



Received: 11-06-2023
Accepted: 21-07-2023

ISSN: 2583-049X

The Urgency of Developing Agricultural Insurance as a Protection Strategy for Farmers in Jember Regency

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Abstract

Indonesia is known as an agricultural country, so agriculture plays an important role in the production sector. In addition, the agricultural sector is a buffer for food sources for the community, a source of national income, creates employment opportunities, a source of investment, and generates foreign exchange for the country. On the other hand, businesses in the agricultural sector are faced with quite high risks of uncertainty and farmers have so far been bearing the risks themselves. So, the state has an important role as a counterbalance to the needs of the people in general, because it relates to the joints of life that must be maintained by the state based on the provisions of Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution of the Republic of Indonesia. The agricultural sector has a strategic role in the economy of Jember Regency, the strategic role of agriculture is illustrated through a real contribution in the provision of food, industrial raw materials and bioenergy, as well as environmental preservation through farming practices. In line with the economic development goals of Jember Regency, namely realizing economic growth that leads to improving the

quality of life of the people. The challenges for future agricultural development in Jember Regency include how to meet food needs, improve and build land and water infrastructure as well as seeds and nurseries, increase productivity and added value of agricultural products, open access to agricultural financing with low interest rates for farmers, strengthen productive economic business institutions in rural areas, striving to achieve the "Sustainable Development Goals (SDG's)". Agricultural insurance can be a solution to tackling unpredictable climate change. Through this agricultural production insurance, of course, it will have a positive impact on farmer's life, because the benefits obtained can protect agricultural businesses. Agricultural insurance as a protection strategy for farmers, aims to protect farmers from crop failure losses. Farmers, especially rice farming, can transfer the risk burden they bear to third parties by insuring their business which is known as Rice Farming Business Insurance (AUTP) so that farmers can focus on better, safer and more profitable farming management.

Keywords: Urgency, Agricultural Sector, Farmers in Jember Regency

1. Introduction

The agricultural sector is faced with a fairly high risk of uncertainty and farmers have been bearing this risk themselves.¹ The state has an important role as a counterbalance to the needs of the people in general. This relates to the joints of life that must be maintained in a balanced manner by the state based on the provisions of Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution of the Republic of Indonesia. The agricultural sector has a strategic role in the economy of Jember Regency, this strategic role of agriculture is illustrated through a real contribution in the provision of food, industrial raw materials and bioenergy, as well as environmental preservation through environmentally friendly farming practices. The various strategic roles of agriculture are meant to be in line with the economic development goals of Jember Regency, namely realizing economic growth that leads to improving the quality of life of the people.

The challenges for future agricultural development in Jember Regency² include how to meet food needs, improve and build land and water infrastructure as well as seeds and nurseries, increase productivity and added value of agricultural products,

¹ Sukirno, Sadono. 2006. *Ekonomi Pembangunan Proses Masalah dan Dasar Kebijakan*. Jakarta: Penerbit Kencana.

² Dinas Perumahan Rakyat Kawasan Pemukiman Dan Cipta Karya Kabupaten Jember, *Peninjauan Kembali RTRW Kabupaten Jember Tahun 2020*. Jember: Dinas Perumahan Rakyat Kawasan Pemukiman Dan Cipta Karya Kabupaten Jember, 2020.

open access to agricultural financing with low interest rates for farmers, strengthen productive economic business institutions in rural areas, creating an effective agricultural extension system, cultivating the use of chemical and organic fertilizers in a balanced way to improve and increase soil fertility, seeking adaptation to climate change and environmental preservation, striving to achieve the "Sustainable Development Goals (SDG's)" which among others end all forms of poverty, achieve food security, improve nutrition and promote sustainable agriculture.

However, business activities in the agricultural sector are always faced with a high risk of uncertainty³. Besides the risk of uncertainty in market prices, natural disasters, climate change, which every farmer must bear the risk, these conditions affect the production of agricultural products.⁴ One of these risks is the uncertainty often faced by farmers, namely crop failure which results in decreased crop production and even crop failure and the risk of price fluctuations so that farmers' income decreases or suffers losses. So, it is very necessary to have a system that can minimize the risks or threats and uncertainties that occur in the agricultural sector, especially rice farming effectively and efficiently.

Empowering farmers and the food security system is part of public policy, then the implementation of this policy is a form of protection for farmers from the risk of uncertainty, the government makes policies as a way to compensate for crop failure through agricultural insurance.⁵ Agricultural insurance can be the best alternative in an effort to minimize risks and uncertainties in agricultural sector businesses. Insurance is offered as a way to divert the risks faced by farmers, such as crop failure, through funding.

