



Editorial

Dear Readers,

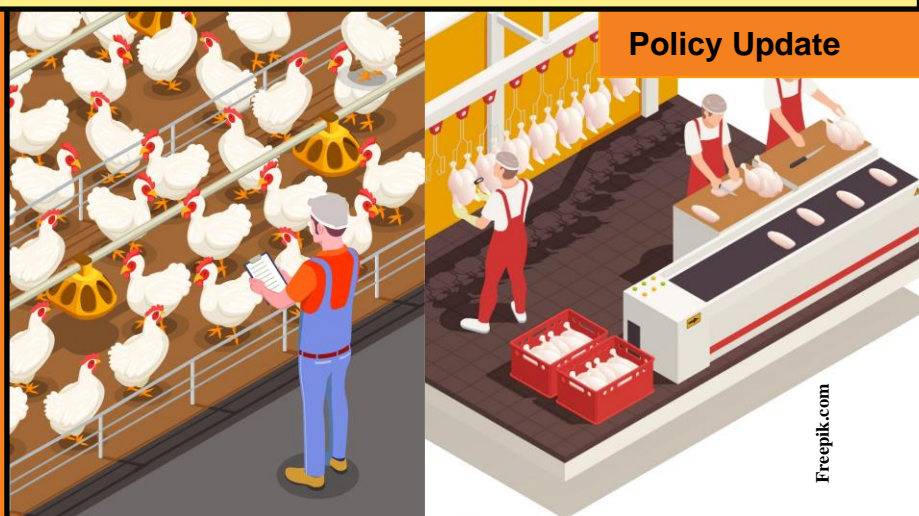
Rice and chicken are staple foods in Indonesia and are largely consumed as a source of carbohydrates and animal protein, respectively, for most consumers. Issues regarding these two commodities are presented in this newsletter to provide additional knowledge and references for you. Please also find other information, such as policy developments and a list of newly published articles.

If you pay close attention, this newsletter contains policy analysis instead of research findings, even though it comes from the same sources. This is to accommodate changes in the mandate of ICASEPS as an institution assigned with providing advice or recommendations on agricultural policy.

Thank you
The Editor

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Policy Update

POLICY STUDY IN PROMOTING PRODUCTION EFFICIENCY AND SUPPLY CHAIN OF BROILER INDUSTRY

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Introduction

The broiler industry in Indonesia still faces several problems especially for independent farmers (*peternak mandiri*) to access raw materials (feed and DOC). At the national level, major problems are soaring prices for feed and DOC, failing selling prices for chicken meat, cutting instructions to reduce DOC production and logistics, as well as decreasing consumer purchasing power caused by the COVID-19 pandemic. These issues frequently repeat, affecting the efficiency and effectiveness of the supply chain and the competitiveness of the domestic broiler industry.

According to Presidential Decree No. 59/2020, chicken meat is considered a staple food. It is also the second most consumed animal protein sourced by Indonesian consumers. Therefore, the government needs to guarantee the supply, prevent price volatility, and ensure that the policies issued do not limit the existence of smallholder broiler farmers.

In general, this study aims to formulate policy recommendations to encourage production efficiency and supply chains in the broiler industry, while specifically, the objectives of this study are (1) to identify legislation and problems that occur in the broiler industry; (2) evaluating the process of formulating broiler industry policies; and (3) formulate policy recommendations to encourage production efficiency and the supply chain of the broiler industry.

The study examined the effectiveness of the policies the Ministry of Agriculture produced in the broiler industry. Respondents in this study were (1) at the upstream level (corn suppliers/suppliers, feed mills, DOC factories, GPPMT associations, nursery industry associations); (2) at the on-farm level (independent breeders, partners/plasma, integrators, and breeder associations); (3) at the downstream level (RPU, traders, processing industry, HORECA, import-export companies); and (4) leadership/staff at the relevant central and regional agencies.

Findings

Problems that are occurring in the broiler industry and related to the legislation are as follows: (1) Cutting Hatching Eggs (CHE) as the impact of



oversupply of DOC caused by the over-estimation of consumption levels, followed by an excessive provision of GPS to balance consumption levels; (2) Permentan (Ministry of

Agriculture regulation) No. 32/2017 concerning broiler chickens and eggs supply distribution and supervision; (3) the use of AGP (antibiotic growth promotor); (4) partnership with integrator (Permentan 13/2017); (5) fair competition as regulated in Law No.5/1999. The legislation review supported by findings in the targeted location found that 1) the public hearing process is not inclusive; 2) there is no budget for implementation, monitoring, and evaluation of the legislation at the provincial level; 3) businesses dominate legal awareness; 4) lack of data support and 5) lack of coordination between stakeholders. These conditions create many obstacles that contribute to inefficiencies in the sector.

