

# New insights on Indonesian palm oil exports, 2013–2018

*This brief describes the evolution of Indonesia's exports of crude palm oil and refined palm oil (hereafter aggregated under the palm oil terminology) over the past six years. It identifies the dominant traders and markets, and how they changed over the period.*

## HIGHLIGHTS

- *The same five main corporate groups controlled up to three-quarters of exports over the period 2013–2018: Sinar Mas<sup>4</sup>, Musim Mas, Wilmar, Royal Golden Eagle<sup>2</sup> and Permata Hijau.*
- *India is the main importer of Indonesian palm oil, followed by the European Union and China<sup>3</sup>. The gap between the EU and China has been narrowing, and China is expected to overtake the EU in 2019.*
- *While India, the EU and China accounted for the bulk of the top corporate groups' exports, the degree of market diversification varied. Sinar Mas and Permata Hijau shipped three-quarters of their exports in 2018 to five markets only, while half of Wilmar's exports went to other destinations than its top five markets.*
- *The share of production going to domestic consumption has increased steadily since 2015. The Indonesian government has ambitious plans for biofuels with the Biodiesel Mandate — thus the domestic market for Indonesian palm oil seems set to continue to expand.*
- *All of the corporate groups in the top five exporters have made zero-deforestation commitments (ZDCs); about 86% of the export trade in oil palm from Indonesia was covered by some form of ZDC in 2018.*
- *With a third of palm oil products consumed domestically in 2018, and a declining share of exports to European markets with higher sustainability standards, Indonesia's domestic sustainability objectives and policies, alongside other rising markets (including India and China) might play an important role in shaping the future of the oil palm sector.*

## INDONESIAN PALM OIL EXPORTS ARE DOMINATED BY A FEW GIANT CORPORATE GROUPS

Indonesia's total production of palm oil products increased significantly over 2013–2018, from 27.1 to 41.7 million metric tons (CPO equivalent). Over 350 companies exported palm oil from Indonesia between 2013 and 2018, trading 40 million tons of crude palm oil (CPO, representing 28% of total palm oil exports) and 104 million tons of refined palm oil (RPO) to 173 different countries. However, the majority of these companies were small players; only 79 exported palm oil during the whole period, and just 10 accounted for over half the traded volume. The amount of palm oil exported per year varied considerably, between 18.7 and 27.9 million tons.

This market concentration becomes all the more apparent when palm oil traders are grouped according to their parent corporations (hereafter referred to as “corporate groups”). Many of the largest palm oil traders share the same parent corporations, and the 351 individual companies can be consolidated into 44 groups.

The same five corporate groups dominated palm oil exports, with a collective market share of 68–76% annually over the period: Sinar Mas (Indonesian), Musim Mas (Singaporean), Wilmar (Singaporean), Royal Golden Eagle (Indonesian) and Permata Hijau (Indonesian). The top four each controlled more than 15% of the total exports of palm oil in 2018. The collective market share of the top 10 corporate groups decreased slightly over the period, but remained above 85% throughout.

The five main groups are comprised of 55 individual exporting companies. These companies vary not only in



AN AERIAL VIEW OF A PALM OIL PLANTATION

terms of their size, but also the facilities they operate, the ports they export from and the markets they serve. Taking the Sinar Mas group as an example, their largest constituent company, Sinar Mas Agro Resources and Technology (SMART) exports largely from North West Sumatra and Eastern Kalimantan, with its primary market being China. By contrast, their second largest company, Sumber Indah Perkasa, exports almost half of its volume to the EU and ships palm oil exclusively from Southern Sumatra. This degree of geographical heterogeneity and market specialisation is not uncommon among the groups, with Wilmar, Musim Mas and others beyond the top five exhibiting the same characteristics.

## KEY EXPORT MARKETS

India remained the main importer of Indonesian palm oil by a large margin over the period 2013–2018, receiving as much as 27.2% of palm oil exports in 2017 and staying around 5–14% ahead of the next largest importer. The EU — as a whole — and China were the second and third largest import markets over the period, but China's share increased and looks set to overtake the EU in 2019. This trend supports the dominant narrative of an inexorable market shift due to increasing demand in Asia.

