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# **Report Name:** Oilseeds and Products Update

**Country:** India

**Post:** New Delhi

**Report Category:** Oilseeds and Products

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**Report Highlights:**

Assuming normal weather conditions through harvest, India is expected to produce 7.5 million metric tons (MMT) of rapeseed and mustard in marketing year (MY) 2019/20 (October-September) from 6.9 million hectares. Although it is too early to make accurate yield estimates, favorable weather conditions, improved agronomic practices, and absence of biotic stress should favor yields above average. On commerce: poor soymeal export sales in MY 2019/20 will limit total oil meal exports, which are now forecast at 2.5 MMT against Post's initial forecast of 3.2 MMT. Also, edible oil imports are revised down to 16 MMT (still 13 percent above last year) to indicate slightly lower than anticipated palm oil imports.

**Post Revised the MY 2019/20 Rapeseed and Mustard Production to 7.5 MMT from 6.9 Million Hectares**

Assuming normal weather conditions through harvest, India is expected to produce 7.5 MMT of rapeseed and mustard (RM) in MY 2019/20 from 6.9 million hectares (Table 3) against an initial April 2019 [1] Post forecast of 7.8 MMT from 7.20 million hectares. The estimated production is 6.2 percent below last year's official USDA estimate and is subject to further revision based on prevailing weather conditions during harvest and subsequent crop arrivals across market yards.

This season, RM planted area is very close to last year's level. Although it is too early to make accurate yield estimates, factors such as timely completion of planting operations, and favorable weather conditions, including a light spell of timely winter rains and an extended cold season, should benefit crop growth. Also, increasing adoption of better agronomic practices and absence of a major incidence of pests and disease infestation[2] should favor better than average yields[3]. The average temperature from germination to ripening was favorable as well, except for reports of slightly colder than normal winters in parts of northern India, particularly Rajasthan, although there were no confirmed reports of frost injury.

The recent weather outlook from the Indian Meteorological Department indicates that from late February through early March, the weather will be dry over most of the country except for some scattered and isolated rains in central and eastern India. Dry weather is essential for timely harvesting of RM crop.

**Despite Competition from Winter Cereals and Pulse Crops, Stronger RM Price and Residual Soil Moisture Encouraged Planting**

The 2019 Southwest monsoon, which extends from June-September, withdrew 2 weeks later than normal. As a result, abundant rains in the latter half of the monsoon season[4] prompted farmers to exploit the opportunity provided by the high levels of residual soil moisture, which they did with timely planting of RM crop, particularly in the north and northwestern regions. RM seed prices stood firm through the third quarter of the previous MY 2018/19 and through planting season thereby further encouraging timely completion of planting activity for the current season.

Despite larger arrivals, which were the result of drawdowns of last season's surplus stocks, compared to the corresponding period last season, RM seed prices have risen from ₹3900 ($54.16 approximately) per quintal to ₹4000 ($55.55 approximately) per quintal over the five months ending Feb 2020, which indicates strong demand in the domestic market. The Minimum Support Price (MSP) for rapeseed and mustard crop in MY 2019/20 is ₹4425[5] ($61.45 approximately).

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[1] Based on preliminary but limited crop observation done mid-February when most of the crop was in late flowering to pod formation stage and looked healthy.

[2] RM crop planted in Western Rajasthan reported incidence of locust attack. There will be slight decline in total output, which however is yet to be quantified. Relief work is reported to be in progress. The projected output does not account for the loss.

[3] but a tad below last year's level when the national yield (average) was estimated at 1.14 metric tons per hectare and consequently RM production rose to a record 8 MMT (per industry estimate).

[4] The monsoon rains had intensified in August (16 percent above average), followed by heavy rains across Central India which brought 52 percent above normal rains in September 2019.

