



ANALYSIS OF RICE PRICE FORMATION AND INCREASE AT THE FARMER LEVEL

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ABSTRACT

This study aims to determine and analyze the condition of farmers, increasing and determining rice prices at the farmer level in German Village, Sugio District, Lamongan Regency. This study used a qualitative approach with data collection methods by conducting interviews. The results of this study show that German Village is a village with high agricultural sector potential due to rainfed areas. In addition, irrigation facilities and agricultural equipment in German Village are very adequate. Furthermore, the average German Village farmer has a land area above 5,000 m² with a harvest period of 4 months and can harvest 3 times a year. Next, in rice pricing, the role of middlemen is very large. Meanwhile, there are four ways to increase rice prices, including: selling crops through social media, price monopoly by farmers, agricultural socialization, and scheduling harvest and planting seasons.

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1. INTRODUCTION

Indonesia was a country that has abundant natural resources because it was located in the tropics which has high rainfall, so the soil becomes fertile and many types of plants can live and grow quickly (Indrajaya et al., 2022). Food Self-Sufficiency efforts launched by the government to achieve national food sovereignty, namely sustainable food self-sufficiency, increasing food diversification, increasing added value, competitiveness, and exports, as well as improving the welfare of farmers. Based on data according to the Central Statistics Agency that East Java Province is one of the main central provinces of rice production (Rondhi et al, 2018). Quoted from East Java In 2022 Figures, East Java Province has an area of 47,803.49 Km with an area of 1.21 million hectares or 25.41 percent was an agricultural land. East Java Province's rice production in 2018-2022 continues to increase by an average of 9,000,000 tons annually with an average land area of around 1,000,000 hectares which makes it the highest in Indonesia .

Lamongan Regency is one of the regencies located in East Java Province with an area of 181,280 Km, and as the district with the largest rice production in East Java in 2020 reaching 873 thousand tons annually has a land area of 146 thousand hectares. Sugio District is one of the districts that can produce the highest rice in Lamongan Regency reaching 54 thousand tons with most of its area on agricultural land of around 10 thousand hectares. Sugio sub-district has agricultural potential

in German Village which is famous for the agricultural sector, because rice paddy commodities can be planted up to two to three times a year.

Empirical studies conducted by researchers obtained the fact that the low sales price of rice set by middlemen resulted in a decrease in the income of rice farmers (Guritno et al, 2021). Where usually farmers get a harvest of Rp 29,250,000 with a rice field area of 1 hectare. However, after the price reduction set by middlemen, farmers' income decreased, so farmers only obtained sales proceeds of Rp 22,100,000. Generally, farmers sell their agricultural products through collectors which sometimes do not match what farmers expect, namely the average price of German Village rice is fluctuating ranging from 4,500 / kg – 5,500 / kg. Based on data on fluctuating rice prices, this is caused by several factors from government pricing, middlemen, the Covid-19 pandemic, to rice price games by rice corporations (Arman et al, 2023; Ikhsan et al, 2023)

The agricultural market includes the market for infrastructure and agricultural product markets. Guaranteed on agricultural production and production facilities, as well as service procurement and distribution systems that make agricultural growth more effective and efficient (Chen et al, 2022). In each country generally requires intervention from the government in terms of marketing agricultural facilities and production. In agriculture in Indonesia, government intervention is manifested, among others, such as the form of setting the highest retail price (HET) of urea fertilizer and the government purchase price (HPP) for grain (Pahlevi, 2021). The purpose of the policy is to protect producer farmers, so that there was a balance between production costs and grain selling prices, so as to benefit farmers and maintain national food security (Darma et al, 2020; Rozaki, 2021; Silalahi et al., 2019).

Understanding the intricate factors influencing rice price formation at the farmer level was crucial for policy-makers, economists, and stakeholders striving to ensure stability and sustainability in agricultural markets (Connor et al., 2021). Therefore, researchers are interested in examining how rice prices increase at the farmer level because rice farmers are not satisfied with the price of rice purchased post-harvest and the process of rice price formation at the producer farmer level in German Village, Sugio District, Lamongan Regency.

2. RESEARCH METHODS

This study describes and conducts an analysis of rice price formation at the producer farmer level. The approach used in this study is a qualitative approach with directed data collection activities based on the objectives of predetermined questions. The study aims to obtain descriptive data in the form of spoken words and their observed behavior, so as to see and obtain clear facts from prices that have been applied in rice pricing at the producer farmer level. So the focus of this study is to analyze rice pricing at the level of producer farmers in German Village, Sugio District, Lamongan Regency. The selection of informants in purposive sampling is based on certain characteristics that are considered to have a close relationship with the population working as farmers. The selection of informants using purposive sampling was based on certain characteristics that were considered to have a close relationship with residents who work as farmers. The selection of informants in this research was five people consisting of the Village Head; Village Secretary; Chair of Gapoktan, Millennial Farmers and Farmers. Data collection techniques from this study were conducted through interviews and documentation. The data obtained from the interview results are then analyzed to find out the results you want to know, and after the data collection process can be described through three elements, namely data reduction, data presentation, and conclusions.

