

**Required Report:** Required - Public Distribution

**Date:** November 30,2020

**Report Number:** ID2020-0039

**Report Name:** Oilseeds and Products Update

**Country:** Indonesia

**Post:** Jakarta

**Report Category:** Oilseeds and Products

**Prepared By:** Arif Rahmanulloh

**Approved By:** Garrett McDonald

**Report Highlights:**

Weaker demand due to COVID-19 has reduced palm oil exports by 2 million tons. 2020 biodiesel distribution falls short of allocation as the diverging diesel price spread continues to threaten Indonesia's B30 mandate. Senior Ministry of Agriculture (MOA) officials suggest new restrictions on soybean imports in the government regulations to implement an Omnibus Jobs Creation Law.

Commodity:  
*Oil, Palm*

### Production

Post maintains 2020/21 palm oil production at 42.5 million tons, an increase from 41.5 million tons in 2019/20 (see [GAIN ID2020-0009](#)).

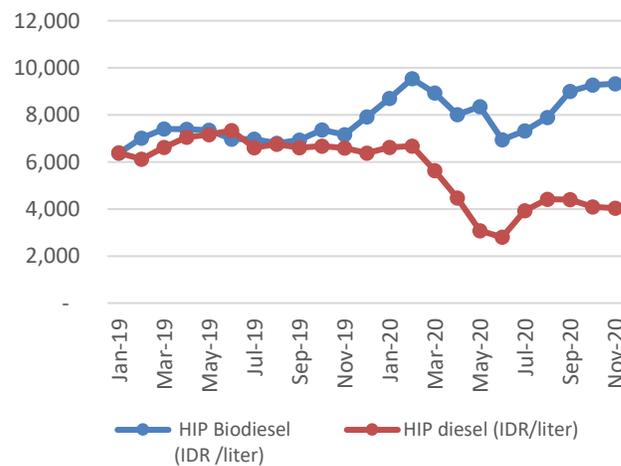
The national weather agency (BMKG) projected a La Nina event will impact Indonesia, causing higher than normal rainfall during the final quarter of 2020 before subsiding in February 2021. The higher levels of rainfall are expected to improve yields in areas where other inputs such as fertilizer are maintained.

### Consumption

Based on the latest Biofuels Producer Association (APROBI) data, year-to-date biodiesel distribution reached 6.4 billion liters through September 2020, slightly lower than previous estimates. Annualized, total biodiesel distribution in 2020 is expected to reach 8.5 billion liters, 88 percent of total government allocation. Biodiesel exports have declined significantly to 24 million liters due to strong competition from cheaper fossil diesel.

Despite lower allocation fulfillment in 2020, costs for maintaining the B30 mandate during a period of widening price spreads with diesel have proved challenging. The price spread between biodiesel and diesel has continued to increase from IDR 4,140 per liter (\$.29) in June to IDR 5,289 (\$.37) per liter in November 2020.

**Figure 1. Biodiesel Price and Diesel Price 2019-2020 (IDR per liter)**



Source: MEMR

The increasing costs have forced various changes to policies supporting the B30 mandate program. In June 2020 the Government of Indonesia attempted to shore up the program by increasing the palm export levy, adding direct government subsidy, and reducing the biodiesel conversion formula (see [GAIN ID2020-0015](#)). However, the ongoing price spread is expected to require additional measures to maintain the current structure. In late October 2020, the government announced a plan to again change the palm exports levy structure. Though no formal regulation has been issued, industry sources indicate the government may revert to a price-based structure that can generate more revenue when palm prices increase, as they have in the third quarter. The new structure may be implemented as early as December 2020.

However, any tweaks to the export levy are unlikely to overcome immediate challenges in revenue shortfall at the CPO fund. Assuming optimistic 2020 palm oil export levy revenue of \$940 million, combined with additional government subsidy and remaining balance, the CPO fund may just cover subsidies at a low average price spread scenario. Post expects additional structural changes will be necessary, including possible changes to allocation volumes, which would reduce nationwide blending rates below B30 levels.

