

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Indonesia

Post: Jakarta

Dairy Import Requirements Revision

Report Categories:

Dairy and Products

Trade Policy Monitoring

Approved By:

Chris Rittgers

Prepared By:

Baso Darmawan

Report Highlights:

The Ministry of Agriculture (MOA) recently issued revised requirements on dairy product imports.

MOA will no longer require that importers invest in promoting fluid milk consumption, invest in local dairy production, and/or procure local fluid milk as a condition to obtain import licenses. The elimination of this mandate should ease dairy product importers' purchase and marketing decisions. In 2017, Indonesia imported \$133 million in dairy products, but the partnership requirement threatened to disrupt those exports.

General Information:

On July 20, 2018, the Ministry of Agriculture (MOA) issued a revised regulation (30/2018) on Milk Supply and Distribution, which should make it easier for importers to obtain import recommendations (IRs) from MOA. The previous regulation (26/2017) (see ID1722) mandated that importers establish “partnership agreements” with local entities to procure local milk, invest in local milk production, and/or invest in promoting local fluid milk consumption. Furthermore, 26/2017 said that MOA would consider these partnership agreements when deciding whether to issue IRs. The sanctions clause of 26/2017 stated that an importer’s failure to comply with the partnership agreement requirement could result in that importer not receiving IRs for up to one year.

In the revised regulation, partnership agreements are no longer compulsory; the clause stating that MOA will consider the partnerships when deciding on issuing IRs is eliminated; and MOA has deleted the penalty of withholding import recommendations for one year for failing to comply with the partnership requirement.

The ambiguity and compulsory nature of the previous regulation caused much uncertainty among dairy importers in the first part of 2018. While importers are probably still going to feel compelled to do some sort of milk consumption promotion through partnership, the fact that these activities will now be delinked from import recommendations should ease importers’ purchase and marketing decisions.

Below is a translation of the revised regulation:



MINISTER OF AGRICULTURE
REPUBLIC OF INDONESIA

REGULATION OF THE MINISTER OF AGRICULTURE
OF THE REPUBLIC OF INDONESIA
NUMBER 30/PERMENTAN/PK.450/7/2018

REGARDING

THE AMENDMENT OF THE REGULATION OF THE MINISTER OF AGRICULTURE NUMBER
26/PERMENTAN/PK.450/7/2017 REGARDING
MILK SUPPLY AND DISTRIBUTION

BY THE GRACE OF GOD, THE ALMIGHTY
MINISTER OF AGRICULTURE OF THE REPUBLIC OF INDONESIA,

Considers:

- a. that by the Regulation of Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution, partnerships between business proprietors and farmers, farmers group association, and/or cooperatives has been regulated;
- b. that in order to increase the effectivity and efficiency of the partnership between businesses and farmers, farmers group association, and/or cooperatives, amendment of the Regulation of Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution is needed;
- c. that based on the considerations referred to in letters a and b, establishment of the Regulation of Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution is needed;

In view
of:

1. Law Number 16 Year 1992 on Animal, Fish and Plant Quarantine (State Gazette of the Republic of Indonesia Year 1992 Number 56, Additional State Gazette Number 3482)
2. Law Number 25 Year 1992 on Cooperatives (State Gazette of the Republic of Indonesia Year 1992 Number 116, Additional State Gazette Number 3502)
3. Law Number 5 Year 1999 on The Prohibition of Monopolistic Practices and Unfair Business Competition (State Gazette of the Republic of Indonesia Year 1999 Number 33, Additional State Gazette Number 3817)
4. Law Number 20 Year 2008 on Micro, Small and Medium Business Enterprises

