

The Effort of The Government and Its Impact on Maintaining the Stability of Cooking Oil Prices

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Abstract

The phenomenon of oil scarcity and rising world oil prices have had an impact on the increase in cooking oil prices in Indonesia. The Indonesian government, through the Ministry of Trade, is trying to intervene in the price of cooking oil by providing oil subsidies and export bans. This article aims to describe the policy process carried out by the Indonesian government to reduce the price of cooking oil and its impact on the traditional market economy. This field research was conducted at the Srijaya Sayur Traditional Market, in Madiun City using qualitative methods. Primary data was collected using interviews with traders, sales from cooking oil distributors, and market managers. The findings of this research reveal that the price intervention policy implemented by the government was initially carried out suddenly. However, as time goes by, the Indonesian government has taken steps to improve the price of cooking oil which is well spread throughout Indonesia. This is in line with Ibn Taymiah's thoughts on the concept of distribution justice and price policy through government intervention. The positive impact of the policy of banning petroleum exports and providing subsidies has made the price of cooking oil affordable and in line with people's purchasing power. The negative impact is that many market distortions, starting from distribution processes, hoarding and selling prices that do not comply with the policy, to shortages of goods that occur in traditional markets, especially at the beginning of the policy. In the end, this negative impact began to subside along with the abundance of oil stocks on the market which was strengthened by the government's efforts to eradicate all individuals involved in becoming mafias and breaking the law.

Keywords: economics policy, cooking oil.

Abstrak

Fenomena kelangkaan minyak dan harga minyak dunia yang terus melonjak berdampak pada kenaikan harga minyak goreng di Indonesia. Pemerintah Indonesia melalui Kementerian Perdagangan berupaya melakukan intervensi terhadap harga minyak goreng dengan memberikan subsidi minyak dan larangan ekspor. Artikel ini bertujuan untuk mendeskripsikan proses kebijakan yang dilakukan pemerintah Indonesia dalam menekan harga



minyak goreng dan dampaknya terhadap perekonomian pasar tradisional. Penelitian lapangan ini dilakukan di Pasar Tradisional Srijaya Sayur Kota Madiun dengan menggunakan metode kualitatif. Pengumpulan data primer dilakukan dengan metode wawancara kepada pedagang, sales dari distributor minyak goreng dan pengelola pasar. Temuan penelitian ini mengungkapkan bahwa kebijakan intervensi harga yang dilakukan pemerintah pada awalnya dilakukan secara tiba-tiba. Namun seiring berjalannya waktu, pemerintah Indonesia telah mengambil langkah untuk memperbaiki harga minyak goreng yang tersebar dengan baik di seluruh Indonesia. Hal tersebut sejalan dengan pemikiran Ibnu Taimiyah dalam konsep keadilan distribusi dan kebijakan harga melalui intervensi pemerintah. Dampak positif dari kebijakan pelarangan ekspor minyak bumi dan pemberian subsidi membuat harga minyak goreng terjangkau dan sesuai dengan daya beli masyarakat. Dampak negatifnya adalah banyak terjadi distorsi pasar, mulai dari proses distribusi, penimbunan, dan harga jual yang tidak sesuai kebijakan, hingga kelangkaan barang yang terjadi di pasar tradisional, terutama di awal-awal kebijakan. Pada akhirnya dampak negatif tersebut mulai mereda seiring dengan melimpahnya stok minyak di pasaran yang diperkuat dengan upaya pemerintah dalam memberantas seluruh oknum yang terlibat menjadi mafia dan melanggar hukum.

Kata Kunci: *kebijakan ekonomi, minyak goreng.*

Introduction

In October 2021, the price of packaged and bulk cooking oil began to rise in the range of 16,600 IDR – 17,400 IDR per Kg. It is expected to increase from the previous price of around 0.9% - 2.15%. In November, the condition of this cooking oil began to be scarce in several regions of Indonesia. The scarcity will still occur until 2022, causing the price of cooking oil to soar even more in a country that incidentally has an abundance of palm oil. The price of bottled oil per liter can reach 25,000 IDR – 28,000 IDR. In Indonesia, the price has increased by around 100% from the usual oil price. The results of the study indicate that there is a significant effect between income and population on the demand for palm cooking oil, which indicates that palm oil is included in the category of staple ingredients and food for Indonesian people.¹

Until now, the price of crude oil or Crude Palm Oil (CPO) in the world continues to increase. The government has issued policies related to Domestic Market Obligations (DMO) and Domestic Price Bonds (DPO) for CPO exporters.² DMO is the obligation of producers to sell most of their oil production at prices equivalent to domestic exports.³ In contrast to DPO, which is the producer's obligation to sell most of the oil at a discount or a price set domestically. The government implemented a 20% DMO and DPO policy in January 2022.⁴ In March 2022, the policy increased from 20% to 30%. This policy aims to meet the supply of cooking oil in Indonesia. Based on data, the national demand for cooking oil in 2022 will total 5.7 million liters, with details

¹ Khoiru Rizqy Rambe and Nunung Kusnadi, 'Permintaan Dan Penawaran Minyak Goreng Sawit Indonesia', Forum Agribisnis : Agribusiness Forum 8, no. 1 (19 July 2018): 61–80, <https://doi.org/10.29244/fagb.8.1.61-80>; Rejang Musi Agastya A. S. W et al. "The Effect of Increasing Cooking Oil Prices and Material Export Prohibition Policy Cooking Oil Standard on National Food Security." *East Asian Journal of Multidisciplinary Research* (2023). <https://doi.org/10.55927/eajmr.v2i1.2778>.

² Dinar Fitra Maghiszha, 'World CPO Prices Continue to Skyrocket, RI Limits Exports to Maintain Domestic Supply', SINDOnews.com, 2022, <https://ekbis.sindonews.com/read/707459/34/harga-cpo-dunia-terus-meroket-ri-batasi-ekspor-demi-jaga-pasokan-dalam-negeri-1646809428>; Dwi Camila et al. "Crude Palm Oil Corruption: A Discourse on the Imposition of Capital Punishment." *Indonesian Comparative Law Review* (2022). <https://doi.org/10.18196/iclr.v5i1.15112>.