**Figure 2. Projected Levy Collected and Biodiesel Subsidy Scenario 2020**

<b>Palm Oil Products Exports (M ton)</b>		<b>Biodiesel consumption (bn liter)</b>	8.50
Low	24	<b>Average spread (\$/liter)</b>	
High	26		
<b>Levy collected (\$ bn)</b>		Low	0.27
Low	0.87		
High	0.94	High	0.29
<b>Available Balance (\$ bn)</b>	1.13		
<b>Additional Subsidy (\$ bn)</b>	0.24	<b>Est Subsidy (\$ bn)</b>	
<b>Est Available Fund (\$ bn)</b>		Low	2.30
Low	2.24	High	2.47
High	2.31		

Source: Post calculation

Post revises 2019/20 food use consumption upward to 5.6 million tons based on increased demand from hotel, restaurant and food service businesses following the easing of social-distancing restrictions (PSBB). The overall decline in food use consumption related to COVID-19 appears less significant than initial second quarter forecasts following the first phase of PSBB.

Based on the aforementioned factors, Post expects palm oil consumption to reach 13.67 million tons in 2019/20. Palm oil consumption for 2020/21 is projected to increase to 14.975 million tons on continuing demand from the biodiesel mandate program and increasing food sector demand.

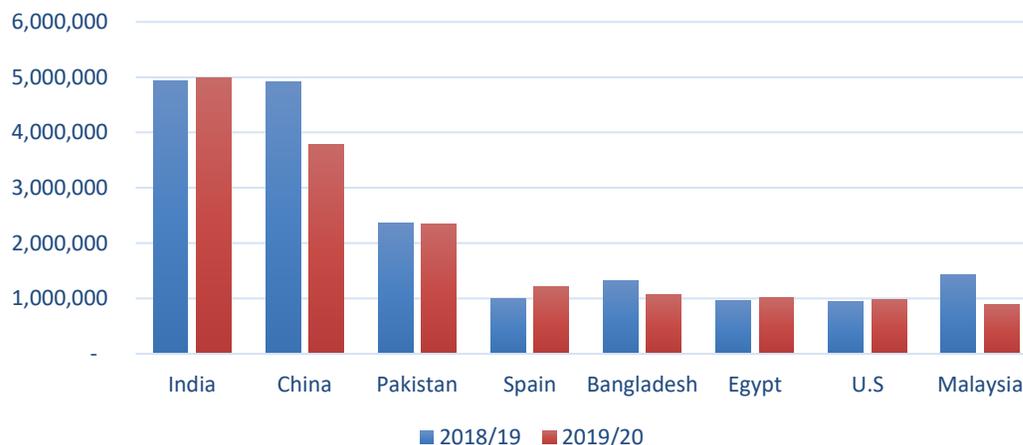
## Trade

Based on official data, Post updates palm oil exports for 2019/20 to 26.249 million tons. More than half of the 2-million-ton annual decline was the result of weaker demand from China due to COVID-19.

Chinese imports during the period declined by 1.1 million tons. Bangladesh and Malaysian imports also declined significantly during the period, accounting for a combined 790,000 ton decrease in exports.

Post maintains 2020/21 exports at 27.8 million tons based on expected economic growth and increasing demand in key markets.

**Figure 3. Palm Oil Exports by Major Destinations 2018-2020 (MT)**



Source: TDM

Oil, Palm	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-18		Oct-19		Oct-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted						
Area Harvested	11,300	14,667	11,750	15,104	11,950	15,700
Trees	-	-	-	-		0
Beginning Stocks	3,079	3,079	2,663	2,663	3,843	4,255
Production	41,500	41,500	42,500	41,500	43,500	42,500
MY Imports	84	84	10	11	-	-
Total Supply	44,663	44,663	45,173	44,174	47,343	46,755
MY Exports	28,279	28,279	26,900	26,249	28,750	27,800
Industrial Dom. Cons.	7,656	7,656	8,110	7,800	8,600	8,900
Food Use Dom. Cons.	5,800	5,800	6,050	5,600	6,275	5,800
Feed Waste Dom. Cons.	265	265	270	270	275	275
Total Dom. Cons.	13,721	13,721	14,430	13,670	15,150	14,975
Ending Stocks	2,663	2,663	3,843	4,255	3,443	3,980
Total Distribution	44,663	44,663	45,173	44,174	47,343	46,755
	0	0	0	0	0	0

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

Commodity:  
*Oilseeds, Soy*

### **Production**

Post maintains soybean production at 480,000 tons in 2019/20 and 470,000 ton in 2020/21.

