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Report Name: Oilseeds and Products Update

Country: Indonesia

Post: Jakarta

Report Category: Oilseeds and Products

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Report Highlights:

The Ministry of Agriculture (MOA) has issued a new regulation requiring Import Recommendations for soybeans, however implementation may depend on corresponding regulations from the Ministry of Trade (MOT). New social mobility restrictions to combat the spread of COVID-19 are expected to reduce both food sector and industrial palm oil consumption.

Commodity:
Oil, palm

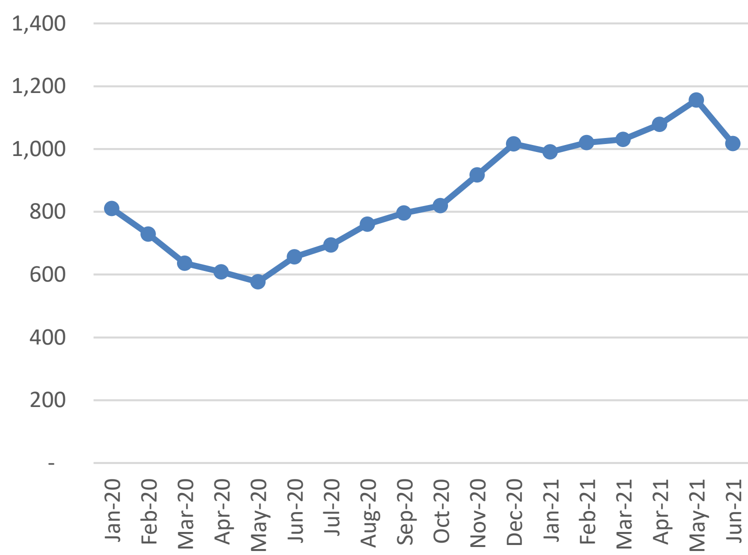
Production

Post maintains 2021/22 palm oil production at 45.5 million tons on favorable weather, high prices, and increased use of fertilizer during 2020/21.

The Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG) projects peak dry season will arrive in August 2021 with the onset arriving in key palm oil producing areas of Sumatera and Kalimantan in May and June. According to [BMKG](), rainfall during the dry season is expected to reach 20-year average accumulation levels.

After increasing more than 75 percent since May 2020, palm oil prices began to weaken in June 2021. However, as prices remain considerably above the 10-year average, fertilizer use continues to increase and is expected to improve yields well into 2022.

Figure 1. Palm Oil Prices 2020-2021 ($/MT)



Source: WB

Consumption

Post revises 2020/21 Indonesia palm oil consumption downward to 14.855 million tons on weaker demand in the food sector and for industrial use. Consumption for 2021/22 is forecast to increase to 15.3 million tons on continued demand under the biodiesel blending mandate and expected food sector growth.

On July 3, 2021, the GOI enacted COVID-19 mobility restrictions (locally known as Emergency PPKM), on Java and Bali islands as well as other large population centers. The Emergency PPKM, which aims to lower people's mobility with the intention of reducing the spread of the virus, has negatively impacted the food service sector due to prohibitions on dining-in at restaurants, closures of shopping malls and other public venues, and increased work-from-home guidelines. Initially set for two weeks, the measures have been extended until at least August 2 and may be imposed for a longer period if cases do not decline.

These measures are expected to reduce diesel consumption as non-essential activities and travel decline during the imposition period. Accordingly, Post forecasts 2020/21 industrial palm oil consumption to decrease by 100,000 tons to 8.8 million tons from the previous estimate. Indonesia's biofuel producer association (APROBI) has noted biodiesel distribution reached 3.4 billion liters during in the first five months of 2021. The GOI previously set 2021 biodiesel allocation at 9.2 billion liters. It remains to be seen how the mobility restrictions may impact fulfillment.

Post maintains 2021/22 food sector consumption at 6.1 million tons on population increase and higher economic growth.

Policy

In early July, the GOI revised its palm products export levy through MOF 76/2021. The new levy maintains the progressive structure but reduces the maximum levy to $175 a ton from previous $255 per ton. The new structure also increased the levy threshold to $750 a ton, the same price level as the export tax (for more information on Indonesia's export levy and export tax please see ID2021-0012). The revised structure is expected to reduce revenue to the CPO fund while increasing Indonesian palm oil competitiveness on international markets, a concern raised by industry under the previous structure.

