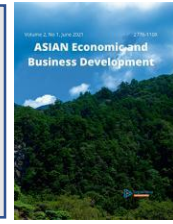




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The Effect of Fluctuations in Food Commodity Prices in the Month of Ramadan on Inflation in Indonesia

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Abstract

This study aims to investigate the effect of food commodity prices on inflation in the month of Ramadan in Indonesia in order to develop a strategy to control inflation in the month of Ramadan in Indonesia. This research method is a qualitative literature study. We found that ahead of Ramadan, the price of foodstuffs originating from livestock, such as beef, chicken and eggs, always increases, especially during Eid Al-Fitr and occurs for three consecutive years showing an increase every year. Fluctuations in the price of basic necessities often occur before, during and after national religious holidays such as Ramadan and Idul Fitri. This situation continues year after year due to the large number of requests. According to the law of demand, which states that when demand rises while supply is constrained, prices will rise, a growth in demands that cannot be satisfied by a restricted quantity of goods. Price swings before Eid al-Fitr are frequent occurrences that individuals can't seem to avoid. Consumers and producers have tended to confront more risks and uncertainties recently as a result of changes in food prices. Although it has a distinct pattern, the price of food items has also grown domestically. Quite fundamental changes have occurred since the last ten years, namely after the reform period.

Keywords: Food Commodity Prices, Ramadan, Inflation, Indonesia.

JEL Classification : C01, F18, F64

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Background

Consumption of staples should decrease during Ramadan, but demand for staples continues to increase before Ramadan. Food must be obtained in order for humans to survive. Everything that is provided as food or drink for human consumption that is derived from biological or water

sources, processed or not, can be referred to as food. This includes food raw materials, additives, and other materials used in the preparation, processing, or manufacture of food and drink (Selmi, Putra, Khairunnisa, & Asriani, 2023). If a person wants to live, one of his main needs is food. The stability of basic food prices is the hope of the community to fulfill basic needs, but when prices change, it becomes difficult to fulfill them. Changes in supply and demand can also be a factor affecting the price volatility of staple foods, which often change mainly due to seasonal factors. Several factors affect the price; for example, weather, pest disturbances, and distribution constraints disrupt the harvest of basic commodities, which causes unstable and changing prices (Paudel, Neupane, Sigdel, Poudel, & Khanal, 2023).

The increase in the price of basic necessities ahead of Ramadan and Eid al-Fitr was caused by two factors. First, demand continues to increase without being accompanied by the availability of goods, and second, the government's weak anticipation of rising prices of basic necessities during Ramadan. The government must strengthen the production sector, both private and state, to deal with rising prices of basic necessities ahead of Ramadan and prevent further increases in the following year. The government should monitor the production sector to control public consumption and basic needs. The government can set import policies, supervise distribution, and operate markets if the availability of basic necessities is still lacking. The government should pay attention to changes in rice prices, because an increase in basic needs is usually followed by inflation (Amaliyah & Zakhra, 2022).

One of Indonesia's most prevalent economic issues is inflation. A country's prices for goods and services increasing steadily is referred to as inflation. Price increases for one or two products may not usually translate into price increases for other products and services (Yanescha, 2022). The practice of consistently raising average product prices is known as inflation. The crucial thing is that there is an increase in the average price of items consistently throughout a specific period of time; this does not necessarily indicate that the prices of different kinds of goods grow by the same amount. It is possible that these increases are not simultaneous. Inflation is excluded from the rise that happened just once, even though it was significant (Dharma, Shabrina, Noviana, Tahir, Hendrastuty, & Wahyono, 2020). Seasonal factors influence inflation, and religious holidays are seasonal factors that greatly affect inflation in Indonesia. Eid al-Fitr is a very important religious day. This is due to the fact that Indonesia is not only one of the countries with the largest Muslim population in the world, but also has a high level of consumption during the month of Ramadan, especially for household needs that are required during that month and ahead of Idul Fitri (Idul Fitri). Long-term inflation in the city is significantly influenced by the cost of rice, red chilies, eggs, and chicken meat. In the short term, cointegration occurs between variables. Rice, chicken eggs, red chilies, and chicken meat are four strategically important food items that have a big impact on inflation both immediately and afterward (Nanang, Dyah, Sri, & Yesi, 2023).

Research Methods

The author's chosen research methodology is qualitative research. The goal of qualitative research is to comprehend the phenomena that have occurred to the research subject, through the steps of the description method in the form of words and language, special natural contexts and using various natural steps. The purpose of qualitative research is to describe the phenomenon in

depth and in the deepest way of collecting data as well, to highlight the significance of the depth and specificity of the data examined. This study uses data collection by means of library research. Library research is data that is used and obtained from several written sources, namely textbooks, articles or scientific journals, etc. The source of this research in data collection also came from the website of the Information Center for Strategic Food Prices (PIHPS) and also the website of the Central Statistics Agency (BPS).

