

Covid-19, food security, and trade

The case of Indonesia

Arianto A. Patunru¹ Felippa Amanta²

¹Australian National University

²Center for Indonesian Policy Studies

9 September 2020



Australian
National
University



CIPS
Center for Indonesian
Policy Studies

Introduction/summary

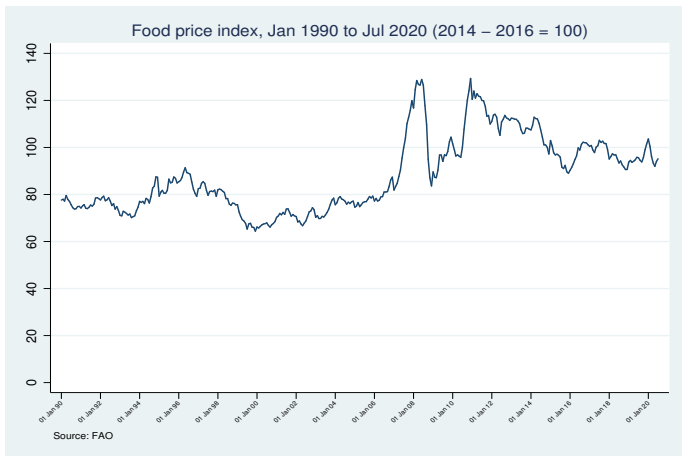
- ▶ There is a growing concern that the pandemic-induced crisis could lead to another food crisis, although with an unusual cause
- ▶ The negative impact of mobility restrictions on food supply chain should be minimised
- ▶ Indonesia's food security status has not been great
- ▶ This might further be deteriorated by the pandemic
- ▶ And protectionism does not help
- ▶ Ensuring free flow of food is therefore crucial



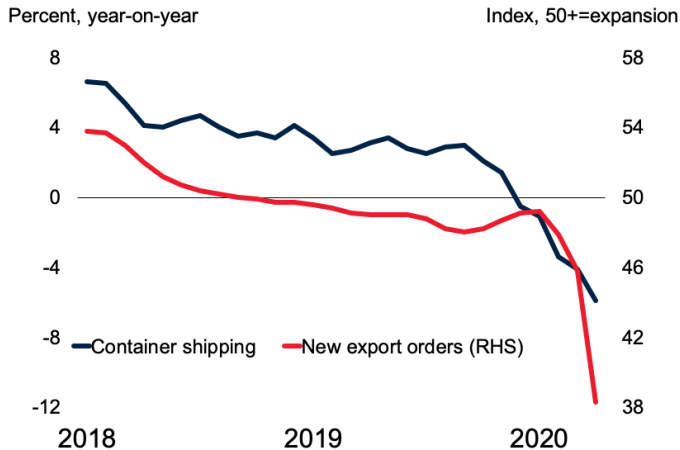
There is enough food in the world..



.. and so the global food prices have been relatively stable...



But the pandemic has caused worldwide disruption in logistics



Source: WB's GEP 2020



Australian National University

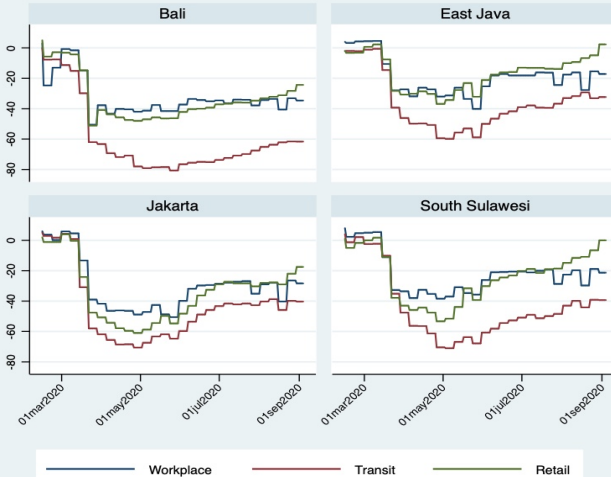


CIPS
Center for International
Policy Studies

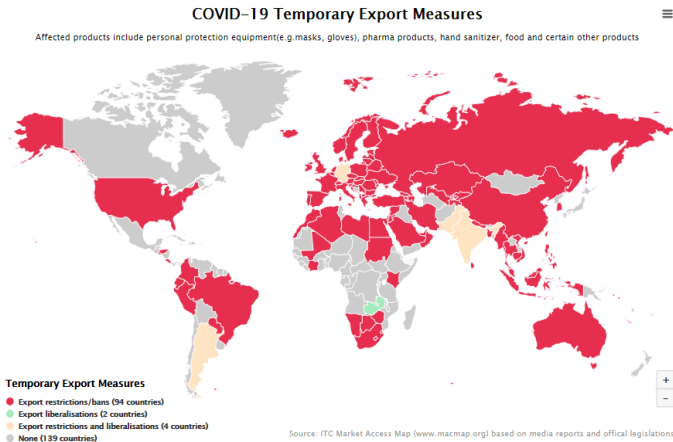
... and disruption in everyday's mobility

