



Voluntary Report - public distribution

Date: 11/8/2002

GAIN Report #ID2028

Indonesia

Grain and Feed

Rice Update (September 2002 - revised)

2002

Approved by:

Charles T. Alexander

U.S. Embassy, Jakarta

Prepared by:

Anita Katial-Zemany/Ninieck S. Alam

Report Highlights:

Post revised Indonesia's total rice imports upward from the previous estimate to 2.0 MMT in MY2001 and 2.5 MMT for MY2002. Indonesia's domestic milled rice production is forecast to inch up to 33,089,000 MT for MY2002, compared to 32,960,000 MT for MY2001, as a result of improving milling rates. The Ministry of Agriculture has proposed to increase import tariffs on rice to Rp. 735/kg (51 percent) from Rp. 430/kg (30 percent), in an effort to protect farmers, by discouraging imports, and increasing domestic production and farmgate prices.

Executive Summary

Production, Supply and Demand Table

PSD Table						
Country:	Indonesia					
Commodity:	Rice, Milled				Unit: 1,000 MT	
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	11600	11790	11500	11600	11500	11500
Beginning Stocks	6373	6586	4544	4886	3858	3483
Milled Production	32548	32800	32422	32960	32500	33089
Rough Production	51500	51899	51301	51500	51424	51301
Milling Rate(.9999)	6320	6320	6320	6400	6320	6450
TOTAL Imports	1500	1500	3250	2000	3250	2500
Jan-Dec Imports	1500	1500	3250	2000	3250	2500
Jan-Dec Import U.S.	20	180	0	178	0	100
TOTAL SUPPLY	40421	40886	40216	39846	39608	39072
TOTAL Exports	0	0	0	3	0	0
Jan-Dec Exports	0	0	0	3	0	0
TOTAL Dom. Consumption	35877	36000	36358	36360	36790	36200
Ending Stocks	4544	4886	3858	3483	2818	2872
TOTAL DISTRIBUTION	40421	40886	40216	39846	39608	39072

Note: Unit in 1,000 HA and 1,000 MT.

Data in the "Old" column reflects FAS/W data. For Post's previous PS&D refer to report ID2003.

Production

The total area planted to rice (particularly in Java) declined slightly from 11.6 million ha in MY2001 to 11.5 million ha in MY2002, due to shifts in the use of land for to non-agricultural projects such as developments of residential construction, industrial sites and even golf courses. Soil conditions outside of the Island of Java are less suitable for rice production. Rice production on Java contributes over 55 percent of Indonesia's total rice production. According to a Central Statistics Agency (BPS Statistics Indonesia) report, nearly 90 percent of Indonesia's total rice area have irrigation facilities, while the remaining 10 percent rely on rain-fed production.

Indonesia has three main rice harvesting periods. The first, between April and May (however

this may vary year-to-year with changes in weather conditions), contributes approximately 60 percent of total annual production; the second harvest falls between the months of July and August, and accounts for 30 percent of production; and, the third harvest is between December and January, and accounts for the remaining 10 percent. Rice production for MY2001 is estimated at 51.5 MMT or 32,960 TMT on a milled basis and 51.3 MMT or 33,089 TMT on a milled basis in MY2002. Based on information from industry sources, the milling rates are improving from previous level of 63.2 percent to 64 percent in 2001 and 64.5 percent in 2002, depending on the quality of the rough rice being milled.

At this point weather conditions and possible El-Nino effects are not expected to have significant impact on Indonesia's rice production. But this may have to be revisited if November rain levels are substantially below normal. Due to high prices, the use of commercial seeds are relatively low. Farmers usually use rice kernels from their harvest as seeds for planting in the following season. Input prices, such as fertilizer and pesticide are too expensive for farmers, which result in insufficient applications. The average yields for rice throughout the country remain low, between 4.0 - 4.5 MT/ha.

Consumption

Rice consumption remains stable, reflecting an increase in population and slight shifts in diet patterns to wheat-based products such as noodle and bread. Post estimates rice consumption at 36.4 MMT in MY2001 and 36.2 MMT in MY2002. This is equivalent to approximately 164 kg/per capita per year.

The GOI through the National Logistics Agency (Bulog) distributes rice under special program of "Rice for the Poor", which allows poverty stricken families to purchase 20 kilogram/family of rice per month at a subsidized price of Rp. 1,000/kg. Based on market price of Rp. 2,840/kg, the GOI subsidy is Rp. 1,840/kg. This program is targeted to distribute subsidized rice to 9.8 million eligible families in 2002 (cost at Rp. 4.7 trillion equivalent US\$ 528.1 million) but will be cut to 9.2 million families (Rp. 4.2 trillion equivalent to US\$ 471.9 million) in 2003 due to a reduction in the total subsidy and anticipated higher rice prices. The price of the subsidized rice will be increased to Rp. 1,250/kg in 2003 - based on an estimated rice price of Rp. 3,432/kg, the GOI subsidy will increase to Rp. 2,182/kg. In addition, Bulog provides rice rations to the Indonesian military and police personnel. Bulog's total monthly distribution under these programs is 250,000 MT/month or 3 MMT per year.

