

# POTS

*2<sup>nd</sup>* INTERNATIONAL PALM OIL  
TRADE FAIR &  
SEMINAR 2008

Changing Marketing Landscape - Challenges for Business Sustainability

24 - 26 August 2008

## **RE-ENERGIZING THE INDIAN MARKET**

**DAVISH JAIN**

*Prestige Group of Industries, India*

**SESSION 3**

**MARKET FUNDAMENTALS & PRICE OUTLOOK**

# Re-energizing the Indian Market

Davish Jain  
Prestige Group of Industries, India

*Email: [info@prestigeindia.com](mailto:info@prestigeindia.com)*

## Abstract

An indepth insight into the present and future position of the vegetable oil economy within India with an emphasis on the role that palm oil plays in the overall scenario will be presented. The dynamics of where the vegetable oil industry is headed for, is no longer governed by just demand and supply factors. Government policies, private initiatives and the global market play an important role in determining the future of any industry, even within the geographical confines of a particular country and India is no exception. Domestic oilseeds development programme within the country will go hand in hand with imports of vegetable oil to meet the increasing demand following the economic growth. The presentation will touch upon the co-relation between all the aspects that contribute towards satisfying the overall demand of vegetable oils for both edible and non-edible sectors.

# 'Re-energizing The Indian Market'

**Davish Jain**

THE CENTRAL ORGANISATION FOR OIL INDUSTRY AND TRADE

CHAIRMAN

THE CENTRAL ORGANISATION FOR OIL INDUSTRY & TRADE,

INDIA

AT THE 2ND INTERNATIONAL PALM OIL CONFERENCE, MALAYSIA

26TH AUGUST, 2008



THE CENTRAL ORGANISATION FOR  
OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

*COOIT India greets you*

I welcome this opportunity to address the 2nd International Palm Oil Conference in my capacity as Chairman of The Central Organization for Oil Industry & Trade, popularly known as COOIT. Established 55 years ago, COOIT is the National Apex Organization of the entire vegetable oilseeds and oil industry and trade in India.

During my presentation, I would like to acquaint you with the present and future position of the oilseeds and vegetable oil economy of India with an emphasis on the role that palm oil plays in the overall scenario.



THE CENTRAL ORGANISATION FOR OIL  
INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## *India At a Glance*

- India holds an important place in World Economy
- Population: 1.115 Billion (17% of world) -- Second highest in the world after China
- GDP : Close to 1 Trillion US Dollars.(2007-08). Indian economy has been growing at close to 9% per annum during the last 5 years.
- Per Capita Income: US\$ 700
- Foreign Trade: About US\$ 380 Billion (Imports 232 Billion Dollars and Exports 148 Billion Dollars)



THE CENTRAL ORGANISATION FOR  
OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## *India At a Glance*

- Foreign Exchange Reserves: As on 8th August – US\$ 300.10 Billion
- Total area : 329 million hectares
- Total irrigated Area: 55 million hectares. India ranks first in the world in total irrigated area.
- Total arable Land: 160 million hectares
- Area under oilseeds : ~27 million hectares



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Dynamics of India's Oilseeds & Edible Oil Economy

The dynamics of India's oilseeds and vegetable oil sector has been undergoing transformation over the last two decades. From being nearly self-sufficient in early 90s, India has now to import around 40% of its edible oil demand. Two factors have contributed to this major change: -

1. Inadequate growth in oilseeds production (However, now India is poised for steady growth production and productivity.)
2. Growing demand owing to increase in population and per capita consumption with rising incomes.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Dynamics of India's Oilseeds & Edible Oil Economy

Living in a globalized market economy as we do, the government policies have to be structured to keep a balance between the consumer interest and the long-term interest of India's food security for this vital item of diet, which is only possible by increasing its own oilseeds production.

The government, thus, faces a dilemma. High edible oil prices, while hurting the consumers, mean a higher return to farmers leading to higher production which in turn results in fall in prices and lesser income to farmers. The million dollar question, therefore, is "what is the realistic edible oil price?"

