

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Oilseeds and Products Update

Indonesia Oilseeds and Products Update 2017

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Report Highlights:

Due to favorable growing conditions and reports of higher production throughout the sector, palm oil production is forecast to reach 38.5 million tons in 2017/18, and 2016/17 output is revised up to 36 million tons. Buoyed by larger domestic availability, palm oil exports in 2017/18 are also revised upwards. Soybean imports from the United States continue to grow. However, the Ministry of Agriculture's plans to curb soybean imports cloud prospects for future U.S. soybean sales.

Post:
Jakarta

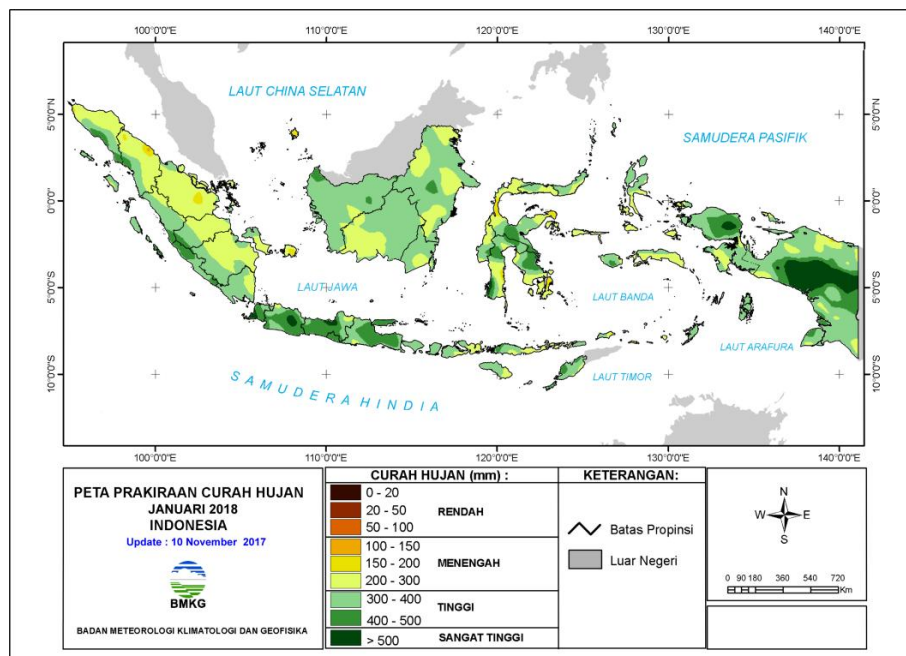
Oil, palm

Production

Due to optimal growing conditions, production in 2016/17 is revised up to 36 million tons. Favorable weather conditions fueled growth in palm oil production following the dry weather in 2015/16. Both publicly-listed plantation companies and industry associations reported strong growth in FFB production during first nine months of 2017. With expectations for continued good growing conditions and average to above average precipitation over the next 12 months, production is forecast to reach 38.5 million tons in 2017/18.

Weather agencies report an increasing possibility of a weak La Nina in the region. A typical La Nina event would bring higher rainfall. The Indonesia weather agency (BMKG) forecasts peak rainfall to occur between December 2017 and February 2018. As of November, the rainy season had already started in more than half of the region, according to BMKG.

Figure 1. BMKG forecast on rainfall in January 2018



Source: BMKG

Consumption

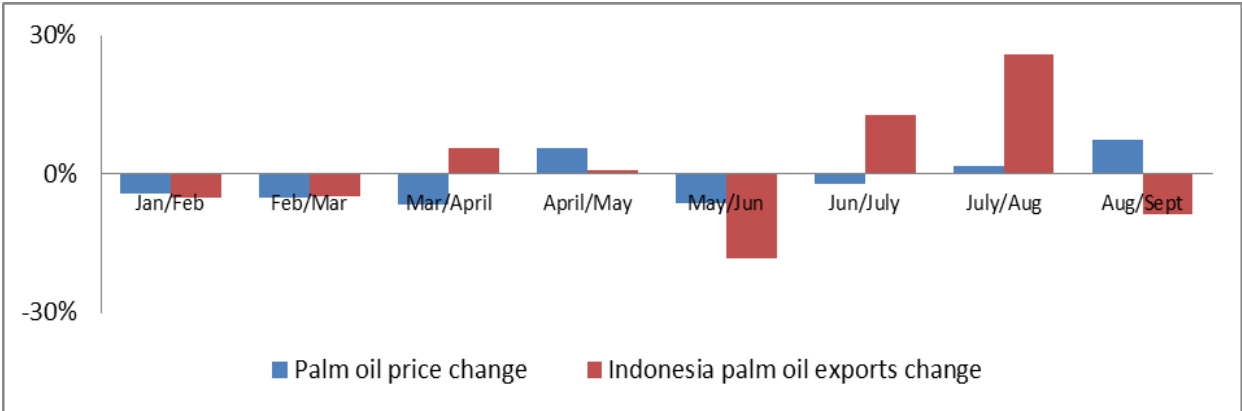
Industrial use is estimated at 3.45 million tons in 2016/17. Following a slight decline in May/June 2017, monthly biodiesel production has returned to normal. In the latest allocation for the November 17 to May 2018 period, the Ministry of Energy and Mineral Resources (MEMR) allocated 1.4 million KL of biodiesel to be processed by the two local refiners. This was a slight increase from the previous allocation. In addition, food use is expected to continue expanding in line with population growth. As the result, the 2017/18 consumption forecast is increased to 9.695 million tons.

