“India’s Long Term Demand for Palm Oil”

at

12th Indonesian Palm Oil Conference and 2017 Price Outlook

By

Dr. B. V. Mehta, Executive Director

The Solvent Extractors’ Association of India

(Premier Association of Vegetable Oil Industry & Trade)

23 – 25th Nov., 2016

Bali, Indonesia

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) and now upgraded to ISO 9001:2015.
- Recognised as NGO and TPO by Government of India

Presentation Roadmap

1. Indian Economy
2. Indian Agriculture Scenario
3. Indian Oilseed Sector
4. Consumption of Edible Oils in India
5. Demand Growth
6. Import of Edible Oils by India
7. Oil Palm & Palm Oil Production in India
8. Short Term and Long Term Projections
9. Conclusion

India Shining

Growth Bumped Up (Projected Annual Growth in %)

	2015	2016	2017
World Output	3.2	3.1	3.4
Adv. Economies	2.1	1.6	1.8
United States	2.6	1.6	2.2
Euro Area	2.0	1.7	1.5
China	6.9	6.6	6.2
India	7.3	7.6	7.6

Indian General Economy & Recent Development

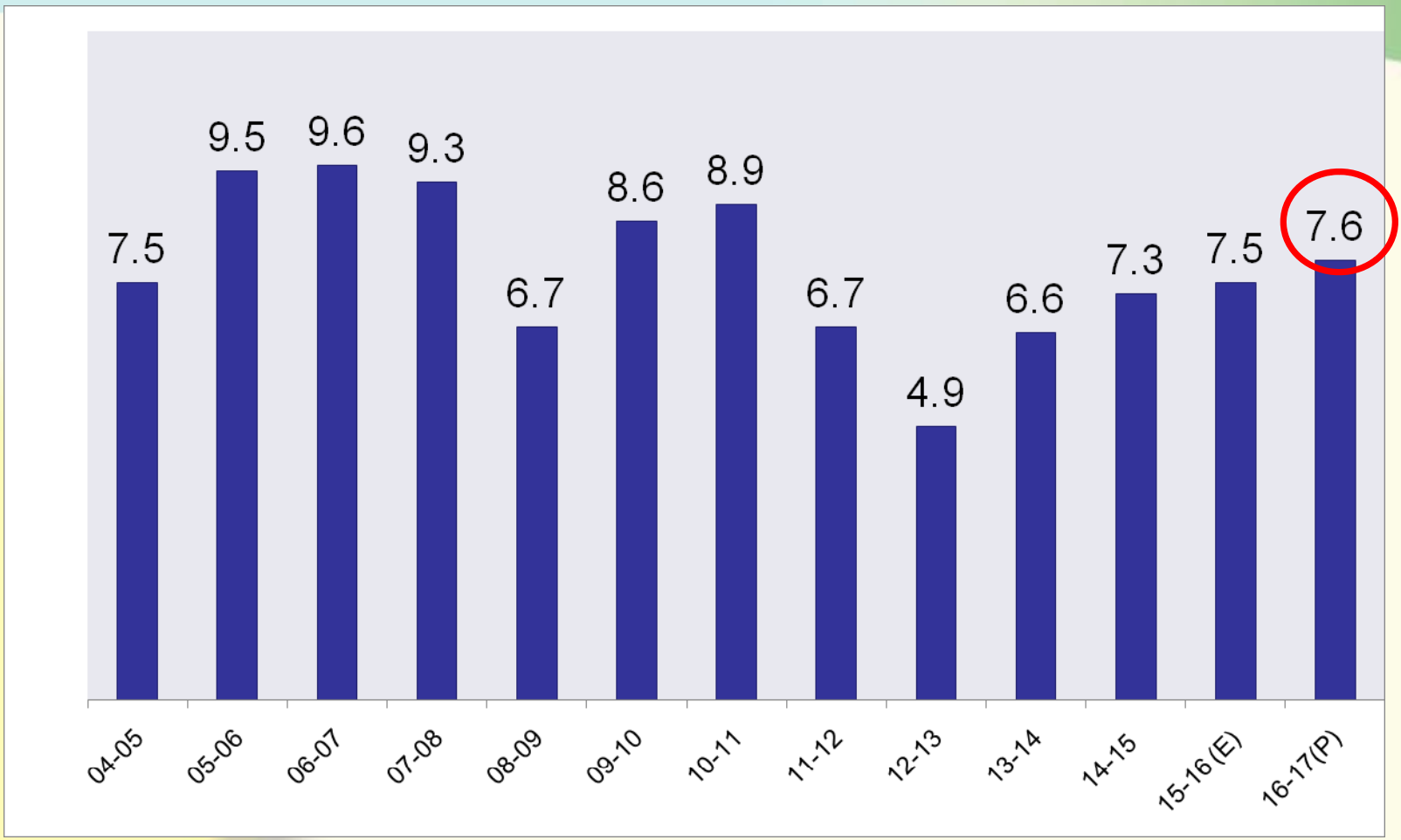
Demonitisation of Indian Currency (India's 9/11)

