

Study On :

**OPTIMIZING FERTILIZER INDUSTRY
ENCOUNTERING FERTILIZER CRISIS IN INDONESIA**

February, 2009

At the beginning of his government, President Susilo Bambang Yudhoyono (SBY), issued agriculture, fishery, and forestry revitalizing policy. For agriculture sector, this policy showed a significant result. Agriculture sector performance in 2008 was considered quite impressive. Gross Domestic Product (GDP) growth of this sector was able to achieve 5.3 %. This growth rate has exceeded the growth target of 3.6%, which was mentioned in the 2008 development activity plan (Rencana Kegiatan Pembangunan - RKP) of the Department of Agriculture, and exceeding the growth record of 2007, which only reached 4.6%. The Head of Central Bureau of Statistic (BPS), Rusman Heriawan, admitted that the performance this high has never occurred, because within the period of the last 20 years, the growth of agriculture sector above 3% has only occurred three times.

But, in general, SBY government was considered has a disturbing flaw. The economist accused that the government could not benefit from the global food price increase that occurred in 2008. On the contrary, the international food price increase was causing the domestic food difficulty, which was marked with the food import, such as rice, corn, soy, sugar, dried cassava, peanut, meat, milk, and even salt.

The other weakness was that the economic policy of SBY government was more focused on monetary sector and tended to abandon the real sector. For example, one of the policies, which were deviated from the effort of agriculture revitalization, was the policy of Ministry of Commerce, Marie Pangestu, who authorized the higher fertilizer export.

Economically, it is natural to gain profit, because the fertilizer sales price abroad is more expensive than the sales price to the farmer. For example, the price of subsidized urea fertilizer in the domestic market is only Rp 1,200 per kg, but in the international market, in 2008, the price could reach Rp 4,000 per kg. But, the result of that policy, the fertilizer

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supply to the farmer becoming less and the domestic fertilizer price was increasing up to more than 40%. Further result was the scarcity of fertilizer in some areas. This condition caused the entry of false fertilizer.

Certainly, the policy of increasing fertilizer export created criticism, because fertilizer is one of the agricultural production facilities, which should be protected to increase production and productivity of the agriculture and maintaining food durability. In the advance countries, such as America, Japan, or European Union, the existence and performance of fertilizer factory is monitored closely by the government. They protected the farmers and agricultural product from the threat of other countries product. Their farmers are subsidized and given various facilities in production, so the food product from the outside is very difficult to penetrate their market.

Management of fertilizer industry in Indonesia is mostly trusted to nation corporation (BUMN). The rest is managed by Nation Corporation that cooperates with the private sector, and private companies. The development of fertilizer types produced recently is depending on the fertilizer type used for agriculture, single fertilizer, such as urea, SP 36, and ZA, while the industry producing plural fertilizer, such as NPK is still limited.

The policy of developing fertilizer industry in the future is related to the policy of agriculture sector development, especially food plant. Beside that, the development of fertilizer industry is also directed to the consideration of adequate domestic raw material availability, especially natural gas as the raw material of urea and ZA fertilizer.

To support the fertilizer industry development, the government and Parliament is agreed to subsidize the agriculture through the 2009 APBN of Rp 32 trillion. From the total subsidy, the subsidy for fertilizer is Rp 20.4 trillion, seed Rp 1.5 trillion, and the rest Rp 10.1 trillion is food subsidy, such as rice provision for the poor.

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Especially for urea and ZA fertilizer, which has product surplus, the policy of technical development was not oriented on the new factory development, but to optimize the existing factories program by replacing the old factories. In its execution, the replacement process is carried out in the area that has natural gas resource or the area that needs large amount of fertilizer.

Therefore, the opportunity that was in line with the development of fertilizer industry in Indonesia is more oriented to the raw material providing business, especially natural gas, product distribution starting from the factory until the farmer/user, and the export of domestic fertilizer consumption excess. Meanwhile, the opportunity of new factory development is directed to the development of non-urea fertilizer, which is the development of plural fertilizer industry, such as TSP and NPK. On the other hand, to fulfill the consumer needs that has oriented to organic agriculture product and the effort to improve the soil condition, the organic fertilizer industry development become the prospective opportunity.

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LIST OF CONTENT

OPTIMIZING FERTILIZER INDUSTRY ENCOUNTERING FERTILIZER CRISIS IN INDONESIA February, 2009

I. INTRODUCTION

- 1.1. Back ground
- 1.2. Scope of study
- 1.3. Data and Information source

II. GENERAL DESCRIPTION AND THE CONDITION OF AGRICULTURE SECTOR IN INDONESIA

- 2.1. Agriculture sector contribution
- 2.2. Agriculture sector performance
 - 2.2.1. Performance of rice agriculture
 - 2.2.2. Performance of corn agriculture
 - 2.2.3. Performance of soy bean agriculture
- 2.3. Performance of plantation sector
- 2.4. Agricultural product export
- 2.5. Food price fluctuation
- 2.6. Import phenomenon
- 2.7. Extensification vs Land function shifting
- 2.8. Food durability policy
 - 2.8.1. Policy direction
 - 2.8.2. The purpose of food durability development
 - 2.8.3. Strategic food self-supporting achievement
 - 2.8.3.1. Rice
 - 2.8.3.2. Corn
 - 2.8.3.3. Soy Bean
 - 2.8.3.4. Sugar
 - 2.8.3.5. Beef

