

The Legal Policy for Agricultural Cooperatives as a Pillar of an Empowered National Economy

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Abstract

Agricultural cooperatives play a strategic role in national economic development, particularly in strengthening food security and empowering farmers. However, their contribution in Indonesia remains low due to weak institutions and historical dependence on state intervention. This article examines the role of legal structure in building integrated and independent agricultural cooperatives, using a normative legal approach and Lawrence M. Friedman's legal system theory, which emphasizes three main elements: structure, substance, and legal culture. Findings indicate that the failure of cooperatives like Agricultural Cooperative and Village Unit Cooperative was triggered by ineffective, bureaucratic, and unresponsive legal structures that failed to adapt to grassroots institutional dynamics. Compared to the success of the National Agricultural Cooperative Federation (NACF) in South Korea, legal structure reforms in Indonesia need to focus on strengthening cooperative institutions, promoting vertical-horizontal integration, and fostering solid inter-agency coordination. The state should act as a facilitator, not a dominator, by providing a legal ecosystem that enables cooperatives to grow as competitive, inclusive, and sustainable people's economic forces.

I. Introduction

Agricultural cooperatives play a strategic role in the national economic system, particularly in ensuring food security, strengthening rural economic structures, and increasing agricultural productivity. Cooperatives act as collective economic institutions that enable smallholder farmers to consolidate resources, gain access to markets, technology, and capital, and increase their bargaining power with larger economic actors. In the institutional economics literature, cooperatives are viewed as an effective mechanism for addressing market failures, particularly in the context of

subsistence and small-scale agriculture. As emphasized by Birchall,(Birchall, 2003) “co-operatives are a means by which people can overcome market failure, especially when they are poor and excluded from access to capital and markets”. This statement emphasizes that cooperatives play an important role in bridging the structural limitations faced by small farmers. (Birchall, 2003)

As a people's economic organization, cooperatives should be an instrument for empowering farmers, serving not only as economic actors but also as subjects of development. Cooperative principles such as voluntary membership, democratic management, and equitable benefit sharing provide a normative basis for inclusive economic development. However, the idealism of cooperatives as "pillars of the national economy," as mandated by Article 33 of the 1945 Constitution, has not been fully realized, particularly in the agricultural sector. The development of agricultural cooperatives in Indonesia is often limited to quantitative growth but weak in institutional quality.

Empirical data shows that the contribution of agricultural cooperatives to national gross domestic product (GDP) remains very small. In 2021, the overall contribution of cooperatives to national GDP reached only 5.1%, with the workforce contributing less than 1%. This reflects the weak competitiveness of cooperatives in the national economic system, particularly in the agricultural sector, which should be the basis of the people's economic strength. One of the fundamental root causes of the problem is the heavy dependence of agricultural cooperatives on government assistance and intervention, as well as the lack of integration of cooperatives into globally competitive agricultural value chains. This phenomenon is not new in the history of cooperative institutions in Indonesia. During the Old Order era, agricultural cooperatives, known as Agricultural Cooperatives, failed due to being overly politicized and used by the government as instruments of mass mobilization. Agricultural Cooperatives lost their economic function and instead became tools of political control that were ineffective in improving farmers' welfare.

A similar failure occurred during the New Order era with the emergence of Village Unit Cooperatives, which were structurally directed as an extension of the state in implementing agricultural intensification programs.(Hadiwiratma & Sampurno, 2022) Village Unit Cooperatives' dependence on subsidies, soft loans, and subsidized fertilizer distribution prevented them from becoming economically independent. When state support was reduced with market liberalization in the 1990s, most Village Unit Cooperatives collapsed, unprepared to compete in the free market and lacking strong institutional capacity. The failure of Agricultural Cooperatives and Village Unit Cooperatives demonstrates that one factor contributing to the failure of the legal structure to become integrative and independent agricultural cooperatives is the failure of the legal structure.

Akram's previous research focused on publication-based research (systematic reviews) from several countries, excluding Indonesia. This study found that agricultural cooperatives are crucial for the economic pillar because food and agriculture are part of national sovereignty. The difference with this study is that the researchers examined Indonesia, finding that, although important, agricultural cooperation is not a top priority.

