

EDUCATION AND SOCIALIZATION OF PALM OIL TRADE POLICY IN INDONESIA

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Abstract

Significant increases in palm oil prices at the end of 2021 and early 2022 in Indonesia and in the world is an important concern for the government and all stakeholders to minimize the negative impact of the fluctuations in the price of the staple commodity. The Indonesian government made several policies in order to stabilize prices and ensure domestic palm oil supply, trade and export continued to run well amid the increase in palm oil prices. Based on the literature study can be seen that the international crude palm oil increased 77% in February 2022 (yoy) and domestic cooking oil price increased 33.78% in December 2021 (yoy). The juridical legal analysis shows that the Government of Indonesia made some new policy such as: (i.) the Regulation of the Minister of Trade No.5 of 2020 concerning Determination of Standard Export Prices for Agricultural and Forestry Products Subject to Export Duty, (ii.) the Regulation of the Minister of Trade No. 6 of 2022 concerning the Determination of the Highest Retail Price for Palm Cooking Oil, (iii.) the Regulation of the Minister of Trade No. 8 of 2022 concerning the second amendment to the Regulation of the Minister of Trade No. 19 of 2021 concerning Export Policies and Regulation. Hopefully with these new regulations, the price stability and availability of palm cooking oil can be maintained and give more benefit to the people. The Government of Indonesia (GoI) has to do continuous education and socialization of recent trade policy of palm oil. All stakeholders especially palm oil company need to understand how the new policy can be implemented and give benefit to the Indonesian customer as well as benefit to shareholder by exporting the palm oil abroad.

Keywords: Education and Socialization, Palm Oil, Trade Policy, Literature Study, Juridical Legal Analysis.

INTRODUCTION

Indonesia has many natural resources that make this country wealthy. One of the main natural resources is fertile soil that can growth good quality of plantation plant including palm oil. Every year, Indonesia can produce palm oil and palm oil products around 43.5 million ton (USDA, 2019). This blessing of good quality palm oil production in Indonesia can give prosperity to many stakeholders.

However, there has been a significant increase in international palm oil prices and affects fluctuations in palm oil prices in Indonesia and the world. The increase of this palm oil price can give benefit but also there is a cost need to be paid. Therefore, the government need to maintain the stability and affordability of this palm oil and its derivative by giving proper education and

socialization to the people about what is really happened.

The relevant authorities need to do out of the box policy because the situation recently is still in pandemic of COVID-19. Based on the description above, there is a room for new research related to education and socialization of palm oil trade policy in Indonesia.

RESEARCH METHOD

Education, socialization related to knowledge and science about law/policy is quite complicated and complex, starting from philosophical thinking, theoretical, conceptual and practical scientific developments. So, it can be realized in a concrete form that aims to provide good quality of legal products to the public as one of the solutions in life (Sonata, 2014). Education is a very essential factor in human

life because if someone get the certain knowledge then he/she will be able to make a better decision in life, self-empowerment and aware of policy, rules and regulations (Jati, et al., 2019). In policy/law, it is possible for comparisons to be applied using legal elements as the basis for comparative policy/law that is being developed (Ishag, 2017). This policy/legal knowledge is then used for policy/legal research in order to be able to seek and find the right things about the law that can help to answer and solve policy/legal problems correctly (Agung, et al., 2017). From the policy/legal point of view, methodology is a way of doing this using the mind carefully in order to achieve a certain goal (Ishaq, 2017).

Furthermore, research method is the science of how to do writing of paper systematically and regularly. Focus on Juridical Research Analysis, namely the education, socialization, and knowledge of procedures for carrying out research activities based on applicable policy, laws and regulations in a systematic and orderly manner. The Literature Study analysis is usually used before carrying the juridical legal analysis. The definition of a literature review study is a process of study of writing information about the applicable policy/laws/statutory regulations originating from various sources and widely published, the results of which are required in the normative legal method (Mohammad, 2004).

In the juridical legal analysis, there are several legal approaches that can be used, specifically for this research, the author focuses on using a statutory approach so that it can focus on studying and analyzing the new palm oil trade policy/law in Indonesia. The author also provides a conceptual bases, comparisons between regulations and sufficient analysis to be able to understand the policy in field of palm oil trade.

FINDING AND DISCUSSION

Based on the literature study from CME group data, in February 2022, there was an increase in the international price of Crude Palm Oil (CPO) to around USD 1,290/ton or an increase of 77% compared to February 2021 or an increase of 14% compared to January 2022.

