



SIGNIFICANCE OF FAMILY FARMING IN THE ASIAN REGION-THE INDONESIAN AGRICULTURE SECTOR

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I. General introduction

The Indonesian agriculture sector is dominated by small family farmers, with cash crop production in particular and fruits, vegetables crops. The main staple food is rice. In 2003, contribute about 15% of the Indonesia Product Domestic Bruto and in 2009 slightly increase to about 16,3%.

Even though the number of people employed in the agricultural sector has declined in the past 30 years, various documentation shows that within the period of 2004-2005, the agricultural sector is still dominates the labor force with a near 44,3% to 44,02% share or about 42 million people. And will increase about 44,5 million people In 2009 (a report of the Economic coordinator Minister of Indonesia, 2008).

According to Indonesia's Central Bureau of Statistics Agricultural Census, the number of family farmers has increased from 12.2 million in 1963 to 21.5 million in 1993, a 76% increase. The increase was significantly higher in the outer islands (128%) compared to Java (47%), due to a higher initial base in Java, limits of arable land in Java, and transmigration programs that relocated Javanese from Java to the outer islands.

Geographical spread of farming and land ownership

From the total of suitable land for agriculture 100,8 million ha, about 68,8 million ha has been utilized, and the remaining 32 million ha still unutilized. There is another 16,9 million potential unutilized land. Most of the unutilized land located out of Java island. In which dominated by the wet and dry land that spread out from Papua, Sumatera, and Kalimantan. While, in Java is over utilization, at the same time it fragmented from time to time for non farming purpose.

In the period of 1981 – 1999, the land conversion took about 1.627.514 Ha, in which about 1 million ha happened in java. The economic of scale of farming in Java is impossible to achieved. That's why the agriculture in java is being stagnation. In Java, about 88 % of the family farmers control only no more than 0,5 ha and 76% of them has only 0,25 ha (<http://www.fastmr.com>).



It is identified (Minister of Agriculture of R.I, 2004), that the dominant problems of small family farmers in the dynamics in rural communities among others are;

1. Big amount ; 25 million family, where 20 million control of 0,3 Ha average of land, the other 5 million family are landless labour.
2. Lower education, almost 60% under the elementary school and 40% illiterate
3. Low of regeneration
4. Less awareness to organize in the farmers group organization
5. Poor
6. Weak in politic access to struggle their rights
7. Less in entrepreneurship
8. Strong believe in Mithos
9. Low of productivity and inefficient on utilizing resources
10. Government bias in defining the farmers as target group of the programs
11. Heritage system of land
12. Less capital and access to economic resources
13. No insurance system, weak of risk management

II. Indonesian Rural Phenomenon (a theory given by Clifford Geertz)

*One highly acclaimed account of Indonesian rural agriculture is given by Clifford Geertz, who has written several books on the effects of colonization on Indonesian society. One of his better known works, *Agricultural Involution* (1963), makes the argument that agriculture in Indonesia, particularly Java, has experienced what he terms involution. This is a process in which increasing population is absorbed into the agriculture sector, as yields increase but production per worker does not increase. It describes a pattern that involves intricate dissection of the farming system (particularly rice) into a complex, complicated web that requires more and more labor. Under the Dutch plantation system (including the Culture System and the Corporate Plantation System), the whole rural economy was pervaded with "tenure systems that grew more intricate, tenancy relationships more complicated, cooperative labor arrangements more complex -- all in an effort to provide everyone with some niche, however small, in the over-all system." Because of this phenomenon, Geertz argues, Indonesian rural villagers were not able to connect with growing urban communities, which were dominated by foreigners, Chinese middlemen, and the wealthier classes who ran international trading operations.*

"The Dutch kept these two societies separate from one another, reasoning that this would preserve the Indonesian way of life and thus fulfill a certain "moral" obligation."

The combination of these two phenomena, involution and social dualism, made a smooth transition to modernism more difficult than if the rural and urban sectors were allowed to integrate, such as was the case in Japan. Japan, often used as a comparative case study for the late 19th century to early 20th century phase of Indonesia's development, had many similarities to Java: both were heavily populated, both had labor-intensive, small-farm, multicrop cultivation regimes centering on wet rice, and both managed to maintain a significant degree of



social and cultural traditionalism in the face of profound interaction with the West. However, excess labor in Indonesia was used by the Dutch to build plantations for export or was absorbed into rice production; in Japan it was used to build a capital-intensive manufacturing sector. The Dutch may have built an infrastructure -- they created better irrigation, improved communications, increased availability of foreign manufacturers -- but they did not build human capital or a modern business class. The Javanese peasant did not need to leave his rice terrace, whereas the Japanese peasant had to become an active member of a manufacturing system, no matter how small scale it may have been. Geertz conceived this theory in the early 1960s, while Sukarno was still president. This was a dismal time for Indonesia's economy, and the picture he paints for Indonesia's future is of a society imbedded in the trap of involution, unable to effectively industrialize. This inability is mostly rooted in an isolated rural majority that has not developed an economic mentality to think or act entrepreneurially.

