

## Overview of Oils and Fats

India is one of the largest producers of oilseeds in the world and this sector occupies an important position in the agricultural economy covering an area of 38 million hectares, and accounting for the production of about 32 million tonnes of oilseeds annually. India contributes about eight per cent of the world oilseeds production and about six per cent of the global production of oils and fats, and currently is the 4th largest edible oil economy in the world, after China, EU-15, and USA.

India has a wide range of oilseeds crops grown due to the different agro-climatic zones. Groundnut, soybean, mustard/rapeseed, sesame, safflower, linseed, castorseed are major traditionally cultivated oilseeds. The country's attention has been focused on increasing output of three most promising oilseeds, rape, soybean, and sunflower. However, the cultivation of these oilseeds are not able to support the increasing domestic oils and fats demand resulting from population growth and higher propensity to spend.

Consumption of oils and fats has increased at a much faster pace during the recent years. In 1999, total consumption surged to 11 million tonnes from 10 million in 1998. With an absolute population of 1 billion and a growth of around 2%, and combined with increase in income, the growth in intake of oils and fats is estimated at approximately 6-7% annually. Per capita consumption of edible oil has slowly moved up from 3.5 kgs in 1971 to 6.3 kgs in 1995 and subsequently to 9.5 kgs in 1999. Per capita usage of oils and fats during 2008 was estimated at 13kg. However, this is still low when compared to the world's average of 20 kg, indicating a much potential for further growth.

Currently India produces about 9.3 million tonnes of oils and fats, of which butter fat account for 22 per cent, followed by rapeseed/mustardseed oil (20 per cent), soybean oil (17 per cent) and groundnut oil (12 per cent). Achieving self-sufficiency in vegetable oils has been the centerpiece of the Indian government's oilseed production policy. Various strategies were used to achieve self-sufficiency included restricting oilseed imports, and maintaining tight government control over the type and level of vegetable oil imports. But India has never been self-sufficient in oils and fats. India has imported approximately 6.85 million tonnes of oils and fats last year, comprising mainly of palm oil (84 per cent) and soybean oil (12 per cent).

Imported vegetable oils are loaded in many ports in India. Kandla port handles about 30 per cent of the imported oils, followed by other ports such as Kolkata (about 17%), Chennai (12%), Kakinada (11%), JNPT (11%), Mangalore (6%),

## Statistics

Production of Oils & Fats ('000 tonnes)					
	2000	2002	2004	2006	2008
Groundnut	974	1,308	1,304	1,014	1,101
Rapeseed	1,715	1,690	2,077	2,517	1,899
Butter fat	1,355	1,485	1,780	1,935	2,096
Soybean	820	738	985	1,232	1,564
Others	1,840	1,882	2,197	2,431	2,656
<b>Total</b>	<b>6,704</b>	<b>7,103</b>	<b>8,343</b>	<b>9,128</b>	<b>9,316</b>

Imports of Oils & Fats ('000 tonnes)					
	2000	2002	2004	2006	2008
Palm oil	3,651	3,461	3,453	3,198	5,753
Soybean	813	1,565	1,126	1,626	835
Sunflower	629	11	61	125	69
Others	237	132	151	199	198
<b>Total</b>	<b>5,330</b>	<b>5,169</b>	<b>4,791</b>	<b>5,148</b>	<b>6,855</b>

Domestic Requirement( of Oils & Fats '000 tonnes)					
	2000	2002	2004	2006	2008
Palm oil	3,623	3,551	3,396	3,075	5,326
Rapeseed	1,815	1,705	2,021	2,452	1,886
Soybean	1,644	2,355	2,049	2,776	2,322
Sunflower	837	287	445	582	517
Butter fat	1,360	1,492	1,784	1,943	2,103
Others	2,452	2,875	2,797	2,845	3,041
<b>Total</b>	<b>11,731</b>	<b>12,265</b>	<b>12,492</b>	<b>13,673</b>	<b>15,195</b>

Palm Oil Imports ('000 tonnes)					
	2004	2005	2006	2007	2008
Malaysia	949	664	520	508	980
Indonesia	2,496	2,648	2,622	3,124	4,684
Others	8	3	57	55	89
<b>Total</b>	<b>3,453</b>	<b>3,315</b>	<b>3,198</b>	<b>3,688</b>	<b>5,753</b>

Soybean Imports ('000 tonnes)					
	2004	2005	2006	2007	2008
Argentina	823	1,466	1,360	1,008	635
Brazil	272	418	245	258	172
Others	31	42	21	15	28
<b>Total</b>	<b>1,126</b>	<b>1,926</b>	<b>1,626</b>	<b>1,281</b>	<b>835</b>

Source: Oil World

# INDIA

## OILS & FATS BRIEF PROFILE

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Mundra (6%) and Mumbai (5%). Crude palm oil is normally imported through Kandla and Kolkata ports (both combined accounting for 53 per cent of total imports of CPO), while most refined palm olein is imported via Chennai (almost 30 percent) followed by JNPT (18 per cent).

**P**alm oil has been the major oil being imported by India due to its competitive prices. Last year, a volume of 5.3 million tonnes of palm oil were imported, from Malaysia and Indonesia. The latter used to dominate the palm oil trade in India when palm olein was imported by state trading corporations like STC (State Trading Corporation) or NDDDB (National Dairy Development Board) for the public distribution system (PDS). However, the importance of these organizations in the import trade diminished when imports were liberalized.

The new duty structure introduced in 1999 which differentiate the duty between crude and refined oils was instrumental in creating changes in the import composition of palm oil. Crude oils were preferred since then with crude palm oil/olein dominating the overall total imports. Indonesia which has a more liberal policy of exporting crude palm oil vis-à-vis Malaysia, capitalized on this change in demand. Today, Indonesia controls 81 per cent of the total palm oil imports.