In more detail, cutting hatching eggs at 19 days happened frequently because of an overestimated level of demand at the household level. The results of a review of the Minister of Agriculture and legislation's implementation process show that the calculation of the consumption prognosis has not used a standardized, consistent, and transparent method. However, to date, the effort to develop a prognosis in the consumption table is quite challenging, especially in measuring consumption levels at particular households like hospitals, Islamic boarding schools (*pasantren*), and detention centers. In addition, most provinces do not have consumption prognosis figures but they refer to the national consumption level. As a result, the regional consumption prediction figures do not reflect the actual level of consumption. Facts related to distribution and supervision along the supply chain found that the loss caused by cutting hatching eggs triggered breeding companies to compensate for the loss by increasing the prices for other inputs, increasing production costs. Another disadvantage of CHE is under-capacity in cultivation activities (cage, labor, and processing). Therefore, the government needs to minimize the use of this instrument to stabilize the price of broilers in the market.

Therapeutic feeds are still found in livestock companies, integrator partnership plasma farmers, non-integrator partnership plasma farmers, and products marketed through poultry shops that are not based on the results of a diagnosis from authorized medical personnel. In addition, some breeders often provide added antibiotics (supplements) in feed and/or drinking water. This is because the implementation of the Ministry of Agriculture regulation on feed safety, registration, and distribution has yet to be carried out properly by business actors.

Currently, data related to partnerships need to be better documented. Permentan No. 13/2017 and PP (Central Government regulation) No. 5/2021 concerning the Implementation of Risk-Based Business Licensing mandates every breeder and livestock business to register their interaction with the relevant agency. As a result, this condition caused the DOC or FS produced not to be equal to the capacity of the existing cages, which frequently caused oversupply or shortage in production and contributed to inefficiencies.

The cold value chain is not yet popular in Indonesia; consumers prefer fresh broiler meat rather than frozen. The establishment of a cold chain is expensive, and although it has been mandated on Permentan No. 32/2017, the implementation of this regulation is still low. Regarding food safety issues, many traditional slaughterhouses still exist in wet markets and are not equipped with veterinary control numbers (NKV). In many cases, these traditional outlets found difficulties in complying with food safety and hygiene requirements. The main issue in obtaining an NKV or business permit number is the length of time required to process all the documents.

Policy Implications

Based on these findings, some policy recommendations could be found as solutions, such as an authorized institution responsible for consumption. It is recommended that the National Food Agency (NFA/Bapanas) immediately prepare legislation that explains the methods for compiling consumption predictions and the types of data that are agreed to be used in preparing consumption prognostic figures at the national and provincial levels.



Increasing data accuracy by implementing mandatory reporting on small, medium, and large-scale breeders is a must. Law enforcement is necessary, especially Permentan 13/2017

and PP 5/2021 on articles 245 and 246 reports of business actors, which are risk-based and submitted periodically (once every six months). Furthermore, efforts to increase data accuracy must be carried out in coordination between consumption data guardians (Bapanas), production data guardians (DG Livestock and Animal Welfare), and national data custodians (person in charge of consumption and production data at BPS-Statistics Indonesia).

Accelerating the revision of Permentan 32/2017 is necessary, in particular, to determine the criteria for breeding companies that obtain GPS import permits. These criteria must be disseminated to the stakeholders in the broiler industry, supervision must be ensured, and penalties for any violation must be applied. It is recommended that the government review and harmonize the existing legislation (Law regarding Protection and Farmer Empowerment and Omnibus Law or *UU Cipta Kerja*) to guarantee the inclusion of actors in poultry farming industries.

Encouraging the implementation and synergy between Permentan No. 15/2021 and PP No. 5/2021 is crucial to determining the actual number of broiler farming business actors. This information can be used to provide recommendations for granting new investment permits that are tailored to regional needs and comply with the Standards for Business Activities and Product Standards in the Implementation of Risk-Based Business Licensing in the Agricultural Sector.

Revision related to Permentan No. 13/2017 to explicitly add provisions for conducting partnerships for large-scale business actors and the obligation to carry out systematic data collection as a follow-up to the issuance of registration certificates.

Reporting obligations related to the number of cultivated populations can be integrated using the concept of "big data" for plasma farmers and independents who want to get NIB.

