

# FACTORS AFFECTING DEMAND FOR EDIBLE OILS IN INDIA

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## Abstract

The present study seeks to shed light on the changing scenario of the oilseeds and edible oil sector and to analyze the factors affecting the import demand of edible oils in India. It helps researchers and policy makers to gain insights into the changing scenarios of the country's oilseed sector and to design productive and consumer-friendly policies.

**Keywords :** Edible oils, Oilseeds, Oil economy, refined edible oils, Export policy on edible oils, WTO

## INTRODUCTION

The major oilseed crops in India are groundnut, rapeseed and mustard, soybean, sunflower, safflower, sesame, castor, linseed and niger. Worldwide, India accounts for 15 per cent of oilseed acreage, 7 per cent of oilseeds and 5 per cent of edible oil production as well as 10.2 per cent of global edible oil consumption (Ghosh et al., 2011). In India, oilseed crops account for 16 per cent (27.22 million hectares) of the gross crop area, producing 32.48 tonnes. The average yield of oilseeds in India is 1.19 tonnes per hectare (<http://eands.dacnet.nic.in>), which is almost half of the global average of 2.06 tonnes per hectare (<http://faostat.fao.org>) in 2010. In rural and urban India, the share of edible oils in household food expenditure is 3.7 and 2.6 per cent respectively. The Oilseeds and Pulses Technology Mission (TMOP) reduced imports of edible oils (from 1.5 million tonnes in 1986-87 to 0.1 million tonnes in 1992-93), but short-term and imports increased to 8.03 million tonnes in 2009-10. However, the per capita availability of edible oils in the country increased from 3.8 kg in 1980 to 13.3 kg in 2009-10 (<http://eands.dacnet.nic.in>), but still below the world average of 24. kg (Ghosh et al., 2011). Demand for edible oils in India is expected to reach 18.7 per cent 24.7 m tonnes by 2015 and 2020 respectively (Mehta, 2013).

This study is based on secondary data collected from various sources. Area of oilseed crops, production and yield and import and per capita availability of edible oils, per capita GDP, human population and urbanization (<http://eands.dacnet.nic.in>), exchange rate (<http://dbie.rbi.org.in>) Collected. The study period was divided into three sub-periods, namely, pre-liberalism (1980-81 to 1990-91), post-simplification (1991-92 to 1994-95) and after the WTO (1995-96 to 2009-10).

Due to the cheapness of imported edible oils compared to traditional Indian edible oils, duty exemption and construction on imports adversely affect the domestic small oilseed industry (Srinivasan, 2005). Over the past two decades, India has seen greater changes in terms of self-sufficiency for importing small-scale

industries based on a multinational company-controlled economy. Soybean and sunflower oil prices have risen as demand for soft oils has shifted

For the first time in recent history, an epidemic has played an important role in determining the prices of edible oils in the population and their consumption patterns.

During the early months of the COVID-induced global lockdown, demand for edible oils slowed. Earlier this year, market participants predicted that prices would reach an all-time low in 2020. In contrast, prices have risen. With the country importing 70 per cent of its needs, many global factors determine the prices of edible oils. India imported about 13.2 million tonnes (MT) of edible oil during the 2019-20 (November, 2019 to October, 2020) oil year. Palm oil usually imports soybean oil from Indonesia and Malaysia, Argentina and Brazil, and sunflower oil from Ukraine, Russia and Argentina.

Of the total imports, palm oil (which includes RBD palmolin and crude palm oil) accounted for 7.21 million tonnes during the period.

The average import price of crude palm oil (CPO) reached \$ 558 per tonne in May, up from \$ 873 in November. The average import price of crude soybean oil rose to \$ 991 per tonne in April. Crude sunflower oil touched \$ 1,148 per tonne in November.

