

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 11/29/2018

GAIN Report Number: ID1836

Indonesia

Oilseeds and Products Update

Indonesia Oilseeds and Products Update November 2018

Approved By:

Garrett McDonald

Prepared By:

Arif Rahmanulloh

Report Highlights:

Palm oil production is increased to 39.5 million tons for 2017/18 and 41.5 million tons for 2018/19 based on better than expected yields. Palm oil industrial use is forecast to increase significantly following the implementation of a nationwide B20 mandate.

Post:
Jakarta

Commodity:
Oil, palm

Production

Based on improved yields supported by favorable weather, the 2017/18 palm oil production estimate is increased to 39.5 million tons. The yield increase is the second consecutive year of rebounding yields following the 2015/16 El-Nino event, which hit palm-producing areas in Southern Sumatera and Kalimantan. Similarly, further yield increases are expected to boost 2018/19 production to 41.5 million tons.

The higher yields are reflected in recent public plantation reports, showing year over year palm oil production increases between 6 to 32 percent for the January through September 2018 period. Seventy percent of plantations have already returned to or surpassed production levels prior to the El-Nino event.

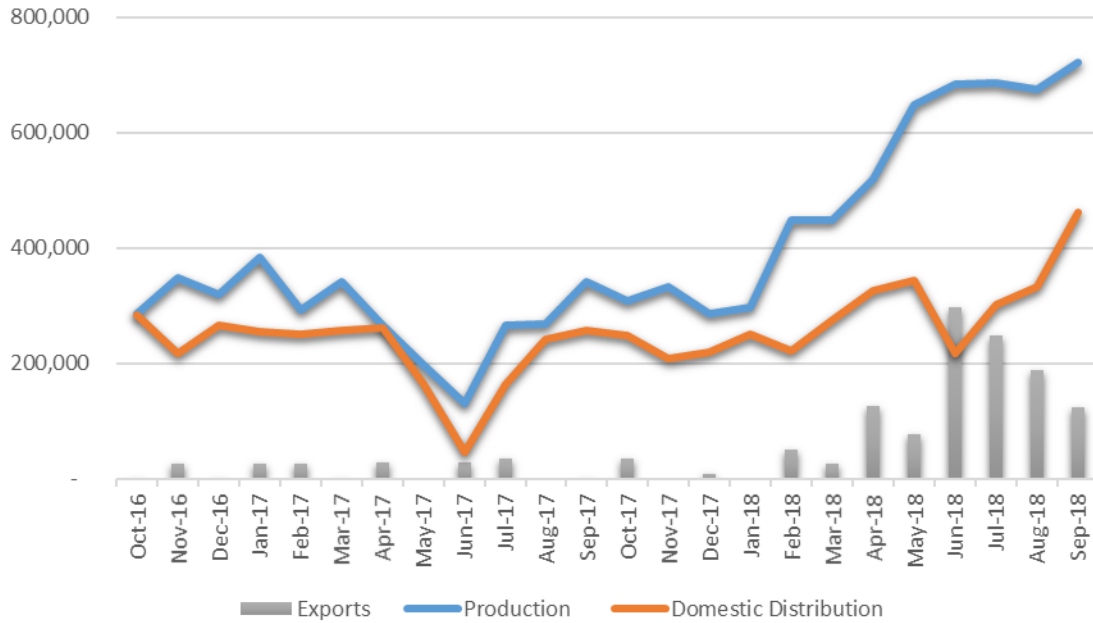
Meanwhile, continued low CPO prices are expected to cause most large producers to delay re-planting to save costs until prices rebound. These delays could potentially negatively impact future production.

Consumption

Industrial palm oil use is expected to increase sharply following the September 2018 implementation of mandatory B20 blending for the Non-PSO sector ([read more](#)). Despite early logistical hindrances, the B20 program should be fully implemented in 2019. A new full year allocation period will commence in January 2019, which is a change from the current six-month allocation period.

Industrial consumption is expected to reach 6.7 million ton in 2018/19, assuming full implementation of the B20 mandate and stable export demand. Combined with food-use, total palm oil consumption is forecast to increase 17 percent, from 10.77 million tons in 2017/18 to 12.58 million tons in 2018/19.

