USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 4/14/2011
GAIN Report Number: ID1110

Indonesia

Grain and Feed Annual

Indonesia Grain and Feed Annual 2011

Approved By:
Dennis B. Voboril

Prepared By:
Jonn Slette/Sugiarti Meylinah

Report Highlights:
In marketing year (MY) 2010/11, Post forecasts Indonesian wheat imports to increase by approximately 10 percent to 5.9 million metric tons (MMT), compared to 5.364 MMT in MY 2008/09. Indonesian corn imports are also estimated to increase to 2.5 MMT over the previous MY of 1.167 MMT. This is primarily due to the estimated decrease of corn production in MY 2010/11. Indonesian rice production in MY 2010/11 is expected to marginally increase to 36.9 MMT. This is an increase of 500,000 MT over MY2009/2010 estimated production level of 36.4 MMT of milled rice equivalent. Indonesian imports of rice are expected to reach 1.75 MMT with Thailand and Vietnam as the main suppliers.

Executive Summary:

SITUATION AND OUTLOOK

The Indonesian Meteorology, Geophysics, and Climatology Agency (BMKG) anticipates a continued weakening of the La Nina weather pattern that has led to above-normal rainfall in Indonesia since 2009. BMKG predicts a moderate to weak La Nina will continue to impact the Indonesian climate through July 2011. Thus, the beginning of dry season in major parts of Indonesia will start in June to July 2011. Compared to the average start of the dry season, based on averages from 1970 to 2000, the dry season will start later in 63.4 percent areas of Indonesia, while it will start on time in 35 percent areas of Indonesia. Therefore, the relatively changed climate will still bring some negative impact to Indonesian food crops production especially rice and corn in MY 2010/11.

According to the Asian Development Bank, the Indonesian economy is estimated to grow by 6.4 percent in 2011. This is primarily due to relatively stable macroeconomic and political conditions. Inflation rate is assumed to be at 5.3 percent. Rice prices contribute significantly to the overall inflation rate and sensitivities about the price of rice forces the Government of Indonesia (GOI) to take some measures to maintain its stability.

Wheat:

Total Indonesian wheat imports in MY 2010/11 are estimated to increase by 10 percent to 5.9 MMT, over the previous MY 2009/10 of 5.364 MMT. Some of this predicted growth is because several new wheat millers and multinational food manufacturers have begun production and are driving demand. Post predicts that in the current marketing year, wheat imports from the United States will approach an estimated 900,000 MT. This increase is primarily due to lower supplies from Australia. Australia's weather related production challenges are equating to more opportunities for U.S. wheat. Finally, new trends in the Indonesian bakery and biscuit sectors are indicating a higher preference for more U.S. soft white wheat according to an industry analyst.

Corn:

Indonesian corn imports are estimated to nearly double to 2.5 MMT compared to the previous MY of 1.337 MMT. Indonesia's production of corn in MY 2010/11 is estimated to further decline by 2.17 percent to 6.75 MMT, over the previous MY of 6.9 MMT. This decrease is mainly due to a decrease in planted and harvested areas. The decline in production - combined with higher demand from feed mills and a major, new corn wet mill - will increase corn imports in MY 2010/11.

Rice:

Despite continued pest and disease outbreaks, which have lowered rice yields, Post predicts a marginal increase of 1.46 percent to 36.9 MMT, up from 36.4 MMT in MY2009/10. The primary reasons behind this prediction is the slightly larger harvested areas outside of Java and higher-than-normal rice plantings during the third cropping cycle due to continued rainfall. Nonetheless, in order to maintain

rice prices in domestic market, imports of rice in MY 2011/2010 are estimated to reach 1.75 MMT.

Commodities:
Wheat

Consumption:
The high demand for wheat flour and the low prices of wheat flour sold in Indonesia, relative to other Asian countries, have motivated many multinational wheat flour based food manufacturers to start their operation in Indonesia. Small and medium wheat-based enterprises are also growing by three to five percent annually. Currently around 30,000 small and medium scale enterprises are operational in Indonesia.

In MY 2010/11, Indonesian annual per capita wheat flour consumption rate is 18 kg. Stable economic conditions have allowed for to some middle and upper middle class Indonesian consumers to diversify their diet. Instead of having rice for three meals, many Indonesians are eating bread for breakfast. The number of high-end bakeries is continuously growing, mainly in major Indonesian cities such as Jakarta, Surabaya, Medan, and Bandung. The price of instant noodles is currently cheaper than rice and many more middle to lower income consumers substitute instant noodles for breakfast or dinner. As a result, the noodle industry is the fastest growing sector and constitutes 60 percent of overall Indonesian wheat flour consumption. The bakery industry follows with 20 percent consumption share, while household and the commercial biscuit sector each takes the balance of 10 percent consumption share. As a result of these factors, MY 2010/11 Indonesian wheat consumption is estimated to increase to 5.8 MMT, over the previous MY 2009/10 of 5.25 MMT.

Higher prices of feed ingredients in the international market have forced some feed mills to make changes in its feed formulation. Low prices of wheat flour on the international market, especially from Turkey, create increased incentives for consumption of wheat flour by the feed industry to 135,000 MT in MY 2010/11. This amounts to a 50,000 MT increase over the previous MY 2009/10. If the higher prices of feed ingredients persist and no anti-dumping duties are imposed on Turkish wheat flour, the consumption of wheat flour by feed industry is forecasted to further increase to at least 150,000 MT in MY 2011/12.

Trade:
At the time of the Indonesian monetary crisis in 1998, there were only four Indonesian flour millers. Currently there are 15 Indonesian flour millers with a total installed capacity of 7.7 MMT per year. Those flour millers are generally running at 60 percent of the total installed capacity. This year, another seven new flour millers will likely come online, with an estimated combined annual capacity of 1.5 MMT. Most of the new flour millers will be located outside of Java.

