

Current Situation of Rice Distribution System in Indonesia

Executive Summary

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Introduction

Indonesia experienced a poor rice harvest for two years consecutively and a sharp rise in prices in 1998. Compounded by the worsening security, the rice distribution market has become confused and the shortage of rice has even temporarily become a social problem. The Indonesian government started importing about 6 million tons of rice including that provided from Japan, and distributing it to the increasing number of the poor with the aid of international organizations. To ensure social stability, it continues to be extremely important for the Indonesian government, as well as donor countries like Japan, to distribute rice to the population smoothly. The objectives of this study are to assess the present condition and the problems of rice distribution after the economic crisis, and to examine policies to improve the situation¹ .

Chapter 1 The General Outline of Rice Distribution

- (1) The private sector is playing the main role, controlling about 80 to 90% of the total amount of rice that is distributed in Indonesia.
- (2) In the private sector, large distributors are mostly Chinese Indonesian and medium and small distributors are Pribumi (indigenous Indonesian). Even though Chinese Indonesian are playing an important role in the rice distribution, they do not necessarily hold a monopoly.
- (3) The public sector agency, Badan Urusan Logistik (National Logistics Agency, BULOG), plays the following roles: contributing to price stabilization by purchasing rice, maintaining buffer stock and releasing it onto the market; distributing rice to the poor; providing rice to public servants and others.

1. 1 Outline of rice distribution

For Indonesia to achieve self-sufficiency, it is considered necessary to produce about 53 million tons of paddy rice. On the assumption that to achieve the distribution of milled rice would be about 20 million tons excluding household consumption by farmers and that used for seed losses and animal feed. Of that, about 80 to 90 % is distributed by the private sector. In the public sector, BULOG, whose main objective is the stabilization of rice prices, annually purchases about 10 to 20 % of all rice in the market. (see Table 1)

¹ This paper is a summary of the forthcoming report written in Japanese by the Research Institute of Development Assistance, OECF, based on the survey conducted in Indonesia between November 1998 to March 1999. The survey was conducted by Center for Development Studies, Bogor Agricultural University, and Hitoshi Yonekura, then Senior Research Fellow at the Institute of Developing Economies, the Japan External Trade Organization.

Table 1 The Amount of Rice Distribution (million tons)

Items	Paddy rice	Milled rice
Amount of rice produced	53 (100%)	33 (100%)
Household consumption by farmers	16 (30%)	10 (30%)
Rice used for seed and animal feed	5 (10%)	3 (10%)
Amount distributed (=)		20 (60%)
Private sector		16 - 18 (about 80 - 90 % of the amount distributed)
Public sector		2 - 4 (about 10 - 20 % of the amount distributed)

Notes: The table indicates the rough ratio of rice distribution handled by the private and public sectors with self-sufficiency as a prerequisite. The percentage in parenthesis shows the ratio against the amount of rice produced. The conversion rate between paddy rice and milled rice is 0.63.

Source: The table was formulated based on the press release of FAO (April 1999) and others.

1.2 Rice distribution by the private sector (Figure 1)

The distributors within the private sector are roughly divided into farmers, collectors, rice millers, traders, wholesalers and retailers. There are many instances in which farmers play the role of collectors and rice millers act as collectors or traders. Collectors are in competition, and in some cases, they offer farmers drying or storing facilities free of charge in order to collect rice from them.

