

Speech of Smt. Alka Sirohi, Secretary, Deptt. of Food & Public Distribution at the AGM of Solvent Extractors Association of India on 25th September 2009 at Mumbai

I am happy to be present here today when the Solvent Extractors' Association of India is felicitating outstanding business performers. I trust, such recognition of meritorious work would go a long way in fostering innovation and encouraging efficiency, both of which would help give our country the much needed competitive edge in the emerging global economic order.

2. Today, India is one of the fastest growing economies of the world with enough resilience; we have successfully weathered the recent economic downturn. Income levels, standards of living and consequently levels of consumption have risen at an admirable pace. During the last five years, from 2003-04 to 2008-09, the domestic consumption of edible oil is estimated to have increased by about 44% from 115.37 lakh tons in 2003-04 lakh tons to 165.61 lakh tons in 2008-09. In the last two years, the growth has been 45 lakh tons.

3. However, growth in consumption has not been matched with that in domestic production. During the last five years, availability of edible oil from domestic sources has increased by only 20%. As a result, the gap had to be met by imports. We estimate that imports may have gone up by about 82% in this period. Hence, there is an imperative need to give a serious thought to increasing domestic production of edible oil.

4. India supports 16.8% of the world's population with only 4.2% of world's water resources and 2.3% of the global land. Given the limited area of available land, competing demands on this land from the non-farm sectors and within the farm sector itself of different competing crops, production of oilseeds can be increased only if productivity is sizeably improved and oilseed farmers are able to garner remunerative and attractive prices.

5. Today, per hectare yield of major oilseed crops in India is only about 50% of that of countries with the highest productivity in the world. In the case of soyabean, our per hectare yield is 1124 kg. as compared to 2820 kg. in Brazil. In the case of groundnut, as compared to 2720 kg. per hectare produced in Argentina, our national average is 1460 kg. The per hectare yield of rapeseed/mustard is 1009 kg. in India as compared to 2810 kg. in the EU. This underscores the fact that the scope for improvement in yield of oilseeds in India is considerable. Our focus has to be on improving yields with existing technology. I may state here that there is considerable scope for doing so because yields obtained in the field in large parts of the country are much lower than what is achievable with the existing technology, provided cultivation practices are improved and critical inputs made available.

6. The Government have taken several steps to encourage farmers to increase cultivation of oilseeds. Higher Minimum Support Price (MSP) to farmers is an important policy instrument in this direction. The Centrally sponsored Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) is also providing assistance for critical inputs in terms of better seeds, improved equipments and implements as well as more efficient systems of irrigation.

7. However, adoption of best practices typically involves additional investment and here industry could also play a major role in encouraging acreage and better farm yields through extension and easy supply of improved inputs. Although, much good work has already been done, there is still considerable scope for the industry to increase its engagement with the farmers. It can invest profitably in providing extension services to farmers, demonstration of better agricultural practices and assuring buy-back arrangements for their agricultural produce from the farmers.

8. A question often is asked is what should come first – cultivation or processing capacity? If we are to look back at the growth of soyabean cultivation in the country, the answer would be not what is normally expected. Cultivation of soyabean increased exponentially in the initial years because processing capacity was always more than what the farmers could produce. As a result, the farmers were always assured that their crop will be bought up. On the other hand, the industry's insurance was in the form of multi seed plants which enabled better capacity utilisation as also continued industrial activity for the better part of the year.

9. Concern was raised by President, SEA and appropriately so, about the rising prices of food commodities. In order to encourage cultivation, we need to ensure high returns to the farmer but at the same time, there is also a need to ensure that the consumer gets food commodities at affordable prices. Here, there is a case for critically looking at the cost of intermediation. If we compare with the USA, in India, the cost of intermediation may be more than two or three times. Retail prices are much higher than the wholesale prices. There is also a need for the industry to ensure that the printed price has a relationship with the cost of manufacture. Realistic trade margins will preclude excessive profiteering and exploitation of the consumers. We look to the industry for self regulation, minimizing thereby the need for government controls.

10. I also share with you the need to prevent any future erosion of food security in the country. In fact, we are committed to ensure food security for all. Even while appreciating the quest of the world community for finding sustainable alternatives to fossil fuel, we need to ensure that manufacturing of bio-fuels is not at the cost of food security. As a matter of policy, in India, we have been encouraging production of bio-fuels but for this purpose, usage of non-cereal biomass crop residues and cultivation of jatropa on degraded and waste land has been our national strategy, as we realise that conversion of foodgrains and edible oilseeds for producing bio-fuels is prima facie fraught with grave danger to food security. Similarly, there is a need to carefully look at the trends of other non-food usage of vegetable oils.

11. Today, we are nearing the 50% mark in terms of share of imported oil out of the total consumption of edible oil in the country. Hence, it is important to have a suitable import-export policy and an appropriate duty regime to facilitate smooth imports. Government have announced a long-term import-export policy with the present duty regime to remain for at least one more year. However, we fully appreciate the concerns of the farmer and appropriate safeguards are in place to ensure that this doesn't affect the support price to the farmer. This will also to cushion the consumer against excessive price rise. We hope that the industry will be able to make long-term plans for investment, imports and exports, given the stable long-term policy.

12. Government on its part have taken various pro-active measures to make edible oil available to the poor consumers at a reasonable price. One of these is the Scheme for distribution of imported edible oil at a subsidy through the State Governments. Our feedback is that this helped stabilise the market prices of edible oils.

13. There is a need to ascertain the consumption patterns with reference to edible oil in the country so as to enable right investments, we are considering commissioning a study on the subject to be completed in 6-8 months. I look forward to suggestions of the industry on specific areas that the study may cover.

14. In conclusion, let me state that the oil industry has done good work in meeting the challenges of the emerging global market and I trust, it will strive even further in helping the country realize the goal of self-sufficiency through a close partnership with the primary producer viz. the farmers. I sincerely hope that the country's vegetable oil sector will become more vibrant, growth oriented and globally competitive. I wish you all success in your endeavours.

Thank you!