THE ROLE AND FUNCTION OF THE MINISTRY OF TRADE OF THE REPUBLIC OF INDONESIA IN MANAGING THE HIGH AND SCARCITY OF COOKING OIL IN INDONESIA

by
Junaedi
Government Study, University of Muhammadiyah Makassar, Sultan Alauddin Street, No. 259 Makassar
Email: junaedi@unismuh.ac.id

ABSTRACT
Indonesia is a granary for palm oil, the largest producer of crude palm oil (CPO) in the world is still faced with the problem of oil scarcity, soaring cooking oil prices. The Role and Functions of the Ministry of Trade of the Republic of Indonesia in Overcoming the High and Scarcity of Cooking Oil in Indonesia. Data analysis was carried out using an analysis based on the Role and Functions of the Ministry of Trade of the Republic of Indonesia in Tackling the High and Scarcity of Cooking Oil in Indonesia. The purpose of this study is to examine and analyze the role and function of the Ministry of Trade of the Republic of Indonesia in Tackling the High and Scarcity of Cooking Oil in Indonesia. As for the benefits of this research academically, this research is useful regarding the role and function of the Indonesian Ministry of Trade in tackling the scarcity and skyrocketing cooking oil prices in Indonesia, while theoretically, this research can enrich the repertoire of literature in terms of studying the Role and Functions of the Indonesian Ministry of Trade) in tackling scarcity and skyrocketing cooking oil prices in Indonesia.

This is an open access article under the CC BY-SA license.

Corresponding Author:
Junaedi,
Government Study, University of Muhammadiyah Makassar
Sultan Alauddin Street, No. 259 Makassar
Email: junaedi@unismuh.ac.id

1. INTRODUCTION
Background
Jakarta, Beritasatu.com - The year 2021 was closed with soaring cooking oil prices in the market. Market players, ranging from distributors, modern retailers, traditional market players, retail traders, to consumers, especially small traders selling food, are haunted by the high selling price of cooking oil. They screamed at the increase in commodity prices.

It is ironic that Indonesia, which is the granary for palm oil, thus becoming the largest producer of crude palm oil (CPO) in the world, is still faced with the problem of scarcity of cooking oil. As a result, the Business Competition Supervisory Commission (KPPU) detected indications of cartel practices behind the spike in cooking oil prices.

To respond to the increase in cooking oil prices, in early January 2022, the government made a policy by establishing a cooking oil subsidy policy. However, this policy has made the stock of cooking oil on the market even more limited, even scarce. The government then implemented a domestic market obligation (DMO) and domestic price obligation (DPO) policy as of February 1, 2022. Under the DMO policy, cooking oil companies are required to supply cooking oil of 20% of their export volume. Then in the DPO policy, the government sets the price of CPO at Rp 9,300 per kilogram.

Furthermore, in the Regulation of the Minister of Trade Number 6 of 2022 concerning the Determination of the Highest Retail Price (HET) for Palm Cooking Oil, the HET for bulk cooking oil is Rp. 11,500 per liter, simple...
packaged cooking oil is Rp. 13,500 per liter, and premium packaged cooking oil is Rp. 14,000 per liter. However, HET cannot fully run in the field due to the scarcity of cooking oil.

As for the cause of the scarcity of cooking oil in Indonesia, senior economist at the University of Indonesia (UI) Faisal Basri (18/2/2022) said that the current scarcity of cooking oil is because the government is more indulgent in biodiesel than for the stomachs of its people. , make the stomach a matter of late. So make the energy pampered, make the stomach is not pampered ".

Faisal assessed that due to government policies, domestic crude palm oil (CPO) entrepreneurs are better off distributing it to biodiesel than for consumption for the food industry, domestic consumption of CPO, which was previously dominated by the food industry, is now a biodiesel industry.

A sharp increase has occurred since 2020 with the implementation of the B20 Program (20% CPO content in biodiesel). "Don't blame entrepreneurs either because entrepreneurs are not prohibited from making a profit, of course entrepreneurs will look for fields that are more profitable. Fortunately, they sell more to biodiesel. Who makes that? Yes, the government. can't rule."

