Edible oil imports rise by 3.9% during November 2018-March 2019

During the first five months of the oil year 2018-19, edible oil imports increased by 3.9% to 6 million tonnes compared to the corresponding period a year ago. This growth was primarily on account of 24.7% increase in imports of refined palm oil that stood at 0.96 million tonnes during the period while the import of crude palm oil on the other hand declined by 4.1% to 2.9 million tonnes.

The main reason for the rise in imports of refined palm oil was the cut in import duty of refined palm oil from Malaysia and Indonesia. With effect from 1st January 2019, the import duty on refined palm oil from Malaysia and Indonesia was reduced to 45% and 50%, respectively, from 54% earlier. Besides, the import duty on crude palm oil from Malaysia and Indonesia was also decreased to 40% from 44% earlier. This, in turn, reduced the duty difference between crude and refined palm oil from Malaysia to 5% from 10% earlier while the duty difference between crude and refined palm oil imported from Indonesia was retained at 10%.

The reduction in duty difference for palm oil imported from Malaysia increased the share of edible oils imported from Malaysia compared to Indonesia. Resultantly, the share of edible oil imports from Malaysia increased to 19.1% during November 2018-March 2019 compared to its share of 13.8% in the same period last year while the share of edible oil imports from Indonesia decreased to 40.9% from 45.4% earlier.
The reduction in duty difference between crude and refined Malaysian palm oil resulted in increased share of refined palm oil in total edible oil imports during November 2018-March 2019. The share of refined palm oil imports grew to 16.5% during the first five months of current oil year compared to its share of 14.3% during the corresponding period last year and the share of crude palm oil imports decreased to 47.6% in the ongoing oil year as against a share of 51.6% during the period November 2017-March 2018.

**Chart 2: Variety-wise share of crude and refined edible oil imports**

For the period Nov 2018-Mar 2019 (in %)  
For the period Nov 2017-Mar 2018 (in %)

Source: SEA

Lower duty difference between refined and crude edible oil encourages domestic companies to import refined oil rather than importing crude edible oil and refining it. This, in turn, hurts the capacity utilisation of the refiners in the country. Additionally, cheap edible oil imports results in lower domestic edible oil prices which, in turn, depresses domestic oilseed prices.

**Movement in international and domestic edible oil prices**

The international prices of soybean oil in Netherlands and palm oil prices in Malaysia declined by 13% to USD 745.6 per tonne and by 22.2% to RM 1,940 per tonne, respectively, during the period November 2018-March 2019 on a y-o-y basis. The prices of palm oil were lower due to higher supplies from Indonesia and Malaysia and the prices of soybean oil were to an extent impacted on account of tariff wars between USA and China. Besides low duty difference, cheap prices of edible oils are also believed to have increased the imports of these varieties by India. The cheaper edible oil imports results in lower domestic edible oil prices.

The domestic prices of crude palm oil fell by 9% to Rs.52 per kg and that of refined palm oil declined by 4.4% to Rs.61.9 per kg during November 2018-March 2019 on a y-o-y basis while the prices of domestic refined soybean oil grew by a moderate 3.4% to Rs.75 per kg during the period. The higher import duty on soybean oil is believed to have aided the y-o-y growth in its domestic prices. In June 2018, the import duty on crude soybean oil was raised to 35% from 30% and for
reﬁned soybean oil it was increased to 45% from 35%. Prior to this, the import duty on these varieties was increased in the month of November 2017.

Higher cheap edible oil imports and lower domestic edible oil prices also impacts the prices of oilseeds. During November 2018-March 2019, the prices of mustard oilseeds and groundnut oilseeds ruled lower than the announced Minimum Support Price (MSP) of these oilseeds for the year 2018-19. The prices of mustard oilseeds averaged at Rs.3,985 per quintal, 5.1% lower than the MSP of Rs.4,200 and that of groundnut oilseeds averaged at Rs.4,405 per quintal, 9.9% below the MSP of Rs.4,890 per quintal. The average prices of oilseeds are based on the maximum prices of these oilseeds in their respective markets. This discourages the farmers to sow oilseeds and affects the domestic production of edible oils that is already range bound.

Concluding remarks

- It becomes an urgent need to increase or rectify the duty difference given the fact that the international palm oil prices are expected to remain weak on account of their estimated higher supplies which, in turn, can increase the supply of cheap edible oil imports in India.

- The imports of edible oils by India with the current duty structure are expected to increase by around 3% to 14.9 million tonnes during the year 2018-19 with availability of cheap edible oils in the global market and also on the back of low base effect. Edible oil imports had declined by 3.9% y-o-y to 14.5 million tonnes during the last oil year 2017-18 mainly due to consecutive import duty hike undertaken by the government during the year.

- The higher imports and weak international prices are likely to keep the domestic prices of edible oils under pressure in the country, even though the import duty on variety of edible oils is as high as 35%-50%.