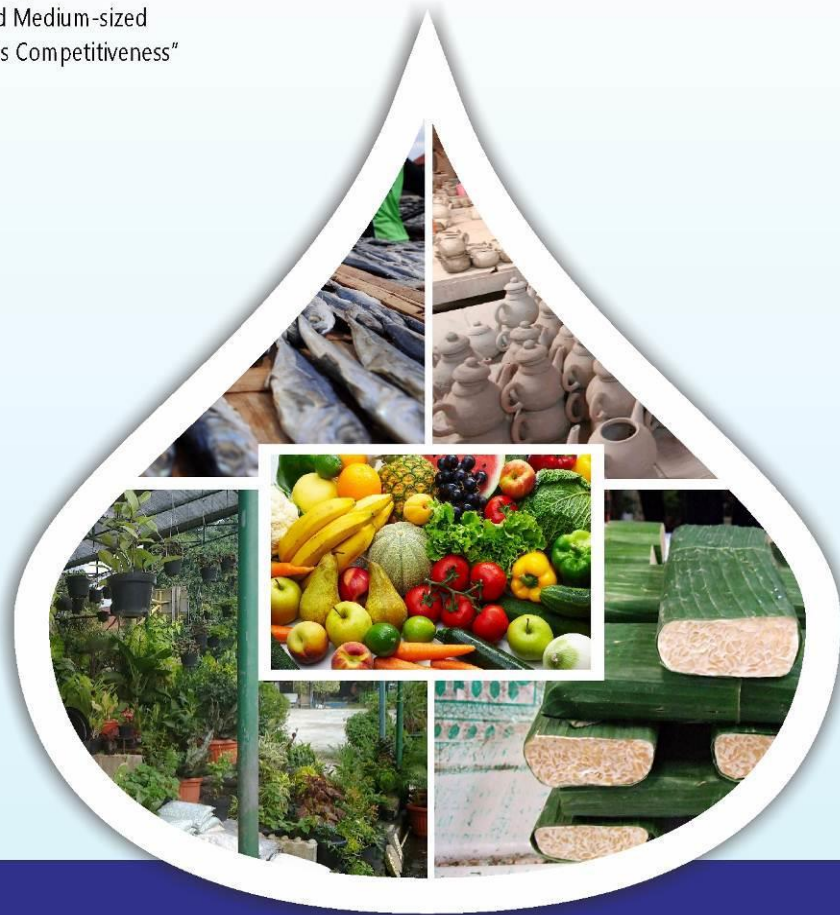




2016

"Small and Medium-sized
Enterprises Competitiveness"

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Agribusiness Development for Human Welfare



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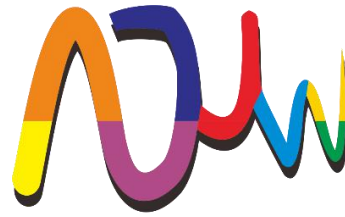
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AGRIBUSINESS
DEVELOPMENT FOR
HUMAN WELFARE

*“Small and Medium-sized
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EDITOR FOREWORD

The economic integrations by ASEAN certainly have given a major influence on Small and Medium-sized Enterprises (SMEs). Beside economic integration in the form of free trade area (FTA) that has been going on since the early 2000s, economic integration in the form of ASEAN Economic Community (AEC) has been ongoing since the beginning of 2016. Through this integration, SMEs have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market.

In order to explore ideas, concept, and innovations related to the competitiveness of SMEs, International Conference on Agribusiness Development for Human Welfare (ADHW 2016) was held in Yogyakarta on May 14, 2016. The conference organized by Department of Agribusiness Universitas Muhammadiyah Yogyakarta, in collaboration with Department of Agribusiness and Information System Universiti Putra Malaysia, Department of Agro-Industrial Technology Kasetsart University, Department of Agriculture Socio-Economics Universitas Gadjah Mada, Department of Agriculture Socio-Economics of Universitas Brawijaya, Indonesian Society of Agriculture Economics, Agribusiness Association of Indonesia. Hopefully proceedings of ADHW 2016 provide stimulus for increasing competitiveness of SMEs in ASEAN, especially in Indonesia.

Furthermore, we are grateful to Allah, the Sustainer of all word, who always makes it easy for our affairs. We would like to acknowledge with thanks to all the institution and individual who joined with resources and efforts in organizing the conference that resulted in the papers which are published in this proceeding. Special thanks to all authors and discussants who contributed with their intellectual capital and responded to our call papers. Thanks and acknowledgment are also due to all reviewers of the conference who helped in evaluating submitted papers; and to the members of the Organization Committee, who ensured smooth execution of the event.

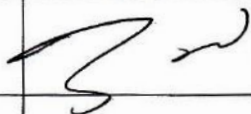
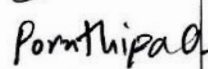

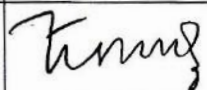
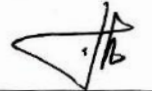
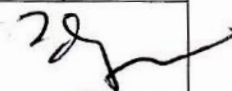
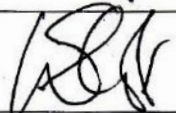
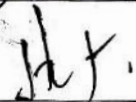
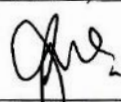

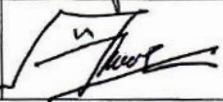
May 30, 2016

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PREFACE

Assalaamualaikum, Warahmatullaahi., Wabarakaatuh.
Dear Honorable Governor of Yogyakarta Special Province
Dear respectable Prof. Dr. Zainal Abidin Mohamed
Dear respectable Asist. Prof. Pornthipa Ongkunaruk
Dear respectable Rector of UMY Prof. Dr. Bambang Cipto, MA.
Dear all invited Guests, Speakers, and Participants of International seminar of ADHW 2016.

