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THE PROSPECTS OF INTERNATIONAL TRADE FOR INDONESIAN PALM OIL COMMODITIES TOWARD GLOBAL MARKET DEMAND

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ABSTRACT

This study aims to discuss the Indonesian palm oil commodity in meeting global market demands. The benefits of palm oil are not only used as raw material for various products in the world but also as a source of renewable energy or biofuel that can replace fossil fuels which are predicted to be scarce. Indonesia, the largest producer of palm oil understands this and realizes that there are no similar competitors so that it can take advantage of these conditions for the market share of palm oil commodities on a global scale. The method used by the author is descriptive method, with data collection techniques and case studies as a basis. The limitation of the problem in writing is to discuss the prospects for palm oil through the high demand of the global market.

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INTRODUCTION

In improving the economy of a country, various economic activities with fast turnaround are needed. This economic activity leads to the number of products circulating in the market for both export and import. The product examples in question can be in the form of health, cosmetics, or food products. The higher the market demand, the higher the efforts of a company to meet it through increased production. Departing from that, the most important thing is how a company can provide all the necessities to facilitate production activities, one of which is the raw material for the product itself.

The supply of raw materials is important and vital for the company because it can affect the sustainability of production. In the long term, this determines the company's life span. In short, it can be understood that the more demand, the higher the production. The high quantity of the product produced will run linearly with the profits received by the company. Later, the company will use this profit to develop its business.

With regard to raw materials, there is a commodity product that can be used to produce various types of products in the world, namely palm oil or palm oil. Palm oil or palm oil is vegetable oil that is obtained from the fruit of the oil palm tree. In fact, this oil is widely used because of its low price and easy processing. In addition, this oil can be used as a substitute raw material for other raw materials where the raw material cannot be used due to rejection from users, one of which is pork oil.

In short, it can be understood that palm oil is indispensable as a raw material for various products. This means that in one country, if one type of product requires 100 tons of palm oil, then there are 1000 types of products, then 100,000 tons are needed. This total does not include the number of product variations of the same type but different companies. In addition, this figure is only an illustration for one country where if all countries in the world consume palm oil, it is certain that the demand will increase significantly. This can be a reference or illustration of the demand for palm oil in various product sectors in the world. Of course, Indonesia can make this a potential market for palm oil commodities in the global market. In addition, Indonesia benefits greatly because there are not many countries in the world that can produce palm oil commodities. As for Malaysia, which is also a palm oil producer, it is not necessarily a competitor for Indonesia. In fact, Malaysia's position can be a partner for Indonesia in meeting the demands of all countries in the world.

Not only as part of the raw material, palm oil is the choice of global companies because this content can be used as a source of renewable energy (Renewable Energy), namely bioenergy. Bioenergy is very important for the future because fossil fuels are no longer reliable or obtainable in the long term. With its function and existence as a future fuel, of course, biofuel from oil palm plants promises optimal utilization to meet renewable energy sources for the whole world.

METHODOLOGY

This research uses descriptive qualitative research methods with data collection techniques and case studies as a basis. This method was chosen because qualitative research can be carried out by researchers to describe the object of research as a phenomenon of international trade. In accordance with the problems in this study which will highlight the Indonesian palm oil commodity in global market demand.

RESULTS AND DISCUSSION

In Indonesia only a few industrial sectors have shown an increase such as palm oil in the last 20 years. This increase is shown through the amount of production and exports. The bright prospects for the palm oil commodity in the world vegetable oil trade have prompted the Indonesian government to develop oil palm plantation areas. The increase in oil palm cultivation has been significantly driven by the increasing demand on a global scale. Currently, Indonesia is the largest exporter of crude palm oil (CPO) in the world, which produces around 53% of the world's palm oil reserves with an estimated palm oil plantation area of around 11 million hectares in 2015. As for oil production and exports palm oil records for 2008-2016 are illustrated in the table below.

Table Palm Oil Production And Export

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Production (million ton)	19.2	19.4	21.8	23.5	26.5	30.0	31.5	32.5	32.0
Export (million ton)	15.1	17.1	17.1	17.6	18.2	22.4	21.7	26.4	27.0
Export (dollar AS)	15.6	10.0	16.4	20.2	21.6	20.6	21.1	18.6	18.6
Area (million ha)	-	-	-	-	9.6	10.5	10.7	11.4	11.8

Source: Indonesian Palm Oil Producers Association (Gapki) & Indonesian Ministry of Agriculture

The table above shows a trend that tends to increase drastically in terms of area and total exports. This condition makes the palm oil industry a key to the Indonesian economy. The increasing quantity of exports provides foreign exchange income for Indonesia. In the long term, the global demand for palm oil shows an increasing trend in line with the growing number of world population and therefore increasing consumption of products made from palm oil such as food products and cosmetics. Meanwhile, governments in various countries are supporting the use of biofuels. So far, the European Union has become the largest biofuel producer but energy demand is expected to continue to increase and so is the dependence on imports which in 2030 is estimated to reach 65% of the total energy required.

To boost development in the palm oil sector industry, the export tax for refined palm oil will be cut in recent years. Meanwhile, the export tax for crude palm oil (CPO) is between 0% -22.5% depending on the international palm oil price. Indonesia has an automatic mechanism so that when the Government's benchmark CPO price drops below US \$ 750 (US) per metric ton, the export tax is cut to 0%. This happened between October 2014 and May 2016 when this benchmark price fell below USD 750 per metric ton.

The situation regarding export tax exemptions means that Indonesia has lost a large part of its export tax revenue from the palm oil industry. Therefore,

Indonesia took the decision to introduce a palm oil export levy in mid-2015. A levy of US \$ 50 per metric ton was applied to exports of crude palm oil and a levy of US \$ 30 per metric ton was set for the export of refined palm oil products. Part of the revenue from this new levy will be used to fund the government's biodiesel subsidy program.

However, the prospect of palm oil commodity related to demand in the global market does not only provide opportunities. There are various negative implications of the increase in the number of exports and expansion of the area. Implications of developing land for oil palm production for the environment. This can be seen in the fear and criticism of the various parties involved. Apart from its impact on human health because it contains high levels of fat, expansion of oil palm land is also the key to deforestation. Accompanied by the extinction of rare species, polluting the air and water, triggering climate change, depriving indigenous peoples and land belonging to the rural poor.

This implication cannot be ignored because concern for the environment is one of the frameworks for Sustainable Development Goals that are continuously pursued in all countries. Therefore, we need a clear scheme and strong rules related to oil palm management, especially for those who implement economic activities. In order to demonstrate concern for the environment in a sustainable manner, it was agreed to establish the Roundtable on Sustainable Palm Oil (RSPO) as a guarantor and accreditation body. The goal is that the industry in developing oil palm can run according to an acceptable method and certified with qualifications. The qualifications include the existence of protected or primary forests and areas that have high conservation value that are far from plantations as well as guaranteeing the rights of the surrounding communities with rights to land leases and part of community-owned plasma plantations.

CONCLUSION

From the description above, the authors conclude that the export prospects for Indonesia's palm oil commodity are very high in the global market. Demand on a global scale will continue to increase in line with the growth of the world's population and the increasing consumption of products made from palm oil. This increase can have a positive impact on the Indonesian economy through the foreign exchange received. There are problems that arise due to land expansion due to environmental issues, but this can be overcome through processing oil palm with an acceptable method and certified with qualifications. This effort can help oil palm development activities to avoid various problems that can threaten the sustainability of the industry itself.

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