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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 palm oil exports are estimated to decline to 26.5 million metric tons (MMT) in 2023/24 on lower output and weaker demand from key destination markets. Post revised down 2023/24 palm oil production to 45.6 MMT as 2023's El Nino led to much lower yields than previously anticipated. Indonesia 2023/24 soybean production is also revised down to 360,000 metric tons on reduced government assistance for soybean production. Post revises 2023/24 soybean meal imports down to 5.65 MMT on weak demand from the poultry feed industry.

Commodity: Oil, Palm

### Production

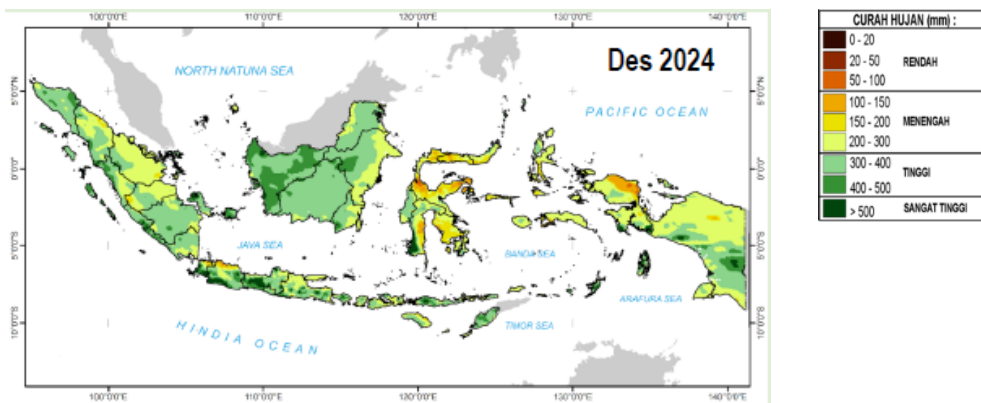
Post maintains its 2024/25 palm oil production forecast at 47 MMT on an expected recovery from the revised 2023/24 production number of 45.6 MMT. Yield improvement is expected as the weather outlook in the first quarter of 2024/25 indicates rainfall at normal and above-normal levels compared to the 25-year average in most production areas.

The El Nino that hit Indonesia in 2023 caused severe droughts in major productions areas on Sumatra Island, including the provinces of South Sumatra, Jambi and Lampung which collectively represent approximately 13 to 16 percent of total palm oil production. Lower than normal precipitation and fewer numbers of rainy days caused soil water deficits for oil palm trees, causing them to develop more male flowers than female flowers and decreasing the amount of fresh fruit bunches (FFB).

Production from January – June 2024 was lower than last year by 2 percent due to the drought. In addition, notable decreases in production occurred in April – May because of fewer working days during the Eid holiday season. Lower replanting rates on smallholder plantations further decreased yields. Post revises 2023/24 production down slightly to 45.6 MMT from the previous estimate of 45.8 MMT.

Indonesia’s local weather agency ([BMKG](#)) predicted that IOD (Indian Ocean Dipole) will be in a neutral phase which will last up to December 2024. The El-Nino Southern Oscillation (ENSO) index will be moving toward a La Nina from July to September 2024. An IOD positive phase would lead to drier than normal weather, while a La Nina weather pattern typically brings more rainfall to Indonesia. These indicators suggest that palm producing areas will have sufficient water during the first quarter of 2024/25.

