

Edible oil firms' crushing margins turn negative

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In a significant impact on the profitability of edible oil producers, the crushing margins have turned negative in the past month due to their inability to pass on high prices of oilseeds to consumers.

The margin is the difference between the cost of production and realisation. At the current high price of oilseeds and low price of oil, the negative crushing margin for mustardseed works out to be ₹381, while that of soybean is ₹121. This means, for each tonne of seed processed by crushing units, the crusher will be losing ₹381 for mustard seed and ₹121 for soybeans.

"Farmers and stockists are holding oilseed stocks in anticipation of higher realisation in future. Hence, the quantity available in mandis for crushing is very little, which kept the seed price robust. Second, India remains import-reliant for edible oils, which keeps the domestic price movement in tandem



LOSING GRIP

Cost for crushing one tonne of seeds

(₹ cr)

	Mustardseed (Kacchi Ghani)	Soybean
Procurement price	34,250	24,500
Crushing expenses	1,315	1,050
Cost	34,565	25,550
Oil realisation	27,528	11,404
Total realisation	34,284	25,429
Net crush margin	(-)381	(-)121

Source: Solvent Extractors' Association (SEA)

with overseas markets. Since prices are currently lower abroad, crushers to an extent failed to pass on the seed price rise to users," said Atul Chaturvedi, CEO, Adani Wilmar,

the producer of mustard, soybean, sunflower, cottonseed, groundnut and coconut oil.

The scenario has reversed in the last one month. During the first few months of soybean har-

vesting, small and marginal farmers released their stock into mandis resulting in excessive supply. Generally, crushers stock these seeds for use in the lean season. However, this year the availability of seeds has started receding since early January, unlike early February in previous years. The benchmark price available on domestic futures exchange helps farmers and stockists hold their stocks for sale in lean season.

As a consequence, prices of soybean for near-month delivery on the National Commodity & Derivatives Exchange fell marginally 0.81 per cent so far this month to trade at ₹2,460 a quintal today as compared to ₹2,480 a quintal on January 1. The fall, however, was severe in refined soyoil, traded at ₹665 per 10 kg today as compared to ₹686 per 10 kg on January 1.

Appreciation in the rupee against the dollar was another reason for holding oil prices low. Against the level of 53 a month ago, the Indian currency was trading at 50 on January 20. The

4.80 per cent appreciation in the rupee is keeping imports low today, said Chaturvedi.

Meanwhile, Dinesh Shahra, managing director of Ruchi Soya Industries, said, "This is a temporary phenomena, largely driven by volatility in currency. Our business is not affected."

Malaysia's palm oil exports fell 14 per cent to 799,210 tonnes in the first 20 days of the current month from the same period in December, due to low production in the country. In India, total stocks in the pipeline and at ports stand at nearly 1.3 million tonnes today, equivalent to one month of consumption.

Oilseed crushing mills have effectively reduced their operating capacity to avoid losses. But, one has to see the holding of seed stocks as well, said B V Mehta, executive director of the Solvent Extractors' Association.

"This is usual phenomena which happens in the first few months of crop harvesting. The scenario will improve," said Gobindbhai Patel, an industry veteran.