

# Soybean Imports in Indonesia

Rizky Junianto, Hary Sastrya Wanto, Markus Patiung

Departement of Agribusiness Surabaya, Wijaya Kusuma University Surabaya

[rizkyjunianto@gmail.com](mailto:rizkyjunianto@gmail.com)

## ABSTRACT

**Purpose:** Based on its various uses, it produces a high level of consumption of soybeans, but this is not balanced with sufficient domestic production. The increasing population of Indonesia, this further increases the level of soybean consumption. The prospects for soybean development are very good considering that demand continues to increase as the population increases. The growth in soybean demand over the past 34 years is quite high, in line with population growth and the development of the soybean-based food industry. Demand growth is increasingly unbalanced by production growth, so since 1976 Indonesia has always been a net importer of soybeans. The objectives to be achieved in this scientific study are 1) To analyze how much influence soybean production has on soybean imports in Indonesia.

**Design/methodology/approach:** The object of research in this study is Indonesia. The subjects to be studied are soybean imports, to see whether soybean production, soybean consumption, producer soybean prices, the rupiah exchange rate against the United States dollar, soybean exports and soybean import demand in the previous year affected soybean imports using data from 1994 to 2020. The data used in this study is time series data.

**Findings:** The results showed that the Variables of Soybean Production, Soybean Production of Previous Years, Soybean Consumption, Soybean Price consumption of the Previous Year, Soybean Price of the Previous Year, Exchange Rate, soybean exports and soybean exports of the previous year simultaneously influenced the demand for soybean imports in Indonesia.

**Originality/value:** This paper is original

**Paper type:** Research article

**Keyword:** *Import, Indonesian Soybean Production*

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## I. INTRODUCTION

The demand for soybean commodities is dominated by the processed food industry. Various industries in Indonesia use soybeans as the main raw material in their production. Some of these industries include the soy sauce industry, tofu industry, tempeh industry, soy milk industry, and taoco. According to Tahir et al. (2010), over the past decade the demand for soybeans in Indonesia increased by an average of 8.74% per year. On the other hand, supply from domestic production continues to decline due to the decline in the area of harvested areas. Zakaria et al. (2010) revealed that the decline in crop acreage was due to the lower participation of farmers in soybean farming. Therefore, efforts to improve the quantity and quality of production in Indonesia are serious challenges to maintain the continuity of soybean production development.

According to Ramadhani & Sumanjaya (2014) in his research stated that several obstacles in an effort to increase soybean production in the country, one of which is the way of growing soybeans which tends to be complicated, causing a number of farmers to switch land functions and restrain the pace of production. In addition, growing rice and corn crops is still more profitable at the level of farm business costs compared to soybeans which are less intensive than the government.

The increase in soybean consumption is so rapid and cannot be offset by the increase in domestic soybean production, so there is a gap. The gap was closed with imported soybeans that seized a lot of foreign exchange. Since the soybean trade was separated from BULOG starting in 1991 soybean imports have increased very

rapidly (Sudaryanto & Swastika, 2007). Domestic soybean prices and world soybean prices also affect the volume of soybean imports in Indonesia because soybean prices will affect the amount of soybean demand. Cheap world soybean prices and the absence of import burdens have caused the non-conductive development of soybeans in the country. Dependence on soybean imports in Indonesia has a negative impact, namely soybean imports will kill the domestic soybean industry and agricultural sectors due to the low price of imported soybeans, so the government needs to review the soybean import policy in Indonesia.

## II. METHODS

### A. Soybean Demand in Indonesia

Demand is the large number of goods requested on a particular market with a certain price level and in a certain period. The law of demand says that for normal goods there is an inverse relationship between price and quantity, that is, if the price increases, the quantity that consumers want to buy will decrease. The law of demand only applies when the condition of the *paribus ceteris* or it is assumed that other factors have not changed (Putong, 2002:32). There are three important things in the concept of demand. First, the quantity requested is the desired quantity. Second, what is desired is not an empty expectation, but is an effective demand, meaning the amount by which people are willing to buy at the price they have to pay for the commodity. The quantity demanded is a continuous flow of purchases (Lipsey et al., 1995).

## III. RESULTS

Some of the factors that influence demand include:

### A. Production

production is expressed as a tool of procedures for activities that occur in the creation of commodities in the form of farming and other businesses. Factors – production factors used for the production process include; land, labor, capital, fertilizers, pesticides and technology. The production process known as *plant budidaya* is the process of farming in the process of producing fresh material (Hadi & Hadianto, 2013).

### B. Consumption

Public consumption expenditure or what is called "consumption" is one of the macroeconomic variables which is the expenditure made by households to goods - final goods and services with the aim of meeting the needs of the people who carry out the spending or also known as income spent (Dumairy, 2004).

### C. Price

According to Case (2007) in Sari et al. (2014) states that in addition to the price factor of such products, the cost of production depends on the price of inputs and technological production. The increase in input prices also caused the supply curve to shift. If farmers face higher input costs, then the supply curve will shift to the left, which will produce less than a certain market price, so farmers need to increase prices so that farmers can continue to produce.

### D. Exchange rate

According to Blanchard, (2011: 398) in Aimon & Satrianto (2014) it is dependent on domestic income or output and the rupiah exchange rate. The implications of the theory and function of imports also need to be *reduced form*, because in international trade domestic output becomes an identity as well as in the consumption function. In this regard, the import function is influenced by the consumption of the commodity concerned and the real exchange rate (rupiah is facing US\$).

### E. International Trade Policy

International trade can be interpreted as trade transactions between the economic subjects of one country and another country, both regarding goods and services. Trade or exchange in this case goods and services can be interpreted as a process of exchange based on the will of each party. In this case, each party must have the freedom to determine the profit and loss of the process of exchanging goods and services. Judging from the interests of each party and then determining whether one of the parties to the transaction is willing or not in making an exchange. But there are basically two theories that explain the emergence of the theory of international trade (Boediono, 2000).

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