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## Indonesia

**Post:** Jakarta

### El Nino Forecast for Indonesia

#### Report Categories:

Agriculture in the News

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#### Report Highlights:

In July 2009 the Indonesian Meteorology, Climatology, and Geophysics Agency (BKMG) announced the likelihood of an El Nino weather pattern, affecting Indonesia in late 2009 into 2010. The predicted El Nino appears to have delayed Indonesia's annual rainy season by about one month. While this has delayed planting in the major rice and corn producing areas of Indonesia, the oil palm regions have been minimally impacted thus far.

Moreover, a December 10, 2009 National Oceanic and Atmospheric Administration report predicts that Indonesia will experience continued into 2010. However, the BKMG and the Indonesian National Institute of Aeronautics and Space predicted in separate December 2009 forecasts, that Indonesia will experience normal to above normal rainfall conditions in January and February 2010.

#### Executive Summary:

## **SITUATION AND OUTLOOK**

### **El Nino Forecast for Indonesia**

In July 2009 the Indonesian Meteorology, Climatology, and Geophysics Agency (BKMG) announced the likelihood of an El Nino weather pattern, affecting Indonesia in late 2009 into 2010. The predicted El Nino appears to have delayed Indonesia's annual rainy season by about one month. While this has delayed planting in the major rice and corn producing areas of Indonesia, the oil palm regions have been minimally impacted thus far.

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### **Rice**

According to reports, approximately 150,000 hectares of paddy fields will experience late planting or be further impacted due to the El Nino conditions. Subsequently, FAS Jakarta forecasts that MY 2010 Indonesian rice production levels will decline to 37.6 million metric tons (MT) of milled rice.

Concomitantly, harvested areas have been adjusted to 12.02 million hectares, with an average yield of 4.85 tons per hectare.

Although the Government of Indonesia (GOI) officially increased its 2009 Indonesian rice production forecast by 5.8 percent, as compared to 2008, FAS Jakarta believes that the GOI forecast is too optimistic. There is no evidence of significant yield increases or expanded areas of production indicative of a production increase during the period of July to October 2009.

Therefore, no milled rice PSD changes are required for MY 2009.

### **Corn**

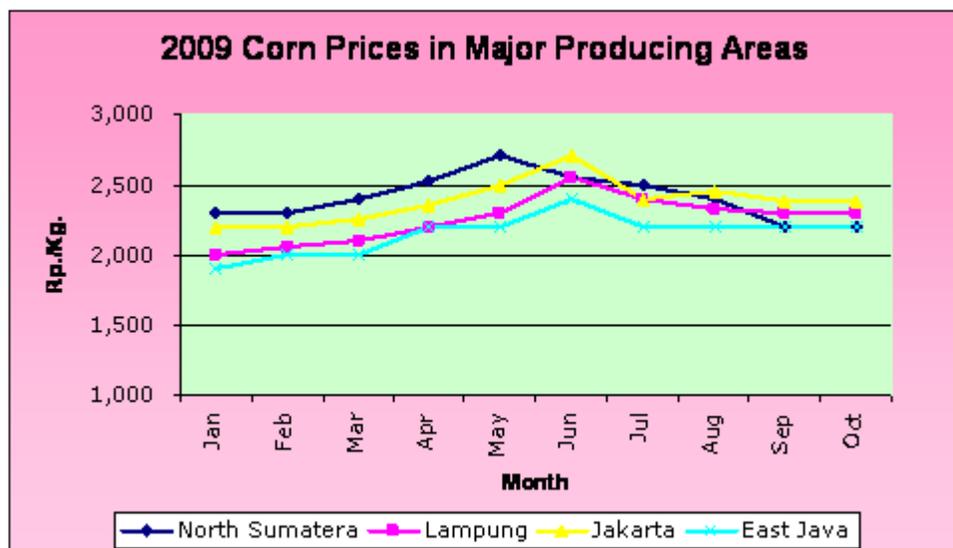
The El Nino inhibited the growth of Indonesian corn production by approximately one percent over the period of MY 2008 to MY 2009 and by five percent for the period of MY 2007 to MY 2008.

However, FAS Jakarta revised MY 2009 Indonesian corn production to reflect an increase of 8.9 million MT. Despite of the El Nino, corn growers were motivated to increase their areas of production and use of hybrid corn seed because of relatively stable corn prices. In 2009, total area planted with hybrid corn is estimated to increase to 1.24 million hectares compared to 1.1 million hectares in 2008, with an average yield of 4.75 MT per hectare. Most corn farmers in Indonesia still use composite and local corn seed with an average yield of 2.75 MT per hectare.

Use of hybrid corn seed continues to increase and now accounts for 38 percent of total corn area.

Corn is largely planted as a secondary crop and is often planted alongside rice paddies. A relatively stable price of corn motivates farmers to continue growing corn. Farmers tend to base their decision on price rather than the weather when deciding which crops they will grow.

### 2009 Corn Prices in Major Corn Producing Areas In Rp. /Kg.



Source: American Soybean Association International Marketing Jakarta Office

In 2009, Indonesia is estimated to produce a total amount of 8.8 million MT of commercial feed. Poultry feed accounts for 80 percent of total commercial feed production, followed by aqua feed with seven percent, and swine feed with 7.5 percent.

