Fastmarkets

CME-Fastmarkets – South Asian vegetable oil futures

A new benchmark for risk management and price discovery

Contents

Executive summary

India, a barometer for the South Asian region, stands as the world's largest edible vegetable oil importer, accounting for approximately 11% of global vegetable oil demand. With annual consumption of 26.5 million tonnes and imports averaging 16 million tonnes – more than half of total consumption – India's vegetable oil market represents a critical nexus of global agricultural trade.[1]

This structural dependence on imports exposes India to significant price volatility. The 2022 crisis – driven by the Russia-Ukraine conflict, post-COVID supply stress, and Indonesia's temporary export ban – demonstrated this vulnerability most starkly after India's import bill surged 34% to approximately $19 billion.[2]

Existing global benchmarks – Malaysia's BMD (Bursa Malaysia Derivatives) CPO (crude palm oil) futures and CME (Chicago Mercantile Exchange) soybean oil futures – provide imperfect hedges for Indian market participants.

Basis analysis reveals hedging inefficiencies, which are discussed in this paper.

CME-Fastmarkets South Asia vegetable oil futures contracts address these gaps directly. USD-denominated and cash-settled to Fastmarkets CFR (cost and freight) India price assessments, these contracts eliminate both basis instability and currency overlays that compromise proxy hedges.

This white paper examines the market fundamentals driving demand for India-specific price benchmarks and demonstrates how these new futures contracts provide a more effective risk management tool for the full spectrum of market participants – international traders, importers, crushers, refiners, and institutional investors with exposure to South Asian agricultural markets.

[1] Solvent Extractors' Association of India (SEA). Vegetable oil import data, Marketingyears 2019/20-2024/25.
[2] Government of India. National Mission on Edible Oils - Oil Palm (NMEO-OP). Ministry of Agriculture & Farmers Welfare.

1. The Indian vegetable oil market landscape as a barometer for South Asia

India's vegetable oil market operates at an exceptional scale. Home to approximately 1.46 billion people, the country consumes an estimated 26.5 million tonnes of edible vegetable oil annually.

Domestic production from oilseeds — including mustard (rapeseed), soybean and groundnut — has remained largely stagnant year over year, meeting only about 44% of annual consumption requirements and leaving the balance structurally dependent on imports.

Import volumes in the last five marketing years (November through October) have averaged 15 million tonnes according to the Solvent Extractors' Association of India (SEA), representing more than half of total consumption[3] and making India among the world's largest vegetable oil importers.[4]

