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Report Name: Oilseeds and Products Update

Country: Indonesia

Post: Jakarta

Report Category: Oilseeds and Products

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Report Highlights:

Indonesia extended its B30 mandate program, which requires biodiesel to contain 30 percent palm oil-based fuel, to 2022. Palm oil exports for 2021/22 are forecast to increase 13 percent from the previous year on greater demand from China and Pakistan, offsetting lower India demand. Soybean meal imports for 2021/22 are estimated higher than previously expected, reflecting continued increases in feed industry demand.

Commodity:

Oil, Palm

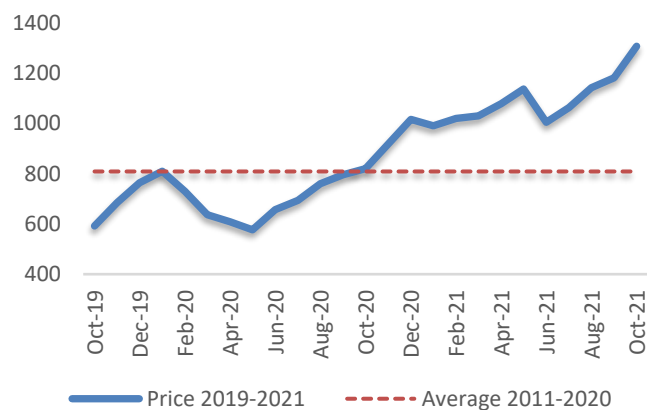
Production

Post maintains 2021/22 palm oil production at 45.5 million metric tons (MMT), up 6 percent from 43 MMT in 2020/21 due to favorable weather, high prices, and increased use of fertilizer.

According to the national weather agency ([BMKG](#)), a La Nina event will bring in higher than normal rainfall up until February 2022. The higher levels of rainfall are expected to improve yields in areas where inputs such as fertilizer are applied.

Despite higher prices, the use of fertilizer continues to increase due to producer expectations of larger margins as palm oil prices remain upwards of \$1,000 per MT in the third quarter of 2021, 5 percent higher than during the previous quarter. However, several companies in the key palm oil producing region of Kalimantan reported losses due to floods. As a result, 2021/22 production in Kalimantan may end up lower than expected if flooding continues into 2022.

Figure 1. Palm Oil Price Remains High (\$/MT)



Source: World Bank

Consumption

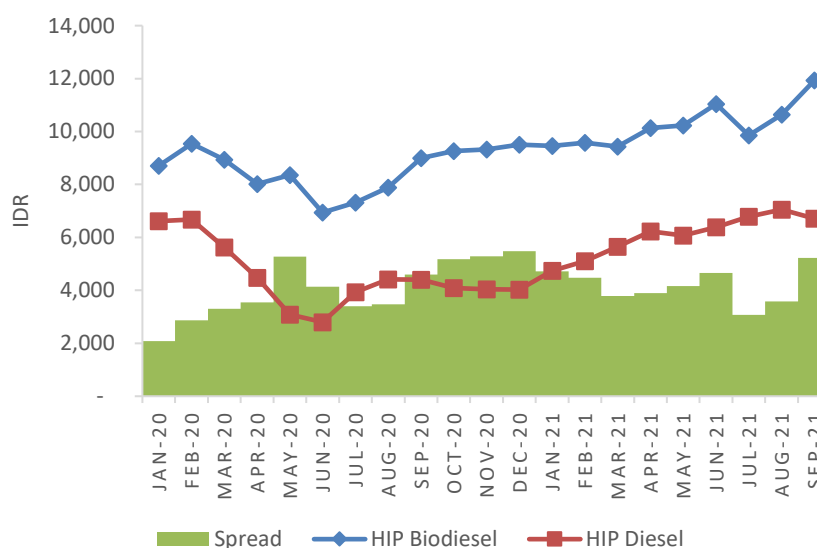
Post revises 2021/22 total domestic palm oil consumption up to 16 MMT on stronger demand for industrial use. Industrial use of palm oil is forecast to jump to 9.6 MMT from 8.8 MMT in 2020/21 driven mainly by increased biodiesel allocations. The [Government of Indonesia](#) (GOI) plans to set its 2022 mandatory biodiesel allocations at 10.1 billion liters as well as maintain its blending rate at 30 percent.

