Infomerics Valuation And Rating Ltd.
SEBI REGISTERED / RBI ACCREDITED / NSIC EMPANELLED CREDIT RATING AGENCY

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INDUSTRY OUTLOOK

CRITICALITY OF OILSEEDS IN INDIA'S DEVELOPMENT ODYSSEY

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1. Introduction

Edible oils are mainly vegetable oils subjected to several refining processes (such as neutralization, bleaching and deodorization) to remove undesirable constituents. Vegetable oils are the healthier consumption alternative as they contain more unsaturated fatty acids than animal fats.

Oilseeds and edible oils are some of the most sensitive essential commodities in the world. Globally 680.35 million metric tonnes (MMT) of Major Oil seeds and 227.18 MMT of vegetable oil were produced in 2024-25, representing a growth of 3.5 and 2.4 per cent over the last year. Brazil (175.76 MMT), United States (128.48 MMT), China (68.96 MMT), Argentina (58.19 MMT), and India (43.03 MMT) are some of the major producers[1].

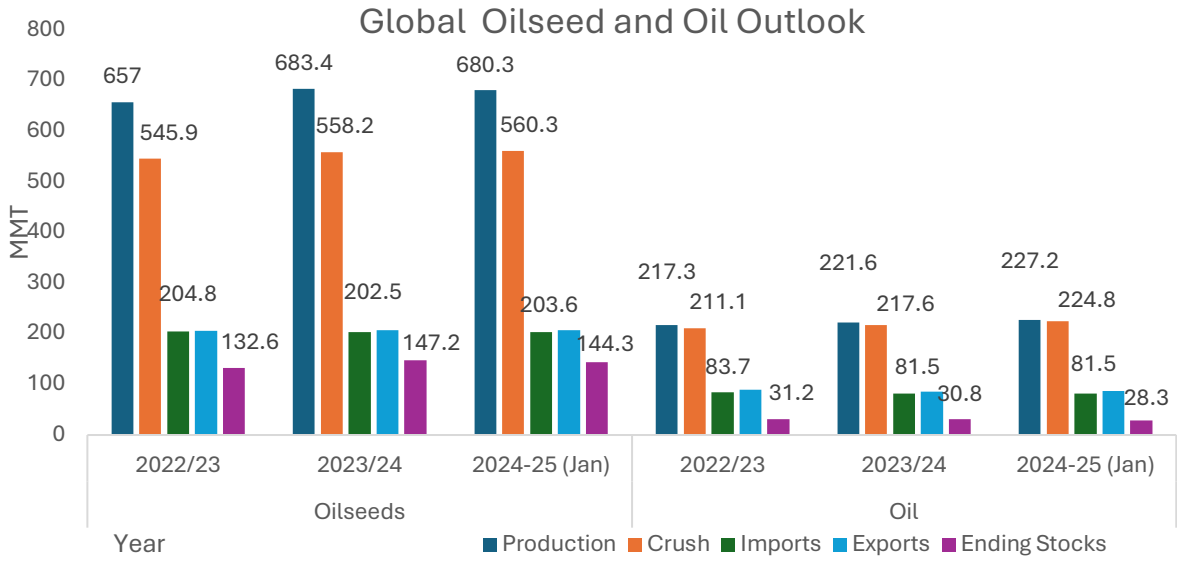
Oilseeds are an important input in the food and energy industries. They also find use in the industrial sector. While edible oils are used in cooking in the food industry, oilseeds are used to produce biofuel in the energy industry. Oilseed products, namely Oilseed cakes are used in the food fortification and fertilizer industries.

The oilseed production is determined by the consumption habits of people across regions the world over. Hence, global and domestic consumption patterns vary largely. Soybean, Rapeseed (Mustard), Sunflower, Peanut, Cottonseed, Palm, and Copra are the major oilseeds produced globally. In the case of India, 9 major and 5+ minor oilseeds are produced. Rapeseed, Soybean, and groundnut are the major oilseeds produced in India. In India, 39.67 MMT of oilseeds were produced in 2023-24 comprising 13.26 MMT of rapeseed, 13.06 MMT of soybean and 10.18 MMT of groundnut[2]. Consumption of edible oil stood at 28.9 MMT with self-sufficiency at ~43 per cent and per capita edible oil availability of 22.3 kg/pc[3].

2. Demand and Supply Outlook

Global Outlook

According to the United States Department of Agriculture (USDA), the global production of oilseeds is expected to reduce marginally while edible oil production is expected to increase in 2024-25. A marginal decrease in oilseed production and increased crushing would lead to a drawdown of oilseed and oil stocks.



Forecast of global oilseeds production is down 3.0 million tons to 680.4 million on lower U.S. soybean, and India and Russia rapeseed, not offset by an increase in China cottonseed production. Oilseeds trade remains unchanged at 207.3 million tons, with higher Canada rapeseed exports offsetting lower rapeseed exports by Australia, Ukraine, and Uruguay. Oilseeds ending stocks were reduced by 2.9 million tons to 144.3 million on lower U.S. and Brazil soybean stocks despite higher China rapeseed ending stocks. Global vegetable oil trade is up slightly to 86.4 million tons with higher U.S. soybean oil and Russian sunflower seed oil, not offset by lower Russian rapeseed oil exports[4].