³ Melina Gabriella, 'Domestic Market Obligation (DMO)', *Transisi Energi* (blog), accessed 15 October 2022, <https://transisienergi.id/glossary/domestic-market-obligation-dmo/>.

⁴ Grahanusa Mediatama, 'Minister of Trade: Cooking Oil DMO and DPO policies should not harm oil palm farmers', kontan.co.id, 31 January 2022, <https://nasional.kontan.co.id/news/mendag-kebijakan-dmo-dan-dpo-minyak-goreng-tak-boleh-rugikan-petani-kelapa-sawit>.

of 1.8 million liters of cooking oil for the industrial sector and 3.9 million liters for the household sector.

Figure 1: Impact of Rising Cooking Oil Prices and Government Policies

Timeframe	Event	Price Range (IDR)	Percentage Increase (%)
October	Rise in the price of packaged and bulk cooking oil	16,600 - 17,400	0.9% - 2.15%
November	Scarcity of cooking oil in several regions of Indonesia	-	-
	Price of bottled oil per liter reaches 25,000 - 28,000 IDR	-	-
January	Government implements Domestic Market Obligations (DMO) and Domestic Price Bonds (DPO) for CPO exporters	-	-
	DMO policy set at 20%	-	-
March	DMO and DPO policy increased from 20% to 30%	-	-
	National demand for cooking oil in 2022 estimated at 5.7 million liters, with 1.8 million liters for industry and 3.9 million liters for households	-	-

During the hustle and bustle of rising oil prices, there is a cognitive dissonance between the political elite and public officials who are judged to have no sense of sensitivity, sympathy, or empathy, even to the level of illogical, blunders, and inconsistencies.⁵ For example, regarding Mrs. Megawati who was surprised at the women over the struggle for cooking oil and asked "*Is there no way to boil it?*". Not to mention the blunder of the Minister of Trade's statement when he asked the ladies: "*Is it better to be cheap but empty or a little expensive but the stock is abundant?*". Accusations are also thrown at the Indonesian people that there are people who deliberately hoard cooking oil. This makes the public critical, witty, and cynical as active consumers who grow on media networks that are collective, innovative, and dynamic. This is reinforced by Wahyu's findings that the government must immediately eradicate the cooking oil mafia. This is suddenly not only focused on the people, but also the powerful people who have power, have the opportunity and also have great potential to become a cooking oil mafia in their own country.⁶

The skyrocketing oil price condition has forced the government to issue several policies. The government is trying to reduce the price of oil by using the subsidy method so that the price of oil can be affordable for all levels of society, especially the lower middle class.⁷ In addition, the government has also set the Highest Retail Price (HET) on cooking oil of Rp. 14,000. The problem is, that this policy seems like a rush without analyzing some of the possibilities that will happen behind it. The phenomenon that was unacceptable to market traders was the first-time subsidized

⁵ Bambang Mudjiyanto et al., 'Disonansi Kognitif Elite Politik Dan Pejabat Publik Dalam Menghadapi Fenomena Kelangkaan Minyak Goreng', *Journal of Political Communication and Media* 1, no. 01 (2022): 1–23.

⁶ Fitri Febriani Wahyu et al., 'Stabilitas Ketersediaan Minyak Goreng Dinegara Penghasil Cpo Terbesar Indonesia', *Kbazzanah Multidisiplin* 3, no. 2 (29 July 2022): 177–202, <https://doi.org/10.15575/kl.v3i2.19472>.

⁷ Ferry Prasetyia and Farah Wulandari Pangestuty, *Analisis Kebijakan Publik: Pendekatan Ekonomi Dan Studi Kasus* (Universitas Brawijaya Press, 2021).

oil was distributed in all modern retailers in Indonesia. This suddenly caused a commotion for the traders in the traditional market. As we know, modern retail has an upper-middle-class segment. This shows a fundamental difference with traditional markets which tend to have a lower middle-class segmentation. The noise of traders that occurred in the first week when the Rp.14,000 oil price policy was implemented was confusion in selling oil stocks at the old price without subsidies. This made some traders start to panic. The Srijaya Vegetable Market in Madiun City is a sad witness to the policy of distributing oil for the first time in modern retail.

The author's previous research regarding the Srijaya Market in Madiun City was on Integrated Marketing Communication. This research discusses the potential for the development of traditional markets in marketing communication science.⁸ Agus Prasetya and Beni Dwi Komara wrote about policy communication strategies regarding resistance from street vendors from the Barito Flea Market who will be relocated to the Srijaya Baru Market which is still in the same location as the Srijaya Vegetable Market in Madiun City.⁹ Fatimah Rahayuning et al stated that traditional market traders felt the negative impact of the increase in cooking oil prices in the form of loss of sales and loss of customers.¹⁰ Meanwhile, research conducted by Muhammad Irsyad Kamal et al found that in reality there are unhealthy practices between traditional markets and modern retail.¹¹ Therefore, the author is interested in discussing in detail the government's efforts and their impact on maintaining the stability of cooking oil prices in Indonesia. The difference in this research is focused on the economic condition of traditional markets after the economic policies related to cooking oil.

Method

The focus of this research is to describe the efforts made by the government through several policies to stabilize cooking oil prices and the impacts resulting from oil price policy interventions that have been determined by the government. The location of this research was carried out at the Srijaya Sayur Market, Madiun City. Srijaya Market is a traditional market located in the Madiun urban area. The author chose this market as a research location because this traditional market is the busiest and has the potential to become a tourist market in Madiun City, especially on Sundays.