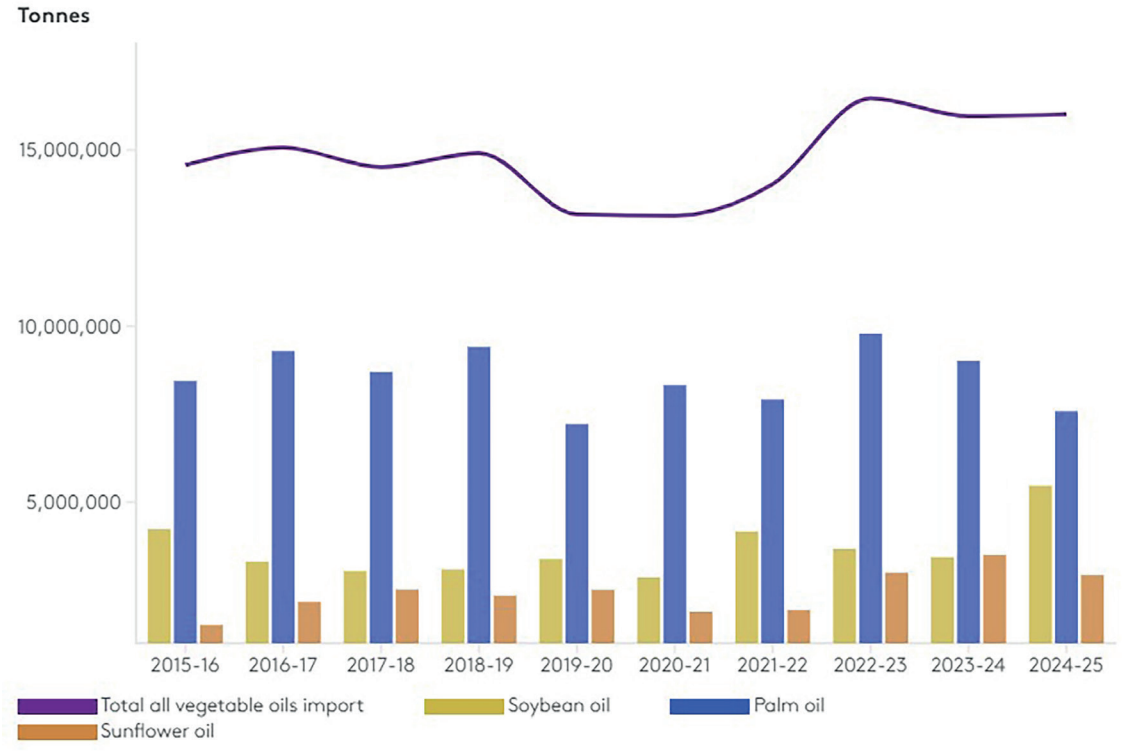
1.1 Composition and supply origins

Palm oil has traditionally comprised around 60% of India's vegetable oil imports, with supplies mainly sourced from Indonesia (47%), Malaysia (37%) and Thailand (11%). Soybean oil – primarily from Argentina and Brazil – and sunflower oil from Russia and Ukraine make up the remaining volume.

Recent data reveals significant shifts in import composition driven by price competitiveness. According to SEA data for 2024/25, palm oil's import share fell to 47%, down from 56% the previous year, while soybean oil's share grew to 34% from 22%. Price-sensitive buyers in India have increasingly switched preferences based on relative value between palm and soft oils.[5]

[3] Solvent Extractors' Association of India (SEA). Monthly import statistics, 2020-2025.
[4] USDA Foreign Agricultural Service (FAS). Oilseeds: World Markets and Trade (PS&D Online Circulars - includes Table 06: Major vegetable oils: World supply and distribution).
https://apps.fas.usda.gov/psdonline/circulars/oilseeds.pdf
[5] Solvent Extractors' Association of India (SEA). Vegetable oil import composition data, marketing years 2023/24-2024/25.

India palm, soybean and sunflower oil imports 2015 - 2025
10-year comparison

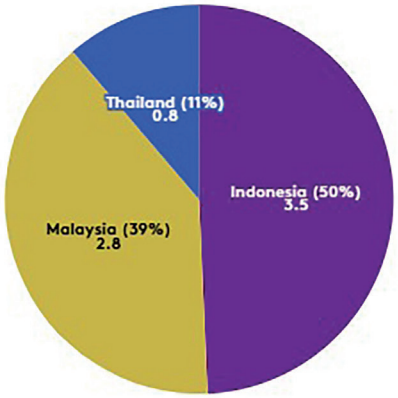


Source: Solvent Extractors Association of India monthly report

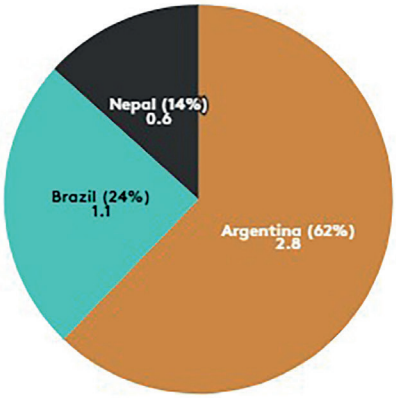
India palm, soybean and sunflower oil imports by origin - Top 3 (in millions of tonnes)

Nov 2024-Oct 2025

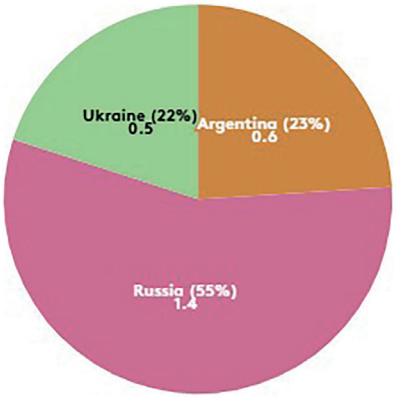
India palm oil import orgin



India soybean oil import orgin



India Sunflower oil import orgin



Source: Solvent Extractors Association of India monthly report

60%

Palm oil has traditionally comprised around 60% of India's vegetable oil imports, with supplies mainly sourced from Indonesia (47%), Malaysia (37%) and Thailand (11%)

2. South Asia's structural vulnerability to global price volatility

South Asia's import dependence makes the region structurally vulnerable to global volatility and price fluctuations in the global vegetable oil market. Global vegetable oil markets have experienced heightened volatility in recent years due to concentrated supply centered on a few countries, substitution effects, policy interventions and the rising intake of crops into biodiesel blending.

