

# Indonesia Palm Oil Industry Report - H2, 2012

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## Abstracts

Indonesia is the world's largest producer of palm oil and the industry has been the economy's most valuable agricultural export sector for the last decade. The attractive returns and strong demand have encouraged investment in the Indonesian palm oil industry, resulting in significant rural economic development and poverty alleviation.

The Indonesian palm oil industry saw significant growth in recent years, thanks to increasing matured palm areas as well as improvements to the operational productivity of plantation and CPO processing. Indonesia's CPO production reached 25.6mn tonnes in 2012, representing half of the world total. Forecasters expect the country's production to increase to 28mn tonnes in 2013 and 40mn tonnes by 2020. Demand growth remains solid in Indonesia with palm oil consumption of 6.9mn tonnes in 2012, up 9.2% year on year.

The country should be cautious, however. Despite the expected increase in future demand, restrictions on the conversion of forests to oil palm plantations in Indonesia would reduce the availability of fertile land and impede expansion of the industry. Government policies should aim to improve productivity, particularly among smallholders, and implement pro-industry growth policies.

Current leading players in the market include Astra Agro Lestari, Sinar Mas Agro Resources & Technology, London Sumatra Indonesia, Sampoerna Agro and BW Plantation. The industry players posted mixed results in FY/2012 due to lower average selling price and volume of palm products.

### Key Points:

In 2012, Indonesia maintained its lead over Malaysia, producing 6.8mn tonnes more of palm oil. The two largest producing countries together represent about

85% of the global palm oil production.

In 2013, Indonesia's CPO production is projected to reach 28mn tonnes, mainly attributed to increasing matured palm areas and yields.

The growth in palm oil demand remains solid in Indonesia, accounting for 14% or 6.9mn tonnes of the total world consumption in 2012, up 9.2% year on year. The country's consumption is expected to reach 7.9mn tonnes in 2013.

CPO prices plunged in 2012 due to weaker global demand and rising palm oil stock. In 2013, the average price of CPO is expected to recover amid slower production of competing vegetable oils and higher palm oil demand.

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