

Required Report: Required - Public Distribution

Date: December 02, 2022

Report Number: ID2022-0034

Report Name: Grain and Feed Update

Country: Indonesia

Post: Jakarta

Report Category: Grain and Feed

Prepared By: Sugiarti Meylinah

Approved By: Jasmine Osinski

Report Highlights:

Market uncertainty and price volatility in international markets led to flour mills importing more wheat in 2021/22 to hold them over in case of future shortages. Therefore, Post revises 2021/22 wheat imports to 11.3 MMT, up 12 percent from its previous estimate of 10.7 MMT. Despite unclear rice policy decisions, the Government of Indonesia is likely to authorize its state-owned procurement agency BULOG to import rice to replenish its depleted government rice reserves. Due to the urgency behind replenishing these stocks, Post expects 2021/22 rice imports to increase to 1.0 MMT.

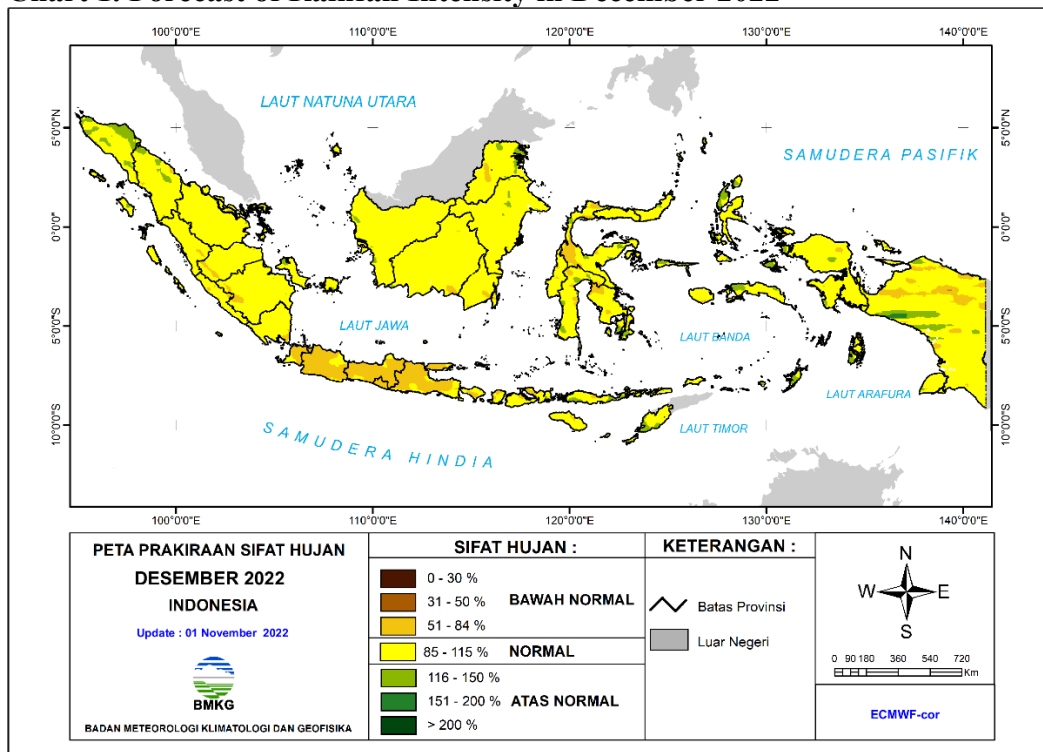
Glossary:

BMKG	: Indonesian Meteorology, Climatology, and Geophysics Agency
BI	: Bank of Indonesia
BPS	: Indonesian Statistics Agency
BULOG	: Indonesian National Logistics Agency
GOI	: Government of Indonesia
HPP	: Government Purchasing Price
MT/MMT	: Metric Tons/Million Metric Tons
MOA	: Ministry of Agriculture
P3JI	: Indonesian Corn Wet Millers Association
IDR	: Indonesian Rupiah