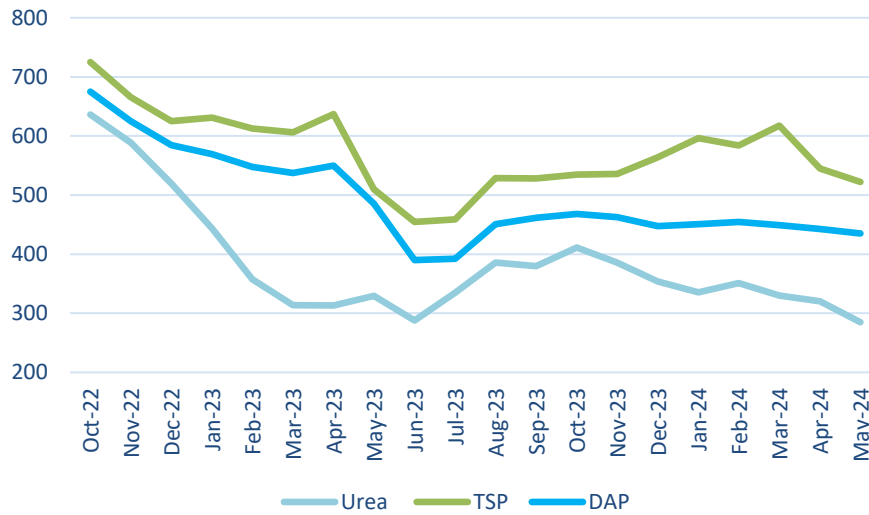
**Figure 1. Prediction: High Rainfall at Palm Producing Areas in Sumatra and Kalimantan for December 2024**



Source: BMKG

Decreased fertilizer prices in two consecutive years will also be favorable for yields in 2024/25. Most smallholder farmers rely heavily on low input prices. Fertilizer price hikes will drive smallholder farmers to either postpone or reduce fertilizer applications as evidenced in 2021.

**Figure 2. Fertilizer Prices, 2022-2024**



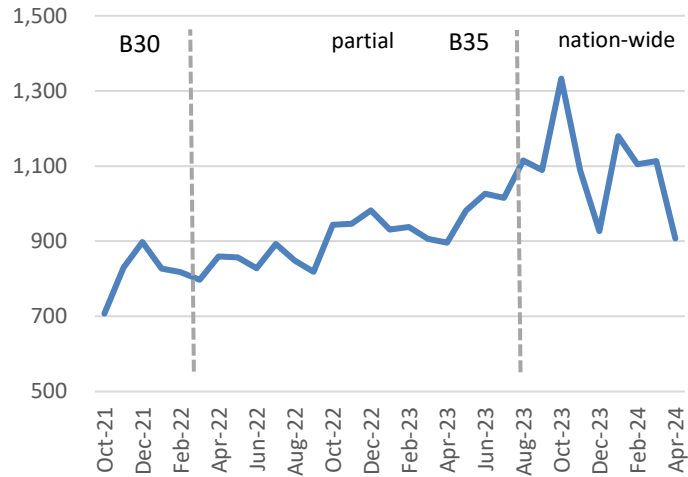
Source: World Bank

**Consumption**

Indonesia palm oil consumption primarily flows into food and industrial sectors. In the last decade, palm oil use in the industrial sector outgrew palm oil consumption in the food sector. The food industry, services, retailers, and households are the main consumers of palm cooking oil. Other high-end consumers prefer coconut cooking oil and soybean oil. Post forecasts palm oil food sector use at 7.1 MMT for 2024/25, an increase of 50,000 MT from 2023/24 in line with population growth and continuous demand from the food services industry.

Palm oil is the main feedstock for biodiesel and oleochemical products. The biodiesel industry has been the main impetus for the growth in Indonesia’s palm oil consumption since the biofuel blending mandate program started being subsidized by the crude palm oil (CPO) fund in 2015. The industry only utilized 1.5 MMT of palm oil in 2015 at the inception of the program, and then steadily increased its palm oil consumption reaching 12 MMT in 2023. The utilization of palm biodiesel is forecast to increase by 2 percent in 2024/25 on rising fuel consumption.

**Figure 3. Monthly Biodiesel Distribution, 2021-2024 (billion liter)**



Source: Aprobi

Following the completion of road tests for biodiesel with 40 percent blending rate (B40) in 2023, the Government of Indonesia (GOI) expanded testing into the non-automotive sector in 2024. Results of the trial are expected to be announced in late 2024. If the GOI increases the blending rate from 35 percent to 40 percent in 2025, consumption of palm oil for biodiesel will increase by 1.9 MMT for the full year’s implementation. Recent growing interest in the use of waste products as alternate feedstocks is unlikely to drastically reduce palm oil use in short term.

