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FERTILIZER SUBSIDY
POLICY AND IMPLEMENTATION IN INDONESIA

By :
Koeshartono (Marketing Director PT Pupuk Indonesia Holding Company)



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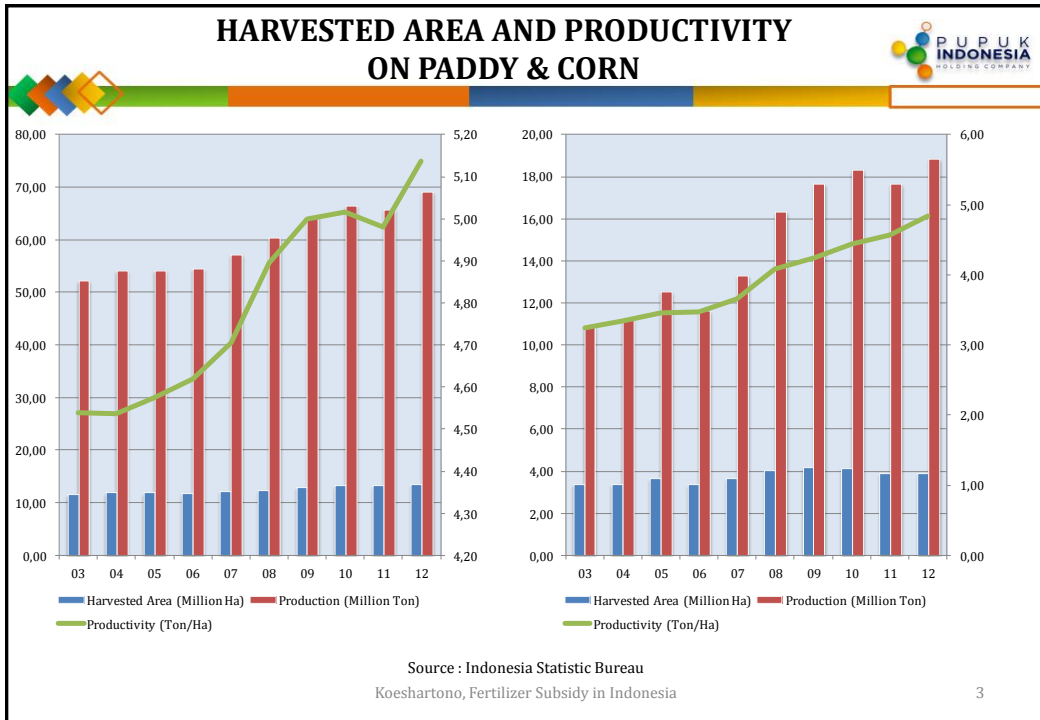
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1 **CURRENT CONDITION OF
INDONESIA AGRICULTURE**

