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Required Report - public distribution

Date: 8/30/2019

GAIN Report Number: IN9077

India

Oilseeds and Products Update

August 2019

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Report Highlights:

Estimated soybean production for marketing year (MY) 2019/20 (Oct.-Sept.) is revised lower to 10.5 million metric tons (MMT) on 11.2 million hectares. The national average yield will settle below last year's level due to concerns over prevailing weather conditions. After discounting availability of soybeans and considering strong domestic demand for animal feed (soymeal), the out-year oilmeal export forecast is lowered 6.2 percent to 3 MMT. Additionally, after remaining flat for the last two years, out-year edible oil imports will grow 12 percent to 16.4 MMT.

Commodities:

Oilseed, Soybean
Meal, Soybean
Oil, Soybean
Oilseed, Sunflowerseed
Meal, Sunflowerseed
Oil, Sunflowerseed

Author Defined:**General Comments:****2019 Southwest Monsoon Progress and *Kharif* (Fall Harvested) Oilseeds Planting**

The 2019 Southwest monsoon rains (June-Sept.) arrived in Kerala on June 8, almost a week behind. The tropical Cyclone ‘Vayu’ – which originated from a low depression in the Arabian Sea, grew strong through June 12, and dissipated a week later – is believed to have weakened the monsoon progress by withdrawing moisture. As a result, cumulative rainfall from June 8 through July 3 was reported 28 percent below normal. Concurrently, planting operations were slower than normal.

Heavy precipitation (28 percent above normal) followed the dry spell, and by July 10, the cumulative rainfall deficit across India narrowed to half (-14 percent). There were no rains for the next two weeks, but the rains returned by the end of July. Farmers utilized every opportunity they had to plant seeds on the retained soil moisture, even if it meant re-sowing. Under such circumstances, farmers tend to shift to short-duration crops, which are more remunerative. This year, farmers have partly shifted to cotton, coarse cereals (corn), and forage crops (such as sorghum), in addition to planting oilseeds whenever weather conditions permitted.

Overall rainfall distribution in first two months of monsoon season was erratic. The rainfall deficit over the Central India region¹ (a major soybean, peanut, and cotton growing region), however, dropped from 35 percent at the end of June to 9 percent by the end of July. A widespread and intense rainfall activity that started in the second week of August brought excess rains over Central India (16 percent above normal). The South Peninsula region recorded excess rains five percent above normal during the same time-period.

The latest planting progress report (August 16) from the Indian Ministry of Agriculture (MinAg) shows that total *kharif* oilseeds (soybeans, peanuts, and sunflower seeds) were planted on 14.7 million hectares, similar to last year. The oilseed-planting pace in June was slow but it managed to recover with the ideal planting window extended through mid-July across India and, in some places, through late July.

Overall, the Northwest, East, and Northeastern regions are currently dry (below average as of mid-August), but are expected to receive some rainfall through end of August as reported by the Indian

¹ Defined by the IMD as the area between the country’s mid-latitudes, including Gujarat, Odisha, and Maharashtra, and excluding Madhya Pradesh.

Meteorological Department (IMD). Presently, the water storage levels in major reservoirs of Western and Central India are better than last year and above the 10-year average.

Note: The IMD predicted the 2019 Southwest monsoon rainfall would total 96 percent of the Long Period Average (LPA) of 89 cm, with a model error of ± 5 percent.

MY 2019/20 Soybean Production Estimate Revised Lower

Based on preliminary crop observations in early August, the soybean production estimate for MY 2019/20 is revised lower to 10.5 MMT on 11.2 million hectares². The national average yield³ will settle below last year's level (1 metric ton per hectare) due to prevailing weather conditions. During the period of heavy rainfall in the second week of August, short-duration cultivars were in their reproductive stage (full flowering and pod development) and susceptible to both biotic and abiotic stress. Receipt of heavy and incessant rainfall during this time may lead to defoliation of flowers or hampered seed development. Late planted and long-duration soybean cultivars, however, may benefit from recent heavy rainfall activity, if excessive rains do not continue. The proportion of late-planted soybeans may be slightly higher⁴ than usual due to the late monsoon rains and extended planting window through July.

