

Voluntary Report – Voluntary - Public Distribution

Date: October 06, 2023

Report Number: ID2023-0020

Report Name: El Nino Conditions Compel Indonesia to Import
Additional 2 MMT of Rice

Country: Indonesia

Post: Jakarta

Report Category: Agriculture in the News, Grain and Feed

Prepared By: Sugiarti Meylinah

Approved By: Jasmine Osinski

Report Highlights:

On, September 26, 2023, the Government of Indonesia (GOI) announced it will authorize the importation of an additional 2 million metric tons (MMT) of rice to offset rice production shortfalls and bring down rice prices. BULOG, a state-owned logistics company, reported its 2022/23 ending stocks risk falling below food security levels. BULOG has been periodically releasing its government rice reserves stocks to dampen skyrocketing rice prices due to El Nino-induced rice production shortages, but now needs to replenish those stocks with imports. Approximately 1 MMT of this new import allocation must arrive before the end of 2023 to keep BULOG's stocks from being fully depleted, while the remaining 1 MMT are expected to arrive in early 2024.

SITUATION AND OUTLOOK

On September 8, 2023, the Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG, *Badan Meteorologi, Klimatologi, dan Geofisika*) reported that El Nino climate conditions have continued to develop since appearing in mid-May 2023. Currently, the El Nino Index is at +1,504, leading to predictions that the moderate El Nino conditions will persist until early 2024. Meanwhile, sea surface temperature anomalies in the Indian Ocean show the Dipole (IOD) index currently at +1,527. Forecasters view the high El Nino and IOD Index readings as indicators that Indonesia is anticipated to experience lower rainfall and a prolonged dry season.

PRODUCTION

In line with the lower water availability forecast, the Indonesian Statistics Agency (BPS, *Badan Pusat Statistik*) estimated that harvested area during the period of September to November 2023 will decline by 8.5 percent to 2.05 million hectares compared to the same period in 2022 with 2.24 million hectares. Paddy production during the period of September to November 2023 is also estimated to decline by 8.1 percent to 10.77 MMT compared to the same period in 2022 with 11.72 MMT. Therefore, Post estimates that overall 2022/23 harvested area will decline by 4.7 percent to 11.05 million hectares compared to 11.6 million hectares in 2021/22. Paddy production in 2022/23 is also estimated to decline by 6.1 percent to 32.3 MMT compared to 34.4 MMT of milled rice equivalent in 2021/22. Assuming the effects of El Nino will subside during the first crop cycle of 2023/24, Post forecasts that harvested area and paddy production in 2023/24 will rebound to 11.3 million hectares and 33.5 MMT respectively.

Compounding the upward pressure on rice prices due to lower production, increased prices of on-farm inputs due to increased fuel prices have also pushed paddy and rice prices higher:

Prices of Paddy and Rice in September 2023 v. 2022, in IDR/kg

Description	September		Changes (In percent)
	2023	2022	
Wet paddy at farmer's gate	6,410	4,850	86.0
Dry paddy at mill's gate	7,260	5,660	28.0
Retail price of medium quality rice	12,830	10,950	17.2
Retail price of premium quality rice	14,460	12,480	15.9
GOI ref. prices of retail medium rice	10,900 – 11,800		
GOI ref. prices of retail premium rice	13,950 – 14,800		

Source: National Food Agency Staple Commodities Prices Panel, BPS

TRADE

To stabilize rice prices, the GOI authorized BULOG to import rice for food security purposes and to distribute them to the food insecure households as well as to wholesale and retail markets. The Stabilization of Food Supply and Prices (SPHP, *Stabilisasi Pasokan dan Harga Pangan*) program allows BULOG to release government rice reserves to wholesalers and retailers when retail prices for rice become too high. As of September 29, 2023, BULOG has sold a total of 791,793 MT (metric tons) of milled rice equivalent under the SPHP program in MY 2022/23 at the price of Rp. 47,000 per 5-kg bag. In addition to the SPHP program, the GOI authorized

BULOG to distribute rice under the Beneficiary Families (KPM, *Keluarga Penerima Manfaat*) program which targets qualified low-income households. The first wave of KPM distributions occurred from March-May 2023 during which time 630,000 MT of milled rice equivalent were distributed to targeted households. Recently, the GOI authorized a second wave of KPM distributions from September-November 2023 with a total allocation of 640,000 MT of milled rice equivalent. As of September 21, 2023, BULOG's domestic rice procurement has reached a total of 846,417 MT of milled rice equivalent. With this domestic rice procurement, combined with the procurement of 2 MMT of imported rice in early 2023 and the estimated reduction in stocks from the distribution of rice under the SPHP and KPM programs, BULOG estimates total ending stocks will reach a total of 1.2 MMT of milled rice equivalent by the end of 2023.

In anticipation of rice stocks falling below the GOI's food security threshold of 1.5 – 2 MMT, the Coordinating Minister for Maritime Affairs and Investment declared that Indonesia would import an additional 2 MMT of rice on September 26, 2023. Approximately 1 MMT of the imported rice must arrive by the end of 2023 to shore up BULOG's ending stocks, while the rest is slated for import in early 2024. According to industry sources, the imported rice is likely to be procured from China.

Post estimates that 2022/23 rice imports will increase by 75 percent to 3.5 MMT of milled rice equivalent from the previous estimate of 2 MMT. The revised 2022/23 rice imports estimate consists of 3 MMT of rice imported by BULOG and 500,000 MT of rice imported by the private sector. Additionally, the forecast for 2023/24 rice imports is revised up 114.3 percent to 1.5 MMT of milled rice equivalent, compared to the previous 2023/24 forecast of 700,000 MT of milled rice equivalent.

As of July 2023, trade data records show that Indonesian imports of rice reached a total of 1.3 MMT. Thailand is the main supplier of rice exports to Indonesia with 49.4 percent market share, followed by Vietnam (42.1 percent), India (4.9 percent), and Pakistan (3.2 percent).

Production, Supply, and Distribution Table.
PSD: Milled, Rice

Rice, Milled	2021/2022		2022/2023		2023/2024		
Market Begin Year	Jan 2022		Jan 2023		Jan 2024		
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Harvested	11600	11600	11550	11050	11600	11300	(1000 HA)
Beginning Stocks	3060	3060	2900	2900	3500	3300	(1000 MT)
Milled Production	34400	34400	34000	32300	34450	33500	(1000 MT)
Rough Production	54173	54173	53543	50866	54252	52756	(1000 MT)
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350	(1000 MT)
MY Imports	740	740	2000	3500	700	1500	(1000 MT)
TY Imports	740	740	2000	3500	700	1500	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	38200	38200	38900	38700	38650	38300	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	(1000 MT)
Consumption and Residual	35300	35300	35400	35400	35250	35250	(1000 MT)
Ending Stocks	2900	2900	3500	3300	3400	3050	(1000 MT)
Total Distribution	38200	38200	38900	38700	38650	38300	(1000 MT)
Yield (Rough)	4.6701	4.6701	4.6358	4.6033	4.6769	4.6687	(MT/HA)

Note: Figures in the "New Post" columns are not USDA Official figures.

Attachments:

No Attachments.