

## Indonesian Agriculture Sector: Important but Negligible

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**Abstract:** Agriculture sector is very important for Indonesian economy, the sector is not just an economic activity to generate income, it has become a way of life or the livelihood for most farmers in Indonesia. The agricultural sector has both direct and indirect effect on the national economy and has also shown indisputable contribution to the economic progress of the nation. Although, the agricultural sector is considered important, the reputation of Indonesian agriculture sector is not very encouraging. The fate of farmers is still not much changed; the contribution to the national economy is getting smaller while it is still a heavy burden on employment. The government is also fail to maintain rice self-sufficiency and still importing various food commodities from many countries. The failure to achieve the sustainability of food self-sufficiency was possibly caused by mistake and government policy paradigm in looking at the problem of agriculture, agricultural development bias, land degradation and pollution, destruction of ecosystems and the conversion of agricultural land. The solution which should be chosen to solve the problem is to change output market distortion become a real market, the orientation of increased production become the orientation of increased revenue and the dimension of stability target become the dimension of welfare. The politics of agriculture should lead to the provision of a greater portion to handle output subsystem and marketing in which the main target is to increase farmer exchange rate, so that farmers welfare can be improved. It means, for future economic development program, Indonesia cannot ignore the agricultural sector and should make it back as the national economic development priority.

**Key words:** Eexchange rate, agricultural land, national economic, self-sufficiency, Indonesia

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### INTRODUCTION

Should everyone in Indonesia know that agriculture is very important in the life of the nation, even before Indonesia's often touted that Indonesia is an agricultural country. For the majority of the population in the country, agriculture is not just an economic activity to generate income, agriculture has become a way of life or the livelihood for most farmers in Indonesia, so for them, living is farming and farming is life.

The agricultural sector, also until now is a mainstay in the national economy sectors that have direct and indirect role on the economy (Letty and Fitri, 2011). The agricultural sector has a direct role in the national economy through the creation of GDP, providing a source of foreign exchange through export, provision of food and raw materials industries, poverty alleviation, provision of employment and the improvement of people's income. Meanwhile, the role of the indirect effect is through the multiplier in the form of input-output linkages among industries, consumption and investment.

Bustanul Arifin mentioned that agricultural development in Indonesia has also shown indisputable contribution. Increased in crop productivity through high yield varieties, production surge in livestock and fishery

have been proven to overcome the problems of hunger in the last 4 decades. Moreover, Bustanul Arifin mentioned that plantation and agro-industry development had, also been able to deliver on the economic progress of the nation to improve export performance and to absorb labors. Agriculture also provides a spectacular new prospects, it is a promising for bio-diesel and-fuels that will replace fossil fuels for the future. Agriculture also has great potential as bio-pharmacy for the development of pharmaceuticals, cosmetics and supplements. Based on Kementerian Pertanian Republik Indonesia, the role of agriculture sector will increase in the future with the development of technology and the reduction of non-renewable resources, namely agriculture became the foundation for an increasingly diverse food supply (food), increasing feed (feed) and alternative energy (fuel).

The agricultural sector becomes more important because as the island nation with a vast land area, so the majority of the population's livelihood was on the agricultural sector, so it is natural if almost all areas in Indonesia is still based on agriculture. This is related to relatively abundant natural resources and excellent climate that make agriculture has a high competitive advantage and make agriculture could not be abandoned.

Of the various arguments mentioned earlier, it can be concluded that agricultural sector in Indonesia is very

important because of the diverse and the large potential of natural resources, the sizable contribution to the national income, the magnitude of the population depended on agriculture, as well as being the basis of growth in the rural area (Hanani, 2003). Moreover, the agricultural sector is a source of growth for the economy of Indonesia, in particular in terms of farmers prosper, providing food, as a primary means of distribution of development to address the income gap among communities and the gap among regions, inputs for the development of agro-industries, generating foreign exchange and provide employment, as well as an increase in national income (Kwik, 2002).

### **AGRICULTURE HAS NOT BEEN EXHILARATING**

Although, the agricultural sector is considered important as outlined earlier, the reputation of Indonesian agriculture sector is not very encouraging. The agricultural sector is not too reliable to cover national needs, the fate of farmers is still not much changed, even though the order and regimes have alternated many times, product quality cannot be improved and contribution to the national economy is getting smaller while the agricultural sector is still a heavy burden on employment Didik J. Rachbini.