[5] Based on GOI's decision to provide 50 percent return over its cost of production

**Winter Oilseeds Planted Area Slightly Below Last Year…**

The latest weather watch report from the Indian Ministry of Agriculture (MinAg), *rabi* (winter) oilseed crops shows planted area for rapeseed, mustard, peanut, and sunflower to be 7.53 million hectares, some 17,000 hectares below last year's level. Among all states growing winter oilseeds, Rajasthan occupies over one third of the total planted area. Of that, planting of rapeseed and mustard (RM) predominated with 2.5 million hectares, almost 324,000 hectares above last year[6].

Greater planted area also was reported in Jharkhand, Haryana and Chhattisgarh, including an additional 0.4 million hectares for RM, which largely offsets an estimated 155,000 hectares cumulative decline observed in Madhya Pradesh, Gujarat, West Bengal, Assam and Uttar Pradesh. Farmers in these states seem to have shifted some lands to other more-remunerative crops such as wheat, coarse cereals, and pulses, which make better use of available soil moisture and ground water.

This season, *taramira* (***Eruca sativa***) and *toria* (***Brassica rapa****)* crop planting in Rajasthan and Uttar Pradesh is reported at 246,000 hectares and 442,805 hectares, respectively. Combined, the total of 688,805 hectares well exceeds both the 538,724 hectares last year and an estimated 480,000 hectares planted a year earlier. T*aramira and toria* can be raised profitably on marginal lands deemed unsuitable for successful production of cereals, but their yields are comparatively lower than yields of the major varieties of rapeseed and mustard crops.

**Water Availability in Reservoirs is Better than Last Year…**

Northwestern and central India contribute more than 80 percent of the rapeseed and mustard crop. This year, over the month of January they received rainfall which exceeded 60 percent of the normal rainfall for January through February. Also, as of January 30, 2020, water levels in major reservoirs across these regions are better than last year and above the ten-year average. The eastern and northeastern states which grow winter oilseeds also received above normal rainfall, which should ensure they produce what has historically been about 20% of oilseed production.

**High Domestic Soymeal Prices Stifle Exports**

Given current market conditions, Indian oil meal exports in MY 2019/20 are expected to moderate to less than 2.5 MMT (against March 2019 Post forecast of 3.2 MMT) mainly due to lower than anticipated soymeal exports. The export basket will include 1.4 MMT of soymeal, 1MMT of rapeseed meal, and some minor quantities of other oil meals such as peanut meal.

The recent rally in domestic soybean prices has made Indian soymeal uncompetitive in international markets. Compared to soymeal of international origins, the January 2020 quote for domestic soymeal carried a premium of over $155/metric ton. Tight supplies in the coming months will further elevate domestic soymeal

[6] Uttar Pradesh, Madhya Pradesh, West Bengal and Haryana finished at 18 percent, 10 percent, 9 percent, and 8 percent, respectively.

prices and make Indian exports uncompetitive even to its traditional export markets. By contrast, rapeseed meal is still competitive and will meet prospective demand. January sales figures of the Solvent Extractors' Association (SEA) indicate poor sales to the Middle East, Europe, and parts of Southeast Asia. Note: *First four-month sales of MY 2019/20 do not include surface shipments to neighbors for lack of corresponding trade data.*

**Table 1. India: Oilmeal Exports, Metric Tons**

| | Soybean meal | Rapeseed meal | Peanut meal | Total |
|---|---|---|---|---|
| Oct-19 | 63,800 | 96,442 | 0 | 160,242 |
| Nov-19 | 69,415 | 73,235 | 111 | 142,761 |
| Dec-19 | 72,233 | 60,178 | 0 | 132,411 |
| Jan-20 | 6,107 | 35,664 | 0 | 41,771 |
| **Oct 19-Jan-20** | **211,555** | **265,519** | **111** | **477,185** |
| **Oct 18-Jan-19** | 593,763 | 266,280 | 2,936 | 862,979 |
| % Change | (64) | (0) | (96) | (45) |

