

# **Livestock Development Policy in Indonesia**

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## **Background**

The role of livestock in national development among others are source of food supply, source of income and employment, sustaining agriculture and environment conservation, as well as providing raw materials to processing industries. The Ministry of Agriculture through the Directorate General of Livestock and Veterinary Health Services has launched the Self-Sufficiency Program on Beef in 2014, in response to the increasing demand for meet. However, until recently Indonesia has been classified as a net importer of beef feeder stock and dairy products as well as feed ingredients such as corn and soybeans. In some poorer regions, particularly in those without natural resources and land suitable for irrigation, livestock animals play a more important role in the rural economy. Livestock animals are liquid assets that provide a hedge against inflation and can be converted to cash when the need arises. Livestock products have been found to contribute a greater proportion of household income in poorer families compared to similar wealthier families. Considering the importance of livestock sector, the policies and programs have been designed by taking into account the livestock sector development and livestock farmers.

## **Key features**

In general the farm households involved in livestock production practice mixed farming, combining crops and livestock. Smallholders farming account for 95% of the total livestock population, while large scale private enterprises account for the remaining 5%. In many regions of Indonesia, livestock are an important component of farming activities, particularly for the smallholders. Large scale poultry, swine farming and beef cattle fattening on feedlots are most attractive to private sector firms. Accordingly, government policies towards increasing livestock production have focused on smallholders. The objectives of the livestock development policies have been to improve income, to promote exports and to reduce imports, to provide rural employment and to improve the nutrition status of the population. Government intervention in the livestock sector has a variety of objectives. These include price and income enhancement for producers; as a way of subsidizing consumer prices; and a source of government revenues.

The production of meat from ruminant and non-ruminant livestock increased from 2.2 million tons in 2009 to 2.8 million tons in 2013. Of this amount, poultry meat was the largest contributor at 49.9% or 1.1 million tons in 2009 increased to 52.3% or 1.5 million tons in 2013, followed by beef cattle around 18.6% or 409.3 thousand tons in 2009 increased to 19.3% or 545.6 thousand ton in 2013. Egg production was 1.3 million ton in 2009, and increased to 1.7 million ton in 2013 or increased by 6.5% per year. The purebred chicken egg is the largest contributor at 81.9% or 1.07 million ton in 2009 increased to 83.9% or 1.4 million tons in 2013, followed by duck egg 18.1% or 236.4 thousand tons in 2009 decreased to 16.0% or 272.4 thousand tons in 2013. Domestic dairy products increased from 827.3 thousand tons in 2009 to 981.6 thousand tons in 2013 or increased by 4.3% per year.

The production volume of beef cattle in Indonesia is still far to meet the consumers' needs. The Improvement of living standards and society's economic level has increased the demand for meat. This is an opportunity for beef cattle fattening business in Indonesia. Poultry products were also imported by Indonesia during the period 1969-1984. Since then, Indonesia has become self-sufficient in eggs and broiler meat as a result of the poultry Mass Guidance Program (*Bimas*) being launched nationally around 1979. Up until 1990, domestic beef production satisfied demand, but imports of meat and feeder cattle started to increase beginning in 1991. In 2008, domestic beef production has only been able to satisfy 24.% of the national demand and increased to 31.2% in 2012. Whereas domestic milk production has only been able to satisfy 38.9% of the national demand and decreased to 35.8% in 2012.

Livestock products price tended to increase from time to time. In 2013 beef price was Rp.89434/kg, increased around 8.25% per year compared to the price in 2009 at Rp.64291/kg. The price of broiler was about Rp. 23333/kg in 2009 and reached about Rp. 27877/kg in 2013 or increase 4.45% per year.

## **Policy framework**

Increasing income per capita in Indonesia led to increased demand for livestock products. The Government of Indonesia has anticipated the trends of a shortfall in the demand and supply of livestock products through issuing regulation and de-regulating the trade and domestic production of livestock and feed grains. This has been done to provide incentives to producers and to protect consumers from the impact of price fluctuation. These policies include: (a) commercial credits can be obtained by individual farmers from the bank, (b) the *Bantuan Presiden (Banpres)* or presidential aid, presidential instruction (*Inpres*) and cash programs are provided for smallholders and poor farmers, (c) government program on livestock development, and (d) livestock projects funded through foreign aid.

To increase beef cattle production, the government has implemented a set of policy framework. Major policy initiatives include: (a) development of local breeding and fattening cattle business; (b) organic fertilizer and biogas development; (c) development of cattle and crop integration; (d) empowerment and improving the quality of slaughter houses; (e) optimization of artificial insemination; (f) the provision and development of feed and water; (g) prevention of reproductive disorders and improvement of animal health services; (h) rescue the productive cows from slaughtering; (i) strengthening animal breed source region and institutional breeding; (j) cattle breeding development; (k) breed cattle supply through interest subsidies; (l) setting the beef cattle stock; (m) distribution and marketing arrangements.

