Concerns with Vegetable Oil Imports

What is the issue?

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- Indian vegetable oils imports in volume and value terms have skyrocketed.
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- Union government must take right measures to protect the domestic producers.
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How import dependent is India in this regard?

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- India's imports vegetable oil to about 14 million tonnes.
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- This is of approximately $11 billion (over Rs. 70,000 crore) worth.
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- In value terms veg-oil imports are next only to crude and gold.
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- It is the highest for any food commodity.
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- India's import dependence in this has worsened to over 70%.
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What are the concerns?

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- **Farmers** - Oilseed growers in India are in distress as a result of increased imports.
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- The planted acreage has stagnated and the yields also continue to be abysmally low.
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- This is primarily because growers have no incentive to improve agronomic

practices.
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- The marketability of the crop grown is also weak as the price support mechanism is nearly non-existent.
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- **Market** - Liberal policies with zero or low rate of duty and free market operations of the last 25 years have contributed to unfettered imports.
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- This has worked against protecting the interests of domestic growers.
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- About 10-15% of the current import volume is speculation driven.
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- It often represents stock transfer from Indonesia and Malaysia to India.
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- Huge inventories of as much as 2 million tonnes are often piled up in India, in turn affecting the domestic market.
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What measures need to be taken?

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- **Ceiling on veg-oil imports -** A ceiling on veg-oil import will reduce the quantum of arrivals and support domestic producers.
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- Ceiling should come with the provision to review it every 6 months, depending on the exigencies of the situation.
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- **Monitoring imports -** Imports have to be closely monitored in terms of registration of contracts, tracking arrivals and so on.
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- This can help make the trade more transparent.
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- It can also help policymakers with real-time information for taking informed decisions proactively.
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- **Reduce long credit period -** Many Indian importers often enjoy a long credit period
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- They have 90-150 days for the payment of the value of the cargo to overseas suppliers.
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- This encourages over-trading and fosters an unending loop of imports.

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- Reducing the credit period could address this.
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- **Dynamic tariffs -** Import duties should be varied dynamically.
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- It should be fixed in a way so that imported oils are not cheaper than the MSP for domestic oils.
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Source: Business Line

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