



# INDIAN OILSEEDS INDUSTRY ANALYSIS

SEPTEMBER- 2023

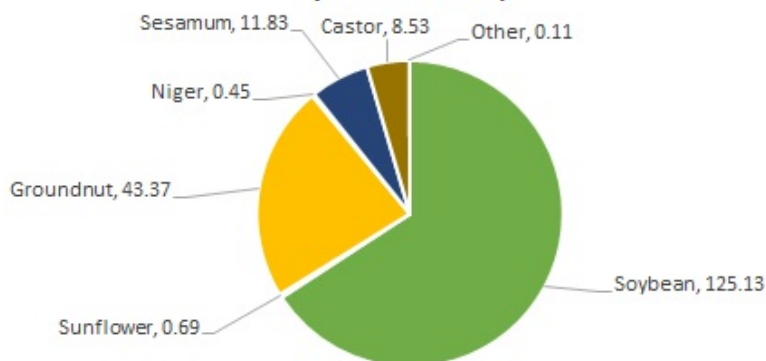


Oilseeds are not high-yielding crops as compared to grains and, other comparable crops. India is one of the largest producers of oilseeds in the world. Oil sector occupies an important position in the agricultural economy. India is the world's second-largest consumer and number one importer of vegetable oil. The present rate of edible oil consumption in India surpasses the domestic production rate. Hence, the country has to rely on imports to meet the gap between demand and supply. At present, India meets nearly 55% to 60% of its edible oil demand through imports. Therefore, India needs to be independent in oil production to meet the domestic consumption demand. Palm oil (Crude + Refined) constitutes roughly around 62% of the total edible oils imported and are imported mainly from Indonesia and Malaysia, while Soyabean oil (22%) is imported from Argentina and Brazil and Sunflower oil (15%) is imported mainly from Ukraine and Russia. In India, groundnut, mustard, rapeseed, sesame, safflower, linseed, niger seed and castor are the major traditionally cultivated oilseeds. Soyabean and sunflower have also assumed importance in recent years. Coconut is most important amongst the plantation crops. Among the non-conventional oils, rice bran oil and cottonseed oil are the most important. Meanwhile, the Solvent Extractors' Association of India (SEA) has estimated that India's edible oil consumption would surge to 25-27 million tons by FY 2025-26.

## **KHARIF OILSEEDS SOWING:**

The area sown under kharif oilseeds overall declined by 0.94% to 190.11 lakh hectare for the week ending September 01, 2023, as compared to 184.61 lakh hectare in the same period of last year (2022). Of the total area, highest sowing was done under Soybean at 125.13 lakh hectare for the period under review. Followed by, Groundnut 43.37 lakh hectare, Sesamum 11.83 lakh hectare, castor 8.53 lakh hectare, Sunflower 0.69 lakh hectare, Nigar 0.45 lakh hectare and other 0.11 lakh hectare. The slight fall in area sown in kharif or monsoon cropping season can be attributed to deficit in the rainfall in oil seeds producing regions during the week ending August 30, 2023. For the country as a whole, the weekly cumulative All India Rainfall in percentage departure from its long period average (LPA) till week ending on August 30, 2023 was -40%, over south Peninsula was -48%, central India as -73%, over northwest India had -43%, while east & northeast India had got +30%. For all India rainfall during June 01 to August 30, 2023 was -9%.

