Feeding Indonesia

The Challenge

Indonesia has more than enough resources to ensure food security for all and Indonesia’s performance on food security has traditionally been good. But many Indonesians still do not have enough to eat. Thirty percent of households say that their food consumption is less than their needs, and over a quarter of under 5 year olds are underweight, 8% severely so. Even before the crisis 42% of children under 5 suffered from stunting – a reliable indicator of long term undernourishment. Poor nutrition arrests normal child development, harms maternal health and reduces workforce productivity. It also reduces resistance to illness trapping people in a cycle of poor health and poverty.

How Policy Attempts to Ensure Food Security Now

There are three components of food security policy:

Food availability: Indonesia generally does not suffer from a problem of food availability. It produces around 31 million tons of rice each year and consumes only slightly more – imports typically amount to less than 7% of consumption. Moreover private distribution networks appear to operate reasonably efficiently ensuring access to food throughout Indonesia. Key policies affecting food availability include:
- The current rice import ban
- The Ministry of Agriculture’s efforts to boost food production
- BULOG’s maintenance of the national rice security stock

Food affordability: The most important element of food security is ensuring that the poor can afford to obtain food. This is best achieved through a broad based strategy for growth – particularly growth which benefits the poorest. This can be complemented with direct transfer programs carefully targeted to the poor. Key policies affecting food affordability include:
- The RASKIN program that delivers subsidized rice to nearly 9 million households
- BULOG’s attempts to defend the floor price for paddy
- Trade restrictions resulting in domestic prices higher than world prices.

Food quality and nutrition: In addition to ensuring that people have enough food, it is important to ensure that they are adequately nourished, that is, that they consume sufficient micronutrients to live healthy lives. Food consumption across all income groups is

% of Under 5s Underweight

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lao PDR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
shifting towards higher quality foods. But, as noted above, nutritional outcomes have not been improving since the end of the crisis. Key policies affecting food quality and nutrition include:

- Efforts to fortify key foods
- The supplemental feeding program introduced after the crisis
- The dissemination and marketing of nutritional information.

The ten steps outlined below review the effectiveness of policies in these three areas and propose practical actions to enhance performance and improve food security.

Ten Steps to Improve Food Security

1. Make BULOG Work

BULOG remains one of the most important institutions for ensuring food security in Indonesia. BULOG’s legal status changed in 2003 from an Agency to a State Owned Enterprise increasing its scope to undertake commercial activities in addition to providing its public service obligations – maintaining national security stocks, public procurement in support of farmgate prices, emergency food response, and implementing the RASKIN program of subsidized rice for the poor. Central government oversight of delivery by BULOG of these obligations has shifted to the MOF and the State Ministry of SOEs, which have limited capacity and experience in food security policy and management. Indeed BULOG is still operating over a year later without an approved business plan or budget, although these are required by law.

The new Government should strengthen oversight of BULOG by MOF and the State Ministry of SOEs by:

- Establishing an approved opening balance sheet, business plan and annual budget
- Piloting alternative delivery mechanisms and contracts with different providers of the public service obligations to establish measures of unit costs for comparison with BULOG’s costs
- Commissioning an independent assessment of national rice security stock requirements (BULOG wishes to be compensated for 1 million metric tons) and
- Costing accurately the delivery of the RASKIN program and redrafting the contract between the Government and BULOG accordingly.

2. Assess Moving the National Food Security Agency (BKP) out of the Ministry of Agriculture to a More Neutral Setting

National food security policy requires a careful balancing of consumer and producer interests. The National Food Security Council, chaired by the President, is supported by a full-time secretariat (Badan Ketahanan Pangan, or BKP) in the Ministry of Agriculture (MOA). Although this has performed adequately so far this configuration could pose difficulties since the MOA more naturally responds to its farmer constituency than to food consumers’ interests. The MPR has recognized this and, through MPR 8/2003, instructed the President to study whether BKP should be an agency separate from MOA. The MPR request needs a careful response. If a shift is to be made it must be carefully planned since the institutional arrangements for national food security analysis and coordination have shifted numerous times in recent years, and it will be important not to dissipate capacity through a poorly planned shift in responsibilities.

