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Report Name: Oilseeds and Products Update

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Report Highlights:

Indonesia 2022/23 palm oil consumption is expected to rise to 19.4 million metric tons (MMT) on increased use for biodiesel production, as the Government of Indonesia (GOI) rolls out higher blending rates for its 2023 mandatory biodiesel blending program. The GOI is considering extending its soybean subsidy program into 2023, which would continue to impact the soybean market.

Commodity: Oil, Palm

Production

Post maintains its 2022/23 Indonesia palm oil production forecast at 44.7 million metric tons (MMT), unchanged from the previous update. Production estimates for 2021/22 are also unchanged at 43.2 MMT. The previous updated can be found here: [ID2022-0036](#).

The national weather agency (BMKG) predicts the “triple-dip” La Nina will end around March 2023, bringing down precipitation intensity. [BMKG warns](#) of potential drought conditions for Indonesia occurring from June to September 2023. A long, severe drought over oil palm plantation areas would likely negatively affect production 5-6 months later.

Consumption

Indonesia 2022/23 palm oil consumption is revised up to 19.4 MMT on expected higher biodiesel demand in response to the GOI’s increasing the mandatory blending rate from B30 to B35, which went into effect in February 2023. In December 2022, the GOI assigned 21 biodiesel producers to supply 13.15 billion liters of Fatty Acid Methyl Ester (FAME) as part of the 2023 biodiesel mandate program. B35 implementation is expected to drive industrial palm oil use to 12.3 MMT in 2022/23.

Regarding the GOI’s future plans to adopt a B40 blending rate, road tests were completed at the end of December 2022 and a senior official at the Ministry of Energy and Mineral Resource (ESDM) [concluded](#) that B40 is “safe and implementable.”

As for the food sector, Post updates 2022/23 palm oil use to 6.8 MMT, 100,000 MT higher than previously estimated on expected increasing cooking oil demand during Ramadan. In late December 2022, the GOI officially lifted all mandatory COVID-19 related restrictions, which is expected to increase travel and food industry activity, especially during peak travel seasons around Ramadan and Eid. In line with rising CPO prices, cooking oil prices continued to increase in January 2023, and are now 2 percent higher than in October 2022. In late January 2023, [the GOI](#) announced its goal to increase cooking oil supplies 50 percent to 450,000 MT from February to March 2023 in anticipation of higher demand during Ramadan.

Trade

Post revised down Indonesia 2022/23 palm oil exports to 28.8 MMT due the GOI’s revised Domestic Market Obligation (DMO) policy. The GOI lowered its palm oil Domestic Market Obligation (DMO) export ratio starting early January 2023, tightening restrictions on palm oil exports with the aim of securing sufficient domestic supplies of palm-based cooking oil ahead of Ramadan 2023 festivities. The revised policy changed the DMO export ratio from 1:8 to 1:6, meaning an exporter is now only permitted to export six metric tons (MT) of palm oil or palm oil products for every one MT of palm oil sold to the domestic market (as crude palm oil or cooking oil). The exporter must sell more to the domestic market in order to export more.

The extension of the GOI's palm oil export levy waiver from mid-July to November 2022, enacted to offset the negative effects of the DMO policy on exports, likely hastened exports of palm oil products during the first two months of marketing year (MY) 2022/23, which reached 6 MMT, 53 percent higher than the corresponding period the previous year. In late December 2022, the Government of India, a major importer of palm oil products, extended its import policy lowering duties on refined palm oil imports for MY 2022/23 (see [IN2023-0009](#)), driving up Indonesian palm oil product exports to India. However, India's palm oil imports are expected to slow down after March 2023 due to larger domestic vegetable oil supplies and palm oil's narrowing discount vis-à-vis alternative vegetable oils.

