

## **PERSPECTIVE OF RICE AGRIBUSINESS MANAGERIAL IN JEMBER REGENCY**

**Adhitya Wardhono\*)**

*\*) Faculty of Economics – University of Jember, Jl Jawa 17 Jember 68121 Indonesia  
Email: a\_wardhono@yahoo.com*

### **ABSTRACT**

*Performasi agribisnis padi/beras pada sektor pertanian merupakan subsektor dominan di Kabupaten Jember. Meski sebenarnya terjadi indikasi penurunan area pengusahaannya yaitu 131.522 ha pada 2003, dari 141.880 ha pada tahun 2002. Namun demikian produksi beras masih dapat dipertahankan dan masih memiliki kecenderungan meningkat. Daya tarik usaha tani padi tidak saja pada ruang produksi namun juga tatanan bisnis yang terjadi hingga pada konsumen akhir. Secara tegas tulisan ini bertujuan untuk: (1) untuk mendapatkan identifikasi faktor-faktor yang mempengaruhi entrepreneur dan pemahaman manajerial para pelaku bisnis usaha tani padi/beras. (2) untuk menemukan bekerjanya mekanisme saluran distribusi agribisnis beras dari petani hingga pedagang eceran. Penelitian ini dilakukan pada 9 desa dengan 85 responden di Kabupaten Jember. Hasil penelitian menunjukkan bahwa pemahaman responden petani terhadap konsep manajerial agribisnis adalah rendah. Sementara itu pelaku agribisnis memiliki kecenderungan melakukan bisnisnya secara tradisional dan bersifat sosial kekeluargaan. Tidak terdapat kaitan yang jelas terhadap peluang masuk dalam pasar antara pedagang besar dengan pedagang eceran.*

*Kata kunci: Gambaran agribisnis, Komoditas beras, Saluran distribusi.*

### **INTRODUCTION**

In Indonesia economy relies to a great extent on agriculture. Policies on agricultural development in the new paradigm nowadays rely on potentials of locality, integrated, coordinated and agribusiness minded resources, which require strategies for improving their competitiveness in the competitive era. In line with concepts of development of agricultural sectors, the sub sector of food plant hold significant roles. Ensuring food self-sufficiency and promoting agricultural exports have been the main targets of Indonesia's agricultural policies. Moreover, its role in providing food for Indonesian people and contributes highly to Gross National Product (GNP), the sub sector of food plant agriculture is also able to absorb a large number of workers in villages (Hartoyo, 1995). Share of employment in agriculture 44.4%.

With respect to the importance of agricultural development in accelerating overall economic development, therefore the Indonesian Government has formulated that the market and marketing is one of several aspects should be developed in the agricultural sector. So far, agriculture is a basic sector which relates to other sector both production and distribution (Cramer, 1991).

Accessing of agricultural input and output market is one influential factor to serve agricultural development in the rural area. In the agricultural sector specific challenges of marketing are exist due to the characteristics of agricultural products such as raw material, bulky and perishable, quality variation, seasonal variability in production, geographic concentration of production, and varying cost of production. All those characteristics give rise to market failures in the economy.

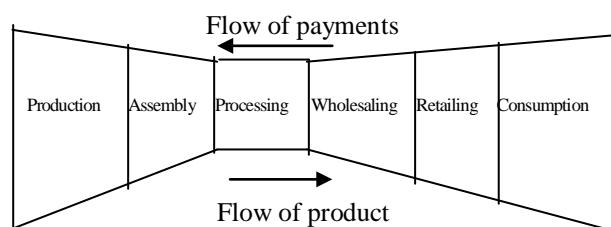
One of the food plant commodities that strengthen food stability in Indonesia is rice. This commodity is extremely popular among Indonesian people. Rice is the main staple food for the majority of Indonesian people contributing to more than 60 percent caloric intake of low-income group. Rice consumes 13.8% of family expenditures. Therefore, rice plays a chief role in national economy. To keep the balance between supply and demand and to maintain stable prices are the focal keys to uphold Indonesian food security. So far, expansion in area of rice, larger areas under high-yielding varieties, increased use of mineral fertilizers and pesticides, enhancement of irrigation infrastructure, and improved crop management techniques have largely contributed to the increased production during the 1970s and early 1980s (Daryanto et al., 2002).

In spite of the increased use of modern agricultural technologies, however, the growth in rice and other cereal yields has declined in recent years, with a growth rate of less than one percent between 1985 and 1997 (Daryanto et al., 2002).