Demonetization of high denomination Indian currency notes of Rs. 1,000 & Rs. 500 to control the black money and counterfeit currency notes in circulation

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$ 368 Bn and growing
- FDI Flow US$ 40 Bn (2015-16)
- Household Savings Rate 30.6% (2013-14) (world's highest)

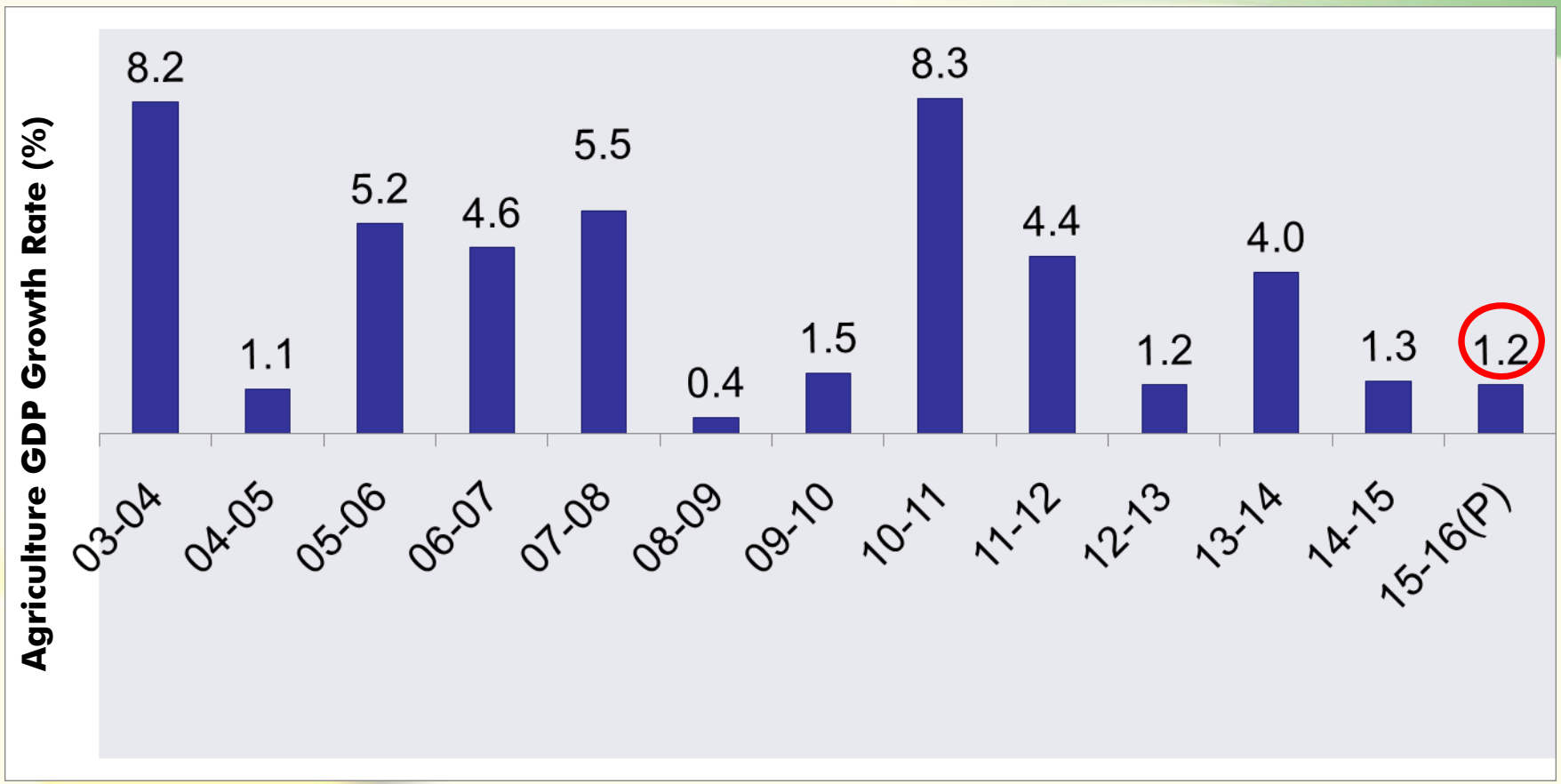
India's Overall GDP Growth



- The average GDP growth in last five years is registered at 6.8%
- For FY 16-17, GoI is projecting GDP growth at 7.6%

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*

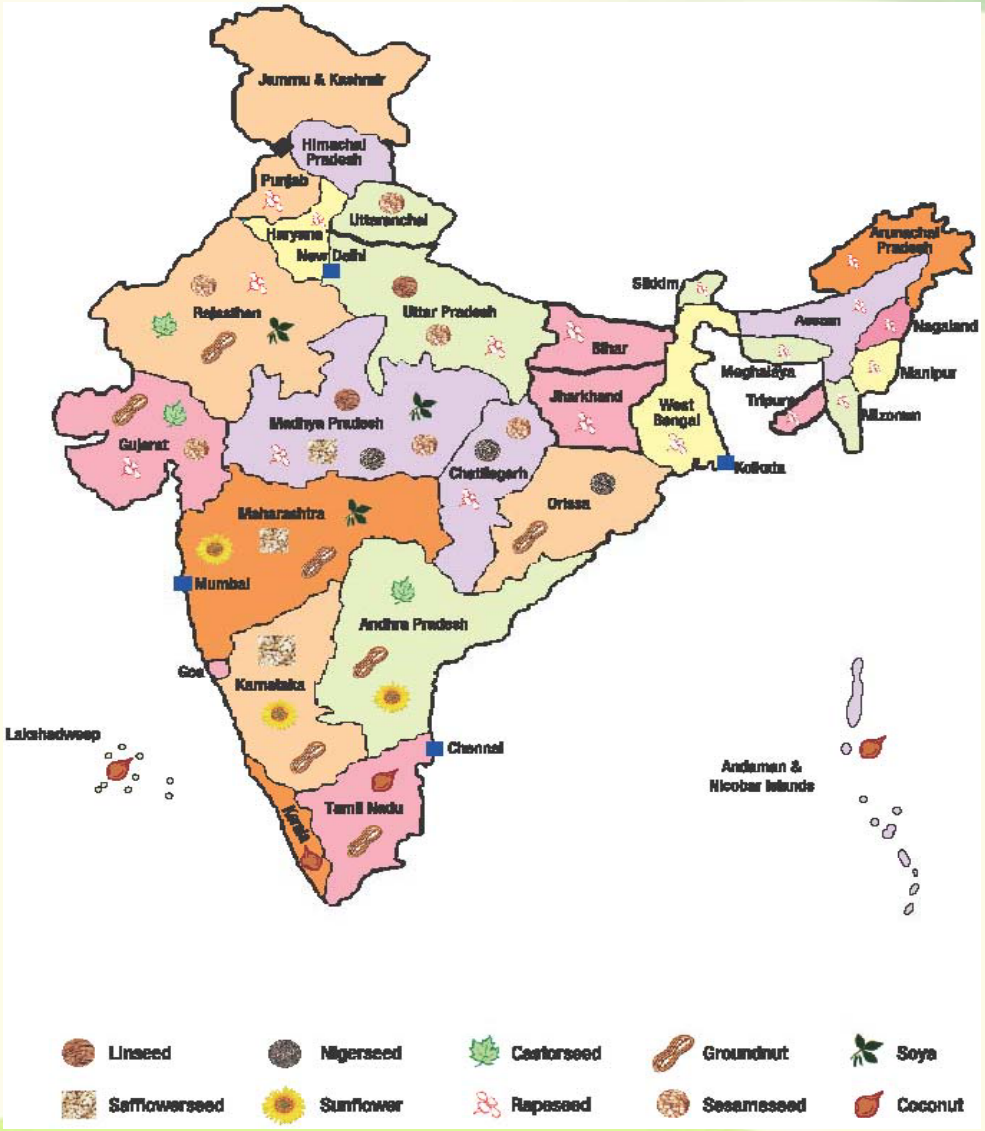
Oilseeds Production (Trade Estimate) (2010-11 to 2015-16)

