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Report Highlights:
Moderate economic growth and continued expansion of the bakery sector is expected to lead to wheat imports increasing about 5 percent per year. Increased use of hybrid seed and some increase in area is forecast to result in higher corn production and lower corn imports. Only a slight increase in rice production is forecast for 2006, but continued strong political opposition to imports is expected to limit rice imports.

Includes PSD Changes: Yes
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EXECUTIVE SUMMARY

Wheat

Wheat imports for 2005/06 are forecast at 4.8 million tons, up 5.5% from 2004/05. Despite concerns about inflation, economic growth is forecast to surpass 5 percent again in 2006, leading to expectations for further expansion in demand from the bakery sector. Flour imports, particularly lower quality flour, and continued fierce competition among the 4 major mills is contributing to the lowest milling margins the industry has been experienced in several years.

Corn

Due to slight area expansion and the increased use of hybrid seed, corn production in 2005/06 is forecasted to reach approximately 7.5 million tons, up 4.2 percent from the previous year. Despite the widespread prevalence of AI among certain sectors of the poultry industry, corn for feed use is forecast to increase from 3.7 million tons in 2004/05 to 3.9 million tons in 2005/06.

Rice

Good growing conditions, a slight area expansion, and less loss due to natural disasters is expected to lead to a slight increase in paddy production, reaching a forecast 54.2 million tons in 2006. The import ban will remain in effect at least until the end of July 2006, with some exceptions allowed for imports of special rice not produced in Indonesia. Due to the import ban, prospects for good crops, and strong opposition to imports, it is unlikely that imports will even be considered until September 2006 at the earliest. Assuming some imports to bridge the gap between the final 2006 harvest and the 2007 crop year, imports in 2006 are forecast to reach only 570,000 tons.

WHEAT

Trade

Wheat imports for 2005/06 are forecast at 4.8 million tons, up 5.5 percent from 2004/05. Despite continued inflationary pressure and the lingering impact of fuel hikes, economic growth is forecast to remain above 5 percent in 2006, which will continue to fuel demand for wheat-based products and continued development and diversification in the bakery sector. Australia continues to be the dominant supplier, with almost 60 percent market share in 2004/05, followed by Canada (17%) and Argentina (9%). Due to a significant freight cost disadvantage, U.S. market share continues to dwindle.

Flour imports, which totaled about 400,000 tons in 2004/05 and are expected to be at least that much again in 2005/06, continue to be a major concern in the milling industry. Lower priced imported flour relative to domestically produced flour is eroding market share of the existing local mills. This, combined with lower consumer purchasing power following a fuel price increase, led domestic mills to switch from producing primarily medium grade to producing the lowest grade flour at lower prices. Major suppliers for wheat flour to Indonesia are Australia (41%), China (13%) and Sri Lanka (11%).

Indonesia exports a limited quantity of flour, primarily to Singapore (33%), South Korea (28%), and Japan (14%), with the total amount equaling 126,000 tons in 2004/05 (excluding pasta and couscous).

Consumption

In line with expectations for economic growth, wheat use is estimated to increase 5 percent to 4.6 million tons in 2005/06, and is forecast to increase to 4.9 million tons in 2006/07. The number of bakery product outlets continues to increase, albeit mostly in major cities. Several new foreign investors have entered the industry, increasing demand for premium quality wheat flour. The 2005/06 marketing year has been marked by two demand shocks: first, in October 2005 fuel prices were increased at an average of 126 percent, causing general price inflation and an erosion in consumer purchasing power; second, in January 2006, Indonesia's Food and Drug Regulatory Authority announced that formaldehyde was being widely used as a preservative in wet noodles, a common staple among Indonesians. Wet noodle consumption experienced a temporary significant decline. However, efforts have been made to eliminate formaldehyde use and the impact of the fuel hikes has run its course. As a result, consumption is expected to return to a growth path during the rest of 2006.

The noodle industry (wet, dry and instant) represents the largest user for flour (50%), the bakery and snack food industry consume another 45 percent, and household use is estimated at about 5 percent.

Indonesia's per capita consumption of wheat flour is 15.5 kg/capita/year, lower than that of the Philippines 24 kg/capita/year and Malaysia 39 kg/ capita/year.

Prices

Fierce competition among local mills and between local and imported flour has forced the local mills to lower flour prices, especially for the lowest quality wheat flour for the noodle industry. In February 2006, the distributor price of Lencana Merah (low quality flour for noodle) was reduced 2.6% to Rp. 74,200/25 kg bag ($ 8.04) from Rp. 76,200/25 kg bag ($8.26). The retail price of Kantil (highest quality wheat flour) was Rp. 85,000/25 kg bag ($9.21), Melati (medium quality) Rp. 78,000/bag ($8.45), Rafflesia (low quality) Rp. 75,000/bag (US$ 8.13) and Soka (low quality) Rp. 70,000/bag (US$ 7.58).