This field research uses a qualitative descriptive method supported by primary and secondary data. Primary data was obtained through direct interviews with traders, sellers from distributors, and market managers. Traders are people who play a direct role in the buying and selling process so there will be a lot of information that can be obtained. Sales from distributors are parties who supply oil stocks to traders, in this case, the author conducted spontaneous interviews with several salespeople from oil that has been distributed. Meanwhile, interviews with the head of the coordinating unit as market manager strengthened the collection of primary data in this case regarding

⁸ Mohamad Nur Efendi and Luhur Prasetyo, 'Komunikasi Pemasaran Terpadu Dalam Peningkatan Potensi Pasar Rakyat di Kota Madiun', *Muslim Heritage* 7, no. 1 (24 June 2022): 53–81, <https://doi.org/10.21154/muslimheritage.v7i1.3926>.

⁹ Agus Prasetya and Beni Dwi Komara, 'Perlawanan Pedagang Kaki Lima Terhadap Kebijakan Relokasi Pemerintah Daerah', *Jurnal Riset Entrepreneurship* 2, no. 2 (30 August 2019): 1–7, <https://doi.org/10.30587/jre.v2i2.955>.

¹⁰ Fatimah Rahayuning Widya Puspitasari et al., 'Analisis Pengaruh Minyak Goreng Subsidi Di Ritel Modern Bagi Pedagang Pasar Tradisional Bandarjo Ungaran', *Jurnal Implementasi* 2, no. 2 (8 November 2022): 137–142, <https://jurnalilmiah.org/journal/index.php/ji/article/view/127>.

¹¹ Muhammad Irsyad Kamal, Benny Rusly, and Mahlil Adriaman, 'Problematika Kebijakan Het Minyak Goreng Pada Pasar Tradisional Dan Ritel Modern', *PALAR (Pakuan Law Review)* 9, no. 3 (30 September 2023): 101–119, <https://doi.org/10.33751/palar.v9i3.9004>.

programs that were running in the market. Secondary data was obtained through books and several information media sources, both online and offline. The theory used in this research is Ibn Taymiyyah's thought which emphasizes the importance of justice, transparency, and responsibility in economic activities to maintain economic stability and social welfare.

Results and Discussion

1. Srijaya Vegetable Market, Madiun City

A market is a meeting place for sellers and buyers to carry out buying and selling transactions, social exchanges, and community economic development.¹² People's markets tend to be characterized by bargaining activities in the buying and selling process that have a humanistic character that can build closeness and familial relationships between sellers and buyers.¹³ Srijaya Vegetable Market in Madiun City is located on Jalan Pelita Tama, Kartoharjo, Madiun City, East Java, Indonesia. The market operates from morning to evening. There is not much literacy about the Srijaya Vegetable Market, because this market is not a main market. This market tends to meet the needs of the local community. On weekdays, the operation of this market is only until noon, and indeed most of them sell necessities and vegetables. Interestingly, this market has a privilege on Sundays, when the market conditions become crowded because many traders from outside the city enter to trade in this market. Not only vegetable traders, but on Sunday you will see many kinds of traders selling their wares in this market.¹⁴

Traders at Srijaya Vegetable Market are residents, some live in the city, some from the district, and some even from outside the city. Although some are from outside the city, on average they are still dominated by traders from residents around the market.¹⁵ Traders in this market are usually not first-hand sellers. This means that traders shop at the main market or a cheaper price and then sell their wares in this market.¹⁶ Under these conditions, it is not surprising that the prices offered by traders in this market will usually be more expensive or different from those of traders who sell on the roadside or the main market, even though some traders bring their produce directly from the garden.¹⁷ However, the economic conditions in this market still have potential, especially on Sundays.

Although this market has the name Vegetable Market, the vegetable is not sold by traders in this market. Traders in this market sell a variety of basic needs. Some of the oil products traded in this market include bulk oil and various other brands of packaged oil. Traders in this market become third-hand traders from the main distributor, meaning that it is certain that traders are

¹² Diny Duratul Ummah and Ainul Churria Almalachim, 'Perilaku Etika Bisnis Pedagang Sayur Di Pasar Tradisional Manggis Tanggul Perspektif Abu Hamid Muhammad Al-Ghazali: Ethical Business Behavior of Vegetable Traders In Manggis Traditional Market Tanggul Abu Hamid Muhammad Al-Ghazali's Perspective', *Fenomena* 18, no. 2 (19 October 2019): 206–222, <https://doi.org/10.35719/fenomena.v18i2.26>.

¹³ Istijabatul Aliyah, *Pasar Tradisional: Kebertahanan Pasar Dalam Konstelasi Kota* (Yayasan Kita Menulis, 2020); Xu Zhang et al. "'Meet Me Halfway': The Costs and Benefits of Bargaining." *Mark. Sci.*, 40 (2021): 1081-1105. <https://doi.org/10.1287/mksc.2021.1296>.

¹⁴ Mohamad Nur Efendi, Nasrulloh Nasrulloh, and Sumawan Sumawan, 'Madiun City Government Economic Policy Strategy: Islamic Economic Perspective', *Islamic Economics Journal* 9, no. 2 (2023): 149–168, <https://ejournal.unida.gontor.ac.id/index.php/JEI/article/view/10347>.

¹⁵ Eko, Srijaya Market Unit Coordinator, Trader Demographics, 24 November 2023, Madiun City, Srijaya Market Office.

¹⁶ Lukman, Grocery traders, Trader conditions., 20 November 2023, Srijaya Vegetable Market, Madiun City.

