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Report Highlights:

Economic slowdowns in Indonesia's export destination countries negatively affected its imports and consumption of wheat. Wheat imports for 2022/23 are revised down to 9.446 million metric tons (MMT) from the previous estimate of 9.526 MMT, reflecting slower demand from both domestic and export markets. Total 2022/23 wheat consumption is estimated to decline to 9.6 MMT of wheat equivalent from 10.5 MMT the previous marketing year. As for rice, due to prolonged, El Nino-induced dryness, Indonesian 2022/23 paddy production is revised down to 53.1 MMT from the previous estimate of 53.5 MMT. Anticipating price fluctuations in 2023/24, the Government of Indonesia assigned state-owned enterprise BULOG to import another 1.5 MMT of rice to be carried out in 2024.

Glossary:

NFA	: National Food Agency
BMKG	: Indonesian Meteorology, Climatology, and Geophysics Agency
BI	: Bank of Indonesia
BPS	: Indonesian Statistics Agency
BULOG	: Indonesian National Logistics Agency
GOI	: Government of Indonesia
MPW	: Ministry of Public Works
IDR	: Indonesian Rupiah
SPHP	: Stabilization of Rice Supply and Price
KPM	: Beneficiary Families

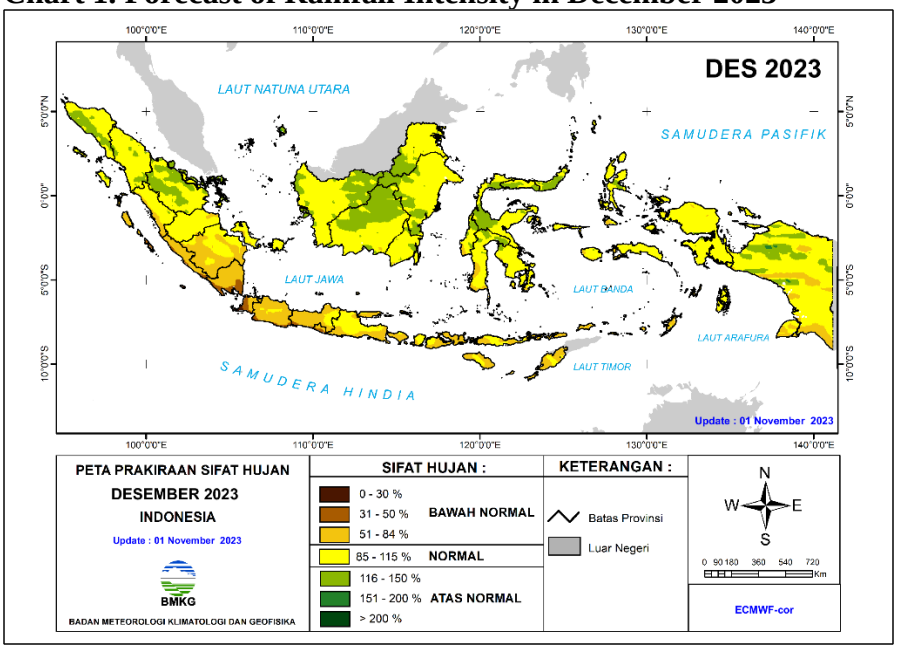
SECTION I. SITUATION AND OUTLOOK

During 2020, 2021 and 2022, Indonesia experienced a dry season marked by the La Nina phenomenon, which in turn produced high rainfall. However, currently, ongoing El Nino conditions are causing increased drought in several regions in Indonesia. Another impact of El Nino is an increase in sea surface temperatures in the Indian Ocean, especially in eastern Africa, which causes more rain clouds to form in that region than in Indonesia. As a result, rainfall in Indonesia has been minimal. Although the effect of El Nino is still quite strong, the Indonesian Meteorology, Climatology and Geophysics Agency (*BMKG, Badan Meteorologi, Klimatologi, dan Geofisika*) predicts that this phenomenon will weaken and end in early 2024.

