About 80 per cent of Indonesia's 87 million people are engaged in agriculture and more than half of the country's foreign exchange earnings are derived from the exports of commercial crops, namely, rubber, copra, tobacco, tea, coffee, palm oil and sugar.

The essential objectives of the Government agricultural policy, as set out in the Five-Year Development Plan (1965-1960), are to increase production and exportation of agricultural products, to achieve a greater degree of self-sufficiency in regard to rice and maize, to diversify the economy, and to improve economic and social conditions in the agricultural sector.

In order to increase food production, the Government is endeavouring to promote the use of more fertilizer, improved seed, better irrigation facilities and generally improved agricultural practices. Emphasis is being placed on increased production of protein crops as well as livestock. Development of new areas and resettlement of families from densely populated areas are under way.
Of the 12,500 million rupiahs provided for expenditure for the implementation of the Development Plan, it is contemplated that 13 per cent will be used to increase agricultural production and another 25 per cent for irrigation projects.

Production targets have been established for food crops, industrial crops, livestock and products, forestry products and fishery. Industrialization, based on both agricultural and non-agricultural resources, is, however, regarded as the long-term basis of the economic development of the country. Political unrest in some parts of the country has adversely affected agricultural production.

B. Special Measures

Price and market control measures cover three important products: rice, copra and sugar.

For rice, the objectives of Government control are to ensure an adequate and suitably priced supply of rice for the army, police and vital industries; to provide a smooth flow of rice to the public, by eliminating local and general shortages and thus reducing seasonal and other price variations; to guarantee a fixed minimum price to the cultivators by means of a system of Government purchases of paddy and stalk paddy; and to ensure effective use of foreign exchange by concentrating all imports of rice in the hands of the Government.

The Food Supply Foundation (JUBM), a Government agency, purchases paddy from the cultivators at a fixed price which is intended to constitute the guaranteed minimum. The actual buying may be done either by a middle-man, or a middle-man's organization using Government funds and delivering the stalk paddy or paddy to Government mills, or by a farmers' organization, not necessarily of a co-operative character, supervised by a local committee of Government officials.

To assure stocks and to meet the rice needs of certain sectors of the population, the Government has announced plans to buy 980,000 tons of paddy rice from local producers during 1959. In addition to buying the rice at a fixed price, a system of advance payments has been adopted. The Government purchasing prices vary slightly in different parts of the country, reflecting differences in quality and transport costs and in the degree of incentive required in different provinces to induce the farmer to sell his produce.
The paddy or stalk paddy thus acquired is delivered to the mills. In Java, the mills act purely as Government agents, storing the paddy and stalk paddy delivered during the harvest season, milling it later, and delivering it to the JUBM as requested. In other islands, the Government purchases paddy and stalk paddy in certain surplus areas; mills in those areas work partly on contract for the Government, but may also purchase paddy on their own account after completing the Government programme. The mills are paid both for the actual milling and, in areas where the Government-contracted mills have excess capacity over the requirements of the Government purchasing programme, compensation for the unused capacity.

Imports of rice have been under Government control through JUBM. In order to improve timing of deliveries - important in view of the scarcity of foreign exchange and the relatively narrow margin on which the JUBM operation is based - the JUBM switched in 1957 to a policy of government-to-government purchases. In January 1959, for instance, the Government indicated that it would import about 700,000 tons of rice in 1959 on a government-to-government basis as follows: 60,000 tons from Brazil; 175,000 tons from mainland China; 168,000 tons from the USSR; and 300,000 tons from Burma. Since that time, negotiations have been completed with Thailand for 50,000 tons of rice, and about 20,000 tons will also be obtained from South Vietnam.

The rice acquired by the JUBM through internal procurement and imports, is moved into consumption by "distribution" or rationing and "injections" into free markets. By "distribution" is meant the issue of regular supplies to vital consumer groups at prices below the free market prices. The "injection" system is designed to prevent the appearance of local shortages of rice, and thus to keep seasonal and other price fluctuations at a minimum; the price of "injection" rice is anywhere from 10 to 45 per cent below free market price, depending mainly on the level to which the free market prices have risen.

As JUBM stocks go into consumption at prices below the market levels, the Government has in recent years sustained a loss, and the funds to cover this loss have been voted annually; in 1953 the total loss to the Government was 189 million rupiahs.

