



Legal Protection for Farmer Groups in Subsidized Fertilizer Pricing: A Case Study in Kualuh Hilir, North Sumatra

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ABSTRACT

Discrepancies between subsidized fertilizer prices and the government-mandated Maximum Retail Price (HET) continue to undermine agricultural productivity and policy effectiveness in Indonesia. This study examines the legal protection afforded to farmer groups affected by such price deviations, focusing on a case study in Kualuh Hilir Subdistrict, North Labuhanbatu Regency. Employing a socio-legal approach, the research combines normative legal analysis - reviewing Law No. 19 of 2013 on the Protection and Empowerment of Farmers, Minister of Agriculture Regulation No. 10 of 2022 as amended by Regulation No. 1 of 2024, and relevant constitutional provisions - with empirical fieldwork, including semi-structured interviews, direct observations, and document analysis. Findings reveal that extended distribution chains, weak regulatory oversight, delayed subsidy disbursements, and low legal literacy among farmers are the primary factors driving price discrepancies, resulting in farmers paying significantly above the regulated HET. These findings underscore a persistent gap between Indonesia's legal frameworks and their practical implementation, leaving smallholders vulnerable to exploitation. This study contributes to socio-legal scholarship on agrarian justice by providing micro-level evidence of how systemic weaknesses in subsidy governance undermine farmers' legal protections. Policy recommendations include strengthening distribution regulations, establishing accessible grievance mechanisms, and improving farmer legal literacy to enhance subsidy program effectiveness and ensure constitutional guarantees of agrarian justice are realized.

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1. Introduction

Indonesia, as an agrarian state, regards agriculture as a fundamental pillar of national development and a primary livelihood source for its citizens. Among the various policy tools used to support agricultural productivity, fertilizer subsidies remain one of the most strategic instruments. Since the 1970s, the Indonesian government has implemented subsidized fertilizer programs, particularly targeting smallholder farmers, with the aim of reducing input costs and promoting food security.¹

Fertilizer subsidies are a form of state intervention designed to lower production costs and ensure the availability of agricultural inputs at affordable prices. However, these programs often generate systemic challenges, including market distortions, fiscal burdens, and governance inefficiencies. In Indonesia, the subsidy mechanism is regulated by Minister of Agriculture Regulation Number 10 of 2022 as amended by Regulation Number 1 of 2024, which stipulates procedures for subsidy allocation and sets maximum retail prices (MRPs) for subsidized fertilizers. Despite this regulatory framework, the distribution of subsidized fertilizers remains fraught with issues such as limited access, inflated prices beyond MRP, and irregularities in field-level implementation.

Such discrepancies are particularly evident in Kualuh Hilir Subdistrict, Labuhanbatu Utara Regency, a region with significant agricultural land and 121 registered farmer groups.² Empirical data reveal that farmers frequently purchase subsidized fertilizers at prices exceeding the government-mandated MRP for instance, Urea is sold at IDR 3,500/kg compared to the official IDR 2,250/kg. These conditions not only undermine the policy's objectives but also place a disproportionate burden on smallholder farmers, threatening both local agricultural sustainability and broader food security.

From a legal standpoint, the issue of subsidized fertilizer distribution is not merely an administrative or policy concern - it is also a constitutional matter. Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia stipulates that "*the land and natural resources shall be controlled by the State and utilized for the greatest benefit of the people.*" This provision imposes a constitutional obligation on the State to ensure that essential agricultural resources, including fertilizers, are distributed equitably and justly.

This constitutional mandate is operationalized through Law Number 19 of 2013 on the Protection and Empowerment of Farmers,³ which affirms farmers' rights to access

¹ Adang Agustian et al., "Laporan Akhir Kajian Kebijakan Subsidi Pupuk: Harga, Distribusi dan Dampaknya Terhadap Permintaan Pupuk dan Produksi tanaman Pangan," *Pusat Sosial EKonomi dan Kebijakan Pertanian Sekretariat Jenderal Kementerian Pertanian*, 2017; The World Bank, "Indonesia Fertilizer Restructuring Project," 1990.

² Badan Pusat Statistik kabupaten Labuhanbatu Utara

³ Republik Indonesia, "Undang-Undang Nomor 19 Tahun 2013 tentang Perlindungan dan Pemberdayaan Petani," Menteri Hukum dan Hak Asasi Manusia (LEMBARAN NEGARA REPUBLIK

production inputs - including fertilizers - in a manner that is timely, accurate in quantity and quality, and appropriately targeted (Articles 1 and 21).⁴ The failure of the State to ensure the implementation of this law, as evidenced by field conditions, constitutes not only a policy gap but also a legal deficiency. It raises questions about the enforceability and justiciability of legal protections provided to farmers under national law.

