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Pakistan

Oilseeds and Products

OILSEEDS UPDATE

1999

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Report Highlights:

As a result of recent policy and tariff changes, Pakistan has begun to import increasing amounts of oilseeds. This change presents a market opportunity for U.S. soybeans. In addition, Pakistan is importing increasing amounts of soybean oil to substitute for palm oil due to growing consumer awareness of the health risks associated with palm oil.

Includes PSD changes: Yes
Includes Trade Matrix: No

Unscheduled Report
Islamabad [PK1], PK

Oilseeds

Production:

Total MY 1999/2000 oilseed production is forecast to increase to 3.87 million metric tons (MMT), due to increases in cottonseed and sunflower seed production. MY 1999/2000 cottonseed production is forecast at 3.4 MMT due to favorable weather and the absence of significant pest problems. Sunflower seed production is forecast at 190,000 MT due largely to increased area in expectation of better returns. Rapeseed production is forecast to decline slightly due to lower rainfall.

Trade:

Last February, the government announced higher tariffs on imported oils and meal as a measure to support the domestic extraction industry, which continues to operate at less than 20 percent of capacity. Imports of oilseed increased significantly in response but remain at relatively low levels. MY 1999/2000 oilseed imports are forecast to expand marginally. One key to expanding oilseed imports significantly, particularly soybeans, is to develop increased demand for protein meal, either as a feed or to fortify existing foods.

Palm oil importers and “vanaspati” (shortening) manufacturers, whose business was hurt by the higher tariffs, complained that the government’s policy unfairly favored imported oilseeds and was a disincentive to local oilseed production as well. In late September, the government appointed a special commission to review oilseed policy. Although this debate was interrupted by the coup, it is not likely to go away.

At over \$1.2 billion, vegetable oil imports, mainly palm oil, represent Pakistan’s second largest expenditure of foreign exchange. Industry observers point out that by importing raw materials and capturing the value-added of domestic production, the oil extraction industry saves foreign exchange and generates economic activity. In a market dominated by imported palm oil, there is a growing consensus that imported and domestic oilseeds do not compete with each other but compete with imported palm oil instead. Policy makers increasingly realize that the best way to encourage domestic oilseed production is to support the solvent extraction industry. In addition, there is a growing consumer awareness of the health problems associated with consumption of palm oil (particularly the palm oil Pakistan imports that contains a high percentage of palm stearin) and a growing preference for liquid oils.

Table 1: Oilseed Imports (MT)

<i>Commodity</i>	<i>MY 1997/98</i>	<i>MY1998/99</i>	<i>MY 1999/00</i>
Soybeans	0	0	40,000
Sunflower seed	22,000	20,000	20,000
Canola/rapeseed	20,000	150,000	130,000
Total	42,000	170,000	190,000

TOTAL OILSEEDS

PSD Table	Pakistan					
Country:	TOTAL OILSEEDS					
Commodity:		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	3202	3456	3444	3445	3471	3481
Area Harvested	3627	3416	3399	3368	3421	3431
Beginning Stocks	0	0	0	0	0	0
Production	3563	3542	3256	3173	3707	3873
MY Imports	77	42	50	170	50	190
MY Imp. from U.S.	40	0	0	0	0	40
MY Imp. from the EC	0	0	0	0	0	116
TOTAL SUPPLY	3640	3584	3306	3343	3757	4063
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	3214	3068	2834	2871	3219	3487
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Seed Waste Dm.Cn.	426	516	472	472	538	576
Total Dom. Consumption	3640	3584	3306	3343	3757	4063
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	3640	3584	3306	3343	3757	4063
Calendar Year Imports	77	40	30	200	20	150
Calendar Yr Imp. U.S.	40	0	0	0	0	40
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country:	Pakistan					
Commodity:	Cottonseed					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted (COTTON)	3200	3000	3000	3000	3000	3000
Area Harvested (COTTON)	3200	2960	2955	2923	2950	2950
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	3179	3124	2830	2744	3246	3400
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	3179	3124	2830	2744	3246	3400
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	2795	2655	2406	2332	2759	2890
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Seed Waste Dm.Cn.	384	469	424	412	487	510
Total Dom. Consumption	3179	3124	2830	2744	3246	3400
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	3179	3124	2830	2744	3246	3400
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country:	Pakistan					
Commodity:	Sunflower-seed					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	0	96	98	99	115	147
Area Harvested	85	96	98	99	115	147
Beginning Stocks	0	0	0	0	0	0
Production	109	125	128	130	152	190
MY Imports	35	22	20	20	0	20
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	144	147	148	150	152	210
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	130	132	133	135	137	189
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	14	15	15	15	15	21
Total Dom. Consumption	144	147	148	150	152	210
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	144	147	148	150	152	210
Calendar Year Imports	35	20	0	20	0	20
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country:	Pakistan					
Commodity:	Rapeseed					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	0	354	340	340	350	332
Area Harvested	340	354	340	340	350	332
Beginning Stocks	0	0	0	0	0	0
Production	272	286	292	292	303	282
MY Imports	0	20	30	150	20	130
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	116
TOTAL SUPPLY	272	306	322	442	323	412
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	245	275	290	398	291	371
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	27	31	32	44	32	41
Total Dom. Consumption	272	306	322	442	323	412
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	272	306	322	442	323	412
Calendar Year Imports	0	20	30	180	20	100
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Oils

Production:

Domestic oil production meets less than 25 percent of Pakistan's annual edible oil needs. MY 1999/2000 oil production is forecast at 481,000 MT, of which about 60 percent is cotton oil, 25 percent rapeseed oil and 13 percent sun oil.

