil, Rice Bran Oil & Groundnut Oil

Source: Oilworld 2013 & SEA Data Bank for India

Per Capita (kg) Disappearance of Oils and Fats in Selected Countries and World

Country	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
EU-27	59.7	59.4	60.0	61.6	60.1	57.3
U.S.A.	56.7	56.2	52.9	50.5	51.3	54.9
Argentina	64.6	90.8	78.5	65.6	46.4	35.7
China	25.9	25.1	24.5	23.8	22.9	21.8
India	15.4	14.9	14.5	14.3	13.8	12.5
Indonesia	36.4	33.1	29.6	25.7	23.4	21.8
Pakistan	21.6	21.6	21.5	21.8	21.6	21.5
Bangladesh	11.7	11.4	10.5	9.9	9.4	9.4
Thailand	27.4	26.0	25.2	23.6	22.2	19.1
World	26.32	25.95	25.30	24.66	23.89	23.42

- Number shown includes consumption of oils and fats for Bioenergy

Source : Oil World 2013

Consumption

Consumption Pattern

- Consumption trends in India are marked, not just rising overall consumption, but by changing the patterns of consumption as well.

- In the early 1970's almost all vegetable oils consumed in India comprised Groundnut, Rapeseed & Cottonseed Oil Palm, Soybean & Sunflower Oil nearly accounted for 4%.

- However over the years, Palm Oil, Soybean Oil have become the leading Edible Oil consumed because domestic production has not been able to keep pace with the Demand

