

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

### Oilseeds and Products Update

#### Indonesia Oilseeds and Products Update July 2019

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**Report Highlights:**

The Government of Indonesia (GOI) is reviewing palm planted area following conflicting data from several government agencies. Soybean imports for 2018/19 are forecast to reach 2.65 million tons based on updated trade data. A target date of January 2020 has been set for implementing nationwide B30 blending, a potential boon to domestic industrial CPO consumption.

**Post:**  
Jakarta

*Oil, palm*  
**Production**

Palm oil production for 2019/20 is unchanged at 43 million tons, an increase of 1.5 million tons from 2018/19 due to expanding mature area.

Recently, the Ministry of Agriculture's (MOA) official data for planted area has been contradicted by data from other government agencies. The discrepancy led the Government of Indonesia (GOI) to announce in May 2019 a review and verification of palm area source data. Data generated using satellite images suggest palm planted area is significantly larger than official MOA figures. The verification process, which will include a multi-agency review, is expected to conclude in August 2019 and may result in changes to planted area and overall yields.

*Table 1: Reported Palm Planted Area by Agency*

Report/Publication	Method/source	Planted Area (million ha)		
		2016	2017	2018
Ministry of Agriculture (MOA)	Statistics, reports from local government	11.2	14	14.3
Anti-corruption agency (KPK)	Satellite image analysis	16.8		
Geospatial Agency (BIG)	Satellite image analysis			17.9

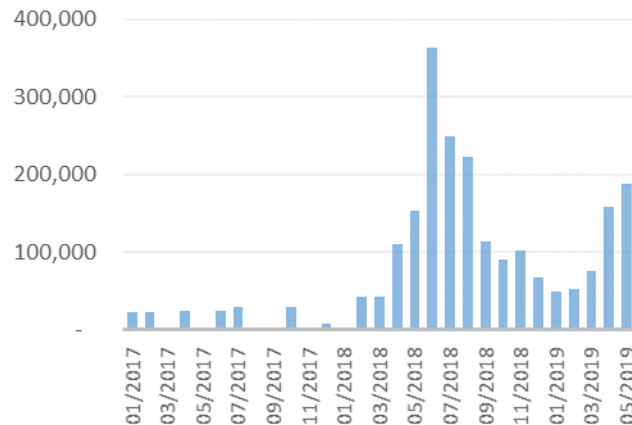
*Source: Koran Tempo*

In addition to the possibility of lower average yields due to increased area, yields are also likely to see a decline due to low CPO prices, which reduce income for smallholder farmers. Smallholder farmers, especially independent farmers who don't have a partnership agreement with mills, are likely to commit fewer resources to fertilizer and pest management as the prices received for fresh fruit bunch (FFB) decline.

**Consumption**

Industrial consumption for 2018/19 is revised upward to 6.8 million tons on higher than expected biodiesel production driven by strong overseas demand. Post maintains 2019/20 palm oil domestic consumption at 13.11 million tons.

**Figure 1: Indonesia Biodiesel Exports 2017-2019 (tons)**



Source: GTIS

After successfully launching B20 nationwide in September 2018, the GOI commenced road tests in May 2019 for B30. Indonesia hopes to implement the higher blend rate in early 2020, the target timeline stated in Ministry of Energy and Mineral Resource (MEMR) Regulation 12/2015. A nationwide B30 implementation could increase industrial CPO consumption by 3 million tons a year. However, recent changes to the export levy, which supports the CPO fund and subsidizes domestic biodiesel consumption, could rapidly deplete funds needed to achieve the B30 mandate ([read more](#)).

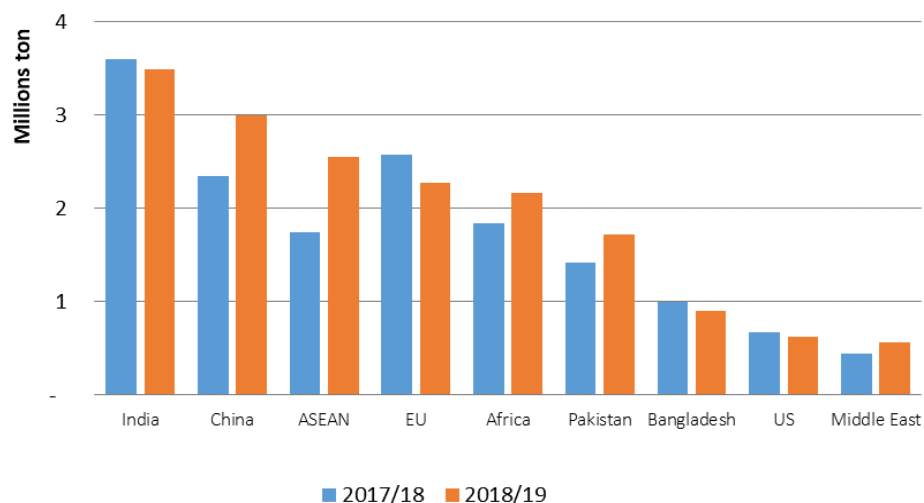
In the near term, a recent European Commission proposal to increase duties on Indonesian biodiesel by 8 to 18 percent could slow exports to the region and lower domestic industrial consumption.