Alhamdulillah, all praise be to the Almighty God, so that we can be gathering here today at Muhammadiyah University of Yogyakarta in order to attend the Conference on Agribusiness Development for Human Welfare (ADHW) 2016.

Ladies and Gentlemen,

On behalf of the committee, I would like to say welcome to this International Conference on ADHW 2016 and thank you for attending our invitation.

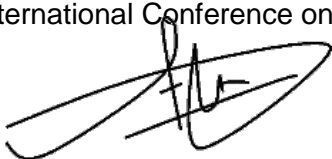
Especially, we are grateful to invited speakers, Prof. Zainal Abidin Mohamed and Asist. Prof. Pornthipa Ongkunaruk, for their willingness to share information and thoughts in this conference. As a bit report, that this conference has been attended by 85 speakers coming from five countries.

This conference entitled "Small and Medium-sized Enterprise Competitiveness". ASEAN Economic Community is the largest economic integration that is going to be implemented at the beginning of 2016 (December 31, 2015). Through this integration, SMEs will have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market. We expect that this seminar is capable of producing thoughts building SMEs within ASEAN, especially Indonesia, to face the free trade.

This event can be done by support and efforts from all sides. Therefore, I would like to say thank you to all committee members having worked hard to conduct this event. We, as the organizer committee, do apologize when there is a shortage in conducting this event.

Wassalamualaikum, Warahmatullaahi., Wabarakaatuh.

Chairman
International Conference on ADHW 2016



Dr. Aris Slamet Widodo, SP., MSc.

WORDS OF WELCOME

Assalamu'alaikum warahmatullahi wabarakatuh

Alhamdulillah, all praise be to Allah SWT, who has given us His blessings so that this International Seminar of Agribusiness Development for Human Welfare (ADHW) 2016 entitled "Small and Medium-sized Enterprises Competitiveness" can be conducted. This International Conference is held in cooperation among Agribusiness Study Program of Muhammadiyah University of Yogyakarta with Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), and Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB).

Countries of ASEAN members like Indonesia, Malaysia, and Thailand have more than 90% Small and Medium-sized Enterprises (SMEs). In general, SMEs play important role in economic developments such as in terms of employment, added value, improve foreign exchange, and economic growth. For Indonesia, the role of SMEs is limited to employment and added value, while the foreign exchange from SMEs is still low. According to the General Director of SMEs of Industrial Ministry, in 2013 the total SMEs being able to pass through export market is just under 5 percent. For that required many breakthrough and innovation so that the role of SMEs becomes real economic development, especially in Indonesia, and generally in ASEAN countries.

On behalf of Agribusiness Department of Universitas Muhammadiyah Yogyakarta, we would like to express our gratitude Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB) for all supports, sponsors, and all committee members having worked so hard that this International Conference can be conducted.

Hopefully, these synergies coming from various parties can provide contribution for developing SMEs in Indonesia and other ASEAN countries as well.

Wassalamu'alaikum warahmatullahi wabarakatuh

Head of Agribusiness Department
Universitas Muhammadiyah Yogyakarta



Ir. Eni Istiyanti, MP.



Gubernur

Daerah Istimewa Yogyakarta

Sambutan
KONFERENSI INTERNASIONAL
“AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE”
Yogyakarta, 14 Mei 2016

Assalamu'alaikum Wr. Wb.

Salam sejahtera untuk kita semua.

Yang Saya hormati :

- Rektor Universitas Muhammadiyah Yogyakarta;
- Para Narasumber;
- Hadirin dan Para Peserta yang berbahagia,

Puji dan syukur marilah kita panjatkan kehadirat Allah SWT karena hanya atas limpahan rahmat serta karunia-Nya, kita dapat hadir pada kesempatan acara **Konferensi Internasional “Agribusiness Development For Human Welfare”** ini dalam keadaan sehat wal’afiat.

Pada kesempatan kali ini, secara ringkas Saya akan menyampaikan mengenai industri kecil menengah nasional yang menjadi tema pada pembukaan Seminar Internasional “Agribusiness Development For Human Welfare” ini.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Berdasarkan data BPS, pertumbuhan industri pengolahan nonmigas pada tahun 2015 secara kumulatif sebesar 5,04%; lebih tinggi dari pertumbuhan ekonomi (PDB) pada periode yang sama sebesar 4,79%. Pada periode Januari-Desember 2015, nilai ekspor produk industri pengolahan nonmigas mencapai USD 106,63 Milyar, dan nilai impor mencapai USD 108,95 milyar, sehingga neraca perdagangan industri pengolahan nonmigas pada periode yang sama sebesar USD 2,32 milyar (neraca defisit).

Usaha pemerintah untuk memperkecil defisit di atas, salah satunya dengan cara memberdayakan Industri Kecil dan Menengah (IKM) yang merupakan bagian penting dalam perkembangan industri nasional. Sampai saat ini, Industri Kecil dan Menengah

telah berkontribusi sebesar 34,82% terhadap pertumbuhan industri pengolahan nonmigas secara keseluruhan.

