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Indonesia

Oilseeds and Products Annual

2013

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Report Highlights:

- Post expects that growth levels for Indonesian crude palm oil (CPO) and palm kernel oil (PKO) will remain robust throughout marketing year (MY) 2012/13 and MY 2013/14. CPO production will increase from 28.5 million metric tons (MMT) in MY 2012/13 to 31 MMT in MY 2013/14. Production of PKO will also increase from 3.35 MMT to 3.65 MMT in MY 2013/14.
- Production of palm kernel meal (PKM), a byproduct of the PKO extraction process, will increase in conjunction with higher PKO production levels. Post expects Indonesian PKM production will increase from 3.93 MMT in MY 2012/2013 to 4.27 MMT in MY 2013/2014.
- Indonesia's domestic consumption of CPO, PKO, and PKM is also rising, although the international market remains critical for absorbing most production.

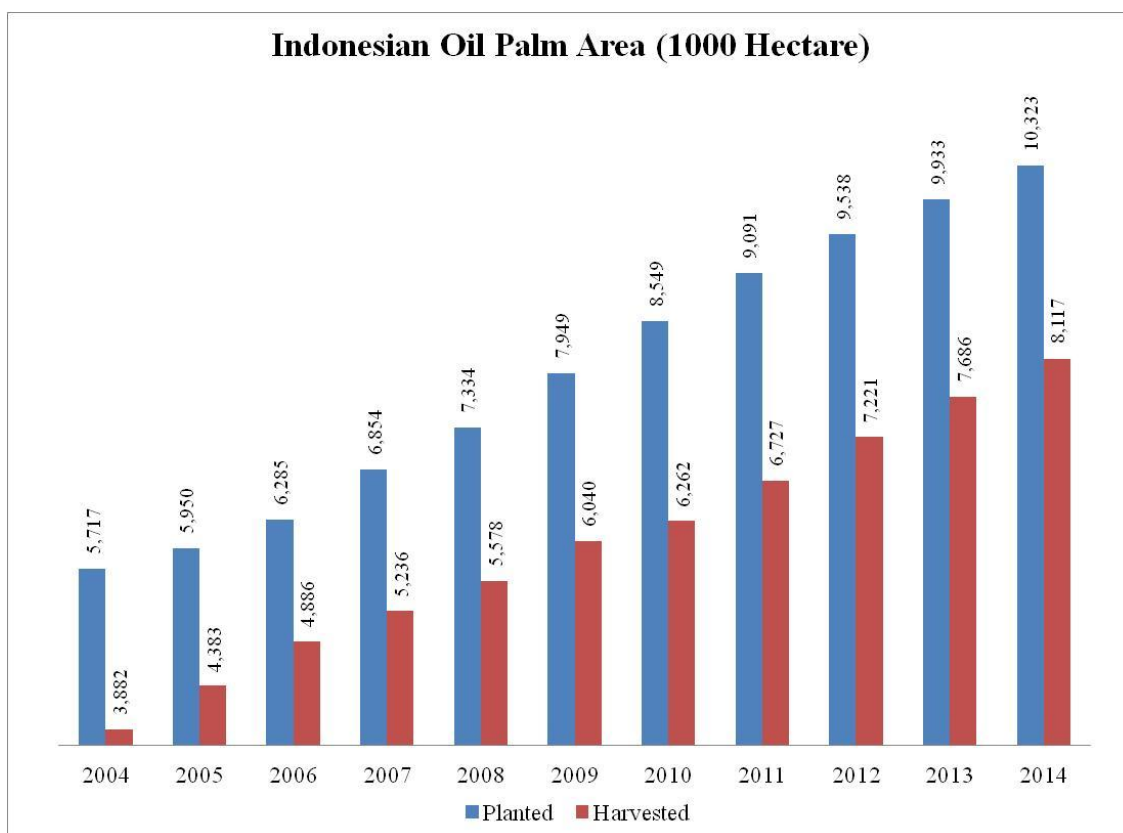
- Exports of Indonesian palm oil products to include CPO, refined CPO, PKO, and refined PKO is expected to increase from 21.2 MMT in MY 2012/13 to 22.55 in MY 2013/14. PKM exports will also increase to 3.97 MMT in MY 2013/14, an 11 percent increase over the current marketing year.
- Indonesia's production of coconut oil (CNO) will be limited due to tightening copra supplies. Indonesian copra production will increase slightly from 1.6 MMT in MY 2012/2013 to 1.65 MMT in MY 2013/14. Subsequently CNO production is expected to increase from 1.02 MMT to 1.05 MMT in the same period. Copra meal (CM) production, a CNO byproduct, will increase 3.2 percent during the same period.
- Post predicts that Indonesian soybean production will be stagnant at 620,000 metric tons (MT) both in the current and next marketing years. Consequently, a slight increase in domestic soybean consumption from 2.6 MMT in MY 2012/2013 to 2.675 MMT in MY 2013/2014 will result in higher soybean imports from 2 MMT to 2.1 MMT during the same period.
- Indonesia's peanut production has decreased over the past 9 years. Peanut production is expected to further decline from 1.145 MMT *in shell equivalent* in MY 2012/13 to 1.125 MMT *in shell equivalent* in MY 2013/14. As a result, population-driven domestic peanut consumption growth will lead to increased import from 325,000 MT in to 375,000 MT in MY 2013/14.
- Indonesia's consumption of soybean meal (SBM) corresponds with domestic animal feed production. Post expects that a six percent increase in animal feed production will result in increased domestic SBM consumption from 3.26 MMT in MY 2012/13 to 3.45 MMT in MY 2013/14. As Indonesia does not produce SBM, imports will increase from 3.27 MMT to 3.47 MMT in the same timeframe.

