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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:

El-Nino weather patterns, which bring less rain than normal, are expected to peak in August to September 2023. Indonesia palm oil consumption is revised up slightly on higher use from the biodiesel industry for 2022/23. Weaker feed industry performance in the first half of 2023 is expected to curb soybean meal demand to 5.65 MMT in 2022/23.

Commodity: oilseed, palm

Production

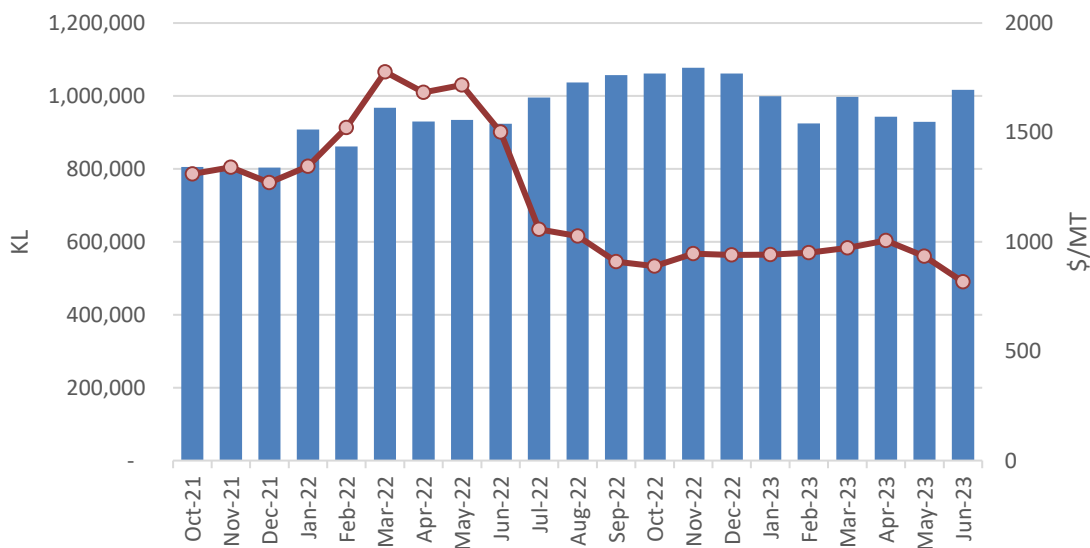
Post maintains its 2023/24 palm oil production forecast at 46 million metric tons (MMT) and its 2022/23 estimate at 44.7 MMT (see [GAIN ID2023-0005](#)).

Based on the local weather agency (BMKG)'s reporting, approximately 40 percent of Indonesia oil palm area experienced below-normal precipitation in June 2023. The BMKG also indicated that El-Nino weather patterns are at weak-to-medium intensity and are expected to peak in August to September 2023. The [BMKG](#) forecasted low-to-medium precipitation for August to October 2023 in Southern Sumatera, one of key palm oil producing areas.

Consumption

The 2023/24 forecast for Indonesia palm oil consumption is unchanged from the previous forecast at 19.92 MMT. Post revises up palm oil consumption slightly for 2022/23 to 19 MMT on expected higher biodiesel production for export markets. The Indonesia biodiesel producer association data shows biodiesel production reached 5.8 billion liters in the first half of 2023, up 5 percent from the corresponding period last year. The B35 biodiesel mandate program officially started in February 2023 and is expected to be implemented nationwide by August 2023.

Figure 1. Indonesia Biodiesel Production and Palm Oil Prices (2021-23)



