

# Peanut Blog

An ounce of information



## Low oilseed acreage may keep edible oil inflation elevated

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Oilseed sowing stood at 66.31 lakh hectares as of July 5, nearly 39.3 percent lower than 109.27 lakh hectares recorded during the same period last year. It was also 20.5 percent below the normal area of 83.46 lakh hectares, according to sowing data released by the government on Monday. The decline was driven by lower acreage under soybean and groundnut, the two major kharif oilseed crops. Soybean acreage stood at 47.8 lakh hectares, down 39.6 percent from 79.2 lakh hectares last year and 19.3 percent below normal. Groundnut acreage was 16.93 lakh hectares, down 39.5 percent from last year and 23 percent below normal.

The acreage weakness comes at a time when oilseed prices are already firm. Groundnut seed prices were up 33.3 percent from a year ago, while rape/mustard seed and sunflower seed prices were higher by 7.5 percent and 7.6 percent, respectively, according to data from the Solvent Extractors' Association of India as of July 3. The pressure is also visible in edible oil prices. Groundnut oil was up 13 percent from a year earlier, sunflower oil was higher by 25.8 percent, while refined sunflower seed oil rose 22.6 percent. Imported oils also remained elevated, with RBD palmolein up 24.7 percent and crude palm oil up 22.6 percent from last year.

This matters for retail inflation because edible oils account for 2.18 percent of the consumer price index basket. Within this, refined oil and mustard oil have the largest weights, at 1.05 percent and 0.96 percent, respectively. Overall kharif sowing has been weak. Total area sown stood at 350.85 lakh hectares as of July 5, 20.8 percent below last year's 442.8 lakh hectares and 6 percent below the normal area.

The shortfall in oilseeds is more significant because India's edible oil market is highly sensitive to domestic crop prospects and global prices. A sustained lag in sowing, especially in soybean and groundnut, could keep domestic supplies tight and prevent a quick cooling in edible oil prices. Domestic production caters to nearly 45 percent of India's oil consumption, with imports covering the rest.

Rupee depreciation is expected to contribute to higher prices as well. Moneycontrol had earlier reported that India's imports have become more concentrated over the years, with reliance on Argentina increasing. Sunflower was the only major oilseed to show an increase in acreage, with sowing at 0.79 lakh hectares, 25.4 percent above normal. But its small base means it is unlikely to offset the decline in soybean and groundnut.

The trajectory of monsoon rainfall over the next few weeks will be crucial. If rainfall improves and farmers can close the sowing gap, some of the pressure may ease. But a prolonged shortfall in acreage could raise the risk of edible oil inflation staying sticky in the coming months.

**Source:** <https://www.moneycontrol.com/news/business/economy/low-oilseed-acreage-may-keep-edible-oil-inflation-elevated-13967982.html>