

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Dairy Regulation Revision

Report Categories:

Dairy and Products

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Report Highlights:

The Ministry of Agriculture (MOA) recently further revised a regulation that had required local dairy processors and dairy product importers to form partnerships with local dairy producers. This most recent revision eliminates all language making the partnerships compulsory, deletes previously required reporting requirements, and removes all remaining sanctions associated with non-compliance. Meanwhile, MOA has stated publicly that they will continue to “encourage” the dairy partnerships.

General Information:

In a regulation (33/2018) dated July 30, 2018, the Ministry of Agriculture (MOA) again revised regulation 26/2017 on Milk Supply and Distribution. Regulation 26/2017 (see ID1722) had 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. MOA issued its first revision (30/2018) to 26/2017 on July 20 (see ID1822), but that revision retained a section on sanctions for failing to comply with the partnership requirement and also still included some language that could be interpreted that the partnerships were still required for domestic processors. This second revision eliminates any notion that the partnership agreements are compulsory, deletes mandatory reporting requirements, removes all remaining sanctions associated with non-compliance, and deletes the clause stating that dairy processors must within three years establish their own plants that only procure milk locally.

In response to a backlash of criticism from domestic producer organizations for rescinding the local purchase and promotion mandate, MOA has stated publicly that they will continue to “encourage” dairy processors to form partnerships to buy local milk, invest in dairy production, and to promote local fluid milk consumption. Meanwhile, the local dairy processors association stated that while it is no longer mandatory, they will continue to buy milk from local dairy producers, just as they did long before 26/2017 required it.

MOA reports that 88 dairy product importers and 30 domestic processors have already submitted partnership plans. However, according to the revised regulations, companies will not be punished for not submitting a partnership plan, nor will the existence of importers’ partnership plans be considered when MOA decides whether to issue import recommendations.

Nonetheless, importers are still concerned that while officially no longer required, MOA still has an implicit requirement that importers must demonstrate that they are doing something to promote the local industry as a condition for obtaining a permit to import dairy products. In public discussions to clarify the revised requirements, MOA said they will “still encourage partnerships through other substitute regulations.”

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 33/PERMENTAN/PK.450/7/2018

REGARDING

THE SECOND 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 the Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution, as amended by the Regulation of the Minister of Agriculture 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, partnerships between businesses and farmers, farmers group association, and/or cooperatives has been regulated;
 - b. that in order to create business opportunities and conducive investment climate, amendment of the Regulation of the Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution, as amended by the Regulation of the Minister of Agriculture 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 is needed;
 - c. that based on the considerations referred to in letters a and b, establishment of the Regulation of the Minister of Agriculture regarding The Second Amendment of the Regulation of the Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution is needed;

In the 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 95 Year 2012 on Veterinary Public Health and Animal Welfare (State Gazette of the Republic of Indonesia Year 2012 Number 214, 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);
16. Regulation of the Minister of Agriculture Number 26/Permentan/PK.450/7/2017 regarding Milk Supply and Distribution (State Gazette of the Republic of Indonesia Year 2017 Number 995), as amended by the Regulation of the Minister of Agriculture 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 (State Gazette of the Republic of Indonesia Year 2018 Number 931);

DECIDES

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

Article 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), as amended by the Regulation of the Minister of Agriculture 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 (State Gazette of the Republic of Indonesia Year 2018 Number 931), are amended as follow:

1. Provision of paragraph (2) of Article 24 is amended, thus Article 24 reads as follow:

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), shall 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. 30/2018, paragraph (2) of this article reads:

(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.)

2. Article 37 is amended to read as follows:

Article 37

- (1) Farmers, Cooperatives and Businesses in conducting milk supply and distribution activities shall submit production and distribution reports to the Head of the Regional Services Office [*Head of Dinas*] in accordance with their authority.
- (2) The Head of Dinas, as referred to in paragraph (1) shall submit report to the Minister through the Director General of Livestock and Animal Health Services with a copy to the Minister of Cooperatives and Small and Medium Enterprises, Minister of Industry, and Minister of Trade.
- (3) Reporting, as referred to in paragraph (1), shall be performed at least once every 3 (three) months after the activities of Milk Supply and Distribution.
- (4) Reporting, as referred to in paragraph (2), shall be submitted online or through email, in accordance with Format.

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

- (1) Farmers, Cooperatives and Businesses in conducting milk supply and distribution activities are obliged to submit production and distribution reports to the Head of the Regional Services Office [*Head of Dinas*] in accordance with their authority.*
- (2) The Head of Dinas, as referred to in paragraph (1) is obliged to submit report to the Minister through the Director General of Livestock and Animal Health Services with a copy to the Minister of Cooperatives and Small and Medium Enterprises, Minister of Industry, and Minister of Trade.*
- (3) Reporting, as referred to in paragraph (1), shall be performed at least once every 3 (three) months after the activities of Milk Supply and Distribution.*
- (4) Reporting, as referred to in paragraph (2), shall be submitted online or through email, in accordance with Format.)*

3. Article 44 is removed.

(Originally in Reg. Min. Ag. 30/2018, this article reads:

(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.)

4. Article 45 is removed.

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

Provision as referred to in Article 24 paragraph (2) shall come into force after 3 (three) years since the promulgation date of this Ministerial Regulation)

CHAPTER II

This Ministerial 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 30, 2018

MINISTER OF AGRICULTURE OF THE
REPUBLIC OF INDONESIA

(signed)

AMRAN SULAIMAN

Promulgated in Jakarta
on August 1, 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 1010