Google mobility report: Indonesia

Weekly Average (as of 06-Sept-2020)



Worse yet, countries rushed to secure domestic supply - by halting exports...



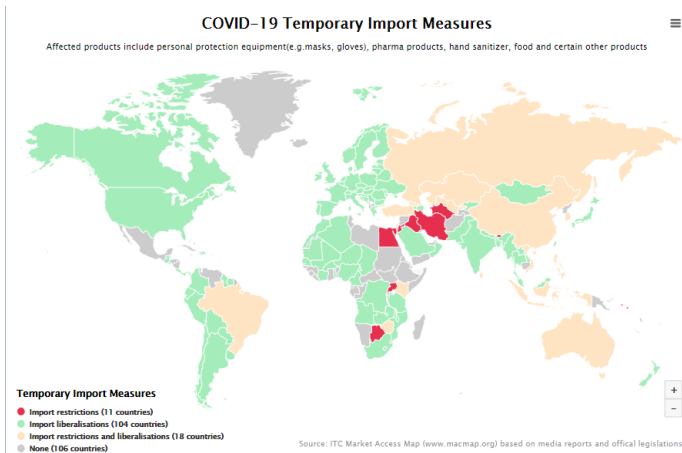
Source: Market Access Map, International Trade Centre, www.macmap.org - accessed 24/07/2020



Australian
National
University



... while encouraging imports...



Source: Market Access Map, International Trade Centre, www.macmap.org - accessed 24/07/2020



Australian
National
University



CIPS
Center for Indonesian
Policy Studies

Indonesia, too, struggled to secure food, e.g...

- ▶ Onions and garlic: temporary elimination of import certification requirements, 18/03 to 30/06 2020
- ▶ Sugar: temporary suspension of mandatory Indonesia National Standard, 31/03 (still active)
- ▶ Wheat flour: temporary exclusion to the addition of fortifying substances, 07/04 (still active)
- ▶ (In terms of exports, the Covid-19-induced restrictions are mostly imposed on health-related products, e.g. masks)



Thus: minimising disruption to food supply chain is critical

- ▶ While global food supply is sufficient, the distribution is unequal
- ▶ Disruption to trade flow further deteriorates the situation
- ▶ In Indonesia the food distribution is already bad to start with
- ▶ As a result, food insecurity might further increase



Indonesia ranked low in food security index

Food security

Rank	Country	Score	Affordability	Availability	Quality/Safety
1st	Singapore	87.4	2nd	2nd	25th
28th	Malaysia	73.8	28th	26th	42nd
52nd	Thailand	65.1	42nd	59th	75th
54th	Vietnam	64.6	48th	55th	77th
62nd	Indonesia	62.6	58th	48th	84th
64th	Philippines	61.0	62nd	65th	80th

