Table of contents

Abbreviations ............................................................... 11
Executive summary ....................................................... 15
Highlights and policy recommendations .............................. 19
Synthèse et recommandations pour l’action publique ........... 41

Chapter 1. The policy context ........................................... 67
  1.1. General aspects .................................................. 68
  1.2. Agricultural situation .......................................... 74
  1.3. Structural change in the agro-food sector .................... 109
  1.4. Summary ....................................................... 121
Notes ................................................................. 123
References ............................................................. 124
Annex 1.A1. Indonesia: Projected production, consumption and trade of major commodities by 2021 .................. 129

Chapter 2. Policy trends and evaluation ............................. 133
  2.1. Agricultural policy framework ................................ 134
  2.2. Domestic policies .............................................. 151
  2.3. Trade policies affecting agro-food trade flows and agricultural commodity prices .................................. 174
  2.4. Evaluation of support to agriculture ........................ 193
  2.5. Summary ....................................................... 205
Notes ................................................................. 208
References ............................................................. 211

Chapter 3. Promoting sustainable investment in agriculture ........ 223
  3.1. Trends in investment in agriculture .......................... 224
  3.2. Investment policy in agriculture .............................. 234
  3.3. Sectoral policies supporting investment in agriculture .... 247
  3.4. Responsible investment in agriculture ........................ 263
  3.5. Summary ....................................................... 278
Notes ................................................................. 281
References ............................................................. 282
Annex 3.A2. Methodology for the 2012 FDI Regulatory Restrictiveness Index ... 287
TABLE OF CONTENTS

Tables

0.1. Contextual indicators, 1990, 2010 ......................................................... 20
0.1. Indicateurs contextuels, 1990, 2010 ......................................................... 42
1.1. Indonesia: Selected regional indicators, 2010 ........................................ 69
1.2. Agricultural machinery in Indonesia per 1 000 workers, 1990-2003 .......... 79
1.3. Changes in the composition of the value of agricultural production, 1991-2009 (%) .............................................................. 80
1.4. Percentage of monthly average per capita expenditure by commodity group, 1999-2009 .............................................................. 96
1.5. Net rice consumers, % ................................................................. 96
1.6. Average daily per capita consumption of energy by commodity group, 1999-2009 (%) .............................................................. 97
1.7. Agro-food sector's integration with international markets, 1990-2010 .......... 99
1.8. Changes in average farm size, 1995 and 2007 ........................................ 112
1.9. Distribution of farm households by size and region, 2007 (%) ................. 112
1.10. Standard contractual agreement between a farmer and potato agribusiness in Garut district, West Java province, Indonesia, 2005 .......... 116
2.1. Self-sufficiency targets for rice, maize, soybean, sugar and beef, 2014 ..... 135
2.2. Evolution of agricultural policy in Indonesia ......................................... 138
2.3. Policy responses to rising commodity prices in 2007-08 ......................... 141
2.4. Major laws, regulations and decrees affecting the agro-food sector .......... 143
2.5. Main tasks and budget share of Echelon 1 divisions under the Ministry of Agriculture .......................................................... 145
2.6. Farmer-based organisations in Indonesia ............................................. 150
2.7. Quantity of subsidised fertiliser provided to farmers, 2003-10 ............... 156
2.8. Expenditure on seed programmes for rice, maize and soybeans, 2005-10 .. 157
2.9. Credit programmes for agriculture, 2010 ............................................. 161
2.10. Condition of irrigation infrastructure by level of government, 2010 ........ 170
2.11. Time line of ASEAN trade agreements with partners .......................... 190
2.12. Indonesia: Estimates of support to agriculture, IDR million ................. 198
2.13. Indonesia: Estimates of support to agriculture, USD million ................. 199
2.A1.2. Ministries with responsibilities relating to agriculture ....................... 216
2.A1.3. SOEs involved in the agricultural sector ....................................... 217
2.A1.5. Agricultural commodities classified as sensitive and highly sensitive by Indonesia under AFTA .................................................. 219
2.A1.7. Average applied MFN and WTO bound tariffs for selected agricultural commodities .......................................................... 220
3.1. Incremental Capital Output Ratio (ICOR) by sector, 2006-10 average .......... 228
3.2. Realised investment per agricultural sub-sector, 2005-10 ....................... 228
3.3. Production structure of perennial crops, 2009 ..................................... 229
3.4. Large private palm oil companies operating in Indonesia ..................... 230
### TABLE OF CONTENTS

