

# **Horticultural Import Policy in Indonesia**

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## **Background**

Expenditure on fresh horticulture products by urban consumers accounted for 50% compared to that of rice in 1994, increased to 75% in 2004 and 100% in 2007. However, per capita consumption of fresh fruits and vegetables is still below the level recommended by the Food and Agriculture Organization (FAO) at an average of 40kg/capita/year compared to the recommended level of 70kg/capita/year. From the production side, horticulture farming is mostly done by smallholder farmers. Therefore, one of the government strategic policies is to protect the farmers from competition of imported products.

## **Key features**

Vegetable production has shown a significant growth. In 2008-2012, the production of shallots, cabbages, potatoes, chilis, and tomatoes grew in the range of 2–6%, while production growth of fruits was in the range of 2.7– 27%. However, regarding trade aspect, current account balance of the horticulture sector has been deficit in the same period. The amount of deficit has increased from US\$ 476.9 million in 2008 to US\$ 902.2 million in 2010 and US\$ 1 308.9 million in 2012. Horticulture commodities frequently imported to Indonesia are apples, oranges, pears, grapes, shallots, and garlic.

To protect domestic horticultural farmers, the government of Indonesia has established an import control policy, jointly released by the Ministry of Agriculture (MoA) and the Ministry of Trade (MoT). In view of improving the regulatory framework, those ministries have revised their import policy on horticultural products recently.

## **Policy framework**

On August 30, 2013, the Ministry of Agriculture released a new regulation, No.86/2013 on the implementation of the Reference Price System in controlling import of horticulture products. Under the new regulation, import control is implemented by determining a reference threshold price of the corresponding commodities, instead of setting a quota. The new regulation replaces the earlier regulations No.47/2013 and No.16/2013. The Ministry of Trade also simultaneously released new regulation No. 47/2013, which amended regulation No. 16/2013. The new regulations stipulate that registered importers of horticultural products must import 80% of the total allocation during the specified import period (January–June or July–December).

Imports of chilis and shallots will be subject to a reference price system. There is no information on the procedure to determine a reference price, although the MoT regulation states that it will be “stipulated by the Team of Horticulture Product Price Monitoring.” Some changes specified in the MoA regulation No. 86/2013 are as follows: (1) import recommendation will be issued twice annually for the January-June period and the July-

December period; (2) in the case of shallots and chilies, imports will be permitted based on a reference price. The MoT sets a reference price (based on recommendation from the MoA), which, if exceeded, triggers the issuance of import recommendation and the opening of imports. The market will remain open until the price falls below the reference price;

Changes specified in the MoT regulation No. 47/2013 are as follows: (1) Import approvals will be issued twice annually, namely the January-June period and the July-December period.; (2) Import approvals for chilies (HS 0709.60.10.00) and fresh shallots (HS 0703.10.29.00) can be applied for at any time, although this will be subject to a reference price system. Under the reference price, chilies and shallots will only be imported when domestic retail prices rise above the reference price; (3) registered importers of horticultural products holding import recommendation must import 80% of the total import allocation per period. Failure to do so may result in losing the right to future imports. Shallots and chili imports permits are issued on an open basis (subject to reference price), but must be imported within three months.

Importation of chili (HS No. 0709.60.10.00) and fresh shallots for consumption (HS No. 0703.10.29.00) is conducted with due observance of the Reference Price stipulated by the Team of Horticulture Product Price Monitoring which is established by the Minister of Trade, whose members consist of representatives from related agencies. In the case of these two commodities, if the market prices are below the reference price, then no import is permitted. The new regulations will mean that horticulture imports will only be allowed when domestic prices are 15% higher than a parity price to be set by government.

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