Existing studies have acknowledged the role of subsidies in promoting agricultural productivity and improving farmer welfare. For example, output-oriented subsidy models have been shown to enhance crop yields and farmer income when designed effectively (Fan et al., 2023; Chintapalli & Tang, 2022).⁵ Legal protection mechanisms further contribute to equitable access, especially in fragmented rural markets with varying productivity levels (Li et al., 2022).⁶ Nonetheless, multiple scholars have highlighted that complex legal systems, overlapping regulations, and weak enforcement frameworks can hinder effective subsidy implementation—especially for marginalized farmer populations (Lund, 2023; Djatmika et al., 2024).⁷

In Indonesia, legal pluralism - the coexistence of state and customary law - adds an additional layer of complexity to policy enforcement. While local customary systems may offer culturally relevant mechanisms for resource distribution, their interaction with formal subsidy regulations often lacks clarity, transparency, and enforceability (Kurnia et al., 2022).⁸ Despite these scholarly contributions, there remains a notable gap in literature on how legal protections for farmer groups function (or fail to function) in the practical implementation of fertilizer pricing policies, particularly at the subnational level.

INDONESIA TAHUN 2013 NOMOR 131, TAMBAHAN LEMBARAN NEGARA REPUBLIK INDONESIA NOMOR 5433 § (2013).

⁴ Article 1 paragraph (1) of Law Number 19 of 2013 defines “farmer protection” as all efforts undertaken to assist farmers in overcoming difficulties in accessing infrastructure and production facilities, business certainty, price risks, crop failures, high-cost economic practices, and climate change. Article 21 further stipulates that central and regional governments may provide subsidies for agricultural inputs such as seeds, livestock, fertilizers, and machinery, and that such subsidies must be appropriate in terms of purpose, targeting, timing, location, type, quality, and quantity.

⁵ Tijun Fan et al., “Output-Oriented Agricultural Subsidy Design,” *Management Science* 70, no. 3 (2 Mei 2023): 1448–64, <https://doi.org/10.1287/mnsc.2023.4749>; Prashant Chintapalli dan Christopher S Tang, “Crop minimum support price versus cost subsidy: Farmer and consumer welfare,” *Production and Operations Management* 31, no. 4 (1 April 2022): 1753–69, <https://doi.org/10.1111/poms.13642>.

⁶ Haiyan Li et al., “Policy of Government Subsidy for Supply Chain with Poverty Alleviation,” *Sustainability (Switzerland)* 14, no. 19 (2022): 1–22, <https://doi.org/10.3390/su141912808>.

⁷ Christian Lund, “An air of legality – legalization under conditions of rightlessness in Indonesia,” *The Journal of Peasant Studies* 50, no. 4 (7 Juni 2023): 1295–1316, <https://doi.org/10.1080/03066150.2022.2096448>; Prija Djatmika et al., “Just Transition in Biofuel Development towards Low-Carbon Economy: Multi-Actor Perspectives on Policies and Practices in Indonesia,” *Energies* 17, no. 1 (2024), <https://doi.org/10.3390/en17010141>.

⁸ Ganjar Kurnia et al., “Local Wisdom for Ensuring Agriculture Sustainability: A Case from Indonesia,” *Sustainability (Switzerland)* 14, no. 14 (2022): 1–13, <https://doi.org/10.3390/su14148823>.

This study contributes to the growing body of legal scholarship on agrarian justice by empirically examining the disconnect between normative legal mandates and field-level realities in the distribution of subsidized fertilizers. Focusing on Kualuh Hilir, it uniquely explores how legal protections provided in the Constitution, statutory law, and ministerial regulations fail to protect smallholder farmer groups from systemic exclusion and economic vulnerability. By bridging legal theory and empirical field data, the study provides a multidimensional perspective on legal effectiveness in agricultural subsidy governance.

This study aims to assess the effectiveness of legal protection mechanisms for farmer groups in the implementation of fertilizer subsidy pricing policy, by critically evaluating the extent to which Indonesia's legal framework - from constitutional provisions to regulatory instruments - is upheld in practice. The findings are expected to inform both legal reform and policy redesign for a more equitable and enforceable agricultural subsidy system.

