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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:**

After a lengthy interagency review, Indonesia's Ministry of Agriculture released updated oil palm area data, significantly increasing overall plantation hectares. The nationwide implementation of B30 in January 2020 has been a major factor driving increasing palm oil prices and domestic consumption

Commodities:

*Oil, palm*

## Production

Production estimates are unchanged from the last report.

Following months of speculation, in January 2020 the Ministry of Agriculture (MOA) officially released updated oil palm plantation area data through the publication of [MOA Decree 833/2019](#). The revised area estimates are based on reconciliation of satellite data by several agencies, including MOA, Ministry of Forestry and Environment, and LAPAN (Indonesia's space agency). The updated figures significantly increase total area by adding 1.7 million hectares to the Directorate General of Estate Crops previously published statistics in late 2018.

Post will provide further analysis and an update on current and historical oil palm area and production in the upcoming March 2020 Indonesia Oilseeds Annual GAIN Report.

**Table 1. Indonesia Oil Palm Plantation Coverage as stated in Ministry of Agriculture Decree 833/2019**

Province		Area (ha)	Percentage (%)	Province		Area (ha)	Percentage (%)
1	Aceh	535,002	3.27	14	South Kalimantan	549,953	3.36
2	North Sumatera	2,079,027	12.69	15	Central Kalimantan	1,778,702	10.86
3	Bengkulu	426,508	2.60	16	East Kalimantan	1,287,449	7.86
4	Jambi	1,134,640	6.93	17	North Kalimantan	234,535	1.43
5	Bangka Belitung	273,842	1.67	18	Gorontalo	11,257	0.07
6	Riau Islands	4,926	0.03	19	West Sulawesi	155,958	0.95
7	Lampung	268,061	1.64	20	South Sulawesi	31,980	0.20
8	Riau	3,387,206	20.68	21	Central Sulawesi	110,901	0.68
9	West Sumatera	558,683	3.41	22	Southeast Sulawesi	55,786	0.34
10	South Sumatera	1,468,468	8.96	23	Maluku	14,966	0.09
11	Banten	18,365	0.11	24	North Maluku	3,950	0.02
12	West Java	14,997	0.09	25	Papua	110,496	0.67
13	West Kalimantan	1,807,643	11.03	26	West Papua	58,656	0.36
<b>Total</b>						<b>16,381,959</b>	<b>100</b>

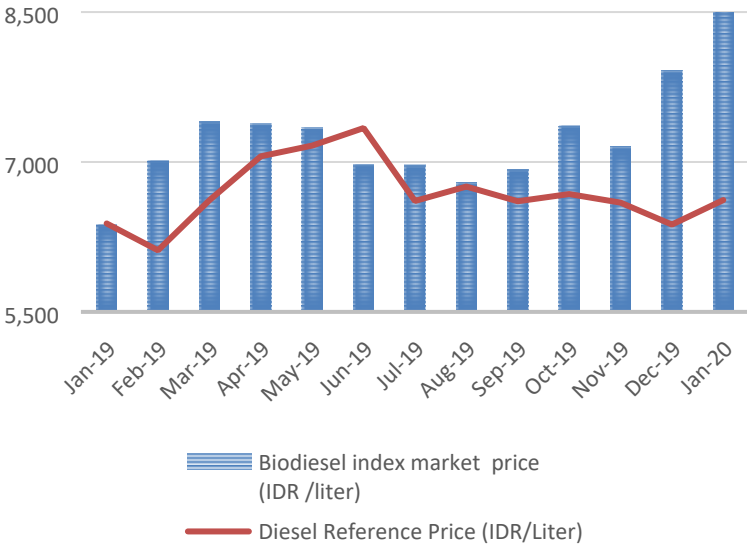
## Consumption

In November 2019, a combined team lead by ESDM (Ministry of Energy and Mineral Resource) completed 50,000 km of road tests on various vehicle types utilizing B30. The successful tests led to the implementation of a nationwide B30 blending mandate in January 2020, increasing from current B20 levels. B30 implementation is expected to boost industrial palm oil consumption by 2.3 million tons to 9.2 million tons in 2019/20. Several fuel retailers and FAME (Fatty Acid Methyl Ester) [producers](#) have been appointed to fulfill the yearly allocation.