Experts say that the depletion of edible oil reserves in the production and consumption of countries during the epidemic and the infusion of liquidity of various economies have led to rising prices in the global market. In addition, China was also aggressive in building edible oil reserves at the time. CPO's spot market price rose by 56.72 per cent to Rs 951 per 10 kg in December from a low of Rs 606.8 in May. The market price of RBD palmolin spot rose by 51.52 per cent to Rs 1,021 in December. 673.8 per 10 kg in May. Refined soybean oil hit a 10-kilogram high of \$ 1,181.25 in December, up 47.73 percent from a low of \$ 799.8 in March. The year 2020 began on January 8 when the government placed RBD Palmoline in the 'Restricted List' category and allowed imports under license. It has helped reduce India's imports of refined edible oils from 20 per cent to 1 per cent by 2020. In November, only a small parcel of 10,000 tonnes of refined oil was imported, compared to 1,22,409 tonnes in November 2019

Edible oil consumers have made significant changes to soft oils such as soybean oil, sunflower oil, and mustard oil. Pandoyil was hit hard by the pandemic-induced national lockdown with the closure of the Horeca (hotels, restaurants, catering) division.

Demand for this specialty has grown significantly as a result of recent corporate scandals. During the 2019-20 oil year, soft oil imports increased to 5.95 million tonnes. It contains 3.38 million tonnes (3.09 million tonnes) of soybean oil and 2.51 million tonnes (2.35 million tonnes) of sunflower oil. The share of soft oils in imports of edible oils increased to 45 per cent (37 per cent) in the 2019-20 oil year.

#### Domestic production

According to the Databank of the Solvent Extractors Association of India (SEA), total oilseed production in 2019-20 is estimated at 36.46 million tonnes. Of the domestic oilseeds market surplus of 28.17 million tonnes, total oil availability is estimated at 8.54 million tonnes. Soy and mustard oil have made a significant contribution to domestic oil availability.

Speaking at the recent Indonesia Palm Oil Conference, SEA Executive Director BV Mehta said the late rains had affected the production of soybean and groundnut crops despite good seeds during the summer. However, this year's crop production is higher compared to last year. He said that due to good yield in rapeseed / mustard crop, planting will be 10-15 more than last year. It seeks to coordinate the management of edible oils in the country through a multifaceted strategy, namely (i) estimating domestic demand for edible oils and availability from domestic resources. The demand-supply imbalance is met by imports of edible oils so that their prices can be maintained at a reasonable level; (ii) It closely monitors the prices of edible oils in the domestic and international markets and initiates policy action as and when required. This section compiles edible oil production based on the online data submission of the vegetable oil industries registered with the Directorate. The edible oils are sent to the monthly production data statistics and PIs for compilation of the Industrial Production Index (IIP), which is released on the 12th of each month. The department has qualified technicians to assist the Ministry in the coordination management of vegetable oils, especially those related to product / availability and price monitoring. Oilseeds and edible oils are the two most important essential substances. India is one of the largest producers of oilseeds in the world and the region is expected to produce 33.42 million tonnes of nine oilseeds during 2019-20 (November-October) and 2019-20 (November-October). . Agriculture occupies an important place in the economy. Fourth Advance Estimates released by the Ministry of Agriculture on 19.08.2020. India accounts for 6-7% of global oilseed production.

#### Types of oils commonly used in India

India is fortunate to cultivate a wide range of oilseed crops in different agro-climatic zones. Peanuts, mustard. Traditional oilseeds include rapeseed, sesame, safflower, linseed, niger seed and castor. Soybeans and sunflowers have also gained importance in recent years. Coconut is very important in horticultural crops. Efforts are being made to grow palm oil in Kerala and the Andaman and Nicobar Islands, in Andhra Pradesh, Karnataka, Tamil Nadu and the northeastern parts of the country. Among the non-traditional oils, rice bran oil and cotton seed oil are the most important. In addition, oil seeds of tree and forest origin, which grow mostly in tribal habitats, are also an important source of oils. The major agricultural oilseed production over the last ten years, the availability of edible oils from all domestic sources (from domestic and imported sources) are as follows: -

