

Peanut Blog

An ounce of information



Will groundnut oil prices rise?

Peanuts nearly wiped out in 2 of 4 drought-hit districts; if used for other purposes, even one tin of oil could be hard to find

The Gujarat government has declared four districts drought-hit. Dwarka and Porbandar are known for groundnut production. Drought has struck these areas, and groundnut has not been produced. This will also affect groundnut oil production.

A 15-kg tin of groundnut oil currently costs ₹3,000. Prices may rise in the future. But there is another side to the story: groundnut oil is also being adulterated. How much has groundnut production declined, and will groundnut oil prices rise or remain stable? We will find out in today's Gujarat explainer...

Question 1: How much have farmers lost under the drought relief package?

Answer: The government has declared four districts—Devbhumi Dwarka, Porbandar, Jamnagar and Kutch—drought-hit. It has already announced assistance. However, there is a huge gap between inflation and farmers' incomes.

Compared with the losses suffered by farmers, this assistance is only a pittance. The government has announced assistance of just ₹8,500 for a maximum area of two hectares (12.5 vighas). Today, a bag of fertiliser cannot be bought for less than ₹2,000.

Groundnut farmers have suffered the biggest blow. Explaining the sowing costs for groundnut farmers, Kishorbhai Viradiya, president of the Saurashtra Oil Millers Association, says that sowing groundnuts on one bigha requires two maunds of seed.

One maund of seed costs ₹3,500 to ₹4,000, bringing the cost of two maunds to ₹7,000 to ₹8,000. The costs and labour involved in sowing with a tractor, applying fertiliser and supplying irrigation water are additional.

The seed costs ₹7,000 per bigha and tractor sowing costs ₹2,000, taking the total cost to ₹9,000 per bigha. Against this, the government announced assistance of ₹1,500 per bigha. What difference does this make? The real hard work still lies in harvesting the groundnuts.

Giving an example, he said, "If you give a boy a one-rupee coin and tell him, 'Go, son, and buy some chocolate,' he will make a face. He will demand at least a ₹100 note even for chocolate. If children understand the value of a rupee, would poor farmers not understand it?" In short, the groundnut situation in Gujarat is not good.

Question 2: What is the current groundnut situation in Gujarat?

Answer: Every year, Gujarat receives such heavy rainfall that groundnut fields turn into ponds. Water remains standing, damaging the groundnut crop or lowering its quality. This time, Gujarat received exactly as much rainfall as groundnuts require. There was no excessive rainfall, so the groundnut crop was good and its quality was also good.

Large quantities of new groundnuts began arriving in Gujarat even before Diwali. The state used to receive 35–36 lakh tonnes of groundnuts every year. A survey has said that this year's crop will be 20% lower. Three organisations have released a survey of the groundnut crop in Gujarat.

- Members of Mumbai-based The Solvent Extractors' Association had reached farms in Saurashtra to conduct a survey. The survey concluded that production would decline by 20.5% compared with last year, to 33.30 lakh tonnes of groundnuts.
- Earlier, the Indian Peanut Brokers Association had estimated Gujarat's groundnut production at 28–30 lakh tonnes.
- IOPEPC, or the Indian Oilseeds and Produce Export Promotion Council, held a meeting in Phuket, Thailand. It estimated that Gujarat's groundnut production would be 32 lakh tonnes.

The latest survey was conducted by the Solvent Extractors' Association (SEA). Members of the organisation travelled through the groundnut-producing regions of Saurashtra and Gujarat. They sought the views of farmers, oil mills, traders and brokers. The groundnut crop has suffered heavy damage in several parts of Saurashtra due to below-normal rainfall.

The survey found that sowing had been carried out across 20.71 lakh hectares. The average yield was 1,608 kg per hectare. Total production in the Saurashtra region is expected to be 25.53 lakh tonnes, compared with 31.32 lakh tonnes last year. In North Gujarat, production will take place across 7.81 lakh hectares, compared with 10.06 lakh tonnes last year.

Production has suffered a major setback in the drought-hit districts of Dwarka and Porbandar. In Dwarka, only 71,000 tonnes of groundnuts will be harvested against 4.61 lakh tonnes. In Porbandar district, 71,000 tonnes of groundnuts will be harvested against 2.13 tonnes.

In terms of yield, Dwarka will produce 375 kg per hectare and Porbandar 875 kg per hectare. Amid complaints of low rainfall, farmers are receiving better prices for groundnuts this year than they did last year.

Question 3: Why are prices good despite low rainfall?

Answer: The main reason is that production has been very good this time in areas that received more than 50% rainfall. Since there was no rainfall resembling excessive rain, the groundnuts did not suffer from water-borne diseases.

The quality has been good. Conditions are poor in areas that received less than 50% rainfall, which has led to a decline in production there, but the crop has been relatively good in the remaining areas.

Farmers are currently getting good prices for groundnuts. They are receiving ₹300–400 more per maund (20 kg) than last year. Last year, they were getting ₹1,200–1,300 per maund. This year, they are getting ₹1,600–1,700.

The government's support price is ₹1,503. This means the government pays ₹1,503 if it buys one maund of groundnuts from a farmer. However, market prices are higher, so farmers are not selling to the government.

Even if they do, there is a great deal of paperwork, and the money is paid late. Since the process involves considerable hassle, farmers go straight to the market yard. Last year, the government bought 18 lakh tonnes of groundnuts at the support price.

At present, 3 lakh bags of groundnuts arrive daily at market yards across Gujarat. The highest arrivals are recorded at the yards in Deesa, Palanpur, Patharwada, Gondal, Mahuva and Rajkot. At Palanpur Market Yard alone, prices vary according to the variety of groundnuts. For example, variety No. 37 is priced at ₹1,450 to ₹1,650 per maund, Meenakshi groundnuts at ₹1,500 to ₹1,900, and variety No. 24 at ₹1,600 to ₹2,000.

