USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network



Required Report - public distribution

**Date:** 3/15/2017
**GAIN Report Number:** ID1705

# Indonesia

# Oilseeds and Products Annual

# Oilseeds and Products Annual Report 2017

**Approved By:**
Ali Abdi

**Prepared By:**
Thom Wright, Arif Rahmanulloh

**Report Highlights:**
The El Nino weather phenomenon that led to dry conditions throughout 2015 and 2016 has ended. Indonesian weather agency BMKG reports that most production areas have received rain levels characteristic of "normal" conditions since October 2016. Long term analysis for 2017 (August and beyond) thus indicates continued normal conditions with the possibility of a weak El Nino. Post therefore expects that 2017/18 crude palm oil production will increase to 36.5 million metric tons. Post expects that Indonesian soybean imports will continue to grow in 2017/18, based on population growth, stable demand for soy-based food products, and the absence of import restrictions. Coconut production continues to decline, although coconut oil and copra production is sustained by diverting exportable unprocessed coconut for local processing. Peanut production is expected to decline in 2016/17 to 1.12 million metric tons and 2017/18 to 1.07 million metric tons as farmers continue to prefer corn and rice production

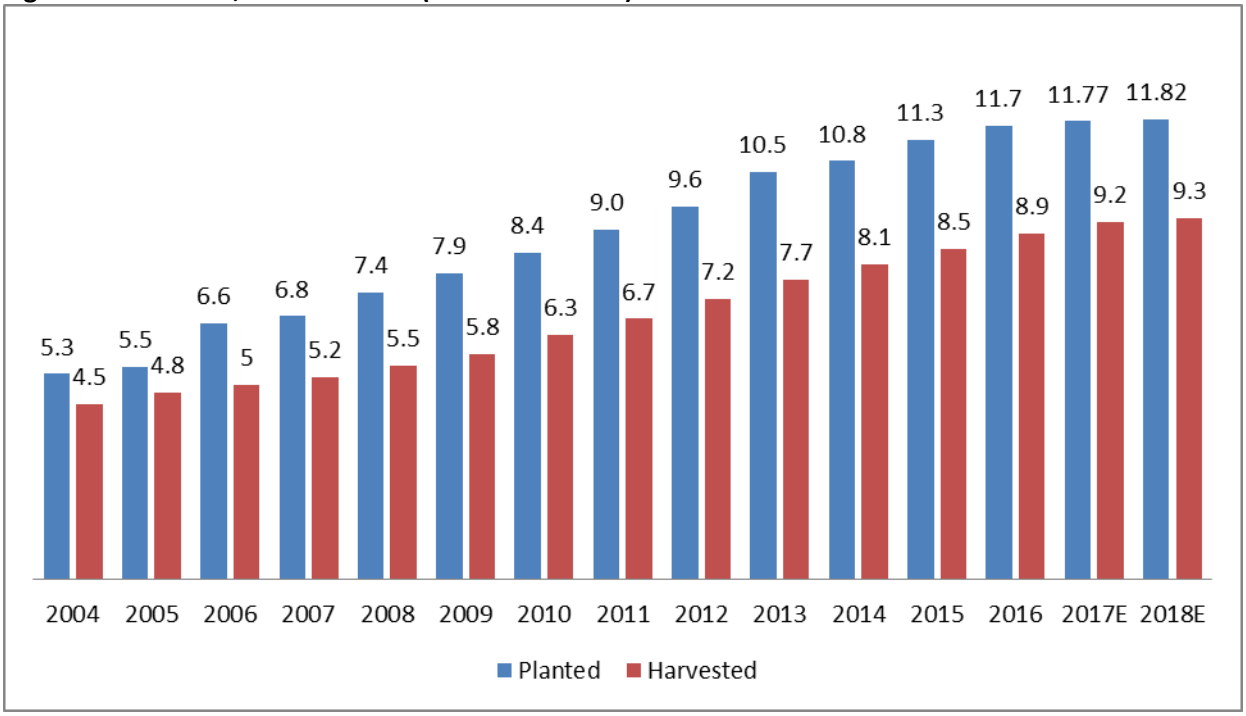
**Commodities:**
*Oil, Palm*

## Planting Area

Post estimates that new Indonesian palm oil plantings have slowed, with new acreage expected to increase by about .5 percent in 2017/18 (approximately 50,000 hectares). This is down from 2016/17 plantings, which grew by 1 percent, or 100,000 hectares. The decline in new plantings is attributable to several factors, most important that the Ministry of Environment and Forestry has not issued permits. Industry sources cite regulations 8/2015 and 57/2016 as the impetus for this decision. Regulation 8/2015 continues Indonesia's forest and peatland moratorium, while 57/2016 tightens controls on peatland management. Additionally, dry weather and land title disputes also hinder new planting.

Industry contacts state that replanting of existing plantations is proceeding at a slow, but nonetheless steady pace. Although dry weather throughout 2015 and 2016 created less-than-ideal conditions for establishing new trees, growers note that plantings are a two year process, with orders placed to nurseries well in advance. As a result, replacement plantings have continued at a relatively steady pace. Although the return to normal weather conditions in 2017 is expected to favor replanting, seed sales data for 2016 indicates a 20 percent drop to 76 million seed from 94 million in the previous year.

**Figure 1. Indonesia, Oil Palm Area (million hectares)**




**Source:** DG of Plantations, MOA and Post Calculation

## Production

The El Nino weather phenomenon that led to dry conditions throughout 2015 and 2016 has ended. Indonesian weather agency BMKG reports that most production areas have received rain levels characteristic of "normal" conditions since October 2016. BMKG further reports that the probability of normal conditions is expected to remain high through August 2017. They expect that the probability of El Nino conditions will rise later in 2017, but that an El Nino event is less likely than continued normal

conditions. Long term analysis for 2017 (August and beyond) thus indicates continued normal conditions with a possibility of a weak El Nino.

