



Presentation on

**Overview of Indian Oilseed Sector
Short term and Long term Demand - Supply and
Import of Vegetable Oil with special reference to
Indonesia and recent policy changes**

By

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At

6th Palm Oil Summit, Jakarta, Indonesia

13th – 14th August, 2014



SEA Profile

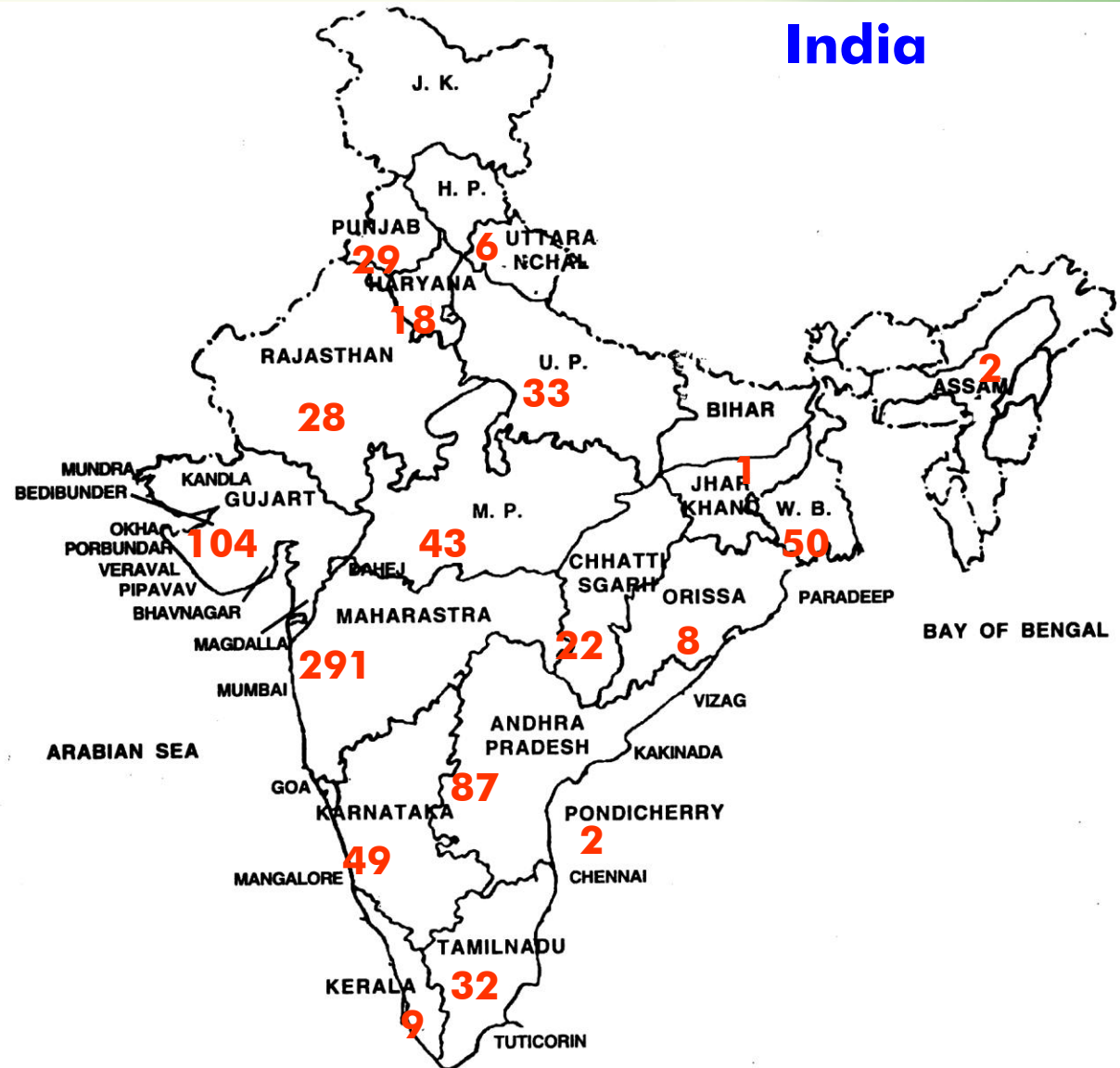
- **Formed in 1963 to foster the development & growth of the Solvent Extraction Industry in India**
- **Largest and Premier Association in the Vegetable Oil Sector in India**
- **First Association in Vegetable Oil & Oilseed sector to receive ISO 9001 Certification in India (2004)**
- **Recognised as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



