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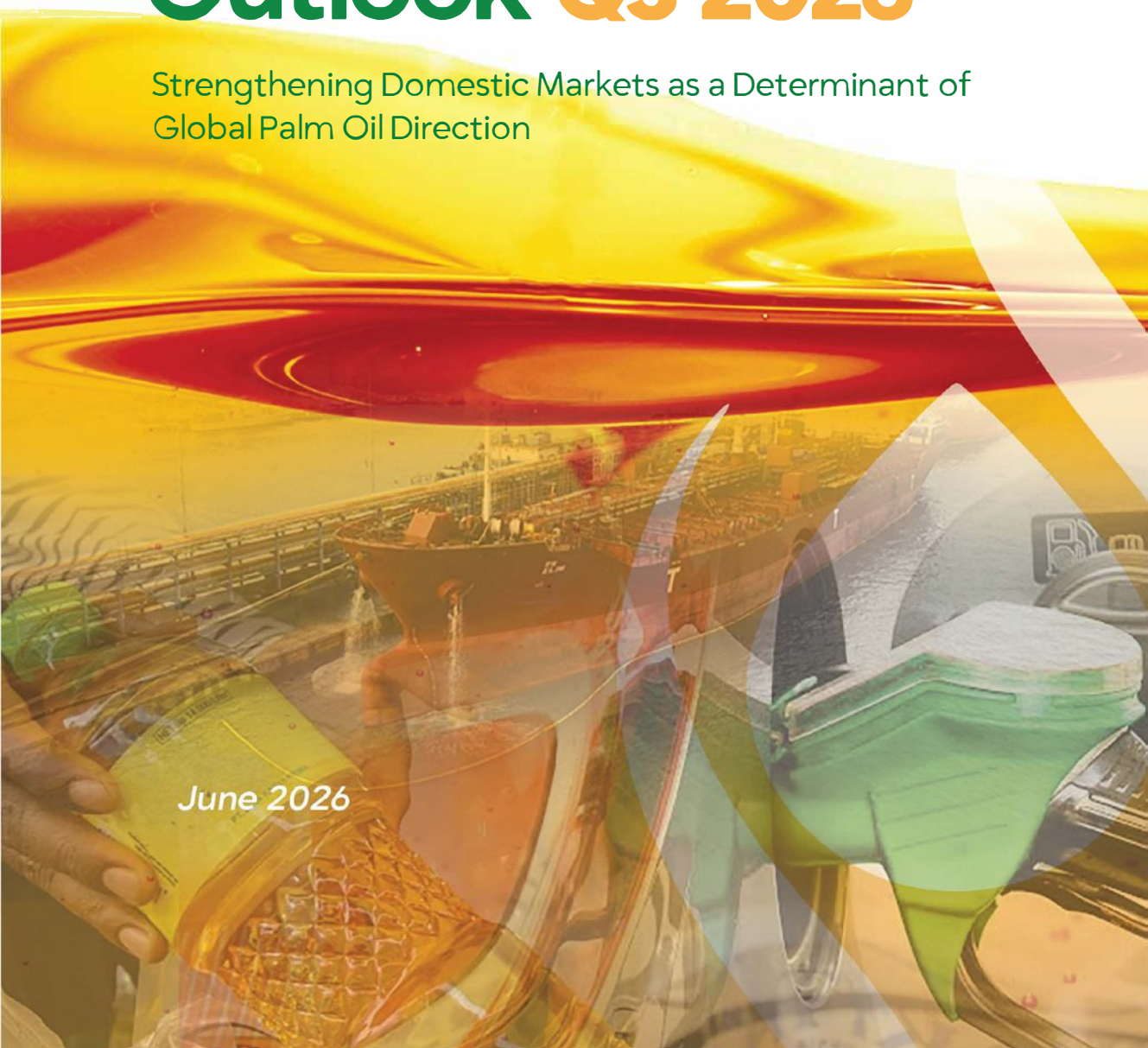
INDONESIA PALM OIL STRATEGIC STUDIES

Indonesia Palm Oil Industry Outlook Q3 2026

Strengthening Domestic Markets as a Determinant of Global Palm Oil Direction



June 2026

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Strengthening the Domestic Market as a Key Determinant of the Global Palm Oil Industry's Direction

June 2026

Sumber: Kementerian Keuangan

OPENING REMARKS

We express our gratitude to God Almighty for the completion of the Indonesian Palm Oil Industry Outlook for Q3 2026, which serves as part of our efforts to understand the direction of the national palm oil industry's development during this increasingly dynamic, complex, and strategic period.

The Indonesia Palm Oil Strategic Studies (IPOSS) released its Q3 2026 Indonesian Palm Oil Industry Outlook with the theme "Strengthening Domestic Markets as a Determinant of Global Palm Oil Direction." This theme emphasizes that the Indonesian palm oil industry is entering a new stage, where domestic strength no longer simply serves as a market buffer but is increasingly becoming a key factor shaping the direction of the national palm oil industry and influencing global market balance. The mandatory implementation of B50 biodiesel starting in July 2026 is a momentous marker of this change, as it increases the demand for CPO for domestic energy amidst the diminishing of production, relatively low stocks, and limited export opportunities.

In Q3 2026, the national palm oil market fundamentals suggested increasingly tight conditions. Production is expected to face strain due to climate dynamics, particularly the tendency for dry conditions associated with the strengthening of the El Niño Southern Oscillation (ENSO) and the Indian Ocean Dipole (IOD). At the same time, domestic consumption is increasing significantly, particularly in the biodiesel sector. This combination of production strain and increased domestic consumption is limiting the supply room for exports, causing export allocation increasingly important as an adjustment variable in maintaining a balance between domestic demand, stocks, and foreign markets.

This Outlook also reveals that the dynamics of the palm oil industry in Q3 2026 cannot be interpreted uniquely from the perspective of production, exports, or prices in isolation. Global and domestic CPO

price movements, the structure of export levies and duties, the cooking oil DMO policy, B50 biodiesel financing, Indonesia readiness for the EUDR, smallholder palm oil productivity, the establishment of export-oriented state-owned enterprises (SOEs), and the necessity for supply chain data integration are all part of an interconnected policy ecosystem. Changes in one aspect can impact others, affecting business actors, farmers, state revenues, and the competitiveness of the Indonesian palm oil industry.

In this context, strengthening domestic security means ensuring that domestic policies maintain a balance between food, energy, and export needs, without neglecting sustainability, state revenue, industrial competitiveness, and farmer welfare. Domestic security also needs to be positioned within the framework of the long-term transformation of the Indonesian palm oil industry. Future production increases can no longer rely on land expansion, but rather must be directed toward intensification, the use of certified superior seeds, improved smallholder plantation management, and accelerated replanting of smallholder oil palm plantations. Therefore, increasing domestic demand must be well-adjusted with the bolstering of supply-side to warrant the national palm oil industry remains productive, resilient, and sustainable.

This outlook is prepared exercising an analytical approach that combines historical data, projections, econometric model, policy reviews, and strategic understanding of market and regulatory dynamics. With this approach, the outlook is expected to provide more than just statistics but also an understanding of the relationships between variables affecting the direction of the national palm oil industry in Q3 2026.

We acknowledge that this outlook publication still has limitations, particularly as market dynamics, policies, climate, and external factors can change rapidly. Nevertheless, we hope this publication can serve as a strategic reference for the government, business players, academics, the media, and other stakeholders in understanding the risks, opportunities, and policy direction of the national palm oil industry.

In closing, we would like to express our appreciation to all stakeholders who provided data, input, and support in the preparation of this outlook.

We hope this publication will promote the strengthening of a more resilient, productive, competitive, and sustainable Indonesian palm oil industry.

IPOSS Executive Board

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CHAPTER 1. INTRODUCTION

1.1 Background

Indonesia's palm oil industry is entering Q3 2026 amid an increasingly complex situation, while also showing a new and increasingly prominent trend: The Growing Role of Domestic Market as the Primary Driver. During this period, industry dynamics are shaped not only by production and price trends but also by changes in energy policy, export regulations, stock levels, productivity, and global market pressures. The implementation of the B50 biodiesel mandate starting July 1, 2026, is a key factor reinforcing this shift, as the demand for CPO as a biodiesel feedstock has increased significantly compared to previous periods.

At the same time, palm oil production in Q3 2026 is expected to face pressure due to climatic factors, particularly dry conditions triggered by the El Niño phenomenon and a positive Indian Ocean Dipole (IOD). While El Niño is triggered by warmer-than-normal sea surface temperatures in the central to eastern Pacific Ocean, a positive IOD occurs due to warmer-than-normal temperatures in the western Indian Ocean compared to the eastern part. Collectively, these two phenomena have caused a significant reduction in rainfall across Indonesia, thereby disrupting the stability of palm oil production.

This climate-driven strain on production comes at a time when domestic consumption is rising and national stock are at historically low levels. This combination has further constrained the supply available for export, making exports a key adjustment variable in the national palm oil balance.

In this context, the resilience of the palm oil industry has become increasingly important. This resilience is reflected in the industry's ability to maintain a balance between rising domestic demand, supply constraints, global market pressures, and the need to sustain export competitiveness. The increasingly dominant domestic market not only becomes the primary source of demand

but also as a pillar of industrial stability during the occurrence of external pressures.

This situation has a direct impact on CPO price formation, both in global and domestic markets. When supply tightens, domestic consumption rises, and stock are at low levels, CPO prices tend to face upward pressure. These price movements then influence the CPO Reference Price, which becomes the basis for setting the Export Levy and Export Duty. Thus, the Q3 2026 outlook must be viewed as an interconnected series of factors involving production, domestic consumption, exports, stock, prices, levies, and policy.

In addition to fundamental market factors, Q3 2026 is also marked by a growing need to assess the direction of palm oil industry policy more strategically. Issues such as the establishment of a state-owned export company, the implementation of B50, biodiesel financing, the cooking oil Domestic Market Obligation (DMO), the outlook for smallholder oil palm productivity, palm oil sustainability, and supply chain data coordination are all part of the policy landscape influencing the industry's prospects. Therefore, this outlook is designed to provide a comprehensive picture of the national palm oil industry's conditions in Q3 2026, while highlighting how domestic factors play a key role in maintaining the industry's resilience.

1.2 Objectives of the Q3 2026 Outlook

The Q3 2026 Palm Oil Industry Outlook was developed to provide an overview of the direction of the national palm oil industry's development from July through September 2026, with an emphasis on the growing role of the domestic market as the industry's primary driver.

The primary objective of this outlook is to analyze market conditions and policies in an integrated manner, so that the dynamics occurring in one aspect can be understood in relation to other aspects, particularly in the context of the shift in demand structure from external to domestic markets.

Specifically, this outlook aims to analyze developments in the national palm oil supply–demand balance, including production, domestic consumption, exports, and stocks. This analysis is crucial for assessing the extent to which the national supply balance is in a surplus or deficit, particularly following the implementation of the B50 mandate, which strengthens the domestic market's role in absorbing production.

This outlook also aims to project the direction of global and domestic CPO prices in Q3 2026. Price forecasts are developed by considering historical factors, the global market, stocks, exports, domestic consumption, and policy variables. Thus, price forecasts are based not only on past trends but also on fundamental shifts resulting from the increasing dominance of domestic demand.

Additionally, this outlook aims to estimate the implications of movements in the CPO Reference Price on the Export Levy and Export Duty. This analysis is important because the Export Levy and Export Duty not only function as fiscal instruments but also influence export incentives, exporters' netback prices, the availability of domestic supply, and the competitiveness of Indonesian palm oil products in the global market.

This outlook also aims to examine several strategic issues in the palm oil industry, including the cooking oil DMO policy, the outlook for smallholder oil palm productivity, B50 biodiesel financing, export governance, palm oil sustainability, as well as institutional coordination and supply chain data integration.

In this context, smallholder oil palm productivity is positioned as a strategic priority because future production growth will increasingly depend on intensification, the use of certified high-yielding seeds, and the acceleration of the oil palm replanting program for smallholders (Peremajaan Sawit Rakyat, PSR). With this scope, this outlook is expected to provide a reference for stakeholders in understanding how the domestic sector is increasingly becoming the main pillar of the national palm oil industry's resilience in Q3 2026.

1.3 Structure and Integration of the Analysis

This outlook is developed using an integrated approach, in which each chapter is part of a series of interconnected analyses, with the primary theme focusing on The Growing Role of Domestic Market as the Primary Driver.

Chapter 1 provides an Introduction, which provides the foundation for understanding the context, objectives, and overall framework of the Q3 2026 Palm Oil Industry Outlook. This chapter emphasizes that the palm oil industry is entering a period characterized by tightening supply, rising domestic consumption, climate pressures, low inventories, and policy dynamics, with B50 as the key factor strengthening the domestic sector's role in building the industry's resilience.

Chapter 2 discusses the supply–demand outlook, which becomes the primary basis for understanding market fundamentals. In this section, the analysis covers production, domestic consumption, exports, and stocks. These four components form the national palm oil supply balance and demonstrate how domestic consumption is increasingly becoming the dominant factor in absorbing production.

Chapter 3 discusses the outlook for global and domestic CPO prices. The price analysis is presented as a consequence of the supply–demand conditions discussed earlier. When production is adjusted downward, domestic consumption rises, exports decline, and stocks are at low levels, CPO prices are likely to face upward pressure. In this context, the domestic market not only influences the supply balance but also contribute in the price formation.

Chapter 4 discusses the outlook for palm oil export levy and export duty. This chapter continues the price analysis, as the CPO Reference Price, which becomes the basis for the export levy and export duty, fluctuates in line with CPO price dynamics. In this chapter, the analysis focuses on how changes in the Reference Price affect export costs, tariff positions, netback prices, and incentives for industry players in a scenario where exports are no longer the sole primary driver of the industry.

Chapter 5 evaluates the cooking oil DMO policy, particularly in relation to the stability of domestic cooking oil supply and prices.

Chapter 6 discusses the outlook for smallholder oil palm productivity as the foundation for long-term production growth. The discussion in this chapter covers intensification as a pathway to increased production, the role of certified high-yielding seeds, the yield gap in smallholder oil palm, as well as the achievements and challenges of the oil palm replanting program for smallholders. This chapter is important because increased productivity is key to maintaining the industry's resilience amid rising domestic demand and limited room for land expansion.

Chapter 7 discusses the palm oil industry's perspective, covering state-owned export companies, palm oil sustainability and EUDR preparations, B50 implementation, biodiesel financing, as well as supply chain data institutions and the need for cross-sector coordination. This chapter provides a strategic analysis to examine broader policy implications and industry dynamics, particularly in the context of an industry structure that is increasingly domestically oriented.

With this structure, this outlook not only presents projected figures but also explains the relationships between the variables shaping the direction of the palm oil industry in Q3 2026, with an emphasis on how the domestic market is becoming the primary driver in maintaining the industry's stability and resilience.

1.4 Overview of the Q3 2026 Outlook

The overall framework of the Q3 2026 Palm Oil Industry Outlook is based on the understanding that the national palm oil industry is facing a period of supply-demand tightening, while also experiencing a shift in demand structure that is increasingly dominated by domestic consumption.

On the supply side, Q3 2026 production is expected to decline due to climatic pressures and the distribution of monthly production. On the demand side, domestic consumption is rising significantly, primarily due to the implementation of the B50 mandate, which increases the demand for CPO for biodiesel. These conditions

make the domestic market the primary factor in absorbing national production.

This combination has narrowed the scope for exports. Under conditions of limited supply, exports become an adjustment variable to ensure domestic needs are met and to prevent inventories from falling too low. The decline in exports in Q3 2026 thus not only reflects foreign trade dynamics but is also a consequence of the growing dominance of domestic demand.

Stocks become an important indicator in this context. When stocks are at low levels, the market becomes more sensitive to changes in production, domestic consumption, and exports. Low stocks also have the potential to reinforce bullish sentiment toward CPO prices, particularly since Indonesia is one of the world's leading suppliers of palm oil.

From a pricing perspective, supply pressures and rising domestic consumption have the potential to push global and domestic CPO prices to relatively high levels. These price movements are then reflected in the CPO Reference Price, which becomes the basis for imposing Export Levy and Export Duty. Thus, price dynamics are influenced not only by the global market but also by the increasingly dominant strength of domestic demand.

In terms of policy, Q3 2026 will be an important period for assessing the resilience of the B50 mandate, biodiesel financing needs, the effectiveness of export management, the stability of cooking oil supply, improvements in smallholder oil palm productivity, sustainability readiness, and the strengthening of supply chain data. All these aspects indicate that the success of the palm oil industry is determined not only by export performance but also by the domestic capacity to absorb, manage, and stabilize the market.

Within this framework, the Q3 2026 Palm Oil Industry Outlook is designed to answer the key question: to what extent can the national palm oil industry maintain a balance between increasingly dominant domestic demand, exports, stock, prices, productivity, and policy sustainability amid a tightening supply situation? The answer to this question provides a foundation for assessing risks,

opportunities, and the direction of palm oil industry policy in the upcoming quarter.

CHAPTER 2. SUPPLY-DEMAND OUTLOOK FOR Q3 2026

2.1 Production Outlook for Q3 2026

2.1.1 National Cumulative Production through Q3 2026

Cumulatively, national palm oil production (CPO and PKO) through the end of Q3 2026 is forecast to reach approximately 37.1 million MTs. This is lower than the 38.08 million MTs recorded for the same period in 2025, but remains within the historical range of national production over the past few years.

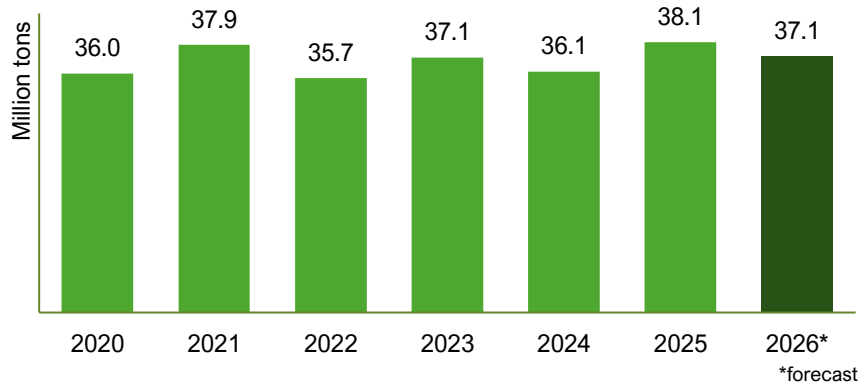

Figure 1. National Cumulative Production through Q3 2026
Sources: Directorate General of Plantations (2025); Statistics Indonesia (2025b), reprocessed by IPOSS

When compared historically, this figure is higher than the cumulative YTD production through Q3, which was relatively similar to previous years. Although there was a slight decline compared to 2025, cumulative production performance from January through September 2026 has not yet shown any significant weakening.

The slight correction in cumulative production through the end of Q3 2026 indicates some pressure during the early to mid-year period, primarily due to the Sumatra floods, which reduced a small portion of the harvest area in Aceh and North Sumatra, and dry weather conditions resulting from the El Niño and IOD phenomena

that occurred in 2026. Nevertheless, overall, the national supply is projected to remain relatively stable.

From a supply–demand perspective, these conditions suggest that supply capacity in the first half of 2026 will likely be slightly more constrained than in the previous year. Nevertheless, this decline remains moderate and does not yet reflect a structural weakening, provided that consumption is assumed to remain unchanged. However, to ensure the continuity of supply, production trends must be monitored on a month-by-month basis, particularly in light of the situation expected in Q3 of 2026 compared to previous years.

2.1.2 Year-on-Year Production Trends for Q3

determinants of the development phases of flowers, fruits, and production, as explained in Box 1. Therefore, the decline in production in Q3, particularly in July and September, is primarily due to dry climatic conditions occurring both during the current month and over the past 1–2 years, the effects of which are felt during those months.

The monthly production trends for Q3 can be compared month-by-month in the following graph.

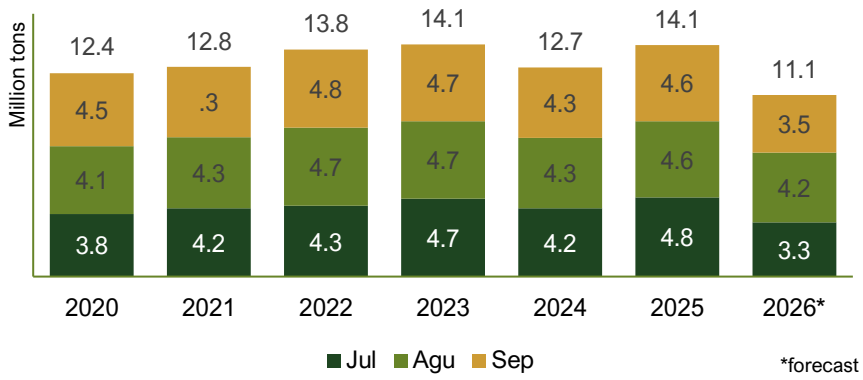

Figure 2. National Production, Q3 YoY
Sources: Directorate General of Plantations (2025); Statistics Indonesia (2025b), reprocessed by IPOSS

Generally, production in Q3 tends to ranging from 12 to 14 million MTs, as crops are still in their peak harvest phase. However, production is at its peak from July through September. Nevertheless, in Q3 2026, production is forecast to be lower than in Q2 2026 and compared to the same period in previous years. Total production for Q3 2026 is predicted to drop to 11.1 million MTs, with the largest declines occurring in July and September.

From a supply–demand perspective, these conditions indicate that supply capacity in Q3 2026 will be more limited than in the previous year. Although the decline remains moderate, increased consumption resulting from the B50 program will put pressure on stock availability. Consequently, a significant increase in production is expected for the following quarter.