Angka ini dapat tercapai karena dukungan lebih kurang 3,6 juta unit usaha, yang merupakan 90 persen dari total unit usaha insutri nasional. Jumlah unit usaha tersebut telah mampu menyerap tenaga kerja sebesar 8,7 juta orang, yang tentunya berdampak pada meningkatnya ekonomi nasional serta mengurangi kemiskinan.

Industri Kecil dan Menengah (IKM) memiliki peran yang strategis dalam perekonomian nasional. Hal ini sejalan dengan Visi Pemerintah dalam Rencana Pembangunan Nasional Jangka Menengah (RPJMN) 2015-2019 yaitu *“Terwujudnya Indonesia yang berdaulat, mandiri, dan berkepribadian berlandaskan gotong royong”*.

Untuk lebih meningkatkan peran tersebut, Penumbuhan dan Pengembangan Industri Kecil dan Menengah diarahkan untuk memiliki tujuan jangka menengah guna mewujudkan industri kecil dan industri menengah yang berdaya saing, berperan signifikan dalam penguatan struktur industri nasional, pengentasan kemiskinan dan perluasan kesempatan kerja, serta menghasilkan barang dan/atau jasa Industri untuk keperluan ekspor.

Hadirin dan Saudara-saudara sekalian,

Awal tahun ini, kita telah memasuki era Masyarakat Ekonomi ASEAN (MEA). Dengan demikian, perekonomian nasional akan langsung bersaing dengan para pelaku pasar di kawasan ASEAN. Produk dan jasa termasuk investasi negara-negara anggota telas bebas memasuki pasar di kawasan ASEAN.

Dalam rangka menghadapi hal tersebut, Pemerintah mengambil langkah-langkah strategis berupa peningkatan daya saing industri dan mendorong investasi di sektor industri; di mana peningkatan daya saing industri itu sendiri dilakukan melalui penguatan struktur industri dengan melengkapi struktur industri yang masih kosong serta menyiapkan strategi ofensif dan defensif dalam akses pasar.

Pemerintah telah melakukan Penguatan Sektor IKM dengan strategi ofensif dan defensifnya melalui beberapa program pelaksanaan, diantaranya antara lain: Penumbuhan Wirausaha Baru; Pengembangan IKM melalui Pengembangan Produk IKM serta Peningkatan Kemampuan Sentra dan UPT; Pemberian Bantuan Mesin dan Peralatan Produksi; Perluasan Akses Pasar melalui Promosi dan Pameran; Fasilitasi Pendaftaran Hak Kekayaan Intelektual; Fasilitasi Sertifikasi Mutu Produk dan Kemasan; serta Fasilitasi Pembiayaan melalui Skema Kredit Usaha Rakyat (KUR).

Saya berharap agar berbagai program-program pemerintah tersebut dapat didukung secara sinergis oleh seluruh komponen masyarakat. Untuk itu, Saya berpesan kepada Saudara-saudara sekalian agar semua program pemerintah dalam bidang

Industri, khususnya dalam program pemberdayaan Industri Kecil dan Menengah, didukung dengan sepenuh hati, agar dapat lebih bermanfaat bagi masyarakat dalam rangka pengembangan industri kecil menengah.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Demikian beberapa hal yang dapat Saya sampaikan. Akhirnya dengan memohon ridho Allah Subhanahu Wata'ala, seraya mengucap "*Bismilahirrahmanirrahim*", **Konferensi Internasional "Agribusiness Development For Human Welfare"** dengan ini secara resmi Saya nyatakan dibuka. Semoga Allah SWT memberikan petunjuk, bimbingan, perlindungan dan kemudahan dalam setiap langkah dan upaya kita. Amien.

Sekian dan terima kasih.

Wassalamu'alaikum Wr. Wb.

