

**E- Edible oil industry possesses immense growth opportunities**

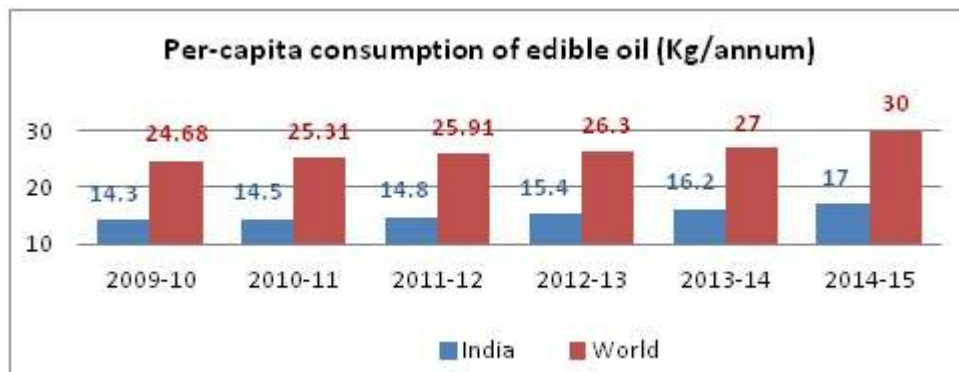
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**Edible oil industry possesses immense growth opportunities**

Edible oils and fats are essential ingredients for a wholesome and balanced diet and are vital items of mass consumption. Edible oil industry is one of the most important industries of agriculture sector in India. The Indian edible oil market is the fourth largest in the world after the USA, China, Brazil and accounts for around 9 percent of the world's oil seed production. The Industry is highly fragmented with extreme variation in the consumption pattern of Indian consumers of edible oil. Apart from cooking, edible oils can be used for a number of other uses and have applications in different industries.

Vegetable oil consumption has increased due to rise in overall household income, surging retail sector, increasing health awareness, growing population and increasing demand. However, increasing demand has not matched with the level of production and thereby facilitating the imports of edible oil in the country. India's dependence on imported oil has increased to 70% of its requirements. Mismatch of demand and supply is met through import of edible oils so as to maintain their prices at reasonable level.

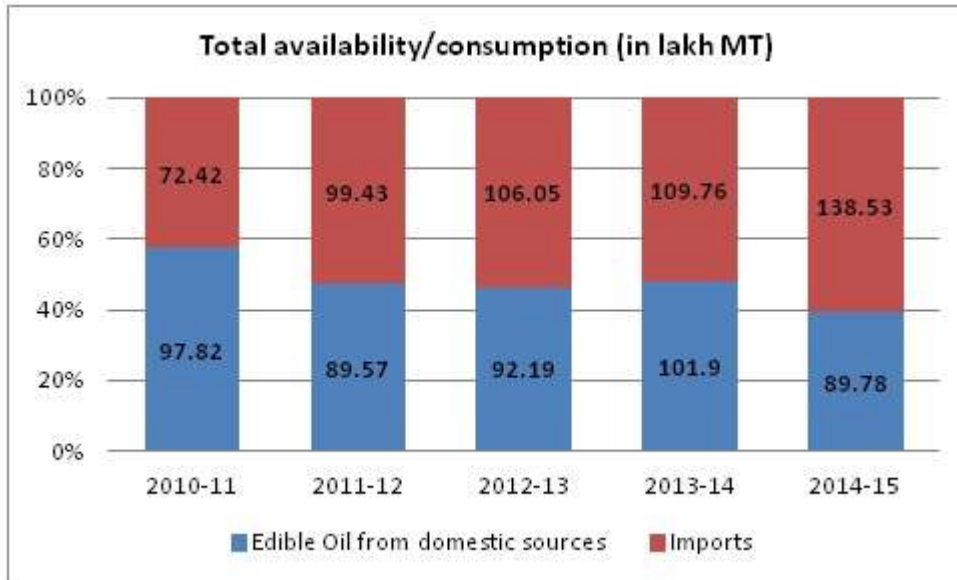
There are two sources of oils -- primary source and secondary source. The primary sources of oil are nine principal oilseeds - groundnut, rapeseed/mustard, soyabean, sunflower, sesame, niger, safflower, castor and linseeds. Edible oils obtained through secondary sources include coconut, cottonseed, palm, rice bran and oilseed cakes. The domestic demand of edible oils has been increasing at a pace faster than that of production, due to growth in population and improvement in the standards of living of people. The domestic production is insufficient to meet the demand and the shortfall is made good by imports. The Indian edible oil market continues to be under-penetrated and thereby holds immense business opportunities. The per capita consumption of edible oils in the country is less as compared to world per capita consumption of edible oils.