Based on normal weather conditions and expected plantation recovery, Post expects that 2017/18 production should increase to 36.5 million metric tons. This estimate includes the assumption that yields will grow as young and replanted plantations approach peak productivity. Post's 2016/17 production estimate is revised to 34 million tons. This revision is based on industry reports that the 2016 drought's effects will persist through September 2017, increasing gradually, until full production is reached in October 2017. Industry sources in Northern Sumatera also report exceptionally high production in December 2016. They note that this anomaly is not indicative of a longer trend. Specifically, plantation managers explain that during the drought period, oil palms in the region continued to produce fresh fruit bunches which did not ripen and remained unharvested. Following three months of rain, the necessary conditions for fresh fruit bunch ripening occurred, resulting in a short term production spike. (See Image 1).

**Image 1: Multiple Unripened Fresh Fruit Bunch, Sumatera**

**Consumption**

Industrial palm oil consumption is driven by the Indonesian biodiesel market. Post expects that biodiesel consumption will not change significantly between 2017/18 and 2016/17 for several reasons and is therefore set at 3.6 million metric tons for both marketing years. Biodiesel consumption is supported through a subsidy on biodiesel which is funded by an export levy on palm oil exports. Levy administrators report that they foresee the possibility of declining levy revenues as Indonesian exporters increase their production of value added CPO products which pay a lower levy than regular CPO. Palm oil producers, however, disagree with this assessment, noting that they have not witnessed any significant changes in the biodiesel industry which would result in the growth value-added CPO products. Additionally, some growers speculate that late 2017 could see larger production increases due to sustained favorable production conditions. A production jump could lead to lower CPO prices,

increased exports, greater levy revenues, and a smaller price spread between CPO and fossil fuels. Other factors to consider over the long term include the possibility of extending biodiesel subsidies to privately owned fuel companies. This has been long debated but the GOI has yet to act on it due to cost constraints. Likewise, the GOI continues to list biodiesel-based electricity generation as a high priority. Indonesia's state-owned power company, however, reports that biodiesel is a low priority, accounting for a negligible portion of the country's electricity generation. Finally, there are reports that the GOI is considering a revision to the biodiesel pricing index, which would result in a lower biodiesel price. As of March 2017, however, no regulation has been issued and there is no indication that this endeavor will move forward.

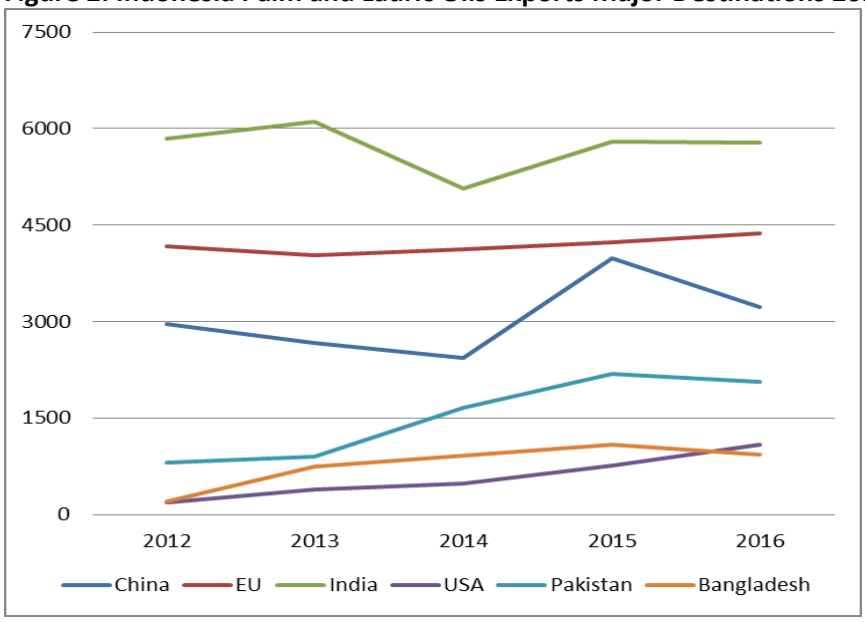
Human consumption of CPO continues to steadily increase with the pace of population growth. Post estimates that human consumption will reach 5.7 million metric tons in 2016/17 and 5.75 million metric tons in 2017/18. Feed use is revised upwards slightly in support of continued growth in Indonesia's poultry industry. Post thus estimates 2016/17 feed consumption at 340 thousand metric tons and 345 thousand metric tons in 2017/18.

**Trade**

Trade data shows that calendar year 2016 exports fell by 5.4 percent compared to 2015. Analysts note that the export decline was likely due to supply constraints resulting from dry weather. This is supported by price data which shows that the average CPO price rose 13 percent to 640 dollars in 2016 from 565 dollars the previous year. Rising CPO prices narrowed the soy-CPO price spread, which fell to 26 dollars in 2016 (based on annual average price). With CPO prices approaching soy oil prices, some buyers made the switch to soy oil, thus diminishing CPO export performance. Post expects a slight increase in 2017/18 exports under the anticipation of improving production and growing stocks. Under these conditions, 2017/18 exports are set at 25.5 million metric tons, a 500,000 ton increase over 2016/17. Factors to watch in the coming year will be Indian, Chinese, and European demand, as well as potential growth in Pakistan and Bangladesh (see Figure 2). CPO producers are emphasizing that potential production increases in the last quarter of 2017 could fuel export growth. Less likely but equally important will be the price spread between fossil fuels and biodiesel. In the event that fossil fuel prices rebound, demand for biodiesel could increase.

2015/16 export data remains incomplete, with data only published through July 2016. Post thus revises its 2015/16 export estimate to 22.905 million metric tons based on GOI data (BPS).

**Figure 2. Indonesia Palm and Lauric Oils Exports Major Destinations 2012-16 (TMT)**




**Source:** GAPKI Export Data

## Stocks

Ending stocks are expected to rise to 2.932 MMT in MY 2017/18 from 1.677 MMT in MY 2016/17, based on recovering production. 2015/16 ending stocks are slightly revised to 2.317 MMT based on revised export estimates.

