

Indonesia **Palm Oil Industry Outlook Q2 2026**

**Geopolitical Disruptions and the Resilience
of the Palm Oil Industry amidst the Energy
Transition**

March 2026



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OPENING REMARKS

Entering the second quarter of 2026, Indonesia's palm oil industry faces increasingly complex and interconnected challenges. On the one hand, palm oil continues to be strategically essential to the national economy owing to its contribution to export earnings, the supply of industrial raw materials, energy security, and the livelihoods of millions of farmers. However, on the other hand, palm oil market developments during this period are increasingly affected by a combination of domestic fundamental factors and global instability, ranging from changing climate patterns, rising biodiesel demand, energy price volatility, to global trade shock and heightening geopolitical risk sparked by armed conflict in the Middle-East.

This Q2 2026 Palm Oil Outlook is published as a sequel of the annual analysis of the national palm oil industry, with a specific focus on the April–June 2026 episode and its implications for the first half of the current year. This document aims to provide a more targeted analytical overview of supply–demand conditions, production prospects, domestic consumption dynamics, export trends, and stock developments, while examining how these factors interact with climate change, CPO price movements, fiscal policies through the Reference Price, Export Levy, and Export Duty, as well as global trade and geopolitical developments that are particularly relevant to the palm oil industry.

Overall, Q2 2026 unveils characteristics of a critical adjustment phase. On the supply side, national production remains relatively stable but coping with pressure due to post-flood recovery efforts in a number of production centers and the emerging signs of a transition toward the dry season. On the demand side, domestic consumption remains solid with biodiesel as the main driver, while the export market faces challenges from a tightening market imbalance and mounting global uncertainty. In this situation, CPO price movements become more sensitive to energy and geopolitical dynamics, with implications not only for the export market but also for domestic policies and the stability of the domestic market.

This outlook also sets Indonesia's palm oil industry within a broader context—as part of the global food, energy, and trade systems currently transforming. Therefore, analyzing Q2 2026 requires more than just a short-term market perspective; it must also be linked to structural issues that will determine the industry's resilience in the future. In this regard, the progress of PSR (oil palm replanting program for smallholders) is a key aspect of focus, as the productivity of smallholder plantations will significantly determine national supply capacity in the medium term.

This document was collaboratively prepared by the IPOSS analyst team using a combination of quantitative and qualitative approaches, aiming to provide a more comprehensive, contextual, and relevant analysis. We hope this Q2 2026 Palm Oil Outlook can be a strategic reference for the government, industry players, academics, and various other stakeholders in understanding the direction of Indonesia's palm oil industry, as well as in formulating more adaptive policy responses and strategies amidst ever-changing dynamics.

Lastly, we would like to express our appreciation to all IPOSS analysts and researchers who have contributed to the preparation of this publication. We hope that the Palm Oil Outlook Q2 2026 can provide tangible benefits as groundwork for analysis, reflection, and strategic consideration toward strengthening Indonesia's palm oil industry to be productive, resilient, and sustainable.

IPOSS Executive Board



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CHAPTER 1. INTRODUCTION

1.1 Background

Moving into the second quarter of 2026 (Q2 2026), Indonesia's palm oil industry is at a point progressively shaped by the interplay between domestic fundamentals and global external uncertainty. Palm oil continues to have a strategic role in the national economy, all the way through its contribution to export earnings, the supply of industrial raw materials, energy security, and the livelihoods of millions of farmers. Nevertheless, the policy and market constraints encountered by the Palm Oil industry are also intensifying as a result of changes in production, domestic consumption, energy prices, and the disruption of international trade.

From a market fundamentals perspective, Q2 2026 is characterized by a tighter supply– demand trend compared to the previous period. National production is expected to confront a moderate correction due to the incomplete recovery of several production centers from hydrological disruptions at the end of 2025, while domestic consumption remains robust, with biodiesel as the primary driver. In view of these conditions, even minor changes in production, exports, or domestic demand can immediately influence inventories and prices, necessitating a more careful assessment of market balance.

Beyond fundamental factors, the outlook for Q2 2026 is also affected by significant climate shifts. The end of the wet season early in the year opens opportunities for operational recovery in plantations across some regions, but at the same time, there are signs of an earlier and drier dry season in several palm oil hubs. This means the industry is not only facing the continuing impact of previous floods but is also beginning to enter a new phase of vigilance regarding water shortages, reduced productivity, fertilization disruptions, and higher operational risks in the coming semester.

Likewise, with the current escalation of global uncertainty and disorder requiring an understanding that the Indonesian palm oil market can no longer be considered simply through traditional commodity variables. In Q2 2026, the global market was enormously influenced by armed conflicts in the Middle East involving Iran, Israel, and the United States, which heightened risks to energy supplies, strategic distribution routes, and global logistics stability. The rise in energy prices resulting from this conflict bolsters CPO prices via energy substitution channels and increased distribution costs, but concurrently heightens uncertainty regarding industry margins, particularly when addressed by domestic instruments such as the Reference Price, Export Levy, and Export Duty.

If this conflict escalates or drags on, its impact could spread further into global commodity markets and heighten the risk of a global economic slowdown accompanied by inflationary pressures. In such a scenario, the palm oil market will become increasingly sensitive not only to supply–demand factors but also to the dynamics of war, energy, and global economic stability.

In the national context, this situation reinforces the relevance of biodiesel policy as an instrument of energy security, while also raising questions about the industry's structural readiness. Discussions regarding accelerating the transition to B50 could boost domestic absorption and tighten the CPO market, but its implementation also faces challenges related to supporting raw materials and an industrial support structure that is not yet fully self-reliant. At the same time, medium-term challenges such as the low achievement of the Oil Palm Replanting Program for Smallholders (PSR) indicate that productivity issues remain unresolved and will continue to determine the resilience of the national supply in the future.

Thus, the Q2 2026 Outlook must be developed not merely as a short-term assessment of prices and volumes, but as an analysis that integrates market balance, climate risks, policy dynamics, geopolitical pressures, the Iran vs Israel-U.S. conflict, and structural industry challenges. It is on this basis that this publication has been prepared to provide a more comprehensive view of the direction of the palm oil market in Q2 2026, identify key risk points, and provide an analytical foundation for policy responses and industry stakeholder strategies.

1.2 Objectives of the Q2 2026 Outlook

The Q2 2026 Palm Oil Outlook is prepared as a strategic analysis tool to provide a comprehensive overview of the direction of Indonesia's palm oil industry during the April–June 2026 period. This document is intended to help readers understand how changes in market fundamentals, climate, prices, policies, and global dynamics interact to shape industry conditions in the first half of 2026.

More specifically, the objectives of this Outlook are to:

1. Develop fundamental projections for the palm oil market, including production, domestic consumption, exports, and CPO stocks, as a basis for assessing the supply–demand balance in Q2 2026.
2. Identify the impact of climate dynamics and the transition toward the dry season on palm oil production prospects, operational risks at plantations, and the sensitivity of national supply.
3. Analyze the direction of CPO price movements, both in global and domestic markets, considering the interaction between fundamental factors, energy prices, exchange rates, and market expectations.
4. Examining the implications of fiscal and trade policies, particularly those related to the CPO Reference Price, Export Levy, and Export Duty, on export competitiveness, domestic prices, and the transmission of benefits throughout the supply chain.
5. Examine the impact of global trade and geopolitical dynamics, including market opportunities following the Agreement on Reciprocal Trade (ART), as well as risks of energy and logistics disruptions, on Indonesia's palm oil position in the international market.
6. Assessing the progress of national strategic programs, particularly PSR, in relation to the sustainability of production, productivity, and medium-term supply capacity.
7. Formulating the strategic implications of these overall dynamics as a basis for consideration by the government, businesses, and other stakeholders in responding to developments in the palm oil industry in Q2 2026.

With these objectives, the Q2 2026 Palm Oil Outlook not only serves as a projection document but also as a data-driven decision-making tool based on integrated analysis, enabling the reading of market trends, understanding risk sources, and formulating more adaptive and measurable responses.

1.3 Structure and Integration of the Analysis

The Q2 2026 Palm Oil Outlook is compiled using a structured and integrated analytical approach, viewing the palm oil industry as a system influenced by the interconnectedness of market fundamentals, climatic conditions, price formation, policy instruments, and global dynamics. Through this approach, changes in a single variable are not analyzed in isolation, but their implications for the overall configuration of the palm oil market are traced.

Structurally, the analysis begins with an assessment of the supply–demand balance, which explains supply capacity, domestic consumption, exports, and stocks. However, this fundamental analysis does not stand alone, as it is linked from the outset to climatic factors that affect production performance and supply risks. Thus, this Outlook combines market and agroclimatic dimensions as the initial foundation for assessing conditions in Q2 2026.

Building on this foundation, the analysis then moves to the formation of CPO prices—both global and domestic—which are influenced by the interaction between market balances, energy prices, and external sentiment. These price movements are subsequently linked to fiscal and trade policy instruments, particularly the Reference Price, Export Levy, and Export Duty, to explain how global market dynamics translate into domestic economic implications.

Subsequently, the Outlook expands the discussion to the global trade and geopolitical dimensions. This section is important to show that the direction of Indonesia's palm oil industry in Q2 2026 is influenced not only by internal conditions but also by new market opportunities, policy changes by trading partners, supply chain disruptions, and international energy volatility.

To conclude the overall analytical framework, this document includes a discussion on PSR. This section provides a medium-term structural dimension, ensuring that the analysis of Q2 2026 does not stop at short-term market trends but is also linked to national productivity issues that will determine supply resilience in the coming years.

Thus, the structure of the Q2 2026 Palm Oil Outlook is designed as a comprehensive analytical system: beginning with market conditions, explained through the context of climate and production, proceeding to price formation, analyzed for implications through fiscal and trade policies, expanded to the global geopolitical landscape, and linked to structural challenges via the PSR. This approach is expected to provide a sharper, more contextual, and relevant analysis for the formulation of policies and industrial strategies.

1.4 Overview of the Q2 2026 Outlook

The Overview of the Q2 2026 Palm Oil Outlook was compiled to illustrate the interrelationships among the factors shaping the direction of Indonesia's palm oil industry during the April–June 2026 period. Within this framework, the palm oil industry is understood not merely as a commodity production system, but as an ecosystem simultaneously influenced by market factors, climate, energy, fiscal policy, global trade, and structural issues at the upstream level.

Generally, this Outlook is built upon six interconnected analytical pillars.

- **The first pillar** is the **Q2 2026 Supply–Demand Outlook**. This pillar becomes the main foundation for understanding market conditions as it covers projections for production, domestic consumption, exports, and stocks. From this pillar, one can determine whether the market is moving toward looser or tighter conditions, as well as the extent of flexibility available to the industry in responding to changes in demand or policy.
- **The second pillar** is the **Climate Outlook and Its Impact on Palm Oil Production**. This pillar explains that production dynamics in Q2 2026 cannot be understood solely through aggregate data but must be viewed within the context of shifting climate patterns, post-flood recovery, and early signs of dry-season stress in major production centers. In other words, climate serves as a key explanatory variable in shaping the national supply outlook.
- **The third pillar** is the **Q2 2026 CPO Price Outlook**. This pillar positions price as the intersection between market fundamentals and external pressures. In the context of Q2 2026, CPO prices are influenced not only by supply–demand conditions but also by energy price dynamics, geopolitical risks, and shifts in global market expectations.
- **The fourth pillar** is the **Q2 2026 Outlook for Palm Oil Export Levies and Export Duties**. This section examines how changes in international prices are translated into domestic policy instruments, particularly through the Reference Price, Export Levy, and Export Duty. This pillar is important

as it bridges the dynamics of the global market and domestic economic implications, including those related to export competitiveness, fresh fruit bunch (FFB) prices, and the palm oil sector's fiscal space.

- **The fifth pillar is Indonesian Palm Oil in the Context of Global Trade and Geopolitics.** This pillar expands the discussion to a more strategic international context, covering market opportunities, supply chain pressures, global energy disruptions, and the implications of geopolitical uncertainty on the direction of national biodiesel policy. In this section, palm oil is viewed not merely as an export commodity but also as a strategic instrument in energy security and economic diplomacy.
- **The sixth pillar is the Outlook on PSR.** This pillar provides a medium-term perspective on the industry's sustainability. Although the Outlook focuses on Q2 2026, an assessment of the industry's trajectory would be incomplete without considering the productivity of smallholder plantations as the foundation of the national supply. Therefore, PSR developments have become an important indicator for evaluating the structural readiness of Indonesia's palm oil industry to address future demand pressures.

These six pillars are arranged sequentially but are not strictly linear. Each influences and explains the others. Climate change affects production; production affects market balance; market balance affects prices; prices affect reference price, export levy, and export duty; fiscal policy affects competitiveness and domestic price transmission; while all these dynamics unfold within the context of constantly evolving global trade and geopolitics. Underlying it all, structural factors such as PSR determine the strength of the industry's foundation in the medium term.

With this framework, the Q2 2026 Palm Oil Outlook does not merely present projections chapter by chapter, but constructs a cohesive narrative on how various factors interact to shape the direction of Indonesia's palm oil industry.



CHAPTER 2. SUPPLY-DEMAND OUTLOOK FOR Q2 2026

2.1 Production Outlook for Q2 2026

2.1.1 National Production through Q2 2026

Cumulatively, national production of CPO and CPKO through the end of Q2 2026 is projected to reach approximately 23.7 million tons. This figure is slightly lower than the 24.0 million tons recorded for the same period in 2025, but it remains within the historical range of national production over the past few years.

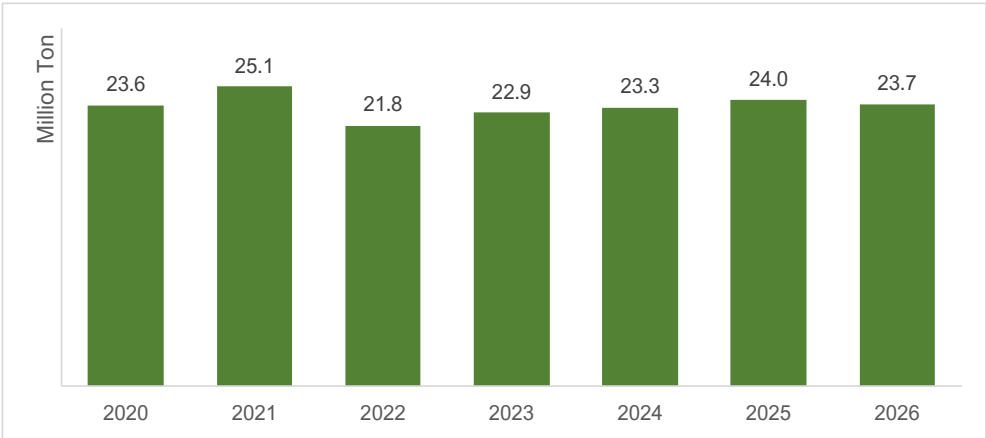


Figure 1. CPO and CPKO Production through Q2

Sources: Directorate General of Plantations (2025); Statistics Indonesia (2025c), reprocessed by IPOSS

Historically speaking, these figures remain higher than those for 2022 and 2023, and are relatively comparable to 2024 production levels. This indicates that, despite a slight correction compared to the previous year, production performance in the first half of 2026 has not yet shown a sharp decline.

The slight correction in cumulative production through the end of Q2 2026 indicates pressure during the early to mid-year period, primarily related to weather factors and the lingering impact of operational disruptions at several production hubs. However, overall national supply through mid-year remains reasonably stable, thus not yet indicating a major disruption to the domestic supply balance.

From a supply-demand perspective, this situation indicates that supply capacity in the first half of 2026 is likely to be slightly more constrained compared to the previous year. Nevertheless, this decline remains moderate and does not yet reflect a structural weakening of national production capacity.

2.1.2 Year-on-Year Production Trends for Q2

Focusing specifically on Q2, national production for the April–June 2026 period is projected to be slightly lower than in the same period of 2025. This situation is partly due to the continuing impact of the floods that struck several palm oil production centers, where the restoration of plantation areas and infrastructure in some regions has not yet been fully completed.

