



Food Price Stabilization and Corporating Farmer in Agricultural Market (A Legal Breakthroughs For Empowerment of Farmers)

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Abstract—The debate between improving the farmer's welfare and the policy in maintaining people's purchasing power will always be intersect in economic development. The aims of the study is to accelerate the farmer's empowerment relate to price stabilization policy and strengthening farmer organizations by government on supervising the transformation of business process in farming. Research has been conducted on the effectiveness of subsidy interventions provided by the government to reduce prices in the market, but this research does not explore further the empowerment of farmers by collaborating with small farmer organizations and how the government can intervene in the transformation of business processes in the agricultural sector. To answer these problems, this research uses doctrinal legal with primary and secondary legal material to gain data source. Statutory and conceptual approach are used in this research. This study shown that are two forms to streamline food price stabilization policy, which are input subsidy and output subsidy. The policy of price stabilization shall fullfil the conditions for improvements in order to increase farming's profitability, that are heavenly depend on price of facilities and infrastructure for production. The farmers should be protected from market failure and climate by having crop insurance and other policies. Also, Indonesian agricultural need favorable policy for empowerment of farmers. The farmer's economic institution can be consolidated through a corporation and the task of NFA can be widen to supervise the transformation of business process in farming by incorporating with other stakeholders.

Keywords—*Farmer Corporation; Farmers Empowerment; Price Stabilization*

I. INTRODUCTION

All residents need food to survive. Similarly in Indonesia, that the State must exercise food sovereignty and strive for the fulfillment of food needs for all Indonesians which stated in the Constitution. Furthermore, the state must also ensure that the available ingredients are affordable to provide nutritious food with reasonable quality reserves for the entire community. Therefore, the government in carrying out its obligations, must control natural resources to be used for the most prosperity of the people, where it is ruled on the Indonesian Constitution Article 33 verse (3).

Achieving adequate food and secure nutrition is a key target in the Sustainable Development Goals (SGDs), which is Indonesia's commitment to reducing poverty and hunger. The strategy is implemented by adopting target measurements to ensure the functioning of food commodities markets and derivatives, as well as facilitating access to market information at the right time, including food reserve information, to reduce the volatility of extreme food prices [1].

Food affordability aspects include physical and economic problems. Physical affordability is still experienced by people in areas with limited transport infrastructure development, including remote areas and small and outermost islands. People in eastern Indonesia face this problem more than those living on the islands of Java and Sumatra. Economic affordability is related to purchasing power or household income, which can be used by poverty. By 2020 (March) the poor population in Indonesia was recorded reach 9.78% of the total population nationally, which would have difficulty meeting sufficient and nutritious food consumption in a balanced and safe manner. A total of 15.26 million people, or 57.8% of the poor live in the countryside [2].

The number of problems related to the fulfillment of food needs is due to the welfare factors of farmers. From the data of the Central Statistics Agency (BPS) there are cases of grain prices below the government purchase price (HPP) of 6,341 events during January-June 2022[3]. Government through the Ministry of Trade has established HPP for dried rice (GKP) value of Rp. 4,200/kg at the farmers' level, but when the time come for harvest, farmers often feel disappointed with the purchase price because the income from rice production is not comparable to the farming costs incurred every growing season. On the other hand, the government is always concerned about rising food commodities prices at consumption levels will trigger inflation increases. Government policy always strives to stabilize prices if there is turmoil in the market by intervening supply and food prices through market operations and the establishment of Highest Retail Prices (HET).

Farmers always feel disadvantaged if government policies always favor the market to keep downstream prices stable in order to prevent increases in the purchase price of food in the market. Although there are regulations to protect and empower farmers, there is injustice in their implementation, which prioritizes the implementation of Food Act. The Food Act is more focused on disaster conditions, food insecurity and price fluctuations. Meanwhile, smallholder farmers or cultivators of rice fields under 2 (two) hectares receive less attention from the government, both in terms of budget and programme of ministries/agencies that are more inclined to protect the interests of consumers/society and ease of investing for food producers. If there is a food crisis, bad economy or hyperinflation that will negatively affect farm income, it will slowly but surely knock out 35 million farmers in Indonesia because government policies do not provide adequate budget allocations to increase farmers' income.

