
**The Empowerment Of Sugar Cane Farmers
In Lundo Village Through *Syariah* Based Cooperation**

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Abstract

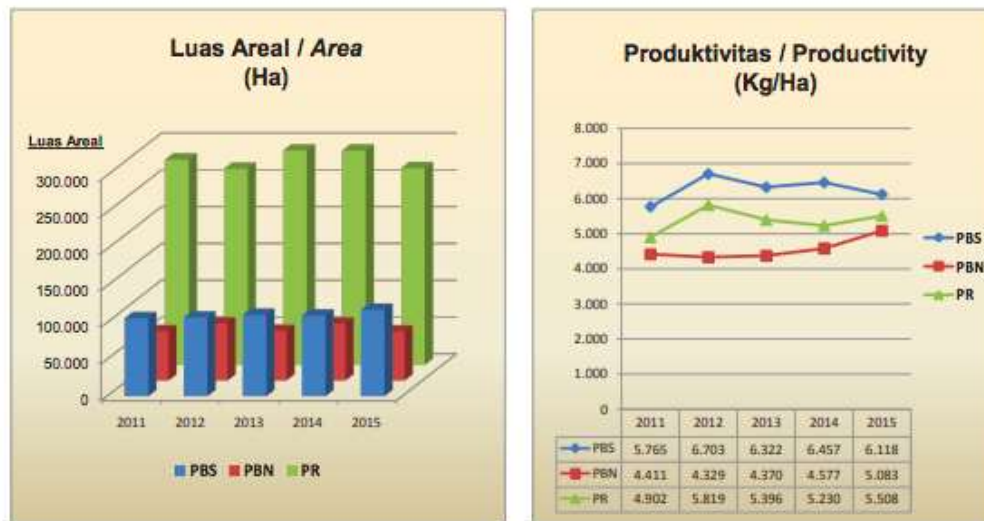
*Lundo Village residents in Pati Regency mostly work as sugar cane farmers, where 60% of the total village area was sugar cane farming land. However, many of the sugar cane farmers were still in a state of economic limitations. Nearly 40% of the sugar cane farmers were below the poverty line. Various problems faced by sugar cane farmers consist of: very limited capital access, unavailability of fertilizer on time, inability to master the postharvest technology, not having access to agricultural resources, and having a low bargaining position. In addition, farmers acquired one year to wait for sugar cane to be ready to harvest. To solve this problem, it is necessary a mechanism for managing sugar cane farming in Lundo Village. The solution initiated was through the establishment of a *Syariah*-based Sugar Cane Cooperative. The cooperative was expected to be able to become a forum for sugar cane farmers and sugar cane laborers to integrate all sugar cane farming activities based on *Syariah* principles. In order to realize the cooperative, activities are carried out through training with interactive lecture methods and intensive mentoring until the Cooperative formed. The *Syariah* sugar cane cooperative was built with the expectation of empowering sugar cane farmers and could be a role model for other regions.*

Keywords: *Farmers Empowerment, Syariah Cooperative, Sugar cane Farming*

INTRODUCTION

Sugar cane farming in Indonesia is not new case as when the period of forced cultivation, sugar cane was one of the obligatory commodities. In 2013, the area of Indonesian sugar cane plantation was 470.94 thousand hectares, then increased in 2014 by around 0.37 percent or became 472.68 thousand hectares. However, the area of Indonesian sugar cane plantations decreased to 455.82 thousand hectares or decreased by around 3.57 percent in 2015. While, the production of sugar cane (sugar equivalent) reached 2.55 million tons in 2013 and increased by 0.86 percent in 2014 to 2.58 million tons. But then,

the sugar cane production came to a decrease by 1.57 percent or to 2.53 million tons in 2015 (Sub Directorate of Plant Crop Statistics, Statistics Center, 2015). Data from the Statistics Center provides evidence that there is a decrease in land and sugar cane production each year. Various reasons underlied the case, including many farmers who switched to planting other commodities, and even lost their land cause of settlement land.



Description: PBS (*Perkebunan Besar Swasta*/Large Private Plantation), PBN (*Perkebunan Besar Nasional*/Large National Plantation), PR (*Perkebunan Rakyat*/Citizenry Plantation)

Figure 1: Land Size of Sugar cane Plantations and Productivity Level of Sugar cane Plantations in Indonesia in 2011-2015

Figure 1 provides information that sugar cane farming land is still dominated by smallholder plantations. However, unfortunately the productivity of smallholder plantations is still considered low under privately managed plantations. This indicates that dependence on smallholder plantations on national sugar production still dominates. Therefore, the government, universities, and the general public should pay attention to the management of sugar cane plantations.

Not much different from the conditions of sugar cane farming in Pati, Central Java. Pati is such of the largest sugar cane producing center in Central Java. Indonesian Plantation Statistics Data on Sugar cane Commodities indicates that Pati had 11,697 Ha of sugar cane planting area in 2015. It was the largest land, which was as much as 22% of the total land spread in Jawa Tengah. From that area, the 3,358 farmers were able to produce around 50,500 tons of sugar cane each year.

Lundo Village is located in Jaken District, Pati Regency, Jawa Tengah province. Pati Regency is geographically adjacent to the Java Sea in the North, Rembang Regency in the East, Blora Regency and Grobogan Regency in the South, as well as Kudus Regency and Jepara Regency in the West. This regency carries the motto of *Pati Bumi Mina Tani* as the population mostly work as farmers either farmers in fields, gardens or in pond. Most of the residents in Lundo Village work as farmers and laborers in sugar cane plantations as well. The sugar cane farmers manage agricultural land by 60% of the entire area of Lundo Village. However, most of the sugar cane farmers are still in low economic condition even many of them live below the poverty line.

The findings of Suyono's study (2008) in Pemalang District indicates that sugar cane farmers face very complex problems, including very limited capital, unavailability of fertilizer on time, inability to master postharvest technology, having no access to agricultural resources, having a low bargaining position, and very limited land share. In line with a study of Lestyani *et al* (2012) in Kendal District which concluded that the high cost of land rent, the high rate of capital of sugar cane farming, and the long budget cycle caused farmers to be reluctant to plant sugar cane. These problems further encouraged the importance of empowering sugar cane farmers in Indonesia. According to Hanani *et al.* (2012), one of the efforts that can be done to empower sugar cane farmers is through strengthening the role of cooperatives.

There had already been established a village unit cooperative or called *Koperasi Unit Desa* (KUD) in Lundo Village, however in fact the KUD is inactive anymore. The lack of education and training about cooperatives made the previous KUD stopped. Moreover, the cooperative also did not completely focus on potential sectors such as the management of sugar cane plantation. Responding to these problems, the researchers initiated to conduct training activities and the establishment of Sugar cane Cooperatives based on *Syariah* Economic Principles in Lundo Village.

The objective of this program was to educate the public regarding the benefits and management of cooperative. Then through the mechanism of sugar cane *syariah* based cooperatives, it will be more effortless for the sugar cane farmers to get fertilizer, capital loans without usury which will not burden them, and the sale of sugar cane to cooperatives. Thus this community empowerment program is expected to improve the welfare of sugar cane farmers in Lundo village in long term.

LITERATURE REVIEW

Definition and Cooperative Purpose

Cooperative is a business entity consisting of individuals or cooperative legal entities, in which the activities are carried out based on cooperative principles as well as the people's economic movement applying family principle-based. Cooperative aims to enhance the members and society welfare, and also to help the national economic building, in order to realize an advanced, equitable, and prosperous society based on Pancasila and the Constitution of 1945.

Syariah Cooperative

Syariah Cooperative is a cooperative business entity that runs its business with the principles of *Syariah*. The *Syariah* cooperative values are:

- *Shiddiq* reflects honesty, accuracy and accountability.
- *Istiqamah* reflects consistency, commitment and loyalty.
- *Tabligh* reflects transparency, control, educative and communicative
- *Amanah* reflects trust, integrity, reputation and credibility.
- *Fathanah* reflects professional, competent, creative, innovative ethos.
- *Ri'ayah* reflects the spirit of solidarity, empathy, caring, awareness.
- *Mas'uliyah* reflects responsibility.

In the *Syariah* Cooperative, looking for profits by applying interest for the members is not allowed.

Syariah Cooperative Principles:

1. Membership is voluntary and open
2. Decisions are determined by deliberation and carried out consistently and consequently (*istiqomah*)
3. Management is carried out transparently and professionally
4. The distribution of the remaining proceeds is carried out fairly, according to the size of the business services of each member
5. Providing capital compensation is limited and professional according to the profit-sharing system

6. Honest, trustworthy and independent
7. Develop human resources, economic resources and information resources optimally
8. Establish and strengthen cooperation among members, between cooperatives and with and or other institutions.

The transaction in cooperative *Syariah* including:

- a) Strong buying and selling between the seller and the buyer where the seller's price agreement states the purchase price and the buyer knows the seller's profit, this transaction is known as *Bai Al Mudharabah*.
- b) Sale and purchase of parallel performed by third parties, for example the first party orders a raw material in to the *Syariah* Cooperative, while the *Syariah* Cooperative orders those raw materials from the first producer. The cooperative pays it first, after it has been submitted to first party and they pays it in cash or in installments, this financing is known as *Al Bai Istishna*.
- c) If the Cooperative pays the down payment, it is known as *Bai 'Salam*

RESEARCH METHODS

This qualitative research used descriptive analytical method. The research object was Lundo Village, Pati Regency, Central Java, Indonesia. This study focused on: (1) how the method of empowerment the community of sugar cane farmer in the Lundo village?; (2) how the process of *Syariah* cooperative formation in the Lundo village?; (3) how the application of *Syariah* principles in the Sugar Cane Cooperative in the Lundo Village? The data was obtained through interviews technique and focused on group discussions with sugar cane farmer, the government of village, Chairperson of *Badan Permusyawaratan Desa* (Supervisor of Village) and the expert of cooperatives and *Syariah* finance institutions. Besides, the secondary data obtained through documentation technique. The data and information obtained then were analyzed through descriptive analysis.

RESULTS AND DISCUSSION

The problem faced by almost all the sugar cane farmers in Lundo Village was management of sugar cane farming. But there has been no attention from the central and

village government to overcome this problem. Various problems faced by cane farmers in Lundo Village are:

1. Low level education and knowledge related to the management sugar cane plantation.
2. The limited capital they have, most of them choose to take debt to middleman with very high interest.
3. There is no access to sale sugar cane directly to sugar factory, as a consequence the farmer choose to sale their commodity to middlemen with price low.
4. Farmers have not dealt with post-harvest technology, so they directly sale their unsorted sugar cane.

Training and mentoring formation of Cooperative applying *Syariah* principle can resolve this problem.

3.1 Formation Stages of *Syariah* Cooperative

Steps for realizing the formation of *Syariah* Cooperatives are implemented through some stages, they are :

STAGE I: Providing the material about the *Syariah* cooperative system and *Syariah* principles in general.

STAGE II: Providing the material about cooperative management starting from preparation (capital, fertilizer supply), harvest (supply of sugar cane labor, quality control) and post-harvest (marketing and distribution to factories).

STAGE III: Conducting cooperative management simulation and promotional simulation involving farmers and village government in collecting members and member meeting simulations.

STAGE IV: Forming cooperative through meeting member, then forming administrators, and preparation of AD / ART.

STAGE V: strengthening *Syariah* principle through intensive training to the administrators



Figure 2: Submission material to residents and the village government

4.2 Discussion

The first stage was providing the material through interactive lectures. The material presented was about the points of cooperative and *Syariah* principles in the development of cooperatives. The second stage was providing material of cooperatives management. The concept of *Syariah* cooperatives was management, principles, product forms and others. After doing the presentation of the material, the next activity was the discussion session and questions-answer with participants for ensure all over participants understand material that has been delivered.

The third stage was simulating cooperative management and good promotion simulation through offline media or through social media as a cooperative publication tool to collect members of the cooperative. The following activity was the sharing session on issues in the management of sugarcane farming. The next was meetings regarding on the sustainability of the formation program Sugar Cane Cooperative with *Syariah* Economic Principles. The last stages was ways to strengthen cooperative management with *Syariah* principle toward the Cooperative administrators.

4.3 The Concept of Sugarcane Business of *Syariah* based Cooperatives

The sugarcane business of *syariah* based cooperative is a place for village officials, sugarcane farmers and sugarcane laborers to integrate all sugarcane farming activities. All activities are based on Islamic law principles. The main focus of the cooperative certainly

emphasizes sugar cane farming. All forms of sugarcane farming management are part of cooperative policies.

The members of cooperative are parties that are related to sugarcane farming. Members of cooperatives are village officials, sugar cane farmers, and sugar cane laborers. The village officials are expected to be a cooperative management. Sugar cane farmers and sugar cane laborers are part of active members who are expected to be able to bring the cooperative scheme to life. There are requirements for cooperative members themselves in their recruitment, including:

1. Jobs related to or related to sugar cane farming
2. Priority will be or is in the business of sugarcane farming

Members of cooperatives as Management of cooperatives, the conditions include:

1. A member of a cooperative
2. Having experience in the field of sugar cane / cooperatives.
3. Having honesty, dedication in developing cooperatives.

The form of cooperative capital is an important part of cooperative management. Capital is needed to finance cooperative businesses and organizations. Business capital consists of investment capital and working capital. The following is the capital scheme of the sugarcane business of *Syariah based* cooperative.

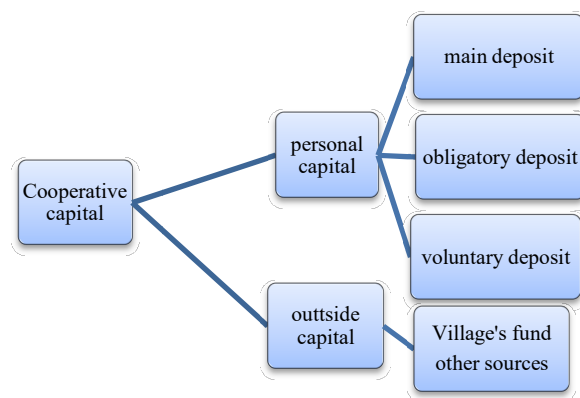


Diagram 1. The Capital Scheme of Sugarcane Business of *Syariah* based Cooperative Information :

1. Member's main deposits: the same amount of money, which each member must pay to the cooperative when entering into membership.
2. Obligatory deposits are the certain amount which is not always similar, which must be paid by the member to the cooperative in the certain period.

3. Voluntary Deposits are deposits that are not determined by a member can be taken at any time. Voluntary deposits are like savings.

This form of voluntary savings has two types of characters, including:

- a. The first character is a deposit fund called *wadi'ab* and is taken at any time. deposit (*wadi'ab*) is divided into two types, namely *wadi'ab Amanah* and *wadi'ab Yad dbomamah*.
- b. The second character is investment, which is intended for business interests with profit sharing mechanisms (*Mudharabah*) both Revenue Sharing, Profit Sharing and profit and loss sharing.

4. Village funds are contributions from the village as a condition for the establishment of BUMDES. KUT *Syariah* can be said to be BUMDES if 51% of its capital comes from village funds.

5. Another source is the income from capital originating from sources other than the three major capital of cooperative capital above. Capital can come from the results of cooperation with various parties.

The sugarcane business cooperative reflects the form of *syariah* cooperatives, one of which lies in its products. This cooperative product is indeed like other cooperatives, especially Islamic cooperatives, what distinguishes it is the potential sugarcane sector is the main part. The following are the products of the *Syariah* sugarcane business cooperative.

1. Capital

Capital here provides a form of capital to members of the cooperative. This cooperative product is expected to be able to overcome the problem of capital constraints experienced in the management of sugar cane farming. The following types of capital include:

a. Cash capital

Cash capital in accordance with *mudharabah* principles. The cooperative strives to provide funds to sugarcane farmers in the management of sugarcane farming. Funds are adjusted to the submission, requirements and feasibility. Because based on the *mudharabah* principle, the users are sugarcane farmers or sugarcane farmers, giving profit sharing from their business according to the first contract. Agreement of *akad* is arranged in a Membership Meeting.

b. Capital of raw materials or supplementary materials for sugarcane farming

Raw materials include sugarcane seeds. Complementary ingredients include sugarcane, Za and Urea fertilizer. This capital is based on the principle of buying or selling. Consists of two types of contracts:

- a. Strong buying and selling between the seller and the buyer where the seller's price agreement states the purchase price and the buyer knows the seller's profit, this transaction is called *Bai Al Mudharabah*.
- b. Parallel buying and selling conducted by 3 parties, for example party 1 ordered the desired raw material to syariah cooperatives and Syariah Cooperatives ordering from the place of sale of raw materials. The cooperative pays it in advance, after it has been submitted to party 1 and party 1 pays it in cash or in installments, this financing is called *Al Bai Istishna*. If the Cooperative pays it upfront, it is called *Bai 'Salam*.

2. Marketing

The cooperative provides a forum for sugarcane farmers to sell their sugarcane, the cooperative as an intermediary between farmers and sugarcane factories. The cooperative gets compensation as compensation and party 1 knows it.

3. Services to provide sugarcane slash labor

The cooperative also makes a forum for sugarcane workers to obtain sugarcane cutting services from cooperative members who need it, and vice versa members of the cooperative can get sugarcane cutting workers through cooperatives. Contract based on margin, the amount of margin agreed at the beginning.

CONCLUSIONS

Based on the situation analysis, it can be identified various problems faced by sugarcane Farmers in Lundo Village, Jaken District, Pati Regency. These problems include weak human resources and management of sugarcane plantations that are still conventional and not integrated. Based on the results of the analysis, it was then solved with a community empowerment program through training and mentoring in the establishment of a sugarcane business of *syariah* based principle. The success and follow-up of this program will certainly still require intensive assistance from various parties including the parties and the government and the education world. Therefore, in the future it is expected that there will be continued activities of this program. The advanced training is better if you engage stakeholders from the government and the private sector to directly participate in the

program so that the sugarcane business of *syariah* cooperative can improve the community welfare.

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