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Indonesia

Grain and Feed Annual

Indonesia Grain and Feed Annual Report 2014

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Report Highlights:
In marketing year (MY) 2013/14, Post expects Indonesian wheat imports to increase to 7.2 MMT from 7.146 MMT MY 2012/13 (less than 1 percent). Post also expects Indonesian corn imports to grow by 14.8 percent to 3.1 MMT in MY 2013/14, an increase of 900,000 MT over Post's previous estimate of 2.2 MMT. Post estimates that MY 2013/14 corn and rice (milled equivalent) production will increase to 9.1 MMT and 37.355 MMT respectively. Increased corn import estimates are based on expected feed production increases in calendar year (CY) 2014. Estimated production increases also reflect a higher use of hybrid corn seed and high-yielding paddy seeds varieties despite a decline in harvested areas.

SECTION I. SITUATION AND OUTLOOK

The Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika,* BMKG) reported in January 2014 that twin tropical storms, with similar pressures (1,005 millibars and 995 millibars), were developing in the eastern part of the Philippines Sea and near Darwin, Australian. The position of the sun on the southern part of equator has started the onset of summer in Australia. Although the southern part of the equator has started the summer, low pressure remained in the eastern Philippines. BMKG expressed concerns that if low pressure continues, it will reduce the prevailing wind pattern flowing from Asia across Indonesia to Australia, leading to another El Nino phenomenon during Indonesia's 2014 dry season. El Nino may reduce food crop production by prolonging the dry season and reducing rainfall. Indonesia's 2014 rainy season is still ongoing, with sufficient rainfall. Normally, the rainy season lasts from October to April, while the dry season takes up the remaining months.

Indonesia requires improved irrigation systems in order to achieve higher agricultural production. 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 objective for Indonesia's water conservation policies is to ensure enough water for agriculture. The Government of Indonesia (GOI) and provincial governments are responsible for primary and secondary irrigation development, while farmer groups are responsible for tertiary irrigation development and improvement. According to the Indonesian Ministry of Public Works (MPW), approximately 84 percent of Indonesian rice area was irrigated, while the remaining 16 percent was rain fed in 2012.

The following table shows water levels at major Indonesian reservoirs as of the end of December 2013:

Table 1. Indonesia: Major Water Reservoir Status, December 2013.

No.	Name of Water Reservoir	Service Area (HA)	Capacity (m3)	Elevation and Volume				Drought Alert Elevation (m)	Condition
				Plan		Monitored			
				Elevation (m)	Volume (Juta m^3)	Elevation (m)	Volume (Juta m^3)		
1	2	3	4	5	6	7	8	11	13
2	**Jatiluhur**	282,157	2,556.00	93.41	340.32	101.22	871.86	87.50	Normal
3	**Cirata**	-	973.00	208.96	181.90	211.15	289.01	206.00	Normal
4	**Saguling**	-	982.00	630.77	104.26	635.78	236.42	623.00	Normal
5	**Kedungombo**	59,645	723.00	76.59	278.58	79.23	332.48	79.50	Normal
6	**Wonogiri**	28,109	660.09	128.38	82.38	132.15	189.96	127.50	Normal
7	**Sempor**	6,485	36.43	52.20	5.68	66.40	25.70	43.00	Normal
8	**Wadaslintang**	31,109	388.71	164.00	191.77	171.55	257.82	124.00	Normal
9	**Sermo**	400	25.00	128.75	9.03	133.46	14.29	127.55	Normal
10	**Sutami**	34,000	343.00	263.00	62.97	264.86	74.34	260.00	Normal
11	**Lahor**	-	36.10	263.20	8.03	268.19	15.45	253.00	Normal
12	**Selorejo**	5,700	62.30	615.34	18.20	618.14	24.62	606.00	Normal
13	**Bening**	8,600	33.00	101.08	3.99	104.83	10.16	96.40	Normal
14	**Wonorejo**	7,540	122.00	160.00	32.53	168.66	53.77	154.00	Normal
15	**Keuliling**			45.02	17.94	45.80	18.36	38.50	Normal
16	**Bili-bili**			77.45	39.43	99.37	266.39	98.82	Normal
17	**Batutegi**			274.00	687.77	274.40	696.29	-	Normal

Source: Ministry of Public Works December 31, 2013.

EXECUTIVE SUMMARY

Wheat

Post estimates that total Indonesian wheat imports will grow from 7.146 MMT in MY 2012/13 to 7.2 MMT in MY 2013/14 (less than 1 percent). Slow import growth is due to tight competition between domestic flour mills, which has lowered domestic milling output to about 70 percent of capacity. Post expects that U.S. origin wheat exports to Indonesia will increase to 600,000 MT in MY 2013/14. Competition with Australian wheat exports remains strong due to close proximity and competitive Australian prices.

Corn

Post revised Indonesian MY 2013/14 corn production from 9.2 MMT to 9.1 MMT. The decline resulted from the recent explosion of Mount Sinabung in North Sumatera, which caused harvest losses and lowered MY 2013/14 harvested area. Given the robust expansion of feed mills, higher corn imports will be necessary. Post estimates that MY 2013/14 Indonesian corn imports will reach 3.1 MMT, a substantial increase from the previous estimate of 2.2 MMT.

Rice

Post revised MY 2013/14 Indonesian rice production from 37.7 MMT to 37.355 MMT (milled rice equivalent). The decline is due to lower harvested area in the first crop cycle resulting from flooding in northern coastal Java during January and February 2014. Post believes that an election year effort to strengthen rice prices will lead to imports totaling 1.5 MMT (milled rice equivalent) in MY 2013/14. Based on the most recent Indonesian population data, Post lowered MY 2012/13 rice consumption to 38.127 MMT.

