

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

**Post:** Jakarta

### **Rice and Corn Update Aug 2010**

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Unusual weather patterns over the past year have impacted Indonesian crops patterns; especially food crops such as rice and corn. This anomaly will result in a decline in MY 2009/10 Indonesian rice and corn production, a significant increase in Indonesian corn imports, and the occurrence of illegal “backdoor” rice imports.

**General Information:**

In recent months, heavy rainfall has continued throughout Indonesia's main food crop production areas during what is normally the dry season. Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG) stated that Indonesia would continue to experience significant rainfall through the beginning of the wet season in October 2010. During a normal planting season for farmers in irrigated areas around Java, who account for about 55 percent of total Indonesian rice production, the preferred planting sequence for the annual planting seasons is paddy for the first and second planting seasons, followed by secondary crops in the third. Meanwhile farmers in the upland areas tend to plant paddy as the first crop during the rainy season, secondary crops during the second planting season, followed by paddy again for the third. The first planting season normally begins in October of each year with the onset of dry season in April/May. However, due to the recent weather changes, farmers in irrigated areas and upland areas continued to grow paddy through the second and the third crop cycles. Despite the opportunity to grow more paddy, pest problems, floods, and drought are also higher than previous marketing year (MY) 2008/09.

**Production:****CORN**

Indonesian farmers, like farmers elsewhere in the world, make their planting decisions based on the availability of water. In line with the Indonesian BMKG prediction of a rainy dry season and the actual rainfall that continues to occur, most Indonesian farmers are showing a preference to plant paddy, as they anticipate a higher yield margin than corn. Industry also reports that the corn seed distribution program conducted by Government of Indonesia (GOI) since 2007 has actually lowered yields, due to the lower quality of seed given to farmers. Adding to the complications, the wet dry season also increases downy mildew incidents in hybrid corn plantation. These factors, combined with high moisture content and aflatoxin in corn harvested in rainy season, lower both Marketing Year (MY) 2009/10 corn harvested areas and production. Post estimates that corn harvested area will decline by 16 percent and production by 22.2 percent to 2.7 million hectares and 7 million tons respectively, compared to the previous MY 2008/09.

**RICE**

Farmers' preference to grow more paddy during the MY 2009/10 is estimated to increase the total planted area for paddy. However, in the first crop cycle Indonesia experienced a moderate El Nino that forced farmers to delay the planting period by an average of four to six weeks. Automatically, this delay pushed back the second and third crops cycles, leading to delays of the third harvest. According to Indonesian Ministry of Agriculture, the unusual weather patterns have impacted total area by hitting them with both flood and drought when compared to 2009. During the period of January – July 2010, total flooded area was 187,000 hectares while drought hit areas totaled of 92,000 hectares.

Conversely, the unremitting planting of paddy increased incidents of the pest outbreak. Major rice producing areas in West Java, Central Java, and East Java are currently challenged by brown hopper attacks. Farmers in Bali are also coping with brown hoppers, as well as rats. Farmers in other major rice producing areas in eastern areas of Indonesia must deal with *kepik hitam* problems that turn the paddy grains black with a bitter taste. According to one source from the Indonesian Ministry of Agriculture, during the period of January – July 2010, a total of 400,000 hectares suffered from pest problems while 5,150 hectares of paddy field failed to harvest, higher than the same period of 2009.

Harvests occurring during the rainy season, and the wetter than average dry season typically experience lower paddy quality. Recent post observations in South Sulawesi indicate that farmers who usually sun dry their paddy one day, now need up to one week. The amount of empty husks and moisture content are also higher than normal.

Given all the aforementioned factors, Post estimated the MY 2009/10 harvested area to slightly increase to 12.1 million hectares, and the MY 2009/10 production to decline to 37.1 million tons of milled rice equivalent.

Post forecasts MY 2010/11 harvested area to remain stable at 12.1 million hectares. However, while some of the MY 2009/10 third crop cycle will be harvested during MY 2009/10, other areas will carry over into MY 2010/11. This will occur due to the initial delay in planting, which was the result of the aforementioned moderate El Nino conditions.

