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# Indonesia

# Grain and Feed Update

# Indonesia Grain and Feed Update November 2012

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**Report Highlights:**

- Post estimates that Indonesian corn consumption will increase to 6.1 million metric tons (MMT) during marketing year (MY) 2011/12. This estimate is based on the Indonesian Feed Millers Association's (*Gabungan Pengusaha Makanan Ternak*, GPMT) estimate that feed production is increasing. Post also estimates that MY 2012/13 Indonesian corn production will reach upwards of 8.9 MMT. According to sources, the Ministry of Agriculture is pursuing an unofficial policy which restricts corn imports. Post estimates that MY 2011/12 imports of corn will be 1.55 MMT as a result.
- Post estimates MY 2011/12 Indonesian rice imports will increase to 1.7 MMT. The Government of Indonesia (GOI) recently granted the Indonesian National Logistics Agency

(BULOG) permission to import enough rice to achieve 2 MMT in stocks through the end of MY 2011/12.

**Executive Summary:**

In August 2012, the Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika*, BMKG) predicted that the rainy season for MY 2012/13 will cover 35.7 percent of Indonesian territory as of October 2012, in 33.9 percent of Indonesian territory as of November 2012, and 16.1 percent Indonesian territory as of December 2012. BMKG further stated that Indonesia would experience a weak El Nino until the end of 2012. Given this prediction and recent observations, Post expects that the El Nino phenomenon will delay the first-crop planting cycle in MY 2012/13. Some Indonesian major rice producing areas may see planting delays through the end of November 2012.

On September 30, 2012, the Indonesian Ministry of Public Works published a report on the conditions of Indonesian water reservoirs. The report stated that five reservoirs on Java, four reservoirs in Bali, and three reservoirs in Sumatra are on an "alert" status due to low water levels.