Box 1. Climate and Production Analysis Framework for Q3 2026

The Q3 2026 production forecast is based on a monthly production distribution approach that integrates climate variables with plant physiological responses. Within this framework, monthly rainfall is used as a proxy for water availability and is then processed into a water deficit indicator that reflects the level of plant stress. The primary climate signals used as inputs are ENSO and IOD forecasts. The ENSO forecast indicates increasingly positive anomalies in Q3 2026, suggesting drier conditions, while the Indian Ocean Dipole (IOD) is expected to be in a positive phase, which could increase the risk of water deficits in Indonesia.

The IOD itself is a climate phenomenon that describes the difference in sea surface temperatures between the western Indian Ocean (near East Africa) and the eastern Indian Ocean (near Sumatra). During the positive phase, the waters on the eastern side are relatively cooler, leading to a decrease in the formation of rain clouds around western Indonesia and making this region drier. In contrast, during a negative phase, the waters on the eastern side are warmer, leading to increased rainfall.

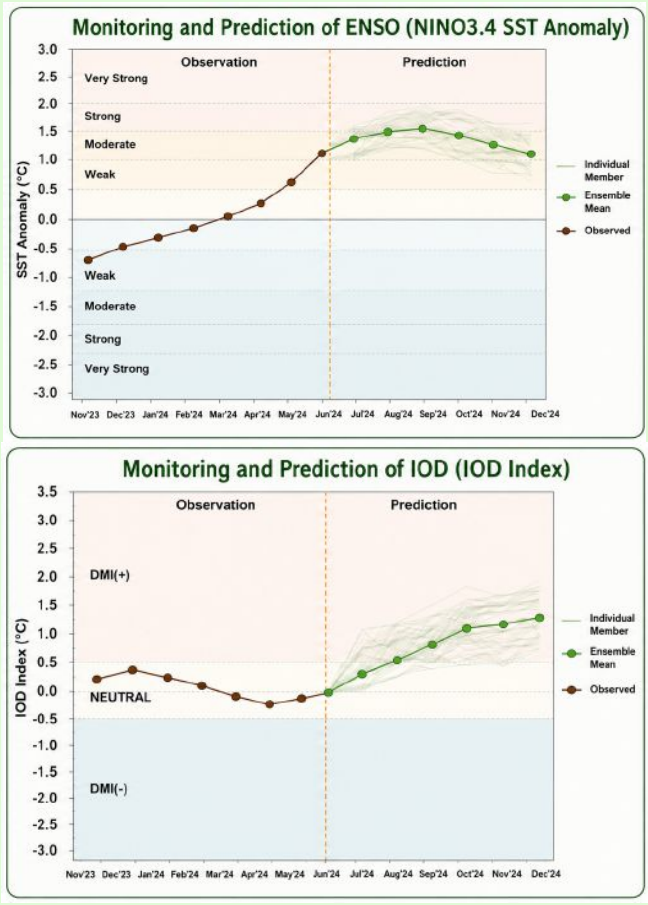

Figure 3. Monitoring and Forecasting of El Niño and the IOD in 2026

Source: Indonesian Agency for Meteorological, Climatological, and Geophysics (2026), reprocessed by IPOSS

The 2026 production projection model accounts for the physiological lag between climate events and actual production. Water deficits during a specific period are assumed to affect the generative phase of oil palm plants (from flower and fruit initiation to abortion) with a time lag before impacting harvest output. The baseline rainfall derived from historical averages is adjusted for current-year climate signals (El Niño and IOD), and its negative deviations are mapped to physiological phases via a lag function to become a correction factor for monthly production distributions.

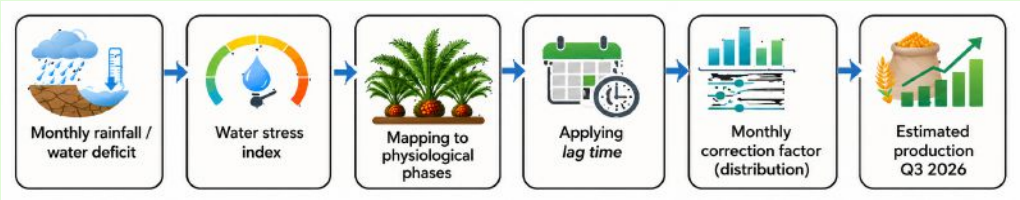

Figure 4. Workflow for Climate Prediction and Production Distribution Analysis

Simulation results indicate a contraction in production distribution in Q3 2026. CPO and CPKO production is forecast at approximately 11.1 million MTs, lower than in Q2 2026 (13.9 million MTs). The decline stems primarily from weaker output in July and September, while August remains relatively stable. The decline in production in Q3 reflects an intra-year redistribution due to climatic factors and physiological lags, rather than a reduction in production capacity. This decline in Q3 production coincides with an increase in domestic consumption (B50), which may result in a tightening of exports and stocks.

2.2 Consumption Outlook for Q3 2026

Indonesia's domestic palm oil consumption in Q3 2026 is forecast to increase compared to the same period over the past five years. Total domestic consumption in Q3 2026 is projected to reach 7.2 million MTs, up 12.9% from 6.3 million MTs in Q3 2025. This increase is the highest recorded over the past five years.

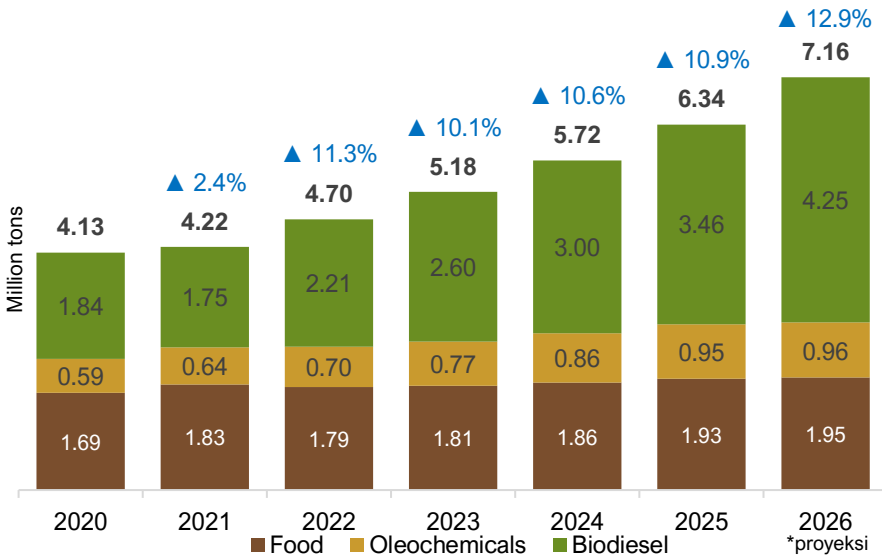

Figure 5. Indonesia's Domestic Palm Oil Consumption in Q3
Sources: Directorate General of Plantations (2025); Statistics Indonesia (2025a), reprocessed by IPOSS

Based on Figure 5, Indonesia's domestic palm oil consumption in Q3 shows a consistent upward trend, increasing from 4.1 million MTs in 2020 to 7.2 million MTs in 2026. This increase indicates that the domestic market is taking on an increasingly important role as an absorber of national palm oil production, particularly through the expansion of the mandatory biodiesel program.

When considered based on end-use sectors, palm oil consumption in the food and oleochemical sectors tends to increase gradually and remains relatively stable. Food consumption rose from 1.69 million MTs in Q3 2020 to 1.95 million MTs in Q3 2026. During the same period, oleochemical consumption also increased from 0.59 million MTs to 0.96 million MTs. The rise in both sectors reflects organic growth in domestic demand, driven by population growth, industrial activity, and demand for palm oil derivatives.

However, the most significant increase in domestic palm oil consumption comes from the biodiesel sector. In Q3 2020, palm oil consumption for biodiesel stood at 1.84 million MTs and is projected to rise to 4.25 million MTs by Q3 2026. Consequently,

biodiesel will become the largest component of the domestic palm oil consumption structure by Q3 2026. Of the total consumption of approximately 7.2 million MTs, the share used for biodiesel reached nearly 60%, far exceeding consumption for food and oleochemicals. Biodiesel's dominance in the domestic consumption structure began to emerge in 2023, alongside with the implementation of the B35 mandate.

This pattern indicates that the surge in domestic consumption in Q3 2026 was not primarily driven by increased consumption of food or oleochemicals, but rather by the mandatory biodiesel policy. The rise in biodiesel consumption from 3.46 million MTs in Q3 2025 to 4.25 million MTs in Q3 2026 was the primary factor driving the 12.9% growth in domestic consumption. This aligns with the implementation of the B50 mandate effective July 1, 2026, which directly increased the demand for CPO as a feedstock for biodiesel.

In the production process, CPO used as a raw material for biodiesel first undergoes a refining stage before being further processed through a transesterification reaction. At this stage, the triglycerides in CPO are reacted with methanol using a sodium methylate or sodium methoxide (CH_3ONa) catalyst to produce fatty acid methyl ester (FAME), which is known as biodiesel.

Historically, Indonesia's mandatory biodiesel policy began in 2009, although blending rates remained relatively low during the early stages of implementation. More significant changes began to emerge in 2015, as policy support and funding strengthened, and the mandate to blend biodiesel into diesel fuel was expanded. Over time, the biodiesel blending mandate has continued to increase, from B30 in 2020, to B35 in 2023 and 2024, and to B40 in 2025.

In Q3 2026, the government mandated the nationwide implementation of B50 through Minister of Energy and Mineral Resources (ESDM) Decree No. 257.K/EK.01/MEM. E/2026 dated June 17, 2026, regarding the Obligation to Blend 50 Percent Biodiesel with Diesel Fuel. The First Provision of the decree states that, to accelerate the implementation of the government's policy

on blending biodiesel with diesel fuel, a minimum implementation target of 50% (fifty percent) is set, applicable to all types of diesel fuel. Furthermore, the Tenth Provision stipulates that the decree takes effect on July 1, 2026.

Consequently, the implementation of B50 officially became the primary factor driving the surge in domestic palm oil consumption in Q3 2026. This policy strengthens the domestic market's role as an absorber of national palm oil production and has the potential to reduce dependence on export markets. However, on the other hand, the increased allocation of CPO for biodiesel also has the potential to tighten the availability of raw materials for export markets and other downstream industries, especially if production growth cannot keep pace with rising domestic demand.

2.3 Export Outlook for Q3 2026

Overall, national palm oil exports in Q3 2026 are projected to decline compared to previous years' figures. This decline is inseparable from the dynamics of the national supply-demand balance, particularly because while Q3 production experienced a correction, domestic consumption actually increased significantly in line with the implementation of the B50 program. Thus, the pressure on exports in Q3 2026 is more accurately understood as a consequence of increasingly limited supply capacity, rather than solely due to weakening global demand.

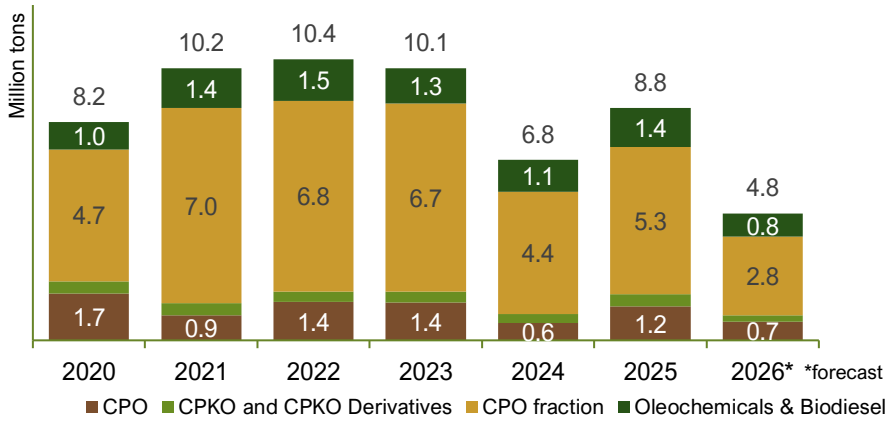

Figure 6. National Palm Oil Exports in Q3
Source: Statistics Indonesia (2026), reprocessed by IPOSS

Based on forecasts for national palm oil exports, total exports in Q3 2026 are projected to decline to approximately 4.3 million MTs, significantly lower than the approximately 8.3 million MTs recorded in Q3 2025. This decline is also below the historical Q3 figures from previous years, such as 9.7 million MTs in 2021, 10.1 million MTs in 2022, and 9.7 million MTs in 2023. This situation indicates that Q3 2026 exports are in a much tighter position compared to normal conditions.

A decline in exports is projected across nearly all palm oil product groups. CPO exports are estimated to fall to around 0.5 million MTs, lower than the 1.2 million MTs recorded in Q3 2025. Meanwhile, exports of CPO fractions or derivatives are projected to decline from approximately 5.3 million MTs in Q3 2025 to about 2.8 million MTs in Q3 2026. The decline in CPO derivatives is significant because these products constitute the largest component of the national palm oil export structure. Consequently, export pressures are not limited to CPO as the primary raw material but are also spreading to its derivatives.

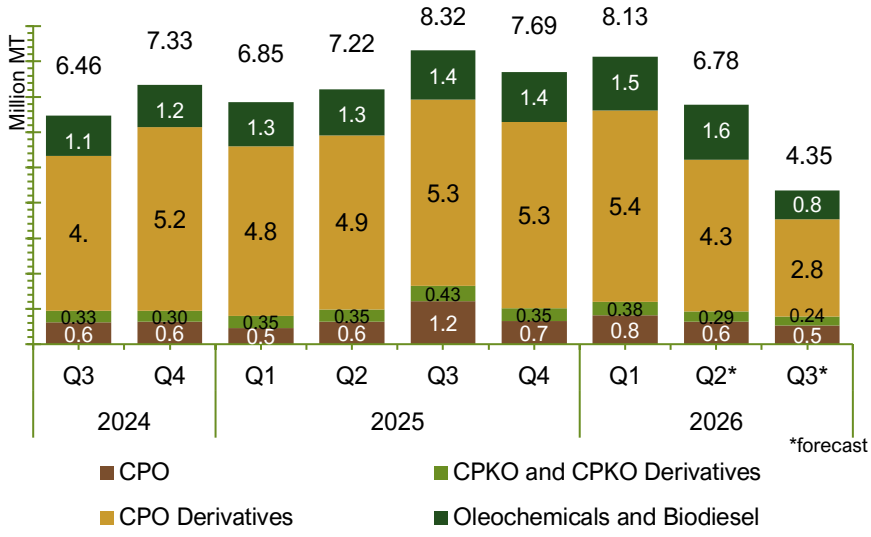

Figure 7. Quarterly Trends of National Palm Oil Exports, Q3 2024–Q3 2026
Source: Statistics Indonesia (2026), reprocessed by IPOSS

On a quarterly basis, the decline in exports in Q3 2026 also marks a continuation of the downward trend that began in early 2026. Total national palm oil exports in Q1 2026 remained at 8.13 million MTs, then fell to 6.78 million MT in Q2 2026, and declined further to 4.35 million MTs in Q3 2026. This pattern indicates that the export pressure in Q3 2026 was not an isolated event, but rather part of a gradual tightening of supply that has been occurring throughout the year.

This quarterly decline was particularly apparent in the CPO derivatives category, which has long been the largest component of national palm oil product exports. Exports of CPO derivatives fell from approximately 5.4 million MTs in Q1 2026 to 4.3 million MTs in Q2 2026, then declined further to 2.8 million MTs in Q3 2026. Since this category accounts for the largest share of total exports, its decline has had a significant impact on the overall weakening of exports.

In addition, exports of oleochemicals and biodiesel also declined in Q3 2026. After reaching approximately 1.6 million MTs in Q2

2026, exports in this category fell to about 0.8 million MTs in Q3 2026. This indicates that export pressures are not limited to CPO-based products and their derivatives but are also beginning to be felt in the downstream product group. Meanwhile, CPO exports remained at relatively low levels throughout 2026, standing at approximately 0.8 million MTs in Q1, falling to 0.6 million MTs in Q2, and further declining to 0.5 million MTs in Q3 2026.

These conditions indicate that the implementation of B50 has a direct impact on the availability of CPO for the export market. As domestic demand for biodiesel increases, a portion of the supply that could previously be allocated to foreign markets must be redirected to meet domestic needs. With Q3 production also lower than the previous year, export capacity becomes increasingly limited. Therefore, exports serve as an adjustment variable in the national palm oil balance.

In addition to domestic absorption, prioritizing the fulfillment of domestic needs is also a key factor, particularly to meet the B50 mandate that takes effect on July 1, 2026. Under tighter production supply conditions, allocations for biodiesel and food, particularly cooking oil, tend to take priority. Consequently, even though demand from global markets remains available, export volumes may be constrained because the supply of products available for shipment abroad becomes more limited.

On the price front, tightening supply has the potential to keep CPO prices relatively high. However, high prices do not always drive an increase in export volumes. If CPO prices become significantly higher than those of other vegetable oils, global buyers may postpone purchases, reduce contracts, or shift part of their demand to substitute vegetable oils such as soybean oil, sunflower oil, and rapeseed oil. Thus, exports in Q3 2026 could face dual pressures: domestic supply constraints and the sensitivity of global demand to price.

Overall, the Q3 2026 export outlook indicates that national palm oil exports are entering an increasingly challenging phase. The decline in exports not only reflects foreign trade dynamics but is

also a consequence of shifts in the balance between production, domestic consumption, and the priority given to meeting domestic needs. With Q3 production adjusted downward and domestic consumption rising due to the B50 mandate, the scope for exports is narrowing further; consequently, total national palm oil exports in Q3 2026 are projected to decline significantly compared to the previous year.

2.4 Stock Outlook for Q3 2026

National palm oil ending stocks reflect the inventory position after accounting for beginning stocks, production, imports, domestic consumption, and exports. Presented on a quarterly basis, this indicator shows the degree of surplus or tightness in the national supply balance.

Stock calculations use the raw material balance model: ending stock = beginning stock + production + imports – domestic consumption – exports. With this approach, changes in stock reflect the interaction between the supply and demand sides.

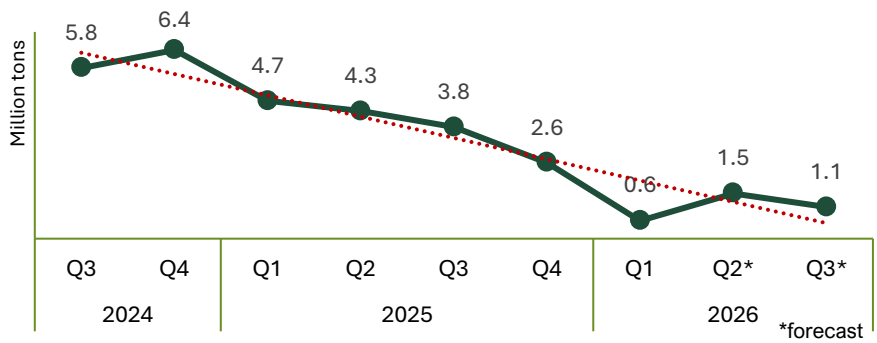

Figure 8. Estimated Palm Oil Stocks
Source: IPOSS (2026a)

As shown in Figure 8, national stocks fell sharply in 2025 from 6.4 million MTs in Q4 2024 to 4.7 million MTs in Q1, then to 4.3 million MTs in Q2, 3.8 million MTs in Q3, and 2.6 million MTs in Q4. Stocks

hit the lowest point at 0.6 million MTs in Q1 2026. This low stock level was also influenced by revised export data that was higher than previous estimates.

In Q2 2026, stocks temporarily rose to around 1.5 million MTs due to increased production following disruptions in Sumatra. However, in Q3 2026, stocks fell again to around 1.1 million MTs as production normalized and domestic consumption increased, primarily due to the implementation of B50. Although higher than in Q1 2026, the Q3 2026 stock level remains lower than during the 2024–2025 period, indicating a tight supply balance. Under these conditions, a decline in exports is a logical consequence and serves as an adjustment mechanism to maintain domestic supply and prevent further stock depletion.

From a global market perspective, Indonesia's low stock levels have the potential to reinforce bullish sentiment toward CPO prices. This is because Indonesia is one of the world's leading palm oil suppliers; consequently, a reduction in export availability from Indonesia could tighten supply in the international market. However, this situation must also be interpreted with caution, as excessively high prices could prompt global buyers to postpone purchases or shift part of their demand to alternative vegetable oils.

Thus, the Q3 2026 stock outlook indicates that the national supply position remains constrained. Although ending stocks briefly strengthened in Q2 2026 due to increased production following the recovery, stock levels in Q3 2026 came under pressure again and remain historically low. Therefore, managing the allocation between domestic needs, exports, and stock buildup is becoming increasingly important to maintain supply stability and reduce the risk of price shocks in the coming period.

CHAPTER 3. CPO PRICE OUTLOOK FOR Q3 2026

The Q3 2026 CPO price outlook was prepared to assess the direction of global and domestic CPO price movements from July through September 2026. As a commodity, CPO prices are not determined independently, but are linked to value chains that operate simultaneously in both global and local markets. This interdependence has existed for decades, since the formation of modern commodity markets in Europe more than a century ago, where prices are determined through the interaction of market participants, supply conditions, demand, and expectations regarding the future.

Price forecasts are conducted using the ARIMAX approach, or Autoregressive Integrated Moving Average with Exogenous Variables. This model is used because CPO price movements are influenced not only by historical price patterns but also by external variables reflecting market dynamics, supply, demand, and policy.

In the ARIMAX approach, the autoregressive component captures the influence of previous-period prices on current prices, while exogenous variables capture the influence of factors beyond historical prices. Thus, this model allows CPO price projections to not only follow past trend patterns but also account for fundamental changes occurring in both the global and domestic CPO markets.

