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India

Oilseeds and Products Update

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Report Highlights:

India is expected to produce 6.4 million metric tons (MMT) of rapeseed and mustard in marketing year (MY) 2017/18 (Oct-Sept) on 6.7 million hectares. The estimated production is 9 percent below last year due to a net decline in planted area, while yields are assumed to be near normal. Likewise, the MY 2017/18 soybean production is revised lower to 9 MMT on lower than anticipated yields. Indian oilmeal exports seemed to have gained momentum while the vegetable oil import forecast remains unchanged at 16.6 MMT.

Post:
New Delhi

Commodities:
Oil, Rapeseed
Oilseed, Rapeseed
Meal, Rapeseed
Oilseed, Soybean

Author Defined:

MY 2017/18 Rapeseed and Mustard Production Revised Lower to 6.4 MMT from 6.7 Million Hectares

According to the latest weather watch report from the Indian Ministry of Agriculture (MinAg), *rabi* (winter) oilseed crops, rapeseed and mustard, peanut and sunflower were planted on 7.5 million hectares, 4.7% below last year. The winter oilseed planting in MY 2017/18 was reported higher in the states of Uttar Pradesh, Madhya Pradesh, West Bengal, Haryana, Chhattisgarh, Gujarat, but planting was lower in Rajasthan, Karnataka, Assam and Telangana.

Evidently, among all states growing winter oilseeds, Rajasthan occupies over one third of the total area and is comprised of mostly rapeseed and mustard crop. These were planted on 2.1 million hectares, almost 700,000 hectares or 22 percent below last year. Additionally, the *taramira* (*Eruca sativa*) and *toria* (*Brassica rapa*) planted area in Rajasthan and Uttar Pradesh is reported at 480,000 hectares compared to an estimated 640,000 hectares last year¹. At the same time, newer or under-utilized areas have reported slightly larger planted area (for rapeseed and mustard crop), but this compensates for just over 50 percent of the total area lost in Rajasthan.

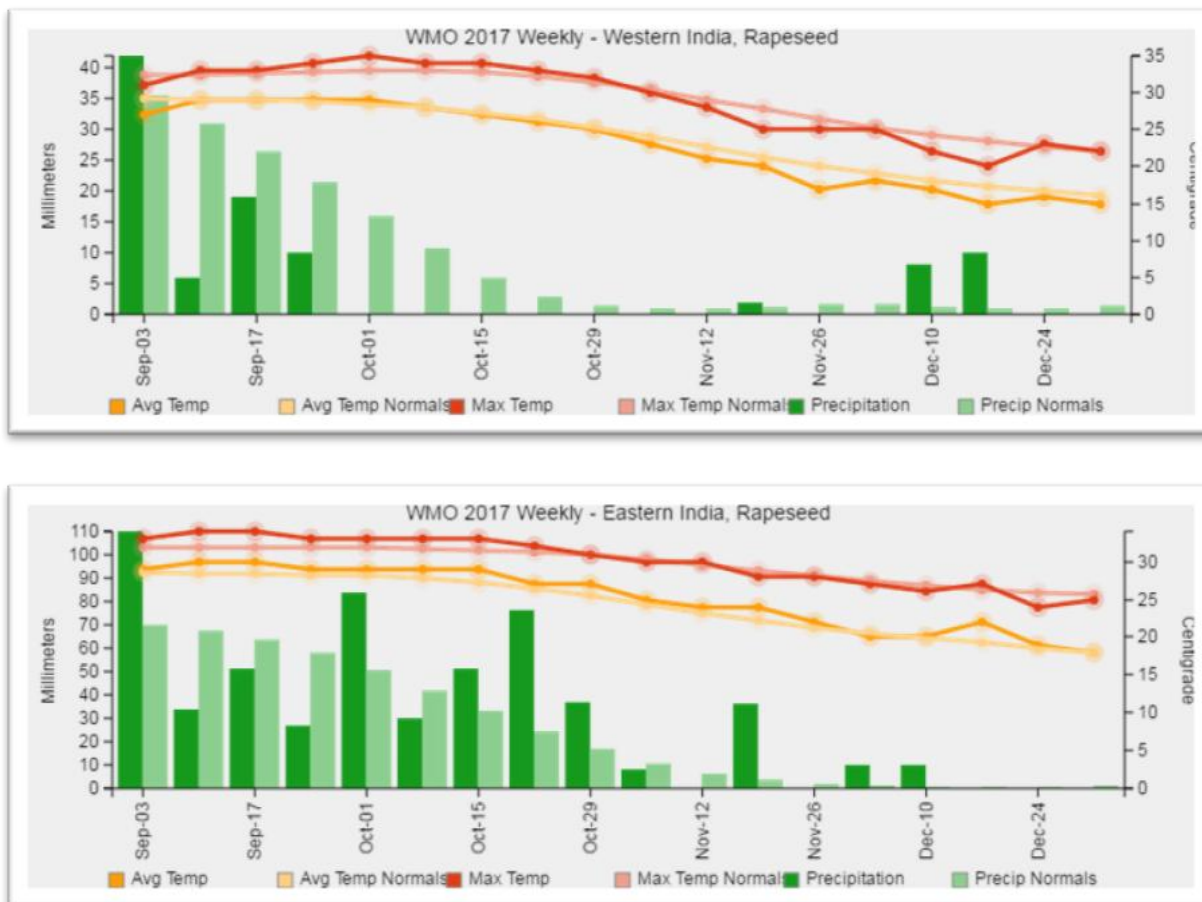
Reports of higher temperatures and very little soil moisture retained from the preceding monsoon season (Figure 1), particularly from mid-September to October (the ideal planting time), has not only delayed planting of rapeseed and mustard crop but has caused some farmers to keep their land fallow or shift to more remunerative crops such as chick peas (gram), garlic, barley, or seasonal vegetables.