¹⁷ Sriatun, Vegetable seller, About the Srijaya market, 20 November 2023, Srijaya Vegetable Market, Madiun City.

middlemen to other traders outside the market. As for packaged oil, there are two models of wholesaler traders, namely doing middlemen to other traders outside the market, while others directly do middlemen from distributors through sales marketing who take orders.¹⁸

2. Government Efforts To Maintain Cooking Oil Price Stability

Palm oil is made from the fruit of the oil palm whose trees can thrive in the tropics.¹⁹ Indonesia and Malaysia are the countries with the highest palm oil production in Southeast Asia. Palm oil is considered to have the highest productivity among other vegetable oils such as rapeseed oil, sunflower oil, and soybean oil. It is proven that palm oil is a resource-saving vegetable oil.²⁰ Based on the illustration, if every hectare of sunflower land produces 0.7 tons, then palm oil can produce as much as 3.8 tons. Palm oil is also considered healthy because it is rich in antioxidants and vitamin E.²¹ No wonder palm oil is also used as the main ingredient in processed foods, cakes, and cosmetics.²² Not only that, palm oil also contains glycerin which can be used for pharmaceutical needs such as cough medicine and oral care. Both new and used palm oil can still be used as a biofuel capable of generating electricity.²³

The global politics of the palm oil business dictates that the palm oil industry must be sustainable, responsible, and conflict-free.²⁴ The globalization of international palm oil trade poses a threat to the Southeast Asian ecosystem.²⁵ Based on Cazzolla Gatti et al., (2019) research, 40% of the area located in certified concessions is experiencing habitat degradation, deforestation, and forest destruction. The distribution is located in Indonesia, Papua New Guinea, and Malaysia. On the other hand, Indonesia has a very potential international palm oil market and is in a position to Rising Star.²⁶ It is evident from the dominance of palm oil exports from Indonesia enough to make the European Union protectionism for its products.²⁷

Cooking oil has almost become a primary need for Indonesian. This is reflected in the culture of the people who cannot be separated from the use of cooking oil in the processing of various types of dishes.²⁸ Indonesia is a country that produces abundant palm oil, it should be able

¹⁸ Mulyono, Retail traders, About cooking oil, 21 November 2023, Srijaya Vegetable Market, Madiun City.

¹⁹ James B. Reeves and John L. Weihrauch, *Composition of Foods: Fats and Oils: Raw, Processed, Prepared*, Rev. June 1979, Agriculture Handbook (United States. Department of Agriculture) (Washington, D.C.: U.S. Dept. of Agriculture, Science and Education Administration, 1979), <http://www.ars.usda.gov/Services/docs.htm?docid=8964>.

²⁰ Ummu Habibah Gaffar et al., *Minyak Kelapa Dan Minyak Sawit: Dampak Kesehatan, Lingkungan, Ekonomi Dan Sosial Di Balik Produksi* (TOHAR MEDIA, 2024).

²¹ D. O. Edem, 'Palm Oil: Biochemical, Physiological, Nutritional, Hematological and Toxicological Aspects: A Review', *Plant Foods for Human Nutrition* 57, no. 3 (2002): 319–341.

²² 'The History of Soap and Detergent', accessed 5 October 2022, <https://theinventors.org/library/inventors/blsoap.htm>.

²³ Obie Farobie and Edy Hartulistiyoso, 'Palm Oil Biodiesel as a Renewable Energy Resource in Indonesia: Current Status and Challenges', *BioEnergy Research* 15, no. 1 (2022): 93–111.

²⁴ Peter Dauvergne, 'The Global Politics of the Business of "Sustainable" Palm Oil', *Global Environmental Politics* 18, no. 2 (1 May 2018): 34–52, https://doi.org/10.1162/glep_a_00455.

²⁵ Nia Kurniawati Hidayat, Astrid Offermans, and Pieter Glasbergen, 'Sustainable Palm Oil as a Public Responsibility? On the Governance Capacity of Indonesian Standard for Sustainable Palm Oil (ISPO)', *Agriculture and Human Values* 35, no. 1 (1 March 2018): 223–242, <https://doi.org/10.1007/s10460-017-9816-6>.

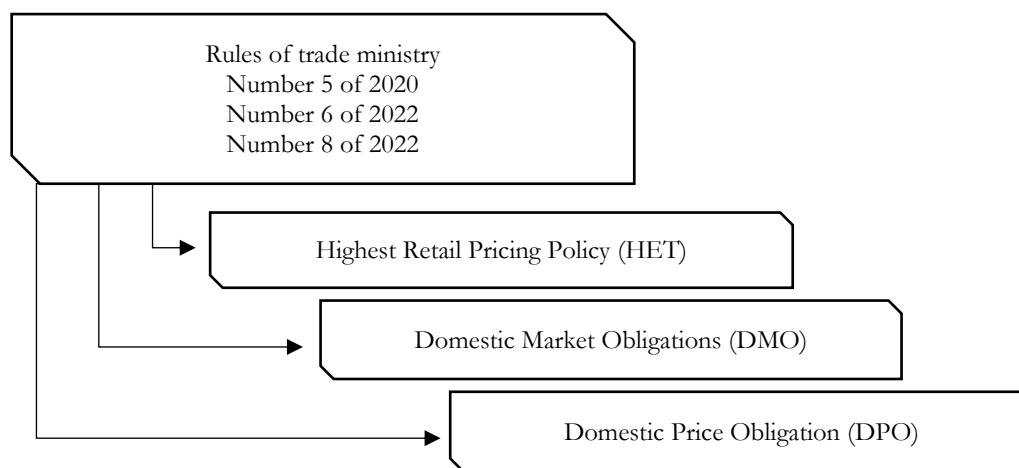
²⁶ Gisa Rachma Khairunisa and Tanti Novianti, 'Daya Saing Minyak Sawit Dan Dampak Renewable Energy Directive (RED) Uni Eropa Terhadap Ekspor Indonesia Di Pasar Uni Eropa', *Jurnal Agribisnis Indonesia (Journal of Indonesian Agribusiness)* 5, no. 2 (2017): 125–136, <https://doi.org/10.29244/jai.2017.5.2.125-136>.

²⁷ Novian Uticha Sally, 'Sengketa Minyak Sawit antara Indonesia dan Uni Eropa', *Dauliyah Journal of Islamic and International Affairs* 1, no. 01 (6 March 2016), <https://doi.org/10.21111/dauliyah.v1i01.341>.

