

Report of the Committee  
on Rationalisation of Customs and Excise Duties  
on Edible Oils and Oilseeds

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Ashok K. Lahiri  
Chairman  
January 13, 2006

## **I. Introduction**

1. A Committee of Secretaries (CoS) under the Chairmanship of the Cabinet Secretary, in its meeting held on October 21, 2004 to review the prices of essential commodities, directed that a Committee may be set up under the Chairmanship of the Chief Economic Adviser to examine the customs and excise duty structures of edible oils, oilseeds and metal scrap for containing the rising trends in their prices. Accordingly a Committee comprising the representatives of the concerned Ministries was set up vide the Ministry of Finance office order No. F.16 (32)-Ec.Dn./2004 dated November 29, 2004 (Annex 2). The Committee had the following Terms of Reference:

- To examine the trend and developments relating to supply, demand and prices of edible oils, oilseeds, metal scrap.
- To suggest rationalization of the excise and custom duties on these items.

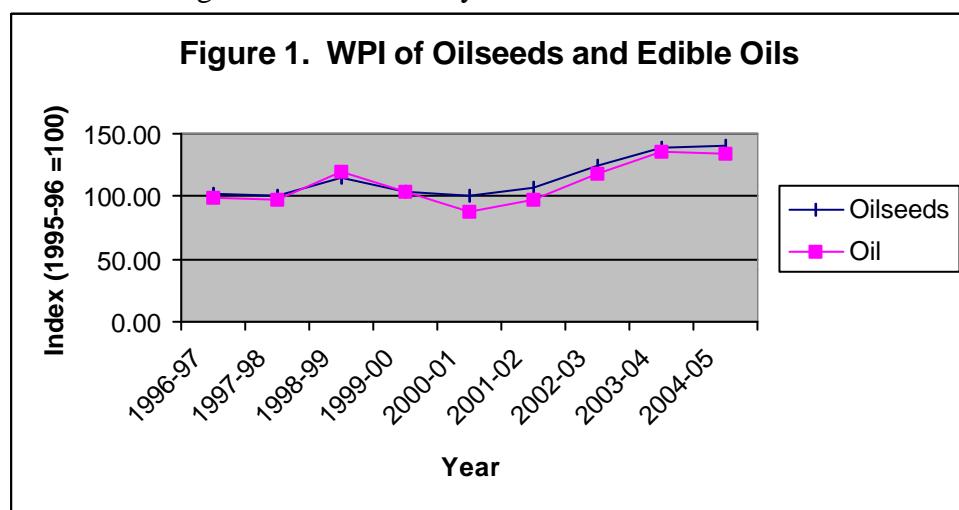
2. The Committee held four meetings on December 28, 2004, February 1, 2005, January 9, 2006 and January 13, 2006, discussed various issues relating to production, prices, imports and duty structure of edible oils and prepared this report. The Committee was reconstituted on December 28, 2005 vide the Ministry of Finance office order No. F.16 (32)-Ec.Dn./2004 dated December 28, 2005 (Annex 3). This report deals exclusively with edible oils and oilseeds. A dissent note in the form of comments by the Department of Agriculture & Cooperation is at Annex 1. The report on metal scrap will follow.

## II. Edible Oils and Oilseeds: Current Backdrop

3. After near self-sufficiency in edible oils until the mid-1990s, Indian imports of such oils increased rapidly to make the country the world's largest importer of edible oils. With domestic production of edible oils, an essential item of mass consumption, falling short of effective demand, edible oil imports were liberalized in April 1994 when import of edible vegetable palmolein was placed under Open General License (OGL) with 65 per cent import duty. With this liberalization and the demand-supply gap, a substantial part of the domestic consumption started to be met through imports. Imports and the associated international prices, in turn, have direct impact on domestic production and prices of oilseeds and oils, and hence on the livelihood of the farmers. *With the country becoming self-sufficient in food-grains, particularly rice and wheat, there has been added emphasis in recent times on the need for agricultural diversification, including to oilseeds. Higher protection of refined oil encourages domestic refining and meeting of the shortfall in domestic output vis-à-vis demand through utilization of domestic refining capacity. Simultaneously, however, it tends to increase the profit margin of the domestic refining industry. Thus, trade and tariff policies for edible oils and oilseeds have constantly engaged the attention of policy makers from four different perspectives: farmers, consumers, the edible oil industry, and the Government's revenue interests.*

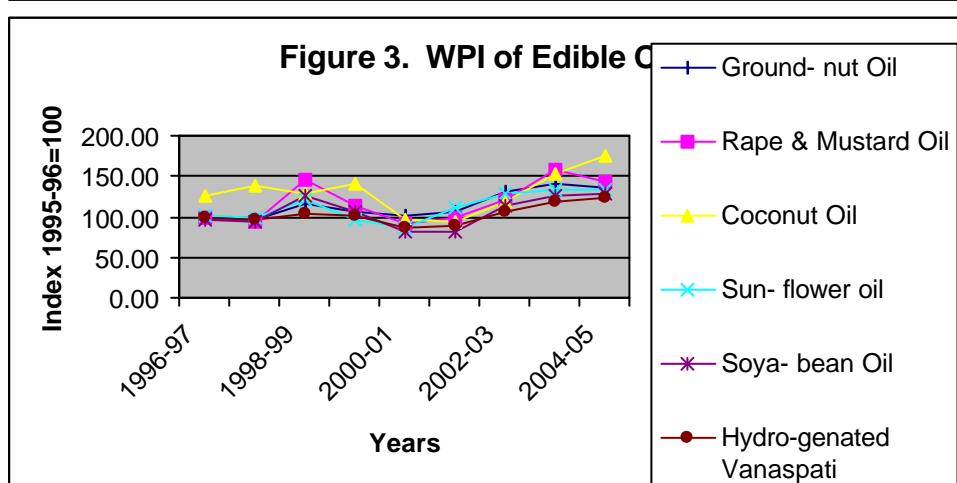
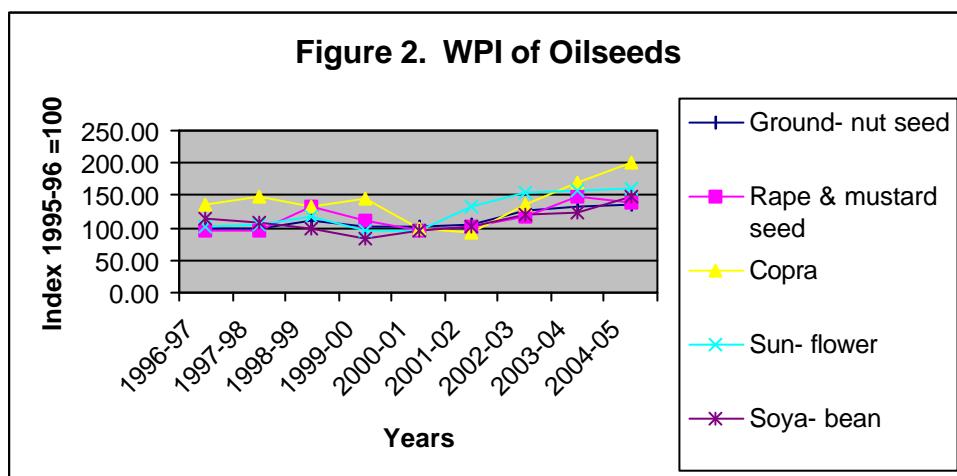
### Domestic price of oilseeds and edible oils

4. Oilseeds and edible oils prices have increased by about 43 per cent and 32 per cent respectively between 1995-96 and 2004-05 (Figure 1). These increases have been somewhat lower than the general price increase of about 53 per cent during the same reference period. The increase in the prices of oilseeds has been higher than that in edible oils partly as a result of deliberate policy of giving higher support prices to oilseeds to encourage diversification away from cereals such as rice and wheat.



5. Within oilseeds and edible oils, the price trends have displayed considerable divergences. For example, within oilseeds, the highest price increases of over 138 per cent took place in copra (coconut) followed by soybean and sunflower, while the lowest increase of 30 per cent was in rapeseed and mustard (Figure 2). The increases in edible oils prices have also shown considerable divergence, but, in general, the increase in oilseeds prices have been higher than the increase in edible oil prices in all cases, except in the case of rapeseed and mustard.

6. There has been a conscious attempt in recent years to improve price parity of oilseeds (and also of pulses) through increase of Minimum Support Price (MSP) to encourage cultivation of these crops. However, despite such increase, there is still a substantial difference between the productivity per hectare at the current MSP between oilseeds/pulses on the one hand and wheat/rice on the other. At current MSP, per hectare productivity of wheat and rice is almost two to three times the productivity of oilseeds. Given the high differential between the per hectare productivity of oilseeds on the one hand and that of wheat/rice on the other, price mechanism as the only means of encouraging production of pulses and oilseeds is fraught with severe limitations. Increase in the MSP of oilseeds leads to corresponding increase in the market price of such products, which not only harms the interests of the consumers but also squeezes the margins of edible oils manufacturers. Substantial increase in MSP of oilseeds runs the risk of resulting in increased import of comparatively cheaper oilseeds/edible oils from abroad, and putting tremendous pressure on the Government procurement mechanism with subsidy implication. What is needed is a concerted attempt to increase the productivity of such crops.



#### Import policy, duty structure and tariff value

7. Edible oil, which was on the negative list of imports, was first de-canalised partially in April 1994, when import of edible vegetable palmolein was put under OGL subject to 65 per cent of basic customs duty (customs or import duty henceforth). Subsequently, imports of other edible oils were also placed under OGL. The post-1994 period can broadly be divided into two distinct phases: the first

between 1994 and 1998, when customs duty on edible oils progressively came down to reach a low of 15 per cent in July 1998, and the second after 1999, when such duties witnessed a general upward trend to reach a high of 92.2 per cent for refined palm oil in April 2001 (Box 1 and Table 1).

