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GAIN Report

Global Agricultural Information Network

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Indonesia

Grain and Feed Annual

Grain and Feed Annual Report 2010

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Report Highlights:

For marketing year (MY) 2009/10, Post forecasts Indonesian wheat imports to increase by approximately seven percent to 5.56 million metric tons (MMT), up from 5.2 MMT in MY 2008/09. Also, Post forecasts that due to an estimated decrease in corn production in MY 2009/10, Indonesian corn imports will increase by an estimated 700 thousand metric tons (TMT) compared to previous MY of 294 TMT. Despite the delayed planting and harvesting period for the first crop cycle of rice, MY 2009/10 Indonesian rice production is expected to meet the demand. Therefore, to date, no imports of medium quality rice are allowed by the government of Indonesia (GOI) for the MY 2009/10.

Executive Summary:

SITUATION AND OUTLOOK

Indonesia weathered food, energy and global financial crisis reasonably well in 2008 and 2009. Strong macroeconomic fundamentals and a robust policy response enabled Indonesia to achieve real GDP growth of 6.2% (World Factbook). Real GDP growth was lower in 2009, at 4.4%. However, this level of growth was significantly stronger than most of Indonesia's neighbors. The government used fiscal stimulus measures and monetary policy to counter the effects of the crisis and offered cash transfers to poor families; in addition, campaign spending in advance of legislative and presidential elections in April and July helped buoy consumption. In 2010, the Indonesian economy is projected to grow by 5.5 percent due to relatively stable economic and political conditions.

Wheat

Indonesian imports of wheat in MY 2009/10 are estimated to increase by seven percent to 5.56 MMT, compared to the previous MY 2008/09 of 5.2 MMT. Several new flour millers and multinational food manufacturers are coming into the market. Although imports from the United States are estimated to slightly decline to 700 TMT, there is potential to regain most of this market share in MY 2010/11.

Corn

Indonesian production of corn in MY 2009/10 is estimated to decline by 4.6 percent to 8.3 MMT compared to the previous MY of 8.7 MMT. The decreased production figures are mainly due to decreased levels in planted and harvested areas. In line with the decline in production, imports of corn in MY 2009/10 are estimated to more than double to 700 TMT compared to the previous year's level of 294 MMT.

Rice

Despite the delayed planting and harvesting by almost 4-6 weeks across most of the main rice planting areas due to the moderate El Nino event that occurred during the first planting seasons of MY2009/10, Indonesia rice production will be sufficient to meet domestic demand. Harvest is currently on-going in major rice producing areas in Java. Post makes no changes to the PSD in previous Rice Update Report (ID1002).

Commodities:

Wheat

Consumption:

In MY 2009/10, Indonesian per capita wheat flour consumption is 18 kg per capita annually. Relatively stable economic conditions have provided the capability to some upper and middle class of Indonesians to diversify their diet. Instead of having three rice based meals everyday, they may now have bread for breakfast. Numbers of high end bakeries are continuously growing especially in Indonesian major cities such as Jakarta, Surabaya, Medan, and Bandung. Because the price of a pack of instant noodles is cheaper than rice, more middle and lower income segments of the population consume instant noodles. Therefore, the noodle industry is the fastest growing sector and contributes to 60 percent of overall Indonesian wheat flour consumption. Bakery and household use follows with 25 percent consumption share and biscuit industry takes the balance of 15 percent consumption share.

As a result, MY 2009/10 Indonesian wheat consumption is estimated to slightly increase to 5.4 MMT compared to previous MY 2008/09 of 5.35 MMT.

Trade:

Since the Indonesian monetary crisis in 1998 when there were only four wheat millers, currently there are 14 wheat millers operating in Indonesia with a total installed capacity of 7.9 MMT per year. Those wheat millers are running at 60 percent of the total installed capacity. This year, another three new wheat millers will begin operations with an estimated annual capacity of 1.5 MMT. Most of the new wheat millers will be located outside of Java.