## Production, Supply and Demand Data Statistics

| Oil, Palm | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Area Harvested** | 8965 | 8965 | 9200 | 9200 | 0 | 9300 |
| **Trees** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Beginning Stocks** | 2734 | 2734 | 2214 | 2317 | 0 | 1677 |
| **Production** | 32000 | 32000 | 35000 | 34000 | 0 | 36500 |
| **MY Imports** | 8 | 8 | 0 | 0 | 0 | 0 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 34742 | 34742 | 37214 | 36317 | 0 | 38177 |
| **MY Exports** | 23000 | 22905 | 25700 | 25000 | 0 | 25500 |
| **MY Exp. to EU** | 3500 | 3500 | 3500 | 3500 | 0 | 3500 |
| **Industrial Dom. Cons.** | 3700 | 3600 | 3650 | 3600 | 0 | 3650 |
| **Food Use Dom. Cons.** | 5500 | 5600 | 5500 | 5700 | 0 | 5750 |
| **Feed Waste Dom. Cons.** | 328 | 320 | 320 | 340 | 0 | 345 |
| **Total Dom. Cons.** | 9528 | 9520 | 9470 | 9640 | 0 | 9745 |
| **Ending Stocks** | 2214 | 2317 | 2044 | 1677 | 0 | 2932 |
| **Total Distribution** | 34742 | 34742 | 37214 | 36317 | 0 | 38177 |
| | | 0 | | 0 | | 0 |
| (1000 HA) ,(1000 TREES) ,(1000 MT) | | | | | | |

**Commodities:**
*Oilseed, Palm Kernel*

**Production**
Palm kernel (PK) production is determined by fresh fruit bunch (FFB) yields. MY 2016/17 and MY 2017/18 CPO production are estimated at 34 MMT and 36.5 MMT. Assuming a 23 percent oil extraction rate (OER), FFB production is estimated at 150 MMT in MY 2016/17 and 161.5 MMT in MY 2017/18. PK accounts for about six percent of total FFB weight, indicating that PK production will reach 9 MMT in MY 2016/17 and 9.6 MMT in MY 2017/18.

**Consumption**
PK is used by millers, who crushed PK for palm kernel oil (PKO) and palm kernel meal (PKM). Post expects local millers will process 8.8 MMT of PK in MY 2016/17 and 9.35 MMT in MY 2017/18.

**Trade**
Post revises MY 2015/16 trade figures to 255 thousand metric tons to reflect final export data. Post notes that 2015/16 PK exports jumped following decreases in Indonesia's export levy for PK. MY 2016/17 and MY 2017/18 are expected to reach 140 thousand MT exports in each year, based on industry expectations that the levy on PK will increase again.

**Stocks**
PK ending stocks of PK are estimated to rise to 55,000 MT in MY 2017/18 as result of the increasing CPO production.

**Production, Supply and Demand Data Statistics**

| Oilseed, Palm Kernel | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct -16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Area Harvested** | 8965 | 8965 | 9200 | 9200 | 0 | 9300 |
| **Trees** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Beginning Stocks** | 50 | 50 | 30 | 30 | 0 | 20 |
| **Production** | 8500 | 8500 | 9200 | 9000 | 0 | 9600 |
| **MY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 8550 | 8550 | 9230 | 9030 | 0 | 9620 |
| **MY Exports** | 5 | 255 | 5 | 140 | 0 | 140 |
| **MY Exp. to EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Crush** | 8450 | 8200 | 9055 | 8800 | 0 | 9350 |
| **Food Use Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Feed Waste Dom. Cons.** | 65 | 65 | 80 | 70 | 0 | 75 |
| **Total Dom. Cons.** | 8515 | 8265 | 9135 | 8870 | 0 | 9425 |
| **Ending Stocks** | 30 | 30 | 90 | 20 | 0 | 55 |
| **Total Distribution** | 8550 | 8550 | 9230 | 9030 | 0 | 9620 |
| | | 0 | | 0 | | 0 |

| (1000 HA) ,(1000 TREES) ,(1000 MT) |
|---|

**Commodities:**
*Oil, Palm Kernel*

**Production**
Indonesia is expected to crush 8.8 MMT and 9.35 MMT of PK in MY 2016/17 and 2017/18. As a result, assuming an approximate extraction rate of 44 percent, PKO production will reach 3.85 MMT in 2016/17 and 4.1 MMT 2017/18 in each marketing year.

**Consumption**
PKO is mainly used by oleo chemical industry. (Applications are numerous but include soaps, pharmaceutical uses, and industrial lubricants). Based on reports of industrial expansion, post estimates industrial consumption will reach 1.85 MMT in MY 2016/17 and 1.87 MMT in MY 2017/18. Small quantities of PKO are used by Indonesia's food processing industry also. Overall domestic consumption is expected to grow to 2.21 MMT in MY 2017/18.

**Trade**
Indonesian PKO exports are expected to grow from 1.65 MMT in MY 2016/17 to 1.7 MMT in MY 2017/18. Traders anticipate increasing exports as production and stocks are expected to increase.

**Stocks**
Ending stocks are estimated to rise to 256,000 MT in MY 2017/18, as production outpaces use.

**Production, Supply and Demand Data Statistics**

| Oil, Palm Kernel | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Crush** | 8450 | 8200 | 9055 | 8800 | 0 | 9350 |
| **Extr. Rate, 999.9999** | 0.4379 | 0.439 | 0.4395 | 0.438 | 0 | 0.439 |
| **Beginning Stocks** | 248 | 248 | 148 | 46 | 0 | 66 |
| **Production** | 3700 | 3600 | 3980 | 3850 | 0 | 4100 |
| **MY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 3948 | 3848 | 4128 | 3896 | 0 | 4166 |
| **MY Exports** | 1700 | 1662 | 1700 | 1650 | 0 | 1700 |
| **MY Exp. to EU** | 320 | 265 | 320 | 240 | 0 | 250 |
| **Industrial Dom. Cons.** | 1800 | 1820 | 1900 | 1850 | 0 | 1870 |
| **Food Use Dom. Cons.** | 300 | 320 | 350 | 330 | 0 | 340 |
| **Feed Waste Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Dom. Cons.** | 2100 | 2140 | 2250 | 2180 | 0 | 2210 |
| **Ending Stocks** | 148 | 46 | 178 | 66 | 0 | 256 |
| **Total Distribution** | 3948 | 3848 | 4128 | 3896 | 0 | 4166 |
| | | 0 | | 0 | | 0 |
| (1000 MT) ,(PERCENT) | | | | | | |

**Commodities:**
*Meal, Palm Kernel*

**Production**
PKM production is derived from PK and PKO production. Assuming palm kernel crush yields of 53 percent meal and four percent waste, PKM production is estimated to reach 4.7 MMT and 4.95 MM in MY 2016/17 and MY 2017/18.