Yogyakarta, 14 Mei 2016
GUBERNUR
DAERAH ISTIMEWA YOGYAKARTA



HAMENGKU BUWONO X

TABLE OF CONTENTS

EDITOR FOREWORD	i
LIST OF REVIEWERS	ii
PREFACE	iv
WORDS OF WELCOME	v
WELCOME FROM GOVERNOR OF YOGYAKARTA	vi
TABLE OF CONTENTS	ix
RICE SELF-SUFFICIENCY IN INDONESIA: AN ANALYSIS ON BUDGET ALLOCATION AND THE ACHIEVEMENT	1
<i>Sri Nuryanti</i>	
MODELING OF COOPERATION TO IMPROVE RURAL ECONOMIC IN LANGKAT... ..	8
<i>Muhammad Buchari Sibuea</i>	
GRANARY GROUP PERFORMANCE IMPACT TO THE PRICE AND FOOD SELF- SUFFICIENCY ON THE FARM HOUSEHOLDS	20
<i>Sri Mardiyati, Jamhari, Jangkung Handoyo Mulyo Dwidjono Hadi Darwanto</i>	
ANALYSIS OF AGRIBUSINESS SYSTEM AND COMPETITIVENESS OF GROUPER FISH IN INDONESIA.....	28
<i>Grace Maharani Putri, Venty F. Nurunisa</i>	
ANALYSIS OF COMPETITIVENESS ASEAN RICE TRADE IN THE ERA OF ASEAN ECONOMIC COMMUNITY.....	36
<i>Mohammad Natsir, Sri Mardiyati</i>	
PARTICIPATORY EXTENSION AND FARMERS ATTITUDE CHANGE (CASE PASSION FRUIT FARMERS IN THE VILLAGE BATU BELERANG SINJAI DISTRICT)	42
<i>Muh. Arifin Fattah and Amruddin</i>	
THE RELATIONSHIP BETWEEN EMPOWERMENT OF FARMER GROUP ASSOCIATION (GAPOKTAN) AND MANGO FARM INCOME	47
<i>Achmad Faqih, Nurul Atikah Fauzi Siti Aisyah</i>	
EFFECTIVENESS OF TRAINING MODEL ON CRAFTSMEN CALLIGRAPHY GOAT LEATHER IN AN ATTEMPT TO STRENGTHEN THE COMPETITIVENESS IN SUKOHARJO, INDONESIA	57
<i>Shanti Emawati, Endang Siti Rahayu, Sutrisno Hadi Purnomo, Ayu Intan Sari</i>	
EFFORTS TO IMPROVE COMPETITIVENESS OF WOMEN FARMERS GROUP "MELATI" IN SENDANGSARI VILLAGE, PENGASIH DISTRICT, KULON PROGO REGENCY	62
<i>Siti Hamidah, Indah Widowati</i>	
INSTITUTIONAL CHANGE AND ITS EFFECT TO PERFORMANCE OF WATER USAGE ASSOCIATION IN IRRIGATION WATER MANAGERMENTS	68
<i>Mohammad Rondhi, Yasuhiro Mori, Takumi Kondo</i>	
FOOD PROCESSING INDUSTRY EMPOWERMENT EFFECTIVENESS IN BANGUNTAPAN SUB-DISTRICT, BANTUL, YOGYAKARTA SPECIAL REGION	76
<i>Sapto Husodo, Amie Sulastiyah, Galuh H.E. Akoso</i>	
URBAN DWELLER PERCEPTION TOWARDS URBAN AGRICULTURE.....	85
<i>Ida Naziera Ngahdiman, Rika Terano, Zainal Abidin Mohamed</i>	

EFFECTIVENESS OF WELFARE DEVELOPMENT SCHEME ON QUALITY OF LIFE TO RURAL POOR COMMUNITY IN MALAYSIA.....	93
<i>Mohd Nizam Abdul Aziz, Fazlin Ali, Zainal Abidin Mohamed and Hanina Halimatusaadiyah Hamsan</i>	
ASSOCIATION BETWEEN SOCIO-DEMOGRAPHIC CHARACTERISTICS WITH PINEAPPLE FARMER'S KNOWLEDGE, SKILLS AND PRACTICES IN MALAYSIA.	106
<i>Melissa Alina Yusoff, Norsida Man, Nollila Mohd Naw, Khadijat Jaji</i>	
MARKET STRUCTURE AND ANALYSIS OF SEA FISH MARKETING AT DISTRICT OF JEMBER.....	112
<i>Syamsul Hadi, Edy Sutiarto, dan Henik Prayuginingsih</i>	
MARKET STRUCTURE, EFFECTIVENESS, AND EFFICIENCY OF THE RUBBER RAW MATERIALS MARKETING IN MUSI RAWAS DISTRICT	121
<i>May Shiska Puspitasari</i>	
ANALYSIS OF BEEF SUPPLY CHAIN MANAGEMENT AT AGRIBUSINESS BASED SLAUGHTERHOUSE IN UPTD OF ANIMAL SLAUGHTERHOUSE OF PALU	129
<i>Muh Zulfadhli Prasetyo, Yulianti Kalaba, Lien Damayanti, dan Erny</i>	
ANALYSIS OF INFLUENCE OF MARKETING MIX AGAINST PURCHASE DECISION OF GROWING UP MILK ON THREE SOCIO-ECONOMIC CLASS IN MALANG	139
<i>Sunardi, Jabal Tarik Ibrahim, Anas Tain</i>	
TRANSACTION COST ANALYSIS ON CARDAMOM MARKETING IN PADASARI VILLAGE, CIMALAKA DISTRICT, SUMEDANG REGENCY	152
<i>Ermalinda Zebua, Juarini, and Nanik Dara Senjawati</i>	
RICE SEEDS MARKET STRUCTURE IN EAST JAVA	161
<i>Rini Dwiastuti, Riyanti Isaskar, Nur Baladina, Tri Wahyu Nugroho</i>	
NUTMEG'S (<i>MYRISTICA FRAGGAN HAITT</i>) ANALYZE MARKETING MARGIN AND EFFICIENCY OF TANJUNG SANI VILLAGE TANJUNG RAYA SUBDISTRICT AGAM DISTRICT	177
<i>Devi Analia, Faidil Tanjung, Syofyan Fairuzi dan Ramita Sari Pimura</i>	
THE EFFICIENCY OF SUPPLY CHAIN EMPING MELINJO IN BANTUL REGENCY YOGYAKARTA	183
<i>Eni Istiyanti, Diah Rina Kamardiani</i>	
VALUE CHAIN OF PINEAPPLE IN MALAYSIA.....	191
<i>Norsida Man, Nollila Mohd Naw, Khadijat Jaji, Melissa Alina Yusoff</i>	
DYNAMIC SYSTEM OF INDONESIAN HALAL MEAT INDUSTRY: SUSTAINABLE SUPPLY CHAIN MANAGEMENT PERSPECTIVE	206
<i>Akhmad Mahbubi, Pita Merdeka</i>	
ANALYSIS OF THE PROFITABILITY OF DAIRY FARMERS BASED ON THE SCALE OF LIVESTOCK OWNERSHIP IN DISTRICT SEMARANG	216
<i>Mukson, S.I.Santoso, H.I.Nisa, H. Setiyawan and M. Handayani</i>	
DEVELOPMENT STRATEGY OF LEADING COMMODITY THROUGH COMMUNITY-BASED ENTERPRISE IN INDONESIA-MALAYSIA BORDER AREA.....	223
<i>Jangkung Handoyo Mulyo, Irham, Hani Perwitasari, Fatkhayah Rohmah</i>	
BUSINESS DEVELOPMENT STRATEGY SOYBEAN SAUCE PRODUCTION IN CAP BAWANG SOY SAUCE COMPANY AT NGAWI REGENCY	230
<i>Feti Munika Sakti, Mohamad Harisudin, Raden Rara Aulia Qonita</i>	
FOREIGN LABOR RECRUITMENT IN OIL PALM PLANTATION IN MALAYSIA	241
<i>Marlia Musa, Amin Mahir Abdullah, Mohd Mansor Ismail</i>	

