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Required Report - public distribution

Date: 4/11/2012

GAIN Report Number: ID1210

Indonesia

Oilseeds and Products Annual

2012

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Report Highlights:

- Post expects that the forest moratorium implemented in 2011 will not broadly impact Indonesia's crude palm oil production (CPO) during the next two marketing years. Indonesian CPO production reached 23.6 million metric ton (MMT) in marketing year (MY) 2010/2011. The production will increase to 25 MMT in MY 2011/2012; and 26.4 MMT in MY 2012/2013. Ninety percent of the additional CPO production derives from expanded production areas, with yield improvement accounting for the remaining 10 percent.
- Estimated CPO production figures imply that Indonesia will produce 109 MMT of fresh fruit bunches (FFB) in MY 2011/2012; and 116 MMT of FFB in MY 2012/2013. Thus, Indonesia is expected to produce 6.55 MMT of palm kernel (PK), 2.9 MMT of palm kernel oil (PKO), and 3.55 MMT of palm kernel meal (PKM) in MY 2011/2012 and 7 MMT of PK, 3.13 MMT of PKO, and 3.8 MMT of PKM in MY 2012/2013.
- Indonesian copra production will slightly increase from 1.46 MMT in MY 2010/2011 to 1.48 MMT in MY 2011/2012 due to supportive weather. Should the weather remain supportive in current marketing year, copra production will further increase more significantly to 1.6 MMT in MY 2012/2013.
- Estimated copra production figures conclude that Indonesia will produce 900,000 metric ton (MT) of coconut oil (CNO) and 475,000 MT of copra meal (CM) in MY 2011/2012 and 970,000 MT of CNO and 495,000 MT of CM in MY 2012/2013.
- Indonesian soybean meal (SBM) consumption will increase from 3 MMT in MY 2010/2011 to 3.3 MMT in MY 2011/2012 due to higher animal feed production. Post predicts a further increase in SBM domestic consumption to 3.5 MMT in MY 2012/2013.

Commodities:

Oil, Palm

Production:

Indonesian CPO production is predicted to increase from 23.6 MMT in MY 2010/2011 to 25 MMT in MY 2011/2012. Post predicts that CPO production will further rise to 26.4 MMT in MY 2012/2013. Ninety percent of increased CPO production derives from area expansion, with the remaining ten percent attributed to minor yield improvements.

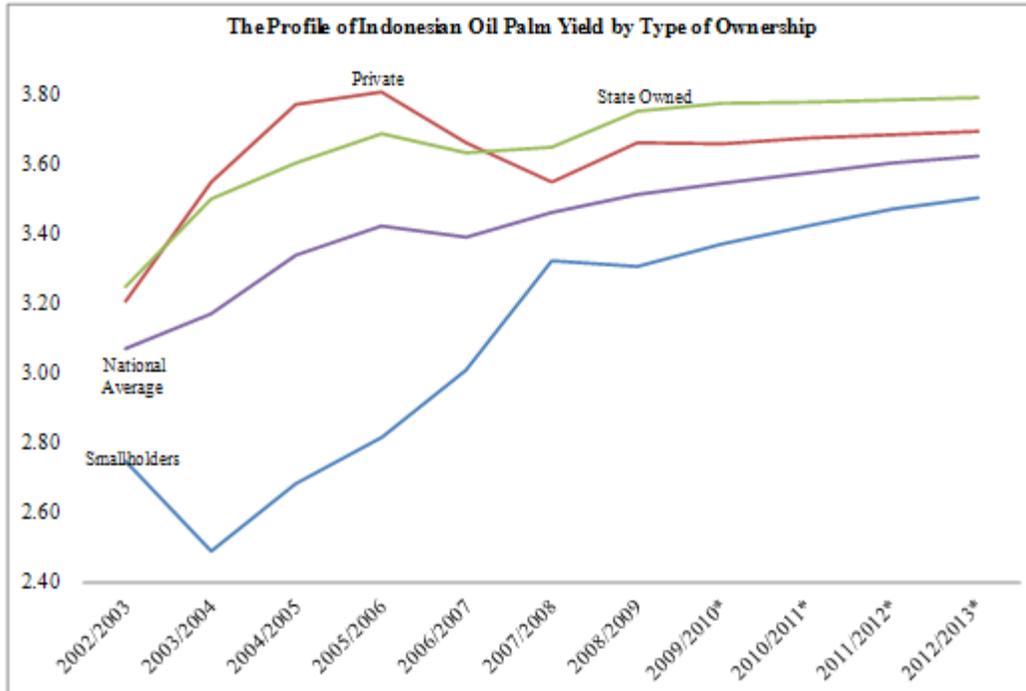
Area Harvested

Indonesian oil palm area harvested is predicted to increase from 6.59 million hectares in MY 2010/2011 to 6.93 million hectares in MY 2011/2012. The area harvested will further increase to 7.28 million hectares in MY 2012/2013. Calculations of Indonesian oil palm area harvested growth takes into account the following variables:

- Planted area growth from 1970 to 2010. The timeframe indicates that the forest moratorium, which has been implemented since 2011, has not impacted oil palm area harvested expansion in MY 2011/2012 and MY 2012/2013.
- During the typical life of an Indonesian oil palm tree, harvest begins during the fourth year and ends around the 25th year. The impact of the forest moratorium on oil palm planted area growth will likely become more apparent in MY 2013/2014.
- The data released by the Government of Indonesia's (GOI) survey of annual crop damage by area cover the years between 1999 and 2010. Data from 1998 and years prior are currently not available.

Yield

Smallholder yields have become a major challenge to maintaining robust growth of Indonesian CPO production. Smallholder yields are trending up, but levels are still below the previous nine years, per the national average. The performance of smallholder planters is expected to stay below the curve over the next two marketing years.