²⁸ Ag Pamudji Rahardjo et al., *Minyak Goreng Untuk Pengolahan Pangan* (UGM PRESS, 2021).

to meet the needs of palm oil in its own country.²⁹ This is evident from the increasing trend of palm oil production and exports in Indonesia, even having a superior market share in the international arena.³⁰ Therefore, the distribution of cooking oil must be able to be well distributed to local communities so that stocks are abundant in the market at standard prices that are by the purchasing power of the community. Not only people who are urgent about the use of cooking oil for households but also business actors, both micro, small, medium, and large industries in Indonesia, many of whom depend on the use of oil as raw material or production support material. This reason is important for the government to make efforts to maintain the stability of cooking oil prices and minimize the occurrence of shortages.³¹

Figure 1: Judicial Analysis of Government Policy on Cooking Oil



Source: Data processed by the author

Based on the juridical analysis, there are three new policies made by the Indonesian government in maintaining the stability of cooking oil prices. *First*, the Regulation of the Minister of Trade Number 5 of 2020 regarding the determination of the Price of Export Raw Materials for Forestry Agricultural Products subject to Export Duties. Second, Regulation of the Minister of Trade Number 6 of 2022 regarding the Determination of Palm Cooking Oil HET. Third, Regulation of the Minister of Trade Number 8 of 2022 regarding Export Policies and Regulations. This policy was taken by the government after domestic cooking oil prices increased by 33.78% in December 2021 while international palm oil increased by around 77% in February 2022.³²

The explanation of the three kinds of policies taken by the government are, First, the Government implements the Domestic Market Obligation (DMO) policy. In January 2022, the provisions of the domestic supply policy require cooking oil producers who will export abroad to supply domestic cooking oil needs of 20% of the export volume. However, in May 2022 the volume of Domestic Market Bonds was increased from 20% to 30%. This policy is very important to suppress exports and meet the domestic oil demand itself.

²⁹ Muhammad Rapii, Huzain Jailani, and Danang Prio Utomo, *Perekonomian Indonesia* (Jejak Publisher, 2022).

³⁰ Andi Alatas, 'Trend Produksi Dan Ekspor Minyak Sawit (CPO) Indonesia', *AGRARIS: Journal of Agribusiness and Rural Development Research* 1, no. 2 (2015): 114–124, <https://doi.org/10.18196/agr.1215>.

³¹ M. Ridho Mahaputra and Farhan Saputra, 'Determination of Public Purchasing Power and Brand Image of Cooking Oil Scarcity and Price Increases of Essential Commodities', *International Journal of Advanced Multidisciplinary* 1, no. 1 (15 April 2022): 36–46, <https://doi.org/10.38035/ijam.v1i1.9>.

³² Kumara Jati, 'Education And Socialization Of Palm Oil Trade Policy In Indonesia', *National Seminar Of PBI (English Language Education)*, 2022, 364–368, <https://proceeding.unikal.ac.id/index.php/nspbi/article/view/977>.

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Second, the Government implements a Domestic Price Bond (DPO) policy, namely setting the price of Crude Palm Oil (CPO) at 9,300 IDR/kg while the refined and fractionated CPO/olein products are 10.300 IDR/liter. This policy has been regulated in the Decree of the Indonesian Minister of Trade No. 129 in the year 2022.

Third, the government implements a policy of setting the highest retail price (HET) for cooking oil. On January 26, 2022, the government set the highest retail price for palm cooking oil through the Regulation of the Minister of Trade of the Republic of Indonesia Number 06 of 2022. This policy is carried out with consideration to maintain the stability of cooking oil prices so that they are affordable at the consumer level. This Permendag consists of 14 articles, in which the first and second articles discuss the problem of the definition of some cooking oil. In this case, there are several classifications of palm cooking oil, namely bulk cooking oil, simple packaged cooking oil, and premium packaged cooking oil. Article three discusses the determination of the Highest Retail Price (HET) for palm cooking oil, including: 1) 11,500 IDR for bulk cooking oil; 2) 13,500 IDR for simple packaged cooking oil; and 3) 14,000 IDR for premium packaged cooking oil.³³

In the *fourth* article, it is stated that every retailer is obliged to sell palm cooking oil by the HET that has been stipulated in Article 3 and it is explained that the intended consumer is the community, including micro and small businesses. In the fifth article, the Minister will carry out guidance and provide delegation related to the implementation of guidance in the context of implementing HET. Meanwhile, the sixth article discusses the issue of administrative sanctions for retailers who violate the HET provisions. The administrative sanctions include written warnings, temporary suspension of activities, or revocation of business licenses. The sanctions provisions are discussed further in articles 7, 8, 9. Articles 10 and 11 discuss the rules for registered business actors related to the supply of cooking oil. Article 12 discusses the return of the difference in the price of old stock items, while Article 13 states that with this provision, Minister of Trade Regulation No. 03 of 2022 concerning the supply of packaged cooking oil for community needs within the framework of financing by the Palm Oil Plantation Fund Management Agency is revoked and declared invalid. Article 14 explains that Permendag No. 06 of 2022 takes effect from February 1, 2022.

In addition to this policy, the government has also provided a Cooking Oil Direct Cash Assistance program. This assistance is given to Indonesian citizens who are registered with the Integrated Social Welfare Data (DTKS). The assistance provided is 300,000 IDR and food assistance of 200,000 IDR, so the total is 500,000 IDR. This assistance does not come out every month, but every three months. Many other aids have been disbursed by the government, there are Cash Social Assistance programs, BPNT, PKH, Village Fund BLT, BSU, MSME BLT, and others. The BLT Cooking Oil assistance program is expected to be able to reduce the burden on the community in meeting the need for cooking oil as an additional food ingredient.³⁴

Based on the efforts made by Indonesia to stabilize domestic cooking oil prices, the Government of Indonesia together with the Ministry of Trade issued four recommendations. First, Producers must ensure that cooking oil stocks are met so that there are no vacancies at traders and retailers. Second, the Indonesian people must be wise in purchasing cooking oil and not panic

³³ 'Regulation of the Minister of Trade of the Republic of Indonesia Concerning the Determination of the Highest Retail Price for Palm Cooking Oil', 06 § (2022).

