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Indonesia

Oilseeds and Products Update

2012

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Report Highlights:

- Indonesia produced 25.9 million metric tons (MMT) of crude palm oil (CPO) in marketing year (MY) 2011/2012. Post predicts a further increase in CPO production to 28 MMT in MY 2012/2013.
- Indonesian palm oil exports increased by 1.7 MMT to 18.2 MMT in MY 2011/2012. Post expects that Indonesian palm oil exports will continue to grow to 19.6 MMT in MY 2012/2013.
- Palm oil stocks increased significantly from 1.27 MMT in MY 2010/2011 to 2.091 MMT in MY 2011/2012. Stocks will further increase to 2.784 MMT in MY 2012/2013 due to production levels well beyond what can be absorbed by domestic demand.
- Preliminary trade data suggests that Indonesia will likely import 3.1 MMT of soybean meal (SBM) in MY 2011/2012. SBM imports are expected to slightly increase to 3.15 MMT in MY 2012/2013.

Post:

Jakarta

Production

Post initially predicted that Indonesian CPO production would reach 25.4 MMT in MY 2011/2012. However, significant increases in ending stocks and strong exports suggest that production can reach 25.9 MMT in MY 2011/2012. Post also revises earlier estimates for CPO production from 27.0 MMT to 28.0 MMT in MY 2012/2013.

