

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

**Post:** Jakarta

### Rice and Corn Update

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Assuming that there will be no extreme weather event and significant pest outbreak, Post forecast that Indonesian rice and corn production to slightly increase to 39 million tons of milled rice equivalent and 8.4 million tons of corn. Due to sufficient supply from domestic production, GOI only allows imports of specific rice of around 250,000 tons per annum. In line with marginal increase in production, imports of corn in MY 2010/11 are forecast to decrease to 500,000 tons.

## **General Information:**

### **Production:**

#### **I. SITUATION AND OUTLOOK**

##### Production

##### Rice

According to Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG = Badan Meterologi, Klimatologi dan Geofisika), the El Nino effect to Indonesia continued at moderate level in February 2010. It was getting weaker in March 2010 and tends to become neutral in June 2010. Sea surface temperature in Indian Ocean especially at western part of Sumatra, southern West Java and Central Java is forecast to be below normal or at its normal level in August through October 2010. BMKG stated that 2010 dry season will arrive earlier than the normal 30 year average in 19.5 percent areas in Indonesia. In 50.5 percent and 30 percent area of Indonesia dry season will arrive at and later than its normal time. Approximately 68 percent of irrigated paddy fields and 61 percent of non irrigated fields will receive normal and above normal level of rainfall during the dry season of 2010 which normally occurs from April through October. Indonesian BMKG has not released its forecast on the start of 2010 rainy season which normally occurs from October through April.

Heavy rainfall in March 2010 occurred in West Java, a 17 percent contributor to Indonesian rice production. The above normal rainfall increased the water level at the major water reservoirs in West Java, namely Waduk Saguling, Cirata, and Jatiluhur. To prevent the water reservoirs from overcapacity, the authority had to open the gate and let the water flood the housing areas and paddy field for about one week. Nevertheless, since some of the paddy field just started the second planting season, when the flood was over, farmers at the impacted area managed to replant their field. West Java Provincial Food Crops Office reported that harvest failure is insignificant.

Post observation to the field showed that more and more farmers are switching from using IR64 seed to Ciherang. Ciherang is a high yielding variety commercialized in 2000 that has a potential yield of 5-8.5 tons per hectare and actual yield of 5.6-6.1 tons per hectare compared to IR64's actual yield of 4.1

– 5.6 tons per hectare. Ciherang is also more pest resistant compared to IR64 which was commercialized in 1986. Continuous farmer’s preference to use Ciherang or other high yielding variety such as Memberamo, Singkil, Sintanur or Way Apo Buru will increase overall productivity.

In April 9, 2010 GOI issued the Minister of Agriculture Decree No. 32/2010 increasing the maximum retail price of subsidized fertilizer by 30-45 percent. The decree is effective as of the stipulation date. There is a concern that the timing of the decision issued right at the beginning of the second planting season for paddy will add more burdens to farmers and discourage them from growing the crop. However, GOI expects that previous decision increasing the Government Purchasing Price (HPP = Harga Pembelian Pemerintah) of paddy and rice on December 29, 2009 (refer to ID1002) will still manage to provide reasonable margin for farmers. According to fertilizer producer and some farmers contacted by Post, sufficient stocks of fertilizer are available in the market.

#### New Maximum Retail Price of Subsidized Fertilizer

Based on Minister of Agriculture Decree No. 32/2010

Type of Fertilizer	Old		New		Percent Increase
	Rp. /Kg	\$/Ton	Rp./Kg	\$/Ton	%
Organic	500		700		40
ZA	1,050		1,400		33.33
SP-36	1,550		2,000		30
Urea	1,200		1,600		33.33
NPK	1,586 – 1,830		1,830		30 – 45

#### Ratio of Government Purchasing Price of Wet Paddy at Farmer Level and Maximum Retail Price of Urea

Year	Wet Paddy	Urea	Ratio
2004/2005*	1330	1150	1.16
2005/2006	1730	1200	1.44
2007	2000	1200	1.67
2008	2200	1200	1.83
2009	2300	1200	1.92
2010	2640	1600	1.65

Source: Indonesian Fertilizer Producers Association, Ministry of Agriculture, and Ministry of Trade. Figures are processed by FAS.

