

## DETERMINANT OF EXCHANGE RATE AND INSTITUTIONAL RICE FARMER

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### Abstract

The main problem is often faced by the farmers, especially producers of rice farmers now is the low level of sales prices of rice especially during the peak harvest season, because of the environment and the weather is usually in conjunction with the rainy season. Another cause of low grain prices that is small scale rice farming, limited facilities and infrastructure of production and post harvest. Objectives: (1) assess the institutional role of farmers in exchange rates, (2) identify factors driving and inhibiting the dynamics of farmer institutions. Research location is Jember and Banyuwangi Region. The results showed, the exchange rate is influenced farmers' age, education, experience, area and status of land management. Institutional conditions that encourage farmers member-owned institution, means of production are met mainly fertilizer and factors inhibiting the limited institutional capital owned by farmers.

Key words: *institutions, exchange rates, farmers, rice*

### Introduction

Issue price of rice decreased drastically at harvest time (market GLUT), is still a classic dilemma of the agricultural sector (and Syafa'at Sudaryanto, 2002). Even sometimes grain prices fell and farmers under the base price of grain. The expected benefits of the basic price is the price that farmers are able to protect farmers from the abundance of rice production at harvest, rather than year-round price guarantee (Amang and Palm, 2001). In other words, evaluate the success of the operation rests on the ability of the base price of the base price year-round price guarantee is not quite right. One important factor is often mentioned in discussions on a variety of literature; seminars, workshops and others, why do farmers receive low prices for agricultural commodities, because it is the low bargaining power of farmers (bargaining power).

Associated with the bargaining power of farmers, Kompas (2007); Nainggolan and Rachmat (2003) stated that one of the main problem producers are facing farmers, especially rice farmers today is the low level of sales price of grain, especially during the peak harvest season for the environment and weather is usually in conjunction with the rainy season. Another cause of low grain prices include small-scale rice farming with an average of less than 0.3 hectares, limited facilities and infrastructure for

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production and post, which must be fulfilled so that not infrequently resulted in a lack of bargaining power of farmers who are then used by the others. Farmers are rarely able to sell the rice to wait for higher prices.

- 1) Food, especially rice farmers in general have some drawbacks as follows:  
Weak in farm capital;
- 2) Difficulty obtaining instrument productions in a timely and appropriate amount, type, place / location and the exact price;
- 3) The weak bargaining position in the market, and
- 4) The quality of grain produced is relatively low

This study is based on the condition that Indonesia is known as an agricultural country that up to now about 70 percent of livelihood from agriculture or subsistence farmers, but the fate of farmers from day to day are worse. Welfare level does not improve with economic growth should be shared. Farmers are worse off their weak bargaining position so that the problems faced are like an endless circle. Government policy has been done but has not hit the target, powerful, and intense yet. As a result, the exchange of agricultural products including food remains low. Increased income in the agricultural sector also includes the latest. This study will examine the "journey" of agricultural development that seemed marginalized. Policy in the building of national, especially in agriculture (minimum price, maximum price, subsidy) as always put agriculture at the position considered, but in fact proved that the inferior agricultural sector in its development. Impact of internal factors (domestic) supported external factors (trade liberalization) is the deterioration of agriculture, which in turn lowers the welfare of farmers.

### **Research objectives**

1. Identify factors driving and inhibiting the institutional dynamics of farmers
2. Assessing the role of institutions in the exchange rate farmer

### **Research Methods**

For the determination of the study area, sampling techniques are used several stages (Multistage Sampling). The first stage, selecting two of the five major rice production centers in the district intentionally (purposively) in the Banyuwangi and Jember district. The second stage, choosing one district rice production centers, each of

the districts is Banyuwangi and Jember. The third stage, pick a single village rice production centers of sub-centers in each district.

Primary data were obtained directly from farmers and traders seek paddy rice farming, while the secondary data obtained from the agency related to this research.

Review of institutional role of farmers in the exchange rate of the factors that affect exchange rates farmers. Multiple linear regression formula is:  
 $NTP = f(\text{social, economic, institutional dynamics of farmers})$

Calculate the exchange rate of the farmers by the formula:

$$NTP = HT / HB$$

HT = price received by farmers

HB = the price paid by farmer.