Since 2015, the Indonesia government has charged a \$50/ton on all palm oil exports. The revenue from the palm export levy is primarily used to offset the price difference between biodiesel and fossil diesel. In 2017, the Oil Palm Plantation Fund Management Agency’s revenue from the levy is an estimated IDR 11 trillion (USD 814 million). The agency will subsidize sales of 2.3 million tons of biodiesel under the program.

Trade

Due to the strong pace of sales in 2017 and expectations for plentiful supplies and competitive prices through 2018, palm oil exports for 2016/17 and 2017/18 were revised up to 27.5 and 28 million tons, respectively. Between January and September 2017, exports reached 21.7 million tons, a 36 percent increase compared to 2016. The decline in palm oil prices of about 11 percent, and the widening spread with soybean oil prices, \$63 in January to \$158 in September, supported this rapid pace.

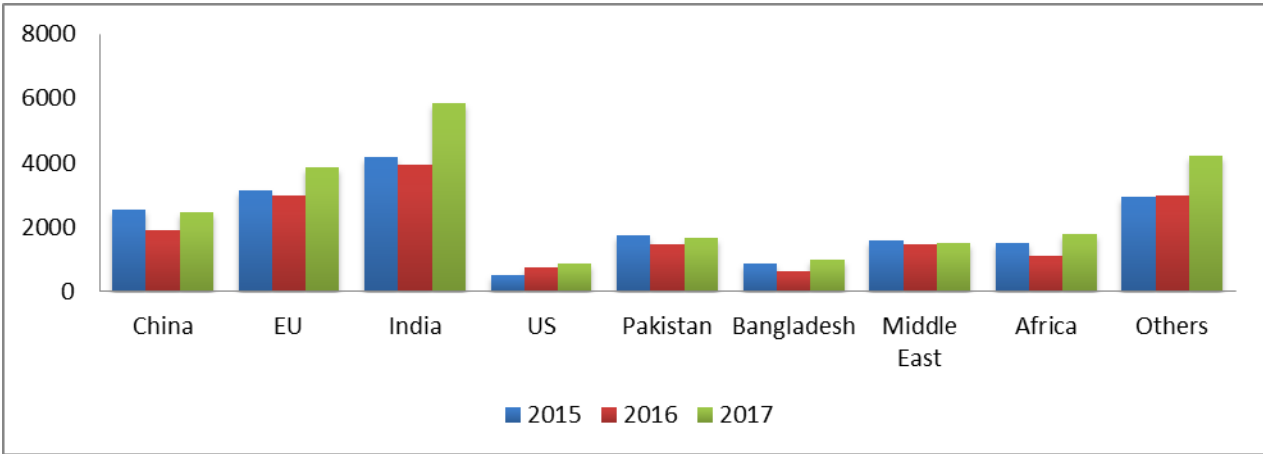
Figure 2.Changes on Palm oil price and Indonesia palm oil exports in January-September 2017 (%)



Source: GAPKI, WB

Shipments by destination indicate stronger demand compared to 2016 (Figure 3). India was the top destination, with a total of 1.9 million tons higher than last year. Rumors of India’s impending import duty increase, likely fueled the recent strong palm oil shipments to India.

Figure 3. Palm and lauric oils exports destinations, January-September period (TMT)



Source: GAPKI

Stocks

Despite growing production, increased use and higher exports results in a slight downtrend in ending stocks.

Production, Supply and Demand Statistics

Oil, Palm Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct-15		Oct-16		Oct-17	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Indonesia						
Area Planted		0	0	0	0	0
Area Harvested	8965	8965	9200	9200	9300	9300
Trees	0	0	0	0	0	0
Beginning Stocks	2734	2734	2916	2317	2346	1327
Production	32000	32000	34000	36000	36000	38500
MY Imports	8	8	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	34742	34742	36916	38317	38346	39827
MY Exports	22906	22905	26000	27500	26200	28000
MY Exp. to EU	3500	3200	3500	3400	4000	3500
Industrial Dom. Cons.	3300	3600	2900	3450	3300	3600
Food Use Dom. Cons.	5300	5600	5350	5700	5400	5750
Feed Waste Dom. Cons.	320	320	320	340	350	345
Total Dom. Cons.	8920	9520	8570	9490	9050	9695
Ending Stocks	2916	2317	2346	1327	3096	2132
Total Distribution	34742	34742	36916	38317	38346	39827
		0		0		0
(1000 HA) ,(1000 TREES) ,(1000 MT)						

Soybeans

Production

No change is made to the production forecast, although the general outlook is for soybean production to fall. Soybean area continues to decline due to better returns from other crops, particularly corn. Soybean yields are still quite low, improved varieties are unavailable, inputs and management is minimal, and post-harvest losses are high.

