

## THE EVALUATION OF WAREHOUSE RECEIPT SYSTEM OBJECT REGULATION: A PERSPECTIVE STUDY OF COMMODITY GOODS CONCEPT IN INDONESIA

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### Abstract

There are normative issues related to the concept of commodity goods with the object of warehouse receipts and social issues regarding the benefits of warehouse receipts for grain or rice farmers. Therefore, it is necessary to evaluate the regulation of the object of the warehouse receipt system so that it has a unique contribution to small farmers. The research applied in this research is juridical-empirical with a qualitative approach. The fact shows that rice farmers do not want to use the Warehouse Receipt System (WRS) because of the high cost and tend to choose the People's Business Credit program. Based on the study of the concept of commodities and benefits, it is necessary to change regulations related to the concept of WRS objects so that it is better to equate it with the concept of commodities. Grain or rice is a staple food that is excluded from the WRS object following the commodity concept because it has access to subsidies and special incentives from the government for national food security. Smallholders do not need to store rice in warehouses as in the WRS procedure to gain access to credit. This study shows that the government is reviewing the regulation of WRS objects in Indonesia so that it is beneficial for small farmers in particular.

**Keywords:** Credit; Commodity; Small Farmer; Warehouse Receipt System.

### INTRODUCTION

The warehouse Receipt System (WRS) is one of the guarantee institutions that farmers can use to obtain bank loans. The Warehouse Receipt regulation is contained in Law Number 9 of 2011 concerning Amendments to Law Number 9 of 2006 concerning the Warehouse Receipt System (Warehouse Receipt Law or UUSRG). Warehouse receipts are securities carried out by the Commodity Futures Trading Regulatory Agency (CoFTRA; in Indonesia, it is called CoFTRA). It is a government agency whose main job is to guide, regulate,

develop and supervise Futures Trading. The explanation regarding Warehouse Receipt and CoFTRA is implicitly regulated in Article 32 (1), which states that one of the Central Government's concerns in developing WRS is the coordination between WRS and Commodity Futures Trading. The Supervisory Body is strictly regulated in Article 44 (1) of Law Number 9 of 2006 concerning WRS; it is stated that the Supervisory Agency is carried out by the Commodity Futures Trading Regulatory Agency (after this referred to as CoFTRA).

The concept of a warehouse receipt

in the Warehouse Receipt Law is a document used as proof of ownership of goods stored in a warehouse, and Warehouse Management issues the document. Warehouse receipts (WR) have a derivative product called Derivative Warehouse Receipt. These products can be futures contracts of WR, Options on WR, index on WR, Discount Securities of WR, WR units, or other derivatives of Warehouse Receipts as financial instruments.

An interesting normative issue to discuss is whether the object of warehouse receipts can be compared with commodity goods. It is clear that futures contracts from warehouse receipts are included in commodities, but can WRS products or objects be compared to commodity goods? Commodities are goods traded through international markets and tend to use the prices applied in these markets. However, in the regulation, it turns out that objects protected by WRS are different from commodity goods. This is stated in Article 1 of the Decree of the President of the Republic of Indonesia Number 119 of 2001 concerning commodities that can be used as the subject of Futures Contracts; that the commodities listed on the Futures Exchange are coffee, palm oil, plywood, rubber, cocoa, pepper, sugar, peanuts, soybeans, cloves, shrimp, fish, fuel oil, natural gas, electricity, gold, coal, cans, pulp and paper, yarn, cement, and fertilizers.

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<sup>1</sup> Khoirul Hidayah, Iffaty Nasyi'ah, and Jundiani Jundiani, "Warehouse Receipt System Regulation in Indonesia: Is It Beneficial for Small Farmer?," *Sriwijaya Law Review* 3, no. 2 (July 31, 2019): 162–

Grain (rice is not famous) and rice are products that are not listed in the regulation but are objects of WRS, which are regulated in the Regulation of the Minister of Trade of the Republic of Indonesia Number 33 of 2020 concerning Goods and Requirements for Goods That Can Be Stored in the Warehouse Receipt System. Rice is a product protected by the government as a food security means, so the government also plays a role in determining market prices. Many government regulations aim to provide incentives and conveniences for rice farmers, such as People's Business Credit (known as KUR) with low-interest rates, farmer cards, and agricultural equipment and machinery facilities.

The regulation is interesting to discuss because there are social problems that are why it is needed. Several social and economic problems in implementing WRS can be found through previous research conducted in several areas.

Research in Malang Regency conducted by Khoirul Hidayah found that using WRS by farmers has not provided benefits for rice farmers. A further study by the same researcher, Khoirul Hidayah, "criticized the WRS regulations, which could not support the agricultural sector in Indonesia."<sup>1</sup> The study of Erma Suryani et al. explained: "that WRS' efforts to increase grain and rice commodities in Indramayu and Subang Regencies had not yet achieved the objectives set out in the

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<https://doi.org/10.28946/slrev.Vol3.Iss2.292.pp162-175>.

