"Supply & Demand of Edible Oils in Context with Soy Oil"

at

Conference on "Soy Nutrition and Soy Opportunities – Creating Linkages"

By

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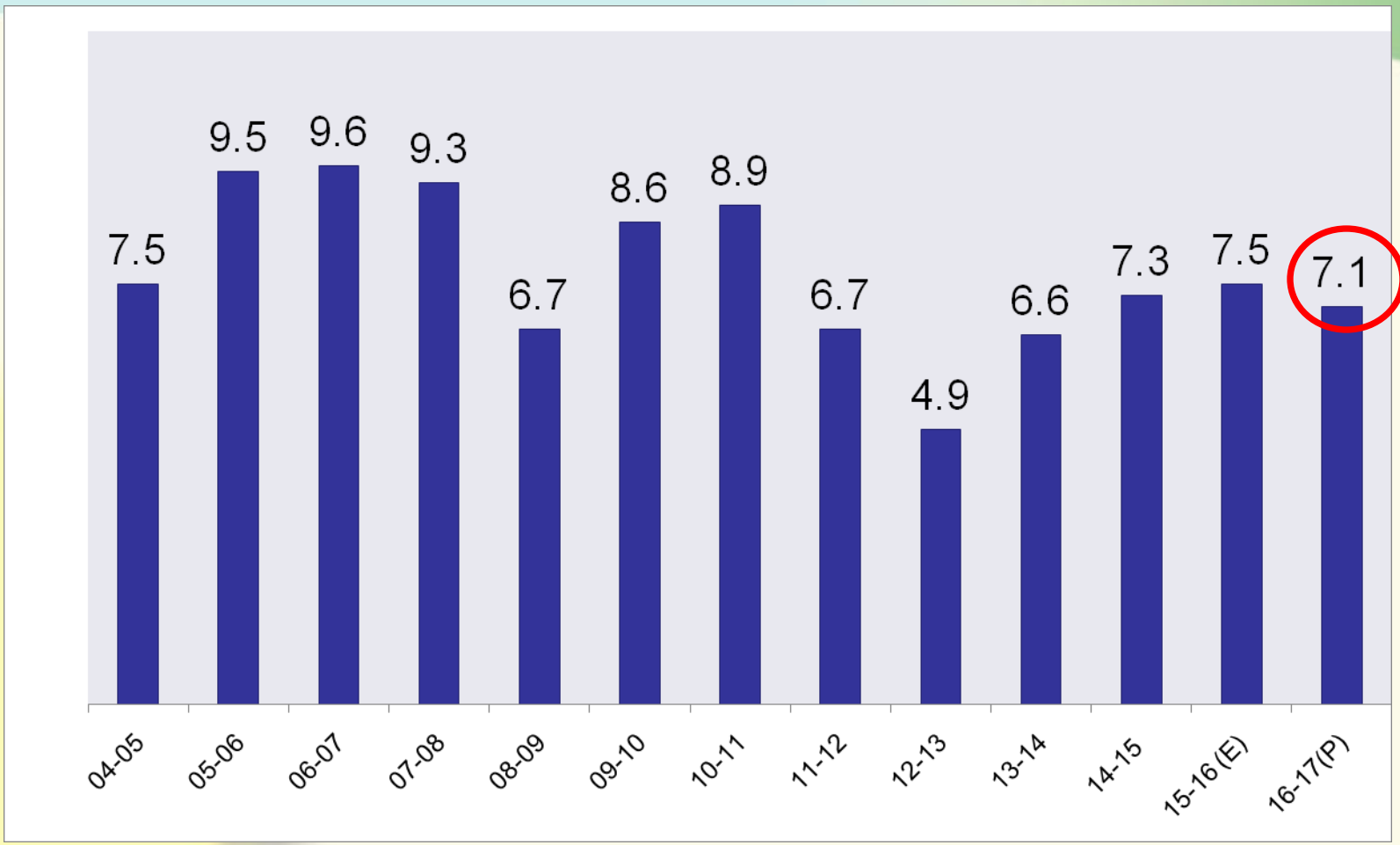
Mumbai

Indian General Economy & Recent Development

Indian Macro-Economic Overview

- India – a fast growing significant economy in spite of global slowdown
- Strong Macro-economic fundamentals
- GDP Value: Over US$ 2.25 Trillion (Tn)
- Purchasing Power Parity (PPP): US$ 8.72 Tn
- Forex Reserve: US$ 360 Bn and growing
- FDI Flow US$ 40 Bn (2015-16)
- Household Savings Rate 30.6% (2013-14) (world's highest)

