

POLICY OPTIONS FOR EDIBLE OIL COMPLEX IN INDIA UNDER WTO REGIME

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ABSTRACT

The paper assesses the technology and price policy options for edible oil sector in post-WTO scenario. Among all agricultural commodities, India's edible oil sector is more open to international markets and various policy instruments are used to influence demand and supply conditions. Within edible oil complex, oil cake/meal are highly competitive and edible oils are not competitive. The paper argues that even though in oilseed production India is competitive, due to inefficient processing sector, edible oils are less competitive. Processing sector is dominated by traditional ghanies and expellers with low capacity, low oil recovery and outdated technology. The paper suggests that reducing tariffs on oilseed sector will have negligible effect on trade creation and consumer surplus, while eliminating tariffs on edible oils will increase edible oil imports by 50 per cent over the base scenario of 5 mt in 2007. Increasing efficiency in processing sector through increased capacity utilisation and modernisation of processing sector are important to reduce cost of production of edible oils. There was a need to simplify norms to facilitate upgradation of technology and innovation in processing sector. Providing support for innovation, encouraging the spread of best practice, providing loan guarantees for small firms, and providing subsidies for investment in oilseed production centres to upgradation in ghanies and expellers is essential to make edible oils competitive within edible oil complex internationally and reduce over-dependence on imports of edible oils.

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