2. 1 The 2022 crisis: A case study in vulnerability

The 2022 crisis represents a stark illustration of this exposure. The perfect storm of the Russia-Ukraine war, post-COVID supply stress, Indonesia's temporary ban on palm oil exports and the drought in Argentina decimating soybean production. All these factors culminated in driving global vegetable oil prices to record highs. India's import bill in 2021/22 surged 34% to Rs 1.57 lakh crores (approximately $19 billion) from Rs 1.17 lakh crores the previous year.[6]

This vulnerability extends beyond price spikes. India's vegetable oil imports are subject not only to supplier production levels and policies but also to local demand seasonality, import policy changes, weather vagaries and substitution dynamics. South Asia, with India in particular, has emerged as the largest importer of vegetable oils thanks to its significant population size and growing economic scale.

2.2 Government initiatives and their limitations

Recognizing this structural dependence, the Indian government has intensified efforts to reduce import reliance. The National Mission on Edible Oils-Oil Palm (NMEO-OP) was launched with ambitious targets: expanding local palm oil cultivation to 1.67 million hectares (ha.) by 2030, with domestic CPO production targeted to reach 2.8 million tonnes annually by the same year, up from 270,000 tonnes in 2019.

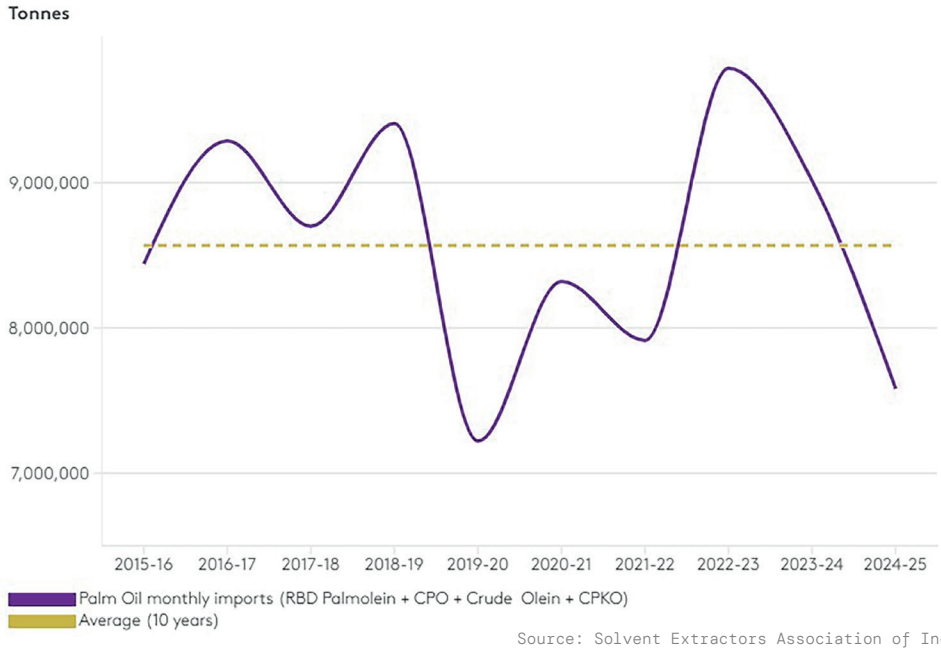
Reality has fallen short of these targets. Estimates suggest only 0.5 million ha. of land will be used for palm oil cultivation by 2026, compared to the target of 1 million ha, with the area growing to only 0.75 million ha by 2030. Current domestic CPO production stands at just 350,000-400,000 tonnes annually and is projected to rise to approximately 700,000-1 million tonnes by 2030. Meanwhile, India continues to import 600,000-700,000 tonnes of palm oil each month to meet domestic demand, underscoring the long road ahead in reducing import dependence.

India's edible oil market is likely to remain heavily dependent on imports for the foreseeable future, leaving the country exposed to global price swings and supply-side disruptions. While government initiatives mark an important strategic move, the scale of domestic production growth required to offset imports remains formidable. Until then, India's vegetable oil balance will continue to be shaped more by global market dynamics than by domestic supply, reinforcing the need for transparent price reference and effective risk mitigation strategies.

[6] Government of India. Ministry of Commerce & Industry. Import value statistics, edible oils, financial years 2020/21-2021/22.

Indian palm oil exports

2015-2025 10 year trend



Source: Solvent Extractors Association of India monthly report

3. Existing hedging landscape and why it is inadequate

Despite the existence of established global vegetable oil benchmarks, including Bursa Malaysia Derivatives crude palm Oil futures and CME soybean oil futures, vegetable oils delivered to South Asia face greater risk exposures related to localized market factors.