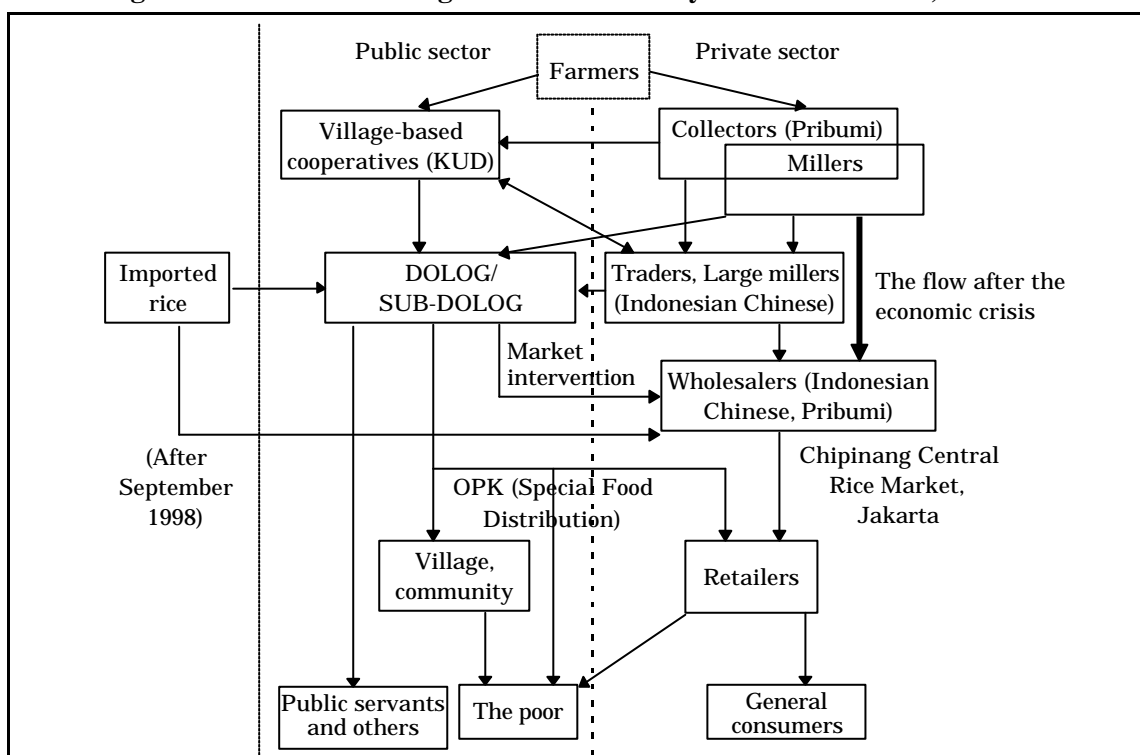
The paddy rice that has been collected from farmers are sold to traders or wholesalers after milling by rice millers². Even among distributors, better customers and conditions are preferred. The large-scale wholesalers are mostly Chinese Indonesian and their activities goes beyond provincial borders. Meanwhile, medium and small distributors are mostly Pribumi (indigenous Indonesian) and they mainly trade within the provinces. For example, in the CipInang Central Rice Market in Jakarta, of the large-scale wholesalers 5 - 10 are Chinese Indonesian but almost all the medium and small distributors are Pribumi. Thus, even though the Chinese Indonesian play an important role in the rice distribution, they do not necessarily hold a monopoly.

² The characteristics of the function of millers differ depending on the region. In West Java, there are many small and medium size millers as well as large millers. In Lumping Province, large millers are very active yet in South Sumatra Province, there are very few large millers, and collecting and milling rice are carried out in many RMU (Rice Milling Unit).

1.3 Rice distribution by the public sector

The governmental organization BULOG, does the following: contributing to price stabilization by purchasing rice, maintaining buffer stock and releasing it onto the market; distributing rice to the poor; distributing rice to public servants and military personnel³. BULOG has regional offices, DOLOG, which controls each one province and SUB-DOLOG, which are engaged in activities in one or more districts, across the country. It has warehouses in approximately 1,500 locations which can store about 3.5 million tons of serials that enable them to purchase rice, store it, and release it onto the market. Through market operation by BULOG, rice is released mostly into urban areas, including Jakarta, the main rice consuming areas⁴. BULOG has set the so-called floor price, the fixed buying price, to ensure the income of farmers and DOLOG/SUB-DOLOG procure the rice from farmers via village-based cooperatives called KUD. The farmers are not forced to sell the crop to KUD, however, and are able to sell it to private traders if they offer better prices than the floor price set for KUD.

Figure 1 The Marketing Channels of Paddy/Rice in Karawan, West Java



Source: Field survey

³ BULOG, once under the jurisdiction of an organization directly under the President, as of June 1998, has been placed under the jurisdiction of the State Coordinating Minister for Economy, Finance and Industry. The Minister of Industry and Trade has become concurrently the position of the director of BULOG. The import and export of rice was monopolized by BULOG until liberalization in September 1998.

⁴ Jakarta alone is responsible for 20 to 30% of the annual amount of rice market operation by BULOG.

Indonesia has both surplus and deficit areas of rice (which also vary seasonally). BULOG ships the crop from the main harvest areas such as Java island (that held 56% of all national production in 1997) and South Sulawesi to the deficit area such as Kalimantan and Nusa Tenggara⁵ (see Table 2).

Table 2 Shipping Records of BULOG by Area (Marine transportation) 1998/1999(unit: 1,000 tons)

Shipping out / Shipping in	Java	Sumatra	Kali-mantan	Sula-wesi	Nusa Tenggara and others	Total
Java	0			0		0
Sumatra	145			7		152
Kalimantan	185			28		213
Sulawesi	64			16		80
Nusa Tenggara and others	167			6		173
Total	561	0	0	57	0	618

Notes: The amount of shipping out in 1998/1999 fell far below the planned amount (total 1,050,000 tons) due to the sluggish domestic purchases.