Table 1. New Tariff for Exports Levy ($/ton)

Products	**Old Tariff** (Dec 2020- June 2021)	**New Tariff** (July 2021-Present)
CPO, CPKO, Crude palm olein, crude palm stearin, crude palm kernel olein, crude palm kernel stearin	55 - 255	55 - 175
Palm Fatty Acid Distillate (PFAD), Palm Kernel Fatty Acid Distillate (PKFAD)	45 – 212.5	45 -141
Split fatty acid, Split PFAD, Split PKFAD, RBD palm olein	35 – 202.5	35 - 131
RBD palm oil, RBD PKO, RBD palm stearin, RBD palm kernel oil, RBD Palm kernel stearin, RBD palm kernel olein, FAME	25 - 192.5	25 – 121
RBD Palm olein (In package of 25 Kg or less)	20 – 187.5	20 - 116
Palm kernel, palm kernel meal	25	25
Palm kernel shell	7	3

Source: MOF 191/2020, MOF 76/2021

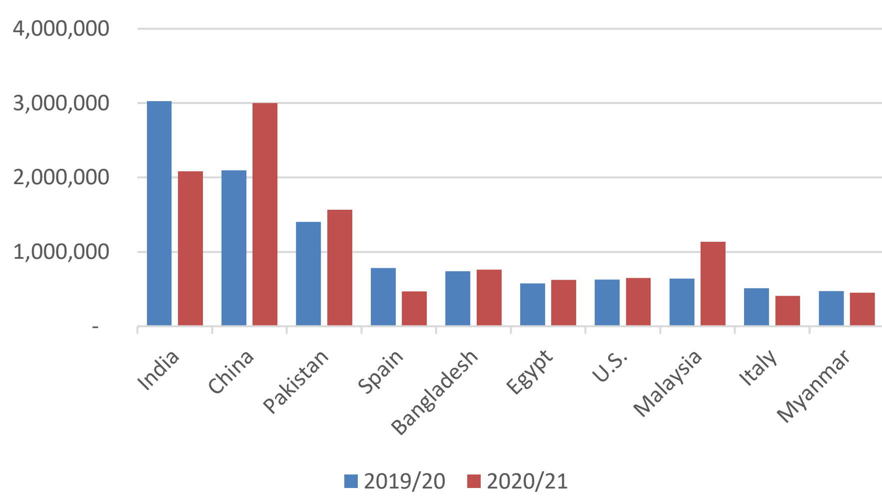
Trade

Post revises 2020/21 and 2021/22 palm oil exports upward to 28 million tons and 30.5 million tons, respectively. Higher exports are based on the updated levy structure, increased demand from China and Malaysia, and stable demand from the EU and India.

Palm oil exports during October 2020-April 2021 reached 15.8 million tons. Shipments to India declined 31 percent to 2 million tons during the same period, reflecting COVID-19 related demand challenges and increased purchases from Malaysia. By contrast, shipments to China increased 43 percent compared to the same period last year. Increasing demand from China's food processing sector, such instant noodle production, is expected to continue growing in 2021/22 (CH2021-0069).

Exports to Malaysia jumped 77 percent to 1.1 million tons during the first seven months of 2020/21 on increased demand from Malaysian refiners as millers preferred to export their CPO leaving refiners seeking alternate sources (see MY2021-0010).

Figure 2. Palm Oil Exports by Destination Oct.-Apr., 2019-2021 (MT)



Source: TDM

Oil, Palm	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct-19		Oct-20		Oct-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,750	15,104	11,950	15,700	12,100	15,700
Beginning Stocks	2,909	2,909	4,626	4,626	4,421	4,771
Production	42,500	42,500	43,500	43,000	44,500	45,500
MY Imports	11	11	-	-	-	-
Total Supply	45,420	45,420	48,126	47,626	48,921	50,271
MY Exports	26,249	26,249	28,680	28,000	29,500	30,500
Industrial Dom. Cons.	8,300	8,300	8,600	8,800	8,600	8,900
Food Use Dom. Cons.	5,970	5,970	6,150	5,780	6,350	6,100
Feed Waste Dom. Cons.	275	275	275	275	275	300
Total Dom. Cons.	14,545	14,545	15,025	14,855	15,225	15,300
Ending Stocks	4,626	4,626	4,421	4,771	4,196	4,471
Total Distribution	45,420	45,420	48,126	47,626	48,921	50,271
	0	0	0	0	0	0
(1000 HA) ,(1000 TREES) ,(1000 MT)						

Commodity:
Oilseed, soy

Production

Post maintains soybean production at 425,000 tons in 2021/22, a decline from 475,000 tons in 2020/21, on lower planted and harvested area. Corn and rice continue to be the preferred choice of farmers throughout Indonesia due to higher margins propped up by policies that subsidize cultivation and restrict competition from imports (see ID2021-0014).