Review and harmonize Law No.5/1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition with Law No.19/2013 concerning the Protection and Empowerment of Farmers and PP No. 6/2013 concerning Empowerment of Breeders. The government needs to encourage the development of substitute products for AGP made from herbal ingredients and produced industrially, such as in the herbal medicine industry for humans.

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TECHNICAL EFFICIENCY CHANGES OF RICE FARMING IN THE FAVORABLE IRRIGATED AREAS OF INDONESIA

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Introduction



Rice is grown on various agroecosystems, either in lowland, upland, or swampland areas. Most rice is produced in lowland areas so it is considered a determining factor for

the availability of national rice. Among the lowland areas, irrigated land contributes the most share of rice production (67.5%) and rainfed lowland (27.5%). Both types of lowland areas (43% of the total area) are found on Java Island. Irrigated land also plays an important role in the national rice production in some countries, such as Thailand, the Philippines, and Brazil.

Based on empirical conditions, favorable irrigated areas are the lowlands of rice-producing centers with satisfactory water irrigation availability, encouraging farmers to grow paddy at least twice or two growing seasons in a year. This is consistent with the fact that rice is the crop most chosen by farmers in the cropping pattern of the lowland areas. Rice is among the selected food crops because (i) rice price is the most stable among those of food commodities in Indonesia and (ii) the irrigation water system in the tertiary lowland blocks is water flow from one plot to another based on gravitation and technically the condition is suitable for paddy wetland cultivation but less suitable for other food commodities.

Most studies on technical efficiency (TE) were based on cross-sectional data, and it was rarely found that any study used panel data to evaluate the dynamics of TE in Indonesia. One that could be well noted is a study on the National Farmers Panel (Patanas) in some villages, including those favorable irrigated lowlands, conducted by the Indonesian Center for Agricultural Socio-Economic and Policy Studies (ICASEPS) over several decades. The novelty of this study is the use of panel data on rice farming yields in favorable irrigated areas for evaluating its TE in Indonesia. This study aims to (1) assess

trends in the rice yield and TE on favorable irrigated rice fields and (2) identify the technical inefficiency determinants using the unbalanced panel data.

Methodology

The primary data analyzed were panel data from the farmer's household survey. The survey was carried out in 2010, 2016, and 2021 in seven villages and three rainfall regimes with their respective agroecosystems of favorable irrigated rice fields distributed in seven districts (Karawang, Indramayu, Sragen, Jember, Serdang Bedagai, Sidrap, and Luwu) of five provinces (West Java, Central Java, East Java, North Sumatera, and South Sulawesi) in Indonesia. The total sample farmers in 2010 were 187 households. Due to attrition, the samples in 2016 and 2021 comprised 137 and 128 households. Thus, the primary data analyzed were unbalanced panel data. It showed that the cross-sectional unit had unequal time-series observations. STATA application was employed for data processing and analysis in this article. STATA is able to regress unbalanced panel data to balanced panel data.

The model applied is the SFPF using unbalanced panel data with the time-varying decay model. The description of each variable is as follows: yield (kg/hectare) is the dependent variable, and independent variables are seed, nutrient contents of nitrogen, phosphorous, and potash (kg/hectare), and labor used (man-days equivalent/hectare). The dummy variables are seed quality, cropping season, rainfall regime, and region. Estimating the factors affecting inefficiency was carried out using the Tobit model as follows: the rice farming technical inefficiency is the dependent variable, and independent variables are the farmer's household age (year), farmer's household formal educational level (year), total household members working on the farm (person), total land holding size per year (hectare), rice farming income share to farmer's household income (%). Dummy variables are land holding status, farmer's main job, and region.

Results and Discussion

Stochastic frontier estimates



Most rice yield function estimates were significantly different, i.e., 9 out of 10 variables in the model. The signs of the coefficients met the general economic theory. Those variables

were seed application rates, fertilizer nutrients of N, P, K, and pesticides, as well as the dummies of seed quality, cropping season, rainfall regime, and islands. Detailed descriptions of the nine variables are provided in the following sections.

The findings show that the more seed volume the farmers applied, the lower the yield. Conversely, the adoption of quality rice seeds improved the rice yield significantly. Technically irrigated lowland was quite suitable for quality seed application, positively affecting the rice yield. Based on estimation, high-quality seed application significantly increased the rice yield by 10.8% compared to low-quality seed, *ceteris paribus*. The application of three main fertilizer nutrients had coefficients of 0.103, 0.067, and 0.074 at the significance levels of 99%. This finding revealed that the



technically irrigated lowland was still responsive to inorganic applications, especially those containing N nutrients. Rice yields in the wet and first dry seasons were not significantly different.

