Profit Sharing System for Rice Farming Business on Moslem Communities in South Sulawesi

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Abstract: This study aims to examine the profit sharing system of rice farming business in Muslim communities in South Sulawesi. The research method uses descriptive qualitative with literature study based on the Qur'an and Sunnah to determine whether the profit sharing system is applied according to Islamic sharia. Data sources used in this study are primary data collected by interview and observation methods. The data obtained were then analyzed descriptively qualitative and measured by comparing profit sharing with provincial minimum wages and returns on sukuk investments. The results showed that profit sharing of rice farming business is applied to moslem community in South Sulawesi, and showed that profit sharing received by farmers was greater than minimum wages standard in South Sulawesi Province and profit sharing received by the landowners was greater than the sukuk return if using tertiary irrigation channels.

Keywords: profit sharing, rice farming business, farmer, landowners

1. Introduction

In an agrarian society, Indonesia, land occupies an essential position in people's daily live. For them who live in rural areas where the majority work as farmers, land has a primary role to fulfill the needs of good daily live. The purpose of the land becomes increasingly crucial along increasing the number of people who need area to live, to make business and to be an object that are cultivated.

Profit sharing of rice farming is a form of agreement between farmer and landowner based on contract that farmer is allowed to cultivate the territory, and provide profit sharing to both farmer and landowners. Profit sharing of rice farming is one of the agreements that relates to land. In this agreement, another objek that is not land can be allowed to be a profit sharing contract such as crops, the right to work on, cultivate, or plant the area, etc. (Harsono , 1997: 116).

In South Sulawesi Province, profit sharing contracts of agriculture is still popular. The farmer agreement of agricultural land with profit sharing system has been carried out starting from a long time ago and has been passed down through generations from now to the present. The profit sharing contract of agricultural production based on trust and agreement between sharecroppers and landowners is the main trust for a farmer to be able to license to manage agricultural land. While the agreement that includes the rights and obligations of each party are also determined by themselves, the results of the exploitation of the land will be divided according to the agreement agreed upon (Iko, 2008). While the time limit of profit sharing contract that applies is no standard benchmark, all of them are based on agreement between the owner and farmer, usually based on the rice growing season when the planting season until the harvest season arrives, the agreement is automatically terminated due to the nature of profit sharing agreement is not written or oral only.

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Islam advocates if someone owns the land or agricultural land, he should use and manage it. The processing of agricultural land can be done in various ways as taught by Islam as well as by being processed by the person who owns it or by lending to other people to work on using the profit sharing in the *muzara'ah* system .

Profit sharing by using *muzara'ah* system is a solution to manage agricultural land because it can demonstrates the values of justice for both parties such as in the field of Islamic agriculture. The legal basic used by ulamas to establish law of *muzara'ah* is hadith narrated by Bukhari and Muslim from Ibn Abbas.

People who allow *muzara'ah* contract have an opinion that agreement of *syirkah muzara'ah* between capital (land) and work as contract of *mud h Arabah* whose law also is allowed for the urgent situation**.** The *muzara'ah* contract is permitted as *ijarah* contract. The wages of *muzara'ah* are determined from the results of the management of the land.

The determination of the profit sharing ratio between farmer and land owner in each region tends to different depend on habits carried out in the area. Lease agreement and profit sharing is still no standard. Therefore, it is necessary to conduct research to find out the factors that underlie the contractual practices for the profit sharing of agriculture in South Sulawesi.

The practice of profit sharing contract of agriculture that have developed have not been further analysis to determine whether the contract that has been practiced so far does not conflict with *muamalah fiqh* practiced in the management of agricultural products in Islam. Therefore, practice or understanding of profit sharing contract of agriculture is essential position to be used as a comparison of profit sharing contract of rice farming bussinesss that have been running in the community of South Sulawesi with a profit sharing system for agriculture that provides justice to obtain income.

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In fiqh, Profit sharing system in the management of agricultural land is known as *muzara'ah* and *mukhabarah* . Rahman (1995: 260) mentions that, profit sharing of rice farming is one of tillage that has been carried out since the time of the Prophet. In processing with this system, landowner will receive a certain portion that has been determined from the production based on the agreement and generally is given in a form of crops, it can be half, one third, or one quarter of farmers.