Table 1. Production, Supply, and Distribution Palm Oil

Oil, Palm	2020/2021		2021/2022		2022/2023	
Market Begin Year	Oct-20		Oct-21		Oct-22	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,950	11,950	12,100	15,300	12,500	15,400
Beginning Stocks	4,576	4,576	5,502	5,502	8,577	9,581
Production	43,500	43,500	43,200	43,200	45,500	44,700
MY Imports	-	-	-	-	-	-
Total Supply	48,076	48,076	48,702	48,702	54,077	54,281
MY Exports	26,874	26,874	22,321	22,321	28,500	28,800
Industrial Dom. Cons.	9,200	9,200	10,000	10,000	10,700	12,300
Food Use Dom. Cons.	6,225	6,225	6,650	6,500	6,900	6,800
Feed Waste Dom. Cons.	275	275	1,154	300	400	310
Total Dom. Cons.	15,700	15,700	17,804	16,800	18,000	19,410
Ending Stocks	5,502	5,502	8,577	9,581	7,577	6,071
Total Distribution	48,076	48,076	48,702	48,702	54,077	54,281
	0	0	0	0	0	0

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

Commodity: Oilseed, Soy

Production

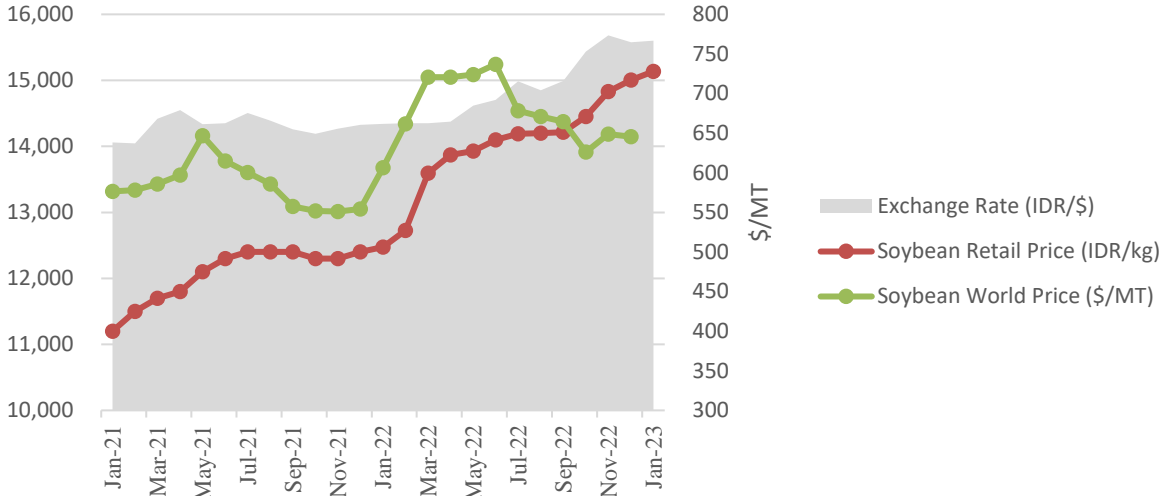
Post maintains its 2022/23 Indonesia soybean production forecast at 390,000 MT, a decrease of 35,000 MT from 2021/22 on lower yields due to flooding caused by earlier-than-expected rainfall on Java island (see [ID2022-0036](#)).

Consumption

Indonesia soybean consumption is expected to reach 2.86 MMT in 2022/23, unchanged from the previous estimate. Soybean retail prices continued to rise to an average of IDR 15,177 per kg (\$0.97) in January 2023, 2 percent higher than in November 2022.

Home-based tempeh and tofu industries are major consumers of soybeans, accounting for nearly 90 percent of Indonesia’s total soybean demand. Increasing soybean retail prices since 2021 caused demand to contract as the majority of tempeh and tofu producers are small-scale enterprises without an adequate enough cashflow to absorb input price shocks. Despite global soybean prices recently decreasing, the Indonesian Rupiah (IDR) depreciated 9 percent in January 2023 compared to early 2022, making soybean imports more expensive.

