



Editorial

Dear Readers,

We are very happy to deliver this Newsletter to you. Some information about the agricultural development program during the past 5-year national development and issue on global strategic environmental change on trade are considered as part of your interest. Lessons learned from these research activities would be useful as important feedback to formulate policy alternatives. Dr. Nyak Ilham and Dr. Sri Nuryanti with support from their research teams, respectively, have been successfully conducted these two studies.

Meanwhile, news on our research activities, recent policy development, and publications should also be valuable for you. Please let us know if some details of this information are of your interest, for which we could supply.

We are very delightful to see our colleagues, Dr. Mat Syukur and Dr. Benny Rachman at our office. For several years, they have both served as higher officials in many posts at the ministerial level. Their return should strengthen our research squad at ICASEPS. We also welcome our new recruited research staffs: Ms. Kartika Sari Septanti, Ms. Rika Reviza Rachmawati, and Ms. Resty Puspa Perdana. Welcome aboard...

The Editor

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Research Findings



PERFORMANCE REVIEW OF AGRICULTURE DEVELOPMENT PROGRAM, 2015–2019

Nyak Ilham, Tahlim Sudaryanto, Julia F. Sinuraya, Frans B.M. Dabukke, Fitna D. Wulandari

Introduction

This research covers the aspects of planning, implementation and impact of the development program for the Ministry of Agriculture's program from 2015 to 2017. The implementation of programs and activities focused on increasing the production of seven strategic commodities, namely rice, corn, soybean, cow and buffalo, shallots, red chili, and sugar. In addition to using national data, research conducted deepening studies in North Sumatra, West Java, East Java, and North Sulawesi Provinces. Data and information were collected through interviews and document searches and then were analyzed using descriptive approaches with logical framework techniques (MPAs), tabulations, and graphics.

The purpose of this study is to produce recommendations for accelerating the implementation of the strategic program of the Ministry of Agriculture in 2019 for the achievement of the 2015–2019 agricultural development goals and formulating priorities for the strategic program of the Ministry of Agriculture 2020–2024. Specifically the objectives of this study are (1) reviewing the linkages of the 2015–2019 Ministry of Agriculture's strategic plans with the first echelon scope of strategic plans, programs and activities of the Ministry of Agriculture; (2) studying other Ministry support in agricultural development; (3) evaluating the output and outcome performance of the Ministry of Agriculture's strategic programs as well as driving and inhibiting factors; and (4) evaluating the impact and achievement of the target objectives and strategic objectives of the Ministry of Agriculture.

Discussions and Results

Linkages of the 2015–2019 Strategic Plan of the Ministry of Agriculture

National development planning documents are arranged in an interrelated and structured manner for 20-year, 5-year, and annual development plans. This linkage applies to the scope of government organs led by the president and the scope of ministries and institutions led by the Minister and Head of Institutions. This pattern is also harmoniously applied at the regional level by referring to the national development plan and in accordance with the potential of each region. Following the mandate of Law Number 25 of 2004 concerning the national development planning system, in preparing



agricultural development planning must pay attention to the linkages between short-term, medium-term, and long-term development; between Ministries

and Institutions, as well as between the center and the regions by involving state and community administrators. The same cooperation and coordination must also be carried out in the implementation of activities. To avoid the inconsistency of planning documents at the Ministry of Agriculture and the first echelon of the Ministry of Agriculture, the involvement of competent parties is needed from the preparation of materials for the Long Term Development Plan and the Medium Term Development Plan to the Strategic Plan. Furthermore, the first echelon Strategic Plan is prepared based on the Ministry's Strategic Plan, and the Work Plan is prepared annually based on the first echelon Strategic Plan of each.

Support from other Ministries in Agricultural Development

Agricultural development is not only carried out by the Ministry of Agriculture, but also by other ministries, especially for activities included in the National Priority program. Main support is from the Ministry of Public Works and Public Housing (PUPR), namely the Directorate of Water Resources. Meanwhile, the relationship with the Ministry of Industry is to develop priority industries including the food industry and the agro industry as a market for agricultural products produced by farmers. The Ministry of Agrarian and Spatial Planning / National Land Agency is important to strengthen farmers' status and access to agricultural land. This support can be seen in the work plans of the respective ministries.

On the internal side, the effectiveness of the coordination forum needs to be improved to link the activities between the first echelon within the Ministry of Agriculture, so that the synergy of activities and the achievement of development outcomes are more effective. The proposal of regional agricultural development planning for the Special Allocation Fund (DAK) (through e-proposals) must be increased proportionally with the area's content and more participatory, so that it can accommodate regional priority activities.

