Increasing demand to drive edible oil growth

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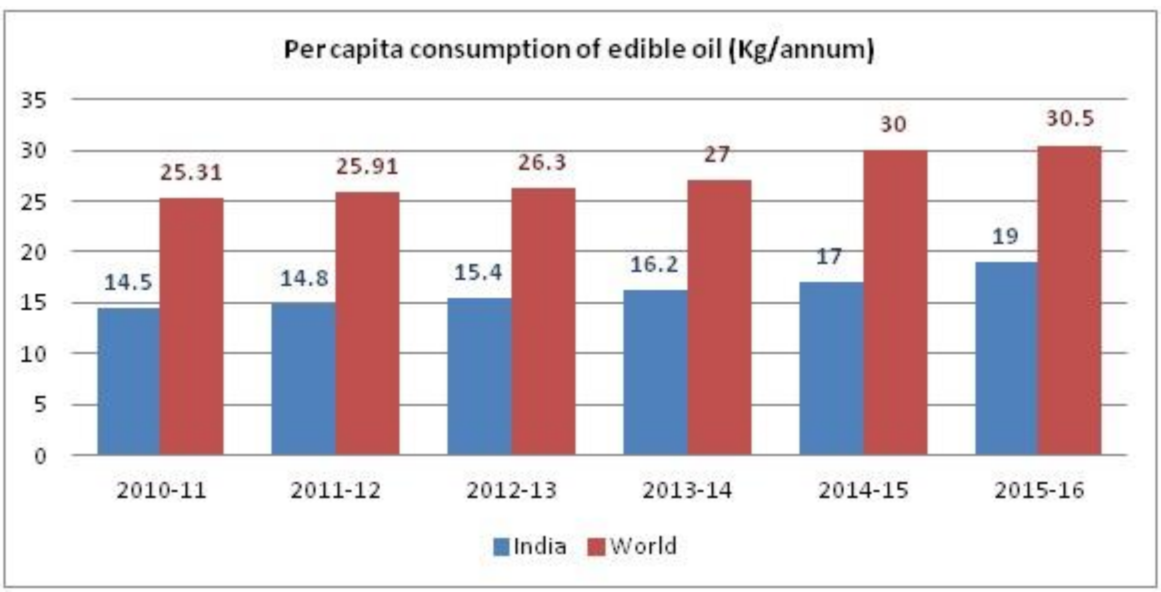
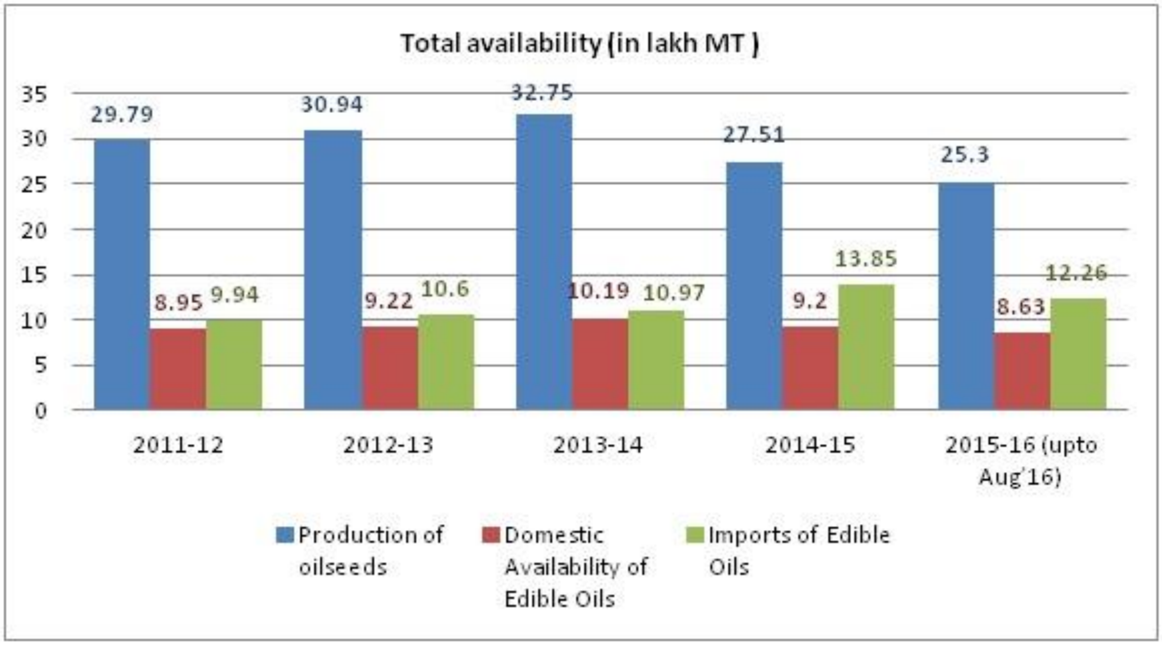
Government initiatives, increasing demand to drive edible oil growth