However, the rice yield in the second dry season was lower than in the two previous seasons. The rice yield in the rainfall regime IV (seasonal) is different from that of regime II (equitable but with a definite wetter season). This confirmed that the rainfall effect, mainly in the second dry season, was significant in the favorable irrigated areas. The estimated results showed that the yield discrepancy between Java and off-Java was only 3.2%. The lack of irrigation access, less intensive fertilizer application, and lower application of qualified seed impacted the rice yield outside Java to be relatively lower. This implies that improving the rice yield in off-Java could be carried out by improving the irrigation access and intensifying fertilizer application.

TE rating and its dynamics

Table 1 depicts the mean and coefficient variation of the actual yield, frontier yield, and TE rating in 2010, 2016, and 2021. Based on these findings and referring to the TE standard of 70% (Coelli *et al.*, 2005), it was concluded that the TE of rice farming in favorable irrigated areas in Indonesia, in general, was efficient (more than 87%).

Table 1. Rice farming TE in 2010, 2016, and 2021

	Mean	Coef. var
Year: 2010 (n = 419)		
Actual yield (ton/ha)	5.669	0.250
Predicted (frontier) yield (ton/ha)	6.123	0.090
TE	0.881	0.075
Year: 2016 (n = 302)		
Actual yield (ton/ha)	6.057	0.267
Predicted (frontier) yield (ton/ha)	6.437	0.082
TE	0.878	0.083
Year: 2021 (n = 291)		
Actual yield (ton/ha)	5.583	0.279
Predicted (frontier) yield (ton/ha)	6.354	0.090
TE	0.871	0.103

The TE change over time is not always the same as the output level change per area unit (productivity). Even though rice farming TE decreased between 2010 and 2016, its yield increased by 6% (MT-2) and 10.44% (MT-3). Between 2010 and 2016, the production inputs used in the manufacturing process increased. However, the ratio of output to input decreased during this period, indicating diminishing marginal productivity. This means that the yield of the input bundle decreased, despite the increase in applied production inputs. The increased input applied revealed a higher intensification level, which was indicated by per-hectare input use

improvement, especially in fertilizer. More intensified practice dealt with other factors such as agriculture infrastructure, lowered soil fertility, and climate factors. This implies productivity leveling off. Thus, educating farmers on production inputs, such as utilizing more organic fertilizers followed by decreasing inorganic fertilizers, could be an effort to improve the rice yield.

Factors affecting technical inefficiency

Five out of eight variables significantly affected rice farming technical inefficiency during the observed period. The five significant variables at the 95% confidence level were household head age, total family labor working on farms, total land holding size, agricultural income share, and the main jobs of household heads. The variables that were not significant were the educational level of household heads, land ownership status, and regional dummy. The following are descriptions of both significant and insignificant variables.

The household head age parameter was positive, indicating that the older the household head, the higher the technical inefficiency. Rice farming carried out by younger farmers would be more efficient as they were stronger physically and more capable. Older farmers are usually more conservative in adopting new technology. The number of household members working on the farm had a significant positive impact on rice farming technical inefficiency, at a 95% confidence level. The more household members working on the farm, the more inefficient rice farming was. It was more efficient if hired labor was employed rather than family labor. Hired labor played a more significant role in increasing efficiency as most of the production process depended on them. The total land holding significantly and positively affected the technical inefficiency of rice farming. This indicated that the more landholding area, the more technically inefficient the rice farming would be. The total landholding size consisted of lowland, perennial-tree planted land, dryland, and backyard. The farmer family's income shares from farming negatively affected the technical inefficiency of rice farming at a 95% level for the 2010, 2016, and 2021 cropping seasons. This revealed that the higher the farming income ratio, the more technically efficient rice farming would be. The main jobs of the household heads significantly and positively affected technical inefficiency. This revealed that the household heads with non-farming main jobs decreased the rice farming TE.

Recommendations

Based on the research results, there are some policy recommendations.

First, enhancing the adoption of certified rice seeds of improved variety. In the middle and long term, it is urgent to conduct a research and development program to improve the varieties of rice that are adaptive to climate change stress. Second, a conducive incentive policy encourages young farmers to rely on rice farming as their main job. It is suggested that the research be continued in larger areas, including non-favorable irrigated areas.



