



Indonesia's Cooking Oil Crisis

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Abstract

The scarcity of cooking oil that is happening in Indonesia recently has made it difficult for people to deal with situations like this in the midst of the ongoing struggle for the COVID-19 pandemic. Many residents complain that they have limited money to buy cooking oil, which is still relatively expensive. Various efforts have been made by the government to overcome the cooking oil crisis. However, the policies implemented have not been able to fully address the needs of the public, which are not only felt by housewives, but also greatly affect street vendors who use cooking oil a lot.

This resulted in a psychological crisis in the public in the form of anxiety everywhere about the scarcity and soaring prices of cooking oil. Of course, this is a challenge for the public, especially housewives, to be able to increase cooking creativity besides frying and also for street vendors to be able to maximize their business in the midst of soaring the main ingredient prices.

Keywords: Agriculture; Cooking oil; Government policy

Abbreviations: IPOA: Indonesian Palm Oil Association; CPO: Crude Palm Oil; DMO: Domestic Market Obligation; DPO: Domestic Price Obligation; HRP: Highest Retail Price; SEB: Student Executive Board.

Introduction

Who doesn't know Indonesia? Yes, Indonesia is one of the largest palm oil-producing countries in the world. Based on data submitted at Indexmundi.com [1] Indonesia's palm oil production will reach 44.5 million tons. And based on the Indonesian Palm Oil Association (IPOA) [2] Crude Palm Oil (CPO) production reached 46.8 million tons or 0.31% lower than the 2020 achievement of 47,034 million tons. "The limited fertilization factor in 2019 and 2020 and the weather factor are suspected to be the cause of the decline in production in Indonesia".

In addition, domestic consumption of palm oil in 2021 will reach 18.4 million tons, or 6% higher than in 2020.

consumption of 17.4 million tons. Consumption of food goes up 6%, oleochemicals go up 25%, and biodiesel goes up 2% compared to 2020.

According to the Central Bureau of Statistics [3] in 2021 the area of palm oil plantations decreased by 14.6 million hectares compared to 2020 which was 14.8 million hectares. As the largest CPO producer in the world, Indonesia is hit by a scarcity of cooking oil that occurs in the range of late 2021 to early 2022.

Cooking Oil Scarcity

The average price of bulk cooking oil has increased by 14.18% from Rp. 14,100 per liter in early September 2021 to Rp. 16,100 per liter since November 5, 2021. Meanwhile, the price of cooking oil packaging increased by 12.41% in the same period, from Rp. 14,500 per liter to Rp. 16,300 per liter. The increase in cooking oil prices continues to go up until as of December 31, 2021, it reaches Rp. 19,000 per liter [4].

Isy Karim as Director of Main and Important Ingredients at the Ministry of Trade explained that the increase in cooking oil prices was triggered by the increase in international CPO prices. The increase in CPO prices itself occurred as a result of the decline in world vegetable oil stocks, including palm oil. The energy crisis that hit several countries such as China and India also attracted demand for palm oil.

Muhammad Lutfi the Minister of Trade, said "We want to ensure that the industry that produces cooking oil has sufficient stock so that this normal situation can be achieved as soon as possible. This goes on until normal."

He implemented the Domestic Market Obligation (DMO) and Domestic Price Obligation (DPO) policies to maintain and fulfill the availability of cooking oil at affordable prices. This policy was determined by considering the results of the evaluation of the implementation of the one-price cooking oil policy which has been implemented since January 19, 2022, amounting to Rp. 14,000 per liter.

As of January 27, 2022, the DMO policy mechanism must apply to all producers of oil exporters who are required to supply domestic cooking oil of 20% of their respective export volumes. Minister of Trade explained that the national demand for cooking oil in 2022 is 5.7 million kiloliters [5].

The Minister of Trade hopes that with the implementation of this policy, the public can continue to obtain cooking oil at affordable and profitable prices for small sellers, distributors, and producers.

The government also conveyed several reasons for the high price of cooking oil. The Director-General of Domestic Trade at the Ministry of Trade, Oke Nurwan, said that the increase in cooking oil prices was due to various obstacles in various countries which spurred international prices to also rise.