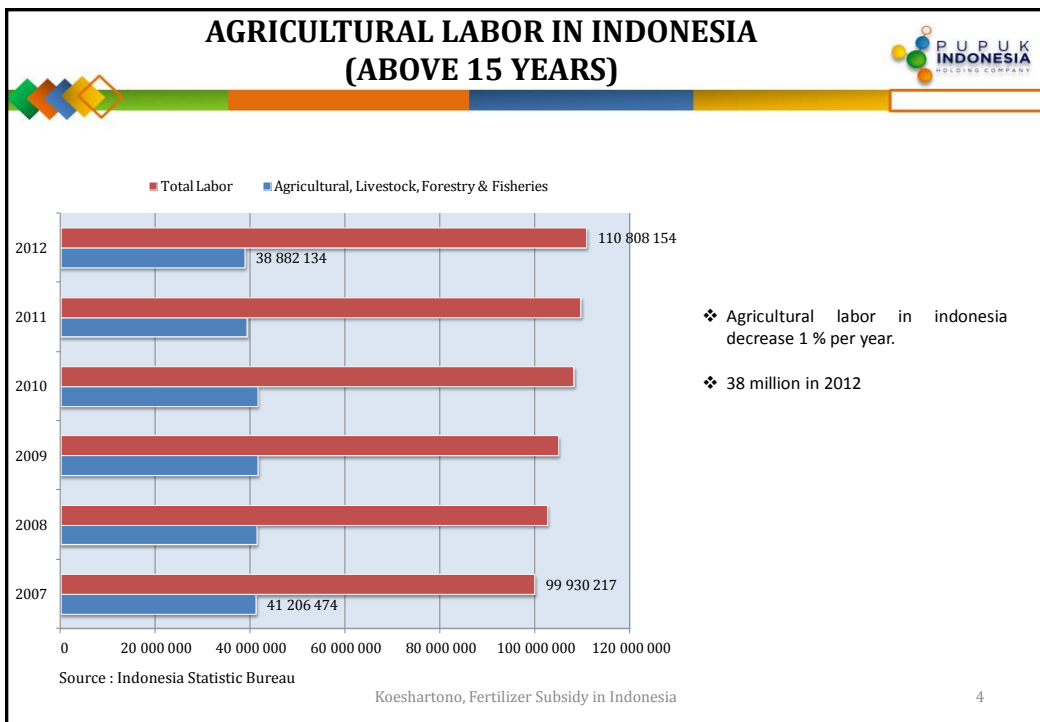


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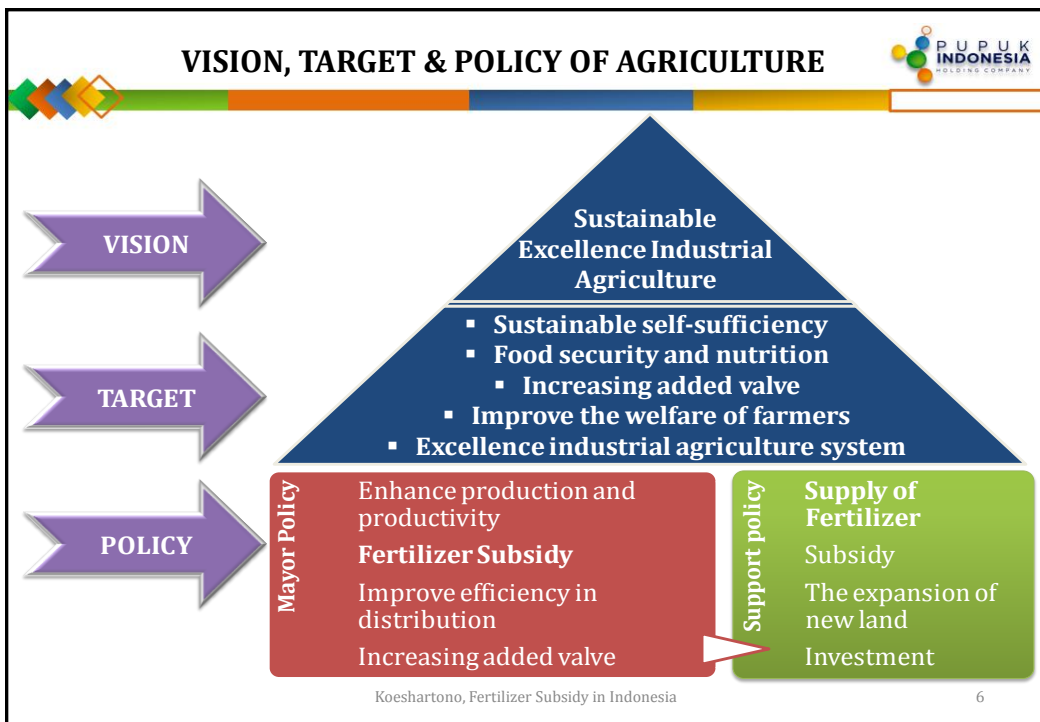
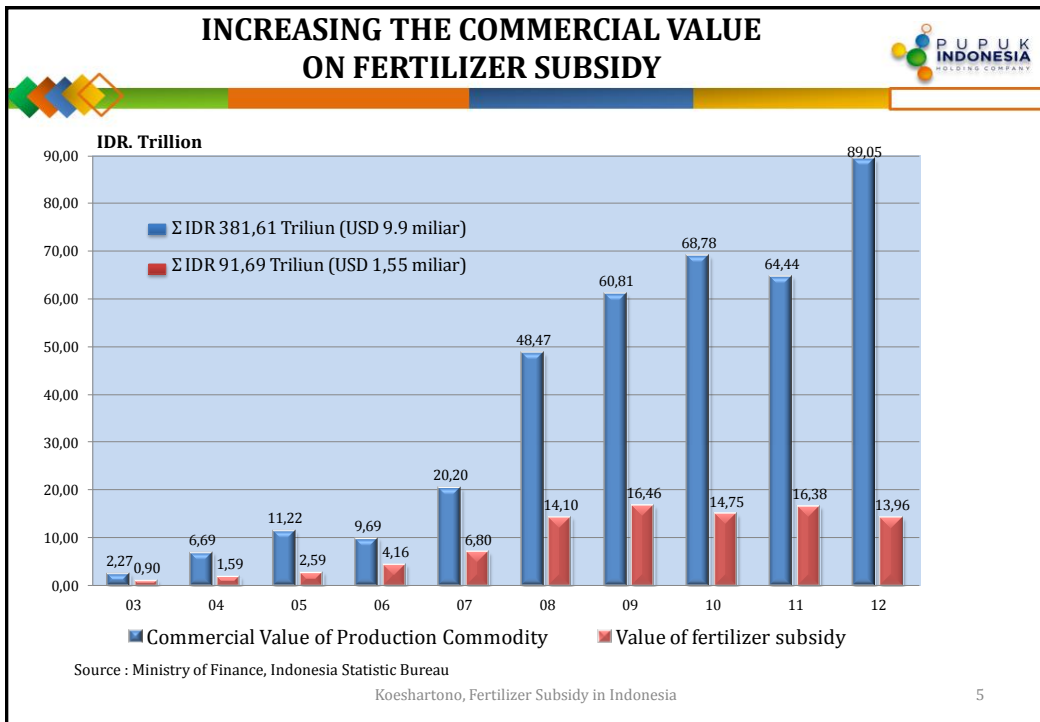
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AGRICULTURE CONSTRAINTS




- 1 • Limited water resources
- 2 • Ongoing conversion and fragmentation on land
- 3 • Increasingly unpredictable climate
- 4 • Low soil fertility
- 5 • Production target is continue to increase as demand for food consumption


Technology must be put forward through :

- Use of superior seeds,
- Use of fertilizer as recommendation and
- Mechanization

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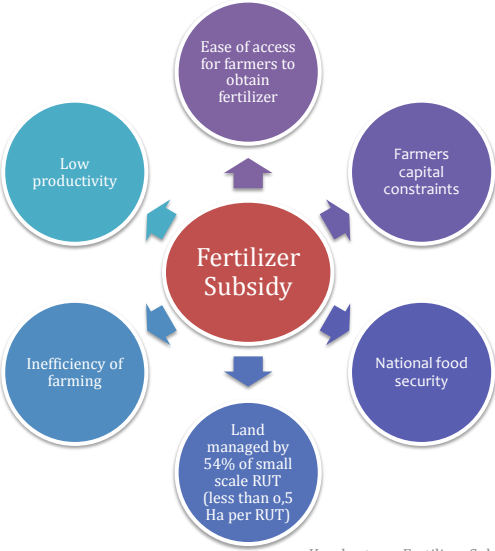
2 POLICY OF FERTILIZER SUBSIDY



