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ANALYSIS OF OPPORTUNITIES AND CHALLENGES IN TRADE OF WHEAT AGRICULTURAL PRODUCTS (CASE STUDY ON TRADE BETWEEN INDONESIA AND THE RUSSIAN FEDERATION)

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Abstract: *Wheat is a strategic commodity that is critical to Indonesia's food security and food processing industry. Indonesia maintains significant trade relations with various supplier countries, including the Russian Federation, as the country is largely dependent on wheat imports. Using trends and data from the past five years, this article investigates the prospects and barriers in wheat trade between Indonesia and Russia. The study uses information from the Central Bureau of Statistics (BPS), the Food and Agriculture Organization (FAO), the Ministry of Agriculture (MOA), the World Trade Committee (UNCTAD), and the International Double Committee (IGC). This analysis shows that while there are great opportunities to increase the volume of Russian wheat imports to Indonesia and bilateral cooperation opportunities, Russia's export protection policies, global price fluctuations, and geopolitical dynamics are the main issues affecting the stability of Indonesia's wheat supply. To maximize Indonesia's benefits from wheat trade, this article suggests ways to diversify import sources, improve supply chain efficiency, and enhance bilateral trade cooperation.*

INTRODUCTION

Wheat is the main raw material in the food industry, especially in making bread, noodles, wheat flour, and animal feed. As a country with a large population and a rapidly growing food industry, Indonesia is highly dependent on wheat imports to meet its needs. However, due to weather and climate conditions that are less than conducive to wheat cultivation, Indonesia does not have a satisfactory wheat production capacity. Therefore, Indonesia is very behind in terms of wheat compared to other countries that have the most successful wheat in the world.

According to data from the Badan Pusat Statistik (BPS), Indonesia's imports reach very high volumes every year, with the top countries being Australia, Canada, Ukraine, the United States, Argentina, and the Russian Federation. Before 2022, Russia and Ukraine were the two most powerful and prosperous countries in the world, accounting for about 30% of global demand, including Indonesia's demand. However, since February 2022, the conflict between Russia and Ukraine has significantly weakened the global economy.

The conflict has led to a decline in logistics, exports, and a sharp increase in global prices. In 2021, wheat prices were around US$280 per ton, but in 2022, wheat prices rose to more than US$650 per ton. This condition has had a significant impact on Indonesia's trade, especially on the amount of imports from Russia and Ukraine and the increase in overall import prices.

However, Russia's wheat export protection policy announced in late 2024, which cut export quotas by 62.07% and raised export duties by more than 18%, has created new problems for wheat supplies to Indonesia. However, because there are alternative suppliers such as Australia, Canada, and Argentina, business actors in Indonesia consider the impact of the policy to be very small. Geopolitical factors, weather, and trade policies of major producing countries greatly influence the global wheat market, which affects the stability of wheat prices and supplies in Indonesia (FAO, 2023; IGC, 2023). This analysis aims to provide a strategic overview of how policymakers and business actors can manage risks and take advantage of opportunities in international wheat trade. This graph shows the worldwide FAO Food Price Index and the FAO Commodity Price Index from 2022 to 2025, based on the base years 2014-2016 (difference = 100).

