

Multi-Stakeholder Cooperatives as A Solution to Improve Farmers' Welfare



Bahrul ulum Ilham

Institut Teknologi dan Bisnis Nobel Indonesia, Makassar

ABSTRACT: This research explores the concept and role of agricultural corporations based on multi-stakeholder cooperatives (MSC) in Indonesia. The research method used is library research or literature study, relying on various references to obtain research data. A qualitative approach is used because the data is in words or descriptions. The scientific work explains the concept of agricultural corporations and the role of MSC in improving the agricultural sector's efficiency, productivity, and sustainability. It discusses the implementation of MSC as an evolution of the cooperative model from traditional to modern, with farmers becoming both customers and owners, increasing the value of agricultural products and the welfare of members. Various studies have shown that MSCs in various countries have successfully supported the sustainability of the agricultural sector through stakeholder collaboration. While the MSC model offers excellent potential, challenges such as conflicts of interest and complex governance need to be overcome to achieve success. This research concludes that developing agricultural corporations through MSCs can strengthen the agricultural sector for food security and improve farmer welfare. MSC is the right choice for building an advanced and modern national agriculture system by combining various modalities from stakeholders to create long-term added value for all stakeholders.

KEYWORDS: farmer, corporation, cooperative, multi-stakeholder

I. INTRODUCTION

Poverty and inequality are still major problems in Indonesia. Despite having abundant natural resources, many people still live below the poverty line. FAO ((2023) states that there are around 16.2 million Indonesians who are hungry. An Oxfam report (2022) shows that the wealth of four conglomerate families is equivalent to the wealth of 100 million of the poorest Indonesians. The Gini ratio of wealth, measured by the Credit Suisse Institute in 2022, reached 0.77, showing stark inequality (Suroto, 2024).

Indonesia is an agricultural country with a tropical climate supporting plant growth. However, the agricultural sector's contribution to the economy has declined dramatically. The percentage contribution of the agricultural sector to the Gross Domestic Product (GDP) fell from 21.55% in 1990 to 13.28% in 2021. The number of workers in the agricultural sector also dropped significantly from more than 50% in 1990 to 28.99% in 2021. BPS 2021 data shows that around 51.33% of poor households depend on agriculture as their primary source of income (Alta et al., 2023)

Indonesian farmers need help with various problems, such as narrow land ownership, low knowledge and skills, small business capital, and social farmer organizations (Dalimunthe & Kurnia, 2018). The smallholder management system weakens their control of information, capital provision, production facilities, labor, marketing, and processing. Farmers' poverty results in their inability to fulfill their basic needs.

One solution to address farmers' problems is the development of farmer corporations. Farmer corporations, established through the Decree of the Minister of Agriculture No.18/2018, aim to create profit-oriented professional farmers. The development of agricultural corporations is increasingly needed to increase farmers' motivation and professionalism (Jannah, 2020). By joining a corporation, farmers can take advantage of economies of scale, reduce production costs, and increase bargaining power in the market. Corporations also provide access to advanced agricultural technologies, training, and funding.

The government encourages institutional strengthening for farmers' welfare through the farmer corporation program. In Presidential Regulation 18 of 2020 on the 2020-2024 RPJMN, 350 farmer-fishermen corporations (KPN) are targeted to improve welfare through market certainty, increased added value, and easy access to capital.

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The development of farmer corporations is carried out in a cooperative forum as an appropriate institution to solve food security problems. Cooperatives in the agricultural sector have great potential to improve the community's economy if developed with the right strategy (Dalimunthe & Kurnia, 2018). Agricultural cooperatives can increase farmers' production and welfare, guarantee social and economic benefits for their members, and strengthen farmers' bargaining position in pricing. In addition, cooperatives are important in procuring production inputs such as fertilizers and agricultural tools (Koib & Simamora, 2022).

Agricultural cooperatives need help in terms of capital, marketing, and technology. One proposed solution is developing a multi-stakeholder cooperative (MSC) model, which facilitates collaboration between farmers, collectors, sellers, and consumers. This MSC model creates strong synergies and increases the competitiveness and sustainability of the agricultural sector, thereby improving farmers' welfare (Khairunisa, 2024).

II. LITERATURE REVIEW

A. Definition of Agricultural Corporation

In a narrow sense, corporations come from the word "corporation," which means a legal entity but broadly includes entities that are not legal, such as firms, CVs, and matchups (Esther, 2018). In the Big Indonesian Dictionary, a corporation is a legal business entity or legal entity, a large company, or several companies managed as one large company (Kemdikbud, 2024). A farmer corporation is a business model that improves farmers' welfare through optimal resource management in an integrated agricultural area (Rusmono et al., 2019).

