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Pierre van der Eng

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International Food Aid to Indonesia, 1950s-1970s

Pierre van der Eng*

Indonesia Project, Crawford School of Public Policy

ANU College of Asia and the Pacific

Australian National University

Canberra ACT 0200

Australia

Email: pierre.vandereng@anu.edu.au

Abstract

Indonesia experienced growing shortfalls of food supplies during the 1950s and during the 1960s and 1970s it imported increasing amounts of rice, wheat and wheat flour. This paper investigates the role of food aid in this development. In the 1950s, Indonesia received some US PL480 food aid under concessional loans. Despite occasional famines, and the willingness of countries to supply food aid as grants, Indonesia did not request such food aid until 1966. Donations of wheat flour, rice and other food products started to arrive in Indonesia in 1967 and increased quickly since. During the 1970s one-third of Indonesia's imports of both rice and wheat arrived as aid. Initially donor countries focused on rice aid in efforts to secure shares in Indonesia's growing rice imports. But their focus shifted to wheat aid, in response to opportunities for them to grow Indonesia's market for wheat-based products and secure market share. Food aid helped to alleviate food shortages, but it also strengthened the role of the official food logistics agency in Indonesia's food markets.

Keywords: rice trade, wheat trade, food aid, Indonesia

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International Food Aid to Indonesia, 1950s-1970s

1. Introduction

In a somewhat neglected article in 2000, Thomas Lindblad offered a synthesis of the political economy behind the economic reorientation of Indonesia under President Sukarno.¹ During 1950-1965, the country's modest export performance and its significant import dependence caused foreign exchange shortages that were not sufficiently augmented with inflows of new foreign investment and foreign aid. Lindblad argued that this restricted the ambitions of achieving the reorientation of the Indonesian economy desired by the Indonesian government.

Nevertheless, Indonesia was a significant recipient of foreign aid at the time, as the communist and capitalist camps of aid donors tried to outdo each other with economic and military support until 1965.² Until then, most of the economic aid to Indonesia took the form of project aid that was not primarily aimed at easing balance of payment deficits, but at spurring economic development and bolstering the capabilities of the country's armed forces. Foreign aid to Indonesia for the purpose of alleviating the country's precarious balance of payments situation only became a pressing issue in 1967, when an international community of willing aid donors first gathered with representatives of a new Indonesian government to discuss foreign debt rescheduling and ways to increase foreign aid. This International Intergovernmental Group for Indonesia (IGGI) agreed that project aid would take too long to allay the balance of payments situation, due to its long lead-up time. For that reason, aid initiatives initially focused on forms of aid that could be delivered and absorbed at short notice, including food aid. Increasing quantities of food aid in the form of grants soon started to arrive to the extent that during the 1970s one-third of Indonesia's imports of rice and wheat consisted of food aid.

This paper discusses the reasons why food aid to Indonesia increased quickly after the mid-1960s. Little is known with certainty about the factors driving the growth of food aid to Indonesia during the 1950s-1970s. Existing studies of the development of international food aid discuss the motivations of donor countries,

¹ Lindblad, 'The political economy', 158.

² Shakow, *Foreign Economic Assistance*; Mahajani, *Soviet and American Aid*; Boden, 'Cold War economics'.

focus on the period since the 1970s when the distorting effects of food aid in global food markets became obvious, or they elaborate the institutional evolution of the multilateral World Food Programme (WFP).³ Studies of the political economy of bilateral food aid in relation to individual countries are rare.⁴ Even less is known with certainty about food aid to Indonesia, even though it was the world's biggest rice importer and also a budding major market for wheat-based food products.⁵

Section 2 discusses the food situation in Indonesia and its growing dependence on grains imports during the 1950s-1970s. Section 3 deals more specifically with international food aid to Indonesia, particularly rice and wheat. Section 4 discusses the organisation of food aid and its relation to the arrangement of commercial food transactions. The section focuses on the 1960s, when food aid to Indonesia became institutionalised. Section 5 explains two lasting consequences of food aid for Indonesia's food markets, and Section 6 concludes.

2. Indonesia's food situation and grains imports

During the 1950s and 1960s, population growth in Indonesia accelerated to on average 1.8% per year, and during the 1970s to 2.3%.⁶ Due to high population growth, the country's food supply was precariously balanced at a low average level of around 1,750 Kcal per capita during the 1950s and 1960s.⁷ Regional rice markets became increasingly disintegrated as a consequence of the increasing degree of control that government agencies, particularly the government's food logistics agency, sought to exert.⁸ Control increased, because the agency's operations focused increasingly on purchasing rice at decreasing real prices for distribution to *e.g.* public servants, the armed forces and state-owned enterprises, rather than stabilising rice prices and alleviating regional rice shortages. These developments contributed to occasional famines in the late-1950s and 1960s, particularly in Central Java and Nusa Tenggara.

³ *E.g.* Barrett and Maxwell, *Food Aid*; Shaw, *The UN World Food Programme*; Shaw, *The World's Largest*; Shaw and Clay, *World Food Aid*; Ross, *The World Food Programme*.

