

# Implementation of Fair Trade in Rice Trading Through the Circular Economy Concept to Realize Environmental Welfare and Sustainability

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## ABSTRACT

*The World Bank pays attention to the high price of rice in Indonesia, because the increase in rice prices is not balanced by the improvement of the welfare of rice farmers. To reduce rice production costs, the use of chemical pesticides is an option because of its more affordable price and quick results. Farmers in general have a weak position in obtaining production facilities, financing farming businesses, and getting fair prices. Looking at these conditions and situations, a concept emerged known as fair trade or commonly known as the concept of fair trade. However, the concept of fair trade has not been explicitly regulated in Indonesian trade law. This legal research was carried out using a qualitative analysis method with a conceptual approach. The results of the study show that, with the implementation of fair prices and fair business practices, it can support the implementation of circular economies that have an impact on the welfare of rice farmers and increase the awareness of rice farmers to protect the environment. In addition, the existence of fair trade can shift the rice production chain which currently weakens the position of rice farmers and burdens high purchase prices on consumers. The implementation of fair trade can also maintain national food security. Therefore, arrangements are needed regarding the implementation of fair trade in rice trade in Indonesia and the commitment of government apparatus to socialize, implement, supervise, and certify fair trade in Indonesia.*

**Keywords:** Law, Fair Trade, Welfare, Environmental Sustainability

## I. INTRODUCTION

Indonesia as an agricultural country has a very important role in the agricultural sector, especially in rice production. As the fourth most populous country in the world, Indonesia is also one of the largest rice consumers (Tara Tiani Cahyanty & Aan Julia, 2024). With the relatively rapid population growth in Indonesia, there is a corresponding increase in the demand for rice (Misbahuddin et al., 2023). According to economic principles, as demand for a good increase, its price tends to rise, and vice versa.

The World Bank has drawn attention to the high price of rice in Indonesia, while the income of local farmers is at a low level. Carolyn Turk, Country Director for Indonesia and Timor-Leste at the World Bank, stated that rice prices in Indonesia are higher than in other countries in the Southeast Asian region (Yopi, 2024).

The 2024 International Rice Conference (IIRC), held in Bali, focused considerable attention on Indonesia's agricultural sector and rice consumption, noting that the rising price of rice has not been accompanied by improvements in the welfare of rice farmers. Data from Indonesia's Central Statistics Agency (BPS) indicates that the annual income of small-scale farmers in the country is only approximately IDR 5,000,000 (five million rupiahs), with an average daily income of about IDR 15,000 (fifteen thousand rupiahs) (Yopi, 2024).

Rice production in Indonesia is influenced by various factors, including shrinking agricultural land, limited capital, weather and climate conditions, pests, and fertilizer usage (Harini et al., 2019). Pests can cause significant crop losses in many parts of the world. In efforts to manage pest populations and ensure sustainable profits, farmers often depend on chemical-based technologies (Sinambela, 2024). However, the use of such technologies presents challenges related to environmental and health impacts. The adverse effects of chemical pesticide use extend beyond human health, they also threaten biodiversity in agricultural ecosystems. Continuous pesticide application can harm ecosystems and eliminate non-target organisms, such as pollinating insects, which are crucial for agriculture (Situmorang et al., 2021).

The use of pesticides is often considered by farmers because chemical pesticides are relatively affordable and produce quick results. (Ismindarto et al., 2023), so that it can pursue production figures and income for farmers. These conditions put farmers in a weak position. Farmers in general have a weak

position in obtaining production facilities, farm business financing, and market access.

Indonesia has a legal framework in place to protect farmers, as outlined in Law Number 19 of 2013 concerning the Protection and Empowerment of Farmers. According to Article 1, point 3 of Law No. 19 of 2013, a farmer is defined as an individual Indonesian citizen, or a family, engaged in farming activities in food crops, horticulture, plantations, and/or animal husbandry. Furthermore, in Article 1 point 1 of Law No. 19 of 2013 on the Protection and Empowerment of Farmers, Farmer Protection is defined as all efforts to assist Farmers in facing the problems of difficulties in obtaining production infrastructure and facilities, business certainty, price risks, crop failure, high cost economic practices, and climate change.