Source: APROBI, World Bank

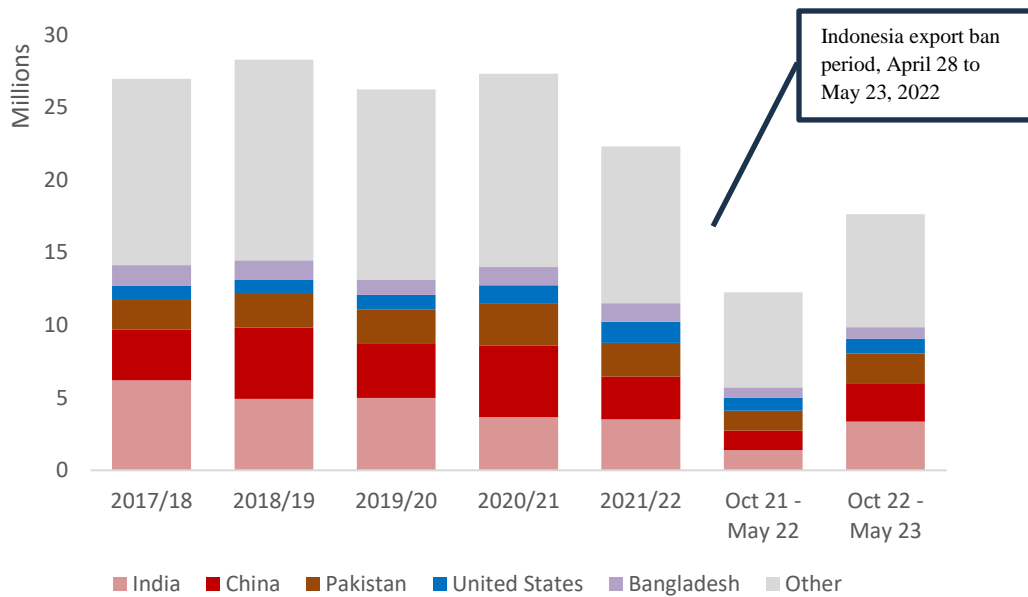
Trade

Post maintains its Indonesia palm oil exports forecast for 2023/24 at 28 MMT and revises down its 2022/23 export estimate to 27.6 MMT. Shipments during October 2022 to May 2023 reached 17.6 MMT, 43 percent higher than the corresponding period last year during which Indonesia had banned palm oil exports from April to May 2022. Of those shipments, 35 percent were destined for three South Asian countries (India, Pakistan, Bangladesh), 15 percent for China, and 6 percent for the United States. [China's 2022/23 palm oil demand](#) is estimated at 7 MMT and is expected to rise to 7.1 MMT for 2023/24 on continued rising demand from the food processing industry, household consumption, and food service

use. India is projected to continue to be Indonesia’s largest palm oil buyer with 2022/23 imports from Indonesia estimated at approximately 4 MMT. More than 60 percent of [India’s total vegetable oil demand](#) for food and industrial were covered by imports.

The EU deforestation regulation ([EUDR](#)) that entered into force on June 29, 2023 does not affect current palm oil exports as the deforestation threshold date is set at December 31, 2020, meaning the regulation defines commodities as “deforestation-free” if they were produced on land that has not been subject to deforestation since December 31, 2020. The new regulation added another deterrent, specifically the renewable energy directive (RED II) which limits the use of palm oil for biofuel in EU markets starting in 2030.

Figure 2 Indonesia Palm Oil Exports and Destinations 2017-2023 (MT)



Source: Trade Data Monitor, LLC

Policy

[The Government of Indonesia](#) (GOI) plans to provide amnesty for palm plantations established in forest areas. According to a government audit, about 3.3 million hectares of palm plantations, both smallholder and large-scale company-owned, are located on forest lands controlled by the Ministry of Environment and Forestry (KLHK). The GOI will use the Omnibus Law to provide a resolution giving more time for plantations to continue to operate while meeting legal obligations.

Figure 3. Production Supply and Distribution (PSD) for Palm Oil, 2021/22-2023/24

Oil, Palm	2021/2022		2022/2023		2023/2024	
Market Begin Year	Oct-21		Oct-22		Oct-23	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,500	14,900	13,500	14,800	13,800	14,500
Beginning Stocks	5,502	5,502	7,751	7,751	6,861	5,841
Production	42,000	42,000	46,000	44,700	47,000	46,000
MY Imports	-	-	-	-	-	-
Total Supply	47,502	47,502	53,751	52,451	53,861	51,841
MY Exports	22,321	22,321	28,200	27,600	28,400	28,000
Industrial Dom. Cons.	10,500	10,500	11,500	11,900	12,600	12,700
Food Use Dom. Cons.	6,650	6,650	6,900	6,800	7,200	6,900
Feed Waste Dom. Cons.	280	280	290	310	300	320
Total Dom. Cons.	17,430	17,430	18,690	19,010	20,100	19,920
Ending Stocks	7,751	7,751	6,861	5,841	5,361	3,921
Total Distribution	47,502	47,502	53,751	52,451	53,861	51,841
	0	0	0	0	0	0
(1000 HA) ,(1000 TREES) ,(1000 MT)						

Commodity: oilseed, soy

Production

The forecast for 2023/24 Indonesia soybean production is unchanged from the previous forecast of 375,000 MT, a decrease of 15,000 MT from 2022/23 production of 390,000 MT. Farmers' preference for lucrative crops such as corn and paddy have marginalized soybean farming in many provinces. In South Sulawesi, corn harvest areas outpaced soybean areas as farmers receive stable demand and higher returns for corn. Considered as a secondary crop, soybeans are planted by farmers aiming to regenerate soil health after cultivating staple crops such as paddy.

Consumption

The forecast for soybean consumption for 2023/24 is unchanged from the previous forecast of 2.92 MMT on continued demand from the tempeh and tofu industry. As a protein source, tempeh and tofu are cheaper than poultry meat or beef, and therefore are more popular for Indonesian daily diets.

As the majority of tempeh and tofu producers are price-sensitive, small-scale, home-based industries, their soybean demand depends on international soybean prices and currency fluctuations. The 6 percent decrease in soybean prices and 3 percent increase in the Indonesian rupiah's value between October 2022 to June 2023 resulted in ample margins for soy-based food producers. However, due to slower-than-expected growth in food processing and household consumption in the first half of 2023, Post revises soybean consumption down slightly to 2.68 MMT for 2022/23.

