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## Export Competitiveness Of Indonesia's Crude Palm Oil (CPO) In The Indian Market

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### ABSTRACT

One of Indonesia's primary export commodities is CPO. CPO is a significant source of foreign cash for the nation because it can produce 80% of the total value of Indonesian agricultural exports. The Indian market, the world's largest purchaser of CPO, is Indonesia's primary export destination. This study aims to determine how competitive Indonesian CPO is in the Indian market with rivals Malaysia and Thailand. The secondary data used is a time series from 2018 to 2022 gathered from several domestic and foreign organizations. This research method uses the Revealed Comparative Advantage (RCA) analysis to determine Indonesia's competitiveness.

**Keywords:** Competitiveness Exports, Crude Palm Oil (CPO), Revealed Comparative Advantage.

### INTRODUCTION

Palm oil is one of Indonesia's main agricultural products. This plant is very important for plantations because it can be processed into various types of products, such as biofuel, industrial oil, and food oil (GAPKI, 2019). CPO is a profitable commodity for Indonesia in the global market. This commodity has become one of the drivers of Indonesia's economic growth. Starting from planting oil palm to processing oil palm to CPO, the production process consists of many steps.

Since 1998, CPO production has continued to increase by an average of 11.13% per year. Large private companies (PBS) cover an area of 54.94% or 7,942,335 ha, large state-owned companies (PBN) cover an area of 4.27% or 617,501 ha, and community plantations (PR)

cover an area of 40.79% or 5,896,755 ha (Ministry of Agriculture, 2022). Table 1 shows global CPO export data for 2021.

**Table 1.** World CPO Export Data 2021

No	Country	Value (US\$)	Percentage (%)
1.	Indonesia	26,665,127	56
2.	Malaysia	14,209,283	30
3.	Thailand	711.311	1

Source :Source: UN Comtrade, 2022 (processed)

Table 1 shows that Indonesia is the largest contributor to CPO exports in 2021, with sales of 26 billion USD, or 56% of the total world sales value. Malaysia follows with a value of 14 billion USD, or 30%, the Netherlands with a value of 1 billion USD, or 3%, and Thailand with a value of 711 million USD, or 1%. Indonesia is the largest CPO exporter in the world, beating Europe and India.

The level of product competitiveness greatly influences competition between CPO exporting countries. The competitiveness of commodity exports in producing countries is dynamic, meaning it changes all the time. This change shows that competition to maintain CPO commodity exports in the Indian market still exists. The purpose of the study is to see how Indonesia's CPO export competitiveness impacts the Indian market.

## RESEARCH METHODS

This study uses time series data from the Central Bureau of Statistics, the United Nations of Commodity Trade (UNCOMTRADE), and Trademap. The export value of Crude Palm Oil (CPO) and the export value of the total product are used to analyze the competitiveness of Indonesian Crude Palm Oil (CPO) exports in the Indian market. Secondary data used in this study comes from the last five years, or the period (Rochdiani & Wulandari, 2023):

$$RCA = \frac{X_{ij}}{X_j} \cdot \frac{X_{iw}/X_w}{X_{iw}/X_w}$$

Where:

$X_{ij}$  = The value of Indonesia's CPO exports to India (US\$)

$X_j$  = Total export value from Indonesia (US\$)

$X_{iw}$  = World CPO export value (US\$)

$X_w$  = Total world export value (US\$)

The RCA value of a commodity is considered competitive or has a comparative advantage in international trade for that commodity. An RCA value that is less than one ( $<1$ ) is considered to indicate that the country does not have a comparative advantage in international trade for that commodity.

## RESULTS AND DISCUSSION

### Development of Indonesian CPO Exports

Hard palm oil (CPO) is made from vegetable oil and palm kernel oil (PKO) which is colorless (clear) from processed oil palm fruit. CPO has many benefits because it can be used as a raw material in the food and non-food industries. The potential of Indonesian palm oil is very large and increases every year. Table 2 shows data on the value of Indonesian CPO exports over five years.

**Table 2.** Value of Indonesian CPO Exports 2018-2022

1. Year	2. Export Value (US\$)
3. 2018	8. 18,513
4. 2019	9. 16,527
5. 2020	10. 14,716
6. 2021	11. 17,363
7. 2022	12. 26,665

Source: UN Comtrade, 2023 (processed)

Based on Table 2, it can be seen that Indonesia's CPO export value fluctuates. The lowest export value occurred in 2020 at 14 billion US\$, and the highest occurred in 2022 which

reached 26 billion US\$. The increase in CPO export value in 2022, means that from 2021 to 2022 there was an increase in exports of 9 trillion US\$.