Commodities:

Oil, Palm

Production:

Increased productivity and planted area expansion remain the primary drivers of higher Indonesian CPO production. Annual average Indonesian CPO yields have grown by approximately three percent over the past 10 years. Planted area has also increased over the past nine years, and Post expects that oil palm planted area will continue to expand throughout 2013 and 2014. The increased levels of planted area indicates that overlapping land concessions, and conflicts with indigenous people, and the much-touted the forest moratorium implemented since May 2011 has not slowed the development of new expansion.



Source: Central Statistical Agency (recalculated) and USDA estimates

Harvested area trends are consistent with increased planted area. Post expects that harvested area will increase from 7.69 million hectares in 2013 to 8.12 million hectares in 2014. Increased harvested area, along with improved yields (3.71 to 3.82 tons/hectare) will raise Indonesian CPO production from 28.5 MMT in MY 2012/13 to upwards of 31.0 MMT in MY 2013/14.

Consumption:

Indonesian domestic palm oil consumption has increased on average by 8.79 percent annually during the last six marketing years. Post believes that the growth trend will continue during the next marketing year, resulting in an estimated 8.5 MMT domestic consumption level in MY 2013/14.

Post classifies Indonesian palm oil consumption by type of palm oil product, to include CPO, palm fatty acid distillate (PFAD), refined, bleached, and deodorized (RBD) olein, RBD stearin, crude olein, and crude stearin. Post determines shares of each abovementioned palm oil products based on export and production data as well as standard conversion rate from crude to refined palm oil as can be seen in the table below.

Palm Oil Products	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013E	2013/2014E
CPO (Biodiesel)	13%	6%	13%	23%	24%	24%	24%
PFAD	12%	12%	11%	10%	11%	11%	11%
CPO (Feed)	2%	3%	3%	3%	3%	3%	3%
Total Industry Use	27%	21%	27%	36%	38%	38%	38%
RBD Olein	49%	53%	55%	43%	40%	40%	40%
Crude Olein	11%	11%	10%	9%	10%	10%	10%
RBD Stearin	11%	12%	5%	10%	8%	8%	8%
Crude Stearin	3%	3%	3%	3%	3%	3%	3%
Total Food Use	73%	79%	73%	64%	62%	62%	62%

Crude and RBD Olein are mainly used to produce cooking oil. Food manufacturers largely use stearin, both crude and RBD to produce other palm oil-based food products such as margarine and shortening. While food uses continue to account for the majority of palm oil consumed in Indonesia (62 percent in MY 2011/2012), the percentage of food use has dropped in recent years.

In contrast to decreased levels of overall food uses, the percentage of industrial consumption (to include livestock feed) has reached roughly 38 percent of total local consumption. The local biodiesel industry accounts for the majority of the growth in local industrial consumption, followed by feed uses. The biodiesel industry needs CPO to produce fatty acid methyl ester. Feed manufacturers use palm oil as an ingredient in their feed formulation. Oleochemical makers also use olein and stearin to produce glycerol, fatty acid, and fatty alcohol. However, oleochemical manufactures typically prefer to use olein and stearin derived from PKO.

Post expects that the current trends in Indonesia's local consumption of palm oil will remain fairly static over the next two MY. Food and industrial uses of palm oil, therefore, is expected to reach 5.27 MMT and 2.975 MMT respectively in MY 2013/2014.

Trade:

Indonesia's exports of palm oil increased by 2.0 MMT in MY 2011/12. Post expects that export levels will slow as palm exporters face a number of demand driven and regulatory challenges. These include:

- More stringent quality and sustainability criteria;
- The enforcement of tariff and non-tariff trade barriers in major export markets, and
- Indonesia high palm oil export taxes, which make Indonesian palm oil products more expensive when compared to equivalent Malaysian products in traditional market such as India, China, Pakistan, and Europe.

Post, predicts a slowdown in exports by about 1.25 MMT in MY 2012/2013, resulting in 19.7 MMT of exports overall. In MY 2013/2014, exports are expected to rebound to 1.3 MMT with overall export levels approaching roughly 21.0 MMT

Stocks:

Ending stocks of palm oil are expected to significantly increase from 2.5 MMT in MY 2012/2013 to 4 MMT in MY 2013/2014 due to contracting levels of exports.

