

Journal Analysis of Palm Oil Strategic Issues

English Edition
Volume IV, No. 11
October 17th, 2023

GLOBAL PALM OIL INDUSTRY TOWARDS 2050: ADVANTAGES OF THE ASEAN-CHINA-INDIA REGION AS THE MAIN CENTER

By
PASPI Monitor

RESUME

The ASEAN-China-India (ACI) region has great potential as the main center for the global palm oil industry towards 2050. This is because the region is projected to be the new economic center of the world which has a large population and almost all of the countries in it (except Indonesia and Malaysia) are vegetable oil importing countries. In addition, palm oil is also a vegetable oil that suits the Asian taste. This large potential is also supported by palm oil producing countries which are also in the ACI region. As the world's largest producer of palm oil, Indonesia must focus its attention on the potential of the larger and relatively more sustainable of ACI market.

INTRODUCTION

Towards 2050, the center of the world economy is projected to shift from Western countries to the Asian region, particularly the ASEAN-China-India (ACI) region. Whereas previously, the locomotive and primary markets of the world economy were in Europe and North America, in the future they will shift to the Asian region with the ACI region serving as the economic locomotive.

This shift in the world economy is likely to bring changes in the orientation of the palm oil export markets in the future. The European Union region, which has long been one of the destination markets for Indonesian palm oil, seems to be relegated to the past. Not only is its role is diminishing, but the European market, with various policies that are unfriendly towards palm oil ([PASPI Monitor, 2022^a](#)), is increasingly fraught with high risk and uncertainty as the future destination of the palm oil market.

As the world's largest palm oil producer, Indonesia should pay greater attention to the ACI region, considering that this region is projected to become the center of palm oil consumption growth in the future. In addition to its proximity to Indonesia, the ACI regional market also offers various advantages that can be harnessed by the national palm oil industry.

This journal article will discuss the advantages of the ACI region as a future destination for palm oil markets. It will then be followed by an exploration of the role of the Asian region in global palm oil production.

ACI REGION ADVANTAGES

The Asian region, especially India, China, and ASEAN, has long been one of the world's palm oil market destinations, both from Indonesia and from other producing countries. According to USDA

data (2023), palm oil consumption in the ACI region (ASEAN, India, Bangladesh, Pakistan, and China) has experienced significantly rapid growth. ACI's palm oil consumption in 2010 was only 26.5 million tons, and it approximately doubled to 51.2 million tons in 2022.

The increase in palm oil consumption in the ACI region has altered ACI's share in world palm oil consumption. ACI's share was still around 58.8 percent in 2010 and then rose to 66.3 percent in 2022 (Figure 1).

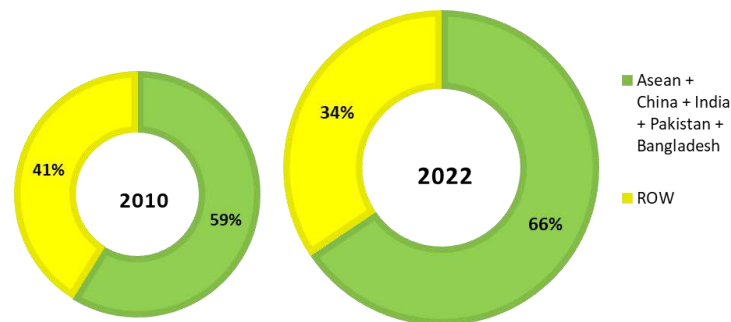


Figure 1. Changes in the ACI Region's Share in World Palm Oil Consumption for the Period of 2010 vs 2022 (Source: [USDA, 2023](#))

The increase in the ACI region's share in world palm oil consumption indicates that the growth in palm oil consumption in the ACI region far surpasses other regions. Palm oil consumption in the ACI region will still continue to grow in the future.

This is something to be grateful for due to the advantages of the ACI region as a destination for the world palm oil market. The five advantages in question are as follows: **First**, the large population of the ACI region. Out of the projected global population of around 9.7 billion by 2050, approximately 4.16 billion, or over 43 percent of the world's population, will be in the ACI region. The population distribution includes around 1.6 billion people in India, 1.3 billion people in China, 0.7 billion people in ASEAN, 0.36 billion people in Pakistan, and 0.2 billion people in Bangladesh. The number of palm oil consumption is determined mainly by the population size (Shigetomi *et al.*, 2020). With a projected population of over 4 billion people in the ACI region, this represents the large potential of the palm oil market.