Source: BULOG

⁵ At present, the statistics on rice distribution by the private sector, such as the movement of rice within the country, are not well established.

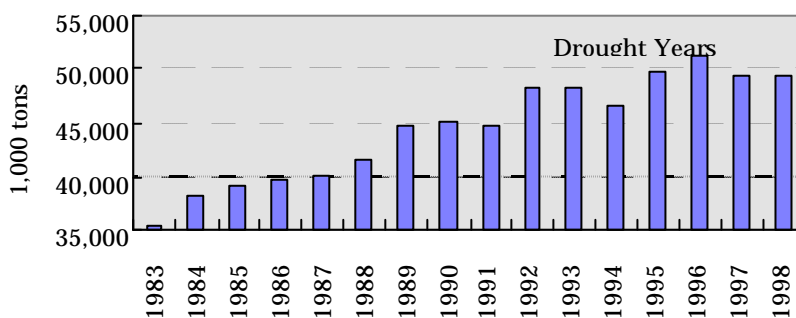
Chapter 2 Drought and the Influence of the Economic Crisis

- (1) The poor rice harvest continued for two consecutive years between 1997 and 1998 due to the drought caused by El Niño.
- (2) Rice prices jumped to 3,000 Rp/kg in September 1998 from 1,000 Rp/kg (the national average) in 1997 due to the depreciation of the Rupiah; the poor rice harvest; hoarding by distributors and cornering by consumers.
- (3) Due to the economic crisis, the ratio of the poor against the whole population increased rapidly from 11% in 1996 to 24% at the end of 1998. It became extremely difficult for the poor in urban areas to afford rice.

2.1 Poor harvest

Indonesia achieved self-sufficiency in rice production in 1984 but it became unstable in the 1990s due to irregular changes in the weather. During the years between 1997 and 1998 in particular, the country was hit by the El Niño drought, which reduced the harvested area and resulted in a 3.4% decrease in production volume compared with the previous year (49.4 million tons). In 1998, the planting of the rainy season crop (from December to March) was delayed due to the drought in the previous year, which led to low yield. That reduced the production by 0.3% (49.4 million tons), causing the poor harvest in two years consecutively⁶ (see Figure 2).

Figure 2 The Record of Paddy Rice Production in Indonesia



Notes: The figure for 1998 is provisional

Source: Central Bureau of Statistics

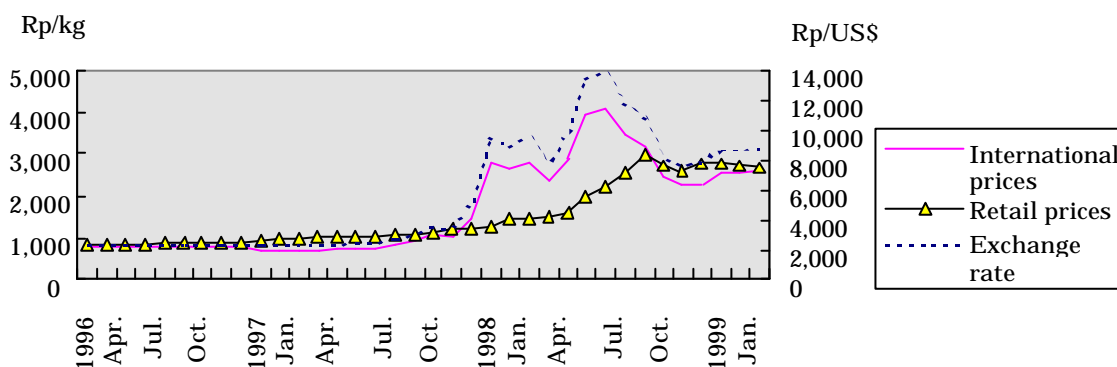
⁶ The areas which suffered a huge drop in production were Sulawesi and Kalimantan.

2.2 Increases in rice prices and reduced activities of the private sector

In the mid-1990s, rice prices stabilized at around 1,000 Rp/kg by national average (above the international prices partially due to the restriction on imports). However, from the end of 1997 when a rapid depreciation of the Rupiah took place, the retail prices of rice started to make a sharp rise. In addition, after the riots in May 1998 the consumers started to store rice and by September of that year, the rice prices had gone up to as much as 3,000 Rp/kg. The reasons are as follows: a big shift in the gap between domestic prices and international prices⁷ caused by the depreciation of the Rupiah (see Figure 3); the poor harvest; decreased rice distribution volume caused by the hoarding of farmers and collectors, who were anticipating the rise in prices and the cornering of the rice by consumers.

In addition to the above situation, the activities of the private sector, especially of large distributors, were severely curbed by worsening security and the difficulty of procuring working capital due to the higher interest rate (18.72% in the second quarter term in 1997 to 32.16%⁸ in the second quarter term in 1998). For example, in the case of Central Lampung District, Sumatra Island, the amount of rice dealt with by the wholesalers decreased substantially (see Table 3) in all three cases that were surveyed. It was due to the reluctance of farmers, collectors and millers to sell although the production of rice and the profit per unit actually increased (from 467,000 tons in 1997 to 508,000 tons in 1998).

Figure 3 Changes in Retail Prices, International Prices and the Exchange Rate



Source: BULOG, the World Bank and IMF (IFS)

⁷ Rice smuggling was reported at one point due to the fact that international prices rose above domestic prices but when the prices reversed, the smuggling is said to have dwindled.

⁸ The weighted average interest rate for the working capital to the private enterprises. IFS February 1999

Table 3 Examples of Hoarding and the Consequent Reduction of Dealings in the Private Sector (Central Lampung District) (Rp/kg)

Items	Wholesalers	Sample 1		Sample 2		Sample 3	
		1997	1998	1997	1998	1997	1998
Dealing volume	(tons/year)	3,600	900	2,000	600	5,400	720
The unit price offered by millers		1,000	2,900	1,000	2,950	1,000	2,950
The unit sales price by wholesales		1,050	3,000	1,050	3,150	1,075	3,100
Profits		50	100	50	200	75	150

Source: Field survey

2.3 Increases in the number of the poor

Influenced by the economic crisis, the population of the poor in Indonesia increased substantially. The Indonesian government estimates that the ratio of the poor against the whole population rose from 11% in 1996 to 24% at the end of 1998 (see Table 4). The impact of the economic crisis is seen more seriously in the urban areas around Java than in rural areas⁹ and many of the poor in urban areas are at the level where they cannot afford to buy sufficient quantities of rice¹⁰.

Table 4 Increases in the Number of the Poor (million people)

Period of survey	Urban areas	Rural areas	Total number
Feb. 1996	7.2 (9.7%)	15.3 (12.3%)	22.5 (11.3%)
Dec. 1998	17.6 (21.9%)	31.9 (25.7%)	49.5 (24.2%)

Notes: Numbers in parenthesis show the ratio of the population of the poor against the whole population of Indonesia, those in urban areas and those in rural areas respectively.
The poverty line in December 1998 was 96,959 Rp/month/person in urban areas and 72,780 Rp/month/person in rural areas.

Source: Central Bureau of Statistics

⁹ Based on the survey conducted by the Central Bureau of Statistics and the World Bank targeting 4,000 districts across the country.

¹⁰ According to the World Bank, the poorest allocate 70% of their income to food, of which 25% is used to purchase rice.

Chapter 3 Countermeasures Taken by the Indonesian Government and the Current Situation of Rice Distribution

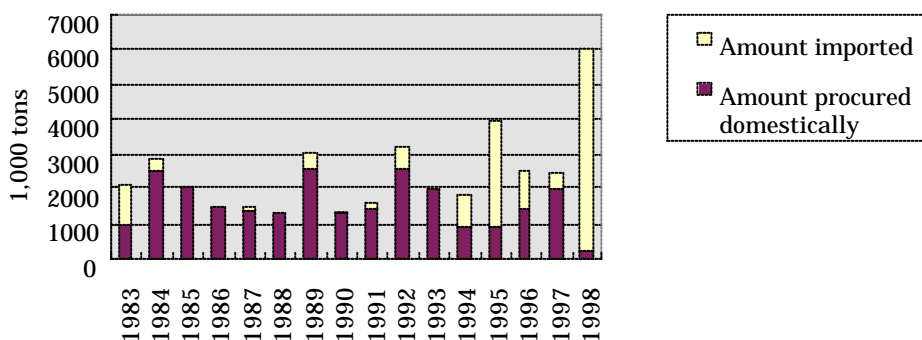
- (1) BULOG started intervening in the market and distributing rice to the poor while importing about 6 million tons of rice including rice supported by Japan. Rice from Japan was temporarily halted but helped partially with initiative by the Japanese government as well, about 90 % of the rice had been released and distributed at the end of July 1999, contributed to the stabilization of rice prices and aiding the poor.
- (2) Urged by recommendations from the IMF and others, the Indonesian government began to reform public sectors such as liberalization of rice import.
- (3) At the moment rice prices are stable reflecting the good harvest of rice for rainy season but it will still be necessary to import a certain amount of rice in 1999.