The crude palm oil (CPO) fund, which supports the biodiesel program through subsidies paid for by a CPO export levy, has generated ample revenue for the 2021 mandate program as palm oil prices stayed high in the third quarter of 2021. An estimated \$3 billion have been generated through Indonesia's 2021 palm oil export levy as of September. These revenues generated by

the levies are enough to cover the price spread between biodiesel and diesel, which is expected to reach \$2.8 billion for 2021. Assuming the spread is maintained at \$0.3 per liter, the B30 mandate program in 2022 would require \$3.1 billion in subsidies. For information on biodiesel policies see [ID2021-0027](#).

Biodiesel distribution reached 6.6 billion liters from January to September 2021, amounting to 72 percent of the GOI's total 2021 allocation of 9.2 billion liters. The easing of social distancing restrictions has enabled increased travel and business operations for most economic sectors in the third quarter of 2021.

Figure 2. Biodiesel Price and Diesel Price 2020-2021



Source: Ministry of Energy and Mineral Resource (MEMR)

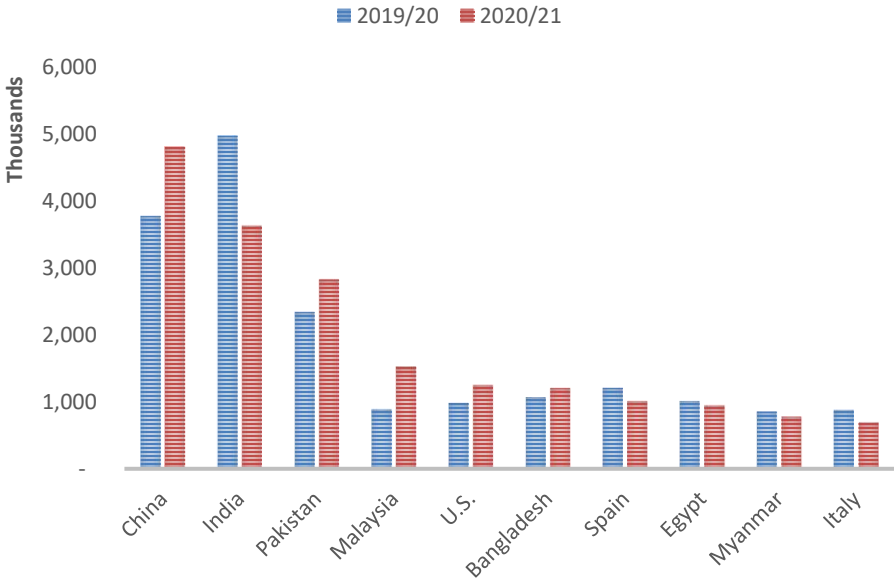
Post maintains 2021/22 food sector consumption at 6.1 MMT, a 5 percent increase from 2020/21 on population increase and higher economic growth. Increasing cooking oil prices in the third quarter of 2021 is expected to curb higher consumption beginning in September 2021.

Trade

Post expects 2021/22 Indonesian palm oil exports to reach 30.5 MMT, 13 percent higher than the previous year, as key destination markets are expected to recover economically from the COVID-19 pandemic. However, Indonesia's high export duties are expected to curb Indian demand for Indonesian CPO in 2021/22. China's food sector growth is expected to continue driving up demand for cooking oils; however, its rising demand for palm cooking oil will be limited by adequate supplies of soybean oil for home and food service use (see [CH2021-0132](#)).

Indonesian 2020/21 palm oil exports reached 26.9 MMT, up slightly from 2019/20. Increased demand from China and Pakistan offset reduced demand from India. In 2020/21, Indonesia’s palm oil shipments to India declined 27 percent to 3.6 MMT on higher Indonesian export duties, COVID-19-related demand challenges, and India’s increased purchases from Malaysia. Meanwhile, Indonesia’s palm oil exports to China increased by 28 percent to 4.8 MMT in 2020/21 from 3.7 MMT in 2019/20 on higher demand from the food processing sector, such as the instant noodle industry. Due to higher demand from Malaysian refiners, Indonesia’s CPO shipments to Malaysia surged by 73 percent in 2020/21 to 1.5 MMT. Malaysian refiners are ramping up their CPO exports and so are increasing imports from alternate sources such as Indonesia. Many palm plantations in Indonesia are owned by Malaysian companies.

