

The Effect of Increasing Cooking Oil Prices and Material Export Prohibition Policy Cooking Oil Standard on National Food Security

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ABSTRACT

The phenomenon of rising cooking oil prices is increasingly being felt by the public Indonesia. The surge in the price of cooking oil, which is quite high, will certainly have an impact on the prices of other goods. This impact can occur because of the multiplier effect caused by the continued skyrocketing cooking oil prices. The most felt effect is also an increase in the price of food, which uses cooking oil as an ingredient. Decreasing productivity and increasing demand have resulted in a scarcity of cooking oil. In addition, oil palm, which is known as a plantation crop with various benefits, is also experiencing increased demand from a non-food perspective. The increasing demand for palm oil which is used as biofuel (biofuel) also takes a big contribution to the decrease in the supply of CPO which will be produced into cooking oil. The government issued a ban on crude oil exports, which has been officially stated in the Minister of Trade Regulation (Permendag) Number 11 of 2022, which the government does not consider to be enforced in the long term. Bhima's view is that if Indonesia implements this policy in a sustainable manner, it will receive many protests from countries that need CPO from Indonesia.

INTRODUCTION

Indonesia is known as the number one producer of palm oil or Crude Palm Oil (CPO) in the world since 2006. Based on data from the Indonesian Palm Oil Association (GAPKI), it is noted that the production of crude palm oil (CPO) in 2021 of 46.88 million tons. In this case, the production of crude palm oil in 2021 will decrease by 0.31% compared to 2020, which was 47.03 million tonnes. However, Indonesia is still superior to countries producing crude palm oil in the world, such as Malaysia, Thailand, Colombia and Nigeria. Palm oil is the most popular vegetable oil in the world. The properties and nutritional value of palm oil allow it to be processed into various derivative products that support the daily lives of people around the world. In addition to vegetable oil, palm oil is used in a variety of food and household products, ranging from pastries, ice cream and chocolate to soaps and cosmetics and biofuels.

Lately, the phenomenon of rising cooking oil prices has been increasingly felt by the people of Indonesia. The surge in the price of cooking oil, which is quite high, will certainly have an impact on the prices of other goods. This impact can occur because of the multiplier effect caused by the continued skyrocketing cooking oil prices. The most felt effect is also an increase in the price of food, which uses cooking oil as an ingredient. If we trace Indonesia, which incidentally is the largest CPO producing country in the world, it should be able to meet domestic needs without affected by international prices. However, this is not the case because most cooking oil producers in Indonesia are not integrated with CPO producers. Therefore, due to different business entities, domestic cooking oil producers must buy CPO at the appropriate price on the domestic auction market which is influenced by international market prices. The soaring price of cooking oil is like a double-edged knife for the government. On the one hand, the government has had a positive impact on economic growth and the welfare of oil palm smallholders due to the increase in CPO prices. But on the other hand, the increase in CPO prices is a trigger for inflation and a burden for spending on people's needs. Bearing in mind that cooking oil is one of the nine staple commodities.

THEORETICAL REVIEW

The CPOPC Outlook 22 report states that the decline in palm oil productivity is caused by several factors. The first factor is the shortage of labor in oil palm plantations. COVID-19 is the cause of the shortage of manpower in this oil palm plantation, because the conditions during the pandemic limited mobility and caused a limit on the number of workers. The second factor is climate change or bad weather, which causes flooding in oil palm plantations and hinders their productivity. The third factor is an increase in the price of fertilizers made from nitrogen and phosphate which makes it difficult for farmers to obtain fertilizer at affordable prices. Decreasing productivity and increasing demand have resulted in a scarcity of cooking oil. In addition, oil palm, which is known as a plantation crop with various benefits, is also experiencing increased demand from a non-food perspective. The increasing demand for palm oil which is used as biofuel (biofuel) also takes a big contribution to the decrease in the supply of CPO which will be produced into

cooking oil. Various countries have implemented mixing diesel fuel with biofuels, including Indonesia. Hence the problem of oil scarcity this fried product is not only caused by competition with non-food products, but also the demand for exports to foreign countries.

