MONTHLY PRICE AND FOOD SECURITY UPDATE
MARCH 2011
Country: INDONESIA

HEADS - UP NOTES
- Rice is the staple food for Indonesians, comprising more than 50 percent of the caloric contribution. Poor households spend more than 20 percent of their monthly expenditure on rice in lean season (October – February).
- In February and March 2011, national average price of rice decreased. This is likely due to positive prospects of harvest season. However, the current price is still 17 percent higher compared to the same month last year.
- Rainfall in April 2011 is forecast to be normal to high level (85-150 percent of 30 years average) in most areas despite the predicted La Niña condition for the next few months.
- The daily wage of agricultural labour has been reduced since May 2010 in real value, due to the increased basic commodity price. This indicates that the purchasing power has been eroded.
- Although the real wage increased in February and March 2011 due to decreased food price, it remains low compared to the same month in 2010.
- The prices of rice and maize in East Nusa Tenggara (NTT) province increased during the lean season in 2009 and 2010. Household food consumption deteriorated in November 2010 in the same area.

MAIN PRICE TRENDS

General inflation
In Indonesia, inflation slowed down gradually from 6.96 percent in January 2011 to 6.84 percent in February and 6.65 percent in March. After 3 months consecutive increase, Food Price Index have decreased in February and March 2011. In November 2010 - January 2011, food costs increased at rates faster than CPI (Consumer Price Index) as a whole (Figure 1).

Fuel prices
The price of subsidized fuel (gasoline and diesel) stands at IDR 4,500 (USD 0.5) per litre since 2008. Currently both private and public transportation vehicles can buy subsidized fuel in major cities in the country. The government plans to limit this only to public transporters, fishermen and motorcycles due to increased global fuel price (Indonesia has become a net oil importer since 2005). This may accelerate inflation.

Main staple food commodity prices
Rice: Rice is the staple food for Indonesians, comprising more than 50 percent of their diet. Poor households spend more than 20 percent of their monthly expenditure on rice in lean season. In Indonesia, national average price of rice continued to rise since May 2010 and a reached record high in January 2011. Likely due to positive prospects of harvest season, the price decreased by 1.3 percent in February and 3.5 percent in March 2011 (Figure 2). However, the current price is still 17 percent higher compared to the same month last year.

Other commodities: The prices of key food commodities such as cooking oil and sugar increased by 9.9 percent and 7.2 percent respectively in 2010 and the prices remain high in 2011. This is of concern to the poor households who spend 4-6 percent of their monthly expenditure for sugar and cooking oil. The prices of chilli which increased by 55.8 percent in 2010 sharply dropped in February and March 2011.
OTHER ISSUES IMPACTING ON FOOD SECURITY SITUATION

Climatic conditions: National Agency of Meteorology forecasts that the rainfall intensity in April 2011 will be normal to high level (85-150 percent of 30 years average) in most areas, except some areas in Lampung, southern coast of Java island, Central Kalimantan and Papua (Figure 2).

The latest meteorological models forecast that La Niña condition is likely to continue for the next few months. In Indonesia, La Niña phenomenon increases the probability of more abundant rains.

Crop harvesting: According to the Ministry of Agriculture, current harvesting started in March will be successful, and total rice production at national level will reach a record high of 65.98 million mt in 2011, despite reported cases of pest outbreak and flooding in some areas in Java.

Government response: Indonesia lifted import duty on rice in December 2010 to March 2011 to help ease the price increase. The exemption was discontinued in April 2011 and import duty of IDR 450/kg will be applied. Meanwhile, national rice subsidy programme will be continued to provide 17.5 million of poor households with rice at subsidised price of IDR 1,600 or US$ 0.17 per kg.

PRELIMINARY INSIGHTS ON EFFECTS AT THE HOUSEHOLD LEVEL

Vulnerable groups: Recent food security assessments and monitoring in vulnerable areas of the country revealed that the households engaged in subsistence farming (food crop and cash crop) and agricultural wage labour are more vulnerable to food insecurity than other livelihood groups.

Purchasing power: The nominal daily wage of agricultural labours has been increased gradually for the last few years. However, the increase is offset by increased food price. As Figure 4 shows, the wage in real value has been reduced since May 2010.

This indicates that the purchasing power of agricultural wage labours has been eroded. Although it increased in February and March reflecting decreased food price, it remains significantly low level compared to the same months in 2010.

PRELIMINARY INSIGHTS ON EFFECTS IN VULNERABLE AREAS

Regional disparity: National Food Security and Vulnerability Atlas (FSVA, Appendix 1) launched by the President of Indonesia in 2010 shows that food insecure districts are concentrated in eastern parts of the country such as East Nusa Tenggara (NTT), West Nusa Tenggara (NTB) and Papua provinces. While 13 percent of the national population lived below the national poverty line, this increases up to nearly 40 percent in the eastern provinces. Most of them are engaged in agriculture. The income level of farmers and agricultural labourers is among the lowest.

Price in local market: WFP Indonesia in collaboration with local government is monitoring the retail price of food commodities essential to the poor such as rice and maize on quarterly basis. The price level and trends were in line with the prices reported by local statistics office. In the latest monitoring in November 2010, the average retail price of rice was IDR 6,115/kg, 9.7 percent higher than the same month in 2009 and 5.2 percent lower than the previous quarter. The price of maize, equally important staple in eastern provinces, was IDR 3,531/kg, 20.6 percent higher than November 2009 and 6.8 percent higher than the previous quarter (Figure 5). The prices of both commodities increased during the lean season in 2009 and 2010. The prices in March 2011 have been collected and are being analyzed.
**Household food consumption:** Household food consumption has been monitored by WFP and local government since 2009. The result of the monitoring in NTT province shows deterioration trend toward lean season (November - February). Households with poor or borderline food consumption increased from 35 percent in June to 39 percent November 2010. The proportion of households with low food consumption was twice as higher in rural areas than that of urban areas (Figure 6).

![Figure 5: Food price in local market in NTT province](image)

![Figure 6: Household food consumption score(%) in NTT](image)

**Appendix 1:** Food Security and Vulnerability Atlas of Indonesia (WFP and Government of Indonesia, 2009)

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