On September 28, 2023, BMKG reported that 68.24 percent of Indonesian areas are predicted to experience the onset of the 2023/24 rainy season from October to December 2023. When compared to the normal start of the rainy season, the start of the 2023/2024 rainy season is predicted to be late in 63.81 percent of Indonesia, normal in in 8.01 percent of area, and earlier than normal in 3.15 percent of area. As for rainfall, during the 2023/24 rainy season, 80.97 percent of area is predicted to experience normal rainfall, while 9.16 percent of area is predicted to experience lower than normal rainfall, and 9.87 percent of area is predicted to experience above normal rainfall. The peak of the 2023/2024 rainy season in most parts of Indonesia is predicted to occur from January to February 2024.

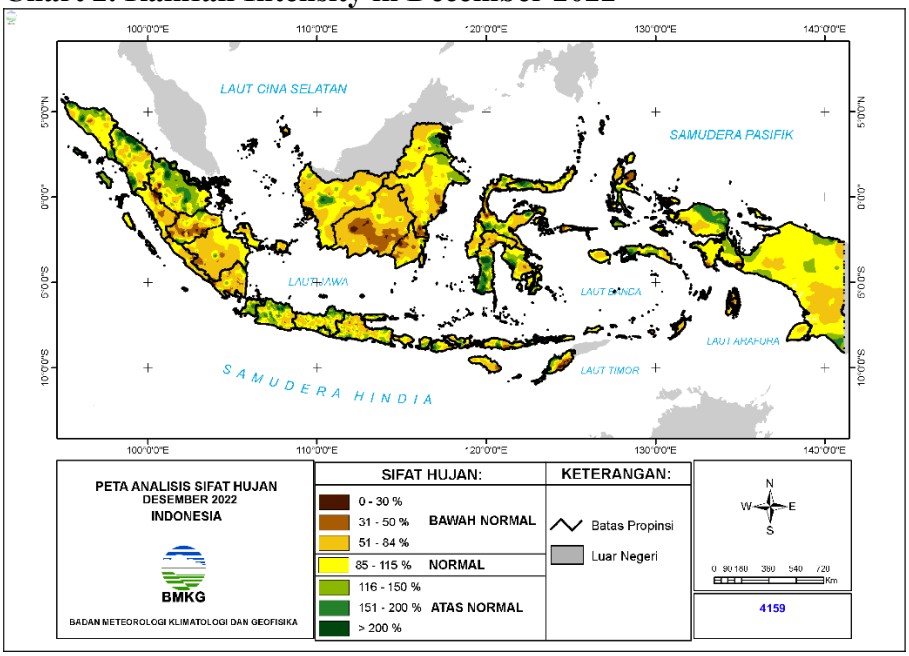
The dryer and earlier dry season due to El Nino in 2023 provides more opportunities for farmers, especially those in lowland areas, to switch to growing corn which requires less water than paddy. Farmers on the upland rain-fed areas are likely to leave their fields barren during the third crop cycle as water becomes more limited.