This article will review the challenge for laws of food price stabilization seen for the protection and empowering farmers in Indonesia and also how to maintain the consumer from inflation that could reduce the people's welfare.

- What are the forms require for streamlining the price stabilization policy in Indonesian food market?
- What are the attempts from the government for incorporating farmer organization in supporting the empowerment of farmer?

II. LITERATURE REVIEW

A. Conceptual view of the effectiveness of law implementation

Lawrence M. Friedman is one of the philosophers concerned with understanding the dynamics of the effectiveness of law application. In the theory put forward by Friedman, law is a dynamic concept. Law was born because of social problems, and at the same time, implementing the law will bring change to society. The factor that causes dynamics to emerge in the process of legal implementation is the legal culture model that arises in society.

Legal culture, as part of societal culture in general, is a condition that shapes public rationality. Rationality and legal awareness influence people's perspective on a problem and provide a way for them to resolve the problem. People in different communities can have different rationalities and choices to articulate their interests. This way, the dynamics in implementing the law will increase because society's acceptance of a legal rule can also differ.

In the end, the community will choose a path to change the structure and substance of the law in order to resolve the problems they are facing under the legal culture that lives in their community. When the government receives input from the public and changes the applicable regulations, the impact of these changes will consistently influence people's lives. The law will run effectively when the objectives of implementing the law can be adequately fulfilled

B. The Forms Require for Streamlining The Price Stabilization Policy In Indonesia

According to the FAO, food security consists of four interrelated pillars, namely [4]:

- Availability – ensuring adequacy of food supply in terms of quantity, quality and variety of food.
- Access - optimizing stability in food affordability and allocation, as well as individual and household preferences.

- Utilization - ensures food consumed is safe and sufficient to meet individual physiological needs. Food elements include food safety, nutrition values, access to health care, sanitation and education.
- Stability - the ability to get food consistently over time.

The policy of food price stability carried out by the government is to provide input subsidies through subsidized fertilizer policies and output policies through food price control policies at the consumer level [5]. Input price subsidies policy is the policy that makes the buy price of input by farmers cheaper than the market price. The difference in market price or Price of Production (HPP) with the price paid by farmers (Highest Retail Price/HET) multiplied by the volume of fertilizer is the amount of subsidies borne by the government and is included in the budget of fertilizer subsidy [6]. The fertilizer price subsidy policy is a remunerative policy to incentivize farmers with the ultimate goal of increasing production and income of farmers. Input price subsidies are expected to encourage the use of input as needed, so as to increase production and further increase the surplus of manufacturers or consumers of inputs, namely farmers [7].

Output Price Policy is a policy that determines the minimum output selling price at the farmer's level called the base price [8]. The difference in market price with minimum price is the value of subsidies paid by the government. Implementation of current output price subsidy policy through government purchase price (HPP) [9]. The instrument to effectively effect HPP achievement is the purchase of a certain amount of grain by Perum Bulog at the time the price of the grain is below the government-defined HPP. Just like input price subsidies policies, output price subsidies are remunerative policies [10]. The output price policy that causes higher output prices than market prices at the manufacturing level will encourage the expansion of crops and/or productivity that contributes to the increase in agricultural production [11].

Input price subsidy or output price is an instrument of price stability through the mechanism of price intervention. Input price subsidy is the optimization of input use through the mechanism of increasing the input demand elasticity, and output price subsidy is the output optimization instrument through the supply elasticity mechanism. But the policy also causes negative externalities, including causing price distortion with various accompanying moral hazard excesses, has resulted in inefficiency inputs as cheaper input prices tend to drive waste and inefficient if subsidy recipients do not match the target [12].

The subsidized fertilizer policy for the agricultural sector is the implementation of the order of Law No. 19 of 2013 on the Protection and Empowerment of Farmers. Government and Regional Government provide assistance in the form of subsidies of production means, namely fertilizer as a form of state protection to farmers. The subsidized fertilizer distribution arrangement is further set in Presidential Regulation No. 15 of 2011 on revision of the Regulation No. 77 of 2005 on Subsidized Fertilizer for Agricultural Sector as Goods In Supervision Provider which includes Procurement and Channeling, including type, number, quality, marketing area and highest retail price of Subsidized Fertilizer, as well as procurement and channeling time.