### Trade

Trade data indicates exports of palm oil from October 2018 to May 2019 increased 9 percent from the same period the prior year. The rate of growth represents a decline from the 12 percent reached from October 2018- March 2019. Accordingly, palm oil exports for 2018/19 are lowered to 28.5 million tons.

Post forecasts 2019/20 exports at 29.5 million tons, a 1 million ton increase from 2018/19. Strong global vegetable oil demand, especially from China where declining supplies of domestically produced oil are increasing demand for imports, present growth opportunities and should offset high Indian import duties. Increased CPO shipments to Malaysia, averaging 120,000 tons monthly in 2019, may be linked to that country's 5 percent tariff advantage on refined products exported to India as well as excess refining capacity.

**Figure 2: Palm oil Exports by Destination,  
October to May**



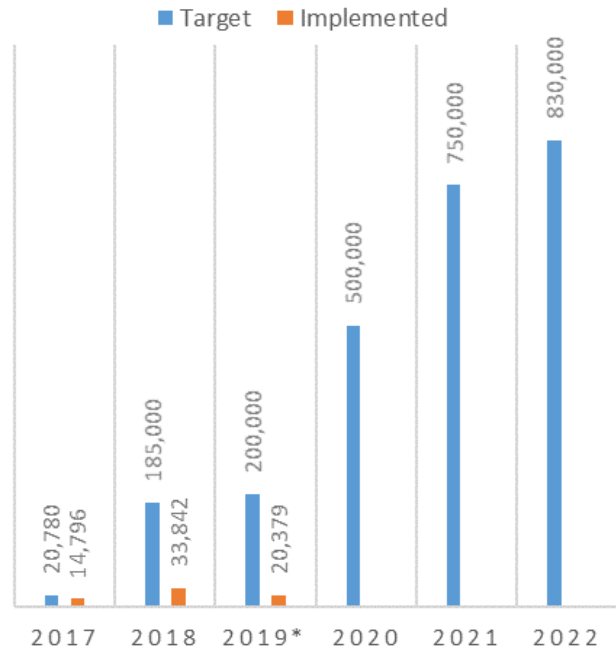
*Source: GTIS*

### **Policy**

In June 2019, Ministry of Agriculture (MOA) issued Regulation 7/2019 aiming to accelerate the smallholder replanting program. The regulation reduces a number of requirements for smallholder replanting, including some requirements for land title documentation, eliminating requirements of FFB sale agreements and the use of an online application system. The program still requires applications to include a minimum 20 farmers with total land at least 50 hectares per group.

The replanting program remains far behind the modest targets set out under the establishment of the CPO fund.

**Figure 3: Smallholder Replanting Program (ha)**



Source: MOA, cited by media. Note: 2019 as of June

Oil, Palm	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct-17		Oct-18		Oct-19	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		0	0	0	0	0
Area Harvested	11,000	11,000	11,300	11,300	11,750	11,750
Trees	-	-	-	-	-	0
Beginning Stocks	1,470	1,470	3,004	3,004	2,679	2,855
Production	39,500	39,500	41,500	41,500	43,000	43,000
MY Imports	1	1	-	1	-	-
Total Supply	40,971	40,971	44,504	44,505	45,679	45,855
MY Exports	26,967	26,967	29,200	28,500	30,200	29,500
Industrial Dom. Cons.	5,000	5,000	6,400	6,800	6,600	6,700
Food Use Dom. Cons.	5,600	5,600	5,800	5,900	6,100	5,950
Feed Waste Dom. Cons.	400	400	425	450	50	460
Total Dom. Cons.	11,000	11,000	12,625	13,150	12,750	13,110
Ending Stocks	3,004	3,004	2,679	2,855	2,729	3,245
Total Distribution	40,971	40,971	44,504	44,505	45,679	45,855
	0	0	0	0	0	0

(1000 HA) ,(1000 TREES) ,(1000 MT)

## Oilseed, Soy

### Production

Indonesia's 2019/20 soybean production estimate is unchanged at 510,000 tons.

### Consumption

Soybean consumption in food sector is projected to reach 3 million tons in 2018/19 and increase by 50,000 tons in 2019/20 based on stable demand and population growth.

