USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 4/11/2013
GAIN Report Number: ID1318

Indonesia

Grain and Feed Annual

Indonesia Grain and Feed Annual Report 2013

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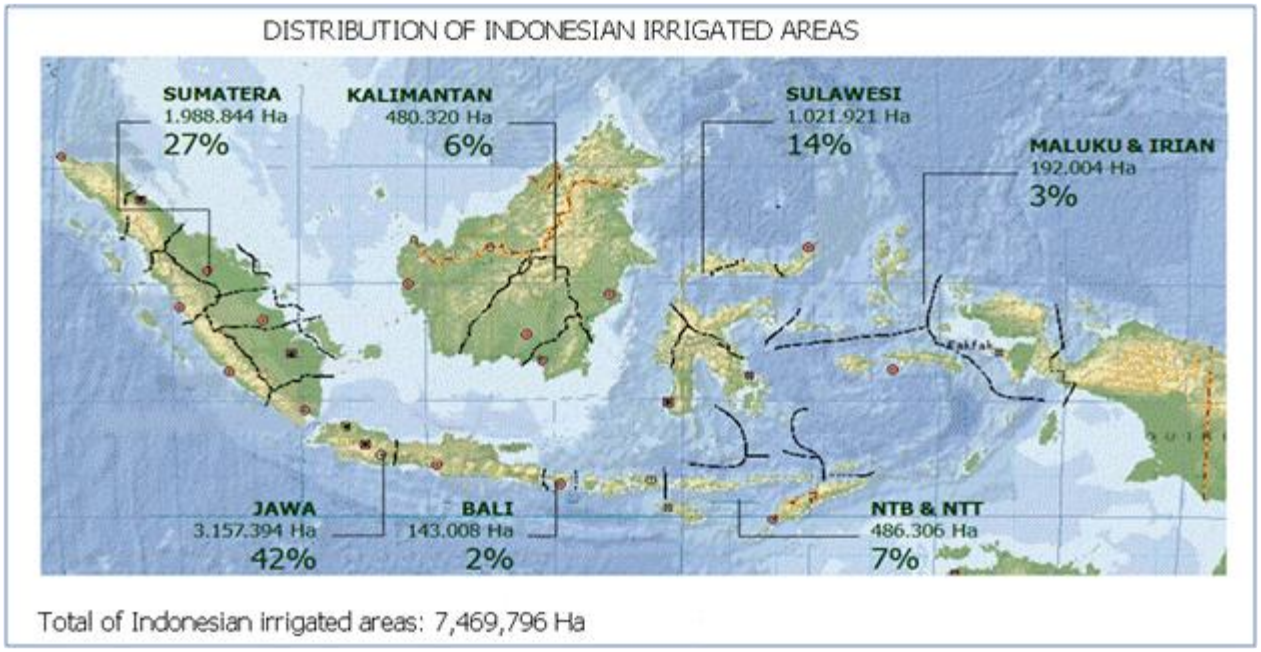
Report Highlights:
In marketing year (MY) 2012/13, Post forecasts Indonesian wheat imports will increase by approximately 6.9 percent to 6.9 million metric tons (MMT), compared to 6.457 MMT in MY 2011/12. Post also expects that Indonesian corn imports will increase by 1.7 MMT in MY 2012/13, which reflects an increase of 200,000 MT over Post's previous estimate of 1.5 MMT. Post estimates that in MY 2012/13 production levels for Indonesian corn and milled rice equivalent will increase to 9 MMT and 37.5 MMT respectively. Increased corn estimates are based on expected increased levels of Indonesia's feed production in calendar year (CY) 2013. These predicted increases also reflect a higher use of hybrid corn seed and more high-yielding paddy seeds varieties, as well as more favorable weather conditions.

Executive Summary:

The Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika,* BMKG) reported in March 2013 that Indonesian rainfall averages were medium (201 – 300 millimeters) to high (401 – 500 millimeters). BMKG predicted moderate levels of rainfall in North Sumatera, Riau, Jambi, South Sumatera, and throughout Java, Kalimantan, and some parts of Papua. Higher levels of rainfall were predicted to occur in West Sumatera, Central Kalimantan, South Sulawesi, Flores Island, and the Merauke area of Papua. BMKG further predicted that the 2013 dry season will start in April (28.1 percent) and and May (32.2 percent) of Indonesia respectively. Compared to the 30 year-average (1981 – 2010), the onset of the 2013 Indonesian dry season in 43 percent of Indonesia will be average. 34.2 percent of Indonesia will see a late onset of the dry season and 22.8 percent of Indonesia will see an early dry season. Rainfall intensity during the dry season will be normal in 70.5 percent area, above normal in 19 percent area, and below normal in 10.5 percent area of Indonesia. The dry season normally runs from April-October annually.

For Indonesia to achieve higher agricultural production, better irrigation infrastructure systems are critical. Indonesia is divided into 90 River Area Units (*Satuan Wilayah Sungai, SWS*) consisting of 5,000 river basin areas (*Daerah Aliran Sungai, DAS*). Water Resources Law No. 7/2004 states that the primary objectives for Indonesia's water conservation policies is to ensure enough water for farmers. The Government of Indonesia (GOI) and provincial governments are responsible for the primary and secondary irrigation development, while farmers' groups are responsible for the tertiary irrigation development and improvement. According to the Indonesian Ministry of Public Works (MPW) in 2012, approximately 84 percent of Indonesian rice area was irrigated, while the remaining 16 percent was rain fed.



Source: Ministry of Public Works, 2007.

Based on a 2010 audit conducted by the MPW's Directorate General for Water Resources, approximately 54 percent of the irrigation systems are in satisfactory condition while the remaining 46 percent are in various states of disrepair. The GOI's ability to address the deteriorating condition of the irrigation infrastructure is limited due to lack of funds. Reportedly, the GOI can only meet about 45 percent of irrigation systems' most basic requirements. Natural disasters, degradation process of irrigation water resources, and the lower level of river water flow also contribute to the damage. The following table shows the anticipated levels of water supply at Indonesian major reservoirs:

Water Surface Elevation and Condition in Indonesian Major Reservoirs.