Operational subsidized fertilizer policy is further detailed in the Regulation of the Minister of Agriculture No. 10 of 2022 concerning on the Allocation And Highest Retail Price of Fertilizer on the Agricultural Sector which contains the provisions of the provisions of the establishment of subsidized fertilizer allocation, fertilizer type, highest retail price of fertilizer, fertilizer distribution and supervisory agencies. The types of subsidized fertilizer are urea and NPK which are intended for farmers with the most extensive land area of two hectares spread across 4 (four) agricultural subsectors namely main crops, horticulture, farming and plantation by assigning PT Pupuk Indonesia to distribute the subsidized fertilizer based on the Definitive Needs Plan of Farming Group (e-Alokasi) and the Decree of Agriculture Minister on the determination of subsidized fertilizer allocation per province.

The policy of food price stabilization is a mandate of Law No. 18 of 2022 on Food (Food Act) which says the Government is obliged to stabilize supply and food prices at the level of producers and consumers. Protection aims against producers, farmers and consumers to create welfare. So the role of the Government is central to exercise price control by giving access to farmers who have been under consideration, through land control rights with agrarian reform programs and increased access. In addition, it requires food sovereignty that must be achieved through five businesses, namely increased basic production, stabilization of food prices, increased welfare of food business participants [13].

The basic food supply and price stabilization program is done by storing the stock of buffer food or buffer stock, which is used mainly for trading purposes and price settings. Secondly, to provide emergency reserves to feed people during natural and social disasters. Third, the designation of food safety net stock, aimed at feeding populations most vulnerable to food insecurity [14].

Abokyi and Asiedu in Ghana have researched the effectiveness of implementing buffer stockpiling operational policies in Ghana. This research shows that government efforts have stabilized corn and rice prices. This policy primarily focuses on changing the corn distribution chain formed so far. The government buys crops directly from small farmers and markets them to organizations with significant needs. In this case, the government collaborates with schools, hospitals, prisons, and poultry farmers. Apart from identifying the sectors that will receive the supplies, the government is also specifically planning the timing of the sales to help stabilize prices and supplies in lean times. The study's findings indicate that these methods may be able to assist farmers

in choosing to invest in technology that boost productivity and adopt better agricultural methods in order to raise farm outputs [15]. Meanwhile, research conducted by Allo, Satriawan, and Arysad shows that farmers' dependence on the availability of facilities and infrastructure is still very high. This condition then causes changes in the prices of production facilities and infrastructure to affect the welfare of farmers significantly. The increase in the price of rice in the market differs from the increase in their living needs. This condition then means that farmers' welfare level does not increase.[16]

The enabling conditions needs significant improvements in order to increase farming's profitability and appeal. There is a lengthy and well-established list of possible interventions. Investing in infrastructure to lower transportation costs, improving the effectiveness of extension services based on customized agronomic research, and expanding the involvement of the private sector are just a few examples. Over the past ten years, input subsidy programs have been introduced in numerous sub-Saharan African nations, increasing the usage of fertilizer but paying insufficient attention to guaranteeing their efficient use. For this, additional good agronomic techniques are required, such as the use of enhanced cultivars and seed, plant density, and weed, insect, and disease management. It's crucial to have crop insurance and other policies to protect smallholders against market and facing climate risks [17].

III. METHOD

This research uses doctrinal methods. This method focuses to study about the ideal form of rules or norms in positive law. The statute approach and conceptual approach used to make deepen analysis. The statute approach concerning any legal document about price stabilization, the supervision of the Indonesian food market and empowerment of farmer. The conceptual approach is used to analyze and formulate the concept of policy to strength the farmer's economical institution and to improve business model of the farmer corporations.

IV. DISCUSSIONS AND RESULTS

Indonesia implemented a policy of public food reserves, which is an act of intervention by the government by regulating the supply of agricultural commodities by buying stock (commodities) at fixed prices when commodities abound, mostly during harvesting, and releasing stock when commodities lack supply, which is carried out in the raceclis season [18]. The Government commissioned Perum BULOG to maintain food availability and stabilization of food prices at the consumer and producer level for the food types of rice, corn and soybean staples. Perum BULOG conducts the stabilization of food prices at the producer level by carrying out the purchase of grain by Perum BULOG with Reference Price or HPP in the warehouse belongs to BULOG, in the case of average local market price at the producer level below the Reference Price or HPP. Meanwhile, for price stabilization at the consumer level is carried out through the implementation of market operations from BULOG's food stock by selling it at the highest retail price (HET) [19].

