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Report Highlights:

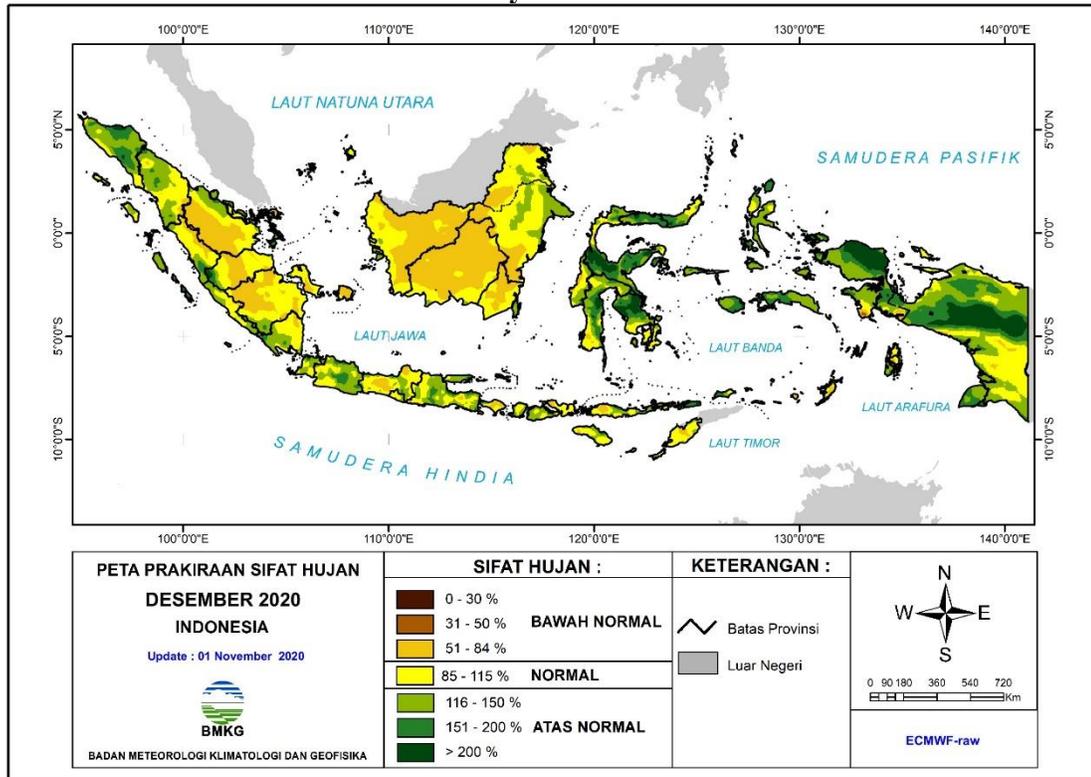
Rice area and production for 2019/20 are increased based on the latest data from the National Statistics Agency (BPS). Rice and wheat imports for 2019/20 are lowered due to weaker consumer demand related to COVID-19. Corn, wheat and rice imports are forecast higher in 2020/21 on stronger feed demand and expected return to economic growth.

SITUATION AND OUTLOOK

The Indonesian Meteorology, Climatology, and Geophysics Agency (*BMKG, Badan Meteorologi, Klimatologi, dan Geofisika*) in August 2020 predicted that Indonesia's 2020/2021 rainy season would commence in October in 34.8 percent of area, in November in 38.3 percent of area, and in December in 16.4 percent area. Compared to the 30-years average (1981-2010), the beginning of the 2020/2021 rainy season will arrive earlier in 45 percent of area, at normal time in 35.1 percent of area, and late in 19.9 percent of area. The peak 2020/2021 rainy season in most areas is forecast to take place in January and February 2021.