Result and Discussion

An increase in food prices can be indicated through inflation. Consumers and producers have tended to confront more risks and uncertainties recently as a result of changes in food prices. The cost of food products has grown domestically as well but in a different way. Quite fundamental changes have occurred since the last ten years, namely after the reform period. We often use the change (percentage) in the consumer price index to determine the change (increase) in the price of an item and to determine what is meant by inflation. The inflation rate in Indonesia is determined by changes in prices for all commodities grouped into 7 subgroups, one of which is food. Of the 7 commodity groups, it is foodstuffs that usually experience price increases, which are caused by demand pressure (demand side) or due to reduced supply (supply side). With a large enough population, the demand for food is also increasing, but sometimes the supply of food is not enough to meet the demand. This can increase the price of foodstuffs which in turn pushes the rate of inflation (Caroline, 2021). In Indonesia, price changes in food commodities are the biggest contributor to the inflation rate in Indonesia. Moreover, when entering the month of Ramadan until the end of the month of Ramadan later, the price of staple goods soars due to increased consumer demand. So, the law of demand applies: the increase in demand for goods by consumers will be directly proportional to the increase in prices offered by producers or traders (Farandy, 2020). The Central Bureau of Statistics reported that the national inflation rate for March 2023 was recorded at 0.39%. This figure is no higher than April 2022 which reached 1.05%. We collect data from BPS and present it in table 1.

Table 1. Inflation Since 2021-2023

Month	Inflation (Percent)		
	2021	2022	2023
January	0.32	0.46	0.36
February	0.22	0.05	0.10
March	0.11	0.71	0.39
April	0.10	1.05	0.30
May	0.27	0.49	0.18
June	0.14	0.52	-
July	0.17	0.61	-
August	0.26	0.09	-
September	-0.11	1.41	-
October	0.18	0.42	-
November	0.35	0.32	-

December	0.69	0.60	-
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Ahead of Ramadan, the price of foodstuffs originating from livestock such as beef, chicken and eggs of purebred chickens always increases, especially during Idul Fitri and occurs for three consecutive years showing an increase every year. Food prices ahead of Ramadan are starting to get out of control, this will of course be a quite crucial problem if price stabilization is not immediately carried out. Based on data from the National Strategic Food Price Information Center (PIHPS), price increases occurred around March-May caused by the welcoming of the month of Ramadan which caused an increase in demand in the community and after the Eid al-Fitr the increase was still felt due to dwindling supply. Based on observations, prices that usually experience price increases during the month of Ramadan include fuel, pulses and quotas, cooking oil, and several other staples such as beef, free-range chicken, wheat flour, chicken meat, red chilies, granulated sugar, and nuts, also maybe some other stuff (Sutawi, Hermawan, & Hidayati, 2020). Table 2 presents food prices during the month of Ramadan in Indonesia.

Table 2. Food Prices in the Month of Ramadan in 2021-2023

No.	Commodity(Rp)	04/2021	04/2022	03/2023
I	Rice	Rp 10.350	Rp 10.550	Rp 12.050
1	Rice Lower Quality I (kg)	Rp 9.300	Rp 9.600	Rp 11.100
2	Rice Lower Quality II (kg)	Rp 9.150	Rp 9.350	Rp 11.200
3	Rice Medium Quality I (kg)	Rp 10.400	Rp 10.550	Rp 12.050
4	Rice Medium Quality II (kg)	Rp 9.850	Rp 9.950	Rp 11.550
5	Rice Super Quality I (kg)	Rp 11.500	Rp 11.700	Rp 13.050
6	Rice Super Quality II (kg)	Rp 10.750	Rp 11.000	Rp 12.550
II	Chicken Meat	Rp 37.100	Rp 36.900	Rp 31.500
III	Beef	Rp 111.200	Rp 117.250	Rp 116.800
1	Beef Quality 1 (kg)	Rp 116.900	Rp 123.050	Rp 122.300
2	Beef Quality 2 (kg)	Rp 105.450	Rp 111.500	Rp 111.350
IV	Chicken eggs	Rp 23.050	Rp 24.000	Rp 28.000
V	Red Onion	Rp 27.100	Rp 29.200	Rp 33.700
VI	Garlic	Rp 23.950	Rp 25.950	Rp 29.200
VII	Red chili pepper	Rp 43.950	Rp 37.050	Rp 34.800
1	Big Red Chili (kg)	Rp 44.700	Rp 38.250	Rp 34.050

2	Curly Red Chili (kg)	Rp	44.400	Rp	36.200	Rp	37.150
VIII	Cayenne pepper	Rp	39.650	Rp	24.400	Rp	48.750
1	Green Cayenne Pepper (kg)	Rp	26.850	Rp	20.750	Rp	29.350
2	Red Cayenne Pepper (kg)	Rp	54.300	Rp	28.650	Rp	68.650
IX	Cooking oil	Rp	14.150	Rp	23.150	Rp	18.200
1	Bulk Cooking Oil (kg)	Rp	13.850	Rp	19.550	Rp	15.700
2	Branded Packaged Cooking Oil 1 (kg)	Rp	14.350	Rp	24.800	Rp	19.700
3	Branded Packaged Cooking Oil 2 (kg)	Rp	14.250	Rp	24.600	Rp	19.150
X	Sugar	Rp	12.900	Rp	14.450	Rp	13.850
1	Premium Quality Granulated Sugar (kg)	Rp	14.200	Rp	15.050	Rp	14.550
2	Local Sugar (kg)	Rp	12.100	Rp	13.950	Rp	13.250