In the long term, harvested area is expected to plateau or even decline. Factors include:

- Since at least 2005, land conversion to non-agricultural uses has averaged roughly 100,000 hectares per year, most significantly in the major rice producing areas of Java and Bali – the most populous areas of Indonesia accounting for approximately 60% of total population.
- Expanding rice production areas outside of Java is a GOI priority and it is possible this initiative will impact production areas. However, the current lack of infrastructure in these areas will impede the effort to expand through at least the next several years.

Post also forecasts that average yields will remain at or near current levels for the near future. Factors include:

- To offset the decline in harvested areas, farmers in Java practice multiple cropping. However, this effort may again lead to lower yields, as multiple cropping typically depletes the soil.
- Expanding areas outside of Java will have to cope with lower quality soil compared to Java.
- Improper use of fertilizer by farmers. Although Indonesian Ministry of Agriculture has introduced the use of leaf color tests to determine best way to apply fertilizers, this new technology is not widely known or used by farmers. The GOI is actively trying to counter this challenge by encouraging farmers to use more organic fertilizers. The development of newer, better seed varieties, as well as improved cropping management, may slightly offset yield decline.

Furthermore, Post forecasts MY 2010/11 production at 38.0 million tons of milled rice, citing the following as the decisive factors:

- High possibility of continued pest and disease attacks, resulting from five back-to-back planting

cycles of paddy, starting from the first planting season of MY 2009/10 to second planting season of MY 2010/11.

- The first planting for MY2010/11 will again be delayed as farmers wait to harvest the third crop. In most areas, this will again mean another 1-2 month delay. Assuming a return to normal rainfall patterns, this delayed planting will affect both the second and third croppings.

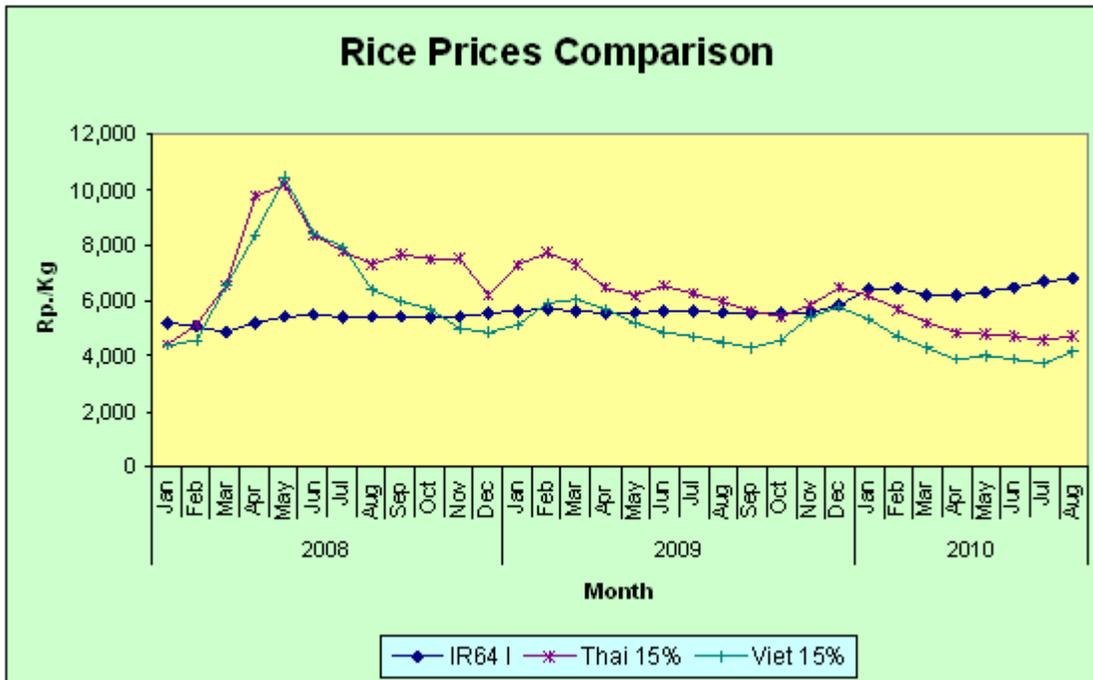
**Consumption:  
CORN**

The Indonesian Feed Millers Association reported that in MY 2009/10 Indonesian feed production will reach 9.1 million tons. As around 50 percent of feed composition is corn, Post increases the estimated MY 2009/10 Indonesia corn consumption by feed industry to 4.5 million metric tons (mmt).