Source: Indonesian Palm Oil Statistic 2011 and Post's Estimation

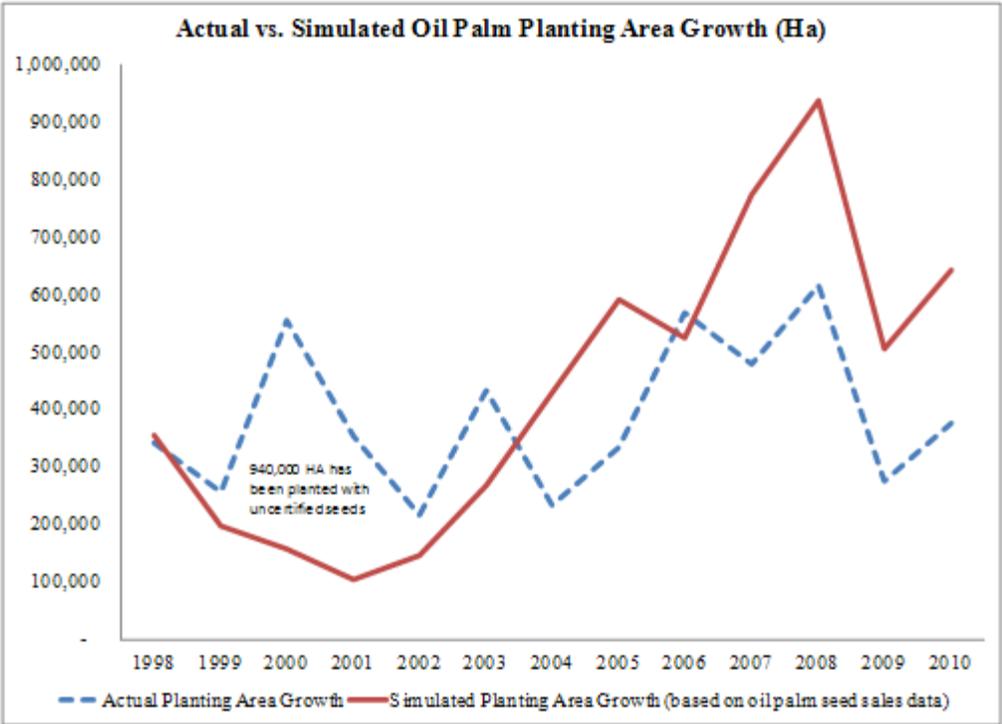
Post analyzes the factors that lead to productivity gaps among smallholder, private, and state-owned oil palm plantations. The analysis looks at three key factors which contribute to high-yield oil palm crops, to include 1. maturity profile, 2.the adoption of best management practices (BMP), and 3. the quality of planting materials. While weather and soil types are also critical, they are excluded from the current analysis for the sake of brevity. Results of assessment are summarized in the matrix below:

Factors contribute to yield improvement	Contribution to yield improvement in oil palm plantation by category		
	Smallholders	Private	State-Owned
Maturity Profile	Supportive	Less Supportive	Supportive
Best Management Practices	Less Supportive	Supportive	Supportive
Planting Materials	Less Supportive	Supportive	Supportive

The standard yield curve suggests that oil palm trees will enter peak production levels during years 8 – 13. A larger area harvested, during production peaks, should result in higher CPO yields. Post estimates that the percentage of Indonesia's oil palm trees will be in peak production in MY 2011/2012 and MY 2012/2013 per the table below:

Marketing Year	Smallholders	Private	State-Owned
2011/2012	46 %	16%	38%
2012/2013	46 %	17%	40%

The table indicates that smallholders and state-owned plantations should see positive yield growth due to a larger share of trees coming into peak production. Smallholder yields, however, should remain below national average, due to lower BMP adoption and widespread use of low quality oil palm seeds. Post estimates that 940,000 hectares of smallholder oil palm planting area were planted with low quality seeds during the 1999-2003 timeframe¹. Smallholders manage 3.08 million hectares of planting area in 2010. Estimates indicate that 30 percent of total smallholders' areas were planted with low quality seeds in 2010.



Source: Indonesian Palm Oil Statistic 2011 and Post's Estimation

Private plantations have a smaller share of area harvested during the peak production period. The adoption of high level of BMP and the use of certified oil palm seeds, however, help them to register higher yield than that of smallholder plantations.

State-owned oil palm plantations register the highest yield as the three key components that are required to produce high yield crops are supportive. Their contribution to national average yield, however, is

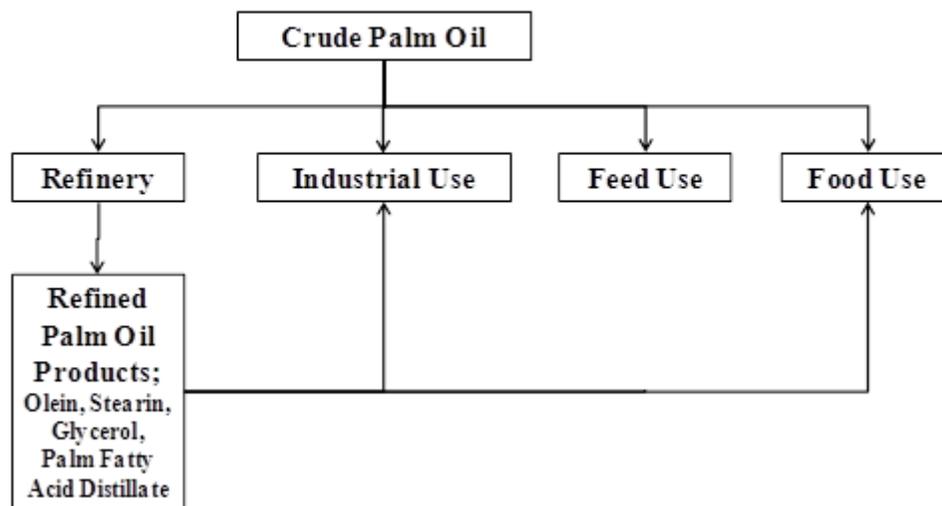
¹ The estimation is based on methodology developed by researchers from one of Indonesian major palm oil producers and Bogor Agricultural University (IPB). Simulated annual planting area growth is obtained by dividing annual oil palm seed sales volume from 1997 to 2009 by standard seed requirement of 200 seeds per hectare. Actual annual planting area growth refers to government official data from 1998 to 2010. Oil palm seeds need to be planted in nurseries for 6 – 12 months before they can grow in the field. This agronomical characteristic explains the difference in timeframe between oil palm seed sales volume and actual planting area data.

minor as their harvesting area accounts for less-than 4 percent of the total oil palm harvesting area in Indonesia.