Fluctuations in the price of basic necessities often occur before, during and after national religious holidays such as Ramadan and Idul Fitri. This situation continues year after year due to the large number of requests. According to the law of demand, which states that when demand rises while supply is constrained, prices will rise because of a growth in demands that cannot be satisfied by a restricted quantity of goods. Price fluctuations ahead of Eid al-Fitr are recurring events that people seem unable to avoid. This is actually reasonable according to economic law; whenever there is an increase in demand, the price also increases. The law of supply and demand, the lack of anticipation of price hikes related to Idul Fitri, and the soaring economy are some of the factors causing this phenomenon (Ghoni, 2019).

Other influences such as raw materials, production processes, distribution and government policies can also cause price fluctuations. Raw materials are raw materials which are then managed as finished goods. Raw materials sourced remotely can have an impact on production costs and selling prices (Momeni, Soltani, Hosseinpour, & Nathwani, 2021). Production activities carried out by individuals (self-owned businesses), medium, even large companies in carrying out the production process from the point of view of determining the unit price of the products produced always have an influence. Because it is part of the production process and involves labor costs, electricity, raw materials, and others. The distributor's labor costs, the facilities used, and even the distance traveled during distribution usually have an impact on the selling price of the product. As a result, consumers may find the same product but at a different price. Provisions in regulating economic activity through the implementation of fiscal and monetary policies and other productive activities are part of the government's strategy (Siregar, Rahmadiyah, & Siregar, 2021).

The war between Russia and Ukraine has had a significant effect on international markets as well. Russia is the world's second-largest exporter of natural gas, third-largest exporter of oil, and second-largest exporter of coal (Wicaksana & Ramadhan, 2022). As the fifth-largest exporter of wheat and the fourth-largest exporter of maize, Ukraine is crucial in supplying the demands of the world market (Glauben, Svanidze, Götz, Prehn, S., Jamali Jaghdani, Đurić, & Kuhn, 2022). These two nations contribute significantly to the deficits of deficit nations like Southeast Asia, which imports more than 37% of its oil and gas. Due to the conflict, international oil prices indirectly increased, having an impact on Southeast Asia (Singh, 2022). There are several strategies that can be done to deal with rising prices of basic necessities ahead of Ramadan. First, namely controlling the price of fuel oil (BBM) because the increase in fuel prices can cause an increase in the price of basic necessities. There is a government policy to stop the increase in the price of fuel oil (BBM). To deal with this problem, the government must intervene by issuing certain strategies and policies to ensure that the needs of the community are maintained and safe (Sutrisno, Ausat, Permana, & Santosa, 2023).

Second, increase the availability of information on prices of basic necessities to the public to assist them in selecting affordable products. Although producers are responsible for increasing the price of staple goods, the initial price increase is often more important because it is driven by rising prices of means of production or caused by government policy factors such as setting a base price, while price increases caused by distribution factors are more variable, such as line length, distribution, transportation constraints, and traders' actions in setting prices. The amount of uncertainty in the price of basic commodities that has occurred so far indicates that distribution factors have a significant influence. Factors that often cause inflation include excessive consumption patterns during religious holidays, increased production costs at the producer's place, shortages of staple food stocks on the market, or even worse when there is a crisis or political instability in a country (Ben Hassen, & El Bilali, 2022).

Conclusion

Approaching Ramadan, the price of rice food from livestock such as beef, chicken meat and eggs of purebred chickens always increases, especially during Eid Al-Fitr and occurs for three consecutive years showing an increase every year. Fluctuations in the price of basic necessities often occur before, during and after national religious holidays such as Ramadan and Idul Fitri. This situation continues year after year due to the large number of requests. According to the law of demand, which states that when demand rises while supply is constrained, prices will rise because of an increase in demands that cannot be satisfied by a restricted quantity of goods. Price fluctuations ahead of Eid al-Fitr are recurring events that people seem unable to avoid. Consumers and producers have tended to confront more risks and uncertainties recently as a result of changes in food prices. The cost of food products has grown domestically as well but in a different way. Quite fundamental changes have occurred since the last ten years, namely after the reform period. There are several strategies that can be done to deal with rising prices of basic necessities ahead of Ramadan. First, namely controlling the price of fuel oil because the increase in fuel prices can cause an increase in the price of basic necessities. There is a government policy to stop the increase in the price of fuel oil. Second, increase the availability of information on prices of basic necessities to the public to assist them in selecting affordable products. Although producers are responsible for increasing the price of staple goods, the initial price increase is

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