

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Oilseeds and Products Update

2011

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Report Highlights:

- Post predicts that Indonesia's palm production could reach 25.4 million metric tons (mmt) in MY 2011/2012.
- Indonesia soybean growth could increase by as much as 2.85 percent in MY 2010/2011, provided that weather patterns return to normal conditions and the la niña weather system dissipates.

Post:
Jakarta

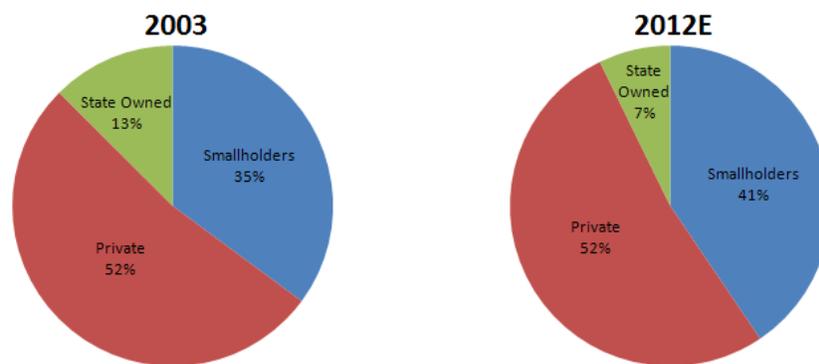
Commodities:
Oil, Palm
Oilseed, Soybean

Commodities:
Oil, Palm

Production:

Planted area expansion remains a significant issue with regard to Indonesia's palm oil sector and growing levels of crude palm oil (CPO) production. According to FAS Jakarta's contacts, oil palm area expansion during the 2003-2009 timeframe was largely led by smallholder farmers. Indonesian smallholder farmers, as a whole, averaged an annual growth rate of 7.19 percent, followed by the private sector plantations that have grown at a rate of 4.98 percent annually. In contrast to the levels of planted area expansion by smallholder farmers and private sector plantations, Indonesian's state-owned palm oil companies are actually declining in areas planted, at negative 0.63 percent annual growth during the same timeframe.

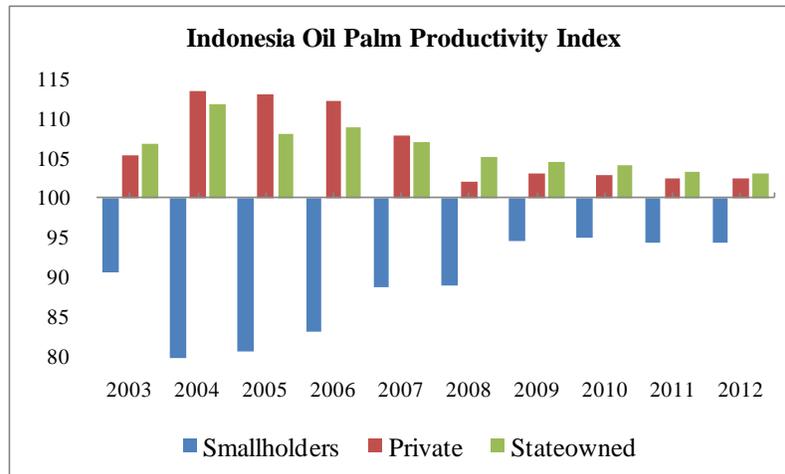
Indonesian Oil Palm Plantation by Ownership



Source: Indonesia Palm Oil Commission and Post owned estimation

If annual oil palm expansion rates continue at the current level, overall shares of smallholder producers are expected to increase from 35 percent in 2003 to 41 percent in 2012. Current growth trends also suggest that private sector palm producers will remain static at 52 percent of area planted in 2012.

Productivity is also a key factor as Indonesian CPO production increases. While smallholders are experiencing the highest levels of planted area growth, the smallholder segment's capacity to produce is considerably lower than that of private companies and state-owned plantations. The bar chart shows that smallholders' productivity index is expected to constantly stay below the national average in 2012. Should current trends continue, Post believes that the growing share of smallholders among Indonesian producers - with their low capacity for productivity - may limit the average growth for Indonesia's national CPO production.