This is the fundamental reason Fastmarkets has been tracking soybean oil CFR India prices since 2018 and palm oil CFR India prices since 2023.[7],[8]

3.1 CME soybean oil futures

CME soybean oil futures represent the most liquid global benchmark for soybean oil. However, for the Indian market participants, CME soybean oil futures present several limitations:

- **Biofuels dynamics:** Soybean oil futures increasingly reflect US domestic biofuels policy dynamics rather than global edible oil fundamentals, thereby weakening soybean oil futures effectiveness as a benchmark in the edible oil segment.
- **Geographic basis risk:** the soybean oil futures contract reflects US origin FOB pricing, not Indian CFR fundamentals
- **Freight and logistics exposure:** the soybean oil futures contract does not capture trans-Pacific freight volatility
- **Import policy risk:** Indian import duty changes and policy shifts create additional basis divergence
- **Supply chain complexity:** Multiple legs from US origin to Indian ports add risk layers not reflected in price

3.2 BMD palm oil futures

Bursa Malaysia Derivatives (BMD) crude palm oil (FCPO) futures serve as the primary global palm oil price benchmark. While geographically closer to India than the US-centered CME future, BMD futures still present hedging challenges:

- **Currency mismatch:** BMD FCPO is quoted in Malaysian Ringgit (MYR), while South Asian physical import contracts are typically USD-denominated
- **FOB vs CFR disconnect:** BMD futures more closely reflect Malaysia FOB pricing, not Indian landed costs
- **Inconsistent Basis:** Historical data shows either low or even negative basis between BMD and India CFR prices
- **FX overlay complexity:** USD/MYR volatility adds risk layer for USD-based hedgers

3.3 Limitations for South Asian participants

For South Asian market participants, these global benchmarks fail to address key risk factors:

- **Localized price discovery:** Neither CME nor BMD captures South Asian-specific supply-demand dynamics
- **Policy intervention risk:** Indian government actions on duties, quotas and subsidies directly impact CFR prices but not origin benchmark
- **Substitution effects:** Export price relationships between palm, soybean and sunflower oils to India don't mirror global patterns
- **Seasonal consumption patterns:** South Asian demand cycles create localized price pressures not reflected in origin markets

[7] Fastmarkets. Commodity price page: soybean oil, CFR India, $/tonne (AG-SYB-0032). https://www.fastmarkets.com/commodity-prices/soyoil-cfr-india-dollar-mt-ag-syb-0032/
[8] Fastmarkets. Commodity price page: crude palm oil, CFR West Coast India, $/tonne (AG-PLM-0013). https://www.fastmarkets.com/commodity-prices/crude-palm-oil-cfr-west-coast-india-dollar-tonne-ag-plm-0013

> **Soybean oil futures increasingly reflect US domestic biofuels policy dynamics** rather than global edible oil fundamentals, thereby weakening soybean oil futures effectiveness as a benchmark in the edible oil segment.

4. Quantifying the hedging gap: Basis analysis

We used Fastmarkets assessments for Soybean Oil CFR India (AG-SYB-0032) and Crude Palm Oil CFR West Coast India (AG-PLM-0013) as physical benchmarks, converted CME soybean oil into USD/mt for like-for-like comparison. We also used Fastmarkets assessments for Crude Palm Oil, Domestic Malaysia (AG-PLM-0008)) as a proxy for Malaysian CPO futures on the Bursa Malaysia derivatives. In short persistent basis differences were observed.[9],[10]

4.1 Soybean oil: Historical basis volatility (CME soybean front month futures vs Fastmarkets soybean oil CFR India)

Full period analysis (Oct 2020 - Dec 2025)

- Basis range: -534 to +582 USD/mt
- Maximum absolute deviation: 582 USD/mt (March 1, 2022)
- Days with |basis| ≥ 200 USD/mt: 207 out of 1114 trading days in the analyzed period
- Hedge effectiveness: Using CBOT as a proxy hedge exposed participants to basis risk exceeding 200 USD/mt on roughly 16% of trading days