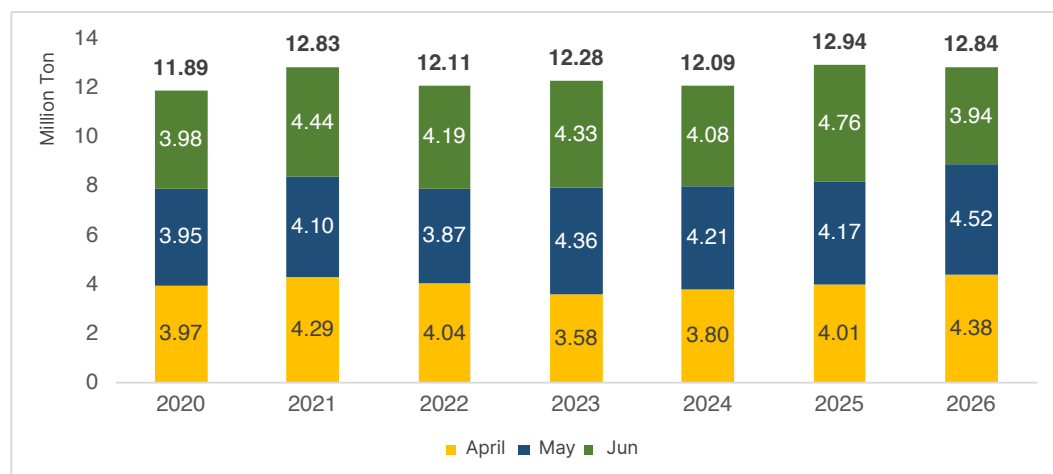


Figure 2. National Production Q2 – YoY

Sources: Directorate General of Plantations (2025); Statistics Indonesia (2025c), reprocessed by IPOSS

Historically, Q2 production has generally increased compared to the beginning of the year, in line with more favorable agroclimatic conditions and a more optimal crop production phase. However, in Q2 2026, production is projected to experience a moderate decline compared to the previous year's figures.

Some of the key factors influencing Q2 2026 production dynamics include:

- **Relatively drier weather conditions** in several key production regions, which could potentially suppress fresh fruit bunch (FFB) formation, particularly during the period leading up to the peak harvest.
- **The continuing impact of the floods at the end of 2025**, where some plantation areas and infrastructure are still in the recovery process, meaning productivity has not yet fully returned to normal levels.
- **Variations in monthly performance during Q2**, where production in April and May was relatively stable, but the potential for growth in June is expected to be lower than in the previous year.

Overall, national production in Q2 2026 is projected to be slightly below the 2025 level, though it remains within the historical range of the past few years. Thus, the correction in the second quarter is better understood as a moderate adjustment influenced by weather factors and the post-disaster recovery process, rather than as an indication of structural changes in national production capacity.

From a supply–demand balance perspective, this moderate weakening has the potential to reduce the production surplus margin in the middle of the year, but does not yet indicate significant supply pressure on a national scale.

2.2 Consumption Outlook for Q2 2026

2.2.1 General Conditions

Domestic consumption of palm oil (CPO and CPKO) in the second quarter showed an upward trend throughout the 2020–2025 period, but a slight decline is expected in 2026. Total consumption in Q2 2026 is projected to reach approximately 5.99 million tons, down from 6.09 million tons in 2025.

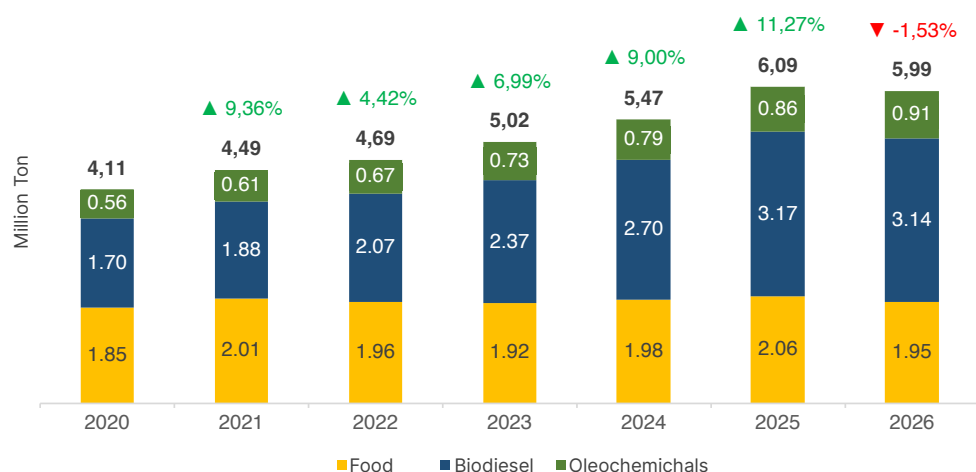


Figure 3. Indonesia's Domestic Palm Oil Consumption in Q2 2026

Sources: Decree of Ministry of Energy and Mineral Resources (2025); Statistics Indonesia (2025a, 2025d), reprocessed by IPOSS

Historically, domestic palm oil consumption in Q2 has shown steady annual growth, in line with the growth in food, biodiesel, and oleochemical consumption. However, in Q2 2026, consumption is projected to decline slightly by 1.53% compared to the previous year. Several factors influencing this change include:

- **Changes in seasonal consumption patterns**, as in 2026, Eid al-Fitr does not fall in the second quarter, which typically boosts food consumption (especially for household needs during the celebrations).
- **A decline in biodiesel consumption**, which is also affected by the shift in the timing of Eid al-Fitr. Typically, during Eid, there is a surge in biodiesel demand due to high mobility as people return to their hometowns, but in 2026, the homecoming period did not occur in Q2, resulting in a slight decrease in biodiesel consumption.
- **Consistent oleochemical consumption**, which continues to show a year-over-year growth trend.
- **A more balanced consumption structure**, although biodiesel remains the primary driver.

2.2.2 Potential Shifts in Consumption Due to Global Energy Disruptions

During global energy supply uncertainty caused by geopolitical conflicts involving Iran, there is a potential for disruptions to supply distribution through strategic routes such as the Strait of Hormuz. These conditions could potentially raise global crude oil prices and create an opportunity for the government to consider increasing the biodiesel blend from B40 to B50 in response to such pressures.

An escalation of the conflict not only risks disrupting distribution routes but also has the potential to damage numerous oil and natural gas production and processing facilities in the region. If this situation

persists, a contraction in global oil supply in the near future becomes a risk that must be factored in. For Indonesia, this situation could make it more difficult to meet domestic diesel fuel needs, which remain heavily reliant on oil-based supplies. Therefore, there is a possibility of a shift in the biodiesel blend ratio through increased utilization of CPO as a feedstock, from B40 to B50.

The following are two scenarios illustrating a comparison of CPO consumption allocations in Q2 2026. The first scenario illustrates the conditions if B40 is fully implemented throughout 2026, while the second scenario illustrates the conditions if B50 begins to be implemented starting in April 2026.

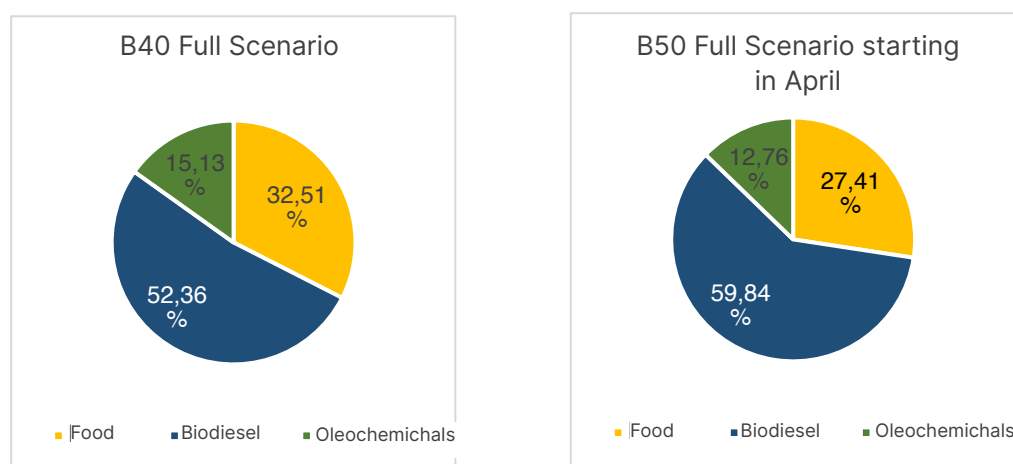


Figure 4. Scenarios I and II for Indonesia's Domestic Palm Oil Consumption Allocation in Q2 2026 (million tons)

Sources: Decree of Ministry of Energy and Mineral Resources (2025); Statistics Indonesia (2025d, 2025b), reprocessed by IPOSS

Figure 4 shows that accelerating the implementation of B50 will drive a significant shift in the structure of domestic palm oil consumption. Under the full B40 scenario, biodiesel accounts for approximately 52.36% of total domestic consumption, while the food and oleochemical sectors account for 32.51% and 15.13%, respectively. However, if B50 is implemented starting in April 2026, the biodiesel share is projected to rise to 59.84%, while the food sector's share drops to 27.41% and the oleochemicals sector's to 12.76%. This indicates that an increased biodiesel mandate will strengthen the orientation of domestic consumption toward the energy sector, while simultaneously narrowing the allocation space for non-energy sectors.

From a more strategic perspective, this shift in composition indicates that amid global energy disruptions, domestic palm oil has the potential to be increasingly positioned as an instrument for national energy stabilization. However, the consequence is increased competition for CPO allocation in the domestic market.

If national production does not grow proportionally, the increased demand for biodiesel could reduce supply flexibility for food, oleochemicals, and export needs. Thus, the acceleration of B50 must be understood not only as a response to global energy pressures but also as a strategic decision that will affect the balance of national CPO utilization.

2.3 Q2 2026 Export Outlook

Overall, national palm oil product exports in Q2 2026 are projected to reach approximately 6.70 million tons, lower than the Q2 2025 figure of 7.22 million tons. This represents a year-over-year decrease of approximately 520,000 tons. This projection is based on the assumption that the mandatory B40 biodiesel policy remains in effect during that period.

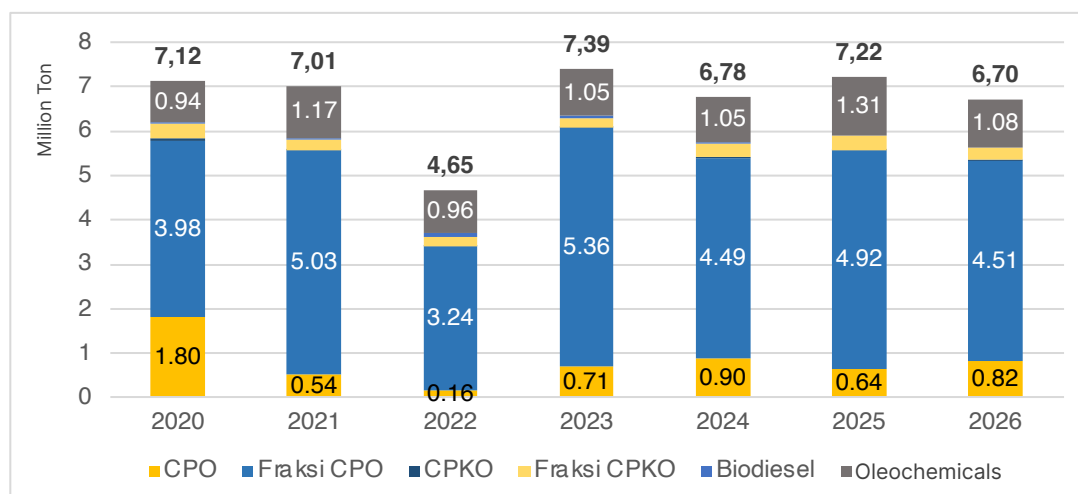


Figure 5. National Palm Oil Product Exports Q2

Source: Statistics Indonesia (2026a), reprocessed by IPOSS

Historically, national palm oil product exports in Q2 have shown a fluctuating pattern. After reaching 7.39 million tons in 2023 and 7.22 million tons in 2025, export volumes in Q2 2026 are projected to decline and fall below the levels of the previous two years. This decline primarily reflects the increasingly tight balance between domestic demand and export capacity, particularly for CPO-based products.

Key factors influencing palm oil product exports in Q2 2026 include:

- **A decline in CPO exports** in Q2 2026, which appears lower compared to previous years. This situation is influenced by rising domestic biodiesel consumption under the B40 policy framework, as well as an increasing allocation of CPO to meet domestic needs.
- **Increase in CPKO exports**, although its contribution to total exports remains relatively limited. In Q2 2026, CPKO export volume is projected to more than quadruple compared to 2025, from approximately **3,800 tons** to **17,200 tons**. This increase indicates growth potential for certain derivative products amid pressure on CPO exports.
- **Correction in oleochemical exports in Q2 2026**, although historically these products have tended to show a relatively strong trend as a value-added export component. A decline of approximately **230 thousand tons** is expected to be related to global supply disruptions and international market fluctuations. Nevertheless, oleochemicals remain a key pillar of Indonesia's palm oil exports due to their value-added nature and relatively strong demand base.
- **The overall decline in export volume** in Q2 2026 is also influenced by the escalation of conflicts, the Iran vs Israel-U.S. war in the Middle East, and disruptions in the global supply chain, which have increased logistics costs and hindered the distribution of goods to international markets. Disruptions to shipping routes have driven the use of longer and more expensive alternative routes, thereby increasing export costs. In this situation, demand from international markets tends to become more selective, especially as palm oil product prices also rise (Elaeis, 2026).

2.4 Q2 2026 Stock Outlook

As a result of production dynamics, shifts in domestic consumption, and pressure on exports, national palm oil ending stocks for Q1-Q2 2026 are projected to change significantly, particularly if the implementation of B50 biodiesel is accelerated starting in April 2026. In this context, stocks not only reflect supply conditions but also serve as a key indicator for assessing the tightness of the domestic supply-demand balance in the first half of 2026.

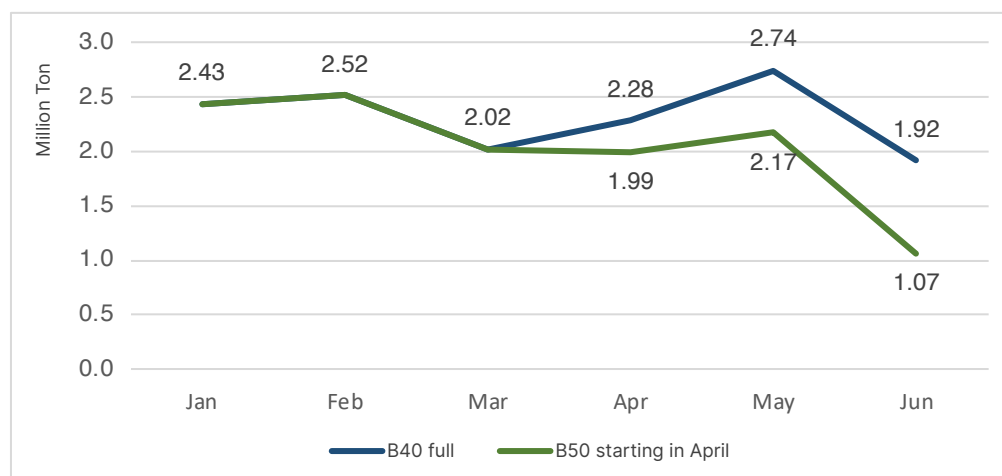


Figure 6. Final Palm Oil Stocks Q1–Q2 2026

Sources: Decree of Ministry of Energy and Mineral Resources (2025); Statistics Indonesia (2025d, 2025b, 2026b), reprocessed by IPOSS

In early 2026, national end-of-period palm oil stocks remained at a relatively stable level, at approximately **2.43 million tons** in January and **2.52 million tons** in February. By March, stocks had fallen to around **2.02 million tons**, indicating the beginning of an adjustment between supply and domestic consumption. Thereafter, the difference between the two scenarios became more apparent starting in April 2026.

In the **B40-continues-as-is** scenario, stocks are projected to be in the range of **2.28 million tons** in April, rising to **2.74 million tons** in May, and then falling to **1.92 million tons** in June. This pattern indicates that despite fluctuations, stock levels remain relatively stable throughout Q2. Conversely, in the **B50 scenario, which begins in April**, stocks are projected to drop to **1.99 million tons** in April, rise only slightly to **2.17 million tons** in May, and then fall sharply to approximately **1.07 million tons** in June.