Total amounts of commercial feed for cattle and dairy which are only around 500 thousand MT. Total installed feed capacity in 2009 is around 13 million MT.

Along with increased levels of Indonesian corn production in MY 2009, Post also expect that corn imports will increase to 200 thousand MT, significantly higher than Post's previous estimate of 100 thousand MT. This is due to increased demand by major feed millers for high quality corn.

There are also some quality concerns because corn produced in Indonesian corn tends to have a higher moisture content, as well as greater levels of aflatoxin when compared to the imported corn. In 2009, the suppliers of corn to Indonesia are Thailand (48 percent market share), India (32 percent), and Brazil (15 percent).

**Rainfall Pattern in Selected Station in Rice/Corn Producing Areas  
(in millimeters)**

JATIWANGI (WEST JAVA)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	354	202	277	193	101	51	59	16	19	62	169	125
2006	246	417	283	298	320	21	17	0	0	-	48	344
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	N/A

TEGAL (CENTRAL JAVA)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	242	173	268	130	116	83	72	78	72	28	60	227
2006	375	244	272	211	202	15	0	5	0	-	106	222
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	N/A

SURABAYA (EAST JAVA)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	214	226	380	255	169	145	123	6	8	94	79	417
2006	301	716	320	196	294	45	0	0	0	-	11	92
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	8	25	N/A

UJUNG PANDANG (SOUTH SULAWESI)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	348	174	222	187	84	5	16	1	0	145	349	456
2006	624	516	371	226	171	151	2	15	0.4	-	84	321
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	43	32	151	N/A

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

**PSD: CORN**

Corn Indonesia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	Jan Data			
Area Harvested	3,210	3,210	3,220	3,220	3,250	3,250	3,250	3,250	

Beginning Stocks	1,065	629	629	1,268	1,008	1,008	1,318	1,136	1,108
Production	8,500	8,500	8,500	8,700	8,700	8,900	9,000	9,000	9,000
MY Imports	294	270	270	250	100	200	100	100	100
TY Imports	294	270	270	250	100	200	100	100	100
TY Imp. from U.S.	44	44	44	0	8	2	0	10	0
Total Supply	9,859	9,399	9,399	10,218	9,808	10,108	10,418	10,236	10,208
MY Exports	91	91	91	100	72	100	100	100	100
TY Exports	91	85	85	100	72	100	100	100	100
Feed Consumption	4,200	4,100	4,100	4,300	4,200	4,400	4,500	4,200	4,400
FSI Consumption	4,300	4,200	4,200	4,500	4,400	4,500	4,600	4,500	4,500
Total Consumption	8,500	8,300	8,300	8,800	8,600	8,900	9,100	8,700	8,900
Ending Stocks	1,268	1,008	1,008	1,318	1,136	1,108	1,218	1,436	1,208
Total Distribution	9,859	9,399	9,399	10,218	9,808	10,108	10,418	10,236	10,208
Yield	3.	3.	2.648	3.	3.	2.7385	3.	3.	2.7692

Note: Old Post Data are not Official USDA Data.

## Oil Palm

Post predicts a minimal impact from the reported El Nino on Indonesian palm oil production. Thus far, no significant drought has been reported in the growing areas of Indonesian oil palm plantations. Indonesia continues to expand the oil palm production as an economic development objective, while also developing a favorable national policy for policy for the development of biodiesel.

During the 2010 Indonesian Palm Oil Conference (IPOC) in December, 2009, one speaker predicted that Indonesia could produce 50 percent of the global crude palm oil (CPO) market share in 2010. Post believes this prediction is realistic and Indonesia will remain the largest global producer and exporter of palm oil.

Because palm oil trees are hardier than common food crops in Indonesia, such as rice and corn, they are better able to withstand fluctuations in weather patterns. However, the amount of oil produced can be affected if the trees become stressed due to condition caused by irregular rainfall pattern. While FAS Jakarta continues to monitor the levels rainfall in oil palm growing areas, Post will not change the PSD Table for palm oil production. Additionally, FAS Jakarta's production forecast is similar to other forecasts made during the recent 2010 IPOC.

In the greater oil palm growing areas of North Sumatera, South Sumatera, and Kalimantan, no serious abnormalities of rainfall have occurred, although Post received isolated reports that the rainy season began later than usual in September and October. Post forecasts that these isolated

delays could slightly reduce yields during the December 2009 – February 2010 timeframe. However, if any dip in yields occur during that timeframe, it will be no more than two percent.

Reports indicate that rainfall levels in November and December 2009 have been generally normal, which should result in normal yields during the second quarter of 2010. Finally, BMKG has forecasted that the peak of the 2009/10 rainy season will be normal, occurring in January and February 2010. If this forecast is accurate, it will result in normal oil palm yields in the third quarter of 2010. The BMKG forecast is similar to the Indonesia's National Institute of Aeronautics and Space Remote weather forecasts.