Factors driving and inhibiting the institutional dynamics of farmers assessed using descriptive analysis, explains in detail the things that affect whether the institutional dynamics of the farmers.

## Research Results and Discussion

### Determinant factor Farmers Exchange

Factors suspected to affect the exchange rate is a farmer, age, educational level, farming experience, the costs incurred, the total area cultivated and the status of land management. From the regression analysis showed that the factors that influence the exchange rate of the farmers, the farmers' age and status of land ownership and land size.

Table 1. Regression analysis of factors affecting the Farmers Exchange in Ampel village, Jember and Jajag village, Banyuwangi

Variable	Coefficients	Std. Error	t	Sig.
(Constant)	-0.527	1.722	-0.3060	0.761
Age (year)	0.051	0.024	2.1250*	0.081
Farmers education (year)	0.08	0.086	0.9302	0.355
Total cost (Rp)	-0.0002	0.001	-0.02	0.132
Farming experience (year)	-0.015	0.022	-0.6818	0.474
Management status	0.597	0.234	2.5512*	0.139
Area (hectare)	-0.586	0.299	-1.9598**	0.058

Adjusted R<sup>2</sup> = 0.878

Information :

\* ) significant at 95%

\*\* ) significant at 10%

### Institutional Role of Farmers

Institutional role of farmers in the study area indicate that the KUD and Shop / Kiosk as a supplier of production facilities to the farmers, then farmers take the means of production (fertilizer) to farmers, Capital earned by farmers from cooperatives and owners of capital / private. So instead of capital obtained from the Bank of farmers both public and private banks, while the capital from the bank usually directly to farmers and farmers groups pick up the capital to Dolog, farmers sell grain directly to the cooperatives, farmers can also directly to the rice mill or can be directly to Dolog. To model the Institutional Synergy is a farmer who found the drivers and inhibitors described in Figure 1.

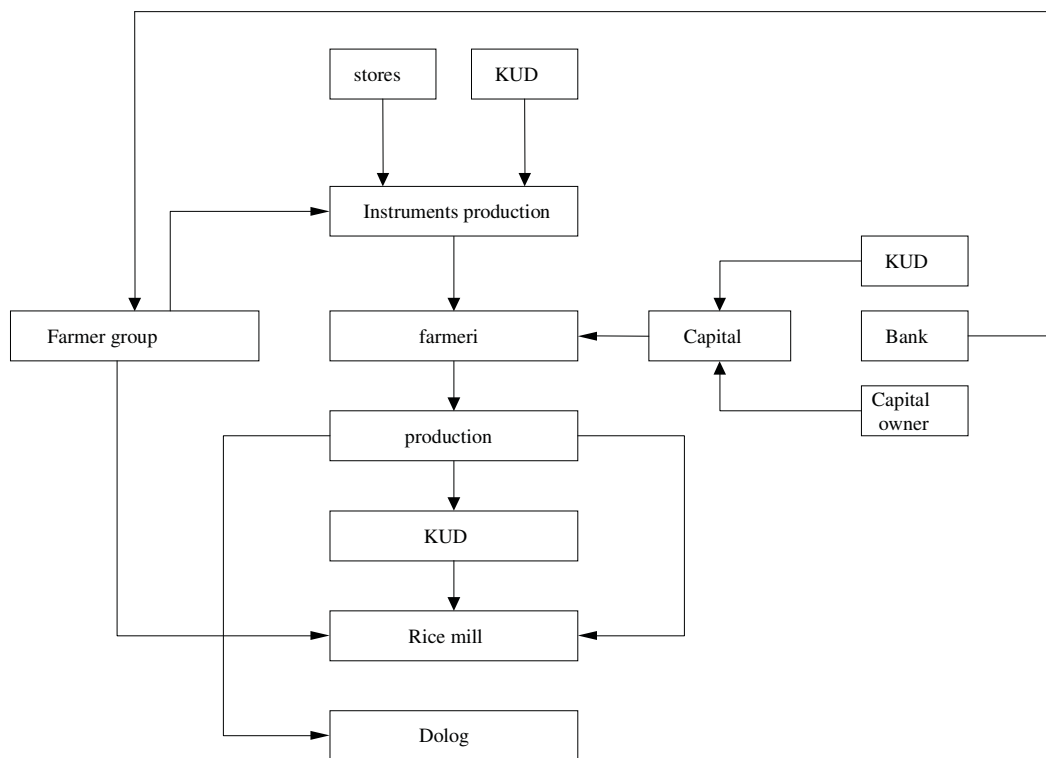


Figure 1. Ideal Institutional Relationship of Rice Farmers at the Regional Research

