

# Cooking Oil Scarcity Phenomenon In Indonesia In 2022

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## ABSTRACT

The purpose of this study is to describe the phenomenon of scarcity of cooking oil supply in Indonesia in 2022 using a descriptive analysis model through published data where the findings of this study are the cause of the scarcity of Indonesian cooking oil supply in general, due to producers experiencing a decline in marketing cooking oil in the country, the price of CPO in Indonesia. the world market is experiencing price increases, the B30 Program is a government program to make it mandatory to mix 30 percent diesel with 70 percent diesel fuel. There is a shift towards biodiesel production. The third factor is the unfinished condition of the Covid-19 pandemic So that the right solution to overcome the scarcity of cooking oil is to maintain the stability of CPO production and the prevailing pricing mechanism and by strengthening the role of BULOG

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## I. Introduction

In principle, the theory of demand explains the nature of the relationship between quantity demanded and price. If the relationship between demand and price is depicted in a graph, then the graph is known as a demand curve. The demand curve is generally positively sloped, while the supply curve is generally positively sloped [2]. It is relatively difficult if we analyze the influence of these various factors on the demand for an item. Therefore, in analyzing the theory of demand, it is necessary to make a simpler analysis. What needs to be an important consideration is that in economic analysis it is considered that the demand for an item is mainly influenced by its price, so that in other words in the theory of demand the main analysis is the relationship between the amount of demand for an item and the price of the item. It is assumed that other factors do not change or *ceteris paribus*. But this assumption does not mean that we can ignore the factors that are considered constant. [9]

After analyzing the relationship between the amount of demand and the price level, it is possible to assume that the price is fixed and then analyze the demand for an item which is influenced by other factors or factors other than price. Thus it can be known about how the demand for an item will change if the price of other similar goods or people's income, for example, changes. In essence, the law of demand is a statement which states that the lower the price of an item, the higher the demand for that item. [9]. On the other hand, the higher the price of an item, the lower the demand for that good. Why is that so. An increase in price will cause buyers to look for other similar goods that can be used as a substitute for goods that have increased. Vice versa, if prices fall, people will reduce purchases of other goods of the same type and increase purchases of goods that have decreased in price. An increase in prices will cause real income to decrease or decline. The declining income forced buyers to reduce their purchases of various types of goods, especially goods that experienced rising prices. [5]

Thus the problem of scarcity and spikes in cooking oil prices has emerged since the end of 2021, even though the government has issued policies to overcome them, but until March 2022 the scarcity of cooking oil is still found. There are government policies that encourage scarcity but benefit palm oil corporations. Since the cooking oil problem emerged, the government has issued at least three policies in the near future. These policies include regulating cooking oil subsidies using palm oil plantation funds managed by the Palm Oil Plantation Fund Management Agency

(BPDPKS), the highest retail price policy (HET) for Palm Cooking Oil, and the Domestic Market Obligation (DMO) or the company's obligation to supply production. for the domestic market.

There are at least three policies issued by the government. First, subsidizing packaged cooking oil with palm oil plantation funds managed by the Palm Oil Plantation Fund Management Agency (BPDPKS). Second, namely the Minister of Trade Regulation (Permendag) Number 1 of 2022 concerning the supply of simple packaged cooking oil for the needs of the community in the framework of financing by the oil palm plantation fund management agency which was later changed to Minister of Trade Regulation Number 3 of 2022, and Minister of Trade Regulation Number 6 of 2022 concerning the determination of highest retail price (HET) of palm cooking oil.

In addition to the policies already mentioned, there are government policies that are suspected to directly or indirectly trigger the scarcity and increase in cooking oil prices. The policy is the mandatory 30% biodiesel (B30) program. The B30 program is in the form of incentives for entrepreneurs who mix biodiesel with diesel fuel through the B30 program. However, the program encourages entrepreneurs to shift CPO production from the food industry to biodiesel, so that problems arise in the production of cooking oil. In 2020, incentives for entrepreneurs will reach IDR 28.09 trillion. In 2021, the amount will increase to IDR 51.95 trillion. At least 27 corporations have received this incentive and have the potential to increase it in the future.