### **Rainfall Pattern in Selected Station in Oil Palm Producing Areas (in millimeters)**

#### **Sumatera Oil Palm Areas**

<b>Medan</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	168	9	218	244	364	10	255	155	207	221	295	247
2008	148	30	126	227	181	55	N/A	152	205	256	290	N/A
2009	166	N/A	341	226	404	N/A	138	195	343	348	107	N/A

<b>Pakanbaru</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	243	266	288	398	264	132	160	198	280	266	226	136
2008	158	96	436	251	99	221	N/A	61	236	298	313	126
2009	69	N/A	411	241	205	N/A	70	122	226	212	301	N/A

<b>Jambi</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	218	88	156	351	315	110	210	189	81	200	92	199
2008	102	89	235	230	114	17	N/A	223	53	178	204	206
2009	99	N/A	175	141	148	N/A	64	94	104	136	269	N/A

<b>Palembang</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	446	181	268	529	183	133	86	3	47	119	119	284
2008	218	115	262	327	46	7	N/A	82	120	169	536	190
2009	214	N/A	507	301	54	N/A	29	21	23	131	181	N/A

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

#### **Kalimantan Oil Palm Plantations Surrounding Areas:**

<b>Balikpapan</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	276	318	216	161	250	398	350	201	336	87	44	187
2008	97	111	250	164	211	401	N/A	253	268	196	273	197

2009	201	N/A	156	143	38	N/A	271	94	64	128	177	N/A
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<b>Samarinda</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	328	222	382	376	112	196	297	173	135	230	72	141
2008	159	95	230	191	53	208	N/A	124	120	250	486	335
2009	156	N/A	224	239	170	N/A	160	119	48	292	121	N/A

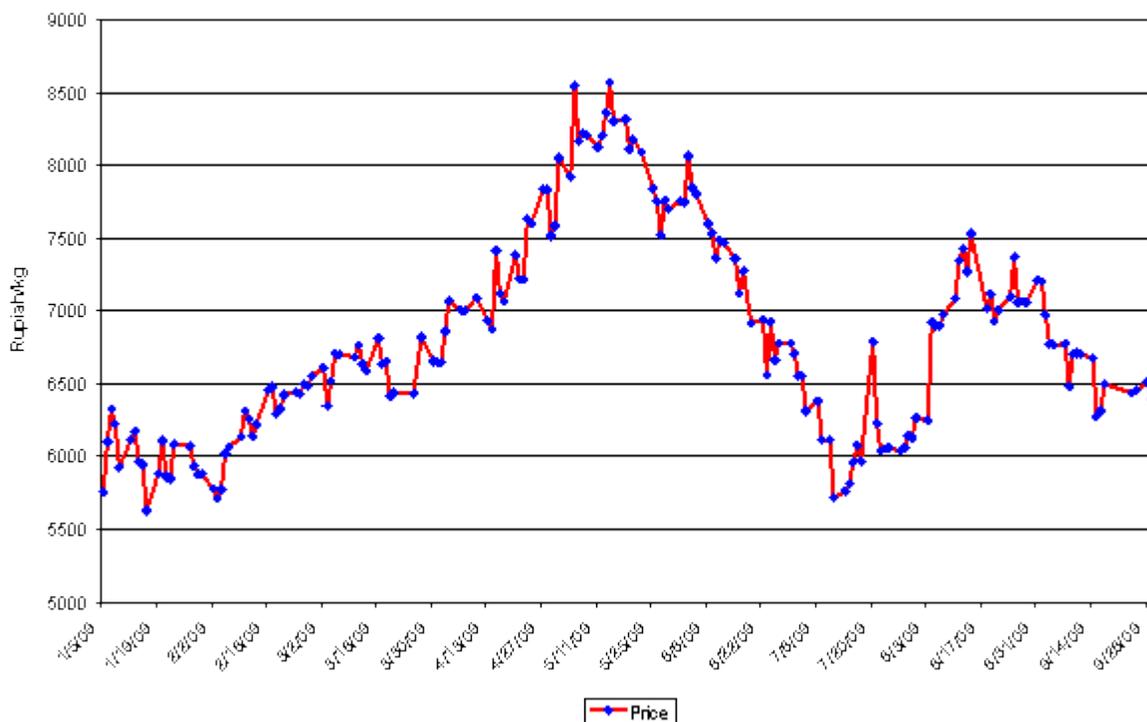
<b>Banjarmasin</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	218	515	503	409	148	199	193	88	20	104	351	398
2008	299	193	378	183	88	160	N/A	65	87	135	425	349
2009	286	N/A	165	203	82	N/A	67	26	30	115	283	N/A

<b>Palangkaraya</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	349	226	266	451	319	287	122	163	95	271	223	465
2008	322	73	339	179	76	193	N/A	180	80	200	402	273
2009	194	N/A	370	311	256	N/A	27	64	200	200	145	N/A