I shall deal with this in greater detail, later in my presentation .



THE CENTRAL ORGANISATION FOR  
OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Introducing Indian Oilseeds Economy

- \* In a short span of 30 years, India has emerged as the world's 5<sup>th</sup> largest oilseeds economy, next only to U.S.A., Brazil, China and Argentina.
- \* Let 's look at some figures:
- \* Inclusive of imports and exports, the size of this sector is around US\$ 25 billion.



THE CENTRAL ORGANISATION FOR  
OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Introducing Indian Oilseeds Economy

India has :

- \* 704 solvent extraction units
- \* 150,000 oil mills and 250 vegetable oil hydrogenation units
- \* Over 1,006 edible oil refineries, which include 585 independent refineries and 421 refineries attached to solvent extraction / vanaspati units.
- \* Sector employs over one million people, directly and indirectly.



THE CENTRAL ORGANISATION FOR OIL  
INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## India's Share in Global Oilseeds Economy

### India accounts for:

- 17.5% of world's oilseeds area
- 8.3% of world's oilseeds output
- 8% of world's oil meals production
- 8% of world's oil meals export
- 11.2% of world's edible oil import
- 10% of global edible oils consumption



THE CENTRAL ORGANISATION FOR  
OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Growing Bilateral Ties

- \* India attaches considerable importance to the promotion of mutually beneficial ties with ASEAN countries and has welcomed growing trade relations with Malaysia.
- \* This is the most opportune time since India's emergent economy is on an upswing. India continues to power ahead with a GDP growth of around 9 percent per annum. India has emerged as a much sought-after destination for foreign direct investment and joint industrial collaborations.



THE CENTRAL ORGANISATION FOR  
OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Growing Consumption of Edible Oil in India & Need For Imports of Palm Oil

- \* Around 80% of India's oilseeds are crushed for edible oil.
- \* Edible oil consumption per capita has increased from 7Kg (1990s) to 11Kg (2007).
- \* In 2008-09, edible oil consumption is forecast to increase to 13.5 million tonnes.
- \* At 4 million tonnes, palm oil continues to be the major edible oil consumed, as against soybean oil (2.3 MMT), rapeseed oil (1.9 MMT) and peanut oil (1.6 MMT).
- \* India imports about 5.4 million tonnes of edible oil annually, valued at US\$ 5.5 Billion (Indian Rupees 225,000 million). Palm Oil has lion share of imports.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Collaboration Prospects for Oil Palm Cultivation In India

- \* In view of competing claims of other equally or more remunerative crops, prospects of bringing more land under oilseeds cultivation are limited except in fallow lands.
- \* Palm oil is an exception, since vast stretches of coastal areas in South India offer promising potential for developing oil palm plantations with foreign collaboration.
- \* Joint collaboration between India and Malaysia in this sphere could result in a much more durable partnership to cater to steadily increasing demand in keeping with rising standards of living in India. This applies not only to poorer sections whose preference is for palm oil but also others, because of proven health aspects of palm oil and its longer shelf life.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Need For Continued Imports of Palm Oil

1. Domestic production of edible oils is around 8 million tonnes and is not keeping pace with increasing demand.
2. In the foreseeable future, imports would continue to be essential to constantly supplement domestic production.
3. India consumes around 13 million tonnes of various edible oils.
4. This is estimated to grow to 15 million tonnes in 2010 and 18.5 million tonnes in 2015.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Need For Continued Imports of Palm Oil

\* Edible oil consumption category wise is revealing :

Palm oil	:	34%
Soy oil	:	19%
Rapeseed oil	:	16%
Peanut oil	:	14%
Other oils	:	17%



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## India as Importer of Edible Oils

India is currently importing over 40% of its edible oil needs in which palm oil has a predominant share.

