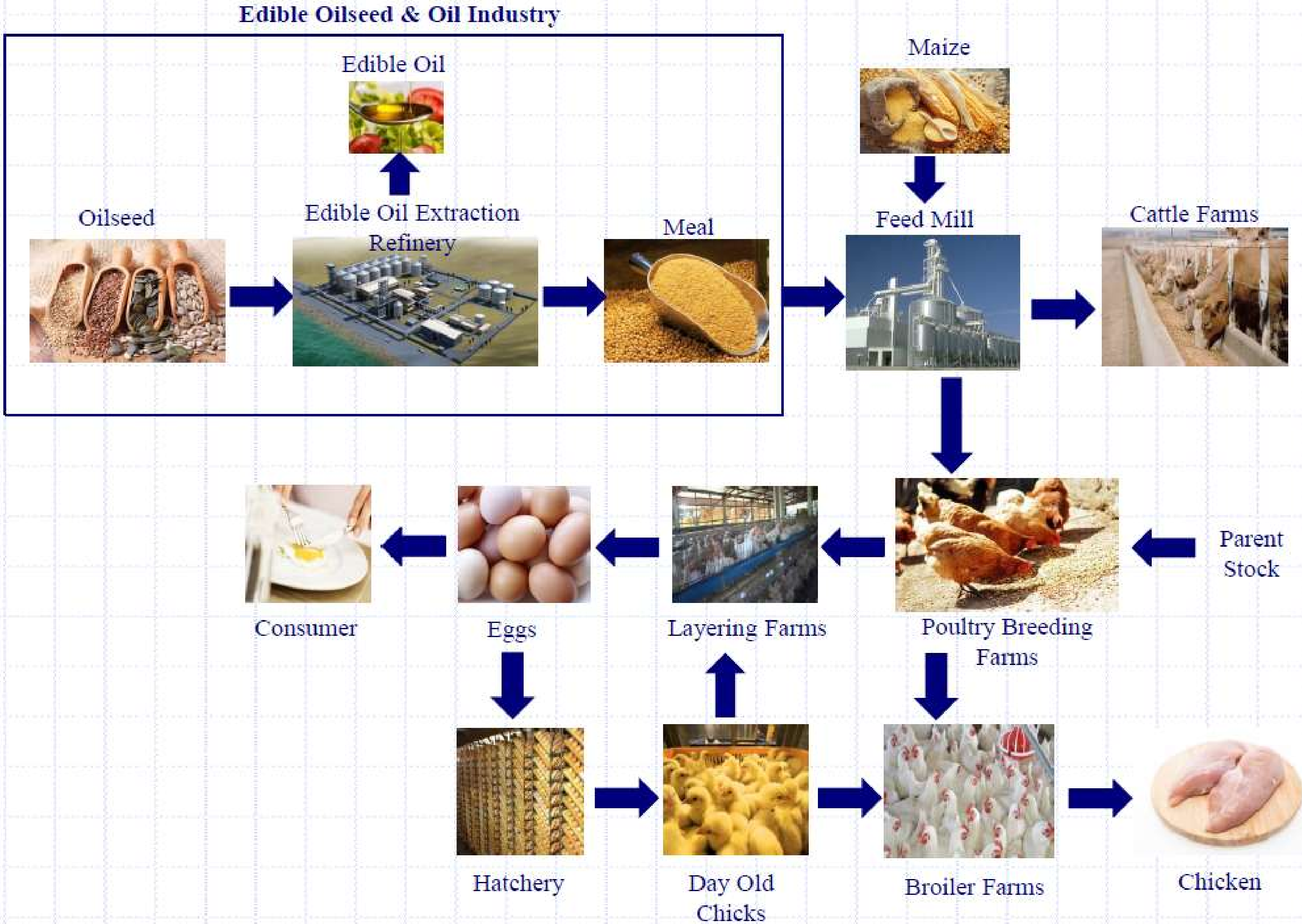
# Food & Allied

## Edible Oil

March 2019

# Industry Process Flow



# Global Dynamics

| Exporters (000) – USD | CY14 | CY15 | CY16 | CY17 |
|---|---|---|---|---|
| Soyabean Oil | 9,082,351 | 9,276,603 | 9,233,142 | 9,021,577 |
| Palm Oil | 34,691,645 | 29,270,016 | 27,997,529 | 34,200,797 |