Source: Indonesia Palm Oil Commission and Post owned estimation

Note: Index < 100: below national average, Index > 100: above national average

FAS Jakarta's 2011 Indonesia Annual Oilseeds Report predicts that Indonesian CPO production will grow to 25.4 mmt in MY 2011/2012, implying 1.8 mmt of annual growth. Some industry contacts are predicting lower levels of production growth, with predictions more in the range of 1.4 - 1.5 mmt. While Post continues to maintain its estimated production figure at 25.4, the more conservative growth estimates suggest that Indonesian CPO production may fall in the range of 25 - 25.4 mmt in MY 2011/2012. Post will continue to closely monitor productivity levels and area expansion rates.

Consumption:

CPO for domestic consumption is dominated by the Indonesian food processing industry. Food uses of CPO have averaged annual growth rates of nearly four percent since 2003. The use of CPO by the domestic food industry is predicted to increase to approximately 4.6 mmt in MY 2011/2012.

Post predicts that CPO as a biofuel feedstock will not experience progressive growth over the next two years. Limited governmental subsidies available to biofuel producers, competition with the subsidized fossil fuel sector, and uncompetitive biofuel purchasing prices by PERTAMINA (Indonesia's state owned oil company) will prohibit the establishment of a transparent, competitive, and viable Indonesian biofuels market.

Currently the Government of Indonesia (GOI) is developing downstream CPO industrial processing clusters, primarily for oleochemical production. Progress toward realizing this plan has been slow. As a result, domestic CPO use by oleochemical industries will experience only moderate levels of growth. Post estimates an increase in industrial use of CPO by biofuel and oleochemical industry to 1.25 mmt in MY 2011/2012.

The Indonesian feed industry will procure 185,000 metric tons (mt) of CPO in MY 2011/2012 as a result of higher overall feed production at 11 mmt.

Trade:

Indonesian CPO exports are predicted to stay at 19.35 mmt in MY 2011/2012. Despite continuing negative, nongovernmental led campaigns against oil palm and the implementation of the Renewable Energy Directive (RED), palm oil exports to the European Union are predicted to maintain an upward trend from 3.3 mmt in MY 2010/2011 to slightly above 3.5 mmt in MY 2011/2012.

Stocks:

Estimated ending stock of CPO is expected to stand at 367,000 t in MY 2011/2012.

Policy & Program:

- The GOI will lower export taxes on oil palm from 22.5 percent in April 2011 to 17.5 percent in May 2011. This shift is due to lower export benchmarking prices for May 2011 delivery.
- Indonesian President Susilo Bambang Yudhoyono is expected to sign a Presidential Decree for the implementation of a two-year moratorium on issuing new permits for conversion of natural forest and peat land in mid-2011.

Oil, Palm Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	(1000 HA)
Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	190	190	242	242	297	297	(1000 MT)
Production	22,000	22,000	23,600	23,600	25,400	25,400	(1000 MT)
MY Imports	49	49	55	55	55	55	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	22,239	22,239	23,897	23,897	25,752	25,752	(1000 MT)
MY Exports	16,573	16,573	17,850	17,850	19,350	19,350	(1000 MT)
MY Exp. to EU	2,950	3,034	4,000	3,300	3,515	3,515	(1000 MT)
Industrial Dom. Cons.	1,165	1,165	1,180	1,180	1,250	1,250	(1000 MT)
Food Use Dom. Cons.	4,110	4,110	4,395	4,400	4,600	4,600	(1000 MT)
Feed Waste Dom. Cons.	149	149	170	170	185	185	(1000 MT)
Total Dom. Cons.	5,424	5,424	5,745	5,750	6,035	6,035	(1000 MT)
Ending Stocks	242	242	302	297	367	367	(1000 MT)
Total Distribution	22,239	22,239	23,897	23,897	25,752	25,752	(1000 MT)
CY Imports	47	47	55	55	50	50	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
CY Exports	17,500	16,292	18,000	18,000	19,540	19,540	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
TS=TD		0		0		0	
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Commodities:

Oilseed, Soybean

Production:

Indonesian soybean production, based on forecasts published by National Statistical Agency (BPS) during March 2011, is predicted to grow by 2.85 percent to 720,000 mt in MY 2010/2011.

