

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Oilseeds and Products Update

2013

Approved By:

Ali Abdi

Prepared By:

R. Thomson Wright/I. Edy Wiyono

Report Highlights:

Post has revised Indonesia's soybean production down by 3.2 percent due to excessive moisture during the dry season. Soybean imports declined between July and September 2013 due to uncertainty related to new soybean import regulations. These regulations were lifted in early October 2013. Post believes that shipments during October-December 2013 will resume to typical levels experienced prior to the restrictive regulations. Palm oil production continues to expand at a consistent pace despite barriers to new plantations.

Post:

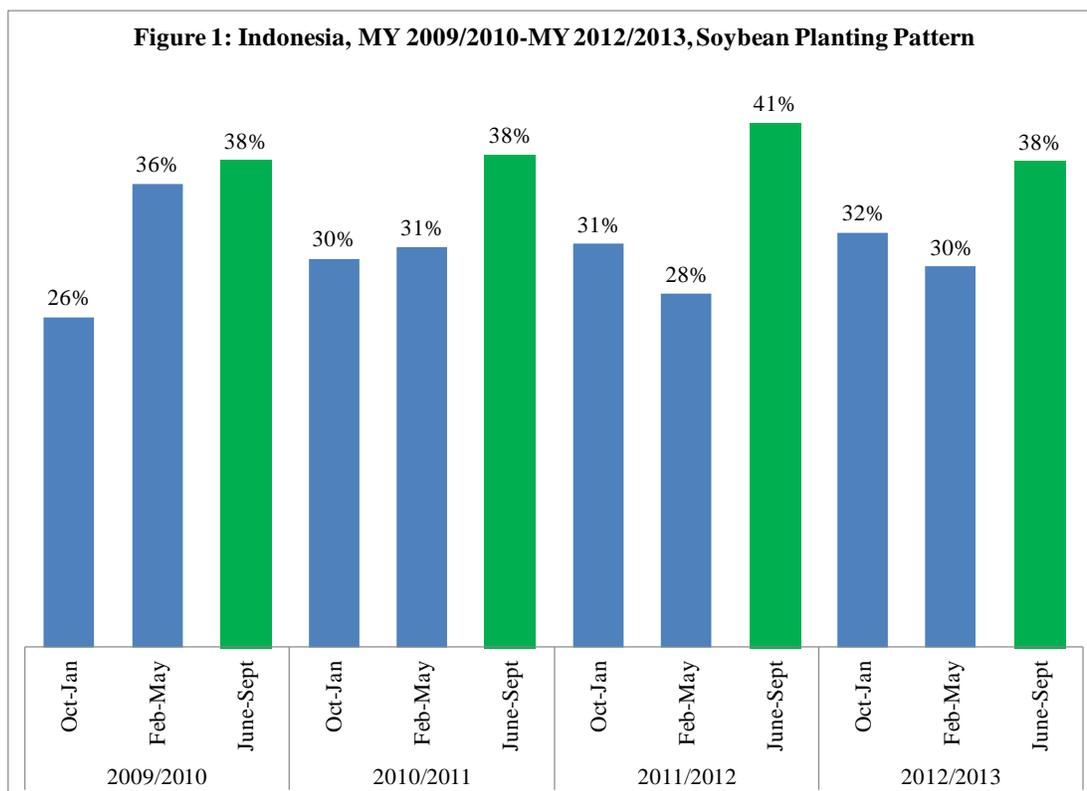
Jakarta

Commodities:

Oilseed, Soybean

Production

Indonesia's dry season, which runs May through September, experienced higher than usual precipitation. Soybean, about 40 percent of which is typically planted during the dry season, faced wet conditions during its first growing stage, leading to sub-optimal growth and damage (see *Figure 1*). Given wet conditions, Post revises its MY 2012/13 estimate of Indonesian soybean production to 600,000 MT, a 3.2 percent drop.