Figure 1. Soybean Prices, Exchange Rate 2021-2023



Source: Ministry of Trade (MOT), World Bank (WB)

Trade

Post maintains its 2022/23 soybean import forecast at 2.6 MMT, on continued demand from the tempeh and tofu industry. Despite high soybean import prices during the first two months of 2022/23, prices are on the decline, aligning closer with global prices. In the first two months of 2022/23, soybean imports reached 281,000 MT, almost on par with the same period of the previous year. The U.S. is expected to remain Indonesia’s main supplier of soybeans in 2022/23, as the tempeh industry requires consistent supply and specifications suitable for fermented soy food production.

Policy

As of late January 2023, the GOI is still reviewing the possible extension of its Soybean Subsidy Program. The 2nd round of the program was carried out from October to December 2022. However, in order to simplify the process, the Ministry of Trade (MOT) is considering modifying the current scheme, disbursing the subsidy directly to the importers instead of to members of the tempeh producers cooperative (see [ID2022-0036](#)).

In December 2022, the GOI issued NFA regulation 14/2012 on Government Soybean Reserve (CKP). An implementing regulation for Presidential Regulation 125, [NFA 14/2022](#) provides

guidance on setting the CKP maximum volume, procurement, management, and funding. In the same month, the NFA also issued [NFA 15/2022](#), providing the consumer reference price for several commodities including soybeans. The reference price is typically used by the GOI as a benchmark to initiate price stabilization programs such market operations and subsidies.

Table 2. Production, Supply, and Distribution Soybean

Oilseed, Soybean	2020/2021		2021/2022		2022/2023	
Market Begin Year	Oct-20		Oct-21		Oct-22	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	390	390	350	350	330	330
Beginning Stocks	185	185	144	144	92	54
Production	475	475	425	425	400	390
MY Imports	2,617	2,617	2,307	2,307	2,775	2,600
Total Supply	3,277	3,277	2,876	2,876	3,267	3,044
MY Exports	3	3	12	12	2	3
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,980	2,980	2,647	2,650	2,950	2,700
Feed Waste Dom. Cons.	150	150	125	160	170	160
Total Dom. Cons.	3,130	3,130	2,772	2,810	3,120	2,860
Ending Stocks	144	144	92	54	145	181
Total Distribution	3,277	3,277	2,876	2,876	3,267	3,044
	0	0	0	0	0	0

(1000 HA) ,(1000 MT)

Commodity: Meal, Soy

Production

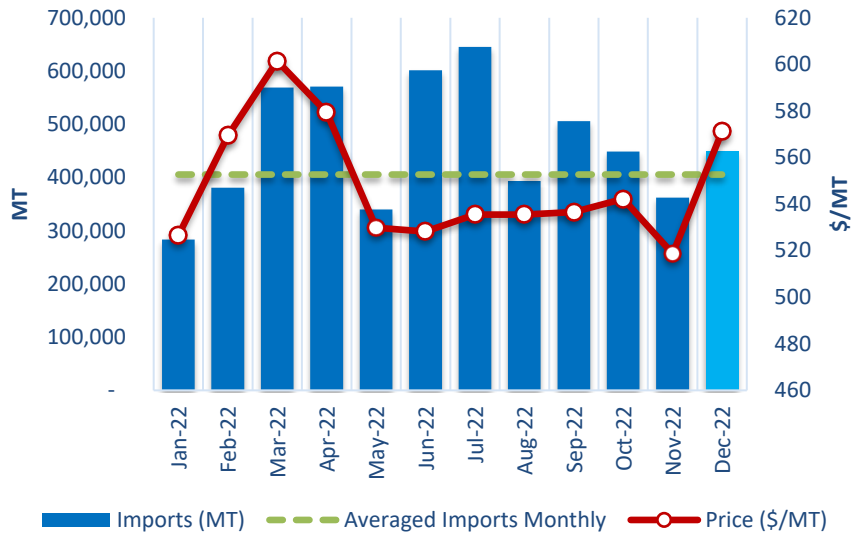
Indonesia does not produce soybean meal.

