



Presentation on

**Status and outlook for Indian
Vegetable oil industry with
Special reference to Palm Oil**

By

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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), now upgrade to ISO 9001 : 2015
- Recognised as **NGO** and **TPO** by Government of India



Indian General Economy & Recent Development





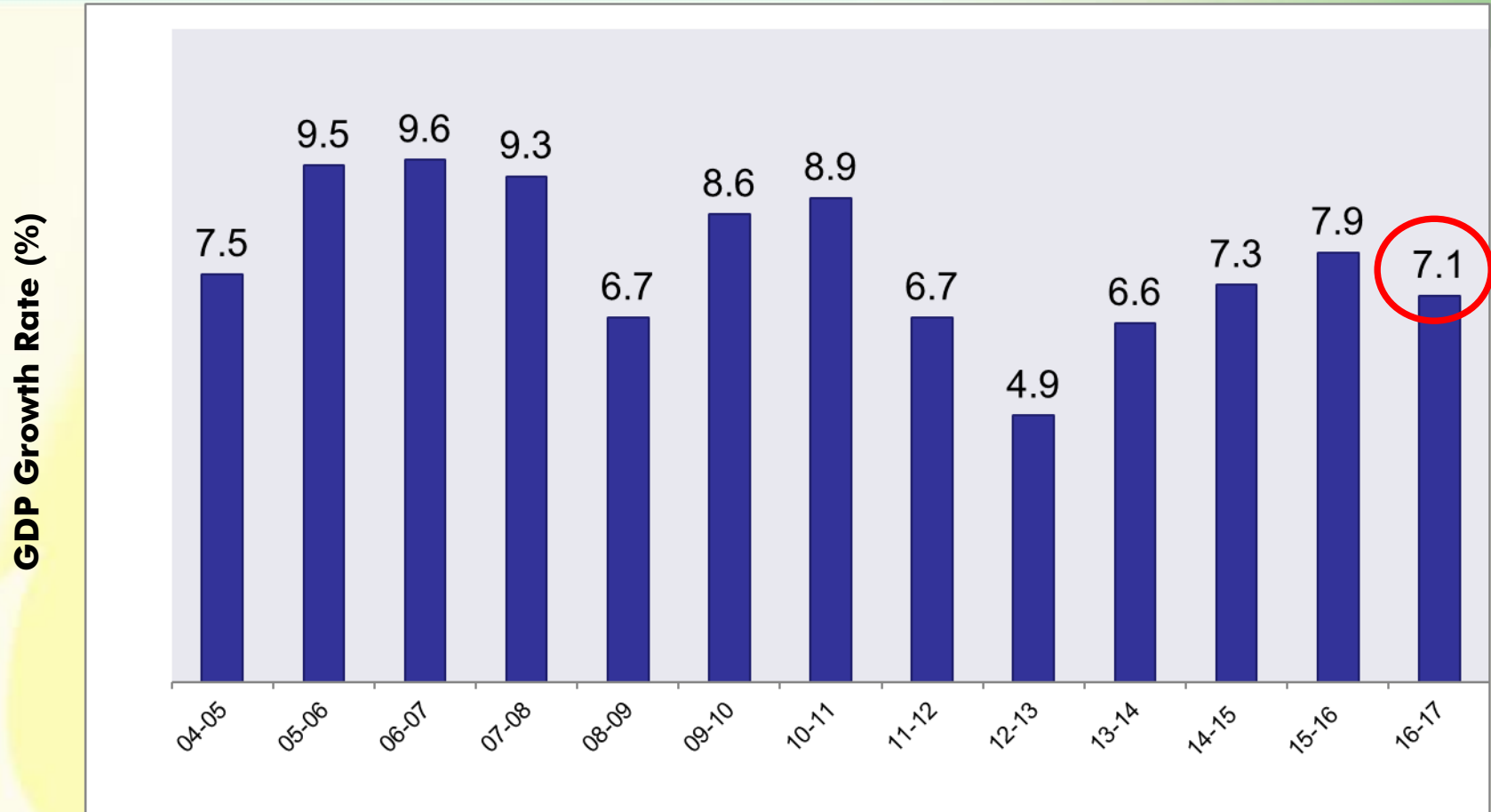
Indian Macro-Economic Overview

- 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\$ 400 Bn and growing
- FDI Flow US\$ 40 Bn (2015-16)
- Per Capita Income : Rs. 103,000 (US\$ 1535)
- Income Growth Rate : 7.4%