WHEAT

Trade

During the 1998 Indonesian monetary crisis, only four Indonesian flour mills were operating. Currently there are 24 Indonesian flour mills with a total installed capacity of 8.228 MMT per year. Most of the new mills are operating at less than 1,000 MT/day (roughly 70 percent of their operational capacity). This is lower than 2012, when estimates indicated that mills were operating at 75 percent of capacity. The decline is attributable to a highly competitive market and strong supply.

Flour production costs have increased as Indonesian electricity rates have risen and the exchange rate has fallen from Rp. 9,929/$1 in July 2013 to Rp. 11,395/$1 in March 2014. Flour mills report a three to five percent wheat flour price increase in the domestic market. The Indonesian Ministry of Trade's Market Information Center reports that the price of Segi Tiga Biru flour has increased from an average price Rp. 7,600/kg ($667/MT) in July 2013 to Rp. 7,900/kg ($693/MT) in February 2014.

Based on the aforementioned factors, Post estimates that Indonesia's MY 2013/14 wheat imports will increase to 7.2 MMT, compared to 7.146 MMT in MY 2012/13. Slower growth is expected to continue, with Post forecasting MY 2014/15 Indonesian wheat imports to increase slightly to 7.3 MMT. Australia held the largest market share of exported wheat (65 percent) in MY 2012/13. This was followed by Canada (18 percent), India (8 percent), and the United States (8 percent). Australia's majority market share is due to the noodle industry's preference for Australian standard white wheat, prices, and Australia's close proximity. In MY 2013/14 and MY 2014/15, the U.S. share of Indonesia's wheat imports is expected to remain the same.

As of December 5, 2012, Indonesia has imposed a 20 percent temporary safeguard duty on imported wheat flour. The Indonesian Flour Mills Association (*Asosiasi Produsen Tepung Terigu Indonesia, APTINDO*) reports that this has resulted in significant wheat flour import declines. However, the temporary safeguard duty is expired in July 2013. Based on Global Trade Atlas data for MY 2012/13 Indonesian wheat flour imports, Turkey maintained the largest market share (35 percent), followed

closely by Sri Lanka (33 percent), India (15 percent), and Ukraine (11 percent). In MY 2012/13, Indonesia imported 256,420 MT of flour, (350,783 MT wheat equivalent). This represents a significant decline from MY 2011/12 wheat flour imports (611,106 MT or 835,993 MT wheat equivalent). The average Indonesian monthly import of wheat flour for the January – June 2013 period was 10,000 MT. Following the expiration of the temporary safeguard duty in July 2013, the average Indonesian monthly import of wheat flour rose to 24,000 MT (July – September 2013).

Currently, domestically produced wheat flour meets 96 percent Indonesia's total demand. APTINDO notes that there was no shortage of domestic wheat flour during the implementation of the safeguard duty, and is submitting another petition to the Indonesian Anti Dumping Commission (KADI, Komisi Anti Dumping Indonesia) for wheat flour import safeguard duties. If the petition is approved, Indonesia is expected to impose an anti-subsidy or anti-dumping duty on imports of wheat flour. The current import duty for imports of wheat flour is 5 percent. One consequence of this action is Indonesia's feed sector, which consumes a total of 100,000 MT of imported feed grade wheat flour annually. Industry sources report that the feed sector is switching to domestically produced feed-grade wheat flour.

Consumption

Approximately 68 percent of Indonesian flour mill customers are small and medium sized wheat-food producers. These include small scale wet noodle makers, street food vendors, low end bread and bakery businesses, and traditional Indonesian cake makers. Instant noodle manufacturers, middle and upper end bakeries, and cookie and biscuit manufacturers take the other 32 percent of the market. APTINDO reported that approximately 200,000 small and medium scale enterprises, employing two million workers, are operational in Indonesia. Although bakers report that bread prices have risen approximately 6 percent due to the increase in wheat flour prices, it is difficult for other small and medium scale businesses to pass on the increased prices to customers. Minimizing margins is the only way to maintain production. Therefore, it is expected that small and medium wheat flour-based food industry growth will slow.