The determination of the benchmark at the farmer level is regulated in the National Food Agency Regulation No. 6 of 2023, which is the Farmer Level Grain HPP of IDR 5,000 / kg, while based on the study of the Indonesian Farmers Union (IFU) complained that currently rice farmers the price of grain continues to be depressed by the determination of the HPP by NFA, making farmers continue to lose money because the selling price of grain is not comparable to the cost of production . According to IFU's records, the price of unhulled rice is now at IDR 3,500 per kg. Meanwhile, the Cost of Agricultural Production (BPP) that must be borne by farmers is in the range of IDR 5,600 per kg which proves that the government's reference price is still unable to lift the price of grain at the farm level which is still below the provisions [20].

While maintaining food price stability at the consumer level is important to maintain the purchasing power of inflation yearly, the options taken are not only intervening at the level of producers or farmers. Timmer views the approach that policymakers can take to address the world food crisis that make the increase of food price, namely through methods with each country using market interventions to stabilize their domestic food prices. The strategy to stabilize rice prices can only be done by isolating domestic rice supplies. This policy certainly has implications for limiting rice imports. Problems then arise when reflecting on international legal provisions that support free trade. One rule that has been agreed upon in the free trade legal agreement is the government's ability not to impose different treatment between domestically produced and imported goods. Currently, 22 countries have restricted food exports to meet the needs of national food reserves [21].

Various problems that arise, the legal basis on the price stabilization program, namely National Food Agency Regulation No. 6 of 2023 is considered not enough to accommodate supply control and food prices. There is a need for evaluation of current regulatory travel. Because the influence of legal substance on national food security plays a very strategic role, with a clear legal basis all economic activity in various embodiments becomes increasingly guaranteed because it has a foundation of legality (legality).

Referring to the theory put forward by Friedman, the legal structure is an essential organ in the policy implementation process. The legal substance that the government has made must be implemented by agencies that have the authority to carry out public service processes. In the context of the implementation of food price

stabilization, the National Food Agency is an institution that has the authority to implement food availability policies, stabilization of food and food prices and supervision of such policies, violations that often occur in this case such as buying farmers' grain prices below the price of government purchases by businessmen and stockpiling food stocks to raise food prices in the market. Glazed from the increasing food prices each year that impacts economic losses among farmers and the general public, law enforcement related to supply and food prices need to get special attention by the NFA.

So far, the NFA can only intervene prices by conducting market operations by assigning Perum BULOG to sell food from CPP at prices according to the Highest Retail Price (HET). Still, traders commits a lot of legal violations by stockpiling rice, so that the price increase is very high and will affect high inflation, may the National Food Agency also consider the violations brought to the criminal realm.

Referring to Food Act, the NFA can appoint a supervisor to conduct regular monitoring, evaluation and monitoring of activities or processes of production, storage, transportation, and/or Food Circulation of the traders. In addition to this, the NFA can conduct an action on food criminal acts, by forming a separate investigator, namely NFA investigators outside existing investigators such as Police Investigators and Prosecutors.

But NFA authority as an investigator in terms of food prices is still not applicable because Presidential Regulation about NFA, stated that they can be the coordinator to maintain of food and supply prices. So far the NFA authority has not been able to sanction any business entities who committed violations in the field of food, in addition, the supervision authority by the NFA still clashes with the authority of the Ministry of Trade who also conducts supervision of the trade of basic goods outside 9 (nine) commodities that are also regulated by the NFA.

Under the Ministry of Trade's provision its authorized to establish supervision policies among others:

- prohibition circulating for a while;
- order to withdraw Goods from Distribution;
- terminate the activities of the services traded do not comply with the provisions of the laws;
- revocation of licensing in the field of Trade.