Based on the growing flour industry in Indonesia, Post estimates that MY 2010/11 Indonesian wheat imports will increase by 10 percent to 5.9 MMT compared to the previous MY 2009/10 of 5.364 MMT. A growing wheat flour-based food industry will create more demand for wheat and will further increase

Indonesian wheat imports in MY 2011/12 to 6.3 MMT. In MY 2009/10, due to its geographic proximity to Indonesia and noodle industry's preference for Australian Standard White Wheat for instant noodle production, Australia held the largest market share of imported wheat to Indonesia (58 percent), followed with Canada (18 percent) and the United States (15 percent). In MY 2010/11 the share of the U.S. wheat imports into the Indonesian market is expected to increase to 19 percent due to lower supply from Australia. Provided that normal weather and production levels return to Australia, U.S. wheat export to Indonesia are forecasted to slightly decline from 900,000 MT to 700,000 MT in MY 2011/12.

Based on the Global Trade Atlas data on MY 2009/10 Indonesian wheat flour imports, Turkey held the largest market share of 57 percent, followed with Sri Lanka (20 percent) and Belgium (10 percent). In MY 2009/10, Indonesia imported 714,000 MT of flour, or an equivalent of 976,000 MT of wheat.

Indonesia's issue with Turkey over accusations that Turkey is dumping wheat flour on the Indonesian market remains a concern for domestic flour millers. After a lengthy investigation, the Indonesian Anti-Dumping Commission claims to have found evidence that Turkey exports their wheat flour to Indonesia at a dumped price. On December 2009, the Indonesian Minister of Trade recommended to the Indonesian Minister of Finance to impose anti-dumping import duties on Turkish wheat flour. However, to date, the implementation of these anti-dumping duties on Turkey remains unclear and Turkish wheat flour continues to enter the market.

The Indonesian Flour Millers Association (APTINDO) claims that the market share of Turkish wheat flour in CY 2010 is growing to 62.20 percent of total wheat flour imports compared to 59 percent in 2009 and 42.85 percent in 2008.

Policy:

On December 22, 2010, the Indonesian Ministry of Finance issued Decree No. 241/PMK.011/2010, increasing import duties for some grain & feed and oilseeds to five percent from the previous rate of zero percent. The previous zero tariff rates had been enforced since January 2008. As a result of this decision, the Indonesian food and feed industries vigorously protested against the tariff increase. These protests, along with rising food prices, caused the GOI to rescind the tariffs by issuing Ministry of Finance Decree No. 13/PMK.011/2011 on January 24, 2011. The newly issued decree temporarily reduced the import duty of wheat (HS Code 1001.90.19.00) and other feed ingredients (further described in Corn, Policy section) to zero percent. The regulation is effective as of the stipulation date of the regulation and will last until December 31, 2011.

Production, Supply and Demand Data Statistics:

PSD: Wheat

Wheat Indonesia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	0	0	0	0		0
Beginning Stocks	1,406	1,406	1,270	1,270		1,115
Production	0	0	0	0		0
MY Imports	5,364	5,364	5,300	5,900		6,300
TY Imports	5,364	5,364	5,300	5,900		6,300
TY Imp. from U.S.	539	539	0	900		700
Total Supply	6,770	6,770	6,570	7,170		7,415
MY Exports	200	200	150	220		220
TY Exports	200	200	150	220		220
Feed and Residual	50	50	50	135		150
FSI Consumption	5,250	5,250	5,200	5,700		6,100
Total Consumption	5,300	5,300	5,250	5,835		6,250
Ending Stocks	1,270	1,270	1,170	1,115		945
Total Distribution	6,770	6,770	6,570	7,170		7,415
Yield	0.	0.	0.	0.		0.
TS=TD		0		0		0

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

Author Defined:
Prices

Despite higher international wheat prices, Indonesian flour millers have agreed with government authorities to maintain the price stability of wheat flour prices in the domestic market. The retail price of medium protein wheat flour in Jakarta market was reported at Rp. 7,300/kg ($830/MT) in January 2010 and was at Rp. 7,400/kg ($841.5/MT) in December 2010. The price remains at Rp. 7,400/kg through March 2011.

Commodities:
Corn

Production:
On March 1, 2011, Indonesian Statistics Agency (BPS) released its production first forecast figures which decreased CY 2011 Indonesian corn production estimates by 2.39 percent to 17.9 MMT due to the decrease in harvested area and yield. The first and major corn planting season normally takes place from November to February (49 percent). The second planting season takes place from March to June (37 percent). The last one occurs in July to September (14 percent). Continued rainfall motivates farmer to keep growing paddy, despite higher incidents of pest and disease.

The price of hybrid corn seed also went up. Currently, prices of hybrid corn seed ranges from Rp. 40,000/kg ($4,549/MT) to Rp. 70,000/kg ($7,961/MT) compared to Rp. 38,000/kg ($4,322/MT) to Rp. 60,000/kg ($6,824/MT) in 2010. This factor combined with lower price of corn relative to the other food crops such as rice which price is guaranteed by government have discouraged farmers from growing corn.