Figure 1: Indonesia Biodiesel Production, Consumption and Exports 2016-2018 (KL)



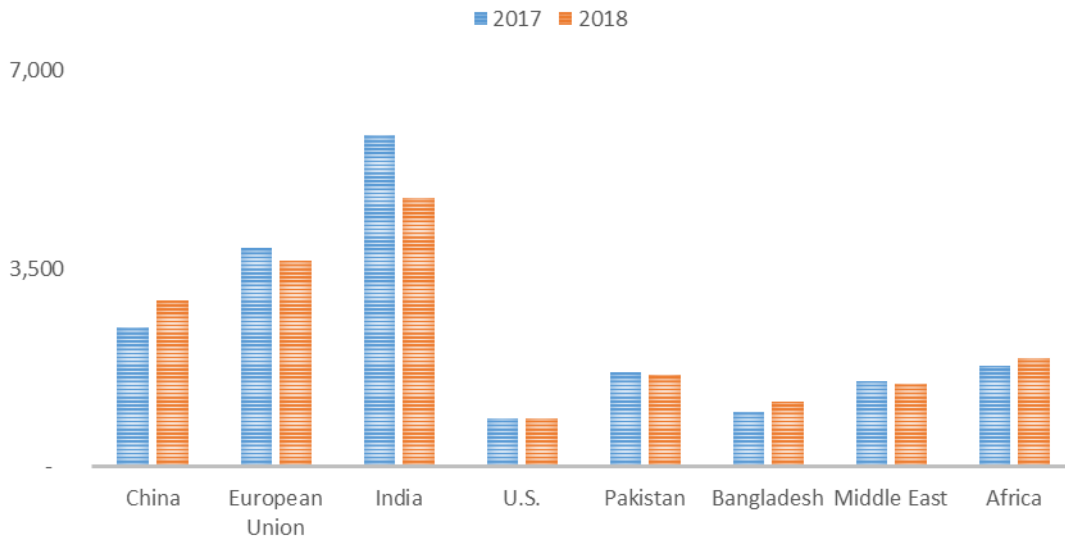
Source: Aprobi

Trade

The 2018/9 export forecast is unchanged at 28.5 million tons. Palm oil exports reached 26.967 million tons in 2017/18, a slight decrease from 27.633 million tons in 2016/17.

India, Indonesia’s largest market, increased import duties on CPO to 48.4 percent in March 2018. The duty likely would have had a more significant impact on exports were it not for decreasing CPO prices and increases in Chinese imports following the imposition of import duties on U.S. soybeans.

Figure 2: Indonesia Palm Oil and Lauric Exports January-September



Source: Gapki

Policy:

In September 2018, the Government of Indonesia (GOI) announced a new moratorium policy, halting new oil palm plantation permits. Presidential decree 8/2018 directs ministries and local governments to ensure no new permits are issued for next three years.

The decree is the latest attempt to follow through on a commitment made by President Jokowi during a Forest Day celebration in April 2016. During his speech, Jokowi promised to halt new concession permits for oil palm plantations and mining. The announcement was made six months after Indonesia experienced severe land and forest fires in Kalimantan and Sumatera, causing severe trans-boundary haze flows.

The decree also accelerates GOI's "One Map" policy, which was initially launched in 2010. The policy is an attempt to combine information on forest and peatland area and synchronize that with mining, forest, and plantation concessions to form a single map of national land use. GOI hopes the One Map policy can resolve many existing land tenure disputes and aid future palm plantation development.

In response to low CPO prices, on November 23, 2018 the Coordinating Ministry for Economic Affairs announced a revision to the CPO export levy policy. Under the new adjustable rate policy, the CPO export levy will be zero if prices are below \$500 per ton, and increase on a sliding scale to \$50 per ton for prices above \$549 per ton. The levy on palm-derived products would also be adjusted. The CPO export levy was first imposed in 2015 (read more [here](#)) to fund biodiesel domestic consumption subsidies. The levy applies to more than 20 products, including refined products and FAME (palm biodiesel). The funds collected from the levy is managed by BPDPKS (CPO fund agency) with oversight from multiple GOI ministries.

A final regulation on the export levy is expected in early December 2018.

