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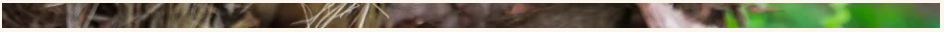
Palm Oil: The African Plant Asia Now Dominates

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Palm Oil: The African Plant Asia Now Dominates

Palm oil comes from a tree native to West Africa, but Asia now grows almost all of it. India buys much of what it uses, and in 2026 the world’s top exporter began rewriting how it sells the crop.





A cluster of oil palm fruits at Kimanis Estate, Sabah, Malaysia. Photo by CEphoto, Uwe Aranas, CC BY-SA 3.0, via Wikimedia Commons.

At a glance

One African tree, two oils, and a 2026 export shake-up

01
West Africa

The oil palm’s native home, now dominated by Asian growers.

02
47%

Palm’s share of India’s palm, soy, and sunflower oil imports, 2024-25.

03
42%

NMEO-OP’s progress toward its 6.5 lakh hectare target, by 2025-26.

04
2027

Indonesia centralises palm oil exports through one state firm.

CPO. Crude palm oil, pressed from the fruit’s fleshy pulp.
PKO. Palm kernel oil, pressed from the fruit’s hard inner seed.
NMEO-OP. India’s National Mission on Edible Oils-Oil Palm, started 2021.
RSPO. Roundtable on Sustainable Palm Oil, a grower-certification body.

What Is Palm Oil? One Fruit, Two Oils

Must Know

The **oil palm is a tree native to West Africa**. Today, Indonesia and Malaysia are its major producers.

- **Palm oil.** Comes from the fruit's fleshy pulp.
- **Palm kernel oil.** Comes from the fruit's hard inner seed.
- **Not the same oil.** The two have different fat mixes and different uses, and neither is coconut oil.

Harvested fruit bunches travel to a mill quickly. Fast handling protects oil quality once the fruit is cut.

> **Quick check 1.** The oil palm is native to Southeast Asia. *(True or False?)* See answer ↓

Why Food Makers Use It

Must Know

Palm oil is widely available and often affordable. It gives useful texture to baked foods and holds up well under some cooking conditions.

- **Beyond food.** It also appears in soap, cosmetics, and biodiesel, a fuel made from oils or fats.
- **A land-and-food trade-off.** More palm oil diverted to fuel can compete with food demand or land, depending on supply and policy.
- **Nutrition needs balance.** Palm oil contains saturated fat. The WHO advises limiting saturated fat and favouring unsaturated fats where possible.

Watch this trap: replacing industrial trans fat with palm oil can help in some products, but that doesn't make every palm-oil snack healthy. The whole diet still matters.

> **Quick check 2.** Palm oil comes from fruit pulp, while palm kernel oil comes from the inner seed. *(True or False?)* See answer ↓

India's Import Dependence: The Numbers

Good to Know

India relies heavily on imported edible oils. A government release put overall edible-oil import dependence at **56.25% in 2023-24**.

- **Crude palm oil, 2024-25.** 61.01 lakh tonnes imported.
- **Refined palm oil, 2024-25.** 17.23 lakh tonnes imported.
- **Combined.** 78.24 lakh tonnes of crude and refined palm oil together. Palm, soy, and sunflower oil imports together totalled 166.63 lakh

tonnes. Palm made up roughly **47% of that three-oil import mix**.

That 47% figure describes India's import mix, not its total cooking-oil use. Imports steady supply and prices when local output falls short, but they also expose buyers to world prices and trade disruptions.

Import Duty on Edible Oils: How the Tariff Lever Works

Good to Know
India imports most of its palm oil. So the import duty is the government's quickest lever on oil prices. A change in duty can move prices within days.

The duty has two parts. The **basic customs duty (BCD)** is the headline rate. On top come a cess and a surcharge. Together they make the **effective duty**. A 10% BCD on crude oil gives an effective duty of 16.5%.

Why does the government keep changing it?

Two groups pull in opposite directions. Farmers want high duty, so that imported oil does not undercut their soybean and groundnut. Consumers want low duty, so that cooking oil stays cheap.

- **Raise duty** when farm-gate prices are weak, especially just before harvest.
- **Cut duty** when retail oil prices are rising, especially before festivals.

Why is crude taxed less than refined?

Crude oil needs refining before people can cook with it. If crude carries a lower duty than refined oil, importers prefer to bring in crude. They refine it in India. That keeps work for Indian refiners.

A wider gap gives refiners more protection. A narrower gap lets refined oil compete from abroad.

How have the rates moved?

