

# Food Price Control Policy in Indonesia

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## INTRODUCTION

Indonesia experienced the highest inflation rate among Southeast Asian countries in 2013, jumping from 3.8% in 2011 to 8.3% by the end of 2013 (Monexnews, 2014). This has resulted in instability of food prices, exacerbating the situation of low-income households' economic well-being and significantly forcing them down below the poverty line. To prevent widespread damage due to inflation, Indonesia started to implement national food policy acts as an outline to stabilize food prices. From Fig. 1, we can see that the inflation rate tends to be more stable in Indonesia, and if the high inflation rate exits, it would lead to the social instability.



Sources: [www.tradingeconomics.com](http://www.tradingeconomics.com) & Statistics Indonesia (BPS)

Fig. 1. Indonesia's inflation rate during 2006-2016 (annual percentage change in the consumer price index) (Indonesia Investment, 2017).

During the governance of President Susilo Bambang Yudhoyono (2004-2014), fuel subsidies were reduced on a large scale by the end of 2005 by doubling subsidized fuel prices. Due to high international oil prices, this action soon led to an inflation rate between 14% and 19% (year-on-year) during October 2006.

Inflation plays a pivotal role in the socioeconomic well-being of Indonesia's inhabitants and can mean the difference between being above or below the poverty line. The peaks in Indonesia's inflation volatility correlate with the adjustment of established prices. Unstable energy prices, including fuel and electricity, are affected by market conditions (Indonesia Investment, 2017). Soaring prices due to inflation, consequentially, lead to poverty, causing government instability and distrust in the consumer market.

## **Previous Government Actions**

In 2015, the government established the Supply and Stabilization Team of Basic Needs Price as an implementation of Presidential Regulation No. 71 of 2015 (Perpres No. 71 the year 2015) to begin the establishment and storage of basic and essentials goods.

In 2016, the government, through the Indonesian trade minister, set a policy for applying national food price standards. The policy was controlled directly by the ministers and the government through the market monitoring system of basic needs (SP2KP) which had been published officially on the website and the national online system (Andoko & Liu, 2017).

## **Strategic Food Price Information Center**

Strategic Food Price Information Center is a website provided by the Ministry of Agriculture through the Coordinating Ministries for Economy Affairs, the Ministry of the Home Affairs, and the Bank of Indonesia. The development of the National PIHPS website is aimed at providing access to the latest food price information for the community, and concurrently supporting the formulation of inflation control policies. Public access to such information is expected to address the issue of price gaps and enable price stability. Additionally, credible, accurate, and up-to-date data and information will contribute to the success of inflation control policies.

National PIHPS provides daily information on food commodity prices in 164 traditional markets in 82 cities in Indonesia. The data in the National PIHPS includes traditional market price data for 10 food commodities with 21 variants, which are predominantly consumed by local communities and commonly affected by inflation. National PIHPS can be accessed by the public online at [hargapangan.id](http://hargapangan.id) or by downloading the application PIHPS National, available for free on Android and iOS devices (Bank of Indonesia, 2017).

National PIHPS will gradually continue its development. At a later stage, data coverage will be expanded to include data on modern markets, wholesalers, and producers. Additionally, National PIHPS will also be equipped with features that encourage the public participation including monitoring the development of food prices in the region. The presence of National PIHPS is expected to improve the public awareness in obtaining food-related information.

The National PIHPS is developed and coordinated by Pokjanas TPID together with Ministry of Trade and Ministry of Agriculture as mandated in Law No. 18 of 2012 on Food Control. The National PIHPS, which is an integration of local food price information (PIHPS), has several criteria and conditions that are intended to ensure validity and credibility of information and avoid duplication of information.