No.	Name of Water Reservoir	Monitored Elevation (m)	Monitored Volume (million m^3)	Condition	Status
1	Djuanda	105,83	670,20	Normal	30 March 2013
2	Cirata	217,98	291,25	Normal	30 March 2013
3	Saguling	642,41	275,21	Normal	30 March 2013
4	Kedungombo	76,85	292,71	Alert	31 December 2012
5	Wonogiri	135,07	28,31	Normal	30 March 2013
6	Sempor	71,98	38,03	Normal	31 December 2012
7	Wadaslintang	171,39	268,04	Normal	31 December 2012
8	Sermo	132,84	13,51	Normal	10 October 2012
9	Sutami	271,77	134,39	Normal	30 March 2013
10	Lahor	272,44	14,78	Normal	30 March 2013
11	Selorejo	621,42	18,37	Normal	30 March 2013
12	Bening	108,58	21,40	Normal	30 March 2013
13	Wonorejo	180,92	11,35	Alert	30 March 2013
14	Batutegi	252,13	322	Alert	30 September 2012
15	Bili-Bili	92,73	171,23	Normal	30 September 2012
16	Keuliling	45,6	17,84	Alert	18 Oktober 2012

Source: Ministry of Public Works April 2, 2013.

In February 2013, the Indonesian MPW began the development of a new irrigation canal system to cover 3,000 hectares in South Sumatera. The new irrigation will consist of one dam supported by 8.5 kilometers of primary canals, and 25.6 kilometers of secondary canals. The GOI expects the new irrigation canals will open in 2017 – 2018 and will double agricultural output in the impacted area.

EXECUTIVE SUMMARY

Wheat

Post estimates that total Indonesian wheat imports in MY 2012/13 will increase by 6.9 percent to 6.9 MMT. This reflects and increase from MY 2011/12 levels which were of 6.457 MMT. Some of this predicted growth is due to new wheat millers and multinational food manufacturers that have began production and are adding to demand. While overall wheat imports to Indonesia are increasing Post predicts that in the current marketing year, wheat imports from the United States will decrease from 739,000 MT in MY 2011/12 to 660,000 MT. This decrease is primarily due to strong competition from Australian exporters, as Australia's closer proximity to Indonesia is a major advantage in their ability to supply wheat into Indonesia. However, recent temporary safeguard duties on imported wheat flour may provide more opportunities for U.S. wheat.

Corn

Indonesia's corn production in MY 2012/13 is estimated to increase to 9 MMT compared to 8.85 MMT in previous MY 2011/12. The increase is mainly due to favorable weather, increases in harvested areas and increased yields due to more use of hybrid seeds, and fewer challenges associated with pest and disease incidents. However, new feed mills will start operations in 2013 and these new stakeholders will require additional imports of corn. Post estimates that MY 2012/13 Indonesian corn imports will reach 1.7 MMT, a slight increase of the previous estimate of 1.5 MMT.

Rice

Post predicts MY 2012/13 Indonesian rice production to increase to 37.5 MMT of milled rice equivalent compared to 35.5 MMT of milled rice equivalent produced in previous MY 2011/12. The increase is primarily due to favorable weather, more use of high yielding varieties, and less pest and disease incidents. Post estimates that in MY 2012/13 Indonesia will only import a total of 0.8 MMT of milled rice equivalent, the majority of which will be specialty rice imported by the private sector. This estimate is based on assumptions that there will be increased levels of Indonesian rice production as well as BULOG's ability to procure and maintain consistent levels of domestic stock by the end of MY 2012/13.

Commodities:
Wheat

Consumption:
Higher demand for wheat flour and moderate prices for flour in Indonesia, relative to other Asian countries, has motivated multinational wheat flour-based food manufacturers to begin operations in Indonesia. Small and medium wheat-based enterprises are also growing by three to five percent

annually. APTINDO reported that currently around 200,000 small and medium scale enterprises which involve a total of 2.0 million workers are operational in Indonesia.

In MY 2010/11, Indonesian annual per capita wheat flour consumption rate was 18 kg. Relatively stable macro-economic conditions have allowed for more middle and upper-middle income consumers to diversify their diets. Changing Indonesian dietary habits include more western style foods like bread and pasta. Rather than eating rice for all three daily meals, many Indonesians have switched to eating bread or noodles for breakfast. Eating out culture is also driving demand for wheat-based food products. 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 lower and middle income consumers substitute instant noodles for breakfast or dinner. As a result, the noodle industry continues to be a rapidly growing sector and consumes 60 percent of Indonesia's wheat flour. The bakery industry follows with 20 percent consumption of flour, while household and the commercial biscuit producers each make up the balance with 10 percent consumption respectively. As a result of these factors, MY 2012/13 Indonesian wheat consumption is estimated to increase to 6.2 MMT, over the previous MY 2011/12 of 6.0 MMT.

Trade:
Trade

During the 1998 Indonesian monetary crisis, only four Indonesian flour millers were operating. Currently there are 21 Indonesian flour millers with a total installed capacity of 8.1 MMT per year. During 2013, an additional four new flour millers will likely begin operations, with an additional estimated combined annual capacity of 2.0 MMT. These additional stakeholders will increase Indonesia's total installed annual capacity to 10.0 MMT. Currently, Indonesia's flour mills are operating at roughly 70 percent of their operational capacity. The current running capacity is an increased from 65 – 68 percent in previous marketing year. Several investigations conducted by the Indonesian Anti Dumping Commission (*Komisi Anti Dumping Indonesia, KADI*) over the accusations of dumping price of wheat flour from Turkey and the recent temporary safeguard duty on imported wheat flour have discouraged importers to continue importing wheat flour. There are some of those wheat flour importers who are establishing the new flour mills. The new flour mills are located outside of Java, the island with the majority of Indonesia's population and the home to most of its flour mills.

Post estimates that MY 2012/13 wheat imports will increase by 6.9 percent to 6.9 MMT compared to the previous MY 2011/12 of 6.457 MMT based on the growing flour industry in Indonesia. A growing wheat flour-based food industry will continue creating more demand for wheat and will further increase wheat imports in MY 2013/14 to 7.4 MMT. In MY 2011/12, due to its geographic proximity to Indonesia and the noodle industry's preference for Australian standard white wheat, Australia held the largest market share of imported wheat (72 percent), followed by Canada (14 percent) and the United States (13 percent). In MY 2012/13, the share of the U.S. wheat imports into Indonesia is expected to decrease by 10 percent due to a recovery in Australian exports to Indonesia. The tight competition with Australia may keep market share for U.S. wheat at 10 percent in MY 2013/14 although there may be an overall increase in domestic flour mills capacity, due to stronger demand, new operators, and the safeguard duties applied against wheat flour imports.

