

THE ASIAN REGION AS THE CENTER OF GROWTH IN THE WORLD'S PALM OIL CONSUMPTION

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RESUME

The implications of EU trade protectionism policies that tend to discriminate against palm oil (RED II ILUC, deforestation-free, European Green Deal) make Indonesia and other palm oil-producing countries must take mitigation actions, one of which is export market diversification. Asia is the center of growth for palm oil consumption, with a consumption share six times larger than the EU and is predicted to become the centre of world economic in 2050, so it has great potential to become a center of growth in world palm oil production and consumption, which can replace the EU's palm oil market.

INTRODUCTION

The European Union has just become history in the past as a destination for the palm oil market. The share of the European Union in total world consumption of palm oil is on a declining trend and will continue to decline. EU palm oil imports have fallen from around 7.4 million tons in 2015 to 6.9 million tons in 2021. The EU's share of total world palm oil imports also showed a declining trend, from around 17 percent to 14 percent in that period.

The declining trend in EU palm oil consumption was also accompanied by increased uncertainty in trade originating from various policies and non-tariff barriers implemented by the EU government. The RED I, RED II, ILUC, anti-deforestation policy (deforestation-free), European Green Deal, and other policies have raised the risk of palm oil trade into the EU market (PASPI Monitor, 2022). In addition, the higher the EU's per capita income, the economic behavior shown by consumption per capita of vegetable oil will be more inelastic. Income growth is no longer increasing vegetable oil consumption significantly. Therefore, Indonesia does not need to spend too much energy persuading the EU to loosen policies that tend to discriminate against palm oil. Forget about the EU, because they are part of history.

The Asian region is a center for future growth in palm oil consumption that deserves attention. The Asian region has more than 50 percent of the world's population and covers more than 60 percent of the world's economy. This shows that the area is the main market for palm oil now and in the future.

This article will discuss the role of the Asian region in the consumption and production of palm oil. Then will discuss the implications for the Indonesian palm oil industry in the future.

ASEAN IS THE WORLD'S PALM OIL PRODUCTION CENTER

During 2010–2021, world palm oil (CPO) production increased from 49 million tons in 2010 to around 75 million tons in 2021. In the last 10 years, there has been an addition of about 27 million tons, or 2.7 million tons per year.

The interesting thing is that the Asian region is the main center of world palm oil production. Around 87–89 percent of world palm oil production is produced in the Southeast Asian region, which is part of the Association of Southeast Asian Nations/ASEAN (Figure 1). Top-4 palm oil-producing countries in ASEAN are Indonesia, Malaysia, Thailand, and Philippines.

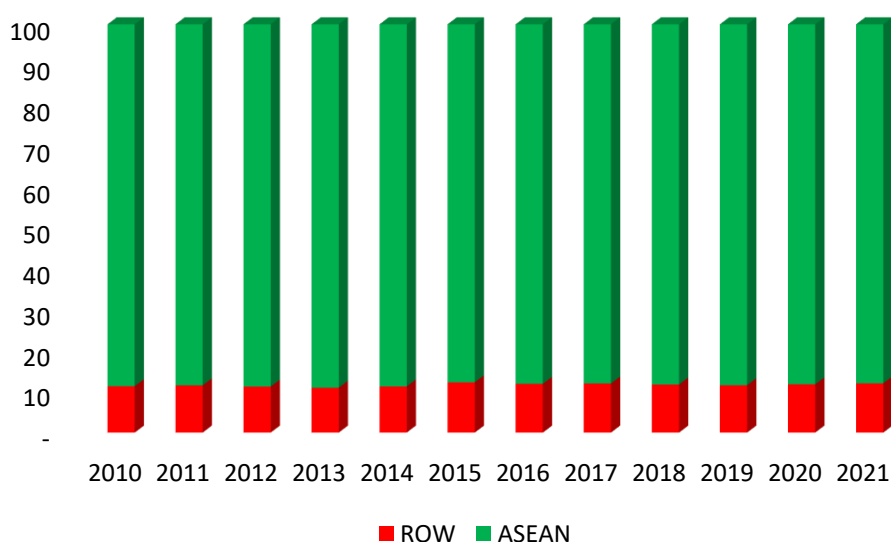


Figure 1. Share of Palm Oil Production from the ASEAN Region and Other Countries (Source: USDA, data processed by PASPI)

Apart from ASEAN, these palm oil-producing countries in Southeast Asian region are also members of other organizations such as the ASEAN Free Trade Area (AFTA) and the Council of Palm Oil Producing Countries (CPOPC), which collectively can play a more significant role in the supply of vegetable oils both in Asia and around the world. ASEAN as the world's largest producer of palm oil and the world's largest producer of vegetable oil, plays a role not only in fulfilling the global oleofood complex needs, oleochemical complex and bioenergy/biofuel needs. Each country's economic sectors depend on palm oil produced by ASEAN countries (Shigetomie et al., 2020).

