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GAIN Report #ID2018

Indonesia

Grain and Feed

Rice: Bulog's Proposed New Status

2002

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Report Highlights:

In accordance with a 1998 MOU between the GOI and the IMF, the Indonesian State Logistics Agency, BULOG, has drafted a bill to "privatize" the Agency. Implementation, which awaits approval by the President, will change the Agency into a state trading enterprise (STE), so it may trade agricultural commodities for profit. However, the new STE will retain its mission of maintaining and stabilizing the producer price for rice.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Jakarta [ID1], ID

BULOG HISTORY

Prior to 1998, the GOI charged BULOG (Indonesia's State Logistics Agency) with a mission to maintain and stabilize producer and consumer prices for rice, wheat, wheat flour, sugar, corn and soybeans. BULOG's mission changed after 1998, to only stabilize prices for rice via subsidies provided to producers. At that time, BULOG was the only entity who could import rice at a zero tariff rate, while private importers were subject to paying 30 percent. During the same year, the GOI signed a memorandum for economic and financial policies with the IMF for reforms, which Indonesia planned to make over the next three years. The purpose of the policy package was to overcome economic difficulties, and BULOG was one agency specifically mentioned in the package for reform. The IMF recommended that BULOG needed to move away from being a monopoly in the grain sector and be subject to paying import tariffs for agricultural commodities. Thus, the GOI drafted a bill to move BULOG into a position as a state trading enterprise. Reductions in tariffs for commodity imports were also suggested and the MINAG has since acted on these. However, current duties on rice imports remain at 30 percent. Post sources claim that the GOI strongly supports the so called "privatization" of BULOG, because the GOI can't afford to continue subsidizing its operations. BULOG has nearly 1,600 rice warehouses throughout Indonesia with a total capacity of four million MT. BULOG imports of rice account for approximately one-third (1 million MT) of total rice imports for Indonesia.

PROPOSED CHANGES

According to industry sources, President Megawati Soekarnoputri is expected to sign a new bill that would change BULOG's status as a government entity to a "State Trading Enterprise" (STE) by the end of September or early October 2002. If the bill is approved, the "new" STE, which the GOI plans to call Perum Pangan, will come into effect January 1, 2003. This change means that Perum Pangan will be coordinated under the State Ministry for State Owned Enterprises, instead of the MINAG, and will continue to have a mission of stabilizing producer rice prices. The key change is on the commercial side, as Perum Pangan will have the right to trade agricultural commodities--such as rice, corn, soybeans and sugar for profit. This change is supposed to force financial transparency, as all transactions and funds will have to be disclosed to the public.

PLANS FOR THE FUTURE

The current BULOG chief reportedly stated plans for developing an online real-time information network, which will be connected to all BULOG warehouses and offices to monitor total rice stocks daily. In addition, he plans to have an online system for financial reporting that will be open to the public. Uncertainty remains as to whether current BULOG employees will be part of the new Perum Pangan Enterprise. However, it is expected that high level officers will continue to play a pivotal role.