Agricultural production insurance is one of the strategies pursued based on Article 7 paragraph (2) letter g of Law Number 19 of 2013 concerning Protection and Empowerment of Farmers (hereinafter abbreviated as UU P3). The law, among other things, regulates 2 (two) main things that the Government needs to achieve in order to empower and protect farmers. In Article 37 it is found that the Regional Government has the authority and obligation to protect farming. In addition, the Ministry of Agriculture also stipulates the implementation of agricultural insurance through Minister of Agriculture No. 40/Permentan/SR.230/7/2015 concerning Agricultural Insurance Facilities.

Agricultural insurance can be a solution to tackling unpredictable climate change⁶. Agricultural insurance is actually not a new thing in the agricultural sector, several countries in India and Iran have implemented this program

to protect farmers. The benefits of agricultural insurance are to protect farmers from crop failure due to natural disasters, attacks by plant-disturbing organisms, outbreaks of infectious animal diseases, the impact of climate change, and/or other types of risks.

The agricultural insurance program is very helpful for farmers to anticipate crop failure during the harvest season. What is interesting to examine is from the various sets of laws and regulations, policies and even programs that have been made, but there is a fundamental question related to the government's strategy through agricultural insurance whether it is appropriate and successful in providing protection for farmers.

The role of the government through its policies in guaranteeing crop failure is contained in the Regulation of the Minister of Agriculture Number 40/ /SR.230/7/2015 concerning agricultural insurance, that most businesses in the agricultural sector are small-scale agricultural businesses, in the development of businesses in small-scale agriculture are faced with risks caused by, among others, natural disasters, attacks by plant-disturbing organisms, outbreaks of infectious animal diseases, and/or the impact of climate change, that to mitigate these losses it is necessary to obtain protection through the facilitation of agricultural insurance. Departing from the background of these problems, the formulation of the problems to be examined in this study are: 1). What is the urgency of developing agricultural insurance as a protection strategy for farmers ? and 2). How to protect farmers through agricultural insurance ?

2. Methodology

This research is oriented towards dogmatic and theoretical content, with the type of research using two methods, namely normative juridical. Which refers to the interpretation of anticipation, namely research to answer a legal issue based on a rule and equipped with empirical research for normative analysis. The research approach used is a conceptual approach, a statutory approach and an approach that examines the perceptions and legal behavior of people (humans and legal entities) that occur in the field.

3. Discussion

3.1 The Urgency of Developing Agricultural Insurance as a Protection Strategy for Farmers

Indonesia as a developing country is an agricultural country which plays an important role in the production sector. The role of the agricultural sector includes providing a source of food for the community, a source of national income, opening employment opportunities, a source of investment, and a source of foreign exchange when agricultural products are exported to other countries.⁷ This can be seen from the large role of the agricultural sector in the economic system in Indonesia. The contribution of the agricultural sector to gross domestic product is around 20% and of Indonesia's 280 million people, around 150 million people make a living from the agricultural, food crop, fishery, livestock, plantation and forestry sectors.⁸

³ Insyafiah dan Indria Wardhani. 2014. *Kajian Persiapan Implementasi Asuransi Pertanian Secara Nasional*. Kementerian Keuangan: Pusat Pengelolaan Risiko Fiskal.

⁴ Siska Brilliant Ramadhanty dan Surya Hadi Kusuma, *Penentuan Faktor-Faktor Prioritas Pengembangan Kawasan Agropolitan Komoditas Unggulan Tanaman Pangan Padi di Kecamatan Balung Kabupaten Jember*, Jurnal Teknik ITS Vol. 10, No. 2, (2021), h.212-217.

⁵ Quaye, Frederick Murdoch. 2016. *Effects of Multiple Risks on Farm Income and Willingness to Pay for Agricultural Insurance: A Case Study of The Greater Accra Region in Ghana*. International Journal of Economics and Finance; Vol. 8, No. 6; 2016.

⁶ Woro Estiningtyas, *Asuransi Pertanian Berbasis Indeks Iklim: Opsi Pemberdayaan dan Perlindungan Petani Terhadap Risiko Iklim*, Jurnal Sumberdaya Lahan Vol. 9 No. 1, Juli 2015; 51-64.