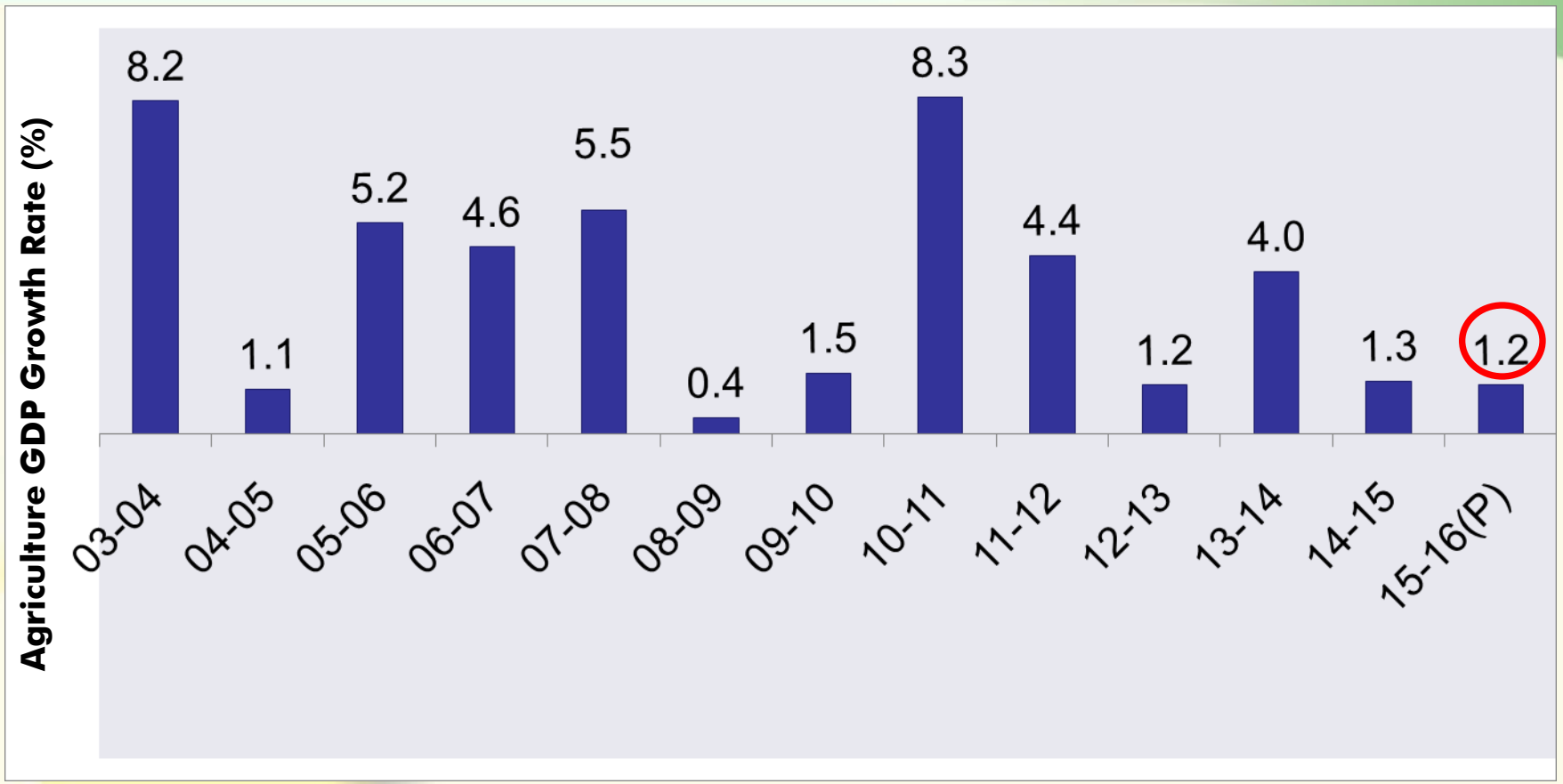
India's Overall GDP Growth



- The average GDP growth in last five years is registered at 6.8%
- For FY 16-17, GoI is projecting GDP growth at 7.1%

Source : Economic Survey

Agriculture Sector GDP Growth



- Agriculture Sector Growth depends heavily on monsoon performance
- For the year 2015-16, the GDP growth is pegged at 1.2%
- For 2016-17, agri growth will be higher, thanks to good monsoon

Source : Economic Survey

India's Oilseeds Production Scenario

Demand - Supply

and

Import of Vegetable Oils

Oilseed Sector 2015-16

• Area Under Oilseed Cultivation		26.9	Mn. Ha.
• Average yield *		757	kg
• Output of 9 cultivated Oilseeds *		20.3	MnT
• Output of Cottonseed & Copra *		11.5	MnT
	Total	31.8	MnT
• Production of Oilcake/meal		23.6	MnT
• Production Edible & Non-edible Veg. Oils		7.2	MnT
• Demand of Veg. Oils (Edible)		20.0	MnT
• Import of Veg. Oil 2015-16(F)(Nov-Oct) (Edible)		15.8	MnT
• Per Capita consumption (2015)		15.8	kg