This relates to cultural factors and the characteristics of Indonesian societies which continuously consume rice as food processed of rice. Considering this demand, rice becomes favorite commodity which is also furnished by farmers. Besides, rice planting is mostly caused by market structure that is relatively open and varies compared to other food plants. Jember Regency, considered as national rice supplier, has a large number of rice productions. This is beside because the supporting geographical situation for rice plantation, Jember Regency also has a high number of rice mills.

Agribusiness problem which is urgent to criticize is agricultural product marketing. This is considering the characteristics of agricultural products which are seasonal and easily damaged. Therefore, the marketing of agricultural product is an important part of agribusiness operation. Through this aspect, we may analyze that agricultural product marketing is more than a matter of transforming a commodity in a specific

time, place and form. The process of storing commodity is popular for its marketing function which becomes a productive marketing operation. All involved institutions in the product movement and transformation from producer to the final consumer could be seen on picture 1 about marketing tracks for all types of agricultural products (Rhodes, V.J. and J.L. Dauve, 1998).



Source: Rhodes, V.J and Jan L. Dauve, 1995.

Picture 1: Stages in Marketing System

Marketing tracks in the real condition is strongly complex and very long. However, in the certain condition, they could be very simple and directly from farmers to final consumers in local market. The marketing lines for agricultural commodity could change depending on condition of area, time, the number sellers, price and technological advancement. Moreover, in line with marketing concept, in developing countries agricultural market regularly characterized by inadequate physical and marketing infrastructure, information asymmetry among producers and traders, and entry barriers due to the efficient functioning of related institutions. These factors contribute to high transaction costs which can cause arbitrage failure and lead to inefficient allocation of resources (McNew, 1996).

The above background initiated the author to address the following issues: (1) to identify dominant factors affecting entrepreneurship in rice production and their understanding toward agribusiness managerial concepts in rice production (2) to find out the working mechanisms of rice distribution channel from farmers to retailers.

## **METHODOLOGY: Method of Analysis, Analysis Scope, and Research Location**

This study applied inductive and deductive approaches for anticipating research problems and backgrounds. In inductive method, this research gradually started from facts found in

the research area on any cases to apply 'generalization' for all conditions with the same characteristics. The research also used deductive approaches to make comprehensive analysis. However, some empirical questions would be answered deductively using descriptive analysis and causal analysis.

Several districts which became research area determination were based on the various productions of food plants studied among districts in Jember Regency. Samples were taken purposively. Interviews were conducted with 85 respondents in 9 villages in Jember regency representing all types of agribusiness actors for paddy and rice. The main respondents which became primary data resources covered all agribusiness people along vertical flow of food plant agribusiness; producing farmers, assembling sellers, processing and wholesaling sellers and retailing sellers.

The data applied were primary and secondary data. Primary data were obtained from interviews with respondents and other informants using open-structured questionnaires and field observation. Secondary data were obtained from related local and central institutions and all available references/studies.

## **Social-Economic Characteristics Of Agribusiness Sector People**

Concerning the importance of agricultural development in accelerating overall regional economic development, the market and marketing as well as the physical and marketing infrastructures are some aspects that should be developed in the agricultural sector. Therefore, an improved knowledge of the agricultural input and output markets and the patterns of price variability and some factors behind those would give additional information for policy makers in providing a favorable policy environment for the whole society, farm producers, intermediate agents and consumers.

Agribusiness is a unique operation. In the points of view of economy, the demand for integrated processing of vertical business is basically for minimizing margin gaps at all first stage sectors, cultivation, and final stage sectors. This bad condition is often present at all business operation nowadays. Agribusiness which is not integratedly runned (separately, partially) effects on marginal gap problems, and usually cultivation sectors are victimized because of dual-structured economy. Market information (as an effect of taste, consumer, price change) is not transmitted 'fairly' to the first-stage, cultivation, and final-stage sectors. For this reason, the understanding of social-economic characteristics of villages, especially business people, cannot be avoided.

The comprehension on internal factors of agribusiness people will comprehensively describe the dynamics of agribusiness sector itself. Therefore, in the social-economic characteristics of agribusiness people will be presented based on field survey on 85 respondents of paddy/rice trading agents in Jember Regency.

In the points of view of gender, it is shown that male, in running business operation, is dominating, and indicated of 82.7% comparable to 17.3%. This is a parallel flow with business operation chief. It is shown that the domination of household head in running the business operation is perfectly dominating, indicated by the point of 83.3%, and later followed by wives by 10.7%. The rest of all is delegated to children or family and non-family relations.

