

Press Release

Positive Auction Effects, Small and Medium Enterprises Have Easier RCS Access

Jakarta, March 3, 2018 - The ongoing trial of refined crystal sugar auction (RCS) is beginning to show a positive effect that is easy access to RCS for small-medium enterprises (SME's/SMI/MSME). This is indicated by the number of bidders under the category of business. This was conveyed by Bachrul Chairi, the Head of Commodity Futures Trading Regulatory Agency (CoFTRA) of the Ministry of Trade.

"Up to February 2018, participants who participated in the RCS auction were dominated by food and beverages Small and Medium Enterprises (SMEs); Small and Medium Industry (SMI); and Micro, Small and Medium Enterprises (MSMEs). Participants bought as many as 1,965 business actors consisting of 451 large industries/SMI and 1,514 Cooperatives/SME /UMKM. Meanwhile, the number of participants selling recorded as many as 11 companies", said Bachrul.

Since the trial of the RCS auction started in September 2017, CoFTRA is still looking forward to joining big companies into the RCS auction market. By joining the RCS auction market, Bachrul added, all business actors can work together to create a transparent business climate and a credible national sugar account.

"The government still needs the support of big companies that have long-term contracts with the RCS industry. Information such as industry permits, company names, warehouse capacity and buyer shipping addresses will be very beneficial to RCS's trading system", Bachrul said.

On October 24, 2017, 11 business operators from 9 cooperatives signed a letter of support to the government on the implementation of GKR auction market policy. The 11 business actors include representatives from the Association of Small and Medium Enterprises Agro (AIKMA) West Java, Cooperative Harum Manis Bersatu South Kalimantan, IKM Harum Manis Bersatu South Kalimantan, Cooperative Business Partners Pasundan West Java, Cooperative Retail Tambun West Java, Cooperative Mitra Niaga DKI Jakarta, Cooperative Mitra Lestari Banten, Cooperative Abdi Kerta Raharja, and CV Rizki Abadi Lampung.

Bachrul said that the problem that is often faced by industry and small and medium enterprises (SME / SMI / UMKM) is the difficulty of accessing RCS from producers. This is because small businesses tend to buy in small parties. This situation forced the industry and small businesses to get RCS in the leak market. The RCS auction market scheme seeks to address this situation. In the RCS auction, refined sugar producers wishing to sell GKR are required to set aside 20% as an allocation for SMEs / SMI / MSMEs.

Bachrul saw RCS auction trials starting to show a positive impact. *"The volume of sugar per month traded in the RCS auction market continues to increase in number. In addition, the price formed in the RCS auction market also shows a downward trend towards the balance point",* said Head of CoFTRA, Bachrul Chairi.

In the period September 2017-February 2018, the RCS auction market recorded a transaction volume of 4,989 tons. The volume of transactions per month also shows an upward trend,

ranging from 70 tons in September 2017 to 245 tons in October 2017, 611 tons in November 2017, 929 tons in December 2017 and 1,763 tons in January 2018. Meanwhile, the volume of transactions in February 2018 was recorded at 1,371 tons.

Meanwhile, the GKR price range in the auction market per month is Rp 9,525 / kg in September 2017, Rp 9,163 / kg in October 2017, Rp 9,107 / kg in November 2017, Rp 8,967 / kg in December 2017, Rp 8. 910 / kg in January 2018, and Rp 8,879 / kg in February 2018.

The RCS Auction System was established to organize the GKR trading system, record all GKR movements from the origin of imported raw materials, GKR production, sales through auctions, buyers of GKR, to GKR requirements in their capacity using e-Barcoding and QR Code.

Through Permendag Number 16 Year 2017 on RCS Trade Through Auction Market, the Ministry of Trade has the authority to regulate and supervise RCS trade in commodity auction market. Permendag is enhanced by the Regulation of the Minister of Trade No. 40 of 2017, and again refined with Permendag No. 73 of 2017.

There is an Indication of RCS Allocation is Beyond Needs

In the ongoing trials to date, CoFTRA found indications that the industry's need for RCS is less than the amount of GKR allocated. This means there is an excess supply of RCS compared to its needs, and may lead to a risk of leakage.

"From the results of contracting data that is in the auction process, CoFTRA finds an indication that the allocation of RCS exceeds the need. It is seen from the application of import approval, one of which is based on contract and production capacity between seller and buyer", said Bachrul.

According to Bachrul, there are currently contracts made for special delivery periods in certain quarters within the 2019-2021 range. This contract is used as the basis for the application of import permit so that there is inflation of GKR volume on a contract basis, which is not realized in the issuance of import licensing (PI).

"The realization of many contracts is out of date, so there are a considerable number of contracts remaining which indicate the buyer's need is smaller than the volume in his contract. Thus, there is the possibility of RCS sold to other parties", said Bachrul.

In addition, there is a contract that has a clause if the buyer only realizes part of the contract, then the seller does not impose sanctions to the buyer. Thus, there is a potential excess of raw material imports that are not used to fulfill the contract.

"There are buyers who contract with several sellers. However, the realization of the contract is only partially, so some sellers have raw material or finished goods reserves that are not realized. This condition has the potential to make RCS reserves sold to other parties", said Bachrul.

In addition to realizations that are not in accordance with the original contract, there are many contracts that have expired and are not renewed but remain in effect. So at the time of the realization, the delivery of goods has no legal basis.

Another reason that indicates an excess of RCS allocation in the market is that the purchaser objections to the licensing documents, even though they are burdened with auction fees.

"There is a potential buyer who works with the seller to inflate the contract volume. If the licensing data is known, it will be detected which buyer makes the contract not according to his needs", said Bachrul.

If the transparency is realized in the sale and purchase of RCS, Bachrul said, the regulator should be able to see the taxpayers' fulfillment compliance particularly the VAT and corporate income tax. *"Buyers who buy RCS above the production requirement for reburst will be able to be readed",* said Bachrul.

Bachrul also sees that there is still a tendency of objection from buyers of RCS if the national account of RCS's needs is obtained from a thorough listing through the auction market. This mechanism can complicate the inflation of contracts, leading to the cessation of RCS permeation operations.

"The auction organizer verifies the buyer membership document to ensure the buyer is a RCS user as a raw material of production and has rejected the company that does not have an industrial license so that the company whose business field as an illegal distributor of GKR will surely object to sending its licensing documents", Bachrul said.