

## **Edible Oils**

5.34 Sharp rise was recorded in the prices of edible oils in 1998-99. This was largely due to the shortfall in production of mustard and groundnut seeds, ban on sale of loose edible oils due to adulteration in mustard oil and also on account of high international prices. This situation has been reversed during the current year. Apart from the domestic production being normal, international prices of edible oil too have declined to very low levels from February 1999. Consequently domestic prices of edible oil have been lower - much of it being due to cheaper imports.

5.35 The domestic production of oilseeds is unable to meet the increasing demand for edible oils in the country. The gap between domestic demand and production is widening each year thus necessitating imports in larger volumes. Upto September, 1999, 21.9 lakh tonnes are reported to have been imported to meet the

domestic requirements. In order to check speculative price rise during festival season, State Trading Corporation (STC) was authorised to import about 1 lakh tonnes of edible oil on Government account for allocation to the State Governments/Union Territories for distribution through the PDS. For trends in domestic production of oilseeds see Chapter 8 on Agriculture.

5.36 In order to provide some protection to domestic producers against unusually low international prices of edible oils, the duty structure of edible oils has been revised with effect from 30<sup>th</sup> December, 1999. The basic customs duty on refined edible oils has been raised from the prevailing 15 percent to 25 percent. The effective duty inclusive of the surcharge component would now be 27.5 percent. The import duty of 16.5 percent on crude oils and 40 percent on oilseeds has been left untouched. This would encourage indigenous refineries to import crude oil and improve their capacity utilisation.