In general, the Q3 2026 CPO price outlook should be viewed as a continuation of the increasingly tight national palm oil supply-demand balance. Q3 production has corrected downward, domestic consumption has increased due to the implementation of B50, exports have become an adjustment variable, and ending stocks remain at historically low levels. The combination of these factors is creating upward pressure on prices in both the global and domestic markets.

3.1 Global CPO Prices

The global CPO price forecast in this analysis refers to the CPO CIF North West Europe (CIF NW Europe) price as one of the main benchmarks for international trade. This price reflects the value of CPO, which includes shipping and insurance costs to the port of destination in the North West Europe region, and is therefore often used as a global price indicator in the palm oil trade.

The forecast for global CPO prices was developed using an ARIMAX model, taking into account several key variables: the previous month's global CPO price, the CPO reference price on the Bursa Malaysia Derivatives (BMD), soybean oil prices, ending stock CPO in Indonesia and Malaysia, and total palm oil product exports. These variables were selected because they represent historical price factors, global market benchmarks, substitute vegetable oils, supply availability, and the strength of export demand.

The previous month's global CPO price is used to capture price movement patterns from the prior period. This is important because commodity prices generally tend to follow historical trends in the short term. Meanwhile, the CPO price on the BMD is used as a market direction indicator because it reflects the expectations of market participants in Malaysia and Asia regarding demand conditions, supply, and regional policy sentiment. Soybean oil prices are included as a benchmark variable because it is one of the primary vegetable oil substitutes for CPO in the global market.

On the supply side, ending stocks CPO in Indonesia and Malaysia are used to reflect the level of palm oil availability in these two major producing countries.

The lower the available stock, the greater the potential for upward price pressure. This is because Indonesia and Malaysia account for more than 80% of global palm oil production. Meanwhile, total palm oil product exports are used to capture global demand strength. If exports increase, this may indicate strong foreign demand.

Conversely, if exports decline due to supply constraints, the global market may respond with rising prices.

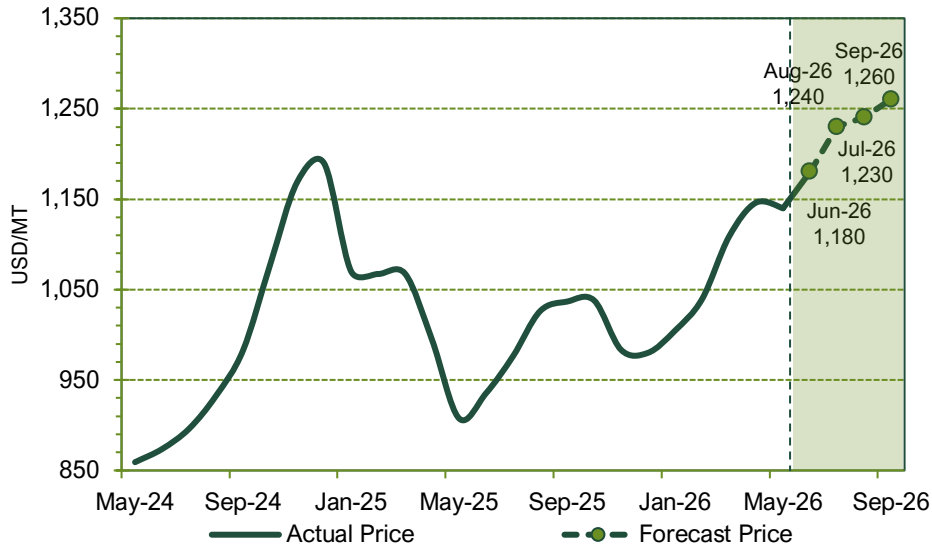

Figure 9. Actual and Forecast Global CPO Prices (CIF NW Europe)
Source: World Bank (2026), reprocessed by IPOSS

Based on the forecast results, global CPO prices in Q3 2026 are expected to rise gradually. After reaching an actual level of approximately USD 1,180/MT in June 2026, global CPO prices are projected to rise to USD 1,230/MT in July 2026, USD 1,240/MT in August 2026, and USD 1,260/MT in September 2026. This increase indicates a trend toward rising prices during Q3 2026.

The upward trend in global CPO prices is primarily driven by fundamental factors on both the supply and demand sides. The implementation of B50 in Indonesia has increased domestic demand for CPO for biodiesel. As domestic CPO consumption rises, the supply available for the global market becomes more limited. At the same time, national ending stocks remain at low levels, narrowing the capacity to meet additional global demand.

With demand remaining strong and limited export supply, global CPO prices are likely to increase. However, the scope for price increases remains influenced by CPO's competitiveness relative to other vegetable oils. If CPO prices rise too high compared to soybean oil, sunflower oil, or rapeseed oil, some global buyers may

postpone purchases or switch to substitutes. Consequently, global CPO prices in Q3 2026 are projected to strengthen but will remain sensitive to price spreads among vegetable oils.

3.2 Domestic CPO Price

As global CPO prices show an upward trend, domestic CPO price movements must be analyzed in accordance with domestic market conditions. Domestic CPO prices are influenced not only by international price signals but also by the balance between supply availability, domestic demand, exports, and policies affecting trade incentives.

The domestic CPO price forecast is compiled using an ARIMAX model that incorporates the previous month's domestic CPO price, BMD prices, CIF Rotterdam prices, total local consumption, total exports, total production, ending stocks, the export levy, export duty, the CPO reference price, and a dummy variable for export institutions. These variables are used to capture the interactions between historical prices, global market benchmarks, domestic supply conditions, domestic demand, exports, and policy factors.

The previous month's domestic CPO price is used to capture short-term price movement patterns. BMD and CIF Rotterdam prices are used as external benchmarks reflecting global market trends. On the domestic front, total local consumption indicates CPO demand for food, oleochemicals, and biodiesel. Total exports reflect the absorption of CPO and its derivatives in foreign markets, while total production and ending stocks illustrate the availability of domestic supply.

This model also incorporates policy factors, including the Export Levy, Export Duty, CPO Reference Price, and the State-Owned Export Enterprise (PT Danantara Sumberdaya Indonesia, PT DSI) dummy variable. The Export Levy and Export Duty reflect export costs that may affect business operators' incentives to sell overseas. The CPO Reference Price is used as a benchmark for export policy, while the PT DSI's dummy variable is used to capture potential changes in transaction patterns following the

implementation of natural resource export supervision by PT DSI, which began in June 2026.

Based on the forecast results (Figure 9), the domestic CPO price in Q3 2026 is projected to rise at the beginning of the quarter and then correct slightly by the end of the quarter. After reaching an actual level of approximately Rp15,198/kg in June 2026, the domestic CPO price is projected to rise to Rp15,548/kg in July 2026 and Rp15,590/kg in August 2026. However, in September 2026, the price is expected to correct to Rp15,202/kg.

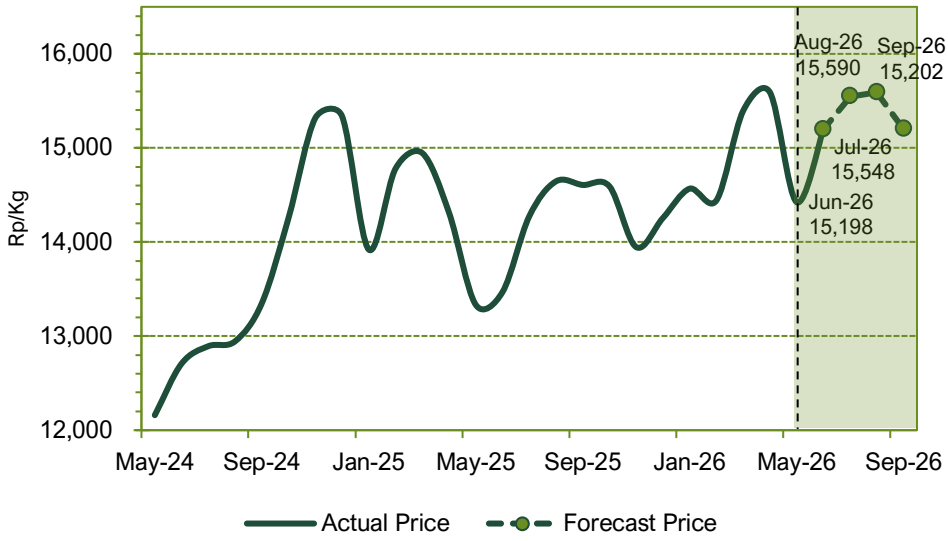

Figure 10. Actual and Forecast Domestic CPO Prices
Source: Indonesian Palm Oil Association (IPOA) (2026b), reprocessed by IPOSS

The correction in domestic CPO prices that occurred this September was primarily influenced by rising export costs due to increases in the Export Levy and Export Duty, which put downward pressure on the netback price (the price received) by exporters, thereby reducing export incentives and potentially causing some supply to remain in the domestic market. These conditions have put pressure on domestic prices even though the CPO reference price is at a higher level.

The projected total amounts of the Export Levy and Export Duty for Q3 are detailed in Chapter 4. In principle, the CPO reference price has risen due to the impact of rising global prices, which led to increases in the rates of the Export Levy and Export Duty, resulting in a lower netback price for domestic CPO. As a result, export incentives for CPO have diminished, and this situation may limit the rise in domestic CPO prices to a certain point.

Sumber: WWF.id

CHAPTER 4. OUTLOOK FOR PALM OIL EXPORT LEVIES AND EXPORT DUTIES Q3 2026

The third quarter of 2026 presents the Indonesian palm oil industry with an increasingly complex situation. On the one hand, the full implementation of the B50 biodiesel mandate starting July 1, 2026, will boost domestic CPO absorption to a greater extent than during the previous mandate period. On the other hand, Q3 2026 production is expected to decline due to dry conditions associated with the El Niño phenomenon and a positive IOD. The combination of these two factors will tighten the national palm oil feedstock balance.

Under these conditions, exports act as an adjustment variable to ensure domestic needs are met and ending stocks do not decline too sharply. Declining export volumes, low stock levels, and rising domestic consumption subsequently create upward pressure on CPO prices. This price pressure is not only evident in global and domestic CPO prices but will also be reflected in the CPO Reference Price, which serves as the basis for levying the Export Levy and Export Duty.

4.1 Reference Prices as the Basis for Determining the Export Levy and Export Duty

The CPO Reference Price has an important role in palm oil export policy because it becomes the basis for setting the Export Levy and Export Duty. The Export Levy is imposed based on the service fee rates of the Public Service Agency that manages palm oil plantation funds, while the Export Duty is imposed based on a progressive tariff structure that follows the level of the CPO Reference Price.

Under current policy, the CPO Export Levy for this period is governed by Minister of Finance Regulation (PMK) No. 9/2026, which sets the export levy at 12.5 percent of the Reference Price. Meanwhile, the CPO Export Duty is governed by Minister of

Finance Regulation (PMK) No. 68/2025, which regulates the classification of Export Duty tariff lines based on Reference Price ranges. Consequently, developing a Reference Price outlook is important because it directly determines the estimated burden of export levies and duties that will be imposed on the industry.

Developing a Reference Price outlook is also necessary to assess the policy implications for the market. When the Reference Price rises, Export Levy and Export Duty rates may also increase. This situation can boost government revenue and palm oil funds, but at the same time, it increases the export burden and puts downward pressure on exporters' netback price. Therefore, the Reference Price outlook is not only administrative but also strategic, as it influences export incentives, supply allocation, and domestic price dynamics.

4.2 Approach to Forecasting the Reference Price of CPO

The CPO Reference Price is determined by taking into account price movements in three main benchmarks: the Bursa Malaysia Derivatives (BMD), the Indonesia Commodity and Derivatives Exchange (ICDX), and Rotterdam. However, these three benchmarks do not play equal roles. In global palm oil trading, the BMD serves as the primary price driver, while the ICDX and Rotterdam tend to follow as price takers.

Based on this, Reference Price forecasting is conducted in stages and follows the RP calculation formula established in Decree of the Minister of Trade of the Republic of Indonesia No. 1414 of 2026.

First, the BMD price is modeled as the primary reference price. Second, the BMD projection results are used to derive price projections for Indonesia and Rotterdam. Third, these three reference prices are used to compile the CPO Reference Price projection. This approach is used so that Reference Price forecasting not only follows historical patterns but also takes into account the price formation mechanisms occurring in the global palm oil market.

In this analysis, BMD prices are projected using the Error Correction Model (ECM) framework. This model is used because CPO prices not only respond to short-term changes but also have a long-term equilibrium relationship with fundamental variables. The two main variables driving BMD prices are Malaysian CPO and CPKO stocks, as well as Indonesian domestic consumption. Malaysian stocks reflect the level of regional supply tightness, while Indonesia's domestic consumption captures the impact of increased CPO absorption resulting from the implementation of B50.

Conceptually, when Malaysian stocks decline, BMD prices tend to rise as the market anticipates tighter supply conditions. Conversely, when Indonesia's domestic consumption rises due to the B50 policy, the supply available for export and regional markets becomes more limited, which also drives up BMD prices. Thus, price pressures in Q3 2026 will stem not only from global markets but also from Indonesia's domestic policies that affect the regional supply-demand balance.

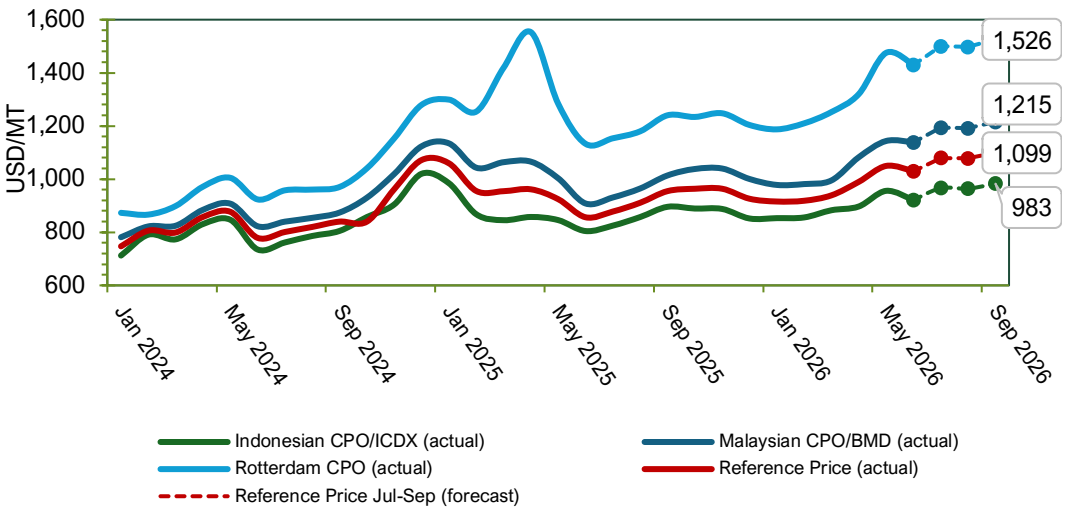

Figure 11. Forecasting Prices on Three Exchanges and Reference Prices for Q3 2026
Source: Indonesia Palm Oil Association (IPOA) (2026b), reprocessed by IPOSS

Based on the results of the fourth forecast for the prices listed above, the HR CPO price in Q3 2026 is projected to be USD 1,079.84/MT in July 2026, falling slightly to USD 1,077.96/MT in August 2026, then rise to USD 1,099.09/MT in September 2026, at which point the CPO Reference Price will be at a relatively high level. These movements indicate that price pressures remain strong and will influence the setting of high rates for the Export Levy and Export Duty.

4.3 Outlook for Export Levy in Q3 2026

The CPO Export Levy is calculated based on a specific percentage of the Reference Price. In accordance with PMK No. 9 of 2026, the Export Levy for this period is calculated at 12.5 percent of the Reference Price. Therefore, changes in the Reference Price directly affect the amount of the Export Levy imposed on exporters.

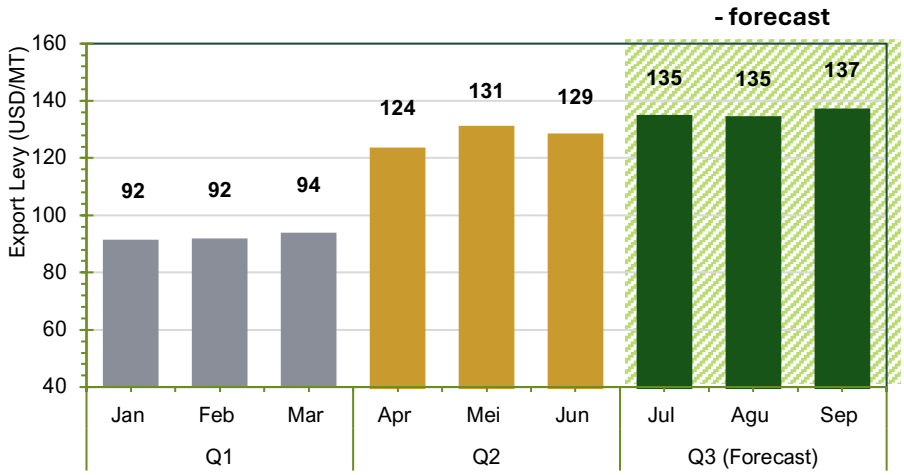

Figure 12. CPO Export Levy Q1–Q3 2026
Source: Ministry of Finance Regulation No. 9/2026 (2026), reprocessed by IPOSS

Based on Reference Price forecasts, the CPO export levy in Q3 2026 is expected to range from USD 134 to 137 per MT. In July 2026, the export levy is projected to be USD 134.98 per MT. In

August 2026, the levy will decrease slightly to USD 134.74/MT, following a slight decline in the Reference Price. Furthermore, in September 2026, the Export Levy will increase to USD 137.39/MT in line with the rise in the Reference Price that month.

Strategically, an increase in the Export Levy has two sides. On the one hand, an increase in the levy can boost potential palm oil revenue that can be used to support strategic programs, including biodiesel. On the other hand, a higher levy also increases the cost of exports and reduces the net price received by exporters. In a situation of tight domestic supply, an increase in the levy may reinforce the tendency for a portion of the supply to be retained in the domestic market.

4.4 Outlook for Export Duty in Q3 2026

The CPO export duty is imposed based on a progressive tariff structure that follows the Reference Price level. According to Minister of Finance Regulation No. 68 of 2025, the higher the CPO Reference Price, the higher the applicable export duty tariff rate. Therefore, the projected Reference Price for Q3 2026 is used as the basis for estimating the export duty tariff rate that will be imposed on the industry.

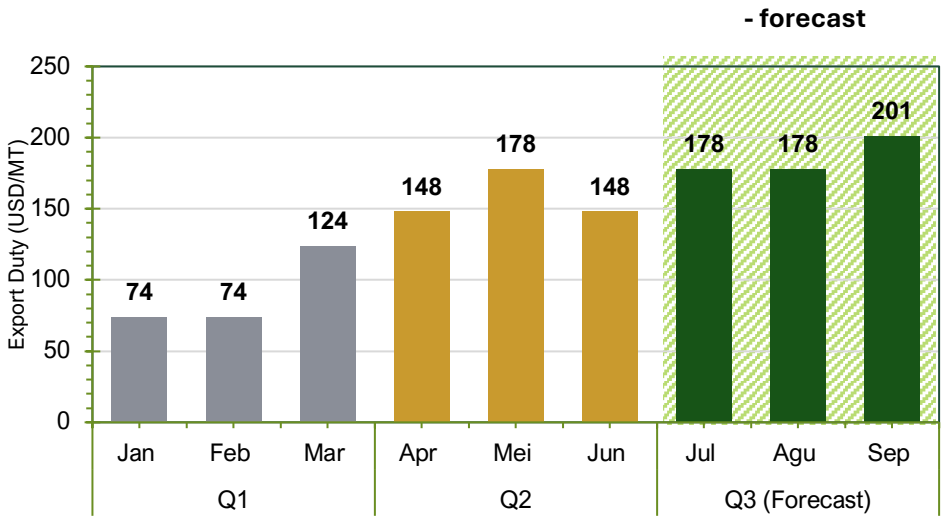

Figure 13. Export Duty Q1–Q3 of 2026
Source: Ministry of Finance Regulation No. 68/2025 (2025), reprocessed by IPOSS

Based on CPO Reference Price forecasts, the CPO export duty in Q3 2026 is expected to increase toward the end of the quarter. In July and August 2026, the Reference Prices are projected to be around USD 1,080/MT and USD 1,078/MT, respectively, which still qualify for Tariff Line IX which ranging from over USD 1,030/MT to USD 1,080/MT. Given this situation, the CPO export duty for July and August 2026 is forecast to be USD 178/MT.

In September 2026, the CPO Reference Price is projected to rise to approximately USD 1,099.09/MT. This level has exceeded the upper limit of Tariff Category IX and falls under Tariff Line X, which covers the range from over USD 1,080/MT to USD 1,130/MT. With this shift, the CPO export duty is estimated to rise to USD 201/MT, an increase of approximately USD 23/MT compared to July and August. The shift from Tariff Line IX to Tariff Line X indicates that the increase in the Reference Price in September directly impacts the rise in the export duty burden paid by exporters.

Note that the mechanism for determining export duty tariff lines uses tiered interval thresholds. A Reference Price of USD 1,030/MT

still falls under Tariff Category VIII because it lies within the range of more than USD 980/MT up to USD 1,030/MT, while a Reference Price of USD 1,080/MT still falls under Tariff Category IX because it lies within the range of more than USD 1,030/MT up to USD 1,080/MT. Thus, a shift to a new tariff rate occurs when the Reference Price exceeds the upper limit of a tariff heading, as will happen in September 2026 when the Reference Price rises to approximately USD 1,099.09/MT.

