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Report Highlights:
Post recommends a revision in marketing year (MY) 2010/11 Indonesian rice production estimates to 37 million metric tons (MMT) of milled rice equivalent, up from an earlier estimate of 36.9 MMT. This adjustment is based on the second forecast figures recently released by the Indonesian National Statistics Agency (BPS). Post also estimates Indonesian rice imports will increase by approximately 91.3 percent to 2.2 MMT in MY 2010/11, over 1.15 MMT in MY 2009/10. Additionally, Post estimates a marginal increase in MY 2010/11 corn production to 6.8 MMT compared to previous estimate of 6.75 MMT.

Executive Summary:

Corn

Despite another decrease in harvested area, Indonesia's production of corn in MY 2010/11 is estimated to increase slightly to 6.8 MMT over previous Post estimates of 6.75 MMT. The increase is mainly due to wider than previously expected usage of hybrid corn seed. Post also expects that Indonesian corn imports will increase, driven by higher demand from feed mills and a new corn wet-mill, which recently came fully online. MY 2010/11 Indonesian corn imports are estimated to nearly double to 2.5 MMT over the previous MY2009/10 of 1.337 MMT.

Rice

Referring to the recent release of the second forecast figures by the Indonesia National Statistics Agency (BPS), Post predicts an increase of 2.4 percent of MY 2010/11 Indonesian rice production to 37 MMT, up from the 36.9 MMT previously estimated. The primary this adjustment is due to slightly larger harvested areas on islands outside of Java and some occasional localized rain throughout Java. These factors motivate farmers to continue growing rice. Nonetheless, in order to maintain rice prices in the domestic market, imports of rice in MY 2011/2010 are estimated to reach 2.2 MMT compared to the previous estimate of 1.75 MMT.

General Information:

The Indonesian Meteorology, Geophysics, and Climatology Agency (BMKG) reported that Indonesian sea surface conditions and temperatures are generally neutral, except in some waters off of southern Sumatera and southern central Java, which are slightly colder than average. According to BMKG, these more stable oceanic conditions should not significantly impact rainfall levels in Indonesia. BMKG further reported that more typical dry season conditions are occurring throughout in Indonesia, which is evident by lower levels of rainfall in some areas in Indonesia. Approximately 84 percent of Indonesia began to experience dry season conditions in June. The dry season in the remaining 16 percent of Indonesia began later in July and continues through August.

Production:

CORN

Production

On July 1, 2011, Indonesian Statistics Agency (BPS) released its second forecast figures on food crops productions. The forecast decreased CY 2011 Indonesian corn production estimates by 5.1 percent to 17.39 MMT compared to calendar year (CY) 2010 production of 18.3 MMT. Indonesian corn production declined due to a decline in harvested area levels to 3.9 million hectares. This is a 5.7 percent decrease over CY 2010 harvested area levels, which stood at 4.1 million hectares. Conversely, yields are estimated to increase slightly to 4.46 metric tons (MT) per hectare compared to 4.436 MT per hectare in CY 2010. The first and most significant corn planting season generally occurs during the November - February timeframe and accounts for 49 percent of corn harvested in Indonesia. The

second planting season takes place from March - June and accounts for 37 percent of corn harvested. The third season occurs in July - September and accounts for the remaining 14 percent.

Although the La Nina weather pattern impacts have all but dissipated, recent trips to the field indicated that some occasional localized rain continues to occur in areas throughout Java. This makes it difficult for farmers to predict weather conditions and adjust their planting decisions. Immediately after the second season crop is harvested, some farmers in irrigated area have decided to grow secondary crops such as corn and mung beans. However, some of these farmers were subjected to heavy rainfall immediately after planting, which rotted the young crops. Although some farmers decided to replant secondary crops, some switched back to planting paddy, while other gave up and left the land idle. Farmers and seed industry personnel reported that an increase of hybrid corn seed use by farmers in irrigated areas. Some farmers in rain-fed areas tend to keep on growing composite corn seed aimed for human consumption. During the MY 2010/11 the total area grown with hybrid corn is estimated to go up to 35 percent of the total areas grown with corn.