- Per capita consumption is rising by 5 to 5.5% per annum

MnT = Million Tonnes ** Trade Estimate*

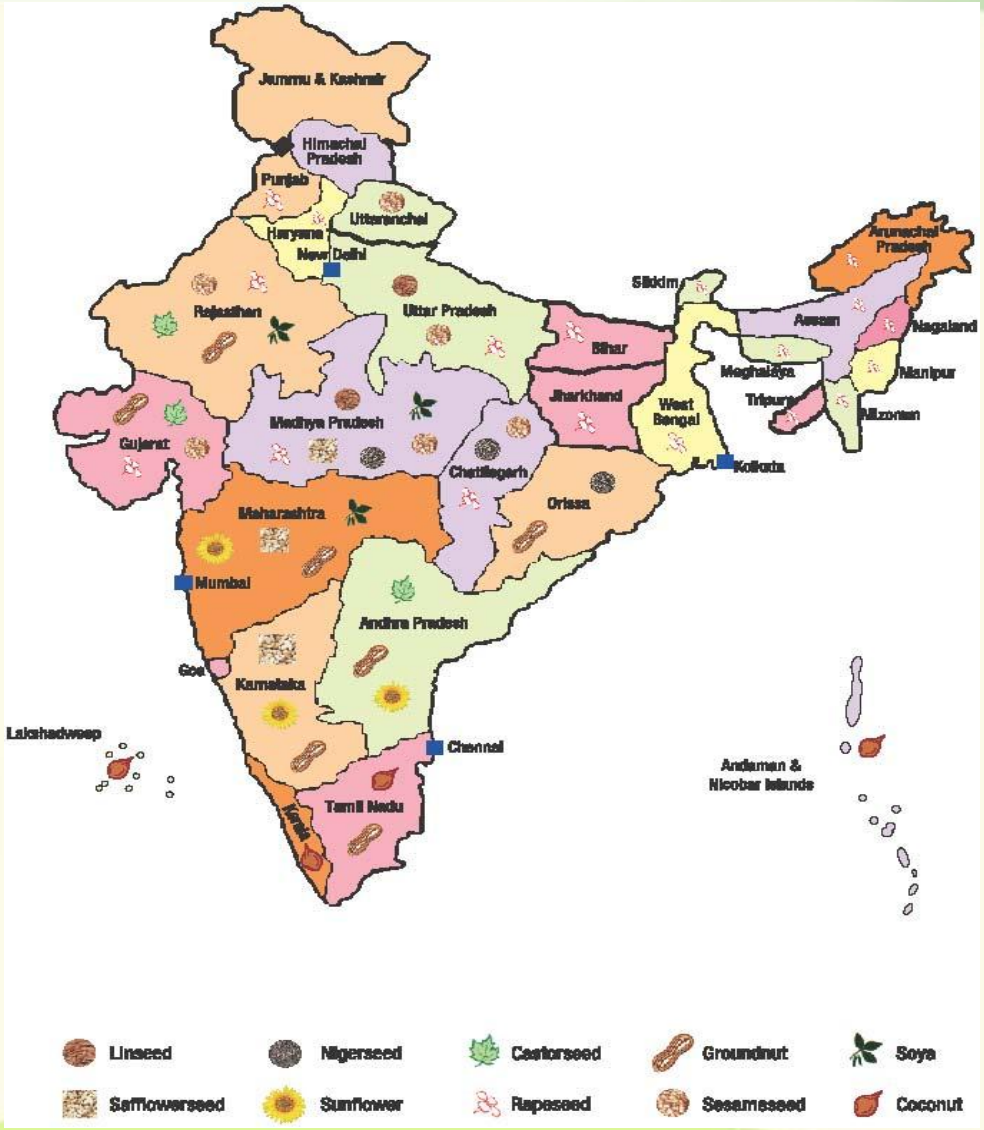
Oilseeds Production (Trade Estimate) (2010-11 to 2015-16)

(Qty. in Million Tonnes)

Crop	10-11	11-12	12-13	13-14	14-15	15-16(E)
Major Oilseeds						
Groundnut	5.8	6.0	4.3	6.5	4.9	4.5
Rape/Mustard	7.1	6.0	6.9	6.7	5.1	5.9
Soybean	9.5	10.6	10.7	9.5	8.5	7.2
Sesamum	0.7	0.8	0.6	0.7	0.8	0.7
Sunflower	0.7	0.6	0.6	0.6	0.4	0.3
Safflower	0.1	0.1	0.1	0.1	0.1	0.1
Niger	0.1	0.1	0.1	0.1	0.1	0.1
Linseed	0.2	0.1	0.1	0.1	0.1	0.2
Castor	1.2	1.6	1.4	1.1	1.3	1.4
Sub-Total	25.4	26.0	24.7	25.3	21.1	20.3
Others						
Cottonseed	10.1	10.9	10.2	12.5	11.9	10.9
Copra	0.6	0.6	0.6	0.7	0.6	0.6
Grand Total	36.1	37.5	35.5	38.5	33.6	31.8

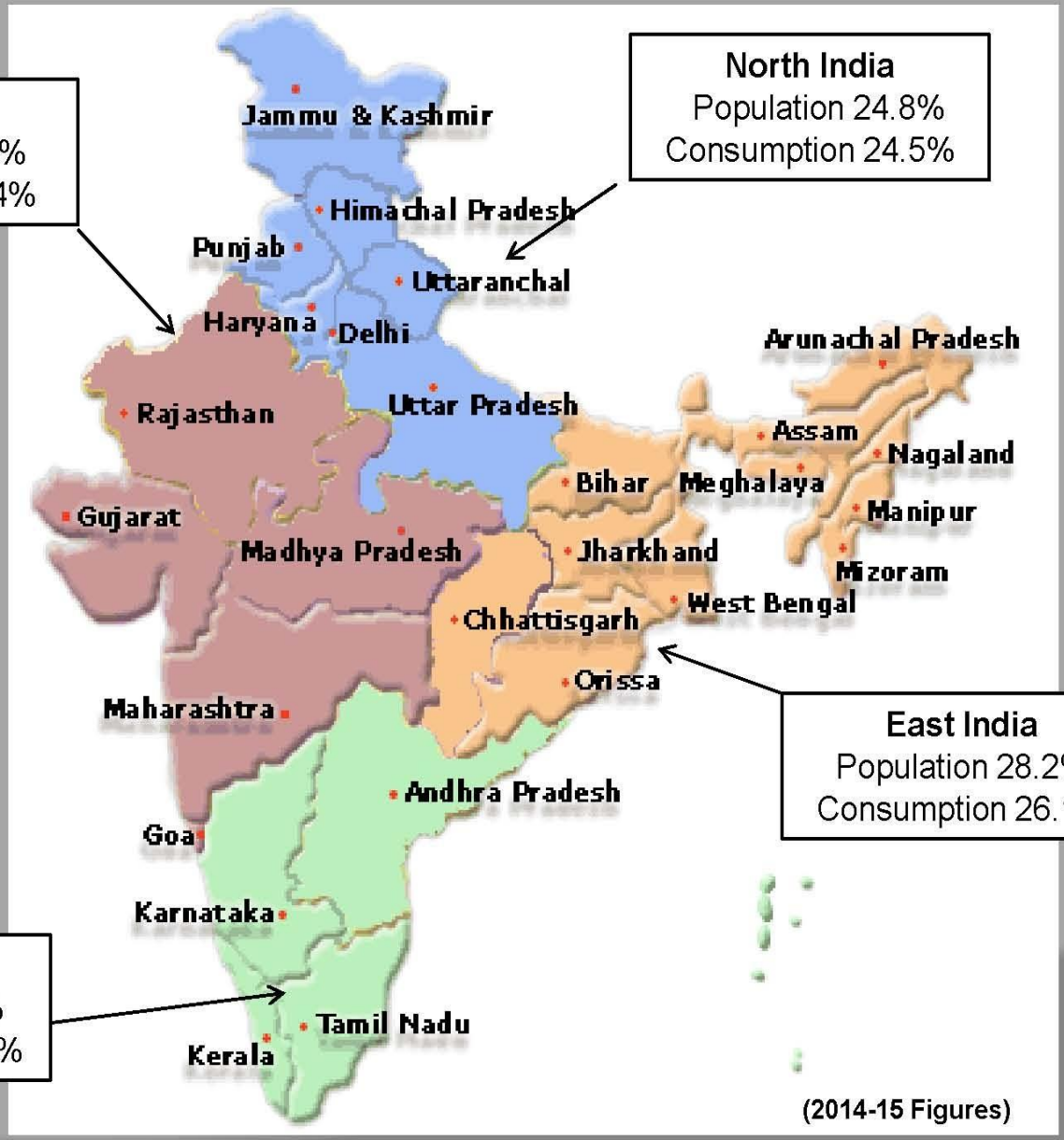
Note : Government estimate for major nine oilseeds is higher than trade estimate. For the year 2015-16, it was 25.3 Mnt. (20.3 Mnt.) and 27.5 Mnt (21.1 Mnt.) for the year 2014-15