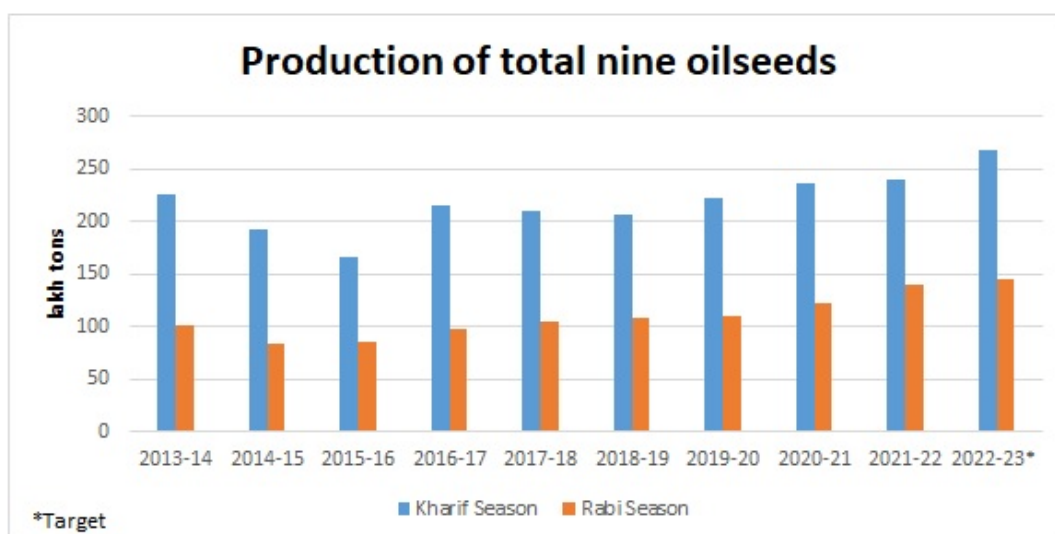
### Kharif oilseeds sowing as on September 01, 2023 (lakh hectare)



## PRODUCTION OF TOTAL NINE OILSEEDS:

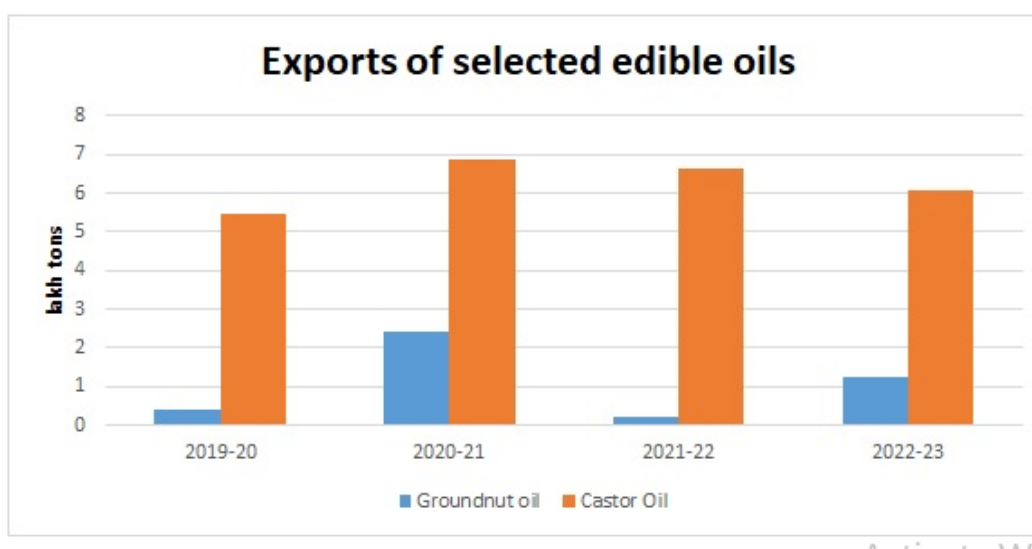
The India's production of total nine oilseeds (Groundnut, Castorseed, Sesamum, Nigerseed, Soybean, Sunflower, Rapeseed & Mustard, Linseed and Safflower) is growing for the last six years (from 2016-17 to 2021-22). In the crop year (July to June) 2021-22, production of oilseeds increased by 5.61% to 379.63 lakh tons from 359.46 lakh tons oilseeds produced in 2020-21. From the year 2015-16, when oilseeds production fell to 252.51 lakh tons, the production showed robust growth with the compound annual growth rate (CAGR) of 7% till 2021-22. This achievement can be attributed to the implementation of various programs like special programmes on mustard & rapeseed during Rabi and cluster demonstrations of improved technology by the Government of India. The production of oilseeds for 2022-23 is targeted at 413.45 lakh tons with anticipation of higher production of soyabean and mustard seed.