- **October 2021.** BCD on crude soybean and sunflower oil went to nil. Their effective duty fell from 24.75% to 5.5%. (Source: Deccan Herald)
- **14 September 2024.** BCD on crude palm, soybean and sunflower oil rose from nil to 20%. The effective duty was then 27.5%. On refined oils BCD rose from 12.5% to 32.5%, an effective 35.75%. The aim was to help oilseed farmers before the new crops arrived. (Source: Deccan Herald) (Source: Malay Mail)
- **30 May 2025.** BCD on the three crude oils fell from 20% to 10%, an effective 16.5%. Refined oils stayed at 32.5%. The crude-refined gap widened. (Source: AIR News) (Source: The Week)
- **24 September 2026.** BCD on crude palm and soybean oil fell to 5%, an effective 11%. BCD on crude sunflower oil went to nil, an effective 5.5%. BCD on refined palm and soybean oil fell to 27.5%, and on refined sunflower oil to 22.5%. The reason was rising prices before the festive season. (Source: Business Today) (Source: Telangana Today)

Remember: the lever works in both directions. The 2024 hike backed farmers. The 2025 and 2026 cuts backed consumers. Check the date before you say which way a rate moved.

What is the long-term fix?

Duty only manages prices. To cut imports, India must grow more oil. Besides NMEO-OP, the Cabinet approved the **National Mission on Edible Oils-Oilseeds (NMEO-Oilseeds)** on 3 October 2024. It has an

outlay of ₹10,103 crore for 2024-25 to 2030-31. (Source: The Week) (Source: AIR News)

NMEO-OP: India's Oil-Palm Mission

Good to Know

The **National Mission on Edible Oils-Oil Palm (NMEO-OP)** began in 2021. It supports new plantations and local processing, with special attention to the North-East and Andaman and Nicobar Islands.

- **Area covered.** The mission brought 2.73 lakh hectares under oil palm between 2021-22 and 2025-26. Its target was 6.5 lakh hectares — so it reached about **42% of the target**.
- **Total area, November 2025.** 6.20 lakh hectares under oil palm nationwide, including plantings from before the mission.
- **Output, 2024-25.** 3.80 lakh tonnes of crude palm oil, up from 1.91 lakh tonnes in 2014-15.
- **Leading states.** Telangana and Andhra Pradesh have brought in the most new area under the mission.

Remember: a farmer waits several years before palms give strong yields, and fresh fruit loses quality if it waits too long before reaching a mill. Area and output figures describe progress, not proof that India has ended import dependence.

> **Quick check 3.** India's oil-palm mission (NMEO-OP) tries to raise domestic output and reduce import reliance. *(True or False?)* See answer ↓

The Forest-and-Peat Dilemma

Great to Know

Oil palm produces much more oil per hectare than many other oil crops. That's its main land-use advantage.

- **Forest loss.** Clearing natural forest for plantations destroys habitat.
- **Peat carbon.** Draining tropical peat can release large amounts of stored carbon.
- **Fire and air quality.** Fire used during land conversion can harm air quality.
- **Monoculture.** A single-crop plantation typically supports fewer forest species than the habitat it replaced.

Replacing all palm oil with lower-yield oils could need more land elsewhere. That could shift biodiversity loss rather than solve it. The better test asks **where and how** each oil is grown — protecting natural forests and peat is central.

Palm oil trade-offs

Question	Possible benefit	Risk to check
Food supply	High oil yield, lower import pressure	Price shocks, diet quality
Farm income	Fruit buyer, mission support	Long wait, water use, single-buyer dependence
Land	More oil from a smaller area	Forest, peat, fire, wildlife loss
Certification	Rules and audits via RSPO	Actual habitat results still need checking

Does stopping palm oil automatically save forests?

No. Other oils can need more land for the same oil output, since palm has an unusually high yield per hectare. Simply swapping to a different oil could shift the land pressure elsewhere instead of removing it. Forest protection, careful siting of new plantations, lower waste, and better farming practices matter more than a blanket swap between oils.

Quick check 4. Replacing palm oil with another crop always lowers the total land area needed for the same amount of oil. *(True or False?)* See answer ↓

Indonesia's 2026 Export Shake-Up

Great to Know

Indonesia grows more palm oil than any other country, and in 2026 it began restructuring how that oil leaves the country.

- **State control incoming.** In May 2026, Indonesia named palm oil a Strategic Natural Resource Commodity, to be routed through a state-owned enterprise. **Full state control of the export chain is due to take effect in January 2027**.
- **Higher export levy.** In March 2026, Indonesia raised its crude palm oil export levy to 12.5%.
- **More oil kept at home.** Indonesia's B50 biodiesel mandate, once fully rolled out, needs about 3 million more tonnes of palm oil a year. That pushes domestic consumption toward roughly 26 million tonnes.
- **Malaysia's opening.** Less Indonesian oil is now available for export. Malaysia's palm oil council expects Malaysia to pick up some of that

demand, though floods in Sabah in February 2026 have weighed on its own output.

Watch this trap: Indonesia's export centralisation and its higher biodiesel mandate both point the same way. They mean less Indonesian palm oil available for the rest of the world, not less palm oil grown overall.

> **Quick check 5.** Indonesia's 2026 biodiesel mandate and export-levy increase both tend to reduce the palm oil it has available to sell abroad. *(True or False?)* See answer ↓

Exam Edge

Previous Year Question: UPSC CSE Prelims 2021, Q52

Asked before

PYQ 1 · UPSC CSP 2021, Q52

With reference to 'palm oil', consider the following statements:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

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Quick Q&A

If oil palm gives so much more oil per hectare, why is it still controversial?