2. Legal Materials and Methods

This study adopts an empirical juridical research design, which combines normative legal analysis (*das Sollen*) with empirical observations of law in its socio-cultural context (*das Sein*). This interdisciplinary design integrates perspectives from law, sociology, and political science to provide a comprehensive understanding of the interaction between legal norms and social practices.⁹ The selection of this research type is grounded in its relevance to the study's objectives, which extend beyond analyzing national regulations on the distribution and utilization of subsidized fertilizers - such as Law No. 19 of 2013, Presidential Regulation No. 15 of 2011, and relevant ministerial regulations - to exploring how these policies are implemented in practice and their impacts on farmer groups in Kualuh Hilir Subdistrict, North Labuhanbatu Regency.

To achieve these objectives, this study employs a statutory approach to examine the legal framework and regulatory instruments, alongside a case study approach to investigate the practical implementation of these policies at the local level. The data used in this research consist of primary data, derived from interviews and field observations, and secondary data, obtained from official documents, statutory regulations, scholarly journals, academic books, and relevant prior studies. Data analysis was conducted using a descriptive-qualitative method, interpreting empirical findings within the existing legal framework and integrating them with academic literature to reinforce the study's arguments.

⁹ Ben Yong, "Book Review: Routledge Handbook of Socio-Legal Theory and Methods," *Social & Legal Studies* 30, no. 2 (2021): 327–29, <https://doi.org/10.1177/0964663920962549>; Jennifer Hendry, Naomi Creutzfeldt, dan Christian Boulanger, "Socio-Legal Studies in Germany and the UK: Theory and Methods," *German Law Journal* 21, no. 7 (2020): 1309–17, <https://doi.org/10.1017/glj.2020.83>.

3. Results and Discussion

3.1. Factors Contributing to Price Discrepancies in Subsidized Fertilizers

The discrepancy between subsidized fertilizer prices and the government-mandated Maximum Retail Price (HET) remains a complex and persistent challenge in Indonesia's agricultural sector. Although Minister of Agriculture Regulation No. 10 of 2022, as amended by Regulation No. 1 of 2024, sets out procedures for allocation and pricing, field observations reveal that these provisions are not fully implemented. Ministerial Decree No. 249 of 2024 allocates a total of 9.55 million tons of subsidized fertilizers - comprising 4.63 million tons of Urea, 4.73 million tons of NPK, 136,870 tons of Special-Formula NPK, and 500,000 tons of Organic Fertilizers - to meet national agricultural demands. Despite these regulatory frameworks, farmers in several regions, including Kualuh Hilir Subdistrict, report persistent difficulties in accessing fertilizers at the legally mandated prices, undermining both the subsidy program's effectiveness and the state's constitutional mandate under Article 33(3) of the 1945 Constitution to manage resources for the greatest benefit of the people.

In Kualuh Hilir - a subdistrict covering 385.48 km² with a population of 30,052 spread across 7 villages and 69 hamlets - agriculture plays a central role, with major crops including oil palm (18,641 ha), rice (15,905 ha), and coconut (290 ha). According to the Agricultural Extension Management Information System, 121 farmer groups operate in the region, with each member entitled to an allocation of 800 kg of subsidized fertilizers. However, interviews with local farmer groups reveal that this allocation is rarely met, and when fertilizers are available, they are often sold above the official HET.

3.1.1. Logistical Challenges and Distribution Inefficiencies

The distribution of subsidized fertilizers involves multiple intermediaries—from producers to distributors to registered retailers—each adding operational costs that inflate retail prices. These inefficiencies are compounded by Indonesia's geographic constraints, particularly in remote areas with poor transportation infrastructure, which increases logistical costs and limits timely delivery (Zhou and Che 2021).¹⁰ In these regions, retailers often pass additional costs to farmers, causing retail prices to exceed the legally mandated HET. Delays in the supply chain, especially from producers to distributors ahead of peak planting seasons, also create artificial scarcity, allowing retailers to manipulate prices. Furthermore, many retailers face capital constraints that limit their ability to procure fertilizers in bulk¹¹ or experience administrative bottlenecks within the electronic Definitive

¹⁰ Yanju Zhou dan Yuan Che, "Research on Government Logistics Subsidies for Poverty Alleviation with Non-uniform Distribution of Consumers," *Omega (United Kingdom)* 104 (2021): 102489, <https://doi.org/10.1016/j.omega.2021.102489>.