Domestic Outlook

India is one of the largest oilseeds producers ranking 5th overall in the world. India contributes about 5-6per cent of the world oilseeds production. As per the First Advance Estimates released by the Ministry of Agriculture- production of oilseeds in the Kharif season is expected to increase to 257.45 MMT compared to 215.62 MMT (First Advance Estimate basis). The increase in production in the current year is due to an increase in groundnut and soybean production. The more-than-expected sowing of groundnut and soybean may translate to higher overall oilseed production by the final estimate.

Table 1: Oilseed Production

Production	2022-23(F)	2023-24(F)	2023-24(1-AE)	2024-25 (1-AE)
Groundnut	102.97	101.8	78.29	103.6
Castor seed	19.8	19.59	16.69	15.53
Seasasum	8.02	8.47	4.19	3.98
Niger seed	0.29	0.27	0.24	0.14
Soybean	149.85	130.62	115.28	133.6
Sunflower	3.63	1.73	0.64	0.6
Rapeseed/Mustard	126.43	132.59		
Linseed	1.67	1.13		
Safflower	0.9	0.5		
Total Oilseed	**413.55**	**396.69**	**215.33**	**257.45**

*Value in lakh tonnes; F- Final, AE- Advance Estimate
Data Source: As of Nov 2024, First Advance Estimate: (DA&FW)

This increased production stemmed from the increased area sown for oilseeds during the kharif season, where a 5 per cent increase in oilseed production occurred. This increase in kharif crop production occurred due to an increase in soybean and groundnut cultivation.

Table 2: Progress of area coverage under Kharif crops as on 07.10.2024

Oilseed	Normal Area (DES)	2024	2023	Increase (+)/Decrease (-)
Groundnut	45.28	47.85	43.75	+4.11
Soybean	122.95	126.9	123.85	+3.05
Sunflower	1.40	0.77	0.73	+0.04
Seasmum	10.26	11.39	12.24	-0.85
Niger	1.22	0.92	0.80	+0.12
Castor	9.07	8.20	9.50	-1.30
Other Oilseed	0.0	0.08	0.05	+0.03
Total Oilseeds	**190.18**	**196.11**	**190.92**	**+5.19**

*Area sown in lakh hectares
Data Source: MoAFW

The Rabi season was marked by a decrease in the area because of a reduction in the rapeseed production, which reduced by 2.23 per cent. Though marginal, this figure is expected to be revised upward as further crop estimation occurs.

Table 3: Progress of area coverage under Rabi crops as on 31.01.2025				
Oilseeds	**Normal Area (DES)**	**2024-25**	**2023-24**	**Increase (+)/ Decrease (-)**
Rapeseed and Mustard	79.16	89.30	91.83	-2.53
Ground nut	3.82	3.65	3.42	-0.23
Safflower	0.72	0.72	0.65	+0.07
Sunflower	0.81	0.74	0.53	+ 0.21
Sesamum	0.58	0.42	0.49	-0.07
Linseeds	1.93	2.26	1.92	+0.33
Other Oilseeds	0.0	0.39	0.39	+0.01
Total Oilseeds	**87.02**	**97.47**	**99.23**	**-1.76**
*Area sown in lakh hectares *Data Source: MoAFW*				

Domestic Balance Sheet

India has a large variety of oilseed crops. Groundnut, mustard/rapeseed, sesame, safflower, linseed, nigerseed, and castor are traditionally cultivated major oilseeds. Soyabean and sunflower and coconut are lesser-known crops. Efforts are being made to grow oil palm in various parts of India. Oil palm is fast becoming a part of the Indian diet due to its lower price.

Edible oils are one of the most sensitive essential commodities. India is the 5th largest producer of oilseeds in the world and oilseeds occupy an important position in the agricultural economy. Oilseeds production accounted for an estimated production of 39.6 million tons (nine cultivated oilseeds).

The people of India have region-specific preferences for oils depending upon the oils available in the region. People in the South and West prefer groundnut oil while those in the East and North use mustard/rapeseed oil. Likewise, several pockets in the South prefer coconut and sesame oil. Inhabitants of the northern plain are consumers of fats and prefer Vanaspati, a term used to denote a partially hydrogenated edible oil mixture of oils like Soyabean, Sunflower, Rice bran, and Cottonseed oils.

Oils such as soyabean, cottonseed, sunflower oil, rice bran, palm oil, and its liquid fraction- Palmolein, which was earlier not known, has now become a part of the Indian diet. Edible oils also constitute a crucial ingredient in food processing, toiletries, fast-moving consumer goods (FMCG), and hospitality sectors.

The figures of the domestic oilseeds balance sheet are as under:

Table 4: Oil Production						
Oil year	**Area Under Cultivation of Oil Seeds (Lha)**	**Production of Oilseeds**	**Domestic Availability of Edible Oils**	**Imports of Edible Oils****	**Total Availability/ Consumption**	**per cent Self sufficiency**
21-22	29.16	37.96	11.65	14.19	25.84	45.1
22-23	30.1	41.35	12.423	16.50	28.92	42.95
23-24	30.19	36.96	12.13	15.65	27.8	43.74
* Value in Million tonnes, *Data source: DPFD, MoAFW, #Nov-Dec 2024 according to SEA*						

