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Report Highlights:
More favorable weather compared to last year will slightly increase the Indonesian CY 2008 rice production to an estimated 35.5 million tons of rice milled equivalent. As a consequence of that, imports of rice are expected to go down to 1.1 million tons. Despite the soaring price of wheat on world markets, growing demand for wheat-based food products will continue to increase Indonesian wheat consumption to 5.36 million tons in MY 2008/09. Wheat imports are forecast to inch up to 5.5 million tons. Incentives due to price increases are expected to lead to a bumper crop of corn in MY 2008/09 reaching 7.75 million tons.

Includes PSD Changes: Yes
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EXECUTIVE SUMMARY

Wheat

The CY 2008 Indonesian wheat flour production is forecast to increase by 5 percent to 3.2 million tons compared to 3.1 million tons in CY 2007 due to continued demand for wheat-based food products. Shortages in Australian wheat production have boosted U.S. wheat export to Indonesia to a record level of 831,320 tons in MY 2006/07. The high price of wheat in international markets has forced some smaller wheat millers to temporarily stop operations and import wheat flour instead of wheat.

Corn

In line with the jump in Indonesian corn production, in MY 2007/08 imports of corn are estimated to significantly decline to 600,000 tons. The United States was the major supplier of corn to Indonesia with a 37-percent share.

Rice

Indonesian CY 2008 rice production is forecast to slightly increase to 55.5 million tons of dry paddy. Heavy rains during the main harvest in March – April 2008 will lower the quality of the paddy and lower the milling rate to 64 percent. Rice imports are forecast to decline to 1.1 million tons in CY 2008.

SECTION I. SITUATION AND OUTLOOK

WHEAT

Trade

Approximately 85 percent of total Indonesian wheat flour consumption is met by imported wheat. The soaring price of wheat in world markets during MY 2007/08 will limit Indonesian wheat imports to 5.3 million tons, the same amount as in the previous MY. Given its geographical advantage, Australia will continue to be the major supplier of wheat to Indonesia with a 50-percent market share, followed by Canada (31 percent). However, long lasting drought in Australia during MY 2006/07 has given a favor to the U.S. wheat exports to Indonesia. U.S. wheat exports to Indonesia significantly increased by 287 percent to 831,000 tons and market share increased to 15.6 percent.

The high price of wheat has reduced margins of larger-scale wheat millers and has forced some smaller wheat millers to temporarily stop operations. Reportedly, some are importing wheat flour instead of wheat. Depressed consumer purchasing power also made some larger-scale wheat millers to export their wheat flour. Nevertheless, the increase of Indonesian wheat flour export is insignificant.

GOI has also taken measures to lower wheat flour prices in the domestic market to ease depressed consumer purchasing power following the sharp increase in almost all Indonesian basic food prices. In February 2008, GOI temporarily reduced the import duty on wheat flour to zero, and will temporarily afford the value added tax (VAT) of wheat and wheat flour. The import duty for wheat flour was 5 percent and the VAT for wheat and wheat flour was 10 percent. However, how long the measure will stay in place is unclear.

In addition, on January 24, 2008 the Ministry of Industry issued a regulation temporarily lifting the Indonesian National Standard (SNI) on wheat flour. With this regulation, importers can import unfortified wheat flour. Formerly, wheat flour produced domestically or imported must have been fortified with iron, zinc, thiamin, riboflavin, and folic acid to assure the nutritional value contained in wheat flour. This Minister of Industry' regulation is expected to be effective until April 2008.

Despite the aforementioned efforts, China's policy to impose a 25 percent tax on exports of wheat and wheat flour will keep total Indonesian imports of wheat flour from increasing significantly. In MY 2007/08 Indonesian wheat flour imports are estimated to be on par with that in MY 2006/07 of 550,000 tons. The dominant suppliers of wheat flour to Indonesia in MY 2006/07 were Australia (31 percent), Sri Lanka (28 percent), Turkey (22 percent), and China (8 percent).

Consumption

Consistent with economic growth that is estimated to remain above 6 percent in 2008 and population growth, combined with the continuous demand for wheat-based food products as an alternative to Indonesian staple food of rice, Indonesian wheat flour consumption is expected to continue growing. However, the rising price of wheat slow down growth in MY 2007/08 to only 5.1 million tons wheat equivalent, compared to 5 million tons wheat equivalent in the previous MY. It is expected to continue growing to 5.3 million tons wheat equivalent in MY 2008/09.