CORN AND RICE CROPPING PATTERN
IN INDONESIAN MAJOR CORN AND RICE PRODUCING AREAS

Area and Description	Month											
	S	O	N	D	J	F	M	A	M	J	J	A
North Sumatera		Rice/Corn						Corn/Other*				
Lampung: Pattern 1			Rice/Corn					Corn				
Pattern 2			Corn									
				Cassava/Other*								
Java: Irrigated and Lowlands			Rice					Corn/Other*				
Java: Dry Lands: Pattern 1			Rice/Corn					Chili/Other*				
Pattern 2				Rice/Corn								
					Cassava/Other*							
West Nusa Tenggara				Corn				Other*/Fallow				
South Sulawesi: Irrigated and Rainfed			Corn					Rice				
South Sulawesi: Dry Lands				Rice/Corn				Corn				
					Corn				Cotton/Other			

Source: CIMMYT Maize in Indonesia 2004, modified by FAS/Jakarta.
Other*: Other secondary crops such as cassava, mung bean, peanut, soybean, sweet potato.

Lower farmer interest to grow corn during MY 2010/11 limits the area expansion for hybrid corn as well. During MY 2010/11 the total area grown with hybrid corn is estimated to remain stable at 30 percent of the total areas grown with corn. Post estimates MY 2010/11 harvested area of corn to decline to 3.0 million hectares compared to 3.06 million hectares in previous MY2009/10.

The Indonesian government continues its free seed program. For CY 2011, the Indonesian Ministry of Agriculture will give free seed of hybrid corn, composite corn, soybean, and paddy seed worth Rp. 124 billion ($14 million). However, the seed used are of lower quality than the commercial one that reduced

yield. Higher than normal rainfall increases corn moisture content and increases incidents of downy mildew. Seed industry sources also reported that Botrydiplodia stalk rot caused by fungus and bacteria which reduced yield was also found on the field.

Given the above situation, Post estimates Indonesian corn production in MY 2010/11 to decline by 2.2 percent to 6.75 MMT compared to 6.9 MMT in MY2009/10. Assuming weather will return to its normal pattern which will provide incentives and opportunities for farmers to grow more corn and more hybrid corn use, Post forecasts MY 2011/12 corn production to rebound to 8.1 MMT. This compares to the most recent high level of 8.7 MMT in MY 2008/09.

Consumption:

Most of Indonesian corn farmers still use composite seed due to the favorable taste of composite corn seed that are grown for human consumption. Hybrid corn seed grown is mostly earmarked for feed consumption. With a total installed capacity of 14 MMT per annum, this industry is estimated to grow by 6 percent assuming the economic and political situation remains stable; there are no significant outbreaks of poultry diseases; and a stable Indonesian rupiah against the U.S. dollar. The existing feed millers are running at 60 percent of the total installed capacity.

The Indonesian Feed Millers Association estimated that CY 2011 feed consumption will reach approximately 10.3 MMT. Poultry industry consumes approximately 83percent of the total feed consumed. Aquaculture consumes 11 percent and the balance of 6 percent is consumed by cattle and swine.

However, Indonesian feed millers are heavily reliant on imported feed ingredients as can be seen in the following table:

Sources of Some of Indonesian Feed Ingredients

No.	Feed Ingredient	Sources	
		Local	Import
1.	Corn	90-95	5-10
2.	Fish Meal	5-10	90-95
3.	MBM	0	100
4.	Soybean Meal	0	100
5.	Rapeseed Meal	0	100

6.	Corn Gluten Meal	0	100
7.	Feed Additive	0	100
8.	Rice Bran	100	0
9.	Copra Meal	100	0
10.	Palm Kernel Meal	100	0
11.	CPO	100	0

Source: Indonesian Feed Millers Association (GPMT)

Indonesian Feed Millers Association reported that corn normally accounts for 50 percent of feed formulations while soybean meal 15-20 percent, corn gluten meal 3 percent, CPO 2 percent, fish meal 5 percent, rice bran 15 percent, wheat pollard 8 percent and premix 0.6 percent. With the high prices of corn and other substantial feed ingredients in the international commodity market, feed millers should make some changes in the feed formulation such as substituting small portion of feed corn with DDGS and Corn Gluten Meal (CGM), as well as sourcing more feed ingredients from the local market especially for the source of protein in feed. Yet there are some factors that inhibit feed millers from sourcing more locally - such as lower protein content, higher raw fiber content, high rancidity, limited and inconsistent corn supply for commercial scale feed millers, and difficulties in storage. Therefore, feed millers reported that they are determined to import corn at any price to meet the demand.

Considering the aforementioned factors, Post estimated the MY2010/11 corn consumption by feed industry to increase to 4.6 MMT compared to the previous MY 2009/10 of 4.5 MMT, while a total of 4.7 MMT of corn will go for human consumption. In MY 2011/12 these corn consumptions are forecast to increase to 4.7 MMT and 4.8 MMT for feed and food respectively.

In addition to the traditional utilization of corn, a new corn wet milling facility located in West Java has been operational since last year, with a milling capacity of 1,000 MT corn per day. This facility produces corn starch, glucose, multi dextrin, corn oil, and some corn gluten feed and meal. The corn wet mill expects to double their capacity in CY 2011. This mill reportedly prefers U.S. corn due to consistency in specifications and reliability as a source, and has the potential to become a major and consistent importer of U.S. corn.

There have been no significant official reports of Avian Influenza cases during 2010.

Trade:

Corn contributes to 80 percent source of energy in feed. Lower supply and quality of corn from domestic market will drive feed millers to source the corn from import. The new corn wet mill which started the operation since last year also reported that high moisture content and aflatoxin in local corn requires them to import corn. Therefore, Post estimated that MY 2010/11 Indonesian corn import to jump to 2.5 MMT from 1.3 MMT over the previous marketing year. Assuming a rebound in Indonesian corn production in MY 2011/12, Post forecast that Indonesian corn imports in MY 2011/12 to decline to 1.5 MMT. In MY 2009/10, Argentina held the largest market share of 61 percent, followed by Brazil (12 percent), India (8 percent), South Africa (7 percent), and the United States (6 percent).

