



## Editorial

Dear Readers,

It is important to note that 2020 was a challenging time, not only for farmers but also all levels of society. The Covid-19 pandemic severely hit almost all aspects of human life, and it seems that the damage continues as this pandemic shows its substantial power with the second or the third wave influencing the new normal life on earth.

Anyway, we are coming with two research findings, one about product added value (Dr. Ening Ariningsih) and another on agricultural insurance (Dr. Sahat M. Pasaribu). Moreover we would like to promote our new publication about Covid-19 pandemic as one of ICASEPS' responses to the impact of this deadly virus on the agricultural sector.

We chose information about agricultural finance regulation (Government Regulation No. 18/2020) to enrich your information. Following this regulation, we are proudly announcing the inauguration of three ICASEPS' senior researchers who were awarded professorial rank to acknowledge their significant contribution to the development of agriculture in Indonesia.

Enjoy the reading, and don't forget to apply health protocols: 5M (use mask, wash hands, keep distance, avoid crowd, and reduce unimportant travel).

The Editor

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## Research Findings



### INCREASING ADDED VALUE OF SUPERIOR AGRICULTURAL PRODUCTS

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#### Introduction

One of the Ministry of Agriculture's strategic objectives in the period 2015–2019 is the development of products that have added value and are competitive. The development of the agricultural product processing industry is expected to encourage efforts to develop value-added agricultural products. However, in practice, the development of value-added agricultural products in Indonesia still faces various problems and obstacles not to run optimally.

The general research objective is to examine the potential and problems of increasing the added value of superior agricultural products. In this case, the superior agricultural products referred to are cocoa and red chili (large red chili and curly red chili). In detail, the research objectives are to (1) analyze the production and added value performance of cocoa and red chili; (2) analyze the potential increase in the added value of cocoa and red chili; and (3) analyze problems, constraints, and strategies to increase cocoa and chili added value.

#### Results and Discussion

##### *Production and Added Value Performance of Cocoa and Red Chili*

Indonesia is one of the largest cocoa-producing countries in the world. However, domestic cocoa production continues to decline, dropping Indonesia's position from the third to the sixth rank of cocoa-producing country in the world. According to the International Cocoa Organization, Indonesian cocoa production dropped from 550 thousand tons to only 220 thousand tons in the last decade.

Before 2010, Indonesian cocoa was mostly exported in the form of cocoa beans, which reached around 80–90% of the total volume of cocoa exports. After the enactment of PMK No. 67/2010, which stipulates the imposition of export duty (BK) of cocoa beans, the export percentage of cocoa beans has dropped dramatically. In contrast, exports of intermediate products (cocoa liquor/mass, cocoa butter, cocoa cake, and cocoa powder) has increased sharply, indicating the presence of adding value process in the cocoa industry.



Most of the cocoa plantations are community plantations (97%). In general, cocoa is cultivated traditionally by local farmers, resulting in low productivity and poor quality cocoa beans. In

the post-harvest process, cocoa beans are generally not fermented and often without a proper sortation and drying process. These practices, along with the long marketing chains, cause cocoa prices to be low, leading to low income received by farmers. Currently, there are 11 large companies operating with an installed capacity of 747,000 tons/year in the processing industry. There are also small and medium scale cocoa processing industries, either that process cocoa beans into intermediate products, cocoa beans into final products, or intermediate cocoa products into final products.

Meanwhile, over the past ten years (2008–2017), the chilli production (big red chili and curly chili) in Indonesia increased sharply, from 696 thousand tons in 2008 to 1,206 thousand tons in 2017, an average increase of 6.45% per year. The increase in production was supported by both increased harvested area and productivity.

In general, chili cultivation is still conventional, with excessive use of chemical pesticides, causing high pesticide residues, which become a barrier for chili export. Farmers usually sell fresh red chillies in bulk packaging to traditional markets through the collectors. Only a few farmers sell their chillies to modern markets. The price of red chillies highly fluctuates according to supplies. It is high in the offseason but drops in peak season. Some farmers/farmer groups process red chillies into various products, such as dried red chili, chili powder, chili paste, sambal, and sauce, especially when chili price drops, so that they can enjoy the added value of the chili processing.