According to Suhendi (2002: 160), *muzara'ah* and *mukhabarah* are being sharia in order to avoid ownership of livestock that is less able to be used, because there is no land to cultivate and to avoid unused land**.** *muzara'ah* and *mukhabarah* contract, profit sharing contract, concern on concept of cooporate that technical problem can be adjusted by *syirkah* in an effort to unite the potential that exists on each party with the aim of being mutually beneficial.

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Based on prior theory and study, the research problem is how do the agricultural production sharing systems apply to Muslim communities in South Sulawesi? And does the profit sharing obtain the minimum income that is required by the government?

To present the results of this study, researchers will elaborate on the stages of the agricultural process consisting of the irrigation process, land preparation, planting, maintenance, harvesting, and post-harvest.

2. Results

2.1 Production Process

In this research, water is used as a media of irrigation. Although the irrigation is prepared by government, the problem is how to put water into the rice fields in rural area. There are farmers who use small-scale water pump machines that are only able to irrigate rice fields covering 1 ha each day, another one use medium scale water pump with a capacity of 10 ha each day, but there are also tertiary irrigation that do not use pumping machines. As a result, irrigation costs of production is different depend on distance from irrigation that prepared by goverment.

The rice production process begins with the preparation of rice farming land (rice fields) , seed planting, crop maintenance, harvesting, and post-harvest. The land preparation process includes paddling and processing of paddy fields to be ready for planting. In general, farmer rent hand tractors to loosen the land. 1 ha of land tilling costs incurred farmers to hire tractors and labor usage varies between 1,000,000 – to Rp1.700.000, -.

After the paddy fields are grazed, planting which includes seeding stage until the process of planting rice seeds on the land is done. there are also including the methods carried out by farmers in planting rice. In general there are two alternative methods of planting rice seeds, (1) Tabela (direct seed planting) is distributing seeds that are still in the form of grain directly on the paddy field. To do the Tabela, farmers use a simple Tabela tool which is usually made by paralon pipes and two wheels on the sides. Paralon pipes are filled with rice seeds and perforated with a certain distance that can impact to applying rice seeds that will fall from a hole at any given distance depending on the arrangement by the farmer (generally 25-27 cm apart). (2) Tapin (transplanting) is the technique of planting rice through the nursery process then transferring the seeds to the land. The use of one of the two methods will affect the number of seeds used and the amount of costs that must be incurred by farmers.

After the seeds are planted, the plant maintenance process, including fertilizing, giving pesticides, and cleaning weeds that can interfere with crops, is carried out. Therefore, in the process of maintaining rice plants, the factor of production used are fertilizers and pesticides. The use of fertilizers and pesticides varies depending on soil conditions and the type of fertilizer and pesticides used by farmers.

The next step is the waiting process . With consideration of speed, efficiency, and effectiveness, in general, farmers use harvesting tools and labor from other companies. Mini combine harvester, called *"oto"* or *"passangki"* by local people, is usualy used by farmer . *Oto passangki* has several functions, cutting the grain of the plant, eroding, cleaning the grain, and automatically inserting the grain into the sack. The amount of the use of *oto passangki is* based on profit sharing. The profit sharing ratio varies depending on the region.

The next activity is the transport of grain from the rice fields to the sales / warehouse. The activities carried out are transporting grain from rice fields to mills and the homes of each farmer or owner.The farmers in each regency generally use a motorcycle taxi, called *tassi* in the local community. The cost of *Tassi* is borne by each owners (both land owners and farmers) after the production process of rice grain. The cost of *tassi* per sack is generally Rp10,000, - for each sack.

2.2 Production Cost

Based on the information above the amount of costs incurred to process area of 1 ha is as follows:

[Insert table 1]

Based on the table 1, information can be obtained that the highest of total production costs are found in Sidrap regency when using diesel engines as the irrigation media and the total production costs are relatively low in Pangkep regency .

3. Discussion

3.1 Profit-Sharing System

Before the profit sharing is carried out, the landowners and farmers firstly agree on the costs that have been borne jointly and the costs that have been only borne by the farmers. In general, the costs that have been borne jointly include the costs of planting, maintenance costs, harvesting costs, and transportation costs. The costs of irrigation in Soppeng and Sidrap regencys that use pumping machines are borne jointly, while the cost of irrigation, by using tertiary channels, and the cost of preparing land are borne by the farmers. Thus the total costs that are borne by the owner and the expense of farmers can be seen in table 2.