SEA Members

Over 850 Members

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





Indian General Economy





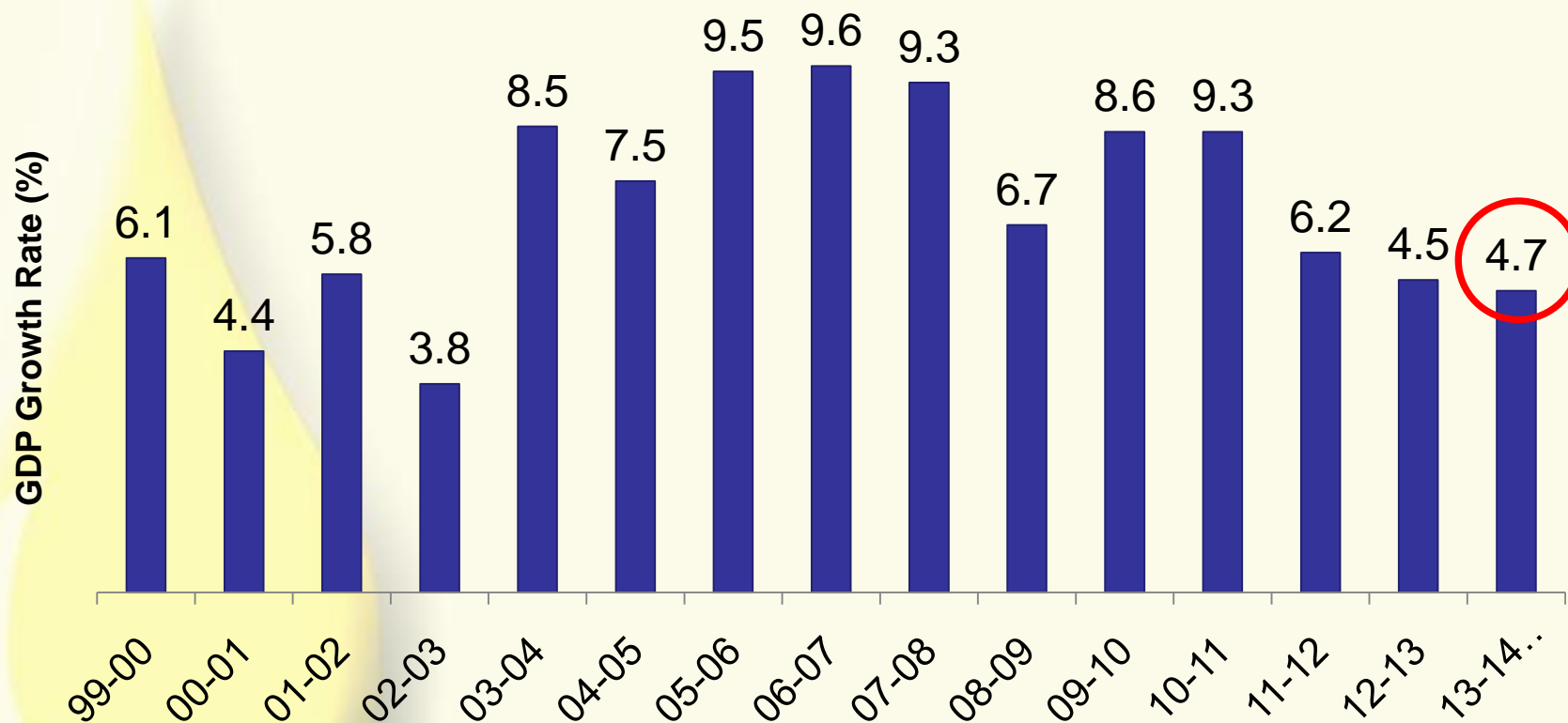
Indian Macro-economic Overview

- **India – a fast growing significant economy in spite of global slowdown**
- **Strong Macro-economic fundamentals**
- **GDP Value: Over US\$ 2.13 Trillion (Tn)**
- **Purchasing Power Parity (PPP): US\$ 5.45 Tr**
- **Forex Reserve: US\$ 309 Bn**
- **FDI Flow US\$ 28 Bn (2013)**
- **Savings Rate 30.1% of GDP (2012-13), includes Household Savings Rate of 21.9%**