Consumption:

Domestic users consume both CPO and refined palm oil (RPO) products. Refineries and feed manufacturers are the direct user of CPO. Producers of palm oil based food and industrial products can directly use CPO and/or use RPO produced by refineries. Food manufacturers use RPO such as olein, stearin, and palm fatty acid distillate to produce cooking oil, shortening, and margarine. Oleochemical producers use RPO products to make fatty acid, fatty alcohol, and glycerol. Biodiesel makers also process RPO products into fatty acid methyl ester.

Indonesian Domestic Palm Oil Use Pattern



Growing domestic demand for palm oil based food products, animal feed, oleochemical products, and continuous government support to Indonesia biodiesel program will increase domestic use of palm oil in Indonesia. Post predicts an increase of Indonesian palm oil domestic consumption from 6.77 MMT in previous marketing year to 7.26 MMT in MY 2011/2012 and 7.71 MMT in MY 2012/2013.

Trade:

Combined Indonesian exports of CPO and RPO decreased by 3.21 percent in 2010 over 2009, from 16.83 MMT to 16.29 MMT respectively. In 2011, RPO exports rebounded slightly with a 0.92 percent increase to 16.44 MMT. The data indicates that Indonesian RPO export levels have been relatively stagnant over the past three years.

Marketing Year	Export (Metric Ton)	Calendar Year	Export (Metric Ton)
2000/2001	4,543,582	2001	4,903,216
2001/2002	5,979,069	2002	6,333,707
2002/2003	6,421,979	2003	6,386,410
2003/2004	7,855,663	2004	8,661,646
2004/2005	9,620,770	2005	10,376,188
2005/2006	11,695,785	2006	12,100,922
2006/2007	11,419,381	2007	11,875,422
2007/2008	13,969,843	2008	14,290,684
2008/2009	15,963,752	2009	16,829,204
2009/2010	16,573,337	2010	16,291,866
2010/2011	16,422,974	2011	16,436,202

Stagnant

Source: GTIS

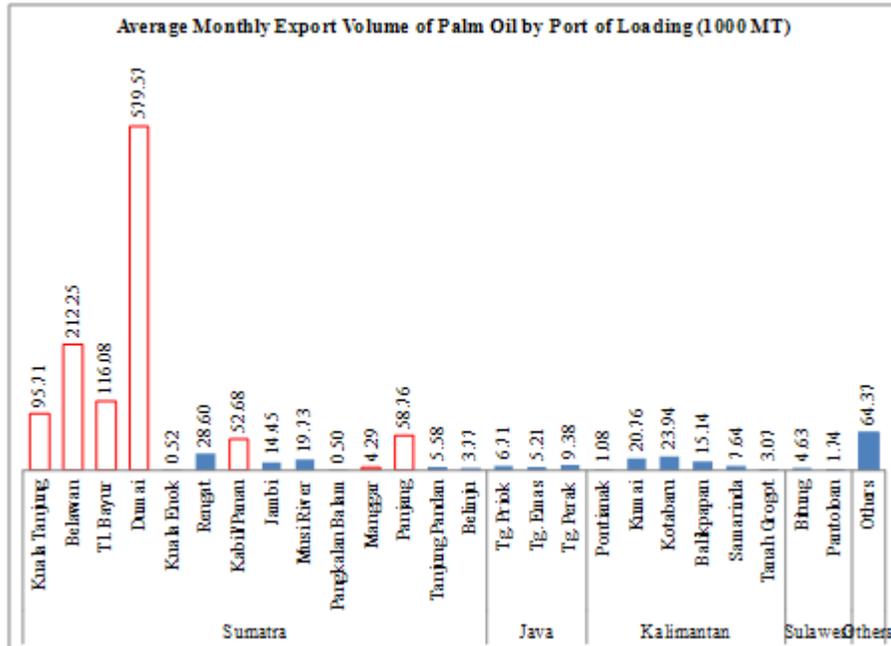
Post predicts that Indonesia will export 17.5 MMT and 18.5 MMT of palm oil in MY 2011/2012 and MY 2012/2013 respectively. The following factors will be critical in determining whether Indonesian palm oil exports reach the predicted level:

1. The development of export infrastructure development must keep up with strong palm oil production growth.
2. The pace of domestic consumption growth.
3. The Pakistan-Indonesia FTA and its impact on Indonesian palm oil exports to Pakistan.

Palm oil producers in Kalimantan face the toughest logistical challenges in exporting their products. They produced 4.79 MMT of palm oil in 2010. Export volumes however, stand at only 18 percent of total production. By contrast, Sumatran producers exported 86 percent of their production in the same year.

As mentioned in the March 2012 Indonesian Oilseed Update, the most significant palm oil ports for exporting are located in Sumatra. Sumatran palm oil producers can use big vessels with the capacity to carry 40,000 MT of palm oil. Producers in Kalimantan, however, can only use small vessels as Kalimantan has not yet developed deep water seaports.

The limited export capacity of the seaports in Kalimantan is reflected in monthly palm oil export traffic data. The graphic below shows that average monthly palm oil export volume of six seaports in Kalimantan reached 12,000 MT in 2010. The volume is smaller compared to palm oil export traffic in Sumatran non-major seaports that reached 14,000 MT per month in the same year.



Note: red bar refer to major palm oil port of exports in Indonesia

Source: Indonesian Palm Oil Statistic 2011 (recalculated)

Palm oil producers in Kalimantan have several options available for overcoming the limited infrastructural capacity of the seaports:

1. Ship palm oil to Sumatra and export via major seaports (Dumai and Belawan). This option subjects Kalimantan shippers to high domestic shipping costs.
2. Exporting palm oil via Tawau seaport in Sabah, Malaysia.
3. Focus on satisfying domestic demand in Kalimantan and Java. Of which 82 percent palm oil production in Kalimantan was consumed domestically in 2010. The figure suggests that the third option is currently the most optimal strategy for Kalimantan palm oil producers. There are 44 cooking oil manufacturers and three big oleo-chemical producers operated in Kalimantan and Java. It is more efficient for Kalimantan palm oil producers to focus on supplying those manufacturers and producers.