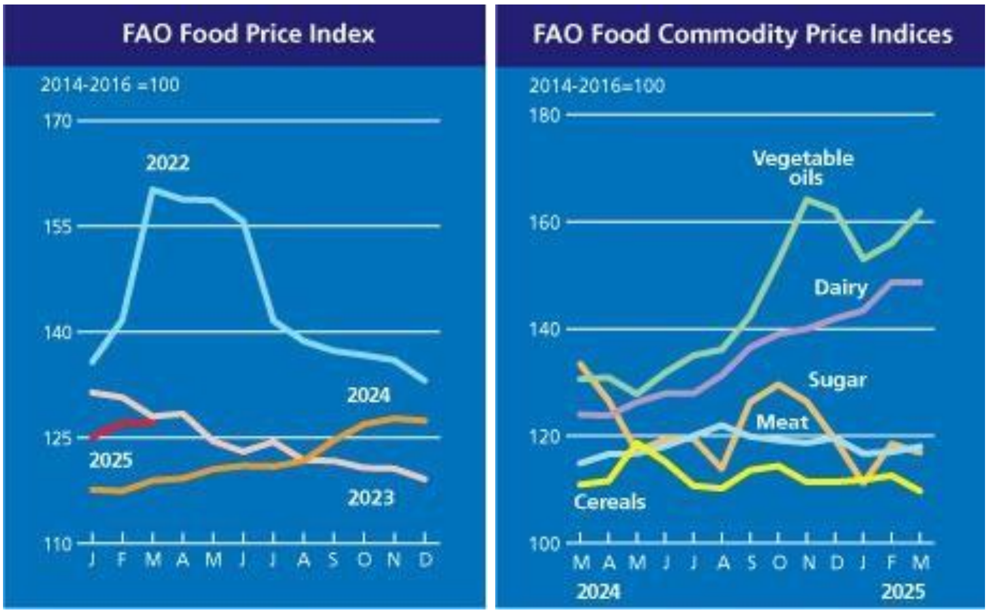

Figure 1: worldwide FAO Food Price Index and the FAO Commodity Price Index from 2022 to 2025

Left Figure: FAO Food Price Index: The overall food price index is shown below, starting in 2022 and ending in 2025. The highest reading (>155) is recorded in 2022; a sharp decline in 2023 is followed by sharp declines in 2024 and 2025. Compared to 2024 and 2023, 2025 (light blue line) shows a more expensive index level, indicating that global prices are declining. Right Image: FAO Food Commodity Price Index: Shows price indices for the food commodity end groups: Vegetable Oils (vegetable oils), Dairy (milk products), Ice (sugar), Meat (meat), Cereals (cereals/wheat).

The yellow line is based on wheat (cereal) prices. The wheat price chart is from May 2024 to March 2025. It starts in May and ends around September 2024 and then moves flat and slightly down until March 2025. However, in general, prices are at a relatively low level (below the 115 index), lower than other commodities such as vegetable oils and milk. Global wheat prices have been on a downward trend since 2024 and have remained stable at the crop level until early 2025. Wheat prices are lower than other commodities, such as vegetable oils and milk, which is hampering growth. This could be due to several factors such as increased trade worldwide, healthy harvests, or reduced international demand.

This research is conducted to analyze and understand the impact of global geopolitical tensions, trade policies, and price fluctuations on Indonesia's wheat import dependency and food security. As wheat is a vital raw material for Indonesia's food industry, any instability in supply or price can have far-reaching economic and social consequences. Therefore, this study aims to provide insights and strategic recommendations for policymakers and business stakeholders on how to manage risks, strengthen supply resilience, and seize opportunities in the international wheat trade amid global uncertainty.

METHOD

This study employs a descriptive qualitative method using secondary data analysis to examine the opportunities and challenges in Indonesia's wheat trade with the Russian Federation. The research focuses on analyzing import trends, trade values, and policy impacts from 2019 to 2024. Data were collected through literature review and document analysis using credible secondary sources such as the Badan Pusat Statistik (BPS), Food and Agriculture Organization (FAO), Ministry of Agriculture, United Nations Comtrade, and the International Grains Council (IGC), along with relevant scientific journals and official reports. The data include import volumes, trade values, price trends, and government policies related to wheat trade. The analysis was carried out using descriptive and comparative approaches to explain trade dynamics and to compare the conditions before and after the Russia–Ukraine conflict. The results of the analysis provide insights into the influence of geopolitical factors, export policies, and global price fluctuations on Indonesia's wheat import dependency, as well as recommendations for strengthening food security and bilateral trade cooperation.

FINDINGS AND DISCUSSION

Findings

International trade takes place when countries around the world exchange goods and services, encompassing both exports (the sale of goods and services to other countries) and imports (the purchase of goods and services from other countries). Such trade enables countries to leverage their comparative advantage, namely the ability to produce certain goods or services at a lower cost or with greater efficiency than others.

Based on data from Badan Pusat Statistik (BPS) and UN Comtrade, prior to the Russia–Ukraine conflict, Russia was one of Indonesia’s largest wheat suppliers, with import volumes reaching approximately 1.2 million tons in 2018. However, since 2020, Indonesia’s wheat imports from Russia have declined sharply, particularly in 2022, due to economic sanctions and logistical disruptions triggered by the ongoing conflict.