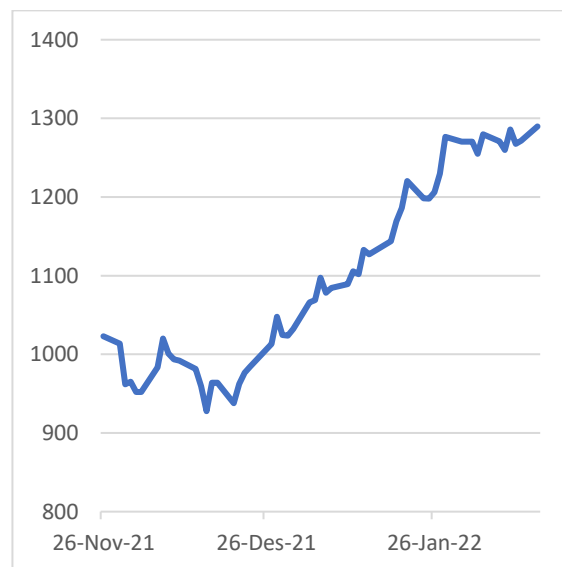


Figure 1. Fluctuation of International Palm Oil Price (USD/Ton)

Source: Malaysian Crude Palm Oil Price CME Group, 2022

The significant increase in palm oil is an important concern for all stakeholders including government because palm oil is one of the important food components for the people and give significantly contribution to the economic development by selling domestically and exporting to other country.

Table 1. Indonesian Exports to the World for Palm Oil Products

NO	HS CODE	DESCRIPTION	YEAR			CHANGE. %	Trend (%)
			2019	2020	2021		
						20/21	19 - 21
1	151190	Vegetable Oils; Palm Oil And Its Fractions, Other Than Crude	11,075	12,620	23,972	90	47
2	382319	Industrial Monocarboxylic Fatty Acids; Acid Oils From Refining	1,501	1,573	3,077	96	43
3	151110	Vegetable Oils; Palm Oil And Its Fractions, Crude, Not Chemically Modified	3,642	4,744	2,694	-43	-14
4	151329	Vegetable Oils; Palm Kernel Or Babassu Oil And Their Fractions, Other Than Crude	869	1,084	1,851	71	46
5	151790	Edible Mixtures Or Preparations Of Animal Or Vegetable Fats Or Oils Or Of Fractions	660	770	1,522	98	52
6	382370	Industrial Fatty Alcohols	660	765	1,238	62	37
7	151620	Vegetable Fats And Oils And Their Fractions; Partly Or Wholly Hydrogenated	254	289	838	190	82
8	382311	Industrial Monocarboxylic Fatty Acids, Acid Oils From Refining; Stearic Acid	398	497	812	63	43
9	291590	Acids; Saturated Acyclic Monocarboxylic Acids; Anhydrides, Halides, Peroxides	228	390	591	52	61
10	340120	Soap; In Forms N.e.c. In Item No. 3401.11	322	372	476	28	22
11	151800	Animal Or Vegetable Fats And Oils And Their Fractions; Oxidised, Boiled Or Otherwise	80	157	354	125	110
12	290516	Alcohols; Saturated Monohydric, Octanol (octyl Alcohol) And Isomers Thereof	119	102	213	108	34
13	291570	Acids; Saturated Acyclic Monocarboxylic Acids; Palmitic Acid, Stearic Acid, Their Salts And Esters	107	134	204	52	38
14	230690	Oil-cake And Other Solid Residues; Whether Or Not Ground Or In The Form Of Pellets	30	49	126	155	107
15	340211	Organic Surface-active Agents; Anionic (other Than Soap), Whether Or Not Put Up For Retail Sale	73	82	114	39	25
16	151710	Margarine; Excluding Liquid Margarine	71	91	112	22	26
17	290517	Alcohols; Saturated Monohydric, Dodecan-1-ol (lauryl Alcohol), Hexadecan-1-ol (cetyl Alcohol)	61	62	108	74	33
18	151321	Vegetable Oils; Palm Kernel Or Babassu Oil And Their Fractions, Crude, Not Chemically Modified	400	244	75	-69	-57
19	290519	Alcohols; Saturated Monohydric, N.e.c. In Item No. 2905.1	24	28	40	44	29
20	152200	Degras; Residues Resulting From The Treatment Of Fatty Substances Or Animal Or Vegetable Waxes	9	16	35	120	93
TOTAL			20,583	24,069	38,451	60	37

Source: Indonesian Statistics, 2022 (in USD)

Table 1 shows Indonesia's exports to the world for palm oil products. A total of 20 six-digit HS codes were exported abroad. There was an increase in exports of 60% in 2021 to around USD 38.4 billion compared to USD 24 billion in 2020. Palm oil export trend from 2019-2021 showed an increase of 37%.

So, the increased of the international price of palm oil can make the business entities

prefer to export to other country than only selling in Indonesia. This is due to the fact that there is possibility to make more profit in USD for the company. Meanwhile the palm oil/cooking oil customer in Indonesia also need to get affordable cooking oil products.

