



World Food
Programme

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INDONESIA

FOOD PRICE BULLETIN - April 2022

Special Focus: Palm Oil

Preface

Global food prices rose sharply in March 2022 driven primarily by increases in wheat and vegetable oil prices. The Russian-Ukrainian conflict significantly contributed to a rise in prices of food commodities globally, as both countries are important exporters of wheat, corn, barley, and sunflower oil.

Indonesia is fully dependent on wheat imports, of which 25% comes from Ukraine. The ongoing conflict is likely to significantly affect wheat imports, and consequently the prices for wheat flour products in the medium to long term.

Ukraine and Russia are the largest exporters of sunflower oil globally while Indonesia is the top producer and exporter of palm oil, accounting for 56% of the total global supply. Potential shortages in sunflower oil supplies in global market may shift the demand to palm oil triggering oil price rise, impacting affordability for the vulnerable groups.

This Bulletin provides information and analysis on the availability of strategic food commodities and respective price trends at the national and sub-national levels in the first quarter of 2022.

It also includes a special focus on palm oil, which analysis the global and domestic market trends and covers recent major interventions on regulating exports and commodity price fluctuations in Indonesia.

Data for this analysis was derived from official government sources as well as media updates to triangulate findings.

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- Global food prices reached record-highs in March as a result of the Russian-Ukrainian conflict. The FAO Food Price Index (FFPI) jumped by nearly 13% from February, the highest level since 1990. These increases mainly reflect soaring prices of vegetable oils, cereals, and meats as well as significant rises for sugar and dairy.
- Russia and Ukraine provide approximately half of global cereal exports, including 29% of the world's wheat supply. Together, they also provide roughly 72% of global sunflower oil exports. The conflict has already severely hampered global supply chains, impacting the prices of these commodities. On 22 April, the international price of wheat reached USD 456 per tonne, up from USD 342 recorded one week before the start of the conflict. Moreover, the FAO Vegetable Oil Price Index rose 23.2 percent, primarily driven by higher quotations for sunflower oil.
- Indonesia is fully dependent on wheat imports and acquires about one quarter of its wheat supply from Ukraine. Despite the Russian-Ukrainian conflict, domestic supplies have been maintained and wheat flour prices have not recorded a significant increase (only 1.7% between February and March). Global supply disruptions should be continually monitored as this may affect local wheat prices in the medium to long-term.
- With regards to Indonesia's 10 strategic food commodities, national stocks at the end of March were sufficient to meet domestic consumption needs. However, the stock duration for each commodity varied at both national and sub-national levels. Low stocks (availability for less than seven days) of chilli, bird's eye chilli, maize and shallots in certain provinces are likely to contribute to increased prices of these commodities, especially with the approaching Eid Al-Fitr celebrations.
- In March 2022, the monthly inflation reached 0.6%, the highest since the start of the COVID-19 pandemic in 2020. Furthermore, the food commodities inflation stood at 1.4%, which was significantly higher compared to March 2021 (0.08%) and March 2020 (0.01%). The increasing prices of red chilli, cooking oil and egg were the main drivers of inflation. Cooking oil recorded an all-time high increase of 42% compared to March 2021, and 10% compared to February 2022.

Special focus on Palm Oil

- Although Indonesia is the largest producer of palm cooking oil globally, the country faced unprecedented shortages and price surges in the first quarter of 2022. This was partially the result of disruptions caused by COVID-19 restrictions. This influenced production and prices in Malaysia – where the global price of palm oil is determined. Nationally, the domestic price of cooking oil reached IDR 23,900/kg on 31 March 2022, the highest level ever recorded.
- To ensure sufficient domestic supply and price stabilization, the Government implemented three major regulations, including ceiling prices, a social protection scheme and more recently, an export ban on cooking oil and its derivatives. This latest measure has sparked international trade concerns, as several countries dependent on sunflower oil from the Black Sea Region may seek palm oil from Southeast Asia to compensate for their losses caused by the unfolding conflict between Russia and Ukraine.