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Policy Development

PREPARING TO CHANGE FERTILIZER SUBSIDY GOVERNANCE



The fertilizer subsidy policy has been implemented since the 1970s to increase food production, especially rice. The use of improved seeds and balanced

fertilization became key instruments of the green revolution that led to the achievement of rice self-sufficiency in 1980. The subsidy mechanism has been carried out by setting the highest retail price (HET) at designated fourth-line points of sale (fertilizer kiosks). The government bears subsidies equal to the difference between HET and the cost of goods produced (HPP) of fertilizers to state-owned fertilizer producers, based on the volume of subsidized fertilizers distributed and after verification by the authorities.

Various changes in subsidy governance have been made, especially to improve the effectiveness and efficiency of fertilizer subsidies. The improved aspects are related to planning, distribution, and monitoring/supervision to improve target accuracy and support the application of fertilizers that meet the right 6 (right type, quantity, quality, time, place, and price). A change in governance to improve the accuracy of fundamental targets occurred in 2009, with the implementation of subsidized fertilizer distribution with a closed system. This mechanism changes the mechanism of sales by kiosks that used to be sold to anyone, to only to farmers who have proposed fertilizer needs through the definitive plan of group needs (RDKK).

Until now, subsidized fertilizers have been distributed in a closed system, with continuous improvements in planning, distribution, monitoring, and supervision, with various innovations utilizing technological developments. At the planning stage, RDKK was transformed into an e-RDKK and agricultural extension management system (SIMLUHTAN) by utilizing information technology for better planning. The redemption mechanism by farmers is also controlled based on the allocation of fertilizer per farmer and the use of "farmer cards." Likewise, distribution monitoring is monitored through

subsidized fertilizer distribution applications at the kiosk level (T-Tubers), which are integrated with the verification system for subsidized fertilizer distribution reporting. The Fertilizer and Pesticide Supervisory Commission (KP3) also supervises the circulation of fertilizers and pesticides. All these improvements aim to improve the target accuracy, effectiveness, and efficiency of fertilizer subsidies in increasing agricultural production.

Various improvements in fertilizer subsidy management have been carried out continuously, but they have not been able to entirely overcome the problems that occur. The accuracy of the target, the effectiveness in increasing production, and the scarcity of subsidized fertilizers experienced by some farmers are issues highlighted by many parties. However, compared to fertilizer needs according to e-RDKK data, the volume of fertilizer subsidies allocated in 2023 is only around 60% of the needs for nine commodities. On the other hand, with the subsidy pattern with the determination of HET, farmers do not receive subsidies directly, so they feel the presence of the Government for fertilizer prices, especially if there is an increase in HET. Various ideas to change the management of fertilizer subsidies were offered, including output subsidies, direct subsidies to farmers, and fertilizer assistance, were discussed to improve effectiveness and efficiency. Based on the study, the current subsidy pattern is optimal to encourage an increase or maintain agricultural production.

The relatively limited allocation of fertilizer subsidies compared to the needs and the improvement in target accuracy encourage thinking about the need to reformulate the orientation and mechanism of subsidy delivery. Based on various discussions and studies, the Government has directed a change in the management of fertilizer subsidies from paying the difference between HET and HPP to fertilizer producers to providing direct subsidies/assistance to farmers. In principle, this pattern is to provide financial assistance to subsidized target farmers to buy fertilizer at kiosks at market prices (non-subsidized). This mechanism can better ensure recipients are on target, although effectiveness in increasing production can be lower, mainly if subsidy budgets are limited, and fertilizer prices are volatile. The implementation of the fertilizer subsidy/direct assistance pattern is planned to begin in early 2024 in Bangka Belitung Province. Meanwhile, the price subsidy mechanism is still implemented outside the trial area.

Policy Issues

ANTICIPATING FOOD CRISIS DUE TO GLOBAL AND DOMESTIC FOOD PRICE FLUCTUATION



Global food conditions become more uncertain as most of the food prices tend to increase after the COVID-19 pandemic and are also affected by geopolitical conflicts. Higher food

prices are good for the net exporting countries, such as India's higher wheat price and Indonesia's improved crude palm oil

(CPO) price. However, they are harmful to the net importing countries. For example, Singapore had difficulty as Malaysia temporarily halted its chicken export. More expensive energy and fertilizer prices are also crucial to the food crisis.

The Food and Agriculture Organization (FAO) released a decreased trend of global food prices but higher than before the COVID-19 pandemic and geopolitical tensions. The global food price indices decreased during the period of April-July 2022. Lower prices of vegetable oil and cereals, as well as those of sugar, dairy products, and meat, were the main reasons for the relatively low-price indices in July 2022. However, the price index in July 2022 was still higher than in July 2021.

