

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary _ Public

Date: 12/14/2015

GAIN Report Number: ID1542

Indonesia

Post: Jakarta

Indonesia Grain and Feed Update December 2015

Report Categories:

Grain and Feed

Approved By:

Ali Abdi

Prepared By:

Thom Wright/Sugiarti Meylinah

Report Highlights:

Post lowers its MY2014/15 Indonesian rice production estimate to 35.56 MMT from the previous estimate of 35.76 MMT milled rice equivalent based on a larger estimate of losses related to the ongoing El Nino event. MY 2014/15 Indonesian rice imports estimates are lowered to 1.35 MMT of milled rice equivalent from the previous estimate of 1.4 MMT due to lower imports of specialty rice and lower rice import realization by Indonesian national logistics agency (BULOG). Post revises MY 2014/15 Indonesian corn exports to 150,000 MT due to higher export realization from West Nusa Tenggara to the Philippines.

General Information:

SECTION I. SITUATION AND OUTLOOK

The Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika*, BMKG) forecast in September 2015 that:

- The 2015 El Nino event will continue through the end of the northern hemisphere winter in 2016.
- El Nino events typically peak around November/December and gradually decline in strength during the first and second quarter of the following year.
- The Indonesian El Nino is expected to gradually moderate when the Asian monsoon brings rain from the western part of Indonesia in November.

BMKG forecasts monthly rainfall intensity for the Nov-Jan 2015/16 as such:

Chart 1. Rainfall Intensity Forecast for November 2015

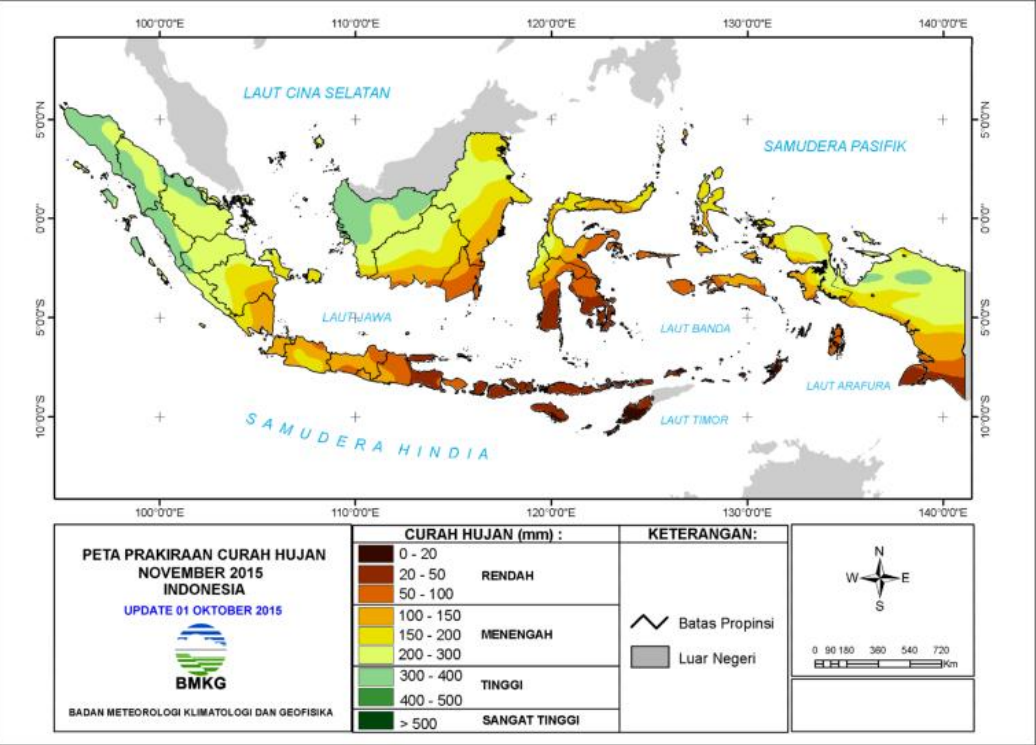


Chart 2. Rainfall Intensity Forecast for December 2015

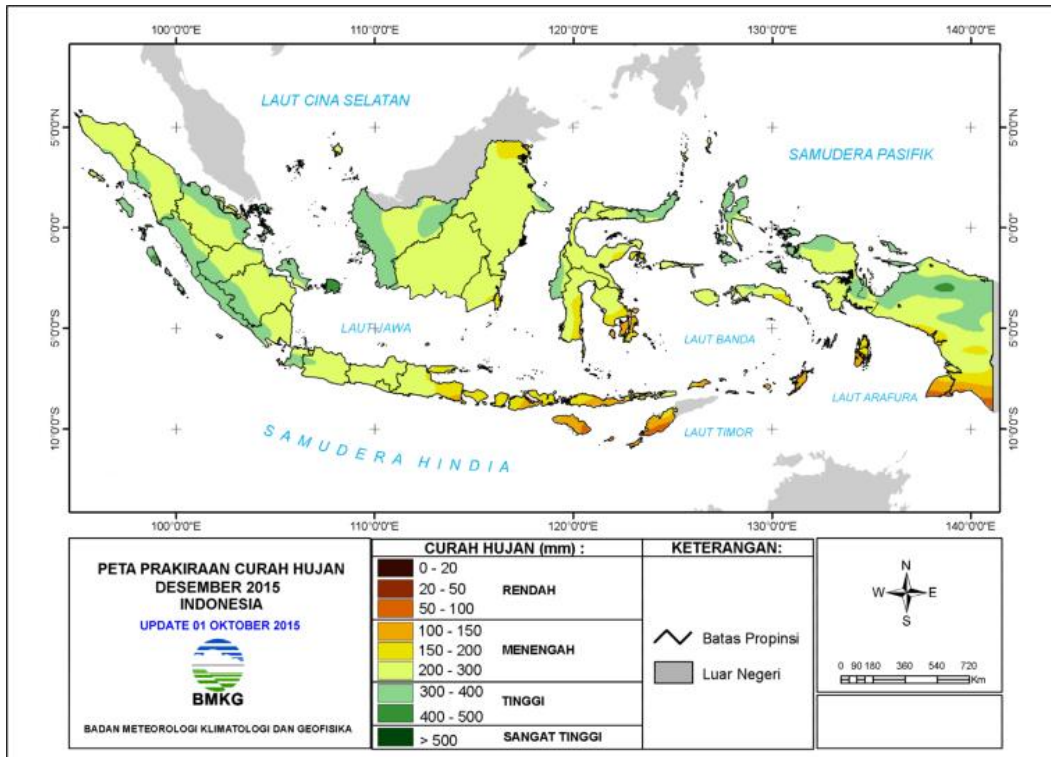
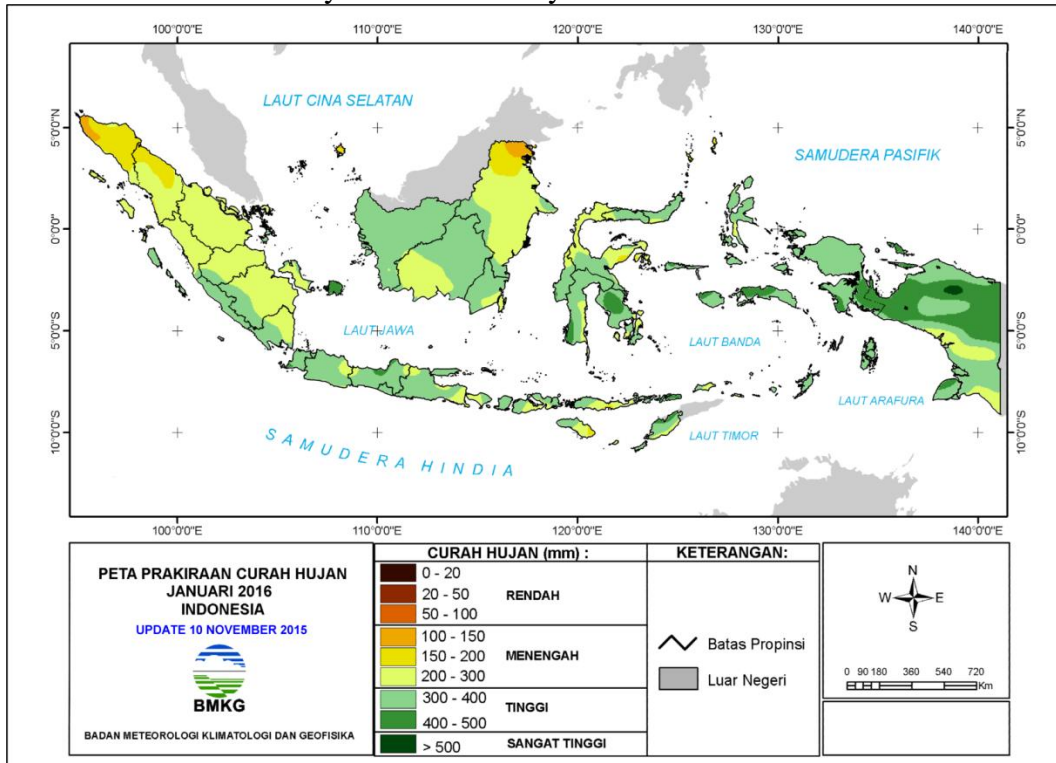