Performance, Driving Factors, and Barriers to Achieving the Strategic Objectives of the Ministry of Agriculture

Nationally, out of the seven national strategic commodities, the achievement of the target for rice and shallots is categorized as "very successful" while those for corn, chili, sugar cane, and beef are categorized as "successful". The target to increase soybean production cannot be achieved because the selling price at the farm level is low while the cost of farming is expensive which makes the commodity unable to compete with imported soybeans. In general, the type of assistance provided by the government to the sample farmers is appropriate, which is supported by the involvement of group administrators in the activities of prospective project locations. However, specifications and quantities are still not as expected, so that the target of planting area, productivity, and production is not optimally achieved.

Some things that need to be considered to improve production performance for strategic programs in the future are by

strengthening the national seed industry in their respective regions towards seed independence by supporting the supervision of seed and certification bodies. Besides, the addition of new planting areas for upland rice must be done by developing local varieties, such as Superwin and Temo varieties from Bolmong-North Sulawesi, and existing varieties namely Situbagendit, Situpatenggang, and Inpago-7. For corn, the use of corn varieties produced by the IAARD is to be developed by improving seed quality, multilocation trials, postharvest processing, packaging, and controlled distribution.

The government must develop local varieties of chili seeds that have market advantages because of their spicy taste, longer production period, and higher prices. The potential of local chili in other areas is still large so that the government needs to identify further, then do genetic engineering to make it more resistant to pests and plant diseases. At the same time, it is necessary to strengthen shallot breeding through certification and supervision so that no misuse can reduce farmers' trust in the local production of superior seeds.

To overcome the shortage of sugarcane seedlings, it is necessary to expand the supply of sugarcane seeds, among others, through the development of breeders cultivated by sugar factories. To anticipate the decline in planting area and productivity of sugar cane in the future, the provision of the seeds of superior varieties and double track planting applications, support of water supply equipment and machinery, improvement of soil organic matter content, control of refined sugar into the consumer market, and modification of people's business credit scheme) by adapting the KKPE credit pattern. The development of meat production requires the production of frozen semen of local cows and buffaloes by the National or Regional Artificial Insemination Center in support of the Siwab Upsus Program, so as not to weaken the local cattle development program that has been done before.

Strengthening Agricultural Competitiveness

To anticipate changes in regional and global strategic environments, the government must be able to maintain existing agricultural land by strengthening sustainable food land programs. The programs must use the results of mapping support done by the Ministry of Agrarian legalized by regional regulations. Farmers' access to land tenure can be increased by accelerating the adoption of the LP2B (Sustainable Land Food Agriculture) Program to reduce the conversion of agricultural land, adding new planting areas through the use of idle land, increasing cooperation in the use of forest land and State and Private Plantation, and increasing crop indexes through irrigation and water pump support. One effort to anticipate land reduction is to develop farming technology on a narrow land.

Global trade requires the support of strengthening quarantine installations and technology-based technical equipment, so as not to cause economic losses and national genetic resources. To improve the competitiveness of national agricultural products, the concept of regional-based agricultural development that has been initiated by the ministry needs to be continued and synergized with regional development. To increase the value-added of agricultural products and reduce yield loss, optimal postharvest machine facilities are needed. Sustainable agricultural development is not only production-oriented, but also considering land conservation, water degradation, and the conservation of agricultural systems.

Food price volatility that occurs when certain commodities experience off-season and high demand can be overcome through government intervention. Industrial and communication revolution demands all activities in the fields of government, agricultural production, and marketing of agricultural products to apply digital-based technology. Policies to encourage and facilitate investments need to be considered to enhance the growth of the agricultural sector, especially for export-oriented commodities.

Impact and Achievement of Targets and Strategic Objectives

The macro and micro impacts of the three-year development (2015–2017) show mixed results. The indicators that show success are the increase in the gross domestic product in the agricultural sector, the decrease in the number and percentage of the poor people in rural areas, and the decrease in employment in the agricultural sector. Indicators that have not yet achieved the expected target are the exchange rate which has fallen and is below the target, a surplus trade balance in agriculture, but a deficit for food, horticulture, and livestock commodities. The number of investment projects increased, but the value of foreign investment declined.

At the level of farmer households, although the scale of business is relatively stagnant, the improvement in prices of agricultural commodities causes a stable ratio of rice prices to motorbikes, while the price of gold decreases slightly. The level of consumption of rice, corn, and instant noodles decreased, while sweet potatoes increased. Generally, the share of farmers' income is still dominant in the agricultural sector. For farmers who seek high-value commodities, the share of income is greater for the main commodity being cultivated.

