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Agro-Socioeconomic Newsletter

Indonesian Center for Agricultural Socio Economic and Policy Studies (ICASEPS)

Editorial

Dear Readers,

Hello there! Warm greetings to you.

Entering this new year, our Newsletter presents some important references and interesting news. We start by providing the latest information on farmer protection policies, then continue with policy development related to the spike in world rice prices. Information on strengthening food security initiated by ASEAN Leaders is also interesting to read. We close by choosing the topic of fertilizer subsidies as one of the national policy issues that can be your reference.

We always try our best in selecting news and information for you. Along with a number of titles published in our journal, some information about international conference and meetings is also prepared for you.

Thank you and have a nice day.

The Editor

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Policy Update

FARMERS PROTECTION POLICY AND GOVERNMENT ASSISTANCE FOR INCREASING AGRICULTURAL PRODUCTION

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Introduction

The Republic of Indonesia Law Number 19 of 2013 requires the protection and empowerment of farmers through funding from various sources such as APBN, APBD, and other financing institutions. This funding aims to improve farmers' agricultural businesses and enhance their welfare. The government hopes this assistance can increase the harvest area and productivity of the livestock population, leading to increased production. However, the success of such programs depends on the accuracy of targets and the effectiveness of policies. Therefore, it is crucial to study farmer and government protection policies to increase agricultural production. The results of this study will be helpful as input for future agricultural development planning and policy-making. The study aims to (1) identify existing conditions for government assistance in protecting farmers while increasing production, (2) analyze the effectiveness and impact of the government in protecting farmers and increasing production, and (3) formulate alternative policy recommendations to increase the effectiveness of government assistance to small-scale farmers.

Methodology

The distribution of government aid budgets for 2018−2021 remained relatively consistent for rice but varied for other commodities. During this period, 446 districts/cities received government assistance for rice every year. In contrast, the number of districts/cities receiving government assistance for corn varied yearly, with 176, 105, 101, and 220 districts/cities benefiting. Similarly, the number of districts/cities receiving government assistance for soybeans was 143, 235, 84, and 154; for shallots was 179, 218, 130, and 171; for chilies was 256, 277, 163, and 196; for sugar cane was 30, 50, 17, and 10; and for cattle was 22, 50, 228, and 158.

The study utilized both primary and secondary data. The secondary data was gathered from various sources at the central level, including information on planting and harvest areas, livestock population, productivity, production, and government aid budgets (APBN), especially from the Ministry of Agriculture.

On the other hand, primary data were collected through focus group discussions (FGD) and interviews with both assistance recipient and non-assistance recipient farmers, as well as key informants directly in East Java (Lamongan and Madiun Districts) and Central Java (Temanggung and Demak Districts). Additionally, questionnaires were distributed online to districts in East Java and Central Java, West Java, Banten, and DI Yogyakarta. In total, 685 individuals participated in the study.

To address Objective 1, literature reviews along with quantitative and qualitative descriptive analysis were used. Objective 2 was addressed using three approaches: (1) descriptive statistical analysis was performed to evaluate the effectiveness of government assistance; (2) descriptive statistical analysis was conducted to measure the difference in differences (DID) between districts/cities that receive government assistance and those that do not, without considering financing contributions; and (3) multiple regression analysis was used to measure the DID between districts/cities that receive government assistance and those that do not, while also including financing contributions. Objective 3 involves synthesizing the results of Objectives 1 and 2 to formulate policy recommendations based on the analysis.

Results and Discussions

The budget allocation for government assistance to protect farmers and increase rice, soybeans, sugarcane, and cattle production has increased yearly from 2018 to 2021. However, during the same period, there has been a decline in government assistance for corn, shallots, and chili. The study observed that the number of districts/cities receiving government assistance for these seven commodities remained relatively static, especially for rice. Budget realization and implementation of government assistance to protect farmers and increase production has proven ineffective, with limited impact on production increase.

a. The data shows that for every 1 percent increase in budget for each commodity, there was a decrease in the production of rice (-0.20%), soybeans (-2.70%), shallots (-0.34%), chilies (-0.08%), and beef (-0.07%). However, there was an increase in the production of corn (0.14%) and sugar (0.99%) for the same increase in budget.

b. The descriptive statistical DID analysis results for three periods (2011−2013, 2024−2018, and 2019−2021) show that four distinct phenomena are observed nationally and cumulatively. The DID for rice is similar to that of sugarcane, the DID for corn is similar to that of chili, soybeans DID is similar to beef, and shallots have their own DID phenomenon.