The provincial government of East Kalimantan initiated the development of an International Industrial Zone and Seaport of Maloy in 2010. It has since allocated 22 billion rupiah to secure the land for the seaport. Development of Maloy is expected to create a significant increase in Kalimantan's capacity to export palm oil. However, completion of the project may take years as it requires significant funding support from the GOI and large private sector involvement.

Stocks:

Export logistical challenges, combined with growing palm oil production, is expected to increase ending stock level from 672,000 MT in MY 2010/2011 to 945,000 MT in MY 2011/2012 and 1.17 MMT in MY 2012/2013.

Production, Supply and Demand Data Statistics:

Oil, Palm Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	0	6,590	0	6,930		7,280
Trees	0	988,500,000	0	1,039,500		1,092,000
Beginning Stocks	242	242	798	672		945
Production	23,600	23,600	25,400	25,000		26,400
MY Imports	23	23	35	33		35
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	23,865	23,865	26,233	25,705		27,380
MY Exports	16,422	16,423	17,950	17,500		18,500
MY Exp. to EU	4,100	2,133	4,500	2,820		2,900
Industrial Dom. Cons.	1,700	1,565	2,150	2,000		2,200
Food Use Dom. Cons.	4,775	4,785	4,800	4,800		5,000
Feed Waste Dom. Cons.	170	420	176	460		510
Total Dom. Cons.	6,645	6,770	7,126	7,260		7,710
Ending Stocks	798	672	1,157	945		1,170
Total Distribution	23,865	23,865	26,233	25,705		27,380

1000 HA, 1000 TREES, 1000 MT

Commodities:

Oilseed, Palm Kernel

Production:

FFB yields determine domestic production levels of PK. Estimated CPO production figures of 25 MMT in MY 2011/2012 and 26.4 MMT in MY 2012/2013, in combine with a 23 percent of oil extraction rate (OER) assumption, suggest that Indonesia will produce 109 MMT of FFB in MY 2011/2012 and 116 MMT of FFB in MY 2012/2013. PK accounts for about 6 percent of total FFB weight. Production of PK, therefore, will reach 6.55 MMT in MY 2011/2012 and 7 MMT in MY 2012/2013.

Consumption:

PK mill plants process their supplies into PKO. Post predicts that they will process 6.45 MMT and 6.95 MMT of PK in MY 2011/2012 and MY 2012/2013 respectively. The rest of PK supply ends up as an ending stock.

Stocks:

Ending stocks of palm kernel will increase from 165,000 MT in MY 2011/2012 to 215,000 MT in MY 2012/2013.

Production, Supply and Demand Data Statistics:

Oilseed, Palm Kernel Indonesia	2010/2011	2011/2012	2012/2013
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	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0			
Area Harvested	3,750	6,590	4,050	6,930		7,280
Trees	0	988,500,000	0	1,039,500		1,092,000
Beginning Stocks	40	40	65	65		165
Production	6,200	6,200	6,700	6,550		7,000
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	6,240	6,240	6,765	6,615		7,165
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	6,105	6,175	6,525	6,450		6,950
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	70	0	80	0		0
Total Dom. Cons.	6,175	6,175	6,605	6,450		6,950
Ending Stocks	65	65	160	165		215
Total Distribution	6,240	6,240	6,765	6,615		7,165

1000 HA, 1000 TREES, 1000 MT

Commodities:

Oil, Palm Kernel

Production:

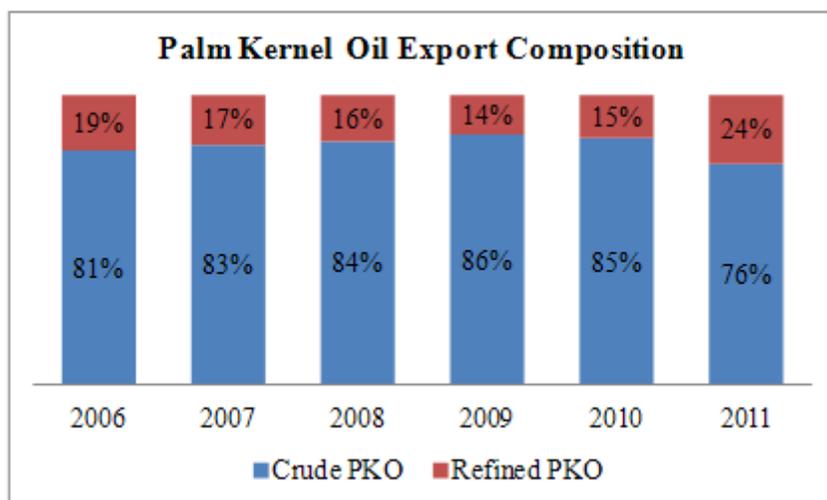
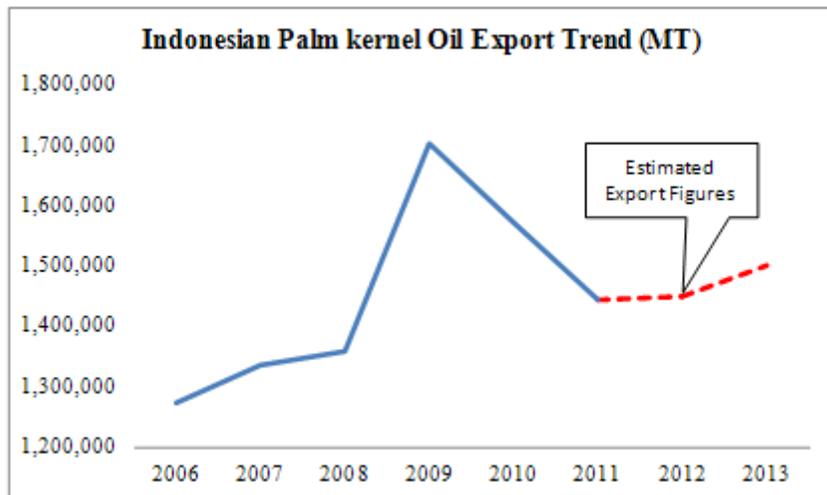
PK supplies dedicated to palm kernel mill determines production of PKO. As mentioned above, Indonesia will crush 6.45 MMT and 6.95 MMT of palm kernel in MY 2011/2012 and MY 2012/2013 respectively. Oil content of palm kernel that can reach 45 percent suggests that Indonesian PKO production will reach 2.9 MMT in MY 2011/2012 and 3.13 MMT in MY 2012/2013.

