

## Edible Oils Update: September 2020

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### Overview

The demand for edible oils in India was affected due to Covid -19 induced lockdown, which in turn impacted the imports of edible oils. Crude palm oil witnessed a sharp contraction in demand from bulk consumers. On the other hand, the demand for soft oils picked up as demand from household segment gained traction during lockdown. Refined palm oil was placed under the 'Restricted List' with effect from 8<sup>th</sup> January 2020, which led to a drastic reduction in its import to India. Last year, Malaysia had shipped excessive RBD Palmolein taking advantage of lower duty concession compared to Indonesia.

### Domestic Oilseeds Production

There has been satisfactory progress of sowing area coverage under Kharif crops this year, including oilseeds. The farmers had planted around 193.29 lakh ha area coverage under oilseeds till week ending 27th August, 2020 compared with 170.99 lakh hectare (ha) coverage in the same period last year, a growth of 13%. Groundnut oilseeds witnessed the highest growth in acreage of around 35%, from 37.07 lakh hectares to 50.36 lakh hectares, followed by Soybean oilseeds, from 112.7 lakh hectares to 120.5 lakh hectares, a rise of around 28%, as on 27th August, 2020 compared with the same period a year ago.

**Table 1: Progress of area coverage under Kharif crops for Oilseeds (in lakh hectare)**

Type of Oilseed	Normal Area (DES)	Area Sown in 2019-20	Area Sown in 2020-21	Difference	% Change
Groundnut	41.41	37.07	50.36	13.29	35.8%
Soybean	110.32	112.70	120.53	7.84	6.9%
Sunflower	1.58	0.86	1.11	0.25	28.9%
Others	24.77	20.35	21.28	0.93	5%
<b>TOTAL</b>	<b>178.08</b>	<b>170.99</b>	<b>193.29</b>	<b>22.30</b>	<b>13.04%</b>

Source: pib.gov.in

Note: DES – Directorate of Economics & Statistics

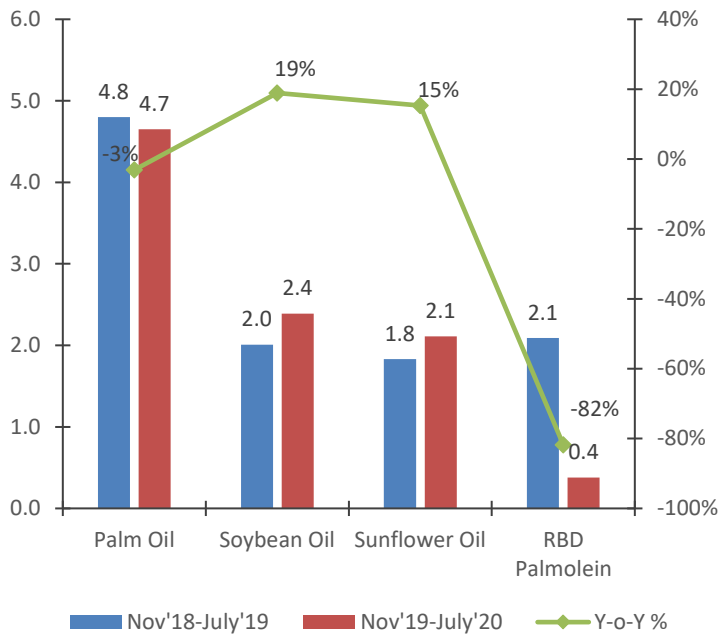
Note: 'Others' includes Sesamum, Niger and Castor oilseeds

Note: Data is till week ending 27<sup>th</sup> August, 2020 vis-à-vis same period of 2019

The record area coverage was backed by favourable monsoon. As on 20.08.2020, actual rainfall received in the country was 663.0 mm against normal of 628.3 mm i.e. departure of (+)6% for the period 1<sup>st</sup> June, 2020 to 20<sup>th</sup> August, 2020. Also, it is believed that reverse migration aided in area coverage. Covid-19 induced lockdown led to loss of jobs for many migrant workers in the cities and forced them to return to their homes. Uncertainty due to pandemic and loss of income prompted them to cultivate farm lands and earn livelihood.