**Consumption**
Post expects domestic consumption to increase to 615,000 MT in MY 2016/17 to 620,000 MT in MY 2017/18. Domestic consumption of PKM is limited due to limited ruminant feed use and shipping cost constraints. Industry reports that distributing meal within Indonesia is more expensive than importing the ingredient equivalent. They note that small vessels and limited inter-island trade infrastructure diminish competition with imports that achieve greater economies of scale.

**Trade**
Indonesian PKM production is primarily exported. As a result, Indonesia's expected production increase is projected to result in increased exports. Post thus sets MY 2016/17 exports at 4.1 MMT and MY 2017/18 at 4.3 MMT.

**Stocks**
Post expects PKM ending stocks to increase from 114,000 MT in MY 2016/17 to 144,000 in MY 2017/18, as growing CPO production outpaces use.

**Production, Supply and Demand Data Statistics**

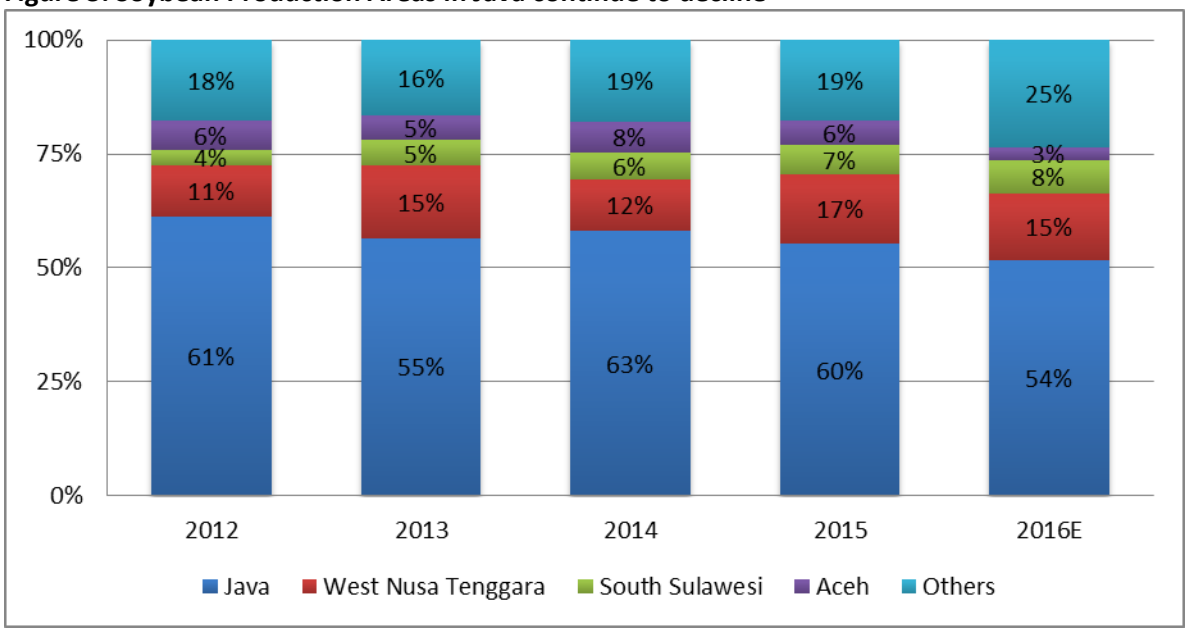
| Meal, Palm Kernel | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Crush** | 8450 | 8200 | 9055 | 8800 | 0 | 9350 |
| **Extr. Rate, 999.9999** | 0.5266 | 0.530 | 0.5356 | 0.534 | 0 | 0.529 |
| **Beginning Stocks** | 261 | 261 | 131 | 129 | 0 | 114 |
| **Production** | 4450 | 4350 | 4850 | 4700 | 0 | 4950 |
| **MY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 4711 | 4611 | 4981 | 4829 | 0 | 5064 |
| **MY Exports** | 4000 | 3872 | 4250 | 4100 | 0 | 4300 |
| **MY Exp. to EU** | 1650 | 1425 | 1650 | 1500 | 0 | 1600 |
| **Industrial Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Food Use Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Feed Waste Dom. Cons.** | 580 | 610 | 600 | 615 | 0 | 620 |
| **Total Dom. Cons.** | 580 | 610 | 600 | 615 | 0 | 620 |
| **Ending Stocks** | 131 | 129 | 131 | 114 | 0 | 144 |
| **Total Distribution** | 4711 | 4611 | 4981 | 4829 | 0 | 5064 |
| | | 0 | | 0 | | 0 |
| (1000 MT) ,(PERCENT) | | | | | | |

**Commodities:**
*Oilseed, Soybean*

**Production**
Soybean planting area is expected to decline in 2017/18 in response to increasing corn plantings and the expected return of wetter weather conditions. Soybean production experienced increases (yield) during Indonesia's 2015 and 2016 El Nino events as the dry weather improved bean ripening conditions and lowered pest and disease threats. Strong corn prices however, coupled with increased precipitation, should push growers to favor corn and rice over alternate crops. As a result, soybean area harvested is declining on Java, the main soybean planting area. Likewise, total production is expected to decline to 540 thousand metric tons in 2017/18 from 565 thousand metric tons in 2016/17. 2016/17 production is set to decline from 2015/16 due to the same factors as described for 2017/18 (wetter weather and grower preference to plant corn).

Soybean growers typically plant soybean as a secondary crop on non-irrigated lands. They are primarily planted as a leguminous rotation, and receive minimal inputs. Thus, yields remain low. Indonesian soybean producers indicate that policy measures have further encouraged them to switch to corn when possible. In particular, they cite Government of Indonesia regulation 21/2016, which sets a benchmark farm gate price for corn. Growers consistently point to firm corn prices as their reason to not plant soy. Field travel confirms this, with numerous farmers reporting that they are planting corn and will continue to plant corn under the expected rainier weather conditions.