The Indonesian per capita wheat flour consumption in 2007 is estimated to increase to 18 kg per capita compared to 17 kg per capita in 2006.

The noodle industry contributes to 50 percent of overall Indonesia wheat flour consumption followed by the bakery industry (25 percent), biscuit (15 percent), fried meals (5 percent), and household use (5 percent).

Approximately 90 percent of wheat flour consumed by the bakery industry is absorbed by lower-middle scale bakeries. Depressed consumer purchasing power made it difficult for bakers to increase products prices. Yet, GOI action to lower prices makes it difficult for bakeries to also increase their prices. Instead of increasing the price, they reduced the size of their bread or donut and sold it at the same price. They also used lower quality and cheaper wheat flour. However, this strategy cannot be implemented for the long term, they will be forced to raise their price eventually. Some of the upper end bakeries have already increased their prices by an average of 5-7 percent.

To gain a stronger position in the Indonesian wheat flour industry, the bakeries united in an association called Indonesian Bakery Association which was established on December 11, 2007. The association currently has 400 members scattered all over Indonesia. It plans to hold the First Indonesian Bakery Exhibition in May 2008. It would also like to initiate an Indonesian National Standard regarding bakery products.

Prices

To meet increases in the price on world markets, wheat millers are reportedly increasing the price of wheat flour gradually by an average of 5 percent per month. Within two months in early 2008, wheat flour prices increased by 15 percent. Currently, wheat flour prices are ranging from Rp. 158,100/25 kg bags (US$ 693/ton) to Rp. 166,700/25 kg bags (US$ 730/ton) at the mill level. The price of most common brand of all purposes flour at retail level now stands at Rp. 8,200/kg (US$ 898/ton).

CORN

Production

The high price of corn in world markets contributes to increases in the domestic price of corn. The high prices provide an incentive along with favorable weather and GOI intention to become self sufficient in corn production by subsidizing corn seeds to farmers. Therefore, Indonesian corn production is forecast to increase by 12 percent to 7.5 million tons in MY 2007/08 compared to 6.7 million tons in MY 2006/07.

In 2008, total area planted with hybrid corn is estimated to increase to 834,000 hectares compared to 811,600 hectares in 2007 with an average yield of 4.5 tons/hectare. Approximately 16,500–17,000 tons of hybrid corn seed were produced in 2007 and production is expected to go up to 18,000–19,000 tons in 2008. The price of hybrid corn seed currently ranges from Rp. 28,000/kg (US$ 3,067/ton) – Rp. 32,000/kg (US$ 3,505/ton).

Most of the corn farmers in Indonesia are still using composite and local corn seed that give an average yield of 2.75 tons/hectare.

Corn is largely planted as a secondary crop or inter-cropped with rice. The rising price of corn will act as an incentive for farmers who will be choosing between rice and corn during the second crop cycle that normally starts in April. MY 2008/09 production is forecast to increase to 7.75 million tons.

Consumption

Corn accounts for 50 percent share in feed formulations. It is often combined with soybean meal, poultry meat meal, meat and bone meal, fish meal, and other feed ingredients. MY 2007/08 Indonesian corn consumption for feed is estimated to reach 4.2 million tons in line with the increase in poultry and livestock production. AI coverage in the media no longer significantly impacts consumer poultry meat consumption.

AI Cases in Humans

July 2005 to February 2008

By Province

No.	Province	Cases	Deaths
1.	Jakarta	32	27
2.	West Java	31	25
3.	Banten	25	22
4.	Central Java	10	9
5.	North Sumatera	8	7
6.	East Java	7	5
7.	Riau	6	5
8.	West Sumatera	3	1
9.	Lampung	3	0
10.	Bali	2	2
11.	South Sulawesi	1	1
12.	South Sumatera	1	1
	TOTAL	129	105

Source: Indonesia National Commission for AI.

In MY 2008/09, corn consumption for food, seed, and industrial use is forecast to increase to 4 million tons. A corn miller who produced corn grits reported that it is more difficult to mill U.S. corn as it is higher in flour content so the corn yields only 45 percent grits. It prefers to mill Indonesian corn that yields 60 percent grits.