The presence of overlapping oversight with the Ministry of Trade in stock control and food prices, the National Food Agency has not been able to perform supervision functions over the circulation of food in the community and has no legal instrument for the action of both sanctions and criminal acts in the field of food. By 2022, the Food Task Force has conducted crackdown on cooking oil and selling above the highest benchmark price of 18 cases [22]. The findings are alarming because there are still many other hoarding cases that impact the rise in food prices that can harm the public because they have to buy food at higher prices.

The NFA authority only applicable to control food prices by conducting market operations (OP) by assigning Perum BULOG to sell Government Rice Reserve (CBP) at OP price of IDR 10.900,- per kg [23]. However special regulators tasked with handling food circulation supervision in the market have not been authorized by the National Food Agency. Currently food supervision is carried out by the Food Task Force which consists of the elements of Polri, Ministry of Interior, Perum BULOG, Ministry of Trade, Ministry of Agriculture, and anti-monopoly commission (KPPU). Some of the tasks of the Food Task Force are monitoring food prices, ensuring stock availability, smooth distribution, supervising supply chains, ensuring consumers get fair prices, and enforcement in food [24]. However, the existence of Food Task Force is not maximal because food prices in Indonesia are still relatively high and have not caused deterrent effects on business people who stockpile food for personal gain.

The legal structure determines how the existing provisions are enforced. Legal products will only be limited to paper writing but do not have the power to control society. Therefore it is necessary to formulate a special policy to form a legal structure in the legal system of food control so that farmers as food producers feel guaranteed that crops can be purchased in accordance with the HPP set by the National Food Agency and if any party purchases under HPP can be audited by the supervisor. On the other hand, the general public can enjoy stable food prices because of supervision over food circulation in the market without worrying about rising food prices at any time and if there is a rogue businessman who hoard can be done by action according to the provisions of the laws. This is important to encourage creating a healthy food business climate.

Government pricing policies to further pressure farmers as the country has provided support through the aid of agricultural production facilities. As for the cause of powerless farmers who have closely related to the low legal culture in food and agriculture, among others [25]:

First, The emergence of the New Order era marked a structural change in national economic patterns. Farmers and the agricultural sector are starting to experience weakness in several aspects.[26].

Second, which is considered the biggest cause is inequality in land distribution. Smallholder farmers with less than 0.5 hectares of land ownership are increasing in number, and even become farmers without land (farm labor). Large scale of agricultural areas are turning into non-agricultural areas, access to water and soil resources for farmers is increasingly difficult. The ICARRD issued an agreement of all participating countries which

emphasized that only by reorganizing the agrarian structure or land tenure, poverty can be eradicated and at the same time food sovereignty and certainty can be achieved [27].

Third, is the lack of serious concern from the government to the welfare of farmers. During this time, the government focused more on agricultural procedures and yields and food provision, but less seriously on efforts to increase farmers' income.

Fourth, it is called Subandriyo as "productivity paradox". Indonesia's agribusiness system puts farmers in a pinched position between two economic exploitation forces. At the time of production, farmers face monopolistic power, and when selling production, farmers face monopsonistic power. High production costs, ranging from land processing, the use of tools and machinery, the purchase of seeds, fertilizers and chemical drugs and accompanied by the reduction/removal of agricultural subsidies, legalized by legislation [28], and the low selling price received by farmers, as the food import policy at harvest, the absence of protection against imported agricultural products, and so on, becomes a factor of the high poverty rate of farmers [29].

One step that can be taken to increase legal awareness that ultimately shapes legal culture is through education and socialization of various laws in order to meet and obey the law and enforcement of the rule of law [30]. Problems of low public legal awareness can be addressed through government policies. The policy in question is the policy that governs the public space, also referred to as the public policy. Legal extension as a government policy in addressing the problem of low legal awareness can be implemented through several programs, one of which is a legal extension program realized through the establishment of a law conscious village.

The establishment of a law-conscious village is the implementation of the Ordinance of National Law Development Agency (BPHN) (*Desa Sadar Hukum*). The government created this policy to encourage village officials to actively participate in building legal awareness among village communities. Apart from that, the government can also form assisted villages, which are precisely the object of this program. For villages that successfully meet the standard criteria set by the government, the regional head of that village will receive the Anubhawa Sasana Desa award.