Although there are concerns from feed millers over the quality and uncompetitive price of Dried Distillers Grain Soluble (DDGS) compared to other source of energy in feed formulation, Indonesia continuously increasing its import of DDGS. In CY2010 Indonesia imported a total of 282,000 MT of DDGS mainly from the United States (89 percent), compared to 200,741 MT in CY2009. Japan supplied the balance of the DDGS demand for Indonesia. In CY 2010, Indonesia imported approximately 144,000 MT of Corn Gluten Meal (CGM) mainly also from the United States (90 percent), while China and India supplied the balance. Frequent promotional activities and technical assistance provided by the U.S. Grain Council in conjunction with other promotional activities by other U.S. companies have led to this success.

Policy:

To ease the burden from the soaring price of imported feed ingredients and to maintain inflation rate, the feed millers association is negotiating with the Indonesian government to reduce the imported duty of the feed ingredients. A five percent tariff is currently imposed on corn, rapeseed meal, lysine, DDGS, and fish oil. GOI decided to temporarily rescind the regulation that initially increased the import duty of feed ingredients listed in the following table by 5 percent, by issuing Ministry of Finance Decree No. 13/PMK.011/2011 on January 24, 2011. The newly issued decree temporarily reduced the previously increased import duty of grain and feed and oilseeds to zero percent. The new import duty is effective started from the stipulation date of the regulation and will last until December 31, 2011. The implementation of zero percent duty will be assessed two months before it expires. Once this new regulation expired, the import duty of the following affected commodities will be resumed to five percent:

No.	HS Code	Description
1.	1001.90.19.00	Wheat (other than meslin) for human consumption
2.	1201.00.90.00	Soybean, not for sowing
3.	2301.10.00.00	Flours, meals, and pellets of meat or meat offals, greaves
4.	2301.20.00.00	Flours, meals, and pellets of fish or crustaceans, mollusks, or other aquatic invertebrates.
		Bran, sharps, and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals or of leguminous plants.
5.	2302.30.00.00	- of wheat
6.	2302.40.90.00	- of other cereals
7.	2302.50.00.00	- of leguminous plants
		Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetables fats or oils, other than those of heading 2304 or 2305
8.	2304.00.00.00	Soya bean oil cake and other solid residues, W/N ground or pellet

Production, Supply and Demand Data Statistics:

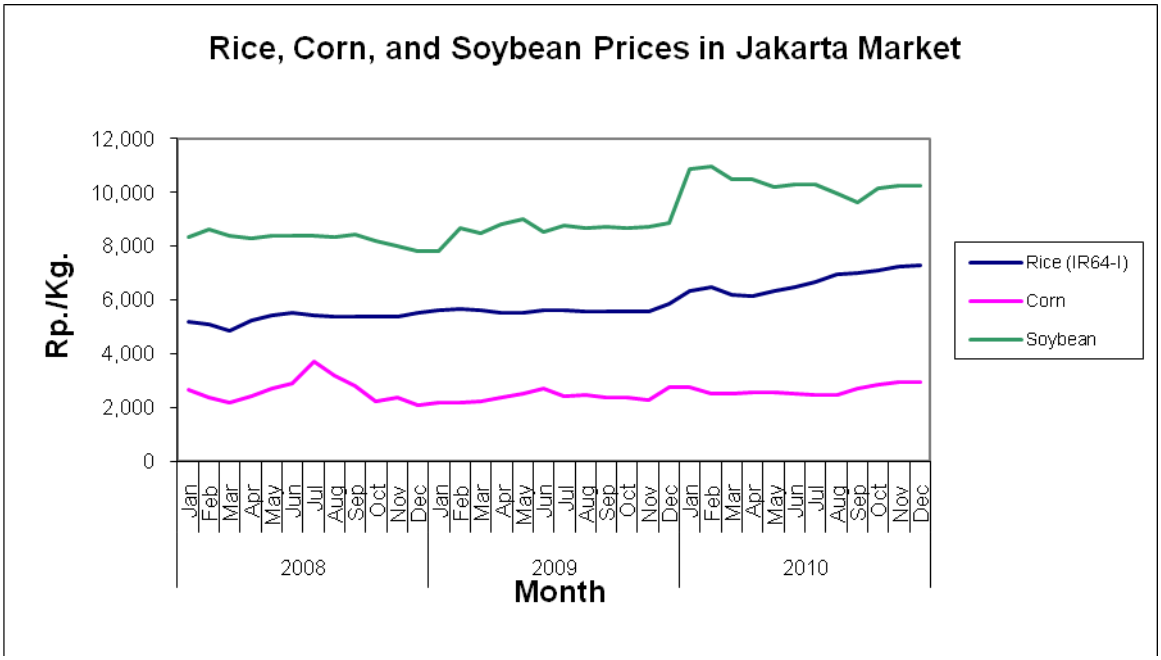
PSD: Corn

Corn Indonesia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,060	3,060	3,150	3,000		3,150
Beginning Stocks	1,284	1,284	454	691		641
Production	6,900	6,900	8,000	6,750		8,100
MY Imports	1,300	1,337	1,100	2,500		1,500
TY Imports	1,300	1,167	1,100	2,500		1,500
TY Imp. from U.S.	74	74	0	500		500
Total Supply	9,484	9,521	9,554	9,941		10,241
MY Exports	30	30	50	0		0
TY Exports	30	30	50	0		0
Feed and Residual	4,500	4,500	4,600	4,600		4,700
FSI Consumption	4,500	4,300	4,500	4,700		4,800
Total Consumption	9,000	8,800	9,100	9,300		9,500
Ending Stocks	454	691	404	641		741
Total Distribution	9,484	9,521	9,554	9,941		10,241
Yield	2.	2.2549	3.	2.25		2.5714
TS=TD		0		0		0

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

Author Defined:
Price

The following chart shows the movement of corn price paid by feed mill in Jakarta market compared to the price of rice and soybean.