Indonesian farmers are price sensitive, but they tend to make their decision to grow food crops more on the availability of water. Farmers will continue growing rice as long as there is water. BMKG earlier forecast that 2010 dry season might started earlier in April 2010 has not materialized as there are still rains. Some larger parts of Java have started the second planting season of paddy while some other smaller parts of Java are still harvesting the first crop.

The Indonesian National Logistics (Bulog) targets to procure 3.2 million tons of milled rice equivalent from domestic production. Due to less storage capacity and strict enforcement of guidelines of the quality of rice and paddy that can be procured by Bulog, for the period of January to April 2010, Bulog has only procured a total of 516,676 tons of milled rice equivalent. This amount is significantly lower than 1,707,198 tons of milled rice equivalent procured at the same period last year. Besides the above factors, the quality of rice harvested during the rainy season is reportedly bad. The paddy has high moisture content, black color, chalky, and empty husk that made it difficult for Bulog to buy. However, Bulog will have to continue buying from farmers to meet the target in order to continue distributing the rice for the poor.

Given the above situation and assuming that no extreme weather condition or significant pest outbreak will occur in MY 2010/2011, Post revised MY 2009/2010 rice production to 38.68 million tons of milled rice equivalent and forecast that rice production in MY 2010/11 to slightly increase to 39 million tons of milled rice equivalent.

## Corn

If the 2010 rainy season started on time in October, the first and major corn planting season for MY 2010/11 will take place from November to February (49 percent). The second planting season takes place from March to June (37 percent). The last one occurs in July to September (14 percent). This would be different with what happened last year, when farmers started the first planting season of corn in November and December 2009. Post forecast that normal starts of rainy season will increase harvested areas of corn in MY 2010/11 to 3.15 million hectares. Combined with potential expansion areas of hybrid corn, this will lead to a slight increase of corn production to 8.4 million tons in MY 2010/11.

Regarding with transgenic commodity, local seed industry reported that Indonesia will start the limited field trial for Bt. corn in May 2010 for one season. After a result assessment of the limited field trial, it will be followed with an open field trial for two seasons. When the process is completed, it is expected

that Indonesia will commercialize Bt corn in 2012. The commercialization of Bt. corn will become one of many other tools to increase Indonesian corn production and supports the Indonesian food security strategy.

**Consumption:**

Rice

Lower quality of paddy harvested during the rainy season produces more broken rice that will go to rice millers who produce rice noodle or rice flour. On the other hand, there is more Indonesian population who previously consume sago or corn that are switching their diets to rice. These factors combined with population growth increases Indonesian rice that goes for consumption and residual uses in MY 2010/11 to 38.9 million tons milled rice equivalent. According to Indonesian Central Statistics Agency, Indonesian per capita rice consumption is 139 kg per capita per year.

Corn

Corn accounts for 50 percent of feed formulations. It is combined with soybean meal, poultry meat meal, meat and bone meal, fish meal, premixes, and other feed ingredients. Poultry industry consumes approximately 70 percent of the total feed consumed. Aquaculture consumes 11 percent and the balance of 6 percent is consumed by cattle and swine.

Feed production in MY 2010/11 is expected to continue growing and is estimated to consume 4.6 million tons of corn. On the other hand, the FSI will consume the same amount of corn of 4.5 million tons.

**Trade:**

Rice

Due to slower growth of Indonesia rice production it is highly unlikely that Indonesia will export rice for the MY 2009/10 as well as in MY 2010/11. Indonesia will focus to secure demand from domestic market. GOI currently only allows imports of specific rice for healthy diets and for restaurants that demand rice that cannot be produced domestically. The Ministry of Agriculture issues import recommendation for specific rice at around 250,000 tons per annum.

Corn

With the increase in production, Indonesian corn imports are forecast to go down to 500,000 tons in MY 2010/11. Besides Thailand, Brazil, and India, there is still potential for the United States to supply corn to Indonesia.