### **Consumption**

Nearly all soybean use is for human consumption, primarily as the main ingredient in staple food products like tempeh and tofu. A small volume of soybeans is used in the feed sector as full fat soybean (FFS).

Soybean consumption for 2019/20 reached 3.058 million tons on weakened demand from tempeh and tofu producers as a result of increasing prices and lower consumer demand outside of the home due to COVID-19, see [GAIN ID2020-0015](#). The overall decline is less than initially forecast as human consumption has increased following initial declines in the second quarter. Accordingly, Post updates 2019/20 soybean use for human consumption to 2.9 million tons.

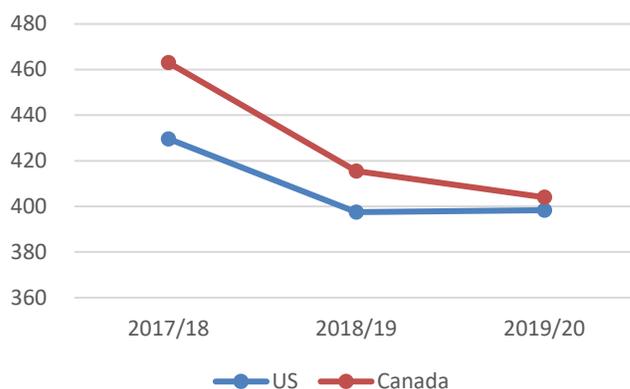
Post forecasts soybean consumption for 2020/21 to reach 3.16 million tons as restaurants and hotels face fewer social-distancing restrictions and the economy begins to recover from the sharp declines experienced in the second and third quarters of 2020. Tempeh and tofu consumption may also benefit as the continuing pandemic and economic uncertainty align with consumers desire for healthier diets at affordable prices.

### **Trade**

Based on final trade data, soybean imports reached 2.636 million tons in 2019/20, in line with 2018/19. Post expects 2020/21 soybean imports to reach 2.65 million tons on increasing demand from tempeh and tofu producers.

US soybeans contributed to 90 percent of total imports followed by 9 percent for Canadian soybeans in 2019/20. Canadian imports, which have gained market share over several years, reached a record 244,000 tons in 2019/20, likely due to price competitiveness with U.S. soybeans. The narrowing price spread with US soybeans along with a drop in Canadian exports to China since 2018, opened to door for significantly more imports. Trade data indicates the unit value of imported soybeans from Canada in 2019/20 fell to \$6 per ton higher than U.S. origin soybeans, compared to two years prior when the spread reached as much as \$33 per ton.

**Figure 4. Unit Value of Soybeans Imported from U.S. and Canada (\$/MT)**



Source: TDM

[FAS Canada](#) indicates a growing market of Non-GE identity preserved (IP) soybeans in Southeast Asia, of which Canada is a major supplier. An industry contact has noted white-hilium soybeans or clear coat beans from Canada are the preferable choice of some tofu makers.

**Table 1. Share of Indonesia Soybean Imports by Origin 2016-2020**

	2016/17	2017/18	2018/19	2019/20
Total	100%	100%	100%	100%
U.S.	99%	98%	96%	90%
Canada	0%	2%	3%	9%
Other	1%	0%	1%	0%

Source: TDM

### Policy

During a November 18, 2020, appearance before Indonesia’s Parliamentary Committee IV, which handles agriculture, the Ministry of Agriculture’s (MOA) Secretary General and the Director General for Food Crops testified that they were drafting government regulations to implement parts of the Omnibus Law, and that these would include new controls to limit soybean imports. Specifically, the MOA officials recommended increasing soybean import duties, requiring importers to form partnerships with local producers to stimulate domestic production, and making imports conditional upon import permits. The Parliamentarians requested that MOA work closely with them to finalize the regulation.

Oilseed, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-18		Oct-19		Oct-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	420	420	400	400	390	390
Beginning Stocks	247	247	226	226	179	282
Production	520	520	480	480	475	470
MY Imports	2,623	2,623	2,600	2,636	2,800	2,650
Total Supply	3,390	3,390	3,306	3,342	3,454	3,402
MY Exports	4	4	2	2	2	2
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	3,000	3,000	2,950	2,900	3,100	3,000
Feed Waste Dom. Cons.	160	160	175	158	183	160
Total Dom. Cons.	3,160	3,160	3,125	3,058	3,283	3,160
Ending Stocks	226	226	179	282	169	240
Total Distribution	3,390	3,390	3,306	3,342	3,454	3,402
	0	0	0	0	0	0
(1000 HA) ,(1000 MT)						

Commodity:  
Meal, Soybean

### Consumption

The majority of Indonesia's soybean meal demand continues to come from the poultry industry, which accounts for approximately 85 percent of consumption. In addition to poultry, aquaculture consumes 8-9 percent with the remaining balance utilized for cattle and swine feed.