The high demand for wheat flour and the cheaper price of wheat flour sold in Indonesia (when compared to other Asian countries) have motivated many multinational wheat flour based food manufacturers to start their operation in Indonesia.

Comparison of retail prices of wheat flour in South East Asia Countries
(In USD/Kg.)

Period	Low Protein				Medium Protein				High Protein			
	Phil.	Mal.	Ind.	Thai.	Phil.	Mal.	Ind.	Thai.	Phil.	Mal.	Ind.	Thai.
Jun 08	0.840	0.89	0.74	0.8	0.813	0.86	0.713	0.52	0.750	0.40*	0.734	0.94
Jul 08	0.852	0.89	0.74	0.8	0.825	0.85	0.714	0.62	0.761	0.40*	0.734	0.94
Aug 08	0.850	0.84	0.73	0.76	0.840	0.81	0.704	0.58	0.760	0.38*	0.725	0.92
Sep 08	0.818	0.82	0.676	0.68	0.818	0.79	0.652	0.54	0.750	0.37*	0.671	0.90
Oct 08	0.7835	0.82	0.601	0.64	0.784	0.78	0.580	0.51	0.718	0.37*	0.595	0.88
Oct 09	0.717	0.83	0.666	0.59	0.717	0.39*	0.648	0.53	0.633	0.765	0.635	0.80

Source: Indonesian Wheat Flour Producers Association (APTINDO).

Note:

Phil. : Philippines

Mal. : Malaysia

Ind. : Indonesia

Thai.: Thailand

* : subsidized by the government.

Indonesia signed an ASEAN – China Free Trade Agreement (ACFTA) in November 2002. The ACFTA required Indonesia to reduce or eliminate the import duties in three phases for three categories. The Early Harvest Program (EHP), which began on January 1, 2004, was gradually reduced to zero import duties by 2006. Agricultural commodities in this category include live animals, meat and meat products, fish, milk products, other animal based products, live trees, vegetables, fruits, and nuts. The second phase is for the category is for the commodities included in Normal Track 1 (NT1) and Normal Track 2 (NT2) which started in July 20, 2005 was gradually reduced to zero import duties on January 1, 2010 for NT1 and on January 2012 for NT2 products. The last phase is the reduction and elimination of import duties for Sensitive Track (ST) and Highly Sensitive Track (HST). For products under the HST category, the reduction of duties (0-20 percent) will commence in 2012 to and will become fully implemented in 2018.

Under ACFTA, Indonesia can export its wheat flour to ASEAN countries with zero percent duty and to China with 35 percent import duty. While wheat flour industry in China can export its products to Indonesia under the 5 percent Most Favored Nations

(MFN) duty. Nonetheless, the domestic wheat millers are relatively unconcerned about this agreement as the demand continues to grow.

The current, primary concern from the Indonesian wheat milling industry is the imported wheat flour coming out of Turkey, Sri Lanka and Australia. After several investigations, the Indonesian Anti-Dumping Commission found evidence that Turkey exports wheat flour to Indonesia at dumped prices. On December 2009, the Indonesian Minister of Trade recommended the Indonesian Minister of Finance to impose anti-dumping import duties on wheat flour from Turkey. However, the implementation of anti-dumping measures on Turkey remains incomplete.

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Based on the growing flour industry in Indonesia, Post estimates that MY 2009/10 Indonesian wheat imports will increase by seven percent to 5.56 MMT compared to the previous MY 2008/09 of 5.2 MMT. In MY 2008/09, due to its geographical proximity to Indonesia, Australia held the largest market share of imported wheat to Indonesia (45 percent), followed with Canada (16 percent) and the United States (14 percent). For MY 2008/09 wheat flour imports, Turkey held the largest market share (53 percent), followed by Belgium (15 percent), Sri Lanka (15 percent) and Australia (14 percent).

Policy:

The Indonesian Ministry of Agriculture (MOA) issued regulations No. 27/permentan/PP.340/5/2009 in May 2009, and No. 38/Permentan/PP.340/8/2009 in August 2009, requiring that food safety control over the imported and exported of fresh food of plant origin (FFPO) be carried out through:

- a. the recognition of the FFPO safety control system of the country of origin
- b. equivalence agreement between Indonesia with the FFPO country of origin or destination country.
- c. the recognition of the FFPO safety control at the production site; or
- d. the inspection of each country exporting FFPO.