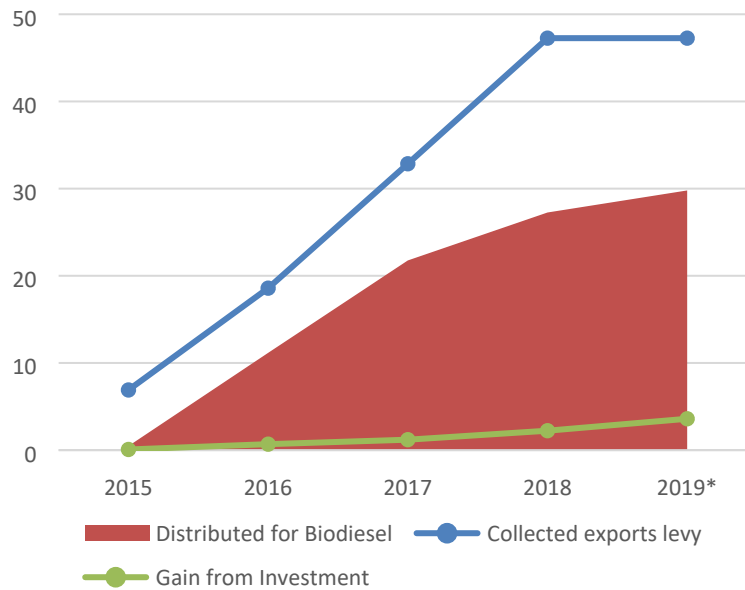
Also, in January 2020 GOI resumed the export levy that had been suspended throughout 2019 due to low CPO prices. The reestablishment of the export levy will once again allow the COP Fund to collect revenue for the purpose of subsidizing price spreads between the cost of FAME production and diesel. For most of 2019, this spread remained below IDR 1,000 per liter; however, in the fourth quarter of 2019 the spread increased to IDR 1,540 per liter (December 2019), and has since surpassed IDR 2,000 per liter as the price of palm oil has continued to climb. BPDPKS, the agency responsible for managing the funds, was able to partially cover this increased spread through fund investment gains of IDR 1.3 trillion (\$100.4 million) during 2019.

Food sector consumption is expected to increase 50,000 tons in 2019/20 to 5.95 million tons. Total palm oil consumption is expected to reach 15.61 million tons in 2019/20, an 18 percent increase from 13.25 million tons in 2018/19.

**Figure 1. Biodiesel and Diesel Reference Price**



**Figure 2. Subsidy for Biodiesel and Collected Exports Levy, Accumulated (IDR trillion)**



### Trade

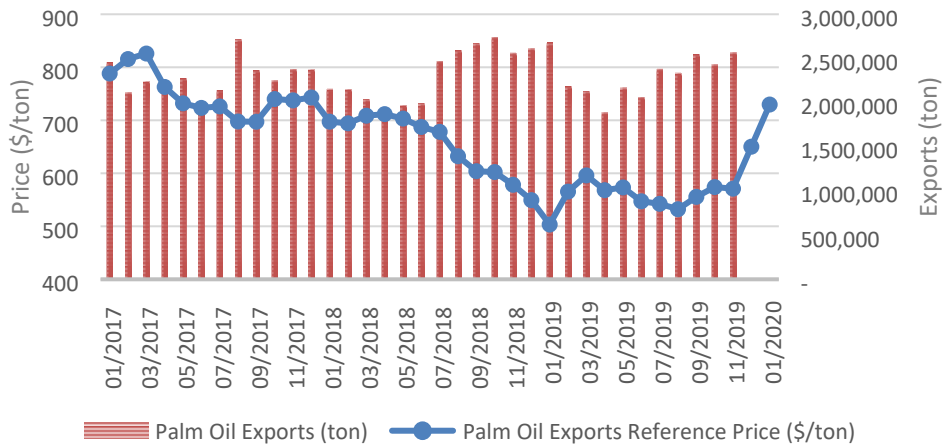
Indonesia’s palm oil exports reached 4.9 million tons from October through November 2019, a six percent decrease from the corresponding period in 2018. Exports volumes are expected to remain sluggish as palm oil prices continue to climb.