This difference indicates that accelerating the implementation of B50 would speed up the absorption of CPO for domestic biodiesel needs, causing the national ending stock to decline faster compared to the B40 scenario. By June 2026, the stock difference between the two scenarios reaches approximately **850,000 tons**, indicating that an increase in the biodiesel blend can significantly reduce the national stock buffer. In other words, the greater the allocation of CPO for energy, the smaller the available stock buffer against market fluctuations.

From a supply–demand perspective, the sharper stock decline in the B50 scenario indicates that the domestic market will move toward tighter conditions. On one hand, this situation could strengthen palm oil’s role as an instrument of national energy security, but on the other hand, it has the potential to reduce supply flexibility for exports and the non-energy sector. Therefore, stock developments in Q2 2026 need to be closely monitored, as they will serve as a key indicator in assessing how far the acceleration of the mandatory biodiesel program can proceed without placing excessive pressure on the balance of the national palm oil market.



CHAPTER 3. CLIMATE OUTLOOK AND ITS IMPACT ON PALM OIL PRODUCTION

As we enter Q2 2026, Indonesia's climate landscape is experiencing significant structural shifts compared to previous periods. The weak La Niña phenomenon that had characterized hydrometeorological dynamics in late 2025—and served as one of the triggers for flooding in several palm oil production centers in Sumatra—began to subside in February 2026 and transitioned to a neutral ENSO phase in March 2026 (IAMCG, 2026a). ENSO (*El Niño–Southern Oscillation*) is a phenomenon of atmosphere–ocean interaction in the tropical Pacific Ocean that influences rainfall patterns across various regions, including Indonesia. This transition to the neutral phase marks the end of the dominance of wet conditions and opens the possibility of a shift toward drier weather patterns in the second half of the current year. In the context of the palm oil industry, this shift in the climate regime is relevant because it affects not only the production outlook for Q2 2026 but also the formation of production risks in the following semester (IAMCG, 2026b).

3.1 Climate Dynamics: Transition Toward the Dry Season Phase

The IAMCG's updated forecast as of March 2026 indicates that the ENSO index is projected to move progressively from the neutral phase toward the El Niño threshold in the second half of the current year. The Niño3.4 index value is projected to reach approximately +0.60 during the JJA (June–July–August) 2026 period and increase to around +0.88 during the ASO (August–September–October) 2026 period. Several global climate models also indicate a consistent trend, specifically a *trend toward El Niño* in the second half of 2026, with a probability of a weak to moderate El Niño event of approximately 50–60% (IAMCG, 2026b; WMO, 2026). Attention should be paid to the possibility of a superposition between El Niño and a positive IOD in the middle of the second half of the year, as historically, this combination has amplified drought conditions in western and central Indonesia (Nur'utami & Hidayat, 2016).

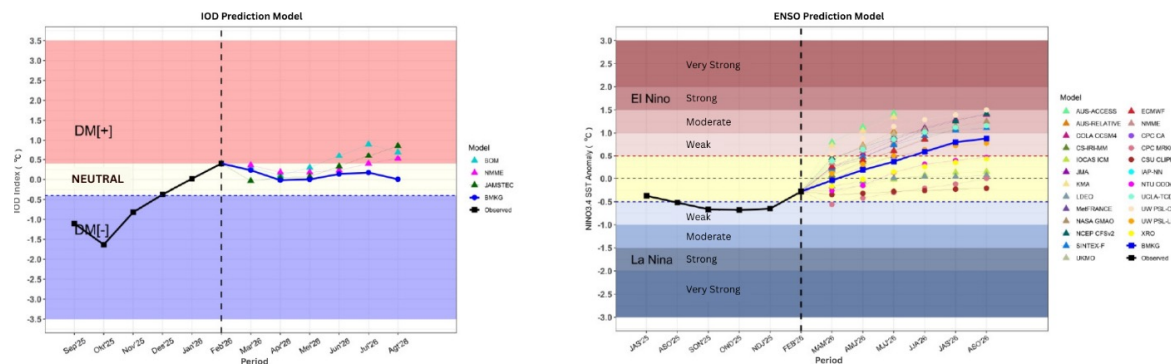


Figure 7. 2026 Climate Prediction Model

Source: IAMCG (2026b)

The direct implication for Q2 is a shift in weather conditions toward increasingly dry conditions. The BMKG predicts that the 2026 dry season will arrive earlier than normal in 46.5% of Indonesia's territory, or approximately 325 Seasonal Zones (ZOM). In some regions, the onset of the dry season has even begun to appear as early as March 2026 on a limited scale, then expanded more significantly in April 2026. For palm oil production centers, this signal is important because it indicates that hydrological stress will not wait until the second half of the year but will begin to form as early as Q2 in some production areas and logistical buffer zones (IAMCG, 2026a). Furthermore, approximately 64.5% of ZOMs are predicted to experience below-normal rainfall throughout the dry season, while 57.2% of ZOMs will experience a longer dry season duration than their normal conditions (IAMCG, 2026b).

These three indicators suggest that the 2026 dry season is not merely drier but also exhibits a more aggressive rhythm: **earlier onset, faster peak attainment, and a tendency to persist longer**. The BMKG map uploaded here shows that the peak of the dry season in some regions has already begun to emerge as early as February–March 2026, occurring earlier than the typical pattern, which usually peaks in August. At the same time, some regions are projected to experience an extremely long dry season, accompanied by a predominance of below-normal rainfall. For the palm oil sector, this pattern means the adaptation window between the end of the wet phase and the onset of drought stress is becoming increasingly narrow. In other words, the risk in 2026 stems not only from reduced rainfall but from a sharper and faster seasonal rhythm shift than usual.

3.2 Implications for Q2 2026 Palm Oil Production

From an agronomic perspective, the transition toward drier conditions in Q2 2026 carries dual implications for palm oil production. On one hand, the end of the La Niña wet phase signals a positive outlook for the operational recovery of plantations affected by flooding in Aceh and North Sumatra by the end of 2025. The gradual reduction of flooding allows for the normalization of harvesting, maintenance, and fertilization activities that were previously disrupted, so that by April–May 2026, there is an opportunity for partial production recovery in several affected regions.

However, on the other hand, the strengthening of drought signals in the latter half of Q2, particularly as we enter June 2026, begins to create new pressures on crop productivity. Oil palm requires optimal rainfall of approximately 150–200 mm per month, distributed evenly. When water deficits begin to emerge, plants may experience physiological stress that affects the formation of fresh fruit bunches (FFB) across various reproductive growth phases, ranging from flower initiation, floral sex differentiation, flower development through anthesis, sepal formation, bract splitting, pollination, to fruit enlargement up to the harvest phase (Corley & Tinker, 2016). These impacts typically do not occur simultaneously but are lagged, with a timeframe of approximately 2–30 months following the onset of water deficit, depending on the reproductive development stage of the affected plants. Consequently, production pressures resulting from the early drought of 2026 are projected to begin emerging gradually starting in Q2 2026, becoming more pronounced in Q3 2026, and may persist through Q4 2027.

It is important to note that the climate stress in 2026 does not stand alone as a typical dry spell. The palm oil industry has only recently emerged from hydrological disruptions in the form of floods at the end of 2025, making Q2 2026 a potentially sharp transition phase: from the constraints of excess water to the threat of water scarcity. Such rapid shifts in the hydrological regime can narrow the operational window at the plantation level, particularly regarding infrastructure recovery, fertilization scheduling, water management in both mineral and peatland areas, and fire preparedness for the following semester. Thus, the climate implications for oil palm in 2026 extend beyond productivity to encompass the overall operational stability of the plantation system.

Aggregately, national production in Q2 2026 is projected to be slightly below the 2025 level, with total production estimated at around 12.84 million tons—a moderate downward revision from the 12.94 million tons recorded in Q2 2025. This correction reflects a combination of the post-flood recovery process—which has not yet been fully completed—and the emerging pressures of early-dry-season drought, rather than structural changes in national production capacity. From a *supply–demand* balance perspective, the moderate weakening in the middle of this year has the potential to narrow the surplus—which has been relatively limited from the start—while increasing market sensitivity to global price dynamics in the second half of 2026.

3.3 Spatial Projections of the Q2 2026 Dry Season and Their Implications for Palm Oil Production

Based on the regional map showing an earlier-than-normal start to the dry season released by the IAMCG (Indonesian Agency for Meteorological, Climatological, and Geophysics), the transition to dry conditions in 2026 will not only be widespread spatially but will also exhibit a significant temporal shift compared to normal patterns. Therefore, assessing climate risks to the palm oil sector cannot rely solely on maps of the start of the dry season; it must also be supplemented with information regarding regions experiencing an earlier onset of the dry season, an earlier peak of the dry season, as well as trends toward longer dry season durations and drier rainfall patterns.

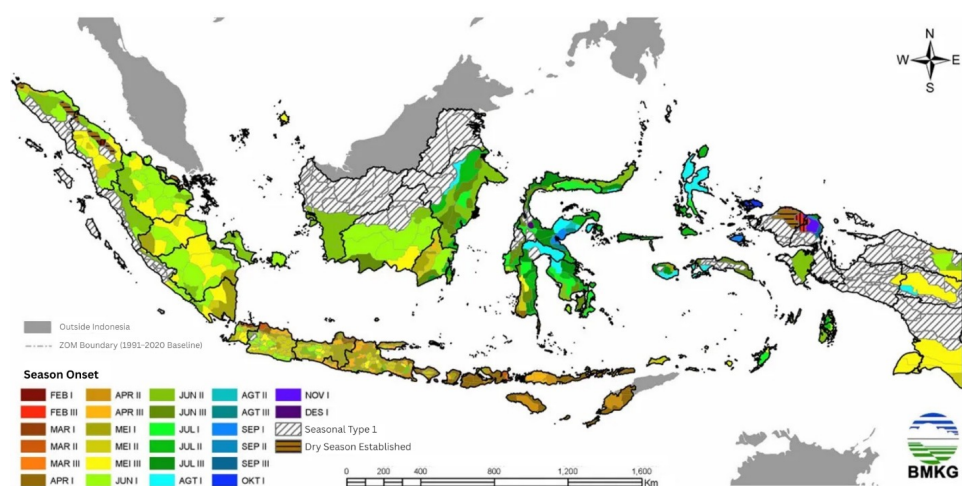


Figure 8. Regions where the Dry Season Begins Earlier than Normal

Source: IAMCG (2026b)

The map in Figure 8 shows that in several regions, the 2026 dry season is projected to arrive earlier than usual. For the palm oil sector, this is an important signal because it indicates that some plantations will face a shorter transition period from the wet to the dry phase. In the context of 2026, this condition becomes increasingly relevant because many palm oil centers had previously experienced hydrological stress in the form of flooding at the end of 2025. Thus, regions where the dry season begins earlier have the potential to experience a more abrupt shift in the hydrological regime—from water surplus to water deficit—within a relatively short timeframe.

Among the regions requiring attention are the central and southern Sumatra corridors, as well as parts of West and Central Kalimantan, given that these areas are both national palm oil production centers and regions highly sensitive to changes in the water balance.

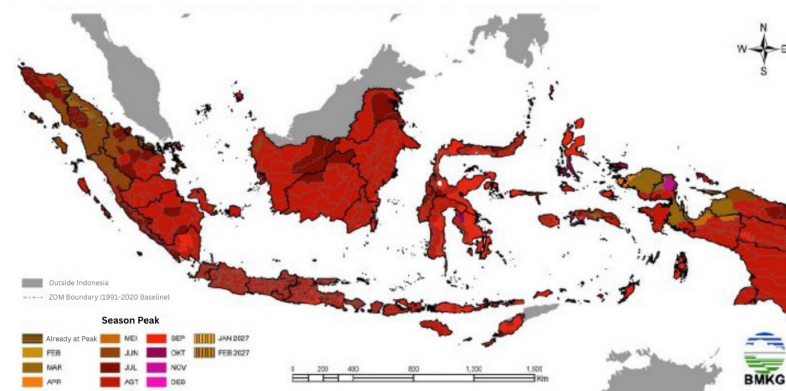


Figure 9. Regional Projections for the Peak of the 2026 Dry Season

Source: IAMCG (2026b)

Figure 9 shows that in many regions, the peak of the 2026 dry season is projected to occur earlier than the normal annual pattern. This means that climate-related stress on crops, soil moisture, and plantation operations may intensify earlier, even before the second half of the year begins. Within the palm oil industry, such an earlier peak of the dry season increases the risk of reduced fertilizer efficiency, accelerated water stress, and heightened vulnerability to fires in peatland areas.

An earlier peak of the dry season also underscores that the threat in 2026 is not merely a matter of location, but also of the timing of climate-related pressures. When the peak of the dry season occurs earlier than the normal pattern, palm oil centers face the risk that hydrological and operational pressures will arrive earlier than the usual adaptation schedule. For peatland regions such as Riau, Jambi, South Sumatra, West Kalimantan, and Central Kalimantan, these conditions can increase the likelihood of forest and land fires, disrupt fresh fruit bunch (FFB) distribution, and increase mitigation costs at the plantation and mill levels.

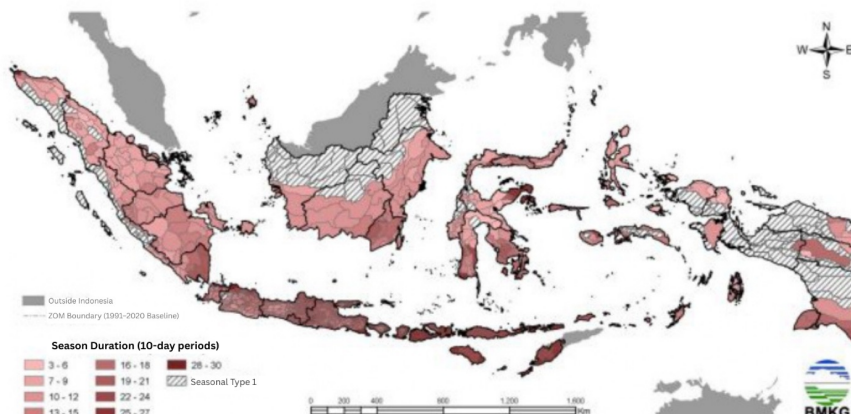


Figure 10. Duration and/or Characteristics of the 2026 Dry Season

Source: IAMCG (2026b)

This spatial dimension becomes even more significant when considered alongside the trend that the 2026 dry season in many regions will not only begin earlier but also potentially last longer and be accompanied by below-normal rainfall. The combination of an earlier onset of the dry season, a faster-arriving peak of dry conditions, and a longer duration indicates that the risks in 2026 are more complex than those of a mere “typical dry season.” For the palm oil sector, these conditions mean that the threat lies not only in reduced rainfall but also in the increasingly prolonged periods during which crops, plantations, and logistics systems must operate under heightened water stress.

From a sectoral risk perspective, there are at least two regional clusters with the highest vulnerability levels. The first cluster is the Sumatra peatland corridor—primarily Riau, Jambi, and South Sumatra—which faces a combination of risks including an earlier onset of the dry season, an advanced dry peak, prolonged periods of water stress, and a high potential for forest and land fires. The impacts on the palm oil sector extend beyond reduced fresh fruit bunch (FFB) productivity to include disruptions in harvesting, distribution, logistics, and sustainability reputation in export markets. The second cluster comprises West and Central Kalimantan, which face similar threats in peatland and mineral soil areas sensitive to water deficits and fires.

Beyond these two main clusters, North Sumatra and West Sumatra still require moderate vigilance as shifts in the dry season could lead to water deficits and moderate productivity pressures. Meanwhile, other regions such as Lampung, Banten, and parts of eastern Indonesia are better categorized under monitoring, particularly to assess how early dry season signals may develop into more tangible production pressures in the second half of the year.

Aggregately, spatial analysis of various BMKG maps confirms that the 2026 climate pressure on the palm oil industry lies not only in the extent of the affected areas but also in the acceleration and prolongation of the risk period. In other words, the challenge in 2026 is not merely that a dry season will occur, but that in several major palm oil centers, the dry season has the potential to arrive earlier, peak sooner, and persist longer. These conditions underscore the urgency of region-specific preventive measures, ranging from water level management, canal barriers, hotspot patrols, and forest fire early warning systems, to adjusting fertilization schedules and soil moisture conservation as part of a production risk mitigation strategy for the second half of 2026 and beyond.