| Exporters CY17 | |
|---|---|
| **Soyabean Oil** | **Palm Oil** |
| 1. Argentina (41.3%) | 1. Indonesia (54.1%) |
| 2. Brazil (11.4%) | 2. Malaysia (28.2%) |
| 3. USA (9.8%) | 3. Netherlands (3.5%) |
| 4. Paraguay (5.3%) | 4. Niger (1.9%) |
| 5. Netherlands (4.8%) | 5. Papua New Guinea (1.5%) |

| Importers CY17 | |
|---|---|
| **Soyabean Oil** | **Palm Oil** |
| 1. India (27.8%) | 1. India (19.9%) |
| 2. Bangladesh (6.2%) | 2. China (10.3%) |
| 3. Algeria (6.1%) | 3. Pakistan (6.2%) |
| 4. China (5.4%) | 4. Netherlands (5.9%) |
| 5. Morocco (4.1%) | 5. Spain (4.3%) |

Source: Trade Map

# Edible Oil Industry Pakistan| Snapshot

Total Consumption:
~ 4 Mln MT

Import of Edible Oils:
~3 Mln MT

Over 100 Companies

Local Production: ~ .4mln MT

Import Of Oil Seed:
~3 Mln MT

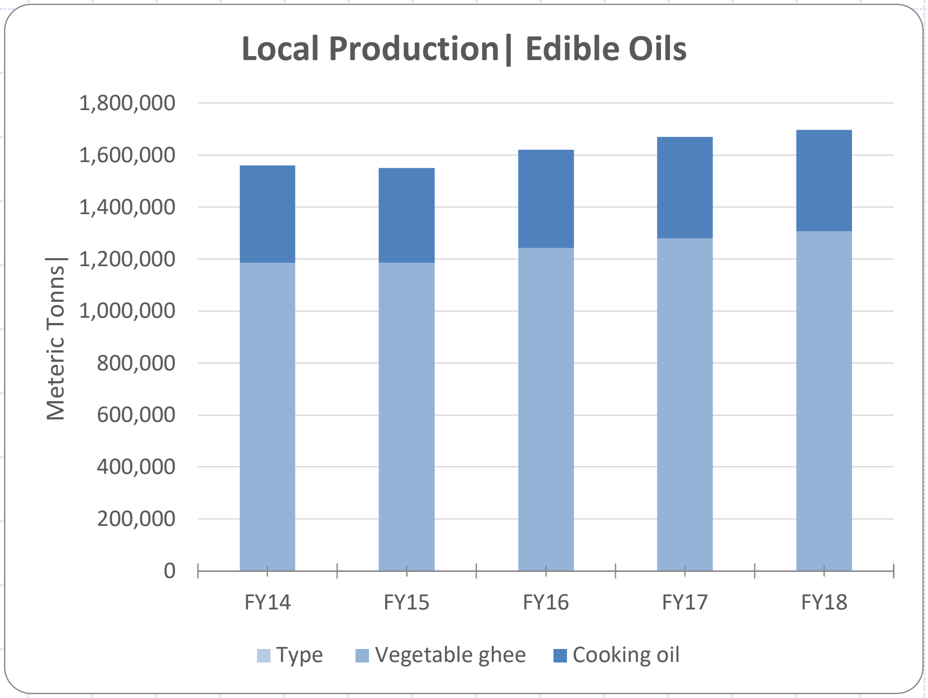
Oil Extracted from Imported Seeds:
~.8mln MT

- Food group generally constitutes around 10.8% of the total import bill.
- Food Group imports stood at US $ 4,217mln during 8MFY18 as against import of US$ 3,966mln SMPLY.
- The import bill growth of Palm Oil, the heaviest item in this group witnessed an increase of 8.8% in quantity
- Value increased by 13.5% as SMPLY due to appreciation in Malaysian Ringgit.