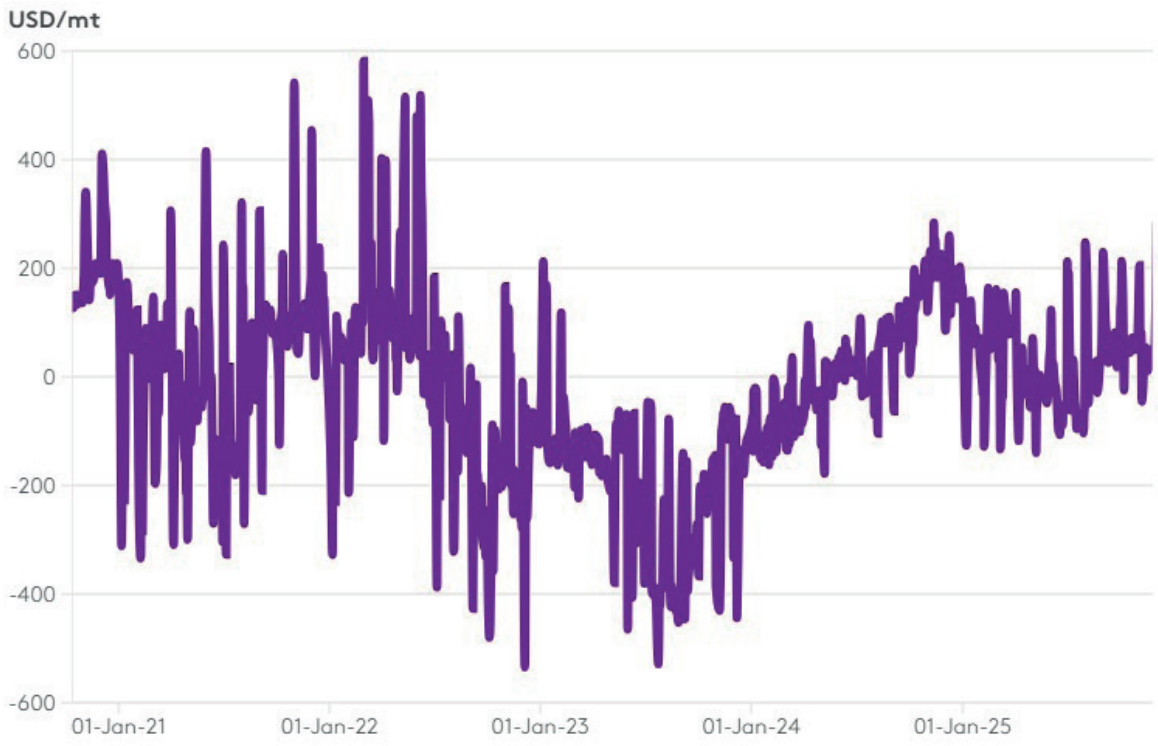
Recent 12-month period (Dec 2024 - Dec 2025):

- Mean basis: +42 USD/mt
- Standard deviation: 85 USD/mt
- 5th-95th percentile: -90 to +190 USD/mt
- Recent extremes: +286 USD/mt (Dec 3, 2025) to -139 USD/mt (May 8, 2025)

These statistics reveal substantial and unpredictable basis volatility. For an Indian importer hedging with CME soybean oil futures, the hedge instrument frequently disconnects from the physical CFR India price, creating earnings volatility and complicating risk governance.

[9] Chicago Board of Trade (CBOT). Soybean oil futures historical price data, October 2020–December 2025.
[10] Fastmarkets. Commodity price assessments and historical data for Crude palm oil, domestic Malaysia, ringgit/tonne (AG-PLM-0008), 2025.

