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## PALM OIL FOR SUGAR

# India expects Indonesia to keep its side of the bargain

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With India's ban on Malaysian palm oil benefitting Indonesia, New Delhi is expecting Jakarta to relax norms for importing its raw sugar in reciprocity. India and Indonesia are discussing the matter for over a year now, but the deal is yet to materialise.

Under the two-way deal, which is still in the works, India would give priority to Indonesian palm oil and Indonesia would buy more raw sugar from India. The discussions started during the first term of the Narendra Modi government when import duty on Malaysian palm oil was lower than that on Indonesian oil.

The government had increased import duty on Malaysian oil to 50 per cent in September 2019, and Indonesia reciprocated by cutting sugar import duty to 5 per cent (earlier Indian exporters used to pay \$30 per tonne more than their counterparts in Australia). Yet the deal could not be finalised as India found Indonesia's quality parameters for importing raw sugar difficult to match.

According to Indonesian rules, imported raw sugar imported must measure 1,200 or above on the International Commission for Uniform

## IN NUMBERS

**8.5 million tonnes (mt)** of palm oil imported by India between January and October 2019; it was 7.5 mt in the corresponding period a year ago

**3.96 mt** palm oil import from Indonesia in the Jan-Oct period, against 5 mt in the year-ago period

**3.8 mt** import from Malaysia in the period, against 1.9 mt a year ago

Methods of Sugar Analysis (ICUMSA) standards. Indian mills produce better sugar which scores ICUMSA 400 to 800. Other major sugar-producing nations reduce their sugar quality before shipping it to Indonesia.

Jakarta in-principle agreed to buy India's ICUMSA 800 sugar, but it is yet to do so.

"We in the sugar industry have been waiting for the past one year for Indonesia ease norms for importing sugar from India. Once that happens, it will open up an opportunity for the Indian sugar industry, which is facing glut," said Abinash Verma, director-general, Indian Sugar Mills Association.

Sugar industry experts say that even if Indonesia clears

## PROGRESS REPORT

- Indonesia wanted India to cut import duty on its palm oil and bring it at par with Malaysia
- India sought level playing field for exporting its sugar
- In September 2019, India raised import duty on Malaysian oil to 50%
- Indonesia cut import duty for sugar to 5%
- Raw sugar quality norms not suitable for India

the way for Indian sugar, the current crushing season is ending soon and mills have started refining raw sugar. Hence, it's already late for this season, they said, adding, export to Indonesia will be a real opportunity next season.

This week, India put refined palm oil import on the restricted list. Refined oil import has been high of late and 80 per cent was coming from Malaysia. Indonesia was in a disadvantageous position in this regard.

A week ago, the government also informally asked vegetable oil industry officials not to import from Malaysia.

Industry officials said it was time India asked Indonesia to open gates for sugar imports to avoid glut here.

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