Edible oils and Fats are essential ingredients for a wholesome and balanced diet and are vital items of mass consumption. There are two sources of oils -- primary 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. Indian edible oils demand is both switchable and elastic. Switchable to other oils to quite an extent & is elastic to an extent.

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. 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. Total consumption will increase due to anticipated rise in oilseed crushing (meal and oil), food use, and feed waste.

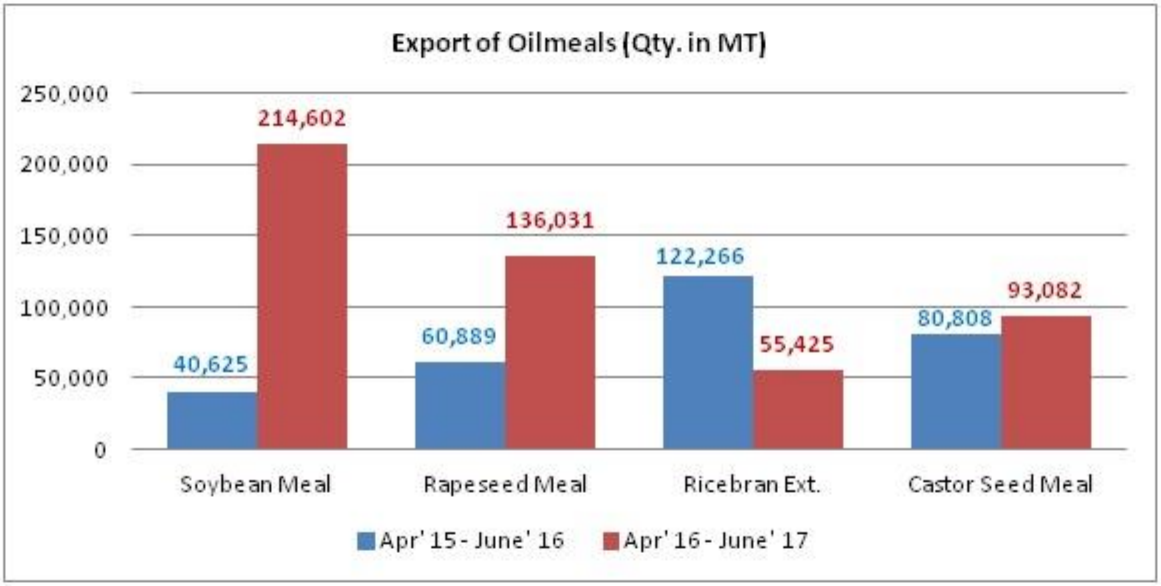


As per USDA, India's total oilseed production in marketing year (MY) 2017/18 (Oct-Sept) is forecast to rise seven percent to 38.6 million metric tons (MMT), derived from 40 million hectares. The forecast assumes a normal 2017 Southwest monsoon (June-September) season, near-normal oilseed yields (per five-year average), and adequate market price incentives that encourage farmers to reclaim diverted oilseed acres. Vegetable (edible) oil imports are forecast to rise five percent to 16.8 MMT. Meal exports will recover modestly to 2.7 MMT, despite continued strong domestic demand for oilmeals.