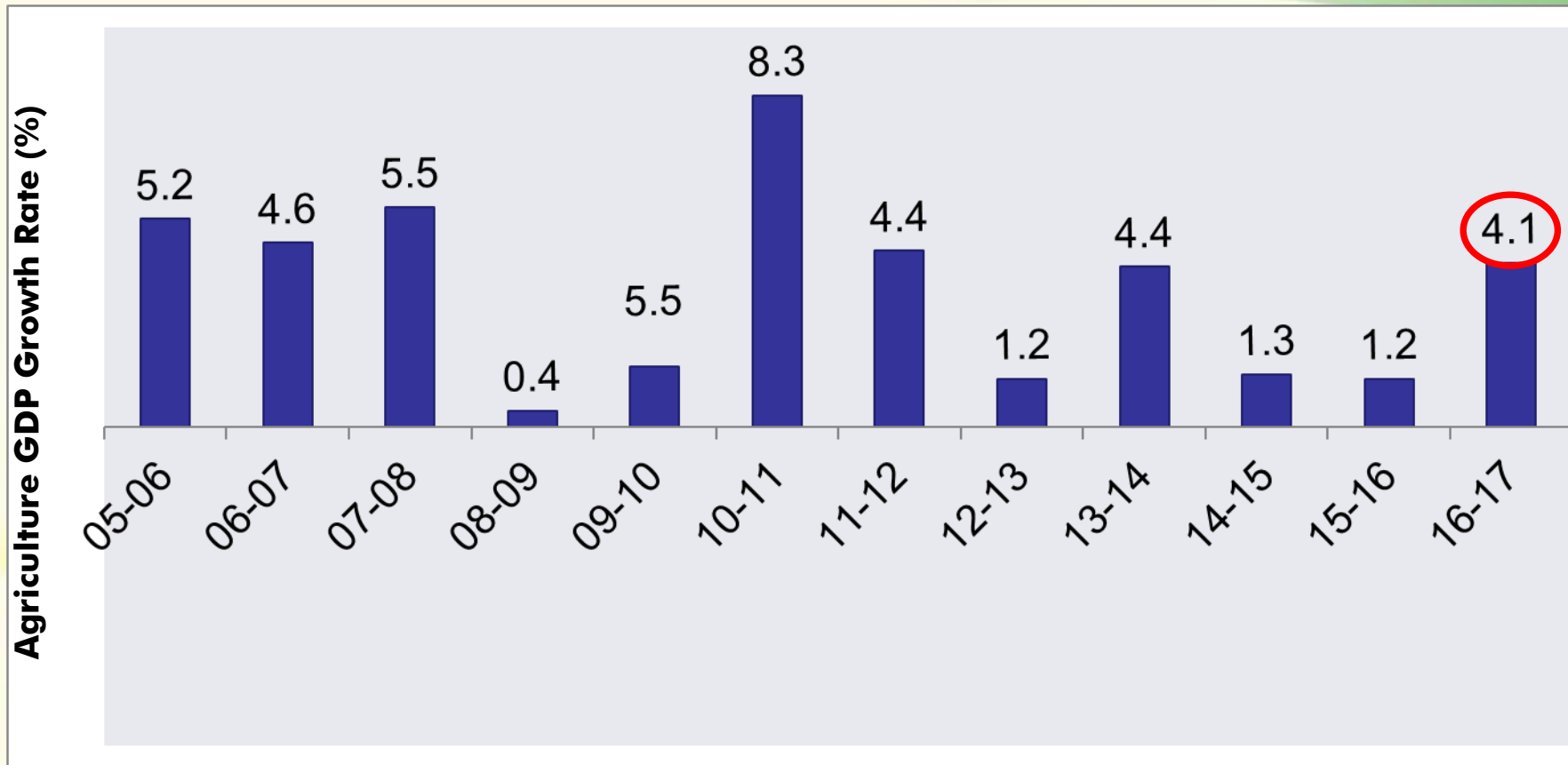
India's Overall GDP Growth



- The average GDP growth in last five years is registered at 6.7%
- For FY 16-17 GDP growth at 7.1%