(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

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

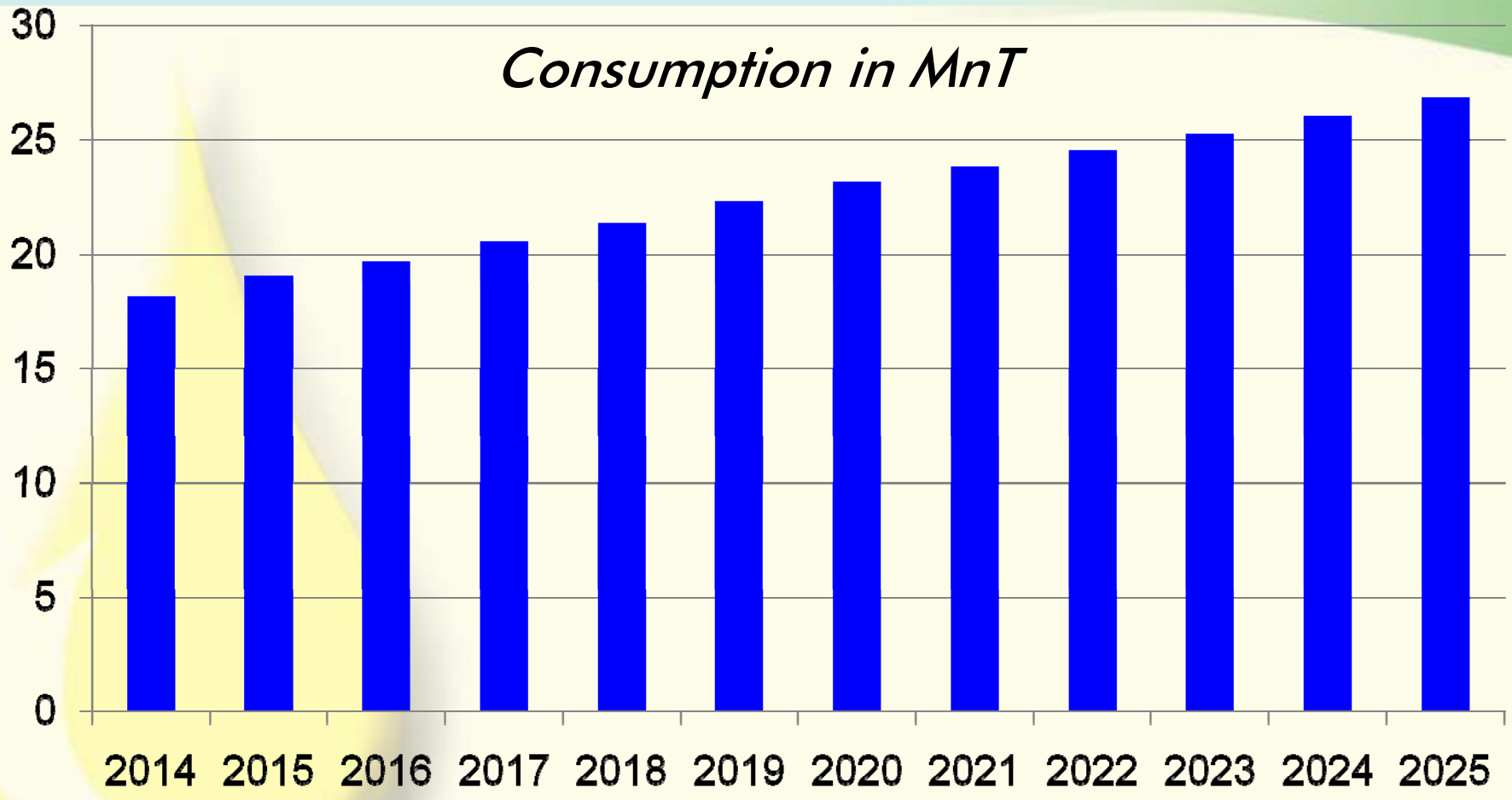
India has Promising Demand Growth

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
- Palm being the most economical edible oil which is lower by Rs 50-100 per 10 kgs or $100-200 per tonne from other edible oils and is also used in blending with other oils
- Palm Oil is consumed the most by lower income category of Indian society
- Also the Indian edible oil demand is quiet elastic and does reduce or increase to an extent with change in prices

Consumption & Characteristics of Indian Consumer

- 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
- Indian housewife prefer Sunflower oil being Golden Colour Oil
- Soft oil consumption and import is rising with their demand and fall in domestic production
- Consumption of Rice Bran Oil is increasing speedily on the health ground benefits it offers
- Cottonseed Oil is accepted as good cooking oil and its Consumption rising

Import of Edible Oils by India

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

Item Description	WTO Bound Rate	Duty on Crude Edible Oils	Duty on Refined Edible Oils	Current Tariff Value US$/Ton (15-Nov-16)
Soybean Oil	45%	12.5%	20%	866
RBD Palmolein	300%	--	15%	750
Crude Palm Oil (CPO)	300%	7.5%	--	739
Sunflower Oil	100%	12.5%	20%	-
Rape/Mustard Oil	75%	12.5%	20%	-

Import duty is calculated on tariff value declared every forth night

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					
U.S.A.	--	--	--	95	18
Argentina	2599	2544	1457	803	817
Brazil	620	705	402	233	313
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