The CPO export reference price for January 2020 is set at \$730 per ton, an increase of 12 percent from the previous month and 37 percent higher compared to August 2019. The reference price is formulated using both domestic and international market prices in previous months. At this price level, exports are charged with levy, but still below the export tax threshold of \$750 per ton.

India, Indonesia’s largest market for palm oil, reduced its import duty on both refined and crude palm oil in January 2020. The refined products duty reduced from 50 percent to 45 percent, while the CPO duty decreased to 37.5 percent from 40 percent. Although the duty remains relatively high compared to 2017 levels of 7.5 percent, the reduction may result in increased shipments, especially for refined volumes that had previously passed through Malaysia to take advantage of lower duties from there. The higher duties had adversely impacted exports to India as volumes in 2018/19 decreased by 20 percent, from 6.2 million tons in 2017/18 to 4.9 million tons. During the same period, exports to China grew by 40 percent as reduced soybean imports for crushing lowered domestic vegetable oil supplies. China’s imports of Indonesian palm oil jumped from 3.4 million tons in 2017/18 to 4.9 million tons in 2018/19.

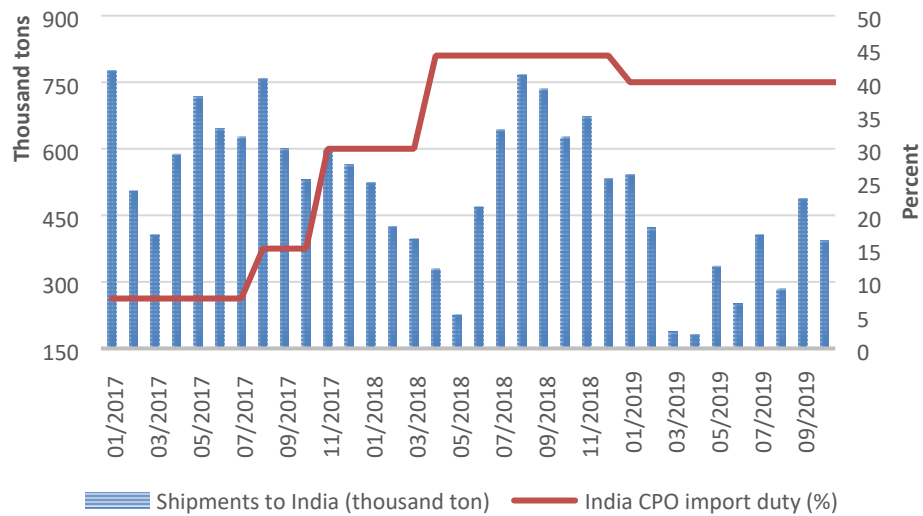
Based on higher prices and increasing domestic demand, Post revises Indonesian palm oil exports to 28.7 million tons in 2019/20.

