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Indonesia

Grain and Feed Update

Indonesia Grain and Feed Update July 2016

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Report Highlights:
Post's marketing year (MY) 2015/16 wheat import estimate to Indonesia is revised from 7.6 to 8.9 million metric tons (MMT). The increase in imports is due to higher demand from feed mills. Post also slightly revised MY 2015/16 corn production estimates down from 9.4 to 9.3 MMT. A rainy dry season is providing greater opportunities for farmers to grow paddy during Indonesia's second and third crop cycles. Post therefore revises the estimate of MY 2015/16 Indonesian paddy production 35.6 to 36.2 MMT of milled rice equivalent.

Post:
Jakarta

SECTION I. SITUATION AND OUTLOOK

In early June 2016, the Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika,* BMKG) reported that Indonesia will experience higher than normal rains during the last semester of 2016 (a wet dry season). As of May/June 2016, about 31.6 percent of Indonesia (including parts of Aceh, North Sumatera, East Kalimantan, East Java, and East Nusa Tenggara) has started to transition to the dry season, while the remaining 68.4 percent is experiencing an atypically extended rainy season. The expected higher rainfall intensity during the 2016 dry season (normally occurring between April and September) is due to:

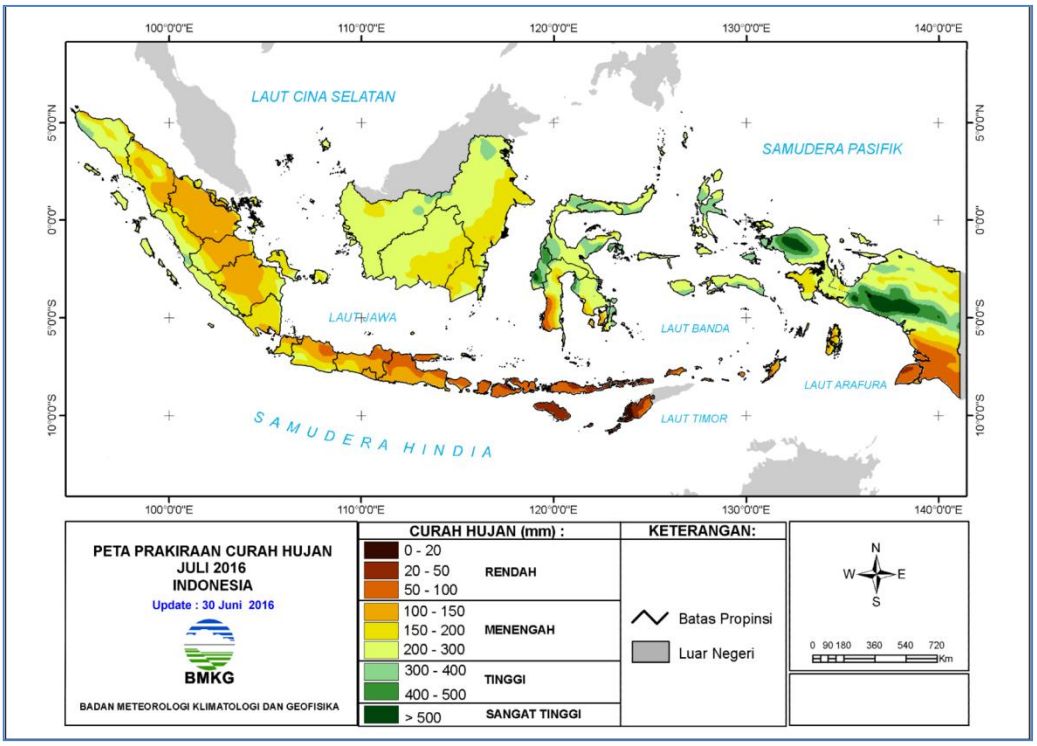
1. The arrival of a La Nina phenomenon, as indicated by lower sea surface temperatures in the eastern Pacific Ocean, while Indonesian ocean sea surface temperatures are warming;

2. A Negative Dipole Mode Index, which reached -0.53 centigrade. The negative trend is expected to continue until September 2016. A Negative Dipole Mode will result in higher rainfall in Indonesia;

3. The arrival of a Madden – Julian Oscillation phenomenon, which is the extension and sealing of air from the Indian Ocean eastward. This will potentially lead to high rainfall in Sumatera, West Kalimantan, South Kalimantan, and Java.

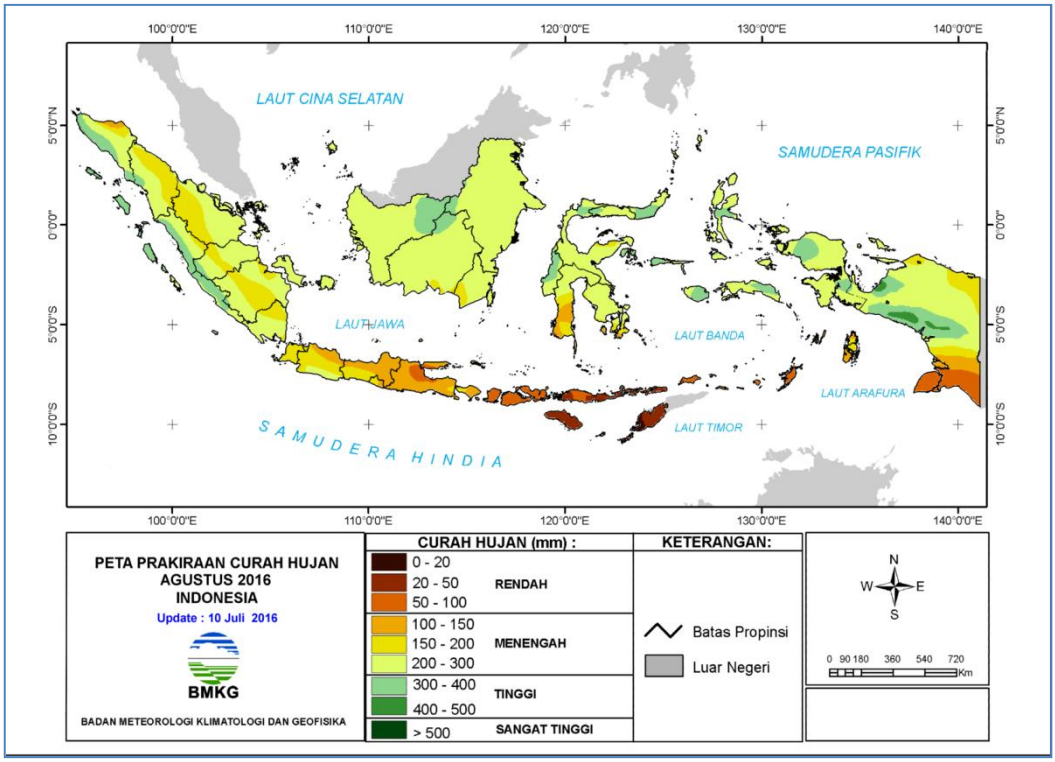
Based on the above mentioned factors, major parts of Indonesia, including the production areas of Sumatera, Java, and Kalimantan, will experience a wet dry season from July to September 2016. Indonesia normally starts the onset of the rainy season in October. Therefore, Post expects that most of the major food crop producing areas will continue to receive sufficient rainfall through 2016.