3.4 Strategies for Anticipating the Dry Season

To interpret these spatial findings into more operational preparedness needs, **Table 1** summarizes the key climate risk profiles for several palm oil production centers and buffer zones, along with the required response measures.

This table demonstrates that adaptation strategies cannot be standardized nationally, as each province faces a distinct combination of risks, including the timing of the dry season's onset, the duration of stress, vulnerability to forest fires, and the implications for plantation productivity and operations. Consequently, this table serves as a bridge between macro-level climate projections and mitigation needs at the regional level.

Table 1. Anticipation of the 2026 Dry Season for the Palm Oil Sector

No	Province	El Niño Onset & Potential (Timing & Duration)	Key Risks & Impacts on the Palm Oil Industry	Necessary Preparations
1	Aceh	Varied	Limited impact	Monitoring
2	North Sumatra	Jun; Jul–Sep (moderate)	Water deficit; reduced productivity	Soil moisture monitoring; adaptive fertilization
3	Riau	Onset: Apr–May (early); El Niño: Jul–Oct (long)	Extreme forest and land fires; transboundary smoke; water stress; disruptions to harvests and logistics; global reputational risk	Canal blocking; daily hotspot patrols; fire brigade; early warning dashboard

No	Province	El Niño Onset & Potential (Timing & Duration)	Key Risks & Impacts on the Palm Oil Industry	Necessary Preparations
4	Jambi	Apr–May; Jul–Sep (long)	Peatland fires; reduced fresh fruit bunches (FFB); land degradation	Water level management; canal blocking; integrated patrols
5	West Sumatra	Jun; Jul–Sep (moderate)	Partial drought	Water conservation
6	South Sumatra	Apr–May; Jul–Sep (long)	Widespread forest and land fires; disruptions to FFB transport; reduced production	Firebreaks; water storage; firefighting preparedness
7	Bengkulu	Jun; Jul–Sep (moderate)	Reduced local production	Water management
8	Lampung	May; Aug–Oct (moderate– long)	Drought; reduced yield; crop stress	Water conservation; mulching; localized irrigation
9	West Kalimantan	May–Jun; Jul–Sep (long)	High hotspots; smoke; operational disruptions at plantations & mills	Real-time hotspot monitoring; patrols; water management
10	Central Kalimantan	May–Jun; Jul–Sep (long)	Chronic peatland fires; subsidence; land damage	Canal blocking; water table regulation; early suppression
11	South Kalimantan	Jun; Aug–Oct (moderate– long)	Drought + local fires; production decline	Water retention; fire patrols
12	East Kalimantan	Jun; Aug–Oct (moderate)	Local drought; operational disruptions	Crop monitoring; water efficiency
13	North Kalimantan	Jun; Aug–Oct (moderate)	Partial drought	Monitoring
14	Banten	Apr–May; Jul–Sep (moderate)	Drought; crop stress	Crop monitoring; water efficiency
15	West Java	Apr (early); Jul–Aug (moderate)	Early onset of dry season; TBM stress	Adjustment of planting calendar; water conservation
16	South Sulawesi	Jun; Jul–Sep (moderate)	Drought; production decline	Crop monitoring; water management
17	Southeast Sulawesi	Jun; Jul–Sep (moderate)	Local drought	Water conservation
18	West Sulawesi	Jun; Jul–Sep (moderate)	Partial drought	Farm monitoring
19	Maluku	Varied	Minimal impact	Monitoring
20	North Maluku	Varied	Minimal impact	Monitoring
21	West Papua	Jun; Jul–Sep (low– moderate)	Limited local impact	Monitoring
22	South Papua	Jun; Jul–Oct (long)	New hotspots; wildfire expansion; risk of uncontrolled spread	Early warning; patroli intensif; pengawasan pembukaan lahan
23	Papua (other regions)	Varied	Local impact	Monitoring

In general, Table 1 shows that there are three priority levels for preparedness.

- **The first** priority lies in high-risk peatland areas such as Riau, Jambi, South Sumatra, West Kalimantan, and Central Kalimantan, where the combination of an earlier onset of the dry season, prolonged stress periods, and high vulnerability to forest and land fires necessitates active interventions such as water level management, canal barriers, hotspot patrols, and early warning systems.
- **Second** priority is assigned to areas with moderate risk, such as North Sumatra, West Sumatra, Lampung, South Kalimantan, and parts of Sulawesi, which require agronomic adaptation measures and water conservation to maintain productivity.
- Meanwhile, the **third priority** is assigned to areas with varied or relatively limited impacts, such as Aceh, Maluku, and parts of Papua, which are currently better suited for monitoring status.

This analysis emphasizes that the palm oil sector's response to the 2026 dry season must be developed in a tiered, region-specific, risk-based manner and cannot rely solely on a one-size-fits-all approach. In other words, the effectiveness of mitigation efforts will depend heavily on the ability of stakeholders and policymakers to tailor their preparedness strategies to the biophysical characteristics, vulnerability levels, and intensity of climate stressors in each region.



CHAPTER 4. CPO PRICE OUTLOOK FOR Q2 2026

In Q2 2026, global and domestic CPO prices are expected to trend upward, driven primarily by rising global crude oil prices amid the escalation of the Iran vs Israel–U.S. conflict in the Middle East. Looking ahead to Q2 2026, this price increase is primarily transmitted through the energy channel, while the difference between the B40 and B50 scenarios has not yet resulted in a significant price difference because CPO export allocations in both scenarios remain the same. Thus, the rise in CPO prices during this period is more accurately interpreted as a response to global energy pressures and market expectations, rather than as a direct result of changes in domestic export allocation.

The price projections in this chapter are compiled by considering the historical relationship between CPO prices, crude oil prices, and CPO export dynamics using monthly data from January 2022 to December 2025. This data range was selected because it encompasses several significant shock episodes, both in terms of global energy and domestic policy, including the impact of the Russia–Ukraine conflict in 2022 and the policy to temporarily suspend Indonesian CPO exports in April 2022.

Thus, the approach used is expected to remain sufficiently sensitive in capturing the transmission of global energy pressures and trade dynamics on CPO price formation. In the Q2 2026 simulation, crude oil prices remain the primary driver of price increases, while exports act as a balancing variable. However, since export volumes in the B40 and B50 scenarios are not yet different, their impact has not yet emerged as a price differentiator during this projection period.

4.1 Global CPO Prices

The movements in global CPO prices used in this Outlook are represented by the **CIF NW Europe** price, which has become one of the main benchmarks for analyzing the dynamics of the international palm oil market and is used in price outlook calculations. This benchmark is important because it reflects CPO prices in one of the main reference markets for global trade, making it relevant for understanding how energy and geopolitical pressures influence international price formation. In the context of Q2 2026, the strengthening of global prices based on this series serves as a critical starting point, as this is where international market pressures are transmitted to the domestic market, subsequently influencing the formation of the Reference Price, export levies, and export duties. Projections for global CPO prices during April–June 2026 are shown in Figure 11.



Figure 11. Actual and Projected Global CPO Prices

Source: World Bank (2026), reprocessed by IPOSS

The outlook for global CPO prices in Q2 2026 indicates a significant upward trend. The primary pressure stems from the energy market, particularly due to rising global crude oil prices amid distribution disruptions and elevated geopolitical risk premiums resulting from the escalation of conflicts, including the Iran vs Israel–U.S. conflict in the Middle East. Under such conditions, the vegetable oil market, including CPO, responds as biodiesel becomes increasingly competitive compared to fossil fuels, while global logistics and distribution costs also rise.

In March 2026, the average monthly CPO price was recorded at approximately 1,165 USD/ton. Subsequently, prices are projected to rise to around 1,440 USD/ton in April 2026, then strengthen further to approximately 1,701 USD/ton in May 2026. In June 2026, prices are expected to reach approximately 1,783 USD/ton, reflecting the continued pass-through of rising energy prices to the global CPO market.

Substantively, this increase not only reflects geopolitical turmoil but also illustrates market expectations that the vegetable oil supply space will become relatively tighter as energy prices rise and biodiesel demand strengthens. In other words, in Q2 2026, global CPO prices will be driven by a combination of energy factors, logistics costs, and market perceptions regarding the growing importance of CPO as an energy substitute commodity.

4.2 Domestic CPO Price

To understand how global price pressures are transmitted to the domestic market, it is necessary to first examine the projected movements of local CPO prices in Q2 2026. Domestic CPO prices in Q2 2026 are projected to rise, but their formation is not solely determined by rising global CPO prices and energy market pressures. In the Indonesian context, local CPO prices are also significantly influenced by the structure of the Reference Price, Export Levy, and Export Duty, which determine the export parity price in the domestic market. Thus, while rising international prices do drive up local CPO prices, the actual increase is determined through a net mechanism after accounting for export levies and export duties. Projections for domestic CPO prices during April–June 2026 are shown in Figure 12.



Figure 12. Actual and Projected Domestic CPO Prices

Sumber: GAPKI (2026), diolah

Domestic CPO prices in Q2 2026 are projected to strengthen significantly, in line with rising global CPO prices and increasing pressure from the energy market. In March 2026, local CPO prices were recorded at around Rp15,065/kg, and are expected to rise to around Rp18,776/kg in April 2026. Furthermore, prices are projected to rise to approximately Rp21,182/kg in May 2026 and remain at a high level, around Rp21,392/kg in June 2026.

This increase in domestic prices essentially reflects the strengthening of global CPO prices and pressure from the energy market, but in the Indonesian context, this transmission does not occur directly. Local CPO prices are determined through the export parity price mechanism, which is the export price adjusted for the structure of Reference Price (RP), Export Levy (EL), and Export Duty (ED). Therefore, when international prices rise, local CPO prices also strengthen, but the magnitude reflects the net price after accounting for applicable levies. In this regard, the discussion regarding the dynamics of the RP, EP, and ED that influence local price formation will be further explained in Chapter 5.

On the other hand, domestic conditions also indicate that supply conditions are not particularly loose. As discussed in Chapter 2, national production in Q2 2026 is projected to be slightly below the previous year's level, while domestic consumption—particularly for biodiesel—remains high, and inventories could become more sensitive if there is an acceleration in the energy blend.

Thus, domestic CPO prices in Q2 2026 are more accurately interpreted as the result of the interaction between rising global prices, the export levy structure that shapes net prices in the local market, and domestic supply-demand conditions that are beginning to show more limited room for maneuver.

4.3 The Impact of the Energy Crisis on Oil and CPO Prices

The global energy crisis in 2026 has strengthened the linkage between oil prices and CPO prices. The escalation of conflicts, particularly the Iran vs Israel–U.S. war in the Middle East, has heightened the risk of disruptions to global energy distribution, especially through strategic routes such as the Strait of Hormuz. These conditions have not only driven up crude oil prices but also increased logistics risk premiums, insurance costs, and uncertainty regarding energy supply in international markets.

Disruptions to global energy distribution have driven a surge in crude oil prices, with Brent briefly reaching US\$103.78 per barrel on March 19, 2026, before dipping slightly to US\$99.52 per barrel on March 26, 2026 (Investing.com, 2026). This movement indicates that the market is still responding strongly to supply risks, even though not all disruptions have yet developed into permanent physical supply shortages. In such situations, energy prices remain at high levels and exert pressure on other commodity markets, including CPO.

In this context, the impact on CPO occurs through at least three main channels. First, rising crude oil prices enhance the competitiveness of biodiesel relative to fossil-based diesel, thereby strengthening demand for CPO as an energy feedstock. Second, rising global logistics and distribution costs also increase the trading costs of commodities, including vegetable oils. Third, energy supply uncertainty fosters more bullish market expectations for substitute commodities, including CPO.

Meanwhile, several refineries in Asia that rely on oil supplies from the Gulf region are reported to have adjusted their operations, resulting in a total reduction of approximately 3 million barrels per day—or about 8% of related capacity. Even as supplies begin to become available again, the recovery process for energy processing and distribution will still take time, meaning the energy crisis could potentially persist for longer. In the longer term, the market also faces the risk that global production will not immediately return to its original targets, which could ultimately keep oil prices at high levels and help drive up CPO prices (Widyatama, 2026).

This pressure could also persist longer if the normalization of the energy market proceeds slowly. Even if distribution channels begin to recover, the readjustment of global energy production, processing, and distribution generally does not occur instantly. Under such conditions, the energy market may remain tight for some time, meaning its impact on oil prices and commodity market sentiment continues. For the CPO market, this means price pressures arise not only from a temporary shock but also from expectations that global energy uncertainty will not subside immediately.

This impact becomes increasingly relevant when considered alongside domestic palm oil market fundamentals. On one hand, Chapter 2 indicates that national supply in Q2 2026 remains relatively stable, but the surplus margin is narrowing. On the other hand, Chapter 3 confirms that climate pressures are beginning to pose more tangible production risks heading into the second half of 2026. Therefore, the energy crisis does not operate in a vacuum but enters the palm oil market at a time when the domestic supply-demand balance is already shifting toward tighter conditions. In such a situation, CPO prices become more sensitive to every change in the global energy market.

Consequently, a rise in CPO prices in Q2 2026 does not require significant changes in export allocations or the full implementation of B50. Prices are already being driven upward by a combination of global energy pressures, rising crude oil prices, and palm oil market conditions, indicating increasingly limited supply. Meanwhile, more aggressive biodiesel policies should still be viewed as an additional reinforcing factor that could potentially intensify price pressures if domestic demand grows more rapidly in the coming quarters.



CHAPTER 5. OUTLOOK FOR PALM OIL EXPORT LEVIES AND EXPORT DUTIES IN Q2 2026

After discussing production outlook in Chapter 2, export dynamics in Chapter 3, and price movements in Chapter 4, Chapter 5 focuses its analysis on the implications for trade costs and the structure of export levies resulting from these global market changes.

In the context of Q2 2026, the strengthening of CPO prices driven by surging global energy prices and rising geopolitical risks not only affects the market value of the commodity but also directly impacts the CPO Reference Price (RP) in Indonesia, which serves as the basis for determining export taxes: the Export Levy (EL) and Export Duty (ED). Thus, while rising prices on one hand increase export value potential, on the other hand, they also increase the levy burden that exporters must bear. This is one of the key factors that will shape the competitiveness of Indonesia's palm oil exports by Q2 2026.

As outlined in previous chapters, the outlook for Indonesia's palm oil trade in Q2 2026 is shaped by the interplay between domestic supply, export demand, and rising international prices. On the production side, the increase in national output during the first half of 2026 is expected to be modest, leaving limited room for supply adjustments.

On the export side, Indonesia still requires adequate price competitiveness to maintain its position in the global market. Meanwhile, on the price side, surging crude oil prices and rising global energy risk premiums have driven up CPO prices across major exchanges. In this context, global price fluctuations should not only be viewed as an opportunity to boost export value but also as a factor that automatically increases the CPO risk premium and drives up export levies and export duties.

Q2 2026 presents significant challenges for Indonesia's palm oil industry. The projected surge in crude oil prices—reaching US\$119 per barrel in April 2026 and continuing to rise to around US\$163 per barrel by June—reflects the impact of escalating conflicts, particularly the Iran vs Israel-U.S. conflict in the Middle East, on the global energy market. Under these conditions, the CPO reference price is expected to move from around US\$989.64 per ton in April to US\$1,422.68 per ton in June 2026. This increase is then directly reflected in the structure of export levies and export duties, causing the total levies that exporters must pay to rise significantly throughout Q2.

If the implementation of the B50 biodiesel policy begins in 2026, its impact on export volumes during this quarter is not yet expected to be a dominant factor. In the short term, during Q2 2026, changes in the levy structure will still be largely determined by the strengthening of global prices and their transmission to the CPO reference price. Thus, the projections in this chapter focus on the most decisive key factor, which is the surge in global energy prices driving up CPO prices on the three major exchanges—Malaysia, Indonesia, and Rotterdam—as well as its consequences for Indonesia's export levy structure.

5.1. Reference Price Forecast for Q2 2026

Before determining the export levy and export duty rates, it is necessary to first examine the CPO Reference Price (RP) projection for Q2 2026. This projection is prepared using the CPO price modeling analysis framework also employed in Chapter 4. The RP for April through June 2026 is based on the assumption of rising crude oil prices due to global geopolitical pressures and shifts in CPO export dynamics. Subsequently, changes in these explanatory variables are incorporated into CPO price projections across the three major exchanges—Indonesia, Malaysia, and Rotterdam—and then calculated as the RP using the applicable formula.