"Canada and Argentina as suppliers of Canola Oil experienced crop disruptions so that their production fell about 7% and caused a decline in world supply," he said [6]. Moreover, Malaysia's CPO production fell by around 8%. The trigger is due to the shortage of workers due to the COVID-19 pandemic.

"The energy crisis in several countries, such as India, China, and Europe, has diverted bioenergy, including biodiesel. High logistics costs due to the pandemic decreasing in shipping frequency so that the space for transport vessels is limited also has an impact on the scarcity of international containers," he continued.

Listyo Sigit Prabowo as National Police Chief General instructed his subordinates to increase supervision over oil distribution. There is also a concern of supervision at ports, border routers, and land routes to prevent violations by producers from secretly exporting CPO and its derivatives [7].

The traders including distributors, modern retailers, traditional merchants, small retailers, to consumers, especially street food vendors, are faced with anxiety about the high selling price of cooking oil. In addition to high prices, people are also faced with scarcity.

Then as of February 1, 2022, the government set the Highest Retail Price (HRP) for bulk cooking oil of Rp. 11,500, simple packaged cooking oil of Rp. 13,000, and premium packaged cooking oil of Rp. 14,000 [8].

Some people admit that they often run out of cooking oil stocks. This was revealed by a seller named Udin who sells fried foods in Sumedang, West Java. According to him, every day the street vendors in the area often queue for cooking oil, but they don't get any.

Whereas in shopping centers when releasing cooking oil on a schedule at certain hours. However, sellers in the area very rarely get it. "Usually, the cooking oil comes around 08.00. Start queuing at 11.00 and there will be another at 18.00. Because they already know the schedule, so consumers are scrambling," said Udin [9].

The government also held a Cheap Cooking Oil Market Operation in several regions in Indonesia based on some suggestions from the public who complained about the high price and scarcity of cooking oil in the market. This activity is carried out at the same time to help the public to be able to buy cooking oil at affordable prices and reduce prices.

One of them is the Cooking Oil Market Operation in Pekalongan City, Central Java, which was held on February 22, 2022, through the local Trade, Cooperatives, and SMEs at some traditional markets for three days. As much as 4,000 liters of cooking oil is allocated per day provided in two markets.

His party is also collaborating with The Indonesian Bureau of Logistics to be able to help facilitate the implementation of Cheap Market Operations for the public with cooking oil commodities and others. It appears that the activity took place safely, smoothly, and in an orderly manner with the assistance of police personnel from the Pekalongan City Police so that the people who are queuing are not crowded.

This activity was welcomed positively by the residents of the Flats. One of them is Heni who was willing to queue and came in the morning to get the packaged cooking oil at an affordable price. "Finally, the operation of this cheap cooking oil market is very profitable for the residents, because when I buy it at a shop near the village or mini market, it often runs out and if it is, the price is more expensive, around Rp. 19,000 to Rp. 20,000 per liter. I buy it for daily needs only. I hope that activities like this can continue to be held by the government in helping the public," said Heni [10].

The Cheap Cooking Oil Market Operation in various regions is also not always found. Circumstances like this make people panic buying, which makes many people compete to find cheap cooking oil in various places so that it can be resold to people who still need it.

Later, the Minister of Trade stated that the Domestic Market Obligation policy for cooking oil was changed from the previous 20% to 30%. "It is stipulated today and applies tomorrow that all those who export must submit 30% Domestic Market Obligation oil," Lutfi said in a virtual press conference on March 9 [11]. He also mentioned that the distribution of cooking oil has been running in all regencies or cities. Lutfi said, from February 14 to March 8, 2022, total exports of CPO and its derivatives reached 2,771,294 tons and there were 126 export issuances from 56 exporters.

Then, the total DMO collected was 573,890 tons. Total DMO was distributed 415,787 tons which were distributed in the form of bulk cooking oil and packaged cooking oil to the market. "The distribution of DMO has exceeded the estimated one-month consumption requirement of 327,321 tons," said the Ministry of Trade.

After the enactment of the new DMO rules, the stock of subsidized cooking oil in some markets and shops is starting to become scarce and the price of non-subsidized cooking oil soars varies. Now the public is complaining because the current stock of subsidized cooking oil in various areas has run out, all that's left is non-subsidized cooking oil, so the public is very disappointed.