FAO's data on the decreased price indices were in accordance with the World Bank's commodity price trend. Commodities showing lower indices were CPO, wheat, corn, and soybean, as well as phosphate and nitrogen chemicals.



The South and East Africa regions will probably deal with acute food security, especially in the Democratic Republic of the Congo and Ethiopia. Countries prone to conflict will also suffer the same situation, e.g., Somalia, South Sudan, and Sudan. Other countries may also be critical, e.g., Kenya, Zimbabwe, Madagascar, Malawi, Mozambique, and Uganda.

East and Southeast Asia, as well as Pacific regions, will probably deal with food price inflation. Trade protection will be an alternative. Higher energy and fertilizer prices will be overcome through some policies, i.e., (i) fuel subsidy, (ii) fertilizer subsidy, (iii) price control, and (iv) export restriction. More expensive fertilizer prices will affect its application and, hence, lower agricultural yields.

Europe and Central Asia will experience drought, especially in some European regions and Britain. Heat and water stress will take place in the food and horticulture-producing countries. Vegetable oil production may decrease, and Indonesia, as the CPO producer, is possible to get a windfall. Food product inflation will take place in Latin America and Caribbean countries as wheat and corn prices soar. A fertilizer supply shortage triggers its higher price, leading to lower food yield.

The Middle East and North Africa will suffer food insecurity due to their dependency on Ukraine's wheat supply.

Some factors affecting high food prices are (i) the lasting war in Ukraine with no end signs enhances the probability of trade route closure in the Black Sea and lowers Ukraine's wheat production; (ii) global climate change threat; (iii) agricultural production cost enhancement affected by higher energy and fertilizer prices; (iv) worsened global food value chain due to COVID-19, trade restrictions, and higher distribution costs.

Inflation rates started increasing in July 2022 compared to July 2021 caused by increased food and drink prices. Agricultural product prices kept increasing, such as red chili, shallot, cayenne pepper, green chili, and tomato. On the other hand, farmers' terms of trade (NTP) tended to be a relatively fixed rate as estate crop NTP decreased. Food crop NTP was most affected among other subsectors' NTP.

In July 2022, in general, monthly increased food prices induced inflation rates. The prices of rice, chicken, beef, shallot, egg, bulk cooking oil, red chili, and cayenne chili kept rising. Alarming food inflation, both at global and national levels, will affect general domestic inflation.

Some policy recommendations are: (i) rice and corn supply should be sufficiently produced domestically; (ii) private sector interest in producing sorghum needs government facilitation in terms of farmland, subsidized credit, technical support for farmers, and conducive government policy for domestic sorghum production; (iii) change in fertilizer subsidy policy is expected to sustain food production, not discourage farmers from improving farm productivity; and (iv) sufficient central and regional governments' food reserve.

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1. Economic Feasibility and Performance of Biogas Production from Cacao Waste (*Bernardia Vitri Arumsari, Mohd Razif Harun*)
2. Performa Rantai Pasok dan Strategi Pengembangan Manggis Tujuan Ekspor di Kabupaten Bogor (Supply Chain Performance and Development Strategy of Export Bound Mangosteen in Bogor Regency) (*Muhamad Hanafi, Andrea Emma Pravitasari, Sahara*)
3. Kesiediaan Peternak Membayar Premi Asuransi Usaha Ternak Sapi/Kerbau di Kabupaten Wonogiri, Jawa Tengah (Farmer's Willingness to Pay for Cattle Insurance in Wonogiri Regency, Central Java) (*Irma Fauziah, Jamhari, Arini Wahyu Utami*)
4. Kesiediaan Petani Skala Kecil Membayar Pupuk Bersubsidi: Studi Kasus di Kabupaten Jember, Jawa Timur (Willingness to Pay of Small Scale Farmers for Subsidized Fertilizer: A Case Study in Jember Regency, East Java) (*Ahmad Zainuddin, M. Rondhi, Intan Kartika Setyawati, Rena Yunita Rahman, Illia Seldon Magfiroh*)



ICASEPS Publications

5. Kepuasan Petani terhadap Pilihan Lembaga Pemasaran Karet di Kabupaten Kuantan Singingi (Farmer's Satisfaction on the Choice of Rubber Marketing Institutions in Kuantan Singingi Regency) (*Rosnita, Arifudin, Chairun Annisa*)