Year (Nov.-Oct.)	Production of Oilseeds*	Net availability of edible oils from all domestic sources	Imports**	Total Availability of Edible Oils
2010-11	324.79	97.82	72.42	170.24
2011-12	297.98	89.57	99.43	189.00
2012-13	309.43	92.19	106.05	198.24
2013-14	328.79	100.80	109.76	210.56
2014-15	266.75	89.78	127.31	217.09
2015-16	252.50	86.30	148.50	234.80
2016-17	312.76	100.99	153.17	254.16
2017-18	314.59	103.80	145.92	249.72
2018-19#	315.22	103.52	155.70	259.22
2019-20##	334.23	106.55	133.49	240.04

\* Ministry of Agriculture

\*\* Directorate General of Commercial Intelligence & Statistics (Ministry of Commerce)

# Based on final estimates (announced by the Ministry of Agriculture on 18.02.2020).

## Based on 4th Advance Estimates (Announced by the Ministry of Agriculture on 19.08.2020).

## Consumption of edible oils in India

India is a vast country and the people living in its regions have developed a specific preference for certain oils based on the oils available in the region. For example, southern and western people prefer peanut oil, while eastern and northern people use mustard oil. Similarly, in most parts of the South, coconut and sesame oil are preferred. The inhabitants of the northern plains are primarily fat consumers and therefore prefer vegetables, the term referring to a partially hydrogenated edible oil blend of soybean, sunflower, rice bran and cotton seed oils. Most of the new oils from the oil seeds of tree and forest origin have entered the food pool through a mostly vegetative route. Lately, things have changed. Through modern technologies such as physical cleaning, bleaching and deodorization, all oils are made practically colorless, odorless and tasteless and can therefore be easily changed in the kitchen. Oils such as soybean oil, cotton seed oil, sunflower oil, rice bran oil, palm oil and its liquid component - the previously unknown palmolin - have now entered the kitchen. The share of crude oil, refined oil and vegetables in the total edible oil market is estimated at 35%, 60% and 5% respectively. 56% of domestic demand for edible oils is met by imports, of which palm oil accounts for 60%. Consumption of refined palmolin (RBD palmolin), as well as its combination with other oils, has increased significantly over the years and is widely used in hotels, restaurants and a wide range of food products.

## Important Characteristics of the Edible Oil Economy

There are two main features that have significantly contributed to the development of this region. One was the establishment of the Technology Mission on Oilseeds in 1986, which in 2014 was renamed the National Mission on Oilseeds and Oil Palm. NMOOP) Incentive for Seed Disclosure has been incorporated under the modified NFSM with integrated components such as merger / exchange or scheme / sub-scheme integration / programs, and farm equipment including NFSM and effective water application equipment in the range of oilseeds from 2018-19.

This has given impetus to the government's efforts to increase oilseed production. Oilseed production increased from about 11.3 million tonnes in 1986-87 to 33.42 million tonnes in 2019-20. Most of the oilseeds are grown on marginal lands and depend on rainfall and other climatic conditions. Another key feature that has had a significant impact on the current state of the edible oil / oil industry is the liberalization program, through which government economic policy gives greater freedom to the open market and promotes healthier competition and self-regulation than protection and control. Does. . Restrictions and regulations have been relaxed, resulting in a highly competitive market dominated by domestic and multinational companies

## Export policy on edible oils

The country must rely on imports to bridge the gap between demand and supply. Edible oil imports are under open general license. The structure of import tariffs on edible oils is reviewed from time to time to suit the interests of farmers, processors and consumers and to control large imports of edible oils as much as possible. W.E. F. On 14.06.2018, the import duty on all crude and refined edible oils was increased to 35% and 45% respectively, while the import duty on olive oil was increased to 40%. Import duty on crude and refined palm oil has been revised to 37.5% and 45% respectively with effect from 01.01.2020. Since 08.01.2020, the import policy of refined palm oil has been revised from 'Free' to 'Restricted' category. Import duty on crude palm oil has been revised from 37.5% to 27.5% from 27.11.2020.