Source: Cipinang Rice Market, ASA, and Market Information Center (PIP).

In March 2011, the price of local corn is reportedly at Rp. 3,700/kg ($421/MT) from Rp. 2,950/kg ($335/MT) in December 2010, while the price of imported corn stands at Rp. 3,300/kg ($375/MT) compared to Rp. 2,650/kg ($300/MT) in December 2010. With such price hikes in the main component of feed, Indonesian feed millers had to increase feed price by Rp. 600/kg ($68/MT) within the last three months, from Rp. 4,700/kg ($535/MT) to Rp. 5,300/kg ($603/MT).

Commodities:

Rice, Milled

Production:

On March 1, 2011, the Indonesian Statistics Agency released its first forecast for 2011 Indonesian rice production (Aram I). The agency forecasts that Indonesian rice production will increase by 1.35 percent due to area expansion outside of Java and slightly higher yield. However, Post believes that the high rate of land conversion to nonagricultural uses on Java will offset the area expansion outside of Java.

Post's recent observation to Indonesian major rice producing areas in West Java, Central Java, Yogyakarta, and East Java showed that more farmers grew paddy during the first crop cycle due to the availability of water from rainfall. Just as in MY 2009/10 farmers in irrigated areas can grow three times paddy, while those in rain fed areas can grow paddy twice. Since the first MY 2008/09 crop cycle this will be the sixth consecutive plantings of paddy for farmers in irrigated areas. The unremitted plantings translated into unremitted pest and disease incidents resulted to lower yield. Farmers reported that rains fell mostly during the days, which therefore inhibits the photosynthesis and flowering phase of

the paddy. Post observed some brown paddy leaves that were attacked by brown hoppers and holes left by rats on some paddy fields. Farmers who grew IR64 seed suffers more compared to those who grew Ciherang, a more brown hopper resistant seed. Farmers continue taking some measures to manage rats, such as fencing the field with plastic barriers or erecting electrical barriers.

Brown hoppers attacked paddy field in Subang, West Java causing brown paddy leaves. The age of the paddy was about eight weeks.

Right picture: high moisture content from wetter than normal paddy and more empty and green husks caused by early harvest to avoid greater loss. Pictures were of paddy recently harvested in Central and East Java.

Some farmers met during the field trip reported that they had to harvest the paddy sooner than it should to prevent them from suffering greater losses from the pest and disease attacks. Currently, first harvests

of rice are going on in most areas in Java. Rainfall during the day also made it more difficult for farmers to sundry the wet paddy. It takes three to five days to sun dry the paddy while normally it takes just one day. This leads to higher moisture content, empty husks, easily broken kernels, and more chalky kernels.

Given the above factors, Post revised the MY 2010/11 harvested area to 12,110,000 hectares compared to initial estimate of 12,100,000 hectares. Post also decreased the MY 2010/11 Indonesian rice production to 36.9 MMT of milled rice equivalent due to lower yield and lower milling rate than the initial estimate.

Indonesian government realizes the critical situation of Indonesian rice production. High rate of land conversion to non-agricultural uses may result in a stagnant or even declining harvested area. Yield tends to decline due to deteriorating soil quality as a result of improper fertilization. Area expansion outside of Java is also hindered by lack of infrastructure and less fertile soil compared to Java. Therefore, GOI are taking some measures to increase or at least maintain Indonesian rice production to meet domestic demand. These actions include:

- Encourage farmers to grow more high-yielding and more pest and extreme climate resistant paddy seed use such as Inpari and Inpara.
- Continue efforts to expand area outside of Java with plans to provide grain dryers to provincial food crops offices all over Indonesia.
- Establish a closer cooperation between Indonesian Meteorology, Geophysics, and Climatology Agency (BMKG) with provincial food crops offices in providing weather information to be disseminated to farmers' groups.
- Continue the free seed program and fertilizer subsidy, and
- Implement intensification in selected areas namely Lampung, South Sumatera, Banten, West Java, Central Java, Yogyakarta, East Java, South Kalimantan, South Sulawesi, and West Nusa Tenggara.

Assuming more normal weather which will provide opportunities for the success of the actions, Post forecast that MY 2011/12 Indonesian rice production to increase to 37.6 MMT of milled rice equivalent.

Consumption:

Some of the imported rice is going for BULOG's market operation in order to dampen the price of medium quality rice in the domestic market. During the period of January to March 2011 a total of 100,711 MT of rice has been distributed into the commercial market.

