Making India Atmanirbhar in Oilseeds

What is the issue?

- At India's Trade Policy Review meeting and WTO meetings, several commodity exporting countries had raised concerns over India's agriculture trade policies.
- Among them, oil seeds is an important commodity; here is a look at the trade-related aspects of it.

What are the concerns raised?

- Agricultural commodities in question include pulses and vegetable oils that India imports in sizeable quantities.
- The US and the EU flag certain trade-related issues including increase in import duties.
- They also raise certain questions about India's agricultural support programmes such as the minimum support price for various crops.
- At the recent WTO Committee on Agriculture meeting, member-countries questioned India on various issues including -
    1. continued restrictions on pulses import
    2. wheat stockpiling
    3. short-term crop loans
    4. export subsidies for skimmed milk powder
    5. export ban on onions
- The latest attack is on India's ambitious plan to step up domestic oilseeds output so as to reduce dependence on vegetable oil imports.
- [It costs roughly $10 billion (about ₹75,000 crore) in foreign exchange annually for bringing in 13-14 million tonnes of palm, soybean and sunflower oils.]
- WTO member-countries are questioning India mainly regarding incentives to oilseed growers to boost output.

What is to be noted here?

- One, other countries have no business to question, so long as the incentives are well within the permissible limits.
- Second, there are ways India can boost domestic oilseeds output even without direct financial incentives or monetary support to growers.

What is the flaw with vegetable oil imports policy?

- Raising the Customs duty on vegetable oil imports has hardly had any positive impact on domestic oilseeds production in the last 25 years.
- Notably, more often, vegetable oil imports are excessive and speculatively driven.
- As a result, building large inventory of low-priced imported oils depresses domestic oilseeds prices.
- It consequently discourages oilseed growers.
- This has been going on for two decades and must be stopped.

What does this call for?

- Instead of the tariff route, India should look at the trade policy.
- The system of contract registration and monitoring of imports present for steel and copper should be extended to vegetable oils.
- The government must mandate that all vegetable oil import contracts must be registered with a designated authority.
- Contract details will include quantity contracted for, type of oil, origin, price and expected arrival time.
- This information should become the basis for intervention, if any, needed.

Should importers' credit period be cut?

- Now, overseas suppliers grant 90 to 150 days credit to Indian importers.
- But the cargo reaches Indian shores in about 10 days (palm oil) or 30 days (soft oils).
- So, the Indian importer sells the material immediately and enjoys liquidity for several months.
- During this period, the importers indulge in rampant speculation and over-trading before they are required to remit payment.
- This is leading to a never-ending import cycle.
- Many veg-oil importers are actually in an 'import debt-trap'.
- To prevent this, the credit period enjoyed by veg-oil importers should be restricted to a maximum of 30 days for palm oil and 45 days for soft oils.
- This will automatically discourage excessive imports, over-trading and speculation.

What is the way forward?

- India's oilseed production has got trapped at 31-32 million tonnes.
- It is essential to break this stagnation and aim to increase the output by at least 2 million tonnes a year, if not more.
- Import contract registration, strict monitoring of import and restricted credit period will infuse a much needed discipline in the import trade.
- Reducing speculative and excessive imports of vegetable oil will immediately have a positive effect on domestic oilseed prices and encourage growers.
- Surely, achieving Atmanirbhar or self-sufficiency is a challenge. But India can become substantially self-reliant over the next 5 years or so.

Source: Business Line