**Figure 3. Soybean Production Areas in Java continue to decline**

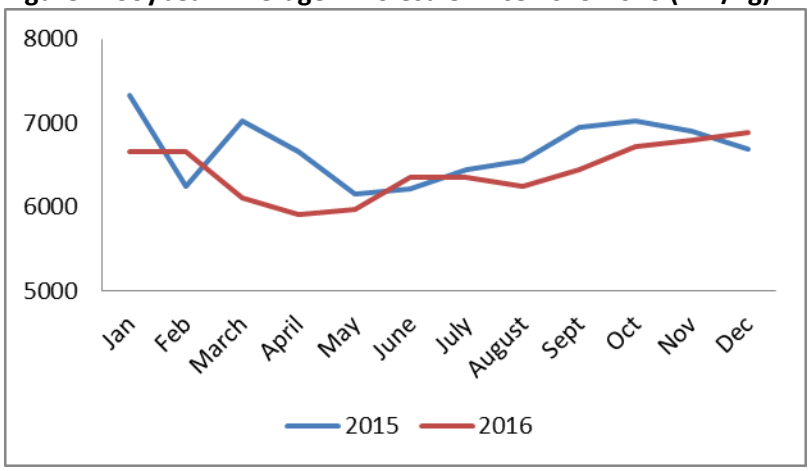



**Source**: BPS, Post estimate

**Consumption**
Indonesian soybean consumption is stable. Soybean products such as tempeh and tofu are staple proteins for Indonesians, and as such, Indonesian soybean consumption is primarily oriented at human use. Prices remain low, especially compared to meat prices. Additionally, there have been no policy-related supply disruptions and tariffs remain at zero. As a result, Post expects soybean human consumption to continue to increase with population growth.

Feed millers report that a marginal increase in full fat soybean use is possible following policy-driven declines in feed corn and wheat. They note, however, that the increase will be small, as most energy from lipid sources can be obtained through lower cost palm oil. As a result, Post expects that soybeans intended for animal feed uses will grow to 40 thousand metric tons in 2016/17 and 2017/18 from the 30 thousand in prior years. Overall consumption is expected to reach 2.9 million metric tons in 2016/17 and 2.99 million metric tons 2017/18, reflecting the above mentioned factors.

**Figure 4. Soybean Average Wholesale Price 2015-2016 (IDR/kg)**




**Source:** USSEC

## Trade

Indonesia imports more than 80 percent of its soybeans, with the United States acting as the primary supplier. Post expects that soybean imports will continue to grow in 2017/18, based on population growth/growing consumption estimates, stable demand for soy-based food products, and the absence of import restrictions. As a result, imports are expected to rise to 2.45 million metric tons in MY 2017/18. 2016/17 trade estimates remain unchanged at 2.32 million metric tons, reflecting trade data through December 2016.

**Table 1. Indonesia Soybean Imports, Reported by Exporters (MT)**

| | 2015/16 | 2016/17 |
|---|---|---|
| October | 84,818 | 148,653 |
| November | 214,263 | 240,933 |
| December | 123,659 | 343,877 |
| January | 167,437 | |
| February | 298,402 | |
| March | 269,444 | |
| April | 327,181 | |
| May | 161,635 | |
| June | 160,070 | |
| July | 128,308 | |
| August | 215,377 | |
| September | 144,725 | |
| Oct-Dec | 422,740 | 733,463 |

| | | |
|---|---|---|
| Total | 2,295,319 | 733,463 |

**Source:** GTIS

**Stocks**

Soybean stocks are expected to remain stable, declining slightly to 92 thousand metric tons in 2017/18.

**Production, Supply and Demand Data Statistics**

| Oilseed, Soybean | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 490 | 490 | 480 | 480 | 0 | 470 |
| **Area Harvested** | 440 | 440 | 430 | 430 | 0 | 420 |
| **Beginning Stocks** | 65 | 65 | 64 | 109 | 0 | 93 |
| **Production** | 580 | 580 | 565 | 565 | 0 | 540 |
| **MY Imports** | 2250 | 2295 | 2400 | 2320 | 0 | 2450 |
| **MY Imp. from U.S.** | 2200 | 2269 | 2300 | 2300 | 0 | 2400 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 2895 | 2940 | 3029 | 2994 | 0 | 3083 |
| **MY Exports** | 1 | 1 | 1 | 1 | 0 | 1 |
| **MY Exp. to EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Crush** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Food Use Dom. Cons.** | 2800 | 2800 | 2935 | 2860 | 0 | 2950 |
| **Feed Waste Dom. Cons.** | 30 | 30 | 30 | 40 | 0 | 40 |
| **Total Dom. Cons.** | 2830 | 2830 | 2965 | 2900 | 0 | 2990 |
| **Ending Stocks** | 64 | 109 | 63 | 93 | 0 | 92 |
| **Total Distribution** | 2895 | 2940 | 3029 | 2994 | 0 | 3083 |
| | | 0 | | 0 | | 0 |
| (1000 HA) ,(1000 MT) | | | | | | |

**Commodities:**

*Meal, Soybean*

**Production**

Indonesia does not produce soybean meal (SBM), relying entirely on imports for its soybean meal requirements. The majority of full fat soybeans are used for human foods such as tempeh and tofu, and its vegetable oil demand is met by local palm oil production. As a result there is no production of SBM as a byproduct.

**Consumption**

Indonesian SBM consumption is driven by the animal feed sector. This consists of poultry feed (83 percent), aquaculture (11 percent) and swine and cattle (6 percent). According to industry contacts, soybean meal constitutes 15 to 20 percent of livestock feed.

Industry sources report that CY 2017 feed production growth is expected to slow. These sources note that while CY 2016 growth reached approximately seven percent, CY 2017 growth would not likely reach 2016 levels due to import restrictions on corn and feed grade wheat. Thus, although feed mill capacity continues to expand, mills are expected to run at about 70 percent capacity (see GAIN ID 1610). Post thus estimates total SBM consumption will increase to 4.44 MMT in MY 2017/18, a slight increase over 4.39 MMT in MY 2016/17.