Chart 3. Rainfall Intensity Forecast January 2016



Based on the BMKG's forecast, the planting period for the first paddy crop cycle will be delayed until the end of November or early December 2015.

According to the Indonesian Ministry of Public Works (MPW), approximately 84 percent of Indonesian rice area is irrigated, while the remaining 16 percent is rain fed. The country is divided into 90 River Area Units (*Satuan Wilayah Sungai*, SWS) consisting of 5,000 river basin areas (*Daerah Aliran Sungai*, DAS). The GOI and provincial governments are responsible for primary and secondary irrigation development, while farmer groups are responsible for tertiary irrigation development and improvement. The following table shows water levels at major reservoirs in West Java as of December 3, 2015:

Table 1. Water Elevation at West Java Water Reservoirs, December 3, 2015.

No.	Reservoir	Elevation & Volume				Elevation Deviation (m)	Vol. Deviation (mil.m ³)	Drought Prep. Elev. (m)	Status
		Target		Observed					
		Elev. (m)	Vol. (mil.m ³)	Elev. (m)	Vol. (mil.m ³)				
1.	Jatiluhur	93.73	360.62	91.29	246.70	-1.86	-113.92	87.50	Deficit
2.	Cirata	209.52	160.87	207.12	189.35	0.59	28.48	206.00	Deficit
3.	Saguling	631.50	138.97	627.97	146.41	0.29	7.44	625.00	Deficit

Source: Indonesian Min. of Public Works, Perum Jasa Tirta II (December 3, 2015).

Note: "Deficit" indicates water levels lower than target, but above drought condition levels. Ministry of Public Works have only provided data on 3 of 16 reservoirs.

Despite the deficit status, the level of water at the major reservoirs in West Java is considered sufficient to water paddy fields during the first crop cycle. The current rainfall is expected to replenish the water availability in the reservoirs.

EXECUTIVE SUMMARY

Corn

Post revises MY2014/15 Indonesian corn exports to 150,000 MT from the previous estimate of 20,000 MT to reflect exports of corn from West Nusa Tenggara to the Philippines.

Rice

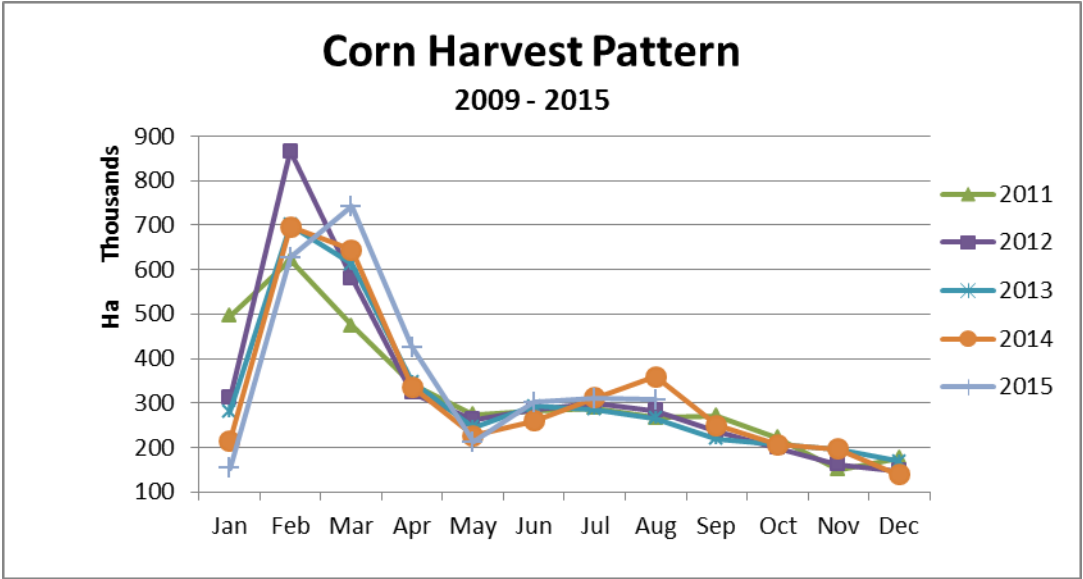
Post lowers its MY2014/15 Indonesian rice production estimate to 35.56 MMT from the previous estimate of 35.76 MMT milled rice equivalent based on a larger estimate of losses related to the ongoing El Nino event. El Nino is expected to delay the plantings for the first crop cycle of MY 2015/16, resulting in a shorter third crop growing period and thus reducing third crop production. Lower domestic procurement, lower import realization, and higher than planned raskin program distributions have depleted the MY 2014/15 Indonesian National Logistics Agency's (BULOG) ending stocks.

