

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Oilseeds and Products Update

2011

Approved By:

Dennis Voboril

Prepared By:

Jonn P Slette/Ibnu E Wiyono

Report Highlights:

- Indonesia is predicted to experience soybean production drop by minus 7.14 percent in MY 2010/2011 and minus 1.35 percent in MY 2011/2012.
- Recent forest moratorium will not have any immediate, negative impacts on Indonesia's palm oil production in the current and the next marketing year. Country's palm oil production would reach 23.6 million tons in MY 2010/2011 and 25.4 million tons in MY 2011/2012.

Post:

Jakarta

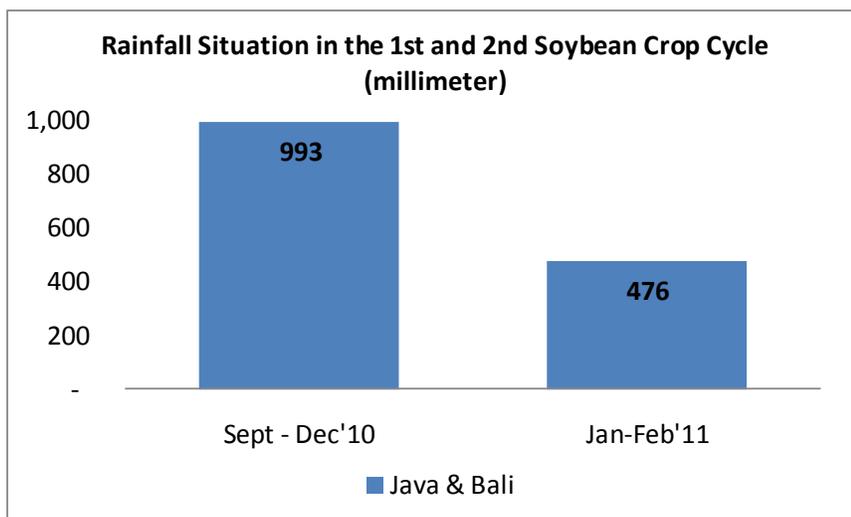
Commodity
Oilseed, Soybean

Production

FAS Jakarta's previous Oilseed Update suggested that Indonesian soybean production will increase by 2.85 percent in MY 2010/2011. However, in light of more recent developments and a clearer perspective, Post now believes that the opposite trend will occur and Indonesia's soybean production will decline by 7.14 percent to 650,000 metric tons (MT) in MY 2010/2011. Post predicts that although Indonesia will likely experience a mild increase in production yields, production losses will occur due to an 11.3 percent reduction in harvested areas. The cause of the reduction in harvested areas includes unresponsive weather patterns, smaller economic incentives, and overlapping with paddy growing periods. Post also sees strong likelihood for another 1.35 percent decline in Indonesian soybean production in MY 2011/2012.

Unsupportive Weather Patterns

Rainfall is the most significant factor in determining whether soybeans can achieve optimum growth level. Normal water requirements for soybeans per crop cycle are equal to 350 – 450 mm of rainfall. The first crop cycle of soybeans in MY 2010/2011, which occurred during the September to December 2010 timeframe, was sub-optimal due to above normal rainfall. The chart below indicates rainfall levels for Java and Bali. These two islands currently produce 70 percent of Indonesia's soybeans. Both received excessive levels rain and as result, most Javanese and Balinese farmers grew paddy instead of soybeans during this cycle.



Source: BMKG (Recalculated)