MICRO ENTREPRENEURS' INTENTION TO BECOME MEMBER OF MICROCREDIT SCHEME WITH EDUCATIONAL TRAINING AND MOTIVATIONAL PROGRAM.....	250
<i>Rika Terano, Zainalabidin Mohamed and Fatin Najihah Mohd Tammili</i>	
FARMING INCOME ANALYSIS OF DRY LAND IN THE GUNUNGKIDUL DISTRICT	257
<i>Aris Slamet Widodo, Retno Wulandari</i>	
ANALYSIS OF FACTOR THAT INFLUENCE THE DEMAND FOR ORGANIC VEGETABLES IN MEDAN	264
<i>Sasmita Siregar, Hadriman Khair, Yudha Andriansyah Putra</i>	
RICE CONSUMER BEHAVIOR IN THE MUSI RAWAS DISTRICT	272
<i>Zaini Amin</i>	
ANALYSIS OF CONSUMER PERCEPTIONS AGAINST LOCAL AND IMPORT FRUITS IN MEDAN.....	280
<i>Hadriman Khair</i>	
CONSUMERS'INTENTION TO PURCHASE GENETICALLY- MODIFIED SOYBEAN PRODUCTS IN MALAYSIA.....	288
<i>Welson Chin Vui Son, Kelly Wong Kai Seng, and Juwaidah Sharifuddin</i>	
CONSUMER PREFERENCE TOWARDS ORGANIC VEGETABLES AT SUPER INDO SULTAN AGUNG YOGYAKARTA.....	299
<i>Nisa Murty Andari, Widodo, Sriyadi</i>	
STRENGTHENING THE ECONOMIC OF FOREST FRINGES COMMUNITY THROUGH MODEL FOR ENHANCING LOCAL CATTLE COMPETITIVENESS	306
<i>Teguh Hari Santosa, Toni Herlambang, Nurul Qomariah, dan Oktarina</i>	
FACTORS AFFECTING THE PRODUCTION AND BENEFIT ON THE PLANTING SYSTEM OF JAJAR LEGOWO AND TEGEL IN THE DISTRICT MUSI RAWAS	317
<i>Nila Suryati</i>	
PLANTING DISTANCE AND DOSE OF ORGANIC MANURE ON THE SOIL CHEMICAL PROPERTIES AND YIELD OF LOWLAND RICE	324
<i>Abdul Azis and Damasus Riyanto</i>	
TECHNOLOGY ADOPTION OF HIGH QUALITY GREENBEANS SEED BY FARMERS' HOUSEHOLD IN CENTRAL JAVA.....	334
<i>Wiludjeng Roessali, Wahyu Dyah Prastiwi, Tutik Dalmyatun</i>	
PRODUCTION EFFICIENCY OF IRRIGATION LOWLAND ORGANIC PADDY FARMING SYSTEM AT BAROKAH FARMER'S GROUP IN SEMARANG REGION.	340
<i>Titik Ekowati, Edy Prasetyo, and Bambang Trisetoyo Eddy</i>	
THE FARMER'S KNOWLEDGE AND ATTITUDES FOR ENVIRONMENTAL FRIENDLY OF SHALLOT CULTIVATION IN BALI	346
<i>Nyoman Ngurah Arya, I Ketut Mahaputra, Suharyanto, Jemmy Rinaldi</i>	
THE ANALYSIS OF A VERTICALLY INTEGRATED ORGANIC RICE COMPANY: A CASE STUDY IN THAILAND	354
<i>Yaniga Prasertwattanukul and Pornthipa Ongkunaruk</i>	
EFFECTIVENESS AND GROUP COMMUNICATION NETWORK.....	361
<i>Indardi</i>	
THE INSTITUTIONAL ROLE IN DISSEMINATING SITE-SPECIFIC AGRICULTURAL INNOVATION IN ACEH	368
<i>Abdul Azis, Basri AB and Sugeng Widodo</i>	

