

ANALYSIS THE EFFECT OF CRUDE PALM OIL EXPORTS ON THE INDONESIAN ECONOMY

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ABSTRACT

The purpose of this study is to find out how significant the export of Crude Palm Oil is in influencing the Indonesian economy and how much the contribution of Crude Palm Oil exports is in boosting the economy of the Republic of Indonesia. This study uses the library study method, because literature sources are obtained from journals, research reports, information from social media, statistical data and other sources. The approach in this study uses a quantitative descriptive. The fact is that Crude Palm Oil is a sector that greatly contributes to increasing exports in the country's economic development.

Keywords: Export, Crude Palm Oil, Indonesian Economy

INTRODUCTION

Export is a process of trading between commodities or goods and services, usually export activities often occur in trade between countries legally. Exports have existed since 1983 in Indonesia. Crude Palm Oil (CPO) is one of the largest non-oil and gas exports in the world.

The Crude Palm Oil industry is a strategic sector that makes an important contribution to Indonesia's economic development. The important role of oil palm includes providing raw materials for the industrial sector, absorbing a large number of workers, generating foreign exchange worth 351.5 trillion in 2020. Apart from being a contributor, this industrial foreign exchange also provides enormous employment opportunities and drives GDP growth. This has made Indonesia the largest Crude Palm Oil (CPO) exporting country in the world. This achievement has increased thanks to the availability of large tracts of land, Crude Palm Oil is known to be cheap and

not difficult to produce. In addition, the role of Crude Palm Oil (CPO) can also be used as a variant of food, health products, cosmetics and can also be used as a source of biodiesel. Biodiesel is an alternative fuel source for transportation which was created to reduce the need for fuel. The advantages of biodiesel include its renewable properties, superior emission properties, use for domestic agriculture, compatibility with existing engines, and distribution infrastructure. In 2013 Indonesia's CPO exports amounted to 20.3 million metric tons, then in 2014 it increased to 23.6 million metric tons or an increase (13.98%). Exports of Crude Palm Oil consist of Crude Palm Oil and processed oil (CPO).

Based on the background of the various development indicators for Indonesia's Crude Palm Oil (CPO) exports described above, the author is interested in examining the main issue entitled 'Analysis of the Influence of Crude Palm Oil Exports on the Indonesian Economy'. Then the formulation of the problem in this journal is as follows:

1. How is the development of Crude Palm Oil exports in Indonesia?
2. What is the influence of the contribution of exports to Crude Palm Oil in Indonesia in boosting the country's economy?

RESEARCH METHOD

In writing this journal research using the library study method, because literature sources are obtained from journals, research reports, information from social media, and statistical data and other sources. The approach in this journal research uses a quantitative descriptive method. Quantitative descriptive is a method with the aim of creating a description or description related to the situation objectively by using symbols, numbers, numbers from data collection and interpretation of a data as well as its appearance and results (arikunto, 2006)

RESULTS AND DISCUSSION

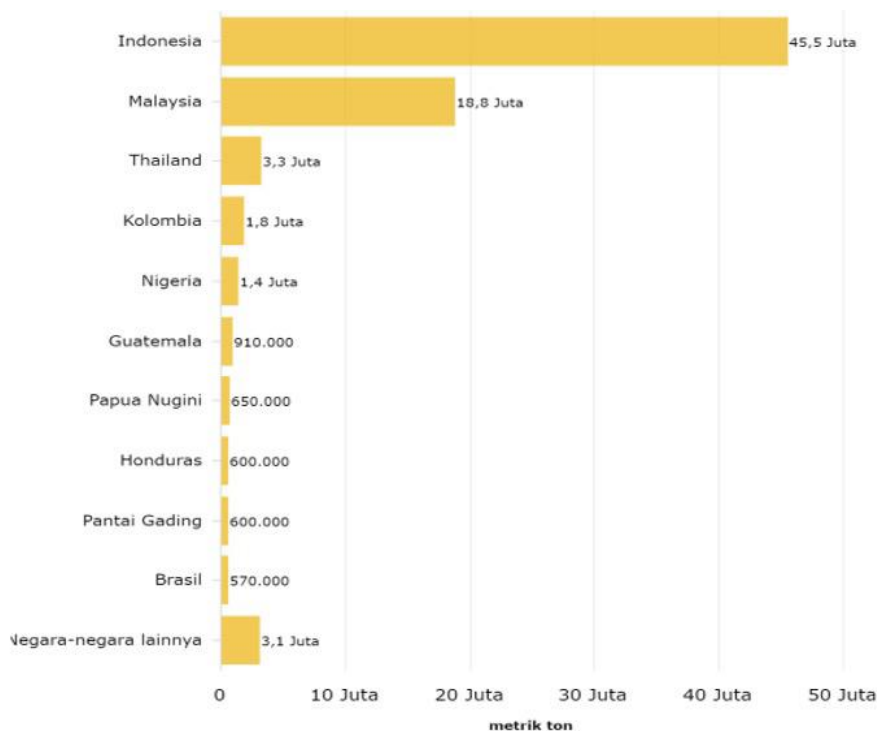
Crude Palm Oil (CPO) is one of the best and most productive non-oil and gas producers in Indonesia, this is what causes many other countries to want to establish cooperative relations through the import and export trade of Crude Palm Oil. On average, of the total percentage of Crude Palm Oil