### The Increase in the Added Value of Cocoa and Red Chili

In Jembrana Regency, Bali Province, the fermentation process could increase cocoa bean added value by Rp2,632.66/kg, while in South Sulawesi Province by Rp3,940/kg. The added value obtained from processing dried fermented cocoa beans into cocoa paste at UPH Sari Bumi (Jembrana Regency, Bali Province) amounted to Rp41,679.37/kg. Further processing of cocoa paste into milk chocolate, dark chocolate 80%, and dark chocolate 90% gave an added value of Rp742,041.96/kg, Rp507,251.34/kg, and Rp427,850.79/kg, respectively. In South Sulawesi Province, processing dried cocoa beans into paste gave an added value of Rp45,179.37/kg, while further processing into dark chocolate gave an increase in the added value by Rp214,020.47/kg to Rp252,160.07/kg.

The added value obtained through processing fresh chillies into dried chillies by the KWT Intan in Bandung Regency, West Java, amounted to Rp17,743.60/kg, to powder chili Rp71,053.92/kg, and became chili sauce Rp326,128.00/kg. In Central Java Province, the added value of processing fresh red chillies into powder chili was Rp58,625.63/kg for KT Sidodadi (Temanggung Regency) and Rp100,472.00/kg for KWT Mak Endang Jaya (Grobogan Regency).

### Problems, Constraints, and Strategy for Increasing Added Value of Cocoa and Red Chili

The decline in cocoa production was due to several problems: (1) cacao plants were generally old (>25 years); (2) lack of plant maintenance; (3) pest and disease attacks (especially VSD and CPB); and (4) conversion of cocoa plantation land to other plantation commodities considered more profitable by farmers and non-agricultural purposes; (5) the focus of the Ministry of Agriculture in recent years has been only rice, corn, and soybeans.

Various problems and obstacles in processing cocoa, especially small industries, are as follows: (1) requires relatively large capital because the price of machines and processing equipment (bean to bar) is expensive; (2) the quality of machinery and processing equipment from government assistance (locally made) is less able to produce processed cocoa with good quality; and (3) cocoa products produced, especially in the form of end products (confectionary) is less competitive in the market. For the large-scale cocoa processing industry, the problems faced are mainly the lack of raw materials and poor quality of raw materials, and less competitive products compared to those of Malaysia and Singapore due to tax regulation.

Strategies for increasing the added value of cocoa include the following. (1) Socialization of good agricultural practices (GAP) on cocoa and cocoa farming assistance by plantation PPL to achieve high productivity and good quality cocoa. (2) Encourage expansion of international cocoa certifications such as UTZ/RA and organics (EU and USDA) to increase opportunities for access to global markets. (3) Encourage the role of the cocoa processing industry in fostering and partnerships with cocoa farmers, including market and price guarantees for quality cocoa produced by farmers. (4) Full package programs such as Cocoa National Movement, prioritizing superior local clones, focus on empowering farmers, special cocoa fertilizers that can be produced by local farmers, farmer development and empowerment, sustainability, and harmonization with the BUN500 Program. (5) Strengthening farmer institutions (farmer groups/Gapoktan) and cooperative, which serves as the Gapoktan legal entity. (6) Encourage the growth and development of agro-industry that can be demand-driver for fermented cocoa to motivate farmers to ferment cocoa beans they produce. (7) Machinery and equipment assistance provided by the government should be adjusted to the required specifications, be of good quality, consider the human resources of the beneficiary, and be accompanied by access to finance for operational capital. (8) Policy support for the absorption of local cocoa beans and their processed products. (9) Review the policies that can hinder the development of the cocoa industry in Indonesia.



The problem faced in increasing the added value of red chili cultivation is mainly the difficulty of changing farmers' mindsets because they have been pesticide-minded. It makes it challenging to apply good agricultural practices (GAP), or even organic cultivation. As a result, red chili has a high pesticide content, so it is not safe for consumption and not suitable for

export. In postharvest and processing, the problems encountered are not optimal utilization of postharvest facilities provided by the government and lack of skills and entrepreneurial spirit of the facility beneficiary. Furthermore, marketing of processed chili products is still constrained by people's habits who prefer to consume fresh red chili and competition with imported processed chili products, especially dried chili and powdered chili, which have lower prices.