Post estimates biodiesel industry use of palm oil at 11.8 MMT for 2023/24. Approximately 96 percent of the biodiesel will supply the GOI’s mandatory blending program while the remaining 4 percent will be exported. Based on a report by Indonesia’s biofuel producer association (*APROBI*), biodiesel distribution reached a total of 7.5 billion liters during the period of October 2023 – April 2024. The oleochemical industry uses both palm oil and palm kernel oil. Post estimates the industry will utilize between 700,000 MT to 770,000 MT of palm oil annually.

Assuming that the GOI will maintain the 35 percent blending rate in 2024 and 2025, Post expects palm oil industry use to reach a total of 12.5 MMT for 2023/24. Palm oil use for industry is forecast to further increase to 12.8 MMT for 2024/25 on significantly higher use for the biodiesel mandate program.

### Trade

For 2024/25 palm oil exports are forecast at 28 MMT, up 6 percent from the 2023/24 estimate of 26.5 MMT. This forecast increase is largely due to the anticipated recovery in palm oil production. On lower exportable surpluses and weak demand from key market destinations, Post revises 2023/24 palm oil exports down to 26.5 MMT.

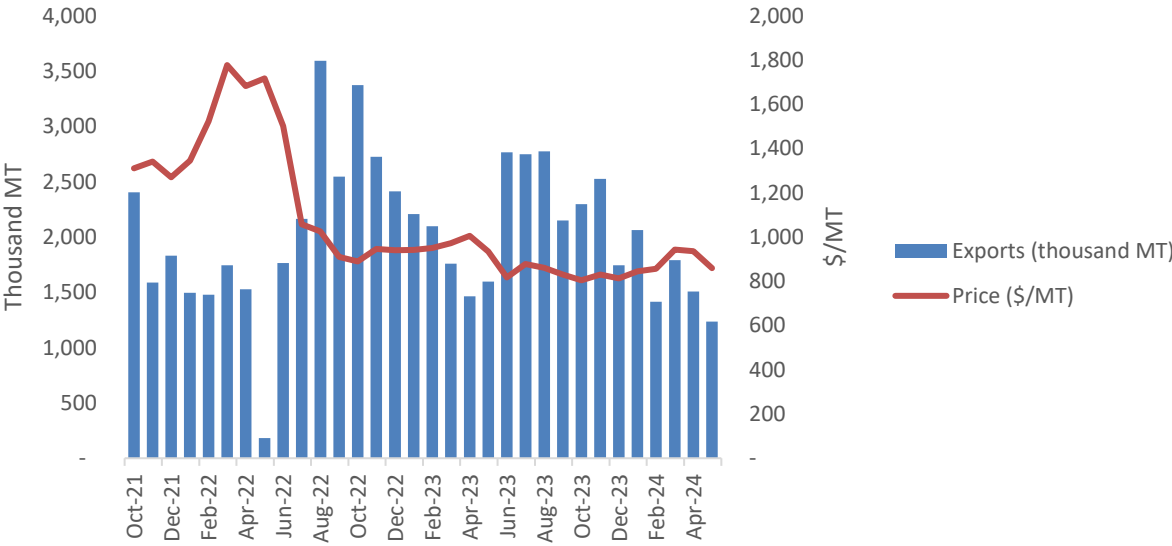
In recent years, about half of Indonesian palm oil is exported to India, China, and Pakistan. In 2022/23, shipments bound to India accounted for 21 percent of total exports, while shipments to China and Pakistan made up approximately 16 percent and 11 percent respectively.

Post expects India to remain the key market for Indonesia palm oil, with 2023/24 shipments ranging from 5 to 5.3 MMT, 10 percent lower than the previous year. India’s palm oil demand was dependent on the price spread with other vegetable oils. In February to April 2024, the spread reached its lowest, especially vis-à-vis soybean oil, since December 2020.

China reduced palm oil imports in 2023/24 largely due to weak demand from the food processing sector, the food service sector, and households. In addition, domestic vegetable oil supplies from oilseeds crushing were estimated at adequate levels. Post estimates Indonesia palm oil exports to China will reach between 3.8 to 4.1 MMT in 2023/24, lower than 2022/23 exports of 4.5 MMT.