The existence of Law No. 19 of 2013 on the Protection and Empowerment of Farmers is intended to improve the welfare of farmers as much as possible, because farmers have always been in a weak position in the process of food production in Indonesia. Conceptually, Law No. 19 of 2013 on the Protection and Empowerment of Farmers has good objectives. However, Law No. 19 of 2013 on the Protection and Empowerment of Farmers does not explicitly regulate how the Government of Indonesia creates conditions that result in favorable agricultural commodity prices for Farmers, as stipulated in Article 25 paragraph (1) of Law No. 19 of 2013 on the Protection and Empowerment of Farmers.

That agricultural business is not only producing agricultural commodities as a business, more than that, agricultural businesses also need to pay attention to the justice and welfare of the parties involved, especially farmers as a milestone in agricultural business and maintaining environmental sustainability. Currently, regulations related to the distribution and selling

price of rice that are not in favor of farmers often put farmers in a weak bargaining position against middlemen or the market. The absence of strong legal protections makes it difficult to improve the welfare of farmers, even though they are key actors in ensuring national food security. On the other hand, agricultural businesses also need to pay attention to environmental sustainability aspects, such as the use of environmentally friendly fertilizers and pesticides and sustainable management of water resources. Looking at these conditions and situations, a concept emerged known as fair trade or commonly known as *the concept of fair trade*. *Fair trade* is defined as a trade partnership based on dialogue, transparency, and reward to build greater fairness in trade (Wermansub, 2003).

Fair trade also aims to provide protection for smallholders and producers who are vulnerable to exploitation, as well as improve social, economic, and environmental conditions in production areas. Through the concept of fair trade, it is hoped that all parties involved in the agricultural supply chain can get fair and balanced benefits (Ali, 2022). In addition, fair trade also provides assurance to consumers that the products they buy are produced to fair and responsible standards.

*Fair trade* has an understanding as a trade partnership based on dialogue, transparency, and appreciation to build greater fairness in trade (Adhie et al., 2023). Based on the World Fair Trade Organization (WFTO), in the implementation of fair trade, it consists of 10 (ten) principles, (1) opportunities for disadvantaged producers; (2) transparency & accountability; (3) fair trade practices; (4) fair payment; (5) non child labour & no forced labour; (6) non discrimination; (7) good working conditions; (8) capacity building; (9) promote fair trade; dan (10) respect for the environment .

It should be noted that fair trade focuses on providing proper rewards to the parties involved in the production chain, so as to realize mutual welfare and environmental sustainability. This is in line with Indonesia's goals contained in the fourth paragraph of the 1945 Constitution of the Republic of Indonesia. Indonesia aims to create a just and prosperous society based on social justice. By promoting fair trade practices, Indonesia is taking steps towards achieving this goal by ensuring that all individuals involved in the production process receive fair compensation for their contributions (Ar & Heriyanto, 2024). This not only benefits the workers and producers involved, but also contributes to the overall sustainability of the environment and economy.

Based on the background description above, it is interesting to discuss the relationship between fair trade in rice trading to realize welfare and environmental sustainability and how fair trade is applied in Indonesian trade law.

## **II. RESEARCH METHODS**

Research methods in law are very important, this is because law is a discipline that bases understanding, analysis, and interpretation on various complex sources of law and regulation. This research is a legal research, specifically a qualitative research, Deddy Mulyana argues that qualitative research is carried out because the research is not based on mathematical logic, numerical principles, or statistical methods. However, in the form of a systematic theoretical analysis (Mulyana, 2013). Specifically, this study is a legal research with an analysis method in the form of qualitative juridical, which is research carried out by searching, collecting, and reading legal materials, then analysis is carried out in a narrative of descriptive sentences (Sugiyono, 2014). The data used are secondary data in the form of primary legal materials,

secondary legal materials, and tertiary legal materials obtained by means of literature study. The approach used in this study is a conceptual approach used because in this study it will discuss the concept of fair trade which is currently not expressly regulated in the rice trade in Indonesia.

