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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:

Indonesia's launch of B30 in January 2020 is expected to increase 2019/20 industrial consumption of palm oil to 9.2 million tons, raising total domestic consumption to a record 15.61 million tons. Soybean imports for 2019/20 are forecast to reach 2.75 million tons on stable demand in the food sector.

Commodities:

Oil, palm

Production

Palm oil production for 2019/20 is maintained at 43 million tons, an increase of 1.5 million tons from 2018/19, as mature area continues to expand.

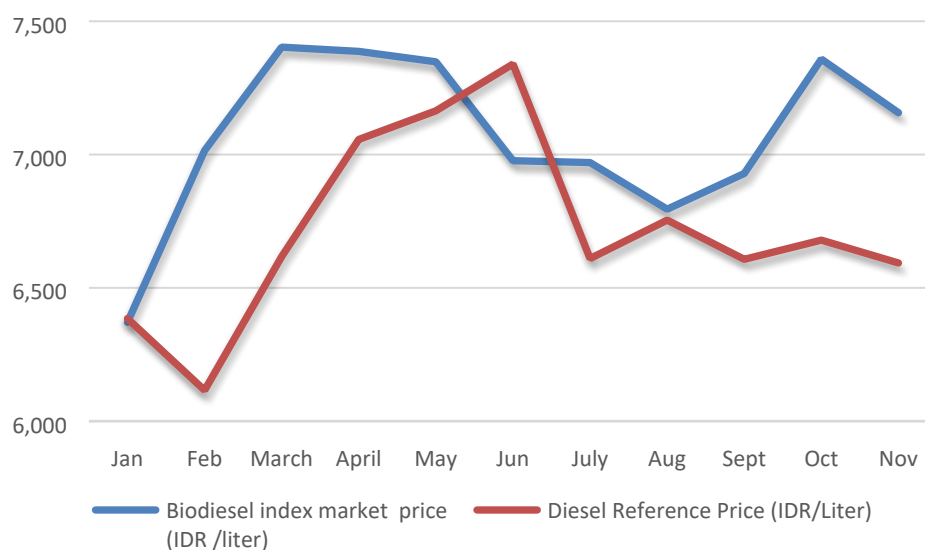
The Government of Indonesia (GOI) has yet to finalize its palm area verification process, which will use of satellite imaging to reconcile the discrepancy between Ministry of Agriculture (MOA) and other agencies' data. Industry sources suggest the updated area figure could reach 17 million hectares, an 18 percent increase over current area of 14.3 million hectares.

Indonesia's smallholder replanting program, which is funded through a tax on CPO exports and aims for yield improvements among smallholder farmers, remains far behind set targets. As of October 2019, the plantation fund agency (BPDP) reported 50,098 ha had been replanted since 2016 with an additional 99,098 ha in process. GOI had previously set replanting targets of 200,000 ha in 2019 and 500,000 ha in 2020. Issues of land title and farmer income during replanting continue to present significant challenges for the program.

Consumption

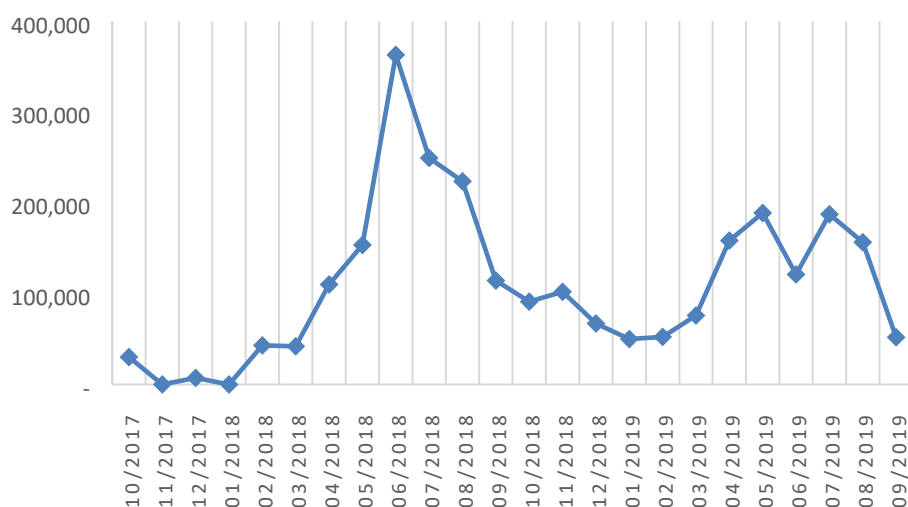
Industrial palm oil consumption for 2019/20 is expected to rise significantly to 9.2 million tons as nation-wide B30 blending is on track to commence in January 2020. Road tests on various types of vehicles covering 50,000 kilometers (31,000 miles) have concluded and GOI has already appointed a list of FAME (fatty acid methyl ester) producers for 2020 allocations of up to 9.6 billion liters that will be distributed by 18 fuel retailers. The narrow spreads between palm oil and diesel prices during part of 2019 is expected to allow the CPO fund to cover price gaps under the B30 program for all of 2020. As CPO prices have increased since July, GOI now also plans resume the export levy in conjunction with commencement of B30, providing additional revenue to the CPO fund through the export levy collection scheme.