Chairperson of the Indonesian Democratic Party of Struggle, Megawati Soekarno Putri was surprised because many people were willing to wait in long lines to buy cooking oil. "I just rubbed my chest, it's not a matter of not having expensive cooking oil. It made me think, so do mothers only fry every day? Until that's the fight" she said in a virtual webinar [12]. She explained that she intended to say this so that there would be awareness in the public that it is important to provide a balanced nutritional intake, not just eating fried foods.

This is very unfortunate for the public, causing a polemic who thinks that she is less sensitive because people are willing to queue for cooking oil not only for home cooking used by housewives but street vendors must also be willing to queue to get cheap cooking oil prices to maintain the stability of food selling prices amid rising main ingredients prices.

Now the government has released the highest retail price of cooking oil with an average price per liter of Rp. 23,000 and for two-liter packages averages of Rp. 45,000 since March 18, 2022. This step was taken after the scarcity of cooking oil circulation in several regions [13].

After the highest retail price was lifted, cooking oil was abundant in the market. However, the price of cooking oil in several regions remains different.

People's Attitude towards Reality

This creates new problems for the public, in which they still have to dig deeper to buy cooking oil. People scream in the face of situations like this. Every day hope that the situation will return to normal although do not know how long this will last.

The reason is the scarcity of cooking oil should not be the same as the case of sugar, soybeans, or salt. This is because other commodities must be supplied through imports while cooking oil in the country is quite abundant, and Indonesia is one of the largest producers in the world.

Moreover, the month of Ramadan which is getting closer is not only a happy moment awaited by Muslims but also the moment that sellers throughout Indonesia have been waiting for. Because every Ramadan, a lot of super micro-businesses appear. Now that the Covid-19 pandemic has gradually improved, sellers are still in a dilemma because of the high price of cooking oil.

As said by a fried food seller named Widya in the city of Padang, West Sumatra, admits that cooking oil is the most important requirement for running her business. "I've been selling fried foods every day. But every moment of Ramadan, I increase the number of fried foods I make. That number has increased to 10 times compared to normal days," she said [14].

Likewise in other areas, where fried food sellers are forced to reduce their food size and also don't have the heart to increase the price of their fried foods. The reason is, they are worried that their customers will run away one by one.

Meanwhile, Leni, a fried food seller in the Bandung area, West Java, admitted that in a day she had to spend 4 liters of simple packaged cooking oil. Although now the price of cooking oil has reached Rp. 48,000 per 2 liters, she still insists on buying it.

Usually, in the morning, her fried foods are sold out as a companion to the porridge and yellow rice which she also sells. However, until late afternoon the fried foods still piled up. Moreover, she often gets complaints from customers because the size of her fried foods is getting smaller.

“There’s a lot of impacts. I often get complaints because the fried foods are getting smaller, even though I’m also looking for profit,” said Leni. She was happy when she heard about the availability of cooking oil stocks, but only briefly. When she visited supermarkets and wholesalers, it turned out that the price of cooking oil had soared again, plus it was approaching Ramadan which made some of the main ingredients expensive in the market.

Amid rising cooking oil prices, Leni did not stop selling. She even admitted that since the scarcity of cooking oil she had never deliberately gone on strike to sell. Leni hopes that the government will be wise in seeing the issue of rising oil prices so that it returns to normal. The reason is, that fried food sellers like her rely heavily on cooking oil [15].

This fact is also felt by housewives because their daily lives are closely related to cooking oil commodities. They generally choose to postpone buying it and work around this by processing food without oil such as using coconut milk or just boiling it.

The cooking method of boiling is getting preferred. Other than avoiding cholesterol attacks, it can also develop food variants with the boiling method. Such as boiled chili sauce, boiled eggs, and others.

Puji, a housewife from Pekanbaru, Riau, was forced to diligently fry and boil while waiting for the right policy or anticipation from the government in overcoming the scarcity of oil in the region which is the largest palm oil producer in Indonesia [16].

Several workers together with farmers held a demonstration in front of the Ministry of Trade building in Central Jakarta on March 22, 2022. President of the Labor Unions Said Iqbal said the mass action came from various organizations such as labor unions, farmers’ unions, and other elements of society.