As for copra, efforts to maintain a monopoly position in copra purchases and exports by the Central Cocoa Co-operative (IKKI), successor to the Copra Foundation, have been only partly successful, due to various reasons. As
distinct from the Copra Foundation, which purchased largely direct from individual producers and from middlemen, and was given a buying and selling monopoly of copra at fixed prices, IKKI will operate over the whole country, selling copra for its members, the Regency Co-operative Centres. While the former, as a central agency, appropriated for central government purposes the profits from its copra trade, the latter is entitled only to cover the actual cash expenses, and the profits are held and used by the regional co-operatives. To encourage exports through regular trade channels, the Government is adopting a new plan of allowing the copra producing areas more of the foreign exchange earned by sales of products from their local areas.

The Netherlands-Indonesia Association for the sale of sugar occupies a monopoly position in the purchase of estate-produced sugar and is the only seller of estate sugar in Indonesia or abroad. This agency fixes the price paid to sugar mills and the price at which sugar is sold to wholesalers, but does not establish retail prices.

Under the existing system of foreign exchange regulations, exporters, instead of receiving rupiahs at the official rate, will receive from the exchange bank an export certificate with a face value equal to the value of the commodities exported. These certificates are valid for two months and may be used to import goods or may be sold through the exchange bank at a price based on supply and demand, with the seller paying a 20 per cent tax to the Government on the transactions. Export certificates are required for all imports and other payments of foreign exchange. Since the certificates are currently selling at more than double their face value, retail prices of imported goods are expected to increase.

Bilateral trade arrangements have long been a feature of Indonesia's trade in agricultural products. Indonesia has trade agreements with almost all eastern countries. Late in 1958 and early in 1959, there was considerable activity in the renewal of bilateral trade agreements with Pakistan and India; these provide assured markets in those countries for Indonesian rubber, spices, copra, sugar and essential oils. In October 1958, the Government signed trade arrangements with Czechoslovakia whereby the latter is to supply Indonesia with agricultural tractors, equipment and other machinery to be delivered between 1959 and 1961; this equipment is to be used for Indonesia's new rice development programme. In January 1959, a new trade agreement was signed with Bulgaria.
Indonesia will provide Bulgaria with rubber, tea, copra, spices, cocoa, palm oil and palm kernels, and in turn will import machinery, fertilizers, cotton piece goods and wheat flour from Bulgaria.

II.

SUBSIDIES

(Including all forms of income and price support)

Price fixing measures for rice and sugar have been described in Section I, B.

Fertilizer for rice cultivation has been sold by the Government at below cost, or it has been distributed free of charge.

Subsidies are also paid to popularize the use of pesticides and insecticides. The subsidies may take the form of free or low-cost distribution of the materials, or of renting or selling below cost spraying and dusting equipment.

The so-called "strong products" have been exempted from the additional export duty as from 24 October 1955.

As from 24 October 1955, the rate of the general export duty (3 per cent ad valorem) which was levied on all products exported from Indonesia except rubber for which a special tariff was created on a "sliding scale" basis, was lowered for the following products to the levels indicated below: copra - 3 per cent; coffee - 3 per cent; palm oil and palm kernels - free; tobacco - free; pepper - free.

Note: 1. Consumer subsidy for rice has been described in Section I, B.
2. The system of export premia that had been in effect for agricultural commodities (L/880) has been eliminated.
3. At present, the general export duty is levied only on: tin (8 per cent), oil products (4 per cent), coffee ( 3 per cent) and rubber (sliding scale).

III.

COST OF PROGRAMMES AND FARM NET INCOME

A. Total cost of Government support programmes for each of the last three years.

(To be furnished by the Government of Indonesia)

B. Farm net income for the same years (if not available, total value of farm production)

(To be furnished by the Government of Indonesia)
IV.

MIXING REGULATIONS

No such regulations are in force in Indonesia.

V.

STATE-TRADING OPERATIONS

(Including private enterprises enjoying special privileges)

Marketing and imports of rice are under the Government control (see Section I, B).

For sugar, the purchase of local production and sale thereof in the home market or abroad are under the monopoly operation (see Section I, B).

For copra, a private organization is enjoying a certain degree of privilege in the field of sale of copra (see Section I, B).

VI.

IMPORT RESTRICTIONS

VII.

MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

(To be furnished by the Government of Indonesia)