⁴ For example, Latham, *Rice*, does not mention it. Siamwalla and Haykin (*The World Rice Market*, 44) quantified the consequences of country dependence on rice aid for international rice market, using data for 1961-80, to conclude that aid tended to replace rice imports but without detailing why and how that would be the case.

⁵ McLelland *et al.* ('Food Aid') investigated the magnitude of US food aid to Indonesia.

⁶ Van der Eng, 'Bridging a gap'.

⁷ Van der Eng, 'Food for growth'.

⁸ Van der Eng, 'All lies?'.

Food imports played a minor role in alleviating this situation. Before the 1930s, Indonesia had become increasingly dependent on rice imports. In the 1880s it imported on average 3% of total rice supply, rising to 12% during the 1920s, largely from Burma, Thailand and South Vietnam. Table 1 shows that during the 1950s and 1960s the share of imports in total rice supply increased again from an average of 5% in 1951-55 to 10% during 1961-65. During 1960-64, Indonesia became the world's biggest rice importer, with about 1 million tons each year. Starting in 1965, foreign exchange shortages caused the government to limit rice imports to an annual average of 5% of total supply during 1966-70. Increasing oil production and exports, together with rising oil prices since 1974 facilitated an increase in rice imports. From an annual average of almost 800,000 tons during 1971-75 they grew to 1.8 million tons per year during 1976-80, or 10% of rice supply.

[Insert Table 1 here]

Indonesia also imported increasing quantities of wheat flour during the 1950s and since the late-1960s also wheat, which it does not produce. On average wheat-equivalent imports were just 9% of the combined total of rice and wheat imports in the 1920s, rising to 20% in the 1950s, 15% in the 1960s and 29% during the 1970s. During the 1970s, Indonesia imported an annual average of 518,000 tons of wheat, rising to an average of 1.1 million tons in the 1980s. Table 1 shows that most imported wheat flour and wheat originated from the United States (US), Australia and Canada.

Since the 1940s, rice and later also wheat imports were handled by Indonesia's food logistics agency, which held a monopoly on rice imports and after 1972 also on imports of other staple foods, including wheat flour and wheat.⁹ To compensate for the low real purchase prices that the agency offered domestic rice farmers during the 1950s and early 1960s, its local representatives increasingly cooperated with local authorities and the military in persuading rice farmers to sell surplus rice stocks to it. The agency changed its purchase strategy in 1964 to paying market prices, but in the context of hyperinflation in 1964-65 this change was notional at best, as farmers would not willingly sell for rapidly depreciating cash. The system of rice purchase

⁹ This paragraph and the next are based on Van der Eng, 'All lies?'.

and distribution thus became largely dysfunctional. Foreign exchange shortages limited rice imports, and also the ability of authorities to alleviate occasional regional famines.

This situation aggravated famines in Central Java and Lombok in early 1964, and again in Lombok in early 1967. To resolve this situation, the government created an organisation aligned to the Indonesian military, the National Logistics Command (*Komando Logistik Nasional*, Kolognas) in April 1966, and ordered it to assume the tasks of the dysfunctional food logistics agency. In May 1967 Kolognas became the new Board for Logistical Affairs (*Badan Urusan Logistik*, Bulog). The association with the military meant that Kolognas/Bulog had access to logistical and organisational capabilities that reached across the country, without necessarily being dependent on regional governments. This effectively allowed it to distribute rice more effectively for the purpose of alleviating food shortages. Nevertheless, difficulties in meeting the domestic purchase targets remained and imports continued to be the main source for the domestic distribution of rice. Imported rice comprised on average 71% of the agency's distributed rice during the 1950s, 62% during the 1960s and 77% during the 1970s.

3. Food aid: reasons for growth

Despite occasional famines in different regions of the country during the 1950s and 1960s, Indonesia did not apply for international food aid until 1966. Indonesia was a member of the Colombo Plan organisation since 1953, and was a recipient of foreign aid. However, most aid to Indonesia under this program consisted of program aid and assistance to students for study in donor countries. Donor countries subscribed annually to aid projects put forward by recipient countries. Some of these projects involved food aid. For example, Australia supplied wheat aid to Sri Lanka, India, and (East) Pakistan during the 1950s and 1960s. This was not primarily to alleviate famine and malnutrition, but to raise local currency in recipient countries that would be used to pay the local costs of project aid, such as infrastructure projects.¹⁰ Unlike other countries, Indonesia did not request such food aid.

¹⁰ Van der Eng, “Send Them a Shipload”.