Table 1: Proposed New CPO Exports Levy Rate

	Current Rate (USD/ton)	CPO Price below 500 USD/ton	CPO Price between 500 and 549 USD/ton	CPO Price above 549 USD/ton
CPO	50	0	25	50
Derivative 1	30	0	10	30
Derivative 2	20	0	5	20

Source: Coordinating Ministry of Economic Affairs Press release

Oil, Palm	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct-16		Oct-17		Oct-18	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		0	0	0	0	0
Area Harvested	10600	10600	11000	11000	11300	11300
Trees	0	0	0	0		0
Beginning Stocks	2258	2258	1470	1470	2480	3233
Production	36000	36000	38500	39500	40500	41500
MY Imports	5	5	0	0	0	0
Total Supply	38263	38263	39970	40970	42980	44733
MY Exports	27633	27633	27000	26967	28500	28500
Industrial Dom. Cons.	3500	3500	4500	5000	5000	6700
Food Use Dom. Cons.	5300	5300	5600	5400	5900	5500
Feed Waste Dom. Cons.	360	360	390	370	410	380
Total Dom. Cons.	9160	9160	10490	10770	11310	12580
Ending Stocks	1470	1470	2480	3233	3170	3653
Total Distribution	38263	38263	39970	40970	42980	44733
	0	0	0	0	0	0

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

Commodity:

Oilseed, soybean

Production

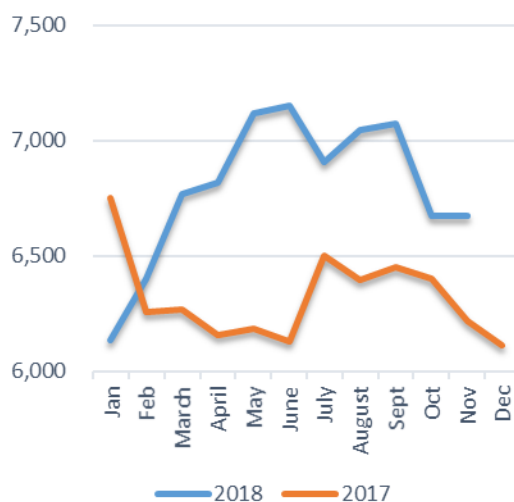
The 2018/19 soybean production forecast is unchanged at 520,000 tons.

Consumption

Nearly all domestic use is for direct human consumption, mainly as the primary input for tempeh and tofu production. Higher soybean wholesale prices from January to September 2018, caused by a weakening rupiah outpacing decreasing soybean prices, resulted in tempeh producers scaling back tempeh production and a slight decline in demand. As a result, the 2017/18 food consumption estimate is revised down to 2.85 million ton. Food consumption is expected to increase by 50,000 tons to 2.9 million ton in 2018/19 as soybean wholesale prices ease.

Owing to more full fat soybeans (FFSB) use in livestock feed, soybeans for feed use is estimated to have been 160,000 ton in 2017/18 and to slightly increase to 170,000 ton in 2018/19.

Figure 3: Wholesale Price of U.S. Soybean in Jakarta (Rp/Kg)