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BACKGROUND






Three Pillar of Food Security

1. Availability
2. Physical & economical affordability
3. Stability stock and price



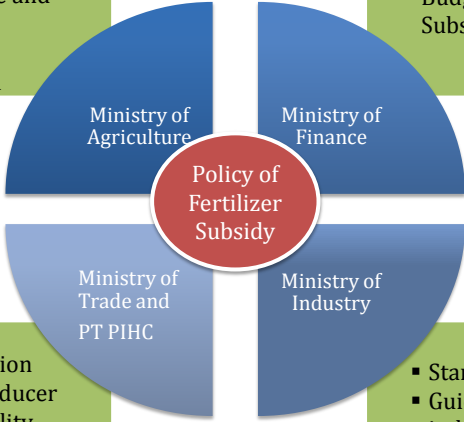
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POLICY OF FERTILIZER SUBSIDY



- Distribution
- Requirement (type and quantity/volume)
- Price
- Cost of Goods Sold

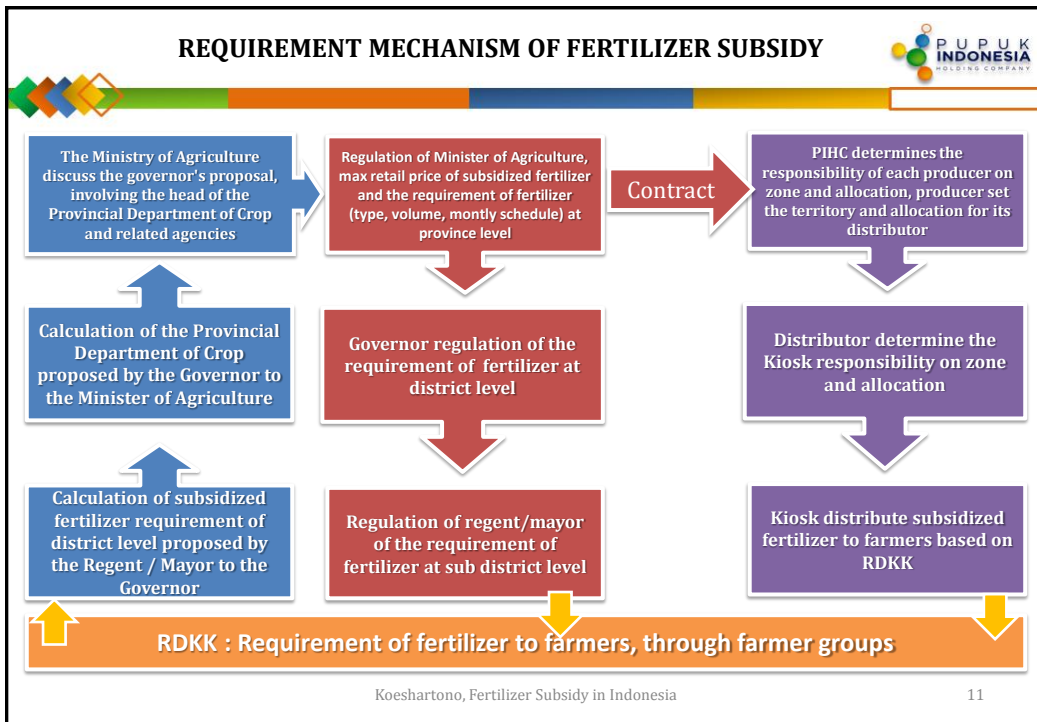
- Budget & Fertilizer Subsidy Disbursement



- Supply & distribution
- Allocation per Producer
- Area of responsibility

- Standardization product
- Guidance by fertilizer industry

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REQUIREMENT OF FERTILIZER SUBSIDY

Requirement of fertilizer subsidy (volume, price & type) for the farmers are regulated by ministry of agriculture.

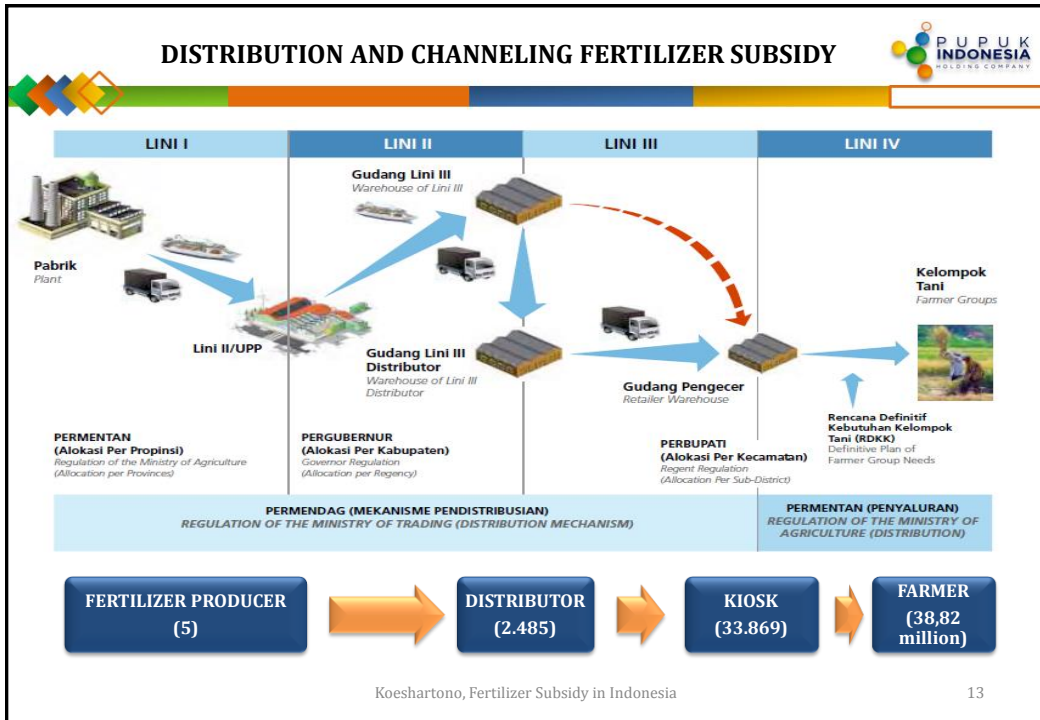
Requirement of fertilizer subsidy 2013 :