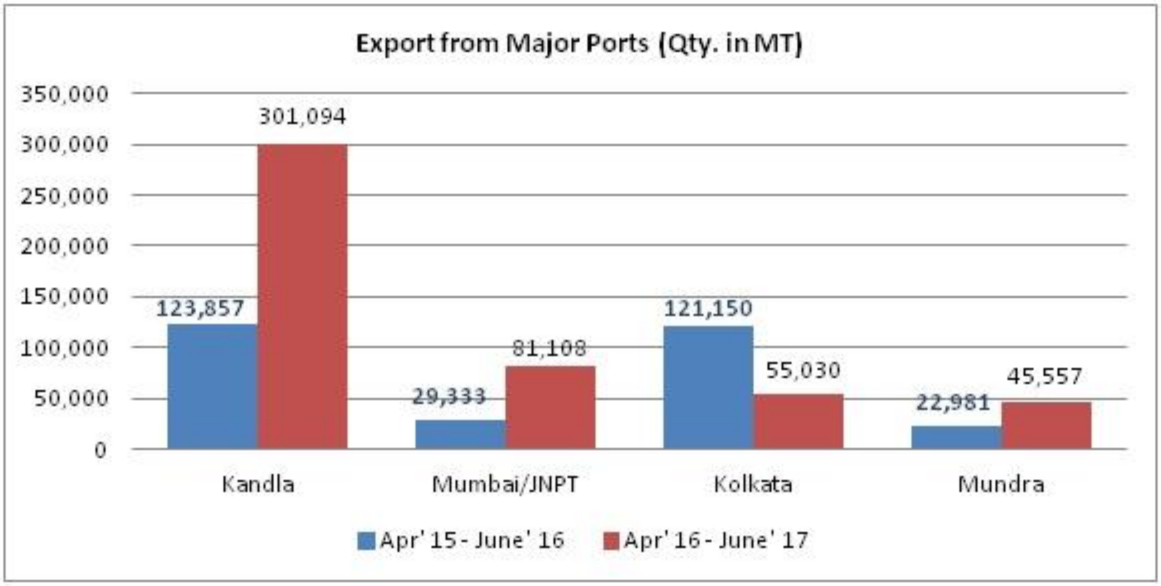
Export of Oil meals

The export during June 2017 stood at 150,918 tons compared to 132,771 tons in June 2016 i.e. up by 14%. The overall export of oilmeals during April - June 2017 was provisionally reported at 499,140 tons compared to 304,703 tons during the same period of last year i.e. up by 64%. In last three months the export of oilmeals improved compared to the previous year, thanks to good monsoon, better oilseeds production and price parity. In percentage terms export have shown improvement, but still it is lower compared to earlier years. It may be also noted that India faced drought years during 2014-15 and 2015-16, which lead to lower production of oilseeds which affected export of oilmeals to a lowest level.



