Indian Economy & Vegetable Oil Scenario
India- A Complex Country

Comparison of Population of various countries with States of India.
States name replaced with Country name.
Indian Economy at a Glance

- Very Strong Macro Economics
- Rising Per Capita Income currently at about USD 1500
- 3rd largest economy in the world with GDP standing at USD 2.25 Tn. On purchase power parity we could be a 8 trillion economy.
- Forex Reserves of USD 361 Bn backed by FDI flow of USD 40 Bn in 15-16
- Household savings rate at 30.6%
Indian Economy at a Glance

• Despite the global slowdown, Indian GDP is likely to grow at 7% ?? Some say below 7%

• Huge NPA in banks discouraging them from lending inspite of very high liquidity. NPA’s declared are about 5% of bank lending.( Roughly 60billion USD)

• Indian business still shying from investing inspite of ‘Make In India’ plea of our PM.

India’s Growth Story is continuing unabated
Structural Changes : Demonetization

• To tackle black money high value currency was demonetized in Nov 2016.

• Almost 86% of currency sucked out from system overnight.

• For a short period business suffered big time

• Shift from Cash prominence to cashless Society

• Short term adverse effect on GDP growth. Earlier projection of double digit growth are now muted and below 7%.
Structural Changes: Demonetization

• Long Term to reap the benefits of a cashless economy. Challenges remain as Internet penetration and usage still low.

• Small dip for edible oil demand immediately after announcement of Demonetization in Nov 16.

• Institutional demand suffer in Edible Oils.

• Discretionary spend and out of home consumption suffered.

• Demand and consumption are now back to normal.

  Indian Economy has resilience to absorb any such structural changes in the economy
Structural Changes: Goods & Services Tax

- Step towards a consolidated tax based on a uniform rate of tax fixed for both goods and services and payable at the final point of consumption

- Simplification of the present complex system of taxation

- GST is likely to be a game changer in the Indian Economy
Structural Changes: Goods & Services Tax

- Challenges remain in implementation as there is lack of trust among political parties.

- Systematic reforms will improve doing ease of doing business in India.

- GST will preempt tax leakages making it a level playing field for all players. For corporates it’s a welcome change as and when is implemented.

  Higher GST rates might encourage smaller manufacturers to indulge in financial malpractices.
India Agriculture Scenario

- Largest Arable land in the World 160 mil Hectares
- Largest Gross irrigated crop area 82.6 mil Hectares
- Varied Agro climatic zones with mild winter and summer with balanced distribution of Rain throughout the year
- Varied soil types that can sustain very large variety of crops
- 56% of our workforce engaged in Agriculture
- Long sunshine hours ideally suited for round the year cultivation
India: Agricultural Perspective

- Largest producer of cashew nuts, tea, ginger, turmeric, pepper, Coffee
- Second largest producer of rice and wheat in the world
- First in pulses and fourth in coarse grains
- Third largest producer of tobacco
- Major producer of cotton, sugarcane, peanuts, jute & spices
- Accounts for 10% of world fruit production

Indian Agri Sector contribute to 14% of the GDP but productivity of our agricultural produce is utterly dismal
Demand Projection: Edible Oil

- Indian Oilseed production is about 25-26 million Ton giving us less than 7 million Ton of edible oil. At one third the yield levels as compared to developed nations, we are awfully short of meeting our own demand.

- With per capita edible oil consumption at around 16 Kgs, the total country’s consumption of edible oil stands much higher at about 21 million Ton
• This deficit of 15 Million Ton in demand and supply is met by imports

• Per capita consumption was growing by around 5%. We feel now the growth in demand maybe closer to 4%.

• Indian consumption may touch 30million tons by 2025.

Edible Oil consumption is a ticking time bomb.
Palm Oil Scenario in India

- Palm oil accounts for around 58% of total edible oil imports into the country.

- Bound rate for Palm Oil is 300% which means India could impose import duty till this level against present rate of 7.5% on CPO & 15% on RBD.

- In 2016, India imported 8.3 Mn T of Palm Oil out of which 2.99 Million Ton was imported from Malaysia.

- Out of 8.3 million ton Olien share was 2.6 million tons and CPO 5.7 million tons.

- Palm based refineries in serious trouble due to growing Olien imports.
Palm Oil Scenario in India

• During last few years, the share of Palm Oil imports in the country have plunged to 58 % from earlier 80 % owing to competitiveness of soft oils.

• Palm Oil imports have gone up from 6.5 Mn T in 2009-10 to 8.4 Mn T in 2015-16 giving a % growth of only 30%.

• Against this, the soft oils have gone up from 1.3 Mn T in 2009-10 to 6.1 Mn T in 2015-16 giving it a cumulative growth rate of 462 %.

• Palm Oil is fast losing its market in India despite the logistic advantage.

Import of Edible oil has nearly doubled in last 10 years in India but most of the share has been cornered by Soft Oils.
Crystal Gazing

- India will need to import more than a million additional T each year.
- Composition of Import Basket would be dependent on Price spread between various oils.
- Sunflower Oil has skewed the global oil market and likely to continue.
- Government is exploring options to reduce import duty on certain oilseeds and if this happens, it will change the entire outlook of the Indian Sector.
• Import of Edible oil has nearly doubled in last 10 years in India but most of the share has been cornered by Soft Oils. Palm producing countries would have to gear up to meet the challenge else they could be marginalized very soon in the Indian Edible oil market.

• GM approval for mustard may become a reality. This would be game changer.
Thank You