Thus, the resulting projection figures are not intended as definitive predictions, but rather as a measured indication of the direction of RP changes and their implications for the export levy structure in Q2 2026. This is important because the RP serves as the primary basis for setting export levies and export duties. The projection of RP movements during April–June 2026 is shown in Figure 13.

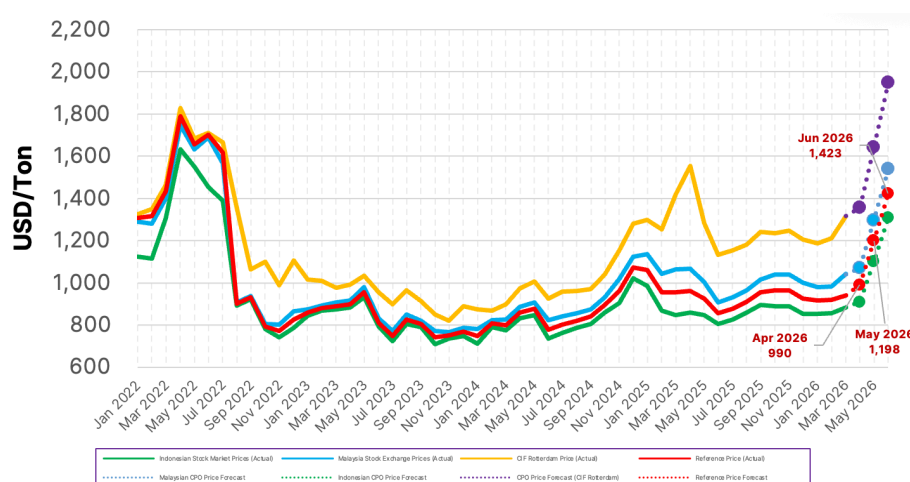


Figure 13. Q2 2026 Forecast for CPO Reference Prices, CPO Prices on the Indonesia Exchange, the Malaysia Exchange, and CIF Rotterdam

Source: IPOSS

The reference price for April 2026 is estimated to be around US\$990 per ton. This calculation is based on exchange data from February 20 to March 19, 2026, with estimated CPO prices of US\$1,070.81 per ton in Malaysia, US\$908.47 per ton in Indonesia, and US\$1,354.49 per ton in Rotterdam. These values are derived from the average of the median price and the price closest to the median from the Indonesian exchange (ICDX), the Malaysian exchange (BMD), and CIF Rotterdam, in accordance with the regulatory mechanism of the Ministry of Trade Regulation No. 35 of 2025.

Furthermore, the reference price is projected to rise to US\$1,198 per ton in May and US\$1,423 per ton in June 2026. This increase reflects continued pressure on the global energy market, primarily due to unresolved geopolitical uncertainties. Within this Outlook framework, the strengthening of the reference price indicates that Indonesian CPO prices will remain highly sensitive to crude oil price movements and energy market sentiment. This means that the price dynamics discussed in Chapter 4 are not only relevant to export value prospects but also serve as a key factor determining the magnitude of export levies and export duties in Q2 2026.

In other words, a rise in global prices brings two consequences simultaneously. First, it has the potential to support the value of Indonesia's palm oil exports. Second, it automatically increases the reference price, which serves as the basis for levying export levies and export duties. In this situation, exporters face a paradoxical condition: the market is bullish, but export costs are also rising sharply.

5.2. Identification of Export Levies and Export Duties from Reference Price Forecasts

The projected increase in the Reference Price throughout Q2 2026 has a direct impact on the structure of CPO export levies. The export levy is calculated at 12.5% of the Reference Price in accordance with PMK No. 9 of 2026, so its amount follows the movement of the Reference Price: approximately US\$123.70 per ton in April, US\$149.81 per ton in May, and US\$177.84 per ton in June. April 2026 also marks a significant transition from the old 10% rate applicable in Q1 to the new 12.5% rate in Q2. Therefore, the surge in export levies from March to April was not only caused by the increase in the reference price but also by the rate change itself.

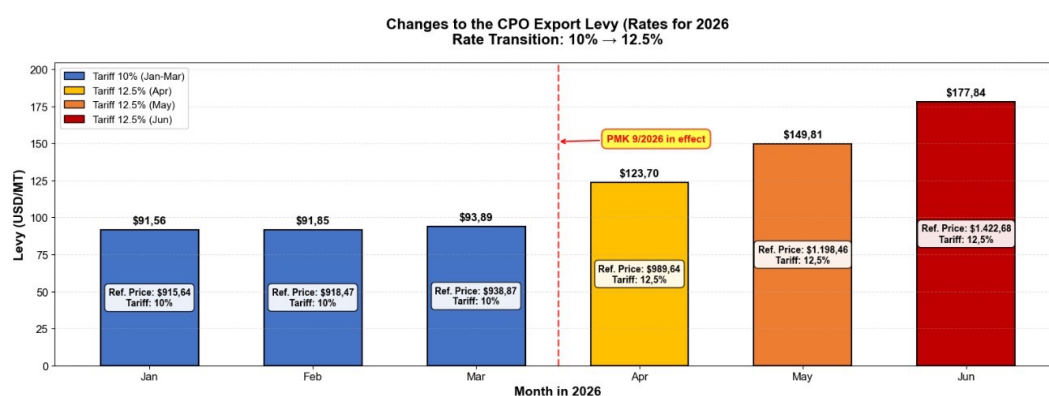


Figure 14. Trends in CPO Export Levy Rates in the 1st Semester of 2026

Source: IPOSS

Meanwhile, export duties have seen a more gradual increase as they follow the tariff schedule mechanism as stipulated in PMK No. 68/PMK.010/2025. According to this scheme, the export duty rate increases gradually from US\$0 at Tariff Line 1 to a maximum of US\$288 per ton at Tariff Line 17, in line with increases in the CPO Reference Price (RP) in intervals of approximately US\$50 per ton.

Based on reference price forecasts for Q2 2026, the tariff bracket is projected to shift from Tariff Line 8 in April with an export duty of US\$148 per ton, jump to Tariff Line 12 in May with an export duty of US\$240 per ton, and then rise again to Tariff Line 16 in June 2026 with an export duty of US\$280 per ton (see Table 2). This relatively rapid shift indicates that global price volatility not only affects the market but also directly increases the burden of export levies within a short period.

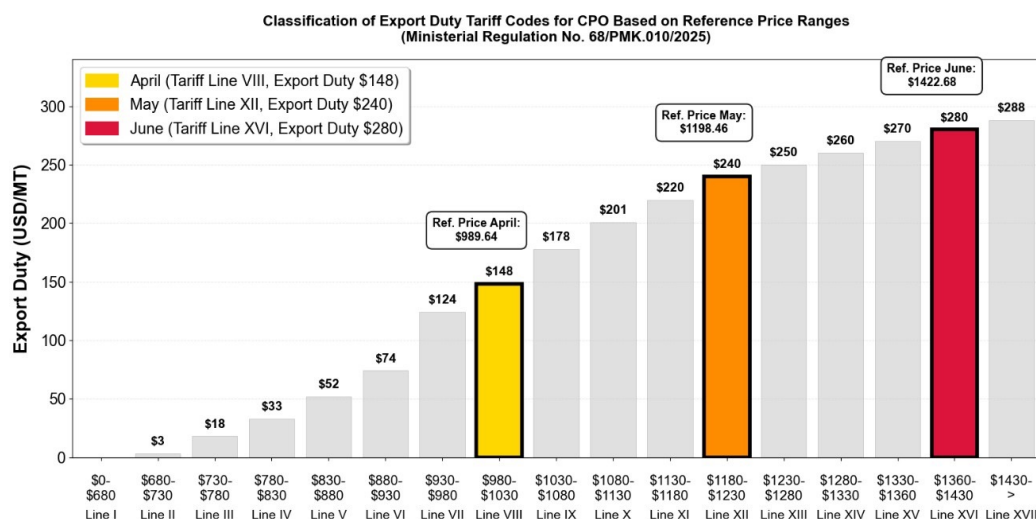


Figure 15. Tariff Classification for CPO

Source: IPOSS

The combination of increases in export levies and export duties caused total levies to rise from US\$217.89 per ton in March 2026 to US\$271.70 per ton in April, then surge to US\$389.81 per ton in May, and reach US\$457.84 per ton in June 2026. Consequently, total levies in April rose by 24.7% compared to March, then surged to 78.9% in May and 110.1% in June.

This rapid increase indicates that rising global prices not only increase the market value of CPO but also directly amplify the levy burden on the export industry within a short period. For exporters, these conditions have the potential to create liquidity pressure, particularly for businesses with limited room for price adjustments or short-term trade contracts that are sensitive to cost changes.

Table 2. Summary of RP, EL, and ED for Q2 2026

Period	Forecast of Reference Price (USD/ton)	Forecast of Export Levy (USD/ton)	Forecast of Export Duty (Tariff Line)	Total Fees	vs. March
March 2026	\$938.87	\$93,89	\$124 (Pos 7)	\$217,89	–
April 2026	\$989,64	\$123,70	\$148 (Pos 8)	\$271,70	+24.7%
May 2026	\$1.198,46	\$149,81	\$240 (Pos 12)	\$389,81	+78.9%
June 2026	\$1.422,68	\$177,84	\$280 (Pos 16)	\$457,84	+110.1%

Sumber: IPOSS (2026)

Tabel tersebut menunjukkan bahwa tekanan utama pada Q2 2026 tidak hanya berasal dari volatilitas pasar internasional, tetapi juga dari bagaimana volatilitas itu diterjemahkan ke dalam struktur pungutan domestik. Bagi Indonesia, situasi ini menimbulkan trade-off yang nyata. Di satu sisi, kenaikan harga global meningkatkan potensi nilai ekspor dan penerimaan negara. Namun di sisi lain, kenaikan pungutan dapat mengurangi fleksibilitas harga ekspor dan berpotensi menekan daya saing, terutama bila negara pesaing tidak menghadapi beban biaya ekspor dengan intensitas yang sama.

5.3 Implications for Palm Oil Export Competitiveness

In correlation with Chapter 2, increases in export levies and export duties should be seen as factors that could influence Indonesia's palm oil trade strategy during Q2 2026. As demonstrated in the supply-demand analysis, domestic supply capacity during this period is not entirely ample, while exports remain a key component of market equilibrium. Under such conditions, while rising international prices have the potential to support export value, increased export costs per ton could erode some of those benefits at the business operator level. This means that an increase in gross export value does not necessarily fully translate into a commensurate rise in net margins. For exporters, adjusting pricing strategies will become increasingly important to ensure Indonesian products remain competitive in a global market that is also evolving dynamically.

In relation to Chapter 3, these levy pressures must also be considered alongside the rising climate risks to palm oil production. The transition toward drier conditions, the potential for earlier-than-usual droughts, and pressures on productivity in several major production centers indicate that supply capacity in the coming semester is likely to become more sensitive. Thus, the increase in export levies does not stand alone but occurs at a time when the industry is also facing potential production pressures that could constrain supply flexibility. These conditions mean that export competitiveness is increasingly determined by Indonesia's ability to maintain a balance between supply management, domestic demand, and trade cost structures.

Meanwhile, as discussed in Chapter 4, the rise in CPO prices triggered by the surge in crude oil prices does indeed open opportunities for market value appreciation. However, Chapter 5 shows that this price increase simultaneously brings about a significant rise in export levies and export duties. Therefore, the outlook for Indonesia's palm oil trade in Q2 2026 cannot be assessed solely based on the bullish market

trend. It must also be viewed in terms of the magnitude of the levy burden accompanying this price increase phase.

Overall, the outlook for palm oil export levies and export duties in Q2 2026 indicates that the global price increase does not fully reflect greater net profits for exporters. While the rise in RP does reflect a bullish market, it simultaneously triggers a surge in export levies and export duties, increasing the industry's export burden. In this situation, Indonesian exporters face an increasingly evident trade-off between the opportunity to achieve higher export value and the obligation to bear greater levies. Therefore, in line with the discussions on supply-demand, climate, and prices in previous chapters, the outlook for Indonesia's palm oil trade in Q2 2026 must be assessed not only based on price trends but also on the accompanying structure of export costs.

5.4 Implications for Fresh Fruit Bunch (FFB) Prices and Farmers' Stance

The increase in export levies and export duties in Q2 2026 will not only affect exporters but also has the potential to influence price formation throughout the domestic palm oil supply chain. In practice, increases in export levies and export duties add to the cost burden of CPO trade, thereby affecting the effective local CPO price that becomes a benchmark for the processing industry. Since the net CPO price received by businesses is determined after accounting for export levies and export duties, the margin for palm oil mills to purchase fresh fruit bunches (FFB) from farmers at higher prices becomes more limited.

In this context, the pressure resulting from export levy and export duty can be indirectly transmitted to the upstream level, including to farmers. Palm oil mills essentially set the FFB purchase price by considering the CPO selling price, yield, processing costs, operational efficiency, and various other cost components. Therefore, when the burden of levies increases, the margin that could otherwise be translated into better FFB purchase prices narrows. In other words, increases in import duties and export taxes have the potential to curb the pace of FFB price increases at the farmer level.

However, this situation must be interpreted proportionally. In Q2 2026, local CPO prices are also projected to rise significantly from around Rp15,065/kg in March to approximately Rp18,776/kg in April, Rp21,182/kg in May, and remain in the range of Rp21,400/kg in June. This trend indicates that while the EL and ED add to the burden on the overall palm oil industry system, the FFB prices received by farmers still have the potential to rise, supported by higher domestic CPO price levels compared to previous periods.

Thus, the primary implication of the levy increases is not a reduction in FFB prices in absolute terms, but rather a reduction in the magnitude of benefits that farmers would otherwise receive if increases in local CPO prices were fully passed on. However, export levies do not merely function as a burden at the industry level. Within the national palm oil institutional framework, revenue from export levies serves as a funding source for the BPDP to finance various strategic domestic programs, including support for the biodiesel program, which has long played a crucial role in maintaining domestic demand and underpinning CPO price stability. Furthermore, these funds are also used to finance other beneficial palm oil programs, such as the PSR, palm oil scholarships, and infrastructure assistance for farmers.

Although in the short term, export levies and export taxes may constrain price transmission to upstream levels, from a broader perspective, these instruments contribute to the formation of a buffer for the national palm oil market. Therefore, an analysis of the outlook for export levies in Q2 2026 must consider not only the burden on the industry and farmers but also how the revenue from these levies is reinvested to support the sustainability and stability of the palm oil industry as a whole.

5.5 Implications for the Domestic Market and Cooking Oil Price Stability

Changes in the CPO reference price, as well as adjustments to export levies and export duties, not only affect export competitiveness and government revenue but also have implications for the domestic market. In this context, one aspect that requires close attention is the stability of cooking oil supply and prices, given that this commodity carries both economic and social dimensions that are highly sensitive. As CPO prices rise and domestic supply tightens, monitoring the cooking oil market becomes increasingly relevant as part of a comprehensive assessment of the palm oil industry's trajectory.

Generally, rising CPO prices and a tightening of the domestic supply–demand balance can increase pressure on raw material costs for the cooking oil industry. This condition becomes increasingly critical when domestic consumption for biodiesel remains high, while the surplus supply does not grow proportionally. In such situations, competition for the allocation of palm oil within the country is likely to intensify, whether for energy, export, or food needs. However, the relationship between rising CPO prices and domestic cooking oil prices is neither linear nor automatic, as it is also influenced by the structure of the supply chain, distribution, business margins, and prevailing stabilization policies.

In practice, the stability of domestic cooking oil prices depends heavily on the effectiveness of domestic supply security measures. Therefore, a rise in CPO prices does not necessarily translate into a spike in cooking oil prices at the consumer level. Nevertheless, if price pressures persist and the domestic market tightens further, the ability of stabilization policies to contain price transmission will heavily depend on supply adequacy, implementation discipline, and the response of business actors throughout the distribution chain.

Thus, the implications of the CPO price increase in Q2 2026 need to be viewed more broadly, not only from the perspective of exports and biodiesel but also from the perspective of domestic food market stability. In this context, balancing the interests of exports, energy, and domestic food needs becomes increasingly important. Therefore, the development of cooking oil prices in Q2 2026 warrants careful attention in formulating policy responses.



