

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

**Post:** Jakarta

### Indonesia Grain and Feed Update January 2018

**Report Categories:**

Grain and Feed

**Approved By:**

Chris Rittgers

**Prepared By:**

Sugiarti Meylinah

**Report Highlights:**

Faced with rising prices and reports of supply shortages in some areas, on January 11 the Minister of Trade (MOT) announced a plan to import up to 500,000 tons of rice. MOT's intention is that the imports will act to dampen prices until the main season crop harvest begins in mid-February. The 2018 import forecast is increased to 800,000 tons.

## General Information:

### RICE, MILLED

#### **Production:**

Indonesia is now in the middle of the first crop cycle. Farmers reportedly planted the first crop in November or early December of 2017. Water is sufficiently available from rainfall and water reservoirs. The first main harvest is expected to take place in the middle of February and will last through May 2018.

In terms of supply, this is currently the “lean season”, with only some small sporadic harvests occurring in East Java. Prices of wet paddy in those areas have reached as high as Rp. 5,200/kg (\$390/MT) to 5,800/kg (\$435/MT). Wet paddy is currently unavailable in the market in West Java. Dry paddy prices at mills are currently around Rp. 7,500/kg (\$563/MT), well above the government purchase price of Rp. 4,600/kg (\$345/MT).



Above:  
Paddy  
progress  
planting  
in  
West  
Java,  
December  
2017.

Post did not make any changes to the 2017/18 production forecast, pending more information about the development of the current crop. However, the recent price increases and reports of historically low public and privately-held stocks indicate that the 2016/17 crop output was less than previously estimated. Pest and diseases incidents during the second and third crops of last marketing year, as well as millers’ preference to produce premium quality rice, lowered the milling rate to approximately 63 percent. As a result, the 2016/17 production estimate has been revised downward to 36.858 million tons of milled rice, and ending stocks for that year have also been lowered accordingly to 3.147 million tons.