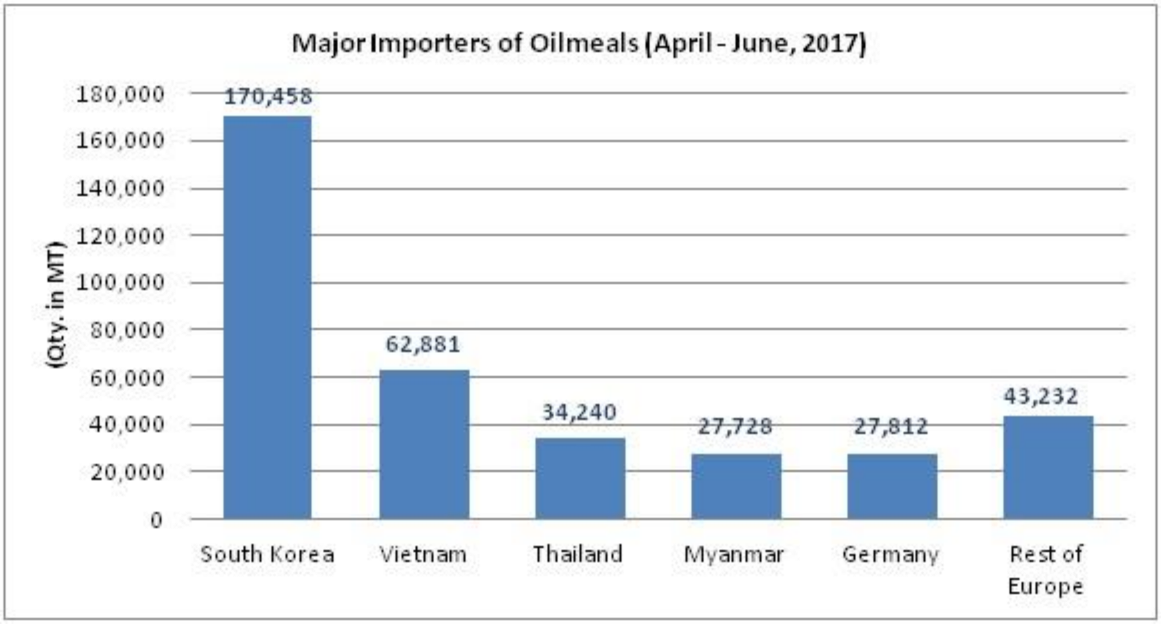
Port-wise Export

The export from Kandla is reported at 301,094 tons (60%), followed by Mumbai including JNPT handled 81,108 tons (16%), Mundra handled 45,557 tons (9%) and Kolkata handled 55,030 tons (11%).



Major Importers of Oil meals

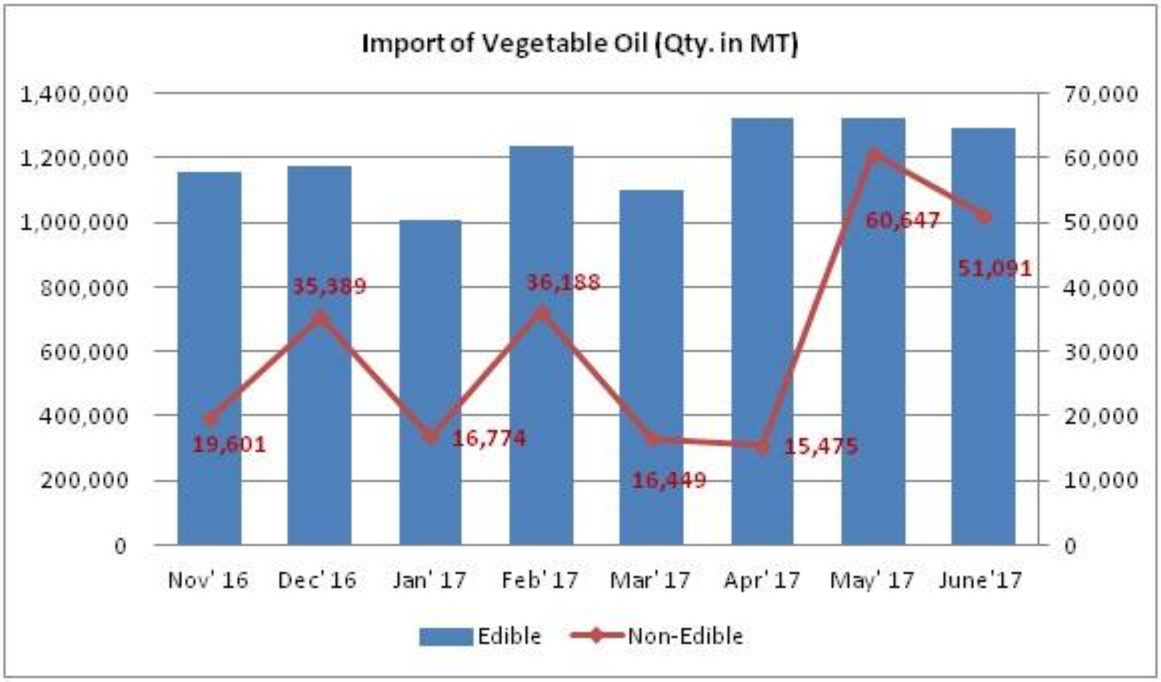
South Korea imported 170,458 tons compared to 127,700 tons; consisting 96,523 tons of rapeseed meal, 70,862 tons of castor meal and 3,073 tons of soybean meal. Vietnam from India reported at 62,881 tons compared to 113,693 tons; consisting of 7,816 tons of soybean meal, 9,751 tons of rapeseed meal and 45,314 tons of De-oiled Rice Bran Extraction. Thailand imported 34,240 tons compared to 1,066 tons; consisting 14,814 tons of rapeseed meal, 8,142 tons of De-oiled Rice Bran Extractions and 11,284 tons of soybean meal. European countries were the major importer of Indian Soybean Meal. Germany imported 27,812 tons of soybean meal and rest of European countries imported 43,232 tons.



