

# GET WELL SPOON

The value-added edible oil segment is set to spill over owing to the growing demands of the health-conscious urban Indians.

By Utpala Ghosh

**A**s urban Indians learn to prioritise health over taste, edible oils have also gained momentum in graduating from being just a cooking medium to an effective tool for lifestyle correction. Traditionally, the Indian cuisine has been fat-rich. However, with changing lifestyles and rising health concerns such as diabetes, obesity and cardio-vascular diseases, greater emphasis is being laid on cutting all unhealthy components from lifestyles – including those on the dinner table. Moreover, the ‘feel good, look great’ aspiration has also developed into a powerful driver of change in what Indians ingest.

India is the world's fifth largest oil-seed producing nation with a wide range of oil seed crops – groundnut, mustard, rapeseed, sesame, safflower, linseed, niger seed, among others – in its portfolio. The country currently contributes 6-7 percent of the global oil seed production. According to a Rabo India report, the domestic edible oil market – estimated at USD 15 billion last fiscal – is set to grow at 5-6 percent in the next five years. At 12.7 kg, the per capita consumption of edible oil in India is much lower than the

average per capita global consumption of 20 kg per annum. The annual edible oil consumption as projected in the Annual Report 2009-10, Department of Food and Agriculture Distribution, Ministry of Consumer Affairs, is 18 – 18.5 million tonnes. The share of branded oils in this is 20 percent, accumulating to a market size of 3.5 – 3.75 million tonnes.

According to the National Council of Applied Economic Research (NCAER), the demand for edible oils is projected to rise between 22.8 and 29.4 million tonnes in the near future in tandem with the average per capita income growing at 4-6 percent.

The edible oil industry is largely dominated by the unbranded bulk segment that primarily constitutes loose oils catering to the commercial units and the rural population. It accounts for around 80 percent of the total edible oil consumption. The shares of crude oil, refined oil and vanaspati in the total edible oil market are estimated at 35 percent, 55 percent and 10 percent, respectively.

### Preferred Oil Types

Edible oil consumption is primarily a community-driven phenomenon in India. Going by the traditional cuisines, mustard and rapeseed oil are used in the northern and eastern states of the country. Coconut, peanut and sunflower oils are widely consumed in south India while peanut and cottonseed oils are the cooking medium of choice in Gujarat. Rapeseed oil is popular in north east India; soybean oil is more prevalent in central India.

As edible oil manufacturers scurry to cater to growing demand according to regional preferences, they are expanding refining capacity. At the same time, they are also promoting fortified palmolein, safflower and rice bran oil as healthy cooking oils. Cottonseed oil, which closely competes with peanut oil, is also finding wider acceptance in the Indian diet. Due to its light colour and neutral odour, it is increasingly used for blending with higher priced oils.

Commenting on the market share of edible oils in India, Angshu Malik, COO, Adani Wilmar

Limited, notes: “The dominant type is Palmolein oil, which has a market share of roughly 40 percent. About 20 percent of the market is occupied by soyabean oil, followed by another 20 percent by mustard oil. Sunflower oil is estimated at around 8 lac tonne, which is around 5 to 6 percent of the market. Another 5 to 6 percent is accounted for by groundnut oil; 5 percent by cottonseed oil; other oils such as rice bran oil, coconut oil, and so on account for 10 percent.”

“Over the last five years, the top end of the market has witnessed some churning, with refined oils getting progressively replaced by healthier cooking alternatives such as olive oil, canola oil, rice bran oil and blends of karadi oil with sunflower, etc. There is a reduction in the intake of fried foods but a greater consumption of salads along with lower use of oil in cooking per se, especially at the top end of the market. This concern for health is leading families to explore alternatives such as karadi oil, rice bran oil and olive oil, which are now available aplenty,” says Mohit Khatkar, MD, Nature’s Basket.

“This trend towards healthier alternatives has been gathering speed, especially over the last two years. Amongst foreign edible oils, olive oil has been leading the pack on account of its perceived benefits.”

The original preference of Indians was to preserve the flavour of cooking oil because it was supposed to enhance the taste of a particular cuisine. However, the quest for low fat, low absorb oil has led oil types such as soyabean oil, sunflower oil and safflower oil to make an entry into the Indian kitchen. These oils are sold as refined oil which are transparent and odourless and hence can adapt to any

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kind of cuisine without changing the authenticity of taste and flavour of the dish. In a market such as India where people choose oil for the taste and flavour it brings to the food, it is particularly essential for any cooking oil – no matter how healthy it is – to prove its credibility by keeping the taste of the food intact. Oils such as soyabean oil, sunflower oil and safflower oil have made their way into the Indian kitchens by fulfilling this criteria.