Consumption:

Total MY 1999/2000 edible oil consumption is forecast at 1.8 MMT. An estimated 80 percent of oil is consumed as "vanaspati" (shortening), manufactured largely from palm and cotton oils.

Trade:

Although MY 1998/99 total oil imports increased, palm oil imports declined to 950,000 MT. Imports of soy oil soared to 420,000 MT due partly to increased consumer awareness of palm oil's health risks, which were underscored by local reports of poor quality and adulteration of imported palm oil. MY 1999/2000 total oil imports are expected to decline as a result of increased domestic oilseed production and increased oilseed imports.

The GOP recently raised tariffs on imported oils in order to increase government revenues, while leaving consumer prices stable despite declining world prices.

Table 2: Oil Tariffs and Taxes

<i>Commodity</i>	<i>NEW Tariff</i>	<i>OLD Tariff</i>	<i>NEW Sales Tax</i>	<i>OLD Sales Tax</i>
Palm Oil	Rs.15,500 per MT	Rs.7,300 per MT	15 %	12.5 %
Soy Oil	Rs.13,700 per MT	Rs. 6,800 per MT	15 %	12.5 %
Sun Oil	35 %	45 %	15 % CED	0 %
Canola Oil	35 %	45 %	15 % CED	0 %
Cotton Oil	35 %	45 %	15 % CED	0 %

Tariffs on palm and soy oils were increased to increase revenues and were calculated to maintain domestic prices at current levels, despite lower international prices. Higher oil tariffs also help to improve crushing margins.

Stocks

Oil stocks are expected to remain constant at about one month's supply. Stocks are held both by producers and traders.

TOTAL OILS

PSD Table						
Country:	Pakistan					
Commodity:	TOTAL OILS					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Crush	3214	3068	2834	2871	3219	3487
Extr. Rate	NA	NA	NA	NA	NA	NA
Beginning Stocks	50	150	145	145	140	145
Production	413	403	383	411	424	481
MY Imports	1366	1305	1291	11377	1341	1316
MY Imp. from U.S.	0	5	5	5	5	5
MY Imp. from the EC	1	0	0	0	0	0
TOTAL SUPPLY	1829	1858	1819	1933	1905	1942
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	67	78	74	76	79	79
Food Use Dom. Consump.	1685	1608	1578	1686	1662	1696
Feed Waste Dom.Consum.	27	27	27	26	29	27
Total Dom. Consumption	1779	1713	1680	1788	1770	1802
Ending Stocks	50	145	140	145	135	140
TOTAL DISTRIBUTION	1829	1858	1819	1933	1905	1942
Calendar Year Imports	1128	1264	1280	1310	1345	1365
Calendar Yr Imp. U.S.	5	5	5	5	5	5
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

--Oil Palm PS&D

PSD Table						
Country:	Pakistan					
Commodity:	Oil, Palm					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Trees	0	0	0	0	0	0
Beginning Stocks	45	110	110	110	110	110
Production	0	0	0	0	0	0
MY Imports	1150	1124	1100	950	1125	1000
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1195	1234	1210	1060	1235	1110
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum.	44	45	44	38	45	40
Food Use Dom. Consump.	1019	1057	1034	893	1062	945
Feed Seed Waste Dm.Cn.	22	22	22	19	23	20
Total Dom. Consumption	1085	1124	1100	950	1130	1005
Ending Stocks	110	110	110	110	105	105
TOTAL DISTRIBUTION	1195	1234	1210	1060	1235	1110
Calendar Year Imports	1000	1005	1050	900	0	1000
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Soybean Oil PS&D

PSD Table						
Country:						
Commodity:						
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Crush	44	6	5	6	32	37
Extr. Rate	0.1590909	0.1666667	0.2	0.1666667	0.15625	0.1621622
Beginning Stocks	5	15	15	15	15	15
Production	7	1	1	1	5	6
MY Imports	206	163	180	420	200	300
MY Imp. from U.S.	0	5	5	5	5	5
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	218	179	196	436	220	321
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	5	5	13	6	9
Food Use Dom. Consump.	201	157	174	404	197	294
Feed Waste Dom. Consum.	2	2	2	4	2	3
Total Dom. Consumption	203	164	181	421	205	306
Ending Stocks	15	15	15	15	15	15
TOTAL DISTRIBUTION	218	179	196	436	220	321
Calendar Year Imports	120	244	225	400	230	350
Calendar Yr Imp. U.S.	5	5	5	5	5	10
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0