

Rice Farmer Institutional Strengthening Based On Agricultural Business

Majdah M. Zain, A. Abd Rahman Syafar, Lasumange, Fatmawati

Abstract: This study generally aims at assessing the competitiveness of rice commodities in South Sulawesi, in particular this study is directed to analyze the comparative advantages of rice commodity in South Sulawesi, Inter-island rice trade performance, marketing efficiency, and supporting factors of the inter-islands rice trade by the by the strengthening the farmer institutional based on agricultural business. This study was conducted in South Sulawesi using survey method, in which the survey locations (primary data source) are in five regencies of the rice production center and some areas in ports between islands, such as Watangpone (Bone Regency) and Siwa (Wajo Regency) for east and Pare-pare, Pangkajene, and Pinrang for west coast areas. The data gathered are about the farmer group and the farm management, margin and marketing cost structure, as well the rice trade pattern between islands in South Sulawesi. In addition, secondary data used is the data of rice production series in South Sulawesi and Indonesia (2008-2013), inter-island rice trade data (2012-2014), rice price data (2008-2013). Data was analyzed using Location Quotient (LQ) method, Market Share (MS), Market Concentration Index (IKP), the market integration model and the Kawagoe model measure marketing efficiency, and Gravity Model to analyzed the factors that support the rice trade between islands. In the second year there is a production of group-based rice farm management. It ranges from good cultivating process this able to provide the good quality of grain and rice so that the competitiveness of the rice increases to gain bargaining power in marketing. Thus the cultivating system is done based on agricultural business.

Index Terms: Institutional, rice farmers, agricultural business

1 INTRODUCTION

South Sulawesi province with approximately 8.7 million people in 2013 with rice consumption of 133.44 kg per capita per year requires the availability of rice for domestic consumption of around 1.1 million tons per year, while the availability of rice in South Sulawesi after conversion reaches 2.36 million tons. Thus in South Sulawesi there is a surplus of about 1.27 million tons. Of the total surplus of rice in South Sulawesi regions such as Bone regency, Soppeng regency, Wajoregency, Sidrap regency, Pinrang regency and Luwu regency produce surplus rice for about 1,126 million tons or 88.81 percent of the total surplus in South Sulawesi. This surplus concentration of rice has caused the emergence of inter-regional trade domestically. In the domestic rice trade map in South Sulawesi, directions of the rice trade mainly flow to the centers of consumption in Makassar, Pare-pare and Mamuju, because not only these three areas suffer from lacking of rice, those areas also serve as inter-island rice trading center.

The survey results showed that a large surplus can actually characterize the two conditions are mutually counter-productive. Seen from one side, the large surplus can guarantee the food security in society aggregately. But on the other hand surplus rice that is not accompanied by trading activities to market the excess production to other areas can create a domestic market over supply so the prices in the domestic market may fall to the very low point, it would be a bad influence for the economy as a whole. Thus, this research is aimed at strengthening rice farmers institutional based on agricultural business.

2 RESEARCH METHOD

2.1 Location and Time

The research location coverage was conducted in five rice production centers in the regencies of South Sulawesi, such as Pinrang regency, Sidrap regency, Soppeng regency, Maros regency, and Takalar regency. It was also conducted in the origin shipment areas and some inter-islands destinations areas. These areas are restricted on some provinces particularly for the main destinations. Various empirical data related to the inter-islands rice trade aspects was also gathered from other provinces throughout the country. Institutional data and farmer involvement data in farm cultivation was analyzed and given assistance so that it would be conducted based on agricultural business.

2.2 Research Design

Data used in this study consists of secondary data and primary data. Secondary data, used in a variety of developed analytical models such as the analysis of comparative advantage (LQ) of rice commodity in various provinces in Indonesia, the performance of the rice trade between islands (the market share of rice in South Sulawesi in various major destination as well as an index of market concentration) and the marketing efficiency of rice in South Sulawesi in markets in South Sulawesi and in inter-island rice market. Secondary data was collected from several agencies, such as the central BPS, BPS South Sulawesi, the Food Crops, Department of Trade and DOLOG. Furthermore, based on the nature of this

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research, this research is using time series data and cross section data, in which the use of the data is adjusted to the need in the analysis model being used. Analysis like rice comparative advantage, rice surplus, market share, index of market concentration, gravity model of the rice trade between islands are using data that has the same time period that were collected from different regions (cross section), while analysis like price transmission elasticity (vertical integration), spatial market integration, and analysis of the marketing agency's ability to control margin (model Kawagoe) are using the time series data. Furthermore, this study also uses primary data that was gathered from respondents of rice merchants between islands that are located around the harbor Shiva and Bone who were considered as the representative for the inter-islands rice trade activities in the east coast, then inter islands rice merchants around the port of Pare-pare, Sidrap and Pinrang were considered as representative in the west coast. The total respondent of the merchants is 24 respondents that were selected randomly.

2.3 Analytical Method

The perspective study of rice commodity trade in South Sulawesi in inter-islands trade focus particularly on the comparative advantages, inter-islands rice trade performance, marketing efficiency, and market integration were analyzed using two approaches namely (1) descriptive analysis that is equipped with the cross tables and graphs and (2) analysis using mathematics formulas and econometric models. The details of the data analysis are used to test the hypothesis and answer every purpose.