Change of Edible Oil Consumption in India 2001-02 to 2012-13

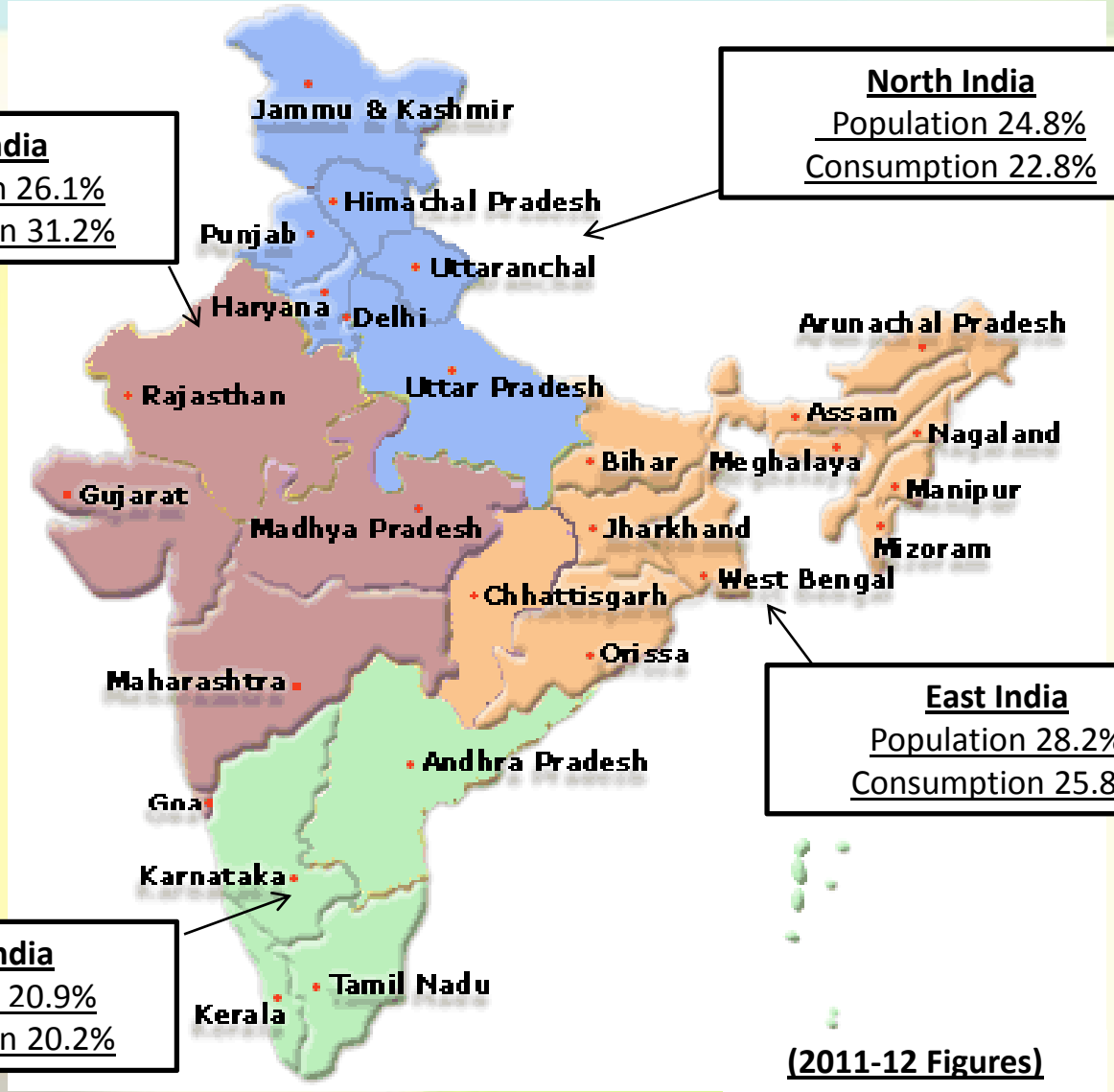
Qty : '000 T

Particulars	2001-02		2012-13	
	Qty	%	Qty	%
Palm Oil	2944	29.08	8572	49.49
Soy Oil	2258	22.30	2729	15.76
Mustard Oil	1721	17.00	2043	11.80
Sunflower Oil	309	3.05	1171	6.76
Cotton Oil	443	4.38	1130	6.52
Groundnut Oil	1216	12.01	148	0.85

Palm Oil Consumption increased from 29% to 50% in 11 years while Soybean & Mustard Oils reduced.

Source : GGN Research

India's 4 Zones for Consumption Pattern



North India
Population 24.8%
Consumption 22.8%

West India
Population 26.1%
Consumption 31.2%

East India
Population 28.2%
Consumption 25.8%

South India
Population 20.9%
Consumption 20.2%

(2011-12 Figures)

Source : GGN Research

Consumption & Characteristics of Indian Consumer

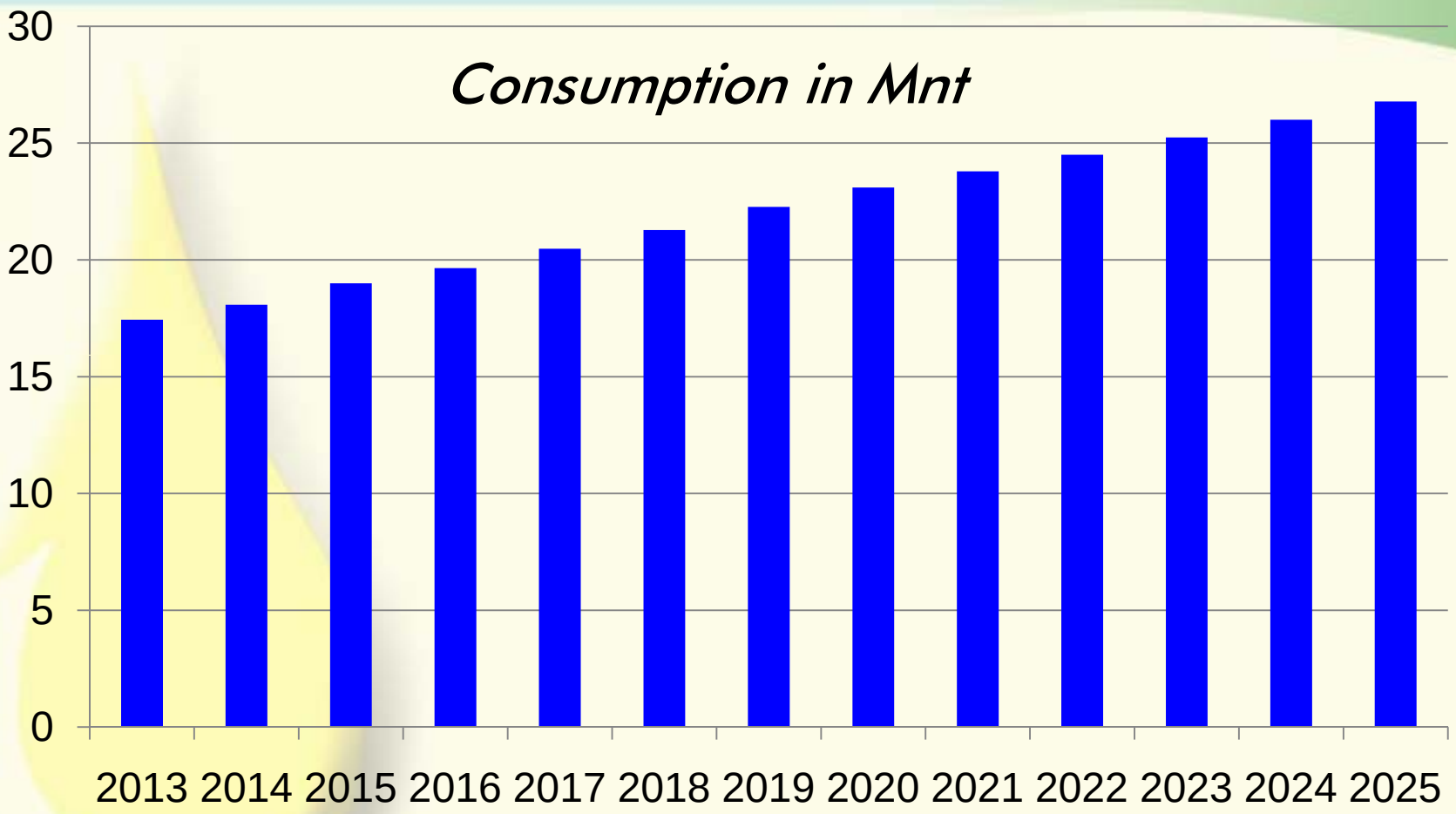
- Palm is the main oil in, Out-of-Home consumption like HORECA, chips - savory manufacturers etc.
- The Lower and middle class Indian consumers are very price sensitive and switch to cheaper oils.
- Palm being the most economical edible oil lower by Rs 50-100 per 10 kgs or $100-200 per tonne from other edible oils is used in blending with other oils.