Due to pandemic related impacts, the Indonesian Feed Millers Association projects 2020 livestock feed production down to 18.6 million tons from 20.5 million tons in 2019 and aquafeed production down to 1.6 million tons from 1.8 million tons in 2019. Typically, soybean meal accounts for between 15 to 25 percent of feed rations for livestock and poultry, while aquaculture rations can reach 30 to 40 percent.

Post increases 2019/20 soybean meal consumption to 4.6 million tons on higher inclusion rates as a result of competitive prices during the period of Q4 2019 and Q2 in 2020.

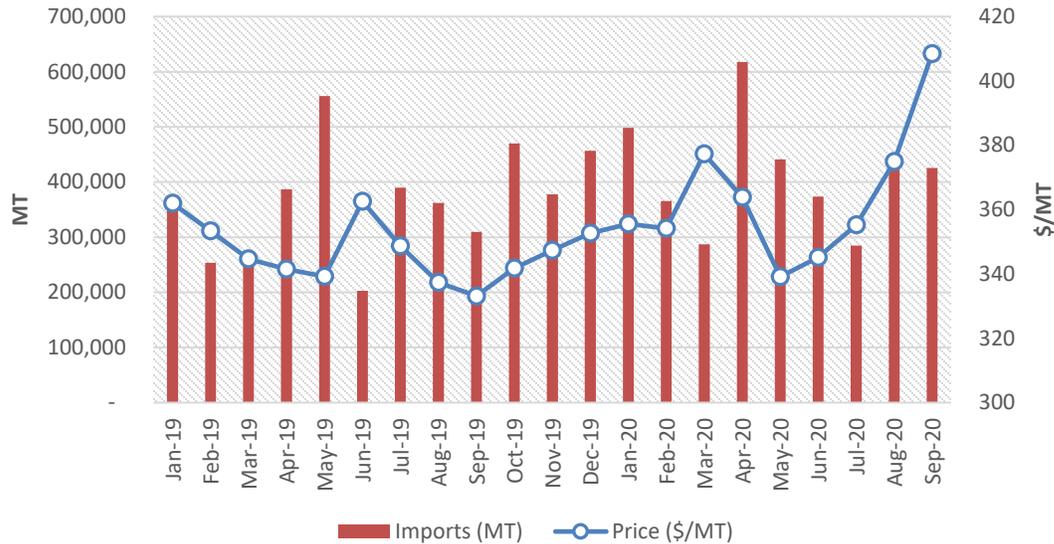
Feed production for 2020 is expected to decrease by 9 percent due to weakening pandemic-related broiler meat demand in the HRI (see [GAIN2020-0015](#)).

The easing of social distancing restrictions and increased tourism is expected to provide higher demand for broiler meat in 2021. Accordingly, 2020/21 soybean meal use for feed in the poultry sector is forecast to reach 4.6 million tons.

## Trade

Final trade data indicates 2019/20 import is 13 percent higher than previous year on increased second quarter purchases. Argentine and Brazilian soybean meal continues to supply the majority Indonesian imports.

**Figure 5 Soybean Meal Imports and Price 2019-2020**



Source: TDM, WB

Imports for 2019/20 reached over 5 million tons as importers increased purchases to take advantage of low prices during April to June 2020. Post forecasts 2020/21 imports to decline to 4.65 million tons on higher carryover stocks.

**Table 2. Indonesia Soybean Meal Imports by Origin 2017-2020 (MT)**

	2017/18	2018/19	2019/20
World	4,485,540	4,449,292	5,043,031
Argentine	2,623,779	2,433,234	2,909,138
Brazil	1,527,385	1,744,537	2,001,355
U.S.	164,476	134,797	99,713
Other	169,900	136,724	32,825

Source: TDM

## Stocks

Soybean meal stocks in 2019/20 reached a record high as relatively low carryover from 2018/19 increased demand in Q4 2019. Followed by market disruptions related to COVID-19 and increased imports as buyers took advantage of low prices, stocks surged during 2020. Though high, the stocks are well within existing storage capacity. In 2017 a new 200,000 ton flat storage facility was opened in

Surabaya as a joint venture between a large importer and feed millers. Other known storage includes 380,000 tons located at the Cilegon operated by the same importer.