Another two major oil types that are vying for a share of the pie are olive oil and canola oil. Opinions differ regarding their adaptability to the taste of Indian cuisine. While the manufacturers experiment with different grades and variants of olive

oil to make it suitable for the Indian taste buds, there is another dimension – affordability – that cannot be ignored. It cannot however be denied that with rising health consciousness and living standards, the healthy cooking oil variants are slowly but steadily capturing market share.

### From taste to health

In terms of form, the category of edible oils can be bifurcated into loose and packaged oils. The loose oil segment has two distinct types of consumers: commercial units which make bulk purchases, and rural Indians who cannot afford packaged and branded oils.

The change in preferences of Indians for edible oils has taken







place in phases. The first shift with respect to domestic consumption occurred when consumers switched from loose oils to packaged oils. The latter can further be subdivided into categories such as filtered, refined, kachhi ghani and value-added oils.

The second phase of change in edible oil preferences of Indians came when they shifted from unrefined to refined oils.

A third transition – from refined

to value-added refined oils – is now taking place, but somewhat slowly.

Another shift has taken place in terms of variety where people are moving from using a single oil type to multiple oils. This shift can be attributed to the acculturation of food habits and exposure to different cuisines, due to which people have increasingly begun to use different types of oils.

The Indian consumers are increasingly getting aware of the health

**The branded edible oil segment is growing at the rate of 20 percent per annum, with sunflower and soy oils leading the market.**

benefits of value-added cooking oils. Dinesh Agrawal, COO, Dhara Division, Mother Dairy Fruit & Vegetable, says: “There is increased awareness among the consumers about the category. Also, the category is witnessing a robust double digit growth year-on-year, which is predominantly due to the shift in demand from loose to packed oil. Health and nutrition now occupy centre stage in the consumer’s mind. Words like antioxidants, oryzanol, vitamin fortification, low absorption and so on that were unheard of till a few years ago now form a part of the consumer’s daily conversation.”

These shifts in preferences have taken place mostly in tandem with increasing purchase power and higher disposable income of consumers. Today there is a steady increase in the number of Indians who do not mind spending some extra money for a good quality product.

In many individual cases, the shift to value-added healthy oil variants is led by medical causes. Health problems such as high cholesterol and triglyceride levels, diabetes and high blood pressure are increasingly affecting people as young as 30. Many of them have begun to use healthy oils as a preventive measure.

With 300 million Indians today falling in the age group of 18 to 36 years, a vast growth potential exists for value-added healthy oils. According to the Rabo India report, the increasing trend of consumers shifting toward branded or packaged oils is fuelling the growth of this segment. It is growing at an unprecedented 20 percent annually, with sunflowers and soy oils leading the market.

### Brand Wars

A look at the edible oil aisle in any modern Indian supermarket offers a bird’s eye view of key players in the domestic market, including brands such as Saffola, Sundrop, Fortune, Nature’s Fresh, Sweekar and Gemini.

Marico Industries’ Saffola has always been positioned as a heart-healthy cooking oil. The company sells its products under different names such as Saffola Gold, which is a combination of rice bran oil and safflower oil; Saffola Tasty, a combination of corn oil with safflower oil to add to the taste; New Saffola, which has 60 percent safflower oil and 40 percent rice bran oil; and, finally, Saffola Active, a blend of soya-bean oil and rice bran oil.

Sundrop is an equal partner to Saffola as far as brand recall is concerned. The oil is available in four variants: Sundrop Superlite and Sundrop Nutrilite, which are both 100 percent sunflower oils; Sundrop Heart, a combination of 80 percent rice bran oil and 20 percent sunflower oil; and Sundrop Goldlite, a 60:40 mix of sunflower oil and corn oil.

Next in line is Cargill India which has cornered an impressive market share in the edible oils market. Its large portfolio includes leading brands such as NatureFresh, Gemini, Sweekar and Rath.

The low-absorption NatureFresh range of oils is offered in three variants. NatureFresh Actilite is a range of soyabean and sunflower oils available in SKUs from 1-litre pouch to 15-litre jars. NatureFresh Purita includes a range of mustard, vanaspati and palmolein oils available in multiple SKUs from 500ml pouch to 15-litre jars or tins. NatureFresh Oliante is a premium range of olive



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oils including Extra Virgin and Pure, imported from Spain. Sweekar is a premium sunflower oil available in 1 litre pouch, 2 litre jar, 5 litre jar and 15 litre jar. Yet another Cargill brand, Gemini, offers a range of sunflower, soyabean, cotton seed, groundnut and mustard oils available in SKUs from 1 litre to 15 litres.