Contact: Dr. Nyak Ilham (ny4kilham@yahoo.com)

POTENTIAL IMPACTS OF GLOBAL STRATEGIC ENVIRONMENTAL CHANGE ON AGRICULTURAL COMMODITY TRADE PERFORMANCE

Sri Nuryanti, Erwidodo, Reni Kustiari, Mewa Ariani, Imas Nur'Aini

Global environmental changes, such as trade wars between the United States and China, could make a positive or negative impact on Indonesia's agricultural commodity trade performance. On the other hand, the Government is determined to promote economic growth in a quality and sustainable manner through increasing investment and exports, including the export of agricultural commodities. Therefore, the potential impact of these changes must be anticipated by policies that support the acceleration of the performance of Indonesia's international agricultural commodity trade. Trade performance that has taken place explicitly can indicate the result of the effects of global changes that have taken place, namely changes in the level of competition in the world market and trade policies within the export destination. This study is intended to identify and analyze the potential impact of changes in the global strategic environment on the performance of trade in agricultural commodities.

International Trade in Agricultural Commodity Performance Intra-ASEAN and Extra-ASEAN

Indonesia ranks the 4th in the value of intra ASEAN trade and ranks the 5th in that of extra-ASEAN. The value of Indonesian trade in both intra and extra ASEAN is lower compared to Singapore, Malaysia, Thailand, and Vietnam. Indonesia's trade value in the intra-ASEAN market tends to decline during 2012–2016, from USD95.6 billion in 2012 to USD68.6 billion in 2016. The value of trade of Indonesian agricultural commodities is the highest among intra-ASEAN and extra-ASEAN countries. The biggest export contribution is vegetable oil, especially crude palm oil, and other estate crops. Indonesia is still inferior compared to Thailand, Vietnam, and the Philippines in horticulture products trade. Indonesia has a trade deficit in animal/livestock products in both the intra-ASEAN and extra-ASEAN trade, and Indonesia is net importers of food and cereal products.

All Indonesian agricultural commodities that are competitive in the intra-ASEAN are also competitive in the extra-ASEAN.



There are 37 competitive commodities in the intra-ASEAN market (4 commodities in the introduction stage, 2 commodities in the import-substitution stage, and 31 commodities in the growth stage) and 42 competitive commodities in the extra-ASEAN markets (12 commodities in the introduction stage, 3 commodities in the import-substitution stages, and 27 commodities in the growth stages). Indonesia is a major player in the trade of estate commodities (coconut oil, tea, natural rubber, and its products, cocoa beans, and copra). Even palm oil (HS 151110 and 151190) shows a comparative advantage in the saturated ASEAN market. Therefore, Indonesia is specialized in both commodities (ISP value = 1). The types of Indonesian agricultural commodities that have large prospects in the world market include plantation products (oil palm, rubber, cocoa, and tea), spices, and tropical fruits such as *salak* and mangosteen.

Indonesian competitors in the global market come from within the ASEAN region itself. For example, the competitors for oil palm and rubber are Malaysia and Thailand, while that for coffee is Vietnam. Vietnam has become the principal pepper exporter in the world market, including the Chinese and Japanese markets, shifting Indonesia and Thailand. Besides Vietnam, the new pepper exporting country is Myanmar. Likewise, these two countries will be the world's leading rubber exporters. For horticulture crops such as mangosteen, Indonesia has competitiveness only to the Malaysian market, and its principal competitors are India and Thailand.

The problem of Indonesia's agricultural commodity exports is that exporters have not been able to meet the Sanitary and Phyto-sanitary (SPS) requirements. Besides, importers also require related aspects of traceability, meaning that the product must know its origin, starting from the country, production area, location of the field, including its cultivation practices. The development of agricultural commodities by farmers (smallholder agriculture), especially rubber, pepper, and fruit commodities (banana, pineapple, mangosteen), still faces many

technical and non-technical constraints. The technical constraints are related to aspects of cultivation, post-harvest, and market; while the non-technical aspects, among others, are roads, capital, farmers' knowledge, and theft. As an illustration, the problem of pepper development is that the plants are old, poorly treated, do not use good pepper seed and are not certified, scattered and smoked drying, and early harvest pepper to prevent theft. Harvested area and production of the selected commodity showed a downward trend.

Indonesia's pepper export to the United States tends to decline influenced by the combined structure effect. Likewise, export growth to India and Singapore also declined. Indonesian rubber is still competitive, as seen from the positive sign of both market share and combined structure effect. The market share effect is the dominant factor influencing the growth of Indonesian exports to China. All exporting countries have a negative combined structure effect on the Chinese market. The combined structure effect is the dominant factor influencing Indonesian export decline to India, while the market share effect shows a positive contribution in the Indian market. Malaysia has the lowest competitiveness compared to Indonesia and Papua New Guinea.