⁷ C. E. Pantouw, R. J. Poluan, dan O. H. A. Rogi, "Analisis Pengembangan Kawasan Agropolitan Rurukan Di Tomohon," *J. Spasial*, vol. 5 No.3, 2018.

⁸ Karwan A Salikin, *Sistem Pertanian Berkelanjutan*, PT.Kanisius, Yogyakarta, 2003, h 38.

Agriculture is already included in the life of farmers, so that it is not only seen from the economic aspect, but social and cultural aspects, aspects of belief and religion as well as aspects of tradition all play an important role in the actions of farmers. However, from an agricultural economic point of view, the success or failure of farmers' prices and production levels obtained by farmers for their production is a factor that influences the behavior and life of the farmers themselves.⁹

On the other hand, businesses in the agricultural sector are faced with a fairly high risk of uncertainty and farmers have so far borne this risk themselves.¹⁰ The state has an important role as a counterbalance to the needs of the people in general. This is related to the wheels of the economy which should be maintained in a balanced manner by the state based on the provisions of Article 33 paragraph (2) of the 1945 Constitution which states that:

"Production branches which are important for the state and which affect the livelihood of the people at large are controlled by the state" and (3) stated that "Earth and water and the natural resources contained therein are controlled by the State and used for the greatest prosperity of the people"

The agricultural sector is a sensitive element in people's economic life because fluctuations in availability and prices will have implications for other related sectors.¹¹

This sector includes food crops, livestock, horticulture, plantations, fisheries, and forestry, in 2003 absorbing 46.3% of the total labor force, contributing 6.9% of the total value of non-oil and gas exports, and contributing 15 % of the national Gross Domestic Product (GDP). The agrarian or agricultural sector is one of the main engines in the development of the people's economy.

Based on data from the Central Bureau of Statistics (2016), the agricultural sector contributes 13.52% to the Gross Domestic Product (GDP) and remains the mainstay of employment in Indonesia. In addition, the contribution of the agricultural sector to state export revenues also increased sharply by 21.97% (Central Bureau of Statistics, 2018).¹²

The agricultural sector plays an important and major role in the provision of food to achieve food security in the context of fulfilling the right to food. Indonesia is one of the areas with a very high frequency of natural disasters or "disaster-prone" areas. A number of natural disasters often occur which include volcanic eruptions, earthquakes, tsunamis, floods, droughts, and so on. Business activities in the

⁹ Mubyarto, *Pengantar ekonomi pertanian*, LP3ES Jakarta, 1989, h. 34.

¹⁰ Insyafiah dan Indria Wardhani, *Kajian Persiapan Implementasi Asuransi Pertanian Secara Nasional*, Laporan Penelitian, Kementerian Keuangan Badan Kebijakan Fiskal Pusat Pengelolaan Risiko Fiskal, Jakarta, 2014, h. 1.

¹¹ Andre Budiman Panjaitan, *Tinjauan Yuridis Pelaksanaan Asuransi Pertanian di Indonesia Setelah Pemberlakuan Undang-Undang Nomor 19 Tahun 2013 tentang Perlindungan dan Pemberdayaan Petani*, Skripsi, Program Sarjana, Fakultas Hukum Universitas Gadjah Mada, Yogyakarta, 2014, h. 1.

¹² Belinda Azzahra dan I Gede Angga, *Solusi Inklusif Layanan Asuransi Mikro Terintegrasi Sektor Pertanian Dalam Mencapai SDG 2030*, Agropross, National Conference Proceedings of Agriculture Doi: 10.25047/agropross.2022.313.

agricultural sector will always be faced with a fairly high risk of uncertainty.¹³

Broadly speaking, the problems that occur for farmers are divided into three, namely the first geographical aspect, Indonesia has the potential to be affected by natural disasters. Second, aspects of government policy, where government policies are not pro-farmers and third, aspects of government programs such as subsidies for both seeds, fertilizers and agricultural credit interest which are not on target, and the RPJMN target has never been achieved.¹⁴ In this case, government policies through protection programs for farmers are needed, to maintain food stability and farmers' losses caused by uncertain events.

According to Iturioz,¹⁵ agribusiness value chain risks are as described in Table 1.