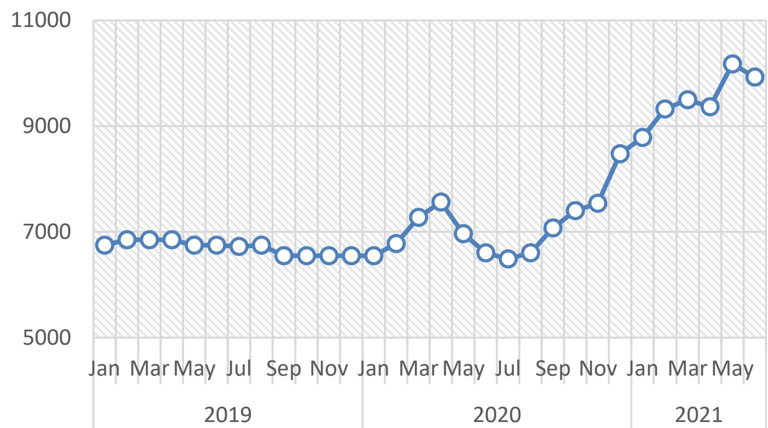
In early 2021, in response to public complaints of increasing soybean retail prices (see ID2021-0012), the Ministry of Agriculture (MOA) announced plans to increase soybean planted area by up to 350,000 hectares across several provinces. Since the announcement, Post has seen no further activity suggesting increased soybean plantings. By contrast, prices for corn have remained high even during peak harvest periods and an extended rainy season brought on by a La Nina are expected to encourage more farmers to grow corn and paddy over soybeans in the third crop cycle.

Consumption

Indonesia soybean consumption is expected to reach 3.2 million tons in 2021/22, an increase of 52,000 tons from 2020/21. Soybeans are mainly used for tempeh and tofu production, an affordable source of protein source and staple of the Indonesian diet, the demand for which increases along with population growth. Post revises down 2020/21 soybean food use consumption to 2.99 million tons due to recent COVID-19 mobility restrictions on Java and Bali islands as well as other large population centers.

Following nearly a year of price increases, the wholesale price of soybeans in Jakarta began to declined slightly to IDR 9,925 per kg during the last week of June 2021. The modest decline was a welcome sign to many tempeh and tofu producers who had either paused production or trimmed daily production volumes during the extended period of rising prices.

Figure 3. Soybean Wholesale Price in Jakarta (IDR/kg)



Source: USSEC Indonesia

Policy

In April 2021, MOA issued Regulation 15/2021 on Risk-Based Business Licenses and Administration. The regulation provides guidance on various agribusiness business activities including soybean farming, soybean crushing, and soybean importation. The regulation includes a new requirement for importers to obtain an Import Recommendation from MOA to import soybeans (prior to the regulation importers were only required to obtain an import permit from the Ministry of Trade (MOT)). At present, the Import Recommendation requirement is not being enforced as soybean importation procedures still fall under the authority of MOT, which currently does not require an Import Recommendation. However, MOT is expected to prepare its own corresponding regulation on Risk-Based Business Licensing and Administration soon, the details of which may ultimately determine whether Import Recommendations are required for soybeans.

Trade

Indonesian soybean imports reached 1.6 million tons during the October 2020-April 2021 period, a 7 percent increase from the previous year. U.S. exports sales data showing accumulated sales to Indonesia in mid-July has reached 2.2 million ton, an increase of 13 percent from previous year. Accordingly, Post revises its previous 2020/21 soybean import estimate upward to 2.725 million tons. US origin soybeans account for 91 percent of total imports, followed by Canadian origin of 8 percent.