¹¹ Ya Li Lim et al., "Too little, too imbalanced: Nutrient supply in smallholder oil palm fields in Indonesia," *Agricultural Systems* 210, no. December 2022 (2023): 103729, <https://doi.org/10.1016/j.agsy.2023.103729>.

Group-Based Input Requirement Plan (e-RDCK) system, exacerbating stock shortages.¹² These logistical barriers, combined with uneven implementation of logistical subsidies and occasional delays in subsidy disbursement from the national budget, make fertilizers less accessible and more expensive for smallholders in areas such as Kualuh Hilir.

3.1.2 Market Dynamics and External Influences

Subsidized fertilizer prices are affected not only by domestic inefficiencies but also by fluctuations in global raw material prices, particularly natural gas - a key input in fertilizer production.¹³ These global pressures, combined with the rigid pricing structure in Indonesia's highly concentrated fertilizer market,¹⁴ result in discrepancies between state-mandated HET and actual market prices. Seasonal spikes in domestic demand, especially during synchronized planting periods, further worsen shortages and encourage price manipulation at the retail level.

3.1.3. Policy Contradictions and Implementation Gaps

Agricultural policy in Indonesia frequently combines production mandates with price support mechanisms, creating regulatory contradictions that distort resource allocation.¹⁵ Weak institutional capacity and low farmer literacy exacerbate these issues, with many smallholders struggling to navigate complex administrative systems like e-RDCK.¹⁶ Field interviews in Kualuh Hilir reveal that non-transparent distribution practices and favoritism in allocation remain prevalent, with subsidized fertilizers being diverted to non-eligible buyers (e.g., middlemen) who resell them at inflated prices. This malpractice not only undermines the equity objectives of the subsidy program but also contravenes the principles of targeted subsidies. The lack of effective socialization of HET regulations in rural areas further increases farmers' vulnerability to exploitation.¹⁷

¹² Sugihartini Utami, "FAKTOR-FAKTOR PENYEBAB KURANG EFEKTIFNYA IMPLEMENTASI Sugihartini Utami Sugihartini Utami Ilmu Administrasi Negara FISIP Universitas Tanjungpura Jurnal-PublikA , S1 Ilmu Administrasi Negara , Volume 1 Nomor 1 , Desember 2012 Sugihartini Utami Ilmu Adminis," *Jurnal-Publik* 1 (2012): 1–8.

¹³ Aleksandra Kowalska et al., "Fertilizer Price Surge in Poland and Beyond: Seeking the Way Forward towards Sustainable Development," *Sustainability (Switzerland)* 16, no. 16 (2024), <https://doi.org/10.3390/su16166943>.

¹⁴ Maman Setiawan, "Market Structure, Price Rigidity, and Performance in the Indonesian Food and Beverages Industry," *Bulletin of Indonesian Economic Studies* 50, no. 1 (2014): 131–32, <https://doi.org/10.1080/00074918.2014.896242>.

¹⁵ Gerald C Nelson dan Martin Panggabean, "The Costs of Indonesian Sugar Policy. A Matrix Policy : Approach Analysis," *American Journal of Agricultural Economics* 73, no. 3 (2011): 703–12.

¹⁶ Asim Biswas, "India's US\$20-billion fertilizer subsidies could do more for farmers — here's how," *Nature* 635, no. 8037 (7 November 2024): 35–38, <https://doi.org/10.1038/d41586-024-03571-3>.

¹⁷ Arifin Rudiyanto et al., "A Preparation Study on Changes to Positive Land Administration System in Indonesia (in Bahasa Indonesia)," 2016, 96.

3.1.4. Socioeconomic and Cultural Factors

The rural economy is shaped by complex power dynamics between corporate and non-corporate actors, influencing both the distribution and pricing of fertilizers.¹⁸ In addition, poor nutrient management practices - such as imbalanced fertilizer application - contribute to productivity gaps and distort perceptions of fertilizer value.¹⁹ These practices underscore the urgent need for enhanced agricultural extension services to ensure efficient fertilizer use.

3.1.5. Legal Implications of Price Discrepancies

From a legal perspective, these discrepancies reveal systemic failures in enforcing pricing regulations. Minister of Agriculture Regulation No. 10 of 2022 explicitly sets HET as a protective measure for farmers, yet violations remain widespread due to weak oversight and the absence of strict sanctions. Farmers are often reluctant to report such violations, fearing social exclusion or lacking awareness of their rights. This situation contravenes their legal entitlements under Articles 1 and 21 of Law No. 19 of 2013, which guarantee farmers access to fertilizers that are “appropriate in purpose, target, timing, location, type, quality, and quantity.” Strengthening monitoring mechanisms, imposing stricter penalties, and expanding farmers’ access to grievance mechanisms such as the Consumer Dispute Settlement Agency (BPSK) are essential to bridge the gap between legal norms and field realities.