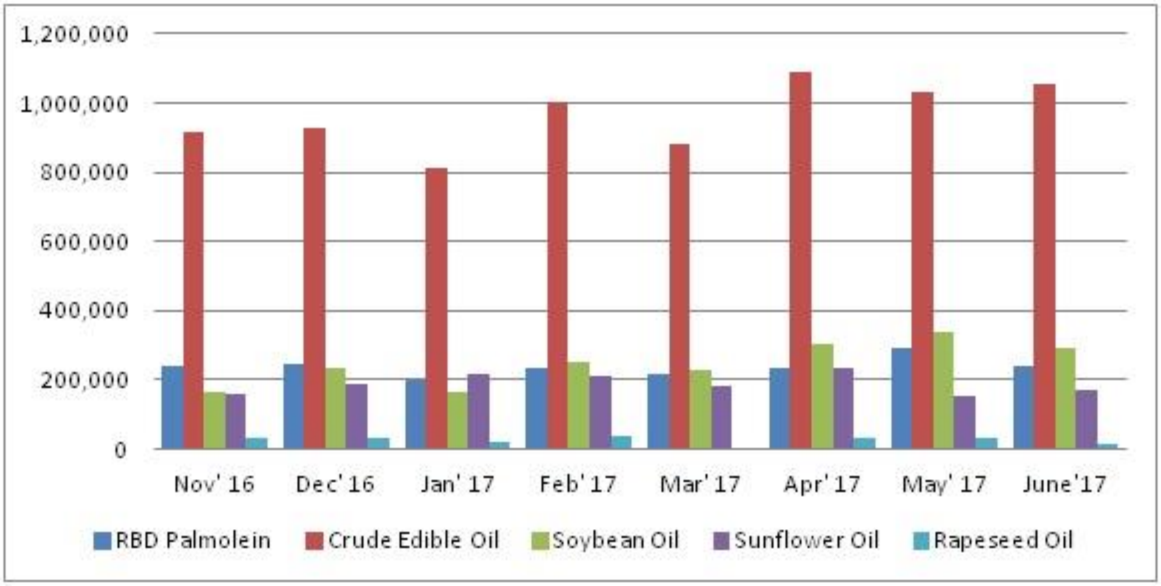
The overall turnover of the oilseed sector was Rs 175,000 crore ($11 billion) and on Import front, it's the third item after Crude Petroleum and Gold. India is spending over Rs 70,000 crore for import of edible oils per annum and dependence on import is nearly 70%. The total import of edible oils in FY2015-16 stood at 156.39 Lakh MT. The major edible oils imported are Crude Palm Oil, Sunflower Oil and Soyabean Oil which constituted 38.74%, 10.91% and 28.93% of the total imports respectively during FY 2015-16, while RBD Palmolein constituted 18.21% of total edible oil imports. The government reviews the duty structure of edible oils from time to time in order to harmonize the interests of farmers, processors and consumers.