On Thursday, 28 April 2022, President Jokowi officially announced a policy to ban exports of cooking oil raw materials and their derivatives in an effort to overcome scarcity in the domestic market. The ban on the export of crude palm oil is carried out until the problem of scarcity of cooking oil in the domestic market is resolved. President Jokowi also asked palm oil producers to be able to meet and meet domestic needs. cooking oil (RBD Palm Olein/RBDPO). The policy of imposing a ban on the export of crude oil has been official stipulated in the Regulation of the Minister of Trade (Permendag) Number 11 of 2022. Apart from that, the government also plans to accelerate the distribution of bulk cooking oil to the public by accelerating the payment of price subsidies through the Oil Palm Plantation Fund Management Agency (BPDPKS) without compromising good governance. Perum BULOG was assigned to be able to distribute bulk cooking oil to the public, especially in traditional markets.

METHODOLOGY

Decreasing productivity and increasing demand have resulted in a scarcity of cooking oil. In addition, oil palm, which is known as a plantation crop with various benefits, is also experiencing increased demand from a non-food perspective. The increasing demand for palm oil which is used as biofuel (biofuel) also takes a big contribution to the decrease in the supply of CPO which will be produced into cooking oil. The government issued a ban on crude oil exports, which has been officially stated in the Minister of Trade Regulation (Permendag) Number 11 of 2022, which the government does not consider to be enforced in the long term. Bhima's view is that if Indonesia implements this policy in a sustainable manner, it will receive many protests from countries that need CPO from Indonesia. If it is linked to the worst conditions, then it is likely that a retaliation condition will occur, namely the country that feels disadvantaged will stop sending the raw materials needed by Indonesia.

RESULTS AND DISCUSSIONS

Increase in Cooking Oil Prices

Cooking oil in the decree of the Minister of Industry and Trade no. 115/mpp/kep/1998, included in the nine basic commodities in Indonesia, or better known as staple foods. Groceries themselves are food and drink ingredients that are needed by the community. The scarcity of one of these basic food ingredients disrupts people's lives because basic foods must be freely sold in the market. Price increases are a form of macroeconomic problem, this is caused because price increases can affect the welfare of consumers, producers and the government. Consumer purchasing power will decrease when there is an increase in cooking oil prices. Economic principles explain that, if a good or service experiences a price increase, the amount demanded by the market or

consumers will decrease by assuming other factors are held constant. The reduced quantity of goods and services purchased by people who experience price increases will affect consumer satisfaction. An increase in the price of cooking oil will have the effect of increasing the price of products made with cooking oil. Losses will also be felt by producers, as a result of the increase in cooking oil prices. An increase in the price of cooking oil will affect the income of producers and can also affect their welfare. The first step taken by consumers is to look for or buy products that can replace the role of cooking oil. If this happens continuously, producers will experience big losses, because consumers are the key to the survival and development of a business.

The Concept of Food Security in Indonesia

With the various definitions of food security that apply in Indonesia and in the international community, the Food Law formulates limits on food security which summarizes several important points as follows: (1) the fulfillment of food needs for the country down to the individual level; (2) the benchmarks for fulfilling food needs include various aspects, namely: (a) in terms of sufficient quantity, (b) in terms of good quality, safe for consumption, various types of food available, fulfilling nutritional adequacy, (c) in terms of food security spiritually, food must not contradict religious norms, beliefs and culture of the community, and (d) from an economic affordability standpoint, food is available evenly to all corners of Indonesia at affordable prices by all components of society; and (3) the provision and affordability of this food is intended so that the community to individuals can live healthily, Based on the information above, it can also be analyzed the effect of rising cooking oil prices on food security through 4A+1S which includes Availability, Accessibility, Affordability, Acceptability, and Sustainability.

