



The Palm Oil Industry in India: Economic Significance, Challenges, and Opportunities

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The palm oil industry plays a crucial role in the global agricultural economy, and India, one of the largest consumers and importers of palm oil, is increasingly focusing on improving domestic production. Palm oil is a versatile and economically significant product, widely used in food, cosmetics, and biofuels. However, the industry faces significant challenges, particularly in balancing economic benefits with environmental sustainability. This article examines the Indian palm oil industry, its global and domestic scenarios, challenges, opportunities, and the efforts made by the Indian government to reduce import dependence.

Global Overview of Palm Oil

Palm oil is one of the most traded vegetable oils globally, with a wide range of applications in industries such as food, cosmetics, and biofuels. Its high yield per hectare compared to other vegetable oils makes it economically attractive for tropical countries. Countries such as Indonesia and Malaysia account for over 85 per cent of global production. Indonesia, the largest producer, generated 47 million metric tonnes of palm oil in 2023, contributing significantly to the country's GDP. (Reddy *et al.*, 2022)

Table 1: Major Oil Palm Companies across the Globe

Company	Founded	Headquarters	Core Businesses	Palm Oil Operations
IOI Group	1969	Putrajaya, Malaysia	Palm oil, oleochemicals, property development	<p>Plantations: Malaysia & Indonesia; significant land area.</p> <p>Mills: Processing fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel oil (PKO); large capacity.</p> <p>Products: CPO, refined palm oil, specialty oils.</p>
KS Oils	1990	New Delhi, India	Edible oils: palm oil, soybean oil, sunflower oil	<p>Import & Refining: Imports CPO to meet India's demand; refining facilities.</p> <p>Distribution: Markets refined palm oil.</p> <p>Brands: Consumer & industrial products.</p>

3F Industries	1997	Hyderabad, India	Palm oil, agriculture, food processing	<p>Plantations: Focus on India; expanding land area.</p> <p>Mills: Processing FFB into CPO & PKO.</p> <p>Refining: CPO into refined palm oil; sustainability initiatives.</p>
Patanjali Ayurved	1995	Haridwar, Indi	FMCG, healthcare, agriculture	<p>Production & Sourcing: Sources CPO for refining.</p> <p>Refining: Edible palm oil production.</p> <p>Products: Edible oils for food processing.</p>
Godrej Agrovet	1991	Mumbai, India	Animal feed, crop protection, agriculture, oil palm	<p>Plantations: India (Andhra Pradesh, Telangana, Odisha).</p> <p>Mills: Processing FFB into CPO & PKO.</p> <p>Refining: CPO into refined palm oil.</p>
COFCO International	1949 (COFCO), 2014 (International)	Beijing, China	Grains, oilseeds, sugar, soft commodities trading	<p>Trading & Sourcing: Sources CPO globally, esp. from Indonesia & Malaysia.</p> <p>Refining & Processing: CPO into refined products; wide range for food, cosmetics, and industry.</p>

Source: <https://www.imarcgroup.com/india-palm-oil-manufacturing-companies>

India's Palm Oil Scenario

India is the world's largest importer of palm oil, importing around 8.4 million metric tonnes in 2020-2021. This constitutes 18 per cent of global imports, with the country consuming about 40 per cent of its edible oil requirements from palm oil alone. Despite being a large consumer, India's domestic production of palm oil is limited due to unsuitable climatic conditions and the lack of large-scale cultivation areas (Kareem *et al.*, 2022).

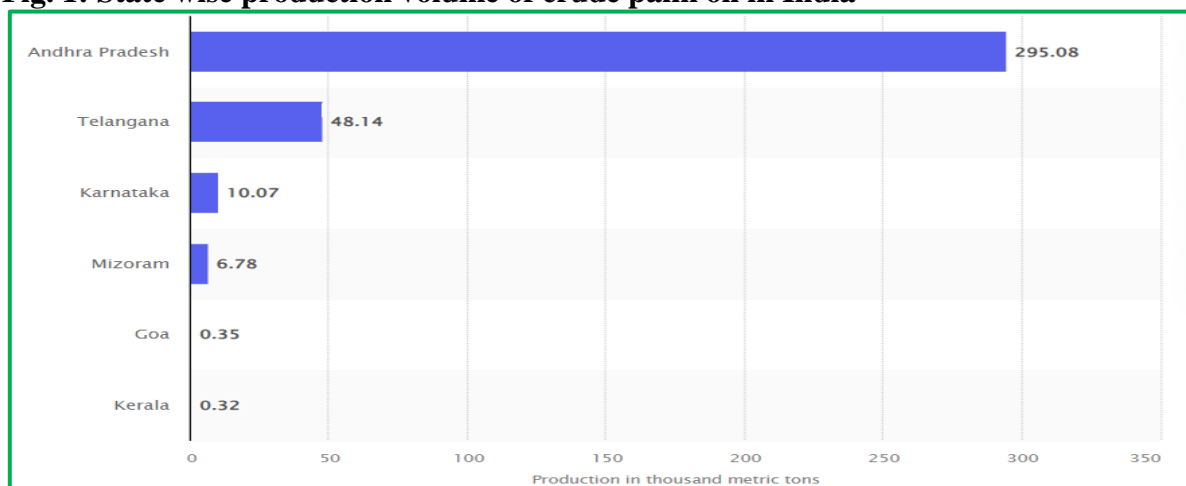
Table 2: Global and Indian Scenario of Palm Oil Production in million tonnes