CHAPTER 6. INDONESIAN PALM OIL IN THE CONTEXT OF GLOBAL TRADE AND GEOPOLITICS

6.1. Market Opportunities for Indonesian Palm Oil Following the Agreement on Reciprocal Trade (ART)

The United States is one of the world's largest consumers of vegetable oils, with consumption dominated by domestically produced soybean oil. Nevertheless, the U.S. continues to import various types of vegetable oils and their derivatives to meet diverse industrial needs, such as those in the food and oleochemical sectors. As one of the primary exporters of palm oil to the U.S. market, Indonesia holds a significant position within the country's vegetable oil trade structure; consequently, any shifts in U.S. trade policy have the potential to impact the performance of Indonesia's palm oil exports.

On February 19, 2026, Indonesia and the U.S. agreed to sign the Agreement between the U.S. and the Republic of Indonesia on Reciprocal Trade (ART), which includes the elimination of U.S. tariffs on 1,819 Indonesian products, including palm oil products. This agreement is significant because the United States had previously imposed reciprocal tariffs on several Indonesian products, reaching 19%, thereby increasing the tariff burden for Indonesian exporters to the U.S. market. Through the ART, these additional tariffs were eliminated, resulting in a lower and more stable tariff structure. Raw products such as CPO remain subject to a 0% tariff, while refined and oleofood products saw their tariffs reduced to 0%. On the other hand, some oleochemical products also received a tariff reduction to 0%, although others remain at a 5% tariff rate.

To assess the competitiveness of Indonesian palm oil in the U.S. market, the tariff structure must be examined comparatively against other vegetable oils supplied by major exporting countries. This tariff comparison is shown in Table 3.

Table 3. Comparison of Vegetable Oil Import Tariffs in the U.S. Market from Major Exporters

Types of Vegetable Oils	Eksportir utama ke AS	HS Code 6 Digit	Volume ekspor ke AS 2025 (Ton)	MFN Rate 2025
Soybean oil	Canada	150710	127,762	9.55%
		150790		19.1%
		151110		0%
Palm oil (CPO + CPKO and its fractions)	Indonesia	151190	1,615,485	0-5%
		151321		
		151329		
Rapeseed oil	Canada	151410	2,485,084	5.8%
		151419		3.2%
		151411		
		151490		
		151491		3.2-6.4%
Sunflower oil	Ukraine	151499	43,333	4.09%
		151211		
		151219		4.24%

Sources: ITC (2026); United States International Trade Commission (2026); United States Trade Representative (2026)

In general, the import tariff structure for vegetable oils in the United States is reflected in the Most-Favored-Nation (MFN) rate, which is the base tariff applicable to all WTO member countries without special trade preferences. Some palm oil products, such as CPO and some of its fractions, are subject to an MFN tariff of 0–5%, while other vegetable oils generally have varying MFN rates. In practice, the actual tariff applied may be lower than the MFN rate if a country receives preferential treatment through trade agreements such as a Free Trade Agreement (FTA) or bilateral agreements such as the Agreement on Reciprocal Trade (ART).

Based on Table 3, the tariff structure for vegetable oil imports in the United States shows significant variation across products and supplier countries. Canada, as the primary exporter of soybean oil and rapeseed oil, formally faces relatively high MFN tariffs, ranging from 9.55%–19.1% for soybean oil and 3.2%–6.4% for rapeseed oil. However, through the preferential provisions of the United States–Mexico–Canada Agreement (USMCA), these products can in practice enter the U.S. market at a 0% tariff. Conversely, Ukraine, as the primary supplier of sunflower oil, does not have a free trade agreement with the United States, so its exports are subject to the MFN rate, which is approximately 4%.

Meanwhile, Indonesia, as the primary supplier of palm oil, faces a relatively lower tariff structure, with an MFN tariff of 0% for crude products (CPO) and ranging from 0–5% for its derivatives. Through the Agreement on Reciprocal Trade (ART), some Indonesian palm oil products have received tariff reductions, thereby strengthening their tariff position in the U.S. market. This situation places Indonesian palm oil products at a relatively competitive tariff level compared to other vegetable oils in the U.S. market. With the lower tariff structure following the ART, opportunities for enhancing the competitiveness of Indonesian palm oil exports are increasingly open, particularly if supported by price factors, production efficiency, and the industry's readiness to meet market demand.

The competitive advantage offered by these tariff reductions is particularly relevant given that Indonesian palm oil is one of the vegetable oils imported in large volumes by the United States. By 2025, Indonesian palm oil exports (excluding oleochemical products and biodiesel) to the United States are projected to reach approximately 1.6 million tons, making it one of the largest sources of vegetable oil supply in that market. This volume far exceeds imports of other vegetable oils from several major supplier countries, such as sunflower oil from Ukraine, which was only about 43,000 tons, and soybean oil from Canada, which was about 127,000 tons during the same period. This disparity indicates that while U.S. vegetable oil consumption is dominated by domestic soybean oil production, the food and oleochemical industries still rely on significant imports of Indonesian palm oil.

Trade dynamics in recent years also highlight the critical role of the U.S. market for Indonesia's palm oil exports. During the 2020–2025 period, Indonesia's palm oil exports to the U.S. market increased from approximately 1.49 million tons to 2.28 million tons, with an average annual growth rate of around 9%.

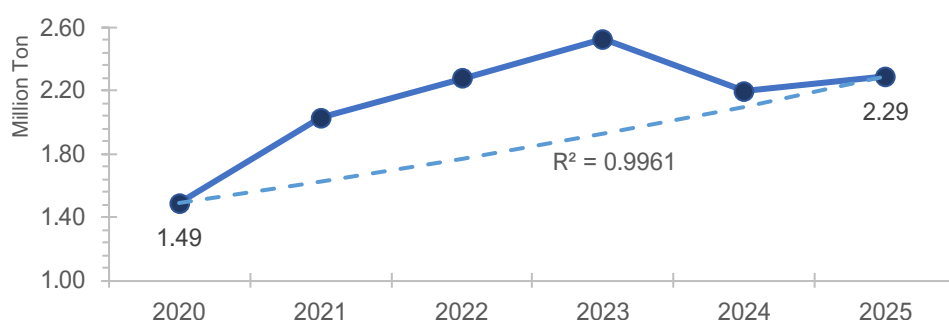


Figure 16. Volume of Indonesian Palm Oil Exports to the U.S.

Source: Statistics Indonesia (2026a)

The export structure is also increasingly shifting from raw products toward value-added products such as refined palm oil and various oleochemical products. Some derivatives, such as fatty acids, glycerol, palmitic acid, and stearic acid, have even recorded double-digit growth in recent years. This development indicates that Indonesia's downstream palm oil products are increasingly being absorbed by the U.S. market. With the stability and reduction in tariffs following the implementation of the ART, these conditions open up greater opportunities for increasing exports of Indonesia's downstream palm oil products to the U.S. market.

However, the tariff opportunities arising post-ART must be interpreted with caution, as they will not automatically lead to an increase in Indonesia's palm oil exports to the U.S. market. The final outcome will still be heavily determined by the price competitiveness of Indonesian products, the readiness of downstream product exports, developments in U.S. market demand, and domestic supply conditions within the country. In the context of Q2 2026, this last factor becomes increasingly important, given that national supply capacity may also be influenced by the strengthening of the biodiesel program, which could tighten the allocation of palm oil between export needs, energy, and the domestic market.

6.2 Impact of Rising Crude Oil Prices on Biodiesel Incentive Reductions

To assess the further impact of global energy dynamics on the national biodiesel program, the analysis must go beyond merely forecasting crude oil and CPO prices. Both variables must be further interpreted into forecasts of domestic diesel and biodiesel prices, as the relationship between them will determine the magnitude of incentives required for implementing the biodiesel mandate in Q2 2026. In this context, rising crude oil prices are a critical factor because they directly influence diesel fuel prices, while fluctuations in local CPO prices are the primary determinant of biodiesel pricing.

Based on the forecast results, diesel prices are expected to rise significantly in accordance with the strengthening of global crude oil prices in Q2 2026. On the other hand, biodiesel prices also increase following the upward trend in local CPO prices, but with a different pattern. Thus, the economic dynamics of biodiesel during this period are determined not only by the upward trends in the prices of each commodity but primarily by changes in the price differential between the Biodiesel Market Price Index and the Diesel Fuel Market Price Index. It is this differential that fundamentally forms the basis for the need for incentives within the mandatory biodiesel scheme.

The forecast results in Figure 17 show that the Biodiesel Market Price Index remains above the Diesel Market Price Index throughout the forecast horizon, though the movements of both indicate equally strong upward trends. During the Q2 2026 projection period, the Biodiesel Market Price Index is projected to rise from IDR 13,978 per liter in March 2026 to approximately IDR 14,363 per liter in April, then rise again to IDR 17,571 per liter in May 2026 and subsequently reach IDR 19,666 per liter in June 2026. Meanwhile, the Diesel Market Price Index is projected to rise sharply from approximately IDR 13,651 per liter in March 2026 to IDR 11,439 per liter in April 2026, then rise again to IDR 13,937 per liter in May 2026 and increase further to around IDR 16,701 per liter in June 2026.

This development indicates that although biodiesel prices remain higher, diesel prices are also rising more significantly in line with the strengthening of global energy prices, so that a narrowing price gap is beginning to emerge, which is increasingly alleviating the pressure on the need for biodiesel incentives. In this context, the rise in fossil fuel prices makes biodiesel relatively more competitive compared to when diesel prices were at low levels. This means that the funding required to maintain the implementation of the biodiesel mandate becomes more manageable. However, this improvement remains relative and temporary, as at the same time, biodiesel prices are also being driven up by rising local CPO prices.

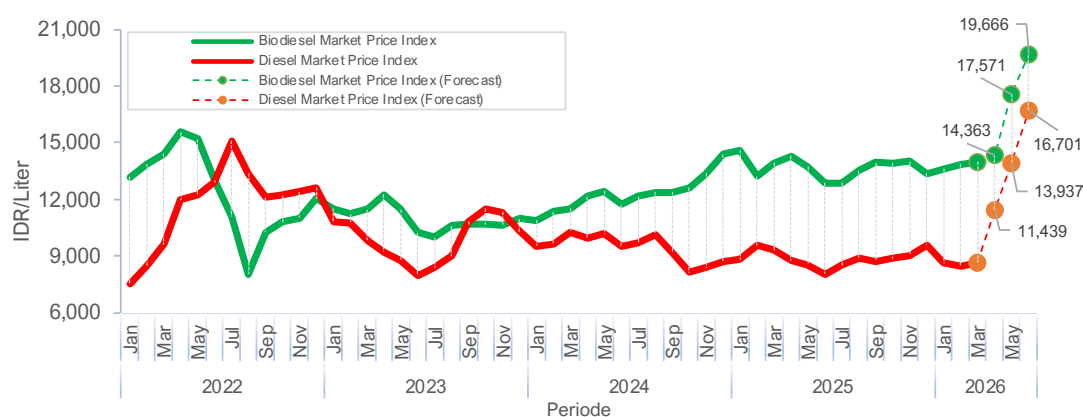


Figure 17. Trends in the Price Comparison of the Biodiesel and Diesel Market Price Index

Sources: Investing.com (2026); Ministry of Energy and Mineral Resources (2026), reprocessed by IPOSS

The comparison shows that the price difference between biodiesel and diesel remains relatively wide, but generally shows a narrowing trend compared to the initial level before the start of Q2 2026. The price difference was recorded at around IDR 5,327 per liter in March 2026, then fell to around IDR 2,924 per liter in April 2026. Although the gap is projected to widen again to around IDR 3,634 per liter in May 2026, by June 2026, the difference narrowed once more to around IDR 2,965 per liter.

This development indicates that the faster price increase for diesel compared to biodiesel has helped mitigate pressure on the need for incentives. In the context of the mandatory program, this condition is significant because the smaller the gap between the market index price for Biodiesel and the market index price for Diesel, the lower the incentives required to maintain biodiesel's competitiveness in the domestic market.

Thus, when viewed as a whole, the price dynamics in Q2 2026 indicate that the biodiesel program still has short-term sustainability room due to rising global energy prices, as the relative narrowing of the price gap between biodiesel and diesel can help mitigate the burden of incentives. However, this breathing room should not be interpreted as a sign that the foundation of the biodiesel program is fully solid. For the palm oil industry as a whole, the strengthening of biodiesel does indeed expand the strategic role of palm oil in national energy security and bolsters domestic demand, but at the same time, it also increases pressure on the national supply balance. In the medium term, the sustainability of this program is determined not only by the relationship between biodiesel and diesel prices but also by the palm oil industry's ability to supply sufficient raw materials, maintain a balance between energy, exports, and food, and build a more self-reliant supporting industrial system. Therefore, the analysis needs to be continued at a more structural level, specifically to what extent the biodiesel program is truly supported by the overall domestic industry's readiness.

6.3. Challenges to the Biodiesel Program due to Geopolitical Uncertainty

The narrowing of the price gap between biodiesel and diesel in Q2 2026 indicates room for fiscal relief regarding the biodiesel mandate. However, the sustainability of biodiesel is determined not only by price movements but also by the strength of its industrial structure. In this context, the analysis must shift from short-term economic issues toward more structural challenges, particularly regarding dependence on production inputs that are not yet fully domestically controlled.

Amid the growing relevance of biodiesel as an instrument of national energy security, the implementation of Indonesia's biodiesel program in reality still faces several fundamental structural challenges. As discussed in the previous section, rising global energy prices can indeed narrow the price gap between

biodiesel and diesel, thereby creating economic space for strengthening biodiesel mandates. However, this momentum is not fully matched by the overall readiness of the biodiesel production system.

As discussed in the previous section, the escalation of the conflict between Iran vs the US and Israel have driven up crude oil prices and narrowed the price gap between biodiesel and diesel. This situation economically creates room for accelerating the implementation of the biodiesel mandate, including the potential to increase to B50 (OPIS, 2026). However, this momentum is not fully matched by the overall readiness of the biodiesel production system.

Technically, biodiesel (FAME) production is a transesterification-based conversion process that not only depends on the availability of CPO but also requires critical supporting inputs, particularly methanol (CH_3OH) and a sodium methylate (NaOCH_3)-based catalyst, also known as SMO. This requirement structure can be explained through the mass balance of the biodiesel production process, as shown in Figure 18.

Based on this mass balance, it can be seen that processing approximately 1 ton of CPO requires about 0.15–0.16 tons of methanol and about 0.016 tons of catalyst in the transesterification process. These two inputs are inherent to the production process and will increase proportionally as the biodiesel program expands. Therefore, it is estimated that to process 16 million tons of CPO into biodiesel, 2.5 million tons of methanol and 0.26 million tons of SMO catalyst will be required; see Table 4.

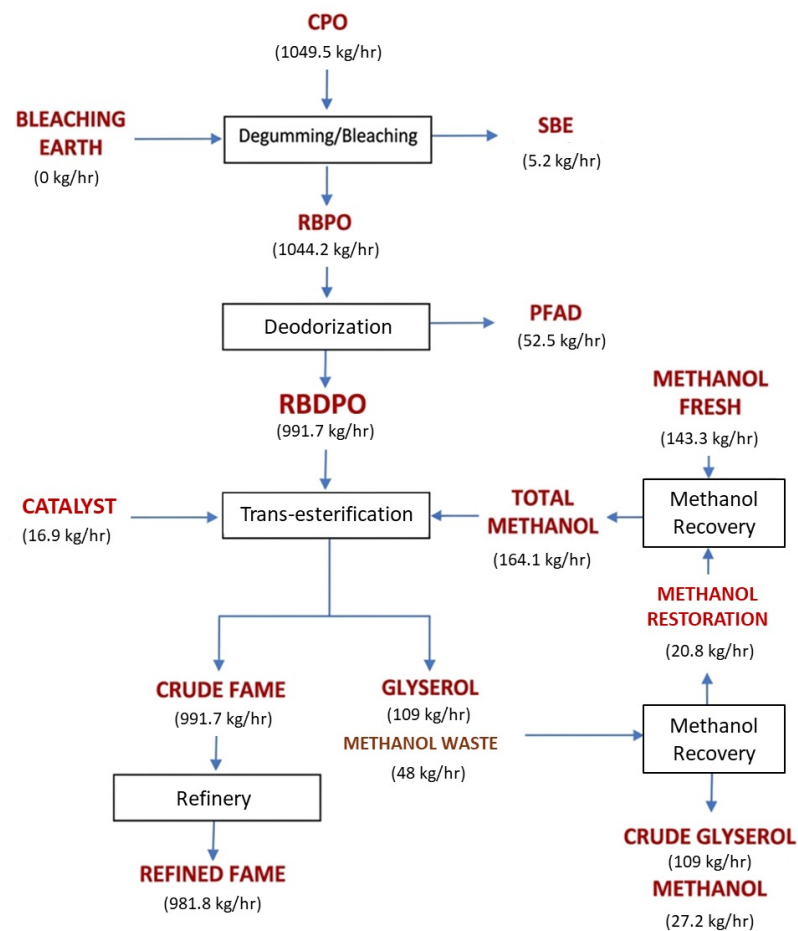


Figure 18. Mass Balance for the Conversion of CPO into Biodiesel (FAME)

Source: LPEM FEB UI (2020)

To provide a quantitative overview, the following table shows estimates of raw material requirements under two biodiesel policy scenarios.

