As India raises palm oil import tax to highest in ten years, cosmetics industry to suffer

By Isabelle Crossley - 7 March 2018

Import tax on palm oil, both crude and refined, has risen to the highest it has been in ten years as the government aims to support local farmers. However, this could put strain on the cosmetics industry.

India is the world’s largest edible oil importer and, as part of the Union Government’s current “Make in India” campaign, which aims to increase domestic production across all industries, the government is trying to direct more business towards Indian producers. However, as so many products use palm oil, including many cosmetic products, this could cause problems for such businesses.

A government order stated that the import tax rate on crude palm oil has been raised from 30 percent to 44 percent and the import tax on refined palm oil has been hiked from 40 percent to 54 percent.

India relies on imports for 70 percent of its edible oil use, which is far higher than the figure of 44 percent in 2001/2002. Prices of domestically produced oils will also increase in price because of this. This price hike will, therefore, create ripples throughout those industries that rely heavily on palm oil such as beauty and cosmetics.
Some of the cosmetic products that use palm oil include lipstick, shampoo, and soap among others. Palm oil, according to the World Wide Fund for Nature (WWF), is in over half of packaged supermarket products and so the entire fast moving consumer goods (FMCG) industry will no doubt be affected by high prices of palm oil.

The WWF and many other organisations are urging businesses to use only CSPO approved palm oil and the unregulated industry is highly damaging to the environment but this issue still needs to be addressed in India.

The idea is that other oils such as rapeseed and soybean that are easily produced in India will be used instead. Whether or not these oils are better or worse for the environment than palm oil is another debate but the idea is to give more business to Indian farmers. If managed correctly, an increase in domestic edible oil production could benefit many industries but, if prices only continue to rise, there may be problems.

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