Small amounts of US food aid arrived in Indonesia after both countries signed their first agreement in March 1956 for PL480 deliveries. Established in 1954, the PL480 program sought to create overseas markets for US farm produce by subsidising exports of surplus agricultural produce. Recipient countries purchased US surplus produce largely on concessional credit, while local currency revenues from the sale of this produce would either benefit the government coffers in the recipient country or cover local expenses related to US development projects. Much of the US PL480 assistance to Indonesia consisted of raw cotton and tobacco, and small amounts of rice as emergency aid in 1963 and 1964.¹¹ As PL480 rice was deemed to be of high quality, most of it was most likely distributed by the food logistics agency to government employees and the armed forces.¹²

The PL480 program caused concerns among other countries exporting agricultural commodities. In 1955 they all participated in the Consultative Committee on Surplus Disposal of the multilateral Food and Agriculture Organization (FAO). The committee monitored the disposal of agricultural surpluses – especially by the USA – in order to safeguard the interests of other exporting countries that were not in a position in the 1950s to initiate aid programs akin in scale and intent to the PL480 program. In terms of food aid, no other donor country had an equivalent program, so that only US food aid under concessional loans reached Indonesia during 1956-64.

This started to change during the remainder of the 1960s for three reasons. (a) In 1963, WFP was established with the task of coordinating multilateral emergency food aid. One of WFP's first assignments was the delivery of 10,795 tons of US-donated maize to Indonesia, following the Gunung Agung eruption in Bali in 1963-64. (b) The change of political regime in Indonesia during 1965-1967 from the Sukarno to the Soeharto presidency. The new government was more amenable to increasing foreign aid to Indonesia, which was coordinated by the 'Tokyo Group' of donor countries. This group became known as the multilateral Inter-Governmental Group for Indonesia (IGGI) in 1967 and following an international consortium approach to aid akin to that for India since 1958.¹³ (c) The start of the 'Food Aid Convention' of the multilateral International Grains Arrangement (IGA) in 1968. It obliged signatory countries to provide a minimum amount of food aid. These

¹¹ DeBlois, '12 Years of Achievement', 91 and 110.

¹² Shakow, *Foreign Economic Assistance*, 336.

¹³ Posthumus, *Inter Governmental Group*; Akita, 'The Aid-India Consortium'.

developments created the institutional framework for other donor countries to counter the rapid growth of the US PL480 program during the 1960s.¹⁴ For example, the European Union (EU), Australia and Canada emerged since as major aid donors of agricultural produce.¹⁵

In the late-1960s, Indonesia was one of the first and main beneficiaries of WFP and the 'Food Aid Convention'. IGGI donor countries were interested in helping Indonesia to overcome its economic difficulties through foreign aid as soon as possible. But Indonesia's capacity to absorb foreign project aid at short notice was limited. Food aid therefore became an important part of instantaneous aid that these countries could offer. For example, Australia's food aid program to Indonesia expanded very quickly as part of Australia's effort to counter the effects of the rapid growth of US food aid to Indonesia in the late 1960s and 1970s.¹⁶ In general, food aid was provided under multilateral WFP commitments for famine relief and emergency, or it was provided bilaterally as aid in kind yielding local currency proceeds that were soon used to finance bilateral aid projects.

While President Sukarno's government in the early 1960s only accepted small amounts of emergency food aid, the change of political regime following the coup of 30 September 1965 soon led to informal requests to potential aid donors for food aid to alleviate regional food shortages in Indonesia. For example, in November 1965 government representatives approached foreign ambassadors in Jakarta to discuss emergency credit to purchase foreign rice.¹⁷ Although there was sympathy for food aid to Indonesia in the Australian government, it remained reluctant to consider increasing aid until Indonesia had revoked its belligerent *konfrontasi* policy towards Malaysia and had taken steps towards a program of economic reform or stabilisation.¹⁸

Following Sukarno's delegation of supreme authority to General Soeharto in March 1966 and the subsequent installation of a new government, Indonesian officials

¹⁴ India was a major recipient of PL480 food aid, particularly during its food crises of 1965-67. See Akita, 'The Aid-India Consortium'.

¹⁵ The 1967 IGA replaced the 1949 International Wheat Agreement. It contained a 'Food Aid Convention' that specified minimum annual amounts of food aid. The biggest providers were to be the US (1,890 thousand tons), the EEC (1,035 thousand tons), Canada (495 thousand tons) and Australia, UK and Japan (225 thousand tons each). Parotte, 'Food Aid Convention', 12.

¹⁶ McLelland *et al.*, 'Food Aid'.

¹⁷ National Archives of Australia (NAA) A1838/308 2036/5 PART7 K. Shann to DEA (16 December 1965).

¹⁸ Van der Eng, 'Konfrontasi and Australia's Foreign Aid Program'.

made further representations to potential food aid donors, such as Australia.¹⁹ For example, former Indonesian Minister of Agriculture, Ismail, asked informally whether the Australian government could help by guaranteeing payments for rice shipments from Thailand costing US\$10 million. Compared with past levels of Australian aid, this was a hefty sum. Therefore, Ismail suggested that the USA could perhaps act as a guarantor for Australia if Australia was unwilling to act alone.

The likely reason for Ismail's unusual request was that Indonesia did not yet want any identification with US aid matters in public, as it was only two years since President Sukarno had told the USA to 'go to hell with your aid' in March 1964. Nevertheless, the US government arranged shipment of 100,000 tons of Thai rice as US food aid to Indonesia in 1966. The Australian government participated in this deal by financing the US\$200,000 shipment of 1,600 tons of Thai rice in May 1966 to flood-affected areas in Central Java, as an indication of goodwill towards and support for its near-neighbour.²⁰ Like governments of other aid donor countries, the Australian government preferred to wait with making larger commitments until it had received formal requests from the Indonesian government. A major issue was that aid donor countries could not yet be sure that food aid to Indonesia would be distributed appropriately and transparently so as to minimise graft.