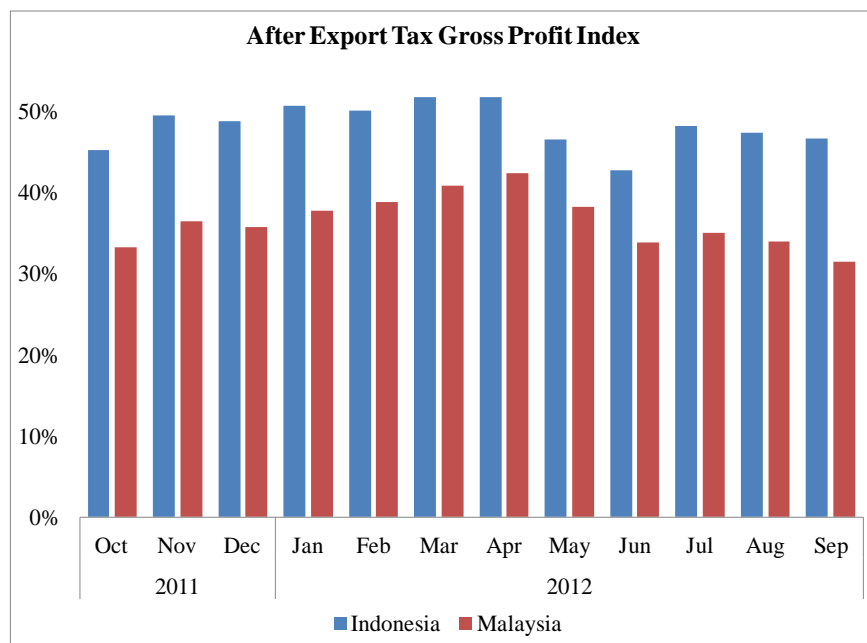
Consumption

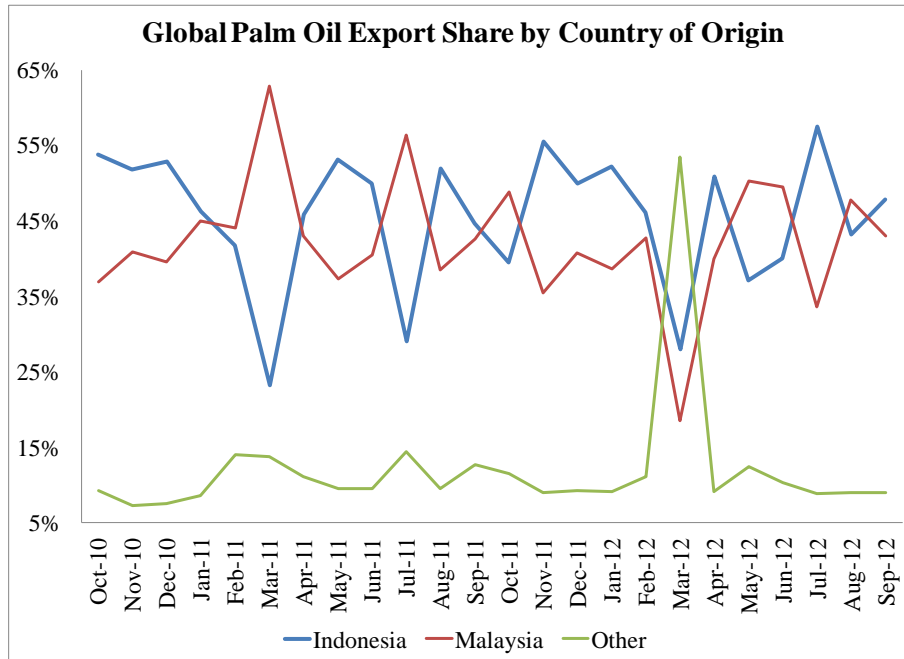
Lower CPO prices should trigger increased biodiesel production in Indonesia as the biodiesel producers enjoy cheaper feedstock prices. Limited domestic consumption and more challenging overseas markets for palm-oil based biodiesel, however, may not automatically equate to lower CPO prices and higher biodiesel production.

Trade

Preliminary export data from Central Statistical Agency (BPS) show that Indonesia exported 18.2 MMT of palm oil products in MY 2011/2012. Post predicts a further increase in Indonesian palm oil export to 19.6 MMT in MY 2012/2013.

Indonesia's palm oil producers enjoy larger gross profits compared to their Malaysian counterparts due to lower labor costs and a more favorable export tax scheme, which was implemented in October 2012. Indonesian palm oil products are currently more competitive as they can offer more attractive prices to the buyers.