4.5 Integration of Export Levy and Export Duty Forecasts for Q3 2026

A summary of projections for the Reference Price, Export Levy, and Export Duty on CPO for Q3 2026 indicates that the export cost burden remained at a relatively high level throughout the quarter. In July 2026, the Reference Price is projected at USD 1,079.84/MT, with an Export Levy of USD 134.98/MT and an Export Duty of USD 178/MT, bringing the total export burden to USD 312.98/MT. In August 2026, the Reference Price is expected to decline slightly to USD 1,077.96/MT, with an Export Levy of USD 134.74/MT and the Export Duty remaining at USD 178/MT, bringing the total export cost to USD 312.74/MT.

In September 2026, the Reference Price is projected to rise to USD 1,099.09 per MT. This increase will cause the export levy to rise to USD 137.39/MT and the export duty to shift to Tariff Line X at USD 201/MT. Consequently, the total export cost in September 2026 is estimated to reach USD 338.39/MT.

Table 1. Total CPO Export Levy and Export Duty Forecast for Q3 2026 (USD/MT)

Period	Reference Price Forecast	Export Levy	Export Duty	Total Export Levy + Export Duty
July 2026	1,079.84	134.98	Pos IX: 178	312.98
August 2026	1,077.96	134.74	Pos IX: 178	312.74
September 2026	1,099.09	137.39	Pos X: 201	338.39

Source: Forecast by IPOSS (2026b)

Overall, these forecasts indicate that CPO export volumes in Q3 2026 are expected to increase, particularly in September 2026. This increase is due to a combination of a rise in the Reference Price and a shift in the export duty tariff classification. For the industry, this means that higher CPO prices will not fully be reflected in the net prices received by exporters, as part of the export value is absorbed by the Export Levy and Export Duty.

From a strategic perspective, the outlook for the Export Levy and Export Duty in Q3 2026 indicates that export policies will take a crucial role in regulating market balance. Increases in the Export Levy and Export Duty can boost revenue and support the financing of palm oil programs, but they can also reduce export incentives and encourage some supply to remain in the domestic market. Amid the implementation of B50 and relatively low stock levels, this situation can help maintain domestic supply, but it must also be managed to avoid placing excessive pressure on exporters' liquidity and the competitiveness of Indonesia's palm oil exports.

4.6 The Impact of Export Levy and Export Duty on Prices and Market Behavior

If the Export Levy and Export Duty are converted using an exchange rate assumption of Rp17,800/USD, the amount of the CPO Export Levy and Export Duty in Q3 2026 appears to be quite significant. In July 2026, the total CPO Export Levy and Export Duty are estimated at USD 312.98/MT, or the equivalent of approximately Rp5.57 million/MT. In August 2026, the total burden remains relatively unchanged at USD 312.74 per MT, or approximately Rp5.57 million per MT. However, in September 2026, the total burden increases to USD 338.39 per MT, equivalent to approximately Rp6.02 million per MT.

To provide a clearer picture, below is a summary of the conversion of the Export Levy and Export Duty charges into Indonesian Rupiah per kilogram of CPO.

Table 2. Summary of CPO Export Levy and Export Duty in Indonesian Rupiah (Q3 2026)

Month	Total Export Levy + Export Duty CPO		
	USD/ton	Rp/ton	Rp/kg
July 2026	312.98	5,571,044	5,571
August 2026	312.74	5,566,772	5,567
September 2026	338.39	6,023,342	6,023

Source: Forecast by IPOSS (2026b)

When calculated per kilogram, the combined burden of the CPO export levy and export duty will reach approximately Rp5,571/kg in July, Rp5,567/kg in August, and rise to approximately Rp6,023/kg in September 2026. These numbers show that the burden of export levies and duties has a significant impact on the net price received by exporters. With the domestic CPO price projected to be in the range of Rp15,200–15,600/kg, the total burden of the Export Levy and Export Duty is equivalent to more than one-third of the domestic CPO price. The increase in these charges in September was primarily driven by the reclassification of the export duty from Tariff Line IX to Tariff Line X, following the rise in the CPO Reference Price, which exceeded the USD 1,080/MT threshold. This shift increased the CPO export duty from USD 178/MT to USD 201/MT, or from approximately Rp3,168/kg to Rp3,578/kg. Thus, although the increase in the Reference Price appears relatively limited, its impact on export costs is significant because the export duty tariff structure is tiered.

If these Export Levy and Export Duty costs are converted to a fresh fruit bunch (FFB) basis, assuming a CPO yield of 20%, the total export cost burden is equivalent to approximately Rp1,114/kg of FFB in July 2026, Rp1,113/kg of FFB in August 2026, and increases to approximately Rp1,205/kg of FFB in September 2026. This conversion demonstrates that although the Export Levy and Export Duty are imposed on CPO products, their economic impact can be traced back to the FFB raw material level through price-setting mechanisms. Thus, an increase in export costs not only

affects exporters' netback price but also has the potential to influence price margins throughout the supply chain, including the purchase price of FFB.

This situation emphasizes the importance of viewing the Export Levy and Export Duty not only as fiscal instruments but also as factors influencing market behavior. When export costs exceed Rp5,500–6,000/kg, export incentives may decline as exporters' netback price becomes lower. In a tight domestic supply situation, it may be more attractive for some suppliers to keep their supply in the domestic market, especially if demand for CPO for biodiesel and food remains high. Thus, an increase in the Export Levy and Export Duty in Q3 2026 has the potential to strengthen the role of exports as an adjustment variable in maintaining the balance of the national palm oil trade.

CHAPTER 5. POLICY EVALUATION OF THE COOKING OIL DMO

The discourse on increasing the Maximum Retail Price (Harga Eceran Tertinggi, HET) of MinyaKita in early June 2026 briefly signaled that the governance of the Domestic Market Obligation (DMO) for cooking oil for the general public was once again entering a phase of adjustment (Ni'am & Djumena, 2026). MinyaKita is a government branded packaged cooking oil product supplied through the cooking oil DMO scheme, rather than through a direct subsidy mechanism. However, the plan was not pursued because CPO prices were still considered unstable. At the same time, the President instructed that the management of MinyaKita be fully handled by state-owned enterprises moving forward (CNN Indonesia, 2026). This measure aims to keep prices under control while improving the distribution management of MinyaKita, which continues to face challenges on the ground. These two developments indicate that the DMO policy for cooking oil for the public remains under ongoing evaluation in response to fluctuations in raw material prices and distribution issues.

The decision to maintain the HET amid fluctuating CPO prices reflects the main dilemma in evaluating the cooking oil DMO policy: the trade-off between consumers and producers. From the consumers' perspective, raising the MinyaKita HET risks driving up food prices and eroding purchasing power, particularly for low-income households and MSMEs that use cooking oil as a primary input. Meanwhile, from the producers' perspective, keeping the HET unchanged for too long also puts pressure on production costs because the set selling price is lower than the price of raw materials. Therefore, if the HET is raised, the burden may shift to consumers. Conversely, if the HET is not raised, the pressure remains on the producer side. This is where the cooking oil DMO policy needs to be evaluated: DMO compliance must ensure a proportional distribution of the burden among the actors involved in the public cooking oil supply chain.

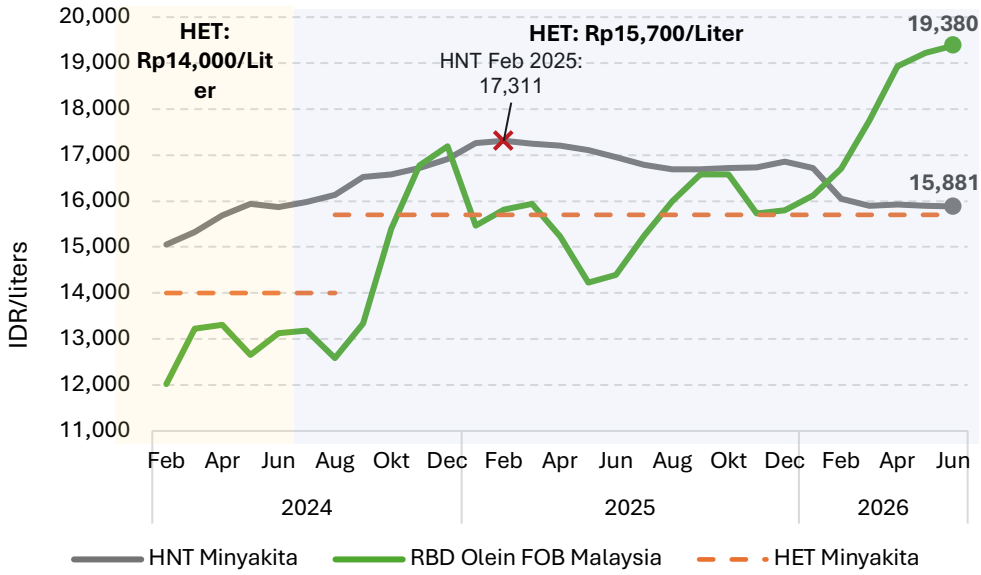

Figure 14. Trends in MinyaKita HNT and FOB Malaysia RBD Olein Prices to MinyaKita's HET
Sources: Indonesian Palm Oil Association (IPOA) (2026b); Ministry of Trade (2026a), reprocessed by IPOSS

From the consumer's perspective, MinyaKita's National Weighted Price (Harga Nasional Tertimbang, HNT) data shows that actual market prices remain above the HET, both under the Rp14,000/liter HET regime and after the HET was raised to Rp15,700/liter. The difference between the HNT and the HET indicates that retail prices in the market still exceed the official price cap set by the government. This situation is partly due to disruptions in stock availability and weak distribution oversight, causing consumers to purchase at prices above the HET due to shortages. Furthermore, a comparison of MinyaKita's HNT with the FOB Malaysia RBD Olein, which is used as an international cooking oil price benchmark, also indicates that domestic consumers do not always receive the benefits of international price declines. When the price of RBD Olein FOB Malaysia falls below the domestic price of MinyaKita, domestic prices do not necessarily follow suit. In other words, setting a flat HET can protect consumers when international prices

rise, but it can also prevent consumers from reaping the full benefits when international prices fall.

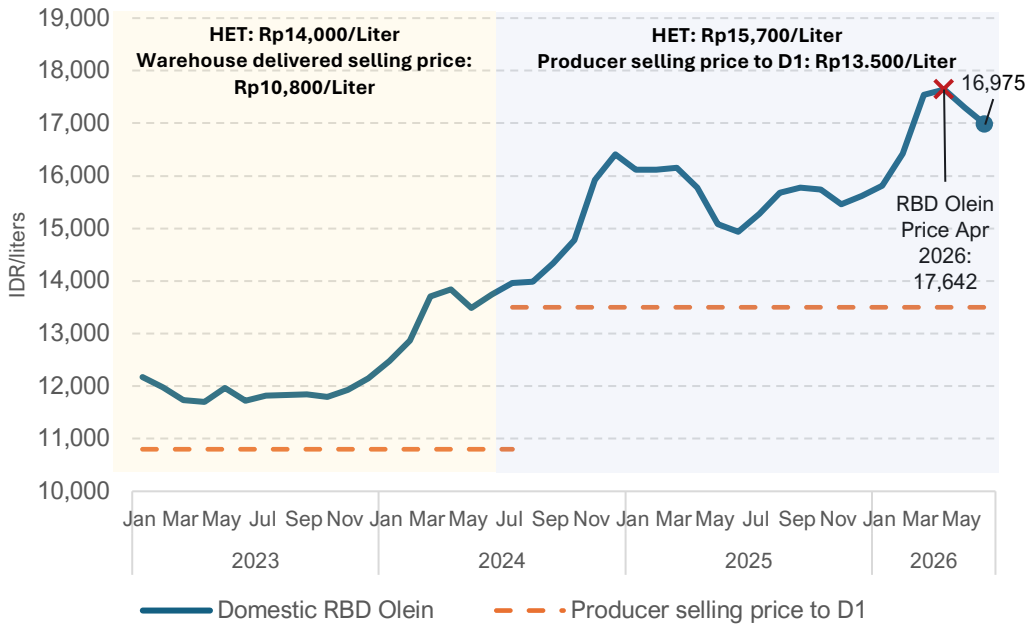

Figure 15. Changes in the Price of Domestic RBD Olein to MinyaKita's Selling Price to D1
Source: Indonesian Palm Oil Association (IPOA) (2026b), reprocessed by IPOSS

From the producers' perspective, the pressure is apparent when comparing the price of domestic RBD Olein with MinyaKita's initial selling price to DMO distribution channels. Under the old system, the price used was Rp10,800/liter franco distributor's warehouse, whereas since the implementation of the HETs at Rp15,700/liter, the producer price to D1/BULOG/BUMN Pangan has been set at Rp13,500/liter. The graph shows that the domestic RBD Olein price has consistently remained above that selling price. This means that, operationally, producers face losses in fulfilling their DMO obligations. The increase in the selling price from Rp10,800/liter to Rp13,500/liter has indeed improved the pricing margin, but it has not been sufficient to offset the rise in raw material costs. In 2026, the gap between raw material costs and the selling price is expected to widen further as domestic RBD Olein prices rise,

thereby increasing production cost pressures. However, this negative margin should be understood as a loss specific to DMO cooking oil, not a final loss, as it does not yet account for the margin from export rights incentives received.

Entering Q3 2026, meeting the DMO volume for cooking oil faces challenges due to the implementation of B50, which diverts CPO export allocations to meet domestic energy needs. If palm oil exports weaken, businesses' demand for export rights may also decline. Under these conditions, meeting the DMO quota, which provides the basis for obtaining export rights, becomes less attractive to producers, so the incentive to increase MinyaKita supply could potentially weaken as well. Nevertheless, the risk to MinyaKita supply cannot be explained solely by a potential decline in DMO volume. A more fundamental issue remains in the oversight of governance and distribution. Although part of the DMO fulfillment is channeled through BULOG and/or state-owned food enterprises (BUMN Pangan) as D1, the distribution channels for Minyak Goreng Rakyat still involve numerous channels and transaction points. When oversight is uneven, a supply that appears sufficient on paper may not necessarily reach local markets at prices in line with the HET. To better understand the mechanism for fulfilling the DMO for cooking oil, Figure 16 summarizes the flow of DMO fulfillment and distribution for cooking oil, as well as its relationship to export rights.

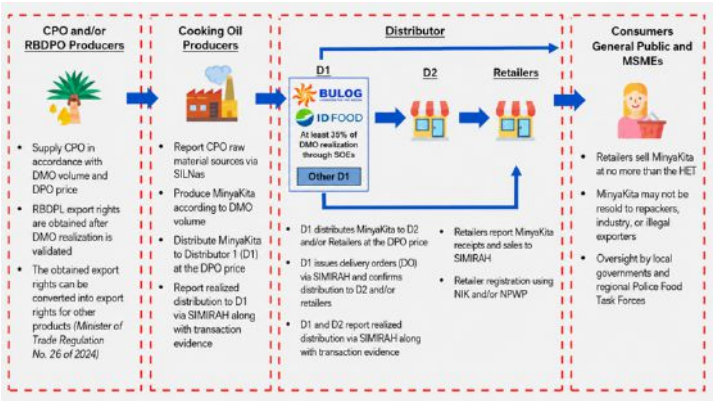

Figure 16. Flow of Fulfillment and Distribution for DMO Cooking Oil Obligations
Source: Ministry of Industry (2025), reprocessed by IPOSS

Thus, the evaluation of the cooking oil DMO policy needs to focus on a comprehensive improvement of the policy design. Maintaining the HET at Rp15,700 per liter does not automatically resolve the issue of actual market prices, which remain above the HET, and producers continue to face pressure from raw material costs. Therefore, reforms to the DMO must include an evaluation of selling prices, the distribution chain structure, and market oversight all the way down to the end consumer. In this context, the plan to have MinyaKita managed entirely by state-owned enterprises (SOEs) could be a step toward simplifying distribution channels, thereby making it easier to monitor stock levels and prices. However, its effectiveness still depends on the logistical readiness of the SOEs, an accurate data system, and monitoring down to the retailer level to ensure that shifting distribution channels does not merely transfer control without resolving the issues of price and availability of MinyaKita. In addition, the DMO also needs to be implemented more adaptively, for example, by tightening it when CPO prices spike or domestic supply is at risk of disruption, but relaxing it when prices return to normal and stocks are sufficient so as not to place a prolonged burden on the industry.

CHAPTER 6. OUTLOOK FOR SMALLHOLDER OIL PALM PRODUCTIVITY

6.1. Intensification of the Program to Increase Smallholder Palm Oil Production

The Statistics Indonesia reports that the current national oil palm plantation area is approximately 16.8 million hectares. Since the issuance of the moratorium on land expansion through Presidential Instruction No. 8 of 2018, increases in national oil palm production can no longer rely on significant expansion of the plantation area. Consequently, future strategies to boost production must focus on intensification, particularly through increased crop productivity.

However, national oil palm productivity, particularly on smallholder plantations, remains stagnant. The current productivity of smallholder oil palm farmers is estimated at around 3.3 MTs of CPO per hectare, far below the optimal potential, which, according to the government and various research institutions, could reach approximately 7–8 MTs of CPO per hectare if high-yielding seeds, good plantation management, and suitable land conditions are utilized (Directorate General of Plantations, 2025; IPOSS, 2025).

This means that among existing plantations, smallholder plantations are the most important. Currently, smallholder plantations account for about 42% of the total national oil palm land area, but the majority still have low production levels, averaging around 12 MTs of fresh fruit bunches (FFB)/ha/year. This low productivity is largely due to poorly maintained plants, the use of non-high-yielding seeds, and limited application of good agricultural practices. In fact, with the use of high-yielding seeds on suitable land, productivity can increase to 28–30 MTs of fresh fruit bunches (FFB)/ha, or the equivalent of approximately 6.72–7.2 MTs of crude oil palm (CPO)/ha on average over one production cycle.

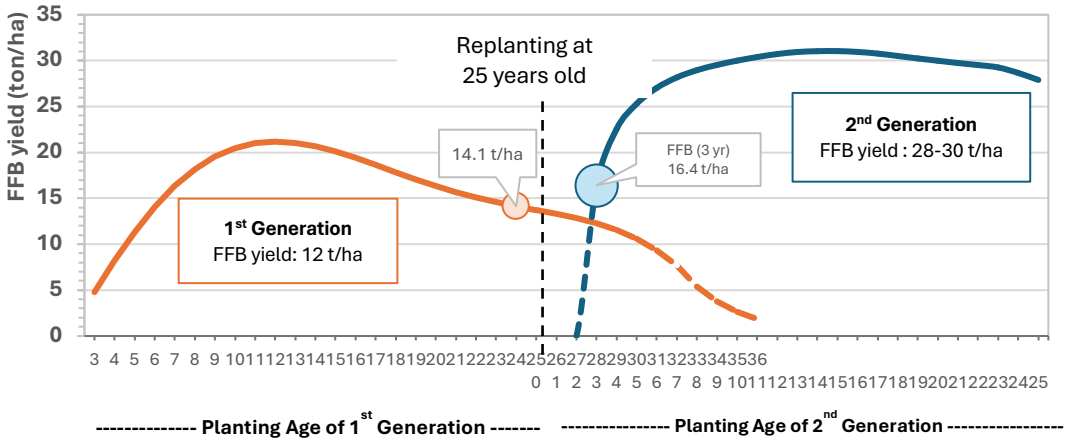

Figure 17. Yield Improvement Results from the Oil Palm Replanting Program for Smallholders
Source: IPOSS (2026), reprocessed from various sources

To boost smallholder oil palm farmers' production, the replanting or renewal of smallholder plantations using high-quality seeds is an urgent priority. This is the primary objective of the PSR, which has been in effective since 2017. Through this program, the government provides financial support for replanting and encourages the use of high-yielding seeds suited to the conditions of farmers' land. The hope is that the PSR will not only increase the productivity of smallholder oil palm plantations but also improve farmers' well-being in the long term. In principle, rejuvenating oil palm plantations means securing farmers' livelihoods for the future.

As part of an intensification strategy, the PSR and the use of high-quality seeds are not only technical necessities but also align with the mandate of Law No. 22 of 2019 on the Sustainable Agricultural Production System. This regulation stipulates that high-quality seeds must meet quality standards, be certified, and be labeled. Furthermore, it is prohibited for anyone to distribute high-quality seeds that do not meet quality standards, are not certified, and/or are not labeled.

Thus, this regulation provides a basis for protecting palm oil farmers so they can obtain genuine high-quality seeds. In the

context of palm oil, the high-quality seeds referred to in practice are DxP varieties, that is, the result of a Dura × Pisifera cross that produces Tenera plants. The use of certified DxP seeds is an important foundation for increasing productivity, because without improvements in plant material, efforts to intensify smallholder plantations will struggle to achieve optimal yields.

6.2 Certified High-Quality Seeds Are the Key to the Success of Smallholder Oil Palm Farms

The low productivity of smallholder plantations is closely linked to the continued widespread circulation of uncertified or counterfeit oil palm seeds. In 2025, the Directorate General of Plantations confirmed that approximately 40–70% of the oil palm seeds in circulation at the farmer level lacked official certification (InfoSAWIT, 2025). Regional variations are quite significant. South Sumatra recorded approximately 45%, while Riau, one of the provinces with the largest area of smallholder oil palm plantations, reported that up to about 70% of the seeds in circulation were uncertified.

This issue is serious because many farmers are not yet fully aware that planting uncertified seeds can lock their plantations into a low-yield productivity trajectory for an entire crop cycle, which is approximately 25 years. Therefore, the use of uncertified seeds is not merely a technical issue at the beginning of planting. It can also become a productivity trap, or yield trap, that harms farmers in the long run.

The impact of using illegal seeds or seeds without official certification on crop performance is structural and relatively permanent. Technically, the low productivity resulting from the use of illegal seeds can be explained by the following factors.

