India’s Import Duty Cut on Cooking Oils

What is the issue?

The timing of reduction of import duty by the government has affected the balance between the interests of farmers and consumers.

What is the reason for duty reduction?

- High price edible oil
- High food inflation
- Onset of festive season
- This urged the central government to reduce the import duty on crude and refined palm oil, soybean oil and sunflower oil between 16.5 % to 19.25% with effect from October 14 upto March 31, 2022.
- The rumours in the market in the last few days have already discounted the domestic price and this may further reduce the price of refined oil by Rs 6 to 8 per kg.

What is the trend of edible oil imports in India?

> *Yellow Revolution started during early 1990s aimed at self-sufficiency in oilseeds but it could not be sustained beyond a short period.*

- India is the **fourth largest producer** of oilseeds accounting for 10% of the global production.
- India is the **world’s largest edible oil buyer**.
- Of the imported edible oils, share of palm oil is about 63% followed by soybean oil and sunflower oil.
- The production of oilseeds is concentrated in the Central and Southern parts of India, mainly in the states of Madhya Pradesh (27.89%), Rajasthan (21.49%), Maharashtra (14.84%), Gujarat, Andhra Pradesh and Karnataka.
- The groundnut, rapeseed-mustard and soyabean accounts for 87 per cent of production of oilseeds in the country during 2018- 19.
- According to SEA, import of vegetable oils during September 2021 is

reported at 1,762,338 tons compared to 1,061,944 tons in September, 2020, i.e. up by 66%.
- Palm Oil imports in September 2021 are at 12.62 lakh tons which is the highest in any single month since India started importing Palm Oil in 1996.
- Soft Oils import decreased due to high prices of soybean and sunflower oils in international market.

The leading exporters of palm oil worldwide were Indonesia and Malaysia.

What will be the impact of tax reduction?

- Indian households prefer indigenously extracted groundnut, sunflower, mustard, rapeseed and sesame oil and use palm oil as a low-cost supplement.
- Hence the palm oil may end up in the processed food and restaurant industries more than ordinary households.
- The recent measure will put oilseed farmers and the domestic solvent extraction industry in a difficult situation.
- This is because the farmers are now harvesting kharif soya and groundnut crop and reduction in import duty may affect the farmers' realisation for their produce.

How can the situation be eased?

- The government needs reliable data on evolving production and demand trends, and imported inventory for a more proactive decision-making.
- India's central procurement mechanism, buffer stock policies and public distribution system need to focus more on proteins, fats and processed foods that are taking up a higher share of the household budget.
- A more flexible PDS system has to be in place to balance the interests of farmers and consumers.
- Importing limited quantities of packaged cooking oils for PDS distribution may supress the pre-festival spiral in cooking oils.
- India needs to become Atmanirbhar in edible oils to reduce the dependence on imports.

References

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