

# Economic Obstacles, Challenges and Strategies of Organic Farming in Java

Organic farming is perceived as a necessary food system transition and an answer to eminent societal changes. Organic farming continues to develop in Indonesia, and in recent times has become an agriculture method that is supported by the government. The sustainability of organic agriculture is related to the various motives that influence the decision of producers (farmers) to switch from conventional agriculture to organic farming, as well as the decision of consumers to consume organic food products. One of the sessions in the First IndOrganic Workshop in Yogyakarta in December 2017 discussed the economic aspects of organic farming. There are 2 themes discussed in the economic session, namely: 1) the profitability of organic agriculture and its economic sustainability, and 2) the hopes and opportunities for organic farming in the future. This briefing note aims to document the narratives that developed during the First IndoOrganic Workshop specifically related to the aspects of challenges, opportunities and strategies for the development of organic agriculture in Indonesia from an economic perspective.



## TOPICS

- Conditions to Support Organic Farming
- Future of Organic Farming

## INDORGANIC

IndORGANIC is a German Indonesian interdisciplinary research project that aims to investigate the potential of organic farming in Indonesia in general and in Java more specifically. The project is funded by the German Federal Ministry of Education and Research and based at the University of Passau, Germany. IndORGANIC cooperates with three institutions in Indonesia, the Universitas Atma Jaya in Yogyakarta (UAJY), the Institut Pertanian Bogor (IPB) and Alliance Organic Indonesia (AOI). AOI is an umbrella organization for organic agriculture in Indonesia.



## Awareness

Awareness of the importance of organic agriculture is the foundation for the sustainability of organic farming. The decline in soil fertility and land productivity due to the use of chemical substances have continually opened the awareness of some farmers to switch to organic farming as an effort to revitalize land, increase productivity and produce healthier food products. The transition to organic farming requires a new mindset, especially related to the complexity of implementing organic farming compared to conventional agriculture.

In the group discussion it was revealed that farmers who are oriented towards the preservation of ecological balance and healthy lifestyles, are more resilient and do not quickly despair when going through the transition from conventional to organic farming. Furthermore, it is proven that they not only enjoy higher selling prices than conventional agricultural products, but also bear lower production costs because the land no longer requires expensive chemical intake and farmers can utilize the available biodiversity around the land. However, organic farming needs more labor inputs, and if these costs are accounted for, organic farming may not necessarily come with lower production cost.

Organic farming in Indonesia faces a number of challenges. First, the limited land ownership of farmers. Second, awareness of the importance of organic farming is not evenly distributed among farmers and farmer groups. This causes the narrow agricultural land with organic treatment to be surrounded by conventional agricultural lands. Third, the limited knowledge and skills of farmers, so it is not easy for farmers to apply organic farming methods without technical assistance from experts. In this case, the role of the government agricultural service, agricultural extension agencies, non-governmental organizations and various stakeholders is needed to provide integrated organic farming training, and intensive assistance based on the needs of farmers during the transition period from conventional agriculture to organic farming. Therefore farmers are more receptive toward insights and knowledge of new innovations, become more skilled, confident and increasingly understand the importance of organic agriculture for the sustainability of farming.

## The Existence of a Growing Market

The price of organic agricultural products in Indonesia is determined by market forces. The government does not intervene in determining product prices of organic produce at the producer or consumer level. Currently organic agricultural products (rice, vegetables and fruit) are sold at premium prices, and the majority of which are consumed by upper middle income groups in urban areas. On the one hand, the high price of organic agricultural products can be an incentive for the economic sustainability of organic farming. The high price of organic agricultural products indicate: 1) economic value and high benefits for consumers, and 2) the gap between demand and supply due to unsustainable supply from farmers, making them unable to meet market demand quotas.

Lack of consumers' knowledge on labeling and packaging of organic products could trigger sellers' opportunism by taking advantage of premium prices and the image of organic products as more nutritious food than conventional agricultural products. On the other hand, consumer misunderstanding about organic agriculture can also lead to skepticism when comparing the higher prices for organic products to the lower prices of conventional agricultural products. Thus, organic farming that is oriented only to the market and only to business profits has the potential of backfiring, which would undermine the foundation of the organic farming movement.

In the group discussion, it was revealed that there was a price gap between producers (farmers) and the retail market due to the long supply chain, and the formation of non-transparent market prices. In this regard, a fair market is needed by building an inclusive market. An inclusive market is a market based on farmer communities (farmer organizations) that allows equal partnerships between farmers and marketers. This can begin with strengthening the institutional community of farmers through farm management, farm business analysis and an integrated cropping system. The establishment of an inclusive market allows for the creation of a shorter marketing chain to connect producers and consumers, the formation of more transparent and fair prices, easy access to markets, symmetrical information for consumers about organic food, thus fostering widespread trust in the community regarding healthy food products. The establishment of a trusted healthy food market (organic treatment) is a condition to support the economic profitability and sustainability of organic farming.