To synthesize these interrelated issues, Table 1 summarizes the primary factors contributing to price discrepancies in subsidized fertilizers, their impacts, legal foundations, and supporting literature.

Table 1. Summary of Factors Contributing to Price Discrepancies in Subsidized Fertilizers in Indonesia

Factor	Impact	Legal Basis	References
Logistical challenges & distribution inefficiencies	Increased distribution costs; retail prices above HET; unequal fertilizer access across regions	Minister of Agriculture Regulation No. 10/2022; Law No. 19/2013 (Farmer Protection & Empowerment).	Hughes (1981); Zhou & Che (2021); Lim et al. (2023).

¹⁸ Muchtar Habibi, “Who Owns the Indonesian Countryside? From Corporate Capital to Capitalist Farmers and Landlord Capitalists,” *Journal of Agrarian Change*, no. December 2018 (26 Januari 2025): 23–25, <https://doi.org/10.1111/joac.12618>.

¹⁹ Md Shofiqul Islam et al., “Determinants of farmers’ fertilizer use gaps under rice-based cropping systems: Empirical evidence from Eastern Gangetic Plain,” *Journal of Agriculture and Food Research* 17, no. January (2024): 101228, <https://doi.org/10.1016/j.jafr.2024.101228>.

Market dynamics & external influences	Price volatility due to global raw material fluctuations; price rigidity in domestic markets; subsidy adjustments not reflected at retail levels.	Article 33 of the 1945 Constitution; Law No. 8/1999 (Consumer Protection)	Setiawan (2014); Kowalska et al. (2024); Fathurrahman et al. (2017).
Policy contradictions & implementation gaps	Inefficient subsidy allocation; leakage to non-eligible parties; poor farmer education & literacy.	Law No. 19/2013; Presidential Regulation No. 15/2011; Minister of Agriculture Regulation No. 1/2024.	Nelson & Panggabean (1991); Biswas (2024); Supriatna et al. (2024).
Socioeconomic & cultural factors	Dominance of powerful actors in distribution; imbalanced fertilizer application; yield and price disparities.	Law No. 8/1999; Law No. 19/2013.	Habibi (2025); Islam et al. (2024); Roche (1994).
Weak oversight & legal enforcement	Violations of HET without strict sanctions; farmers reluctant to report; weak local monitoring functions	Article 33 of the 1945 Constitution; Law No. 8/1999; Law No. 19/2013.	Setiawan (2014); Lund (2023).

In addition to these systemic issues, Table 2 illustrates the price discrepancies between the government-mandated HET and the actual prices paid by farmers in Kualuh Hilir, further demonstrating the gap between regulatory provisions and field realities.

Table 2. Price Discrepancies for Subsidized Fertilizers in Kualuh Hilir (2024)

Fertilizer Type	HET (IDR/Kg)	Retail Price (IDR/Kg)	Delivered Price (IDR/Kg)
Urea	2.250	3.300	3.500
SP-36	2,400	3.700	3.900
ZA	1.700	3.100	3.300
NPK	2.300	9.000	9.200
Organic Granular	800	1,500	1,700
Organic Liquid	20.000/L	35.000/L	40.000L

As illustrated in Tables 1 and 2, logistical inefficiencies, policy contradictions, and weak enforcement are the most dominant factors contributing to the widening gap between HET and actual retail prices. These challenges not only burden smallholder farmers but also threaten national food security. Addressing these discrepancies requires a multidimensional strategy involving improved logistical infrastructure, stricter regulatory enforcement, transparent allocation mechanisms, and strengthened farmer advocacy to ensure that the state's constitutional obligations and statutory protections are effectively realized.

3.2. Legal Protection for Farmer Groups as Users of Subsidized Fertilizers Under the Maximum Retail Price (HET) Policy

Legal protection for farmer groups is a fundamental mechanism to ensure equitable access to agricultural inputs - particularly subsidized fertilizers - while simultaneously

preventing exploitative practices in distribution. As emphasized by Rahardjo,²⁰ the law must function as an instrument to safeguard public interests, especially for vulnerable populations such as smallholder farmers, within a responsive and justice-oriented legal framework. In this context, the Maximum Retail Price (Harga Eceran Tertinggi, HET) policy should not be perceived merely as an administrative tool, but as a critical legal safeguard designed to guarantee price affordability and prevent market manipulation.