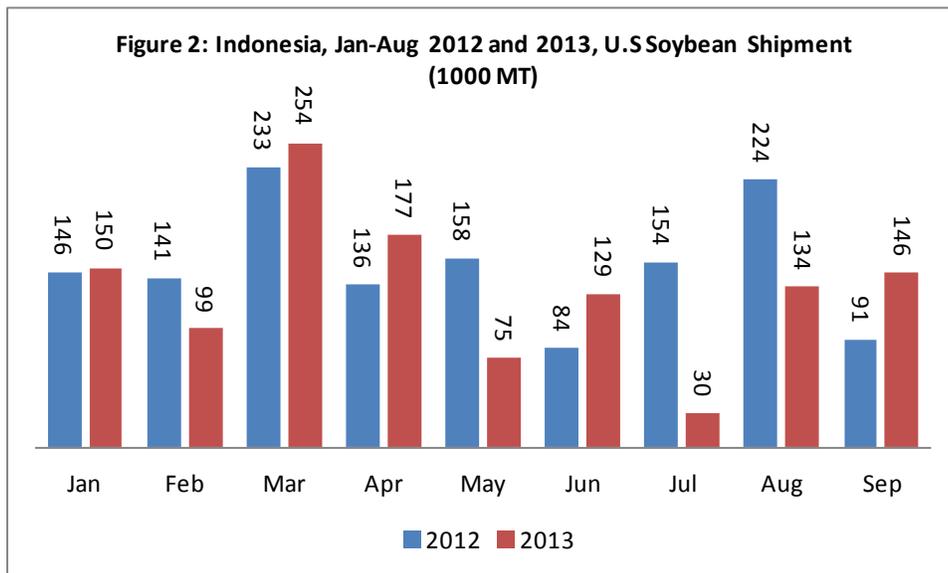
Source: National Statistical Agency (BPS)

Consumption

Indonesia's tempeh and tofu industry constitute 88 percent of Indonesia's soybean consumption. Soybean prices rallied during the July-September period, leading to lower demand from tofu and tempeh manufacturers who were unable to absorb higher prices. Industry sources report that tempeh and tofu producers voluntarily halted production from September 9 to 11 in protest over high prices. Additionally, some tempeh and tofu manufacturers have exited the business for an extended period due to high soybean prices. Considering these factors, Post revised its consumption estimate to 2.4 MMT in MY 2012/13, a 4.8 percent drop.

Trade

Indonesia's Trade Minister imposed restrictive measures on soybean imports at the end of May 2013. The uncertainty created by this act caused importers to put July-September soybean imports on hold. USDA data shows US soybeans shipments to Indonesia dropped from 1.37 MMT in Jan-Sept 2012 to 1.19 MMT in Jan-Sept 2013 (see Figure 2). Given this scenario, Post lowers Indonesia's MY 2012/13 soybean import estimate by 9.5 percent to 1.8 MMT, 6.35 percent lower than MY 2011/12. Note that the Government of Indonesia removed its restrictive measures on soybean imports at the end of September 2013. As a result, Post believes that U.S. soybean shipments will resume at typical levels during the last quarter of 2013.



Source: USDA

Stock

Post revises its end of September 2013 stock estimate down from 111,000 MT to 60,000 MT following declining production, high prices and declining imports. As imports became expensive, local stocks were drawn down to help offset higher prices.

Policy and Program

The Government of Indonesia took several measures in late September 2013 to combat dwindling soybean stocks and rising prices. These measures, outlined in Regulation No. 51 and No. 52/2013 eliminated import quotas, pre-shipment inspection, local soybean purchase requirements and sales allocations to tempeh/tofu cooperatives at government-set prices. Additionally, the Ministry of Finance implemented Regulation No. 133/PMK.011/2013 on October 3, 2013. Under this regulation, soybean import duties were reduced from five percent to zero.

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: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	550	550	550	550	550	550
Area Harvested	450	450	450	450	450	450
Beginning Stocks	68	68	51	51	40	20
Production	620	620	620	600	620	620
MY Imports	1,922	1,922	1,920	1,800	2,100	1,950
MY Imp. from U.S.	1,756	1,756	1,850	1,720	1,950	1,850
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,610	2,610	2,591	2,451	2,760	2,590
MY Exports	1	1	2	2	1	1
MY Exp. to EU	0	0	0	0	0	0
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,512	2,512	2,520	2,400	2,690	2,500
Feed Waste Dom. Cons.	46	46	29	29	29	29
Total Dom. Cons.	2,558	2,558	2,549	2,429	2,719	2,529
Ending Stocks	51	51	40	20	40	60
Total Distribution	2,610	2,610	2,591	2,451	2,760	2,590
1000 HA, 1000 MT						