This article aims to examine the role of the legal structure in developing agricultural cooperatives as a pillar of a resilient and sustainable national economy. This research has a knowledge gap. It's widely known that agricultural cooperatives are important and a pillar of the nation's economy. However, this policy carries high risks and lacks the necessary integrated network. Political will and significant political power are needed to establish and implement this policy.

Problem question from this research is Why are agricultural cooperatives in Indonesia so dependent on government assistance and lack an integrated network? What should the national legal structure do to realize integrative agricultural cooperatives so they can become a resilient pillar of the national economy?

2. Research Method

This article is structured based on the normative legal research method, which emphasizes a conceptual approach and legislation as the primary data source. This research relies on library materials consisting of primary and secondary legal materials, including legislation, scientific literature such as relevant law books, national and international academic journals, and electronic articles that have a substantive relationship to the topic under study. This approach aims to gain a deep understanding of the legal principles, doctrines, and principles that govern the issues that are the focus of the study. The normative method is considered appropriate for exploring legal construction systematically and argumentatively.

3. Results and Discussion

Theoretical Basis: L. Friedman's Concept of Legal Structure and Its Role in the Development of Agricultural Cooperatives

Lawrence M. Friedman, an American legal expert, introduced a framework for analyzing legal systems widely recognized in socio-legal studies: a legal system model with three main elements: structure, substance, and legal culture. According to Friedman, (Horwitz et al., 1977) legal structure is the part of the legal system that refers to institutions, law enforcement officials, and formal legal mechanisms. Legal structure determines how the legal system operates and includes institutions such as courts, police, prosecutors, and legislative bodies, which play a crucial role in

enforcing and implementing the law.

Legal structure is a permanent framework within an institution or body that ensures processes operate within their boundaries, as Friedman states: “The structure of a legal system consists of elements of this kind: the number and size of courts, their jurisdiction (that is, what kind of cases they hear, and how and why), and modes of appeal from one court to another. Structure also means how the legislature is organized, how many members sit on the Federal Trade Commission, what a president can (legally) do or not do, what procedures the police department follows, and so on. Structure, in a way, is a kind of cross section of the legal system—a kind of still photograph, which freezes the action”.(Horwitz et al., 1977) In Indonesia, the institutions in question are permanent state institutions regulated in the State Constitution and its subordinate laws and regulations. According to Natabaya, as quoted by Ernawati, the State Institutions under the Post-Amendment 1945 Constitution, which are expressly stated therein, are: People’s Representative Council, Legislative House, Regional Representative Council, President, Supreme Court, Constitutional Court, Financial Monitoring Agency, General Election Commission, Central Bank, and Regional Government.

In the context of agricultural cooperative development, the legal structure plays a fundamental role as an institutional pillar that determines the successful implementation of cooperative policies. This structure is not only related to the existence of formal institutions, but also concerns the ability of these institutions to support and oversee the operation of agricultural cooperatives in a fair and sustainable manner. The absence of a strong and accountable legal structure will result in weak oversight, regulatory enforcement, and protection for cooperative members. This poses a serious obstacle to establishing cooperatives as independent and competitive economic institutions in the agricultural sector.

Friedman emphasizes that the legal structure must function effectively and synergize with the legal substance and legal culture of the community. This means that even if there are supporting regulations (legal substance) and the community understands cooperative values (legal culture), without an effective and responsive legal structure, the law will not function as it should. As Friedman explains, “The structure of a legal system is the skeleton, the permanent shape, the institutional body of the system”. He added that this structure encompasses institutions that create, interpret, and implement laws, which are key to ensuring the law's function. In the Indonesian context, this is evident in the various challenges faced by agricultural cooperatives, such as inefficient bureaucracy, overlapping regulations, and weak oversight by relevant agencies.

Furthermore, the legal structure is also responsible for creating legal certainty and a conducive climate for investment and development in agricultural cooperatives, both

in the form of protecting members' rights and supporting the institutional transformation of cooperatives toward modern and professional governance. In this regard, the role of ministries, cooperative offices, and state-owned financial institutions is an integral part of the legal structure, which must work in harmony to encourage cooperatives to become pillars of agricultural economic development.

