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India

Oilseeds and Products

Quarterly Lock-up Report

2007

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Report Highlights:

Post forecasts Mustard/rapeseed acreage and production to decline to 6.6 million hectares and 5.8 million tons. Both vegetable oil imports and oilmeal exports registered a 32 percent increase during the first four months of MY 2006/07. Post forecasts total edible oil imports for MY 2006/07 at 5.6 million tons, up 33 percent from last year's import figure of 4.2 million tons. The Post forecast for palm oil and soybean oil imports is at 4.2 and 1.1 million tons, respectively. Post's forecast for oilmeal exports for MY 2006/07 is lowered to 4.5 million tons compared to 4.8 million last year. Custom duties on palm oil and sunflower oil are reduced.

Includes PSD Changes: No
Includes Trade Matrix: No
Quarterly Report
New Delhi [IN1]
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Overall winter oilseed acreage declines by one million hectare

The Ministry of Agriculture estimates total *rabi* (winter season) oilseed planted area at 9.7 million hectares, 1.1 million hectares below the previous year's area. Most of the decline was in rapeseed/mustard area, which is estimated at 6.64 million hectares, 10 percent below last year's level, as farmers shifted to more profitable crops such as wheat and chickpeas. Area planted to sunflower, the second largest *rabi* oilseed, is also down by 14 percent, at 1.1 million hectares.

Rapeseed production declines

MY 2006/07 rapeseed /mustard production, which will be harvested in late February to March, is estimated at 5.8 million tons. Unfavorable planting conditions, characterized by above normal temperatures, coupled with late planting and reduced acreage are responsible for the production decline. Last week, rapeseed-growing belts in the Northern states experienced rain and the feedback received from industry sources confirms that the mustard crop is progressing well in most of the growing areas, except for some areas that faced hailstorms. Lower *rabi* season production combined with a drastically reduced *kharif* (fall harvested) oilseed crop will result in a significant decline in oilseed availability for crushing, which should result in lower vegetable oil production and higher prices in coming months.

The current rapeseed stock held by the National Agricultural Cooperative Marketing Federation (Nafed) is 830,000 tons and further stock sales have been stopped until fresh crop arrivals. The Federation is expecting to procure two million tons of crop this year at a minimum support price of \$ 385 per ton. Nafed hopes to meet its requirements as the MSP is currently above the market prices.

Government lowers import duty on specified oils

With a view to check rising domestic prices of vegetable oils, the government reduced the import duty on palm oil and sunflower seed oil effective January 24, 2007. High inflation, now running over 6 percent, driven largely by essential food items such as pulses and vegetable oils, is of serious concern to the government. The annual rise in prices of edible oils, measured by the government's wholesale price index, is estimated at 11.6 percent for the week ended on January 27, 2007. However, the vegetable oil industry and trade associations are unhappy with the import duty reduction, as they believe it will discourage domestic oilseed production, leading to increased dependence on imported oils. Soybean oil is facing a price decline in the domestic market as traders have shown less interest in the commodity in anticipation of further custom duty cuts on edible oils in the upcoming budget and also due to abundant availability of soybean seeds and oil in the market.

The basic duties on crude palm oil (CPO), crude palmolein and other fractions of CPO have been fixed at 60 percent compared to the previous level of 70 percent. The Duty on RBD palm oil, RBD palmolein and other refined palm oils was reduced from 80 to 67.5 percent. The duty was also reduced from 75 to 65 percent and 85 to 75 percent for crude sunflower oil and refined sunflower oils, respectively. The revised import duty structure for edible oils after the January 24, 2007 notification is given below.

Current Effective Duty Rates for Edible Oils

Edible oil Category	Duty (%)	C.V.D	Cess on C.V.D.	Edu. Cess (%)	S.A.D. (%)	Effective Duty (%)
Crude Palm Oil & Crude Olein	60	--	--	2	4	67.6
Vanaspati (Hydrogenated Fat)	80	--	--	2	4	88.8
Crude Sunflower Oil	65	--	--	2	4	72.9
Other Crude Edible Oil for Vanaspati & Refiners	90	--	--	2	4	99.4
Refined Palm Oil & RBD Palmolein	67.4	--	--	2	4	75.6
Refined Rapeseed Oil	75	--	--	2	4	83.5
Refined Sunflower Oil & Other Oils	75	--	--	2	4	83.5
Refined Soybean oil	45	--	--	2	4	50.8
Degummed Soybean Oil	45	--	--	2	4	50.8

The government notification regarding the duty reduction is available at:
www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k7/cs8-2k7.htm

