

# How Indonesia's policy stumbles over palm oil exports have unfolded

JAKARTA — When Indonesian cooking oil prices started climbing in November, authorities faced pressure to contain the cost of the household necessity made from palm oil and used by most people in the world's fourth most populous country.

But the months of rapid-fire government policies that followed, including twice halting exports of palm oil, have at times both stunned and confounded global edible oil markets.

While President Joko Widodo has often shown he is prepared to act tough to squeeze more out of Indonesia's rich resources, the policy U-turns driven by political frustration over stubbornly high cooking oil prices have at times even caught some senior officials off guard, say government sources.

Underlining his focus, the president, whose approval rating has sagged in some recent polls over higher living costs, said this week the need for affordable food trumped revenue concerns in the world's biggest palm oil producer.

"Widodo has long been genuinely fixated on attempts to support social welfare through regulatory measures, which has sometimes entailed missteps," said political risk analyst Kevin O'Rourke.

Initial efforts to stem prices came in November when the government said an industry association would offer 11 million liters of cooking oil at 14,000 rupiah (\$0.9669) per liter, after prices hit 16,800 rupiah.

Still, when that failed to work, the government started introducing

subsidies to buy more than a billion liters of cooking oil.

Then came export permits in late January initially requiring 20% of sales of some products to the domestic market, which was later increased to 30% and with a ceiling price on cooking oil.

But despite those measures, cooking oil started to disappear from retailers, prompting long queues in the shops.

Changing course again, Coordinating Minister of Economics Airlangga Hartarto in March adjusted the ceiling price in favor of subsidies. Meanwhile, Trade Minister Muhammad Lutfi removed export curbs on March 18 and, instead, increased the palm oil export levy, blaming a "palm oil mafia" for exploiting the situation.

After this, supermarkets were supplied with cooking oil, but prices had

shot up to 25,000 rupiah per liter. The attorney general has since launched a corruption investigation over palm oil export permitting. With public concern growing, students held protests across the archipelago over food prices, particularly the cost of cooking oil.

The president, popularly known as Mr. Jokowi, has grown increasingly angry after months of failed attempts to control prices, said two government sources who asked not to be identified. Mr. Jokowi this month announced cash transfers for more than 20 million low-income households to buy cooking oil and on April 22 declared a new ban on exports, sending Malaysian palm oil futures to six-week highs.

Mr. Airlangga later said the ban would only apply to shipments of

refined, bleached and deodorized (RBD) palm olein, helping calm markets. But in an about face, Mr. Airlangga a day later said the ban would include crude palm oil, refined palm oil and used cooking oil, citing a Mr. Jokowi order.

Asked to comment on the policy confusion, the presidential palace and state secretary office did not immediately respond to requests for comment. But indicating opaque policy-making, some government officials said they were unaware the ban had been widened prior to Mr. Airlangga's public announcement.

Moreover, a letter sent by the agriculture ministry to provincial governors this week and reviewed by Reuters had specified the ban would only be for RBD palm olein. — Reuters

# Backyard hog producers expected to exit industry

COMMERCIAL hog producers will gradually replace backyard farms by 2025 due to the burden of investment in biosecurity measures required to keep African Swine Fever (ASF) at bay, the head of the agriculture chamber said.

"Many small farms will be closed, with some acquired by larger farms to scale up leading to further market concentration. Successful farms will have better biosecurity, which will reduce the impact of ASF," Philippine Chamber of Agriculture and Food, Inc. President Danilo V. Fausto said in a briefing on Friday.

"Pig productivity will recover, driven by the higher share of large commercial farms as well as their knowledge and financial capability compared to backyard farmers," he added.

He said that ASF outbreaks will remain a threat until a vaccine is found and that backyard production will drop, leaving a void that commercial farms are expected to take over.

The Philippines first detected ASF in Rizal in July 2019.

As of March 2022, ASF is active in five regions, covering nine provinces, seven municipalities, and 12 barangays.

The industry lost about 3 million hogs to the disease or to precautionary culls between 2019 and 2021, according to the statistics authority.

The Department of Agriculture (DA) also projected that in 2022, the domestic hog industry will not be able to supply 120,889 metric tons of pork.

By 2030, Mr. Fausto said that the majority of pork production will come from large commercial farms, either contracted to or owned by slaughter groups.

He added that pork production will be concentrated around Metro Manila, Regions I, and IV-A, where demand is the highest.

"Commercial farms will integrate upstream with the feed production as



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well as downstream with slaughtering and meat cutting; some will even integrate to retail and food service," he said.

