

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Oilseeds and Products Update

Oilseeds and Products Update January 2019

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Report Highlights:

The 2018/19 PS&D forecasts are mostly unchanged. The nationwide B-20 mandate will continue to drive industrial palm oil consumption in 2019. A modified CPO export tax system may present financial challenges to expanding the biodiesel mandate to B-30 blending in 2020.

Post:
Jakarta

Commodity
Oil, palm

Production

The 2018/19 palm oil production estimate is unchanged at 41.5 million tons. NOAA forecasts a 65 percent chance of an El-Nino weather pattern forming during March - May, although likely intensity and duration remain unclear. A similar weather event in 2015/16 brought severe dryness in palm producing areas in Southern Sumatera and Kalimantan, disrupting production.

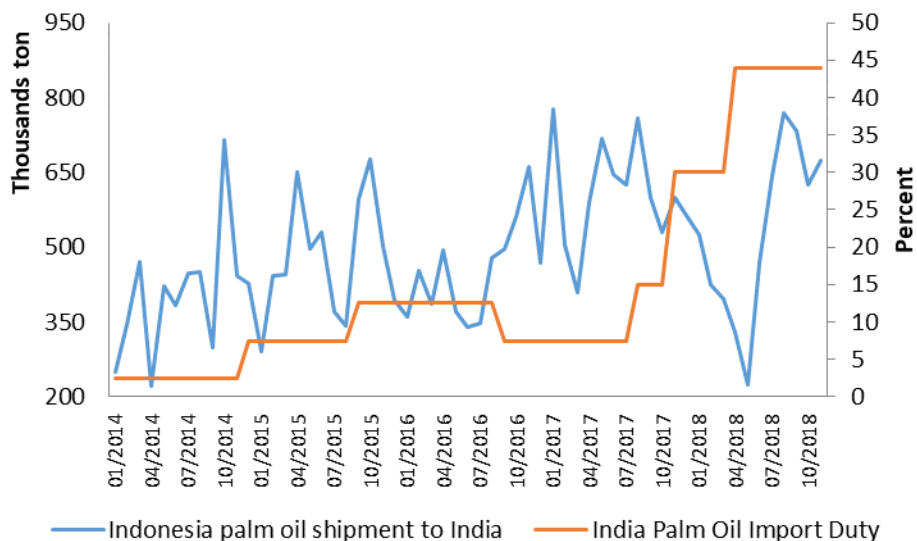
Consumption

The 2018/19 industrial use forecast is increased to 6.7 million tons as biodiesel production continues to drive increased domestic consumption following the September 2018 expansion of Indonesia's B-20 mandate to non-Public Sector transport.

Trade

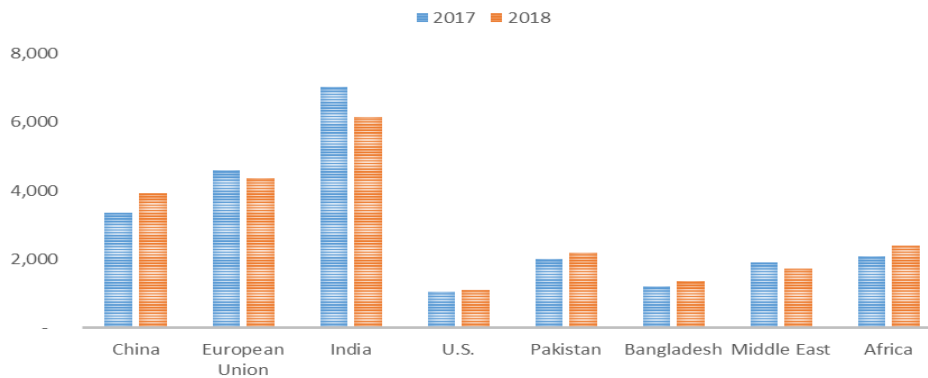
The 2018/19 palm oil export forecast is 29 million tons. India, the EU and China continue to account for half of Indonesia's total palm oil export markets. Effective January 2019, India lowered the duty on Indonesian CPO to 40 percent from 44 percent and on refined palm products from 54 to 50 percent. The marginal decrease is unlikely to affect Indonesia's exports to India, as these duties remain relatively high compared to prior year duties (see Figures 1 & 2).

Figure 1. India Crude Palm Oil Import Duty and Indonesia Palm Oil Shipment to India 2014-2018



Source: GTA, Post compilation

Figure 2. Indonesia Palm Oil and Lauric Exports January-November (thousand ton)



Source: GAPKI

Policy

In December 2018, Government of Indonesia (GOI) issued Ministry of Finance (MOF) Regulation 152/2018 to modify the palm-oil export levy from a flat-based tax to a price-based tax in response to continued downward domestic palm oil prices.