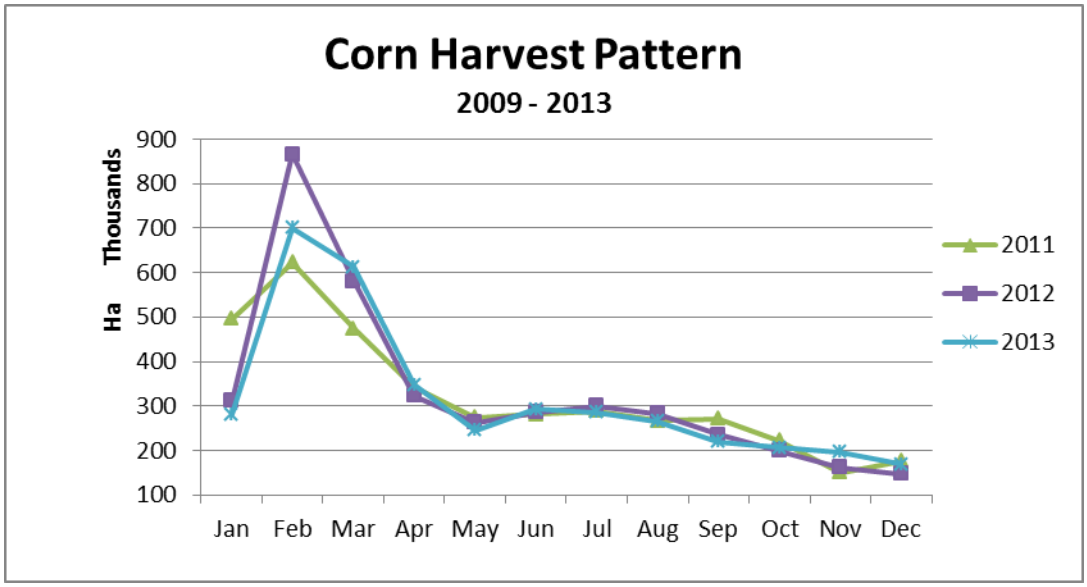
In MY 2012/13, Indonesia's annual per capita wheat flour consumption reached 18.5 kg. Relatively stable macro-economic conditions have allowed middle and upper-middle income consumers to diversify their diets to include more western-style foods like bread and pasta. Rather than eating rice three daily meals, many Indonesians have switched to eating bread or noodles for breakfast. Restaurants are also driving demand for wheat-based food products. Contrary to the depressed growth of small and medium scale bakeries, the number of high-end bakeries is growing, mainly in major cities including Jakarta, Surabaya, Medan, and Bandung. Instant noodle prices are 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 grow rapidly, consuming 60 percent of Indonesia's wheat flour. Bakery industry consumption follows with 20 percent of flour, while household and the commercial biscuit producers each consume 10 percent, respectively. Given these factors, Post lowered the MY 2013/14 Indonesian wheat consumption estimate by approximately 3 percent from 6.9 MMT to 6.7 MMT.

CORN

Production

Despite forecasts of a prolonged dry season, favorable weather prevailed in 2013. Farmers in upland areas were able to plant corn during the second cropping season, while a third corn crop was harvested on Java's irrigated lowland areas. Farmers report that most of the corn planted in upland areas was harvested by late February and early March 2013. Indonesia's first corn season normally takes place from November to February (49 percent). The second season takes place from March to June (37 percent), while the third runs from July to September (14 percent). No significant pest and disease incidents were reported during the last two corn crop cycles in MY 2012/13. Therefore, Post revised the MY 2012/13 corn production estimate up to 8.5 MMT. Note that this estimate is still 2.8 percent below MY 2011/12 production (8.85 MMT).

Chart 1. Indonesia: Corn Harvest Pattern 2009 – 2013



Source: Indonesian National Statistics Agency (BPS).

Post field visits to Central Java revealed that farmers in both lowland and upland rain-fed areas are growing corn during the first crop cycle. The recent eruption of Mount Kelud in East Java, situated in a major corn producing area, did not result in significant consequences for corn production, as most production in the area was planted to paddy at the time of the eruption. However, the ongoing eruption of Mount Sinabung in North Sumatera (since September 2013) has caused corn crop failures.

Average corn yields are expected to rise slightly due to the increased use of hybrid corn seed. Note that yields rose in 2013 despite some farmer reports that heavy rainfall led to a few incidents of low pollination, stunted kernels, and downy mildew. Hybrid corn seed producers report that although seed use is up, 2014 hybrid corn seed production will decline due to high carryover stocks. When including carryover stocks, 2014 hybrid corn seed supply is expected to increase by 36 percent over 2013. Corn seed suppliers reported that in MY 2013/14 total area grown with hybrid corn seed is expected to reach 40 percent, an increase from 37 percent in MY 2012/13. All major hybrid corn seed suppliers expect increased sales in MY2013/14.

Given lower harvested area in Sumatera, Post revised the estimate of MY 2013/14 Indonesian corn harvested area to 3.12 million hectares from 3.15 million hectares. MY 2013/14 corn production is also revised to 9.1 MMT from 9.2 MMT. Assuming normal weather and increased hybrid corn planting, Post forecasts MY 2014/15 corn harvested area to remain on par at 3.12 million hectares. Post also expects that MY 2014/15 corn production will increase to 9.2 MMT due to the growth of hybrid corn seed use. Post notes that production growth is challenged by the conversion of Indonesian farm land to non-agricultural uses. Also note that the Indonesian Statistics Agency released its preliminary corn production estimate for 2013 on March 1, 2014. According to the estimate, Indonesia's 2013 corn production declined by 0.88 percent from 18.67 MMT to 18.51 MMT.

Currently, farm-gate corn prices range from Rp. 3,000/kg ($263/MT) to Rp. 3,600/kg ($316/MT). The price of hybrid corn seed has risen, with current prices ranging from Rp. 50,000/kg ($4.4/kg) to Rp. 80,000/kg ($7/kg). (This compares with Rp. 45,000/kg ($3.9/kg) to Rp. 70,000/kg ($6/kg) in 2013.

Consumption

The Indonesian Feed Millers Association (*Gabungan Pengusaha Makan Ternak, GPMT*) reported that in calendar year (CY) 2013, feed consumption was approximately 13.4 MMT, .9 MMT lower than the initial estimate of 14.3 MMT. (This figure excludes 1.3 MMT used for aquaculture feed). Assuming that the economic and political situation remains stable, there are no significant poultry disease outbreaks, and the Indonesian rupiah exchanges favorably against the U.S. dollar, *GPMT* forecasts that Indonesian feed consumption will further increase to 14.7 MMT in CY 2014.

The poultry industry consumes approximately 83 percent of Indonesia's animal feed. Aquaculture consumes 11 percent and the remaining six percent is consumed by cattle and swine. The Indonesian poultry industry reports that the poultry population in CY 2014 will include 2.354 billion broilers, 134.7 million layers, 21.755 million breeders, and 94.3 million male layers (raised for meat). Demand for aquaculture feed in CY 2014 is estimated to increase by 20 percent due to an increase in demand for shrimp in the international market. Expansion by feed mills continues to take place. A major feed company is opening two new mills in Central Java in 2014, increasing the company's total capacity to 1.32 MMT per annum. Milers report that the Indonesian mills are running at 70 – 80 percent of capacity.