exports from Indonesia to the European Union in 2019-2020, Indonesia exported around 7.39-25.56% of Crude Palm Oil to the European Union.

Every year the production of Crude Palm Oil (CPO) continues to increase and ranks in the top three of all commodities. Crude Palm Oil export trade relations have enormous opportunities, Indonesia cooperates with India with Indonesia's largest CPO coming from India with a total volume of 7.32 million tonnes and a value of US\$4.9 billion in 2017. A direct MoU (memorandum of understanding) witnessed by the coordinating minister for the economy Mr. Darmin Nasution stated that the framework for the production of the Crude Palm Oil industry (CPO) is *Indonesiasustainable Crude Palm Oil* (IPOS) with the aim that the Crude Palm Oil producing industry can run and be competitive so that it is ready to meet market demand in a sustainable manner.

When the Covid-19 pandemic occurred in Indonesia, all oil and gas and non-oil and gas industries experienced a decline so that many industries went bankrupt, this is where the role of Crude Palm Oil producers (CPO) increased rapidly and Crude Palm Oil was the only industry that was not affected by the pandemic. Crude Palm Oil increased 13.6% from 2019 reaching US\$ 22.97 billion. When other industries fall and experience a decline, the Crude Palm Oil industry is very helpful by contributing to the country's foreign exchange. According to research results from Putra (2021) it is explained that the contribution of exports of Crude Palm Oil commodities can have a positive influence on economic growth in Indonesia. (Putra, 2021)

Export is an economic activity that can affect economic and financial growth in a country, with the existence of plantation land and large-scale Crude Palm Oil production, it is certainly Indonesia's capital in boosting the country's economy in terms of exports. In addition, Indonesia has the title of being the largest producer of Crude Palm Oil in the world, it is recorded in 2022, that every year Indonesia produces around 48.24 million tons of Crude Palm Oil with a known plantation area of 16.38 million ha.