For pineapple commodities, market share is the dominant factor affecting Indonesian export growth to Japan. The combined structure effect is the dominant factor influencing the increase of Indonesian exports to Korea. The market share effect also shows a positive contribution to export to the Korean market. Indonesia has only mangosteen export competitiveness in the Malaysian market. This can be seen from the export growth and the positive sign of market share and combined effects, while in Singapore and the United Arab Emirates markets Indonesian mangosteen is less competitive.

Performance of Agricultural Investments in intra-ASEAN and extra-ASEAN

Nominally, average foreign direct investment (FDI) entering the ASEAN region countries during 2012–2016 (FDI) was around USD21.90 billion/year with an average growth rate of 2.62% per year. Except for Singapore, Indonesia is the host country that received the highest FDI in the ASEAN region with an average of USD15.91 billion/year, followed by Malaysia (USD10.78 billion/year) and Vietnam (USD10.17 billion/year). Agriculture, forestry, and fisheries sectors are the attractive sectors to investors in the ASEAN region. FDI value growth of the sector averaged 24.6% per year. The highest FDI of the agricultural sector goes to Singapore reaching around 85.98% of the total intra-ASEAN, while those entering Indonesia are only USD 4 million/year or 0.14% of the total ASEAN.

During 2012–2016 the average investment to intra-ASEAN was around 18.59% of total investment in the world. This indicates that ASEAN countries are investment objectives of investors from various countries in the world. However, investment in the agriculture, forestry, and fisheries sectors only reached an average of USD598 million/year, or only 1% of the total extra-ASEAN investment, and even deficit in 2016. The government is intended to overcome the economic

problems and increase investment opportunities through a policy package issued in November 2015. The policy package consists of 13 policy packages to achieve sustainable economic growth. The policy package that is in line with agricultural investment potential is the economic policy package I, including to encourage the growth of investment both foreign and domestic through deregulation and debureaucracy. The government amended the list of provisions for business sectors that were closed and opened with certain conditions in the investment sector (Negative Investment List) to invest more.

Intra-ASEAN is an area that is more attractive for investors to invest than extra-ASEAN, especially in the real economic sector, including agriculture, forestry, and fisheries. Therefore, investment in intra-ASEAN tends to increase. Meanwhile, investors who survive in extra-ASEAN focus on the financial and insurance sectors due to the economic crisis that hit European countries. Conducive investment and business climate in the Indonesian agricultural sector will attract investors because Indonesia is an agricultural country.

Impact of Global Environmental Changes on Agricultural Trade Performance

Trade performance of selected Indonesian commodities to several countries is affected by changes in GDP, exchange rates, implicit prices, and tariffs. However, the influence of each variable is different by country and commodity. As an illustration, Indonesia's palm oil exports to India are only influenced by GDP and exchange rates, while Indonesia's palm oil exports to Italy are affected by GDP, exchange rates, and tariffs. Indonesian pineapple exports to Singapore are much affected by implicit prices, GDP, and exchange rates, whereas those to Malaysia only influenced by implicit prices and GDP.

Policy Implications

The increase in the deficit in the trade balance of food crops and horticulture, as well as the decrease of surplus in the trade balance of estate products, must be anticipated immediately if an increase of export foreign exchange is to achieve as a source of new economic growth. It is time for the government (Ministry of Agriculture) to take concrete steps to spur investment in the agricultural sector, especially the horticulture sub-sector.

In general, the ability to meet export standards and quality requirements (SPS, Technical Barrier to Trade or TBT, traceability) is an essential component to increase competitiveness and to win the competition in the export market. Until now, it has become Indonesia's weak point in spurring exports. If the Indonesian agricultural sector has the above advantages, then change in the global strategic environment is not an important direction and intensity, will not cause negatively affect the performance of Indonesia's agricultural exports. Therefore, the government and companies (State-Owned Enterprises and the private sector) can meet the standard export requirements and quality of the agricultural commodities. The policies that need to conduct are facilitating the implementation of land certification, procedural guidance on the application of Good Agricultural Practice (GAP) and Standard Operating Procedures (SOPs), and partnerships between farmers group and exporters. Funding support for these facilitation activities must be carried out sustainably. Therefore, a positive economic impact occurs, namely the increased scale of the economy of farming, increased farmer incomes, and increased welfare of the wider community.

To stimulate exports, the steps to build a production 'area' (horticulture and estate) consistently followed by facilities and infrastructure is a must and necessity. Therefore, the continuity of supply at an efficient scale to meet export quotas can be achieved. Policies, instruments, and incentives are needed, which can sustainably encourage and facilitate producer farmers to increase productivity and production efficiency, reduce production costs, and improve the quality and appearance of products.