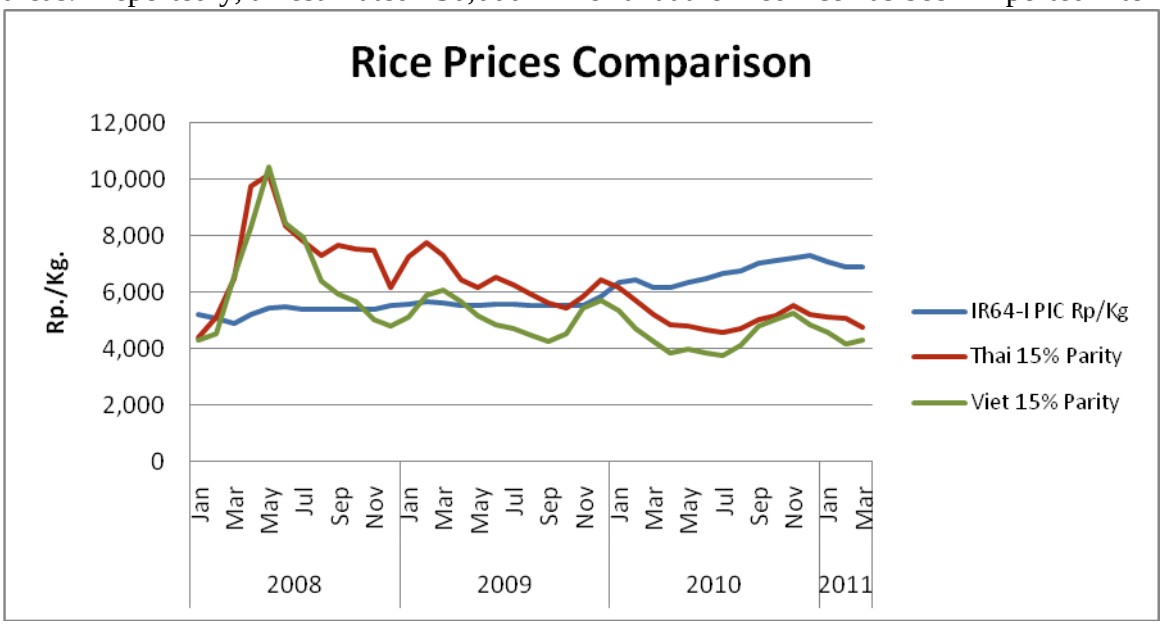
BULOG will also use the stock for Rice for the Poor (*Raskin*) program. In MY 2010/11 BULOG will distribute a total of 3.15MMT of *Raskin* rice to 17.5 million poor families. Each family will receive 15 kg of rice/month at the price of Rp. 1,600 /kg.

In line with the population growth, Post estimated MY 2010/11 Indonesian rice consumption to increase to 38.850 MMT from 38 MMT in previous MY2009/10. The consumption is forecast to increase further to 39.14 MMT in MY 2011/12.

Trade:
In order to maintain the Indonesian national logistic agency (BULOG) minimal stock level of 1.5 MMT of rice - which as of December 23, 2010 stood at 1.42 MMT - the government of Indonesia has authorized BULOG to import rice. Since October 2010 BULOG has given authorization to import 2.0 MMT of rice and reportedly contracted 1.998 MMT until the end of March 2011. As of March 7, a total of 1.262 MMT has arrived in country, including around 600,000 MT arriving during the period of October to December 2010. The balance of 736,000 MT from the original contracts is expected to arrive, though exact arrival dates are unknown. The initial authorization required the rice must arrive in country prior to April 1, 2011.

Normally the GOI restricts imports of rice one month prior to, during, and two months after the main harvest period. This year, however, the Indonesian government gave more flexibility to BULOG to import rice given the critical situation and rising rice and commodity prices.

Shortages of supplies from Indonesia's major rice producing areas have driven up prices of the popularly-consumed medium quality rice throughout Indonesia. As seen in the following chart, the price of Indonesian medium quality rice (IR64-I) during the period of January 2010 – March 201 was still above the landed price of Thai 15 percent broken and Vietnamese 15 percent broken. This price disparity continues to provide incentives for unauthorized imports, especially through Indonesian border areas. Reportedly, an estimated 250,000 MT of unauthorized rice has been imported into Indonesia.



Source: Cipinang wholesale rice market, The Rice Trader, processed by FAS Jakarta.

Therefore, combined with BULOGs and specialty rice imports, Post estimated MY 2010/11 Indonesian rice import to reach 1.75 MMT. With the on-going market operation and the upcoming main harvest period, local observers expect the price of medium quality rice to stabilize. Assuming that the price disparity between Indonesian medium quality rice and Thai 15 percent and Vietnamese 15 percent broken is not as high as this year, Post expects that the amount of rice illegally imported into

Indonesian border areas will be less than 100,000 MT in MY 2011/12. Combined with the assumed increase of rice production, Post forecast MY 2011/12 Indonesian rice import to decline to 400,000 MT.

Stocks:
MY 2010/11 ending stock of Indonesia rice is estimated to be at 6.4 MMT, and forecast to further decline in MY 2011/12 to 5.2 MMT due to higher consumption and lower beginning stock of MY 2010/11.

Policy:
In MY 2010/11, BULOG will procure a total of 3.5 MMT of milled rice consisting of 2.5 MMT of medium quality rice and 1 MMT of premium quality rice. BULOG must buy paddy and rice from domestic market, which prices are lower than the government purchasing price (HPP = Harga Pembelian Pemerintah). According to the Presidential Decree No. 7/2009, BULOG can only buy paddy or rice that meets the following criteria and using the following HPP:

Quality Requirement		Wet Paddy	Dry Paddy	Rice
Moisture Content	Max	25%	14%	14%
Empty Husks/Dirt	Max	10%	3%	-
Broken	Max	-	-	20%
Price at farmer's level		Rp. 2,640	-	-
Price at mill's level		Rp. 2,685	Rp. 3,300	-
Price at Bulog warehouse		-	Rp. 3,345	Rp. 5,060

BULOG plans to absorb 2.0 MMT of rice by June 2011. Should BULOG miss the June target, GOI will then consider making a decision on imports to maintain BULOG's stock at a secure level.