**Box-1: Tariff and Trade Policy on Edible Oils since 1994**

April, 1994	Import of RBD Palmolein placed on OGL with 65 per cent import duty.
March, 1995	Import of all edible oils (except coconut oil, palm kernel oil, RBD palm oil, RBD palm stearin placed on OGL with 30 per cent import duty.
1996-97 (in regular Budget)	Reduction in import duty to 20 per cent. With 2 per cent special duty of customs, the total duty to 22 per cent. Another special duty of custom of 3 per cent was later imposed bringing the total duty to 25 per cent.
July, 1998	Import duty further reduced to 15 per cent.
1999-2000 (Budget)	Import duty raised to 15 per cent (basic) plus 10 per cent (surcharge) bringing total import duty to 16.5 per cent.
December, 1999	Import duty on refined oils raised to 25 per cent (basic) plus 10 per cent (surcharge), that is 27.5 per cent. In addition, a levy of 4 per cent of Special Additional Duty (SAD) imposed on refined oils.
June, 2000	Import duty on crude oils raised to 25 per cent (basic) plus 10 per cent (surcharge), that is 27.5 per cent, and on refined oils to 35 per cent (basic) plus 10 per cent (surcharge) plus 4 per cent (SAD), that is 44.04 per cent. Import duty on Crude Palm Oil (CPO) for manufacture of vanaspati retained at 15 per cent (basic) plus 10 per cent (surcharge), that is 16.5 per cent.
November, 2000	Import duty on CPO for manufacture of vanaspati raised to 25 per cent and on crude vegetable oils to 35 per cent. Import duty on CPO for manufacture, other than of vanaspati, raised to 55 per cent. Import duty on refined vegetable oils raised to 45 per cent (basic) plus 4 per cent SAD, that is 50.8 per cent. Import duty on refined palm oil and RBD palmolein raised to 65 per cent basic plus 4 per cent SAD, that is 71.6 per cent.
March, 2001 As amended on April 26, 2001	Import duty on crude oils for manufacture of vanaspati/refined oils by importers registered with Directorate of VVO&F raised to 75 per cent (for others, duty at 85 per cent) except on soyabean oil, rapeseed oil and CPO, at 45 per cent, 75 per cent and 75 per cent (?????), respectively. Import duty on refined oils including RBD Palmolein raised to 85 per cent (basic) except in the cases of soyabean and mustard oil where it is placed at 45 per cent (basic) and 75 per cent(basic) respectively due to WTO binding. A 4 per cent SAD also levied on refined oils.
October, 2001	Import duty on CPO and its fractions, of edible grade, in loose or bulk form reduced from 75 per cent to 65 per cent.
November, 2001	Import duty on crude sunflower oil or safflower oil reduced to 50 per cent up to an aggregate of 1,50,000 tonnes Tariff Rate Quota (TRQ) of total imports of such goods in a financial year subject to certain conditions. Import duty on refined rape, colza or mustard oil reduced to 45 per cent up to an aggregate of 1,50,000 tonnes TRQ of total imports of such goods in a financial year subject to certain conditions.
March, 2002	Status quo on import duty structure maintained. Import of vanaspati from Nepal brought under SAD of 4 per cent.
August, 2002	SAD made non-applicable on vanaspati imported from Nepal under TRQ.
March, 2003	Status quo on import duty structure of vegetable oils/edible oils maintained.
April, 2003	Import duty on Refined Palm Oil and RBD Palmolein reduced from 85 per cent to 70 per cent and SAD made non-applicable on edible oils.
July, 2004	Import duty on Refined Palm Oil and RBD Palmolein raised from 70 per cent to 75 per cent
February 2005	Import duty on crude Palm Oil and RBD Palmolein raised from 65 per cent to 80 per cent, and that on Refined Palm Oil and RBD Palmolein from 75 per cent to 90 per cent.

**Table 1: Import duty on crude and refined palm oil**  
(Per cent)

Period	Crude palm oil	Refined palm oil
1994 (April)	-	65
1996-97 (Budget)	25	25
1998 (July)	15	15
1999-2000 (Budget)	16.5	16.5
1999 (Dec)	16.5	28.6
2000(June)	27.5	44.1
2000 (Nov)	55	71.6
2001(Apr)	75	92.2
2001 (Oct)	65	92.2
2003 (April)	65	70
2004(July)	65	75
2005(15, Feb)	80	90

8. Except soybean oil, which has a lower WTO-bound tariff rate of 45 per cent, all other oils are currently subject to high import duties between 75 and 90 per cent (Table 2). An important feature of the present tariff regime relates to a differential duty structure for crude and refined oil for palm oil since December 1999. Currently, differential duty structure does not apply to soybean oil and mustard oil, for which customs duties for both crude and refined categories equal their respective WTO-bound rates. In the case of groundnut oil and coconut oil also differential duty structure does not exist at present.

**Table 2: Present custom duty structure of crude and refined edible oils**  
(Per cent)

Item Description	WTO Binding	Crude edible oils	Refined edible oils
Soybean Oil	45	45	45
Palmolein	300	80	90
Palm Oil	300	80	90
Groundnut Oil	300	85	85
Sunflower/Safflower Oil	300	75	85
Coconut Oil	300	85	85
Rapeseed/Mustard Oil	75	75	75
Other Oils	120/300	85	85
Vanaspati			30

9. There are tariff rate quotas (TRQs) for sunflower/safflower oil and rapeseed/mustard oil. By Notification No. 21/2002-Customs dated March 1, 2002, apart from import of skimmed and whole milk powder, milk food for babies etc. and maize (corn), import of crude sunflower seed or safflower oil or fractions thereof (1512.11), and of refined rape, colza or mustard oil, other (1514.19 or 1514.99) up to a maximum quantity of 150,000 tonnes each at concessional duty rates of 50 per cent and 45 per cent, respectively, are allowed in a financial year.

10. *The three major problems with the edible oil import duty structure are: an inverted duty structure in the case of vanaspati, a wide dispersion of rates across various edible oils, and lack of stability in duty structure with frequent changes in duties. First, there is some evidence of an inverted duty structure, with inputs attracting a higher rate of customs duty than the refined edible oil or vanaspati and resulting in negative protection for industry. This is most evident in the case of vanaspati where the finished product, namely hydrogenated vegetable oil, attracts a basic customs duty rate of only 30 per cent, while the inputs, namely crude or refined oils attract far higher duty rates of between 45 per cent and 90 per cent. This has resulted in a negative protection to the domestic vanaspati industry.*

11. *Second, given the considerable scope of substitutability among various oils on the demand side with the growing popularity of refined oil, efficiency of resource allocation requires that there should be minimum differentiation in the customs duties levied on various edible oils. Preferably, there should be a uniform rate. There is no compelling reason as to why particular oil should be favoured or discouraged relative to another by imposing differential rates. Presently, with soybean WTO-bound at 45 per cent, the basic duty on groundnut and coconut is almost 90 per cent higher than the basic duty on soybean.*

12. *Third, there should be a fair amount of stability in rates. In eleven years since the liberalization of edible oil imports in 1994, there have been eleven changes in the duty rates on palm oil alone! Frequent changes in the tariff rates since 1994 has created uncertainty for farmers in their allocation of land for oilseeds cultivation.*

**Table 3: Tariff values**

(US\$ per tonne)

Notification No.& date	Crude Palm Oil	RBD Palm Oil	Crude Palmolein	RBD Palmolein	Crude Soyabean Oil	Others, Palm Oil
No.36/2001 Dated August 3, 2001	337	351	-	372	-	-
No.73/2004 Dated May 31, 2004	504	543	532	552	628	523
No.105/2004 Dated September 15, 2004	454	489	479	497	565	471
No.12/2005 Dated February 15, 2005	400	415	412	425	-	410
20/205-Cus (N.T.) dated 01.03.2005	400	415	412	425	485	410
22/2005-Cus (N.T.) dated 14.03.2005	400	415	412	425	535	410
26/2005-Cus (N.T.) dated 31-03-2005	423	429	432	438	558	426
70/2005-Cus (N.T.) dated 29.07.2005	423	429	432	438	558	426
76/2005 dated 31.08.2005	423	429	426	432	438	435
79/2005 dated 16.09.2005	397	418	414	427	506	408
89/2005 dated 30-09-2005	402	420	418	430	508	411
94/2005 dated 15.10.2005	426	436	438	447	518	431
98/2005 dated 31-10-2005	434	439	443	449	513	437
100/2005 dated 16-11-2005	433	435	440	445	510	434
01/2006 Dated 02-01-2006	417	432	418	421	497	420

Source: Department of Revenue

13. In order to check the instances of under-invoicing of edible oil imports, with effect from August 3, 2001 (No. 36/2001-Cus. (N.T.)), the Government started the practice of fixing tariff values on import of certain edible oils followed by revisions from time to time in accordance with the variation in the international prices of such oils (Table 3). While it was adjusted in line with international prices between August 2001 and October 29, 2003, for a period of almost twelve months ending in September 15, 2004, the tariff value was left unchanged while international prices fell resulting in additional protection to the domestic oil sector. Not changing the tariff value in line with international prices or changing it after a delay create distortion in resource allocation, undue revenue gains or losses and opportunities for rent-seeking. Tariff value should be changed on a regular basis and the formula, including the relevance of the market from which the quotation is taken and the appropriate freight, reviewed at regular intervals.

#### Production of oilseeds and edible oils

14. Oilseeds production gained momentum with improving yields with the launching of the Technology Mission on Oilseeds by the Government in 1986. Production increased from 108.3 lakh tonnes in 1986 to 247.5 lakh tonnes in 1998-99 (Table 4). Oilseeds production was depressed between 1999-2000 and 2002-03 (a year with an unfavourable monsoon). After a low of 148.4 lakh tonnes in 2002-03, however, production bounced back to 252.9 lakh tonnes in 2003-04. The Agriculture Ministry, in its 4th advance estimates released on July 6, 2005, has projected oilseeds production for the current year (2005-06) at 265.8 lakh tonnes.