A contrasting viewpoint is presented by Hayami and Kawagoe (1993), in The Agrarian Origins of Commerce, postulate that smallholder farmers in Indonesia are entrepreneurial, and the government can play a positive role in developing this trait through the following: fostering easy entry into trading by improving rural infrastructure, providing marketing information as widely as possible, developing reliable and appropriate property rights and contract mechanisms with grades and standards, and by staying out of the business themselves. Between May 1986 and August 1990, Hayami and Kawagoe, They found that the peasant marketing of agricultural products was efficient and profitable with little government intervention and regulations. The trade hierarchy included a large number of self-employed marketing agents. The bottom of the hierarchy consisted of small traders specializing in the collection of small marketable surpluses from village farmers. At the top, there were large traders specializing in the shipment of the assembled commodities. The larger traders were usually more educated and of a wealthier class than the village collectors, and were able to receive credit from large lending institutions. They in turn extended this credit to the villager collectors and farmers, neither of which had the collateral to make these loans directly. This created a bond between the small and large traders, and guaranteed a delivery of produce upstream. Since charging interest is not permissible in Muslim law (approximately 80% of Indonesians are Muslim), the large traders indirectly lowered their credit costs through charging a premium for fertilizer and supplies, and "cheating" on weights and measures (i.e. underpaying).

According to Hayami and Kawagoe, this decentralized hierarchy stemmed from the following characteristics of Indonesian smallholder farming: 1) a small marketable surplus per farm in the peasant farming system, 2) scale economies in transportation and processing, 3) differences in labor's opportunity costs, and 4) differences in financial positions. The nature of agricultural production in Indonesia is largely fragmented, and the village collectors need to gather farm products in sufficiently large lots to exploit scale economies in long-distance transportation and processing. The large traders and factory owners have higher education and higher entrepreneurial/ management ability, so it is economical to let small traders (village collectors), who have lower employment opportunity costs, assemble small farm surpluses from farmers. Also, the large-scale traders and processors are able to mobilize less expensive credits on behalf of small collectors and farmers based on good collateral values of their real assets.



This decentralized system is akin to a sub-contracting system in which large firms contract out the supply of parts and materials to smaller firms. The large and small traders create long-term relationships based on ethnicity (discussed below) and extension of credit. This may appear to present ample opportunity for the larger traders to exploit small traders and farmers. However, it was found in these case studies that there was sufficient competition among large traders to temper this possibility. Although there is a time lag to communicate price information to villagers, they do eventually receive this information (usually via word-of-mouth, radio broadcasts), and this prevents large traders from exercising this monopolistic practice for very long. If they continued to use it, the villagers would be likely to shift their supply to other produce collectors in the future.

III. Problems to family farmers and their organizations

3.1. Access to land and its fragmentation

The land controlled by family farmers also increased 42.4% from 1963 to 1983, but decreased 0.68 million hectares, or 3.7% from 1983 to 1993. In accordance with this trend, the average land controlled by family farmers has declined both in Java and the outer islands, reaching an average of 0.9 hectares and 1.2 hectares, respectively. Land ownership or rental less than 0,5 Ha, increase from 10,8 million family in 1993 to 13,7 million in 2003, and continuous to 15,6 million in 2008 (increase 2,6% a year). Thus, it appears that while urban migration was a significant factor in the past three decades, there is a trend of more family farmers being created through a division of land into smaller plots. And becoming a more problem of rural poor.

3.2. The distribution channel

The structure of distribution and the problems presented to the small family farmer vary for different crops. The generalizations described below are meant to give an overall picture, while the sections on coffee and spices present specific cases from which more realizable recommendations can be given.

Typically, the farmer in Indonesia must sell his crop to an agent or processor, who then either adds value to the produce before selling it to an exporter, or acts as a middleman to gather a large enough quantity of a given crop to sell it to an agent in a town or city. Although the steps vary from crop to crop and location to location, in most cases the farmers are in a geographically isolated situation and it is most feasible for them to sell their raw produce to a middleman. There may be several middlemen in the process of getting the crop to the exporter, and eventually to the manufacturer in the importing country. Since there are many links in the chain, each one adding a margin, and the price is determined by world supply and demand, the farmer may end up receiving a low price for his crops. This price may or may not cover his costs. Also, even if there is a high demand for a certain crop, the farmer may be isolated from this information and not know whether he is getting a fair price for his produce.



