

## 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 suppress the pre-festival spiral in cooking oils.
- India needs to become [Atmanirbhar in edible oils](#) to reduce the dependence on imports.

## References

1. <https://www.thehindubusinessline.com/opinion/editorial/frying-times/article37113088.ece>
2. <https://economictimes.indiatimes.com/news/economy/foreign-trade/govt-cuts-import-duty-on-cooking-oils/articleshow/86130317.cms?from=mdr>