Chart 1. Forecast of Rainfall Intensity in July 2016



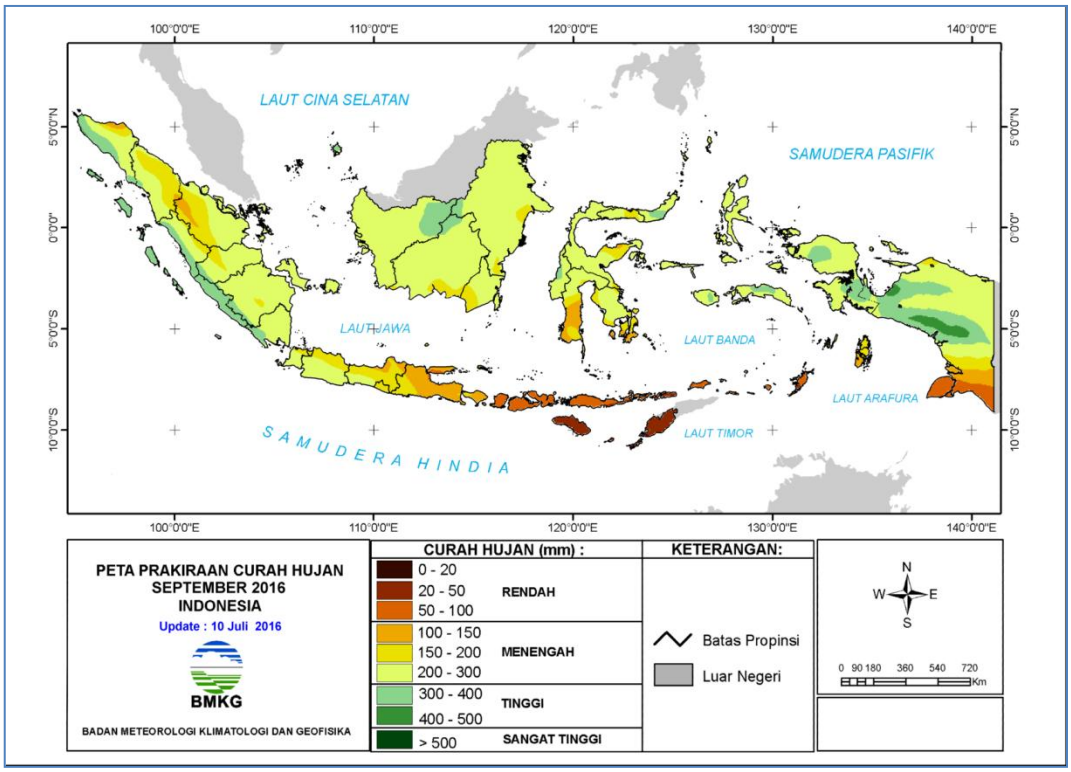
Source: BMKG

Chart 2. Forecast of Rainfall Intensity in August 2016



Source: BMKG

Chart 3. Forecast of Rainfall Intensity in September 2016



Source: BMKG

Wheat

Post revises MY 2015/16 Indonesian wheat import estimates to 8.9 MMT from the previous estimate of 7.6 MMT. The increase is mainly driven by higher demand from feed mills. Post therefore expects that U.S. wheat exports to Indonesia will slightly increase to 700,000 MT in MY 2015/16.

Corn

Post revises its MY 2015/16 Indonesian corn production estimates, slightly decreasing production from 9.4 to 9.3 MMT. The decrease is due to favorable weather that prompted farmers to grow paddy in the place of corn on rain-fed areas. Assuming normal weather, production is expected to increase to 9.5 MMT in MY 2016/17. MY 2015/16 Indonesian corn imports are estimated to further decline to 2.1 MMT due to continued corn import restrictions imposed by the government.

Rice

Declines in MY 2015/16 corn production is in relation to more favorable weather for growing paddy. Post revises the estimate of MY 2015/16 Indonesian paddy harvested area to 12.0 million hectares from the previous estimate of 11.8 million hectares. Thus, it is estimated that MY 2015/16 Indonesian paddy production will increase to 36.2 MMT compared to the previous estimate of 35.6 MMT of milled rice equivalent. Considering higher production estimates, Post expects MY2015/16 Indonesian rice imports will decline to 1.8 MMT compared to the initial estimate of 2.0 MMT.

WHEAT

Trade

Indonesian feed mills continue to face difficulties meeting feed corn demand due to 2015/16 weather-related production declines and GOI restriction on corn imports. In response to low local supplies and import barriers, feed mills are substituting corn with imported feed wheat. The Indonesian Flour Mills Association (APTINDO) reports that there are 22 feed mills importing feed wheat, resulting in a feed wheat import surge since September 2015. Global Trade Atlas and APTINDO data indicate that wheat imports from July 2015 to May 2016 have reached a total of 8.2 MMT compared to 6.7 MMT between July 2014 and May 2015. Considering the aforementioned factors, Post estimates that Indonesia's MY 2015/16 wheat imports will increase to 8.9 MMT, compared to the previous estimate of 7.6 MMT.