Production, Supply and Demand Data Statistics:

Oil, Palm Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	7,220	0	7,685		8,115
Trees	0	1,070,250	0	1,137,600		1,154,700
Beginning Stocks	895	895	1,449	1,514		2,500
Production	25,900	26,200	28,000	28,500		31,000
MY Imports	35	1	20	1		1
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	26,830	27,096	29,469	30,015		33,501
MY Exports	18,452	18,453	19,600	19,700		21,000
MY Exp. to EU	2,498	2,335	2,285	2,500		3,000
Industrial Dom. Cons.	2,211	2,211	2,493	2,735		2,975
Food Use Dom. Cons.	4,502	4,702	5,150	4,845		5,270
Feed Waste Dom. Cons.	216	216	227	235		256
Total Dom. Cons.	6,929	7,129	7,870	7,815		8,501
Ending Stocks	1,449	1,514	1,999	2,500		4,000
Total Distribution	26,830	27,096	29,469	30,015		33,501

1000 HA, 1000 TREES, 1000 MT

Commodities:

Oilseed, Palm Kernel

Production:

Fresh fruit bunch (FFB) yields determine domestic production levels of PK. Estimated CPO production figures of 28.0 MMT in MY 2012/13 and 29.6 MMT in MY 2013/14, combined with an assumed 23 percent of oil extraction rate (OER), suggests that Indonesia will produce 124.7 MMT of FFB in MY 2012/2013 and 135.6 MMT of FFB in MY 2013/2014. PK accounts for about six percent of total FFB weight. Production of PK will reach 7.48 MMT in MY 2012/13 and 8.14 MMT in MY 2013/14.

Consumption:

Post predicts that local millers will process 7.48 MMT and 8.14 MMT of PK in MY 2012/13 and MY 2013/14 respectively. Residual supplies of palm kernel will likely end up as ending stocks.

Palm kernel is not directly used as animal or livestock feed in Indonesia. However, palm kernel meal/cake, a byproduct from extracting PKO from the kernel, is exported and used in limited quantities by the local feedlot cattle industry.

Stocks:

Ending stocks of palm kernel will stay constant at 60,000 MT in MY 2012/2013 and MY 2013/14.

Production, Supply and Demand Data Statistics:

Oilseed, Palm Kernel Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	4,050	0	4,250	0		0
Trees	0	0	0	0		0
Beginning Stocks	65	65	60	60		60
Production	6,900	6,900	7,450	7,480		8,140
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	6,965	6,965	7,510	7,540		8,200
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	6,825	6,905	7,360	7,480		8,140
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	80	0	90	0		0
Total Dom. Cons.	6,905	6,905	7,450	7,480		8,140
Ending Stocks	60	60	60	60		60
Total Distribution	6,965	6,965	7,510	7,540		8,200

1000 HA, 1000 TREES, 1000 MT

Commodities:

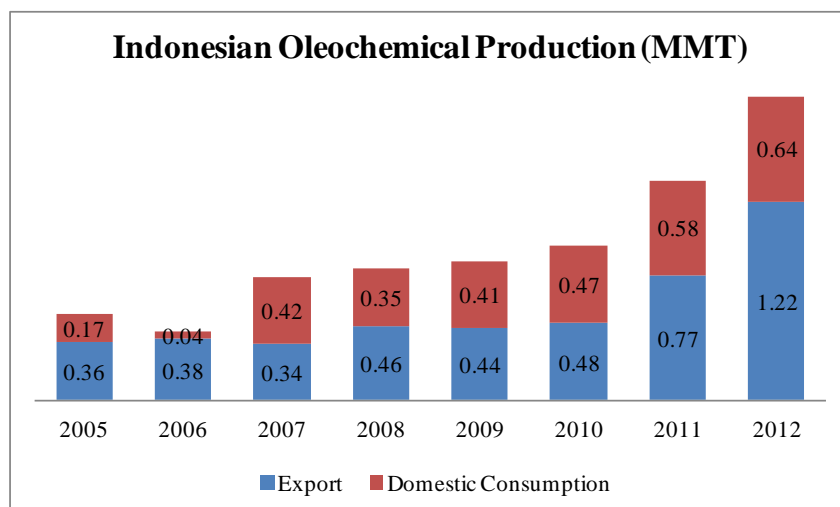
Oil, Palm Kernel

Production:

As noted, Indonesia will crush 7.48 MMT and 8.14 MMT of palm kernel in MY 2012/13 and MY 2013/14 respectively. Based on an average oil content of 45 percent, Post expects that Indonesian PKO production will reach 3.35 MMT in MY 2012/13 and 3.65 MMT in MY 2013/14.

Consumption:

In contrast to palm oil, which is preferred by food manufactures, PKO is preferred by industrial end users. Oleochemical product manufacturers are the main users of PKO, particularly in the form of RBD PK olein and RBD PK stearin to produce fatty acid, fatty alcohol, and glycerol. The domestic oleochemical industry is the primary driver of increased PKO usage in Indonesia.