### Synergy Relationships between Banks and cooperatives

Driving factor of the relationship between farmers and cooperatives synergy is needed capital funds or farmers could be met, so does the need for inputs such as fertilizers available to farmers. While inhibiting factor synergy between farmers and the Bank was declining confidence in the farmers' cooperatives, namely in obtaining funding mechanism is too complicated, and not timely disbursement of funds in

accordance with the needs of farmers and the filing of the amount of funds needed for farming, farmers are not in accordance with the wish of farmers. This is one of the complaints of KUD committee, while demanding the funds to be disbursed in accordance with the needs of farmers in carrying rice farming.

### **Synergy Relationships between KUD and Farmers**

Synergies between cooperatives and farmers are a driving factor is to get the means of production or require access to credit is very easy, because it does not require highly complex requirements as required by banks. In addition if a farmer needs is very easy to obtain credit, since most farmers as a member of the KUD. Therefore, the relationship of synergy between KUD and Farmers reality in the ground is pretty well and good relationship of trust needs to be maintained so that the farmers of the cooperatives become stronger. Given KUD is a local institution in rural areas and are needed by farmers, especially rice farmers.

### **Inhibiting factor relationship KUD and Farmers**

Inhibiting factors of the relationship between KUD and Farmers at this time is not all cooperatives become a distributor of fertilizer, but only as a retailer, and therefore fertilizer is needed as a member of the KUD farmers cannot be met. Because as a retailer of fertilizer, the fertilizer is available at KUD depends on the distributors, cooperatives are not able to determine for themselves the amount of fertilizer needed members.

Besides inhibiting factor relationship to other farmer cooperatives and the funds in KUD is still lacking, so it is generally cooperatives borrow from both government and private bank or other funders. With limited funds available in the cooperatives, it is not uncommon as a member of the KUD farmers prefer to borrow for capital owners / private interest is borne by farmers, although higher than the KUD. But farmers are thinking of borrowing procedure less complicated, more rapid disbursement of funds and the amount in accordance with the needs of farmers. This has an impact on the realization of the activities planned by the members' meeting.

### **Relations Synergy between Farmers and Cooperatives**

Synergistic relationship between farmer groups and cooperatives which are the driving factor is the availability of existing infrastructure such as drying floor on KUD, rice mills (RMU), therefore the group can utilize the facilities and infrastructure owned cooperatives. Besides other factors driving as members of cooperatives in general are farmers, so that it automatically will facilitate farmer group cooperatives for farm capital, RMU, and other means. Another driving factor is a continuation KUD to carry out the government's empowerment of farmers and cooperatives as well as the spearhead of the government in growing the economy and improve the countryside.

### **Obstacles relationship synergy of farmer groups and cooperatives**

Inhibiting factors such synergy relationship trust factor is the decrease of farmer groups to cooperatives, dealing with a lot of programs do not touch the member cooperatives / farmers. Therefore, to build trust back to the farmer it needs time to make program are useful to farmers as a member of the KUD.

In addition to the above factors, other inhibiting factor is the price specified in the purchase of grain cooperatives produced by farmers as members of cooperatives are generally lower than prices offered by traders or middlemen rice. So, many farmers as members of cooperatives sell rice to the middlemen, traders and private rice mills.

Other inhibiting factors in determining the procedures by member price by KUD considered easy / practical because of the grain to be sold must be delivered to the office of farmer cooperatives, whereas if they sold outside vendors to KUD or to the making of grain farmers, merchants would come to this house and the farmer according to farmers in addition to saving time also saves costs. Therefore that farmers want to sell to the cooperatives, the cooperatives have to change the way the farmer-owned grain purchase as a member, so KUD easily to obtain the raw material for milling rice (RMU) or by way of renovating the rice milling machine in order to compete with private mills have newer equipment and efficient management. Due to the good management of the business of rice milling cooperatives will benefit.