KOMPAS.com - The Indonesian Ombudsman (ORI) (8/2/2022) delivered three findings related to the scarcity and spike in cooking oil prices on the market. ORI member Yeka Hendra Fatika explained that the findings were obtained from community situation reports from 34 provinces in Indonesia. “The first is hoarding. It is hoped that the food task force will react quickly and firmness is also needed. Once the food task force is firm, hoarding efforts can be minimized,”

Second, there is an effort to divert the sale of cooking oil from the modern market to the traditional market. "So it is made rare because there are people in the modern market offering players in the traditional market to buy cooking oil," this situation has created a shortage of cooking oil in the modern market. In his view, the motivation for the transfer of sales was done so that cooking oil could be sold at a higher price. “Because you have to sell Rp. 14,000 in the modern market, it's better to sell it to the traditional market in the end. Offered to shops at a price of Rp. 15,000 to Rp. 16,000”.

Traders Limit Cooking Oil Sales because Stock from Limited Agents It is known that cooking oil prices have soared and supplies are scarce in the market starting in early 2022. The Ministry of Trade then issued a regulation on the Highest Retail Price (HET) for palm cooking oil. The regulation is contained in Minister of Trade Regulation No. 6 of 2022, with the provision that the price of bulk cooking oil is Rp. 11,500 per liter, packaged cooking oil is Rp. 13,500 per liter, and premium packaged cooking oil is Rp. 14,000 per liter.

The latest finding from ORI regarding the scarcity of cooking oil is that there is panic buying in the community. This situation is due to unclear information regarding the presence or absence of cooking oil stocks. “Because what the stalls buy today is not to meet current needs, but for the needs of the next two weeks to one month, when the government through the Ministry of Trade (Kemendag) takes a policy of equalizing cooking oil prices, finally there is hoarding which results in a shortage of supplies on the market. This factor then causes people as consumers to panic for fear of not getting a share.

The Ministry of Trade Values the Expensive and Temporary Scarcity of Cooking Oil Phenomenon "Once there is intervention (the government) creates a market shock and causes hoarding," prompts the government to prepare a mechanism to anticipate the scarcity and spike in cooking oil prices. The reason is that this situation has often been experienced by the government in relation to other staples of the community. “This experience should be because it always happens and can be anticipated. We hope that these three things (findings) can be eliminated in the future.
2. RESEARCH METHOD

Based on the above background, the formulation of the problem in this paper is: What is the Role and Function of the Ministry of Trade of the Republic of Indonesia in tackling the scarcity and skyrocketing cooking oil prices in Indonesia?

Research purposes

Departing from the formulation of the problem above, the purpose of this research is expected to be able to examine and analyze the Role and Function of the Ministry of Trade of the Republic of Indonesia in tackling the scarcity and skyrocketing cooking oil prices in Indonesia.

Benefits of research

The benefits of this research consist of academic, theoretical, and practical benefits, as follows:

a. Academically, this research is useful regarding the Role and Functions of the Indonesian Ministry of Trade and the Logistics Affairs Agency (BULOG) in overcoming the scarcity and skyrocketing cooking oil prices in Indonesia;

b. Theoretically, this research can enrich the repertoire of literature in terms of studying the Role and Functions of the Ministry of Trade of the Republic of Indonesia in overcoming the scarcity and skyrocketing cooking oil prices in Indonesia;

c. Practically

1. As information material for academics and the public for consideration and input for further research.
2. As input for the government, especially the Ministry of Trade of the Republic of Indonesia in tackling the scarcity and skyrocketing cooking oil prices in Indonesia.

Data collection technique

Online Data Search / Internet Searching

Internet searching is a technique of collecting data through the help of technology in the form of tools / search engines on the internet where all information from various eras is available in it. Internet searching is very easy in order to help researchers find a file / data where the speed, completeness and availability of data from various years are available. Searching for data on the internet can be done by searching, browsing, surfing or downloading.

Types of Data and Data Collection Techniques

Data Type

Secondary Data

Secondary data is data obtained from secondary sources other than field data such as literature data from books, magazines, the internet, the results of previous research. Secondary data is used as a complement to primary data. Secondary data in this study is in the form of data that researchers found on the internet or in books.

Data collection technique

This research was obtained from various sources, including journals, books, news and websites, media reviews, and other relevant sources.

3. RESULTS AND ANALYSIS

Our household consumption of cooking oil is 61% bulk oil, but the policy implemented is a subsidy on packaged oil. This means that the policies taken are inconsistent,” (Rusli Abdullah when contacted by Beritasatu.com: 16/2/2022).