³⁴ Andi Nova Bukit et al., 'Kenaikan Harga Minyak Goreng Dalam Perspektif Hukum Persaingan Usaha Dan Ekonomi', *Jurnal Justisia: Jurnal Ilmu Hukum, Perundang-Undangan Dan Pranata Sosial* 7, no. 1 (2022): 61–82.

buying. Third, producers must accelerate the distribution of cooking oil to traders and not hoard it. Fourth, the government will take legal steps for all parties who violate the regulations that have been set. These efforts were carried out by the government as a form of acceleration towards the target of reducing oil prices as targeted.

The above policy is a common policy carried out in previous years in the cooking oil price stabilization program. This agrees with Sunarta (2010) research which concludes that input-side policies are considered more successful than output-side policies. On the input side, it is related to DMO policies and Progressive Export Taxes.³⁵ It is believed that the emphasis on certain limits will change the availability of raw materials, the price of raw materials, and the output price of the cooking oil itself. Meanwhile, in terms of output, government policy intervention is carried out through the Minyakita program which is considered to have relatively no effect on the decline in domestic cooking oil prices. This is strengthened by the research of Wirastuti & Surachman (2009) which concludes that the Indonesian government should focus on implementing a progressive export tax policy and subsidies for the poor. This is concluded based on five factors that caused the significant increase in oil prices including international CPO prices, exchange rates, food crises, export taxes, and previous oil prices.

3. Impact Of Policy On Community As Visitors Of Traditional Markets

All kinds of policies that have been set by the government have gone through a process of careful consideration and have good intentions for all levels of society. The policies carried out by the government through Permendag No. 06 Year 2022 make it clear enough that he wants to reduce the price of cooking oil so that it remains affordable for consumption by the people in Indonesia. It should be noted that the price of world palm oil continues to rise so it influences the increase in domestic palm oil itself. Some entrepreneurs prefer to export international market oil due to promising price. However, the Indonesian government has ensured that oil stocks for domestic needs remain safe through the DMO and DPO policies, which are currently at 30%.

This policy of determining HET has a lightening impact on the community. The highest retail price set by the government is 11,500 IDR, 13,500 IDR, and 14,000 IDR are quite affordable prices for people's consumption today. Previously, it was known that the normal price of packaged cooking oil in the market was between 24,000 IDR to 28,000 IDR per liter. The fixing of cooking oil prices helps the community and eases the fulfillment of needs, which includes nine basic ingredients.

Unfortunately, pricing is not followed by a smooth distribution of the stock of goods. From early January to March 2022, palm cooking oil with prices that match the HET can be said to be still quite rare with limited stocks. The stock of these items sells out faster and becomes a bone of contention for the community. Facts on the ground show that the distributed stock supply has not been able to fully meet market demand. There are still many consumers who end up complaining about how difficult it is to get cooking oil at cheap prices in the people's market. In fact, in several areas in Indonesia, there are cases of someone willing to queue until he dies due to several health factors and queuing conditions. The government has also implemented the policy of setting the highest retail price on sugar, cooking oil, and frozen meat commodities. This policy was applied to

³⁵ Arif Zunaidi, 'Abu Yusuf Dan Pajak (Konsep Dalam Kitab Al-Kharaj Dan Relevansinya Dalam Ekonomi Saat Ini): Abu Yusuf And Taxes (Concepts In Al-Kharaj's Book And Their Relevance In Today's Economy)', *Fenomena* 20, no. 1 (8 March 2021): 61–76, <https://doi.org/10.35719/fenomena.v20i1.49>.

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the volatile food group circulating in modern retail. This is done because these goods are considered to be one of the causes of inflation.³⁶

However, the government programs show their influence on the stability of cooking oil prices that occur in the market. Until September 2022, oil distribution at the Srijaya Vegetable Market has started smoothly with stable prices. The price of cooking oil at the Srijaya Vegetable Market is currently at 14,000 IDR – 15,000 IDR per kilo for bulk oil. The price is considered stable enough for buyers and the public to meet the needs of oil prices. Not only bulk oil, there are also packaged products from the government's Minyakita program which are priced at 14,000 IDR / liter. Stocks of various oil products are already abundant in the market and can be purchased at any time. Surprisingly, some branded oil stocks have higher selling prices, so public consumption of several brands of oil decreases. More people tend to choose bulk oil, Minyakita, or other oil that has a price affordable in meeting the consumption of food additives for daily needs.

Figure 1: Impact of Government Price Regulation on Cooking Oil Availability and Consumer Behavior in Indonesia

Period	January-March 2022	September 2022
Government HET	11,500 IDR	13,500-14,000 IDR
Normal Market Price	24,000-28,000 IDR	14,000-15,000 IDR
Availability	Limited	Abundant
Consumer Complaints	Difficulty in obtaining at cheap prices	None
Impact on Consumers	Bone of contention due to limited stocks	Stable prices, satisfaction
Government Policy	Setting the highest retail prices on essential commodities	Successful in stabilizing prices

4. Impact Of Policy On Traders In Traditional Markets

On the first day the cooking oil pricing policy was announced, the conditions of some traders varied. Some traders tend to panic because they still have oil stocks at the previous wholesale price at a price that is still expensive. Some traders tend to have a worrying attitude towards government policies that are considered too hasty.³⁷ The oil subsidy segmentation, which should be more suitable for the lower middle class, is the first time the distribution of subsidized oil is carried out in all modern retail outlets. Modern retail is a business model that has upper-middle-class segmentation. This gives a sense of disappointment to the traditional market traders, even though some of the traders have used up their oil stocks by selling at a loss or selling without a profit for fear that the price will be damaged after the subsidized oil from the government.³⁸

In contrast to other traders, instead of selling oil with a no-profit system, some traders ignore the government's pricing policy. They assume that goods that were previously purchased at

³⁶ Eka Budiyantri, 'Dampak Kebijakan Penetapan Harga Eceran Tertinggi (HET) Komoditas Gula, Minyak Goreng, Dan Daging Beku', *Majalah Info Singkat Ekonomi Dan Kebijakan Publik*, IX 8 (2017).

³⁷ Mulyono, Retail traders, The situation of traders after the first day of the policy, 21 November 2023, Srijaya Vegetable Market, Madiun City.

