Give the domestic oilseeds sector a boost

Steps to raise oilseeds output through area expansion and improved productivity must be accompanied by import curbs

G CHANDRASHEKHAR

New Delhi is reported to be keen to ensure that the country's dependence on vegetable oil import is reduced and domestic production is given a boost. Why not? After all, we spend well over $10 billion a year (equivalent to over ₹70,000 crore) on import of 14-15 million tonnes of various oils, representing two-thirds of our annual consumption need.

The policymakers' apathy towards the oilseeds sector and blind adoption of an ultra-liberal import policy — by itself a facile option — over the last 20 years or so has resulted in an alarming level of dependence on imports, something that is self-defeating, burdensome and fraught with risks.

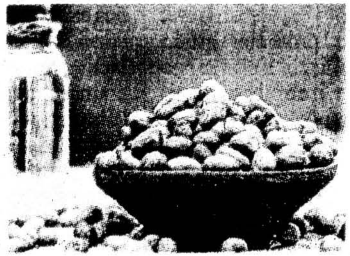
Unrestricted imports of edible oil — finished or semi-finished product — have hurt domestic producers of oilseeds, the growers. The domestic oilseed crushing and solvent extraction industry too is in the throes of a crisis. Government efforts to raise the minimum support price for oilseeds and effect changes from time to time in customs duty on imported oils have not had the desired impact at all.

If anything, oilseed growers are in distress. At the same time, tinkering with customs duty from time to time has failed to provide any relief to domestic producers but has merely enriched speculative interests that often bet on changes in rates of duty.

No wonder, the area under oilseeds has remained stagnant around 26 million hectares while production has got trapped around the 30 million tonnes mark. In its present state, the country's oilseeds sector will not be able to contribute to the avowed objective of doubling farmers' income in five years.

We need an approach that at once encourages domestic production while discouraging imports. Any effort to encourage domestic production will be substantially neutralised if we continue to follow the existing unrealistic import policy.

Raising domestic oilseeds production by ensuring area expansion and productivity enhancement is an obvious choice. Work on it has to start in right earnest. States have to



Oilseed growers are in distress

be taken on board. The structural challenges confronting oilseeds production have to be recognised and addressed. Crop rotation, improved agronomy, technology infusion and robust procurement have to be a critical part of the strategy.

This approach will have medium-to-long term impact on domestic production and productivity. So, in the short to medium term, the country will have to continue to import vegetable oils in order to meet the domestic supply shortfall and ensure consumers are able to access cooking oils at affordable rates.

This calls for a pragmatic trade and tariff policy that will at once advance the interests of consumers as well as protect the domestic oilseed farmers. A review of the extant import policy and tariff structure is absolutely necessary. There is a strong case to reduce the quantum of import by placing an annual ceiling on it. At present, 10-20 per cent of aggregate import is speculation driven and deserve to be curtailed.

As tariffs have failed to perform, imports have to be curtailed to, say, 12-13 million tonnes. Further, the imports have to be closely monitored by mandating a system of contract registration and tracking physical arrivals. The long credit period currently enjoyed by importers should be restricted to 30 days.

These steps will shake the oilseeds sector, especially the import trade, from out of its comfort zone. In other words, we need to disrupt the existing inertia; and it is indeed possible to have creative disruption that would benefit domestic producers and not compromise consumer interests.

Restricting import volumes will in the short run push domestic oilseed prices higher and provide the much-needed boost to growers with multiple benefits. It will result in area expansion for which grain mono-cropping States such as Punjab and Haryana can be targeted. Higher returns will mean farmers will be encouraged to spend more on inputs and practice improved agronomy. Infusion of multiple technologies — infotech, biotech, satellite tech, drone, and so on — will boost crop prospects.

The Commerce Minister should be complimented for his initiative to ensure zero-import of edible oil; but he must take the first step by restricting the volume of import and mandating close monitoring of the import trade. The Finance Ministry must be proactive in effecting changes in customs duty and not succumb to lobby pressure.

The Agriculture Ministry will of course have to come up with a national policy for boosting domestic production, not only of cultivated oilseeds but also exploiting the potential of non-conventional sources such as rice bran as well as tree-borne oilseeds. The sooner the government gets down to the task at hand the better.

The author is a policy commentator and agribusiness specialist