Exports to the United States have grown from 930,000 MT in 2018/2019 to 1.6 MMT in 2022/2023. In the first eight months of 2023/2024, exports to the United States reached 1.2 MMT, 16 percent higher compared to the same period last year. However, increased exports to the United States were unable to offset reductions from other destinations.

**Figure 4. Indonesia Palm Oil Exports and Prices, 2021-2024**



Source: World Bank, TDM, LCC

**Stocks**

Marginal production increases and an expected recovery in exports as well as higher domestic use is forecast to decrease palm oil ending stocks by 21 percent to 4.5 MMT in 2024/25 from 5.8 MMT in 2023/24.

**Table 1. Production, Supply and Distribution for Palm Oil, 2022/23-2024/25**

Oil, Palm	2022/2023		2023/2024		2024/2025	
Market Begin Year	Oct-22		Oct-23		Oct-24	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	13,500	14,800	13,800	14,600	14,000	14,500
Beginning Stocks (1000 MT)	7,304	7,304	6,537	6,537	6,637	5,767
Production (1000 MT)	46,500	46,500	47,000	45,600	47,500	47,000
MY Imports (1000 MT)	-	-	-	-	-	-
Total Supply (1000 MT)	53,804	53,804	53,537	52,137	54,137	52,767
MY Exports (1000 MT)	28,077	28,077	26,000	26,500	26,600	28,000
Industrial Dom. Cons. (1000 MT)	11,900	11,900	13,250	12,500	13,750	12,800
Food Use Dom. Cons. (1000 MT)	7,000	7,000	7,350	7,050	7,600	7,100
Feed Waste Dom. Cons. (1000 MT)	290	290	300	320	310	325
Total Dom. Cons. (1000 MT)	19,190	19,190	20,900	19,870	21,660	20,225
Ending Stocks (1000 MT)	6,537	6,537	6,637	5,767	5,877	4,542
Total Distribution (1000 MT)	53,804	53,804	53,537	52,137	54,137	52,767
	0	0	0	0	0	0
(1000 HA) ,(1000 TREES) ,(1000 MT)						

*Commodity: Oilseeds, Soy*

### Production

The forecast for 2024/25 soybean production is unchanged at 350,000 MT, a decrease of 10,000 MT from 2023/24 on reduced harvested area (see [ID2024-0004](#)).

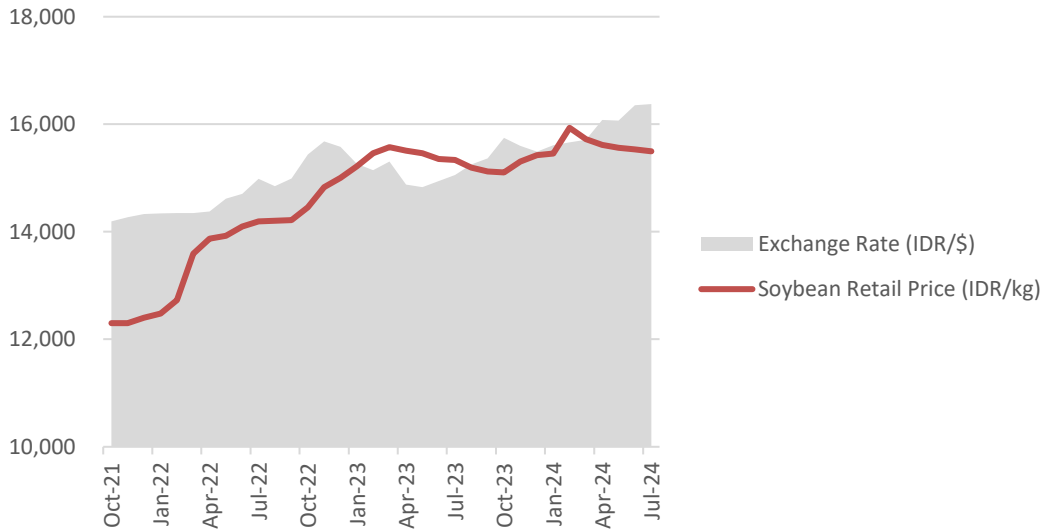
Post revises 2023/24 soybean production down to 360,000 MT on government budget cuts for soybean production assistance. The Ministry of Agriculture (MOA) reduced the budgets of various programs normally funded at IDR 7 billion (\$429 million), including soybean production assistance, and shifted the funds to support rice-related programs instead. An office of food crops at the provincial level confirmed that the soybean assistance budget previously designated for procuring soybean seeds and other planting materials were moved to other support programs such as the procurement of water-pumps for irrigation. Most farmers in Java rely on government assistance which typically includes a package of seeds and planting materials. The reduction of the soybean assistance program is expected to lower soybean production to 360,000 MT in 2023/24.