In response to these challenges, Indonesia has diversified its sources of wheat imports by increasing trade with countries such as Australia, Canada, India, Brazil, and Argentina. This diversification serves as a key government strategy to reduce dependency on a single supplier and to maintain the stability of national food supply chains amid global uncertainties.

Despite the negative impact of the Russia–Ukraine conflict on supply and prices, agricultural trade relations between Indonesia and Russia—particularly in wheat commodities—continue to demonstrate significant dynamics. The total trade value between the two countries reached USD 677 million, with wheat being one of the main agricultural commodities. In 2021, Indonesia imported wheat from Russia worth approximately USD 16 million, representing around 18% of Russia’s total global wheat exports.

Table 1. Indonesia's Wheat Import Data from Russia

Year	Volume (000 ton)	Value (USD Million)	Price/ton (USD)	Market share	Growth
2019	1,200	312,0	260	22%	-
2020	1,450	333,5	230	25%	+20,8%
2021	1,950	487,5	250	29%	+34,5%
2022	2,800	756,0	270	34%	+43,6%
2023	3,400	918,0	270	38%	+21,4%

Source: *BPS and Kementen,2024*

From the table, it can be seen that the volume and value of wheat imports from Russia have increased every year, indicating that Indonesia is increasingly dependent on wheat from Russia. The price per ton of wheat shows variation, with a price decrease in 2020, but then stabilized in 2022 and 2023. Russia is increasingly becoming a major source of wheat for Indonesia, with its market share increasing from 22 percent in 2019 to 38 percent in 2023. Indonesia's wheat demand and needs have soared in 2021 and 2022. Overall, the table shows a positive trend in import volume and value due to dependence on a single source and price fluctuations, indicating Russia's important role as a wheat supplier for Indonesia.

Discussion

Analysis Of Indonesian Wheat Trade Opportunities with The Russian Federation

Increase in Import Volume and Value with Russia as the world's largest wheat exporter with a global market share of around 16.5% (IGC, 2023), Russia has a large production capacity and sufficient supply potential to meet Indonesia's wheat needs from 2023 to 2024. This opens up opportunities to increase Indonesia's wheat supply. Diversification of Import Sources So far, Indonesia has purchased wheat from several countries, including Australia, Canada, and

Argentina. Diversification reduces the risk of dependence on one country. The increase in Russian imports gives Indonesia more options to maintain wheat supplies.

Trade and Cooperation Agreements Made by the Two Parties The opportunity to strengthen trade relations between wheat and other agricultural products emerged as a result of the ongoing free trade agreement negotiations between Indonesia and the Russian Federation. It is expected that this agreement will increase trade volumes, provide certainty of supply, and reduce tariff and non-tariff challenges. In this regard, the Indonesian Government has implemented a strategic plan to diversify wheat import sources. This policy aims to reduce the impact on Russia and Ukraine and reduce the risk of future supply disruptions. In early 2022, Indonesia began sending important letters to other countries, including Australia, Canada, Argentina, the United States, India, and Brazil.

The main reason Australia is one of the alternative countries is because it is safe from geopolitical risks and competitive prices. In addition, countries such as Brazil and Argentina indicate that the amount of goods shipped to Indonesia will increase significantly in 2022, with figures consistently reaching 653% and 258% compared to previous years. This diversification helps maintain market stability even when global prices are high and market conditions are unfavorable.

Supply and Price Stability According to the Director of the Indonesian Wheat Flour Association (APTINDO), the impact on Indonesia is very small because there are substitutes from other countries and stable global wheat prices. This is despite the fact that Russia cut its wheat export quota by 62.07% for the first half of 2025 and raised export duties by 18% (CNBC Indonesia, 2024).

If geopolitical stability improves, the potential of Russian wheat is quite significant and can be a major strategic ally for Indonesia. It is important to work together as a long team while reducing the risk of supporting Russian wheat. In addition, the development of logistics infrastructure can reduce costs and slow down the distribution of goods. In addition, collaboration in agriculture and wheat technology creates opportunities to improve Indonesian food. Even when there are problems such as export quotas and sanctions, working strategically with Russia can still be used to maintain food stability and domestic economic stability.