### **III. RESEARCH RESULTS AND ANALYSIS**

#### **A. Linkage of Fair Trade in Rice Trade for Prosperity and Environmental Sustainability**

Agricultural law, as initiated by Koerniatmanto Soetoprawiro, offers an attempt to reverse established thinking. A paradigm of thinking in the field of legal science that tries to place those who are marginalized and excluded, the anonymous victims of the success of economic development-growth, as a starting point. By empowering them again, through the development of agricultural law, it is hoped that the rate of environmental destruction can be stopped or at least slowed down and we can survive this global economic collapse (Suzianti et al., 2018). This empowerment also has the consequence that the scope of attention and study of agricultural law is not limited to the legal protection aspects of human efforts in civilizing themselves through primary agriculture alone, but goes further. The issues discussed are not only limited to access to land and markets, but also the sovereignty of farmers with regard to seeds and the preservation of biodiversity. In addition, agricultural law will also cover aspects of agro-industry and agribusiness, including modern aquabusiness and aqua-industry. Both, industry and business, are seen as two sides of the same coin (Soetoprawiro, 2016).

One of the factors for the lack of government attention to agriculture is the legacy of development policy. The Dutch colonial government's attention to agrarian affairs was more on the exploitation of small farmers and only later on

the development of large plantations. The Netherlands had no business and no interest in rural areas and agriculture, nor in the fate of farmers and smallholder agriculture. Unfortunately, this trend continued after colonialism. That is why, despite the New Order's zeal to regulate and control the lives of rural communities, there is no branch of agricultural law in Indonesia's national legal structure, even though the majority of Indonesian citizens are farmers. In other words, there is no comprehensive legal regulation and protection of rural life and agriculture (Soetoprawiro, 2016).

In a broad sense, agriculture is not just farming on an individual business scale, but also includes agricultural industrialization as a way of fighting and alleviating poverty. However, the starting point is not a charitable approach to social law or simply the fight against poverty. Instead, the big idea is to move away from thinking about social and ecological justice, examining from a legal perspective issues of food sovereignty, resilience and security where the central role lies with farmers who work in the informal sector and become the foundation of the economy, especially when there is a global economic crisis (Moeliono & Soetoprawiro, 2020).

In Indonesia itself, there is a village that is very glorified for rice, namely Ciptagelar Village located in Sukabumi. The people of Ciptagelar Village have held the tradition of farming ancestral heritage for generations since 1368. The people of Ciptagelar Village believe in the presence of the figure of the Goddess who protects the produce, namely Nyi Pohaci Sangyang Asri. Kasepuhan Ciptagelar is a group of indigenous people who continue to maintain and preserve their ancestral traditions (Karuhun) which are rooted in rice farming culture. The Ciptagelar community has very valuable local wisdom, which not only maintains a harmonious relationship with nature, but also plays an important role in preserving the environment (Lestari, 2023). Through

traditional practices passed down from generation to generation, they ensure that the balance of nature is maintained, and the sustainability of the ecosystem can be enjoyed by future generations. These principles reflect the depth of their knowledge and respect for nature, which has been proven to be able to maintain a balance between human needs and nature's sustainability.

The planting method carried out by the Indigenous People of Ciptagelar Village by paying attention to the environment and the values of honoring rice makes Ciptagelar Village have a rice stock for up to 95 (ninety-five) years in the future to meet the needs of the people of Ciptagelar Village, that they view rice is not just food, but rice is a life, where humans live by rice, as well as rice lives by humans (Damayanti et al., 2020). For the people of Ciptagelar, nature is an entity that must be respected, not exploited. They believe that when humans take care of and respect nature, nature will also provide its best results abundantly and sustainably. This tradition is clear evidence that traditional and spiritual approaches in agriculture are able to create long-term food security while preserving the environment.