**Trade:  
CORN**

Increased demand from the feed industry, coupled with lower quality and supplies of domestic corn, have resulted in increased levels of corn imports for CY 2010. For the period of January – July 2010, feed millers imported approximately 800,000 mt of corn. Therefore, Post increases the MY 2009/10 Indonesian corn import estimate by 278.5 percent to 1.2 mmt compared to 317,000 tons in the previous MY 2008/09. Argentina and Thailand are the two largest suppliers of corn to Indonesia.

**RICE**

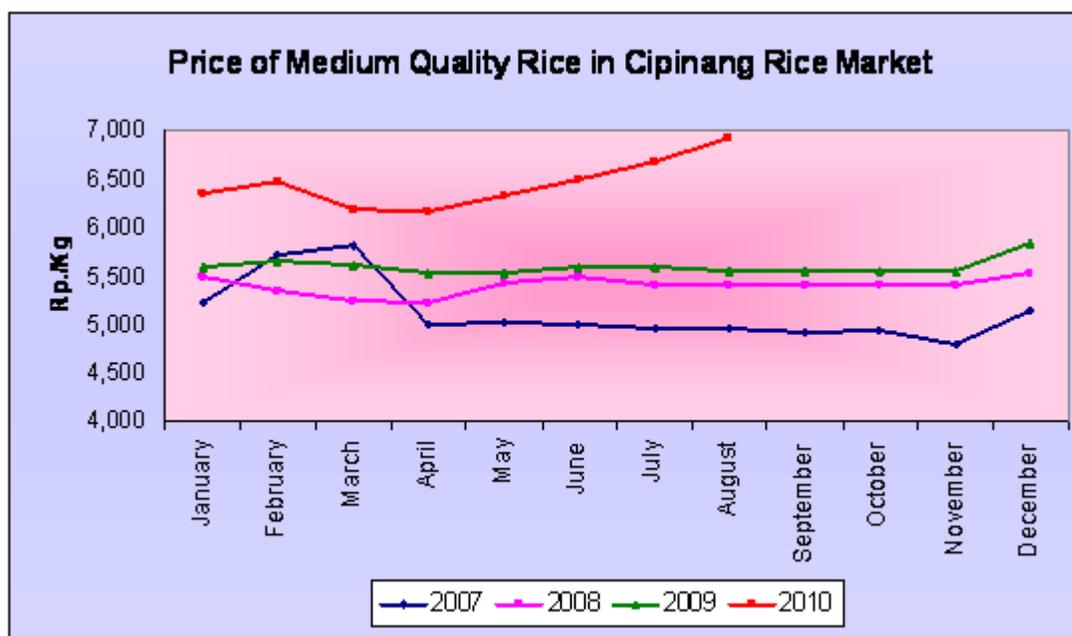


Source: The Rice Trader and Cipinang wholesale rice market, Jakarta, processed by FAS

Jakarta.

As shown on the above chart, the average price of Indonesian medium quality rice of IR64-I during the period of January – August 2010 are above the landed prices of Thai 15% broken and Viet 15% broken. The price disparity has provided incentives for illegal imports, especially through Indonesia’s border areas. Reportedly, for the period of July 2010 more than 100,000 tons of rice from neighborhood suppliers has been smuggled into Indonesia. If rice prices in domestic markets continue to increase, the incentive for rice smuggling will remain. Therefore, combined with the amount of legal specialty rice imports, Post estimates the MY 2009/10 Indonesia rice imports to increase to 500,000 tons of milled rice equivalent.

The trend of price for medium quality rice in Cipinang wholesale rice market in Jakarta can be seen in the following chart:



Source: Cipinang wholesale rice market, Jakarta.

### Policy: RICE

There is a concern among GOI officials that the increase of wheat prices in international markets will pull up the already increasing prices of other staple foods, especially rice in the domestic market. In order to anticipate price hikes for rice and other staple food commodities, such as sugar and cooking oil, the GOI has allocated a total fund of IDR 2 trillion (US\$223.0 million) under a rice reserve and price stabilization fund. However, the mechanism on how and when to use that fund remains unclear.