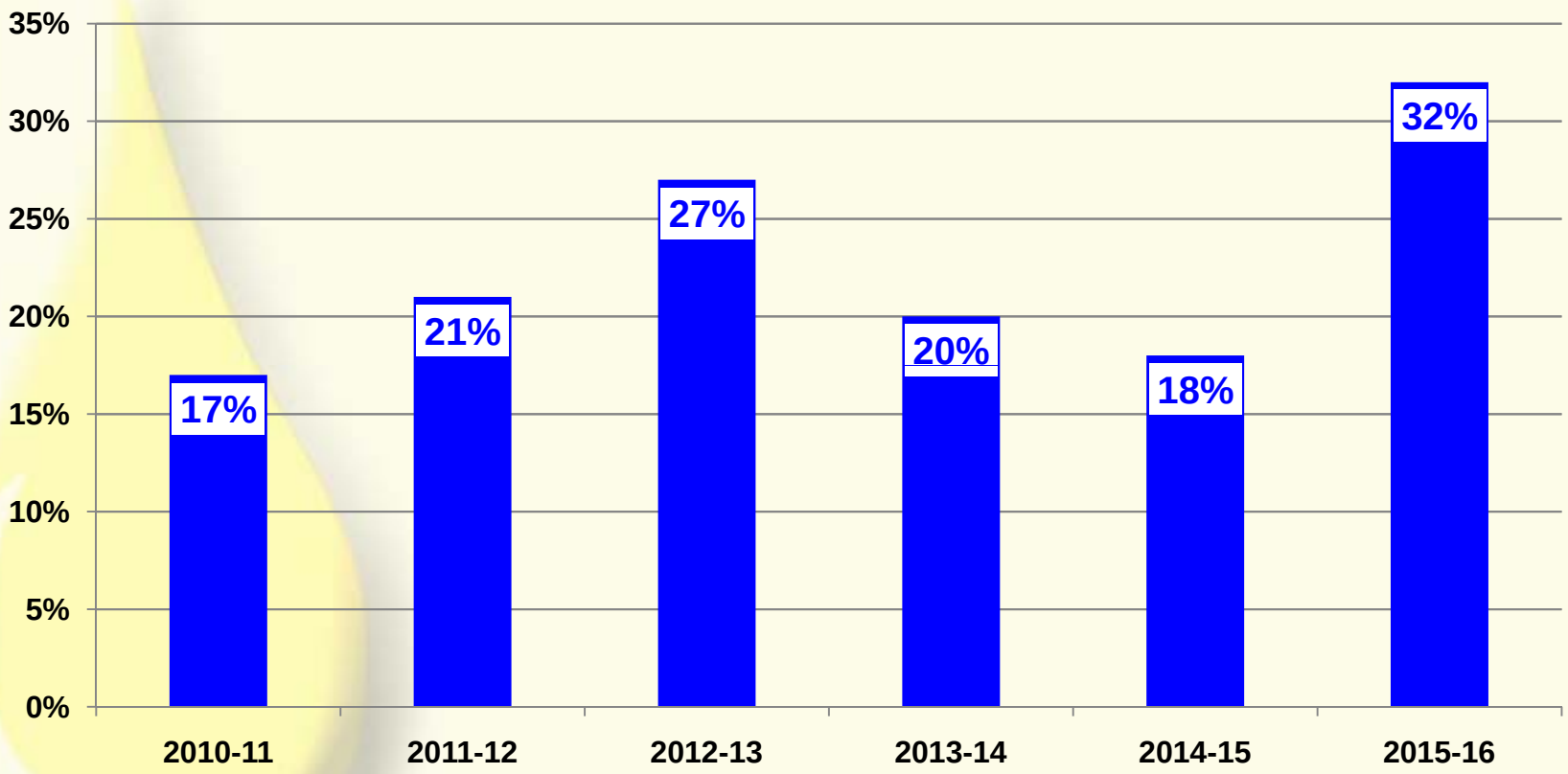
Palm Oil Imports by India

(Qty. in '000 Tons)

Country	2016 (Jan.-Oct.)		2015 (Jan.-Dec.)		2014 (Jan.-Dec.)		2013 (Jan.-Dec.)	
	Palm Oil	Palm Kernel Oil	Palm Oil	Palm Kernel Oil	Palm Oil	Palm Kernel Oil	Palm Oil	Palm Kernel Oil
Indonesia	4115	46	5771	117	4758	171	5879	288
Malaysia	2652	34	3725	65	3073	68	2384	58
Thailand	--	--	--	5	100	2	209	2
Others	--	--	--	3	--	1	--	2
Total	6768	81	9496	190	7931	242	8472	350

Source : Oil World

Import of RBD Palmolein v/s Total Import of Palm Oil



Average Landed Cost of RBD Olein & CPO

US $ / T CIF India

Year (Nov – Oct)	RBD Olein	CPO	Difference
2011-12	1050	1010	40
2012-13	832	802	30
2013-14	833	837	(-) 4
2014-15	649	625	24
Nov.'15	556	526	30
Jan.'16	572	547	25
Feb.'16	631	618	13
Mar.'16	672	666	6
Apr.'16	739	738	1
June'16	669	669	No Difference
July '16	643	642	1
Aug.'16	735	730	5
Sept.'16	759	753	6
Oct.'16	709	704	5
8th Nov., 2016	730	730	No Difference