Assuming a near normal yield and based on preliminary field assessments, the MY 2017/18 rapeseed and mustard production is now revised lower to 6.4 MMT from 6.7 million hectares (Table 3). The estimated production is 9% below last year. After the dry planting phase, the weather has been conducive for overall growth of the crop and there has been no report of any major incidence of pest and disease infestation (if reports existed, they were below the annual average). The preceding statement also assumes normal weather conditions through the March harvesting period and remains valid until the publication date of this report.

¹ Marginal lands unsuitable for viable cereal production are used for profitable cultivation of *taramira* and *toria*; however, the yields are comparatively lower than major varieties of rapeseed and mustard crops.

Interestingly, the average market price for the rapeseed and mustard crop from March to August 2017 was actually running 17% below what farmers received during the corresponding period two years earlier (when it averaged INR 4650/qtl). In recent past, the market prices have firmed up 7% to INR 4140/qtl in the last three months (until February 2018) on reports of lower than anticipated crop production; meanwhile the Minimum Support Price (MSP) for rapeseed and mustard crop in MY 2017/18 is INR 3,900 per quintal (excludes a bonus of INR100/qtl).

Figure 1. India: Precipitation and Temperature Profile in Q1, MY 2017/18



Source: WMO

MY 2017/18 Soybean Production Revised Lower to 9 MMT on Lower than Anticipated Yields

Post has revised down the MY 2017/18 soybean production from 9.5 MMT to 9 MMT (Table 6) to indicate slightly lower than anticipated (average) yields. Industry and Post sources indicate intermittent dry weather from late July to mid-August in Madhya Pradesh and Maharashtra, and an extended dry period from late August through September in Rajasthan which have curtailed the expected soybean recovery. The soybean crush estimates however remain unchanged, while domestic consumption (food and residual use) is estimated down slightly.

Oilmeal Sales 35% Higher than Corresponding Period Last Year

Indian soybean meal and rapeseed meal exports in the first five months of MY 2017/18 (Table 1) gained some momentum on demand for smaller shipments from countries in Southeast Asia, the Middle East and Europe. A higher import tax on vegetable oils and an export incentive in the form of a revised rate of 7 percent (up from 5 percent) on the MEIS (Merchandise Export from India Scheme), particularly for soybean meal, lifted its export sales particularly in comparison to the corresponding period last year. However, if local soybean prices rally then Indian meal will likely become less competitive, particularly when international supplies hit the market a few months from now. The local soybean prices have spiked 30 percent in the last 5 months after remaining flat for the previous year. Note: *the first four months of sales do not include surface shipments to neighboring countries due to lack of corresponding trade data.*

Brief Background Note on the MEIS Scheme:

The foreign trade policy of the government of India (GOI) (2015-2020) merged all export subsidies under the MEIS. The intent was to encourage value added and to strengthen the GOI's "Make in India" campaign. Previously, there were five different programs for subsidizing exports, along with different types of duty structures. Before the preceding announcement, soybean meal fell under the 'focused product scheme' and had a two percent export subsidy.

