

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

UNSTARRED QUESTION NO:4900

ANSWERED ON:23.05.2006

VANASPATI INDUSTRY

Bellarmin Shri A.V.;Deshmukh Shri Subhash Sureshchandra

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) whether Vanaspati units in India have closed down;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the closure of Vanaspati Units is due to import of duty-free Vanaspati from Sri Lanka; and
- (d) if so, the steps taken by the Government in this regard?

**Answer**

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

(a) : Yes, Sir.

(b) & (c) : It has been reported that out of 261 vanaspati manufacturing units in the country, at present 129 units are closed / non-functional. The reasons underlying the closure of Vanaspati units include creation of production capacity not commensurate with availability of raw materials, obsolete technology, poor economies of scale, shift in consumer preference towards soft oils, competition from cheaper duty-free imports from Nepal, Sri Lanka and other countries under FTAs/Treaties. It cannot, therefore be concluded that the reason for closure is solely due to import of duty-free vanaspati from Sri Lanka.

(d) : Some of the steps taken by the Government to improve the health of the vanaspati industry include :

(i) Import duty on certain vegetable oils of edible grade intended for manufacture of refined oil / vanaspati is levied at a concessional rate;

(ii) Import duty on certain crude vegetable oils of edible grade has been kept low as compared to refined oils to facilitate raw material availability;

(iii) Excise duty on refined edible oils/vanaspati/interesterified fat, etc. has been withdrawn;

(iv) Import duty on vanaspati, bakery shortening, interesterified fat, margarine has been raised from 30% to 80%.

(v) During the ongoing negotiations with Sri Lanka under Comprehensive Economic Partnership Agreement (CEPA), India has inter-alia proposed to Sri Lanka for formalizing Voluntary Export Restraint (VER) of import of Vanaspati from Sri Lanka to India.