Peanut Blog

An ounce of information

RBI links broad-based edible oil price rise to biofuel use, cites Indonesia's B50 mandate

RBI has linked broad-based rise in edible oil prices to growing biofuel demand, with Indonesia's higher palm oil blending mandate emerging as a key factor.

The Reserve Bank of India (RBI) has linked the recent broad-based rise in edible oil prices to the growing diversion of edible oils for biofuel production, citing Indonesia's decision to raise its mandatory palm oil biodiesel blending from 40% to 50% as a key factor in its assessment. In the July edition of its State of the Economy report, published in the RBI Bulletin on 22 July, the central bank said prices of key food items recorded broad-based sequential increases through 20 July. While rice and wheat prices firmed up and the pace of increase in pulses moderated, edible oil prices “continued to show a broad-based increase amidst use of edible oils for biofuel production”. A footnote accompanying the observation cites Indonesia's increase in its palm oil biodiesel blending mandate from B40 to B50.

Indonesia rolled out its B50 biodiesel programme on 1 July 2026, requiring diesel to contain 50% palm oil-based biodiesel. The RBI's assessment comes as edible oils remain one of the stickier components of food inflation. The central bank noted that inflation in edible oils stayed above 8% in June.

The policy shift matters for India, the world's largest edible oil importer, which imports about 55% of its annual requirement of 27-28 million tonnes. India sources palm oil from Indonesia and Malaysia, soybean oil from Argentina and Brazil, and sunflower oil from Ukraine and Russia. Palm oil accounts for the largest share of India's edible oil imports, while Indonesia is the world's largest producer and a key supplier.

According to data from the Directorate General of Foreign Trade, Indonesia accounted for 49.1% of India's palm oil imports in FY25, with shipments worth $4.09 billion out of total imports of $8.33 billion. Its share fell to 40.2% in FY26, with imports easing to $3.85 billion even as India's total palm oil imports rose to $9.59 billion. In April-May FY27, India's palm oil imports climbed 30% year-on-year to $1.32 billion from $1.01 billion.

Consumers are already feeling the impact. According to data from the Department of Consumer Affairs, as of 22 July, sunflower oil prices were up 18.4% year-on-year at ₹188.98 per kg. Palm oil increased 14.5% to ₹148.36 a kg, soybean oil 11.8% to ₹164.23, groundnut oil 9.5% to ₹205.53, mustard oil 8% to ₹195.56 and vanaspati 6.4% to ₹165.39 per kg.

The RBI also said vegetable prices continued to rise during the period, led by onions, while rice and wheat prices firmed up. The pace of increase in pulses moderated, with moong dal recording a marginal month-on-month decline. The report did not quantify the impact of Indonesia's higher biodiesel blending mandate on domestic edible oil prices. It identified the use of edible oils for biofuel production as a factor behind the recent broad-based increase in prices, while referencing Indonesia's policy shift.

Source: https://www.livemint.com/economy/foreign-investment-recovery-indian-economy-11784725759543.html