3.1 Measures taken by the Indonesian government

(1) The urgent import of rice

BULOG has been providing rice annually to public servants and others after buying it domestically. However, since rice prices rose above the floor price in 1998, they could not collect a sufficient quantity of rice domestically and finally imported historically highest volume, about 6 million tons of rice (see Figure 4). Most of the imported rice came from Vietnam, Thailand, China and others (see Table 5) under commercial trading but it also included 750,000 tons of aid rice (most were on loan and others donated) from Japan (see Table 6). It was reported that the release of the rice on loan from Japan was halted temporarily. Helped partially with initiative by the Japanese government, the release of Japanese aid rice at reduced prices went smoothly, to urban and rural areas mostly in Java, about 90% of it has already been released as of July 1999 contributing to the stability of rice prices and helping the poor (see Table 7).

Figure 4 Rice Procurement Record of BULOG



Source: BULOG material

Table 5 Origin of Imported Rice (1998) (unit: 1,000 tons)

Countries	Amount imported	Amount of aid
Vietnam	1,866 (31%)	Vietnam: 100 (loan)
Thailand	1,765 (30%)	Thailand: 5 (donation)
China	1,254 (21%)	China: 250 (loan)
Pakistan	524 (9%)	
Japan	455 (8%)	Japan: all (loan)
Myanmar	58 (1%)	
Taiwan	18 (0%)	Taiwan: all (loan)
The United States	4 (0%)	USA: all (loan)
Total	5,944 (100%)	

Notes: The rice from Japan in the table indicates the amount that was contracted in June 1998, to be delivered within the same year. A part of the Sector Program Loan was appropriated as payment of the imported rice.

Source: BULOG material

Table 6 Breakdown of Rice Supported by Japan (unit: 1,000 tons)

Form of aid	Quantity	Remarks
<i>The rice lending contract by the Japanese government*</i>		<i>Domestic Minimum rice access rice</i>
The quantity signed for in June 1998	500	300 200
The quantity signed for in December 1998	200	120 80
Sub Total	700	420 280
Donation	50	Thai rice
Total	750	

Notes: * The amount was converted to the as brown rice. The conditions for lending: to be returned within 30 years (grace period 10 years); the fee for lending (equivalent to the interest rate) is 2% of the amount lent (3% of the amount remaining from the 11th year onwards). Aside from these, a part of the sector program loan is used as payment for the imported rice.

Source: Ministry of Foreign Affairs and Food Agency of Japan

Table 7 Destination Areas for Rice Delivered from Japan (unit: 1,000 tons)

Destination Areas	Amount Imported
Sumatra	155 (23%)
Java	385 (57%)
Kalimantan	10 (1%)
Sulawesi	55 (8%)
Bali, Nusa Tenggara and others	75 (11%)
Total	680 (100%)

Notes: The amount converted to the brown rice was 700,000 tons, but the total amount was actually 680,000 tons because milled rice was mixed into it. This figure does not include the rice that was donated.

Source: OMIC

(2) The beginning of the targeted rice subsidy program (OPK Program)

The Indonesian government introduced the targeted rice subsidy program (OPK) in July 1998, as a part of the Social Safety Net (SSN) program to deal with the increasing number of the poor¹¹ (see Table 8). The target of this program is the poorest of the poor (focusing more in urban areas rather than rural areas)¹² and the program enabled them to buy 20kg of rice per

¹¹ WFP also expanded their Food for Work Program (the program in which people were given rice for the work done such as construction work which was implemented with the cooperation of NGOs), which was originally conducted mainly in rural areas, to the main urban area on Java island around the period between July 1999 and June 2000.

¹² Originally only the households which were recognized as the poor by the National Family Plan Coordination Agency, BKKBN, and the Ministry of Labor, were targeted but the program was later applied to those unrecognized in urban areas such as squatters.

household with 1,000 Rp/kg¹³ for a month. BULOG mainly distributed the imported rice to the market in order to stabilize prices. At the same time, it rations about 200,000 tons of rice per month (for about 10 million households, though distribution was planned for 13 million households) to villages and communities in the city via DOLOG/SUB-DOLOG as a part of this program (see Figure 5).

Table 8 Outline of the Social Safety Net (SSN)