Chart 1. Forecast of Rainfall Intensity in December 2023



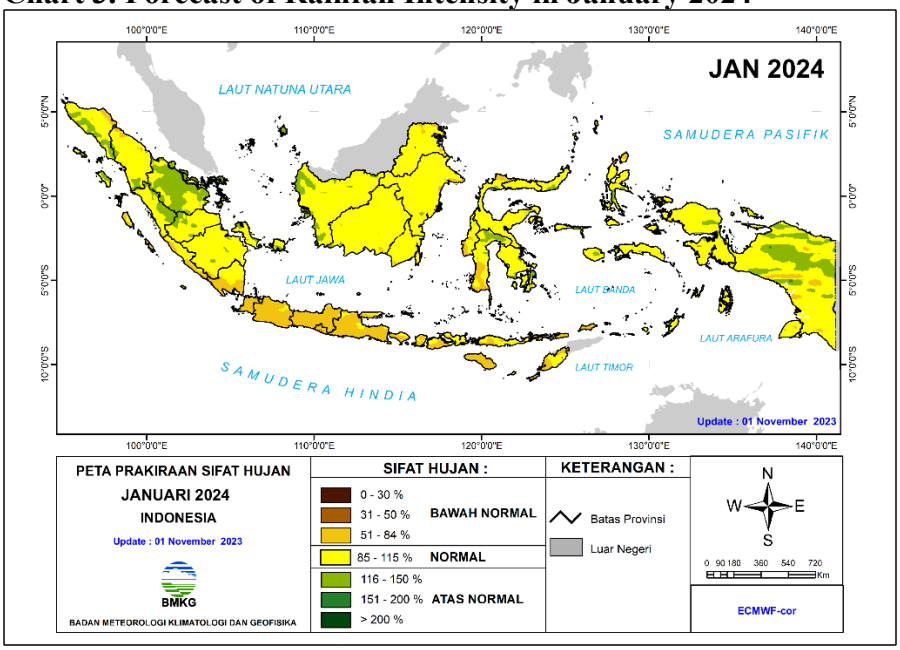
Source: Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG)

Chart 2. Rainfall Intensity in December 2022



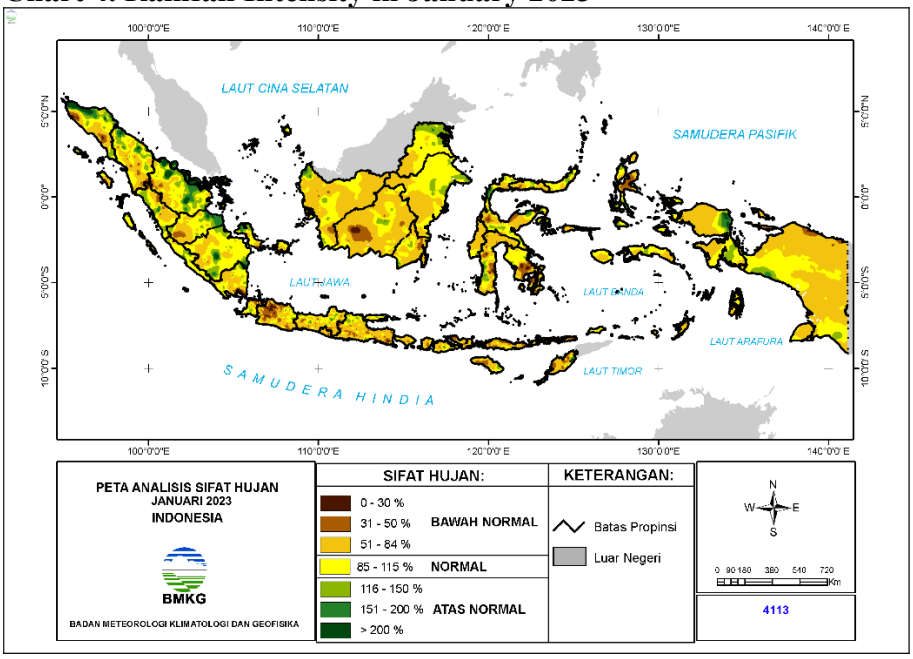
Source: Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG)

Chart 3. Forecast of Rainfall Intensity in January 2024



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

Chart 4. Rainfall Intensity in January 2023



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

According to the Indonesian Ministry of Public Works (MPW), approximately 60 percent of Indonesian harvested rice area is irrigated, while the remaining 40 percent is rain fed. With the ongoing El Nino-induced dryness, farmers will be more reliant on the availability of water from reservoirs. Currently, major reservoirs in Java report normal levels of water elevation. The water volume is expected to be able to supply water for paddy fields close to the reservoirs during the second and third crop cycle.

Table 1. Water Elevation at West Java Water Reservoirs, November 27, 2023.