Law on Warehouse Receipts.”<sup>2</sup> Furthermore, research conducted by Bank Indonesia explains “the lack of superiority of grain commodity farmers at WRS in Kuningan, West Java”.<sup>3</sup> In Surakarta, Central Java, WRS has also not provided benefits to rice farmers because there is no balance between the large investment amount and the relative minimum costs charged to the farmers; “Similar conditions also apply in Bangka Belitung because WRS is not implemented optimally.”<sup>4</sup> WRS in some countries, for example, Africa, is also implemented because “the farmers there have easy access to finance.”<sup>5</sup> Overall, studies that describe the social facts of warehouse acceptance practices in several areas show that “there are no research studies or articles that criticize WRS through discussions about commodity goods.”<sup>6</sup>

## PROBLEM RESEARCH

One effort to prove that warehouse receipts have not helped rice farmers is to research the benefits of warehouse receipts in Malang Regency. In addition, it

is then analyzed by reviewing regulations regarding WRS objects through the perspective of commodity goods in Indonesia. This study aims to achieve the results of evaluating the regulation of WRS objects through a description of facts about the advantages of WRS and making a regulatory model for WRS objects using the perspective of commodity goods in Indonesia. Thus, rice/paddy farmers benefit from WRS and increase agricultural yields following the government's goals to achieve food security goals.

## RESEARCH METHOD

The research method used is a juridical-empirical study with a qualitative approach. The research data includes primary data from interviews with several informants. They are the head of the Gapoktan, the head of the Trade Division of the Malang Disperindag Regency, and the head of the KUD (Village Unit Cooperative). Meanwhile, secondary data includes laws and regulations and research studies related to warehouse receipts. Data collection methods are interviews and documentation. The

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<sup>2</sup> Erma Suryani, nFN Erwidodo, and Iwan Setiadjie Anugerah, “Sistem Resi Gudang Di Indonesia: Antara Harapan Dan Kenyataan,” *Analisis Kebijakan Pertanian* 12, no. 1 (August 10, 2016): 69–86, <https://doi.org/10.21082/akp.v12n1.2014.69-86>.

<sup>3</sup> Tim Peneliti Bank Indonesia dan Institut Pertanian Bogor, *Kajian Peningkatan Pemanfaatan Sistem Resi Gudang: Pilot Project Di Kabupaten Kuningan, Jawa Barat (Komoditas Gabah) Dan Konawe Selatan, Sulawesi Tenggara (Komoditas Kakao)* (Jakarta, 2017).

<sup>4</sup> Abdul Malik, “Penerapan Resi Gudang Di Solo Tak Menguntungkan,” *Tempo*, December 19,

2012, <https://bisnis.tempo.co/read/449267/penerapan-resi-gudang-di-solo-tak-menguntungkan>.

<sup>5</sup> Tendayi Chapoto and Anthony Aboagye, “African Innovations in Harnessing Farmer Assets as Collateral,” *African Journal of Economic and Management Studies* 8 (March 13, 2017): 66–75, <https://doi.org/10.1108/AJEMS-03-2017-144>.

<sup>6</sup> Bambang Ari Satria, “Studi Implementasi Kebijakan Sistem Resi Gudang Pada Komoditi Lada Di Provinsi Kepulauan Bangka Belitung,” *Jurnal Ilmu Administrasi Publik* 8, no. 2 (2020): 1–13.

sample collection technique was purposive sampling, considering that KUD and Gapoktan had implemented a warehouse receipt system and collaborated with Disperindag in Malang Regency. The data analysis technique is descriptive qualitative by analyzing Law No. 32/1997 on Commodity Futures Trading related to Law No. 32/1997. 10 of 2011 concerning Amendments to Law no. 32 of 1997, the theory of Jeremy Bentham, and Najmuddin ath-Thaufi.

## ANALYSIS AND DISCUSSION

### A. Commodity Goods Regulations in Indonesia

Through the Ministry of Trade, the government has regulated Commodity Goods and has given supervisory authority to the Commodity Futures Trading Supervisory Agency (CoFTRA) as the regulator and supervisory body. Commodity goods are goods sold in the global market, and their prices fluctuate following global trends. Commodity goods are known as buying and selling activities with the handover and are based on commodity futures contracts. The following are the primary considerations why commodity futures contracts needed to regulate, namely the articles of the General Elucidation of Law Number 32 of 1997 concerning Commodity Futures Trading related to Law Number 10 of 2011 concerning Amendments to Law No. 32 of 1997:

"The challenges are more complicated in the era of globalization and free trade. Therefore, Indonesian entrepreneurs are expected to take

efficient and practical steps in trading activities through risk management due to fluctuations in commodity prices. *Commodity Futures Trading* is a trading infrastructure used in the business world, including farmers, small businesses, and small producers, to protect themselves from price fluctuations. Smallholders and producers generally do not have a natural ability to use Futures Trading facilities. If they want to take advantage of Commodity Futures Trading, it can be arranged through cooperatives, marketing groups, or a partnership system between entrepreneurs, small farmers, and producers. Commodity Futures Trading not only function as a risk transfer facility but also as an effective and transparent price formation; shared price information can be used as a standard and reference for all communities, including farmers and small producers, in managing their businesses."