³⁸ Siti, Vegetable trader, Traders panic, 21 November 2023, Srijaya Vegetable Market, Madiun City.

normal prices, must be sold at normal prices according to market needs.³⁹ Some sellers feel indifferent and unaffected by government policies, although inside their hearts they feel disappointed with the policy. They only take action not to add more cooking oil stock and deplete the existing stock.⁴⁰

The next problem arose when some traders had exhausted their stock, but the distribution of subsidized oil in traditional markets did not run smoothly. The subsidy program is very far from the total needs of the community. The subsidized oil distributed in the people's market is considered by the traders to have not been able to meet the needs of the community. Some traders complain that they only get a limited stock of bottled oil. Each kiosk varied, some only got 1 carton for brand A, 2 cartons for brand B, and some even got 5 to 10 cartons for brand C. The problem is, that the distribution of oil by distributors on average only comes the first time. Several sellers from each distributor even listed each kiosk and asked the kiosk owner for a signature to agree to sell packaged cooking oil for 14,000 IDR and stated that they no longer have stock of old packaged cooking oil.⁴¹

The fact that distribution of oil only comes at one moment to traders in traditional markets is a concern for the traders themselves. Some traders immediately implement the government's recommendation by selling packaged oil for 14,000 IDR, but not all traders then implement the government's policy. Some traditional market traders think logically and realistically, about whether they will always get subsidized goods continuously, or at some point, this subsidy will stop suddenly. Recently, the current situation is sufficient to illustrate how difficult it is to obtain the subsidized oil allotment. There is a special quota for purchases and not all stores can get it, because previously the store had to be registered in the distributor's data.⁴²

Starting from the distribution that is still limited, this is where the possibility of market distortion is getting bigger. The problem is, that there is no special label on the packaging that the distributed oil is a subsidy program. Therefore, some traders who get allotted do not necessarily want to sell their goods at the price recommended by the government, especially since stock distribution is still relatively rare. Not only that, but even market distortion opportunities also occur in stockpiling or uneven distribution.⁴³ This is very possible to happen to some elements of the distributor who should be doing the distribution, but they sell their goods elsewhere at normal prices. Some are carried out in a structured manner, but some are carried out only by a few individuals and the main factor is because of the opportunity.⁴⁴

Several cases of market distortion that occurred in the Srijaya Vegetable Market can be classified into 2 models. *First*, the hoarding of subsidized oil and the sale of subsidized oil at normal prices by unscrupulous distributors. This may be done by unscrupulous distributors who want to take advantage of the difference in the price of the subsidized oil. This opportunity was taken using the scarcity of goods on the market, so that even if the sale was made at an expensive price, the public would still be able to buy it, considering that oil stocks were experiencing a shortage. The

³⁹ Santoso, Vegetable seller, Method of selling cooking oil, 21 November 2023, Srijaya Vegetable Market, Madiun City.

⁴⁰ Hardi, Grocery seller, Cooking oil prices, 23 November 2023, Srijaya Vegetable Market, Madiun City.

⁴¹ Tono, Cake ingredients seller, Stock of cooking oil, 21 November 2023, Srijaya Vegetable Market, Madiun City.

⁴² Vegetable seller, Method of selling cooking oil.

⁴³ Fatihani Baso et al., 'Power Oligarchy: The Game of Cartel in Cooking Oil Scarcity', *Jurnal Penelitian Hukum De Jure* 22, no. 3 (2022): 361–370.

⁴⁴ Mr. X, Traders in the market, Market distortion., 21 November 2023, Srijaya Vegetable Market, Madiun City.

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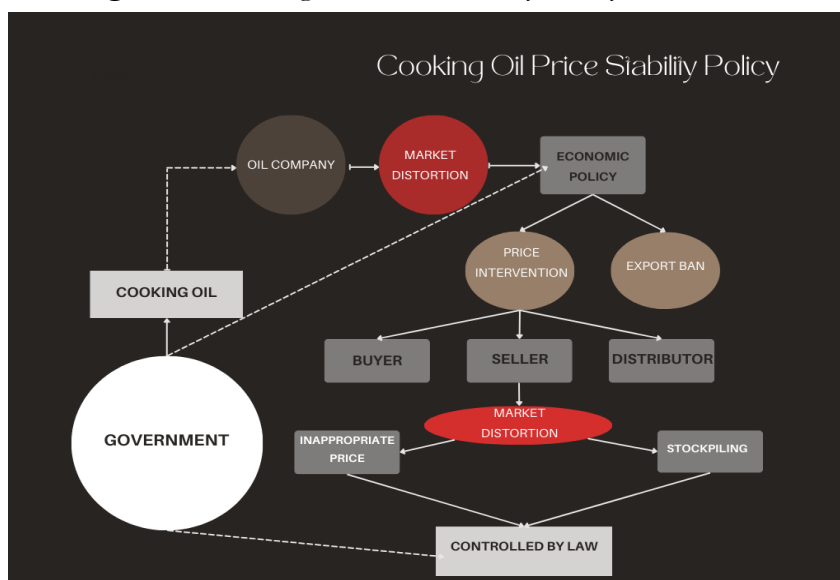
distortion patterns that are carried out can be in the form of falsifying the data of the recipient store which the distribution program explains that they have only received one for the oil distribution program. Meanwhile, for subsequent distribution, they never received subsidized oil stocks again, so some traders assumed that subsidized oil had been distributed elsewhere at normal prices.⁴⁵ Instead of making the distribution of oil on easy terms, some add conditions with conditional purchases, such as bundling oil products with other products such as soap, and so on.⁴⁶ This creates difficulties in the community and obscures the urgent needs of the community itself. For example, when you need oil, it's like being forced to buy soap as a condition to get oil for 14,000 IDR.