Oilseed, Soybean	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct-19		Oct-20		Oct-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	400	400	390	390	350	350
Beginning Stocks	226	226	185	185	175	235
Production	480	480	475	475	425	425
MY Imports	2,636	2,636	2,650	2,725	2,700	2,800
Total Supply	3,342	3,342	3,310	3,385	3,300	3,460
MY Exports	3	3	2	2	2	2
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,980	2,980	2,983	2,990	2,950	3,040
Feed Waste Dom. Cons.	174	174	150	158	170	160
Total Dom. Cons.	3,154	3,154	3,133	3,148	3,120	3,200
Ending Stocks	185	185	175	235	178	258
Total Distribution	3,342	3,342	3,310	3,385	3,300	3,460
	0	0	0	0	0	0
(1000 HA) ,(1000 MT)						

Commodity:
Meal, soy

Production
Indonesia does not produce soybean meal.

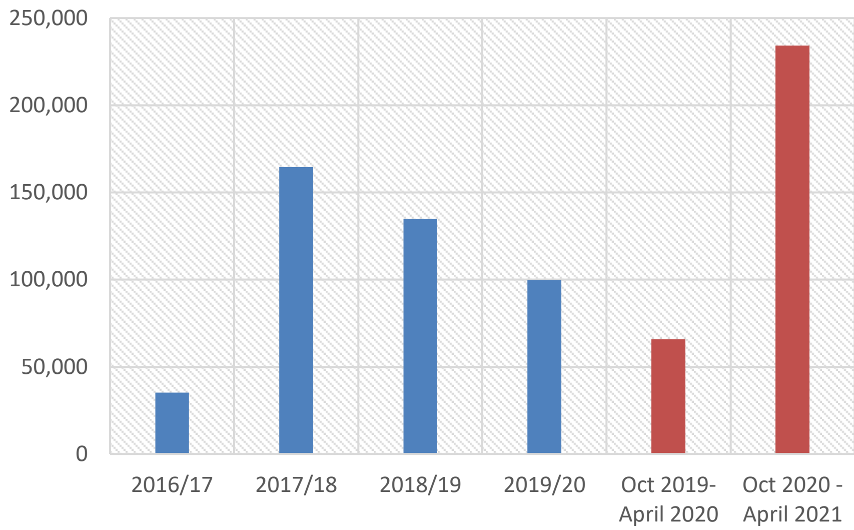
Consumption
Post forecasts soybean meal consumption for 2021/22 at 5.2 million tons on higher demand in the feed sector, backed by increased poultry meat consumption as Indonesia’s economy continues to rebound from the pandemic. The poultry sector continues to consume approximately 90 percent of soybean meal, with most of the remainder utilized for aquaculture.

Trade
Post revises 2020/21 soybean meal imports upward to 5.1 million tons based on imports during the first six months of 2020/21 reaching 3.1 million tons, 34,000 tons higher from the same period last year, and stable usage in ration formulation by the feed industry. Soybean meal imports for 2021/22 are forecast at 5.2 million tons on expected stronger demand from the poultry industry.

During October 2020 to April 2021, shipments from Argentina declined by 33 percent, while Brazilian origin soybean meal increased 37 percent. The decline in Argentine shipments is likely due to drought conditions which lowered soybean output in 2020/21 (See AR2021-0009). U.S. origin soybean meal shipments reached 234,000 tons, an increase from 65,000 tons over the same period last year. Increasing U.S. exports were driven by narrower price spreads with South American competitors during February –

April 2021 period and approximately 27,000 tons of U.S. soybean meal exports related to U.S. food assistance programs.

Figure 4. Indonesia SBM imports from U.S. (ton)



Source: TDM

Meal, Soybean	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct-19		Oct-20		Oct-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	-	-	-	-	-	-
Extr. Rate, 999.9999	-	-	-	-	-	-
Beginning Stocks	124	124	207	207	207	257
Production	-	-		-		-
MY Imports	5,043	5,043	5,100	5,100	5,150	5,200
Total Supply	5,167	5,167	5,307	5,307	5,357	5,457
MY Exports		-		-	-	-
Industrial Dom. Cons.		-		-	-	-
Food Use Dom. Cons.		-		-	-	-
Feed Waste Dom. Cons.	4,960	4,960	5,100	5,050	5,150	5,200
Total Dom. Cons.	4,960	4,960	5,100	5,050	5,150	5,200
Ending Stocks	207	207	207	257	207	257
Total Distribution	5,167	5,167	5,307	5,307	5,357	5,457
	-	-	-	-	-	-
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments