Indonesia: Rice industry

<Industry overview> World’s top three producing nation, aim to break from dependence on imports by improving self-sufficiency

Indonesia’s rice industry ranks third in the world in terms of production volume, behind China and India. In 2019, it was about 55 million tons based on paddy rice (Food and Agriculture Organization of the United Nations = FAO data *). However, the country, which has a population of about 270 million, continues to rely on imports for a shortage in the domestic rice supply. To overcome this situation, Indonesian government aims to increase the self-sufficiency rate and break away from the dependence on imports. Supportive measures have been introduced to improve production, such as fertilizer subsidies, purchase of agricultural machinery, and development of irrigation infrastructure.

*Data provided by FAO, which differs slightly from the data provided by Statistics Indonesia below.

<Production volume> Declining trend

As mentioned earlier, although the Indonesian government has introduced supportive measures, rice production is slowly shrinking. The production volume, which had been hovering from about 59 million to 61 million tons during the period from 2013 to 2018, decreased to 54.6 million tons in 2019, a decrease of 7.8% from the previous year. Although in 2020, it increased by 1.0% to 55.16 million tons, production volume has fallen by about 10% in 7 years compared to 2013.

(Note) Based on paddy rice. The year 2020 is an estimate by Statistics Indonesia. Due to changes in the data released by Statistics Indonesia, the figures are different from the production volume of its past “Indonesia: Rice Industry” report.

(Data compiled by Ashu Research based on the materials of Statistics Indonesia)
Rice imports shrank significantly in 2019 after expanding sharply in 2018. Imports in 2019 were 444,500 tons, down 80.3% from the previous year. This was a reactionary decline from the previous year when there was a sharp increase. In 2018, imports surged to 2.25 million tons, about seven times the previous year. This is mainly due to the following factors: in response to an increase in the price of medium-grade rice in January 2018, Indonesian government increased imports to maintain a normal market distribution of rice; Indonesian government secured inventory as a precaution against a continued dry spell. While 2020, saw a double-digit reduction of 19.8% to 356,300 tons.

According to the Indonesian Ministry of Trade, there is almost no need to import medium-grade rice consumed by ordinary households, except when there are crop failures caused by bad weather. However, the government has indicated that it would continue to import high-quality rice that is served in fine dining restaurants and hotels.

Pakistan was the largest import source country (2020) at 31.0%, followed by Vietnam and Thailand at the same ratio of 24.9%.

(Data compiled by Ashu Research based on the materials of Statistics Indonesia)
Among Indonesian rice-related companies, BISI International (affiliated with Thai conglomerate Charoen Pokphand Group) is known as a major producer and seller of rice, corn, and vegetable seeds. In addition to rice seed cultivation and sales, it also engaged in rice cross-breeding and breed improvement. Sales for the fiscal year ended December 2020 were 1.81 trillion rupiah (14.4 billion yen). Buyung Poetra Sembada and Sumber Agro Semesta are also major players in rice production, refining, and processing. In addition, Lumbung Padi Indonesia (Satake of Japan invested in the construction of a dry storage paddy rice milling factory), Padi Unggul Indonesia, Tiga Pilar Sejahtera, Swasembada Mitra Bersama, etc. are also well known as refining and processing companies.

Furthermore, 90% of domestic rice production is conducted by small-scale farmers.

(Ashu Research: December 2021)