



IS INDONESIA LOSING ITS PLACE
FROM BEING THE WORLD'S LARGEST
PALM OIL PRODUCER?

ABSTRACT

Indonesia's palm oil industry stands at a crossroads. While it remains the world's largest producer and benefits from strong domestic demand and government biofuel policies, the sector faces mounting challenges including export restrictions, environmental scrutiny, and tighter global sustainability regulations. These pressures could slow growth and reduce international market access. As a result, the outlook is cautiously negative unless meaningful reforms and sustainable practices are implemented.

Pratik Bal

Research Fellow, FORESIGHT
Research

Contents

IS INDONESIA LOSING ITS PLACE FROM BEING THE WORLD’S LARGEST PALM OIL
PRODUCER? 3

What’s in it for India?..... 6

News Summary 7

References..... 11

IS INDONESIA LOSING ITS PLACE FROM BEING THE WORLD'S LARGEST PALM OIL PRODUCER?

By Pratik Bal

Introduction



In contemporary scenario, Indonesia is the world's largest producer of palm oil. It has a great industrial strategy to boost the economy of the nation.

In contemporary context it is undergoing through many challenges:

1. In the year of 2022, the government of Indonesia imposed ban on the export of crude oil and refined palm oil. And the major rational behind it was to stabilize

the domestic cooking oil prices and secure the supply, especially the local one.

2. It was noted that in financial year 2024-2025 there was jump in edible oil and in biofuel and considering it the government has shifted its focus on retaining it power in domestic sector, notably biodiesel.

3. Moreover, due to palm oil extraction, there are certain constraints like the cost of the labor, weather, constraints of land and scrutiny of the environment, deforestation and peatland conversion remain politically sensitive and reputationally risky.

| ASPECT | PROJECTED IMPACT BY 2030 | KEY DRIVER FROM DOCUMENT |
|-----------------|--|--|
| IMPORT VOLUME | 5-6 million tons/year from Indonesia (stable but capped) | Domestic biodiesel shift reduces export pool |
| PRICE INFLATION | +15-25% on edible oils | Aging plantations, land constraints limit output |
| TOTAL DEMAND | 14-15 million tons (doubled from 2025) | FMCG/population growth vs. stagnant supply |
| TRADE BALANCE | \$4-5 billion annual imports from Indonesia at risk | Regulatory unpredictability erodes investor confidence |

Optimistic View

The Indonesian palm oil industry may show a positive increase as well. Forecast also suggests that Indonesia palm oil market will grow to USD 12.58 billion in 2023 to USD 16.93 billion by 2030. **If the political situation in Indonesia remains stable** there are optimistic predictions in the industry however there might be some challenges.

Challenges

It can be witnessed that Indonesia is currently standing in the negative side of palm oil industry. It is facing some challenges,

1. In 2022, the export ban aimed at domestic stability, but in return, we can see and witness that in the long term, in 2025, that very export ban has negatively impacted the nation, damaging trade position, currency value, and investor confidence.
2. Moreover, **European Union** has asking and restricting Indonesia's palm oil industry because of deforestation-linked rules. Indonesia may **face loss of demand** or must accept lower-margin outlets from EU.
3. Domestic supply constraints also show a huge impact in Indonesia's palm oil industry. Demand is growing undoubtedly, but **production is restricted**. Land, labor, and plantation are significant constraints, as well as sustainability and reputational risks also persist in the nation.
4. Moreover, according to experts, the export volume analysts, it is seen that palm oil exports could **fall from 29.5 million to 2024 to 20 million by 2030** because of domestic shift and regulatory market constraints.

Current Trend

One of the most dramatic developments affecting the industry in 2025 has been **President Prabowo Subianto's military-backed campaign to seize plantations accused of illegal operations**. Since late June 2025, approximately 3.7 million hectares (9.1 million acres) of plantations have been seized, with nearly half transferred to state-owned firm **Agrinas Palma Nusantara**, instantly making it the world's largest palm oil company by land size. A total of 5 million hectares, representing about **30% of Indonesia's total palm oil acreage, has been brought under military scrutiny**. Critics, including environmental **NGO Walhi**, argue the regulation disproportionately impacts Indigenous and local communities while shielding large corporations, and transfers land to Agrinas without due process. **Presidential Regulation No. 16 of 2025**, issued in March, replaced the earlier 2020 regulation, bringing stronger institutional frameworks, broader coverage including downstream industries, and enhanced support for smallholders.