CORN

Production

Indonesia’s first corn season normally takes place from November to February, accounting for 49 percent of annual production. The second season takes place from March to June (37 percent), and the third runs from July to September (14 percent). Due to delays in the first crop planting, the MY 2014/15 second crop cycle of corn was delayed, with harvest taking place in July/August 2015. The delayed plantings, coupled with dryness resulting from the ongoing El Nino, resulted in shorter duration crops such as soy, peanuts and mung beans being substituted for corn. Recent crop observations confirmed that some unirrigated areas in West Java were also left idle, compared to the same period during the previous year when farmers planted corn in those areas. Reports indicate that unirrigated corn areas of South Sulawesi and Central Java also went fallow. Post does not make any revision to MY2014/15 Indonesian corn production estimate, as this information confirms our previous estimate.

Chart 4. Corn Harvest Pattern



Post does not make any revision to MY2014/15 Indonesian corn production estimate.

Trade

Transport costs between Indonesian islands are high, reducing the competitiveness of Indonesian corn in inter-island trade. As a result, corn imports to Java were common earlier in 2015, despite the farm gate price of West Nusa Tenggara (WNT) falling well below the landed price of imported corn on Java. June 2015 average prices were:

Table 2: Average Corn Prices June 2015

West Nusa Tenggara Farm Gate Price	\$155/MT
Java Imported Corn Landed Price	\$239/MT
Philippines Average Corn Price	\$270/MT

After adding shipping costs, WNT corn was no longer competitive in Java. As a result, Indonesia imported corn to Java and exported WNT corn to the Philippines, raising Indonesian corn exports significantly. Post therefore revises the MY2014/15 Indonesia corn export estimate to 150,000 MT from the previous estimate of 20,000 MT.

MOA is not currently issuing corn import recommendations. Feed mills are thus competing for local market corn, driving farm gate prices to high levels. Current prices range from Rp. 4,000 – Rp. 4,500/kg (\$289 – 325/MT) compared to Rp. 3,300 – Rp. 3,500/kg (\$239 – 253/MT) during the same period last year.

RICE, MILLED

Production

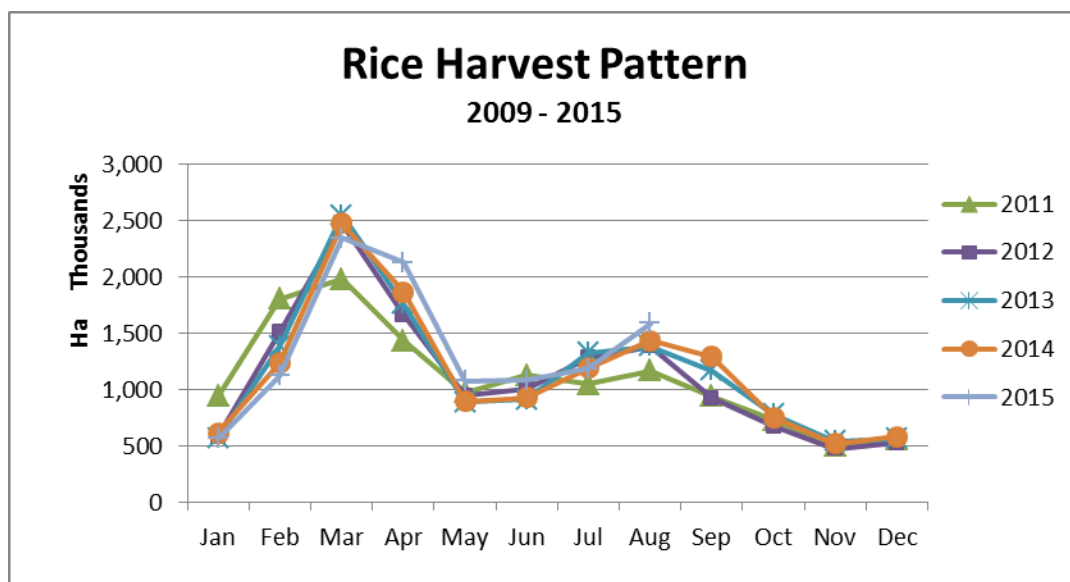
The Indonesian Ministry of Agriculture reports that as of October 2015, total acreage losses resulting from the current El Nino are 12 percent greater than MY2013/14 losses. Losses due to dryness are primarily found in West Java, Central Java, and South Sulawesi. The MY 2015/16 first main harvest, which should normally take place between February and April, is not expected until March-May due to delayed plantings.