Table 2. Indonesia: Sources of Primary 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 on average, livestock feed is composed of corn (50 percent), 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). Indonesian feed millers are heavily reliant on imported feed ingredients. Factors inhibiting feed millers from sourcing ingredients locally include low protein content, high raw fiber content, high rancidity, limited and inconsistent corn supplies for commercial scale feed millers, and storage challenges. Given these challenges and Indonesia's expanding livestock sector, feed millers report inelastic demand for imported corn.

Considering the above factors, Post increased the MY2013/14 corn feed consumption estimate to 7 MMT compared from 6.6 MMT, while a total of 4.5 MMT of corn will go for human consumption. MY 2014/15 corn feed consumption is expected to increase to 7.5 MMT, while corn for human consumption will decline to 4.4 MMT as consumers substitute rice and wheat-based food products.

Trade

Corn constitutes about 80 percent of Indonesian feed energy sources. Despite growing domestic production, challenges persist due to inconsistent seasonal supplies and poor post-harvest management that result in high moisture content and high aflatoxin levels. These factors, combined with growing feed mill capacity, are driving import demand. Post revised MY 2013/14 Indonesian corn import estimates to 3.1 MMT, an increase of 900,000 MT over the previous estimate. Prospects for better corn production in MY 2014/15 and larger carryover stock from MY 2013/14 will push MY 2014/15 Indonesian corn imports down to 2.3 MMT. According to the Global Trade Atlas, MY 2012/13 Indonesian corn imports originated in India (61 percent), Argentina (20 percent), and Brazil (18 percent).

Indonesia imported 222,000 MT of distiller's dried grain solubles (DDGS) in MY 2012/13, a 21 percent increase over 184,000 MT in MY 2011/12. The United States is Indonesia's largest DDGS supplier, with a 90 percent market share. In 2012/13, Indonesia imported 283,000 MT of corn gluten meal (CGM), a significant jump over 198,000 MT in MY 2011/12. 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.

With increasing feed production capacity and higher demand from the meat and poultry sectors, GPMT reports that the feed industry will need to import more corn in MY 2013/14 than in MY2012/13. However, MOA maintains an unofficial import quota for corn. In order to import corn, a feed miller must obtain an import recommendation from MOA. The MOA only issues import recommendations for corn imports based on the difference between estimated domestic corn production and estimated feed

demand. MOA's production estimate for CY 2013 is 19.8 MMT, greatly reducing the amount of corn permitted for import.

Prices

In March 2014, corn farm gate prices ranged from Rp. 3,000/kg ($263/MT) to Rp. 3,600/kg ($316/MT) compared to Rp. 2,850/kg ($250/MT) to Rp. 3,500/kg ($307/MT) in February 2014. Prices are increasing as supplies drop in the post-harvest period. GPMT reports that given local corn price increases and a weakening rupiah, compound feed prices are expected to increase by Rp 600 – 1,200/kg this year. In January 2014, compound broiler feed prices ranged between Rp. 6,350 ($557/MT) and 6,500/kg ($570/MT), while compound layer feed prices ranged from Rp. 5,000/kg ($439/MT) to 5,500/kg ($483/MT).