Desa Sadar Hukum programs can be utilized to raise legal awareness of farmers, especially those living in villages. Institutional farmers who have existed such as peasant groups / merged farmers groups can be empowered to conduct legal counseling in cooperation with the Regency/City Government and legal academics. Farmers need to educate their rights protected in Farmers Protection and Empowerment Act. The right that can be the extension material is the right to determine the price and market of agricultural products which include[31].

- Farmers both male and female and family have the right to prioritize the use of their production for the benefit of their families, and their communities.
- Farmers both male and female and family reserve the right to keep the production of the amount needed by his family to meet the basic needs of decent life and for seedlings for at least one planting season and the remainder of two planting seasons or during scientific forecasts occurring in the absence of harvest.
- Farmers both men and women and their families are entitled to a fair market.
- Farmers both male and female and her family right to get a favourable production price.

A more favorable policy of empowerment of farmers can be seen from the case in Japan. During Abe's administration, a transformation of agricultural policy was introduced known as Japan's Revitalization Strategy. The Japans's government has revised the Agricultural Cooperative Law, which entailed making JA-Zenchu, the organization at the top of the JA hierarchy, giving local agricultural cooperatives the option of choosing to have this new corporation or other private auditing corporations, restoring grassroots, community-based agriculture cooperatives was the main objective of the reform. Increasing their freedom and giving them the ability to start their own businesses were essential to achieving this goal. While some agricultural cooperatives have created their own procedures, others employ the federated system. If it is convenient for the cooperatives, then the federated organization should just be one of their possibilities. JA-Zenchu's incorporation was a component of the endeavour to accomplish this objective. According to the Agricultural Cooperative Law, JA-Zenchu does not require special status as long as it can provide local cooperatives with the direction they desire. With the JA reforms, farmers find the co-ops helpful because despite the relatively high cost of the fertilizers and chemicals they buy, farmers can have the supplies delivered right to their door and, as long as they ship their goods to the co-ops, they can sell their goods without having to look for customers on their own [32].

The role of farmer institutions is very important to be strengthened so that farmers have collective action in the face of fierce market competition. Political encouragement is needed from the Presidential level so that farmer institutions can be scale up from the level of the Farmer Group or Farmer Group Association in a sub-district to a national organization. The farms that can effectively navigate the transformation process will become the backbone of Indonesian agriculture development. Smallholders, prime producers, cooperatives, and enterprises go through a transformation process that is aided by a variety of resources such as capital investments, insurance, sales, and other operational, and thus can be done by incorporating with other stakeholders [33].

To achieve the goal of institutional transformation of farmers, the government play an important role so that farming activities from upstream to downstream can be thrived. The task of the National Food Agency is not only to maintain prices at the consumer level, rather to become a supporter of business activities of the farmer corporations. Farmers who have been consolidated in a corporation still need support either from distribution or market access. SOEs, in this case ID Food and Perum BULOG, can be assigned by NFA to conduct business cooperation with farmer corporations at the district/city level. Agricultural products purchased from the corporations by the SOEs can be channelled for the needs of government food reserves as well as for export orientation. Thus, these farmers can be empowered both from the farming business and its development aspects.

From this study show that are two forms to streamline food price stabilization policy, which are input subsidy and output subsidy. The policy of price stabilization shall fullfil the conditions for improvements in order to increase farming's profitability, that are heavenly depend on price of facilities and infrastructure for production. The farmer's should be protected from market failure and climate by having crop insurance and other policies. On the other hand, Indonesian agricultural need favorable policy for empowerment of farmers. The farmer's economic institution can be consolidated through a corporation and the task of NFA can be widen to supervise the transformation of business process in farming by incorporating with other stakeholders.

V. CONCLUSION

The research concludes that multiple forms require for streamlining the price stabilization policy in Indonesia. The form interventions through input subsidy and output subsidy shall fullfil the conditions for improvements in order to increase farming's profitability. The farmers need to boost productivity and adopt better agricultural methods. In order to active those goals, they need to be protected from market failure and climate risks by insurance and funding policies. In addition, the result of study show the farmer's economic institution can be consolidated through a corporation and the task of NFA can be widen to supervise the transformation of business process in farming by incorporating with other stakeholders. In the future, the arrangement and supervision of the whole business process of food price stability can be done integrated to empowering the farmer.

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