



? India Cuts Edible Oil Import Duties to Contain Food Inflation While Balancing Farmer Interests and Import Dependence

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Recent Developments:

- On **24 September 2026**, the Union Government reduced the **Basic Customs Duty (BCD)** on major imported crude edible oils to moderate domestic prices amid rising international edible oil prices.
- The BCD on **Crude Sunflower Oil** was reduced from **10% to Nil**, while the BCD on **Crude Soybean Oil and Crude Palm Oil** was reduced from **10% to 5%**.
- The government also reduced the applicable duties on refined edible oils while retaining a **19.25% import-duty differential between crude and refined oils**, thereby preserving an incentive for **domestic refining**.
- The measure is particularly relevant before the **festival season**, when household consumption and demand from sweets, snacks, food services and hospitality generally increase.
- The policy response comes amid elevated global vegetable-oil prices. The **FAO Vegetable Oil Price Index averaged 196.9 points in August 2026**, rising **0.6% month-on-month** and reaching its highest level since June 2022. Higher palm and soybean oil prices were major contributors.

Why Has India Reduced Edible Oil Import Duties?

1. Rising International Prices:

- International edible oil prices directly influence India's **landed cost of imports**, which includes the international commodity price, customs duties, freight, insurance and related costs.
- The **FAO Vegetable Oil Price Index** recorded its third consecutive monthly increase in August 2026, with higher global palm and soybean oil prices offsetting lower sunflower and rapeseed oil quotations.
- Palm oil prices were supported by strong global import demand and concerns about the potential impact of **El Niño-related weather conditions** on production in Southeast Asia.

2. Moderating Domestic Food Inflation:

- A reduction in BCD lowers the tax component of the **landed cost** of imported edible oils.
- Lower import costs can improve the economics of imports and potentially reduce wholesale and retail prices if the savings are transmitted through the supply chain.
- The government has therefore used customs duties as an instrument of **short-term food-price management** and consumer protection.

3. Ensuring Adequate Seasonal Supply:

- Edible oil demand tends to rise during the festival period because of increased consumption of **sweets, snacks and prepared foods**.
- Lower import duties can improve import viability and increase the availability of sunflower, soybean and palm oils during periods of stronger domestic demand.

- The government has also asked industry stakeholders to pass the benefit of lower landed costs to consumers through corresponding revisions in distributor prices and **Maximum Retail Prices (MRPs)**.

India's Structural Edible Oil Challenge:

High Consumption and Import Dependence:

- Edible oils are important for **food security, nutrition, rural livelihoods and agricultural incomes**, while oilseeds provide farmers with an important commercial crop.
- India has a diversified oilseed base comprising **groundnut, rapeseed-mustard, soybean, sunflower, sesame, safflower, linseed, niger and castor**, along with non-conventional sources such as rice bran and cottonseed.
- Despite being a major oilseed producer, India remains dependent on imports because domestic edible oil production has not kept pace with rising consumption.
- This creates a policy dilemma: lower import duties can provide **consumer relief**, but prolonged dependence on cheaper imports can affect domestic oilseed prices and farmer incentives.

Major Oil Palm States:

- **Andhra Pradesh, Telangana and Kerala** are major oil-palm-producing states, while Karnataka, Tamil Nadu, Odisha, Gujarat and Mizoram also have significant cultivation.
- Oil palm is also being expanded in several **Northeastern states**, including Arunachal Pradesh, Assam, Manipur and Nagaland.
- The sector faces challenges such as long gestation periods, processing requirements and uncertainty in farmer returns because the price received for fresh fruit bunches is linked to international and landed **Crude Palm Oil (CPO)** prices.

Policy Response: National Mission on Edible Oils:

NMEO–Oilseeds (NMEO-OS):

- The **National Mission on Edible Oils–Oilseeds (NMEO-OS)** was approved in October 2024 for **2024-25 to 2030-31** with a financial outlay of **₹10,103 crore**.
- It seeks to increase primary oilseed production from **39 million tonnes in 2022-23 to 69.7 million tonnes by 2030-31**.
- The mission focuses on crops such as **rapeseed-mustard, groundnut, soybean, sunflower and sesame**, while also improving extraction from secondary sources such as cottonseed, rice bran, coconut and tree-borne oilseeds.
- Its implementation uses a **cluster-based value-chain approach**, with more than 600 Value Chain Clusters identified for interventions involving farmers, FPOs, cooperatives and other agencies.

NMEO–Oil Palm (NMEO-OP):

- **NMEO-OP** was launched in 2021-22 to expand oil-palm cultivation, raise domestic CPO production and reduce import dependence.
- The mission has a financial outlay of **₹11,040 crore**, including a Government of India share of **₹8,844 crore**, and covers **15 States**.
- Its target is to bring **6.5 lakh hectares** under oil-palm cultivation during 2021-22 to 2025-26 and raise CPO production to **28 lakh tonnes by 2029-30**.
- As reported by the government up to **November 2025**, 2.50 lakh hectares had been covered under the mission, taking total oil-palm coverage in India to **6.20 lakh hectares**; CPO production had increased from **1.91 lakh tonnes in 2014-15 to 3.80 lakh tonnes in 2024-25**.

