

# Marginalization of Farmers in Indonesia

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**Abstract**—In Indonesia, farmers hold the image as poor and uneducated society. The common perception of the cause of the condition is that most farmers possessed only small area, which is economically unviable, thus the profitability is low and therefore they are poor. This paper aims to explain the condition of farmers from political ecology perspective. Insight and understanding of the discussed issue is mostly gained through an extensive literature study and legal document observation. Political ecology discusses the aspects of power and economy in the human-environment relation. In political ecology, power relation and power distribution among actors determine who will enjoy the most benefit from an exploitation of a parcel of land. We argue that the condition of farmers and the low profitability of farming is, consciously or unconsciously, a result of political, institutional, and economical arrangement, which lead to the marginalization of farmers. They are supported but not empowered. The support aimed to reduce production cost and improve yield, but the farmers have very little power to access the market and control the price. In the overall rice production and trade chain, farmers received the least profit in comparison to other actors, such as rice mills and traders.

**Keywords**—direct access to market, entrepreneur, marginalization of farmers, political ecology,

## I. INTRODUCTION

Indonesia has a long history of agriculture and farming. Rice farming and irrigation even dated back to more than 1600 years ago [1]. Interestingly, however, with such a long experience, the Indonesian agricultural sector has not yet been fully transformed into a modern integrated agriculture. In Indonesia, farmers hold the image as poor and uneducated society. There are hardly any young generation that are willing to become a farmer as their future livelihood strategy. Underpaid labors in factories are even imaged as having a better social status in comparison to farmers [2].

In general, the image of poor and uneducated farmers is mostly true. It is not merely an image, a perception, but a reality. Especially in rice farming, this fact is rather surprising, because the government since very long time has allocated a huge amount of state budget to support rice farming. If the farmers are until today not sufficiently prosperous, something must have gone wrong.

Common perception established among the people is that farmers are poor since they only possesses small land area, thus their farming is ineffective and economically unviable. This perception is debatable, since farmers with wider area are also not significantly better-off. This raises the question, what actually cause the condition? This paper thus aims to explain the underlying drivers of the low welfare of the farmers using political ecology approach. Political ecology is an approach that examines the power relation among actors and discusses the aspects of power and economy in an arrangement of human-environment relationship. In political ecology, power relation and power distribution among actors determine who will enjoy the most benefit from an exploitation of a parcel of land[3–5].

## II. METHODOLOGY

This paper is a result of an extensive literature study on research publication concerning agricultural arrangements, farmers' income and formal regulation and formal state support from the state budget. The list of reviewed literature is as follow:

- Abdullah, Maryati, Lukman Hakim, Baihaqi, Budi Pratomo, Dini Inayati, Nur Mubin, Ramlan Nugraha et al. 2011. *Peta Masalah Pupuk Bersubsidi Di Indonesia: Program Integritas Dan Akuntabilitas Sosial, PATTIRO-USAID :Laporan Penelitian*. Cetakan I.
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From the literatures, we review the farming cost, the type of government support (input or output), the effectiveness of the government support (applicability in farmers’ level), farmers’ direct access to market, and marketing support from the government (infrastructure and/or policy instruments).

### III. RESULT AND DISCUSSION

The components reviewed from the 14 articles are the farming cost, the type of government support (input or output), the effectiveness of the government support (applicability in farmers’ level), farmers’ direct access to market, and marketing support from the government (infrastructure and/or policy instruments). The details are discussed below.

#### A. *The farming cost*

Before the green revolution came up, Indonesian farmers had farmed using vast variety of local varieties. Farmers in Bulungihit, Labuhanbatu Utara Regency of North Sumatera told us that during the local seed period they never needed to spray fertilizer or pesticide since the variety was accustomed to local condition, local climate, and local pests. The weed they weeded before planting was left on the field and become one of the sources of soil nutrients. When green revolution was introduced, farming cost rose since everything, the seed, fertilizer, and pesticide must be bought. Although fertilizer is subsidized, small farmers are often too poor to buy them.

#### B. *The type of government support*

The government, especially since the Suharto administration, has put a great amount of state budget for the development of agriculture. Extensive irrigation channel supported by large dams, massive budget for fertilizer subsidy, occasional seed and tool aids, agricultural advisor down to every village, various capacity building off and on-farm served as a picture of the immense support of the government for agricultural development. However, when look again carefully, the huge state budget is allocated for input and on-farm only. The capacity buildings are ‘only’ to improve production and productivity. The support ends when the rice took off of the field. the sale of rice is the left to the market mechanism. This explains why price still plunges during harvest, especially when neighboring village harvest at the same time, although price protection policy was implemented.