While waiting for the first meeting of IGGI to be called, foreign governments thus became familiar with the operations of Kolognas/Bulog since 1966. For example, the Indonesian government engaged Kolognas to transport rice and distribute it in famine-hit areas in Central Java and in Lombok in 1966. In other words, when it came to distributing new food aid commitments, following the two IGGI meetings in 1967, aid donors agreed to Bulog making the arrangements for the delivery and distribution of food aid. The agency's association with the military offered a reasonable guarantee that food aid would be delivered where it was needed and would be accounted for in a reasonably transparent manner.

¹⁹ NAA, A1838/280 3034/10/1 PART27, K. Shann to DEA (22 March 1966) p.109.

²⁰ NAA, A4940 C4341 Press statement by J.G. Gorton (27 March 1966); NAA A1838 555/7/142, Draft press statement, Australian embassy Jakarta (5 May 1966). At the same time the US government offered US\$8.2 million credit and the UK government US\$2.8 million credit for food purchases (Mahajani, *Soviet and American Aid*, 31).

4. Food aid and food imports

The existence of a single and ostensibly effective food logistics agency in Indonesia facilitated an ulterior motive that donor countries tacitly pursued with food aid. This was related to the fact that each was also an exporter of staple foods, particularly wheat, wheat flour and/or rice. In the 1950s, Indonesia's rice imports were dominated by supplies from countries in Southeast Asia, while its wheat flour imports largely came from Australia. But in the 1960s, supplying food aid offered a major donor country like the USA opportunities to establish and build market share in Indonesia.

To substantiate that point, Figure 1 offers an overview of the process by which donor countries delivered food aid to Indonesia. A precondition for the process to start was that there would be an agreement between the governments of Indonesia and a donor country for the delivery of food aid. As soon as that was concluded, the donor government would issue (public) tenders among domestic (or in some cases foreign) wholesalers. Companies with successful tenders would then engage a company specialising in foreign trade for the supply and delivery of shipments of rice or wheat flour to Indonesia. The exporting company would deal with a certified private company in Indonesia that conducted the imports, which would secure an import permit from Bulog (in the case of rice and since 1972 also wheat and wheat flour) and the Department of Trade (in the case of wheat flour and wheat until 1972). The agent in the donor country would be paid by the donor government upon completing the transaction. The agent in Indonesia would receive payment in Rupiah from Bulog and/or from wholesalers upon completion of the transaction and pay for the imported product into a bank account in Indonesia held by the Indonesian government and/or the embassy of the donor country.

[Insert Figure 1 about here]

As Figure 1 shows, this system created opportunities for the import and export agents, and/or the wholesalers they were working with, on either side to cooperate in lobbying government agencies and politicians for food aid contracts. The ability to do so would in principle have depended on whether an agent in Indonesia was able to secure an import permit, and whether an agent in a donor country was successful in

bidding for a government tender to supply products as food aid. In effect, however, the Indonesian government would submit a formal request to the government of a potential donor country for a specific commercial shipment of food products to be regarded as food aid under an existing agreement.

These requests for specific shipments to be accepted as foreign aid could be instigated by Bulog or the Department of Trade. For either to do that, they had to be certain that there was a certified private company in Indonesia that would import and handle a shipment of rice or wheat flour on their behalf. In effect, Bulog or the Department of Trade would thus be responsive to requests from Indonesian companies to import and handle food aid deliveries, provided these could be accommodated in an existing agreement for food aid with a donor country. When Bulog or the Department of Trade received Indonesian government approval for specific shipments of rice or wheat as food aid, they would issue the required import permit as well as instructions to private firms for the delivery of shipments in Indonesia. Rice would go to Bulog's warehouses and wholesale distribution points, and wheat flour to wholesalers. The Rupiah proceeds of the sales of delivered food aid would then benefit the coffers of Bulog and the Indonesian treasury, and/or the accounts that foreign governments accumulated for local expenditure as project aid.

As Figure 1 indicates, the process by which food aid was arranged brought export agents in the donor country in contact with partner firms in Indonesia. At both ends these companies were not only handling government contracts for food aid shipments, but also commercial transactions for food stuffs. Such commercial transactions tended to be based on an accumulation of mutual trust between private agents at either end. Although they may have been reluctant to concede this, governments of donor countries were effectively facilitating the creation of a potential basis for further commercial transactions of staple foods.