No.	Reservoir	Reservoir Volume (Million m^3)	Elevation and Volume				Condition
			Target		Observed		
			Elevation (m)	Volume (Million m^3)	Elevation (m)	Volume (Million m^3)	
1	Jatiluhur	1325.40	95.10	447.62	88.32	n/a	Normal
2	Cirata	668.12	210.61	201.23	207.83	n/a	Normal
3	Saguling	530.75	633.08	159.48	628	n/a	Normal

Source: Indonesian Min. of Public Works, (November 27, 2023), processed by FAS/Jakarta.

The global economic slowdown experienced by Indonesia's main export destination countries such as European countries and the United States is negatively affecting Indonesian export-oriented manufacturers. Weakened demand subsequently caused massive layoffs in the labor-intensive manufacturing sector such as the footwear and textile industries. The situation contributed to depressed Indonesian consumer purchasing power indicated by declining inflation rates.

Chart 5. Indonesian Inflation Rate

Source: Bank Indonesia

SUMMARY

Wheat

Wheat imports for 2023/24 are forecast to increase by 11.2 percent to 10.5 million metric tons (MMT) from 9.446 MMT imported in 2022/23, assuming an improved global economy and population growth, as well as in anticipation of the upcoming Indonesian general election in 2024. Wheat consumption by feed mills in 2023/24 is also forecast to increase by 0.2 percent to 1.2 MMT from 1.1 MMT consumed in 2022/23.

Corn

There are no changes to corn. See previous update.

Rice

Post revises down 2022/23 paddy harvested area to 11.2 million hectares from the previous estimate of 11.55 million hectares as the effects of El Nino have proven to be stronger than initially anticipated, leading to more farmers switching to growing corn over paddy or leaving the land barren. As El Nino is expected to continue into February 2024, the impact will likely hinder the growth of harvested area to 11.3 million hectares in 2023/24. Lower stocks in the market as well as rising wholesale premium rice prices have driven the Government of Indonesia (GOI) to secure more rice from international markets. Therefore, Post estimates that with the highly anticipated procurement of rice by the national logistics agency (BULOG), imports of rice in 2022/23 will reach a total of 2.8 MMT. In line with predicted production increases, imports in 2023/24 are forecast to be lower at 2.0 MMT, driven by BULOG imports.

WHEAT

Production

Indonesia does not produce wheat domestically and is fully reliant on wheat imports to fulfill demand for wheat flour-based food and as an ingredient for poultry, aquaculture, and livestock feed.

Trade

The global economic slowdown that lead to lower demand from Indonesia's export destination countries combined with depressed purchasing power in the domestic market continues to push down on demand for wheat products. Additionally, increased interest rates weakened the Indonesian rupiah against the U.S. dollar. Therefore, Indonesia wheat imports in 2022/23 are revised down to 9.446 MMT, down almost 16 percent from 11.229 MMT imported in 2021/22. Assuming improved global economic conditions and improved domestic demand from the upcoming election as well as population growth, imports of wheat in 2023/24 are forecast to increase to 10.5 MMT.

During the period of July 2022 to June 2023, Indonesia imported a total of 9.4 MMT of wheat, a decline of 16.01 percent compared to the same period of 2021/22. Australia was the largest wheat supplier to Indonesia, with 48.2 percent market share, followed by Canada (21.1 percent), and Brazil (9.4 percent). The United States accounted for just 4.6 percent market share due to U.S. wheat's premium prices over other suppliers. Despite forecasted El Nino-induced production declines, Indonesian flour mills will still prefer to source imports from Australia due to its closer proximity to Indonesia. Indonesia may also find Brazil to be another promising supplier as Brazil is forecast to have a record high wheat production in 2023/24.

Domestic flour continues to dominate the local market with a 99.9 percent market share. In line with lower domestic production, wheat flour imports in 2022/23 are estimated to decline by 14.8 percent to 59,200 MT of wheat equivalent during the period of July 2022 to June 2023 compared to 69,475 MT of wheat equivalent imported during the same period of 2021/22. Turkey dominates the market with 65.2 percent market share followed by India and Vietnam with 11.0 percent and 10.2 percent market share respectively.