[insert table 2]

After the agreement of cost for dependents exist is determined the profit sharing ratio. The ratio of profit sharing between land owners and farmers is generally 50 %: 50%. The amount of profit sharing received by landowners and farmers can be seen in table 3.

[insert table 3]

3.2 Net Income of Cultivating Farmers

After obtaining net income earned by each party, the researcher then measured the proportionality of net income earned by farmers through comparative analysis with Provincial Minimum Wage, called UMP, in South Sulawesi. Based on the Decree of Governor of South Sulawesi Number 2628 / X / 2017 concerning the determination of the South Sulawesi

Provincial Provincial Minimum Wage in 2018, the magnitude of the UMP in South Sulawesi is Rp.2,647,767, - for each month. The Provincial Minimum Wage is adjusted to the standard number of working hours as stipulated in Law No.13 of 2003 article 77 paragraph 2 which states that the stipulated work time is 40 hours a week.

Because there are differences between the number of working hours of the farmer and the number of working hours of the UMP standard, the researcher tried to equalize the total working hours by using the total working hours of the farmer as a reference. Based on information obtained from interviews with smallholders in the five regencys, the average total working hours of tenant farmers in one season is 240 hours with details of working hours as follows:

- Rice planting : 2 hours/day x 25 days = 50 hours
- Rice maintenance : 2 hours/day x 27 days = 54 hours
- Harvest waiting period : 2 hours/day x 61 days = 122 hours
- Harvesting of rice : 2 hours / day x 7 days = 14 hours

When compared with the provincial Minimum Wage standard :

- The standard number of working hours per week is 40 hours, so for a total of 240 hours of work, workers should work for 6 weeks or about 1 month 2 weeks
  Standard UMP / month = Rp. 2,647,767, -Standard UMP / week
  = Rp. 661,942,
- Total UMP for 6 weeks (1 harvest season) = Rp3,971,651, -
- Total UMP for 1 year (2 harvest seasons) Rp.7,943,302,-

The total UMP for 1 year is the basis of comparison with net income earned by farmer for 1 year (2 harvest seasons) in the five regencys that are the object of this study. The comparison is presented in Table 4 following

[insert table 4]

According to the table 4, it can be made conclusion that net income received by sharecroppers in five regencys in equivalent of one year has exceed the UMP standard by the government.

3.3 Net Income by Landowners

When the landowner decides to enter into an agreement of profit sharing with farmer, it means that the landowner has invested as much as the land price at that time, by receiving return in the form of income derived from the profit sharing of the agricultural business. Therefore, in term to calculate the value of profit sharing for landowners, researchers conduct a comparative analysis between the obtained landowners income from investing in Shariah-based.

In this analysis, researchers used retail sukuk instruments. On February 22, 2018, the government issued the SR-10 Series Retail Sukuk in 2018 as one of the sharia investment products, with a reward of 5.9% / year (kemenkeu.go.id, accessed on April 17, 2018).

The reason researchers chose retail sukuk as a comparative investment instrument because retail sukuk is one of the affordable Islamic investment products with a minimum investment of Rp.5,000,000, - beside that the procedure of investing through retail sukuk is easy so it allows general public to participate in investment through retail sukuk.

Because retail sukuk is accessed by the public through a commercial bank as third party (intermediary between the government and the community), there are several investment costs which are then calculated as a deduction from the amount of benefits received by investors. These

costs include storage costs of 0.05% per year, as well as taxes on coupons (rewards) received by customers by 15%.

In this comparison, researchers used a range of land of agriculure prices in regency that became the object of research. The price range of the land was obtained from the results of interviews with rice farming business in the regency. This is the range of the price of land for each hectare in Sidrap Rp500,000,000, -, Soppeng Rp250,000,000, Pinrang Rp200,000,000,- ,Pangkep Rp500,000,000, -, and Bulukumba Rp300.000.000,-.

Based on these data, the researchers compare investing in farm and retail sukuk in income perspective that can be seen in Table 5.

[insert table 5]

It seems to table 5 that the result of agriculture of return on investment in sidrap, medium irrigation by using tertiary canals and pumps, soppeng, pinrang, dan bulukumba is greater than the rate of return on retail sukuk. Net profit of agriculture business in sidrap, using diesel engines, and pangkep is lower than the rate of return on investment in retail sukuk.

