

**IMaCS has brought out an Industry Update on the Indian Edible Oils Industry, September 2014.** The full report is available at <http://www.imacs.in/reports/index.php>

## EXECUTIVE SUMMARY

- **Oilseeds Production Outlook:** The production of edible oils in India is dependent on the production and availability of oilseeds, either domestic or imported. India's oilseeds production is forecast to decline 2-2.5% in 2014-15 because of sharp decline in kharif (summer) oilseeds output, especially of groundnut.
- **Edible Oils Production and Outlook:** The fluctuating domestic production of oilseeds has a direct impact on the edible oil sector, with imports and prices increasing in periods of low domestic production. Domestic vegetable oil production is forecast to increase 2% in 2014-15 to 7.4-7.5 million tonnes (mt) with significant increase expected for soyabean oil. In addition, rainfall conditions during the rabi (winter) 2014-15 season will have a significant impact on rapeseed and groundnut oil production.
- **Edible Oils Consumption and Outlook:** India's edible oil consumption is estimated at around 17.8-18 mt in 2013-14. Although consumption has grown uninterrupted over the past few decades, consumption growth has varied based on availability and prices. With its large population and continued strong economic growth, India is likely to register consumption growth of 4-4.5% per annum in the medium term.
- **Demand-Supply Position and Imports:** Over the medium-term, domestic consumption growth is expected to be higher than production, resulting in continued increase in the volume of imports. India's edible oil production is expected to increase 2% during 2014-15 primarily because of higher growth in soyabean oil accompanied by decline in production of groundnut oil. However, food use consumption growth is expected at around 4.5-5%. As a result, India's imports could increase 6.5-7-8% during 2014-15 to around 12.2-12.5 mt. In the next few years, edible oil consumption is expected to increase at an annual rate of 4-4.5% per annum. Considering the inter-year variations but slow increase in oilseeds and edible oil production, the shortage is expected to result in increased imports of edible oils.
- **Domestic Price Trends and Outlook:** Domestic edible oil prices have been declining from early 2013 caused by decline in international prices. Prices declined 0.8% in FY2014, compared with increases of 9.1% in FY2013, and 12.6% in FY2012. Prices declined 0.5% (yoy) in April-August 2014 because of strong decline in groundnut oil prices caused by record output in 2013-14. Soyabean oil prices also declined for the fourth successive quarter. Although palm oil prices increased 7% in Q1FY2015, they have been declining from June 2014. Domestic prices of vegetable oils are expected to remain declining during 2014-15 because of expected decline in production, and decline in world prices. The financial performance of players in the Indian edible oil industry is expected to decline in 2014-15 because of expected lower oilseeds oil production, decline in product prices, and stable seed procurement costs.

- **World Price Trends and Outlook:** Except for temporary increases, world edible oil prices have been declining from early-2012. Prices declined 12% in 2012 and 13.8% in 2013. By comparison, world oilseed prices increased 6% in 2012, but declined 7.8% in 2013. During January-August 2014, while world oilseed prices declined 6.5%, edible oil prices declined 1.6%. World oilseeds prices have declined 14% during May-August 2014, reflecting the prospective surge in soyabean availabilities in the next few months. With record soyabean crops anticipated in both North and South America, global supplies are expected to climb to an all-time record in 2014-15. World edible oil prices have also 16% during May-August 2014. Palm oil has been responsible for much of the decline of the prices, even though prices of the other major oils also trended downwards. World oilseeds production is forecast to increase 4.9% in 2014-15 to record level of 528 mt primarily because of peak output levels for soyabean. With regard to vegetable oils, prospects for 2014-15 point to substantial increase in supply for all the major oils—soyabean, rapeseed, palm, and sunflower. Expectations of a strong growth in global oilseed output for 2014-15, combined with slowing consumption growth, suggest a favourable supply situation and thus a general easing of prices for both oilseeds and vegetable oils. However, the lower price forecast for 2014-15 relies heavily on the realisation of a bumper soyabean harvest in South America. Thus, any unexpected weather (or disease) problem in that region could have a negative impact on the global demand-supply situation.