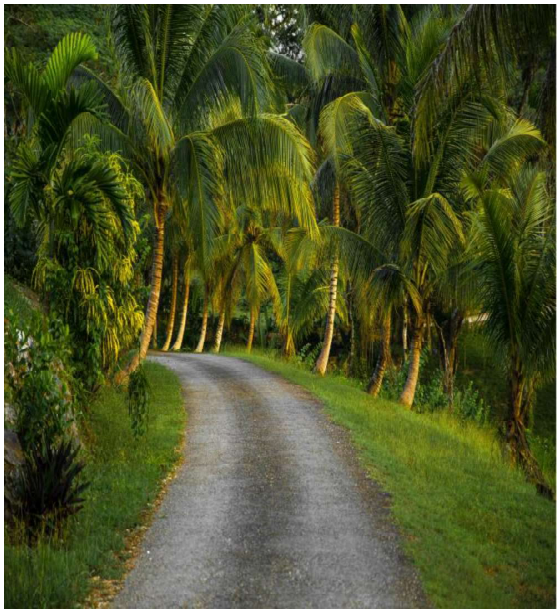
World & India- Palm Oil Scenario

Dr. B. V. Mehta,
Executive Director, The Solvent Extractors' Association of India
Secretary General, Asian Palm Oil Alliance

Introduction



Palm oil is the world's most consumed vegetable oil and remains critically important for India's food economy, edible oil security and inflation management. India is one of the world's largest importers of palm oil, with domestic consumption remaining heavily dependent on imports. In 2024-25, India's total palm oil consumption is estimated at around 7.96 Mn T, while domestic production stands at only 0.38 Mn T, implying import dependence of more than 95%. At the same time, the global palm oil market is entering a structurally tighter phase after decades of rapid expansion. Slowing production growth, ageing plantations, lower replanting activity, biodiesel mandates, climatic uncertainties, labour shortages and export constraints are collectively reshaping the global edible oil balance. The present situation is becoming increasingly critical because palm oil remains the cheapest and most widely consumed edible oil globally, making any supply disruption directly inflationary for major importing nations such as India.

Oil World data suggests that world palm oil production growth has slowed sharply from an average annual increase of 5.3% during the five years up to 2019 to only around 0.5% annually during the five years ending 2024. This structural slowdown is now tightening global supply-demand balances and increasing long-term volatility risks in edible oil markets.

World Palm Oil Production and Yield

Country	Production (Million Tones)				Yield (M.T/Ha)			
	2026F	2025	2024	2023	2026F	2025	2024	2023
Indonesia	49.00	47.80	45.50	48.53	3.33	3.30	3.18	3.42
Malaysia	19.20	19.31	19.34	18.55	3.82	3.82	3.79	3.62
Thailand	3.50	3.40	3.45	3.32	3.18	3.15	3.25	3.23
Central & South America	6.14	5.85	5.34	5.93	3.34	3.25	3.03	3.49
Africa	3.98	3.89	3.77	3.60	1.96	1.96	1.95	1.92
Other Countries	1.91	1.87	1.72	1.77	2.05	2.08	1.98	2.08
World	**83.73**	**82.12**	**79.12**	**81.70**	**3.27**	**3.24**	**3.16**	**3.30**

(Source: Oil World 2025)

The table clearly reflects a major slowdown in the global palm oil growth cycle. World production is projected at 83.73 Mn T in 2026, only modestly higher than previous years despite historically strong global edible oil demand. Indonesia continues dominating world production with nearly 49 Mn T, accounting for almost 58% of global output. Malaysia remains the second-largest producer at around 19.2 Mn T, though production growth has largely stagnated due to ageing plantations, labour shortages and restrictions on new plantation expansion. The global slowdown becomes more evident when viewed historically. Between 2019 and 2024, world palm oil production increased by only 1.9 Mn T compared with a rise of nearly 17 Mn T during the preceding five-year period. Oil World attributes this slowdown to insufficient replanting, below-potential yields, disease infestation such as Ganoderma, and environmental restrictions on new plantation development.