Based on the field survey, it was also found several features of characteristics of socio-economic condition of the respondents. Educational level of the agribusiness people at all types showed a wide range of variation at all educational level. Based on undergoing survey data obtained from 85 respondents, it was shown that agribusiness people who graduated from senior high school were 32.7%, elementary school graduates were 25.3% and junior high school graduates were 22.7%. The interesting phenomena were that in accumulative calculation, the ratio of senior high school graduates and the below senior high school ones was mainly dominated by below senior high school graduates.

The composition of educational level in the agricultural sector generally tends to get low. The low educational level results in the insufficient competitiveness in agricultural sector. A number of reasons which were the factors of traditional accumulation became standard. This shows that farmers are indeed a social conclusive group. The family interference in policy making often becomes a key factor to educational level of farmers' family. Only a small part of farmer's family or those running an agricultural business operation realize the importance of education. A number of respondents who are university graduates were able to develop their business operation. Even, some families of Langkap village, district of Bangsalsari and some others have sent their children to bachelor's level education so that they could intensively support their parents develop the business through either information or technology transfer by their own children.

The effects resulted from the low educational level is the low technological access, managerial capability, market access ability, bargaining power and slow information access ability. In the aggregate, this condition makes the agribusiness could not develop maximally. The limited knowledge of agribusiness makes this sector separated and tends to be subsystem compared to industry.

The factor that may be because of business operation is factor of land ownership and sustaining parents' traditions. Most of ethnics of Javanese and Madurese run their agricultural business because of running inherited land and tradition of parents' job. Meanwhile, Chinese ethnic business operation was because of maintaining parents' tradition which holds a number of movable assets in the

field of agricultural commodity trading.

Moreover, description of rice agribusiness in Jember Regency also provided various perspectives in the survey area. Table 1 informed the perception of respondent to the determination factors of success key to develop agribusiness.

Based on the table 1 illustrated that the five factors have the important role to support the entrepreneur agribusiness. Reputation or close relationship has shown the biggest contribution (66%). Respondents assume that the success full in agribusiness activity is depending on close relationship or the good reputation. The second factor that influences of success key to develop agribusiness is selling price (56.6 %). It means that the higher selling could increase of respondent motivation in raising production volume.

Consequently, it will augment the increase of income in rice agribusiness. Moreover, the factor of buying price was considerate by respondents (47.2%). The respondent tried to confirm the buying priced volatilities in the agricultural market respect to the selling price in getting the profit and to minimize the losses. Transportation (32%) and access to credit (13.2%) also was assumed important factors to influence the success in rice agribusiness.

Moreover the perception of respondent to the barrier factors of agribusiness development is important to understand. Table 2 stated the percentage of option respondent respect to the problems on rice agribusiness. Based on the table 2, we can see that competition was the biggest barrier to exist on rice agribusiness (15.1%). Then, government policy is second place, lack of support 3,8% and 1,9%

Table 1. Perception of respondent to the determination factors of success key to develop agribusiness

No	The determine factors of business development	The percentage of option of respondent			
		Very important	Important	Less important	Not important
1	Reputation or close relationship	66.0	32.1	0	1.9
2	Access to Credit	13.2	35.8	18.9	32.1
3	Buying Price	47.2	43.4	9.4	0
4	Selling Price	56.6	39.6	3.8	0
5	Transportation	32.1	49.1	7.5	11.3

Source: own survey, 2006

respectively for high inhibition criteria. In other hand, retributions (96.2%) is the best way for supporting rice agribusiness, which followed by lack of support (90.6%), transportation (86.8%), infrastructure (81.1%), government policy (73.6%) and competition (50.9%).

### **Market Mechanism for Food Plants of Rice Commodity**

The data obtained from the research is presented in the form of percentage based on where the commodity comes from. This is because the selected respondents have differences in characteristics and in knowledge of other sellers' distribution channel. Therefore, the percentage contribution does not cover all distribution channels but every agribusiness agent's from which paddy comes from. Data were analyzed in the point of view of farmers' perception of the distribution channel of paddy. The number of farmers involved in this research was 85 respondents.