INCREASE RICE PRODUCTIVITY THROUGH MODELS OF CROPPING SYSTEMS AND THE USE OF HYBRID VARIETIES	379
<i>Suharno, Rika Nalinda</i>	
THE FARMER'S PERCEPTION TO THE USING OF TECHNOLOGY AFTER PADDY'S HARVEST IN SOUTH SULAWESI	386
<i>Irmayani, Hariyono, Nur Rahmah Safarina Hamzah</i>	
VALUATION IRRIGATION OF RICE FARMING AT UPSTREAM AND DOWNSTREAM AREAS IN SPECIAL REGION OF YOGYAKARTA	392
<i>Habibullah, Triyono, Aris Slamet Widodo</i>	
RICE FARMER'S PERCEPTION AND ITS EFFECT TOWARD INTENTION TO ADOPT ORGANIC FARMING	399
<i>Ashari, Juwaidah Sharifuddin, Zainal Abidin Mohammed, Rika Terano</i>	
FACTORS INFLUENCING THE ATTITUDES OF VEGETABLE FARMERS TOWARD THE USE OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) IN PENINSULAR MALAYSIA.....	411
<i>Nor Haslina Nor Rizan, Amin Mahir Abdullah, Norsida Man, and Nolila Mohd Nawi</i>	

RICE SELF-SUFFICIENCY IN INDONESIA: AN ANALYSIS ON BUDGET ALLOCATION AND THE ACHIEVEMENT

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ABSTRACT

Rice is the main staple food of Indonesia and being a strategic and important commodity as it has upstream and downstream linkages connecting many stakeholders from input to output markets. Any regimes of the Government of Indonesia take it into account and conduct many agricultural programs in order to achieve rice self-sufficiency through production, post harvest, marketing, trading and price stabilization policies. Budget had been allocated through related ministries to support any programs achieving rice self-sufficiency targets. This study aimed to evaluate the program achievement by comparing budget allocation and rice self-sufficiency ratio as the indicator. The result showed that budget allocation of rice self-sufficiency tended to increase, while rice self-sufficiency ratio tended to decrease, thus rice self-sufficiency had not been achieved yet. The result implied that Indonesia should stabilize rice reserve and rice price by reducing import dependency of rice. that budget allocation grew positively, while rice self-sufficiency ratio grew negatively. It concluded that the more budget allocation did not solely push target achievement of rice self-sufficiency.

Keywords: rice, self sufficiency, budget.

INTRODUCTION

Rice self-sufficiency policy is an important part of agricultural development program of Indonesia (Baharsjah *et al.*, 2014). Along with agricultural history Indonesia, during 1970-1990 rice development not only reached the highest yield rate by 4.1 percent/year, but also the highest rate of production, it was 5.6 percent/year. Therefore Indonesia reached rice self-sufficiency (Sawit, 2014) and could be said that all applied programs related to rice self-sufficiency were effective and efficient (Heyten, 1991; Mears, 1981; Sawit, 2014).

New Order Regime gave many supports from on farm level to off farm level, post harvest, and marketing activities by developing simple rice milling unit, providing financial support through low interest credit, and stabilizing rice price through parastatal function of State Trading Enterprise, i.e. National Food Authority (Badan Urusan Logistik/Bulog) to achieve self sufficiency target of rice (Amang dan Sawit, 2001; Mears, 1981).

It showed that rice self-sufficiency was achieved by involving many stakeholders, starting from the government as policy maker, farmers as producer, state trading enterprises (producer of fertilizer, chemical, rice market controller), traders, cooperative, extension workers, banks, and consumers. The government plays a role as manager (Ortiz, 1999) including in agriculture sector by implementing such program to intervene input and output markets by allocating and distributing resources. Hence, the government plays important and strategic role by making policies (Swinnen and Zee, 1993). Budget allocation related to rice self-sufficiency is one of resources, while rice self-sufficiency is one of achievement indicators. This paper aimed to evaluate the achievement of rice self-sufficiency program by comparing budget allocation and rice self-sufficiency ratio.

METHOD

Data

Secondary data from 2005 to 2015 was used in this study. Period of analysis started from 2005 to 2015. Budget data came from Ministry of Finance, while data of production, import, and export of rice came from Ministry of Agriculture.

Method Analysis

Quantitative analysis was done to compute average annual growth rate of budget allocation of rice self-sufficiency program, rice production, rice import, rice export and rice self-sufficiency ratio along analysis period. Data of rice production, rice import, and rice export were used to compute rice self-sufficiency ratio by using this formula:

$$SSR = \frac{P}{P+M-X} \quad (1)$$

P is production quantity, M is import quantity, and X is export quantity.

Qualitative analysis was done by using method developed by Bamberger (2000 *cit* Schouwtra and Ellman, 2006), that follows analytical framework that comprise six steps of policy cycle by evaluating (1) target (strategy), (2) objective (operational target), (3) method/instrument (choice, alternative,

critical factor), (4) activity (measurement base, target measurement), (5) performance (indicator), and (6) evaluation (comparing between fact and target).

RESULT AND DISCUSSION

Result

In order to achieve rice self-sufficiency target, the government allocated budget through two ministries, Ministry of Public Work and Residential and Ministry of Agriculture. The government allocated budget subsidy, government expenditure, and transfer to regional governments.