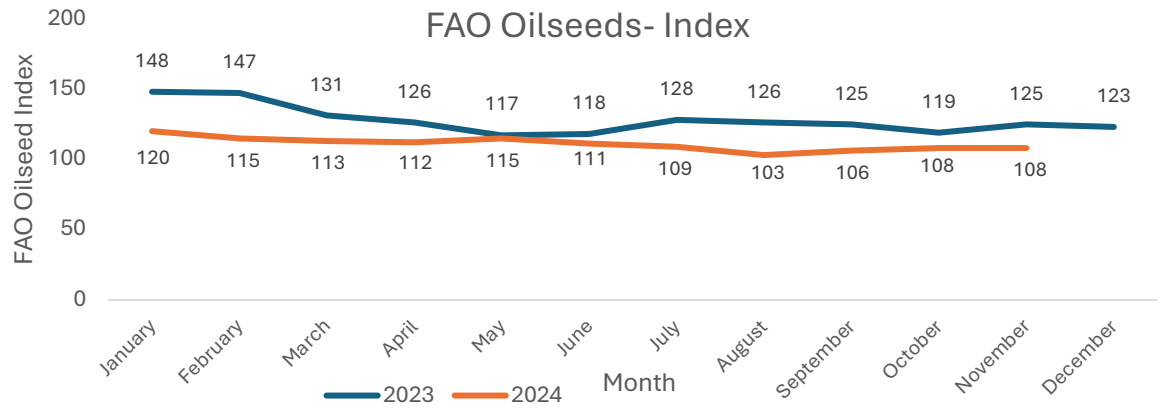
Despite being a large oilseed producer, Domestic production is sufficient to meet only 43.74 per cent of domestic demand. This makes India heavily dependent on imports. India primarily imports palm oil to meets domestic demand. Palm oil constitutes more than 50 per cent of the import of edible oil in India. The rest of the demand for edible oil is met through imports of soybean and sunflower oil[5].

The per capita consumption of edible oil rose significantly reaching 19.7 kg/year, outpacing domestic production, leading to a heavy reliance on imports to meet both domestic and industrial needs. In 2022-23, India imported 16.5 MT of edible oils, with domestic production fulfilling only 40-45per cent of the country's requirements. This makes the task of achieving self-sufficiency in edible oils onerous. Viewed thereof, domestic stock availability requires import of 2.1 million tonnes of edible oil per month and operating at 30-35 days inventory. The total stock was estimated to be 2.408 million tonnes in November 2024, which was sufficient to meet 30-day demand.

On September 13, 2024, the government implemented a significant increase in the Basic Customs Duty on edible oils, including sunflower, soybean, and palm oils, aiming to support domestic oilseed prices and promote self-reliance (*Atmanirbharta*) in edible oil production. The duty on crude variants jumped from 0per cent to 27.5per cent, while refined versions saw an even steeper rise from 12.5per cent to 32.5per cent, reflecting the government's commitment to boost domestic oilseed cultivation.

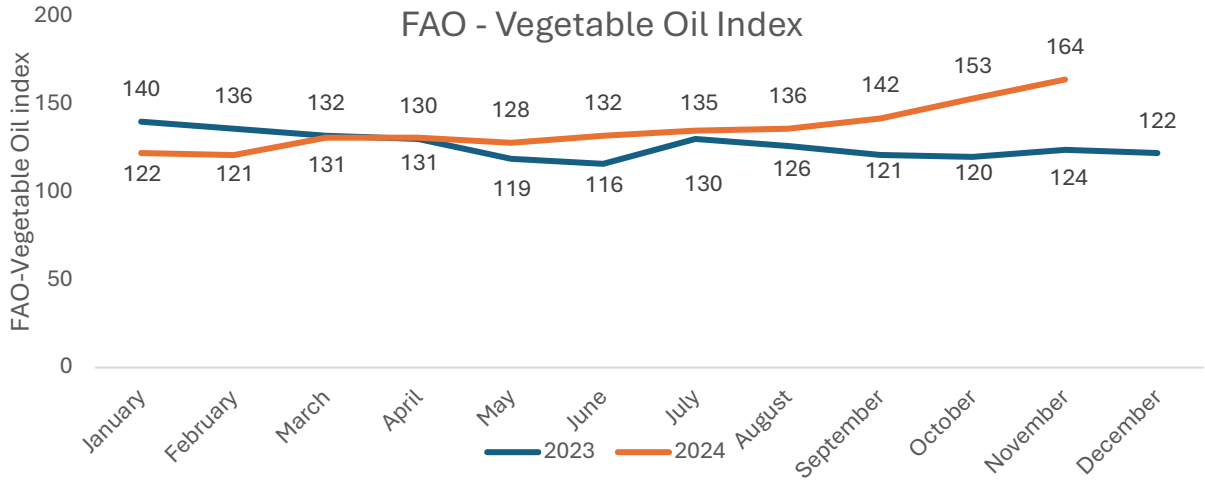
3. Price index – Oilseeds

Global Price Index



Global oilseeds prices have remained subdued. Due to the increased level of oilseed production in the current year, the overall oilseed index fell from 120 in Jan-2024 to 108 in November-2024 representing a fall in oilseed index by more 10 per cent. The decrease was driven by an increase in soybean production estimate and a subsequent reduction in its price.

By contrast, the vegetable oil index which had remained subdued since 2023 has been increasing uninterruptedly since June 2024. The higher price was driven by higher palm, rapeseed, soy, and sunflower oil prices. Palm oil prices rose for the sixth consecutive month, maintaining a premium over alternative oils due to concerns about lower-than-expected global production amid excessive rainfall in Southeast Asia. Meanwhile, world soybean oil prices also continued to rise, mainly due to robust global import demand.