**Edible oil imports by India**

**Chart 1: Variety-wise imports of edible oils (in million tonnes)**

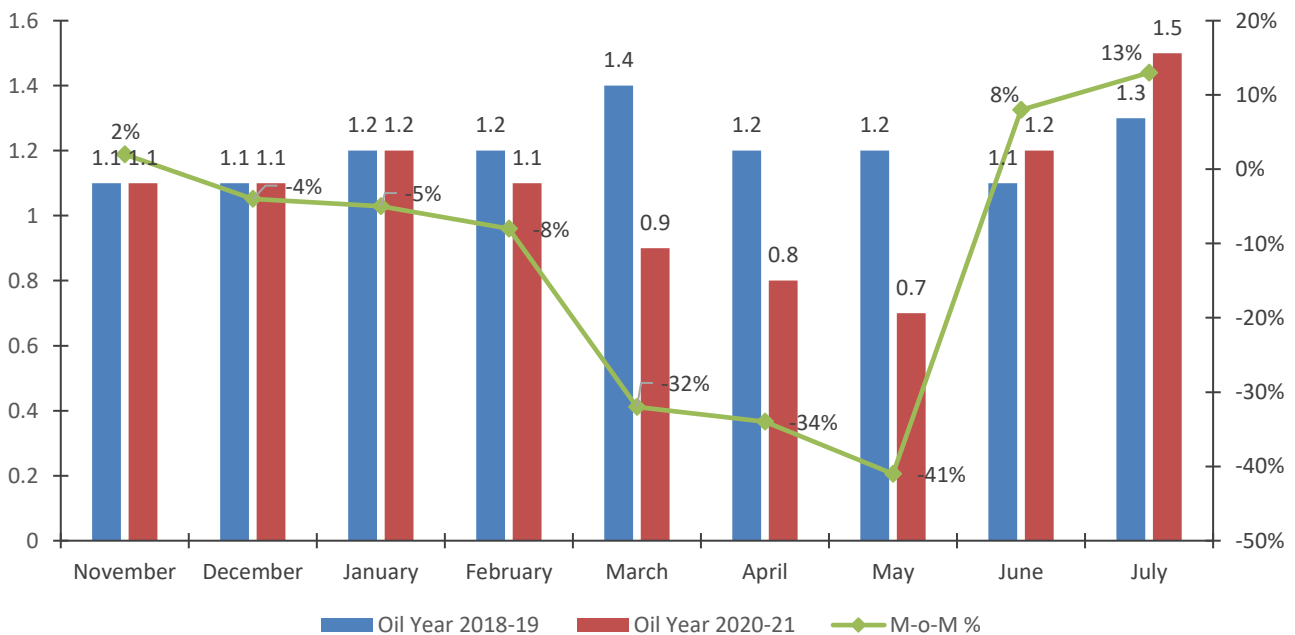


During the period of November 2019 – July 2020, edible oil imports reduced by 11% to 9.5 million tonnes from 10.8 million tonnes in the same period last year. This fall was due to considerable reduction in import of RBD Palmolein by 82%, from 2.1 million tonnes to 0.4 million tonnes. It is to be noted that for the month of July 2020, nil imports of RBD Palmolein were reported, as against 0.2 million tonnes for the same month last year. This is the lowest import of refined palm oil since India allowed its import in 1994. Also, crude palm oil imports faced a marginal downfall of 3% to 4.7 million tonnes from earlier 4.8 million tonnes. Meanwhile, soft oils experienced a spurt in demand from household segment which was evidenced by rise in imports of soybean oil and sunflower oil by 19% (from earlier 2.0 million tonnes to 2.4 million tonnes) and 15% (from 1.8 million tonnes to 2.1 million tonnes) respectively.

Source: Solvent Extractors' Association of India (SEA)

Although overall the import of edible oils fell for the period November 2019 – July 2020, the month of July 2020 showed signs of revival as imports of edible oils rose by 13% y-o-y basis from 1.3 million tonnes in July 2019 to 1.5 million tonnes in July, 2020. This is the highest import in the last eleven months of current oil year as can be seen from chart 2 below.

**Chart 2: Total imports of edible oils (in million tonnes)**



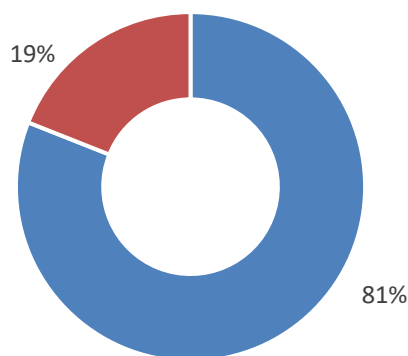
Source: SEA

### Share of crude and edible oils in imports

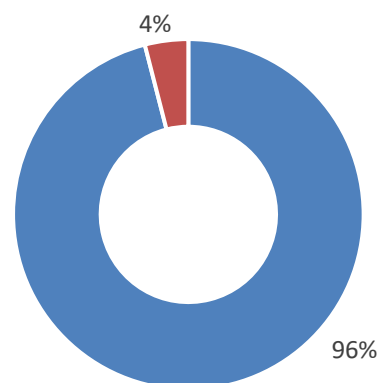
For the period of November 2019 – July 2020, the share of refined oil (RBD Palmolein) in imports fell to 4% (vis-à-vis 19% earlier), from 2.01 million tonnes to 0.4 million tonnes compared to the same period last year. However, the share of crude oil in imports for the current oil year (November 2019 – July 2020) increased from 8.7 million tonnes to 9.2 million tonnes, a rise of 96% in comparison to a share of 81% for the same period last year. The increase in import of crude edible oils is helping the domestic oil refineries in capacity utilisation.