Second concern regarding small landholdings **Smallholders manage approximately 41% of Indonesia's palm oil plantations but only 3% are registered in traceability systems**. This is

of concern since they would retain control but not reflect in the economy and lead to development of unorganized sector even **smuggling networks**. The **EUDR**, originally scheduled for implementation in December 2024, was postponed to December 31, 2025. The regulation requires that palm oil products entering the EU market must be proven deforestation-free and not sourced from land cleared after 2020. Indonesia has expressed strong opposition to what it views as “unilateral” EU standards, arguing they threaten approximately 8 million smallholders who lack the resources and technical expertise to comply with stringent traceability requirements.

Third concern is the challenge of the government to bring the small businesses which are currently untraceable to the legal system. EU market represents a declining share for Indonesian palm oil, accounting for about 12% of global consumption, with imports expected to diminish over the next decade due to changes in EU energy policy that will phase out palm oil from counting toward renewable energy targets by 2030. The industry faces several long-term structural challenges. Over one-third of oil palm trees among smallholders and plantations are either at or past their productive peak, with the area of trees older than 21 years projected to increase by 11% annually. As of October 2024, only 10% of Indonesia’s 2016 target to plant 5 million hectares of new oil palm by 2025 had been achieved. **Hesitation to replace old trees, combined with heightened biodiesel mandates, could significantly impact export capacity by 2030, with projections suggesting Indonesian exports could fall to around 17 million tons**, nearly a third less than 2024 levels.

Analysis

Putting the pieces together: the Indonesian palm oil industry remains large and with some tailwinds, but the structural risks currently outweigh the upside. Here’s why I lean negative:

1. The pivot to **domestic usage** (especially biofuel) means less volume for global exports, this reduces global market share and raises dependence on local policy (so if subsidy or mandate fails, trouble follows).
2. Export market **uncertainty** (due to regulatory/compliance burdens) undermines long-term export growth potential.
3. The **internal tensions** (supply constraints, sustainability problems) mean that even if demand is there, meeting it in a cost-effective, environmentally acceptable way is harder.
4. The export ban behavior signals **policy unpredictability**, global buyers and investors are wary of supply-shock risks.

That said, this does not mean the sector collapses, rather, it means the growth will likely be slower, more constrained, more challenged. The key will be whether Indonesia can adapt introduce sustainable practices, diversify into higher-value palm derivatives (not just bulk crude), maintain market access, and manage domestic vs export balance.

If Indonesia can successfully transition to value-added products and credible sustainability, the outlook could improve, but absent that, the industry faces a more difficult road.

What's in it for India?

Supply Shortages and Higher Costs: India's palm oil demand is projected to double to 14-15 million tons by 2030 (driven by population growth and FMCG expansion at 14% CAGR), but import reliance (80-90% of needs) could face gaps if Indonesian volumes drop 30%. This risks edible oil prices rising 15-25%, fuelling food inflation (edible oils contribute 3-4% to CPI) and straining household budgets, especially for low-income groups.

Diversification Pressures: India may shift more to Malaysia (currently 30-35% of imports) or alternatives like soybean oil (from Argentina/Brazil), but this could raise costs if global vegetable oil prices follow palm oil upward. In 2024/25, palm oil imports hit a five-year low of 7.58 million tons as buyers pivoted to cheaper soy/sunflower; a repeat at scale could disrupt food processing industries.

Environmental and Geopolitical Ripple Effects: EU rules (delayed to Dec 2025) and sustainability scrutiny could limit Indonesian supply to compliant markets, indirectly affecting India via global price hikes. Domestically, India's push for self-sufficiency (e.g., National Mission on Edible Oils) has only met 10% of 2025 planting targets, leaving vulnerability to shocks like the 2022 export ban, which spiked Indian prices 20-30%.