**Table 4. All-India Area (including coverage under irrigation, Production and Yield of Nine Oilseeds from 1989-90 to 2003-04**

Year	Area	Production	Yield	Irrigation Coverage
	(Million Hectares)	(Million Tonnes)	(Kg/Hectare)	(in per cent)
1986-87	18.63	11.27	605	17.9
1987-88	20.13	12.65	629	20.6
1988-89	21.90	18.03	824	22.3
1989-90	22.80	16.92	742	22.1
1990-91	24.15	18.61	771	22.9
1991-92	25.89	18.60	719	25.5
1992-93	25.24	20.11	797	24.1
1993-94	26.90	21.50	799	22.8
1994-95	25.30	21.34	843	25.0
1995-96	25.96	22.11	851	26.0
1996-97	26.34	24.38	926	26.3
1997-98	26.12	21.32	816	24.3
1998-99	26.23	24.75	944	23.2
1999-00	24.28	20.72	853	25.2
2000-01	22.77	18.44	810	23.0
2001-02	22.64	20.66	913	NA
2002-03	21.22	14.84	710	NA
2003-04	23.44	25.29	1072	NA
		26.10		
		26.58		

**Note:** The yield rates given above have been worked out on the basis of production & area figures taken in '000 units.

15. The degree of substitutability of one oilseed for another varies considerably on the demand and supply side. With considerable variation in taste as well as flavour, demand for unrefined oil had a regional characteristic in the past. For example, there was a pronounced preference for groundnut oil in the west and mustard oil in the east. The progressive substitution of unrefined by refined oil has led to increasing substitutability among the refined products irrespective of their root oilseeds. Through refining, bleaching and deodourisation, all oils have been rendered colourless, odourless and tasteless, and hence easily interchangeable. Although with a perceived preference of the Indian consumer towards particular root edible oil even in refined oils is inhibiting the growth of blended oils with appropriate disclosures, this inhibition is likely to get diluted over time because of the price incentive.

16. Substitutability of different oilseeds on the supply side, however, continues to be much more limited. For example, acreage suited to the production of say rapeseed may not necessarily be suited for groundnut production. Nevertheless, for an optimal acreage allocation among different agricultural products in general and oilseeds in particular, it is important to have a more or less uniform effective rate of protection for the different edible oils, and a similar rate of protection for different oilseeds.

17. Between 1986-87 and 2003-04, output of edible oils went up by 123 per cent, with an increase in yield per acre of 77.2 per cent and an increase in acreage by 25.8 per cent. Although there has been resurgence in oilseeds production in recent years, acreage under oilseeds has continued to remain below the all-time high of 26.34 million hectares achieved in 1996-97. The coincidence of decreasing acreage under oilseeds with increasing customs duty on crude palm oil – the main edible oil imported by the country – from 16.5 per cent in December 1999 to 80 per cent in 2005 clearly indicates the critical role that factors other than customs duty play in determining edible oils output in the country.

18. *Palm is a plantation crop which requires special support. Only duty protection is not good enough. Palm plantation in Malaysia and Indonesia were promoted by government intervention in the erstwhile rubber plantation and proved to be cost-efficient in the long term. Promotion of oil palm in India would require efforts over and above duty protection.*

19. According to the estimates by the Directorate of Vanaspati, Vegetable Oil and Fats (DVVF), in 2003-04, the net availability of edible oils from domestic production of 80.3 lakh tonnes of oils (edible and non-edible) from both primary and secondary sources was 71.1 lakh tonnes. In 2003-04, the balance of 9.2 lakh tonnes was used for export and industrial use (Table 5). Export of oils was only about 3 lakh tonnes, including nearly one-lakh tonnes of groundnut oil. With production of 19.2 lakh tonnes, groundnut oil was the leading oil produced in the country followed by rapeseed/mustard oil and soybean oil. Although domestic oilseeds production in 2004-05 is estimated to be marginally lower than that in 2003-04, net domestic availability of edible oils in 2004-05 is expected to be of the same order as in the previous year.

**Table 5: Production and net availability of oilseeds and edible oils during 2003-04 and 2004-05**  
**(Lakh tonnes)**

	2003-04		2004-05	
	Oilseed	Oil	Oilseed	Oil
<b>Primary sources</b>				
Groundnut	81.82	18.82	70.24	16.16
Rapeseed & Mustard	61.98	19.21	83.56	25.90
Soyabean	78.63	12.58	75.10	12.02
Sunflower	9.92	3.27	12.24	4.04
Sesame	8.03	2.49	7.11	2.20
Nigerseed	1.11	0.33	1.02	0.31
Safflower	1.28	0.38	1.68	0.50
Castor	8.01	3.20	8.26	3.30
Linseed	2.12	0.64	1.82	0.55
<b>A. Sub Total</b>	<b>252.90</b>	<b>60.94</b>	<b>261.03</b>	<b>64.98</b>
<b>Secondary sources</b>				
Coconut		5.50		5.50
Cottonseed		4.30		4.30
Rice bran		6.00		6.20
Solvent Extracted Oils		3.30		3.70
Tree & Forest Origin		0.80		0.80
<b>B. SubTotal</b>	<b>19.90</b>			<b>20.50</b>
<b>Total (A+B)</b>	<b>80.84</b>			<b>85.48</b>
C. Less export and industrial use		9.20		8.50
<b>D. Net domestic availability</b>		71.64		76.98
<b>E. Shortfall (Imports)</b>		52.90		45.42
<b>F. Actual consumption</b>		124.54		122.40

Source: Fourth Advance Estimate (September 6, 2005), Ministry of Agriculture

#### Consumption of edible oils

20. With population growth and higher per capita incomes, domestic consumption of edible oils has been growing in recent years to reach over 120 lakh tonnes per annum. Nevertheless, per capita annual consumption of edible oils, estimated at 12 kg (Table 6) is much less than the world average of 20 kg and Chinese average of 25 kg. It may be expected that domestic demand for edible oils will continue to increase; and unless the near-stagnancy in domestic output gets corrected, imports will continue to increase. Furthermore, with a progressive shift to refined oil, the substitutability of the different oils on the demand side is likely to increase creating a tendency for convergence among different edible oils corrected for by-products such as oil-meal.

**Table 6: Edible Oils – Balance**

(In lakh tonnes)

Year (November-October)	Oilseeds output	Output of oil equivalent	Imports of oil#	Consumption of oil
1998-99	247.5	69.6	26.2	95.8
1999-2000	207.1	60.1	42.0	102.1
2000-01	184.4	55.0	41.8	96.8
2001-02	206.6	61.5	43.2	104.7
2002-03	150.6	47.3	43.7	90.9
2003-04	**252.9	71.1	52.9	124.0
2004-05*	261.0	77.0	45.4	122.4
2005-06 (Apr. 05-Sept. 05)			21.9	

\* Estimated

\*\*Fourth advance estimates released by the Agriculture Ministry.

# DGCI&S Kolkata, Ministry of Commerce and Industry

### Import of edible oils

21. With domestic production falling short of domestic consumption, India has been a major buyer of edible oils in the world market since the mid-1990s. In terms of the oil-year that starts from November and ends in October, there was a sharp increase in the import of edible oils from 17.5 lakh tonnes in 1996-97 to a peak of 51.1 lakh tonnes in the drought year of 2002-03 (Table 7). With a normal monsoon in 2003-04, while imports of edible oils were restored to a more normal and reduced level, with domestic production failing to keep pace with increasing demand, the underlying pressure on edible oil imports remains.

**Table 7: Import of edible oils 1996-97 to 2004-05**

Oil year (November-October)	Quantity, in lakh tonnes			Share in total imports, in per cent	
	Palm oil	Soft oil	Total	Palm oil	Soft oil
1996-97	12.3	5.2	<b>17.5</b>	70.3	29.7
1997-98	14.7	5.7	<b>20.4</b>	72.1	27.9
1998-99	26.8	15.4	<b>42.2</b>	63.7	36.6
1999-00	30.4	14.5	<b>44.9</b>	67.7	32.3
2000-01	29.5	18.8	<b>48.3</b>	61.1	38.9
2001-02	29.3	14.9	<b>44.2</b>	66.1	33.6
2002-03	38.1	13.0	<b>51.1</b>	74.6	25.4
2003-04	34.1	9.8	<b>43.9</b>	77.5	22.3
2003-04 (Nov 03-Sept.'04)	30.82	8.0	<b>38.8</b>	79.4	20.6
2004-05 (Nov 04-Sept.'05)	27.8	18.5	<b>46.3</b>	60.0	40.0

**Source: Solvent Extractors' Association**

22. The Indian import basket of edible oils is dominated by palm oil imported from Malaysia and Indonesia. Soya oil is the second largest component. Amongst other oils, sunflower and rapeseed oil have featured regularly in edible oil imports. There have also been intermittent import of cottonseed, coconut, groundnut, and safflower oils, but even such intermittent imports have constituted an insignificant proportion of total edible oil imports in the relevant year. In 2003-04, palm oil constituted 77 per cent, soya oil 20 per cent, and sunflower oil 2 per cent of total edible oil imports. *The high-degree of substitutability among different edible oils has been manifested in a high cross-price-elasticity among these different oils. Palm, soybean and sunflower oil, which together accounted for less than 4 per cent of the total consumption in the 1970s, have emerged as the major edible oils consumed in the country at present.*

23. Processing of edible oils – from oil seeds or oil palm – consists of crushing and expelling, solvent extraction and refining, if any. While all the three operations can be integrated in a single modern plant, in India, a large part of the oil processing stops short of solvent extraction and refining. For example, the village Ghani is a simple and straightforward oilseed crushing contraption. Solvent extraction consists of chemically extracting residual oil from oilcakes. While solvent-extracted oil has to be refined before consumption, even other oils can be refined for removing colour, odour and taste. An important economic decision in imports relates to the issue of whether to import oilseeds, or crude edible oil, or refined edible oils. Apart from differential import duties on oilseeds, crude oil and refined oil, other factors with a bearing on the decision include phyto-sanitary restrictions, differential freight cost

because of varying volumes per unit of oil extracted, and storage quality of the product.

24. The insufficiency of domestic edible oil production to meet domestic demand has resulted in a snowballing of the import bill of edible oils from Rs. 2,929 crore in 1996-97 to over Rs. 10,000 crore in each of the two years of 2003-04 and 2004-05 (Table 8). This has raised the questions of augmenting domestic supplies of oilseeds through crop diversification away from cereals such as rice and wheat and also of importing crude oil and refining it within the country for capturing a part of the value added.