- The mission includes support for **planting material, maintenance, intercropping, irrigation, farm machinery, replanting, nurseries and processing infrastructure**, along with a price-assurance mechanism through **Viability Gap Payment (VGP)**.

Impact of the Duty Reduction:

Potential Benefits:

- Lower BCD can reduce the **landed cost of imported edible oils**, creating scope for lower domestic prices.
- Greater import availability can help manage supply shortages and seasonal demand pressures.
- Increased availability of **sunflower and soybean oil** can diversify India's edible oil basket and reduce excessive dependence on a single major imported oil.
- Maintaining the **19.25% crude-refined duty differential** supports domestic refining capacity rather than encouraging excessive imports of already-refined oils.

Concerns for Domestic Oilseed Farmers:

- Cheaper imports can increase competition faced by domestic producers of **soybean, sunflower, groundnut, mustard and other oilseeds**.
- Lower domestic prices can reduce the price incentive for farmers to expand oilseed cultivation if import competition persists.
- Farmer organisations, including the **All India Kisan Sabha**, have criticised such duty reductions on the grounds that they may weaken domestic oilseed production incentives.
- These concerns highlight the tension between **short-term consumer price management** and **long-term agricultural self-sufficiency**.

UPSC Analytical Dimensions:

Food Inflation and Trade Policy:

- Edible oil is an important component of the food basket, so changes in international prices can transmit into **food inflation** through import costs.
- Customs duties therefore function not only as trade-policy instruments but also as short-term tools for **inflation management**.
- However, the effectiveness of duty cuts depends on international prices, exchange rates, logistics, domestic margins and the extent of price transmission to consumers.

Atmanirbharta versus Import Efficiency:

- India requires a balanced strategy combining **temporary import liberalisation during global price shocks** with sustained investment in domestic oilseed productivity.
- Import dependence cannot be reduced only through higher tariffs because domestic production must become competitive in terms of **yield, technology, processing infrastructure, irrigation, quality seeds and remunerative farm-gate prices**.
- The NMEO-OS and NMEO-OP represent the longer-term supply-side response to India's edible oil deficit.

Environmental and Regional Considerations:

- Expansion of oil palm can increase domestic edible oil output because oil palm has high oil yield per hectare.
- However, large-scale expansion requires careful assessment of **water availability, land suitability, biodiversity and ecological sustainability**, particularly in environmentally sensitive regions.
- Therefore, edible oil self-sufficiency should be pursued through a diversified oilseed strategy rather than excessive dependence on a single crop or production system.

Key Data for UPSC:

- **FAO Vegetable Oil Price Index, August 2026:** 196.9 points.
- **Crude Sunflower Oil BCD:** 10% ? Nil.
- **Crude Soybean Oil BCD:** 10% ? 5%.
- **Crude Palm Oil BCD:** 10% ? 5%.
- **Crude-refined duty differential:** 19.25%.
- **NMEO-OS target:** 39 million tonnes ? **69.7 million tonnes** of primary oilseeds by 2030-31.
- **NMEO-OS financial outlay:** ?**10,103 crore**.
- **NMEO-OP target:** **6.5 lakh hectares** under oil palm during 2021-22 to 2025-26.
- **CPO production target:** **28 lakh tonnes by 2029-30**.
- **CPO production in 2024-25:** **3.80 lakh tonnes**.

Conclusion:

- India's edible oil policy must simultaneously address **consumer affordability, food inflation, farmer incomes, import dependence and domestic production capacity**.
- The September 2026 duty reduction is primarily a short-term response to elevated global prices and domestic price pressures, whereas **NMEO-OS and NMEO-OP** represent the longer-term strategy for strengthening domestic supply.
- Sustainable edible oil security will depend on combining calibrated trade policy with **higher oilseed productivity, better seeds, irrigation, processing infrastructure, remunerative farmer returns and environmentally appropriate crop diversification**.

Value Addition for UPSC:

- **Prelims:** Remember the distinction between **NMEO-OS** and **NMEO-OP**, their targets, financial outlays and major intervention areas.
- **GS Paper III:** Link edible oil imports with **food inflation, agricultural trade, farmer incomes, import dependence and Atmanirbharta**.
- **Economy concept:** A reduction in import duty can lower the **landed cost** of an imported commodity, but the final retail-price impact depends on market transmission.
- **Analytical linkage:** The edible oil issue illustrates the policy trade-off between **consumer welfare in the short run** and **domestic production incentives in the long run**.
- **Essay/Answer enrichment:** India's edible oil security requires a shift from merely managing imports to improving the **productivity and competitiveness of the entire domestic oilseed value chain**.