In this action, demonstration participants demanded that the government through the Ministry of Trade lower the

prices of several basic commodities, especially cooking oil so that they are affordable to all levels of society. “We demand to lower the price of cooking oil. Second, provide the availability of cooking oil,” said Said Iqbal [17].

The Ministry of Trade received nine representatives of the demonstration participants to conduct an audience with the Directorate General of Domestic Trade, Oke Nurwan. However, it is unfortunate that the audience did not meet the middle point. The Ministry of Trade only explained the reasons for the high price of packaged cooking oil.

The demonstrators firmly rejected the government’s stance on determining oil prices by following the market mechanism. Said urged the government to immediately lower the price of cooking oil range from Rp.11,000 to Rp.14,000. Labor unions will stage more demonstrations if the government does not comply with these demands.

In addition, demonstrations were also conducted in several other regions in Indonesia. The Student Executive Board (SEB) throughout the city of Bogor demonstrated in front of the Bogor Presidential Palace, West Java on Friday, April 8, 2022. The demonstration began on foot from the Tugu Kujang area [18].

Until late afternoon, the mass of students still gathered in front of the Bogor Presidential Palace. They continued to shout slogans while holding up banners of demands.

The demonstration also caused severe traffic jams around the Bogor Presidential Palace area, from Pajajaran Street to Otista Street.

Currently, the government has announced a policy of providing cash transfers for cooking oil to the public. It will be carried out from April 4 to April 21, 2022, and for its inauguration, it has been carried out on April 7, 2022. The Ministry of Social Affairs is ready to support the government’s policy to distribute cash transfers of cooking oil.

The Secretary-General of the Ministry of Social Affairs, Hari Hikmat said that the cash transfers of cooking oil would be based on integrated social welfare data. The Ministry of Social Affairs will carry out verification efforts every month to ensure the validity and reliability based on the name by the address which is also accompanied by photos of the condition of the beneficiary’s houses obtained through geo-tagging.

Cash transfers will be distributed to the public in two different schemes. The first is the food transfer scheme through the Ministry of Social Affairs. The second is the Cash transfer scheme for street vendors, stalls, and fishermen

through the national armed forces or police.

The amount of the 2022 cash transfer that will be given to the beneficiary families is Rp. 100,000 for three months April, May, and June. Later, it will be distributed at once, which means per beneficiary families will receive directly Rp. 300,000.

In distributing cash transfers of cooking oil, the Ministry of Social Affairs will be assisted by the Director-General of Handling the Poor and the Director-General of Protection and Social Security. "The Ministry of Social Affairs is ready to distribute this cash transfer of cooking oil with integrated and distribution to April 21, 2022, together with the basic food program or non-cash food transfer," Harry said at a press conference on the Indonesian Economics YouTube channel [19].

Commission IV of the Indonesia House of Representatives considers that the government's efforts to provide cash transfers of cooking oil have not been a solution to the high price of cooking oil, which is only an instant policy.

Anggia Erma Rini as Deputy Chair of Commission IV of the Indonesia House of Representatives revealed at the Hearing Meeting of Commission IV that the policy of subsidies or cash transfer did not lead to or open up the real problem. "We are the largest producer of Crude Palm Oil (CPO), we regulate the regulations, we decide. We don't trust by whom? Let me ask who we are helpless now?" said Angie.

Was also said that Hermanto a member of Commission IV too, considered that the problem with cooking oil was in the distribution system. "As far as we are concerned with this cooking oil, the problem is in distribution. The one playing it is the mafia. Therefore, we ask for coordination between the Ministry and the officers to take action against the perpetrators." Hermanto said [20].

Final Considerations

The availability of cooking oil is currently experiencing an unbalanced condition due to the large market demand while producers are limited, resulting in a stronger producer dominance. Coupled with the current release of cooking oil prices on the market which is considered quite expensive.

Therefore, it is very necessary for market improvement and control factors, including new policies, increasing producers in the regions with the encouragement of Regional Owned Enterprises so that the number of producers and consumers' needs can be balanced.

In addition, it needs a more approach to consumers as well as expanding employment opportunities, controlling CPO exports can be through an increase in export taxes if they want to suppress the demand for CPO as the main ingredient for various purposes.

Then, the government together with law enforcement officers firmly controls illegal stockpiling and exports without mercy, as well as encourages alternative oils other than CPO such as from other vegetables and coconut.

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