**Figure 3. Palm Oil Exports Reference Price (\$/ton) and Shipments**



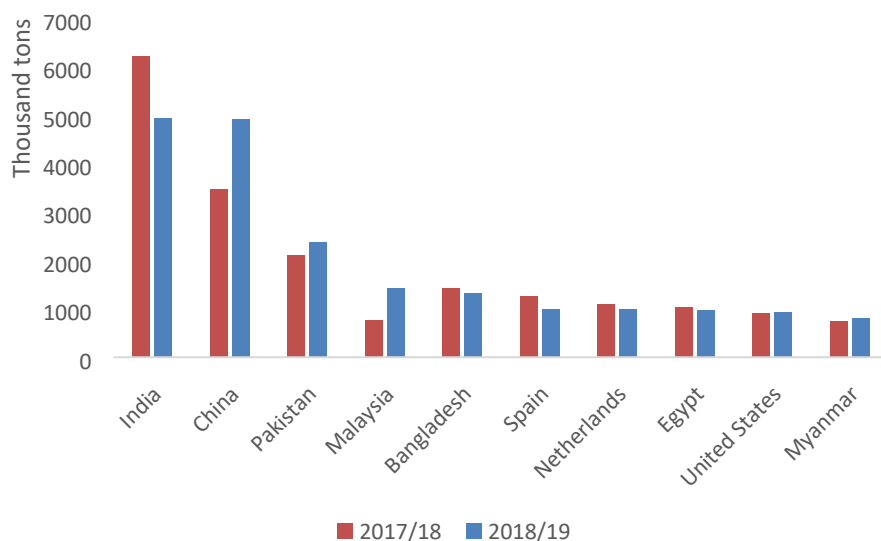
Source: Ministry of Trade (MOT), TDM

**Figure 4. India Import Duty and Indonesia Palm Oil Shipments to India**



Source: TDM

**Figure 5. Indonesia Palm Oil Exports by Destination (ton)**



Source: TDM

Oil, Palm	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct-17		Oct-18		Oct-19	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		0	0	0	0	0
Area Harvested	11,000	11,000	11,300	11,300	11,750	11,750
Trees	-	-	-	-	-	0
Beginning Stocks	1,470	1,470	3,004	3,004	2,679	3,058
Production	39,500	39,500	41,500	41,500	43,000	43,000
MY Imports	1	1	-	83	-	-
Total Supply	40,971	40,971	44,504	44,587	45,679	46,058
MY Exports	26,967	26,967	29,200	28,279	30,200	28,700
Industrial Dom. Cons.	5,000	5,000	6,400	6,900	6,600	9,200
Food Use Dom. Cons.	5,600	5,600	5,800	5,900	6,100	5,950
Feed Waste Dom. Cons.	400	400	425	450	50	460
Total Dom. Cons.	11,000	11,000	12,625	13,250	12,750	15,610
Ending Stocks	3,004	3,004	2,679	3,058	2,729	1,748
Total Distribution	40,971	40,971	44,504	44,587	45,679	46,058
	0	0	0	0	0	0

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

Commodities:

*Oilseed, soy*

### Production

Indonesia's 2019/20 soybean production estimate is unchanged at 510,000 tons.

### Consumption

Based on stable demand and population growth, soybeans for human consumption is maintained at 3.05 million tons in 2019/20. Indonesia's feed sector is expected to consume 170,000 tons of Full Fat Soybeans (FFS) in 2019/20, an increase of 10,000 tons from 2017/18. Larger feed millers have utilized FFS during periods when local corn is less readily available.

### Trade

Post maintains 2019/20 soybean imports at 2.75 million tons, 5 percent higher than 2018/19. Imports reached 527,000 tons during October to November 2019 period, 7 percent higher compared to the same period in 2018.

US-origin soybeans continue to dominate Indonesia imports, with a 96 percent market share in 2018/19. Shipments from Canada have seen a recent jump, from 46,000 tons in 2017/18 to 76,000 tons in 2018/19. Industry contacts believe the growth is linked to demand for IP-soybeans.

Oilseed, Soybean	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct-17		Oct-18		Oct-19	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	450	470	450	450	450	440
Area Harvested	420	420	410	410	400	400
Beginning Stocks	275	275	247	247	305	225
Production	540	540	520	520	510	510
MY Imports	2,483	2,483	2,725	2,622	2,950	2,750
Total Supply	3,298	3,298	3,492	3,389	3,765	3,485
MY Exports	1	1	2	4	2	2
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,950	2,950	3,025	3,000	3,100	3,050
Feed Waste Dom. Cons.	100	100	160	160	175	170
Total Dom. Cons.	3,050	3,050	3,185	3,160	3,275	3,220
Ending Stocks	247	247	305	225	488	263
Total Distribution	3,298	3,298	3,492	3,389	3,765	3,485
	0	0	0	0	0	0
(1000 HA) ,(1000 MT)						

Commodities:

Meal, soy

### Production

Indonesia does not produce soybean meal.