Second, the hoarding and selling of subsidized oil at prices that do not match the government's stipulation are carried out by traders in the market. This is triggered by the difficulty of obtaining subsidized oil distribution from the government. The distribution carried out is considered uneven and does not meet market demand so there is still a shortage of goods in the market. This factor causes traders who get oil at subsidized prices to be reluctant to release their oil on the market. They choose not to sell or sell but at a high normal price. Some traders who get oil by bundling programs also do the same thing that is done by distributors. Traders also carry out product bundling as a requirement because this is a manifestation of wholesale results from several distributors who require conditional purchases.⁴⁷

5. Government Policy is Based on Ibn Taimiyah's Thoughts

The following is a flowchart image regarding the cooking oil price stability policy implemented by the Indonesian Government:

Figure 3: Cooking Oil Price Stability Policy in Indonesia



Source: The author processed the data using the Canva tool

Figure 1 explains the economic policy path taken by the Indonesian government. The government's decision to take policy was due to market distortions and unstable increases in oil prices.

⁴⁵ Mrs A, Trader in the market, Scarcity of cooking oil stock, 23 November 2023, Srijaya Vegetable Market, Madiun City.

⁴⁶ Mr. Y, Sales distributor of Y oil, Wholesale oil using the bundling method, 27 November 2023, Srijaya Vegetable Market, Madiun City.

⁴⁷ Grocery traders, Trader conditions.; Retail traders, The situation of traders after the first day of the policy.

The main problem of market distortion has made the price of oil in palm oil-producing countries too expensive for people to enjoy. Rising world oil prices have forced oil companies to export abroad to gain high profits. This factor has triggered a shortage of oil stocks, so government intervention is very necessary to maintain the stability of cooking oil prices in local areas.

The government, through its price intervention policy, has implemented a price limit for cooking oil of IDR 14,000. However, in practice, there are still many market distortions that occur in traditional markets. It needs to be underlined that this happened because the government's initial policy seemed hasty. The initial policy for distributing cooking oil was given to modern retail, while people with small and medium incomes mostly shopped at traditional markets. This immediately caused a commotion among traders in traditional markets. Some traders feel disadvantaged, some traders have given up, and some traders are hunting for subsidized oil to resell it at normal prices.

In Madiun City, several legal actions were taken to arrest the cooking oil mafia. Several sales personnel from distributors were subject to arrests because they did not comply with the law. Oil quotas should be distributed well to every trader, but they are sold to certain parties to monopolize prices. Therefore, government control is very important in overseeing policy implementation so that it takes firm action against factors that hinder the implementation of economic policies in stabilizing cooking oil prices.⁴⁸ This policy is by Ibn Taymiyah's thoughts on economics. Ibn Taymiyah in his thoughts explained about justice in the distribution of wealth and economic resources. This aims to prevent social inequality in the community. If cooking oil cannot be distributed evenly, it will certainly create jealousy and social inequality in society. Apart from that, Ibnu Taimiyah also discussed the importance of ethics in business. There are provisions in business regarding ethics and morality by not engaging in fraudulent buying and selling practices.⁴⁹ Support for economic independence is a strength.⁵⁰ In this case, Indonesia has become a palm oil-producing country, so it should be able to meet the needs of its people and be free from dependence on abroad.⁵¹

Conclusion

Palm cooking oil is one of the main commodities as food and processed ingredients that are ingrained in Indonesian society. Not only for household consumption but there are also many culinary businesses whose cooking process cannot be separated from palm oil. Rising cooking oil prices will certainly make material costs production will also increase which has an impact on increasing product output. This is where the role of the government is needed to be able to stabilize the price of cooking oil in their own country, which produces abundant palm oil.

Four efforts have been made by the government to stabilize cooking oil prices, including the Domestic Market Obligation (DMO) policy, the Domestic Price Obligation (DPO) policy, the highest retail price fixing policy (HET), and the policy of subsidizing assistance to the public. This effort is carried out by the government in a structured manner so that domestic oil prices themselves become stable with abundant stocks in the market. Strictly speaking, the efforts made

⁴⁸ Vinadine Aisyah Priwiningsih and Ali Zainal Abidin, 'Literature Study of Cooking Oil Scarcity and The Increase of Cooking Oil Prices in Indonesia', *Proceedings of International Conference on Economics Business and Government Challenges* 5, no. 1 (15 August 2022): 87–92, <https://ic-ebgc.upnjatim.ac.id/index.php/ic-ebgc/article/view/11>.

⁴⁹ Muhammad Ardi and Rini Idayanti, 'ISLAM & PASAR TRADISIONAL' (Trustmedia Publishing, 2023)

⁵⁰ Adiyes Putra and Nurnasrina Nurnasrina, 'The Scarcity in Islamic Perspective : An Analysis of Cooking Oil Scarcity in Indonesia', *Al-Mutharabah: Jurnal Penelitian Dan Kajian Sosial Keagamaan* 20, no. 2 (2023): 347–363, <https://doi.org/10.46781/al-mutharahah.v20i2.813>.

⁵¹ Agung Anggoro et al., *Ekonomi Indonesia Pasca Pandemi: Peluang Dan Tantangan* (Pustaka Peradaban, 2023).

by the government are none other than to eradicate the oil mafia in their own country by taking legal action against those who violate the provisions. This is in line with Ibn Taimiyah's thoughts regarding distribution fairness and government intervention to maintain fair price stability.

The impact of this policy is felt positively by the community as consumers in traditional markets because oil needs can be met at an affordable price. Meanwhile, traders get several negative impacts that result in market distortion through hoarding and selling prices that are not by the determination. Although there was a negative impact at the beginning of the distribution of subsidized oil, in the end, the problem was able to be resolved by taking legal action against the oil mafia so that oil stocks gradually began to flood the market and adjust the concept of price balance in economic law.

This study makes an important contribution to the process of implementing cooking oil price control policies for the future. This study provides support for more thorough government preparation so that implementing policies can be distributed well and eliminate bad loopholes so that there are no irregularities in the economy running in society.

The limitation of this research lies in its focus on one location so further research is expected to be able to add traditional market locations or collaborate between buying and selling behavior that causes market distortions that occur in traditional markets and modern retail.

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