Consumption & Characteristics of Indian Consumer

- **Share of food budget is 47% v/s Total expenditure budget of an average middle class consumer, which justifies their sensitivity towards oil price.**
- **A big portion of Palm oil imported in India is due to a cheaper substitution to other oils and to fill the gap of other oils.**
- **Overall oil and palm oil consumption in India seems very promising.**

Demand / Consumption of Edible Oils in India

Projection up to 2025



Demand Scenario upto 2025

Due to high growth in income levels, increasing trend in spending & better living standards; India promises to continue high growth in consumption of edible oils and consumption may reach 26.78 ml T by 2025 from present level of 17.5 Mn Tonnes @ 3% growth rate.

Edible Oil Demand-
Long Term Projection

Year	Population @ 1.76% Growth	Consumption @ 3% Growth		Consumption @ 4% Growth		Consumption @ 5% Growth	
	In Bn.	Per Capita Kgs	Mn T	Per Capita Kgs	Mn T	Per Capita Kgs	Mn T
2013	1.22	14.3	17.44	14.4	17.56	14.5	17.69
2015	1.25	15.2	19.00	15.6	19.5	15.9	19.87
2017	1.28	16.0	20.48	16.8	21.50	17.4	22.27
2019	1.31	17.0	22.27	18.0	23.58	19.1	25.02
2021	1.34	18.0	23.79	19.5	25.70	21.0	27.72
2023	1.38	19.0	25.24	21.1	27.80	23.2	30.56
2025	1.42	20.2	26.78	22.8	30.0	25.6	33.69

(Excluding Non-edible Oils)

Import of Vegetable Oils by India

India - Import Duty Structure on Edible Oils

Jan - 2014

Item Description	WTO Bound Rate	Duty on Crude Edible Oils	Duty on Refined Edible Oils	Current Tariff Value US$/Tn (14.02.2014)
Soybean Oil	45%	2.5	10%	916
Palmolein	300%	2.5	10%	898
Palm Oil	300%	2.5	10%	866
Sunflower Oil	300%	2.5	10%	-
Rape/Mustard Oil	75%	2.5	10%	-

Import Duty is payable on Tariff Value as announced by the Government on fortnightly basis

Import of Vegetable Oils

Edible, Vanaspati & Non-edible
2006-07 To 2012-13 (Nov – Oct)

(Qty in Mn T)

Vegetable Oils	12-13	11-12	10-11	09-10	08-09	07-08	06-07
Edible Oils	10.40	9.98	8.37	8.82	8.18	5.61	4.71
Non-edible	0.29	0.21	0.29	0.42	0.46	0.65	0.63
Vanaspati	--	--	--	--	0.02	0.05	0.25
Total	10.69	10.19	8.66	9.24	8.66	6.31	5.59

Import of Veg. Oils is rising from year to year to bridge the demand and supply gap. Import has doubled in last six years.