Post estimates MY 2010/11 harvested area of corn to decline to 2.85 million hectares over previous estimates of 3.0 million hectares. This decline is based on recently released BPS data. Despite indications that the impacts of pest and disease, such as downy mildew and hopper, resulted from higher than normal rainfall during the first and second crops, slightly higher yield provided by higher use of hybrid corn seed offset the decline in harvested areas. Therefore, Post revised the estimate of MY 2010/11 Indonesian corn production to 6.8 MMT compared to the previous estimate of 6.75 MMT.

Assuming weather returns to its normal pattern which will provide incentives and opportunities for farmers to grow more corn and more hybrid corn use, Post forecasts MY 2011/12 corn production to rebound to 8.1 MMT. This compares to the most recent high level of 8.7 MMT in MY 2008/09.

RICE, MILLED

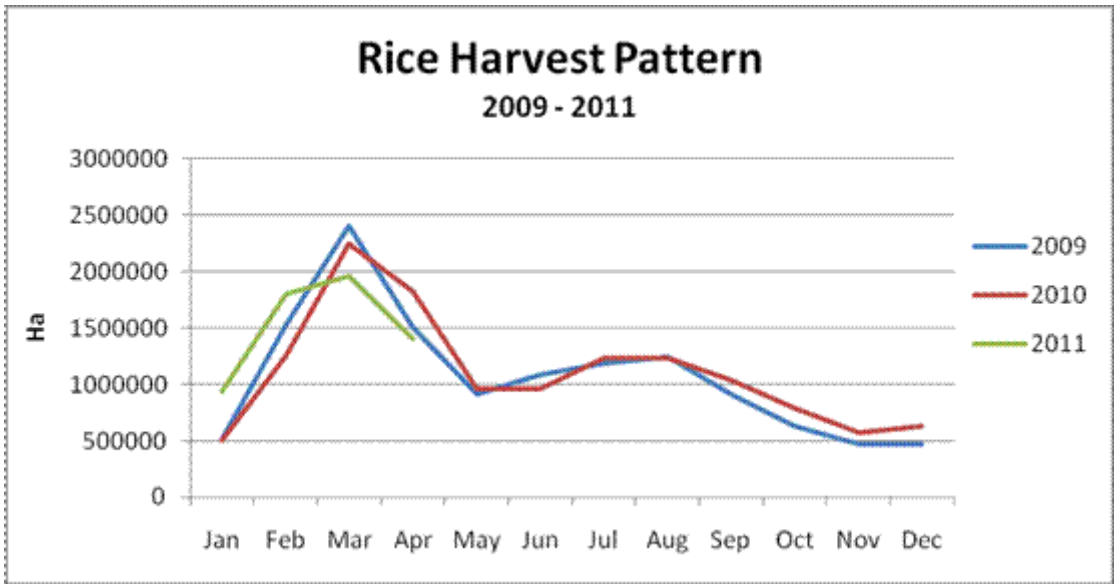
Production

On July 1, 2011, the Indonesian Statistics Agency released its second forecast for 2011 rice production levels (Aram II). The agency forecasts that Indonesian rice production will increase by 2.4 percent due to area expansion outside of Java and slightly higher yields. However, Post believes that the high rate of land conversion to nonagricultural uses on Java will offset the area expansion outside of Java. Furthermore, Indonesian rice experts and observers believe that MY 2010/11 rice production is overestimated as indicated by the soaring prices of rice since mid-June 2011.

Post's recent observation to Indonesian major rice producing areas in West Java, Central Java, and Yogyakarta showed that difficulties to predict water availability from rainfall affect farmer's planting decision. Some farmers, especially those in rain-fed areas and semi-technically irrigated areas, are growing secondary crops such as corn and mung beans for the third cycle, which normally starts in July. Just as in MY 2009/10 farmers in irrigated areas can grow three times paddy. Some decided to leave the field idle after failing to grow secondary crops.

