SUMMARY

LUKMAN HAKIM. Analysis of Factors Affecting Competitiveness and Import of Powdered Milk in Indonesia Period 2006-2015. Supervised by HENY K SUWARSINAH and ROKHANI HASBULLAH.

Indonesian government gives independency to milk processing industry (IPS) to import milk raw materials without the obligation to absorb domestic milk production. Based on data from Directorate General Directorate General of Livestock and Animal Health, Ministry of Agriculture, 70-75% of milk consumed still depends on imports. The use of imported milk raw materials by IPS due to the production and quality of domestic milk has not been able to meet the needs. One of the productions of IPS is powdered milk that requires quality raw materials and economical. The real price of imported powdered milk is more economical with preferably specifications. The condition should encourage the development of domestic cattle and milk powder industry to improve its competitiveness. Therefore it is important to conduct this research aim for (1) Analysis of factors that affecting competitiveness of domestic powdered milk industry; (2) Identification and analysis of factors that become determinants of powdered milk import in Indonesia; and (3) Strategy recommendation formula to improve the competitiveness of domestic powdered milk industry.

The result of descriptive analysis using Diamond Porter model shows that the factors that are considered to determine the competitiveness of domestic milk powder industry are: 1) Government role factor on attribute of government policy in trade 2) Related industrial and supporting industries factor on attribute of Milk Processing Industry (IPS), and 3) Strategy, structure, and competition factor on attribute of corporate strategy. Meanwhile, the factor that are considered less decisive is related industrial and supporting industries factor on cooperative attribute. Meanwhile, the quantitative analysis of Engle-Granger Cointegration and Error Correction Model (ECM) is used to identify and analyze the factors that become determinants of powdered milk import in Indonesia. The type of data used in quantitative analysis is secondary data consists of time series data from 2006-2015. The results of descriptive and quantitative analysis will then be used as information to formulate a strategy recommendation that to improve the competitiveness of domestic powdered milk industry.

The result of descriptive analysis using Porter’s Diamond model shows that in powdered milk industry, natural resources, human resources and capital resources are still weak so they can not compete. Nevertheless, Indonesia still has a great opportunity to compete in producing domestic powdered because the demand for powdered milk continues to increase. Based on the results of the quantitative analysis using the Engle-Granger Cointegration method, factors that significantly affecting powdered milk import in the long term are import real prices, real exchange rate, real income per capita, and import tariff. Based on the ECM analysis, significant factors that affecting powdered milk import in the short term are domestic production, domestic real prices, real income per capita, and import tariff.

Based on the results of descriptive and quantitative analysis, then formulated a strategy recommendation to improve the competitiveness of
powdered milk industry. In order to improve the competitiveness of powdered milk the government needs to restrict imports of milk powder and provide incentives to IPS to produce milk. Then IPS needs to improve cooperation with farmers and cooperatives as a supplier of raw milk powder. In addition, AIPS should make their own farms in order to control the quality and price of raw materials. Long-term recommendations include maintaining real exchange rates and reducing the real price of powdered milk by focusing on cost efficiency in the upstream sector and providing incentives in the form of tax allowance or import duties borned by the government on IPS to develop dairy farms. Furthermore, short-term recommendation is to shift production of powdered milk raw materials by mapping of farms location hence control by ministry can be comprehensive and effective.

Keywords: competitiveness, import, and powdered Milk