The GOI recognizes that the uptick in feed wheat imports poses a threat to their corn self-sufficiency policies. In response, MOA stopped issuing import recommendations for feed wheat starting in June 2016. MOA's shutdown of feed wheat imports, combined with weak exchange rates is expected to slow Indonesian wheat import growth from an average annual rate of 6-7 percent to approximately 5 percent. At these levels, Indonesian wheat imports are expected to contract to 8.5 MMT in MY 2016/17. Wheat exports to Indonesia during the July 2015 to May 2016 period were led by Australia (43 percent), Canada (18 percent), Ukraine (15 percent), Argentina (8 percent), and the United States (8 percent). Australia's majority market share is due to the noodle industry's preference for Australian standard white wheat, price, and Australia's close proximity. Considering these factors, U.S. wheat exports to Indonesia in MY 2015/16 are expected to reach 700,000 MT.

Post reported in GAIN ID1610 that Indonesia was expected to implement an anti-dumping duty for imports of Indian and Turkish wheat flour (HS Code 1101.00.10.10 and 1101.00.10.90) in the first half of 2016. As of July 2016, however, the GOI has not taken action on this matter. The anti-dumping duty was originally conceived in response to APTINDO's March 2014 request to the Indonesian Anti-Dumping Commission (*Komisi Anti Dumping Indonesia, KADI*) to create a new safeguard following the termination of Indonesia's wheat flour quota. An anti-dumping duty was proposed that would range between 5.6 and 28.9 percent, with a limited duration of four years from the implementation date. (The current import duty for imports of wheat flour is 5 percent).

Importers note that wheat flour imports did not increase significantly in 2015 due to the depreciating Rupiah. High freight rates also discouraged wheat flour imports from Sri Lanka, India, and Turkey. Domestic flour dominated the market throughout CY 2015, with a 98 percent market share. According to Global Trade Atlas data, during the period of July 2015 to April 2016, Turkey held the largest market share of wheat flour exports to Indonesia (58 percent), followed closely by Ukraine (18 percent), and Sri Lanka (11 percent). In MY 2014/15, Indonesia imported a total of 130,935 MT of wheat flour (179,119 MT of wheat equivalent). This represents a decline from MY 2013/14 wheat flour imports of 225,392 MT (308,336 MT of wheat equivalent).

Consumption

In line with increasing feed wheat imports, Post revises the MY 2015/16 feed and residual wheat consumption estimate to approximately 1.3 MMT, compared to the previous estimate of 450,000 MT. MY 2016/17 feed wheat consumption is expected to decline to 550,000 MT based on the

discontinuation of feed wheat import recommendations. MY 2015/16 food wheat consumption is estimated to increase by 4.2 percent to 7.5 MMT, compared to the previous estimate of 7.2 MMT. This increase reflects population growth, several new-to-market instant noodle brands, and the growth of the high-end retail bakery segment. MY 2016/17 food wheat consumption is forecast to grow to 7.7 MMT.

CORN

Production

The late onset of the 2016 rainy season delayed the first crop planting of corn. Farmers reported that most of the corn in upland areas was planted towards the end of November 2015 (two to three weeks late), and was harvested in late February or early March 2016. Indonesia's first corn season normally takes place from November to February (49 percent). The second season takes place from March to June (37 percent), while the third runs from July to September (14 percent). No significant pest and disease incidents were reported during the first corn crop cycle of MY 2015/16.

With the arrival of La Nina weather during the second crop cycle (as explained above), farmers on lowland rain-fed areas have increased paddy plantings (their crop of preference) over corn due to sufficient rainfall. On the other hand, Post observations in Central and West Java confirm that rain-fed upland farms are planting mung beans in the place of soybean and corn. Upland farmers in Central and West Java report that higher-than-normal rainfall caused corn and soybean germination problems. More rainfall also led to higher rates of downy mildew and stem rot on corn. Despite increasing rates of hybrid corn seed use resulting from Indonesia's corn seed subsidy program (see GAIN report ID1610), corn seed producers reported lower sales volume in the second crop cycle due to farmers' switching from corn to paddy.

Table 1: Total Area Impacted By Major Pest and Diseases in Hectares (Cob borer, stem borer, rats, downy mildew, seed flies).

No.	Provinces	Corn									
		2015					2016*				
		M	I	H	F	Total	M	I	H	F	Total
1	Aceh	2,666	105	-	-	2,771	837	9	-	1	847
2	Sumatera Utara	1,755	386	6	0	2,147	724	2	-	-	726
3	Sumatera Barat	70	4	10	2	85	79	7	3	1	89
4	R i a u	162	27	1	-	189	39	2	0	-	41
5	J a m b i	72	6	0	0	79	48	3	-	0	51
6	Sumatera Selatan	1,624	60	-	-	1,684	515	10	0	-	526