Figure 1. Biodiesel and Diesel Reference Price, 2019



Source: Ministry of Energy and Mineral Resource (ESDM)

Figure 2. Biodiesel Exports 2017-2019 (MT)



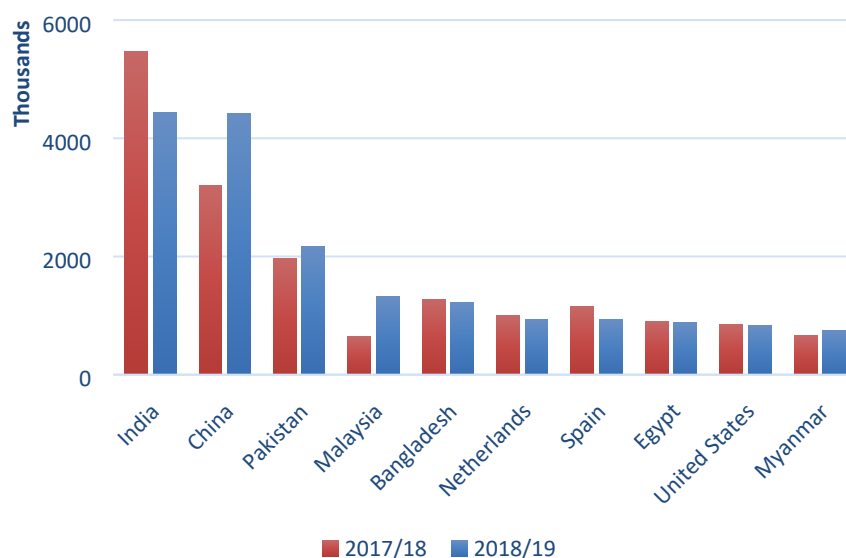
Source: TDM

In August 2019, GOI increased 2019 biodiesel procurement allocation from 6.2 billion to 6.6 billion liters to meet growing domestic diesel demand. The additional allocation along with higher than expected biodiesel exports raised 2018/19 industrial consumption to 6.9 million tons. Overall, increased industrial consumption is expected to increase domestic palm oil consumption to 15.61 million tons in 2019/20.

Trade

Indonesia exported 28.3 million tons of palm oil in 2018/19, an increase of 5 percent over the previous period. Exports to China continue to grow as palm is increasingly used to compensate for lower domestic vegetable oil production. Meanwhile India, Indonesia's largest export market, has implemented a tariff regime that has resulted in the diversion of more than one million tons of palm oil to other markets, such as Malaysia and Pakistan. Exports to Malaysia doubled in 2018/19 as the country maintained lower tariffs for refined palm oil shipments to India. Shipments to Malaysia are expected to decrease in 2019/20 as India established a 5 percent safeguard tariff on Malaysian refined palm oil in early September 2019, making it equal to Indonesia origin palm. Exports to Pakistan, India's neighbor, increased by 202,000 tons over the previous period.

Figure 3. Palm Oil Exports by Destination (MT), Oct-August



Source: TDM

From prices exceeding \$700 per ton in early 2018, palm oil prices fell by 23 percent over the following 18 months, reaching a low price of \$ 543 per ton in July 2019. Since then, increasing certainty regarding the implementation of B30 in Indonesia and the launching of B20 in Malaysia has helped prices recover, approaching \$600 per ton.

Figure 4. CPO Price 2018-2019 (USD/ton)



Source: WB

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	29,000
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	1,448
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:

Meal, soy

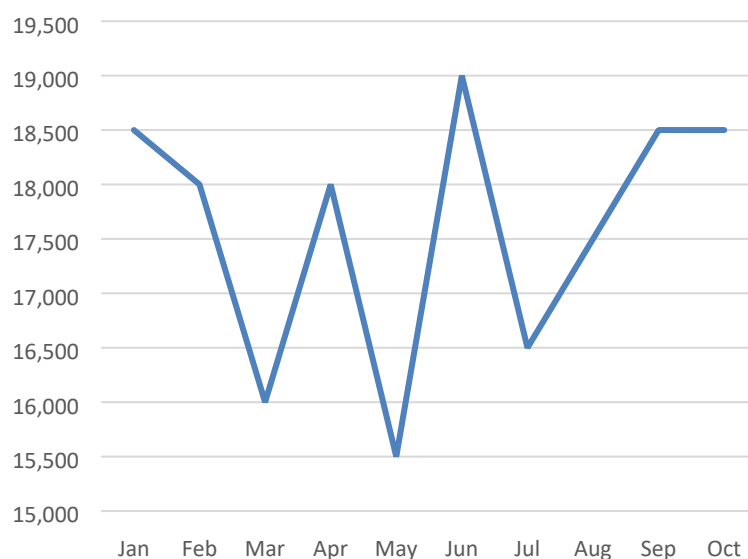
Production

Indonesia does not produce soybean meal.