Indonesia has an area of oil palm plantations as of 2021, reaching 15.08 million hectares. It can be said that this number has increased by 1.5% from the previous year. Of the 15.08 million ha, 8.42 million ha or 55.8% of the land is owned by large private plantations (PBS), 6.08 million ha or 40.34% is owned by smallholder plantations (PR) and 579.6 thousand ha or 3.84% owned by State Large Plantations (PBN). The oil palm plantations are spread across 26 provinces in Indonesia, and one of the largest is located in Riau Province, which is 2.89 million ha or 19.16% in 2021. From the land area owned by Indonesia, it can produce crude palm oil or CPO of 46.88 million tons which will later be processed into cooking oil products and their derivatives. With the data above, it proves that aspect availability not be an aspect that influences the increase in cooking oil prices. As it is known above that the supply of basic ingredients for cooking oil does not experience scarcity, so that Indonesia should be able to overcome this scarcity of cooking oil based on the abundant availability of raw materials, ignoring other factors that are considered constant.

The affordability of fulfilling cooking oil needs will be related to accessibility individual in it. It can be influenced by physical aspects and economic aspects. Aspect accessibility becomes very important considering that with the abundance of products from this oil palm plantation and supported by

the presence of producers who process CPO into cooking oil in Indonesia, it should not become an obstacle in accessing its distribution in the community. The government previously also provided a policy to overcome rising cooking oil prices by providing cooking oil subsidies, domestic market obligation (DMO) and domestic price obligation (DPO) which explicitly requires CPO producers to sell 20% of their export volume to be consumed domestically at a price of Rp. 9,300/kg, and the highest retail price (HET) is set at Rp.11,500/liter for bulk cooking oil and Rp. 14,000/liter for packaged cooking oil. This policy regulation is based on the Minister of Trade Regulation no. 6 in 2022.

The affordability of the community in obtaining cooking oil is strongly influenced by their purchasing power. Discusses the purchasing power or ability of people to buy something (affordability) will be very closely related to the amount of income owned and the price of the cooking oil itself. In this case the increase in the price of cooking oil caused by its scarcity, makes it difficult for people with low incomes to buy cooking oil. The skyrocketing price of cooking oil has made people with low incomes look for other ways to be able to meet their daily food needs. Every effort is made by the government to stabilize the market price of the cooking oil. One of the last things that has been done is by banning the export of cooking oil and its derivatives, to be able to meet domestic demand.

Cooking oil is included in the nine basic commodities that must be traded freely in the market. With that said aspect acceptability is a very common aspect considering that cooking oil is a basic daily need. However, with the scarcity and price increases that have occurred, it is an important concern, whether the community is able to accept this situation. Seeing from the level of demand for cooking oil which is still high with the condition of scarcity and price increases that are still happening, it can be concluded that the public can still accept the existence of this cooking oil.

Of course, seeing the phenomena that occur regarding the scarcity and rising prices of cooking oil, becomes a challenge for the entire order within the country ranging from consumers, producers and the government. The challenge is how to overcome the scarcity and rising prices of cooking oil, so that its availability is met in a sustainable manner (sustainability). The strategies that can be developed according to Ahmad. S in 2014 are as follows: (1) able to develop domestic capacity by increasing production independently and sustainably; (2) providing promotion of product diversification based on local resources; (3) from the government's point of view, it is able to provide sufficient products in terms of quantity, diversity, quality and safety as well as the affordability of people's purchasing power; (4) provide assistance or subsidies to people with low incomes.

Communication

According to data from the CPOPC Outlook 2022, the estimated demand for palm oil imports from 2020 to 2022 is as follows:

Table 1. Estimated Demand for Palm Oil Imports 2020-2022

| Country | 2020/21 estimated imports (million tonnes) | 2020/21 estimated impor (juta ton) |
|---------------|---|---------------------------------------|
| India | 8,5 | 8,6 |
| Tiongkok | 6,8 | 7,2 |
| Uni Eropa- 27 | 6,2 | 6,9 |
| Lainnya | 26,1 | 27,9 |
| Dunia | 47,6 | 50,6 |

Source: CPOPC Outlook 2022,2021 (data processed from USDA and Refinitiv)

Indonesia is a country that supports imports as much as 50% of the world's needs, with the proportion expended for export as much as 65% of CPO production in Indonesia and the remaining 35% is used to meet domestic needs. According to GAPKI, from the total supply of palm oil produced, approximately 34.23 million tons of palm oil in Indonesia in 2021 will be used for export with the following details:

Table 2. Details of Palm Oil Exports

| Export | Total (million tonnes) |
|---------------|------------------------|
| Processed CPO | 25,7 |
| Oleochemical | 4,14 |
| CPO | 2,73 |
| Lauric Acid | 1,48 |
| Biodiesel | 0,16 |