Thus, Friedman's legal structure approach provides a sharp analytical lens for understanding why many agricultural cooperatives in Indonesia have stagnated or even collapsed. Institutional ineffectiveness, inconsistent regulatory implementation, and weak inter-institutional coordination are symptoms of a legal structure that is not functioning optimally. Therefore, the revitalization of agricultural cooperatives requires not only reform of the legal substance, but also a comprehensive improvement of the legal structure so that cooperatives can play a strategic role in national economic development.

How Agricultural Cooperatives in Indonesia High Depend on Government Assistance and the Weak Vertically Integrated Network Between Agricultural Cooperatives

The dependence of agricultural cooperatives in Indonesia on government assistance is a complex phenomenon closely linked to the history and policies of national economic development.(Yuvanda & Rachmad, 2021) Since the Old Order, the government has played a dominant role in establishing and managing agricultural cooperatives, particularly through the Agricultural Cooperative, as part of the national agricultural development strategy. Agricultural Cooperatives were established with the aim of organizing farmers to strengthen agricultural production and distribution through government capital and technological support. However, this approach has resulted in cooperatives acting more as implementers of government programs than as independent economic institutions.

Over time, Agricultural Cooperatives transformed from economic institutions into political instruments of the state, particularly during the Old Order.(Pujiyono, 2015) The government used Agricultural Cooperatives to promote ideologically charged agricultural programs and to direct farmers' political behavior to align with centrally designed development narratives. Village officials and local officials who managed Agricultural Cooperatives were often selected based on political loyalty, rather than managerial capacity or closeness to the farming community. In this context, Agricultural Cooperatives became a channel for state power to penetrate rural social space, where all economic activity was directed toward strengthening government legitimacy. In some cases, the existence of Agricultural Cooperatives was even exploited to organize support for dominant political parties and control public opinion among farmers ahead of specific political moments, such as elections. Consequently, Agricultural Cooperatives failed to fulfill their function as a vehicle for

farmer empowerment and instead became a symbol of state co-optation of rural economic life.

The failure of Agricultural Cooperatives drew the attention of the New Order government, seeking to remedy this. In the 1970s, the government took steps to merge Agricultural Cooperatives and several other forms of cooperatives into a single cooperative model at the village level, called the Village Unit Cooperative. This merger process was not merely an effort to achieve institutional efficiency, but reflected the state's political will to simplify the village socio-economic structure to align with a centralized development system.

The Village Unit Cooperative was designed to be a "multi-purpose cooperative" that combines economic, social, and political functions, so that it not only handles the agricultural sector, but also becomes a distribution channel for government goods, implements development projects, and even connects state power in the village. With the merger of the Agricultural Cooperative into the Village Unit Cooperative, all assets, membership, and organizational structure of the Agricultural Cooperative were administratively integrated into the Village Unit Cooperative, simultaneously eliminating the space for independence of sectoral cooperatives such as agricultural cooperatives. In this context, the merger of the Agricultural Cooperative not only reflects institutional transformation, but also shows the process of depoliticization and repoliticization of cooperatives by the state within the framework of social control and rural political mobilization.

In addition, the Village Unit Cooperative was built and controlled as a dominant rural institution during the New Order, but after the Reformation, many collapsed due to the lack of an independent institutional basis. The study of Sinaga et al. (Sinaga et al., 1998) also showed how various institutional models of Village Unit Cooperatives have direct consequences on business behavior and organizational structures, where Village Unit Cooperatives that are dependent on the state tend to be less adaptive and easily collapse if central intervention subsides.

The Village Unit Cooperative during the New Order era, particularly in the mid-1980s and early 1990s, was considered a success. Its success was evident in its role in strengthening the institutional infrastructure of rural economic institutions. With full government support in the form of capital participation, managerial oversight, and access to banking institutions such as Bank Rakyat Indonesia (BRI), the Village Unit Cooperative had a relatively solid organizational structure and a broad service coverage. In addition to its role as an agricultural cooperative, the Village Unit Cooperative also served as a multifunctional savings and loan unit, a consumer cooperative, and even a distribution entity for basic necessities in the village. The existence of the Village Unit Cooperative was considered successful in expanding rural communities' access to economic goods and services, as well as serving as a

learning ground for collective business management for villagers.