c. The results of the multiple regression DID analysis for the 2019−2021 period, compared to 2015–2018, show that the districts/cities receiving government assistance produced 6,306.32 tons less rice, 414.36 tons more corn, 1,131.08 tons less soybeans, 6,826.71 tons more shallots, 956.81 tons more chilies, 782.41 tons less sugarcane, and 9,549.94 tons less cattle compared to the districts/cities that did not receive assistance.

d. The analysis of perceptions related to effectiveness shows that, on average, only sugar cane is considered quite effective (perceived effectiveness >60%) among the seven commodities studied. However, on average, respondents perceive that government assistance for the seven commodities does not meet adequacy standards (average below 60%).

e. The results of the perception analysis showed that 40.18% to 47.78% of respondents expressed concerns about the effectiveness of government support in promoting agricultural production. Many cited problems in the planning, executing, and utilizing classical government assistance, which have persisted since the previous decade.

f. Six factors have been identified as contributing to the low effectiveness of agricultural infrastructure and facilities assistance: (i) ineffective implementation of Law No. 19 of 2013, leading to a lack of link and match between different documents; (ii) lack of evidence-based planning activities from the central government to the regions; (iii) incomplete implementation of monitoring and evaluation process; (iv) inappropriate program approach and location selection, reflecting inconsistent planning and unfocused, rushed priorities; (v) lack of determination of appropriate development operational activities by the government to avoid implementation challenges, (vi) strong but biased public support, leading to a lack of focus on growth and productivity for increased production.

Policy Implications

Government programs aimed at protecting farmers and boosting agricultural production have been underfunded and ineffectively implemented, resulting in minimal production increases.

a. For government assistance to effectively increase harvest area, productivity, and production, it is necessary to reorient activity targets in terms of both location/region and recipients. If the government continues to assist the same targets, any increase in harvest area, productivity, and production is expected to be minimal or even non-existent. The only anticipated increase in production will be attributed to an increase in the planting index, but the growth potential is also relatively small.

b. Government assistance should prioritize increasing production in the right locations and recipients of assistance, and orientation bias should be avoided. Assistance should focus on types of aid that farmers cannot fulfill independently.

c. Implementation of government assistance activities/programs must be based on good planning, including supervision, monitoring, and evaluation. Implementation of aid programs should not just focus on the output side (distribution) but also assess the outcomes and impacts.

d. It is necessary to conduct a more comprehensive investigation into the factors that can boost production, beyond government assistance.

e. The current government assistance primarily focuses on providing physical support to farmers, with very little emphasis on non-physical support. As a result, a more proportional allocation of the budget is necessary to ensure that farmers receive adequate support in both areas.

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Policy Development

ASEAN DECLARATION ON STRENGTHENING FOOD SECURITY AND NUTRITION IN TIME OF CRISES

As a chairmanship of ASEAN 2023, Indonesia, through ASEAN Ministers on Agriculture and Forestry (AMAF), succeeded in initiating consolidated policy recommendations to address current challenges on food security issues. Prior to the leaders' declaration, Indonesia hosted a conference to elaborate on two core elements of the ASEAN Leaders' Declaration on Strengthening Food Security and Nutrition in Time of Crises, one of Indonesia's Priority Economic Deliverables (PEDs) in its ASEAN Chairmanship 2023. At the conference, stakeholders represented cross-sectoral partners responsible for food security agreed to build rapid response in times of crisis and to strengthen sustainable food and agri-systems in the long term as a response to the ongoing conflict in Ukraine that is leading to global food supply chain disruption and 30% of the food price surge.

Recognizing the important contribution of sustainable agriculture and food system (agri-food system) to ensure the availability, accessibility, utilization, affordability, and sustainability of food products for all, eliminate poverty in the region, and achieve long-term resilience against current and future crises and economic uncertainties, consistent to our goal of securing ASEAN as the epicenter of growth, on September 5, 2023, on the occasion of the 43rd ASEAN Summit, ASEAN Leaders adopted the declaration on Strengthening Food Security and Nutrition in response to crisis. The ASEAN Leaders believe that the declaration is timely to respond to the global call for action to prevent a worsening of the global food and nutrition security crisis, including the risk and unprecedented shock to agriculture and food systems in the region due to global population growth, increasing inputs costs, the devastating effect of climate change, natural disasters, the COVID-19 pandemic, and intensifying geopolitical tensions;

ASEAN is known as an important region in the global economy, with close to 723 million people by 2030. ASEAN is predicted to experience rapid population growth, increasing disposable income, urbanization, and changing dietary patterns, contributing to the global agri-food systems. There is an expectation that ASEAN has to increase participation in regional and global food markets, comparative advantages in certain food products, and diversity of existing and potential natural resources as essential foundations to address food security and nutrition challenges. ASEAN also needs to accelerate the transformation toward more resilient, inclusive, and sustainable agri-food systems with strong support of leadership, innovation in all its forms, adequate finance, regional and international cooperation, and adaptation to local and indigenous capacities and necessities, and the need to reinforce the crucial role of ASEAN centrality to initiate regional actions and to strengthen multilateral support toward ensuring better food production, trade, seamless logistic system, livelihoods, and well-being, especially for most vulnerable people, in response to crises; and improving the long-term resilience and sustainability of future agri-food systems in the region.