4. Conclusion

Cost incurred during the production process is in a part of farmer responsible and the others become responsibility of both farmer and landowners. Irrigation cost that using machine pump and land preparation expenses is the only reponsible of farmer, while planting expenses, maintenance expenses, harvesting expenses, and transport expenses become responsibility of both farmer and the landowners.

Profit sharing ratio between rice farming and landowners is fifty-fifty. Amount of profit sharing received farmer exceeds Provincial Minimum Wage UMP South Sulawesi while profit sharing received owner on three regencys exceed income on if owner invest on sukuk and two regencys lower than the rate of return on investment in retail sukuk.

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Table 1. Total production costs in each regency

No.	Regency	Irrigation Media	Clean Production	Production Costs (Rp)						
				Irrigation	Land	Plantin	Maintenanc	Harvesting	Transport	Total each

			n (kg)	n	Preparation	g	e			hectare
1	Sidrap	(1) Tertiary Channels	7,700	-	1,700,000	1,000,000	2,240,000	2,851,200	700,000	8,491,200
		(2) Pumping Machines		2,000,000	1,700,000	1,000,000	2,240,000	2,851,200	700,000	10,491,200
		(3) Diesel Engines		6,821,760	1,700,000	1,000,000	2,240,000	2,851,200	700,000	15,312,960
2	Sopeng	Pump Machine	7,500	6,392,060	1,000,000	850,000	1,350,000	3,290,000	1,125,000	14,007,060
3	Pinrang	Tertiary Channels	6,000	-	1,400,000	1,700,000	2,030,000	3,000,000	600,000	8.730,000
4	Pangkep	Tertiary Channels	6,600	-	1,500,000	1,360,000	405,000	2,808,000	1,100,000	7,173,000
5	Bulukumba	Tertiary Channels	8,800	-	1,000,000	1,200,000	1,315,000	4,128,000	800,000	8,443,000

Table 2. Total Costs borne by farmer and landowner

No	Regency	Irrigation Media	Owner/Farmer	Irrigation Process	Land Preparation Process	Planting Process	Maintenance Process	Harvesting Process	Transportation Process	Total cost
	Sidrap	Tertiary channel	Owner	Rp0	Rp0	Rp.350,000	Rp1,120,000	Rp1,425,600	Rp.323,000	Rp.3,218,600
			Farmer	Rp0	Rp.1,700,000	Rp.650,000	Rp1,120,000	Rp1,425,600	IDR323,000	Rp.5,218,600
		Pump Machine	Owner	Rp0	Rp0	Rp.350,000	Rp1,120,000	Rp1,425,600	Rp.215,000	Rp.3,110,600
			Farmer	Rp.2,000,000	Rp.1,700,000	Rp.650,000	Rp1,120,000	Rp1,425,600	Rp.410,000	Rp.5,775,600
		Diesel engine	Owner	Rp.3,410,880	Rp0	Rp.350,000	Rp1,120,000	Rp1,425,600	Rp253,000	Rp.6,559,480
			Farme	Rp.3,410,88	Rp.1,700,00	Rp.650,00	Rp1,120,000	Rp1,425,60	Rp253,000	Rp.8,559,48

o	Regency	Irrigation Media	Owner / Farmer	Irrigation Process	Land Preparation Process	Planting Process	Maintenance Process	Harvesting Process	Transportation Process	Total cost
			r	0	0	0		0		0
	Soppeng	Pump Machine	Owner	Rp3,196,030	Rp0	Rp0	Rp.475,000	Rp1,645,000	IDR 397,000	Rp. 5,713,030
			Farmer	Rp3,196,030	Rp. 1,000,000	Rp. 850,000	Rp.875,000	Rp1,645,000	IDR 397,000	Rp. 7,963,030
	Pinrang	Tertiary channel	Owner	Rp0	Rp0	Rp250,000	Rp. 1,015,000	Rp1,500,000	Rp. 270,000	Rp3,035,000
			Farmer	Rp0	Rp. 1,400,000	Rp1,450,000	Rp. 1,015,000	Rp1,500,000	Rp. 270,000	Rp. 5,635,000
	Pangkep	Tertiary channel	Owner	Rp0	Rp0	Rp0	Rp202,500	Rp1,404,000	Rp. 490,000	Rp.2,096,500
			Farmer	Rp0	Rp. 1,500,000	Rp1,360,000	Rp202,500	Rp1,404,000	Rp. 490,000	Rp.4,956,500
	Bulukumba	Tertiary channel	Owner	Rp0	Rp0	Rp0	Rp.620,000	Rp.2,064,000	Rp. 360,000	Rp3,044,000
			Farmer	Rp0	Rp. 1,000,000	Rp1,200,000	Rp.695,000	Rp.2,064,000	Rp. 360,000	Rp. 5,319,000

