

POLICY ON FOOD PRODUCTION TO ENSURE FOOD SECURITY

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BACKGROUND

Indonesia is now encountering one of the most serious food security problems after remarkable progress has been made in improving food security for the past three decades. The problems in food production which certainly affect food availability, primarily due to the El-Nino effect which caused long drought with immediate impact a significant decline in food production which certainly effect the total amount food available for the people.

The monetary and financial crisis have disrupted agricultural credit and agro-input markets, impeded normal agro-export operations, and have triggered sharp declines in the export of agricultural commodities. The crisis has also reduced off-farm employment opportunity, particularly in the construction and services sectors. Lower output reduced off-farm employment opportunities and rapidly rising agro-input prices has depleted food producer savings, triggering a sharp fall in agro-input use. Cutbacks in agro-input use particularly pesticides application has been associated with an increase in pest outbreaks and relatively low quality products.

In the demand side, monetary crisis has caused a tremendous employee lay-off, which significantly contributes in increasing number of households who lives under poverty-line. As a result, a sharp decline in purchasing power sharply has been reported in some areas and therefore, the ability of households to afford an adequate food diet fall remarkably. According to the World Bank report, there will be more than 50 million people live under poverty line. It should be pointed-out, however, not all poor households suffer food insecurity. Some may simply be poor but still have enough food to eat. According to the National Coordinator for Family Planning Agency's (BKKBN) estimates, there would be approximately 9.6

million urban and 24.3 million rural food-insecure individuals as of mid-1998.

The monetary crisis has also ruined the poultry industries, as well as livestock industries. The livestock production has been reported to drop from 14.5 million heads per week to the level of only 4 million heads per week in May 1998. The number of poultry farmers has also declined from 15,938 to 3,312 farmers. The problems in livestock and poultry industries mostly caused by high price of animal feeding.

The difficult situation that has been faced by almost every sector in agriculture has brought about a negative impact on the overall development in the country. The pace of development has been stunted if not stopped, which apparently turn-up the remarkable growth accomplished in the early nineties up-side-down. Therefore it is obvious that government should be able to come-up with a robust policy particularly in ensuring food availability as a strong foundation for other sectors to move forward to further development.

FOOD SITUATION

Unfavorable weather has resulted in the decline in rice production in 1998, which has been estimated to reach more than 48.05 million tons paddy or approximately 27.14 million tons milled rice, which is more than 6 percent lower as compared to the previous year. With such a decrease, in order to fulfill the demand for rice the government projected the rice import will be 3.1 million tons which the highest importation since the attainment of self-sufficiency in 1984.

The production of secondary crops such as corn is estimated to increase slightly from 9.39 in 1997 to 9.41 million tons in 1998, whereas soybean is projected to decline to 1.47 million tons in 1998. To meet the domestic demand for soybean more than

867,000 tons has to be imported. A significant decline in sugar production is also estimated by the Central Bureau of Statistics, which only reach 1.3 million tons in 1998 as compared to 2.1 million tons in 1997, therefore quite a large quantity of sugar still has to be imported in order to meet the domestic demand.

In the livestock and poultry as reported by the Ministry of Agriculture, the production of meat increased from more than 309.100 ton in 1969 to more than 1.57 million tons in 1995. At the same period, eggs and milk production have increased from 57.7 thousand tons and 28.9 thousand ton to 728.8 thousand ton and 432.9 thousand tons, respectively. Beef and buffalo are the main sources of meat in Pelita I-III. However, since Pelita IV, poultry production become predominant contributing nearly 30% of total meat production. By Pelita VI (1995 and 1996), the contribution of poultry reached more than 55% of total production of meat. The significant development in poultry industry has resulted in increasing demand for feed, and consequently the corn and soybean demand which are important component in animal feed has been reported increasing. Statistical data shows that import of corn and soybean meal increase steadily, in line with the growth in this industry.

The dairy cow population has been grown-up by an annual rate of 1.7% in the past three years. It was accounted 341.300 heads in 1995, 353,000 heads in 1997. In 1998, the population is predicted as much as 362,000 heads. The production of milk has also increased in the past three years by an annual rate of 1.5%. It was increased from 379,200 tons in 1995 to 390,700 tons in 1997. In 1998, the milk production is predicted to reach 486,000 tons, which is slightly higher than the previous year. Approximately 85% of the milk production are absorbed by the Milk Processing Industries through the Association of Milk Co-operatives. This national fresh-milk production contributes only 31.2% from the total demand of fresh milk for the over all milk industry. Therefore, more than one-third of total demand for milk has to be imported from various countries.

Before the monetary crisis the consumption of milk has also been reported to increase in the past three years following the improvement of quality of live, better economic situation, and the increase of population. There was 4% annual rate of increase of milk consumption from more than 1.35 million tons ton in 1995 to 1.25 million tons in 1997.