Global Trends: Food Availability and Price Trends

Impact of the Russian-Ukrainian Conflict



Russia is the world's largest exporter of wheat, while Ukraine is the fifth largest. Together, they provide 29% of the world's wheat supply, 15% of maize and 6% of barley, making up for half of global cereal exports. The two countries also provided roughly 72% of global sunflower oil exports in 2020. The ongoing conflict has already affected global supply chains and is likely to continue causing shortages and delays from the Black Sea region, impacting timely availability of these commodities. Importers may need to identify new suppliers, which could increase transit times and lead to temporary shortages in some markets. Higher transportation costs as a result of higher energy prices are expected to add to consumer costs in markets.

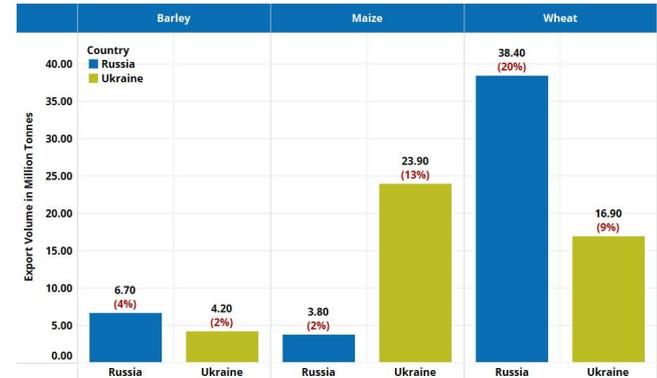
In 2021, the World Trade Organization (WTO) predicted a 4.7% growth of the global merchandise trade volume for 2022 [1]. This forecast was reduced to 2.5% due to Russian-Ukrainian conflict [2]. Although these two countries only supplied 2% of global merchandise exports in 2020, they are the main global exporters for certain commodities, including wheat. Thus, the conflict is negatively affecting global market conditions [3].

The FAO's Food Price Index (FFPI) jumped by nearly 13% with the average of 159.3 points in March 2022 compared to the index in February. It reflects a new record-high for the sub-indices of vegetable oils, cereals and meat, while the sub-indices of sugar and dairy products also increased significantly. The FAO Cereal Price Index climbed to a record level, increasing by 17% between February and March, while the vegetable oil index surged by 23% over the same period. In March 2022, palm oil prices hit record levels and soy oil prices rose to their highest levels in decades [4].

The international wheat price has increased since the first day of the Russian Ukrainian conflict (23 Feb 2022). A week before the conflict, the average wheat price was USD 342 per tonne. At the beginning of March, it reached its peak at USD 367 per tonne before slightly declining in the following days.

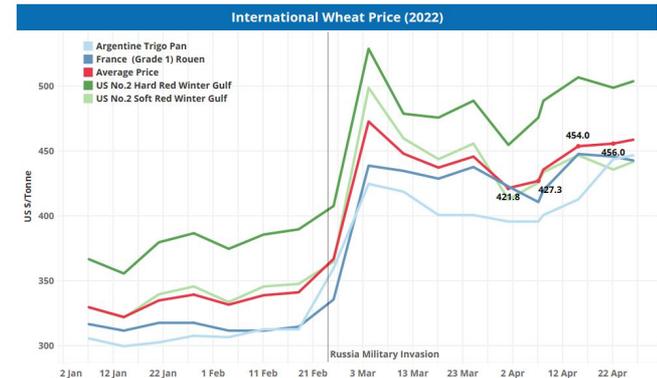
In April 2022, the average price of wheat continued increasing, reaching USD 456 by the 22nd of the month.