However, with the introduction of MEIS, the GOI increased this reward percentage to five percent on many products, including soymeal. This was not done exclusively on soymeal but on other soy products and oilseed meals as well. Under this scheme, the export subsidy is payable as a percentage of realized FOB value of the exported goods and can be applied against other incurred import duties, excise taxes, service taxes, and are freely transferable.

Vegetable Oil Import Tax Raised Twice to Encourage the Domestic Refining Sector

Vegetable (edible) oil imports in the first quarter of the MY 2017/18 are up four percent at 4.7 MMT (Table 2). Of the total import basket, industry sources expect another half million tons of additional palm oil (crude) to replace soft oils, given its price competitiveness in international markets, although the total vegetable oil import forecast is unchanged at 16.6 MMT (8% above last year). As a result of the redistribution, the import basket will now include 10.5 MMT of palm, 3.8 MMT of soybean oil, 2 MMT of sunflower oil, and 0.3 MMT of other imported oils.

Lately, the import duty on crude cottonseed, olive, groundnut, and safflower seed oil were raised from 12.5% to 30%; its refined variants were raised from 20% to 35% (Union Budget 2018). A similar revision was done last November for crude and refined palm, soybean, sunflower, and rapeseed oils. The basic customs duty on edible grade crude palm oil was increased from 15% to 30%; edible grade refined palm oil, from 25% to 40%; crude sunflower oil, from 12.5% to 25%; edible grade refined sunflower oil, from 20% to 35%; crude soybean oil, from 17.5% to 30%; refined soybean oil, from 20% to 35%; crude rapeseed oil including canola oil (low erucic acid rapeseed oil), mustard oil and colza oil, from 12.5% to 25%; refined rapeseed oil including canola Oil (Low erucic acid rapeseed oil), mustard oil, and colza oil, from 20% to 35% ([Customs Notification 87/2017](#)).

The government also announced a 10 percent social welfare surcharge on all imported goods, including edible oils; this will increase marginally the import duty (SEA). For example, the import duty on crude soybean oil and crude palm will now be 33 percent each, while for refined palm oil the duty will be 44 percent. The move was meant to encourage domestic refining production by taxing Malaysian palm oil imports and encouraging fair prices of fall-harvested and winter-planted oilseeds for Indian farmers.

Table 1. India: Oilmeal Exports, Metric Tons

	Soybean meal	Rapeseed meal	Peanut meal	Sunflower meal	Total
Oct-17	71,425	22,731	654	0	94,810
Nov-17	207,630	69,105	314	0	277,049
Dec-17	168,865	69,474	5,051	0	243,390
Jan-18	76,089	3,128	204	0	79,421
Feb-18	73,816	42,231	0	0	116,047
Oct 17-Feb-18	597,825	206,669	6,223	0	810,717
Oct 16-Feb-17	534,968	63,435	2,096	0	600,499
% Change	12	226	197		35

Source: Solvent Extractors' Association of India

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

	Oct-17	Nov-17	Dec-17	Jan-18	Oct 17-Jan 18	Oct 16 - Jan 17	% Change
RBD palmolein	147	147	107	151	552	905	39
Crude palm oil	597	560	608	673	2,438	1,953	25
Crude palmolein	0	0	0	0	0	0	
Crude Palm kernel oil	3	10	8	11	32	14	119
Total palm oil	748	717	723	834	3,022	2,872	5
Crude soybean oil	220	274	79	225	798	841	5
Refined soybean oil	0	0	0	0	0	0	0
Total soy oil	220	274	79	225	798	841	5
Crude sun oil	129	194	237	171	730	656	11
Refined sun oil	0	0	0	0	0	0	0
Total sun oil	129	194	237	171	730	656	11
Canola Rape oil	37	41	20	17	114	127	10
Cottonseed Oil	0	0	0	0	0	0	0
Safflower oil	0	0	0	0	0	0	
Coconut oil	0	0	0	0	0	0	
Grand Total	1,134	1,225	1,058	1,247	4,665	4,496	4