As of December 5, 2012, Indonesia began to impose a 20 percent temporary safeguard duty on imported wheat flour. As a result, the Indonesian Flour Mills Association (*Asosiasi Produsen Tepung Terigu Indonesia, APTINDO*) reported that there has been a significant decline of wheat flour imports. Currently, domestically produced wheat flour meets 96 percent of total Indonesian demand for wheat flour. Turkey has worked via diplomatic channels to regain its market share of wheat flour exports to Indonesia. Currently Turkey is considering action against Indonesia in the World Trade Organization (WTO). APTINDO notes that there will be no shortage to the domestic wheat flour supply. Indonesia's feed sector, which consumes a total of 100,000 MT of imported feed grade wheat flour annually, is now switching to domestically produced feed-grade wheat flour.

Based on the Global Trade Atlas data on MY 2011/12 Indonesian wheat flour imports, Turkey maintained the largest market share of 54 percent, followed with Sri Lanka (34 percent), and Ukraine (5 percent). In MY 2011/12, Indonesia imported 611,107 MT of flour, or an equivalent of 835,994 MT of wheat.

Recently, APTINDO requested to GOI to impose an additional 10 percent import duty to imported wheat flour for feed use from the current 5 percent duty. Since 2003, the GOI categorized feed ingredients as strategic commodities which were exempt from a 10 percent value added tax (VAT). APTINDO claimed that some wheat flour importers use this as a loophole to import wheat flour for human consumption rather than buying domestically produced wheat flour, which is subject to 10 percent VAT. The GOI remains undecided as to how they will respond this request.

Production, Supply and Demand Data Statistics:

PSD: WHEAT

Wheat Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	1,616	1,616	1,601	1,601		1,451
Production	0	0	0	0		0
MY Imports	6,457	6,457	6,600	6,900		7,400
TY Imports	6,457	6,457	6,600	6,900		7,400
TY Imp. from U.S.	739	739	0	660		700
Total Supply	8,073	8,073	8,201	8,501		8,851
MY Exports	222	222	260	200		200
TY Exports	222	222	260	200		200
Feed and Residual	150	150	150	150		165
FSI Consumption	6,100	6,100	6,300	6,700		7,200
Total Consumption	6,250	6,250	6,450	6,850		7,365
Ending Stocks	1,601	1,601	1,491	1,451		1,286
Total Distribution	8,073	8,073	8,201	8,501		8,851
Yield	0.	0.	0.	0.		0.

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

Author Defined:
Prices

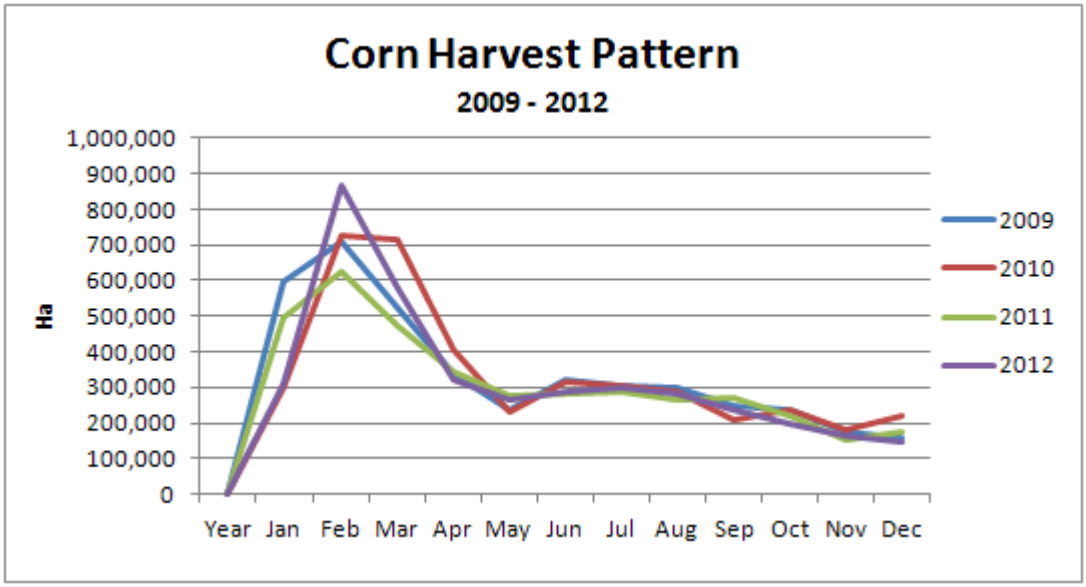
The retail price of medium protein wheat flour in Jakarta market was reported at Rp. 7,663/kg ($787/MT) in March 2013. It has slightly increased from Rp. 7,600/kg ($780/MT) reported in December 2012.

Commodities:

Corn

Production:

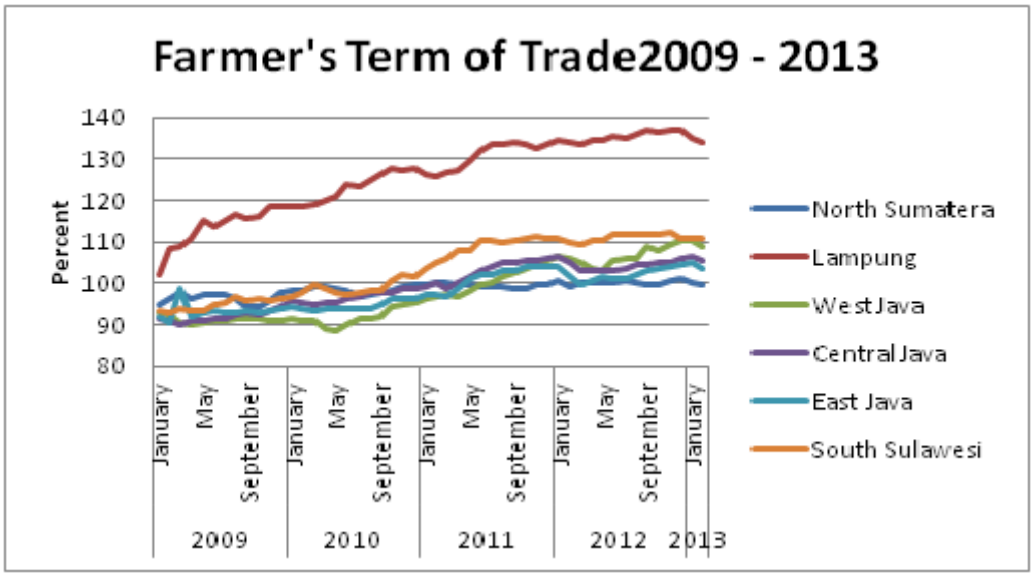
Post expects that Indonesia's corn production increased slightly over the past year. Favorable weather provided better opportunity for farmers in upland areas to grow corn during the second cropping season and farmers in the irrigated lowland areas on Java continued to grow corn during the third cropping cycle. 2011's weather condition was different over 2009 and 2010, when Indonesia experience higher than average levels of rain during the dry season. That situation caused farmers in upland areas to continue to grow rice during the second cropping cycle due to the availability of water from rainfall. During the current marketing year, farmers in upland areas will leave their fields idle during the third cropping cycle due to a lack of rainfall, compared to the same period in 2009 and 2010. Farmers report that most of the corn planted in upland areas was harvested by late February and early March 2013. 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). Farmers did not report on significant challenges with pest and/or disease outbreaks.