Source: Solvent Extractors' Association of India

**Vegetable Oil Imports in MY 2019/20 Revised Slightly Lower to 16 MMT, but Still 13 percent Above Last Year**

Vegetable or edible oil imports in the first trimester of the MY 2019/20 were up 17 percent at 4.7 MMT (Table 2). Based on the import trend and trade estimates, the total vegetable oil import forecast is revised slightly lower to 16 MMT[7] (still 13% above last year) due to slightly lower than anticipated palm oil imports, which are now regulated (see below). The import basket for MY 2019/20 will have upwards of 9.6 MMT of palm oil, 3.6 MMT of soybean oil, 2.6 MMT of sunflower seed oil, and 0.3 MMT of other edible oils. International edible oil prices are softening, and the price spread between palm oil and soft oils has also narrowed by one third, enough to make imports attractive. India's monthly requirement is a little less than 2 MMT and current stocks at port or in transit are reported at 1.7 MMT, which equates to 27 days (SEA Press release Feb 2020).

**Table 2. India: India: Vegetable Oil Imports, 1000 Metric Tons**

| | Oct-19 | Nov-19 | Dec-19 | Jan-20 | **Oct 19 - Jan 20** | Oct 18-Jan-19 | %Change |
|---|---|---|---|---|---|---|---|
| RBD palm-olein | 118 | 122 | 95 | 50 | **385** | 544 | 29 |
| Crude palm oil | 648 | 540 | 632 | 529 | **2,350** | 1,891 | 24 |
| Crude Palm kernel oil | 12 | 6 | 15 | 16 | **48** | 35 | 39 |
| Total palm oil | **779** | **668** | **741** | **595** | **2,783** | 2,469 | 13 |
| Total soy oil (crude) | **394** | **165** | **168** | **261** | **988** | 739 | 34 |
| Total sun oil (crude) | **159** | **263** | **188** | **302** | **912** | 758 | 20 |
| **Grand Total** | **1,332** | **1,096** | **1,097** | **1,157** | **4,683** | 4,001 | **17** |

Source: Solvent Extractors' Association (SEA) of India

[7] Against Post's first annual forecast of 16.4 MMT reported in March 2019

**Government of India's (GOI) Reduced Import Duty on Crude Palm Oil (CPO) and Refined Bleached Deodorized (RBD) Palmolein, Effective January 1, 2020**

On January 08, 2020, the Director General of Foreign Trade (DGFT), Ministry of Commerce, GOI issued a notice (No.39/2015-2020) amending the import policy of RBD palm olein (HS Code 1511 9020) and RBD palm oil (1511 9010) from 'free' to 'restricted' category. This means that all subsequent imports will be regulated and will be subject to license issued by the DGFT.

On February 1, 2020, Finance Minister Nirmala Sitharaman presented the GOI annual budget for Indian Fiscal Year (IFY) 2020/21. The GOI increased tariffs with immediate effect on several food and agricultural products, including crude palm oil (HS Code 1511 1000). This year, the GOI's Tax Research Unit issued this 'notice' to India's Customs Commissioners of various tariff changes as part of the Finance Bill 2020. Based on the above notice, the import tariff rate on crude palm oil was raised from 37.5% to 44%. The SEA and industry are seeking some clarification regarding the above notice (Customs Notification No. 01/2020).

Also, the notification omits the preferential tariff rate for imports of products under the tariff rate quota for 'crude sunflower seed or safflower seed oil (HS Code 1512 11)' and refined rape, colza or mustard oil (HS Code 1514 19, 1514 99) (https://www.indiabudget.gov.in/doc/cen/dojstru1.pdf, page 9).

The basic import duty on other crude and refined vegetable oils stands at 35 percent and 45 percent, respectively. A surcharge of 10 percent is levied as social welfare cess on all imported goods, including edible oils.