So far, the performance of the domestic investment in the agricultural sector is still very limited, even though the policy

has long been in favor of it. Therefore, foreign investment (PMA) should be an alternative to increase production capacity, productivity, and competitiveness, especially in seed industries and other capital-intensive businesses and technology. Investment activities in the food and horticulture sub-sector can be in the form of area expansion, improvement of irrigation networks, investment and research and development (R & D) in the field of seedlings, and R & D activities to improve efficiency, productivity, and quality of horticultural products.

Contact: Dr. Erwidodo (erwidodo@gmail.com)

Policy Development

EVALUATION OF PLANTING OBLIGATORY TO GARLIC IMPORTERS

Bambang Sayaka, Dewa Ketut Sadra Swastika, Yonas Hangga Saputra

Background



To lessen dependence on garlic import the Ministry of Agriculture (MoA) Republic of Indonesia encourages farmers to grow this commodity

through state budget (APBN) funding. MoA also issues submission of horticulture import recommendation (RIPH) based on the Regulation of Minister of Agriculture (Permentan) No. 38/2017 revised to Permentan No. 24/2018. Garlic importers are mandatory to grow and produce 5% of the imported garlic volume through a partnership with local farmers. Agriculture Office at the regency level is required to support the mandatory garlic planting program, such as providing land and farmers to implement it. Garlic importers who cannot meet the requirement will get sanction, that is, no more RIPH from MOA, which implies no import license (SPI) from the Ministry of Trade. Nevertheless, realized areas of mandatory garlic planting are far below expectations due to some constraints. This study aims to evaluate the policy on mandatory planting to garlic importers.

Garlic International Trade

The world's garlic production for the period of 2006-2016 was 22.9 million tons on average. The largest garlic producer was China with a share of 79.7% of global production. The next garlic producers were India (4.7%), South Korea (1.4%), and Russia (1.0%). Indonesia's production share was 0.07%.

Exported garlic volume in the world is relatively small, i.e., 1.87 million tons or 8% of global production. China exports most garlic (81.7%), followed by Spain (8.7%), Argentina (4.1%), and Netherland (1.6%).

Indonesia is the largest garlic importer, i.e., 246% of global import. The next largest importers are Brasil (9.6%), Vietnam (8.6%), and Malaysia (7.7%). In 2018 Indonesia imported garlic as many as 581,000 tons (USD494 million) or more than 95% of the national demand.

Certified Seed Supply

Based on the Decision of Ministry of Agriculture (Kepmentan) No. 15/2018, garlic seed may be certified at the warehouse without field inspection by BPSB (Agency for Seed Control and Certification) called as TDL. This certification method can deal with a seed supply shortage. However, seed quality in terms of purity and growth rate is less satisfying. Some constraints related with garlic seed supply consist of (i) lack of parental seed; (ii) lack of seed warehouse; (iii) seed producers are not motivated to apply for seed certification; (iv) most seed producers are not capable; and (v) the seed producers are less active and not accustomed to administrative procedure of seed certification.

Seed volume certified by BPSB is much less than required for mandatory planting and APBN programs. For example, in 2017 certified garlic seed in East Java was 2,690 kgs of extension seed consisting of Lumbu Kuning variety (2,150 kgs) and Lumbu Hijau variety (1,540 kgs). In 2018 the certified seed volume was 90,025 kgs, just enough for 180 hectares of the planted area only. Garlic seed import deals with the low-quality issue, as it is well growing but no yield. For the last several years, BPSB in Kedu Region certified 543.33 tons of garlic seed enough for 1,000 hectares of the planted area. Most of the garlic seed got TDL certification. In 2017/2018, there were 18,050 kgs of garlic seed certified by BPSB in West Java Province, which was just adequate for growing 36 hectares of planted areas.

Mandatory Planting: Plan vs. Implementation

Until September 7, 2018, the Ministry of Agriculture has issued 149 RIPHs for 1,692,507 tons of imported garlic. It implied that importers had to implement mandatory planting of 13,854 hectares consisting of 8,335 hectares in 2018 and 5,519 hectares in 2019. Implemented mandatory planting up to September 2018 for RIPH in 2017 was 1,361 hectares (16.3%) and RIPH in 2018 of 870 hectares (17.0%) or total of 2,231 hectares (16.1%). Until the end of December 2018, the mandatory planting for RIPH in 2017 was 8,335 hectares and RIPH in 2018 was 7,665 hectares. Implemented mandatory planting for RIPH in 2017 was 35.5% (2,960.6 hectares) and RIPH in 2018 was 26.3% (2,013.8 hectares) or mandatory planting for RIPH in 2017 and 2018 was 31.1% (4,974.4 hectares) only. Lack of appropriate land and quality garlic seed supply was among the constraints for implementing mandatory. Most farmers partnering with garlic importers were lack of experience in growing this commodity and less guidance of local Agricultural Office staff. The APBN program for expanding garlic production copes with similar issues. To some extent, mandatory planting and APBN program are competing with each other.