With this, ASEAN Leaders agreed to declare the commitments for 1) Rapid Actions to Food Security and Nutrition in Response to Crises and 2) Strengthen Preparedness for Long-Term Resilience and Sustainability of Agri-Food Systems. The declaration introduced the Local Resource-based Food Reserve (LRBFR) concept, designed as an emergency preparedness and response (rapid actions) on food security and nutrition in response to crises in the ASEAN region. Nevertheless, this initiative also encouraged each member to accelerate trade flows and avoid trade distortion to guarantee the flow of agri-food products and essential farm inputs.

In the effort to strengthen the long-term resilience and sustainability of agri-food systems, there is a need to strengthen national policy frameworks, particularly for rice and other priority crop commodities for food security and nutrition, and intensify coordination of food security and nutrition policies across the ASEAN Member States. In response, promoting investment in research and infrastructure and facilitating access to finance for small-scale farmers and stakeholders within the food value chains in sustainable agri-food systems is important. Digital transformation, adoption of innovative technologies and practices through technical cooperation, and appropriate transfer programs by increasing the commitment to reduce greenhouse gas emissions, address climate change, reduce food loss and waste, ensure food safety, and meet consumer needs.

GLOBAL RICE PRICE SURGE AND POTENTIAL IMPACT ON INDONESIA

Introduction

Russia's withdrawal from the Black Sea Grain Initiative, the ban on non-Basmati rice exports, and the threat of El Niño have caused a rapid surge in global rice prices. World Bank data shows that Thai broken 5% rice prices have increased by 7.98% from 476 per ton to USD 514 per ton in the past four months (March-June 2023). In an even more dramatic rise, Thai broken 5% rice prices jumped from USD 572 per ton on July 26, 2023, to USD 648 per ton within two weeks (August 9, 2023), an increase of 13.29% (source: Thai Rice Exporters Association).

As reported by Bloomberg and confirmed by World Bank data, rice prices in early August 2023 were the highest since October 2008. This rapid surge in rice prices in a short period warrants attention as it could impact Indonesia sooner or later. Therefore, it is crucial to closely monitor current global rice conditions and take proactive measures to maintain price stability and rice availability in Indonesia.

Global Rice Conditions Update

The global rice market is facing several challenges. India's recent ban on non-Basmati rice exports has created an opportunity for Thailand and Vietnam, as their rice prices have risen in response. However, both countries remain committed to open exports but will adjust contracts for August shipments to reflect current market conditions. This is because India's traditionally low rice prices were a major draw for import-dependent countries, particularly in Africa.

Adding to the concerns, Thailand is experiencing a potential decrease in rice production due to anticipated lower rainfall. The government is encouraging farmers to plant alternative crops that require less water for the remainder of the 2023 growing season. While domestic rice prices in Thailand have risen, they remain within normal limits. However, a more worrying trend is the surge in global rice prices. As of August 9, the price of Thai broken 5% rice, a benchmark for global rice prices, has reached USD 648 per ton. This translates to IDR 9,720 per kilogram using an exchange rate of IDR 15,000 per US dollar. This represents the highest price for Thai broken 5% rice since October 2008.

The recent surge in rice prices in early August 2023 echoes the price chaos in 2008, raising fears of a repeat crisis, as evidenced by the scrambling actions of rice-importing countries to address the current price hike. It is worth remembering that stabilizing prices took five years in 2008, highlighting the potential long-term impact of the current situation.

Singapore, heavily reliant on India for 40% of its rice needs, has taken a proactive approach. Facing India's non-Basmati rice export ban, Singapore has implemented a multi-pronged strategy. They are directly negotiating with the Indian government for an exemption, diversifying their rice import sources beyond the current 30 countries, and requiring rice importers to double their buffer stocks. Additionally, Singapore is educating the public on responsible rice consumption to avoid panic buying.

The Philippines is also taking action, prioritizing direct deals with rice-exporting countries. They are encouraging private importers to increase purchases and strengthen domestic rice reserves.

These actions highlight the potential for a repeat of the 2008 crisis, where rice-importing countries, particularly those in **Africa** heavily dependent on Indian rice, will compete fiercely for alternative suppliers. This fierce competition could further strain the already limited global rice supply and drive prices even higher.

