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## Indonesia

### Oilseeds and Products Update

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**Report Highlights:**

- Indonesia's soybean self sufficiency program has been challenged by limited yield improvements and decreased harvesting area in the past three years. Soybean production is expected to continue declining over the next two marketing years.
- Indonesian peanut production growth has been trending downward in the past eight years. Consequently, peanut consumption that is increasing in parallel with population growth will lead to higher peanut import in the next two marketing years to put supply and demand in balance.

Oilseed, Soybean

## Production

Indonesian soybean production was reduced by 50,000 MT to 650,000 MT in MY 2010/2011. Post predicts a further decline in soybean production to 620,000 MT in MY 2011/2012. Production of soybean is expected to be stagnant at 620,000 MT in MY 2012/2013.



Source: USDA & Indonesian Ministry of Agriculture

The five year strategic planning of Indonesian agriculture development 2010-2014 targets an increase of soybean production from 1.3 MMT in 2010 to 2.7 MMT in 2014. Achieving this soybean production target, however, has been underperforming in the last two years. (See above chart). Actual-to-target ratio of soybean production was standing at 54 percent in 2010; and 42 percent in 2011. Indonesian Soybean Council predicts a 4.7 percent decline in soybean production in 2012. The prediction suggests that the ratio will further decline to 34 percent in 2012. Post sees the ratio continuing to decline in 2013 and 2014 due to limited breakthrough in both yield improvement and planting area expansion.

### *Soybean Yield Improvement*

Indonesian Legumes and Tuber Research Institute (ILETRI) has released high yield soybean varieties within the 2001-2008 timeframe. (See table below). Reportedly, these varieties can potentially produce 2.2 MT/ha of soybean at the lowest and 2.7 MT/ha of soybean at the highest. Actual soybean yield, however, grew slightly from 1.24 MT/ha in 2002 to 1.36 MT/ha in 2011 due to low usage rate of certified soybean seed at the farmer level. According to data from Ministry of Agriculture, average annual usage rate of certified soybean seed reached only 2.8 percent of total planting area within 1996-2005 timeframe. While the usage rate is increasing to current level at around 10 percent, the percentage is still insignificant to support Indonesian soybean self sufficiency goal by 2014.

Variety	Potential	Growing	Bean	Type of Land
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	<b>Yield (MT/Ha)</b>	<b>Period (Days)</b>	<b>Size</b>	
Sinabung	2.5	88	Medium	Paddy Field
Kaba	2.6	85	Medium	Paddy Field
Anjasmoro	2.5	85	Big	Paddy Field
Mahameru	2.5	87	Big	Paddy Field
Panderman	2.5	85	Big	Paddy Field
Ijen	2.5	85	Medium	Dry Land w/ Spodoptera litura resistant
Tanggamus	2.7	88	Medium	Dry Land w/ low pH resistant
Sibayak	2.5	89	Medium	Dry Land
Nanti	2.5	91	Medium	Dry Land
Ratai	2.6	90	Medium	Dry Land
Seulawah	2.7	90	Medium	Dry Land
Grobogan	2.7	74	Big	Paddy Field
Gepak Ijo	2.2	76	Small	Paddy Field
Gepak Kuning	2.4	73	Small	Paddy Field
Detam 1 (black soybean)	2.5	84	Big	Paddy Field
Detam 2 (black soybean)	2.5	82	Big	Paddy Field

Source: ILETRI

Low usage rate of certified soybean seed is attributable to the following problems

1. Limited number of commercial soybean seed propagators. ILETRI has two main functions to include development of breeder and foundation seeds; and source seed distribution to commercial seed propagators. Short shelf live and small profit have refrained commercial seed propagators to produce certified soybean seed.
2. The certification process of soybean seed is too bureaucratic.
3. Farmers prefer using their own harvested seeds rather than purchasing seeds. Reportedly, they are not confident with the quality or originality of commercial soybean seeds.

#### *Planting Area Expansion*

Slow yield improvement suggests that Indonesia must heavily rely on planting area expansion to keep soybean self sufficiency goal on track. Planting area of soybean, however, has been decreasing in the last two marketing years by 6.36 percent and 7.76 percent in MY 2009/2010 and MY 2010/2011 respectively. Post predicts that the downsizing of soybean planting area will keep being one of the major constraints to achieve soybean self sufficiency goal by 2014.