Domestic Price Index

Domestic prices are measured at the wholesale and consumer level through the Wholesale Price Index (WPI) and Consumer Price Index (CPI). These indexes consider the change in prices of oilseeds and edible oil.

Table 5: WPI Inflation

Inflation values	Weight	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24*	Rate of Inflation (YoY)
Non-Food Articles- Oil Seeds	***1.12***	*180.2*	*178.6*	*184.6*	*185.4*	*185.9*	*182.8*	*-1.35*
Vegetable & Animal Oils and Fats	***2.64***	*149.3*	*150.5*	*162.8*	*178.2*	*182*	*183.7*	*30.47*

Data Source: Office of Economic Advisor

The WPI for oilseeds marginally decreased in the current year. The decrease in oilseeds WPI occurred due to increased production. This increase in production is driven by increased soybean production in the country. The oilseed index, which was at 183.1 in January 2024, reduced marginally to 182.8, while prices of oil rose from 140.2 in January 2024 to 183.7 in December 2024. The Oils prices increased post-September was because of the imposition of higher Basic Custom Duty (BCD) on imports of edible oils.

Table 6: WPI Inflation of Oils

Oil	Jan-24	Apr-24	Jul-24	Oct-24	Dec-24
Mustard	153	153.8	171.9	195	194.8
Soyabean	124.6	130.2	132.8	162.9	169.4
Sunflower	125.3	126.8	129	150.7	156.7
Groundnut	170.4	167.6	167.8	167.1	167.8
Castor	149	147	151.9	153.7	153.7
Palm Oil	153.7	156.5	154.7	193.4	202.2
Rapeseed	122.3	127.6	138.4	166.1	164.8
Coconut Oil	151.3	154.2	163.2	179.7	186.7

Base Year: 2011-12
Data Source: Office of Economic Advisor

Post imposition of the BCD, large increase in prices of palm and mustard oil took place. This occurred due to the BCD imposition of 32.5 per cent on imports. Higher WPI prices also started to spill over on the consumer side.

The price of mustard and refined oil rose by over 20 per cent in the past year. But the quantum price rise was much higher post-September 2024 when the BCD was increased. This price rise is expected to increase further as the full impact of the rise in WPI prices will pan out.

Table 7: CPI Index of Oils					
Oil	**Jan-24**	**Apr-24**	**Jul-24**	**Oct-24**	**Dec-24**
Mustard	150.2	148.5	154.6	174.2	179.9
Soyabean	178.4	175.4	174.5	178.4	178.5
Refined Oil (sunflower; soyabean, saffola; etc.)	146.2	146.5	147	164.3	176
vanaspati; margarine	172.6	171.7	174.3	184.8	195.3
Oilseeds	206.9	205.5	206.4	208	208.7
Coconut	207.2	214.1	216.9	263.3	298.1
Base Year: 2011-12 *Data Source: Office of Economic Advisor*					

4. Prices - Oilseeds

Minimum Support Price

The prices of oilseeds are regulated at the initial level by the government. Minimum Support Prices (MSP) announced by the Commission for Agricultural Costs and Prices (CACP) directly impact the prices of oilseeds and oil prices in India.

Oilseeds MSP has progressively increased over time reflecting the rising overall cost of production. The largest cropped oilseeds of soybean, mustard and mustard have seen MSP increase of 6.3 per cent, 5.3 per cent and 6.4 per cent respectively. Minor oilseeds such as Niger seed and sunflower have seen the highest increase in the MSP. While Coconut and Safflower have seen the lowest increase in MSP for 2024-25.

Table 8: MSP for Oilseeds				
Oilseed	**2022-23**	**2023-24**	**2024-25**	**per cent Increase in MSP (24-25 over 23-24)**
Groundnut	58.5	63.77	67.83	6.40
Sunflower seed	64.0	67.6	72.80	7.70
Soyabean(yellow)	43.0	46.0	48.92	6.30
Sesamum	78.3	86.35	92.67	7.30
Niger seed	72.87	77.34	87.17	12.70
Rapeseed and Mustard	54.5	56.5	**59.50**	5.30
Safflower	56.5	58.0	**59.40**	2.40
Copra(Milling)	105.9	108.6	111.6	2.80
Copra(Ball)	110.0	117.5	120.0	2.10
**Values in Rs/kg (Actual figures reported in Rs/quintal)* *Data Source: MoAFW*				

Prices at wholesale and consumer level

Table 9: Prices of Oil (Wholesale)						
Oil	**Jan-2024**	**Apr-2024**	**July-2024**	**Oct-2024**	**Dec-2024**	**per cent change**
Groundnut	178.12	176.76	177.08	182.94	186.16	4.51
Mustard	134.35	133.33	136.09	152.74	159.50	18.72
Vanaspati	113.30	114.31	114.85	126.78	135.92	19.96
Soya bean	116.76	117.72	116.79	126.55	134.49	15.18
Sunflower	129.34	128.55	126.59	134.58	144.31	11.57
Palm	94.73	97.54	96.32	112.77	123.75	30.63
*Values in Rs/kg *Data source: MoAFW*						

Prices mirror changes in pricing policy over the years. All edible oils rose largely in price over the past year both at the wholesale and the consumer level. Wholesale prices rose from 4.5 per cent for groundnut oil to 30 per cent increase for palm oil. Oils, such as Palm, Soyabean, and Sunflower are heavily import-dependent. These oil prices increased the most while mustard oil prices increased due to reduced production and sowing in the current year.