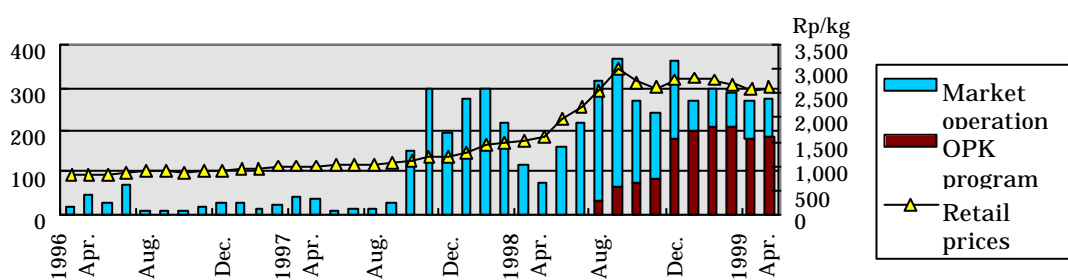
Categories	Programs	Outline	The main donors
Food	Special food distribution	Rationing the low priced subsidized rice to the poor	The World Bank*, OECF**, WFP
Employment	• Creating employment	• Expenditure to the community fund • Aiding intensive labor training program	The World Bank, OECF
Education	• Scholarships for elementary and junior high school children • Fund for elementary school and junior high school children	• Providing scholarships to elementary and junior high school children • Providing maintenance fees to elementary and junior high schools	The World Bank, ADB, OECF
Health	• Donated medicine • Improvement of nutritional condition • Access to basic medical services	• Providing medicine to health centers • Improving the nutritional condition of target groups such as pregnant women and children • Providing medical services to the poor.	ADB, OECF

Notes: * Covered by a Social Safety Net Adjustment Loan. It has been accepted by the Board of Directors but not yet implemented.

** Covered by a Social Safety Net Adjustment Loan. The Japanese government announced the plan at CGI in July 1999.

Source: World Bank, OECF

Figure 5 Record of Rice Distribution by BULOG and Retail Prices



Source: BULOG

¹³ The upper limit on rice purchases per household was raised from 10-kg to 20-kg from December 1998.

(3) Other policies

The Indonesian government has made efforts in connection with rice distribution as a part of the countermeasures to avert the economic crisis by implementing various measures in addition to the policies mentioned above. These include improving security and simplifying the registering procedure for the transactions between the provinces¹⁴. The outline of these policies are also reported in the Letter of Intents submitted to the IMF (see the appendix).

3.2 Governmental reform

BULOG used to have monopolies over the import of wheat, sugar, soy beans, garlic and so on, as well as rice. However, partially due to the criticism of its closed-door management, the import of all agricultural products excluding rice was liberalized in February 1998 and even rice itself was deregulated in September, 1998. At present, BULOG is being audited by international auditing standards as a part of the state-owned enterprise reform and the future management of the organization will be examined depending on its result.

3.3 The present condition of the distribution of rice

The rice prices began falling after a peak in September 1998. Possible reasons for the fall are as follows. The imported rice from Japan and other countries arrived. After September, rice harvested from the dry season which enjoyed good yield, started flowing into the market and consequently, anxiety over shortage was removed. Between June and July 1999, the retail prices for secondary quality rice was floating at 2,850 Rp/kg (see Figure 6). This price is about 40% higher than the standard for prices in 1996, taking the inflation rate into consideration (assuming the CPI is 100 in 1996, it was 204 in June, 1999).

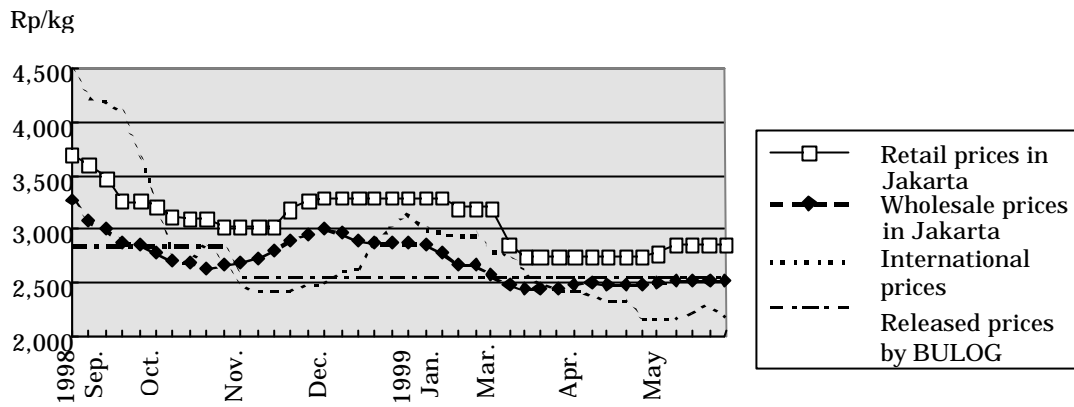
It appears also that the movement of the exchange rate had a significant influence on forming market prices. However, since the amount of imported rice handled by the private sector up to April 1999 (about 120,000 tons in the first quarter) was limited, the movement of market prices in the same quarter was mainly influenced by the quantity of rice that came onto the market. On the other hand, according to the World Bank, the amount of rice imported by the private sector has begun to increase due to the recovery of the Rupiah since May 1999 (at a rate of about 100,000 tons a month, estimated by the World Bank), pushing down the prices of domestic rice. It is estimated that the influence of the quantity and fluctuation of the prices of the imported rice will increase in the future over the prices and production of domestic rice.