India recently banned non-Basmati rice exports to tackle rising domestic prices. This follows an ineffective 20% export duty that failed to control non-Basmati rice exports, which have actually increased. Domestic rice prices have jumped 15% in the past year and 3% in the last month.

The ban prioritizes domestic food security. Non-Basmati rice makes up 25% of domestic consumption, and the government hopes to stabilize prices by curbing exports. However, the ban is not absolute. Exceptions are made for non-Basmati rice already loaded before the ban (July 2023), existing shipping arrangements finalized before the ban, non-Basmati rice pre-cleared by customs, and government-approved exports to food-insecure nations.

According to experts, India's non-Basmati rice export ban will likely stay until elections in 2024. It keeps rice affordable for voters but hurts farmers and may be lifted early if harvests are strong. Beyond India’s policy, El Niño/La Niña threats loom. Crop failures elsewhere could trigger 2008-like price spikes, making the ban a short-term fix with potentially enormous global consequences.

Could it affect Indonesia?

Over the past three years, Indonesia has not imported rice, except for the needs of the Government Rice Reserve (CBP) and exceptional rice fulfillment. This means that the Indonesian rice market is relatively closed, so it is not too much affected by the dynamics of world rice prices.

Domestic rice prices have always been higher than world rice prices. Since the end of 2022, the price of paddy/rice in Indonesia has increased relatively high and is "stable high." According to BPS data, the average price of medium rice at mills in 2021 was IDR 9,060/kg, increasing to IDR 9,500/kg in 2022 and IDR 11,069/kg in January-July 2023.

The current lean season is causing the price of paddy and rice to rise. The price of GKP in some areas is already above IDR 6,000/kg, while in other locations, it ranges from IDR 5,500-5,700 per kg. The retail price of medium rice in traditional markets has increased by 15% since July 2022 and has been stable at IDR 13,550/kg (medium rice) during July-August 2023.

Indonesia's self-sufficient rice market provides insulation from the recent global price surge. While domestic rice prices are creeping upwards, this is likely due to seasonal factors rather than mirroring the international trend.

From August to December is the "lean" season in Indonesia's rice production cycle. This creates a temporary supply-demand imbalance, naturally pushing prices higher. This seasonal effect is amplified by the dominance of large-scale rice milling businesses. Their aggressive buying during harvest season puts additional pressure on prices, making them more competitive for farmers' grain.

Furthermore, historical production disruptions caused by El Niño events have instilled a price increase expectation in the market. This "market psychology" can contribute to price hikes even without a significant El Niño threat on the horizon.

The recent surge in global grain prices warrants close attention due to its potential impact on domestic rice prices within the next one to two months. A shortfall in the planned import of 2 million tons of rice could exacerbate this issue. If these imports fall short, it could jeopardize the adequacy of government rice reserves, hindering their ability to stabilize domestic rice prices.

Conclusions

Climate change disruptions, the ongoing conflict in Ukraine, and India's recent rice export ban have all contributed to a significant rise in global rice prices. These price increases are reaching levels close to those seen during the 2008 food crisis.

Many experts believe India's export ban will be lifted soon due to concerns about a major price spike similar to 2008. Combined with rice-importing countries attempting to secure supplies in a limited market, this could inevitably lead to even higher prices. The situation is further complicated by factors like stockpiling and market speculation.

While Indonesia's rice market is relatively isolated from the global market, monitoring rice prices during the upcoming lean season in 2023 is still important. Since late 2022, rice prices have consistently remained high. The global rice market turmoil could potentially impact the government's ability to

strengthen rice reserves through imports. This, in turn, could hinder efforts to stabilize domestic rice prices through market interventions.

Policy Recommendations

Based on the discussion and conclusions mentioned above, the following recommendations are proposed:

a. Rice production from late 2023 to early 2024 should be secured by optimizing production in areas least affected by El Niño.
b. It is crucial to strengthen the government rice reserves (CBP) through BULOG (National Logistics Agency) and local authorities to maintain a balance between ensuring profitable prices for farmers and keeping rice affordable for consumers. This can be achieved through employing existing policy instruments such as market operations. These operations involve releasing rice from reserves to stabilize prices and social safety net programs offering subsidized rice to low-income households.
c. The involvement of the Food Task Force (Satgas Pangan) should be done in a way that does not distort the market, especially paddy prices at the farmer level. This is important because distortion could lead to social and political unrest that would disrupt the government's performance.
d. The central and regional governments should be prepared and ready to conduct market operations and provide social assistance to the public to stabilize supply and prices and ensure that vulnerable groups have access to food.

