



**Road to Self-Sufficiency in Edible Oils**  
**“Slippery Path Ahead. Tread carefully!”**

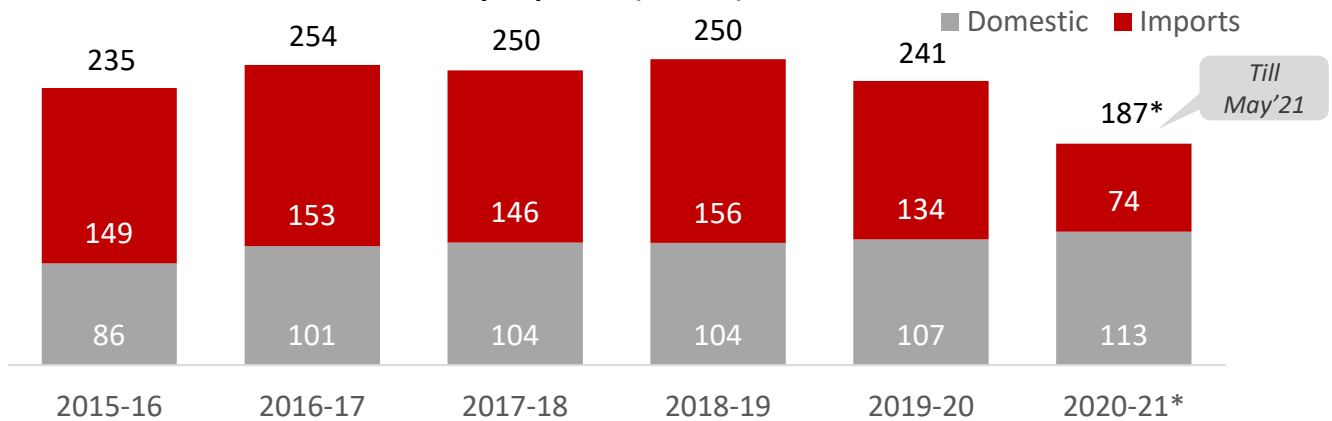


# Road to Self-Sufficiency in Edible Oils: "Slippery Path Ahead. Tread carefully!"

India has always been in a slippery position when it comes to Oils. One might consider it "Business As Usual", but only this time, it is "Edible Oils".

According to the Directorate General of Commercial Intelligence & Statistics (Ministry of Commerce), the total domestic demand for edible oils in the country is approximately 250 lakh tonnes per year. Worryingly, around 60% of the edible oils consumed in the country are met through imports.

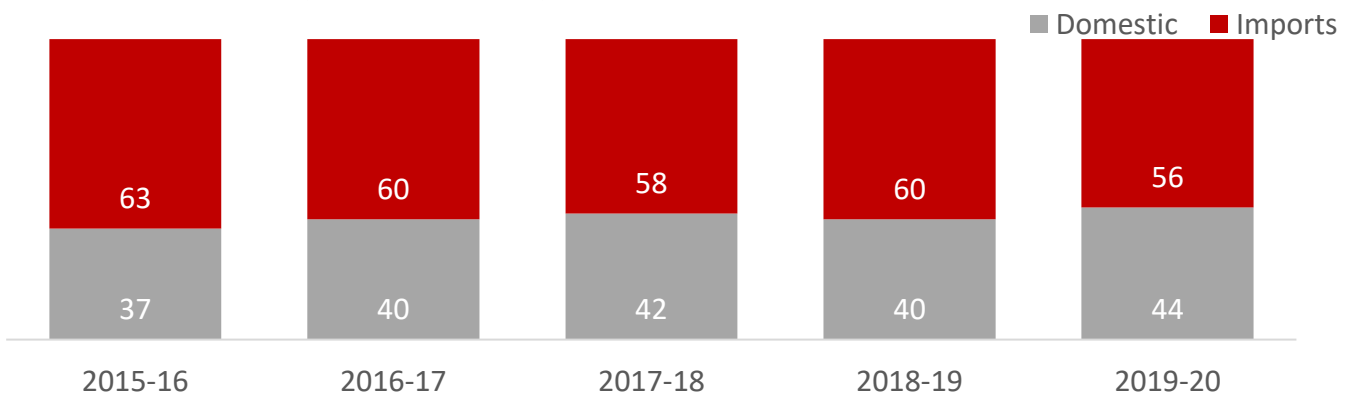
## Domestic Production vs Quantity Imported (Tonnes)