**Total availability/consumption**

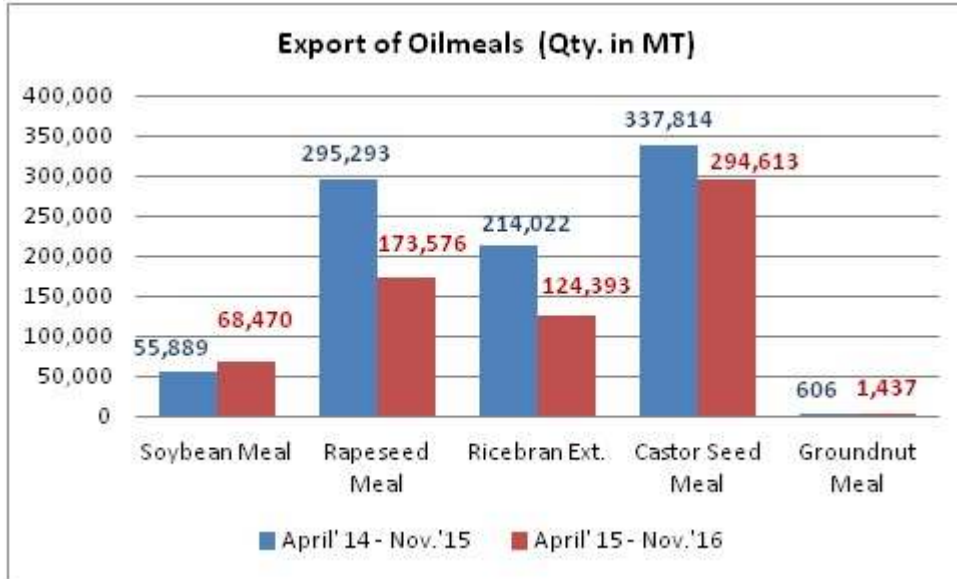
India is a vast country and inhabitants of several of its regions have developed specific preference for certain oils largely depending upon the oils available in the region. For example, people in the South and West prefer groundnut oil, while those in the East and North use mustard/rapeseed oil. Likewise several pockets in the South have a preference for coconut and sesame oil. Inhabitants of northern plain are basically consumers of fats and therefore prefer

Vanaspati, a term used to denote a partially hydrogenated edible oil mixture of oils like soyabean, sunflower, rice bran and cottonseed and oils. Oils such as soyabean cottonseed, sunflower, rice bran, palm oil and its liquid fraction- palmolein which were earlier not known have now entered the kitchen. The share of raw oil, refined oil and vanaspati in the total edible oil market is estimated roughly at 35%, 55% and 10% respectively. The consumption of refined palmolein (RBD palmolein) as well as its blending with other oils has increased substantially over the years and is used extensively in hotels, restaurants and in preparation of wide varieties of food products.