**Stocks:**

Corn

In line with the slight increase in corn production and consumption, and decrease in imports, MY

2010/11 corn ending stock is forecast to decline to 961,000 tons.

**Policy:**

Rice and Corn

As a strategy to strengthen Indonesian food security and to support regional food security, GOI has a plan to invest in infrastructure such as ports, electricity, and roads, in order to open a pilot project for food crops in Merauke. The project, called Merauke Integrated Food and Energy Estate (MIFEE) or by its popular name of “Merauke Food Estate”, is aimed to become the core project of developing the eastern part of Indonesia. Rice and corn will be the backbone commodity for the project. A total area of 1.2 hectares, out of which a total of 600,000 hectares claimed suitable for food crops, will be open there. Some private companies have shown interest to join the projects and GOI officials have made some actions and approached other trading partner countries to invest in the projects. The commodity produced will not only be marketed domestically but also focused for export. Although it sounds like a very ambitious project, GOI seems to focus to carry this out and even put it as one of the Indonesian president’s priority list.

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

PSD: Rice, Milled

Milled Rice, Indonesia	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
		Data			Data			Data	
Area Harvested	12,170	12,170	12,170	12,000	12,020	11,950		12,000	
Beginning Stocks	5,607	5,607	5,607	7,057	7,057	7,057		7,987	
Milled Production	38,300	38,310	38,310	38,800	37,600	38,680		39,000	
Rough Production	59,380	59,395	59,395	60,155	58,295	60,156		60,465	
Milling Rate (.9999)	6,450	6,450	6,450	6,450	6,450	6,430		6,450	
MY Imports	250	250	250	250	300	250		250	
TY Imports	250	250	250	250	300	250		250	
TY Imp. from U.S.	0	0	0	0	0	0		0	
Total Supply	44,157	44,167	44,167	46,107	44,957	45,987		47,237	
MY Exports	10	10	10	20	0	0		0	
TY Exports	10	10	10	20	0	0		0	
Consumption and Residual	37,090	37,100	37,100	37,600	37,400	38,000		38,900	
Ending Stocks	7,057	7,057	7,057	8,487	7,557	7,987		8,337	
Total Distribution	44,157	44,167	44,167	46,107	44,957	45,987		47,237	
Yield (Rough)	5.	5.	4.8804	5.	5.	5.0348		5.0388	

TS=TD			0			0			0
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Note: the last column of each Marketing Year is not official USDA data.

PSD: Corn

Corn	Indonesia	2008		2009			2010	
		2008/2009		2009/2010			2010/2011	
		Market Year Begin: Oct 2008		Market Year Begin: Oct 2009			Market Year Begin: Oct 2010	
		USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	Jan	
		Data			Data		Data	
Area Harvested		3,220	3,220	3,220	3,250	3,250	3,130	3,150
Beginning Stocks		1,268	1,268	1,268	1,318	1,136	1,311	1,211
Production		8,700	8,700	8,700	9,000	9,000	8,300	8,400
MY Imports		250	294	294	100	100	700	500
TY Imports		250	294	294	100	100	700	500
TY Imp. from U.S.		21	21	21	0	10	10	10
Total Supply		10,218	10,262	10,262	10,418	10,236	10,311	10,111
MY Exports		100	101	101	100	100	50	50
TY Exports		100	101	101	100	100	50	50
Feed and Residual		4,300	4,350	4,350	4,500	4,200	4,550	4,600
FSI Consumption		4,500	4,500	4,500	4,600	4,500	4,500	4,500
Total Consumption		8,800	8,850	8,850	9,100	8,700	9,050	9,100
Ending Stocks		1,318	1,311	1,311	1,218	1,436	1,211	961
Total Distribution		10,218	10,262	10,262	10,418	10,236	10,311	10,111
Yield		3.	2.7019	2.7019	3.	3.	2.6518	2.6667
TS=TD			0	0			0	0

Note: the last column of each Marketing Year is not official USDA data.

**Author Defined:**

Price

Rice

Currently, prices of wet paddy at farmer level in East Java ranges from Rp. 2,300/kg (\$255/ton) to Rp.