TOP 10 PALM OIL EXPORT PARTNERS FOR INDONESIA



Source : www.tradeimex.in

Value : USD

Conclusion

In conclusion, Indonesia's palm oil industry is projected that it is not uniformly positive. The future of the palm oil industry is uncertain. Though production, domestic demand, and global consumption are in its support, export market risks, sustainability challenges steer, regulatory pressures, and many more tempered promotes negatively tilted outlook. In conclusion, there are few concerns leaning negativity, all over we can confer that Indonesia's palm oil industry is in a turning point rather than on an automatic growth phase.

News Summary

| Sl.No | Date | Sector | News Headline | Source |
|-------|------------|----------|--|---|
| 1. | 29-10-2025 | Politics | Indonesia's new capital, Nusantara, in danger of becoming a 'ghost city' | The Guardian |
| 2. | | | Indonesia eyes 1 million hectares for ethanol blend fuel policy | ANTARA |
| 3. | 01-11-2025 | | Indonesia's Megawati urges new global order based on Pancasila values | ANTARA |
| 4. | | | Govt drafting new law as 500 inmates await execution: official | ANTARA |
| 5. | 05-11-2025 | | KPK arrests Riau governor in a raid | The Jakarta Post |
| 6. | 12-11-2025 | | Criticism Mounts as Soeharto is Officially Named Indonesia's National Hero | Tempo co |
| 7. | 19-11-2025 | | Indonesia's Bali enforces merit-based system to curb corruption | ANTARA |
| 8. | | | COP30: Indonesia targets 1.5 gigaton CO2 emission cut by 2035 | ANTARA |
| 9. | | | 22-11-2025 | Why Islamists let Prabowo shift on Israel |
| 10. | 29-10-2025 | Economy | Indonesia calls on Indo-Pacific countries to drive economic growth | ANTARA |
| 11. | | | Indonesia Seeks 0 Percent US Tariff on Palm Oil Exports | RRI co |
| 12. | 01-11-2025 | | Minister reaffirms commitment to strengthen creative economy | ANTARA |
| 13. | 08-11-2025 | | Indonesia targets Rp16 trillion in carbon trade at COP30 | ANTARA |
| 14. | | | Indonesia Blocks Illegal CPO Export Worth Rp 28.7 Billion | Jakarta Globe |
| 15. | | | Indonesian Forex Reserves Climb as BI Maintains Rupiah Stability | RRI co |

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|-----|------------|-----------------|---|----------------------------|
| 16. | | | Danantara Injects US\$1.4 Billion Capital into Garuda Indonesia | Tempo co |
| 17. | 12-11-2025 | | Indonesian Pavilion At COP30 Brazil Officially Opened, Ready To Become A World Green Economy Bridge | VOI |
| 18. | 15-11-2025 | | Indonesia Can Learn Currency Redenomination from Turkey, Ghana | Jakarta Globe |
| 19. | | | Indonesia, Jordan set talks on phosphate and economic ties | ANTARA |
| 20. | | | Indonesia to cut coal production in 2026 to stabilize global prices | ANTARA |
| 21. | 19-11-2025 | | Indonesia Imposes 7.5-15% Export Duty on Gold | Tempo co |
| 22. | | | Indonesia records nearly Rp7 trillion from carbon trading at COP30 | ANTARA |
| 23. | 22-11-2025 | | Indonesia Has High Resilience Economy: Economist | RRI co |
| 24. | 29-10-2025 | Foreign Affairs | Indonesia–Norway Reinforces Maritime Partnership Through Ocean Dialogue 2025 | RRI co |
| 25. | | | Indonesia Welcomes Enhanced ASEAN-China Trade Cooperation | RRI co |
| 26. | 01-11-2025 | | Indonesian Ambassador to Vietnam presented with Friendship Order | Saigon Giai Phong News |
| 27. | | | Indonesia to Renegotiate China Rail Loan, 5.1m Riders This Year | China Global South Project |
| 28. | 05-11-2025 | | Indonesia Promotes IPFO to Finland as Collaboration Expands | Tempo co |
| 29. | | | Indonesian is Now an Official Language at UNESCO's International Forum. | VOI |
| 30. | | | Indonesia-Algeria Plan High-Level Economic Partnership Boost | RRI co |