India's Overall GDP Growth



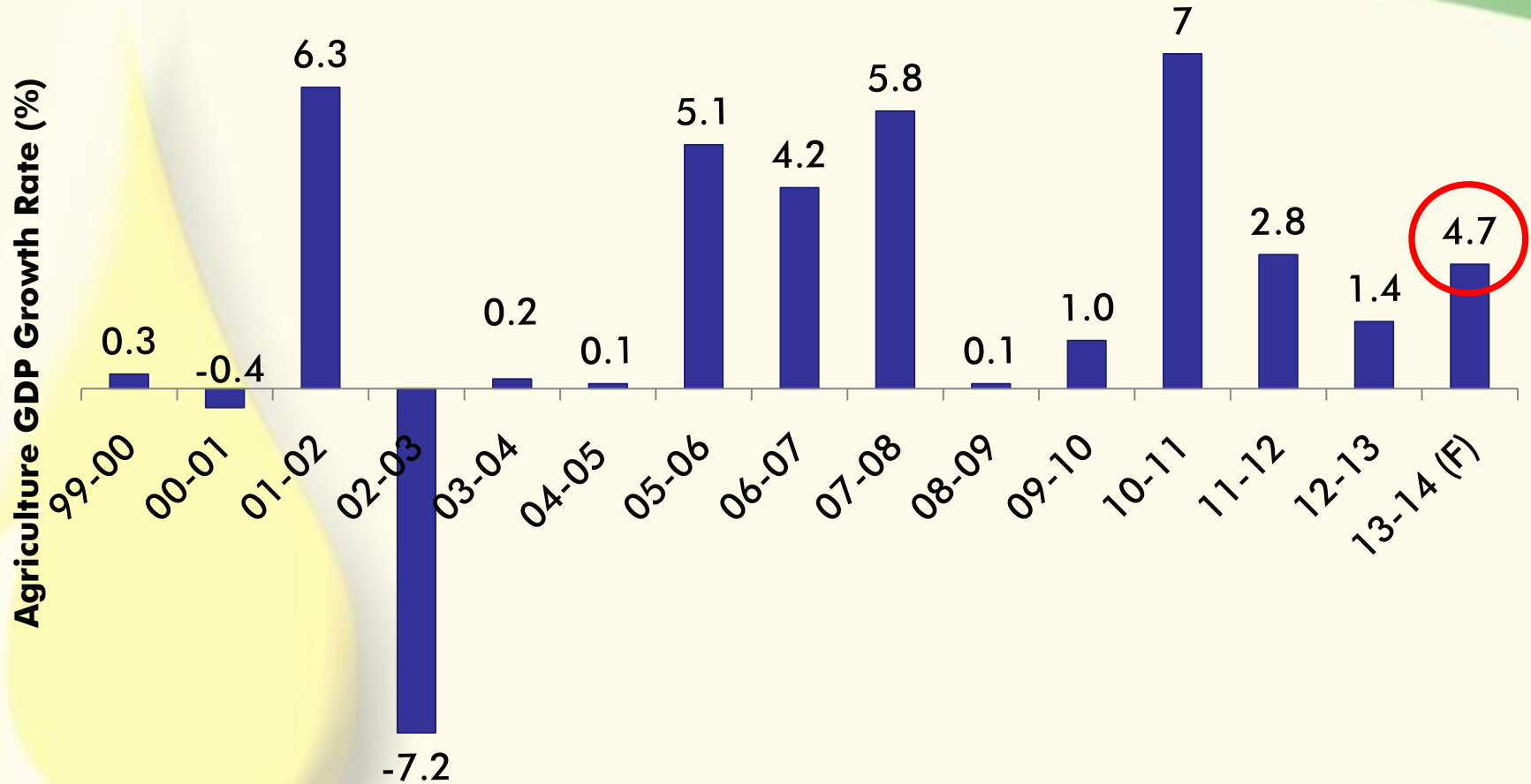
- The average GDP growth in last five years is registered at 7.1%
- For FY13-14, growth is forecasted at 4.9%
- Expecting 6 to 7.5% growth in next 3 years.



Indian Agriculture Scenario



Agriculture Sector GDP Growth



- Agriculture Sector growth depends heavily on monsoon performance
- For 2013-14, growth is forecasted at 4.7% compared to 1.4% in previous year



Indian Oilseed Sector

SUPPLY



DEMAND

Demand - Supply

and

Import of Vegetable Oils



Oilseed Sector 2013-14

• Area Under Oilseed Cultivation	26-27	Mn. Ha.
• Average yield	1100	Kgs.
• Output of 9 cultivated Oilseeds	32.4	Mn. T.
• Output of Cottonseed & Copra	11.9	Mn. T.
Total	44.3	Mn. T.
• Production of Oilcake/meal	25-26	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 (2012)	14.9	Kg.
• Per capita consumption is rising by 3 to 4% per annum.		



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.)