TYPE	VOLUME (TON)	MAX RETAIL PRICE (HET) (IDR./Kg)
Urea	4.100.000	1.800
SP-36	850.000	2.000
ZA	1.000.000	1.400
NPK	2.400.000	2.300
Organik	900.000	500
Total	9.250.000	

Note :

1. Distribution of subsidized fertilizer based on RDKK (The Definitive Plan of Farmers Group Requirement)
2. RDKK : The requirement (fertilizer, seed, tool, machine & capital) for one planting season, which is arranged based on deliberation .

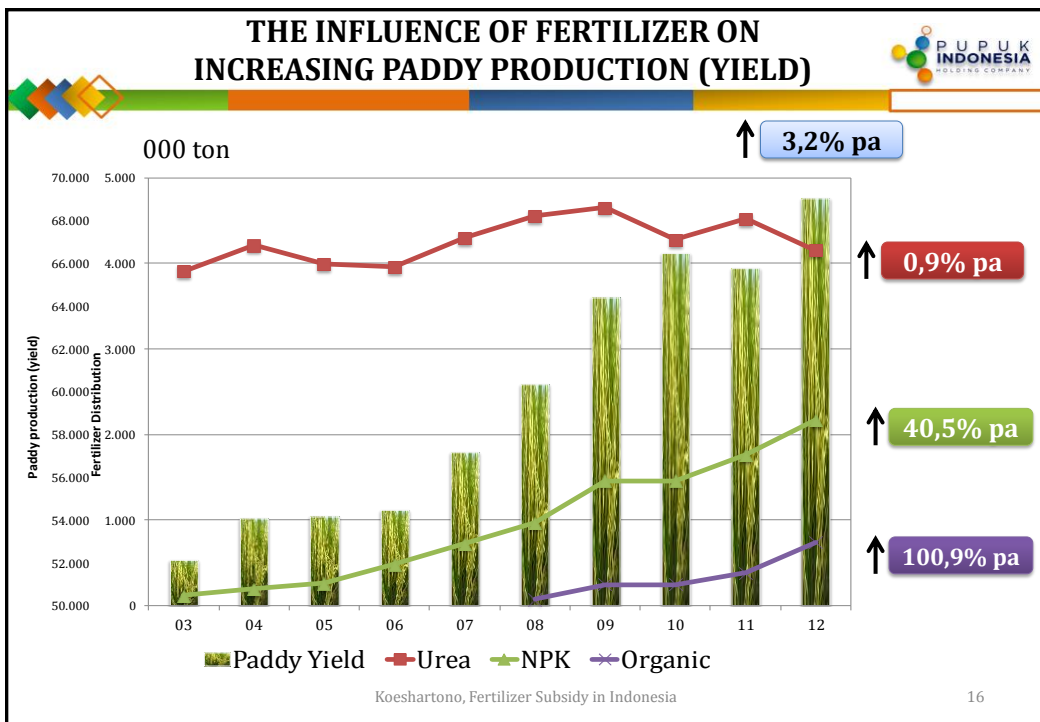
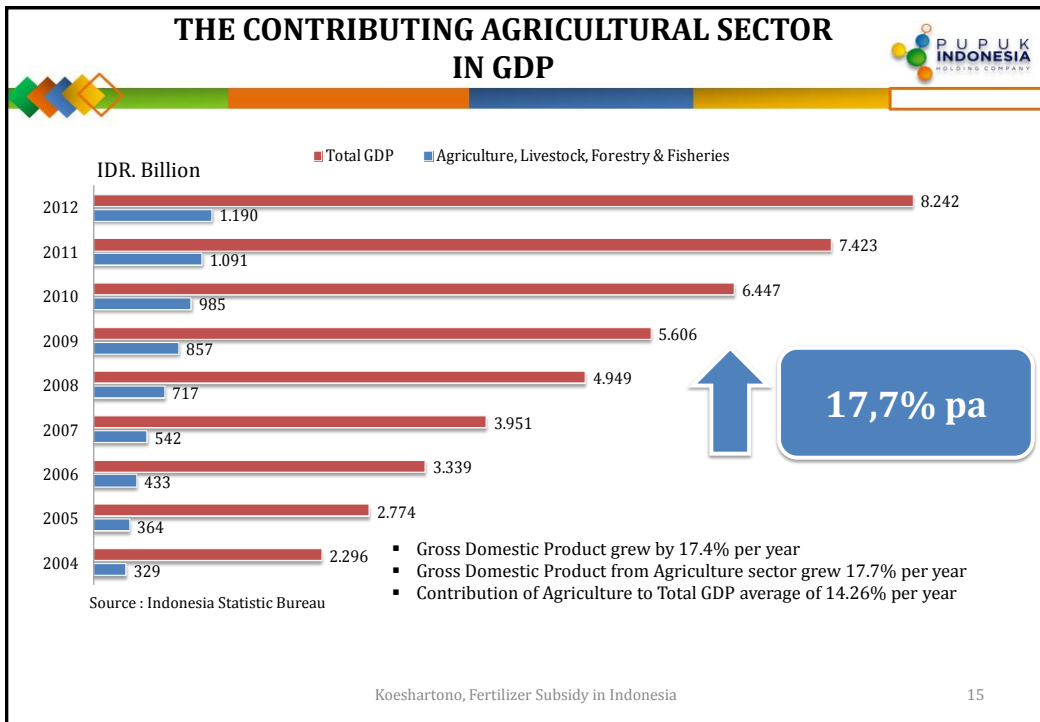
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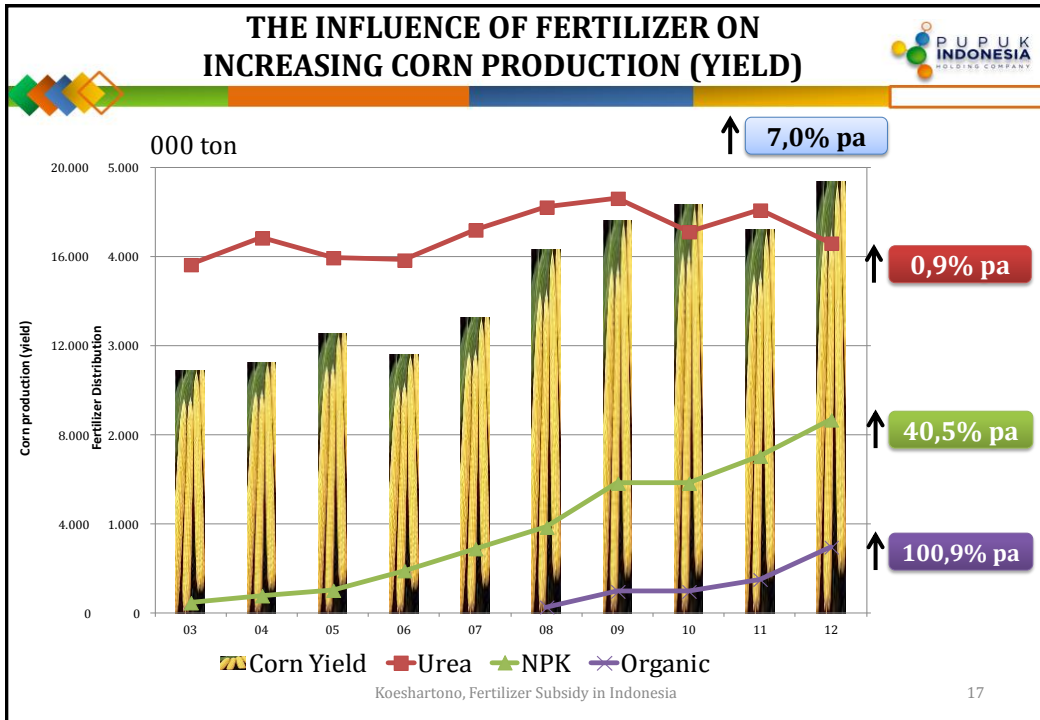