SECTION I. SITUATION AND OUTLOOK

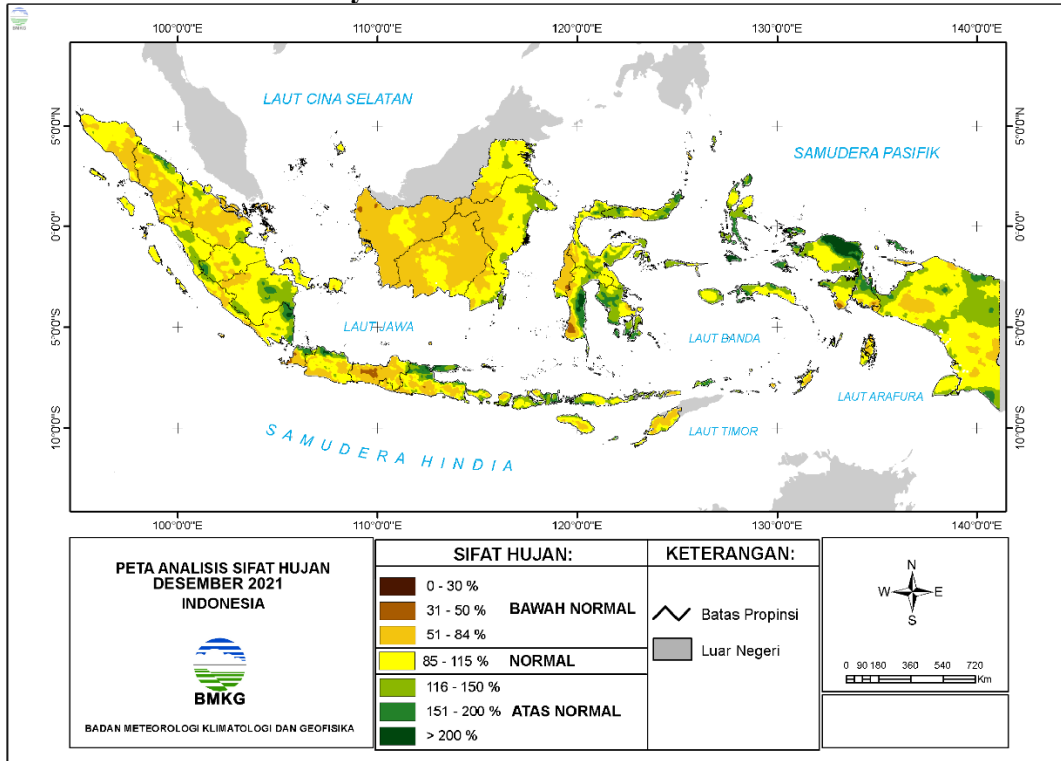
In September, the Indonesian Meteorology, Geophysics, and Climatology Agency (*BMKG*, *Badan Meteorologi, Klimatologi dan Geofisika*) reported that in July 2022, sea surface temperature conditions in the Central Pacific of the equator (Nino 3.4 region) were under La Niña conditions with an index value of -0.70, indicating that the La Niña weather patterns are continuing with weakened intensity. This is Indonesia's third La Niña year in a row since 2020. BMKG forecasts that the current La Niña condition will gradually subside from December 2022 to February 2023. Around 586,034 square kilometers of Indonesia is experiencing an early onset of the 2022/2023 rainy season, 258,643 square kilometers is experiencing a normal onset, and 191,318 square kilometers is experiencing a later than normal onset.