- (State Gazette of the Republic of Indonesia Year 2008 Number 93, Additional State Gazette Number 4866)
5. Law Number 18 Year 2009 on Animal Husbandry and Animal Health (State Gazette of the Republic of Indonesia Year 2009 Number 84, Additional State Gazette Number 5015) as amended by Law Number 41 Year 2014 on The Amendment to Law Number 18 Year 2009 on Animal Husbandry and Animal Health (State Gazette of the Republic of Indonesia Year 2014 Number 338, Additional State Gazette Number 5619)
 6. Law Number 18 Year 2012 on Food (State Gazette of the Republic of Indonesia Year 2012 Number 227, Additional State Gazette Number 5360)
 7. Law Number 3 Year 2014 on Industry (State Gazette of the Republic of Indonesia Year 2014 Number 4, Additional State Gazette Number 5492)
 8. Law Number 7 Year 2014 on Trade (State Gazette of the Republic of Indonesia Year 2014 Number 45, Additional State Gazette Number 5512)
 9. Law Number 23 Year 2014 on Regional Government (State Gazette of the Republic of Indonesia Year 2014 Number 244, Additional State Gazette Number 5587) as amended several times, with the latest being Law No. 9 Year 2015 on The Second Amendment to the Law Number 23 Year 2014 on Regional Government (State Gazette of Republic of Indonesia Year 2015 Number 58, Additional State Gazette Number 5679)
 10. Government Regulation Number 82 Year 2000 on Animal Quarantine (State Gazette of the Republic of Indonesia Year 2000 Number 161, Additional State Gazette Number 4002)
 11. Government Regulation Number 96 Year 2012 on Veterinary Public Health and Animal Welfare (State Gazette of the Republic of Indonesia Year 2012 Number 161, Additional State Gazette Number 5356)
 12. Government Regulation Number 6 Year 2013 on Livestock Farmer Empowerment (State Gazette Year 2013 Number 6, Additional State Gazette Number 5391)
 13. Presidential Regulation Number 7 Year 2015 on The Organization of The State Ministry (State Gazette of the Republic of Indonesia Year 2015 Number 8)
 14. Presidential Regulation Number 45 Year 2015 on the Ministry of Agriculture (State Gazette of the Republic of Indonesia Year 2015 Number 85)
 15. Minister of Agriculture Regulation Number 43 / Permentan / OT.010 / 8/2015 on the Organization and Work Procedures of the Ministry of Agriculture (State Gazette of the Republic of Indonesia Year 2015 Number 1243)

DECIDES

To
establish:

THE REGULATION OF THE MINISTER OF AGRICULTURE REGARDING THE AMENDMENT OF THE REGULATION OF THE MINISTER OF AGRICULTURE NUMBER 26/PERMENTAN/PK.450/7/2017 REGARDING MILK SUPPLY AND DISTRIBUTION

Chapter I

Several provisions in the Regulation of Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution (State Gazette Year 2017 Number 995) are amended as follow:

1. Article 23 is amended to read as follows:

Article 23

Businesses shall form partnerships with farmers, farmers groups association, and /or cooperatives through the utilization of SSDN [*domestic fresh milk*] or mutually beneficial promotion.

(Originally in Reg. Min. Ag. 26/2017 this article reads: Businesses must form partnerships with farmers, farmers groups association, and /or cooperatives through the utilization of SSDN [domestic fresh milk] or mutually beneficial promotion)

2. Article 24 is amended to read as follows:

Article 24

1. Partnerships through using SSDN [*domestic fresh milk*], as referred to in Article 23, shall be conducted by Businesses that produce processed milk.
2. Businesses producing processed milk, as referred to in paragraph (1), are obliged to produce the processed milk in their own milk processing unit or in cooperation (*toll manufacturing*) with Businesses who already own milk processing units.

(Originally in Reg. Min. Ag. 26/2017, this article reads:

1. *Partnerships using SSDN [domestic fresh milk], as referred to in Article 23, is obligatory for Businesses that produce processed milk.*
2. *Businesses producing processed milk, as referred to in paragraph (1), are obliged to own milk processing unit)*

3. Paragraphs (1) and (2) of Article 28 are amended to read as follows:

Article 28

1. Partnerships through promotion, as referred to in Article 23, shall be conducted by Businesses that do not produce processed milk.
2. Partnerships through promotion, as referred to in paragraph (1), is in the form of fluid milk promotion activities.