Policy

As a result of months of investigations conducted by KADI (Indonesian Anti Dumping Committee), the Government of Indonesia (GOI), as is stated in the Regulation of the Minister of Finance No. 109/PMK.010/2005 dated November 11, 2005, imposed anti-dumping import duties on wheat flour (Tariff Heading 1101.00.10.00) from India and China of 11.44% and 9.50%, respectively. The duties will be effective for the next five years. The normal import duty imposed on wheat is 0% while for wheat flour is 5%.

As the biggest noodle producer in the world, GOI has been trying to convince CODEX to accept the Indonesian National Standard for instant noodles as the international standard for instant noodles.

CORN

Production

As a result of a slight expansion in area and increased use of hybrid seed, corn production in 2005/06 is forecast to increase to about 7.5 million tons, compared to 7.2 million tons the previous marketing year. Relatively good prices and solid demand from the feed industry is expected to lead to production growing again to about 7.8 million tons in 2006/07. The production figure for 2004/05 has been revised to 7.2 million tons due to the indication of higher average yield of hybrid corn which is around 4.5 ton/ha. However, hybrid seed is only planted on an estimated 19 percent of corn area, or about 672,000 ha in 2005. Area with hybrid seed is expected to increase to 725,000 ha in 2006. The price of hybrid seed hinders more widespread use. Currently, hybrid seed prices range from Rp. 17,000/kg ($1.9/kg) to Rp. 40,000/kg ($4.38/kg), while the price of local corn seeds range from Rp. 6,500/kg $ 0.7/kg) to Rp. 8,000/kg ($0.9/kg).

Consumption

The feed industry's use of corn is expected to increase about 7 percent in 2005/06 to 3.9 million tons. Total compound feed production (including self mixing poultry feed) is forecast to reach about 7.8 million tons in 2005/06. While the feed industry continues to grow moderately, widespread AI in the poultry population and 31 human infections with 23 fatalities (as of 28 March, 2006) have certainly hindered stronger expansion in demand for corn from the poultry sector. The animal feed industry accounts for about 50 percent of total consumption. Corn for food processing industries may be as much as 500,000 tons, with the remaining consumption accounted for direct human use and on-farm feeding. Indonesia's one and only industrial-sized corn processing plant recently closed due to financial difficulties. Almost all imported corn is used to produce poultry feed.

Trade

Due to expectations for increased domestic production, combined with relatively sluggish demand growth, corn imports are forecast to decrease to 400,000 tons in 2005/06.

Policy

To assist the local starch industries, in November 2005 import duties on corn and cassava starch (HS 1108.12.00.00 and 1108.14.00.00 respectively) were increased from 5 to 10 percent.

Agricultural Inputs

The Ministry of Agriculture intends to initiate a subsidized seed program in 2006, offering up to 3,000 tons of hybrid corn seed to producers.

RICE, MILLED

Production

With relatively good growing conditions, plentiful precipitation, limited flood losses, fewer pest and disease problems, greater use of registered seeds, and some area expansion outside of Java, paddy production is forecast to grow slightly to 54.2 million tons in 2006.

Consumption

Bulog will allocate 1.6 million tons of rice to 10.8 million families for the *Rice for the Poor* program, which will be distributed for 10 months only (compared to the previous year when distribution occurred for 12 months). Bulog will also distribute rice stocks to military schools and other State employees.

According to the Central Bureau of Statistics, Indonesian per capita consumption of rice is 139 kg/capita/year.

Trade

Despite strong opposition, on January 6, 2006, the Minister of Trade instructed Bulog to import 110,000 tons of Vietnamese, 15% broken, long grain white rice (HS No. 1006.30.64.00) to replenish Bulog's stocks, which had reportedly fallen under 1 million tons. However, only 83,100 tons was imported. A parliamentary investigation and widespread criticism following the importation will make it even more difficult for GOI to issue more import licenses for Bulog or private traders during 2006. Unless a critical shortage occurs or Bulog's stocks fall again under 1 million tons, imports will be minimal. The strong political opposition, strict enforcement of the rice import ban, and prospects for a good crop will hinder imports. Therefore, rice imports of rice are forecast at 570,000 tons in 2006 and will slightly increase to 600,000 tons in 2007.