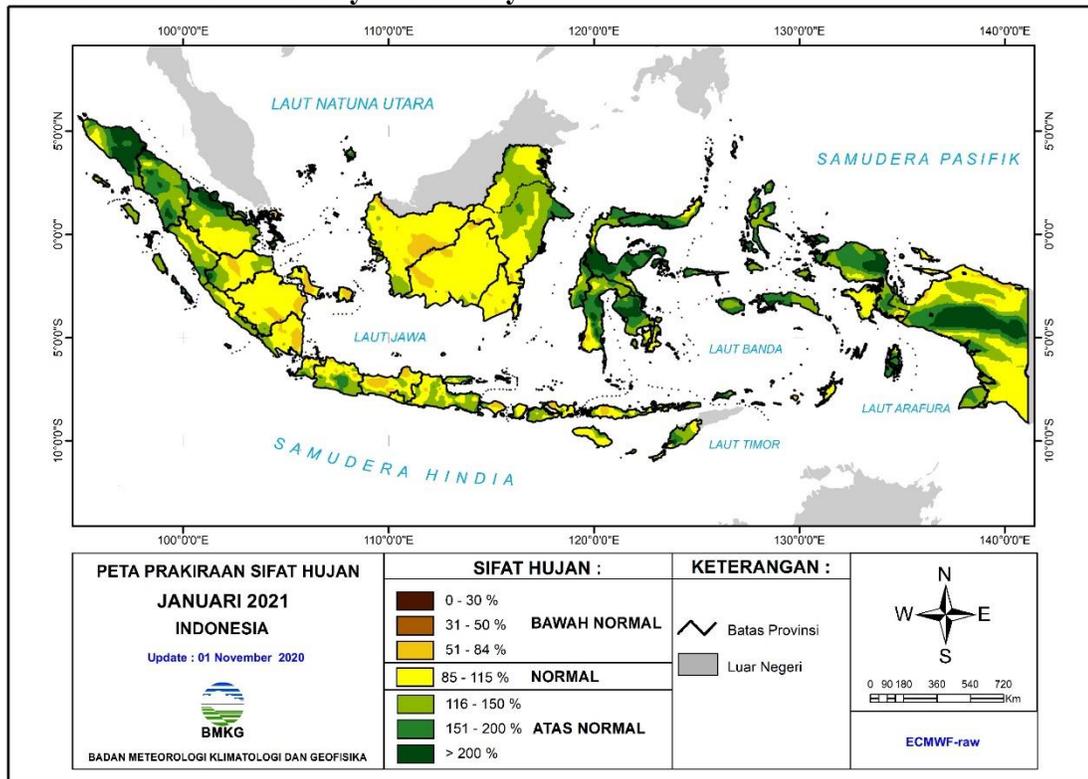
BMKG also reported that based on El Niño Southern Oscillation prediction models from BMKG and other international institutions it is predicted that ENSO will be at neutral category to La Niña. Neutral conditions are were through September 2020 followed with a potential La Niña (with about 60 percent chance) from October 2020 to January 2021. Historical data analysis shows that La Niña conditions during the rainy season will increase rainfall in several regions in Indonesia.

Chart 1. Forecast of Rainfall Intensity in December 2020



Source: BMKG

Chart 2. Rainfall Intensity in January 2021



Source: BMKG

Despite the arrival of rainy season, elevation at major reservoirs in Java are observed to be slightly below target levels. Rainfall during the ongoing rainy season is expected to supply sufficient water to fulfill demand for paddy fields close to reservoirs during the current crop cycle.

Table 1. Water Elevation at West Java Water Reservoirs, November 12, 2020

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	93.90	n/a	Deficit
2	Cirata	668.12	210.61	201.23	208.79	n/a	Deficit
3	Saguling	530.75	633.08	159.48	630.10	n/a	Deficit

Source: Indonesian Min. of Public Works, (November 12, 2020), processed by FAS/Jakarta.

Wheat

Wheat imports for 2019/20 reached 10.463 million tons, a 4.31 percent decline compared to 2018/19 and a reflection of lower FSI consumption due to weaker demand related to COVID-19. Imports are expected to rebound to 10.8 million tons in 2020/21. Wheat for feed consumption is forecast to increase to 1.9 million tons in 2020/21, in line with feed production increases.

