

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

**Post:** Jakarta

### Rice Update November 2011

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Post recommends a revision in marketing year (MY) 2010/11 Indonesian rice production estimates to 35.5 million metric tons (MMT) of milled rice equivalent, down from an earlier estimate of 37 MMT. This adjustment is based on the third forecast figures recently released by the Indonesian National Statistics Agency (BPS). Post also estimates Indonesian rice imports will increase by over 140 percent to 2.775 MMT in MY 2010/11 compared to 1.15 MMT in MY 2009/10.

## **Executive Summary:**

### **SITUATION AND OUTLOOK**

The Indonesian Meteorology, Geophysics, and Climatology Agency (BMKG) reported that at the end of August 2011, the El Nino and La Nina conditions that potentially affect Indonesia are at normal levels and have generally been normal since May 2011. As of early October, BMKG predicted that Indonesia will experience a weak to moderate level La Nina. Referring to some analysis from other climatology agencies, BMKG further predicted that a weaker La Nina will dominate Indonesian areas until the end of 2011. This indicates that rainy season in Indonesia will start at its normal time. The rainy season will start on September 2011 in 8.5 percent of Indonesian area, on October 2011 in 38.3 percent of Indonesian area, in November 2011 on 35.4 percent of Indonesian area, and in December 2011 on 12.6 percent of Indonesian area. Compared to its 30 years average, approximately 62.3 percent of Indonesian area will start to receive rainfall at normal time while around 25.4 percent of Indonesian area will have a slightly delayed rainy season.

## **General Information:**

### **Rice**

Referring to the recent release of the second forecast figures by the Indonesia National Statistics Agency (BPS), Post predicts a decline of 2.4 percent of MY 2010/11 Indonesian rice production to 35.5 MMT, down from the 36.4 MMT previously estimated. Lowering official rice production estimate is an unprecedented move by BPS, perhaps reflecting attempts by the government to improve data collection that would guide agricultural policy. The adjustment is largely due to a significant decline in harvested area in major rice producing areas on Java - namely in the provinces of Banten, West Java, Central Java, and East Java. The decline in Java was only partially offset by slight increases in rice production from some provinces off of Java, such as in West Nusa Tenggara, Lampung, and Aceh. In line with lower domestic production, Post predicts MY 2010/11 Indonesian rice imports to reach 2.775 MMT compared to the previous estimate of 2.2 MMT.

## **Production:**

On November 1, 2011, the Indonesian Statistics Agency (BPS) released its third forecast for 2011 rice production levels (Aram III). The agency forecasts that Indonesian rice production will decrease by 1.63 percent from year-ago levels. BPS reported that the decline is due to a 0.22 percent decline in harvested area and a 1.42 percent decline in yield. The agency mentioned that the relatively significant decline of rice production took place in the provinces of Banten, West Java, Central Java, and East Java, which were only partially offset by an increase of rice production in the provinces of Aceh, West Nusa Tenggara, and Lampung. A decline of 5.16-percent occurred during the second crop cycle from May to August 2011 while a decline of 8.44-percent occurred during the third crop cycle from September to December 2011.