Food aid to Indonesia increased quickly following the IGGI meeting of June 1967, when the Indonesian government submitted a list of projects, including requests for aid in support of its purchases of wheat flour and rice. Food aid shipments paved the way for commercial transactions. For example, a shipment of 6,500 tons of

Australian rice aid in October 1969 was soon followed by a commercial order approved by Bulog for 14,000 tons of rice.²¹

Since 1967, IGGI met annually to coordinate foreign aid to Indonesia. Its discussions focused on Indonesia's annual requests for bilateral and multilateral project aid, but bilateral foreign commitments of food aid were discussed as well. During occasional regional famines, Indonesia would receive unscheduled emergency food aid, coordinated by WFP. Indonesia received most of its food aid in the form of grants of bilateral allocations of rice, wheat flour and increasingly wheat. Occasionally it also received relatively small quantities of other food products as these products became available in donor countries for food aid. Examples are bulgur, processed fish, infant food, butter, skimmed evaporated milk, other dairy products, vegetable oil, sugar and pulses for human consumption, and coarse grains (maize, oats, barley and sorghum) mainly destined for use as animal feed. Table 1 shows that the key donors of food aid to Indonesia were the USA in the case of rice, and USA, Australia, Canada and the EU in the case of wheat and wheat flour.

During the 1970s, donor countries agreed to several changes in the principles of their food aid policies and programs, particularly since the World Food Conference of 1974.²² However, on the whole, the decade was a period of consolidation of experiences and relative stability for food aid. Only by the mid-1980s did growing criticism of the distortions in food markets caused by the policies of the USA and the EU – the largest donors of food aid – lead to changes in the size of international food aid.²³

For some donor countries, Indonesia's eligibility for food aid came into doubt as its oil exports increased, particularly since 1973. Nevertheless, Table 1 shows that until the mid-1980s donor countries developed markets and disposed of surplus produce in Indonesia. Significant shares of Indonesia's imports of rice, wheat and wheat flour arrived as food aid. Percentages varied from year to year, but on average

²¹ During 1968-69, Australian company Ricegrowers' Co-Operative Mills Ltd sought to enter the Indonesian market. Its representatives discussed rice aid and exports to Indonesia with Bulog on several occasions. This contributed to a formal Indonesian request for rice aid to the Australian government. Despite strong reluctance of the aid-administering Department of External Affairs to link aid and exports, the government granted 6,500 tons of rice aid. Due to the urgency of the matter, the company was given the aid contract without tender, and it received additional commercial orders for 14,000 tons of rice from Bulog. NAA A1838 2020/1/32/8 PART 1.

²² Hopkins, 'Evolution of Food Aid'.

²³ Clay, 'Review of Food Aid Policy'.

during 1966-70 53% of rice and 57% of wheat imports arrived as food aid, 46% and 39% respectively during 1971-75, 15% and 20% during 1976-80, and 28% and 16% during 1981-85.

Food aid deliveries were difficult to distinguish from commercial food deliveries once they entered the distribution system in Indonesia. It is therefore almost impossible to establish their end use. Donor countries at times emphasised the arrival or delivery of shipments of food aid in Indonesia for publicity purposes. But it is not possible to gauge whether food aid to Indonesia was actually used to alleviate specific episodes of famine and cases of malnutrition. At a macro-level, food aid facilitated Indonesia's increasing dependence on imported food products, particularly rice and wheat. While this improved food supply, the significant increase in per capita calorie supply in Indonesia was largely driven by the 'Green Revolution' in rice agriculture, which took hold since the late-1960s and reduced Indonesia's need for rice imports to close to zero by the mid-1980s.²⁴ Notwithstanding changes in international food aid policy, food aid to Indonesia allowed food donors to dispose of excess stocks and build market share by encouraging lasting commercial relations between importers in Indonesia and exporters in donor countries, as they combined handling subsidised and regular food transactions.

5. Lasting consequences

Arguably, food aid had two lasting consequences for Indonesia. Firstly, it consolidated Bulog's control over the domestic markets of key staple food crops in Indonesia through its import monopoly, its domestic purchases of products for buffer stocks, and its control over distribution networks. After Bulog had demonstrated its relevance by achieving a significant degree of stabilisation and integration of rice markets, where that had been lacking in the 1950s and 1960s, its dominant role in domestic markets for a growing number of staple foods enhanced the opportunities for institutionalised corruption during the 1970s due to the dependence of market operations on the permissions issued by Bulog.

The risk involved in having to deal with Bulog despite its odious reputation must have been known to donor countries. Already in 1968, new Trade Minister

²⁴ Van der Eng, *Agricultural Growth*; Van der Eng, 'Food for Growth'.

Sumitro Djojohadikusumo informed the Australian ambassador informally of existing suspicions of Bulog's machinations to argue that the agency be disbanded.²⁵ In 1969 irregularities in Bulog's rice purchase program led to proposals in the Indonesian parliament to dissolve the agency. Australian officials also suspected that Bulog had exaggerated Indonesia's need for food aid and had downplayed optimistic rice harvest estimates by the Department of Agriculture.²⁶ But Bulog's authorities and its involvement in food markets expanded and were not curtailed until 1998. A possible reason why donor countries may not have pressed for greater transparency in Bulog's operations was they could deal with Bulog and the Department of Trade (until 1972) as two one-stop agencies to facilitate aid and trade of rice, respectively wheat and wheat flour.