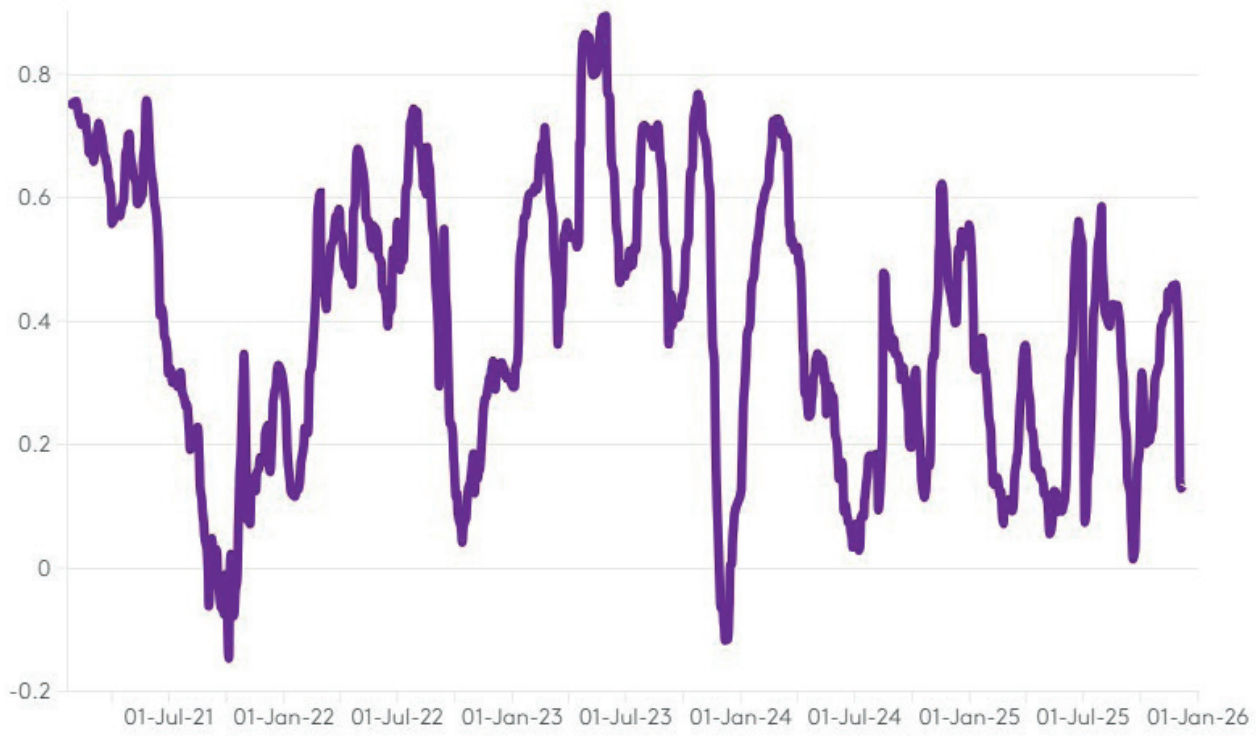
CME soybean oil futures vs Fastmarkets soybean oil CFR India basis spread
13 October 2020 - 8 December 2025



Source: Fastmarkets

CME soybean oil futures vs Fastmarkets soybean oil CFR India

Rolling 60-day correlation 21 January 2021 - 8 December 2025



Source: Fastmarkets

4.2 Palm oil: Persistent negative basis and FX overlay (Fastmarkets crude palm oil Domestic Malaysia vs Fastmarkets crude palm oil CFR west coast India)

Analysis period (January 2025 - December 2025):

- Average basis: -114 USD/mt (standard deviation: 11)
- Range: -140 USD/mt (January 8, 2025) to -76 USD/mt (April 4 , 2025)
- X overlay: According to the data from the Malaysian central bank, Bank Negara Malaysia, the USD/MYR ranged from 4.0443 to 4.5070, adding approximately 9% annualized volatility from January 2025 to December 2025.

The palm oil basis analysis reveals a persistent negative basis, reflecting structural differences between Malaysian domestic CPO pricing and India CFR realities.

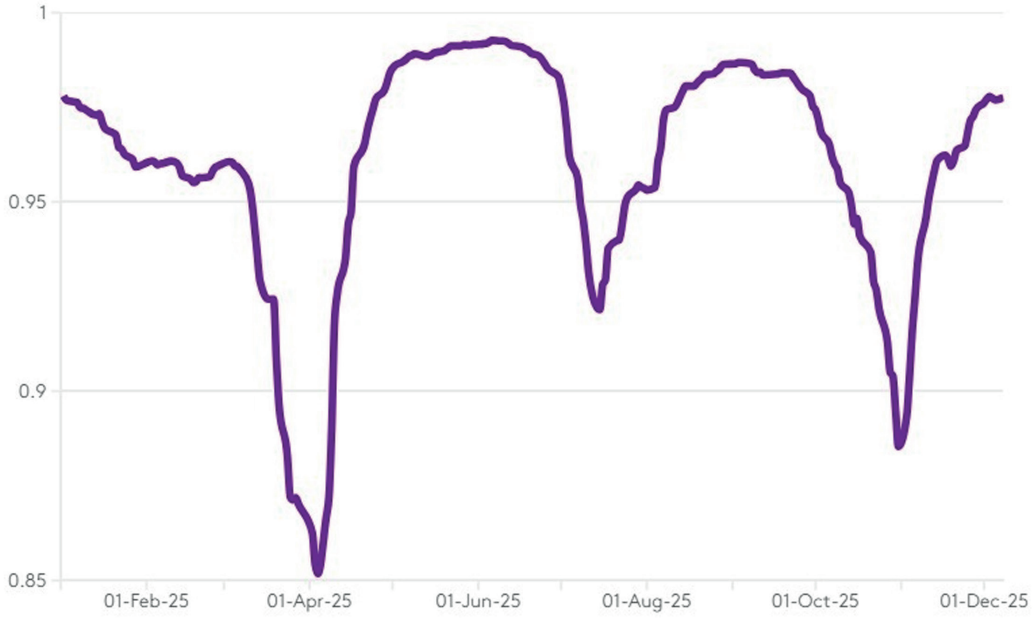
Additionally, since Malaysian CPO is quoted in Malaysian Ringgit, participants hedging USD-denominated physical contracts face a currency overlay that further reduces hedge effectiveness.