As discussed in the preceding section, the relationship between the HET policy and legal protection is both complex and multidimensional, encompassing regulatory structures, recognition of farmers' rights, and the broader socio-economic dynamics of agricultural communities. The Indonesian legal framework - comprising Law No. 19 of 2013 on the Protection and Empowerment of Farmers, Law No. 8 of 1999 on Consumer Protection, Presidential Regulation No. 15 of 2011, and Minister of Agriculture Regulation No. 10 of 2022 (amended by Minister of Agriculture Regulation No. 1 of 2024) - obligates the state to ensure the availability of subsidized fertilizer to farmers at government-regulated prices. However, the implementation of these policies often encounters systemic bottlenecks, including bureaucratic inefficiencies, weak enforcement mechanisms, and the dominance of powerful actors within the distribution network.²¹

Comparative international practices offer valuable insights. In Malaysia, for example, the Control of Padi and Rice Act 1994 regulates fertilizer subsidies to prevent abuse and ensure that state support reaches its intended beneficiaries.²² At the global level, the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA) affirms farmers' rights to fair access to resources, offering a normative reference for strengthening Indonesia's legal protections.²³

Indonesia's legal protection framework can be classified into several key approaches. The normative approach emphasizes regulatory reinforcement and recognition of farmers' rights. Minister of Agriculture Regulation No. 10 of 2022 governs allocation procedures and HET stipulations for subsidized fertilizers, while Law No. 19 of 2013 guarantees farmers' access to production inputs in accordance with proper types, quality, quantity, and timing.

²⁰ Christian Lund, "An air of legality – legalization under conditions of rightlessness in Indonesia," *The Journal of Peasant Studies* 50, no. 4 (7 Juni 2023): 1295–1316, <https://doi.org/10.1080/03066150.2022.2096448>.

²¹ Christian Lund, "An air of legality—legalization under conditions of rightlessness in Indonesia," *Journal of Peasant Studies* 50, no. 4 (2023): 1295–1316, <https://doi.org/10.1080/03066150.2022.2096448>; Rubiah Mohd Amin, Haniff Ahamat, dan Muhamad Sayuti Hassan, "Regulatory Framework of Rice Fertiliser Subsidy Management To Attain Sustainable Development Goals: Malaysia'S Perspective," *Journal of Sustainability Science and Management* 17, no. 8 (2022): 179–99, <https://doi.org/10.46754/jssm.2022.08.011>.

²² Amin, Ahamat, dan Hassan, "Regulatory Framework of Rice Fertiliser Subsidy Management To Attain Sustainable Development Goals: Malaysia'S Perspective."

²³ Anshu Pratap Singh, Padmavati Manchikanti, dan H. S. Chawla, "Sui generis IPR Laws vis-à-vis Farmers' rights in some Asian countries: Implications under the WTO," *Journal of Intellectual Property Rights* 16, no. 2 (2011): 107–16.

However, as Zahar and Nurhidayah note,²⁴ Indonesia's regulatory environment remains largely protectionist - prioritizing food security over strict adherence to transparent distribution governance. In regions such as Malang, legal protection is operationalized through government support in the form of credit facilities and resources that enhance farmers' bargaining positions.²⁵ Nonetheless, gaps persist due to unmet governmental incentives and legal complexities that continue to constrain smallholder farmers from fully benefiting from these protections.²⁶

A preventive approach is implemented through monitoring, transparency measures, and subsidy reform. Fertilizer distribution oversight is undertaken by the Ministry of Agriculture, local agricultural agencies, and the Fertilizer Task Force (Satgas Pupuk). Preventive measures include regular retail price monitoring to identify deviations, audits of registered retailers to ensure compliance, and continual updates to the Definitive Group Need Plan (RDKK) to maintain accuracy in recipient data. Moreover, increased transparency through digital platforms such as the e-RDKK and the Fertilizer Management Information System (SIMPI) has enhanced monitoring capabilities. However, the efficacy of these mechanisms remains limited due to the scarcity of field officers, weak inter-agency coordination, and the disproportionate influence of dominant actors in the distribution chain - factors that hinder equitable fertilizer allocation.²⁷ As part of reform efforts, scholars have proposed direct fertilizer subsidies (Subsidi Langsung Pupuk/SLP) targeted at smallholder farmers based on landholding criteria. This approach seeks to deliver subsidies directly to those most in need, bypass intermediaries, and mitigate price manipulation risks.²⁸ An alternative model - output price subsidies - focuses on stabilizing commodity prices, thereby indirectly alleviating fertilizer cost burdens and supporting the sustainability of small-scale farming systems.²⁹

The repressive approach involves legal enforcement and the imposition of sanctions.³⁰ In the event of HET violations, farmer groups may pursue legal remedies

²⁴ Amin, Ahamat, dan Hassan, "Regulatory Framework of Rice Fertiliser Subsidy Management To Attain Sustainable Development Goals: Malaysia'S Perspective."