2013-14

- **In World's Oilseed Production** **7.2 %**
- **In World's Oilmeal Production** **6.3 %**
- **In World's Oilmeal Export** **4.8 %**
- **In World's Production of Veg. Oils** **5.0 %**
- **In World's Vegetable Oil Import** **14.6 %**
- **In World's Edible Oil Consumption** **10.4 %**



Major Oilseeds Producing States in India

Major Oilseeds Producing States in India



- Linseed
- Nigerseed
- Castorseed
- Groundnut
- Soya
- Safflowerseed
- Sunflower
- Rapeseed
- Sesameseed
- Coconut



Oilseeds Production (2008-09 to 2013-14)

(Qty. in Million Tonnes)

Crop	08-09	09-10	10-11	11-12	12-13	13-14
Major Oilseeds						
Groundnut	7.17	5.43	8.26	6.96	4.70	9.47
Rape/Mustard	7.20	6.61	8.18	6.60	8.03	7.83
Soybean	9.90	9.97	12.74	12.21	14.67	11.95
Sesamum	0.64	0.59	0.89	0.81	0.68	0.64
Sunflower	1.16	0.85	0.65	0.52	0.54	0.54
Safflower	0.19	0.18	0.15	0.14	0.11	0.12
Niger	0.12	0.10	0.11	0.10	0.10	0.09
Linseed	0.17	0.15	0.15	0.15	0.15	0.14
Castor	1.17	1.01	1.35	2.30	1.96	1.64
Sub-Total	27.72	24.88	32.48	29.80	30.94	32.41
Others						
Cottonseed	8.93	9.15	10.07	10.94	10.23	11.16
Copra	0.65	0.66	0.65	0.65	0.60	0.70
Grand Total	37.30	34.69	43.20	41.39	41.77	44.27



Indian Oilseeds Productivity Very Low In Comparison With World Average

- **Groundnut - 64% of World Average**
- **Soybean - 43% of World Average**
- **Mustardseed - 53% of World Average**
- **Sunflower - 39% of World Average**
- **Sesameseed - 72% of World Average**

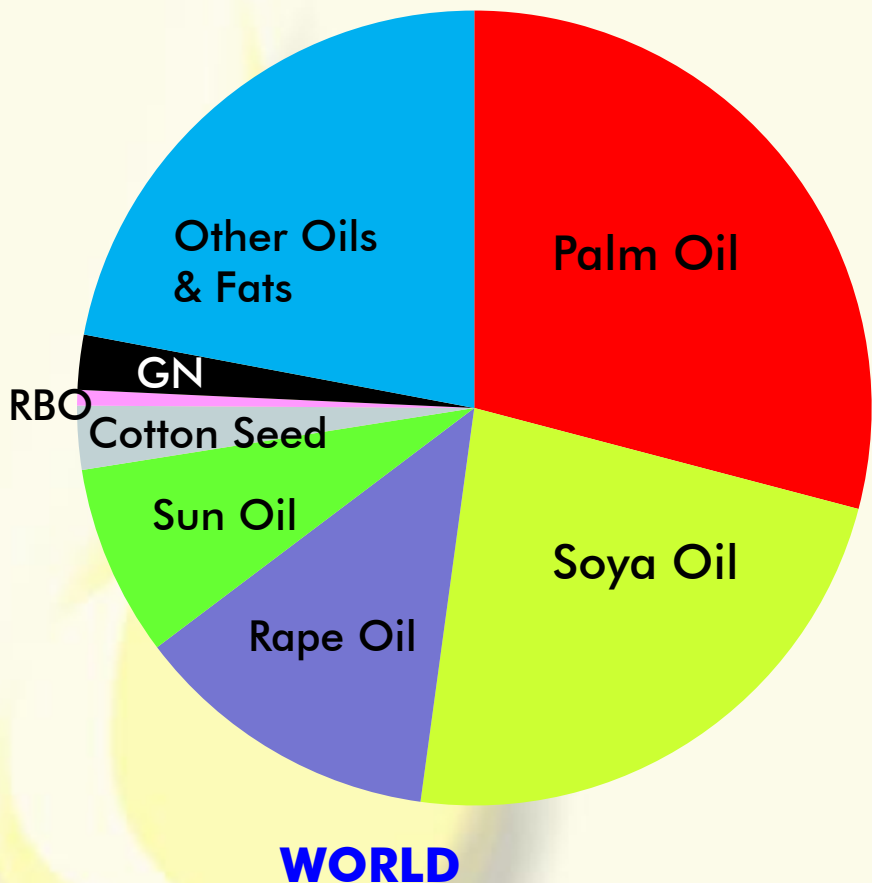


Import & Export from Oilseed Sector

- Import of Edible Oils freely allowed
10.38 Mnt(12-13) Rs.50,150 Crores (US\$: 8.2bn)
(PalmOil:8.30mnt,SFO:0.97mnt, SBO:1.09mnt)
- Oilmeal Export freely allowed
4.9 mnt (12.13) Rs.11825 Crores (US\$: 1.9bn)
(Soybean Meal 3.4 Mnt, Rapeseed Meal 0.80 mnt)
- Oilseeds Export freely allowed
0.90Mnt (12-13) Rs.7250 Crores (US\$: 1.2bn)
(Seaseme Seed 0.30 Mnt, HPS Groundnut 0.53 Mnt)
- Exports of Castor Oil & derivatives Freely allowed
580,000 tonnes valued Rs.4500 Crores (US\$: 700 mn)
- Export of Edible Oils in consumer packs freely allowed – Bulk banned
22,500 tonnes valued Rs.275 Crores (2012-13) (US\$: 45mn)