Secondly, Bulog's import monopoly was extended to other staple food stuffs. The extension to wheat flour and wheat in 1972 came at a time when Indonesia still imported most wheat on a concessional or grant basis. This placed the agency in a central position to guide the development of the wheat milling industry, which had started in 1969 through PT Bogasari Flour Mills. This company was owned by Liem Sioe Liong, a long-time business associate of then President Soeharto. When it became operational in 1971, the company had a monopoly on the milling of imported wheat for Bulog and thus service about 80% of the flour market in Indonesia.²⁷ Starting 1972, Bulog set the ex-factory wheat flour prices, which were on average 25% higher than the world price due to the inclusion of various charges, such as Bogasari's milling fees. Altogether this resulted in retail prices for wheat flour Indonesia that exceeded world market prices.

It took until the liberalisation of Indonesia's wheat markets 1998, before Bulog and Bogasari lost their monopolies on import, respectively on the milling of wheat. However, Bogasari's wheat milling operations expanded over time and came under the control of Liem Sioe Liong's PT Indofood CBP Sukses Makmur Tbk conglomerate. Its operations became so extensive, and its supply chain from imported wheat to final flour-based processed food products so integrated, that other companies

²⁵ Rice, 'Sumitro's Role'; NAA A4359 111/5/4 PART 1, M. Loveday to DEA (5 August 1968).

²⁶ NAA A1838 2020/1/32/8 PART 1, 'The rice situation and food aid', Inward Savingram No.56 (14 October 1969), No.57 (22 October 1969), No.60 (7 November 1969).

²⁷ Magiera, 'Role of Wheat', 52-53; Sato, 'Salim Group', 414-415.

were since 1998 only able to commercially challenge the company in the margins of the markets for wheat flour and for flour-based processed foods.

6. Conclusion

Indonesia experienced growing shortfalls of food supplies during the 1950s and during the 1960s and 1970s it imported increasing amounts of rice, wheat and wheat flour. In the 1950s, Indonesia received a small amount of US PL480 food aid under concessional loans. Despite occasional famines, and the willingness of countries to supply food aid as grants, Indonesia did not request food aid until 1966. The precarious food situation and reports of famines in Central Java and Nusa Tenggara contributed to the rapid growth of the volume of food aid since then.

The paper has shown that, apart from cases of famine, the rapid development of food aid is also related to the fact that potential donor countries had food surpluses for the purpose of food aid, at a time when the institutional arrangements for international food aid started to crystallise. Multilateral emergency aid was facilitated by the establishment and operations of WFP in 1963, and the IGA 'Food Aid Convention' obliged member countries to increase food donations after 1967. In Indonesia's case, the donor countries in the IGGI were looking for ways to assist the country in alleviating its balance of payments difficulties. Food aid was a form of foreign aid that Indonesia could absorb relatively quickly, unlike program aid. The establishment of Bulog in 1967 institutionalised rice aid at the receiving end and offered donor countries and foreign companies the opportunity to deal with single institutions that facilitated aid and imports of rice and wheat.

Donations of wheat flour, rice and other food products started to arrive in Indonesia in 1967 and increased quickly since. During the 1970s one-third of Indonesia's imports of both rice and wheat arrived as aid. Initially donor countries focused on rice aid in efforts to secure shares in Indonesia's growing rice imports. But their focus shifted to wheat aid, in response to opportunities for them to grow Indonesia's market for wheat-based products and secure market share. Food aid helped to alleviate food shortages, but it also strengthened the role of Bulog in Indonesia's food markets until it lost its privileges in 1998.

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*Table 1: Imports of Rice and Wheat into Indonesia by Country of Origin, 1951-1985
(x 1000 tons, five-year annual averages)*