Article of the General Explanation of Law Number 10 of 2011 concerning Amendments to Law Number 32 of 1997 concerning Commodity Futures Trading states that the economic function of futures trading is as a hedging facility, and the price discovery facility is used as a transparent price reference and becomes a global price standard. With futures trading, business actors, tiny farmers, are protected from dangerous risks.

Based on the explanation above, Indonesia finds the term commodities traded through commodity futures trading, namely the sale and purchase of commodities with margin withdrawal

and with subsequent settlement based on Futures Contracts, Sharia Derivative Contracts, and/or other Derivative Contracts (Article 1 Point 1, Law No. Number 10 of 2011 concerning Amendments to Law Number 32 of 1997 concerning Commodity Futures Trading). Commodities are types of goods traded through international markets and tend to use valid prices in that market. Several commodity concept regulations in Indonesia are described in the following paragraphs:

First, Article 1 Point 2 of Law no. 10 of 2011 concerning Amendments to Law Number 32 of 1997 concerning Commodity Futures Trading states that commodities are all goods, services, other rights and interests, and any derivatives of commodities, which can be traded and are subject to Futures Contracts, Sharia Derivative Contracts, and/or other Derivative Contracts.

Second, Article 1 of the Decree of the President of the Republic of Indonesia Number 12 of 1999 concerning commodities that can be included in the Futures Contract Subject mentions coffee and palm oil as Futures Contract commodity objects on the Futures Exchange.

Third, Article 1 of the Decree of the President of the Republic of Indonesia Number 73 of 2000 concerning commodities that can be included in the Subject of Futures Contracts mentions coffee, palm oil, plywood, rubber, cocoa, and paprika as Futures Contract commodities in the Futures Exchange.

Fourth, Article 1 of Presidential Decree of the Republic of Indonesia

Number 119 of 2001 concerning commodities that can be included in the Subject of Futures Contracts mentions coffee, palm oil, plywood, rubber, cocoa, pepper, sugar, peanuts, soybeans, cloves, shrimp, fish, fuel oil, natural gas, electric power, gold, coal, cans, pulp and paper, yarn, cement, and fertilizers. The Warehouse Receipt System, through Article 44 (1) of the Warehouse Receipt Act/UUSRG, has stipulated that Warehouse Receipt Management must be guided and supervised by CoFTRA because it can become the object of trading on the Futures Exchange.

#### **B. Problems with Warehouse Receipt System in Malang Regency**

The results of research conducted in Malang Regency and interviews with several WRS stakeholders explain the description of the implementation of WRS as the government's flagship program under the Ministry of Industry and Trade. The following is the flow of warehouse receipts in Malang Regency in collaboration with Bank Jatim:

- 1) Malang Regency Government cooperates with CoFTRA licensed Warehouse Management;
- 2) Farmer's store goods in warehouses managed by the owner or warehouse management;
- 3) Warehouse receipt objects (grain, rice) are certified by compliance agencies (BPSMB-LT [Testing and Certification of Quality of Products & Tobacco Surabaya Agency] and Ujastama);



- 4) Warehouse management issues receipts;
- 5) Farmers propose credit to Bank Jatim;
- 6) Credit process. The bank surveys the goods in the warehouse;
- 7) Provide a risk of burning guarantee (e.g., Sinar Mas Syariah Guarantee, Artamakmur Prosperity Guarantee);
- 8) Verification and confirmation of the imposition of Collateral Rights on the Warehouse Receipt Registration Center (PT Kliring Berjangka Indonesia);
- 9) Registration of guarantee rights holders by KBI;
- 10) Credit disbursement by banks.

The author describes some of the problems faced by the Malang Regency Government in implementing the WRS. First, the WRS warehouse standard. Warehouse regulations in the WRS concept are stated in Article 1 letter four and Article 23 of Law Number 9 of 2006 related to Article 1 paragraph 4 of Law Number 9 of 2011 and Article 43 of Government Regulation of the Republic of Indonesia Number 36 of 2007 concerning Implementation of Law Number 9 of 2006 concerning Warehouse Receipt System.