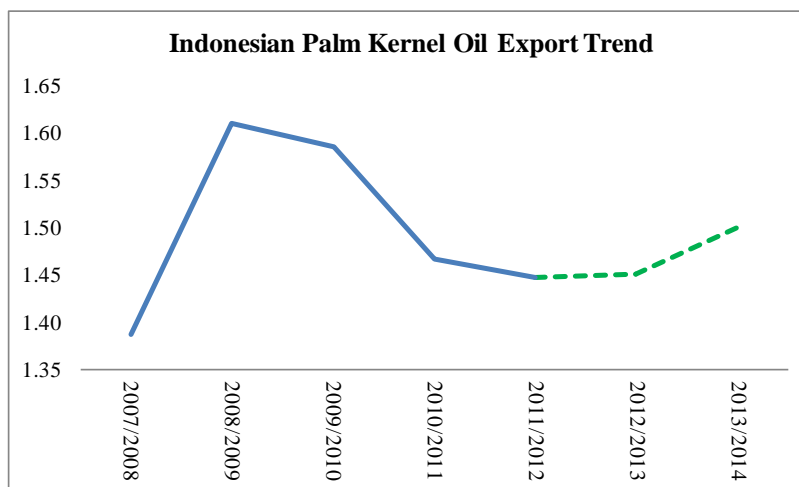


Source: Post's estimation based on export data and installed capacity

Indonesia's oleochemical production grew significantly over the last three years, and Post expects industry usage to remain strong over the next two MY. Domestic consumption of PKO is predicted to increase from 1.9 MMT in MY 2012/13 to 2.26 MMT in MY 2013/2014.

Trade:

The historical data shows that Indonesian PKO exports have declined over the past four marketing years. Large increase in domestic consumption will lead to slow PKO export growth. Post predicts a minor increase in PKO exports from 1.45 MMT in MY 2011/12 to 1.5 MMT in MY 2012/13 and 1.55 MMT in MY 2013/14.



Stocks:

Post predicts a decrease of PKO ending stocks in the next two marketing years due to strong domestic consumption growth. Stocks will decrease from 509,000 MT in MY 2011/12 to 460,000 MT in MY 2012/13. Stocks are also expected to decrease further to 296,000 MT in MY 2013/2014.

Production, Supply and Demand Data Statistics:

Oil, Palm Kernel Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,825	6,905	7,360	7,480		8,140
Extr. Rate, 999.9999	0	0.45	0	0.45		0.45
Beginning Stocks	295	295	366	509		460
Production	2,996	3,100	3,231	3,350		3,650
MY Imports	2	1	2	1		1
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	3,293	3,396	3,599	3,860		4,111
MY Exports	1,546	1,447	1,650	1,500		1,550
MY Exp. to EU	550	277	550	300		350
Industrial Dom. Cons.	1,092	1,150	1,200	1,460		1,650
Food Use Dom. Cons.	289	290	354	440		615
Feed Waste Dom. Cons.	0	0	10	0		0
Total Dom. Cons.	1,381	1,440	1,564	1,900		2,265
Ending Stocks	366	509	385	460		296
Total Distribution	3,293	3,396	3,599	3,860		4,111
1000 MT, PERCENT						

Commodities:

Meal, Palm Kernel

Production:

Similar to PKO, PK supplies going to palm kernel mill determines production of PKM. As mentioned in the palm kernel oilseed section, Indonesia will crush 7.48 MMT and 8.14 MMT of palm kernel in MY 2012/13 and MY 2013/14 respectively. The pressing of palm kernel will yield 45 percent oil and 55 percent meal. Indonesia, therefore, will produce 3.93 MMT and 4.27 MMT of PKM in MY 2012/13 and MY 2013/14 respectively.

Consumption:

Post predicts an increase in PKM domestic consumption from 200,000 MT in MY 2011/2012 to 305,000 MT in MY 2012/2013 and 350,000 MT in MY 2013/2014. Domestic consumption of PKM in Indonesia is both relatively small and limited to ruminant feed use. The effort to increase the use of PKM as a ruminant feed, beef cattle in particular, is constrained by some factors to include

- PKM production requires considerable processing before it is suitable to feed to livestock. High processing costs and a small domestic market for PKM as livestock feed keep levels of processing levels low. Currently, exporting unprocessed PKM is more economically efficient over domestic processing.
- According to BPS census, approximately 98 percent of the total beef cattle population is managed by 5.7 million smallholder farmers. Feedlot operations account for the remaining two percent. The beef cattle managed by smallholder ranchers are grass fed. The use of PKM is limited to a small share of feedlot oriented cattle stakeholders.
- The majority of palm kernel mills (95 percent) are located on the islands of Sumatra and Kalimantan. Conversely, 65 percent of Indonesia's beef cattle are in areas with no palm kernel

mills to include Java, Bali, and Nusa Tenggara. High transportation costs of delivering feed grade, processed PKM from producing area to consuming areas is expensive and inefficient due to poor inter-island logistics. Thus, there is a disincentive for the palm kernel mill operators to orient themselves toward supplying the domestic market. It is more efficient for them to focus on the export market as they only bear delivery cost from the mills to the nearest port of debarkation.