Source: Directorate General of Commercial Intelligence & Statistics (Ministry of Commerce)

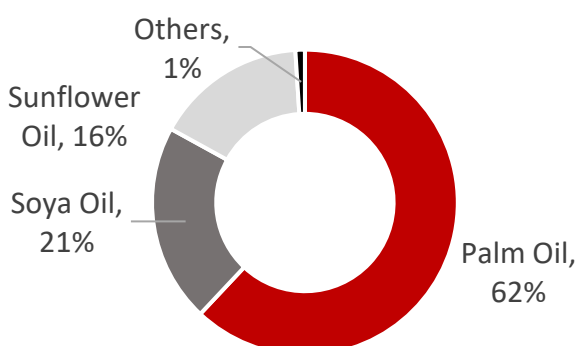
During 2019-20 the import of Agri commodities was \$19.91 billion and the import of vegetable oils constituted the largest share – 48%. Dependency of almost 60% on imports is undesirable & limits the growth of the Indian edible oil industry. Food inflation, including high prices of edible oils, has been a consistent cause of grave concern for the government.

## % Self Sufficiency vs % share of Imports



Source: Directorate General of Commercial Intelligence & Statistics (Ministry of Commerce)

## % Share of different Edible Oils in Imports



Source: News Articles

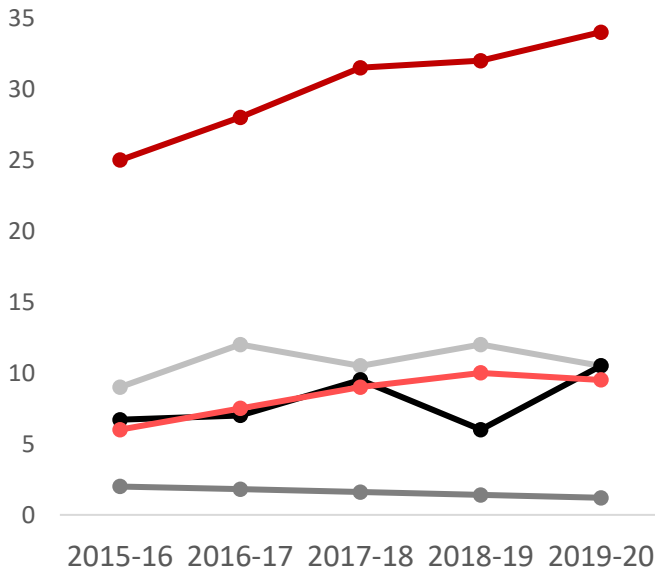
- ✓ Palm oil accounted for the lion's share of the total imports, followed by soya oil (21%) and sunflower oil (16%).
- ✓ There is a significant increase in the share of soya oil and sunflower oil in our import basket of edible oils.
- ✓ The palm oil is primarily sourced from Indonesia & Malaysia, while soyabean oil is imported from Argentina & Brazil.

# Road to Self-Sufficiency in Edible Oils: "Slippery Path Ahead. Tread carefully!"

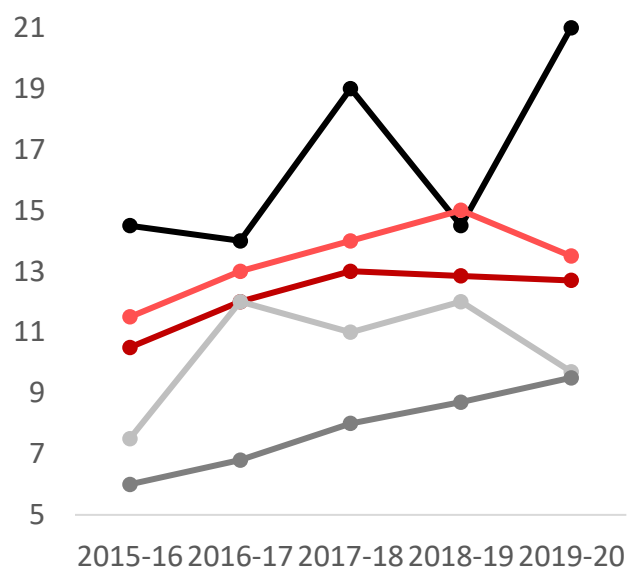
**Micro-irrigation, quality seeds, marketing infrastructure, and government policies** are the four main concerns for edible oil producers in India. Poor infrastructure and lack of cohesive government policy continue to haunt producers. E.g., Recently India exported about ~20 lakh tons of soya-meal which was non-GM and hence was in demand in the global markets. However, India's poultry sector faced a shortage of soya-meal, and the government decided to import GM soya cake.