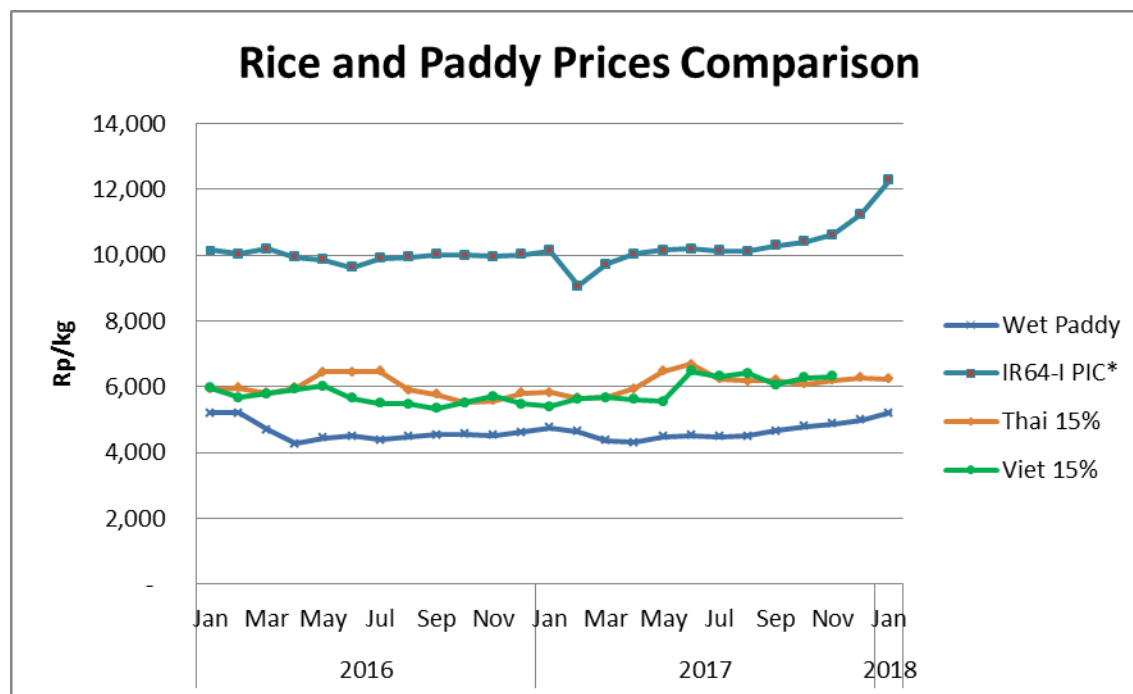
#### **Trade**

The Ministry of Trade’s (MOT) regulation on “Maximum Retail Prices (MRP) of Rice” in August 24, 2017, (ID1731) has been counter-productive and has led to market distortions. With the increase in

paddy prices, the ceiling prices set by MOT have squeezed margins and limited the opportunities for small and medium rice mills to profit from producing medium quality rice. As a result, most mills producing the lower quality rice have had to temporarily cease operations. The remaining mills can produce only the higher priced premium quality rice as the price of that higher grade rice is needed to cover paddy prices. Consequently, a shortage of medium quality rice has developed in the market. Cipinang wholesale market reported that as of January 18, 2018, rice stocks were 29,040 tons, a decline from 35,392 tons at the beginning of the year.

BULOG completed the 2017 allocation of rice for the poor (*rastra*), and will not distribute *rastra* again until late January 2018. Without *rastra*, low income consumers' must obtain medium quality rice from the market, which has only further increased pressure on medium quality rice prices. In an unsuccessful attempt to keep a lid on prices, since October 2017, BULOG has distributed 120,000 tons under direct market interventions at an average price of Rp. 9,350/kg (\$702/MT). However, wholesale rice prices are still above the maximum retail price set by the government. Currently, the wholesale price of medium quality rice is Rp. 12,650/kg (\$949/MT), while the premium quality rice price is Rp. 13,600/kg (\$1,020/MT).

The combination of low paddy production during the lean season, shortage of medium quality rice in the market, and the higher demand for medium quality rice has led to soaring prices of both medium and premium quality rice.



Source: Cipinang wholesale rice market and Indonesian Statistics Agency.

Faced with rising prices and Bulog's insufficient stocks to dampen prices, on January 11 MOT instructed BULOG to import 500,000 tons of rice. To expedite the import process, BULOG will buy directly from overseas private suppliers, rather than from other government entities. BULOG opened a rice tender on January 17, 2018. Only suppliers from Thailand, Vietnam, India, Pakistan, and Myanmar

may participate in the tender. The imported rice is expected to arrive in the country by the end of February through three ports: Jakarta, Medan of North Sumatera, and Batam. In a public statement, MOT said that the imported rice will not be released to the market and will only be used to replenish BULOG's stock, which is reportedly only 850,000 tons. This is far below what GOI considers to be the minimum secure level of 1.5 to 2 million tons.

Based on the above mentioned conditions, the 2017/18 import forecast is increased to 800,000 tons. Post also revised the estimate of 2017/18 ending stocks to 3.627 million tons compared the previous estimate of 3.4 million tons.

## **PSD TABLES**

**Table 1. PSD: RICE, MILLED**

Rice, Milled Market Begin Year Indonesia	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12100	12100	12240	12240	12200	12200
Beginning Stocks	4111	4111	3509	3509	3439	3147
Milled Production	36200	36200	37150	36858	37000	37000
Rough Production	57008	57008	58504	58505	58268	58268
Milling Rate (.9999)	6350	6350	6350	6300	6350	6350
MY Imports	1000	1000	300	300	300	800
TY Imports	1000	1000	300	300	300	800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	41311	41311	40959	40667	40739	40947
MY Exports	2	2	20	20	20	20
TY Exports	2	2	20	20	20	20
Consumption and Residual	37800	37800	37500	37500	37300	37300
Ending Stocks	3509	3509	3439	3147	3419	3627
Total Distribution	41311	41311	40959	40667	40739	40947
Yield (Rough)	4.7114	4.7114	4.7797	4.7798	4.7761	4.7761

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

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

Note: Exchange rate is Rp. 13,323/USD 1, as of January 17, 2018.