<b>Meal, Soybean</b>	<b>2018/2019</b>		<b>2019/2020</b>		<b>2020/2021</b>	
<b>Market Begin Year</b>	<b>Oct-18</b>		<b>Oct-19</b>		<b>Oct-20</b>	
<b>Indonesia</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Crush</b>	-	-	-	-	-	-
<b>Extr. Rate, 999.9999</b>	-	-	-	-	-	-
<b>Beginning Stocks</b>	300	300	124	124	204	567
<b>Production</b>	-	-	-	-	-	-
<b>MY Imports</b>	4,449	4,449	4,930	5,043	4,950	4,600
<b>Total Supply</b>	4,749	4,749	5,054	5,167	5,154	5,167
<b>MY Exports</b>	-	-	-	-	-	-
<b>Industrial Dom. Cons.</b>	-	-	-	-	-	-
<b>Food Use Dom. Cons.</b>	-	-	-	-	-	-
<b>Feed Waste Dom. Cons.</b>	4,625	4,625	4,850	4,600	4,950	4,850
<b>Total Dom. Cons.</b>	4,625	4,625	4,850	4,600	4,950	4,850
<b>Ending Stocks</b>	124	124	204	567	204	317
<b>Total Distribution</b>	4,749	4,749	5,054	5,167	5,154	5,167
	-	-	-	-	-	-
(1000 MT) ,(PERCENT)						

Commodity:  
*Oilseed, copra*

### **Production**

Post revises 2019/20 copra production down to 1.48 million tons on decreasing coconut availability and increasing use of coconut for non-copra products. 2020/21 copra production is expected to increase to 1.51 million tons due to favorable weather improving coconut yields.

The decreasing availability of coconuts is due to higher exports, which jumped in 2019/20 to more than 400,000 tons, 83 percent higher than the previous year.

### **Consumption**

Post revises down copra use for coconut oil (CNO) to 1.3 million ton in 2019/20 due lower availability and procurement of copra by the CNO industry.

The main consumer of copra, the CNO industry is expected to consume 1.355 million tons in 2020/21.

### **Trade**

Improved CNO prices during beginning of 2019/20 have increased overseas demands on copra, providing higher returns for farmers looking to sell outside of the local CNO industry. Copra exports began to slow as the local CNO industry increased procurement prices following higher CNO prices.

**Figure 6 Copra Exports and CNO Price 2019-2020**



Source: TDM

Final trade data shows, copra exports reached 173,000 tons in 2019/20, a significant increase from the previous year. The majority was exported to Bangladesh (89 percent) and India (8 percent).

Oilseed, Copra	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-18		Oct-19		Oct-20	
<b>Indonesia</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
Beginning Stocks	4	4	10	10	10	12
Production	1640	1640	1660	1480	1660	1510
MY Imports	0	0	0	0	0	0
<b>Total Supply</b>	1644	1644	1670	1490	1670	1522
MY Exports	89	89	190	173	145	150
Crush	1540	1540	1465	1300	1510	1355
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	5	5	5	5	5	5
<b>Total Dom. Cons.</b>	1545	1545	1470	1305	1515	1360
Ending Stocks	10	10	10	12	10	12
<b>Total Distribution</b>	1644	1644	1670	1490	1670	1522
	0	0	0	0	0	0

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

Commodity:

*Oil, coconut*

### Production

Based on lower availability of copra for crushing, Post updates CNO production to 825,000 ton in 2019/20 and 855,000 ton in 2020/21.

