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Report Highlights:

Economic slowdowns in Indonesia's export destination countries curbed Indonesia's imports and consumption of wheat. Indonesia wheat imports for 2022/23 are estimated to decrease to 9.0 million metric tons (MMT) from 11.23 MMT imported in 2021/22, reflecting slower demand. Indonesia's total consumption of wheat in 2022/23 is estimated at 9.5 MMT of wheat equivalent, lower than the previous estimate of 9.7 MMT of wheat equivalent. Meanwhile, El Nino is expected to reduce 2022/23 rice production to 52.9 MMT compared to the previous 2022/23 estimate of 53.5 MMT. In anticipation of price fluctuations, state-owned enterprise BULOG will likely fully utilize its food security mandate to import 2.0 MMT of rice in 2022/23.

Glossary:

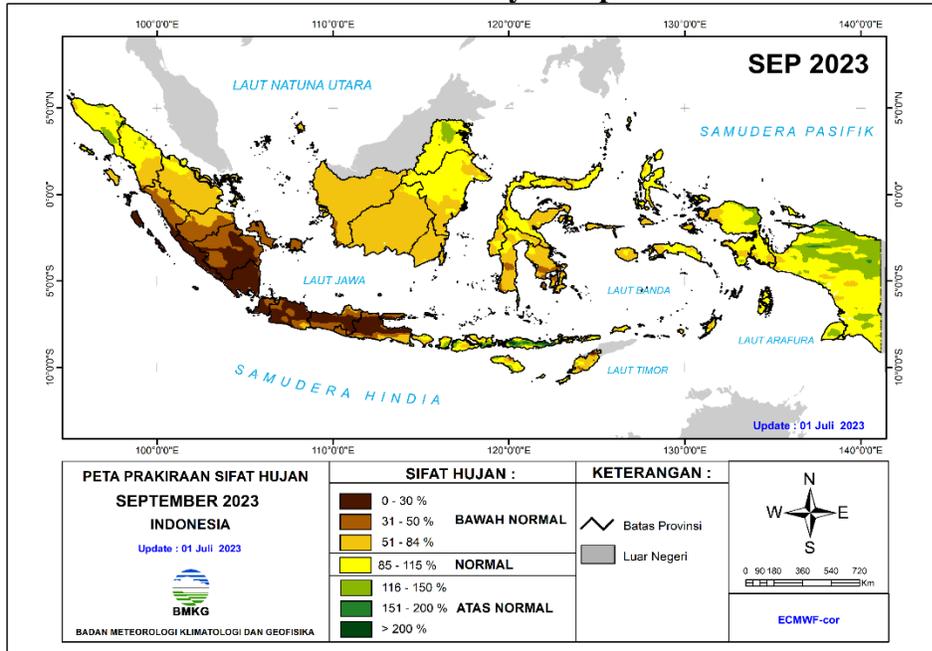
APTINDO	: Indonesian Flour Millers Association
NFA	: National Food Agency
BMKG	: Indonesian Meteorology, Climatology, and Geophysics Agency
BI	: Bank of Indonesia
BPS	: Indonesian Statistics Agency
BULOG	: Indonesian National Logistics Agency
CMEA	: Coordinating Ministry for Economic Affairs
GOI	: Government of Indonesia
GPMT	: Indonesian Feed Millers Association
MOA	: Ministry of Agriculture
MOI	: Ministry of Industry
MOT	: Ministry of Trade
MPW	: Ministry of Public Works
IDR	: Indonesian Rupiah
SPHP	: Stabilization of Rice Supply and Prices

SECTION I. SITUATION AND OUTLOOK

On 6 June, 2023, the Indonesian Meteorology, Climatology and Geophysics Agency (*BMKG, Badan Meteorologi, Klimatologi, dan Geofisika*) reported that the temperature anomaly in the Pacific Ocean showed the figure of 0.8 degrees Celsius, which meant that Indonesia was entering a moderate El Nino phase. The figure is obtained from observations of the El Nino Southern Oscillation (ENSO) index which is seen on a weekly scale. As of June 4, 2023, sea surface temperatures in the Nino3.4 regions continued to warm. If the anomalous temperature in the Pacific Ocean continues increases to 1 degree Celsius, there will be a phenomenon of rising sea surface temperatures or a moderate El Nino. The probability of a moderate El Nino in June is predicted to reach 80 percent, an increase from the prediction in March 2023 of 60 percent. El Nino conditions are expected to develop from June to September, and the probability of a moderate El Nino will remain high - 90 percent - from December 2023 to February 2024. In addition, other climate disturbances will also occur starting in June 2023, namely the positive Indian Ocean Dipole (IOD). The IOD index, which is expected to strengthen, resulted in drier regions in Indonesia. The positive IOD will last until October.