2,500/kg (\$277/ton) while in West Java ranges from Rp. 2,500/kg (\$277/ton) to Rp. 2,800/kg (\$310/ton). Price of medium quality rice in Cipinang rice whole sale market have slightly increased to Rp. 6,200/kg (\$686/ton) since April 13, 2010. Rice supply from major rice producing areas in Java to Cipinang rice whole sale market in April 2010 is 56,083 tons as of April 22, 2010.

### **Rainfall Pattern at Selected Station in Rice/Corn Producing Areas** (in millimeters, except where stated)

<b>JATIWANGI (WEST 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>
30 yr avg.	455	380	371	227	151	79	48	36	49	122	269	419
2000	311	146	263	209	138	39	1	11	0	12	n/a	117
2001	147	133	na	na	na	106	11	0	60	64	155	54
2002	252	na	101	207	21	48	11	0	0	0	180	113
2003	86	215	99	46	97	3	0	0	13	26	53	117
2004	485	215	388	99	55	24	17	0	10	5	210	166
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		493
2009	231	208	279	211	57	n/a	0	0	1	53	398	191
2010	231	332	492									

<b>TEGAL (CENTRAL 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>
30 yr avg.	356	335	250	117	116	70	55	36	26	55	112	236
2000	271	240	230	60	25	20	2	0	8	21	184	106
2001	232	253	163	223	27	30	55	1	12	35	292	160
2002	375	106	103	81	101	42	55	0	0	1	76	39
2003	306	424	251	100	24	17	0	1	7	51	32	151
2004	431	172	201	142	47	28	51	0	26	3	90	313
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		259
2009	140	169	112	60	161	n/a	0	1	20	8	92	57
2010	122	242	152									

<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>
30 yr avg.	310	255	237	145	94	51	23	15	22	45	126	231
2000	422	255	151	223	105	48	0	0	0	101	151	119
2001	231	204	552	232	77	149	91	0	0	91	120	419
2002	544	209	131	121	167	1	102	0	0	0	36	180
2003	543	402	275	103	117	52	0	0	0	0	178	142
2004	474	573	602	80	85	69	35	0	1	0	124	185
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		269
2009	357	124	204	164	256	n/a	0	0	0	0	25	166
2010	507	368	295									

**DENPASAR (BALI)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
30 yr avg.	345	274	234	88	83	53	56	25	48	63	179	276
2000	365	412	309	404	177	46	35	0	3	142	331	15
2001	574	209	169	57	5	34	11	1	2	95	29	329
2002	284	398	61	36	9	2	11	0	3	0	82	207
2003	627	214	39	155	72	8	4	10	97	6	142	380
2004	172	278	257	47	147	19	48	3	16	4	88	319
2005	280	96	170	177	16	27	2	60	1	199	120	295
2006	365	284	397	243	56	19	2	8	0	-	4	92
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									

**UJUNG PANDANG (SOUTH SULAWESI)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
30 yr avg.	734	533	391	235	127	66	66	15	32	83	273	549
2000	496	670	325	157	131	205	27	1	14	123	427	365
2001	724	851	682	218	97	53	0	0	20	216	346	995
2002	523	299	386	398	139	17	0	0	6	9	103	290
2003	586	586	293	172	157	18	13	14	20	25	266	656
2004	435	480	463	244	82	43	1	0	0	16	128	722
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		481
2009	617	762	196	158	132	n/a	32	1	81	32	151	370
2010	620	409	156									

**LAMPUNG**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
30 yr avg.	281	299	241	177	99	95	77	83	83	93	171	248
2000	201	267	141	128	14	63	72	107	25	118	124	79
2001	79	156	37	79	123	13	70	39	108	161	114	284
2002	293	26	550	150	49	14	70	2	0	0	31	131
2003	65	188	111	78	33	8	37	2	69	57	76	99
2004	224	258	167	240	92	71	78	10	15	42	8	249
2005	252	255	327	115	102	113	58	86	29	128	37	179
2006	267	194	158	174	55	91	54	0	0	-	15	257
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
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Source: BMKG

Note: Exchange rate is Rp. 9,037/US\$ 1 as of April 2010.