World & India Production of Oils & Fats 2013-14



Qty : Mn T

Oil & Fats	World	India
Palm Oil	58.46	0.13
Soya Oil	43.78	1.39
Rape Oil	25.69	2.53
Sun Oil	15.64	0.18
Cottonseed Oil	4.86	1.08
Groundnut Oil	4.11	0.58
Rice Bran Oil	1.20	0.93
Other Oils & Fats	42.69	2.93
TOTAL	196.43	9.75

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



Consumption





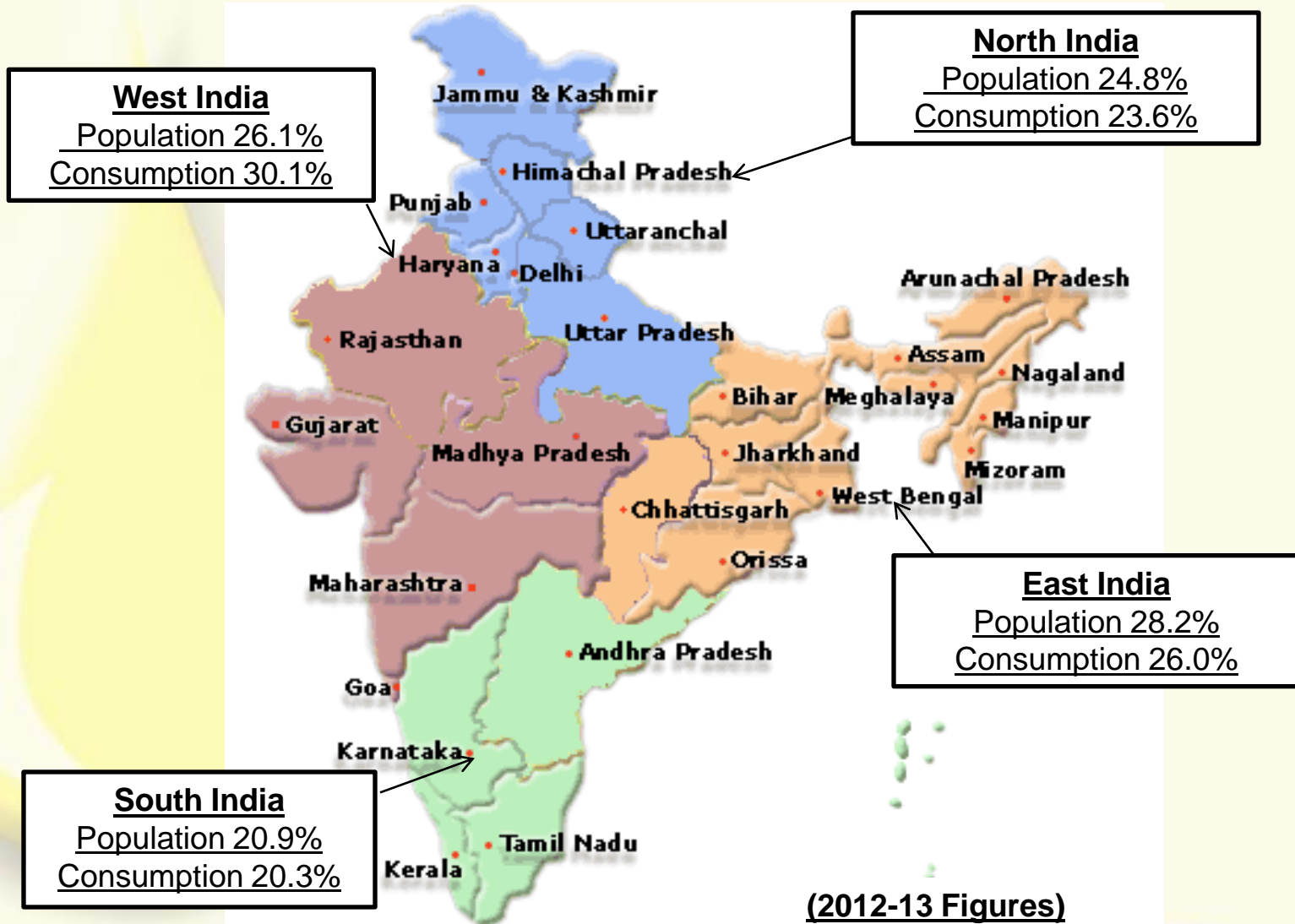
Per Capita (kg) Disappearance of Oils and Fats in Selected Countries and World