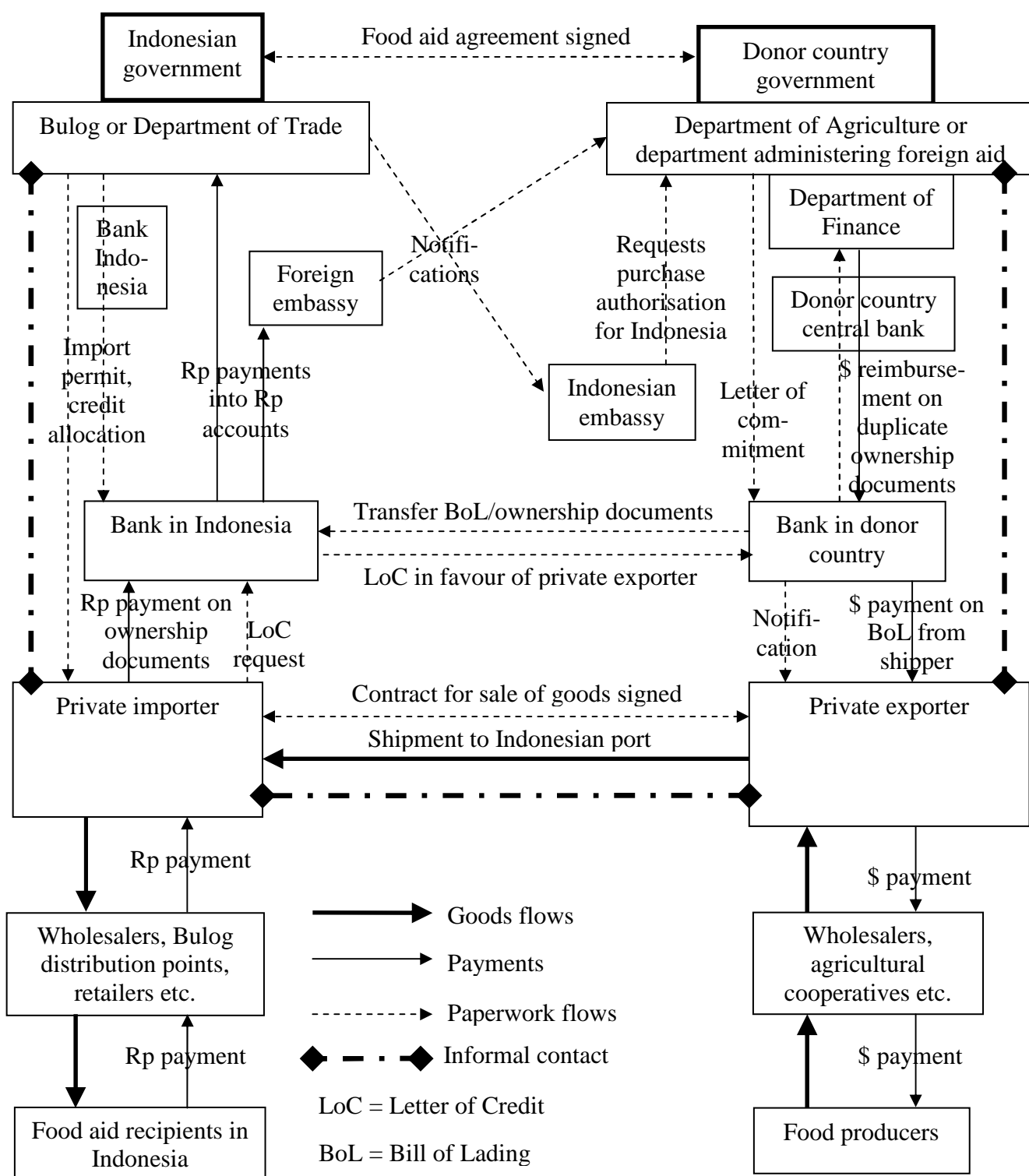
	1951-55	1956-60	1961-65	1966-70	1971-75	1976-80	1981-85
A. Rice							
Thailand	113	126	255	57	86	538	134
Burma	170	288	256	38	30	158	67
China	0	92	54	8	193	249	30
USA	30	20	94	100	2	108	0
Taiwan	4	0	0	0	2	215	106
North & South Korea	0	0	0	2	63	80	7
Western Europe	12	47	18	24	2	5	0
Australia	4	0	0	1	9	57	1
Japan	0	0	0	8	33	18	0
Other	79	79	29	40	51	106	8
<i>Commercial imports</i>	<i>411</i>	<i>714</i>	<i>706</i>	<i>277</i>	<i>471</i>	<i>1,532</i>	<i>352</i>
USA		61	27	131	223	175	84
Japan			0	0	129	84	53
Western Europe			0	25	3	0	0
Australia			0	3	4	5	2
Other*			158	173	3	14	1
<i>Food aid</i>		<i>61</i>	<i>185</i>	<i>307</i>	<i>360</i>	<i>278</i>	<i>139</i>
<i>Total imports</i>	<i>411</i>	<i>775</i>	<i>891</i>	<i>584</i>	<i>784</i>	<i>1,810</i>	<i>492</i>
Imports as % of supply	5.3	8.8	9.5	5.4	5.5	10.0	2.1
B. Wheat[#]							
USA	39	33	0	0	211	305	608
Australia	113	92	32	37	136	464	488
Canada					29	13	106
Western Europe					38	2	11
Other					6	4	44
<i>Commercial imports</i>	<i>160</i>	<i>160</i>	<i>49</i>	<i>140</i>	<i>419</i>	<i>788</i>	<i>1,258</i>
USA		11	21	120	171	145	175
Australia				32	41	29	15
Canada					25	4	11
Western Europe				25	31	10	28
Other			2	9	3	4	5
<i>Food aid</i>		<i>11</i>	<i>24</i>	<i>186</i>	<i>271</i>	<i>191</i>	<i>235</i>
<i>Total imports</i>	<i>160</i>	<i>171</i>	<i>73</i>	<i>325</i>	<i>691</i>	<i>979</i>	<i>1,492</i>
Rice and wheat imports % of supply	7.3	10.5	10.2	8.1	9.9	14.6	8.1

* 1960s food aid includes rice aid sourced by donor countries such as Japan, USA and Australia in other countries, particularly Thailand.

Wheat flour imports and aid calculated as wheat-equivalent.

Sources: Food aid, see appendix; rice production Van der Eng, *Agricultural Growth*.