Opportunities and Challenges of Mandatory Planting

Successful mandatory planting will expand local garlic production. Subsequently, the importers will become domestic garlic distributors if national production increases significantly. However, the national garlic production expansion program deals with many challenges. This commodity is not competitive compared to other high-value vegetables. Suitable land available for growing garlic is limited. Imported garlic is much cheaper and has better performance than that of local. All those features lead to less farmers' interest in growing garlic.

Policy Recommendation

Mandatory planting is not significant in increasing national garlic production. Garlic supply management needs better management such that domestic garlic price is relatively stable. The program to boost national garlic production should be carried out by taking account of technical, social, and economic aspects.

GOVERNMENT'S PURCHASING PRICE POLICY (HPP) AND HIGHEST RETAIL PRICE OF PADDY AND RICE

The current HPP rate has been ineffective since the farmers could obtain a better price from free markets, as experienced throughout 2018, even at the village level. HPP of paddy was stipulated through the issuance of Presidential Decree No. 9/2015. The HPP is supposed to protect the farmer's revenue level from the low selling price of their crop. This condition is not in favor of Bulog as the government agency to purchase a farmer's paddy if the purchase is intended to add the amount of rice reserve for national stock. The current HPP rate has been highly considered and suggested to increase to allow domestic market competition

The rate of the retail price for premium rice is always below the highest retail price (HET), while the price rate of bulk

medium rice is higher than the HET rate, especially in areas far from production centers during the off-season (scarcity of food). Paddy processing to produce premium rice would be profitable compared to medium rice, and therefore, the rice milling unit (medium and large scale) prefer to produce more premium rice. Rice price policy is intended to guard the HET rate for premium rice (as regulated through Trade Minister Regulation No. 57/2017). Hence, the informal retailers who have no official license to trade could sell medium rice at a higher price (above HET level).

Suggested policy options on paddy and rice price issues would be to increase the HPP rate to protect the level of farm income at high enough during the harvesting season and encourage Bulog to purchase at a higher level during the off-season. This is to keep the actual increase in rice prices at a lower level. For this purpose, the increase in paddy price is suggested at 15% (harvested dry paddy) at the farmer's level. Meanwhile, the HET price of rice would remain the same at the current level (no change).



The HPP (of paddy) is set through the issuance of Presidential Decree (Inpres), while the HET (of rice) by the Regulation issued by the Minister of Trade. In this context, the Minister of Agriculture could allow the submission of the recommendation to increase the rate of HPP directly to the President before the issuance of new presidential decree (to replace No. 5/2015) or at least the recommendation rate could be thoroughly discussed in a limited coordination meeting led by the Coordinating Minister of Economy. The new presidential decree (HPP) is suggested to be effective starting early March, while HET (of rice) could be reviewed after the application of the new HPP (of paddy).

Research Activities

RESEARCH ACTIVITIES

In 2019 ICASEPS conduct 12 research titles at which the researchers are engaged. The list is as follows:

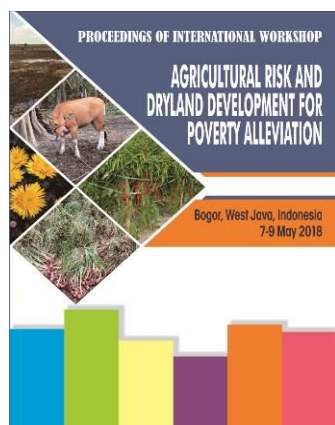
1. The Dynamics of Farmer Household Welfare (*Dinamika Kesejahteraan Rumah Tangga Petani*)
2. Export Development Strategy to Encourage Horticulture Subsector Growth and Farmer Income (*Strategi Pengembangan Ekspor Mendorong Pertumbuhan Subsektor Hortikultura dan Pendapatan Petani*)
3. Management Analysis of Imported Fruit Substitution Supply Chain (*Analisis Manajemen Rantai Pasok Komoditas Buah Substitusi Impor*)
4. Implementation of TSP-TTP Development and Bio-Industrial Agriculture (*Implementasi Pengembangan TSP-TTP dan Pertanian Bio-Industri*)
5. Poverty Reduction Strategy in Agriculture and Rural Areas (*Strategi Penanggulangan Kemiskinan di Pertanian dan Perdesaan*)
6. National Horticultural Seeding Development Policy (*Kebijakan Pengembangan Perbenihan Hortikultura Nasional*)
7. Design and Implementation of Farm Business Consolidation (*Rancang Bangun dan Implementasi Konsolidasi Usaha Tani*)
8. Design of Financing Models in Corporate-based Agricultural Development Areas Supporting the Serasi Program (*Desain Model Pembiayaan pada Kawasan Pembangunan Pertanian Berbasis Korporasi Mendukung Program Serasi*)
9. Increasing Added-Value of Strategic Agricultural Products (*Peningkatan Nilai Tambah Produk Pertanian Unggulan*)
10. Problems, Challenges, and Policy on Agricultural Development 2020–2024 (Permasalahan, Tantangan, dan Kebijakan Pembangunan Pertanian 2020–2024)
11. Evaluation of Agricultural Insurance Program and Insurance Implementation Plan for Sugarcane and Cocoa (*Evaluasi Program Asuransi Pertanian dan Rancangan Implementasi Usaha Tani Tebu dan Kakao*)
12. Rural Economic Dynamics: 2007–2018 Evaluation and Future Perspectives (*Dinamika Ekonomi Perdesaan: Evaluasi 2007–2018 dan Perspektif ke Depan*)