Import of Vegetable Oil

The import of vegetable oils during first eight months of current oil year 2016-17 (November'16 to June '17) stood at 9,863,572 tons compared to 9,763,043 tons, more or less same of the last year. Import of vegetable oils during June 2017 was reported at 1,344,868 tons compared to 1,169,456 tons in June 2016 i.e. up by 15%, consisting of 1,293,777 tons of edible oils and 51,091 tons of non-edible oils. Import of Non-edible oils during November' 16 to June' 17 stood at 251,614 tons compared to 93,227 tons during the same period last year.

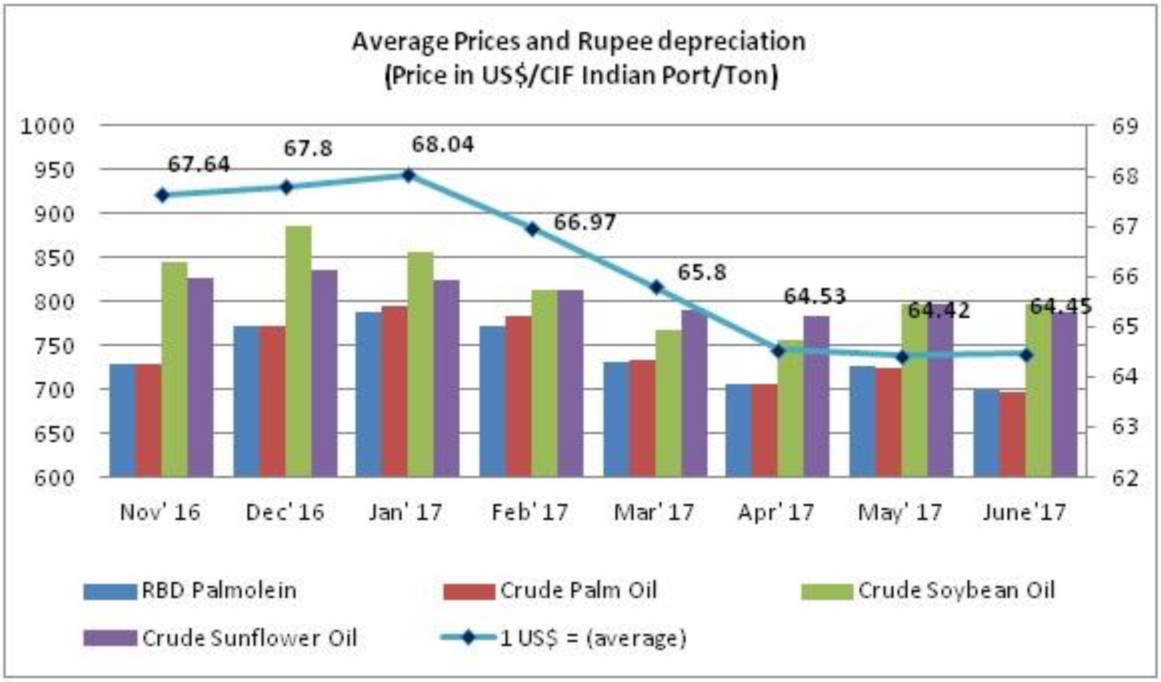


Import of refined oil (RBD Palmolein) has sharply increased to 1,903,056 tons during November' 16 to June' 17, from 1,777,839 tons in the same period of last year, while import of crude oil decreased to 7,708,902 tons from 7,892,977 tons during the same period of last year. Palm Oil import increased to 5,921,563 tons during November' 16 to June' 17 compared to 5,605,473 tons during the same period of last year, overall share of palm oil products increased to 62% from 58%, thanks to larger import of RBD Palmolein. Soft Oils import reduced to 3,690,395 tons from 4,064,343 tons last year, however, within soft oils, import of sunflower oil has sharply increased at the cost of soybean oil.