Corn

Post maintains corn production estimates. Corn consumption for feed and FSI in 2019/20 are estimated to decline further to 8.3 million tons and 3.8 million tons, respectively, due to lower feed production and import impediments experienced by wet mills. Corn consumption for feed use in 2020/21 is estimated to increase to 8.8 million tons, in line with higher forecast for feed production. Corn imports for 2020/21 are forecast to rebound to 900,000 tons, all for wet mill use.

Rice

Based on the most recent update from the National Statistics Agency (BPS), 2020 rice production is estimated to increase to 34.7 million tons of milled rice equivalent due to increased harvested area of 11.6 million hectares and higher yields. The forecast for a La Nina event during the first crop cycle of 2020/21 will increase harvested area to 11.6 million hectares from the previous estimate of 11.5 million hectares. Nonetheless, more rainfall during harvest time will likely lead to lower yields, resulting in unchanged milled production forecast of 34.9 million tons of milled rice equivalent. Imports of specialty rice have declined in line with Indonesia's economic slowdown. Accordingly, 2019/20 rice imports are estimated to decrease to 450,000 tons.

WHEAT

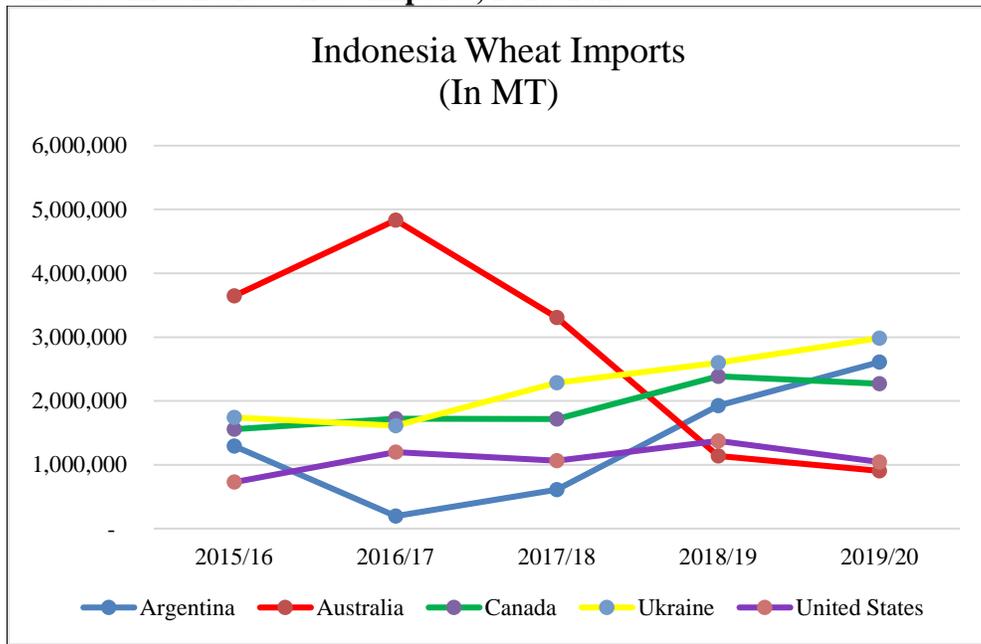
Trade

Indonesia wheat imports in 2019/20 have declined to 10.463 million tons compared to 10.934 million tons the previous marketing year. The declines follow an overall trend in consumption as various industries adjust to restrictions implemented to limit the spread of COVID-19. Lower mobility, higher unemployment, and weaker purchasing power have impacted the food service sector, while lower demand for poultry products has reduced the use of wheat in feed rations.

During marketing year 2019/20, Ukraine and Argentina dominated the market with 29 and 25 percent market share, respectively. Canada held 22 percent market share and the U.S. maintained 10 percent.

Post forecasts 2020/21 wheat imports to increase to 10.8 million tons as the overall economy continues to recover and demand returns to the feed sector.