Trade

Rice imports are carried out by both the private sector and Bulog. Based on information from trade contacts, private imports of rice are approximately 400,000 MT/annum and smuggled rice is about 600,000 MT. By the end of MY2001, Bulog's imports are estimated to reach 1.0 MMT which made total imports to 2.0 MMT. As rice production is unlikely to decline as badly as it was anticipated that El Nino might cause, it is expected that Bulog can maintain imports around 1.0 MMT in MY02. Other factor that is considered to limit Bulog's imports is that some contracts are carried over to MY2002. Since the GOI plans to increase tariff on imported rice, smuggled rice will continue. Thus, Post estimates total Indonesian imports of rice (Bulog,

private and smuggled) for MY2002 increase to 2.5 MMT. Imports by Bulog are made via government-to-government agreements through counter trade and/or barter trade schemes.

Recent plans for Bulog's barter deal with Thailand for 200,000 MT of Thai rice, has been delayed until 2003. The two countries signed an MOU earlier this year agreeing to an approximately \$40 million barter deal—200,000 MT of Thai rice for an Indonesian CN-235 aircraft, 122 train car units and ammonia for production of fertilizer. Delays were due to Thailand's demands for condition upgrades for the CN-235 aircraft. Bulog had another MOU with the Government of Cambodia, which was canceled, as the GOI said the price demanded for Cambodian rice was too high. The GOI hasn't shared the specifics of the canceled deal.

Indonesia imports of rice are sourced from Thailand with a market share of 30 percent from total rice imports, Vietnam (27 percent), India (16 percent), and Myanmar (10 percent).

Stocks

Bulog's goal is to hold stocks equivalent to six months of their distribution requirements, approximately 1.5 MMT. Most of the national rice stocks are held in Bulog's warehouses, which have a total capacity of 4.0 MMT. Traders may hold nominal stocks, as operational costs are high. Post estimates ending stocks (Bulog and private sectors) of MY2001 at 3.48 MMT and forecasts a decline to 2.87 MMT for MY2002, as Bulog plans to reduce rice distribution for the poor.

Prices

CURRENT RICE PRICES

COUNTRY OF ORIGIN	CNF Prices (in US \$/MT)	Retail Prices (in Rupiah/Kg)
United States	no commercial trade	-----
India (25% broken)	US\$ 150	Rp. 2,550
China	not available	not available
Pakistan (25% broken)	US\$ 170	not available
Thailand	US\$ 180 (25% broken) US\$ 205 (5% broken)	Rp. 4,780 Rp. 6,300
Vietnam	US\$ 180 (25% broken) US\$ 205 (5% broken)	Rp. 2,800
Indonesia (Local Variety)	-----	Rp. 2,970 - Rp. 5,000

*Source: FAS/Jakarta industry sources.

Policy

The Minister of Agriculture has proposed an increase in the import tariff for rice from Rp. 430/kg

(equivalent to 30%) to Rp. 735/kg (equivalent to 51%), in order to protect farmers against competition and imported rice that is being dumped from India. The WTO bound rate is 160 percent until 2004. The Minister of Agriculture has also proposed a 16 percent increase in the floor price for unhusked rice (i.e., price received by farmers), from Rp. 1,500/kg to Rp. 1,746/kg; and, a new fertilizer subsidy which would reduce the urea-based fertilizer price 18 percent from Rp.1,400/kg to Rp. 1,150/kg. These proposals are defended as necessary to protect farmers against competition and imported rice that is being dumped by India. Clearly, they are intended to limit imports and raised prices. Post expects the proposals to be modified substantially before they are approved by the President. If enacted, we predict a substantial increase in smuggling.

Effective May 2002, rice imports can only be carried out by importers registered with the Ministry of Industry and Trade with special import licences called NPIK-Nomor Pengenal Import Khusus. Rice imports are subject to comprehensive inspections through a "red line" which requires intensive physical inspections at discharging ports. This too has increased technical smuggling such as under invoicing and falsification of import documentation. While the GOI recognizes these problems, solutions are scarce.

Exchange rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8370	8891	9483	9524	9385
2001	9488	9914	10460	12117	11423	11436	9744	9045	9696	10358	10476	10450
2002	10383	10222	9655	9316	8785	8730	9108	8867	8999			

Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper.

Note: - March 2002 exchange rate is quoted for March 28, 2002
 - June 2002 exchange rate is quoted for June 28, 2002
 - September 2002 exchange rate is quoted for September 19, 2002
 - BPS data available up to Feb 2002