

Nestle, PepsiCo are in Talks to Buy Godrej Agrovet's Palm Oil.

Nestle and PepsiCo discussed with Godrej Agrovet about sourcing refined palm oil locally for brands like Maggi and Lay's.

Rising worldwide prices and logistics expenses are to blame for this change. Businesses want to minimize supply disruptions and reduce import cycles during geopolitical tensions.

Due to increased transportation expenses, rising global commodity prices, and increased government inspection of edible oil quality by the Food Safety & Standards Authority of India (FSSAI), multinational corporations are shifting their sourcing to domestic suppliers.

In the midst of ongoing geopolitical tensions throughout the world, they also aim to avoid any potential supply disruptions and shorten the length of months-long cycles of import buying.

Till now, Nestle and PepsiCo have sourced palm oil primarily from Indonesia and Malaysia for Indian operations.

“Packaged foods MNCs are in talks with us to source refined palm oil or palmolein and the deals are expected to be clinched within a year,” said Sougata Niyogi, CEO of the palm oil business of Godrej Agrovet.

According to two executives with direct knowledge of the events, the parent companies of both MNCs have asked that they source more palm oil from India.

Palm oil is in nearly everything – it's in close to 50% of the packaged products we find in supermarkets, everything from pizza, doughnuts and chocolate to shampoo.

Compared to sunflower or soyabean oil, palm oil is less expensive and is the most commonly used ingredient in packaged meals such as noodles, chips, biscuits, ice cream, chocolates, and desserts.

Government regulators and environmentalists are putting more pressure on packaged food manufacturers to replace their palm oil with healthier alternatives.

PepsiCo India has initiated trials to substitute palm oil with a blend of sunflower oil and palmolein in Lay's chips, to make it relatively healthier for Indians.

India is the largest importer of Palm Oil in the world.

India buys palm oil mainly from Indonesia, Malaysia and Thailand, while it imports soybean oil and sunflower oil from Argentina, Brazil, Russia and Ukraine.

Reference: <https://foodtechnews.in/nestle-pepsico-in-talks-to-buy-godrej-palm-oil/>