



# Comments on C. Peter Timmer: 'Rice price stabilization in Indonesia'

Peter Warr

Conference on Food Price Volatility,  
World Bank, Washington  
19 September 2014

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**Let's distinguish between policies that**

**(a) raise the mean of domestic rice prices relative to world prices –  
protection**

**and those that**

**(b) lower the variance of domestic prices relative to world prices –  
stabilization**

**We are going to look at Indonesian rice prices with this distinction in mind.**

Figure 1. Real Rupiah rice prices

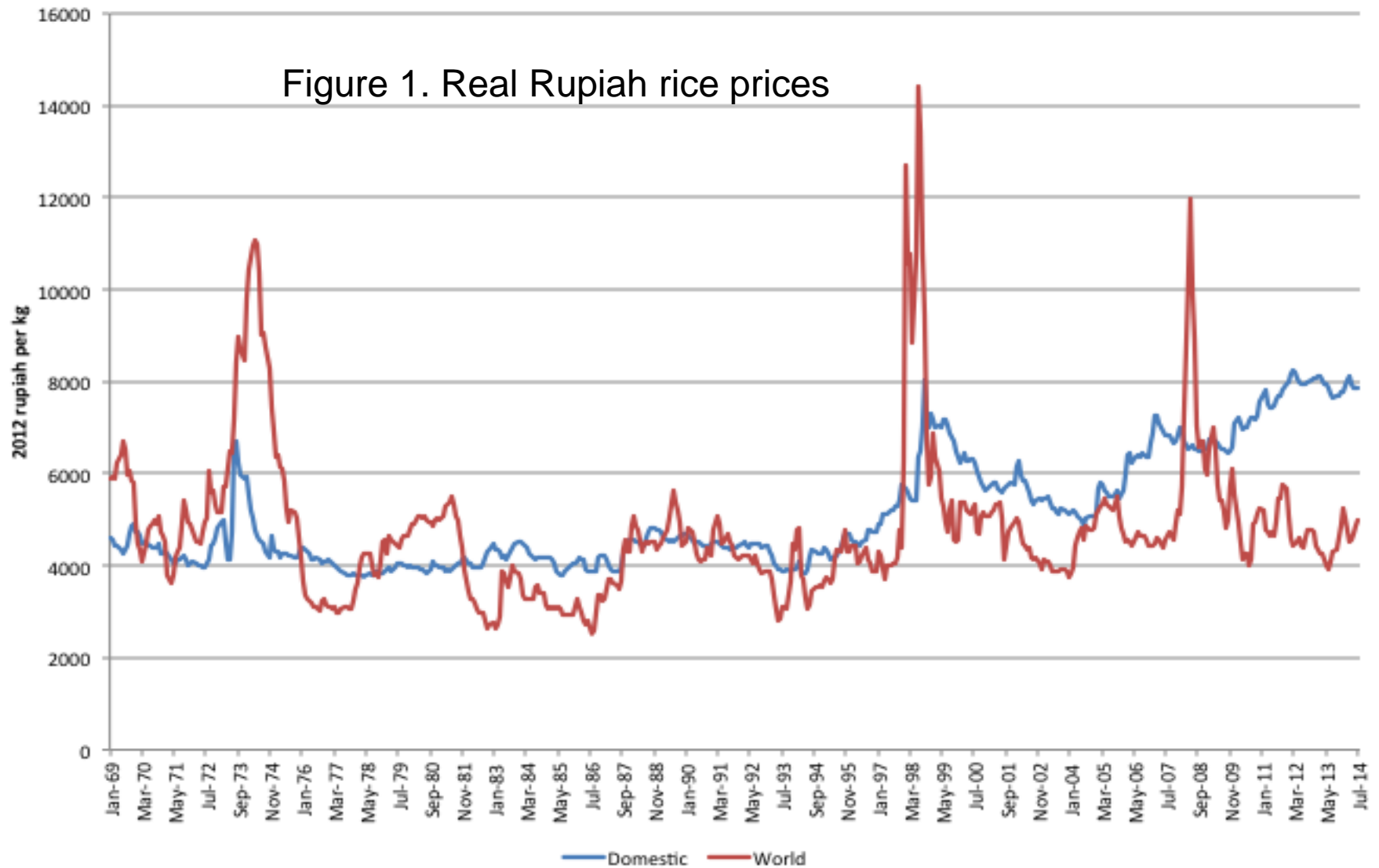


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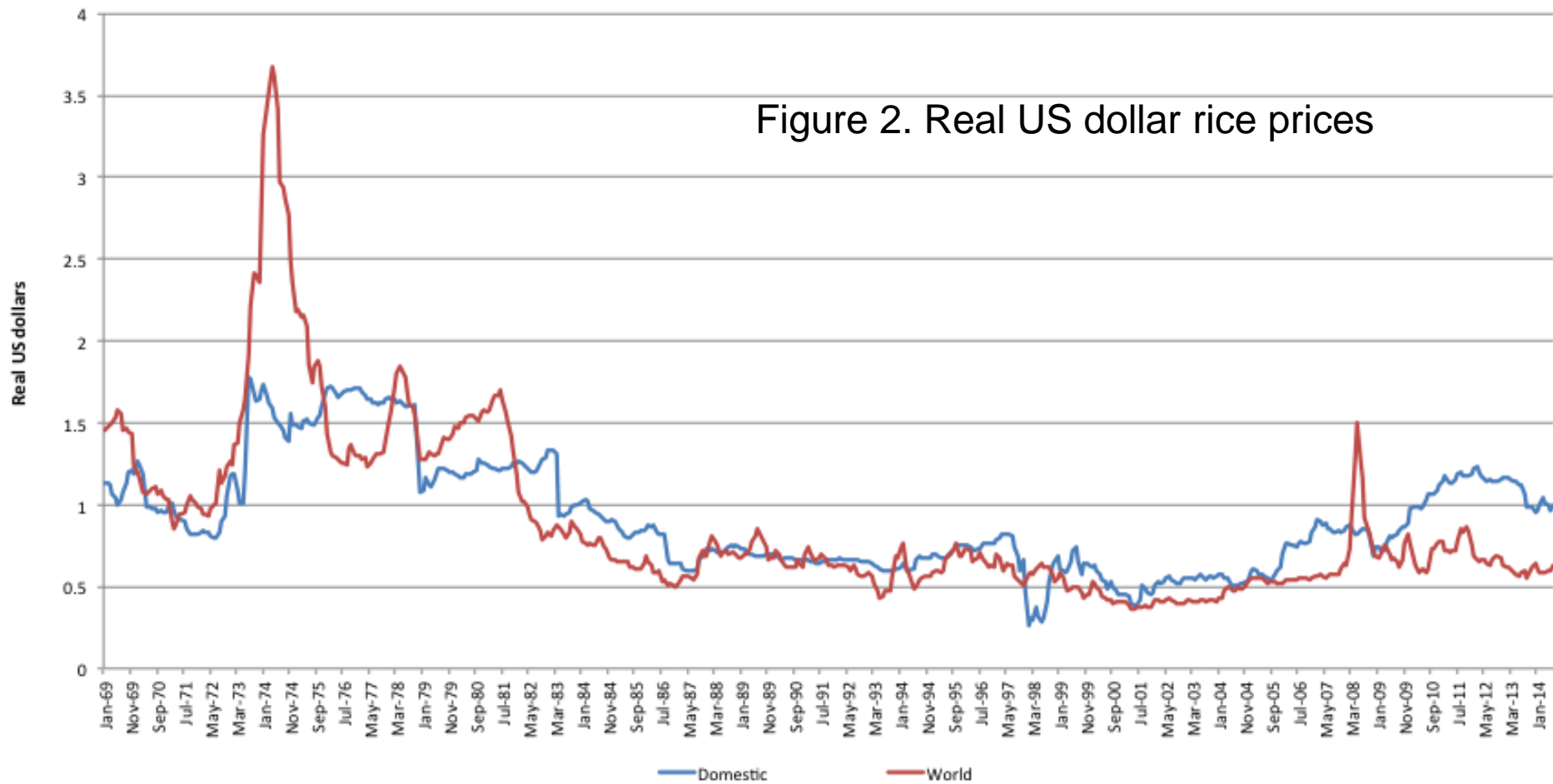
	I. Whole period (Jan 1969 to July 2014)	II. Suharto pre-1998 AFC (Jan 1969 to July 1997)	III. Post Suharto (Jan 1999 to July 2014)	IV. Post 2007/8 food price crisis (Nov 2008 to July 2014)
Mean				
Domestic	5132.91	4303.20	6562.17	7490.28
World	4760.10	4452.22	4988.76	4928.22
SD				
Domestic	1263.43	410.94	943.61	563.05
World	1591.70	1448.70	1042.13	684.18
CV				
Domestic	0.25	0.10	0.14	0.08
World	0.33	0.33	0.21	0.14