Source: EIU, GFSI 2020

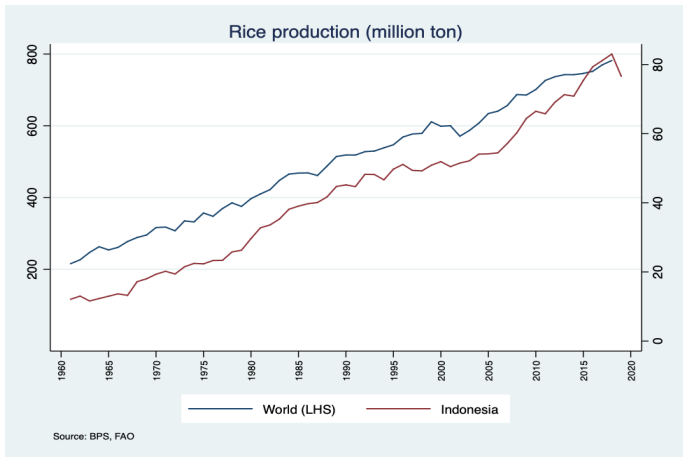


Australian
National
University

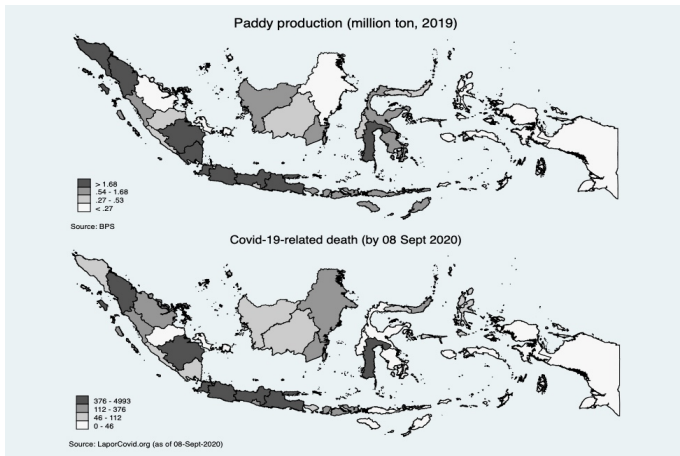


CIPS
Center for Indonesian
Policy Studies

While global food supply is enough, RI's own rice production has been decreasing



Covid-19 might further suppress domestic supply

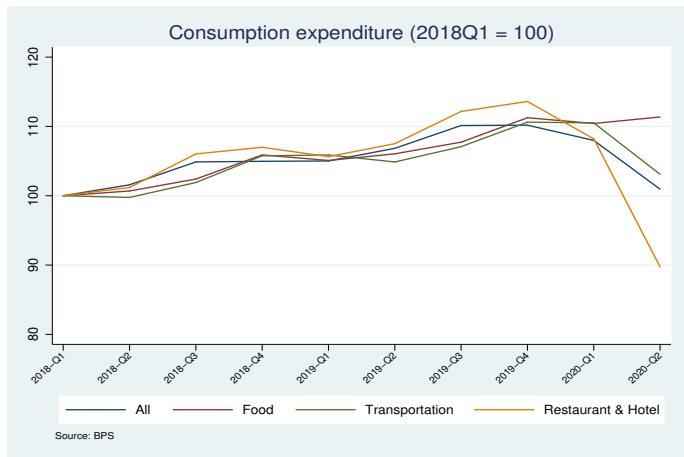


Prices of some food items have been volatile



- ▶ Some went down in the last quarters, reflecting general downturn
- ▶ But if pandemic continues, supply is thinning and prices may go up

But food consumption is relatively resilient...



... due to low price- and income elasticity of demand?



Thus: investment is needed to improve agricultural production

- ▶ Indonesia should pursue intensification
- ▶ Food estate is a bad idea (remember Soeharto's Mega Rice Project? SBY's Merauke Integrated Food and Energy Estate?)
- ▶ FDI in agriculture is restricted, per Indonesia's Negative Investment List (Presidential Regulation 44/2016 and Law 13/2010 on Horticulture)
- ▶ Where investment is allocated also matters: research and development have higher ROI than irrigation projects

Food restriction is part of RI's rising protectionism

- ▶ The long-held narrative of self-sufficiency is still very popular
- ▶ Reflected in arrays of trade restrictions
- ▶ Especially restriction on imports, despite the need of imported food
- ▶ E.g. Law 18/2012: food imports are only allowed when domestic supply is *insufficient*



Despite that import dependency ratios of food are quite high

Import dependency		
Commodity	Import Dependency Ratio (%)	Top source
Rice	6.2	Thailand (35%)
Beef	28.4	Australia (49%)
Sugar	69.9	Thailand (80%)
Soybean	72.5	USA (98%)
Wheat	100	Australia (24%)
Garlic	93.7	China (100%)