Furthermore, when it comes to crop-wise **coverage of irrigated areas** (2016-17) almost 70% of cereals and 52% of food grains are covered under irrigation. But for oilseeds, the average coverage of the irrigated area is only 28%.

**Annual Production of Oilseeds (million Tonnes)**



**All India crop-wise yield (quintal/hectare)**

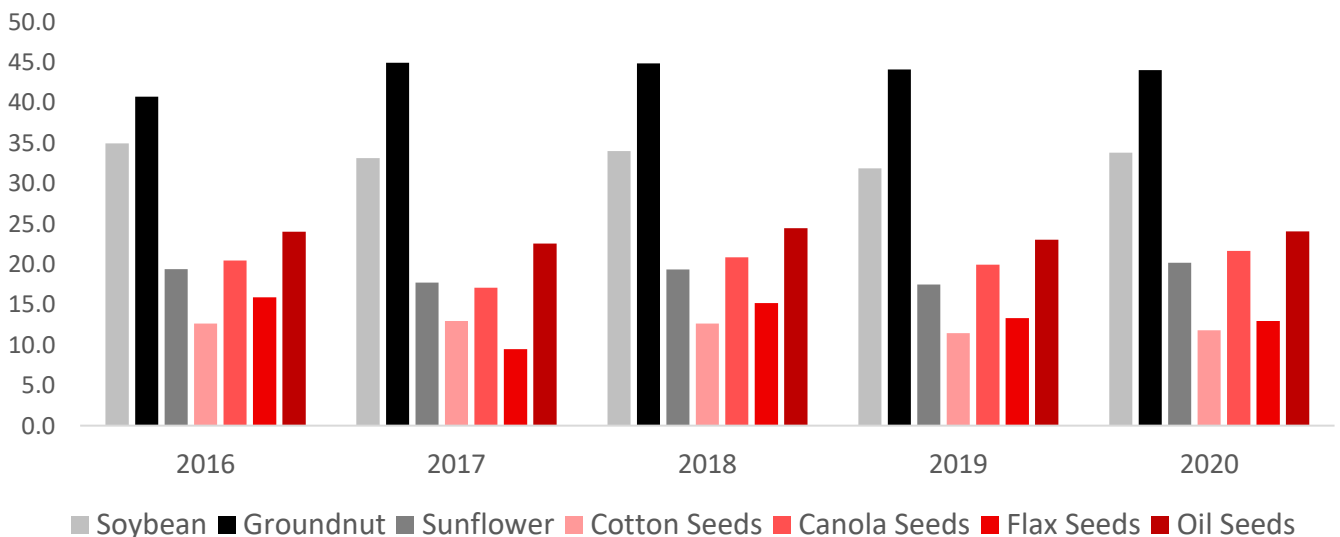


Source: Ministry of Agriculture & Farmers Welfare

■ Oilseeds ■ Soybean ■ Groundnut ■ Mustard ■ Sunflower

The average per hectare yield of major oilseeds is over 50% lower than average world yields in several crops, so the issue in question clearly will not be resolved by mere evangelism of being Aatmanirbhar when it comes to oilseeds. So, what are the possible solutions which can add friction to the slippery path of edible oils that India is treading on?

**Global Oil Seeds crop-wise average yields (quintal/hectare)**

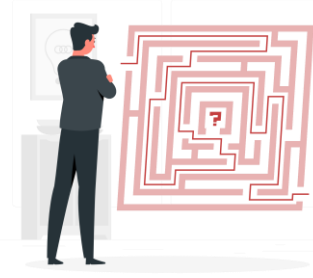


Source: USDA (United States Department of Agriculture), Foreign Agricultural Service, Global Agricultural Trade System.