The production of paddy from farmers was divided into two channels of distribution. The first and the most popular channels were wholesalers within the percentage of 91.76%. However, through the second channel, the farmers directly went to rice mills within percentage of 8.24%. The longest track of this commodity was through ASSEMBLING Sellers → WHOLESALERS I → RETAILERS → CONSUMERS (Channel I). The commodity absorbed by wholesalers from assembling sellers was 29.49%. Wholesalers I distributed the commodity through two ways; to retailers by 76.47% and to wholesalers II staying out of town. The channel II which connects wholesalers II out of town; FARMERS → ASSEMBLING SELLERS →

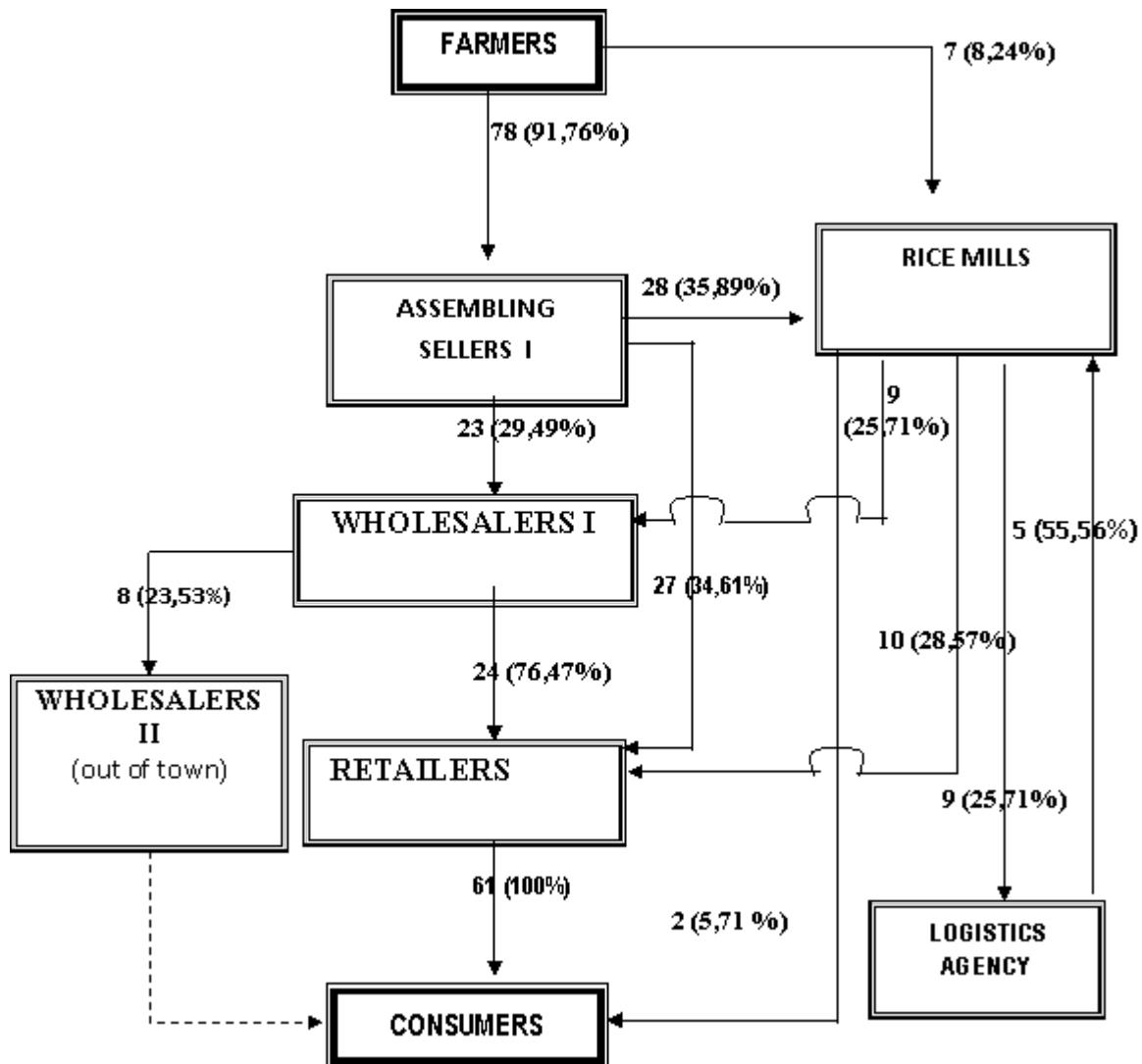
WHOLESALERS I → WHOLESALERS II → CONSUMERS. On this track, wholesalers II were sellers coming from another town (within distributive contribution of 23.53%) and the consumers also came from other towns, so that the percentage was not measured. The next track (Channel III) covered FARMERS → ASSEMBLING SELLERS → RICE MILLS → CONSUMERS. This channel provided contribution from the assembling sellers to rice mills of 34.61%. Channel IV, from FARMERS → ASSEMBLING SELLERS → RICE MILLS → CONSUMERS. The contribution of this line from assembling sellers to the mills was 35.89%. Another channel (Channel V) was from FARMERS → RICE MILLS → CONSUMERS. This channel was the shortest of all rice distribution channels. In accordance with its shortest distance of distribution, the direct contribution of this channel from rice mills to consumers was only 5.71%. The channel VI was from FARMERS → RICE MILLS → WHOLESALERS I → RETAILERS → CONSUMERS which had contribution from rice mills to wholesalers I of 25.71%. The channel VII was from FARMERS → RICE MILLS → RETAILERS → CONSUMERS which contributed from rice mills to retailers by 28.57%. The next track was channel VIII; FARMERS → RICE MILLS → LOGISTICS AGENCY → RICE MILLS. This unique track provided distributive contribution from mills to logistics agency of 25.71% which was bought again by rice mills by 55.56% of previous dried rice crops sent to rice mills.