3. Milk that is used in the milk consumption campaigns, as referred to in paragraph (2), shall be in the form of processed milk originated from production units which use SSDN [*domestic fresh milk*] as raw materials.

(Originally in Reg. Min. Ag. 26/2017 paragraphs (1) and (2) read as follow:

1. *Promotion, as referred to in Article 23, is obligatory for Businesses that do not produce processed milk.*
2. *Promotion, as referred to in paragraph (1), is in the form of milk consumption promotion activity [campaign].)*

4. Paragraph (2) of Article 30 is amended as follows:

Article 30

1. Apart from Partnerships through the utilization of SSDN [*domestic fresh milk*] and promotion, as referred to in Article 23, Partnerships can be in the form of:
 - a. Supply of production facilities;
 - b. Production; and/or
 - c. Funding or financing
2. Partnerships, as referred to in paragraph (1), shall be conducted by Businesses with farmers, farmers groups association, and/or cooperatives.

(Originally in Reg. Min. Ag. 26/2017 paragraph (2) reads as follow:

1. *Partnerships, as referred to in paragraph (1), is obligatory to be conducted by Businesses with farmers, farmers groups association, and/or cooperatives.)*

5. Paragraph (3) of Article 34 is removed, thus Article 34 reads as follow:

Article 34

1. Partnerships, as referred to in Articles 23 and 30, shall be in the form of Partnerships agreements that include Partnership plan proposals.
2. The Partnership Agreement, as referred to in paragraph (1), shall be submitted by Businesses to the Director General of Livestock and Animal Health Services.
3. Removed

(Originally in Reg. Min. Ag. 26/2017 paragraph (3) reads as follow:

1. *The Partnerships Agreement, as referred to in paragraph (2), shall be used by the Director General of Livestock and Animal Health Services as consideration in providing import recommendation.)*

6. Provisions of Article 44 is amended to read as follows:

Article 44

1. Businesses that violate the provisions referred to in Article 24 paragraph (2), and/or Article 37 paragraph (1) shall receive administrative sanctions in the form of:
 - a. written warning;
 - b. temporary suspension from Milk Supply and Distribution activities;
 - c. business license revoked.
2. The imposition of sanctions as referred to in paragraph (1) letter a through c shall be conducted by Minister or governor, Head of District/Mayor in accordance to their respective authorities.
3. Sanction in the form of business license revocation, as referred to in paragraph (1) letter d, shall be proposed by the Minister to the business licensor.

Originally in Reg. Min. Ag. 26/2017, this article reads as follow:

1. *Businesses that violate the provisions referred to in Article 23, Article 24, Article 28 paragraph (1), Article 30 paragraph (2), and Article 37 paragraph (1) shall be imposed with administrative sanctions in the form of:*
 - a. *written warning;*
 - b. *temporary suspension from Milk Supply and Distribution activities;*
 - c. *import recommendation denial for the period of 1 (one) year; and/or*
 - d. *business license revocation proposal.*
2. *The imposition of sanctions as referred to in paragraph (1) letter a through c shall be conducted by Minister or governor, Head of District/Mayor in accordance to their respective authorities.*
3. *Sanction in the form of business license revocation, as referred to in paragraph (1) letter d, shall be proposed by the Minister to the business licensor.*

CHAPTER II

This Minister Regulation shall enter into force on the date of its promulgation.

In order to be publicly acknowledged, order the enactment of this Ministerial Regulation by establishing

it in the State Gazette of the Republic of Indonesia

Stipulated in Jakarta
on July 18, 2018

MINISTER OF AGRICULTURE OF THE REPUBLIC OF INDONESIA

(signed)

AMRAN SULAIMAN

Promulgated in Jakarta
on July 20, 2018

DIRECTOR GENERAL OF LEGISLATION
MINISTRY OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA

(signed)

WIDODO EKATJAHJANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2018 NUMBER 931