**Trade**

Indonesian SBM imports are expected to grow, reflecting increasing poultry and aquaculture sector consumption. Post thus expects imports to reach 4.3 MMT in MY 2016/17 and 4.45 MMT for MY 2017/18. Indonesia's SBM imports primarily originate in Brazil and Argentina. 2015/16 final data is not yet available.

**Stocks**

Indonesian SBM ending stocks are expected to increase slightly to 175,000 in MY 2017/18 based on slower feed industry consumption growth.

**Production, Supply and Demand Data Statistics**

| Meal, Soybean | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Crush** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Extr. Rate, 999.9999** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Beginning Stocks** | 225 | 225 | 200 | 255 | 0 | 165 |
| **Production** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imports** | 4275 | 4100 | 4600 | 4300 | 0 | 4450 |
| **MY Imp. from U.S.** | 110 | 28 | 110 | 40 | 0 | 40 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 4500 | 4325 | 4800 | 4555 | 0 | 4615 |
| **MY Exports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Exp. to EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Industrial Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Food Use Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Feed Waste Dom. Cons.** | 4300 | 4070 | 4600 | 4390 | 0 | 4440 |
| **Total Dom. Cons.** | 4300 | 4070 | 4600 | 4390 | 0 | 4440 |
| **Ending Stocks** | 200 | 255 | 200 | 165 | 0 | 175 |
| **Total Distribution** | 4500 | 4325 | 4800 | 4555 | 0 | 4615 |
| | | 0 | | 0 | | 0 |
| (1000 MT) ,(PERCENT) | | | | | | |

**Commodities:**

*Oilseed, Copra*

**Production**

Industry contacts report that coconut production is declining at a steady rate in Sulawesi. Several factors have been cited as the source of these declines, including conversion of land to non-agricultural uses, low grower profits, and demand for coconut tree wood. Most important, however, are declining yields. Industry experts note that most of Sulawesi's coconut plantations are well beyond their 35 year prime production periods. Faced with aging plantations, most farmers are disinterested in replanting younger, more productive cultivars. These farmers, confronted with physically demanding work and low returns, see little incentive in the cost of replanting, or making long term investments in higher yielding cultivars. Given their risk profile, coconut farmer behavior is categorized by low-maintenance cultivation techniques resulting in low yields, inconsistent supplies, and aging plantations. These practices are followed by well over 90 percent of Sulawesi's coconut farmers.

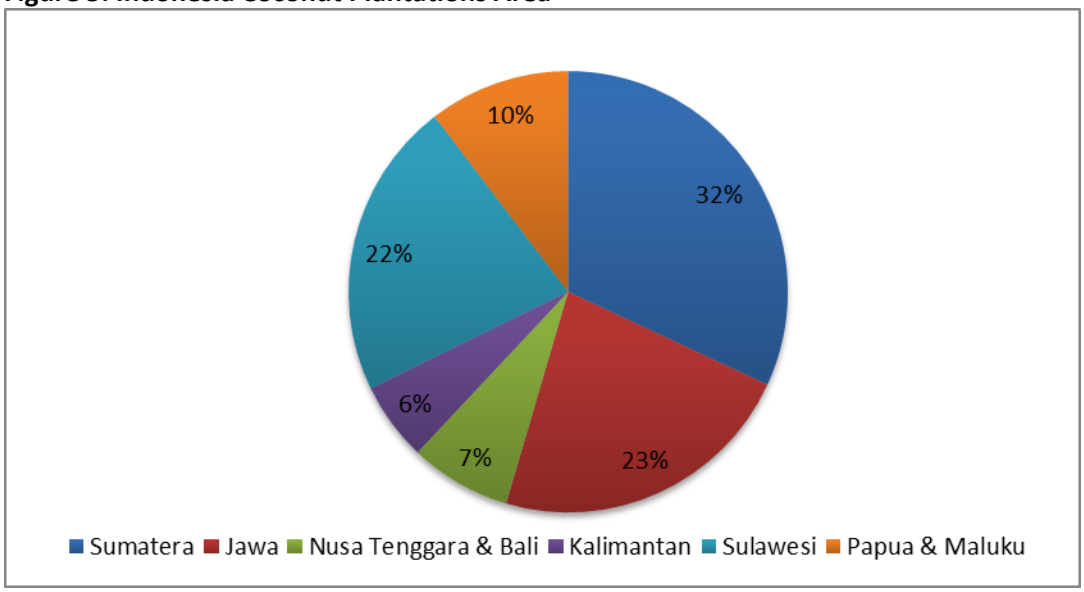
Coconut oil processors, faced with declining copra production, are struggling to source copra. Given that most coconut farms are organized as smallholdings, (many featuring mountainside terrains and varying access to roads), investors see few options to purchase and consolidate farms. Processors are therefore implementing various strategies, including aggressive purchasing programs, the diversification of coconut product processing (bottled coconut water), and additional extension efforts with the intention of providing better returns to producers. Additionally, some processors are seeking innovative ownership agreements, such as leases on trees, thereby handing over production of the coconuts to the processors, while allowing farmers to maintain land ownership.

**Image 2: Coconut Plantation Intercropped with Corn, Sulawesi 2017**

Coconut production and non-copra use of coconut (for example desiccated coconut for the confectionary industry) determines the availability of Indonesian copra. Like palm oil, MY 2015/16 production dropped due to El Nino weather conditions. Additionally, aging plantations are experiencing declining yields. As a result, MY 2017/18 copra production is expected to decline to 1.57 MMT, compared to 1.58 MMT the previous year.

Two thirds of Indonesia's coconut production is located on Sumatera, Java and Sulawesi (Figure 5). Industry contacts note, however, that a large portion of the Sumatran crop is exported for processing overseas. In order to maintain copra and coconut oil production, it is likely that small portions of exportable supplies of unprocessed coconuts are being retained in Indonesia for further processing.

**Figure 5. Indonesia Coconut Plantations Area**




**Source:** BPS

## Consumption

Indonesia's coconut oil (CNO) industry consumes approximately 97 percent of Indonesia's copra production. CNO mills are expected to process 1.53 MMT of copra in both MY 2016/17 and 2017/18.