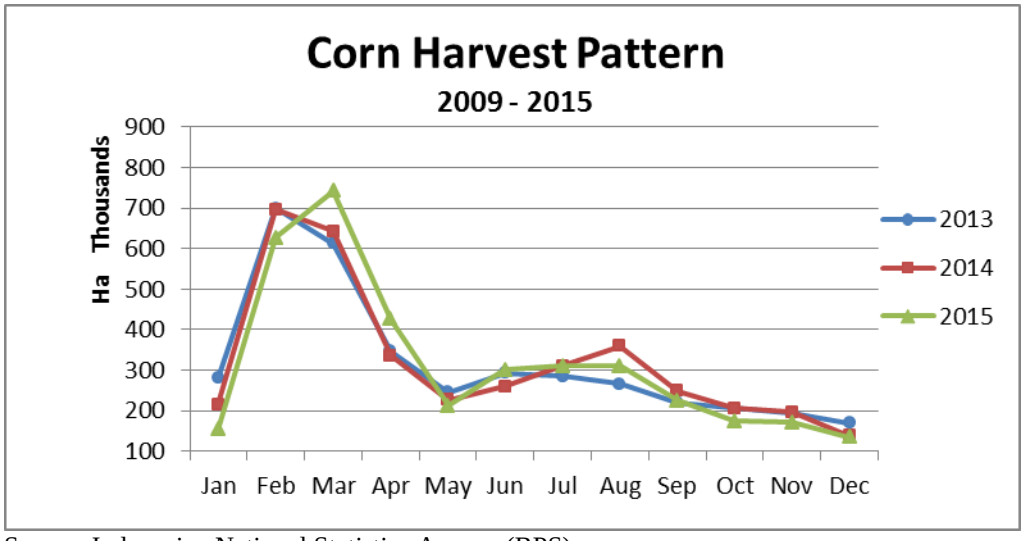
7	Bengkulu	84	1	-	-	85	32	1	-	-	32
8	Lampung	518	15	-	-	533	77	1	-	21	99
9	Kep. Bangka Belitung	1	-	-	-	1	1	-	-	-	1
10	Kep. Riau	-	-	-	-	-	-	-	-	-	-
11	DKI Jakarta	-	-	-	-	-	-	-	-	-	-
12	Jawa Barat	929	14	-	-	943	376	-	-	-	376
13	Jawa Tengah	3,169	39	13	-	3,220	902	18	-	-	920
14	DI Yogyakarta	154	10	-	-	163	59	-	-	-	59
15	Jawa Timur	2,057	288	91	0	2,436	749	63	3	-	814
16	Banten	-	-	-	-	-	-	-	-	-	-
17	B a l i	5	2	-	-	7	-	-	-	-	-
18	Nusa Tenggara Barat	299	67	-	23	389	106	23	-	-	129
19	Nusa Tenggara Timur	2,872	0	-	-	2,872	1,721	-	-	5	1,726
20	Kalimantan Barat	373	40	2	4	419	48	-	-	-	48
21	Kalimantan Tengah	-	-	-	-	-	4	-	-	-	4
22	Kalimantan Selatan	-	-	-	-	-	-	-	-	-	-
23	Kalimantan Timur	215	-	-	-	215	105	-	-	-	105
24	Sulawesi Utara	772	3	2	27	804	283	1	-	42	327
25	Sulawesi Tengah	465	4	-	-	469	124	-	-	-	124
26	Sulawesi Selatan	832	9	-	8	849	540	8	-	-	548
27	Sulawesi Tenggara	456	24	-	4	484	169	4	-	-	173
28	Gorontalo	1,255	14	0	-	1,269	1,134	17	23	23	1,197

29	Sulawesi Barat	827	31	-	-	857	211	-	-	-	211
30	M a l u k u	127	-	-	-	127	37	-	-	-	37
31	Maluku Utara	133	0	-	0	133	2	-	1	19	22
32	Papua Barat	65	4	-	-	69	29	-	-	-	29
33	Papua	266	-	-	-	266	110	15	-	-	125
	Total	**22,222**	**1,152**	**124**	**68**	**23,566**	**9,062**	**182**	**29**	**111**	**9,385**

Source: Directorate for Food Crops, Indonesian Ministry of Agriculture
Note: M: Mild, I: Intermediate, H: Heavy, F: Fail to harvest
*: Only for the period of January – June 2016

Based on reports that lowland farmers on Java will plant paddy in the place of corn during the second crop cycle, Post revises MY 2015/16 corn harvested area down from 3.18 to 3.15 million hectares. Increased disease incidents will also reduce the MY 2015/16 corn yield from 2.956 MT to 2.952 MT per hectare. Based on reductions in harvested area and yield, Post expects that MY 2015/16 Indonesian corn production will decline to 9.3 MMT, compared to the initial estimate of 9.4 MMT.

Chart 4. Indonesia: Corn Harvest Pattern 2011 – 2015



Source: Indonesian National Statistics Agency (BPS).

Harvested corn area is expected to decrease to 3.14 million hectares in MY2016/17, as rainy weather is forecast to continue. Additionally, if rainy weather continues, farmers on upland rain-fed areas may also switch from corn and soybean to paddy. Post thus expects MY 2016/17 corn production to fall to 9.5 MMT. Post notes that corn production declines may be slightly offset by the increased use of higher yielding hybrid corn.
Farm-gate corn prices ranged from Rp. 5,000/kg ($381/MT) in West Java to Rp. 2,700/kg ($206/MT) in Central Java in June 2016. The price of hybrid corn seed has been relatively stable, ranging from Rp.

60,000/kg ($4.6/kg) to Rp. 85,000/kg ($6.5/kg). (This compares with Rp. 60,000/kg ($4.6/kg) to Rp. 80,000/kg ($6.1/kg) in 2015).

Consumption

The Indonesian Feed Producers Association (*Asosiasi Produsen Pakan Indonesia, APPI*) reports that the current economic slowdown, categorized by the weak rupiah-U.S. dollar exchange rate and depressed consumer purchasing power, is expected to continue to slow commercial poultry feed consumption growth. APPI estimates that Indonesian feed consumption will increase by 8 percent to 17.3 MMT in CY 2016.

The poultry industry consumes approximately 83 percent of Indonesia's animal feed. Aquaculture consumes 11 percent and the remaining six percent is consumed by cattle and swine. The Indonesian poultry industry reports that the CY 2016 poultry population is expected to reach 3.224 billion broilers, 150 million layers, and 24.8 million breeders. Demand for aquaculture feed in CY 2016 is estimated to increase by 13 percent due to an increase in demand for shrimp in the international market. 84 feed mills are currently operational in Indonesia, with expansion continuing. Due to the continued expansion of existing mills, there is an additional 1.5 MMT installed capacity, raising total installed capacity of Indonesian feed mills to 21 MMT per annum. Millers report that Indonesian mills are running at 70 – 80 percent capacity.

Despite higher demand for corn from feed mills and an expected lower supply from the domestic market, MOA continues its corn import restrictions. Import restrictions are driving down MY 2015/16 feed corn consumption estimates, which are now set at 7.2 MMT. The balance is met from imported feed wheat, as described above. MOA is planning to fully stop corn imports in MY 2016/17. Despite observations that the feasibility of this plan is questionable, MY 2016/17 feed corn consumption is revised to 7.6 from 9.0 MMT. Additionally, The Indonesian National Economic Survey reports that food corn consumption is decreasing by 6.33 percent per annum. Therefore, Post estimates that Indonesian food corn consumption will decline to from 4.2 MMT in MY 2014/15 to 4.1 MMT in MY 2015/16. Corn consumption is expected to continue declining to 4.0 MMT in MY 2016/17 as consumers substitute rice and wheat-based food products.