Table 1: Agribusiness Value Chain and Risk

Stakeholders	Risk
Government	Budget Risk or Social Stability
Financial institutions	Credit Risk
Supplier	Sales Volume or Product Increase
Distributor	Sales Volume or Product Increase
Farmer	Production Risk or Income Risk
Processor	Lack of Raw Materials or Interruptions Business

Source: Iturioz (2009)

Agricultural insurance is insurance¹⁶ that can be categorized as new insurance, where previously there were several countries that had implemented agricultural insurance as an effort to maintain food security in the country. Because the aspects of agricultural insurance regulated in the Farmer Protection and Empowerment Law can be in accordance with the target and the benefits can be felt by farmers. Agricultural Insurance is a form of protection for farmers, through an agreement between the farmer and the insurance company to bind themselves to the risk coverage of farming, especially rice farming.¹⁷ Farmers, especially rice farming, can transfer the risk burden they bear to third parties by insuring their business which is known as Rice Farming Business Insurance (AUP) so that farmers can focus on better, safer and more profitable farming management.

¹³ Sahat M. Pasaribu, *Penerapan Asuransi Usahatani di Indonesia: Alternatif Skenario Melindungi Petani dan Usaha Tani*, Laporan Penelitian, Pusat Sosial Ekonomi dan Kebijakan Pertanian melalui Badan Litbang Pertanian, Jakarta, h. 1.

¹⁴ Biro Analisa Anggaran dan Pelaksanaan APBN – SETJEN DPR-RI, http://www.dpr.go.id/doksetjen/dokumen/apbn_Permasalahan_Dan_Upaya_Peningkatan_Produktivitas_Pertanian20140821143024.pdf, diakses pada tanggal 1 Mei 2023

¹⁵ Iturioz, R. (2009). *Agricultural Insurance. Primer Series on Insurance*, Issue 12. US: The World Bank.

¹⁶ Audriene, Dinda. 2017, 20 November. *Membaca Asuransi Pertanian di Tangan Jasindo*. (Online) <https://www.cnnindonesia.com/ekonomi/20171120093212-84-256780/membaca-masa-depan-asuransi-pertanian-di-tangan-jasindo>

¹⁷ Adolof, Ronny. (2018, 29 November). HARA, *Menjembatani Kesenjangan Akses Pembiayaan Petani lewat Teknologi Blockchain*, <https://zonautara.com/2018/11/29/hara-menjembatani-kesenjangan-akses-pembiayaan-petani-lewat-teknologi-blockchain/>

Insurance for farming can be a solution to tackling unpredictable climate change. Farming insurance is actually not a new thing in the agricultural sector, several countries in India and Iran have implemented this program to protect farmers.¹⁸ In Indonesia, farming insurance is better known as agricultural insurance which is regulated in the Law on the Protection and Empowerment of Farmers.

This is solely for increasing productivity as the key to increasing farmers' income, therefore the rebuilding of research and assurance systems for additional farmers is very decisive.¹⁹ However, what needs to be clarified is that what is meant by agricultural insurance in the a quo law is agricultural production insurance in the farming guarantee system. For this agricultural production insurance, pilot project activities have been carried out in several areas such as Gresik and Palembang Regencies.

The Indonesian government started to conduct agricultural insurance trials by showing PT. Asuransi Jasa Indonesia (hereinafter abbreviated as Jasindo) as an insurance service provider since 2012–2015. The existing insurance product, namely Cattle Livestock insurance (hereinafter abbreviated as AUTS), was tested since 2012 and received good response from various groups. As for Rice Farming Business Insurance (hereinafter abbreviated as AUP) it was introduced and implemented since the 2012/2013 planting season (MT). However, since 2015 the government has focused even more on developing AUP because rice is a national strategic commodity that is very vulnerable to climate change and the risk of crop failure²⁰.

The Indonesian government through the Ministry of Agriculture issued Minister of Agriculture Regulation No. 40 of 2015 concerning Facilitation of Agricultural Insurance which is technically limited to AUP. The Ministry of Agriculture explained the agricultural insurance funding scope is in the form of an agreement between the insured and the insurer which aims to provide protection to the insured in the event of crop failure due to pest and OPT attacks, drought or flood risk. AUP is a government program under the Ministry of Agriculture through the Director General of Agricultural Infrastructure and Facilities (PSP) in partnership with PT.

There are several categories that are regulated and can be covered in insurance, that is:²¹

1. Fire hazard.
2. The danger that threatens agricultural products that have not been harvested.
3. The soul of one or more people.
4. The danger of the sea or the danger of slavery.
5. Transport hazards on land, in rivers and inland waters.