Major Oilseeds Producing States in India



Consumption

India's 4 Zones for Consumption Pattern

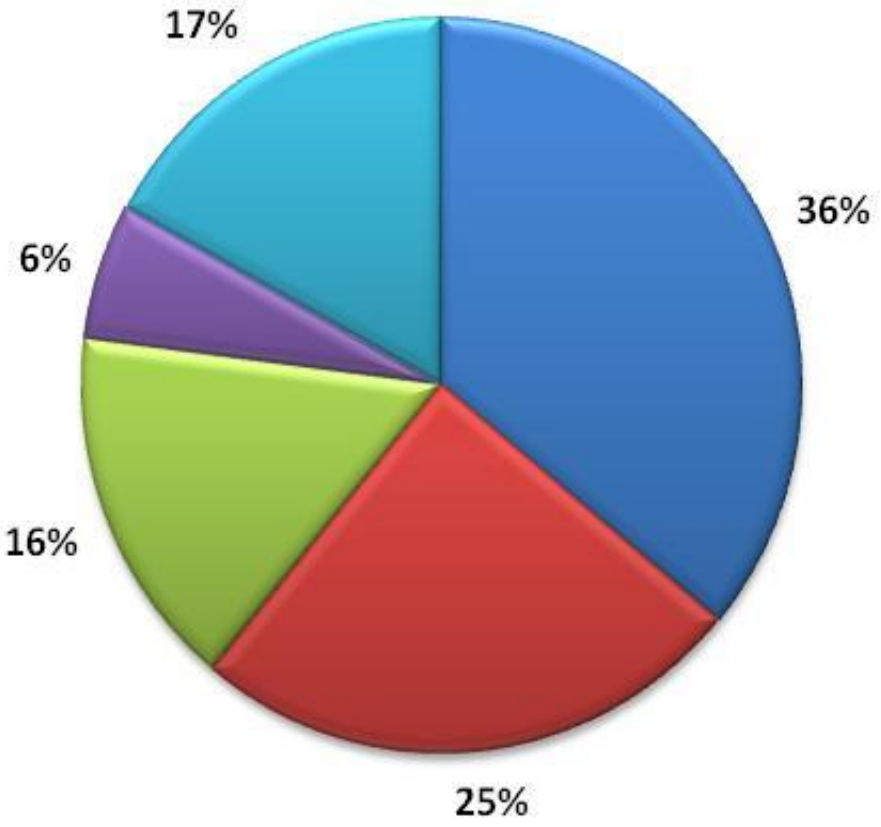


Source : GGN

Zone wise Consumption Pattern (2014/15)