Source: Indonesian National Statistics Agency (BPS).

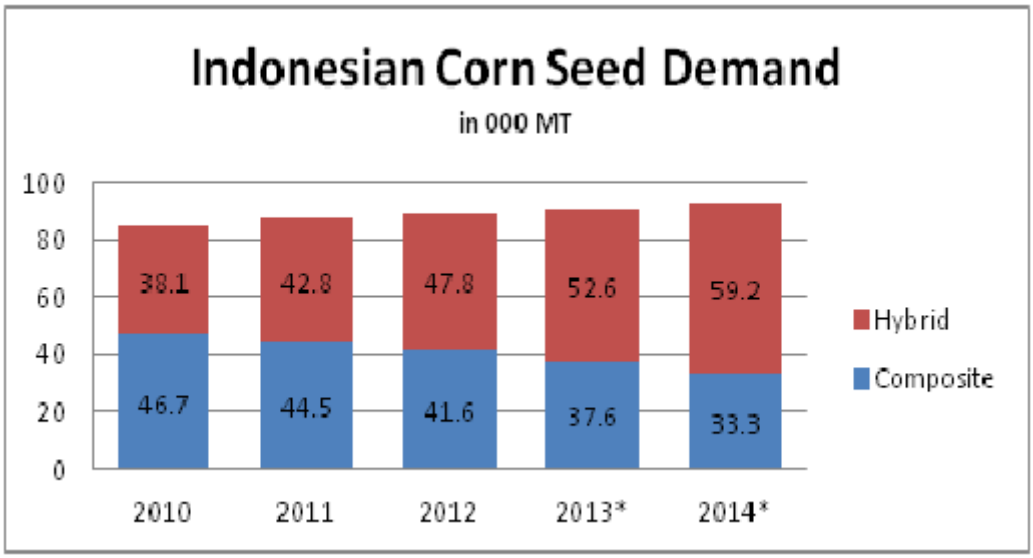
Farmers' Terms of Trade (*Nilai Tukar Petani, NTP*) are the terms of trade between agricultural products that farmers produce to the goods and services that farmers use as production inputs has been increasing

over the past four years. The NTP is especially high during harvesting times, particularly March, June, and October of each year. The higher the NTP, the higher farmer's purchasing power.



Source: Indonesian National Statistics Agency (*Badan Pusat Statistik, BPS*).

Increasing farmers' terms of trade, combined with increasing preference to use more high yielding varieties has resulted in higher yield. Corn seed suppliers reported that in MY 2012/13 total area grown with hybrid corn seed is expected to reach 37 percent, an increase from 35 percent in previous MY 2011/12. All major hybrid corn seed suppliers are expecting for increased sales in MY2012/13. A large hybrid corn seed supplier is starting the operation of new hybrid seed facility in East Java in order to meet demand from farmers. The new facility has the installed capacity to produce 5,700 MT of hybrid corn seed.



Source: Ministry of Agriculture.
Note: *: estimate

Currently, prices of corn at farmer level ranges from Rp. 3,000/kg ($308/MT) to Rp. 3,500/kg ($359/MT). The price of hybrid corn seed also went up. Currently, prices of hybrid corn seed ranges from Rp. 48,000/kg ($4.9/kg) to Rp. 80,000/kg ($8.2/kg) compared to Rp. 55,000/kg ($5.6/kg) to Rp. 70,000/kg ($7.2/kg) in 2012.

Due to the lack of official statistics from the GOI, Post maintains MY 2012/13 Indonesian corn harvested area at 3.12 million hectares. However, given the aforementioned situation, Post estimates MY 2012/13 Indonesia corn production to increase to 9 MMT compared to 8.9 MMT previously reported. Assuming weather will remain normal that will provide incentives and opportunities for farmers to grow more corn and more hybrid corn use, Post forecasts MY 2013/14 corn harvested area and production to further increase to 3.15 million hectares and 9.2 MMT respectively.

Consumption:

Most of Indonesian corn farmers use composite seed varieties due taste preference for composite corn grown for human consumption. Hybrid corn seed grown is mostly earmarked for feed consumption. The Indonesian Feed Millers Association (*Gabungan Pengusaha Makan Ternak*, *GPMT*) reported that in calendar year (CY) 2012 feed consumption reached approximately 12.7 MMT higher than the initial estimate of 12.3 MMT. This figure excludes 1.2 MMT used for aquaculture feed. The poultry industry consumes approximately 83 percent of the total feed consumed. Aquaculture consumes 11 percent and the balance of six percent is consumed by cattle and swine. *GPMT* forecasts that Indonesian feed consumption will further increase to 13.8 MMT in CY 2013. Two major feed mills are expanding their production capacity by building new factories in South Sulawesi, North Sumatera, and Central Java. This industry is estimated to grow by 12- 15 percent in 2013, assuming the economic and political situation remains stable; there are no significant outbreaks of poultry diseases; and the Indonesian rupiah exchanges favorably against the U.S. dollar. The existing feed millers are running at 70 – 80 percent of the total installed capacity. However, Indonesian feed millers are heavily reliant on imported feed ingredients as can be seen in the following table:

Sources of Primary 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)

GPMT reports that corn makes up an average of 50 percent of typical livestock feed, with 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. Some factors that inhibit feed millers from sourcing more local products are low protein content, high raw fiber content, high rancidity, limited and inconsistent corn supplies for commercial scale feed millers, and difficulties in storage. Therefore, feed millers report that they are determined to import corn at any price to meet the demand.

With the increasing feed production capacity and higher demands from the meat and poultry sectors, GPMT reports that in MY 2012/13 the feed industry will need to import more corn than in MY2011/12. However, by claiming that in CY 2013 Indonesian will produce 19.8 MMT corn the MOA essentially maintains an unofficial import quota for corn. Only feed millers can import corn, and not traders. In order to be able to import corn, a feed miller must obtain an import recommendation from the MOA. The MOA will grant the volume of corn that can be imported based on the actual feed production of the feed millers.

