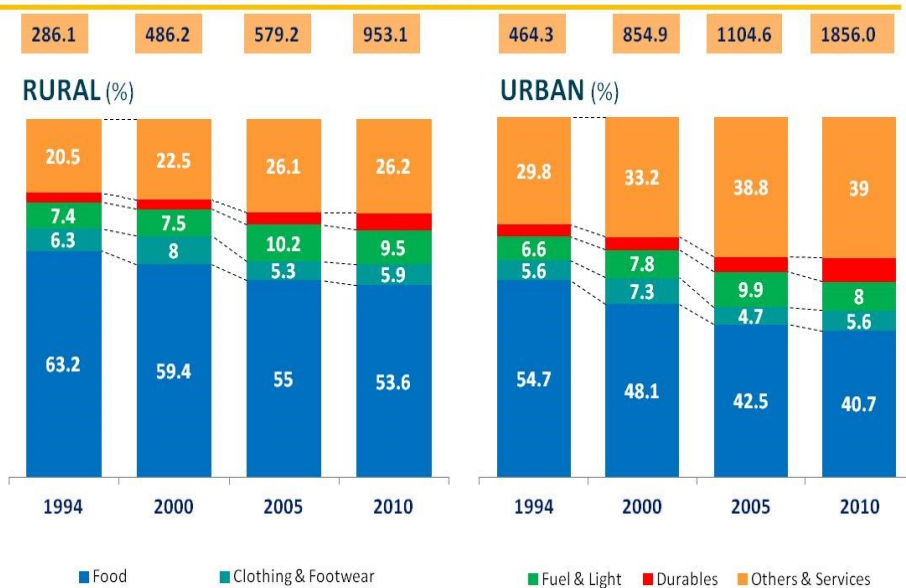


Research Note

Edible Oils – Evolving Consumption Trends

Over last two decades, from being an underdog, India has emerged as a challenger to the established economic powerhouses. India story is built on structural changes in macroeconomic and business environment and unshackling of the infrastructure sector. In the post-reforms period, real GDP has grown at over 6% CAGR. While China, and earlier, the East Asian ‘tiger’ economies, grew on the back of strong export performance and their ability to compete in the world trade market, Indian economy thrives on domestic consumption, powered by 247 million households.

MONTHLY PER CAPITA EXPENDITURE TRENDS (INR)



Consumption is moving out of the home and into lifestyle products, eating out, events, entertainment and travel. With rising disposable incomes, India is witnessing a transition from cautious spending to indulgence. Change in lifestyle, rising disposable income, urbanization and increased awareness are driving growth across various sectors and industries,

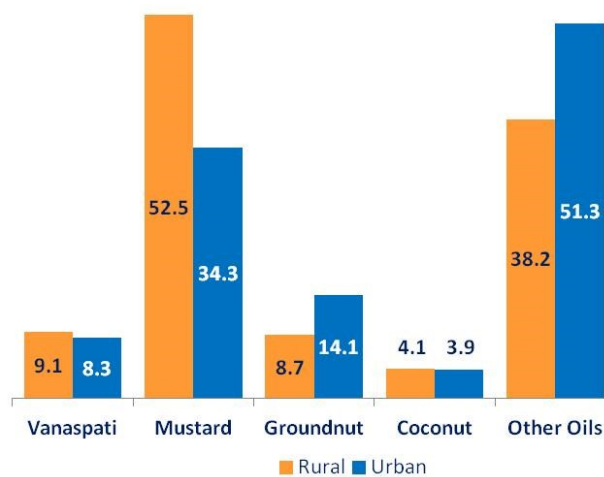
especially consumption driven ones.

Between 1994 and 2010, Monthly per Capita Expenditure (MPCE) increased from INR 464 to INR 1856 in urban areas, while proportionate share of food items declined from 55 to 41%. This is per established economic principle. As prosperity spreads, share of food in the consumption basket is simultaneously declining.

India is a leading producer and consumer of food products

- India is the world's second largest producer of cereals and pulses (245 mn tonnes)
- Also the 2nd largest producers of fruits and vegetables (221 mn tonnes)
- India ranks top in milk produce (100 mn tonnes)
- Ranked 5th in egg production and 18th in broiler produce