III. FERTILIZER NEEDS IN INDONESIA

- 3.1. Fertilizer classification
- 3.2. Fertilizer consumption
 - 3.2.1. Urea Fertilizer
 - 3.2.2. Non-urea Fertilizer
 - 3.2.3. Organic Fertilizer
- 3.3. Projection of fertilizer demand 2008 - 2015
- 3.4. Needs of subsidized and non-subsidized fertilizer
- 3.5. Fertilizer needs map

IV. FERTILIZER PRODUCTION

- 4.1. Fertilizer production development
- 4.2. Capacity, production and utilization of fertilizer
 - 4.2.1. Urea and ammonia Fertilizer
 - 4.2.2. Non-urea Fertilizer
 - 4.2.3. Organic Fertilizer
- 4.3. Fertilizer production by BUMN producer
 - 4.3.1. Sriwijaya Fertilizer
 - 4.3.2. Kujang Fertilizer
 - 4.3.3. Kalimantan Timur Fertilizer
 - 4.3.4. Petrokimia Gresik Fertilizer
 - 4.3.5. Iskandar Muda Fertilizer
- 4.4. Fertilizer production of private producer

V. ORGANIC FERTILIZER DEVELOPMENT

- 5.1. Organic Fertilizer is more environment friendly
- 5.2. Organic fertilizer development
 - 5.2.1. Organic fertilizer producer

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- 5.2.2. Organic fertilizer in the market
- 5.2.3. Production and consumption of Organic fertilizer

VI. FERTILIZER EXPORT AND IMPORT

- 6.1. Dynamic of Export
- 6.2. Dynamic of Import

VII. INDUSTRY LICENSING AND STANDARDIZING FERTILIZER

- 7.1. Provision and Industry Business License arrangement, extension license and Industry Register
- 7.2. Special requirement for fertilizer industry
- 7.3. Fertilizer quality standard
 - 7.3.1. SNI List of fertilizer commodity
 - 7.3.2. Certification of fertilizer importer

VIII. FERTILIZER INDUSTRY DEVELOPMENT

- 8.1. Development policy
- 8.2. Development Program
- 8.3. Optimizing production
 - 8.3.1. Factory Replacement and relocation
 - 8.3.2. Natural gas contract for fertilizer industry
 - 8.3.3. Capacity improvement of SP-36 and ZA fertilizer factory
 - 8.3.4. Capacity improvement of NPK fertilizer factory
- 8.4. Revitalization of seven fertilizer factories
- 8.5. Monitoring improvement
 - 8.5.1. Monitoring of SNI obligatory implementation
 - 8.5.2. Monitoring of fertilizer distribution

IX. FERTILIZER DISTRIBUTION

- 9.1. Fertilizer distribution system
- 9.2. Trade-offs of closed system fertilizer distribution
 - 9.2.1. Distribution policy
 - 9.2.2. Basic calculation of fertilizer distribution
 - 9.2.3. Complication of closed system distribution
- 9.3. Realization of fertilizer distribution 2008
- 9.4. Bulog could help in fertilizer distribution
- 9.5. The problem of fertilizer distribution breach
- 9.6. Dynamic of fertilizer price

X. FERTILIZER SUBSIDY

- 10.1. Fertilizer subsidy role for food durability
- 10.2. Fertilizer subsidy budget
 - 10.2.1. Increasing budget amount
 - 10.2.2. Sales of subsidized fertilizer
 - 10.2.3. Subsidy budget 2009
- 10.3. Projection of fertilizer direct aid 2009

XI. FERTILIZER PRODUCER PROFILE

- 12.1. PT Pupuk Sriwijaya
- 12.2. PT Pupuk Kujang
- 12.3. PT Pupuk Kalimantan Timur
- 12.4. PT Pupuk Petrokimia Gresik
- 12.5. PT Pupuk Iskandar Muda
- 12.6. PT Asean Aceh Fertilizer

XII. CONCLUSION AND PROSPECT

- 13.1. Conclusion
- 13.2. Prospect

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ATTACHMENT

1. List of company and address of fertilizer company
2. Involved policy of fertilizer industry
 - 2.1. Government Regulation No. 8 year 2001 about fertilizer, plant Pupuk cultivation
 - 2.2. President regulation No.77 year 2005 about Determination of subsidized fertilizer as Goods under control
 - 2.3. Agricultural Minister Decree No. 09/Kpts/TP.260/1/2003 about Requirement and Unorganic fertilizer register arrangement
 - 2.4. Agricultural Minister Decree No.237/Kpts/OT.210/4/2003 about Monitoring Guidance of providing, circulation, and utilizing organic fertilizer
 - 2.5. Agricultural Minister Decree No.238/Kpts/OT.210/4/2003 about utilization guidance of unorganic fertilizer
 - 2.6. Agricultural Minister Decree No.239/Kpts/OT.210/4/2003 about monitoring unorganic fertilizer formula
 - 2.7. Agricultural Minister Decree No. 02/Pert/HK.060/2/2006 about organic fertilizer and land organizer
 - 2.8. Minister of Commerce Decree No. 03/M-DAG/PER/2/2006 about supply and distribution of subsidized fertilizer for agricultural sector
 - 2.9. Agricultural Minister Decree No. 04/ Permentan/SR.130/2/2006 about needs and highest retail price of subsidized fertilizer for agricultural sector in budget year of 2007

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