3.5. Foreign direct investment in palm oil plantations by origin, 2009-11 ........................................ 230
3.6. Minimum obligations for biofuel utilisation .......................................................... 231
3.7. Biofuel production in Indonesia, 2006-10 ............................................................. 231
3.8. Agricultural sub-sectors with investment restrictions ............................................. 238
3.9. Maximum land area per company ............................................................. 242
3.11. Irrigation as percentage of crop land in selected Asian countries, 2000-07 .......... 250
3.12. Telecommunications: Subscribers/users per 100 inhabitants ................................ 253
3.13. Sources of agricultural growth, 1961-2006 ............................................................ 255
3.15. Export tax regulations on palm oil products ....................................................... 262
3.16. Scoring of restrictions, FDI index 2012 ............................................................... 288

### Figures

0.1. Main macroeconomic indicators, 1991-2010 ......................................................... 20
0.2. Agro-food trade, 1990-2010 ............................................................. 20
0.1. Principaux indicateurs macroéconomiques, 1991-2010 ........................................ 42
0.2. Commerce agroalimentaire, 1990-2010 ............................................................. 42
1.1. Agricultural land, 1990-2009 ............................................................. 70
1.2. Indonesia: Selected macroeconomic indicators, 1990-2010 .................................. 72
1.3. The share of agriculture in GDP, employment, total exports and imports, 1990-2010 76
1.4. The importance of agriculture in regional GDP, 1990-2008 .................................. 76
1.5. Evolution of agriculture's share of GDP and share of employment in selected Asian countries, 1980-2007 ................................................................. 77
1.6. Output and input price indices and farmers' terms of trade, 1993-2010 ..................... 77
1.7. Use of chemical fertiliser in selected countries (active nutrient kg/ha of cropland) .... 78
1.8. Growth in agricultural output, 1990-2010 ............................................................. 80
1.9. Changes in crop production, 1990-2010 ............................................................. 81
1.10. Composition of crop area, 1990-2008 ............................................................. 82
1.11. Changes in livestock production, 1990-2009 ...................................................... 84
1.12. Regional distribution of agricultural value added, 1990 and 2008 ......................... 84
1.15. Regional distribution of agricultural employment, 1990 and 2009 ......................... 86
1.16. Employment structure across regions, 2010 ...................................................... 87
1.17. Land-to-labour ratio for agriculture, 1990-2009 .................................................. 87
1.18. Labour productivity growth in agriculture in selected Asian countries, 1990-2009 .... 88
1.19. Agriculture labour productivity in selected regions, 1990-2008 ......................... 89
1.20. Crop yields for selected food crops, 1993-2009 .................................................. 89
1.21. Crop yields for selected perennial crops, 1990-2010 ........................................... 90
1.22. Evolution of total factor productivity in agriculture, 1990-2006 ......................... 91
1.23. Total factor productivity in agriculture in selected countries, annual growth rates, 1991-2009 ................................................................. 91
# TABLE OF CONTENTS

