



Analysis of the Role of Agribusiness in the Indonesian Economy

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Abstract

Agribusiness is an important support in national economic development. This research aims to determine the complete agribusiness system that is interrelated with economic activities. This research methodology is a literature review which is based on Indonesian government regulations. The results of this research show that agribusiness has a strategic role in the formation of GDP, employment, international trade, regional economic development, national food security, environmental preservation, and equal distribution of development results. In the development and implementation of agribusiness that is already underway, there are still many obstacles. To solve very complex economic problems, especially in the agricultural sector, Indonesia requires sharpening (focusing) economic development strategies which are expected to be able to provide solutions to existing problems. So synergy is needed in the agribusiness sector, namely between agriculture, plantations, animal husbandry, fisheries, and forestry with the development of upstream and downstream agricultural industries as well as the development of related service sectors therein.

Keywords: *Agribusiness; Economy; Indonesia*

Introduction

Indonesia is one of the largest agricultural countries in the world (Ayun et al, 2020). The experience of agricultural-based economic development in the past shows that the agribusiness sector has made a very large contribution to the national economy. The classic role of the agribusiness sector in the national economy is providing food for our population, which currently numbers more than 275 million people (BPS, 2023). The provision of food here involves broad dimensions such as quantity, type and quality, space (distribution), and time (every day of the year). The role of the agribusiness sector as a

provider of relatively cheap food has enabled the cost of living in Indonesia to be relatively low in the world. The relatively low cost of living in Indonesia today has become one of the competitive advantages of the national economy. Then, the provision of sufficient and stable food, which is played by the agribusiness sector, has made a major contribution to economic, social, and political stability so that overall it contributes to the creation of a conducive climate for development in all fields.

In providing employment opportunities in Indonesia, the agribusiness sector has a very large contribution and is the largest among the existing sectors. Data from BPS (2020) is 128.45 million people. Of this figure, the majority work in the agricultural sector with 38.23 million workers or around 29.76%. Furthermore, the majority work in the trade and processing industry sectors with respective portions of 19.23% and 13.61% of the total working population. The fewest work in the electricity & gas procurement sector with a percentage of 0.24%. If the workforce in the upstream agribusiness subsector, downstream agribusiness subsector, and the service sector that serves the agribusiness sector are taken into account, then around 60 percent of the total national workforce is absorbed by the agribusiness sector.

The role of the agribusiness sector in national exports is also quite large and its share is increasing. BPS data (2023) shows that export commodities from agriculture, forestry, and fisheries are divided into three commodity groups, namely agricultural commodity groups of annual plants, annual plants, ornamental plants, and plant breeding; livestock commodities, capture fisheries, and aquaculture; and forestry commodities. The total number of agricultural, forestry, and fishery products exported in 2022 will be 49 groups of goods. The commodity group that has the largest contribution to exports of agricultural, forestry, and fisheries products in 2022 comes from annual crop agricultural commodities, namely 51.82 percent.

Table 1. Development of Exports of Agricultural, Forestry, and Fishery Products

Year	Net Weight (Thousand Tons)	Mark (Million US\$)	% Weight Change	% Value Change
2018	4.345,4	3.431,0	4,01	-6,54
2019	4.981,7	3.612,4	14,64	5,29
2020	5.677,9	4.119,0	13,98	14,02
2021	6.281,6	4.242,0	10,63	2,99
2022	6.911,3	4.895,2	10,02	15,40

Source. BPS go id 2023

The development of exports of agricultural, forestry, and fishery products from 2018 to 2022 shows a trend that tends to increase both in terms of weight and value. Exports from this sector always experienced an increase in terms of weight during this period, with the highest percentage increase occurring in 2019, reaching 14.64 percent. Meanwhile, in terms of value, exports in this sector experienced a decline in 2018, namely by 6.54 percent. However, the value and weight of exports of agricultural, forestry, and fisheries products have continued to increase since 2019, until the export value was recorded at US\$4,895.2 million in 2022, or an increase of 15.40 percent compared to 2021, and the export weight was recorded at 6,911.3 thousand tons or an increase of 10.02 percent.

The large contribution of the agribusiness sector to the total national export value shows that the agribusiness sector is still the mainstay of the country's foreign exchange earnings at this time. The increase in the agribusiness market share indicates that the agribusiness sector can exceed the share

growth of other economic sectors in contributing to exports. The agribusiness sector which supports the majority of the Indonesian people, coupled with its large contribution to exports, shows that the agribusiness sector is the biggest contributor to economic growth which has been able to grow so far.

Based on these known phenomena and findings, agribusiness is one of the key factors in the Indonesian economy, therefore we need to explore the agribusiness system and the role of agribusiness in Indonesia through various literature. so that later it can contribute to the economy and economic growth in a country (Horbonos et al; 2018; Sun, 2020; Hikmah, 2021; Surya et al, 2021).

