Agenda note on oilseeds production by 2022

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The Ministry of Agriculture and Farmers Welfare in a recent agenda have set targets with respect to oilseed production and edible oils output that are estimated to be achieved by 2022. The predominant idea of the agenda is to reduce India's edible oil imports dependency and increase domestic production.

Background

India imports about 60% of the edible oil requirements as the domestic production of edible oil is not sufficient to meet internal consumption needs. During 2016-17, the country imported 14.01 million tonnes of edible oil which amounted to Rs.73,048 crore. The domestic production of the nine annual crops grew at a notable CAGR of 3.89%. However, the per capita demand increased at a faster pace of about 6% on account of enhanced per capita consumption (19 kg oil per annum) driven by increase in population and growth in per capita income.

Also, it is mentioned in the agenda that area under oilseeds has witnessed a deceleration in general, and this is due to their relative lower profitability against the competing crops like maize, cotton, chickpea etc., under the prevailing crop growing and marketing situations.

Targets

The agenda estimates the vegetable oil requirement in the country to be at 33.2 million tonnes by 2022. This is assuming per capita consumption of about 22 kg per person per annum from the level of 19 kg per person per annum during 2015-16. It also estimates the oilseed production (nine annual oilseed crops: primary source) target at 45.65 million tonnes from which the vegetable oils would be available at around 13.69 million tonnes by 2022. The current annual output of vegetable oils is 7.31 million tonnes.

Table 1: Estimated area, production and yield of nine oilseed crops by 2022

Year	Area (in million hectares)	Production (in million tonnes)	Yield (kg/hectare)
2017-18 (4th Adv Est)	24.65	31.31	1,270
2018-19	28.5	38	1,335
2019-20	29.41	40.5	1,379
2020-21	30.3	43.1	1,423
2021-22	31.2	45.65	1,463

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From the secondary sources viz. coconut, cotton seed, rice bran, solvent extracted oil (SEO) of tree & forest origin, the vegetable oil availability has been estimated at 5.22 million tonnes by 2022 from the present level of 3.58 million tonnes. Resultantly, the agenda estimates vegetable oil availability (primary + secondary + oil palm) to be about 17.03 million tonnes. This indicates a possible reduction in imports to the level of about 15% from the current level of 67% by 2022 and reduction of import burden to the extent of Rs. 15,000 crore.

Proposed strategies

In order to achieve the target set for oilseeds area and productivity in a definite time, the agenda proposed the following strategies:

a. Intercropping of oilseeds in a large scale

This section talks about the possible inter-cropping with major crops in different regions and also it proposes to provide assistance for intercropping at Rs.3,000 to Rs.5,000 per hectare depending upon the type of intercrops.

b. Oilseeds cultivation in non-traditional areas/seasons and states

Here the agenda throws light on the scope of introducing different oilseed crops in different zones in different seasons in non-traditional areas /seasons. For this, State Departments and State Department of Agriculture are to be involved.

c. Extending TRFA (Targeting Rice Fallow Area) scheme beyond six eastern states

There are certain areas which remain fallow (stay unsown). Cultivation of long-duration paddy varieties, water logging and excessive moisture in Tal areas, lack of moisture at planting time of winter crops, lack of irrigation, non-availability of seeds of short duration varieties of rabi crops and other socio-economic problems like stray cattle and blue bulls etc. are various reasons attributed by National Mission on Oilseeds and Oil Palm (NMOOP) for certain areas to be fallow.

To utilize these areas, the agenda targets to cover 18.50 lakh hectare area with an additional production of 13.50 lakh tonnes of pulses and oilseeds under which 5,000 villages in 50 districts will be included for promotion of pulses and oilseeds during rabi season in six eastern states during 2018-19. About 80,000 pulses minikits and 40,000 oilseeds minikits will be supplied through central agencies. Also, it proposes to augment the TRFA in the states of AP, Tamil Nadu, Karnataka, Maharashtra, Gujarat, NE and Himalayan states where large area of rice fallows are available.

Other policy announcements made to increase domestic edible oil output

a. Import duty

The agenda proposed by the Ministry of Agriculture is in line with the recent announcements (hike in import duty on edible oils and an increase in Minimum Support Price (MSP) for oilseeds) made by the government to encourage domestic production of edible oils.

