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### Indonesia Forest Moratorium 2011

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**Approved By:**

Dennis Voboril

**Prepared By:**

Jonn Slette/Ibnu E Wiyono

**Report Highlights:**

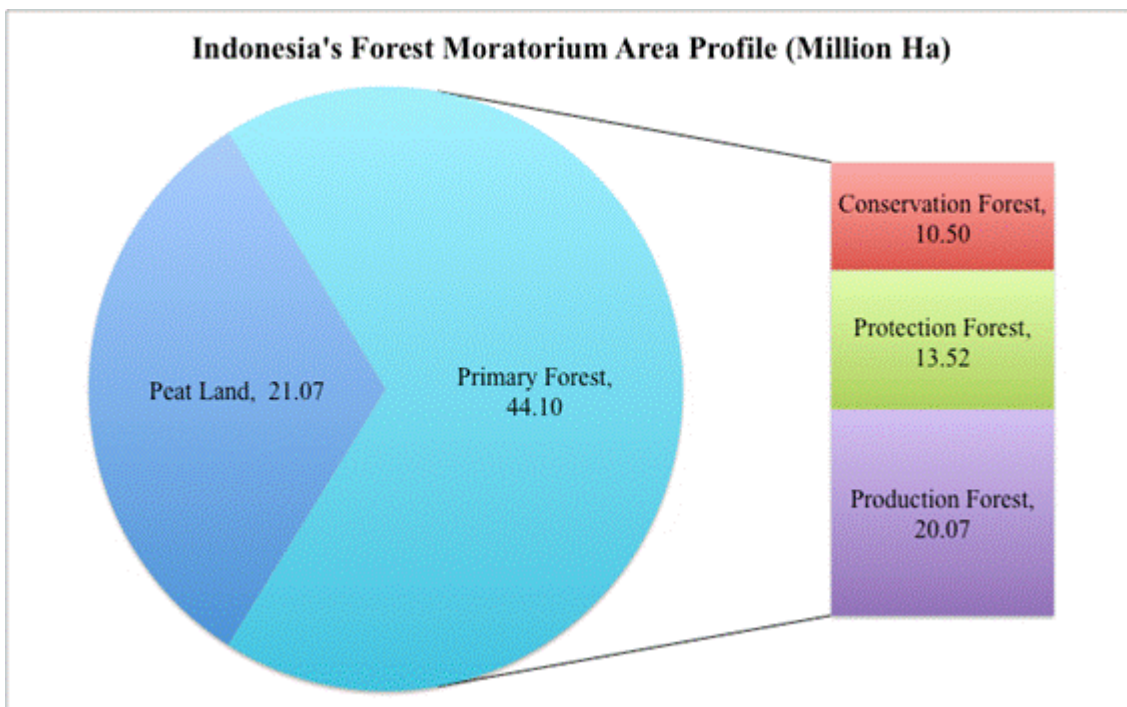
- Indonesian President Susilo Bambang Yudhoyono made official Indonesia's forest moratorium by signing Presidential Instruction No. 10/2011 on May 20<sup>th</sup>, 2011.
- Forest moratorium covers 21 million hectares of peat land and more than 44 million hectares of natural primary forest.
- The Indonesian Palm Oil Producers Association (GAPKI) predicts that the forest moratorium would further slow palm oil's planted area expansion from the 2007-2010 four year average of 350,000 hectares to less than 200,000 hectares per year over the next two years

#### Presidential Instruction on Indonesia Forest Moratorium

Indonesian President Susilo Bambang Yudhoyono made official Indonesia's forest moratorium by signing Presidential Instruction No. 10/2011 on May 20<sup>th</sup>, 2011. Under the moratorium, central and local governments are not allowed to issue new forestry, agriculture, and mining business permits on natural primary forest and peat land over the next two years. The moratorium, however, allows the following sectors to continue their new activities

1. All the sectors that already hold a principal license from the Ministry of Forestry (MoF).
2. Sectors that are vital to national development such as geothermal, oil and gas, electricity, rice paddy and sugarcane.
3. Renewal of forest products and forest area utilization permits.
4. Ecosystems restoration.

The forest moratorium, as stated in the Instruction, covers 64 million hectares. MoF data published in 2009 shows total natural primary forest area in Indonesia stands at 44.1 million hectares. Indonesia, based on a survey conducted by the National Development Planning Agency (BAPPENAS), has 21.07 million hectares of peat land. Total area included in the forest moratorium, therefore, can reach as high as 65.17 million hectares instead of 64 million hectares.