Various strategies for increasing the added value of red chili include the following. In the aspect of cultivation: (1) the socialization of the application of good and efficient red chili cultivation practices (GAP) and certification (Prima, organic) should continue to be carried out continuously by relevant agencies, both at the central and regional levels, accompanied by assistance by PPL; (2) adjusting the chili planting pattern so that the supply of red chili on the market is relatively maintained and sustainable so that price fluctuations are not too sharp; (3) intercropping red chili in anticipation of the fall in the price of chili to minimize losses; and (4) the certification process needs to be reviewed so that farmers can get the certificate faster. In the postharvest aspect, postharvest ward assistance and certification programs need to continuously implement to maintain and improve the quality of vegetables, especially red chili, before being marketed. In the marketing aspects: (1) efforts to restructure the red chili supply chain and vegetable commodities, in general, should be carried out so that it will not damage markets that are already running well and efficiently; (2) encourage increased partnerships between farmers and modern markets (supermarkets) and horeca with the support of facilitating access to capital; and (3) the formation of auction markets at the farmer group level should be carried out on a massive scale accompanied by strengthening marketing institutions managed by the farmers themselves. In the aspect of processing, the growth of micro and small scale chili processing industries by the government should pay attention to (1) conformity of specifications to the needs and quality of machinery and equipment; (2) the human resources manager of the assistance (expertise, seriousness, entrepreneurship); and (3) appropriate and strategic location; (4) support access to finance for operational capital; (5) marketing access support; and (6) guidance and assistance.

### Policy Implications

With the continuing decline in Indonesia's cocoa production, increasing demand for cocoa industry raw materials, expanding market opportunities for cocoa and processed cocoa products globally, and the target of increasing cocoa exports three times in the next five years (Gratieks program), the policies needed are those that can encourage the increase in the production of quality cocoa beans and the added value of cocoa holistically from upstream to downstream, involving various stakeholders synergistically and coordinated, as well as synchronization of policies and programs. Similar to the case of red chili, synergy and coordination is needed between the Ministry of Agriculture as the core leader in the upstream and the Ministry of Industry as the core leader in the downstream, and with other relevant ministries/institutions, both at the central and regional levels by involving an active role of the cocoa association.

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## AGRICULTURAL INSURANCE EVALUATION AND THE DESIGN FOR SUGARCANE AND COCOA FARMINGS INSURANCE

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### Background



The agricultural insurance program is one of the policy instruments to protect farmers from farm risks. It has been experienced that rice crop insurance scheme (AUTP) and similarly for cattle/buffalo (AUTS/K), officially implemented since

2015 and 2016, respectively, could protect the farmers' interests and able to continue their farm activities or raise cattle because they received cash after the approval of proposed claims.

Law No. 19/2013 on Farmers Protection and Empowerment guarantee such legal procedures, and this law was supported by the issuance of the Minister of Agriculture's Regulation No 40/2015 on Agricultural Insurance Facilities.

In general, this study aims to obtain feedback that will be used to improve farmers' protection through an agricultural insurance program. Specifically, the objectives of this study are (a) to evaluate the implementation of rice crop insurance (AUTP) and cattle/buffalo insurance (AUTS/K) schemes; (b) to design sugarcane and cocoa farm insurance models (AUTT and AUTKa); and (3) to formulate sound recommendations to improve agricultural insurance program and prepare an initial model of insurance for sugarcane and cocoa farming.

This research was conducted in several sugarcane and cocoa producing centers (for the AUTT and AUTKa insurance models). Locations of this research were West Java, Central Java, East Java, West Sumatra, and Southeast Sulawesi Provinces.

### Evaluation of AUTP and AUTS/K Schemes

The number of AUTP participants almost reached the target (99.80% in 2017), similarly in the previous year (99.99% in 2016), although, during 2016, a budget reduction was causing the change in the set target area to 50%. Each year the national AUTP implementation target is set at 1 million hectares (except in 2016), and therefore, the area covered up until August 2019 was at 4.5 million hectares.

The amount of premium paid by AUTP participants (target and area of land insured by one million hectares) in 2018 amounted to IDR29 billion. This was the amount paid by the farmers (from self-help premium). Accordingly, the IDR116 billion premium were paid by the government through the subsidy scheme. Farmers in East Java Province have made the highest premium payment among the other participating provinces in 2018, i.e., IDR71.8 billion.

From 2016 to 2019, it showed that the target of national AUTS/K was constantly being carried out at 120,000 heads per year. This means that since the program was initiated and implemented (2016), the target number of insured cattle/buffalos was 480,000 heads. The actual number of livestock insurance membership nationwide has not met in each year of

implementation. The actual achievable number in this AUTS/K scheme still ranged from 55% to 76% during four inclusive years of implementation. The actual participating number of AUTS/K scheme in 2018 relatively fluctuated. The participants in West Java Province exceeded the target set in FY 2018 of 15,000, i.e., 15,212 heads.