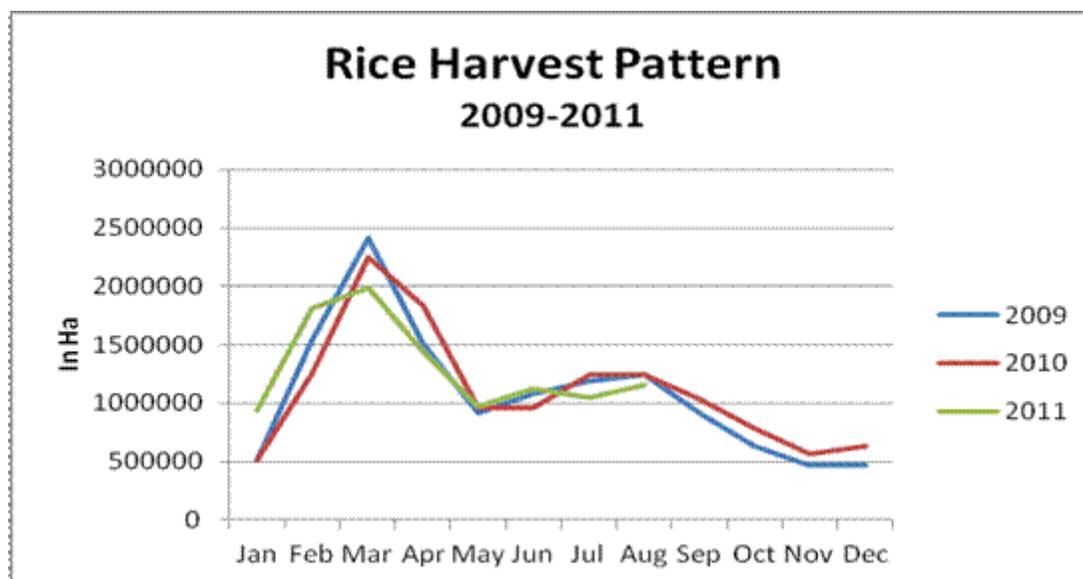
Post's recent observations with regard to Indonesian major rice producing areas in West Java, Central Java, and Yogyakarta indicate that changing rainfall patterns affected farmers' planting decisions. Some farmers, especially those in rain-fed areas and semi-technically irrigated areas, grew secondary

crops such as corn and mung beans for the third cycle, which normally starts in July. While farmers in irrigated areas can grow three rice crops a year, some decided to leave the field idle in an effort to control pest and disease outbreaks.

Beginning with the first MY 2008/09 crop cycle, this will be the eighth consecutive planting of paddy for many farmers in irrigated areas given unseasonal rainfall in recent years. The unremitting plantings translated into a build-up of pest and disease problems. Farmers also reported that sporadic rainfall during the day time hours inhibited the photosynthesis during the pollination phase. Post continued to observe brown paddy leaves that were attacked by brown plant hoppers and holes left by rats in some paddy fields. Some farmers now believe that IR64 and Ciherang varieties are less resistant to brown hopper. This has led some of them to switch to Inpari 13, which is reportedly more resistant to brown hopper. Farmers continue taking some measures to manage rats, such as fencing the field with plastic barriers or erecting electrical barriers.

Currently, farmers in irrigated areas of Java are in the early stage of growing the first rice crop for the MY 2011/2012. A recent field trip to Bali still showed some scattered delayed harvest of the third cycle. With the return of more normal weather patterns in 2011, farmers' current planting intentions assume another normal rainy and dry season in 2012. Assuming these weather patterns hold throughout 2012, it is estimated that more farmers on upland and rain-fed areas will grow corn during the second crop cycle on Java. The first main harvest of rice in MY 2011/12 is expected to take place from February to March 2012.

Rice harvest pattern since 2009 until current period can be seen in the following chart.



Source: Indonesian Statistics Agency (BPS).

Given the above factors and to reflect the official changes presented by BPS, Post revised the MY 2010/11 harvested area to 12,075,000 hectares compared to initial estimate of 12,380,000 hectares. Post now decreased the MY 2010/11 Indonesian rice production to 35.5 MMT of milled rice equivalent due to decrease in harvested areas, decrease in yield, and lower milling rate than the initial estimate.

Assuming more normal weather which will provide opportunities for better secondary crops, Post retain the estimate of MY 2011/12 Indonesian rice production estimate at 37.3 MMT of milled rice equivalent.