First, there is a high risk of Dura contamination. The majority of uncertified seeds are likely to be contaminated with the Dura variety, a type of oil palm with a thick shell and low oil yield. This occurs because illegal seeds generally do not originate from a

controlled crossbreeding process between Dura × Pisifera, as required by oil palm breeding standards at official seed producers. In contrast, illegal seeds are often obtained from oil palm fruits that have fallen from the tree and are then processed into seedlings by the collectors themselves. Under such conditions, these seeds may result from crosses between Tenera × Tenera or (DxP) × (DxP), which genetically produce a segregation ratio of 1 Dura : 2 Tenera : 1 Pisifera. This means that the population of productive Tenera-type plants is only about 50%, while the remainder consists of Dura and Pisifera, each accounting for approximately 25%.

Second, the use of illegal seeds leads to low productivity. Plants contaminated with Dura and Pisifera will experience a significant decline in production performance. Ultimately, plantation production can only rely on a portion of the plant population that is truly productive. As a result, fresh fruit bunch (FFB) production can be significantly lower than the genetic potential of certified DxP high-yielding seeds.

Third, the use of illegal seeds also results in a low oil yield, or Oil Extraction Rate (OER). A low yield indicates that even though the plantation produces fresh fruit bunches (FFB), the amount of oil that can be extracted from them is limited. This is supported by an empirical study by Kumala Sari (2023), which reveals the existence of a yield trap among smallholder oil palm farmers, characterized by a significant deviation in CPO OER between smallholder and large-scale plantations.

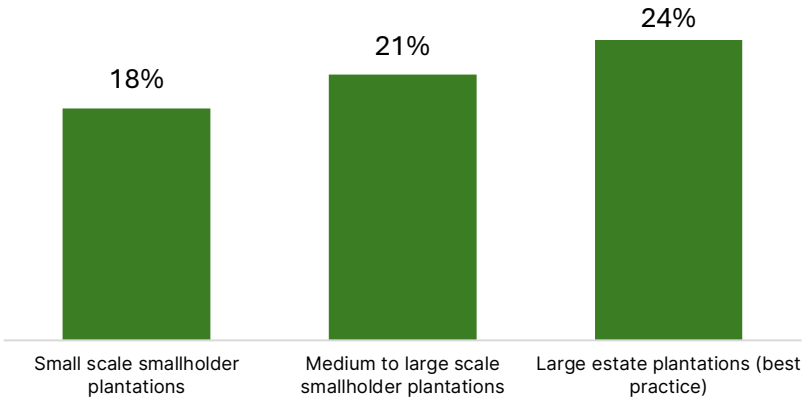

Figure 18. Oil Extraction Rate (OER)
Source: Kumala Sari (2023), reprocessed by IPOSS

On the other hand, the government not only regulates the distribution of seeds but also the procedures for the release of high-yielding oil palm varieties and the designation of business entities authorized to become official seed producers. According to data from the Ministry of Agriculture, there are currently 19 high-yield seed producers and 84 oil palm varieties that have received approval for variety release since 1984. The existence of these official producers and varieties serves as a crucial foundation for providing certified high-yield seeds to farmers, particularly in support of the Smallholder Oil Palm Replanting Program.

Table 3. Supply of Oil Palm Seeds from Registered Producers

No	Companies	Group	2023	2024	2025
1	PPKS	RPN	40,172,286	41,317,400	44,659,933
2	PT Bina Sawit Makmur	Sampoerna Agro	19,477,000	20,222,803	24,122,014
3	PT Tunggal Yunus Estate	Asian Agri	16,837,744	18,503,257	21,668,204
4	PT Dami Mas Sejahtera	Sinar Mas	9,340,770	13,530,630	22,004,249
5	PT Socfin Indonesia	Socfin SA	9,188,301	9,252,474	10,431,292
6	PT Lonsum Tbk	Salim	7,884,563	8,007,003	8,524,582
7	PT Panca Surya Garden	First Resources	4,542,729	5,351,905	5,261,550
8	PT ASD-Bakrie	Bakrie	3,726.456	5,409.409	6,283.703
9	PT Gunung Sejahtera Ibu Pertiwi	Astra Group	2,260,062	1,504,986	2,248.389

No	Companies	Group	2023	2024	2025
10	PT Sarana Inti Pratama	Salim	2,489,670	2,868,038	3,109,732
11	PT Bakti Tani Nusantara	Genting	1,827,591	2,982,326	8,691,369
12	PTPN IV	PTPN Holding	1,893,098	1,698,029	2,633,731
13	PT Tania Selatan	Wilmar	1,757,658	1,516,229	2,534,191
14	PT Timbang Deli Indonesia	SIPEF	1,769,205	1,936,996	1,693,730
15	PT Palma Inti Lestari	Mitra PPKS	1,245,996	1,252,741	2,056,082
16	PT Aneka Sawit Lestari	Minamas	479,682	3,815,094	2,847,202
17	PT AAR Indonesia	Kepong	431,198	1,168,179	1,158,352
18	PT Sasaran Ehsan Mekarsari	Mekarsari	158,180	239,512	310,190
19	PT Mitra Agro Servindo	Teladan / Felda	0	0	0
	Total		**125,482,189**	**140,577,011**	**170,238,495**

Source: Ministry of Agriculture (2026a)

These producers and high-yielding varieties are concentrated in the major oil palm plantation centers, primarily on the island of Sumatra, specifically in the provinces of Riau, North Sumatra, and South Sumatra. In addition, authorized seed producers are also located in the Riau Islands, Central Kalimantan, West Java, and the Special Capital Region of Jakarta.

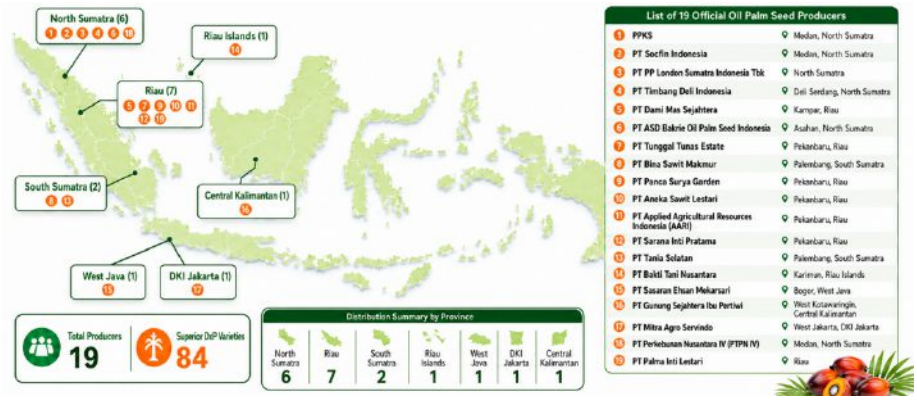

Figure 19. Map of the Distribution of Official Palm Oil Seed Producers in Indonesia
Source: BABEBUN-PSR (2026), reprocessed by IPOSS

The availability of official seed producers and a diverse range of high-yielding varieties that have obtained government approval indicates that the national oil palm seed system has a sufficiently strong foundation to support the sustainability of the PSR. With the availability of 84 high-yielding varieties and a network of 19 authorized producers, farmers' access to certified high-yielding seeds should be increasingly guaranteed, both in terms of quantity and the suitability of the varieties to local agroecological conditions.

However, the existence of official producers and high-yielding varieties does not automatically solve the issue of smallholder oil palm productivity. The main challenge lies in ensuring that certified high-yielding seeds are actually used by farmers, particularly in the implementation of the PSR program and in independent planting. This means that improving the seed system cannot stop at the release of varieties and the designation of producers; it must be followed by strengthening distribution, monitoring seed circulation, educating farmers, and ensuring alignment between official seed producers and the needs of smallholders in the field.

Thus, certified high-yielding seeds must be positioned as the cornerstone of successful smallholder oil palm intensification. Without assurance that farmers are using the correct seeds, replanting efforts risk merely replacing old plants with new ones that remain low-yielding. Conversely, if the PSR program is strictly linked to the use of certified DxP seeds, it can serve as a strategic tool to break the smallholder oil palm yield trap and boost productivity in the next crop cycle.

6.3 Outlook for Oil Palm Replanting Program for Smallholders and Achievements in the First Half of 2026

6.3.1 Progress of the PSR Program Over the Years

The Oil Palm Replanting Program for Smallholders (PSR) is the primary instrument for improving the productivity structure of smallholder plantations. Since its implementation began in 2017,

the PSR has continued to show cumulative growth, although the rate of implementation still does not match the scale of smallholder plantation replanting needs nationwide.

Cumulatively, the area covered by the PSR that has received technical recommendations from 2017 through May 2026 totals approximately 426 thousand hectares, or more precisely 425,986 hectares. Of this total, the cumulative planted area stands at 417,008 hectares. This achievement demonstrates that the PSR has become a vital component of the smallholder oil palm intensification agenda, particularly in replacing old, unproductive trees or those grown from non-high-yielding seeds.

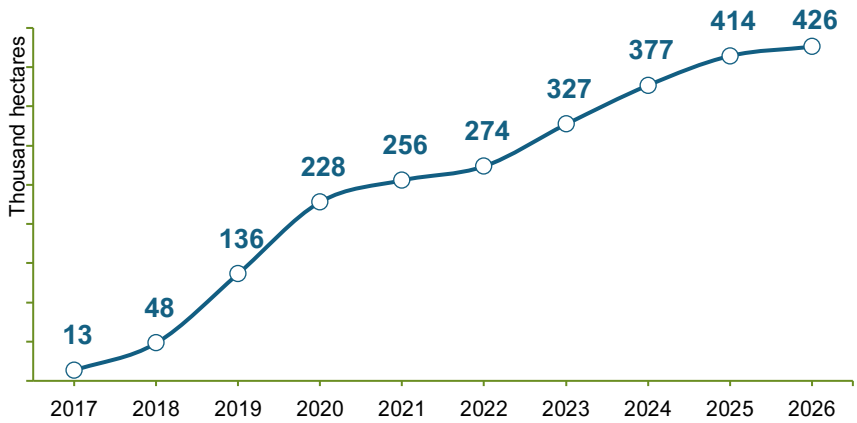

Figure 20. PSR Realization 2017 - May 2026
Source: Ministry of Agriculture (2026c), reprocessed by IPOSS

As shown in Figure 20 the cumulative implementation of the PSR program has continued to increase over time. The realized area rose from 13,000 hectares in 2017 to 48,000 hectares in 2018, before increasing sharply to 136,000 hectares in 2019. It then reached 228,000 hectares in 2020 and continued to grow more gradually in the following years, reaching 256,000 hectares in 2021, 274,000 hectares in 2022, 327,000 hectares in 2023, 377,000 hectares in 2024, and 414,000 hectares in 2025. As of May 2026, cumulative realization had reached 426,000 hectares. This trend shows that the PSR program has continued to progress

in the long term, although the additional realized area in 2026 remains relatively limited compared to the acceleration needed.

As of May 2026, the implementation of technical recommendations had reached 11,745 hectares, or approximately 14.9% of the annual target of 78,732 hectares. Of this total, 72 farmer organizations and 5,758 farmers have received recommendations to obtain government rejuvenation assistance funds through the BPDP. This progress indicates that the program is still moving forward, but not fast enough to meet the annual target unless there is a significant acceleration in the second half of the year.

Nevertheless, there are signs of improvement in the program's upstream processes. The area covered by technical recommendations increased from 3,197 hectares in February 2026 to 11,745 hectares in May 2026, an increase of 8,548 hectares in just three months. This development suggests that the verification and administrative processes are beginning to move more quickly. If this trend can be maintained and strengthened, the opportunity to increase PSR implementation in the second half of 2026 remains open.

6.3.2 PSR Challenges

Although the oil palm replanting program for smallholders (PSR) continues to move forward, its acceleration in 2026 still faces a number of obstacles on the ground. Based on the Ministry of Agriculture's evaluation of the PSR's achievements in 2026, there are seven major obstacles affecting the program's implementation: farmers' economic conditions, adequacy of financing, smallholder institutions, inspections by law enforcement agencies (Aparat Penegak Hukum, APH), land legality, the fund disbursement process, and the sustainability of smallholders' income during the replanting period.

Figure 21. Evaluation of Challenges for the 2026 PSR
Source: Ministry of Agriculture (2026c) reprocessed by IPOSS

From the farmers' economic perspective, the relatively high field price of fresh fruit bunches (FFB) is one of the factors causing some plantation owners to postpone replanting. As long as the old plantations are still producing and generating income, the decision to replant is not an easy one.

Regarding financing, the replanting subsidy of Rp60 million/ha is considered insufficient to fully cover the costs of the replanting phases from P0 to P3, especially as costs for land clearing, seedling procurement, maintenance, labor, and production inputs continue to rise.

From an institutional perspective, many cooperatives, farmer groups, and farmer associations still face capacity constraints in meeting PSR requirements. Requirements such as coordinate maps, farmer data, legal documents, by name by address data, and complete financial records cannot always be prepared quickly and comprehensively. As a result, the PSR application process is often stalled at the verification stage and requires more intensive assistance.

In addition, inspections by law enforcement authorities have led smallholder institutions to act more cautiously. Although these inspections are intended to ensure program accountability, their perceived intensity can cause concern in the field, especially when they are viewed as excessive. Some farmers have become reluctant to register for fear of being flagged as problematic, while farmer organizations and local officials tend to be more cautious in processing and verifying PSR applications. This situation is further compounded by the lack of adequate institutional support, which means that administrative errors could potentially become an issue during the inspection phase.

Regarding land legality, the main obstacles relate to the length of the process for issuing land status certificates and the continued existence of cases where Certificates of Ownership are located within forest areas. This situation prevents some farmers from meeting the legal requirements to participate in the PSR and requires interagency resolution.

Another obstacle is the disbursement of replanting funds, which takes a long time. Although this process is necessary to ensure accountability in fund utilization, excessive delays can slow down replanting activities in the field. These delays may also create additional costs, particularly when weeds grow and pests or diseases spread due to the absence of proper and measured control. If not addressed in a timely manner, these problems can lead to higher control costs in the future.

Finally, during the replanting period, farmers do not earn income from their main crops until the plantation becomes productive again. This situation creates an income gap, which is one of the main reasons farmers are hesitant to participate in the PSR.

Thus, the barriers to the 2026 PSR reflect seven key interrelated factors, ranging from economic incentives, adequate financing, institutional capacity, inspections by law enforcement agencies, land legality, the speed of fund disbursement, to temporary loss of income. Consequently, the outlook for the PSR in the second half

of 2026 will be heavily determined by the ability to accelerate verification, streamline the resolution of land legality issues, strengthen institutional support for smallholders, expedite fund disbursement, and develop schemes to help smallholders cope with temporary income loss.

Strategically, resolving these obstacles is crucial because the success of the PSR will determine the ability of smallholder oil palm farmers to break free from the trap of low productivity. Given the increasingly limited scope for land expansion, the PSR is not merely a replanting assistance program, but a key instrument for boosting productivity, strengthening the national supply, and supporting Indonesia's palm oil needs for food, biodiesel, oleochemicals, exports, and stockpiling.

CHAPTER 7. THE PALM OIL INDUSTRY PERSPECTIVE

7.1. The Establishment of a State-Owned Export Enterprise and Its Implications for the Palm Oil Industry

7.1.1. Policy Context and Implementation Design

For the Q3 2026 outlook, the proposed establishment of a State-Owned Export Enterprise has become one of the key policy developments in assessing the direction of Indonesia's palm oil trade governance. However, as its institutional form and operational mechanisms are still being refined, the discussion of this issue should focus more on the functions it is expected to perform, rather than solely on the specific design of the agency or institution. In this context, the State-Owned Export Enterprise should be viewed as an instrument to strengthen the governance of strategic commodity exports, particularly by improving transparency, export recording, monitoring of export proceeds, and the integration of palm oil trade data.

The relevance of this issue has grown following the issuance of Government Regulation No. 24 of 2026 on the Governance of Exports of Strategic Natural Resource Commodities. Under this regulation, palm oil is designated as one of the initial strategic natural resource commodities, alongside coal and ferroalloys. This regulation also stipulates that exports of strategic natural resource commodities may only be conducted through state-owned export enterprises (BUMN Ekspor), either as owners or as sole intermediaries. Consequently, Q3 2026 marks a critical phase as the market begins to gauge the direction of the policy's implementation, particularly ahead of the evaluation process and the transition period leading up to full implementation by the end of 2026.

Based on the information provided during the outreach session on Ministry of Trade Regulation No. 16 of 2026, the implementation of the palm oil export business process is designed to be phased. In Phase I, effective from June 1 through December 31, 2026, at the

latest, business entities that have fulfilled their DMO obligations will continue to be eligible for export rights. Companies must be registered in the Ministry of Industry's SIMIRAH system, distribute Minyakita DMO to second-tier distributors, and allocate 35% of Minyakita DMO to state-owned food enterprises (BUMN Pangan). During this phase, exporters will continue to undergo the export approval and clearance process, provided they are registered with SINSW, hold export rights, pay the export levy per shipment, are registered with CEISA (Customs and Excise) and ALEXIA (BPDP), submit export customs declarations, and pay export duties and export levies. The role of the state-owned export company, Danantara Indonesia, at this stage is primarily focused on export reporting functions, including receiving export documentation and any required supplementary data.

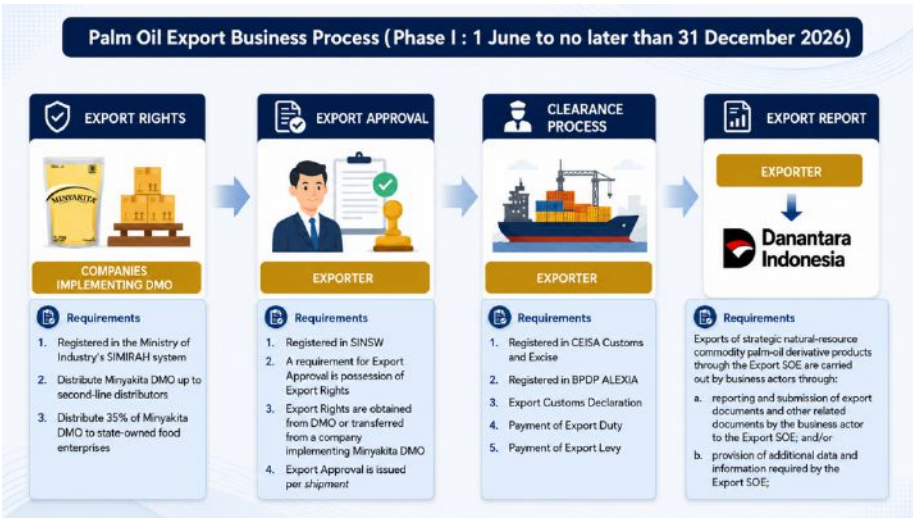

Figure 22. 1st Phase of the Palm Oil Export Business Process: June 1 through December 31, 2026

Source: Ministry of Trade (2026b)

Meanwhile, in Phase II, which is scheduled to take effect on January 1, 2027, or sooner depending on the evaluation results, the business process structure will begin to shift more strongly toward centralization through the State-Owned Export Enterprise. Export rights held by DMO implementing companies will be transferred to PT DSI as the exporter. Thus, in this phase, PT DSI not only

receives the transfer of export rights but also becomes the party that submits Export Approval applications and handles the clearance process. This means that the main difference between Phase I and Phase II lies in the role of the state-owned export company: in Phase I, it primarily functions as a channel for reporting and data coordination, whereas in Phase II, it begins to act as a key player in the formal export process.

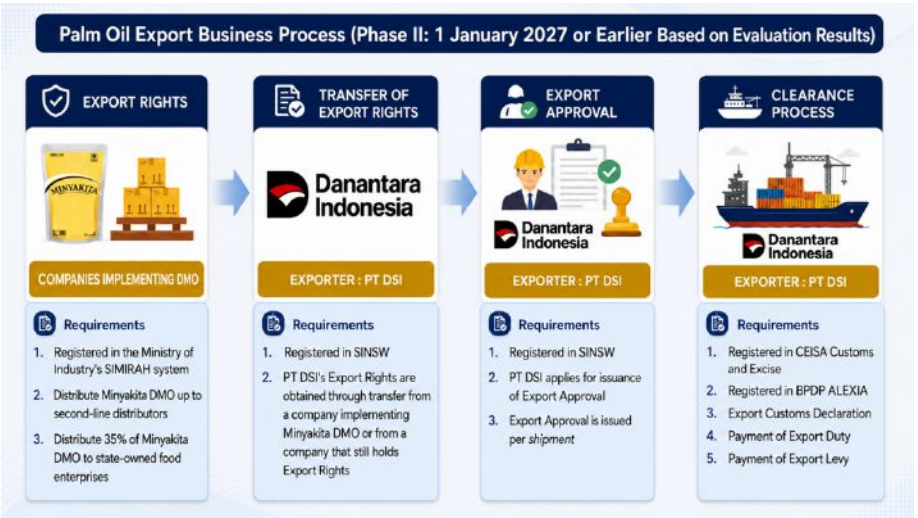

Figure 23. 2nd Phase of the Palm Oil Export Business Process: Effective January 1, 2027
Source: Ministry of Trade (2026b)

A comparison of Figure 22 and Figure 23 reveals a gradual shift in the role of the State-Owned Export Enterprise (BUMN Ekspor). In Phase I, the export process largely maintained the existing pattern, in which exporters remained the primary actors in managing export rights, export approvals, and customs clearance. The State-Owned Export Enterprise operated at the downstream end of the process, receiving export reports and data. However, in Phase II, a more substantial shift occurred as export rights were transferred to PT DSI, making PT DSI the exporter responsible for filing the Export Levy and carrying out the clearance process. Thus, the transition period through the end of 2026 becomes a critical time to test system readiness, data integration, and the

effectiveness of cross-platform coordination before the more centralized mechanism is fully implemented.