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 is higher (4.1%) , thanks to good monsoon**



India's Oilseeds Production Scenario

SUPPLY



Demand - Supply

and

Import of Vegetable Oils



Oilseed Sector 2016-17

• Area Under Oilseed Cultivation	28.2	Mn. Ha.
• Average yield *	960	Kg.
• Output of 9 cultivated Oilseeds *	27.1	MnT
• Output of Cottonseed & Copra *	11.5	MnT
Total	38.6	MnT
• Production of Oilcake/meal	27.4	MnT
• Production Edible & Non-edible Veg. Oils	7.6	MnT
• Demand of Veg. Oils (Edible)	21.8	MnT
• Import of Veg. Oil 2016-17(Nov-Oct) (Edible) (E)	14.8	MnT
• Per Capita consumption	16.0	kg

The overall turn over of the oilseed sector is Rs. 175,000 crores (US\$ 11 bn) and on Import front, its 3rd item after Crude Petroleum and Gold. India spending over Rs. 70,000 crores for import of edible oils per annum and dependence on import is nearly 70%.



CURRENT STATUS OF INDIAN VEGETABLE OIL INDUSTRY

Present Status

	Nos. OF UNITS	ANNUAL CAPACITY Mn/T.	CAPACITY UTILISATION N
OIL MILLS (CRUSHING UNITS)	15000	36.0	20-30%
SOLVENT EXTRACTION PLANTS	600	31.0	40%
VEGETABLE OIL REFINERIES	650	30.0	45%
VANASPATI (HYDROGENATED UNITS)	250	3.0	40%



Oilseed Crushing – Key Challenges in India

- **Limited availability and Uncompetitive Raw material**
 - Lack of ability to cope with inconsistent weather pattern

- **Limited opportunity for Value Addition**
 - Low focus on R&D to make new product for suitable Indian palate
 - Protein deficiency in India - Soya is uniquely positioned to capitalise on this opportunity

- **Crushing disparity**
 - Industry operates on speculative mind set

- **Inconsistent Government Policy**
 - Rise in YoY MSP + Stock limit in growing States
 - Lower Import duty on Finished product (refined oil)



Import & Export from Oilseed Sector

- Import of Edible Oils freely allowed
14.57 MnT (15-16) Rs.69,780 Crores (US\$: 10.25 bn)
(PalmOil: 8.45 MnT; SFO:1.52 MnT; , SBO:4.23 MnT)
- Oilmeal Export freely allowed
1.86 MnT (16-17) Rs.3175 Crores (US\$: 0.50 bn)
(Soybean Meal 0.92 MnT, Rapeseed Meal 0.21 MnT)
- Oilseeds Export freely allowed
0.90MnT (15-16) valued at Rs.7,284 Crores (US\$: 1.1 bn)
(Sesame Seed 0.33 MnT, HPS Groundnut 0.54 MnT)
- Exports of Castor Oil & derivatives Freely allowed
485,000 Tonnes (16-17) valued at Rs.3,500 Crores (US\$: 620 mn)
- Export of certain Edible Oils freely allowed
22,500 Tonnes valued at Rs.245 Crores (2015-16) (US\$: 5mn)
- Import of Oilseeds/Oilcakes attract 30%/15% import duty respectively – Import Negligible.



Oilseeds Production (Trade Estimate) (2012-13 to 2016-17)

(Qty. in Million Tonnes)

Crop	13-14	14-15	15-16	16-17(P)	17-18(F)
Major Oilseeds					
Groundnut	6.5	4.9	4.5	6.9	6.50
Rape/Mustard	6.7	5.1	5.9	7.1	6.20
Soybean	9.0	8.5	7.2	10.6	8.70
Sesamum	0.7	0.8	0.7	0.6	0.63
Sunflower	0.6	0.4	0.3	0.3	0.24
Safflower	0.1	0.1	0.1	0.1	0.10
Niger	0.1	0.1	0.1	0.1	0.10
Linseed	0.1	0.1	0.2	0.2	0.20
Castor	1.1	1.3	1.4	1.1	1.20
Sub-Total	24.8	21.1	20.3	26.9	23.87
Others					
Cottonseed	12.5	11.9	10.9	10.9	11.40
Copra	0.7	0.6	0.6	0.4	0.40
Grand Total	38.0	33.6	31.8	38.2	35.67

Total area under 9 oilseeds crop is about 28.0 million hectre.
Oilseed crop will be lower in 2017-18 due to reduction in area.