Indonesia has three soybean crop cycles per year. The normal crop periods for every calendar and marketing year are illustrated in the table below

Table 1. Indonesian Soybean Cropping Cycle

	1st Crop	2nd Crop	3rd Crop
Marketing Year	Sept - Dec	Jan - April	May - Aug
Calendar Year	Jan - April	May - Aug	Sept - Dec

Source: Indonesia Bureau of Statistic

FAS Jakarta uses the marketing year timeframe instead of calendar year in our analyses. The first cropping cycle typically begins in September, with the third crop is ending in August. The first and the second crop are less optimal for soybean production, as the weather is usually too wet during this period. Soybean production normally is at its peak during the third cropping cycle, due to drier conditions and more sun – plus it is generally considered as a rotational crop for many rice paddy or high land corn farmers. Forecasts figures of BPS suggest that production in the third crop must grow by 5.9 percent over last year to achieve 2.85 percent annual production growth in marketing year 2010/2011.

According to the Indonesia Weather Agency (BMKG) reports, the Indonesian dry season in 81 out of 94 weather zones on Java will begin in May or June. Java produces nearly 70 percent of Indonesia’s soybeans and BMKG’s current forecast suggests that weather conditions during the third soybean crop will be more suitable for Javanese soybean producers. Weather forecasts for other soybean growing areas - to include in Sumatra, Sulawesi, and West Nusa Tenggara - are also favorable for soybean cultivation in the third crop of marketing year 2010/2011. Provided that weather patterns are supportive, Indonesian soybean production will likely experience some growth in MY 2010/2011.

Post remains unsure if Indonesian weather patterns will be as forecasted by BMKG. Through the date of publication, it remains possible that many areas of Java may continue to experience some lingering disturbances from the la niña system. This could impact the third soybean crop of MY 2010/2011. As a result, Post predicts that Indonesia’s soybean production will remain unchanged at 720,000 mt in MY 2011/2012.

Consumption:

Domestic soybean consumption is predicted to increase to 2.45 mmt in MY 2011/2012, with tempeh and tofu accounting for the vast majority soybean consumption. Smaller food sectors such as soymilk and soy sauce are also growing annually at roughly eight percent.

Trade:

Indonesia soybean imports, while fluctuating, has increased over the last six year from the perspective of both marketing and calendar years. The upward trend in imports is predicted to continue in MY 2010/2011 and MY 2011/2012 due to a wider production/consumption gap.



Source: GTIS

Imports of soybeans are expected to grow to 1.73 mmt in MY 2011/2012, of which over 90 percent is expected to come from the United States.

Policy and Program:

- The Indonesian Minister of Agriculture occasionally raises the specter of re-imposing import duties on imported soybeans during periods when imported soybean prices are lower than local soybeans. The Minister claims that this policy would provide greater economic incentives for Indonesian farmers to grow more soybeans.
- The Ministry of Trade's Director General of Foreign Trade, however, has indicated that prior to re-imposing import duties on soybeans, a staple Indonesian food product; a careful and comprehensive assessment on domestic supply and demand must be conducted. Soybean import taxes would likely result in higher prices of tempeh and tofu as well as higher prices for chicken meat and eggs. Higher prices of those commodities could trigger higher inflation.

Oilseed, Soybean Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	540	550	550	555	555	555	(1000 HA)
Area Harvested	530	530	535	535	535	535	(1000 HA)
Beginning Stocks	100	100	70	70		50	(1000 MT)
Production	700	700	720	720		720	(1000 MT)
MY Imports	1,620	1,620	1,635	1,655		1,730	(1000 MT)
MY Imp. from U.S.	1,467	1,467	1,320	1,500		1,575	(1000 MT)
MY Imp. from EU	0	0	0	0		0	(1000 MT)
Total Supply	2,420	2,420	2,425	2,445		2,500	(1000 MT)
MY Exports	0	0	0	0		0	(1000 MT)
MY Exp. to EU	0	0	0	0		0	(1000 MT)
Crush	0	0	0	0		0	(1000 MT)
Food Use Dom. Cons.	2,300	2,300	2,320	2,340		2,390	(1000 MT)
Feed Waste Dom. Cons.	50	50	55	55		60	(1000 MT)
Total Dom. Cons.	2,350	2,350	2,375	2,395		2,450	(1000 MT)
Ending Stocks	70	70	50	50		50	(1000 MT)
Total Distribution	2,420	2,420	2,425	2,445		2,500	(1000 MT)
CY Imports	1,630	1,741	1,635	1,750		1,800	(1000 MT)
CY Imp. from U.S.	1,450	1,582	1,320	1,590		1,635	(1000 MT)
CY Exports	0	0	0	0		0	(1000 MT)
CY Exp. to U.S.	0	0	0	0		0	(1000 MT)
TS=TD		0		0		0	
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