This problem is exacerbated if the farmer is in a relationship with a money lender, of which there are many in rural Indonesia, to whom he has given his immature crop as collateral. If the farmer is not able to repay the loan, as is often the case with the high interest rates charged by the lenders, he must sacrifice his crop to the lender and begin the borrowing cycle again.

Another issue of concern for the farmer is that the majority of the time he is selling his crop as a non-value-added commodity. Since he does not have the technology, finances, or know-how to add value to his produce, he is not able to charge a premium above the market price. He may try to compete for a higher price with a higher quality crop, but the price differential is sometimes not high enough to compensate for the extra effort required. (McStocker, 1987)

Due to the fragmented nature and inadequate infrastructure of smallholder agriculture, it is easy to identify potential problems. The long supply chain also seems susceptible to monopolistic practices, through middlemen and a higher concentration of players at the top. To understand the reality of the situation, however, a review of the theory and case studies regarding this sector will be helpful.

The capacity of the peasant farmer to take advantage of market opportunities and integrate with an urbanizing society has generated several studies and corresponding theories. Reviewing these studies will help provide a rationale for the structure of distribution, the marketing of agricultural products, and the effects of policy intervention in this sector.

3.3. Rural Woman as partner in the family economy

In most cases, women often are not considered during the development planning. They are not given equivalent access to land, credit and extension services. This restricted access to land, has implication for access to credit as well, where women are for less likely than man to have collateral for loans.

Rural woman, (Delima, 2007), basically have the same right as men with respect to marriage, divorce, inheritance and property right. They also have considerable degree of economic independence and initiative, exercise significant social power. In Rural Java (an island where the most of Indonesian Inhabitans live or about 70% of the 220 million people), Woman have an equal status in the household decision making process and are often described as the silent head of the home or informal power. Moreover, in the domestic activities, women have a role as agricultural producers, in self employment ventures and in wage labor. In the area of production, crop growings like seedlings, weedings, harvestings, are the domein of women.

Looking at this potential, it is suggested that the development of the rural economy can be boost more by empowering the role of woman as an important family income earners. Programs should be made to assist and educate women to stronger their role in home economic. And, by eliminating barriers to women's access to productive assets, it may give them more opportunity to participate as an important partners in the rural family farmers.



3.4. The young toward the farming;

Increased productivity has become a necessity given that the challenges facing Indonesian agriculture are quite hard. In the food sector, for instance, Indonesia faces growing demand due to an increasing population and rapid economic growth, but also has to deal with the reality that some of the factors of production are declining, such as the amount of land and the number of farmers. Considering the increasingly open market at the regional and global level, the challenges in Indonesian agriculture will be even greater.

However, the farmers must compete more rigorously with foreign products. Farmers' skills are strongly linked with their level of education and experience, (Najib, IASA, 2009). Currently, 70 to 80 percent of farmers in Indonesia only have an elementary education. This is certainly related to the ability of farmers to plan well and to solve problems. Nowadays, the problems facing farmers are more complex than ever, so it follows that the abilities and skills of farmers should also be improved. A program to educate farmers' children is a part of human investment that is very important in agricultural development.

The children of farmers are expected to be able to access higher education, and after graduation they are expected to return to their villages to develop agriculture there. With better competency, young generations of Indonesian farmers can contribute more toward increasing agriculture productivity. ***Unfortunately, investment in agricultural education does not necessarily correlate to improved agricultural productivity.*** In this context, agricultural schools thus have less of an impact on agricultural productivity improvement, due to many of its graduates being reluctant to work in the agricultural sector.

What is happening, the farmers' children who go to school tend to leave the farm after graduating. The backwater image of the agricultural sector comes about because agriculture is generally not considered as a promising business.

IV. Conclusions, opportunities and challenges

4.1 Conclusions

1. Family farmers weak in politics as well as economy access
2. Women have less access the economic resources such as land and water, capital, education.
3. The young generation in the rural tend to work to other urban sector since the agriculture and rural economic becoming not promising

4.2 Opportunity

1. The right of woman in the rural society, with respect to economic independence and initiative, is a significant social power



2. The increasingly demand of food and agriculture products at the regional and global level, will creating more opportunity for the rural young.

4.3. Challenges and Recommendations

1. Need an immediate action to promote the importance of the young and women in building the foundation of rural economy. As a one action of the WRF
2. Suitable Program should be launched to empower the role of woman, as an important family farmer income earners.
3. Need massive campaign to eliminate the barrier of women and young at the rural to participate the development of rural economy.