Chart 3. Indonesia Wheat Imports, 2015-2020



Source: Trade Data Monitor, November 2020.

Domestic flour continued to dominate the market throughout 2019/20, with a 99.97 percent market share. Wheat flour imports during the period marginally increased by 0.5 percent to 66,000 tons of wheat equivalent. Turkey remains the major supplier of wheat flour to Indonesia with 52 percent market share, followed by Ukraine with 31 percent market share.

A weakened Indonesian rupiah has provided more opportunity for exports of wheat flour and wheat products. During 2019/20, wheat flour and wheat products exports increased to 87,000 tons of wheat equivalent and 263,000 tons of wheat equivalent from 44,000 tons and 221,000 tons during the period of 2018/19. Most of the wheat products were exported to Malaysia (30 percent), the Philippines (7 percent), and Australia (6 percent).

Consumption

Indonesia's economic slowdown in the wake of COVID-19 has reduced demand for wheat-based food products and wheat consumption for feed. The Indonesian Wheat Producers Association reported that wheat consumption declined by approximately 1 percent to 6.3 million tons of wheat equivalent during the period of January to September 2020, compared to the same period last year. The decline in consumption has come as fewer restaurants are serving fewer customers, especially at traditional dine-in locations. Many franchises have been able to partially offset dine-in revenues with alternative marketing strategies utilizing online promotions and cheaper bundling packages. Food service declines have also been partially offset by higher household consumption. Increases in retail demand for flour have helped maintain stable prices for consumers. Despite increased production costs from a weakening exchange rate and higher electricity costs, flour mills have managed to meet the higher retail demand without raising prices. The retail price of the popular Segi Tiga Biru brand is stable Rp. 10,900/kg (\$770/ton).

Post maintains its 2019/20 wheat consumption estimate for FSI at 8.5 million tons of wheat equivalent. Wheat consumption for FSI in 2020/21 is forecast to rebound to 8.7 million tons of wheat equivalent based improving economic performance and higher demand in the HRI sector. Increasing poultry production and a continuing ban on imports of corn for feed use is expected to increase 2020/21 feed wheat consumption to 1.9 million tons.

CORN

Production

Indonesian corn production reached 12 million tons in 2019/20, on par with 2018/19 production levels. Post maintains corn production estimate for 2020/21.

Consumption

The re-implementation of social distancing restrictions in September 2020 following a surge of new COVID-19 cases has further depressed demand for poultry meat. The decline in demand can be seen in the drop of farm gate prices for live birds in Table 2 below. Although short-lived, the decline in prices comes on the heels of significant price volatility in March and April as farmers struggled with oversupply during the initial months of the pandemic.

Table 2. Farm Gate Prices of Broiler (1.1-1.2 kg), Rp/live weight.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2018	21,500	19,500	17,500	19,500	21,000	22,000	24,500	20,500	16,500	18,500	22,500	20,500	20,330
2019	18,500	18,000	16,000	18,000	15,500	19,000	16,500	17,500	18,500	18,500	19,500	19,500	17,917
2020	17,500	19,500	19,000	12,300	18,000	22,500	18,500	20,000	15,000	20,000	18,500		

Source: US Soybean Export Council and PINSAR Unggas.

Industry has reported that the overall feed production in 2020 is expected to reach a total of 18.6 million tons, a decrease of 9.3 percent from 20.5 million tons produced in 2019. Despite abundant supply of corn from domestic production, MOA reported that feed mills' domestic corn procurement during the period of January to October 2020 declined by 1.8 percent to 5.789 million tons compared to 5.895 million tons procured during the same period of 2019.