According to SEA (Solvent Extractors' Association of India), the volume of crude palm oil imported into India during Jan-Oct 2009 was 4.3 million tonnes as compared to 3.47 million tonnes during Jan-Oct 2008. The volume of RBD palm olein imported into the country for Jan-Oct 2009 was 0.97 million tonnes vis-à-vis 0.89 million tonnes in 2008. For Jan-Dec 2008, the ratio between CPO and RBD Palm Olein was 80:20 (source: [www.seaofindia.com](http://www.seaofindia.com)).

### Imports of Palm Oil from Malaysia ('000 tonnes)

	2008	Jan-Sep 2009
Crude Palm Oil	478,689	460,155
RBD Palm Olein	285,531	351,652
PFAD	137,316	93,954
RBD Palm Oil	5,993	8,287
RBD Palm Stearin	5,085	4,443
Others	58,120	55,264
Total	970,734	973,755

Source: MPOB

**M**alaysia exported some 970,734 tonnes of palm oil to India during 2008. Crude palm oil constitutes nearly half of the total palm oil exported from Malaysia. This is not unusual considering the lower import duty on crude vis-à-vis processed products. RBD palm olein is also being imported as India is a liquid oil market. In Jan-Sep 2009, a total 351,652 tonnes were exported, constituting about 36 per cent of exports from Malay-

## COUNTRY AT A GLANCE



### Basic Statistics

Area: 3,287,263 km<sup>2</sup>  
Capital: New Delhi  
Major cities: New Delhi, Mumbai,  
Ports: Chennai, Haldia, Kandla, Kolkata, Mumbai, Mangalore, Vishakhapatnam.

Population: 1.166 billion (Jul 2009 est)  
Urban population: 29% of total population  
Population Growth: 1.548% (2009 est)

GDP: US\$ 1.21 trillion (2008 est)  
GDP per capita (PPP): US\$2,900 (2008 est)  
GDP Real Growth: 7.4% (2008 est)

Total Exports: US\$ 176.4 billion (2008 est)  
Commodities: Petroleum products, textile goods, gems & jewellery, chemicals, leather manufactures.

Total Imports: US\$305.5 billion (2008 est)  
Commodities: Crude Oil, machinery & equipment, gems, fertilizers, chemicals.

Currency: Rupees (INR)  
Exchange Rate: INR 46.81 per US\$1 (7 Nov '09)

Source: World Factbook [www.cia.gov](http://www.cia.gov)

sia. Some palm fatty acid distillate and palm acid oil are also being imported, which go into the soap industry.

India is largely a liquid oil market. Traditionally, vegetable oil consumption in India is also quite diversified. In the southern states like Kerala, consumers have preference over coconut oil while in the northern states, solid fats (vanaspati) are preferred. Rapeseed or mustard oil is favorable in eastern part of the country, especially West Bengal, while groundnut oil is mostly consumed in the southern and western states like Tamil Nadu and Gujarat. Although there is regional preferences for various oils, such distinguished patterns are dwindling as prices and availability are gaining importance in the purchasing decision.

### Import Policy

The Indian government has historically adjusted import tariff rates in an effort to keep a grip on domestic vegetable oil prices. Duty rates have generally been kept high with the objective of providing good returns to farmers. Palm oil has been the source of "most economical oils for the Indian population, so much so that its has become an element in the country's import policy.

Palm oil was at one time subject to higher import tariff vis-à-vis other vegetable oils resulting from political pressure and strong lobbies from agriculture bodies. For example, the import duty on crude palm oil was as high as 80 per cent in February 2005. This was reduced to 70 per cent in August 2006, while duty on

soybean oil was placed at its bound rate of 45 per cent. After years of lobbying, palm oil was finally given a level playing field.

The changes to the import policy on edible oils during the recent years reflect the Government's move to protect the farmers and domestic processing industry, without having to burden the mass consumers. Faced with spiraling inflation, the Government of India implemented several fiscal and non-fiscal measures in 2007-08. The most significant measure was the gradual decrease in import duties on vegetable oils. The 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 per cent. But the government later placed a 20 per cent duty only on crude soy oil in November 2008.

The import duty is calculated based on reference price rather than the actual invoice value. These tariff values are revised from time to time by the government in the past to reflect the changes in international prices.

### Vegetable Oil Reference Price (US\$/tonne)

	Tariff Price
Crude Palm Oil	447
Crude Degummed Soybean Oil	580
RBD Palm Oil	472
RBD Palm Olein	484

Source: <http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2k6/cst105-2k6.htm>

Import Tariff on Imported Vegetable Oils (%)			
Edible Oils	Current Tariff (18 Mar '09)	SAD (%)	Edu. Cess (%)
Crude Palm Oil/Olein	Nil	Nil	Nil
Crude Degummed Soybean Oil	Nil	Nil	Nil
Crude Sunflower Oil	Nil	Nil	Nil
Refined Palm Oil /	7.5	3%	Nil
Refined Soybean Oil	7.5	Nil	Nil
Refined Sunflower Oil	7.5	3%	Nil
Vanaspati	7.5	3%	4%
Crude Palm Stearin*	10.0	4%	3%
Crude Palm Kernel Oil	12.5	4%	3%
PFAD / PKFAD**	15.0	4%	3%

Note:

\* Subject to 4% CVD and 3% Cess on CVD (countervailing duties)

Source: <http://www.seaofindia.com/revisionimportduty.html>

### References:

1. Malaysian Palm Oil Board (MPOB)
2. Malaysian Palm Oil Council (MPOC)
3. Oil World
4. USDA/FAS