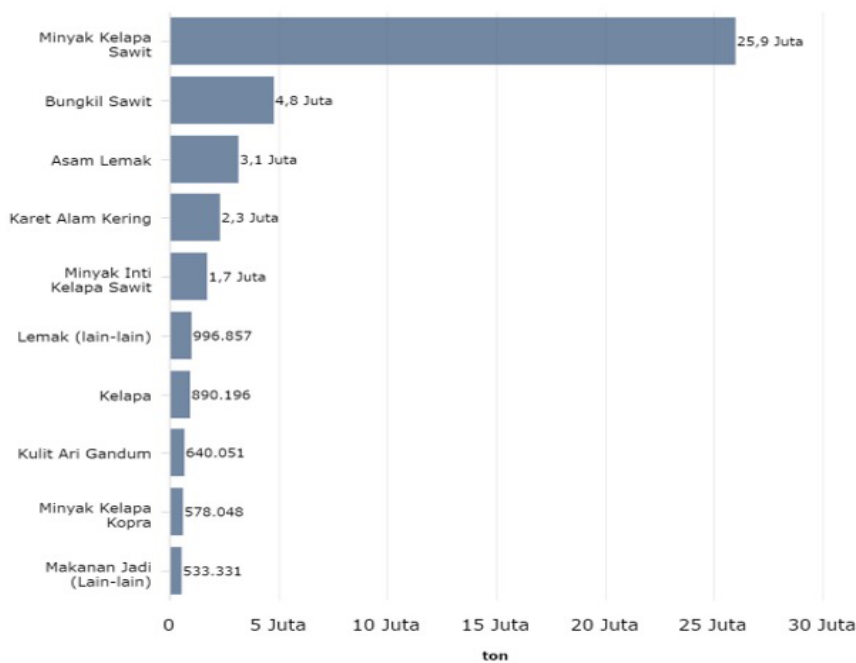
Source: Databoks

Figure 1. Countries that produce the world's largest Crude Palm Oil in 2022-2023

In 2022-2023, Indonesia will produce Crude Palm Oil with a total of 45.5 million metric tons, even this amount is quite far when compared to the total production of Malaysian Crude Palm Oil which is ranked second after Indonesia with a total of 18.8 million metric tons of Crude Palm Oil.

Crude Palm Oil has succeeded in achieving the title of being Indonesia's mainstay non-oil and gas export, it was even recorded that in 2020, Crude Palm Oil managed to rank 1 out of 10 export commodities to the United States with a total of 711.23 thousand tons. Reporting from the FAO (Food and Agriculture Organization of the United Nations) Crude Palm Oil is not only ranked 1st in terms of export commodities to America, from the diagram above it can be seen that Crude Palm Oil is the most food and plantation commodity exported abroad with a total of 25.9 million tons. Very far compared to other food and plantation

commodities. This certainly confirms that Crude Palm Oil has an important role in the growth of the Indonesian economy.



Source: Databoks

Figure 2. Most Food & Plantation Commodities Exported by Indonesia 2020

Crude Palm Oil is very influential on the Indonesian economy and this commodity can even help save Indonesia from the financial crisis it is experiencing. Indonesia's import level is very high compared to Indonesia's exports, but Crude Palm Oil can help increase Indonesia's exports thereby helping Indonesia from a deficit trade balance. From the data recorded that there are at least 10 countries which are the main destinations for Crude Palm Oil exports from Indonesia including India, China, Pakistan, the Netherlands, USA, Spain, Egypt, Bangladesh, Italy, Singapore and other countries which also contribute as countries receiving Crude Palm Oil exports from Indonesia.

Table 1
Main Destination Countries for Crude Palm Oil Exports from Indonesia,
2012-2021