### Production of total nine oilseeds



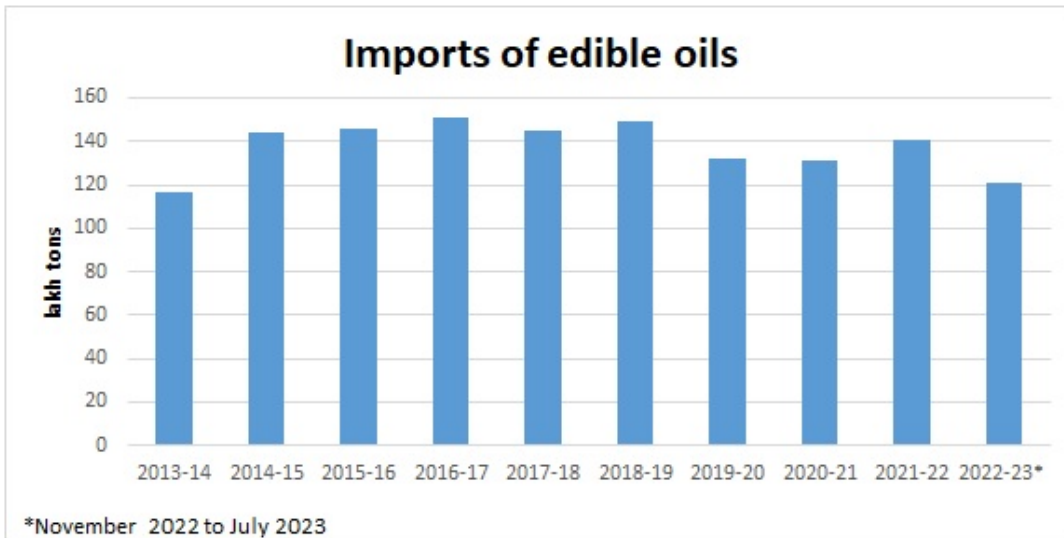
## EXPORTS OF SELECTED EDIBLE OILS:

In order to ensure availability of edible oil in the country, exports of edible oil had been banned with effect from March 17, 2008, which was extended from time to time. With effect from February 06, 2015, exports of rice bran oil in bulk had been permitted. With effect from March 27, 2017, exports of groundnut oil, sesame oil, soyabean oil and maize (corn) oil had been permitted. With effect from April 06, 2018, exports of all edible oils except mustard oil was made free without quantitative ceiling; pack size etc, till further orders. Exports of mustard oil was permitted in packs of up to 5 Kg with a Minimum Export Price (MEP) of \$900 per MT. During 2022-23 (April-March), India exported 1.23 lakh tons of Groundnut oil higher as compared to 0.2 lakh tons exported in 2021-22. Prior to this, it was 2.41 lakh tons in 2020-21 and 0.38 lakh tons in 2019-20. Castor Oil exports stood at 6.06 lakh tons in 2022-23 over 6.62 lakh tons in 2021-22, while it was 6.86 lakh tons in 2020-21 and 5.47 lakh tons in 2019-20.



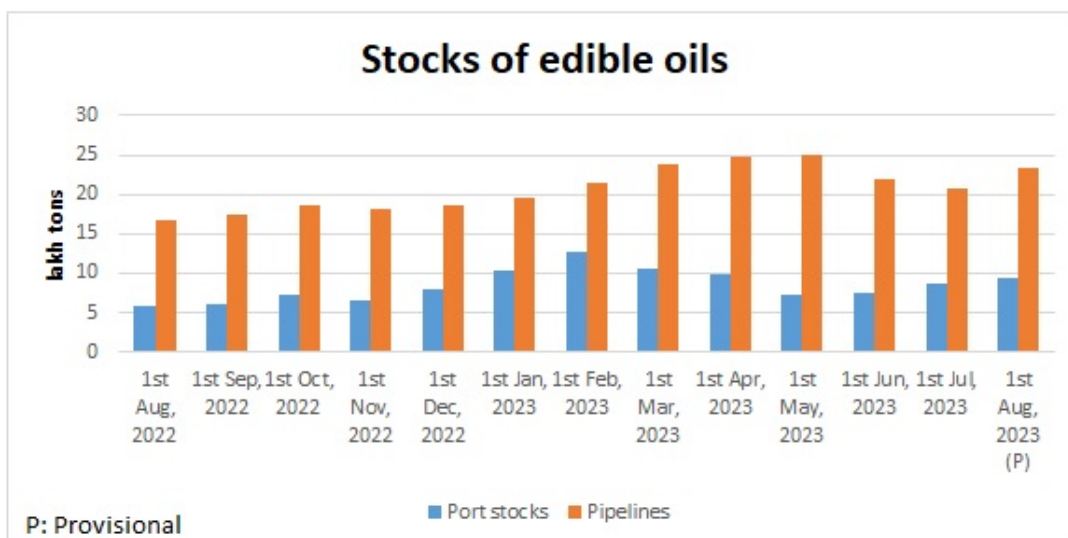
## IMPORTS OF EDIBLE OILS:

India's demand for edible oils far outweighs its production, therefore needs to be met through imports. India is the largest importer of vegetable oils followed by China and USA. Imports of edible oils in first nine months of oil year 2022-23 (November to October) stood at 121.23 lakh tons, higher by 25.04% as compared to imports of 96.95 lakh tons in the same period of last year. For the year 2021-22, imports increased by 6.84% to 140.30 lakh tons over 131.32 lakh tons in the year 2020-21. During November 2022 to October 2023, imports of palm oil products sharply increased due to price parity and its share increased to 59% from 50%. Also, soft oil imports increased marginally, while its share decreased to 41% from 50%. Indonesia and Malaysia are the major suppliers of RBD (Refined Bleached and Deodorized) Palmolein and Crude oil to India.



## STOCKS OF EDIBLE OILS:

The stocks of edible oils as on August 01, 2023 at various ports are provisionally estimated at 9.49 lakh tons (CPO 2.55 lakh tons, RBD Palmolein 1.87 lakh tons, Degummed soyabean oil 3.06 lakh tons and crude sunflower oil 2,01 lakh tons). Pipeline stock considering domestic production and consumption reported at 23.36 lakh tons. The total stocks (ports and pipelines) as on August 01, 2023 reported at 32.85 lakh tons higher as compared to 29.40 lakh tons as on July 01, 2023.



Activate Win

## El- NINO AND ITS IMPACT ON EDIBLE OIL INDUSTRY:

In April 2023, the India Meteorological Department (IMD) had predicted a normal monsoon for 2023 with rainfall expected to be 96 per cent of the long-term average. However, it also said that El Nino conditions are predicted to emerge throughout the monsoon season. India's crop seasons are dependent on the strength of the El Nino weather phenomenon that is predicted to next arrive in the latter half of 2023. The monsoon patterns are greatly affected by two weather phenomena namely, El Nino and La Nina. The El Nino involves an abnormal warming of the Pacific waters near Ecuador and Peru, affecting temperatures worldwide and generally leading to subnormal monsoons in India. La Nina has the opposite effect.

There are concerns that a spike in temperatures from El Nino would affect kharif crops during the critical seed filling stage, in addition to next season's rabi crop sowing because of delayed plantings and reduced soil moisture. With around 50-65 percent of India's cultivated land being rainfed, increased water scarcity may bring challenges in some regions due to limited groundwater availability for irrigation. Oilseeds are largely produced in Madhya Pradesh, Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, Haryana and West Bengal, which together had an average share of about 86% of total oilseed production in India. Four states namely, Rajasthan, Uttar Pradesh, Haryana, and West Bengal can be considered as the most vulnerable to such shocks.

The prices of oil likely to remain at higher end from December 2023 through April-May next year as the impact of El Nino in oil-producing countries is felt. Monsoon is critical for the soya bean and groundnut crop. According to the IMD, 287 out of 717 districts in the country were deficient in rainfall between June 1 and August 4. Production of four major rainfed oilseeds- groundnut, soybean, sesame, and castor is susceptible to El Nino as even minor variations in rainfall deviates availability of these crops. With production likely to be impacted, oilmeal exports may also get effected. Demand and supply mismatch during peak season could also bring in unwanted volatility in price of these oilseeds across major markets.