The increases in population and income levels have led to an increase in the demand for meat and dairy products. While the rising demands for poultry products are met by domestic production, for beef still has to be imported, and the importation seems to increase annually.

In the past three years, there have been an increased of calves import. It was accounted for 246,900 heads in 1995, 378,300 heads in 1996, and 350,600 heads in 1997. In the same time, import of meat has also increased from 19,200 tons in 1995 to 27,200 tons in 1996. There were slightly decrease in meat import in 1997, amounted to 27,000 tons.

Traditionally, animal hides and skins have been the only notable export commodities in this sub sector. However, the country has recently started to export hogs and day-old-chicken (DOC). The country is still a net importer of livestock and dairy products, accounted as much as 3,800 heads of cattle breed, 169,100 feeder steers, 1,443,600 day old chicks, 17,255 tons of meat, 66,071 tons of milk products, in 1995.

The annual per capita food availability in 1996 which was reported as 158.57 kg for rice, 44.78 kg for corn, 61.18 kg for cassava, 8.41 kg for meat, 3.54 kg for eggs, 5.7 kg for milk, and 19.0 kg for fish seems to decline following the crisis. In 1996 the total national energy and protein availability were 3,208 Kcal, and 73.09 g/capita/day actually have already meet the recommendations made by the Widya Karya Pangan dan Gizi's in 1993 with 2,500 Kcal for energy and 55 g/cap/day for protein, but these figures apparently have declined after the recent crisis.

POLICY AND STRATEGY IN FOOD PRODUCTION

The monetary and financial crisis encountered by Indonesia recently has revealed that apparently the macro economic policy, which has been implemented since the last decade, does not seem to support the development in agricultural sector as compared to other sectors such as industry and manufacturing. Agro-industry which is supposed to be the backbone of national economy in encountering this crisis is not well developed, although we all know that this industry can absorb most of agricultural products produced domestically, providing employment opportunity and give a better income to the farmers. Agricultural sector has been tasked to provide enough food for the people at affordable price which basically means low price and at the same time agriculture has also to be able to ensure adequate supply of raw material for industry. These tasks actually have conflicting and contradictory objectives since it defending the interests of both consumers and producers. As a result, productivity in agricultural sector is considered the lowest as compared to other sectors, and there has been no significant improvement in the farmers' income. Therefore it is not surprising if most of farmers still live below the poverty line.

Recognizing such problems in agricultural sector government has been trying to launch new food policy as a part of the agricultural reform. Food production although it still geared towards the fulfillment of domestic demand but it will be carried-out rationally, taking into account the comparative and competitive advantages of the area. Farmers are free to choose the kind of crops grown in his land that can give the highest income to them. Government will facilitate farmers through the provision of special credit line with special low interest rate, adequate and affordable price of agricultural inputs, introduction of new technology including new high yielding varieties.

In the short run government has announced the new floor price (Rp 1,000,-/kg increase from Rp.700,-/kg), write-off of the

previous KUT's credit and special subsidy for fertilizer particularly potassium chloride. The distribution system of fertilizer will also be improved and changed to ensure the availability of fertilizers at farm level and at the right time to avoid delay in planting. The function of extension workers which has been proven to be effective in increasing production, will be intensified as a part of the institution improvement programs, together with program and activities to strengthening cooperatives in the village areas.

Post-harvest facilities whether it is thresher, mechanical dryers, shellers, rice milling units, others will be made available, and special program to train farmers and member of cooperative to operate the facilities will be launched. This effort is very important in order to minimize losses and improving the quality of agricultural products, which will in turn increase the availability of food and increase the farmers' income.

With regards to livestock, in the past this sub sector had been developed through a system that linked-up farm supply, farming system, processing, marketing, and veterinary services. Animal production was carried out by developing animal breeding, feed rations, dairy management, disease control and post harvest technology. A national animal health system has been developed through integrated veterinary services, protection of animal resources, betterment of livestock environment and food safety of animal products. The livestock development programs in Indonesia basically covers: (i) Nucleous-Plasm Concept, (ii) Project Implementation Services, and (iii) Commercial Scheme. This policy has been implemented and the results have been considered good, therefore it will be continued and expanded in the incoming development plan.

In addition to the policy described briefly above, the Directorate General of Livestock, Ministry of Agriculture, has also set-up new policies related to the development of the livestock and poultry industries, among others described as follows:

I. Poultry Industry**Short Term :****(1) To provide working capital to the farmers**

Special credit scheme will be established for the small - medium industries with 17% annual interest. Total credit of Rp 300 billion will be proposed to the Central Bank of Indonesia to put 6,000 farmers into operation with two cycles of Rp. 25 million each cycle. This, will increase the production of broiler chicken by 3.5 million heads / week and approximately increase by 7 - 8 million heads / week by the end of 1998. Until May 1998, there have been 2,006 farmers out of 6,000 farmers endorsed as avalis. There have been 3 companies endorsed by BRI. Those are PT. Wonokoyo, PT. Japfa Mitra Sentosa, and PT. Nusantara Unggas Jaya.