²⁵ Sulistio, "Juridical Analysis of Farmer Group Legal Security," *International Journal of Law and Public Policy (IJLAPP)* 5, no. 2 (2023): 92–98, <https://doi.org/10.36079/lamintang.ijlapp-0502.516>.

²⁶ Riesta Yogahastama, Syaiful Bahri, dan Mohammad Habib Ramdhani, "Onrechtmatige Overheidsdaad for not Fulfilling Incentives for the Protection of Sustainable Food Agriculture Land," *Justisi* 11, no. 1 (2024): 77–94, <https://doi.org/10.33506/js.v11i1.3642>.

²⁷ Yayat Sukayat et al., "Determining Factors for Farmers to Engage in Sustainable Agricultural Practices: A Case from Indonesia," *Sustainability (Switzerland)* 15, no. 13 (2023): 1–14, <https://doi.org/10.3390/su151310548>.

²⁸ Sri Hery Susilowati, "Urgensi dan Opsi Perubahan Kebijakan Subsidi Pupuk," *Analisis Kebijakan Pertanian* 14, no. 2 (2018): 163, <https://doi.org/10.21082/akp.v14n2.2016.163-185>.

²⁹ Susilowati.

³⁰ Erlina Bachrie, Melisa Safitri, dan Adinda Salsabila, "Implementasi Penerapan Sanksi Pidana Terhadap Pelaku Tindak Pidana Memproduksi Pupuk Kompos Merk Aneka Mitra Sejahtera (AMS) yang Tidak

through reporting to the Fertilizer Task Force or local agricultural departments, lodging disputes with the Consumer Dispute Settlement Agency (BPSK), or initiating criminal proceedings in cases involving fraud or abuse of authority, as stipulated under Article 62 of the Consumer Protection Law.³¹ However, this legal channel is often underutilized, as farmers are reluctant to report violations due to dependency on local distributors, fear of social exclusion, and the complexity of legal procedures.³²

Lastly, educational and strategic approaches are essential to reinforce legal protection. Legal literacy programs for farmers conducted by Agricultural Extension Officers (PPL), awareness campaigns regarding farmers' rights and HET regulations, and advocacy training for farmer groups are critical initiatives to enhance farmers' capacity to negotiate prices and influence policy. Strengthening farmers' unions and organizations also serves as a strategic mechanism for increasing collective bargaining power. In addition, implementing pilot subsidy schemes in key agricultural regions can serve as a testing ground for refining new mechanisms before scaling them nationally, thereby allowing greater alignment with local needs and realities.³³

3.3. Case Analysis: Implementation of the HET Policy in Kualuh Hilir Subdistrict, North Labuhanbatu Regency

Kualuh Hilir Subdistrict, covering an area of 385.48 km² with a population of 30,052 people across seven villages and 69 hamlets, has an economy predominantly driven by agriculture.³⁴ The main commodities include oil palm (18,641 ha), rice paddies (15,905 ha), and coconut (290 ha), resulting in a high dependency on subsidized fertilizers. According to data from the Agricultural Extension Management Information System, 121 farmer groups are active in the region, with each member entitled to an annual allocation of 800 kg of subsidized fertilizer as stipulated in the RDKK (Definitive Group-Based Input Requirement Plan).

However, field interviews reveal that the implementation of the Maximum Retail Price (HET) policy in Kualuh Hilir faces significant challenges. Farmers report delays in fertilizer distribution, allocations that do not reflect actual needs, and prices far exceeding

Terdaftar (Studi Putusan Nomor: 64/Pid.Sus/2021/PN Gns),” *Jurnal Kewarganegaraan* 6, no. 2 (2022): 4375–86.

³¹ Republik Indonesia, “Undang-Undang No. 8 Tahun 1999 Tentang Perlindungan Konsumen,” Pemerintah Republik Indonesia (Lembaran Negara Republik Indonesia Tahun 1999 Nomor 42, Tambahan Lembaran Negara Republik Indonesia Nomor 3821) § (1999).