Palm Oil: World Supply & Demand Balance (in Mn T)

Particulars	2024/25F	2023/24	2022/23	2021/22	2020/21
Opening Stocks	12.67	14.57	14.63	12.52	12.81
Production	81.39	80.05	81.78	77.62	76.57
Indonesia	47.53	45.91	48.67	45.63	45.76
Malaysia	19.12	19.71	18.39	18.15	17.86
Other Countries	14.74	14.43	14.72	13.84	12.95
Imports	47.68	48.61	53.27	47.57	51.64
EU-27	4.50	5.26	6.42	6.62	7.49
China	4.95	5.38	6.91	4.83	7.02
India	8.30	9.08	10.26	8.28	8.78
Exports	47.88	48.47	53.53	47.83	51.57
Indonesia	24.95	24.70	30.66	25.02	29.25
Malaysia	16.25	16.58	15.38	15.54	15.88
Other Countries	6.68	7.19	7.49	7.27	6.44
Consumption	80.76	82.11	81.57	75.25	76.93
EU-27	4.44	5.23	6.24	6.55	7.46
China	4.86	5.71	6.46	5.35	6.62
India	9.03	10.04	9.65	8.43	8.69
Indonesia	22.28	21.38	20.03	18.40	17.06
Ending Stocks	13.10	12.67	14.57	14.63	12.52
Stocks/Usage Ratio	16.2%	15.4%	17.9%	19.4%	16.3%

(Source: Oil World 2025)

The table highlights tightening global supply-demand balances and shrinking export availability. World exports have declined sharply from above 53 Mn T in 2022/23 to below 48 Mn T in 2024/25, mainly due to slower production growth and higher domestic biodiesel consumption in Indonesia. World ending stocks remain relatively tight near 13 Mn T, while the stocks-to-usage ratio remains historically low around 16%, indicating limited supply buffers. Indonesia's domestic consumption has increased sharply from 17.06 Mn T in 2020/21 to 22.28 Mn T in 2024/25 due largely to biodiesel mandates, reducing exportable surpluses. India remains one of the world's largest importers with imports still above 8 Mn T annually, despite some decline caused by high international prices and reduced competitiveness of palm oil relative to soybean oil and sunflower oil.

Palm Oil Price Competitiveness

Palm oil prices appreciated sharply during 2024 and traded at unusual premiums over competing vegetable oils for a prolonged period. Indonesian crude palm oil prices were reportedly 48% higher year-on-year in December 2024, while Argentine soybean oil prices increased by only around 15%. This unusual premium reduced palm oil's global competitiveness and contributed to lower imports by major consuming countries such as India, China and the European Union. However, Oil World notes that from April 2025 onwards, rising production and export supplies began widening palm oil discounts versus soybean and sunflower oils, paving the way for improving competitiveness in world markets.

Structural Tightness in the Palm Oil Industry

The global palm oil industry is increasingly facing structural constraints that are slowing the pace of future supply growth. Ageing oil palm trees and inadequate replanting activity in Indonesia and Malaysia are reducing productivity and delaying supply recovery, while Ganoderma disease is causing plantation losses and weakening yields. Labour shortages continue disrupting harvesting operations, and environmental restrictions on new land development are limiting plantation expansion. In addition, climatic uncertainties are increasing yield volatility, while aggressive biodiesel mandates in major producing countries are diverting larger quantities of palm oil toward domestic fuel consumption, thereby reducing export availability and tightening global edible oil supplies.

India's Palm Oil Dependence

Availability & Consumption of Palm Oil in India (Mn T)

Year	Domestic Production	Imports	Total Availability/Consumption
2024-25	0.38	7.58	7.96
2023-24	0.36	9.02	9.38
2022-23	0.35	9.79	10.14
2021-22	0.31	7.91	8.22
2020-21	0.27	8.32	8.59
2019-20	0.26	7.22	7.48
2018-19	0.28	9.41	9.69
2017-18	0.25	8.70	8.95
2016-17	0.21	9.29	9.50