Trade:

Small domestic PKM consumption results in large capacity of Indonesian palm kernel mills to export PKM. The data shows that export of PKM accounted for 91.6 percent of total supply in MY 2011/12. Post predicts that exports of PKM will increase from 3.4 MMT in MY 2011/12 to 3.58 MMT in MY 2012/13 and 3.97 MMT in MY 2013/14.

Stocks:

Ending stocks of PKM is expected to decrease from 155,000 MT in MY 2012/13 to 105,000 MT in MY 2013/2014 due to strong export growth.

Production, Supply and Demand Data Statistics:

Meal, Palm Kernel Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,825	6,905	7,360	7,480		8,140
Extr. Rate, 999.9999	1	0.52	1	0.52		0.52
Beginning Stocks	113	113	35	110		155
Production	3,572	3,600	3,849	3,925		4,270
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	3,685	3,713	3,884	4,035		4,425
MY Exports	3,450	3,403	3,250	3,575		3,970
MY Exp. to EU	1,350	1,684	1,450	1,800		2,000
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	200	200	489	305		350
Total Dom. Cons.	200	200	489	305		350
Ending Stocks	35	110	145	155		105
Total Distribution	3,685	3,713	3,884	4,035		4,425
1000 MT, PERCENT						

Commodities:

Oilseed, Copra

Production:

Coconut production determines the availability of copra in Indonesia. Indonesian coconut production has fluctuated between the ranges of 3.0 to 3.3 MMT copra equivalents in the last thirteen years. Indonesia is expected to produce 3.33 MMT of coconut in MY 2012/13, a 0.65 percent growth over previous MY. Post predicts a minor increase to 3.36 MMT in MY 2013/14.

Post expects stagnant or decreased levels in Indonesian coconut production due to low yields and limited harvested area expansion. Two major factors contribute to the productivity plateau:

- Smallholders account for 98 percent of total coconut plantation area, and they treat coconut production as a backyard crop without practicing proper fertilization and maintenance.
- Slow progress in replanting program to replace unproductive crops (*above 60 years old*). The report from local research institute says that coconut plantation with unproductive crops accounted for 12 percent of 3.75 million hectares coconut area in 2005. Progress in replanting program, however, was dawdling as it reached only 25,391 hectares by the end of 2009 due to budget issues. Consequently, unproductive crops area increased further to 26 percent of 3.8 million hectares planting area in 2011.

The Indonesian copra sector uses 45 to 47 percent of total national coconut production. The aforementioned coconut production estimates imply that Indonesia will produce 1.56 MMT of copra in MY 2012/13. Production of copra will slightly increase to 1.58 MMT in MY 2013/14.

Consumption:

Approximately 92 percent of total annual copra supply is processed into CNO. Indonesian copra mills are expected to process 1.5 MMT and 1.52 MMT of copra in MY 2012/2013 and MY 2013/2014 respectively.

Trade:

Indonesia exported 47,000 MT of copra in MY 2011/2012. Export of copra is expected to stay stable at 50,000 MT in the current and next MY.

Stocks:

Post predicts a stable ending stock level at 52,000 MT in MY 2012/13 and MY 2013/14.



Note:

These photos were taken by Winrock Indonesia during their visit to Minahasa, North Sulawesi in 2012

1. Smallholders' coconut plantation, 2. Traditional smoke drying process of wet coconut flesh
3. A farmer has dried coconut flesh shelled to get copra, 4. Ready-to-be-pressed copra

Production, Supply and Demand Data Statistics:

Oilseed, Copra Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: May 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Trees	0	0	0	0		0
Beginning Stocks	83	83	68	12		12
Production	1,480	1,480	1,600	1,600		1,650
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,563	1,563	1,668	1,612		1,662
MY Exports	31	47	28	50		50
MY Exp. to EU	0	0	0	0		0
Crush	1,460	1,500	1,562	1,540		1,590
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	4	4	10	10		10
Total Dom. Cons.	1,464	1,504	1,572	1,550		1,600
Ending Stocks	68	12	68	12		12
Total Distribution	1,563	1,563	1,668	1,612		1,662

1000 HA, 1000 TREES, 1000 MT

Commodities:

Oil, Coconut

Production:

Copra supplies that go into the copra milling process determine production levels for CNO in Indonesia.

Post, in the copra oilseed section, predicts that Indonesia will process 1.54 MMT and 1.59 MMT of copra in MY 2012/13 and MY 2013/14 respectively. The figures suggest that Indonesia will produce 1.02 MMT of CNO in MY 2012/13. Production of CNO is predicted to slightly increase to 1.05 MMT in MY 2013/14.

Consumption:

Food use of CNO is smaller compared to that of industrial uses, which is due to the relatively high price. Food manufacturers prefer to use CPO to produce cooking oil, margarine, and shortening due to cheaper prices. Industrial users are still willing to use CNO as they can process it into higher-value added oleo products that will be sold at higher prices.

Post predicts domestic use of CNO to increase from 363,000 MT in MY 2011/2012 to 400,000 MT and 448,000 MT in MY 2012/2013 and MY 2013/2014 respectively. Food use of CNO is expected to be constant at 110,000 MT in the next two MY. Higher domestic consumption, therefore, is driven by increased industrial use in the next two MY.

