ABSTRACT


The objectives of this study are to analyze import tariff and quota policy on performance of the Indonesian wheat flour industry, with particular objective is (1) identify the factors that influence the behavior of import, demand, and price of wheat, as well as the import, production, demand, and price of Indonesian wheat flour, (2) analyze the impacts of tariff and quota on import, demand and grain price, especially changes that occur in the welfare of milling grain producers, consumer and government revenue, (3) analyze the impacts of tariff and quota on import, production, demand and price of wheat flour, especially changes that occur in well-being of milling grain producer, consumer, and government revenue, and (4) determine the policy alternatives by considering the interests of producers of wheat flour, wheat flour consumers and government revenue in order to improve performance of wheat flour industry.

Alternative policies are simulated by using econometric models in form of simultaneous equation consisting of 55 structural equations, one technical equation of production, and 9 identity equations. Method Two Stage Least Squares (2 SLS) is used to estimate the parameters of structural equations.

The study analyzed forecasting six single instruments scenarios, and one combined tariff dan quotas instruments scenario. The results show that the combined forecasting scenarios of Wheat Seed Import Quota by 90 percent and Import Prohibition of Wheat Flour is the best simulation based on the impacts on producers and consumers, while simulation of policies resulting the worst impact is the policy of increasing Wheat Seed Imports by 10 percent.

Imposition of combined policy of Wheat Seed Import Quota by 90 percent and Import Prohibition of Wheat Flour gives a positive impact upon producers and consumers is recommended as an appropriate policy to promote wheat flour industry in Indonesia by considering that those policies representing: (1) interest of Indonesian government to maintain national food security, (2) interest of wheat flour enterprise through additional producer surplus, and (3) interest of consumers through the additional consumer surplus.

Key words: wheat flour industry, tariff and quota policy, producer and consumer surplus.