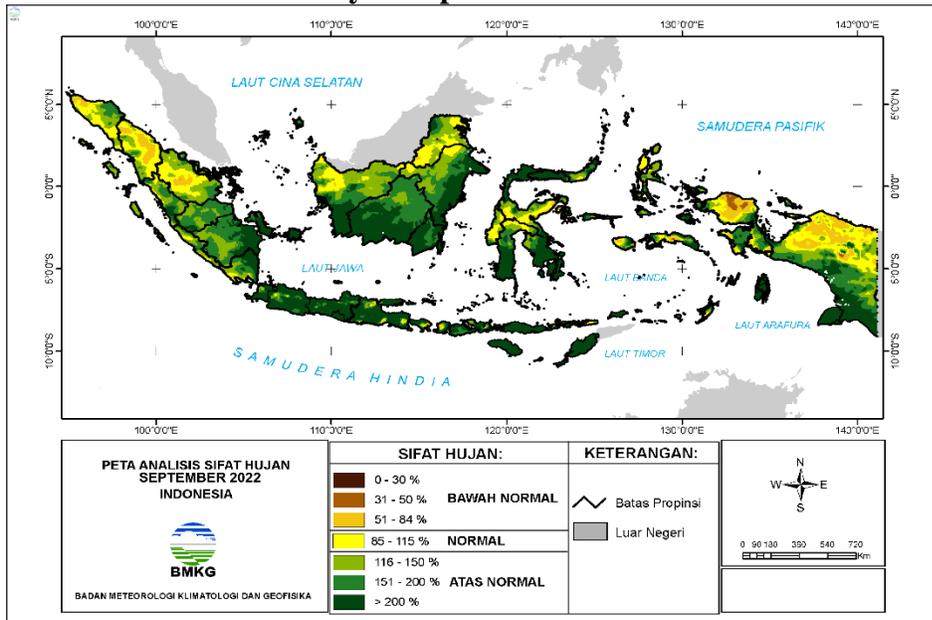
As Post previously estimated, the predicted dryer and earlier dry season provides more opportunities for farmers, especially those in lowland areas, to switch to growing corn which requires less water than paddy. Farmers on the upland rain-fed areas are likely to leave the field barren during the third crop cycle as water becomes more limited.

Chart 1. Forecast of Rainfall Intensity in September 2023



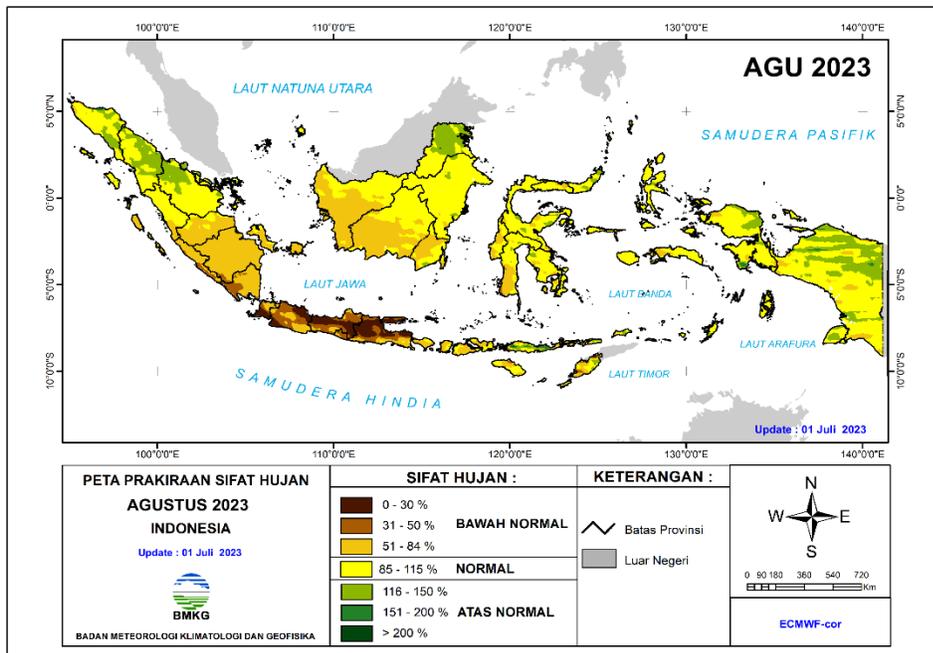
Source: Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG)