Meanwhile, palm oil consumed domestically in 2021 is 18.42 million tons, with details in table 3 as follows:

Tabel 3. Konsumsi Minyak Sawit Dalam Negeri

| Consumption | Total (Million tonnes) |
|---------------------|------------------------|
| Local Food | 8,95 |
| Local Biodiesel | 7,34 |
| Local Oleochemicals | 2,12 |

Looking at the data above, most of the palm oil produced by Indonesia is exported abroad and it can be seen in table 3 that domestic consumption of palm oil is dominated by non-food products rather than being processed into cooking oil. So this can also be the cause of scarcity and rising prices of cooking oil itself.

With this phenomenon, the government has made several policies in an effort to overcome the scarcity and rising prices of cooking oil. Officially the government announced a policy banning the export of ingredients for cooking oil abroad as of April 28, 2022. Of course, with the decision taken by the Indonesian government, various opinion and get the world's attention considering that Indonesia contributes to the world's need for palm oil reaching 50% or half of the worldwide demand.

One of the opinions expressed by the director of the Center of Economic and Law Student, namely Bhima Yudhistira, considered that the policies imposed by the government would not last long. Bhima's view is that if Indonesia implements this policy in a sustainable manner, it will receive many protests from countries that need CPO from Indonesia. Like India, China, Pakistan will be affected by this policy. The cost of production as well as the price of consumer goods in these three countries will increase and Indonesia will be the one to blame. If it is related to the worst conditions, it is likely that a retaliation condition will occur, namely the country that feels disadvantaged will stop sending the raw materials needed by Indonesia.

According to Bhima, Indonesia does not need to carry out the export ban and suggests that Indonesia should only implement a 20% DMO CPO policy. This amount is considered to be sufficient to meet domestic needs by taking into account the supervision of producers and distributors. Another reason is that cooking oil and CPO provide a sizeable income for the country. As of March 2022, CPO exports have reached a value of US\$3 billion. It is assumed that if exports are suspended for 1 month, the government will incur a loss of around Rp. 42.9 trillion. Indonesia's export ban will benefit competing countries such as Malaysia which produce CPO. In addition, this policy will benefit countries that produce alternative oils such as soybean oil,

Resource

The palm oil industry is a great way to promote economic growth and equity in Indonesia, blessed with natural resources abundant, including geographical conditions. Located on the equator, Indonesia is a tropical country. This gift will be used for the greatest prosperity of the Indonesian people, as explained in Pancasila and the Preamble and Article 33 (4) of the 1945 Constitution of the Republic of Indonesia. One of the sectors that have these natural resources is the oil palm sector. Oil palm plantations have long been established and developed in Indonesia. It's been around for over 100 years and has gone through several periods. Colonial, old order, new order to the current reformation and democratic order – with all its ups and downs.

In fact, Indonesia is currently the largest producer, exporter and consumer of palm oil and its products in the world. Indonesia produced 46.8 million tonnes of palm oil, exporting 34.23 million tonnes. It is also the largest oil palm plantation area in the world. The Indonesian palm oil industry has many advantages and advantages compared to other industries. In other words, it is a relatively sound and balanced business structure where large and small estates grow simultaneously. Currently human plantations control about 42% of the total area and about 37% of state production, while large (private) plantations

control 58% and 63% of the national area and production of palm oil, I manage it. Besides that, Palm oil is one of the leading vegetable oil industries in the world, with a market share of around 33%, but accounts for around 6% of the total area of the vegetable oil industry. Another advantage is that palm oil is the main source of domestic cooking oil. This is one of the basic needs of the community and oil palm is still used as raw material for biodiesel. It is estimated that around 5 million tons of palm oil are used annually in the country for the production of biofuels. Therefore, oil palm plays an important role in maintaining food security and national energy security. Not many industries have the characteristics of the palm oil industry.

The oil and gas industry may be an important industry in terms of its role and contribution to economic growth and government revenues, but it has the same capabilities as the palm oil industry in terms of employment and poverty reduction. On the other hand, SMEs play a very important role in absorbing labor, but their contribution to economic growth and state revenues is relatively small compared to other industries.