Services provided to farmers cooperatives in selling grain by farmers who have come to the KUD regarded as unsatisfactory service the farmer, because farmers have to get out the cost, because the distance to the cooperatives of farmers living there far

enough, this is one of the causes of their middlemen who sell grain to the farmers felt to be more efficient.

### **Relations between Synergy and Farmers Kiosks**

As the drivers of the relationship of synergy between the stalls and farmers, among others: (1) the price of production inputs sold by stall production facilities are offered to farmers as members of cooperatives are cheaper, but that sometimes there is also a kiosk in a payment that may be paid after the harvest, but it also offered the price factor, (2) the means of production which sought farmers are always available when farmers need it and get it with a relatively easy procedure.

### **Inhibiting Factors**

Obstacle between the stalls and farmers in the payment of the purchase instrument production such as seeds, fertilizers, and drugs must be in cash, making payments to farmers are perceived as an inhibiting factor. Meanwhile, the farmer cooperatives can pay by credit or pay after the harvest of farmers. Only the excess production facilities required kiosk farmer is always available at all times. Therefore, KUD has to change in the provision of means of production required by farmers, so farmers as members of the cooperatives do not buy a kiosk that cost much higher.

### **Relations Synergy between Farmers and Farmers Driving factors**

Driving factors of the relationship of synergy between farmers and farmer groups are perceived easy coordination of activities, because the farmer is a farmer organizations and chairman of the peasant farmer groups are also easy to do especially the coordination of activities related to good farming of food commodities and non-food crops. Besides access to information, especially the new innovation is easy to do, because farmers generally hold regular meetings at least once a month was attended by the instructor. Information presented in the meeting of new innovations and continued with a discussion of the material presented by the instructor.

Synergistic relationship of farmer groups and farmers in addition to information about innovations in farming, also provided information about the need for training to farmers on better farm management undertaken by farmers themselves with bringing experts from the agency in accordance with the submitted materials and by sending

farmers to attend training conducted by related agencies both in the city or outside the city. With the training is expected to add new insights to the knowledge of farmers farming for both food and non food commodities and the farmers will become skilled, while the results of this training will be delivered to the other members at the time of execution of the routine.

The benefits of a regular meeting conducted farmer groups and attended by educators, in addition to conveying information, as well as discuss and find solutions to problems faced by farmers in a farming implement, especially food commodities from planting, harvesting and post harvest. So that the benefits of the meeting of this group when walking on a regular basis will benefit the farmers themselves, as well as farmers' groups and is expected to increase production and incomes of farmers in both the on-farm and off farm.

### **Inhibiting factors**

Inhibiting factor synergy relationship between farmer groups and farmers are the farmers at the farmers' confidence decreases, because at present many farmers are not active and only in name only, so do not do regular meeting of the group. So the impact of the absence of the peasant farmer group activities considers the farmers' group has no benefits for farmers. Besides other inhibiting factors are a group of farmers do not have the capital to perform the activity, then this also decrease the confidence of farmers to farmer groups. Actual existence of these farmer groups if it's clear and programmatic activities and farmer groups have sufficient funds to carry out its activities, it will be able to assist educators in delivering or forwarding of information of government programs or policies in agriculture.

### **Conclusion and Suggestions**

#### **Conclusion**

1. Factors affecting the exchange rate are a rice farmer, age and status of land ownership
2. Institutional rice farmer shows the lack of cooperation between farmer groups, cooperatives and financial institutions or the Bank.



2. Farmer groups and cooperatives unable to perform its role in the purchase of grain farmers, due to lack of capital. This makes the private rice mills more involved in the purchase of grain farmers.
3. Factors inhibiting the creation of a synergy of cooperation between farmer groups, cooperatives and farmers are declining confidence of farmers or members of cooperatives on the performance of cooperatives and farmer groups.

### **Suggestion**

1. To increase the rate of rice farmers, to farmers' efforts to improve the institutional system to be more synergy between farmers, farmer groups, Bank, Dolog, farm stalls and private mills for grain farmers can get a decent price and the price is relatively cheap instrument productions.
2. Government need to think of alignments to one of them is giving farmers capital for cooperatives or farmer groups to be able to buy farmers' products at the right time, so it does not fall into the hand of private capital.

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