Forum Agro Ekonomi Vol. 40 No. 2, December 2022

1. Kerugian Ekonomi dan Manajemen Pengendalian Serangan Lalat Buah pada Komoditas Hortikultura di Indonesia (Economic Loss and Control Management of Fruit Fly Infestation on Horticultural Commodity in Indonesia) (*Ening Ariningsih, Ashari, Saptana, Handewi Purwati Saliem, Kartika Sari Septanti*)
2. Kebijakan Sumber Daya Lahan dan Sistem Tenurial di Indonesia: Konsolidasi Lahan Melalui Pertanian Korporasi (Land Resources Policy and Tenurial Systems in Indonesia: Land Consolidation through Corporate Farming) (*Rizka Amalia Nugrahapsari, Suharno*)
3. Tata Kelola Bantuan Alat dan Mesin Pertanian sebagai Instrumen Pendukung Pertanian Modern (Management of Agricultural Tools and Machinery as Supporting



Instruments for Modern Agriculture) (*Iwan Setiajie Anugrah, Syahyuti, Juni Hestina*)

4. *Tinjauan Implementasi Program Food Estate dan Prospeknya di Merauke Papua* (Analyzing the Food Estate Program's Current Status and Future Prospects in Merauke

Papua) (*Maria Maghdalena Diana Widiastuti, Yusman Syaukat, A. Faroby Falatehan, Dedi Budiman Hakim*)

5. *Strategi Prioritas untuk Keberlanjutan Subsektor Perkebunan Indonesia* (Priority Strategies for the Sustainability of Indonesian Plantations Subsector) (*Muhammad Ibnu*)

ICASEPS News

AGRICULTURAL POLICY ADVOCACY



The Center for Agricultural Socio-Economics and Policy Studies (ICASEPS) held an agricultural policy advocacy in mid-July 2023. The agricultural policy advocacy, opened by

the Director of ICASEPS, was hybrid. Presenters, discussants, and several participants attended offline in the auditorium of the Ismunadji Building, Bogor. Agricultural policy advocacy activities lasted one day and were divided into three sessions, each discussing 2-3 policy materials guided by a moderator.

Policy advocacy participants consist of policy makers, Policy Analysts, Planners, and other functional officials at the Ministry of Agriculture. This organizing agricultural policy advocacy aims to disseminate important findings from the ICASEPS policy study and obtain responses and input from discussants and participants. The input of discussants and participants can be used as material for sharpening the formulation of policy recommendations. Furthermore, ICASEPS submits policy recommendations to policymakers at the Ministry of Agriculture for input in formulating policies in the agricultural sector.

Agricultural policy advocacy material consists of the results of policy studies, namely (1) dynamics of policy achievements and dynamics of agricultural and rural development: PATANAS (National Farmers Panel); (2) farmer protection and government assistance policy supporting increased agricultural production; (3) prediction of national rice production in 2023 related to climate change and the global energy and food crisis; (4) implementation of sustainable agricultural food land protection regulations; (5) formulation of a follow-up program for the implementation of the G-20 declaration regarding agrifood systems; (6) strategic food stock study; (7) the prospect of national sugar industry development; and (8) study of the sufficiency and food supply in the new national capital.

THE 6TH MEETING OF THE RI-DENMARK JOINT AGRICULTURE WORKING GROUP (JAWG)

The 6th meeting of the Joint Agriculture Working Group (JAWG) between Indonesia and Denmark, which took place from August 21-25, 2023, in Copenhagen, Denmark, revealed several significant developments in the bilateral cooperation between the two countries in the field of agriculture. The event was attended by an Indonesian delegation, including the Director of ICASEPS, Dr. Sudi Mardianto, and several other Indonesian representatives, with the primary goal of

formulating beneficial agricultural sector collaborations, enhancing bilateral relations and business, and exploring cooperation in livestock.

During the meeting, various critical issues were discussed. On August 21, the meeting with the Danish Veterinary and Food Administration (DVFA) highlighted cooperation between the Danish Government and local business operators, the control of antimicrobial resistance (AMR) in poultry in Indonesia, and the Danish food safety surveillance system. Danish experts also presented food regulations, AMR policies, and strategies to handle AMR according to EU standards.

On August 22, a meeting with Food Nation and the Danish Agriculture & Food Council (DAFC) discussed DAFC's role in the Danish agriculture and food industry and the potential for cooperation and partnerships between farmers and the industry. DAFC noted the value of Denmark's agricultural food products and farm equipment exports at about €20 billion per year.

On August 23, visits to Arla Foods Dairy Taulov and Mr. Christian Bejer Petersen's organic dairy farm provided insights into dairy processing practices and sustainability at organic farms. Discussions included operational efficiency, whey processing, and technology implementation in farming.

