

INDONESIA

As in other developing countries, concerns about food security during the 1980s and early 1990s resulted in policies aimed at achieving self-sufficiency in food crops, especially rice. Indonesia combined price intervention and economic incentives through subsidized inputs, investment in irrigation, and rice marketing activities in the outer islands to encourage agricultural production, especially of staple crops. Since then, there has been phasing out of input subsidies for pesticides (1989). Fertilizer subsidies, the largest input subsidy, were eliminated in 1998, but reinstated in 2003.

Agricultural trade in Indonesia has been heavily regulated by tariffs, import licensing, export taxes and bans, and informal export quotas. To encourage domestic processing industries, export taxes were levied on primary products to subsidize inputs to the processing sector. Processed agricultural products had import restrictions. Some reforms were undertaken in the mid-1980s which reduced some import tariff rates, lowered ceilings on tariff rates, and raised the number of import items with low tariff rates. In spite of the reforms, domestically produced products corresponding to 54% of domestic production remain on the “Restricted Goods List.” Import monopoly for most of these commodities is through state trading companies. Under the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement, Indonesia has reduced tariffs for all products included in its original commitment (7,206 tariff lines) to 5% or less for products of at least 65% ASEAN origin, but maintains rice and sugar on the sensitive list, exempted from tariff reduction.

CORN

- The Ministry of Agriculture initiated a subsidized seed program for corn in 2006 on up to 3,000 MT of hybrid corn seed.
- To assist the local starch industries, import duties on corn and cassava starch are 10%.

COTTON

- Imports of cotton, textiles, and textile products can only be done by Registered Importers and Producer Importers. The imported cotton must be used as a raw material to produce finished textile products and not be sold directly to market.

RICE

- The government monopoly purchases excess production for price stabilization, emergency conditions, post-disaster food security situations, and to fulfill the ASEAN rice reserve agreement. The Ministry of Agriculture also purchases paddy rice from farmers to prevent the price from falling under the government purchasing price.
- In 2008, the government purchase prices were Rp. 2,200/kg of paddy (\$0.204/kg) and Rp. 4,300/kg of milled rice (\$0.398/kg). As of January 1, 2009, these prices were increased by 7%.
- The budgetary allocation for fertilizer subsidies was also increased from Rp. 14.6 trillion (\$1.5 B) in 2008 to Rp. 20.6 trillion (\$2.1 B) in 2009.
- Funding for seed subsidies increased from Rp. 33 trillion (\$3.4 B) in 2008 to Rp. 35 trillion (\$3.6 B) in 2009.
- Funding for infrastructure development increased from Rp. 89 trillion (\$9.2 B) in 2008 to Rp. 99 trillion (\$10.2 B) in 2009.
- Sanitary and phytosanitary (SPS) and food quality regulations have led to import restrictions.
- GOI lowered the import duty on rice to Rp. 450/kg (US\$ 49.3/ton) in January 2008.

SOYBEANS

- The government of Indonesia has a 10% import duty on soybeans (effective January 1, 2005).

SUGAR

- The government sets a floor price of Rp. 3,800/kg (about \$0.18/lb).
- To control imports, the Ministry of Trade grants import licenses for specific quantities of white sugar to four selected importers.

WHEAT

- The Indonesian government has anti-dumping import duties on wheat from India and China of 11.44% and 9.50%, respectively. The normal import duty is 0% on wheat and 5% on wheat flour.
- In February 2008, GOI temporarily reduced the import duty on wheat flour to zero and temporarily voided the value added tax (VAT) of wheat and wheat flour. The import duty for wheat flour was 5% and the VAT for wheat and wheat flour was 10%.