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Indonesia

Oilseeds and Products

Palm Oil Update

2002

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Report Highlights:

Indonesia palm oil production is forecast to increase to 9.1 million tons in MY01/02 and 9.5 in MY02/03. Exports are expected to reach 5.8 million tons in MY01/02 (increased by 32 percent during October 01 - May 02) and exceed 6 million tons in MY02/03. Average domestic prices have been on the upswing driven by international oil prices and the appreciation of Rupiah against the US dollar. Export tariffs and base prices for CPO and derivative products remains unchanged.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Jakarta [ID1], ID

Production

FAS/Jakarta forecast of Crude Palm Oil (CPO) production during MY01/02 (October-September) remains unchanged from Gain Report ID#2006 at approximately 9.1 MMT and 9.5 in MY02/03. Aggressive investments over the past few years have resulted in a rapid expansion of Indonesian palm oil production. Supply increased as the harvest started late last month and will continue until December. CPO production last month reached peak volume in calendar year 2002, totaling 980,000 MT. Various palm oil industry contacts estimates of production in MY02/03 range from 9.5 to 10.0 MMT. On the contrary, Indonesia's Palm Oil Association says this forecast is a bit optimistic as the weather continues to be unfavorable, drought conditions in some parts of Indonesia (primarily in Sumatra and Kalimantan), as well as haze may have a negative impact on palm trees, which could be seen 8 to 12 months later. In addition, the uncertainty over the security situation and increasing cost of fertilizers are other factors that may negatively impact palm oil production in the future.

Post estimates a 5 percent growth in oleo chemical production in MY02/03, as investment in the oleo chemical industry remains strong and is supported by GOI policy of having low export tax policy on chemical products.

Consumption

CPO is a raw material for the production of cooking oil. After a significant growth in domestic cooking oil consumption from 2.5 MMT in MY99/00 to 3.0 MMT in MY00/01, the consumption of CPO during MY01/02 shows a slight increase to 3.10 MMT, and forecasts to reach 3.15 MMT in MY02/03, as economic stress continues. It is expected, domestic consumption will naturally go up prior to Ramadhan and Christmas celebrations. Although CPO consumption for oleo chemical industry is small compared to cooking oil industry, the demand for Indonesian oleo chemical, margarine and soap products, have continued to rise with the moderate improvement in processing power. FAS/Jakarta has changed its industrial domestic consumption for MY00/01 to 300,000 MT (refer to ID#2006), after considering inputs from sources. Thus, total domestic consumption for MY01/02 has been estimated at 3.48 MMT and is forecast to increase to 3.55 MMT in MY02/03. About 80 percent of palm oil consumption is accounted for by the cooking oil industry, 10 percent by the oleo chemical industry, 3.1 percent by margarine, and the remainder by the soap and other industries.

Trade

Indonesian exports of palm oil are expected to increase in the coming years, in concert with growth in palm oil production. During the first eight months (October 2001 – May 2002) of MY 01/02, exports of palm oil increased 32 percent, from 2.8 MMT (MY00/01) to 3.6 MMT. Industry sources predict that exports of total palm oil will easily reach 6 MMT during calendar year 2002. However, future exports depend on the exchange rates and stable prices in the international market. As a result, FAS/Jakarta has changed its export forecast for MY01/02, from 5.3 MMT (refer to ID#2006) to 5.8 MMT. Currently, the export market is attractive for exporters, because of the high value of the US dollar against the Rupiah, as well as increasing

CPO world market price. India, Netherlands and China are Indonesia's major importers of CPO, totaling 932,000 MT, 633,000 MT and 245,000 MT respectively during Oct 01- May 02 of MY01/02.

India's plan to increase import tax of vegetable oil, including CPO, has Indonesian CPO producers concerned. To protect Indonesia's domestic CPO industry, the GOI recently sent a letter to the Government of India requesting that a higher import tax not be applied to Indonesian CPO.

Stocks

With the increase of exports and domestic consumption, carry-over stocks during this MY01/02 will be dropped by about 200,000 tons to 560,000 MT. The world market has expanded and absorbed Indonesia's increased supplies, and is expected to continue to absorb any additional supplies Indonesia may have in the future.

Prices

While domestic prices have fluctuated during MY01/02, overall prices have been on the upswing. A weekly tender running by a joint marketing office for state owned plantations showed CPO prices ranging from Rp 3,200/kg to 3,780/kg. The trend was driven primarily by international oil supplies and the appreciation of Rupiah against the US dollar. The short supply of palm oil from major growing areas due to poor weather conditions, is likely to cause an increase in domestic demand for CPO and eventually force prices to increase.

Historically, as the CPO price increases on the international market, local producers concentrate on selling their product overseas market, which in turn, leads to a short domestic supply, and pushes up the price of cooking oil.

