

A Farmer's Hope for Indonesia

By

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I am a farmer's son, from a small district in West Sumatra. My parents, my grandparents, most of my relatives are also farmers. In fact, almost everyone I knew when I was growing up *is* a farmer. Yet, my mother used to tell me this, "Study hard; don't be a farmer like us". I cannot help but wonder, what is wrong with being like my parents; their occupation? Only recently that I realized, the word "us" does not represent only my parents, but also the tens of millions of Indonesian farmers. What is wrong then, with being a farmer?

If we take a closer look to the living condition of the tens of millions of households whose main income is from farming, we will understand my mother's warning.

In the year 2003, farming industries absorbed the majority (46.26%) of working age Indonesians [1]. Yet, their average income is only around IDR 135,000 per month; or IDR 1.6 million per year [2]. From this number, my mother's warning *does* make sense; since becoming a farmer in Indonesia will make one join a billion of people worldwide who live on less than a dollar a day [3].

This condition is an irony for Indonesia because Indonesia is an agricultural country where the largest proportion of its citizen is working in the agricultural sector. The

average annual income of an Indonesian farmer is lower than the average annual income of a Chinese farmer (USD 401.9) [4]; even lower than the average annual income of a Thai farmer (USD 600), and even much lower than the average annual income of a US farmer household (USD 81,420) [5].

The fact that the living conditions of farmers in Indonesia hardly move from below poverty line makes farming less and less attractive for young people entering the job market. On the other hand, more farmers are abandoning their lands to migrate to cities in search of better lives.

There are many factors contributing to the current poor condition of farmers in Indonesia. One single, perhaps most important factor, was the low market price of rice in Indonesia. This is an important factor because rice farmers make up the biggest proportion of Indonesian farmers. Government policies on rice and rice farming such as rice price fixing, rice import, and BULOG –Indonesia national logistics bureau for agricultural product - involvement in rice market do not really help the farmers.

Government had maintained a low price of rice to ensure its affordability for the majority of Indonesian people, as rice is the main staple food for Indonesians. This policy was started during the New Order (Indonesian: Orde Baru) of governing. The policy successfully maintained the low price of rice to feed the Indonesian people. On the other hand however, this policy sacrificed the farmers. Since they were not getting competitive price, cultivating land to grow paddy could not give farmers the opportunity to better

their economy; especially for small farmers. Unfortunately these small farmers - Petani Gurem: farmers who have little piece of land (usually less than 0.5 hectare) or no land at all - are the majority of Indonesian farmers. Based on Indonesian national bureau of statistics (BPS), in the year 2006 there are 13.2 million households categorized as small farmers [6]. Also based on BPS' statistics, 60 percent of people living below poverty line in the same year were in the rural area [6] where the majority of people work in agricultural sector. The low price of rice that directly contributed to the low income of these small farmers had been in place for over two decades; making it very hard for these farmers to escape the poverty line.

After the New Order was toppled by student's movement in 1998, the rice market was liberalized. Private importers were allowed to import rice along with BULOG. The liberalized market allowed the price of local rice to grow. Unfortunately the price of local rice was already higher than the international market price which makes local rice unattractive to the Indonesian people. Local rice could not compete with import rice as the production cost for local rice was already high, due to high fertilizer price and the increasing other pre- and post-production cost of rice such as transportation cost. The problem became more complicated as BULOG status was changed to a state enterprise responsible for producing profit. This change makes BULOG unable or rather, unwilling to buy local rice at a higher price than the market price during the harvest period – the time when most local rice enters the market. The unwillingness of government to purchase rice above international price sparked protests from farmers, the most notable being the burning of rice in front of BULOG office in Jakarta [7].

If this phenomenon continues, it will be a disaster for Indonesia. Not only because it will cause a large proportion of Indonesians to continue living below poverty line; it may become a threat to Indonesian food supply. Facing uncompetitive price and suffering losses, many farmers will give up farming to look for alternative occupation, and many will go to big cities to find jobs. Many of these low-skilled migrants could not get job and create social problems such as street crimes and violence which are already rampant in big cities like Jakarta and Surabaya. The social problems will put extra burdens on national and state budget which has been stretched very thin. Additionally budget allocated for public services such as school, health and infrastructure development will be reduced to fund efforts to tackle the social problems. Further, the quality of life in cities will be downgraded; affecting investors trust in Indonesian government.