Global Cereal Exports from Russia and Ukraine, 2020/2021



Source: International Grain Council (IGC)

International Wheat Price, 2022



Note: Average Price is the average price of Argentina Tigo Pan, US No.2 Hard Red Winter Gulf, US No.2 Red Winter Gulf, and France (Grade 1) Rouen

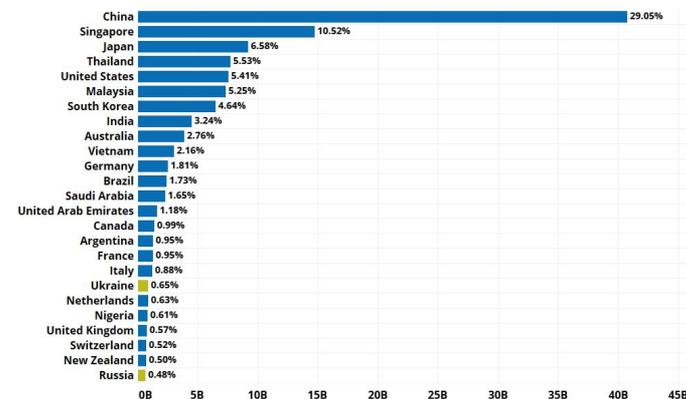
Source: International Grain Council (IGC)

Overall, the percentage of imports from Russia and Ukraine to Indonesia in 2020 were 0.48% and 0.65% respectively, which are minor compared to imports from other countries. However, the conflict may still influence the Indonesian wheat market as the total food products imported from both countries in 2021 amounted to USD 956 million, of which 98% was wheat.

Indonesia is the second country with the highest wheat import value in the world with a total import value of USD 2.6 billion (5.4% of total global wheat imported) in 2020. According to the Ministry of Trade (MoT), the consumption of wheat in Indonesia has increased from 5.6 million tonnes in 2014 to 6.6 million tonnes in 2020 [5]. Ukraine is Indonesia's second biggest source of wheat after Australia. Statistics Indonesia (BPS) indicates that the volume of wheat and meslin imports from Ukraine accounted for 2.8 million tonnes in 2021, equivalent to 25% of the total import volume of wheat.

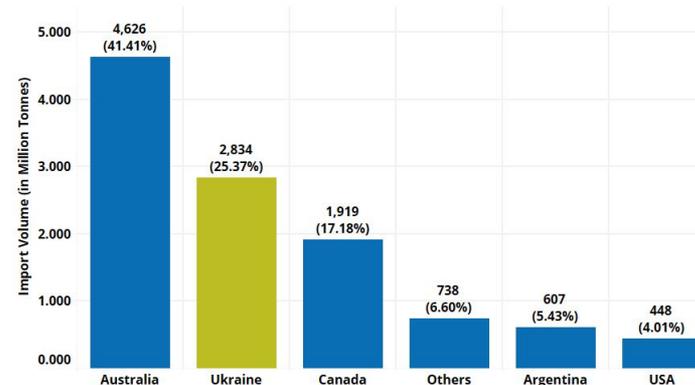
The wheat import dependency is likely to influence the domestic supply and prices, and put an additional burden on Small and medium-sized enterprises (SMEs) who provide 66% of domestic wheat flour for consumption in the country. In the short-term, the price of flour may not be affected because the wheat stock of flour producers is expected to last until April 2022 according to MoT. Moreover, the main wheat supplier for Indonesia is Australia, which accounts for 41% of the total import volume. Nevertheless, in the long-term, the Government may need to find alternative import countries to replace the wheat supply from Ukraine. To maintain the domestic wheat supply, the Ministry of Industry has suggested that the Ministry of Agriculture relax the import permit policies for certain wheat importer countries including India, Pakistan, Rumania, Bulgaria and Lithuania [6].

Percentage of Import Trade Value of All Products based on Country of Origin to Indonesia, 2020



Source: The Observatory of Economic Complexity (OEC)

Wheat Import Trade Volume of Indonesia, 2021



Source: Statistics Indonesia (BPS)

National Food Availability

Food Balance at National Level

According to the Food Stock Monitoring System (SIMONSTOK) of the National Food Agency (NFA), the stock availability of ten strategic commodities in the last week of March 2022 was sufficient to meet national consumption needs. However, the stock duration for each commodity varied between one week to three months. Lower stock durations were found for chicken, sugar, shallot, chilli and bird's eye chilli compared to the second week of January. Thus, it is not surprising that the prices of these commodities increased at the end of March and with the approaching Eid Al-Fitr celebrations.

The stock of chicken was found to be lower due to reduced production as chicken feed prices have increased [7]. Moreover, the demand for chicken also increased due to Ramadan. Similarly, the stock of sugar was also lower due to high demand during Ramadan and because the sugar mill season is expected to start in May.