The regulations were fully implemented by November 19, 2009.

Based on the requirements, the United States, as the country of origin, applied for the recognition of its FFPO safety control system on August 13, 2009.

Grains affected include barley, wheat, oats, rice, maize, rye and sorghum. For more detailed information, contact the U.S. Agricultural Affairs Office in Jakarta at: agjakarta@fas.usda.gov.

Production, Supply and Demand Data Statistics:

PSD: WHEAT

Wheat Indonesia		2008			2009			2010		
		2008/2009			2009/2010			2010/2011		
		Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
		USDA Official Data	New Post	Data	USDA Official Data	New Post	Data	USDA Official Data	Jan Data	
Area Harvested		0	0	0	0	0	0		0	
Beginning Stocks		1,179	749	749	1,208	419	419		344	
Production		0	0	0	0	0	0		0	
MY Imports		5,423	5,200	5,200	5,500	5,500	5,560		5,900	
TY Imports		5,423	5,200	5,200	5,500	5,500	5,560		5,900	
TY Imp. from U.S.		739	750	738	0	750	700		770	
Total Supply		6,602	5,949	5,949	6,708	5,919	5,979		6,244	
MY Exports		144	130	130	150	100	150		150	
TY Exports		144	130	130	150	100	150		150	
Feed and Residual		50	50	50	50	50	50		50	
FSI Consumption		5,200	5,350	5,350	5,300	5,400	5,435		5,515	
Total Consumption		5,250	5,400	5,400	5,350	5,450	5,485		5,565	
Ending Stocks		1,208	419	419	1,208	369	344		529	
Total Distribution		6,602	5,949	5,949	6,708	5,919	5,979		6,244	
Yield		0.	0.	0.	0.	0.	0.		0.	

Note: Figures in the last column of each marketing year are not USDA official data.

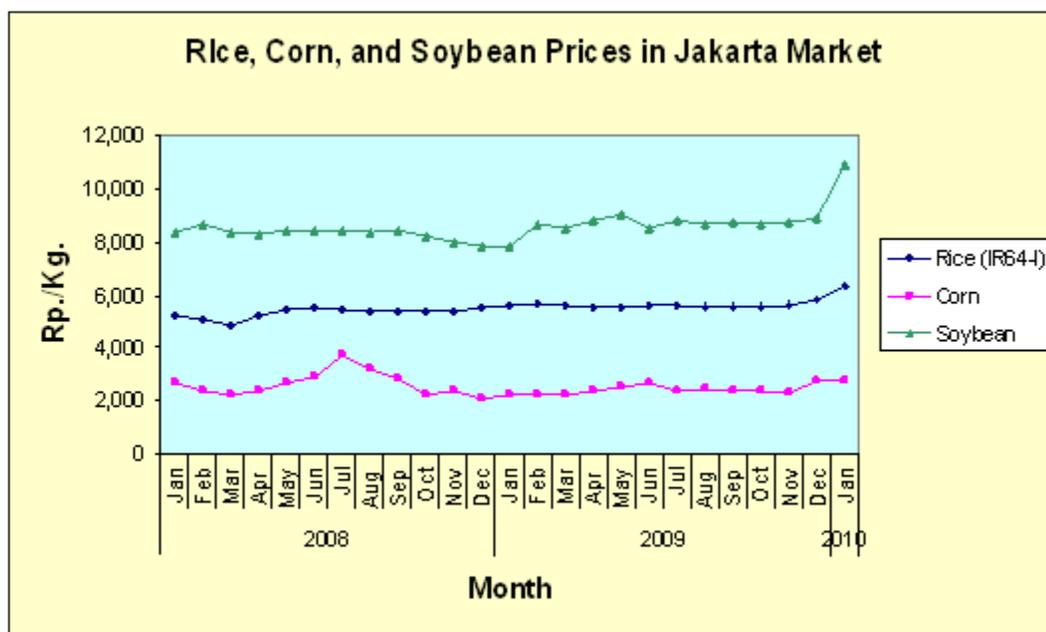
Commodities:

Corn

Production:

On March 1, 2010, Indonesian Statistics Agency (BPS) released its production forecast figures, which increased the CY 2010 Indonesian corn production forecast estimates by 2.8 percent to 18.1 MMT. BPS made the increase due to the forecasted increases in harvested areas and yield. The first and largest Indonesian corn planting season normally takes place from November to February, which accounts for roughly half of total yield. The second planting season takes place from March to June, which accounts for roughly 35 percent of total yield. The final season occurs in July to September, accounting for the remaining 14 percent of total yields.

Recently, Post conducted field observation to East Java, a major Indonesian corn production area, and discovered that total corn production area is not as large as during the same period last year. This may be partially due to the light El Nino event that evidently delayed the first planting season of both corn and rice by an average of one to two months. The price of hybrid corn seed also increased, which may also play a role in farmers' decision to plant less corn this year. Currently, prices of hybrid corn seed ranges from Rp. 51,000/kg (\$5,581/ton) to Rp. 55,000/kg (\$6,019/ton) compared to Rp. 38,000/kg (\$4,158/ton) to Rp. 43,000/kg (\$4,706 /ton) in 2009. This factor combined with lower price of corn compared to the other food crops such as rice which price is guaranteed by government, and soybean have discouraged farmers from growing corn.



Source: Cipinang Rice Market, Center for Market Information Ministry of Trade, and traders.

There is no area expansion of hybrid corn seed. During MY 2009/10 total area grown with hybrid corn is estimated to remain stable at 1.2 million hectares. The Indonesian government continues its free seed program. For CY 2010, the Indonesian Ministry of Agriculture will give free hybrid corn seed for a total area of 300,000 ha compared to 400,000 ha in previous year. However, the seed used are apparently of lower quality than the commercial one that reduced the average yield to 4.5 tons/hectare. Most of Indonesian corn farmers still use composite seed with an average yield of 2.75 tons/hectare. There are no transgenic seed products approved for release in Indonesia at this time. However, it's reported the RR corn seed, which has passed the bio-safety assessment process, is being assessed for its food safety.

Given the above situation, Post estimate that Indonesian corn production in MY 2009/10 will decline by 4.6 percent to 8.3 MMT compared to 8.7 MMT in previous MY.

Consumption:

The Indonesian feed industry is optimistic about 2010. With a total installed capacity of 14 MMT annually, this industry is estimated to grow by eight percent, provided that the economic and political situation remains stable, there are no significant outbreak of poultry diseases, and the Indonesian rupiah remains stable against the U.S. dollar. Three new feed millers are coming to the market and will be located in the provinces of Banten, East Java, and West Java. The existing feed millers are running at 60 percent of the total installed capacity.

Corn accounts for 50 percent of feed formulations. It is combined with soybean meal, poultry meal, meat and bone meal, fish meal, premixes, and other feed ingredients. The poultry industry consumes approximately 83 percent of the total feed consumed. Aquaculture consumes 11 percent and the balance of 6 percent is consumed by cattle and swine.

Corn based snack food, such as cup steamed corn topped with sweetened condensed milk, cheese, butter, or chilli sauce are available at malls and shopping centers throughout Indonesia's major cities. Currently only three major corn dry mills are available in Indonesia. In 2010, a new wet corn mill is expected to become operational and will have a total capacity of 1,000 tons per day. The new wet mill will produce corn-based food products such as corn syrup, multidextrin, corn oil and corn starch for the export market. It will source raw materials from imports and could potentially be a good customer for U.S. origin corn.

Because there have not been any recent, significant outbreak of Avian Influenza reported in Indonesia, MY2009/10 corn consumption by the feed industry is estimated to increase to 4.55 MMT compared to 4.35 MMT in MY 2008/09.