Consumption:

Domestic consumption of PKO is predicted to increase from 1.2 MMT in MY 2010/2011 to 1.45 MMT in MY 2011/2012. Post predicts a further increase of PKO consumption to 1.65 MMT in MY 2012/2013.

Trade:

Large increase in domestic consumption will lead to slow PKO export growth. The historical data shows that Indonesian PKO exports are declining in the last three years. Post predicts a minor increase in PKO exports, from 1.467 MMT in MY 2010/2011 to 1.5 MMT in MY 2011/2012 and 1.55 MMT in MY 2012/2013.



Source: GTIS

New export duty scheme (implemented in August 2011) imposes lower tax rates for refined PKO products (please see Indonesian Oilseed Update November 2011 for detailed explanation of new export duty scheme). The scheme, therefore, will theoretically encourage higher exports of refined PKO products. Export share of refined PKO increased from 15% in 2010 to 24% of total PKO export in 2011.

Stocks:

Post predicts a decrease of PKO ending stock in the next two marketing years due to strong domestic consumption growth. Stock will decrease from 325,000 MT in MY 2010/2011 to 280,000 MT in MY 2011/2012. Stock is expected to further decrease to 215,000 MT in MY 2012/2013.

Production, Supply and Demand Data Statistics:

Oil, Palm Kernel Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,105	6,200	6,525	6,450		6,950
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	200	200	295	325		280
Production	2,680	2,790	2,860	2,900		3,130
MY Imports	2	2	2	5		5
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	2,882	2,992	3,157	3,230		3,415
MY Exports	1,467	1,467	1,540	1,500		1,550
MY Exp. to EU	550	371	550	375		380
Industrial Dom. Cons.	850	970	1,082	1,150		1,300
Food Use Dom. Cons.	270	230	285	300		350
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	1,120	1,200	1,367	1,450		1,650
Ending Stocks	295	325	250	280		215
Total Distribution	2,882	2,992	3,157	3,230		3,415
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 6.45 MMT and 6.95 MMT of palm kernel in MY 2011/2012 and MY 2012/2013 respectively. The pressing of palm kernel will produce 45 percent of oil and 55 percent of meal. Indonesia, therefore, will produce 3.55 MMT and 3.8 MMT of PKM in MY 2011/2012 and MY 2012/2013 respectively.

Consumption:

Post predicts an increase in PKM domestic consumption from 350,000 MT in MY 2010/2011 to 396,000 MT in MY 2011/2012 and 446,000 MT in MY 2012/2013. Domestic consumption of PKM in Indonesia is both relatively small and limited to feed use. Biological and physical characteristic of PKM that require additional treatment before it is ready for feed use prevents domestic feed producers from using PKM in large quantities. The first treatment is removing palm kernel shell as it can hurt digestive organs of livestock. The second treatment is fermentation using enzyme to increase digestibility and bioavailability of PKM. Fermentation using enzyme is quite expensive thereby increasing feed production cost.

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 87 percent of total production in MY 2010/2011. Post believes export to production ratio will stay constant in the next two marketing years. Export of PKM, therefore, will increase from 2.95 MMT in MY 2010/2011 to 3.15 MMT in MY 2011/2012 and 3.35 MMT in MY 2012/2013.

Stocks:

Ending stock of PKM is expected to increase from 292,000 MT in MY 2010/2011 to 297,000 MT in MY 2011/2012 and 302,000 MT in MY 2012/2013 due to small domestic consumption growth.

Production, Supply and Demand Data Statistics:

Meal, Palm Kernel Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,105	6,200	6,525	6,450		6,950
Extr. Rate, 999.9999	1	1	1	1		1
Beginning Stocks	192	192	138	292		297
Production	3,245	3,400	3,465	3,550		3,800
MY Imports	0	0	0	1		1
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	3,437	3,592	3,603	3,843		4,098
MY Exports	2,949	2,950	3,060	3,150		3,350
MY Exp. to EU	1,364	1,364	1,350	1,435		1,530
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	350	350	413	396		446
Total Dom. Cons.	350	350	413	396		446
Ending Stocks	138	292	130	297		302
Total Distribution	3,437	3,592	3,603	3,843		4,098
1000 MT, PERCENT						

Commodities:

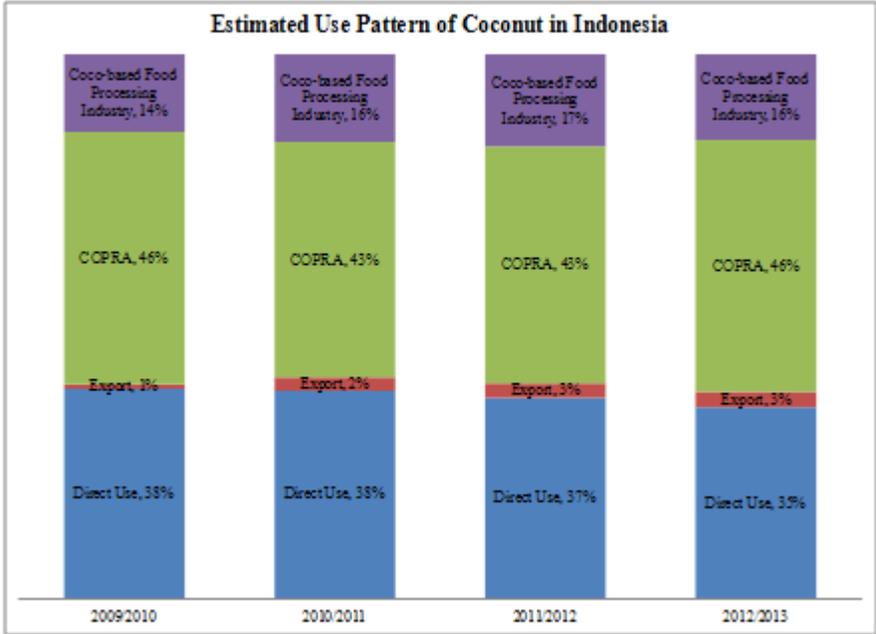
Oilseed, Copra

Production:

Total *un-husked but in shell coconut* (coconut) production and other type of coconut use determine coconut supply for copra production. The productivity of coconut trees in Indonesia is relatively low and the trees are sensitive to weather conditions. Smallholders are dominant in coconut production, as they account for 98 percent of total planting area. Most producers treat their coconut trees as a backyard crops and apply minimal levels of fertilizer, conduct regular crop maintenance, and tend to use low quality planting materials.

Post Oilseed Update March 2012 explained that above normal rainfall in 2010 decreased coconut production in the previous marketing year. Supportive weather in 2011 is expected to slightly increase

coconut production to 3.48 MMT in MY 2011/2012. Should the weather stay normal in the current marketing year, coconut production would reach 3.5 MMT in MY 2012/2013. Higher coconut production will lead to larger coconut supply for copra production. Post predicts that Indonesian copra production will increase from 1.46 MMT in MY 2010/2011 to 1.48 MMT in MY 2011/2012 and 1.6 MMT in MY 2012/2013.



Source: Post's Estimation

Copra and direct household consumption account for 80 percent of total coconut production in Indonesia. The use of coconut for copra is common in Kalimantan, Sumatra, and eastern part of Indonesia such as Sulawesi, Maluku, and Papua. Direct use of coconut for human consumption is widespread in Java. Households in Java use coconut to produce fresh coconut milk, traditional cakes/foods, iced coconut deserts, and many other usages.



Source: FAS Jakarta Java Island Trip Feb 2012

Remark: coconut market in District Prembun, Kebumen Regency, Central Java. The farmers, which also grow rice, bring their harvested coconut to the market early in the morning. They will meet with coconut traders from other regencies in Central Java and Yogyakarta. The traders then will transport coconuts using small-medium trucks to destination areas. Farmers and traders coconut transaction will dismiss at 8 am.

While the percentage is still relatively small, coconut exports increased significantly from 110 million coconuts in MY 2009/2010 to 310 million coconuts in MY 2010/2011. Post predicts that export of coconut will further increase to 400 million coconuts in MY 2011/2012 and 450 million coconuts in MY 2012/2013. Coconut-based food manufacturers that use 16 percent of total coconut supply have proposed to Ministry of Trade since last year for the imposition of coconut export tax at 200 – 300 rupiah per coconut. The manufacturers become concerned that growing export of coconut will disturb their raw material supply.

Consumption:

Approximately 92 percent of total annual copra supply is processed into CNO. Indonesian copra mills are expected to process 1.45 MMT and 1.55 MMT of copra in MY 2011/2012 and MY 2012/2013.

Trade:

Higher copra production should increase copra availability for exports. Indonesia will register higher copra export from 35,000 MT in MY 2010/2011 to 38,000 MT in MY 2011/2012 and 40,000 MT in MY 2012/2013.

Stocks:

An estimated increase in copra production in MY 2011/2012 cannot fully compensate decreased production in the previous marketing year. As a result, ending stock is predicted to decline by 8,000 MT to 85,000 MT in MY 2011/2012, and it will recover to 95,000 MT in MY 2012/2013.

Production, Supply and Demand Data Statistics:

Oilseed, Copra Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	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	173	173	83	93		85
Production	1,460	1,460	1,480	1,480		1,600
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	1,633	1,633	1,563	1,573		1,685
MY Exports	35	35	31	38		40
MY Exp. to EU	0	0	0	0		0

Crush	1,511	1,505	1,460	1,450		1,550
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	4	0	4	0		0
Total Dom. Cons.	1,515	1,505	1,464	1,450		1,550
Ending Stocks	83	93	68	85		95
Total Distribution	1,633	1,633	1,563	1,573		1,685
1000 HA, 1000 TREES, 1000 MT						

Commodities:

Oil, Coconut

Production:

Copra supply that goes to copra mill determines production of CNO in Indonesia. Post, in the copra oilseed section, predicts that Indonesia will process 1.45 MMT and 1.55 MMT of copra in MY 2011/2012 and MY 2012/2013 respectively. The figures suggest that Indonesia will produce 900,000 MT of CNO in MY 2011/2012. Production of CNO is predicted to further increase to 970,000 MT in MY 2012/2013.

Consumption:

Food use of CNO is smaller compared to that of industrial uses, which is due to the relatively high price. Industrial users process it into higher-value added products that will be sold at higher prices. Post predicts domestic use of CNO to decline from 428,000 MT in MY 2010/2011 to 390,000 MT in MY 2011/2012 due to lower food use. Food use of CNO is expected to further decline to 110,000 MT in MY 2012/2013. Significant increase in industrial use of CNO, however, helps total domestic consumption to recover to 430,000 MT in MY 2012/2013.

Trade:

Limited production growth, combined with growing industrial demand for CNO, will result in small room for robust CNO export growth. Post predicts an export to grow slowly from 572,000 MT in MY 2010/2011 to 580,000 MT in MY 2011/2012. Increase in CNO production will lead to higher export growth to 595,000 MT in MY 2012/2013.

Stocks:

Post predicts an ending stock to experience the downtrend from 198,000 MT in MY 2010/2011 to 128,000 MT in MY 2011/2012 and 73,000 MT in MY 2012/2013. The downtrend reflects limited production growth and growing domestic and foreign demand for CNO.

