Edible oil imports

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Why is in news? The other oil imports India needs to worry about

India's edible oil imports have **risen almost 1.5 times and more than doubled in rupee value terms** during the last 10 years.

Imports of vegetable oils — used in cooking and frying of foods, as opposed to petroleum fuels — touched a record 16.5 million tonnes (mt) in the year ended October 2023, according to data from the **Solvent Extractors' Association of India (SEA)**.

From a 10-year perspective, India's edible oil imports have increased from 11.6 mt (valued at Rs 60,750 crore) in 2013-14 to 16.5 mt (Rs 138,424 crore) in 2022-23, with the jump pronounced in the last three years (table 1).

During the previous 10 years between 2004-05 and 2013-14, imports had shot up even more, from 5 mt to 11.6 mt.

News summary:

The two biggest contributors to India's edible oil production now are mustard and soyabean and followed by cottonseed and rice bran.

The kapas or raw un-ginned cotton harvested by farmers contains only about 36% lint, the white fluffy fibre that textile mills spin into yarn. The balance is seed (62%) and wastes (2%) that are separated from the lint during ginning. Cottonseed, in turn, contains 13% or so oil.

Among conventional oilseeds, only mustard has retained its sheen.

While **groundnut oil** production has also grown, roughly half of its kernels are today either directly used for table consumption or exported. That leaves not much for crushing and oil extraction. It makes groundnut more of a dry fruit and less of an oilseed.

The other oils — **coconut, sesame, sunflower and safflower** — have all registered declines in domestic output.

Although there are some premium homegrown brands — for instance, 'Parachute' coconut oil of Marico and 'Idhayam' sesame oil of the Virudhunagar (Tamil Nadu)-based VVV and Sons Edible Oils Ltd — these oils have **struggled against the onslaught of cheaper imported oils**.

The 16.5 mt of edible oil imports in 2022-23 included **palm** (9.8 mt; from Indonesia, Malaysia and Thailand), **soyabean** (3.7 mt; from Argentina and Brazil) and **sunflower** (3 mt; from Russia, Ukraine and Argentina).

The bulk of imports comprise crude oils. Like crude petroleum, these are shipped in tankers and processed in giant refineries.

Refining involves de-gumming (removing gums, waxes and other impurities), neutralisation (removing free fatty acids), bleaching (removing colour) and de-odourisation (removing volatile compounds).

Vulnerability to imports:

A major side effect of high import dependence is the **vulnerability of both producers and consumers** to international price fluctuations. Edible oil inflation is India has broadly moved in tandem with global inflation.