Trade:

In line with the decrease of Indonesian corn production, MY 2009/10 Indonesian corn imports are estimated to increase to 700 TMT compared to 294 TMT in MY 2008/09. Traders reported that up to March 2010 a total of 300,000 tons of corn has been committed to be imported to Indonesia. In MY 2008/09, Thailand continued to be the largest supplier of corn to Indonesia with 53 percent market share, followed by India, the United States, and Brazil with 25 percent, 8 percent, and 7 percent market share respectively.

Low prices of soybean meal in international market and low freight rate for container shipments in 2009 have boosted imports of DDGS to Indonesia. According to data from Global Trade Atlas, in CY 2009 Indonesia imported approximately 145,443 tons of DDGS, increased from 73,123 tons imported in the previous year. Almost 100 percent of the imported DDGS was supplied by the United States. An increase in exports of U.S. DDGS into Indonesia is hindered by the 5 percent import duty imposed on DDGS which is the same as the duty imposed on corn, causing the landed price of U.S. DDGS to be uncompetitive when compared to the price of corn.

Production, Supply and Demand Data Statistics:

PSD: CORN

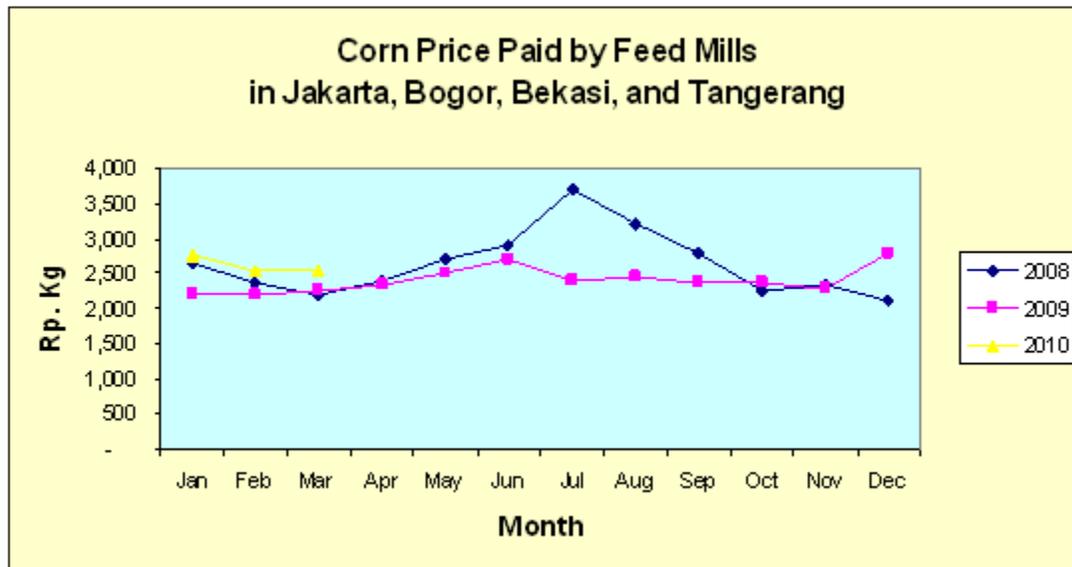
Corn Indonesia		2008			2009			2010	
		2008/2009			2009/2010			2010/2011	
		Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010	
		USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data	Jan
		Data			Data			Data	
Area Harvested		3,220	3,220	3,220	3,250	3,250	3,130		3,150
Beginning Stocks		1,268	1,008	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	100	294	100	100	700		500
TY Imports		250	100	294	100	100	700		500
TY Imp. from U.S.		21	8	21	0	10	10		10
Total Supply		10,218	9,808	10,262	10,418	10,236	10,311		10,111
MY Exports		100	72	101	100	100	50		50
TY Exports		100	72	101	100	100	50		50
Feed and Residual		4,300	4,200	4,350	4,500	4,200	4,550		4,600
FSI Consumption		4,500	4,400	4,500	4,600	4,500	4,500		4,500
Total Consumption		8,800	8,600	8,850	9,100	8,700	9,050		9,100
Ending Stocks		1,318	1,136	1,311	1,218	1,436	1,211		961
Total Distribution		10,218	9,808	10,262	10,418	10,236	10,311		10,111
Yield		3.	3.	2.7019	3.	3.	2.6518		2.6667

Note: Figures in the last column of each marketing year are not USDA official data.

