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Status of Vegetable Oil Industry-Indian Economy

Dr. P. Subramanyachary Associate Professor, Dept of MBA, Siddharth Institute of Engineering and Technology, Narayanavanam Road, Puttur-517583, Chittoor District, Andhra Pradesh

ABSTRACT

This paper focuses on the importance of Vegetable Oil industry in Indian Economy and suggests measures to growth of this industry. The vegetable oil industry has witnessed significant growth over the past few years on account of a growing population as well as the rising demand for alternative energy sources. Vegetable fats and oils are lipid materials derived from plants. Physically, oils are liquid at room temperature, and fats are solid. Chemically, both fats and oils are composed of triglycerides, as contrasted with waxes which lack glycerin in their structure. Although many different parts of plants may yield oil in commercial practice, oil is extracted primarily from seeds. India is the fourth largest oilseed producing country in the world, next only to USA, China production of 250 million tons per annum. India also accounts for 7.4% of world oilseed output; 6.1% of world oil meal production; 3.9% of world oil meal exports; 5.8% of world vegetable oil production; 11.2% of world vegetable oil imports; and 9.3% of the world edible oil consumption despite an impressive 25-26 million has under oilseeds; production is characterized by low yields. A major problem is the low capacity utilization. There should be measures for check this one. The per capita availability should be increased. For this, policy changes to be needed as per the global dynamics.

KEYWORDS: Vegetable Oil, Edible oil, Per capita consumption

STATUS OF VEGETABLE OIL INDUSTRY-INDIAN ECONOMY

The vegetable oil industry has witnessed significant growth over the past few years on account of a growing population as well as the rising demand for alternative energy sources. Vegetable oil products are: Aroma Oil, Castor Oil, Coconut Oil, Cooking Oil, Cottonseed Oil, Dill Seeds, Essential & Aromatic Oils, Essential Oils, Ground Spices Mustard Oil, Natural Essential Oil, Neem Oil, , Seeds & Plantation Products Sesame Oil, Sesame Seed Sesame Seed Oil, Soybean Oil, Soybean Refined Oil, Spices & Cooking Masalas, Sunflower Oil. Vegetable fats and oils are lipid materials derived from plants. Physically, oils are liquid at room temperature, and fats are solid. Chemically, both fats and oils are composed of triglycerides, as contrasted with waxes which lack glycerin in their structure. Although many different parts of plants may yield oil in commercial practice, oil is extracted primarily from seeds. Vegetable fats and oils may be edible or inedible. Examples of inedible vegetable fats and oils include processed linseed oil, tung oil, and castor oil used in lubricants, paints, cosmetics, pharmaceuticals, and other industrial purposes. In recent years, the rising health concerns have also accelerated the demand for palm oil, particularly in the developed markets.

Back ground of the industry

India is the fourth largest oilseed producing country in the world, next only to USA, China production of 250 million tons per annum. 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. Depending on the period of cultivation, the oilseeds are classified as 'Kharif Crop' and 'Rabi Crop'. The Kharif Crop that is dependent on the Monsoon is harvested around October-November each year. On the other hand, the Rabi Crop is harvested around March-April each year. The edible oil industry of the country comprises of 50,000 Expellers, 600 Solvent Extraction Plants, 300 Vegetable Oil Refineries, and 175 Hydrogenation Plants. The edible oil sector occupies a distinct position in Indian economy as it provides job to millions of people, achieves on an average a domestic turn over of US $ 10 Billion per annum and earns foreign exchange of US $ 90 Million per annum.

Year (Apr.-March)	Import of Edible Oils*	
	Quantity (in lakh tonnes)	Value(Rs. In crores)
2000 - 2001	41.77	5976.53
2001 - 2002	43.22	6464.97
2002 - 2003	43.65	8779.64
2003 - 2004	52.90	11683.24
2004 - 2005	45.42	10755.65
2005-2006	42.88	8960.99
2006-2007	42.17	9580.53
2007-2008	49.03	10298.68
2008-2009(Upto April,2009)**	40.94	12535.54

Role of vegetable oil industry in the economy

Major drivers of the vegetable oil economy are GDP growth (and importantly, contribution of agricultural GDP), population growth, changes in consumption pattern and government policies. The population is growing at 1.8% per annum; policy makers are aiming at 10% GDP growth under the on-going 11th Five-Year Plan period. This will boost demand for food products including edible oil, although the recent spike in vegetable oil prices has squeezed demand growth.

