

Edible oil prices may rise 15-20%

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DOMESTIC EDIBLE OIL prices are likely to shoot up 10% to 15% in the short term after Indonesia, the world's largest producer and exporter of palm oil, has announced a ban on its export from April 28, industry officials said.

Sunflower oil supplies in India have already been affected due to the Ukraine-Russia war, adding pressure to household budgets.

Indonesian president Joko Widodo on Friday, announced the suspension of all cooking oil and raw material exports from April 28 until further orders. The decision comes in the wake of a severe shortage and skyrocketing prices for edible oil in the southeast Asian nation.

The retail price of cooking oil in Indonesia averages at 26,436 rupiahs (\$1.84) per litre, up more than 40% so far this year. In some provinces, prices have nearly doubled in the past month alone.



Daily edible oil retail prices (₹/kg) in 4 Metros and Ranchi

April 23	Delhi		Mumbai		Kolkata		Chennai		Ranchi	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Groundnut Oil	196	201	198	184	NR	NR	179	182	NR	220
Mustard Oil	160	196	170	191	163	179	153	195	NR	171
Vanaspati	139	186	153	178	130	169	137	167	NR	150
Soya Oil	157	190	152	174	159	169	NR	NR	NR	170
Sunflower Oil	196	203	186	196	189	182	164	184	NR	205
Palm Oil	131	169	138	157	138	159	131	148	NR	146

Source: Ministry of Consumer Affairs

The world annually consumes around 240 million tonne of edible oil, of which 80 million tonne (34%) is palm oil.

India imports around 0.6 million tonne of palm oil, 50% of which comes from Indonesia and the remaining from Malaysia, said Sandeep Bajoria,

chief executive of Sunvin Group, a Mumbai-based vegetable oil brokerage and consultancy firm. The total monthly export is around 1.1 million tonne. If the 0.3-million-tonne flow is affected, it will push up prices further, he said. "Consumers will have to consume less edible oil. After sunflower oil prices went up, they started consuming palm oil. Now there is no alternative, since palm oil is the cheapest oil," he said.

Bajoria said the ban may not last more than a month since Indonesia already has 5 million tonne of palm oil and produces another 4 million

tonne every month. It consumes only around 1.4 million tonne and has surplus of 2.3 million tonne every month, and not enough storage, he said. Edible oil prices in India are likely to go up by ₹10 per kg, he said.

BV Mehta, executive director, Solvent Extractors Association of India, said India should activate its diplomatic channels to prevent this "catastrophe".

"Already sunflower oil supplies were hit due to the Russia-Ukraine war. Now if palm oil supply is disrupted then prices will skyrocket. Prices were already high and Indonesia's decision will add to the pressure

and hurt supplies," he said.

Indonesia produces 48 million tonne of palm oil annually. The local consumption, including a biofuel mandate, is 17 million tonne, so it has around 31 million tonne for export. This issue could have been managed in a much better manner rather than suspending exports worldwide, Mehta said.

Sudhakar Desai, president, Indian Vegetable Oil Association, raised doubts about the sustainability of Indonesia's decision, as the country may find it difficult to handle the huge quantities of palm oil it produces.

"Indonesia exports nearly 20 lakh tonne of palm oil per month. Given the storage constraints in Indonesia, I don't think they would be able to sustain after fifteen days. After meeting its requirements and improving the supply chain, I think it would relax this intended ban," he said.

The inflationary pressure in Indonesia is consequent of its own policy of supporting the domestic biofuel industry of 8 million tonne of oil, he said.

Prices in India have already gone up by 3.3% in 24 hours and are likely to go up by 10 to 15% in the short term. The next one month is going to be difficult not only for India but for the rest of the world as well, Desai said.