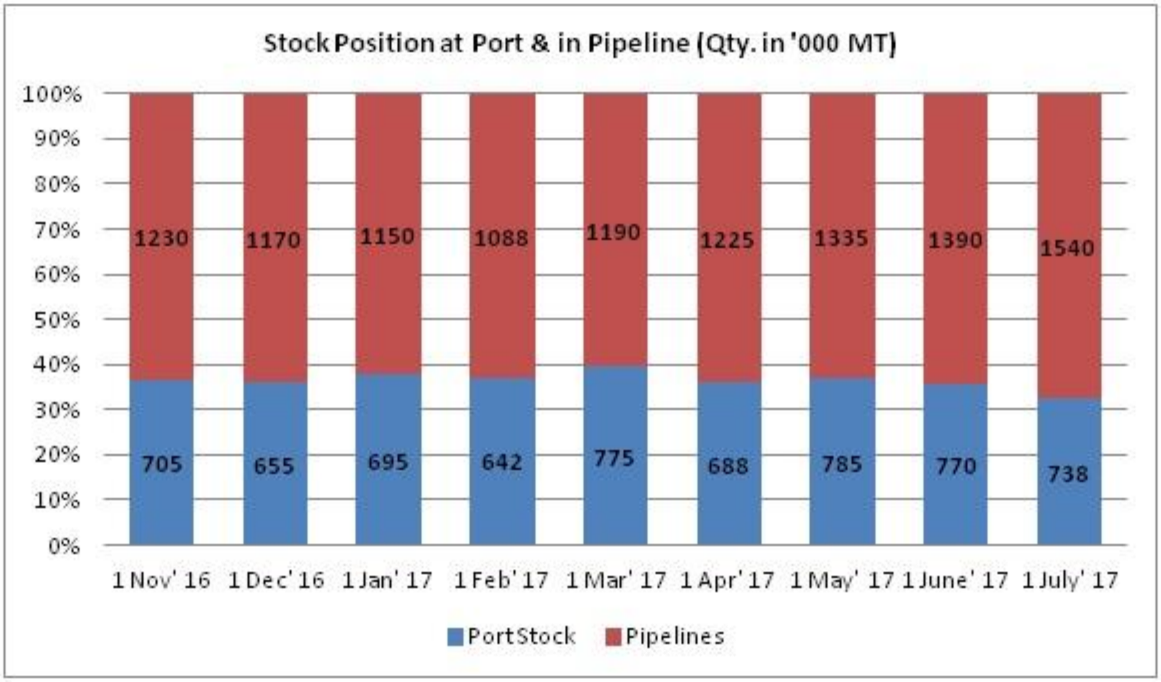
Average Prices

The landed price of RBD Palmolein has remained same or lower than CPO, since April'16 and onwards, encouraging larger import of RBD Palmolein at the cost of CPO. The spread between palm oil and soft oil reduced encouraging larger import of soft oils. Importers continue to make larger import purchases of Sunflower oil, taking advantage of attractive price compared to Soya oil. The strengthening of rupee in the last 6 months also supported the import of vegetable oils.



Stock Position at Port & in Pipeline

India's monthly requirement is about 17.50 lakh tons and operates at 30 days stock against which currently holding stock over 22.78 lakh tons equal to 39 days requirements. The total stock at ports and in pipelines increased to 2,278,000 tons from 2,160,000 tons in June, 2017. The stock of edible oils as on July 1, 2017 at various ports is estimated at 738,000 tons (CPO 270,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 160,000 tons, Crude Sunflower Oil 140,000 tons and 18,000 tons of Rapeseed (Canola) Oil) and about 1,540,000 tons in pipelines.



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. The per capita consumption of edible oils in India is still a lot below threshold level of consumption. The consumption of edible oil will rise in the future on account of high growth in income levels, increasing trend in spending & better living standards. The absolute increase in number of people will be quite higher even with a moderate population growth. India needs additional over a million tons of edible oil every year to meet the growing requirements. The long term view looks optimism for edible oil industry after Government of India lifted the ban on bulk exports of certain categories of edible oils, including groundnut, sesame and soyabean, in order to boost the country's shipments, and promote the domestic processing industry. The government is not only focusing on increasing production but taking steps to make agriculture income-centric as part of its target to double farmers' income by 2022.

Source – Ace Equity