The concept of insurance which is mutual help by providing compensation to insurance participants is also regulated in Islam. In insurance, the current takaful concept is a concept based on a business transaction agreement in the form of

mutual help that makes all participants a big family who bear each other in the face of risk, known as sharing of risk. The Insurance Law regulates in general about insurance in Indonesia. Agricultural insurance is regulated in the Commercial Law Code in CHAPTER X in articles 299, 300, 301. In Indonesian legal theory there is the principle of *Lex Specialis Derogat Legi Generalis*, namely legal rules that are specific in nature will override legal rules that are general in nature.²²

Agricultural insurance in various studies and implementations that have been running since 2015 has focused on funding in the form of working capital to protect rice and livestock farming (cattle/buffalo). The implementation of agricultural insurance is a mandate from law number 19 of 2013 concerning the protection and empowerment of farmers, article 37 paragraph (1) which reads:

“The Government and Regional Governments in accordance with their authority are obliged to protect farming activities carried out by farmers in the form of agricultural insurance”.

In the mandate, agricultural insurance is carried out to protect farmers from crop failure losses due to natural disasters, attacks by plant-disturbing organisms, outbreaks of infectious animal diseases, the impact of climate change, and/or other risks regulated by the Ministerial Regulation.

3.2 Protection of Farmers Through Agricultural Insurance

With regard to the implementation of agricultural insurance, Sumaryanto and Nurmanaf²³ describes the key elements that determine the effectiveness, operational viability and sustainability of an agricultural insurance system that includes:

1. Target Farmers

The purpose of the target farmers here is whether the target is aimed at certain farmers based on the category according to the scale of the business, their participation in credit institutions, cultivating status, and so on. In the case of rice farming in Indonesia, it seems more appropriate not to sort it according to the scale of the business, its participation in a credit institution or the status of cultivation. If it is focused on farmers with a certain business scale, it will be counterproductive to the approach taken in implementing the basic basic structure as discussed above. If the focus is on farmers who are associated with certain credit institutions, it is estimated that an efficient business scale for agricultural insurance will not be achieved because empirically the participation of farmers in credit institutions is very small. Meanwhile, if it is focused on farmers with a certain cultivating status, it will actually be constrained by empirical conditions in the field, namely: generally, transactions of cultivated status (rent, profit sharing) between sharecroppers - land owners are not formal in

¹⁸ Insyafiah dan Indria Wardhani, *Kajian Persiapan Implementasi Asuransi Pertanian Secara Nasional*, Laporan Penelitian, Kementerian Keuangan Badan Kebijakan Fiskal Pusat Pengelolaan Risiko Fiskal, Jakarta, 2014, h. 1.

¹⁹ Rosegrant M. W. dan Hazell, P. B., 2005, *Prioritas Masalah Pertanian di Indonesia*, Indonesia Policy Briefs, Caran Corporation for USAID, Jakarta.

²⁰ Mustika, M. (2018). *Analisis Sikap dan Kepuasan Petani terhadap Atribut Asuransi Usahatani Padi di Kabupaten Karawang Jawa Barat* [Tesis]. Institut Pertanian Bogor (ID).

²¹ Pasal 247 KUHD.

²² Budiono Kusumohamidjojo, *Teori Hukum Dilema antara Hukum dan Kekuasaan*, (Bandung, Penerbit Yrama Widya), h. 57.

²³ Sumaryanto, dan Nurmanaf, A.R., *Simpul-simpul Strategis Pengembangan Asuransi Pertanian untuk Usahatani Padi di Indonesia*. Forum Penelitian Agro Ekonomi, Vol. 25 No. 2, Desember 2007, h. 89-103.

nature; and the status of arable land often changes between years, even between seasons, so it is counterproductive to efforts to efficiency the administrative costs of agricultural insurance. In addition, it is also counterproductive to the manifestation of the basic structure of agricultural insurance as discussed above. Referring to empirical conditions, it seems that what is worth considering as a basis for determining target farmers is a combination of administrative areas and irrigation management areas; or certain areas programmed by the government as protected agricultural areas (related to the strategy for controlling the conversion of paddy fields).

2. The Scope of Farming Commodities

Commodity coverage here is whether it covers all commodities or only certain commodities. Based on empirical conditions, it seems more feasible to develop agricultural insurance on certain commodities, especially rice. This is related to the fact that: commodity characteristics have implications for farming risk, and for the initiation stage of development, single commodity agricultural insurance is more appropriate because agricultural insurance is very complex.