Policy Issues

CONSIDERING THE IMPLEMENTATION OF DIRECT FERTILIZER ASSISTANCE

Introduction

The government is currently finalizing its plan to change the management of fertilizer subsidies from price subsidies to direct fertilizer assistance to farmers (BLP). This change is based on an evaluation that the increase in budget allocation for fertilizer subsidy is preserved and does not significantly impact the increase in productivity. During 2020−2023, paddy productivity was only around 5,20−5,24 tons per hectare.

Several arguments support the need to revamp the subsidy fertilizer management: a) price subsidies are more beneficial for large-scale farmers than smallholder farmers; b) there is a limited volume of subsidized fertilizer, and a price disparity between subsidized and non-subsidized fertilizer leads to a moral hazard in distribution; c) the limited volume of subsidized fertilizer is only enough to maintain the current level of productivity; and d) the fertilizer subsidy budget burden is constantly increasing (underpayment) due to fluctuation s in the cost of fertilizer production fluctuates, mainly caused by changes in exchange rates and the price of raw materials, some of which are still imported.

Given the current data's validity and the potential complications in compiling this plan and field implementation, some parties believe that providing a price subsidy is still the most effective way to encourage or maintain productivity, compared to the BLP program. However, as it is already a directive from President Joko Widodo (Jokowi), the BLP design needs to be implemented, and a trial run must be conducted before it is officially launched. Therefore, it is necessary to identify several key points to consider when planning the BLP trials that will take place in Bangka Belitung and South Kalimantan Provinces.

Methodology

The data used includes primary and secondary. Primary data were gathered from August to October 2023 in Karawang District, Subang District, and DKI Jakarta through in-depth interviews with purposively selected respondents. The respondents were stakeholders involved in planning, distributing, using, and monitoring subsidized fertilizers. They included the leadership of the Directorate of Fertilizers and Pesticides, Ministry of Agriculture, sub-district and district RDKK administrators, farmer group administrators, fertilizer kiosk managers, and the district Fertilizer and Pesticide Monitoring Commission (KP3). Secondary data were collected from relevant literature such as journals, agency reports, and research reports. Data were analyzed using a descriptive quantitative method.

Results and Discussions

Planning of Direct Fertiliser Assistance

The change in fertilizer subsidy pattern from price subsidy to BLP was accompanied by several adjustments. These adjustments include the purpose of the subsidy to "increase the purchasing power of small farmers (for fertilizer) to maintain and increase productivity." Another change is that there is only one price of fertilizer in the market, which is the price of non-subsidized fertilizer. The fertilizer market (should) be more open and not dominated by state-owned enterprise (SOE) fertilizer factories. Furthermore, the fertilizer supervisory team must operate optimally to ensure the quality and price of fertilizer purchased by farmers.

Three aspects must be well-prepared to ensure optimal implementation of the BLP policy. **First**, the criteria for target farmers eligible to receive BLP must be determined. After several rounds of discussions, the requirements for BLP recipient farmers have been narrowed down to the following: (i) the maximum cultivated area is 2 hectares for food crop and plantation farmers and 0.5 hectares for horticulture farmers; (2) the types of commodities cultivated are limited to nine commodities, namely rice, corn, soybean, chili, shallots, garlic, coffee, cocoa, and sugarcane; (3) food crop farmers, mainly rice farmer, who partner with BULOG in selling their production to strengthen the Government's food reserves are prioritized to receive BLP; and (4) the detailed criteria, supported by the availability of valid and accurate data, as well as strict monitoring system, are ideal for formulating fertilizer subsidy policy. However, considering the current state of data availability and monitoring systems, as well as the potential for social jealousy, it is recommended that the criteria for BLP recipients should only be based on the limitation of cultivated area adjusted to the BLP budget allocation.

Second, the databases used to determine BLP recipient farmers are (i) the Agricultural Extension Management Information System (SIMLUHTAN) and the e-Definitive Plan of Group Needs (e-RDKK) managed by the Ministry of Agriculture; (ii) Integrated Social Welfare Data (DTKS) managed by the Ministry of Social Affairs; (iii) Socio-Economic Registration (REGSOSEK) managed by the BPS-Statistics Indonesia; and (iv) the Accelerated Programme for Extreme Poverty Reduction (P3KE) managed by the National Team for Acceleration.

Third, determination of the amount of BLP that farmers will receive. Considering easier technical operations (including supervision), the principle of fairness, and the lack of potential moral hazard, the recommended BLP amount calculation is that the subsidy is determined at the beginning of the year, is flat, and is the same for all farmers (not differentiated between commodity types). The calculation is based on the fertilizer needs of smallholder rice farmers with 0.5 ha of land, as rice is both the most widely cultivated crop and a strategic commodity. The percentage of BLP value to the fertilizer needs of rice smallholders is adjusted to fit within the BLP budget allocation.