Trade:

CNO is a lauric oil that competes with PKO in the world market. Indonesia's CNO export was on the downtrend within 2007-2011 timeframe from 740,000 MT in 2007 to 570,000 MT in 2011. Ample supplies of PKO at cheaper prices are used in export markets to produce soaps, fatty acid, and other oleo products. International manufacturers import more and more PKO instead of CNO from Indonesia. PKO price registered an annual increase of 13.18 percent within 2007-2011 timeframe. On the other hand, CNO price registered higher annual increase of 13.51 percent in the same timeframe. CNO price, however, stayed at the same level with that of PKO in 2012 and it explained a significant increase in CNO export from 572,388 MT in MY 2010/11 to 831,297 MT in MY 2011/12.

Whether CNO price will stay competitive against PKO price is still questionable. Post, therefore, predicts a CNO export to gradually return to normal level at 600,000 MT both in MY 2012/13 and MY 2013/14.

Stocks:

Post predicts ending stocks will increase from 22,000 MT in MY 2011/12 to 42,000 MT in MY 2012/13 and 44,000 MT in MY 2013/14.

Production, Supply and Demand Data Statistics:

Oil, Coconut Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,460	1,500	1,562	1,540		1,590
Extr. Rate, 999.9999	1	0.66	1	0.66		0.66
Beginning Stocks	226	226	100	22		74
Production	968	990	968	1,020		1,050
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,194	1,216	1,068	1,042		1,124
MY Exports	731	831	600	600		700
MY Exp. to EU	115	244	100	250		250
Industrial Dom. Cons.	180	248	185	258		270
Food Use Dom. Cons.	183	115	183	110		110
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	363	363	368	368		380
Ending Stocks	100	22	100	74		44
Total Distribution	1,194	1,216	1,068	1,042		1,124
1000 MT, PERCENT						

Commodities:

Meal, Copra

Production:

Similar to CNO, levels of milled copra determines the production of CM in Indonesia. Post, in the copra oilseed section, predicts that Indonesia will process 1.54 MMT and 1.59 MMT of copra in MY 2012/13 and MY 2013/14. The figures suggest that Indonesia will produce 504,000 MT of CM in MY 2012/13. Production of CM is predicted to increase to 520,000 MT in MY 2013/14.

Consumption:

Indonesian CM is mainly used as a feed ingredient. The challenges to expand feed use of CM are similar with that of expanding the feed use of PKM. Feed uses of CM are expected to be stagnant at 160,000 MT in the current and next marketing year.

Trade:

Post predicts that higher CM production will be translated into higher Indonesian CM export due to stagnant domestic consumption. Export will increase to 350,000 MT in MY 2012/2013, and it will slightly further increase to 360,000 MT in MY 2013/2014.

Stocks:

Post predicts a constant ending stock at 10,000 MT in MY 2012/2013 and MY 2013/2014.

Production, Supply and Demand Data Statistics:

Meal, Copra Indonesia	2011/2012	2012/2013	2013/2014
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	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,460	1,500	1,562	1,540		1,590
Extr. Rate, 999.9999	0	0.327	0	0.327		0.327
Beginning Stocks	3	3	3	16		11
Production	476	490	509	504		520
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	479	493	512	520		531
MY Exports	299	300	350	350		360
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	177	177	159	159		160
Total Dom. Cons.	177	177	159	159		160
Ending Stocks	3	16	3	11		11
Total Distribution	479	493	512	520		531
1000 MT, PERCENT						

Commodities:

Meal, Soybean

Consumption:

Animal feed production determines the domestic consumption of SBM in Indonesia. Indonesia is expected to produce 14.5 MMT of animal feed in MY 2012/2013. Animal feed production will further increase to 15.35 MMT in MY 2013/2014.

According to Indonesian Feed Miller's Association, the SBM content of poultry feed ranges from 20 to 25 percent. The table below figures out the SBM content for several type of feed produced in Indonesia

Percentage of SBM in Feed Formula		
Poultry	Self-mix	Shrimp & Fish
20-25%	15-20%	15-35%

Animal feed production data and percentage of SBM in feed formula suggest that Indonesian animal feed industry consumed 3.26 MMT in MY 2012/2013 and 3.45 MMT in MY 2013/2014.

Trade:

Indonesia imported 3.27 MMT of SBM in MY 2011/2012. Based on domestic SBM consumption estimates and six weeks inventory turnover, Indonesia will import 3.18 MMT in MY 2012/2013. Lower SBM import estimate in the current MY is due to relatively high carry over stock from last MY. Indonesian SBM import, however, is expected to increase to 3.46 MMT in MY 2013/2014.

Stocks:

Indonesian animal feed producers generally maintain up to two weeks of SBM inventory in their bulk storage. SBM traders can have larger inventories - equal to two and half months of domestic consumption.

Generally, Post assumes a six-week inventory turnover of SBM. Ending stocks of SBM, therefore, will stand at 390,000 MT in MY 2012/2013, and are expected to increase to 400,000 MT in MY 2013/2014.