Chart 2. Rainfall Intensity in September 2022



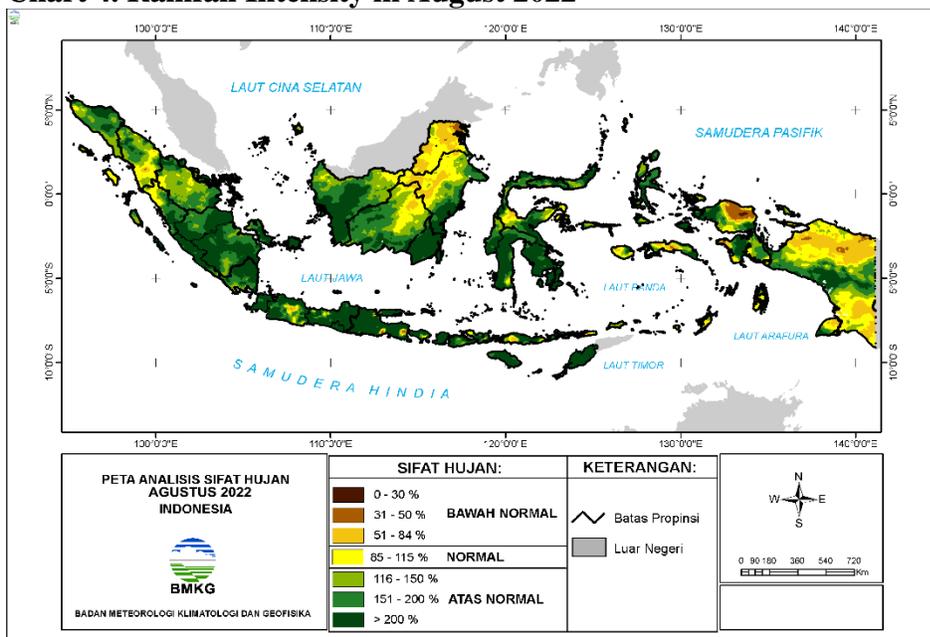
Source: Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG)

Chart 3. Forecast of Rainfall Intensity in August 2023



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

Chart 4. Rainfall Intensity in August 2022



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

According to the Indonesian Ministry of Public Works (MPW), approximately 60 percent of Indonesian harvested rice area is irrigated, while the remaining 40 percent is rain fed. With the ongoing El Nino-related dryness, farmers will be more reliant on water from reservoirs. Currently, major reservoirs in Java reported normal levels of water elevation. The water volume is expected to be sufficient to supply paddy fields close to the reservoirs during the second and third crop cycles.

Table 1. Water Elevation at West Java Water Reservoirs, July 14, 2023

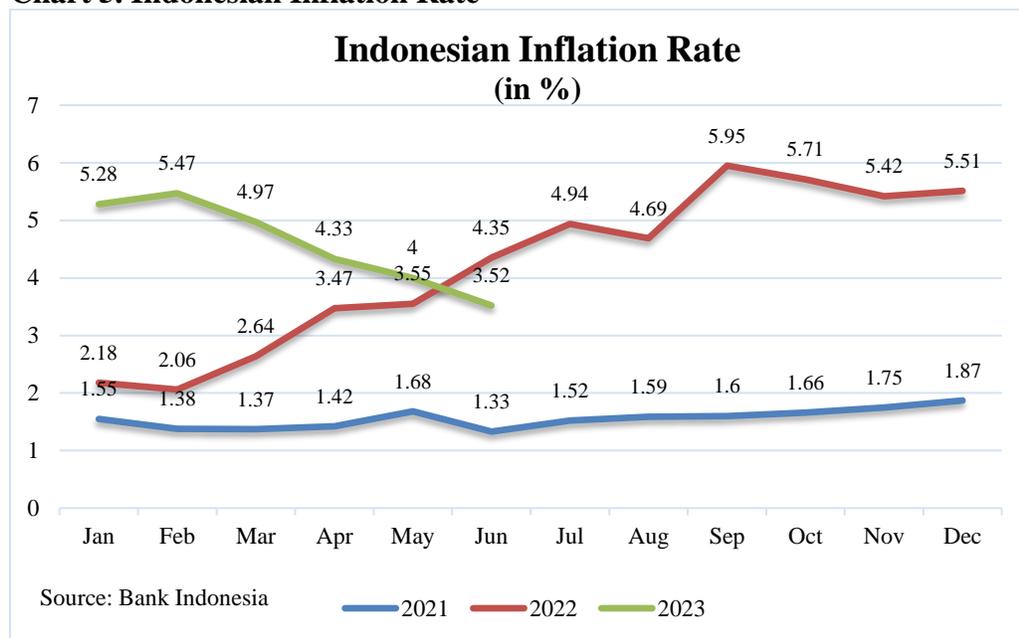
No.	Reservoir	Reservoir Volume (Million m ³)	Elevation and Volume				Condition
			Target		Observed		
			Elevation (m)	Volume (Million m ³)	Elevation (m)	Volume (Million m ³)	
1	Jatiluhur	1325.40	95.10	447.62	103.66	n/a	Normal
2	Cirata	668.12	210.61	201.23	216.04	n/a	Normal
3	Saguling	530.75	633.08	159.48	640.14	n/a	Normal

Source: Indonesian Min. of Public Works, (July 14, 2023), processed by FAS/Jakarta.