+9%

According to the data from the Malaysian central bank, Bank Negara Malaysia, the USD/MYR ranged from 4.0443 to 4.5070, adding approximately 9% annualized volatility from January 2025 to December 2025.

Fastmarkets CPO Domestic Malaysia vs Fastmarkets CPO CFR West Coast India basis spread

Rolling 60-day correlation, 2 January 2025 - 8 December 2025



Source: Fastmarkets

Fastmarkets CPO Domestic Malaysia vs Fastmarkets CPO CFR West Coast India

Rolling 60-day correlation, 2 January 2025 - 8 December 2025

Source: Fastmarkets

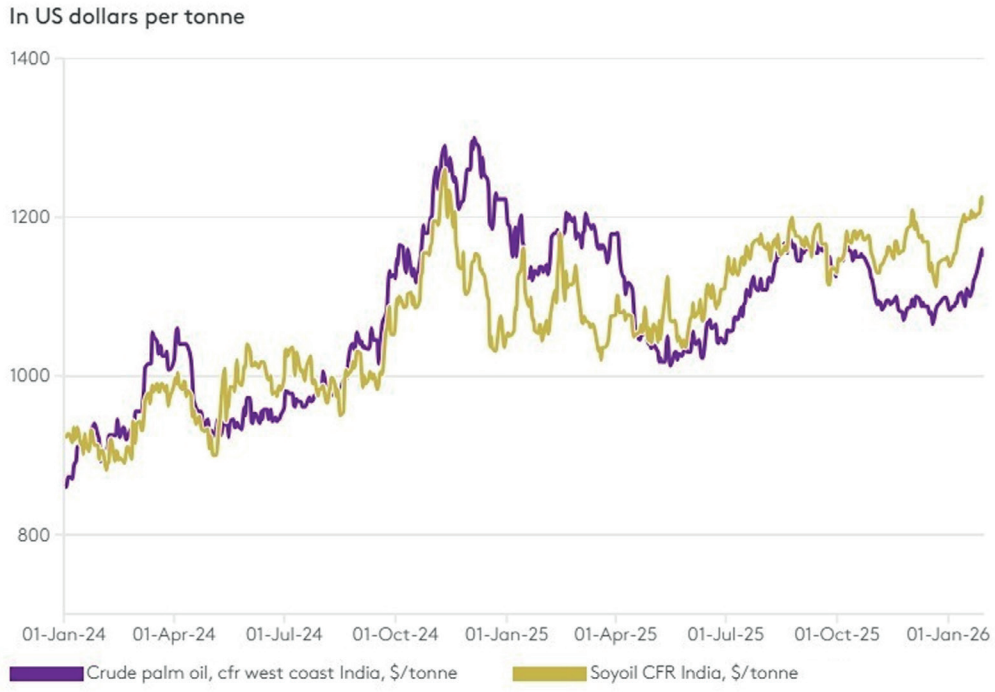
4.3 Implications for risk management

These empirical results demonstrate that proxy hedges using global benchmarks expose Indian market participants to significant and variable basis risk.

Hedge effectiveness – the degree to which futures positions offset changes in physical exposure – depends almost entirely on minimizing the basis risk. When the hedge instrument does not move in lockstep with the underlying physical exposure, the hedge fails to provide the intended protection.[11]

[11] CME Group. 'Understanding basis risk in commodity hedging.' Educational resources. https://www.cmegroup.com/education/glossary.html

India CPO West Coast CFR and India soybean oil CFR price comparison



Source: Fastmarkets

5.The CME-Fastmarkets solution

CME-Fastmarkets South Asian vegetable oil futures are designed to address the hedging mismatch documented in the previous section. The contracts settle to Fastmarkets CFR India assessments, are quoted in USD and cleared through exchange-listed futures infrastructure.[12],[13] This structure targets both principal shortcomings of proxy hedges: unstable basis versus India CFR fundamentals and non-USD currency overlays.