According to the Ministry of Agriculture (Kementan, 2023), farmer corporations are legal farmer economic institutions, with most of the capital ownership owned by farmers. Strengthening farmers is done through consolidation in Gapoktan institutions and strengthening farmers' institutions in accessing information, technology, capital, and processing and marketing agricultural products.

B. Cooperatives as Model Agricultural Corporations

Since the first Cooperative Congress in 1947, cooperatives have experienced various ups and downs. In Law No. 25 of 1992, cooperatives are "business entities consisting of people or cooperative legal entities with activities based on cooperative principles and as a people's economic movement based on family principles". According to the ICA, cooperatives are autonomous associations with open and voluntary membership to improve the economic, social, and cultural needs of its members through democratically controlled joint ventures (Tim Triopabeta Indonesia, 2023)

Agricultural cooperatives play an important role in national economic development by providing capital and empowering communities. Agricultural cooperatives can increase farmers' production and welfare by providing guaranteed social and economic benefits and improving farmers' bargaining position (Koib & Simamora, 2022).

C. Definition of Multi-stakeholder Cooperative (MSC)

A Multi-stakeholder Cooperative (MSC) is a cooperative owned and controlled by more than one group of members. The University of Wisconsin-Madison Center for Cooperative Development defines MSCs as cooperatives owned by different classes of membership, such as consumers, producers, workers, volunteers, or community supporters (Putra, 2022). MSCs enable collaboration between farmers, collectors, sellers, and consumers, adding value and improving fair trade (Khairunisa, 2024).

Multi-stakeholder cooperatives evolve from traditional cooperatives to adapt to modern business dynamics and their members' needs in the digital and sharing economy era. This model is relevant to complex economic and social challenges, offering innovative and sustainable solutions in various sectors, including agriculture.

III. METHOD

The type of research used is library research or literature study, where researchers rely on various literature sources to obtain research data. This research uses a qualitative approach because the data is in words or descriptions. Library or literature research is a type of research that focuses on the study and analysis of literature sources or literature. Researchers explore the topic in this research by utilizing similar or related studies (Purwanto, 2016). Furthermore, referring to Snyder (2019), the next researcher broadly synthesizes previous research or related topics that have been carried out.

IV. DISCUSSION

A. Concept and Role of Multi-stakeholder Cooperative (MSC) based Agricultural Corporations

The agricultural sector in Indonesia faces significant challenges in improving farmers' welfare. One proposed solution is an agricultural corporation model based on multi-stakeholder cooperatives (MSC). These agricultural corporations are business entities that operate within the agricultural sector or food and beverage industry, have legal status as companies, and cover a

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wide range of activities such as food processing, distribution of agricultural products, commodity trading, and investment (Kementan, 2023)

The development of corporations through cooperatives has excellent potential, as the successful “Koperasi Unit Desa” or village unit cooperatives made Indonesia self-sufficient in food in the 1980s (Suroto, 2016). The Multi-stakeholder Cooperative (MSP) concept emerged as a response to the evolution of modern business models towards the sharing economy. MSC consolidates farmers through cooperatives, acts as a crop aggregator, and ensures buyers do not manipulate prices (Owo, 2021). The digital transformation of cooperatives is also regulated in Ministerial Regulation No. 8 of 2021, introducing the concept of "Member Stakeholder Group," which regulates the role of members in the cooperative's bylaws (Permenko, 2018).

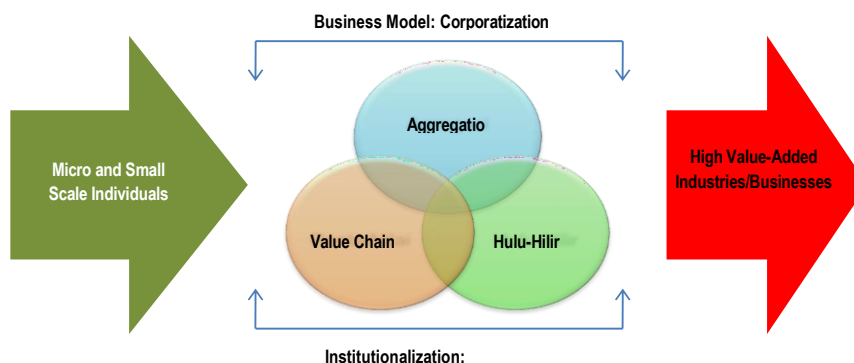


Figure 1: Farmer Corporation Model

Thus, a multi-stakeholder cooperative (MSC) is a cooperative that has at least two different types of member groups, which come together under one umbrella to aggregate the interests and benefits that are fair and reasonable for each group based on solidarity so that it is sustainable in the long term. A comparison of single-stakeholder cooperatives and multi-stakeholder cooperatives is outlined in the following table:

DIMENSIONS	ONE STAKEHOLDER	MULTI-STAKEHOLDER
Member	One group: consumers only, producers only, workers only, marketers only, and so on	There are at least two groups: producer-consumer, worker-investor, worker-investor-consumer, producer-processor-investor-consumer, and so on.
Rights & Obligations	All the same, every member	Differs according to group type and agreed upon
Decision Making	One person, one vote	Group-based proportional percentage, regardless of the number of people
Leadership	All members elect the board	Model 1: Committees are elected delegates in their groups (constituencies) Model 2: There are delegate committees and committees elected from the membership.
Structure	Representatives of members	Representatives from each different group
Benefits	Equal benefits for all members	Proportional benefits for each group are different
Remaining business result Distribution	Based on the benefits of patronage	Based on the different roles of each group
History	1844, England (Rochdale Society)	1870, England (Hebden Fustian Manufacture Coop Society)

B. Implementation of Multi-Stakeholder Cooperative (MMP)-based Agricultural Corporations

Multi-stakeholder cooperatives promote inclusion, innovation, and sustainability, as has been successfully implemented in countries such as Italy, Canada, Portugal, and France (Zabadi, 2022). This model allows for incorporating different modalities from stakeholders, with decision-making through proportional voting mechanisms.

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In the agricultural sector, transforming traditional cooperatives into New Generation Coop (NGC) improves farmers' welfare by adding value to agricultural products (Sembiring & Setiawan, 2023). The implementation of MSCs in Spain and the UK shows that cooperatives can support the sustainability of the agricultural sector through stakeholder collaboration (Sugiyanto, 2022).

The Minister of Cooperatives and SMEs Regulation No. 8 of 2021 provides a legal framework for MSCs in Indonesia, although management and board capacity challenges are often obstacles. ODS data shows that the development of MSCs in Indonesia is promising, with 144 MSCs officially established as of April 2024, the majority in the production and agriculture sectors. MSCs can consolidate farmers, improve connectivity with processing industries, and strengthen access to modern agricultural markets.

C. Success Factors for Farm-Based MSCs

Agricultural development in Indonesia has experienced various phases, from the colonial period to the reform era. MSC offers a solution through a clear division of roles and collaboration within a cooperative institution. Its advantages include democratic decision-making, long-term added value, and cooperation-based work control mechanisms.

However, the potential for conflict due to diverse group interests can be challenging. Factors such as perceptions of democracy, transparency, and benefit empowerment influence the performance of MSC (Smits, 2019). Cooperative-based corporate governance requires a venture builder approach, with collaboration between farmers, labor, investors, and business builders. Crowd investment schemes allow farmers to act as both investors and workers, receiving a share of the remaining profits according to the rules (Sugiyanto, 2021)

Cooperatives must be built with competent people, modern governance, and a business approach that is adaptive to the challenges of the times and technological developments. The MSC model is an answer to building advanced and modern national agriculture, transforming small food farms into modern food farming businesses based on cooperatives.

V. CONCLUSION

Cooperative-based agricultural corporations enable the transformation of small farm households into modern food farming enterprises. Multi-STAKEHOLDER Cooperatives (MMPs) are cooperative innovations that follow the sharing economy trend, increasing efficiency and benefits for farmers through consolidation. The MSC business model is industry-oriented, supports upstream-downstream integration, and ensures equitable distribution of benefits.

Implementing MSC in agriculture transforms traditional cooperatives into contemporary cooperatives with vertical integration. The development of MSC in Indonesia strengthens the agricultural sector, improving access to markets, capital, and public facilities. The success of MSC depends on the interpretation of the model and stakeholder management, including perceptions of democracy and transparency. MSC-based corporate governance is developed with a venture builder approach, involving farmers as workers and investors through crowd investment schemes. MSCs must be managed with competence, modern governance, and a business approach that provides long-term added value.

The government should strengthen regulations that support the establishment and development of agriculture-based MSCs. Provide incentives and financial support for cooperatives that implement the MSC model. All parties should be involved in continuous mentoring to strengthen farmer corporations based on MSC. Improve cooperative education and agricultural entrepreneurship so the younger generation can become cooperative-based agricultural entrepreneurs. Agricultural stakeholders must build an ecosystem that supports strategic partnerships, technology adoption, and facilitation of market opportunities. Improve the management and technical skills of farmers and cooperative administrators. Universities and academics should develop research and innovations focusing on agricultural business models and cooperatives.

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