1. Methodology

The research design used in this writing is a literature review. According to Dunne (2011), a Literature review is a framework, concept, or orientation for analyzing and classifying facts collected in research conducted. The literature review is a writing method by searching for literature from national and international journals using databases (Van Breda, 2001). Data source The research information used in this research was taken from relevant and published research results. In carrying out research, researchers searched research journals published in the Google Scholar publication system regarding the role of agribusiness in the economy.

2. Findings and Discussion

Findings

Table 2.Relevant Research

No	Nama Penulis / Judul	Hasil Penelitian
1	Hikmah, S. P. (2021). Peranan Agribisnis Dalam Perekonomian.	Economic resources that can be used in regional economic development are agribusiness resources such as natural resources, human resources in the agribusiness sector, technology in the agribusiness sector, and others. Accelerating the modernization of agribusiness in each region, will directly modernize the regional economy and can solve most of the economic problems in the region.
2	Muslimah, M., Abubakar, A., & Haddade, H. (2023). Peran Agribisnis dalam Perekonomian dan Urgensinya Menurut Pandangan al-Qur'an	The important role of agribusiness in the context of Indonesia includes: as a large workforce absorber, as one of the largest contributors to Indonesia's GDP, the amount of agribusiness imports is very low which benefits local farmers, earning foreign exchange, is an environmentally friendly economic activity, as an activity which produces basic foodstuffs and necessities for survival, has a multiplier effect, relies on renewable resources and is a crisis-resistant economic activity
3	Pratiwi, N. A., Harianto, H., & Daryanto, A. (2017). Peran agroindustri hulu dan hilir dalam perekonomian dan distribusi pendapatan di Indonesia	In the national economy, the downstream agro-industry plays a greater role in creating output, added value, and imports. Meanwhile, the upstream agro-industry plays a greater role in the creation, GDP, and exports. In terms of community income distribution, downstream agro-

		industry creates a more even distribution of income for both agricultural and non-agricultural households
4	Saragih, B. (2003). Pembangunan sistem agribisnis di indonesia dan Peranan public relation.	A competitive agricultural system increases economic development, which must synergize with each other in order to increase human resources.
5	Susanto, E. (2018). <i>Analisis Kategori Unggulan pada Sistem Agribisnis dan Perkembangan Ekonomi Wilayah Kabupaten/Kota di Propinsi Lampung</i>	The results of the analysis of the superior categories in the Lampung Province region in the Agribusiness Economic system show that the superior categories and potential for development are 1) Category C (Non-Oil and Gas Processing Industry) and Category I (Transportation and Warehousing) and Economic Development of the Regency/City Regions of superior areas.
6	Riesso, A. S. (2023). Pembangunan Agribisnis Indonesia	Factors that influence the development of agribusiness are; 1) Agribusiness Subsector, 2) Agribusiness Management: The Role of Government in Agribusiness, 3) Supporting Subsystems in Business-Based Farming, 4) Institutions in Agribusiness, 5) Agribusiness Development Strategy, 6) Financial Institutions, Banks and Non-Banks, 7) Agribusiness Development Strategy
7	Soetrisno, S., Soejono, D., Hani, E. S., Suwandari, A., & Narmaditya, B. S. (2020). Challenges and opportunities for agribusiness development: Lesson from Indonesia.	The research results show that technically Bondowoso, Malang, Kediri, and Tulungagung Regencies have implemented an organic system, while Blitar Regency has implemented a semi-organic system. The economic institutional pattern of agribusiness commodities consists of institutions for production facilities, animal husbandry, post-harvest and product processing, marketing, and supporting service institutions. These results show that organic rice farming is economically feasible, and government support is provided in the form of establishing development centers, facilitating agricultural machinery, integrated crop management field schools, and organic certification. These findings indicate that several places in East Java have prospective opportunities for the development of rice production agribusiness.
8	Surya, B., Saleh, H., Idris, M., & Ahmad, D. N. A. (2021). Rural agribusiness-based agropolitan area development and environmental management sustainability: Regional economic growth perspectives.	The results of the regression analysis show that the development of metropolitan areas has had a significant influence on regional economic growth, and the results of the path analysis confirm that the development of metropolitan areas based on rural agribusiness has had a significant influence on improving the community's productive economy and preserving the ecosystem. The results of this research confirm that increasing the productivity of the regional economic base sector has an impact on the development of metropolitan areas based on rural agribusiness systems towards increasing community income and the regional economy.