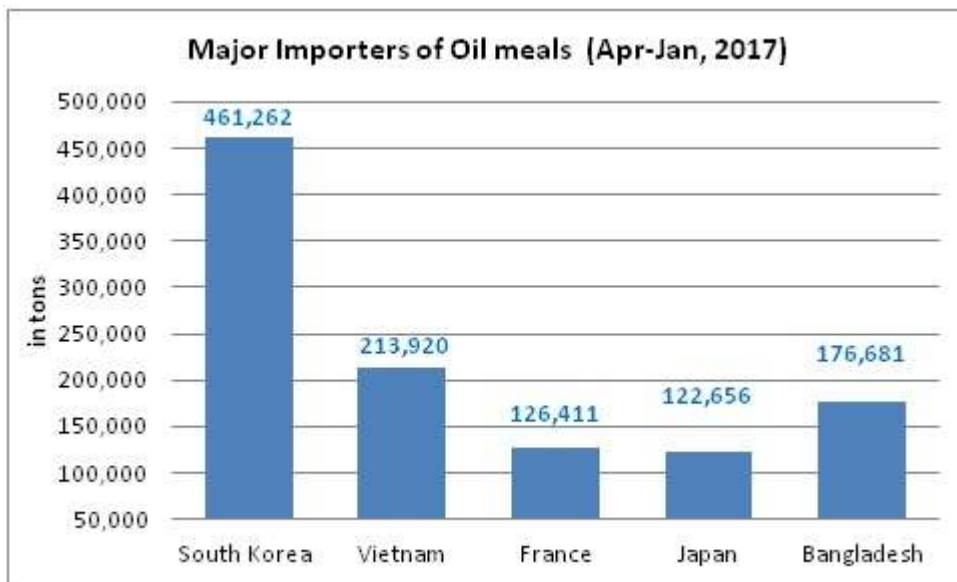
### Export of Oil meals

The export of oil meals during November 2016 stood at 108,342 tons compared to 120,059 tons in November 15. The overall export of oil meals during April to November 2016 stood at 662,489 tons compared to 903,624 tons during the same period of last year, down by 27% due to lesser availability of oilseeds for crushing and continuous disparity in exporting soybean meal in International Market.



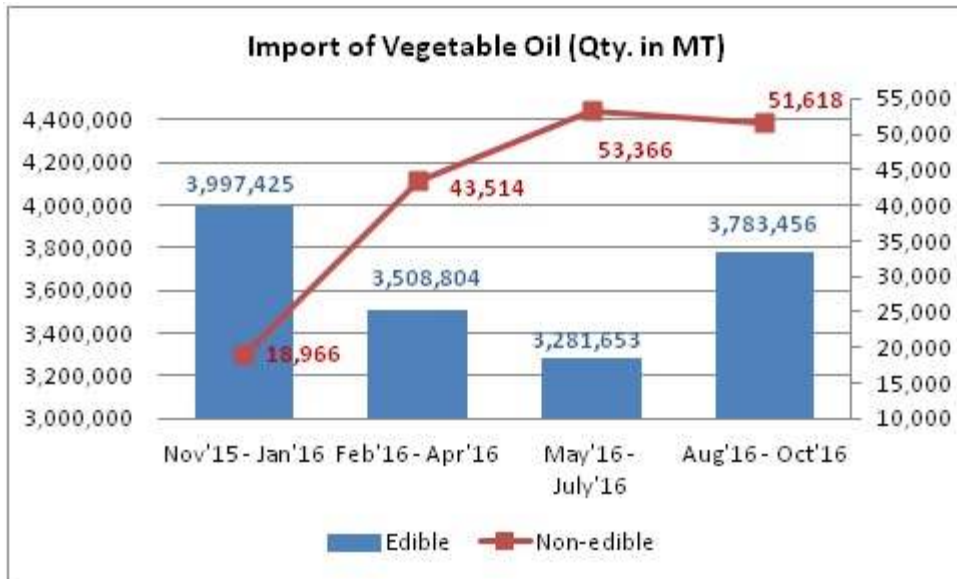
**Major Importers of Oil meals**

South Korea is a major importer of oil meals from India. Oil meal import by South Korea from India during April-January, 2017 stood at 461,262 tons; consisting 147,660 tons of rapeseed meal, 304,932 tons of castor meal and 8,670 tons of soybean meal. Vietnam imported 213,920 tons; consisting of 6,936 tons of rapeseed meal, 5,994 tons of soybean meal and 200,990 tons of Deoiled Rice Bran Extraction. France imported 126,411 tons; consisting of 122,850 tons of soybean meal and 3,561 tons of castor meal. Japan imported 122,656 tons; consisting 118,125 tons of soybean meal , 4,013 tons of rapeseed meal and 518 tons of castor meal. Bangladesh imported 176,681 tons; consisting 174,150 tons of soybean meal, 1,452 tons of rapeseed meal and 1,079 tons of de-oiled rice bran.