**Table 8: Import of Edible Oils in India**

Financial Year (April-March)	Quantity (in lakh tonnes)	Value ( in Rs. Crores)
1996-97	14.16	2,929.19
1997-98	12.66	2,764.67
1998-99	26.22	7,588.93
1999-00	41.96	8,046.05
2000-01	41.77	5,976.53
2001-02	43.22	6,464.97
2002-03	43.65	8,744.88
2003-04	52.90	11,683.24
2004-05	45.42	10,755.65

Source: DGC&I, Kolkata/Directorate of Vanaspati, Vegetable Oil and Fats

**Table 9: Crude and Refined Composition of Import of Edible Oils: 1996-97 to 2004-05**

Year (Nov-Oct)	Quantity, in lakh tonnes			Share in total imports, in per cent	
	Crude oil	Refined oil	Total	Crude oil	Refined oil
1996-97	5.2	12.3	<b>17.5</b>	29.71	70.29
1997-98	5.0	15.4	<b>20.4</b>	24.51	75.49
1998-99	13.8	28.3	<b>42.1</b>	32.78	67.22
1999-00	22.6	22.4	<b>45.0</b>	50.22	49.78
2000-01	33.1	15.2	<b>48.3</b>	68.53	31.47
2001-02	43.0	1.2	<b>44.2</b>	97.29	2.71
2002-03	47.7	3.5	<b>51.2</b>	93.16	6.84
2003-04	35.8	8.1	<b>43.9</b>	81.55	18.45
2003-04 (Nov-May)	16.8	3.9	<b>20.7</b>	81.16	18.84
2004-05 (Nov-May)	24.6	3.2	<b>27.8</b>	88.49	11.51

Source: Solvent Extractors' Association

25. Edible oil imports, except that of palm and soyabean oil, have been mostly in crude form. During 1996-2000, when import duties for crude and refined palm oils

were uniform (Table 1), the import of refined oils accounted for the lager chunk of palm imports. However, with fixation of differential import duties for crude and refined palm during the 2000s, crude palm import started to dominate the palm import basket. The share of crude oil in total oil import declined from a peak of over 97 per cent in 2001-02 to 81 per cent in 2003-04, when the duty differential between crude and refined palm oil was reduced to 5 per cent from April 2003. With the increase in the duty differential to 10 per cent from July 2004, there was an improvement in the share of crude oil to over 88 per cent in 2004-05.

#### Capacity utilisation of the edible oil industry

26. The edible oil refining industry is only moderately capital intensive, and with low barriers to entry, there has been a considerable build up in domestic refining capacity. At end-January, 2005, total refining capacity at 122 lakh tonnes, together with vanaspati, bakery shortening and margarine capacity of 50 lakh tonnes was in excess of domestic consumption requirement, particularly with part of the demand in terms of unrefined oil (Table 10).

**Table 10: Estimated status of vegetable oil industry**

(As on January 31,2005)

Type of vegetable industry	No. of units	Annual capacity (Lakh MT)	Average capacity utilisation (per cent)
Oilseed crushing units, reserved for the SSI sector	1,50,000 (Approx.)	425 (in terms of Seeds)	10-30
Solvent extraction units	711	313 (in terms of Oil-bearing Material)	31
Refineries attached with vanaspati units	127	51 (in terms of oil)	45
Refineries attached with solvent units	297	36 (in terms of oil)	27
Independent refineries	585	35 (in terms of oil)	36
<b>Total Refineries</b>	<b>1009</b>	<b>122 (in terms of oil)</b>	<b>35</b>
Vanaspati Units	259	50 (in terms of Vanaspati, Backery Shortening and Margarine)	22

Source: Directorate of Vanaspati, Vegetable Oil and Fats

27. There is considerable idle capacity in the edible oil industry. The capacity utilisation of the oilseed crushing units, reserved for the small-scale sector, and numbering about 1,50,000, is only 10-30 per cent. The average capacity utilization of about 700 solvent extraction units, which help in extracting oil from the oil-bearing by-products of the oil crushing units, is only 30 per cent. In addition, there are over 1,000 refineries which help in refining the imported crude oil and oil produced by the solvent extraction units. The average capacity utilization of such refineries is 35 per

cent. There are also 259 units engaged in manufacture of vanaspati with a capacity utilization of 22 per cent.

28. Stiff domestic competition among refiners, particularly with idle capacity, should be expected to ensure a 'normal' refining margin in the domestic industry. However, according to ICRA Information, Grading and Research Service (INGRES), the return on capital employed for major refiners (with turnover above Rs. 100 crore) has been healthy between 15.8 per cent and 17.8 per cent during 2000-01 and 2004-05. This, however, reflects the premium that branded oil commands in the market. It appears that competition in the market has led to healthy pressure on refining margins. A modest duty differential between crude and refined oil imports – particularly in palm oil, the main filler of the gap between domestic consumption and domestic production – can supplement this competitive pressure on refining margins.

#### Domestic and international prices of edible oils

29. International prices of edible oils, after remaining high in 2003, softened in 2004 (Table 10). The softening reflected the expectation of a bumper harvest with the US Department of Agriculture forecasting a record world oilseeds output of 379.1 million tonnes in 2004-05, with a remarkable 43.2 million tonnes increase over 335.9 million tonnes for 2003-04. A significant part of the global production increase was projected to come from soybean. All the three major producers -the US, Brazil and Argentina - were forecast to harvest record soybean crop, with higher acreage induced by attractive prices in the previous year. The record domestic production of oilseeds, combined with softening of international prices of edible oils, had a sobering impact on the domestic prices of edible oils during 2004.

**Table 10: International prices of edible oils**

	Price (in US dollar per tonne) as on				Variation in price to December 5, 2005 in per cent		
	5-Dec-05	5-Nov-05	5-Jun-05	5-Dec-04	One month	Six months	One year
Rapeseed Oil-CIF	645	665	679	741	-3.01	-5.01	-12.96
Soybean Oil	506	521	582	593	-2.88	-13.06	-14.67
RBD Palmolein-	393	410	400	415	-4.15	-1.75	-5.30
Crude Palm Oil-FOB	390	400	383	403	-2.50	1.83	-3.23

Source: Directorate of Vanaspati, Vegetable oil and Fats

30. The decline in domestic edible oil prices was between 5.4 per cent (groundnut) and 35.8 per cent (coconut) in the 12-month period ending in December 5, 2005 (Table 11). Much of this decline was in the first half of this 12-month period. In the six months to December 5, 2005, the declines were modest except in the case of coconut, and confined to soyabean, rice bran and mustard only. But, the tentative signs of firming up in some selective cases in the five months to early-November were reversed in the one month to December 5, 2005 with a resumption of the broad declining trend in prices except for in sesame oil. It appears that the declines in

edible oil prices were higher than the corresponding declines in oilseed prices, with prices of oilseeds even going up in some cases (Table 12). Such differential movements in oil and oilseed prices have squeezed refinery margins and reduced profitability.

**Table 11: Domestic prices of edible oils**

	Price (in Rupees per tonne) as on				Variation in price, in per cent, to December 5, 2005 over		
	5-Dec-05	5-Nov-05	5-Jun-05	5-Dec-04	One month	Six months	One year
Mustard oil	38,000	39,500	38,200	44,500	-3.80	-0.52	-14.61
Groundnut oil	45,800	49,700	45,000	48,400	-7.85	1.78	-5.37
Soyabean oil	35,100	35,200	36,200	38,500	-0.28	-3.04	-8.83
Sunflower oil	39,800	40,500	39,200	48,500	-1.73	1.53	-17.94
Sesame oil	42,500	41,000	39,500	48,000	3.66	7.59	-11.46
Coconut oil	47,500	49,000	57,000	73,950	-3.06	-16.67	-35.77
Vanaspati (15 litre pack)	645	650	645	725	-0.77	0.00	-11.03
Rice Bran oil	31,800	32,500	32,500	36,500	-2.15	-2.15	-12.88

Source: Directorate of Vanaspati, Vegetable oil and Fats

**Table 12: Domestic prices of oil seeds**

	Price (in Rupees per tonne) as on				Variation in price to December 5, 2005 in per cent		
	5-Dec-05	5-Nov-05	5-Jun-05	5-Dec-04	One month	Six months	One year
Mustard oil	16,630	16,450	16,300	18,730	1.09	2.02	-11.21
Groundnut oil (in shell)	19,740	20,350	18,460	19,510	-3.00	6.93	1.18

Source: Directorate of Vanaspati, Vegetable oil and Fats

31. For getting an idea about what the implication for domestic price of a change in the import duty rate is, it is important to compare domestic prices and tariff-adjusted landed prices (CIF) of the different oils. With import-competition, domestic price should be less than or equal to the tariff-adjusted CIF price of imports. If the domestic price is below the tariff-adjusted CIF price of a particular edible oil, then by implication, no imports can take place, and there is scope for some reduction in the tariff rate without any import actually coming in and depressing the domestic price. Such a reduction in duty only serves to signal the Government's resolve to unify rates and keep them at modest levels to increase contestability of markets. Converting the international prices (Tables 10) into rupees per tonne after adjusting for freight and

duties (even at the concessional TRQ rate and without any adjustment for local expenses), for example, the tariff-adjusted import parity price turns out to be as much as 24 per cent higher than the domestic price of rapeseed oil (Table 11). There is some complication though that arises from the volatility of international prices. For example, although tariff-adjusted import parity price of soybean was about 6 per cent higher than the domestic price on December 5, 2005, with a considerable decline in the international price, imported soybean oil has become cheaper and started to determine the domestic price. *It turns out that in groundnut and rapeseed oils, the tariff-adjusted import parity price has been higher than the domestic price for a number of years, while the relativity of the domestic price of soybean vis-à-vis its tariff-adjusted import parity price has depended on international price of soybean itself. The considerably lower duty rate of 45 per cent on soybean oil relative to 80 per cent on crude palm oil has led to import of soybean and not crude palm oil, when soybean prices have been soft but not necessarily cheaper than crude palm oil. This has entailed a national welfare loss because of the lower revenue realization and higher import bill. For example, it is privately profitable to import soybean rather than crude palm oil when the prices per tonne of the two are \$415 and \$380, respectively, and simultaneously suffer a higher foreign exchange outgo of \$35 and also a revenue loss of Rs. 5,357 (at an exchange rate of Rs. 44.79 per US dollar) per tonne.*