(2) To reduce the cost of production

- ✓ To provide import subsidy for soybean cake and fish flour on a fixed exchange rate of Rp. 6,000, - per US dollar to maintain the price of animal feed at Rp. 1,200 / kg. The demand for soybean meals and fish meals are 800,000 tons and 150,000 tons, respectively.
- ✓ To provide funds for purchasing domestic corn through co-operation between KUD (co-operative) and animal feed factory. Corn will be bought at Rp. 550 - 600,- per kg.

Medium Term

- (1) To reduce cost of production for an efficiency native chicken (ayam ras) industry with an emphasis on a better management by reducing mortality rate with applying of vaccine, disease control, and good feeding practice.
- (2) To increase the domestic production of corn and fish flour through the planting of hybrid corn and establishing fish flour factory.

- (3) To increase the farmers income by simplifying the market channel through cooperative and establishment of chicken slaughtering facility that will be run by the co-operative.

Long Term

To restructure the poultry industries to people based industries. It means that restructuring the dependency on import technology and supply to the domestic resources potential.

II. Livestock Industry**(1) Cattle Intensification Program (INSAP)**

This Program has been implemented and is continued. It will be expanded from 7 provinces in 1997/1998 to 14 provinces. Some 279,834 heads (70%) out of the 398,200 heads acceptors target in 1997/1998 are pregnant and expected to deliver the calves in 1998. In 1998/1999, some 268,282 heads out of 383,263 heads acceptor target would give birth in 1999.

(2) Deregulation on local cattle market system

Based on the Presidential Instruction (Inpres) No. 2 1998 following the Letter of Intent between Indonesia and the IMF, there will be no cattle supply quota from the producer area to the *recipient* areas and no retribution fee in transporting cattle from one area to another, and it is expected to provide a better flow of cattle trading in the country.

(3) To control the brucellosis disease and slaughtering productive cow

Efforts to save the cattle population are taken by implementing 2 programs. First, controlling the brucellosis disease programs, which cause abortion and low birth rate. This program will be implemented in South Sulawesi, NTT, and East Timor

with the assistant of the government of Australia. The second program is controlling slaughtering of productive female cattle. This program will be co-ordinated with the Ministry of Internal Affairs.

III. Efforts to ensure the availability of animal feed raw material

- (1) To expand the hybrid corn planting for feed purposes. This will be implemented during the plant season of October - March and April - September;
- (2) To introduce feed diversification which is made of mix tapioca and coconut meal which will substitute imported soybean meal.
- (3) To increase the production of domestic fish meal by putting fish meal factory into operation and by establishing new small scale fish meal factory.
- (4) To search for new substitute of various components in animal feed by utilizing domestic materials in order to replace imported feed materials; which becomes so expensive due to low rupiah value.

IV. Milk Industry

(1) Price policy

Following the letter of intent between Indonesia and IMF, there has been a deregulation on milk ratio policy. With this policy, the milk can be distributed through a direct selling with only Rp. 1,000 / kg. while the industries' price is only Rp. 850 / kg.

(2) To increase the domestic fresh milk production

To solve the shortage in domestic fresh milk, a new policy to increase milk production will be implemented through improvement of dairy cow's yield and the increase of dairy cow's population. The routine efforts that has been implemented is by improving the genetic quality through artificial insemination, better feeding, better plant management, and by controlling milk damages.

A special program to introduce the better milking way and encourage the production of milk from goat for local consumption has been launched. The program will also try to increase the population of calves, rearing of dairy cattles in cooperative units stockyard. This program should be subsidized by the government particularly for importing the dairy cattle through provision of special credit scheme with low interest rate.

(V) Crash Program

A special crash program to save the 6,000 small poultry farmers by provision of broilers and layers chicken for farmers. Rearing Multiplication Center (RMC) will be established and the number may reach 64 units. For the first stage 2,560 farmers will be selected to join the program and the number will be 14,900 farmers in the second year. Program to improve local species of chicken will also be launched, since its population has been declining, after the introduction of layers and broilers.

CONCLUSION

The main objective of the government food policy is to ensure there will be enough available food for the peoples in every location, safe for consumption and at affordable price. Government policy in food production has been geared towards meeting the domestic demand as well as to provide raw material for food industry, as an integral part of the program to ensure food security at national as well as at household levels.

With the reformation programs launched by the government, attainment of self-sufficiency should be carried-out rationally, taking into account comparative and competitive advantages of the areas. In anticipating the recent crisis various program has been launched covering the program to increase production of basic food

commodities, improving distribution system, provision of better inputs etc.

In livestock and poultry industry efforts have been made to improve the production of cattle, herd, dairy cows, broilers and layers. Various programs have

also been initiated including program to increase production of raw material for animal feed industries, special credit scheme for importing calves and dairy cattle, to improve population of cattle in the country.