3. RESULTS AND DISCUSSION

German Village is one of the villages located in Sugio District, Lamongan Regency, East Java Province. In general, German Village has an area of 457 hectares and an altitude above sea level of 8 meters. Almost more than half of the area of German Village is a rice field area supported by water irrigation facilities from the German Village reservoir and Gondong Reservoir, thus making this area potential for the agricultural sector making most of the German Village people work in the Agricultural Sector.

The average area of rice fields for each farmer starts from 5,000-10,000 square meters or the majority of 1 hectare, with the status of own land ownership and most of the rice fields are also the result of parental inheritance. The existence of irrigation facilities and rainfed areas in German Village makes the area with a fairly high level of productivity and the highest rice production in Lamongan Regency. The average rice farmer in German Village can produce a rice harvest of more than 1 ton with a period of 4 months depending on the type of seeds used and the land area. In addition, farmers in German Village also store crops for their daily needs, such as baby sideburns, weddings, paying for rice gatherings, and others. It was based on Mariyani et al, (2022) the process of storing rice crops was used for the process of hoarding grain to be sold back to collectors when selling prices are expensive and urgent needs when money was needed.

Price was the amount of money (plus a few products if possible) needed to obtain a certain number of combinations of products and services (Saragih et al, 2022). The term price in the service business can be found with various names. Starting from universities or colleges using tuition fees, professional consultants using the term fee, banks using the term service charge, toll road services or transportation services using price terms, brokers using commission terms, apartments using rental terms, insurance using premium terms, and so on.

Based on the Regulation, the National Food Agency (Perbadan) issued law Number 6 of 2023 concerning Government Purchase Prices and Fractional Prices of Grain and Rice. The upper limit price of farmer-level dry harvested grain (GKP) was set at Rp 4,550 per kg and the milling level GKP at Rp 4,650 per kg. Furthermore, the price of milled dry grain (GKG) at the milling rate was IDR 5,700 per kg, and medium rice in the warehouse of Perum Bulog was IDR 9,000 per kg. This means that the price set by the buyer or middleman has exceeded the price limit set by the government. It was conveyed that buyers in determining prices also depend on the quality of grain and moisture content. If the quality of grain was low then the price was also low (Putra et al, 2021).

Basically, the problem that farmers are facing was complaining that they have no capital or little capital. All the farmers in the German Village of novice farmers also complained about the same thing. Farmers in German Village in overcoming their capital and production cost problems partly borrow from middlemen and village Bumdes. The loan system for farmers in German Village was not charged interest on loans, but in the loan system to middlemen there is an unwritten agreement made by farmers and middlemen, namely related to the sale of crops. The loan system without interest from formal institutions aims to support farmers by easing financial pressure. In contrast, loans from middlemen involve unwritten agreements that tie farmers to specific sales conditions, often at the expense of potentially higher market prices (McKillop et al, 2020). So, when the farmer was harvested, the harvest must be sold to middlemen who are lenders. Middlemen play a significant role in the supply chain, often taking a substantial margin. Their presence can affect the final price received by farmers. Streamlining the supply chain and reducing the number of intermediaries can help farmers receive better prices for their produce (Sudrajat et al, 2021). The farmers in German Village argue that the business profits they get are enough to meet their daily needs and send their children to school, but not a few of them only return their investment.

Increasing rice prices that can be done by farmers in German Village are: Sales through social media as a means of marketplace. Not a few farmers in German Village have mobile phones. For farmers who are tech-savvy and have Facebook social media, farmers usually post rice crops that are still in the form of grain in buying and selling groups on social media; Price monopoly by farmers, in order to increase selling prices to middlemen in the village. Farmers usually monopolize prices by bringing in other middlemen outside the village to create competitive price competition (Kopp & Sexton, 2021), encouraging agricultural socialization programs, basically the agricultural system in German Village was relatively simple. The knowledge of farmers needs to be encouraged by socialization ranging from planting techniques to the use of superior rice seeds; Management of planting season and harvest season scheduling, this is done in order to coordinate all farmers in German Village so that during the planting season they carry out the process of planting seeds to planting on the land simultaneously it aims to mobilize the use of irrigation water effectively and efficiently.

4. CONCLUSION

German villages are known as fertile agricultural areas, because rice commodities can be planted up to three times a year. Based on Sugio Regency reports, in 2022 figures, German Village rice production will reach 6 thousand tons annually. The condition of rice production is inversely proportional to the fluctuating selling price of rice. Where farmers usually get a harvest of IDR 29,250,000 per harvest with a rice field area of 1 hectare. However, after the price set by the middleman decreased, the farmer's income decreased so that the farmer only received sales of Rp. 22,100,000 for a rice field area of 1 hectare. An empirical study conducted by researchers found that the low selling price of rice set by middlemen resulted in a decrease in the economic income of rice farming communities. Farmers spend quite a lot of money to cultivate rice fields and also spend money on seeds, fertilizer and wages for workers who help farmers in managing rice fields. Based on these empirical conditions, the researcher recommends to policy makers to provide assistance and easy access to fertilizer and rice seeds to farmers. Next, as one of the sectors that contributes greatly to the economy, it is not surprising that the majority of people depend on their income from the agricultural sector, so for this reason the government must innovate in financing and capital assistance for farmers in German Village.

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