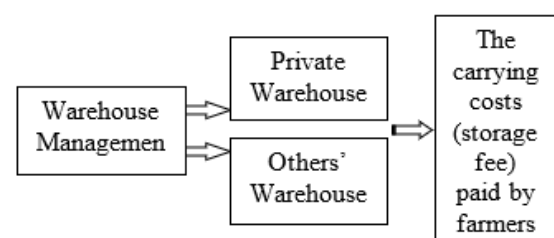
Article 43 (1) Government Regulation of the Republic of Indonesia Number 36 of 2007 states that warehouses used by management must obtain a permit from CoFTRA. The warehouse owner or management must meet these requirements:

- a) Trading Business Permit in the field of Warehousing Services

- b) Warehouse Registration
- c) Warehouse certificate from the Conformity Assessment Agency

The warehouse owner does not quickly fulfill the regulations for the warehouse. Some farmer cooperatives have warehouses but have not met the requirements stated in the legislation to obtain permits from CoFTRA. In Malang Regency, only one warehouse is licensed by CoFTRA, owned by the local government. In practice, the owner does not quickly meet the warehouse needs, for example, a warehouse for storing rice belonging to Padita, a farmer's cooperative in Malang Regency. According to the expert, these requirements can only be met by professional warehouse owners such as those managed by legal entities, for example, PT Bulog, PT. This regulation needs to be evaluated. In addition to the problem of warehouse needs, there is also the problem of whether warehouse management is allowed to use other parties' warehouses or not (as regulated in Article 1, paragraph 8 of Law No. 9 of 2011). Using someone else's warehouse will cost you more on transportation costs which will also burden the farmer. Figure 1 shows a simple understanding of warehouse and management in the Warehouse Receipt System.

Figure 1



Source: Article 1 letter 8 of Law no. 9 Year 2011

The second problem is warehouse management requirements. The warehouse management agency, as referred to in Article 1 letter 8 of Law no. 9 of 2011:

"Warehouse Management is the party that carries out the warehousing business, both private warehouses and other parties; it is responsible for the storage, maintenance, and supervision of goods stored by the owner, as well as issuing Warehouse Receipts."

The law requires warehouse management to have a legal entity and obtain a license from CoFTRA as a supervisory agency. Standard management must be met by warehouse management as required by CoFTRA. The reality in Malang Regency is that the local government has not succeeded in proposing warehouse management through cooperatives guided by licensed administrators such as PT Pertani and PT. All cooperatives fail to meet CoFTRA requirements.

Warehouse management requirements protect financial institutions such as banks, that warehouse receipts must be issued by a warehouse management agency that meets the requirements as a standard by CoFTRA as a regulator. The government has given CoFTRA authority as a mentor, regulator, and supervisor (Article 1, page 11 of Law No. 9 of 2011). The number of warehouse management in Indonesia licensed by CoFTRA is limited—according to CoFTRA data in 2014, there

were only 5 (five) large warehouse managements; namely PT Pertani, Niaga Mukti Cooperative, Multi-Business Cooperative (KSU) Annisa, PT Bhandha Ghara Reksa, and PT Food Station Cipinang Jaya. In 2021, the number will be around 52, consisting of Limited Liability Companies (known as Limited Liability Companies), cooperatives, and regional companies. In practice, this amount has not met actual needs, so the local government's efforts in implementing the WRS program are to build warehouses and propose new warehouse management based on the needs of each region. Like the local government of Malang Regency has done, they have built a warehouse and got a license from CoFTRA, but they do not have warehouse management yet. According to the Regulation of the Head of CoFTRA No. 01/BAPPEBTI/PER-SRG/7/2007, "one of the conditions is that cooperatives must have a Standard Operating Procedure (SOP)."<sup>7</sup>

The lack of warehouse management is a concern of CoFTRA, and in 2017, CoFTRA held special training for warehouse management candidates in Indonesia. There are several requirements for prospective warehouse management; warehouse management must be a legal entity, the minimum capital owned by cooperatives is IDR 250 million, and the minimum capital owned by BUMD is IDR 12.5 billion. The training was continued with warehouse management candidates from 13 regions

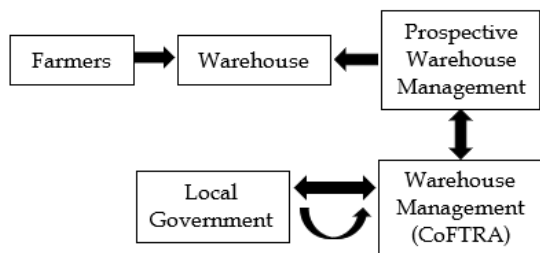
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<sup>7</sup> Badan Pengawas Perdagangan Berjangka Komoditi, *Pengaturan Dan Implementasi Sistem*

*Resi Gudang* (Jakarta: Badan Pengawas Perdagangan Berjangka Komoditi, 2020).

in Indonesia. A regulation will be implemented correctly if the supporting structure is in place—poor warehouse management results in huge costs incurred by the government and the farmers in WRS. Local governments must provide funds to assist prospective warehouse management, and farmers also spend a large amount of money on transportation costs to warehouses which are still limited in number; Take, for example, in Malang Regency, there is only one warehouse. Figure 2 describes the WRS assistance collaboration flow for a cooperative.