Sl.No.	Oil Year	Global Scenario		Indian Scenario	
		Imports	Domestic Consumption	Imports	Domestic Consumption
1	2018-19	50.52	71.21	9.71	9.09
2	2019-20	47.35	71.18	7.40	8.46
3	2020-21	47.50	73.52	8.41	9.21
4	2021-22	45.02	74.43	7.80	8.35
5	2022-23	50.01	76.37	8.10	8.45

Source: United States Department of Agriculture Foreign Agricultural Service, (2022)

The Andhra Pradesh, Telangana, and Kerala are the primary oil palm-growing states in India, accounting for 98 per cent of the total production. Recognizing the economic potential, the Indian government has initiated several schemes to boost domestic production, notably the National Mission on Edible Oils – Oil Palm (NMEO-OP), launched in 2021. The mission aims to increase oil palm cultivation, particularly in the northeast region and the Andaman and Nicobar Islands, and reduce the import dependence on edible oils by 0 per cent by 200.

Fig. 1: State wise production volume of crude palm oil in India



Source: <https://www.statista.com/statistics>

Economic Importance of Palm Oil

1. Contribution to National Economies: In countries like Indonesia and Malaysia, palm oil contributes significantly to national GDP, foreign exchange earnings, and employment. In Indonesia, the palm oil industry generates over \$20 billion annually.

2. Employment Generation: The palm oil sector is a major employer, particularly in rural areas. In Indonesia, around 4.5 million smallholder farmers depend on oil palm cultivation. While India's domestic production is limited, increased cultivation under government schemes has the potential to provide employment in rural areas.

3. Industrial Growth and Value Chain: Palm oil is vital in various industries, including food, cosmetics, biofuels, and pharmaceuticals. India, as a significant consumer, has a large market for palm oil-based products. Companies such as Adani Wilmar, Patanjali, and Emami Agrotech dominate the Indian palm oil market, contributing to the manufacturing sector's growth.

4. Export Revenue: While India is primarily an importer, palm oil export revenues are critical for countries like Indonesia and Malaysia. These nations benefit from strong international demand, particularly from countries like India, China, and the European Union.

Applications of Palm Oil in India

Palm oil is used extensively in both domestic and industrial settings. It is a staple in cooking oil, processed foods, cosmetics, and industrial lubricants. Here are some of the key sectors that utilize palm oil:

Food Industry: Palm oil is a key ingredient in many food products, such as margarine, baked goods, and instant noodles. Its versatility, long shelf life, and cost-effectiveness make it a preferred choice for food manufacturers.

Biofuels: With increasing interest in renewable energy, palm oil is used to produce biodiesel, contributing to energy security and environmental sustainability.

Cosmetics: Palm oil derivatives are widely used in soaps, shampoos, creams, and lotions, contributing to the booming personal care industry.

Government Schemes to Boost Domestic Production

Recognizing India's dependence on palm oil imports, the government has launched several initiatives aimed at increasing domestic production and improving self-reliance. Some key initiatives include:

1. National Mission on Edible Oils – Oil Palm (NMEO-OP): This scheme aims to promote oil palm cultivation across the country by providing subsidies for planting, fertilizers, and irrigation infrastructure. The goal is to produce 2.8 million tons of oil by 200.

2. Oil Palm Development Programme (OPDP): OPDP provides financial assistance to farmers for oil palm cultivation, helping them switch from traditional crops to oil palm farming.

3. National Food Security Mission – Oilseeds (NFSM-Oilseeds): This mission focuses on increasing the production of various oilseeds, including palm oil, through improved agricultural practices and technology.