Second, the world's largest economies by 2050 are projected to be in the ACI region. Based on various projections towards 2050, there are 3 countries in the ACI region that are in the Top 5 world economies, namely China, India, and Indonesia. In addition, nearly all ACI countries are included in the Top 25 world economies. With these projections, the ACI region will be the center of the world economy towards 2050.

The growth and size of the economy (which reflects income) in the ACI region, will be accompanied by an increase in consumption of products that use palm oil as the primary raw material. An increase in the income of low to middle income people or from middle income to high income will be followed by growth in palm oil consumption, both in the form of oleofood, oleochemical, and bioenergy products (Kojima *et al.*, 2016; Parcell *et al.*, 2018).

Third, consumption of vegetable oil in the ACI region is still relatively low. Overall, per capita consumption of vegetable oil for residents of the ACI region is currently still relatively low. Based on FAO-OECD data (2020), overall consumption of vegetable oils in Asia is still around 17.7 kg/capita or below the global average consumption, which is around 18.3 kg/capita. China's per capita consumption is relatively high, namely 26.5 kg/capita. However, India's per capita consumption of vegetable oil is significantly lower, namely still around 11.1 kg/capita.

With relatively low per capita consumption of vegetable oil, there is still the potential for growth along with the increasing per capita income of the population of the ACI region towards 2050. Per capita consumption of vegetable oil that will grow rapidly in the future will be in the South Asia region, namely India, Pakistan, and Bangladesh.

Fourth, the Asian taste. Palm oil can be called the Asian taste vegetable oil. Apart from Indonesia, Malaysia, Thailand, and Singapore, palm oil is one of the important vegetable oils in India (Mehta, 2020), Pakistan (Janmohammed, 2020), and China (Derong, 2020), as well as in other Asian countries.

Culturally, the ACI region has an increasing appetite for palm oil. This is confirmed by the growing share of palm oil consumption in the ACI region internationally (Figure 1). The ACI region also has relatively similar tastes in how to consume palm oil. In general, the ACI region has a culture of enjoying deep-fried food, which is technically more suitable to make using palm oil compared to other vegetable oils. Moreover, the main driver of palm oil consumption in both India and China is the HORECA (Hotel, Restaurant, Catering) sector which feeds urban communities (Mehta, 2020; Derong, 2020). Palm oil as a vegetable oil that is in line with the Asian Taste needs to be maintained and branded in the future.

Fifth, almost all ACI countries (except Indonesia and Malaysia) are net importers of vegetable oil. China, as one of the Top-5 global vegetable oil consumers, also produces other vegetable oils domestically, but the volume is insufficient for domestic needs, so it has to import vegetable oils. Likewise, India, which is among the Top-5 global consumers of vegetable oil, also produces vegetable oil domestically (including producing palm oil in low volumes). However, the significant consumption of vegetable oil due to the large population in the country forces India to import additional vegetable oil to supplement domestic production.

The growth in vegetable oil consumption which is greater than the growth in domestic production in China, India, Bangladesh, and Pakistan has caused the growth of vegetable oil imports to increase. Fortunately, these imports of vegetable oil have translated into increasing imports of more competitive palm oil originating from Indonesia and Malaysia.

Palm oil importing countries in the ACI region do not merely act as importers, they also enjoy the “economic cake” such as [job creation](#) and [income generation](#) from palm oil downstream activities in their respective countries (Europe Economics, 2016; PASPI Monitor, 2021^{a,b}, [PASPI, 2023](#)). Thus, a symbiotic mutualistic relationship can be created between palm oil importing countries in the ACI region and palm oil producing countries which are also located in the ACI region.

Sixth, the ACI region is the main hub for world palm oil production. Fortunately, the countries in this region are the main producers of palm oil in the world. With the spirit of Asia and Asian Taste, the people of the ACI region have better, easier and relatively cheaper access to world palm oil centers, namely Indonesia, Malaysia, and Thailand.

ACI REGION AS WORLD PALM PRODUCTION CENTER

In the last 10 years (2010-2021), world palm oil (CPO) production has increased from 49 million tons to around 75 million tons (Figure 2). This shows that there has been an addition of approximately 27 million tons or around 2.7 million tons per year in the last 10 years.