**Chart 3: Share of crude and refined edible oils in imports (in %)**

**For the period Nov 2018 – July 2019**



**For the period Nov 2019 – July 2020**



- Crude Oil (CPO, CPKO, Soybean, Sunflower & Mustard Oil)
- Refined Oil (RBD Palmolein)

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- Refined Oil (RBD Palmolein)

Source: SEA

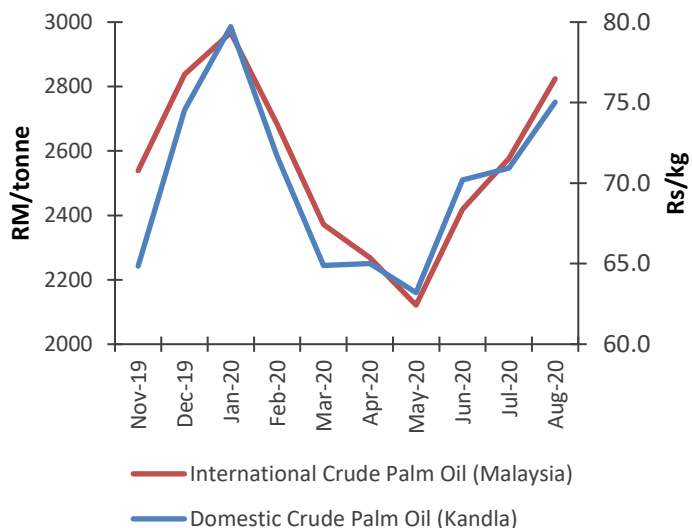
Note: CPO – Crude Palm Oil, CPKO – Crude Palm Kernel Oil

### Movement in international and domestic edible oil prices

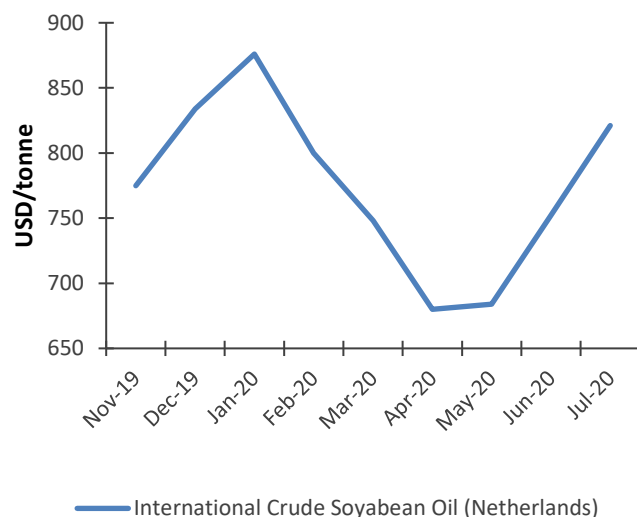
The upward trend in the international price of palm oil from month of November 2019 to January 2020 witnessed a sharp fall of 28.5% as it tumbled from RM 2,967 per tonne in January to RM 2,121 per tonne in May of current oil year. Trade restrictions imposed on import of refined palm oil by India (the largest palm oil importing nation) in January 2020 and weak global demand largely owing to Covid-19 adversely impacted the price. It nevertheless improved by 17% on a sequential basis from RM 2,419 per tonne in June 2020 to RM 2,824 in August, 2020. Gradual easing of lockdown measures across the globe and decreasing supply chain disruptions are believed to have supported the growth in prices.

The domestic crude palm oil price moved in accordance with the international prices and fell by 21% from Rs. 80 per kg in January to Rs. 63 per kg in May of current oil year. Also, improvement in domestic crude palm oil price was witnessed from June 2020 (m-o-m rise of 11.1% to Rs.70 per kg) to August 2020 (m-o-m growth of 5% to Rs.75 per kg) which again was in line with the movement in international palm oil prices.

**Chart 4: Movement in international and domestic palm oil prices**



**Chart 5: Movement in international and domestic soybean oil prices**



Source: CMIE

The international price for crude soybean oil peaked in January of the current oil year (November - June) 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 to April of the current oil year and averaged at USD 743 per tonne as tensions between the two countries escalated and mitigation efforts taken to contain the spread of Covid-19 created a downward pressure on the prices. The price stood at USD 821 per tonne in July, largely backed by recovery in global demand.

The domestic prices for RBD palm oil and refined soybean oil for the current oil year (November 2019 - March 2020) averaged at Rs. 75 per kg and Rs. 84 per kg, respectively. The domestic prices for refined soybean oil for the period June-August 2020 stood at Rs. 84 per kg.

**Concluding remarks:**

- Oilseeds saw a record coverage area of around 193.29 lakh ha as compared to 170.99 lakh ha coverage in the same period last year, a growth of 13%
- Import of edible oils in India during the current oil year (November 2019 – July 2020) stood at 9.5 million tonnes as compared to 10.8 million tonnes in the same period last year, a decline of 11%
- It is expected that with the unlock guidelines and ease of restrictions will lead to a spurt in demand for edible oils from bulk consumers, but it will take some time to normalise

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