Some of the problems found in West Java Province were (a) lack of farmers' understanding of the importance of insurance scheme; (b) there are local financial institutions (cooperatives) and farmer's groups that offer non-government livestock insurance, causing ambiguity among the farmers and discourage the farmers from participating in such government insurance program; and (c) data of the AUTS/K scheme often not synchronized between the headquarter and the regional office of PT Jasindo, leading to a different number of the Definitive Participant List (DPD).

### Sugarcane Insurance Model (AUTT)



A simple calculation could be drawn for the sugarcane insurance model as a basic idea for the next level of calculation: (a) the calculation is for one hectare of sugarcane crop with the ratio of the

claim as high as  $40/6 \times \text{price}$ ; (b) the total amount of claim should not less than 50% of the total revenue (in this case, it would be, say, IDR25 million–IDR40 million); (c) the total amount of claim would depend on the percentage of damage and should not exceed IDR40 million/hectare; and (d) the damage caused by either flood, drought, or pest and disease infestations should be clearly listed in the policy.

The farmers agreed to pay the premium up to IDR400,000/ha/planting season. This figure is 1% of the maximum amount of claim (IDR40 million). However, the farmers request government premium support like that of AOTP.

### Cocoa Insurance Model (AUTKa)

During the five years (2013–2017), cocoa production centers were found in seven provinces in Indonesia, namely Central Sulawesi, Southeast Sulawesi, South Sulawesi, West Sulawesi, West Sumatra, Lampung, and Aceh.

The dominant types of pests were found in several cocoa planting locations in the West Sumatra region in 2017, e.g., CPB (2,017 ha), fruit rot (1,816 ha), *Helopeltis* sp. (1,716 ha), and squirrels (1,149 ha). Data shows that pest attacks are of a severe category, caused by CPB (502 ha); *Helopeltis* sp. (483 ha), fruit rot (432 ha), and squirrels (260 ha).

Provisional formulation of the draft cocoa crop insurance (AUTKa) is as follows.

- Crop criteria are grouped by crop's age, i.e., (i) distribution at age 1–10 years, assuming yield of approximately 2 tons/ha; (ii) distribution of plant age 11–20 years, assuming yield has decreased.
- The proposed premium amount is IDR300/crop/year, equivalent to IDR300,000/hectare/year, assuming the total population of cocoa crops per hectare is 1,000 or 1,000 trees.
- The magnitude of the claim for the risk of cocoa farming is proposed at IDR30 million/hectare, equivalent to IDR30,000/

crop damaged. In this case, the application is based on the number of cocoa trees/trunks at risk of loss.



### Policy Implications

Low achievement of participation from the target was due to lack of understanding of the concept and implementation process, technical aspects of AOTP and AUTS/K, and limited staff of PT Jasindo as the executor of the scheme. Initiation and planning for AUTT and AUTKa were responded positively by the farmers and related actors as they deal with capital and risk constraints.

The response of sugarcane and cocoa farmers to the insurance plan considers the ability of farmers to pay premiums based on the amount of respective farm results with the inclusion of government subsidies.

Socialization activities, advocacy, and promotion are still the main priority activities in implementing the AOTP and AUTS/K programs and become a lesson for planning the preparation of activity designs to the implementation of farm insurance for sugarcane and cocoa.

### Agricultural Insurance Promotion and Advocacy

- Agricultural insurance programs need to be disseminated massively and sustainably to farmers and other stakeholders by either central officials of the Ministry of Agriculture or with the Provincial/District/City of Agriculture Services, Extension, UPTD, and Jasindo.
  - Publications about socialization and promotion need to be carried out (such as banners or posters) to disseminate information about agricultural insurance (can be read by the wider community and invites farmers to register for insurance).
  - The involvement of community leaders in promotion and advocacy activities is highly recommended so that farmers can be more confident with the insurance program and open wider insights into insurance benefits.
  - Socialization activities can be combined with other activities that are in line and to support this activity. In this regard, socialization and promotion materials are required (such as insurance benefits, registration to be a participant or claims for crop damage) with a brief description of these topics as a guide for information dissemination.
  - The local agriculture office (including UPTD/extension workers/POPT), in collaboration with relevant agencies and insurance companies, makes a complete schedule of meetings (visits) with farmer groups/federated farmer groups in the area concerned within a certain period (for example per quarter or semester).
- ### Registration
- Farmers are increasingly facilitated to register insurance. It is necessary to provide internet facilities, training, and technical guidance to field officers/extension workers using SIAP (agricultural insurance information system) application.
  - The signature of the extension workers (PPL) in the application form is often an obstacle in registration. The PPL signature may not be necessary if the document is prepared in pdf format.