## Road to Self-Sufficiency in Edible Oils: “Slippery Path Ahead. Tread carefully!”

Solvent Extractors Association of India (SEA) has been long demanding higher **Minimum Support Price (MSP)** for oilseeds as well as to link import duty on edible oils to MSP so that more farmers are drawn towards oilseed cultivation. However, India should look beyond the MSP play, as it is past its due date and violates WTO agreements with regard to Amber box subsidies.

Initiatives like **Oil Palm Area Expansion under Rashtriya Krishi Vikas Yojana** are being undertaken. Although Palm Oil provides a 5x yield output, it has a long gestation period, limited harvesting shelf life and is an extremely high-water guzzling crop.



Creation of **buffer stock** for oilseeds, **cluster demonstration** of oilseed crops, etc., are being implemented by the government to boost domestic production, but we have seen frequent changes in policy, especially with regard to buffer stocks for states.

Improved **high-yield varieties** of oilseeds should be released for cultivation

- ✓ Soyabean: JS 20-34, SL 744, VL Soya 59/63
- ✓ Sunflower: MSFH-1, PSHF-67, KBSH-1
- ✓ Mustard: Pusa Mustard series, NRCHB series



**Awareness programs** need to be designed so that Farmers are more aware of these newer varieties and provided with adequate access to high-quality seeds.

We should also consider expanding the area under oilseed crops by **utilizing fallow land**, which can be used for the cultivation of sunflower and mustard crops, as they don't require a lot of water.

Alternatives, such as **rice bran oil** and cottonseed oils, are gaining popularity amongst urban consumers. They have health benefits and possess untapped potential.



The Solvent Extractors have also been demanding the government to allow **GM oilseed crops** as it can potentially boost production by 15-20%. This is definitely a step in the right direction. After all, if we can import it, why not produce it?

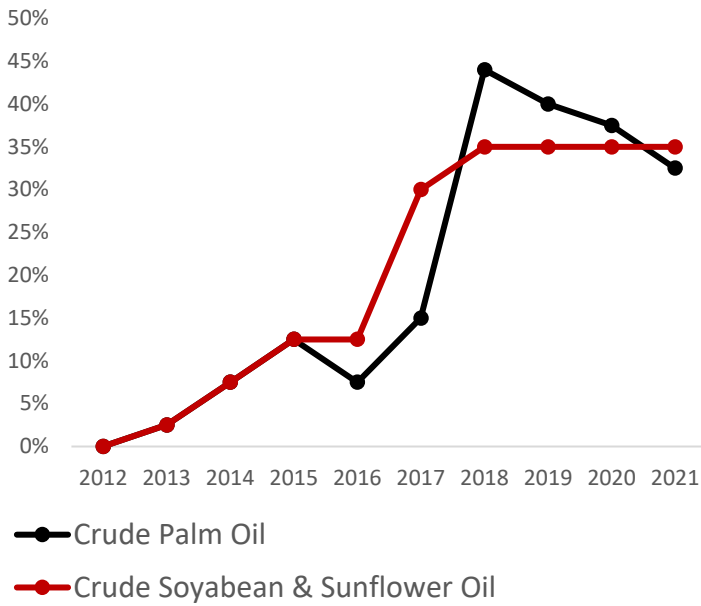
However, the producers have incurred heavy losses in the past because of fake GM seeds in the market. The government must crack down on such practices.

India has **tinkered with tariff rates** very frequently in the recent past depending on the demand-supply situation and domestic prices to regulate the imports. However, this is an extremely myopic strategy like MSP and may do more harm than good.



# Road to Self-Sufficiency in Edible Oils: "Slippery Path Ahead. Tread carefully!"

## India's Duty Structure (Imports) for Crude Edible Oil



\*Import duty for a few years were assumed to be unchanged if no notification was available in the ministry's website. All values are a combination of basic customs duty and agricultural cess

Source: Ministry of Consumer Affairs, Food and Public Distribution, Government of India