Subsidy was provided in kind of food, seed, and credit interest. Government expenditure was provided in kind of governmental rice reserve, food stabilization reserve, national seed reserve, and food security reserve. On regional level, budget was allocated for irrigation and other agricultural activities, through transfer mechanism.

The allocated budget for rice self-sufficiency from 2005 to 2015 tended to increase from IDR 3.4 trillion in 2005 to IDR 22.0 trillion in 2015 and showed positive average annual growth rate by 14.7 per cent/year (Figure 1).

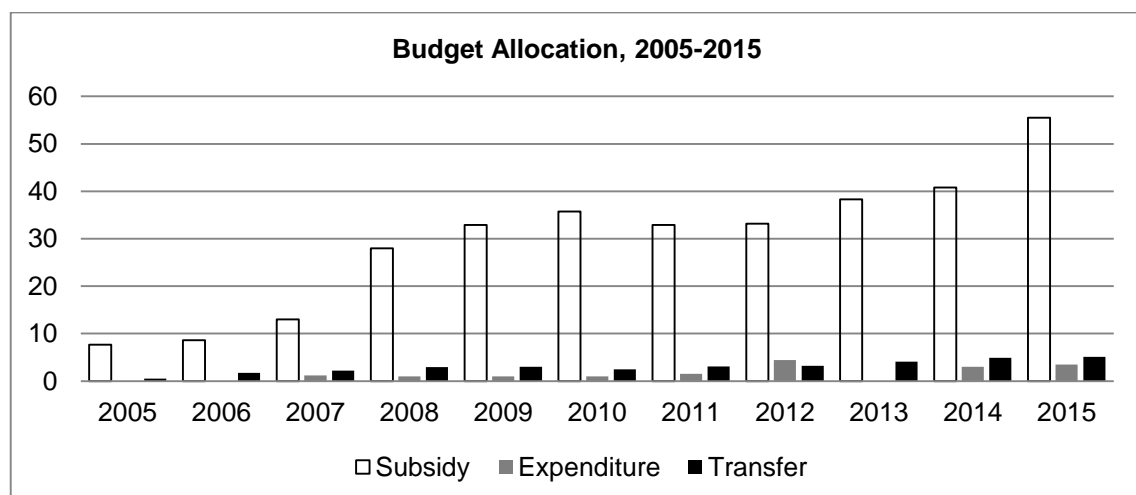


Figure 1. Budget Allocation for Rice Self-Sufficiency, 2005-2015.

In the mean time, rice production increased from 35.8 million ton in 2005 to 44.7 million ton in 2015, rice import

increased from 195 thousand ton in 2005 to 472.7 thousand ton in 2015, and rice export decreased from 44.9 thousand ton

in 2005 to 2.9 thousand ton in 2015. The average annual growth rate of rice production, rice import, and rice export were 2.5 percent/year, 7.0 percent/year, and 11.3 percent/year respectively. By using Equation (1) it was found that rice self-sufficiency ratio from 2005 to 2015

decreased from 99.6 percent to 99.0 percent. Therefore, the average annual growth rate of rice self-sufficiency ratio was -0.1 percent/year or negative (Figure 2).

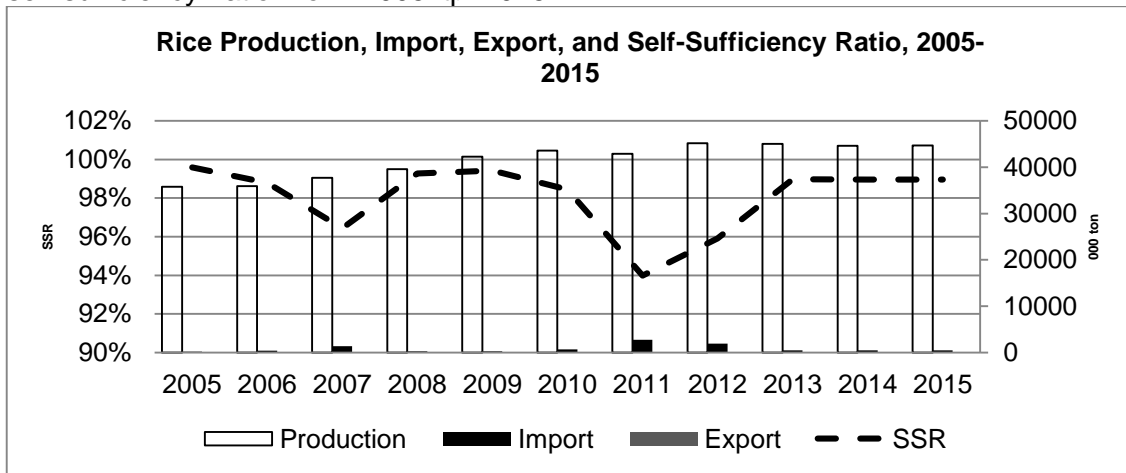


Figure 2. Rice Production, Import, Export, and Self-Sufficiency Ratio, 2005-2015.

Discussion

Based on the finding above, it was known that budget allocation of rice self-sufficiency program tended to increase, while rice self-sufficiency tended to decrease indicating by one of indicator, i.e. self sufficiency ratio. The budget was dominated by subsidy, following by transfer and government expenditure.