ICASEPS Publications

PROCEEDINGS OF INTERNATIONAL WORKSHOP ON AGRICULTURAL RISK AND DRYLAND DEVELOPMENT FOR POVERTY ALLEVIATION

Editors: Sahat M. Pasaribu, Bambang Sayaka, Rizatus Shofiyati, Syahyuti

The International Workshop on Agricultural Risk and Dryland Development for Poverty Alleviation has been held on May 8-9, 2018 at Salak Tower Hotel, Bogor, and the proceedings of the workshop was published last December 2018. The proceedings consist of 6 main papers from 5 CAPSA member countries and 13 supporting papers from 12 AIATs as follows.



Main Papers

1. Design of Agricultural Insurance for Chili and Shallot (Sahat M. Pasaribu, Rizatus Shofiyati, Iwan S. Anugrah, Juni Hestina)
2. Sustainable Dryland Farming for Farmers' Income Improvement in Yogyakarta and East Nusa Tenggara Provinces (Bambang Sayaka, Nikardi Gunadi, Putu Wardana, Wahyuning K. Sejati)
3. Overview of Agricultural Risk Management towards Agricultural Sustainability and Food Security: A Crop Insurance Approach (Roslina Ali, Nik Rozana Nik Mohd Masdek, Hairazi A. Rahim)
4. Risk Management Tools and Strategies in Agriculture: The Sri Lankan Experiences (V. D. Nirusha Ayoni)
5. Yamang Lupa Program: Adoption of Bhoochetana Principles and Approach in Boosting Agricultural Productivity of the Rainfed Areas in the Philippines (Joell Hizon Lales)
6. Disaster Situation in Agricultural Area in Thailand (Pimpilai Nuallaong, Likhit Pollayos)
7. Integrated Farming in Dryland Area as a Risk Management Strategy to Alleviate Poverty (Komalawati, Agus Hermawan)
8. Effectiveness of Fertilizer Ceiling Price and Rice Floor Price Policy in Banten Province (Tian Mulyaqin, Muchamad Yusron, St. Rukmini)
9. Implementation of Integrated Corn-Livestock for Smallholder Farmers in Dryland and Semiarid Climate in West Nusa Tenggara (Ahmad Suriadi, Anny Mulyani)
10. Utilization of Local Organic Material for Sustainability of Upland Rice and Corn Farming (Junita Barus, Slameto)
11. Optimizing Sweet Corn Farming on Dryland to Support Sustainable Agriculture in Sigi Regency, Central Sulawesi Province (ABL. Ishak, T. Febrianti, Muchtar, N. Ismail)
12. Soybean Growth and Yield Responses to Fertilizers on the Dryland of Langkat Regency, North Sumatra Province (Khadijah El Ramija, Hendri Ferianson Purba, Erpina Delina Manurung)
13. Integrated Crop Management for Improving Soybean Yield in Pesisir Selatan Regency, West Sumatra Province (Winardi, Ismon L.)
14. An Assessment on the Effects of Laser-Assisted Land Leveling on Soil Properties and Rice Yield in South Sumatera (Budi Raharjo, Syahri, Renny Utami Somantri, Priatna Sasmita)
15. Farming Management among Upland Semiarid Communities of Timor (Yohanis Ngongo, Tony Basuki, Syamsuddin)
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ICASEPS News

Supporting Papers

MINISTRY OF AGRICULTURE LAUNCHED THE SWAMP LAND PROGRAM

The Minister of Agriculture has launched the Swamp Land Use Program for Agriculture (Serasi). The initial target of this program is 500,000 hectares and located in six provinces across the country. The program aims to support the welfare of farmers and rural dwellers through farm-based corporation activities. The six provinces are Jambi, South Sumatera, Lampung, South Kalimantan, West Kalimantan, and Central Kalimantan. The other locations as the next target for this program are the provinces of Riau, North Kalimantan, and Papua.