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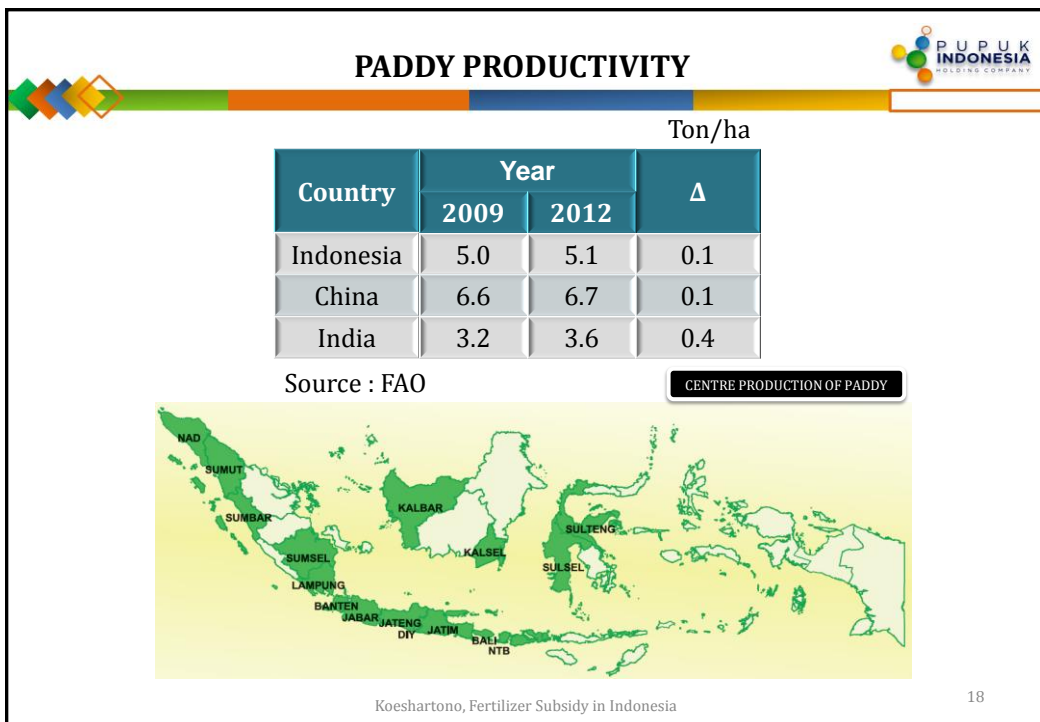
IMPLICATION THE IMPLEMENTATION OF FERTILIZER SUBSIDY