Country	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
EU-28	60.5	59.3	58.7	59.6	61.1	59.4
U.S.A.	57.7	57.4	56.0	52.6	50.2	51.0
Argentina	74.0	69.1	90.8	78.5	65.6	46.4
China	25.9	25.4	24.7	24.1	23.5	22.6
India	16.0	15.6	15.1	14.7	14.4	14.1
Indonesia	42.6	37.3	33.1	29.4	25.6	23.4
Thailand	31.5	30.5	29.4	27.3	24.6	23.0
Taiwan	34.1	33.1	34.5	34.6	33.7	32.3
Pakistan	21.8	21.7	21.7	21.6	21.8	21.7
Bangladesh	11.9	11.6	11.2	10.3	9.7	9.2
World	27.0	26.4	25.9	25.2	24.6	23.8

➤ Number shown includes consumption of oils and fats for Bioenergy



India's 4 Zones for Consumption Pattern





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 just 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 in terms of percentage.



Indian Government's Policy Changes & Its impact on Vegetable Oils



Edible Oils Industry – Policy Background

- **Up to 1992, India was nearly Self Sufficient in terms of Edible Oil Requirement**
- **In 1994, Edible Oil Imports brought under OGL (Freely Allowed)**
- **From 1994-1999, the rate of Custom Duty was the same for Crude & Refined Oils.**
- **1999- Indian Government introduced Duty Difference between Crude & Refined Oils to encourage value addition of Refining within the country**



Edible Oils Industry – Policy Background

- After this, huge port based refining capacity were set up in the country mainly at Kakinada, Kandla, Haldia, JNPT & Krishnapatinam.
- Current capacity of Refining is 20 Million Tonnes and Investment over US\$ 2.5 Bn., however utilised capacity is hardly 45/50%.
- Import Duty Structure in India has undergone many changes since inception to take care of the consumers interest on one side and farmers on the other.



India - Import Duty Structure on Edible Oils

July - 2014

Item Description	WTO Bound Rate	Duty on Crude Edible Oils	Duty on Refined Edible Oils	Current Tariff Value US\$/Tn (31.07.2014)
Soybean Oil	45%	2.5%	10%	927
Palmolein	300%	2.5%	10%	881
Palm Oil	300%	2.5%	10%	836
Sunflower Oil	300%	2.5%	10%	-
Rape/Mustard Oil	75%	2.5%	10%	-

The duty on crude oil is 2.5% while refined oil is 10%. Import Duty is payable on Tariff Value as announced by the Government on fortnightly basis.



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



Impact of Inverted Duty Structure by Indonesia & Malaysia

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



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

Inverted Duty Structure by Indonesia & Malaysia has changed the Indian Import Pattern towards soft oils from palm oil.



Plea by Indian Refining Industry

- **Indian Vegetable Oil Industry is demanding to raise Custom Duty on RBD Palmolein to create Duty Difference of 15% between crude and refined oil thereby viability to process CPO.**
- **In January 2014, the Government of India partially accepted and raised Import Duty on Refined Oils to 10% from 7.5% creating Duty Difference of 7.5% (from 5%) between Crude & Refined Vegetable Oil.**
- **The meager change has not helped much to Indian Refiners and Import of RBD likely to increase in 2014-15 at new high.**