Figure 1: Paperwork, Payments and Goods Flow in Food Aid Transactions



Source: Adapted from Goolsby *et al.* (1970) 22-24.

Appendix: Statistics on international food aid to Indonesia

Data on international food aid to Indonesia in Table 1 had to be estimated for the 1950s and 1960s, as the Food and Agriculture Organization (FAO) has only produced consistent estimates since 1970.

In 1954, the Committee on Commodity Problems (CCP) of the FAO established a Consultative Sub-Committee on Surplus Disposal (CSSD). Its task was to monitor international shipments of surplus agricultural commodities used as food aid and minimise the harmful impact of these shipments on trade and production of agricultural produce. CSSD set out to estimate food aid, but could not agree on a definition. In 1963 it created a list of food transactions with a concessional element, which in 1969 became the 'Catalogue of Transactions' with a concessional nature on which the FAO would report quarterly, starting in 1970.

Hitherto, donor countries provided estimates of food aid in their annual reports on foreign aid, using their own definitions. Food aid was delivered in many different forms and with different grant elements. Reporting across countries was inconsistent. In general food aid took the form of (a) grants for emergency distribution, (b) grants for work on aid projects, (c) donations for sale in the recipient country with proceeds benefiting either the treasury of the recipient country and/or the donor country for use for other aid projects in the recipient country, (d) concessional loans with a wide variety of conditions relating to *e.g.* interest rate and repayment terms.

Some agencies used data from donor countries to estimate food aid. For example, the International Wheat Council (IWC) used annual reports from its member countries. Since the 1959 Wheat Trade Convention, IWC members were required to report on 'special', non-commercial wheat exports to recipient countries. IWC members negotiated in 1967 a replacement of the 1949 International Wheat Agreement. The resulting 1967 International Grains Agreement (IGA) contained a Food Aid Convention that specified minimum annual amounts of grains aid that member countries would provide as donations and on which they reported to IWC.

A further agency collecting food aid data was the OECD's Development Assistance Committee (DAC), which used annual reports of donor countries to report on the aggregated value of food aid, not the quantities for produce distributed.

The *FAO Trade Yearbook* published rice import data for Indonesia that during 1961-1973 were significantly higher than those reported in Indonesia's official foreign trade statistics that were based on the country's customs records. The FAO noted that it sometimes supplemented the official trade data with data from unofficial sources and from other agencies, such as the US Department of Agriculture. As the latter administered the PL480 program, it seems likely that the FAO included rice aid shipments and that Indonesia's trade statistics excluded rice aid. In 1974 Indonesia switched from its own trade classification system to the Standard International Trade Classification (SITC Rev.1). Since that year, there were no major inconsistencies between Indonesia's trade statistics and FAO data, which suggests that customs reform and the adoption of SITC led customs authorities to include all goods entering Indonesia in the foreign trade data, including food aid.

In 1969, the CCP approved the CSSD 'Catalogue of Transactions' as providing the *de facto* definition of food aid. Based on this source, the FAO started to publish annual estimates of food aid in its *Food Aid Bulletin* in July 1970. The agency seems to have used the catalogue to augment official food import statistics of aid-

recipient countries retrospectively, as these did not necessarily include food aid.²⁸ The basic reason was that the import statistics reflected transactions recorded by a country's customs service, while food aid was generally free of import duties and bypassed the customs service.

For grains, the IWC and FAO data on food aid are inconsistent, most likely because both organisations accounted in different ways for aid provided under the wide variety of concessional loans. The FAO also used food aid data from donor countries, as well as from multilateral agencies such as the World Food Programme (WFP), while the IWC relied on annual reports submitted to it by member countries. The FAO long stated that the food aid statistics published on its FAOStat website (<http://faostat.fao.org/>) for 1970-2006 had been compiled from information provided by donor countries, complemented by data from the CSSD Register, the World Food Programme (WFP), the IWC, OECD and 'other international organizations', and that from 1990 the information on food aid have been provided exclusively by WFP.

In light of these details, the following sources were used to estimate total imports and food aid of rice, wheat and wheat flour:

- **Commercial imports:**

Calculated by country from *Ichtisar Tahunan Impor dan Ekspor Indonesia* (1951); *Statistik Perdagangan Impor dan Ekspor Indonesia* (1952-53); *Impor dan Ekspor menurut Djenis Barang* (1954-62), *Impor menurut Jenis Barang* (1963-85).

- **Food aid:**

1956-60 are rough estimates based on Shakow, *Foreign Economic Assistance*, 332-333 and DeBlois, *12 Years of Achievement*, 91; 1961-69 calculated as the difference between total imports from FAOStat and from Indonesia's trade statistics, allocated by country on the basis of differences between reported country exports to Indonesia for 1962-69 from UN Comtrade and Indonesia's imports by country of origin; 1970-85 is from FAOStat.

²⁸ Huddleston, 'Closing the cereals gap', 13-14. The author (p.15) mentions that IFPRI has collated its own estimates of food aid of cereals for 1955-78. However, IFPRI did not publish annual estimates for donor and recipient countries. A data request for the purpose of this paper yielded a reply from IFPRI that the data could not be located.

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