Source: Economic Survey FY18, Pakistan Edible Oil Conference 2019

# Local Production

| Year | FY14 | FY15 | FY16 | FY17 | FY18 |
|---|---|---|---|---|---|
| Type | Meteric Tonns | | | | |
| Vegetable ghee | 1,185,215 | 1,184,760 | 1,241,346 | 1,280,086 | 1,307,112 |
| Cooking oil | 375,337 | 366,388 | 379,772 | 389,968 | 389,974 |
| **Total** | **1,560,552** | **1,551,148** | **1,621,118** | **1,670,054** | **1,697,086** |
| Mix\| Vegetable Ghee | 76% | 76% | 77% | 77% | 77% |
| Growth \| Vegetable Ghee | 4% | 0% | 5% | 3% | 2% |
| Growth \|Cooking Oil | 3% | -2% | 4% | 3% | 0% |
| Growth \| Total | 4% | -1% | 5% | 3% | 2% |



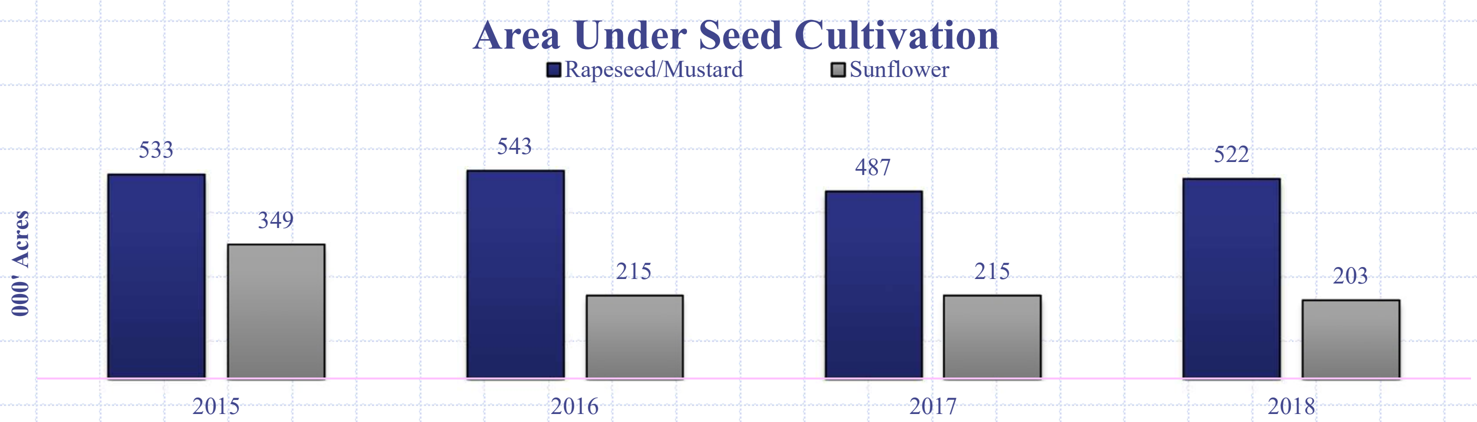

- Vegetable Ghee Constitutes majority of Pakistan production in edible oil sector mostly emanating from demand in the rural sector
- Although consistent growth is witnessed in cooking oil consumption