For food products, based on Wikipedia and Kliping CyberMedia, Indonesia has succeeded in achieving self-sufficiency in food (read: rice) where in 1984, President Soeharto received an award from the FAO for the achievement of self-sufficiency whereas before Indonesia had become the number one rice importer in the world. But, this success is not sustainable and the government even failed to maintain rice self-sufficiency, thus since about the mid-1990s, Indonesia became the importer of rice, along with the onset of the decline of rice production. In the 1990s, Indonesia has again become one of the world's largest rice importers. Even according to the 1998 data, Indonesian import rice has come close to half of the world's rice production. Until now, the issue of rice imports has been a matter of debate and often becomes political commodity. Meanwhile for the year 2012, until August 2012, based on Sistem Pertanian Terpadu, the number of imported rice has reached 1,033,794.255 tons. While now, rice, maize, wheat flour, soy and salt are the top 5 agricultural commodities imported. In addition, based on *Pertani Sahabat Setia Petani* and *VIVAnews*, 85% of all horticultural products consumed by Indonesian people are imported products. Based on the Indonesian Central Bureau of Statistics, Indonesia imports at least 28 food commodities ranging from rice, corn, soybeans, wheat, flour, chili peppers, tobacco and cassava (Medan, 2013).

The failure to achieve the sustainability of food self-sufficiency was possibly caused by mistake and

government policy paradigm in looking at the problem of agriculture. During the new order, the government was too focused on the technical agriculture, such as disseminating high technology, fertilizers, pesticides and insecticides, mechanization and so on but the government forgot to pay attention to the aspects of farm management.

The orientation of agricultural politics, at that time was trended just for facilitating input distribution and input prices and preferred to the production and stability. Consequently, the subsystem of output and the marketing of agricultural products became neglected, so that the farmer's income could not be increased. At that time, the government was also considered careless and too happy with the achievements so ignored the sustainability. In addition, the government was also tempted by the high-tech industry program in hopes to make Indonesia become a developed country. Unfortunately, both of them were not achieved. Developed countries with high technology industries, as desirable could not be realized while agricultural production, especially food production, even became degenerate.

If the new order government more focused on production and procurement issues and relatively disregarded input farm management, marketing aspects and output subsystems in the reform era, the government does not even have a clear program on agriculture, including technical problems in agriculture which were concerned in the new order era.

It could also be said that the high import food commodities as described earlier was associated to the bias of agricultural development which was too focused on paddy and rice in the past where most of the innovation and the programs of agricultural technology development focused on paddy and rice, so that innovation and development of technologies for the other agricultural products was running very slow even lagging (Agroindustri, 2012). As a result, Indonesia was not able to provide sufficient non-rice food products, so the shortfall was filled by a variety of imported food. Currently, even worse where the government becomes less focus on the development of rice production, so that for the future, national food security may be threatened.

Apart from the issue of agricultural development which has been changed many times in line with the regime change in government, the welfare of farmers (rice) is never increased significantly, ranging from the time of the old order, new order, up to the present moment from Indonesia became the largest importer of rice when self-sufficiency achieved and when Indonesia again be one of the biggest importers of rice, even until now when it is debatable whether Indonesia still remains to import rice or has been self-sufficient.

In other words, the results of agricultural development may not be necessarily able to seep down and are unable to raise the welfare of farmers as expected (Letty and Fitri, 2011). The poverty rate in rural areas is still large and farmer exchange rates remain unbalanced by the non-agricultural economic activities. Some claimed that it is because there has farmers only used as a source of exploitation and into political capital. May be this opinion is correct because it is based on history, since colonial times, Indonesian farmers burdened with various charges, taxes and so forth. At the time of the new order, the various policies carried out to boost rice production in order to realize the availability of food. The achievement of food security was seen more as a political perspective rather than for the welfare of the community because the success of the new order changing from the country which was importing rice mostly to be a self-sufficient country for rice, actually did not make farmers more prosperous (Medan, 2013). In the days of the old order, the farmer became one of the political tools of the Communist Party of Indonesia to build a new power base to seize power. Indonesian Communist Party promised to give farmers a variety of facilities to their farm on the condition that they must be members of the Indonesian Communist Party. As a result, many farmers who became a member of the party, so that later because of ignorance and poverty, they became victims when there was clash involving the Indonesian Communist Party and the government.

So, it can be said that until now, farmers and agriculture are still not encouraging and Indonesia still have a fundamental problem. These problems include:

- The welfare of farmers and fishermen are still low and their level of poverty is still relatively high
- The level of agricultural labor productivity is still low and far below the workers in the industrial sector
- The bargaining position of farmers still weak and institutional at the farm level is also weak
- Land business scale is getting narrower, so that income of most farmers is insufficient and this condition makes inhibition of the increase in Indonesian agricultural production
- The limited access of farmers to the important agricultural inputs such as funding and capital
- Technology dissemination is still a problem and extension management is weak that result in low productivity and added value
- Many problems in marketing agricultural products and limited access to marketing them
- The low level of education of farmers which result in a very low ability of their farms
- Traditional technology is still used because culturally, most of farmers still consider farming activities as routine life that it must be followed

In addition to the earlier internal factors, external factors also affect the appearance of the agricultural sector among others:

- The macro-economic policy which is sometimes lacking in support of the development of agriculture
- The world economic crisis, including Indonesia
- Agricultural protection by developed countries
- The effect of international regulations are packaged in a variety of organizations in which Indonesia is a member of those organizations
- The government is not committed earnestly to build the agricultural sector which is supposed to become a top priority of national development which is characterized by a lack of government support for farmers including funding, management and motivation to farmers
- The distribution of agricultural production factors are not running properly

For growth and contribution to the national economy, the average growth in agriculture and manufacturing during the period 2001-2011 of 3.42 and 4.6% while the average of national economic growth in the same period of 5.33%. Furthermore, the publication showed that the agricultural sector in the 1980's and 1990's had become prima donna, however now the growth and contribution of this sector is getting down whereas the agricultural sector is still very necessary because many people depend on this sector.

For 2009, agricultural sector growth was still reach 4% while in 2010, the growth was only 2.9% and in 2011, grew as much as 3.4%. The growth of agricultural sector which is only about 3% is a very small number compared to the large budget prepared and this number is far below the growth of agricultural sector in the early of 80's which was up over 5.5% or just relatively equal to the growth of agriculture in the beginning of the new order in the 1970's.

For agriculture-industry linkages, Indonesia's development strategy seems to be correct, namely the agricultural sector plays a role, as the support of the industrial sector which includes the agricultural sector placed as a supplier of raw materials for the industrial sector.

For such conditions, it would be appropriate if the growth of the industrial sector is the overflow of economic surplus of agricultural sector. Indeed, it looks like the industrial sector is growing fast and the contribution of agriculture to the national economy is declined but the industrial sector is not able to absorb labor in accordance to the growth rate, so that the agricultural sector remains the dominant sector in

absorbing labor. Based on the Indonesian Central Bureau of Statistics in Serba (2013), the Indonesian labor structure was still dominated by the agricultural sector as much as 42.76%. While the sectors of trade, hotels and restaurants of 20.05% and processing industry of 12.29%. For the year 2012 up to August, labors in the agricultural sector reached 38.8 million or nearly 33% of the total national workforce. These data also demonstrate the important role of agriculture as a sector where the majority of Indonesian workers earn income while the contribution of agriculture to the economy even decline. For 2012, the agricultural sector contributed only 0.51 of 6.23% of total economic growth and contributed to GDP of 14.4%.

Besides the declining of the contribution and growth, the other agricultural problem is the low productivity. Based on infobanknews.com and Neraca.co.id, in the last 14 years the average agricultural productivity grew just under 1% year<sup>-1</sup> whereas in the previous 2 decades, agricultural productivity grew on average by 2.4% year<sup>-1</sup>. This fact should be a stark warning to the government because it can threaten food security, given that the average population growth in Indonesia has reached 1.5% year<sup>-1</sup> which means that agricultural productivity is 0.5% lower than the average growth of the Indonesian population.

Besides paradigm fault, issue of the political orientation of agriculture, government policies and agricultural development bias, other things that cause the decline in the contribution of agriculture are land degradation and pollution, destruction of ecosystems, as well as the conversion of agricultural land.

### **SOLUTIONS AND STRATEGIES**

In accordance the various problems encountered, then the solution should be chosen is to reorient agricultural development objectives, in which the output market distortion should be changed to be a real market, the orientation of increased production becomes the orientation of increased revenue and the dimension of stability target becomes the dimension of welfare. Furthermore, the politics of agriculture should lead to the provision of a greater portion to handle output subsystem and marketing in which the main target is to increase farmer exchange rate, so that farmers welfare can be improved. Indeed, improving the welfare of farmers is more suitable to be used as an indicator of agricultural development success. To make sure the improvement of farmers welfare, agricultural sector is needed to be revitalized as a whole including the improvement of agricultural infrastructure, land reform policy, fair pricing policies, the increment of seed production at affordable prices and handling post-production, as well as improvement of access to agricultural credit and proper credit services. Once agriculture was chosen to be one of

the pillars of development, the focus of attention of all sectors should, also be directed to the development of agriculture.

### **CONCLUSION**

No matter how severe of Indonesian agriculture problems but the agricultural sector of Indonesia could not be abandoned and could not be considered unimportant. Indonesia has a huge potential in the development of agribusiness and agribusiness should be made, as a leading sector in the national development. That is why the agricultural sector is very appropriate to be declared, as a sector that is very important for Indonesia as a whole, so for Indonesian economy, agriculture will remain important and can not be abandoned. Therefore for future economic development program, Indonesia cannot ignore the agricultural sector and should make it back as the national economic development priority. When agriculture was selected to be a pillar of development, then it should be the focus of attention of all sectors and all sectors should, also be directed to support the development of agriculture in the broad sense.

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