

# Quincannon Associates at The 19<sup>th</sup> Indonesian Palm Oil Conference 2023

November 2023



Quincannon Asia recently participated in the Indonesian Palm Oil Conference in Bali. The event was hosted by the Indonesian Palm Oil Association or better known as GAPKI (Gabungan Pengusaha Kelapa Sawit Indonesia).

The topic of sustainability through thought leadership took centre stage at this year's IPOC as the industry prepares and discusses ways to abide with EUDR. There is a bullish outlook for bio diesel and SAF as more players enter the market with increasing quantities of exported feedstock. Price outlook for palms is expected to increase steadily as demand for renewables grow.

The Conference also showcased an expo that highlighted a wide spectrum of upstream and downstream products. This included advanced machinery and progress in the development of sustainable biofuels. The participants were predominantly Indonesian palm oil and vegetable oil-related organizations, but the event also showcased the growing international participation of service providers, biofuels and logistics companies. Over 1,000 registered attendees (and many more non-registered) were there to network and attend meetings. Participants came from as far as NW Europe and North East Asia, focused on Biofuels and Used Cooking Oil / renewable feedstocks businesses.

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As from 29th June 2023, the day EUDR came into force, products must be deforestation free with strict traceability protocols demonstrating which plot of land the commodity was produced is just one of the EUDR requirements for products to enter or be exported to markets in Europe and around the globe. There are also tighter restrictions imposed on Operators (entities who place products in the market) and traders which is requiring the market to quickly adapt in order to adhere to EUDR.

Discussions regarding “inclusions of smallholders” attracted a crowd. Nearly 40% of Palm Oils produced in Indonesia are from smallholder plantations. The regulations make it incredibly difficult and expensive for smallholders to comply with the regulations. Traceability will be a challenge as most independent smallholders rely on informal network of intermediaries. Large-scale funding and training will be required for smallholders to gain access into user friendly traceability tools which is imperative in ensuring there are no supply disruptions by 2025. An avenue for tech firms to provide a platform for operators/traders for product traceability purposes is evident. Dibiz Global and a few others had booths promoting advanced user friendly block chain technology tools for smallholders to cope with EUDR.

Unfortunately, El Nino is expected to last till mid-2nd quarter of 2024 and production of Palm Oils in Indonesia and Malaysia is expected to maintain or decline by about 5%. Furthermore, Indonesia’s consumption for Palm Oils is certain to increase with the B35 biodiesel mandate imposed. There are growing concerns with the current production performance as to how the ambitious B50 or B100 target will be achieved. A number of small plantations



have converted from rubber trees to palm in order to capitalize on the growing market space. Indonesia’s estimated current progress of replanting smallholder’s plantation is at 323,000 ha, a way to go for the ambitious 500,000 ha target.

China’s appetite has yet to pick up in the space and so this is being seen as the next great market to boom however throughout the conference many players said it was unlikely to be bullish in the near future. Several regions have over shipped which has created a glut in the destination markets, particularly Pakistan and India. India’s consumption and demand outlook appears healthy for 2024, however with the overstocking of veg oils in 2023, India will not be hungry for Palm Oil imports in 2024. The USA looks to continue importing a steady flow of feedstock for biodiesel and renewable fuels. World food demand for veg oils continues to grow at a steady rate, 3 million MT annually. Overall, price of palm oil is still expected to increase steadily with the lower production supply and feedstock needs for bio and renewable fuels.





With the growth of renewable fuels comes the need for additional truly renewable feedstocks to support the rapidly growing industry. While the potential growth markets in China are viewed as more of a regional shipping play, rapid expansion in the established markets of Europe and the Americas signals increased ton/mile demand which is expected to place mounting pressure on the IMO 2/3 fleet. With this higher utilization we can expect increased pressure on long-haul freight rates as these volumes compete directly with the CPP markets and tie up a significant portion of the stainless fleet.



by  
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***For additional insight into the shipping markets and freight trends please reach out to our experienced teams in New York, Singapore, Dubai, and Shanghai.***