Another key player in this segment is Adani Wilmar Limited, which sells refined and filtered variants of groundnut oil, soyabean oil, mustard oil and coconut oil under the brand names of Fortune, King's, Bullet, Ivory and Fryola.

Dhara markets refined vegetable oil, Dhara Health Refined Sunflower Oil, Fit 'n' Fine Refined Soyabean Oil and Kachi Ghani Mustard Oil as well as Groundnut Oil. These are available across pack sizes ranging

from 200 ml to 5 litre jerry cans, 15 litre jerry cans and tins. Dhara also enjoys the unique distinction of being the only brand in the edible oil segment to be available in Tetra Pak cartons.

### Import of Premium Oils

As the domestic players continue to rule the market, some of the imported value-added oils have also begun to make their way into the Indian kitchen. The two major types of oils that are giving competition to the traditional Indian variants are olive oil and canola oil. They primarily cater to the premium market and are gradually trying to make a mass appeal by addressing health issues. There are two

major factors that are driving the growth of these oils: an increase in per capita income and enhanced health awareness among consumers.

### Olive Oil

Olive oil is mainly imported from Spain and Italy, with a negligible amount of around 5 percent sourced from Turkey, Greece and other countries. At present, India imports 7,500 tonnes of olive oil every year. Some of the most popular Spanish olive oil brands in India include Borges, Figaro, Carbonell, Leonardo and Bertolli.

Olive oil has been known to the Indians primarily as a massage oil, though its consumption for cooking purposes is catching up fast. As Indians grow wealthier and come in direct contact with foreign food cultures, they are increasingly becoming

aware of the health benefits of olive oil. The oil has primarily been introduced in India by international chefs in luxury hotels who refuse to compromise on the quality of cooking. Robust promotional campaigns carried out by olive oil companies, the Spanish embassy and the International Olive Council have contributed substantially towards creating awareness about the product.

Many Indian consumers are now familiar with the specifications of different grades of olive oil, and how best to use each. Extra Virgin, for instance, is the most expensive, the highest grade olive oil with perfect aroma and flavour. However, it is more suitable for raw use in dressings, flavourings, condiments and dips than for frying.

The next grade, Olive Oil (or Pure Olive Oil or 100 percent Pure Olive Oil) is





the intermediate grade with a mild aroma and flavour. It is marginally cheaper than Extra Virgin Oil. Although this variant can be used for cooking purposes, it is more suitable for light frying or Mediterranean cuisine. In India, this grade of oil is most popular as a massage oil.

Finally, there is Olive Pomace Oil. Says V N Dalmia, chairman of Dalmia Continental: "It is a low priced, light oil with neutral taste and flavour. Indian food cooked in Olive Pomace Oil experiences no change at all in flavour and taste. It reacts well to all types of Indian cooking, such as frying, roasting, and grilling. It is

a good substitute for oils commonly used by Indian consumers including sunflower, safflower, corn, soya, palm and other refined oils."

One of the factors preventing olive oil from becoming popular with Indian consumers is its high price. At ₹300 per litre, most cost-conscious Indians find it difficult to use olive oil regularly for fear of upsetting their monthly grocery budgets.

However, Sumit Saran, director with the Indian agribusiness consulting firm SCS Group, argues that costs are also a matter of perception. Says he: "Our research shows that families in cities like Delhi NCR,

Bangalore and Mumbai tend to spend over ₹1,000 for a weekend movie outing. If they can spend this much money for half a day of fun, they can surely shell out a similar amount to buy a month's supply of a much healthier cooking option for the entire family."

Saran says that increasing incomes and personal freedom have encouraged young customers to move away from traditional lifestyles. Rising affluence of the middle income group has led to changes in their eating and spending habits, setting positive trends for products such as olive oil.

will certainly make the oil somewhat cheaper.

Olive oil in the Indian market sells primarily in four pack sizes: 250 ml, 500 ml, 1 litre and 5 litres. Commenting on innovation in packaging, Karan Arora, managing director of Mass Impex, says that the present sizes fulfil the requirement of all type of retail and institutional consumers of olive oil. "However, in the years to come, we may happen to see the larger packing of 10 litres or 15 litres as well."

