

Peanut Blog

An ounce of information



Decline in edible oil prices amid global market weakness

Edible oil prices, including mustard, groundnut, soybean, and cottonseed oils, have fallen due to global market weakness, rising import costs, and decreased demand.

In a week marked by a downturn in global markets, all major edible oil and oilseed prices saw a decline, continuing the negative trend. The prices of mustard, groundnut, soybean oilseeds and oils, crude palm oil (CPO), and palmolein all experienced a fall. Market experts noted that while palm and palmolein prices remain high, demand for these oils has already been affected. However, the cost of imported oils has been further impacted due to recent changes in import duties and exchange rates.

The price of edible oils saw a drop from the previous week's range of \$1,240–\$1,245 per ton to \$1,200–\$1,205 per ton. In response, the Indian government raised the minimum import price of oils and adjusted exchange rates, resulting in a rise in the cost of imported oils by about Rs 150 per quintal.

Food oil plants operating below capacity

Despite the rise in palm and palmolein prices, their consumption remains low, and further price hikes could make their uptake even more difficult. Additionally, the import of sunflower oil has also decreased due to its high prices. The shortfall in these oils raises concerns about how to meet demand, with the possibility of slightly increased imports of soybean oil unlikely to suffice.

Sources indicate that oil mills in India are not operating at full capacity. Though soybean production has increased, the arrival of soybean in local markets has not matched the expectations. Furthermore, the decline in prices of by-products like groundnut oilcake and soybean de-oiled cake (DOC) has affected the demand for raw materials among oil mills. For oil mills to be profitable, there needs to be a market for by-products like groundnut oilcake and soybean DOC.

Impact on oilseed and oilcake markets

The market for oilcakes and by-products has become increasingly problematic. Government intervention is needed to create a market for groundnut oilcake and soybean DOC or even consider purchasing these products as stock and focus on boosting exports. With cotton production also low this year, the Cotton Corporation of India (CCI) has been instructed to avoid selling groundnut seeds below the minimum support price (MSP), ensuring adequate stock for future use.

Price trends in edible oils

In the reviewed week, the prices of mustard seeds saw a drop of Rs 125 per quintal, closing at Rs 6,525–Rs 6,575 per quintal. Similarly, the price of mustard oil in Dadri fell by Rs 250 per quintal, settling at Rs 13,600 per quintal. Soybean seeds and soybean loose oil also registered a decline of Rs 25 per quintal, closing at Rs 4,300–Rs 4,350 and Rs 4,000–Rs 4,100 per quintal, respectively.

Groundnut oil prices also saw a decline, with the price of groundnut oil in Gujarat falling by Rs 400 to Rs 14,000 per quintal. Crude palm oil prices dropped by Rs 350 to Rs 12,900 per quintal, while palmolein oil in Delhi decreased by Rs 450, closing at Rs 14,000 per quintal. The prices of binola (cottonseed) oil fell by Rs 200, ending at Rs 11,900 per quintal.

In summary, the edible oil market continues to face challenges due to fluctuating prices, inadequate supply, and the impact of global market trends.