Figure 2. The flow of Collaborative Assistance for Warehouse Management Candidates



The local government builds the warehouse, and the regional government appoints the candidate for warehouse management. Then the government cooperates with the warehouse management, which has obtained a permit from CoFTRA to assist the prospective warehouse management with professional honorarium funds paid by the regional budget (regional budget). The local government warehouse has not been used since 2016 because there is no

warehouse management capable of operating it.

Yuliati, Head of Gapoktan in Tumpang, explained:<sup>8</sup>

"Warehouse management should be allowed to have the business of processing rice from unhulled rice. Management will benefit if it is given authority not only for storage but also for rice milling. The farmers are not harmed if the warehouse management makes a profit. On the other hand, the farmers can directly get payment from the grain sold by the warehouse management. To do that, management must have significant capital."

WRS is an opportunity for a farmer-trader (a farmer who also acts as a trader) to take advantage of this business. The same was expressed in a 2017 Bank Indonesia research study conducted in Kuningan and Konawe Selatan Regencies. They suggest that warehouse management should have proper managerial and entrepreneurial skills to increase farmers' income. Warehouse management is expected to function as a wholesaler, grinding grain into rice, marketing, and financing. Warehouse management can also collect farmers' crops through the ball-picking system. Management can also be "a mediator between farmers and WRS institutions such as banks, local governments, credit guarantee institutions or guarantee institutions, and CoFTRA."<sup>9</sup>

<sup>8</sup> Wawancara dengan Yuliati di Tumpang pada Januari 7, 2019.

<sup>9</sup> *Kajian Peningkatan Pemanfaatan Sistem Resi Gudang: Pilot Project Di Kabupaten Kuningan,*

*Jawa Barat (Komoditas Gabah) Dan Konawe Selatan, Sulawesi Tenggara (Komoditas Kakao).*



The third problem concerns the habits of grain farmers who make direct sales. Farmers in Malang Regency tend to sell goods immediately after planting. They think keeping the goods in the warehouse does not give them any advantage. In addition, if the market price in the harvest season is reasonable (as in 2012-2018), they do not need to save the harvest from getting a favorable price. The Padita Farmers Cooperative is one of the cooperatives in Tumpang that buys grain from farmers. The cooperative has a warehouse and a rice mill unit.

Figure 3. Flowchart of selling grain in Malang Regency



Source: Processed Data

According to the Warehouse Receipt Act, warehouse management's function is related to storing, maintaining, and supervising stored goods. In Malang Regency, warehouse owners and managers are different. All WRS activities still receive many subsidies through the

local government's warehouse ownership program. There is only one available warehouse located in the Tumpang sub-district. Thus, the transportation costs are very high if farmers, who are not from the district, want to use it.

Warehouse management at WRS has the opportunity to become a wholesaler following regulations so that it does not harm farmers. Management must have substantial capital to pay farmers such as PT Bulog and PT Pertani directly. The WRS regulations stipulate that a minimum of goods stored in warehouses must be more or less 20 tons and are not accessible to smallholders. The opportunity to use WRS should also be an opportunity for wholesalers or farmers to use WRS as business capital. However, small farmers generally prefer to get cash when selling their crops.

The fourth problem is the agricultural policy on People's People's Business Credit (KUR). The WRS policy for farmers in Malang was implemented simultaneously with KUR in 2015 based on Presidential Decree Number 19 of 2015 concerning Amendments to Presidential Decree Number 14 of 2015 concerning the Committee for Financing Policy for MSMEs and KUR Administration. The KUR program is credit or financing for working capital and/or investment for individual debtors, business entities, and/or business groups that are productive and feasible but do not have insufficient collateral (even if there is no) additional collateral. The KUR program is more manageable, more straightforward, and cheaper. Farmers do

not have to pay extra for storage and transportation costs. The farmer card policy provides access to cheaper, unsecured financing with debt repayments in the growing season.

As stated by the warehouse candidate for KUD Tiga Roda, Pakis Subdistrict, Malang Regency, they have no intention of becoming a warehouse manager candidate because it does not provide benefits. The cooperative has to pay Rp 5 million for the cost of maintaining the warehouse (which is owned by the local government), even though it is uncertain whether farmers will store their grain in the warehouse or not. The costs to be paid by the farmers are also high, which traumatizes the Pakis farmers to use WRS, so they decide not to store their grain anymore in the local government warehouse. "WRS does not provide solutions or comfort for farmers. On the contrary, it provides more difficulties and losses."<sup>10</sup>

### **C. The WRS Object Regulatory Model in the Perspective of Commodity Goods in Indonesia**

Farmers' problems cannot be solved by issuing WRS regulations. In Malang Regency, for example, the problem is that those small farmers cannot use WRS because they cannot meet the minimum quantity (20 tons) of goods that must be stored in warehouses owned by the regional government. They tend to choose government programs

from the Department of Agriculture and sell their goods directly to wholesalers or cooperatives because the process is simple and easy. The government needs to focus on whether rice or unhulled rice should be the object of WRS. This is because, in reality, rice and unhulled rice are considered primary or basic needs, so the government must pay more attention to them so that prices are stable and not affected by global or international markets, such as other commodity goods, for example, cocoa, coffee, rubber, and so on. The government is responsible for subsidizing rice farmers so that falling prices do not harm them. The only solution they gave was not simply delaying the sale of rice or storing it in warehouses. Small farmers want easy access, such as subsidies and credit without collateral. The government has carried out this effort through the Department of Agriculture. However, the program for farmers has not been integrated with the WRS policy under the Ministry of Trade.