3. Insurance Coverage

In this context, the main issue is the substance of the problem regarding the value of the guarantee and the determination of losses. The factors that are taken into account in the value of the guarantee and the determination of losses are usually related to the chance of a claim meeting the requirements and the farmer's ability to pay a premium which is linked to the compensation enjoyed by the farmer to continue the farming being carried out. Theoretically, calculations about the range of collateral values and determining losses can indeed be obtained from the results of empirical studies using a survey approach, but accurate calculation results can only be obtained from the results of empirical studies using an action research approach.

4. Premium Value and Collection Procedure

The policy strategy that has been pursued by the government so far in developing rice production has not only succeeded in increasing national food security, but on the other hand has also resulted in an increase in farmers' dependence on government assistance. This is inseparable from the position of rice in the national economy which is very strategic so that historically the policy strategy that must be pursued is often difficult to avoid political interests. These facts must be carefully considered in determining the value of the premium as well as the procedure for collecting it.

5. Loss Adjustment Mechanism

The determination of the loss adjustment mechanism must take into account the cost structure faced by agricultural insurance as well as the cost and risk structure of farming with a simultaneous approach. Therefore the form of the selected scheme also determines. Theoretically, the information and data needed in designing a loss adjustment mechanism can be provided from the results of studies using a survey approach, but must be refined through the utilization of information and data resulting from research using a follow-up study approach.

6. Organizational Structure

The organizational structure is related to the selected scheme. If the form of business entity is a BUMN, by itself the issues relating to the aspect of property rights must be adapted to the applicable legal framework. Meanwhile, the substance of the problem relating to jurisdictional boundaries and representation rules must be in sync with the system of government administration adopted. At the operational level, the organizational structure formed must also take into account the existence of institutions at the farmer level that are relevant to the interests of agricultural insurance.

7. Funding Scheme

If the form of business entity chosen is BUMN, then government policies that apply to state-owned enterprises will also apply as a basic reference in the agricultural insurance funding scheme. Modifications may be needed due to the uniqueness of the rice farming insurance system, but these are at the operational level.

8. Re-Underwriting Arrangements

Technically, the reinsurance arrangement has to be decided from the moment the agricultural insurance is to be established. Even so, a number of modifications and improvements are certainly needed along with the increasing amount of information and data resulting from evaluation and monitoring.

9. Communication with farmers

Among the nine key elements that make up the agricultural insurance scheme superstructure, communication with farmers is the most decisive element. Formation of a conducive communication system with farmers requires a comprehensive understanding of the characteristics of an agrarian community. The development of a communication system must pay attention to the implications of the existence of local institutional agrarian communities. It should be noted that the formal approach is not always more effective in achieving the goals given the large number and spread of farmers. If the approach taken is overlapping farmer groups, then strengthening farmer groups is an absolute requirement. In this context, increasing the ability of farmer groups to record farming operations (Farm Record Keeping – FRK) is very necessary because it is very conducive to reducing the operational costs of agricultural insurance. For the long term, the ability and practice of making FRK should not only be at the group level, but down to the farmer level.

In creating a communication system between agricultural insurance companies and farmers, the role of PPL is very strategic. Its role is not only needed to bridge the interests of the insurer with the interests of farmers. The experience gained in carrying out their main tasks and functions in counseling is very conducive to supporting the creation of a rice farming system that is synergistic with the agricultural insurance business for rice farming. Whereas information is the main raw material for decision making, the flow of information (for strategic, tactical, or technical level decision making) between various stakeholders in the agricultural insurance system must be well established and up to date.

There are two types of insurance regulated in the law, namely rice farming business insurance, and cattle/buffalo livestock business insurance. Furthermore, agricultural insurance is also regulated in the Minister of Agriculture Regulation No. 40/Permentan/SR.230/7/2015 concerning facilitation of agricultural insurance. As quoted from the Ministry of Agriculture (Kementan), law number 19 of 2013 in article 39 states that the Government and Regional Governments (Pemda) in accordance with their authority are obliged to facilitate every farmer to become an agricultural insurance participant. Facilities provided to farmers include:²⁴

1. Ease of registration as an insurance participant.
2. Easy access to insurance companies.
3. Dissemination of insurance programs to farmers and insurance companies.
4. Premium payment assistance.

To maximize agricultural insurance, the government also issued regulations governing premium payments, namely Minister of Agriculture Decree No. 30/Kpts/SR.210/B/12/2018 concerning guidelines for insurance premium assistance for rice farming. The Provincial Government is obliged to carry out agricultural insurance to protect farmers from losses due to crop failure through the mechanism of providing agricultural insurance with 100% premium coverage from the government (80% APBN and 20% APBD). The provision of agricultural insurance as referred to is provided in the form of premium assistance by the Provincial Government.