Consumption





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

Country	2016-17	2015-16	2014-15	2013-14	2012-13
EU-28	64.5	64.9	63.9	63.9	60.1
U.S.A.	67.1	66.1	63.0	62.3	61.2
Argentina	80.7	80.5	74.4	80.9	67.0
China	26.6	26.5	26.3	26.0	25.6
Brazil	44.0	43.1	43.6	41.1	39.7
India	17.8	17.4	16.7	15.8	15.4
Pakistan	24.5	24.1	23.4	22.6	22.0
Indonesia	44.2	41.6	35.3	41.1	37.1
Bangladesh	15.6	14.7	13.5	12.3	11.7
Turkey	33.4	33.6	33.7	33.4	32.2
World	28.5	28.2	27.6	27.3	26.4

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

Source : Oil World 2017



Edible Oil Consumption in India

Qty : '000 T

Particulars	2001-02		2007-08		2015-16	
	Qty	%	Qty	%	Qty	%
Palm Oil	2944	29.08	4437	35.81	9685	45.41
Soy Oil	2258	22.30	2170	17.51	4872	22.84
Mustard Oil	1721	17.00	1814	14.64	1938	9.09
Sunflower Oil	309	3.05	539	4.35	1541	7.22
Cotton Oil	443	4.38	1070	8.64	1267	5.94
Groundnut Oil	1216	12.01	689	5.56	239	1.12
RBO	430	4.25	770	6.21	930	4.36
Other Oils	804	7.94	901	7.27	858	4.02
Total	10125	100%	12390	100%	21330	100%