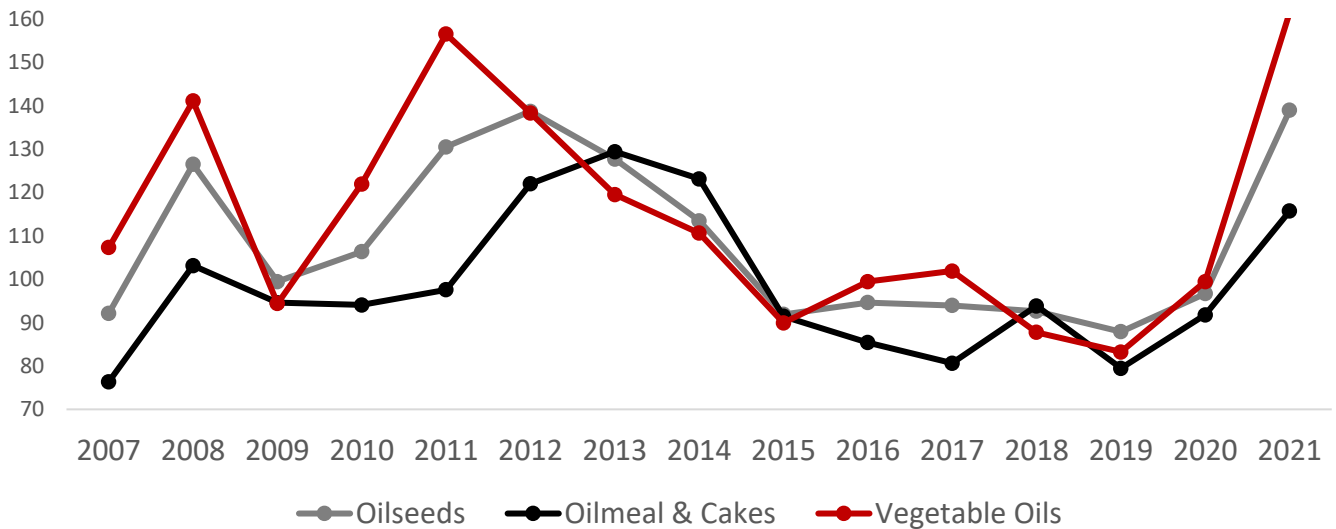
Recently, the Indian government announced tariff relaxations to ease consumer prices:

- ✓ The basic customs duty on crude palm oil, crude soya-bean oil, and crude sunflower seed oil were reduced to 0%
- ✓ Agricultural cess was reduced from 20% to 7.5% (crude palm oil) and 5% (crude soya-bean and crude sunflower oil) respectively
- ✓ For refined oils import, the basic customs duty was reduced from 32.5% to 17.5%

A couple of other **strategic short-term measures were also taken** ahead of the festive season, the winter session of parliament, and the state election build ups:

- ✓ Stock limits were imposed on edible oils and oilseeds till the end of March to prevent hoarding
- ✓ Suspension of futures trading on mustard oil and oilseeds on the NCDEX

## Monthly International Price Indices for oilseeds, vegetable oils and oilmeal/cakes



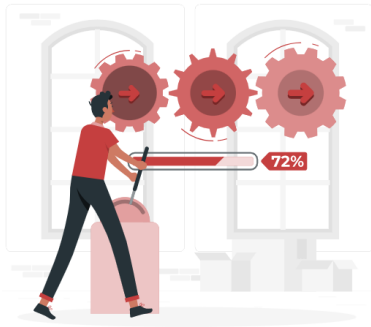
- The indices are derived from a trade-weighted average of a selection of representative internationally traded products
- The unit scale used is relative with reference of 2014-16 = 100

Source: Food and Agriculture Organization of the United Nations (FAO)

**India's tariff relaxations on imports of edible oil have not had the desired impact on the end consumer prices.** The reductions were expected to cut prices by Rs 20,000 to 25,000 per tonne (Assuming international crude palm oil prices to be >4600 MYR/T) and were expected to have a positive effect on final consumer prices.

This may be due to multiple reasons, which we have tried to understand. **In reality, we expect consumer prices to rebound even more strongly in the coming months.**





The FAO (Food and Agriculture Organization of the United Nations) price indices were on a rising trend in 2021 which is reflective of firmer international prices of oilseeds in the global market. This is despite downward pressure by **lower-than-expected domestic crushing operations in China** which were temporarily affected by electricity supplies as per the FAO. There were also reports of a protracted low protein meal demand in China but tight global supplies more than compensated for it.

World prices of palm, soy, and sunflower oils received **support from reviving global import demand**, particularly from India that lowered import tariffs further on edible oils.

