



European Markets Certification Demands and the Integration to Indonesian Crude Palm Oil Main Export Markets

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Abstract

Indonesia is the world largest crude palm oil (CPO) producer in the world, with nearly 80% of production exported. Therefore, Indonesia needs to consider the world market requirements. One of the requirements is the demand for sustainable products, which is certified by the Roundtable Sustainable Palm Oil (RSPO) certificate. The CPO (Certified Sustainable Palm Oil) demands mainly come from European countries, which individually are not the major Indonesian CPO importers but as a group (EU28) constitutes the second-largest importer. This study is conducted to analyze the integration of the European market with Indonesia's main export markets (India, China, and Bangladesh). The analyses use quarterly data of CPO free on board (f.o.b) and cost, insurance and freight (c.i.f.) prices, and import and export volumes from 2008 to 2014, covering exporter and importer countries, namely, Indonesia, Malaysia, China, India, Bangladesh, the Netherlands, Germany, Italy, and the EU28, with seemingly unrelated regression (SUR) and Eagle-Granger causality method. Estimation results are used to analyze the effect of the European countries' volume and price changes, both individually and collectively (EU28), to the changes in India's, China's, and Bangladesh's volume and price as the Indonesian CPO major importers, and to the changes in Indonesia's and Malaysia's volume and price as major exporters. The analysis is completed with policy implications that are expected to be inputs for relevant stakeholders.