Source: WFP 2020

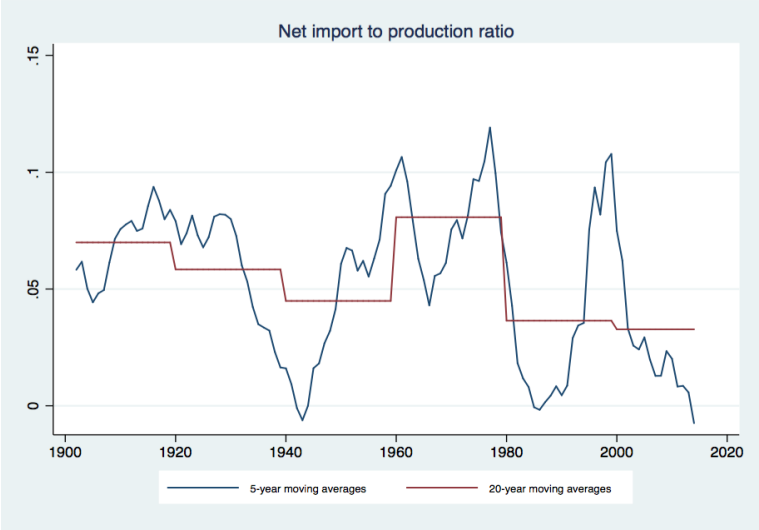


Australian
National
University



CIPS
Center for Indonesian
Policy Studies

In fact, we've been importing rice for a long time



Nevertheless, RI's non-tariff measures have increased in numbers

NTMs on agro-food products (HS 01-22)		
	2019	2020
Export-related measures	72	128
Other measures	7	13
Pre-shipment inspection	23	60
Price control measures	8	24
Quantity control measures	31	76
Sanitary and Phytosanitary	219	570
Technical Barriers to Trade	73	116
<i>Total</i>	433	987

Source: UNCTAD-TRAINS 2019, 2020

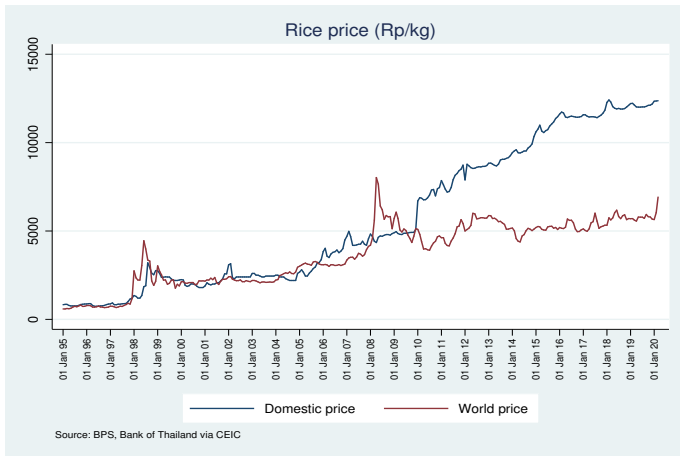


Australian
National
University



CIPS
Center for Indonesian
Policy Studies

When trade restriction backfires: rice

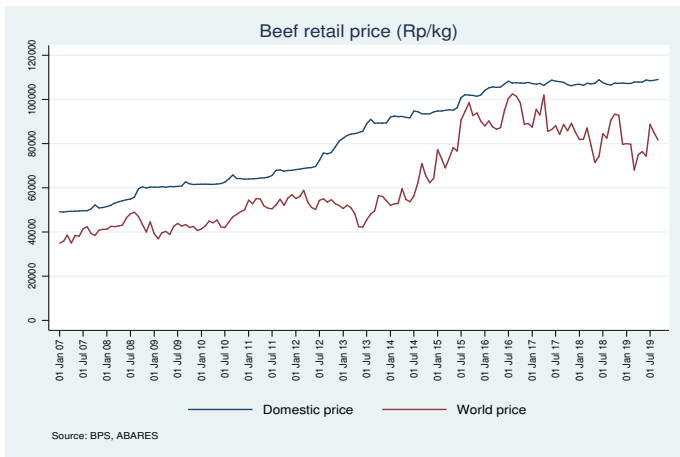


Australian
National
University



CIPS
Center for Indonesian
Policy Studies

When trade restriction backfires: beef



Thus: RI should restrain from closing its border

- ▶ Restricting import may push domestic prices up
- ▶ This will hurt the net consumers, especially the poor
- ▶ Hence a further blow to food security



Long term implications

- ▶ Deterioration in access and dietary diversity
- ▶ While people in rural areas may adapt to local food sources, such option is difficult for urban poor
- ▶ Substitution from more nutritious and fresh food to less nutritious staples is likely
- ▶ Which may lead to increased prevalence of anemia, esp. for children (Block et al. 2004 for the case of the Asian Financial Crisis)
- ▶ Households experiencing food insecurity are more likely to have child labor (Handayani and Utama 2020)



Moving forward

- ▶ The pandemic has exposed vulnerability in RI's food system: declining production trend, inadequate distribution capacity, and limited trade
- ▶ Policy reforms in food and agriculture sector are crucial
- ▶ More investment is necessary to strengthen domestic agriculture production
- ▶ Diversification of food supply is encouraged
- ▶ Working with other countries is encouraged (e.g. improving the ASEAN+3 Emergency Rice Reserves, ASEAN Food Security Reserve Board, promoting food commodity exchange)



Thank you!