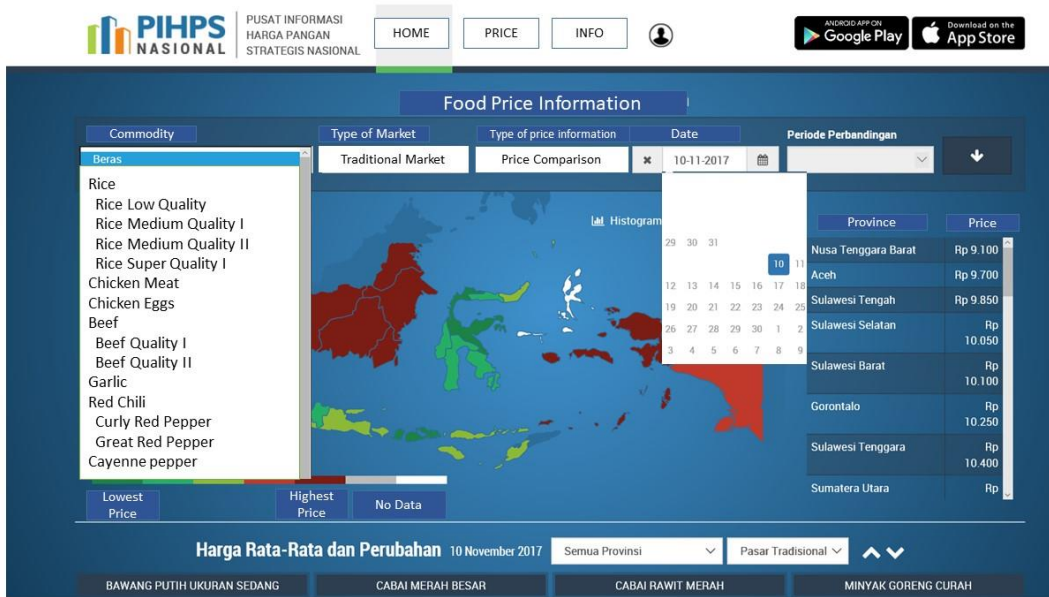


Fig. 2. PIHPS website homepage display

To ensure perfect transparency of data, the PIHPS website enables one to select from a broad range of food categories of varying quality. Additionally, one can select the market type, date, and location. Through providing such detailed information, the user will be perfectly informed, resulting in consumer confidence and price stability.

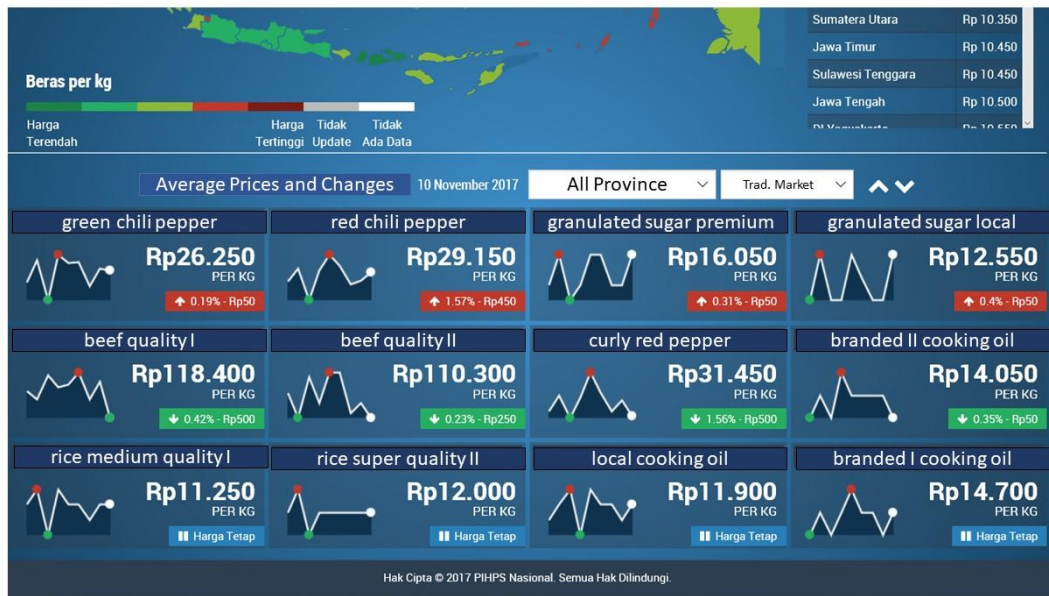


Fig. 3. Further information provided on the PEHPS homepage

The website also monitors daily changes in the average cost of each commodity throughout all of Indonesia. The organization of goods are as follows: price increases are displayed in red, price drops in green, and unchanged prices are displayed in blue.

## Government's Strategy on Policy

Act No. 7 of 2014 on Trade Article 25 (UU No. 7 the year 2014) regulates the control of essential goods throughout the territory of Indonesia. Article 26 states that the government is obligated to guarantee the supply and stabilization of prices of essential goods. Currently, the Presidential Regulation Price Control ensures that such information will be provided up to date (West Java Provincial Government, 2015).

## CONCLUSION

In response to erratic food price fluctuations, the Indonesian government has built the framework for food price policies to stabilize food prices, food security, and sustainability. To ensure economic stability, the Strategic Food Price Information Center (PIHPS) was implemented in 2017. The information center provides the public with access to up to date food price information in an effort to support national policies on inflation control.

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