## Trade

Although Indonesia exports a large quantity of raw coconut, copra exports are low, as most copra is processed domestically. Indonesia only exports small quantities of copra to Bangladesh and the Philippines. Thus, MY 2015/16 exports are revised to 20 thousand metric tons, based on final trade data. 2016/17 and 2017/18 are set at 25 thousand metric tons, assuming typical export performance.

## Stocks

Post expects ending stocks to remain in the range of 50,000 metric tons. Large variations are unlikely given declining production and minimal trade. Thus ending stocks are estimated at 73 thousand metric tons in MY 2017/18 and 63 thousand metric tons in 2016/17. MY 2015/16 ending stocks are estimated at 43 thousand metric tons based on final trade data.

## Production, Supply and Demand Data Statistics

| Oilseed, Copra | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-16 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Area Harvested** | 3780 | 3780 | 3760 | 3760 | 0 | 3700 |
| **Trees** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Beginning Stocks** | 8 | 8 | 4 | 43 | 0 | 63 |
| **Production** | 1590 | 1590 | 1580 | 1580 | 0 | 1570 |
| **MY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from U.S.** | 0 | | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 1598 | 1598 | 1584 | 1623 | 0 | 1633 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **MY Exports** | 25 | 20 | 30 | 25 | 0 | 25 |
| **MY Exp. to EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Crush** | 1565 | 1530 | 1540 | 1530 | 0 | 1530 |
| **Food Use Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Feed Waste Dom. Cons.** | 4 | 5 | 4 | 5 | 0 | 5 |
| **Total Dom. Cons.** | 1569 | 1535 | 1544 | 1535 | 0 | 1535 |
| **Ending Stocks** | 4 | 43 | 10 | 63 | 0 | 73 |
| **Total Distribution** | 1598 | 1598 | 1584 | 1623 | 0 | 1633 |
| | | 0 | | 0 | | 0 |
| (1000 HA) ,(1000 TREES) ,(1000 MT) | | | | | | |

**Commodities:**
*Oil, Coconut*

**Production**
Coconut oil (CNO) production is based on copra production. Post thus estimates that the 2017/18 crush will reach 1.53 MMT, resulting in 970,000 MT of CNO. Post estimates that CNO production will remain the same in all three marketing years.

**Consumption**
Indonesia's industrial sector consumes limited quantities of CNO, as inexpensive palm oil products are produced domestically and are readily available. Post expects total domestic consumption at 245,000 MT in MY 2017/18, reflecting limited growth from 240,000 MT in MY 2016/17.

**Trade**
Most CNO production is exported. Exports are expected to decline to 610,000 MT in both MY 2016/17 and MY 2017/18, as competition from lower-cost palm kernel oil is expected to offset oleo chemical industry demand for coconut oil.

**Stocks**
Post estimates that CNO ending stocks will rise to 384,000 MT in MY 2017/18 as result of stagnant export performance and domestic consumption.

**Production, Supply and Demand Data Statistics**

| Oil, Coconut | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-16 | | Oct-17 | | Oct-18 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Crush** | 1565 | 1530 | 1540 | 1530 | 0 | 1530 |
| **Extr. Rate, 999.9999** | 0.6358 | 0.634 | 0.6351 | 0.634 | 0 | 0.634 |
| **Beginning Stocks** | 38 | 38 | 83 | 149 | 0 | 269 |
| **Production** | 995 | 970 | 978 | 970 | 0 | 970 |
| **MY Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 1033 | 1008 | 1061 | 1119 | 0 | 1239 |
| **MY Exports** | 650 | 624 | 700 | 610 | 0 | 610 |
| **MY Exp. to EU** | 150 | 100 | 150 | 90 | 0 | 90 |
| **Industrial Dom. Cons.** | 190 | 125 | 190 | 130 | 0 | 135 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Food Use Dom. Cons.** | 110 | 110 | 100 | 110 | 0 | 110 |
| **Feed Waste Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Dom. Cons.** | 300 | 235 | 290 | 240 | 0 | 245 |
| **Ending Stocks** | 83 | 149 | 71 | 269 | 0 | 384 |
| **Total Distribution** | 1033 | 1008 | 1061 | 1119 | 0 | 1239 |
| | | 0 | | 0 | | 0 |
| (1000 MT) ,(PERCENT) | | | | | | |

**Commodities:**
*Meal, Copra*

**Production**
Like CNO, copra meal production is based on copra production and crush rates. Copra meal production is therefore estimated at 515,000 metric tons, based on the estimate that Indonesia will crush 1.53 million metric tons of copra in all three marketing years.

**Consumption**
Copra meal is mainly used as feed ingredient. Demand for copra meal is expected to grow to 210,000 MT in MY 2016/17 and 220,000 MT in MY 2017/18, in sync with the general trend of growing animal feed production in Indonesia.

**Trade**
Post estimates that copra exports will reach 240,000 MT in MY 2016/17 and 245,000 MT in MY 2017/18. Small growth is attributable to traders' comments that Indonesian origin copra meal is slightly more competitive compared to neighboring origins.

**Stocks**
2017/18 copra meal ending stocks are expected to increase to 201,000 MT as result of slow export growth and feed industry demand.

**Production, Supply and Demand Data Statistics**

| Meal, Copra | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Oct-15 | | Oct-16 | | Oct-17 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Crush** | 1565 | 1530 | 1540 | 1530 | 0 | 1530 |
| **Extr. Rate, 999.9999** | 0.3323 | 0.3366 | 0.3305 | 0.337 | 0 | 0.337 |
| **Beginning Stocks** | 5 | 5 | 6 | 84 | 0 | 150 |
| **Production** | 520 | 515 | 509 | 515 | 0 | 515 |
| **MY Imports** | 1 | 1 | 1 | 1 | 0 | 1 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 526 | 521 | 516 | 600 | 0 | 666 |
| **MY Exports** | 230 | 237 | 240 | 240 | 0 | 245 |
| **MY Exp. to EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Industrial Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Food Use Dom. Cons.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Feed Waste Dom. Cons.** | 290 | 200 | 270 | 210 | 0 | 220 |