Consumption

Indonesia's trends towards urbanization and a growing middle class continue, and high prices of domestically produced rice, outside of the main harvest time, will drive up the consumption of wheat-based foods. However, depressed consumer purchasing power have led to hindered growth of demand as reflected by stagnant retail prices of wheat flour. NFA reported that the retail price of wheat flour in November 2023 is recorded at IDR11,090 ($711/MT) a slight increase of 0.2 percent from IDR11,070/kg ($710/MT) in June 2023.

Despite the Ministry of Industry (MOI)'s estimate that the food and beverage industry will grow by 5-7 percent this year, industry associations reported that consumers are minimizing spending and increasing their saving, slowing down consumption during the second half of 2023. Based on the abovementioned factors, Post estimates that total food consumption will decrease by 3.4 percent to 8.5 MMT of wheat equivalent in 2022/23. Indonesia is facing an election year in 2024, which is expected to drive up demand for wheat flour-based food products as there will more gatherings and campaign events where boxed snacks will be served. Therefore, combined with population growth, 2023/24 wheat consumption for food is forecast to increase marginally to 8.6 MMT of wheat equivalent.

Wheat is also largely consumed in Indonesia as a feed ingredient. Approximately 90 percent of Indonesian feed production is for poultry. The poultry association reported that imports of Grand Parent Stock (GPS) in 2022 increased to 659,100 heads from 624,000 heads in 2021. Imports of GPS will have an impact on the production of Day Old Chicks (DOC) Final Stock (FS) on the second year of imports. Therefore, the increased imports GPS in 2022 will increase poultry population in 2024. Day Old Chick production is estimated to increase to 3.73 million heads in 2024 from 3.08 million heads in 2023. In line with the forecast increase of DOC production and expected demand increase from the upcoming general elections, the feed mills association forecast that feed production in 2024 will increase by 5 percent to 22.4 MMT from 21.3 MMT produced in 2023. As feed mills continue to include wheat as one of the energy sources in feed formulation, wheat consumption for feed in 2024 is also forecast to increase to 1.2 MMT compared to 1.1 MMT in 2023.

Stocks

Due to lower imports, 2022/23 ending stocks are revised down to 1.173 MMT of wheat equivalent from the previous estimate of 1.253 MMT. Despite lower beginning stocks, higher imports are forecast to increase 2023/24 ending stocks 1.523 MMT of wheat equivalent.

Policy

On October 11, 2023, the Indonesian Agricultural Quarantine Agency (IAQA) stipulated a letter number B-2127/KR.020/K.3/10/2023 on new wheat import procedures. The letter stated that:

1. Indonesia is importing wheat from Argentina, Australia, Bulgaria, Canada, Denmark, France, India, Lithuania, Moldova, Pakistan, Russia, South Korea, Ukraine, the United States, and Paraguay.
2. Based on risk analysis results and evaluations on the importation of wheat from the above countries, it is noted that wheat grains pose a high potential to become carriers of fungi and insects, i.e. *Tilletia spp., Sitophilus granaries, and Trogoderma granarium*.
3. In order to manage risks regarding imports of wheat grain, the import of wheat grain must be carried out by importers who have production facilities to ensure the prevention of the entry and spread of quarantine plant pest organisms (OPTK, *Organisme Pengganggu Tanaman Karantina*) that have the potential to be carried on wheat grain:
   a. Heat treatment at 80 centigrade to free wheat grains from Tiletia spp.
   b. The company has procedures for unloading and transporting wheat grains that ensure that the wheat grains are not scattered, including using a conveyor belt or packing them in plastic jumbo bags or bulk in containers.
4. Related to no.3:
   a. Head of the Quarantine Technical Implementation Unit must inform IAQA of the list of wheat grains importers designated as a Plant Quarantine Installation (IKT) to be included in the list of wheat seed importers into Indonesian territory.
   b. Inform wheat grain importers who have not been designated as IKT to submit an application for IKT determination online to the Indonesian Quarantine Agency by paying attention to point 3.
   c. Carrying out quarantine measures and monitoring the import of wheat grain into Indonesian territory in accordance with the phytosanitary requirements for the import of wheat grain as attached.