The rice is stored in a building called "Leuit", in the Ciptagelar Traditional Village there are two types of Leuit that are built, namely *First*, Private Leuit, which is privately owned by a married family. *Second*, communal Leuit, called Leuit Hunger, is a rice barn owned by overtime kokolot in Kasepuhan villages that is used to overcome food security problems. Leuit is a measure of welfare, the more Leuit is built, the more prosperous it will be. Every harvest season, each Kasepuhan traditional family must do Tatali, which means storing the harvest, to be stored in Leuit. They must give one bundle of rice if they produce fifty bundles of rice; two bundles of rice if they yield a hundred bundles of rice and so on (Muharam et al., 2023).



The agricultural sector is the largest and most important economic sector in the national economy. The important role of the agricultural sector today is its ability to absorb labor in the villages. Thus the agricultural sector is the economic sector of the Indonesian people which is the foundation of the economic life of most people and is a must for national economic empowerment (Agung Triyanto, 2013).

The role of the agricultural sector in the Indonesian economy is still relatively significant, especially when viewed from several macroeconomic indicators such as Gross Domestic Product (GDP), economic growth, employment opportunities and exports. When viewed from foreign trade indicators, exports of products originating from the agricultural sector are also increasingly significant in Indonesia's international trade patterns (Parmadi et al., 2018).

The development of the agricultural sector in the last twenty years has experienced many shifts and the modernization of agriculture in the era of globalization has caused the agricultural sector to grow and develop rapidly. One of the technologies in the agricultural sector is the use of pesticides to maintain agricultural production, especially rice. The use of pesticides is an option for farmers because in some cases farmers prefer chemical pesticides because the price is more affordable and the results are quickly visible (Ismindarto et al., 2023), so that it can pursue production figures and income for farmers.

The agricultural sector consists of 5 sub-sectors, one of which is the food crop sub-sector. Rice is one of the commodities in the food crop sector as a producer of rice. Rice is a staple food in the life of the Indonesian people (Auria et al., 2022). In general, what Indonesian people use as food is paddy (rice), while currently domestic farmers' rice production to meet the needs of the

Indonesian people is not sufficient. Fluctuations in food prices and dependence on foreign trade also increase economic policy uncertainty regarding food security (Su et al., 2023), this is also felt in Indonesia.

Every year it can be seen from the government's policy to import rice from Vietnam and Thailand in order to meet safe domestic rice stocks. According to the government, to meet the safe rice stock to meet the needs until the end of the year, there must be 1.5 million tons of rice stock available. While now the existing rice stock is only 963,000 million tons, so the government imports 600,000 tons of rice from Vietnam and Thailand (Indriani Kusumaningrum, 2019).

Indonesia, recognized as an agrarian country, possesses vast land that can be utilized by local communities for their livelihoods (Mahfud et al., 2024). However, the fact is that the land cannot be optimally maximized to produce rice according to the needs of the Indonesian people.

Farmers in Indonesia generally have a weak position in obtaining production facilities, farm financing, and market access. The 2024 International Rice Conference (IIRC) held in Bali has given high attention to Indonesia's agricultural sector and rice consumption, because the increase in rice prices is not matched by improvements in the welfare of rice farmers. Based on data from the Central Statistics Agency (BPS) shows that the annual income of small farmers in Indonesia is only around Rp.5,000,000, - (five million rupiah), with an average daily income of around Rp.15,000 (fifteen thousand rupiah) (Yopi, 2024).

That agricultural businesses are not just about producing agricultural commodities as a business, more than that agricultural businesses also need to pay attention to justice and the welfare of the parties involved, especially

farmers as the pillar of agricultural businesses and environmental sustainability.

Rice trade as a staple food commodity plays an important role in Indonesia's economy and people's lives. However, the conventional rice trading system often does not provide fair benefits for farmers, and can have a negative impact on the environment. Farmers are often in a weak position in the distribution chain, facing low selling prices when harvests are plentiful, and having to deal with middlemen or middlemen who take larger profit margins. As a result, despite hard work, the welfare of farmers still did not experience a significant increase. In addition to the issue of economic justice, a rice trading system that is not properly managed can also have a negative impact on the environment. Reliance on intensive farming practices to meet market demand, such as the overuse of chemical fertilizers and pesticides, can damage soil fertility, pollute water, and disrupt the balance of ecosystems. In this context, the concept of fair trade emerges as a promising alternative to realize farmers' welfare and environmental sustainability in rice trading.

