



Indonesia's Palm Oil Export Ban & Its Impact on India

For Prelims: Indonesia's Palm Oil Export Ban & Its Impact on India, biodiesel, National Mission on Edible Oil-Oil Palm

For Mains: Agricultural Resources, Food Security, Government Policies & Interventions

Why in News?

Recently, **Indonesia, the world's biggest producer, exporter, and consumer** of palm oil, has announced that it would be **banning all exports of the commodity** and its raw materials to reduce domestic shortages of cooking oil and bring down its rising prices.

- India meets half of its annual need for **8.3 million tons of palm oil** from Indonesia. Thus, an export ban will affect India's interests.

What is Palm Oil & Its Use?

- Palm oil is an edible vegetable oil derived from the **mesocarp (reddish pulp) of the fruit of the oil palms**.
- It is used as cooking oil, and in everything from **cosmetics, processed foods, cakes, chocolates, spreads, soaps, shampoo**, and cleaning products to biofuel.
 - The use of crude palm oil in making **biodiesel** is being branded as **'green diesel'**.
- Indonesia and Malaysia together account for almost **90% of the global palm oil production**, with Indonesia producing the largest quantity at over **45 million tonnes in 2021**.
- The oil palm industry has come under criticism for what are reportedly unsustainable production practices leading to **deforestation, and exploitative labor practices** carried forward from the colonial era.
 - However, **palm oil** is preferred by many as it is **inexpensive**, oil palms produce more oil per hectare than some other vegetable oil plants like **soybean**.

How Important is Palm Oil for Global Supply Chains?

- Palm oil is the world's most widely used vegetable oil with its global production in the year 2020 being over **73 Million Tones (MT)**, according to the United States Department of Agriculture (USDA).
 - It is estimated to be **77 MT for the current year FY 2022-23**.
- According to Reuters, palm oil makes up **40% of the global supply of the four most widely used edible oils**: palm, soybean, rapeseed (canola), and sunflower oil.
- **Indonesia is responsible for 60% of the global supply of palm oil**.

Why are the Prices of Edible Oils Rising?

- India is the **biggest importer of palm oil**. The prices of palm oil rose this year as demand **increased because of the short supply of alternative vegetable oils**.

- The production of soybean oil, the **second most-produced oil**, is expected to take a hit this year due to a **poor soybean season in major producer Argentina**.
- The production of canola oil was hit in Canada last year due to drought, and supplies of sunflower oil, **80-90% of which is produced by Russia and Ukraine**, has been badly hit by the ongoing conflict.
- Due to **pandemic-induced labor shortage, and the global food inflation** linked to the **pandemic** and the **Ukraine crisis**, the global prices of edible oil have risen significantly since the end of last year.

How Will It Impact India?

- India is the biggest importer of palm oil, which makes up **40% of its vegetable oil consumption**.
- India meets **half of its annual need for 8.3 MT of palm oil from Indonesia**.
- This would lead to a rise in those already grappling with **record-high wholesale inflation**.
- It is important that, last year, the Centre also unveiled **National Mission on Edible Oil-Oil Palm** to boost India's domestic palm oil production.

Way Forward

- **Increasing Domestic Yield:** Given advantages pertaining to Palm oil for India's cooking requirements, the Indian farmers should be incentivized to intensify efforts for area expansion under oil palm to enhance palm oil production in the country.
 - For this, the **National Mission on Edible Oil-Oil Palm is a step in the right direction**.
- **Diversification:** India should diversify its procurement as well requirements.
 - Firstly, India should look to procure more palm oil from other countries.
 - Secondly, Tree Borne Oilseeds (TBOs), like sal, mahua, olive, jatropha, neem, jojoba, wild apricot, walnut, tung etc. can be explored as an alternative.

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