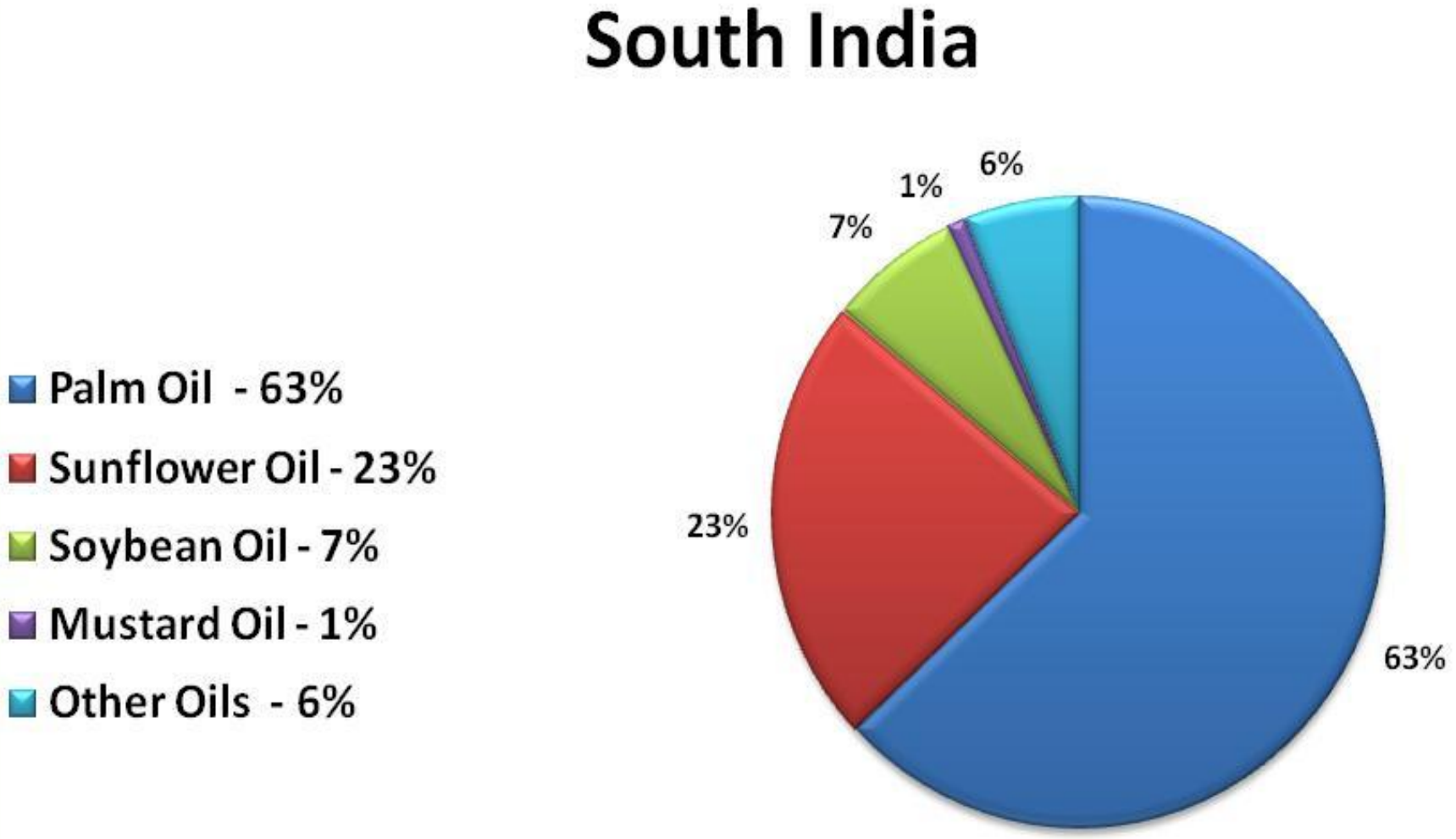
North India

- Palm Oil - 36%
- Soybean Oil - 25%
- Mustard Oil - 16%
- Sunflower Oil - 6%
- Other Oils - 17%



Source : GGN

Zone wise Consumption Pattern (2014/15

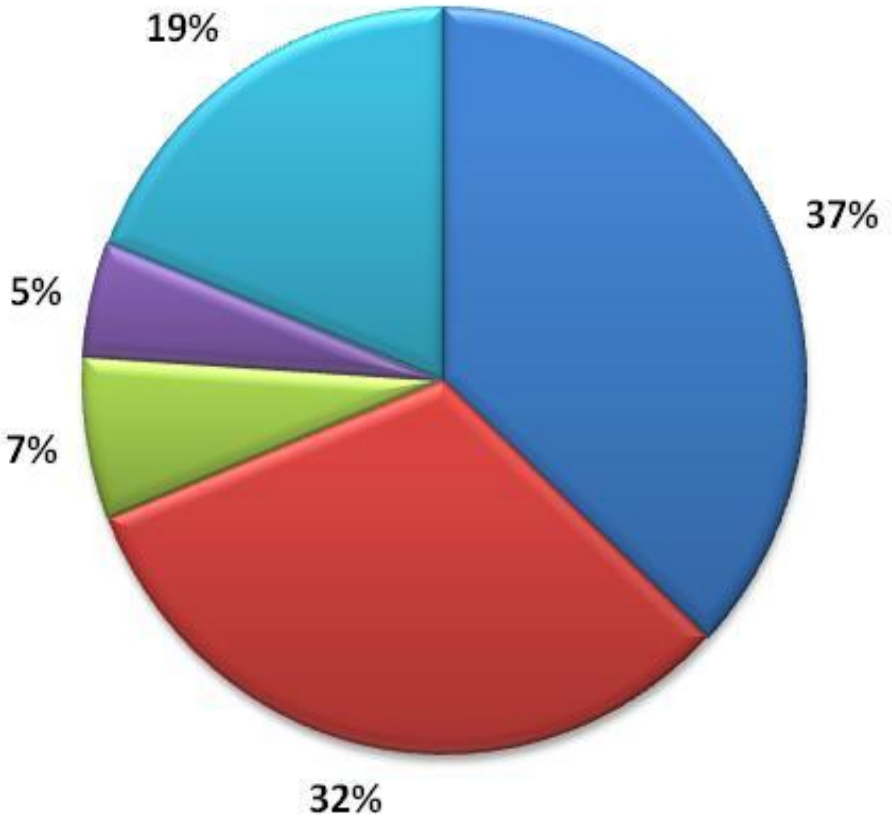


Source : GGN

Zone wise Consumption Pattern (2014/15)

West India

- Palm Oil - 37%
- Soybean Oil - 32%
- Sunflower Oil - 7%
- Mustard Oil - 5%
- Other Oils - 19%