In response to these challenges, the concept of fair trade presents itself as a viable alternative, offering a framework for promoting both social equity and environmental sustainability within the rice trade (Kiessel, 2022). Fair trade aims to establish more transparent and ethical trading relationships, where farmers are ensured a fair price for their goods, working conditions are improved, and environmental impacts are minimized through sustainable agricultural practices. By fostering a more equitable exchange between producers and consumers, fair trade holds the potential to address the systemic inequalities that pervade conventional rice trading systems (Fagan, 2024). Moreover, it encourages the adoption of environmentally responsible farming techniques, which could contribute to the long-term sustainability of rice

production in Indonesia. Thus, the integration of fair trade principles into the rice trade could significantly enhance the welfare of farmers, support sustainable agricultural practices, and improve the overall socio-economic and environmental health of the nation.

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By taking into account the strategic value of rice, the national rice policy does not only look from one side, namely the economic side, because rice for Indonesia is not only seen as a commodity that has economic value, but also contains cultural, social and environmental values.

Culturally, rice is more than just a staple food; it is intricately woven into the fabric of various rituals, ceremonies, and daily practices that reflect the identity and heritage of numerous ethnic groups across the archipelago (Krisnawati et al., 2024). The cultivation of rice is not merely an agricultural activity but also a cultural expression that embodies values of community, tradition, and intergenerational knowledge.

Socially, rice plays a central role in sustaining the livelihoods of millions of smallholder farmers and rural communities, many of whom rely on rice production for their income and food security (Arie et al., 2024). The national rice policy, therefore, must consider the socio-economic dimensions of rice production, addressing issues such as income inequality, rural poverty, and the

empowerment of marginalized farming communities. Rice's role as a social stabilizer cannot be understated, as it is integral to the socio-economic structure of rural Indonesia and to ensuring national food sovereignty and self-sufficiency.

Environmental considerations are equally vital in the context of rice production. The national rice policy must, therefore, emphasize the adoption of environmentally sound practices, such as integrated pest management, water conservation techniques, and the reduction of chemical inputs, to ensure that rice cultivation does not contribute to soil erosion, water pollution, and the depletion of natural resources (Abobatta & Fouad, 2024). Additionally, sustainable rice farming practices are crucial for mitigating the impacts of climate change, particularly given the vulnerability of Indonesia's rice-producing regions to shifting weather patterns and rising sea levels.

Based on the concept of fair trade, the implementation of business or trade activities must at least pay attention to fair business practices, fair payment, and respect for the environment. Based on the goals of the Indonesian nation as stated in the Preamble of the 1945 Constitution of the Republic of Indonesia, which states "The Government of the Republic of Indonesia shall protect the entire Indonesian nation and the entire homeland of Indonesia and to promote the general welfare, educate the nation's life, and participate in the implementation of world order based on independence, lasting peace and social justice, the Independence of the Indonesian Nation was established."

Conceptually, the goal structure of the Indonesian nation has mandated the provision of welfare and justice. In this case, the current agricultural sector has not been able to realize the welfare of farmers, because farmers do not have a minimum standard for the purchase price of paddy (rice). In market conditions like this, farmers will always be the ones who are easily exploited by

intermediary traders, middlemen and dealers because of market disparities between the markets faced by farmers and consumer markets (Ikhsani, 2016).

