

INCOME-GENERATING ON PALM OIL DOWNSTREAM IN IMPORTER COUNTRIES

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RESUME

The palm oil industry is a gift from God for global community through Indonesia. Although oil palm tree only grows well and optimal in some tropical countries but palm oil industry can be categorized as global inclusive industry. One of the benefits produced by palm oil industry is income generating, which is not only enjoyed by palm oil producer countries but also enjoyed by palm oil importer countries.

The largest palm oil importer countries in the world such as India, China, EU and United States, they also enjoys benefits produced by palm oil industry. One of benefits referred to is income generating transmitted through trade (imports) and develop of palm oil-based downstream industry in importer countries. Globally, the income-generating created by the downstreaming palm oil in importer countries has increased from around USD 27 billion in 2010 to USD 38 billion in 2020.

The magnitude of income-generating in each importer country is not related to the import volume of palm oil, but depends on the intensity of downstreaming in importer countries. For example, the income-generating in United States is higher than in India and China. This is because palm oil in US used in the food industry and personal care, including toiletries and cosmetics products. Meanwhile, palm oil in India and China is mostly used for food products such as cooking oil and noodle products.

INTRODUCTION

The palm oil industry is a gift from God for global community through Indonesia. Although oil palm tree only grows well and optimal in some tropical countries, and the benefits are not only enjoyed by people in these tropical countries but can be enjoyed by all people in the world.

The benefits that are referred to can be in the form of consumption of palm oil-based products such as food products, health products, cosmetic/personal care products, energy sources, as well as in other forms such as job opportunities and income sources. The benefits of the availability of palm-based products and the economic benefits from development of palm oil industry are not only created and enjoyed by producer countries such as Indonesia and Malaysia, but also enjoyed by palm oil importer countries.

The creation and distribution of benefits from sector/industry are also one of the mandates contained in the Sustainable Development Goals (SDGs). Among the seventeen SDG, there are goals about inclusive economic growth (SDGs-8). Inclusiveness is referred to "economic cake", such as an increase in income resulting from an economic activity in a region or country not only enjoyed by that region or country, but can also be enjoyed by other regions/countries through transactions or trade. Thus, the principle of "no one left

behind" can be achieved, so that the economic benefits generated from sector/activity can be widely enjoyed.

This article will discuss how to generating income from the downstream of palm oil in importer countries. To present these information, this article digest from Europe Economics's research (2014, 2016), and also supported by other research results.

TOP-5 PALM OIL IMPORTERS IN THE WORLD

Global production of palm oil was increased from around 55 million tons in 2010 to 83.5 million tons in 2020. This increase in production was also accompanied by an increase in the import volume of palm oil from around 37 million tons to 50.5 million tons in the same period (USDA, 2020). This shows that more than 60 percent of the global production is aimed to fulfill the needs of non-palm oil producer countries.

Among the palm oil importer countries in the world, the top-5 of countries/regions as largest importers of palm oil importer in the world during period 2010-2020 (Table 1) are India (18.4 percent), EU (15.2 percent), China (14.2 percent), Bangladesh - Pakistan (9.5 percent) and the United States (3.7 percent).

Table 1. World's Top-5 Palm Oil Importers in 2010-2020

Country/Region	Volume Import (1000 MT)				
	2010	2015	2019	2020	Average
World	36,913	43,779	48,923	50,551	45,042
India	5,731	8,963	9,120	9,340	8,289
China	6,132	5,249	6,983	7,250	6,404
EU-27	5,498	7,426	7,350	7,050	6,831
Pakistan + Bangladesh	3,058	4,231	4,725	5,100	4,279
United State	1,266	1,662	1,944	1,860	1,683
Row	15,228	16,248	18,801	19,951	17,557

Source: USDA, 2020

Palm oil imported by the top-5 importers is generally in the form of crude and intermediate-product such as Refined Palm Oil (RPO). These import products which are categorized as raw materials are very beneficial for importer countries. These importer countries have the opportunity to develop palm oil-based downstream, so that there can be a process of increasing value-added to produce finished products that have higher use value and economic value.

INCOME-GENERATING IN PALM OIL IMPORTER COUNTRIES

The downstreaming of palm oil in importer countries generates economic benefits as a combination of the indirect and

induced effect due to development of downstream industries who produce palm oil-based products. One of the economic benefits that are income generating, and this benefit can be enjoyed by the community both those whose involved directly and indirectly in the downstream industry. The added value generated due to the development of the palm oil-based downstream industry in importer countries is about 2-5 times greater palm oil producer countries. The difference magnitude of the income-generating impact depends on the type of downstream industry.

Globally, the revenue (GDP) generated in the world's palm oil importer countries (Figure 1) has increased along with the increasing import volume of palm oil and the deepening the downstreaming of palm oil.