- c) Noting the limited equipment/resources of the extension workers, the registration activities should be done in groups and simultaneously to streamline registration time and speed up its process.
- d) Considering that the registration is online, smooth registration is highly dependent on the internet network/connection (facilities and speed/capacity).
- e) Communication between the officers (extension workers/pest observers) and the operating company must occur in two directions, be of dialogue, and help one another to complete all registration documents/files.

#### Claim Process

- a) Specific training needs to be carried out for extension workers, in addition to POPT, regarding the advanced understanding of pest identification.
- b) To speed up the reporting of crop damage, farmers can immediately send information when the crop is damaged through extension workers.
- c) Insurance claims should become an important issue in socialization and promotion activities. Emphasis is mainly related to eradicating pest attacks that must be carried out first as a preventive measure. If the pests and diseases attack or natural disaster event covered by insurance can no longer be controlled, then the claim process is filed.

#### Utilization of Claim Funds

- a) Farmers generally use claim funds as seed capital for farming activities. The issue of utilizing this claim needs to

be one of the topics in the socialization and promotion/advocacy of the agricultural insurance program.

- b) Counselors with and advocacy for farmers can discuss in more detail the use of claim funds so that the claim fund would be spent appropriately as the target is for farm sustainability.

#### AUTP Scheme

- a) It is proposed that damage covered by insurance also includes that of birds. However, similar perceptions and understanding between POPT and loss adjusters focused on the damage caused by plant diseases.
- b) Insurance activities should be synergized with other programs to increase farmers' participation in insurance. For example, the integration of the farmer's card program with agricultural insurance.
- c) Farmers propose that between the damage, premium and coverage should be made a choice or treatment range and included in the technical implementation guidelines. It will make the AUTP scheme would be more complicated and difficult to accommodate.

Additional data and information are still required to develop agricultural insurance products for sugarcane and cocoa crops, i.e., (i) principal cost component of coverage; (ii) production costs, including input costs; (iii) data and information for claim calculation; (iv) procedures for assessing crop damage to become claim criteria; and (v) comparison of operational costs of claims using special technology compared to conventional claims.

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## Policy Development

### GOVERNMENT REGULATION ON FARM FINANCING

On 30 December 2020, the Government issued Government Regulation No. 81/2020 on Farm Financing. This regulation is very important since smallholding farmers, the majority of farmers in Indonesia, are financially weak and for whom financial support is addressed. In this regulation, both farmers and farmers' enterprises (owned by Farmer's Group Federation (Gapoktan) are eligible for such financial assistance.

In its implementation, according to this regulation, formal financial institutions, such as banks and financial institutions, would provide loans based on approved loan proposals. Credits or subsidized loans prepared by banks or financial institutions could be channeled through non-bank financial institutions and/or micro-financial institution networks in agribusiness. The

local micro- financial institutions are encouraged to develop their institutions and improve their involvement in such prospective financial businesses.



The issuance of this regulation should help the farmers in increasing their access to a source of farm capital. This regulation clearly states associated requirements with simple procedures and clear terms and conditions. As a supporting document to Law No. 19/2013 on Farmers Protection and Empowerment, this regulation should fit with the smallholding farmer's interest as it offers fast processing with non-complicated procedures.

## Research Activities

### 2020 RESEARCH REPORT

By the end of 2020, ICASEPS' research activities are set to finalize. All seven research titles conducted since January 2020 were reportedly final, and researchers were preparing their respective presentations in a seminar to mark the final phase and followed by the final report. For your information, the seven research titles are: (1) *Strategi peningkatan produksi pangan utama berkelanjutan* (Strategy to increase sustainable main food production); (2) *Strategi dan kebijakan peningkatan ekspor*

*kelapa dan lada* (Strategy and policy to improve export of coconut and pepper); (3) *Strategi peningkatan investasi pertanian* (Strategy to increase agricultural investment); (4) *Strategi penumbuhan dan pengembangan kelembagaan ekonomi petani berbasis kawasan pertanian* (Strategy to grow and develop agro-based regions of farmer's economic institutions); (5) *Pengoptimalan pemanfaatan Kredit Usaha Rakyat mendukung peningkatan produksi pangan* (Optimization use of KUR credit scheme to support food production); (6) *Kinerja dan manfaat adopsi teknologi tanaman pangan dan peternakan hasil*

Badan Penelitian Dan Pengembangan Pertanian (The performance and benefit of food crop and livestock technology adoption produced by the Agency for Agricultural Research and Development); and (7) *Dinamika sosial ekonomi perdesaan*