On receptivity of olive oil in the country, Saran of SCS Group argues that in a very heterogeneous market environment like India, it is important to quantify what the "consumption mass" is. "We believe that at present 10 to 12 percent of Indian population, if aware of olive oil, is



## The cultivation of olives near Jaipur, if successful, has the potential to drastically cut olive oil prices in India.

One of the factors influencing the price of olive oil in India is the high import duty. Conscious efforts are now being made by olive oil importers, suppliers and other stakeholders to make the government rationalise the duty structure so that olive oil can become affordable for the average Indian consumer.

Another step towards reducing the prices of olive oil can be local cultivation of olives. About two years ago, the Rajasthan government in collaboration with an Israeli firm set up an olive orchard near Jaipur. If successful, the project, spread across 250 hectare with 125,000 saplings, has the potential to cut down the prices of olive oil drastically.

Cutting down frills that come attached with premium brands of olive oil will also help in reducing costs to some extent. For example, switching over from glass bottles to plastic

ready to include it in their regular diet. This translates to 100 to 120 million consumers, which in itself is a huge number. With more rigorous outreach to consumers in small and medium cities, this number can swell to 25 percent of the Indian population."

The growth of olive oil imports into India has been steady over the years, according to figures by Dalmia Continental. In 2005, the company's total import of olive oil was 1,204 metric tonnes. This figure has moved upward with every passing year. The 2010 figure shows an import of 3,988 metric tonnes of olive oil, which is further expected to touch 13,500 metric tonnes by 2013. Says V N Dalmia: "We expect the current growth rate of approximately 50 percent to continue over the next three years, barring any economic downturn."



## Canola Oil

Canola oil is another healthy oil variant being promoted by Canadian companies in India. It is actually claimed to be healthier than olive oil because of its high Omega-3 content and low amount of saturated fat.

Canola oil contains 11 percent Omega-3, the highest figure amongst all cooking oils. The ratio of Omega-3 to Omega-6 is precisely 1:2, which is the most desirable. Canola oil contains just 7 percent saturated fats, much less compared to olive and soyabean oils (15 percent each), peanut oil (19 percent), sunflower oil (12 percent) and coconut oil (91 percent).

Apart from its health benefits, canola oil has high heat tolerance and a neutral flavour, making it well suited for Indian culinary applications. Commenting on the receptivity of canola in the Indian market, R.P.S. Kohli, director, Jivo Wellness, says: "Canola oil is very popular in middle class markets like the whole of West Delhi. Next, it has taken over Kolkata markets very strongly despite the fact that mustard oil is being used there since centuries. The overall impact of switching over to canola oil in a normal household does not impact the budget by more than ₹100 per month."

It has been noticed that after a new launch of canola oil, the initial

sales are in 1 litre, which soon graduates to 5 litre packs, thus showing its increased receptivity among customers.

A lot of initiatives are being taken by the importers and suppliers of canola oil to spread awareness in

**Cooking oil prices have surged by up to 62 percent in the last one year, hurting the household budget of consumers.**

India. These include appealing to the sensibilities of medical practitioners who understand the potential of canola oil in promoting good health.

The oil has reportedly received a lot of appreciation from doctors and dieticians who have been prescribing it as a healthy option. Apart from this, the print and visual media along with word-of-mouth publicity have been pushing the consumption of canola oil in the Indian market.

Canola oil exports to India from Canada last fiscal are estimated at around 721 tonnes, tripling from that in 2009. According to Kohli: "We are very buoyant on the Indian market. Canola oil has found its place permanently in Indian kitchens wherever we have launched it. We look forward to garnering 25 percent premium oil market in the next couple of years." He adds that the company is soon launching a 1 litre pouch pack due to high customer demand.

Apart from Jivo, other brands of Canadian canola oil present in India include Hudson and Sattvic.

## Role of Modern Trade

The incredible contribution of modern trade formats (MRF) has

unanimously agree that these have helped in spreading awareness about their product.

According to Agrawal of Mother Dairy, modern trade is a laboratory for any consumer product. "Modern trade is where marketers get a glimpse of consumer behaviour and purchase patterns. Consumers on the other hand have the opportunity to make an informed choice and base their purchase decisions on first-hand rational comparison of products. We at Dhara refer to insights and feedback from MRF on an ongoing basis. This has translated into a formidable growth in our business."