Negara tujuan	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Berat bersih : 000 Ton										
India	5 264,0	5 752,4	4 920,4	5 746,0	5 424,6	7 325,1	6 346,2	4 576,6	4 568,7	3 088,7
Tiongkok	3 087,5	2 623,7	2 649,2	4 105,2	3 111,8	3 601,1	4 166,5	5 791,1	4 390,5	4 703,1
Pakistan	755,3	1 089,2	1 826,8	2 325,6	2 106,4	2 193,8	2 458,5	2 215,9	2 487,0	2 674,3
Belanda	1 458,1	1 546,8	1 294,1	1 261,9	1 048,5	1 286,4	1 161,1	914,9	682,8	567,0
Amerika Serikat	57,6	463,0	491,8	732,7	955,8	1 153,4	1 112,8	1 189,0	1 123,7	1 640,2
Spanyol	274,0	620,8	907,0	998,9	1 116,1	1 367,9	1 168,6	1 078,8	1 135,9	992,8
Mesir	508,0	746,4	1 038,1	1 156,3	999,2	1 201,4	936,9	1 095,1	970,9	1 035,3
Bangladesh	743,5	656,4	1 048,6	1 134,8	926,1	1 231,4	1 402,3	1 351,5	1 026,6	1 319,4
Italia	653,5	1 024,8	1 356,8	1 193,6	913,9	1 066,5	888,9	751,3	944,7	622,7
Singapura	952,1	844,0	789,6	782,0	718,7	610,8	424,5	580,3	360,6	55,7
Lainnya	5 921,5	6 403,3	7 647,3	8 233,8	6 745,4	7 732,5	9 236,1	10 003,4	9 634,7	10 290,8
Jumlah	19 675,1	21 770,8	23 969,7	27 670,8	24 066,5	28 770,3	29 302,4	29 547,9	27 326,1	26 990,0
Nilai FOB : 000 000 US \$										
India	4 846,5	4 375,4	3 694,3	3 224,3	3 449,5	4 901,2	3 561,5	2 252,0	2 987,3	3 337,8
Tiongkok	2 835,3	2 005,7	2 098,9	2 451,7	2 190,2	2 651,8	2 637,6	3 019,7	2 867,5	4 825,9
Pakistan	720,8	821,7	1 366,5	1 319,9	1 301,6	1 474,7	1 445,7	1 169,1	1 667,4	2 794,3
Belanda	1 356,5	1 178,9	989,5	735,9	742,3	936,6	711,6	480,2	460,2	615,7
Amerika Serikat	54,8	352,6	393,8	456,8	699,1	938,7	756,8	658,6	784,5	1 816,8
Spanyol	253,4	469,1	677,2	573,4	695,9	930,0	718,7	572,0	757,4	996,8
Mesir	478,5	573,0	778,0	688,8	655,4	843,8	577,7	581,1	657,7	1 119,2
Bangladesh	706,1	502,6	801,9	674,7	576,2	827,0	846,7	705,2	697,2	1 363,2
Italia	587,5	791,2	1 034,3	709,3	553,7	708,2	544,8	410,2	626,6	622,7
Singapura	905,3	650,2	603,6	436,7	449,0	403,2	240,1	274,7	234,4	63,6
Lainnya	5 716,8	5 067,1	6 177,0	5 155,5	4 653,5	5 725,7	5 857,6	5 451,6	6 703,8	11 050,0
Jumlah	18 461,5	16 787,5	18 615,0	16 427,0	15 966,4	20 340,9	17 898,8	15 574,4	18 444,0	28 606,0

Source: www.BPS.go.id

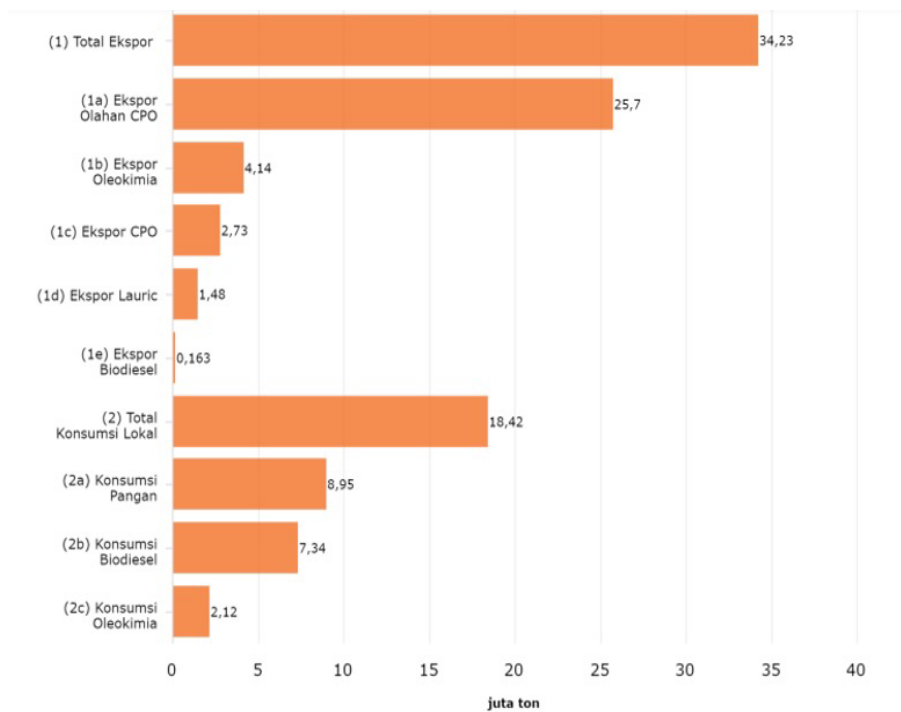
Many countries have become Indonesia's destination countries for exporting Crude Palm Oil, to be precise in 2019 it has become the highest number of Indonesians exporting Crude Palm Oil worldwide. With a net weight of 29,547.9 million tons, the FOB value is quite low, namely USD 15,574.4 billion, especially when compared to 2021 which exported Crude Palm Oil with a net weight of 26,990.0 million tons and a high FOB value of USD 28,606.0 billion.