Author Defined:

Prices

The following chart shows the movement of corn price paid by feed mill in Jakarta market.



Source: Various (ASA, traders, and seed companies).

Even though there is not much corn in the market during the off-season period, no significant jumps of corn prices have occurred, as imported corn has filled the demand. The price of imported corn is competitive to the local corn price. In February 2010, the price of imported corn from the United States ranged from Rp. 2,450/kg (\$268/ton) to Rp. 2,500/kg (\$274/ton) compared to local corn price that ranged from Rp. 2,450/kg (\$268/ton) to Rp. 2,600/kg (\$285/ton).

Agricultural Inputs

For the CY 2010, the GOI allocated Rp. 11.3 trillion (\$1.24 million) for fertilizer subsidy lower than Rp. 17.5 trillion (\$1.9 million) in CY 2009. As a consequence of the reduced fertilizer subsidy, GOI may increase the maximum retail price of fertilizer starting in April 2010. However, no decisions have been made yet. GOI also allocated a total amount of Rp. 1.6 trillion (\$175,000) for seed subsidy for CY 2010.

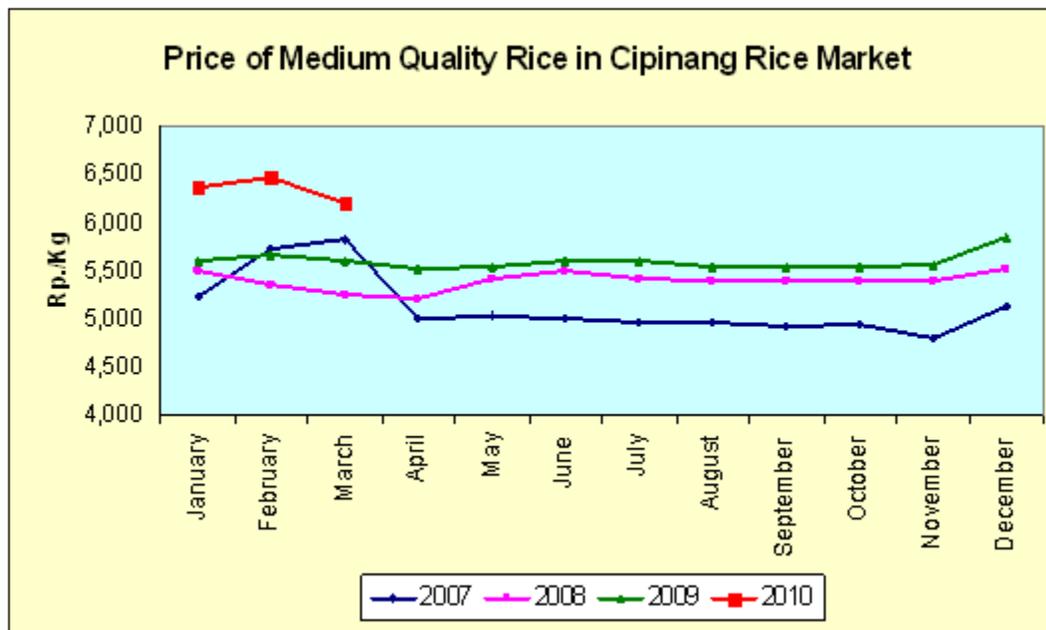
Commodities:

Rice, Milled

Production:

On March 1, 2010, the Indonesian Statistics Agency released its first forecast for 2010 Indonesian rice production (Aram I). The agency forecasts that Indonesian rice production will increase by 0.88 percent due to area expansion and higher yield. Post considers no need to make any adjustment to the previous PSD (ID1002). Currently, first harvests of rice are going on in most areas in Java and reportedly the price of wet paddy is declining. The price of wet paddy at farmer level in West Java ranges from Rp. 2,500/kg (\$274/ton) to Rp. 2,900/kg (\$317/ton), in Central Java ranges from Rp. 2,350 (\$257/ton) to Rp. 2,400/kg (\$263/ton) and in East Java ranges from Rp. 2,450/kg (\$268/ton) to Rp. 2,525/kg (\$276/ton).

