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Oilseeds and Products Update

Oilseeds and Products Update 2014

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Report Highlights:
The GOP has imposed an 11 percent tax on the import of soybean meal in its federal budget 2014/15, effective July 01, 2014. The imposition of this new import tax will make soybeans import economically viable with anticipated imports estimated to be around a million tons. Cotton is Pakistan's principal oilseed and sowing is lagging behind due to late wheat harvest and unexpected rains during the planting season. Oilseed imports are falling due to relatively higher prices compared to declining palm oil prices. During January - May 2014, Pakistan imported 256,561 metric tons of oilseeds and 929,465 metric tons of edible oil.

Post:
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Prospectus of Soybean and Soybean Meal Import:
The Government of Pakistan (GOP) in its budget 2014-15 (July- June) has imposed 11 percent tax (General sales tax, Custom duty, Central excise duty) on the import of Soybean Meal (SBM). Previously the import of SBM was tax free while there is a 6 percent General sales tax levied on the import of soybeans. The introduction of the new tax (effective July 01, 2014) on SBM, makes soybean import economically viable compared to meal import form India. For the last couple of years the quality and price of Indian SBM has gone inconsistent compared to its availability in the international market.

Traditionally, the entire soybean meal requirement for Pakistan is sourced from India. However, during MY 2013/14, Pakistan imported 160,000 tons of SBM from Argentine due to lack of consistency in the quality and price spike of Indian soybean meal. This year, it is anticipated that Pakistan is likely to import over 400,000 tons of SBM from South American origin. Trade sources reveal that three Panamax has already arrived in Pakistan and five more are in the pipeline. Whole of this quantity was sourced from Argentine and Brazil at an average price of $565 per metric ton compared to Indian offer of $750 per metric ton. Based on growth in meal industry the potential for quality SBM import is on the increase and post expects demand to grow more than a million tons of SBM over the next 5 years. Imposition of 11 percent tax on SBM has made soybean import (6 percent tax) economically feasible as a replacement. Soybeans contain 18 percent oil with 78 to 80 percent SBM. The United States with its high quality and consistent product, with state of the art shipping and handling systems is likely to become a strong competitor for soybean/SBM exports to Pakistan. Looking at global supply demand and future market scenario, Pakistani importers are in touch base with U.S. soybean suppliers to opt for November shipments.

Pakistan's Marketing Year (MY) 2014/15 import of soybean meal is projected at 800,000 metric tons (MT). In order to meet full requirement of SBM, Pakistan needs to import a million ton of soybeans from a credible source. Pakistan's solvent extractor industry, at present, maintains a crushing capacity of over 3.0 million tons. Availability of diversified oilseeds for crushing would further enhance the capacity and ultimately the profitability of the solvent industry.

Cotton Planting in Progress:
Cotton is Pakistan's principal oilseed crop. Planting of the 2014-15 cotton crop is underway in both Punjab and Sindh, however, field reports reveal that the overall planting rate is 6-8 percent behind where it needs to meet the Government's target of 3.0 million hectares. The reduction in planted area in Punjab and Sindh is mainly due to a prolonged winter and unexpected rains during cotton planting season. Prolonged winter delayed the wheat harvest and affected timely cotton planting. Unexpected rains during April- June 2014, hindered cotton germination and the farmers have to go for cotton re-sowing. Non-availability of quality seed posed a major problem and some of the progressive growers opted for alternate crops, shying away from cotton and moving toward moisture adoring crops such as rice, sugarcane and corn.

Oilseeds and Edible Oil Import Matrix:
Oilseed imports are decreasing due to relatively high prices of sunflower seed and rapeseed compared to the declining palm oil prices in international markets. Consequently, edible oil imports, especially palm oil products, are increasing as crushers find it uneconomical to crush imported sunflower and rapeseed to supply local

vegetable oil markets. This can be illustrated by comparing oilseed and edible oil imports during Jan – May 2014 with the corresponding period of the last year. Analysis of tables shows that during this period, oilseed import decreased by 4 percent, whereas, edible oil import depicted marginal increase. As of June of 2014, Pakistan imported a total of 256,561 MT of oilseeds, a decrease of 4 percent from the same period in 2013. Meanwhile, imports of edible oil increased marginally from June of last year to 929,465 MT.

Table 1 provides oilseed import statistics for the last two years along with imports m during the period January - May 2013 and 2014.

Table 1: Oilseed import Statistics

(Figures in Metric Tons)

Product	CY-2012	CY-2013	Jan- May 2013	Jan- May 2014
Rapeseed/canola	713, 828	543,384	266,269	218,604
Sunflower	10,572	185,985	0	37,957
Soybean	0	0	0	0
Total	**724,400**	**729,369**	**266,269**	**256,561**

Source: Ministry of Commerce (MOC), Government of Pakistan and FAS Islamabad

Table 2 provides edible oil import statistics for the last two years along with imports s during the period January - May 2013 and 2014.

Table 2: Edible Oil import Statistics (Year Wise)

(Figures in Metric Tons)

Product	CY 2012	CY-2013	Jan-May 2013	Jan-May 2014
Palm Olien	752,603	979,308	349,083	453,028
RBDPO	749,513	998,619	349,639	369,676
CPO	428,352	278,118	198,418	34,492
CDSBO	40,500	55,214	25,664	72,269
Total	**1,970,968**	**2,311,259**	**922,804**	**929,465**

Source: Ministry of Commerce (MOC), Government of Pakistan and FAS Islamabad

RBDPO: Refined Bleached Deodorized Palm oil

CPO: Crude Palm Oil

CDSBO: Crude Deodorized Soybean Oil