Production, Supply and Demand Data Statistics:
PSD: Rice, Milled

Rice, Milled Indonesia	2009/2010	2010/2011	2011/2012
	Market Year Begin: Jan 2010	Market Year Begin: Jan 2011	Market Year Begin: Jan 2012

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,100	12,100	12,100	12,110		12,150
Beginning Stocks	7,057	7,057	6,577	6,577		6,377
Milled Production	36,370	36,370	37,500	36,900		37,600
Rough Production	57,276	57,276	58,594	58,110		58,750
Milling Rate (.9999)	6,350	6,350	6,400	6,350		6,400
MY Imports	1,150	1,150	1,750	1,750		400
TY Imports	1,150	1,150	1,750	1,750		400
TY Imp. from U.S.	0	0	0	0		0
Total Supply	44,577	44,577	45,827	45,227		44,377
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	38,000	38,000	38,850	38,850		39,140
Ending Stocks	6,577	6,577	6,977	6,377		5,237
Total Distribution	44,577	44,577	45,827	45,227		44,377
Yield (Rough)	5.	4.7336	5.	4.7985		4.8354
TS=TD		0		0		0

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

Author Defined:

Prices

As a consequence of more harvest currently taking place and lower quality yields gained from the recent harvest, prices of wet paddy are reportedly declining. Currently, the price of wet paddy at farmer level in West Java ranges from Rp. 2,900/kg ($330/MT) to Rp. 3,800/kg ($432/MT), in Central Java as well as in East Java ranges from Rp. 2,500 ($284/MT) to Rp. 2,900/kg ($330/MT).

Daily supply of rice from major rice producing areas in Java to Cipinang rice wholesale market in Jakarta is increasing to 3,432 MT in March 2011 from 2,956 MT in February 2010. The price of medium quality rice at Cipinang whole sale market is also declining to Rp. 6,900/kg ($785/MT) in March 2011 compared to the average price of Rp. 7,057/kg ($803/MT) in January 2011.

Rice Production: Area & Production by Region
First Estimate Figures by the Government of Indonesia for 2011

Harvested Area, Production, and Yield of Rice, 2011*

Province	Harvested Area (Ha)	Production (MT)	Yield (Ton/Ha)
North Sumatera	741,511	3,540,316	4.77
South Sumatera	770,233	3,437,579	4.46
Sub Total: Sumatera	**3,371,331**	**15,407,591**	**4.57**
West Java	1,941,329	11,436,334	5.89
Central Java	1,876,514	10,607,094	5.65
East Java	1,964,098	11,596,930	5.90

Sub Total: Java	**6,314,198**	**36,431,936**	**5.77**
West Nusa Tenggara	398,028	1,993,829	5.01
Sub Total: Bali & Nusa Tenggara	**730,535**	**3,419,200**	**4.68**
West Kalimantan	425,262	1,351,450	3.18
South Kalimantan	493,133	1,964,982	3.98
Sub Total: Kalimantan	**1,289,305**	**4,520,406**	**3.51**
Central Sulawesi	210,433	971,362	4.62
South Sulawesi	902,776	4,537,741	5.03
Sub Total: Sulawesi	**1,480,366**	**7,244,213**	**4.89**
Other Provinces/Islands	**73,140**	**283,978**	**3.88**
TOTAL INDONESIA	**13,258,693**	**67,307,324**	**5.08**

Source: BPS

Corn Production: Area & Production by Region

First Estimate Figures by the Government of Indonesia for 2011

Harvested Area, Production, and Yield of Corn, 2011*

Province	**Harvested Area (Ha)**	**Production (MT)**		**Yield (MT/Ha)**
		(Wet Basis)	**(Dry Basis)**	
North Sumatera	258,083	1,312,732	918,912	5.09
Lampung	396,673	1,887,386	1,321,170	4.76
Sub Total: Sumatera	**855,427**	**4,092,892**	**2,865,024**	**4.78**
West Java	147,496	915,183	640,628	6.20
Central Java	602,946	3,269,141	2,288,399	5.42
East Java	1,253,632	5,004,030	3,502,821	3.99
Sub Total: Java	**2,082,506**	**9,509,064**	**6,656,345**	**4.57**
East Nusa Tenggara	238,581	663,233	464,263	2.78
Sub Total: Bali & Nusa Tenggara	**354,349**	**1,078,392**	**754,874**	**3.04**
West Kalimantan	42,296	158,918	111,243	3.76
South Kalimantan	22,734	117,380	82,166	5.16
Sub Total: Kalimantan	**73,336**	**297,969**	**208,578**	**4.06**
North Sulawesi	140,014	512,799	358,959	3.66
South Sulawesi	310,380	1,387,957	971,570	4.47
Gorontalo	139,607	686,344	480,441	4.92
Sub Total: Sulawesi	**6,796,607**	**2,898,195**	**2,028,737**	**0.43**
Other Provinces/Islands	**23,551**	**48,955**	**34,269**	**2.08**
TOTAL INDONESIA	**4,068,776**	**17,925,467**	**12,547,827**	**4.41**