Table 4. Estimated Biodiesel Raw Material Requirements under the B40 and B50 Scenarios

Biodiesel Scenarios	FAME (kL)	CPO (ton)	Methanol (ton)	Catalyst/ SMO (ton)
B40, throughout 2026	15,646,372	13,612,344	2,129,725	219,198
B50, starting in April 2026	18,580,067	16,164,658	2,529,049	260,298

Source: Author's calculations based on the biodiesel mass balance and LPEM FEB UI (2020)

The table shows that the mandatory increase from B40 to B50 not only significantly increases the demand for CPO but also drives a surge in the demand for methanol and catalysts of approximately 18–19% each. This confirms that the reliance on non-CPO inputs is not merely marginal but structural within the biodiesel production system.

In industrial practice, this dependence remains dominated by imported supplies. Methanol is primarily supplied by the global gas-based petrochemical industry, while sodium methylate (SMO) catalysts are produced by multinational chemical companies such as BASF and Evonik in Europe, as well as by manufacturers in China and the Middle East. Academic studies indicate that Indonesia's biodiesel industry still imports nearly all its sodium methylate requirements, with volumes exceeding 140,000 tons per year, thereby increasing exposure to risks of price fluctuations and global supply disruptions (Rosida et al., 2025).

Furthermore, industry reports also indicate that a portion of Indonesia's biodiesel catalyst needs is supplied from the Middle East, particularly through the petrochemical hub in Al Jubail, Saudi Arabia. This dependence directly links the sustainability of domestic biodiesel production to the stability of strategic distribution routes, particularly the Strait of Hormuz, which is currently one of the critical flashpoints in global geopolitical dynamics (OPIS, 2026).

Thus, Indonesia's dependence is not only geographical but also structural. Geographically, the biodiesel supply chain is connected to conflict-prone regions. Structurally, there are no alternative catalysts that can economically and technically replace sodium methylate at an industrial scale (Rosida et al., 2025). Diversifying supplies from Europe or China does not eliminate this dependence; rather, it merely shifts the source of risk within the same global system.

From an industrial systems perspective, this situation creates a policy paradox. On one hand, biodiesel is positioned as a tool to reduce dependence on fossil fuel imports. On the other hand, biodiesel expansion actually has the potential to increase dependence on imports of industrial raw materials, particularly methanol and catalysts.

Furthermore, the national industrial structure reveals an integration gap between the palm oil sector and the petrochemical industry. The strong availability of CPO in the upstream sector has not been matched by control over the chemical industry in the midstream sector, meaning the biodiesel value chain remains incompletely integrated domestically. Under these conditions, biodiesel-based energy security becomes highly dependent on the stability of a global system beyond national control.

This finding aligns with strategic studies emphasizing that Indonesia's success in maintaining its biodiesel market leadership cannot rely solely on resource advantages but also requires strengthening industrial structures and comprehensive value chain integration. Rosida et al. (2025) demonstrate that the Analyze–Formulate–Implement approach in biodiesel development positions industrialization and the strengthening of supporting sectors—including the chemical industry—as key factors in building the competitiveness and sustainability of the national biodiesel industry. Thus, in the context of increasingly complex global geopolitical uncertainty, the primary challenge for the biodiesel program no longer lies in the availability of primary feedstocks, but rather in mastering the entire production system.

Moving forward, efforts to strengthen the biodiesel program must be directed not only toward increasing consumption through mandatory blending but also toward the integrated development of supporting industrial capacity. The development of the domestic methanol industry, investment in catalyst production, and integration between the energy and petrochemical sectors are prerequisites for ensuring that biodiesel is not merely an energy substitution tool but also a component of the national industrial sovereignty strategy.

Without these steps, the push toward B50 risks not only increasing domestic energy consumption but also expanding exposure to increasingly complex global risks.



CHAPTER 7. OUTLOOK FOR PSR (OIL PALM REPLANTING PROGRAM FOR SMALLHOLDERS)

7.1 The Strategic Role of the PSR in the Sustainability of the Palm Oil Industry

In the context of the palm oil industry's dynamics in Q2 2026, PSR must be viewed not merely as a technical program at the upstream level, but as a strategic instrument for ensuring the sustainability of the national supply in the medium term. With increasing pressure on palm oil from the energy sector, exports, and domestic demand, Indonesia's ability to maintain palm oil productivity—particularly in the smallholder plantation segment—is becoming an increasingly important factor. This is significant given that data from the Ministry of Agriculture indicates that the area of smallholder palm oil plantations currently accounts for approximately 42% of the total national palm oil plantation area. Given this significant share, the productivity dynamics of smallholder plantations will significantly influence the nation's overall production capacity.

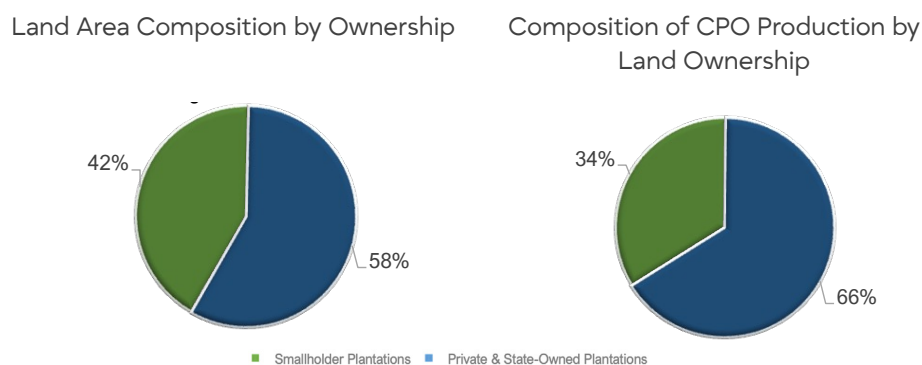


Figure 19. Comparison of Land Area and CPO Production Composition Between Smallholder and Large-Scale Plantations

Source: Directorate General of Plantations (2025), reprocessed by IPOSS

This strategic position becomes even more obvious when comparing land ownership composition with CPO production contributions. Figure 19 shows that although smallholder plantations control approximately 42% of the national oil palm area, their contribution to CPO production is only around 34%. Conversely, large-scale plantations, which control about 58% of the land, account for approximately 66% of CPO production. This disparity indicates that the primary issue in the smallholder palm oil segment is not merely land area, but also productivity levels that remain relatively lagging behind those of large plantations. In this context, the PSR program becomes crucial not only as an instrument for the replanting of aging trees but also as a means to narrow the productivity gap between plantation business segments.

Thus, within this outlook, the development of PSR should be viewed as part of the effort to strengthen the structural foundation of national palm oil production. The greater the success of PSR in boosting the productivity of smallholder plantations, the stronger the Indonesian palm oil industry's ability to maintain a balance between domestic demand, exports, and medium-term supply resilience.

7.2 National Performance of the PSR Program

Overall, the performance of the PSR Program from 2017 through February 2026 shows a strong upward trend in the long term, although the rate of achievement has not always been consistent across every period. Cumulatively, the implementation of PSR technical recommendations has reached approximately 418,000 hectares, involving around 188,618 smallholders (Figure 20). This achievement indicates that in less than a decade, the area of smallholder oil palm plantations that have been rejuvenated has reached more than 6% of the total national smallholder oil palm area. Although this figure still does not meet

the overall rejuvenation needs, this development shows that the PSR has grown into an increasingly important productivity intervention instrument in the management of national oil palm plantations.

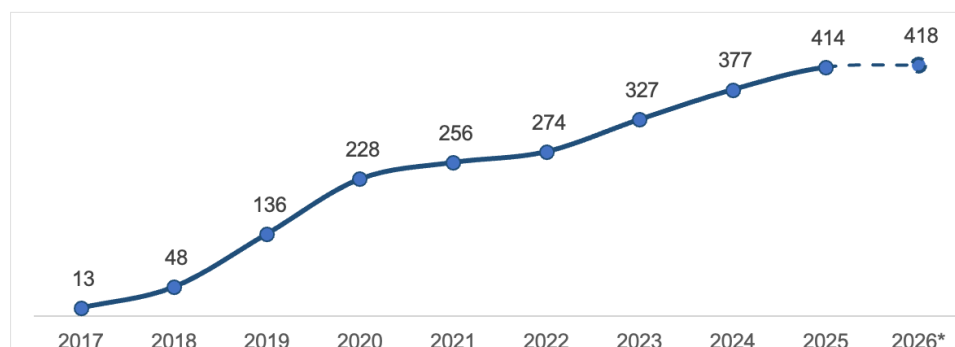


Figure 20. Cumulative Performance of the PSR (Oil Palm Replanting Program for Smallholders) from 2017 to February 2026 (thousand hectares)

Source: Ministry of Agriculture (2026), reprocessed by IPOSS

Figure 20 also shows that the program's acceleration has been quite significant, particularly after 2018. Cumulative implementation increased from approximately **13,000 hectares in 2017** to **48,000 hectares in 2018**, then surged to **136,000 hectares in 2019** and **228,000 hectares in 2020**, before continuing to rise to approximately **418,000 hectares** by February 2026. This pattern indicates that during the initial phase of the PSR, there was relatively rapid progress, but in subsequent phases, the program's challenges increasingly shifted toward maintaining the consistency of implementation acceleration on the ground.

However, referring to the simulation in the *Indonesian Palm Oil Industry Outlook 2026*, these achievements still need to be reassessed in terms of the pace of acceleration. The simulation highlights that if the PSR progresses slowly, with a replanting rate of only around **30–50 thousand hectares per year**, the additional replanted area will not be sufficient to offset the increase in old and unproductive plants. In such a scenario, CPO production from smallholder plantations risks continuing to decline in the medium and long term, potentially dropping to around **10 million tons by 2060** from approximately **17 million tons in 2025**. In other words, while the current trend of increasing PSR achievements is positive, it remains insufficient unless accompanied by more progressive acceleration.

From the perspective of strengthening the supply side, this need for acceleration becomes increasingly critical, given that Indonesia's palm oil industry must, in the future, support continuously rising domestic demand while maintaining export capacity and supply stability. Therefore, the replanting of smallholder oil palms should ideally not stop at the increasing administrative targets, but must be directed toward a more adequate implementation scale, around **3% per year** or equivalent to approximately **180–200 thousand hectares**. This acceleration does not merely mean replacing old, low-maintenance, and low-yielding plants with new ones using high-quality seeds and managed according to best management practices (BMP), but also simultaneously improving governance at the upstream level, including land legality aspects, so that the rejuvenated smallholder plantations become increasingly clear and clean, free from forest areas or overlaps with right to cultivate concession lands.

Therefore, PSR performance during the current period should be interpreted not merely as an indicator that the program is ongoing, but as a basis for assessing whether the current rate of replanting is sufficient to genuinely support the sustainability of smallholder oil palm production and strengthen the foundation of the national supply in the future. **In the context of this outlook, the key message is clear: without a stronger acceleration of the PSR, the risk of declining productivity in smallholder plantations will remain one of the structural weaknesses of Indonesia's palm oil industry.**

7.3 Regional Distribution and Disparities in PSR Implementation

In terms of implementation, the achievements of PSR show an uneven distribution across provinces. Figure 21 shows that the largest contribution through 2026 still comes from Aceh with a total realization of approximately **76,857 hectares**, followed by **South Sumatra** at around **75,017 hectares**, **Riau** at around **49,874 hectares**, **Jambi** at around **40,309 hectares**, and **North Sumatra** at around **36,064 hectares**. Meanwhile, several other provinces in Kalimantan, Sulawesi, and Papua show relatively lower achievements. This pattern indicates that progress in the PSR has not been evenly distributed nationwide but remains heavily influenced by the characteristics of each region.



Figure 21. Total PSR Realization by Province in Indonesia in 2026

Source: Ministry of Agriculture (2026), reprocessed by IPOSS

Salah satu faktor yang dapat menjelaskan disparitas tersebut adalah perbedaan sejarah perkembangan One factor that may explain this disparity is the differing historical development of oil palm plantations across regions. Oil palm centers that developed earlier in Sumatra have a relatively older crop age structure compared to expansion areas that developed later in Kalimantan, Sulawesi, and Papua. In this context, PSR needs across provinces cannot be assumed to be the same, as replanting pressure depends heavily on the accumulation of tree age, planting material quality, and past plantation expansion dynamics. Thus, the PSR implementation map essentially reflects historically shaped differences in replanting needs.

However, inter-provincial achievement patterns also indicate that high renewal needs do not automatically translate into high PSR implementation rates. In some provinces with a relatively long history of oil palm cultivation, such as **North Sumatra and Riau**, PSR achievements have not yet reached the levels one might expect given the significant role these two regions have played in the history of the national oil palm industry. This situation indicates that the implementation challenges in these two key provinces are not merely about replanting needs, but also relate to the complexity of land legality, the fragmentation of smallholder land tenure, the institutional readiness of farmers, as well as the effectiveness of verification and assistance processes. In other words, the regions with the most established historical foundations are not necessarily the easiest to replant.

Conversely, the relatively high achievements in provinces like Aceh demonstrate that the success of the PSR is also heavily influenced by implementation capacity at the local level. Therefore, the PSR implementation map should not be interpreted solely as a map of needs, but also as a map of institutional readiness and program execution effectiveness. From this perspective, disparities in PSR implementation serve as a reminder that policy approaches cannot be standardized nationally. Provinces facing significant legal and institutional barriers require different acceleration strategies compared to regions where the primary obstacles are more technical or administrative in nature. Therefore, future efforts to strengthen PSR must increasingly focus on region-specific approaches to ensure program acceleration proceeds more equitably and sustainably.

Consequently, disparities in PSR achievements across regions signal that future program acceleration requires a more region-based policy design, so that interventions not only contribute to national targets but also genuinely address the distinct implementation barriers in each province.

7.4 Progress of the PSR in the 1st Semester of 2026

As of 2026, the Ministry of Agriculture has set a target for PSR of **120,000 hectares**, with a specific target for the first half of the year of **50,000 hectares**. As of February 2026, the progress that has reached the stage of technical recommendation issuance remains relatively limited, at approximately 3,197 hectares, of which 1,086 hectares are from the government channel and 2,111 hectares from the partnership channel. Although the achievements at the beginning of this year appear low, this is the result of a long, cumulative process dating back to the initial proposal stage.