The number of Village Unit Cooperatives during their heyday was quantitatively significant, demonstrating the central role of Village Unit Cooperatives in the socio-economic structure of rural Indonesia. Based on government verification in 2013, the total number of Village Unit Cooperatives in Indonesia was 10,677, with 7,088 active Village Unit Cooperatives. There are 3,589 inactive Village Unit Cooperatives. Most recently, according to the Ministry of Cooperatives, the number of registered Village Unit Cooperatives will reach 9,000 by 2025, with 385 active ones. (Mawangi & Firdaus, 2025; *Pemerintah Verifikasi KUD Tak Aktif Di 15 Provinsi. Induk KUD*, 2013) Although this success is inseparable from dependence on the state, Village Unit Cooperatives can still be categorized as an institutional model that successfully carried out distribution and production functions during the New Order era.

Entering the 1990s, when Indonesia began implementing the principles of economic liberalization as part of its integration into the global market, the position and performance of Village Unit Cooperatives experienced a significant decline. Market liberalization, marked by the deregulation of the agricultural sector, the elimination of subsidies, and the opening of market access to the private sector, caused Village Unit Cooperatives to lose strategic functions previously monopolized or facilitated by the state. One major turning point occurred when the government eliminated the fertilizer and agricultural credit subsidy schemes that had been distributed through Village Unit Cooperatives. As a result, Village Unit Cooperatives ceased to be distribution centers for agricultural inputs and lost their economic bargaining power amidst competition from the private sector and agribusiness companies. (Wahyudi & Aini, 2020) Without regulatory support and state protection, Village Unit Cooperatives were unable to compete efficiently due to weak internal structures, low managerial capacity, and limited access to independent capital.

In addition to external factors such as changes in economic policy, the failure of Village Unit Cooperatives was also caused by structural weaknesses inherited from the previous era. During the New Order era, Village Unit Cooperatives did not grow as economic institutions rooted in member participation, but rather as administrative instruments of the state. Decision-making processes were top-down, and management loyalty was directed more toward the bureaucracy than toward cooperative members. When state protection was removed, Village Unit Cooperatives lacked the foundation of economic solidarity or sufficient social capital to survive in a competitive economic environment. Many Village Unit Cooperatives experienced stagnation, bankruptcy, and even collapse due to their inability to adapt to free market mechanisms. Furthermore, the privatization of various sectors previously under the purview of Village Unit Cooperatives—such as fertilizer distribution and rice milling—has accelerated the disintegration of cooperative institutions at the village level. In this context, market liberalization not only exposed the managerial

weaknesses of Village Unit Cooperatives but also demonstrated the destructive impact of economic transformation without strengthening grassroots institutions.

This phenomenon illustrates that the dependence of agricultural cooperatives on the government not only weakens their ability to be independent but also hinders creativity and innovation in developing market-oriented businesses. Cooperatives such as Agricultural Cooperatives and Village Unit Cooperatives are often trapped in the position of being an extension of the government, making it difficult to adapt to changing economic conditions and market competition. Therefore, the revitalization of agricultural cooperatives in Indonesia requires reforms that emphasize managerial capacity building, market network development, and member empowerment so that cooperatives can function as independent and sustainable economic institutions.

Furthermore, the limited integration of cooperatives into the global agricultural value chain contributes to weak institutional capacity and limited access to cutting-edge technology and modern markets. Although a vertical integration structure was established in the past through a network of Village Unit Cooperatives, Village Unit Cooperative Centers, and Village Unit Cooperative Parental Units, these relationships are now more administrative than functional. In many regions in Indonesia, agricultural cooperatives still operate on a small scale, focusing on conventional core activities, such as harvest collection and distribution of agricultural inputs. These activities are often carried out partially by Village Unit Cooperatives without effective integration with the central or parent cooperative. The limited role of cooperatives in the agricultural value chain prevents agricultural products from achieving optimal added value. As a result, member farmers' incomes remain low, and their bargaining position in the market does not significantly improve.