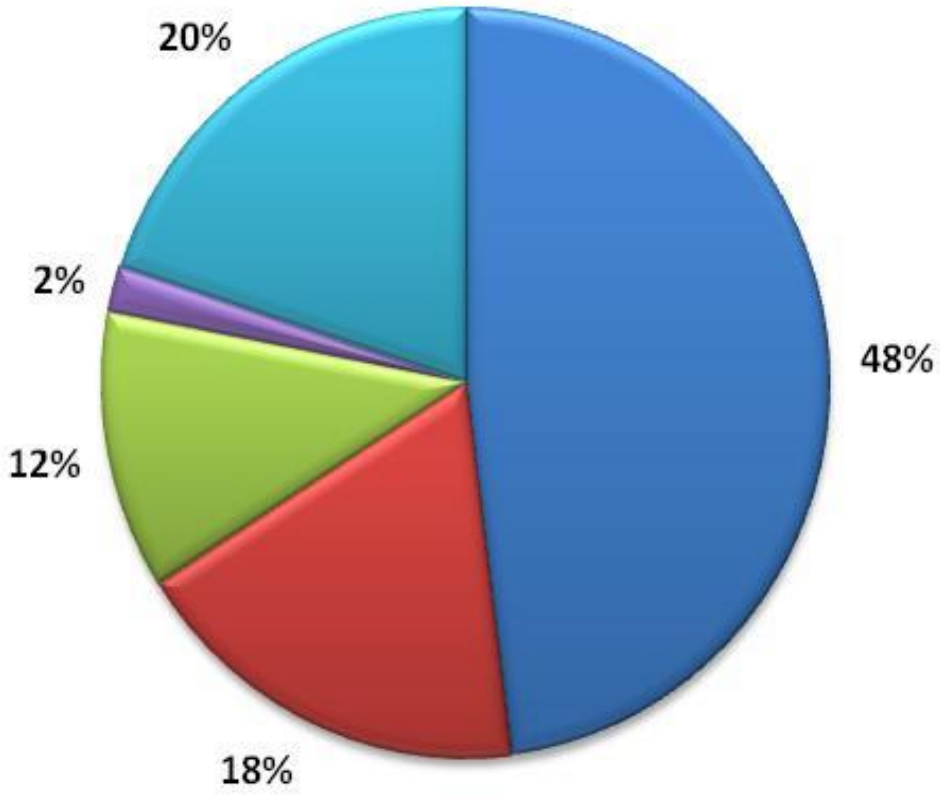


Source : GGN

Zone wise Consumption Pattern (2014/15

East India

- Palm Oil - 48%
- Mustard Oil - 18%
- Soybean Oil - 12%
- Sunflower Oil - 2%
- Other Oils - 20%



Source : GGN

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

Country	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
EU-28	63.6	63.9	63.9	60.1	59.5	60.1
U.S.A.	64.2	62.8	62.4	61.1	59.7	56.0
Argentina	72.4	73.8	80.3	67.3	88.6	76.8
China	26.6	26.4	26.2	25.7	25.1	24.3
India	17.4	16.7	15.8	15.4	14.9	14.4
Pakistan	23.9	23.3	22.4	22.0	22.0	22.0
Indonesia	40.1	36.1	41.3	37.2	33.0	29.6
Bangladesh	14.3	13.3	12.2	11.7	11.2	10.3
Turkey	33.8	33.7	33.2	33.3	31.3	29.6
Thailand	34.3	32.3	32.4	30.8	29.9	27.4
World	28.0	27.6	27.4	26.4	25.9	25.2

- **Number shown includes consumption of oils and fats for Bio-energy / Non-edible purpose**

Source : Oil World 2016

Change in Edible Oil Consumption in India

Qty : '000 T

Particulars	2001-02		2007-08		2014-15	
	Qty	%	Qty	%	Qty	%
Palm Oil	2944	29.08	4437	35.81	9060	45.12
Soy Oil	2258	22.30	2170	17.51	4073	20.28
Mustard Oil	1721	17.00	1814	14.64	2035	10.13
Sunflower Oil	309	3.05	539	4.35	1732	8.63
Cotton Oil	443	4.38	1070	8.64	1319	6.57
Groundnut Oil	1216	12.01	689	5.56	240	1.20
RBO & Other Oils	1234	12.18	1671	13.49	1621	8.07
Total	10125	100%	12390	100%	20080	100%

- **Consumption of Palm oil in India is now nearly 45% of the total oil consumption followed by Soybean oil and Rapeseed oil**