Indonesian feed millers are heavily reliant on imported feed ingredients. Factors inhibiting feed millers from sourcing ingredients locally include low protein content, high raw fiber content, rancidity, limited and inconsistent corn supplies for commercial scale feed millers, and storage challenges. Given these challenges and Indonesia's expanding livestock sector, feed millers report inelastic demand for imported corn.

Trade

Indonesia's corn demand is larger than its domestic supply, with corn constituting about 80 percent of Indonesian feed energy sources. Domestic production, while increasing, faces challenges due to inconsistent seasonal supplies and poor post-harvest management (resulting in high moisture content and high aflatoxin levels). Despite strong domestic demand, MY 2014/15 saw corn exports reach 230,000 MT, compared to MY2013/14 exports of 12,000 MT. Post notes that Indonesian exports were the result of regional trade between Sulawesi and the Philippines, where transportation costs are more

advantageous than shipping to Java or Sumatera. The GOI has nonetheless used this scenario as justification of the success of its self-sufficiency objectives, resulting in restrictions and unclear corn import policies.

Until November 6, 2015, feed mills importing corn were bound by the policies referred to by a 2002 Director General for Livestock and Animal Health Service's (DGLAHS) circular letter. On November 25, 2015, MOA issued Regulation No. 57/2015 on Imports and Exports of Plant Based Feed Ingredients. The regulation stated that the Minister of Trade will issue import permits for any plant-based feed ingredients imports. In order for this regulation to be implemented, the Ministry of Trade must also issue a corresponding regulation to MOA 57/2015 for the administration of import licensing. To date, the Ministry of Trade has not issued any regulation related to this matter, creating uncertainty for corn importers and livestock producers.

Feed millers continue to import corn despite the lack of clear regulations. Approximately 445,000 MT of corn was imported during November and December 2015, but MOA declared the imports illegal. In late January 2016, the GOI designated the Indonesian National Logistics Agency (BULOG) as the sole authorized importer for corn. BULOG assumed ownership of the detained corn shipments and then transferred the title to feed millers with an agreement that 20 percent of the imported corn would be distributed, at a set price, to smaller poultry farms self-mixing feed rations. Additionally, the GOI decided that Indonesia will import 2.4 MMT of corn in CY 2016 at a rate of 600,000 MT per quarter.

To reinforce this, on May 25, 2016, GOI issued presidential decree No. 48/2016 on the Assignment to BULOG in the Context of National Food Security. The decree generally orders BULOG to ensure the supply of staple foods and stabilize their prices. Staple foods include rice, corn, soybean, sugar, cooking oil, wheat flour, shallot, chilies, beef, broiler meat, and eggs. Especially for corn, rice, and soybean, BULOG must:

a. Ensure stable prices at the consumer and producer level.
b. Manage government reserves.
c. Ensure the supply and distribution of staple foods.
d. Import staple foods.
e. Develop food based industries, and
f. Develop food storage.

Furthermore on rice, BULOG must:

a. Ensure stable prices of rice at the consumer and producer level.
b. Manage government rice reserves.
c. Ensure supply and distribution of rice for certain population groups.
d. Import rice.
e. Develop rice based industries including paddy and rice production and processing.
f. Develop rice storage.

In ensuring sufficient supply of the staple foods, BULOG must prioritize domestic procurement over imports. On rice for the poor distribution, BULOG will refer to the direction of the Ministry for Social Affairs, while for the distribution of corn and soybean BULOG must refer to the direction of the Ministry of Industry. For the distribution of other staple foods, BULOG will follow guidelines from the

Indonesian Ministry of Trade.

Despite growing feed mill capacity, the above mentioned restrictions are expected to impede import growth. Therefore, Post revises its MY 2015/16 corn import estimate down from 3.0 to 2.1 MMT. MY 2016/17 corn imports are forecast to increase marginally to 2.2 MMT, reflecting Indonesia's slight forecasted production increase and growing feed mill demand. According to Global Trade Atlas, Indonesian corn imports originated from Brazil (64 percent), Argentina (27 percent), and the United States (6 percent) during the October 2015 to April 2016 period.

RICE, MILLED

Production

The first paddy crop plantings of MY 2015/16 were delayed in major production areas due to the late arrival of the rainy season (December arrival and January/February 2016 peak). Typically, irrigated farms are planted to paddy during the first crop cycle (October – February), followed by paddy on the second crop cycle (March to June), and ended by growing paddy or secondary crops such as corn, mung bean, soybean, peanut, or sweet potato during the third crop cycle (July – October). In the 2015/16 season, the first paddy crop planting was delayed to the end of December or January in most areas in Central Java, East Java, Lampung, and NTT. Post now expects harvest delays for MY 2015/16 third crops, especially on irrigated lowland areas. However, with the arrival of La Nina-type weather and rains in June, farmers working rain-fed lowland areas in Sumatera, Java, and Kalimantan may have sufficient rainfall to continue growing paddy during the second and third crops cycles instead of corn or soybean.

Rainy dry seasons tend to provoke a higher incident of pest and diseases. Post observation in Central and West Java confirm farmers and GOI reports of increased incidents of neck blast, brown hoppers, stem borer, and rice ear bugs.

Table 2: Total Area Impacted By Major Pest and Diseases in Hectares (Stem borer, brown hoppers, rats, neck blast).