Production, Supply and Demand Data Statistics:

Oil, Coconut Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,511	1,505	1,460	1,450		1,550
Extr. Rate, 999.9999	1	1	1	1		1

Beginning Stocks	258	258	226	198		128
Production	968	940	968	900		970
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	1,226	1,198	1,194	1,098		1,098
MY Exports	572	572	552	580		595
MY Exp. to EU	110	123	125	120		125
Industrial Dom. Cons.	255	255	250	275		320
Food Use Dom. Cons.	173	173	192	115		110
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	428	428	442	390		430
Ending Stocks	226	198	200	128		73
Total Distribution	1,226	1,198	1,194	1,098		1,098
1000 MT, PERCENT						

Commodities:

Meal, Copra

Production:

Similar to CNO, copra supply that goes to copra mill determines production of CM in Indonesia. Post, in the copra oilseed section, predicts that Indonesia will process 1.45 MMT and 1.55 MMT of copra in MY 2011/2012 and MY 2012/2013. The figures suggest that Indonesia will produce 475,000 MT of CM in MY 2011/2012. Production of CM is predicted to increase to 495,000 MT in MY 2012/2013.

Consumption:

According to Asian and Pacific Coconut Community (APCC), Indonesian CM consumption has been increasing at around 3 percent per year in the last five years. The annual growth rate suggests that domestic feed use of CM will increase from 290,000 MT in MY 2011/2012 to 300,000 MT in MY 2012/2013.

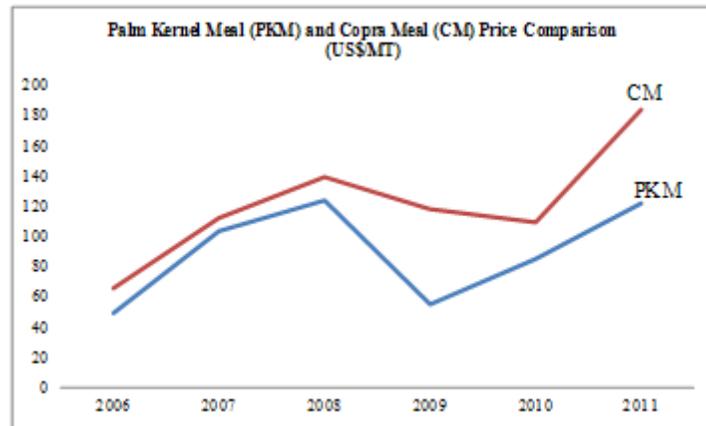
Trade:

Indonesian CM export has been decreasing in the last five years. Post predicts that Indonesian CM export performance will nearly stagnant in the next two marketing years. Export will slightly increase from 185,000 MT in MY 2011/2012 to 195,000 MT in MY 2012/2013.

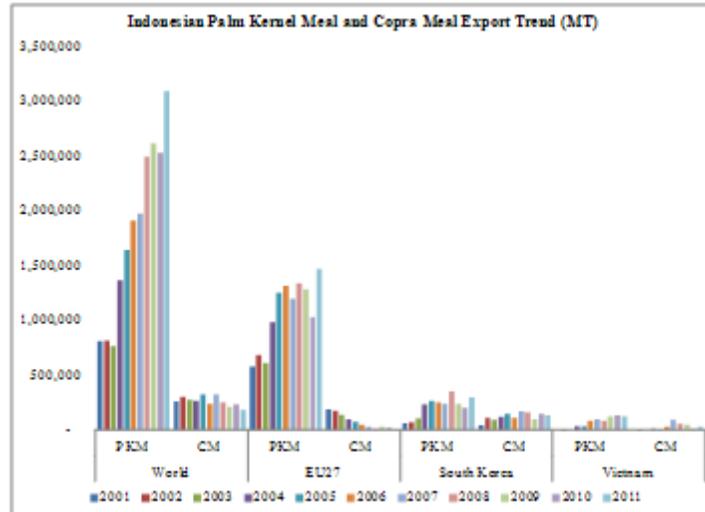


Source: GTIS

Tougher competition from PKM, in addition to limited production growth, has become the factor that contributes to stagnant CM export performance. Indonesian strong palm oil production growth produces abundant supply of PKM at cheaper price. Consequently, major importing countries such as Europe, South Korea, and Vietnam are replacing CM with PKM.



Source: GTIS



Source: GTIS

European countries and Vietnam have been significantly replacing CM with PKM in the last 11 years. South Korea, however, prefers to gradually replace CM with PKM during the same timeframe.

Stocks:

Post predicts a constant ending stock at 5,000 MT in MY 2011/2012 and MY 2012/2013.

Production, Supply and Demand Data Statistics:

Meal, Copra Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,511	1,505	1,460	1,450		1,550
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	3	3	3	5		5
Production	493	480	476	475		495
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	496	483	479	480		500
MY Exports	188	188	200	185		195
MY Exp. to EU	0	7	0	7		8
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	305	290	276	290		300
Total Dom. Cons.	305	290	276	290		300
Ending Stocks	3	5	3	5		5
Total Distribution	496	483	479	480		500

1000 MT, PERCENT

Commodities:

Meal, Soybean

Consumption:

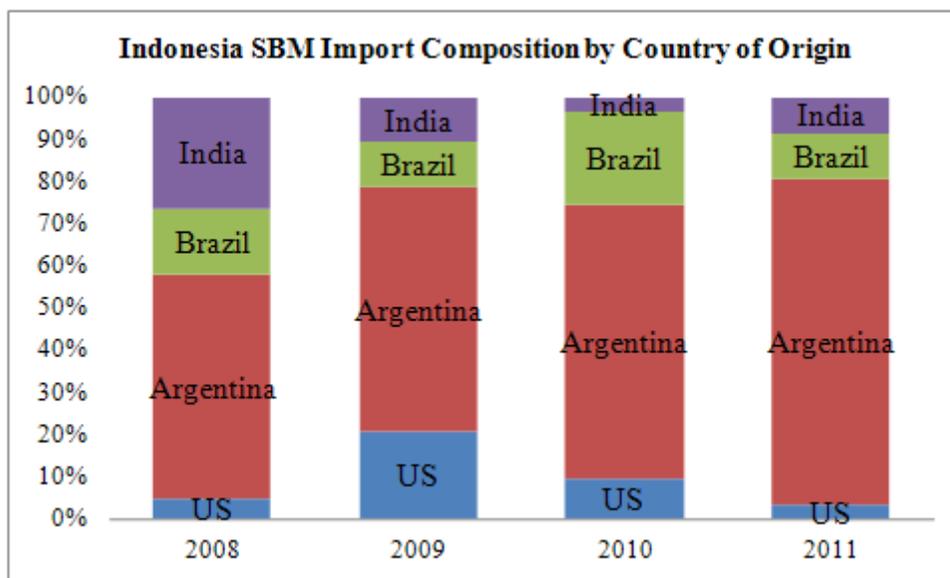
Animal feed production mainly determines domestic consumption of SBM in Indonesia. According to Indonesian Feed Miller Association (GPMT), animal feed production will increase from 11.2 MMT in MY 2010/2011 to 12.3 MMT in MY 2011/2012. GPMT assumes a 6 percent annual animal feed production growth. Indonesian animal feed production, therefore, would reach 13.1 MMT in MY 2012/2013.

Total animal feed production as mentioned in previous paragraphs does not include yet self-mix production. Self-mix feed is one of the solutions for poultry farmers; layer in particular, to minimize feed cost. According to one of GPMT officials, production of self-mix feed account for approximately 20 percent of total animal feed production. Total animal feed production to include self-mix, therefore, will reach 15.4 MMT in MY 2011/2012 and 16.4 MMT in MY 2012/2013.

Manufactured and self-mix feed producers use 20-25 percent and 15-20 percent of SBM in their feed formulation respectively. Post, based on estimated animal feed production figures and SBM share in feed formula, predicts that Indonesian domestic consumption of SBM will reach 3.3 MMT in MY 2011/2012 and 3.5 MMT in MY 2012/2013.

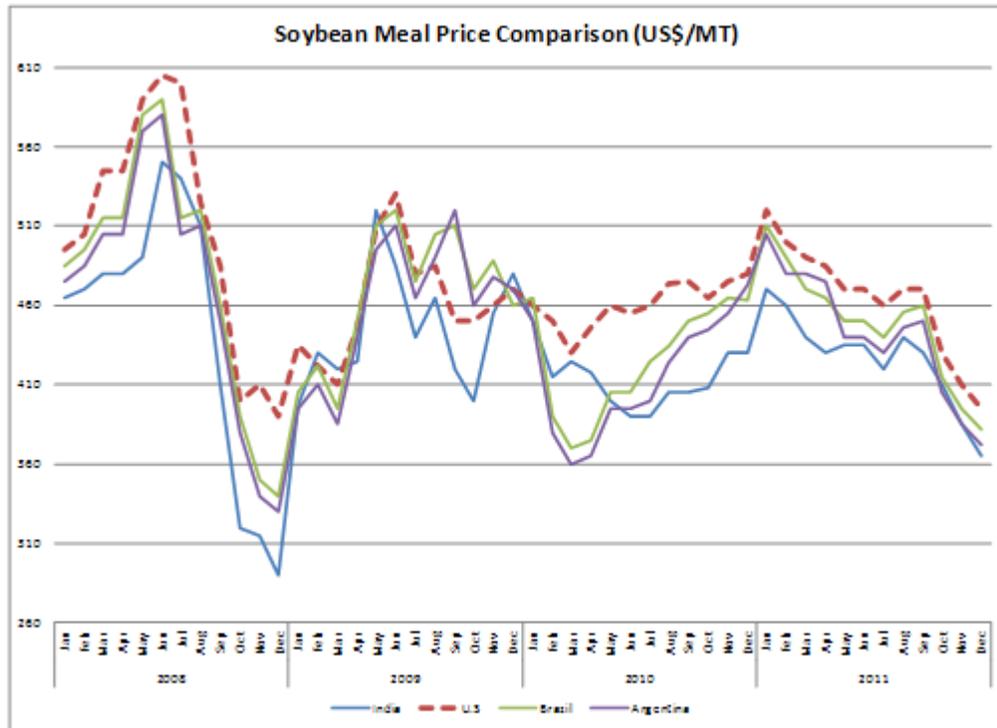
Trade:

Indonesia solely relies on foreign supply of SBM to satisfy domestic demand as Indonesia has no soybean crushing facilities. Post predicts that Indonesia will import 3.275 and 3.5 MMT of SBM in MY 2011/2012 and MY 2012/2013 respectively.



Source: GTIS

Argentina and Brazil are the main SBM suppliers to Indonesia as those two countries offer average quality SBM with competitive prices. While India offers the most competitive prices, Indonesia does not procure much SBM from India due to quality concerns.



Source: Index Mundi

Indonesian animal feed producers recognize high quality of U.S SBM. The price concerns, however, prevent them from procuring a large amount of U.S SBM. As can be seen in the price chart, U.S. SBM prices tend to stay at higher level compared to SBM price from India, Brazil, and Argentina.

Stocks:

Indonesian animal feed producers maintain one to two weeks SBM inventory in their bulk storage. An estimated domestic consumption figure implies that Indonesian SBM stock level is ranging from 65,000 to 130,000 MT. Post predicts that SBM stock level will be stable at 73,000 MT in MY 2011/2012 and MY 2012/2013.

Production, Supply and Demand Data Statistics:

Meal, Soybean Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	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	45	45	75	98		73
Production	0	0	0	0		0
MY Imports	3,069	3,063	3,100	3,275		3,500
MY Imp. from U.S.	175	27	175	30		30
MY Imp. from EU	1	0	0	0		0
Total Supply	3,114	3,108	3,175	3,373		3,573
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.	3,039	3,010	3,100	3,300		3,500
Total Dom. Cons.	3,039	3,010	3,100	3,300		3,500
Ending Stocks	75	98	75	73		73
Total Distribution	3,114	3,108	3,175	3,373		3,573
1000 MT, PERCENT						