The corn wet milling industry reported increased running capacity of 750,000 tons per year, approaching 100 percent of installed capacity. Corn wet mills remain the primary importer of corn due restrictions on importing corn for feed use. The industry relies on imports due to sensitivity toward aflatoxin content in local corn and the need to utilize the higher starch levels from imported dent corn as opposed to locally grown flint corn. Corn wet mill capacity is expected to continue growing as demand for corn starch and sweeteners continues to grow in the food and beverage industry. The industrial users have reported no negative impact from the pandemic as shipments from supplying countries and production remains stable. However, permission to import corn for industrial use, which is only available to industrial processors and closely monitored by the Ministry of Trade (MOT), has faced challenges. In an effort to push wet millers to utilize more local corn, MOT delayed issuing semi-annual import permits from July to end of September, forcing some wet mills to reduce or halt production to avoid

running out of stocks. Many permits that were issued in September had allocations reduced, some by 45 percent.

Based on ongoing challenges in the poultry sector, 2019/20 corn consumption for feed declined to 8.3 million tons compared to the previous estimate of 8.6 million tons. Corn consumption for food in 2019/20 slightly declined to 3.8 million tons. The poultry and feed industries remain optimistic demand will return in 2021 as the economy recovers from the pandemic related downturn. Post forecasts 2020/21 corn consumption for feed to rebound to 8.8 million tons and corn consumption for industrial use to increase to 3.9 million tons compared to 3.8 million tons in 2019/20.

Trade

As a result of delayed issuance of import permits for corn for use in the wet milling industry, Post revises 2019/20 corn imports downward to 860,000 tons from the previous estimate of 900,000 tons. In line with population growth, corn wet mill expansions and strong demand for related products 2020/21 corn imports are forecast to reach to 900,000 tons. During the period of October 2019 - September 2020, corn imports originated from Argentina (89 percent), Brazil (8 percent), and the United States (4 percent).

With more supply of corn from domestic production and lower consumption by feed mills, Indonesia exports in 2019/20 increased by 60 percent to 64,000 tons from the previous estimate of 40,000 tons. Exports for 2020/21 are forecast to decrease to 5,000 tons based on stronger demand from local feed mills. During the period of October 2019 - September 2020, the Philippines accounted for 97 percent of all corn exports.

Reduced feed production has also reduced Indonesian imports of distilled dried grain soluble (DDGS). During the period of October 2019 to September 2020, Indonesia imported a total of 653,000 tons of DDGS, a decline of 29 percent compared to the same period 2018/19. Nearly all DDGS originate from the United States.

RICE, MILLED

Production

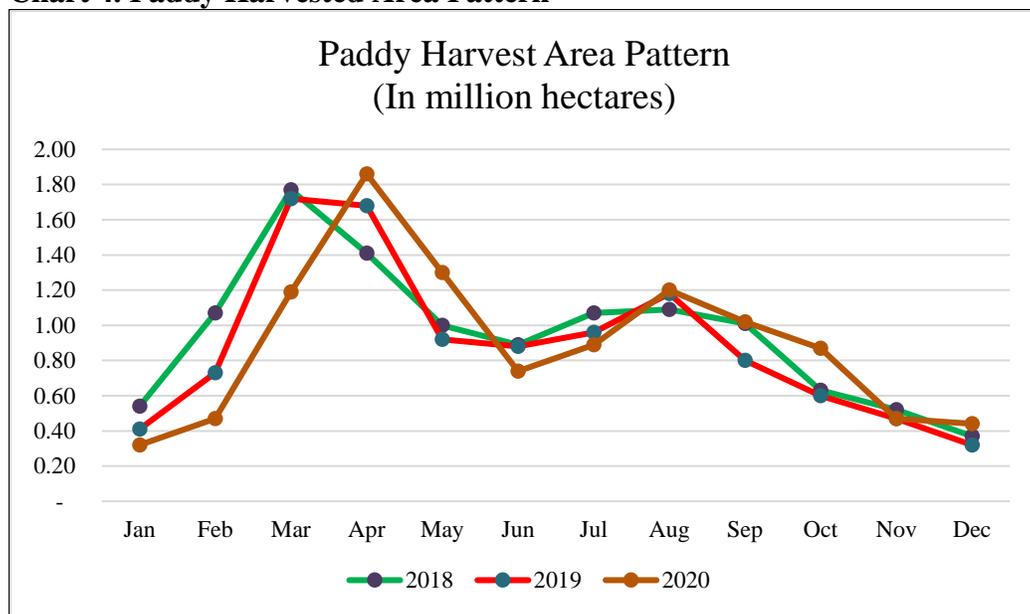
Based on the most recent release from BPS on 2019/20 rice production, Post revises 2019/20 rice harvested area to 11.6 million hectares and rice production to 34.7 million tons of milled rice equivalent. In addition to increased area, higher production was also achieved from higher yields due to less pest and disease problems and less moisture content during harvest.