The global economic slowdown affecting Indonesia's main export destination countries such as European countries and the United States negatively affected Indonesia's export-oriented manufacturers. Labor intensive manufacturers such as footwear and textile industries were forced to lay off workers. Indonesian Statistics Agency (*BPS, Badan Pusat Statistik*) reported in November 2022 that based on BPS monitoring of the textile industry, in August 2021 there were 1.13 million people employed in that industry. That number was reduced to only 1.08 million people in August 2022. The Indonesian Footwear Association also reported that the industry has experienced significantly lower export demand since July 2022. The footwear industry has had to lay off approximately 22,500 workers since November 2022. In order to support labor-intensive industries, on March 7, 2023, the Minister of Manpower issued Regulation No. 5/2023 concerning Adjustment of Working Time and Wages in Certain Export-Oriented Labor-Intensive Industrial Companies Affected by Changes in the Global Economy. This regulation allows export-oriented labor-intensive companies to reduce working hours and cut wages up to 25 percent.

The situation contributed to a decrease of exports of Indonesian agricultural products by 10 percent to \$18.6 billion during the period of January to May 2023 from \$20.6 billion during the same period last year. Furthermore, the situation also led to depressed consumer purchasing power indicated by declining inflation rate:

Chart 5. Indonesian Inflation Rate



SUMMARY

Wheat

Wheat imports for 2022/23 are estimated to decrease to 9.0 million metric tons (MMT) from 11.23 MMT imported in 2021/22, reflecting slower demand. Assuming an improved global economy in 2024, wheat imports in 2023/24 are forecast to increase to 10.5 MMT. Wheat consumption by feed mills in 2022/23 is estimated to decline to 1.1 MMT from 1.7 MMT in 2021/22 as feed mills use more local corn as energy sources in feed.

Corn

No revisions to corn forecasts and estimates. For previous report, see [ID2023-0006](#).

Rice

Post estimates paddy harvested area in 2022/23 to further decline to 11.4 million hectares from the previous estimate of 11.55 million hectares as El Nino weather patterns have proven to be stronger than initially anticipated, leading to more farmers switching to growing corn over paddy or leaving the land fallow. As El Nino is expected to continue into February 2024, Post revises 2023/24 harvested area to 11.5 million hectares, down from the previous 2023/24 forecast of 11.6 million hectares. Lower private stocks in the market compounded by higher wholesale premium rice prices have driven the Government of Indonesia (GOI) to secure more rice from international markets. Therefore, Post estimates that with the highly anticipated imports of rice by state-owned enterprise BULOG, imports of rice in 2022/23 will reach a total of 2.0 MMT. In line with predicted production increases, rice imports in 2023/24 are forecast to be lower at 700,000 MT, mainly made up of private sector imports.

WHEAT

Production

Indonesia does not produce wheat domestically and is fully reliant on wheat imports to fulfill demand for wheat flour-based food and as an ingredient for poultry, aquaculture, and livestock feed.

Trade

The Indonesian wheat flour industry is expected to continue growing (See [ID2023-0007](#)). Nevertheless, the global economic slowdown that led to lower demand from export destination countries combined with depressed purchasing power, resulting in lower domestic demand are estimated to decrease imports of wheat in 2022/23 by 19.9 percent to 9.0 MMT from 11.229 MMT imported in 2021/22. Assuming improved global economic conditions and domestic demand as well as population growth, imports of wheat for 2023/24 are forecast to increase to 10.5 MMT.

During the period of July 2022 to May 2023, Indonesia imported a total of 8.667 MMT of wheat, a decline of 18.42 percent compared to the same period of 2021/22. Australia was the largest wheat supplier to Indonesia, with 46.7 percent market share, followed by Canada (20.4 percent), and Brazil (10.1 percent). The United States accounted for just 4.9 percent market share due to U.S. wheat's premium prices over other suppliers. Flour mills association (APTINDO) stated that Russia's recent decision to pull out of the Black Sea grain deal will not affect Indonesia's flour industry. Indonesian flour mills will still prefer to source imports from Australia due to its closer proximity to Indonesia despite El Nino-related challenges that may reduce Australia's exportable wheat supplies in 2023/24. Indonesia may also source from Brazil as it is forecast to have a record high wheat production in 2023/24.