## Analisis Kebijakan Pertanian Vol. 18 No. 2, December 2020

1. *Pengembangan Kawasan Jagung Berbasis Korporasi Petani di Kabupaten Lebak, Banten* (The Development of Corn Area Based on Farmer Corporation in Lebak Regency, Banten) (Ika Setiasih, Suharno, Achmad Suryana)
2. *Faktor Pendukung dan Kontribusi Kecamatan bagi Kecukupan Konsumsi Beras di Kabupaten Jombang, Jawa Timur* (Supporting Factors and Contribution of Sub-districts to the Rice Consumption Adequacy in Jombang Regency, East Java) (Sumarsono, Minto, Sulung Rachmawan Wira Ghani, Totok Yulianto)
3. *Dinamika dan Struktur Pendapatan Rumah Tangga Perdesaan di Berbagai Agroekosistem di Indonesia* (The Dynamics and Structure of Rural Household Income in Various Agroecosystem) (Sri Hery Susilowati, Erma Suryani, Iwan Setiajie Anugrah, Fajri Shoutun Nida, Achmad Suryana)
4. *Partisipasi Tenaga Kerja Pemuda di Sektor Pertanian di Sulawesi Tengah* (Youth Labor Participation in the Agriculture Sector in Central Sulawesi) (Eka Nurdianto, Sukamdi, Abdur Rofi)
5. *Keberlanjutan Kebun Kelapa Dalam (Cocos nucifera) Blok Penghasil Tinggi di Kabupaten Tanjung Jabung Timur, Jambi*



(*Patanas*): *Studi panel di berbagai agroekosistem* (Dynamics of Rural Socioeconomic (PATANAS): Panel study in various agroecosystems)

## ICASEPS Publications

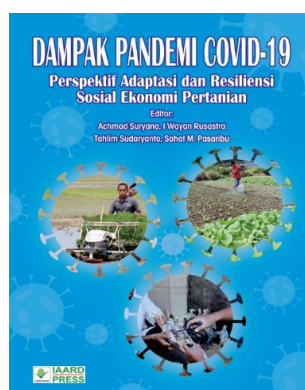
(The Sustainability of *Cocos Nucifera*'s High Production Block in Tanjung Jabung Timur Regency, Jambi) (Asnelly Ridha Daulay, Araz Meilin)

## Thematic Book “Dampak Pandemi Covid-19: Perspektif Adaptasi dan Resiliensi Sosial Ekonomi Pertanian”

ICASEPS proudly announced the publication of a thematic book entitled: *Dampak Pandemi Covid-19: Perspektif Adaptasi dan Resiliensi Sosial Ekonomi Pertanian* (Impact of Pandemic Covid-19: Adaptation Perspectives and Resilience of Agro-SocioEconomic). Inspired by the coronavirus outbreak, this book was initiated and prepared intensively to respond to the impact of Covid-19 from the perspective of the agro-socioeconomic field. The book consisted of 44 articles with a prolog at the beginning (to lead the articles) and an epilog at the end of the book (to load the directions based on sound recommendations). Previously, a review team was established composed of senior scientists of various expertise to ensure the quality of the articles. As thick as about 1000 pages, the well-edited book consists of six chapters: (1) Prolog, (2) Macroeconomic and trade, (3) Management of food agribusiness, (4) Food and agriculture institution, (3) Resilience and adaptation, and (6) Epilog. On December 17, 2020, ICASEPS officially launched this important book.

## ICASEPS News

## BOOK LAUNCHING



Coronavirus, known as severe acute respiratory syndrome coronavirus2 (SARS-CoV-2), has entered Indonesia since March 2020. The contagious Covid-19 has hit almost all aspects of human life, including those who work in the agriculture sector. As a research institution under the Ministry of Agriculture, ICASEPS is highly alerted to this situation. The director of ICASEPS then threw

in an idea to respond to such a condition through comprehensive thoughts to find ways to eliminate the impact of Covid-19 in agriculture sector. The researchers have responded well to this idea by preparing a book with articles on various aspects of Covid-19. The title of the book: “Impact of Covid-19 Pandemic: Adaptation Perspectives and the Resilience of Agro-Socioeconomic” (“*Dampak Pandemi Covid-19: Perspektif Adaptasi dan Resiliensi Sosial Ekonomi Pertanian*”).