The total demand for edible oils is expected to increase from the current level of 130 lakh tonne to 156 lakh tonne in 2010 and further to 208 lakh tonne by 2015, BV Mehta, executive director of the Solvent Extractors' Association (SEA) said. This assumes a modest per capita consumption increase of 4% a year and population growth of 1.8% a year, which translates to an overall growth in demand at the rate of 6% per annum. However, if the per capita consumption growth turns out to be higher at 5% or 6%, then demand will be much higher - 226 lakh tonne and 246 lakh tonne by 2015, he said, at the World Palm Oil Summit 2008 held at Jakarta (Indonesia).

The country's edible oil imports may climb 38% by 2010, straining supplies, as rising incomes among the nation's middle-class consumers stoke demand for fried food. Imports may total at least 65 lakh tonne, up from 47 lakh tonne last year, said Mehta. The combined kharif (winter) and rabi (summer) crops of oilseeds during current year is estimated at over 272 lakh tonne, compared to 243 lakh tonne the previous year, up by 30 lakh tonne, and availability of vegetable oil from domestic supply is likely to be 85 lakh tonne, as compared to 78 lakh tonne last year. India's economy continues its robust growth trajectory, a journey which began in 2003-04. Real GDP grew by 7.5-8.5% between 2003 and 2005; accelerated to 9% in 2005-06; and logged a record 9.4% in 2006-07. The growth momentum is expected to continue in the current fiscal year, propelled by rising consumer demand as depicted by sustained growth in earnings of corporate India; good agricultural growth prospects; and flow of fresh capital investments despite interest rate hikes. Reflecting changes in the economic environment, the vegetable oil complex – a significant part of agribusiness – has witnessed considerable changes in conditions in the wake of economic liberalization.

Domestic vegetable oil production (7-8 million tonnes) is not sufficient to meetdemand. Trade-policy reforms in the mid- 1990s fuelled an increase in edible oilimports which now meet 40-45% of requirements. While India will continueto import, the basket will rely on the relative prices. Currently, CPO/ palmolein and crude soybean oil are favourites as they provide the lowest price option. India also accounts for 7.4% of world oilseed output; 6.1% of world oil meal production; 3.9% of world oil meal exports; 5.8% of world vegetable oil production; 11.2% of world vegetable oil imports; and 9.3% of the world edible oil consumption despite an impressive 25-26 million has under oilseeds, production is characterized by low yields . Domestic price support policies favour the production of crops (mainly, rice and wheat) that compete with oil-

seeds. Oilseeds are grown mainly on marginal and submarginal lands under low input usage. Moreover, less than 25% of the oilseed area is irrigated, rendering cultivation vulnerable toweather-related yield risk. A major problem is the low capacity utilisation. The installed capacity of oil mills is around 36 million tonnes annually, but capacity utilisation is only 40 per cent. Solvent extraction plants show only 33 per cent capacity utilisation and vegetable oil refineries show 40 per cent.

Different companies in India
Hindustan Produce Company:
Deals in manufacturing and exporting of vegetable oil, natural vegetable oil, industrial vegetable oil, vegetable plant oil, castor oil, linseed oil along with quick lime, caustic soda, soda ash, grey cement and white cement

Paras Perfumers:
Exports and supplies an extensive range of vegetable oils like almond oil, ajwain oil, alfalfa oil, artemisia oil, avocado oil, apricot oil, apple seed oil, butter oil, babassu oil, bur oil, borage seed oil and bitter gourd oil.

Fragrance De Energy, Agra:
Deals in manufacturing and exporting of vegetable oil and hygienic vegetable oils, also dealing in carrier oils, essential oils, natural essential oils, fragrance oils and refresher oils etc

S K Oil Industries, Jalgaon:
Deals in selling and supplying of vegetable oils that includes sesame oils, pure mustard oils, virgin coconut oils, refined sunflower oils, refined groundnut oils, filtered groundnut oils and pure olive oils

Sri Krishna Refineries:
Specialized in manufacturers and suppliers of vegetable oil, refined vegetable oils, pure vegetable oil, edible vegetable oils, ground nut oil, sunflower oil, peanut oil and hydrogenated vegetable ghee.

Vaighai Chemical Industries Limited, Tamil Nadu:
Exporters, suppliers and manufacturers of vegetable oil, rice bran, de oiled rice bran, rice bran oil, rice bran powder, potassium chlorate, cotton yarn, etc.

Bharat Foods Co Oprative Limited:
Deals in exporting and importing manufacturing of vegetable oil, also offering edible oil, refined soybean oil, refined cotton seed oil, refined cooking oil, double filtered groundnut oil, cotton bales, edible fats, raw cotton.