To stabilize the beef price, encourage domestic production and to ensure the supply and the stock of beef during peak and normal season, Government of Indonesia released Minister of Trade Regulation No. 22/2013 and Minister of Agriculture Regulation No. 50/2013 regarding Import and Export Provisions for Animals and Animal Products. The regulation will serve as the principal regulation on the export and import of livestock and their products. The Regulation's most important provisions concern import procedure. First, only licensed and registered importers are permitted to import. Second, the importation permit must be approved jointly by the Ministry of Trade and Ministry of Agriculture. Import approval is valid for one year. Third, application for importer registration and import approval is done online, through the Trade Ministry's INATRADE system.

On August 28, 2013, Indonesia's Ministry of Agriculture (MOA) released a new regulation No. 84/2013 concerning import of meat, offals and processed meat. The regulation

replaced MOA Regulations No. 50/2013 on the same subject. The regulation was implemented on August 29, 2013. Following this, the Ministry of Trade (MOT) released Regulation No. 46/2013 on the importation of animals and animal products. This regulation replaces MOT Regulation No. 22/2013. MOT's regulation was implemented on September 2, 2013.

Changes specified in MOA regulation No. 84/2013 among others are as follows: Indonesia will implement a reference price system. Under the reference price system, import permits will not be issued when local retail prices fall below a certain level. No special provisions are made for fresh/chilled prime cuts. MOA clarified that meat falling under HS code 0207.11.00.00 (whole chicken) is permitted for trade. MOA clarified that processed turkey and chicken (including whole muscle cuts) is not permitted for trade. MOA will no longer issue volume allocations. MOA will issue a "Recommendation on Technical Veterinary Public Health" signed by the Director of Veterinary Public Health and Postharvest. An import recommendation signed by MOA's Director General of Livestock and Veterinary Health Services is no longer required. Import recommendation applications for business corporations will open four (4) times per year; December 1-31, March 1-31, June 1-30, and September 1-30. However, import recommendations received in December will only be valid during January to March of the following year.

The changes in MOT regulation No. 46/2013 are as follows: MOT specifies that Indonesia will implement a reference price system. When meat prices rise above IDR 776,000/kg, imports will be allowed until the price reaches the reference price level. MOT is responsible for monitoring and setting the reference price. MOT will determine import volumes through Import Approvals (SPI). The MOT regulation specifies that special provisions will no longer be made for prime cuts (fresh/chilled or frozen). Prospective importer must have a Registered Import (IT) Number before being allowed to import. The IT will be valid for two years. Previous regulations, Indonesia's state-owned company does not need an IT Number. MOT will issue an SPI after the importer obtains the "Recommendation on Technical Veterinary Public Health" from MOA as well as a recommendation from the National Agency for Drug and Food Control (BPOM) for processed animal-based foods. Importers must import 80% of the total SPI allocation per year. Certificates of health from exporting countries must indicate the SPI Number.

The regulations that control the importation of animal and animal products are required in order to comply with *halal* and food safety protocol. According to regulation no 84/2013, procedure for the importation of animals and animal products are: (a). conducting desk review aimed at deciding the eligibility of country of origin to export to Indonesia through the evaluation of animal health status as well as veterinary services in a the country of origin; (b). conducting desk review on the eligibility of the business unit in the country of origin to export to Indonesia through the evaluation of the health status; (c). conducting on site verification on the information stated in the document with the real situation in the country of origin and/or business unit in the country of origin; (d). a risk assessment team shall perform a risk analysis in order to decide whether or not a country of origin and or a business unit approved to export to Indonesia; (e). the Ministry of Agriculture shall decide on the import demand in accordance with national supply and demand analysis.

## **CONCLUSION**

Considering the growing importance of animal products on the daily menu of Indonesian people and increasing demand for animal products, the Ministry of Agriculture has put priority agenda on improving the production of livestock sector, especially beef. The

recent regulation imposed by the government is intended to stabilize the beef price, encourage domestic production and to ensure the supply and the stock of beef during peak and normal season. At the same, the regulation is also intended to protect livestock farmers from tight competition of the imported meat. However, up until recently beef production cannot meet increasing demand, and beef price in domestic market remain high. Therefore, future strategy of livestock development should be focused more on improving productivity and efficiency of beef production, and supported by an efficient livestock distribution system.

Date submitted: Sept. 15, 2014

Received, edited and uploaded: Sept. 16, 2014