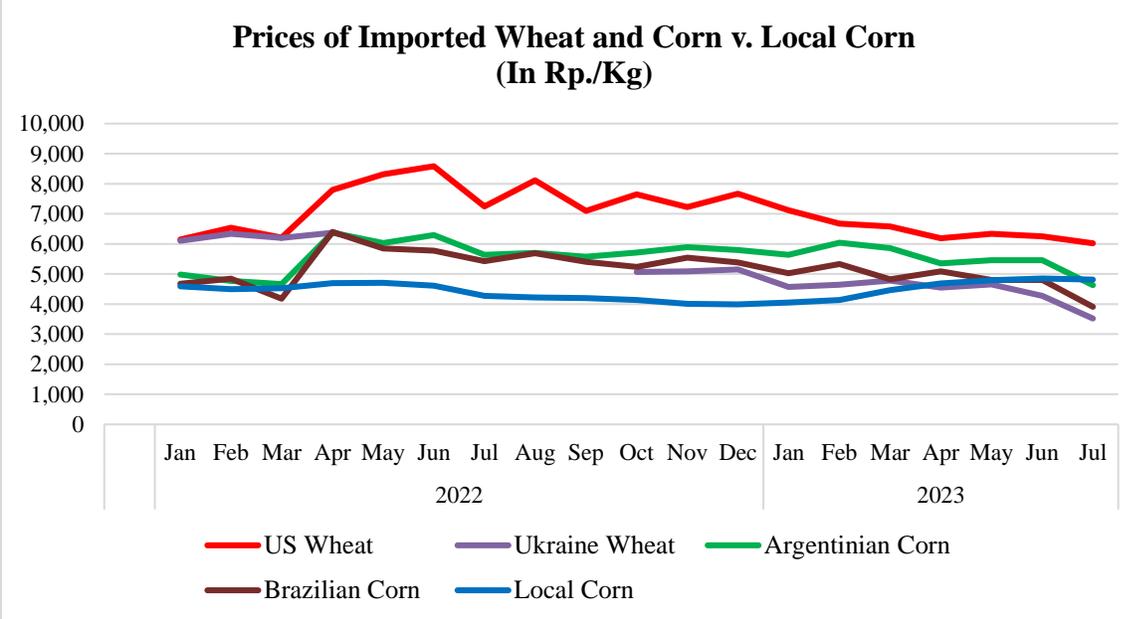
Domestic flour continues to dominate the local market with a 99.9 percent market share. In line with lower domestic production, wheat flour imports in 2022/23 is estimated to decline by 17.2 percent to 51,801 MT of wheat equivalent during the period of July 2022 to May 2023 compared to 62,557 MT of wheat equivalent imported during the same period of 2021/22. Turkey dominates the market with 61.1 percent market share followed by India and Vietnam with 13.0 percent and 11.0 percent market share respectively.

Consumption

Indonesia's urbanization and middle class continues to grow, and high prices of domestically produced rice, outside of the main harvest time, will drive up consumption of wheat-based foods. However, depressed consumer purchasing power has led to slowed demand as reflected by the decline in wheat flour retail prices. The National Food Agency (NFA) reported that the retail price of wheat flour in June 2023 was at 11,070 IDR/kg (\$739/MT), a decline of 1.4 percent from 11,220 IDR/kg (\$749/MT) in March 2023.

Despite the Ministry of Industry’s (MOI) estimate that the food and beverage industry will grow by 5-7 percent this year, the industry association reported a slowdown in consumption during the first half of 2023 as consumers minimized spending. Based on the abovementioned factors, Post estimates that total wheat food consumption will decrease by 4.5 percent percent to 8.4 MMT of wheat equivalent in 2022/23. Indonesia is facing an election year in 2024. Demand for wheat flour-based food products is expected to increase as there will be more political rallies and meetings where boxed snacks will be served. For this reason and steady population growth, 2023/24 wheat consumption for food is forecast to increase marginally to 8.5 MMT of wheat equivalent.

Chart 6. Comparison of Landed Prices of Imported Wheat and Corn vs. Local Corn



Source: Hammersmith Blogspot, Indonesia National Food Agency, processed by FAS/Jakarta.

Approximately 90 percent of Indonesian feed production is for poultry. Consistent with depressed consumer purchasing power, the usual increase in demand for chicken meat and eggs before and during the last fasting month and Eid’l Fitr did not materialize. The feed mills association reported that during the second quarter of 2023, feed production flattened because of the high prices of corn compared to 2022. Corn makes up 50 percent of feed formulation. The Ministry of Agriculture (MOA) reported that corn prices at feed mills’ gate in April 2023 reached 5,799 IDR/kg (\$387/MT), an increase of 1.7 percent compared to the price in April 2022 of 5,700 IDR/kg (\$381/MT). The trend of stagnant feed consumption is expected to continue into the third quarter of 2023. Nonetheless, local corn prices are relatively cheaper compared to landed prices of imported wheat. Therefore, feed mills will use more local corn over wheat as the source of energy in feed formulation. The MOA reported that during the period of January to May 2023, feed mills procured a total of 3.6 MMT of local corn, the same volume as during the period of January to May 2022. Thus, 2022/23 wheat for feed consumption is revised to 1.1 MMT, down from the previous estimate of 1.3 MMT. The upcoming election year combined with population growth will likely modestly boost demand for chicken meat, eggs, and

eventually demand for poultry feed. Consequently, wheat consumption for feed use is forecast to rebound to 1.5 MMT.

