

Edible Oils

5.48 Different agro climatic zones facilitate production of a wide range of oilseed crops in India. Groundnut and soyabean in kharif, and rapeseed/mustard in rabi together contribute about 85 per cent of the country's oilseeds production. A major area of concern is that despite the growth in production of oilseeds over the years (22 million tonnes), and of the resultant oil (65-70 lakh tonnes), India has not been able to keep pace with the domestic demand for edible oils which has risen at the rate of 4-5 per cent per annum and is now estimated at over 100 lakh tonnes.

5.49 There has been a persistent gap between demand and domestic availability of edible oils. The Directorate of Vegetable and Vanaspati oils and Fats have estimated a demand of 101 lakh tonnes for 2000-01. The problem of short supply and the resultant demand and supply gap can be rectified either through increasing domestic production and productivity or by importing edible oils to supplement domestic supply.

5.50 There have been periodical changes in the Import policy in respect of edible oils during the past few years. Import of edible oil was brought under Open General License (OGL) in 1994-95 before which import was canalised and

restricted. Imports of oils peaked after 1994-95 due to the enlargement of the basket of oils under OGL.

5.51 International prices of edible oil were quite high during second half of 1998. However, after February 1999 world prices began to drop rapidly. Soya oil dropped from \$638 c.i.f. in November 1998 to \$335 in November 2000. Malaysian RBD palmolein dropped from a peak of \$695 fob in November 1998 to \$363 in November 1999 and to \$242 in November 2000. The domestic prices of edible oils both at the wholesale and retail level also declined steadily during 1999, in line with the declining international prices. Import duty on edible oils was therefore raised in December 1999 to protect the domestic producers. This did not result in any reduction in imports, rather imports increased because international prices of edible oils continued to decline. The import duty on edible oils was, therefore, further raised in June 2000 and then again in November 2000. In case of refined oils, the effective duty rate was raised to 71.6 per cent as against the earlier 44.04 per cent. Crude Palm Oil (CPO) imported for further refining or purposes other than vanaspati-making would now attract 55 per cent duty. For vanaspati units, CPO import is allowed at 25 per cent duty.