HEADS - UP NOTES

- National average price of rice continued to rise and reached a record level of IDR 9,297/kg in July 2011, 16% higher compared to the same month last year, and 34% higher than December 2009. The price is expected to remain high toward the lean season (November-February).
- The rainfall in September 2011 is forecast be normal to below normal level (51-85% of 30 years average) in most areas except north Sulawesi and Maluku.
- The Government announced to import 500,000 mt of rice in August 2011 to boost public rice stocks and stabilize the price. In Nusa Tenggara Timur province, Sumba Timur district plans to distribute 100 mt in the areas affected by excessive rainfall and pest.
- The real wage of agricultural wage labour decreased in June and July 2011 reflecting increased food prices. This indicates that purchasing power has been eroded.

MAIN PRICE TRENDS

General inflation

After four months consecutive decrease from February 2011 to May 2011, the Food Price Index increased again in June and July 2011. This is likely due to increased prices of rice which reached a record high in July 2011. In July 2011, Consumer Price Index (CPI) was 127.35 or 0.85 point higher than the previous month (Figure 1).

Fuel/Oil prices

The price of subsidized gasoline stands at IDR 4,500 (USD 0.5) per liter since 2008. Currently both private and public transportation vehicles can purchase subsidized gasoline in major cities. 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 of more than 50% of the diet. In vulnerable areas, poor households spend around 60% of their monthly expenditure on food and more than 20% on rice during lean season.

After three months consecutive decrease from February 2011, the national average price of rice continued to rise and reached a record level of IDR 9,297/kg in July 2011, 16% higher compared to the same month last year, and 34% higher than December 2009. The price is expected to remain high toward the lean season (November-February).

Other commodities: In July 2011, the prices of other key food commodities such as cooking oil and sugar decreased or was unchanged from the previous month. However, the price of cooking oil is 15% higher compared to the same month in 2010. This is of concern to the poor households who spend 2-3% of their monthly expenditure for cooking oil. The price of chilli which increased 55.8% in 2010 is back to previous price level.
Price in local market: Joint WFP/GOI Food and Nutrition Security Monitoring System (FNSMS) is monitoring the retail price of food commodities on a quarterly basis in selected vulnerable provinces. In the latest monitoring in Nusa Tenggara Timur (NTT) province in March 2011, the price of staple cereals (rice and maize) increased both in urban and rural areas. The price of maize increased by 21% from October 2010 in urban area (Figure 3). The prices are expected to decrease after the main harvest started in April as it was observed in 2010. However, the prices need to be carefully monitored because some localized floods damaged the maize harvest.

OTHER ISSUES IMPACTING ON FOOD SECURITY SITUATION

Climatic conditions: National Agency of Climatology and Meteorology forecasts that the rainfall in September 2011 will be normal to below normal level (51-85% of 30 years average) in most areas except north Sulawesi and Maluku (Figure 4). Remote Sensing Applications and Technology Development Center of Indonesian National Institute of Aeronautics and Space (LAPAN) also made similar prediction (Figure 5).

Crop harvesting: Cereal production increased continuously from 2007 but the level of increase slowed down in 2010 due to irregular rainfall and drought which resulted in the failure of crops in some areas. This is considered as one of the causes of increased food price during 2010. For 2011, National Statistics Bureau (BPS) of Indonesia estimates an increase in rice production only by 2.4% and decrease in maize by 5.1% in 2011 (Figure 6).

Harvest failure was reported in Sumba Timur and Kupang, TTU, Manggarai Timur and Ngada districts in NTT province due to excessive rainfall and pest during the harvest season (March-August). Above normal rainfall was recorded in these areas in March (Figure 6).

Government responses: The government of Indonesia imported 1.8 million tons of rice in 2010 and early 2011 to boost public rice stocks and stabilize the price. In August 2011, Government announced to import additional 500,000 mt of rice. In NTT, Sumba Timur district plans to distribute 100 mt in the affected areas.
Purchasing power / food access of 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.

Agricultural wage labour (Figure 7): The nominal daily wage of agricultural labourer has been increased gradually during the last few years. However, the increase is offset by increased food price. As Figure 7 shows, the wage in real price sharply decreased since May 2010. The real wage increased for four months from February 2011 reflecting eased inflation, but it decreased again in June and July 2011. The real wage is still much lower than the level before May 2010. This indicates that the purchasing power of agricultural wage labourer has been eroded.

Non-agricultural wage labour (construction worker, Figure 8): The increased nominal daily wage of construction labourer was also offset by increased food prices in mid 2010, indicating decreased purchasing power. The wage increased in October significantly most likely due to the revised minimum wage rates and Idul Fitri holiday. The purchasing power has recovered to the pre-crisis level. However, the wage decreased in June and July 2011.

Regional disparity: WFP/GOI Food Security and Vulnerability Atlas (FSVA, Figure 9) was launched by the President of Indonesia in 2010 shows that food insecure districts are concentrated in eastern parts of the country such as Nusa Tenggara Timur (NTT), Nusa Tenggara Barat (NTB) and Papua provinces. While 13% of the national population lived below the national poverty line, this increases up to nearly 40 percent in the eastern provinces where most people are engaged in agriculture. The income level of farmers and agricultural labourers is among the lowest.

Appendix 1: Food Security and Vulnerability Atlas of Indonesia