In longer term, Indonesia will have to depend more on import to accommodate the raising food demands. When there is a surge in market price, over-dependence on import food will cause uncertainties to food supply. Government subsidy will need to adjust every now and then to adapt to the volatile international market. This is evident in the recent soybean crisis that happened due to the rocketing international price of soybean, the main ingredient of two of Indonesian staple dishes: Tempe and Tahu. Indonesia, who has depended on soybean import for a long time (the import made up 60 percent of Indonesian soybean needs [8]), suffered greatly from this increase. Widespread public alarm forced the government to reduce soybean import tariff to zero, a short-term, patch-up solution to the looming widespread food supply crisis.

The soybean crisis is a sad story that should be taken seriously by the policymakers. Adjusting subsidy every now and then to the volatile international market is not a long-term solution and can cause a huge burden to national budget. When national budget cannot cope with the amount of subsidy, the government will have no choice but to take a politically unpopular move – reducing subsidy. The infamous government policy of reducing oil subsidy, which had been enjoyed by Indonesian people for several decades, in 2006 nearly creates national instability. Furthermore, there is a clear tendency that the international food price will continue to go up since there is now an added demand for food - aside from humans and animals - from bio-energy producing machines which consume food such as corn, soy bean, and sugar. From the soybean crisis, it is apparent that the government revenue will also be affected due to the reduced import tariff. The soy bean crisis should also teach the government that the lack of main staple food is dangerous to national stability and is dangerous to the government political position.

Unfortunately, government's solution to food supply problem has so far been inadequate, sporadic and based on short-term interest only. There is no long-term strategy to maintain adequate food supply that can, at the same time, alleviate the living condition of farmers while being friendly to national budget. The import policy and import subsidy only works properly as long as the market price is low and supply is abundant. This policy however, not only continues to isolate farmers, it also makes Indonesia vulnerable to the change in international food market, such as the rising food price or food scarcity problem.

A long-term strategy should be to increase food supply, mainly staple food such as rice and soybean, domestically. The only way to ensure an adequate national food supply is to help farmers in their farming activities. If farming activities can bring people out of poverty, farming will become a respectable occupation. In the end, many people will return to farming and national food supply will directly increase.

One way to help farming activities is for the government to improve national fertilizer output and quality. Fertilizer should be made readily available at a low price and it should not cause a high cost for farming. National fertilizer output must increase with better distribution to farmers. The case of fertilizer shortage which is constantly faced by farmers [9] is one of the main factors that increase the cost of farming in Indonesia.

Most of the farming activities in Indonesia are still done very much in a traditional way. New ways of farming and better technique in land cultivation should be introduced to produce bigger outcome. Government should assist farmers in modernizing the farming industry, for example by providing cheap tractors and machinery to increase efficiency. Irrigation and road infrastructure should also be improved.

Because a large proportion of Indonesian farmers are small farmers who has little land, government should assist farmers in increasing their income through diversifications. Raising livestock is one of the main activities that can be done along with land cultivation. Farmers should also be equipped with skills to do non farming activities such as hand craft, agriculture-related services (i.e. harvest transportation, agricultural

tourism), and so on. At the same time Government should also encourage banks to distribute soft loan for farmers. As a comparison, in United States, non farming incomes contribute the biggest proportion to farmers' income [10].

The fixed, low price policy on rice should be abandoned. Instead, the government should create a reasonable range of price that will not sacrifice either the farmers or the consumers. Finally, the government must be able to increase the buying power of Indonesians as a whole by increasing the household incomes.

As the biggest proportion of Indonesian fabrics, farmers should be given more attention and receive bigger assistance from the government. Even though farming does not *yet* contribute the biggest income to Indonesian GDP, farming sector *remains* the biggest employment source for Indonesians and potentially the sector that can save our nation from potential starvation and instability following the energy crisis.

Never again should a farmer say to their children "don't be like us". The 100 years anniversary of National Awakening is a perfect time to awake Indonesian farmers from poverty and alleviate their status to that of a respectable occupation.

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