From a policy perspective, this phased approach indicates that the government is striving to avoid sudden changes in the palm oil export trade system. Phase I can be viewed as an adaptation phase, during which businesses continue to conduct exports while fulfilling their reporting obligations to the state-owned export enterprise. Phase II, meanwhile, serves as a consolidation phase, during which export functions will become more centralized through PT DSI. However, the transition from Phase I to Phase II must be managed carefully to prevent administrative hurdles, shipment delays, contract uncertainties, or disruptions to businesses' cash flow.

7.1.2. Implications for the Supply Chain and Market Sensitivity

In principle, strengthening the role of State-Owned Export Enterprise is supported by relevant policy considerations. Palm oil is a strategic commodity for the national economy, contributing to export earnings, the supply of industrial raw materials, government revenue, and energy security through biodiesel. In this context, the government has a strong interest in ensuring that palm oil exports are accurately recorded, that export values and volumes can be monitored more effectively, and that export revenues can be better managed. If designed appropriately, the role of the State-Owned Export Enterprise can strengthen the palm oil export database, reduce the risk of misinvoicing, and improve the quality of policymaking based on data.

However, the main challenge lies not in the policy objectives but in the design of its implementation. The palm oil industry has a highly integrated supply chain, ranging from farmers, palm oil mills, refineries, oleochemicals, biodiesel, exporters, traders, to global buyers. In such a structure, changes to export documents, contracts, shipment schedules, approval processes, the transfer of export rights, and cash flows can affect the transmission of prices from the global market to the domestic market.

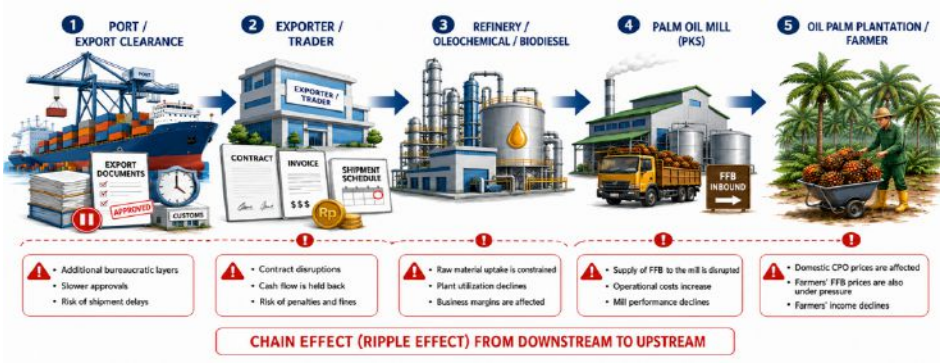

Figure 24. Downstream to Upstream Spillover Effects in the Palm Oil Supply Chain

Therefore, if the role of state-owned export companies adds another layer of bureaucracy, slows down contract execution, or encroaches too far into commercial functions that have been operating smoothly, the impact could ripple out to business margins, domestic CPO prices, palm oil mill procurement, and ultimately the price farmers receive for their fresh fruit bunches (FFB). These risks could intensify in the event of operational disruptions, particularly if administrative processes and customs clearance cause delays in the shipment of goods at the port. Delays at this stage not only affect shipment schedules but can also trigger a ripple effect on supply, logistics, and transaction certainty throughout the entire palm oil supply chain.

7.1.3. Sensitivity, System Readiness, and Policy Recommendations

The implications of establishing an export company owned by the state must be understood within the context of the palm oil supply chain, which is highly sensitive, extensive, and integrated. In the structure of the palm oil industry, even a minor disruption at one stage of the process, such as the verification of export rights, the issuance of an Export Permit, customs clearance, or shipping, can trigger a chain reaction across the supply chain. This disruption can affect shipment schedules, certainty in the handover of goods, storage tank utilization periods, stock movement, and the cash

flow of business operators. The impact may eventually extend to the intake of fresh fruit bunches (FFB) at palm oil mills, long queues of trucks carrying fruit, and conditions at farmers' plantations

Therefore, this sensitivity becomes increasingly important as Q3 2026 is projected to unfold under relatively tighter market conditions. Based on available projection data, CPO and CPKO production in Q3 2026 is estimated at around 11.05 million MTs, lower than the approximately 14.10 million MTs recorded in Q3 2025. At the same time, domestic consumption is actually expected to rise from approximately 6.34 million MTs in Q3 2025 to about 7.16 million MTs in Q3 2026. This increase is primarily driven by biodiesel consumption, which rose from approximately 3.46 million MTs to 4.25 million MTs. These conditions indicate that the flexibility in supply for exports, stockpiles, and downstream industry needs has become more limited compared to the previous period.

In terms of palm oil exports, total exports in Q3 2026 are projected to decline to 4.35 million MTs, down from 8.32 million MTs in Q3 2025. This decline indicates that exports are beginning to adjust to rising domestic demand and supply conditions that are not entirely relaxed. In such a situation, export governance policies must ensure that oversight functions do not create additional barriers to the smooth execution of contracts and shipments. For global buyers, supply certainty, the reliability of counterparts, clarity regarding the exporter's role, and the timeliness of shipments are critical factors influencing confidence in Indonesia as a leading global palm oil supplier.

Given the phased approach outlined in the implementation of Ministry of Trade Regulation No. 16 of 2026, the Phase I transition period is crucial as an operational testing phase. This phase can be used to ensure the readiness of data integration between SIMIRAH, SINSW, CEISA, ALEXIA BPDP, the DMO system, and reporting to state-owned export enterprises. If this phase proceeds smoothly, the transition to Phase II can be carried out

with a lower risk of disruption. Conversely, if administrative obstacles, delays in export rights verification, data inconsistencies, or hurdles in the export levy and clearance processes persist during Phase I, accelerating the transition to Phase II risks increasing market uncertainty (Ministry of Trade, 2026b).

7.2 EUDR and the Palm Oil Sustainability Scheme

7.2.1 EUDR and Shifts in International Palm Oil Competition

Looking ahead to Q3 2026, palm oil sustainability is increasingly emerging as a key prerequisite for the governance of the national palm oil industry. Efforts to achieve this sustainability are advancing through two complementary approaches. First, a market-driven approach, spurred by global market demands and international regulations such as the European Union Deforestation Regulation (EUDR). Second, an approach rooted in the industry's own internal needs, which include ensuring sustainable production practices to maintain production continuity, meet market demand, and comprehensively balance environmental, social, and economic aspects.

In this context, sustainability is no longer viewed as an ancillary issue but rather as the cornerstone of the palm oil industry's management. The competitiveness of Indonesian palm oil is increasingly determined not only by production volume and cost efficiency but also by the ability to demonstrate credible sustainability practices, including product traceability, land legality, deforestation-free status, and supply chain transparency. This trend indicates that the palm oil trade is shifting from price competition toward verification competition among producing countries.

The third quarter of 2026 is a critical period as the window for preparation ahead of the EUDR's implementation is narrowing. The European Union has set December 30, 2026, as the implementation date for large and medium-sized operators, and

June 30, 2027, for micro and small operators (European Commission, 2025). In the palm oil trade, early 2027 will be a decisive test period as buyers, traders, importers, and operators in the European Union market will begin requesting more detailed evidence regarding the origin of raw materials, legal status, deforestation-free status, and supply chain traceability. Thus, the EUDR not only regulates environmental issues but also governs data management, legality, audits, geolocation, traceability, and the ability to verify a product's origin down to the production plot.

In substance, the EUDR requires three main things. First, commodities and their derivative products must be verifiably deforestation-free as of the December 31, 2020, deadline. Second, products must be produced in accordance with the laws of the country of origin, including provisions on land legality, the environment, labor, third-party rights, as well as relevant trade and customs regulations. Third, products must be covered by a due diligence statement submitted by the operator or business entity required to do so in the EU market. These three requirements demonstrate that the core of the EUDR is not merely a sustainability label, but rather the ability to provide complete, verifiable, and traceable evidence all the way back to the production plot.

In the context of the palm oil supply chain, the EUDR differs from the RSPO, which explicitly uses the terms mass balance, segregated, or identity preserved in its product classification labelling based on compliance with certification requirements. However, the substance of its requirements mandates that all raw materials in shipments entering the EU market must be verifiably sourced from legal, traceable, and deforestation-free sources. This means that supplies entering the EU market must be 100% compliant with EUDR requirements. This is the focus of attention and a source of concern when examining Indonesia's palm oil industry.

Indonesia has been placed in the standard risk category within the EUDR's country benchmarking system. Viewed proportionally, this

indicates that while Indonesia is no longer classified in the highest-risk category, it also cannot be considered a low-risk country. Consequently, Indonesian palm oil products must still undergo verification of geolocation, legality, deforestation-free status, risk assessment, and risk mitigation.

In this situation, Indonesia's readiness cannot be assessed solely based on the availability of regulations or sustainability narratives, but rather on its ability to provide a consistent, verified, and actionable set of evidence that operators, importers, traders, and buyers can use to meet their EUDR obligations.

7.2.2 Readiness of the Palm Oil Industry: Partially Ready, Not Yet Systemic

In terms of industry readiness, Indonesia's palm oil sector can be considered partially ready, but not yet fully prepared from a systemic perspective. Large companies with vertically integrated operations, including plantations, palm oil mills, refineries, and export activities, are relatively better prepared to establish supply chains that comply with EU requirements. In general, these companies already own plantations, have certification systems, sustainability policies, traceability to the mill, partial traceability to the plantation, supplier audit mechanisms, and internal monitoring tools based on spatial data or satellite imagery. With these resources, large companies are better equipped to develop dedicated supply chains that rely only on raw materials from verified plantations and suppliers.

However, the readiness of large companies does not automatically reflect the readiness of the industry as a whole. Indonesia's palm oil supply chain is still largely supported by third-party suppliers, independent palm oil mills, agents, collectors, plasma plantations, and independent smallholders. This is where the biggest gap lies. The main challenge for exporters is not just preparing export documents, but ensuring that all raw materials included in shipments to the European Union are not mixed with supplies that

have not been mapped, whose legality is unclear, or that have not been proven to be deforestation-free.

If the EUDR is interpreted strictly as requiring de facto segregation, then the industry must segregate its supply chains. This segregation does not necessarily mean identity preserved from a single plantation through to shipment, but at a minimum, all inputs in a single batch or shipment must come from sources that have been verified as EUDR-compliant.

In practice, CPO or palm oil derivatives destined for the EU market must be traceable to plantations that have geolocation data, proof of legality, deforestation-free status, and documented supply relationships. These products must also be processed through palm oil mills, storage tanks, refineries, transaction documents, and export systems capable of maintaining traceability claims.

The challenge of separating these supply chains is significant because palm oil is a bulk commodity. Under the current system, fresh fruit bunches (FFB), CPO, and palm oil derivatives can move through a long supply chain, with raw materials from various sources being mixed together. If the European Union market demands 100% compliant shipments, then the industry must establish control mechanisms starting from the plantation, collection points, oil mills, storage tanks, refineries, transaction documents, all the way through to shipment. This means that readiness for the EUDR is not just the responsibility of exporters, but of the entire supply chain.

The main risk of this situation is the emergence of a dual market. Verified supplies will be directed toward the EU market, while supplies that have not been mapped or documented will be diverted to the domestic market or other export markets that do not require proof as stringent as the EU's. For large companies, this strategy may help maintain access to the EU market. However, for small suppliers and smallholders, the risk is gradual exclusion from high-value export supply chains. Farmers may be sidelined not because they have been proven non-compliant, but because they have not yet been able to demonstrate compliance.

Table 4. Matrix of the Palm Oil Industry's Readiness for the EUDR

Supply chain segments	Level of readiness	Key strengths	Main gap	Implications if 100% compliant/segregated
Large integrated companies	Relatively high	Operates plantations, oil mills, refineries, a certification system, supplier audits, and internal monitoring	It is necessary to ensure that all EU shipment inputs come from verified sources	Can establish an EU-compliant supply chain for a certain volume
Companies with third-party suppliers	Medium	Have export capacity and a downstream documentation system	Verification of suppliers' geolocation and legality is not yet uniform	Must segregate ready and not-yet-ready suppliers
Independent palm oil mills	Lower-medium	Located near production bases and fresh fruit bunch (FFB) suppliers	We receive a significant amount of fresh fruit bunches (FFB) from agents, collectors, and smallholders with limited data	Risks being excluded from the EU-bound supply chain if supplier data is incomplete
Refineries and exporters	Upper-medium	Maintain control over batches, tanks, transaction documents, and shipments	We rely on the quality of data from palm oil mills and upstream suppliers	Can be ready if it only accepts raw materials from a verified supply base
Smallholder farmers	Low	Serve as a vital part of the national production base	Legality, geolocation, STDB, institutional data, and transaction records are not yet consistent	Most vulnerable to being excluded from the EU supply chain
The national industry as a whole	Partially ready	The foundation for regulations, certification, and systems is beginning to take shape	Data interoperability and upstream-to-downstream verification are not yet fully operational	Must prioritize an EU-bound supply base strategy before national expansion

Source: Analysis by IPOSS

Based on this matrix, the most realistic strategy leading up to early 2027 is not to force the entire national supply chain to comply with the EUDR immediately, but rather to prioritize the EU-bound supply base first. This means that suppliers, palm oil mills, refineries, and exporters that actually supply the European Union market must be mapped, verified, and tested first. After that, the scope can be gradually expanded to a broader supplier base, particularly smallholders.

7.2.3 ISPO, SI-ISPO, and the National Dashboard as the National Verification System

Although the challenges posed by the EUDR are significant, Indonesia is not starting from scratch. Indonesia already has a number of important foundations in place, such as ISPO, Presidential Regulation No. 16 of 2025, STDB (Plantation Cultivation Registration Certificate), SIPERIBUN, the One Map Policy, SI-ISPO, and the National Dashboard. These foundations demonstrate that Indonesia is building a national verification architecture. In the context of palm oil, this architecture is designed to address the EUDR's key gaps: geolocation, legality, deforestation-free status, traceability, and data connectivity from plantation to shipment.

In response to these EUDR requirements, Indonesia has strategically positioned ISPO not merely as a domestic sustainability certification but also as a national due diligence evidence system. Within this framework, ISPO functions not only as a mark of compliance but as an evidence system that can be used by operators, traders, importers, buyers, and supply chain actors to support compliance with the EUDR's due diligence requirements. What needs to be demonstrated is that ISPO audit documents can provide the evidence required under the three main pillars of the EUDR: deforestation-free status, compliance with the regulations of the country of origin, and supply chain traceability.

Regarding deforestation-free status, ISPO audits can be designed to include evidence of plantation geolocation, coordinates or

polygons of production areas, land-clearing history, and verification of land-cover status after the December 31, 2020, deadline. Regarding legality, ISPO holds a strong position because its audits are based on compliance with Indonesian regulations, including the legality of plantation operations, land tenure and use status, business permits, environmental obligations, labor standards, and compliance with statutory provisions. In terms of traceability, the expansion of ISPO to the downstream industry and bioenergy opens up opportunities to establish a chain of custody spanning plantations, smallholders, plantation companies, palm oil mills, refineries, the downstream industry, bioenergy, and exports.

The strengthening of ISPO is underpinned by a digital system established through Regulation of the Coordinating Minister for Economic Affairs No. 14 of 2025 on the Indonesian Sustainable Palm Oil Information System. This regulation designates SI-ISPO as the information system that supports ISPO operations by implementing a data-sharing system and electronic connectivity. Thus, SI-ISPO is not merely an administrative application, but an official instrument for the administration of ISPO, data integration, oversight, and traceability of Indonesia's sustainable palm oil products (Regulation of the Coordinating Minister for Economic Affairs No. 14 of 2025, 2025).

SI-ISPO aims to enhance the transparency and accountability of the certification process, strengthen oversight and monitoring of certification implementation, provide valid, up-to-date, integrated, and traceable data, and ensure the security and interoperability of information with other systems. These objectives align with the requirements of the EUDR, which demands verifiable evidence of legality, geolocation, deforestation-free status, and traceability.

The most strategic elements of SI-ISPO are the ISPO Certificate, the ISPO Annex, and the ISPO Transaction Sheet. The ISPO Annex contains data, information, traceability aspects, and sustainability aspects of ISPO-certified products, and is an integral part of the ISPO Certificate. In the context of the EUDR, the ISPO Annex can be positioned as an evidence package at the certification and supplier levels, as it can be tailored to include evidence of legality, geolocation data, plantation status, sustainability aspects, and

product traceability. Meanwhile, the ISPO Transaction Sheet contains the results of product traceability validation within each supply chain for every trade transaction. This is important because EUDR verification is required not only at the certificate level but also at the transaction, batch, shipment, and product movement levels.

To clarify the relationships among these verification elements, the EUDR verification flow for Indonesian palm oil can be depicted as a chain linking data at the plantation level, through processing, the national verification system, to the submission of a due diligence statement by operators or importers in the European Union. This flowchart demonstrates that compliance with the EUDR depends not only on export documents but also on the interconnectedness of data regarding legality, geolocation, deforestation-free status, production, transactions, and shipments from upstream to downstream.

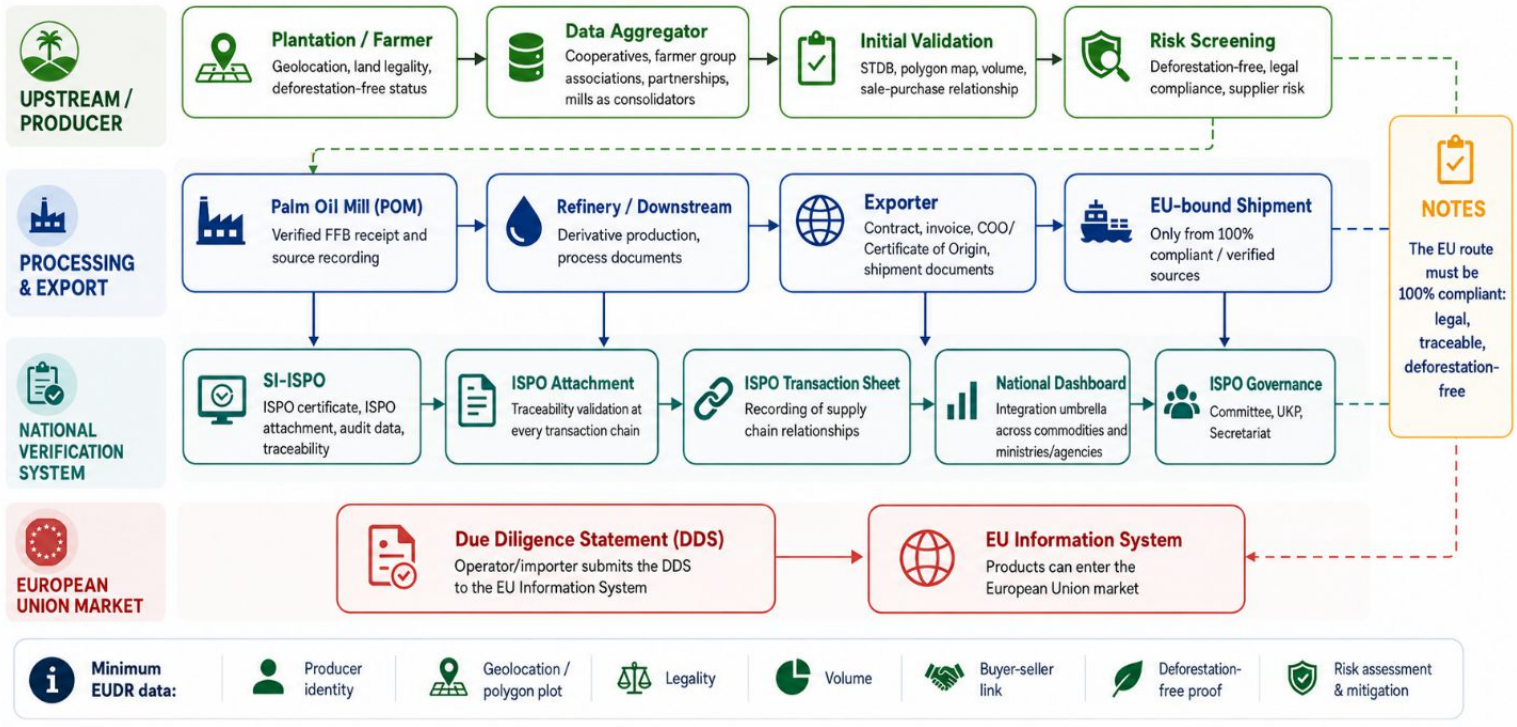

Figure 25. EUDR Verification Flow for Indonesian Palm Oil from Plantation to EU Shipment

Figure 25 shows that SI-ISPO needs to serve as the backbone of sectoral palm oil data, while the ISPO Annex and ISPO Transaction Sheet can serve as technical instruments to link certification, transactions, batches, and shipments. With the support of the National Dashboard, verified palm oil data can be integrated into a cross-commodity verification framework, making it easier to use in EUDR due diligence.

In terms of interoperability, SI-ISPO administrators are required to coordinate with ministries and agencies regarding data provision and to integrate data from relevant ministries and agencies. The minimum data to be integrated includes basic geospatial information, locations, land and mill areas, harvesting areas for the current year, as well as basic requirements and risk-based business permits or other business licenses to support ISPO-related business activities. These components are directly related to the EUDR's requirements for verifying geolocation, legality, production status, and the connectivity between plantations, mills, and the supply chain.

SI-ISPO also provides important access for international trade. The geospatial data and information resulting from this integration can be accessed by parties outside Indonesia in accordance with applicable laws and regulations. Authorized users of SI-ISPO include government agencies, KAN, ISPO certification bodies, businesses, importers, authorities in export destination countries, and other interested parties. In the context of the EUDR, this design is important because importers and authorities in export destination countries are explicitly designated as parties authorized to access the system. Thus, SI-ISPO can serve as a data bridge between the national certification system and the verification requirements of international markets.

