

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:2852
ANSWERED ON:12.12.2006
IMPORT OF PALM OIL
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the import of edible oils particularly palm oil, vegetable oil from various countries particularly Nepal is drastically affecting domestic industry ;
- (b) if so, the details thereof, including the oil mills closed and are on the verge of closure;
- (c) whether the Government has received any representation in this regard; and
- (d) if so, the details thereof alongwith the steps taken in the interest of domestic industry?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI JAIRAM RAMESH)

(a) to (d) Under India-Nepal Treaty of Trade, duty free facility for import of vanaspati from Nepal into India is restricted to one lakh metric tones per year and this import is done through the State Trading Corporation of India (STC) and distributed all over India to minimize its impact on any particular region. There is no duty free import of palm oil from Nepal.

It has been reported that out of 264 units of vegetable oil (vanaspati) in the country, at present 148 units are either closed/non-functional. However, the reasons underlying the closure of vanaspati units inter alia include creation of production capacity not commensurate with availability of raw materials, obsolete technology, poor economies of scale etc. It cannot, therefore, be concluded that the reason for closure is solely due to import of duty free vanaspati from Nepal.

The concerns of the domestic industry have been addressed through certain steps. Some of the steps taken to protect the interest of domestic industry and improve the health of vegetable oil industry include -

- (i) Import of oilseeds except copra has been allowed on Open General Licence (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. With effect from 1.8.2006 the Customs Duty on Crude Palm Oil has been reduced from 80% to 70% whereas custom duty on Refined Palm Oil/Refined bleached deodorized (RBD) Palmolein has been reduced from 90% to 80%.
- (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 including bakery shortening and margarine from Sri Lanka under India-Sri Lanka Free Trade Agreement (ISFTA) has also been restricted to 2.5 lakh metric tones per year.
- (viii) In order to harmonize the interests of farmers, processors and consumers, the import duty structure on edible oils is reviewed from time to time.
- (ix) Tariff value is fixed from time to time for palm oil and its products and soyabean oil.
- (x) Edible oils including vanaspati have been kept in the Negative List of India under the Agreement on South Asian Free Trade Area (SAFTA) which has become operational from 1.7.2006. It has also been decided that these items would be kept in the negative list of prospective free trade agreements or similar agreements.