N	Provinces	Paddy

o.		2015					2016*				
		M	I	H	F	Total	M	I	H	F	Total
1	Pemerintah Aceh	23,843	1,696	185	9	25,733	7,730	231	32	-	7,993
2	Sumatera Utara	4,582	475	56	43	5,155	2,657	143	58	13	2,870
3	Sumatera Barat	2,299	588	172	42	3,102	1,082	263	93	170	1,608
4	R i a u	1,463	538	103	1	2,105	751	427	302	-	1,480
5	J a m b i	570	66	23	1	660	673	351	47	1	1,072
6	Sumatera Selatan	35,338	6,814	8,296	6,358	56,805	24,914	1,592	166	2	26,674
7	Bengkulu	2,914	226	2	-	3,142	1,593	223	16	-	1,832
8	Lampung	9,147	127	13	-	9,287	193	-	-	-	193
9	Kep. Bangka Belitung	446	3	-	-	449	-	-	-	-	-
10	Kep. Riau	-	-	-	-	-	-	-	-	-	-
11	DKI Jakarta	125	120	8	-	253	42	-	-	-	42
12	Jawa Barat	74,990	808	51	-	75,849	35,033	316	35	-	35,384
13	Jawa Tengah	54,512	4,797	346	41	59,696	34,432	4,123	297	13	38,865
14	DI Yogyakarta	4,432	325	13	-	4,770	3,219	549	6	49	3,822
15	Jawa Timur	31,847	5,363	633	70	37,914	13,880	2,817	511	28	17,237
16	Banten	4,855	114	9	46	5,024	4,729	8	3	-	4,740
17	B a l i	3,531	183	21	-	3,735	1,275	59	4	100	1,437
18	Nusa Tenggara Barat	4,303	86	-	16	4,405	3,290	45	12	-	3,347
19	Nusa Tenggara Timur	5,562	148	-	0	5,710	142	-	-	-	142
20	Kalimantan Barat	3,097	341	3	14	3,455	1,310	117	5	7	1,439
21	Kalimantan Tengah	2,195	-	-	-	2,195	773	35	10	-	818
22	Kalimantan Selatan	1,082	250	17	-	1,350	971	319	87	22	1,399
23	Kalimantan Timur	4,944	325	-	5	5,274	901	40	3	-	944
24	Sulawesi Utara	2,534	297	36	9	2,875	172	-	-	-	172
25	Sulawesi Tengah	7,907	290	77	28	8,302	987	4	-	-	991

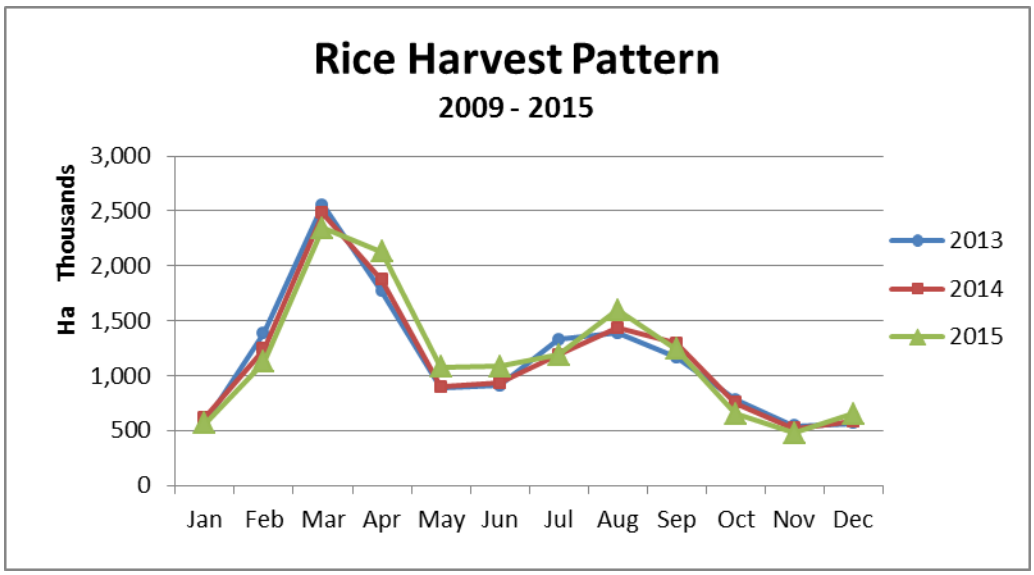
26	Sulawesi Selatan	16,926	229	46	1	17,203	7,756	155	30	22	7,963
27	Sulawesi Tenggara	17,328	602	168	140	18,238	4,304	354	59	18	4,735
28	Gorontalo	1,936	10	-	38	1,984	707	50	-	12	769
29	Sulawesi Barat	3,464	2	-	4	3,470	346	-	-	-	346
30	M a l u k u	1,262	-	-	-	1,262	1,353	338	75	-	1,765
31	Maluku Utara	1,083	16	-	-	1,099	-	-	-	-	-
32	Papua Barat	943	101	35	3	1,081	184	-	-	-	184
33	Papua	1,424	103	20	-	1,547	1,079	77	100	-	1,256
	Total	**330,885**	**25,044**	**10,331**	**6,869**	**373,129**	**156,478**	**12,635**	**1,950**	**456**	**171,518**

Source: Directorate for Food Crops, Indonesian Ministry of Agriculture
Note: M: Mild, I: Intermediate, H: Heavy, F: Fail to harvest
*: Only for the period of January – June 2016

Based on these factors, Post revises its MY 2015/16 rice harvested area estimate from 11.8 to 12.1 million hectares. Assuming the continuation of favorable paddy growing weather and carry-over from the MY 2015/16 third crop, Post's MY 2016/17 harvested paddy area estimate remains unchanged at 12.16 million hectares. Overall MY 2015/16 yields are estimated to decline slightly from 4.7511 to 4.711 MT per hectare due to harvest coinciding with rainy weather and increased pest and disease incidents.

Java's main paddy harvest ended in most areas in late April 2016, and was immediately followed by a second cycle of paddy. The second paddy harvest is expected to take place in mid or late August 2016.
Pictures above: Various stages of paddy plantings in Central and West Java in mid-June 2016.
Source: FAS Jakarta

Chart 5. Indonesia: Rice Harvest Pattern 2011 - 2015



Source: BPS

Considering the above mentioned situation, Post revises its MY 2015/16 paddy production estimate up to 57.0 MMT from 56.063 MMT. The increase is based on larger harvested areas during the second and third crop cycles that resulted from higher rainfall on lowland rain-fed areas. Post also expects MY 2016/17 paddy production to increase to 57.638 MMT based on additional carry over from MY 2015/16 third crops.

Trade

BULOG has set its procurement target at 3.2 MMT of milled rice equivalent for MY 2015/16. As of December 2015, BULOG realized approximately 2.0 MMT of the MY 2014/15 procurement target, with ending stocks at 1.439 MMT. BULOG normally meets 60 percent of its procurement target during the first main harvest period. Despite the delay in the MY 2015/16 first harvest, BULOG procurements totaled 1.8 MMT as of the end of June, 2016. This is higher than 1.5 MMT procured during the same period last year, although still less than the 60 percent benchmark. June is usually the most important month for BULOG domestic procurement objectives.