Simulation of the BLP budget requirement calculation can be done with the following assumptions: Urea fertilizer dosage of 250 kg/ha and NPK 200 kg/ha; the price of unsubsidized Urea is IDR 6,500 per kg and unsubsidized NPK is IDR 10,000 per kg; cropping index of two times a year; the total number of households with the cultivated area of less than 2 hectares in 2023 is 25.58 million (90% of the 28.42 million households); and the number of smallholder farmers (less than 0.5 ha) is 16.89 million (BPS 2023). Based on these assumptions, the BLP budget requirements are as follows:

1. If the subsidy covers 100% of the fertilizer needs for an area of 0.5 hectares, then the BLP value per household per year is IDR 3.63 million. If BLP recipients are limited to smallholders, a budget of Rp61.23 trillion is required; however, if all households with land tenure below 2 hectares get BLP, a budget of Rp92.72 trillion is needed.
2. The subsidy amount is equal to the current subsidy (the difference between the market price and the price ceiling) for an area of 0.5 hectares. This means that the BLP value per household per year is IDR 2.6 million. If BLP recipients are limited to smallholders, the required budget is Rp43.96 trillion; however, if all households with land tenure below 2 hectares receive BLP, a budget of Rp66.57 trillion is needed.

Fertilizer Direct Assistance Distribution Mechanism

Direct fertilizer subsidy distribution mechanism is executed using Virtual Accounts (VAs) based on the design information developed by the Ministry of Finance and the Associate of State-Owned Bank. Each recipient farmer is issued a VA from the implementing bank. After activation, the VA is used to hold the subsidy funds provided by the Government and is linked to a specific fertilizer kiosk. The VA can only be used to purchase fertilizer at the particular kiosks to ensure that the subsidy is only used for fertilizer purchases. Verification of the VA is done using the ID card or biometric code of the VA owner. This system allows for close monitoring of the distribution and utilization of subsidy funds for fertilizer purchases through the banking system.

Several aspects need to be considered to ensure the effectiveness of the BLP in assisting and encouraging smallholders to use fertilizers as recommended.

First, transferring BLP funds into the VA must be timed according to farmers' requirements for purchasing fertilizer. Delays in transferring BLP funds to the VA can disrupt farmers' access to fertilizer, as they would then need to buy fertilizer at market prices using their own funds. Several alternatives for the timing of the transfer of BLP funds to the VA can be considered:

a) Transfer BLP funds in full to farmers' VA at the beginning of the year. This timing ensures the availability of subsidy funds for farmers from the start. Still, it requires a large budget allocation at the beginning of the year, and there is a risk of the subsidy funds being used up early in the year.

b) Transfer BLP funds to the VA according to the planting pattern/fertilization time. While this approach is ideal for ensuring the accurate use of BLP funds, it is challenging to implement due to the varied planting patterns and fertilization times among farmers and commodities.

c) Transfer BLP funds to the VA based on semesters (twice per year), trimesters (three times per year), or quarters (four times per year). This transfer timing pattern may align more with farmers' needs to purchase fertilizer and can also ease the burden on the government by dividing the budget into several transfer terms.

Second, ensure the availability of fertilizers at kiosks that adhere to the six principles (price, quantity, quality, place, time, and type), particularly in remote areas.

Policy Recommendations

The trial of BLP distribution must be planned well and carefully considered. There is a fundamental difference between price subsidies and BLP. With price subsidies, farmers ‘receive no money’ but can buy subsidized fertilizer. With BLP, farmers ‘receive money’ used to buy fertilizer. From the farmers’ psychological perspective, the BLP policy can potentially trigger jealousy among farmers who do not receive BLP. For this reason, the criteria for recipient farmers, the amount of BLP received by farmers, and the timing of the BLP distribution must be carefully determined based on the principles of justice and equity, as well as its impact on increasing productivity. For the BLP trial, the following recommendations are proposed:

1. The Ministry of Agriculture c.q. the Directorate General of Agricultural Infrastructure and Facilities should develop guidelines for implementing BLP trials, including planning, distribution, supervision, monitoring and evaluation, organization, and reporting. These guidelines are stipulated by the Decree of the Minister of Agriculture.
2. The Ministry of Agriculture is working with the Coordinating Ministry for Economic Affairs and the Ministry of Finance to secure a budget allocation for BLP. This allocation will be equivalent to the current fertilizer subsidy allocation or may increase based on agreed criteria for the recipient farmers. It is crucial to ensure the flexibility

of the BLP budget provision, as initial calculations indicate that a larger subsidy budget is needed for smallholder farmers compared to the current fertilizer subsidy allocation.