In early October 2017, the Ministry of Agriculture (MOA) announced a plan to make Indonesia self-sufficient in soybeans by the end of 2018. Soybean planted areas are to be doubled by the end of 2017, then another 1.5 million hectares to be planted 2018. With that much area devoted to soybeans, the

MOA expects production to reach 3 million tons, the self-sufficiency target. However, for a variety of reasons, this goal is unrealistic and unattainable. There is insufficient availability of arable land, a shortage of seeds, low soybean yields, and low soybean profitability vis-à-vis other crops. Nonetheless, MOA will provide assistance and subsidized soybean seed to try to achieve the production target. In addition, MOA has targeted other fallow land areas to plant soybeans.

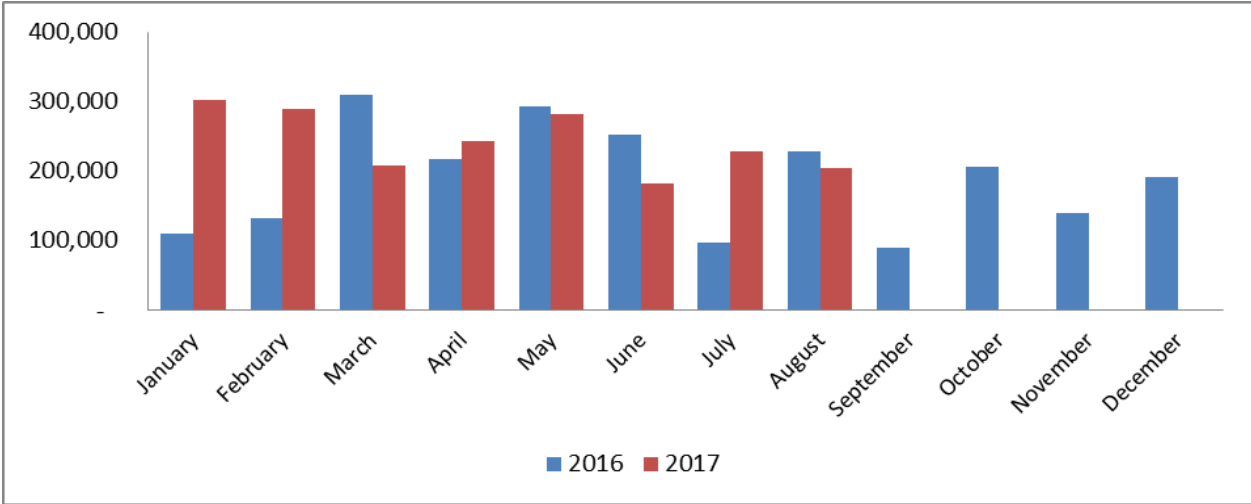
Consumption

Soybean consumption is forecast at 3.05 million tons in 2017/18, up from 2.9 in 2016/17. Use is mostly for direct human consumption, as an ingredient in tempeh and tofu. Tempeh and tofu producers prefer U.S. soybeans due to their consistent size, color and quality. Tempeh and tofu consumption is widespread throughout Indonesia as one of affordable protein sources, so consumption will continue to expand with population growth.

Trade

Imports for 2016/17 are adjusted, reflecting final complete year trade data. Similarly, the 2017/18 forecast is slightly changed to show expected annual growth. More than 95 percent of imported soybeans originate from the United States. In 2016/17, the U.S. exported 2.6 million tons of soybeans to Indonesia.

Figure 4. Indonesia Soybean Imports 2016-2017 (MT)



Source: GTIS

Policy

As part of its soybean self-sufficiency campaign, MOA is developing measures to restrict soybean imports. Some of the trade barriers MOA is considering are import licenses, import duties, an import ban during the local soybean harvest period, and giving import monopoly power to a State Owned Enterprise. Local tempeh and tofu makers are very concerned about how these policies would disrupt needed supplies for their manufacturing facilities.

Production, Supply and Demand Statistics

Oilseed, Soybean	2015/2016	2016/2017	2017/2018
Market Begin Year	Oct-15	Oct-16	Oct-17

Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	490	490	480	480	450	470
Area Harvested	440	440	430	430	420	420
Beginning Stocks	65	65	64	88	148	312
Production	580	580	565	565	540	540
MY Imports	2274	2274	2650	2600	2600	2550
MY Imp. from U.S.	2251	2251	2400	2500	2400	2500
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2919	2919	3279	3253	3288	3402
MY Exports	1	1	1	1	2	1
MY Exp. to EU	0	0	0	0	0	0
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2824	2800	3100	2900	3100	3050
Feed Waste Dom. Cons.	30	30	30	40	41	40
Total Dom. Cons.	2854	2830	3130	2940	3141	3090
Ending Stocks	64	88	148	312	145	311
Total Distribution	2919	2919	3279	3253	3288	3402
		0	0	0	0	0
(1000 HA) ,(1000 MT)						