

DIALOGUE ON INDONESIA DAIRY POLICIES

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Purposes of the Dialogue

- Take lessons from the experience so far, in particular to understand the problems and obstacles that lead to failures in achieving national objectives and targets of Dairy Industry development → Previous blueprints and plans could not be implemented so that targets could not be achieved.
- Better understand the policies, programs, development plans of national dairy industry, as stated in the blueprint of Indonesia Dairy Industry 2013-2025 (revision underway)
- Brainstorm about appropriate policy instruments to achieve national objectives and targets as stated in the blueprint related Ministerial Decrees which benefit dairy farmers, producers and consumers of milk, but remain consistent with multilateral trading (WTO) rules.

What Research Team has Done?

- The team has reviewed previous policies, laws and regulations on the dairy farms and dairy industry, including the blueprint of national dairy industry 2013-2025.
- In particular, the team has conducted a review on and analysis of the current supply/value chains of national dairy industry.
- The team has also undertaken literature reviews on the development of dairy farming and dairy industry in Indonesia.
- A workshop involving managements of dairy cooperative has been conducted to solicit their views and expectations about dairy cattle business and milk processing.

LAWS AND REGULATIONS

Related Laws and Regulations

Dairy Farming:

- Minister of Agriculture Decree No 55/Permentan/OT.140/10/2006 on Guidelines for Good Breeding Practice.
- Minister of Agriculture Decree No18/Permentan/OT.140/2/2010 on the Blue Print on Increasing Added Value and Competitiveness of Agricultural Products through Incentives for Rural Industrial growth → attachment: roadmap of dairy farming
- Minister of Agriculture Decree No 19/Permentan/OT.140/3/2012 on the Calves Quality Requirements, and Genetic resources
- Minister of Agriculture Decree No 100/Permentan/OT.140/7/2014 on the Guidelines for Good Breeding Practices → a revision of MoA Decree No. 55/Permentan/OT.140/10/2006.

Related Laws and Regulations...(Continued)

- Law No 18 Year 2009 on Animal Husbandry and Animal Health
- The Law No 41 Year 2014 concerning the Amendment to Law No 18 Year 2009 on Animal Husbandry and Animal Health
- West Java Provincial Regulation No. 22 Year 2012 on the Implementation of Animal Husbandry and Animal Health
- Minister of Agriculture Decree No 49/Permentan/Pk.440 /10/2016 on the Entry Large Ruminant into the Territory of the Republic of Indonesia.

Milk Processing Industry:

- Presidential Regulation (Perpres) No. 28 Year 2008 on National Industrial Policy (Dairy Industry)
- Minister of Industry Decree Number 122/M-IND/PER/10/2009 on the Road Map of Milk Processing Industry Cluster Development

**BLUE PRINT OF
INDONESIA DAIRY INDUSTRY
2013-2025**

Goals in 2025

- Fulfillment of domestic demand for milk through an increase in population and productivity of dairy cattle
- Increased milk consumption to 30 liters /capita/year
- The growth of the domestic dairy processing industry
- Increased production capacity dairy processing industry
- Improved knowledge and skills of dairy farmers and managers of dairy farm cooperatives
- The development of dairy agribusiness in the border areas, underdeveloped regions and provinces outside Java as a new economic growth center

Targets in 2025

- Increased population of dairy cattle
- Increased production and productivity of dairy cattle
- Increased per capita milk consumption
- Growth in dairy processing industry micro, small and medium enterprises
- Optimizing the utilization of dairy cattle waste to biogas, bio-urine, bio-fuel, fertilizer and bioelectric
- Increased income and welfare of dairy farmers.

Action Plans (2015-2020)

1. Undertake policy and regulatory reviews
2. Increase dairy cattle population and productivity → dairy cattle population of 1.5 million heads, milk production 4000 liter/cow/lactation, farm scale of 7 cows/farmer, and dairy farm expansion to 15 provinces
3. Increase milk production and quality → milk production 2.75 million ton
4. Increase consumption of milk → milk consumption 20 liters/capita/year.
5. Increase milk processing industries → increase 10%
6. Improve distribution and marketing dairy products → establish efficient distributions and marketing system

Action Plans in 2020-2025

1. Undertake policy and regulatory reviews
2. Increase dairy cattle population and productivity → dairy cattle population of 1.9 juta heads, milk production 6000 liter/cow/lactation, dairy farm scale 10 cows/farmer, dairy farm expansion to 25 provinces
3. Increase milk production and quality → milk production of 2.75 million tons
4. Increase consumption of milk → milk consumption 30 liters/capita/year.
5. Increase milk processing industries → increase 10%
6. Improve distribution and marketing dairy products → established efficient distributions and marketing system

Some Policy Questions

1. Increase dairy cattle population and productivity
 - dairy cattle population 1.9 million heads → how to achieve this target and what are policy instruments needed?
 - milk production 6000 liter/cow/lactation → How to achieve it? What technologies and management practices to be applied by farmers? How to increase forage production, intensification and/or extensification? What policy instruments need to be used?
 - farm scale 10 cows/farmer → how to reach it and what kind of credit scheme to be implemented?
 - expansion 25 provinces → is it a realistic target? which provinces?
2. Increase milk production and quality (milk production 2.75 million tons) → how to realize it? What appropriate policy instruments are needed?

Some Policy Questions....(continued)

3. Increase milk processing industries by 10% per year → How to achieve this target and what incentives are needed?
4. According to the farmers and the cooperatives the current price of fresh milk is too low and they expect the government to increase it. Does the government need to apply the minimum purchase price? How to determine a minimum or remunerative price?
5. Dairy farmers and cooperatives expect the government to oblige milk processors to buy fresh milk from dairy farmers (BUSEP) at the administered price? Given BUSEP policy is inconsistent with WTO rules, what alternative policies to be applied to safeguard farmers for getting a fair (remunerative) price without having to burden the milk processors? Are partnership and mutually beneficial contract alternative way out?

THANKS