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

## CPO Prices

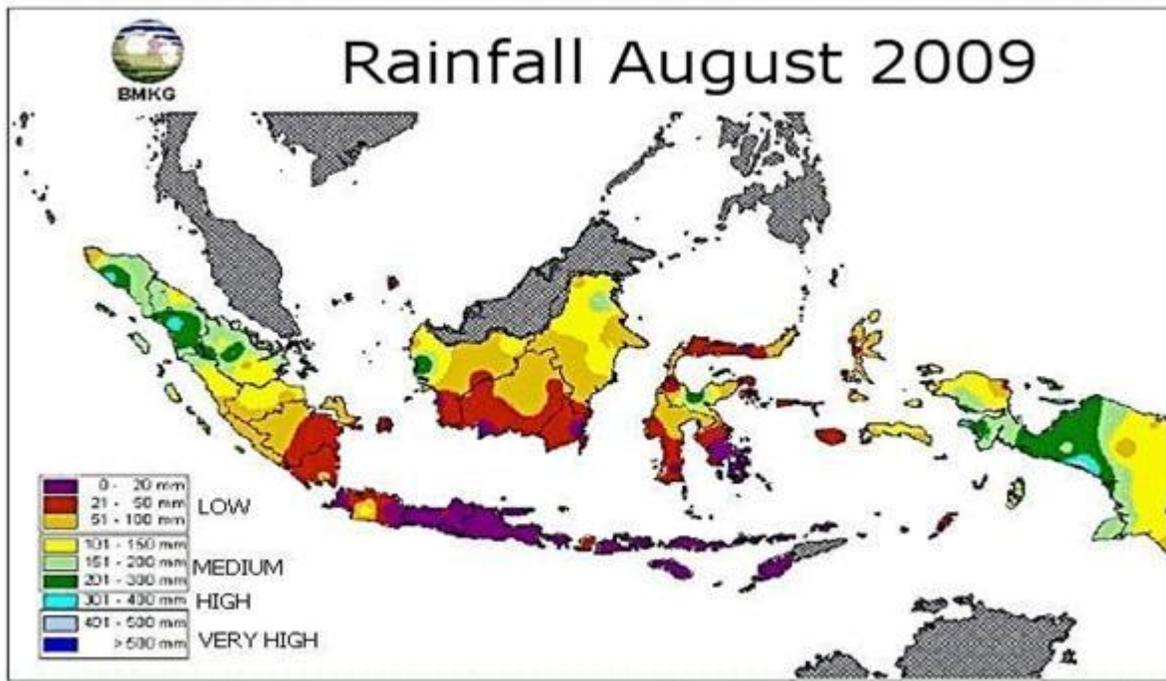
**CPO Price Medan Port**



Source:

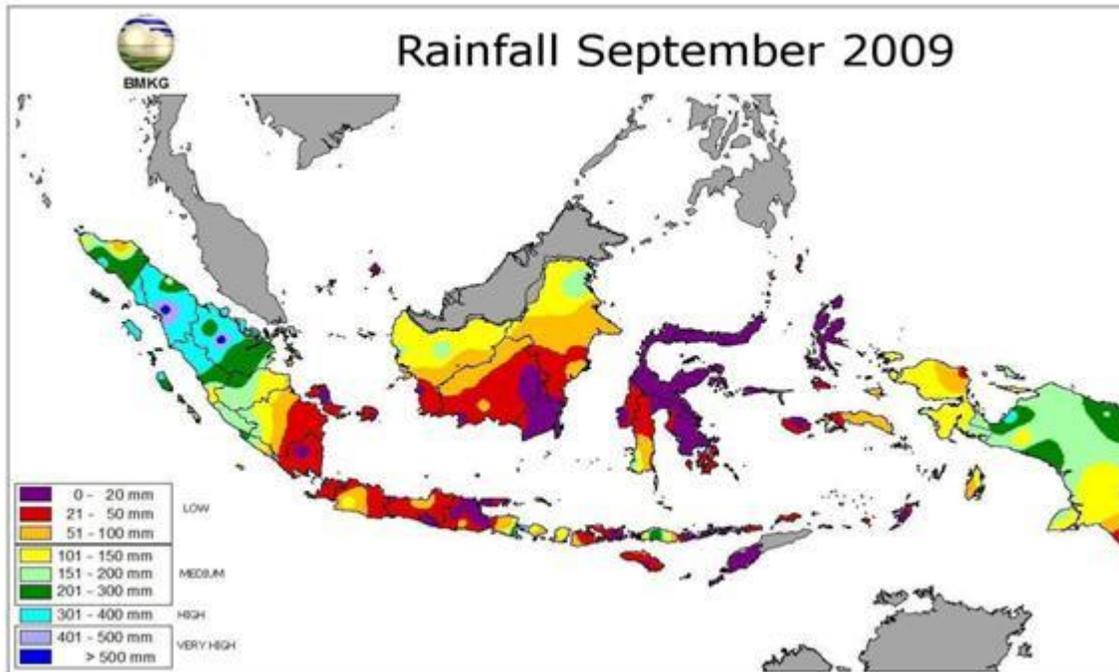
Indonesian Commodity Futures Trading Regulatory Agency (BAPPEBTI)