## Communication Forum

Collaboration between organic farmers is an important key in the movement of organic farming. The collaboration enables the consolidation of farmers in solving problems that cannot be addressed individually and the complexity of adopting organic agriculture. Communal production of organic fertilizer or the provision of production inputs in a farmer group makes the cost per unit cheaper. Collective product sales can improve the bargaining position of farmers. The existence of a communication forum between farmer groups enables the exchange of information and knowledge, so as to improve the skills of farmers and become agents of the application of organic farming technology. The risks of implementing organic farming can also be better managed if they are addressed collectively through consolidation of farmers. Further consolidation of farmers that is strengthened through the establishment of farmer organizations will open farmers' access to capital, insurance and certification. Thus the consolidation of farmers based on needs not only creates efficiency, but can also increase productivity, income and welfare of farmers. Synergy between organic organization networks involving all components of the organic farming community, comprising of farmers, consumers and various stakeholders would strengthen the organic farming movement in Indonesia to be sustainable.

## Government Support

The main issue highlighted in the group discussion related to government support is the policy of Establishment of Sustainable Food Agricultural Land (PLP2B – *Penetapan Lahan Pangan Pertanian Berkelanjutan*). The PLP2B which is stated in the regional planning document (RTRW-Regional Spatial Plan - and RDTR-Spatial Detail Plan) will provide certainty of legal land usage status, so as to ensure no conversion of productive agricultural land to any other kind of land usage (for industrial, housing, commercial, infrastructure or other purposes). Furthermore, it is hoped that monitoring of the implementation of policies and law enforcement will be carried out to maintain productive agricultural land.

The second issue is the role of the government in encouraging and mobilizing young people to engage in organic farming. In this case a government policy that is pro-organic farmers is needed through training and mentoring programs, providing facilities and incentives for start-up business in agriculture to attract the younger generation in this sector.



## Method

An impulse statement was raised: "are there certain conditions that must be fulfilled for organic farming to be economically profitable and sustainable?". Group discussions were carried out with 8-3-4 method. Workshop participants were divided into 8 groups. Each group discussed and agreed on 3 ideas related to the impulse statement, and wrote 3 ideas in 3 flipcharts separately. Then the three flipcharts were handed over to the next group, where they discussed and wrote their comments on ideas written by the previous group. This process is continued for 4 rounds. The result is 24 ideas/opinions with 4 comments on each idea.

## Result

Results of the group discussion summarize the 5 conditions that must be met for organic farming to be economically profitable and sustainable, namely: 1) building awareness of the importance of organic agriculture, 2) the existence of a growing market, 3) the formation of organic agriculture communication forums, 4) government support, and 5) natural resources and biodiversity.





## Natural Resources and Biodiversity

Most farmers in Java are engaged in small farming, and are members of a farmer group. However, only a few farmers are motivated to apply organic farming. The concept of organic farming for small farming is relevant in the initial stages of conversion. Furthermore, an effort is needed to develop a social system that is oriented towards attitudes and behaviors of preserving nature and the surrounding environment. In the long run, as organic farmers and rural communities gain awareness and more knowledge on environmentally friendly farming activities, the production can be increased by the SRI (system rice intensification) model. Thus organic farming is applied in groups in one stretch, to form an organic area system.

The second aspect is related to land resources is the need for land revitalization efforts to restore soil fertility naturally. The efficiency and profitability of organic farming can be achieved if farmers cooperate to prepare their own organic fertilizer and pest control measures by utilizing the available biodiversity resources in the surrounding environment. Workshop participants stated that ultimately organic farming is not just running a farm using natural inputs, but it must be the management of rural environmental systems that are oriented to the process of environmentally friendly agricultural cultivation. Farmers also need to fulfill their

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## The Future of Organic Agriculture

The workshop discussion highlighted that the high prices of organic products were caused by two things. First, the absence of a fair and transparent market for organic products. Second, the certification of organic products is suspected to be the factor that causes the difference in prices of organic products. Discussions in the workshop revealed that certification is a necessity for organic markets that are oriented to a broad market, where information is asymmetrical. However, certification of organic products is not a necessity for limited market-oriented farming, where consumers can directly connect with producers (farmers) and information becomes relatively more symmetrical. All discussion groups agreed that a healthy lifestyle should apply to all levels of society in the future. The problem that arose in the group discussions is how to build a market to absorb products during the conversion period. In this case farmers need support from the local government, organic activists, non-governmental organizations, even private companies through CSR (Corporate Social Responsibility) programs to build inclusive markets that are community-based with the label of healthy food products. All groups argued that there must be a difference in the prices of organic and conventional food products, as an appreciation to farmers who are willing and have put effort on producing healthy food products for the community.