Comparative advantages of Russian wheat. The comparative advantages of Russian wheat are derived from a combination of natural factors (soil and climate fertility), technological and investment improvements, low production costs, aggressive export strategies and market diversification. This will allow Russia and wheat to be produced efficiently and exported in large quantities at competitive prices. This will manage the global market share of wheat and the main trading partners of importing countries, including Indonesia.

Table. 2 Global Wheat Price and Quality Comparison (2023)

Supplier	Price (USD/ton)	Protein	Water Content
Rusia	270	13,5%	12%
Australia	320	12%	13%
Kanada	310	13,2%	11,5%
AS	295	12,8%	12, 5%

Source: International Grains Council, 2023

The table shows that Russia offers the lowest price at USD 270 per ton, with the highest protein content (13.5%), making it an economical and high-quality product. Australia sells wheat at the highest price (USD 320/ton), but its protein content is low (12%), making it less competitive compared to other suppliers. The quality of wheat produced in Canada is good (protein 13.2%)

and its moisture content is good (11.5%), but its price is relatively high (USD 310/ton). The price (USD 295/ton) and quality (protein 12.8%, moisture 12.5%) from the United States are lower compared to other countries.

Despite the challenges, Russia still has a lot of potential as a strategic partner for Indonesia in wheat transactions. As the world's largest producer of goods, Russia can produce up to 100 million tons of goods per year, with an estimated 46-50 million tons of goods produced in 2022-2023. This indicates that if the geopolitical situation improves, Russia can offer large amounts of wheat at competitive prices.

In addition, Russia and Indonesia have strong diplomatic relations and business partnerships in other sectors, such as energy and minerals, which can be a basis for increasing cooperation in the agricultural sector, especially wheat. This is also supported by diplomatic negotiations and long negotiations that can translate Indonesian wheat from Russia through geopolitical risk mitigation mechanisms.

Challenges Of Indonesia's Wheat Trade with The Russian Federation

Russia's Export Safeguards Policy. Russia announced an increase in export duties of more than 18 percent starting December 2024 and a reduction in wheat export quotas from 29 million tons to 11 million tons from February to June 2025. The aim of this policy is to keep domestic Russian supplies and prices stable, but it could limit wheat supplies to international markets, including Indonesia.

Consequences of the Russia-Ukraine Conflict The global wheat supply chain has been significantly disrupted as a result of the ongoing conflict since February 2022. The conflict between Ukraine and Russia, the world's two largest wheat producers, has impacted the availability and price of wheat in the global market. Indonesia felt the impact by reducing wheat imports from both countries in 2020 and 2022.

Global Wheat Prices. Geopolitics, trade policies of major producing countries, and extreme weather greatly affect global wheat prices. With these price fluctuations, Indonesian importers are uncertain how to manage the production costs of wheat flour and other processed products. Wheat Dependence on Imports. Indonesia's animal feed and wheat flour industries are almost entirely dependent on imports. This dependency poses risks in the event of supply disruptions or unexpected price increases.

Table 3. Reasons for Rejection of Wheat Imports

Trouble	Frequency (2020-2023)	Finance Impact
Pesticide Residues	23 Cases	USD 12.5 Million
Contamination	15 Cases	USD 8.2 Million
Incomplete Documents	32 Cases	USD 5.7 Million

Source: Kementan, 2024

The table shows that Incomplete Documents is the result of many cases, but also has a significant financial impact (USD 5.7 million), indicating that administrative issues are still the most important factor in the import process. Pesticide residues are the cause of the largest financial shock, at USD 12.5 billion from 23 cases, which reduces the economic risk of non-compliance with food standards. Contamination occurred in 15 cases with a total value of USD 8.2 million, indicating that quality and hygiene issues are still a serious concern in the wheat import supply chain.