The high yield is real, but it doesn't say anything about where the plantation is sited. Clearing natural forest or draining tropical peat for a high-yield crop can still do more damage than a lower-yield crop grown on already-cleared farmland.

Does India's NMEO-OP progress mean India will stop importing palm oil soon?

Not based on current figures. The mission has reached about 42% of its area target, and a palm tree takes several years to reach full yield. India's import dependence is expected to continue for years yet.

Related: Technology Missions in Indian Agriculture covers NMEO-OP's policy setting in the wider agriculture-mission context.

MCQ on Palm Oil

Try 8 practice questions on palm oil's origin, uses, imports and import duty.

🎲 More Environment and Ecology Practice

Practice MCQs

1. The oil palm tree, now dominantly grown in Indonesia and Malaysia, is originally native to which region?

A. The Indian subcontinent

B. West Africa

C. Southeast Asia

D. South America

See answer ↓

2. Palm oil and palm kernel oil, both derived from the same oil palm fruit, differ in which way?

A. Palm oil comes from the fruit's pulp; palm kernel oil comes from its seed

B. There is no real difference between the two oils

C. Palm oil comes from the leaves; palm kernel oil comes from the roots

D. Palm oil is only used in food; palm kernel oil is only used in fuel

See answer ↓

3. With reference to palm oil, consider the following statements:

1. The palm oil tree is native to Southeast Asia.

2. Palm oil is a raw material for industries producing lipstick and perfumes.

3. Palm oil can be used to produce biodiesel.

Which of these statements are correct?

A. 1 and 2 only

B. 2 and 3 only

C. 1 and 3 only

D. 1, 2 and 3

See answer ↓

4. In 2024-25, how much of India's edible oil imports were palm oil?

A. About 10%

B. Nearly 90%

C. Nearly 47%

D. About 25%

See answer ↓

5. Under NMEO-Oil Palm, how many oil palm processing mills are now operational across India?

A. 60

B. 15

C. 27

D. 9,244

See answer ↓

6. On 30 May 2025 India cut the basic customs duty on crude palm, soybean and sunflower oil from 20% to 10%. What was the effective duty on these crude oils after the cut?

A. 11%

B. 16.5%

C. 35.75%

D. 27.5%

See answer ↓

7. India raised the import duty on edible oils from 14 September 2024. What was the stated aim?

A. To raise revenue for the oil-palm mission

B. To cut retail cooking-oil prices before the festive season

C. To support domestic oilseed farmers before the new soybean and groundnut crops arrived

D. To reduce imports from Indonesia and Malaysia only

See answer ↓

8. In May 2025 the duty on crude edible oils was cut while the duty on refined oils stayed at 32.5%. What was the effect on the crude-refined duty gap?

A. The gap narrowed, favouring importers of refined oil

B. The gap closed completely

C. The gap widened, protecting domestic refiners

D. The gap did not change

See answer ↓

Answer Key

1. **B.** The correct answer is **West Africa**. The oil palm began there. Indonesia and Malaysia now grow most of the world's palm oil. Memory hook: African tree, Asian plantations. ↑ Q1
2. **A.** The correct answer is **pulp versus seed**. Palm oil is pressed from the fleshy pulp of the fruit. Palm kernel oil comes from the kernel inside the seed. Memory hook: pulp gives palm oil, kernel gives kernel oil. ↑ Q2
3. **B.** The correct answer is **2 and 3 only**. Statement 1 is false because the oil palm is native to West Africa. Palm oil is used in cosmetics and can be made into biodiesel. Memory hook: palm began in Africa. ↑ Q3
4. **C.** The correct answer is **nearly 47%**. India imported about 16 million tonnes of edible oil in 2024-25. Palm oil was about 7.6 million tonnes of that. Memory hook: palm is nearly half of what India buys. ↑ Q4
5. **C.** 27 oil palm processing mills are currently operational across India, under the NMEO-Oil Palm mission. ↑ Q5
6. **B.** The effective duty adds the agriculture infrastructure and development cess and the social welfare surcharge to the basic duty. With a 10% basic duty, the effective duty became 16.5%, down from 27.5%. Refined oils stayed at a 32.5% basic duty. ↑ Q6
7. **C.** The basic duty on crude palm, soybean and sunflower oil went from nil to 20%. On refined oils it went from 12.5% to 32.5%. The government said the aim was to help oilseed farmers as new crops reached markets. Higher duty lifts import costs, so local prices get support. ↑ Q7
8. **C.** A wide gap makes it cheaper to import crude oil and refine it in India. That protects domestic refiners, who pay less on raw material than refined imports do. The May 2025 cut widened the gap between the crude and refined rates. ↑ Q8

Quick-check answers

1. **False.** ↑ 1
2. **True.** ↑ 2
3. **True.** ↑ 3
4. **False.** ↑ 4

5. **True.** ↑ 5

Previous year answers

1. **(b) 2 and 3 only**

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