3. To properly evaluate the implementation of the BLP pilot, a baseline survey is needed in the pilot locations to compare the advantages and disadvantages of the price subsidy policy with the BLP.

ICASEPS Publications

Analisis Kebijakan Pertanian Vol 21 No. 2, December 2023

1. *Volatilitas Harga Gandum Dunia dan Dampaknya Bagi Ketahanan Pangan Nasional Pembelajaran Selama Covid-19* (World Wheat Price Volatility and Its Impact on National Food Security Lessons Learned during COVID-19) (Lidya Rahma Shaffitri, Annisa Fauzia Astari, Miftahul Azis)
2. *Resiliensi Komunitas Petani Kopi Arabika Gayo di Kabupaten Bener Meriah Provinsi Aceh pada Masa Pandemi Covid-19* (Resilience of the Gayo Arabica Coffee Farming Community in Bener Meriah District Aceh Province during the COVID-19 Pandemic (Husaini, Ishar, A. Makki Arrozi, Rini Andriani, Fawwa Rahly)
3. *Analisis Daya Saing dan Kebijakan Bea Keluar pada Komoditas Kakao* (*Theobroma cacao*) *Indonesia* (Analysis of Competitiveness and Export Duty Fees Regulation on Indonesian Cocoa (*Theobroma cacao*) Commodity) (Rifqi Aulia Ramadhani, Amzul Rifin, Tanti Novianti)
4. *Model Pengembangan Agroindustri Sorgum Mendukung Diversifikasi Pangan: Studi Kasus di Kabupaten Flores Timur, Provinsi Nusa Tenggara Timur* (Model of Sorghum Agroindustry Development to Supports Food Diversification: a Case Study in East Flores District, East Nusa Tenggara Province) (Ira Mulyawanti, Esty Asriyana Suryana, C H Winarti, S Joni Munarso)
5. *Prospek Penyelenggaraan Sistem Resi Gudang (SRG) Sebagai Instrumen Sumber Pembiayaan dan Peningkatan Pendapatan Petani Jagung* (Prospects for the Warehouse Receipt System (SRG) as an Instrument for Financing and Increasing the Income of Maize Farmers) (Iwan Setiajie Anugrah, Yonas Hangga Saputra, Erwidodo)
6. *Pengembangan Wilayah Kabupaten Pangandaran Berbasis Komoditas Unggulan Tanaman Pangan* (Regional Development of Pangandaran District Based on Superior Commodities of Food Crops) (Reni Hendriany, Andrea Emma Pravitasari, Ernan Rustiadi)
7. *Potensi Pertanian Berbasis Dukungan Komunitas sebagai Solusi Persoalan Petani Kecil di Indonesia* (Community Supported Agriculture Potencies as a Solution for Small Farmers' Problems in Indonesia) (Catharina Any Sulistyowati, Suraya A. Afiff, M. Baiquni, Mia Siscawati)

ICASEPS News

INTERNATIONAL CONFERENCE AND FINAL PROJECT REVIEW OF THE INDOTRANSFORM PROJECT

An international conference themed "Understanding the Drivers of Successful and Inclusive Rural Transformation" was held in Beijing, China, on December 6−8, 2023. The ICASEPS Research Team participated in this event to conduct a final review of the ACIAR-funded IndoTransform research activities. The conference was conducted at the Yingjie Overseas Exchange Center, Peking University, Beijing. The event was officially opened by Prof. Jinxia Wang, President of China Center for Agricultural Policy (CCAP) - Peking University. Several presentations were delivered at the conference, including those from Prof. Jikun Huang from Peking University and Prof. Wendy Umberger, CEO of ACIAR. The team members were also actively involved as moderators and conference participants during the event.

Session 1 of the first day of the conference was filled with several speakers with the theme: Rural Transformation in the Asia-Pacific Region. This is followed by Session 2: Rural Transformation in Various Fields and a roundtable: Food Security, Income, and Poverty in Rural Transformation. The Final Review Workshop of the project (ADP-2017-024) was held on December 7−8, 2024, and concluded with a field visit to Xinfadi Agricultural Wholesale Market and Beijing Jinsu Plantation Professional Cooperative, Yanqing District, Beijing. On this occasion, the team leader of the IndoTransform project, Prof. Tahlim Sudaryanto, discussed the main findings, how successful rural transformation and its drivers (institutional, policy, investment) were, the impact of policies and socialization, and their benefits for the country.