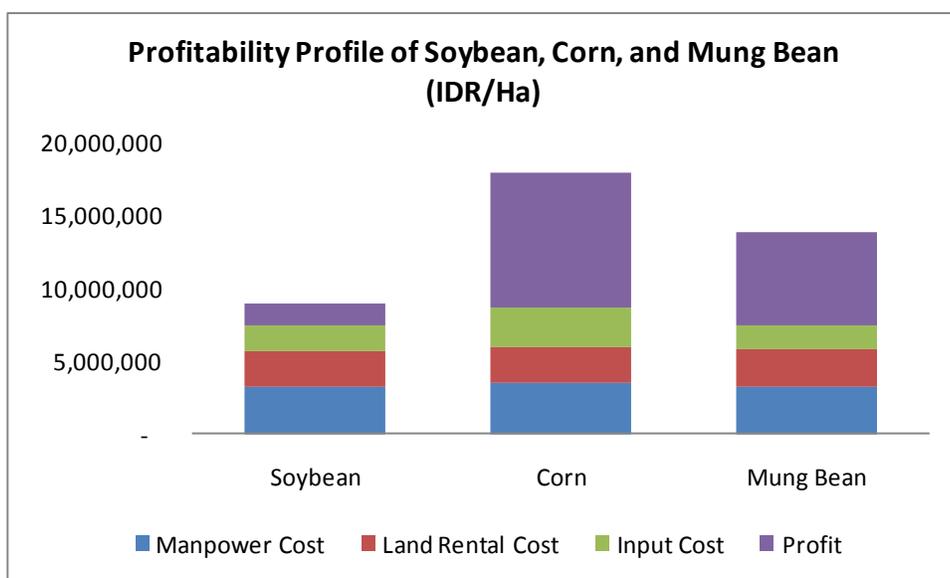
The rainfall situation in the second cropping cycle was still too wet for optimal growth of soy. It is difficult for soybean crops to survive when fields are flooded during the first growing period (Jan-Feb 2011). Farmers therefore tend to prefer paddy in the second cropping cycle.

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 paddy or high land corn farmers. Recent random weather patterns - several days of rain, followed by several days of dry weather – occurring early in growing period have forced farmers to remove soybeans from the field. Farmers may replant if they have enough money. However, based on Post’s recent field visit to West and Central Java, most farmers will leave the land idle or grow other short age and more profitable crop, such as mung beans.

Smaller Economic Incentives

Growing soybeans is less profitable compared to other food crops like corn and mung beans due to uncompetitive prices and low production yields. Mung bean production yield at 1.1 tons/ha is lower than that of soy at around 1.5 tons/ha, but mung bean price is two times higher than that of soy. Conversely, corn prices are approximately half of soybean prices, but corn’s productivity is four times higher than that of soybeans. More competitive mung bean prices and higher productivity of corn has become one of major economic incentives for farmers’ preferences for mung bean and corn over of soybeans.



Source: interview with farmers in West and Central Java

Overlapping with Paddy Growing Periods

As mentioned above, Javanese soybean farmers responded to the crop failure in early growing period of third cropping cycle by leaving the land idle or short growth legumes like mung beans. Lack of capital is not the only reason for soybean farmers not to replant, but they also avoid possible overlapping with the paddy growing period.

Crops	2011							
	May	June	July	Aug	Sept	Oct	Nov	Dec
Soybean	Crop Failure		Replanting		Harvest			
Mungbean								
Paddy								

The above table illustrates that if farmers replant in early July, soybeans will be harvested around the end of September. Since farmers have to start preparing the land for paddy in early September, they prefer to grow mung beans, as they can be harvested within less than 60 days.

Domestic Consumption

Indonesian soy consumption is unique as almost 99 percent of total domestic consumption goes directly into producing food for people. Home/backyard industries are major players in producing soy-based food products such as tempe, tofu, and soy-milk. Big-scale industries have so far focused on producing soy sauces like Heinz ABC, Wings Group, and Unilever. However, the largest share of domestic soybean consumption - 2.37 million tons in MY 2010/2011 - is by “backyard” industries.

Trade

Our previous update suggested that Indonesia will import 1.655 million tons of soybeans in MY 2010/2011. The recent development that indicates soybean production loss, however, provides room for higher import volume of soybean. As a result, Post forecasts Indonesia’s soybean import figures at 1.7 million tons in MY 2010/2011. Indonesia already imported 1.3 million tons of soybeans, of which 94 percent are procured from United States, in the first half (Oct’10 – May’11) of current marketing year.