Source : GGN Research

India has promising demand growth

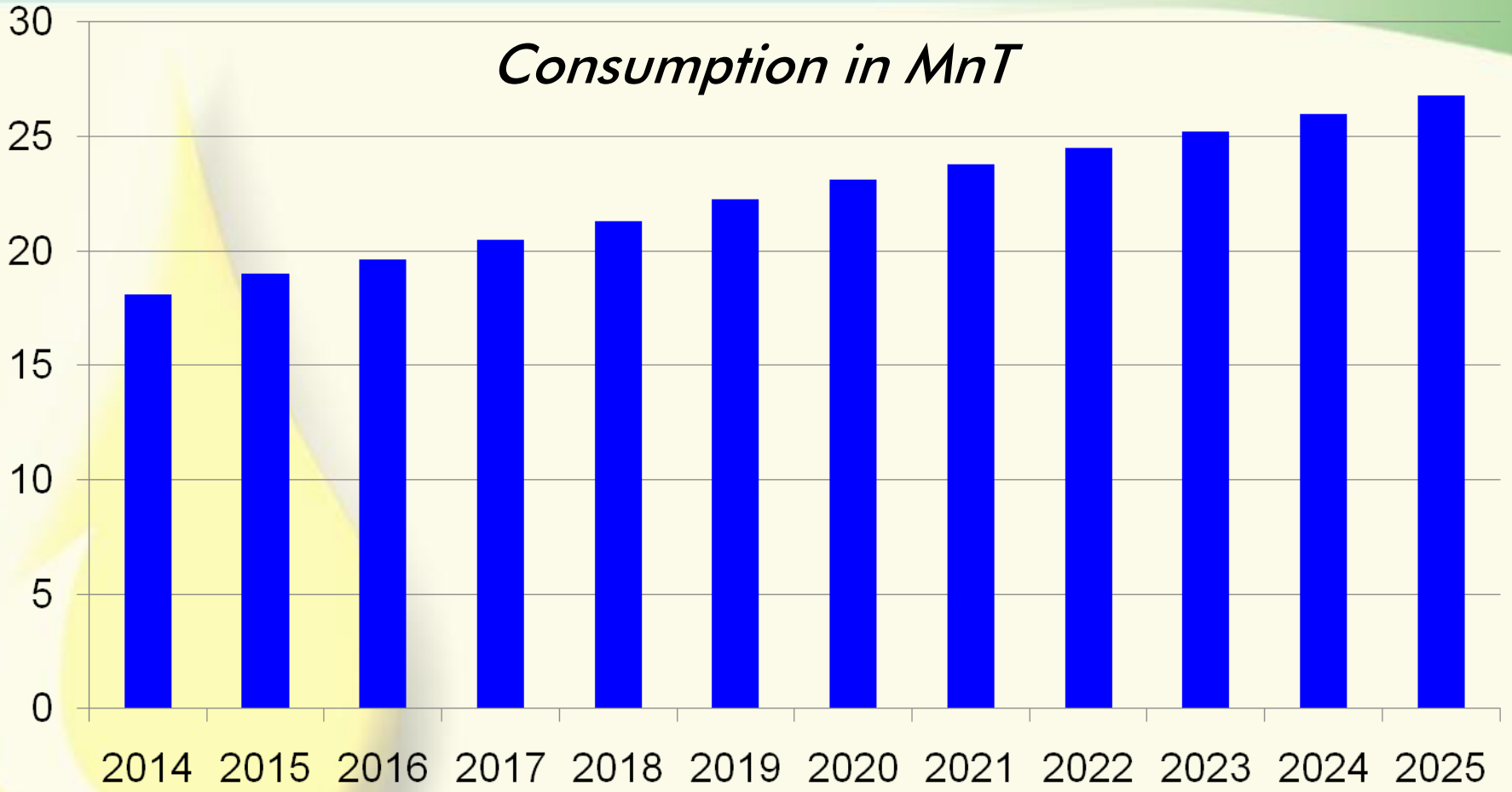
India has Promising Demand Growth

Demand Drivers in India are

- **Average GDP growth rate for period FY09-10 to FY14-15 was 6.8%**
- **Big emerging Indian middle class**
- **Double digit growth of out of home consumption of edible oils**
- **Per capita consumption of Edible oils in India at 15.9 kg (2015-16) is still a lot below threshold level of consumption**
- **Even with a moderate population growth, the absolute increase in number of people is quite higher**
- **Indian Edible Oils demand is both switchable and elastic: Switchable to other oils to quite an extent & is elastic to an extent**

Demand / Consumption of Edible Oils in India

Projections up to 2025



For Demand Scenario up to 2025

- **High growth in income levels, increasing trend in spending & better living standards**
- **High growth in consumption of edible oils and the consumption may reach 26.8 MnT by 2025 from present level of 20 MnT, ie, a 3% growth every year**

Edible Oil Demand- Long Term Projection

Year	Population @ 1.76% Growth	Consumption @ 3% Growth		Consumption @ 4% Growth		Consumption @ 5% Growth	
	In Bn.	Per Capita (In Kg)	MnT	Per Capita (In Kg)	MnT	Per Capita (In Kg)	MnT
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)

- **Due to lower consumption base, demand could grow at 4% or 5%**
- **By 2025, India may consume 30 MnT (at 4% growth) or 34 MnT (at 5% growth)**

Consumption & Characteristics of Indian Consumer for Palm Oil

- **Palm is the main oil in Out-of-Home consumption like HORECA, chips - savory manufacturers etc., nearly 45% of total consumption.**

- **Also the Indian edible oil demand is quiet elastic and does reduce or increase to an extent with change in prices.**

- **Share of Average food budget is 47% v/s Total expenditure budget of an average middle class consumer, which justifies their sensitivity towards oil price.**

- **Soft oils like soybean oil and sunflower oil consumption and import is rising with their demand and fall in domestic production.**

Import of Edible Oils by India

Major Indian Ports - Imports of Edible Oils

Port-wise Imports Of Edible Oils 2015-16

(Qty. in '000 Tons)

Ports	RBD Palmolein	Crude Palm Oil	Cru. Palm Ker. Oil	Sunflower Oil	Soybean Oil	Rapeseed Oil	Total
Kandla	440.5	1733.4	7.3	7.2	2331.4	357.7	**4877.5**
Haldia	207.3	1065.1	--	--	655.8	13.8	**1942.0**
JNPT	363.9	361.6	19.0	258.3	424.5	--	**1427.3**
Mundra	54.0	265.4	9.8	78.6	780.1	--	**1187.9**
Chennai	555.2	112.2	4.5	493.0	9.0	--	**1173.9**
Krishanapattinam	98.3	956.7	8.8	234.6	4.0	--	**1302.4**
Kakinada	146.8	355.5	21.2	256.8	16.0	--	**796.3**
Mangalore	213.2	293.5	--	174.7	14.0	--	**695.4**
Budge-Budge	62.0	442.1	--	--	--	6.0	**510.1**
Others	481.8	163.7	--	13.0	--	--	**658.5**
Total	**2623.0**	**5749.2**	**70.6**	**1516.2**	**4234.8**	**377.5**	**14571.3**