## Key Concerns

According to Rabo India, 50 percent of edible oil consumption in India is dependent on imports because of insufficient domestic production and oilseed availability. Last fiscal, India imported an estimated 9.2 million tonnes of edible oil at a cost of nearly ₹50,000 crore, 95 percent of which was accounted for by palm and soy oils.

According to the report, the gap between demand and production of edible oils in India has been widening in recent years. Since 2000-01, production of oilseeds in India has grown at the rate of 4.7 percent per annum. However, the consumption raced ahead at 6.5 percent per annum.

Constraints such as low acreage of agriculture land under oilseed cultivation and competition from cash crops and other grains have also deterred the growth of edible oil production in India.

Worse, the government policies are skewed in favour of cultivation of grains and cereals at the expense of oil seeds. Other factors responsible for low edible oil production include low quality of oilseeds, poor farming practices, and cultivation in unirrigated areas dependent on the uncertain monsoon.

All this not only impacts the domestic edible oil prices but also increase the country's dependence on imported oils. India imports palm oil from Indonesia and Malaysia and soy oil from Brazil and Argentina.



The figure for vegetable oil imports, including both edible and non-edible oil, in August 2010 was 1.1 million tonnes, the highest in a month since 1994 when imports were liberalised. According to a report by Global Agricultural Information Network, with increasing domestic consumption India will likely import close to 9.4 million tons of edible oil in fiscal 2011-12.

**Upward moving price trajectory**

Like any other commodity, inflation has also been impacting the prices of edible oils in India to a great extent. Edible oil prices have surged by up to 62 per cent in the last one year, hurting household budgets of consumers.

According to reports based on the data maintained by the Ministry

of Consumer Affairs, the maximum rise in retail prices of edible oils was noticed in sunflower oil, which rose up to ₹ 110/kg in Delhi from ₹ 68/kg in the same period last year. Soya oil prices rose by 43 percent to ₹ 83/kg from ₹ 58/kg, while groundnut oil increased to ₹ 134/kg from ₹ 113/kg.

In Kolkata the prices of edible oil remained at ₹ 68/kg while groundnut oil was recorded to be sold at ₹ 110/kg in the retail market. Mustard oil and vanaspati prices moved up by ₹ 21 to ₹ 78/kg and ₹ 77/kg, respectively.

Says S Viraraghavan, Head – Sales and Marketing, Cargill Foods India: “The upward price trajectory of edible oils looks to continue for some more time as demand stays robust and there are numerous supply side concerns due to weather issues. The high prices are likely to stay with us for some more time as we

**At present, India spends nearly ₹ 50,000 crore per annum for edible oil imports.**

are still at the beginning of planting season across the globe. Demand too has been robust but higher prices are indeed a concern. Further uptrend may cause some price sensitive consumers to shift to cheaper brands.” The need of the hour is to reduce India’s dependence on edible oil imports, a fact recognised by most of the top manufactures and suppliers of the country.

The proposal of Finance Minister Pranab Mukherjee in the latest Union Budget to set aside ₹ 300 crore for bringing in 60,000 hectares of land under palm oil production is a welcome step in reducing imports. The project, aimed at producing 3 lakh metric tonnes of palm oil annually, will take another five to six years to show results. However, this volume is not large enough to meet the market demand fully.

**Lack of Awareness**

One of the factors holding back the increased usage of value-added healthy oils in India is that most potential consumers are genuinely not aware of their health benefits. They are either directed by doctors and dietitians to start using healthy oils, or are prodded by advertisement campaigns of edible oil companies who are merely looking to build brands. These campaigns often become the only source of information for consumers to choose edible oils.

Malik of Adani Wilmar says: “People know that one particular oil is healthy. But they don’t know why it is healthy or what are the components that makes it healthy.” Analysts feel the entire segment of value-added healthy oils is capitalising on the growing health concerns of urban Indians who genuinely seek better guidance for a healthier lifestyle.

In USA, Europe and other developed nations, most consumers are usually aware of each and every component that goes into the food they eat. However, it is a different story in India where consumers prioritise taste over health. For the value-added healthy oils to do even better in the Indian marketplace, the yawning gap in awareness levels of consumers has to be narrowed.

**Oil is Well**

With a burgeoning population, rapid urbanisation, rising income levels and the spread of mass communication tools such as satellite television and the internet, the future of value-added cooking oil industry looks bright in India. But to realise the full growth potential, the players have to raise awareness among the rapidly expanding aspirational middle class about healthy oils, lobby with the government to reduce import tariffs and at the same time increase domestic production to meet the growing demand of consumers. ■