- **As on 8th Nov., 2016 , the CPO CIF India were quoted at US$ 730/MT and RBD Palmolein was also quoted at US$ 730/MT. The diminishing difference is seriously affecting viability of Indian refiners**

Major Indian Ports - Imports of Edible Oils

Port-wise Imports Of Edible Oils

(Qty. in '000 Tons)

Ports	2015-16			2014-15		
	Palm Oils	Soft Oils	Total	Palm Oils	Soft Oils	Total
Kandla	2181	2696	4877	2547	1671	4218
Haldia	1272	670	1942	1400	647	2047
JNPT	744	683	1427	741	720	1461
Mundra	329	859	1188	420	696	1116
Chennai	672	502	1174	630	537	1167
Krishanapattinam	1064	238	1302	1172	281	1453
Kakinada	524	272	796	653	209	862
Mangalore	507	188	695	576	119	695
Budge-Budge	504	6	510	678	--	678
Others	646	14	660	720	4	724
Total	8443	6128	14571	9537	4884	14421

Source: SEA Data Bank

Import of Palm Oils v/s. Soft Oils

(Qty. in 'MT)

Year (Nov-Oct)	Palm Oil (RBD Palmolein + CPO + Crude Olein + CPKO)		Soft Oil Soybean + Sunflower + Rape (Canola)		Total
2007-08	4,809,471	86%	798,939	14%	5,608,410
2008-09	6,535,448	80%	1,647,912	20%	8,183,360
2009-10	6,499,255	74%	2,324,083	26%	8,823,338
2010-11	6,547,086	78%	1,824,373	22%	8,371,459
2011-12	7,669,424	77%	2,312,042	23%	9,981,466
2012-13	8,292,433	80%	2,092,306	20%	10,384,739
2013-14	7,957,960	68%	3,660,374	32%	11,618,334
2014-15	9,536,904	66%	4,884,367	34%	14,421,271
2015-16	8,442,840	58%	6,128,498	42%	14,571,338