## **RUSSIAN – UKRAINE WAR IMPACT ON EDIBLE OIL INDUSTRY:**

India, the world's biggest vegetable oil buyer, imports soybean oil and sunflower oil primarily from Ukraine, Russia and Argentina. The ongoing Ukraine–Russia conflict has disrupted India's edible oil market which gets more than 90 percent of its sunflower oil from these two countries. India imports 25 lakh tonnes of sunflower oil annually, of which 70 per cent comes from Ukraine, 20 per cent from Russia and 10 per cent from Argentina. In the wake of Russia–Ukraine crisis, India's crude sunflower oil imports fell by 23 per cent to 5.70 lakh tonne between February 21 and June 30 of 2022, as against imports of 7.39 lakh tonne during the corresponding period in the previous year. The country imported 20.45 lakh tonne of crude sunflower oil during 2021–22 fiscal, slightly lower than 21.75 lakh tonne in the previous year.

Russia invades on February 24, 2022, on Ukraine. Prior to the invasion, there had already been eight years of conflict in eastern Ukraine between Ukrainian Government forces and Russia-backed separatists. The invasion began in the eastern Ukrainian territory of Donbas. Zelenskyy declared martial law in Ukraine and officially broke diplomatic ties with Russia.

The Russia–Ukraine war has prompted India to look for alternative sources of sunflower oil in Latin American countries. This was also lead to skyrocketing edible oil prices. To combat this, India reduced the import duty on sunflower oil to dampen local prices and to ensure availability of oil to the consumers.

## **NATIONAL MISSION ON EDIBLE OILS – OIL PALM(NMEO-OP):**

Considering the growing domestic demand for edible oils, the staggering deficiency and the cost to the exchequer on account of imports, the urgency of scaling up the oil palm area is of National interest and does not need any over emphasis. Therefore, to fulfil the National interest, National Mission on Edible Oils - Oil Palm (NMEO-OP) is approved with the aim to enhance the edible oilseeds production and oils availability in the country by harnessing Oil Palm area expansion, increasing CPO production and to reduce import burden on edible oils. It will focus on increasing edible oil production from Oil Palm. The State Department of Agriculture, State Department of Horticulture, Central University, ICAR-Institutions, CDDs, SAUs, KVKs, Central Agencies/Cooperatives, Oil palm processors/ Associations, DD Kisan, AIR, DD, TV channels will be the implementing stake holders of the NMEO-Oil palm.

Strategy: The strategy to implement the proposed NMEO-OP will include increasing production of seedlings by establishment of seed garden, nurseries of oil palm to assure domestic availability of seedlings as per target fixed under NMEO-OP. Improving productivity of FFBs, increasing drip irrigation coverage under oil palm, diversification of area from low yielding cereals crops to oil palm, inter-cropping during gestation period of 4 years, would provide economic return to the farmers when there is no production. The scheme would be implemented in a mission mode through active involvement of all the stakeholders. Fund flow would be monitored to ensure that benefit of the Mission reaches the targeted beneficiaries in time to achieve the targeted results.

Area of operation: NMEO-OP will be implemented in the following states. NMEO-OP: Potential states and districts of Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Maharashtra, Madhya Pradesh, Mizoram, Karnataka, Kerala, Odisha, Tamil Nadu, Telangana, Arunachal Pradesh, Assam, Bihar, Manipur, Meghalaya, Nagaland, Tripura, Uttar Pradesh, West Bengal and Andaman & Nicobar Islands.

## **GOVERNMENT INITIATIVES AND RECENT DEVELOPMENTS:**

- **Govt reduces import duty on edible oils to ensure domestic availability**

In order to ensure availability of edible oil to consumers at affordable prices, the government reduced the basic import duty on edible oils. The basic import duty on refined soyabean oil and refined sunflower oil has been reduced from 17.5% to 12.5% with effect from June 15, 2023. This will remain in force till March 31, 2024. The decision is expected to augment the earlier measures taken by the government to reduce the prices of edible oils in the domestic market. The basic import duty is an important factor which impacts the landed cost of Edible Oils which in turn affects the domestic prices. Reduction in import duty on refined sunflower oil and refined soyabean oil will benefit the consumers, as it will help in easing the domestic retail prices. The import duties on refined soyabean oil and refined sunflower oil were last reduced from 32.5% to 17.5% in October, 2021. This was done as during the year 2021, the international prices were very high, which was getting reflected in the domestic prices as well.

