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News: Palm Oil Export Ban of Indonesia

- 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.**

Palm Oil

- 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.

Palm Oil and Global Supply Chain

- Palm oil is the world's most widely used vegetable oil with its global production in the year 2020 being over 73 Million Tons (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.

India and Palm Oil

- **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.

Impact of export ban by Indonesia in 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.