3. Improve the Efficacy of District Food Security Councils

The 2002 Government Regulation (PP) on Food Security provides a framework within which local governments contribute to national food security objectives. This PP establishes that sub-national Governments are responsible for food security within their boundaries and many districts have established District Food Security Councils. The PP defines food staples broadly, to allow flexibility for regional diet differences to be reflected in sub-national food security measures, so that rice not be over-emphasized in regions where other staples are important. While this is a positive feature of the emerging system, the District Food Security Councils lack capacity, have tended to pursue ad hoc agendas, and have engaged in ineffectual food staple procurement and storage. It will be important for the national government to provide guidance and capacity building if the District Food Security Councils are to function effectively.

4. Remove the Import Ban on Rice

In January 2004 the Ministry of Industry and Trade announced a “seasonal” ban on the import of rice from two months before until one month after the harvest period – the ban has been repeatedly extended and is still in place. The stated aim of the ban was to support farmers and enhance food security. However, in practice it has had the opposite effect – retail prices have risen whilst farmgate prices have stayed the same suggesting that farmers have not benefited as intended. However, food security has worsened for the majority since 80% of the population are net consumers of rice and are therefore hurt by higher rice prices, whilst the 20% who gain are not the poorest. A recent study shows that a permanent ban might push as many as 1.5 million people below the poverty line.

The new government should remove the ban and allow rice to be imported by general importers as before. Protecting rice worsens food security – but if protection is deemed politically necessary it can be achieved in a more transparent and efficient fashion through a low specific tariff rather than a seasonal import ban.

---

5. **Change the Focus of the MoA From Boosting Production to Disseminating Technology and Encouraging Diversification**

The high rice price policy also has limited potential in achieving rural incomes objectives: for surplus rice producers, support through border protection attempts to bring a one-time upward adjustment in incomes but it provides little potential for sustained growth in incomes since productivity levels are already quite high in domestic rice farming. It would be better for the Ministry of Agriculture to focus on productivity improvements across a wider array of agricultural products. Food consumption is shifting across all income groups towards higher quality foods. At current growth rates, household consumption of fruits and vegetables may surpass the value of rice consumption within this decade. Agricultural policies’ current concentration on rice self-sufficiency, which is likely to remain a low value and cheap commodity on world markets, anchors farmers’ efforts in a low growth commodity and delays their switch to production of high value fruits, horticulture, and livestock, where domestic demand growth is highest. Agricultural policy needs to move aggressively towards a research and extension agenda focused on these high value and high growth products, and on assisting the broad base of small producers to meet quality standards for these emerging markets and to gain access to procurement chains that are increasingly defined by supermarkets.

6. **Downscale RASKIN**

The RASKIN program is supposed to be one of the Government’s key programs for improving food security by supplying 20kg per month to 9 million poor families. The reality is that it is very expensive - Rp 4.8 trillion in 2004 – and quite poorly targeted so that the benefits which accrue to the poor are minimal. On average households receive between 6 and 10 kg rather than 20kg in part because rice is distributed to many non-poor households as well as to the poor. As a consequence the average subsidy to the poor amounts to only 2.1% of their per capita expenditure – and even less for the non-poor. Moreover, much of the subsidy never reaches households at all – it goes into BULOG’s operating costs. In 2004 the Government paid Rp 3,343 for each kg of rice delivered by BULOG – despite the fact that the private sector can deliver the same rice to villages for around Rp2,800. Of the total BULOG budget for RASKIN – only around 18% goes to the poor.

Notwithstanding RASKIN’s problems – it is one of the few programs with national reach and it has an organizational infrastructure which can play an important role in the event of local food insecurity. It would therefore be wrong to scrap RASKIN. But it does make sense to consider radical reforms including:

- Socializing and enforcing the targeting of RASKIN so that villages understand that distribution is only intended for the poorest – again this will be easier if the program is better targeted
- Benchmarking the cost of delivering the RASKIN program and revising the budget accordingly and
- Exploring the greater use of self-targeting by the poor e.g. through smaller packages and more frequent visits.

The aim should be a smaller and much cheaper RASKIN program but with a better impact on the poor through greatly improved targeting.