With the arrival of rainy season, most farmers on low land irrigated area have begun planting the first crop cycle of 2020/21. The first main harvest is expected to take place during the normal time of February to March 2021 and will contribute approximately 50-55 percent of total national rice production. The forecast of a La Nina event adding rainfall may adversely impact yields during the first harvest. However, historical data indicates during such events farmers on low land rain-fed areas have better opportunity to grow paddy over secondary crops and better yields during the second crop cycle

beginning February 2021. The second main harvest is expected to take place in June 2021 and contribute to 25-30 percent to overall rice production.

With the ongoing off-season period, BPS reports that prices of wet paddy at farmers level in October 2020 increased by 2 percent to Rp. 4,815/kg (\$340/ton) compared to Rp. 4,720/kg (\$334/ton) in June 2020. Wet paddy prices at mill's level in October 2020 increased by 2.26 percent to Rp. 4,928/kg (\$348/ton) compared to Rp. 4.819/kg (\$340/ton) in June 2020.

Chart 4. Paddy Harvested Area Pattern



Source: BPS, October 2020.

Considering the above-mentioned factors, 2019/20 rice production is estimated to increase to 34.7 million tons from 34.2 million tons in 2018/19. Harvested area in 2020/21 is forecast to remain stable at 11.6 million hectares compared to 2019/20, and an increase of 100,000 hectares compared to the previous estimate. La Nina will likely reduce yield quality during the first main harvest. Therefore, despite stable harvested area, declined yield will maintain rice production in 2020/21 at 34.9 million tons of milled rice equivalent as previously forecasted.

Consumption

Pandemic related closures and capacity restrictions placed on hotels, malls, restaurants, tourist destinations, and small and medium enterprises has reduced outside of home rice consumption. However, since the onset of the pandemic the Government of Indonesia (GOI) has instructed state-run logistic company BULOG to distribute rice as food aid in several tranches to support those families hardest hit by the COVID-19 related economic downturn. In May, 1.4 million families received supplemental food assistance. The assistance was expanded to reach 1.85 million families in June and an additional 10 million families each month from August to October. Each family received 15 kg of rice during each monthly distribution, totaling 498,750 tons. Combined with regular market operations, as of November 23, 2020 BULOG has distributed a total of 911,519 tons of rice.

The food aid and ongoing harvest managed to maintain a stable price. The average price of medium quality rice at wholesale market in November 2020 is recorded Rp. 10,348/kg (\$731/ton) compared to Rp. 10,604/kg (\$749/ton) in July 2020. Prices remain above the government purchasing price.

Trade

BULOG set its 2020 procurement target at 1.4 million tons, a modest increase from procurement realization of 1.19 million tons in 2019. As of November 23, 2020 BULOG had procured a total of 1.21 tons of milled rice equivalent. The domestic procurement realization is slightly above BULOG's procurement of 1.169 tons at the same period last year. BULOG is required to maintain a minimum year-end stock level of 1.5 - 2 million tons. BULOG stock currently stands at approximately 1.6 million tons. Considering the domestic procurement and distribution realization, BULOG is optimistic to maintain the secure stock level through the end of 2020.