MONITORING OF WATER ELEVATION AT INDONESIAN MAJOR WATER RESERVOIRS AS OF SEPTEMBER 30, 2012

| No. | Name of Water Reservoir | Service Area(ha) | Capacity (million $m^3$) | Elevation and Volume | | | | | | Elev. for Drought Preparedness (m) | Status |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Normal | | Monitored | | Deviation of Elev. | Deviation of Volume | | |
| | | | | Elev. (m) | Volume (million $m^3$) | Elev. (m) | Volume (million $m^3$) | (m) | Volume (million $m^3$) | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 14 |
| JAWA BARAT | | | | | 883.69 | | 733.88 | | -149.81 | | |
| 1 | Djuanda | 282,157 | 2,556.00 | 95.72 | 487.98 | 93.10 | 321.07 | -2.62 | -166.91 | 87.50 | Alert |
| 2 | Cirata | - | 973.00 | 211.02 | 220.18 | 211.46 | 240.51 | 0.44 | 20.33 | 206.00 | Normal |
| 3 | Saguling | - | 982.00 | 633.69 | 175.53 | 633.57 | 172.30 | -0.12 | -3.23 | 625.00 | Alert |
| JAWA TENGAH | | | | | 697.14 | | 919.41 | | 222.27 | | |
| 1 | Kedungombo | 59,645 | 723.00 | 80.50 | 362.80 | 85.57 | 538.33 | 5.07 | 175.53 | 79.50 | Normal |
| 2 | Wonogiri | 28,109 | 660.09 | 130.72 | 141.13 | 130.56 | 107.46 | -0.16 | -33.67 | 129.50 | Alert |
| 3 | Sempor | 6,485 | 36.43 | 50.50 | 4.64 | 57.41 | 11.69 | 6.91 | 7.05 | 43.00 | Normal |
| 4 | Wadaslintang | 31,109 | 388.71 | 163.60 | 188.57 | 171.98 | 261.94 | 8.38 | 73.36 | 124.00 | Normal |
| DAERAH ISTIMEWA YOGYAKARTA | | | | | | | | | | | |
| 1 | Sermo | 400 | 25.00 | 133.20 | 14.01 | 133.26 | 14.05 | 0.06 | 0.04 | 124.08 | Normal |
| JAWA TIMUR | | | | | 203.65 | | 220.11 | | 16.46 | | |
| 1 | Sutami - Lahor | | | 270.00 | 131.21 | 269.90 | 130.52 | -0.10 | -0.69 | 246.00 | Alert |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2 | Selorejo | 5,700 | 62.30 | 613.46 | 14.69 | 616.93 | 21.66 | 3.47 | 6.97 | 596.00 | Normal |
| 3 | Bening | 8,600 | 33.00 | 99.45 | 2.28 | 97.51 | 9.71 | -1.94 | 7.43 | 96.40 | Alert |
| 4 | Wonorejo | 7,540 | 122.00 | 169.39 | 55.48 | 170.67 | 58.22 | 1.28 | 2.74 | 141.00 | Normal |
| BALI | | | | | 12.44 | | 6.36 | | -6.08 | | |
| 1 | Palasari | | | 77.00 | 6.50 | 71.95 | 3.72 | -5.05 | -2.79 | - | Alert |
| 2 | Telaga Tunjung | | | 199.00 | 1.00 | 197.55 | 0.89 | -1.45 | -0.11 | - | Alert |
| 3 | Gerokgak | | 3.05 | 126.00 | 2.90 | 114.00 | 0.33 | -12.00 | -2.57 | - | Dry |
| 4 | Benel | 1,008 | 1.92 | 171.50 | 1.62 | 167.00 | 1.04 | -4.50 | -0.58 | - | Alert |
| 5 | Muara Nusa Dua | | | 1.70 | 0.42 | 1.50 | 0.38 | -0.20 | -0.04 | - | Alert |
| NANGGROE ACEH DARUSSALAM | | | | | 1,073 | | 1,072 | | -1.51 | | |
| 1 | Keuliling | 2,455 | | 45.80 | 18.35 | 45.10 | 17 | -0.70 | -1.51 | 38.50 | Alert |
| 2 | Sianjo-anjo | | | 14.50 | 1,055 | 14.50 | 1,055 | 0.00 | 0.00 | 9.88 | Normal |
| LAMPUNG | | | | | 595.65 | | 382.11 | | -213.54 | -0.36 | |
| 1 | Batutegi | 2,455 | | 255.00 | 488 | 252.13 | 322 | -2.87 | -166.15 | 38.50 | Alert |
| 2 | Way Rarem | | | 54.00 | 72 | 51.37 | 47 | -2.63 | -25.14 | 9.88 | Alert |
| 3 | Way Jepara | | | 28.00 | 35 | 26.50 | 13 | -1.50 | -22.25 | 9.88 | Alert |
| SULAWESI SELATAN | | | | | | | | | | | |
| 1 | Bili-bili | 24,585 | 375.00 | 88.98 | 149.30 | 92.73 | 171.23 | 3.75 | 21.93 | 73.45 | Normal |

Source: Indonesian Ministry of Public Works, September 2012.

The Ministry of Public Works is taking measures to minimize potential negative impacts from the coming El Nino such as:

- Monitoring meteorological reports;
- Observing water levels at reservoirs;
- Allocating water based on the rainfall levels and priorities of planting area;
- Intermittent water management;
- Reevaluating farmers' planting plans; and

Minimizing leakages along the irrigation canals.

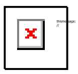
**Commodities:**

Corn

**Production:**

Due to a weak El Nino phenomenon, Indonesian corn farmers are seeing a delayed onset of the MY 2012/13 rainy season. As a result, fewer Indonesian farmers have planted corn as of October 2012. Post observes that mainly farmers in upland areas are seeing adequate rainfalls and have planted corn. Upland farmers report that the growing conditions for corn are good with favorable and no significant incidents of pest and disease. Post expects that MY 2012/13 Indonesia's corn production will slightly increase over the past year. Farmers in the irrigated lowland areas of Java are not expected to start growing corn until the end of November when water levels are expected to be better suited to production.

Farmers prefer to grow corn over soybeans, as corn provides higher yields and rates of return over soybeans. The first and major corn planting season normally takes place from November to February (49 percent). The second planting season takes place from March to June (37 percent). The final season occurs from July to September (14 percent). Greater use of hybrid corn continues, with reports indicating that upwards of 50 percent of the total corn area will continue to be planted with hybrid seeds. Better seeds, combined with fewer incidents of pest and disease problems will also increase yields per hectare.