This situation is exacerbated by the lack of connectivity and synergy between cooperatives. Instead of forming a strong and organized collective business network, many cooperatives operate independently without adequate coordination. This fragmentation hinders resource consolidation, economies of scale, and access to financing and broader markets. As a result, Indonesian agricultural cooperatives tend to lag behind other economic actors that have adopted modern management approaches, digital integration, and regional or global logistics networks.

In comparison, South Korea, through the National Agricultural Cooperative Federation (NACF), has demonstrated the success of its integrated and modern agricultural cooperative model. In fact, the NACF initially had similar characteristics to agricultural cooperative models in Indonesia, such as the Agricultural Cooperative and the Village Unit Cooperative, both of which were established through a top-down approach by the government, oriented as instruments for implementing state policy. Like the Village Unit Cooperative, which grew within the political framework of the New Order's development, NACF also began as an instrument of the South Korean

state during the industrialization and agricultural modernization era of the 1960s and 1970s. However, a striking difference lies in its ability to gradually implement institutional reforms toward independence. Through legislative changes, organizational restructuring, and increased member participation, NACF successfully transformed itself into a cooperative business entity democratically controlled by its members, not by the state.

As Choi(S.-K. Choi, 2015) explains, "Although the NACF was originally a government-led organization, it has gradually evolved into a member-oriented cooperative enterprise with strong business functions and democratic governance." This contrasts with cooperatives in Indonesia, which generally struggle to break free from structural dependence on the state. Choi(E. Choi et al., 2020) also assert that, "The transformation of the NACF illustrates how a state-initiated cooperative can shift toward autonomy through legal reforms and internal restructuring that empower its members." With these reforms, the NACF has become not only a tool for policy distribution but also a collective economic actor capable of competing in an open market while remaining grounded in cooperative values.

The success of agricultural cooperatives in South Korea cannot be separated from the central role of the National Agricultural Cooperative Federation (NACF) as the parent cooperative, integrating all elements in the agricultural value chain, from individual farmers to primary cooperatives and central organizations. NACF has been able to build a solid institutional network between farmers as grassroots members, primary cooperatives as managers of local business activities, and NACF itself as a national federation that carries out coaching, financing, marketing, and policy advocacy functions. With its vertically integrated structure and strong coordination, NACF has created an efficient and highly competitive agricultural cooperative ecosystem. One indicator of its success is its ability to provide access to capital through its Agricultural Cooperative Bank, while ensuring transparent and profitable distribution of agricultural inputs and marketing of harvests for farmers.(S.-K. Choi, 2015) Furthermore, NACF actively strengthens the capacity of primary cooperatives through management training, technology adoption, and service digitization.(OECD, 2018) This network not only improves farmer welfare but also makes agricultural cooperatives a crucial pillar of South Korea's rural development and a buffer for national food stability. With this systemic approach, NACF has become a successful model for network-based agricultural cooperative development, which can serve as inspiration for efforts to revitalize agricultural cooperatives in developing countries, including Indonesia.

One of the keys to NACF's success is its ability to leverage technology and market information. NACF has developed a digital marketing system, a pricing information platform, and integrated logistics that enable the efficient delivery of agricultural products from farmers directly to consumers or export markets. Furthermore,

cooperatives under NACF work collectively to procure inputs, standardize quality, and promote South Korean agricultural products in the global market. This strategy provides high added value and expands market opportunities for its member farmers.

This comparison demonstrates that the role of cooperatives in the modern agricultural system is inextricably linked to institutional strength, technology, and market integration. If Indonesia wants to encourage agricultural cooperatives to be more globally competitive, institutional reforms emphasizing integration, management professionalization, and service digitization are imperative. The establishment of agricultural cooperatives is essentially aimed at realizing vertical integration to maximize member welfare, as Soboh et al. stated: "Finally, agricultural cooperatives may also be defined as vertically integrated organizations aiming at maximizing members' welfare." Learning from the NACF model, cooperatives in Indonesia need to build a more comprehensive business ecosystem, not only limited to production and distribution, but also encompassing integrated and vertically integrated financing, insurance, processing, and marketing.