1.25. Poverty headcount rates at national and international poverty lines, % of population, 1976-2010 ........................................ 93
1.26. Evolution of rural poverty headcount rates in selected regions, 1996-2010 ... 94
1.27. Food consumption per capita in Indonesia, 1990-2007 ......................... 97
1.28. Indonesia’s agro-food trade, 1990-2010 ........................................ 98
1.29. Net trade in basic groups of agro-food commodities, 1990-2010 ............ 99
1.30. Indonesia’s fisheries production and trade, 1980-2008 ......................... 100
1.31. Share of Indonesia in world’s exports of selected commodities, 1990-2010 ........................................ 101
1.32. Composition of agro-food exports, 1990-2010 .................................. 102
1.33. Indonesia’s agro-food exports by region, 1990-2010 .......................... 103
1.34. Main export markets for Indonesia’s agro-food products, 2008-10 average ... 103
1.35. Composition of agro-food imports, 1990-2010 .................................. 104
1.36. Share of imports in Indonesia’s domestic use of selected commodities, 1990-2007 ........................................ 104
1.37. Indonesia’s agro-food imports by region, 1990-2010 .......................... 105
1.38. Main suppliers of agro-food products to Indonesia, 2008-10 average .......... 105
1.39. Forest area in Indonesia, 1990-2009 ............................................ 106
1.40. Yields of large and small perennial crop producers, 1971-2007 .............. 113
1.41. Subsidised fertiliser distribution channel in Indonesia ......................... 115
1.42. Standard marketing channel for agricultural commodities in Indonesia ........ 117
1.43. Farmers and marketing channels for tomatoes, West Java, 2004/05 ........... 118
1.A1.1. Production: Per cent change 2021 compared with 2009-11 average .......... 130
1.A1.2. Projected palm oil production .............................................. 130
1.A1.3. Projected net trade position for selected products .......................... 131
2.1. Comparison of different types of rice prices in Indonesia, 1990-2010 .......... 152
2.2. Domestic purchases and imports of rice by BULOG, 1990-2010 .................. 152
2.3. Comparison of different types of sugar prices in Indonesia, 1990-2010 .......... 154
2.4. Fertiliser subsidies in Indonesia, 1990-2010 .................................. 155
2.5. Provision of certified seeds for rice, maize and soybeans, 2005, 2008 and 2010 ........................................ 158
2.6. Uptake of credit provided to farmers through interest rate subsidy programmes in 2010 ........................................ 162
2.7. Government expenditure on PUAP and use of funds by borrowers, 2008-10 .... 163
2.8. RASKIN rice distribution and budgetary cost, 2000-10 .......................... 173
2.9. Average applied MFN tariff for agriculture and non-agriculture, 1990-2010 ........................................ 178
2.10. Frequency distribution of agricultural bound and applied MFN tariff lines and imports by tariff rates, 2010 ......................... 178
2.11. Average bound, applied MFN and CEPT tariffs by product groups, 2010 .... 179
2.13. Level and composition of Producer Support Estimate, 1990-2010 ............ 197
2.14. Producer Support Estimate in Indonesia and selected countries, 2006-10 average ........................................ 197
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.15. Level and composition of Market Price Support, 1990-2010</td>
<td>200</td>
</tr>
<tr>
<td>2.16. Level and composition of budgetary transfers, 1990-2010</td>
<td>201</td>
</tr>
<tr>
<td>2.17. Producer SCT by commodity, 1990-94 and 2006-10 averages</td>
<td>202</td>
</tr>
<tr>
<td>2.18. Consumer Support Estimate in Indonesia and selected countries,</td>
<td></td>
</tr>
<tr>
<td>2006-10 average</td>
<td>203</td>
</tr>
<tr>
<td>2.19. Level and composition of General Services Support Estimate,</td>
<td></td>
</tr>
<tr>
<td>1990-2010</td>
<td>204</td>
</tr>
<tr>
<td>2.20. Level and composition of Total Support Estimate, 1990-2010</td>
<td>204</td>
</tr>
<tr>
<td>2.21. Total Support Estimate in Indonesia and selected countries,</td>
<td></td>
</tr>
<tr>
<td>2006-10 average</td>
<td>205</td>
</tr>
<tr>
<td>3.1. Gross capital formation and FDI inflows, current USD billion,</td>
<td></td>
</tr>
<tr>
<td>1992-2010</td>
<td>225</td>
</tr>
<tr>
<td>3.2. Gross capital formation and FDI inflows, % of GDP, 1992-2010</td>
<td>225</td>
</tr>
<tr>
<td>3.3. Share of agriculture in realised investment and in GDP, 1999-2010</td>
<td>226</td>
</tr>
<tr>
<td>3.4. Share of agriculture in various economic variables, 2005-10</td>
<td>227</td>
</tr>
<tr>
<td>3.5. Realised domestic and foreign investment in agriculture, 1999-2010</td>
<td>227</td>
</tr>
<tr>
<td>3.6. Palm oil production and land area by type of producers, 2004-10</td>
<td>229</td>
</tr>
<tr>
<td>3.7. FDI inflows to Indonesia by source country/region, 2004-10</td>
<td>233</td>
</tr>
<tr>
<td>3.8. Realised investment in agriculture and agribusiness by region,</td>
<td></td>
</tr>
<tr>
<td>2005-10</td>
<td>234</td>
</tr>
<tr>
<td>3.9. FDI Regulatory Restrictiveness Index by country, 2012</td>
<td>236</td>
</tr>
<tr>
<td>3.10. FDI Regulatory Restrictiveness Index by sector, 2012</td>
<td>237</td>
</tr>
<tr>
<td>3.11. Land registration</td>
<td>240</td>
</tr>
<tr>
<td>3.12. Infrastructure quality rankings in Indonesia, 2011</td>
<td>248</td>
</tr>
<tr>
<td>3.13. Public agricultural R&amp;D spending as a share of agricultural GDP</td>
<td>256</td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>3.14. Getting credit in Indonesia, 2010</td>
<td>258</td>
</tr>
<tr>
<td>3.15. Land use structure, 2009</td>
<td>270</td>
</tr>
<tr>
<td>3.A1. The nine policy areas of the PFIA</td>
<td>285</td>
</tr>
</tbody>
</table>