32. *There is a need to reduce the dispersion of rates across different edible oils. Given the WTO-bound rate of 45 per cent on soybean oil, convergence requires a downward adjustment of the duty on other edible oils to prevent soybean, even when it is more expensive than some other oils, from becoming the major import to bridge the demand-supply gap in edible oils in the economy. There is need for a slow transition as well as stability in rates. Thus, a possibility is to reduce the applied rates on all oils other than soybean to 65 per cent (Table 14). Given the low value-added in the refining process, a very large nominal duty differential between crude and refined products results in a very high rate of protection and goes against consumer interests. Thus, the nominal duty differential between crude and refined products may be reduced to 7.5 per cent and fixed uniformly at 72.5 per cent for all refined products, except soybean. The logic of harmonisation and of not having an inverted duty structure, argues strongly in favour of increasing the duty rate on vanaspati to 72.5 per cent from the current 30 per cent. For stability of the tax regime, the duty rates should be kept unchanged for a period of five years.*

33. The issue of raising the productivity of edible oilseeds will continue to be critical for the economy. The question of genetically modified (GMO) seeds with higher productivity remains a contentious issue and is beyond the terms of reference of this Committee. However, the Committee noted that remunerative prices accrued to the Indian soya oil processors, who enjoy an advantage in the world trade on soya meals, because of non-GM oilseeds.

#### Import policy on oilseeds

34. Under the current Exim Policy, import of oilseeds is permitted subject to phytosanitary restrictions and an import duty of 30 per cent. However, there is practically no import of oilseeds as with the current international prices, sunflower seeds import is viable at an import duty of only up to 15 per cent, and rapeseed import at an import duty up to 20 per cent. Soybean seed import is not viable even at zero per cent import

duty. It is interesting to note that, in the area of oilseeds, Indian agriculture is most competitive in soybean, a seed with the minimum import duty.

**Table 14: Existing and a possible custom duty structure  
Of oilseeds, edible oils and vanaspati**  
(Per cent)

Item Description	WTO binding	Crude edible oils		Refined edible oils	
		Existing	For consideration	Existing	For consideration
Soyabean Oil	45	45	45	45	45
Rapeseed/Mustard Oil	75	75	65	75	72.5
Palmolein	300	80	65	90	72.5
Palm Oil	300	80	65	90	72.5
Groundnut Oil	300	85	65	85	72.5
Sunflower/Safflower Oil	300	75	65	85	72.5
Coconut Oil	300	85	65	85	72.5
Other Oils	120/300	85	65	85	72.5
Oilseeds		30	30		
Vanaspati		-	-	30	72.5

Import of vanaspati under bilateral treaties from Nepal and from Sri Lanka

35. *The Indo-Nepal Treaty of Trade allows import of edible oils including vanaspati from Nepal on duty-free and license-free basis and without any quantitative restrictions.* The Treaty was further revised in 1996 to completely relax the local content (Nepalese material and Nepalese labour content) at 50 per cent since 1993. Consequently, there was a surge in import of vanaspati from Nepal. On March 2, 2002, the Treaty was modified by incorporating a yearly import limit of 1 lakh tonnes to address the concerns of Indian vanaspati industry.

36. *Under the India-Sri Lanka Free Trade Agreement, which is in force since 30 March 30, 2000, vanaspati can be imported from Sri. Lanka at zero duty without any quantitative restrictions.* Sri Lanka has since informed that they had decided not to grant any new approvals to set up vanaspati units and only ten approvals had been granted with capacity of 25,000 tonnes per annum each. These units will have to only meet the twin criteria of rules of origin (ROO) under the Agreement viz. (a) tariff heading conversion at 4 digit level, and (b) 35 per cent value addition. Once these units under installation are in production, the present import of one lakh tonnes of vanaspati from Sri Lanka will go up to 2.50 lakh tonnes. When this is added to the one lakh tonne duty free import from Nepal, the total duty free import of 3.5 lakh tonnes would constitute 25 per cent of the domestic production of vanaspati in India. The duty differential (import of palm oil in Sri Lanka and Nepal are duty free, while it is 80 per cent in India) for import of palm oil put the domestic industry at a disadvantage. *While voluntary export restraints constitute a way out, their track record internationally has not been very good.* A durable solution lies in convergence of external tariffs in the entire South Asia Free Trade Area (SAFTA) making it a customs union. Until such convergence, given the Indian tradition of

*living by its international contracts, a temporary solution lies in vigorous outward investment by Indian oil refiners in Nepal and Sri Lanka and rigorous enforcement of the rules of origin.*

37. An Inter-ministerial Group consisting of officials from Department of Revenue, Ministry of External Affairs, Department of Commerce and Ministry of Agriculture, under the Chairmanship of Director General of Foreign Trade is believed to have recommended voluntary export restraint of 2.5 lakh tonnes (including bakery shortening and margarine) by Sri Lanka, end-use duty concession on palm oil for domestic vanaspati manufacturers with canalized imports to have a level playing field with Sri Lanka and Nepal.

#### Excise duty on refined edible oils and vanaspati

38. *In the Union Budget 2003-04, an excise duty at the rate of 8 per cent was levied on refined edible oils, vanaspati, bakery shortening and margarine, bearing a brand name and put up in unit containers for retail sale. The excise duty was revised on April 30, 2003 and levied at the rate of Re. 1 per kg for refined edible oils and Rs.1.25 per kg for bakery shortening and vanaspati. Excise duty on margarine was removed. There was a countervailing duty equivalent to the excise duty in the form additional duty of customs of relevant imports. Following the increase in the import duty on crude Palm Oil and RBD Palmolein from 65 per cent to 80 per cent, and that on Refined Palm Oil and RBD Palmolein from 75 per cent to 90 per cent in February 2005, the excise duty on refined edible oil, bakery shortening and vanaspati was removed with effect from March 1, 2005. The issue of excise duty on edible oils is closely related to the issue of excise duty on processed food. Edible oils, particularly of the refined variety, belongs to the non-essential category, and should be reviewed when the issue of excise duty on processed food is decided upon. There is merit in a unified rate for excise duty on branded and non-branded edible oil, as brand loyalties are yet to evolve in the country and such loyalties help in ensuring appropriate standards.*

#### Excise duty exemption for Kutchh region of Gujarat

39. The special economic package for the Kutchh District of Gujarat announced by the Finance Ministry vide Notification No.39/2001-Central Excise dated 31.7.2001 exempt goods produced by new industrial units in Kutchh from payment of excise duty subject to the following conditions:

- (i) The unit must be set up on or after the date of Notification i.e. July 31, 2001, but not later than December 31, 2005, and start commercial production on or before such date;
- (ii) The civil construction work or the installation of plants and machinery should commence on or after July 31, 2001; and
- (iii) Exemption to eligible units available for a period of 5 years from the date of commencement of commercial production.

40. *The excise duty exemptions granted to Kutchh after the earthquake on January 26, 2001 have led to setting up of large refineries for edible with total installed capacity of 22.80 lakh tonnes in Kutchh. While the problem of a non-level playing field for oil refiners in other parts of the country as a result of the excise exemption to*

*Kutchh is a self-limiting problem and will resolve itself by end-2010, in future, there is need for more caution in granting area-based exemptions to excise duties.*

### **III. Recommendations**

41. With the country becoming self-sufficient in food-grains, particularly rice and wheat, there is an added emphasis in recent times on the need for agricultural diversification, including to oilseeds. Higher protection of refined oil encourages domestic refining and meeting of the shortfall in domestic output vis-à-vis demand through utilization of domestic refining capacity. Simultaneously, however, it tends to increase the profit margin of the domestic refining industry. Thus, trade and tariff policies for edible oils and oilseeds have to reconcile interests of four different stakeholders: farmers, consumers, the edible oil industry, and the Government's revenue interests. (para 3)

42. There has been a conscious attempt in recent years to improve price parity of oilseeds (and also of pulses) through increase of Minimum Support Price (MSP) to encourage cultivation of these crops. However, despite such increases, there is a still substantial difference between the productivity per hectare at the current MSP between oilseeds/pulses on the one hand and wheat/rice on the other. At current MSP, per hectare productivity of wheat and rice is almost two to three times the productivity of oilseeds. Given the high differential between the per hectare productivity of oilseeds on the one hand and wheat/rice on the other, price mechanism as the only means of encouraging production of pulses and oilseeds is fraught with severe limitations. Increase in the MSP of oilseeds leads to corresponding increase in the market price of such products, which not only harms the interest of the consumers but also squeezes the margins of edible oils manufacturers. Substantial increase in MSP of oilseeds runs the risk of resulting in increased import of comparatively cheaper oilseeds/edible oils from abroad, and putting tremendous pressure on the Government procurement mechanism with subsidy implication. What is needed is a concerted attempt to increase the productivity of such crops. (para 6)

43. Palm is a plantation crop which requires special support. Only duty protection is not good enough. Palm plantation in Malaysia and Indonesia were promoted by government intervention in the erstwhile rubber plantation and proved to be cost-efficient in the long term. Promotion of oil palm in India would require efforts over and above duty protection (para 18).

