

INDIA'S PALM OIL SECTOR AT A CROSSROADS: GROWING PRODUCTION, RISING DEMAND AND PERSISTENT IMPORT DEPENDENCE

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Introduction

Edible oils constitute one of the most essential components of India's food system, contributing significantly to nutritional security, household consumption, and the food processing industry. Among the major edible oils consumed in the country, palm oil occupies a dominant position because of its comparatively lower cost, higher oil extraction efficiency, and versatile industrial applications (USDA, 2025). Currently, India is the world's largest importer of palm oil, accounting for nearly one-fourth of global palm oil imports (USDA, 2025; World Bank WITS, 2025). Although successive governments have implemented several initiatives including the Oil Palm Development Programme (OPDP), Oil Palm Area Expansion Programme (OPAE), National Mission on Oilseeds and Oil Palm (NMOOP), and the National Mission on Edible Oils–Oil Palm (NMEO-OP), to encourage domestic production, import dependence continues to remain substantial (Department of Agriculture and Farmers Welfare, 2025).

The increasing demand for edible oils has been fuelled by rapid population growth, urbanization, rising per capita incomes, changing dietary habits, and expansion of the processed food sector. Between 2000 and 2024, India's palm oil imports increased from 27.62 lakh metric tonnes (LMT) to 87.49 LMT, while domestic crude palm oil (CPO) production expanded from 0.25 LMT to 3.81 LMT (World Bank WITS, 2025). During the same period, per-capita edible oil consumption increased from 8.2 kg to 22.7 kg and total edible oil demand nearly tripled from 96.76 LMT to 287.02 LMT, resulting in a decline in edible oil self-sufficiency from 56.8 per cent to 44.0 per cent (Ministry of Consumer Affairs, Food and Public Distribution, 2025). These trends indicate

that growth in domestic production has been unable to keep pace with rapidly expanding demand driven by population growth, rising incomes, urbanization and changing dietary preferences. Consequently, understanding the pace and pattern of growth across different components of the palm oil economy has become increasingly important for designing future policy interventions. A comparative assessment of production, consumption, imports, and policy indicators provides valuable insights into whether domestic production is keeping pace with demand and whether existing policies are sufficient to reduce India's dependence on imported edible oils.

Measuring Growth Across the Palm Oil Sector

Growth analysis provides a simple yet powerful framework for understanding long-term structural changes within an economic sector. Among various measures of growth, the Compound Annual Growth Rate (CAGR) is widely employed because it estimates the average annual rate of change while accounting for the cumulative effect of growth over time. Unlike simple percentage changes, CAGR smooths year-to-year fluctuations and offers a more reliable measure of long-term performance. By comparing CAGR across production, demand, imports, and policy-related variables, it becomes possible to identify the major drivers influencing the evolution of India's palm oil economy during the last twenty-five years from 2000-01 to 2024-25.

Rapid Expansion of Domestic Production

The analysis indicates that the production side of India's palm oil sector has experienced remarkable growth. Domestic crude palm oil (CPO) production registered the highest annual growth rate of 14.15 per cent ($p < 0.01$), while the area under oil palm cultivation expanded by 12.22 per cent annually ($p < 0.01$) during 2000–2024. These trends largely reflect the cumulative impact of government programmes promoting oil palm cultivation through financial incentives, improved planting material, and expansion into suitable agro-climatic regions (Department of Agriculture and Farmers Welfare, 2025). Productivity also increased at an annual rate of 1.72 per cent ($p < 0.01$), whereas total domestic edible oil production grew by 2.73 per cent per annum ($p < 0.01$). Collectively, these findings indicate that India has made substantial progress in expanding its domestic production base. However, despite this impressive expansion, the comparatively slower growth in productivity relative to area expansion suggests considerable scope for improving yield through technological advancement and better crop management practices.

Rising Demand Continues to Outpace Supply

Demand-side indicators exhibited equally robust growth during the study period. Gross Domestic Product (GDP) per capita increased by 7.83 per cent annually ($p < 0.01$), reflecting sustained improvements in purchasing power and living standards (World Bank, 2025). Palm oil consumption expanded by 5.88 per cent ($p < 0.01$), while per capita edible oil consumption increased by 4.68 per cent annually ($p < 0.01$), indicating changing dietary preferences and increasing consumption of edible oils in household and the food processing sector. Population and urban population also recorded significant annual growth rates of 1.32 per cent ($p < 0.01$) and 1.20 per cent ($p < 0.01$), respectively. Although these demographic growth rates were relatively modest, their cumulative effect substantially expanded the domestic consumer base, thereby exerting persistent upward pressure on edible oil demand.

Continued Dependence on Imports

Despite rapid growth in domestic production, imports remain indispensable for meeting India's edible oil requirements. During the study period, crude palm oil imports recorded an annual growth rate of 7.53 per cent ($p < 0.01$), while total edible oil imports and total palm oil imports increased by 6.93 per cent ($p < 0.01$) and 6.04 per cent ($p < 0.01$), respectively. These statistically significant growth rates demonstrate that domestic production has not expanded sufficiently to keep pace with the rapidly increasing demand for edible oils. Consequently, imports continue to bridge the widening gap between domestic production and consumption, reinforcing India's position as the world's largest importer of palm oil (USDA, 2025; World Bank WITS, 2025).