Chart 1. Forecast of Rainfall Intensity in December 2022



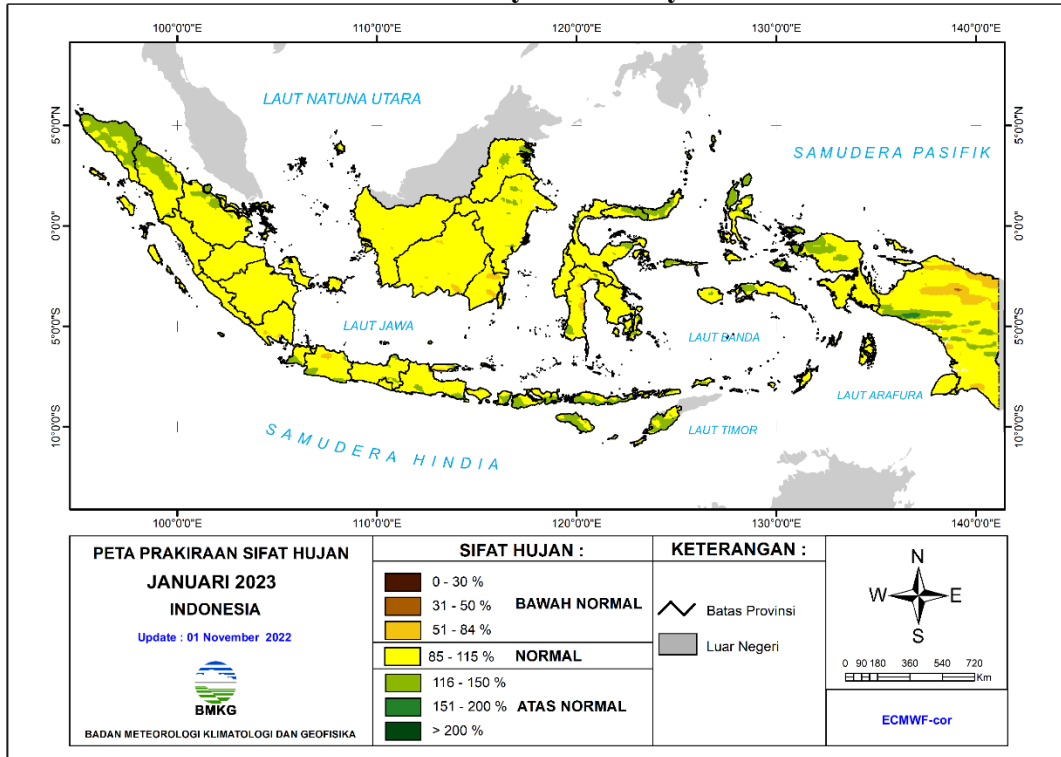
Source: Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG)

Chart 2. Rainfall Intensity in December 2021



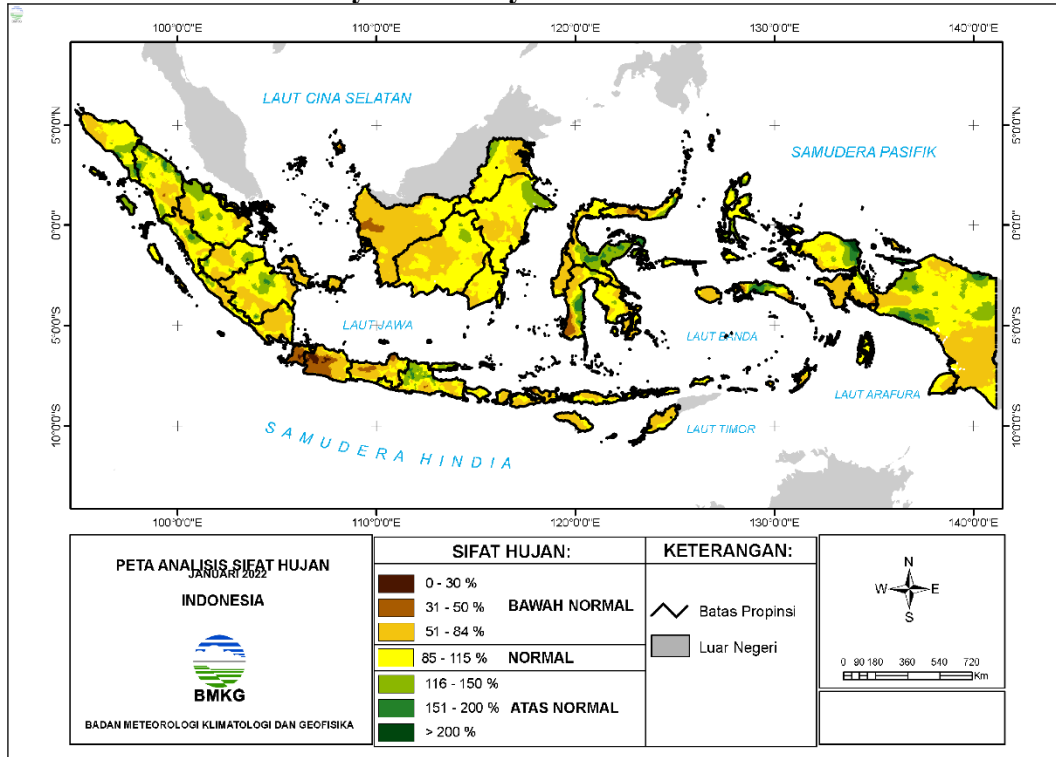
Source: Indonesian Meteorology, Climatology, and Geophysics Agency (BMKG)