However, persistent concerns over subdued output in Malaysia due to ongoing **migrant labor shortages** delayed harvesting and **reserved farmer selling** of sunflower seeds, lower than anticipated crushing, **protracted global supply-demand tightness**, and **rising crude oil prices** all played their part and lent support to vegetable oil prices.

There are allegations of International **edible oil producers synchronizing price increases** with India’s slashing of import duties. This may have had the effect of making India’s steps to ease the price of cooking oils less effective.



At the domestic consumption level, we should consider imposing a **higher restriction on commercial usage of crude edible oil** as the share of rural and urban consumption in total is 3.8% and 2.7%. Much of the demand comes from commercial users, like biscuits and snack makers. Even a small percentage shift to alternate sources should prove to be much more effective in easing the final consumer prices.



There is also no talk on the **impact of the reduction in import tariffs on the Indian farmers** as any tariff cut leads to a sharp fall in mandi prices. The farmers already suffered a loss due to high rainfall causing crop loss earlier this year. Hence, **frequent market interventions** that ultimately bring down prices, would **backfire on the government** and **steer farmers away** from growing oilseeds.

A **stable and equitable tariff structure & trade policy** with clear direction should be implemented as it would provide the right price signals for different market stakeholders and boost the domestic production of oilseed crops. In addition, India should promote the **traditional cultivation of edible oils** and **tree-borne oils**. Cold-pressed oils, apart from being healthier than solvent-extracted ones, would also help protect the best interests of both, Indigenous and marginalized farmers.

# Our Values – The Avalon EDGE

# E

## ENTREPRENEURSHIP

Enterprising ownership to transform ideas into pragmatic and profitable solutions

# D

## DEDICATION TO EXCELLENCE

Commitment to premier quality and highest standards in everything we do

# G

## GREAT VALUE CREATION

Focus on delivering maximum client impact through innovation and collaboration

# E

## ETHICAL APPROACH

Respect, fairness and transparency in all our interactions

### **Subhabrata Sengupta** | Executive Director

[subhabrata.sengupta@consultavalon.com](mailto:subhabrata.sengupta@consultavalon.com) | +91 9910012983

### **Ayush Patodia** | Senior Consultant

[ayush.patodia@consultavalon.com](mailto:ayush.patodia@consultavalon.com) | +91 9163064140

#### **MUMBAI**

WeWork, 13th Floor, Bus Stop, 247 Park,  
Lal Bahadur Shastri Rd, Gandhi Nagar,  
Hindustan C, Mumbai,  
Maharashtra 400079

Phone : +91 73045 29720 / 21

E-mail : [mumbai@consultavalon.com](mailto:mumbai@consultavalon.com)

WeWork, Raheja Platinum, Sag Baug Road, off,  
Andheri – Kurla Rd, Marol,  
Andheri East, Mumbai,

Maharashtra 400059

Phone : +91 73045 29720 / 21

E-mail : [mumbai@consultavalon.com](mailto:mumbai@consultavalon.com)

#### **BANGALORE**

WeWork, Prestige Atlanta,  
80 Feet Main Road, Koramangala 1A Block,  
Bengaluru 560034

Phone : +91 9886348187

E-mail : [bangalore@consultavalon.com](mailto:bangalore@consultavalon.com)

#### **DELHI**

Innov8 Old Fort Saket,  
Saket District Centre,  
District Mall, Sector 6, Pushp Vihar,  
New Delhi -110 017

Phone : +91 74286 24664

E-mail : [delhi@consultavalon.com](mailto:delhi@consultavalon.com)

WeWork, 5th Floor Two Horizon Centre DLF,  
DLF Phase 5, Gurugram,  
Haryana 122002

Phone : +91 74286 24664

E-mail : [delhi@consultavalon.com](mailto:delhi@consultavalon.com)

#### **SINGAPORE**

Level 30, Six Battery Road  
Singapore 049 909

Phone : +65 3138 2042

Email : [admin@apex-avalon.sg](mailto:admin@apex-avalon.sg)

#### **CHENNAI**

Level 5, Tamarai Tech Park,  
S.P Plot, No. 16-19 & 20-A,  
Thiru Vi Ka Industrial Estate,  
Inner Ring Road, Guindy,  
Chennai, 600032.

Phone : +91 7305152869 / +91 7305189261

E-mail : [chennai@consultavalon.com](mailto:chennai@consultavalon.com)



[www.consultavalon.com](http://www.consultavalon.com)