Figure 3. Palm Oil Key Market Destinations 2019-2021



Source: Trade Data Monitor

Table 1. Production Supply and Distribution (PSD) for Palm Oil, 2019/20-2021/22

Oil, Palm	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct-19		Oct-20		Oct-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,750	15,104	11,950	15,700	12,100	15,700
Beginning Stocks	2,909	2,909	4,626	4,626	5,977	5,877
Production	42,500	42,500	43,500	43,000	44,500	45,500
MY Imports	11	11	-	-	-	-
Total Supply	45,420	45,420	48,126	47,626	50,477	51,377
MY Exports	26,249	26,249	26,874	26,874	29,500	30,500
Industrial Dom. Cons.	8,300	8,300	8,800	8,800	8,800	9,600
Food Use Dom. Cons.	5,970	5,970	6,200	5,800	6,370	6,100
Feed Waste Dom. Cons.	275	275	275	275	275	300
Total Dom. Cons.	14,545	14,545	15,275	14,875	15,445	16,000
Ending Stocks	4,626	4,626	5,977	5,877	5,532	4,877
Total Distribution	45,420	45,420	48,126	47,626	50,477	51,377
	0	0	0	0	0	0

(1000 HA) ,(1000 TREES) ,(1000 MT)

Source: FAS/Jakarta

Commodity:

Oilseed, soy

Production

Post maintains 2021/22 soybean production from the previous update at 425,000 MT (see [ID2021-0034](#)). La Nina events at the onset of rainy season in 2021 created unfavorable planting conditions which are expected to reduce bean quality. Farmers throughout Indonesia continue to prefer planting corn and rice over soy due to higher margins supported by policies that subsidize cultivation and restrict competition from imports.

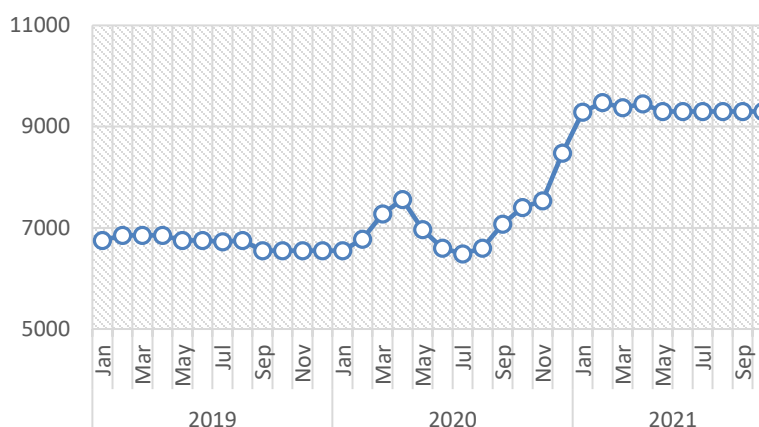
Consumption

Post revises 2021/22 soybean consumption up to 3.2 MMT, an increase of 50,000 MT from 2020/21 on continued demand from the tempeh and tofu industry. Tempeh and tofu are affordable protein sources and a staple for the large population centers in Java and Sumatera.

Soybean wholesale prices remained above IDR 9,000 (\$0.63) per kg in the third quarter of 2021, 28 percent higher than the average price before the COVID-19 pandemic. The surge in soybean prices caused many tempeh and tofu producers to trim back product size or pause production.

However, the gradual easing of social restrictions beginning in September 2021 allowed more restaurants to increase capacity and operate longer hours resulting in higher soybean consumption, which is also expected to continue rising in 2021/22.

Figure 4. Soybean Wholesale Price (IDR/kg) 2019-2021



Source: USSEC Indonesia

Trade

Indonesia's 2021/22 soybean imports are expected to reach 2.8 MMT, 7 percent higher than the previous year, on continued demand from the tempeh and tofu industry. Final trade data show 2020/21 soybean imports reached 2.6 MMT, marginally lower than 2019/20 imports, as contracted demands for tempeh and tofu slowed due to surging soybean prices, social distancing restrictions, and supply chain issues.

The United States remains the top supplier of Indonesian soybean imports in 2020/21 with 88 percent share of the market, followed by Canada (10 percent).

