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## TOP NEWS

### Import of edible oils for 2019-20 fell by 11.4% - Care Ratings

Tuesday, 12 January, 2021, 13 : 00 PM [IST]

#### Our Bureau, Mumbai

Import of edible oils for the oil year 2019-20 fell by 11.4 per cent to 13.2 MT from 14.9 MT in the same period last year. This decline in imports was primarily driven by destruction in demand from bulk users – Hotels, restaurants and cafes due to Covid-19 induced restrictions. On the other hand, the demand for soft oils picked up as demand from household segment gained traction during lockdown as at-home consumption of food increased.

Import of RBD palmolein declined sharply by 85.2 per cent to just 0.4 MT from the earlier import of 2.7 MT in oil year 2018-19. This was due to RBD palmolein being placed under the restricted category from January 8, 2020 and also imposition of safeguard duty of 5 per cent on September 4, 2019 for a period of 180 days on RBD palmolein originating in Malaysia and imported under India-Malaysia Comprehensive Economic Cooperation.

On the other hand, import of soybean and sunflower oil increased by 9.7 per cent and 4.2 per cent to 3.4 MT (earlier 3.1 MT) and 2.5 MT (earlier 2.4 MT) respectively on account of rise in at-home consumption of food during lockdown and gradual phases of unlock. Similarly, import of crude palm oil increased from 6.5 MT in oil year 18-19 to 6.7 MT, a rise of 3.1 per cent. Restriction on import of refined palm oil in turn led to increase in import of crude palm oil. The import ratio of crude and refined oil was 0.97:0.03, highest in the last 5 years. According to Solvent Extractors' Association of India (SEA), domestic refining capacity utilisation improved to 55-60 per cent during 2019-20 from 40-45 per cent in the same period last year.

Also, import of CPKO and rapeseed oil remained constant at 0.1 MT in the oil year 2019-20 as compared to the same period last oil year.

Import of edible oils in the first month of the current oil year (November'20-October'21) continued to remain on a downward trajectory and reported a decline of 1.8% to 10.8 lakh tonnes in November 2020 as compared with 11 lakh tonnes in November 2019.

Movement in international and domestic edible oil prices

#### Palm oil prices

The upward trend in the international price of palm oil from month of November 2019 to January 2020 declined by 28.5 per cent as it fell from RM 2,967 per tonne in January to RM 2,121 per tonne in May of oil year 2019-20. Trade restrictions imposed on import of refined palm oil by India (the largest palm oil importing nation) in January 2020 and weak global demand largely owing to Covid-19 adversely impacted the price. It nevertheless began improving month-on-month on a sequential basis from June 2020 onwards as lockdown measures across the globe were eased.

The domestic crude palm oil price moved in accordance with the international prices and fell by 21 per cent from Rs 80 per kg in January to Rs 63 per kg in May of current oil year. In addition to this, improvement in domestic crude palm oil price was witnessed from June 2020 (m-o-m rise of 11.1 per cent to Rs 70 per kg) and stood at Rs 80 per kg in October 2020 in oil year 2019-20. The



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price averaged at Rs 91 per kg for the period November-December 2020 in the current oil year.

The domestic price for RBD palm oil in oil year 2019-20 (November 2019 – March 2020) averaged at Rs 75 per kg and stood at Rs 99 per kg for the period November-December 2020 in the current oil year.

#### Soybean oil prices

The international price for crude soybean oil peaked in January of oil year 2019-20 to USD 876 per tonne largely owing to the phase 1 trade deal between US and China where China agreed to increase purchases of American products and services by at least USD 200 billion over the next two years—including soybeans.

However, the prices faced a sharp decline from February-April 2020 and averaged at USD 743 per tonne as tensions between the two countries escalated and the outbreak of Covid-19 coupled with mitigation efforts taken to contain the spread of Covid-19 created a downward pressure on the prices. However, the price started gaining traction from June 2020 onwards backed by gradual recovery in global demand as restrictions were somewhat relaxed.

The domestic prices for refined soybean oil in oil year 2019-20 (November 2019 - March 2020) averaged at Rs 84 per kg and stood at Rs 87 per kg for the period June-October 2020. Also, in the current oil year, the price averaged at Rs 107 per kg for November-December 2020.

The international and domestic price of varied types of edible oils (palm oil, soybean oil, sunflower oil) has increased considerably in the last few months. As per a report by USDA Foreign Agricultural Service, unfavourable conditions in global key producing areas coupled with a strong demand from China have led to the rise in prices of edible oils. Also, reduction in production of palm oil in Malaysia and Indonesia (largest palm oil producers) has curtailed the global supply of palm oil, which in turn has supported the rise in prices.

#### Revision in import duty rate

The Central Board of Indirect Taxes and Customs (CBIC) in a notification dated November 27, 2020 has reduced the basic custom duty (BCD) rate on crude palm oil to 27.5 per cent from the previous rate of 37.5 per cent. This announcement by the government is expected to control the rise in price of palm oil and allow greater availability of oil in the market for consumption. It could also lead to increase in imports of palm oil in India (largest importer). This is the second time in CY2020 that the government has cut import duty on palm oil.

Earlier in January 2020, with effect from January 1, the import duty on crude as well as refined palm oils was lowered by the government on refined palm oil to 45 per cent (50 per cent earlier) while that on crude palm oil was reduced from 45 per cent to 37.5 per cent under Association of Southeast Asian Nations (ASEAN) agreement and India-Malaysia Comprehensive Economic Cooperation Agreement (MICECA) agreement.

#### Outlook for oil year 2020-21

The demand for edible oils in India was affected due to Covid -19 induced lockdown. Even while restrictions are eased, consumption from bulk consumers (major segment) continues to face challenges as home deliveries and takeaway are preferred over dining at restaurants by some consumers. Also, restaurants are advised to operate at reduced capacities which are driven by regulations in respective locations. Further, restriction on social gatherings is also affecting demand of edible oils. All these factors will continue to keep the consumption levels of edible oils low in the country which, in turn, will support the downward trend in their imports.

#### Concluding Remarks:

- The production of edible oils increased by 13.3 per cent to 8.5 million tonnes (MT) in oil year 2019-20 (November – October) from 7.5 MT in the same period last year.
- Import of edible oils for the oil year 2019-20 fell by 11.4 per cent to 13.2 MT from 14.9 MT in the same period last year. This decline in imports was primarily driven by destruction in demand from bulk users – Hotels, restaurants and cafes due to covid-19 induced restrictions.
- On the other hand, the demand for soft oils picked up as demand from household consumer packs gained traction during lockdown.
- The domestic and international price of palm oil and soybean oil (both crude and refined) had declined owing to the economic impact of Covid-19 but started improving from June 2020 onwards as restrictions were lifted across the globe in a phased manner.
- Consumer demand for edible oils in the current oil year 2020-21 (November'20 – October'21) is dependent on the containment of the virus

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domestically and globally. Internally restrictions on operation of consumer related services would guide the demand conditions.



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