Under the Raskin Program (rice for the poor), Bulog distributed 13 kg to participating families on a monthly basis from January to June 2010. As of July 2010, Raskin Program participants began receiving 15 kg per month. This is part of a GOI effort to stabilize rice prices by easing demand for rice

at traditional markets.

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

**PSD: CORN**

Corn Indonesia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	3,220	3,220	3,220	2,700	3,250	2,700	3,150		3,150
Beginning Stocks	1,268	1,008	1,268	1,284	1,136	1,284	459		484
Production	8,700	8,700	8,700	7,000	9,000	7,000	8,400		8,400
MY Imports	317	100	317	1,000	100	1,200	600		600
TY Imports	317	100	317	1,000	100	1,200	600		600
TY Imp. from U.S.	21	8	21	0	10	0	0		0
Total Supply	10,285	9,808	10,285	9,284	10,236	9,484	9,459		9,484
MY Exports	101	72	101	25	100	0	50		0
TY Exports	101	72	101	25	100	0	50		0
Feed and Residual	4,400	4,200	4,400	4,400	4,200	4,500	4,400		4,500
FSI Consumption	4,500	4,400	4,500	4,400	4,500	4,500	4,500		4,500
Total Consumption	8,900	8,600	8,900	8,800	8,700	9,000	8,900		9,000
Ending Stocks	1,284	1,136	1,284	459	1,436	484	509		484
Total Distribution	10,285	9,808	10,285	9,284	10,236	9,484	9,459		9,484
Yield	3.	3.	2.7019	3.	3.	2.5926	3.		2.6667
TS=TD			0			0			0

Note: Data in both old post and new post columns are not official USDA data.

**PSD: RICE, MILLED**

Rice, Milled Indonesia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	12,170	12,170	12,170	12,000	12,020	12,100	12,200		12,100
Beginning Stocks	5,607	5,607	5,607	7,057	7,057	7,057	7,987		7,057
Milled Production	38,300	38,310	38,300	38,800	37,600	37,100	40,000		38,000
Rough Production	59,380	59,395	59,380	60,155	58,295	58,425	62,016		58,915
Milling Rate (.9999)	6,450	6,450	6,450	6,450	6,450	6,350	6,450		6,450
MY Imports	250	250	250	250	300	500	250		250
TY Imports	250	250	250	250	300	500	250		250
TY Imp. from U.S.	0	0	0	0	0	0	0		0
Total Supply	44,157	44,167	44,157	46,107	44,957	44,657	48,237		45,307
MY Exports	10	10	10	20	0	0	0		0
TY Exports	10	10	10	20	0	0	0		0
Consumption and Residual	37,090	37,100	37,090	38,100	37,400	37,600	39,500		38,150
Ending Stocks	7,057	7,057	7,057	7,987	7,557	7,057	8,737		7,157
Total Distribution	44,157	44,167	44,157	46,107	44,957	44,657	48,237		45,307
Yield (Rough)	5.	5.	4.8792	5.	5.	4.8285	5.		4.869
TS=TD			0			0			0

Note: Data in both old post and new post columns are not official USDA data.

**Author Defined:****CORN: AREA AND PRODUCTION BY REGION**

(Second Estimate Figures by Government of Indonesia 2010)

Harvested Area, Production, and Yield

Province	Harvested Area (Ha)	Production (MT)		Yield (100Kg/Ha)
		(Wet Basis)	(Dry Basis)	
North Sumatera	271,466	1,338,360	936,852	49.30
Lampung	432,403	2,072,800	1,450,960	47.94
<b>Sub Total: Sumatera</b>	<b>897,316</b>	<b>4,238,578</b>	<b>2,967,005</b>	<b>4.72</b>
West Java	141,072	837,190	586,033	59.34
Central Java	666,585	3,241,573	2,269,101	48.63
East Java	1,293,882	5,243,479	3,670,435	40.53
<b>Sub Total: Java</b>	<b>2,197,863</b>	<b>9,680,410</b>	<b>6,776,287</b>	<b>59.34</b>
East Nusa Tenggara	240,196	639,294	447,506	26.62
Sub Total: Bali & Nusa Tenggara	333,847	969,025	678,318	59.34
West Kalimantan	52,172	214,228	149,960	41.06
South Kalimantan	23,512	118,536	82,975	50.42
<b>Sub Total: Kalimantan</b>	<b>83,643</b>	<b>353,078</b>	<b>247,155</b>	<b>59.34</b>
North Sulawesi	133,936	489,141	342,399	36.52
South Sulawesi	301,479	1,380,557	966,390	45.79
Gorontalo	130,505	582,947	408,063	44.67
<b>Sub Total: Sulawesi</b>	<b>647,799</b>	<b>2,728,501</b>	<b>1,909,951</b>	<b>59.34</b>
<b>Other Provinces/Islands</b>	<b>23,626</b>	<b>46,945</b>	<b>32,862</b>	<b>59.34</b>
<b>TOTAL INDONESIA</b>	<b>4,160,659</b>	<b>17,629,129</b>	<b>12,340,390</b>	<b>59.34</b>