This finding was in line with Amang and Sawit (2001) that subsidy was provided starting from on farm and off farm activities to marketing activities, from regional level to national level, from individual life support to collective or public investment. Seed subsidy was given to support encourage farmers applying recommended dosage of fertilizers, especially urea, the most influencing fertilizer on rice yield (Osorio *et al.*, 2011).

Based on Sawit (2001), the other types of subsidy that given by government according to rice self-sufficiency program were concerned as general food subsidy. Nevertheless, those kinds of subsidy might have impact on price depression in domestic rice market, thus deteriorated

performance of domestic market price stabilization.

In the same analysis period, rice production and rice import increased significantly. However, the average annual growth rate of rice import was higher than rice production, so rice self-sufficiency ratio decreased accordingly. From 2005 to 2015, rice self-sufficiency ratio changed from almost maximum level by 99.6 percent then fluctuated between 94.0 percent and 99.4 percent.

Even though rice production increased continuously from 2005 to 2015, the number of population was also increased. Consequently, the government had to meet domestic rice supply and demand. In case of shortage of domestic rice supply, the government would delegate Bulog to import rice to stabilize domestic rice market and national rice reserve in certain months beyond main harvest time that generally happens from March to August.

Above facts proved that rice is the most important food stuff as mentioned in previous studies, so the government should control the market to avoid economical and political issues according

to rice price and supply, even though by importing rice.

Furthermore, rice was being industry by creating jobs in rural area, supporting household security and rural development in Indonesia (Sawit and Lokollo, 2007). Most of rice producers were smallholders and only few medium and large industries worked on rice (Masyhuri dan Novia, 2014). Rice was consumed by 95 percent of Indonesian population (Amang and Sawit, 1999), while only 15 million households produced rice (Anggoro, 2014) using small sized land less than a hectare (Masyhuri and Novia, 2014; Suryana *et al.*, 2001). The producing farmers included including landless that reached 70 percent of farmers and net consumer that accounted for 60 percent (Suryana, *et al.*, 2001). In accordance with rice characteristics above, government intervention was needed (Hariadi dan Yamin, 2014).

The availability of rice had strong relationship with national economy of Indonesia. Rice issue could extend to social and economic issues. Rice production failure, increasing rice price, and shortage of rice supply could trigger political issue and imply on national stability (Subejo, 2014). One of efforts of the government to manage domestic rice availability was by implementing rice self-sufficiency program as mentioned above.

Technological breakthrough on production and post harvest activities were done to improve rice production level effectively and efficiently from upstream level to downstream level, including human resource empowerment and institutional capacity building (Subejo, 2014).

Based on Bamberger (2000 *cit* Schouwtra and Ellman, 2006), it showed that (1) one of rice self-sufficiency targets/strategies was achieved, it was production increase, (2) the operational target or objective had not been achieved yet, such as stable national rice reserve, zero import, and stable domestic rice price, (3) the choice of policy method/instrument were subsidy, government expenditure, and transfer to regional governments through two

ministries and the budget of the three instruments tended to increase, (4) the target measurement of rice self-sufficiency had not been achieved yet, (5) the performance indicator was rice self-sufficiency ratio, during the analysis period the indicator tended to decrease, and (6) until the end of evaluation period in 2015 the fact showed that rice was not self sufficient. In general, the indicator showed that rice self-sufficiency program had not achieved effectively and efficiently yet.

From economy point of view, self sufficiency policy was concerned as a non efficient policy because self sufficiency policy would affect on budget allocation for other commodities instead of targeted commodity. Therefore, budget would be allocated more for targeted commodity while for other commodities would be less. As consequence, the production level of targeted commodity could increase, while other commodities might decrease. On national level, the aggregate income could decrease as the magnitude of production cost for targeted commodity increased target swasembada (Monke and Pearson, 1989).

Self sufficiency ratio was just one of indicators of achievement, such as in this study for rice self-sufficiency policy. The other indicators were increasing production level, stable food reserve, zero rice import, and stable price of domestic rice market were not analyzed. Therefore, only one indicator could not answer sophisticatedly wheter efficient/effective or not the chosen policy to achieve the objectives of rice self-sufficiency program. However, data showed that average annual growth rate of rice import from 2005 to 2015 was higher than rice production. it meant that national rice reserved needed additional supply that coming from impot. It caused rice self-sufficiency ratio decreased from 2005 to 2015 and the policy had not achieved maximum target yet. Even though budget allocation for rice self-sufficiency increased continuously, it contained import expenditure and caused less self sufficient of national rice status for Indonesia.

CONCLUSION

Based on discussion above, it concluded that budget allocation of rice self-sufficiency tended to increase, while rice self-sufficiency ratio tended to decrease, thus rice self-sufficiency had not been achieved yet. The result implied that Indonesia should stabilize rice reserve and rice price by reducing import dependency of rice.

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DISCUSSION FROM PARALLEL SESSION

PAPER TITLE	Rice Self-Sufficiency in Indonesia: An Analysis on Budget Allocation and The Achievement
AUTHOR	Sri Nuryanti
DISCUSSION	
QUESTION	<ul style="list-style-type: none">- What is the reason why the correlation is negatif? Budget allocation may be in supply demand and trade activites- What is the measurement efficiency?
ANSWER	
SUGGESTION	<ul style="list-style-type: none">- Abstract, there should be method mentioned- Abstract not concret, your research is very simply- There should have more explanation of the relationship ... the correlation coeffisien may be misleading.



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