**August Rainfall:**



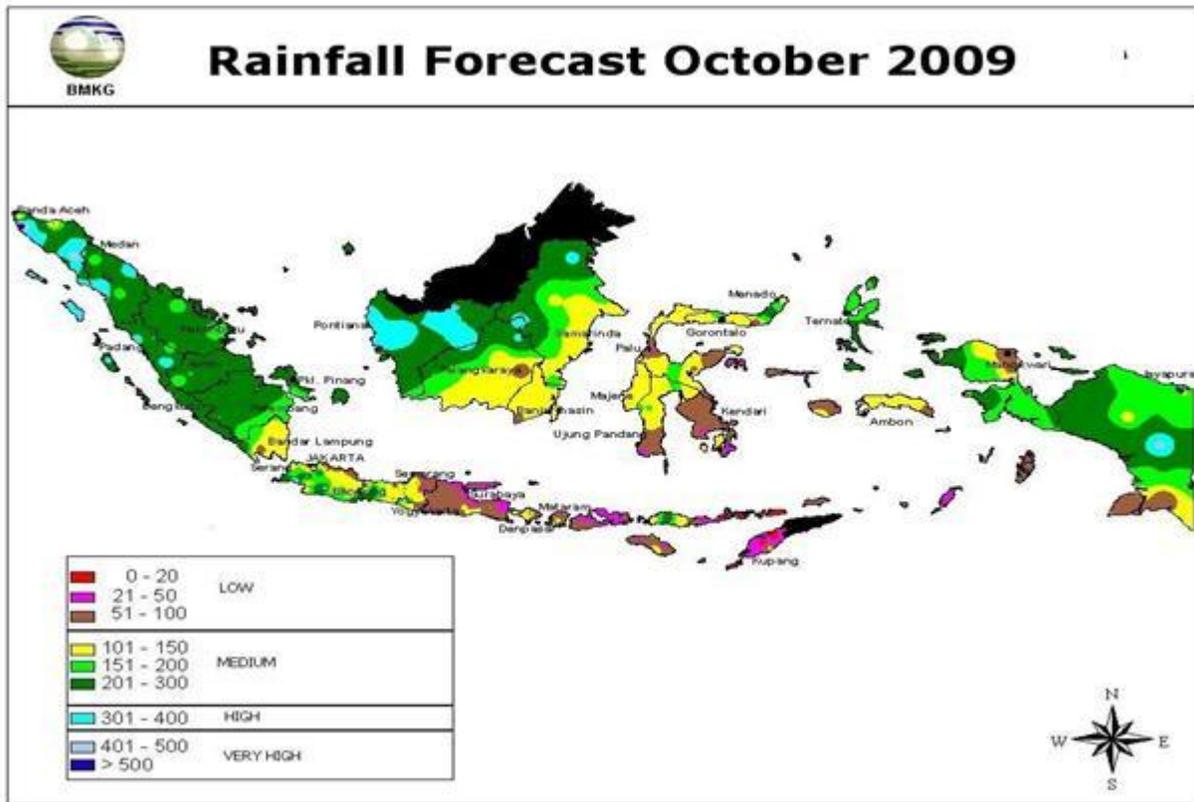
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

**September Rainfall:**



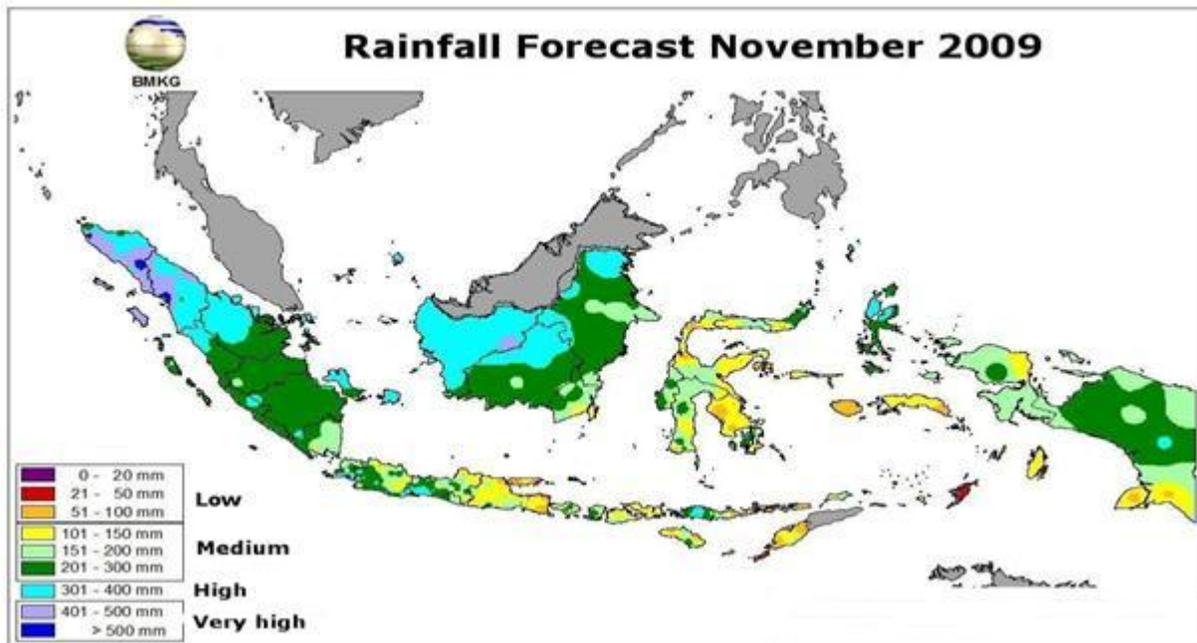
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

