

# Edible Oils Newscast 5<sup>th</sup> September 2019

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## Import duty on Malaysian RBD palm oil increased by 5% for 180 days

On 4<sup>th</sup> September 2019, the import duty on RBD palmolein/palm oil originating in Malaysia and imported under India-Malaysia Comprehensive Economic Cooperation Agreement was increased by 5% to 50% for a period of 180 days. A higher import of refined palm oil from Malaysia in the last 8 months is the prime reason for the hike in import duty imposed by the government on Malaysian refined palm oil. In January 2019, the import duty on refined palm oil from Malaysia was kept lower at 45% compared to that of 50% from Indonesia.

Table 1: Import duty rate

	14th June 2018	1st Jan 2019	4th Sept 2019
<b>Malaysia</b>			
Crude palm oil	44%	<b>40%</b>	40%
RBD palmolein	54%	<b>45%</b>	<b>50%</b>
<b>Indonesia</b>			
Crude palm oil	44%	<b>40%</b>	40%
RBD palmolein	54%	<b>50%</b>	50%

Source: SEA and CBIC

Note: The import duty rate mentioned above does not include social welfare cess  
 Duty rates in bold are revised import duty rates

## Edible oil imports scenario

During the first 9 months (November 2018 to July 2019) of current oil year, total edible oil imports increased by 3.3% to 10.8 million tonnes due to a sharp rise of about 40% in refined edible oil imports. This was primarily on account of lower import duty rate of refined palm oil imported from Malaysia that prompted higher imports. Crude edible oil imports on the other hand declined by 2.7% to 8.7 million tonnes during November 2018 to July 2019.

Table 2: Edible oil (crude and refined) imports (in million tonnes)

	Total imports	Crude edible oil imports	Share in total imports	Refined edible oil imports	Share in total imports
Nov17-Jul18	10.5	9.0	85.7%	1.5	14.3%
Nov18-Jul19	10.8	8.7	80.7%	2.1	19.3%
<b>% change</b>	<b>3.3</b>	<b>-2.7</b>		<b>39.8</b>	

Source: SEA

Also, low duty differential of 5% for Malaysia between crude and refined palm oil compared to the duty differential of 10% for Indonesia resulted in higher refined palm oil imports from Malaysia and thus the share of refined edible oil imports in total edible oil imports increased to 19.3% during November 2018 to July 2019 from 14.3% in the corresponding period a year ago.

Besides this, the share of Malaysia in total edible oil imports expanded to 26.5% during November 2018-July 2019 from 15.8% during November 2017-July 2018 backed by the low duty differential advantage. In contrast, the share of Indonesia in total edible oil imports contracted to 32.5% from 37.6% earlier.

### Concluding remarks

- With the hike in import duty, the custom duty rates for Malaysia and Indonesia stands at par and the duty differential between crude and refined palm oil for both the countries now stand at 10% thus negating the advantage of low duty differential to Malaysia.
- The hike in import duty rate on imports from Malaysia is expected to bring down imports of refined palm oil from the country which, in turn, would reduce the pace at which total edible oil imports are expected to grow during oil year 2018-19.
- A decrease in refined palm oil imports from Malaysia is expected to disturb the supply of refined palm oil in India which can cause the refined palm oil prices to inch upwards. In addition to this, higher import duty would also lead to a rise in the prices of landed refined palm oil.
- The move is expected to aid the domestic refiners as it will help increase the capacity utilization of the refining mills.

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