The market concentration remained relatively stable over the period, with the top three importing countries

accounting for around 48–56% of exports, top five 61–65% and the top ten 75–80%. Besides China, two other countries also significantly increased their share of imports from Indonesia: Pakistan and Bangladesh.

## CORPORATE GROUPS DIFFER IN TERMS OF EXPORT MARKET DIVERSIFICATION

With the exception of Sinar Mas for which the EU remains the main market, all corporate groups within the top five have India as their first market for most of the years during the period 2013–2018. There are greater differences when it comes to their other primary markets: over the whole period, 12 countries appear in the top three markets for the five dominant corporate groups.

Wilmar stands out as being much more diversified in terms of export markets than the other top five groups, while Sinar Mas and Permata Hijau are the most specialised; this observation applies when considering either the aggregated top three, top five or top ten export markets over the period.

The pattern of specialisation versus diversification may matter for the effectiveness of sustainability commitments at either the import country or company level; indeed, it may provide some early indication of the capacity by traders to react to sustainability signals and to shift markets.

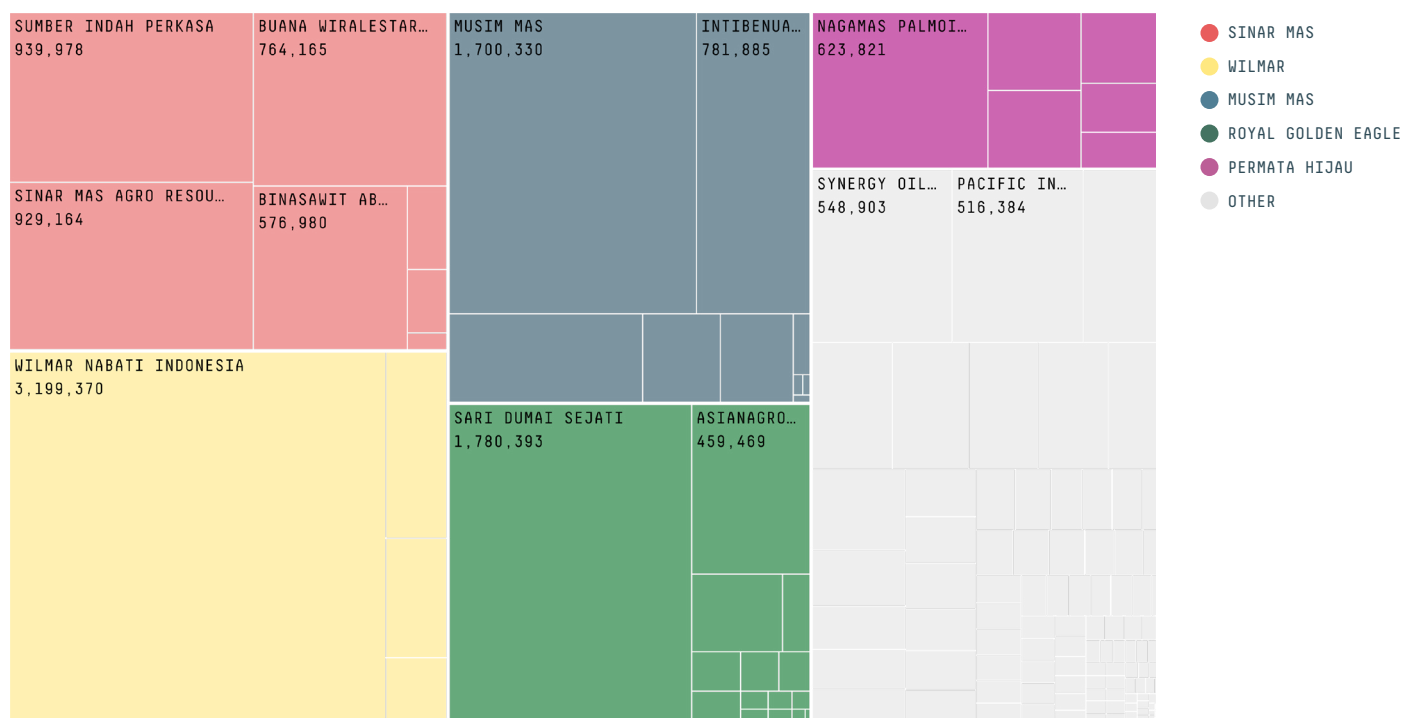


FIGURE 1A

Export volumes in tons of CPO-eq for all trading companies and per corporate group, 2013. Box sizes are proportionate to quantity across years.

