

India raises import tax on palm oil to highest in a decade

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MUMBAI (Reuters) - India has raised import tax on crude and refined palm oil to the highest level in more than a decade, the government said in a statement on Thursday, as the world's biggest edible oil importer tried to support local farmers.

The duty increase would lift oilseed prices and encourage domestic supply for crushing, helping cap edible oil imports in the 2017/18 marketing year that started on Nov. 1, dealers said.

India raised import tax on crude palm oil to 44 percent from 30 percent and lifted the tax on refined palm oil to 54 percent from 40 percent, a government order said.

India relies on imports for 70 percent of its edible oil consumption, up from 44 percent in 2001/02.

The fourth increase in import tax in less than six months would push up domestic edible oil prices NSOc1 and support prices of local oilseeds like soybean NSBc1 and rapeseed NRSc1, said B.V. Mehta, executive director of the Solvent Extractors' Association (SEA), a Mumbai-based trade body.

"Supplies from the new season rapeseed crop have just started. Now farmers will get remunerative prices due to the duty hike," Mehta said.

India primarily imports palm oil from Indonesia and Malaysia and soyoil from Argentina and Brazil. It also buys small volumes of sunflower oil from Ukraine and canola oil from Canada.

The duty hike would narrow the difference between palm oil and soft oils like soyoil and sunflower oil, making it lucrative for refiners to increase purchases of soyoil and sunflower oil in coming months, said a Mumbai-based dealer with a global trading firm.

"Palm oil's share is likely to fall substantially unless India raises import tax on soyoil and sunflower oil," the dealer said.

On Thursday, landed cost of crude soyoil at Mumbai port was \$812 per tonne, compared to \$695 for crude palm oil, according to data compiled by trade body SEA.



A worker collects palm oil fruit inside a palm oil factory in Sepang, outside Kuala Lumpur February 18, 2014.

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