Imports into India: ('000 metric tonnes)

	2006-07	2007-08	2008-09 (P)
Palm Oil	3800	4300	4700
Soybean Oil	1403	900	850
Others	327	165	255



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## World's Major Exporters of Palm Oil

Predominant sources of world's import of palm oil are  
Malaysia and Indonesia  
(In Thousand metric tonnes)

	2003-04	2008-09 (P)
Malaysia	13420	17400
Indonesia	11970	19700
Others	4611	5802



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries



## Major Importing Countries In The World For Palm Oil are India, China & E. U.

Position in (Thousand metric tonnes)

	2003-04	2008-09 (P)
India	3486	4700
China	3710	6200
EU	3371	4050
Others	10751	16146



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Bridging The Demand – Supply Gap

We are already into the 11th Plan for which targets have been set, according to which, by the terminal year of the plan i.e. 2011-12, we need oilseeds production of 53 million tonnes to be completely self sufficient, 45 million tonnes to bring self-sufficiency to 80% and 36 million tonnes to remain at current level of import. It is a matter of great concern that the 10th plan targets could not be achieved and the production has remained hovering around 25 million tonnes during the last decade.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Bridging The Demand – Supply Gap

Considering the 11th Plan projections, the edible oil demand by 2015 will reach 18.475 million tonnes, taking population growth of 1.5% and a very modest per capita consumption growth of 3%. If our production of oilseeds remains at current level, the shortfall will be over 10 million tonnes to be met by imports. It is therefore essential to raise oilseeds production at least to keep the imports at current level. We have already shown above that the realizable yield is much higher than the current level, if we use improved technology. The Tables below show the scenario with an yield increase of 4% and area increase of 3% per annum and even with this modest increase, in 2015, we will still need to import over 4 million tonnes of edible oils every year.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Edible oil production, demand and import assuming a growth rate of 4% in yield, 1.5% in population, 3% in consumption and 3% in area

Year	Population	Per capita	Demand	Area	yield	oilseed	oil	imports
2007	1131.043	11.450	12.950	26.000	1.000	26.000	8.190	4.760
2008	1147.677	11.794	13.535	26.780	1.040	27.851	8.773	4.762
2009	1164.892	12.147	14.150	27.583	1.082	29.834	9.398	4.753
2010	1182.366	12.512	14.793	28.411	1.125	31.958	10.067	4.727
2011	1200.101	12.887	15.466	29.263	1.170	34.234	10.784	4.682
2012	1218.103	13.274	16.169	30.141	1.217	36.671	11.551	4.617
2013	1236.374	13.672	16.904	31.045	1.265	39.282	12.374	4.530
2014	1254.920	14.082	17.672	31.977	1.316	42.079	13.255	4.417
2015	1273.743	14.505	18.475	32.936	1.369	45.075	14.199	4.276

In case there was no increase in either the yields or the area, the scenario will be so grim that it will definitely compromise our food security, with India having to import over 10 million tonnes of edible oil by 2015, as per table below :



*Edible oil production, demand and import assuming a growth rate of 1.5% in population, 3% in consumption and constant yield area*

Year	Population	Per capita	Demand	Area	yield	oilseed	oil	imports
2007	1131.043	11.450	12.950	26.000	1.000	26.000	8.190	4.760
2008	1147.677	11.794	13.535	26.000	1.000	26.000	8.190	5.345
2009	1164.892	12.147	14.150	26.000	1.000	26.000	8.190	5.960
2010	1182.366	12.512	14.793	26.000	1.000	26.000	8.190	6.603
2011	1200.101	12.887	15.466	26.000	1.000	26.000	8.190	7.276
2012	1218.103	13.274	16.169	26.000	1.000	26.000	8.190	7.979
2013	1236.374	13.672	16.904	26.000	1.000	26.000	8.190	8.714
2014	1254.920	14.082	17.672	26.000	1.000	26.000	8.190	9.482
2015	1273.743	14.505	18.475	26.000	1.000	26.000	8.190	10.285

It is, thus, an inescapable fact that the increase in yields is the immediate need of the hour and we must aim at achieving the realizable per hectare yields given in the earlier slide.