Vegetable Oil imports Higher**Vegetable Oil Imports October'06-January'07 (MT)**

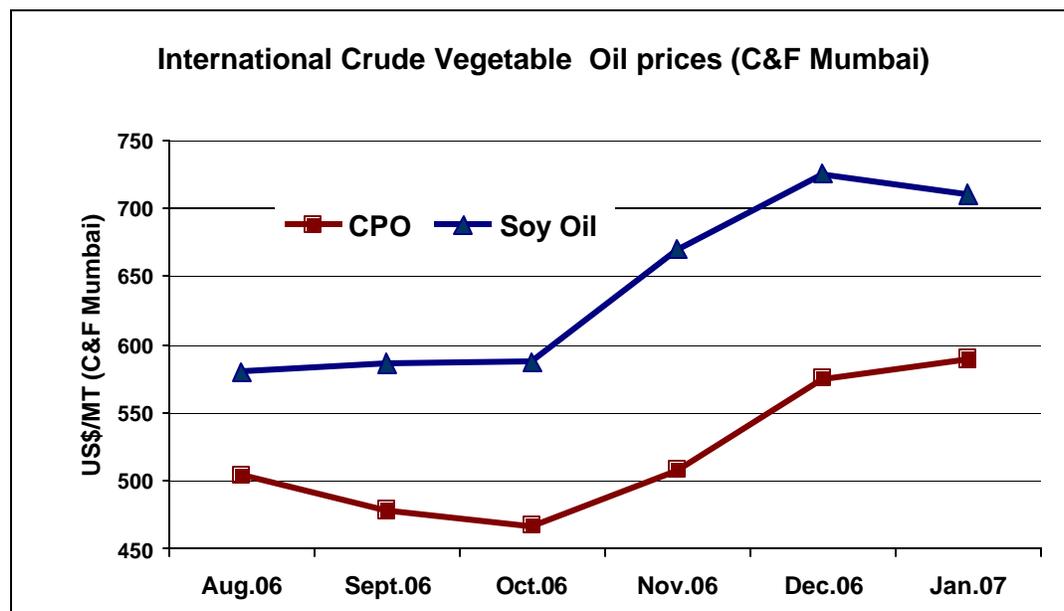
	Oct'06	Nov'06	Dec'06	Jan'07	Oct'06-Jan'07	Oct'05-Jan'06	% Change
RBD palm olein	6499	5,500	17,489	500	29,988	56,687	-47.10
Crude palm oil	390,263	180,036	310,755	209,474	1,090,528	608,093	79.34
Crude palm olein	3,997	2,956	2,000	3,850	12,803	6,737	90.04
Crude palm kernel oil	2,509	1,500	2,968	500	7,477	9,497	-21.27
Total palm oil	403,268	189,992	333,212	214,324	1,140,796	681,014	67.51
Crude soybean oil	222453	53,250	7,482	84,258	367,443	450,058	-18.36
Refined soybean oil	0	0	0	0	0	2,197	-100.00
Total soybean oil	222,453	53,250	7,482	84,258	367,443	452,255	-18.75
Crude sunflower oil	10,000	9000	25,695	13,500	58,195	53,749	8.27
Refined sunflower oil	0	0	0	0	0	0	
Total sunflower oil	10,000	9,000	25,695	13,500	58,195	53,749	8.27
Coconut oil	1000	0	999	502	2,501	1,000	150.10
TOTAL	636,721	252,242	367388	312,584	1,568,935	1,188,018	32.06

*Post forecasts total MY imports close to 5.6 million tons with total palm oil and soybean oil imports at 4.2 and 1.1 million tons respectively

International price trend for the two major categories of imported oils

The international price trends for CPO and crude soybean oil are captured in the chart, below. The recorded oil prices are on a C&F basis, landed at Mumbai. The price of soybean oil registered a 42 percent increase over the past ten months. Import demand for soybean oil is declining as the Indian market is highly price sensitive and soybean oil is priced higher than palm oil. However, the situation may change, as palm oil is increasingly used for biofuel

and other industries. As already stated, the current duty reduction and relatively stable tariff values are likely to drive demand for increased palm oil imports in the coming months.



Oilmeal exports up

Oilmeal exports during the first four months of MY 2006/07 increased by 32 percent to 2.2 million tons from 1.7 million tons during the corresponding period of MY 2005/06. Most of the increase was in soybean meal and rapeseed meal, because of India's price competitiveness. However, Post's forecast for MY 2006/07 oilmeal exports is lowered to 4.5 million tons compared to 4.8 million tons exported last year. The export forecast is kept low on account of reduced production estimates for kharif and rabi crops, despite the export demand during the first four months of the MY 2006/07 registering a 32 percent increase over the same period covered last year. The export forecast for soybean meal is 3.6 million tons, compared to 3.7 million tons last year.

Oilmeal Exports, October'06 - January'07 (1000 MT)

	Soybean	Rapeseed	Groundnut	Rice Bran	Sunflower	Castor	Total
Oct'06	220	74	---	22	---	17	333
Nov'06	457	68	3	22	---	32	583
Dec'06	506	64	14	19	---	24	627
Jan'07	506	92	5	25	---	19	646
Oct'06-Jan'07	1689	297	22	87	---	93	2189
Oct'05-Jan'06	1403	123	37	45	0.75	50	1660
% Change	20.39	141.10	-40.01	92.70	---	86.69	31.90

Source: Solvent Extractors' Association of India