Chart 3. Forecast of Rainfall Intensity in January 2023



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

Chart 4. Rainfall Intensity in January 2022



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

Table 1. Water Elevation at West Java Water Reservoirs, November 25, 2022

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	101.4	n/a	Normal
2	Cirata	668.12	210.61	201.23	216.13	n/a	Normal
3	Saguling	530.75	633.08	159.48	638.54	n/a	Normal

Source: Indonesian Ministry of Public Works, (November 25, 2022), processed by FAS/Jakarta

Ample water availability from normal reservoir levels and adequate rainfall is expected to encourage most farmers on low-land semi-irrigated land to continue growing paddy during the third harvest cycle, rather than secondary crops such as corn or soybean. Nonetheless, due to continuing La Nina conditions, paddy rice not receiving enough sunlight will drop in yield during the third crop cycle compared to the first crop cycle.

Regarding the COVID-19 pandemic's effects on production operations and demand, despite the arrival of another new COVID variant, with Indonesia's relatively high COVID vaccination rate,

the Government of Indonesia (GOI) did not return to implementing mask requirements in public areas nor social distancing and travel restrictions.

Reflecting the gradually recovering economy, the Indonesian Statistics Agency (*BPS, Badan Pusat Statistik*) reported that Indonesia's economy in the third quarter of 2022 grew by 5.72 percent compared to the same quarter of 2021. The health services and social activities sectors grew by 7.12 percent, followed by construction (4.72 percent), and mining and quarrying (3.40 percent). Meanwhile, the agriculture, forestry, and fisheries sector and the wholesale and retail trade sector grew by 2.20 percent and 2.35 percent respectively. Indonesia's economic recovery continues despite the increasingly challenging global situation, both due to global inflationary pressures, tightening external monetary policy, and deteriorating global economic conditions.

SUMMARY

Wheat

Wheat imports in 2021/22 are estimated to reach 11.3 million metric tons (MMT), up 5.6 percent from the previous update's estimate of 10.7 MMT due to higher demand and millers' decisions to secure higher-than-usual stocks in the face of market uncertainty. Higher stocks from increased imports in 2021/22 means imports will likely slow in 2022/23 to 11.0 MMT, down from the previous update's estimate of 11.2 MMT. Post maintains its 2021/22 and 2022/23 wheat consumption estimates.

Corn

Based on realized corn imports by Indonesian wet mills, Post revises 2021/22 import estimates to 1.165 MMT, a slight 3 percent decline from the previous update's estimate of 1.2 MMT. Post maintains its 2022/23 corn imports forecast at 1.2 MMT due to increased wet milling capacity which will require more imports in spite of higher international prices for corn and higher local production.

Rice

Due to its depleted stocks and difficulties in domestic procurement during the third harvest, Indonesia's state-owned procurement agency BULOG has requested the GOI's authorization to import rice in order to comply with its instructions to rebuild stocks. Considering the current low levels of government rice reserves and the GOI's instructions to BULOG to increase stocks, Post revises 2021/22 rice imports up to 1.0 MMT. Assuming BULOG's stocks are replenished, Post forecasts 2022/23 imports will return to around 550,000 MT.

