

Oilseed production boost can cut imports

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A few days before the Union Cabinet approved the Rs 11,040-crore National Mission on Edible Oils-Oil Palm (NMEO-OP) to incentivise domestic production of palm oil so as to reduce the dependence on edible oil imports, I was on a TV panel discussing the production scenario related to pulses and oilseeds. On that panel, a Niti Aayog member informed that the plan was to meet more than 40 per cent of our edible oil requirements from palm oil in the years to come.

This came as a surprise knowing well that palm oil remains in controversy for health, ecological and environmental reasons.

Considering that it is comparatively cheap, unscrupulous traders have taken advantage by often blending palm oil with other available edible oils. Moreover, there are a variety of healthy edible oils available, based on local production and local needs — mustard, sunflower, safflower, groundnut, sesame, niger and coconut,

to name a few — that Indians have traditionally relied on. That's the reason why a majority of Indian households have not shown any preference for palm oil as a cooking medium. Palm oil use remains largely confined to junk food, processing industry, cosmetics and other FMCG products like shampoo, detergents, candles and toothpastes.

Nevertheless, let's first know what the proposed scheme to boost domestic production of palm oil entails. As per the Press Information Bureau, the proposal is to increase the area under oil palm plantations to 10 lakh hectares by 2025-26, and to expand it further to 16.7 lakh hectares by 2029-30. Most of the new plantations are to come up in the ecologically fragile Northeast region and in the Andaman and Nicobar Islands.

Besides subsidising the inputs required, including 100 per cent reimbursement on fertiliser cost in the initial years, farmers will be attracted with the promise of a guaranteed price to overcome price fluctuations. 'The volatility price will be based on the average crude palm oil (CPO) price in the past five years adjusted with the wholesale price index, to be multiplied by 14.3 per cent,' says the PIB. In case the processing industry is unable to pay the assured price to growers, the government will chip in by providing an incentive of two per cent of the CPO price to the industry.

Although India imports nearly 55 to 60 per cent of its edible oil requirement, leaving a current account gap of roughly Rs 75,000 crore, the push for oil palm plantations comes at a time when the Inter-governmental Panel on Climate Change (IPCC) has repeatedly warned of increasing deforestation and destruction of biodiversity as a major cause of climate aberrations. Several studies have shown that cutting down natural rainforests to be replaced with monoculture plantations not only causes a loss of critical habitat for the endangered species but also leads to increased carbon emissions.

In a report submitted in January 2020, the Indian Council of Forestry Research and Education too had cautioned against opening up the biodiversity-rich areas for oil palm plantations. Sri Lanka has meanwhile banned any fresh oil palm plantations, and is calling for a phase-out of the existing plantations.

While it makes economic sense to increase the domestic edible oil production so as to reduce the huge import bill, the bigger question is how come India turned into the world's biggest importer of edible oils from a stage when it was 'almost' self-sufficient in edible oil production in 1993-94, producing 97 per cent of its requirement within the country. The Oilseeds Technology Mission that India had launched in 1985-86, with focus on increasing oilseed production, coupled with strengthening the domestic processing industry, was subsequently hailed as the "Yellow Revolution."

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Agriculture, India could bound import tariffs at 300 per cent for edible oils, except for soybean. Regardless of the higher bound rates that India could maintain, pressure from the import lobbies as well as from mainline economists within the country, the import tariffs were lowered. So much so that at one stage, the import duties had come to near zero. This brought in a flood of cheaper imports, pushing the domestic oilseed producers to shift.

Picking up from where the ‘Yellow Revolution’ lost its way, the best pathway to boost domestic edible oil production is to bring back the focus on increasing oilseed production. If the government is willing to provide oil palm growers with a guaranteed price, I don’t see any reason why an assured price cannot be guaranteed to oilseed farmers, a majority of whom are small. Considering that farmers are at the lowest rung of the economic ladder, a push for oilseed cultivation with an assured pricing and an assured marketing set-up will in a way revitalise agriculture. Even Punjab’s farmers would shift from the water-guzzling paddy if oilseeds come as a viable alternative.

Moreover, unlike oil palm cultivation, which will be benefiting absentee landlords and a few industry giants, encouraging oilseed cultivation instead will make farming economically viable for millions of small farmers. The number of oilseed growers that had come down drastically after the collapse of ‘Yellow Revolution’ will surely see an upswing. Further, expanding the area under oilseed cultivation will not require huge tracts of natural forests to be axed, nor will it result in any loss of biodiversity resources.

At a time when experts decry the intensive wheat-paddy crop rotation to be responsible for groundwater depletion, where is the justification in pushing for another water-guzzling crop —oil palm. On an average, one palm tree consumes 300 litres of water per day. Multiply it with the number of trees in a hectare, and the plantations turn out to be literally mining water. The cost-benefit ratio, therefore, needs to be studied in detail before we land up with another environmental crisis.

Instead of going by an industry prescription to expand the area under oil palm, the immediate need should be to revive the forgotten ‘Yellow Revolution’. That’s a sustainable route to achieve self-sufficiency in edible oils.

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