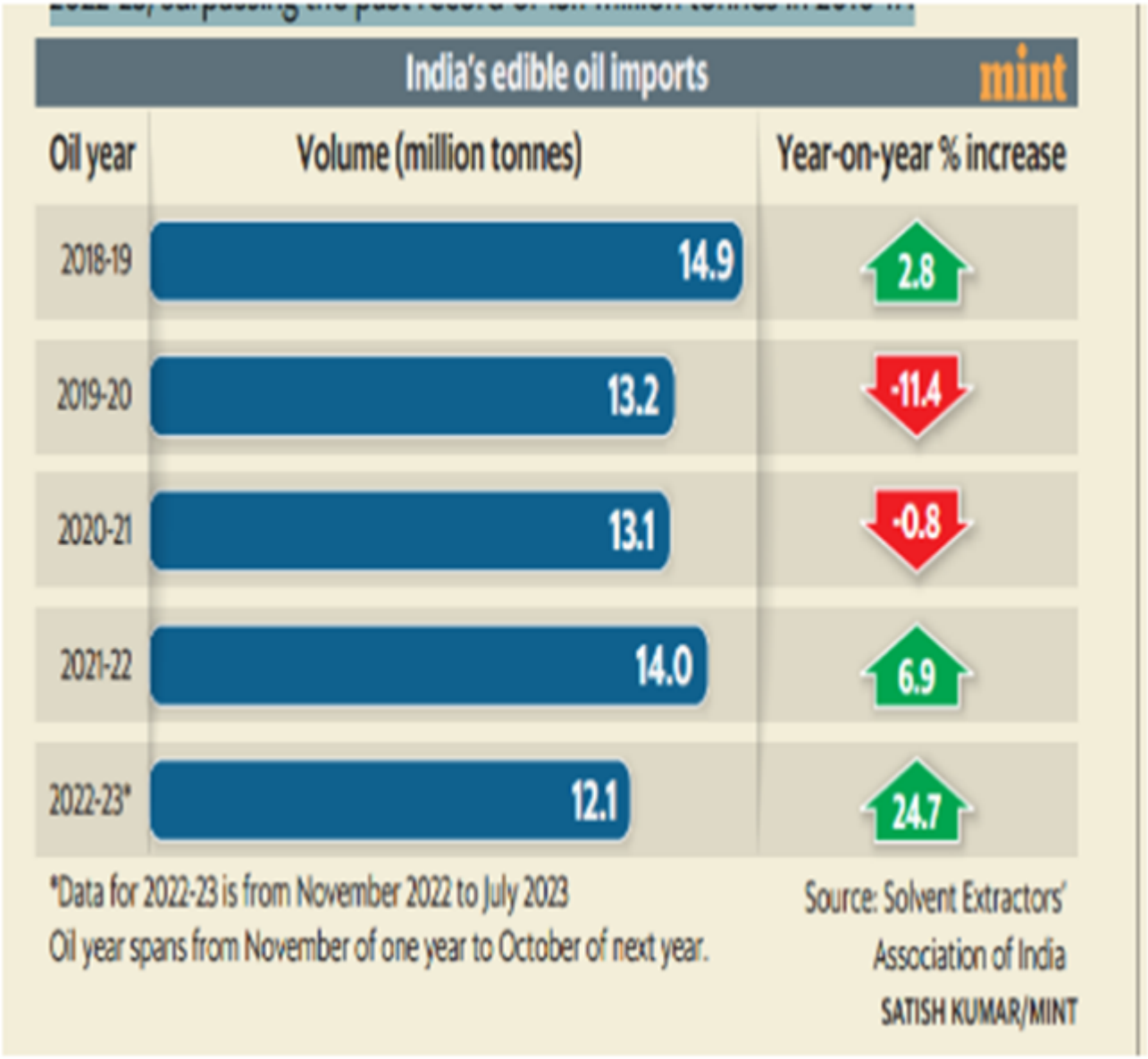
The **UN Food and Agriculture Organization's vegetable oils price index** (base period value: 2014-2016=100) soared from 98.7 points in August 2020 to an all-time-high of 251.8 points in March 2022, the month that followed Russia's invasion of Ukraine.

About the edible oil market:

India is the **world's largest importer of edible oil** with a share of 20.7 per cent, **followed by EU and China**.

60% of edible oil requirement is met through imports and the share of palm oil is about 60% of the import bill.

India is the **second-largest edible oil consuming** country.



Reasons - India's dependent on imports:

Home-grown soybeans, mustard and groundnut oil, among others, meet **just 40% of requirements**.

The area under cultivation remaining stagnant and increased from 26.3 lakh hectares in 2011-12 to 28.8 lakh hectares in 2020-21 that too in a very meager amount.

Oilseed productivity of a tonne per hectare is **less than half the global average**, due to lack of access to the latest seed technology.

Farmers also **hesitate to grow oilseeds** as they cannot compete with the flood of cheap imports and lack of price support mechanisms.

Incentives for Indian farmers to **grow oilseeds are still weak**, as compared to other crops like wheat and rice.

Steps taken by the government:

The government **lowered import duties and urged retail brands to slash prices** as global prices fell earlier this year.

The government launched the **National Mission on Edible Oils-Oil Palm** as a centrally sponsored scheme, being implemented jointly by the central and state governments with a special focus in the northeast region and the Andaman and Nicobar Islands.

Technology Mission on Oilseeds and other policy initiatives have helped India increase the area under oilseeds in India from 9 million tons in 1986 to 32 million tons in 2018-19, though not sufficient to meet the domestic demand.

Several other initiatives like **Oil Palm Area Expansion** under Rastriya Krishi Vikas Yojana**, increasing the minimum support prices of oilseed crops**, creation of buffer stock for oilseeds, cluster demonstration of oilseed crops, etc are being implemented by the government to boost domestic production.

Yellow Revolution was launched to increase the production of Edible oilseeds in the country to meet domestic demand.

Way Forward:

Stepping up edible oil output from domestic sources will go some way in insulating Indian farmers and households from excess global price volatility.

But that would **require openness to technology** — including **GM hybrids** in mustard and soyabean amenable to herbicide application — and the government providing some kind of price support to oilseed growers, whether **through procurement or tariff policy**.

Such assured **minimum support price (MSP)-based procurement** is currently available only for wheat and paddy.