

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Post: Jakarta

Wheat Update

Report Categories:

Grain and Feed

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Report Highlights:

The Russian export ban on wheat impacts Indonesian wheat imports and the prices of wheat flour in the domestic market.

General Information:

Indonesian Wheat Flour Mills Association reported that the sharp decline of Russian wheat production followed by a ban on wheat exports, combined with possible lower wheat production in Canada and Australia, are straining Indonesian supplies of wheat and wheat flour. Turkey, which has long been a source of relatively cheap wheat flour for Indonesia, has stopped exporting wheat flour in order to secure its own domestic needs. In MY 2008/09, around 500,000 tons of wheat flour in Indonesia was imported, with Turkey accounting for the largest market share (53 percent), followed by Belgium (15 percent), Sri Lanka (15 percent) and Australia (14 percent). The void left by Turkish wheat flour provides potential for increased U.S. wheat exports to Indonesia. Post will continue monitoring the market before making any adjustment to the wheat PSD.

The decline of lower priced wheat flour imports, tight supplies of wheat in the international market, and high demand of wheat flour especially during the Ramadhan and the Eid Il Fitri holidays have resulted in increased prices of wheat flour and processed wheat-based products. Despite an agreement between the Government of Indonesian and flour millers to maintain price stability during the Muslim holidays, the Indonesian milling industry has recently increased prices. The price of medium protein wheat flour in domestic market has increased by 2.4 percent to Rp. 7,475/kg (US\$826.7/ton) in August 2010 compared to Rp. 7,300/kg (US\$807/ton) in July 2010.

Note: Exchange rate is Rp. 8,850/US\$1, as of Oct 2010.