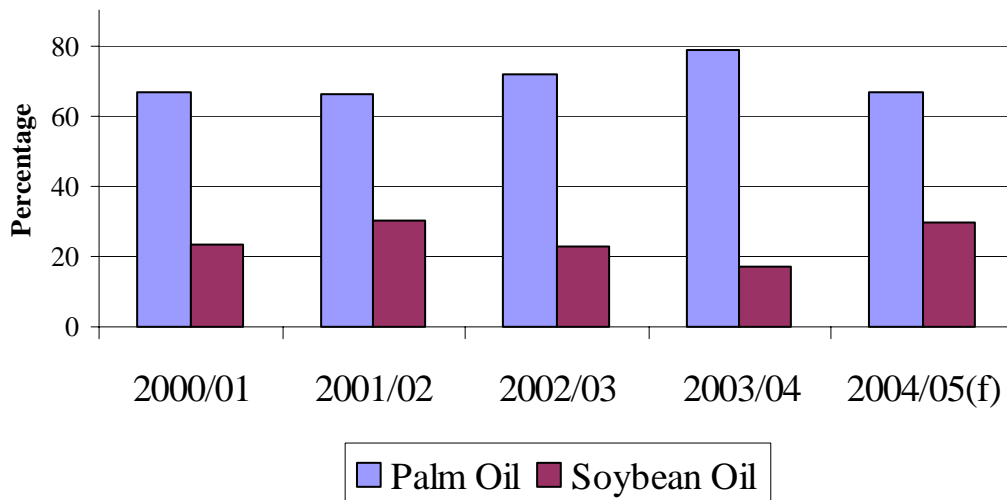




# Oilseeds: World Markets and Trade

## India: Soybean Oil Forecast to Gain Larger Share of Import Market in 2004/05



Soybean oil will capture a larger share of the Indian import market this season at the expense of palm oil. On March 1, 2004, the Indian Government lowered the reference price for crude degummed soybean oil from \$565 per MT to \$485, which effectively lowered the duty by \$36 a ton and improved the competitiveness of soybean oil against palm oil. Moreover, on February 15, 2004, India raised the import duty on crude palm oil from 65 percent to 80 percent and on all refined and further processed palm oils from 75 percent to 90 percent, while also lowering the reference price for crude palm oil from \$454 to \$400. In this case the combination of a lower reference price and higher duty rate leads to an effective tax increase of about \$25 per ton. This increase in tax plus decrease in soybean oil tax of \$36 a ton narrows the market price by \$61 a ton, making soybean oil much more competitive.

The Indian Government's decision to reduce the reference price for soybean oil is being disputed in India. The Solvent Extractors' Association argues that this reduction deviates from the current market price of soybean oil (on CIF basis) of around \$546 per ton and that it would adversely affect Indian farmers.

India imported 759,000 tons of soybean oil in marketing year (MY) 2003/04, and is forecast to import 1.5 million tons of soybean oil in 2004/05. In contrast, imports of palm oil declined to 3.55 million tons in MY 2003/04, compared to 3.95 million tons in MY 2002/03, and are expected to further decline to 3.4 million tons in MY 2004/05.