

PRESS RELEASE

OJK Hosts Discussion on Boosting Stakeholders' Role in Indonesia Organic Farming Development

Financial Services Authority, Bogor, October 4, 2016: To encourage the Sharia banking industry to enter the organic farming sector, the Financial Services Authority (OJK) hosted a two-day Focus Group Discussion (FGD) on the theme of “Boosting the Role of Stakeholders in Organic Farming Development in Indonesia,” October 4-5, 2016, at R Hotel, Rancamaya, Bogor. The FGD objective was to discuss opportunities, challenges and solutions for the problems found in developing organic farming in Indonesia.

The OJK held the discussion as part of its support to United Nation’s Sustainable Development Goals (SDGs) resolution and to implement its own Roadmap for Sustainable Finance. This roadmap has set a vision of sustainable development that focuses on 3 (three) main pillars, namely social, economic and environmental values that were usually called Triple Bottom Line (TBL), which consisted of 3Ps—Profit, People and Planet. Here, a company’s value was not only determined by its profit, but also by social (people) and environmental (planet) aspects. The 3Ps program was later revamped in 2015 into the 5Ps program that included People, Planet, Prosperity, Peace and Partnership.

The FGD event was led in person by OJK Deputy Commissioner for Banking Supervision I Mulya E. Siregar and attended by 45 (forty five) participants from the OJK, scholars, Sharia banking practitioners as well as organic farming institutions and communities.

Seven resource persons were present as speakers for the Discussion; they were Nahum Wanda, an organic farming activist who described his experience in organic rice cultivation; Faisal Arif from Sucofindo (an Indonesia superintending company) who explained the process for, and the importance of organic rice certification given by organic certification agencies (LSO) accredited by the National Accreditation Committee (KAN); Stella, PT Bloom Agro operational manager who shared about the company’s organic rice exports to the United States and European countries and the prospect of international organic farming markets; Gardjita Budi, Head of the Food Security Body of the Ministry of Agriculture, who explained government policies on organic farming development; Adrian Wishnu from insurance company PT Asuransi Jasa Indonesia (Jasindo) who described insurance schemes for the agricultural sector as part of the efforts to mitigate crop failure risks; Walesa Danto, Director of PT Limakilo Maju bersama Petani who shared about breakthroughs in farm produce marketing that had cut off the distribution chain in order to improve farmers’ welfare by utilizing digital information technology, and Prof. Lilik Soetiarso, Dean of the Agricultural Technology Faculty of Gadjah Mada University who disclosed results of

the organic farming studies conducted in 4 (four) locations, namely South Kalimantan, South Sumatera, the Special Region of Yogyakarta and East Nusa Tenggara.

The FGD produced a conclusion that organic farming development is highly potential in Indonesia, in terms of both supply and demand. The Sharia banking industry could play a role in supporting the development by providing various financing schemes suitable for the farmers' situations.

Micro-scale or small-scale farmers in the process of turning into organic farmers need to have assistance in the form of *al-qardhul hasan* financing (benevolent loans), the funds for which could come from Corporate Social Responsibility (CSR) resources. During transition period from non-organic cropping pattern to the organic one, there should be experts who provide on-site assistance to farmers.

Farmers who do not belong to micro or small categories, whose production have achieved economies of scale and qualify for receiving commercial loans, may be granted financing in forms of *salam* (forward financing), *murabahah* (cost-plus-profit or trade-based financing), *mudharabah* or *musyarakah* (profit and loss sharing) schemes. Organic-certified farmers can enjoy lower risk premiums following calculations of the financing cost.

Financing to the organic farming sector can be provided for production as well as marketing activities, including export activities. To create demands or to expand the market, there should be continuous efforts to educate and disseminate information to the public on the importance of healthy food that comes from organic produce.

At the end of the Discussion, Mulya E. Siregar stated that development of organic farming in Indonesia was similar to marathon, which takes much time and energy, so the country should prepare the next generation to take the "relay stick."

For more information:

Mulya E. Siregar, Deputy Commissioner of Banking Supervision I

Tel: +62 21 29600228, email: msiregar@ojk.go.id, www.ojk.go.id