In the case of shallots, the stock was lower because many shallot planting areas were changed to paddy planting areas at the beginning of the year and only returned back to shallot planting areas in April. Chilli and bird's eye chilli were recorded to have the shortest stock durations as the wet season reduced the total production of both commodities. However, stocks are expected to increase again with the harvest season in April.

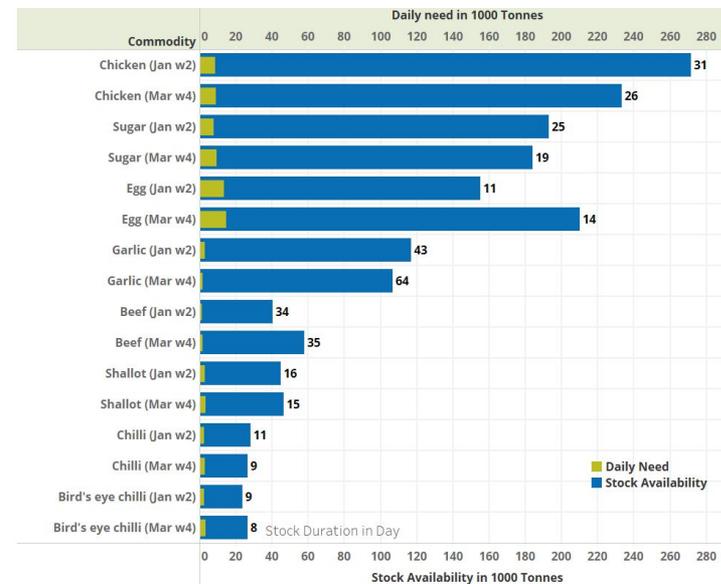
Although the stock of beef increased in March, the Government expected a spike in demand during Ramadan. To prevent a shortage and meet the domestic demand, the Government expanded import permits of beef and buffalo meat for private sector companies.

Source: Food Stock Monitoring Information System (SIMONSTOK), National Food Agency (NFA)

Food Commodity Balance - Rice and Maize, 2022



Food Commodity Balance - Other commodities, 2022



National Food Availability

Distribution of Provinces with Low Food Balance



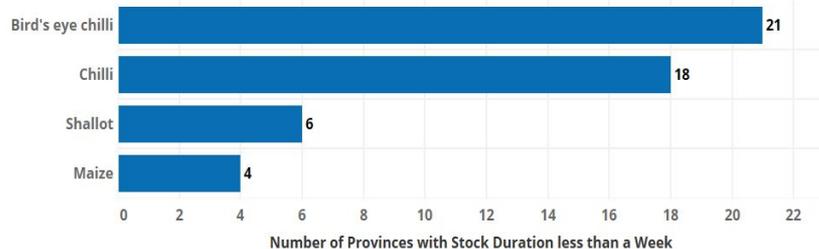
While the national level stocks of the 10 strategic commodities was considered sufficient in March 2022, regional disparities were widespread. A low food stock is defined by availability for less than seven days.

During the fourth week of March, 21 provinces experienced low stocks of bird's eye chilli and 18 provinces had low stocks of red chilli. Furthermore, a low stock of shallots was found in 6 provinces including Kalimantan, Sulawesi, Maluku and Papua. This may relate to the fact that the main supplies of shallot come from Sumatera Utara, Sumatera Barat, Jawa Barat, Jawa Tengah, Daerah Istimewa Yogyakarta (DIY), Jawa Timur, Bali, NTB, and Sulawesi Selatan and the provinces with low stocks are located far from these producer provinces.

Meanwhile, 4 other provinces in Sumatera, Java, and Kalimantan experienced a low stock of maize although the maize was mainly supplied from some provinces in Java and Sumatera. For example, Kepulauan Bangka Belitung mainly supplied its maize stock from DKI Jakarta instead of province in Sumatera [8].