The next meeting on August 24 at Eurofins Milk Testing Denmark A/S and Dalum Academy of Agricultural Business focused on advancements in milk health and safety testing, as well as agricultural vocational education.

On the last day, August 25, the JAWG series of meetings concluded with a speech by the Head of the Foreign Cooperation Bureau of the Ministry of Agriculture, Dr. Ade Candradijaya, who expressed gratitude to DVFA and the Royal Danish Embassy in Jakarta for organizing the meetings.

JAWG follow-ups include plans to enhance cooperation in the organic dairy sector, increase exports of veterinary medicines from Indonesia to Denmark, and discuss more holistic and integrated collaborative projects. There were also recommendations to improve AMR control, adopt agricultural technology, and develop cooperation in agricultural vocational education.

The impact of this meeting includes enhanced human resource capacity, AMR control, biosecurity application, and the development of cooperation between vocational agricultural education institutions. It was also suggested that the SSC Food Loss and Waste cooperation project be implemented soon, and the upcoming visit from the Danish Ministry of Agriculture to Indonesia in September 2023 is expected to strengthen business relations between the two countries in the food and agriculture sector.



WORKSHOP ON INNOVATIVE AND INCLUSIVE AGRICULTURAL VALUE CHAIN FINANCING (INDOFINANCE)



Australian Centre for International Agricultural Research (ACIAR), collaborating with the Indonesian Center for Agricultural Socio-Economic and Policy Studies (ICASEPS), conducted

a workshop on August 29, 2023, at the IPB Convention Center in Bogor. The workshop dealt with the research results since its implementation in 2019. However, from 2020 to 2022, there was a COVID-19 pandemic, which constrained the research implementation. A survey on the off-takers and cooperatives as well as the implementation of the pilot project of credit trials for farmers, was conducted with care amid the pandemic. On the other hand, the survey on women's roles in agricultural financing was carried out in 2023 after the pandemic was over.

In his opening speech, Dr. Sudi Mardianto, Director of ICASEPS, emphasized that the results of this study are very valuable for the Ministry of Agriculture. The most interesting activity was the pilot project of credit trials that will enable small farmers to access farm credit more quickly and with fewer administrative procedures compared to the People Business Credit (KUR). However, this pilot project still needs more trials so that the financing companies, the off-takers, and the farmers become more prepared for this scheme.

Ms. Mirah Nuryati, the ACIAR Country Manager, said that this research collaboration aims at improving small farmers' welfare through their better farm financing access. ACIAR collaboration research results were communicated with the Ministry of Agriculture as the policy recommendation. This research collaboration dealt with the COVID-19 pandemic, and most researchers have moved to the National Research and Innovation Agency (BRIN). So far, ACIAR is still negotiating with BRIN to collaborate on a research project.

Secretary-General of the Ministry of Agriculture, Dr. Kasdi Subagyono, is concerned about small farmers' lack of access to farm financing. The government, especially the Ministry of Agriculture, encourages the farmers to get credit from the bank, especially KUR. Aside from the increased trend in KUR realization, small farmers' credit access is still an issue.

The IFPRI's research team, Dr. Alan de Brauw, highlighted the current conditions of agricultural value chain finance (AVCF), namely (i) urbanization, (ii) rapid technological change, and (iii) rural residents and smallholder farmers still lack access to formal finance leading to slow income growth. Most of the subsidized credit schemes are aimed at Micro, Small, and Medium Businesses (MSMB), but only a small portion of KUR is allocated to the agricultural sector. No bank was available for the pilot project of credit trials. Thus, it was financed by PT Mitra Asia Lestari. This collaboration research is also conducted in Myanmar and Vietnam.

The research team member presented the survey results on the financial institutions in rural areas, the pilot project of credit trials, and the survey on women's role in agricultural financing. The participating rice farmers in Ciamis Regency, West Java, deemed the in-kind helpful credit and most of them paid it. Shallot farmers in Nganjuk Regency and vegetable Malang Regency got helpful in-kind credit for their farming. Most financing institutions in rural areas were not prepared as the off-takers to the farmers. Both off-takers from Ciamis and Nganjuk Regencies agreed with the benefits of the pilot project and expected future collaboration with some scheme modifications. The roles of women in agricultural financing as well as in farm business were relatively significant.

Discussions of the workshop participants dealt with limited farmers' access to formal credit. The approval rate of farmers applying for KUR was relatively low, i.e., 25%. KUR also provides very low credit, not more than Rp 500 million, and is only valid for one credit application. Besides KUR, in-kind credit to farmers with off-takers involvement may be a feasible alternative to farm credit.

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