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



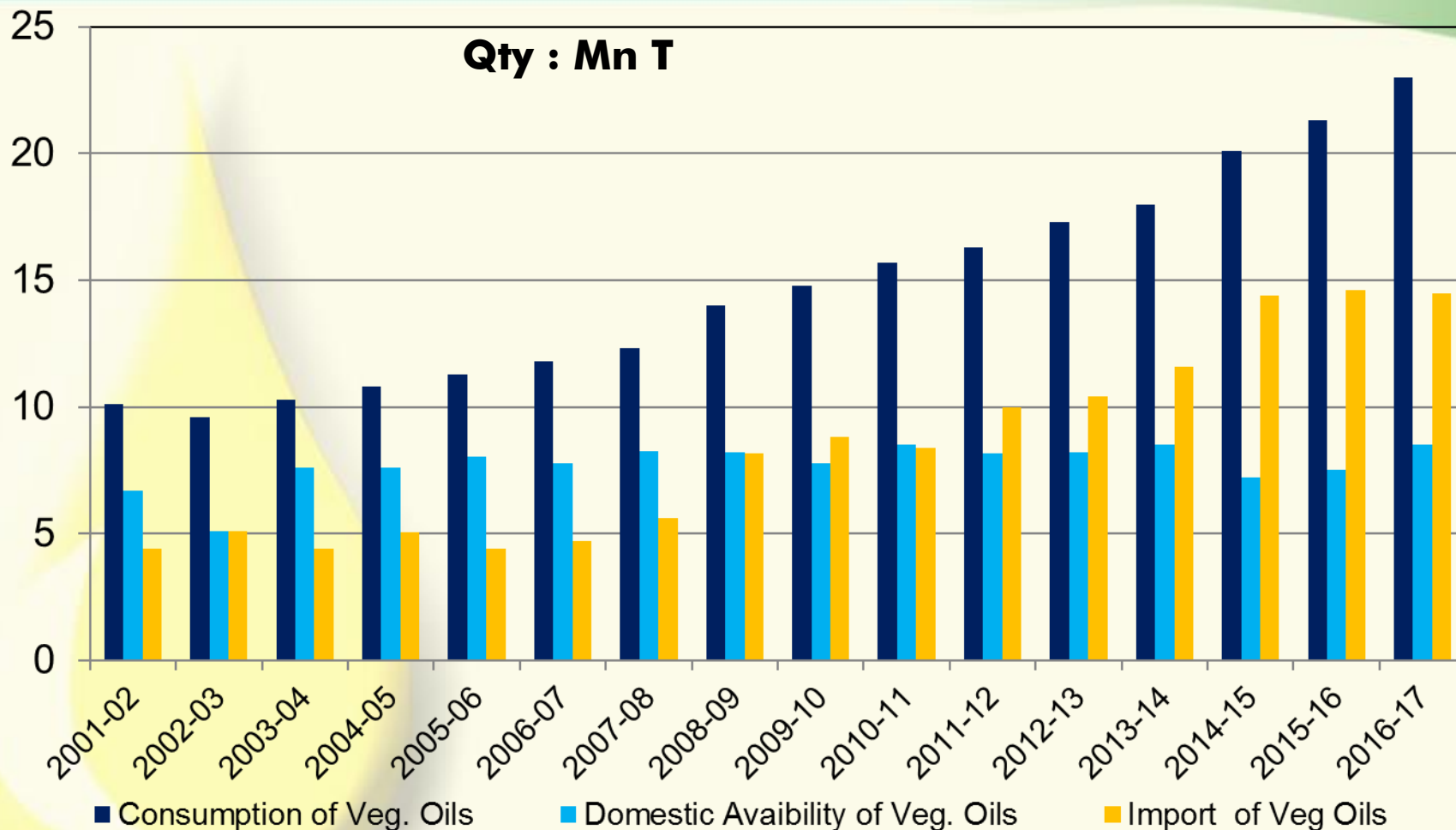
India has Promising Demand Growth

Demand Drivers in India are

- Average GDP growth rate for period FY 10-11 to FY15-16 was 7.0%
- 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