Table 1: Import duty on edible oils

Products	11th Aug 2017	17th Nov 2017	2nd Feb 2018	1st Mar 2018	14th June 2018	Social welfare cess	Effective duty
Crude palm oil	**15.0%**	**30.0%**	30.0%	**44.0%**	44.0%	10.0%	48.4%
RBD palmolein	**25.0%**	**40.0%**	40.0%	**54.0%**	54.0%	10.0%	59.4%
RBD palm oil	**25.0%**	**40.0%**	40.0%	**54.0%**	54.0%	10.0%	59.4%
Crude soybean oil	**17.5%**	**30.0%**	30.0%	30.0%	**35.0%**	10.0%	38.5%
Crude sunflower oil	12.5%	**25.0%**	25.0%	25.0%	**35.0%**	10.0%	38.5%
Crude rapeseed oil	12.5%	**25.0%**	25.0%	25.0%	**35.0%**	10.0%	38.5%
Refined soybean oil	20.0%	**35.0%**	35.0%	35.0%	**45.0%**	10.0%	49.5%
Refined sunflower oil	20.0%	**35.0%**	35.0%	35.0%	**45.0%**	10.0%	49.5%
Refined rapeseed oil	20.0%	**35.0%**	35.0%	35.0%	**45.0%**	10.0%	49.5%
Crude cottonseed oil	-	**12.5%**	**30.0%**	30.0%	**35.0%**	10.0%	38.5%
Refined cottonseed oil	-	**20.0%**	**35.0%**	35.0%	**45.0%**	10.0%	49.5%

Source: Solvent Extractors' Association of India

Note: The bold figures indicate revision in import duty of edible oils

In the last one year, the government hiked import duty on different varieties of edible consecutively in order to protect the country from cheap edible oil imports and to encourage the farmers to continue to sow oilseeds. The cheaper edible oil imports results in lower domestic edible oil prices which, in turn, depresses domestic oilseed prices. This discourages the farmers to sow oilseeds and affects the domestic production of edible oils that is already range bound.

b. Minimum Support Price (MSP)

The government tries to encourage domestic production of oilseeds not just by imposing import duty on edible oils but also by hiking Minimum Support Prices (MSP) for oilseeds. However, raising MSP sometimes does not solve the problem as the farmers have to sell their crops in the mandis where the prices for oilseeds fluctuate depending on the demand-supply situation. Soybean, rapeseed and groundnut were sold lower than the MSP and their prices declined in the range of 20-30% on a y-o-y basis as per July 2017 notification of Solvent Extractors' Association (SEA).

Table 2: MSP of oilseeds (in Rs. /quintal)

Crop	2014-15	2015-16	2016-17	2017-18	2018-19
Groundnut in shell	4,000	4,030	4,220*	4,450**	4,890
Sunflower	3,750	3,800	3,950*	4,100*	5,388
Soybean	2,560	2,600	2,775*	3,050**	3,399
Sesamum	4,600	4,700	5,000**	5,300*	6,249
Niger seed	3,600	3,650	3,825*	4,050*	5,877
Rapeseed/Mustard	3,100	3,350	3,700*	4,000*	NA
Safflower	3,050	3,300	3,700*	4,100*	NA