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|-----|------------|---------|--|-------------------------|
| 31. | 08-11-2025 | | Indonesia strengthens cooperation with UK on climate, sustainability | ANTARA |
| 32. | | | Indonesia explores academic partnership with Turkmenistan | ANTARA |
| 33. | | | Indonesia, US to resume tariff talks next week: Trade Minister | ANTARA |
| 34. | 12-11-2025 | | Indonesia's Prabowo and PM Anthony Albanese Hold Private Talks in Sydney | Tempo co |
| 35. | 15-11-2025 | | Indonesia, Norway Lead Global Carbon Trading Implementation | RRI co |
| 36. | 19-11-2025 | | Indonesia Eyes U.S. Oil and Gas in Reciprocal Trade Agreement | RRI co |
| 37. | | | Minister-Ambassador Discuss Sending 500,000 Indonesian Workers to Italy | RRI co |
| 38. | | | Indonesia to deport 27 Chinese nationals over cybercrime scheme | ANTARA |
| 39. | | | Indonesian Police Prepares 350 Personnel for UN Peacekeeping Mission in Gaza | Tempo co |
| 40. | 22-11-2025 | | Prabowo Sends Vice President Gibran to Represent Indonesia at G20 Summit in Johannesburg | Jakarta Globe |
| 41. | 29-10-2025 | Defence | Indonesia, Australia hold joint military disaster drill in Banten | ANTARA |
| 42. | 01-11-2025 | | Indonesian Navy launches locally produced unmanned submarine | Indonesia Business Post |
| 43. | | | Indonesia's first A400M to arrive on Monday | The Jakarta Post |
| 44. | 05-11-2025 | | Indonesia Receives First Airbus A400M, Its Largest Military Transport Aircraft | Jakarta Globe |
| 45. | | | Indonesia to receive another Airbus A400 aircraft in February 2026 | ANTARA |
| 46. | 12-11-2025 | | Indonesia, Australia forge new defense, security deal | ANTARA |

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|-----|------------|--------|---|------------------|
| 47. | | | Indonesian, Singapore Navies Boost Maritime Defense Cooperation | RRI co |
| 48. | 15-11-2025 | | Indonesia has prepared 20,000 personnel for Gaza mission: Defense chief | Anadolu Agency |
| 49. | 19-11-2025 | | Japan PM Takaichi Wants to Get Closer to Prabowo on Defense | Jakarta Globe |
| 50. | | | Indonesia, China Strengthen Maritime Cooperation in Underwater Heritage | RRI co |
| 51. | | | Indonesia-Japan boost maritime security ties in "2+2" dialogue | ANTARA |
| 52. | 22-11-2025 | | Estonia-Indonesia Focus Cooperation on Maritime and Digital Sectors | RRI co |
| 53. | 29-10-2025 | Social | Indonesia Sets 2026 Hajj Cost at Rp87.4 Million per Pilgrim | Tempo co |
| 54. | 01-11-2025 | | Malaysia, Indonesia announce refreshed climate targets ahead of COP30 | Eco Business |
| 55. | 08-11-2025 | | At least 54 people injured in explosions at Indonesian school mosque | The Guardian |
| 56. | 19-11-2025 | | Indonesia targeting 90% children vaccinated against HPV by 2030 | ANTARA |
| 57. | | | Prabowo Vows No Part of Indonesia Will Be Left Behind in Education Quality | Prabowo Subianto |
| 58. | | | Indonesia, UK boost higher education ties via JWG 2025 | ANTARA |
| 59. | 22-11-2025 | | Health Office Finds Nitrite in Free Meal Menu Linked to Malang Poisoning Case | Tempo co |
| 60. | | | Hundreds flee homes after Semeru volcano erupts | The Jakarta Post |

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