Edible Oil Production, Demand & Import

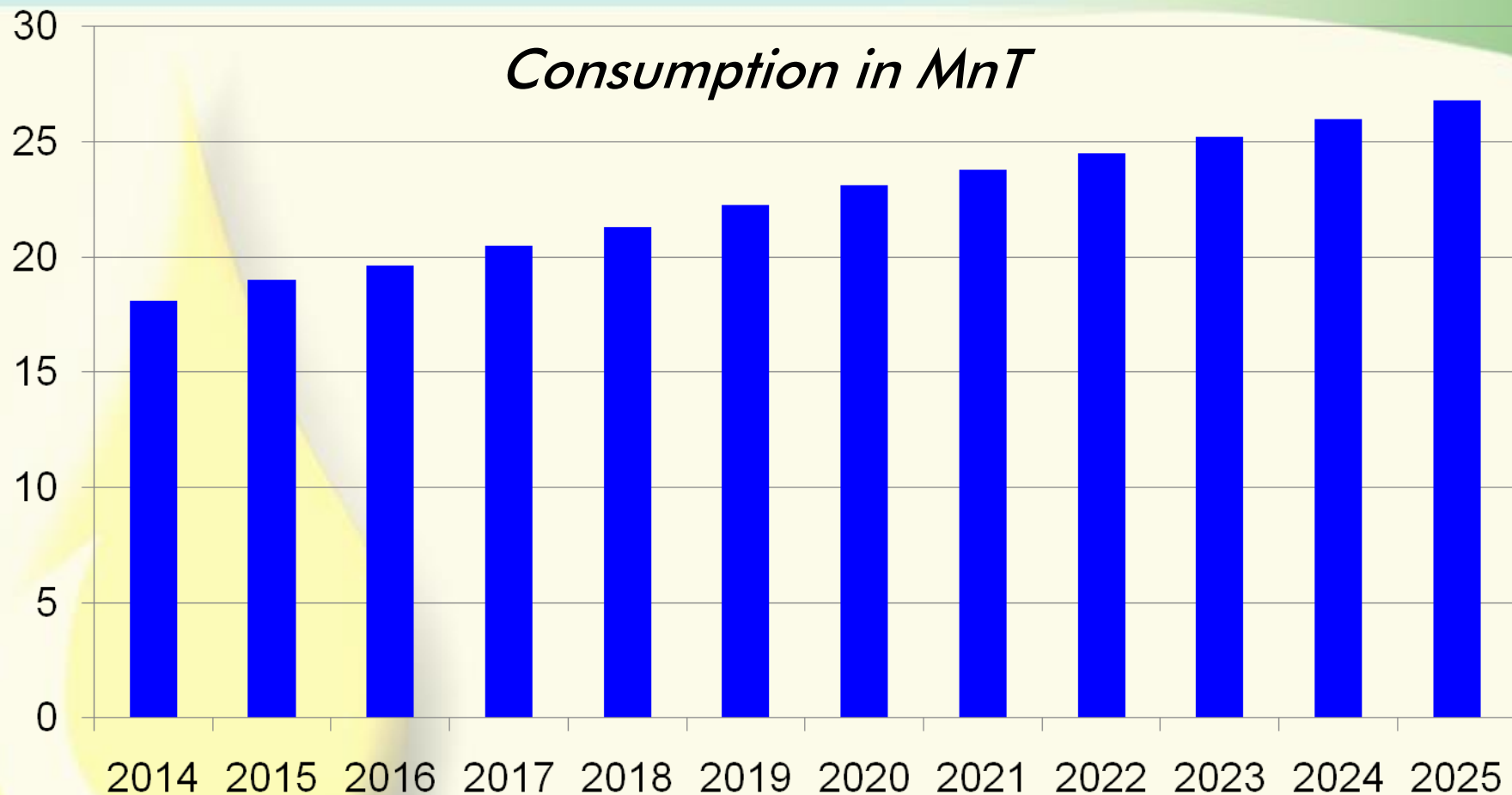


➤ **For the year 2016-17, edible oil consumption estimated at 22.0 MnT. against domestic production just 7.5 MnT only**



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 22 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)



India - Import Duty Structure on Edible Oils October, 2017

Item Description	WTO Bound Rate	Duty on Crude Edible Oils	Duty on Refined Edible Oils	Current Tariff Value US\$/Ton (31 st -Oct.-17)
Soybean Oil	45%	17.5%	20%	839
RBD Palmolein	300%	--	25%	758
Crude Palm Oil (CPO)	300%	15.0%	--	721
Sunflower Oil	100%	12.5%	20%	-
Rape/Mustard Oil	75%	12.5%	20%	-

Import duty is calculated on tariff value declared every fourth night



India – Country Wise Imports of Edible Oils

(Figures in '000T)

Country	Jan.- Aug 2017	Jan.- Dec. 2016	Jan. –Dec. 2015	Jan.-Dec. 2014	Jan.- Dec. 2013
<u>Soybean Oil</u>					
Brazil	353	631	705	402	233
Argentina	1817	2920	2544	1457	803
U.S.A.	--	--	--	--	96
Other Countries	273	333	350	242	43
Total	2443	3884	3599	2101	1174
<u>Sunflower Oil</u>					
Ukraine	1395	1508	1462	1673	1058
Argentina	76	70	11	1	23
Other Countries	28	1	4	4	3
Total	1499	1580	1477	1678	1084
<u>Palm Oil</u>					
Indonesia	4719	5313	5771	4758	5879
Malaysia	1443	2990	3725	3073	2384
Thailand	--	--	--	100	209
Other Countries	--	1	1	--	--
Total	6174	8304	9496	7931	8472
Other Oils	245	496	541	478	411
Grand Total	10361	14264	15113	12188	11141



Palm Oil Imports by India

(Qty. in '000 Tons)

Country	2017 (Jan.- Aug)		2016 (Jan.- Dec.)		2015 (Jan.- Dec.)		2014 (Jan.- Dec.)	
	Palm Oil	Palm Kernel Oil	Palm Oil	Palm Kernel Oil	Palm Oil	Palm Kernel Oil	Palm Oil	Palm Kernel Oil
Indonesia	4719	29	5313	47	5771	127	4758	171
Malaysia	1443	42	2990	50	3725	65	3073	68
Thailand	--	--	--	--	--	5	100	2
Others	--	--	1	6	1	3	--	1
Total	6174	71	8304	103	9496	200	7931	242