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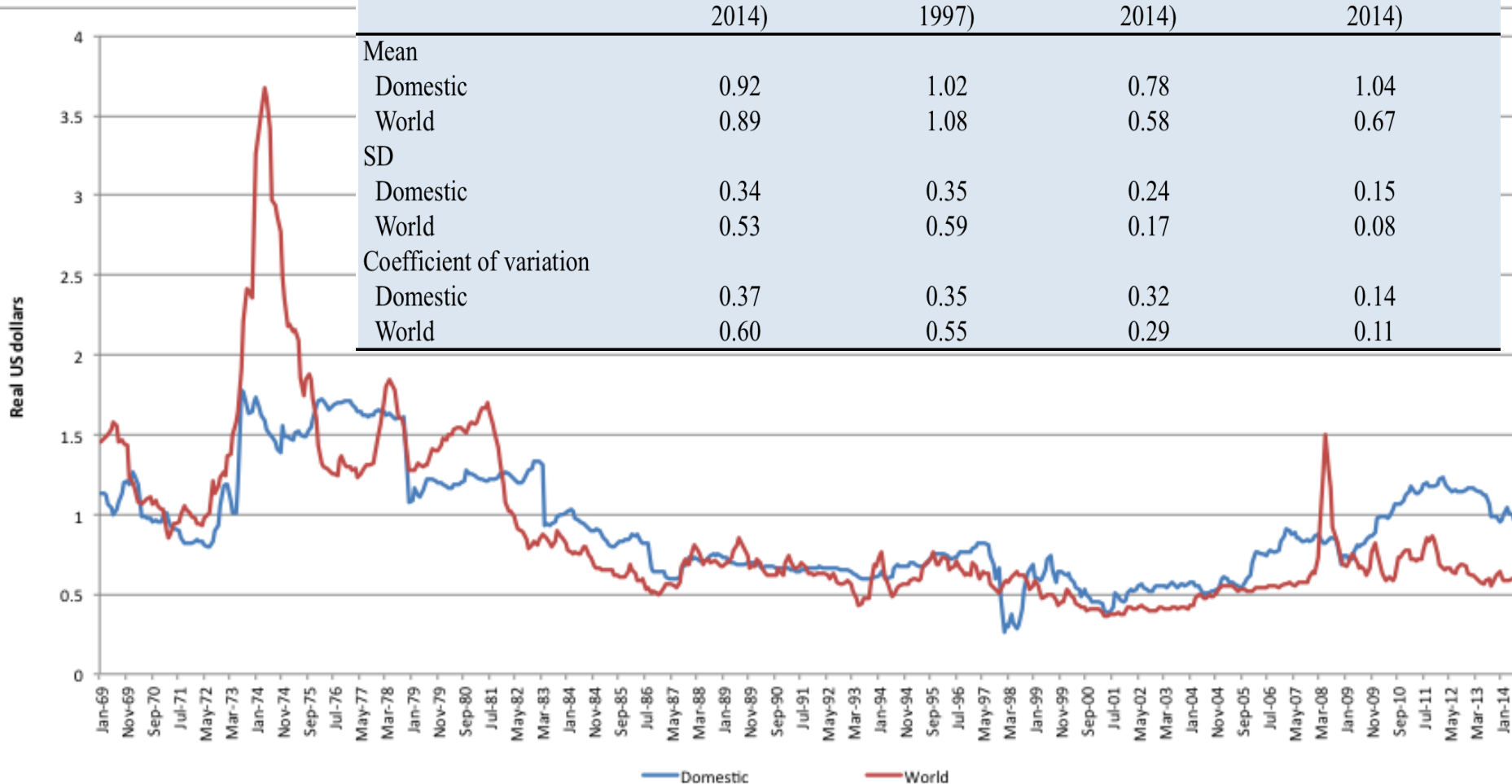
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Figure 2. Real US dollar rice prices



**Table 2 Real US dollar prices**

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Mean				
Domestic	0.92	1.02	0.78	1.04
World	0.89	1.08	0.58	0.67
SD				
Domestic	0.34	0.35	0.24	0.15
World	0.53	0.59	0.17	0.08
Coefficient of variation				
Domestic	0.37	0.35	0.32	0.14
World	0.60	0.55	0.29	0.11