The scarcity of cooking oil in Indonesia continues to occur, inseparable from the supply and demand mechanism. Cooking oil is one of the important commodities in Indonesia. Based on the Indonesian Consumer Price Index (CPI), cooking oil has a large contribution. This is because cooking oil is one of the goods that people consume every day. The weight for inflation is also quite high. The scarcity of cooking oil is caused by an increase on the demand side and a decrease on the supply side. The following factors have contributed to the decline in supply, mainly producers experienced a decline in marketing cooking oil domestically. CPO (Crude Palm Oil) is one of the most popular types of vegetable oil in the world. Currently the price of CPO on the world market is experiencing an increase in price. The increase was from 1100 US dollars to 1340 dollars.

Due to the increase in CPO, cooking oil producers prefer to sell cooking oil abroad rather than domestically. Producers will get greater profits when selling cooking oil abroad. The second factor is the government's obligation related to the B30 program. The B30 program is a government program to require mixing 30 percent diesel with 70 percent diesel fuel. There is a shift towards biodiesel production. The third factor is the unfinished condition of the Covid-19 pandemic. There are several countries in other parts of the world that are experiencing the third wave of Covid-19. Overseas consumers who have been using vegetable oil are also starting to switch to CPO. So there is an increase in overseas demand related to CPO exports. The cooking oil distribution scheme should be in accordance with the existing flow, starting from producers to distributors, then sub-distributors, agents, suppliers, to consumers. Causes of Scarcity of Cooking Oil in Indonesia 1. Rising Vegetable Oil Prices, 2. Government Launches B30

Program, 3. Covid-19 Pandemic Has Not Ended, 4. Distribution and Logistics Process Based on the description above, the author's interest arises to conduct further studies related to scarcity the supply of cooking oil in Indonesia in 2022 regarding the phenomenon that causes the scarcity through a descriptive analysis model.

## **II. Methods**

Research methodology is a method or technique that is arranged regularly used by researchers to collect data/information in accordance with the object under study. [8]. This research is a descriptive study using research methods that show the characteristics or phenomena being studied. Until finally this research method focused on explaining the object of research and answering what events or phenomena occurred [1] especially regarding the phenomenon of scarcity of cooking oil in Indonesia.

## **III. Result and Discussion**

The cause of the scarcity of Indonesia's cooking oil supply is generally due to the first decline in the marketing of domestic cooking oil producers, while the price of CPO on the world market actually experienced a very significant price increase, not to mention the fluctuating condition of the

rupiah exchange rate against the dollar which became a big opportunity for producers' profits. In addition, the second is the effect of the government's B30 program which requires mixing 30 percent of diesel with 70 percent of diesel fuel, which is a transition to biodiesel production. The third factor is the unfinished condition of the Covid-19 pandemic. So that the right solution is needed to overcome the scarcity of cooking oil through maintaining the stability of CPO production, the prevailing pricing mechanism and strengthening the role of BULOG as the leading food sector.

The supply of cooking oil in the domestic market is getting less and less. So the government needs to make efforts to increase the productivity of cooking oil production. This scarcity must be taken into account. Previously, domestic cooking oil had experienced an over-supply so that the government implemented a policy related to the 30 Percent Biodiesel Program (B30). However, recently, the supply of cooking oil in the domestic market has actually decreased. there are at least three things that the government should strive for. With the implementation of these three things, it is hoped that the scarcity of domestic cooking oil can be overcome. 1) Increasing Cooking Oil Export Tax, 2) Relaxing 30 Percent (B30) Biodiesel Policy, 3) Conducting Market Operations

In the short term, the government can carry out market operations. For example, by tracking from producers, they must have an obligation to supply domestic needs first before meeting export needs. The government must ensure that the domestic supply of cooking oil is met at a reasonable and affordable price for the community. The effectiveness of these policies is more pronounced if the intervention in the upstream sector is prioritized over the downstream sector. Open market operations carried out by the government in the downstream sector by selling cooking oil at low prices are considered less effective.

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