Considering the above given factors, Post estimated the MY2012/13 corn consumption by feed industry to increase to 6.2 MMT compared to the previous MY 2011/12 of 6 MMT, while a total of 4.5 MMT of corn will go for human consumption. In MY 2013/14 these corn consumptions for feed industry is forecast to increase to 6.6 MMT, while corn consumption for food will decline to 4.4 MMT due to some switching to rice and wheat flour based food products.

Trade:

Corn contributes about 80 percent of energy in Indonesian feed. Despite higher domestic production, challenges persist due to inconsistent seasonal supplies, high moisture levels, and high aflatoxin levels, which result from poor post harvest management. These factors - combined with higher installed capacity of feed millers - significantly continue to drive demand for imports. Post estimates that in MY 2012/13 Indonesia will import 1.7 MMT, an increase by 200,000 MT over the previous marketing year. Post forecast that Indonesian corn imports in MY 2013/14 will continue to increase to 1.9 MMT due to the aforementioned reasons. According to the Global Trade Atlas, in MY 2011/12, India held the largest market share of 75 percent, followed by Argentina (14 percent), the Brazil (7 percent), and the United States (3 percent).

Due to some price and quality concerns from feed millers dried distiller's grain soluble (DDGS) Indonesia's CY 2012 imports of DDGS decreased to 170,000 MMT from 228 MMT in CY 2011. United States continued to be Indonesia's largest supplier of DDGS with a 90 percent market share, followed by Australia with 10 percent market share. In CY 2012, Indonesia imported approximately 207,000 MT of corn gluten meal (CGM) mainly also from the United States (98 percent). Frequent promotional activities and technical assistance provided by the U.S. Grains Council in conjunction with other U.S. promotional activities contributed to this success.

Production, Supply and Demand Data Statistics:

PSD: CORN

Corn	Indonesia	2011/2012	2012/2013	2013/2014

	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,120	3,120	3,150	3,120		3,150
Beginning Stocks	697	697	732	732		717
Production	8,850	8,850	8,900	9,000		9,200
MY Imports	1,724	1,724	1,500	1,700		1,900
TY Imports	1,724	1,724	1,500	1,700		1,900
TY Imp. from U.S.	42	42	0	0		0
Total Supply	11,271	11,271	11,132	11,432		11,817
MY Exports	39	39	25	15		15
TY Exports	39	39	25	15		15
Feed and Residual	6,000	6,000	6,200	6,200		6,600
FSI Consumption	4,500	4,500	4,500	4,500		4,600
Total Consumption	10,500	10,500	10,700	10,700		11,200
Ending Stocks	732	732	407	717		602
Total Distribution	11,271	11,271	11,132	11,432		11,817
Yield	3.	2.8365	3.	2.8846		2.9206

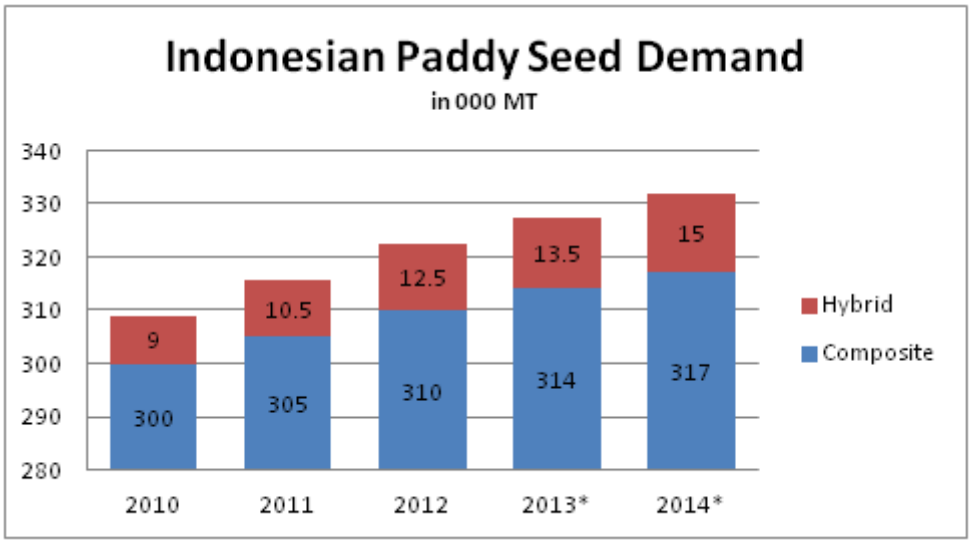
Note: Figures in the "New Post" columns are not USDA Official figures.

Author Defined:
Prices

In March 2013, the price of local corn in Java at farmer level reportedly ranged from Rp. 2,900/kg ($298/MT) to Rp. 3,000/kg ($308/MT) compared to Rp. 2,400/kg ($246/MT) to Rp. 2,600/kg ($267/MT) in February 2013. The increasing prices are due to smaller supplies from farmers since the peak of corn harvest time is over. In line with the increase of corn price GPMT reported its plan to increase the price of compound feed by 20 – 30 percent this year. In February 2013 the price of broiler compound feed stood at Rp. 6,500/kg ($667/MT) while the price of layer compound feed was at Rp. 4,800/kg (S493/MT).