Policy

For more than one year, export tariffs and export check prices (benchmark prices) for CPO and its derivatives products have remained the same. [The export check price serves as the basis for the calculation of export tax owed for the delivery of CPO at the time of submitting an export notification document. The check prices are reviewed monthly]. The export tariff for CPO and palm kernel is 3 percent and for Refined Bleached Deodorized (RBD) palm oil, RBD palm olein and crude olein the tariff is 1 percent. The export tax is passed on to the buyers in the form of higher prices. Sources indicated that the GOI is paying attention to price developments, as the GOI may decide to increase export taxes, if they deem it necessary to maintain sufficient domestic supply.

Exchange Rates (Rupiah/US\$)

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8370	8891	9483	9524	9385
2001	9488	9914	10460	12117	11423	11436	9744	9045	9696	10358	10476	10450
2002	10383	10222	9655	9316	8785	8730	9108	8867	9015	9215		

Source : Central Bureau of Statistics (available up to Feb 2002) and Business Indonesia Daily Newspaper

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PSD Table

				Units:	1,000 MT;1000 HA	
Country:	Indonesia					
Commodity:	Oil, Palm					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	3,200	3,400	3,328	3,580	0	3,580
Area Harvested	2,560	2,250	2,662	2,312	0	2,400
Trees	358,000	315,000	372,320	323,680	0	336,000
Beginning Stocks	391	409	460	735	385	561
Production	7,900	8,300	8,800	9,100	9,200	9,500
MY Imports	5	6	5	6	5	6
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	8,296	8,715	9,265	9,841	9,590	10,067
MY Exports	4,544	4,630	5,500	5,800	5,775	6,100
MY Exp. to the EC	1,017	1,025	1,000	1,200	1,050	1,400
Industrial Dom. Consump.	251	300	278	330	292	350
Food Use Dom. Consump.	2,995	3,000	3,050	3,100	3,087	3,150
Feed Seed Waste Dm.Cn.	46	50	52	50	56	50
Total Dom. Consumption	3,292	3,350	3,380	3,480	3,435	3,550
Ending Stocks	460	735	385	561	380	417
TOTAL DISTRIBUTION	8,296	8,715	9,265	9,841	9,590	10,067
Calendar Year Imports	0	6	0	6	0	5
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	4,200	0	6000	0	6300
Calendar Yr Exp. to U.S.	0	2	0	5	0	0

Note : Old data is from FAS/W Feedback; new data is from FAS/Jakarta. Data for palm oil includes, stearin and olein.

Export Trade Matrix

Export Trade Matrix			
Country:	Indonesia	Units:	1000 MT
Commodity:	Oil, Palm		
Time period:	Oct-May		
	2001		2002
Exports			
U.S.	1	U.S.	3
Others		Others	
India	1,049	India	932
Netherlands	372	Netherlands	633
China	252	China	245
Singapore	194	Singapore	233
Bangladesh	100	Malaysia	177
Spain	102	Pakistan	175
Germany	88	Germany	162
Turkey	79	Turkey	148
South Africa	69	Bangladesh	117
Italy	37	Spain	109
Egypt	28	Tanzania	68
Sudan	25	Egypt	63
Malaysia	19	South Africa	59
Hong Kong	18	Sudan	40
Total for Others	2,432	Total for Others	3,161
Others not listed	333	Others not listed	484
Grand Total	2,766	Grand Total	3,648

Source : Central Bureau of Statistics

Export Taxes for Palm Oil and Products

Description	Export Tax (%)
Oil Palm and Palm Kernel	3
Crude Palm Oil (CPO)	3
Refined Bleached Deodorized Palm Oil (RBD PO)	1
Crude Olein (CRD Olein)	1
Refined Bleached Deodorized Palm Olein (RBD Olein)	1
RBD Olein - in branded package	0
Crude Palm Stearin	0
Refined Bleached Deodorized Palm Stearin (RBD Stearin)	0
Crude Palm Kernel Oil (CPKO)	0
Refined Bleached Deodorized Palm Kernel Oil (RBD PKO)	0
Crude Coconut Oil (CCO)	0
Refined Bleached Deodorized Coconut Oil (RBD CCO)	0

Export Check Prices (HPE) of Palm Oil and Products

Description	Check Prices
Oil Palm and Palm Nuts	35
Crude Palm Oil (CPO)	160
Refined Bleached Deodorized Palm Oil (RBD PO)	175
Crude Palm Olein (CRD Olein)	165
Refined Bleached Deodorized Palm Olein (RBD Olein)	190

Source : Directorate General for Foreign Trade, Ministry of Industry and Trade, reviewed monthly (effective from October 13 to November 12, 2002)