The cultivation of soybean in dry-season paddy fields and dry land, particularly in Java Island, has been competing with higher-valued crops to include corn, rice, and peanut. According to ILETRI, farmers in East Java earn a 66 percent and nearly a 200 percent higher profit from growing corn and peanut respectively compared to that of growing soybean. ILETRI also find similar pattern in Central Java. Farmers in the province who give up their soybean land for corn and peanut will earn a 63 percent and a 51 percent higher profit respectively.

Soybean area expansion, therefore, should be directed to non-conventional land both in Java and outer islands. ILETRI, in cooperation with local government and universities, has been conducting confined trial of growing soybean in non-conventional land to include

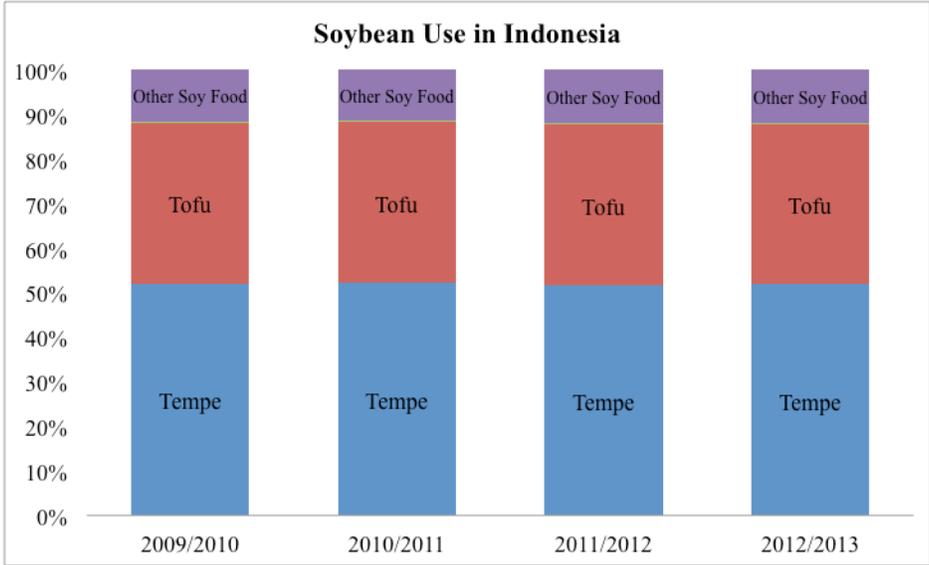
- Tidal swamp area that is largely found in Kalimantan and Papua
- Inter-cropping with oil palm, rubber, cassava, and teak crops
- Degraded land in outside Java Island
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Agronomical, cultural, and socio-economical challenges as well as land ownership problems has been constraining the escalation of those confined trials into larger area.

**Consumption**

Indonesian consumed 2.485 MMT of soybean in MY 2010/2011. Based on the assumption of a 1.49 percent annual population growth and 10.2 kg soybean consumption per capita per year, Indonesian soybean consumption is predicted to increase to 2.545 MMT in MY 2011/2012 and 2.585 MMT in MY 2012/2013.

Tempe and tofu account for 88 percent of total soybean food use, and the remaining 12 percent goes to other soy food to include soymilk, soy sauce, and other traditional soy foods that are common in West Java - such as *Tauco* and *Oncom*.



Source: Indonesian Statistical Agency & Indonesian Soybean Council (recalculated)

## Trade

Indonesian soybean imports are expected to increase in the next two marketing years, as the growing consumption cannot be satisfied by the declining domestic production. Post predicts a minor increase in soybean imports from 1.898 MMT in MY 2010/2011 to 1.9 MMT in MY 2011/2012. Import volume is expected to increase more significantly to 1.965 MMT in MY 2012/2013.

## Ending Stock

Soybean stock at the end of MY 2010/2011 was relatively high as many importers procure more soybeans to avoid a 5 percent import duty that has been effective since January 1<sup>st</sup>, 2012. Stock is predicted to be stable at 108,000 MT in MY 2011/2012 and MY 2012/2013.

