

Warehouse Receipt Scheme Policy in Indonesia

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INTRODUCTION

It is widely believed that the common phenomenon in agricultural trade is the lower and higher prices of commodities during the harvest period and the lean season, respectively. In spite of the Government of Indonesia's (GoI) provision to certain policies to stabilize the price of agricultural goods, those are fairly unable to cover all agricultural commodities comprehensively. One of government's efforts to assist farmers facing fluctuating prices of agricultural commodities is through designing and facilitating the implementation of Warehouse Receipt Scheme (WRS). This scheme is outlined in the Law No. 9/2009 which has been amended by the Law No. 9/2011. The implementation of the Law is therefore supported by some relevant regulations.

Policy framework

Basically, warehouse receipt is defined as the ownership of evident document of the goods stored in the warehouse issued by the warehouse manager. Meanwhile, warehouse receipt scheme is an activity related to the issuance, transfer, assurance, and transaction of warehouse receipt.

Administratively, the warehouse receipt must contain at least 10 requirements. They are: (1) the title of warehouse receipt; (2) the type of warehouse receipt; (3) the name and address of the owner of warehouse receipt; (4) the location of warehouse storage of goods; (5) the date of issuance of warehouse receipt; (6) the issue number of warehouse receipt; (7) the due date of storage of goods; (8) the description of the goods; (9) the cost of storage; and (10) the signatures of the owner of the goods and the warehouse manager.

The goods stored in the warehouse which are able to be issued must accomplish the following requirements: (1) having at least three-month storability; (2) performing certain quality standards; and (3) comprising a minimum number of goods stored. In addition, the goods which can be stored in the warehouse in line with the warehouse receipt scheme are: (1) paddy; (2) milled rice; (3) corn; (4) coffee; (5) cocoa; (6) pepper; (7) rubber; (8) seaweed; and (9) rattan.

The warehouse receipt scheme is organized by both central and local governments. The central government is responsible for: (1) preparing the national policy; (2) coordinating the relationship among sectors (agriculture, finance, and banking); (3) developing the standardized commodities and information technology; (4) facilitating the provision for related sectors (cooperative, small-medium enterprise, and farmer group). On the other hand, the local government is in charge in the following aspects, namely: (1) preparing the local policy; (2) strengthening the role of community-based businesses; and (3) facilitating the development of commodity auction market.

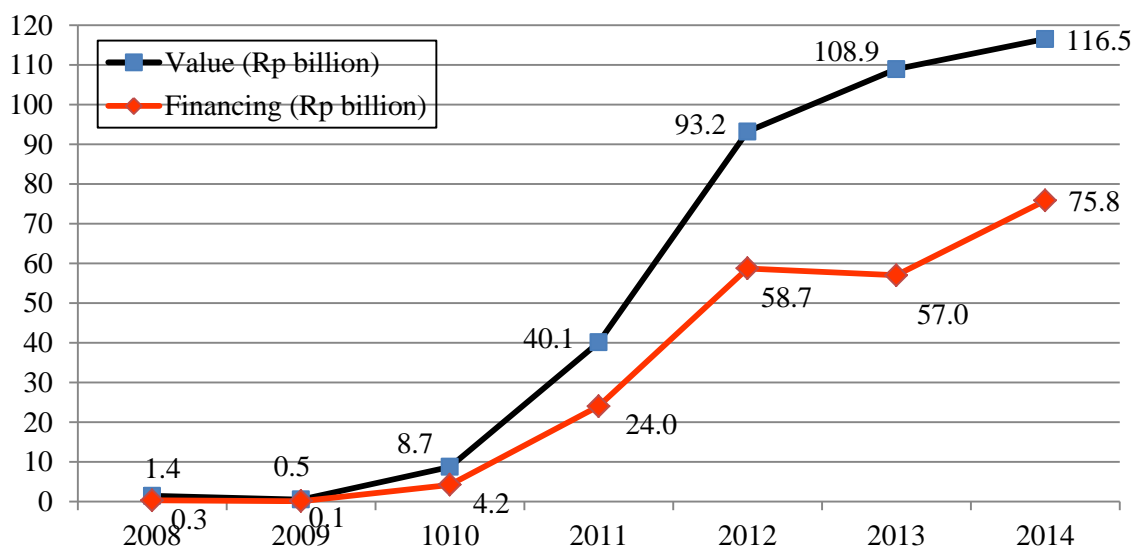
The implementation of the warehouse receipt scheme involves the assurance of the institution that plays a role in protecting the rights of the warehouse receipt holder independently, transparently, and accountably. This institution would act to assure if the warehouse managers were bankrupt or negligent in the management (mishandling) of which they are unable to perform the obligation of returning the goods stored in the warehouse according to the quantity and quality specified in the warehouse receipt. It is noted that this is covered by the institutions or business entities which all or majority of its capital belong to the state based on government regulations.

Key features

Up to 2014, the government of Indonesia has established 117 warehouses throughout the country. About 79% (92 warehouses) has implemented the warehouse receipt scheme located in 65 regencies in 16 provinces (out of 34 provinces in Indonesia). It covers commodities of paddy/rice (77%), corn (18%), and coffee as well as seaweeds (5%).

In 2014, there were 605 warehouses which issued warehouse receipts with the value of about 9.8 million. About \$US 6.4 million (65%) has been financed by the banking institutions. The highest proportion of warehouse receipt was allocated to paddy/rice with the total volume and value of 19,451 tons and \$US 9.2 million respectively. In aggregate, the value and financing of warehouse receipt scheme from 2008 to 2014 are presented in Figure 1.

Figure 1
Value and financing of warehouse receipt in Indonesia, 2008-2014



Source: Bappebti (2014)

CONCLUSION

The financial system of trade is essentially required in business activities including farms and small-medium enterprises-based agriculture which generally face the problems due to limited access to financial institutions. In this context, the warehouse receipt scheme is one of the solutions to obtain financing in line with assurance commodities stored in the warehouse. In other words, farmers and small-medium enterprise parties-based agriculture would be able to access the mechanism of financing in a simple manner.

The key word of the warehouse receipt scheme is feasibility of warehouse. It is expected that through the warehouse receipt scheme, the agricultural productivity as well as its quality products produced by farmers can be improved. Moreover, farmers would be able to set up the planting schedule followed by good marketing strategies.

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