The facts and concerns mentioned above are interesting to examine from the perspective of commodity goods to observe whether WRS objects can be compared with commodity goods or not because all of them can be derivative products sold on the stock exchange. Grain and rice are included in the WRS object. However, if we refer to various commodity goods, both are excluded from the list. Article 1 of the Presidential Regulation of the Republic of Indonesia

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<sup>10</sup> Wawancara dengan Nanik, Kepala KUD Tiga Roda, Pakis, Kabupaten Malang pada Februari 4, 2019.

Number 12 of 1999 states that the commodities that can be included in the Futures Contract Subject are coffee and palm oil.

Based on the implementation of WRS in Malang Regency and other regions, this article will create a regulatory model for WRS objects that benefits farmers, banks, and the government. Through the Ministry of Trade, the government regulates both WRS and commodity goods provided to CoFTRA as a regulator and supervisory body. Commodity futures trading has been regulated in Law Number 32 of 1997, related to Law Number 10 of 2011 concerning Amendments to Law Number 32 of 1997 concerning Commodity Futures Trading.

The review of commodity goods will be used to see whether the object of WRS, wise regulation, is indeed a commodity or not. The Regulation of the Minister of Trade of the Republic of Indonesia, Number 33 of 2020, concerning Goods and Requirements for Goods that Can Be Stored in the Warehouse Receipt System, explains in Article 2 (3) that the prioritized goods to be stored in the WRS warehouse are strategic goods, superior commodities, and goods for export and export purposes. /or food security.

Goods allowed to be stored in the WRS warehouse (Article 3) must meet several requirements, namely having storage (minimum three months), meeting specific quality standards and the minimum number of goods stored, as well as technical requirements set by the head of CoFTRA.

Article 4 (1) states that the goods stored in the WRS warehouse, as referred to in Article 2, include unhusked rice, rice, corn, coffee, cocoa, pepper, rubber, seaweed, rattan, salt, and gambier (Uncaria). ), tea, copra, tin, shallots, fish, nutmeg, and frozen chicken carcasses.

The WRS concept, referring to commodity futures trading, is better than the commodity concept. Some of the legal reasons that can be the basis for creating a new concept following commodity futures trading are:

- 1) Commodities are goods whose prices are determined based on international market prices. WRS objects such as grain and rice are not affected by international market prices because the government is involved in determining the minimum price (cost of goods sold/HPP)
- 2) Commodities are types of goods used for export-import objects. Although rice, grain, and corn (WRS objects) are also objects of exports and imports, there is government involvement as a regulator because they are related to the country's food security.
- 3) Commodities are not the basic needs of society. The object of WRS also includes the types of goods that are the community's basic needs, so the government continues to issue other national policies such as KUR and farmer cards.
- 4) Commodity prices fluctuate; if stored, it has a low risk of damage. WRS objects such as rice and grain

are the opposite because they have a high risk of damage if the storage process is improper, and their prices fluctuate quickly. This is because, in the national market, these items are considered necessities, so the standard is in the local market, not the international market.

- 5) Commodities in the form of futures trading have the same function as WRS. They can be used as securities traded in the commodity futures market.

Based on these considerations, it is better if the WRS object is equated with a commodity that can be used as the subject of a futures contract. Figure 5 includes a comparison between WRS objects and commodities.

Figure 5. Comparison of Commodity Goods and WRS Objek Objects

Element	Commodity	Object WRS
Basic Regulation	Decree of the President of the Republic of Indonesia Number 119 of 2001 concerning Commodities that can be used as Subjects for	Regulation of the Minister of Trade of the Republic of Indonesia Number 33 of 2020 concerning Goods and Requirements for Goods that Can Be Stored in the Warehouse Receipt System

<sup>11</sup> nFN Ashari, "Potensi dan Kendala Sistem Resi Gudang (SRG) untuk Mendukung Pembiayaan Usaha Pertanian di Indonesia," *Forum penelitian Agro Ekonomi* 29, no. 2 (August 11, 2016): 129–

	Futures Contracts	
Types of goods	Coffee, palm oil, plywood, rubber, cocoa, pepper, sugar, peanuts, soybeans, cloves, shrimp, fish, fuel, natural gas, electric power, gold, coal, tin, pulp and paper, yarn, cement, and fertilizer.	<i>Grain, rice, corn, coffee, cocoa, pepper, rubber, seaweed, rattan, salt, gambier, tea, copra, tin, shallots, fish, nutmeg, and frozen chicken carcasses.</i>