Despite a slow start to planting, successive planting operations through July have brought more planted area under soybeans. A strong market price (Table 1) coupled with the July 9 announcement of a higher minimum support price (MSP) for MY 2019/20 likely encouraged additional oilseed planting during an extended planting window in anticipation of higher returns, stable yields, and relatively lower crop maintenance compared to cotton. Typically, the Government of India (GOI) makes its annual MSP announcement in early June when farmers make their planting decisions. The GOI's MSP announcement claims that farmers receive 1.5 times the production cost of planting a crop.

On impact of recent rainfall, it is unclear how much of the soybean crop has been lost due to excessive rains (mostly across low-lying areas, as they remain submerged unless properly drained). Estimates of such damage can only be ascertained by respective state governments after water recedes from flooded areas. The IMD predicts enhanced rainfall activity over Central India, Madhya Pradesh, and Rajasthan through the end of August; if this occurs, it could result in further damage to the standing crop. In past years, both soybean yield and harvest quality were adversely effected by abnormal weather conditions during critical growth stages.

² Post's April 2019 forecast was 12 MMT from 11.6 million hectares. The MY2018/19 soybean estimate is 11.5 MMT from 11.5 million hectares.

³ MY 2019/20 yields are expected to decline but remain close to the five-year average. This assessment will be updated after the soybean harvest.

⁴ This assessment will be updated after the soybean harvest.

Table 1. India: GOI's MSP for *Kharif* Oilseeds (Indian Rupees (INR)/Quintal⁵)

Oilseeds	MY 2017/18 (Average market price, market price percent change versus prior year)	MY 2018/19 (Average market price*, market price percent change versus prior year)	MY 2019/20 (MSP percent change versus prior year)
Groundnut	4,450 (4,000, -13.2%)	4,890 (4,630, +16%)	5,090 (+4.1%)
Sunflower Seed	4,100 (3,180, -0.96%)	5,388 (3,660, +15.3%)	5,650 (+4.9%)
Soybean	3,050 (3,150, +13.3%)	3,399 (3,390, +8.3%)	3,710 (+9.1%)

Source: Directorate of Economics and Statistics, MinAg, GOI

*: Average prevailing price for the first three quarters compared with corresponding period last year.

Note: Post revised production, supply, and demand estimates for soybeans, soymeal, and soybean oil for the last two years (MY 2017/18 and 2018/19) to reflect previous production and trade estimates. Revised estimates are appended in the Statistical Section, tables 4-6.

MY 2019/20 Sunflower Area and Production Lowered; Peanuts Remain Unchanged

Total peanut area and production in MY 2019/20 remains unchanged at 5.6 MMT from 4.5 million hectares. The latest planting report indicates that *kharif* peanuts were planted on 3.5 million hectares compared to 3.6 million hectares planted last season. Post estimates that both winter and summer planting of peanuts will likely be normal. During the current season, an additional 85,000 hectares came from Gujarat, Maharashtra, Tamil Nadu, and Madhya Pradesh, but could only offset 42 percent of the net decline reported from Andhra Pradesh, Karnataka, Rajasthan, Odisha, and other states.

Since Gujarat occupies almost 45 percent of total planted area, the prevailing weather condition there will be crucial to overall production. Consecutive dry spells in mid-June and early July delayed planting of peanuts, but intermittent rains helped bring additional area under planting. Experts say that the current time (mid-August) is crucial for pegging and any receipt of rainfall will be beneficial. Additionally, Rajasthan and Andhra Pradesh (including Telangana) occupy roughly 25 percent of total *kharif* area and therefore the weather situation there is also vital

Similarly, assuming normal growing conditions during the 2019 *rabi* (winter-sown) season, **total sunflower area and production in MY 2019/20 is revised lower** to 200,000 metric tons on 250,000 hectares. MinAg's latest planting report indicates that the *kharif* sunflower crop was planted on only 82,000 hectares, as compared to 97,500 hectares planted last season mostly due to abnormal weather conditions in Karnataka, the major sunflower growing state in India. Sunflower seed planting in India is declining at the annual rate of 12 percent as farmers shift to competing crops, such as cotton and rice.