The GOI has instructed BULOG to maintain a minimum secure stock level of 2 MMT by the end of the year. With the current government purchase price for rice (HPP), BULOG may find it difficult to meet its procurement target, as the delayed harvest, combined with inflation, will push paddy prices up. Assuming that BULOG will be able to reach its procurement target from domestic sources, the GOI will still need to consider imports to maintain BULOG's stock at prescribed levels.

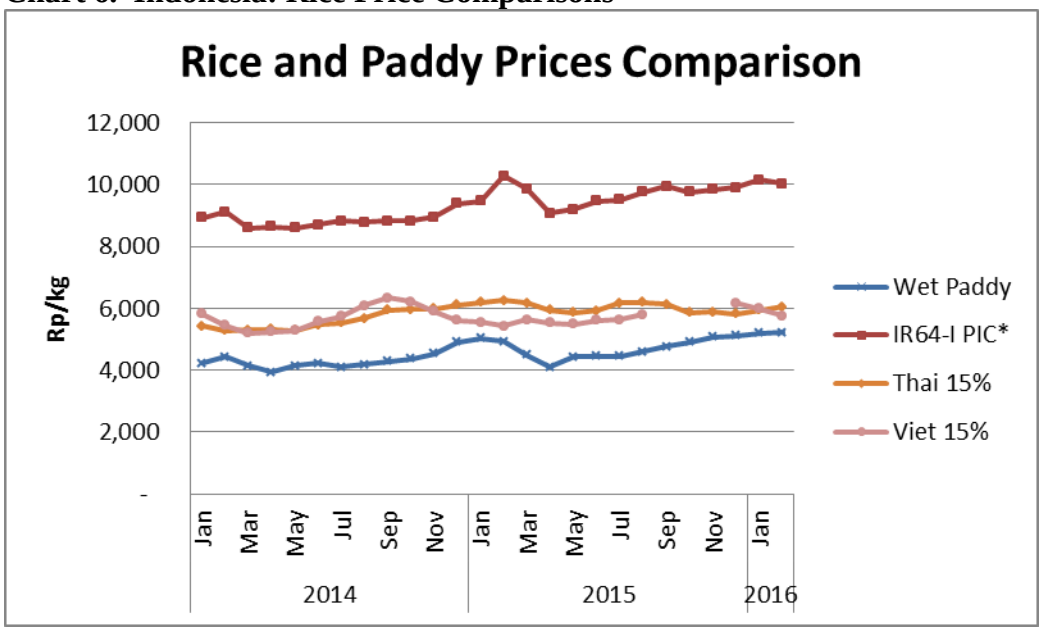
In October 2015, the GOI instructed BULOG to import a total of 1.5 MMT of medium quality rice from

Vietnam and Thailand to maintain BULOG's CY 2015 ending stock at 1.5 MMT. Based on Global Trade Atlas data, a total of 600,000 MT of imported rice arrived in country as of November 2015. BULOG reported that a total of 700,000 MT of the authorized imports were carried over to MY 2015/16.

Indonesian regulations restrict rice imports one month prior, during, and two months after the main harvest period. Indonesian regulations only permit BULOG to import medium quality rice; while private companies can import specialty rice (jasmine rice, basmati rice, sushi rice, rice for diabetics and rice seed, for example). However, since the end of 2014, MOA has refused to issue any import recommendation for japonica rice, claiming that japonica rice can be substituted with similar Indonesian varieties. On December 8, 2015, MOT stipulated in Regulation 103/2015 on Rice Imports and Exports that japonica rice (HS. 1006.30.99.00) is permitted for import into Indonesia. In order for japonica rice imports to resume, the Ministry of Agriculture must agree to issue import recommendations.

Indonesian rice prices are considered the highest in the international market, providing incentives for illegal rice imports.

Chart 6. Indonesia: Rice Price Comparisons



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

With estimated higher rice production combined with carry over imports from last year and higher demand for specialty rice, Post expects that MY 2015/16 imports will decrease to 1.8 MMT from the previous estimate of 2.0 MMT. Post forecasts that MY 2016/17 Indonesian imports of rice will further decline to 1.25 MMT, in line with the forecast production increase and higher MY 2015/16 ending stocks.

Consumption

In MY 2015/16, BULOG will allocate 2.795 MMT of rice for the *Raskin* program to 15,530,897 poor families. Each family will receive 15 kg of rice/month for 12 months at the price of Rp. 1,600/kg. As of June 2016, BULOG distributed approximately 1.8 MMT of rice under the *Raskin* program.

Data from the 2013 Indonesia National Economic Survey (Susenas) shows an average decline in per capita rice consumption of 1.62 percent per annum. The decline in rice consumption is due to some switching to wheat flour-based foods such as instant noodle and bread. The price of a pack of instant noodle is approximately Rp. 2,000/pack ($0.15/pack) and can be eaten without any side dishes, compared to the rice price of Rp. 9,400 – 11,750/kg ($703 - $879/MT). Post maintains the MY 2015/16 consumption estimate at 38.3 MMT. Post expects Indonesian rice consumption to remain unchanged at 38.3 MMT in MY 2016/17.

Stocks

Post estimates MY 2015/16 rice ending stocks to rise to 3.611 MMT, tracking with rice production increases. MY 2016/17 ending stocks are expected to decline to 3.161 MMT based on lower imports and stagnant consumption.

Prices

The price of wet paddy and rice remain above the HPP, despite the ongoing harvest. Current farm gate prices of wet paddy in Java range from Rp. 3,300/kg ($251/MT) to 4,800/kg ($366/MT). The average price of medium quality rice at Cipinang wholesale market also decreased to Rp. 9,900/kg ($754/MT) from Rp. 10,198/kg ($777/MT) in March 2016.