Source: SEA

The table clearly highlights India's overwhelming dependence on imported palm oil over the past decade. Despite palm oil domestic consumption fluctuating between 7.9–9.5 Mn T annually, domestic production has remained extremely limited in the range of only 2,10,000 tonnes- 3,80,000 tonnes. Even in 2024-25, domestic production of 3,80,000 Tonne accounts for less than 5% of total availability, while imports continue dominating at 7.58 Mn T. The data also shows that India's palm oil imports peaked at 9.79 Mn T in 2022-23 before moderating in subsequent years, largely due to higher global prices, reduced competitiveness of palm oil vis-à-vis soybean and sunflower oils, and tighter export availability from Indonesia and Malaysia. However, despite some moderation in imports, the structural dependence remains extremely high. Another important trend visible in the table is the widening gap

between stagnant domestic production and rising long-term consumption requirements. Total availability/consumption consistently remained near or above 9 Mn T in most years, while domestic production growth has been marginal and insufficient to meaningfully reduce import reliance.
This high import dependence leaves India highly vulnerable to:

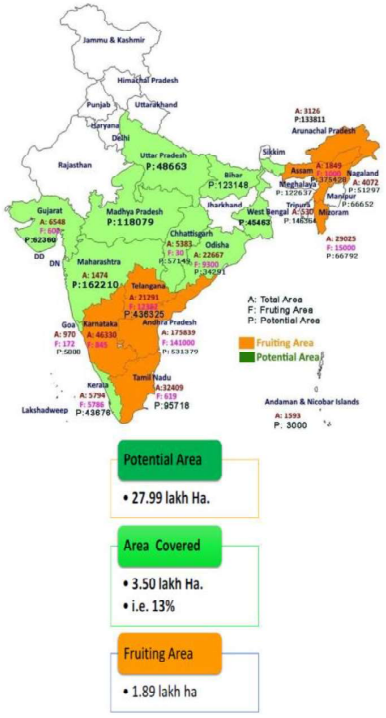
- Global edible oil price volatility
- Rupee depreciation and rising import costs
- Freight and insurance cost escalation
- Geopolitical disruptions affecting trade flows

Biodiesel-linked export tightening in Indonesia and Malaysia:
Palm oil has emerged as a major biodiesel feedstock due to its high yield, low production cost and growing role in energy security strategies. Indonesia implemented its B40 biodiesel mandate in 2025 and is now moving to B50 targets w.e.f 1st July 2026, while Malaysia continues expanding its B10 target to B15. These policies are increasing the strategic importance of palm oil beyond food use and supporting the transition to renewable energy. However, rapid plantation expansion has also intensified concerns relating to deforestation, biodiversity loss and the broader "food versus fuel" debate, making sustainable cultivation and balanced land management increasingly important for the long-term future of the industry.

The table, therefore, underlines the strategic importance of improving domestic edible oil security and reducing excessive reliance on global palm oil markets over the long term.

India's Oil Palm Expansion Strategy & Government Initiatives

The Government of India launched the National Mission on Edible Oils–Oil Palm (NMEO-OP) in 2021 to reduce excessive import dependence and boost domestic palm oil production, with major focus on high-potential regions such as the North-East and Andaman & Nicobar Islands. The mission had targeted to increase crude palm oil production to over 1 Mn T by 2025-26 and nearly 2.8 Mn T by 2029-30 through financial support for planting, irrigation and processing infrastructure. However, long gestation periods, water concerns, infrastructure gaps and price volatility continue limiting rapid expansion. Against the Government's ambitious target of 1.0 Mn T by 2025-26, production has reached only around 0.38 Mn T so far, making the 2.8 Mn T target by 2029-30 appear highly challenging. In my assessment, a more realistic approach would be to focus on rapid expansion of plantation area in Telangana and other high-potential regions, which could help India gradually approach 1.0 Mn T production levels by 2029-30.



Conclusion

The global palm oil market is transitioning from an era of abundant supply growth toward a structurally tighter and more volatile phase. Slowing production growth, ageing plantations, disease pressures, biodiesel-linked demand and limited export surpluses are collectively tightening global edible oil balances. For India, the situation is particularly critical due to extremely high import dependence. Any sustained disruption in global palm oil supplies or a sharp increase in international prices directly impacts edible oil inflation, foreign exchange reserves and food security. The present scenario, therefore, demands accelerated domestic oilseed and oil palm development, stronger agricultural investment, technological modernisation and long-term strategies aimed at reducing excessive import dependence in the edible oil sector.

Date: 18th May 2026

x-x-x-x