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Indonesia: National Government to Prioritize Local Food Product and Securing Property Rights for The Local Farmers.

When we ask a small farmer in Indonesia about the impact of the global financial crisis on his daily life and he will answer, "Crisis? What crisis?" As farmers, they should know what a big crisis is. In 1997, we saw the collapse of the whole economy, driving thousands of unemployed construction and industry workers back to the villages, where their families already had difficulties making ends meet. But the current situation is different and raises some worrying alarm bells. Although national industry keeps hiring workers and new infrastructure projects continue to pop up, the farmer's daily life has worsened on several fronts.

The most noticeable change is the increased pressure on agricultural land. Thousands of small farmers have been evicted from the fields they have cultivated for generations, because local or national authorities are giving concessions to large companies to exploit the land. Many Indonesian farmers do not have any clear land titles, as it is estimated that only 40% of ownership can be proven by formal certificates. Moreover, some territories on the national mapping appear as "empty", even if they have been inhabited for generations.

In principle, most of the farmers' communities are covered by customary laws that are also recognized by the state. However, land deals are extremely profitable both for the authorities and for the companies who negotiate them. The lack of respect for people's rights to land makes it extremely easy for companies to brutally evict farmers. They are replaced by large plantations, including palm oil and rubber plantations, food estates, mines, roads and other infrastructure projects. This results in increasingly violent land conflicts as local communities resist eviction.

The Indonesian Peasant Union (SPI) calculated that the number of land conflicts increased five-fold, from 22 in 2010 to 120 in 2011. A case involving the alleged killing of nine farmers in South Sumatra and Lampung Provinces is now being investigated by the Indonesian Parliament. Similar human rights violations are taking place on a daily basis in the archipelago. In 2011 alone, the farmer's union counted 20 deaths due to land conflicts in Indonesia. The government routinely prioritizes large-scale, export-oriented production over the needs of local growers and consumers. The financial crisis has accelerated this dramatic land grab as farmland is now seen by the finance industry as a considerable source of returns.

But, instead of protecting local farmers from massive evictions, the Indonesian government is further opening the doors to foreign investors. In the framework of the East Asia World Economic Forum that took place in 2011 in Jakarta, the chairman of the Indonesian chamber of commerce Suryo Bambang Sulisto announced that 14 transnational companies including Cargill, Monsanto, Syngenta, Bunge and ADM, had signed a partnership agreement with the government to increase food productivity in Indonesia. But now they are facing other problems. Uncertainty about commodity prices has increased tremendously since 2007. Whether they are producing for export or for the local market, prices have become unpredictable.

Prices of inputs such as seeds, fertilizers and energy have become very volatile, making it impossible for local farmers to assess the production costs. For farmers, price instability and volatility are worse than simply low prices: It makes it virtually impossible to plan what to grow in the coming season, what products they can buy, and so forth. There are a number of causes of this volatility, including a lack of food reserves and the arrival of global financial speculators in agricultural markets following the sub-prime crisis.

They are also dealing with a surge of cheap imported products into the domestic market. In village markets on Java island, we now see potatoes and chillies imported from China at a very low price. The minimum production cost of potatoes in those villages is 7,000 rupiah a kilo, but Chinese potatoes are sold at 2,500 rupiah. This discourages farmers from producing, ultimately raising unemployment, encouraging more people to migrate away from rural areas and putting pressure elsewhere in the system, especially in our already stressed urban areas.

For these reasons, we feel that even though farmers constitute almost half the Indonesian workforce, our economic sector is the most neglected in the country. They have the capacity and natural resources to feed the whole country yet they are deprived of their land, and their government has failed to pursue agricultural policies to enable them to continue their vital role. According to the Indonesian government's own figures, 2.16 million farmers had to leave farming in 2011 due to a lack of land and incentives. As one Indonesian farmer said:

In our Indonesian villages, we don't currently talk about any particular "world crisis." We talk about the continuing daily struggle to make a living in extremely harsh conditions.

In the year 2003, farming industries absorbed the majority (46.26%) of working age Indonesians. Yet, their average income is only around IDR 135,000 per month; or IDR 1.6 million per year. From this number, we can conclude that a farmer in Indonesia lives with less than a dollar a day.

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); 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). 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 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. Also based on BPS' statistics, 60 percent of people living below poverty line in the same year were in the rural area 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.

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), suffered greatly from this increase. Widespread public alarm forced the government to reduce soybean import tariff to zero, a short-term 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.

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. 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.

And the national government should take their big responsibility towards the farmers about this condition, prioritizing domestic product is one way to support local farmers condition nowadays. It is expected the government to perform a variety of regulatory policies aimed to protect farmers from international trade competition. Government should give more rights and authorization to local farmers to have their own land instead of giving the big international businesses companies the rights to exploit the land that, at the end, will impact the farmers to lose their source of having money.

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