- **Mega oil palm plantation drive organized to help farmers become Atmanirbhar in edible oils production**

The Mega Oil Palm Plantation Drive was organized under the National Mission on Edible Oils - Oil Palm, State Governments along with Oil Processing companies. The drive began on July 23, 2023, and concluded on August 12, 2023, covering 49 districts in 11 states. Several dignitaries including senior political leaders, department officials, and gram panchayat members also graced the series of events that were conducted as part of the Pan-India Mega Oil Palm Plantation Drive. Under the scheme, farmers are also provided various incentives such as quality planting material, financial assistance for the maintenance of the crop, and intercropping. Additionally, the farmers are provided an assured market with guaranteed prices for their produce.





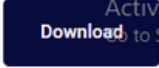
- **Govt asks industry to cut edible oils MRP by Rs 8-12 per litre as global prices drop**

In line with the global market, the Centre directed edible oil associations to further reduce the maximum retail price (MRP) of major edible oils by Rs 8-12 per litre with immediate effect. It said price to distributors by the manufacturers and refiners also needs to be reduced with immediate effect so that the price drop is not diluted in any way. It was also impressed upon that whenever a reduction in price to distributors is made by the manufactures/refiners, the benefit should be passed on to the consumers by the industry and the Ministry may be kept informed on a regular basis. With the edible oil prices continuing to show a downward trend and set to witness further reduction by the edible oil industry, the government said the Indian consumers can expect to pay less for their edible oils.

## OUTLOOK

The near term outlook of Indian edible oil industry looks gloomy as current kharif sowing is impacted due to inadequate weather conditions in major producing belts. Also, the country experienced its driest August 2023 in more than a century, with the country receiving 36% less rainfall than normal during the month. Separately, the possibility of Al-Nino conditions in the country may impact the production of edible oils. However, looking at upcoming festival seasons like Dasher and Diwali, the demand for the edible oils is likely to be higher in the coming time which is likely to provide some support to the industry. Meanwhile, various government's initiatives likely to help the industry. The government is continuously making efforts to increase the area production of oil palm. In order to increase availability of edible oils in the country and to reduce the import burden, various interventions since 1991-92 through schemes such as the Technology Mission on Oilseed & Pulses (TMOP), Integrated Scheme on Oilseeds, Pulses, Oil Palm and Maize (ISOPOM), Oil Palm Area Expansion (OPAE) and National Mission on Edible Oils- Oil Palm (NMOOP) which have taken place.

# TO CHECK OUR LATEST INDUSTRY ANALYSIS

<p>Indian Railways Analysis</p>  <p><b>A LOOK AT THE INDIAN RAILWAYS!</b></p> <p>AUGUST- 2023</p>  	<p>Indian E-Commerce Industry Analysis</p>  <p><b>INDIAN E-COMMERCE INDUSTRY ANALYSIS</b></p> <p>AUGUST- 2023</p>  	<p>Indian Tea Industry Analysis</p>  <p><b>INDIAN TEA INDUSTRY ANALYSIS</b></p> <p>AUGUST- 2023</p>  
--	--	--

<https://sukhanidhi.in/industry-anaylsis/>

<p>Indian Defence Sector Analysis</p>  <p><b>AN UPDATE ON ONGOING TRENDS IN THE INDIAN DEFENCE SECTOR</b></p> <p>AUGUST- 2023</p>  	<p>Indian Aviation Industry Analysis</p>  <p><b>INDIAN AVIATION INDUSTRY</b></p> <p>JULY- 2023</p>  
--	---

# USEFUL ? RESHARE !

It's the best thing you can do to help others.



**REPOST**



**FOLLOW**

For More Industry  
Updates.....



[WWW.SUKHANIDHI.IN](http://WWW.SUKHANIDHI.IN)