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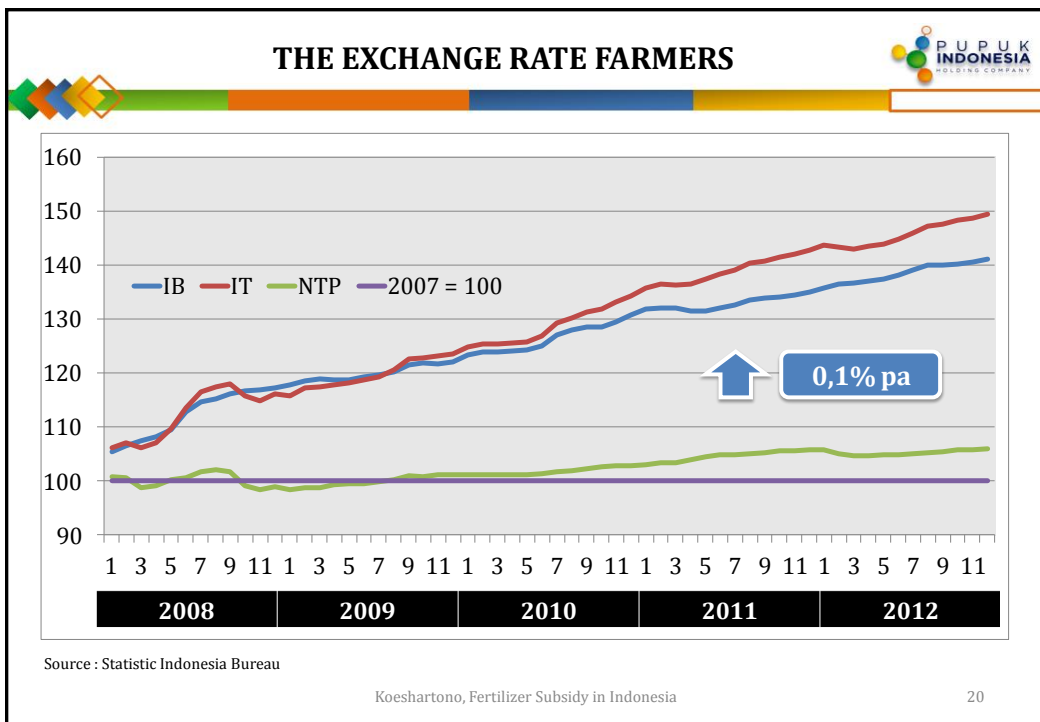
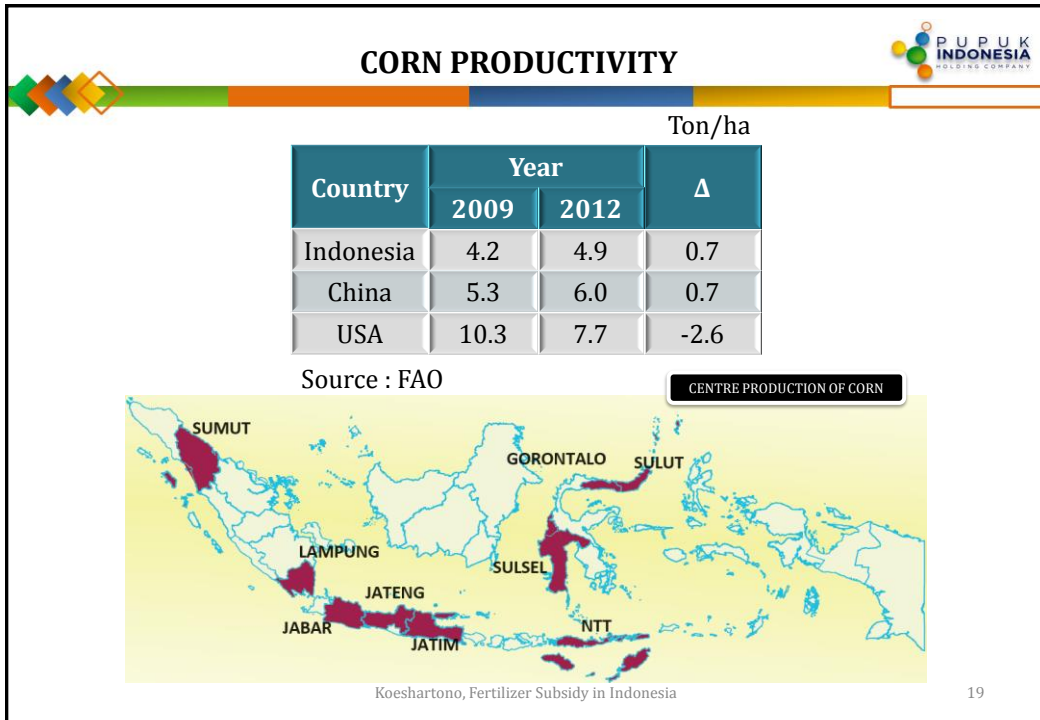