Source: Pakistan Bureau of Statistics

# Local Seed Oil Production

| Type | 2015 | | | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Local Production | Imports | Total | Local Production | Imports | Total | Local Production | Imports | Total | Local Production | Imports | Total |
| Cottonseed | 430 | - | **430** | 445 | - | **445** | 484 | | **484** | 461 | | **461** |
| Rapeseed/Mustard | 535 | - | **535** | 475 | - | **475** | 355 | | **355** | 355 | | **355** |
| Sunflower | 68 | 1 | **69** | 38 | 1 | **39** | | 4 | **4** | 40 | 5 | **45** |
| | **1,033** | **1** | **1,034** | **958** | **1** | **959** | **839** | **4** | **843** | **856** | **5** | **861** |
| **Local Vs Imports** | ***100%*** | ***0%*** | | ***100%*** | ***0%*** | | ***100%*** | ***0%*** | | ***99%*** | ***1%*** | |

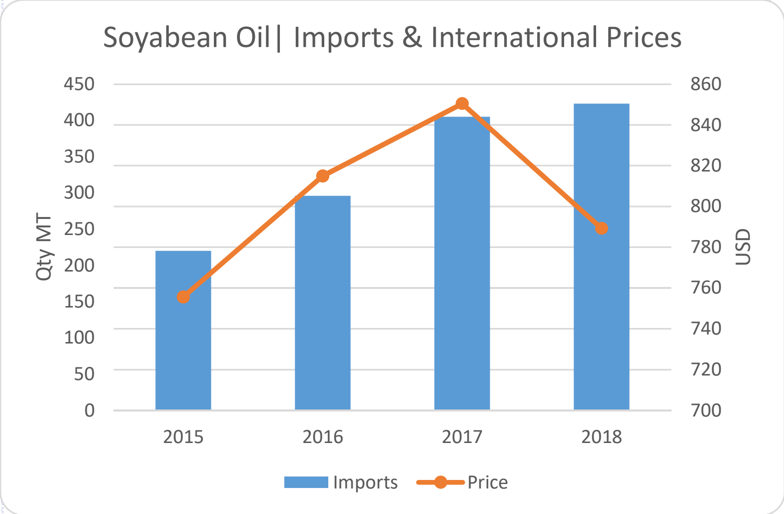
Mln MT

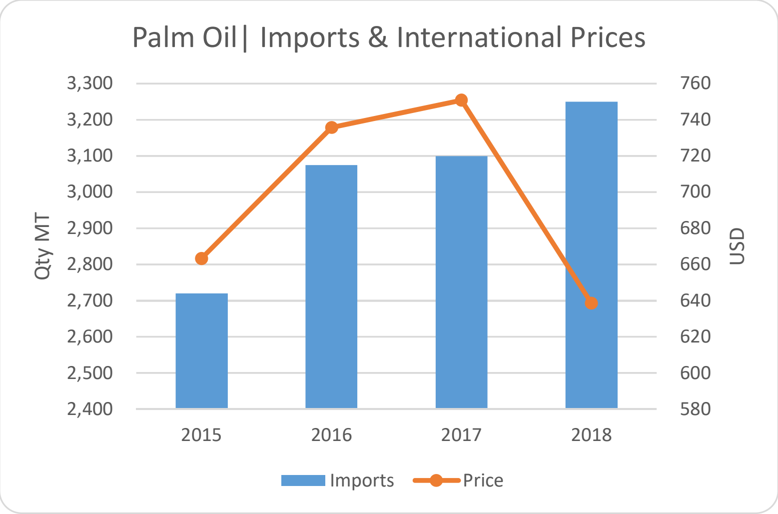



Source: Economic Survey FY18, Index Mundi

# Import Oils

| Type | 2015 | | | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Local Production | Imports | **Total** | Local Production | Imports | **Total** | Local Production | Imports | **Total** | Local Production | Imports | Total |
| Soyabean Oil | 220 | 185 | **405** | 296 | 205 | **501** | 405 | 90 | **495** | 423 | 100 | 523 |
| Palm Oil | - | 2,720 | **2,720** | - | 3,075 | **3,075** | - | 3,025 | **3,025** | - | 3,200 | 3,200 |
| Total | 220 | 2,905 | **3,125** | 296 | 3,280 | **3,576** | 405 | 3,115 | **3,520** | 423 | 3,300 | 3,723 |
| Local Vs Imports | **7%** | **93%** | | **8%** | **92%** | | **12%** | **88%** | | **11%** | **89%** | |