³² Lund, “An air of legality – legalization under conditions of rightlessness in Indonesia,” 7 Juni 2023.

³³ Susilowati, “Urgensi dan Opsi Perubahan Kebijakan Subsidi Pupuk.”

³⁴ Badan Pusat Statistik Kabupaten Labuhanbatu Utara, “Kecamatan Kualuh Hilir Dalam Angka,” 2024, 3.

the mandated HET.³⁵ For instance, Urea fertilizer that should be sold at IDR 2,250/kg is purchased by farmers for IDR 3,300–3,500/kg, while NPK, which has an official price of IDR 2,300/kg, is sold for as much as IDR 9,000–9,200/kg.³⁶ These price discrepancies are not merely a technical issue in distribution but highlight gaps in oversight and weak enforcement of the regulations.

An in-depth analysis indicates that these problems stem from several interrelated factors. First, low transparency in distribution, where allocation processes are often perceived as favoring certain actors, including middlemen who gain access ahead of registered farmers. Second, limited capacity of local institutions, such as the shortage of field inspectors at the village level and weak inter-agency coordination, which hinder the implementation of monitoring mechanisms mandated by the Minister of Agriculture's regulations. Third, low legal literacy among farmers, which discourages them from reporting violations due to their lack of understanding of grievance procedures or fear of social exclusion within farmer groups.

From a legal perspective, these conditions reflect a significant gap between law and practice. Farmers' rights guaranteed under Law No. 19 of 2013 on the Protection and Empowerment of Farmers and consumer protections under Law No. 8 of 1999 are not effectively realized in practice. In other words, although the national legal framework provides clear regulations, weak implementation at the local level hampers the achievement of the fertilizer subsidy program's objectives.

including the strengthening of monitoring mechanisms, the imposition of stricter sanctions against HET violators, and the empowerment of farmer groups through legal literacy and advocacy programs. A participatory approach involving farmers as active partners in monitoring fertilizer distribution is also crucial to ensure that subsidies reach their intended beneficiaries. Thus, this case study provides a concrete illustration of how a nationally designed HET policy encounters challenges in local implementation and offers a basis for formulating more responsive and context-specific policy strategies.

4. Conclusion

The persistent discrepancy between subsidized fertilizer prices and the government-mandated Maximum Retail Price (HET) in Indonesia reveals fundamental weaknesses in the governance of the fertilizer subsidy program, particularly in distribution management, oversight effectiveness, and law enforcement. Field findings from Kualuh Hilir Subdistrict

³⁵ Roby Andreansyah Putra. *Interview with Mukhlis Syaid Hasibuan, representative of the Farmer Group in North Labuhanbatu, regarding subsidized fertilizer prices.* 2025. (Primary data, unpublished).

³⁶ Roby Andreansyah Putra. *Interview with Mukhlis Syaid Hasibuan, representative of the Farmer Group in North Labuhanbatu, regarding subsidized fertilizer prices.* 2025. (Primary data, unpublished)

demonstrate that extended distribution chains, high operational costs in remote areas, delayed subsidy disbursements, and inefficiencies in fertilizer delivery exacerbate these price discrepancies. Furthermore, imbalances between the allocations set in the Definitive Group-Based Input Requirement Plan (RDKK) and the actual needs of farmers - coupled with distribution delays during peak planting seasons - create fertilizer shortages, enabling practices that result in prices exceeding the regulated HET.

From a legal perspective, these conditions underscore a significant gap between normative provisions and their practical implementation. Farmers' rights guaranteed under Law No. 19 of 2013 on the Protection and Empowerment of Farmers and the HET regulations stipulated in Minister of Agriculture Regulation No. 10 of 2022, as amended by Regulation No. 1 of 2024, remain inadequately enforced. Legal protection for farmers, particularly smallholder groups, is therefore crucial to ensure equitable access to subsidized fertilizers. To address these challenges, evidence-based policy reforms are urgently needed, including the development of a more transparent distribution system, the enhancement of monitoring capacities, and the imposition of stricter sanctions on violations of HET regulations. These efforts must be complemented by empowering farmers through legal literacy programs and strengthening farmer organizations to enable their active participation in monitoring policy implementation.

If these measures are implemented consistently, the fertilizer subsidy policy can be made more targeted and effective, ensuring that farmers can access their entitlements fairly while reinforcing the sustainability of Indonesia's agricultural sector and safeguarding national food security.

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