



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 2/10/2009

GAIN Report Number: IN9020

India

Oilseeds and Products

Quarterly Update - February

2009

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Report Highlights:

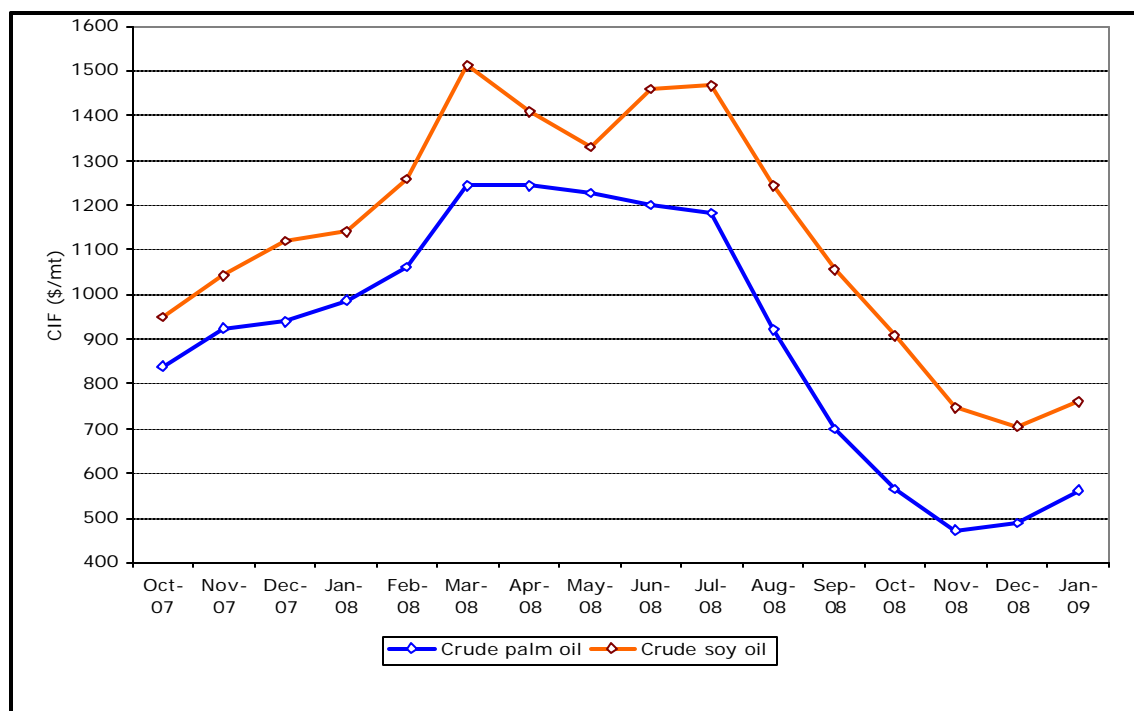
As per the latest Ministry of Agriculture planting reports, rabi (winter) season oilseed plantings, which include mostly rapeseed, peanut, and sunflower, were up by 13 percent at 8 million hectares, with most of the increase confined to rapeseed/mustard. With the fall in domestic and global prices of edible oils (especially during last quarter of calendar year 2008) and the lower pace of off take from State Government/Union Territories, the central government has deferred its plan to import edible oil for the Public Distribution System (PDS). However, with the recent recovery in domestic prices of edible oil, the government has decided not to impose the duty on crude palm oil. Oil meal exports for the first quarter of MY 2008/09 stood at last years level of 1.5 million tons.

Includes PSD Changes: No
Includes Trade Matrix: No
Quarterly Report
New Delhi [IN1]
[IN]

Planting Progress

According to the latest Ministry of Agriculture planting report for *rabi* (winter) season oilseeds, which includes mostly rapeseed, peanut, and sunflower, planting area was up by 13 percent at 8 million hectares, with most of the increase confined to rapeseed/mustard due to favorable planting conditions. Rapeseed-mustard was planted on 6.6 million hectares as compared to 5.7 million hectares planted during the corresponding period of last year. Good soil moisture conditions due to late withdrawal of the monsoon and optimum temperatures at planting in major growing states were factors responsible for the increase in planted area. Additionally, peanut and sunflower were planted on 445,000 and 992,000 hectares respectively as compared to 442,000 and 887,000 hectares planted last year.

Chart 1: Landed price for Crude Palm Oil and Crude Soybean Oil, October 2007 to January 2009 (\$/metric ton)



Source: Industry and trade sources

Edible Oil Imports

India imported a record quantity of cooking oils during the first quarter of MY 2008/09 as demand rose and palm and soy oil prices declined steeply in comparison to the corresponding period last year (Chart 1). Imports of all edible oils increased to 2.02 million tons, up 80 percent over the corresponding period last year. According to data compiled by the Solvent Extractors Associations (SEA) of India, imports of palm and soy oils were up by 76 and 74 percent over last year with volumes reaching 1.8 million tons and 187,018 tons respectively (Table 1). With sunflower oil prices dropping briefly in comparison to soy oil, its import volumes also rose significantly. There was a rush to import and stockpile as prices dropped, with traders aware that the government may re-introduce the import duty on crude palm oil.

