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## Indonesia

### Grain and Feed

### Rice Update

**2004**

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**Report Highlights:**

Indonesia announced a new trade policy on rice import through a Decree by the Minister of Industry and Trade No. 9/MPP/Kep/1/2004. The decree became effective on January 10, 2004. According to the decree, rice may only be imported by Importer Producers of rice (IP-rice) and Registered Importers of rice (IT-rice). Under the new policy, imports may only be carried out during a certain period of time and may only be unloaded in ports of non-rice producing areas such as Java, South Sulawesi, South Kalimantan, and parts of Sumatra. Imported rice is not permitted to enter Indonesia after January 20 until June 2004.

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

### Summary of the Regulation:

Imports of rice are prohibited one month prior to, during, and two months after the peak harvest season, which is determined by the Minister of Agriculture (MOA). Thus, based on MOA's recommendation, rice imports are prohibited starting January 20 until the end of June 2004. The new policy applies to a wide range of rice categories (rough, brown, fragrant, PB, and whole) except paddy for sowing (HS. 1006.10.10.00) and glutinous rice (HS. 1006.30.30.00). As other rice categories, both categories however, are subject to verification and technical inspection in the country where shipments are made. Food aid is permitted within the import time frame but it is also subject to verification/inspection.

Imports of rice by IT may only be unloaded at ports pursuant to the import approval given by the Director General. The rice imported by registered importers or "IP's" (that has been granted an annual approval by MOIT for importing a certain *tonnage, type of rice, port of destination and shipping schedule*) can only be used as raw material as industrial processing and may not be sold and/or transferred to other parties. IT certificates are endorsed by the Director General upon completion of documentations, including name and address of the distributor or sub-distributor that work with the importer to distribute the imported rice in the country, who are known to trade officials in the province. The IT certificate is valid for not more than one year and is renewable. For each transaction, IT's should obtain approval from the Director General on the volume, type of rice to be imported, the port of destination and the shipping schedule. IT's are also required to submit monthly reports to the Director General, c/o Director of Import (MOIT) of rice imports that were made at the latest on the 15<sup>th</sup> of the month following rice import.

All imports of rice including: grain to be used as seeds (HS 1006.10.00); glutinous rice (HS 1006.30.30.00); rice flour (HS 1102.30.00.00); and other type of flour (HS 1102.90.00.00) by IP and IT are subject to verification or technical inspection in the country where shipments are made. Verification and technical inspection should be conducted by a surveyor that has been appointed by the Minister. Surveyors may charge fees to importers, importing agencies or donors for their technical inspection services. Provisions and procedures will be established by MOIT.

The verification and technical inspection does not apply to imports of rice that include: grain to be used as seeds; glutinous rice; rice flour; and other type of flour intended for research and technology development; samples; carried as personal belongings; and or packages of rice sent by a courier via aircraft.

Registration of IT's and endorsement of IP's and the revocations are managed by the Director General, MOIT. A monitoring team from related agencies was established to oversee implementation of the policy. The organizational structure, membership and duties of the team will be determined by the Director General, MOIT. Exceptions to this new rice import policy may only be made by the Minister of Agriculture.

### Impact on Trade

The new import policy for rice, banning commercial imports of rice, coupled with a positive harvest and high stocks levels at Bulog warehouses (1.8 MMT) milled rice, overall imports for 2004 are estimated at 2.0 MMT. In addition, Bulog has reportedly delayed its purchase of 200,000 MT of rice from Thailand, which was planned for delivery January-February of 2004. Total Bulog imports for 2004 are expected to reach 400,000 MT (from Thailand and Vietnam) with delivery schedule August-December, 2004. While imports from private trade (including smuggled rice) is estimated at around 1.6 MMT.

The new regulation is intended to protect local farmers from receiving low prices (particularly during harvest season) due to unfair competition with cheaper price of imported rice. During off-season imports will be opened but it will be subject to physical inspections (via red lane). Despite the strict regulation, the effectiveness of the new policy would depend highly on the consistent enforcement of the implementation and good distribution process. The volatile variable of smuggling is difficult to determine, as many post sources admit that this new policy may only increase the amount of smuggled rice into Indonesia. In the past smuggling is estimated around 600,000-700,000 MT per annum.

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