Consumption

Post revised up soybean meal use for feed to 5.65 MMT for 2022/23 on the expected improved performance of the feed industry, driven by recovered poultry meat consumption and lower soybean meal prices. Indonesia's feed industry is backboneed by poultry feed, which accounts for around 85 - 90 percent of animal feed produced annually. According to Indonesia's feed industry association ([GPMT](#)), imported feed ingredients make up between 60 to 65 percent of total value despite constituting only 35 percent of total raw materials in terms of volume.

Soybean meal consumption for 2022/23 is forecast at 5.6 MMT, 3-percent higher than in 2021/22. Higher soybean prices in the first half 2021/22 and the depreciation of the Indonesian rupiah put intense pressure on the feed industry's margins, causing them to raise feed prices several times.

Figure 2. Indonesia Soybean Meal Imports and Price, 2022



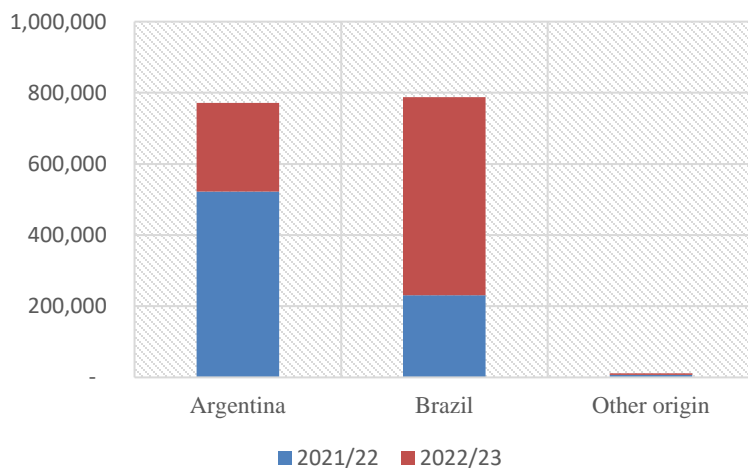
Source: Trade Data Monitor LLC, World Bank. Note: Estimates for Dec 2022 imports

Trade

In the first two months of 2022/23, soybean meal imports reached 810,000 MT, 7 percent higher compared to the same period last year. Total imports for 2022/23 are expected to rise 2 percent from the previous year to 5.65 MMT as demand improves and soybean meal prices gradually decline.

South America is expected to remain the main soybean meal supplier to Indonesia in 2022/23. Recent drought is expected to drive down soybean meal supply from Argentina, pushing traders to switch to other origins such Brazil and India.

Figure 3. Soybean Meal Imports by Origin, October-November (MT)



Source: Trade Data Monitor, LLC

Table 3. Production, Supply, and Distribution Soybean Meal

Meal, Soybean	2020/2021		2021/2022		2022/2023	
Market Begin Year	Oct-20		Oct-21		Oct-22	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	-	-	-	-	-	-
Extr. Rate, 999.9999	-	-	-	-	-	-
Beginning Stocks	207	207	270	270.0	140	296
Production	-	-	-	-	-	-
MY Imports	5,336	5,336	5,535	5,535	5,750	5,650
Total Supply	5,543	5,543	5,805	5,805	5,890	5,946
MY Exports	-	-	10	9	-	-
Industrial Dom. Cons.	-	-	-	-	-	-
Food Use Dom. Cons.	-	-	-	-	-	-
Feed Waste Dom. Cons.	5,273	5,273	5,655	5,500	5,750	5,650
Total Dom. Cons.	5,273	5,273	5,655	5,500	5,750	5,650
Ending Stocks	270	270	140	296	140	296
Total Distribution	5,543	5,543	5,805	5,805	5,890	5,946
	-	-	-	-	-	-

(1000 MT) ,(PERCENT)

Attachments:

No Attachments