Source: Cipinang rice wholesale market; Market Information Center (PIP), Ministry of Trade; American Soybean Association (ASA).

Current corn prices at farmer level are increasing and range from Rp. 2,800/kg ($292/MT) to Rp. 3,200/kg ($334/MT) due to the off season period. The price of hybrid corn seed is increasing, with hybrid seed ranging from Rp. 55,000/kg ($5.74/kg) to Rp. 70,000/kg ($7.3/kg). In 2011 hybrid corn seed prices were Rp. 40,000/kg ($4.2/kg) to Rp. 60,000/kg ($6.3/kg).

Given the aforementioned situation and assuming favorable weather to support corn production, Post estimates MY 2012/13 harvested area of corn to increase to 3.15 million hectares compared to 3.14 million hectares in the current MY2011/12 of 3.14 million hectares. Post estimates MY 2012/13 Indonesia corn production to increase to 8.9 MMT compared to initial estimate of 8.5 MMT produced due to slightly higher yield.

**Consumption:**

Many, if not most Indonesian corn farmers continue to use composite seed, as composite corn is generally for human consumption. Hybrid corn is used almost exclusively for feed and livestock consumption. GPMT reported that in calendar year (CY) 2012 feed consumption will reach approximately 12.7 MMT higher than the initial estimate of 12.3 MMT. This volume is excluding 1.2 MMT used for aquaculture feed. 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. GPMT forecasts that Indonesian feed consumption will further increase to 13.8 MMT in CY 2013. Some expansion of the currently operating feed mills and newly investment in feed mill are the driver of this feed consumption increase. Currently, the Indonesian feed millers are running at 77 – 80 percent of their total installed capacity.

GPMT reports that corn normally accounts for 50 percent of feed formulations, with soybean meal at 15-20 percent, corn gluten meal at three percent, CPO at two percent, fish meal at five percent, rice bran at 15 percent, wheat pollard eight percent and premix 0.6 percent. Based on local feed miller production estimates, Post estimates that in MY 2011/12 Indonesian corn consumption will reach 6.1 MMT. Because several new foreign investors are expected to begin producing feed in Indonesia, Post expects that the MY 2012/13 Indonesian corn consumption forecast will increase further to 6.6 MMT.

In the claim of the significantly higher production of corn in CY 2012 that reached 18.9 MMT compared to 17.6 MMT in CY 2011 as per BPS official release in March 2012, the Indonesian Ministry of Agriculture currently put an unofficial import quota in place. Only feed millers can import corn, and not traders. In order to be able to import corn, a feed miller must obtain an import recommendation from the Ministry of Agriculture. The Ministry of Agriculture will grant the volume of corn that can be imported based on the actual feed production of the feed millers.

**Stocks:**

In line with the MY 2011/12 higher corn production, lower imports, and higher consumption for feed, Post estimates that MY 2011/12 ending stock to decline to 522,000 metric tons (MT) compared to the previous MY 2010/11 of 697,000 MT. Post forecast MY 2012/13 ending stocks to further decline to 302,000 MT due to higher consumption for feed.

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

PSD: CORN

| Corn Indonesia | 2010/2011 | | 2011/2012 | | 2012/2013 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Oct 2010 | | Market Year Begin: Oct 2011 | | Market Year Begin: Oct 2012 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 2,850 | 2,850 | 3,140 | 3,140 | 3,150 | 3,150 |
| Beginning Stocks | 668 | 668 | 697 | 697 | 1,072 | 522 |
| Production | 6,800 | 6,800 | 8,900 | 8,900 | 8,500 | 8,900 |
| MY Imports | 3,041 | 3,041 | 1,500 | 1,550 | 1,500 | 2,000 |
| TY Imports | 3,041 | 3,041 | 1,500 | 1,550 | 1,500 | 2,000 |
| TY Imp. from U.S. | 485 | 485 | 0 | 45 | 0 | 50 |
| Total Supply | 10,509 | 10,509 | 11,097 | 11,147 | 11,072 | 11,422 |
| MY Exports | 12 | 12 | 25 | 25 | 25 | 20 |
| TY Exports | 12 | 12 | 25 | 25 | 25 | 20 |
| Feed and Residual | 5,400 | 5,400 | 5,500 | 6,100 | 5,500 | 6,600 |
| FSI Consumption | 4,400 | 4,400 | 4,500 | 4,500 | 4,500 | 4,500 |
| Total Consumption | 9,800 | 9,800 | 10,000 | 10,600 | 10,000 | 11,100 |
| Ending Stocks | 697 | 697 | 1,072 | 522 | 1,047 | 302 |
| Total Distribution | 10,509 | 10,509 | 11,097 | 11,147 | 11,072 | 11,422 |
| Yield | 2. | 2.386 | 3. | 2.8344 | 3. | 2.8254 |