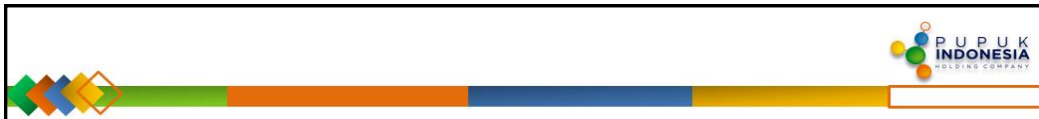


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THE DEVELOPMENT OF FERTILIZER SUBSIDY POLICY



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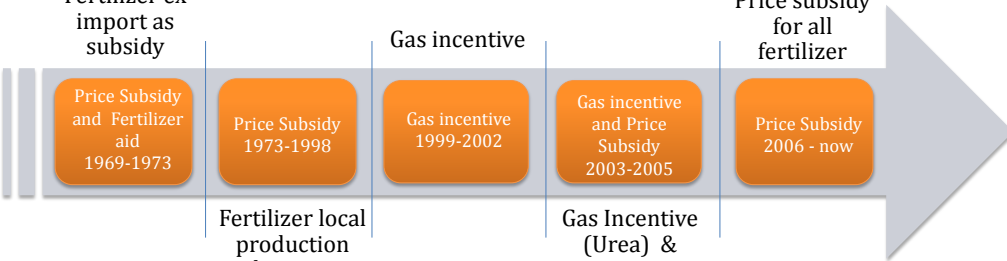


THE DEVELOPMENT OF FERTILIZER SUBSIDY POLICY

Fertilizer aid
Fertilizer ex
import as
subsidy

Gas incentive

Price subsidy
for all
fertilizer



Price Subsidy and Fertilizer aid 1969-1973	Price Subsidy 1973-1998	Gas incentive 1999-2002	Gas incentive and Price Subsidy 2003-2005	Price Subsidy 2006 - now
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Fertilizer local production and ex import

Gas Incentive (Urea) & Price Subsidy (Non Urea)


Value of Price Subsidy is calculated from the difference between Cost of Goods Sold + Cost of local transportation and handling + Financial Cost + Profit and Maximum Retail Price

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5 THE CONSTRAINT IN FERTILIZER SUBSIDY



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THE CONSTRAINT IN IMPLEMENTATION FERTILIZER SUBSIDY



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1. Raw material availability (Gas, Phosphate & Potash)
2. The Amount of fertilizer subsidy budget
3. The accuracy of RDKK
4. Determination of cost of goods sold (HPP) of subsidized fertilizer
5. Number of institutions who are involved with the preparation process of subsidized fertilizer

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THE DEVELOPMENT OF GOVERNMENT PURCHASE PRICE OF MILLED RICE AND UREA RETAIL PRICE 2003 - 2012



YEAR	Max retail price (IDR/Kg) (HET)	Government purchase price (IDR/Kg) (HPP)	Ratio HPP/HET	International Market Price of Urea (USD/Ton ¹⁾)	Disparity (IDR/Kg)
2003	1.050	1.725	1,64	149	994
2004	1.050	1.725	1,64	201	1.536
2005	1.050	1.765	1,85	241	2.104
2006	1.200	2.280	1,90	238	1.819
2007	1.200	2.575	2,15	319	2.578
2008	1.200	2.800	2,33	524	4.767
2009	1.200	3.000	2,50	274	2.567
2010	1.600	3.300	2,06	305	2.114
2011	1.600	3.300	2,06	443	3.260
2012	1.800	4.150	2,30	431	3.187

1) Price of Urea Prill, Midle East (FERTECON)