Stocks

Due to lower imports, 2022/23 ending stocks are expected to decrease by 48.3 percent to 858,000 MT of wheat equivalent compared to 1.658 MMT of wheat equivalent in 2021/22. Despite lower beginning stocks, higher imports are forecast to increase 2023/24 ending stocks 1.058 MMT of wheat equivalent.

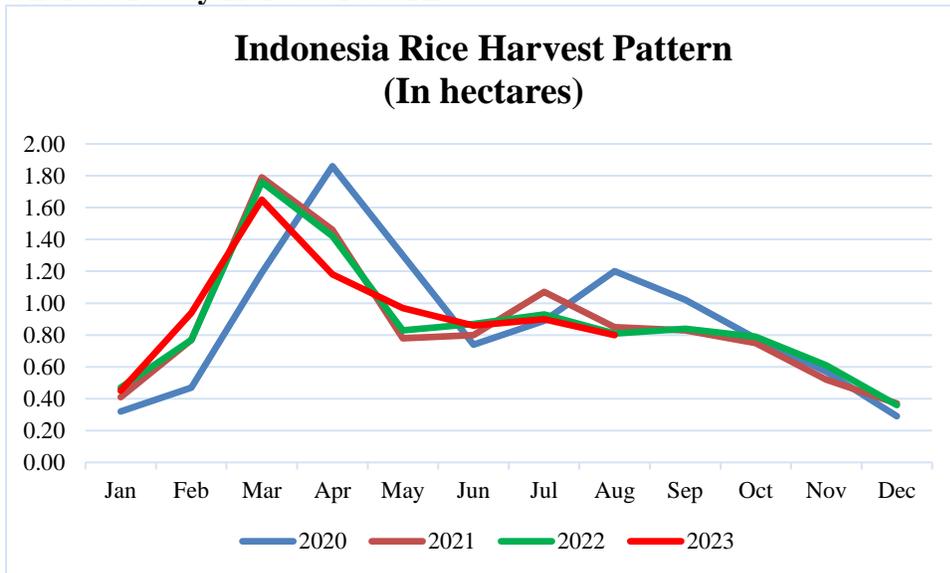
RICE, MILLED

Production

The tropical climate of Indonesia is favorable to grow multiple rice crops on the same land within the same year. Cropping systems are diverse including different ecosystems (upland, lowland), and source of water (rain-fed and irrigated). Approximately 85 percent of rice production comes from irrigated paddy fields. Typically, irrigated farms are planted with paddy during the first and second crop cycles (October – February and March – June) and followed by paddy or secondary crops such as corn, mung bean, soybean, peanut, or sweet potato during the third crop cycle (July – October). Rice production from the first crop cycle makes up 50-55 percent of total annual national rice production, while the second and third crop cycles make up 30-35 percent and 15-20 percent respectively.

An earlier onset of the dry season and dryer weather caused by El Nino have resulted in reduced paddy harvested area and production even during the first crop cycle of 2023/24. In early May 2023, BPS reported that based on the main harvest result of March to April 2023, 2022/23, the first crop cycle paddy harvested area decreased by 4.6 percent to 4.211 million hectares compared to 4.414 million hectares in the first crop cycle 2021/22. In line with declined harvested area, first crop cycle paddy production for 2022/23 decreased by 6 percent to 22.41 MMT compared to 23.82 MMT of paddy produced during the first crop cycle of 2021/22. Based on the current standing crop, BPS estimates that harvested area during the second crop cycle of 2022/23 will increase by 3.9 percent to 3.6 million hectares compared to 3.4 million hectares during the second crop cycle of 2021/22. Consistent with the estimated increase in harvested area, BPS also estimates that paddy production during the second crop cycle of 2022/23 will increase by 2.9 percent to 17.8 MMT compared to 17.3 MMT produced in 2021/22 second crop cycle.

Chart 7. Paddy Harvest Pattern



Source: BPS, May 2023

Recent Post observations from the field showed that small and sporadic harvesting of the second crop cycle are currently ongoing. Due to insufficient rain, more farmers on low land, rain-fed areas far from irrigation canals are switching to growing corn. To get around the unavailability and untimely arrival of subsidized fertilizer, farmers reduced their fertilizer application as well as opted for using lower quality, cheaper fertilizer. No significant incident of pest and diseases have been reported.



Picture: Farmer sundried unhusked paddy in a masjid front yard while a mobile rice mill is milling some of the paddy.

Considering the aforementioned factors, Post revises 2022/23 harvested area down to 11.4 million hectares, a decline in area of 1.7 percent from 11.6 million hectares in 2021/22. Assuming that El Nino conditions will subside before the beginning of the second crop cycle of 2023/24, harvested area is forecast to rebound to 11.5 million hectares in 2023/24. In line with estimated decreases in harvested area, 2022/23 paddy production is estimated to decline by 2.3 percent to 52.9 MMT compared to 54.2 MMT produced in 2021/22. In line with forecast increases of harvested area, 2023/24 paddy production is forecast to increase to 53.9 MMT.