Provision of agricultural insurance is given to farmers who are members of farmer groups or combined farmer groups who carry out farming for strategic superior commodities (Regional Regulation of East Java Province Number 5 of 2015 concerning Protection and Empowerment of Farmers). These Strategic Leading Commodities are regulated in the derivatives of the Governor of East Java Province Regulation Number 26 of 2018 concerning Implementation of Agricultural Insurance, which consists of: Rice, Corn, Soybeans, and horticultural crops.

The agricultural sector is a sector that has a strategic role in the structure of national economic development. Indonesia's agricultural development journey so far has not been able to show maximum results when viewed from the level of welfare of farmers and their contribution to national income. Agricultural development in Indonesia is considered important for the overall national development. There are several reasons why the national development of agriculture has an important role, including the potential for large and diverse natural resources, the share of national income, the large Indonesian population that depends on the agricultural sector, its role in providing food for the community and becoming a growth business in rural areas.

In accordance with Jember Regent Regulation Number 8 of 2021 concerning Position, Organizational Structure, Duties and Functions and Office Work Procedures, the Horticultural Food Crops and Plantation Service, Jember Regency, Jember Regency has the task of carrying out government affairs which are the regional authority in the

agricultural sector as well as assistance tasks assigned to Regent by the Central Government.²⁵

In carrying out the tasks mentioned above, the Horticulture and Plantation Office of Jember Regency, Jember Regency carries out the function:

1. Formulation of technical policies;
2. Policy implementation;
3. Implementation of evaluation and reporting;
4. Service administration implementation; And
5. Implementation of other tasks given by the Regent in accordance with his duties.

Socialization of insurance development for farmers is part of the activities that can be carried out by the Facilities, Infrastructure & Counseling Sector, specifically the Land, Water and Financing Management Section, which has the task of preparing materials for the preparation and implementation of policies, implementation and provision of technical guidance as well as monitoring and evaluation of Land Management, Water and Financing have functions, including:

1. Preparation of materials for the preparation and implementation of policies in the development sector of Land, Water Management and Financing of Food Crops, Horticulture and Plantation;
2. Preparation of land preparation materials, Farming Roads, Production Roads, and Tertiary Irrigation Networks and Quaternary Networks;
3. Compilation of Development, Rehabilitation, Conservation, Optimization and Control of Food Crops, Horticulture and Plantation Land Maps;
4. Preparation of materials for the development of spatial planning and land use for food crops, horticulture and plantations;
5. Preparation of materials for institutional empowerment using water;
6. Implementation of the preparation of standards, guidelines, norms, criteria and procedures for agricultural financing;
7. Implementation of technical guidance on agricultural financing which includes agricultural insurance, access to capital, development of micro-agribusiness financial institutions and warehouse receipts;
8. Compilation of evaluation guidance materials and reporting on the application of agricultural financing and the development of data;
9. Implementation of other tasks given by the Head of Division in accordance with their duties and functions;
10. Compilation of accountability reports on the implementation of tasks.

Rice Farming Business Insurance (AOTP) Is a program created by the government that aims to protect rice farmers from the threat of crop failure and if a loss occurs, the farmer will get a guarantee of compensation from the insurance company so they can try farming in the next planting season, through materials state-owned farming, namely PT. Asuransi Jasa Indonesia (Jasindo) which was officially chosen by the Financial Services Authority to become the executor of agricultural insurance based on article 38 of Law no. 19/2013 concerning the protection and empowerment of farmers.

²⁴ Pasal 9 peraturan menteri pertanian Nomor 40/Permentan/SR.230/7/2015 Tentang fasilitasi.

²⁵ Rencana Strategis (Renstra) Dinas Tanaman Pangan Hortikultura dan Perkebunan Tahun 2021-2026, h 11.

There are several things that can be used as material for consideration in the development of agricultural insurance. The development of agricultural insurance must carefully consider three important aspects that will affect the performance of the insurance system. Those three aspects are:

1. The main goals and main principles of the development of agricultural insurance institutions,
2. Farmers' behavior in facing risk, and
3. Prerequisites that must be met for the operation of an agricultural insurance system.

The development of agricultural insurance must also take into account that theoretically the behavior of most farmers tends to avoid risk (risk-averse behavior). The manifestation is that for a certain level of income, farmers tend to choose to make decisions that have a lower risk, or are faced with a certain level of risk, then the tendency is to expect a higher level of income.

