



OVERVIEW OF PALM OIL INDUSTRY

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Introduction

The palm oil industry has the potential to generate significant economic and social development in Indonesia. Palm oil is the most efficient oilseed crop in the world. Palm oil is a tropical vegetable oil fruit from the palm plant. Palm oil is an important and versatile raw material for both food and non-food industries. Palm oil is available in about 15 different grades, ranging from crude to semi-refined, refined, crude fractionated, refined fractionated oil and refinery by-products. Crude palm oil (CPO), Crude Palmolein, refined, bleached and deodorised (RBD) Palm Oil, RBD Palmolein and crude palm kernel oil (CPKO) are the various edible forms of palm oil traded in the market (Anon, 2016a). By 2020, the use of palm oil is expected to double (According to, Hai, 2002).

Uses of Palm Oil

Palm oil is considered as a "miracle oil" due to its diversity of uses for both food and non-food products. Biomass products such as plywood and fiber boards can be produced from the oil palm trunks. Wastes produced at the mill are used as animal feed and fertilizers. Refined palm oil and palm olein are used as cooking and frying oil. In food industries, refined palm oil, palm olein and palm stearin are the main ingredients in the production of food items namely shortenings and margarine. Palm oil products in non-food sector are mainly in the oleochemical industry and bio-fuel production. The basic oleochemical products are fatty acids, esters, alcohols, pharmaceutical, cosmetics, candles, soaps, detergents. Palm-based methyl esters are also suitable as a substitute for diesel fuel for vehicles and engines.

World Scenario

Total world production of palm oil is 6.2 crore MT. Indonesia is a largest producer country all over world. Indonesia is 50 per cent production country around the world. India is highest consumer and importer of palm oil. From the world consumption of palm oil India consume 21 per cent of the total world consumption. India has 96 lakh MT palm oil import. India has a near about 17 per cent palm oil import (Anon, 2016b).

Table-1: world production of palm oil

(Values in MT)

Country	2011-12	2012-13	2013-14	2014-15	Jan 2015-16	Feb 2015-16
Indonesia	26,200	28,500	30,500	33,000	33,000	33,000
Malaysia	18,202	19,321	20,161	19,819	20,500	20,000
Thailand	1,892	2,135	2,000	1,800	2,200	2,200
Colombia	945	974	1,041	1,110	1,130	1,174
Nigeria	970	970	970	970	970	970
Other	4,373	4,522	4,711	4,673	4,875	1,875
Total	32,582	56,422	59,383	61,432	62,675	62,219

Challenges of indian palm oil industry

- **Price sensitivity and market dynamics:** The fluctuation in global demand and supply of edible oil markets, mirrored by demand and supply within the domestic market, aggravates price sensitivities in local trading market.
- **Enabling environment:** Economic instability due to frequent changes in export regulations, taxation and exchange rates is seen as a deterrent to the development of sustainable palm oil markets. Therefore, there needs to be a clear policy direction from government agencies, with tangible targets to create an enabling environment for this industry.
- **Traceability challenges within the supply chain:** The palm oil supply chain causes traceability challenges as most of the oil is sold by unbranded companies.
- **Low capacity utilization of processors:** The preferential duty imposed by Indonesia and Malaysia on the export of CPO and RBD Olein, higher quantities of RBD Olein are imported, which has reduced the capacity utilisation of the Indian palm oil refining industry.
- **Consumer awareness:** The palm oil sector is dominated by south-south trade and the ethical business standards index in both producing and consuming countries is quite low, thereby leading to relative inaction to address sustainability concerns related to palm oil within local markets. The long-term social, economic and environment benefits both society and companies.

Future prospect of indian palm oil

- High potence rainfed crop in terms of productivity: Indian oil palm is still much more progressive as it is a potence rainfed crop in terms of productivity.
- Increase per capita income leads to increase in consumption of edible oil
- Best suited golden crop for Indian consumers: This golden crop is best positioned in all ways such as pricing, logistics, nutritional values versatile usage and being user and being user friendly to take care of the needs of the indian consumer.
- Demand of palm oil increase with population: Demand for food grains is constant and stable and can only meet the population growth, whereas demand for vegetable oil increases with increase in population, increase in standard of living (income) and increased use for industrial, pharmaceutical, nutraceutical and cosmetic purposes, etc.
- Scope to engage business and industry to adopt environmentally credible business practices
- Demand is greater than supply: The supply of vegetable oil has increased at the rate of 2% per annum in the past 25 years, while demand grew at the rate of 5% per annum. The indian trade industry therefore predicts much greater expansion.
- Major portion of middle class population in India: As per the middle class population is expected to touch one billion over the next two decades. The middle class population would be the major consumer of edible oils in the country.

Source: Kalidas *et al.* (2014)

Conclusion

Palm oil is the main vegetable oil consumed in the world. World production of palm oil was projected to double from 2000 to 2020 with a total production exceeding 40 million tonnes. In both edible and non-edible use as world population increases and developing countries becomes wealthy. Palm oil has a significant presence in India's edible oil consumption as nearly 40 per cent of India's annual edible oil requirement is met by palm oil, almost all of which is imported. Oil palm having great future with its high productivity of 4-6 tonnes of oil per ha which is far above to all other oilseed crops. Increasing demand for use of vegetable oils in manufacturing bio-diesel have put the oil seeds stocks under pressure.

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