

RICE SUPPLY CHAINS IN INDONESIA: HOW DO THEY WORK?

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Abstract

The objective of this research is to identify how rice supply chains in Indonesia work. The nature of product, financial and information flows of rice supply chains in Indonesia are identified; and the relationships in the rice supply chains are explored. This research is guided by a social constructionist paradigm, thus it is primarily qualitative in nature. The research applies case study approach and inductive analysis. Findings across all cases indicate that contemporary rice supply chains are characterised by transactional and asymmetric dependence-based relationships. Although possible, collaborative supply chain management is difficult to implement especially in the absence of the government role to facilitate the development of more collaborative supply chains.

Keywords: *Rice, Supply chains, Supply Chain Management (SCM), Indonesia*

Introduction

Rice consumption in Indonesia is among the highest in the world. It is consumed at approximately 130 kg per capita per annum (ICAS, 2007). Rice also plays a key role as a 'wage' food. More than 20 million households are engaged in rice production. Millions more are involved in post harvest, marketing and distribution activities (Sidik, 2004, Suparmoko, 2002). It is not surprising that there has been a long history of government intervention in the Indonesian rice economy.

Technically, serious government intervention in the rice sector in Indonesia has been undertaken since the late 1960s (Arifin and Krisnamurti, 2004). Nonetheless, partly in response to the donors demand to liberalise rice market, since the economic crisis of 1997-1998, the Indonesian rice sector has undergone a remarkable period of deregulation. Even though in recognising the negative impacts of full market liberalisation, the Indonesian Government has re-imposed a number of policy instruments that had traditionally been used in the past, various policy modifications were evident (Sidik 2004). Although such deregulation has been largely criticised on the basis that it may create a threat to national food security for not benefitting the rice farmer, it is also argued that a food security policy that is based on open market arrangements is both possible and

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