Aromex Industry:
We are offering to selling of several vegetable oil, sweet almond vegetable oil, evening primrose vegetable oil, olive vegetable oil, apricot vegetable oil, walnut vegetable oil, wheat germ oil, grape seed oil, avocado oil and borage oil.

Rakesh Sandal Industries:
Bulk supplier of vegetable oils including musk melon oil, black cumin seed oil, neem oil, bitter gourd oil, lady finger oil, bottle gourd oil, ridge gourd oil, pomegranate oil, brinjal oil, pumpkin oil, cauliflower oil, cucumber oil and sesame oil

Adi Biotech Private Limited, Delhi:
Manufacturers and suppliers of vegetable oil, refined vegetable oils, pure vegetable oil, edible vegetable oils along with jatropha seeds, biofuel jatropha seeds, biodiesel producing jatropha seeds, jatropha seedcakes, jatropha oil, jatropha saplings.

Government Regulations
Industrial Licence:
No licence is required for setting up a Dairy Project in India. Only a Memorandum has to be submitted to the Secretariat for Industrial Approvals (SIA) and an acknowledgment is to be obtained.

However Certificate of Registration is required under the Milk and Milk Products Control Order (MMPO) 1992.

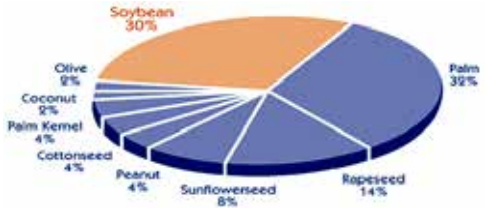
Foreign Investment:
Foreign Investment in dairying requires prior approval from the Secretariat of Industrial Approvals, Ministry of Industry, as dairying has not been included in the list of High Priority Industries.

Automatic approval will be given upto 51% Foreign Investment in High Priority Industries.

Foreign Technology Agreements:
Foreign Technology Agreements are freely allowed in high priority industries under the following terms:Lump sum payment of Rs 10 million

Royalty payment of 5% on domestic sales and 8% as exports subject to total payment of 8% on sales turnover, over a 10 year period from the date of agreement or 7 years from commencement of production

MARKET SHARES



Strengths:
Divers of agro-economic conditions
- Strong first-line extension system.
- Strong public sector ecological situations.
- Strong research network for seed production.
- Strong HRD facilities.
- Initiatives from oil industry.

Weaknesses:
- Dependence on vagaries of monsoon.
- Lack of adequate seed multiplication.
- Weak infrastructure.
- Technical inefficiency of oil industry.
- .Lack of regulatory and trade policy support.

Opportunities:
- Biotechnological options for genetically enhanced germplasm.
- Huge exploitable yield reservoir.
- Exploiting niche areas of oilseeds cultivation.
- Value addition to oilseeds, oils and by-products.
- Scope for improving efficiency of oilseed processing.
- Exploiting supplementary sources of oil.
- Extension of retail boom to oilseeds

Threats:
- Continuous cropping.
- Alarming demand for edible oil.
- Lack of linkage to assured market.
- High standards in the liberalized international trade.

To summaries, COOIT suggests immediate action on following points, to save India's oilseed economy from disaster and the farmers from having to sell at un-remunerative prices:

1. Immediately create an Oilseed Development Fund by earmarking a part of the customs duty collected from imports of edible oils and this fund should be used exclusively for increasing oilseed production in the country.
2. Government could usefully examine the promising scope that exists in the southern coastal areas for increasing Oil Palm plantation keeping in view our increasing requirements for per capita edible oil consumption.
3. Looking at the success of industry-state joint demonstrations in Rajasthan & U.P., for rapeseed/mustard we invite the central and state governments to allocate more funds and take more active participative interests in such demonstrations in different parts of the country covering all major oilseeds.
4. The industry is willing to make suitable investments in agriculture sector and increasing oilseed productivity. However, some indirect incentives should be allowed to the industry. One way of doing this is to allow higher tax deduction on amounts directly invested in agriculture activities.
5. Edible oils and oilseeds are subjected to VAT at different rates in different states. We hope this just request would be considered favourably and exemption from VAT will be given to this sector soon.

Conclusion: The vegetable oil industry has witnessed significant growth over the past few years and occupied fourth largest oilseed producing country in the world, next only to USA, China production of 250 million tons per annum. Since 1995, Indian share in world production of oilseeds has been around 10 percent. This should be continued. Although, India is a major producer of oilseeds, per capita oil consumption in India is only 10.6 kg/annum. The per capita availability should be increased. For this, policy changes to be needed as per the global dynamics.

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