#### C. *The effectiveness of government support*

The price of agricultural commodity often plunges during harvest. This happens also to rice, whereas rice price was actually protected. It is the so-called basic purchase price (*harga pokok pembelian /HPP*) that is supposed to maintain rice purchase price during harvest. However, this policy is not applicable at the farmers’ level. It is only valid in large mills or at BOLUG’s mills. Many farmers are forced to sell immediately after harvest since they do not have drying facilities or they simply not eager to dry them. In this case, farmers usually sell their harvest to middlemen. The price at the middlemen’s level is surely lower that at the large mills. On the other hand, farmers often do not have the facilities to allow them to sell directly to large mills.

The subsidy on fertilizer has also been criticized for only benefiting large farmers, farmers with considerable capital. The main criticism was that small farmers are often too poor to allocate their budget for fertilizer. This adds up to the common perception that the unwillingness to invest in fertilizer caused their little production to be even less.

Beside the fact that some small farmers are too poor to buy subsidized fertilizer, there are also some farmers that considered fertilizer is not urgent. They considered

pesticide as more urgent than fertilizer. Prospect theory could explain this tendency very well. Prospect theory explains human decision making mechanism when their choices contain the risk of financial loss [6, 7]. According to the theory, a person has the tendency of choosing less sure gain than uncertain greater gain, but willing to choose greater risk of loss than to accept sure loss. In the case of fertilizer and pesticide, buying them can be assumed as a financial loss. In the case of fertilizer, buying it is a sure loss, while increasing production is uncertain. In the case of pesticide, if pests are visible on the field, it will be a sure loss if the farmers did not do anything about it. To avoid the sure loss, farmers are willing to invest in pesticide. With this logic, therefore, it would be wiser to put the subsidy on pesticide rather than in fertilizer.

Alternatively, the government could opt for output subsidy in the form of purchase price subsidy. In 2017, the total budget for subsidy reached IDR 31.3 Trillion, while the total rice production was 81,382,451 tons. If the fertilizer subsidy is transformed into purchase price subsidy, it amounted IDR 385,- per kilogram or 385,000 per ton [8]. A good parcel of one hectare rice field could produce four to six tons of dried unmilled rice per hectare. This means an extra income of IDR 1,540,000,- – 2,310,000,-, surely not a small amount for small farmers. With output subsidy like this, people would be more willing to grow rice and the subsidy would reach even the poorest farmers, as long as they sell.

#### *D. Farmers' direct access to the market and marketing support from the government*

It is the law in economy that whoever adds the most value to a product or commodity and whoever controls the distribution would receive the most benefit in comparison to other actors in the same production chain. Farmers who sell directly on the farm get the least benefit for having no added value at all. The ones who dry the rice before selling receive a little more. The biggest value added to the product is when it is milled and packed. Therefore, the large mills get the most benefit out of the rice production chain. Wholesalers also gain a lot for controlling the distribution. The current arrangement in rice production chain and trade benefited the large mills and wholesaler the most. Indirectly, they are the ones who enjoy the fertilizer subsidy the most.

To really ensure farmers' welfare, they must be allowed to add more value to their product, and they must be facilitated to be able to access the market directly. The last several hectares of rice field in Merbau District, Labuhan batu Utara Regency of north Sumatera could still survive since they owned a mill and the surrounding neighbors are the consumer of their rice. If farmers own their own mill, at least one mill for one farmers' group union (*gapoktan*), they could add much value to the rice and their profit would significantly rise.

#### *E. Marketing support from the government*

After being able to process the rice on their own mill, the next thing must be ensured is the absorption to the market. Farmers in Kulon Progo Regency of Yogyakarta are now more prosperous since they are facilitated to access modern retail market. Each of the modern retail market chain operating in Kulon Progo must sell local commodity. The rice for the 'rice for the poor' program (*raskin*) must be taken from local grown rice. Civil servants and government officers are obliged to consume local rice. These local policies provided direct market for farmers' product and are proven to be effective in eradicating poverty in Kulon Progo. [9, 10].

#### *F. Marginalization process*

We have discussed the review of the papers. From the review we can see that the supports from the government are merely on-farm support without any assistance in accessing the market. The capacity building program only concerns to improve farmers' capacity in farming technique and not to manage a business. The farmers only produce the raw material with only little chance in adding value. They also do not have the power to determine selling price. The further processing and the sales distribution are controlled by other party. In this arrangement, the farmers are similar to labors in industrial societies. They are stuck in farmer class with limited possibility to jump to landlord or businessmen class, so as the labor class have very limited possibility to jump to officer or even capitalist class. Consciously or unconsciously, farmers are marginalized in the current system. To improve farmers welfare is to break the system.

## IV. CONCLUSION

Farmers in Indonesia are generally in a modest condition. The unprofitability of rise farming is not due to the small land area or ineffective farming, but due to the system. Farmers are plotted as the producers of raw material without any power to determine price and control the sales. In the system, farmers are marginalized. The government perhaps did not realize this condition. Since farmers are perceived as incapable to perform further processing and manage distribution. Therefore the capacity building never concerns to improve their skill in managing a business.

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