WHEAT

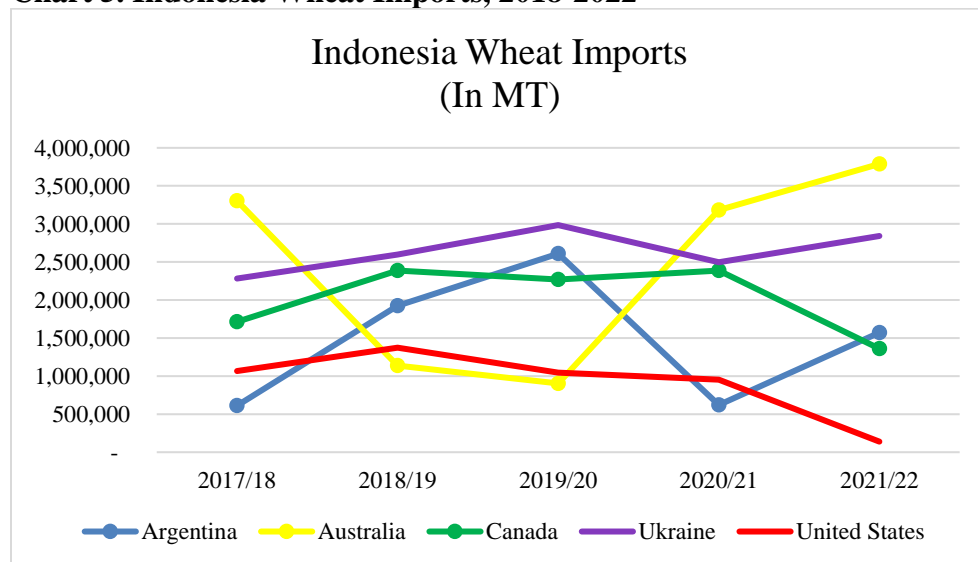
Production

Indonesia does not produce wheat domestically and imports all the wheat needed to meet demand for wheat flour-based food and wheat-based ingredients for poultry, aquaculture, and livestock feed.

Trade

The Indonesian wheat flour industry continues to grow (see [ID2022-0008](#) for more information). Wheat demand is expected to increase as more mills open and expand capacity, and as more malls, bakeries, and restaurants reopen with the subsiding of COVID restrictions. Despite rebounding demand, Indonesia is expected to remain a price sensitive market for wheat, and price will remain the main factor in determining the source of imports. For marketing year (MY) 2021/22 (July-June), Australia regained its dominant position, accounting for 33.8 percent of imports, followed by Ukraine with 25.4 percent, Argentina with 14 percent, and Canada with 12 percent. U.S. market share declined significantly to 1.2 percent due to supply shortages and uncompetitive prices.

Chart 5. Indonesia Wheat Imports, 2018-2022



Source: Trade Data Monitor, November 2022

Import restrictions on corn for feed use, the seasonality of domestic corn supplies, and limited drying and storage facilities frequently force feed mills to source alternative feed ingredients such as wheat to meet energy demand in feed rations. High international wheat prices and the greater availability of corn from local production are expected to lead to feed mills using more corn in their feed formulation. The Ministry of Agriculture reported the feed mill gate price for corn in October 2022 decreased by 16.7 percent to 4,826 IDR/kg (\$308/MT) compared to the price in October 2021 of 5,794 IDR/kg (\$370/MT). Despite lower corn prices, the increasing

capacity of feed mills will still require the use of wheat in feed formulation. Therefore, Post maintains 2021/22 and 2022/23 wheat consumption for feed at 1.7 MMT.

Increased demand driven by Indonesia's recovering economy, as well as anticipated production shortfalls in several countries, particularly in Ukraine, led Indonesian wheat importers to secure more-than-ample supplies from international markets in case of future shortages. Therefore, Post revises 2021/22 wheat imports up to 11.3 MMT from the previous update's estimate of 10.7 MMT. Higher ending stocks for 2021/22 are expected to slow down 2022/23 wheat imports to 11.0 MMT.