Table 3. Profit sharing obtained by Landowner and Farmer

] o.	Regency	Irrigation Media	Owner / Farmer	Total Harvesting (sacks)	Profit Sharing (sack) (a)	Average Weight for each Sack (kg) (b)	Grain price (kg) (Rp) (c)	Gross Profit (Rp) (axbxc)	Total Cost (Rp) (from the table)	Net profit
	Sidrap	Tertiary Channels	Owner	70	35	110	4,800	18,480,000	3,218,600	15,261,400
			Farm		35			18,480,00	5,218,6	13,261,40

		er					0	00	0	
	Pump Machine	Owner		23.3			12,302,400	3,110,600	9,191,800	
		Farmer		46.6			24,446,400	5,775,600	18,670,800	
	Diesel engine	Owner		35			18,480,000	6,559,480	11,920,520	
		Farmer		35			18,480,000	8,559,480	9,920,520	
2	Sopeng	Pump Machine	Owner	75	37.5	100	4,700	17,625,000	5,713,030	11,911,970
			Farmer		37.5			17,625,000	7,963,030	9,661,970
3	Pinrang	Tertiary Channels	Owner	60	30	100	5,000	15,000,000	3,035,000	11,965,000
			Farmer		30			15,000,000	5,635,000	9,365,000
4	Pangkep	Tertiary Channels	Owner	110	55	60	3,900	12,870,000	2,096,500	10,773,500
			Farmer		55			12,870,000	4,956,500	7,913,500
5	Bulukumba	Tertiary Channels	Owner	80	40	120	4,300	20,640,000	3,044,000	17,596,000
			Farmer		40			20,640,000	5,319,000	15,321,000

Table 4. Comparison of Net Income of Cultivating Farmers with Provincial Minimum Wages

No.	Regency	Irrigation Media	A	B	C	B - C
			Net Income in 1 Season(Rp)	Net Equivalent in 1Year (Ax2)(Rp)	Ekuevalen UMP in 1 year (Rp)	Excess Farmer Income from UMP

1	Sidrap	Tertiary channel	13,261,400	26,522,800	7 , 943,302	18,579,498
		Pump Machine	18,670,800	37,341,600	7,943,302	29,398,298
		Diesel engine	9,920,520	1 9,841,040	7,943,302	11,897,738
2	Soppeng	Pump Machine	9,661,970	19,323,940	7,943,302	11,380,638
3	Pinrang	Tertiary channel	9,365,000	18,730,000	7,943,302	10,786,698
4	Pangkep	Tertiary channel	7,913,500	15,827,000	7,943,302	7,883,698
5	Bulukumba	Tertiary channel	15,321,000	30,642,000	7,943,302	22,698,698

Table 5. Comparison of Investment Income of Landowners

No.	Regency	Irrigation Media	Land Price (A)	1 Year Profit Sharing	*Net Return* Sukuk Investment Per Year	Excess of Agricultural Product Sharing on Returns of Sukuk per Year(1-2)
1	Sidrap	Tertiary Channels	Rp.500,000,000	Rp.26,522,800	Rp25,075,000	Rp1,447,800
		Pump Machine	Rp.500,000,000	Rp37,341,600	Rp25,075,000	Rp. 12,266,600
		Diesel engine	Rp500,000,000	Rp19,841,040	Rp25,075,000	Rp5,233,960
2	Soppeng	Pump Machine	Rp250,000,000	Rp19,323,940	Rp.12,537,500	Rp. 6,786,440
3	Pinrang	Tertiary Channels	Rp.200,000,000	Rp.18,730,000	Rp10,030,000	Rp. 8,700,000
4	Pangkep	Tertiary	Rp.500,000,000	Rp.15,827,000	Rp25,075,000	Rp9,248,000

		Channels				
5	Bulukumba	Tertiary Channels	Rp.300,000,000	Rp 30,642,000	Rp15,045,000	Rp. 15,597,000