VII. CONCLUSION AND POLICY IMPLICATIONS

Conclusion

Removal of beef import tariffs for imports from Australia and New Zealand under AANZFTA will increase beef imports from New Zealand and Australia. As a result, domestic beef supply will increase. Consumers will be better off as domestic beef price will be reduced due to increased domestic beef supply. Despite decline in domestic beef price, this policy will not reduce domestic beef production drastically.

ASEAN, Australia and New Zealand free trade agreement will reduce producers’ surplus and increase consumers’ surplus as expected. This policy will result in highest consumers’ surplus. Among the policy alternatives proposed, huge producers’ surplus can be attained if total beef imports in terms of imports from Australia, New Zealand, rest of the world and imported feeder cattle are banned by 90 percent each. However, producers benefit at the expense of consumers as this policy reduces domestic beef supply and increasing domestic beef price hence reducing beef demand.

In case Indonesia can be allowed to increase beef import tariff, combination of interest rate reduction to four percent, increasing number of imported breeding cattle by 60 percent, artificial insemination technology by 64 percent and beef import tariffs for imports from Australia and New Zealand by 40 percent each can be the best policy alternative that can be utilized to increase domestic beef production and discourage beef imports drastically. This policy combination can be
implemented ahead of implementation of AANZFTA in Indonesia. However, this policy cannot assist Indonesia to achieve 90-95 percent beef self sufficiency but only 52 percent.

4. Subsequent to AANZFTA implementation, whereby beef import tariff in Indonesia will be completely phased out in 2020, government can minimize the impact of this free trade agreement by reducing interest rate, increasing number of imported breeding cattle and artificial insemination technology.

5. All policy alternatives will result in loss in government revenue and society as a whole.

7.2. Policy Implications

The incapability of domestic beef production to increase sufficiently by responding to proposed policy alternatives to meet the targeted beef self sufficiency, suggests that domestic beef production is less responsive to domestic beef price. Cattle productivity is the main factor affecting domestic beef production in Indonesia. Productivity of beef cattle in Indonesia is low due to low genetic quality of local breeds, presence of reproductive disorders and insufficient good quality feeds. Low productivity is indicated by long calving interval, high calf mortality rate and high number of service per conception, hence leading to reduced beef production due to reduced cattle population. This is further exacerbated by slaughter of productive cows. As a result, any policy alternative recommended cannot help Indonesia achieve beef self sufficiency. Therefore in order for Indonesia to increase domestic beef production through increasing productivity, the following suggestions should be considered.
In the short run, imports of beef and feeder cattle should be continued to meet beef demand. In the long run, the following should be considered. Old unproductive cattle should be culled. Productivity of cattle should be improved. Farmers have to practise good health management through disease treatment, vaccination, sanitization and disinfection so that pathogenic agents can be minimized. Cattle should be provided with good quality feeds in accordance to their activities. Planting of leguminous plants should be encouraged in order to reduce costs of buying feeds, especially concentrates.

Although imports of breeding cattle are not encouraged under nucleus-plasma policy, in the meantime, in addition to improving productivity, imports of breeding cattle should be done to increase domestic beef production by increasing domestic cattle population. Slaughter of productive cattle should be monitored. Slaughterhouses that are found to be slaughtering productive cows should be given harsh sanction, including the livestock officers in charge. For farmers who desire to sell their productive cows, regional government should be ready to purchase them for further fattening. Regional government will need funds to carry out this activity.

There is a need to improve artificial insemination technology by increasing number of inseminators, enhancing inseminator skills, and disseminating information to areas that have not adopted technology about the benefits of using technology in breeding program. Government should provide funds so that artificial insemination centres can produce up to their capacity. Old bulls in these centres should be continuously replaced. These efforts should be accompanied by policies that reduce cost to farmers of implementing artificial insemination technology. Improvement in artificial insemination technology and imported breeding cattle will improve the genetic quality of local cattle.
Commercial beef cattle farming should be promoted. However, there are constraints that discourage farmers to enter into this type of business as it is capital intensive and access to finance is a problem for many aspiring farmers. As the government is continuing to place high priority on cattle breeding development, government should continue to provide conducive environment for farmers or private sector wishing to engage in the development of cattle breeding as it is doing by granting subsidised credit for cattle breeding farmers. There should be strict control to prevent misuse of policy by giving credit to people who are not eligible for it. However, the interest rate should be subsidised further as the proposed level does not increase domestic production significantly. Credit is important for purchase of feeds, productive bulls and cows.

There is desperate need for infrastructure such as roads in rural areas, where extension officers and inseminators find it difficult to reach in order to provide services and for information dissemination. Lack of roads increases transaction costs such as feed prices which result in low productivity. There should be continuous rehabilitation, upgrading and repairing of existing infrastructure as its improvement has multiplier effect.

Project auditing should be encouraged to determine whether the funds have been used effectively and economically. This will tell stakeholders whether the capacity and capability created in the project was worth financing. Without serious commitment of government by consistently monitoring and evaluating the progress brought by these recommendations and making improvements where necessary, it would be difficult to achieve the target. However, all these will require massive investment.