**Consumption:**

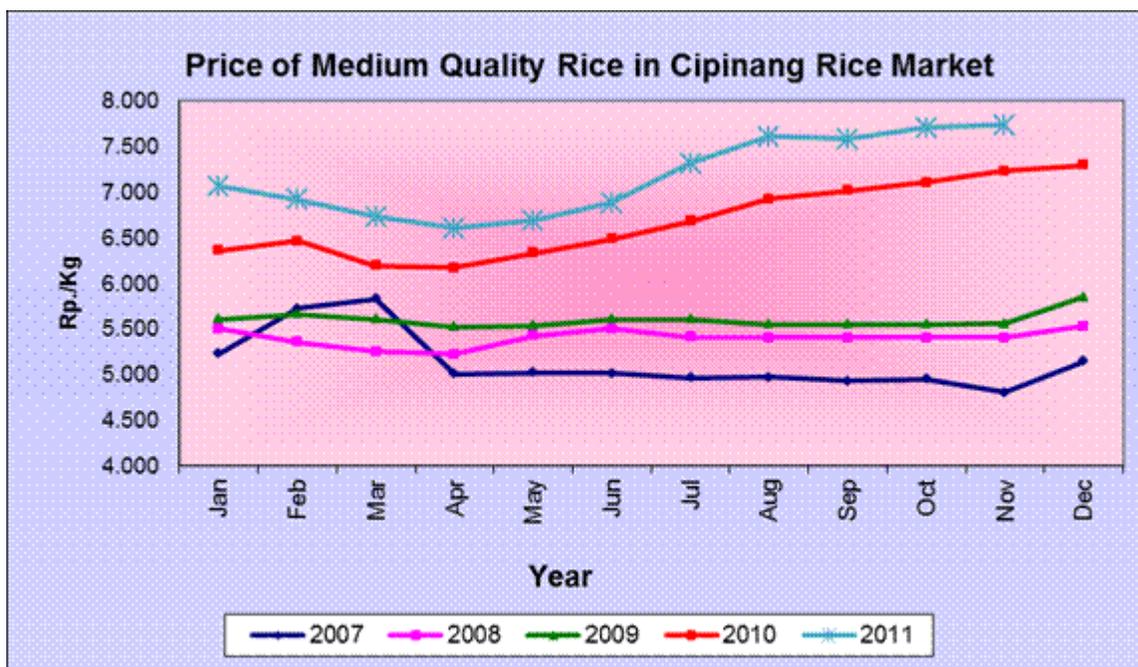
Some of the imported rice is going for BULOG’s market operations in order to soften the price of medium quality rice in the domestic market. Reportedly, BULOG provides a total of 500 TMT of rice for market operations during the Ramadan.

BULOG will also use stocks for Rice for the Poor (*Raskin*) program. In MY 2010/11, BULOG will distribute a total of 3.15MMT of *Raskin* rice to 17.5 million poor families. Each family will receive 15 kg of rice/month at the price of Rp. 1,600 /kg. To ease the burden of the poor people caused by soaring rice prices, BULOG distributed 13<sup>th</sup> month Raskin Program after Eid II Fitr holiday, which immediately follows Ramadan.

In line with the population growth, Post estimated MY 2010/11 Indonesian rice consumption to increase to 39.000 MMT from initial estimate of 38.85 MMT. The consumption is forecast to increase further to 39.550 MMT in MY 2011/12.

**Trade:**

Shortages of supplies from Indonesia’s major rice production areas and the end of the third harvest period by October 2011 have started to drive up prices of the popularly-consumed medium quality rice throughout Indonesia as seen in the following chart.



Source: Cipinang wholesale rice market, processed by FAS Jakarta

In order to maintain the Indonesian national logistic agency’s (BULOG) minimum stock levels of 1.5 MMT of rice by the end of 2011- which as of November 7, 2011 stood at 1.465 MMT - the Government of Indonesia has authorized BULOG to import rice. In July 2011 BULOG was granted authorization to

import 1.6 MMT of rice and reportedly contracted a total of 1.2 MMT from Vietnam for shipments starting in September 2011. For the period of September – November, a total of 560 TMT of imported rice from the authorization of 1.6 MMT has landed in the country. BULOG expects that another 330 TMT of imported rice from the same allocation will arrive in the country by the end of this year. Some of the rice expected to land by December comes from the 250 TMT contract with India. The balance of the import allocation is expected to be carried out into early MY 2011/12. Since the currently regulation stated that rice import is prohibited one month, during, and two months after the main rice harvest, it is expected that all the imported rice arrives before the end of February 2011.

Considering combination of BULOG imports, small amounts of smuggled rice in outer lying islands, and specialty rice imports, Post revised the estimated MY 2010/11 Indonesian rice import to reach 2.775 MMT. Post further forecast MY 2011/12 Indonesian rice imports to decline to 1.0 MMT as the carried-out imports by BULOG into MY 2011/12 will be less than the initial estimate.

