

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:852

ANSWERED ON:05.03.2007

IMPORT OF EDIBLE OIL

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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the edible oil industry in the country is on the verge of closure due to import of duty free oil during the last two years and the current year;
- (b) if so, the details thereof indicating the extent and the reasons of duty cut and the production units closed down during the said period;
- (c) whether the Government is providing/proposes to provide assistance to domestic industry to face competition from imported oil;
- (d) if so, the details thereof; and
- (e) the steps taken to cut oil imports?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a) & (b): The closure of some edible oil production units in the country was/is on accounts of various factors, such as creation of production capacity not commensurate with availability of raw materials, obsolete technology, poor economies of scale, shift in consumer preference towards soft oils, competition from cheaper duty free imports of vanaspati, etc. from Sri Lanka/Nepal/Bhutan.

The Indo-Nepal Treaty of Trade was reviewed and modified on March 02, 2002 incorporating major revisions to address the concerns of Indian Industry and accordingly, duty free imports of vanaspati upto the annual Tariff Rate Quota (TRQ) limit of 1 lakh MT have been allowed under the Treaty.

Vanaspati is under free list under India-Sri Lanka Free Trade Agreement (ISFTA). It was being imported from Sri Lanka at zero duty. Now, the Government has been able to negotiate a package thereby restricting the import quantities of vanaspati including bakery shortening and margarine to a TRQ of 2.5 lakh MT per annum to mitigate the damage to domestic industry and farmers, as per notifications issued by Directorate General of Foreign Trade (DGFT) in this regard. It has been decided to facilitate import of this commodity as per the Tariff Rate Quota regime of Foreign Trade Policy of Government of India.

Consequent upon de-licensing of vegetable oil industry w.e.f. 25.7.1991, no precise figures about the number of edible oil units in production/closed (exclusively due to duty free imports of vanaspati, etc.) in the country are available.

(c)&(d): Steps taken in the interest of domestic edible oil industry include:-

- (i) Import of oilseeds/edible oils except copra/coconut oil has been allowed on OGL.
- (ii) Import duty on certain vegetable oils of edible grade intended for manufacture of refined oil/Vanaspati is levied at a concessional rate.
- (iii) Import duty on certain crude vegetable oils of edible grade has been kept low as compared to refined oils to facilitate raw material availability.
- (iv) In order to encourage production of solvent extracted oils in the country and to promote export of extractions, excise duty on food grade hexane has been reduced from 32% to 16%.
- (v) Excise duty on refined edible oils/Vanaspati/interesterified fat etc. has been withdrawn.
- (vi) Import duty on Vanaspati, bakery shortening, interesterified fat, margarine has been raised from 30% to 80%.
- (vii) Duty free import of vanaspati from Nepal has been canalized through State Trading Corporation of India Ltd. (STC) and duty free import of vanaspati including bakery shortening & margarine from Sri Lanka has been allowed as per the arrangements indicated in the Public Notice No. 69 dated 21.11.2006 issued by DGFT.

(viii) With effect from 24.1.2007, import duty on Crude Palm Oil/Crude Palmolein has been reduced from 70% to 60% and import duty on refined Palm Oil/RBD Palmolein reduced from 80% to 67.5%.

(ix) With effect from 1.3.2007, crude and refined edible grade vegetable oils and their edible grade fractions have been exempted from 4% Special Additional Duty of Customs (SAD); and import duty on sunflower oil, both crude and refined, has been reduced from 65% to 50% and 75% to 60% respectively.

(x) Tariff Value is fixed from time to time for palm oil & its products and soyabean oil.

(e) In order to harmonize/protect the interests of farmers, processors and consumers, to the extent possible, the import duty structure on edible oils including Free Trade Agreements/Treaties is reviewed from time to time.