PSD TABLES

Table 3. PSD: WHEAT

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1485	1485	1316	1299	1466	1099
Production	0	0	0	0	0	0
MY Imports	7478	7478	8600	8900	8700	8500
TY Imports	7478	7478	8600	8900	8700	8500
TY Imp. from U.S.	562	562	0	700	0	600
Total Supply	8963	8963	9916	10199	10166	9599
MY Exports	282	300	300	300	300	300
TY Exports	282	300	300	300	300	300
Feed and Residual	165	165	650	1300	700	550
FSI Consumption	7200	7200	7500	7500	7700	7700
Total Consumption	7365	7365	8150	8800	8400	8250
Ending Stocks	1316	1299	1466	1099	1466	1049
Total Distribution	8963	8964	9916	10199	10166	9599
Yield	0	0	0	0	0	0
TS=TD	0	1	0	0	0	0

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

Table 4. PSD: CORN

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Oct 2014		Oct 2015		Oct 2016	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3100	3100	3180	3150	3140	3140
Beginning Stocks	1741	1741	1666	1655	1316	1715
Production	9000	9000	9400	9300	9600	9500
MY Imports	3381	3381	3100	2100	3000	2200
TY Imports	3381	3381	3100	2100	3000	2200
TY Imp. from U.S.	35	35	0	0	0	0
Total Supply	14122	14122	14166	13055	13916	13415
MY Exports	256	255	50	20	20	20
TY Exports	256	255	50	20	20	20
Feed and Residual	8000	8000	8600	7200	9000	7600
FSI Consumption	4200	4200	4200	4100	4000	4000
Total Consumption	12200	12200	12800	11320	13000	11720
Ending Stocks	1666	1655	1316	1715	896	1675
Total Distribution	14122	14110	14166	13055	13916	13415
Yield	2.9032	2.9032	2.956	2.9524	3.0573	3.0255
TS=TD	0	-12	0	0	0	0

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

Table 5. PSD: RICE, MILLED

Rice, Milled	2014/2015	2015/2016	2016/2017
Market Begin Year	Jan 2015	Jan 2016	Jan 2016

Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11830	11830	11660	12100	12160	12160
Beginning Stocks	5501	5501	3959	3911	3159	3611
Milled Production	35560	35560	35300	36200	36600	36600
Rough Production	56000	56000	55591	57008	57638	57638
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350
MY Imports	1198	1350	2000	1800	1250	1250
TY Imports	1198	1350	2000	1800	1250	1250
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	42259	42411	41259	41911	41009	41461
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	38300	38500	38100	38300	38100	38300
Ending Stocks	3959	3911	3159	3611	2909	3161
Total Distribution	42259	42411	41259	41911	41009	41461
Yield (Rough)	4.7337	4.7337	4.7677	4.7114	4.74	4.74

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

Table 6. Indonesian Paddy Harvested Area, Yield, and Production By Subround and Ecosystem

	January - April	May - August	September - December	January- December

Year	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)	Harvested Area (Ha)	Yield (Cwt/Ha)	Production (Ton)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Paddy Total												
2015	6,157,837	53.68	33,057,115	4,945,473	52.12	25,776,257	3,013,328	54.97	16,564,469	14,116,638	53.41	75,397,841
2014	6,204,910	50.87	31,562,789	4,452,135	51.12	22,757,916	3,140,262	52.63	16,525,760	13,797,307	51.35	70,846,465
2013	6,272,323	51.65	32,398,677	4,510,189	50.92	22,967,655	3,052,740	52.13	15,913,377	13,835,252	51.52	71,279,709
Irrigated Paddy												
2015	5,266,986	57.13	30,088,636	4,784,123	52.74	25,229,780	2,978,128	55.23	16,448,080	13,029,237	55.08	71,766,496
2014	5,271,675	53.97	28,449,116	4,317,116	51.66	22,302,870	3,077,426	53.13	16,350,375	12,666,347	52.98	67,102,361
2013	5,303,794	54.91	29,124,507	4,378,887	51.46	22,533,292	2,989,322	52.63	15,733,809	12,672,003	53.18	67,391,608
Rainfed Paddy												
2015	890,851	33.32	2,968,479	161,350	33.87	546,477	35,200	33.07	116,389	1,087,401	33.39	3,631,345
2014	933,235	33.36	3,113,673	134,889	33.73	455,046	62,836	27.91	175,385	1,130,960	33.11	3,744,104
2013	968,529	33.81	3,274,170	131,302	33.08	434,363	63,418	28.31	179,568	1,163,249	33.42	3,888,101

Table 7. RAINFALL DATA

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

JATIWANGI (WEST JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2013	251	449	439	283	157	217	196	20	26	0	138	550
2014	476	337	212	302	194	55	53	9	0	0	234	441
2015	429	378	262	19	98	0	1	0	1	0	98	193
2016	0	394	3	144								
TEGAL (CENTRAL JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2013	458	103	229	82	263	301	159	3	0	5	128	310
201	439	208	216	98	147	58	52	12	0	3	170	166

4												
2015	404	388	225	0	72	0	11	48	0	2	14	130
2016	29	377	0	42								
SURABAYA (EAST JAVA)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2013	366	286	464	310	197	246	110	1	0	3	107	360
2014	259	250	448	276	106	211	48	0	0	0	73	319
2015	465	438	480	2	182	0	2	19	0	0	50	91
2016	91	567	0	239								
DENPASAR (BALI)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2013	664	158	118	67	121	189	103	6	1	10	190	438
2014	536	277	56	30	28	11	49	5	0	1	152	485
2015	316	178	287	2	57	2	0	0	0	0	32	124
2016	3	563	0	24								
UJUNG PANDANG (SOUTH SULAWESI)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2013	1067	384	319	334	74	99	241	16	0	174	285	810
2014	842	258	201	271	152	48	28	13	0	0	117	768
2015	1039	522	339	39	65	144	0	0	0	0	138	103
2016	74	444	0	279								
LAMPUNG												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
201	761	154	156	216	166	49	22	19	51	33	340	297

3							3			3		
2014	177	306	373	235	79	35	129	119	0	72	266	279
2015	209	254	198	305	40	16	81	17	35	2	43	144
2016	304	369	235	199								

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

TABLE 8. EXCHANGE RATE (Rp./$1.)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2013	9,680	9,713	9,745	9,722	9,811	9,929	10,277	10,936	11,532	11,234	11,977	12,189	10,562
2014	12,226	11,675	11,404	11,589	11,611	11,969	11,591	11,717	12,212	12,163	12,196	12,436	11,899
2015	12,625	12,863	13,084	12,922	12,937	13,332	13,481	14,027	14,657	13,563	13,747	13,794	13,419
2016	13,877	13,617	13,367	13,166	13,328	13,398	13,086						13,406

Source: Bisnis Indonesia Daily.

Note: Exchange rate is Rp. 13,122/USD 1, as of July 22, 2016.