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

Import of Edible Oil - Projections for 2016-17

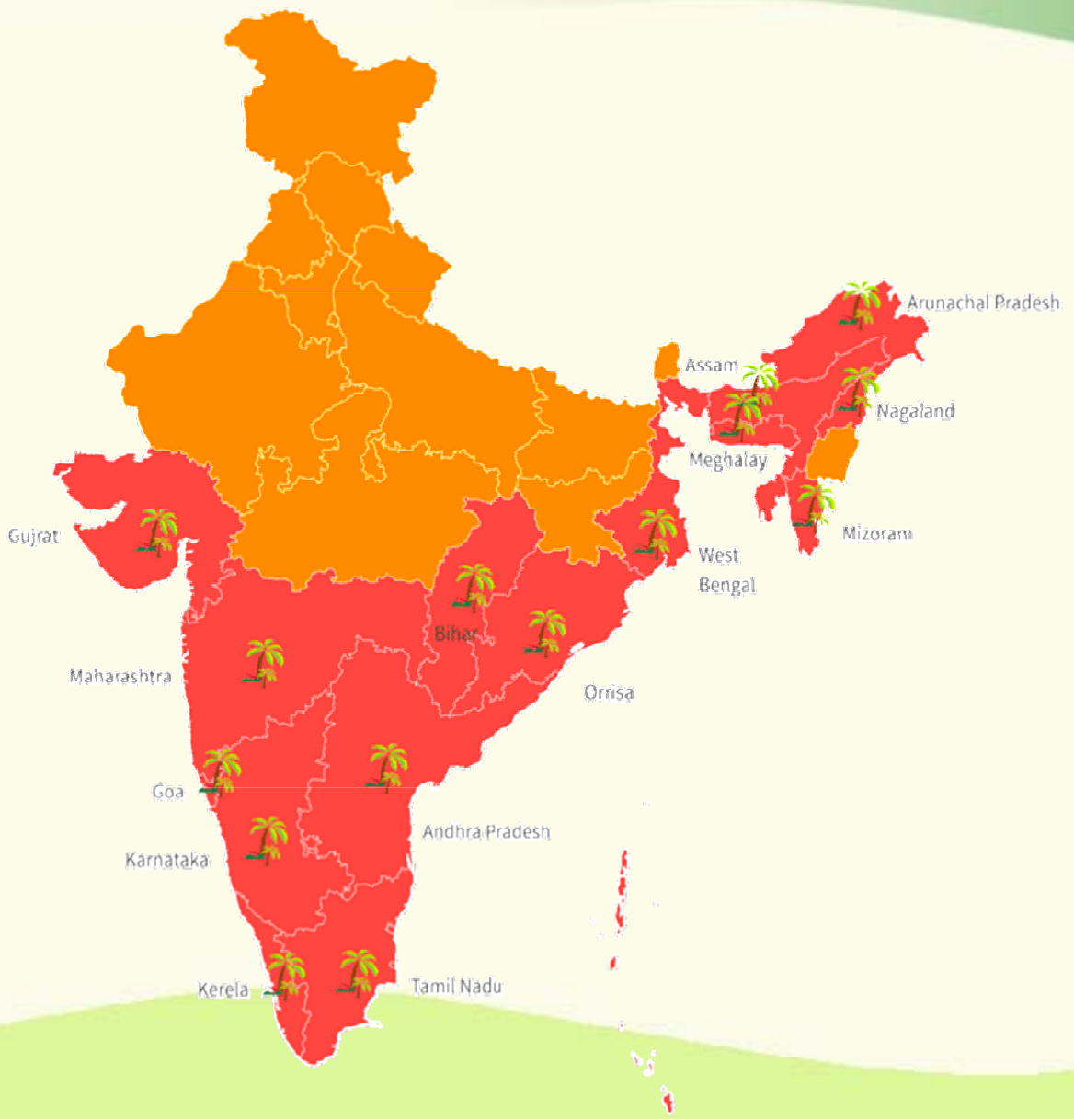
(Nov.- Oct.)

IMPORT BREAK-UP (Mn T)			
Oils	**2014-15**	**2015-16**	**2016-17 (F)**
Palm (Edible)	**9.54**	**8.44**	**9.10**
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**	**14.90**

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

OIL PALM IN INDIA

Indian Oil Palm Cultivation Map



Domestic CPO Production and Projection 2010-11 To 2020-21

Actual		Projection	
Oil Year (Nov - Oct)	Domestic CPO Production	Oil Year (Nov - Oct)	Domestic CPO Production
2010-11	110,000 MT	2016-17	270,000 MT
2011-12	138,000 MT	2017-18	295,000 MT
2012-13	171,000 MT	2018-19	330,000 MT
2013-14	180,000 MT	2019-20	370,000 MT
2014-15	200,000 MT	2020-21	420,000 MT
2015-16	220,000 MT		

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
- People in the EU & developed countries can afford to pay a higher price for certified Palm Oil but in India, where millions are struggling for 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 sustainable attractive palm oil
- If Palm Oil producing countries 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 and other developing countries
- This will not only create demand but will also encourage palm oil planters in Indonesia and Malaysia to produce sustainable palm oil
- Nothing work like monetary benefit
- SEA supports usage of certified palm oil in India

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 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. Palm Oil exporting countries may have to relook their export duty structure to maintain their share in Indian Market

- 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

Dr. B. V. Mehta

Executive Director

The Solvent Extractors' Association of India

A Premier Association of Vegetable Oil Industry & Trade in India

ISO 9001:2015 Organisation

142, Jolly Maker Chambers No. II, 14th Floor, 225, Nariman Point, Mumbai 400 021

Tel: (+91-22) 2202 1475. 2282 2979, Fax.: (+91-22) 2202 1692

Email: solvent@mtnl.net.in , Website:www.seaofindia.com