With ICASEPS’s motto “Can do Spirit,” the making of the abovementioned book was finalized within less than six months. Indeed, it was hard work with a strong spirit. The book consists of 44 articles in more than 1000 pages to discuss the impact of the Covid-19 pandemic in the agriculture sector. The book, written in bahasa Indonesia, is divided into four parts, namely (1) Macro-economic and Trade of Agricultural Commodities, (2) Agribusiness Management of Food and Agriculture, (3) Agriculture Socio-economic and Institution, and (4) Adaptation and Resilience of Agriculture Sector.

Written by researchers from various institutions under the Ministry of Agriculture, all articles were peer-reviewed by eight senior researchers with different expertise fields. They are (1) Prof. Dr. Pantjar Simatupang, (2) Dr. Rusman Heriawan, (3) Prof. Dr. Achmad Suryana, (4) Prof. Dr. Erizal Jamal, (5) Prof. Dr. Tahlim Sudaryanto, (6) Dr. Andin H. Taryoto, (7) Prof. Dr. I Wayan Rusastra, and (8) Prof. Dr. Tjeppey D. Sudjana. Editors of this book are (1) Prof. Dr. Achmad Suryana, (2) Prof. Dr. I Wayan Rusastra, (3) Prof. Dr. Tahlim Sudaryanto, and (4) Dr. Sahat M. Pasaribu. After the writers’ presentations, writing process, and strict editing process within a tight schedule by the editorial teams, including

managing and copy editing, the book was ready to publish in early December 2020.

The book's launching was held virtually and offline event on 17 December 2020 with a congratulatory speech by the Secretary General of the Ministry of Agriculture. With the presence of several high level officers from the Ministry of Agriculture, the book was also reviewed by Prof. Dr. Hermanto Siregar (IPB University) and Dr. Musdalifah Machmud (Coordinating Ministry of Economic Affairs). The articles could be used as references for the decision makers of the Ministry of Agriculture in framing agricultural development policies. The wide range of issues in the book should also contribute to and inspire other parties in developing their own interests. The link below is prepared for those who want to have more details about the book and the articles.

<http://pse.litbang.pertanian.go.id/ind/index.php/layanan-publik/publikasi/buku-tematik/662-dampak-pandemi-covid-19-perspektif-adaptasi-dan-resiliensi-sosial-ekonomi-pertanian>

## PROFESSORIAL INAUGURATION

Three of our senior researchers were awarded a prestigious rank of a research career, namely Research Professor. They are Prof. Saptana and Prof. Mat Syukur (inaugurated on 1 September 2020) and Prof. Erwidodo (21 December 2020). This award should be considered as recognition of high achievement according to their respective expertise. Their long experience in research activities as well as in their services as high officers in many positions at various government institutions have led their professional expertise into this distinguished award. To acknowledge such achievement, the following are the excerpt of their respective inauguration speeches.



### **Prof. Saptana: Agribusiness Partnership Reformulation as a Strategy to Increase Added Value and Competitiveness of Horticulture and Poultry Products**

Changes in the strategic environment such as economic globalization, market segmentation, consumer preferences, environmental sustainability, and the phenomenon of the Covid-19 pandemic require the dynamics of agribusiness partnerships. This is applicable and tends to increase in horticultural crops and poultry products.

At the end of 2019, the Ministry of Agriculture introduced a progressive, independent, and modern agriculture program to increase production and exports through farmer's corporation-based agricultural area development. The main problems faced in its implementation are the lack of variety, quantity, quality, and supply continuity following the dynamics of market demand and consumer preferences. Empirically, the large companies' exploitation of small farmers through quality and price variables disrupts business partnership. These problems are evident in horticultural and poultry products for modern markets, processing industries, culinary industries, institutional consumers, and export markets.

The importance of reformulation of the existing agribusiness partnership inspires the idea to construct institutional innovation of the Integrated Agribusiness Partnership (IAP) as a strategy to increase added value and competitiveness. IAP development has great potential to solve the problems of socio-economic inequality, low added value, and product competitiveness. The IAP model of horticultural commodities and poultry would be by strengthening economic institutions for legal-based farmers, developing agribusiness partnership divisions, developing upstream-on-farm and downstream agribusiness subsystems, and implementing integrated supply chain management in agricultural areas through farmer's corporation.

The strategic steps for developing the IAP model can be carried out through (1) strengthening policies in encouraging cooperation between the central government and local governments through the issuance of the Minister of Agriculture's Decree on business partnerships; (2) mapping agricultural areas based on farmer's corporation and at the same time areas for consumption centers; (3) transformation of farmer's institution into legal entity farmer's economic institutions; (4) implementing integrated supply chain management from upstream to downstream; and (5) synergizing policies and programs between ministries/government agencies in developing farm areas.