Source : SEA

India – Country Wise Import Of Edible Oils (Jan. –Dec)

(Figures in '000T)

Country	2012	2011	2010	2009	2008
Soybean Oil					
U.S.A.	18	-	161	146	--
Argentina	817	746	1284	693	635
Brazil	313	144	78	202	172
Other Countries			45	66	28
Total	1180	941	1569	1107	835
Sunflower Oil					
Ukrain	1055	812	586	494	21
Argentina	37	43	39	93	29
Other Countries	24	16	38	56	19
Total	1116	871	663	643	69
Palm Oil					
Indonesia	5300	5011	5435	5255	4684
Malaysia	2494	1677	1190	1542	980
Thailand	4	49	21	28	83
Other Countries	11	8	3	3	6
Total	7809	6745	6649	6828	5753
Other Oils	307	228	296	351	193
Grand Total	10412	8785	9177	8929	6850

Source: OILWORLD 2013

Duty Structure by Indonesia & Malaysia.

- **Indonesia introduced, an aggressive pro their refining industry Export Duty structure in Oct 2011, higher duty on CPO & Lower Duty on RBD Palmolein**

- **Malaysia too, to protect their refining industry till recently allowing crude Palm Oil Export only under quota, had to follow similar structure like Indonesia**

Indonesia Export Duty on CPO & RBD Olein

Month	CPO			RBD Olein			Duty Difference between CPO & RBD Olein
	Base Price $/T	Duty %	Duty $/T	Base Price $/T	Duty %	Duty $/T	
Oct' 11	1001	16.5	165.17	1121	8	89.68	75.49
Jan' 12	960	15.0	144.00	1054	7	73.78	70.22
Apr' 12	1076	18.0	193.68	1109	9	99.81	93.87
Jul' 12	944	15.0	141.6	972	7	68.04	73.56
Oct' 12	918	13.5	123.93	950	6	57.00	66.93
Jan' 13	709	7.50	53.18	773	2	15.46	37.72
Apr' 13	780	10.5	81.9	803	4	32.12	49.78
Jul' 13	781	10.5	82.01	800	4	32.00	50.01
Oct' 13	764	9.00	68.76	765	3	22.95	45.81
Jan' 14	856	12.0	102.72	820	5	41.00	61.72

Indonesian Exporters pay duty of US$103 for Export of CPO, however they pay only US$41 if ship RBD Palmolien, a clear advantage of US$62/T

Malaysia's Export Duty on CPO

Month	Duty %	Reference Price (RM/T)	Change in Ref. Price (RM/T)	Duty (RM/T
Jan 13	Nil	2147.81		Nil
Apr 13	4.50	2383.84	77.73	107.27
Jul 13	4.50	2382.32	50.30	107.20
Oct 13	4.50	2306.11	24.39	103.77
Jan 14	5.00	2549.98	97.55	127.50

In, Malaysia, Duty on Refined Oil is NIL while Duty on CPO is 5%

Impact of Inverted Duty Structure by Indonesia & Malaysia.

- **Inverted Duty structure by Indonesia and Malaysia changed the Import Pattern in India.**

- **The Gap between RBD Olein & CPO which was used to be US$ 60 to 80 p.m.t. before this structure, today RBD Palmolein (Finished Product) is cheaper to CPO (Raw Material) by US$ 15 - 20 p.m.t indicating that the refining cost is being subsidized through Indonesian Duty Structure.**

Quantum Of Refined Palmolein Import by India V/S Total Palm Imports

(Qty in '000 Tonnes

Period	Total Palm Oil	Crude Palm Oil	Refined Palmolein	
Nov - Oct	Tonnes	Tonnes	Tonnes	%
2007-08	4809	4079	730	15.00
2008-09	6535	5295	1240	19.00
2009-10	6386	5173	1213	19.00
2010-11	6461	5380	1081	16.73
2011-12	7669	6092	1577	20.56
2012-13	8292	6069	2223	26.80
2013-14 (E)	8100	4300	3800	46.90

Inverted Duty Structure by Indonesia & Malaysia has changed the Indian Import Pattern

Import of Edible Oils by India
Current year and next year during 2013-14 (Nov-Oct)

(Qty: '000 T)

Oils	2012-13	2013-14 Projection
Crude Palm Oil	5889	4300 ↓
RBD Palmoein	2223	3800 ↑
Crude Soybean Oil	1091	1400 ↑
Crude Sunflower Oil	973	1200 ↑
Palm Kerenel Oil	180	200 ↑
Rape (Canola) Oil	13	50 ↑
Others	16	50 ↑
Total	10385	11000 ↑

In 2013-14, India is likely to Import over 11.0 Mnt of Edible Oils (Excluding Non-Edible)

Demand – Supply & Import

- India has been an importer of edible oil for long year because of a mismatch between demand and domestic production. In recent years, the supply shortfall has widened rapidly, driven by rising incomes and population pressure.

