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# GAIN Report

Global Agricultural Information Network

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## Indonesia

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### Indonesian Horticulture Law

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**Report Highlights:**

Indonesia's House of Representatives passes a new Horticulture Bill on October 26, 2010

**General Information:**

During the October 26, 2010 Plenary Meeting of the Indonesian House of Representatives, a new bill pertaining to horticultural products was passed following almost a year of deliberation. The bill was initiated by members of the House of Representatives, although the Ministry of Agriculture's (MOA) Directorate General of Horticulture played a major role in drafting it. There was no public consultation process provided during the drafting of the bill.

According to protocol, the Indonesian House of Representatives has seven working days after passing the legislation to submit the bill to the President of Indonesia for his endorsement. The bill can become a bona fide Indonesian law through two possible scenarios.

1. The President can sign the bill directly into law.
2. The President of Indonesia does not sign the bill, nor does he reject it, or send it back to the House of Representatives for further review. In the scenario, the bill automatically becomes law 30 days after the initial legislation is passed, regardless of whether the President has signed it or not.

As a result, the horticulture bill had to be delivered to President Yudhoyono by no later than November 2. Moreover, the bill becomes the law on November 24 (30 days after the bill was finalized).

Under the new bill, imported horticultural products will be regulated according to food safety, the availability of domestically produced horticultural products, governmental production and consumption targets, packaging and labeling, quality standards, and quarantine requirements. The bill further states that horticultural products can only be imported after importers obtain permission from the Minister of Trade and a recommendation from the Ministry of Agriculture. The implementing regulations will specify procedures related to the Minister Agriculture's recommendation issuance, the determination ports of entry for imported products, quality standards and/or food safety, and guidelines for determining whether an imported product can enter based on the availability of domestic products. The bill also mandates that supermarket and other modern market retailers must sell domestically produced horticultural products. However, the bill stops short of restricting retailers from also selling imported horticultural products.

Furthermore, the bill restricts levels of foreign ownership in horticulture related businesses to a maximum of 30 percent. Currently the bill does not specify any timeframe that will be provided to foreign investors to scale back their respective levels of ownership. However, the Head of Commission IV stated in the House of Representatives that any foreign investors with more than 30 percent ownership in any Indonesian horticultural enterprise would be provided with a four year grace period to adjust their level of ownership for compliance with the new horticultural bill.

The horticulture bill states that its objectives are to increase levels of local production, quality, value added, competitiveness, and market share for domestically produced horticultural products. In addition, the bill is intended to develop the horticultural sector sustainably, protect horticultural farmers, increase employment within the horticultural sector, and increase national income. The new bill also regulates the production, distribution and marketing of horticulture products. Other requirements are that the supply chain and distribution system will maintain freshness, quality, sufficient quantity, food safety, as well as transporting the product to the market in a timely manner.

The new bill includes provisions for government and/or local authorities to provide incentives for local industry to produce horticultural production supplies, facilities and materiel that is not currently produced domestically. Supplies specified include high quality seeds, appropriate and environmentally friendly fertilizers, appropriate and environmental friendly growth regulators, environmental friendly pesticides, and tools and machinery. The incentives include simplifying the business licensing application process, prioritized access to financing, and/or tax rebates. Businesses that register and qualify for these incentives must demonstrate that minimum quality standards are met. Additionally, the production and distribution of horticultural seeds and/or other supplies that contain transgenic products must follow all biosafety rules and regulations.

The MOA acknowledged that there are a number of outstanding challenges to overcome before the MOA's Directorate General of Horticulture can implement the legislation, to include: additional time required for clarifying implementing regulations; insufficient staff levels for horticultural extension activities; and guidelines limiting foreign ownership to 30 percent.

The bill consists of 18 chapters and 133 articles, to include the following:

1. General Provisions
2. Principles, Objectives, and Scope of Work
3. Horticultural Planning
4. Utilization and Development of Resources
5. Horticultural Development
6. Distribution, Trade, Marketing, and Consumption
7. Financing, Insurance, and Investment
8. Information Systems
9. Research and Development
10. Empowerment
11. Institutions
12. Monitoring
13. Public Participation
14. Sanctions
15. Investigations
16. Penal Provisions

17. Transitional Provisions

18. Closing Provisions

The English translation of the bill will be forthcoming.