Source: SEA Data Bank

India – Country Wise Imports of Edible Oils

(Figures in '000T)

Country	Jan.- Oct. 2016	Jan. –Dec. 2015	Jan.-Dec. 2014	Jan.- Dec. 2013	Jan.- Dec. 2012
Soybean Oil					
Brazil	620	705	402	233	313
Argentina	2599	2544	1457	803	817
U.S.A.	--	--	--	96	18
Other Countries	268	350	242	43	32
Total	3487	3599	2101	1174	1180
Sunflower Oil					
Ukraine	1165	1462	1673	1058	1110
Argentina	70	11	1	23	37
Other Countries	1	4	4	3	24
Total	1236	1477	1678	1084	1171
Palm Oil					
Indonesia	4115	5771	4758	5879	5308
Malaysia	2652	3725	3073	2384	2494
Thailand	--	--	100	209	4
Other Countries	--	1	--	--	11
Total	6768	9496	7931	8472	7817
Other Oils	409	531	478	411	282
Grand Total	11900	15103	12188	11141	10450

Source: OILWORLD

India - Import Duty Structure on Edible Oils
Dec., 2016

Item Description	WTO Bound Rate	Duty on Crude Edible Oils	Duty on Refined Edible Oils	Current Tariff Value US$/Ton (15-Dec-16)
Soybean Oil	45%	12.5%	20%	912
RBD Palmolein	300%	--	15%	801
Crude Palm Oil (CPO)	300%	7.5%	--	780
Sunflower Oil	100%	12.5%	20%	-
Rape/Mustard Oil	75%	12.5%	20%	-

Import duty is calculated on tariff value declared every forth night

Current Year

Oilseeds Production Scenario and Availability of edible Oils

Indian Kharif (Summer) & Rabi (Winter) Oilseeds Production During 2015-16 and Estimate for 2016-17

(Qty. in 'Mn. Tons)

Oilseeds	2015-16			2016-17 (Est.)			Y-o-Y Change
	Kharif	Rabi	Total	Kharif	Rabi	Total	
Groundnut	3.23	1.24	4.47	5.50	1.70	7.20	2.73
Soybean	7.00	--	7.00	10.50	--	10.50	3.50
Rapeseed	0.12	5.50	5.62	0.15	6.30	6.45	0.83
Sunflower	0.08	0.24	0.32	0.10	0.35	0.45	0.13
Sesame	0.50	0.22	0.72	0.40	0.35	0.75	0.03
Safflower	--	0.03	0.03	--	0.08	0.08	0.05
Total	10.93	7.23	18.16	16.65	8.78	25.43	7.27

Source : GGN Research

Domestic Edible Oil Production During 2015-16 and Estimate for 2016-17

(Qty. in 'Mn. Tons)

Oils	2015-16	2016-17 (Est.)	Y-o-Y Change
Groundnut Oil	0.21	0.80	0.59
Soybean Oil	0.95	1.22	0.27
Rapeseed Oil	1.63	1.97	0.34
Sunflower Oil	0.11	0.16	0.05
Sesame Oil	0.12	0.14	0.02
Cottonseed Oil	1.16	1.23	0.07
RBO – Edible Oil	0.93	0.96	0.03
Others Oils	0.69	0.80	0.11
Total	5.80	7.28	1.48

Source : GGN Research

Availability and Consumption of Soybean Oil

(Qty. in Lakh Tons)

Year	Local Availability	Import	Total Disaperance	Population Cr.	Per Capita Consumption Kg.
2015-16	9.54	42.35	51.89	127.0	4.10
2014-15	12.44	29.86	42.30	126.5	3.35
2013-14	14.03	19.51	33.54	125.0	3.75
2012-13	17.58	10.91	28.49	123.7	2.30
2011-12	16.07	10.79	26.86	122.5	2.20

Import of Edible Oil - Projections for 2016-17

(Nov.- Oct.)

IMPORT BREAK-UP (Mn T)			
Oils	**2014-15**	**2015-16**	**2016-17 (F)**
Palm (Edible)	9.54	8.44	8.70
Soybean Oil	2.99	4.23	3.80
Sun Oil	1.54	1.52	1.70
Rapeseed Oil	0.35	0.38	0.30
TOTAL	14.42	14.57	14.50

- India needs additional over a million tons of edible oil every year to meet the growing requirements

Sunflower v/s Soybean Oil

This year due to bumper crop of Sunflower seed in Ukraine and other East European Countries, surprising sunflower oil is cheaper by US$ 60 to 70 compared to soybean oil.

Conclusion

- India has been an importer of edible oils for long years 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, increasing the country's import dependence to nearly 70%

- The latest mantra of the Indian Government is “Make in India”. It means value addition within the country

Cont….

Conclusion

Cont..

- Furtherance to this objective, Government of India is seriously considering to reduce the Duty on some Oilseeds from present 30% to 5 or 10% , if this happens, it would encourage import of high content oilseeds like non GMO Rapeseed and Sunflower seeds. This will change the current level of Import of Vegetable Oil by India, as it happened in China few years back

- Inverted duty structure by Indonesia and Malaysia losing Indian market and all incremental growth is taking by soft oils.

- Lastly, there may be some drop in Imports by India due to recent demonitisation of Indian currency which has lead to reduced demand by end consumer arising from currency crunch. However, the import demand will pick up once normalcy returns

Thank You

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