

Volatility in Edible Oil Economy

Issues for Self-sufficiency

SANGEETA SHROFF, DEEPAK SHAH, RAMGOPAL KUNDURTHI

The per capita consumption of edible oils in India has increased multifold during the last six decades, buoyed by the increase in population, incomes, and preference for processed foods. The impact of the Technology Mission on Oilseeds launched in 1986 to increase production was short-lived as competitive imports increasingly served domestic requirements post-liberalisation. In the absence of a stable domestic policy, the oilseeds/edible oils sector was excessively dependent on international factors. The disruption of global supply chains due to the pandemic followed by the Russia–Ukraine war exposed the sector's vulnerabilities, highlighting the need for self-sufficiency in edible oils. The analysis of price volatility in the sector reveals the challenges and policies required for achieving such self-reliance.

Edible oils constitute an important component of food expenditure in Indian households. Over the years, rising population, economic growth, standards of living, and preference for processed foods have systematically increased the Indian demand for edible oils. The per capita annual consumption of edible oils has accordingly witnessed sharp increases from a level of about 3.36 kilograms (kg) in the 1970s to 17.1 kg in the 2010s. There has been an almost seven-fold increase in oilseeds production since independence, from 5.16 million tonnes in 1950–51 to 35.95 million tonnes in 2020–21 (GoI 2022a). However, despite the increase in the production of oilseeds, the production of edible oils is nowhere near meeting the continuous growth in per capita consumption. Attempts to increase the production of oilseeds through technology have been short-lived and this area has also ceased to be a source of growth. Hence, the shortfall in consumption of edible oils is met through imports, which constitute more than half of the total availability. However, excessive dependence on imports has brought along certain problems, such as constant changes in tariff policy to satisfy the requirements of various stakeholders having different interests, lack of stable domestic policy, and global supply chain shocks. Such factors have caused considerable volatility in oilseed and edible oil markets. The matter becomes significant as the demand for edible oils is quite inelastic and any increase in price will contribute to inflation.

This paper attempts to study the domestic and global volatility in the oilseed and edible oil sectors and inquires about its reasons. Considering the rising demand for edible oils, and the renewed need for self-sufficiency in the face of supply shortages caused by the COVID-19 pandemic followed by the Russia–Ukraine war, the challenges and the policies required for achieving such self-reliance are also examined.

The data used in the paper has been obtained from secondary sources, namely the Government of India, Agricultural Statistics, Ministry of Commerce and Industry, Office of the Economic Adviser (OEA), Reserve Bank of India's (RBI) "Database on Indian Economy," Food and Agriculture Organization (FAO), and International Monetary Fund (IMF). Expert interviews were also conducted with the president of the Soybean Processors Association of India and two oil processing companies to understand their views on revitalising the oilseed economy. In addition, about 20 farmers in Latur and Nanded districts were also interviewed to understand the problems concerning the soybean crop.

Sangeeta Shroff (sangeetashroff@hotmail.com) is at the Vaikunth Mehta National Institute of Cooperative Management, Pune. Deepak Shah (deepak.shah@gipe.ac.in) and Ramgopal Kundurthi (ramgopal.kundurthi@gmail.com) are at the Gokhale Institute of Politics and Economics, Pune.