Domestic wheat flour continues to dominate the local market with a 99.9 percent market share. In line with higher consumption, wheat flour imports in 2021/22 are estimated to increase by 48 percent to 69,000 MT of wheat equivalent from 47,000 MT of wheat equivalent in 2020/21. During the period of July 2021 to June 2022, Indonesia's imports of wheat flour reached a total of 69,000 MT of wheat equivalent. India remains the largest supplier of wheat flour to Indonesia with 80 percent market share, followed by South Korea and Vietnam with 7 percent market share each. Additionally, wheat-based products for export are forecast to remain on par at 350,000 MT for 2022/23 as most production is for domestic consumption. During the period of July 2021 to June 2022, Indonesia's exports of crispy-savory products, wafers, instant noodles, and pasta experienced the largest increase in demand. During the period of July 2021 to June 2022, wheat products were exported to Malaysia (26.9 percent), the Philippines (10.6 percent), and Australia (6.7 percent).

Consumption

Post made no changes to consumption from the previous [Grain and Feed Update](#).

Stocks

Due to higher imports, 2021/22 ending stocks are revised up slightly to 2.179 MMT of wheat equivalent from the previous estimate of 1.729 MMT of wheat equivalent. Ending stocks are forecast at 1.879 MMT for 2022/23.

CORN

Trade

Due to high international prices, Indonesia's wet milling industry's corn import realization for 2021/22 is revised down to 1.165 MMT. During the period of October 2021 to September 2022, corn imports originated from Argentina (68 percent), Brazil (1 percent) and the United States (6 percent). Indonesia exports minimal volumes of corn. Exports for 2021/22 are estimated to slightly increase to 8,000 MT as demand from foreign feed mills is forecast to increase. During the period of October 2021 to April 2022, Indonesia exported corn to Singapore (26 percent), Japan (20 percent), and Pakistan (16 percent).

Stocks

Due to reduced imports, Post revises 2021/22 ending stocks down about 3 percent from the previous update's estimate to 1.443 MMT. The forecast for 2022/23 ending stocks is also revised down about 3 percent to 1.441 MMT due to forecast lower beginning stocks.

RICE, MILLED

Production

According to Post's field observations in late September 2022, most of the farmers in Bali and Java are currently in the middle stage of the third crop cycle. A wet dry season provided sufficient rainfall for some farmers in semi-technically irrigated areas to continue growing paddy during the third crop cycle. Sporadic harvests are currently ongoing.

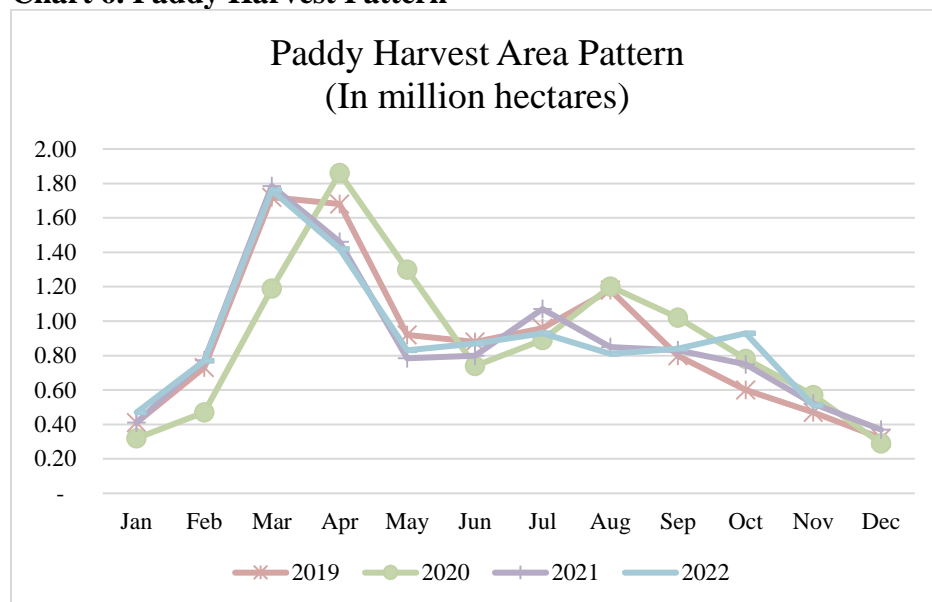
Picture 1. Indonesia: Middle Stage of Third Crop Paddy, Jatiluwih, Bali, September 2022



