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Implementation and Legal Consequences of Profit Sharing Agreements for Rice Farmland Between Landowners and Farmers in Tanggetada Subdistrict, Kolaka Regency

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Abstract: This study analyzes the implementation of rice farming profit sharing agreements between landowners and tenant farmers in Tanggetada Subdistrict, Kolaka Regency, identifies the underlying factors of using verbal agreements, and examines their legal implications. Using an empirical legal method with a qualitative approach, data were gathered through document analysis and in depth interviews in Lamedai, Lalonggolosua, and Oneeha Villages. The results show that profit sharing agreements are conducted entirely orally based on local custom and mutual trust, failing to comply with Article 3 of Law Number 2 of 1960, which mandates written agreements before the Village Head. The primary driving factors include strong cultural mutual aid principles, limited farmer capital, and landowners' efforts to keep land productive to avoid violating prohibition on absentee ownership under Article 10 of the Basic Agrarian Law. Legally, while these oral agreements remain binding under Articles 1320 and 1338 of the Civil Code, they possess weak formal evidentiary weight, potentially causing legal uncertainty during disputes.

Keywords: Profit Sharing Agreement, Farmhand, Landowner, Legal Certainty.

INTODUCTION

Historically and sociologically, Indonesia is known as an agrarian country, where agricultural land serves not merely as an economic commodity but also plays a vital role as a social bond, a status symbol, and the primary foundation for the survival of rural communities (Oman Sukmana et al., 2026). In Kolaka Regency, Southeast Sulawesi particularly in Tanggetada Subdistrict the food crop sector, especially paddy rice grown in paddy fields, serves as the backbone of the local economy, employing the majority of the local workforce.

However, within the socioeconomic reality of the agrarian communities in this region, disparities in land tenure and ownership have emerged (*land tenure reform*). On the one hand, there is a group of residents or landowners (*landlords*) who control relatively large tracts of farmland but face limitations in terms of labor, age, and time to cultivate it independently (Mohamad Shohibuddin, 2019). On the other hand, there is a group of *tenant farmers* who possess sufficient labor, skills, and farming expertise but do not own land (*landless farmers*) or own only marginal plots of land that are insufficient to meet their daily living needs (Taqiuddin, H. 2023).

To bridge the gap between landowners and tenant farmers, local communities in several areas particularly the villages of Lamedai, Lalonggolosua, and Oneeha in Tanggetada Subdistrict have traditionally relied on a customary practice in the form of a cooperative arrangement for the sharing of agricultural yields (Ria Ayu et al. 2007). This customary legal institution serves as a locally adaptive mechanism based on *a reciprocal relationship*, in which landowners entrust the cultivation of their land to tenant farmers, and the resulting harvest is later divided according to a specific ratio mutually agreed upon (Muhammad Abdul Kadir 1992).

From a normative perspective, the Indonesian government has recognized, since the early days of independence, the importance of regulating and protecting the legal relationships involved in this agricultural land profit sharing system (Boedi Harsono 2019). The state responded to these dynamics through the enactment of Article 10 of Law No. 5 of 1960 on the Basic Provisions of Agrarian Law (UUPA), which affirms the principle that any individual or legal entity holding rights to agricultural land is fundamentally obligated to actively cultivate or manage it themselves to prevent exploitation and *absentee* landownership. Law No. 2 of 1960 on Share Crop Agreements (UU Bagi Hasil/UUPBH) was specifically designed to protect tenant farmers who are economically weaker from potential exploitation by landowners. One of the crucial provisions of a mandatory nature (*dwingend recht*) in Law No. 2 of 1960 is set forth in Article 3, paragraph (1), which explicitly states that, *"All profit sharing agreements must be drawn up by the landowner and the tenant farmer themselves in writing in the presence of the Village Head/Lurah, witnessed by two witnesses, and certified by the Subdistrict Head."*

These provisions of formal legal certainty aim to ensure that the rights and obligations of the parties are legally guaranteed by state law, as well as to prevent the emergence of conflicts in the future (Mohamad Muzakir Syah S, et al. 2025). Legal certainty in the resolution of disputes arising from breaches of oral agreements that may potentially involve legal violations. *RechtJiva*. However, there is a stark divide (*das Sein* and *das Sollen*) between the state's ideal of written law and the sociological reality on the ground. In the villages of Lamedai, Lalonggolosua, and Oneeha, the practice of profit sharing agreements for irrigated rice farming remains, to this day, dominated by *verbal agreements* that are based solely on trust, kinship, and *customary values*. Formal requirements regarding registration, the drafting of written deeds in the presence of the Village Head, and ratification by the Subdistrict Head are almost entirely ignored by the local community.

This pattern of verbal agreements that disregards statutory law has the potential to give rise to various legal implications and economic vulnerabilities, particularly for tenant farmers in the event of default, unilateral changes in land ownership, crop failure (*fuso*), or disputes over the distribution of crop yields (Rahayu Subekti, 2015).