Source: BPS

INDONESIAN PADDY HARVESTED AREA, YIELD, AND PRODUCTION BY SUBROUND AND ECOSYSTEM

Year	January - April			May - August			September - December			January- December		
	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Paddy Total												
2011**	5,946,778	51.25	30,479,980	4,539,826	50.81	23,066,434	2,772,089	49.64	13,760,910	13,258,693	50.76	67,307,324
2010*	5,840,874	50.22	29,331,086	4,386,491	50.45	22,130,485	3,016,819	49.56	14,949,898	13,244,184	50.14	66,411,469
2009	5,996,700	49.45	29,505,561	4,429,632	50.71	22,463,966	2,487,244	49.97	12,429,363	12,883,576	49.99	64,398,890
2008	5,764,001	48.79	28,120,510	4,225,042	49.50	20,914,987	2,338,382	48.28	11,290,428	12,327,425	48.94	60,325,925
2007	4,893,539	45.59	22,311,774	4,612,715	47.88	22,083,944	2,641,383	48.31	12,761,717	12,147,637	47.05	57,157,435
2006	5,699,093	45.49	25,925,145	3,940,829	47.14	18,578,132	2,146,508	46.36	9,951,660	11,786,430	46.20	54,454,937
2005	5,509,146	45.06	24,826,193	3,962,301	46.69	18,501,256	2,367,613	45.72	10,823,648	11,839,060	45.74	54,151,097
2004	5,767,314	44.95	25,924,563	3,918,045	46.35	18,159,288	2,237,615	44.71	10,004,617	11,922,974	45.36	54,088,468
2003	5,226,999	44.77	23,403,773	4,029,982	46.19	18,616,453	2,231,053	45.35	10,117,378	11,488,034	45.38	52,137,604
Irrigated Paddy												
2011**	5,091,313	54.55	27,775,591	4,401,764	51.52	22,677,228	2,718,350	50.07	13,610,560	12,211,427	52.46	64,063,379
2010*	4,890,111	54.02	26,417,225	4,262,450	51.05	21,761,357	2,958,035	49.98	14,784,475	12,110,596	51.99	62,963,057
2009	5,049,266	52.97	26,743,958	4,310,919	51.35	22,138,059	2,436,893	50.43	12,289,206	11,797,078	51.85	61,171,223
2008	4,859,831	52.26	25,399,391	4,095,481	50.23	20,571,672	2,302,441	48.64	11,198,708	11,257,753	50.78	57,169,771
2007	4,006,974	49.75	19,935,026	4,434,899	48.73	21,610,491	2,599,352	48.68	12,654,176	11,041,225	49.09	54,199,693
2006	4,752,971	49.32	23,441,025	3,848,472	47.67	18,345,774	2,111,571	46.70	9,860,691	10,713,014	48.21	51,647,490
2005	4,551,398	49.12	22,358,002	3,859,284	47.28	18,248,187	2,322,894	46.11	10,711,569	10,733,576	47.81	51,317,758
2004	4,790,696	48.85	23,403,570	3,832,629	46.83	17,948,161	2,176,147	45.30	9,857,702	10,799,472	47.42	51,209,433
2003	4,319,288	48.82	21,087,599	3,913,490	46.84	18,332,466	2,161,738	46.07	9,958,061	10,394,516	47.50	49,378,126
Rainfed Paddy												
2011**	855,465	31.61	2,704,389	138,062	28.19	389,206	57,739	27.98	150,350	1,047,266	30.98	3,243,945
2010*	950,763	30.65	2,913,861	124,041	29.76	369,128	58,784	28.14	165,423	1,133,588	30.42	3,448,412
2009	917,343	30.10	2,761,603	118,713	27.45	325,907	50,351	27.84	140,157	1,086,498	29.71	3,227,667
2008	904,170	30.10	2,721,119	129,561	26.50	343,315	35,941	25.52	91,720	1,069,672	29.51	3,156,154
2007	886,565	26.81	2,376,748	177,816	26.63	473,453	42,031	25.59	107,541	1,106,412	26.73	2,957,742
2006	946,122	26.26	2,484,120	92,357	25.16	232,358	34,937	26.04	90,969	10,731,416	26.15	2,807,447
2005	957,748	25.77	2,468,191	103,017	24.57	253,069	44,719	25.06	112,079	1,105,484	25.63	2,833,339
2004	976,618	25.81	2,520,993	85,416	24.72	211,127	61,648	23.90	146,915	1,123,502	25.63	2,879,035
2003	907,711	25.52	2,316,174	116,492	24.38	283,987	69,315	22.98	159,317	1,093,518	25.23	2,759,478

Source: BPS

Rainfall Pattern at Selected Station in Rice/Corn Producing Areas
(in millimeters, except where stated)

JATIWANGI (WEST JAVA)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	405	438	209	315	62	77	6	85	1	20	216	190
2008	651	208	436	160	83	32	0	4	1	44	528	493
2009	231	208	279	211	57	n/a	0	0	1	53	398	191
2010	231	332	492	278	385	161	n/a	112	216	195	287	261
TEGAL (CENTRAL JAVA)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	118	276	99	154	131	137	32	4	0	17	153	437
2008	229	169	295	277	19	85	21	35	2	74	115	259
2009	140	169	112	60	161	n/a	0	1	20	8	92	57
2010	122	242	152	263	200	193	n/a	121	143	64	159	214
SURABAYA (EAST JAVA)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	108	494	293	193	40	75	4	0	0	12	62	173
2008	250	124	144	132	22	17	0	0	0	59	180	269
2009	357	124	204	164	256	n/a	0	0	0	0	25	166
2010	507	368	295	226	354	90	n/a	14	129	246	113	303
DENPASAR (BALI)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	209	165	354	310	18	22	2	40	1	78	76	567
2008	419	403	246	93	65	25	8	1	6	121	67	268
2009	442	403	172	59	49	n/a	23	1	32	14	28	257
2010	199	177	76	327	56	21	n/a	64	286	214	146	256
UJUNG PANDANG (SOUTH SULAWESI)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	821	618	49	138	107	124	9	18	26	28	166	854
2008	507	762	255	100	15	78	27	5	6	83	320	481
2009	617	762	196	158	132	n/a	32	1	81	32	151	370
2010	620	409	156	121	311	238	n/a	93	315	185	223	693
LAMPUNG												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	358	59	59	305	-	122	86	20	18	26	73	431
2008	198	126	199	171	38	35	26	109	27	147	174	313
2009	233	126	218	143	94	n/a	15	58	21	152	176	102
2010	137	231	270	91	84	24	n/a	72	99	176	204	260

Source: Indonesian Meteorology, Geophysics, and Climatology Agency (BMKG).

Note: Exchange rate is Rp. 8,793/USD 1, as of March 8, 2011.