The Role of the National Legal Structure in Realizing Integrated Agricultural Cooperatives to Become Pillars of the Empowered National Economy

The national legal structure plays a strategic role in fostering the development of integrative and empowered agricultural cooperatives, serving as a pillar of national economic development. Within the framework of Lawrence M. Friedman's legal structure theory, the legal system comprises three interrelated elements: legal structure, legal substance, and legal culture.(Horwitz et al., 1977) These three elements must function harmoniously for the law to serve as an effective tool of social engineering, including in realizing strong and inclusive agricultural cooperatives. In terms of legal culture, a cooperative legal culture needs to be continuously encouraged by providing attractive incentives to enhance the culture of cooperation in agriculture. An enhanced cooperative culture will enable the formation of a more resilient network, enhancing the role of pillars within the state.

From a structural perspective, the state needs to ensure that authorized institutions, such as the President and his aides in the Ministry of Agriculture and the Ministry of Cooperatives and SMEs, have the institutional capacity and solid coordination mechanisms to support the formation and development of agricultural cooperatives. In this context, the legal framework must be supported by institutions capable of consistently upholding cooperative principles and guaranteeing legal protection for farmers from exploitative economic practices. Furthermore, strengthening the legal structure also includes reforms in the governance of access to financing, legal guarantees for cooperative assets, and oversight of the accountability of cooperative management.

To date, the government's role in the formation of agricultural cooperatives has been very dominant. For example, its role in the establishment of the Agricultural Cooperative during the Old Order era and the Village Unit Cooperative during the New Order era. However, the government's significant role in the formation and development of agricultural cooperatives has not been sufficient to produce strong agricultural cooperatives capable of becoming pillars of the national economy. This significant government role, inversely proportional to the success of agricultural cooperatives, according to L. Friedman's legal system theory, specifically regarding legal structures, is due to: institutional ineffectiveness, inconsistent regulatory implementation, and weak inter-institutional coordination, all symptoms of a legal structure that is not functioning optimally.

Revitalizing agricultural cooperatives as a pillar of the national economy requires a legal structure that is not merely normative but also transformative. This role should not be an intervention that reduces cooperative independence, but rather a catalyst that creates a conducive environment for the sustainable growth and development of agricultural cooperatives. The national legal structure should be designed to guarantee the autonomy of cooperatives as entities based on the values of participation, economic democracy, and social justice. Efforts to promote cooperatives as a people's economic force must avoid bureaucratic and top-down approaches that have proven unsuccessful in the past, such as the era of Village Unit Cooperatives, which tended to be administrative instruments of the state rather than organizations owned and managed by their members. Existing legal structures must foster a collective awareness of cooperatives in the community. This collective awareness is the primary driver for the formation of cooperatives, whether they are initiated by the community itself or developed through a bottom-up approach.(Astuti et al., 2022)

A legal approach that encourages the integration of agricultural cooperatives from the primary to secondary levels is crucial for enhancing the competitiveness and collective efficiency of cooperatives. Lessons from the failure of the Agricultural Cooperative and Village Unit Cooperative demonstrate that institutional integration cannot be imposed through a top-down structural approach without fostering collective awareness from below. Therefore, the legal structure needs to encourage the formation of cooperative centers (secondary cooperatives) based on the real needs of primary cooperatives. These secondary cooperatives must be able to function as economic and social service institutions, as well as serve as political representatives of primary cooperatives in dialogue with the state and the market. In this context, the state's role through legal instruments is as a facilitator, ensuring institutional infrastructure, legal protection, and policy incentives that encourage horizontal and vertical integration of cooperatives.(Chambo, 2009; *Cooperative Identity, Values & Principles*, 2021)

A comparative study of the National Agricultural Cooperative Federation (NACF) in

South Korea shows that the success of agricultural cooperatives in becoming a national economic force is inseparable from the state's role in creating a legal and institutional system that encourages integration and strengthens the economic capacity of cooperatives. The NACF was formed through the voluntary consolidation of primary cooperatives and received strong state support in the form of regulations, financing, and infrastructure, without interfering with the cooperatives' internal management autonomy. NACF has succeeded in becoming a national cooperative network that not only provides financial and agricultural services but also plays a key role in price stabilization, export market development, and agricultural policy advocacy. This model demonstrates the importance of harmony between legal structures, the role of the state, and the dynamics of cooperative member participation.