Production, Supply and Demand Data Statistics:

Meal, Soybean Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	0	0	0	0		0
Extr. Rate, 999.9999	0	0.	0	0.		0.
Beginning Stocks	380	380	540	470		480
Production	0	0	0	0		0
MY Imports	3,278	3,270	3,180	3,270		3,470
MY Imp. from U.S.	175	76	175	80		80
MY Imp. from EU	0	0	0	0		0
Total Supply	3,658	3,650	3,720	3,740		3,950
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	3,118	3,180	3,230	3,260		3,450
Total Dom. Cons.	3,118	3,180	3,230	3,260		3,450
Ending Stocks	540	470	490	480		500
Total Distribution	3,658	3,650	3,720	3,740		3,950
1000 MT, PERCENT						

Commodities:

Oilseed, Soybean

Production:

Indonesian soybean production is predicted to stay constant at 620,000 MT over MY 2012/13 and MY 2013/14). Post noted in the January 2013 Oilseeds Update ([ID1307](#)) that the Government of Indonesia (GOI) recently indicated that it will set farm gate prices (FGP) at IDR 7,000 – 7,500 per kilogram for soybeans to trigger farmers to grow more soybeans. Thus far, the GOI has not made any decisive decisions to make the FGP effectively implemented. GOI believe that FGP will be an effective tool to increase Indonesian soybean production.

If the FGP is implemented before the end of April 2013, the policy may create an impact on MY 2013/2014. Several factors appear to challenge the implementation of a FGP policy on Indonesian soybeans, to include:

- *Soybean seed availability*: the focus of GOI-run plant breeding units is developing breeder and foundation seeds as well as producing and distributing source seeds to commercial seed propagators. The availability of broadcast (*ready-to-grow*) soybean seeds is determined by breeding capacity and distribution networks of commercial soybean seed propagators. In the case of soybeans, all commercial seed propagators are smallholders whose capacity and distribution network tends to be very limited. Whether the farmers have enough soybean seed at the onset of planting season is usually not certain.

- Quality standard that satisfy FGP: similar to FGP for rice, FGP for soybean would likely require certain quality standards that soybean farmers must fulfill in order to sell their harvested soybeans at FGP. The quality standards normally include moisture content, foreign materials, and broken beans. Poor post-harvest handling and infrastructure make soybean quality largely dependent on the weather. The illustration below explains on how harvested soybean quality is sensitive to weather situation
- *Soybean farmers in the Grobogan regency received low returns for their soybeans at IDR 4,500 per kilogram during the harvest time on January 2012. Indonesia is in the peak of rainy season in January. Consequently, high moisture content degraded the quality of soybean due to sub-optimal sun drying process. By contrast, soybean farmers in Grobogan enjoyed much better price at IDR 6,500 per kilogram during the harvest season on December 2012. Their soybean quality was higher due to optimum sun drying process. Based on such experience, soybean farmers in Grobogan prefer to leave their land idle, if they cannot start growing soybean in early October to avoid the harvest time in January.*

The above illustration suggests that FGP cannot automatically trigger the farmers to grow soybeans. Post expects that farmers will leave their land idle or plant other more profitable crops if they believe that they cannot produce soybeans that can be sold at FGP due to weather-related quality issues.

- Low Productivity: The national average soybean yield currently stands at 1.32 MT per hectare, and average planting cost of soybean in Java Island is IDR 11.25 million per hectare.

Planting Cost: IDR 11.25 Million/Ha		Farm Gate Price (IDR/Kg)					
		4,500	5,000	5,500	6,000	6,500	7,000
Yield (Kg/Ha)	1,300	(5.40)	(4.75)	(4.10)	(3.45)	(2.80)	(2.15)
	1,500	(4.50)	(3.75)	(3.00)	(2.25)	(1.50)	(0.75)
	2,000	(2.25)	(1.25)	(0.25)	0.75	1.75	2.75
	2,500	-	1.25	2.50	3.75	5.00	6.25

The abovementioned planting cost and productivity level suggest that soybean's FGP price at IDR 7,000 per kilogram cannot provide positive profit for the farmers. The above table shows that the farmers will earn profit if they can produce 2 MT of soybeans per hectare that are sold at IDR 6,000 per kilogram at minimal.



Remark:

1. Ready-to-harvest soybeans
2. A farmer brings his harvested soybeans for thrashing
3. The lady manually thrashes the soybeans
4. Sun drying of soybeans

