

Indian Edible Oil Industry

The Indian vegetable oil economy is the world's fourth largest after the US, China and Brazil, harvesting about 25 million tons of oilseeds against the world. Since 1995, Indian share in world production of oilseeds has been around 10 percent. Although, India is a major producer of oilseeds, per capita oil consumption in India is only 10.6 kg/annum which is low compared to 12.5 kg/annum in China, 20.8 kg/annum in Japan, 21.3 kg/annum in Brazil and 48.0 kg/annum in USA.

Vegetable oil consumption has increased following a rise in household incomes and consumer demand. India imports half of its edible oil requirement, making it the world's third-largest importer of edible oil. The country buys soya oil from Argentina & Brazil and palm oil from Malaysia & Indonesia.

Currently, India accounts for 11.2 per cent of vegetable oil import and 9.3 per cent of edible oil consumption.

Types of Oils commonly in use in India:

India has a wide range of oilseeds crops grown in its different agro climatic zones. Groundnut, mustard/rapeseed, sesame, safflower, linseed, nigerseed / castorseed are the major traditionally cultivated oilseeds. Soyabean and sunflower have also assumed importance in recent years. Groundnut, soyabean and mustard together contribute about 85 percent of the country's oilseeds production. Coconut is most important amongst the plantation crops. Efforts are being made to grow oil palm in Andhra Pradesh, Karnataka, Tamil Nadu in addition to Kerala and Andaman & Nicobar Islands. Among the non-conventional oils, ricebran oil and cottonseed oil are the most important. In addition, oilseeds of tree and forest origin, which grow mostly in tribal inhabited areas, are also a significant source of oils.

Until 2002, the olive oil sector in India was predominantly unorganised. The olive oil industry in India is small and largely people use it more for cosmetic purposes than for cooking. Today Indians are moving to better cooking mediums like Olive oil for health and wellness reasons. Olive Oil has always been placed somewhere between food and medicine and the biggest challenge is to educate Indian consumers on the benefits of olive oil as a cooking medium. Today, the domestic olive oil consumption is seen rising 25% annually.

Production of Oilseeds in India:

India is one of the largest producers of oilseeds in the world and this sector occupies an important position in the agricultural economy and accounts for an estimated production of 28.21 million tonnes of nine cultivated oilseeds during the year 2007-08. India contributes about 6-7% of the world oilseeds production.

Net availability of edible oils from all domestic sources / Consumption of edible oils from Domestic and Import Sources

(Qty.in million tonnes)

Oil Year (Nov. - Oct.)	Net availability of edible oils from all domestic sources	Consumption of Edible Oils (from domestic and import sources)
2005-2006	8.31	12.60
2006-2007	7.37	11.58
2007-2008(Estimated)	8.42	12.19

Production of Cultivated Oilseeds during the last few years (Nov. -Oct.)

(Qty. in million tonnes)

Oilseeds	07-08 (Estimated)	06-07	05-06
Groundnut	7.29	4.86	7.99
Rapeseed & Mustard	7.06	7.44	8.13
Sesamum	0.73	0.62	0.64
Soybean	9.45	8.85	8.27
Sunflower	1.12	1.23	1.44
Safflower	0.22	0.24	0.23
Niger	0.11	0.12	0.11
Linseed	0.13	0.17	0.17
Castor	1.04	0.76	0.99
Total	27.16	24.28	27.98

Status of the Vegetable Oil Industry (as on April 2008)

Type of Vegetable Oil Industry	No. Of Units	Annual Capacity (Lakh MT)	Average Capacity Utilisation
Oilseed Crushing Units	1,50,000 (Approx)	425 (In terms of Seeds)	10-30%
Solvent Extraction Units	779	419 (In terms of Oil-bearing Material)	33%
Refineries attached with Vanaspati Units	127	51 (in terms of oil)	45%
Refineries attached with Solvent Units	225	37 (in terms of oil)	29%
Independent Refineries	585	35 (in terms of oil)	36%
Total Refineries	937	123 (in terms of oil)	37%
Vanaspati Units	268	58 (in terms of Vanaspati, Bakery Shortening & Margarine)	19%

Market Trends:

- India is the world's fourth largest edible oil economy, after USA, China and Brazil, with 15,000 oil mills, 711 solvent extraction units, and 264 vanaspati plants; and over 1,000 refineries employing more than one million people.
- The total market size is at Rs. 600 billion and import-export trade is worth Rs.130 billion.
- India being deficient in oils has to import 40% of its consumption requirements.
- The domestic turn over of the vegetable oil industry is Rs.70,000 crores and import-export turnover of about Rs.16,000 crores per annum, consist of Rs.10,000 crores for import of edible oils & Rs.6,000 crores for export of

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oilmeals, oilseeds castor oil, groundnut oil & vegetable fats of tree borne oilseeds.