Trade

The forecast for 2023/24 soybean imports is unchanged at 2.65 MMT as tempeh and tofu producers' preference for imported soybeans remains strong. Post reduced 2022/23 estimated imports to 2.55 MT as food sector demand grew more slowly than previously expected. The United States remains the main source for Indonesian soybean imports, accounting for 83 percent of total imports, followed by Canada with 13 percent, and Argentina with 3 percent during the 8 first months of 2022/23.

Table 1: Soybean Imports by Origin 2017-2023 (MT)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23*
U.S.	2,426,554	2,517,226	2,382,391	2,303,618	1,905,025	1,345,437
Canada	46,870	76,426	244,363	252,906	275,980	216,464
Argentina	-	-	633	47,000	78,107	48,794
Brazil	-	18,900	-	9,238	41,735	570
Other	10,357	9,979	8,545	4,209	6,299	4,169
Total	2,483,781	2,622,531	2,635,932	2,616,971	2,307,146	1,615,434

Note: *) October 2022-May 2023. Source: Trade Data Monitor, LLC

Figure 4. Production Supply and Distribution (PSD) for Soybean, 2021-2024

Oilseed, Soybean	2021/2022		2022/2023		2023/2024	
Market Begin Year	Oct-21		Oct-22		Oct-23	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	350	350	330	330	320	320
Beginning Stocks	146	146	94	94	122	191
Production	425	425	390	390	375	375
MY Imports	2,307	2,307	2,500	2,550	2,650	2,650
Total Supply	2,878	2,878	2,984	3,034	3,147	3,216
MY Exports	12	12	2	3	2	3
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,647	2,647	2,690	2,680	2,850	2,750
Feed Waste Dom. Cons.	125	125	170	160	170	170
Total Dom. Cons.	2,772	2,772	2,860	2,840	3,020	2,920
Ending Stocks	94	94	122	191	125	293
Total Distribution	2,878	2,878	2,984	3,034	3,147	3,216
	0	0	0	0	0	0

(1000 HA) ,(1000 MT)

Commodity: meal, soy

Production

Indonesia does not produce soybean meal.

Consumption

Post maintains its 2023/24 soybean meal consumption forecast at 5.8 MMT on continued demand from the feed industry. Poultry feed is the primary output of Indonesia's feed industry, accounting for around 90 percent of total feed production. Poultry meat consumption is expected to rise as Indonesian per capita poultry meat consumption is considered low compared to neighboring countries.

Post revises down 2022/23 soybean meal consumption by 50,000 MT to 5.65 MMT. Indonesia's feed industry experienced weaker performance during the first half of 2023 due to higher production costs, weakened purchasing power, and reduced broiler population.

Trade

Soybean meal imports for 2023/24 are forecast to rise 3 percent from the previous year to 5.8 MMT. Imports from October 2022 to May 2023 are estimated at 3.4 MMT, 2 percent higher than the corresponding period in 2022/23. South America is expected to remain the major supplier for Indonesia's 2023/24 soybean meal imports due to price competitiveness. Soybean meal shipments from Brazil have outpaced those from Argentina in the first eight months of 2022/23 with market shares of 56 percent and 42 percent, respectively. [Argentina](#) experienced its worst soybean harvest in the last 24 years due to severe drought.

Table 2: Soybean meal Imports by Origin 2017-2023 (MT)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23*
Argentina	2,623,779	2,433,234	2,909,138	2,706,101	2,865,441	1,462,007
Brazil	1,527,385	1,744,537	2,001,355	2,135,270	2,539,619	1,928,289
U.S.	164,476	134,797	99,713	249,338	23,578	42,921
India	11,325	8,793	6,046	172,977	5,171	6,272
Paraguay	140,927	119,313	20,000	59,349	96,008	-
Other	17,648	8,618	6,779	12,970	5,608	7,386
Total	4,485,540	4,449,292	5,043,031	5,336,005	5,535,425	3,446,875

Note: *) October 2022-May 2023, Source: Trade Data Monitor, LLC

Figure 5. Production Supply and Distribution (PSD) for Soybean Meal, 2020/21-2022/23

Meal, Soybean	2021/2022		2022/2023		2023/2024	
Market Begin Year	Oct-21		Oct-22		Oct-23	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	-	-	-	-	-	-
Extr. Rate, 999.9999	-	-	-	-	-	-
Beginning Stocks	421	421	347	347	272	347
Production	-	-	-	-	-	-
MY Imports	5,535	5,535	5,700	5,650	6,000	5,800
Total Supply	5,956	5,956	6,047	5,997	6,272	6,147
MY Exports	9	9	-	-	-	-
Industrial Dom. Cons.	-	-	-	-	-	-
Food Use Dom. Cons.	-	-	-	-	-	-
Feed Waste Dom. Cons.	5,600	5,600	5,775	5,650	6,000	5,800
Total Dom. Cons.	5,600	5,600	5,775	5,650	6,000	5,800
Ending Stocks	347	347	272	347	272	347
Total Distribution	5,956	5,956	6,047	5,997	6,272	6,147
	-	-	-	-	-	-
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments