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JURIDICAL URGENCY STUDY OF AGRICULTURAL INSURANCE IN INDONESIA

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ABSTRACT

Agriculture is still the dominant sector for Indonesia, so that should get more attention from the government. One aspect that must be considered is to protect farmers from the risk of loss. With the issuance of Law No. 19, 2013 shows the seriousness of the government to protect farmers' losses. Agricultural insurance a solution to protect farmers. Learning from the various countries that have done so, it is not difficult for the Indonesian government to devise a formula that is exactly how the agricultural insurance scheme can be applied in Indonesia.

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INTRODUCTION

Technically business activities in the agricultural sector will always be faced with the risk of uncertainty is quite high. Risks include the uncertainty of the level of crop failures caused by various natural disasters, such as floods, drought, and pests and diseases due to global climate change, in addition to the risk of market price uncertainty. Uncertainty and risk of this extremely enable farmers to switch seek other commodities that have high economic value with less risk of failure. If this is allowed to be continued, it is feared will affect the stability of national food security, in particular the production and availability of staple food rice.

Agricultural insurance is offered as one of the funding schemes related to the division of risk in farming activities. Agricultural insurance is not a new term in the agricultural sector in many countries, especially in developed countries who have used the insurance policy instruments for maintaining agricultural production and protect farmers. With agricultural insurance, the production process can be maintained to follow the recommendation of good farming. Insurance schemes implementation experiences of developed countries, it is very helpful when applied in Indonesia, although it still needed some adjustments and trials.

Agricultural insurance related to the financing of farming with third parties (agencies / private companies or government agencies) with a certain amount of premium payment (World Bank, 2008). Farmers are facing risks, especially crop failures caused by natural disaster or of pests and diseases. The

uncertainty and the high risks faced by farmers in rice farming activities is also very possible that the farmers will switch seek other commodities that have higher economic value with a smaller risk of failure. If allowed Further, it is feared may have an impact on the stability of national food security. Therefore, agricultural insurance is very important to help farmers from huge losses and ensure that they will have sufficient working capital acquired for insuring farming to finance rice farming in the next season. Insurance rice farming can be an interesting program in relation to global climate change. Insurance also includes not only protection against price fluctuations, but specifically includes risk sharing due to drought, flooding and pest attacks and other external factors, such as landslides, earthquakes, and other political issues.

Several previous studies indicate that the insurance program suitable to be applied in agriculture, especially for rice farming insurance (Nurmanaf *et al.*, 2007) and is a branch of new business for insurance business in Indonesia. Therefore, it is advisable to first do trials (pilot project), before insurance is applied on a wider scale. Such scenarios will test pattern appropriate insurance for rice farming in Indonesia.

Centre Socio-Economic and Agricultural Policy began research on agricultural insurance in collaboration with the FAO (2008). Furthermore, with financing from the state budget, the research carried out intensively through 2010. The results of this study have been published in various media, including as input in agricultural development policy. The results of this study have also contributed to the preparation of guidelines for the implementation of agricultural insurance program.

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Insurance Legal Basis of Agriculture

Implementation of agricultural insurance is a mandate of Law No. 19 of 2013 on the protection and empowerment of farmers article 37 paragraph (1): "The Government and Local Government in accordance with the authority is obliged to protect farming by farmers in the form of agricultural insurance". Agricultural insurance is done to protect farmers from the loss of crop failure due to: a) natural disasters, b) attack plant pests, c) an outbreak of infectious animal diseases, d) the impact of climate change, and / or e) type of other risks set forth in Regulation. Government and Local Government in accordance with the authority is obliged to facilitate every farmer to participate in agricultural insurance. The government's obligation set out in article 39. The facilities include: a) ease of registration to become a participant, b) ease of access to the insurance company, c) socialization insurance program to farmers and insurance companies, and / or d) premium payment assistance. What is meant here is the premium payment assistance payment of premiums to help and educate farmers in agricultural insurance followed with attention the financial capacity of the state?

Under the law number 19 of 2013, it can be concluded that the purpose of agricultural insurance is to provide protection to farmers in the form of working capital assistance in the event of damage to crops or crop failure as a result of natural disaster risk, attack plant pests, outbreaks of infectious diseases, the impact of changes climate, and / or other types of risks. So that the farmers can still do farming, i.e. replanting after crop failure. While the benefits obtained by the farmers after participating in agricultural insurance, among others: a) protect farmers from the financial / funding against losses due to crop failure, b) raising the farmers' position in the eyes of financial institutions to obtain credit farmers, c) stabilizing farm income for their dependents losses from the insurance company in the event of losses due to crop failure, d) increasing the production and productivity of agricultural sector by following the procedure of planting good as a prerequisite to follow the agricultural insurance, e) the insurance is one way to educate farmers to grow crops as well as one prerequisite to follow agricultural insurance.

While the benefits by the Government with the program of agricultural insurance, among others: a) protect the state budget from losses due to natural disasters in the agricultural sector because it has been covered by the insurance company, b) reducing the allocation of funds ad hoc for natural disasters, c) the certainty of allocation funds in the state budget, in the amount of insurance premium assistance, d) in the long term to reduce poverty in the agricultural sector, e) in the long term can increase national agricultural production that are expected to reduce imports.

Farmer empowerment strategies according to Law no. 19 2013 pasal 7, paragraph 3 is done through several ways including: a) education and training; b) extension and advisory services; c) the development of systems and means of marketing of agricultural products; d) consolidation and assurance of agricultural land area; e) the provision of financing and capital facilities; f) ease of access to science, technology, and information; and g) institutional strengthening farmers. Implementation of agricultural insurance is a mandate of Law

No. 19 of 2013 Article 37: "Government and Local Government in accordance with an arbitrary duty to protect farming by farmers in the form of agricultural insurance". According to article 12, paragraph 2, the protection given to the farmer: a) smallholder food crop landless Farming and most comprehensive work on two (2) hectares; b) farmers who have land and do the business of producing food on the land area of 2 (two) hectares; and / or c) horticultural farmers, planters, or small-scale farmers in accordance with laws and regulations. In Article 37 paragraph 2 says that agricultural insurance is done to protect farmers from the loss of crop failure due to: a) natural disasters; b) attack plant pests; c) outbreaks of infectious animal diseases; d) the impact of climate change; and / or e. types of other risks set forth by regulation. So from Article 7 paragraph 2e is inferred the need for derivatives regulation is regulation the Minister of Agriculture that regulates other types of risks in detail and clearly that is covered by agricultural insurance. Besides arranging other types of risks, the proposed minister of agriculture regulation also set criteria for "loss of crop failure" such as what needs to be insured in order to avoid any overlap with the government's obligation to indemnify the crop failure due to extraordinary events listed in Article 7 paragraph 2e. In article 39 paragraphs 1 stated that in order to support the implementation of agricultural insurance, Government and Local Government in accordance with the authority is obliged to facilitate every farmer to become participants of insurance. Amenities include (article 39 paragraph 2): a) ease of registration to be a participant; b) the ease of access to the insurance company; c) socialization insurance program to farmers and insurance companies, and / or d) premium payment assistance. Implementation of agricultural insurance facilities above is regulated by Regulation (article 39 paragraph 3), in this case the Minister of Agriculture.

The Ministry of Finance as the manager of the state budget to support the implementation of agricultural insurance as mandated by Law No. 19 of 2013. As support, the Minister of Finance in food security coordination meeting dated October 29, 2013 in London expressed support for the achievement of increased food production. The forms of support include: a) the provision of specialized agricultural financing schemes that are easily accessible by businesses of agriculture; b) support the implementation of agricultural insurance through the supply / reallocation of the budget for the partial payment of agricultural insurance premiums; c) encourage increased synergy Directorate General of Customs and Excise (DJBC) and agricultural quarantine for the supervision and care of agricultural products; d) maximizing taxation instruments to develop local food production that can be substituted for the consumption of imported food products.

Agriculture Business Risks

The risk of planting in the agricultural sector include risks associated with the cultivation of technical problems cropping and non-technical issues that are difficult to control, such as natural changes, the influence of the environment and global climate change that triggered the attack Pest. Technical risk began planting preparations, including the selection of varieties (varieties of rice, maize, soybean), during planting, harvesting until late. Pest also different kinds of bias between one region and another. The next cropping risk is the risk when entering

the post-harvest technologies is used which resulted in losses of farmers. Risks include the use of post-harvest harvesting tools, deviation to transport all stages of post-harvest handling of this contributes to the risk of yield loss. How to handle post-harvest commodity at the time of determining the amount of risk borne by farmers.

Further risk is the risk when carrying out the distribution and marketing results. Handling the distribution also contains risks that may result in losses, for example in terms of loading / unloading and transportation / supply of transportation. Risks in product distribution become very important if associated with product quality or product competitiveness. In a marketplace integrated ASEAN Economic Community (AEC), which will take effect in the near future, for example, the risks associated with the distribution of the product is very relevant to note. Local products that can dominate the market in the country is estimated to be able to compete with similar products from other countries. In this regard, the preparation of local products needs to anticipate the risk of local distribution. Meanwhile, if it is able to compete, businesses can peek opportunities to penetrate the global market.

Another risk is very important to consider in the decision making of agricultural development in the future is a lesson that can be drawn from the implementation of programs and activities in the policy is concentrated on increasing production of strategic food commodities, namely rice, maize and soybeans. The risk of product availability or scarcity of essential commodities that others can occur because the center of attention and use a lot of resources available to increase the production of rice, corn and soybeans. Lack of management and development of horticultural commodities and other food commodities, for example, will affect the supply of these commodities in the domestic market and will be able to anticipate other countries will open up opportunities to seize Indonesian commodity markets can not provide the quantity / volume sufficient in the local market. Recognizing the risks that arise in increasing food production, future policies need to disseminate for other commodities whose demand is also large enough by domestic consumers. Horticultural products, such as fruits and vegetables should have a place as part of national agricultural development priorities. Likewise with other food crops, medicinal and livestock.

Mandated by Law No. 19/2013 states that central and local governments are obligated to protect agriculture through the organization of insurance. In this regard, the government and farmers need each other an opportunity to address the risk of farming with each providing its resources to improve the performance of the agricultural sector / food in the area concerned. The results of research conducted by the Center for Economic and Social Agricultural Policy since 2008 is quite relevant to the current government policy want protection against agricultural businesses and increased production of the agricultural sector (Pasaribu, *et al.*, 2009a; Pasaribu, *et al.*, 2009b)

Protect Farmers of Risk of Loss

Protecting farm is something that is much needed by farmers. Amid great challenge for global climate change, price fluctuations are difficult to follow, and the influence of regional market agreements, such as an integrated market in the MEA,

farmers deserve protection. State encourages farmer protection in order that farmers can enjoy the results of his farm and as regulators / giver facilities, developed countries because the people / farmers also succeeded. Agricultural insurance is also intended to help farmers to provide working capital. If farmers experiencing crop failure, the result of an insurance claim can be made available as working capital, so the farmer does not depend on the high-interest moneylenders. In line with this goal, the farmers also get the opportunity to provide the cost of insurance premiums, and even can be designed integrated with the borrowing by the farmers of the bank, namely by including the cost of insurance premiums on a package of credit / loan is issued. In this way, farmers do not need to spend cash to pay premiums. It also will help farmers improve farming and risk management as well as to encourage investment in the agricultural sector (Pasaribu, 2010; Dick and Wang, 2010).

In Malaysia, although there is no agricultural insurance program, but the results of a study conducted by Abdullah *et al.* (2014) showed that farmers were enthusiastic enough to insure his farm amid the influence of the negative impacts of climate change faced by farmers. Farmers are willing to pay for the implementation of agricultural insurance (premiums) to guarantee the farming risk. The results of this study also suggest that the decision makers within the government may soon take steps initiation of mitigating the risk of farming because of global climate change through the implementation of the insurance scheme. Implementation of agricultural insurance should involve the active role of agricultural banks and farmers associations / cooperatives. The implementation of agricultural insurance in Indonesia is relatively still in the early stages of learning or are still in early stages of testing a pilot project (pilot project) so as to prepare for the implementation of national needs be prepared field officers of both the provincial and district / city. For the implementation of a nationwide comprehensive coverage paddy fields, agricultural insurance has been supported by various legal umbrella.

Law No. 41/2009 on the Protection of Agricultural Land Sustainable Food (PLP2B) and the Law on Protection and Empowerment of Farmers (UU P-3) No. 19/2013, particularly Article 37 mandates that the government (central and local) is obliged to protect farmers from losses crop failure in the form of agricultural insurance. Agricultural insurance here is intended as an instrument to protect farmers against crop failure. Agricultural insurance scheme for paddy has been designed by the Ministry of Agriculture and ready for application. Insurance expected to provide protection to the farmers on the incidence of crop failure due to floods, drought and pest attacks. With the involvement of farmers in the insurance, farmers will obtain working capital from insurance claims to be used to finance farming / plantation next.

Agricultural insurance program is considered feasible as a means to educate farmers increase their agricultural production and productivity, due to the implementation of the insurance scheme, farmers are required to follow the ways of farming in accordance with the technical recommendation and got the supervision of insurers. This is done so that farming activities carried maximal production / productivity and the results of such farming to the farmers. Terms of good farming recommendation are made as part of the obligation of farmers to obtain insurance coverage.

Be aware that any new programs being introduced to farmers requires a comprehensive explanation before applied or adopted. Socialization activities or dissemination of information on the implementation of the insurance needed for farmers and all stakeholders can understand, understand, and be able to implement independently in accordance with the rules of procedure and follow all applicable regulations. In introducing agricultural insurance, the government can provide premium subsidies as part of the education of farmers about the importance of the protection of farming. The experience of other countries shows that the state subsidy to the agricultural insurance premiums is very large, as well as assistance of an administrative nature, the cost of socialization, and others. Raju and Chand (2008) reported that the example of state subsidies to large agricultural insurance premiums by the United States (60%), Canada (70%), the Philippines (50-60%), and Spain (58%). In 2003, the total number of world insurance premium is estimated at 7.1 billion dollars, equivalent to 0.6 percent of the value of agricultural production at the farm level. Concentration of insurance premiums agriculture spread in North America (69%), Western Europe (21%), Latin America (5%), Asia (3%), Australia (1%), and Africa (1%) (Roberts, 2005), Agricultural insurance is quite a big impact on the reduction of fertilizer and pesticide use in the US (Horowitz and Lichtenberg, 1993). It is quite interesting, especially if linked to efforts to implement good farming as recommended specific location. Furthermore, the insurance program was also very instrumental reduce the proportion of borrowers / working capital farming among small farmers in India (Mishra, 1994). Observations Hazell (1992) concluded that the agricultural sector has the business risks of uncertainty need to be insured and require premium subsidies from the government.

In some African countries, acrop index crop insurance to be introduced on the basis of the impact of global climate change is causing damage to crops and in need of protection (Robertson, 2013). Farmers need to adapt by increasing productivity in the years of "good" (not affected by the impact of climate change) to cover the loss / failure to production in the years of "bad" (affected by the negative impact of climate change). Nevertheless, the risk remains high planting when farmers adapt to climate change, so the risk of crop is regarded as the price to be taken into account. In situations like these rated insurance program can help farmers face greater losses.

In Indonesia, institutions such as the Meteorology, Climatology and Geophysics (BMKG) was instrumental in providing and provide information on climate variability because of the influence of climate change to protect farmers against the risk of crop failure is very detrimental. Sulistyia (2013) suggested that soon built integrated services network climate information involving stakeholders (governments, businesses, universities, research institutions and the farming community) with the active role of agencies that can provide data and information on the climate as the BMKG. Agencies such as the BMKG itself has been cooperating with various parties, especially in the provision of satellite data (such as the KNMI, the Netherlands and JICA, Japan) were very helpful in efforts to overcome the disaster, including flood monitoring and drought in Indonesia.

In relation to adaptation to climate change impacts, Bobojonov, *et al.* (2014) emphasized the importance of increasing the

capacity of rural communities to make efforts adjustments in many aspects. The results of the study in Syria proposes three types of index insurance is likely to be applied to minimize the risk, namely: (a) statistical indexes, (b) an index-based approach to agro-meteorology (agro meteorological), and (c) the index based remote sensing (remote sensing), The results of this study further states that all three models are very significant insurance index for tackling climate change risks are increasing in the agricultural sector. Local knowledge in rural areas still relied on by farmers, although accuracy is more and more questionable, but as an early indication of the adaptation in the field according to this local knowledge will help farmers make decisions in farming. Chaudhary *et al.* (2012) recorded four adaptive approach effective, namely: (a) estimates of vulnerability, (b) an understanding of the local knowledge associated with the risk of climate change, (c) the integration of knowledge scientifically with local knowledge, if needed, and (d) field application on the new knowledge has been adjusted according to local conditions.

Rice Farming Development Insurance Program

Increased participation of farmers implement agricultural insurance scheme / insurance rice farming was a major target farmers through insurance protection. Guidelines for the implementation of the (general and technical) is used for this should be reconsidered to produce guidelines more attractive by taking into account the balance of interests of farmers with the insurance company. It must be realized that in time, farmers or farmer groups will be dealing directly with the insurance company. At the same time, the government will act as a regulator and catalyst, so that the implementation of agricultural insurance scheme can be run well.

Among the elements that need to be reviewed is the implementation of (a) the level of damage to crops that can be replaced are the losses (not only if the plants parched); (b) a statement procedure crop damage; (c) the amount of compensation and the length of the claims process to closure policy; (d) the involvement of the insurance company in the collection of premiums; and (e) the need for a working group / special desk to handle the activities of insurance scheme at the central, provincial, and district / village.

Model Development of Agricultural Insurance: insurance models applied and developed while it is still based on the cost of production and proposed to bear the loss due to floods, drought and pest attacks. In the future, various models of agricultural insurance scheme should be created and introduced. It is necessary to anticipate the participation of farmers in different agro-ecosystem, different regions, and different types of commodities.

Some models of agricultural insurance scheme which is currently applied in various countries, including applications based on productivity (yield-based) in Vietnam, based on the index of the climate (weather-based) in the Philippines, or plant damage (damage fields using satellite image data) in various countries in Europe. These models can be considered and be part of the dynamics of agricultural insurance scheme in Indonesia. Trials for a variety of models have become an integrated part of the development of insurance model with each of weakness and strength.

Another adaptation options to climate change is climate-based agricultural insurance (climate index-based). It is one of the other models that pays rice farming insurance coverage to the policy owner (farmer) if the conditions of farm meets certain level of climate change that is represented by climate index without having to show any damage to the plant / crop failure (Estiningtyas, 2012). In this regard, a description of the application of this insurance model needs to be prepared and introduced to the stakeholders of the agricultural insurance. The introduction of this model is suggested to farmers if they have understood the concept of agricultural insurance and stressed that the protection of farmers through the use of agricultural insurance will greatly help the performance of their farm. The main factors that hinder the adoption of climate-based agricultural insurance is the unwillingness station observer / recorder rainfall. In the long term, index-based agricultural insurance model in this climate will be increasingly necessary given the negative effects of climate change are difficult to predict (CCAFS, 2013).

Application of Agricultural Insurance in Some Countries

Country India recognize agricultural insurance since 1972 with the implementation of pilot agricultural insurance that is applied independently. Starting in 1979 the Indian government provides subsidies to crop failure insurance premiums based on the yield index for public areas. Starting in 1985 the insurance scheme in a comprehensive crop failure (comprehensive Crop Insurance Scheme / CCIS) was introduced in sixteen states and two union territories by the insurance company in India (General Insurance Corporation / GIC). CCIS is replaced with the National Agricultural Insurance Scheme (NAIS) in 1999/2000. Interest Indian government to subsidize insurance premiums of crop failure, among others (FAO, 2011): a) to provide financial support for farmers in the event of crop failure, b) to restore credit worthiness for farmers after failed harvest for the next planting season, c) to support and stimulates the production of cereals, nuts, and vegetable oils.

Country China began to implement agricultural insurance since 1982 through livestock insurance and crop failure insurance. China experienced two stages of the development of agricultural insurance. In 1982 and 2002 the insurance held by insurance company in China (People's Insurance Company of China / PICC). Premium income of US \$ 98 million in 1992 and decreased by US \$ 40 million in 2002. At that time, the insurance company suffered losses and eventually privatized. In the second phase begin introducing china government subsidies in the agricultural insurance scheme in 2003. The Government of China encourages insurance companies to implement the new agricultural insurance as one of the policies in order to develop the agricultural sector. Since 2005, the implementation of agricultural insurance premium subsidies have evolved so too have increased. Currently China is a country that implements agricultural insurance second largest after the United State. Implementation of agricultural insurance in China is mostly individual farmers with crop failure insurance for all risks (multiple peril crop insurance / MPCI). Insurance companies are also implementing some agricultural products insurance based on risk. Insurance covered crop failure includes: corn, rice, soybean, wheat, and cotton.

Agriculture is a very important sector for the government of Vietnam, where 22% of gross domestic product contributed by agriculture. Vietnam country frequently hit by cyclones and heavy rains enough, causing floods, landslides, drought, storm surges and flooding in the southern regions roop. Agricultural insurance in the country of Vietnam applied since 1982 by the insurer Bao Viet Insurance. Agricultural insurance premium subsidies implemented without assistance from the government / no funds directly from the government to support agriculture auransi. Agricultural insurance agricultural bank implemented in cooperation with farmers, and is optional for farmers to take insurance. Agricultural products are covered by insurance include maize, cassava, and rice.

Insurance harvests have been applied in Thailand between 1978 to 1990. The crop failure insurance covers various risks (multiple peril crop insurance / MPCI) for products of cotton, corn, and soybeans. Insurance program has been closed due to high administrative costs and the amount of loss to be borne. Crop failure insurance based on climate index implemented in 2006 to 2010 by reinsurers, a collection of nine insurance companies and insurance companies owned by the government of Thailand (Thai reinsurance public company Ltd). Climate index insurance guarantees that the cotton plant conventional crops that are highly vulnerable to rainfall with an average premium rates above 10%. Agricultural insurance based on climate index held by the agricultural bank (Bank of Agriculture and Agricultural Cooperatives / BAAC), but farmers are not obliged to follow the agricultural insurance. In 2010, the Vietnamese government does not provide subsidies for the implementation of agricultural insurance. In 2011-2013 the Vietnamese government provides a subsidy of 50% to 100% depending on the type of farmer, namely: a) Households poor farmers in rural areas, premium subsidies by 90% to 100% of total premiums; b) Another farmer, premium subsidies by 60% to 70% of total premiums; c) Organization of agricultural production, the premium subsidy of 50% of total premiums.

In 1929 in Japan enacted livestock insurance. Then in 1937, the regulations on national forest insurance came into effect to cover damage caused by fire, climatic influences (wind, water, snow, drought, ice, tides) and volcanic eruptions. Agricultural insurance schemes in Japan are built on solidarity between farmers, which each cooperative to collect funds from the payment of premiums. Agricultural insurance scheme relies on a network of cooperatives at the local, regional, and national levels, where there are about 300 national cooperative. Type of agricultural insurance in Japan include: a) Insurance rice, wheat, barley (national program); b) livestock insurance (national program); c) Insurance fruit production and fruit crops (program selection); d) Insurance field crops and a variety of plants (program selection); e) Insurance GHG (greenhouse) (program selection). Agricultural insurance in Japan carried out by about 300 cooperatives, where there is no co-operative that specializes in serving small and marginal farmers. The obligation of farmers to participate in agricultural insurance depends on the type of insurance products and farmers. Farmers with major agricultural products such as wheat, barley, and rice are required to take insurance. However, farmers who do not qualify (minimum land area biased insured) insurance participation will be voluntary. Other

agricultural products such as livestock insurance, insurance of fruit and fruit crops, crop failure insurance, and insurance are voluntary greenhouse.

CONCLUSION

Agricultural businesses are always dealing with the risks that can be detrimental to farmers in terms of financially and socially. Amid the experience of global climate change is increasingly unpredictable, protection of farming and farmers considered very necessary to prevent farmers from huge losses due to lost crops. Although the risk of planting bring harm, but efforts to adapt to climate change continue to be made through the application of innovation and technology. Farmers should be good to anticipate the natural changes that may affect the performance of farming. The ingenuity that are generally associated with the wisdom of local communities should be supported by efforts linking with each other so as to obtain maximum results. The risk of food production also brings challenges and opportunities through a variety of obstacles to be able to farm. Technical risks cultivation, post-harvest, distribution and marketing, farm management, and others require serious treatment to reduce the losses incurred by farmers. These risks into challenges that are being faced with the possibility of control or reduction opportunities the resulting negative impact. Agricultural resources available in rural areas are an asset of the nation must be protected for the preservation of agricultural development; increase farmers' income, and the improvement of people's welfare. Attention on specific commodities and has the potential to be developed should be given priority in the decision-making and be a part of the policy of agricultural development / agricultural business protection at national and regional levels. Furthermore, financial support on the financial institution domiciled in rural and inaccessible farmers need government prepared so that farmers have easy access to sources of capital in financial institutions in rural independent. These financial institutions are strongly advised to be established and operated in rural areas to meet the working capital needs in farming. Against all the advice above, decision makers need to pay attention to all the rules and regulations applicable to streamline planning and avoid the collision regulations.

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