



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/11/2007

GAIN Report Number: ID7030

Indonesia

Grain and Feed

Rice Update

2007

Approved by:

Fred R. Kessel
U.S. Embassy, Jakarta

Prepared by:

Sugiarti Meylinah

Report Highlights:

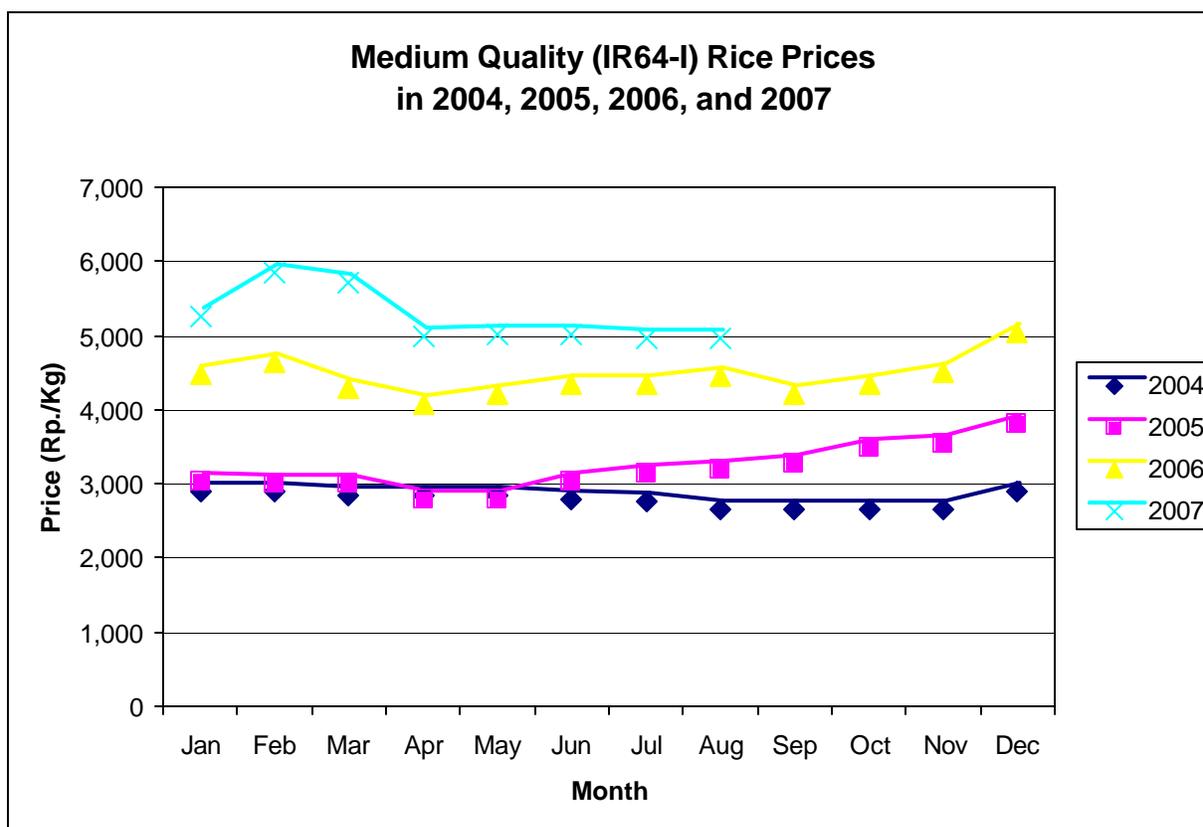
At the end of August 2007, the government of Indonesia (GOI) announced several steps with the goal of decreasing the price of rice on the domestic market. Most notably, GOI has reduced the number of bureaucratic hurdles required before rice can be imported.

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

Rice Prices Increase Brings About Policy that Changed the Rice Import Regime

According to the Ministry of Trade, Bulog can now decide when to import and what type of rice needs to be imported. Previously, Bulog was limited to acting as the implementer of interagency decision to import and was limited to importing medium quality rice. However, Bulog must consult with the Minister of Trade before importing the rice. Bulog may also conduct price stabilizations based on their own decision in areas where there are rice shortages and price fluctuations without having to wait for the Minister of Trade's instruction as before.

This regulation is stated in the Minister of Trade's letter issued on August 31, 2007 as a part of GOI efforts to anticipate problems that may arise when the rice price hikes occur during the off season period, and to avoid facing similar problems to last year when Indonesia decided to import rice when supplies in the international market were tight.



Source: PT. Food Station Tjipinang Djaya, Indonesian wholesale rice market.

This letter also instructed Bulog to stabilize the price of all rice qualities at the farm gate level using the HPP (government purchasing price) mechanism during the rice harvest period as it was stated in Presidential Instruction No. 3/2007 on Rice Policy. In addition, it gave Bulog the authority to build up reserves to 1.5 – 2 million tons of rice milled equivalent by the end of 2007 as required by law. The rice will be available for the Raskin program, social aid, and market operations. Furthermore, the Minister of Trade specified that Bulog must stabilize the price of the lowest quality rice which is the more commonly consumed, at the current level of Rp. 4,750/kg (US\$ 504/ton) until January 2008.

In order to be able to perform the aforementioned tasks, Bulog is given the flexibility to :

- a. Import rice at any time for the required type and quality of rice through all Indonesian ports, except Sabang and Batam ports, and to distribute the rice at an affordable price level.
- b. Maintain the minimum stock of 1 million tons of rice by procuring the rice from domestic production or from import.

The Minister of Trade approved Bulog to import the remaining 607,840 tons of rice out of the total 1.5 million tons of rice allocated for 2007 and rescinded the requirement that the rice must enter Indonesian ports no later than December 31, 2007. The imported rice must be maximum 25 percent broken white rice classified into HS Code number 1006. The imported rice may be used for increasing government rice reserves, post disaster allocation, and the rice for the poor program (Raskin) or it may go directly into the market to stabilize the price of rice.

The Ministry of Finance in coordination with the Ministry of Agriculture and the Ministry of Trade has also increased the import duty of rice to Rp. 550/kg (US\$ 58/ton) from Rp. 450/kg (US\$ 48/ton).

Note: Exchange rate is Rp. 9,418/US\$ 1, as of September 11, 2007.