44. Three major problems with the current import duty structure are: an inverted duty structure in the case of vanaspati, a wide dispersion of rates across various edible oils, and lack of stability in duty structure with frequent changes in duties. First, with inputs attracting a higher rate of customs duty than the refined edible oil or vanaspati, there may be negative protection for some segments of the industry. This is most evident in the case of vanaspati where the finished product, namely hydrogenated vegetable oil, attracts a basic customs duty rate of only 30 per cent, while the inputs of crude or refined oils attract higher rates between 45 per cent and 90 per cent. This has resulted in a negative protection to the domestic vanaspati industry. (para 10)

45. Second, given the considerable scope of substitutability among various oils on the demand side with the growing popularity of refined oil, efficiency of resource allocation requires that there should be minimum differentiation in the customs duties levied on various edible oils. Preferably, there should be a uniform rate. There is no compelling reason as to why particular oil should be favoured or discouraged relative to another by imposing differential rates. Presently, with soybean WTO-bound at 45

per cent, the basic duty on groundnut and coconut is almost 90 per cent higher than the basic duty on soybean. (para 11)

46. Third, there should be a fair amount of stability in rates. In eleven years since the liberalization of edible oil imports in 1994, there have been eleven changes in the duty rates on palm oil alone! Frequent changes in the tariff rates since 1994 has created uncertainty for farmers in their allocation of land for oilseeds cultivation. (para 12)

47. It turns out that in groundnut and rapeseed oils, the tariff-adjusted import parity price has been higher than the domestic price for a number of years, while the relativity of the domestic price of soybean vis-à-vis its tariff-adjusted import parity price has depended on international price of soybean itself. The considerably lower duty rate of 45 per cent on soybean oil relative to 80 per cent on crude palm oil has led to import of soybean and not crude palm oil, when soybean prices have been soft but not necessarily cheaper than crude palm oil. This has entailed a national welfare loss because of the lower revenue realization and higher import bill. For example, it is privately profitable to import soybean rather than crude palm oil when the prices per tonne of the two are \$415 and \$380, respectively, and simultaneously suffer a higher foreign exchange outgo of \$35 and also a revenue loss of Rs. 5,357 (at an exchange rate of Rs. 44.79 per US dollar) per tonne. (para 30)

**Table 15: Existing and recommended custom duty structure of oilseeds, edible oils and vanaspati**

Item Description	WTO binding	Crude edible oils		Refined edible oils		(Per cent)
		Existing	For consideration	Existing	For consideration	
Soyabean Oil	45	45	45	45	45	
Rapeseed/Mustard Oil	75	75	65	75	72.5	
Palmolein	300	80	65	90	72.5	
Palm Oil	300	80	65	90	72.5	
Groundnut Oil	300	85	65	85	72.5	
Sunflower/Safflower Oil	300	75	65	85	72.5	
Coconut Oil	300	85	65	85	72.5	
Other Oils	120/300	85	65	85	72.5	
Oilseeds		30	30			
Vanaspati		-	-	30	72.5	

48. There is a need to reduce the dispersion of rates across different edible oils. Given the WTO-bound rate of 45 per cent on soybean oil, convergence requires a downward adjustment of the duty on other edible oils to prevent soybean, even when it is more expensive than some other oils, from becoming the major import to bridge the demand-supply gap in edible oils in the economy. There is need for a slow transition as well as stability in rates. Thus, the Committee recommends a reduction in the applied rates on all oils other than soybean to 65 per cent (Table 15). Given the low value-added in the refining process, a very large nominal duty differential between crude and refined products results in a very high rate of protection and goes against consumer interests. Thus, the nominal duty differential between crude and

refined products may be reduced to 7.5 per cent and fixed uniformly at 72.5 per cent for all refined products, except soybean. The logic of harmonisation and of not having an inverted duty structure, argues strongly in favour of increasing the duty rate on vanaspati to 72.5 per cent from the current 30 per cent. For stability of the tax regime, the duty rates should be kept unchanged for a period of five years. (para 31)

49. In order to check the instances of under-invoicing of edible oil imports, with effect from August 3, 2001 (No. 36/2001-Cus. (N.T.)), the Government started the practice of fixing tariff values on import of certain edible oils followed by revisions from time to time in accordance with the variation in the international prices of such oils. While it was adjusted in line with international prices between August 2001 and October 29, 2003, for a period of almost twelve months ending in September 15, 2004, the tariff value was left unchanged while international prices fell resulting in additional protection to the domestic oil sector. Not changing the tariff value in line with international prices or changing it after a delay create distortion in resource allocation, undue revenue gains or losses and opportunities for rent-seeking. Tariff value should be changed on a regular basis and the formula, including the relevance of the market from which the quotation is taken and the appropriate freight, reviewed at regular intervals. (para 13)

50. The Indo-Nepal Treaty of Trade allows import of edible oils including vanaspati from Nepal on duty-free and license-free basis and without any quantitative restrictions. (para 35). Under the India-Sri Lanka Free Trade Agreement, which is in force since 30 March 30, 2000, vanaspati can be imported from Sri. Lanka at zero duty without any quantitative restrictions. While voluntary export restraints constitute a way out, their track record internationally has not been very good. A durable solution lies in convergence of external tariffs in the entire South Asia Free Trade Area (SAFTA) making it a customs union. Until such convergence, given the Indian tradition of living by its international contracts, a temporary solution lies in vigorous outward investment by Indian oil refiners in Nepal and Sri Lanka and rigorous enforcement of the rules of origin. (para 36)

51. In the Union Budget 2003-04, an excise duty at the rate of 8 per cent was levied on refined edible oils, vanaspati, bakery shortening and margarine, bearing a brand name and put up in unit containers for retail sale. The excise duty was revised on April 30, 2003 and levied at the rate of Re. 1 per kg for refined edible oils and Rs.1.25 per kg for bakery shortening and vanaspati. Excise duty on margarine was removed. Following the increase in the import duty on crude Palm Oil and RBD Palmolein from 65 per cent to 80 per cent, and that on Refined Palm Oil and RBD Palmolein from 75 per cent to 90 per cent in February 2005, the excise duty on refined edible oil, bakery shortening and vanaspati was removed with effect from March 1, 2005. The issue of excise duty on edible oils is closely related to the issue of excise duty on processed food. Edible oils, particularly of the refined variety, belongs to the non-essential category, and should be reviewed when the issue of excise duty on processed food is decided upon. There is merit in a unified rate for excise duty on branded and non-branded edible oil, as brand loyalties are yet to evolve in the country and such loyalties help in ensuring appropriate standards.(para 38)

52. The excise duty exemptions granted to Kutchh after the earthquake on January 26, 2001 have led to setting up of large refineries for edible with total installed

capacity of 22.80 lakh tonnes in Kutchh. While the problem of a non-level playing field for oil refiners in other parts of the country as a result of the excise exemption to Kutchh is a self-limiting problem and will resolve itself by end-2010, in future, there is need for more caution in granting area-based exemptions to excise duties.

(Gautam Ray)

(Paul Joseph)

(S.L.Bhatt)

(Karnail Singh)

(Ajoy Kumar)

(Rahul Khullar)

(Ashok K. Lahiri)

**Note of dissent by the representative of Department of Agriculture & Cooperation**

The Committee of Secretaries (CoS) in its meeting held under the Chairmanship of Cabinet Secretary, on October 21<sup>st</sup>, 2004, while reviewing the prices of essential commodities, directed that a Committee be set up under the Chairmanship of Chief Economic Advisor, Ministry of Finance, to examine the customs and excise duty structure of edible oils, oilseeds and metal scrap and suggest rationalization of duties on these items for containing the raising trends in their prices. The Committee is headed by Chief Economic Advisor, Ministry of Finance and includes representatives of the Ministries of Agriculture, Finance, Consumer Affairs, Food & PD, Commerce & Industry & Steel. The Committee's draft recommendations have been examined in the Department of Agriculture & Cooperation. The DAC is not in agreement with recommendations regarding reduction in the import duty on crude palm oil from the present 80% to 65% and on refined oils from 90% to 72.5%. The DAC views have been communicated vide DO No.15030/10/2004-Trade. The views of DAC were also conveyed by Joint Secretary(Crops) to the Committee in its meeting held on 13.01.2006. DAC has further considered the draft recommendations and reiterates its opposition to the recommendations regarding reduction of import duty on crude palm oil and refined oils.

The recommendations made by the Committee to reduce import duty on crude palm oil from the present 80% to 65% and on refined palm oil from 90% to 72.5% will have far-reaching and adverse consequences for the oilseeds sector in India, especially in view of the fact that international as well as domestic prices of edible oils, at the moment are at a low level and the country is expecting a record production (26.5 million tonnes) of oilseeds this year. The following facts are placed before the Committee in support of the afore-mentioned position of the Department:-

i. Oilseeds are grown mainly on marginal or sub-marginal lands under low input usage. Less than 25% of the area under oilseeds is irrigated, exposing most oilseeds production to weather related yield risks. Consequently, oilseed production in India is characterized by fluctuating production and low yields. Since most of rice and wheat cultivation takes place in the fertile lands of the country and under irrigated conditions with optimum inputs management, the productivity per hectare at the current MSP of these crops cannot be compared with the oilseeds. Also it needs to be taken into consideration that per hectare yield of oilseeds has gone up from 570 kg./ha. in 1985-86 to 1072 kg./ha. in 2003-04 because of various programmes launched to enhance the productivity of oilseeds. There is still a scope for enhancing the productivity further. The conditions in which oilseeds are grown are different from those of rice-wheat cropping systems. Therefore, comparisons are unfair.

ii Intensive rice and wheat based cropping systems have so far exploited the natural resources to the maximum extent in the country and even caused serious damage to the soils. There is an urgent need for diversification in existing cropping systems such as rice-rice, rice-wheat and sugarcane with less water and other inputs demanding crops, such as oilseed crops to stop over-exploitation of natural resources and maintain sustainability of our production systems. Therefore, promotion of oilseeds in the country is required for improvement of soil health and to make agriculture sustainable.