Based on these issues, this study aims to investigate, analyze, and thoroughly examine the phenomenon of profit sharing agreements for paddy field s in Tanggetada Subdistrict. Specifically, this study focuses on three main research questions: the actual forms and mechanisms of implementing profit sharing agreements for paddy fields in Lamedai Village, Lalonggolosua Village, and Oneeha Village; the driving and inhibiting factors (from social, cultural, legal, and economic perspectives) that lead communities to continue choosing *trust based* oral agreements over the written forms mandated by law; and the legal consequences and implications arising from these oral profit sharing agreement practices regarding legal certainty and the protection of the parties involved.

METHODS

This study employs an empirical legal research design (sociological jurisprudence) with a qualitative approach (Muhammad Rizal Pahleviannur et al., 2022). The research was conducted in Tanggetada Subdistrict, Kolaka Regency, Southeast Sulawesi Province, with the sampling locations focused on Lamedai Village, Lalonggolosua Village, and Oneeha Village. Data Types Used: Primary data in the form of in depth interviews with landowner informants (Mr. Ardi, Mr. Justan, Mr. Samiruddin) and tenant farmers (Mr. Faldi, Mr. Naufan, Mr. Hardin) in Tanggetada Subdistrict. Secondary data included legislation (the Land Law UUPA, Law No. 2 of 1960, and the Civil Code) as well as relevant legal literature. The data were analyzed using the Interactive Analysis Model (Miles & Huberman 1992), which encompasses data reduction, data presentation, and drawing conclusions.

RESULTS AND DISCUSSION

1. Implementation of Rice Production Sharing Agreements in Tanggetada Subdistrict

Based on the results of field research in Lamedai Village, Lalonggolosua Village, and Oneeha Village, profit sharing agreements are made verbally that is, without a written contract based on a direct agreement between landowners and farmers before the planting season begins. The parties never register or file these cooperation agreements with the local village office.

Regarding the mechanism and form of the agreement, Mr. Ardi, a landowner in Lamedai Village, explained:

"We made this profit sharing agreement verbally. We agreed from the start on how to divide the harvest, and because we trust each other, the division takes place after the harvest is complete. As agreed, a portion goes to me as the landowner and a portion to Faldi as the farmer. Alhamdulillah, so far everything has always gone according to the agreement."

A similar statement was made by the farmer, Mr. Faldi:

"We don't have a written agreement. All arrangements are based on trust and direct communication during each growing season. The division is carried out according to the initial agreement. There are no issues; we always follow the division we've mutually agreed upon."

In the village of Lalonggolosua, Mr. Justan, the landowner, explained:

"We make this profit sharing agreement verbally, based on mutual trust and an agreement reached before the season begins. The harvest is divided according to the initial agreement part for me and part for Nauvan. So far, it has always been in accordance with the agreement."

This was confirmed by Mr. Naufan, a farmer in Lalonggolosua Village:

"We don't have a written agreement. All arrangements are based on direct communication and trust between us. The harvest is divided as agreed. We always follow the division we've mutually agreed upon."

Meanwhile, in Oneeha Village, Mr. Samiruddin, the landowner, stated: *"We make this profit sharing agreement verbally, based on mutual trust and an agreement reached before the planting season. The harvest is divided according to the initial agreement part for me and part for Hardin. So far, it has always been in accordance with the agreement."*

Mr. Hardin, the farmer in Oneeha Village, added:

"There is no written agreement. All arrangements are made directly and based on trust... The harvest is divided according to the initial agreement. There have never been any problems because we follow the agreement."

These practices in Tanggetada Subdistrict contradict Article 3(1) of Law No. 2 of 1960, which requires a written agreement in the presence of the Village Head. From the perspective of the Theory of Legal Effectiveness (Soerjono Soekanto 2014), the Profit Sharing Law is ineffective in Tanggetada due to the community's legal culture, which perceives formal written procedures as overly complicated and rigid, and is accustomed to moral bonds and the local value of mutual cooperation.

2. Factors Contributing to the Persistence of Verbal Profit Sharing Agreements

Based on interviews with informants, the prevalence of verbal agreements in Tanggetada Subdistrict is influenced by technical agricultural factors, capital, and social conditions:

a) The Perspective of Tenant Farmers For tenant farmers, the primary considerations in agreeing to an oral system are practical on the ground factors such as soil conditions, operational costs, and weather.

Mr. Faldi (Lamedai Village): *"I consider the condition of the land, the weather, cultivation costs, and the agreement with the landowner. All of these factors influence how much of the harvest I can receive."*

Mr. Naufan (Lalonggolosua Village): *"I take into account the weather, cultivation costs, land conditions, and agreements with landowners. All of these factors affect the yield I receive."*

Mr. Hardin (Oneeha Village): *"I take into account the weather, cultivation costs, land conditions, and agreements with landowners, because all of these factors affect the yield I receive."*

b) Landowners' Perspective From the landowners' perspective, the need to cultivate the land to prevent it from becoming neglected is the main reason for handing over the land for cultivation. Before being cultivated, some of the land in the villages of Lamedai, Lalonggolosua, and Oneeha was neglected and overgrown with shrubs and weeds because the former owners lived far away.

