



Voluntary Report - public distribution

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GAIN Report #ID3002

Indonesia

Grain and Feed

Rice Update - January 2003

2003

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Report Highlights:

Total rice import estimate (including smuggled rice) is increased to 3.2 MMT as traders stepped up activity in anticipation of a higher import duty in 2003. Imports for MY2003 are estimated to decline to 3.0 MMT due to the expected higher duty and projected increase in local procurement by BULOG. The late onset of traditional October/November rains delayed the third planting season by one to two months. Rainfall remains scattered with increasing dryness in some areas that could affect production. The estimate for milled rice production for MY2001 remains unchanged at 32.96 MMT and 33.09 MMT for MY2002.

Executive Summary

Production**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	11790	11790	11600	11600	11500	11500
Beginning Stocks	6373	6586	4796	4886	4898	4683
Milled Production	32800	32800	32960	32960	32832	33089
Rough Production	51899	51899	51500	51500	51300	51301
Milling Rate(.9999)	6320	6320	6400	6400	6400	6450
TOTAL Imports	1500	1500	3500	3200	3250	3000
Jan-Dec Imports	1500	1500	3500	3200	3250	3000
Jan-Dec Import U.S.	180	180	0	178	0	100
TOTAL SUPPLY	40673	40886	41256	41046	40980	40772
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	36500
Ending Stocks	4796	4886	4898	4683	4190	4272
TOTAL DISTRIBUTION	40673	40886	41256	41046	40980	40772

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 ID2028.

The delayed onset of the seasonal October/November rains forced farmers in major rice producing areas to delay planting one to two months. The harvest from this minor crop that usually takes place in December was pushed back into the new marketing year. Post retains its previous estimate of rice production at 51.5 MMT rough or 32.96 MMT milled basis in MY2001 and 51.3 MMT or 33.09 MMT milled for MY2002.

The GOI is considering increasing the import duty for rice from Rp. 430/kg to Rp. 510/kg to protect against imported rice. Planting short duration rice varieties and opening rice fields in marginal areas is also being encouraged. According to the Meteorology and Geophysics Agency (BMG-Badan Meteorologi dan Geofisika) the rainy season for 2003 in Indonesia is expected to result in normal rainfall patterns. The latest assessment of total rice harvested area is estimated at 11.6 million ha for MY2001, but it forecast to decline to 11.5 million ha for MY2002,

reflecting an increase in the cost of production and continuing shift in land utilization.

Higher utility and fuel prices, effective January 1, 2003, has resulted in increased costs of rice production. Overall high inflation rates (10.03 percent for 2002) has also put additional pressure on farmers. Aiming to improve farmers' welfare, in addition to increasing rice floor prices, the GOI has proposed subsidizing fertilizer sales. (See Policy).

Consumption

Post estimates rice consumption at 36.4 MMT in MY2001, with a slight increase to 36.5 MMT (up from previous estimate of 36.2 MMT) expected in MY2002.

Trade

Based on the latest assessment of government and trade contacts, Post revised total rice imports estimate for MY2001 to 3.2 MMT. From this quantity, BULOG's imports account for around 1.0 MMT and private traders at 1.5 MMT. Smuggled rice is estimated at nearly 700,000 MT with 100,000 of that going into Java and around 600,000 MT to the other islands.

Presently, BULOG plans to import around 800,000 MT of rice in 2003, including 200,000 MT carry over from 2002, which is expected to arrive in January/February 2003. Contracts of 600,000 MT have been made with China, Thailand, and Vietnam for deliveries in June/July.

Stocks

As of early January 2003 status of BULOG's stocks were at 1.6 MMT, sufficient for approximately eight months of their distribution requirements. Post adjusted the ending stock estimates (BULOG and private sector) to 4.7 MMT in MY2001 and 4.3 MMT for MY2002.

Prices

Wholesale prices for local rice in Jakarta market have reportedly increased from Rp. 2,400/kg in December to Rp. 2,500/kg in January (IR-III) and from Rp. 2,500/kg to Rp. 2,600/kg for IR-II rice variety. Average retail prices (nationwide) for medium quality local rice variety increased from Rp. 2,799/kg in December to Rp. 2,849/kg in Mid-January.

Policy

Aimed at maintaining parity with rising costs of production, the GOI increased floor prices for dry paddy rice by 14 percent - from Rp. 1,519/kg to Rp. 1,725/kg at the BULOG warehouse. The rice quality must meet established standards or the purchase price is lowered according to a set conversion table. The purchase price for milled rice was increased 13 percent from Rp. 2,470/kg to Rp. 2,790/kg. The new floor prices were issued in a Presidential Instruction (Inpres) No. 9/2002, dated December 31, 2002 and were effective January 1, 2003 .

The Ministry of Agriculture has proposed that the import tariff for rice be increased from Rp.

430/kg (equivalent to 30%) to Rp. 510/kg (equivalent to 36%). While some action is expected soon, no official announcement has yet been made.

A fertilizer subsidy of Rp. 1.3 trillion (US\$ 146.7 million at current exchange rates Rp. 8860/US\$1) is also proposed for 2003. This would cover Rp. 1.1 trillion (US\$ 124.2 million) for Urea, Rp. 104.7 billion (US\$ 11.8 million) for ZA, Rp. 95.9 million (US\$ 10.8 thousand) for SP phosphate fertilizer, and Rp. 28.3 million (US\$ 3.2 thousand) for NPK compound fertilizer. The subsidy has been calculated to reduce fertilizer ceiling retail prices by an average of 18 percent from Rp.1,400/kg to Rp. 1,150/kg (for Urea), 13 percent from Rp. 1,146 /kg to Rp. 1,000/kg (for ZA), 6 percent from Rp. 1,596/kg to Rp. 1,500/kg (for SP), 5 percent from Rp. 1,844 /kg to Rp. 1,750/kg (for NPK).

The National Logistics Agency or BULOG is expected to change its status to a state trading enterprise (Perum Pangan) this year, but so far, no official announcement has been made. The new institution will operate as a private entity and trade in rice, sugar, soybeans, and corn.

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