Source : Oil World



Import of Palm Oil and Soft Oil by India

(Qty. in '000 Tons)

Year (Nov.-Oct.)	Palm Oils *		Soft Oils				Total	
	Qty	%	Soybean Oil	Sunflower Oil	Rapeseed Oil	Sub Total		%
2009-10	6498	74%	1667	630	28	2325	26%	8823
2010-11	6547	78%	1007	803	14	1824	22%	8371
2011-12	7669	77%	1079	1135	98	2312	23%	9981
2012-13	8292	80%	1091	973	28	2092	20%	10384
2013-14	7958	68%	1951	1509	200	3660	32%	11618
2014-15	9537	66%	2986	1542	356	4884	34%	14421
2015-16	8443	58%	4235	1516	377	6128	42%	14571
2016-17(P)	9296	62%	3336	2160	290	5792	38%	15088

* Includes CPO, RBD Palmolein & CPKO

Source : SEA Data Bank

- In 2015-16, the import of edible oil was at 14.57 MnT, more or less same of the previous year import of 14.42 MnT. However in 2016 – 17, increased to 15.09 million tones, up by 3.6%.



INDIA

Current Year

Oilseeds Production Scenario

Availability of edible Oils

and

Import



Edible Oil Import Requirement for 2017-18 & Comparison with 2016-17 & 2015-16

(Qty. in 'Mn. Tons)

	2017/18(F)	2016/17	2015/16
Opening Stock	2.35	1.90	2.37
Domestic Production	7.20	7.10	5.79
Total	9.55	9.00	8.16
Consumption	22.70	21.75	20.81
Deficit	13.15	12.75	12.65
Closing Stock	2.75	2.35	1.92
Import of Edible Oils	15.90	15.10	14.57

Source : GGN Research

- India's import dependence will further increase in 2017-18 to bridge the gap between demand & supply.



Import of Edible Oil

(Nov.- Oct.)

IMPORT BREAK-UP (Mn T)				
Oils	2014-15	2015-16	2016-17 (P)	2017-18(F)
Palm (Edible)	9.54	8.44	9.30	9.80
Soybean Oil	2.99	4.23	3.34	3.50
Sun Oil	1.54	1.52	2.16	2.30
Rapeseed Oil	0.35	0.38	0.29	0.30
Safflower Oil	--	--	0.01	--
TOTAL	14.42	14.57	15.10	15.90

- Import increased by 680,000 (3.64%) in 2016 – 17 over previous year.
- In 2017-18 import will further increase to nearly 16.0 million tone.



Conclusion

- Large scale of import of finished goods i.e. Refined Palm Olein has resulted in significant drop in the capacity utilization of the Indian refining industry from 60% to less than 40%.
- Export duty impose by Palm Oil producing countries discourages importing countries and force them to shift from Palm oil to Soft oils.
- Currently Indian refiners prefer to process soft oils rather than CPO due to disparity.
- In last 5 years incremental growth in import has mostly taken by Soft Oils at the cost of Palm Oil.



Conclusion

- Indian domestic crushing industry is pressing the Government of India to reduce Import duty on oil seeds to augment the raw material supply. If this happens, the import of edible oil scenario will change in coming years, as happened in China
- Indonesia & Malaysia need to be revisit their export duty structure to maintain Palm Oil share in Indian Market.
- Indian Government is seriously considering to raise the import duty on all edible oils to support domestic farmer to receive remunerative price for his produce.



Thought for the Day

Let me give you the most recent example of Pulses.

India is world's largest producer, importer and consumer of pulses. India has been importing pulses for last 35 years. Because of supportive policies, india's pulse production has had a huge rebound in 2016-17 to 22.9 million tons from previous year's 16.3 million tons In 2017-18, similar production expected. India's import dependence is greatly reduced.

Government of India is seriously addressing the issue of low productivity of oilseeds and on line with pulses hiking, MSP and import duty.

Would that happen in oilseeds too?

I leave it to your imagination.



Thank
You



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