iii. Earlier, domestic price support polices tended to favour the production of crops like rice and wheat. This resulted in neglect of oilseeds production and comparatively lower yields. However, during last two decades, oilseeds scenario in the country has undergone a sea change. India registered remarkable achievement with the launching of Technology Mission on Oilseeds in 1986 and achieved near self-sufficiency in oilseeds production during the early 1990s. During this period, MSPs for grains were kept in check relative to oilseeds and the government monopoly over imports dramatically lowered oil imports. This contributed to an improvement in oilseeds prices relative to competing crops and to a 70 per cent increase in oilseeds production between 1987-88 (14 million tonnes) and 1994-95 (24 million tonnes). The oilseeds area increased from 19 million ha (1985-86) to 26 million ha (1996-97), registering an increase of 36%. Similarly, productivity of all the annual oilseeds crops on an average, increased from 570 to 926 kg/ha, an increase of 62% during this period. Thus, during the post TMO period, oilseeds have recorded a growth, which was not matched by any other crop. However, beginning in the late 1990s, oilseeds prices have declined relative to other crops, initially in response to the increase in domestic oilseed supplies and subsequently due to liberalization of edible oil imports under OGL and substantial reduction in the import duty from 1994 onwards. As a consequence of this, there has been sudden spurt in the import of edible oils after 1998-99. The large-scale import of oils especially of CPO/RBD Palmolein adversely affected the domestic prices of oilseeds. It resulted in fall in the domestic prices of almost all oilseeds below MSP continuously for five years which forced Government to undertake massive procurement of oilseeds through NAFED under PSS in these years. The steep fall in the domestic prices of edible oils led to drastic reduction in area coverage under oilseeds and the production fell as low as 15.06 million tonnes in the year 2002-03, the lowest since 1988-89. The table and the graph at the annexure will show the strong correlation between the import duty and the self sufficiency. During 1990-94, the country was self-sufficient to the extent of 95-97% which gradually got eroded to 55% in 2000-01, largely due to reduction in duty from 200% to 65% in 1992-93, to 30% in 1995-96, to 25% in 1996-97 and to 15% in 1998-99. However, the upward revision of import duty on crude and refined oils in April 2001 coupled with the concerted efforts under the Technology Mission on oilseeds and pulses, besides increasing Minimum Support Price for oilseeds, helped in reversing the trend with oilseeds registering a record production of 25.143 million tonnes during 2003-04. Therefore, providing policy back-up to support diversification to oilseeds through effective input and price support and import interventions is indispensable to maintain remunerative market price for domestic oilseeds and to increase the domestic production of edible oils to meet the growing demand for edible oils in the country.

iv. Oil Palm is the highest edible oil-yielding crop, capable of producing 3 to 5 tonnes of oil per ha per annum in the country. About 8 lakh ha area have been identified in the country as suitable for cultivation of oil palm. Of the 62,600 ha of oil plantations raised in the country until the end of IX plan, more than 20,000 ha of plantations were uprooted, as farmers did not get remunerative prices for FFB owing to unbridled imports of cheap edible oils in the country under OGL and subsequent lowering of import duty on edible oils. With the implementation of restructured Integrated scheme of oilseeds, pulses, oil palm and maize (ISOPOM), efforts to promote oil palm cultivation in the country has gathered momentum with major oil palm producing States viz. Andhra Pradesh, Karnataka, Tamil Nadu etc. going in a

big way to bring more area under oil palm cultivation. It is feared that any further lowering of import duty on edible oils, at this stage would adversely impact the momentum gained in the implementation of oil palm development programme in the country.

v. National Centre for Agricultural Economics and Policy Research, New Delhi, in its study on exploring possibilities of achieving 4% growth rate in Indian Agriculture has concluded as follows :

“Liberalization of oilseeds sector under WTO allowed imports of oilseeds and edible oils at low tariff rates and in unrestricted quantities. More dependence on international market for large quantity of oils/oilseeds would be risky if production of some major exporting country falls and demand in some major importing countries may go up. In the post WTO scenario, the farming community with marginal lands in the rainfed areas growing oilseeds need to be supported by market interventions of higher MSP and also shielded from the onslaught of falling domestic prices of oilseeds owing to unbridled imports of cheap edible oils by keeping reasonably high tariff duties”.

vi. The context in which the committee was constituted has since changed. At that time, there apparently was an increasing trend in the domestic prices of edible oils. In this context, the data presented at Table No.11 of the report may please be referred. The last one year has seen the prices of all edible oils coming down substantially. The prices of edible oils on December 5, 2005 as compared to one year earlier, i.e., December 5, 2004 were considerably lower. Price of mustard oil was lower by 14.6% of sunflower oil by 17.9% of coconut oil by 35.7% and of vanaspati by more than 11%. When the prices of edible oils have seen such a decline in the domestic market, the logic behind recommending a lower rate of duty on import of edible oils is completely out of step, and in fact retrograde.

vii. The terms of Trade have been moving against oilseed sector as the product prices have not increased in proportion to cost of inputs. The unfavourable movement in prices causes a lot of distress among the oilseed farmers particularly in the rainfed areas of the country. The WPI of edible oils which was at 111 in 1994-95 rose to only 158 by 2003-04 whereas the index of primary products rose from 116 to 182 during the same period. WPI of all commodities also increased from 112 to 175 in this period. The data clearly indicates that there is no increase in prices of edible oils to the detriment of the consumer:-

#### **Wholesale Price Index: Average of Weeks: Base – 1993-94**

Year	Edible Oils	Primary Products	All Commodities
1994-95	111	116	112.6
2003-04	158	182	175.9

viii. Oilseeds are grown in approximately in 23.75 million ha. in the country. More than 50 million people are dependent on oilseed cultivation for their livelihood. Oilseeds are mainly grown under rainfed conditions and less than 25% of the area covered under oilseed crops is under irrigation. Thus, farmers in these areas will be unable to cope with any changes in the cropping pattern. The climatic and soil conditions dictate the cropping pattern in many of the areas in this country. The

Committee in the report at Para 16 recognizes this fact by acknowledging that substitutability of different oilseeds on supply side continues to be limited. In such a situation, there is no option before the Government but to protect the producers in these areas through instruments of market intervention, such as increase in tariff and operation of MSP.

ix. The Committee also notes the increasing trend of substitutability of the different oils on the demand side. This fact is also acknowledged in the report at table-6. The share of imported oil has grown from less than 28% in 1998-99 to more than 43% in 2003-04. Bulk of the imports is of palm oil and soybean oil. They have substituted the domestically produced oils such as mustard, groundnut and coconut oil.

x. Import of oils has led to depression in the domestic prices of oilseeds. This depression has forced Government to undertake procurement operation for various oilseeds continuously since 1999-2000. This year, the Government has procured more than 20.93 lakh tonnes of mustard because of the low prices prevailing in the market. The Government is expected to incur an expenditure of more than Rs.1300 crores to Rs.1400 crores. The fresh crop of mustard to be harvested in Feb,2006 is expected to be a good crop. Any further lowering of the duties will further reduce the prices and force the Government to undertake procurement operations.

xi. It has been argued in the draft report that there should be a uniform rate of import duty on the various edible oils and that 45% being the duty on soyabean oil which is the bound-rate there is a case of significant reduction in the duty on palm oil. It should be noted in this context that we are a minor producer of palm oil, the present level of production being less than 1 lakh tonne, although it is set to rise given our contemplated thrust on oil palm. Palm oil and soyabean being the cheapest, their consumption are increasing rapidly gradually substituting other oilseed crops. As per the long-term trend during 30 years period covering 1972-2001, consumption of palm oil has increased to 38% of total edible oil consumed from almost zero level while rapeseed/mustard has decreased from 28% to 13% and groundnut from 58% to 14%. Differential in import duty is, therefore, required to be maintained so as to avoid the adverse impact on domestic farmers. Fixation of the bound rate of 45% on soyabean was a mistake. But there is no way-out now for soyabean, we must use the maneuverability available for palm oil on which the bound rate is 300%. In fact, there is a case for raising the duty on palm oil rather than decreasing it.

xii. Presently, the import composition of the soyabean and palm oil vary between 20-40% and 80-60% respectively. Duty structure proposed in the draft report will lead to import of palm oil being more profitable, which in turn, will adversely hit domestic production of even soybean.

xiii. There is a need for a coherence, stability and equilibrium of policy between levels of MSP for oilseeds and the consequent level of import duties on various edible oils. If this coherence and equilibrium are not maintained, it will lead to the situation the Government is facing now in case of mustard seed procurement and expected expenses to be incurred on such an operation. If the duty structure is not designed appropriately, the situation faced by the Government this year will tend to repeat itself time and again.

xiv. So far as soybean is concerned, it needs to be noted that all the major producers of soybean in the world, i.e., USA, Brazil and Argentina have permitted cultivation of GM soybean. The productivity of GM soybean is higher than that of non-GM soybean produced in India, which explains higher cost of cultivation of Indian soybean. There is need, till the time we also permit cultivation of GM soybean, to protect Indian producers against the low price of import soybean from GM soybean.

xv. The producers of mustard and soybean receive huge amount of subsidies in US and EU. To counter these subsidies, the only mechanism available to country such as India is tariff. We may impose tariff in a manner that these subsidies are countervailed effectively, as our bound rates of duty on group of palm oil is 300%.

xvi. So far as the operation of tariff values on import of palm oil and soybean oil is concerned, as we understand it, these values are a reflection of the international prices of relevant oils in major international markets. Thus, if the world prices are lower, largely on account of high subsidization (as they are now) the tariff values are also bound to be low which, when combined with lower import duties, the impact on the domestic prices of cheaper imports will be much more drastic and, in fact, wipe out our indigenous oilseed sector.

xvii. Import of duty free vanaspati under the Free Trade Arrangements with Nepal and Sri Lanka also has had its impact on the domestic edible oil prices and the capacity utilization of domestic vanaspati manufacturing units. This Department notes with concern the suggestions made by the Committee regarding outward investments in oil processing sector by Indian industry. This will imply utilization of imported edible oil more and more in manufacture of vanaspati along with creation of income and employment outside India, in a sector where it could have been very much done within the country. In fact, this Department is of the opinion that the mandatory requirement of usage of indigenous oil in manufacture of vanaspati may be increased from present 12% levels to a higher level of 25%.

**xviii. In view of the above, this Department is of the firm view that any lowering of import duties on edible oils at this juncture will have adverse consequences for the oilseeds farmers as well as the government revenues in terms of revenue loss and additional expenditure on consequent procurement operations. Also that in the case of India, there is hardly a clear divide between consumer and producer, wherein 57 to 60% of the population are engaged in agriculture – thus qualifying both as consumer and producer. In fact there is a need for an upward revision of duties on edible oils, particularly palm oil, at the moment.** We have no objection to the raising of duty on vanaspati from 30% to 72.5%. In our Budget recommendations, we have suggested that the import duty on vanaspati may be raised from 30% to 90%.