Number of Provinces with Low Food Balance

4th week of Mar- Source: SIMONSTOK BKP - Ministry of Agriculture



Source: Food Stock Monitoring Information System (SIMONSTOK), National Food Agency (NFA)

List of Provinces with Low Food Stock

Fourth week of Mar- Source: SIMONSTOK BKP - Ministry of Agriculture

Region	Commodity and Province			
	Bird's eye chilli	Red Chilli	Shallot	Maize
Sumatera	Gorontalo, Kepulauan Bangka Belitung, Kepulauan Riau, Riau,	Aceh, Kepulauan Bangka Belitung, Kepulauan Riau, Kepulauan Sumatera Selatan	-	Kepulauan Bangka Belitung, Kepulauan Riau
Java	DKI Jakarta, Banten	DKI Jakarta	-	DKI Jakarta
Bali & Nusa Tenggara	Nusa Tenggara Barat, Nusa Tenggara Timur	Bali, Nusa Tenggara Timur	-	-
Kalimantan	Kalimantan Barat, Kalimantan Selatan, Kalimantan Tengah, Kalimantan Timur, Kalimantan Utara	Kalimantan Tengan, Kalimantan Timur, Kalimantan Utara	Kalimantan Utara	Kalimantan Tengah
Sulawesi	Sulawesi Barat, Sulawesi Tengah, Sulawesi Tenggara, Sulawesi Utara	Sulawesi Barat, Sulawesi Tengah, Sulawesi Tenggara, Sulawesi Utara	Sulawesi Tenggara	-
Maluku & Papua	Maluku, Maluku Utara, Papua, Papua Barat	Maluku Utara, Papua, Papua Barat	Maluku, Maluku Utara, Papua, Papua Barat	-

Source: Food Stock Monitoring Information System (SIMONSTOK), National Food Agency (NFA)

National-level Price Development

Inflation Rates and Monthly Price Changes

The price of five basic food commodities - red chilli, bird's eye chilli, vegetable oil, imported soybean and shallot - showed an increase of more than 5% in March 2022 compared to February 2022 (MoM). Red chilli recorded the highest MoM increase in March (25.7%), followed by bird's eye chilli (15.2%) and cooking oil (10.8%). The other six commodities recorded a moderate price increase (below 5%), while rice was the only commodity for which the price slightly decreased.

According to data from BPS, the overall inflation in March 2022 reached 0.6%, while the food commodities inflation stood at 1.4%. The food commodities inflation in March 2022 was significantly higher compared to March 2021 (0.08%) and March 2020 (0.1%). It is worth noting that increasing prices of food commodities including red chilli, cooking oil and eggs was the main driver of inflation in March.

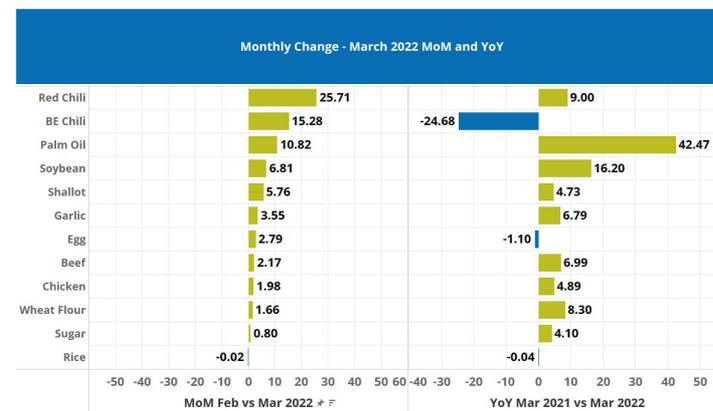
Monthly Overall and Food Inflation (%)

Monthly Inflation - Overall and Food, Beverage, and Cigarettes Group (Food)



Monthly Price Change (%)

Month-on-Month (MoM) and Year-on-Year (YoY)



Source: WFP calculation based on data from PIHPS (Bank Indonesia) and SP2KP (MoT)

Year-on-year (YoY) changes show that the price of cooking oil recorded the highest increase in March 2022, up by 42% compared to March 2021. On 31 March, the price reached its highest point at IDR 23.900/kg. 1.5 times higher than the regulated ceiling price (HET)

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