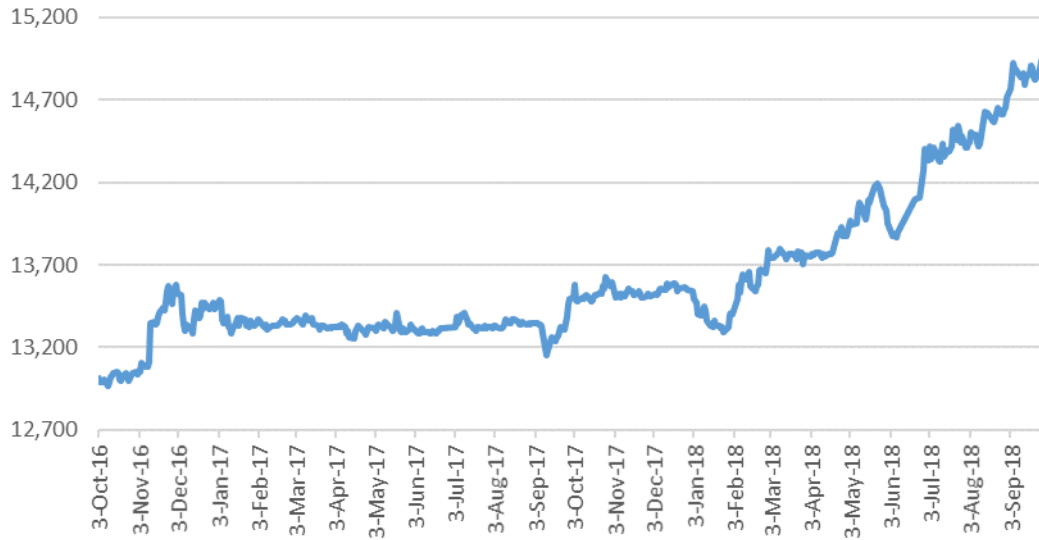


Source: USSEC Indonesia

Trade

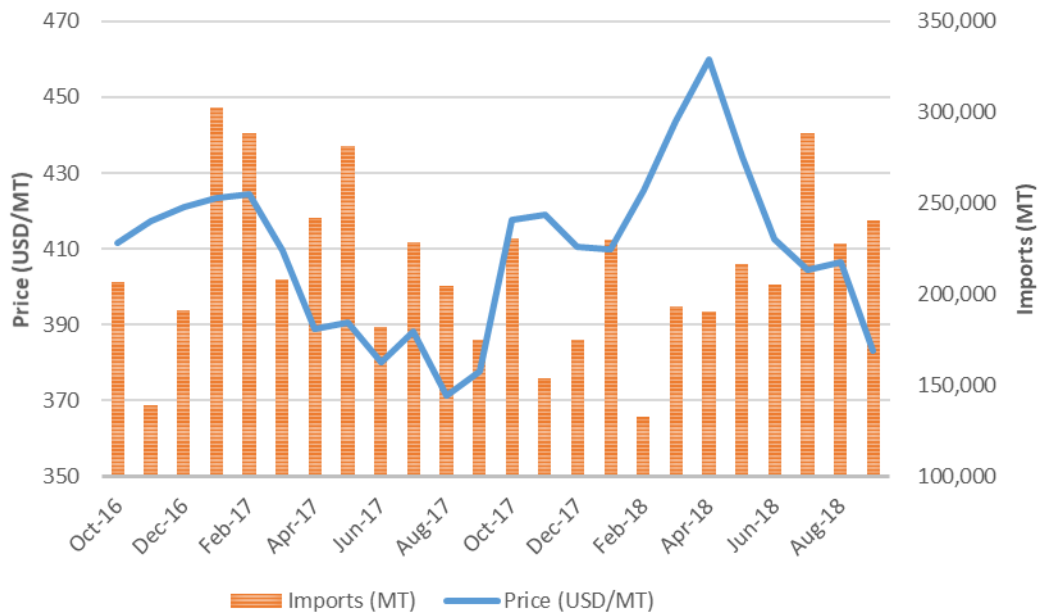
The 2018/19 soybean import forecast is lowered to 2.7 million tons, following the downward revision of 2017/18 imports. Soybean imports for 2017/18 dropped 6 percent to 2.483 million tons from 2.649 million tons in 2016/17 as result of the 11 percent Rupiah depreciation and soybean price fluctuations. January through September 2018 imports were 188,000 tons lower than the corresponding period in 2017. US soybeans still accounted for over 90 percent of total imports in 2017/18.

Figure 4: Rupiah Exchange Rate (IDR/USD) 2016-2018



Source: Bank Indonesia

Figure 5: Imports and soybean price 2016-2018



Source: GTA, BPS, Indexmundi

Oilseed, Soybean	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct-16		Oct-17		Oct-18	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	480	480	450	470	450	460
Area Harvested	430	430	420	420	410	410
Beginning Stocks	63	63	145	25	143	37
Production	565	565	540	540	520	520
MY Imports	2649	2649	2700	2483	2900	2700
Total Supply	3277	3277	3385	3048	3563	3257
MY Exports	2	2	2	1	2	1
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	3100	3100	3200	2850	3350	2900
Feed Waste Dom. Cons.	30	150	40	160	40	170
Total Dom. Cons.	3130	3250	3240	3010	3390	3070
Ending Stocks	145	25	143	37	171	186
Total Distribution	3277	3277	3385	3048	3563	3257
	0	0	0	0	0	0
(1000 HA) ,(1000 MT)						

Commodity:

Meal, soy

Production

Indonesia does not produce any soybean meal.

Consumption

Soy meal use estimates are unchanged.

Trade

The 2017/18 import estimate was slightly modified to reflect most recent trade data. U.S. soybean meal shipments increased from 35,000 tons in 2016/17 to 142,000 tons in 2017/18. The vast majority of soybean meal continues to originate from Brazil and Argentina.

Meal, Soybean Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct-16		Oct-17		Oct-18	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	0	0	0	0		
Extr. Rate, 999.9999	0	0	0	0		
Beginning Stocks	267	267	258	258	208	262
Production	0	0	0	0		0
MY Imports	4255	4255	4400	4454	4600	4600
Total Supply	4522	4522	4658	4712	4808	4862
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4264	4264	4450	4450	4600	4600
Total Dom. Cons.	4264	4264	4450	4450	4600	4600
Ending Stocks	258	258	208	262	208	262
Total Distribution	4522	4522	4658	4712	4808	4862
	0	0	0	0	0	0
(1000 MT) ,(PERCENT)						