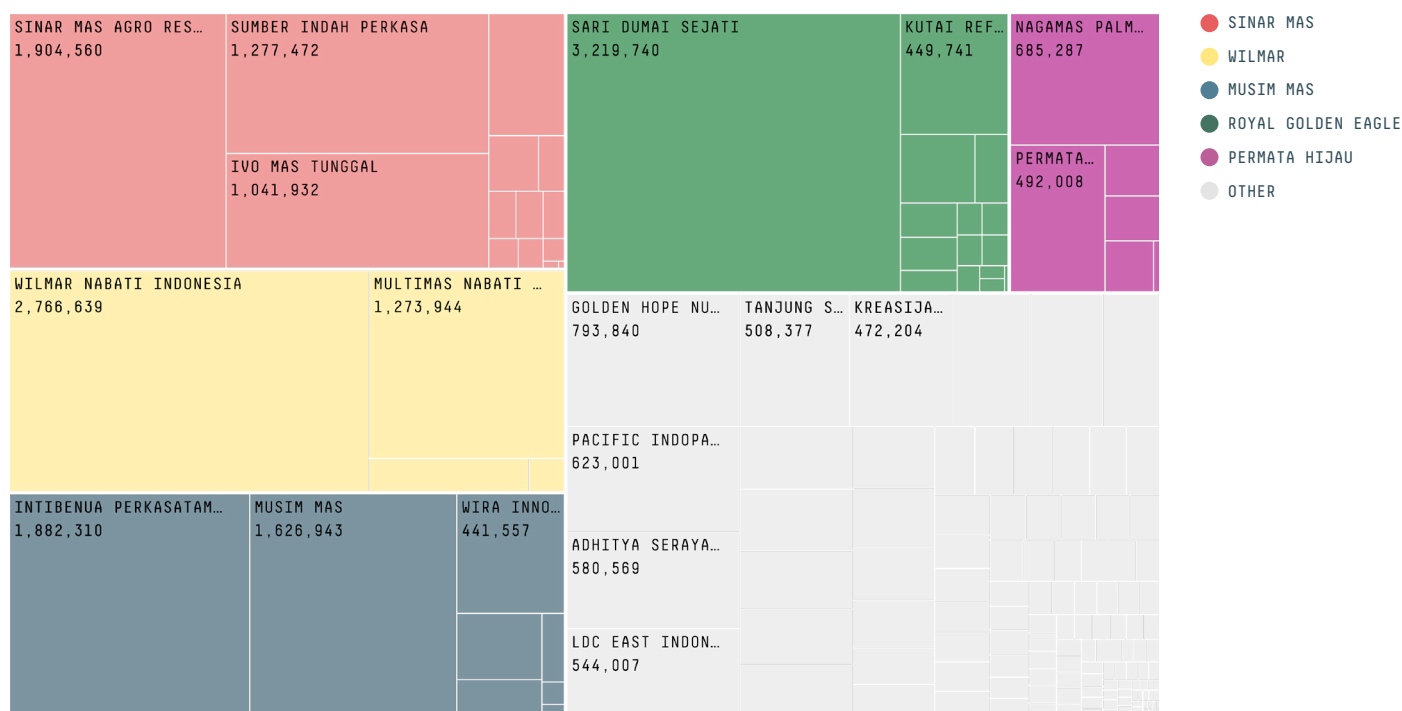
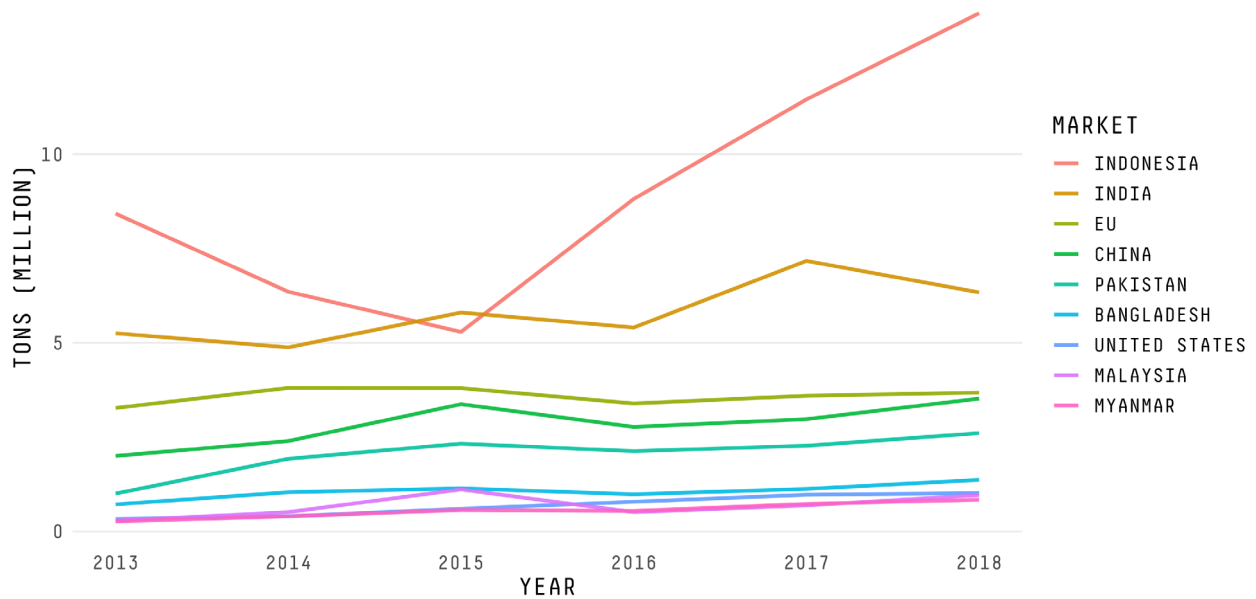