The Min. of Agriculture has indicated that it will withhold recommendations to the Min. of Trade for imports of special rice until mid 2006. Based on the import level last year, import of this specialty type rice (glutinous rice, 100% broken glutinous rice, 100% broken rice, steam rice for people with diabetics, granted rice, Basmati and Japonica rice for restaurants, and seeds) is expected to be around 250,000 tons.

Stocks

Carry-over stocks are forecast to decline to 3.5 million tons by the end of 2006 and will remain relatively stable at that level until the end of 2007. By the end of February 2006, Bulog's reported stocks were at 1.1 million tons milled rice equivalent.

During 2006 Bulog plans to purchase approximately 2.79 million tons of dry paddy and 304,990 tons milled rice, or a total of 2.1 million tons milled rice equivalent domestically (including the 21,915 tons of milled rice under a special procurement in January 2006) or 7% out of Indonesia's total production this year. Bulog will receive approximately Rp. 8.3 trillion for this domestic procurement.

In 2005, GOI has prepared Rp. 1.234 trillion out of its budget for Bulog to purchase and manage the 350,000 tons of rice for the government rice reserve which will be used for price stabilization, emergency conditions, post disaster food security situations, and to fulfill the ASEAN rice reserve agreement as regulated in the Regulation of Ministry of Finance No. 128/PMK.02/2005 dated December 20, 2005.

LUEP (Lembaga Usaha Ekonomi Pedesaan/Village Economic Institution), another body under Ministry of Agriculture, has also been instructed to purchase paddy from farmers to prevent the price of paddy from falling under the government purchasing price. This year LUEP is expected to absorb 3% out of the country's overall production with a total budget of Rp. 250 billion, up 150.3% from last year's budget of Rp. 99.9 billion. A total of 1.146 LUEPs are spread over 123 regencies in 15 provinces.

Prices

Since the beginning of the first main harvest in late February, the price of wet paddy has gradually fallen below the Government Purchasing Price of Rp. 1,730/kg (US$ 0.19/kg) in production areas in West and Central Java. In late March 2006, the price of wet paddy in Karawang, West Java ranged from Rp. 1,600 (US$ 0.196) to Rp. 1,800 (US$ 0.174)/kg. In Central Java, prices ranged from Rp. 1,350 (US$ 0.147) to Rp. 1,600 (US$ 0. 174)/kg.

The price of medium quality rice IR64-II in the Cipinang rice wholesale market during the final week of 2006 was Rp. 3,850/kg (US$ 0.42), down 6.5% from its price at the end of February 2006.

Policy

Based on the Ministry of Agriculture's determination that the 2006 Rice Main Harvest will be from February 2006 through May 2006, the Min. of Trade banned rice imports until July 31, 2006. However the regulation can be reviewed should there be a shortage in domestic or government stocks as recommended by the Food Security Board (Badan Ketahanan Pangan). This regulation excludes the import of special rice that can be done upon recommendation from Min. of Agriculture and/or other authorized agencies.

Agricultural Inputs

GOI continues subsidize seeds and fertilizer. During 2006, GOI will subsidize 117,500 tons of paddy seeds with total value of Rp. 136.8 billion (Rp. 1,165/kg). The total subsidy for fertilizer in 2006 will be increased to Rp. 3 trillion from Rp. 1.8 trillion in 2005.

In Central Java, the current price of urea is Rp. 1,050/kg, SP-36 is Rp. 1,400/kg, ZA is Rp. 950/kg and NPK is Rp. 1,600/kg.

SECTION II. STATISTICAL TABLES

WHEAT

PSD Table						
Country	Indonesia					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		07/2004		07/2005		07/2006
Area Harvested	0	0	0	0	0	0
Beginning Stocks	864	864	850	914	775	894
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	4661	4550	4600	4800	0	5000
Jul-Jun Imports	4661	4550	4600	4800	0	5000
Jul-Jun Import U.S.	158	150	0	150	0	150
TOTAL SUPPLY	5525	5414	5450	5714	775	5894
TOTAL Mkt. Yr. Exports	175	100	175	220	0	230
Jul-Jun Exports	175	100	175	220	0	230
Feed Dom. Consumption	50	50	50	50	0	50
TOTAL Dom. Consumption	4500	4400	4500	4600	0	4900
Ending Stocks	850	914	775	894	0	764
TOTAL DISTRIBUTION	5525	5414	5450	5714	0	5894

Note: Table includes data for unprocessed wheat, wheat flour and pasta - converted into grain equivalent.