The letter also stated that the production area of wheat intended for export into Indonesia shall implement Good Agricultural Practices (GAP), including monitoring and investigation of pest and diseases of concern to Indonesia and necessary chemical and biological control measures. The wheat production area must be registered by the competent authority in the exporting countries. The registration information shall include the name, identification code, and address of the production field to trace back in the case of non -compliance. Wheat imported into Indonesia must fulfill the requirements on Indonesian food safety regulation of Fresh Food of Plant Origin (FFPO).

RICE, MILLED

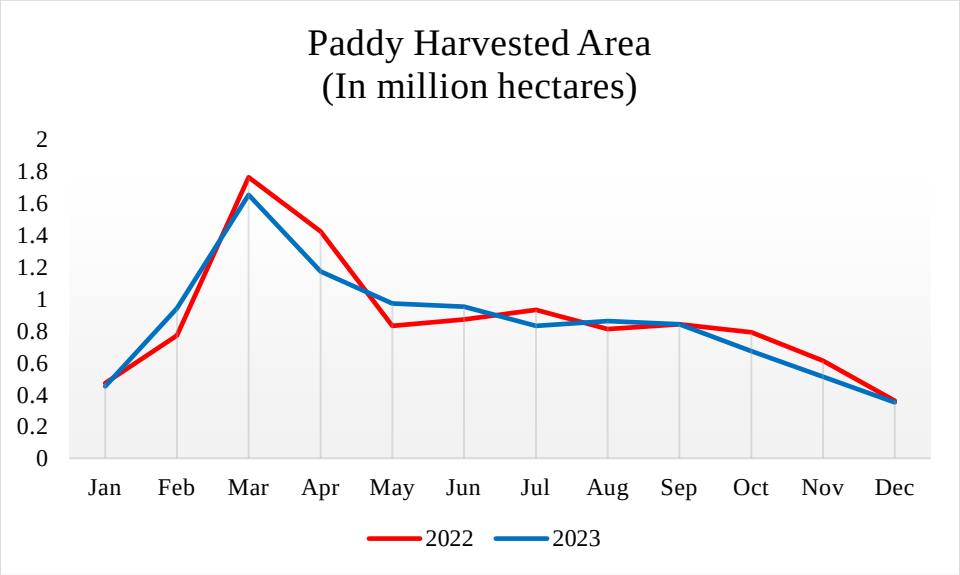
Production

The tropical climate of Indonesia is favorable for growing multiple crops in the same plot of land within the same year. Cropping systems are diverse, including different ecosystems (upland, lowland), and sources of water (rain-fed and irrigated). Approximately 85 percent of rice production comes from irrigated paddy fields. Typically, irrigated farms are planted with paddy

during the first and second crop cycles (October – February and March – June) and followed by paddy or secondary crops such as corn, mung bean, soybean, peanut, or sweet potato during the third crop cycle (July – October). Rice production from the first crop cycle makes up 50-55 percent of total national rice production, while the second and third crop cycle make up 30-35 percent and 15-20 percent respectively.

The earlier onset of the dry season and dryer weather caused by El Nino have resulted in a reduced paddy harvested area and production in 2022/23. In early November 2023, the Indonesian Statistics Agency (BPS) reported that based on the realization of harvested area from January to November 2023 and estimated harvested area in December 2023, paddy harvested area is estimated to have decreased by 2.58 percent to 10.19 million hectares in 2022/23 from 10.46 million hectares in 2021/22. In line with the decline in harvested area, 2022/23 paddy production is also estimated to decrease by 2.05 percent to 53.63 MMT compared to 2021/22 of 54.75 MMT.