9	Darmansyah, A., Rochana, S. H., Sutardi, A., & Zuraida, U. (2014). The new growth centres and strategy for building and accelerating agribusiness development in Cirebon Regency, Indonesia	The results of the research are that Cirebon Regency divided 4 business activity areas. Region I is Kapetakan District as the center of growth, Region II is Plumbon and West Cirebon Districts as the center of growth, Region III is the Sumber District as the center of growth, and Region IV is Ciledug District the center of growth. It is necessary to create innovations that guarantee linkages between growth centers through developing integrated business networks such as developing market centers in growth center areas, and strengthening linkages between regions by developing commercial production centers.
10	Haryanti, E., Inti, R. W. I. W., Hermawati, D. T., & NH, N. M. (2023). Analysis Of The Potential Of Agribusiness Sector In Supporting Regional Development.(Case Study In Palu City, Central Sulawesi Province, Indonesia).	The research results show that the LQ value of the agribusiness sector in Palu City is <1 (0.14), meaning that the products of the agribusiness sector in Palu City are non-basic sectors that are not yet able to meet the needs of the local community. Through DLQ analysis, a value of 3 is obtained. If the LQ and DLQ values are compared, the criteria can be obtained that the agribusiness sector in Palu City is a mainstay sector, meaning that even though the agribusiness sector is currently not a mainstay sector, it is a basic sector, in the future this sector can be developed into a sector base. This shows that the agribusiness sector in Palu City makes a sustainable contribution to regional development. This is strengthened by the results of the Klassen typology analysis which shows that the criteria for the pattern and structure of the agribusiness sector in Palu City are declared as a fast-growing sector.

Discussion

Based on several research literature related to the role of agribusiness in Indonesia's economic development, it was found that;

Agribusiness System

John H Davis and Ray Goldberg (1957), in their article entitled "A concept of agribusiness," wrote that agribusiness comes from the word Agribusiness. Agriculture means farming and business means business or activity that produces profits. So agribusiness is any business related to agricultural production activities, which includes the exploitation of agricultural inputs and/or the production enterprise itself or also the enterprise of managing agricultural products. In other words, agribusiness is an economic perspective for food supply businesses (Sjarkowi & Sufri, 2004). Agribusiness is the concept of an integrative system and consists of several subsystems, namely 1) Production facilities procurement subsystem (upstream agroindustry), 2) farming production subsystem, 3) agricultural product processing and industry subsystem (downstream agroindustry), 4) marketing subsystem, 5) supporting institutional subsystem. Conceptually, the agribusiness system is all activities, starting from procuring production facilities (inputs) to marketing products produced by farming and agro-industry, which are interconnected with each other.

Agribusiness activities are activities based on the superiority of natural resources (on farm agribusiness) with the application of technology and human resources. Activities from small to large-scale businesses to accelerate the growth of the agribusiness sector with weak farmers (limited capital, skills, knowledge, and land control) can be achieved through the implementation of the agribusiness system. The development of an agribusiness system is a model (model, system, pattern) that can provide benefits for agribusiness actors (farmers, livestock breeders, planters, fishermen, small and medium entrepreneurs, and cooperatives) in increasing income and expanding employment opportunities. The role of agribusiness in the national economy can be measured using various indicators consisting of Kartono (2013) in Hikmah (2021):

- A. Contribution to the Formation of GDP. Abbreviation for Gross Domestic Product (GDP) in Indonesian Gross Domestic Product. The total market value of all final goods and services produced in a country in a given year, is equal to the sum of consumers, investment, and government expenditure, plus the value of exports, minus the value of imports as the largest contributor of added value in the national economy where 45% of the value added to the economy Nationally created from the agribusiness sector (1990), this role increased to 47% in 1995.
- B. Contribution to Labor Absorption. Labor absorption in the agribusiness sector increased from 74% in 1990 to 77% in 1995. This shows that the development of agribusiness can increase employment and business opportunities.
- C. Contribution to International Trade. The increase in exports of 6% in the 1990-1995 period shows that agribusiness is the largest contributor to the country's foreign exchange and has increased from year to year. Economic development which aims to increase economic growth, employment and business opportunities, as well as foreign exchange can be achieved through agribusiness development
- D. Contribution to Regional Economic Development. Utilizing various resources is the most effective and efficient way to implement regional autonomy. Economic resources that can be used in regional economic development are agribusiness resources such as natural resources, human resources in the agribusiness sector, technology in the agribusiness sector, and others. Accelerating the modernization of agribusiness in each region will directly modernize the regional economy and can solve most of the economic problems in the region.
- E. Contribution to National Food Security. Without quality and sufficient food support, it will be difficult to produce quality human resources, so food security in the sense of food affordability is needed. It is necessary to build a food security system that is firmly rooted in the diversity of food resources, institutions, and local culture.
- F. Contribution to Environmental Conservation. There is environmental degradation that threatens human survival.
- G. Contribution to Equal Distribution of Development Results. Equal development is largely determined by the technology used to produce national output, namely whether it is biased or towards the production factors owned by the people at large.

Conclusion

Based on the results of the study in the research, conclusions can be drawn as to; Agribusiness has a strategic role in the formation of GDP, employment, international trade, regional economic development, national food security, environmental preservation, and equitable distribution of

development results. To face future challenges, sustainable agriculture, and technological innovation must be a priority. With a sustainable and technology-based approach, agribusiness can become a motor for inclusive economic growth, protect the environment, and create a sustainable future for future generations. Together with the limitations in this research, it can be used as reference material for further research in the future.

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