Consumption

The NFA instructed state-owned enterprise BULOG to carry out its *Stabilisasi Pasokan dan Harga Pangan* (Stabilization of Food Supply and Prices) (SPHP) policy on rice, per NFA Decree No. 02/2023 enacted on January 4, 2023. The SPHP program is one of the government's efforts to ensure the supply and price of rice is stable. BULOG conducted sales at the warehouse door at a price of 8,300 IDR/kg (\$538/MT). The distributors and retail stores then can take into account operational needs and margins so that the resale price reaches the final consumer at no more than the maximum retail price of 9,450 IDR/kg (\$613/MT) for medium quality rice. As of July 2023, BULOG has distributed a total of 644,160 MT of rice under the SPHP program.

Per capita rice consumption continues to decline by approximately 0.62 percent per year as middle and upper-middle income consumers continue diversifying their diets to include more western-style foods like bread and pasta and lower-middle income consumers continue to replace rice-based dishes with instant noodles due to the ease of preparation and affordability. However, with rice prices being more stable than wheat flour prices, and in line with population growth, Post estimates 2022/23 rice consumption to remain stable 35.3 MMT. Rice consumption in 2023/24 is forecast to decline to 35.2 MMT in line with estimated increases in the consumption of wheat flour based food.

Policy

BPS reports prices of wet paddy at farmers' level in June 2023 increased by 5.1 percent to 5,542 IDR/kg (\$370/MT) compared to 5,274 IDR/kg (\$352/MT) in March 2023. Wet paddy prices at the mill level in June 2023 increase by 4.8 percent to 6,341 IDR/kg (\$423/MT) compared to 6,051 IDR/kg (\$404/MT) in March 2023. The price increase is in line with lower yields and quality and reflects high production costs from the ongoing main harvest.

Despite continuous GOI assistance to stabilize medium quality rice prices by distributing rice under the SPHP program carried out by BULOG, rice prices at wholesale markets in June 2023 reached 12,002 IDR/kg (\$801/MT), an increase of 1.2 percent compared to 11,855 IDR/kg (\$791/MT) recorded in March 2023.

On March 15, 2023, the head of the NFA also issued a regulation on maximum retail prices of rice to maintain stable prices for consumers. Nonetheless, as the prices for paddy are already high, the average prices of medium quality rice remain above the maximum retail price at 12,100 IDR/kg (\$808/MT).

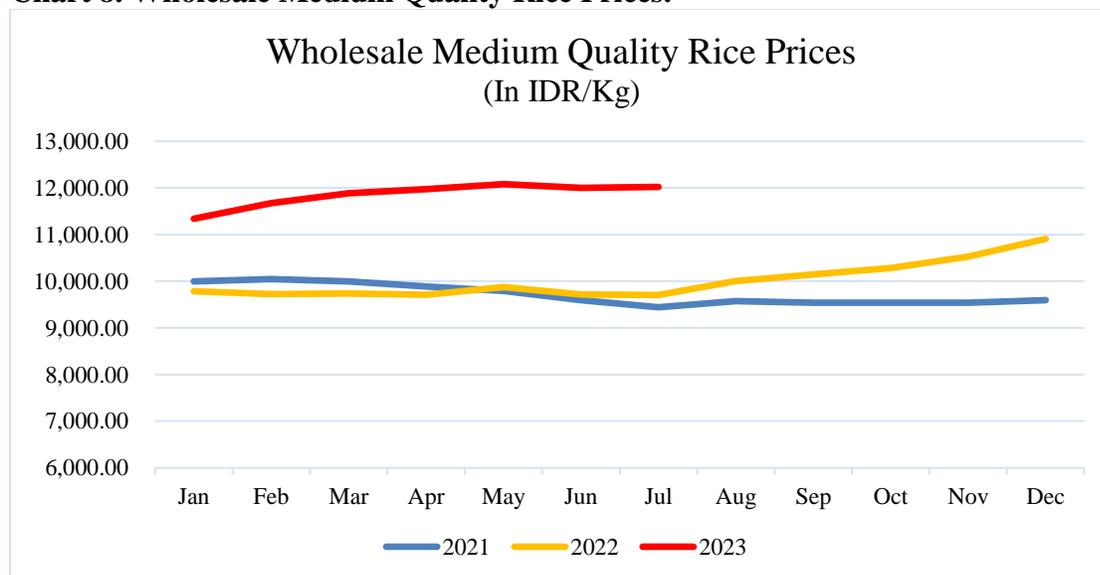
Trade

The GOI instructed BULOG to set its 2023 procurement target at 2.4 MMT, an increase of 150 percent from realized domestic procurement of approximately 960,000 MMT in 2022. Combined with the distribution and excluding imports, domestic procurement brings BULOG 2022 ending stock to approximately 400,000 MT, the lowest for the past five years. As of July 24, 2023, BULOG had procured a total of about 700,000 MT of rice domestically, an increase of 25 percent from a total of 561,891 MT procured during the same period in 2021/2022. The GOI requires BULOG to maintain a minimum year-end stock level of 1.5-2 MMT.