Mr. Ardi (Lamedai Village): *"That land was previously neglected and overgrown with brush, even though the owner lived far away. After seeing the condition of the land, the residents of Lamedai Village took the initiative to buy it, then cleared and cultivated it until it could finally be used as a rice field that we work on together... The main factors for me are the harvest, the planting season, and trust in the farmers. If the harvest is good, the distribution goes smoothly too."*

Mr. Justan (Lalonggolosua Village): *"The land was initially neglected and overgrown with brush, while the owner lived far away. The residents of Lalonggolosua Village were then motivated to purchase the land, clear it, and cultivate it... The main factors for me were the condition of the land, the crop yield, and trust in the farmers."*

Mr. Samiruddin (Oneeha Village): *"This land was initially neglected and overgrown with weeds because the owner lived far away... the villagers took the initiative to purchase it, then clear and cultivate it, and finally turn it into a rice field. The factors that influenced my decision were the condition of the land, the crop yield, and my trust in the farmers."*

This initiative by local residents to cultivate abandoned land is in line with the spirit of Article 10 of the Land Law (UUPA) to optimize the social function of land and prevent violations of the principle prohibiting *absentee* landownership.

3. Legal Consequences of Profit Sharing Agreements in Tanggetada Subdistrict

In terms of the legal consequences that arise, all informants acknowledged that oral agreements still give rise to rights and obligations as well as binding (*obligatory*) legal consequences.

Regarding the legal consequences for landowners and cultivators:

c) Mr. Ardi (Landowner, Lamedai Village): *"As a landowner, this profit sharing agreement binds both parties to honor the terms of the agreement. The distribution of profits must be in accordance with the agreement, and any violation could lead to a dispute. So this agreement provides clarity on each party's rights and obligations."*

d) Mr. Faldi (Farmer, Lamedai Village): *"As a farmer, I am obligated to manage the land properly and honestly, and I am entitled to my share as agreed. If I am negligent or dishonest, it could lead to problems or disputes. So this agreement establishes responsibilities for both parties."*

e) Mr. Justan (Landowner, Lalonggolosua Village): *"As the landowner, this profit sharing agreement establishes the rights and obligations of both parties. I am entitled to a share of the profits as agreed, while the farmer is obligated to manage the land properly. If a violation occurs, a dispute may arise, which will be resolved through deliberation."*

f) Mr. Naufan (Farmhand, Lalonggolosua Village): *"As a farmhand, this profit sharing agreement entails legal obligations namely, the duty to manage the land properly in accordance with the agreement and the right to receive a share of the harvest. If I fail to fulfill my obligations, it could be considered a breach of the agreement and lead to a dispute. So this agreement binds both parties to be mutually accountable."*

g) Mr. Samiruddin (Landowner, Oneeha Village): *"As a landowner, this profit sharing agreement gives rise to legal consequences in the form of rights and obligations that must be fulfilled by both parties. I am entitled to receive my share of the profits as agreed, while the farmer is obligated to manage the land properly. If there is a violation, it may lead to a dispute, which can be resolved through deliberation or mutual agreement."*

h) Mr. Hardin (Farmhand, Oneeha Village): *"As a farmhand, this profit sharing agreement imposes an obligation to manage the land properly in accordance with the agreement and grants the right to receive a share of the harvest. If these obligations are not fulfilled, it may be considered a breach of contract and lead to a dispute. Thus, this agreement binds both parties to share responsibility."*

From a civil law perspective:

1. Validity of the Agreement, Based on Article 1320 in conjunction with Article 1338 of the Civil Code, oral agreements in Tanggetada Subdistrict remain valid and binding on the parties as law for those who enter into them.
2. Evidentiary Value: Based on Law No. 2 of 1960 and the Theory of Legal Certainty (Utrecht), the lack of clarity in written documents places the parties particularly the cultivators in a very weak formal legal position (*lacks evidentiary power*) should a dispute arise in court.
3. Dispute Resolution: In practice in Tanggetada Subdistrict, disputes arising from dissatisfaction with crop yields or breach of contract are always resolved through family based deliberation (*non litigation*) without involving formal legal channels.

CONCLUSION

1. The implementation of profit sharing agreements for rice farming land between landowners and farmers in Tanggetada Subdistrict (Lamedai Village, Lalonggolosua Village, and Oneeha Village) is conducted entirely verbally, based on mutual trust and local customs, and thus does not yet meet the formal requirements as stipulated in Article 3 of Law No. 2 of 1960.

2. Factors contributing to the prevalence of oral agreements in Tanggetada Subdistrict include a strong tradition of mutual aid, the farmers' limited capital, and the landowners' initiative to revitalize previously abandoned farmland in order to comply with the principles of Article 10 of the Basic Agrarian Law (UUPA).
3. The legal consequence of an oral profit sharing agreement in Tanggetada Subdistrict is that the agreement remains valid and binding on the parties under the Civil Code, but has weak evidentiary weight under Law No. 2 of 1960 in the event of a formal dispute in court.

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