Source: FAS Jakarta

Based on realized data from the first and second crop cycle, as well as from third cycle standing crops, in October 2022, BPS forecast 2021/22 production at 55.67 MMT, a 2.3 percent increase from 54.42 MMT produced in 2020/21. However, The Ministry of Agriculture's decision to reduce the volume and type of subsidized fertilizers per Regulation No. 41/2022 reduced the fertilizer application for paddy, leading to lower yields (see: [ID2022-0008](#)). Considering these factors, Post maintains its paddy harvested area and production estimates for 2021/22 and 2022/23.

Chart 6. Paddy Harvest Pattern



Source: Indonesian Statistics Agency (BPS), November 2022.

Consumption

Post maintains its rice consumption estimates from the previous [Grain and Feed Update](#).

Price

Combined with increased fuel prices, increasing prices of paddy and rice indicates shortages of production. Rice mill associations also reported tight competition between small and medium rice mills against large rice mills in sourcing feedstocks from farmers. BPS reports prices of wet paddy at the farm level in October 2022 have increased by 17.2 percent to 5,334 IDR/kg (\$340/MT) compared to 4,569 IDR/kg (\$292/MT) in July 2022. Dry paddy prices at the mill level in October 2022 increased 12.8 percent to 6,006 IDR/kg (\$383/MT) compared to 5,323 IDR/kg (\$340/MT) in July 2022. In line with increasing wet and dry paddy prices, the average price of medium quality rice reached 10,900 IDR/kg (\$695/MT) in October 2022, an increase of 0.95 percent compared to 10,400 IDR/kg (\$664/MT) in July 2022 at the retail market. Market prices remain above the GOI's maximum retail price of 9,450 IDR/kg (\$603/MT) for medium quality rice on Java.

Trade

As of November 29, 2022, BULOG has procured a total of 922,495 MT of milled rice for government rice reserves, lower than the 1,154,328 MT of milled rice procured during the same period in 2021. The procurement realization is only about 61 percent of BULOG's procurement target of 1.5 MMT in 2022. During the same period of January to November 2022, BULOG distributed a total of 991,750 MT of its government rice reserves through its market operations.

As of November 26, 2022, BULOG stocks were reported at approximately 595,000 MT, one third of the initial target. If BULOG's distribution of rice stocks to stabilize market prices continues, its stocks are projected to plummet to 399,550 MT by the end of 2022 unless rice imports are authorized by the GOI.

Picture 2. Rice Seller in Bandung, September 2022



Source: FAS Jakarta

Due to the low level of government rice reserves, the GOI instructed BULOG to procure more rice to reach the new target of 1.2 MMT. However, BULOG is finding it difficult to buy from farmers as only sporadic harvesting takes place during the lean season and because BULOG can only buy rice or paddy from farmers at or below the government purchasing price (*HPP, Harga Pembelian Pemerintah*). Tight competition between small and medium rice mills and large mills has also pushed market prices above the government purchasing price. Therefore, to meet the GOI's 2022 procurement target of 1.5 MMT, BULOG is considering importing rice. BULOG has already lined up around 500,000 MT of rice to procure from trading partners in anticipation of the GOI's authorization to import. Nonetheless, to date, the GOI has not yet made any decision to authorize BULOG to import rice.

Considering the abovementioned factors, Post expects the GOI will ultimately authorize BULOG to import rice to replenish government stocks and estimates that 2021/22 rice imports will increase to 1.0 MMT from the previous update's estimate of 550,000 MT, with imports consisting of specialty rice imports by the private sector as well as the medium quality rice imports by BULOG. Rice imports for 2022/23 are forecast to return to around 550,000 MT, mainly consisting of imports by the

private sector. During the period of January to September 2022, Indonesia imported rice from India (53 percent), Pakistan (19 percent), and Thailand (15 percent).