Commodities:
Rice, Milled

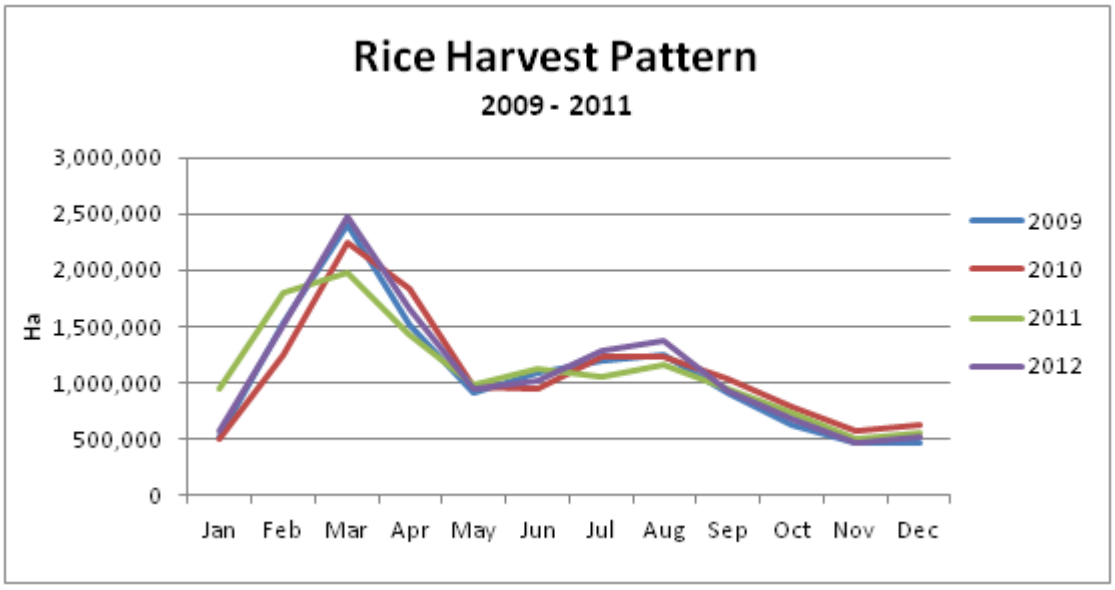
Production:
MY 2012/13 Indonesian rice production is expected to be higher over MY 2011/12. Favorable weather led to better yields and farmers are increasing their preference for higher yielding seed varieties. These are the main drivers behind the increase.



Source: Ministry of Agriculture.
Note: *: estimate figures.

Decisions to grow secondary crops on irrigated land and to leave upland areas idle during the third cropping cycle has helped to manage challenges associated with pests and disease. More sunshine will increase photosynthesis and provide better opportunities to sundry wet paddy.

Currently, the main Javanese paddy harvest is ongoing in major rice producing areas. Some farmers who have finished harvesting are replanting paddy as a second crop cycle on irrigated land. Farmers in upland areas of Java are growing corn. Post staff recently met farmers in West and Central Java who reported that they were forced to prematurely harvest the paddy as to avoid the low prices which typically follow the first main harvest. The second harvest is expected to occur during June - July 2013.



Source: BPS

Post staff recently visited major rice producing areas in West Java and Central Java and learned that more farmers grew paddy during the first cropping cycle due to the abundance of rainfall. Farmers reported fewer problems with brown hopper and rats over the first cropping cycle from the previous marketing year. However, farmers are not growing paddy at the same time in order to try to prevent prices from falling during the main harvest. Farmers in those areas continue to plant more Ciherang seeds over the more traditional IR64.

One of the largest state owned companies producing seed reports that they will produce 64,000 MT of high yielding paddy seed in MY 2012/13 compared to 30,000 MT produced in MY 2011/12. The increased production results from higher demand from farmers.

Due to the lack of official statistics from GOI, Post maintains its estimate of MY 2012/13 harvested area for Indonesian paddy at 12.15 million hectares. However, given the above factors, Post estimates that MY 2012/13 Indonesian rice production will increase to 37.5 MMT of milled rice equivalent compared to 36.5 MMT of milled rice equivalent in MY 2011/12. Assuming continued favorable weather and farmers' preference to grow more high yielding varieties, Post forecast MY 2013/14 Indonesian paddy harvested area and production to increase to 12.16 million hectares and 37.7 MMT of milled rice equivalent.

A number of external factors threaten Indonesia's capacity for maintain current levels of rice production. These factors include high rates of land conversion to non-agricultural uses near urban areas on Java, which may result in a stagnant or even declining harvested area. Yields in some areas are declining due to deteriorating soil quality due to improper fertilizer application. Area expansion outside of Java is seriously hindered by a general lack of infrastructure and less fertile soil. The GOI is taking 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 efforts to provide farmers with affordable and timely available fertilizer through fertilizer subsidy program.

Consumption:
In MY 2012/13 BULOG will allocate a total of 2.795 MMT of rice for the *Raskin* program to 15,530,897 poor families. Each family will receive 15 kg of rice for 12 months at the price of Rp. 1,600/kg. As of the late of March 2013, BULOG has distributed a total of 485,000 kg rice under the *Raskin* program.

Some rice stocks held by BULOG are being used by BULOG as part of their normal, on-going market operations as to increase supply and lower the price of medium quality rice in the domestic market. During the period of January - March 2013, 49,000 MT of rice was distributed commercially.

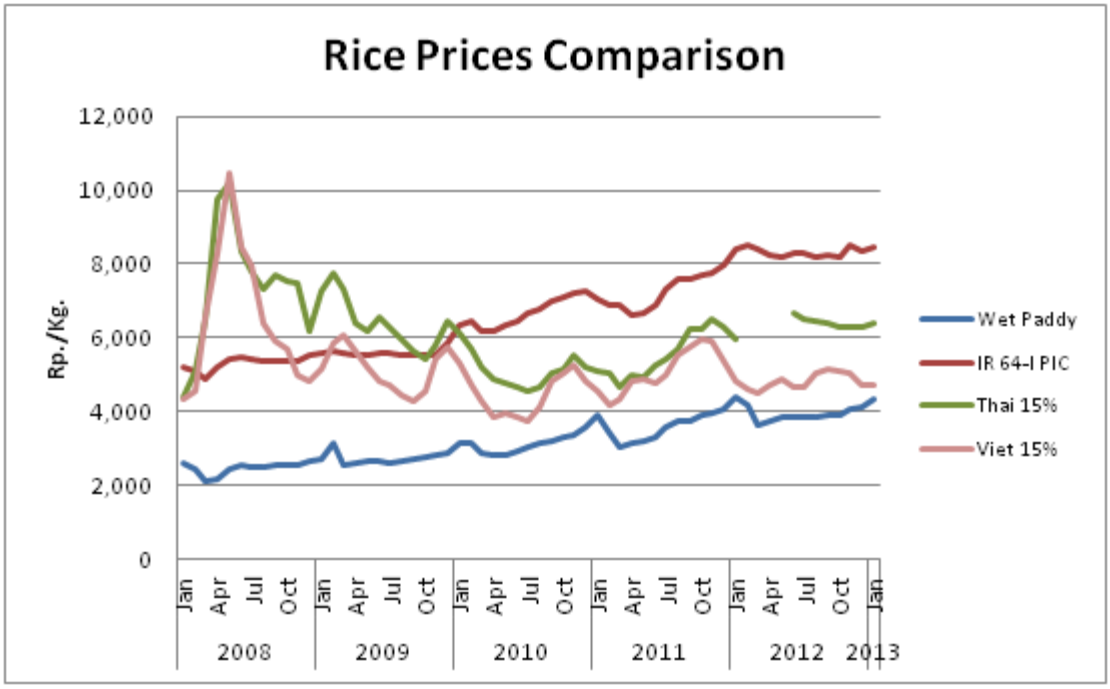
In line with the population growth, Post estimated MY 2012/13 Indonesian rice consumption to increase to 40 MMT from 39.55 MMT in previous MY2011/12. The consumption is forecast to increase further to 40.3 MMT in MY 2013/14.