Rising Crude Palm Oil prices on the international market can support the increase in the export value of Crude Palm Oil whose volume decreased in 2020 by 7.52% compared to 2019. It was recorded in trading economics that the price of Crude Palm Oil increased from MYR 3,035.71 to MYR 3,600 per tons in December 2020 (Databoks, 2020).

In 2020-2021 the number of exports of Crude Palm Oil has indeed decreased. This decreased number of exports was due to Covid-19 that hit at

that time, as well as policies by the government, Indonesia as the largest producer and exporter of Crude Palm Oil in the world also caused a change in the dynamics of the oil market. Crude Palm Oil globally. (Rinandita, et.al, 2023).

Meanwhile, the European Union made various policies to prevent Crude Palm Oil from being exported from Indonesia to the European Union (Lumbantoruan and Mariati, 2019). It can be seen from the table above that there are 3 countries that are export destination countries, namely the Netherlands, Spain and Italy, each of which receives quite a lot of Crude Palm Oil supplies from Indonesia. However, the implementation of the European Union policy which will be implemented in May or June 2023, which prohibits the import of Crude Palm Oil from deforestation has caused several European countries to experience several declines in exports of Crude Palm Oil from Indonesia. A significant decline is seen in the Netherlands, which continues to decline every year.



Source: Databooks

Figure 3. Consumption of Indonesian Crude Palm Oil by Type of Product and Its Use in 2021

India being a country with the most exports of Crude Palm Oil from Indonesia, it can be seen that in 2014-2017 exports continued to increase, but in 2018 India raised its import tariffs and caused a reduction in Crude Palm Oil exports to India. The increase in Crude Palm Oil prices in 2021 will also have an impact on Indonesia's economic development. Plus Indonesia is also ranked first out of the 10 largest countries that produce Crude Palm Oil in the world with a value of 45,500,000 Metric Tonnes. So that state income in agriculture, especially in oil palm can increase.

In 2021 reported by GAPKI (Indonesian Crude Palm Oil Entrepreneurs Association), Indonesia will produce Crude Palm Oil which has reached 51.3 million tonnes. A total of 34.23 million tonnes of the 51.3 million tonnes of Crude Palm Oil was used for export purposes. From the Crude Palm Oil export diagram above, it can be seen that more than a portion of production is used for export, which is recorded as much as 65% compared to domestic consumption which is only 35%.

DJudging from the BPS (Central Statistics Agency) in 2022, Indonesia's trade balance is a surplus of USD 54.53 billion. This is supported by Indonesia's 3 leading export commodities, one of which is Crude Palm Oil which contributes to exports of USD 27.77 billion. The BPS even noted that Crude Palm Oil exports had experienced a growth of 862.66% in June 2022, with an export value of USD 2.74 billion and an export volume of 1.76 million tonnes. This increase causes in June 2022 Indonesia contributes as much as 54% to Indonesia's trade surplus.

CONCLUSION

From the research journal above, it has been concluded that Crude Palm Oil is a mainstay commodity for export to other countries. Indonesia, which holds the title as the country that produces the most Crude Palm Oil in the world, is one of the things that can be used to improve the economy of this republic. Crude Palm Oil is a savior when Indonesia's trade balance is in deficit. The high number of exports really helps the country in offsetting the very high level of imports. Crude Palm Oil is included in Indonesia's 3 leading commodities whose exports are always optimistic, even though they have experienced a decline several times.

Based on the conclusions that have been obtained, the researcher will provide several suggestions regarding the existing problems, including: Maintain Indonesia's title as the largest Crude Palm Oil producing country in the world, establish cooperation in terms of exporting Crude Palm Oil with various other countries, and improve the quality of oil Indonesian Crude Palm Oil so that other countries are interested in importing Crude Palm Oil from Indonesia.

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