RICE, MILLED

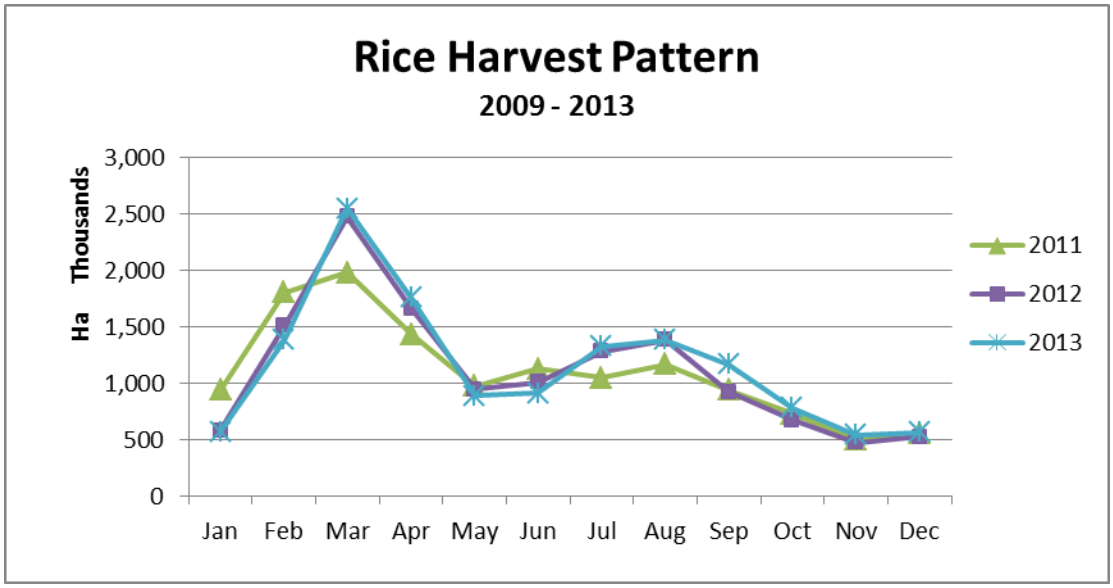
Production

Post revised the MY 2013/14 Indonesian rice production estimate to 37.355 MMT (milled rice equivalent), compared to the previous estimate of 37.7 MMT. The decline is due to reduced harvested area during the first crop. The first crop cycle of MY 2013/14 started late. Typically, irrigated farms are planted to paddy during the first crop cycle (October – February), followed by paddy on the second crop cycle (March to June), and ended by growing paddy or secondary crops such as corn, mungbean, soybean, peanut, or sweet potato during the third crop cycle (July – October). However, in MY 2013/14, most farmers on Java started the first crop cycle in late November/ mid-December 2013 due to water shortages (late rainfall). By late January/mid-February 2014, high rainfall resulted in flooding in the northern coastal area of Java. The Indonesian Ministry of Agriculture reported that as of February 18, 2014, a total of 273,948 hectares of paddy field flooded during the first crop cycle of CY 2014, compared to a total of 173,931 hectares which was flooded in CY 2013. Out of the flooded paddy field, a total of 104,333 hectares are totally damaged and cannot be harvested. The recent eruptions of Mount Sinabung in North Sumatera and Mount Kelud in East Java did not significantly disturb paddy production, as the eruption areas were not in major paddy producing areas.

The Ministry of Agriculture plans to provide relief to farmers who were victims of flooding. Farmers who were close to harvest are slated to receive Rp. 2.7 million each, while those farmers who were at an early planting stage will receive free seed. Despite the replanting effort, intermittent water from the irrigation system will push the harvest time for those farmers replanting into the second crop cycle. Due to complex bureaucracy, farmers may not receive their compensation and free seed until the second crop cycle.

Overall MY 2013/14 yields are estimated to remain higher than MY 2012/13 due to the growing use of high yielding varieties such as Ciherang, Sinta Nur, Inpari, Memberamo, and Mekonga. Other factors aiding yield increases include an absence of flooding on Java's south coast, and no reports of major pest and disease outbreaks (as were experienced in MY 2010/11). As of March 2014, there were a few small and sporadic paddy harvests ongoing on Java. Irrigated land has started second rice crop planting, while upland areas of Java are being planted to corn. The second harvest is expected to occur in late June - July 2014.

Chart 2. Indonesia: Rice Harvest Pattern 2009 - 2013



Source: BPS

The Ministry of Agriculture reported that state-owned companies producing paddy seed planned to increase production of high-yielding certified paddy seed to 205,000 MT in MY2013/14. This compares with 163,330 MT in MY 2012/13. The increased production is due to higher demand from farmers. Considering growing demand for high-yielding seed varieties, land conversion to non-agricultural uses, and assuming normal weather next year, Post expects MY 2014/15 Indonesian paddy harvested area to remain stable at 12.16 million hectares. Post also expects MY 2014/15 rice production to slightly increase to 37.7 MMT (milled rice equivalent).

Trade

The Indonesian National Logistics Agency (BULOG) set its procurement target at 3.85 MMT of milled rice equivalent for MY 2013/14. This is higher than the 3.2 MMT procurement target set in MY 2012/13. However, due to the delayed first main harvest, BULOG only procured 86,000 MT as of March 2014 (milled rice equivalent). This is well below the 440,000 MT procured during the same period one year previously (March 2013).

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). There has not been, to date, discussion within the GOI of any plan to increase the HPP. It is likely that BULOG will procure paddy and rice from the farmers using the same HPP as in MY 2012/13. According to 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:

Table 3. Indonesia: Government Purchasing Price for Paddy and Rice 2009-Present

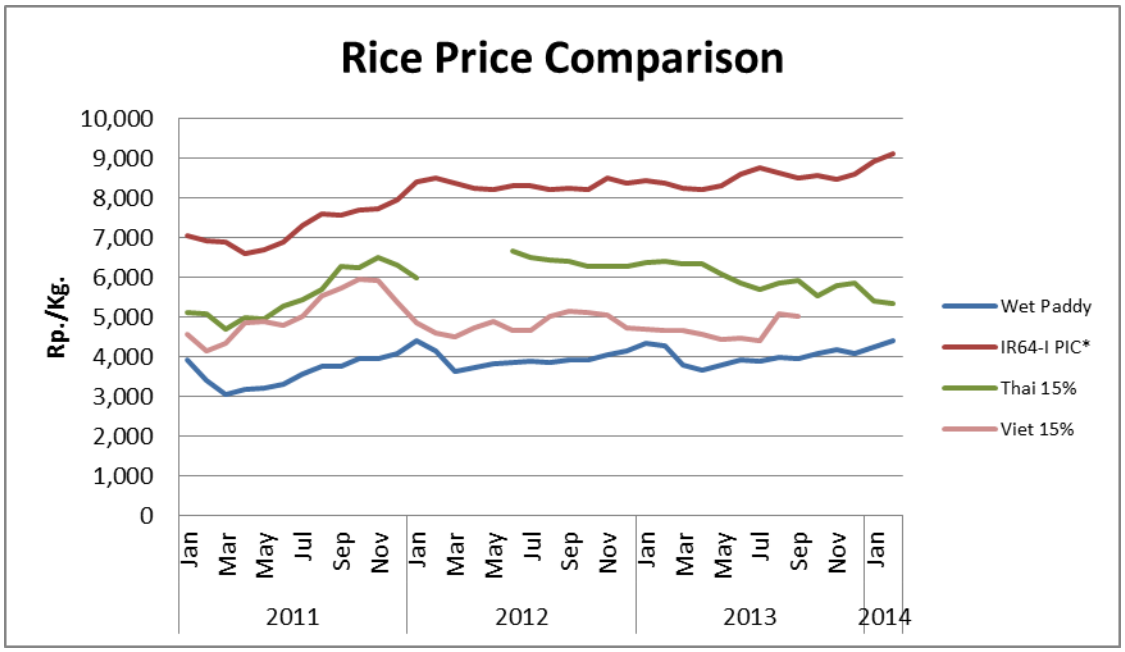
Quality Requirement	Wet Paddy (Rp)		Dry Paddy (Rp.)		Rice (Rp)	
	Old	New	Old	New	Old	New