Source: Department of Agriculture Co-operation & Farmers Welfare

Note: MSP for rabi crops for 2018-19 are yet to be announced

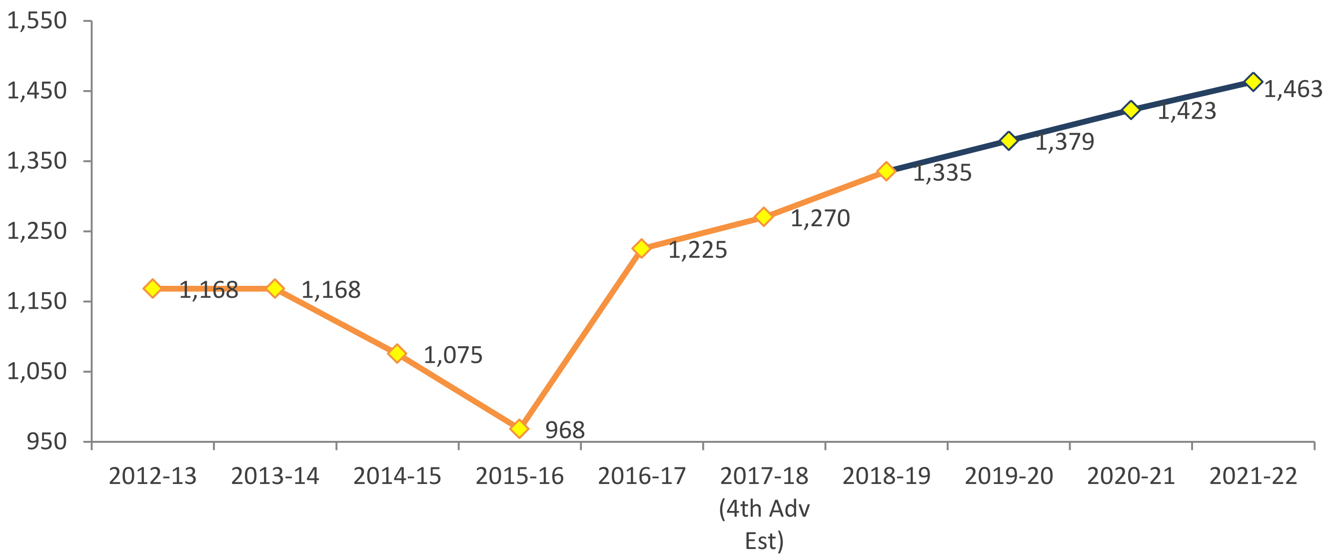
However when the oilseed prices fall below MSP, procurement by government agencies is to be undertaken to stabilize the prices under Price Support Scheme (PSS). Yet sometimes, there is no assured procurement of oilseeds by the government at MSP and this enhances the problem for farmers.

According to National Agricultural Co-operative Marketing Federation of India (Nafed), the federation procured 2,22,169 tonnes of oilseeds whereas oilseed production during 2016-17 was 31.3 million tonnes. This implies procurement of marginal 0.7% of the oilseeds produced in 2016-17. The low procurement/ lack of assured procurement amid fluctuations in oilseed prices acts as a barrier and deters farmers to produce more oilseeds which, in turn, restrict the country’s domestic edible oil production.

Trend in oilseeds yield (kg/hectare)

The yield that remained stable at 1,168 kg per hectare in the two years 2012-14 declined in the following two years to 1,075 kg per hectare in 2014-15 and 968 kg per hectare in 2015-16. Nevertheless, the trend changed and the yield increased to 1,225 kg per hectare in 2015-16. It is further estimated to improve and stand at 1,270 kg per hectare in 2017-18.

Chart 1: Trend in oilseeds yield (kg/hectare)



Source: Source: Department of Agriculture Co-operation & Farmers Welfare, Agenda Note of Department of Agriculture Co-operation & Farmers Welfare
Note: Blue colour line indicates target

It is to be noted that the yield which increased at a CAGR of 1.2% during the five years 2012-13 to 2016-17 is estimated to increase at a CAGR of 3.6% in the coming five years 2017-18 to 2021-22. This would require strict adherence to the strategies proposed in the agenda and tremendous efforts from the government to increase the yield of oilseeds.

Concluding remarks

- *The proposed agenda is laudable and if the mentioned strategies are implemented it can increase the production of oilseeds in the country which, in turn, will result in higher output of domestic edible oils and reduce India’s dependency on edible oil imports. However, the implementation of these strategies would demand strong support from the government and farmers.*

- *The farmers need to be encouraged to sow oilseeds for this target. Considering this, the agenda has proposed assistance of Rs.3,000 to Rs.5,000 per hectare for intercropping depending upon the type of intercrops. Not to forget, the government has also announced higher MSP for crops but at the same time it is important to keep a check that the crops/oilseeds are procured at MSP which many a times have no assured procurement as discussed above.*

- *Nonetheless, a sequence of import duty hikes announced by the government coupled with rupee depreciation is believed to have reduced the country's imports of edible oils. The imports declined by 4.2% y-o-y to 11.9 million tonnes during November 2017-August 2018 as per Solvent Extractors Association.*

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