It has been sufficiently brought out that continued support for oilseeds sector is indispensable for ensuring the income of farmers from marginal & sub-marginal lands, generating employment in rural areas, crop diversification, improved cropping intensity and restoration of soil health.

**Constitution of the Committee in November 2004**

**No.F.16 (32)-Ec.Dn. /2004**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**Economic Division**

New Delhi, the 29<sup>th</sup> November 2004.

**OFFICE ORDER**

**Subject: - Constitution of a Committee on rationalisation of excise and customs duties on edible oils, oilseeds and metal scrap.**

As per the decision of the CoS in its meeting held on 21.10.2004 under the Chairmanship of the Cabinet Secretary, a Committee on rationalisation of the excise and custom duties on edible oils, oilseeds and metal scrap has been constituted under the Chairmanship of Chief Economic Adviser, Ministry of Finance. The composition of the Committee is as follows:

1.	<b>Dr. Ashok Lahiri,</b> Chief Economic Adviser, Ministry of Finance.	-	<b>Chairman</b>
2.	<b>Shri Gautam Ray,</b> Joint Secretary (TRU), Department of Revenue, Ministry of Finance.	-	Member
3.	<b>Shri D.K.Mukhopadhyay,</b> Economic Adviser, Ministry of Consumer Affairs, Food & PD.	-	Member
4.	<b>Shri J.P.Meena,</b> Joint Secretary (Crops), Ministry of Agriculture.	-	Member
5.	<b>Shri Karnail Singh,</b> Joint Secretary (Edible Oil), Ministry of Consumer Affairs, Food & P.D.	-	Member
6.	<b>Shri J.P.Singh,</b> Joint Secretary, Ministry of Steel.	-	Member
7.	<b>Shri Rahul Khullar,</b> Joint Secretary, Ministry of Commerce & Industry.	-	Member
8.	<b>Shri S.Sahu,</b> Addl.Economic Adviser, Ministry of Finance.	-	Convenor

2. The terms of reference of the Committee are as follows:
  - To examine the trend and developments relating to supply, demand and prices of edible oils, oilseed, metal scrap.
  - To suggest rationalization of the excise and custom duties on these items.
3. The Committee may co-opt other officials as special invitees.
4. The Committee will submit its report within a period of six weeks from the date of its notification.

S/d  
**(S.Sahu)**  
Addl.Economic Adviser

To

1. Dr. Ashok Lahiri, Chief Economic Adviser, Ministry of Finance.
2. Shri J.P.Meena, Joint Secretary (Crops), Ministry of Agriculture, Room No.242-A, Krishi Bhavan, New Delhi.
3. Shri Gautam Ray, Joint Secretary (TRU), Department of Revenue, Room No. 146-1, North Block, New Delhi.
4. Shri Karnail Singh, JS (Edible Oil), Ministry of Consumer Affairs, Food & P.D., Room No.175, Krishi Bhavan, New Delhi.
5. Shri J.P.Singh, Joint Secretary, Ministry of Steel, Room No. 190, Udyog Bhavan, New Delhi.
6. Shri Rahul Khullar, Joint Secretary, Deptt.of Commerce, Room No.249, Udyog Bhavan, New Delhi.
7. Shri D.K.Mukhopadhyay, Economic Adviser, Deptt.of Consumer Affairs, Room No.305, A-Wing, Shastri Bhavan, New Delhi.

Copy for information to:

Cabinet Secretary/Secy (Economic Affairs)/Secy (Revenue)/Secy (Department of Consumer Affairs) with reference to Deptt.of Consumer Affairs D.O. No. 6 (5)/2004 - ER dated Nov 4, 2004.

*Copy to:* Dr.R.A.Khan, Chief Director & Edible Oil Commissioner, Directorate of Vanaspati, Vegetable Oils & Fats, Block No.2, CGO Complex, 5<sup>th</sup> Floor, Lodhi Road, New Delhi-110003.

**Reconstitution of the Committee in December 2005**

**No.F.16 (32)-Ec.Dn. /2004**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**Economic Division**

New Delhi, the 28<sup>th</sup> December, 2005

**OFFICE ORDER**

**Subject:-Re-constitution of the Committee on rationalisation of excise and customs duties on edible oils, oilseeds and metal scrap.**

As per the decision of the CoS in its meeting held on 21.10.2004 under the Chairmanship of the Cabinet Secretary, a Committee on rationalisation of the excise and custom duties on edible oils, oilseeds and metal scrap was constituted under the Chairmanship of Chief Economic Adviser, Ministry of Finance (vide Department of Economic Affairs, Economic Division Office Order No F.16(32)-Ec.Dn./2004 dated 29<sup>th</sup> November, 2004). In view of the transfer/retirement of some of the members, the Committee is re-constituted with composition as follows:

1.	<b>Dr. Ashok Lahiri,</b> Chief Economic Adviser, Ministry of Finance.	-	<b>Chairman</b>
2.	<b>Shri Gautam Ray,</b> Joint Secretary (TRU), Department of Revenue, Ministry of Finance.	-	<b>Member</b>
3.	<b>Shri Paul Joseph,</b> Economic Adviser, Ministry of Consumer Affairs, Food & PD.	-	<b>Member</b>
4.	<b>Shri S. L. Bhatt,</b> Joint Secretary (Crops), Ministry of Agriculture.	-	<b>Member</b>
5.	<b>Shri Karnail Singh,</b> Joint Secretary (Edible Oil), Ministry of Consumer Affairs, Food & P.D.	-	<b>Member</b>
6.	<b>Shri J.P.Singh,</b> Joint Secretary, Ministry of Steel.	-	<b>Member</b>
7.	<b>Shri Rahul Khullar,</b> Joint Secretary, Ministry of Commerce & Industry.	-	<b>Member</b>
8.	<b>Shri Augustine Peter,</b> Addl.Economic Adviser, Ministry of Finance.	-	<b>Convenor</b>

5. The terms of reference of the Committee are as follows
  - To examine the trend and developments relating to supply, demand and prices of edible oils, oilseed, metal scrap.
  - To suggest rationalization of the excise and custom duties on these items.
6. The Committee may co-opt other officials as special invitees.
7. The Committee will submit its report within a period of three weeks from the date of its re-constitution.

Sd/-  
**(Augustine Peter)**  
Addl.Economic Adviser

To

3. Dr. Ashok Lahiri, Chief Economic Adviser, Ministry of Finance.
4. Shri S. L.Bhatt, Joint Secretary (Crops), Ministry of Agriculture, Room No.242-A, Krishi Bhavan, New Delhi.
7. Shri Gautam Ray, Joint Secretary (TRU), Department of Revenue, Room No. 146-1, North Block, New Delhi.
8. Shri Karnail Singh, JS (Edible Oil), Ministry of Consumer Affairs, Food & P.D., Room No.175, Krishi Bhavan, New Delhi.
9. Shri J.P.Singh, Joint Secretary, Ministry of Steel, Room No. 190, Udyog Bhavan, New Delhi.
10. Shri Rahul Khullar, Joint Secretary, Deptt.of Commerce, Room No.249, Udyog Bhavan, New Delhi.
7. Shri Paul Joseph, Economic Adviser, Deptt.of Consumer Affairs, Room No.305, A-Wing, Shastri Bhavan, New Delhi.

Copy for information to:

Cabinet Secretary/Secy (Economic Affairs)/Secy (Revenue)/Secy (Department of Consumer Affairs) with reference to Deptt.of Consumer Affairs D.O. No. 6 (5)/2004 - ER dated Nov 4, 2004.

*Copy to:* Shri P.K. Sardar, Chief Director & Edible Oil Commissioner, Directorate of Vanaspati, Vegetable Oils & Fats, Block No.2, CGO Complex, 5<sup>th</sup> Floor, Lodhi Road, New Delhi-110003.

Office Order dated 13<sup>th</sup> January, 2006

MOST IMMEDIATE

**No F.18 (32)/Ec.Dn/2004**  
**Government of India**  
**Department of Economic Affairs**  
**(Economic Division)**

**OFFICE ORDER**

New Delhi, the 13<sup>th</sup> January, 2006

**Subject: Reconstitution of the Committee on rationalization of excise and customs duties on edible oils, oilseeds and metal scrap – replacement of the representative of the Ministry of Steel**

Ministry of Steel *vide* their O.M. No. 8(19)/2004-D.II dated 9<sup>th</sup> January, 2006 have requested that Shri Ajoy Kumar, Joint Secretary, Ministry of Steel, who is now looking after the work which was earlier handled by Shri J.P. Singh, may be replaced as the Member of the above Committee representing the Ministry of Steel. Accordingly Shri Ajoy Kumar will represent the Ministry of Steel in the Committee in place of Shri J.P. Singh.

**Sd/-**  
**(Augustine Peter)**  
**Additional Economic Adviser**

To

1. Dr. Ashok Lahiri, Chief Economic Adviser, Ministry of Finance
2. Shri S.L. Bhatt, Joint Secretary (Crops), Ministry of Agriculture, Room No.242-A, Krishi Bhavan, New Delhi.
3. Shri Gautam Ray, Joint Secretary (TRU), Department of Revenue, Room No.146-1, North Block, New Delhi
4. Shri Karnail Singh, Joint Secretary (Edible Oils), Ministry of Consumer Affairs, Food & PD. Room No.175, Krishi Bhavan, New Delhi.
5. Shri Ajoy Kumar, Joint Secretary, Ministry of Steel, Room No. 295, Udyog Bhavan New Delhi.
6. Shri Rahul Khullar, Joint Secretary, Department of Commerce, Room No.249. Udyog Bhawan, New Delhi.
7. Shri Paul Joseph, Economic Adviser, Department of Consumer Affairs Room No.305, A-Wing, Shastri Bhavan, New Delhi.

***Copy for information to:***

Cabinet Secretary/Secy (Economic Affairs)/Secy (Revenue)/Secretary (Department of Consumer Affairs)

***Copy to:*** Shri P.K. Sardar, Chief Director & Edible Oils Commissioners, Directorate of Vanaspati & Vegetable Oils & Fats, Block No.2, CGO Complex, 5<sup>th</sup> Floor, Lodhi Road, New Delhi-110003.