- India's edible oil industry is growing at a compounded annual growth rate (CAGR) of 90 per cent. By rationalizing the import duty, the growth rate of sector may rise up to 150 per cent by 2010.
- The total size of the olive oil market in India is around 4 million euro in terms of value and 2,000 tonnes in terms of volume, out of which Spanish companies command a share of about 60%.
- Currently, India accounts for 7.4% of world oilseeds output; 6.1% of world oilmeal production; 3.9% of world oilmeal export; 5.8% of world vegoil production; 11.2% of world vegoil import; and 9.3% of the world edible oil consumption.
- India consumes over 4.5 million tons Palm Oil and other Palm Oil Products per annum, while domestic production of Crude Palm Oil in India is hardly 60,000 tons per annum and rising very slowly.

Statutory Regulations:

The Vegetable Oil Industry is administered through the following regulation orders which are statutory in nature and derive their powers from the Essential Commodities Act:

- Vegetable Oil Products (Regulation) Order, 1998;
- Edible Oils Packaging (Regulation) Order, 1998;
- Solvent Extracted Oil, De-oiled Meal and Edible Flour (Control) order, 1967.

Duty Regime:

Custom Duty:

With effect from 1st April, 2008, the customs duty on crude and refined forms of Palm Oil, Palmolein, Palm Kernel Oil, Soyabean Oil, Rapeseed/Mustard Oil, Sunflower Oil, Safflower Oil, Groundnut Oil, Coconut Oil and some other Vegetable Oils has been reduced to zero percent and 7.5% respectively.

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The customs duty on all grades of olive oil has been reduced to 7.5 percent from the previous 45 percent on virgin olive oil and 40 percent each on refined olive oil and olive pomace oil.

Import Duty:

The import duty on crude edible oils has been abolished and duty on refined edible oils has been lowered to 7.5%.

Import Duty Structure on edible oils effective from 1st April 2008

Item Description	WTO Binding	Current rates of duty on Crude Edible Oils	Current rates of duty on Refined Edible Oils
Virgin Olive Oil	45%	Nil	7.5%
Olive Oil other than virgin	40%	Nil	7.5%
Soyabean Oil	45%	Nil	7.5%
Palmolein	300%	Nil	7.5%
Palm Oil	300%	Nil	7.5%
Groundnut Oil	300%	Nil	7.5%
Sunflower Oil	300%	Nil	7.5%
Safflower Oil	300%	Nil	7.5%
Coconut Oil	300%	Nil	7.5%
Rapeseed/Mustard Oil	75%	Nil	7.5%

Value Added Tax (VAT):

There are differences in the percentage rates and rules from State to State under VAT for oilseeds, oil meals, oilcake and oils.

There is an element of 4% VAT on edible oils / oilseeds plus octroi and other local taxes on edible oils imposed by the state governments, which accounts to nearly 6 to 7%.

The VAT on Olive oils is also charged at the rate of 4% by the Indian States.

Foreign Direct Investment Policy:

100% Foreign Direct Investment (FDI) is allowed in Indian vegetable oils and vanaspati industry through the automatic route.

Moreover in the Food processing sector and the Private oil refineries sector 100% FDI is allowed through the automatic route.

Import of Vegetable Oils:

India, the world's biggest vegetable oil importer after China, buys almost half of its annual consumption of around 11 million tonnes, including palm oil from Malaysia and Indonesia and soyoil from Brazil and Argentina. India mainly imports olive oil from Spain, Italy, Turkey and Greece.

India's vegetable oil imports rose to 593,730 tonnes in June 2008.

Import Data of various types of Olive Oils:

The olive oil market in India is expanding rapidly. In 2007, India imported 23,000 tonnes of olive oil. It is estimated that India will import 42,000 tonnes in 2012, implying a compounded annual growth rate of approximately 80 percent.

(i) Virgin Grade Olive Oil

Italy is the largest virgin oil exporting nation and occupies the largest share in India's total virgin olive oil import volume. It is closely followed by Spain which occupies the next position of India's total virgin olive oil import volume. Other important countries exporting the virgin grade olive oil to India include countries like Turkey, Greece, UK, Australia and USA.

Year	Value (US\$ Million)	Quantity (in thousand Kgs)	India's Total Import (US\$ Million)
2004-2005	0.28	92.48	111,517.44
2005-2006	0.41	126.77	149,165.73
2006-2007	0.86	299.37	185,604.10
2007-2008(Apr-Dec)	1.24	415.15	172,119.50

(ii) Other Grades of Olive Oil & its fractions (Excluding Virgin)

Spain is the largest exporting nation in this category and occupies the largest share of India's total import volume in this grade. It is closely followed by Italy which occupies the next position of India's total import volume in this grade.