### Consumption

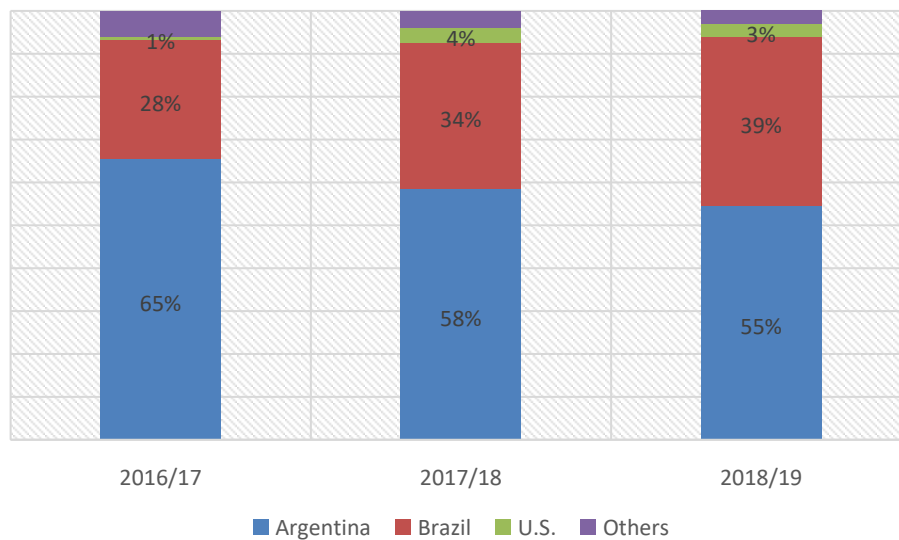
Post maintains 2019/20 soybean meal consumption at 4.54 million tons. Consumption for 2018/19 reached 4.52 million tons on slower than expected growth in the feed sector. GOI encouraged breeders to cull live bird stocks in response to declining prices of poultry meat products. At least 17.6 million day-old-chicks (DOC) were culled from March to June 2019.

### Trade

Reflecting slower demand from poultry feed sector, Indonesia soybean meal imports during October-November 2019 were 14 percent lower than corresponding period in 2018, dropping from 980,000 tons to 848,000 tons. However, overall demand in 2019/20 is expected to rebound as feed millers expect stable growth. Post maintains 2019/20 soybean meal imports at 4.6 million tons

In 2018/19, U.S. origin soybean meal imports reached 134,000 tons, down from 164,000 tons in 2017/18. The premium for U.S. origin over South American soybean meal continues to be the determining factor in securing market share. Brazilian soybean meal supplies increased by 5 percent to 39 percent in 2018/19, offsetting Argentine meals, which according to industry contacts feed millers found to have lower-than-normal levels of crude protein.

**Figure 6. Soybean Meal Import Share by Origin 2016/17-2018/19**



Source: TDM



Meal, Soybean Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct-17		Oct-18		Oct-19	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Indonesia						
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	264	264	250	250	250	179
Production	0	0	0	0		0
MY Imports	4486	4486	4575	4449	4700	4600
Total Supply	4750	4750	4825	4699	4950	4779
MY Exports	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	4500	4500	4575	4520	4700	4540
Total Dom. Cons.	4500	4500	4575	4520	4700	4540
Ending Stocks	250	250	250	179	250	239
Total Distribution	4750	4750	4825	4699	4950	4779
	0	0	0	0	0	0

(1000 MT) ,(PERCENT)

**Attachments:**

No Attachments