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

The GOI has instructed BULOG to maintain a minimum stock of 2 MMT by the end of 2014. As of March 2013, BULOG held a total of 1.6 MMT of milled rice equivalent in its storage. BULOG also held a total of 130,000 MT in strategic reserves. Assuming that BULOG will be able to reach the procurement target from domestic farmers, BULOG will manage to maintain its prescribed levels of ending stocks. However, BULOG may need stronger reserves during the current election year to ensure rice price stability in the domestic market. Furthermore, with the current HPP, BULOG may find difficulty in meeting its procurement target as the delayed, harvest combined with inflation, will push paddy prices above the HPP. Usually June is the most important month for BULOG domestic procurement objectives. Should BULOG miss their June target, the GOI may then consider imports to maintain BULOG's stock at their prescribed levels.

Other private sector Indonesian importers also import rice, although the private sector is only allowed to import specialty rice (jasmine rice, basmati rice, sushi rice, rice for diabetics and rice seed, for example). Reports that Thailand is releasing rice stocks on the international market will widen the price gap between Indonesia's domestically produced rice over Vietnamese and Thai 15 percent broken rice.

Chart 3. Indonesia: Rice Price Comparisons



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

Indonesia is holding major elections in 2014. The standing government may impose import limitations in order to win favor with the electorate. However, increased domestic prices may lead to some imports. When considering demand for specialty rice imports as well as other imports, Post expects that MY 2013/14 imports will reach 1.5 MMT. MY 2014/15 Indonesian rice imports are expected to reach 1 MMT.

Consumption

In MY 2013/14 BULOG will allocate 2.795 MMT of rice for the *Raskin* program to 15,530,897 poor families. Each family will receive 15 kg of rice/month for 12 months at the price of Rp. 1,600/kg. As of mid of March 2014, BULOG has distributed a total of 672,000 kg of rice under the *Raskin* program.

Some rice stocks held by BULOG are used as part of their normal, on-going market operations to increase supply and lower the price of medium quality rice in the domestic market. During the period of January - March 2014, 39,500 MT of rice was distributed commercially. Based on population data, Post revised MY 2012/13 Indonesian rice consumption to 38.127 MMT from the previous estimate of 39.2 MMT. In line with population growth, Post expects Indonesian rice consumption to increase to 38.65 MMT in MY 2013/14 and to 39.197 MMT in MY 2014/15.

Stocks

In line with the revision on consumption, Post revised MY 2012/13 ending stocks for Indonesian rice to reach 6.476 MMT. It is lower than MY 2011/12 ending stocks of 7.4 MMT due to lower imports. Post expects MY 2013/14 ending stocks will be slightly higher at 6.681 MMT due to anticipated higher

imports. With lower imports and higher consumption, Post sets MY 2014/15 ending stocks at 6.184 MMT.

Prices

Due to the delayed harvest, the current price of wet paddy and rice are above the HPP. Currently, the farm gate price of wet paddy in West and Central Java ranges from Rp. 4,000/kg ($351/MT) to 5,300/kg ($465/MT) compared with Rp. 3,500/kg ($307/MT) to Rp. 4,500/kg ($395/MT) in the same period of MY2012/13.

Average daily rice supplies from Javanese production areas to the Cipinang rice wholesale market in Jakarta increased to 2,830 MT in March 2014 from 2,332 MT in February 2014. The average price of medium quality rice at Cipinang wholesale market also increased from Rp. 9,121/kg ($800/MT) in February 2014 to Rp. 9,280/kg ($814/MT) in March 2014. Average current prices of rice are higher compared to Rp. 8,445/kg ($741/MT) in January 2013 and of Rp. 8,253/kg ($724/MT) in March 2013.

Policy

In an effort to achieve the MY 2013/14 paddy production target of 72.02 MMT, the GOI set the maximum retail price of subsidized fertilizer on 26 November 2013. These prices apply only to small holder farmers possessing no more than 2 hectares of land for 2014.

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

Table 4. Indonesia: Planned Subsidized Fertilizer Demand by Sub Sector, 2013 and 2014.

Sub Sector	Fertilizer Type (MT)									
	2013					2014				
	Urea	SP-36	ZA	NPK	Organic	Urea	SP-36	ZA	NPK	Organic
Food Crops	2,802,528	551,722	689,597	1,445,940	564,776	2,481,552	520,639	514,103	1,362,272	595,989
Horticulture	221,147	44,391	52,729	213,885	50,076	195,819	41,930	40,154	206,077	71,884
Estate Crops	588,517	144,727	301,011	409,118	90,308	521,113	136,461	224,922	389,288	109,859
Livestock	115,941	22,191	26,749	39,430	16,019	102,663	20,960	20,821	42,363	22,268
Aquaculture	131,968	42,365	4,914	22,851	18,150	116,853	40,010			
Total	3,860,101	805,396	1,075,000	2,131,224	739,329	3,418,000	760,000	800,000	2,000,000	800,000

Source: MOA Reg. No. 122/Permentan/SR.130/11/2013 and MOA Reg. No. 123/Permentan/SR.130/11/2013

Farmers receive subsidized fertilizer based on the fertilizer demand included in the Farmers Group Definitive Demand Plan (*Rencana Definitif Kebutuhan Kelompok, RDKK*). The Ministry of Agriculture reports that based on the 2014 national budget allocation, subsidized fertilizer received a total of Rp. 21.04 trillion rupiah (equivalent to 7.778 MMT of fertilizer). The proposed demand by farmers based

on RDKK for 2014 is 9.55 MMT. There is concern that a lower allocation of subsidized fertilizer in 2014 can only cover the demand for fertilizers until October 2014. There will be no budget to provide fertilizers during the planting season in November and December 2014.