## Policy

Ministry of Finance has been imposing a 5 percent import duty on imported soybean since January 1<sup>st</sup>, 2012. At the other side, Ministry of Agriculture Regulation No. 88/2011 requires soybean importer to provide additional document of health certificate stating that the soybean is safe or fit for human consumption. Regulation 88 also requires that a prior notice form for the exportation of fresh food of plant origin (*including soybean*) to Indonesia should be filled out by producers and/or exporters in the country of origin effective immediately (See GAIN Report ID1206)

Oilseed, 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
Area Planted	550	550	550	530		530
Area Harvested	470	470	465	450		450
Beginning Stocks	70	70	68	133		108
Production	650	650	640	620		620
MY Imports	1,898	1,898	1,900	1,900		1,965
MY Imp. from U.S.	1,695	1,695	1,725	1,725		1,800
MY Imp. from EU	0	0	0	0		0
Total Supply	2,618	2,618	2,608	2,653		2,693
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Crush	0	0	0	0		0
Food Use Dom. Cons.	2,475	2,435	2,500	2,495		2,535
Feed Waste Dom. Cons.	75	50	57	50		50
Total Dom. Cons.	2,550	2,485	2,557	2,545		2,585
Ending Stocks	68	133	51	108		108
Total Distribution	2,618	2,618	2,608	2,653		2,693

1000 HA, 1000 MT						

Oilseed, Peanut

### Production

Indonesian peanut production growth has been trending down in the last 8 years. Post, based on historical growth, predicts that the production will continue declining by approximately 2.5 percent in MY 2011/2012 and MY 2012/2013.



Source: Indonesian Statistical Agency

Indonesian peanut production is expected to decline from 1.195 MMT peanut in shell equivalent in MY 2010/2011 to 1.165 MMT in MY 2011/2012. The production will further decline to 1.145 MMT in MY 2012/2013.

While peanuts provide farmers with a better income than soybeans, limited availability of good planting materials lead the farmers to grow other profitable crops such as corn and cassava. The data show that total certified peanut seed production can only satisfy 1.72 percent of total harvested area in 2009. Conversely, farmers enjoy better access to hybrid corn seed due to continual and reliable supply from big private corn seed companies in Indonesia. Consequently, harvested area of peanut has been declining by minus 3.61 percent per year in the last 8 years. By contrast, harvested area of corn is growing by 1.8 percent per year in the same period. While harvested area of cassava is declining by minus 0.75 percent per year in the last eight years, the cassava area has been consistently at the level of two times larger than that of peanut.

## Consumption

Indonesian peanut consumption for food reached 1.36 MMT *peanut-in-shell equivalents* in MY 2010/2011. The figure implies that Indonesian peanut consumption per capita stayed at approximately 5.6 kilogram per year in MY 2010/2011. 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 1.38 MMT in MY 2011/2012; and 1.4 MMT in MY 2012/2013. Big peanut based food manufacturers such as PT. Garuda, PT. Dua Kelinci, Orang Tua Group, and PT. Mitra Foods are accounting for 65 percent of total food use of peanut in Indonesia.

Feed use of peanut is predicted to stay constant at around 70,000 MT both in the current and next marketing year. The popularity of peanut oil is declining due to the growing use of palm oil in Indonesia. Consequently, Indonesian peanut supply that goes to peanut mill is predicted to decrease from 65,000 MT in MY 2010/2011 to 35,000 MT in MY 2011/2012. The mills are expected to press less peanut at 20,000 MT in MY 2012/2013.

## Trade

Supply and demand of Indonesian peanut has been indicating the decline in production and increasing consumption. Consequently, Indonesian peanut imports have been rising over the past six years (*see chart*).



Source: Indonesian Statistical Agency/GTIS

Indonesian peanut imports will slightly increase from 306,000 MT in MY 2010/2011 to 310,000 MT in MY 2011/2012. Post predicts a more significant increase in import to 350,000 MT in MY 2012/2013.

## Ending Stock

Ending stock will experience the downtrend in the next two marketing years to reflect tight supply of peanut. Stock will decline by 20,000 MT to 30,000 MT in MY 2011/2012. It will further decline to 25,000 MT in MY 2012/2013.

Oilseed, Peanut Indonesia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2014		Market Year Begin: May 2011		Market Year Begin: Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	750	750	750	700		680
Beginning Stocks	52	52	50	50		30
Production	1,250	1,195	1,250	1,165		1,145
MY Imports	250	306	250	310		350
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,552	1,553	1,550	1,525		1,525
MY Exports	10	9	10	10		10
MY Exp. to EU	0	0	0	0		0
Crush	65	65	65	35		20
Food Use Dom. Cons.	1,360	1,360	1,360	1,380		1,400
Feed Waste Dom. Cons.	67	69	67	70		70
Total Dom. Cons.	1,492	1,494	1,492	1,485		1,490
Ending Stocks	50	50	48	30		25
Total Distribution	1,552	1,553	1,550	1,525		1,525
1000 HA, 1000 MT						