Since the first MY 2008/09 crop cycle this will be the eighth consecutive planting of paddy for farmers in irrigated areas. The unremitted plantings translated into unremitted pest and disease incidents resulted to lower yield. Farmers reported that rains still sporadically fell mostly during the days, which therefore inhibits the photosynthesis and flowering phase of the paddy. Post still observed some brown paddy leaves that were attacked by brown hoppers and holes left by rats on some paddy fields. Some farmers now realized that IR64 and Ciherang varieties are less resistant to brown hopper. This has led some of them to switch to Inpari 13, which is reportedly more resistant to brown hopper. Farmers continue taking some measures to manage rats, such as fencing the field with plastic barriers or erecting electrical barriers.

Currently, second harvests of rice are still going on in most areas in Java while farmers in other areas are starting to grow either paddy or secondary crops for the third cycle . Rice harvest pattern since 2009 until current period can be seen in the following chart.



Source: Indonesian Statistics Agency (BPS).

Rainfall during the day also made it more difficult for farmers to sundry the wet paddy. It takes three to five days to sun-dry the paddy while normally it takes just one day. This leads to higher moisture content, empty husks, easily broken kernels, and more chalky kernels.

Given the above factors, Post revised the MY 2010/11 harvested area to 12,380,000 hectares compared to initial estimate of 12,110,000 hectares. Post now increased the MY 2010/11 Indonesian rice production to 37.0 MMT of milled rice equivalent due to slightly higher yield and lower milling rate than the initial estimate.

Assuming more normal weather which will provide opportunities for better secondary crops, Post forecast lower MY 2011/12 Indonesian rice production than initial estimate of 37.6 MMT to 37.3 MMT of milled rice equivalent.

Consumption:

CORN

The Indonesian Feed Millers Association estimates that CY 2011 feed consumption will reach approximately 10.3 MMT. Although a slight increase in domestic corn production is likely, corn quality remains a concern for local feed millers. There are some factors that inhibit feed millers from sourcing more locally - such as lower protein content, higher raw fiber content, high rancidity, limited and inconsistent corn supply for commercial scale feed millers, and difficulties in storage. Therefore, feed millers report that they are determined to import corn at any price to meet the demand.

Considering the aforementioned factors, Post revised the estimated MY2010/11 corn consumption by feed industry to increase to 4.8 MMT compared to the previous estimate of 4.6 MMT. A total of 4.4 MMT of corn will go for human consumption. In MY 2011/12 these corn consumptions are forecast to further increase to 5 MMT and 4.5 MMT for feed and food respectively.

RICE

Some of the imported rice is going for BULOG's market operation in order to soften the price of medium quality rice in the domestic market. Reportedly, BULOG provides a total of 500 TMT of rice for market operation during the Ramadan.

BULOG will also use the stock for Rice for the Poor (*Raskin*) program. In MY 2010/11 BULOG will distribute a total of 3.15MMT of *Raskin* rice to 17.5 million poor families. Each family will receive 15 kg of rice/month at the price of Rp. 1,600 /kg. To ease the burden of the poor people caused by soaring rice prices, BULOG is also considering to distribute 13th raskin after Eid Il Fitr holiday, which immediately follows Ramadan.

In line with the population growth, Post estimated MY 2010/11 Indonesian rice consumption to increase to 39.000 MMT from initial estimate of 38.85 MMT. The consumption is forecast to increase further to 39.550 MMT in MY 2011/12.