During a recent inspection at the Cipinang wholesale rice market, Ministry of Trade officials discovered medium quality 15-25% broken Vietnamese rice. Indonesian regulations only permit BULOG, the Indonesian state trading company, to import medium quality rice. While BULOG confirms that it did not import any medium quality rice, the rice in question was documented by the Ministry of Trade as having legally entered the country through Tanjung Priok Port in Jakarta and Belawan Port in Medan. Additionally, the rice was accompanied by a pre-inspection certificate from an official surveyor and was registered by the Indonesian statistics agency as having arrived from Vietnam.

The Indonesian government is now investigating this case, and it is reported that this incident will lead to regulation changes on rice imports. Specifically, the Minister of Finance has undertaken a review of the HS Code classification for medium quality and premium quality rice, and Indonesian Customs and Excise (Ministry of Finance) will now require physical inspection at the port of entry. Prior to this incident, rice only required a document review, as it is considered a low risk commodity. The Ministry of Trade will require private sector rice importers to obtain a Registered Importer (*Importir Terdaftar, IT*) Certificate or a Producer Importer (Importir *Produsen, IP*) Certificate. Previously, private sector rice importers were able to import rice with only a Specific Importer Identification Number (*Nomor Pengenal Importir Khusus, NPIK*).

PSD TABLES

PSD: WHEAT

Wheat	Indonesia	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Jul 2012		Market Year Begin: May 2013		Market Year Begin: Jul 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		0	0	0	0		0

Beginning Stocks	1,600	1,600	1,860	1,860		1,945
Production	0	0	0	0		0
MY Imports	7,146	7,146	7,200	7,200		7,300
TY Imports	7,146	7,146	7,200	7,200		7,300
TY Imp. from U.S.	548	548	0	600		610
Total Supply	8,746	8,746	9,060	9,060		9,245
MY Exports	236	236	225	250		255
TY Exports	236	236	225	250		255
Feed and Residual	150	150	165	165		165
FSI Consumption	6,500	6,500	6,900	6,700		6,900
Total Consumption	6,650	6,650	7,065	6,865		7,065
Ending Stocks	1,860	1,860	1,770	1,945		1,925
Total Distribution	8,746	8,746	9,060	9,060		9,245
Yield	0.	0.	0.	0.		0.

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

PSD: CORN

Corn	Indonesia	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Oct 2012		Market Year Begin: Oct 2012		Market Year Begin: Oct 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		3,000	3,000	3,150	3,120		3,120
Beginning Stocks		732	732	507	1,021		1,706
Production		8,000	8,500	9,200	9,100		9,200
MY Imports		2,700	2,700	2,200	3,100		2,300
TY Imports		2,700	2,700	2,200	3,100		2,300
TY Imp. from U.S.		0	0	0	170		0
Total Supply		11,432	11,932	11,907	13,221		13,206
MY Exports		25	11	25	15		15
TY Exports		25	11	25	15		15
Feed and Residual		6,400	6,400	6,600	7,000		7,500
FSI Consumption		4,500	4,500	4,500	4,500		4,400
Total Consumption		10,900	10,900	11,100	11,500		11,900
Ending Stocks		507	1,021	782	1,706		1,291
Total Distribution		11,432	11,932	11,907	13,221		13,206
Yield		3.	2.8333	3.	2.9167		2.9487

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

PSD: RICE, MILLED

Rice, Milled	Indonesia	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		12,190	12,190	12,160	12,050		12,160
Beginning Stocks		5,085	7,403	3,085	6,476		6,681
Milled Production		36,550	36,550	37,700	37,355		37,700

Rough Production	57,559	57,559	59,370	58,827		59,370
Milling Rate (.9999)	6,350	6,350	6,350	6,350		6,350
MY Imports	650	650	1,500	1,500		1,000
TY Imports	650	650	1,500	1,500		1,000
TY Imp. from U.S.	0	0	0	0		0
Total Supply	42,285	44,603	42,285	45,331		45,381
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	39,200	38,127	39,800	38,650		39,197
Ending Stocks	3,085	6,476	2,485	6,681		6,184
Total Distribution	42,285	44,603	42,285	45,331		45,381
Yield (Rough)	5.	4.7218	5.	4.8819		4.8824

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

Table 5. Indonesia: Rice Area & Production by Region

Second Forecast Figures by the Government of Indonesia for 2013

Harvested Area, Production, and Yield of Rice, 2013*

Province	Harvested Area (HA)	Production (MT)	Yield (Ton/HA)
North Sumatera	729,904	3,664,588	5.02
South Sumatera	795,172	3,593,463	4.52
Sub Total: Sumatera	**3,504,006**	**16,601,034**	**4.74**
West Java	2,016,433	12,009,442	5.96
Central Java	1,837,290	10,295,494	5.60
East Java	2,048,695	12,144,973	5.93
Sub Total: Java	**6,445,436**	**37,397,999**	**5.80**
West Nusa Tenggara	431,751	2,161,442	5.01
Sub Total: Bali & Nusa Tenggara	**799,956**	**3,744,106**	**4.68**
West Kalimantan	478,943	1,514,654	3.16
South Kalimantan	470,858	1,990,788	4.23
Sub Total: Kalimantan	**1,340,112**	**4,872,400**	**3.64**
Central Sulawesi	222,758	1,033,241	4.64
South Sulawesi	958,852	4,911,567	5.12
Sub Total: Sulawesi	**1,589,551**	**7,868,376**	**4.95**
Other Provinces/Islands	**90,852**	**382,656**	**4.21**
TOTAL INDONESIA	**13,769,913**	**70,866,571**	**5.15**

Source: BPS.