**Forecast October 2009:**



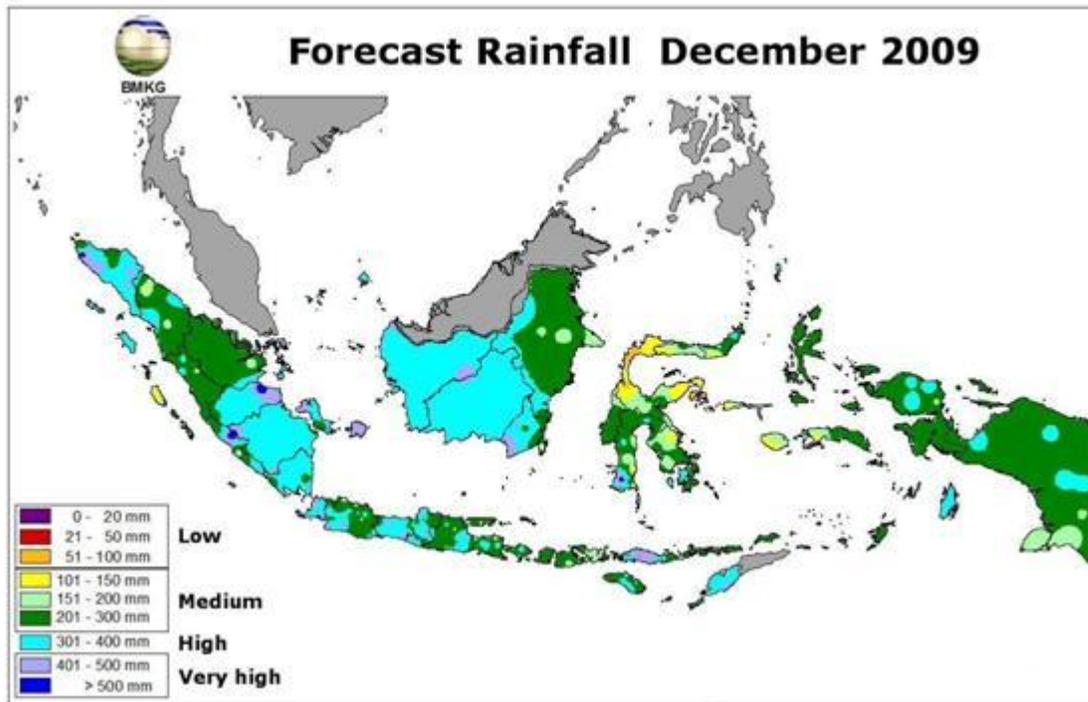
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

**Forecast November 2009:**



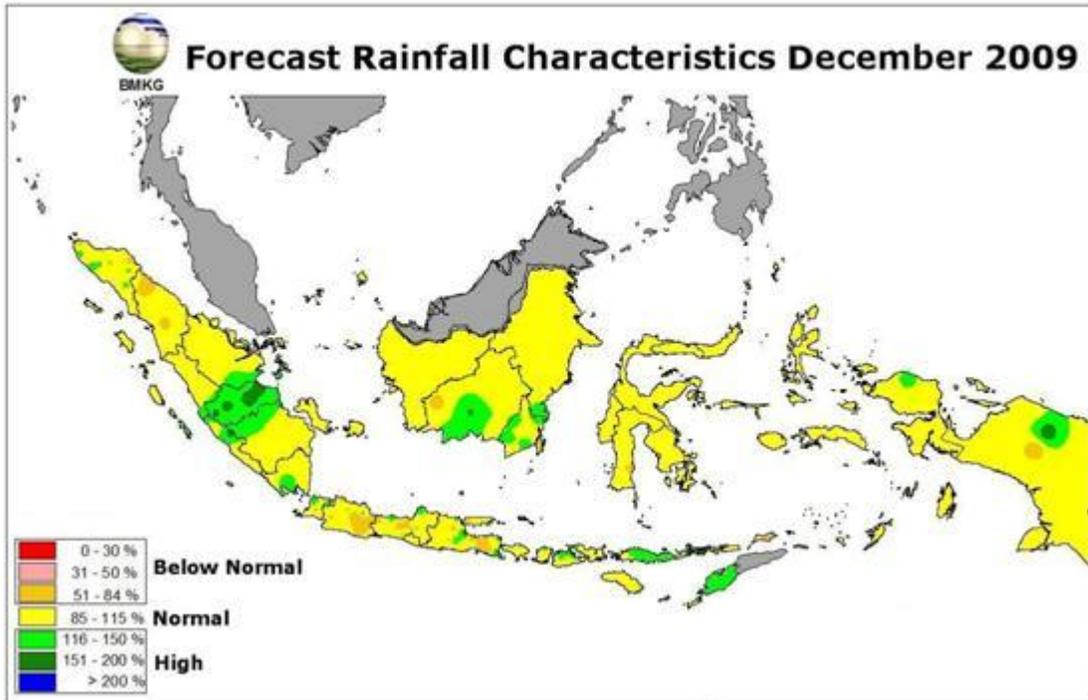
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