In December 2021, Indonesian statistics data year on year/yoy shows that there is an increase of cooking oil from palm oil price around 33.78% (the biggest) compared with

other essential products price increased such as: cayenne chili (28.9%), mackerel fish (9.3%), beef (4.1%), and wheat flour (3.9%). This indicates that the government need to make fast response to find the best way how to maintain the availability and stability of the palm cooking oil price by making new regulations.

The juridical legal analysis shows that Central Government of Indonesia made some new policy/regulation related to palm oil trade in Indonesia. On February 1, 2022, regulation of the Minister of Trade Number 05 of 2022 concerning Determination of Standard Export Prices for Agricultural and Forestry Products Subject to Export Duty has been enacted, which is made by taking into account the written proposal and the results of the coordination meeting of the relevant technical agencies.

Also, in the same date, regulation of the Minister of Trade Number 06 of 2022 concerning the Determination of the Highest Retail Price for Palm Cooking Oil is also enacted, which aims to maintain stability and certainty in the price of palm cooking oil, as well as the affordability of palm cooking oil prices at the consumer level. This regulation revokes the Minister of Trade Regulation Number 03 of 2022 concerning the Provision of Packaged Cooking Oil for Community Needs in the Financing Framework by BDPKS. Article 3 stipulates that the Highest Retail Price (*Harga Eceran Tertinggi/HET*) is as much as:

- a. Rp.11,500 for Bulk Cooking Oil,
- b. Rp. 13,500 for Simple Packaged Cooking Oil,
- c. Rp. 14,000 for Premium Packaged Cooking Oil.

Business people who violate this regulation may be subject to administrative sanctions up to the revocation of business licenses.

On February 15, 2022, the regulation of the Minister of Trade Number 08 of 2022 concerning the second amendment to the Regulation of the Minister of Trade Number 19 of 2021 concerning Export Policies and Regulations was also enacted. This Minister

of Trade Regulation was made with the aim of optimizing the availability of cooking oil and cooking oil raw materials, it is necessary to reorganize the polices and regulations for exporting crude palm oil, refined, bleached, and deodorized palm olein, and used cooking oil.

Based on Minister of Trade Regulation No.8 of 2022 (Permendag No.8), there is an increase in the number of HS Codes/types of products of palm oil which are regulated by licensing for export business from 9 types to 59 types of products. If the palm oil exporter company wishes to export the palm oil products and its derivatives, there are requirements for Export Approval (*Persetujuan Ekspor/PE*) including:

- a. an independent statement in the form of identity and legal aspects from the exporter as well as a statement that the distributed Crude Palm Oil (CPO) and/or RBD Palm Olein comes from nucleus plantations (*perkebunan inti*).
- b. export plan within 6 months.
- c. realization of domestic distribution for CPO and/or RBD Palm Olein evidenced by attaching a sales contract, purchase order, delivery order and tax invoice.

Moreover, the Permendag No.8 also regulates the approval requirements (*Persetujuan Ekspor/PE*) for other fuel export (new submissions) specifically for biodiesel from palm oil with tariff headings HS Code 38260021, 36260022, and ex 38260099, which are:

- a. A valid registered exporter (*Eksporir Terdaftar/ET*) of other fuels.
- b. Export realization report for those who have obtained previous export approval and/or export plans for the current year.
- c. Recommendation from the Ministry of Energy and Mineral Resources of the Republic of Indonesia (*Kementerian ESDM*) or data available in the event that the

commodity balance has not been determined.

The distribution realization needs to be fulfilled some points: the number of distribution Domestic Market Obligation (DMO), Domestic Price Obligation (DPO). Finally, the central government want to give education and socialization related to the enacted the new policy of palm oil trade. The education needed to be delivered because the society need to understand what is the background of the new regulation. The socialization also needs to be informed to the people so that there is benefit to consumer by implementing the new policy of palm oil. Although, there will be cost that need to be bare by government and business people that can be covered by the Indonesia Oil Palm Plantations Fund Management Agency (BPDP KS).

CONCLUSION

The people of Indonesia need to get good education and socialization related to the latest trade policy of palm oil in Indonesia. The new regulation/policy has been implemented as the consequence of the significant increase of cooking oil from palm oil price in Indonesia and in the world. The exporter of palm oil company needs to understand and support the affordability and availability of cooking oil in Indonesia by following the regulation of Minister of Trade.

Hopefully with the new palm oil trade policy/regulations, the stability of palm cooking oil price can be maintained and give more benefit to the people. The Government of Indonesia (GoI) has to do continuous education and socialization of recent trade policy of palm oil. All stakeholders especially palm oil company need to understand how the new policy can be implemented and give more benefit to the Indonesian customer as well as more profit

to company shareholder by exporting the palm oil abroad.

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