The production of rice in 1999 is estimated as 49.53 million tons (31.2 million tons of milled rice), below the government's target of 52 million tons. BULOG held stocks of about 2.7 million tons as of August 1999 and is expected to procure 1.8 to 2 million tons of rice domestically.

¹⁴ The effects of the various policies, however, have not been examined in this survey.

However, it is still considered necessary to import a certain amount of rice in order to fill the gap in supplies.

Figure 6 Rice Price Fluctuations in Jakarta (secondary quality rice)



Source: World Bank, Indonesia Resident Mission

Chapter 4 Issues for the Smooth Distribution of Rice

- (1) With regard to the distribution of rice by the private sector, it is functioning according to market mechanisms under normal circumstances, however, it will become difficult for the private sector alone to deal with rice distribution when an emergency situation arises. Therefore, the role played by the public sector, in such areas as aiding the poor or transporting rice to remote areas, remains important. When reviewing the role of BULOG, it is necessary for the government to examine ways how BULOG can complement the roles of the private sector by such measure as improving the monitoring system of the rice distribution in the country.
- (2) The possibility of food shortages as a result of natural disasters in different parts of Indonesia remains high in the future. Therefore, it is advisable that the system of OPK program be further established to prepare for such emergencies.
- (3) Liberalization of rice imports by the private sector has a certain effect on supplementing the demands at a time of poor harvest. However, since it will have a marked influence on rice prices and the production of domestic rice, it is necessary for the Indonesian government to examine how the import should be conducted from different perspectives.
- (4) There is an urgent need for statistics on food to be improved as one of the basic tools for securing the smooth operation of rice distribution.

4.1 The role of the public sector

In essence, the private sector has been acting based on market mechanisms and is functioning properly under the normal circumstances. However, in an emergency case such as the one that arose this time, it is impossible for the private sector to deal with the situation in isolation. Therefore, the role of the public agency, BULOG, remains important in terms of complementing the private sector in such area as implementing the targeted rice subsidy program (OPK), or transporting rice to remote areas.

Therefore, when the Indonesian government reviews the function of BULOG as a part of the stated-owned enterprise reform based on the results of the international auditing, it is necessary to consider supplementing the function of the private sector by improving the monitoring system of rice distribution in the country as well as improving the efficiency of the organization. OECF also needs to follow the reform of BULOG.

4.2 Plans for the targeted rice subsidy program (OPK)

Since natural conditions in each region differ substantially in Indonesia, it is highly likely that food shortages will occur and the number of the poor will increase again as a result of future natural disasters even after the country overcomes the present economic crisis. Therefore, it is

advisable that Social Safety Net (SSN) programs such as OPK and others, be further established as emergency measures.

OECF will support the SSN programs, including OPK, by co-financing them with the World Bank. In order to help build an SSN program which should be efficient and sustainable, the project will take the following measures in addition to support of SSN program using the counterpart fund. Implementing appropriate targeting of the recipients of the project. Strengthening the partnership among the government, aid organizations and NGOs. Preparing the monitoring system for the program.

4.3 The impact of rice import

It is considered that the liberalization of rice imports by private traders is an effective complement to the shortages in times of poor harvest. This has also enabled large distributors, who have been distributing rice among the islands, to provide inexpensive rice to consumers on different islands by delivering it directly and thus reducing costs.

However, if the price of the Rupiah rises and rice imports increase when international prices become lower than domestic prices, the latter will plummet, affecting the income and motivation of the rice farmers, leading to another social problem. It might also cause conflict with the government policy of protecting farmers guaranteed by the floor prices. Therefore, it is essential that the Indonesian government needs to examine the measures concerning this issue from various perspectives.

4.4 Preparing statistics on food situation

The statistics on production, distribution and consumption will be the base when the public sector tries to make an assessment on policies regarding the amount of rice to be imported and so on. In Indonesia, however, the technology, the systems and the organizations dealing with statistics are behindhand. Accordingly, the data on the distribution of rice is not only inadequate, but unreliable¹⁵. Thus, it is important that efforts are made to fill in gap of the statistical data as well as improving the degree of accuracy and speed at which such data is compiled.

¹⁵. For example, according to JICA, rice harvesting fields turned out to be only 80% of the figure announced by the Indonesian government when measured by the Japanese method.

