



## Reduction of Agri-cess for Crude Palm Oil

**For Prelims:** Agricultural Infrastructure Development Cess (AIDC), Crude Palm Oil (CPO), National Edible Oil Mission-Oil Palm (NMEO-OP) scheme, NFSM (National Food Security Mission), Kharif Strategy 2021 for oilseeds.

**For Mains:** Edible Oils Production in India and reason for the low self-sufficiency, Steps taken in this direction.

### Why in News?

The central government has **reduced Agricultural Infrastructure Development Cess (AIDC) for Crude Palm Oil (CPO)** from 7.5% to 5% with effect from 12<sup>th</sup> February, 2022.

### What is Palm Oil?

- Palm oil is currently the **world's most consumed vegetable oil**.
- It is used extensively in the production of detergents, plastics, cosmetics, and biofuels.
- **Top consumers** of the commodity are India, China, and the [European Union \(EU\)](#).

### What is AIDC?

- Cess is a kind of special-purpose tax which is levied over and above basic tax rates.
- The purpose of the new AIDC is to **raise funds to finance spending on developing agriculture infrastructure**.
- The AIDC is **proposed to be used to improve agricultural infrastructure** aimed at not only boosting production but also in helping conserve and process farm output efficiently.

### How will this Step be Beneficial?

- This decision is in view to **provide further relief to consumers** and to **keep in check any further rise in the prices of domestic edible oils** due to rise in the prices of edible oils globally.
  - After reduction of the agri-cess, the **import tax gap between CPO (Crude Palm Oil) and Refined Palm Oil has increased to 8.25%**.
  - The **increase in the gap between the CPO and Refined Palm Oil** will benefit the domestic refining industry to import Crude Oil for refining.

### What other Steps are taken to Check the Prices of Edible Oils?

- **Extended the Current Basic Rate:**
  - The government has **extended the current basic rate of import duty of zero percent**

on Crude Palm Oil, Crude Soyabean oil and Crude Sunflower Oil upto 30<sup>th</sup> September, 2022.

- The rate of import duty on Refined Palm Oils at 12.5%, Refined Soyabean oil and Refined Sunflower Oil at 17.5% will remain in force up to 30<sup>th</sup> September, 2022.
- This measure will **help in cooling down the prices of edible oils** which are witnessing an upward trend in the international market due to lower availability and other international factors.

▪ **Imposed Stock Limit Quantities:**

- The government had earlier **imposed stock limit quantities on edible oils and oilseeds** for a period upto 30<sup>th</sup> June, 2022 under the [Essential Commodities Act, 1955](#) to check hoarding.
  - This measure is **expected to curtail any unfair practices** like hoarding, black marketing etc. of edible oils and oilseeds in the market which may lead to any increase in the prices of edible oils.

▪ **National Edible Oil Mission-Oil Palm (NMEO-OP):**

- In August, 2021, the government has announced the [National Edible Oil Mission-Oil Palm \(NMEO-OP\) scheme](#) for self-reliance in edible oil and involves investment of over Rs. 11,000 crore (over a five year period).

## What about the Edible Oil Economy in India?

- There are two major features, which have significantly contributed to the development of this sector. One was the setting up of the **Technology Mission on Oilseeds in 1986** which was converted into a **National Mission on Oilseeds and Oil Palm (NMOOP) in 2014**.
  - Further it was merged with [NFSM \(National Food Security Mission\)](#).
  - This gave a thrust to **Government's efforts for augmenting the production of oilseeds**.
- The other dominant feature which has had significant impact on the present status of edible oilseeds/oil industry has been the **program of liberalization** under which the Government's economic policy allows greater freedom to the open market and encourages healthy competition and self regulation rather than protection and control.
- The **Yellow Revolution** is one of the color revolutions that was launched to **increase the production of Edible oilseeds** in the country to meet domestic demand.
- The government has also launched the [Kharif Strategy 2021 for oilseeds](#).
  - It will bring an additional 6.37 lakh hectare area under oilseeds and is likely to produce 120.26 lakh quintals of oilseeds and edible oil amounting to 24.36 lakh quintals.
- **Oils Commonly Used in India:** The major edible oils consumed in the country are mustard, soyabean, groundnut, sunflower sesame oil, niger seed, safflower seed, castor, and linseed (primary source) and coconut, palm oil, cottonseed, rice bran, solvent extracted oil, tree and forest origin oil.

## Why is India not Self Sufficient in Edible Oils Production?

- **Micro-irrigation, quality seeds, marketing infrastructure and government policies** are the four main concerns for oil seed and oil producers in India.
- According to the **Ministry of Consumer Affairs, Food, and Public Distribution** the **total domestic demand of edible oils in the country** is approximately **250 lakh metric tonnes per year**.
  - From which around **60% of the edible oils** consumed in the country is met through imports. **Palm oils (crude + refined) import** constitutes around 60% of the total edible oil imported, out of which **54% is imported from Indonesia and Malaysia**.

## Way Forward

- As of now, there is **no comprehensive strategy** when it comes to the production of oil seeds.
  - Farmers cultivate as per the trends in the market rate. But when there is bumper production, the government imports oils and other products which results in a fall in prices.
- It is high time that **the government has a plan in place regarding cultivation, marketing and import-export**.

- The government should approve **Genetically Modified cultivation for oil seeds** to increase production.
- **Policy is the major problem** when it comes to increasing seed oil production. For years, farmers produced groundnuts and sunflowers but with unseasonal rains and pests, they have turned to soya.
- Thus, there must be a **micro-level plan with technological support**. The world has accepted GM oilseed cultivation and now its high time India takes a call on this matter.

**Source: PIB**

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