Source: Data from Regulation

The regulation presented in Figure 5 can be an attractive regulatory model choice for banking institutions because it does not harm farmers as the purpose of Warehouse Receipts is an alternative solution to stabilize agricultural commodity prices and maintain commodity stocks. More specifically, with the Warehouse Receipt System, "farmers can delay the sale of their harvest during the main harvest because prices tend to fall and wait for the right moment to get a better price."<sup>11</sup> The quality of commodities stored in Warehouse Receipts can be guaranteed so that banks can also take advantage of commodities as collateral, increasing confidence that farmers can pay off their debts.

The government no longer needs to allocate additional budget to build warehouses in an area. Recent data

43, <https://doi.org/10.21082/fae.v29n2.2011.129-143>.

shows that the Ministry of Trade has worked closely with local governments to “build 98 WRS warehouses in 78 districts and 21 provinces. North Sumatra, in particular, has 4 (four) new warehouses built-in 4 (four) different districts, including Simalungun, Karo, Serdang Berdagai, and Langkat.”<sup>12</sup> In 2014, the Ministry of Trade and local governments built 19 warehouses in 19 districts. The newly built warehouse is equipped with a dryer (drying machine). In 2016, “9 (nine) warehouses were built in 9 (nine) regencies, namely Indramayu, Cirebon, Pati, Rembang, Pamekasan, Sumenep, Bima, Jenepono, and Pangkajene Islands.”<sup>13</sup> Data from the Ministry of Trade reveals that in 2015, about “25 of the 117 WRS warehouses were not utilized or neglected to the maximum because they were not appropriately operated, including those in Malang Regency, which had not been used from 2015 to 2020.”<sup>14</sup>

The facts mentioned above must be used as evaluation material for the government so that no new warehouses must be built. The budget is not right on target, namely small farmers, especially rice and grain farmers. WRS is a program created by the Ministry of Trade which aims to challenge the era of globalization, and free trade, especially the ASEAN

Economic Community (AEC). This program is different from that created by the Ministry of Agriculture and the Ministry of Economy. It is necessary to build good coordination and integration of government policies in facilitating farmers in challenging the free trade market.

According to Najmuddin ath-Thaufi, establishing law is to benefit the public interest. WRS regulations, if they do not provide benefits to the community, then they must be modified based on the interests of the community. Furthermore, he stated that “a law is considered fair if it can provide *maslahah* (benefits), namely the welfare of the community.”<sup>15</sup> The same thing is stated in the perspective of justice in Pancasila (the Five Principles of Indonesia), that law must create social justice, focusing on balancing individual rights and general obligations in a legal society. Warehouse acceptance arrangements must provide justice for all parties in WRS, namely farmers, warehouse management, banks, and cooperatives.

Jeremy Bentham says “that nature gives pleasure and hardship. His theory emphasizes the purpose and evaluation of the law.”<sup>16</sup> The purpose of the law is the greatest prosperity for the majority of the people or even for all of them. “At the

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<sup>12</sup> Gatti, “Sosialisasi SRG, Saat Panen Tak Harus Merana,” *Berita Moneter Dan Keuangan* (blog), September 2, 2014, <https://www.beritamometer.com/2014/09/sosialisasi-srg-saat-panen-tak-harus-merana/>.

<sup>13</sup> “Bappebti Website - Pojok Media,” accessed October 17, 2022, [https://bappebti.go.id/pojok\\_media](https://bappebti.go.id/pojok_media).

<sup>14</sup> “Sistem Resi Gudang Belum Efektif, Kemendag Tingkatkan Peran SDM - Perdagangan

Katadata.Co.Id,” accessed October 17, 2022, <https://katadata.co.id/ekarina/berita/5e9a56045aaa8/sistem-resi-gudang-belum-efektif-kemendag-tingkatkan-peran-sdm>.

<sup>15</sup> Majid Khadduri, *Teologi Keadilan Perspektif Islam* (Surabaya: Risalah Gusti, 1999).

