Heads - Up Notes

- National average price of rice increased by 1.5 percent in June 2011. The price is 17 percent higher compared to the same month last year, and 28 percent higher than December 2009. The price increased by 31 percent during 2010.
- According to the preliminary results of joint monitoring by WFP and provincial government of NTT province, the price of maize increased in early 2011 in urban areas. The prices are expected to decrease after the main harvest. The prices need to be carefully monitored as some localized flooding damaged the maize harvest.
- The latest meteorological models forecast that La Niña condition has been dissipated and the condition will remain neutral in July 2011.
- The real wage of vulnerable livelihood groups decreased in June 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, Food Price Index increased in June 2011. This is likely due to increased prices of rice and some other food commodities such as chicken and egg. In 2010, food prices increased at rates faster than that of other non-food commodities as indicated by Consumer Price Index (CPI). In June 2011, CPI was 126.50 or 0.69 point higher than the previous month, and Food Price Index was 145.84, 1.83 point higher (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 percent 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 increased in May and June 2011. The latest price (IDR 8,870, June 2011) is 17 percent higher compared to the same month last year, and 28 percent higher than December 2009. The price is expected to remain high toward the lean season (November-February).

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 June 2011. This is of concern to the poor households who spend 4-6 percent of their monthly expenditure for sugar and cooking oil. The price of chilli which increased 55.8 percent in 2010 is back to previous price level.
Price in local market: WFP Indonesia in collaboration with local government 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 percent 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 as some localized flooding damaged maize harvest.

OTHER ISSUES IMPACTING ON FOOD SECURITY SITUATION

Climatic conditions: National Agency of Climatology and Meteorology forecasts that the rainfall in July 2011 will be normal to below normal level (51-85 percent of 30 years average) in most areas (Figure 4).

The latest meteorological models forecast that La Niña condition has been decipated and the condition will remain neutral in July 2011.

In April 2011, significantly high rainfall was recorded in West Timor area of NTT province (Figure 5). This caused flooding in this area and damaged more than 750ha of maize field.

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. National Statistics Bureau (BPS) of Indonesia estimates increase in rice production by 2.4 percent and decrease in maize by 5.1 percent in 2011 (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. Also the government lifted import duty on rice from 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 continue to provide 17.5 million of poor households with rice with subsidised price (IDR 1,600 or US$ 0.17 per kg).
PRELIMINARY INSIGHTS ON EFFECTS AT THE HOUSEHOLD LEVEL

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 for 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 in June 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 2011.

Regional disparity: WFP/GOI Food Security and Vulnerability Atlas (FSVA, Appendix 1) 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 percent of the national population lived below the national poverty line, this increases up to nearly 40% 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