5.1 Contract design and features

For an Indian importer purchasing soybean oil or palm oil CFR India in USD/mt, an effective hedge requires two attributes:

Price reference alignment. Futures settlement must reflect the reality of South Asian CFR fundamentals.

Market accessibility. Regulated exchange listing with transparent margining, central clearing and liquid secondary markets.

The newly launched CME-Fastmarkets contracts fulfil both requirements. Final contract specifications – including tick size, contract unit, settlement procedure and timing, price limits, listing months and eligible trading venues – are available on the CME Group website (South Asia Vegetable Oil (Fastmarkets) futures)

5.2 USD cash settlement: Reducing operational frictions

Cash settlement eliminates physical delivery requirements – no warehouse registration, no logistics coordination, no delivery risk. For commercial hedgers, this simplifies internal controls, reduces operational workload and aligns futures profit and loss directly with the benchmark prices used in physical term contracts and spot tenders.

When a physical contract and futures settlement reference the same assessment, hedge effectiveness improves dramatically. The futures position becomes a clean, transparent risk management instrument that moves in near-perfect correlation with the underlying physical exposure.

5.3 Structural role in global vegetable oil markets

The South Asian contracts settled by India CFR prices will play a structural role in palm oil and soybean oil markets, serving as a linkage between global suppliers, South Asian consumers, global trading houses and financial institutions. These risk components – from production through logistics to landing – can now be hedged via CME-Fastmarkets vegetable oil futures settled by CFR India prices.

For South Asian market participants, the effectiveness of hedging is greatly increased.

5.4 Strategic benefits

The availability of South Asian-specific futures contracts delivers strategic benefits across the value chain:

For industry players:

- More effective risk management with minimized basis risk
- Simplified hedge accounting and governance
- Improved financing terms from lenders recognizing lower residual risk
- Direct price reference for physical contract negotiations

For policymakers:

- Enhanced transparency into landed costs and import dynamics
- More effective monitoring of food security and inflation metrics
- Market-based price discovery supporting policy decisions

For global trade:

- Reduced pricing disputes in physical contracts
- Improved capital efficiency through exchange margining
- Enhanced market liquidity and price transparency

[12] CME Group. 'CBOT soybean oil futures - delivery mechanism.' https://www.cmegroup.com/articles/2021/cbot-soybean-oil-futures-delivery-mechanism.html
[13] CME Group. Contract specifications for CME-Fastmarkets Indian vegetable oil Futures. (Available upon contract launch).

6. Operational and strategic benefits

6.1 Improved risk management

More effective hedging translates into measurable commercial benefits:

Lower earnings volatility. Reduced hedge slippage and elimination of FX overlays lead to more predictable financial outcomes.

Cleaner risk limits and governance. Single-instrument hedges mapped directly to invoice benchmarks to simplify risk reporting and limit-setting.

Improved financing terms. Lenders and counterparties may recognize lower residual risk and clearer mark-to-market processes, potentially offering better credit terms.

Enhanced market transparency. Policymakers and global stakeholders benefit from a public risk-management tool anchored to an India-relevant benchmark.

6.2 Market infrastructure advantages

Exchange-listed futures through CME Group provide:

- Centralized clearing with robust default management
- Transparent and standardized margining
- Regulatory oversight and market surveillance
- Access to established clearinghouse credit and operational infrastructure

7. Market outlook and conclusion

India's vegetable oil market stands at a critical juncture. Structural import dependence shows no signs of abating.

India will continue to import more than half of its vegetable oil consumption needs, exposing the country and its market participants to global price volatility and supply disruptions.

The need for sophisticated risk management tools has never been greater. CME-Fastmarkets South Asia vegetable oil futures represent an advancement in the risk management toolkit available to market participants. By settling to Fastmarkets CFR India price assessments in USD through cash settlement, these contracts eliminate the two primary sources of hedge inefficiency: unstable basis versus Indian fundamentals and currency overlay risk.

The empirical basis analysis presented in this white paper quantifies the problem that these contracts attempt to solve.

Success will depend on market adoption and liquidity development. As with any new futures contract, building sufficient depth and participation across the value chain – from physical commercials to financial intermediaries – will be critical to realizing the full benefits of price discovery and risk transfer.

The structural role these contracts can play extends beyond individual hedging decisions. An established, liquid India CFR benchmark will enhance transparency for all stakeholders – policymakers, financial institutions and commercial operators.

Fastmarkets

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