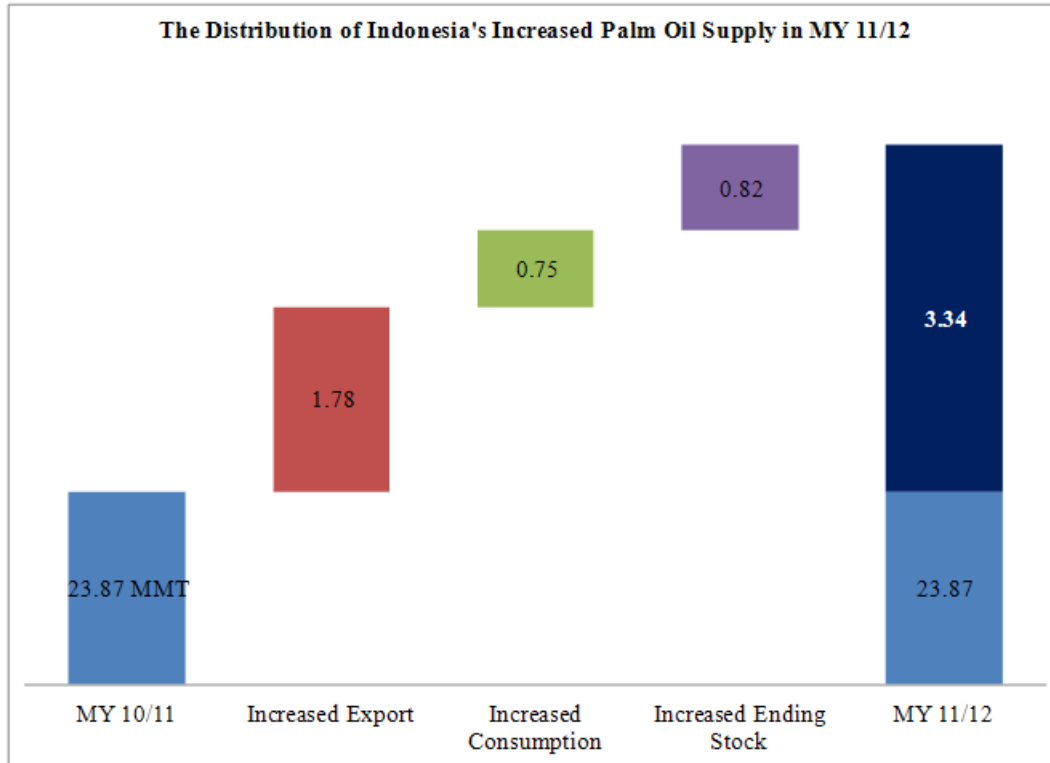


A month by month comparison indicates that Indonesia and Malaysia took turns leading in palm oil exports throughout MY 2010/2011. However, Indonesia’s new export tax scheme gives Indonesia a relative advantage over Malaysia in MY 2011/2012. As a means to maintain its competitiveness, the Government of Malaysia will reduce its palm oil export tax from 23 percent to 8-10 percent, effective as of January 2013. Malaysia’s new export tax regime is expected to create a more competition between Indonesia and Malaysia in MY 2012/2013.

Ending Stocks

Media reports and Post contacts indicate that Indonesian palm oil ending stocks at the end of MY 2011/2012 exceeded 3.0 MMT. While Post acknowledges an increase in Indonesian palm oil ending stocks, Post estimates ending stocks at 2.091 MMT in MY 2011/2012. Strong export growth (almost 11 percent) and higher domestic consumption are the main drivers for Post’s conservative palm oil ending stocks estimates.

Production, Supply, and Demand (PSD) data show that Indonesia’s palm oil supply increased by 3.31 MMT in MY 2011/2012, with roughly 25 percent going to higher ending stocks.



Post predicts that Indonesian palm oil ending stock will further increase to 2.784 MMT in MY 2012/2013.

CPO Price

Palm oil prices have declined sharply over the past six months, with Malaysian palm oil prices reflecting a 24 percent during the April - September 2012 period.

Palm oil - Monthly Price (US\$/MT)

Month	Price	Change
Apr-12	1,157.45	-
May-12	1,031.12	-10.91%
Jun-12	927.63	-10.04%
Jul-12	952.54	2.69%
Aug-12	930.61	-2.30%
Sep-12	879.53	-5.49%

Malaysia Palm Oil Futures (first contract forward) 4-5 percent FFA

Post observes two major factors that contribute to the recent downtrend of palm oil prices:

- Malaysia's higher ending stock due to mild export growth and,
- Indonesia's larger ending stock due to strong production growth.

Production, Supply, and Demand Table

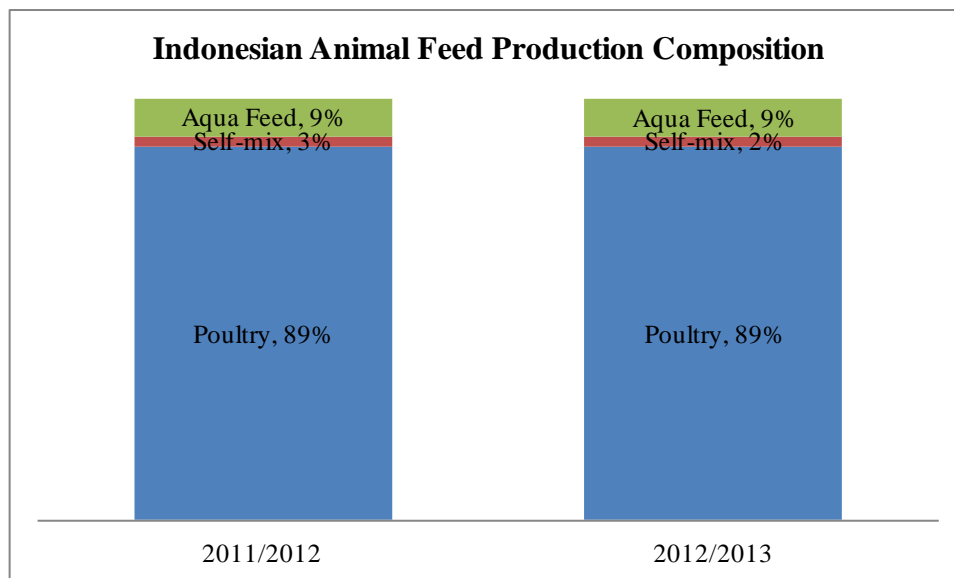
Oil, Palm Indonesia	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	6,650	0	7,135	0	7,584	(1000 HA)
Trees	0	997,500	0	1,070,250	0	1,137,600	(1000 TREES)
Beginning Stocks	39	242	895	1,272	1,801	2,091	(1000 MT)
Production	23,600	23,600	25,900	25,900	28,000	28,000	(1000 MT)
MY Imports	23	23	35	35	20	20	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	23,662	23,865	26,830	27,207	29,821	30,111	(1000 MT)
MY Exports	16,422	16,423	17,900	18,200	19,600	19,600	(1000 MT)
MY Exp. to EU	4,100	2,133	4,500	2,820	4,500	2,900	(1000 MT)
Industrial Dom. Cons.	1,700	1,600	2,211	2,100	2,493	2,400	(1000 MT)
Food Use Dom. Cons.	4,475	4,400	4,702	4,600	5,150	5,100	(1000 MT)
Feed Waste Dom. Cons.	170	170	216	216	227	227	(1000 MT)
Total Dom. Cons.	6,345	6,170	7,129	6,916	7,870	7,727	(1000 MT)
Ending Stocks	895	1,272	1,801	2,091	2,351	2,784	(1000 MT)
Total Distribution	23,662	23,865	26,830	27,207	29,821	30,111	(1000 MT)
CY Imports	23	25	35	35	35	40	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
CY Exports	16,436	16,436	17,975	17,850	18,500	18,850	(1000 MT)
CY Exp. to U.S.	0	48	0	50	0	55	(1000 MT)
TS=TD		0		0		0	
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Meal, Soybean