Trade:

In MY 2012/13 the Indonesian National Logistics Agency (BULOG) set its procurement target at 3.2 MMT of milled rice equivalent. This level is lower than the procurement target set in previous MY 2011/12 of 3.67 MMT due to a decrease in rice the Rice for the Poor Program (*Raskin*). As of the end of March 2013, BULOG procured a total of 312,000 MT of domestic rice. This figure is also lower compared to the same period during the previous MY 2011/12 of 556,000 MT due to delayed harvest in some Indonesian major producing areas. The period of March through June is the peak period for BULOG to meet its domestic procurement targets.

The GOI has instructed BULOG to maintain a minimum stock of 2 MMT by the end of 2013. As of late March 2013 BULOG held a total of 2,024,000 MMT of milled rice equivalent its storage. BULOG also holds a total of 395,000 MT in strategic reserves. Assuming that BULOG will be able to reach the procurement target from domestic farmers, combined with the rice distribution for Raskin program, BULOG will manage to maintain its prescribed levels of ending stocks. Recent media reports indicate that BULOG is exploring possible opportunities to import rice from Myanmar in the event of a production shortage. In the past the GOI typically imported from Thailand and Vietnam.

Other private sector Indonesian importers also imports rice, although the private sector is only allowed to import specialty rice for specific purposes such for rice diabetics, specialty rice such as jasmine, basmati and sushi rice for the service and hospitality industry, and rice seed. The high price disparity between Indonesia's domestically produced rice over Vietnamese and Thai 15 percent broken rice will continue to provide incentives for smuggled rice, especially through more porous Indonesian border areas.



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

Assuming consistent amounts of specialty rice and smuggled rice, Post forecasts that MY 2012/13 Indonesian rice imports to reach 800,000 MT. Indonesia is facing an election year in 2014 when each participating party will put some efforts to have a positive image among the people. One of the many indicators considered as a success is when the ruling regime limits rice imports in favor to protect farmers. However, lower MY 2012/13 ending stocks combined with marginal increase of MY 2013/14 Indonesian rice production may increase prices of rice in the domestic market. Post assumes that there would be slightly higher unauthorized imports in MY 2013/14.

Indonesia is the 4th most populous country in the world with a population of roughly 240 million people. Over 50 percent of the population is between the ages of 5 - 34 years. The emerging middle class broadly supports domestic industry and imported goods. A culture of dining out is becoming more prevalent and a variety of international restaurants can be found in urban areas. This trend is important as it will increase demand and imports of specialty rice. Post forecast MY 2013/14 Indonesian rice imports to increase to 1 MMT due to slightly higher unauthorized imports combined with higher demand for specialty rice.

Stocks:
MY 2012/13 ending stock of Indonesia rice is estimated to decline to 3.385 MMT due to lower imports. Post forecast that ending stocks of MY 2013/14 will further decline to 1.785 MMT due to the same reason. This will be second lowest level of ending stocks within the last two decades.

Policy:
In MY 2012/13 BULOG targeted to procure 3.2 MMT of rice. BULOG can only buy paddy or rice from farmers when the market price is lower or equal to the GOI's official purchasing price (*Harga*

Pembelian Pemerintah, HPP). GOI made no changes to the HPP for MY 2012/13 procurement. According to the Presidential Instruction No. 3/2012 signed on February 27, 2012, BULOG can only buy paddy or rice that meets the following criteria and using the following HPP:

Quality Requirement		Wet Paddy (Rp)		Dry Paddy (Rp.)		Rice (Rp)	
		Old	New	Old	New	Old	New
Moisture Content	Max	25%	25%	14%	14%	14%	14%
Empty Husks/Dirt	Max	10%	10%	3%	3%	-	-
Broken	Max	-	-	-	-	20%	20%
Price at farmer's level		2,640	3,300	-	-	-	-
Price at mill's level		2,685	3,350	3,300	4,150	-	-
Price at Bulog warehouse		-	-	3,345	4,200	5,060	6,600

Usually June is the most important month when looking at BULOG domestic procurement objectives. Should BULOG miss their June target, the GOI may then consider taking a decisive approach on imports as to maintain BULOG's stock at their prescribed levels.

In an effort to achieve paddy production target in MY 2012/13 that is set at 72.02 MMT, in November 2012, GOI set the maximum retail price of subsidized fertilizer for small holder farmers possessing no more than 2 hectares of land for 2013 cropping cycles:

Urea : Rp. 1,800/kg
SP-36 : Rp. 2,000/kg
ZA : Rp. 1,400/kg
NPK : Rp. 2,300/kg
Organic fertilizer : Rp. 500/kg

2013 Subsidized Fertilizer Demand by Sub Sector

Sub Sector	Type of Fertilizer (In MT)				
	Urea	SP-36	ZA	NPK	Organic
Food Crops	2,976,700	582,277	641,486	1,628,294	687,513
Horticulture	234,891	46,850	49,050	240,859	60,959
Estate Crops	625,092	152,743	280,010	460,712	109,934
Animal Husbandry	123,147	23,420	24,883	44,402	19,500
Aquaculture	140,170	44,711	4,571	25,732	22,094

Production, Supply and Demand Data Statistics:

PSD: RICE, MILLED

Rice, Milled Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,160	12,160	12,150	12,150		12,160
Beginning Stocks	6,175	6,175	5,085	5,085		3,385
Milled Production	36,500	36,500	36,900	37,500		37,700

Rough Production	57,480	57,480	58,110	59,055		59,370
Milling Rate (.9999)	6,350	6,350	6,350	6,350		6,350
MY Imports	1,960	1,960	800	800		1,000
TY Imports	1,960	1,960	800	800		1,000
TY Imp. from U.S.	0	0	0	0		0
Total Supply	44,635	44,635	42,785	43,385		42,085
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	39,550	39,550	40,000	40,000		40,300
Ending Stocks	5,085	5,085	2,785	3,385		1,785
Total Distribution	44,635	44,635	42,785	43,385		42,085
Yield (Rough)	5.	4.727	5.	4.8605		4.8824

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

Author Defined:
Price

As a consequence of over production and lower quality yields gained from the recent harvest, prices for wet paddy are reportedly declining. Currently, the price of wet paddy at farmer level in West Java sand Central Java ranges from Rp. 3,300/kg ($339/MT) to Rp. 4,000/kg ($411/MT) compared to Rp. 3,500/kg ($359/MT) to Rp. 4,500/kg ($462/MT) in March 2013.