**Forecast December 2009:**



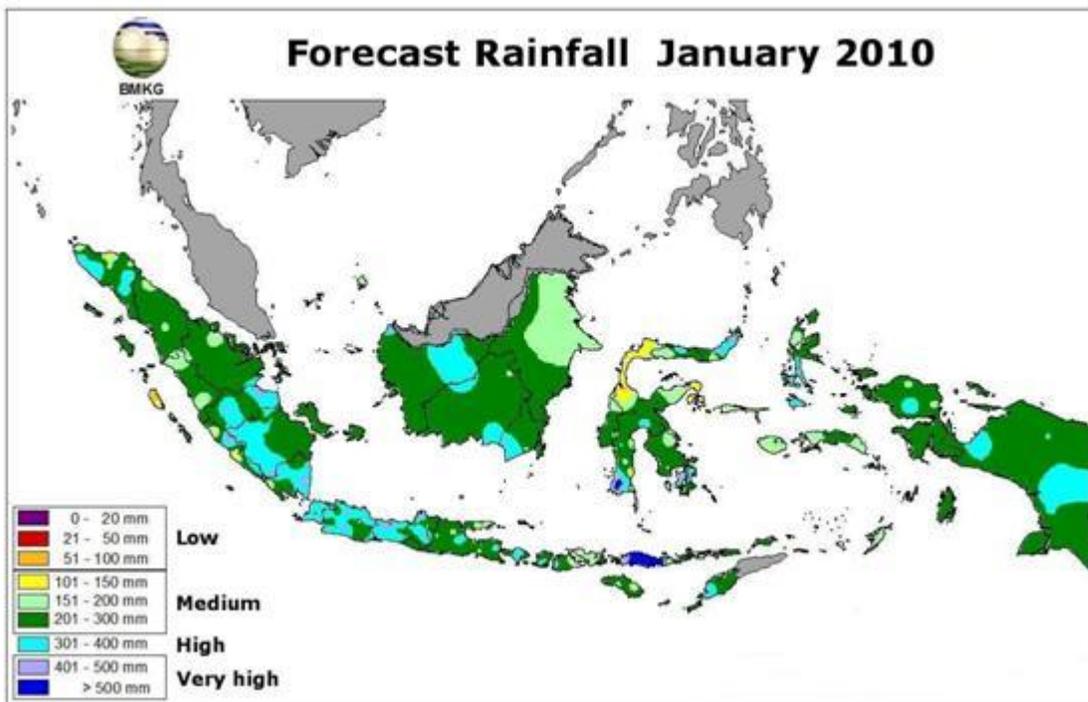
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

**Forecast December 2009 Characteristics:**



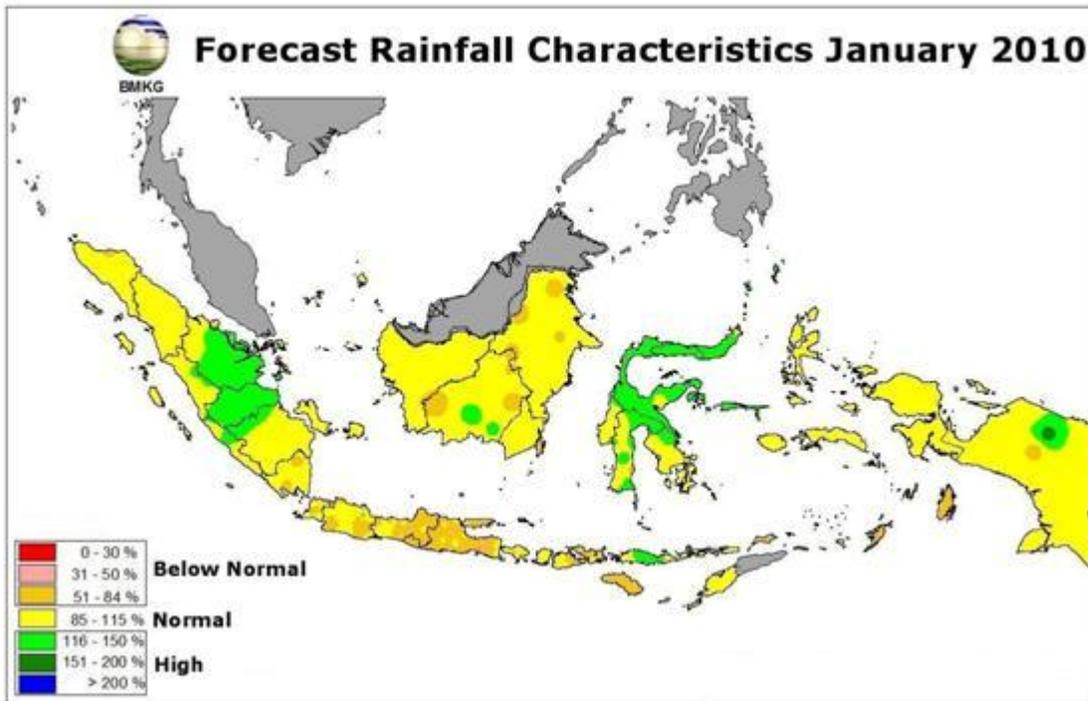
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

