



## Bridging crop insurance and agri-finance to benefit Indonesian farmers



Climate change has affected domestic agricultural productivity including rice, the main strategic crop in Indonesia. Compared to other countries in Asia where rice is also the staple food, rice consumption in Indonesia is the highest. With annual average per capita consumption of about 102 kg, Indonesia surpasses Malaysia (80 kg/cap/yr), Thailand (70 kg/cap/yr), Japan (50 kg/cap/yr), and Korea (40 kg/cap/yr). Hence, maintaining the production level of rice remains a national top priority to ensure food supply for people and welfare of farmers as producers. The impacts of climate change on rice production are associated with the occurrence of floods and droughts that may decrease crop yield. These two situations then may increase pest and disease infestations.

Crop insurance is declared by the Government of Indonesia as a way to protect farmers from yield loss in the Law No. 19 issued in 2013 on “Protection and Empowerment of Farmers.” Rice insurance is necessary to address such risks and considered as one of the agricultural funding schemes related to the distribution of risk in farming activities. The government has appointed PT Jasa Indonesia (Jasindo), a state-owned insurance company, as operator to provide insurance services for rice farmers. As part of the 3<sup>rd</sup> Chapter of the Indonesian Economic Policy, the Ministry of Agriculture (MoA) through PT Jasindo has implemented a rice crop insurance programme since November 2015 where farmers are required only to pay a self-paid premium of Rp.36,000 (20%) while the rest of Rp.144,000 (80%) is paid by the government. Up to December 2016, the actualisation of rice crop insurance reached only 30 percent of the targetted rice planting area, i.e., 1,000,000 hectares per year.



Figure 1:  
Head of Branch of PT Jasindo explained rice crop insurance programme to farmers attending the BRIA Indonesia Expo on 9 March 2017



Figure 2:  
Director of Financing Facilities and Crop Insurance, MoA and PT Jasindo visited BRIA farmers and local government in Hamparan Perak sub-district, North Sumatra, Indonesia, on 10 March 2017

To contribute to rice crop insurance, BRIA has organised a series of meetings, especially to provide feedback to the government from a field implementation perspective, starting with the BRIA Indonesia Expo held early this year, followed by a subsequent field visit made by the Director of Financing Facilities and Crop Insurance, MoA. Currently, information is still lacking regarding the subsidised insurance programme.

Besides insurance, farmers also need access to bank loans. Theoretically, these two components can be synchronised because insurance policy can be considered as loan collateral. PT Jasindo and financial institution (BRI) can be integrated within the same frame as core BRIA interventions to improve farmers' livelihoods. However, this idea needs further agreement among the three institutions - MoA, insurance company and bank. Therefore, a meeting

was conducted at provincial level among the Department of Agriculture, Jasindo, Bank of Indonesia, and GIZ on 11 April in Medan, North Sumatra. This was followed by the second meeting at national level, attended by Director of Financing Facilities and Crop Insurance; Head of Business and Partnership Division of BRI; Head of Marketing, Agriculture & Micro Business of PT Jasindo; and GIZ on 13 April in Jakarta. The integration of rice crop insurance and loan access with data base system support from GIZ has begun to be nationally developed.

Pending the new updated regulation, BRIA has proposed a pilot test to implement rice crop insurance in a more efficient way, but under the existing law. The BRIA database would be used as a best tool to gain accurate data about farmer's profile, rice field location, and other information. These valid data are important to ensure accuracy and credibility of data for farmers. To turn the plan into action, BRIA recently organised a Focussed Group Discussion (FGD) in Medan on 5 July, followed by a meeting with 200 farmers in Sirapit sub-district, Langkat, North Sumatra on 7 July. The FGD was attended by PT Jasindo to socialise rice insurance advantages and mechanism, and MyCrops Indonesia as integrated agri-commerce platform company. According to the results of the FGD, farmers are required to be well informed about rules and regulations for registration, verification, and claim processes to avoid misunderstanding and disappointment. After the FGD, farmers were registered collectively to join the rice crop insurance programme and are still looking forward to the bank's confirmation to provide loan access to the insurance policy holders.

Rice crop insurance programme requires cooperation with related stakeholders such as universities, farming community, development organizations, et al. in order to ensure better socialisation so it can be better known to most farmers. In future, proper data collection methods with digital technology apps need to be considered as well as technology assistance using satellite imaging to monitor the affected areas by flood or drought or pests and diseases so that cost of insurance claim survey can be reduced.

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Figure 3:  
Meeting with Director of Financing Facilities and Crop Insurance, PT Jasindo, BRI at the Ministry of Agriculture, Jakarta, on 13 April 2017



Figure 4:  
Community meeting in Sirapit sub-district, Langkat, North Sumatra, on 7 July 2017, to widely introduce rice crop insurance, with some 100 farmers subsequently joining the insurance programme