The government replaced the ineffective cooking oil subsidy policy with a DMO and DPO policy which took effect as of February 1, 2022. However, Rusli sees that there is still a shortage of cooking oil, both in traditional markets and modern retail. Even if available, the price is still above HET.

“Until now, the price of cooking oil has not dropped and it is scarce in some areas. Why? This means that there is a problem upstream when there is an interaction between PKS (palm oil mill, ed), the owner of the oil palm plantation and the cooking oil company. Because there are also cooking oil companies that do not have oil palm plantations, but they buy CPO from PKS. The problem is, PKS doesn't have an obligation to DMO, if it doesn't export. Many PKS hold their exports, so they are not obliged to DMO,". The production of Indonesian palm oil production, 2000-2017 can be seen in the statistical data below:

Graph 1.1

Indonesian Palm Oil Production, 2000-2017
The production of Indonesian palm oil (Crude Palm Oil) during the period 2000-2017 continued to increase. In 2017 Indonesia produced palm oil reaching 34,468,293 tons.

**Graph 1.2**

*Indonesian Oil Palm Plantation Area*

The area of oil palm plantations in 2012 reached 12,298,450 hectares.

**Graph 1.3**

*Area of People's Plantation in 2017*
Another view on the causes of the scarcity of cooking oil was conveyed by economist Faisal Basri. He saw a shift in domestic CPO consumption. CPO consumption has shifted from the food industry to the biodiesel industry. This condition has occurred since the government implemented the B-20 program in 2020. This program requires mixing 20% of biodiesel with diesel fuel.

With this program, the allocation of CPO for biodiesel gradually increased, from 5.83 million tons in 2019 to 7.23 million tons in 2020. On the other hand, CPO consumption for the food industry fell from 9.86 million tons in 2019 to 8.42 million tons in 2020. The pattern of increasing the portion of biodiesel is predicted to continue in line with the increase in the portion of CPO in biodiesel through the B-30 program (containing 30% biodiesel).

The government's policy that encourages the biodiesel program is a trade off or sacrificing one aspect to obtain another aspect for the food industry CPO. The government guarantees that biodiesel companies will not lose money through subsidies when domestic prices are lower than international prices, making entrepreneurs more inclined to channel their CPO into biodiesel. The Indonesian Palm Oil Association (Gapki) projects that the portion of CPO for biodiesel will reach 43% of domestic CPO consumption by 2022.

In a hearing meeting (RDP) with Commission VI of the House of Representatives, General Chairperson of Gapki Joko Supriyono revealed that global CPO prices have continued to rise, thus affecting domestic cooking oil prices. On the other hand, the price of other vegetable oils also increased. “It is undeniable that the price of CPO continues to rise and that's also because the price of other vegetable oils increases. Soybean oil also rose, sunflower oil also rose. So it's not only palm cooking oil that goes up.
Causes of CPO Price Increase

From a study conducted by the Institute for Development of Economics and Finance (Indef), there are several factors that influence the increase in cooking oil prices. One of them is the increasing world CPO price. During 2021, the price of CPO will increase by up to 36.30% (year on year).

Indef researcher Rusli Abdullah explained that there were at least four main factors that triggered the increase in CPO prices.

First, the decline in CPO production in producing countries due to Covid-19 and weather disturbances. For example, Indonesia's CPO production in 2021 will be 46.88 million tons, a decrease of 0.31% compared to 2020 production of 47.03 million tons.

Second, demand for CPO has increased in both the domestic and export markets. For domestic palm oil demand alone, there was an increase of 6% from 17.34 million tons in 2020 to 18.42 million tons in 2021.

The third factor that contributed to the increase in CPO prices was the increase in the price of energy commodities, such as crude oil, gas and coal. The increasingly high prices of energy commodities encourage the substitution of fossil energy by using energy sources derived from biofuels.

Fourth, the phenomenon of the commodity supercycle during the current Covid-19 pandemic has given rise to the phenomenon of speculation in the commodity market, including the CPO market. The massive fiscal stimulus launched by various world countries during the pandemic caused an increase in the money supply, thus triggering inflation.

Regarding the government's response through the cooking oil subsidy policy, Rusli sees the policy as ineffective because it is not well targeted and the infrastructure is also not ready.