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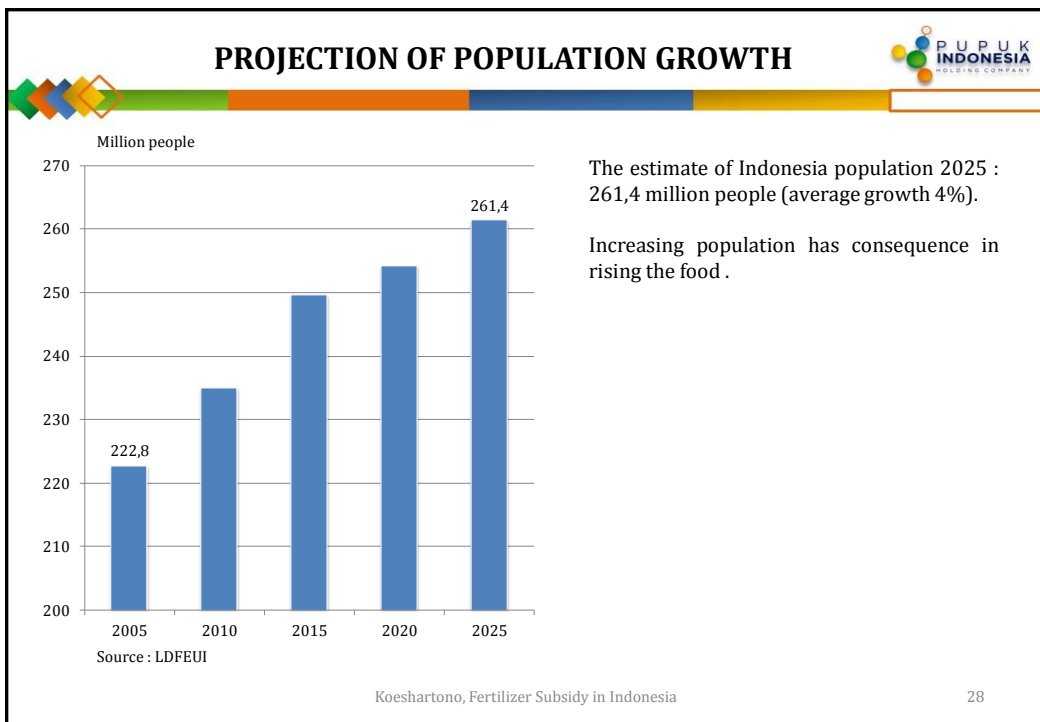
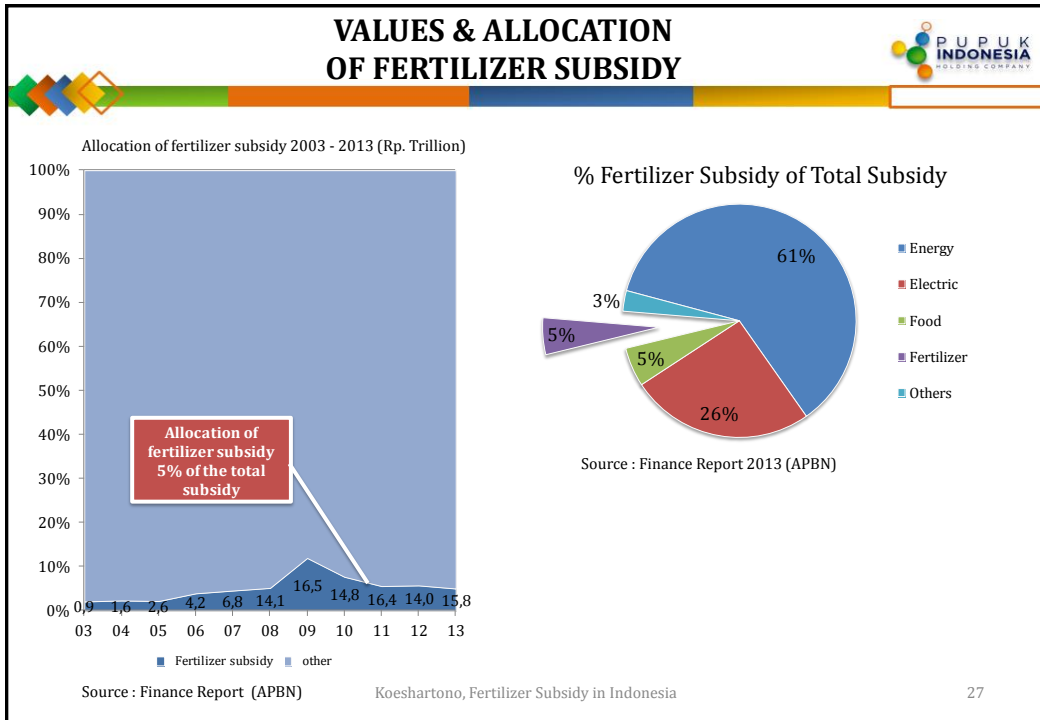
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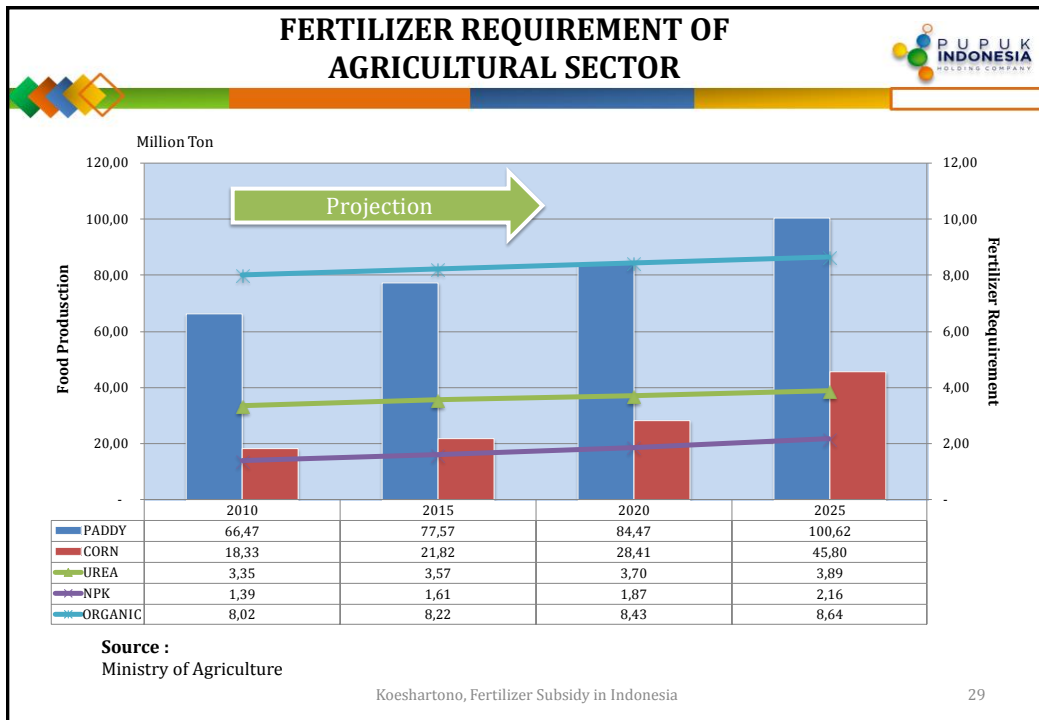
THE IMPACT OF FERTILIZER SUBSIDY ON GOVERNMENT BUDGET



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CONCLUSION

- Agricultural development in Indonesia in achieving food self-sufficiency by providing policy and some technological breakthroughs.
- The achievement of increased productivity has been supported by the application of balanced fertilization technology/method, although still needs to be improved.
- In the future the requirement of fertilizer in Indonesia will increase significantly, for subsidy and non subsidy.
- Fertilizer subsidy policy is needed by farmers and strategically able to overcome the weakness of farmers.
- Subsidy policy on fertilizer is remain necessary for the next few years :
 - The increasing cost of material (Gas, phosphate, potassium) cause increase in the cost of goods sold of subsidized fertilizer
 - Industry sector has not been able to accommodate the surplus labor from agricultural sector, so that the welfare of the agricultural sector needs to be improved .

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