The IAP model can be applied in corporate-based horticultural and poultry areas, as well as other agricultural commodities. The implementation of the IAP model can be carried out with various alternative models, namely the IAP Model based on the cooperative, based on the limited company (PT), and based on the combination of cooperative and the PT. The model to be applied depends on the readiness of resources in the region, both natural and human resources, farmer economic institutions, agricultural and post-harvest infrastructure, as well as central government and local government policy support. In its implementation, cooperation between the central and local government, banks, the private sector, and farmer economic institutions is required to successfully apply the IAP model innovation in agriculture sector.



### **Prof. Mat Syukur: Innovation of Micro Financial Institution to Increase Small Farmers Access to Capital Sources**

A new idea to increase small farmers' access to capital sources through institutional innovation is suggested. The innovation refers to good management in identifying farmer's feasibility to loan, loan and repayment process, and loan risk mitigation on Agribusiness Financial Institution (Lembaga Keuangan Mikro Agribisnis/LKMA), a financial institution located in rural areas. Based on a prolonged experience in action research conducted in Bogor and Tangerang regencies of West Java Province, the abovementioned idea has been successfully carried out. With the government support facilities, such innovation idea conducted by LKMA should end up with the improvement of

farmer's access to sources of capital, sustain, increase farmer's culture on saving activity, mitigation on risk loan default, and accelerate the national inclusive financial program such as linkage program between LKMA and the distributors of People's Business Credit (KUR).

LKMA is an essential financial institution in rural areas that could be easily accessed by the farmers, fast process, and low cost with government support. The higher the farmers could access the source of funds, the more aggressive they are to adopt production technology and increase farm productivity. With low-cost capital from LKMA and optimum farm production, the farmers by no means could enjoy higher income and improve the farmer's household welfare.

The healthy institution of LKMA should be a guarantee to the small farmers that they are bankable with feasible farms and have ability and willingness to repay their loans. The role of the agricultural financial facilitator (FPP) to help the farmers and LKMA to link with banks should bring benefits for the farmers and LKMA as they could mitigate the risk of credit while improving the quality of credit service.

Development of LKMA needs fiscal support through interest subsidy/margin, insurance premium to mitigate credit risk and farm failure. In addition, the capital support from the central and local government for LKMA is highly required to improve the linkage of LKMA and the banks. To this point, a formal regulation in the form of Minister of Agriculture decree and local government regulation should be issued as the legal formal document and a guide to develop bright LKMA in the future.



### **Prof. Erwidodo: Reorientation of Direction and Strategy towards Independent Food Security with Its Competitiveness in Global Market Era**

In the future, Indonesia will be confronted by the increasing demand for agricultural

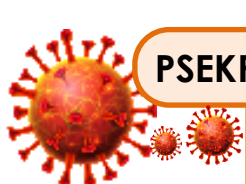
commodities and food products following the increasing trend

of population, an increase of income, growth of processing industry, and advancement of hotel and restaurant industry. If this trend is not anticipated by policies and breakthrough steps, surely that the food deficit will be larger and with a consequence that Indonesia would be heavily dependent on import food products. Data revealed that Indonesia's food security below several ASEAN countries, and the national production capacity at this stage far from the independent condition since many food products should be imported to meet the national demand.

It is concluded that independent and competitive food security would be an inevitability for Indonesia. However, to avoid the direction to at all cost food independence, the food production program should be based on the principle of comparative advantage and competitive advantage and efficiency of resource allocation. This means that Indonesia may not be necessary to be independent of all food commodities. Independent become inevitable only for main and strategic food commodities with comparative and competitive advantages.

To materialize the "independent and competitive food security", a change in the development strategy of food crops is required, namely (a) from import substitution strategy (defensive) to export promotion (offensive); (b) from domestic market orientation to both domestic and export orientation market. The change in this strategy requires the application of a conducive investment policy enabling support for state-owned companies and the private sector, both national and foreign investors, to enhance their investment in the food crops sector, including investment in research and innovation activities.

Surely, independent and competitive food security should not be materialized only through import restriction and ban policies (border measures) but also through domestic policies (behind-the-border policies) to empower farmers and increase national food production capacity. WTO regulation offers the best trade policy instrument for this purpose and at the same time is expected to lead to efficiency and competitiveness of food crops. Research institutions and agricultural innovation, both government and private sectors, should play more roles to produce technology and innovation to improve production efficiency and enhance food product competitiveness.



**PSEKP Tanggap COVID-19**

<http://pse.litbang.pertanian.go.id/ind/index.php/covid-19>

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