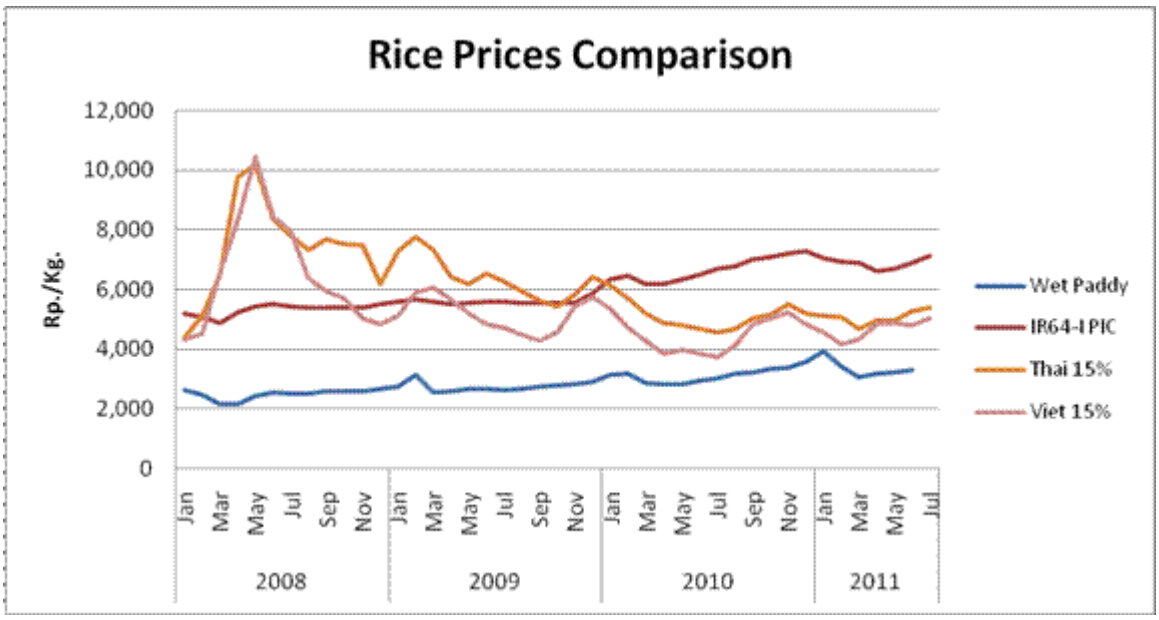
Trade:
CORN

In line with the estimate increase in corn consumption by feed mills, Post estimated that MY 2010/11 Indonesian corn import to jump to 2.5 MMT from 1.3 MMT over the previous marketing year. Assuming a rebound in Indonesian corn production in MY 2011/12, Post forecast that Indonesian corn imports in MY 2011/12 to decline to 1.5 MMT.

RICE

Shortages of supplies from Indonesia's major rice producing areas and the coming of Ramadan have

driven up prices of the popularly-consumed medium quality rice throughout Indonesia. As seen in the following chart, the price of Indonesian medium quality rice (IR64-I) during the period of January 2010 – July 2011 was still above the landed price of Thai 15 percent broken and Vietnamese 15 percent broken.



Source: BPS, Cipinang wholesale rice market, The Rice Trader, processed by FAS Jakarta.
Note: wet paddy is prices of wet paddy at farmer level.
IR64-I PIC is prices of medium quality rice at Cipinang wholesale rice market.

In order to maintain the Indonesian national logistic agency (BULOG) minimal stock levels of 1.5 MMT of rice by the end of 2011- which as of July 12, 2011 stood at 1.507 MMT - the government of Indonesia has authorized BULOG to import rice. In July 2011 BULOG is granted authorization to import 1.6 MMT of rice and reportedly has contracted 500 TMT from Vietnam for shipments starting in September 2011. For the period of January – March, 2011 a total of 1.4 MMT of imported rice from 2010 authorization of 2 MMT of rice landed in the country. As of now, Post assumes that the balance of the 1.6 MMT of rice for 2011 allocation will arrive in early 2012

Normally the GOI restricts imports of rice one month prior to, during, and two months after the main harvest period. This year, however, the Indonesian government provided more flexibility to BULOG to import rice given the critical situation and rising rice and commodity prices.

Therefore, considering combination of BULOG imports, small amounts of smuggled rice, and specialty rice imports, Post revised the estimated MY 2010/11 Indonesian rice import to reach 2.2 MMT. Post further forecast MY 2011/12 Indonesian rice import to increase to 1.4 MMT.

Stocks:
RICE

With upcoming rice imports, MY 2010/11 ending stock of Indonesian rice is estimated to be at 6.4 MMT, but forecast to decline in MY 2011/12 to 5.9 MMT due to higher consumption in both current MY and MY 2011/12.