Table 1. Summary of new levy scheme based on MOF 152/2018:

No	Description	Previous Tariff (flat-based)	Levy Tariff, based on CPO reference price (USD/ton)		
			< 570 USD/ton	570 - 619 USD/ton	> 619 USD/ton
1	Crude products (eg. CPO, CPKO)	50	0	25	50
2	Derivatif I (eg. Split palm fatty acid, RBD palm olein)	30	0	15	30
3	Derivatif II (eq. RBD palm oil, biodiesel)	20	0	10	20

The revised regulation could reduce tax revenue needed to support the B-30 biodiesel mandate proposed in 2020.

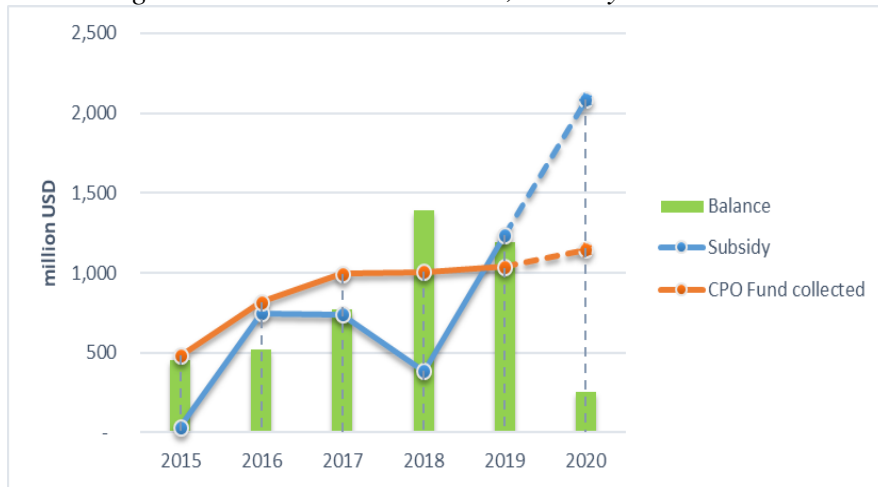
Table 2. Simulated Exports Levy Collection Scenarios

Average CPO Price Scenario (USD/ton)		Exports (million ton)		Levy collected (million USD)	
		Min	Max	Min	Max
538	12 months below 570	28	30	-	-
595	6 months above 619	28	30	511	548
614	8 months above 619	28	30	681	730
648	12 months above 619	28	30	1,021	1,094

Note: Simulation based on weighted average levy

Table 2 demonstrates various CPO Fund revenue scenarios based on variable average prices and export volumes under the new price-based levy. Under the most optimistic scenario (30 million tons of exports and CPO prices above \$619/MT for an entire year), implementing the B-30 mandate quickly depletes the CPO fund's reserves. The fund will decline even under a relatively favorable price spread scenario, such as in 2018, when the average spread between CPO and diesel was \$0.20 (IDR 2,860) per liter (see Figures 3 & 4). A wider spread, as seen in 2016 and 2017, would only accelerate the depletion of funds.

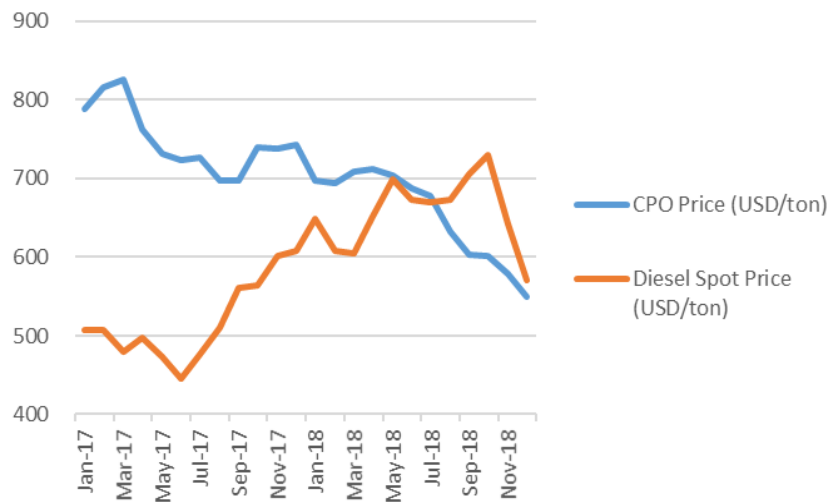
Figure 3. Estimated CPO Fund, Subsidy and Balance



Source: Post estimation.

Note: 2019-2020 amounts are projected. 2020 projection is based on B-30 mandate implementation requiring 10.4 billion liters of biodiesel and ten percent export volume increase from 2019 projection of 28.5 million tons.