Table 2. Indonesia Soybean Imports by Origin 2016-21 (MT)

	2016/17	2017/18	2018/19	2019/20	2020/21
U.S.	2,613,846	2,426,554	2,517,226	2,382,391	2,303,618
Canada	12,496	46,870	76,426	244,363	252,906
Argentine	5,000	-	-	633	47,000
Brazil	501	-	18,900	-	9,238
Other	17,307	10,357	9,979	8,545	4,209
Total	2,649,150	2,483,781	2,622,531	2,635,932	2,616,971

Source: Trade Data Monitor

Table 3. Production Supply and Distribution (PSD) for Soybean, 2019/20-2021/22

Oilseed, Soybean	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct-19		Oct-20		Oct-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	400	400	390	390	350	350
Beginning Stocks	226	226	185	185	175	127
Production	480	480	475	475	425	425
MY Imports	2,636	2,636	2,650	2,617	2,700	2,800
Total Supply	3,342	3,342	3,310	3,277	3,300	3,352
MY Exports	3	3	2	2	2	2
Crush	0	0	0	0	0	0
Food Use Dom. Cons.	2,980	2,980	2,983	2,990	2,950	3,040
Feed Waste Dom. Cons.	174	174	150	158	170	160
Total Dom. Cons.	3,154	3,154	3,133	3,148	3,120	3,200
Ending Stocks	185	185	175	127	178	150
Total Distribution	3,342	3,342	3,310	3,277	3,300	3,352
	0	0	0	0	0	0

(1000 HA) ,(1000 MT)

Source: FAS/Jakarta

Commodity:

Meal, soy

Production

Indonesia does not produce soybean meal.

Consumption

Post revises up Indonesia's 2021/22 soybean meal consumption 3 percent to 5.35 MMT on higher demand in the feed sector. Indonesia's feed industry consists of 110 feed mills with a total installed capacity of 29.6 MMT. The poultry feed sector consumes about 90 percent of soybean meal with a feed inclusion rate about 25 percent.

Trade

Post revises up 2021/22 soybean meal imports slightly to 5.3 MMT on rising demand from the feed industry and the industry's perceived needs for higher stocks. According to industry sources, recent global supply chain issues had caused much uncertainty regarding the arrival of soybean meal shipments. Industry responded by increasing its stocks from an average of one month's supply to two months'.

Reduced shipments from Argentina in 2020/21 was offset by shipments from Brazil, while U.S. shipments increased to 249,000 MT. Increased U.S. soybean meal exports to Indonesia were driven by narrower price spreads with South American competitors from February to April 2021.

Table 4. Indonesia Soymeal Imports by Origins 2016-21 (MT)

	2016/17	2017/18	2018/19	2019/20	2020/21
Argentina	2,784,112	2,623,779	2,433,234	2,909,138	2,706,101
Brazil	1,184,598	1,527,385	1,744,537	2,001,355	2,135,270
U.S.	35,217	164,476	134,797	99,713	249,338
India	41,362	11,325	8,793	6,046	172,977
Paraguay	112,656	140,927	119,313	20,000	59,349
Other	96,759	17,648	8,618	6,779	12,970
Total	4,254,704	4,485,540	4,449,292	5,043,031	5,336,005

Source: Trade Data Monitor

Table 5. Production Supply and Distribution (PSD) for Soybean Meal, 2019/20-2021/22

Meal, Soybean Market Begin Year	2019/2020		2020/2021		2021/2022	
	Oct-19		Oct-20		Oct-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	-	-	-	-	-	-
Extr. Rate, 999.9999	-	-	-	-	-	-
Beginning Stocks	124	124	207	207	207	493
Production	-	-	-	-	-	-
MY Imports	5,043	5,043	5,100	5,336	5,150	5,300
Total Supply	5,167	5,167	5,307	5,543	5,357	5,793
MY Exports		-		-		-
Industrial Dom. Cons.		-		-		-
Food Use Dom. Cons.		-		-		-
Feed Waste Dom. Cons.	4,960	4,960	5,100	5,050	5,150	5,350
Total Dom. Cons.	4,960	4,960	5,100	5,050	5,150	5,350
Ending Stocks	207	207	207	493	207	443
Total Distribution	5,167	5,167	5,307	5,543	5,357	5,793
	-	-	-	-	-	-

(1000 MT) ,(PERCENT)

Source: FAS/Jakarta

Attachments:

No Attachments