Conversely, the lack of integration between cooperatives has caused the cooperative movement to become fragmented and unable to identify and resolve its members' problems collectively. This is the case with cooperatives in Africa, as Chambo(Chambo, 2009) points out: "The lack of cooperative integration makes the cooperative movement in Africa more disjointed and unable to see the problems of their members in terms of solutions generated by the cooperative movement as a whole, but rather, they look to the government when seeking cooperative solutions." As a result, instead of leveraging the potential for internal synergy, cooperatives rely on government intervention to address issues that could otherwise be addressed through collaboration between cooperatives. This situation emphasizes the urgency of cooperative integration as a crucial prerequisite for building structural solidarity, strengthening institutional capacity, and creating effective collaborative mechanisms to achieve sustainable member welfare. This situation is not dissimilar to what is happening to cooperatives in Indonesia.

The strategic step that needs to be taken is to strengthen and expand the establishment of Parent Cooperatives and Agricultural Cooperative Centers as the backbone of primary cooperative integration. Conceptually, cooperatives are required to maintain their original identity in all operations, including institutional aspects, business management, and finance. As facilitators of the agribusiness supply chain, cooperatives must focus on a synergistic cooperative system with suppliers, consumers, competitors, and inter-company collaboration in production management.

The national legal structure should establish a normative framework that provides space for the growth of secondary cooperatives, including through clear legal recognition, fiscal incentives, easy market access, and access to productive financing based on cooperative membership. Furthermore, the legal design should also guarantee the involvement of cooperatives in the formulation of public policies related to agriculture and the village economy. Thus, primary cooperatives no longer

operate in isolation but become part of a mutually reinforcing institutional ecosystem within a solid and economically sovereign national cooperative network.

Finally, the ideal national legal structure for strengthening agricultural cooperatives must uphold participatory principles, be grounded in local needs, yet be open to national-scale integration. The law must be an enabling, rather than prescriptive, instrument for organizing cooperative socio-economic activities. This legal strategy emphasizes not only formal compliance but also internalizes the principles of social justice and food sovereignty as part of the national development agenda. With the support of such a legal structure, agricultural cooperatives in Indonesia have the potential to become a productive force that not only supports the local economy but also forms the foundation of a just and sustainable national economy.

Legal policy for agricultural cooperatives is a legal political issue. Achieving it requires significant political power, as this policy encompasses social, economic, and political dimensions and is crucial as a pillar of national progress. Significant political power is required to support and achieve this policy.

Inter-institutional coordination within the legal structure is a crucial element in strengthening agricultural cooperatives as pillars of the national economy. The lack of effective coordination between technical ministries, fiscal authorities, financial authorities, and cooperative supervisory agencies has created policy fragmentation that is detrimental to cooperatives at the grassroots level. For example, cooperative empowerment programs are often not aligned with national agricultural policies, regional fiscal policies, or financial institution access programs. This results in overlapping regulations, program duplication, and inconsistencies in the provision of assistance or incentives to agricultural cooperatives. Therefore, the national legal structure needs to establish an integrated cross-institutional coordination mechanism, spanning policy formulation, budgeting, and program implementation in the field.

In the context of agricultural cooperatives, the success of institutional integration depends not only on the cooperatives themselves but also on how well state agencies can work synergistically to create a comprehensive support system. The law on cooperatives and its derivative regulations must be drafted taking into account the roles and authorities of institutions such as the Ministry of Agriculture, the Ministry of Cooperatives and SMEs, the Ministry of Finance, and public financial institutions such as the Indonesian Export Financing Agency or the People's Business Credit. Inter-agency coordination must be formally institutionalized in the form of a cross-ministerial coordination forum that has executive powers and joint budget allocation for integrated agricultural cooperative programs.