Chart 6. Paddy Harvest Pattern



Source: BPS, October 2023

As mentioned above, most of Indonesian areas will experience late onset of 2023/24 rainy season. Observation from the field showed that farmers in East Java (the largest contributor to total national rice production with 17.9 percent share) has just started the 2023/24 first planting cycle in November 2023. Therefore, it is likely that El Nino effect will still linger and lead to lower paddy production in 2023/24 compared to 2021/22. No significant incident of pest and diseases are reported.

Picture: Farmers in East Java just started the first 2023/24 planting cycle in November 2023

Considering the aforementioned factors, Post revises down 2022/23 harvested area to 11.2 million hectares from the previous estimate of 11.55 million hectares, a decline of 3.4 percent from 11.6 million hectares in 2021/22. Assuming that the effects of El Nino will subside before the beginning of the second crop cycle of 2023/24, harvested area is forecast to marginally rebound to 11.3 million hectares in 2023/24. In line with the estimated decrease in harvested area, 2022/23 paddy production is estimated to decline by 2.1 percent to 53.07 MMT compared to 54.2 MMT produced in 2021/22. In line with the forecast increase of harvested area, 2023/24 paddy production is forecast to increase to 53.5 MMT.

Consumption

To stabilize rice prices, since the end of August 2023, the GOI has authorized the national logistics agency (BULOG, Badan Urusan Logistics) to distribute rice under the Stabilization of Food Supply and Prices program (SPHP, Stabilisasi Pasokan dan Harga Pangan) at the price of Rp. 47,000/5-kg bag. As of November 28, 2023, BULOG has sold a total of 979,891 MT of milled rice equivalent under the SPHP program. Additionally, the GOI also authorized BULOG to distribute rice under the Beneficiary Family (*KPM, Keluarga Penerima Manfaat*) program from September to November 2023 with a total allocation of 640,000 MT of milled rice equivalent. To continue assisting the beneficiary families, the President announced on November 7, 2023, that the KPM program is to be continued until March 2024 with the same allocation of 210,000 MT per month. Therefore, Post estimates 2022/23 rice consumption at 35.5 MMT. Assuming population growth and ongoing KPM allocations, Post forecasts 2023/24 rice consumption to increase to 35.8 MMT.

Policy

According to BPS, prices of wet paddy at the farmers' level in October 2023 increased by 23.6 percent to IDR 6,851/kg ($440/MT) from IDR 5,542/kg ($356/MT) in June 2023. Dry paddy prices at the mill's level in October 2023 increased 21.5 percent to IDR 7,703/kg ($494/MT) from IDR 6,341/kg ($407/MT) in June 2023. The price increase is in line with lower yields and quality as well as a reflection of high production costs from the ongoing main harvest.

Despite continuous GOI assistance to stabilize medium quality rice prices by distributing rice under the Food Price Supply Stability program carried out by BULOG, rice prices at wholesale markets in November 2023 reached IDR 12,280/kg ($788/MT), an increase of 2.3 percent compared to the price in June 2023 of IDR 12,002/kg ($770/MT).

On March 15, 2023, the head of the NFA also issued a regulation on maximum retail prices of rice to maintain stable prices at the consumer level. Nonetheless, as the prices of paddy are already high, the average prices of medium quality rice remain above the maximum retail price at IDR 12,100/kg ($776/MT). Prices of medium quality rice at the retail level are currently recorded at IDR13,170/kg ($845/MT), an increase of 11.1 percent from the price of IDR 11,850/kg ($760/MT) recorded in June 2023.

Trade

The GOI instructed BULOG to set its 2023 procurement target at 2.4 MMT, an increase of 150 percent from its realized domestic procurement of approximately 960,000 MMT in 2022. As of November 27, 2023, BULOG had procured a total of about 945,228 MT of rice domestically. Combined with import realization, BULOG stocks currently stand at 1.45 MMT. The GOI requires BULOG to maintain a minimum year-end stock level of 1.5-2 MMT.