**India has
promising
demand
growth**



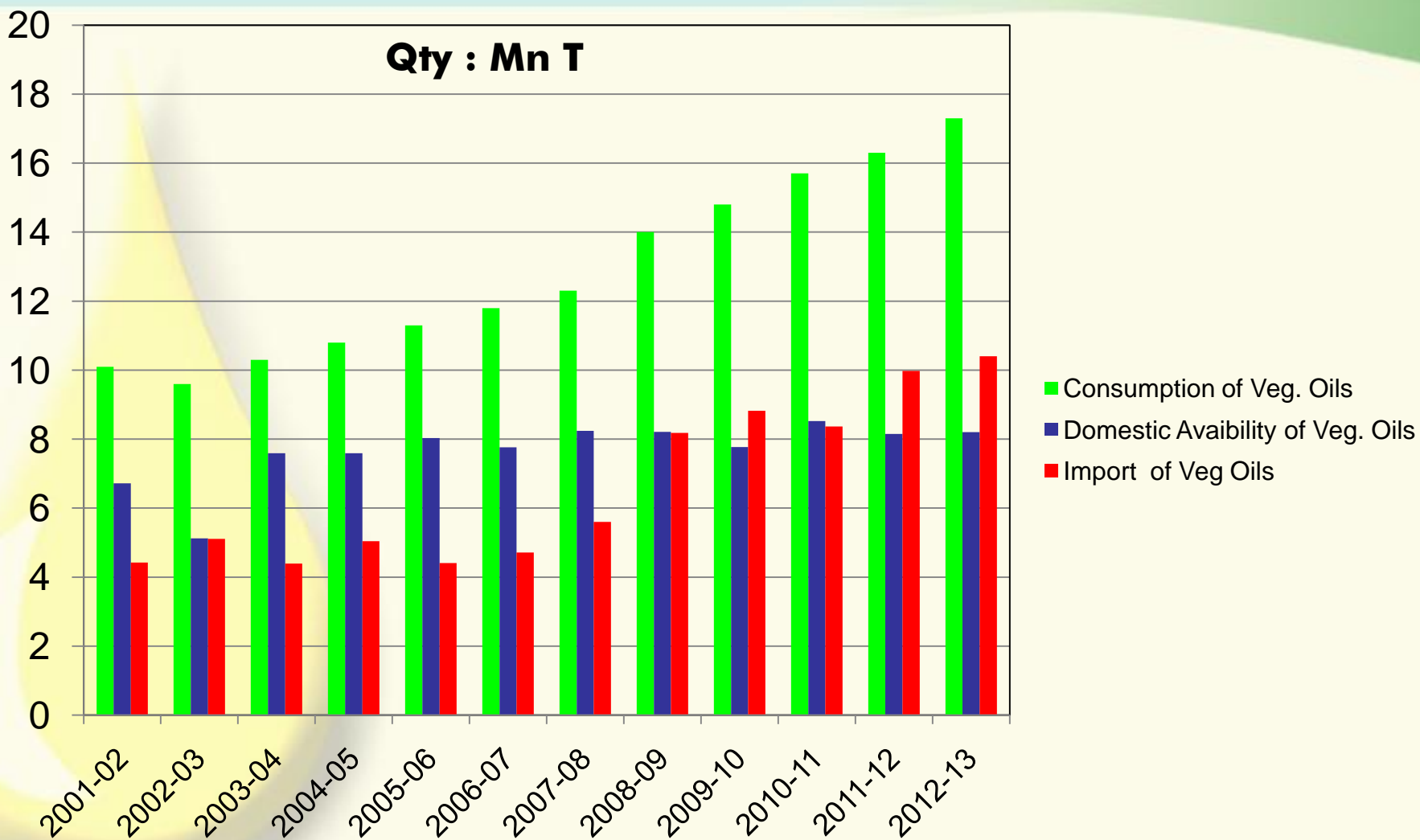
India has Promising Demand Growth

Demand drives in India

- **Consistent GDP growth rate at or above 7.5 % in last 5 years (except last year).**
- **The big emerging Indian middle class.**
- **The double digit growth of out of home consumption of edible oils.**
- **Per capita consumption of Edible oils in India at 14.40 kg (2013-14) is still a lot below threshold level of consumption.**
- **Even with a moderate population growth the absolute increase in number of people is quiet Higher.**
- **A point to note is that the Indian Edible Oils demand is both switchable and elastic : Switchable to other oils to quiet an extent & is elastic to an extent.**