To ensure the availability of edible oil in the country, the export of edible oil has been banned from April 1. 17.03.2008, which was extended from time to time. Rice bran oil is allowed to be exported in bulk from 06.02.2015. Peanut oil, sesame oil, soybean oil and corn (corn) oil are allowed to run from 27.03.2017. Since 06.04.2018, all edible oils except ava oil have been exported free of quantity limit; Pack size etc., until next order. The minimum export price (MEP) in packs of up to 5 kg is allowed to be exported at \$ 900 per metric tonne.

### E-Governance Programs

To improve and streamline the data management system in the vegetable oil sector, the Directorate of Sugar and Vegetable Oils under the Ministry of Food and Public Distribution has developed a web based platform (evegoils.nic.in) for online submission of inputs through vegetables. Oil producers on a monthly basis. This has enabled the government to make quick and informed policy decisions for better management of the vegetable oil sector. The new system will provide transparency in government performance along with data management of the vegetable oil industry. The portal also provides a window for online registration and submission of monthly product revenue.

### Status of the Vegetable Oil Industry

According to the Trade Body SEA, India's edible oil imports in the 2020-21 oil year are expected to be limited to 12.5-13.5 million tonnes due to slowing down hotel consumption and an increase in domestic production in the wake of COVID-19.

During the 2019-20 oil year (November-October), the country's edible oil imports fell by 13 per cent to 13.52 million tonnes.

Atul Chaturvedi, president of the Solvent Extractors Association of India (SEA) in Mumbai, said in a statement, "We ate that imports will be limited to 12.5 to 13.5 million tonnes in 2020-21."

Edible oil imports will be limited due to domestic oilseed production and production of more than 1 to 1.5 million tonnes of edible oil.

Poor demand will have an impact on imports this year as domestic consumption slows in the wake of the COVID-19 epidemic.

"India is a price-sensitive market and high prices adversely affect consumption. The SEA noted that oilseed growers, especially mustard growers, are planting in more areas - responding positively to the high price signal. "We should not be surprised if oilseed production increases on a large scale." The cumulative effect of all these factors is to ensure that Indian edible oil imports are not restricted.

As domestic refining capacity consumption improves significantly, the SEA said that in the 2019-20 oil year, crude edible oil accounted for 97 per cent of total imports.

As refined oils are kept in the restricted import segment, its exports were limited to just 4.21 lakh tonnes in 2019-20, up from 27.31 lakh tonnes in the previous year. According to the latest data, every Indian consumes an average of 19.5 kg of edible oil per year in 2015-16, compared to 15.8 kg in 2012-13. This equates to a demand of about 26 million tons of edible oils per year.

Let us set aside the discussion on the health effects of increased oil consumption and its role in the prevalence of lifestyle diseases and examine the demand-supply situation for edible oils in India.

India has grown oilseeds on 25 million hectares of land, producing 32 million tonnes of oilseeds in 2018-19, covering 90 per cent of soybean, rapeseed and mustard and groundnut.

Assuming an average oil recovery of 28 percent nationwide, 32 million tons of oilseeds yield 8.4 million tons of edible oil. Domestic production can only meet more than 30 percent of the total demand for edible oils, requiring its imports.

In 2019, India imported about 15 million tonnes of edible oil worth about Rs 7,300 crore, which is 40 per cent of the agricultural import bill and 3 per cent of the country's total import bill.

Palm oil accounted for 62 percent of total imports, followed by soybean oil and sunflower oil (21 percent and 16 percent, respectively). The share of soybean oil and sunflower oil in the import basket has increased significantly.

Palm oil comes mainly from Indonesia and Malaysia, soybean oil from Argentina and Brazil, and sunflower oil from Ukraine and Argentina to India. In addition to the significant burden on the public treasury, reliance on the international market for edible oils affects price fluctuations consumers and producers. For example, labor shortages in palm oil plantations in Indonesia and Malaysia, drought in Argentina have affected soybean production, low production of sunflower crops in Ukraine and heavy buying of edible oils in China, edible oils in domestic and international markets. Prices were affected. The epidemic is the last part of the year. Subsequently, the government had to reduce the import duty on palm oil by 10 per cent in November to bring down domestic prices.