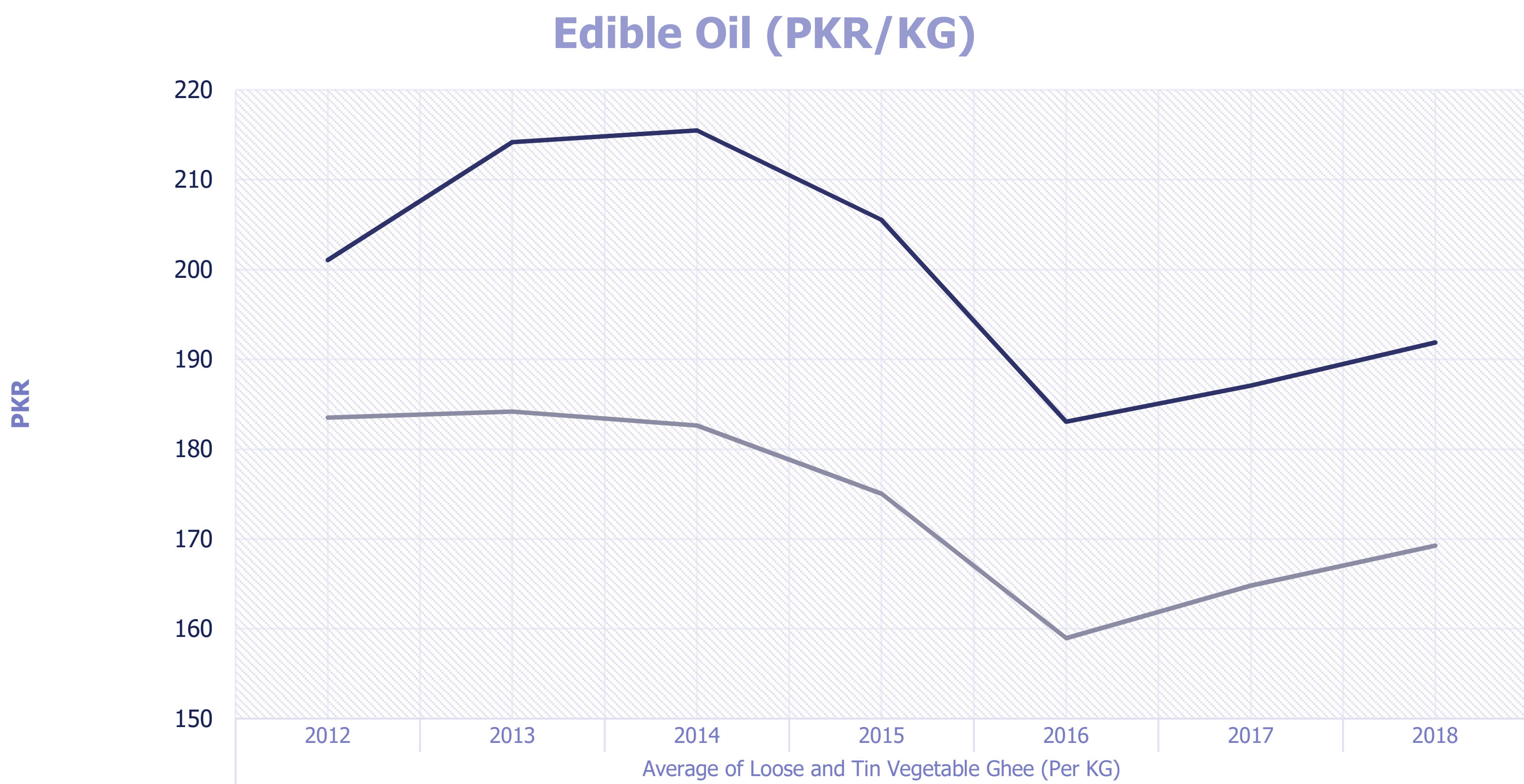



- Over the years, local production increased through substitution of import of Soyabean oil in to imports of Soyabean oil seed.
- Majority imports of Soyabean seeds originate from USA, Argentina and Brazil. Price have declined on the back of on-going US- China trade war.
- Local production increasing on the back of higher seed crushing.
- Imports of Palm Oil are sourced from Indonesia and Malaysia. Prices are dropping on account of surplus production.
- Despite the decrease in international prices, Pakistan has not benefited from the falling prices due to the weakening Rupee depreciation