Consumption

Post revises 2018/19 soybean meal consumption downward to 4.52 million tons due to slower than expected growth in poultry feed demand. From March to June 2019, GOI encouraged breeders to cull live bird stocks to stabilize depressed prices for poultry meat products. At least 17.6 million day-old-chicks (DOC) were culled during the period.

Figure 5. Average Broiler Live Bird Price in Greater Jakarta Area (IDR/kg)



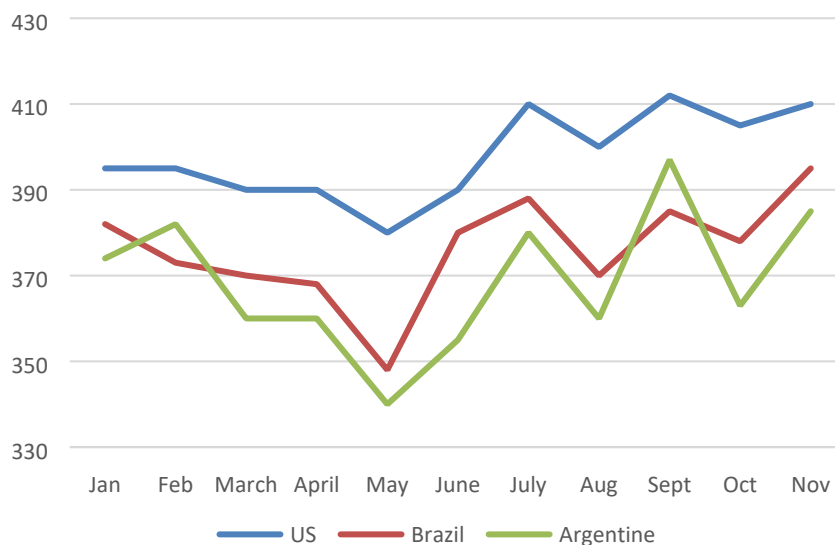
Source: USSEC Indonesia

Soybean meal consumption for 2019/20 is forecast at 4.54 million ton, in line with growth from previous years.

Trade

U.S. origin soybean meal exports reached 134,000 tons from October 2018 – August 2019, a slight decrease from 142,000 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.

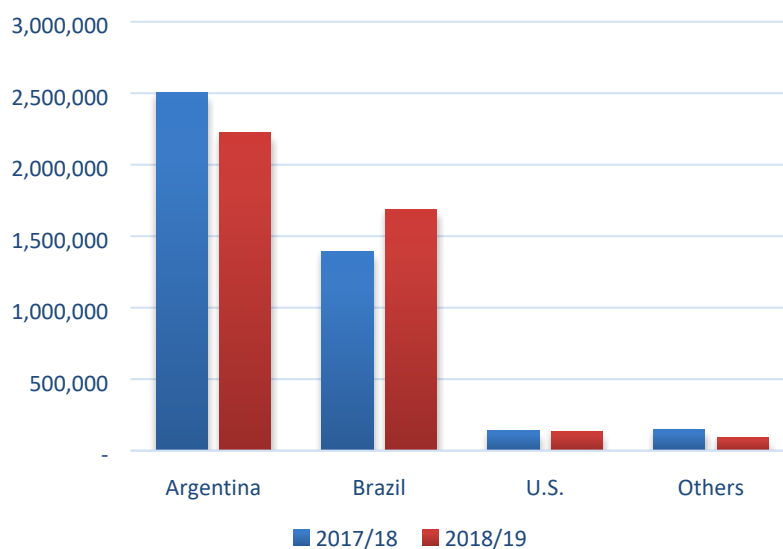
Figure 6. Soybean Meal Prices in Jakarta by Origin, 2019 (\$/ton)



Source: USSEC Indonesia

Brazilian soybean meal increased 20 percent in 2018/19, offsetting declining Argentine exports by 281,000 tons compared to the previous year. Industry sources indicate higher protein content from Brazilian soybean meal is one cause for the increased demand. Soybean meal imports for 2019/20 are forecast at 4.6 million tons, reflecting 3 percent increase compared to previous year.

Figure 7. Soybean Meal Import Origin, October-August (ton)



Source: TDM

Meal, 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
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