Minister of Agriculture believes that this Serasi Program would have a positive impact on the rural people as the program is managed by professionals, including former ministry officials (based on their competence and work experience to develop modern agriculture) and personnel from related agencies. The swampland agriculture goals will be integrated into the condition of the fields, farms, and crops.

Based on data from the Food Crops and Horticulture Office in South Kalimantan Province, the implementation of the Serasi Program has reached the area of 250,000 hectares. Applying new technologies to support this program has helped the

process, including the application of technology for nursery, maintenance activities using agricultural machinery, and harvest process using combined harvester or the application of other sophisticated equipment.

Using these technologies, the operational costs could be reduced by up to 40%. The transformation from traditional to modern agriculture has helped the farmers to achieve a higher income and improve their welfare. The government also prepare high-quality seeds suitable for swamp and tide areas, such as Inpara 2 and Inpara 3 varieties with productivity claimable at 6 ton/ha in average, a big breakthrough for rice productivity in this area.

INCLUSIVE AGRICULTURAL VALUE CHAIN FINANCING (IFS4Ag)



Finance is a major barrier to smallholder participation in value chains for high-value crops and animal by-products. Many farmers in developing countries lack access to formal

financial services, and as such must self-finance any agricultural inputs they use or take informal loans which tend to have higher interest rates than formal loans. Agricultural value chain finance refers to financial products or services that allow value chain participants (input suppliers, farmers, traders, processors) to address and alleviate constraints to business activity.

The main constraints to business activity within a specific agricultural value chain are risk and liquidity, so the goal of agricultural value chain finance should be to alleviate one or both constraints. The main instruments to alleviate these constraints are credit and insurance. Such arrangements can include contractual arrangements between actors within a chain (e.g. farmers and traders) that provide a mix of credit and insurance. However, when all actors are constrained, then third party finance providers are necessary. It should be noted that while stand-alone credit programs are appropriate for some farmers, insurance programs may be enough for others. For households that need capital, but would be made more vulnerable by potential losses by taking on credit, products that combine credit and insurance are crucial to mitigating those risks.

With the title of research collaboration project “Inclusive Agricultural Value Chain Financing” (IFS4Ag or IndoFinance), the objectives of this study are to (a) increase understanding about the context and potential for agricultural value chain financing models and approaches; (b) develop a rigorous impact evaluation design for agricultural value chain financing models that will be implemented by partners; (c)

increase knowledge about how to design and implement innovative and inclusive agricultural value chain financing models in target countries; and (d) enhance awareness and adoption of agricultural value chain financing models.

This project was initiated and funded by ACIAR with IFPRI as a commissioned organization to collaboratively working with ICASEPS. The results of this study are indeed required to develop and design appropriate inclusive agricultural financial support for especially smallholding farmers in Indonesia.

WELCOME

We are thrilled to welcome back our colleagues, Dr. Mat Syukur and Dr. Benny Rachman, to ICASEPS after serving for quite some time in various posts at the Headquarter of the Ministry of Agriculture in Jakarta.

Dr. Mat Syukur has served as Expert Staff to the Minister of Agriculture in the field of Agricultural Innovation and Technology (2014–2016), and a similar position on Trade and International Relations (2016–2018). Dr. Benny Rachman has served as Director of the Food Distribution and Reserve Center (2008–2010) and Director of Center for Availability and Food Vulnerability (2016–2018), both at the Agency for Food Security, Ministry of Agriculture. We are very happy to have them both at ICASEPS to strengthen the research squad as Senior Researchers in their respective fields of interest.

ICASEPS has accepted three new research staff after some screening and intellectual reviews through the Ministry of Agriculture’s enrollment mechanism in 2018. They are Ms. Kartika Sari Septanti, Ms. Rika Reviza Rachmawati, and Ms.



Resty Puspa Perdana. They have all awarded bachelor and master degrees from different reputable universities. Ms. Kartika graduated from Gajah Mada University (Yogyakarta, Indonesia) on urban and regional planning as her bachelor degree and master degree in planning and public policy at the University of Indonesia (Depok, Indonesia). Ms. Rika’s bachelor degree was awarded by the University of Padjajaran (Bandung, Indonesia) and master degree from the University of Greenwich (UK). Ms. Resty finished both her bachelor and master degree from the University of Brawijaya (Malang, Indonesia). They just started their new career as researchers. We wish them all the best.

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Correspondence Address: Cimanggu Agricultural Research Center, Jalan Tentara Pelajar No. 3B, Bogor 16111, Indonesia, Ph. +62-251-8333964, Fax. +62-251-8314496
E-mail: publikasi_psekp@yahoo.co.id, Website: <http://pse.litbang.pertanian.go.id>