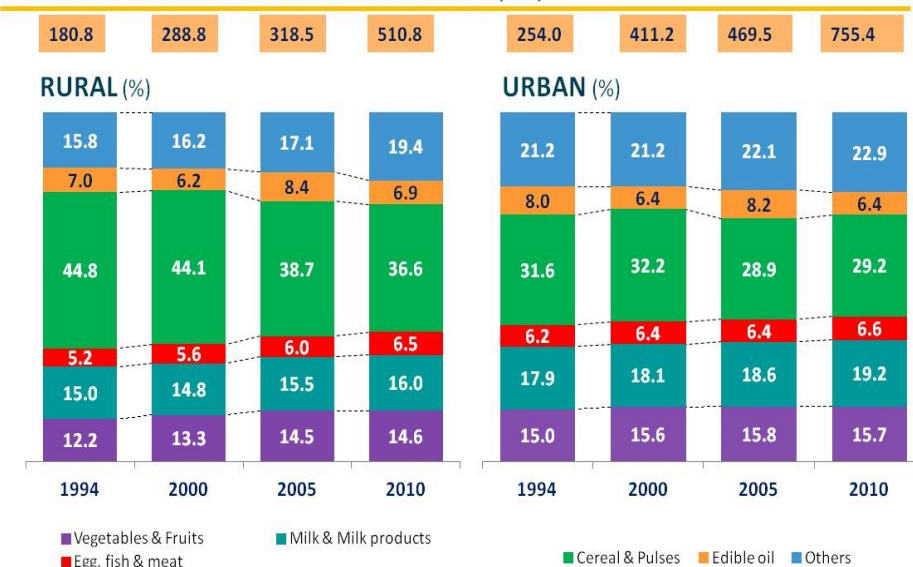
93% urban and 98% rural household consume edible oil



Research Note

A deep-dive of food expenditures reveals that the **share of cereals, pulses and oil in food basket is declining**. With basic dietary needs taken care of, the consumption is now moving up in favour of high protein discretionary items like fish, egg, milk, fruits and vegetables.

MONTHLY PER CAPITA FOOD EXPENDITURE TRENDS (INR)



Even as the proportionate share of oil in food basket is declining, absolute consumption is increasing on the back of increased consumption of non-traditional oils.

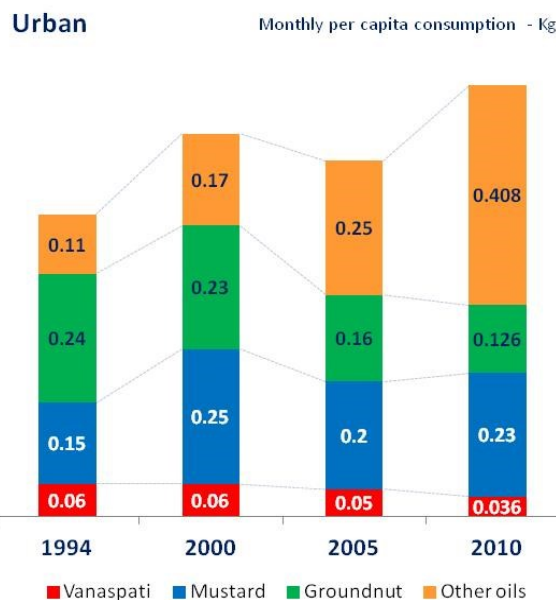
Consumption of oil is still highly price sensitive.

Urban India is fast moving into new oil varieties with changing lifestyles

Most of the increase in edible oil consumption is contributed by 'Other oils' category; other oils category comprising sunflower, soybean, olive oil and other vegetable oils. This reflects the changing lifestyles and growing bias towards consumption of healthier edible oils. Government's policy inconsistency also has a role to play in promoting consumption of other oils at the expense of mustard oil. Policy environment is unfavourably inclined towards supply and availability of traditional oils like mustard. In rural India, mustard oil still remains the primary medium of cooking.

Not unexpectedly, 'other oils' occupy larger share (>50%) of oil consumption basket among higher income groups both in urban and rural India.

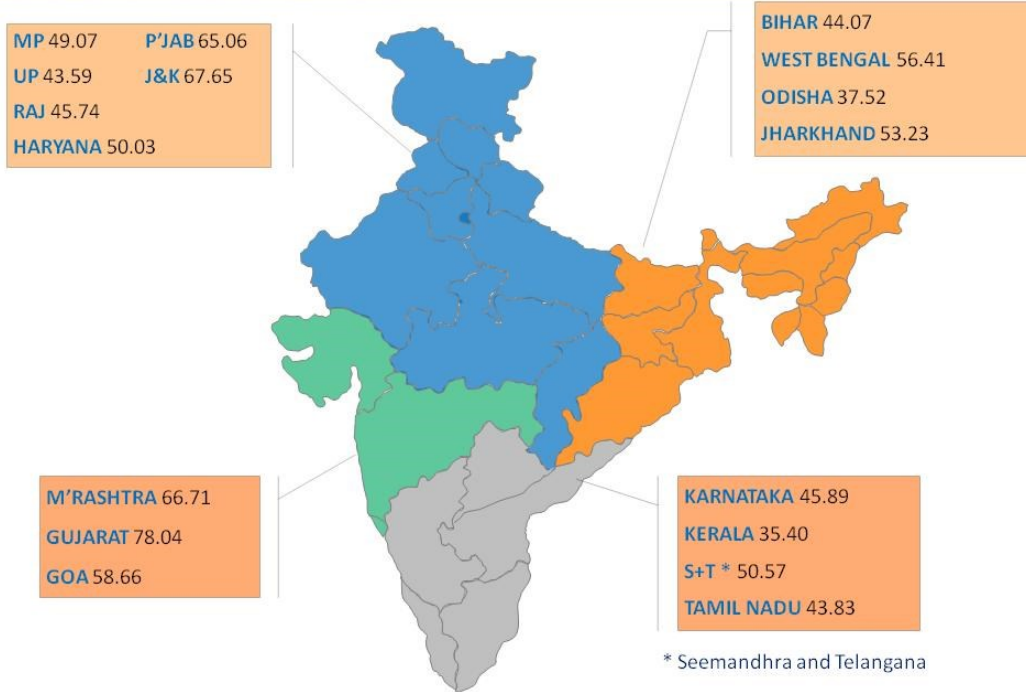
Region wise consumption pattern pegs Western India at the top – Gujarat clearly emerging as the **Oil Country**. MPCE on oil is INR 62.5 (rural) and INR 78.04 (urban) in Gujarat. Mustard oil tops consumption in Northern and Eastern parts, while Groundnut and Other oils occupy lion's share of consumption basket in Western parts of the country. This also reflects the cropping pattern of oilseeds.