Trade

In line with the increase in production, MY 2007/08 Indonesian corn import is estimated to decline by 50 percent to 600,000 tons compared to 1.2 million tons in MY 2006/07. In CY 2007 the United States remained the major supplier of corn to Indonesia with a 37-percent market share, followed by Thailand (23 percent), and Argentina (21 percent). The decline in corn imports are expected to continue into MY 2008/09 when it is forecast to reduce to 500,000 tons.

Traders report that the domestic corn price is very volatile. During January 2008, when DOC broiler production was about 20 millions chicks/week and the price was Rp. 1,000/head (US$ 0.1/head), the corn price in Lampung was recorded at Rp. 2,500/kg (US$ 274/ton), in

Jakarta at Rp. 2,650/kg (US$ 290/ton), and in East Java at Rp. 2,450/kg (US$ 268/ton). In March, DOC broiler production was approximately 18 millions chicks/week and the price Rp. 3,000/head (US$ 0.33/head). The corn price in Lampung was Rp. 2,100/kg (US$ 230/ton), in Jakarta was Rp. 2,200/kg (US$ 241/ton), and in East Java was Rp. 2,000/kg (US$ 219/ton). Nonetheless, feed millers continue to source more corn locally than by import due to the soaring price of corn and other feed ingredients in the world market.

In February 2008, the Indonesian Directorate General for Livestock issued a letter approving the importation of meat and bone meal (MB) from two additional U.S. rendering plants increasing the total to three plants, namely Baker Commodities Inc., Darling International of Omaha, Nebraska, and Central By Products of Minneapolis, Minnesota. The letter also mentioned that the U.S. MBM was safe and was recommended to be used in poultry and aqua feed formulation. Industry reported that for April shipment the landed price of U.S. MBM price is quoted at US$ 676.5/ton while the price of Australian and New Zealand MBM are US$ 654.5/ton.

RICE, MILLED

Production

Due to the better harvest for the CY 2007 second and third crop, Post revised the Indonesian CY 2007 rice production to 35.3 million tons of rice milled equivalent.

Based on recent post observations throughout the major rice producing areas, in CY 2008 Indonesian rice production is estimated to be better than last year. This year farmers in the three provinces of West Java, Central Java, and East Java grew their paddy at relatively the same time. So there will be a main harvest period during March and April 2008.

The water level at most of the large rivers and dams is sufficient to irrigate the surrounding paddy fields. However, heavy rains during the main harvest period and floods that are still occurring in some areas in Central and East Java may bring down the quality of the paddy. It will increase the moisture content and broken grains, which lower the milling rate to 64 percent, compared to the CY 2007 milling rate of 64.5 percent.

Farmers are still reluctant to use hybrid seeds due to their vulnerability to drought and low resistance to pest and disease. The texture and the taste of the rice produced from the hybrid seed are not preferred by consumers either. Most farmers are still using Ciherang and IR-64 varieties.

Given the above situation, Post estimates that Indonesian rice production will increase to 35.5 million tons rice milled equivalent in CY 2008.

Trade

In an effort to stabilize rice prices in the domestic market, GOI issued a Ministry of Finance's regulation in January 2008 lowering the import duty of rice to Rp. 450/kg (US$ 49.3/ton).

In February 2008, GOI decided to give Bulog a license to import 570,000 tons of rice to meet Bulog's procurement target of 3 million tons of rice milled equivalent. Nevertheless, the high price of rice in the world market will force Bulog to intensify its procurement from the domestic market. In CY 2008 imports of rice are estimated to decrease to 1.1 million tons due to the increase in rice production.

Stocks

With the increase of supply from domestic production, CY 2008 ending stock are estimated to increase to 4.6 million tons. The CY 2008 target for domestic rice procurement by Bulog is 2.4 million tons of rice milled equivalent.

Prices

During 2008, Bulog the parastatal agency that imports rice and manages government purchases and distribution of rice, will not increase the price it pays to farmers for dry paddy.

Government Purchasing Price (HPP)
(Based on the Presidential Instruction No. 3/2007)

Type	Moisture Content (Percent)	Government Purchasing Price (HPP)			
		Old (2005)		New (2007)	
		Rp./kg	US$/ton	Rp./kg	US$/ton
Wet paddy (GKP) at farmer level	25	-	-	2,000	219
Wet paddy (GKP) at milling level	25	1,730	189	2,035	223
Dry paddy (GKG) at milling level	14	2,250	246	2,575	282
Dry paddy (GKG) in Bulog storage	14	2,280	250	2,600	285
Rice in Bulog storage	14	3,550	389	4,000	438

Currently, the price of wet paddy at the farmer level in Java ranges from Rp. 1,850/kg (US$ 203/ton) to Rp. 2,000/kg (US$ 219/ton). The price of dry paddy at the farmer level ranges from Rp. 2,600/kg (US 285/ton) to Rp. 2,750/kg (US$ 301/ton). The price of medium quality rice at wholesale market is Rp. 5,300/kg (US$ 581/ton).