CORN

PSD Table						
Country	Indonesia					
Commodity	Corn				(1000 HA)(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2004		10/2005		10/2006
Area Harvested	3300	3300	3300	3310	0	3400
Beginning Stocks	979	979	729	829	679	869
Production	6500	7200	6600	7500	0	7800
TOTAL Mkt. Yr. Imports	500	600	600	400	0	200
Oct-Sep Imports	500	600	600	400	0	200
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	7979	8779	7929	8729	679	8869
TOTAL Mkt. Yr. Exports	50	50	50	60	0	60
Oct-Sep Exports	50	50	50	60	0	60
Feed Dom. Consumption	3200	3700	3200	3900	0	4200
TOTAL Dom. Consumption	7200	7900	7200	7800	0	8000
Ending Stocks	729	829	679	869	0	809
TOTAL DISTRIBUTION	7979	8779	7929	8729	0	8869

RICE

PSD Table						
Country	Indonesia					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		01/2005		01/2006		01/2007
Area Harvested	11650	11650	11700	11800	0	11860
Beginning Stocks	4018	4068	3318	3548	3318	3477
Milled Production	34250	34830	34900	34959	0	35088
Rough Production	53101	54000	54109	54200	0	54400
MILLING RATE (.9999)	6450	6450	6450	6450	0	6450
TOTAL Imports	900	500	700	570	0	600
Jan-Dec Imports	900	500	700	570	0	600
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	39168	39398	38918	39077	3318	39165
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	35850	35850	35600	35600	0	35650
Ending Stocks	3318	3548	3318	3477	0	3515
TOTAL DISTRIBUTION	39168	39398	38918	39077	0	39165

RICE PRODUCTION: AREA & PRODUCTION BY REGION
(First Estimate Figures by the Government of Indonesia for 2006)

Harvested Area, Production and Yield of Rice, 2006*)

Province	Harvested Area (Ha)	Production (MT)	Yield (100Kg/Ha)
North Sumatra	815,275	3,422,639	41.98
South Sumatra	580,779	2,169,500	37.36
Sub Total: Sumatra	**3,074,157**	**12,514,411**	**40.71**
West Java	1,829,511	9,510,596	51.98
Central Java	1,612,118	8,443,544	52.38
East Java	1,686,087	9,011,042	53.44
Sub Total: Java	**5,631,435**	**29,497,559**	**52.38**
West Nusa Tenggara	322,332	1,458,118	45.24
Sub Total: Bali & Nusa Tenggara	**632,539**	**2,723,733**	**43.06**
West Kalimantan	388,367	1,112,712	28.65
South Kalimantan	450,497	1,590,977	35.32
Sub Total Kalimantan	**1,205,537**	**3,796,323**	**31.49**
Central Sulawesi	177,684	707,731	39.83
South Sulawesi	770,879	3,605,916	46.78
Sub Total Sulawesi	**1,231,250**	**5,535,699**	**44.96**
Other Provinces/Islands	56,247	187,009	33.25
TOTAL INDONESIA	**11,831,165**	**54,254,734**	**45.86**

Source: BPS Statistics Indonesia

CORN PRODUCTION: AREA & PRODUCTION BY REGION
(First Estimate Figures by the Government of Indonesia for 2006)

Harvest Area, Production and Yield of Corn, 2006*)				
Province	Harvested Area (Ha)	Production in Metric Ton		Yield (100Kg/Ha)
		(wet basis)	(dry basis)	
North Sumatra	208,046	707,994	495,596	34.03
Lampung	413,316	1,464,802	1,025,361	35.44
Sub Total: Sumatra	**772,591**	**2,655,658**	**1,858,961**	**34.37**
West Java	120,244	609,781	426,847	50.71
Central Java	592,234	2,184,503	1,529,152	36.89
East Java	1,156,277	4,228,608	2,960,026	36.57
Sub Total: Java	**1,946,163**	**7,267,391**	**5,087,174**	**37.34**
East Nusa Tenggara	243,069	576,433	403,503	23.71
Sub Total: Bali & Nusa Tenggara	**312,757**	**757,420**	**530,194**	**24.22**
West Kalimantan	39,792	118,657	83,060	29.82
South Kalimantan	19,550	64,179	44,925	32.83
Sub Total Kalimantan	**66,571**	**199,365**	**139,556**	**29.95**
North Sulawesi	81,867	222,288	155,602	27.15
South Sulawesi	218,398	720,310	504,217	32.98
Gorontalo	94,213	331,908	232,336	35.23
Sub Total Sulawesi	**461,325**	**1,439,418**	**1,007,593**	**31.20**
Other Provinces/Islands	18,086	33,579	23,505	18.57
TOTAL INDONESIA	**3,577,493**	**12,352,831**	**8,646,982**	**34.53**

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