As production is predicted to continue slowing down over the next marketing year, Post also forecasts that Indonesian soybean import figures will increase. More specifically, Post expects Indonesia to import 1.78 million tons soy in MY 2011/2012. This updated import figure is higher than that of initial forecast at 1.73 million tons.

Ending Stocks

Ending stocks of soybeans in MY 2010/2011 are predicted to stay lower than that of previous marketing year, and it will further decline to 25,000 tons in MY 2011/2012.

Oilseed, Soybean Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: May 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	540	540	550	495	550	490	(1000 HA)
Area Harvested	530	530	535	470	535	465	(1000 HA)
Beginning Stocks	100	100	70	70	50	50	(1000 MT)
Production	700	700	720	650	720	640	(1000 MT)
MY Imports	1,620	1,620	1,635	1,700	1,650	1,780	(1000 MT)
MY Imp. from U.S.	1,467	1,467	1,320	1,590	1,350	1,650	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	2,420	2,420	2,425	2,420	2,420	2,470	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	(1000 MT)
Crush	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	2,300	2,300	2,320	2,340	2,320	2,390	(1000 MT)
Feed Waste Dom. Cons.	50	50	55	30	50	55	(1000 MT)
Total Dom. Cons.	2,350	2,350	2,375	2,370	2,370	2,445	(1000 MT)
Ending Stocks	70	70	50	50	50	25	(1000 MT)
Total Distribution	2,420	2,420	2,425	2,420	2,420	2,470	(1000 MT)
CY Imports	1,630	1,630	1,635	1,750	1,650	1,800	(1000 MT)
CY Imp. from U.S.	1,450	1,450	1,320	1,600	1,350	1,635	(1000 MT)
CY Exports	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
TS=TD		0		0		0	
Comments							
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Commodity Oil, Palm

Production

Post believes that recent forest moratorium will not have any immediate, negative impacts on Indonesia's palm oil production in the current and the next marketing year. Our simulation that uses planting area prior to forest moratorium enforcement (1979-2009) suggests that Indonesia's mature palm oil planting area will increase by 1.17 million hectares from 6.04 million hectares in 2009 to 7.21 million hectares in 2012.

Marketing Year	Mature Planting Area (Ha)	Average Yield (Ton/Ha)	Production (Million Ton)
2008/2009	6.04	3.40	20.55
2009/2010	6.43	3.45	22.0*
2010/2011	6.82	3.47	23.6*
2011/2012	7.21	3.52	25.4*

**Rounded Figures*

Provided that weighted average production yields increase from 3.4 ton/ha to 3.52 ton/ha within 2009-2012 timeframe, Indonesia should be able to produce 23.6 million tons of palm oil in MY 2010/2011 and 25.4 million tons in MY 2011/2012.