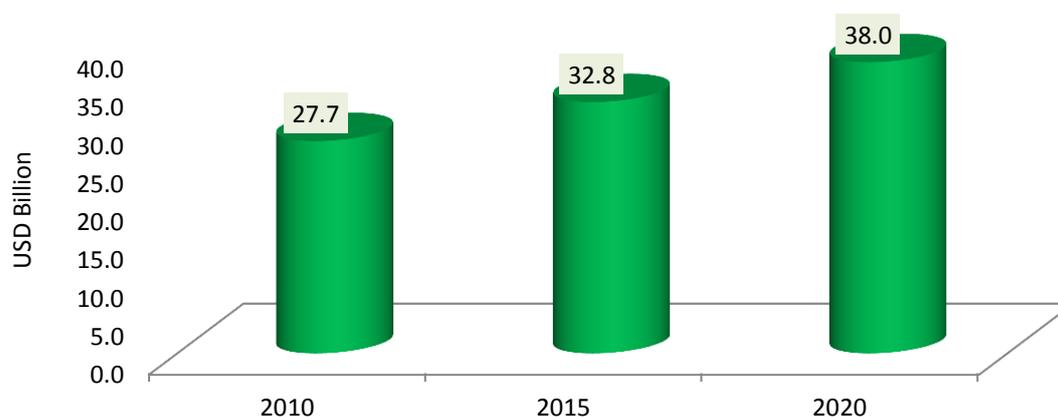


Figure 1. Income-Generating (GDP) from Downstreaming Palm Oil in Importer Countries (Source: Europe Economics, 2016 (modified by PASPI))

The income-generating from downstream palm oil enjoyed by importer countries increased from USD 27.7 billion in 2010 to USD 32.8 billion in 2015. It's estimated in 2020, these income-generating will increase to USD 38 billion.

It seems that the magnitude of income-generating in each importer country is not related to the import volume of palm oil (Figure 2). India as the largest importer only enjoys about 16.7 percent of the income generated by the downstreaming palm oil

that occurred in all importer countries. Meanwhile, EU-27 countries which also imports palm oil whose volume is smaller than India, actually enjoy a larger income-generating of around 18.7 percent. Other palm oil importer countries, such as China, also enjoy income-generating benefits even though the proportion is lower than the European Union, which is only around 17 percent. United States also enjoyed generating income due to downstreaming palm oil with a proportion of 7 percent.

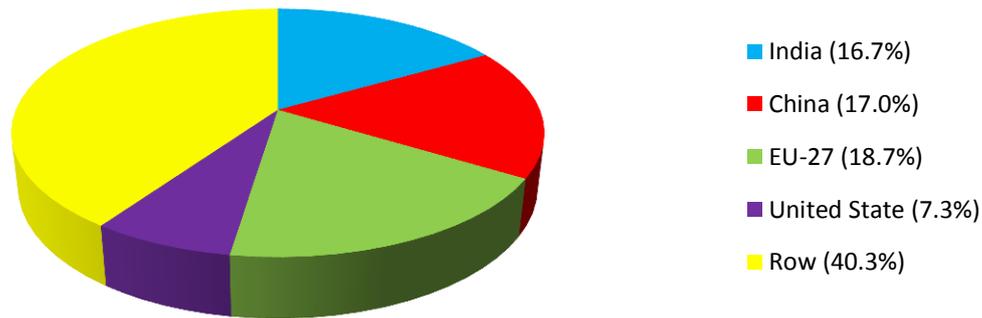


Figure 2. Distribution of Income-Generating Due to Downstreaming Palm Oil in Importer Countries (Source: Europe Economics, 2016 (modified by PASPI))

If we look at the income generating for each ton of processed palm oil in importer countries, it shows that downstream palm oil in the United States creates higher income around USD 3,473 per ton of palm oil, then followed by China with USD 901 per ton of palm oil, EU-27 at USD 734 per ton of palm oil, and India at USD 322 per ton of palm oil.

The difference in magnitude of income-generating is related to the downstreaming type of palm oil that are carried out in each importer country. In United States, palm oil is widely used in the food industry and in personal care or cosmetic products. Meanwhile, palm oil in India is more widely used as cooking oil (Mehta, 2020), and it also used for the noodle industry and catering industry in China (Derong, 2020).

Apart from the high or low level of income-generating that occurs in each palm oil importer country, this study proves that importer countries enjoying palm oil-based finished products and also enjoys greater income from the development of downstream palm oil.

In other words, palm oil industry is globally inclusive. The benefits such as income generating not only enjoyed by palm oil producer countries, but also enjoyed by palm oil importer countries through trade (imports) and develop of palm oil-based downstream industry.

CONCLUSION

The palm oil industry can be categorized as an industry is global inclusive. One of the benefits produced by the palm oil industry is income generating. This benefit not only enjoyed by palm oil producer countries, but also enjoyed by palm oil importer countries through trade (imports) and develop of palm oil-based downstream industry.

The income-generating created by the downstreaming palm oil in importer countries has increased from around USD 27 billion in 2010 to USD 38 billion in 2020. The magnitude of income-generating depends on the intensity of downstreaming in importer countries. For example, the income-generating in United States is higher than in India and China, this is because palm oil in US used in the food industry and personal care, including toiletries and cosmetics products. Meanwhile, palm oil in India and China is mostly used for food products such as cooking oil and noodle products.

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