Source: Index Mundi

# Price Dynamics| Edible Oils




| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| Vegetable Ghee | 183.51 | 184.19 | 182.63 | 175.04 | 158.97 | 164.82 | 169.25 |
| Cooking Oil | 201.06 | 214.19 | 215.48 | 205.54 | 183.05 | 187.09 | 191.87 |

- Both Edible oils saw a consistent decline in their prices till 2016.
- Increasing trend in average prices for Vegetable Ghee (PKR 177) and Cooking Oil (PKR 205) in Jan 2019 were considerably higher than their MOM (1%) and YOY (8%) levels.
- The increase in prices is attributable to global price increase

Source: Pakistan Bureau of Statistics

# Branded Oil Industry Players

| Brand | Brief Profile |
|---|---|
| Dalda | Very strong legacy value, extensive nation-wide sales and distribution network, recently undergone backward integration as well as diversification in snacks, tea whitener, etc. |
| Kashmir | Stronghold in Faisalabad/surrounding area among domestic as well as commercial consumers, particularly in banaspati |
| Sufi | Stronghold in central Punjab among domestic as well as commercial consumers, diversified with various FMCG products |
| Habib | Popular brand, but has lost significant market share. Portfolio includes fast food franchise chains and other FMCG products |
| Soya Supreme | Stronghold in South especially Karachi |
| Seasons | Large conglomerate with many bulk and consumer products |
| Canolive | Relatively new but high-end brand |
| Rafhan | Stronghold in the niche corn oil market |
| Others | Largely imported brands, olive oil, etc. |

Source: PACRA Internal Sources and Industry Players

# Regulatory Structure

| Product | Import Duty | Additional Import Duty | FED | CED | Sales Tax | Advance I.T Tax |
|---|---|---|---|---|---|---|
| **Canola / Rapeseed** | **5%** | - | **Rs. 400 PMT** | 16% | **16%** | **5.5%** |
| **Sunflower Seed** | **5%** | - | **Rs. 400 PMT** | 16% | **16%** | **5.5%** |
| **Soybean Seed** | **5%** | - | **Rs. 400 PMT** | 16% | **6%** | **5.5%** |
| **Olien** | Rs. 7,743 PMT | 2% | **Rs. 1,000PMT** | 16% | | **5.5%** |
| **RBDPO** | Rs. 9,230 PMT | 2% | **Rs. 1,000PMT** | 16% | | **5.5%** |
| **CPO** | Rs. 6,850 PMT | 2% | **Rs. 1,000PMT** | 16% | | **5.5%** |
| **CDSBO** | Rs. 10,600 PMT | 2% | **Rs. 1,000PMT** | 16% | | **5.5%** |

Source: Federal Excise Act (FY05 – Amended up to 01-Jul-17), Sales Tax Act (FY90 - Amended up to 01-Jul-17), Income Tax Ordinance 2001 updated upto 30-Jun-17 and Customs Act (FY69 - Amended up to 30-June-17)

# Key Challenges

- Volatile Prices in the international Market leading to price risk
- Highly dependent on imports leading exchange rate risk factors
- Custom duties and taxes, at import stage, are much higher than the levies in neighboring countries
- High transportation cost from Port Qasim Terminals to Industrial units, due to petroleum products/fuel price hike is affecting Ghee Industry
- Punjab Food Authority discouraging use of Vanaspati Ghee and ultimately ban the production of Vanaspati Ghee by 2020.

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|---|---|
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