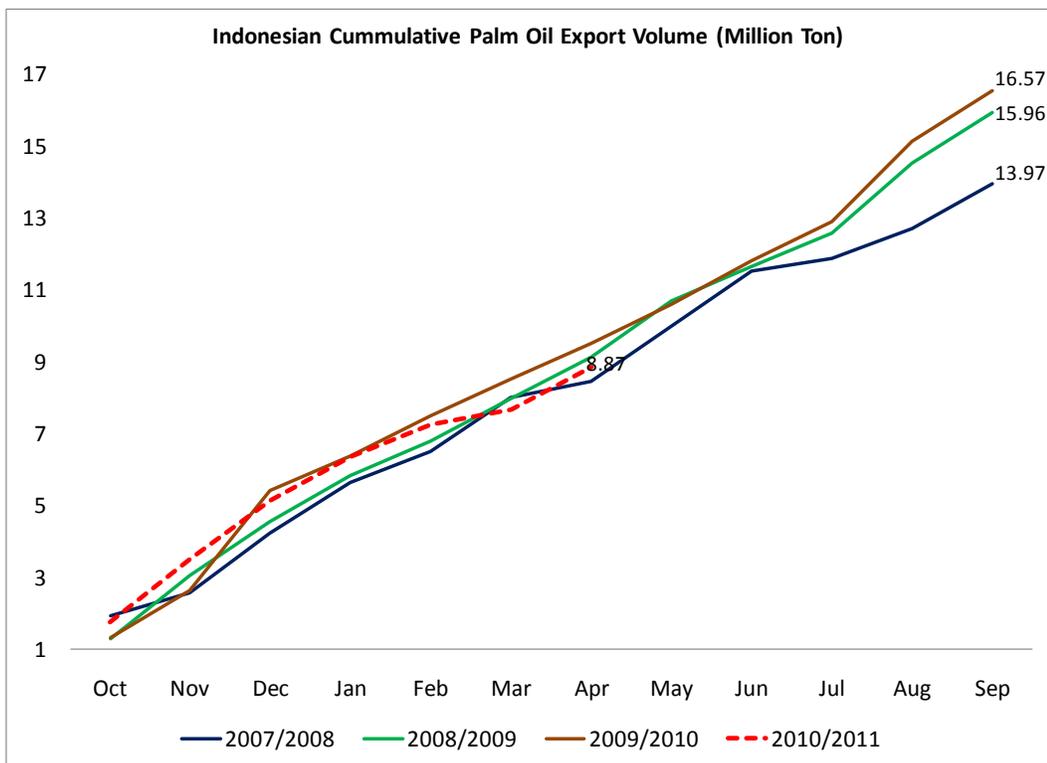
Domestic Consumption

Domestic users are predicted to consume 6.08 million tons of palm oil in MY 2010/2011. The food industry produces a wide array of palm-oil based food products such as cooking oil, margarine, and shortening. This sector takes up the lion's share at nearly 78 percent of total domestic palm oil consumption. The remaining 22 percents is used by oleochemical, biodiesel, and soap industries.

Trade

Export performance of Indonesian palm oil in the first seven months (Oct 2010-April 2011) of MY 2010/2011 is registered at 8.87 million tons. The figure is lower compared to seven months export volume in two previous marketing years (*see the chart*).

Historical export data suggests that 7-months export volume is equivalence with 52-65% of total full marketing year export. By setting the most optimistic scenario that 7-months export is equal to 52% of total export in MY 2010/2011, palm oil export will reach 17.1 million tons. Domestic users consume approximately 26 to 27 percent of total palm oil production. Palm oil production, therefore, would stand at 23.43 million tons in MY 2010/2011.



Recent export trends may indicate that Indonesian palm oil production will stay below than 23.6 million tons in current marketing year (2010/2011). Average annual expansion rates of mature planted area at 390,000 ha during the 2010-2012 timeframe, and supportive weather pattern suggests production growth will be normal. For that reason, Indonesia is very likely to produce 23.6 million tons of palm oil and to export 17.5 million tons of it in MY 2010/2011.

Ending stock

While the ending stock is predicted to be on the uptrend, but it steadily stay at low level (less than 400,000 tons) due to higher export dan domestic demand.

Oil, Palm Indonesia	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: May 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	302	317	(1000 MT)
Production	22,000	22,000	23,600	23,600	25,400	25,400	(1000 MT)
MY Imports	49	49	55	55	60	60	(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	25,762	25,777	(1000 MT)
MY Exports	16,573	16,573	17,460	17,500	19,150	19,150	(1000 MT)
MY Exp. to EU	2,950	2,950	4,000	4,000	4,500	4,500	(1000 MT)
Industrial Dom. Cons.	1,165	1,165	1,180	1,180	1,300	1,300	(1000 MT)
Food Use Dom. Cons.	4,110	4,110	4,785	4,730	4,800	4,765	(1000 MT)
Feed Waste Dom. Cons.	149	149	170	170	180	185	(1000 MT)
Total Dom. Cons.	5,424	5,424	6,135	6,080	6,280	6,250	(1000 MT)
Ending Stocks	242	242	302	317	332	377	(1000 MT)
Total Distribution	22,239	22,239	23,897	23,897	25,762	25,777	(1000 MT)
CY Imports	47	47	55	55	65	65	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
CY Exports	17,500	17,500	18,000	18,000	19,500	19,500	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
TS=TD		0		0		0	
Comments							
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