Stocks

In line with increased imports, 2021/22 ending stocks are revised up to 3.307 MMT of milled rice equivalent from the previous update's estimate of 2.86 MMT. Based on higher forecast beginning stocks and forecast production increases, 2022/23 ending stocks are revised up to 3.454 MMT of milled rice equivalent from the previous update's forecast of 3.01 MMT of milled rice equivalent.

PSD TABLES

Table 2. Production, Supply and Distribution: WHEAT

Wheat	2020/2021		2021/2022		2022/2023	
Market Begin Year	Jul 2020		Jul 2021		Jul 2022	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1716	1716	1729	1729	1583	2179
Production	0	0	0	0	0	0
MY Imports	10649	10649	10700	11300	11200	11000
TY Imports	10649	10649	10700	11300	11200	11000
TY Imp. from U.S.	794	794	0	140	0	132
Total Supply	12365	12365	12429	13029	12783	13179
MY Exports	336	336	346	350	350	400
TY Exports	336	336	346	350	350	400
Feed and Residual	1700	1700	1700	1700	1700	1700
FSI Consumption	8600	8600	8800	8800	9200	9200
Total Consumption	10300	10300	10500	10500	10900	10900
Ending Stocks	1729	1729	1583	2179	1533	1879
Total Distribution	12365	12365	12429	13029	12783	13179
Yield	0	0	0	0	0	0
TS=TD	0	0	0	0	0	0

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

Table 3. Production, Supply and Distribution: CORN

Corn	2020/2021		2021/2022		2022/2023	
Market Begin Year	Oct 2020		Oct 2021		Oct 2022	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3850	3850	3900	3900	3950	3950
Beginning Stocks	1102	1102	1345	1345	1443	1402
Production	12600	12600	12700	12700	12900	12900
MY Imports	945	945	1200	1165	1200	1200
TY Imports	945	945	1200	1165	1200	1200
TY Imp. from U.S.	151	151	0	0	0	0
Total Supply	14647	14647	15245	15210	15543	15502
MY Exports	2	2	2	8	2	5
TY Exports	2	2	2	8	2	5
Feed and Residual	9200	9200	9600	9600	9800	9800
FSI Consumption	4100	4100	4200	4200	4300	4300
Total Consumption	13300	13300	13800	13800	14100	14100
Ending Stocks	1345	1345	1443	1402	1441	1397
Total Distribution	14647	14647	15245	15210	15543	15502
Yield	3,2727	3,2727	3,2564	3,2564	3,2658	3,2658

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

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

Table 4. Production, Supply and Distribution: RICE, MILLED

Rice, Milled Market Begin Year Indonesia	2020/2021		2021/2022		2022/2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11400	11400	11600	11600	11650	11650
Beginning Stocks	3313	3313	3060	3060	2860	3307
Milled Production	34500	34500	34400	34400	34600	34600
Rough Production	54331	54331	54173	54173	54488	54488
Milling Rate (.9999)	6350	6350	6350	6350	6350	6350
MY Imports	650	650	550	1000	550	550
TY Imports	650	650	550	1000	550	550
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	38463	38463	38010	38460	38010	38457
MY Exports	3	3	0	3	0	3
TY Exports	3	3	0	3	0	3
Consumption and Residual	35400	35400	35150	35150	35000	35000
Ending Stocks	3060	3060	2860	3307	3010	3454
Total Distribution	38463	38463	38010	38460	38010	38457
Yield (Rough)	4,7659	4,7659	4,6701	4,6701	4,6771	4,6771
(1000 HA) ,(1000 MT) ,(MT/HA)						

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

Table 5. Exchange Rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	14,105
2021	14,084	14,229	14,459	14,453	14,292	14,452	14,548	14,306	14,321	14,171	14,320	14,278
2022	14,392	14,369	14,306	14,480	14,592	14,848	14,990	14,853	15,232	15,596	15,668	

Source: Bank of Indonesia

Note: Exchange rate is 15,668 IDR/USD, as of November 26, 2022.

Attachments:

No Attachments