**Forecast January 2010:**



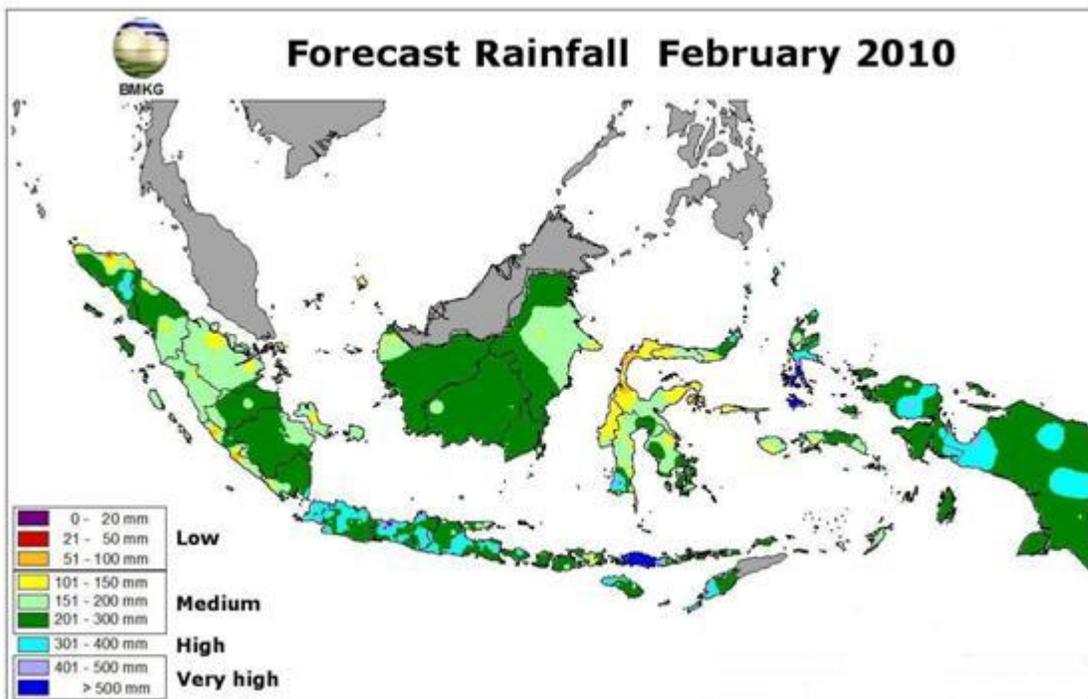
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

### Forecast January 2010 Characteristics:



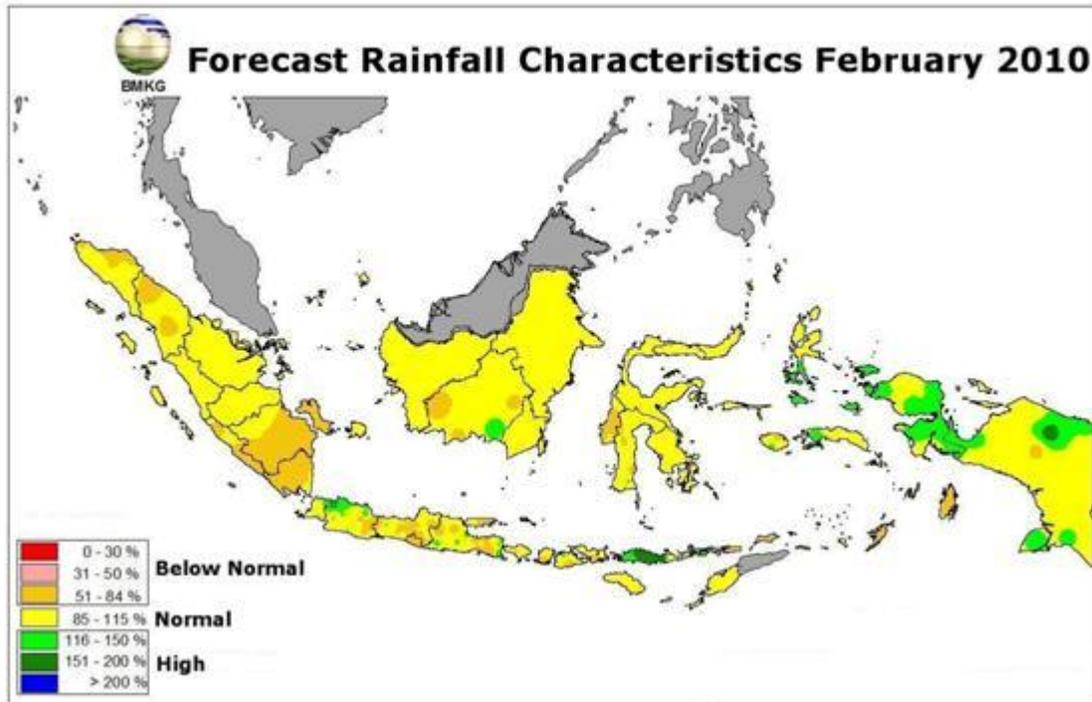
Source: Indonesian Geophysics, Climatology, and Meteorology Agency (BMKG)

### Forecast February 2010:



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

**Forecast February 2010 Characteristics:**



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

**General Information:**