Consumption

Animal feed production mainly determines domestic consumption of soybean meal (SBM) in Indonesia. Indonesia produced 13.573 MMT of animal feed in MY 2011/2012; with poultry feed accounting for almost 90 percent of total feed production. Post predicts that Indonesian animal feed production will increase to 14.5 MMT in MY 2012/2013.



According to Indonesian Feed Miller Association (GPMT), the SBM content of poultry feed ranges from 20 to 25 percent. The table below figures out the SBM content for several type of feed produced in Indonesia

Percentage of SBM in Feed Formula		
Poultry	Self-mix	Shrimp & Fish
20-25%	15-20%	15-35%

Animal feed production data and percentage of SBM in feed formula suggest that Indonesian animal feed industry consumed 2.93 MMT in MY 2011/2012 and 3.05 MMT in MY 2012/2013.

Trade

Preliminary trade data from BPS suggests that Indonesia imported 3.1 MMT of SBM in MY 2011/2012. SBM imports are expected to slightly increase to 3.15 MMT in MY 2012/2013. While U.S. soybean meal accounts for only two percent of Indonesia's SBM imports, it increased significantly from 27 MMT in MY 2010/2011 to 66 MMT in MY 2011/2012.

Ending Stocks

Indonesian animal feed producers generally maintain up to two weeks of SBM inventory in their bulk storage. SBM traders can have larger inventory equal to two and half month's domestic consumption. Ending stocks of SBM stands at 544,000 MT in MY 2011/2012, and are expected to increase to 644,000 MT in MY 2012/2013.

Meal, Soybean Indonesia	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0.	0.	0.	0.	0.	0.	(PERCENT)
Beginning Stocks	45	45	380	374	540	544	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	3,069	3,063	3,070	3,100	3,100	3,150	(1000 MT)
MY Imp. from U.S.	175	27	175	66	175	30	(1000 MT)
MY Imp. from EU	1	0	0	0	0	0	(1000 MT)
Total Supply	3,114	3,108	3,450	3,474	3,640	3,694	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	2,734	2,734	2,910	2,930	2,950	3,050	(1000 MT)
Total Dom. Cons.	2,734	2,734	2,910	2,930	2,950	3,050	(1000 MT)
Ending Stocks	380	374	540	544	690	644	(1000 MT)
Total Distribution	3,114	3,108	3,450	3,474	3,640	3,694	(1000 MT)
CY Imports	2,930	2,939	3,130	3,150	3,230	3,375	(1000 MT)
CY Imp. from U.S.	175	22	175	60	175	25	(1000 MT)
CY Exports	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
SME	2,734	2,734	2,910	2,930	2,950	3,050	(1000 MT)
TS=TD		0		0		0	
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