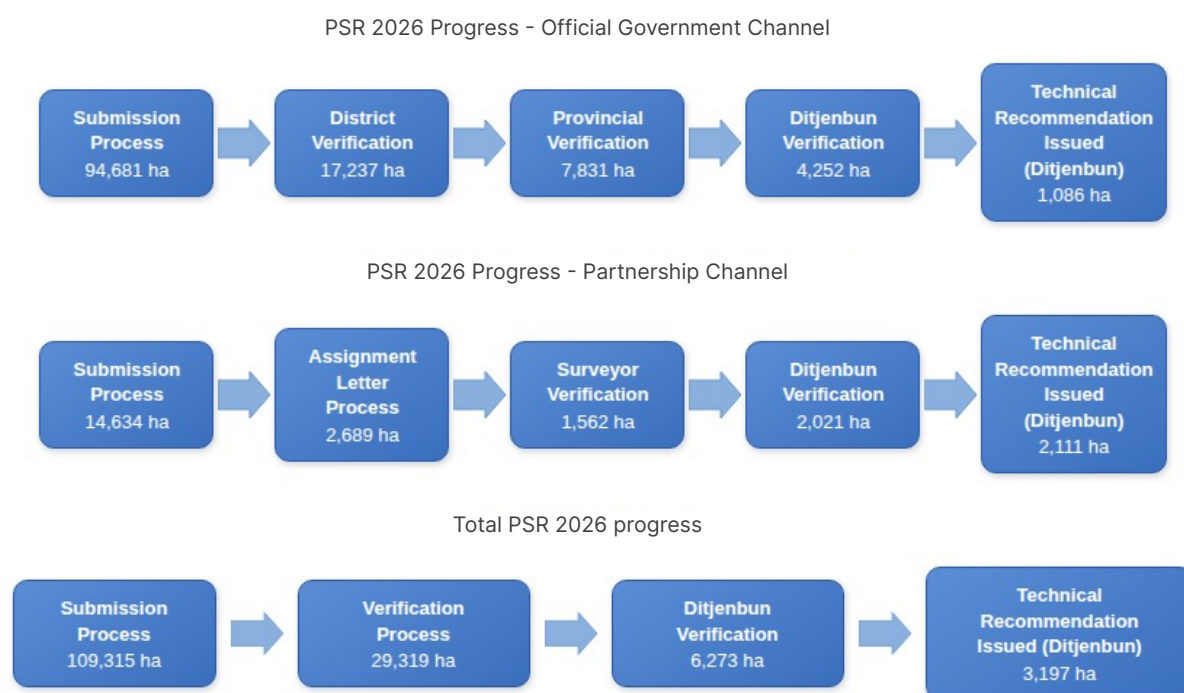


Figure 22. PSR Progress as of February 2026

Source: Ministry of Agriculture (2026), reprocessed by IPOSS

Figure 22 illustrates the progress status of the PSR as of February 2026, showing that **the PSR proposal pipeline is quite substantial**, both through the **departmental channel** and the **partnership channel**.

- Through the departmental channel, the proposed area at the proposal submission stage in February 2026 had reached approximately **94,681 hectares**. However, of that total, only about **17,237 hectares** had entered the **district verification** stage, with approximately **7,831 hectares** proceeding to **provincial verification**, then about **4,252 hectares** to the **Directorate General of Plantations** verification stage, before finally only about **1,086 hectares** received **technical recommendations**.
- Meanwhile, through the partnership channel, the proposed area submitted reached approximately **14,634 hectares**, with progress of **2,689 hectares** at the assignment letter stage, **1,562 hectares** at the surveyor verification stage, **2,021 hectares** at the DGFA verification stage, and approximately **2,111 hectares** that have reached the technical recommendation issuance stage.

In total, the area of PSR proposals received as of February 2026 reached approximately 109,315 hectares. However, of this total, only about 29,319 hectares are currently in the verification process, approximately 6,273 hectares have entered DGFA verification, and only about 3,197 hectares have received technical recommendations.

This pattern indicates that the main challenge for PSR in the first half of 2026 does not lie in the low volume of proposals, but rather in the length of the verification and validation stages before proposals can be converted into program implementation.

In practice, PSR achievements are heavily determined by the effectiveness of the verification chain from submission to the issuance of technical recommendations. Since this process is multi-layered, a bottleneck at any one stage will immediately slow down the overall conversion rate. Generally, the sources of delays stem from the quality of proposal administrative data, land legal status, mismatches between on-desk data and actual field conditions, limited verification capacity, and cross-level coordination that is not yet fully synchronized.

In this context, improving proposal quality from the outset and strengthening the verification system are the key levers for enhancing the effectiveness of PSR implementation (Manurung et al., 2022; Prayuningsih et al., 2024)

Thus, the progress of the PSR in the first semester of 2026 is more accurately understood as an issue of converting the pipeline into implementation, rather than merely a lack of program demand. This means that evaluating early-year achievements requires not only examining the area of issued technical recommendations but also assessing the volume of proposals still pending at various stages of the process. In this context, the acceleration of the PSR moving forward will be largely determined by the ability to streamline the verification chain, strengthen administrative and legal support at the farmer level, and enhance the effectiveness of coordination between local governments, farmer organizations, and the central government.

7.5 Outlook for PSR Targets in Q2 2026 and Strategies to Achieve Them

7.5.1 Outlook for PSR Targets in Q2 2026

Based on the status of proposals as of February 2026, there are indications that there is still significant room for improvement in the Smallholder Oil Palm Replanting Program (PSR) by the end of Q2 2026 if the verification process can be accelerated. Considering the volume of proposals already submitted and currently under review—whether through government channels or partnership channels—the potential for technical recommendation achievements by the end of Q2 2026 is estimated to reach approximately **18–20 thousand hectares**. This figure is indeed still far from the first-semester target of **50,000 hectares**, indicating that with the system's current actual capacity, the achievable progress is only in the range of **36–40%** of the semesterly target. Nevertheless, this potential still demonstrates significant room for improvement compared to the beginning of the year, provided that verification bottlenecks can be resolved more effectively.

This potential is fundamentally supported by the size of the existing proposal *pipeline*. As of February 2026, submitted proposals have reached over **109,000 hectares**, but the majority remain stalled at various verification stages. Under these conditions, the main challenge for the PSR no longer lies in low program demand, but rather in the system's ability to convert submitted proposals into technical recommendations. Therefore, an analysis of the PSR outlook for Q2 2026 must prioritize verification capacity as the key factor determining how much program acceleration can be achieved in the short term.

Spatially, Figure 23 shows that the potential achievements for Q2 2026 are also concentrated in specific regions. Riau has a total potential of approximately **5,253 hectares**, followed by Aceh with **4,492 hectares**, Jambi with **1,701 hectares**, West Kalimantan with **1,549 hectares**, North Sumatra with **1,376 hectares**, and West Sumatra with **1,019 hectares**. Below are South Kalimantan **773 hectares**, South Sumatra **570 hectares**, Bengkulu **523 hectares**, Central Sulawesi **479 hectares**, South Sulawesi **204 hectares**, Bangka Belitung **111 hectares**, West Sulawesi **75 hectares**, and Banten **61 hectares** (Ministry of Agriculture, 2026). This distribution indicates that the scope for accelerating PSR in Q2 2026 is uneven across regions, so the strategy for achieving it must prioritize areas with the largest pipeline and relatively greater readiness for implementation.

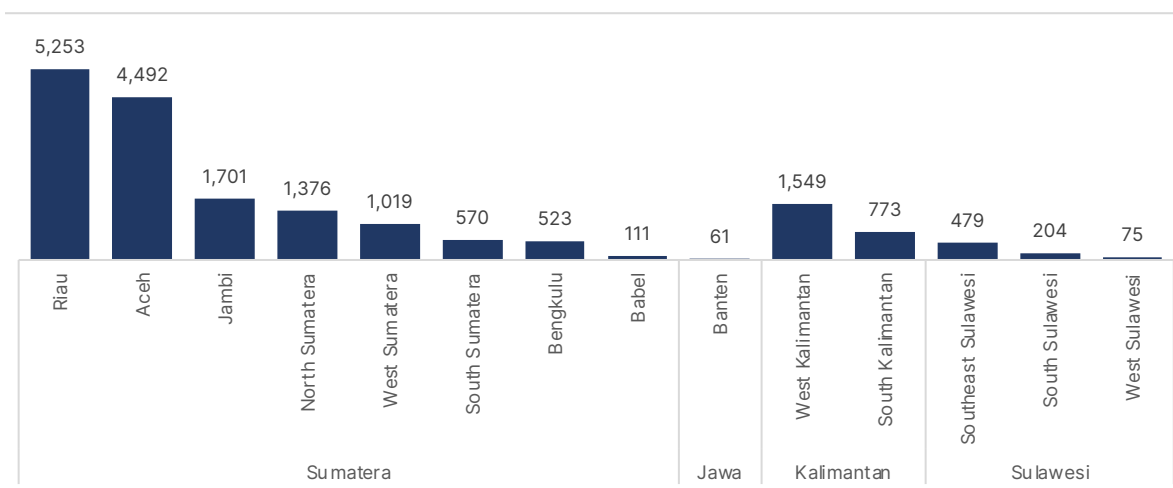


Figure 23. PSR Outlook by Province for Q2 2026

Source: Ministry of Agriculture (2026), reprocessed by IPOSS

7.5.2 PSR Strategy Q2 2026

The strategy to achieve **18–20 thousand** hectares by the end of Q2 2026 must focus primarily on expanding the verification scope, without neglecting applicable PSR governance principles. This requires stronger policy support and attention from both the central and local governments to ensure verification stages are completed more quickly, yet remain accurate and accountable. In this context, acceleration should not be understood merely as an increase in targets, but rather as strengthening the system's capacity to process existing proposals.

Operationally, the most urgent strategy is to accelerate the verification stages at the district and provincial levels for the government channel, and at the surveyor level for the partnership channel. Additionally, there needs to be a sharpening of priorities toward provinces with the greatest proposal potential so that additional verification resources can be directed more effectively. This approach is crucial because, in a situation of limited capacity, the efficiency of achieving short-term targets will be heavily determined by the ability to focus efforts on the largest backlogs.

In addition to accelerating verification, another equally important strategy is improving the quality of proposals from the very beginning. The better the quality of the submission documents and the more synchronized the administrative data is with on-the-ground conditions, the lower the likelihood that proposals will be repeatedly held up during the review process. Therefore, achieving the PSR target by Q2 2026 ultimately depends on a combination of greater verification capacity, more intensive administrative support, and stronger coordination among stakeholders at the field level, local governments, and the central government. Given these prerequisites, the potential to achieve **18–20 thousand hectares** becomes a more realistic goal to pursue, although it is still insufficient to fully meet the semesterly target.

7.6 Strategic Implications of PSR for Indonesia's Palm Oil Outlook

If by the end of the first half of 2026, PSR achievements remain only in the range of **18–20 thousand hectares**, then the strategic implications should be interpreted not merely as a shortfall against the semesterly target, but as a reflection of the actual capacity of the current PSR implementation system. In this context, several key implications that need to be considered are as follows:

1. The burden of achieving targets in the second semester will grow even heavier

With first-semester achievements still in the range of 18,000–20,000 hectares, the remaining annual target to be met in the second semester will become even more substantial. This situation increases pressure on program implementation capacity in the second half of the year. Without improvements to the pipeline mechanism since the first semester, the backlog risks recurring, making it increasingly difficult to optimally achieve the annual PSR target. In this context, the primary issue with PSR is not a lack of interest or proposals, but rather the insufficient strength of the conversion system from submission to technical recommendation and implementation.

2. Improving the pipeline and on-site assistance are urgent priorities

Improving the pipeline must be prioritized as a key strategic agenda. One crucial step is increasing the number of field facilitators, particularly to assist farmer groups in preparing higher-quality proposal documents. This assistance is critical because the quality of data at the initial stage significantly determines the speed of subsequent verification processes. If the documents submitted from the outset are already more aligned with the established requirements, then the verification stages at the district, provincial, and Directorate General of Plantations levels can proceed more smoothly, thereby increasing the conversion rate from proposals to technical recommendations.

3. Cross-ministerial/institutional support is very important

The implementation challenges of the PSR cannot be resolved entirely by the plantation sector alone. One of the challenges that has long been quite difficult at the farmer group level is the process of issuing a certificate stating that the proposed land is free from forest areas and is not located on right to cultivate concession land. Therefore, support from ministries/agencies responsible for forest areas and land affairs is crucial. If this support is strengthened, the document issuance process can proceed more quickly, more efficiently, and reduce administrative waiting times, which have long been a major source of delays.

4. Strengthening digital governance must be the key driver for acceleration

In response to these challenges, the 2026 PSR policy direction must focus on strengthening digital-based governance and system integration. The implementation of PSR Online V2, integrated with **National Land Agency** data and the **SIGAP** system, is a strategic step to improve data accuracy, accelerate validation, and assist in resolving land legality issues (Ministry of Agriculture, 2026). At the same time, strengthening support staff, developing a real-time monitoring system, and enhancing cross-sectoral coordination are necessary to ensure more effective program management. Budget optimization should also be directed toward regions with high readiness levels to generate quick wins that can drive more tangible national acceleration. Improvements in the first half of 2026 should therefore be treated as a milestone in PSR reform, not merely a short-term response to meet semester targets, but as a foundation for more permanent improvements to PSR governance within a framework that remains accountable (Ministry of Agriculture, 2026).

5. The direct impact relates to the structural strength of the palm oil industry

From a broader palm oil industry perspective, the success of improving the PSR mechanism will have a direct impact on the structural strength of the national supply. Amid rising demand pressure from the biodiesel sector, the need to maintain exports, and the importance of domestic market stability, the PSR is one of the primary instruments to ensure that smallholder plantations do not continue to lag in productivity.

Therefore, the achievement of **18–20 thousand** hectares in the first half of 2026 should be interpreted not merely as a realization figure, but as an early indicator of whether the PSR system is moving toward a healthier acceleration. If improvements to the pipeline, assistance, system integration, and cross-institutional support are truly strengthened, then the PSR can evolve from merely a replanting program into a vital foundation for ensuring the sustainability of Indonesia's palm oil industry in the future.



CHAPTER 8. CONCLUSION

The Q2 2026 Palm Oil Outlook indicates that Indonesia's palm oil industry is entering a phase increasingly shaped by the close interaction between domestic fundamentals and global external pressures. On the one hand, the palm oil sector remains supported by its strategic role in exports, the food industry, and national energy security. However, on the other hand, the industry's room to maneuver in Q2 2026 is becoming increasingly constrained as the market faces tighter conditions, while pressures are emerging simultaneously from production, climate, energy prices, policy, and geopolitics.

From a market perspective, national production remains relatively stable but is not entirely unstrained. Post-flood recovery in several production hubs is not yet fully complete, while the transition into the dry season is beginning to add new pressures on supply prospects. At the same time, domestic consumption remains strong, with biodiesel as the main contributor, making stock levels increasingly important as a market buffer. In this context, the supply-demand balance in the first half of 2026 indicates that the flexibility of the national palm oil market is likely to be more limited compared to previous periods.

These dynamics are reinforced by CPO price movements that are increasingly sensitive to energy price fluctuations and geopolitical uncertainties. Rising global crude oil prices not only affect market expectations for vegetable oils but also increase logistics costs, risk premiums, and pressure on domestic policies. Consequently, instruments such as the Reference Price, Export Levy, and Export Duty are becoming increasingly important to interpret not merely as fiscal tools, but also as mechanisms influencing price transmission, export competitiveness, farmers' positions, and domestic market stability.

In a broader context, developments in Q2 2026 also emphasize that Indonesian palm oil is now increasingly integrated into the global trade and energy systems. Market opportunities remain open, including those arising from shifts in international trade configurations, but the realization of these opportunities is not automatic. Price competitiveness, readiness for downstream processing, domestic supply conditions, and the resilience of the industry's supply chain will remain key determinants. Therefore, policy responses must maintain a balance between promoting domestic utilization, export interests, and domestic market stability.

This outlook also shows that short-term challenges cannot be separated from medium-term structural issues. Developments in PSR remind us that the industry's sustainability cannot be supported by market management and downstream policies alone. Without accelerating improvements in smallholder productivity, national supply capacity will face increasingly evident constraints in the coming years, especially as domestic and global demand continues to rise.

Thus, the direction of Indonesia's palm oil industry in Q2 2026 must be carefully assessed. This period is not merely a phase of short-term adjustment but also a phase that more clearly reveals the intersection of market risks, climate pressures, energy dynamics, fiscal policies, and the industry's structural challenges. Therefore, strengthening future policy responses must focus on three key areas: maintaining short-term market balance flexibility, enhancing the industry's readiness to face energy and geopolitical volatility, and accelerating the foundation for medium-term productivity through upstream sector reforms, particularly PSR.

Ultimately, the resilience of Indonesia's palm oil industry will not only be determined by its ability to respond to short-term price fluctuations but also by its ability to strike a balance between export interests, energy security, domestic stability, and long-term supply sustainability. In this context, the Q2 2026 Palm Oil Outlook is expected to serve as a strategic reference for the government, business actors, academics, and other stakeholders in reading the direction of the industry and preparing a more adaptive, measured, and sustainable response.



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