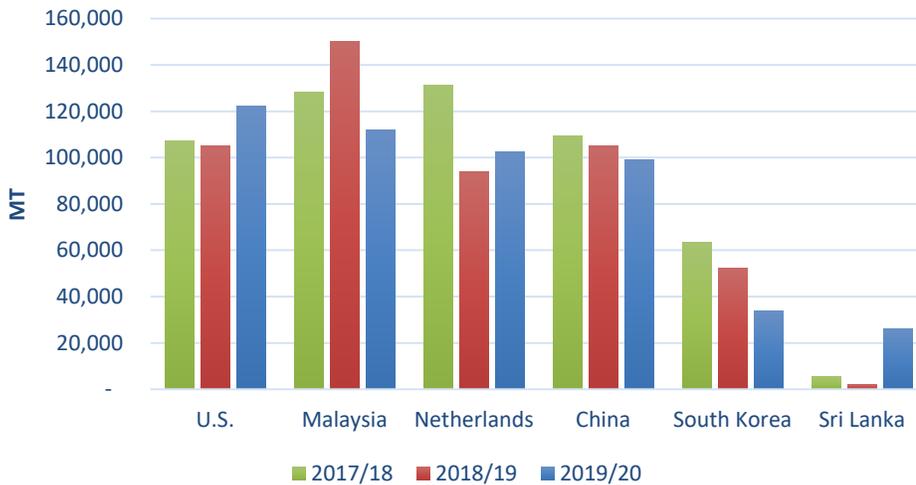
### Consumption

Post maintains CNO consumption at 372,000 tons both in 2019/20 and 2020/21. CNO consumption by the oleo-chemical industry is expected to remain stable at 250,000 tons.

## Trade

Based on final trade data, CNO exports have decreased to 596,000 tons in 2019/20, compared to previous year of 617,000 tons. Shipments to several destinations were down, including Malaysia (38,000 ton) and South Korea (18,000 ton). Others showing increasing shipments were Sri Lanka (23,000 tons) and U.S. (17,000 tons).

**Figure 7. CNO Exports by Destination, 2017-2020**



Source: TDM

Oil, Coconut	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-18		Oct-19		Oct-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1540	1540	1465	1300	1510	1355
Extr. Rate, 999.9999	0.633	0.633	0.635	0.635	0.632	0.631
Beginning Stocks	220	220	239	239	214	121
Production	975	975	930	825	955	855
MY Imports	31	31	15	25	15	20
Total Supply	1226	1226	1184	1089	1184	996
MY Exports	617	617	600	596	640	500
Industrial Dom. Cons.	250	250	250	250	250	250
Food Use Dom. Cons.	120	120	120	122	125	122
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	370	370	370	372	375	372
Ending Stocks	239	239	214	121	169	124
Total Distribution	1226	1226	1184	1089	1184	996
	0	0	0	0	0	0

(1000 MT) ,(PERCENT)

Commodity:

*Meal, copra*

### **Production**

Post updates meal copra production for 2019/20 to 434,000 tons on lower copra crushed. 2020/21 meal copra is expected to reach 450,000 ton, accordingly.

### **Consumption**

Post maintains copra meal consumption at 250,000 tons in 2019/20 and 250,000 tons in 2020/21, Copra meal is consumed almost entirely by the feed industry.

### **Trade**

Copra meal exports decreased to 186,000 tons in 2019/20 on weakened demand from the feed industry. Exports are expected to rebound to 200,000 tons in 2020/21 as feed demand increases due to expected higher economic growth.

<b>Meal, Copra</b>	<b>2018/2019</b>		<b>2019/2020</b>		<b>2020/2021</b>	
Market Begin Year	Oct-18		Oct-19		Oct-20	
<b>Indonesia</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Crush</b>	1540	1540	1465	1300	1510	1355
<b>Extr. Rate, 999.9999</b>	0.334	0.334	0.334	0.334	0.334	0.332
<b>Beginning Stocks</b>	5	5	6	6	7	5
<b>Production</b>	515	515	490	434	505	450
<b>MY Imports</b>	1	1	1	1	1	1
<b>Total Supply</b>	521	521	497	441	513	456
<b>MY Exports</b>	270	270	225	186	235	200
<b>Industrial Dom. Cons.</b>	0	0	0	0	0	0
<b>Food Use Dom. Cons.</b>	0	0	0	0	0	0
<b>Feed Waste Dom. Cons.</b>	245	245	265	250	270	250
<b>Total Dom. Cons.</b>	245	245	265	250	270	250
<b>Ending Stocks</b>	6	6	7	5	8	6
<b>Total Distribution</b>	521	521	497	441	513	456
	0	0	0	0	0	0

(1000 MT) ,(PERCENT)

**Attachments:**

No Attachments