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

**Commodities:**

Rice, Milled

**Production:**

Based on the BMKG weather forecasts, Post expects that the first paddy crop of MY 2012/13 will be delayed to the end of November or early December 2012 in Indonesian major rice producing areas. Although rainfalls sporadically occurred in some areas of Java, farmers considered water supplies insufficient for growing paddy. Currently most irrigated lowlands remain idle. Corresponding with the delayed planting, Post expects the first main harvest of MY 2012/13 to be delayed through late March/early April 2013. Assuming favorable weather conditions, lower pest and disease incidents and provide higher yields and higher milling rates, Post estimates Indonesia's rice production in MY 2012/13 will reach 36.9 MMT of milled rice equivalent.

**Consumption:**

While BULOG's primary objective is to shore up 2012 ending stocks, some imported rice will also be used in BULOG's market operations as a mechanism to dampen the price of medium quality rice in the domestic market. During the period of January – October 2012, BULOG flooded the market with a total of 182,000 MT under market operations.

BULOG also uses stocks for its Rice for the Poor (*Raskin*) program. During the period of January – October 2012 BULOG distributed a total of 2.73 MMT of *Raskin* rice to 17.5 million poor families. Each family received 15 kg of rice/month at the price of Rp. 1,600 /kg. As of early July 2012, BULOG has distributed a total of 1.7 MMT of rice under the *Raskin* program.

In line with the population growth, Post estimated MY 2011/12 Indonesian rice consumption to increase to 39.550 MMT from 39 MMT in previous MY2010/11. The consumption is forecast to increase further to 40 MMT in MY 2012/13.

**Trade:**

During the period of January – March 2012 a total of 700,000 MT of rice imported by BULOG arrived in Indonesia. BULOG stopped rice imports in early March 2012, in order to avoid violating regulations prohibiting rice imports one month prior to, during, and two months after the main harvest season. In October 2012, the GOI authorized BULOG to import a total of 1.0 MMT of rice with the objective of maintaining minimal stock levels of 2.0 MMT through the end of the year. As of October 25, 2012 a total of 500,000 MT of 15 percent broken white rice has been contracted with Vietnam. Approximately 300,000 MT of it is expected to arrive in the country by the end of this year. A possible sale of 200,000 MT of 15 percent broken white rice is currently being negotiated with India.

In MY 2011/12, BULOG intends to procure 4.5 MMT of rice. As of mid October 2012, BULOG procured a total of 3.4 MMT from the domestic market, which is significantly higher over the 1.6 MMT procured domestically during the same period in 2011. BULOG can only buy paddy or rice from farmers when the market price is lower or equal to the GOI's official purchasing price (*Harga Pembelian Pemerintah*, HPP). BULOG's aggressive approach to procure rice directly from farmers has made the HPP more competitive. Other than the rice imported by BULOG, Indonesia has also imported approximately 500 TMT of rice for health and other specific purposes in MY 2011/12. This specialty rice imports combined with the aforementioned 700 TMT imported during the first quarter of 2012, along with the expected incoming rice imports from BULOG's recent authorization, and small amounts of smuggling, Post estimates that MY2011/12 Indonesian rice imports will be approximately 1.7 MMT. Furthermore, due to declining levels of beginning stock of MY 2012/13, higher demand for specialty rice, and increased overall consumption, Post forecasts that Indonesia will need to import 1.45 MMT of rice in MY 2012/13.

The high price disparity between Indonesia's domestically produced rice over Vietnamese and Thai 15 percent broken rice will continue to provide incentives for unauthorized imports, especially through the more porous Indonesian border areas.