Transition of Policies Relating to Rice Distribution

(Appendix)

The Letter of Intent addressed to the IMF concerning economic and financial policies	Emergency measures	Structural reforms
As of January 15, 1998		Liberalization of imports of all basic foodstuffs except rice * ¹
As of April 10, 1998	Continued import and sale of basic foodstuffs by BULOG * ²	
	Continued subsidies for basic foodstuffs in a limited period * ³	
	Food for Work Program implemented by WFP (mainly in areas heavily affected by drought)	
As of June 24, 1998	The target amount for rice imported by BULOG expanded from 2.85 million tons to 3.1 million tons (for the year 1998/1999)	BULOG is audited by international auditing standards
	The Ministry of Industry and Trade has set up a monitoring team to observe the distribution of food	
	The Ministry of Home Affairs has ordered provincial governments to support retailers and wholesalers and to simplify the procedures for certifying the transactions among the different provinces	
	Subsidies on basic foodstuffs to continue for a limited period of time * ⁴	
As of July 29, 1998	Distribution of low price rice to the poor expanded beyond Jakarta to other parts of the country * ⁵	
	Safety of the property of merchants such as warehouses, trucks and containers, secured.	
	BULOG intervention, in importing, maintaining stocks and releasing into the market, strengthened.	
	A special task force, headed by the Minister of Food and Horticulture, starts directing the overall monitoring of the distribution of food.	
	The export of basic food stuff including rice halted temporarily (from July 26, 1998) * ⁶	
As of September 11, 1998	Seven basic strategies concerning the distribution of rice announced: BULOG will release a large amount of rice of all degrees of quality onto the market. Released prices will be set lower than market prices. BULOG will increase the direct sales of medium quality rice to retailers and cooperatives. The VAT on rice and other basic foodstuffs is to be postponed to lower rice prices. The inexpensive rice provided to low income families is to be expanded quickly with the cooperation of provincial governors. BULOG will actively sign new contracts for imports in order to secure sufficient stocks of rice. The import of rice by the private sector is to be liberalized.	Subsidies for basic foodstuffs except rice to be terminated. * ⁷
		The auditing of BULOG based on international auditing standards to be completed by the end of December 1998.
As of October 19, 1998	The amount released into the market by BULOG to be maintained at high levels until the harvesting season (February and March 1999) begins.	
	The provision of low priced rice to the poor to be expanded with Rp. 1,000/kg. and 10-kg per household. * ⁸	
	Improvements to targeting and monitoring systems for providing rice to the poor to be examined in consultation with the World Bank.	
	The WFP Food for Work Program to be expanded.	

As of November 13, 1998	The amount of low priced rice provided to the poor raised from 10 kg per month per household to 20 kg. (from December 1, 1998)	The exchange rate subsidies for the rice imported by BULOG to be terminated and clear financial subsidies given. (end of December 1998)
	The amount of rice imported by BULOG to be reduced from the original plan due to a drop in market prices	The schedule for the auditing of BULOG to be changed: the accounting office to be decided by the end of November 1998 and auditing completed by the end of June 1999.
	The prices of low cost rice released by BULOG to be raised to the standard of market prices.	
As of March 16, 1999	The minimum buying prices of BULOG to be maintained so that the gap between domestic rice prices and international rice prices does not widen excessively.	The auditing of BULOG is being implemented for FY 1993, the period between 1994 and 1997 and FY 1998.
As of May 14, 1999	The provision of low cost rice to the poor in urban areas including those that are not registered, to be expanded.	The auditing of BULOG expected to finish by the end of June 1999 as scheduled.
	The distribution of low cost rice will be conducted with the cooperation of NGOs and citizen's groups (in the area of program designing and the improvement of monitoring).	
As of July 22, 1999		The auditing of BULOG was completed at the end of June and the results are being currently reviewed by the Indonesian government.

- Notes:
- 1) BULOG monopolies over the import of wheat (flour), sugar, soy beans and garlic were abolished as of February 1, 1998.
 - 2) Rice, soy beans, sugar, flour, corn, soy bean meal and fish flour
 - 3) Sugar, flour, corn, soy bean meal and fish flour subsidies were planned to be terminated on April 1, 1998 and those for rice and soy beans on October 1, 1998.
 - 4) The abolishment of basic foodstuff subsidies has been postponed until March 1999.
 - 5) This program began in July 1998 targeting the low income households in Jakarta and expected to be extended to 750,000 households nationwide by September.
 - 6) Exports of rice, wheat, flour, soy beans, sugar, kerosene and fish flour have been prohibited. This was abolished in September 1998 when basic food stuff subsidies, excluding rice, were terminated.
 - 7) Wheat and sugar subsidies were terminated at the beginning of September. Those on soy beans will be abolished gradually. Import subsidies for sugar, fish four and corn were also terminated.
 - 8) The actual number of households to which rice was rationed was 5.6 million as of the end of September. The goal set for the end of October was 9.5 million but it reached only 6 million households.

Source: Based on the Indonesia: Memorandum of Economic and Financial Policies (downloaded from the IMF homepage)