Source: Indonesian Central Bureau of Statistics (BPS).

## RICE: AREA AND PRODUCTION BY REGION

(Second Estimate Figures by Government of Indonesia 2010)

Harvested Area, Production, and Yield

Province	Harvested Area (Ha)	Production (MT)	Yield (Ton/Ha)
North Sumatera	740,642	3,514,928	4.75
South Sumatera	757,708	3,241,461	4.28
<b>Sub Total: Sumatera</b>	<b>3,292,964</b>	<b>14,837,990</b>	4.51
West Java	1,894,134	11,088,547	5.85
Central Java	1,779,396	10,087,282	5.67
East Java	1,859,699	11,242,904	6.05
<b>Sub Total: Java</b>	<b>6,048,447</b>	<b>35,149,427</b>	5.81
West Nusa Tenggara	364,851	1,740,315	4.77
<b>Sub Total: Bali &amp; Nusa Tenggara</b>	<b>694,385</b>	<b>3,166,074</b>	4.56
West Kalimantan	421,843	1,319,147	3.13
South Kalimantan	526,874	2,139,840	4.06
<b>Sub Total: Kalimantan</b>	<b>1,339,673</b>	<b>4,681,956</b>	3.49
Central Sulawesi	210,771	972,222	4.61
South Sulawesi	884,578	4,500,645	5.09
<b>Sub Total: Sulawesi</b>	<b>1,424,741</b>	<b>7,046,650</b>	4.95
<b>Other Provinces/Islands</b>	<b>70,739</b>	<b>268,667</b>	3.80
<b>TOTAL INDONESIA</b>	<b>12,870,949</b>	<b>65,150,764</b>	5.06

Source: Indonesian Central Bureau of Statistics (BPS)

## Rainfall Pattern at Selected Stations at Rice/Corn Producing Areas

(In millimeters, except where stated)

<b>JATIWANGI (WEST JAVA)</b>												
	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		493
2009	231	208	279	211	57	n/a	0	0	1	53	398	191
2010	231	332	492	278	385	161						
<b>TEGAL (CENTRAL JAVA)</b>												
	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		259
2009	140	169	112	60	161	n/a	0	1	20	8	92	57
2010	122	242	152	263	200	193						
<b>SURABAYA (EAST JAVA)</b>												
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
2007	108	494	293	193	40	75	4	0	0	12	62	173
2008	250	124	144	132	22	17	0	0	0	59		269
2009	357	124	204	164	256	n/a	0	0	0	0	25	166
2010	507	368	295	226	354	90						
<b>DENPASAR (BALI)</b>												
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
2007	209	165	354	310	18	22	2	40	1	78	76	567
2008	419	403	246	93	65	25	8	1	6	121		268
2009	442	403	172	59	49	n/a	23	1	32	14	28	257
2010	199	177	76	327	56	21						
<b>UJUNG PANDANG (SOUTH SULAWESI)</b>												
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
2007	821	618	49	138	107	124	9	18	26	28	166	854
2008	507	762	255	100	15	78	27	5	6	83		481
2009	617	762	196	158	132	n/a	32	1	81	32	151	370
2010	620	409	156	121	311	238						
<b>LAMPUNG</b>												
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
2007	358	59	59	305	-	122	86	20	18	26	73	431
2008	198	126	199	171	38	35	26	109	27	147		313
2009	233	126	218	143	94	n/a	15	58	21	152	176	102
2010	137	231	270	91	84	24						

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

Note: Exchange rate is IDR 8,965/USD1, as of August 2010.