Policy and Trade Dynamics

The growth pattern of policy and trade indicators further illustrates the changing nature of India's edible oil economy. International crude palm oil prices increased by 3.97 per cent annually ($p < 0.01$), while the exchange rate appreciated by 3.10 per cent per annum ($p < 0.01$), both of which influenced the cost competitiveness of imported edible oils. In contrast, crude palm oil import duties declined by 4.87 per cent annually; however, this decline was statistically non-significant ($p > 0.10$), suggesting that the observed reduction reflected policy adjustments over time rather than a consistent long-term trend. The decrease primarily reflected periodic government interventions aimed at containing domestic edible oil inflation and protecting consumer welfare during periods of elevated international prices. Although reductions in import duties have contributed to improving the affordability and availability of imported palm oil, they have also enhanced the competitiveness

of imports relative to domestic production, thereby reinforcing India's continued dependence on international markets.

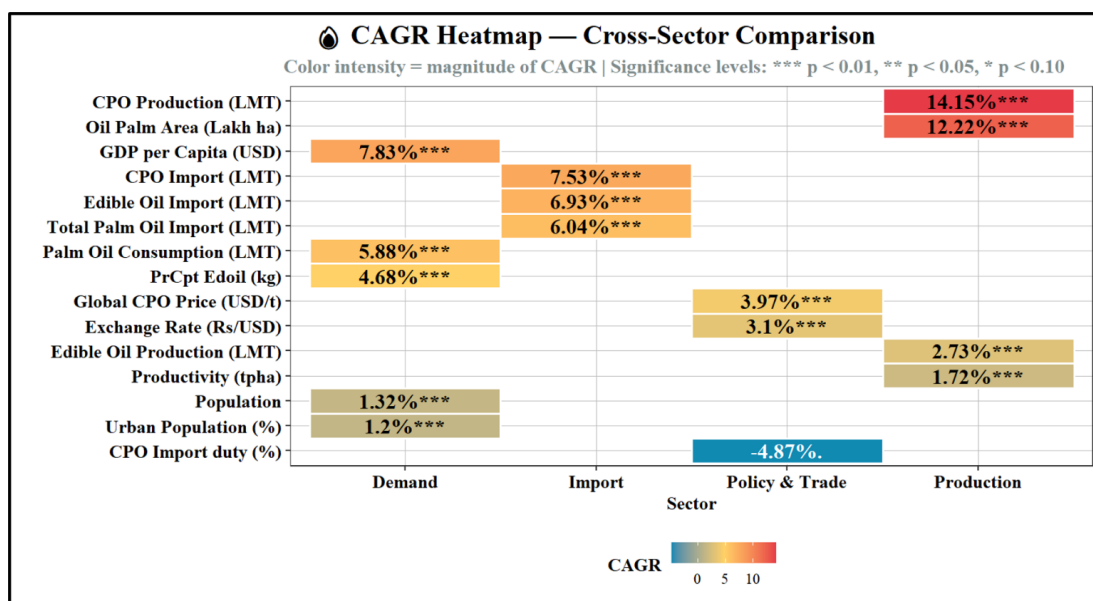


Fig.1: Growth Performance of India's Palm Oil Sector: A CAGR-Based Cross-Sector Comparison (2000–2024)

The Way Forward

The growth trends clearly indicate that expanding the area under oil palm alone will not be sufficient to reduce India's dependence on imported edible oils. Future efforts should focus on increasing productivity by promoting quality planting materials, scientific crop management, efficient irrigation, and stronger extension support. At the same time, investments in processing facilities, storage infrastructure, and market linkages are essential to improve the efficiency and profitability of the domestic oil palm sector. The continued implementation of the National Mission on Edible Oils-Oil Palm (NMEO-OP) should therefore prioritize productivity enhancement alongside area expansion. In addition, encouraging the cultivation of other edible oil crops such as mustard, soybean, sunflower, and groundnut will help diversify domestic oil production and strengthen India's edible oil security. A balanced approach integrating production, productivity, technology, and supportive trade policies will be critical for reducing long-term import dependence.

Conclusion

The growth analysis shows that India's palm oil sector has made remarkable progress over the past two decades, with domestic crude palm oil production and oil palm area expanding rapidly. However, rising incomes, urbanization, population growth, and changing dietary preferences have

driven edible oil demand much faster than domestic production. As a result, imports continue to play a vital role in meeting the country's edible oil requirements. The findings demonstrate that increasing cultivated area alone cannot achieve edible oil self-reliance. Greater emphasis must now be placed on improving productivity, narrowing yield gaps, strengthening value chains, and promoting diversified domestic edible oil production. Ultimately, India's journey towards edible oil self-reliance will depend not only on cultivating more oil palm but on producing more oil from every hectare while building a competitive and sustainable edible oil sector.

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