

## Concerns with Vegetable Oil Imports

### What is the issue?

\n\n

\n

- Indian vegetable oils imports in volume and value terms have skyrocketed.
- Union government must take right measures to protect the domestic producers.

\n

\n\n

### How import dependent is India in this regard?

\n\n

\n

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

\n

\n\n

### What are the concerns?

\n\n

\n

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

practices.

\n

- The marketability of the crop grown is also weak as the price support mechanism is nearly non-existent.

\n

- **Market** - Liberal policies with zero or low rate of duty and free market operations of the last 25 years have contributed to unfettered imports.

\n

- This has worked against protecting the interests of domestic growers.

\n

- About 10-15% of the current import volume is speculation driven.

\n

- It often represents stock transfer from Indonesia and Malaysia to India.

\n

- Huge inventories of as much as 2 million tonnes are often piled up in India, in turn affecting the domestic market.

\n

\n\n

## **What measures need to be taken?**

\n\n

\n

- **Ceiling on veg-oil imports** - A ceiling on veg-oil import will reduce the quantum of arrivals and support domestic producers.

\n

- Ceiling should come with the provision to review it every 6 months, depending on the exigencies of the situation.

\n

- **Monitoring imports** - Imports have to be closely monitored in terms of registration of contracts, tracking arrivals and so on.

\n

- This can help make the trade more transparent.

\n

- It can also help policymakers with real-time information for taking informed decisions proactively.

\n

- **Reduce long credit period** - Many Indian importers often enjoy a long credit period

\n

- They have 90-150 days for the payment of the value of the cargo to overseas suppliers.

\n

- This encourages over-trading and fosters an unending loop of imports.

\n

- Reducing the credit period could address this.

\n

- **Dynamic tariffs** - Import duties should be varied dynamically.

\n

- It should be fixed in a way so that imported oils are not cheaper than the MSP for domestic oils.

\n

\n\n

\n\n

**Source: Business Line**

\n