Production, Supply and Demand Data Statistics :

CORN

Corn Indonesia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,060	3,060	3,000	2,850	3,150	3,150
Beginning Stocks	1,284	1,284	668	668	393	743
Production	6,900	6,900	6,750	6,800	8,100	8,100
MY Imports	1,321	1,321	2,000	2,500	1,500	1,500
TY Imports	1,321	1,321	2,000	2,500	1,500	1,500
TY Imp. from U.S.	74	74	0	700	0	400
Total Supply	9,505	9,505	9,418	9,968	9,993	10,343
MY Exports	37	37	25	25	25	25
TY Exports	37	37	25	25	25	25
Feed and Residual	4,500	4,500	4,600	4,800	4,700	5,000
FSI Consumption	4,300	4,300	4,400	4,400	4,500	4,500
Total Consumption	8,800	8,800	9,000	9,200	9,200	9,500
Ending Stocks	668	668	393	743	768	818
Total Distribution	9,505	9,505	9,418	9,968	9,993	10,343
Yield	2.	2.2549	2.	2.386	3.	2.5714
TS=TD		0		0		0

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

RICE, MILLED

Rice, Milled Indonesia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,100	12,100	12,110	12,380	12,150	12,150
Beginning Stocks	7,057	7,057	6,577	6,577	6,377	6,837
Milled Production	36,370	36,370	36,900	37,060	37,600	37,300
Rough Production	57,276	57,276	58,110	58,825	58,750	58,740
Milling Rate (.9999)	6,350	6,350	6,350	6,300	6,400	6,350
MY Imports	1,150	1,150	1,750	2,200	400	1,400
TY Imports	1,150	1,150	1,750	2,200	400	1,400
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	44,577	44,577	45,227	45,837	44,377	45,537
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	38,000	38,000	38,850	39,000	39,140	39,550
Ending Stocks	6,577	6,577	6,377	6,837	5,237	5,987
Total Distribution	44,577	44,577	45,227	45,837	44,377	45,537
Yield (Rough)	5.	4.7336	5.	4.7516	5.	4.8346
TS=TD		0		0		0

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

Author Defined:

INDONESIAN PADDY HARVESTED AREA, YIELD, AND PRODUCTION BY SUBROUND AND ECOSYSTEM

Year	January - April			May - August			September - December			January- December		
	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												
2011**	6,120,693	49.67	30,399,946	4,567,913	51.09	23,335,192	2,877,992	49.78	14,326,577	13,566,598	50.17	68,061,715
2010*	5,839,507	50.22	29,323,792	4,391,893	50.44	22,152,985	3,022,050	49.61	14,992,617	13,253,450	50.15	66,469,394
2009	5,996,700	49.45	29,505,561	4,429,632	50.71	22,463,966	2,487,244	49.97	12,429,363	12,883,576	49.99	64,398,890
2008	5,764,001	48.79	28,120,510	4,225,042	49.50	20,914,987	2,338,382	48.28	11,290,428	12,327,425	48.94	60,325,925
2007	4,893,539	45.59	22,311,774	4,612,715	47.88	22,083,944	2,641,383	48.31	12,761,717	12,147,637	47.05	57,157,435
2006	5,699,093	45.49	25,925,145	3,940,829	47.14	18,578,132	2,146,508	46.36	9,951,660	11,786,430	46.20	54,454,937
2005	5,509,146	45.06	24,826,193	3,962,301	46.69	18,501,256	2,367,613	45.72	10,823,648	11,839,060	45.74	54,151,097
2004	5,767,314	44.95	25,924,563	3,918,045	46.35	18,159,288	2,237,615	44.71	10,004,617	11,922,974	45.36	54,088,468
2003	5,226,999	44.77	23,403,773	4,029,982	46.19	18,616,453	2,231,053	45.35	10,117,378	11,488,034	45.38	52,137,604

Source: BPS.

Note: * fixed figures ** second forecast figures