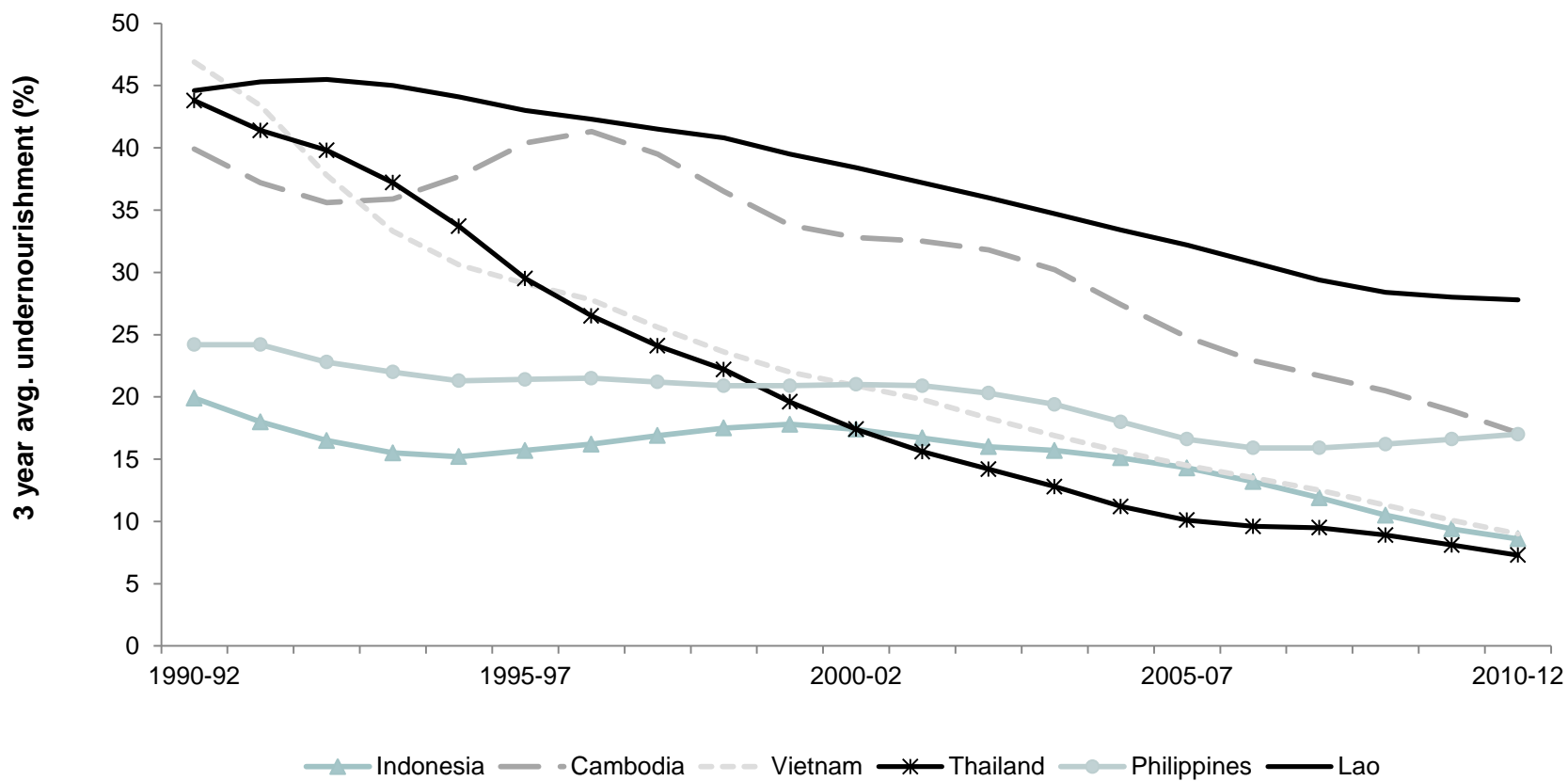


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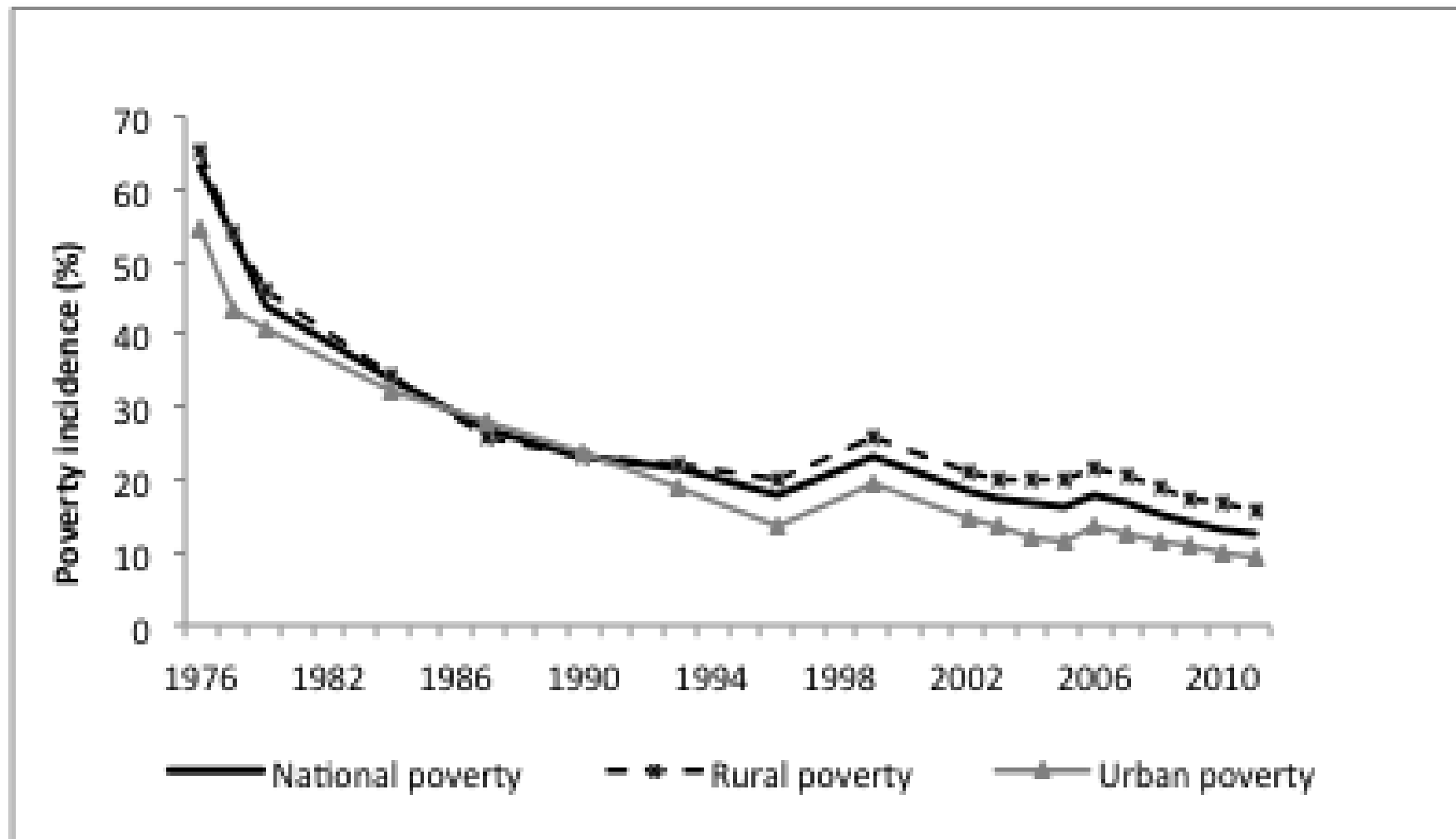
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## Proportion of undernourished people: Southeast Asia



## Poverty incidence: Indonesia



## Percentages of households

	<b>Net sales &lt; 0</b>	<b>Net sales = 0</b>	<b>Net sales &gt; 0</b>
<b>1. Total households</b>	89.44	0.00	10.56
<b>2. Poor households</b>	87.48	0.00	12.52
<b>3. Poor households close to poverty line (+/-10%)</b>	87.96	0.00	12.04
<b>4. Producers of rice</b>	50.67	0.09	49.24

## Conclusions

1. Since 2004 Indonesian price policy on rice has shifted away from stabilization and towards protection.
1. In the short-run at least, this shift in policy has reduced food security and increased poverty, relative to what would otherwise have happened.