Supply of rice from major rice producing areas in Java to Cipinang rice wholesale market in Jakarta is increasing to 76,659 tons in March 2010 from 49,963 tons in February 2010. The price of medium quality rice at Cipinang whole sale market is also declining to Rp. 6,100/kg (\$668/ton) compared to the average price of Rp. 6,355/kg (\$695/ton) in January 2010.



Source: Cipinang Rice Wholesale Market.

The GOI will continue the free seed program for paddy rice. For MY 2010, GOI allocated free seed of paddy for a total area of 2.5 million ha, including 200,000 ha of hybrid paddy seed.

Author Defined:

Rice Production: Area & Production by Region

First Estimate Figures by the Government of Indonesia for 2010

Province	Harvested Area (Ha)	Production (MT)	Yield (100Kg/Ha)
North Sumatera	770,677	3,601,939	46.74
South Sumatera	785,959	3,314,992	42.18
Sub Total: Sumatera	3,368,936	14,999,189	40.03
West Java	1,897,806	10,933,982	57.61
Central Java	1,791,951	10,127,097	56.51
East Java	1,840,549	11,315,127	61.48
Sub Total: Java	6,039,392	35,018,342	45.68
West Nusa Tenggara	336,030	1,677,841	49.93
Sub Total: Bali & Nusa Tenggara	675,387	3,129,145	45.8
West Kalimantan	431,166	1,359,718	31.54
South Kalimantan	516,539	2,067,904	40.03
Sub Total: Kalimantan	1,331,167	4,652,168	44.04
Central Sulawesi	212,421	966,040	45.48
South Sulawesi	851,770	4,262,077	50.04
Sub Total: Sulawesi	1,401,066	6,813,473	44.73
Other Provinces/Islands	75,801	285,383	43.92
TOTAL INDONESIA	12,878,039	64,329,329	49.95

Source: BPS.

Note: GOI First Estimate.

Corn Production: Area & Production by Region
 First Estimate Figures by the Government of Indonesia for 2010

Province	Harvested Area (Ha)	Production (MT)		Yield (100Kg/Ha)
		(Wet Basis)	(Dry Basis)	
North Sumatera	265,587	1,282,974	898,082	48.31
Lampung	432,760	2,061,377	1,442,964	47.63
Sub Total: Sumatera	904,551	4,205,629	2,943,940	37.03
West Java	135,551	800,363	560,254	59.05
Central Java	681,781	3,311,596	2,318,117	48.57
East Java	1,300,551	5,229,478	3,660,635	40.21
Sub Total: Java	2,204,983	9,673,462	6,771,423	38.03
East Nusa Tenggara	263,458	702,387	491,671	26.66
Sub Total: Bali & Nusa Tenggara	353,705	1,022,966	716,076	37.06
West Kalimantan	41,070	170,028	119,020	41.40
South Kalimantan	23,519	116,908	81,836	49.71
Sub Total: Kalimantan	73,100	308,588	216,012	36.88
North Sulawesi	133,991	488,859	342,201	36.48
South Sulawesi	302,394	1,414,208	989,946	46.77
Gorontalo	143,237	665,113	465,579	46.43
Sub Total: Sulawesi	664,608	2,857,824	2,000,477	37.46
Other Provinces/Islands	23,589	46,696	32,687	35.51
TOTAL INDONESIA	4,224,536	18,115,165	12,680,616	42.88

Source: BPS.

Note: GOI First Estimate.

Note: Exchange rate is Rp. 9138/USD 1, as of March 25, 2010.

Attachment	Attachment Link
CORN10.xls	Download
WHEAT10.xls	Download