The interesting thing is that the ASEAN region is the main center for world palm oil production. Around 87-89 percent of world palm oil production comes from the ASEAN region. The four palm oil producing countries in the ASEAN region are Indonesia, Malaysia, Thailand, and Philippines.

These palm oil producing countries are members of the ASEAN, AFTA, and CPOPC organizations, which collectively can play a more significant role in the supply of vegetable oil both in the ACI region and worldwide. ASEAN, as the world's largest producer of palm oil and vegetable oils, not only has a pivotal role in the global oleofood industry but also in the global oleochemical and bioenergy industries. This signifies that various economic sectors in each country depend on ASEAN's palm oil (Shigetomi *et al.*, 2022; PASPI, 2023).

Facing the future of the palm oil market in the ACI region, Indonesia and other palm oil producing countries in the ASEAN region would be better off devoting their energy to building cooperation or partnerships with countries in the ACI region. Cooperation with the ACI regional economic including

on palm oil, is much more beneficial than spending energy dealing with the demanding and self-serving European Union ([PASPI Monitor, 2022^b](#)).

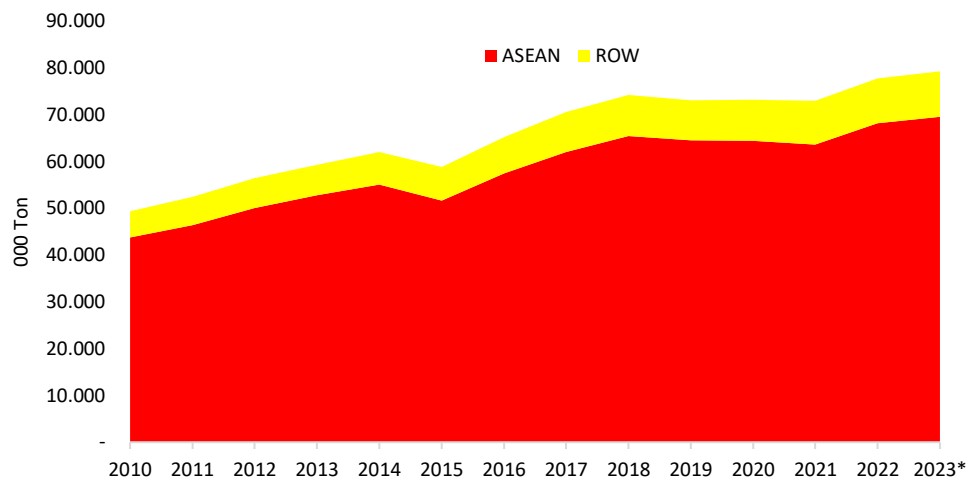


Figure 2. ASEAN Palm Oil Production for the 2016-2023 Period (Source: [USDA, 2023](#))

Note: *) estimation

From an environmental sustainability perspective, specifically in terms of carbon dioxide emissions, transporting palm oil to the Asian region, which is relatively closer to ASEAN, will also generally save more emissions compared to transporting palm oil to mainland Europe. What is more important for the community of vegetable oil consumers in the ACI region is the increasing availability of competitive and sustainable vegetable oils. With [emission](#) and [Species Richness Loss](#) as a sustainability indicator, it turns out that palm oil is relatively sustainable compared to other vegetable oils (Beyer *et al.*, 2020; Beyer and Rademacher, 2021; PASPI, 2023; [PASPI Monitor, 2023](#)).

CONCLUSION

Out of the projected global population of around 9.7 billion by 2050, approximately 4.16 billion, or over 43 percent of the world's population, will reside in the ACI region. Furthermore, the world's largest economies by 2050 are also projected to be in the ACI region. Thus, the ACI region is expected to become the main palm oil market in the world.

Vegetable oil consumption in the ACI region is still relatively low. Palm oil can also be called the Asian taste vegetable oil. Almost all ACI countries (except Indonesia and Malaysia) are net importers of vegetable oils.

In terms of palm oil production, the ASEAN region is a production area with a share of around 87-89 percent. Considering that palm oil is the world's largest vegetable oil, ASEAN collectively can play a more significant role in the palm oil market in the ACI region and the world.

ACKNOWLEDGEMENTS

The authors would like to express gratitude for the financial support from the Indonesia Oil Palm Plantation Fund Management Agency (BPDPKS).

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