Research Note

Regional consumption - Urban India

Monthly per capita consumption expenditure (INR)

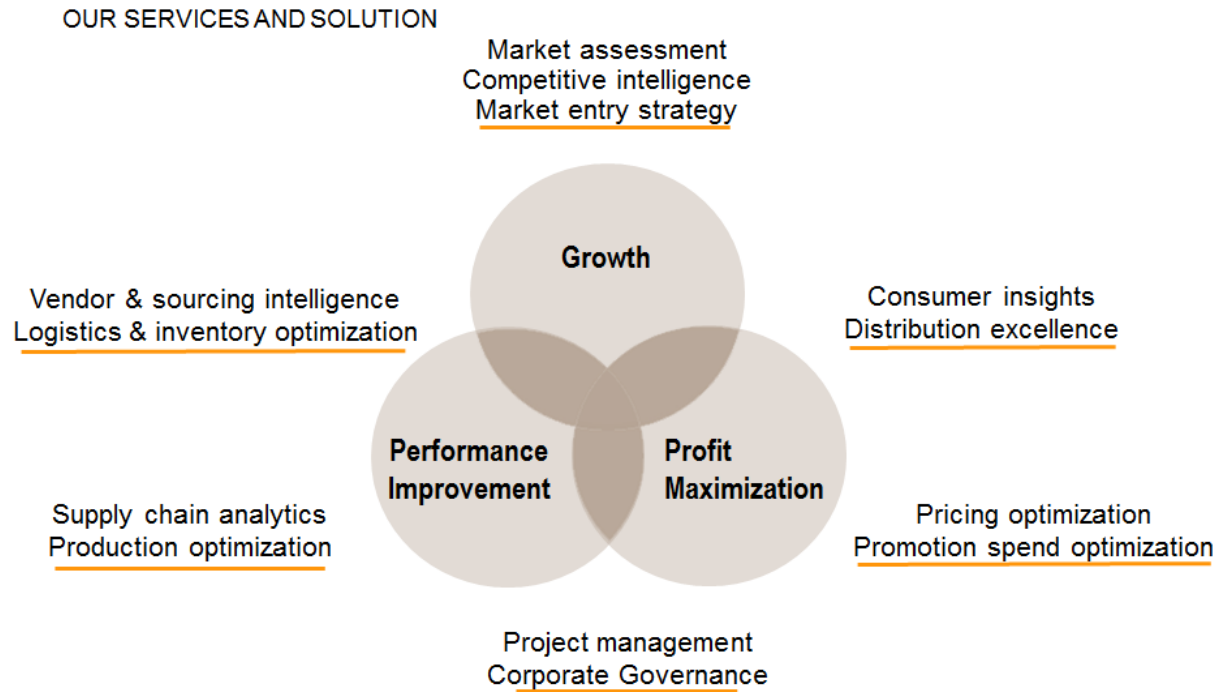


Gujarat, Jammu & Kashmir, Maharashtra and Punjab emerge as the top consuming states in both urban and rural areas. Southern states of Karnataka, Kerala, erstwhile Andhra Pradesh and Tamil Nadu make do with relatively less oil per capita.

Non traditional oils have emerged as the alternate medium of cooking, driven by changing lifestyle, availability of new alternative cooking medium and the policy environment. There is high dependence on imports to meet the edible oil requirements. Current trends in consumption are a pointer to future growth of the industry.

Data Source: NSSO, Government of India, Avizare Analysis

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Avizare Solutions

Third Floor, Block B, Vatika Atrium,
Sector 53, Golf Course Road,
Gurgaon – 122002
India
Tel : +91 124 4311222

347 Fifth Avenue,
Suite 1402-547,
New York, NY 10016,
US
Tel: +1 212 203 0534

Email: contact@avizare.com