Source: *Eksekutif Data Strategis Kehutanan 2009*

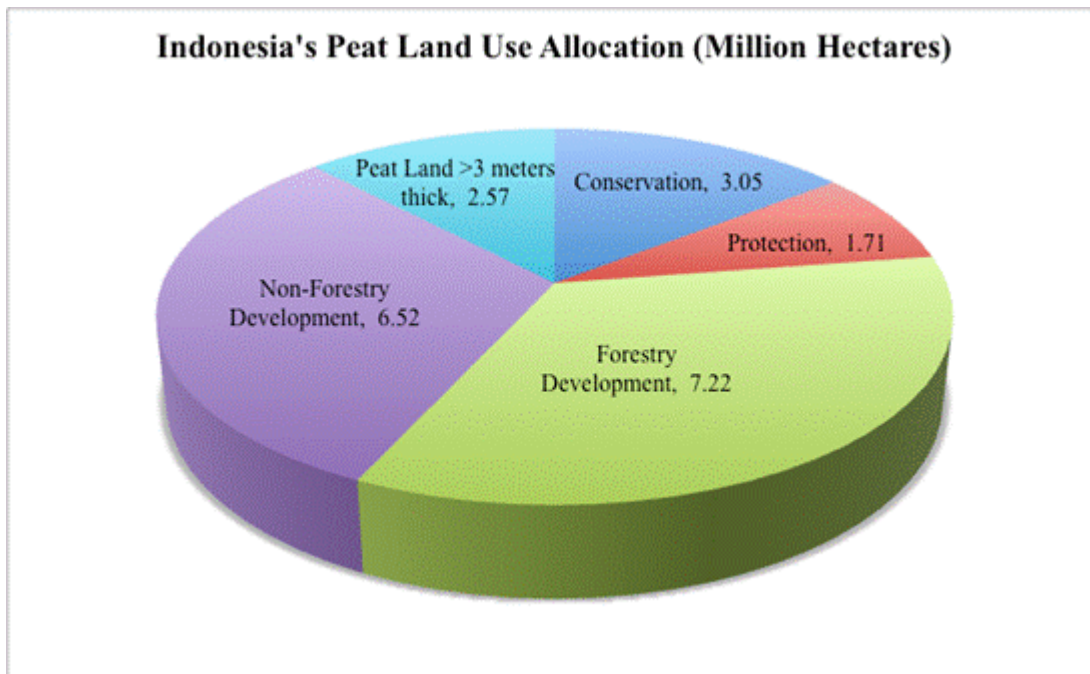
## **Forest Moratorium and Palm Oil Planting Area Expansion**

The Indonesian Palm Oil Producers Association (GAPKI) predicts that the forest moratorium would further slow palm oil's planted area expansion from the 2007-2010 four year average of 350,000 hectares to less than 200,000 hectares per year over the next two years due to the following factors:

- *The forest moratorium will temporarily put a brake on palm oil area expansion in peat land as it is applied for all types of peat land.*

Presidential Decree No. 32/1990 and Ministry of Agriculture Decree No. 14/2009 prohibit the use of peat lands if the peat thickness is more than 3 meters or if the peat land is on conservation or protection forest land. Total peat land that belongs to this category are 7.33 million hectares. The remaining 13.74 million hectares of peat land is allocated for forestry (7.22 million ha) and non-forestry development (6.52 million ha).

Palm oil plantations occupy 2.82 million hectares of peat land. By assuming the plantation is established in non-forestry development area, the palm oil sector still has the potential land bank of 3.7 million hectares that can be used for expansion. The recent Presidential Instruction on forest moratorium, however, prohibits palm oil producers to grow oil palm in non-forestry development peat lands except those who already hold a principal license prior to the enforcement of the instruction.