Supply

Regarding the scarcity of cooking oil in the market, the Director General of Domestic Trade of the Ministry of Trade (Kemendag) Oke Nurwan said the condition was not a shortage of cooking oil, but a shortage of cooking oil at affordable prices. The Ministry of Trade continues to take various steps to ensure that people no longer have trouble getting cooking oil at affordable prices. “I have been monitoring it continuously until now, even during the weekend, around 27 million liters have been supplied nationally. Maybe for the eastern region it's a bit late, and today (15/02/2022), we have run another 23 million liters," said Oke in a dialogue entitled "Indications of Leakage of Cooking Oil Exports" (Nurwan: 15/2/2022).

The need for cooking oil for the community is around 9-10 million liters of cooking oil per day. However, because the community's needs are currently increasing, the Ministry of Trade has increased the supply than usual.

Because there is an issue of cooking oil scarcity, he continued, the Ministry of Trade has also temporarily not issued a permit for the export of CPO. "So yesterday, it was suggested that there were 190 export approvals, maybe even more. So far, we haven't issued anything (the permit, ed), before we can ensure that they supply domestically and flood the national cooking oil needs.

OK, the increase in CPO prices on the one hand is a blessing for Indonesia's export performance. However, on the other hand this has disrupted the price of cooking oil. The government through the Ministry of Trade admits that so far there has been a policy error that has caused the price of cooking oil to soar. The reason is, so far the price of cooking oil depends on international CPO prices.
Therefore, the main cause of the increase in oil prices that must be corrected at this time is to release domestic cooking oil from dependence on international CPO prices. Through the implementation of DMO and DPO, it is hoped that this policy can provide a guarantee for the stock of cooking oil raw materials in the country, so that the price of cooking oil is more affordable for the wider community.

Basically, the increase in international CPO prices is a blessing on the one hand, but not a blessing for cooking oil prices, and now we have been freed from dependence on international CPO prices. For the community, I hope to be patient, it will be distributed. Don't panic buying as if there will be no cooking oil. That's impossible. We are the largest palm oil producer; we will prioritize cooking oil for the benefit of the people.

Figure 1.5
Graph of Indonesian CPO Consumption 2019-2022

Not Optimal

Meanwhile, Executive Director of the Association of Indonesian Vegetable Oil Industries (GIMNI) Sahat Sinaga stated that the current DMO and DPO policies have started to run, but are not yet optimal, so there is still a shortage of cooking oil in the market. From GIMNI's analysis, many palm oil exporters in fact never supply raw materials for domestic cooking oil needs, so it takes time to find domestic business actors.

“Many palm oil producers or exporters don't do business in cooking oil, so they don't know how to run it, looking for a market. This takes time (Beritasatu.com:17/2/2022).

The next reason is that many domestic cooking oil producers do not have oil palm plantations and they have difficulty getting raw materials. Palm oil exporters are generally also located in Sumatra and Kalimantan, while the largest market for cooking oil is on the island of Java, causing distribution problems. This condition is exacerbated by allegations of fraud downstream. “As soon as the goods come in, they are immediately bought up, then stored and sold to other places.

Member of Commission VI DPR from the National Mandate Party faction, Intan Fauzi said that apart from price stability, the most important thing at this time was the supply or availability of cooking oil in the market, both traditional markets and modern retail. He also hopes that palm oil producers can comply with the DMO provisions from the government, considering that Indonesia is the world's largest CPO producer.

Meanwhile, according to the Chairman of the Daily Management of the Indonesian Consumers Foundation (YLKI), Tulus Abadi, although the DMO and DPO policies are correct, in practice they should be wary of, and require consistency and strict supervision by the government.

This DMO and DPO will be effective if followed by the compliance of CPO business actors. Therefore, if there is a violation, there must be strict and harsh sanctions against business actors. For example, the government can revoke its business license, and/or ban the export of CPO abroad. The skyrocketing cooking oil prices can be seen in the image below:
CONCLUSION

**Government Measures**

So that this problem does not become a ticking time bomb, the government should settle the issue of the CPO and cooking oil trading system from upstream to downstream. Moreover, the problem of shaking cooking oil is not the only time, but has happened several times.

The scarcity and high price of cooking oil in traditional markets and modern retail add to the burden on people's lives in the midst of the Covid-19 pandemic. Various ways are taken by the community, especially from the lower middle class economy, so that they can still "enjoy" fried food for household and commercial needs.