On March 24, 2023, the NFA assigned BULOG to import a total of 2 MMT of rice by the end of December 2023 (See [ID2023-0007](#)). BULOG is permitted to import rice that falls under HS Code 1006.30.09. As of the end of June 2023, a total of 500,000 MT, the first tranche of the assigned procurement, has landed in the country. BULOG is currently in the process of bringing in another 300,000 MT as the second tranche. The imported rice came from Vietnam, Thailand, and Pakistan. Considering rice prices, both in the wholesale and retail markets, continue to increase, and BULOG needs to meet the 2023/24 ending stock target, it is likely that BULOG will fully utilize its import mandate.

In order to secure more rice from international market to strengthen government rice stocks in anticipation of El Nino's impact, in the middle of June 2023, the Ministry of Trade (MOT) also signed a memorandum of understanding (MOU) with the Indian government to import 1.00 MMT of Indian rice. The commitment is in addition to the 2.0 MMT assigned to BULOG in March 2023. The recent announcement made by the Indian government to shutdown exports of rice is not expected to jeopardize the MOU. The GOI is also convinced that the decision will not affect GOI's rice procurement target as Indonesia mostly relies on Vietnam, Thailand, and Pakistan for imports.

Chart 8. Wholesale Medium Quality Rice Prices.



Source: PT. Food Station Tjipinang

The private sector may also import rice, but only that which is considered specialty rice (i.e. rice for diabetics, glutinous rice, 100 percent broken rice, basmati rice). Excluding import realization by BULOG of approximately 500,000 MT during the period of January to May 2023, imports of rice by private sector reached a total of 350,000 MT, an increase of 355 percent from a total of 77,000 MT imported during the same period of 2021/22.

Based on the abovementioned factors, in 2022/23 rice imports are estimated at 2.0 MMT, an increase of 15.4 percent from 740,000 MMT imported in 2021/22 mainly due to imports by BULOG and expected increased demand from mall restaurants and middle eastern restaurants, which are currently trending in the country. In line with forecast rice production increases, 2023/24 imports of rice are forecast to decrease to 700,000 MT. During the period of January to May 2023, Indonesia imported rice from Thailand (45.5 percent), Vietnam (42.9 percent), India (7.1 percent), and Pakistan (4.0 percent).

Stocks

In line with estimated lower production, 2022/23 ending stocks are revised down to 3.2 MMT of milled rice equivalent from the previous estimate of 3.35 MMT of milled rice equivalent. Ending stocks are estimated to decline to 2.9 MMT of milled rice equivalent in 2023/24 due to lower imports.

SECTION II. PSD TABLES

Table 2. PSD: WHEAT

Wheat Market Begin Year Indonesia	2021/2022		2022/2023		2023/2024	
	Jul 2021		Jul 2022		Jul 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1275	1275	1658	1658	1108	858
Production	0	0	0	0	0	0
MY Imports	11229	11229	9500	9000	11000	10500
TY Imports	11229	11229	9500	9000	11000	10500
TY Imp. from U.S.	122	122	0	0	0	0
Total Supply	12504	12504	11158	10658	12108	11358
MY Exports	346	346	350	300	350	300
TY Exports	346	346	350	300	350	300
Feed and Residual	1700	1700	1300	1100	1700	1500
FSI Consumption	8800	8800	8400	8400	8600	8500
Total Consumption	10500	10500	9700	9500	10300	10000
Ending Stocks	1658	1658	1108	858	1458	1058
Total Distribution	12504	12504	11158	10658	12108	11358
Yield	0	0	0	0	0	0

(1000 HA) ,(1000 MT) ,(MT/HA)

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

Table 3. PSD: RICE, MILLED

Rice, Milled Market Begin Year Indonesia	2021/2022		2022/2023		2023/2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11600	11600	11550	11400	11600	11500
Beginning Stocks	3060	3060	2900	2900	3350	3200
Milled Production	34400	34400	34000	33600	34450	34200
Rough Production	54173	54173	53543	52913	54252	53858
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350
MY Imports	740	740	1750	2000	700	700
TY Imports	740	740	1750	2000	700	700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	38200	38200	38650	38500	38500	38100
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	35300	35300	35300	35300	35200	35200
Ending Stocks	2900	2900	3350	3200	3300	2900
Total Distribution	38200	38200	38650	38500	38500	38100
Yield (Rough)	4.6701	4.6701	4.6358	4.6415	4.6769	4.6833
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Table 4. 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					

Source: Bank of Indonesia

Note: Exchange rate is IDR 14,978/USD 1, as of July 21, 2023

Attachments:

No Attachments