Year	Value (US\$ Million)	Quantity (in thousand Kgs)	India's Total Import (US\$ Million)
2004-2005	2.94	789.09	111,517.44
2005-2006	4.21	1,100.54	149,165.73
2006-2007	3.73	908.16	185,604.10
2007-2008(Apr-Dec)	3.48	778.67	172,119.50

(iii) Olives Prepared / Preserved, Not Frozen

Spain is the largest exporter of fresh olives to India occupying more than 85% of India's import volume in this grade.

Year	Value (US\$ Million)	Quantity (in thousand Kgs)	India's Total Import (US\$ Million)
2004-2005	0.16	20.65	111,517.44
2005-2006	0.22	56.39	149,165.73
2006-2007	0.36	119.45	185,604.10
2007-2008(Apr-Dec)	0.33	108.54	172,119.50

(iv) Olives Provisionally Preserved

Spain is the largest exporter of provisionally preserved olives to India. Italy ranks the second biggest exporter of provisionally preserved olives to India.

Year	Value (US\$ Million)	Quantity (in thousand Kgs)	India's Total Import (US\$ Million)
2004-2005	0.13	52.97	111,517.44
2005-2006	0.24	94.71	149,165.73
2006-2007	0.32	148.73	185,604.10
2007-2008(Apr-Dec)	0.16	105.12	172,119.50

Localisation of the Industry:

India is one of the largest producers of oilseeds in the world. The oilseeds area and output is concentrated in Central and southern parts of India, mainly in Madhya Pradesh, Gujarat, Rajasthan, Andhra Pradesh and Karnataka. In India, oilseeds are grown in an area of nearly 27 million hectares across the length and breadth of the country.

Groundnuts:

India ranks second in the world (after China) in groundnut production. The three southern states of Andhra Pradesh, Tamil Nadu, Karnataka and the western state of Gujarat together account for close to 80% of the annual output in India.

Regional trends in groundnut production indicate that the recent increase in groundnut yields has mainly occurred in Tamil Nadu due to increased irrigation. Although Tamil Nadu accounts for 12% of the total area under groundnuts, it contributes to 22% of the total production.

Rapeseed-Mustard:

India ranks fourth (after China, EU and Canada) in the world in the production of Rapeseed. Almost 40 percent of the rapeseed output comes from the state of Rajasthan. Other major states include Uttar Pradesh (18%), Madhya Pradesh (10%) and Haryana (11%). Yield improvements have taken place in all the major states although Haryana shows the maximum growth in yields in the last two decades.

Soybeans:

In India Madhya Pradesh is the leading state in producing soybean followed by Maharashtra, Rajasthan and Uttar Pradesh. On an average, Madhya Pradesh produces 74 percent of India's total soybean crop; Maharashtra, 13 percent; and Rajasthan, 10 percent. The crop has exhibited a vast potential as a monsoon season crop mainly in Central India, and is extending its coverage in the Southern parts of the country.

Olive Oil:

India relies on import route for its olive requirement, as the country has no olive cultivation locally except in a few pockets in Jammu and Kashmir and Himachal Pradesh. For the first time, Rajasthan government has tied up with an Israeli firm Indolive Ltd and Indian company Plastro Plasson Industries to promote olive farming on 210 hectares in the state.

In India the major Olive Oil importing companies are clustered in the States of Delhi, Mumbai and Chennai.

Key Market Players and Brands:

Major Market players:

Edible Oils:

- National Dairy Development Board (Anand)
- ITC Agro-Tech (Secunderabad)
- Marico Industries (Mumbai)
- Ahmed Mills (Mumbai)

Vanaspathi:

- Hindustan Lever (Mumbai)
- Wipro (Bangalore)
- Rasoi (Calcutta)
- Avi Industries (Mumbai)

Major Oil Brands:

Oil brands:

- Sundrop
- Dhara
- Saffola
- Sweekar
- Postman

Vanaspathi brands:

- Dalda
- Rath

Major Olive Oil Brands:

The brands available in the Indian market are predominantly Italian, with one American brand, Bertolli.

Of the current marketshare of an estimated 1,700 tonnes of olive oil imported into India, the brand Leonardo claims 15 per cent of the market share with 255 tonnes, while Colavita has 150 tonnes or 11 per cent.

The following are the other imported brands:

- Aceites Borges Pont, S.A. (Spain)
- Arte Oliva (Spain)
- Consul brand (Spain)
- Figaro (Spain)
- Fragata (Spain)
- Musa (Spain)
- Casarinaldi (Italy)
- Cipriani Industria SRL (Italy)
- Costa d'Oro (Italy)
- Divella (Italy)
- Filippo berio (Italy)
- Granoro (Italy)
- Olitalia (Italy)
- Pietro Coricelli (Italy)



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- Santagata (Italy)
- Sasso (Italy)
- Urbani Tartufi (Italy)
- Olivo (New Zealand)
- Bilginoglu brand (Turkey)