

ReCAMA workshop on Trade Procedures and Practices for Agricultural Machinery (Indonesia)

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Key Findings

- Government plans to boost national production of local agricultural machinery and has prepared a budget worth USD 538 Million for machinery development in Indonesia.
- The mechanization rate for land preparation is higher in Indonesia and it is forecasted to get mechanized further. Mechanization is also anticipated to increase the welfare of farm households & create employment opportunities in the rural areas.
- Java will continue to be the area with the highest demand and sales of hand tractors in the country along with forecasted revenue CAGR (Compound Annual Growth Rate) of 5.0% during 2020-2025.
- Penetration of combine harvesters is slowly increasing in cities other than Java & Sulawesi as the product segment is expected to replace rice transplanters in future.

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- ▶ **Indonesia government plans to invest in R&D** - Rice science to further improve yields on available favourable land, while expanding rice production to frontier areas, where the rice plant must withstand harsher environments.
 - ▶ **Indonesian farmers are likely to increase the usage of disc plough** on the farms over long term. Working capacity of less than 40HP tractors with single plough is gaining traction for both dry & wet fields.
 - ▶ **Agriculture sector currently accounts for 14% of nation's GDP in accordance with the Indonesia's statistical department.** The proportion is anticipated to increase in future leading to higher demand for agriculture equipment including both 2W & 4W tractors.

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- **Demand for 4 wheel tractors will continue to arise from Sumatra and Borneo in the future**, due to the above average farm holding size in these regions. Among product segments, **combine harvesters are mainly demanded by a limited target audience and farmers and agricultural cooperatives** and this particular trend is expected to continue in the near future. Manufacturers have invested into R&D to minimize post harvest loss and reduction in grain damage during harvesting.
 - **COVID Impact on Indonesia Agriculture Equipment Market Sales Value & Volume:** Restrictions were put in place thereby, causing delay in harvesting of major staple crops such as rice and further halt in farm operations. Due to the COVID-19 outbreak, the companies are now focusing on new strategies of assembling & producing machineries locally. Lowering trade barriers can also aid the country to diversify import sources to hedge the trade risks from other countries.

- ▶ Type of Agriculture Equipment Needed:

- ▶ Tractors

- ▶ Two Wheeled and Four Wheeled Tractors

- ▶ Horse Power (HP)

- ▶ Less Than 40HP

- ▶ 40HP-70HP

- ▶ Above 70HP

- ▶ Regional Demand

- ▶ Sumatra

- ▶ Java

- ▶ Borneo

- ▶ Sulawesi

- ▶ Bali

- ▶ Papua



► Combine Harvesters

► Horse Power (HP)

► Less than 70HP and 70HP

► Above 70HP

► Regional Demand

► Sumatra

► Java

► Borneo

► Sulawesi



Five Major Islands of Indonesia



- Rice Transplanters

- Regional Demand

- Sumatra

- Java

- Borneo

- Sulawesi

- Implements

- Rotavator

- Plough

- Harrow

- Fertilizer Spreads

- Others (Dozers, Front Loader, and Sprayers)





INDONESIA FOOD ESTATE PROJECT



Recent Visit by Indonesian President Jokowi to PAPUA food estate on 4 October 2021



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- ▶ President Joko Widodo announced the expansion of the “food estate program” on Sept. 23 2020 as part of measures to secure domestic food supplies and end Indonesia’s reliance on imported food crops. Among the regions expected to become agricultural centers are the provinces of North Sumatra and South Sumatra in the country’s west, and East Nusa Tenggara and Papua in the east.
 - ▶ The announcement comes as the government prepares to start planting this year on the site of the current national food estate project in the Borneo province of Central Kalimantan. Widodo said the government would focus on establishing the plantations in Central Kalimantan and North Sumatra first, before expanding to the other regions.

In Central Borneo, the government has identified 165,000 hectares of potential farmland in the districts of Pulang Pisau and Kapuas.



Construction work aimed at improving existing infrastructure, such as roads and irrigation channels, began on Sept. 28 2020. The cost of infrastructure alone is estimated at (USD \$454 million).

Import and Export Procedures in Indonesia



- ▶ Indonesia has proven itself to be a profitable market and has made serious efforts to improve its import and export procedures as the country targets to become the world's fourth-largest economy by 2045.
- ▶ The implementation of the new [Omnibus Law](#) has been touted as Indonesia's most serious attempt at business reforms, with the implementing regulations intending to encourage investments, promote financial inclusion, and ease imports and exports.

- Under Government Regulation No. 29 of 2021 (Reg 29/2021), an implementing regulation of the Omnibus Law, the Ministry of Trade (MoT) is the authority that issues approvals, verifications, obligations, and licenses on import-export activities.



- Moreover, the MoT now has the authority to grant greater autonomy and ease of obtaining a business license to importers or exporters who are deemed to have a 'good reputation'. The criteria of who qualifies as an importer or exporter with a good reputation is to be further regulated in a ministerial regulation.

Obtaining a business identification number

Through Reg 29/2021, businesses will now only require a Business Identification Number (NIB) to begin their import or export activities. Obtaining a NIB can be done through the Online Single Submission (OSS) system.



- However, businesses importing certain types of goods will require an additional import license from the MoT. Depending on the company's circumstances, this could be for:
 - An importer registration license;
 - An import approval license for producer importers (companies that import materials used in the manufacture of their own products); or
 - A general import approval license.

Importing to Indonesia

- Before importing or exporting goods, businesses should check with the Indonesian Harmonized System (HS) Code, which is used to classify every category of products. This is because specific products may require additional licenses or registration.
- Furthermore, the HS code is one of the factors that determine the rate of taxes and customs duties, as well as any specific import/export requirements for that product.



Choosing a freight forwarder

- When importing goods from abroad, it is important to choose a professional freight forwarder. Freight forwarders handle all the logistical needs as well as assist in managing and fulfilling customs clearance requirements.
- Commercial invoice, signed by the manufacturer or supplier as true and correct;
- Bill of lading, in three endorsed originals and four non-negotiable copies;
- Certificate of insurance;
- Packing list;
- NIB/import permit; and
- Customs import declaration.



Import tariff and taxes

- Customs duties in Indonesia vary from 0 to 170 percent, with most imported items attracting duties in the range of 0 to 15 percent. The amount of duty depends on the type of goods imported, based on the product's HS code.
- It is required to pre-pay customs duties and import taxes and provide notification of the incoming freight to customs.
- An import sales tax is imposed on imports at the point of entry (except for those goods considered essential by the government) at rates within the range of five and 30 percent.

Customs clearance procedure in Indonesia

Once the goods have arrived at the Indonesian customs zone, the customs officials will place your products in one of the three different customs areas:



Green channel	Yellow channel	Red channel
Your products are good to go	Some additional documents are required*	Physical inspection is needed*
One day	2-3 days	Up to 7 days, may require re-import

Some common reasons why goods get stuck in the red channel in Indonesian customs are:

- First-time importers
- Incomplete documents
- High-risk assets or originating from high-risk countries
- Red channel inspection (performed selectively)



CONCLUSION

- There has been an increasing trend to use mechanization for agricultural sector in Indonesia.
- The Government is very serious in developing more food estate program to secure domestic food supply.
- The need for tractors, combine harvesters irrigation pumps, threshers, dryers and rice milling unit will continue to rise.
- The Government has encourage the local industries to supply the equipments and hope that the local content could be increased.
- Investment and Co-operation from other countries are much appreciated.