These schemes aim to reduce India's reliance on imports, enhance rural livelihoods, and improve food security by boosting the domestic production of edible oils.

Challenges in India's Palm Oil Industry

Despite government initiatives, the Indian palm oil industry faces several challenges, including:

1. Climatic Limitations: India's climate is not ideal for large-scale palm oil cultivation, limiting the areas suitable for oil palm plantations.

2. High Investment Costs: Palm oil cultivation requires substantial investment, particularly in setting up irrigation systems and processing facilities. The long gestation period (typically 4-5 years before palm oil trees start yielding) further complicates investment recovery.

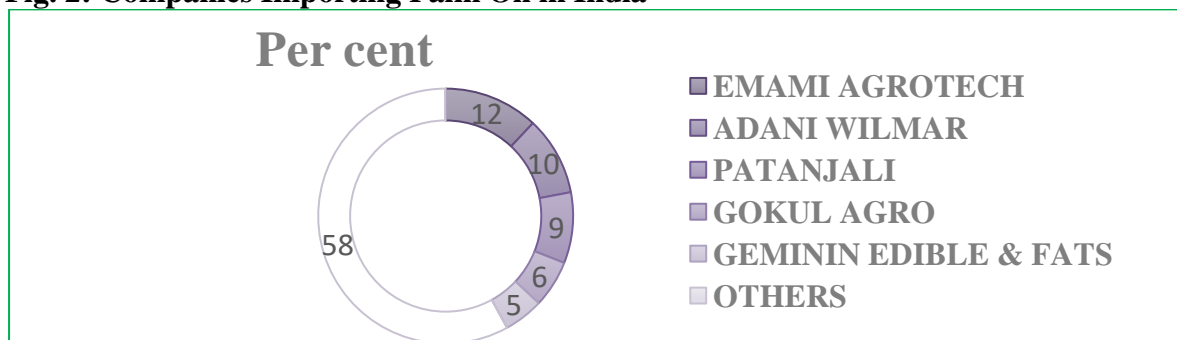
3. Environmental Concerns: Deforestation and biodiversity loss associated with large-scale palm oil plantations are significant concerns globally. In India, efforts to expand palm oil cultivation must carefully balance environmental sustainability with economic growth.

4. Import Dependency: India continues to rely heavily on imports, primarily from Indonesia and Malaysia. This dependence exposes the country to fluctuations in international oil prices, affecting domestic inflation and trade balances.

Future Prospects of the Palm Oil Industry in India

The Indian palm oil industry is poised for significant growth, driven by both government support and increasing domestic demand. The National Edible Oil Mission aims to reduce imports by 0 per cent by 200, and ongoing efforts to expand cultivation in the northeast and the Andaman and Nicobar Islands are crucial for achieving this target.

Fig. 2: Companies Importing Palm Oil in India



Source: <https://www.idhsustainabletrade.com/>

While domestic production is growing, the government will need to focus on improving sustainability and addressing environmental concerns to ensure the long-term viability of the industry. Certification schemes like the Roundtable on Sustainable Palm Oil (RSPO) are crucial in promoting responsible cultivation and reducing the environmental impact of oil palm plantations.

Case study

Mr. K. Shankar raj, a successful oil palm grower at Kodangipatti in Tamil Nadu. He is now reaping a profit of about Rs.1,00,000 per month from his oil palm plantation. He had established his plantation in the year 2010. Before entering into oil palm cultivation, He had realised the effectiveness of oil palm cultivation by the information that he could get from the Ruchi soya Industries limited. He had entered into a contract with the company. The company had assisted him in various operations and also to get subsidies from the agricultural department. Cultivation practices in an area of 3 hectare in Tamil Nadu and variety grown is Tenera

Conclusion

The palm oil industry in India stands at a crossroads, balancing economic growth with environmental sustainability. As one of the largest consumers of palm oil, India's efforts to increase domestic production through government schemes such as NMEO-OP are commendable. These initiatives aim to reduce import dependency, enhance farmers' livelihoods, and promote sustainable agricultural practices. However, challenges such as limited land availability, high investment costs, and environmental concerns must be addressed to ensure the industry's growth.

The future of India's palm oil industry hinges on the successful implementation of government initiatives, innovations in sustainable practices, and improved efficiency in oil palm cultivation. By leveraging these opportunities, India can significantly reduce its import dependence, improve rural livelihoods, and contribute to the global effort to combat climate change.

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