*Promising Opening For Malaysia*

Thus both in the short as well as long term, palm oil needs of India are on the growth path.

Major exporter like Malaysia has a promising opening for establishing itself as a reliable long term supplier-cum-collaborator in India. It could, this way, gain unique competitive advantage.

A sub-continental economy like India may not in the long term, become totally import-oriented for a mass consumption item like palm oil.

There is also potential market in India for non-edible uses of palm oil derivatives and by-products particularly for soap industry.





## Promising Opening For Malaysia

Equally Malaysia could gain a strong global competitive edge by developing Joint collaboration for oil palm plantations in India, in addition to continuing exports to India of Palm oil.

This would also be consistent with emerging pattern of economic exchanges in an era of globalization.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## What Lies Ahead?

I will now come back to the Indian edible oil scenario, the government policies and where we are heading?

We have seen unprecedented rise in edible oil prices coupled with a volatility never seen before.

The Indian Government had to intervene to check the unrealistic increase in prices by the exporting countries and abolish custom duty on crude edible oils.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## What Lies Ahead?

The steep price rise had both a negative and a positive effect. It resulted in fall in demand on the one hand and a rise in oilseeds production on the other confirming the basic principle of Economics "Higher prices induce more production"

The current fall in prices tends to substantiate the notion that the rise was unrealistic.

Ladies & Gentlemen, I know you would be expecting me to give price forecast. However, I would much rather leave this most uncertain prediction to my other fellow colleagues in the industry who are more adept in this difficult task.

But even though not giving a price forecast, I would still like to take credit for my lack of expertise in this regard because that at least saves me the embarrassment of going horribly wrong.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Regional Cooperation:

We all know that Asia now plays a major role in the world economy and the dominance of Asia in the edible oil sector is quite evident when we consider that it accounts for :

- 60% of world's edible oil production & nearly 60 million tonnes of edible oil consumption
- 50% of world 's edible oil trade
- Highest production of palm oil.
- Two biggest edible oil and oilseed importers namely China & India.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

## Regional Cooperation:

Therefore, there is an imminent need for closer cooperation among the Asian countries not only at the Governmental level but also among the national trade bodies.

I have proposed that a Federation of Asian Vegetable Oil Industry and Trade be formed to act as a platform for development of this sector, exchange of technical know-how, better understanding of individual country positions, resolution of trade conflicts and general overall growth of the edible oil sector by bringing together the strengths of individual countries in specific areas.

I am happy to say that the major Asian countries have responded positively to this suggestion. We have offered that COOIT will be happy to be one of the lead promoters of this Federation, with its headquarters in New Delhi, India.



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries

# Thanks

### **DAVISH JAIN**

Chairman,  
Central Organisation for Oil Industry & Trade (COOIT)  
4-M DCM Building, 16 Barakhamba Road  
New Delhi – 110001  
Tel : +91-11-23712058, & 43563700, Fax : 91-11-23719140, email : [info@cooit.org](mailto:info@cooit.org)

&

### **Managing Director**

**PRESTIGE FOODS LTD. / PRESTIGE FEED MILLS LTD./ PRESTIGE AGRO-TECH LTD.**  
30, JAORA COMPOUND, M.Y.H. ROAD, INDORE - 452 061, M.P., INDIA  
E-mail: [info@prestigeindia.com](mailto:info@prestigeindia.com) Website: [www.prestigeindia.com](http://www.prestigeindia.com)  
Tel: +91-731-3041111, 4041111, 2704600 Fax: +91-731-3041110, 2704455  
Mobile: +91-9302123777, +91-9893023777



THE CENTRAL ORGANISATION  
FOR OIL INDUSTRY & TRADE

**PRESTIGE**  
Group of Industries