ASIA IS THE CENTER FOR THE GROWTH OF WORLD PALM OIL CONSUMPTION

Apart from being the world's largest center for palm oil production, the ASEAN region is also a large consumer of palm oil. ASEAN consumes around 30 percent of the world's palm oil (Table 2). ASEAN's share of palm oil consumption is also growing significantly. In 2010, ASEAN's share was only around 26 percent of the world's total palm oil consumption, but it increases to about 33 percent in 2021.

In absolute and relative terms, the increase in ASEAN's palm oil consumption proves they also not too dependent (more independent) of markets outside their region. The growth in ASEAN's share of palm oil consumption reflects the increased independence of ASEAN as the world's main producer of palm oil.

Table 2. ASEAN's Palm Oil Consumption and Shares

Year	Palm Oil Consumption (thousand tons)			Consumption (Percent)	
	ASEAN	ASIAN (ASEAN + China + India + Pakistan + Bangladesh)	World	ASEAN	ASIAN (ASEAN + China + India + Pakistan + Bangladesh)
2010	11,707	26,487	45,054	25.98	58.79
2011	12,873	29,024	49,087	26.22	59.13
2012	14,178	32,182	54,381	26.07	59.18
2013	15,964	33,721	56,651	28.18	59.52
2014	14,534	33,397	56,764	25.60	58.83
2015	16,663	34,646	58,126	28.67	59.60
2016	16,970	35,088	59,507	28.52	58.96
2017	20,241	38,764	64,516	31.37	60.08
2018	22,836	43,737	69,779	32.73	62.68
2019	23,825	43,482	70,252	33.91	61.89
2020	24,178	44,998	72,083	33.54	62.43
2021	24,544	44,984	72,850	33.69	61.75

Source: USDA (data processed by PASPI)

If we compared with the EU's palm oil consumption, which is only around 10 percent of the total palm oil consumption, EU's consumption is much smaller than ASEAN's palm oil consumption, which reaches 33 percent of the total world consumption of palm oil. In other words, the EU market is only one-third of the ASEAN palm oil market, so palm oil-producing

countries in the ASEAN region do not need to struggle for the EU's market.

The EU's palm oil market is getting smaller, especially when compared to the Asian region's palm oil market. The Asian region, which includes the ASEAN and other main countries in the Asian region, such as India, China, Pakistan, and Bangladesh, has around 60 percent of the world's total palm oil consumption. Not only is it large in

volume, but Asia's palm oil is also growing relatively fast. In absolute terms, palm oil consumption in the Asian region will increase from around 26 million tons in 2010 to 45 million tons in 2021. In relative terms, Asia's share of palm oil consumption rises from 58 percent to 62 percent in the same period.

Palm oil is one of the most important vegetable oils in India (Mehta, 2020), Pakistan (Janmohammed, 2020), China (Derong, 2020), and other Asian countries. These countries are not only palm oil importers, but also enjoy the "economic cake" created from palm oil downstream that occur in these country (Europe Economics 2016, PASPI Monitor, 2021^{a,b}). Thus, Asia's palm oil importing countries and Asia's palm oil producing countries have a mutualism symbiosis.

Toward 2050, the Asian market will grow and become bigger. More than 50 percent of the world's economy will be in Asia. Three Asian countries are China, India, and Indonesia, have become the world's three largest economies. This means that in approximately only one production cycle (life span) of palm oil in the future, more than 50 percent of the world's economy will be in these three Asian countries.

Usually, an increase in the income of low-to-middle-income or from middle-income to high-income will be followed by growth in the consumption of palm oil and its derivatives, both in the oleofood, oleochemicals, and biofuels/bioenergy (Kojima et al., 2016; Parcell et al., 2018). This means that the palm oil market in the Asian region will grow faster and faster than in the past due to population growth, changes in population composition, and economic growth.

Faced with such a future for the Asian palm oil market, Indonesia and other palm oil-producing countries in the ASEAN region should devote their energies to building cooperation or partnerships in the Asian region. Develop of ASEAN-China-India (ACI) economic cooperation/partnership, especially on palm oil, is far more beneficial than wasting energy dealing with fussy and selfish EU.

From the perspective of sustainability, one of the indicators is carbon dioxide emissions. Palm oil freight to the Asian region, that closer to palm oil producing

countries in ASEAN, will generally save more emissions than freight to the EU.

CONCLUSION

ASEAN produces around 87–89 percent of the world's palm oil. Since palm oil is the world's largest vegetable oil, ASEAN can collectively play a more significant role in the world palm oil market.

Asia is a growth area for world palm oil consumption. About 60 percent of world palm oil consumption occurs there. Asia's share of palm oil consumption is six times larger than the EU, so the EU is no longer important as a world palm oil market.

The Asian region is also predicted to become the centre of world economic in 2050. Income growth that occurs for 50 percent of Asia's population will make this region a center for growth in world palm oil production and consumption. This indicates that the EU and North American as palm oil markets will be replaced by Asia.

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