3 RESULT AND DISCUSSION

3.1 Trade perspective analysis and rice competitiveness in South Sulawesi

Analytical result about the rice trade perspective shows that South Sulawesi has the great potential of rice production so that it can produce the big rice surplus and tend to possess increasing trend. However, it seems that this condition is not followed by the inter-islands rice trade activities significantly, mainly after the economy crisis in 1998. If this condition occurs continuously, it is not impossible that it can affect the poor rice business in South Sulawesi. In fact, it even can lead to the socio-economic condition that is lowering. Whereas the rice commodity is the superior commodity in South Sulawesi just like the policy related to MP3EI in Sulawesi that places food (especially rice) and give big contribution to the regional economy as well as employment industries in regional economy structure, and thus this rice commodity has been the part of socio-cultural life in South Sulawesi society. Improvements on inter-islands rice trade activities can cause the domestic rice trade condition in South Sulawesi in excess supply condition so that the price in domestic market can lowering down and of course it may affect the farmers income that are the biggest component in South Sulawesi society. Hence, to formulate the rice policy in South Sulawesi to increase the competitiveness, the perspective analysis result is expected to show that the rice trade competitiveness can give constructive contribution. Perspective analysis in this MP3EI study is meant to analyze deeply about various aspects that are the key aspect to support the rice trade in South Sulawesi. At least there are three main aspects that become the focus of this analysis such as (1) to study the

relative position of South Sulawesi in production rice compared with others regions as well as the rice relative position towards other farms commodities. This study is mainly aiming at identifying whether the rice commodity is the commodity that is reliable in regional economy, and it also aims at identifying the other potential regions that can be the main competitors in producing rice. From this aspect, South Sulawesi rice can be stated as rice that has great prospect if it has comparative advantages to develop. South Sulawesi has the comparative advantages compared with other regions in producing rice, particularly it the production system done with group-based farm management pattern. (2) to study the tendency and performance of rice trade in South Sulawesi in various inter-islands rice trade destinations. This aspect mainly aims at finding out whether South Sulawesi rice has the ability to defend the market share in every destination region, and whether it has the ability to expand the marketing coverage. (3) to study the inter-islands rice trade obstacles in marketing efficiency side. This aspect assumes that the marketing efficiency is one of the keys to support the inter-island rice trade. Efficient market condition enables the prices in destination market or source market to have adjustment so that the changes will be in line. Or in other words both markets are perfectly integrated. The prices in every stage of the market merchant will be in line so that the price in consumers can be transmitted to rice producers.

3.2 Rice Trade Performance in South Sulawesi

Rice trade performance aspect in relation to the analysis of competitiveness toward the rice production in MP3EI study shows that the monthly data of the rice shipment volume of South Sulawesi to various inter-island destinations in 2004-2013 shows un pattern trend (like a spider web). These un pattern activities of rice trade show the condition of the domestic rice market and rice market condition in destination areas that are dynamic. This dynamic rice trade is of course caused by the supply demand condition in each market. However, since rice is the main food for most citizen then the demand is in-elastic so that the market condition tends to be affected by the supply. In other words, the rice production fluctuation in South Sulawesi and in destination areas and rice producers become the rice competitors in South Sulawesi, including the import rice supply that really determine the dynamic rice trade in South Sulawesi to the various rice market in inter-islands destinations. Hence, the assistance pattern for the group-based farm management that is business-oriented should be developed so that the farmers have the better bargaining position to the rice trade market. This discussion shows that the rice comparative advantages in South Sulawesi or its ability in producing great rice surplus not merely guarantee the inter-islands rice trade activities. To guarantee the inter-islands rice trade activities continuously in destinations areas, competitive ability (price and quality) are also the prerequisites besides the availability of efficient marketing infrastructure and supporting policy.

4 DISCUSSION

In the first year research period (2014) of the three years planned until 2016, the research has been running in the second year up to the end of 2015, the activities will still focus on the strengthening the preparedness of the farm group to produce rice in business scale. Hence, institutionally, the farmers urge to the need of assistance and strengthening of

the groups through the capacity improvement of the farm cultivation and competitiveness improvement, from on farm aspect, harvest and post-harvest management, farm cultivation analysis and market orientation. Farm institutional assistance and bargaining position strengthening become to parts that have to be competed in this MP3EI study. This analysis of production system and group-based and inter-island market-based rice competitiveness is done continuously in South Sulawesi and it becomes the model of farm cultivation that starts with the production system repair, farmer capacity improvement, farmer institutional strengthening and market access opening to farmers and farmer groups. The development of rice farm management model subsequently is detailed on component that is very influential on rice farming to be achieved in the second year (2015) as a form of development model. Simultaneously, the group-based rice farming will be scaled up on a rice farming group with broader regional coverage in the third year (2016). Thus the issue of increasing the capacity and competitiveness of farmers can be realized in order to give effect to the economic improvement of the area and the welfare of rice farmers.

5. CONCLUSION

Farming management is an inseparable series of the cultivating process and post-harvest management so that the rice quality that is marketed can be competitive. South Sulawesi as the rice producer has the comparative advantage and is the region that has the biggest surplus in Indonesia, so that it has the great potential in rice trade. However, at the farmer level, the farmer capacity and the group capacity has to be improved, in the land cultivation, institutional, farm management and the market system analysis. Hence, there is a need to analyze and to design a model of rice farming management, institutional, marketing and competitiveness increasing. The model designed based on this analysis needs to be developed using simple approach pattern for the farmers and their groups through assistance and simple technology that accessible and can be adopted by farmers in groups so that they will have good bargaining position. From the model that has been analyzed, it is hoped that it can be continued with a systematic plan that starts by giving assistance to the farmer groups that can be widely duplicated later as scale up target.

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