- Every increase in income translates to a rise in demand for food products including cooking oil. Consumption-driven demand growth has outstripped domestic supply growth, worsening the country's import dependence.

- Another aspect is food inflation. Since 2008 India has been facing high levels of food inflation triggered by domestic and international factors. For the government the policy context is turning increasingly complex. Policymakers have to first address domestic political compulsions; and for the edible oil sector, the political compulsion relates to satisfying the demands of two large sections of stakeholders - growers and consumers.

Cont..

Demand – Supply & Import Cont..

- Strong GDP growth contributed mainly by Manufacturing and Service sectors and also rising population automatically translates to higher demand for a host of food products including edible oil.

- The policy of recent years has attempted to balance the interests of these two groups. For growers, the minimum support price for oilseeds is hiked year after year. For consumers, imports are allowed liberally in order to augment supplies and contain any price rise. Unrefined oils are allowed at just 2.5% Import Duty while refined Oils till 20th Jan 14 was allowed at 7.5% Duty which is now increased to 10 %

Demand – Supply & Import Cont..

- Government of India is seriously considering to reduce the Duty on Oilseeds from present 30% to 5 or 10%. If this happened, would encourage Import of high content oilseeds like Rapeseed and Sunflower seeds. This will change the Current Level of Import of Veg. Oil by India as happened in China.

- How much of this incremental import demand of veg. oil particularly Palm Oil will be able to garner, would of course, depend on relative prices of various oils, tariff structure, landed cost & Domestic Supply. It would be in palm oil producers' interest to look at India as a large market that is going to be available for a very long-term – for long years - and do all that is required to sustain and service it.

Scope for Sustainable Palm Oil in India

Sustainable Palm Oil

- Indonesia & Malaysia are major producers of Palm Oil
- India & China are major importers of Palm Oil
- Last year India bought 19% & China 16% of World's Palm Oil

India & Oil Palm

- **India has identified about 2.0Mn ha. Suitable for Oil Palm Cultivation.**
- **Currently about 200,000 ha. Area is under Oil Palm Plantation**
- **India currently produces about 110,000 Tonnes of Crude Palm Oil per annum**

Whether India is ready to Embrace Sustainability ?

- India's Domestic Oil Palm Plantation is environmentally sound as its grown on the land which were earlier under cultivation and not forest land.
- India Supports sustainability and about 25 companies are registered for certified Palm Oil.
- People in the EU & developed countries can afford to pay a higher price for certified Palm Oil but in India, where millions are struggling to food and to clothe themselves, will be reluctant to pay higher price for Certified Palm Oil

Way Forward to promote Certified Palm Oil in India

- Average Indian buyer / consumer is looking solely at the cost. Onus is on the Exporting Countries to make sustainability attractive.

- I appreciate your concern to promote your country's domestic palm oil refining by introducing higher duty on Crude and Lower Duty on refined oils. However, this has seriously affected Indian Refiners. I would like to take this opportunity to appeal to have pragmatic duty structure which is comfortable to refiners on both the sides to promote bilateral trade.

- There is need for introspection on the part of Indonesia. The Indian Refining industry prefers to import crude oils viz. soybean oil, crude sunflower oil and even crude rapeseed oil over CPO. Therefore if Indonesia wish to promote the export of sustainable palm oil, it must rectify its export tax structure. At the very least, it must reduce export taxes on Certified, Sustainable Crude Palm oil to encourage its Import by India.

Conclusion

- Indonesia to maintain its share in Indian Market, should consider to reduce the Export Tax on certified sustainable palm oil and to remove the differential in export tax on crude and refined palm oil. If there is higher export tax on crude palm oil. Indian Refiners will switch over to other Crude Oils and also put a pressure on Indian government to reduce the Duty on Oilseeds to shift focus from Oil to Oilseeds. Now its upto Indonesia whether would like to retain the share or compel India to shift to Other Crude Oils or oilseed Import

- SEA is willing to join hands with ISPO to promote usage of certified palm oil in India, provided Duty Structure is made attractive for Indian Refiners & Consumers.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