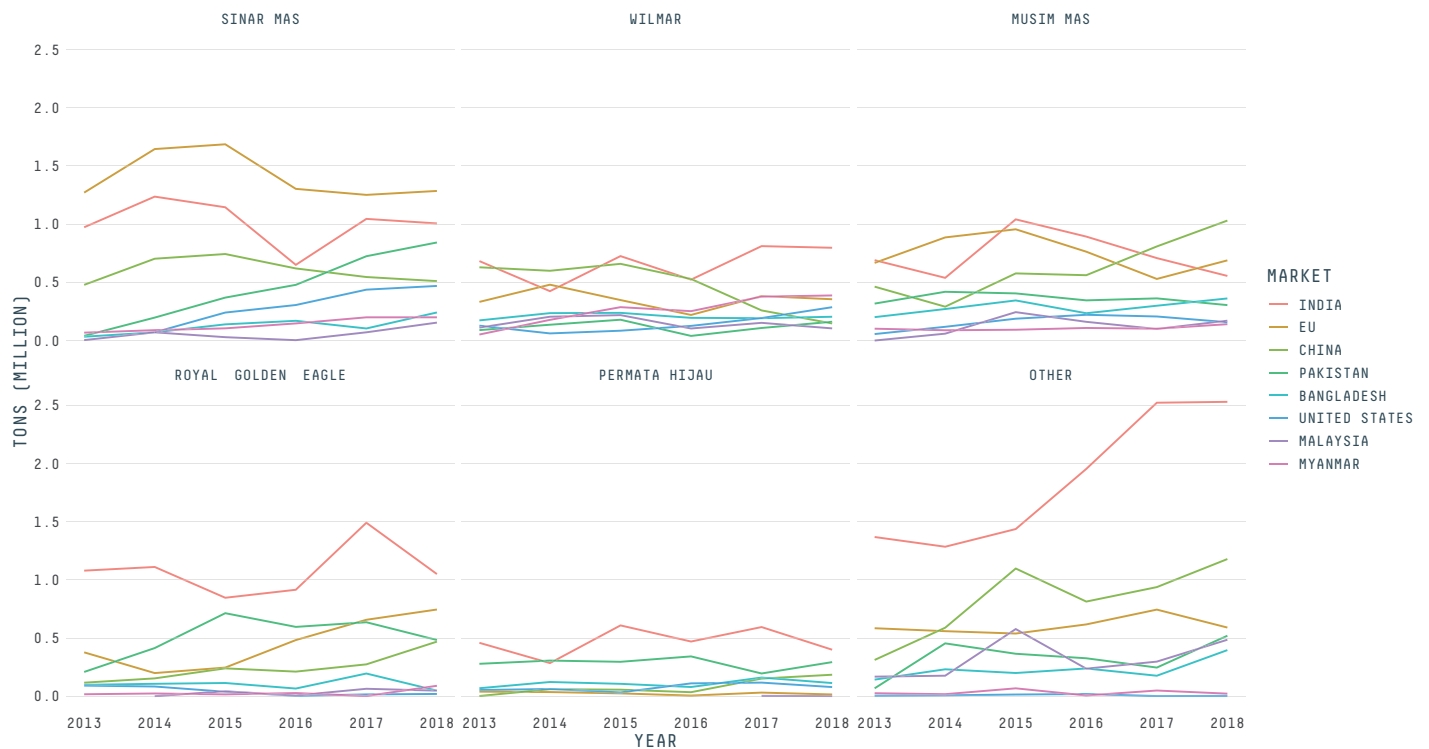