TRANSFER OF MANAGEMENT OF THE ICASEPS JOURNAL

Since 1981, the Center for Agricultural Socio-Economic and Policy Studies (ICASEPS) has overseen the Agro-Economic Journal (JAE), and a year later, another journal, the Agro-Economic Research Forum (FAE), also came under the management of the Center. Since 2020, both journals have been accredited as SINTA-2 (second highest publication with specific categories at the national level) by the Indonesian Ministry of Education, Culture, Research and Technology. These journals are regarded as scientific platforms for research findings in the agricultural socio-economic domain. They are both managed using the Open Journal System (OJS) and published twice yearly.

The responsibilities of ICASEPS have changed due to Minister of Agriculture Regulation Number 19 of 2022, which outlines the Organization and Work Procedures of the Ministry of

Agriculture. As a result, ICASEPS has stopped conducting research activities and is now focusing on policy analysis to develop policy recommendations for agricultural development. These new duties and functions of ICASEPS have implications for the management of JAE and FAE journals.

To maintain the sustainability of the JAE and FAE journals, ICASEPS has requested the Indonesian Association of Agricultural Economics (ISAE or PERHEPI) to take over the management of the two journals. ISAE is recognized as a highly esteemed association in the field of agricultural economics. The ISAE management accepted the proposal from ICASEPS, and ISAE will continue to manage the JAE and FAE journals. Coinciding with ISAE's 55th anniversary in February 2024 in Jakarta, ISAE officially launched the transfer of management of the JAE and FAE Journals from ICASEPS to ISAE. Bravo ISAE!

MIKTA ROUND TABLE DISCUSSION "DATA-DRIVEN POLICY FOR BETTER FOOD SECURITY AND NUTRITION – EXPERIENCE IN DIGITAL TRANSFORMATION"

During its 2023 MIKTA chairmanship, Indonesia highlighted the issue of digital transformation and its role in supporting data-driven policy for better food security and nutrition. In collaboration with MIKTA members, Indonesia organized a side event on the FAO - Committee on Food Security (FAO-CFS) 51 Meeting held in Rome on October 26, 2023. Speakers from Australia, Indonesia, Mexico, the Republic of Korea, Türkiye, and a Representative from the Global Partnership for Sustainable Development Data shared the implementation of data-driven policy.

ICASEPS participated in this important event; Dr. Wahida from ICASEPS used this forum to share Indonesia's experience in monitoring domestic food inflation using the Food Prognosis Table. Under a High-Level Coordinating Meeting on Food Availability, on a regular basis, representatives from line ministries update the "Food Prognosis Table" to determine the deficit or surplus level of 12 strategic commodities. Those commodities may contribute to the inflation: rice, maize, soybean, broiler meat, beef, eggs, shallots, red chilies, bird-eye chilies, sugar, garlic, and cooking oil.

Under this policy dialogue, Indonesia shared the complexity of data management that is to be used as the basis of monitoring. The food prognosis table is confirmed by food price data, which consolidates the data from three institutions: BPS-Statistics Indonesia, the Central Bank, and the National Food Agency. Under the complexity, Indonesia has used the food prognosis table as the primary source to determine food availability and provide an early warning system for food inflation. It also emphasized the importance of digital transformation in data collection to improve data quality for food prognosis tables and prevent data inaccuracy. All the speakers agreed that digital transformation will create significant benefits if supported by a strong collaboration between stakeholders and investment in data support infrastructures. Nevertheless, data literacy is a must before conducting any digital transformation.

AARES 68TH SIDE EVENTS: FALLING SHORT OR FORGING AHEAD? ASSESSING ECONOMICS AND POLICY RESEARCH TO ADDRESS ESCALATING AGRICULTURAL AND FOOD SYSTEM CHALLENGES

In the dynamic Asia-Pacific region, where agricultural development is fundamental to economic growth and food security, a pressing question emerges: Are economics and policy research keeping pace with the growing challenges facing agricultural and food systems? This thought-provoking panel session aims to critically evaluate the effectiveness of economics and policy research and capacity building in addressing the increasingly intricate challenges facing agricultural development in the Asia-Pacific. This is one of the topics discussed during the side events of the 68th AARES held in Canberra, Australia, on February 8, 2024.

Sponsored by the Australian Centre for International Agricultural Research (ACIAR), distinguished keynote speakers ACIAR CEO Professor Wendy Umberger, Dr. Wahida from the Indonesian Centre for Agricultural Socio-Economic and Policy Studies, Professor Silinthone Sacklokham from the Ministry of Education and Sports and the National University of Laos, and Professor Prabhu Pingali from Cornell University's Charles H. Dyson School of Applied Economics and Management shared their insights on the topic mentioned above. As a representative from Indonesia, Wahida delivered a presentation titled "Falling Short or Forging Ahead? The Impact of Research Management Transformation in Addressing the Escalating Agricultural and Food System Challenges in Indonesia".

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