Commodities:

Oil, Palm

Production

The possibility for palm oil plantation expansion remains despite various challenges. Post research indicates that 18 companies control approximately 4.165 million hectares of land bank, of which nearly 1.38 million hectares is unplanted as of 2012. Other challenges include campaigns from environmental non-governmental organizations, non-tariff trade barriers from palm oil importers, and Indonesia's forest moratorium (see [GAIN ID1127](#)). In response to these challenges, local palm oil companies claim that new plantations have been slowed to the rate of 285,000 hectares per year. However, planting seed sales during the 2010-2013 period averaged 160 million seeds annually, suggesting that the new plantation rate is actually closer to 400,000 hectares annually (see [Indonesia: Oilseed and Products Annual 2013](#)). Considering planting seed sales and a large land bank, Post maintains its area planted estimate for 2012/13 at 9.935 million hectares, a 395,000 hectare increase over 2011/12. Post also projects 10,325 million hectare of area planted in 2013/14, a 390 thousand hectare increase over 2012/13. At this rate, palm oil production is estimated at 28.5 MMT in 2012/13 and 31 MMT in 2013/14.

On September 30, 2013, Indonesia's Ministry of Agriculture issued regulation No. 98/2013 (Regulation 98), which limits ownership of palm oil estates up to 100,000 hectares per company. Regulation 98 is not retroactive, nor is it applicable to government-owned companies, public companies, and cooperatives. As a result, regulation 98 will not significantly reduce palm oil area expansion.

Consumption

Indonesia consumed 7.815 MMT of palm oil products in 2012/13. This is broken down into 4.845 MMT of palm oil for human consumption and 2.735 MMT of palm oil for industrial applications. Domestic industrial use is dominated by biodiesel, which makes up 63 percent of palm oil industrial use.

Indonesian palm oil consumption may fluctuate depending on external factors such as export demand. Indonesia currently exports nearly 90 percent of its biodiesel production, 89 percent of which goes to Europe. Production could drop dramatically in response to anti-dumping and anti-subsidy measures imposed by the European Commission. Some mitigation might come from Indonesian efforts to increase domestic biodiesel consumption. These efforts, if effective, will likely not show results until 2014.

Trade

Trend analysis shows robust palm oil exports. During the October 2012 - August 2013 period, palm oil exports reached 18.8 MMT. Based on this analysis, post has revised its 2012/13 export number up 100,000 MT to 20.2 MMT. 2013/14 exports have also been revised upward by 200,000 MT to 21.2 MMT.

Stocks

2012/13 ending stocks have been revised downward by 100,000 MT in order to account for slightly higher exports. This revision mirrors Indonesian Palm Oil Association figures, which estimate that 2012/13 ending stocks are closer to 1.8 MMT. 2013/14 stock estimates are revised down to 3.231 MMT.

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	9,540	0	9,935	0	10,325
Area Harvested	7,220	7,220	7,685	7,685	8,115	8,115
Trees	0	1,431,000	0	1,490,250	0	1,548,750
Beginning Stocks	825	825	1,445	1,445	1,831	1,831
Production	26,200	26,200	28,500	28,500	31,000	31,000
MY Imports	1	1	1	1	1	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	27,026	27,026	29,946	29,946	32,832	32,832
MY Exports	18,452	18,452	20,300	20,200	21,300	21,200
MY Exp. to EU	2,498	2,498	2,285	2,285	2,800	2,800
Industrial Dom. Cons.	2,211	2,211	2,735	2,735	2,975	2,975
Food Use Dom. Cons.	4,702	4,702	4,845	4,845	5,270	5,270
Feed Waste Dom. Cons.	216	216	235	235	256	256
Total Dom. Cons.	7,129	7,129	7,815	7,815	8,501	8,501
Ending Stocks	1,445	1,445	1,831	1,931	3,031	3,231
Total Distribution	27,026	27,026	29,946	29,946	32,832	32,832

1000 HA, 1000 TREES, 1000 MT