The economic slowdown has led to lower imports of specialty rice by the private sector. During the period of January to September 2020, Indonesia imported a total of 305,000 tons of rice, a decline of 14.25 percent compared to 335,000 tons imported during the same period of 2019. Therefore, 2019/20 rice imports are estimated to decline to 450,000 tons, from the previous estimate of 550,000 tons. In line with an expected return to positive economic growth, 2020/21 rice imports are forecast to marginally increase to 500,000 tons of mainly specialty rice. Thailand, Vietnam, and Pakistan each accounted for a 21 percent market share of imports.

PSD TABLES

Table 3. PSD: WHEAT

Wheat Market Begin Year Indonesia	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1720	1720	1780	1780	1493	1593
Production	0	0	0	0	0	0
MY Imports	10934	10934	10463	10463	10800	10800
TY Imports	10934	10934	10463	10463	10800	10800
TY Imp. from U.S.	1371	1371	1044	1044	0	1000
Total Supply	12654	12654	12243	12243	12293	12393
MY Exports	274	274	350	350	300	300
TY Exports	274	274	350	350	300	300
Feed and Residual	2000	2000	1800	1800	1700	1900
FSI Consumption	8600	8600	8600	8500	8700	8700
Total Consumption	10600	10600	10400	10300	10400	10600
Ending Stocks	1780	1780	1493	1593	1593	1493
Total Distribution	12654	12654	12243	12243	12293	12393
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 4. PSD: CORN

Corn Market Begin Year Indonesia	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3700	3700	3800	3800	3700	3700
Beginning Stocks	793	793	906	906	1166	1602
Production	12000	12000	12000	12000	12000	12050
MY Imports	1015	1015	900	860	850	900
TY Imports	1015	1015	900	860	850	900
TY Imp. from U.S.	10	10	0	10	0	32
Total Supply	13808	13808	13806	13766	14016	14552
MY Exports	2	2	40	64	5	5
TY Exports	2	2	40	64	5	5
Feed and Residual	9000	9000	8600	8300	9000	8800
FSI Consumption	3900	3900	4000	3800	4000	3900
Total Consumption	12900	12900	12600	13766	13000	12700
Ending Stocks	906	906	1166	1602	1011	1847
Total Distribution	13808	13808	13806	13806	14016	14552
Yield	3.2432	3.2432	3.1579	3.1579	3.2432	3.2568

(1000 HA), (1000 MT), (MT/HA)

Note: Figures in the "New Post" columns are not USDA Official figures.**Table 5. PSD: RICE, MILLED**

Rice, Milled Market Begin Year Indonesia	2018/2019		2019/2020		2020/2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11500	11500	11200	11600	11500	11600
Beginning Stocks	5563	5563	4061	4061	3109	3709
Milled Production	34200	34200	34000	34700	34900	34900
Rough Production	53858	53858	53543	54646	54961	54961
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350
MY Imports	600	600	550	450	500	500
TY Imports	600	600	550	450	500	500
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	40363	40363	38611	39211	38509	39109
MY Exports	2	2	2	2	2	2
TY Exports	2	2	2	2	2	2
Consumption and Residual	36300	36300	35500	35500	35400	35400
Ending Stocks	4061	4061	3109	3709	3107	3707
Total Distribution	40363	40363	38611	39211	38509	39109
Yield (Rough)	4.6833	4.6833	4.7806	4.7109	4.7792	4.738

(1000 HA), (1000 MT), (MT/HA)

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

Table 6. Exchange Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	13,343	13,347	13,321	13,327	13,321	13,319	13,323	13,351	13,492	13,572	13,514	13,548
2018	13,413	13,707	13,756	13,877	13,951	14,404	14,413	14,711	14,929	15,227	14,339	14,481
2019	14,072	14,062	14,244	14,268	14,362	14,141	13,913	14,237	14,174	14,008	14,102	13,901
2020	13,662	14,234	16,367	15,157	14,733	14,302	14,653	14,554	14,918	14,690	14,187	

Source: Bank of Indonesia

Note: Exchange rate is Rp. 14,164/USD 1, as of Nov 23, 2020.

Attachments:

No Attachments