Note: * Second forecast figures.

Table 6. Indonesia: Corn Area & Production by Region

Second Forecast Figures by the Government of Indonesia for 2013

Harvested Area, Production, and Yield of Corn, 2013*

Province	Harvested Area (HA)	Production (MT)		Yield (MT/HA)
		(Wet Basis)	(Dry Basis)	

North Sumatera	210,769	984,453	689,117	4.67
Lampung	339,308	1,725,727	1,208,009	5.09
Sub Total: Sumatera	**743,082**	**3,718,516**	**2,602,961**	**5.00**
West Java	154,627	1,113,088	779,162	7.20
Central Java	544,161	3,042,420	2,129,694	5.59
East Java	1,192,114	5,741,833	4,019,283	4.82
Sub Total: Java	**1,963,476**	**10,180,989**	**7,126,692**	**5.19**
East Nusa Tenggara	270,269	711,278	497,895	2.63
Sub Total: Bali & Nusa Tenggara	**398,845**	**1,393,677**	**975,574**	**3.49**
West Kalimantan	42,466	161,632	113,142	3.81
South Kalimantan	20,116	104,402	73,081	5.19
Sub Total: Kalimantan	**68,572**	**281,809**	**197,266**	**4.11**
North Sulawesi	120,036	439,263	307,484	3.66
South Sulawesi	140,460	677,249	474,074	4.82
Gorontalo	315,621	1,440,003	1,008,002	4.56
Sub Total: Sulawesi	**665,221**	**2,887,188**	**2,021,032**	**4.34**
Other Provinces/Islands	**18,163**	**48,256**	**33,779**	**2.66**
TOTAL INDONESIA	**3,857,359**	**18,510,435**	**12,957,305**	**4.80**

Source: BPS.
Note: *: Second forecast figures.

TABLE 7. INDONESIAN PADDY HARVESTED AREA, YIELD, AND PRODUCTION

Year	January - April			May - August			September - December			January- December		
	Harvest Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvest Area	Yield (Cwt/Ha)	Production (Ton)	Harvest Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvest Area (Ha)	Yield (Cwt/Ha)	Production (Ton)

			n)	(Ha)					n)			n)
(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Paddy Total													
2013*	6,265,938	51.66	32,368,753	4,503,460	50.93	22,937,581	3,000,515	51.86	15,560,237	13,769,913	51.46	70,866,571
2012	6,231,959	51.56	32,132,657	4,622,122	50.93	23,540,426	2,591,443	51.64	13,383,043	13,445,524	51.36	69,056,126
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

2013*	5,297,525	54.92	29,094,525	4,372,114	51.47	22,503,042	2,949,000	52.23	15,402,259	12,618,639	53.10	66,999,826
2012	5,277,099	54.78	28,905,666	4,485,135	51.49	23,096,106	2,518,972	52.35	13,186,628	12,281,206	53.08	65,188,400
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	52.97	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

2013*	968,413	33.81	3,274,228	1,331,346	33.08	434,539	51,515	30.67	157,978	1,151,274	33.59	3,866,356

												7 4 5
2012	954,860	33.80	3,226,991	136,987	32.44	444,320	72,471	27.10	196,415	1,164,318	33.22	3,867,726
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	2,833,399
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 2013

RAINFALL DATA

Table 8. Indonesia: Rainfall Pattern at Selected Stations in Rice/Corn Producing Areas (in millimeters)

JATIWANGI (WEST JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
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	491
2012	182	330	329	144	26	70	0	0	0	47	204	496
2013	251	449	439	283	157	217	196	20	26			
TEGAL (CENTRAL JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
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	340
2012	335	294	330	111	86	22	1	0	0	18	102	238
2013	458	103	229	82	263	301	159	3	0			
SURABAYA (EAST JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
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	240
2012	383	181	172	67	88	50	0	0	0	2	58	173
2013	366	286	464	310	197	246	110	1	0			
DENPASAR (BALI)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
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	279
2012	490	223	627	44	109	11	51	0	92	11	94	208
2013	664	158	118	67	121	189	103	6	1			
UJUNG PANDANG (SOUTH SULAWESI)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
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	382
2012	538	343	353	N/A	195	35	38	1	1	53	127	366
2013	1067	384	319	334	74	99	241	16	0			
LAMPUNG												

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	N/A
2012	228	172	172	161	62	N/A	15	6	39	114	80	611
2013	761	154	156	216	166	49	223	19	51			

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

TABLE 9. EXCHANGE RATE (Rp./$1.)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012	9,000	9,158	9,188	9,180	9,565	9,468	9,485	9,573	9,588	9,605	9,605	9,670
2013	9,680	9,713	9,745	9,722	9,811	9,929	10,277	10,936	11,532	11,234	11,977	12,189
2014	12,226	11,792	11,395									

Source: Bisnis Indonesia Daily.

Note: Exchange rate is Rp. 11,395/USD 1, as of March 10, 2014.

Commodities:
Select