Table 1: Edible Oil Imports (October 2008-December 2008); (000' Metric tons)

	Oct-08	Nov-08	Dec-08	Oct 08- Dec 08	Oct 07- Dec 07	% Change
RBD palm-olein	193,103	137,959	128,540	459,602	54,673	741
Crude palm oil	452,143	363,578	486,936	1,302,657	938,127	39
Crude palm olein	0	0	0	0	18,028	
Crude Palm kernel oil	2,498	7,496	8,331	18,325	2,450	648
Total palm oil	647,744	509,033	623,807	1,780,584	1,013,278	76
Crude soybean oil	126,119	0	60,899	187,018	105,410	77
Refined soybean oil	0	0	0	0	2,000	
Total soy oil	126,119	0	60,899	187,018	107,410	74
Crude sun oil	10,790	8,000	32,420	51,210	2,450	1990
Refined sun oil	0	0	0	0	0	
Total sun oil	10,790	8,000	32,420	51,210	2,450	1990
Coconut oil	1,999	1,999	1,999	5,997	2,000	200
Grand Total	786,652	519,032	719,125	2,024,809	1,125,138	80

Source: Solvent Extractors' Association of India

Import Duty Structure

The Indian government abolished the import duty on crude palm, soy and sunflower oil to zero effective April 1, 2008, and also lowered the import duty on refined oils to 7.5 percent (eventually leading to a fall in domestic prices of edible oils on import pressure and good prospects for domestic oilseed production). However, the government later placed a 20 percent duty only on crude soy oil in November 2008.

Due to pressure from the domestic oil industry to impose a duty on imports of crude palm oil also, a high-level meeting of officials belonging to the Ministries of Finance, Food, and Commerce took place the last week of December 2008, where it was decided not to impose the duty on crude palm oil. The meeting took stock of domestic prices and noted the wholesale price of soybean oil had risen by about 27 percent in one month. The prices of crude palm oil and RBD palm-olein also jumped by 12 percent in global markets during this period. Based on the recent upward price trend, an import duty on palm oil is unlikely due to concerns over inflation.

Table 2: GOI Vegetable Oil Reference Price

Oil	\$/Ton
Crude Palm Oil	447
RBD Palm Oil	476
Other-Palm Oil	462
Crude Palmolein	481
RBD Palmolein	484
Other-Palmolein	483
Crude Soybean Oil	580

Note: Tariff values were revised from time to time by the GOI in the past to reflect changes in international prices. However, the vegetable oil reference price has not been revised since December 2006 (Table 2). The import duty is applied to the current tariff value rather than to the actual invoice value.

Source: <http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k6/csnt105-2k6.htm>

Policy Development

On July 17, 2008, the GOI formally launched the subsidized program of distribution of edible oils to the below-poverty-line population through the PDS. The program was intended to distribute one million tons of imported edible oils in MY 2008/09 through state governments involving a subsidy of Rs 15 billion (\$312 million). Under the program, state trading enterprises (STE) such as PEC, MMTTC, STC, and NAFED¹ have imported around 350,000 tons of edible oils of which 240,000 tons have landed in country of which about 143,000 tons have been handed over to various State/Union Territories for distribution to ration card holders, to date.

However, with the fall in domestic and global prices of edible oils (especially during the last quarter of calendar year 2008) and the lower pace of off take from State Government/Union Territories, the central government has deferred its plan to import edible oil for the PDS. States have refused to take further delivery of the imported oils, saying that prices were not attractive compared with market rates even after the subsidy. However, in a recently concluded meeting of the Empowered Group of Ministers, the government has hiked the subsidy on imported oils by Rs 10 per kg to Rs 25 per kg in order to make it more affordable to states.

Oil Meal Exports

Total oilmeal exports from October 2008 through December 2008 stood at last year's levels of 1.5 million tons. While exports of soy meal were up by 16 percent over the corresponding period of last year (Table 3), exports of rapeseed, peanut and rice bran meals declined to less than half due to the global economic slowdown and steep fall in international prices of other oil meals. Assuming demand for Indian soy meal remains steady and prices stay competitive in international markets, Post continues to forecast MY 2008/09 soy meal exports at last year's level of 4.8 million tons.

Table 3: Oilmeal Exports (October 2008 – December 2008); (Metric tons)

	Soybean meal	Rapeseed meal	Peanut meal	Ricebran meal	Sun meal	Castor meal	Total
Oct-08	88,723	30,318	0	6,075	0	28,320	153,436
Nov-08	647,400	26,335	0	2,435	0	617	676,787
Dec-08	655,882	41,318	5,700	0	0	631	703,531
Oct 08- Dec 08	1,392,005	97,971	5,700	8,510	0	29,568	1,533,754
Oct 07- Dec 07	1,204,500	203,452	23,850	26,803	1,025	70,400	1,530,030
% Change	16	-52	-76	-68		-58	0

¹ Project-Equipment-Commodities Ltd, Minerals Metals Trading Corporation of India, State Trading Corporation of India and National Agricultural Cooperative Marketing Federation of India.