<sup>16</sup> Carl J. Frederick, *Fisafat Hukum Perspektif Historis* (Bandung: Nuansa dan Nusamedia, 2004).



same time, legal evaluation is carried out based on the consequences of the process of implementing the law.”<sup>17</sup> Based on this objective, “the law must contain provisions to create a prosperous country.”<sup>18</sup> A contrasting reality is found in East Java, “where the WRS regulation does not positively impact farmers.”<sup>19</sup> “Farmers in South Kalimantan experienced a similar condition,”<sup>20</sup> “tobacco farmers in East Java, and farmers in Sumbawa, West Nusa Tenggara.”<sup>21</sup>

The WRS regulation aims to prioritize farmers' happiness by increasing agricultural production profits. This is possible if agricultural goods are stored in warehouses which can later become collateral in obtaining financing (credit). The provision of access to collateral through WRS, in its implementation, has not provided benefits and happiness to farmers; as experienced by “rice farmers in Malang Regency, pepper farmers in Lampung and Bangka, grain farmers in Kuningan Regency, and cocoa farmers in South Konawe,”<sup>22</sup> “grain farmers in Indramayu and Subang regencies.”<sup>23</sup>

If viewed based on the needs in the field, the WRS regulation is more demanded by large sellers for export-import needs because the minimum storage amount for one warehouse receipt is less than 20 tons. This amount is too large for small farmers, except wholesalers. In this case, the government should be more careful when making policies that require significant investments. The era of free trade to challenge the MEA should also be prioritized for small farmers by providing many incentives to survive and compete in the global market.

Suppose the guarantor of the Guarantee Right in the warehouse receipt is in breach of contract. In that case, the recipient of the Guarantee Right of the warehouse receipt has the right to sell the object of the guarantee on his power through a public auction or direct sale as regulated in Article 16 of the UUSRG. The Beneficiary of Guarantee Rights has the right to take the settlement of his receivables on the proceeds of the sale after deducting selling costs and management fees. The recipient of the Warehouse Receipt Guarantee Rights

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<sup>17</sup> Ida Bagus Wyasa Putra and Lili Rasjidi, *Hukum Sebagai Suatu Sistem* (Bandung: Mandar Maju, 2003).

<sup>18</sup> Endro Gunawan et al., “Factors Influencing Farmers’ Use of The Warehouse Receipt System in Indonesia,” *Agricultural Finance Review* 79, no. 4 (January 1, 2019): 537–63, <https://doi.org/10.1108/AFR-11-2018-0099>.

<sup>19</sup> Sarah Hidayani and Dwidjono Hadi Darwanto, “Factors Influencing Farmers to Join Warehouse Receipt System in Barito Kuala Regency, South Kalimantan, Indonesia,” *EurAsian Journal of BioSciences* 13 (n.d.): 2177–83.

<sup>20</sup> Hezron Sabar Rotua Tinambunan and Hananto Widodo, “Government Policies To Improve

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<sup>21</sup> Mujibur Rahmat, “Sistem Resi Gudang Kabupaten Sumbawa,” *Jurnal Tambora* 3, no. 3 (October 30, 2019), <https://jurnal.uts.ac.id/index.php/Tambora/article/view/398>.

<sup>22</sup> *Kajian Peningkatan Pemanfaatan Sistem Resi Gudang: Pilot Project Di Kabupaten Kuningan, Jawa Barat (Komoditas Gabah) Dan Konawe Selatan, Sulawesi Tenggara (Komoditas Kakao)*.

<sup>23</sup> Suryani, Erwidodo, and Anugerah, “Sistem Resi Gudang Di Indonesia.”

must notify the Warehouse Receipt Guarantee Rights giver if he is going to sell the collateral object.

## CONCLUSION AND RECOMMENDATION

Implementing the warehouse receipt system (WRS) still raises several problems, in reality, thus causing the emergence of several legal aspects. Several problems were found related to

1. high warehouse standards,
2. the competence and status of a legal entity that must be possessed by warehouse management,
3. farmers who prefer direct sales, and
4. the WRS policy implemented in conjunction with the KUR (People's Business Credit) program.

In addition to these issues, there is also a juridical problem with WRS, namely the object used as collateral. Regulation of the Minister of Trade of the Republic of Indonesia Number 33 of 2020 concerning Goods and Requirements for Goods that Can Be Stored in the Warehouse Receipt System states that WRS objects are unhusked rice, rice, corn, coffee, cocoa, pepper, rubber, seaweed, rattan, salt, gambier, tea, copra, tin, shallots, fish, nutmeg, and frozen chicken carcasses. Some WRS objects in their implementation do not significantly affect the price or value of goods because the government has set minimum prices such as grain/rice, soybeans, and corn. In addition, some WRS objects also have problems in the storage process in the warehouse. This juridical problem makes the main objective of WRS policy—to stabilize market prices and guarantee

production capital—lost because farmers cannot use it. The object of WRS collateral is different from the commodity object, which is regulated in Presidential Decree Number 119 of 2001 concerning commodities. The goods that can be used as the subject of a commodity futures contract, as referred to in Article 1, are coffee, palm oil, plywood, rubber, cocoa, pepper, sugar, peanuts, soybeans, cloves, shrimp, fish, fuel oil, natural gas, electric power, gold, coal, cans, pulp and paper, yarn, cement, and fertilizers. These commodity goods are precisely in line with the original purpose of establishing the WRS policy, which is to stabilize market prices and store goods for a more extended period. Therefore, it is also necessary to include these commodity objects as WRS objects and eliminate some WRS objects that do not affect the stability of world market prices, such as grain, rice, and corn.

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