Last year, groundnut prices were around ₹1,300 to ₹1,400 per maund, but this year they have risen to ₹1,500 to ₹2,000. Due to lower rainfall this year, the overall area under groundnut cultivation and production remained limited. However, the quality of the produce has been very good, and demand for it in the market is also high.

Gujarat ranks first in India in groundnut production. Forty per cent of India's total groundnut production comes from Gujarat alone. Rajasthan ranks second, followed by Tamil Nadu, Andhra Pradesh, Karnataka, Uttar Pradesh and Maharashtra. Groundnuts are produced in India, but they are also imported from abroad.

Question 4: Does India also import edible oil from other countries?

Answer: According to a report, India consumes 2.2 crore tonnes of edible oil, of which 60 per cent, or 1.5 crore tonnes, is imported from other countries.

The Solvent Extractors' Association of India has noted that a person in India consumes 19 kg of edible oil annually, of which 11 kg comes from other countries. India imports 80 lakh tonnes of palm oil annually from Malaysia and Indonesia, 35 lakh tonnes of soybean oil from Brazil, Argentina and the United States, and 20 lakh tonnes of sunflower oil from Ukraine, Russia and Argentina.

In July 2026, palm oil imports rose by around 50% from the previous month to 7,30,965 metric tonnes, the highest level in 2026. Soybean oil imports rose by 31% to 4,98,881 tonnes, also the highest level in 2026. Meanwhile, sunflower oil imports increased by around 4% to 2,51,639 tonnes.

Total edible oil imports rose by 33.3% to 1.48 million tonnes, the highest level since September 2025. Gujarat accounts for the highest groundnut oil production in India, and there are suspicions of adulteration even in Saurashtra.

Question 5: Will groundnut oil prices rise, and what is the adulteration calculation?

Answer: On whether groundnut oil prices will rise, groundnut trader Djalal Kesaria says that the SEA survey's finding that the groundnut crop is 20% lower is correct, but it applies only to the segment of produce suitable for crushing.

A ₹3,000 tin could rise to ₹3,500. Prices will take time to rise. They will not increase immediately, but those who want to stock groundnut oil now can do so. There is no harm in that. Anyone wanting to stock groundnut oil for a year can buy it now.

G-20 variety groundnuts have declined in Porbandar, Jamnagar and Dwarka districts due to a lack of rain. The shortfall has occurred only in this variety. G-20 is considered a crushing-quality variety, meaning groundnuts from which oil can be extracted.

Groundnuts that yield oil are expected to be in shorter supply this time. Therefore, oil prices will remain high. G-24 and G-37 groundnuts are so expensive that extracting oil from them is not feasible. They are meant for export.

There are two factors behind the rise in groundnut oil prices. If oilcake prices rise, the increase in groundnut oil prices is smaller. If oilcake prices do not rise, groundnut oil prices increase.

A trader associated with the groundnut oil industry said that although groundnut arrivals are currently taking place, the good quality means more of the crop will be used for salted peanuts and chevda-chavanu, leaving less for oil extraction. A tin currently costs ₹3,000, but the price could gradually rise not to ₹3,500, but to ₹3,800 or even ₹4,000. Many people have already started buying a year's supply of oil from us.

Kishorbhai Viradiya, president of the Saurashtra Oil Millers Association (SOMA), says the entire pipeline of last year's groundnut oil has been emptied. Last year, the groundnuts became wet and were spoiled. The peanuts currently available are being used for consumption.

They have been used more in salted peanuts, chevda and other savoury snacks. The mills have not yet started crushing operations. The key question is how many kernels will be available for crushing. In any case, the quantity is likely to be negligible.

We used to divide groundnuts into three categories. If peanut production was approximately 30 lakh tonnes, 10 lakh tonnes would be used as seed and sown. Another 10 lakh tonnes would be exported or used in farsan, while oil would be extracted by crushing the remaining 10 lakh tonnes.

We used to classify them in this way. But under the current circumstances, it is impossible to know how much is going where. There is now a significant price difference. These days, only those who can afford to choose eat groundnut oil. Those who buy it are buying gold, while the rest are buying silver. The same applies to groundnut oil.

There are 400 oil mills in Saurashtra. Earlier, there were 700–800 mills. Small ghani operators were found in village after village, and mill owners provided them with job work. Instead, they have started extracting oil in small ghanis and selling it themselves. They do not have to pay taxes, obtain a licence or secure permission... There is no hassle. This also affects the oil mills.

Kishorbhai Viradiya makes an eye-opening observation, saying that if the destination of palm oil imported from abroad is verified, it will become clear where the imported palm oil is going... because a tin of genuine groundnut oil cannot be found even for ₹5,000.

At current prices, genuine groundnut oil is simply unaffordable. There is so much adulteration in the name of groundnut oil that nobody is stopping it. The people with the necessary connections are doing all of this.

Adulteration in groundnut oil is so widespread that there is no chance of its price soaring. Genuine traders have shut down their businesses. Millers who do not want to engage in wrongdoing have closed down.

Verify the imported oil and it will become clear where it is going... You see "groundnut oil" written on the tin and assume it is genuine, but you have no idea what is inside. Even if the smallest trader selling the tin is raided to find out who adulterated it... if it is possible to reach the person who carried out the adulteration, why is the government not reaching them?

Source: <https://www.bhaskarenglish.in/local/gujarat/news/gujarat-drought-impact-groundnut-oil-price-hike-risk-139499439.html>