Considering a net decline in total *kharif* oilseed production and assuming a normal output of winter-sown oilseeds, total oilseed production in MY 2019/20 is revised down four percent to 36.7 MMT on 37.8 million hectares. The acreage decline is marginal, 1.3 percent below April 2019 forecast.

MY 2018/19 Edible Oil Imports Will Settle at Last Year's Level

In the first 10 months of the current marketing year (Table 2), vegetable oil imports dropped two percent to 11.4 MMT, mostly due to lower than anticipated import of crude palm oil and costlier sunflower oil. The current import trend suggests that by end of September 2019, total imports will settle at 14.6 MMT, which is 900,000 MT less than Post's April 2019 estimate and incidentally at last year's level. The import basket for MY 2018/19 will include 9 MMT of palm oil, 3 MMT of soybean oil, 2.4 MMT of sunflower oil, and a minor quantity of other oil.

Refined palmolein imports, which grew 36 percent to 2.2 MMT (the highest volume recorded in the last 6 years), have partially compensated for the drop in crude palm purchases. Since January 1, 2019, under the India-Malaysia CECA agreement, palmolein imports from Malaysia grew based on their five percent lower duty vis-à-vis similar imports from Indonesia or other ASEAN countries. In the last 10 months, imported edible oil prices have dropped and the exchange rate is currently stable (at INR 68.74/1 USD) after appreciating more than 6.5 percent in last 10 months. Between soft and palm oils, the latter remains competitive.

The basic import duty on crude and refined vegetable oils stands at 35 percent and 45 percent, respectively. A surcharge of 10 percent is levied as social welfare cess on all imported goods, including edible oils. India's monthly requirement is about 2 MMT and India typically holds 30 days' stock. India held inventory that could last for 32 days as of August 1, 2019 (SEA Press Release).

After remaining flat for the last two years, edible oil imports in the out-year will grow 12 percent to 16.4 MMT in MY 2019/20. The import basket for MY 2019/20 will include 10 MMT of palm oils, 3.5 MMT of soybean oil, 2.6 MMT of sunflower seed oil, and 0.3 MMT of other edible oils.

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

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Oct 18 - July 19	Oct 17- July-18	% Change
RBD palm-olein	137	109	130	167	241	313	238	371	256	265	2,227	1,643	36
Crude palm oil	610	568	67	645	498	475	450	440	421	533	4,706	5,133	8
Crude palm olein	0	0	0	0	0	0	0	0	0	0	0	0	0
Crude Palmkernel oil	7	15	11	2	13	15	19	7	10	15	115	80	44
Total palm oil	754	692	208	815	752	802	707	818	687	813	7,049	6,856	3
Crude soybean oil	264	204	85	186	220	293	249	232	223	320	2,276	2,350	3
Refined soybean oil	0	0	0	0	0	0	0	0	0	0	0	0	0
Total soy oil	264	204	85	186	220	293	249	232	223	320	2,276	2,350	3
Crude sun oil	157	166	236	200	200	298	242	131	162	200	1,992	2,139	7
Refined sun oil	0	0	0	0	0	0	0	0	0	0	0	0	0
Total sun oil	157	166	236	200	200	298	242	131	162	200	1,992	2,139	7
Canola Rape oil	0	12	13	9	10	0	0	0	0	15	59	242	76
Cottonseed Oil	0	0	0	0	0	0	0	0	0	0	0	3	0
Safflower oil	0	0	0	0	0	0	0	0	0	0	0	0	Nil
Coconut oil	0	0	0	0	0	0	0	0	0	0	0	0	Nil
Grand Total	1,174	1,073	543	1,211	1,182	1,393	1,199	1,181	1,071	1,348	11,375	11,589	2