FIGURE 1B

Export volumes in tons of CPO-eq for all trading companies and per corporate group, 2018. Box sizes are proportionate to quantity across years.



**FIGURE 2** Evolution of market share for the top 10 markets (including domestic market, EU aggregated).



**FIGURE 3** Evolution of main markets for each of the top five corporate groups.

## ZERO-DEFORESTATION COMMITMENTS

All of the groups in the top five exporters of Indonesian palm oil in the period have made some form of zero-gross deforestation commitment<sup>4</sup> and Wilmar, since 2013, has maintained a more ambitious No Deforestation, no Peat, no Exploitation (NDPE) commitment<sup>5</sup>.

In total, as much as 86% of the export trade in palm oil from Indonesia was covered by at least one zero-deforestation commitment (ZDC) in 2018, although two corporate groups without any sustainability commitment appeared occasionally in the top 10 exporters over the period: Best Industry and Incasi Raya. The influence of international sustainability commitments over practices in the Indonesian palm oil sector might also depend on the import markets as they have their own requirements and policies; besides their consumers might show different levels of attention to the enforcement of commitments. The share of exports going to European markets fell over the period, from 17.5% in 2013 to 13.2% in 2018, as the significance of markets with lower sustainability demands increased.

## THE ROLE OF THE DOMESTIC MARKET

While the share of total palm oil production consumed within Indonesia varied over the period, it grew steadily from 2015, reaching about a third in 2018.

Indonesia is not only a large market for food products such as cooking oil, but has also engaged in an ambitious policy to promote palm oil-based biofuels. This policy is primarily aimed at increasing overall demand in order to stabilize prices, but also at reducing Indonesia's reliance on fossil fuel imports. Nevertheless, biodiesel consumption remains limited, and even fell by 14% in 2017, which creates opportunities for significant increases in the share of the domestic market in the years to come.

Together, these trends suggest that Indonesia's sustainability objectives and policies will play a significant role in the future of sustainable palm oil alongside other key markets (particularly India and China) and commitments by the dominant corporate groups controlling international trade.

## NOTES

- 1 Including well-known subsidiaries such as Golden Agri Resources and SMART.
- 2 Formerly Raja Garuda Mas, and including well-known subsidiaries such as Asian Agri.
- 3 This analysis only considers the country of first import. An unknown share of imports to one market may subsequently be shipped to others for processing or use. For example, the Netherlands, Spain and Italy are the entry points for much of the palm oil used by other European countries. For this reason, we present aggregated results for the whole European Union throughout the document.
- 4 These commitments call for a stop to all forest clearance, while zero-net deforestation commitments are weaker, allowing for new forest clearance to be compensated by reforestation elsewhere.
- 5 These data are a combination of Forest 500, SPOTT, and primary data collected during the course of this study.

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