In efforts to maintain available supply of imported rice should Indonesian domestic situation demands, during the Association of South East Asian Nation (ASEAN) summit held in Bali from November 17 - 19, 2011, Indonesia received renewed commitments from Thailand and Vietnam to reserve 1.0 MMT and 1.5 MMT of rice respectively. The Chairman of BULOG also reported that India has committed to supply a total of 1.0 MMT of rice through next year. However, all the commitments are non-binding and will only be used when there is a need to import.

#### Stocks:

With upcoming rice imports and significant decline in Indonesian rice production, MY 2010/11 ending stock of Indonesian rice is estimated to be at 5.85 MMT, and forecast to further decline in MY 2011/12 to 4.6 MMT due to higher consumption in both current MY and MY 2011/12 and lower carry over stock from MY 2010/11.

#### Production, Supply and Demand Data Statistics :

PSD: RICE, MILLED

Rice, Milled Indonesia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12.100	12.100	12.380	12.075	12.150	12.150
Beginning Stocks	7.057	7.057	6.577	6.577	6.837	5.852
Milled Production	36.370	36.370	37.060	35.500	37.300	37.300
Rough Production	57.276	57.276	58.825	56.349	58.740	58.740
Milling Rate (.9999)	6.350	6.350	6.300	6.300	6.350	6.350
MY Imports	1.150	1.150	2.200	2.775	1.400	1.000
TY Imports	1.150	1.150	2.200	2.775	1.400	1.000
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	44.577	44.577	45.837	44.852	45.537	44.152
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	38.000	38.000	39.000	39.000	39.550	39.550
Ending Stocks	6.577	6.577	6.837	5.852	5.987	4.602
Total Distribution	44.577	44.577	45.837	44.852	45.537	44.152
Yield (Rough)	5,	4,7336	5,	4,6666	5,	4,8346
TS=TD		0		0		0

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

**Author Defined:**

**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)									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>Paddy Total</b>												
2011**	6.172.453	49,65	30.648.787	4.293.771	48,93	21.009.810	2.758.155	49,77	13.726.586	13.224.379	49,44	65.385.183
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

Source: BPS.

Note: \* fixed figures      \*\* Third forecast figures

**RICE PRODUCTION: AREA AND PRODUCTION BY REGION**

(Third Estimate Figures by the Government of Indonesia for 2011)

**Harvested Area, Production, and Yield of Rice, 2011\***

Province	Harvested Area (Ha)	Production (MT)	Yield (Ton/Ha)
North Sumatera	757,194	3,611,244	4.77
South Sumatera	772,803	3,332,799	4.31
<b>Sub Total: Sumatera</b>	<b>3,418,891</b>	<b>15,654,258</b>	<b>4.58</b>
West Java	1,959,686	11,467,516	5.85
Central Java	1,748,611	9,429,506	5.39
East Java	1,945,712	10,533,607	5.41
<b>Sub Total: Java</b>	<b>6,192,549</b>	<b>34,148,340</b>	<b>5.51</b>
West Nusa Tenggara	416,079	2,056,879	4.94
<b>Sub Total: Bali &amp; Nusa Tenggara</b>	<b>757,866</b>	<b>3,473,210</b>	<b>4.58</b>
West Kalimantan	441,920	1,379,411	3.12
South Kalimantan	490,528	2,001,274	4.08
<b>Sub Total: Kalimantan</b>	<b>1,289,917</b>	<b>4,557,268</b>	<b>3.53</b>
Central Sulawesi	216,174	1,023,720	4.74
South Sulawesi	907,555	4,514,849	4.97
<b>Sub Total: Sulawesi</b>	<b>1,491,488</b>	<b>7,267,672</b>	<b>4.87</b>
<b>Other Provinces/Islands</b>	<b>73,676</b>	<b>284,435</b>	<b>3.86</b>

<b>TOTAL INDONESIA</b>	<b>13,224,379</b>	<b>65,385,183</b>	<b>4.94</b>
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Source: Indonesian Central Bureau of Statistics (BPS)

Note: \*GOI Third Estimate 2011