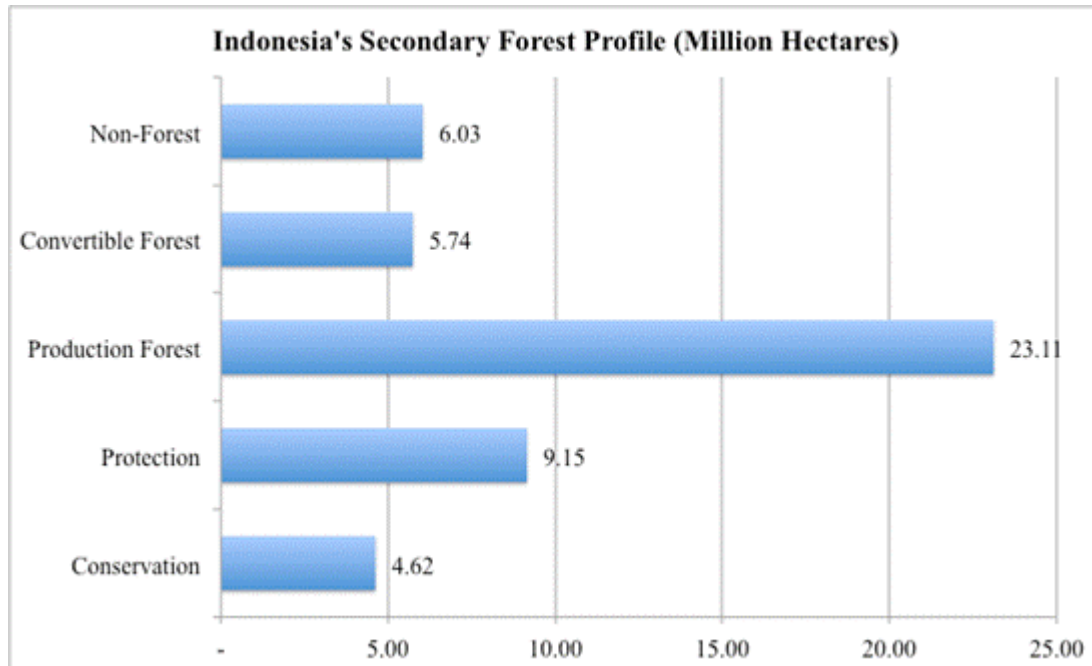


Source: Reducing carbon emissions from Indonesia's peat lands (BAPPENAS, Dec 2009)

- *Palm oil expansion in secondary forests is complicated by the inconsistency between the*

*moratorium task force and the local governments in terms of defining the categorization of secondary forests.*

MoF ensures that the forest moratorium would not limit the expansion of forestry and plantation business as it excludes secondary forest area that currently stands at 48.66 million hectares. By excluding conservation and protection area, there are nearly 34 million hectares that can be used for forestry development (>12 million ha) and non-forestry development (≈12 million ha).



Source: Eksekutif Data Strategis Kehutanan 2009

Nearly 5.0 million hectares of palm oil plantations have been established in non-forestry development areas, and the data suggests that palm oil producers still have a potential land bank of more than 6.5 million hectares for future expansion. Indonesian Palm Oil Producers Association has proposed to the government of issuing another Presidential Instruction that provides guidance on how to grow oil palm in secondary forest area. The instruction is expected to minimize conflict and complication.

- *Regulatory conflict between local autonomy and forestry law has complicated palm oil expansion in already-permitted land bank.*

Law No. 32/2004 for local autonomy delegates bigger authority to regional governments in exploring and managing their own natural and land resources. The law has triggered local governments to issue thousands of permits in mining and plantation business, the two sectors that are vital to increase local government revenues.

Table 1. Permitted Land for Palm Oil Plantation and Its Realization

Island/Province		Permitted Land (Ha)				Planting Area (Ha)	Realization (%)	Status
		Location Permit	Plantation Permit	Cultivated Right	Total			
Kalimantan	West	1,025,000	-	-	1,025,000	680,000	66%	Jan-10
	East	217,287	2,257,880	885,659	3,360,826	573,385	17%	Oct-10
	Central	973,163	1,576,996	575,639	3,125,798	1,631,216	52%	Aug-10
	South	373,919	-	259,344	633,263	312,669	49%	Dec-09
Sumatra	Jambi	1,100,000	-	-	1,100,000	486,136	44%	Dec-09
	South	1,400,000	-	-	1,400,000	708,056	51%	Dec-09
	Bengkulu	730,360	-	-	730,360	413,020	57%	Dec-09

Source: Regional Plantation Office of Provinces in Sumatra and Kalimantan Islands

The data shows that seven provinces on the islands of Kalimantan and Sumatra have allocated 11.38 million hectares of land for palm oil plantations. Many of those permitted lands are located in forest areas that, based on Forestry Law No. 41/1999, cannot be used for agricultural activities including plantations. Consequently, the majority of those locally permitted palm oil plantations don't yet have principal licenses from MoF, and they can be revoked by MoF due to the forest moratorium.

Presidential Instruction 10/2011 is not only concerned with the moratorium on the granting of new licenses to utilize natural primary forest and peat lands, but it will also provide time for the Government of Indonesia to solve regulatory conflicts that complicate the forest and land use planning and permit process. Better forest and land use management is critical to the achievement of both a 26 percent greenhouse gas emissions reduction and a doubling of palm oil production by 2020. The industry, therefore, expects the long term effect of a forest moratorium will be to create a more favorable investment climate for palm oil due to less legal uncertainty in the country's forest and land use licensing process.