In the Rice Farming Business Insurance (AUTP) using a compensation insurance system. Loss insurance is:

1. An interest that can be valued in money from the insured,
2. Losses that can be suffered by the insured, which must also be valued in money.

Furthermore, according to the Indonesian Insurance Council, the scope of development of the type of insurance business, which in outline is classified as:

1. Commercial Insurance. For this type of insurance business, it is managed by national entrepreneurs, foreign entrepreneurs, a mixture of the two or managed by companies whose capital is owned by the government.
2. Social Insurance. For this type cultivated by the government. All provisions relating to rights and obligations as well as procedures relating to social insurance are regulated in separate laws and regulations.

The existence of the Rice Farming Insurance Program (AUTP) is expected to be able to help rice farmers by making farmers also independent, not only depending on assistance programs so that the Rice Farming Insurance Program (AUTP) is also able to realize the independence of farmers.²⁶ As Gatot Irianto stated that food crop insurance is prioritized because this commodity is sought for poor farmers, has very limited capital, and is vulnerable to climate change. This means that agricultural insurance is aimed more at the government for farmers who have limited capital.²⁷

The consumer protection law does not explicitly state regulations regarding consumer rights to subsidized products, but the provisions of Article 4 letters (a), (f) and (i) can be used as a basis for legal protection for farmers as consumers of subsidized fertilizers.

1. Article 4 letter (a), stipulates that consumers have the right to comfort, security and safety in consuming goods and/or services. This means that in the consumption of fertilizers, farmers must get comfort,

security and safety, but in reality there are still many farmers who complain about the inconvenience of consuming fertilizers.

2. Article 4 letter (f), stipulates that consumers have the right to receive guidance and education. This means that farmers have the right to receive guidance and education on everything related to fertilizer, starting from the regulations or legal basis and its provisions, the procurement system, the distribution system, how the fertilizer is produced itself, how to use fertilizer and its dosage.
3. Article 4 letter (i) consumers have rights regulated in the provisions of other laws and regulations. This means that this article is a bridge article so that the provisions of the law on the protection and empowerment of farmers can also be used as a reference for the rights of farmers granted by law.

In addition to the Consumer Protection Law above, farmers also have other protections provided by the Law, which are contained in the Farmer Protection and Empowerment Law. This law discusses farmers' rights in a clearer and more complete manner.

4. Conclusion

1. Farmers are the lowest chain in the implementation of the government's food security program. It is appropriate for farmers to get a big recognition for their role in the success of the program, one of which is the need for farmers to mitigate the risks that occur in the process of working on agriculture. Risk mitigation in agriculture is very important to reduce the level of losses felt by farmers. For this reason, the role of insurance is needed for farmers in mitigating the risk of losses that occur. Insurance in Indonesia is generally regulated in Law Number 40 of 2014 concerning Insurance (hereinafter abbreviated as Insurance Law), which is a change from Law Number 2 of 1992. As for the definition of insurance that is normalized in the Law, that insurance is an agreement to bind oneself to each other, which is then called the insured party for those who bind themselves, and is called the guarantor for the party receiving the premium.
2. Furthermore, agricultural insurance is also regulated in the Minister of Agriculture Regulation No. 40/Permentan/SR.230/7/2015 concerning facilitation of agricultural insurance. As quoted from the Ministry of Agriculture (Kementan), law number 19 of 2013 in article 39 states that the Government and Regional Governments (Pemda) in accordance with their authority are obliged to facilitate every farmer to become an agricultural insurance participant. Facilities provided to farmers include: 1. Ease of registration as an insurance participant, 2. Ease of access to insurance companies, 3. Socialization of insurance programs to farmers and insurance companies, 4. Premium payment assistance. To maximize agricultural insurance, the government also issued regulations governing premium payments, namely the Minister of Agriculture Decree Number 30/Kpts/SR.210/B/12/2018 concerning guidelines for rice farming insurance premium assistance.

²⁶ Suryani Rezeki Siregar, Marliyah, Rahmi Syahriza, *Persepsi Petani dalam Pelaksanaan Program Asuransi Usaha Tani Padi di Kelurahan AEK Kecamatan Rantau Utara Kabupaten Labuhan Batu*, Jurnal Ilmu Komputer, Ekonomi dan Manajemen, Vol. 2 No. 2, 2022, h. 2655-2665.

²⁷ Irianto, Gatot. "Asuransi Pertanian", dalam Kompas, 29 Oktober 2015, h.4.

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