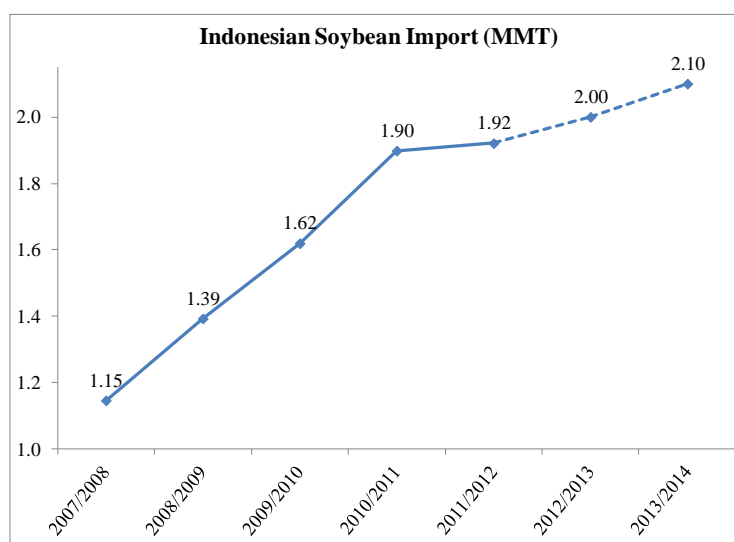
Notes: The pictures were taken by FAS Jakarta staff during the harvest season of soybeans in Grobogan Regency, Central Java at the end of December 2012.

Consumption:

Tempe and tofu makers remain the largest soybean end users in Indonesia. They account for nearly 90 percent of total domestic use of soybeans. Tempe and tofu are staple foods and their consumption grows in parallel with population growth. Total soybean consumption, therefore, is not expected to grow at a robust rate. Post expects Indonesia will consume 2.6 MMT soybeans in MY 2012/13, a 3.5 percent increase over the previous MY. Domestic consumption of soybeans will slightly increase to 2.675 MMT in MY 2013/14.

Trade:

Indonesian soybean imports were 1.92 MMT in MY 2011/12, a slight increase of 1.26 percent. Stagnant domestic production growth suggests that levels of Indonesian imports will follow moderate uptrend of domestic soybean consumption. Post anticipates that Indonesia's soybean import growth rate will become much more moderate compared to that within 2007-2011 timeframe.



Indonesian soybean imports are predicted to reach 2 MMT in MY 2012/2013, and it will further increase to 2.1 MMT in MY 2013/2014.

Stocks:

Ending stocks declined by 17,000 MT to 51,000 MT in MY 2011/2012 as the importers have become cautious with regard to holding high levels of stocks following price volatility in MY 2011/2012. Moreover, GOI officials make regular threats about importers “hording” stocks, which could result in criminal prosecution.

Soybean ending stocks are predicted to further decline to 41,000 MT in MY 2012/2013 due to price and regulatory volatility this year. Should the soybean prices stabilize, and the regulatory environment stabilizes, domestic soybean ending stocks could reach 51,000 MT in MY 2013/14.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	550	550	550	550		550
Area Harvested	450	450	450	450		450
Beginning Stocks	68	68	51	51		41
Production	620	620	620	620		620

MY Imports	1,922	1,922	2,000	2,000		2,100
MY Imp. from U.S.	1,756	1,756	1,850	1,775		1,850
MY Imp. from EU	0	0	0			0
Total Supply	2,610	2,610	2,671	2,671		2,761
MY Exports	1	1	1			1
MY Exp. to EU	0	0	0			0
Crush	0	0	0			0
Food Use Dom. Cons.	2,512	2,512	2,600	2,600		2,675
Feed Waste Dom. Cons.	46	46	29	30		30
Total Dom. Cons.	2,558	2,558	2,629	2,630		2,705
Ending Stocks	51	51	41	41		55
Total Distribution	2,610	2,610	2,671	2,671		2,761
1000 HA, 1000 MT						

Commodities:

Oilseed, Peanut

Production:

Indonesian peanut production growth has decreased over the past 9 years. Based on historical trends, Post predicts that the production will continue to decline by approximately 1.5 percent in MY 2012/13 and MY 2013/14.

Indonesian peanut production is expected to decline from 1.165 MMT peanut in shell equivalent in MY 2011/12 to 1.145 MMT in MY 2012/13. The production will further decline to 1.125 MMT in MY 2013/14. Limited availability of good planting material is a major factor in farmers' inability to keep peanut farming viable. Consequently, harvested area of peanuts has been declined by an average of 2.63 percent over the past 8 years.

Consumption:

Indonesian peanut consumption for food reached 1.35 MMT *peanut-in-shell equivalents* in MY 2011/2012. The figure implies that Indonesian peanut consumption per capita stayed at approximately 5.5 kilogram per year in MY 2011/2012. Post believes that peanut consumption per capita will stay constant in the next two marketing years. Population growth, therefore, will largely determine food use growth of peanut in Indonesia. Refer to annual population growth of 1.49 percent; Indonesian peanut consumption for food will increase to 1.365 MMT in MY 2012/2013; and 1.405 MMT in MY 2013/2014. Big food manufacturers such as PT. Garuda, PT. Dua Kelinci, Orang Tua Group, and PT. Mitra Foods account for 65 percent of total food uses of peanuts in Indonesia.

Feed use of peanuts is predicted to stay constant at around 30,000 MT both in the current and the next marketing year. Peanut oil is no longer commonly used as cooking oil due to the growing use of palm oil in Indonesia. Indonesian peanut supply that goes to peanut mill is predicted to stay constant at 65,000 MT in the next two marketing years.