Source: Solvent Extractors' Association (SEA) of India

MY 2018/19 Oilmeal Exports Revised Lower

After discounting availability of soybeans and considering strong domestic demand for animal feed, the out-year oilmeal export forecast is lowered 6.2 percent to 3 MMT. The export basket will include 2 MMT of soymeal, a little less than 1 MMT of rapeseed meal, and some quantity of peanut meal. During the first 10 months of MY 2018/19, total oil meal exports (including surface transport) have risen eight percent to 2.3 MMT (Table 3).

Rapeseed meal exports grew this year due to improved demand from South Korea, Thailand, and Vietnam. Post expects that by September 2019, India will be able to sell a little less than 1 MMT. Currently, it is quoted at \$220/MT (July, FOB Indian port) and is very competitive compared to \$225/MT (July, FOB Hamburg) quoted by international suppliers.

On the contrary, soybean meal exports slid in the last four months and are likely to stay subdued through September 2019 due to poor overseas demand and uncompetitive pricing. However, Indian soymeal may appeal to those who are willing to pay a more for the non-genetically modified tag and shorter transit time.

The July 2019 FOB quote for India soybean meal is \$440/MT as against \$330/MT (average) quoted by international suppliers in the United States and Brazil. Between the two, U.S. soymeal is selling at an eight percent premium. Post expects soymeal exports to reach 1.7 MMT, which is 0.2 MMT less than originally forecast in April 2019. Poor soybean export sales will weigh on total oilmeal exports and therefore Post has revised down total oilmeal exports for MY 2018/19 to 2.6 MMT against its April 2019 annual forecast of 2.9 MMT.

Table 3. India: Oilmeal Exports, Metric Tons

	Soybean meal	Rapeseed meal	Peanut meal	Sunflower meal	Total
Oct-18	150,388	34,830	770	0	185,988
Nov-18	186,409	86,349	1,223	0	273,981
Dec-18	170,588	87,106	943	0	258,637
Jan-19	86,378	57,995	0	0	144,373
Feb-19	132,375	79,643	0	0	212,018
Mar-19	193,920	50,964	0	0	244,884
Apr-19	40,829	120,630	91	0	161,550
May-19	53,272	72,895	0	0	126,167
Jun-19	18,185	54,247	0	0	72,432
Jul-19	26,006	93,837	199	0	120,042
Surface Transport	475,000	50,000	0	0	525,000
Oct 18 to July-19	1,533,350	788,496	3,226	0	2,325,072
Oct 17 to July-18	1,668,402	485,555	6,533	0	2,160,490
% Change	(8)	62	(51)		8

Source: SEA of India

Please note that surface shipment data is for first 3 quarters only

STATISTICAL TABLES**Table 4. India: Commodity, Oilseed, Soybean, PSD**

(Area in 1000 hectares and production in 1000 metric tons)

Oilseed, Soybean Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	10550	10600	11500	11000	11500	11250
Area Harvested	10400	10600	11000	11000	11000	11250
Beginning Stocks	880	880	189	189	834	509
Production	8350	8350	11500	11300	10300	10500
MY Imports	166	166	165	70	180	50
Total Supply	9396	9396	11854	11559	11314	11059
MY Exports	217	217	200	200	200	200
Crush	7700	7700	9500	9200	9500	8800
Food Use Dom. Cons.	420	420	440	450	449	450
Feed Waste Dom. Cons.	870	870	880	1200	900	1250
Total Dom. Cons.	8990	8990	10820	10850	10849	10500
Ending Stocks	189	189	834	509	265	359
Total Distribution	9396	9396	11854	11559	11314	11059
Yield	0.8029	0.7877	1.0455	1.0273	0.9364	0.9333