Table 10: Prices of Oil (Consumer)						
Oil	**Jan-2024**	**Apr-2024**	**July-2024**	**Oct-2024**	**Dec-2024**	**per cent change**
Groundnut	190.88	188.98	188.99	194.88	198.28	3.88
Mustard	146.63	145.62	147.46	163.55	170.7	16.42
Vanaspati	125.12	125.84	125.81	136.4	145.96	16.66
Soya bean	126.85	127.71	126.23	136.01	144.75	14.11
Sunflower	139.01	138.47	136.04	143.43	153.47	10.40
Palm	103.36	105.9	104.05	119.9	131.01	26.75
*Values in Rs/kg *Data source: MoAFW*						

India has been facing the onslaughts of high food inflation (10.9per cent yoy in Oct. 2024, 9.04 per cent in Nov. 2024). A significant rise in import duties ranging from 0per cent to 20per cent in crude variants and 12.5per cent to 32.5per cent in case of refined versions lead to the global prices rising by 20per cent post the duty hike. This double whammy had the effect of a whopping 40-45per cent price rise for consumers.

At the consumer level, the price increase reflected the wholesale price increase. Consumer prices for edible oil rose from 3.88 per cent for groundnut oil to 26.75 per cent for Palm oil. However, the full transmission of wholesale prices to consumer

prices did not occur. The wholesale prices increased more compared with the rise in consumer prices. This suggests that consumer-level oil prices may increase in the coming months. This may be most pronounced in Palm and mustard, where the difference between price growth rates is the highest.

5. Procurement of Oilseeds

The Government of India through Central Nodal Agencies like NAFED and FCI conducts procurement of oilseeds at Minimum Support Price (MSP) from the farmers in several states under the Price Support Scheme (PSS). Under the scheme, procurement is undertaken, if the market price of FAQ stocks rules at or below the declared MSPs. Procurement is on till the market price stabilizes above the declared MSP or harvesting period of 90 days as declared by respective State Governments, whichever is earlier. NAFED procures stocks under PSS directly from the farmers through its Cooperative network at the State level and the primary level.

Table 11: Procurement of Oilseeds by NAFED

Commodity	Production	FAQ Sanctioned Quantity DAFW (LMT)	Progressive Procurement (LMT)
Soyabean MSP: RS. 489 per qtl.	130.62	34	9.79
Groundnut MSP: RS. 6783 per qtl	101.8	20	7.26
Sunflower MSP: RS. 7280 per qtl	1.73	0	0.03
Sesamum Seed (Til) MSP: RS. 9267 per qtl	8.47	0	

**Value in Lakh million tonnes*

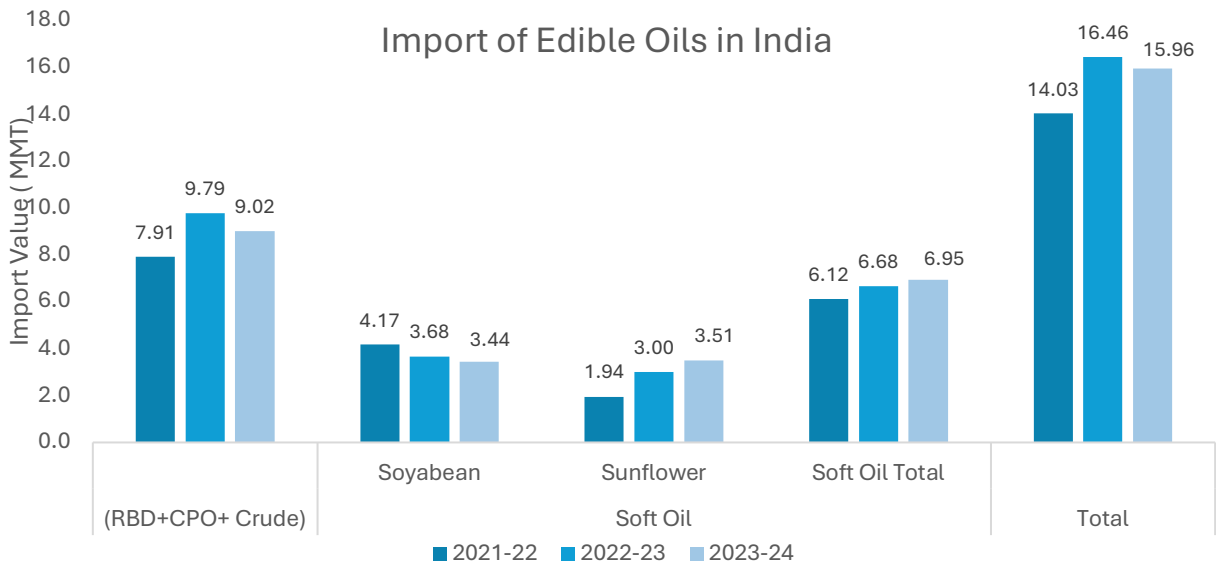
NAFED procures a major share of the total production of soybeans and ground. Around 33.62 per cent of soybeans and 27.26 per cent of ground nut are procured by the NAFED to maintain the MSP prices. Large procurement under PSS may imply soybean and groundnut market prices ruling at much lower levels compared to the MSP prices on offer.