The concept of fair trade through fair business practices and fair payment can increase farmers' awareness to preserve the environment. This is evident in the Simpatik Farmer Group Association (Gapoktan) in Tasikmalaya. PT Bloom Agro, which applies the concept of fair trade in the form of fair business practices and fair payment, can provide education to farmers in Tasikmalaya to be able to increase their production without dependence on pesticides, but rather an understanding of the rice planting system using the System of Rice Intensification (SRI) method (Ikhsani, 2016). *System of Rice Intensification* (SRI) is one approach in rice cultivation practices that emphasizes soil, plant and water management through group empowerment and local wisdom based on environmentally friendly activities (Setiajie Anugrah et al., 2008). With the System of Rice Intensification (SRI) method farmers can produce 6 to 7 tons of rice per hectare, compared to the usual yield of only 2 to 4 tons per hectare.

With the appreciation of farmers' hard work and the certainty of a fair price as the concept of fair trade, rice farmers will also focus on improving the quality of environmentally friendly production which also has an impact on the quantity of production.

With the implementation of fair trade in rice farming, it can also encourage the implementation of Circular Economy (Korhonen et al., 2018). When farmers are not dependent on pesticides or other chemicals, agricultural waste such as rice straw, husks, and harvest residues can be recycled into organic fertilizer, animal feed, or bioenergy. So that it can also form consumer perceptions to behave ethically in the trade process (Kutaula et al., 2022).

Taking into account environmental sustainability issues of farmer welfare and rice trade in Indonesia can contribute to improved financial and production

performance, meaning that an environmentally sustainable approach is not only ethical but also profitable (Friede et al., 2015).

A comprehensive national rice policy must recognize the interdependence of economic, cultural, social, and environmental factors in shaping the future of rice production in Indonesia. By adopting an integrated approach that considers these diverse dimensions, the policy can promote not only the economic sustainability of the rice sector but also its cultural preservation, social inclusivity, and environmental resilience, ultimately contributing to the long-term well-being of the nation as a whole.

Based on the description above, if there is a reward for the performance of Farmers by ensuring transparency, fair payment, and fair contracts, as reflected in the principles of fair trade that prioritize economic welfare and justice, it can increase the awareness of rice Farmers to preserve the environment because what they have done is rewarded as much as the effort that rice Farmers have done.

## **B. Implementation of Fair Trade in Rice Trading in Indonesia Trade Law**

*Fair trade* is defined as a trading partnership based on dialogue, transparency, and respect to build greater fairness in trade (Wermansub, 2003). *Fair trade* is a response to the unfair trading system that often occurs in global trade. It aims to ensure fair payment, good working conditions, and strong business relationships (Felix, 2024). *Fair trade* emerged after World War II and initially focused on unfairness in the production and trade of handicraft and agricultural products.

*Fair Trade* was pioneered by Oxfam, an international non-governmental organization that sees unfairness in the trade process, especially in agriculture

and handicrafts. According to Oxfam, fair trade is expected to benefit developing countries (Nasution, 2019):

*Fair* deals that include *fair* prices for their products, including agricultural products;

Long-term purchase contracts, including agribusiness contracts; and

Support to develop knowledge and skills and increase productivity, especially in agriculture

*Fair Trade* is a form of sustainable trade that aims to help marginalized producers (artisans, farmers, fishermen, and other producers) through fair payment systems, decent working conditions, technical assistance (such as design, bookkeeping), social programs, equality, transparency, mutual trust, and environmental protection (Muhyiddin & Miskiyah, 2017).

*Fair Trade* has not been applied firmly and massively in rice trading in Indonesia because the current trading system is still dominated by market mechanisms that are less favorable to smallholders. High rice prices at the consumer level are not directly proportional to the welfare of farmers, who continue to receive low prices due to long distribution chains and the dominance of middlemen. In addition, farmers' access to fair contracts and farm financing is still limited, while current regulations have not effectively guaranteed favorable prices for rice farmers.

Indonesia is a state of law, as mandated by Article 1 paragraph (3) of the 1945 Constitution of the Unitary Republic of Indonesia, all aspects of national life and all policies made by the Government must be based on the law, so that they can also be legally accounted for. In the legal science literature, the term state of law is a translation of the term "*rechtsstaat*". In addition to the term *rechtsstaat* to indicate the meaning of the state of law, the term "*the rule of law*" is also known (M. Hadjon, 1987). According to Philipus M. Hadjon, the two



terminologies, namely *rechtsstaat* and the *rule of law*, are supported by different legal system backgrounds. The term *rechtsstaat* is the fruit of thought to oppose absolutism which is revolutionary in nature and rests on the Civil Law or Continental European Legal System. In contrast, *the rule of law* developed evolutionarily based on the Common Law System or Anglo Saxon America. However, the difference between the two is now no longer disputed, because it leads to the same target, namely the protection of human rights (M. Hadjon, 1987).

Basically, there are 3 (three) principles that must be implemented in a state of law, namely: the supremacy of law, equality before the law and law enforcement in ways that are not contrary to the law (*due process of law*) (A.V. Dicey, 2008). In its implementation, these three things are elaborated in the form of (1) Protection of Human Rights; (2) The existence of an independent judiciary; and (3) An action must be based on the law (Asshiddiqie, 2014).

Rice production in Indonesia is affected by several factors, including shrinking agricultural land, limited capital, weather/climate, pests, and fertilizer use (Harini et al., 2019). Farmers generally have a weak position in obtaining production facilities, farm financing, and market access. Indonesia has a legal framework for the protection of farmers, as outlined in Law Number 19 of 2013 concerning the Protection and Empowerment of Farmers. According to Article 1, point (3) of Law No. 19 of 2013, a farmer is defined as an individual Indonesian citizen and/or their family who engages in farming activities in the fields of food crops, horticulture, plantations, and/or animal husbandry. Furthermore, in Article 1 point 1 of Law No. 19 of 2013 on the Protection and Empowerment of Farmers, Farmer Protection is defined as all efforts to assist Farmers in facing the problems of difficulties in obtaining production

infrastructure and facilities, business certainty, price risks, crop failure, high cost economic practices, and climate change.

The existence of Law No. 19 of 2013 on the Protection and Empowerment of Farmers is intended to improve the welfare of farmers as much as possible, because farmers have always been in a weak position in the process of food production in Indonesia. Conceptually, Law No. 19 of 2013 on the Protection and Empowerment of Farmers has good objectives. However, Law No. 19 of 2013 on the Protection and Empowerment of Farmers does not explicitly regulate how the Government of Indonesia creates conditions that result in favorable agricultural commodity prices for Farmers, as mandated by Article 25 paragraph (1) of Law No. 19 of 2013 on the Protection and Empowerment of Farmers. Furthermore, based on Article 32 of Law Number 19 Year 2013 on the Protection and Empowerment of Farmers, it states “The elimination of high cost economic practices as referred to in Article 7 paragraph (2) letter d is carried out by eliminating various levies that are not in accordance with the provisions of laws and regulations.”

Article 25 paragraph (1) and Article 32 of Law No. 19 of 2013 on the Protection and Empowerment of Farmers, is only limited to the norm “on paper” this is because there is no follow-up and provisions on how to create favorable conditions for farmers, especially rice farmers. Therefore, a legal development is needed.

Basically, the law is influenced by the realities that live in society itself. Law always has a relationship with existing and real events in society (Soejadi, 1999). A good law is a law that is in accordance with the values that grow and live in society, as the view of sociological jurisprudence (Hariyanto, 2018).

In the aspect of development, law functions in society as a driver and safeguard of development along with the expected results, so that law becomes

a means of development (*law as a tool of social engineering*) as stated by Roscoe Pound. Law is not just a means to regulate people's lives, but law must also be a tool for social engineering so that social life can be in accordance with the objectives set (Soerjono Soekanto, 2006).

Indonesian legal development must of course be guided by Pancasila and the Constitution of the Republic of Indonesia, which contains the goals and ideals of the Indonesian nation. Pancasila is the view of life of the Indonesian people so that it is used as a guide to life to achieve prosperity in society. Pancasila is the soul of the nation's personality and the hallmark of the Indonesian people in behavior and speech. Each precept of Pancasila contains values that become the basis of norms and rules in the life of society, nation and state (Cipta et al., 2023).