<table>
<thead>
<tr>
<th>How much of the RASKIN budget goes to the poor?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs and BULOG Profit 30%</td>
</tr>
<tr>
<td>Subsidy received by the poor 18%</td>
</tr>
<tr>
<td>Subsidy received by the non-poor 52%</td>
</tr>
</tbody>
</table>

7. **Rethink How the Government Attempts to Stabilize Rice Prices**

Traditionally the Government has attempted to enhance food affordability by stabilizing the price of rice. This was done by setting a floor price and purchasing rice from the market to defend this price. However, BULOG’s inability to defend the floor price is well known whilst the Government’s involvement in the market discourages the development of private price smoothing mechanisms (e.g. through warehousing). Whilst government attempts to stabilize prices may have been appropriate in the past, private marketing channels are now well developed in Indonesia and so such measures are generally unnecessary. Indeed INPRES No. 9, 2001 recognized this by shifting policy from supporting a floor price to simply setting a government procurement purchase price. The new government should focus on implementing the intent of this INPRES by rethinking whether and, if so, how the government should attempt to stabilize rice prices without discouraging local private sector activities.
8. Support and Enforce the Fortification of Key Foods

Fortifying foods, through, for example, allowing only iodized salt to be used or insisting that manufacturers add a minimum of certain micronutrients to the foods they produce, is an effective way of improving nutritional standards. The Government has recognized this by supporting greater iodization of salt and mandating the fortification of wheat flour. But poor nutrition remains a major problem – for example 63% of pregnant women and 65-85% of children under 2 are anaemic due to lack of iron, whilst more than a quarter of households do not yet consume enough iodised salt.

The new government could improve nutrition by encouraging and enforcing greater compliance with fortification. For example, in some places local production of salt by small scale producers is supported by local authorities despite it failing to meet national standards for iodization. The national government should work with local governments, producers and consumers to find effective ways of ensuring compliance without endangering local livelihoods. The government's Intensified Iodine Deficiency Control Project showed how this can be done whilst achieving a greater than 50% reduction in the Total Goiter Rate between 1996 and 2003 among school children in severe and moderate endemic provinces.

Transparent enforcement of regulations also ensures that complying food processors' investments are not undercut by non-complying producers. And cross-agency collaboration is needed since interventions encompass food processing industries (MOIT), imports (Customs), monitoring of food marketing (BPOM), social marketing (MOH) and local governments (MOHA). Collaboration should aim to establish which foods should be fortified, test product choices and delivery mechanisms, build partnerships with private sector producers and marketers of fortified products, establish product standards and the regulation of production, and permit the monitoring and evaluation of the actual delivery and impact of the fortified food for the target population.

9. Refocus Supplemental Feeding Programs

Carefully targeted supplementary feeding programs have a useful role to play in enhancing nutrition. A supplemental feeding program was introduced after the crisis as part of the Social Safety Net (Jaringan Pengamanan Sosial, JPS). The budget increased in 2004 to Rp. 120 billion for public procurement and distribution of locally manufactured MP-ASI, the program's main nutrition supplement. However, the available evidence suggests that program coverage has been low and that it is poorly targeted. One study showed that 14% and 17% of the richest and poorest quintiles received the supplementation, respectively. The Government should revise and focus the program to target the chronically poor and those in emergency situations.

10. Improve Nutritional Information

Surveys show that mothers with greater nutritional knowledge prepare more micro-nutrient rich meals for their households. Furthermore, whether mothers possess such nutritional knowledge is not strongly associated with their formal educational or income levels. This indicates that better social marketing of nutritional information could improve diets, particularly since the availability of nutritious foods on local markets has improved. In the past, the Posyandu network was one of the most effective ways of reaching mothers with nutritional information, but its geographic coverage and quality of service has deteriorated.

While a Posyandu revitalization program merits consideration, decentralization has brought a variety of budget and human resource constraints. Moreover, alternative providers can often offer better services, so the aim of reestablishing the national network that once existed would be misguided. Rather the emphasis should be on exploiting other opportunities for social marketing of nutritional messages particularly through television and radio.