6. Trade Analysis

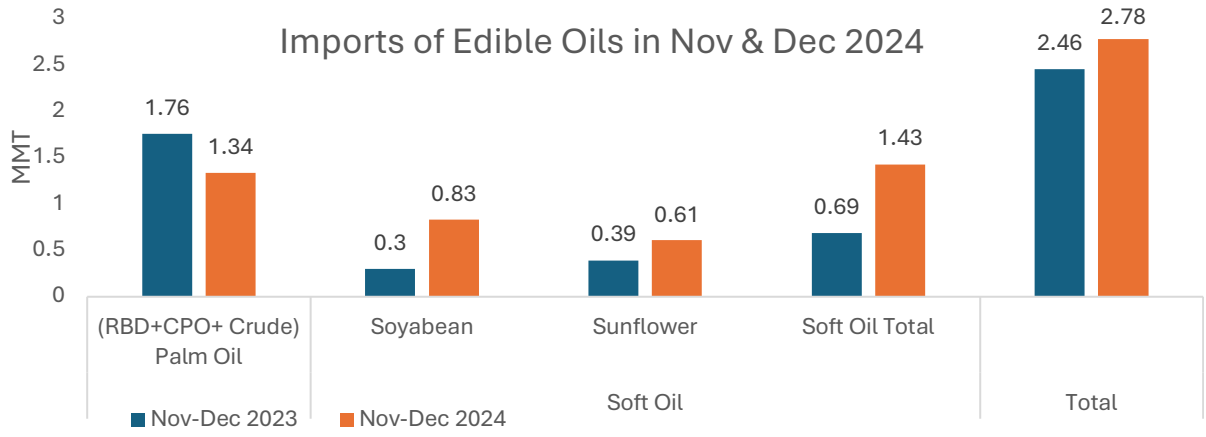
The country relies on imports to meet the gap between demand and supply. The import of edible oil is under an Open General License. The government regulates imports through the duty structure on edible oils. India is heavily dependent on oil imports as domestic sufficiency stands at 43 per cent with rest met through imports.

Imports

India imported 15.96 MMT of edible oils to meet the ~56 per cent deficiency in domestic production. Imports consisted mostly of Crude palm oil and soybean oil. Crude oil imports constituted ~56 of the edible oil imports. Large edible oil imports also drain the foreign reserves in India.



In 2024, the imports of edible oil declined marginally from 16.46 MMT in 2023 to 15.96 MMT in 2024. The decline was due to a reduction in Palm oil imports into the country. This occurred due to imposition of higher BCD on crude and refined palm oil imports. For soft oils, the reduction in soybean imports was balanced by the increase in imports of sunflower oil. The increase in sunflower imports may point to increasing demand for premium edible oil into the country.

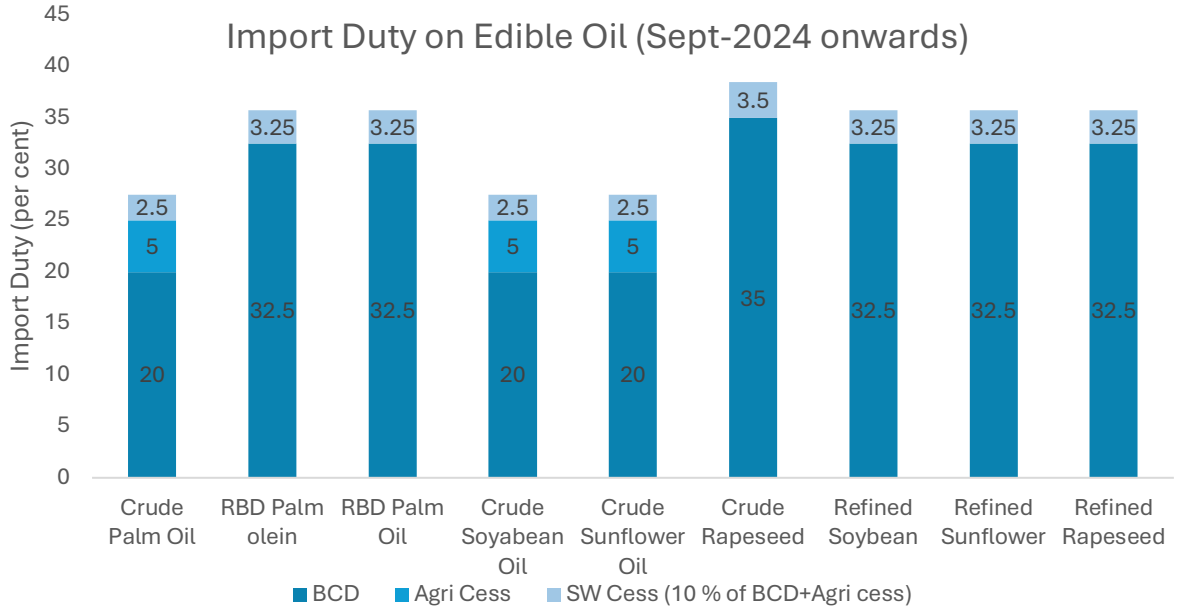


In the past two months, an overall increase in edible oil imports can be witnessed. Edible oil imports have increased form 2.46 MMT in Nov-Dec 2023 to 2.76 MMT in Nov-Dec 2024, despite the fact Palm oil imports have declined from 1.76 MMT in

2024 to 1.34 MMT in 2024. The reduction in Palm oil imports have been balanced by increasing imports of Soyabean and sunflower oil. Soft Oil Imports have witnessed more than 100 per cent increase in imports driven by 176 per cent increase in the soyabean oil imports.