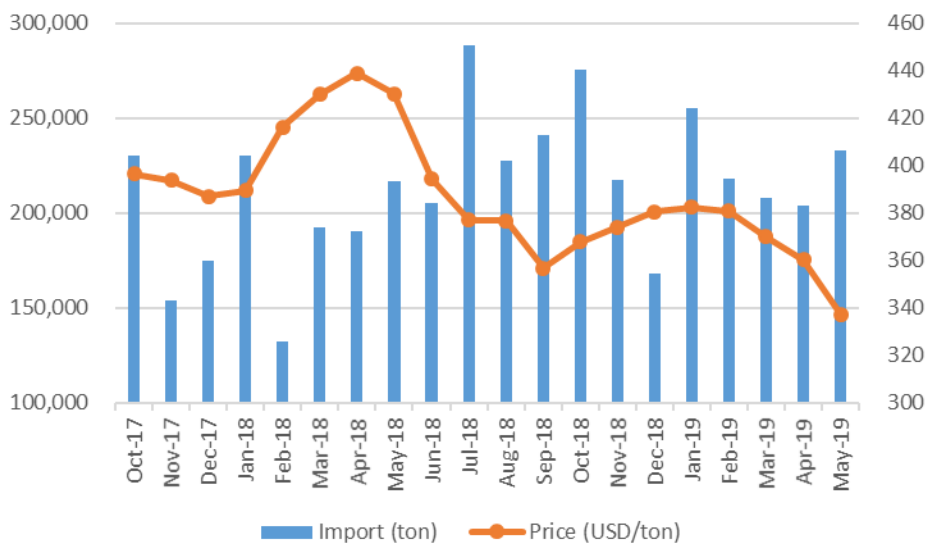
The use of full fat soybean (FFS) in feed industry is expected to continue growing, reaching 180,000 tons in 2019/20 as result of unstable corn supplies and volatile prices. The recent arrival of fall armyworm in Sumatera and Java could add to corn supply shortages in these key production areas.

Therefore, 2019/20 domestic consumption is forecast at 3.23 million ton.

### Trade

Soybean imports for 2019/20 are forecast at 2.75 million tons. Competitive prices have helped increase year over year soybean imports by 17 percent from October 2018 to May 2019. U.S. soybean continues to supply majority of Indonesia soybean demand.

**Figure 4: Soybean Imports 2017-2019**



Source: GTIS, WB

Oilseed, Soybean	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct-17		Oct-18		Oct-19	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	450	470	450	450	450	440
Area Harvested	420	420	410	410	400	400
Beginning Stocks	275	275	247	247	305	244
Production	540	540	520	520	510	510
MY Imports	2,483	2,483	2,725	2,650	2,950	2,750
Total Supply	3,298	3,298	3,492	3,417	3,765	3,504
MY Exports	1	1	2	3	2	2
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,950	2,950	3,025	3,000	3,100	3,050
Feed Waste Dom. Cons.	100	100	160	170	175	180
Total Dom. Cons.	3,050	3,050	3,185	3,170	3,275	3,230
Ending Stocks	247	247	305	244	488	272
Total Distribution	3,298	3,298	3,492	3,417	3,765	3,504
	0	0	0	0	0	0
(1000 HA) ,(1000 MT)						

*Meal, Soy*

**Production**

Indonesia does not produce soybean meal.

**Consumption**

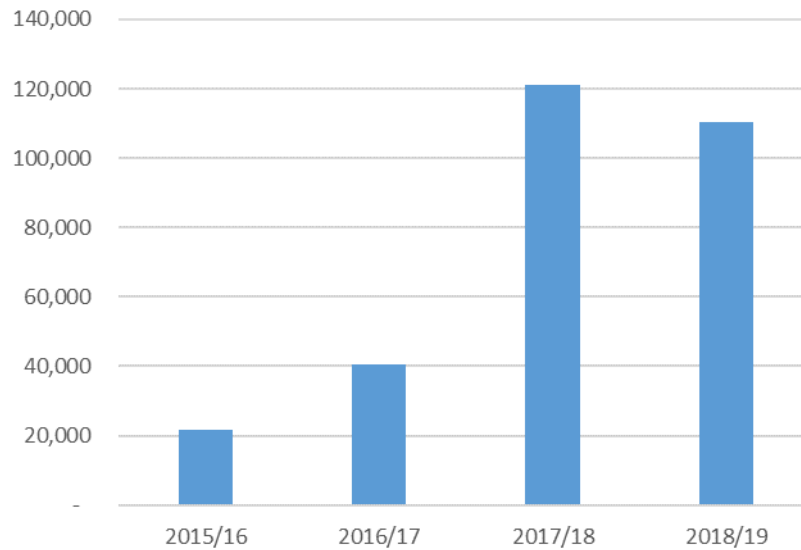
The 2019/20 soybean meal consumption forecast at 4.9 million tons

**Trade**

US-origin soybean meal exports are revised downward to 200,000 tons for 2018/19 as shipment from October 2018 – May 2019 showing 9 percent decrease compared to previous year.

The 2019/20 imports estimate is unchanged at 4.9 million tons.

**Figure 5: U.S. Soybean Meal Exports to Indonesia 2015-2019, October to May**



Source: GTIS

Meal, Soybean Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct-17		Oct-18		Oct-19	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	322	322	276	276	376	276
Production	0	0	0	0		0
MY Imports	4454	4454	4850	4800	5000	4900
MY Imp. from U.S.	164	164	300	200	250	250
MY Imp. from EU	0	0	0	0		0
Total Supply	4776	4776	5126	5076	5376	5176
MY Exports	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	4500	4500	4750	4800	5000	4900
Total Dom. Cons.	4500	4500	4750	4800	5000	4900
Ending Stocks	276	276	376	276	376	276
Total Distribution	4776	4776	5126	5076	5376	5176
	0	0	0	0	0	0

(1000 MT) ,(PERCENT)