Above pictures: farmers in the northern parts of West Java started planting MY2015/16 first crops cycle in middle of November.

A Post observation trip to West Java in mid-November revealed that farmers in the southern parts of West Java face the most significant planting delays in that region. Despite some rainfall, levels have not been sufficient to plant unirrigated paddy. Farmers on unirrigated land in West Java are thus not expected to start planting until early December. Farmers in the northern sections of West Java, where irrigated land is more common, were already planting in mid-November. Post notes that officials managing water resources are confident that despite low reservoir levels, they will still be able to provide sufficient irrigation throughout the first planting cycle. Officials also report with high confidence that reservoir recharge throughout the diminished rainy season will be sufficient to carry them through the year as usual.

Chart 5. Rice Harvest Pattern



Based on the data summarized above, Post revises MY 2014/15 harvested area to 11.83 million hectares compared to previous estimate of 11.9 million hectares. MY 2014/15 Indonesian rice production is thus expected to decline by approximately 2 percent to 35.56 MMT of milled rice equivalent compared to 36.3 MMT of milled rice equivalent in MY 2013/14.

Trade

The GOI reorganized state trading company BULOG in an effort to boost domestic procurement earlier in 2015. The agency's domestic procurement target was increased from its typical level of 3.2 MMT to 4 MMT during calendar year 2015, in line with BPS's expected production increase. BULOG normally achieves 60 percent of its procurement target during the first main harvest period. With the delay in the MY 2014/15 first harvest, BULOG only began domestic procurement in March 2015. As of November 30, 2015, BULOG procured approximately 1.95 MMT; lower than the 2.5 MMT procured during the same period in MY 2013/14.

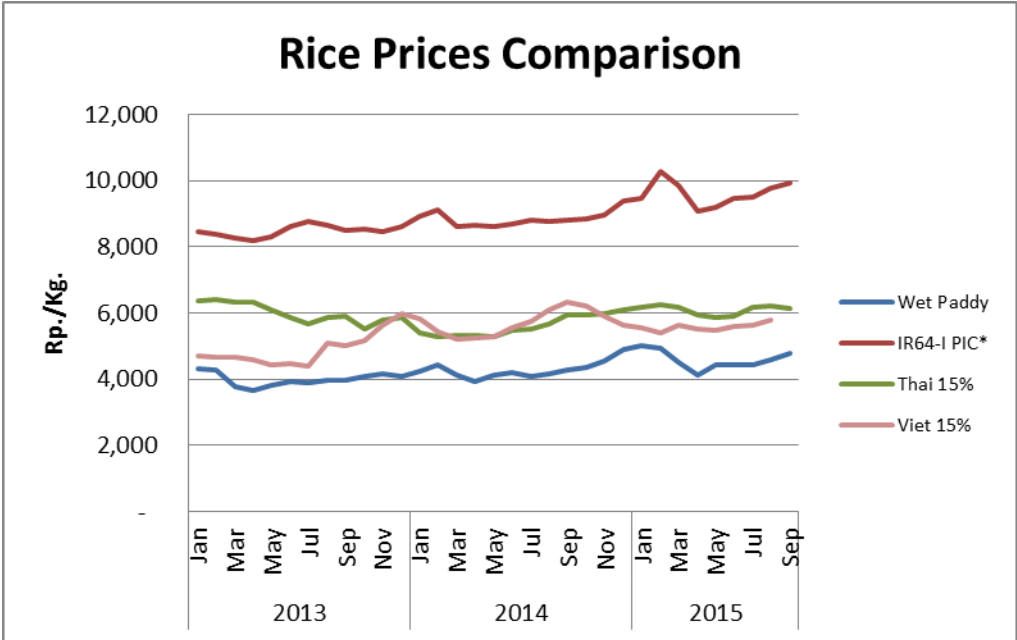
In the past, the GOI instructed BULOG to maintain a minimum secure stock level of 2 MMT. Under the reorganized BULOG, the minimum stock level was raised to 2.5 MMT. Despite the higher minimum stock level, BULOG was unable to meet its procurement targets as delayed harvest pushed paddy prices above the GOI's official purchasing price (Harga Pembelian Pemerintah, HPP). BULOG reported at the end of September 2015 that stocks were at 1.7 MMT, but that GOI instructions to carry out extra distributions under the Raskin program in September and November would reduce stocks to 950 Thousand MT. In order to meet the MY2014/15 ending stock target, the GOI authorized BULOG to import in October 2015. As of November 2015, BULOG contracted 1 MMT from Vietnam and 500,000 MT from Thailand. Given the two month window, BULOG expects that only a total of 750,000 MT of the 1.5 MMT will be delivered in 2015. Post notes that the balance (750,000 MT) must arrive before March 2016 as Indonesian regulations restrict rice imports one month prior to, during, and two months after the main harvest period (expected to occur from March through May 2016).