Based on interviews, farmers found it difficult to bring their harvest into mills. This was because of non-juridical authority (social agreement) from market people stating that every product must be sold to the assembling sellers as the representatives of mills.

Table 2. Perception of respondent to the barrier factors of agribusiness development

No	The Barrier Factor of Agribusiness Development	The percentage of option of respondent			
		high inhibition	inhibition	less inhibition	not inhibition
1	Infrastructure	0	7.5	11.3	81.1
2	Transportation	0	3.8	9.4	86.8
3	Government Policy	3.8	9.4	13.2	73.6
4	Retributions	0	1.9	1.9	96.2
5	Lack of support	1.9	2.8	2.8	90.6
6	Competition	15.1	17.0	15.1	50.9

Source: own survey, 2006



Picture 2: Distribution Channel of Rice Commodity

The rice milling factories themselves considered that when they had to take the crops directly from farmers they would make assembling sellers loss their profits since the seller had become partners connecting distribution channel to farmers. A number of farmers who directly sent crops to milling factory were big farmers, assembling sellers themselves and settled groups of farmers which had bargaining power on quantity and quality of rice or crops toward mills.

Principally, farmers did not object the existence of assembling sellers. They did not need to find out the market for their product distribution. Besides, the cost of transportation was mostly funded (almost 98%) by the sellers. However, the resulting effects caused by the assembling sellers was a wide range of the margin cost between prices on farmers' and retailers' hands by which selling prices went up since prices determined at the milling factories could not control up but on the contrary press down, that was on consumers.

## **CLOSINGS**

There are some conclusions of aspects of rice agribusiness in Jember Regency which were resulted from this study presented as follows:

1. The key factors of socio-economic aspects of rice agribusiness people in Jember are the knowledge of the commodity dealing with its process, technical ways, technology and channels of distribution, the residential area, length of time of business operation, farmers' dependence on assembling sellers and processing parties, high gaps of cost, farmers' educational level. Moreover, respondents suppose that the success key in agribusiness activity is depending on close relationship or the good reputation. Concerning the barrier factor agribusiness development, this research concluded that competition was the biggest barrier to exist on rice agribusiness.
2. Rice products trading in Jember is mostly dominated by farmers and, then, retailers. There are only a small number of Rice Mills and big business people; however, they have more powerful decisions on cost than those of farmers, assembling sellers and retailers.

McNew, K. 1996. Spatial Market Integration: Definition, Theory and Evidence. Agricultural and Resource Economics Review 25 (April 1996): 1-11.

Rhodes, V.J and J.L Dauve. 1998. 5th Edition. The Agricultural Marketing System. Holcomb Hathaway. Arizona.

Cramer, Gail dan Claverence W. Jensen. 1991. Agricultural Economics and Agribusiness. John Wiley and Sons. New York.

## **Bibliography**

Cramer, Gail dan Claverence W. Jensen. 1991. Agricultural Economics and Agribusiness. John Wiley and Sons. New York.

Daryanto, H., G.E. Battese and E.M. Fleming (2002). Technical efficiencies of rice farmers under different irrigation systems and cropping seasons in West Java. Working Paper, Department of Econometrics, University of New England, Armidale, Australia.

Hartoyo, S. 1995. Bias Perubahan Tehnologi Tanaman Pangan di Jawa: Pendekatan Multi-Input, Multi-Output, Mimbar Sosek. Jurnal of Agricultural and Resource Socio-Economics, Vol 8, No. 1, August 1995.