### Consumption

Indonesia soybean consumption is expected to reach 2.8 MMT in 2024/25, an increase of 80,000 MT from 2023/24. Soybeans are mainly used for tempeh and tofu production, the most affordable source of protein and staple of the Indonesian diet. Demand for tempe and tofu will continue to increase along with population growth.

Soybean demand from tempeh and tofu producers was dampened during the first eight months of 2023/24 due to increased soybean retail prices. As the rupiah depreciated 4 percent against the U.S. dollar from October 2023 to June 2024, soybean retail prices increased by 3 percent to IDR 15,533 (\$0.95) per kg in June 2024. However, global soybean prices fell 9 percent in the same period.

**Figure 5. Soybean Retail Prices and Exchange Rates, 2021-2024**



Source: MOT, X-rate.com

**Trade**

Post maintains Indonesia soybean imports forecast at 2.55 MMT in 2024/25, a rise of 2 percent from 2023/24 on expected continued demand from soy-based food industry. U.S. soybeans continue to fill the majority of Indonesia’s soybean demand, approximately 88 percent in the current marketing year, followed by Canadian soybeans with 10 percent.

**Stocks**

Importers, distributors, and traders keep soybean stocks. The GOI does not retain soybean stocks as market intervention is not deemed as necessary.

**Table 2. Indonesia Soybean Imports by Origin (MT)**

	2019/20	2020/21	2021/22	2022/23	Oct 22 - May 23	Oct 23 - May 24
U.S.	2,382,391	2,303,618	1,905,025	1,989,035	1,345,437	1,339,060
Canada	244,363	252,906	275,980	263,602	216,464	160,288
Argentina	633	47,000	78,107	48,794	48,794	-
Brazil	-	9,238	41,735	570	570	23,650
Other	8,545	4,209	6,299	6,280	4,169	5,720
<b>Total</b>	<b>2,635,932</b>	<b>2,616,971</b>	<b>2,307,146</b>	<b>2,308,281</b>	<b>1,615,434</b>	<b>1,528,718</b>

Source: TDM LLC

**Table 3. Production, Supply and Distribution for Soybean, 2022/23-2024/25**

Oilseed, Soybean	2022/2023		2023/2024		2024/2025	
Market Begin Year	Oct-22		Oct-23		Oct-24	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	330	330	330	320	310	310
Beginning Stocks	94	94	100	100	123	183
Production	390	390	375	360	360	350
MY Imports	2,308	2,308	2,650	2,500	2,650	2,550
Total Supply	2,792	2,792	3,125	2,960	3,133	3,083
MY Exports	2	2	2	2	2	3
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,540	2,540	2,850	2,620	2,800	2,700
Feed Waste Dom. Cons.	150	150	150	155	150	155
Total Dom. Cons.	2,690	2,690	3,000	2,775	2,950	2,855
Ending Stocks	100	100	123	183	181	225
Total Distribution	2,792	2,792	3,125	2,960	3,133	3,083
	0	0	0	0	0	0

(1000 HA) ,(1000 MT)

*Commodity: Meal, soy*

### Production

Indonesia does not produce soybean meal.

### Consumption

The 2024/25 soybean meal consumption forecast remains unchanged at 5.75 MMT as the feed industry is expected to recover from weaker demand in 2023/24 on anticipated improved economic performance and growing poultry meat consumption. The poultry feed industry remains the key driver for soybean meal use in Indonesia.

