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Indonesia

Oilseeds and Products

Palm Oil : New Export Tax For Palm Oil and Its

Products

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Report Highlights:

The export tax on palm oil and its products has been reduced, effective September 12, 2000. The Government of Indonesia reduced the tax due to Malaysia's recent decision to eliminate its CPO duty and India's decision to increase import tariffs on edible oils. Those efforts may be somewhat in vain because the simultaneous increase in the base price tempers the impact of the export tax cut. CPO traders comment that the export tax reduction will not significantly change their exports because world demand continues to weaken while world production is in over supply.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
Jakarta [ID1], ID

NEW EXPORT TAX FOR PALM OIL AND PRODUCTS

After a long process, on September 12, 2000, The Government of Indonesia (GOI), through Minister of Finance and Minister of Industry and Trade, announced new export taxes and new export check prices on oil palm, palm oil and derivative products, as follows:

**Decree of the Minister of Finance Number 387/KMK.017/2000,
"Decision of the Export Taxes on Oil Palm, Palm Oil and their Products."**

Description	Export Tax (%)	
	Old *	New **
Oil Palm and Palm Kernel	10	5
Crude Palm Oil (CPO)	10	5
Refined Bleached Deodorized Palm Oil (RBD PO)	6	2
Crude Olein (CRD Olein)	8	2
Refined Bleached Deodorized Palm Olein (RBD Olein)	6	2
RBD Olein - in branded package	0	0
Crude Palm Stearin	0	0
Refined Bleached Deodorized Palm Stearin (RBD Stearin)	0	0
Crude Palm Kernel Oil (CPKO)	0	0
Refined Bleached Deodorized Palm Kernel Oil (RBD PKO)	0	0
Crude Coconut Oil (CCO)	0	0
Refined Bleached Deodorized Coconut Oil (RBD CCO)	0	0

Note : * Effective July , 2000

** Effective September 2, 2000

**Letter of the Director General of Foreign Number 182/DJPLN/IX/2000
"Export Check Prices of Oil Palm, Palm Oil and Derivative Products"**

Description	Check Prices US\$/mt	
	Old*	New **
Oil Palm and Palm Nuts	25	40
Crude Palm Oil (CPO)	120	190
Refined Bleached Deodorized Palm Oil (RBD PO)	140	200
Crude Palm Olein (CRD Olein)	150	195
Refined Bleached Deodorized Palm Olein (RBD Olein)	165	215

Note : Check prices (base prices) are used to calculate the export tax (see Gain Report ID#9010) and reviewed monthly

* Effective July , 2000

** Effective from September 2, 2000 to October 11, 2000

The rationale behind the lowering of the export tax is to make Indonesian palm oil competitive with Malaysian

palm oil, but it is not clear whether the policy will have this desired effect. Decreasing the export tax was deemed necessary after Malaysia's recent decision to eliminate its CPO duty for several selected companies and after the major buyer, India, decided to raise taxes on edible oil imports. The competition among palm oil exporting countries is now intense and a future cut by the GOI to 0 percent is possible in the future. But at the same time, in response to domestic considerations, the GOI took an action to increase the check prices (base prices) on palm oil and its products. Thus, the export tax is tempered. For example: previously, for CPO exporters paid 10 percent of US\$ 120, which is equal to US\$ 12. With a change in the export tax and without a change in the base price, they would only pay 5 percent of US\$ 120, which is equal to US\$ 6. However, with the new base price, they pay 5 percent of US\$190, which is equal to US\$ 9.50. So instead of a dramatic 50 percent reduction in the export tax, it is only reduced by about 21 percent. The rationale behind this manoeuvre is two-fold. First, it keeps the government's revenue stream relatively more stable. Second, it discourages exports of raw materials and fits with part of an overall goal to increase production and exports of processed products. Third, by discouraging exports of the raw materials, it ensures an adequate supply of raw materials for the domestic cooking oil industry and mitigates fears of a shortfall in this staple commodity.

So, the net impact of these two policy changes is small in the near term. In fact, industry contacts contend that the recent reduction in the export tax in conjunction with the simultaneous increase in base prices will neutralize the impact on exports. A US\$ 9.50/ton export tax on CPO is still considered high, if Indonesia wants to compete with Malaysia. Only if the rupiah weakens from its current rate of roughly Rp. 8,785/1US\$ to around Rp. 12,000-15,000/1US\$ could Indonesia offer attractive prices. Policy changes aside, the industry speculates that exports will be affected by weakening international prices (from US\$ 315/ ton in July down to about US\$ 290/ton in early September 2000) due to the abundant supply in the world oilseed market. Traders forecast prices to remain at US\$290/ton or even lower. Instead, traders are more concerned over a possible stock build up in the next few weeks as production reaches its peak. Moreover, the limited capacity of crushing plants has caused a back log and supplies are ample and prices are falling at the farm gate. Finally, the tense political situation, unstable economic situation compounded by the potential for further policy changes have forced traders to take a "wait and see" attitude.

FAS/Jakarta's forecast for MY99/00 palm oil exports remains unchanged from ID0027, at approximately 3.2 mmt. The export figures for palm oil from October 1999 to April 2000 show that exports have reached about 2 mmt. India is still an important buyer of Indonesian palm oil, importing 29.4 percent of the total exports, followed by the Netherlands (18 percent) and China (9 percent). Post also forecasts palm oil production for MY99/00 to reach 6.5 mmt, due to the bountiful harvest this year.

Export Trade Matrix			
Country:	Indonesia	Units:	1000 MT
Commodity:	Oil, Palm		

Time period:	Oct-April		
	1998/1999		1999/2000
Exports			
U.S.	17	U.S.	18
Others		Others	
India	409	India	583
Netherlands	231	Netherlands	357
China	178	China	183
Malaysia	138	Singapore	131
Spain	56	Germany	125
Egypt	24	Spain	78
Turkey	24	Egypt	48
Sudan	25	Malaysia	44
Germany	20	South Africa	36
Italy	19	Sudan	21
		Turkey	20
		Italy	18
Total for Others	1,124	Total for Others	1,644
Others not listed	245	Others not listed	316
Grand Total	1,386	Grand Total	1,978

EXCHANGE RATE

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8735	9003	8290	8785			

Source : Central Statistic Agency (BPS) and Business Indonesia Daily Newspaper

Note : September 2000 exchange rate is as of September 14, 2000

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