Table 4. Indonesia's trade balance with the Russian Federation during 2019-2024 (in USD million)

Year	Indonesian exports to Russia	Indonesia's Imports from Russia	Balance of trade
2019	1,204	957	+247
2020	1,254	1,254	0
2021	1,253	2,180	-927
2022	1,204	2,000	-796
2023	1,300	2,430	-1,130
2024	1,350	2,500	-1,150

Source: BPS (2024), Satudata Kemendag (2025)

The table shows that during the period 2019-2024, Indonesia's trade with the Russian Federation shows signs of decline, with Indonesia's imports from Russia increasing from USD 957 million to USD 2,500 million, while Indonesia's exports to Russia decreased from USD 1,204 million to only USD 1,350 million. As a result, the surplus in 2019 turned into a deficit that continued to increase to USD 1,150 million in 2024, indicating an increase in imports and the need for strategic steps to increase exports and strengthen bilateral trade relations.

Implications for Food Security and the Indonesian Economy

Since wheat is the main raw material used to make food products consumed in large quantities, disruptions in wheat supplies from Russia and Ukraine have the potential to increase food price inflation in Indonesia. The increase in world wheat has an impact on the price of processed wheat products in the domestic market, which can have an impact on inflation and reduce people's purchasing power. In addition, the uncertainty of wheat supplies also has an impact on the stability of the food industry which relies on raw material imports. This allows the government to act quickly in implementing wheat through international diplomacy, import diversification, and enforcement of trade regulations.

Strategy to Optimize Opportunities and Overcome Challenges

Based on the analysis of opportunities and challenges above, several strategies that Indonesia can take include:

1. Various Types of Import Sources: Expanding the network of wheat suppliers from Australia, Canada, Argentina, and other countries will reduce dependence on one supplier country.
2. Strengthening Infrastructure and Supply Chain: Optimizing wheat distribution, storage, and logistics to improve quality and reduce costs.
3. Increasing Business Cooperation: To reduce trade barriers, accelerate negotiations and

implementation of free trade agreements with Russia and other supplier countries.

4. Research on Local and Alternative Wheat Varieties: Investing in research and development of local wheat varieties and alternative raw materials to reduce dependence on imports. Monitoring World Market Developments: closely following developments in the global wheat market to anticipate supply and price fluctuations.

Projections and Scenarios

Table 5. Russian Wheat Price Simulation (Price Forecast 2024-2028)

Year	Optimistic Scenario	Basic Scenario	High Risk Scenario
2024	USD 265	USD 285	USD 310
2025	USD 255	USD 290	USD 330
2026	USD 250	USD 295	USD 350
2027	USD 245	USD 300	USD 370
2028	USD 240	USD 305	USD 390

Source: FAO Grain Market Report, 2023

This table helps market participants, policymakers, and analysts understand the potential future development of Russian wheat prices under various market conditions, so they can better plan their import, production, and trade strategies. Where the optimistic scenario assumes improving market conditions, stable supply, and no major disruptions to wheat production or distribution. The baseline scenario assumes relatively stable market conditions with normal price fluctuations according to the dynamics of global supply and demand. And the high-risk scenario anticipates major disruptions such as geopolitical conflicts, extreme weather, export protection policies, or supply chain disruptions that cause shortages and sharp price increases. This data is in line with the trend of global wheat prices which are recorded as fluctuating due to geopolitical factors, weather, and trade policies, as reported by sources such as Trading Economics and FAO (2023).

Conclusion

Indonesia has a significant dependence on wheat imports, and Russia is one of the main suppliers. While there are opportunities to increase the amount of wheat imports from Russia, diversify import sources, and enhance the potential for bilateral cooperation, there are several key issues that must be addressed including, Russia's export protectionist policies, the impact of the Russia-Ukraine conflict, fluctuations in global wheat prices and the potential for import rejections due to pesticide residues, contamination, or incomplete documents.

Therefore, Indonesia must implement a comprehensive strategy to manage the wheat market and maintain price stability. This strategy consists of, diversifying import sources by exploring alternative suppliers other than Russia. Strengthening supply and infrastructure to ensure efficiency and save logistics costs. Expanding business cooperation through mutually beneficial negotiations and trade. Developing local and alternative wheat varieties as a means to reduce import dependence. And monitoring world market developments closely to prevent price and price fluctuations.

By implementing this strategy, Indonesia can maximize trade opportunities with Russia, resolve existing issues, avoid food security, and support the growth of the food industry in Indonesia.

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