Soybean meal is largely used for poultry feed production, which represents approximately 85 percent of total feed production. Aquafeed production is the second largest soybean meal use, and has a soybean meal inclusion rate of between 30 to 40 percent.

Soybean meal consumption for 2023/24 is revised down 50,000 MT to 5.6 MMT on weaker demand from the feed industry. During the period of October 2023 to June 2024, the feed industry experienced slower performance due to a culling mandate, higher feed ingredients costs (mainly corn), and weaker purchasing power.

### Trade

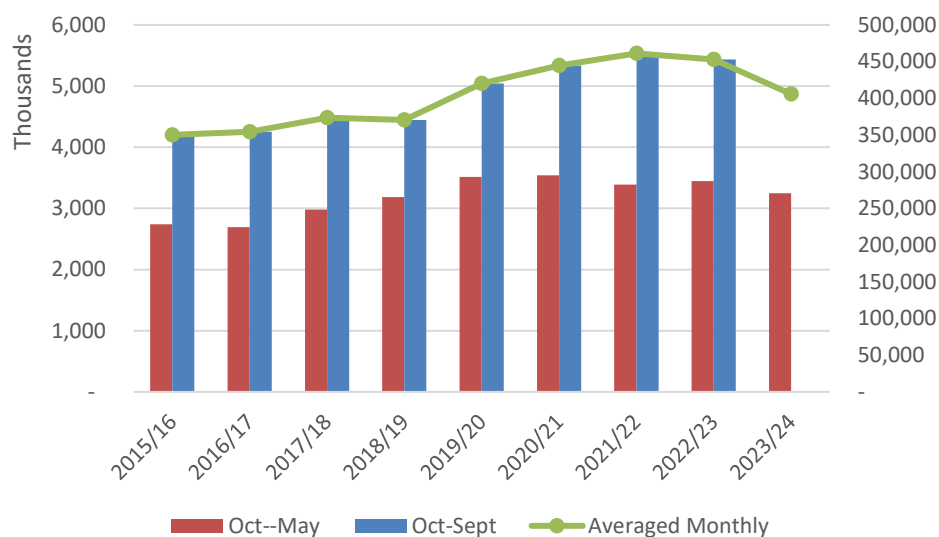
The forecast for 2024/25 soybean meal imports is unchanged at 5.8 MMT, up 3 percent from 2023/24 on continued rising demand from the feed industry.

Post revises 2023/24 soybean meal imports down to 5.65 MMT from the previous estimate of 5.7 MMT on slower feed industry demand. Soybean meal imports from October 2023 to May 2024 reached 3.2



MMT, a 6-percent decrease compared to the corresponding period of 2022/23. Brazil and Argentina remain Indonesia’s main soybean meal suppliers.

**Figure 6. Soybean Meal Imports, 2015-2024**



Source: Trade Data Monitor, LLC

### Stocks

Most soybean meals stocks are managed by the feed industry. Soybean meal stocks for 2023/24 and 2024/25 remain unchanged at 301,000 and 351,000 respectively.

**Table 4. Production, Supply and Distribution for Soybean Meal, 2022/23-2024/25**

Meal, Soybean	2022/2023		2023/2024		2024/2025	
	Oct-22		Oct-23		Oct-24	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Indonesia						
Crush	-	-	-	-	-	-
Extr. Rate, 999.9999	-	-	-	-	-	-
Beginning Stocks	397	397	251	251	301	301
Production	-	-	-	-	-	-
MY Imports	5,434	5,434	5,750	5,650	6,000	5,800
Total Supply	5,831	5,831	6,001	5,901	6,301	6,101
MY Exports	-	-	-	-	-	-
Industrial Dom. Cons.	-	-	-	-	-	-
Food Use Dom. Cons.	-	-	-	-	-	-
Feed Waste Dom. Cons.	5,580	5,580	5,700	5,600	5,950	5,750
Total Dom. Cons.	5,580	5,580	5,700	5,600	5,950	5,750
Ending Stocks	251	251	301	301	351	351
Total Distribution	5,831	5,831	6,001	5,901	6,301	6,101
	-	-	-	-	-	-

(1000 MT) ,(PERCENT)

**Attachments:**

No Attachments