Regarding food management, particularly rice, the Indonesian government has entrusted BULOG (Badan Urusan Logistik), an institution under the Ministry of Trade of the Republic of Indonesia, with a crucial role in managing and regulating the distribution of food supplies in Indonesia, especially rice. Therefore, BULOG should play a role in controlling the selling price of rice from the harvest stage by farmers until it is sold to the public as final consumers.

Based on Article 114 paragraph (2) of Law No. 18/2012 on Food, it basically instructs the Government to be responsible for the availability, affordability, and price stability of food, including paddy and rice. Furthermore, based on Article 7 paragraph (1) of Presidential Regulation No. 125 of 2022 on the Implementation of Government Food Reserves, it basically states that the procurement of Government Food Reserves is prioritized through the purchase of domestic production including purchases from commercial stocks of BULOG and/or Food SOEs. Furthermore, based on Article 16 paragraph (3) letter a of

Presidential Regulation No. 125 of 2022 on the Implementation of Government Food Reserves, it basically states that BULOG can secure rice prices at the producer and consumer levels.

In terms of legal substance, derived from Pancasila and the 1945 Constitution of the Republic of Indonesia, both have a uniform breath that is the welfare of society and provide justice for the community, including rice farmers. Following up on the mandate of Pancasila and the 1945 Constitution of the Republic of Indonesia, the Government of Indonesia then drafted and promulgated Law No. 18/2012 on Food and Law No. 19/2013 on the Protection and Empowerment of Farmers. This is intended to provide protection to Rice Farmers as rice producers and protection to consumers, namely the public.

Regarding the legal structure, Indonesia has established an institutional arrangement for implementing *fair trade*, which includes the Ministry of Trade, BULOG, and the National Food Agency. The Ministry of Trade and BULOG can optimize the management and distribution of rice stocks in Indonesia. Meanwhile, the National Food Agency could be granted additional authority to conduct due diligence or certification of *fair trade* implementation.

The rice trading system in Indonesia should apply *fair trade* principles as developed by the *World Fair Trade Organization* (WFTO) to ensure the welfare of rice farmers and the sustainability of the agricultural sector. Principles such as fair payment, transparency in trade, and capacity building of rice farmers can help create a more equitable system. In addition, long-term contracts that benefit rice farmers and better access to markets can reduce rice farmers' dependence on middlemen. By implementing *fair trade*, rice farmers will get a fairer price for their crops, thereby improving the livelihood of rice farmers and creating a more sustainable trade ecosystem for Indonesia's agricultural sector.

Based on this, it is appropriate for the Government of Indonesia to formulate legislation that explicitly states that the rice farming business process must be carried out by applying *fair trade* principles, such legislation can be regulated in a Government Regulation.

#### IV. CONCLUSIONS

*Fair trade* aims to ensure fair payment, good working conditions, and strong business relationships. It should be noted that *fair trade* focuses on providing proper rewards to the parties involved in the production chain, so as to realize collective welfare and environmental sustainability. This is in line with Indonesia's goals contained in the fourth paragraph of the 1945 Constitution of the Republic of Indonesia. When farmers are rewarded for their performance by ensuring transparency, fair payment, and fair contracts, as reflected in the principles of *fair trade* that prioritize economic welfare and justice, it can increase the awareness of rice farmers to preserve the environment because what they have done is rewarded as much as the efforts that rice farmers have made.

Indonesia has the goal of prospering the community and providing justice for the community, including rice farmers. However, currently welfare and justice for rice farmers have not been realized because farmers are in a weak position in the rice distribution chain because they face low selling prices when harvests are plentiful, and also have to deal with middlemen or intermediaries who take larger profit margins. Thus a fair trading system is needed. In order to implement *fair trade* in Indonesia, legal development is needed, this is intended to create certainty, justice, and benefits for rice farmers as rice producers and the community in general as consumers. Therefore, arrangements are needed regarding the implementation of *fair trade* in rice trade

in Indonesia and the commitment of government apparatus to socialize, implement, supervise, and certify *fair trade* in Indonesia.

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