Import Duty

On 13.09.2024, Government increased Basic Custom Duty (BCD) of various edible oils viz Sunflower, soyabean and Palm Oils, to support the domestic Oilseeds prices. The Basic Custom duty on Crude Soybean, Crude Palm Oil and Crude Sunflower Oil was also increased from Nil to 20per cent. Besides, the Basic Custom Duty on Refined Palm Oils, Refined Sunflower Oil and Refined Soyabean Oil has been increased from 12.5per cent to 32.5per cent. The increase in BCD caused the decrease in imports of Crude palm oil. While the relatively lower duty on Crude Soyabean and Sunflower have caused the imports to arise.



Crude Palm Oil	RBD Palmolien	RBD Palm	Crude Soyabean	Crude Sunflower	Crude Rape seed	Refined Soybean	Refined Sunflower	Refined Rapeseed
27.5	35.75	35.75	27.5	38.5	35.75	35.75	35.75	35.75

Policy Conundrum

The import duty structure was imposed to bolster the position of domestic oilseed farmers, especially as the above-normal soybean and groundnut crops were expected to arrive in markets from October 2024. But the duty had the reverse effect. It caused domestic prices to increase substantially in the last quarter. Edible oil prices remained above the CPI and CPI food price inflation in the economy.

Palm oil prices increased by more than 30 per cent, while prices of soybeans and Vanaspati increased by more than 11 per cent.

There is a case for moderating the current duty structure because of the inability of the global exporters to fully cushion the duty impact and the depreciating rupee aggravating the pressure on the price. These factors disproportionately strain the lower-income households. There are also issues of lower global palm oil production, and higher biodiesel requirements in producing countries. These forces and factors necessitate revisiting of the policy and the operational frame.

7. Government Schemes and Initiatives Affecting the Sector

The edible oil farming is affected by many schemes both directly and indirectly. Indirectly, oilseed farming derives benefits from Agricultural schemes such as PM-Kisan Samman Nidhi, PM-Mantri Fasal Bima Yojana among others. Oilseed farming is directly affected by schemes such as the Market Intervention Scheme and Price Support Scheme (MIS-PSS), National Food Security Mission (NFSM) and National Mission on Edible Oils (NMEO)-Oil Palm and Non-Palm.

The two main schemes of NFSM and NMEO aim to augment the availability of vegetable oils and to reduce the import of edible oils by increasing the production and productivity of vegetable oils sourced from Oilseeds, Oil palm, and TBO.

National Mission on Edible Oils (NMEO)- The mission is a centrally sponsored scheme on oilseeds and oil palm development to increase the production of Oilseeds and reduce the dependence of the import of edible oil.

In October 2024, Government approved the National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds) with a financial outlay of Rs 10,103 crore to be implemented over a seven-year period, from 2024-25 to 2030-31. The mission aims to increase primary oilseed production from 39 million tonnes (2022-23) to 69.7 million tonnes by 2030-31. Together with NMEO-OP (Oil Palm), the Mission targets to increase domestic edible oil production to 25.45 million tonnes by 2030-31 meeting around 72per cent of our projected domestic requirement. This will be achieved by promoting adoption of high-yielding high oil content seed varieties, extending cultivation into rice fallow areas, and promoting intercropping.

In FY 2023-24, the allocation of 1309.01 crore took place for promoting Oil palm cultivation in the country. The largest share of the Budget has been allocated to states of Telangana, Arunachal Pradesh and Andhra Pradesh, where large potential for oil palm expansion exists.

National Food Security Mission (NFSM)- consist of component scheme of NFSM-Oilseeds, NFSM- Tree based Oil (TBO). The mission aims at expansion of oilseed production in country. In FY 2024-25, allocation of 748.13 crore has taken place for NFSM Oilseeds. This allocation is concentrated in states of Rajasthan, Madhya Pradesh and Maharashtra. The allocation of NFSM-TBO had a marginal allocation of Rs. 8.47 crore.

A third component under the NFSM, is Targeting rice fallow area (TRFA). Under TRFA, assistance is given for promotion of Oilseed farming by bringing rice fallow area under oilseed cultivation in states of Assam, Bihar, Chhattisgarh, Jharkhand and West Bengal. The scheme aims at conducting Cluster Demonstration of Rabi Oilseeds viz., Mustard, Linseeds, Safflower, Sesame, Sunflower & Groundnut.

In FY 2024-25, allocation of 74.25 crore took place. This allocation is concentrated in the states of West Bengal, Orrisa and Chhattisgarh[6].

8. Budget and Output Outcome Framework

In Budget 2024-25, the Government announced the mission for oilseeds to achieve self-sufficiency in oilseeds. In terms of this mission, the production, storage and marketing will be strengthened. In October 2024, the Government approved the National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds) with a financial outlay of Rs 10,103 crore to be implemented over a seven-year period, from 2024-25 to 2030-31. During 2024-25, an amount of ₹478.64 crore was released till 16.12.2024.