"Domestic production efficiency will be improved, research and development into better feed, breeding and rearing techniques, automation, and the adoption of existing technology from other more advanced markets," he added.

He said that the average carcass weight will increase, driven by uptake of modern genetics and that the cold chain will improve due to private investment.

"The backyard (sector) will not recover, although small parts will remain due to the geographic challenges of the Philippines," he added.

Mr. Fausto said that the resurgence of ASF cases in the country is due to insufficient government financial support and inadequate control from authorities at quarantine checkpoints.

"Also, the absence of clear guidelines on how to handle the dead pigs, leading to many pigs' bodies thrown away in water, contaminating underground water sources," he added.

To address the gaps in ASF countermeasures, Mr. Fausto said that the government should invest in educat-

ing farmers and backyard raisers on biosecurity and implementing zoning protocols in suspected areas.

"To speed up the recovery of the backyard hog industry, the DA invested in the establishment of swine multiplier farms through clusters of 20 backyard hog farmers each, every member to be provided with five piglets each, 20 bags of animal feed, and biologics," he said.

Apart from the outbreak of ASF, Mr. Fausto said that the meat processing industry also needs to address imports and the lack of appropriate facilities.

"Only about 15% of total raw material requirements of the meat processing industry is supplied domestically because of a technical mismatch," he said.

"The refrigeration requirements of processors are not met by local producers and local production of manufacturing meat is not consistent in quality," he added.

Mr. Fausto said he expects that pork imports will also increase to meet domestic demand, facilitated by a relaxing of the current government position on imports to control retail prices. — Luisa Maria Jacinta C. Jocsion

# Broader definition of economic sabotage seen deterring smuggling of farm goods

By Alyssa Nicole O. Tan

THE GOVERNMENT needs to lower the threshold for violations that constitute economic sabotage in order to more effectively deter the smuggling of agricultural produce, a party-list organization said.

"Reducing the (volume threshold) of smuggled agriculture products that constitute economic sabotage is one concrete remedy to address smuggling," according to Anakpawis Party-list National President Ariel B. Casilao in a text message to *BusinessWorld*.

Republic Act 10845, which classifies large-scale smuggling of agricultural products as economic sabotage, allows no bail for the smuggling of produce in its raw state as well as the smuggling of items that have undergone simple processing or preservation. The no-bail rule applies to shipments valued at P1 million for most farm items. For rice the threshold is P10 million.

"The threshold is too high," Anakpawis Representative Rafael V. Mariano, the first Agrarian Reform Secretary of the Duterte administration, told *BusinessWorld* by phone.

He also called for penalties on any shipper that fails to show the appropriate documentation.

Mr. Casilao proposed that instead of P1 million worth of agricultural products, the threshold should be lowered to P100,000.

Instead of just possession, as stated in the law, warehousing or stockpiling of smuggled agricultural products should also be considered grounds for economic sabotage, he added.

"But more importantly, enforcing is a separate field to address in order to be effective in combating smuggling," said the Anakpawis president, calling out the Department of Agriculture (DA) for failing to impose "stringent measures against big-time smugglers."

The group cited the Senate's investigation, which found that more than 20 major smuggling operations are currently active, allegedly backed by high-ranking government officials and politicians.

The DA, Mr. Mariano said, should be held accountable for "criminal neglect" in allegedly failing to curb the smuggling of agricultural products.

"Highland vegetable farmers are on the losing end courtesy of the entry of cheap smuggled vegetables from China into the wholesale local markets. These cheap and unsafe vegetables are both detrimental to our growers and consumers," he said in an earlier statement.

Both smuggled and legally imported vegetables, he added, lower farmgate prices of domestic vegetables. For instance, carrots and cabbages for sale in Metro Manila at P85 and P115 per kilo have to compete with imports sold at P70 and P60 per kilo, respectively.

"When retail prices are depressed, so is the farmgate. Consequently, farmers are forced to dispose (of) their produce due to lack of post-harvest facilities that can store their products for long," Mr. Mariano said. "Compared to imports, domestic vegetables have a limited and shorter shelf life."

"The long shelf life of imported and smuggled carrots indicate that these have been treated with preservatives like formalin which can jeopardize the health of consumers," he added.

Mr. Mariano said the proposed measure will require increased inter-agency cooperation.

The party-list also called for the government to withdraw from the Agreement on Agriculture under the World Trade Organization, as well as for Congress to repeal laws that allow full liberalization of the sector, including the Rice Tariffication Law and the Agriculture and Fisheries Modernization Act.

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