**Jakarta, Beritasatu.com** - Deputy Governor of DKI Jakarta, Ahmad Riza Patria (7/2/2022). Responding to the problem of rare cooking oil in Jakarta, his party together with the central government has checked the issue of the cooking oil cartel. In addition, according to the central government's instructions, the DKI Provincial Government will ensure that the stock of cooking oil remains available in Jakarta, although the amount is limited. "We have set a benchmark price and distribution. There must be a stock of cooking oil for the community. We just ask people not to pile up cooking oil, buy it according to their needs. Previously, cooking oil stocks at modern retailers such as Indomaret and Alfamart in Jabodetabek were empty.

**Government policy**

**Bisnis.com, JAKARTA –** (11/01/2022) High and rare cooking oil prices in some places make people have to rack their brains to get this commodity. On the other hand, this condition also made the government confused by overhauling a number of regulations to suppress prices. In the following, Bisnis tries to summarize a number of policies implemented by the government to suppress the increase in cooking oil prices:

1. **Policy of one price of Rp. 14,000** The government has set the price of subsidized cooking oil for one price of Rp. 14,000 which will be distributed to modern retail and traditional markets since Wednesday (19/1/2022). The supply of cooking oil at IDR 14,000 per liter will reach 250 million liters per month for six months, equivalent to 1.2 billion liters. The government will provide cooking oil of Rp. 14,000 per liter by covering the difference in the price of cooking oil, in order to meet the needs of households, micro industries and small industries.

Cooking oil will be marketed in simple packages with a budget allocation of IDR 3.6 trillion from funds managed by the Palm Oil Plantation Fund Management Agency (BPDPKS). Unfortunately, in its implementation, this policy actually spurred panic buying so that the stock of cooking oil in modern retail...
became scarce. On the other hand, the implementation of the one-price Rp14,000 policy in traditional markets has been uneven.

2. Domestic market obligation (DPO) and domestic price obligation (DPO) policies of the Ministry of Trade have begun to oblige exporters of crude palm oil (CPO) products and their derivatives to supply products to the domestic market through the DMO mechanism at special prices or DPO as of Thursday (27/1/2022). This policy is enforced to ensure the supply and price of cooking oil in the domestic market. In line with this DMO policy, producers are required to supply palm products in the form of CPO at a price of Rp. 9,300 per kg for the domestic market and Rp. 10,300 per kg in the form of olein.

3. Restricted prohibition on the export of CPO and its derivatives. This lartas policy is contained in the Regulation of the Minister of Trade (Permendag) No. 2/2022 concerning Amendments to Permendag No. 19/2021 on Export Regulatory Policy. In point XVIII of Attachment I to this policy, it is written that the 9 HS codes of products in the categories of CPO, RBD palm oil, and used cooking oil must have an export approval (PE) for submitting an application for loading goods for export. The requirements that must be met by business actors to obtain PE include an Independent Statement Letter that exporters have distributed CPO, RBD palm olein, and used cooking oil for domestic needs accompanied by a sales contract, an export plan for a period of six months, and a distribution plan for a period of six months.

4. The government's latest HET (Highest Retail Price) adjusts the HET for cooking oil from 1 February 2022 including VAT, which includes:
   - Bulk Rp11,500
   - Modest Rp13,500
   - Premium Rp14,000
   "During the transition period, the policy for cooking oil at a price of Rp14,000 per liter will remain in effect, taking into account the time for producers and traders to make adjustments," said the Minister of Trade (M. Lutfi: 27/01/2022). Meanwhile, Chairman of the Indonesian Chamber of Commerce and Industry (Kadin) Arsjad Rasjid hopes that these policies can make cooking oil more stable, affordable and profitable for traders and producers. "People don't need to panic buying because the government guarantees that cooking oil stocks will remain available at affordable prices. CPO stock is more than sufficient (M. Lutfi : 030/2/2022), cooking oil is currently scarce because producers need time to adjust price policies. He estimates that this week the distribution of cooking oil will be smoother.

5. The Cooking Oil Control Policy can be seen in the image below:

**Figure 1.7**

**Cooking Oil Control Policy**

Source: [https://www.google.com.antaranews.com](https://www.google.com.antaranews.com)
REFERENCES

[1] https://www.voice.com/news The Cause of Scarcity of Cooking Oil Revealed, Turns out to be the Key to Biodiesel, accessed on February 24, 2022, at 10.17 WIB.
[4] https://www.beritasatu.com/ the four main factors that trigger the increase in CPO prices, accessed on March 16, 2022, at 08.09 WIB.