In light of BULOG's ending stocks requirement and BULOG's assignment to distribute rice under the Rice Food Price and Supply Stabilization Program (*SPHP, Stabilisasi Pasokan dan Harga Pangan*), as well as the import allocation of 2.0 MMT assigned to BULOG by the National Food Agency (NFA) in March 2023 (See ID2023-0007), in early November 2023, the GOI assigned BULOG to import an additional 1.5 MMT to be carried out in 2024. BULOG reported to already have contracts with several countries where production is still large, namely Thailand, Vietnam, Pakistan, and Myanmar. Furthermore, BULOG will also explore possibly importing from India, Cambodia and other countries that meet its requirements. Considering the rice price increases both at the wholesale and retail markets, and the requirement for BULOG to meet its 2023/24 ending stock target, it is likely that BULOG will fully utilize its initial 2.0 MMT import assignment.

Based on the abovementioned factors, 2022/23 rice imports are estimated at 2.8 MMT, an increase of 278 percent from 740,000 MMT imported in 2021/22 mainly due to imports by BULOG and expected increased demand from mall restaurants and middle eastern restaurants, which are currently trending in the country. In line with forecast rice production increases, 2023/24 imports of rice are forecast to decrease to 2.0 MMT. During the period of January to September 2023, Indonesia imported rice from Thailand (43.9 percent), Vietnam (39.6 percent), India (3.2 percent), and Pakistan (2.2 percent).

Stocks

In line with estimated lower production, 2022/23 ending stocks are revised down to 3.9 MMT of milled rice equivalent from the previous estimate of 4.00 MMT of milled rice equivalent. Ending stocks are forecast to slightly increase to 4.1 MMT of milled rice equivalent due to expected improved production and additional import allocations.

SECTION II. PSD TABLES

Table 2. PSD: WHEAT

Wheat	2021/2022		2022/2023		2023/2024	
Market Begin Year	Jul 2021		Jul 2022		Jul 2023	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1275	1275	1658	1658	1253	1173
Production	0	0	0	0	0	0
MY Imports	11229	11229	9526	9446	10000	10500
TY Imports	11229	11229	9526	9446	10000	10500
TY Imp. from U.S.	122	122	346	430	0	0
Total Supply	12504	12504	11184	11104	11253	11673
MY Exports	346	346	331	331	350	350
TY Exports	346	346	331	331	350	350
Feed and Residual	1700	1700	1100	1100	1100	1200
FSI Consumption	8800	8800	8500	8500	8600	8600
Total Consumption	10500	10500	9600	9600	9700	9800
Ending Stocks	1658	1658	1253	1173	1203	1523
Total Distribution	12504	12504	11184	11104	11253	11673
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Table 3. PSD: RICE, MILLED

Rice, Milled	2021/2022		2022/2023		2023/2024	
Market Begin Year	Jan 2022		Jan 2023		Jan 2024	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11600	11600	11550	11200	11300	11300
Beginning Stocks	3060	3060	2900	2900	4000	3900
Milled Production	34400	34400	34000	33700	33500	34000
Rough Production	54173	54173	53543	53071	52756	53543
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350
MY Imports	740	740	2800	2800	2000	2000
TY Imports	740	740	2800	2800	2000	2000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	38200	38200	39700	39400	39500	39900
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	35300	35300	35700	35500	35800	35800
Ending Stocks	2900	2900	4000	3900	3700	4100
Total Distribution	38200	38200	39700	39400	39500	39900
Yield (Rough)	4.6701	4.6701	4.6358	4.7385	4.6687	4.7383
(1000 HA) ,(1000 MT) ,(MT/HA)						

Note: Figures in the "New Post" columns are not USDA Official figures

Table 4. Exchange Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	14,084	14,229	14,459	14,453	14,292	14,452	14,548	14,306	14,321	14,171	14,320	14,278
2022	14,392	14,369	14,306	14,480	14,592	14,848	14,990	14,853	15,232	15,596	15,668	15,619
2023	14,992	15,240	15,418	14,661	15,003	15,000	15,026	15,237	15,487	15,897	15,587	

Source: Bank of Indonesia

Note: Exchange rate is IDR 15,587/USD 1, as of November 27, 2023

Attachments:

No Attachments