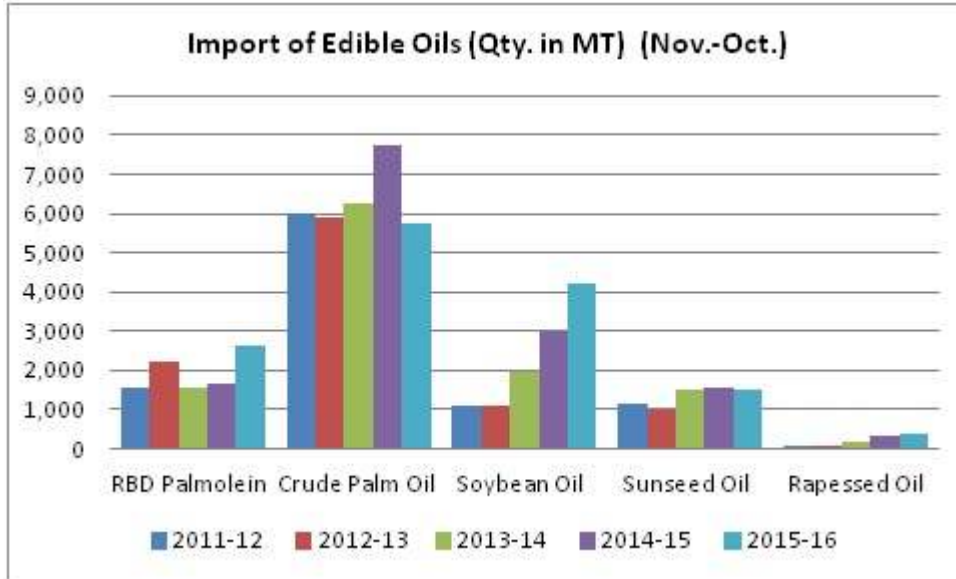


**Import of Vegetable Oil**

The import of vegetable oils during Oil Year 2015-16 (November '15 to October '16) stood at 147.4 lakh tons consisting of 145.7 lakh tons of edible oil and 1.7 lakh tons of non-edible oils, compared to 146.1 lakh tons for the same period of last year. Import of vegetable oils during October 2016 was very low at 1,173,254 tons compared to 16.70 lakh tons for October'15 and 13.99 lakh tons in September, 2016 reducing overall incremental growth of 5% up to September' 16 to just 1% for the whole year 2015-16. Import of Non-edible oils during November 2015 to October 2016 was around 167,464 tons compared to 191,231 tons during the same period last year, down by 12%.



Import of edible oil has sharply increased in last few years due to stagnant oilseed production and rising demand in the country. Soybean oil import is increasing year on year. In 2011-12, import was just 10.8 lakh tons which increased to 42.4 lakh tons in 2015-16, due to stagnant domestic soybean crop coupled with attractive price in international market due to heavy supply. RBD Palmolein import jumped from 16.6 lakh tons in 2014-15 to 26.2 lakh tons in 2015-16, up by 58%, thanks to unfavourable duty difference between crude and refined oils. On an average 15.0 lakh tons of sunflower seed oil is being imported by India, while rapeseed oil import also increased to nearly 3.75 lakh tons from 2.00 lakh tons two years back.



**Budget disappointment**

The recent budget announcement by Finance Minister left oilseed processors disappointed. As per industry body Solvent Extractors Association (SEA) the budget didn't provided any support to augment the production of oilseeds which is the crying need of the country. As there was no change in duty for import of vegetable oils and maintained the same as hitherto on crude oils and refined oils. For level playing field, the industry had demanded to increase the duty difference between crude and refined oils from 7.5% to 15% to safeguard the interest of farmers and improve capacity utilization of refiners which currently operating at 40 to 50% only.

**Outlook**

India is fortunate of having a wide range of oilseeds crops which is grown in its different agro climatic zones, still the country has been an importer of edible oil for last many years because of a mismatch between demand and domestic production. Import of edible oil has sharply increased in last few years due to stagnant oilseed production and rising demand in the country. The domestic production of oilseeds has been declining as farmers are no longer interested in growing the crop which has become un-remunerative. Though, the per capita consumption of edible oils in the country is also less as compared to world consumption, which offers immense business opportunities in the space. The long-term demand of edible oil in India is favorable on account of growth in population and improvement in the standards of living of people.

Source – Ace Equity

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