The Central Statistics Agency (2022), in the book Indonesian Palm Oil Statistics 2020, stated that most of Indonesia's palm oil production is exported abroad and the rest is marketed domestically. Palm oil exported by Indonesia reaches five continents: Asia, Africa, Australia, America, and Europe. Trade occurs mainly in Asia. India, Spain, Malaysia, Italy, and Kenya are the five largest countries that import CPO from Indonesia in 2020. Total CPO exports to these five countries reached 86.68 percent of Indonesia's total CPO exports. The largest CPO export destination country is India with an export volume of 4.39 million tons or 61.23 percent of Indonesia's total CPO export volume with a value of US\$ 2.87 billion. Furthermore, most CPO is exported to Spain and Malaysia with export contributions of 10.73 percent and 5.22 percent of total CPO exports.

### **RCA Analysis of Indonesian CPO Exports in the Global Market**

Competition in trade is common and unavoidable. The revealed comparative advantages (RCA) method is used to determine the comparative advantages of a country's commodities with similar commodities from other countries in the world. The results of the RCA analysis for the 3 countries with the highest CPO export values in 2022 are listed in Table 3 for the last 5 years.

**Table 3.** RCA Value of Crude Palm Oil (CPO) Exports from Indonesia, Malaysia, and Thailand in the Indian Market in 2018 - 2022

Year	RCA Value of CPO Exporting Countries In		
	Indian Market (USD)		
	Indonesia	Malaysia	Thailand
2018	165	85	13
2019	128	143	8
2020	154	126	10
2021	112	150	32

2022	100	121	45
Average	658	626	109

Source: Trademap, processed data (2023)

Table 3 shows that the RCA analysis for CPO exports has values that often change. The order of the highest to lowest average RCA values is Indonesia at 658, Malaysia at 626, and Thailand at 109. Indonesia, Malaysia, and Thailand can be categorized as having a comparative advantage because the average RCA value is more than one. The existence of competitiveness indicates that CPO exports from the 3 countries can survive and can be developed to become a better foreign exchange contributor sector. According to research by Permatasari & Rustariyuni (2015), strong competitiveness will increase exports and encourage economic growth, which is marked by the existence of products in the international market.

Indonesia is the country with the first place for comparative advantage of CPO exports as evidenced by the average RCA value of 658 during the period 2018 - 2022. Due to its high export value, Indonesia tends to dominate the global CPO market share. This is following the research of Murdayanti (2022), because the results of her research show that the RCA value of Indonesian CPO exports for the period 2005-2019 (13 years) did fluctuate, but continuously had a value of more than one ( $> 1$ ) with an average RCA value reaching 63.97. Malaysia is the second country in the comparative advantage of CPO exports as evidenced by the average RCA value of 626 during the period 2018 - 2022. An RCA value of more than one means that it has a comparative advantage, the same as the research of Amiruddin et al. (2017), from the results of his research it is known that the average RCA value of Malaysian CPO exports for the period 1990-2015 is 20.35. In addition, another study conducted by Sasmito has an RCA calculation result of more than one which shows that Indonesia and Malaysia have competitiveness in the five main markets of CPO importing countries (India, the Netherlands, Spain, Kenya, and Italy) in 2001 - 2018. Indonesia has superior competitiveness to Malaysia in every main market. Only in certain years can Malaysia outperform Indonesia's competitiveness. This shows that the five main CPO





markets have great potential as destination countries for Indonesian CPO exports. (Sasmito et al., 2019).

In addition, Thailand is the third country that does not have a comparative advantage in CPO exports, as indicated by the average RCA value of 109 during the 2018–2022 period. An RCA value of more than one indicates that Thailand has a comparative advantage, the same as the study by Saeyang & Nissapa (2021), a study that found that Thailand's CPO exports from 2001 to 2017 had an average RCA value of 1.35.

## CONCLUSION

ARCA analysis of crude palm oil (CPO) exports Indonesia has a comparative advantage in the Indian market because its value is more than one. Indonesia's RCA value of 658 is higher than Malaysia's value of 626 and Thailand's of 109.

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