



Judul : Palm oil export levies raised by 80%

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Palm oil export levies raised by 80%

A government official shows empty shelves for cooking oil in Jakarta, West Java, on Thursday (Feb. 27, 2022), as government officials regulate the price of oil and other commodities amid a rise in international market prices. (Iain Packer)

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The government has raised the upper limit of palm oil export levies by 80 percent to 1,360 per ton to discourage exports amid a domestic shortage of palm oil-based cooking oil.

Trade Minister Muhammad Lutfi said on Thursday that the government would also relax the domestic market obligation (DMO) policy that required producers to set aside 10 percent of their output for domestic consumption.

"So, this is a market mechanism. They will no longer need a DMO. Because selling CPO domestically will be more profitable than exporting," Lutfi told investors during a meeting with House Committee VI, which oversees trade and investment, adding that the rule came into effect this week.

The changes mark a shift in the government's strategy of stabilizing domestic cooking oil supplies with regulatory restrictions through the DMO and market mechanisms through the export levy.

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The new policy falls under Trade Ministerial Regulation No. 12/2022, which also marks change in the rate when exporters were introduced in January to control cooking oil prices. For almost three months, cooking oil in other sources sold above price limits in many parts of Indonesia.

The government said the scarcity was due to the wide disparity between international and domestic CPO prices, prompting producers to look abroad.

Lutfi also blamed the situation on rising global demand for palm oil as countries turned to biofuels to replace oil, whose prices were at record highs, exacerbated by the Russia-Ukraine war.

The new palm oil policy states that Indonesia will impose progressive levies of up to 1,360 per ton of CPO when international prices are above 6,000 per ton, foregoing rights the country acquired at the rate of 100 per ton in international markets. The trade minister supported the move to protect the funds.

All export levies plans to use the proceeds to offset other benefits, including bulk cooking oil to lift its supply used by low-income groups as well as micro, small and medium enterprises. The subsidy will help the government manage bulk cooking oil prices for 1,000 per ton.

The new policy also imposed the price ceiling on packaged cooking oil that was previously limited to Rp 14,000 per liter. Ceiling of prices was to amount to 50% for the regulated cooking oil.

Lutfi said it was urgent to take the arrangements for the cooking oil subsidy as the shortage affected millions of Indonesians. The fund was initially set up to help farmers, but has recently gone to subsidies, including for biofuels.

"We have to see whether the market mechanism (with better price competition) will be more effective than the DMO (with better control)," Lutfi told investors during a meeting with House Committee VI, which oversees trade and investment, on Friday.

Indonesian Consumers Foundation (YAKI) chairman Taha Abadi lauded the new market-friendly policy that was expected to better control cooking oil prices.

"For all this time, the government has tried to fight the market, and it proved to be a total failure. It then caused chaos among the market," Taha said in a statement on Thursday.

Taha urged the government to closely monitor the distribution of bulk cooking oil for fear that higher income households take advantage of the policy. He also urged the government to switch to a direct subsidy policy where subsidies were given directly to households, instead of to producers.

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During the House meeting, Lutfi warned so-called "mafia and speculation" as the cause of the government's inability to control cooking oil prices.

According to industry figures, there were three kinds of violations, the illegal use of subsidized bulk cooking oil by medium-sized to large companies, the trading of subsidized bulk cooking oil or packaged products sold under market prices and the exporting of subsidized cooking oil.

"The police will announce the suspects on Monday," Lutfi told investors.

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