In 2008, GOI continues to subsidize urea, NPK, ZA, and SP-36 prices. The maximum retail price for fertilizers are Rp. 1,200/kg (US$ 131/ton), Rp. Rp. 1,750/kg (US$ 192/ton), Rp. 1,630/kg (US$ 179/ton), and Rp. 1,550/kg (US$ 170/ton) respectively.

Policy

In 2008, Bulog will distribute a total of 2.8 million tons of rice to 19.1 million families under the rice for the poor program (Raskin). Each family will receive 15 kg of rice for the price of Rp. 1,600/kg (US$ 175/ton) during 9 months starting February 2008. In January 2008 Bulog distributed 10 kg per family. In 2007, Bulog distributed 1.7 million tons of rice to 15.8 million poor families. Each family received 10 kg at Rp. 1,000/kg for 10 months.

SECTION II. STATISTICAL TABLES

PSD: WHEAT

PSD Table									
Country	**Indonesia**								
Commodity	**Wheat**			(1000 HA)(1000 MT)(MT/HA)					
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Off.	Post Est.	Post Est. New	USDA Off.	Post Est.	Post Est. New	USDA Off.	Post Est.	Post Est. New
Market Year Begin	07/2006			07/2007			07/2008		
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	972	943	972	1319	961	1047	1069	1038	1002
Production	0	0	0	0	0	0	0	0	0
MY Imports	5572	5200	5300	5300	5460	5300	0	0	5500
TY Imports	5572	5200	5300	5300	5460	5300	0	0	5500
TY Imp. from U.S.	831	440	831	0	270	950	0	0	1000
Total Supply	6544	6143	6272	6619	6421	6347	1069	1038	6502
MY Exports	175	180	175	200	190	185	0	0	195
TY Exports	175	180	175	200	190	185	0	0	195
Feed Consumption	50	52	50	50	53	60	0	0	60
FSI Consumption	5000	4950	5000	5300	5140	5100	0	0	5300
Total Consumption	5050	5002	5050	5350	5193	5160	0	0	5360
Ending Stocks	1319	961	1047	1069	1038	1002	0	0	947
Total Distribution	6544	6143	6272	6619	6421	6347	0	0	6502
Yield	0	0	0	0	0	0	0	0	0

PSD: CORN

PSD Table									
Country	**Indonesia**								
Commodity	**Corn**					(1000 HA)(1000 MT)(MT/HA)			
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Est.	Post Est. New	USDA Official	Post Est.	Post Est. New	USDA Official	Post Est.	Post Est. New
Market Year Begin	10/2006			10/2007			10/2008		
Area Harvested	3300	3300	3300	3400	3400	3560	0	0	3700
Beginning Stocks	775	674	775	750	684	750	725	604	715
Production	6700	6700	6700	7000	6900	7500	0	0	7750
MY Imports	1200	1200	1200	1000	1000	600	0	0	500
TY Imports	1200	1200	1200	1000	1000	600	0	0	500
TY Imp. from U.S.	101	875	842	0	800	200	0	0	150
Total Supply	8675	8574	8675	8750	8584	8850	725	604	8965
MY Exports	25	30	25	25	30	35	0	0	35
TY Exports	25	30	25	25	30	35	0	0	35
Feed Consumption	4000	4000	4000	4100	4050	4200	0	0	4200
FSI Consumption	3900	3860	3900	3900	3900	3900	0	0	4000
Total Consumption	7900	7860	7900	8000	7950	8100	0	0	8200
Ending Stocks	750	684	750	725	604	715	0	0	730
Total Distribution	8675	8574	8675	8750	8584	8850	0	0	8965
Yield	2.030303	2.030303	2.030303	2.058824	2.029412	2.106742	0	0	2.094595