**STATISTICAL TABLES**

**Table 3. India: Commodity, Oilseed, Rapeseed, PSD**

| Oilseed, Rapeseed | 2017/2018 | | 2018/2019 | | 2019/2020 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct 2017 | | Oct 2018 | | Oct 2019 | |
| India | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 6700 | 6700 | 7200 | 7000 | 7200 | 6950 |
| Area Harvested | 6700 | 6700 | 7200 | 7000 | 7200 | 6950 |
| Beginning Stocks | 439 | 439 | 369 | 304 | 569 | 504 |
| Production | 7100 | 6500 | 8000 | 8000 | 7700 | 7500 |
| MY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 7539 | 6939 | 8369 | 8304 | 8269 | 8004 |
| MY Exports | 0 | 15 | 0 | 0 | 0 | 0 |
| Crush | 6200 | 5600 | 6800 | 6800 | 6800 | 6600 |
| Food Use Dom. Cons. | 650 | 700 | 650 | 650 | 650 | 600 |
| Feed Waste Dom. Cons. | 320 | 320 | 350 | 350 | 350 | 350 |
| Total Dom. Cons. | 7170 | 6620 | 7800 | 7800 | 7800 | 7550 |
| Ending Stocks | 369 | 304 | 569 | 504 | 469 | 454 |
| Total Distribution | 7539 | 6939 | 8369 | 8304 | 8269 | 8004 |
| Yield | 1.0597 | 0.9701 | 1.1111 | 1.1429 | 1.0694 | 1.0791 |
| (1000 HA), (1000 MT), (MT/HA) | | | | | | |

**Table 4. India: Commodity, Meal, Rapeseed, PSD**

| Meal, Rapeseed | 2017/2018 | | 2018/2019 | | 2019/2020 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct 2017 | | Oct 2018 | | Oct 2019 | |
| India | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Crush | 6200 | 5600 | 6800 | 6800 | 6800 | 6600 |
| Extr. Rate, 999.9999 | 0.5968 | 0.5893 | 0.5956 | 0.5379 | 0.5956 | 0.59 |
| Beginning Stocks | 486 | 486 | 447 | 316 | 397 | 214 |
| Production | 3700 | 3300 | 4050 | 3658 | 4050 | 3894 |
| MY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 4186 | 3786 | 4497 | 3974 | 4447 | 4108 |
| MY Exports | 864 | 870 | 900 | 960 | 900 | 1000 |
| Industrial Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Food Use Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed Waste Dom. Cons. | 2875 | 2600 | 3200 | 2800 | 3150 | 2900 |
| Total Dom. Cons. | 2875 | 2600 | 3200 | 2800 | 3150 | 2900 |
| Ending Stocks | 447 | 316 | 397 | 214 | 397 | 208 |
| Total Distribution | 4186 | 3786 | 4497 | 3974 | 4447 | 4108 |
| (1000 MT), (PERCENT) | | | | | | |

**Table 5. India: Commodity, Oil, Rapeseed, PSD**

| Oil, Rapeseed | 2017/2018 | | 2018/2019 | | 2019/2020 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct 2017 | | Oct 2018 | | Oct 2019 | |
| India | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Crush | 6200 | 5600 | 6800 | 6800 | 6800 | 6600 |
| Extr. Rate, 999.9999 | 0.38 | 0.41 | 0.38 | 0.38 | 0.38 | 0.41 |
| Beginning Stocks | 367 | 367 | 168 | 258 | 143 | 233 |
| Production | 2356 | 2296 | 2584 | 2584 | 2584 | 2706 |
| MY Imports | 278 | 278 | 125 | 125 | 120 | 100 |
| Total Supply | 3001 | 2941 | 2877 | 2967 | 2847 | 3039 |
| MY Exports | 3 | 3 | 4 | 4 | 3 | 3 |
| Industrial Dom. Cons. | 80 | 80 | 80 | 80 | 80 | 80 |
| Food Use Dom. Cons. | 2750 | 2600 | 2650 | 2650 | 2620 | 2650 |
| Feed Waste Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Cons. | 2830 | 2680 | 2730 | 2730 | 2700 | 2730 |
| Ending Stocks | 168 | 258 | 143 | 233 | 144 | 306 |
| Total Distribution | 3001 | 2941 | 2877 | 2967 | 2847 | 3039 |
| (1000 MT), (PERCENT) | | | | | | |

**Attachments:**

No Attachments