Learning from South Korea's experience, the NACF's success in consolidating primary cooperatives into a national economic force is inextricably linked to the close collaboration between the NACF, the Korean Ministry of Agriculture, government

financing institutions, and the Central Bank of Korea. Policy integration and information system consolidation are in place, as are guarantees of legal protection for the authority of each institution within the cooperative ecosystem. This enables cooperatives to operate within a focused national policy framework and achieve global competitiveness. (Ho-Dong Kang, *International Cooperative Agricultural Organisation*, n.d.; U.S. 165(d) *Reduced Resolution Plan Public Section*, 2018) Indonesia can adopt similar principles by establishing the National Coordinating Board for Agricultural Cooperatives, which serves not only as a forum for dialogue but also as a central hub for cross-sectoral information, oversight, and evaluation.

Policy Recomm Policy Recommendations and Practical Implications is recommends several direct policies, including the government pursuing direct cooperation with farmers to absorb agricultural products so that farmers do not have to sell their products cheaply to middlemen. The government also needs to reform export-import policies to protect farmers during harvest time. endations and Practical Implications: The manuscript outlines several important recommendations. To enhance impact, please provide concrete steps or policy instruments that the government or cooperatives should pursue, drawing on international best practices. Consider a more detailed roadmap for reform, including stakeholder roles and timelines.

Without a strong coordinating framework, the national legal structure will tend to produce fragmented and even contradictory sectoral regulations. This can create legal uncertainty for cooperatives and hinder social and economic investment by cooperative members. Therefore, harmonizing laws across sectors through an inter-agency regulatory governance approach is a crucial step in formulating an integrated and sustainable legal system for agricultural cooperatives. This includes the development of impact-based regulations and the formulation of minimum standards for cooperative services by public institutions with shared understanding. However, in the era of regional autonomy, the capacity and autonomy within the institutions involved can hinder more substantive coordination. This issue must be addressed to ensure substantive coordination.

Therefore, inter-institutional coordination is not merely an administrative issue, but a constitutive element of a modern cooperative legal structure. The state, through its legal instruments, must be able to architect cross-sectoral governance that ensures regulatory effectiveness, institutional efficiency, and accountability for implementation. Only with structured and institutionalized cross-institutional synergy will agricultural cooperatives be able to thrive within a healthy ecosystem and become a resilient and sovereign national economic force.

4. Conclusion

Based on the above description, it can be concluded:

1. Agricultural cooperatives in Indonesia have strategic potential as pillars of the national economy, but have so far failed to play this role optimally. The historical dependence of cooperatives on the state, weak institutional capacity, minimal vertical integration in the agricultural value chain, and an ineffective legal structure are the main causes of the weak competitiveness of agricultural cooperatives.
2. Analysis using Lawrence M. Friedman's legal system approach—particularly regarding its legal structure—shows that:
 - a. Indonesia's legal structure has not been able to create efficient, coordinative, and responsive institutions to the needs of agricultural cooperatives. The failure of past cooperative models such as the Agricultural Cooperative and the Village Unit Cooperative underscores the need for structural and institutional reform. The state, through its legal instruments, needs to shift its role from an intervening actor to a facilitator, creating a legal ecosystem that supports cooperative independence.
 - b. Agricultural cooperatives require legal reform that not only strengthens normative aspects but also establishes cross-institutional coordinating mechanisms, encourages member participation, horizontal and vertical institutional integration, and strengthens secondary cooperatives and parent cooperatives. Lessons learned from the success of the National Agricultural Cooperative Federation (NACF) in South Korea demonstrate that strong agricultural cooperatives can only be realized through integrated, participatory, and adaptive cooperatives that address global economic challenges.

Therefore, holistic and synergistic reform of the national legal structure is a key prerequisite for realizing agricultural cooperatives as an independent, equitable, and sustainable people's economic force, supported by the national legal structure—particularly the government—as a facilitator. Suggestion for Further Research from authors It is would be beneficial to include suggestions for future studies, such as longitudinal analyses on cooperative performance after legal reforms or comparative studies across multiple Southeast Asian countries.

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