PSD: RICE, MILLED

PSD Table									
Country	Indonesia								
Commodity	Rice, Milled					(1000 HA)(1000 MT)(MT/HA)			
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Est.	Post Est. New	USDA Official	Post Est.	Post Est. New	USDA Official	Post Est.	Post Est. New
Market Year Begin	01/2007			01/2008			01/2009		
Area Harvested	11400	11400	11900	11600	11600	11900	0	0	11800
Beginning Stocks	3207	3157	3157	2857	2807	4607	2307	2407	4857
Milled Production	33300	33300	35300	34000	34000	35500	0	0	36249
Rough Production	51628	51628	54729	52713	52713	55469	0	0	56200
Milling Rate (.9999)	6450	6450	6450	6450	6450	6400	0	0	6450
MY Imports	1900	2200	2000	1600	1600	1100	0	0	800
TY Imports	1900	2200	2000	1600	1600	1100	0	0	800
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	38407	38657	40457	38457	38407	41207	2307	2407	41906
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Total Consumption	35550	35850	35850	36150	36000	36350	0	0	36850
Ending Stocks	2857	2807	4607	2307	2407	4857	0	0	5056
Total Distribution	38407	38657	40457	38457	38407	41207	0	0	41906
Yield (Rough)	4.528772	4.528772	4.599076	4.544224	4.544224	4.661261	0	0	4.762712

RICE PRODUCTION: AREA AND PRODUCTION BY REGION
(First Estimate Figures by the Government of Indonesia for 2008)

Harvested Area, Production, and Yield of Rice, 2008*

Province	Harvested Area (Ha)	Production (MT)	Yield (100Kg/Ha)
North Sumatra	777,909	3,379,461	42.48
South Sumatra	693,023	2,815,904	40.63
Sub Total: Sumatra	3,213,522	13,594,591	38.41
West Java	1,870,334	10,046,877	53.72
Central Java	1,681,872	9,138,388	54.33
East Java	1,745,295	9,441,176	54.10
Sub Total: Java	5,801,149	31,200,175	52,79
West Nusa Tenggara	332,015	1,542,788	46.47
Sub Total: Bali & Nusa Tenggara	652,080	2,895,562	44.76
West Kalimantan	425,581	1,337,213	31.42
South Kalimantan	500,221	1,958,449	39.15
Sub Total Kalimantan	1,281,032	4,368,487	33.10
Central Sulawesi	200,233	849,907	42.45
South Sulawesi	766,511	3,697,990	48.24
Sub Total Sulawesi	1,291,747	5,996,860	45.09
Other Provinces/Islands	59,861	213,121	35.07
TOTAL INDONESIA	12,299,391	58,268,796	47.38

Source: Indonesian Central Bureau of Statistics (BPS)

Note: * GOI first estimates 2008

CORN PRODUCTION: AREA AND PRODUCTION BY REGION
(First Estimate Figures by the Government of Indonesia for 2008)

Harvested Area, Production, and Yield of Corn 2008*

Province	Harvested Area (Ha)	Production in Metric Ton		Yield (100Kg/Ha)
		(wet basis)	(dry basis)	
North Sumatra	236,378	823,966	576,776	34.86
Lampung	370,038	1,351,624	946,137	36.53
Sub Total: Sumatra	781,535	2,819,430	197,360	33.06
West Java	115,737	594,299	416,009	51.35
Central Java	584,430	2,355,619	1,648,933	40.31
East Java	1,193,051	4,415,982	3,091,187	37.01
Sub Total: Java	1,972,465	7,645,596	5,351,917	35.90
East Nusa Tenggara	247,092	597,140	417,998	24.17
Sub Total: Bali & Nusa Tenggara	371,939	799,601	559,721	27.16
West Kalimantan	37,152	162,519	113,763	43.74
South Kalimantan	25,186	115,148	80,604	45.72
Sub Total Kalimantan	69,466	294,971	206,480	35.30
North Sulawesi	130,858	462,565	323,796	35.35
South Sulawesi	266,122	967,289	677,102	36.35
Gorontalo	130,516	626,563	438,594	48.01
Sub Total Sulawesi	607,462	2,283,453	1,598,417	35.08
Other Provinces/Islands	20,424	40,143	28,100	18.41
TOTAL INDONESIA	3,769,291	13,883,194	9,718,236	36.83

Source: Indonesian Central Bureau of Statistics (BPS)
Note: * GOI first estimates 2008

Note: US$ 1 = Rp. 9,130