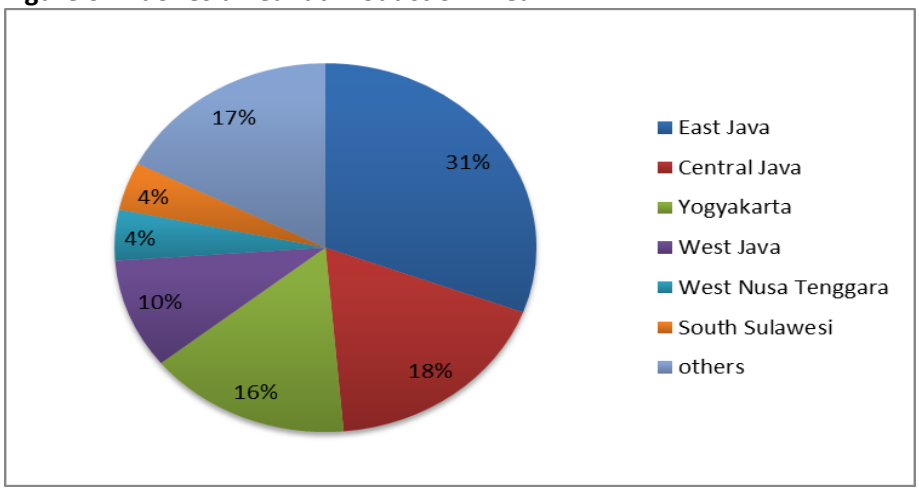
| | | | | | | |
|---|---|---|---|---|---|---|
| **Total Dom. Cons.** | 290 | 200 | 270 | 210 | 0 | 220 |
| **Ending Stocks** | 6 | 84 | 6 | 150 | 0 | 201 |
| **Total Distribution** | 526 | 521 | 516 | 600 | 0 | 666 |
| | | 0 | | 0 | | 0 |
| (1000 MT) ,(PERCENT) | | | | | | |

## Commodities:
*Oilseed, Peanut*

## Production
Java is home to approximately 74 percent of Indonesia's peanut production area. The same area is also a key production area for food crops, such rice and corn. Peanut production on Java, like soybean, is primarily used as a leguminous rotation during periods when more lucrative crops such as rice and corn cannot be grown. As a result, it is generally viewed as a secondary crop, although farmers report their preference for it over soybeans as peanut yields exceed soybean yields.

Current agricultural policy favors corn production. As a result, Indonesian farmers are increasing corn plantings in response to strong prices. Irrigated land is dedicated almost entirely to rice and corn production, while non-irrigated land is primarily planted to corn or left fallow. As a result peanut production is expected to decline in 2016/17 and 2017/18 to 1.12 and 1.07 million metric tons, respectively.

**Figure 6. Indonesia Peanut Production Area**




**Source:** BPS

## Consumption
Indonesia's peanut market can be broken down into three broad categories: traditional, snack foods, and confectionary/spreads. The traditional market consumes approximately 70 percent of Indonesia's peanut imports. Traditional market peanut sales are primarily intended for grinding and are typically used as condiments and sauces. The industry standard grade (size) for traditional market peanuts is 80/90 peanuts per ounce. The snack food market consumes about 20 percent of peanut imports. Snack foods peanuts typically require small grade peanuts, measured as 140/160 peanuts per ounce and sometimes referred to as "Java grade." Java grade peanuts are characterized by their small round shape, which is necessary for fried coating applications. Finally, confectionary and spread manufacturers consume the remaining 10 percent of peanut imports. These consumers prefer larger grade peanuts, measuring 60/70

peanuts per ounce. Note that the market distinguishes between western style peanut butter spreads and local peanut butter used as a sauce and condiment base in traditional cooking.

Industry contacts report that Indonesia's peanut market is mature, with minimal growth limited to specific segments. Based on declining production due to Indonesian farmer's increasing cultivation of corn, peanut consumption is expected to decline to 1.375 million metric tons in 2016/17 and 1.34 in 2017/18.

**Trade**

According to Global Trade Atlas, Indonesian peanut imports are sourced primarily from India, China and some African countries. Industry contacts report, however, that nearly all imports originate in India. Chinese origin exports are reported to be Indian origin peanuts which are processed (blanched) in China and then re-exported. Only small quantities originate in Africa. Importers note that African exports, as well as other competing origins (the United States or Argentina), rarely ship to Indonesia due to freight costs and shipping times. Importers also note concerns that perishability is a serious concern, and feel that the risks associated longer shipping times prevents them from buying peanuts outside of India and Southeast Asia.

Considering stagnant demand, post set peanut imports at 150,000 MT both in MY 2016/17 and MY 2017/18. 2015/16 imports are set at 232 thousand metric tons based on final trade data.

**Stocks**

Indonesian ending stocks are expected to reach 58 thousand metric tons in MY 2016/17 and 36 thousand metric tons in MY 2017/18, following declining production.

**Production, Supply and Demand Statistics**

| Oilseed, Peanut | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Jan-16 | | Jan-17 | | Jan-18 | |
| Indonesia | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Area Harvested** | 615 | 615 | 610 | 600 | 0 | 590 |
| **Beginning Stocks** | 90 | 90 | 77 | 65 | 0 | 58 |
| **Production** | 1130 | 1130 | 1125 | 1120 | 0 | 1070 |
| **MY Imports** | 250 | 232 | 250 | 250 | 0 | 250 |
| **MY Imp. from U.S.** | 0 | 0 | 0 | 0 | 0 | 0 |
| **MY Imp. from EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 1470 | 1452 | 1452 | 1435 | 0 | 1378 |
| **MY Exports** | 8 | 2 | 5 | 2 | 0 | 2 |
| **MY Exp. to EU** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Crush** | 50 | 50 | 50 | 50 | 0 | 50 |
| **Food Use Dom. Cons.** | 1240 | 1240 | 1235 | 1235 | 0 | 1200 |
| **Feed Waste Dom. Cons.** | 95 | 95 | 90 | 90 | 0 | 90 |
| **Total Dom. Cons.** | 1385 | 1385 | 1375 | 1375 | 0 | 1340 |
| **Ending Stocks** | 77 | 65 | 72 | 58 | 0 | 36 |
| **Total Distribution** | 1470 | 1452 | 1452 | 1435 | 0 | 1378 |
| | | 0 | | 0 | | 0 |
| (1000 HA) ,(1000 MT) | | | | | | |

**Commodities:**
Select