

Edible Oils

5.65 India is one of the largest producers of oilseeds in the world. The oilseeds area and output is concentrated in Central and southern parts of India, mainly in Madhya Pradesh, Gujarat, Rajasthan, Andhra Pradesh and Karnataka. The nine major oilseeds cultivated in India are groundnut, mustard/rapeseed, sesame, safflower, linseed, niger seed, castorseed, soyabean and sunflower. Coconut is the most important source of edible oil amongst plantation crops, while in non-conventional oils, rice bran oil and cottonseed oil are the most important. Groundnut, soyabean and mustard together contribute about 85 percent of the country's oilseeds production.

5.66 While production of oilseeds has risen over the years, it has not been able to keep pace with the domestic demand for edible oils. Therefore, there has been a persistent gap between domestic demand and output of edible oils. The net domestic availability of edible oils was only 5.62 million tonnes during 2000-01 while the domestic requirement was close to 10 million tonnes. The Government, with a view to avoiding scarcity of this item and consequential rise in prices, has been allowing liberal import of edible oils, though with stiff tariff rates.

5.67 In pursuance of the policy of liberalization, there have been progressive changes in the import policy in respect of edible oils during the past few years. Edible oil, which was in the negative list of imports, was first decanalised partially in April, 1994. This was followed by enlargement of the basket of oils under Open General License (OGL) import in March, 1995. Duty structures were further rationalised in subsequent years in order to harmonise the interests of domestic oilseeds growers, consumers and processors and to avoid large imports of edible oils to the extent possible.

5.68 Import duty on edible oils has been revised in March 2001. The custom duty on Crude Palm

Oil (CPO) meant for vanaspati manufacture was raised from 25 percent to 75 percent except in the case of sick vanaspati units, where duty was kept at 55 percent. This concession was later done away with and a uniform rate of duty @ 75 percent on CPO for all the vanaspati units, whether sick or otherwise was imposed. The duty on refined oil was raised to 85 percent (basic) except in the cases of refined soyabean oil and refined mustard oil where the duties were 45 percent (basic) and 75 percent (basic) respectively. Special Additional Duty (SAD) was levied on import of refined oils at the rate of 4 percent.

5.69 In August 2001, the Government imposed a fixed tariff values for crude and refined palm oils as follows:

	\$ per tonne
CPO	337
Crude Palmolein	357
RBD Palm oil	351
RBD Palmolein	372

This implies that imports would no longer be valued at the transaction value reflected in the price mentioned on the invoice, instead the basic duty will be calculated on the standard tariff value regardless of the actual invoice. This was done to avoid under invoicing by importers. The tariff values has since been revised twice, and the latest rates as revised on December 17, 2001 are as follows:

	\$ per tonne
CPO	314
Crude Palmolein	334
RBD Palm oil	341
RBD Palmolein	349

5.70 On October 30, 2001, customs duty on CPO meant for vanaspati manufacture was reduced from 75 percent to 65 percent. Duty on crude sunflower/safflower was reduced from 75 percent to 50 percent w.e.f. November 16, 2001 upto an aggregate of 1,50,000 tonnes in a financial year.