Edible Oil Production, Demand & Import

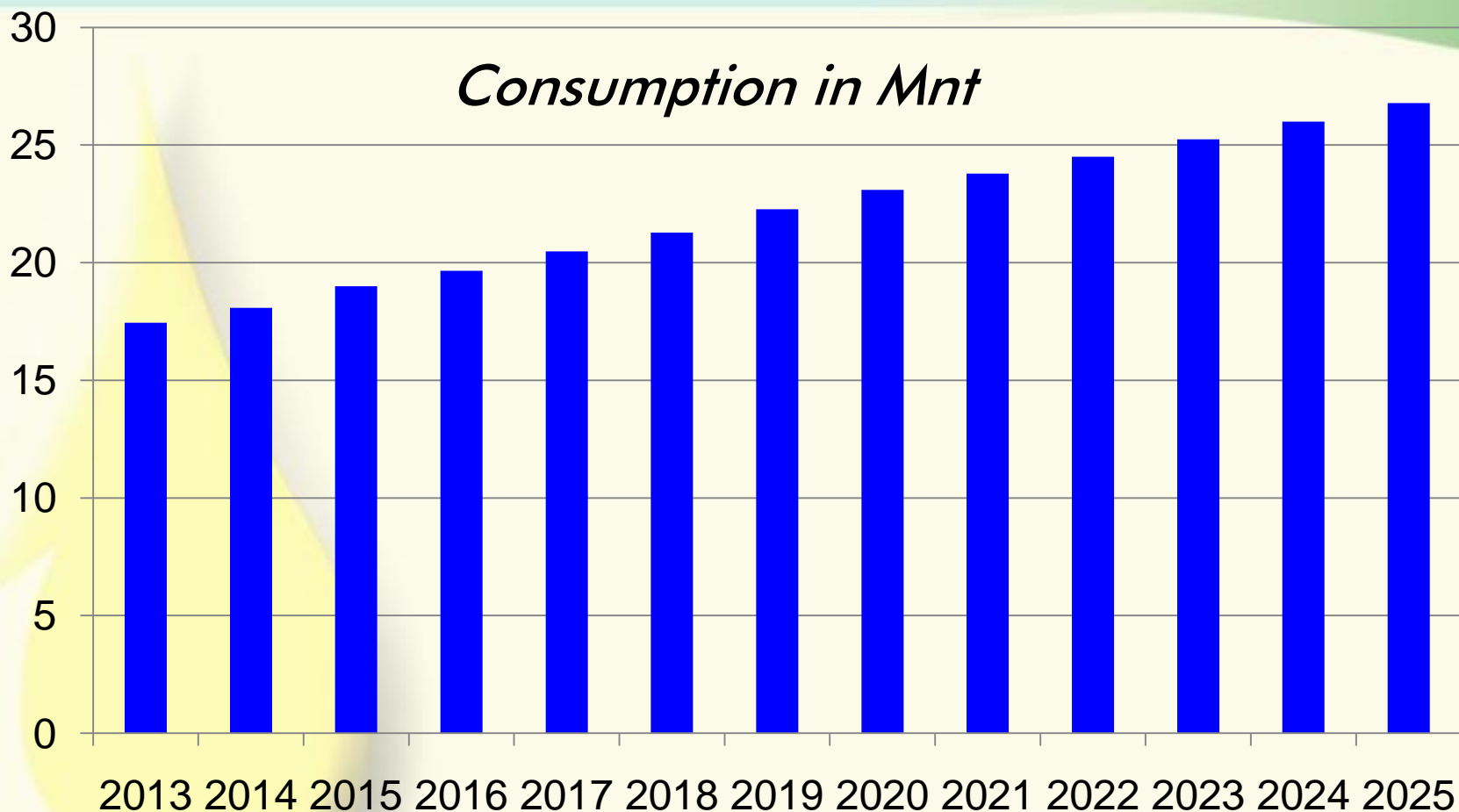


For the year 2012-13 consumption was 17.3 Mnt. Gap of 10 Mnt between Demand & Supply was bridged Through Import



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)

Consumption will be higher, if growth is taken at 4% or 5%



Import of Edible Oil by India





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 of edible oil has doubled in last six years.



Estimated Oil-wise import during 2013-14

(Qty . In Million Tons)

OILS	2012-13	2013-14	+/- in 2013-14
	Mn. T	Mn. T	Mn. T
CPO	5.89	6.05	0.16
OLN	2.22	1.6	-0.62
CPKO	0.18	0.15	-0.03
TTL PALM	8.29	7.80	-0.49
SBO	1.09	1.72	0.63
SUN	0.97	1.43	0.46
RAPE	0.03	0.15	0.12
TTL SOFT	2.09	3.30	1.21
TOTAL	10.38	11.10	0.72



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

(Figures in '000T)

Country	2013	2012	2011	2010	2009
<u>Soybean Oil</u>					
U.S.A.	95	18	-	161	146
Argentina	803	817	746	1284	693
Brazil	233	313	144	78	202
Other Countries	43	32	51	45	66
Total	1174	1180	941	1569	1107
<u>Sunflower Oil</u>					
Ukrain	1058	1055	812	586	494
Argentina	23	37	43	39	93
Other Countries	3	24	16	38	56
Total	1084	1116	871	663	643
<u>Palm Oil</u>					
Indonesia	5879	5308	5011	5435	5255
Malaysia	2384	2494	1677	1190	1542
Thailand	208	4	49	21	28
Other Countries	1	11	8	3	3
Total	8472	7817	6745	6649	6828
Other Oils	401	282	228	296	351
Grand Total	11131	10395	8785	9177	8929



Projection for Domestic Oil Supplies & Import Requirement in 2015-16 & 2020-21

(Figures in ml T)

Edible Oil	2013/14	2015/16			2020/21		
	Current Scenario	Pessimistic Scenario	Normal Scenario	Optimistic Scenario	Pessimistic Scenario	Normal Scenario	Optimistic Scenario
Domestic Supply	7.2	7.4	7.9	8.4	8.9	9.4	9.9
Demand	18.3	20.3	20.3	20.3	25.7	25.7	25.7
Import Require.	11.1	12.9	12.4	11.9	16.8	16.3	15.8

Growth in domestic production is not catching up with the growth in consumption and hence Indian import may increase to 12.4 ml T in 2015/16 and to 16.3 ml T in 2020/21 in normal scenario.



Scope for Sustainable Palm Oil in India





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 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.
- SEA is willing to join hands with ISPO/RSPO to promote usage of certified palm oil in India, provided duty structure is made attractive for Indian refiners & consumers.



Conclusion

- ⇒ **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, increasing the country's import dependence.**

Cont..



Conclusion

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.**



Thank
You



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