In line with increasing demand for edible oil in country, the Minister of Finance in the Budget statement 2025-26 recognised "*Indian farmers have the capability to grow enough for our needs and more*" and stressed that the government is implementing the National Mission for Edible Oilseed for achieving Atmanirbharta in edible oils.

In Budget 2025-26, the Government set the following targets for production of oilseeds and Oil palm in the country. These increased targets are to be supported by measures of farm area expansion and free distribution of seeds to farmers.

Table 12: National Mission on Edible Oils (NMEO)- Oilseeds & National Mission on Edible Oils - Oil Palm (OP)						
Financial Outlay (Rs in Cr)	Output 2025-26			Outcomes 2025-26		
2025-26	Output	Indicators	**Targets 2025-26**	Output	Indicators	**Targets 2025-26**
8000 cr. (7447 cr. in 24-25) For NMEO and other schemes	Increased production of primary oilseeds	Area coverage under 600 value chain clusters (in Lakh Ha)	**10**	Enhanced edible oil production in the country	Domestic edible oil production (in MMT)	**13.48 (Against 12.02 in 2023-24.)**
		Free seed distribution to the farmers (in lakh qtls)	**5.48**		Production of oil seeds (in MMT)	**42.7**
		Annual Area coverage under primary oilseeds (in Lakh Ha)	**297**			
	To increase production of Oil palm plantation	Annual Area expansion under NMEO-OP (in Lakh Ha)	**1.5**	Enhanced Crude Palm Oil production in the country	Production of Crude Palm Oil (in MMT)	**1.12 (against 0.398 MMT in 2023-24)**
Source: Budget Documents 2025-26						

9. Challenges

Environmental Concerns: Increasing concern associated with deforestation, loss of biodiversity and greenhouse gas emissions posing significant environmental challenges will have to be addressed comprehensively by the edible oil industry and make consumers aware about industry-wide efforts to preserve balance of ecology

Volatility: Price volatility in the vegetable oil market, are driven by factors such as weather conditions, competitive crops, biofuel policies and geopolitical events. These factors critically affect the stability and profitability of the vegetable oil sector.

GST mismatch: The vegetable oil sector pays 18per cent GST for their purchase of packaging material, services and other consumables whereas the GST on packaged

edible oils is 5per cent. Edible oil refiners do not easily get the refund of this excess input tax paid.

Health Concerns: Despite their health benefits, overconsumption of vegetable oils leads to health issues like obesity and cardiovascular diseases. As people become increasingly health conscious, a shift away from traditional oils may occur affecting the overall oil production.

Tariff Policy: India's tariff policy on edible oil has been ad-hoc and demand-driven. Import duties have been revised several times to meet the shortage in domestic production. These tariff hikes have resulted in a northward move of the domestic edible oil prices at retail and wholesale level. A stable tariff policy is needed to ensure proper price signal to increase the domestic production of edible oilseeds.

Target Underachievement: To increase production while reducing import dependence on Oil palm, yearly production targets have been set under the NMEO- Oil Palm. A target of 1.38 lakh hectare for expansion was set for 2023-24, of which only 0.54 lakh hectares was achieved. This under achievement would lead to an increase in import dependence while increasing the import bill for palm oil.

10. Conclusion

The oilseed sector is critical to the food and consumption basket in India. While production of oilseeds increased over the years, India continues to be heavily dependent on imports as domestic production meets only ~42 per cent of consumption demand. Slow expansion in the oilseed area along with increasing consumption demand exacerbates the import requirement. This causes a large forex exchange drain. India has taken steps to increase domestic production by relaunching the NMEO – Oilseeds and NMEO- Palm Oil, but the full impact of these missions will only be felt over time. In September-2024, the BCD on edible oil was revised upwards with the objective of supporting the domestic production in the country. But the BCD revision has caused imports to shift from palm oil to soyabean and sunflower oil. The BCD revision has caused domestic prices to rise with a WPI increase at a higher rate compared to CPI. The higher prices dented domestic consumption both at the wholesale and the consumer level.

Given the macroeconomic scenario and the compelling need to significantly raise the production of oilseeds, there is a compelling need for a coordinated and concerted action plan with a sense of urgency to bridge the demand-supply gap and develop new approaches to attain self-sufficiency;

Under a Business-As-Usual (BAU) scenario, the national supply of edible oil is projected to increase to 16 MT by 2030 and 26.7 MT by 2047.

In an attempt to transform the ground realities and the objective situation, there is a manifest need to implement a phased reduction in import duties, provide focused subsidies to domestic oilseed farmers, and offer financial incentives to the FMCG sector. Over the long haul, there is a need to develop a comprehensive oilseed cultivation strategy as visualized in the National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds. This is a tall order and inter-alia necessitates strategic interventions, such as, crop retention and diversification; horizontal expansion to bring more land under cultivation for specific oilseeds; vertical expansion by enhancing the yield of existing oilseed cultivation through improved farming practices, better-quality seeds, and advanced production technologies; developing a dynamic trade policy for balanced growth and broadening the scope of the National Mission on Edible Oils, investment in research and data-driven approaches, and public-private partnerships, etc.

There must be a sharper focus on investment in agricultural technology and infrastructure, promotion of sustainable palm oil production, strengthened storage and distribution networks, and a renewed thrust on productivity enhancement in the domestic oilseed sector.

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