In this context, it has to be said that India has the potential to increase domestic oilseed production, thereby reducing dependence on imports and benefiting farmers as well. The Government of India is taking a number of steps to increase the domestic production of edible oilseeds. For example, the Technology Mission on Oilseeds and other policy initiatives have helped to increase the area of oilseeds in India from 9 million tonnes in 1986 to 32 million tonnes in 2018-19, but this is not enough to meet domestic demand. Many other programs like expansion of oil palm acreage, increase in minimum support prices for oilseed crops, setting up of buffer stock for oilseeds, cluster display of oilseeds, etc. are being implemented by the government under the National Krishi Vikas Yojana. Let's go Increase production It is estimated that reducing the yield gap could produce an additional 3.6 million tons of oil, assuming an actual yield of 1.5 tons per hectare. This requires the widespread adoption of modern agricultural technology such as quality seeds, optimal use of agro-chemicals and better management.

Improved varieties include Pusa 12, JS 20-34 of soybean, Pusa Double Zero 30 and 31 of low mustard acid as well as high-yielding, new, location-specific improved varieties Kadiri-6, Chhattisgarh Peanut 1 (CGM 1). Are left for cultivation.

Farmers need to be made aware of these new varieties and can get good quality seeds. Cluster performance and other deployment activities can be promoted in this series.

India can think about the acreage of oilseed crops by using wet land. India has 11.7 mha of paddy, which can be used for saffron and mustard crops and does not require much water.

Alternatives such as rice bran oil are popular among urban consumers because it reduces the risk of heart disease and type 2 diabetes. Rice bran accounts for 8.5 per cent of total rice production and contains 15 per cent material. Approximately 2 million tons of edible oil can be produced using available rice. Cotton seeds are a good source of vegetable oil and have unused potential. Approximately 1.4 million tons of oil can be processed from cotton seeds. The unconventional source of edible oil is 'oil palms'. Palm oil produces 4 to 5

tons of edible oil per hectare compared to the yield of 1 ton of other conventional oilseeds. According to studies, India covers an area of 1.9 million hectares under palm oil, which can produce about 7.6 million tonnes of additional edible oil (Ministry of Agriculture, 2018). However, palm oil has a long gestation period, making harvesting a challenge and oil palm water harvesting. India is often tied to tariff rates based on demand-supply situation and domestic prices to control imports and protect consumer interests. However, it benefits India by having a short-sighted strategy and having a consistent export-import policy in the long run. To ensure a fair price signal to boost domestic production of edible oilseeds, a stable tariff structure is needed.

## CONCLUSION

Current research has shown that all oilseeds except soybeans have registered negative growth in acreage and production after liberalization. WTO phases with high volatility. The share of soybean and sunflower acreage increased in the post-WTO phase compared to groundnut and rapeseed and mustard. With respect to consumption, the pattern has changed; This shift is towards edible oils such as non-traditional oils such as palm, sunflower and cotton seeds. Urbanization, population, rupee exchange rate, oilseed production and acreage in the previous year And per capita GDP led to an increase in demand for edible oil imports. An additional thirty million hectares need to be brought under oilseed crops to meet the country's demand for edible oils with current productivity not possible under the current conditions. Therefore, there is a need to improve the productivity of oilseed crops and emphasize the cultivation of high oil yielding crops such as palm.

### Policy Implications:

Oil import policies require urgent reforms to protect the Indian oilseeds and edible oil sector.

There is a need to improve the productivity of oilseeds through crop cultivation.

Drool is drought resistant, short duration and disease- and there is a need to develop pest resistance HYV for oilseeds.

There is a need to increase the support price to attract more area under oilseeds

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