The strengthening of this digital system is complemented by an institutional framework established through Regulation of the Coordinating Minister for Economic Affairs No. 15 of 2025 on the Organization and Operational Procedures of the Committee,

Supporting Units, and Secretariat for Sustainable Indonesian Palm Oil. This regulation clarifies that the implementation of ISPO relies not only on certification instruments and information systems but also on a national coordination structure with a mandate for policy, oversight, evaluation, data management, promotion, institutional cooperation, and administrative support.

The ISPO Committee functions as a non-structural body responsible for coordinating the management and implementation of ISPO. The Committee is supported by the ISPO Support Unit and the ISPO Secretariat. Organizationally, the ISPO Committee covers the palm oil plantation sector, the downstream palm oil industry, and palm oil bioenergy. This structure aligns with the expansion of ISPO's scope, meaning that ISPO is no longer viewed merely as plantation certification, but as a palm oil sustainability system encompassing the upstream, downstream, and bioenergy sectors.

The role of the ISPO Support Unit is particularly relevant in addressing the EUDR, as it covers areas related to smallholder farmers and information systems. These two areas are directly linked to Indonesia's two critical issues: smallholder readiness and traceability data readiness. Meanwhile, the ISPO Secretariat can serve as the administrative and coordinating unit that supports the development of policy materials, implementation strategies, monitoring, evaluation, communication, publications, institutional promotion, and ISPO's institutional performance reports. With this framework in place, technical issues such as the ISPO Annex, the ISPO Transaction Sheet, data interoperability, importer access, and integration with the National Dashboard can be managed as institutional priorities, rather than merely technical matters related to information systems.

In addition to SI-ISPO, Indonesia is also developing a National Dashboard coordinated by the Coordinating Ministry for Economic Affairs. The National Dashboard should be understood as an integrated system spanning commodities affected by the EUDR, such as palm oil, rubber, coffee, cocoa, and timber. While the SI-ISPO serves as a palm oil sectoral system containing ISPO data on

certification, audits, production, processing, traceability, and chain of custody, the National Dashboard acts as an umbrella for cross-commodity and cross-ministerial/agency integration, serving the needs of diplomacy, coordination, and cross-commodity verification in addressing the EUDR.

Thus, Indonesia is building a national verification ecosystem. Presidential Regulation No. 16 of 2025 expands the scope of ISPO to cover upstream, downstream, and bioenergy sectors. Regulation of the Coordinating Minister for Economic Affairs No. 14 of 2025 establishes the framework for SI-ISPO as a system for data sharing, ISPO Annexes, ISPO Transaction Sheets, interoperability, and access for authorized users. Regulation of the Coordinating Minister for Economic Affairs No. 15 of 2025 establishes the institutional structure through the ISPO Committee, the ISPO Implementation Unit (UKP ISPO), and the ISPO Secretariat. Meanwhile, the National Dashboard provides an umbrella for cross-commodity integration. The next challenge is to ensure that all these instruments function as a single, operational verification system.

7.2.4 Smallholders and Mitigation: Q3 2026–Mid-2027

The most vulnerable point in EUDR compliance remains with smallholders. Formally, smallholders in third countries are not always directly required to submit a due diligence statement, as long as they do not place their products directly on the EU market. However, in supply chain practice, buyers will still require them to provide information regarding the location of their farms, legal status, production volume, and sales channels. The greatest risk for smallholders is not merely direct legal sanctions, but gradual exclusion from the export supply chain because their supply is considered difficult to verify.

In the palm oil sector, the situation for smallholders is particularly urgent because independent farmers and smallholder planters manage a significant portion of the national raw material base. Their main obstacles lie in land legality, plantation coordinates,

STDB (Plantation Cultivation Registration Certificate), institutional capacity, access to financing, transaction record-keeping, and the ability to comply with digital traceability systems. Therefore, EUDR compliance is unrealistic if imposed on each farmer individually. A more reasonable model is compliance by aggregation, meaning compliance is achieved through cooperatives, farmer groups (gapoktan), planter organizations, corporate partnerships, or palm oil mills acting as data aggregators.

In the short term, mitigation strategies must begin with an EU-bound supply base first approach. This means that the government and industry need to prioritize suppliers, palm oil mills, refineries, and exporters that actually supply the European Union market. This supply base must be mapped first, verified first, and tested first. The target for Q3–Q4 2026 is not to immediately bring the entire national production base into compliance with the EUDR, but to ensure that priority shipments to the European Union are supported by sufficient geolocation data, legality, traceability, and proof of deforestation-free status.

To ensure that mitigation efforts do not remain merely a normative agenda, clear action steps are needed through the end of 2026 and into mid-2027. In the first phase, the priority is to ensure that the most strategic shipments to the EU can meet EUDR verification requirements. In the second phase, the focus expands to strengthening the supply ecosystem, particularly onboarding smallholders, strengthening aggregators, plot mapping, legality verification, and compliance financing.

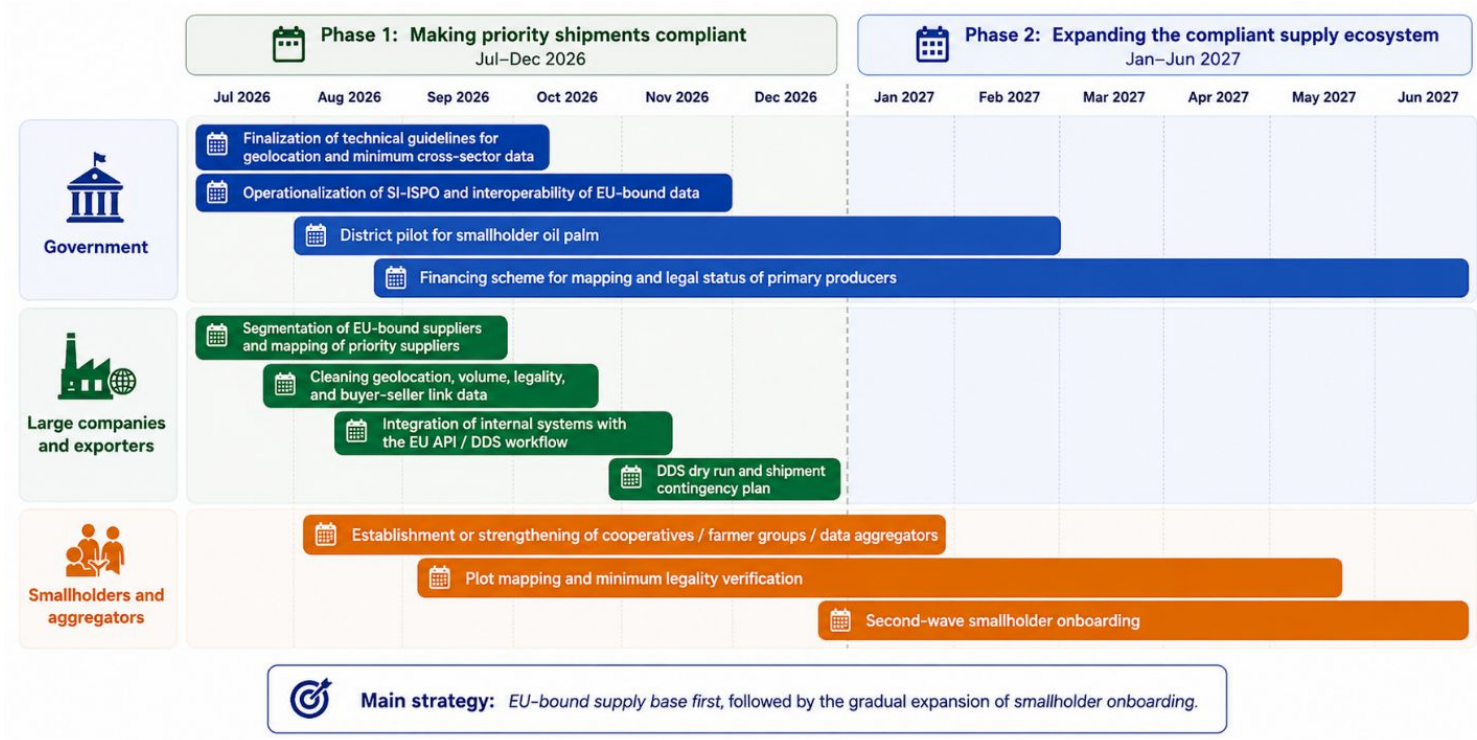

Figure 26. Action Timeline for Q3 2026–June 2027

Figure 26 confirms that the most realistic strategy is to start with the EU-bound supply base first, then gradually expand the scope to include smallholders. With this approach, the industry can secure priority shipments to the European Union during the early phase of EUDR implementation, while reducing the risk of excluding smallholders through aggregation, financing, mapping, and institutional support.

The first mitigation step is to accelerate the consolidation of smallholder plantation data. The STDB, plantation maps, coordinates or polygons, farmer identities, land status, and supply chains to palm oil mills need to be expedited to serve as the foundation for verification. Data collection must go beyond mere administrative purposes; it must be capable of answering the EUDR's questions: from which plot does the product originate, is the plot deforestation-free as of December 31, 2020, is its production compliant with Indonesian law, and through which supply chain did the product enter processing.

The second mitigation step is to standardize the ISPO Annex as the EUDR evidence package. The ISPO Annex must be structured to include a legality summary, maps and geolocation data, verification results regarding deforestation-free status, the supply chain, a list of suppliers, volumes, the segregation or batch control mechanisms used, and records of corrective actions. In this way, the ISPO Annex becomes not only a supplementary document to the ISPO Certificate but also a working tool for conducting risk assessment and risk mitigation.

The third mitigation step is to validate the ISPO Transaction Sheet as proof of trade traceability. Since the ISPO Transaction Sheet contains validation of product traceability throughout each supply chain for every trade transaction, this tool can serve as a vital bridge between certification and shipment. Testing of the ISPO Transaction Sheet must be conducted under real-world scenarios, covering plantations, palm oil mills, refineries, exporters, and buyers or importers, so that weaknesses in the chain of custody can be identified before early 2027.

The fourth mitigation step is to establish interoperability between the National Dashboard, SI-ISPO, STDB, SIPERIBUN, palm oil mill data, refinery data, exporter data, spatial data, and the systems of other relevant ministries and agencies. The EUDR requires an unbroken chain of evidence from the production plot to the product's entry into the market. Therefore, fragmented data poses a significant risk. If systems are not interconnected, businesses will face difficulties when required to explain the origin of raw materials, legal status, deforestation-free status, and product flow within a single, complete chain of evidence.

The fifth mitigation step is to establish a data-sharing governance framework. A key issue in preparing for the EUDR is determining which data can be made available for market verification purposes and which data must be protected due to business confidentiality, personal data, and national data sovereignty. Therefore, Indonesia needs clear data governance: who owns the data, who manages the data, who can access the data, how the data can be verified, and in what format the data can be shared with operators, importers, buyers, or authorities in the export destination country.

The sixth mitigation step is to conduct a mock due diligence and a pilot shipment before the end of 2026. Indonesia needs to test whether ISPO audit documents, ISPO Annexes, ISPO Transaction Sheets, SI-ISPO, the National Dashboard, palm oil mill data, refinery data, and export data can already be fully utilized within the EUDR framework. These trials are crucial for identifying gaps before the requirements take effect, such as discrepancies in plantation and supplier data, differences in geolocation formats, weaknesses in the chain of custody, limitations on data access, or the unpreparedness of businesses to compile evidence packages.

In the medium term, up to the middle of 2027, the focus needs to shift from ensuring compliance for priority shipments to expanding the supply ecosystem so that overall compliance can be achieved. This means expanding the onboarding of smallholders, strengthening cooperatives or data aggregators, funding mapping and legal compliance efforts, linking PSR support or infrastructure to data readiness, and creating commercial incentives for buyers who keep smallholders in the supply chain. If these steps are not taken, 2027 could be the year when large companies survive in the

EU market, but the base of smallholder farmers becomes increasingly marginalized.

Thus, Indonesia's readiness to address the EUDR should be viewed as an ongoing process, not a final state. The foundational elements are increasingly in place: ISPO regulations, SI-ISPO, the ISPO Annex, the ISPO Transaction Sheet, the institutional framework of the ISPO Committee, the National Dashboard, STDB, SIPERIBUN, and certification experience.

The challenge is no longer the lack of instruments, but their operationalization and integration. If all these instruments can function as a single ecosystem for providing evidence, the pressure from the EUDR can be transformed into momentum for improving governance and strengthening Indonesia's bargaining position in the palm oil sector. However, if data remains fragmented, smallholder legalization proceeds slowly, the ISPO Annex has not yet become an evidence package, the ISPO Transaction Sheet has not been tested, and traceability remains limited to pilot projects, the risks that arise include rising compliance costs, a dual market, and the exclusion of smallholders from the export supply chain.

7.3. Q3 2026 Outlook on the Financial Burden of the B50 Biodiesel Program

A discussion of the outlook for the B50 biodiesel program's financial burden is crucial in the context of the sustainability of Indonesia's mandatory biodiesel policy. One of the key indicators of this sustainability is the ability of the Plantation Fund Management Agency to cover the price difference between biodiesel and diesel fuel. This price difference reflects the amount of subsidies or incentives that must be provided to keep biodiesel competitive in the domestic market. Therefore, an analysis of the potential financial burden on BPDP, particularly for a specific quarterly period such as Q3 2026, is crucial for assessing whether the palm oil fund still has sufficient capacity to support the sustainable implementation of the B50 program.

The outlook for the B50 biodiesel program's financial burden in Q3 2026 must be assessed by comparing the Biodiesel Market Price Index (Harga Indeks Pasar, Biodiesel HIP) and the Diesel Market Price Index (Harga Indeks Pasar, Diesel HIP). Under the mandatory biodiesel scheme, the difference between the Biodiesel HIP and the Diesel HIP serves as the basis for calculating the price gap payments covered by the Palm Oil Fund. The larger the difference between the Biodiesel HIP and the Diesel HIP, the greater the funding requirement that must be provided. Conversely, if the Diesel HIP increases and approaches or even exceeds the Biodiesel HIP, the required gap payment decreases.

Methodologically, the HIP for Biodiesel is calculated using the biofuel market price index formula: the average KPBN CPO price plus a conversion cost of USD 85 per MT, then multiplied by a conversion factor of 0.87 kg of CPO per liter. Meanwhile, the HIP for Diesel is calculated based on the published MOPS or Argus prices for 0.25% sulfur gas oil, which in this projection is modeled using Brent crude oil prices as the primary driver.

Thus, the projected cost of B50 in Q3 2026 is influenced not only by the price of CPO as a biodiesel feedstock but also by the dynamics of fossil fuel prices, particularly crude oil and gas oil.

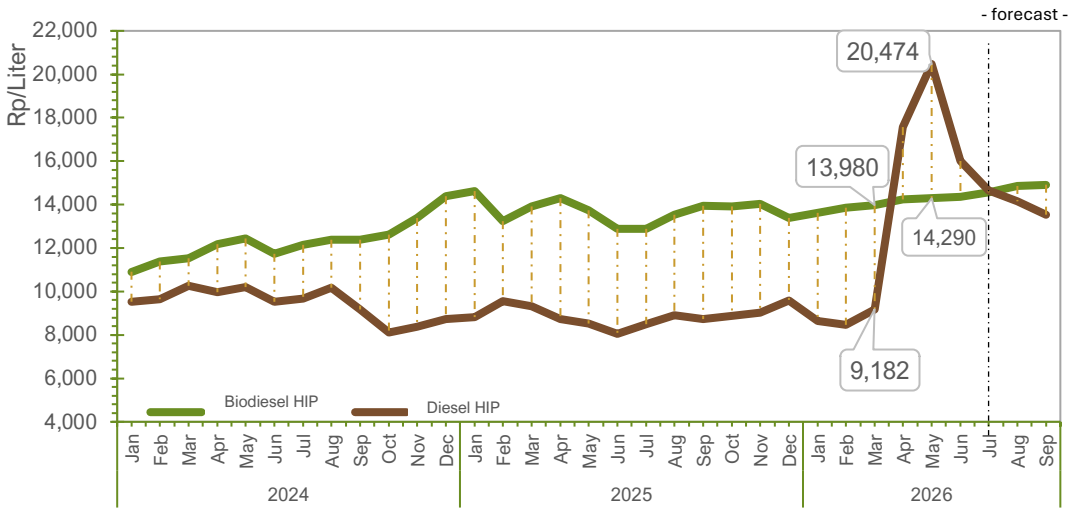

Figure 27. Projections for Biodiesel HIP, Diesel HIP, and Incentive Gap for Q3 2026
Source: Analysis by IPOSS (2026b) based on ESDM, BPDP, CPO KPBN, and EIA STEO June 2026 data

Based on the projections, the difference between the HIP for biodiesel and the HIP for diesel in Q3 2026 narrowed quite sharply compared to normal conditions. In July 2026, the HIP for diesel is projected to be Rp14,657/liter, slightly higher than the HIP for biodiesel at Rp14,563/liter. Consequently, the difference becomes negative at approximately Rp94/liter, meaning the incentive requirement for that month is zero. This situation indicates that when fossil diesel prices rise significantly, biodiesel no longer requires a price gap payment for that month.

Entering August and September 2026, the HIP for diesel begins to decline in line with the projected flattening of Brent prices. In August 2026, the HIP for diesel is projected at Rp14,140/liter, while the HIP for biodiesel is projected at Rp14,865/liter, resulting in a positive incentive gap of Rp725/liter. In September 2026, the HIP for Diesel is expected to decline further to Rp13,528/liter, while the HIP for Biodiesel is projected to rise to Rp14,907/liter, causing the incentive gap to widen to Rp1,379/liter.

Table 5. Projections for Biodiesel HIP, Diesel HIP, and Incentives for Q3 2026

Month	Brent (USD/ bbl)	Diesel HIP (Rp/L)	Biodiesel HIP (Rp/L)	Gap Between Biodiesel HIP and Diesel HIP (Rp/L)	Incentive (Rp/L)
July 2026	105	14,657	14,563	-94	0
August 2026	100	14,140	14,865	725	725
September 2026	95	13,528	14,907	1,379	1,379

Source: Analysis by IPOSS

Assuming that the volume of government-subsidized biodiesel in Q3 2026 is 4.9 million kL, the funding requirement to cover the price difference can be calculated by multiplying the biodiesel volume by the incentive amount per liter. If this volume is distributed evenly over three months, the monthly funding volume is approximately 1.63 million kL, or the equivalent of 1.63 billion liters.

Based on this assumption, the price gap payment requirement for July 2026 is estimated to be zero, since the HIP for diesel is higher

than the HIP for biodiesel. In August 2026, with an incentive of Rp725 per liter, the funding requirement is estimated to be approximately Rp1.18 trillion. In September 2026, with an incentive of Rp1,379 per liter, the financing requirement increases to approximately Rp2.25 trillion. Thus, the total financing requirement for the biodiesel price gap in Q3 2026 is estimated at approximately Rp3.44 trillion.

Table 6. Simulation of B50 Biodiesel Financing Costs for Q3 2026

Month	Volume of Subsidized Biodiesel (million kL)	Incentive (Rp/L)	Estimated Financing Costs (Rp trillion)
Juli 2026	1.63	0	0 triliun
Agustus 2026	1.63	725	1.18 triliun
September 2026	1.63	1,379	2.25 triliun
Total Q3 2026	**4.90**	**702**	**3.44 triliun**

Source: Analysis by IPOSS

This simulation shows that the financial burden of the B50 program in Q3 2026 is relatively more manageable compared to a scenario where the spread between the HIP for biodiesel and the HIP for diesel is at a wider, normal level. The rise in crude oil prices and the HIP for diesel in the first half of 2026 caused the price spread between biodiesel and diesel to narrow. In fact, by July 2026, the need for incentives drops to zero because the HIP for diesel is slightly above the HIP for biodiesel. Consequently, the pressure on the palm oil fund during the initial implementation of B50 is alleviated in terms of covering the price gap.

However, this situation does not mean that the financing risks associated with B50 have disappeared. When crude oil prices begin to fall, the HIP for diesel will also decline more rapidly than the HIP for biodiesel. This is evident in August and September 2026, when the incentive gap turns positive again and financing needs begin to rise. Consequently, the sustainability of B50 financing remains highly sensitive to changes in crude oil prices, exchange rates, CPO prices, and the applicable HIP formula.

From a strategic perspective, Q3 2026 presents an unusual combination. On one hand, the CPO Reference Price, Export Levy, and Export Duty increased due to tightening palm oil supply. On the other hand, the biodiesel incentive burden was relatively lower

because the HIP for Diesel also rose due to global energy price pressures. These conditions provide better fiscal space for managing palm oil funds in Q3 2026, but caution is still warranted because a decline in oil prices could once again widen the HIP gap between biodiesel and diesel in the subsequent period.

Overall, the outlook for the B50 program's financial burden in Q3 2026 indicates that funding requirements are determined not only by the volume of biodiesel distributed but also by the dynamics of the price gap between biodiesel and diesel. With a funding volume of approximately 4.9 million kL, every Rp100/liter change in the HIP gap can alter funding requirements by approximately Rp490 billion for a single quarter. Therefore, the management of the B50 program must simultaneously monitor developments in CPO prices, crude oil prices, the rupiah exchange rate, biodiesel volume, and the availability of palm oil funds derived from the Export Levy.

7.4. The Challenges of Implementing B50 and the Transformation of Palm Oil's Role in Energy Security

The implementation of B50 in July 2026 will be one of the key changes in the structure of domestic CPO consumption. The additional demand of approximately 1.7 million MTs of CPO to support the increased biodiesel blend will expand the share of domestic consumption in the national palm oil balance (Indonesian Palm Oil Association (IPOA), 2026a). This change means that the allocation of CPO among energy, food, oleochemicals, exports, and stockpiles must be monitored more closely in the second half of 2026. Given that it is in the early implementation phase, B50 will be one of the key factors determining the balance of the national palm oil balance sheet.