Average daily supplies of rice from major rice producing areas in Java to Cipinang rice wholesale market in Jakarta is increasing to 2,862 MT in March 2013 from 2,752 MT in January 2013. The price of medium quality rice at Cipinang whole sale market is also declining from Rp. 8,445/kg ($867/MT) in January 2013 to the average price of Rp. 8,253/kg ($847/MT) in March 2013.

Rice Production: Area & Production by Region
Second Forecast Figures by the Government of Indonesia for 2012

Harvested Area, Production, and Yield of Rice, 2012*

Province	Harvested Area (Ha)	Production (MT)	Yield (Ton/Ha)
North Sumatera	765,434	3,689,420	4.82
South Sumatera	787,245	3,479,258	4.42
Sub Total: Sumatera	**3,480,501**	**16,091,532**	**4.62**
West Java	1,946,810	11,403,668	5.86
Central Java	1,779,244	10,199,014	5.73

East Java	1,970,973	12,043,924	6.11
Sub Total: Java	**6,229,320**	**36,493,785**	**5.86**
West Nusa Tenggara	424,218	2,102,587	4.96
Sub Total: Bali & Nusa Tenggara	**775,167**	**3,653,987**	**4.71**
West Kalimantan	451,280	1,380,143	3.06
South Kalimantan	494,623	2,056,532	4.16
Sub Total: Kalimantan	**1,321,125**	**4,678,709**	**3.54**
Central Sulawesi	228,223	1,047,055	4.59
South Sulawesi	967,354	4,872,384	5.04
Sub Total: Sulawesi	**1,581,783**	**7,705,527**	**4.87**
Other Provinces/Islands	**83,757**	**332,752**	**3.97**
TOTAL INDONESIA	**13,471,653**	**68,956,292**	**5.12**

Source: BPS.

Note: * Second forecast figures.

Corn Production: Area & Production by Region

Second Forecast Figures by the Government of Indonesia for 2012

Harvested Area, Production, and Yield of Corn, 2012*

Province	Harvested Area (Ha)	Production (MT)		Yield (MT/Ha)
		(Wet Basis)	(Dry Basis)	
North Sumatera	246,966	1,369,090	958,363	5.54
Lampung	360,920	1,750,902	1,225,631	4.85
Sub Total: Sumatera	**794,476**	**4,039,382**	**2,827,567**	**5.08**
West Java	148,538	1,019,455	713,619	6.86
Central Java	554,526	2,990,600	2,093,420	5.39
East Java	1,244,927	5,995,001	4,196,501	4.82
Sub Total: Java	**2,024,998**	**10,348,741**	**7,244,119**	**5.11**
East Nusa Tenggara	240,107	617,353	432,147	2.57
Sub Total: Bali & Nusa Tenggara	**378,631**	**1,323,084**	**926,159**	**3.49**
West Kalimantan	45,062	160,226	112,158	3.56
South Kalimantan	21,578	111,478	78,035	5.17
Sub Total: Kalimantan	**73,523**	**289,965**	**202,976**	**3.94**
North Sulawesi	120,167	439,836	307,885	3.66
South Sulawesi	320,178	1,457,879	1,020,515	4.55
Gorontalo	137,739	661,250	462,875	4.80
Sub Total: Sulawesi	**672,831**	**2,904,691**	**2,033,284**	**4.32**
Other Provinces/Islands	**22,120**	**55,782**	**39,047**	**2.52**
TOTAL INDONESIA	**3,966,579**	**18,961,645**	**13,273,152**	**4.78**

Source: BPS.

Note: *: Second forecast figures.

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												
2012*	6,217,928	51.59	32,075,890	4,618,844	50.89	23,506,890	2,634,881	50.76	13,373,751	13,471,653	51.19	68,956,292
2011	6,166,875	49.67	30,629,008	4,314,956	48.88	21,090,832	2,721,812	51.57	14,037,064	13,203,643	49.80	65,756,904
2010	5,839,507	50.22	29,323,792	4,391,893	50.44	22,152,985	3,022,050	49.61	14,992,617	13,253,450	50.15	66,469,394
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												
2012*	5,263,245	54.81	28,849,618	4,481,922	51.46	23,064,694	2,581,747	51.25	13,231,691	12,326,914	52.85	65,146,003
2011	5,298,598	52.64	27,893,293	4,203,957	49.35	20,747,480	2,666,241	52.08	13,886,834	12,168,796	51.38	62,527,607
2010	4,888,707	54.02	26,409,866	4,266,921	51.05	21,781,438	2,963,151	50.04	14,826,812	12,118,779	52.00	63,018,116
2009	5,049,266	52.	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

		97										
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												
2012*	954,683	33.79	3,226,272	136,922	32.28	441,957	53,134	26.74	142,060	1,144,739	33.29	3,810,289
2011	868,277	31.51	2,735,715	110,999	30.93	343,352	55,571	27.03	150,230	1,034,847	31.21	3,229,297
2010	950,800	30.65	2,913,926	124,972	29.73	371,547	58,599	28.15	165,805	1,134,671	30.42	3,451,278
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: Indonesian National Statistics Agency (BPS).

Note: *: second forecast figures of 2012

RAINFALL DATA

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
2011	23	176	482	558	149	98	22	0	0	29	290	
2012	182	330	329	144	26	70	0	0	0			
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
2011	82	372	217	105	138	10	69	0	4	37	128	
2012	335	294	330	111	86	22	1	0	0			
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
2011	148	194	401	642	158	32	31	0	0	5	243	
2012	383	181	172	67	88	50	0	0	0			
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
2011	277	286	277	283	118	15	16	0	0	8	128	
2012	490	223	627	44	109	11	51	0	92			
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
2011	481	469	448	228	0	20	1	0	0	121	310	
2012	538	343	353	N/A	195	35	38	1	1			
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
2011	188	66	120	106	0	23	70	0	1	116	137	
2012	228	172	172	161	62	N/A	15	6	39			

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

Note: Exchange rate is Rp. 9,743/USD 1, as of April 3, 2013.