Table 5 India: Commodity, Meal, Soybean, PSD
(Units in 1000 metric tons, Extraction rate in Percent)

Meal, Soybean Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	7700	7700	9500	9200	9500	8800
Extr. Rate, 999.9999	0.8	0.8	0.8	0.8	0.8	0.8
Beginning Stocks	583	583	110	394	275	404
Production	6160	6160	7600	7360	7600	7040
MY Imports	11	11	15	10	15	15
Total Supply	6754	6754	7725	7764	7890	7459
MY Exports	1844	1500	1850	1700	1850	2000
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	250	260	250	260	250	250
Feed Waste Dom. Cons.	4550	4600	5350	5400	5500	5000
Total Dom. Cons.	4800	4860	5600	5660	5750	5250
Ending Stocks	110	394	275	404	290	209
Total Distribution	6754	6754	7725	7764	7890	7459

Table 6. India: Commodity, Oil, Soybean, PSD
(Units in 1000 metric tons, Extraction rate in Percent)

Oil, Soybean Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	7700	7700	9500	9200	9500	8800
Extr. Rate, 999.9999	0.18	0.1935	0.18	0.1793	0.18	0.179
Beginning Stocks	477	477	120	263	175	108
Production	1386	1490	1710	1650	1710	1575
MY Imports	2984	3003	3400	3000	3500	3500
Total Supply	4847	4970	5230	4913	5385	5183
MY Exports	7	7	5	5	6	20
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	4720	4700	5050	4800	5150	5000
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	4720	4700	5050	4800	5150	5000

Ending Stocks	120	263	175	108	229	163
Total Distribution	4847	4970	5230	4913	5385	5183

Table 7. India: Commodity, Oilseed, Sunflower seed PSD
(Area in 1000 hectares and production in 1000 metric tons)

Oilseed, Sunflowerseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	330	360	350	255	375	250
Area Harvested	330	360	350	255	225	250
Beginning Stocks	0	0	0	0	0	0
Production	230	305	280	250	170	200
MY Imports	2	2	2	2	2	2
Total Supply	232	307	282	252	172	202
MY Exports	3	3	4	4	4	4
Crush	200	267	260	220	153	180
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	29	37	18	28	15	18
Total Dom. Cons.	229	304	278	248	168	198
Ending Stocks	0	0	0	0	0	0
Total Distribution	232	307	282	252	172	202
Yield	0.697	0.8472	0.8	0.9804	0.7556	0.8

Table 8. India: Commodity, Meal, Sunflower seed, PSD
(Units in 1000 metric tons, Extraction rate in Percent)

Meal, Sunflowerseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Crush	200	267	260	220	153	180
Extr. Rate, 999,9999	0.485	0.4794	0.4846	0.4727	0.4837	0.4778
Beginning Stocks	0	0	0	0	0	0
Production	97	128	126	104	74	86
MY Imports	123	123	180	180	200	230
Total Supply	220	251	306	284	274	316
MY Exports	2	2	2	2	2	2
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste	218	249	304	282	272	314

Dom. Cons.						
Total Dom. Cons.	218	249	304	282	272	314
Ending Stocks	0	0	0	0	0	0
Total Distribution	220	251	306	284	274	316

Table 9. India: Commodity, Oil, Sunflower seed, PSD
(Unit in 1000 metric tons and Extraction rate in Percent)

Oil, Sunflowerseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Crush	200	267	260	220	153	180
Extr. Rate, 999.9999	0.515	0.3633	0.4038	0.3636	0.4052	0.3611
Beginning Stocks	489	489	588	482	443	262
Production	103	97	105	80	62	65
MY Imports	2496	2496	2600	2400	2650	2600
Total Supply	3088	3082	3293	2962	3155	2927
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	2500	2600	2850	2700	2750	2800
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2500	2600	2850	2700	2750	2800
Ending Stocks	588	482	443	262	405	127
Total Distribution	3088	3082	3293	2962	3155	2927