Attention to B50 is becoming increasingly important because its initial implementation phase is likely to occur as the balance sheet begins to tighten. Monthly data for 2026 show that exports have been fluctuating: after declining in March, exports rose briefly in April, weakened again in May, and recovered only slightly in June. Entering July, pressure on the balance became more apparent as biodiesel demand increased, while production and export capacity were at lower levels than in the previous month. Under these conditions, the additional demand for

biodiesel must be met as export capacity and stockpiles become increasingly limited.

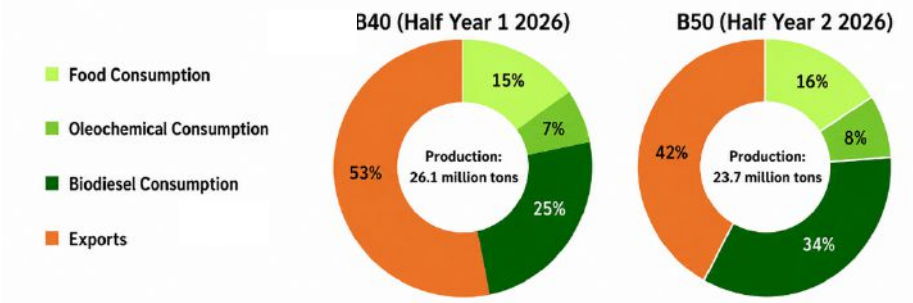

Figure 28. Changes in the Composition of the National CPO Allocation for 2026: The B40 and B50 Scenarios
Source: Ditjenbun (2025), BPS (2025b), reprocessed by IPOSS

Figure 28 shows that the B50 scenario begins to shift the composition of national CPO use in Q3 2026. The increase in biodiesel demand boosts domestic consumption, while export capacity and stocks become more limited. These changes must be interpreted in conjunction with production conditions. In the attached data, the B50 scenario for the second half of 2026 is also accompanied by lower production compared to the B40 period in the first half of 2026, resulting in pressure on exports from two fronts: rising domestic demand and tighter supply.

Pressure on export capacity is important because export volumes determine Export Levy revenue. When export availability declines, the revenue pool to support palm oil programs may also shrink. At the same time, B50 requires larger funding if the biodiesel and diesel price gap widens. Therefore, the B50 issue is not only about CPO sufficiency, but also about maintaining export capacity as a key funding pillar for BPDP.

In this context, productivity is essential. Additional CPO demand for biodiesel cannot continue to be met by reducing exports or drawing down stocks. Supply must increase so domestic energy needs can be met while maintaining export capacity for Export Levy revenue. PSR, high yielding seeds, better cultivation practices, and farmer assistance are key pathways to raise production without expanding plantation areas.

Box 2. Simulation of B50 Program Resilience Based on the Availability of Production and Exports to Support Program Financing

This simulation shows that the sustainability of the B50 Biodiesel Program is significantly influenced by the ability of BPDP funds to cover the price difference between the Biodiesel Market Price Index (Biodiesel HIP) and the Diesel Market Price Index (Diesel HIP). Whether the Market Price Index (HIP) gap widens or narrows is a key factor determining the program's funding requirements. In general, the HIP for biodiesel tends to be higher than that for diesel, especially when CPO prices rise. This causes the price gap to widen, as seen in the 2024–2025 period, when the average gap increased from approximately Rp2,842/liter in 2024 to approximately Rp4,812/liter in 2025 (see Figure 27).

In the implementation of B50, the dynamics of this price gap become even more important. As biodiesel volume increases and the HIP gap widens, financing needs also rise. These needs are heavily dependent on revenue from the Export Levy on CPO and its derivatives; thus, the program's sustainability is determined not only by biodiesel distribution but also by sufficient CPO production and export capacity.

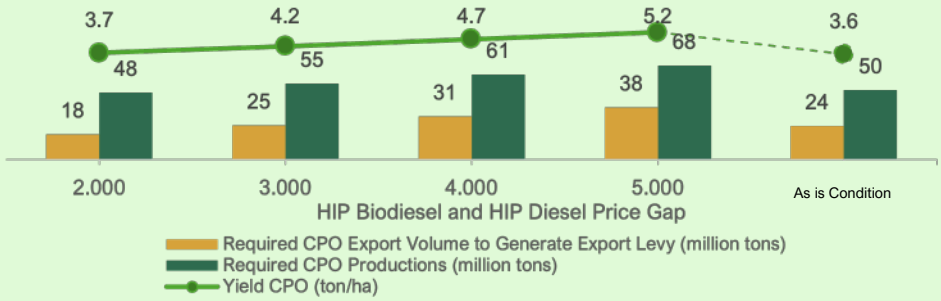

Figure 29. Simulation of CPO Production and Export Requirements to Cover the Costs of the B50 Biodiesel Program on 16.8 million hectares of oil palm plantations
Source: Analysis by IPOSS

Figure 29 shows that at a HIP gap of Rp3,000/liter, export demand is approximately 25 million MTs, production is 55 million MTs, and productivity is 4.2 MTs of CPO/ha. If the gap rises to Rp5,000/liter, exports increase to 38 million MTs, production to 68 million MTs, and productivity to 5.2 MTs of CPO/ha. Currently, export demand stands at approximately 24 million MTs, production at 50 million MTs, and productivity at 3.6 MTs of CPO per hectare.

This means that the larger the HIP gap, the greater the pressure on production. In this context, the implementation of B50 will face two major challenges simultaneously: the need to meet production targets for export allocations related to export levies, and the need to ensure that production for food and oleochemical allocations remains uninterrupted alongside the B50 allocation itself.

With the current oil palm area at approximately 16.8 million hectares, increasing productivity will be key to the success of the B50 program. Without it, the capacity to meet the program's needs, both in terms of raw material allocation and financing will become increasingly limited.

A simulation of the gap between HIP Biodiesel and HIP Diesel can be used to assess the resilience of the B50 program against price fluctuations. When the gap widens, the need for price gap payments increases, which also raises the need for support from export levies. Conversely, when diesel prices rise and move closer to HIP Biodiesel, the pressure to cover the price difference may decline, although other risks, such as logistics costs and energy inflation, still need to be considered. In this way, the simulation not only assesses the need for incentives, but also illustrates the relationship between energy prices, CPO supply, export capacity, and the financial sustainability of the program.

The impact on smallholders also warrants attention. Increased domestic absorption can sustain CPO demand, but the benefits at the upstream level depend on price transmission, plantation productivity, smallholders' access to formal supply chains, and the sustainability of support programs. If supply tightens and incentive costs rise, the impact on fresh fruit bunch (FFB) prices and smallholders' positions must be carefully assessed. Measures of B50's success must include price stability and the position of smallholders, in addition to the actual distribution of biodiesel itself.

Policy options need to be prepared in case CPO supply or biodiesel financing comes under pressure. The first option is to adjust the biodiesel blend ratio based on raw material availability, ensuring that B50 implementation remains aligned with CPO supply capacity, stockpiles, and export capacity. This option could draw on Thailand's practice of adjusting biodiesel blend ratios, where the biodiesel blend level can vary according to supply conditions, palm oil stockpiles, and biofuel costs (USDA, 2024). The second option is to regulate the volume of biodiesel eligible for incentives, particularly when the price gap between biodiesel and diesel widens and payment requirements increase. This regulation is essential to ensure that financial support is prioritized for the most strategic volumes, without allowing the incentive burden to rise too rapidly when funding capacity is limited. The third option is to restructure the allocation of price gap payments so that the financial burden does not fall solely on a single funding source. This restructuring is necessary to maintain the program's financial

sustainability, particularly when payment needs rise while revenue from export levies may shrink due to more limited export opportunities. These three options must still be accompanied by efforts to accelerate upstream productivity through the PSR program, high-quality seeds, improved cultivation practices, and farmer assistance. With this combination, the biodiesel mandate can continue without placing excessive pressure on CPO supply, export capacity, financing, and the position of palm oil farmers.

The outlook for B50 in the second half of 2026 will be largely determined by the balance between energy demand and national CPO supply capacity. Policy focus should be directed toward regularly monitoring the CPO balance sheet, accelerating productivity through PSR, strengthening biodiesel financing, and managing risks related to export opportunities and prices. If the initial phase of B50 coincides with a decline in production and exports, Q3 2026 could be a critical period for testing the resilience of the national palm oil balance. B50 can strengthen energy security, provided its implementation maintains a balance among supply, exports, financing, and the position of palm oil farmers.

7.5. Palm Oil Institutional Governance: Supply Chain Data and the Need for Cross Sector Coordination

In practice, the impact of a palm oil policy rarely is limited to its primary target sector. Energy policies can affect CPO demand, export opportunities, financing, and the position of smallholders. Downstream policies require certainty regarding the supply of raw materials from upstream. Sustainability policies require data on legality, certification, and traceability. Productivity policies require data on land, smallholders, crop age, financing, and program access. Therefore, the palm oil sector must be viewed as a single, interconnected supply chain from upstream to downstream.

The challenge is that the data needed to analyze this supply chain is scattered across numerous ministries/agencies (M/A) and local governments. Data on land, regions, production, industry, trade, exports, levies, taxation, government revenue, smallholder programs, and certification is managed according to the

respective authorities of each sector. This situation is understandable, as each institution has its own mandate and functions. However, when a policy requires cross-sectoral coordination, this scattered data is not always easy to interpret as a single industrial chain. Consequently, a policy may be appropriate for one sector but may not adequately reflect its impact on other sectors.

The Central Statistics Agency (BPS) plays a crucial role in providing national statistical data. BPS data helps track aggregate developments in the palm oil sector, particularly in understanding the big picture of production, trade, industry, and other economic indicators. However, many policy decisions require more detailed data, such as data on permits, legal compliance, transactions, oversight, customs, levies, taxation, and data at the individual smallholder level. Such data resides within the institutions that hold the relevant authority and is managed within sectoral administrative systems. Palm oil policy requires a bridge between national statistics and more detailed sectoral data so that the agendas of productivity, downstream processing, bioenergy, government revenue, and sustainability can be analyzed in tandem.

One of the clearest examples is seen in the issue of land and oil palm legality within forest areas. A plantation may be registered as a producing oil palm plantation, have a business operator or smallholder, and in some cases possess the necessary permits or land tenure. At the same time, parts of the area may still be classified as forest land in official records, thus requiring resolution of the land status. This discrepancy arises because each ministry and agency operates based on different mandates and data sources. The impact is felt directly by farmers: land tenure that is not yet clean and clear can slow access to the STDB, PSR, infrastructure assistance, financing, certification, or traceability. In the long term, this means that productivity improvement programs may progress more slowly than on-the-ground needs require.

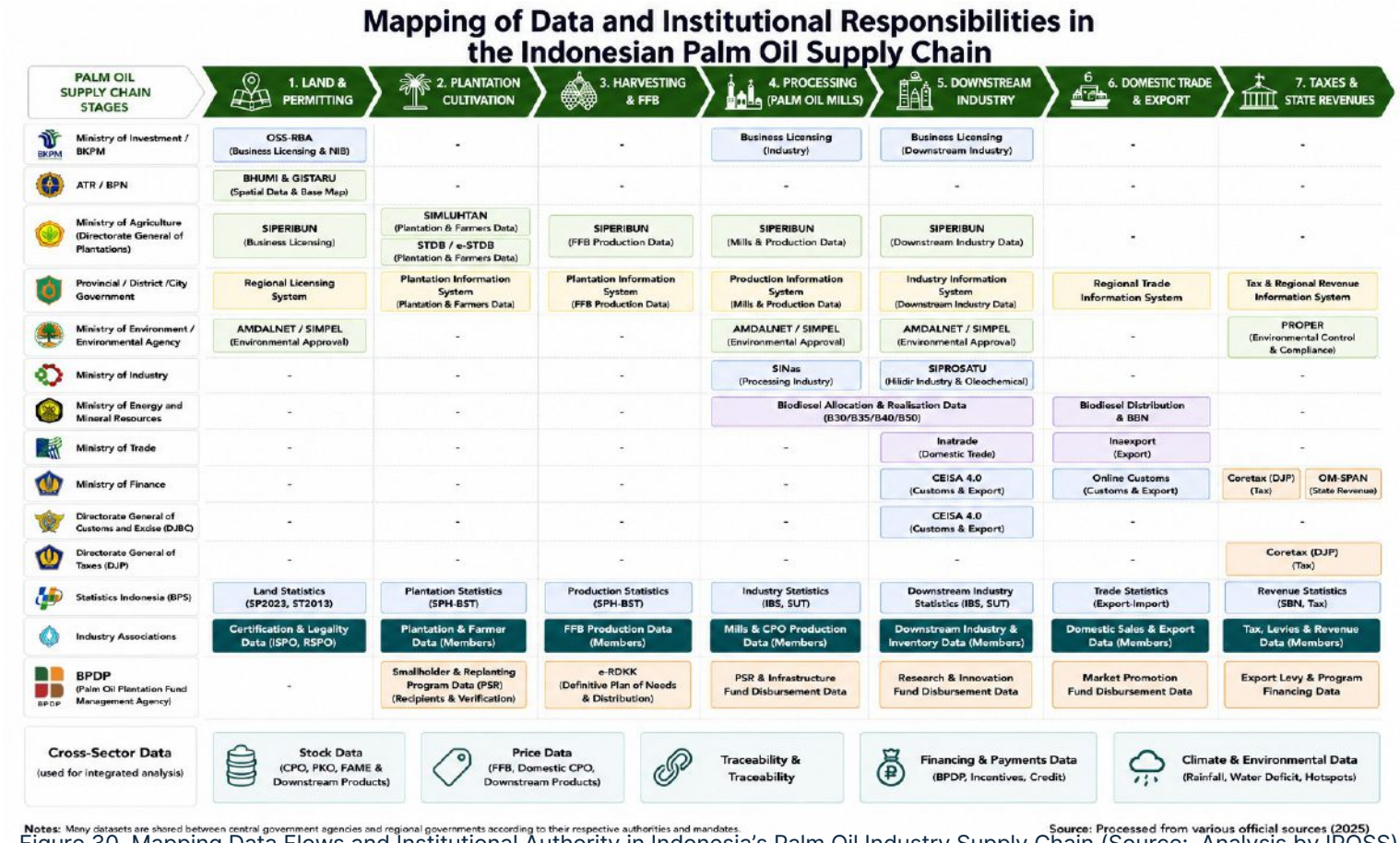

Figure 30. Mapping Data Flows and Institutional Authority in Indonesia's Palm Oil Industry Supply Chain (Source: Analysis by IPOSS)

From a reporting perspective, unlinked data also increases the administrative burden. Businesses and farmers may be required to submit data to various agencies with different definitions, formats, and reporting periods. The same objects, including land, plantations, mills, production, goods flows, trade volumes, transaction values, levies, and taxes, may be recorded using references that are not always consistent. A large volume of data requests does not automatically produce a palm oil database that is ready for integrated analysis.

Therefore, strengthening palm oil governance requires consolidating data, standardizing references, and assessing the cross-sectoral impacts of policies. Data integration must include aligning definitions, using consistent object references, standardizing formats, ensuring system interoperability, synchronizing central and regional data, and establishing secure and accountable data exchange mechanisms. The goal is not merely to collect data from multiple sources, but to ensure that this data can be used to understand the relationships between different parts of the supply chain. Connected data will help the government assess the impact of palm oil policies more comprehensively.

At this point, the need for a palm oil coordination function becomes increasingly relevant. This function is necessary because many palm oil initiatives fall within the overlapping jurisdictions of various ministries/agencies and local governments. This coordination does not need to usurp sectoral authority but must ensure that policies, programs, data, and implementation tools move in the same direction. In essence, palm oil governance requires a coordination hub capable of linking the authorities of various ministries and agencies so that policies do not operate in isolation.

Connected data remains one of the key functions of this coordination. However, its purpose goes beyond simply building a database. Data is needed to assess policy impacts, identify implementation barriers, align references across sectors, and support problem solving on the ground. With stronger

coordination, various palm oil agendas, including productivity, land legality, downstream processing, bioenergy, traceability, trade, government revenue, and the position of smallholders, can be managed as part of a single and interconnected policy framework.

To conclude this section on the Palm Oil Industry Perspective, the issues of data and coordination are critical because all strategic palm oil agendas are moving toward greater interdependence. Productivity, downstream processing, bioenergy, traceability, sustainability, government revenue, and global competitiveness all require a consistent information foundation. The palm oil industry operates as a single supply chain, yet its data, programs, and authorities remain scattered across various institutions. Strengthening data integration and cross-sector coordination is a vital foundation for improving the quality of Indonesia's palm oil policies in the future.

CHAPTER 8. CONCLUSION

The Q3 2026 Palm Oil Industry Outlook indicates that the national palm oil industry is entering an increasingly complex period, marked by the convergence of production pressures, rising domestic consumption, shrinking export opportunities, low stock levels, and rising CPO prices. These dynamics demonstrate that Indonesia's palm oil market can no longer be assessed solely through the lens of exports but must be understood as a supply-demand system increasingly influenced by domestic demand, particularly through the implementation of the B50 biodiesel mandate.

On the supply side, Q3 2026 production is projected to decline compared to the same period last year. This decline is primarily linked to climatic conditions and monthly production patterns. Although cumulative national production remains within historical ranges, the decline in Q3 remains a concern as it occurs at a time when domestic consumption is rising significantly.

On the demand side, domestic palm oil consumption has shown strong growth, primarily due to the implementation of the B50 mandate on July 1, 2026. CPO absorption for biodiesel has become the primary factor reshaping the structure of national palm oil usage. Under these conditions, the domestic market is increasingly serving as the primary absorber of production, while exports act as an adjustment variable to maintain the balance of the supply-demand equation.

The decline in exports during Q3 2026 should be understood as a consequence of tightening supply, not merely as a weakening of global demand. As production is adjusted downward, domestic consumption rises, and inventories remain at low levels, the scope for exports becomes increasingly limited. This indicates that national palm oil exports in Q3 2026 are in a more selective phase and are heavily influenced by the priority of meeting domestic needs.

National palm oil stocks are also a key indicator for assessing market conditions. Although stocks improved briefly in Q2 2026, stock levels in Q3 2026 remain historically low. These conditions make the market more sensitive to changes in production, consumption, and exports. With limited stocks, any disruption to supply or increase in demand can more quickly translate into price pressure.

On the price front, the outlook points to a trend of rising global and domestic CPO prices. This upward trend is driven by tight supply, rising domestic consumption, and low stock levels. Price movements are then reflected in the CPO Reference Price, which serves as the basis for setting the Export Levy and Export Duty. Consequently, price increases impact not only market participants but also the structure of export costs and palm oil fiscal policy.

In Q3 2026, the Export Levy and Export Duty are projected to remain at relatively high levels in line with the rise in the Reference Price. Changes in export duty rates during this period further intensify pressure on export costs. Overall, export levies and duties have a tangible impact on netback prices, export behavior, and price formation throughout the supply chain. However, these dynamics should be viewed as part of the broader palm oil balance system, rather than as a single, isolated factor.

From the perspective of the biodiesel program, the implementation of B50 is one of the most decisive factors in the Q3 2026 outlook. Increased CPO absorption for biodiesel strengthens the domestic role in the palm oil industry. However, it should be noted that this outlook is still short-term in nature and only maps conditions over a three-month period. Therefore, a comprehensive assessment of the sustainability of the biodiesel program cannot yet be conducted at this stage. Nevertheless, the analysis presented provides an initial picture of the direction of future developments, particularly regarding financing needs, the difference between the HIP for Biodiesel and the HIP for Diesel, and the resilience of palm oil funds in supporting the B50 program.

Beyond the dynamics of the B50 program, this outlook also underscores that improving smallholder oil palm productivity is a strategic priority that cannot be postponed. As land expansion becomes increasingly limited, production growth must rely on intensification, the use of certified high-yielding seeds, improvements in smallholder plantation management, and the acceleration of PSR. Thus, Chapter 6 of this outlook not only addresses the issue of PSR but also positions it as part of the outlook for smallholder oil palm productivity to meet long-term supply needs.

From a policy and governance perspective, Q3 2026 also highlights the importance of maintaining a balance between domestic stability and global competitiveness. Policies regarding the Domestic Market Obligation (DMO) for cooking oil, export regulations, preparedness for the EUDR, and plans to establish a state-owned export enterprise must be managed carefully to avoid creating new barriers in the supply chain. At the same time, the need for data integration and coordination across sectors is becoming increasingly urgent, given that many palm oil issues, including land legality, PSR, traceability, exports, levies, and sustainability, fall under the overlapping jurisdictions of multiple agencies.

Strategically, Q3 2026 indicates that the palm oil industry's main challenges lie not only in production capacity but also in the ability to manage allocation. Domestic demand, exports, stock, prices, levies, biodiesel financing, productivity, and sustainability must be managed simultaneously. In a tight supply situation, decisions regarding one aspect can directly impact others.

Therefore, the future direction of palm oil industry policy must prioritize productivity improvements, strengthening supply chain data, streamlining coordination, and balancing the management of domestic and export markets as key priorities. While prioritizing domestic needs is crucial for maintaining energy and food stability, export competitiveness must still be maintained. Exports remain a

source of foreign exchange, tax revenue, and a pillar of Indonesia's position in the global vegetable oil market.

Overall, the Q3 2026 Palm Oil Industry Outlook confirms that Indonesia's palm oil industry is entering a new phase. In this phase, the domestic market is becoming increasingly dominant in shaping the industry's direction. The B50 mandate strengthens the domestic market's role as an absorber of production, but at the same time demands a more robust supply, higher productivity, more secure stockpiles, more sustainable financing, and more integrated governance. With proper management, the pressures of this period can serve as momentum to strengthen the foundations of the national palm oil industry, moving toward a system that is more resilient, productive, competitive, and sustainable.

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