Considering the above mentioned conditions, Post reduces MY 2014/15 Indonesian rice imports to 1.35 MMT from the previous estimate of 1.7 MMT. With BULOG's imports carrying into MY2015/16,

Indonesian imports are estimated to slightly increase to 1.15 MMT from Post’s previous estimate of 1.1 MMT.

Indonesian regulations only permit BULOG to import medium quality rice, while private companies can import specialty rice (jasmine rice, basmati rice, rice for diabetics and rice seed, for example). The Ministry of Agriculture has not issued any import recommendations for japonica rice since the fourth quarter of 2014, claiming that certain local varieties can be substituted for restaurant grade japonica rice. The Ministry of Agriculture continues to issue import recommendations for other specialty rice varieties.

Chart 6. Rice Prices Comparison



Source: Cipinang rice wholesale market, FAS Vietnam and Thailand.

Note: IR64 is Indonesian Rice Variety 64. IR64 refers to the wholesale price of medium grain rice in Indonesia.

Stocks

Post is reducing its MY 2014/15 ending stocks estimate to 3.911 MMT from the previous estimate of 4.361 MMT. Stock declines are the result of lower production and lower imports realization MY 2014/15. MY 2015/16 ending stocks are expected to decline further to 3.211 MMT based on Indonesia’s expected low imports.

PSD TABLES

Table 3: PSD Corn

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3120	3120	2940	2940	3140	3140
Beginning Stocks	1040	1040	1729	1715	1454	1365
Production	9100	9100	8800	8800	9600	9600
MY Imports	3501	3500	3200	3200	3000	3000
TY Imports	3501	3500	3200	3200	3000	3000
TY Imp. from U.S.	127	126	35	10	0	0
Total Supply	13641	13640	13729	13715	14054	13965
MY Exports	12	25	75	150	25	20
TY Exports	12	25	75	150	25	20
Feed and Residual	7400	7400	8000	8000	8600	8600
FSI Consumption	4500	4500	4200	4200	4100	4100
Total Consumption	11900	11900	12200	12200	12700	12700
Ending Stocks	1729	1715	1454	1365	1329	1245
Total Distribution	13641	13640	13729	13715	14054	13975
Yield	2.9167	2.9167	2.9932	2.9936	3.0573	3.0573

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

Table 4: PSD Milled, Rice

Rice, Milled	2013/2014	2014/2015	2015/2016
Market Begin Year	Jan 2014	Jan 2015	Jan 2016

Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12100	12100	11900	11830	12160	12100
Beginning Stocks	6476	6476	5501	5501	4161	3911
Milled Production	36300	36300	35760	35560	36300	36350
Rough Production	57165	57165	56315	56000	57165	57244
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350
MY Imports	1225	1225	1400	1350	1600	1150
TY Imports	1225	1225	1400	1350	1600	1150
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	44001	44001	42661	42411	42061	41411
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	38500	38500	38500	38500	38650	38200
Ending Stocks	5501	5501	4161	3911	3411	3211
Total Distribution	44001	44001	42661	42411	42061	41411
Yield (Rough)	4.7244	4.7244	4.7324	4.734	4.7011	4.731

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

Note: Exchange rate is Rp. 13,830/USD 1, as of December 7, 2015.