Figure 4. Spread between CPO price and diesel spot price 2017-2018



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	10,600	10,600	11,000	11,000	11,300	11,300
Trees	-	-	-	-		0
Beginning Stocks	2,258	2,258	1,470	1,470	2,971	3,004
Production	36,000	36,000	39,500	39,500	41,500	41,500
MY Imports	5	5	1	1	0	0
Total Supply	38,263	38,263	40,971	40,971	44,471	44,504
MY Exports	27,633	27,633	27,000	26,967	29,000	29,000
Industrial Dom. Cons.	3,500	3,500	5,000	5,000	5,700	6,700
Food Use Dom. Cons.	5,300	5,300	5,600	5,600	5,900	5,900
Feed Waste Dom. Cons.	360	360	400	400	450	450
Total Dom. Cons.	9,160	9,160	11,000	11,000	12,050	13,050
Ending Stocks	1,470	1,470	2,971	3,004	3,421	2,454
Total Distribution	38,263	38,263	40,971	40,971	44,471	44,504
	0	0	0	0	0	0

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

Commodity:

Oilseed, soy

Production

Indonesia's soybean production estimate is unchanged at 520,000 tons.

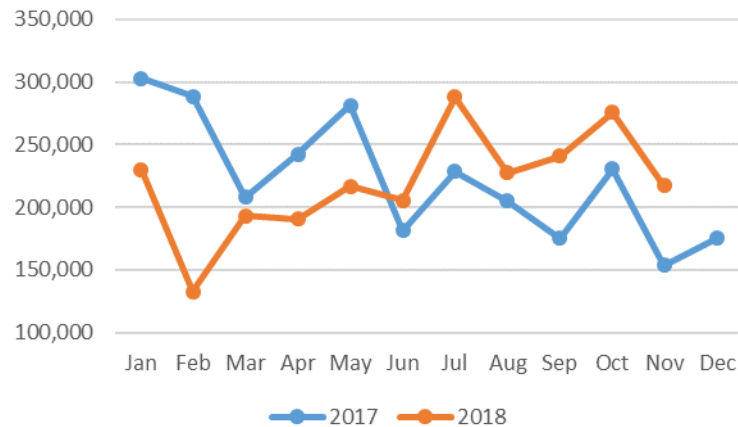
Consumption

The soybean consumption estimate remains 3.07 million tons for 2018/19, with nearly 95 percent use in the food sector. Indonesia's feed sector is expected to utilize 170,000 tons of full-fat soybean (FFSB) in 2018/19, a slight increase of 10,000 tons in 2017/18.

Trade

The 2018/19 soybean import forecast remains at 2.725 million tons. October-November 2018 imports reached 493,000 tons, a 28 percent increase compared to 2017, continuing a trend of higher volumes since June 2018.

Figure 5. Indonesia Soybean Imports 2017-2018 (ton)



Source: GTA

Policy

In early January 2019, local media cited a senior Ministry of Agriculture (MOA) official discussing possible regulations requiring soybean importers to plant and/or procure local soybeans as a condition for receiving licenses to import soybeans. To date, no draft regulation has been circulated; however, this idea is similar to MOA's protectionist policy on garlic imports, which requires garlic importers to produce 5 percent of their requested import volume domestically. Currently, there is zero duty on soybeans and importers are not required to receive a recommendation from MOA to import.

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	2,649	2,649	2,500	2,483	2,725	2,700
Total Supply	3,277	3,277	3,185	3,048	3,388	3,257
MY Exports	2	2	2	1	2	1
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	3,100	3,100	3,000	2,850	3,200	2,900
Feed Waste Dom. Cons.	30	150	40	160	40	170
Total Dom. Cons.	3,130	3,250	3,040	3,010	3,240	3,070
Ending Stocks	145	25	143	37	146	186
Total Distribution	3,277	3,277	3,185	3,048	3,388	3,257
	0	0	0	0	0	0

(1000 HA) ,(1000 MT)

Commodity:

Meal, Soy

Production

Indonesia does not produce soybean meal.

Consumption

The soybean meal consumption forecast is 4.8 million tons for 2018/19.

Trade

U.S. soybean meal shipments increased from 68,000 tons in 2016/17 to 232,000 tons in 2017/18. However, South American soybean meal continues to dominate soybean meal supplies, accounting for over 95 percent of the market.

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	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	317	317	322	322	272	293
Production	0	0	0	0		0
MY Imports	4255	4255	4650	4671	4800	4800
Total Supply	4572	4572	4972	4993	5072	5093
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.	4250	4250	4700	4700	4800	4800
Total Dom. Cons.	4250	4250	4700	4700	4800	4800
Ending Stocks	322	322	272	293	272	293
Total Distribution	4572	4572	4972	4993	5072	5093
	0	0	0	0	0	0

(1000 MT) ,(PERCENT)