USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Name: Government of Indonesia Opens Corn Imports to 500 Thousand Tons

Country: Indonesia

Post: Jakarta

Report Category: Grain and Feed

Prepared By: Sugiarti Meylinah

Approved By: Rey Santella

Report Highlights:

The El Nino climate pattern is expected to reduce Indonesia's 2022/23 rice and corn production. Post estimates Indonesia's 2022/23 corn production to decline to 12.3 million metric tons (MMT) compared to the previous estimate of 12.9 MMT. Production shortages are expected to result in soaring corn prices. On October 11, 2023, the National Food Agency (NFA) authorized the government-owned National Logistics Agency (BULOG) to import a total of 500,000 metric tons of feed corn to soften the impact of higher commodity prices and ensure adequate supplies for small holder poultry farmers.

SITUATION AND OUTLOOK

Indonesia's geographical position is strategically located in the tropics and consists of islands which stretch from west to east and surrounded by large bodies of water. Its climate diversity is influenced by climate-related activities including global phenomena such as El Nino Southern Oscillation (ENSO) and the Indian Ocean Dipole (IOD).

The Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG, *Badan Meteorologi, Klimatologi, dan Geofisika*) explained that ENSO is a global phenomenon of the ocean-atmosphere interaction system, which is characterized by the presence of sea surface temperature anomalies in the equatorial central pacific region. If the sea surface temperature anomaly in the area is positive (hotter from the average) then it is called El Nino, but if the temperature anomaly is negative sea levels are called La Nina. El Nino is usually influential to a significant reduction in rainfall while La Nina generally causes rainfall in Indonesia to increase.

Indian Ocean Dipole (IOD) is a phenomenon of ocean–ocean interaction atmosphere in the Indian Ocean which is monitored through calculations of the difference in values between the sea surface temperature anomalies of the east coast waters Africa (West Tropical Indian Ocean, WTIO) with adjacent waters in western part of Sumatra (Southeast Tropical Indian Ocean, SETIO). Difference of the sea surface temperature anomaly value referred to is called the Dipole Mode Index (DMI). Positive IOD events generally reduce rainfall - especially in western Indonesia. Negative IOD usually increases rainfall in western Indonesia.

On September 8, 2023, BMKG reported that El Nino climate conditions are continuing 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

A prolonged drought period reportedly affects not only to the shortage of rice production but also corn. The recent increase in corn planting area is due to decisions made by Indonesian farmers to grow corn rather than rice in semi-irrigated areas but is unlikely to offset the loss of corn area on rainfed land. Therefore, Post estimates that the 2022/23 corn harvested area will decline to 3.85 million hectares from the previous estimate of 3.95 million hectares. The reduction of harvested area, along with declining yields due to the lack of rainfall during the grain filling period leads Post to reduce its corn production estimates in 2022/23 to decline to 12.3 million metric tons (MMT) compared to the previous estimate of 12.9 MMT.

The smaller domestic corn production has pushed corn prices at the feed mill's gate level higher than the government reference price of Rp. 5,000/kg ($318/ton). Corn prices at the feed mill's gate level in October 2023 reached Rp. 7,010/kg ($446/ton) an increase of 24.3 percent compared to the price in October 2022 of Rp. 5,640/kg ($359/ton).

CONSUMPTION

As a result of the higher corn prices and lower stocks, the Ministry of Agriculture's procurement of domestically grown corn during the period of January to September 2023 declined by 9.35 percent to 5.6 MMT compared to 6.2 MMT during the same period of 2022. Accordingly, Post estimates that 2022/23 Indonesian feed corn consumption will decline by 2.1 percent to 9.2 MMT from the previous estimate of 9.4 MMT. Corn inventory at feed mills during September 2023 is reportedly only enough to meet demand for 43 days, compared to 49 days in September 2022.

The higher prices and weakening rupiah, on the other hand, are expected to reduce corn wet mill demand for imported corn. Thus, corn consumption by food, seed, and industrial use in 2022/23 is forecast to decline by 4.8 percent to 4.0 MMT compared to 4.2 MMT consumed in 2021/22.

TRADE

To assist small holder poultry farmers, the National Food Agency, on October 11, 2023, instructed the government-owned National Logistics Agency (BULOG) to import a total of 500,000 metric tons of corn. BULOG must distribute the corn only to small holder poultry farmers. The total import allocation is expected to arrive in the country before the end of 2023. However, high corn prices and the strong dollar may hinder realization of the import allocation. Accordingly, Post forecasts 2023/24 corn imports to increase by 20 percent to 1.2 MMT compared to the previous forecast of 1.0 MMT.

During the period of October 2022 to July 2023, Indonesia imported a total of 653,575 MT of corn, a decline of 33.1 percent compared to 977,079 MT imported during the same period of 2021/22. Indonesia imported most of its corn from Argentina (77 percent) and Brazil (21 percent).

STOCKS

In line with lower production, 2022/23 ending stocks are estimated to decline to 1.06 MMT from the previous estimate of 1.167 MMT. Ending stocks in 2023/24 is forecast to remain low at 1.065 MMT assuming El Nino will still affect to lower production from the first cycle of 2023/24.

Table 1. PSD, Corn

Corn	2021/2022		2022/2023		2023/2024		
Market Begin Year	Oct 2021		Oct 2022		Oct 2023		
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Harvested	3900	3900	3950	3850	4000	3950	(1000 HA)
Beginning Stocks	1321	1321	1367	1367	1167	1067	(1000 MT)
Production	12700	12700	12900	12300	13100	12900	(1000 MT)
MY Imports	1154	1154	900	900	1000	1200	(1000 MT)
TY Imports	1154	1154	900	900	1000	1200	(1000 MT)
TY Imp. from U.S.	67	67	0	0	0	0	(1000 MT)
Total Supply	15175	15175	15167	14567	15267	15167	(1000 MT)
MY Exports	8	8	300	300	2	2	(1000 MT)
TY Exports	8	8	300	300	2	2	(1000 MT)
Feed and Residual	9600	9600	9400	9200	9800	9800	(1000 MT)
FSI Consumption	4200	4200	4300	4000	4300	4300	(1000 MT)
Total Consumption	13800	13800	13700	13200	14100	14100	(1000 MT)
Ending Stocks	1367	1367	1167	1067	1165	1065	(1000 MT)
Total Distribution	15175	15175	15167	14567	15267	15167	(1000 MT)
Yield	3.2564	3.2564	3.2658	3.1948	3.275	3.2658	(MT/HA)

Table 2. Exchange Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	14,084	14,229	14,459	14,453	14,292	14,452	14,548	14,306	14,321	14,171	14,320	14,278
2022	14,392	14,369	14,306	14,480	14,592	14,848	14,990	14,853	15,232	15,596	15,668	15,619
2023	14,992	15,240	15,418	14,661	15,003	15,000	15,026	15,237	15,487	15,708		

Attachments:

No Attachments.