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

**Stocks:**

MY 2011/12 ending stock of Indonesia rice is estimated to be at 4.8 MMT, and forecast to further decline in MY 2012/13 to 3.175 MMT due to higher consumption and lower beginning stock of MY 2011/12.

**Policy:**

On September 18, 2012 the Indonesian and the Vietnamese Ministers of Trade signed a Memorandum of Understanding (MOU) on rice. The MOU states Vietnam's commitment to provide 1.5 MMT of rice annually to assist Indonesia in securing its rice needs. The MOU is effective from January 1, 2013 to December 2017. The previous MOU with Vietnam was signed on April 25, 2009 and is effective from 2010 to 2012. The previous MOU stated Vietnam's commitment to provide 1 MMT of rice annually to Indonesia. The volume was increased to 1.5 MMT on November 16, 2011 because of the difficulty to procure rice from Thailand due to Thailand's uncompetitive rice prices.

On Thursday, October 18, 2012 the Indonesian House of Representatives passed ***the Law on Food and the Protection and Empowerment of Farmers***. This law has the goal of making Indonesia self-sufficient in key food staples, partly through restricting imports and exports, and establishing a new food authority to ensure adequate food supplies. Article 34 of the new Food Law states that food exports can be restricted based on determinations of domestic consumption needs and national interest. Furthermore, staple food exports can only be implemented after fulfilling national food reserve and staple food consumption necessity. Article 36 of the new law states that food imports can be conducted if domestic food production is not sufficient and/or products cannot be produced domestically. According to Article 126, the GOI will reorganize specific GOI institutions as a new food security-oriented government agency. This agency will be tasked with executing GOI orders with regard to food production, procurement, distribution, safety, and security. It will report directly to the President.

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

PSD: RICE, MILLED

| Rice, Milled Indonesia | 2010/2011 | | 2011/2012 | | 2012/2013 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Jan 2011 | | Market Year Begin: Jan 2012 | | Market Year Begin: Jan 2013 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 12,075 | 12,075 | 12,160 | 12,160 | 12,150 | 12,150 |
| Beginning Stocks | 6,577 | 6,577 | 6,175 | 6,175 | 4,625 | 4,825 |
| Milled Production | 35,500 | 35,500 | 36,500 | 36,500 | 36,900 | 36,900 |
| Rough Production | 56,349 | 56,349 | 57,480 | 57,480 | 58,110 | 58,110 |
| Milling Rate (.9999) | 6,300 | 6,300 | 6,350 | 6,350 | 6,350 | 6,350 |
| MY Imports | 3,098 | 3,098 | 1,500 | 1,700 | 1,450 | 1,450 |
| TY Imports | 3,098 | 3,098 | 1,500 | 1,700 | 1,450 | 1,450 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 45,175 | 45,175 | 44,175 | 44,375 | 42,975 | 43,175 |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Consumption and Residual | 39,000 | 39,000 | 39,550 | 39,550 | 40,000 | 40,000 |
| Ending Stocks | 6,175 | 6,175 | 4,625 | 4,825 | 2,975 | 3,175 |
| Total Distribution | 45,175 | 45,175 | 44,175 | 44,375 | 42,975 | 43,175 |
| Yield (Rough) | 5. | 4.6666 | 5. | 4.727 | 5. | 4.7827 |

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

**Author Defined:**

## Prices

The Indonesian National Statistics Agency (BPS) reported that the average price of wet paddy is slightly increasing from Rp. 3,725.14/kg ($388/MT) in April 2012 to Rp. 3,911.14/kg ($408/MT) in September 2012.

Average daily supply of rice from the major rice producing areas of Java to the Cipinang Rice Wholesale Market in Jakarta is increasing to 2,520 MT in October 2012 (as of October 21, 2012) from 2,852 MT in July 2012.  The price of medium quality rice at Cipinang whole sale market is slightly declining to Rp. 8,200/kg ($855/MT) in October 2012 (as of October 21, 2012) compared to the average price of Rp. 8,297/kg ($865/MT) in July 2012.

Note: Exchange rate is Rp. 9,590/USD 1, as of October 30, 2012.