Source: Solvent Extractors' Association of India

STATISTICAL TABLES

Table 3. India: Commodity, Oilseed, Rapeseed, PSD						
Oilseed, Rapeseed Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	6800	6450	6600	7056	6600	6700
Area Harvested	5746	6450	6065	7056	5700	6700
Beginning Stocks	479	479	469	494	710	539
Production	5920	6000	7091	6800	5700	6400
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	6399	6479	7560	7294	6410	6939
MY Exports	0	5	0	5	0	5
MY Exp. to EU	0	0	0	0	0	0
Crush	5000	5000	5800	5700	5120	5500
Food Use Dom. Cons.	650	700	700	750	600	800
Feed Waste Dom. Cons.	280	280	350	300	350	350
Total Dom. Cons.	5930	5980	6850	6750	6070	6650
Ending Stocks	469	494	710	539	340	284
Total Distribution	6399	6479	7560	7294	6410	6939
CY Imports	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
Yield	1.0303	0.9302	1.1692	0.9637	1	0.9552

(1000 HA) ,(1000 MT) ,(MT/HA)

Note: Table includes combined figures for rapeseed and mustard seed.

Meal, Rapeseed Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Crush	5000	5000	5800	5700	5120	5500
Extr. Rate, 999.9999	0.597	0.59	0.5966	0.5905	0.5957	0.59
Beginning Stocks	148	148	245	158	405	474
Production	2985	2950	3460	3366	3050	3245
MY Imports	3	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3136	3098	3705	3524	3455	3719
MY Exports	291	240	410	250	400	500
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2600	2700	2890	2800	2800	3000
Total Dom. Cons.	2600	2700	2890	2800	2800	3000

Ending Stocks	245	158	405	474	255	219
Total Distribution	3136	3098	3705	3524	3455	3719
(1000 MT) ,(PERCENT)						

Oil, Rapeseed Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Crush	5000	5000	5800	5700	5120	5500
Extr. Rate, 999.9999	0.38	0.41	0.3793	0.4105	0.3809	0.4091
Beginning Stocks	222	222	222	140	316	118
Production	1900	2050	2200	2340	1950	2250
MY Imports	383	350	317	325	370	500
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0

Total Supply	2505	2622	2739	2805	2636	2868
MY Exports	3	2	3	2	3	2
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	80	80	85	85	80	90
Food Use Dom. Cons.	2200	2400	2335	2600	2325	2600
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2280	2480	2420	2685	2405	2690
Ending Stocks	222	140	316	118	228	176
Total Distribution	2505	2622	2739	2805	2636	2868
(1000 MT) ,(PERCENT)						

Table 6. India: Commodity, Oilseed, Soybean, PSD						
Oilseed, Soybean Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	11665	11650	11700	11400	10500	10600

Area Harvested	11665	11650	11400	11400	10500	10600
Beginning Stocks	200	200	138	508	818	1216
Production	6929	7000	11500	10500	9500	9000
MY Imports	53	52	79	77	80	120
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	7182	7252	11717	11085	10398	10336
MY Exports	134	134	269	269	180	150
MY Exp. to EU	30	30	25	25	25	20
Crush	5700	5400	9200	8000	8770	8500
Food Use Dom. Cons.	360	360	550	500	350	400
Feed Waste Dom. Cons.	850	850	880	1100	880	880
Total Dom. Cons.	6910	6610	10630	9600	10000	9780
Ending Stocks	138	508	818	1216	218	406
Total Distribution	7182	7252	11717	11085	10398	10336
CY Imports	64	64	75	60	80	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	150	0	250	0	180	0
CY Exp. to U.S.	90	0	90	0	90	0
Yield	0.594	0.6009	1.0088	0.9211	0.9048	0.8491
(1000 HA) ,(1000 MT) ,(MT/HA)						