Disposition

Disposition is an order or instruction from superiors or leaders to subordinates or higher echelon positions to subordinate echelon positions. Or disposition can be interpreted as a response from a letter that has been received and read by the leader who is instructed to his subordinates to follow up. In this case, palm oil processing companies in the process of developing their plantations are guided by the Regulation of the Minister of Agriculture number 98/Permentan/OT.140/9/2013. And of course, the ban on the export of cooking oil raw materials is a policy that must be obeyed by producers to be able to meet domestic oil needs.

Bureaucratic Structure

The Department of Plantations in provinces that have oil palm plantations will have an organizational structure that is quite ideal in supporting the implementation of oil palm plantation development policies. section, one of the sections that play a role in the development of oil palm plantations is the plantation management section. Judging from the bureaucratic structure of the Wajo Regency Plantation Service, it is one of the supporters in implementing the Minister of Agriculture Regulation number 98/Permentan/OT.140/9/2013 concerning Guidelines for Plantation Business Permits.

Meanwhile, a refinery or palm oil processing company also has a structure that can carry out the implementation of the Minister of Agriculture Regulation. Palm oil management companies in implementing the Minister of Agriculture Regulation number 98/Permentan/OT.140/9/2013 concerning Guidelines for Plantation Business Licensing develop a Standard Operational Procedure (SOP) as a guide in obtaining legality and in carrying out each activity.

In general, palm oil management companies and the Plantation Service can implement Minister of Agriculture Regulation number 98/Permentan/OT.140/9/2013 concerning Guidelines for Licensing for Plantation Businesses

supported by four factors according to the opinion of George C. Edward III, namely Communication, Resources, Bureaucratic Disposition and Structure. In addition to these four factors, to implement policies for developing oil palm plantations, it is necessary to pay attention to the local culture of the community.

CONCLUSIONS AND RECOMMENDATIONS

Indonesia has an area of oil palm plantations per year 2021, reaching 15.08 million hectares. It can be said that this number has increased by 1.5% from the previous year. Of the 15.08 million ha, 8.42 million ha or 55.8% of the land is owned by large private plantations (PBS), 6.08 million ha or 40.34% is owned by smallholder plantations (PR) and 579.6 thousand ha or 3.84% owned by State Large Plantations (PBN). The oil palm plantations are spread across 26 provinces in Indonesia, and one of the largest is located in Riau Province, which is 2.89 million ha or 19.16% in 2021.

Price increases are a form of macroeconomic problem, this is caused because price increases can affect the welfare of consumers, producers and the government. Consumer purchasing power will decrease when there is an increase in cooking oil prices. Economic principles explain that, if a good or service experiences a price increase, the amount demanded by the market or consumers will decline assuming other factors are held constant. The reduced quantity of goods and services purchased by people who experience price increases will affect consumer satisfaction. An increase in the price of cooking oil will have the effect of increasing the price of products made with cooking oil.

The implementation of policies carried out by the government in dealing with scarcity and rising cooking oil prices, of course, also pays attention to aspects of energy (food) security such as 4A + 1S including Availability, Accessibility, Affordability, Acceptability, and Sustainability. Of course, by paying attention to the Indonesian defense system which involves all national forces, the banning of cooking oil exports has indirectly become one of the national defense strategies. In defending the state, one must also pay attention to aspects of state sovereignty, territorial integrity and ensuring the safety of the whole nation from threats and disturbances to the integrity of the state.

The policies imposed by the government will not last long. Bhima's view is that if Indonesia implements this policy in a sustainable manner, it will receive many protests from countries that need CPO from Indonesia. If it is related to the worst conditions, it is likely that a retaliation condition will occur, namely the country that feels disadvantaged will stop sending the raw materials needed by Indonesia.

FURTHER STUDY

Meanwhile, a refinery or palm oil processing company also has a structure that can carry out the implementation of the Minister of Agriculture Regulation. Palm oil management companies in implementing the Minister of Agriculture Regulation number 98/Permentan/OT.140/9/2013 concerning Guidelines for Plantation Business Licensing develop a Standard

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