

# Design Professional Rice Business in Tabanan Regency

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## Design Professional Rice Business in Tabanan Regency

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### Abstract

Rice is the main food ingredient of the people of Indonesia. Rice is used primarily to be processed into rice, and a variety of other foods. Every day, households need rice for consumption. This is what makes the velocity of money in the business of rice is very fast. Rice itself has various types and levels of quality. Every kind of rice certainly has a different price. Thus, each consumer determines the kind of rice to be consumed. In Tabanan regency, agriculture is a very potential field, so it is included in the category of excellent potentials, especially food crops such as rice. Since 2013, the Government of Tabanan Regency has planned agricultural programs that implement organic farming systems on paddy fields. Everyone needs rice because this product is the staple food of the people, especially Indonesian citizens from the start of small children, adolescents, until the parents need rice as the main ingredient of him every day. Therefore the tremendous business opportunity of selling rice will never end. The resulting product is called "Healthy Rice Tabanan." The program aims to ensure market certainty and favorable pricing for established farmers and adopt a farming system free of synthetic chemicals to produce environmentally friendly and healthy rice for consumers. The grain market chain produced by farmers is very short so that the grant share earned by farmers is also high. The market chain is from Farmers to Perpadi and Consumers (including Tabanan District Officers). The results showed that healthy rice business conducted between farmers and consumers and consumers had not shown a fair, professional rice business because there are no agreements and contracts that guide various parties to carry out their business. Therefore, the expected fair trade cannot be appropriately realized at the implementation level. Thus, in the context of the fair trade system of rice in Tabanan Regency, it is necessary to have the concept of inclusive business (professional business) to encourage fair trade.

Keywords: Design and fair trade; Rice

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### 1. Introduction

The activity of trade in goods or services can be a stimulus for the course of various economic activities such as agriculture, industry and even technology both on a micro and macro scale. Through commerce, it is hoped that the poverty of society can be overcome, but it is often the case where trade can widen the gap that exists between weak market actors and the poor and rich. The prosperity of a small group of earth's citizens is faced with mass poverty that affects most of the other citizens. This undeniable fact is not due to commerce itself, but rather to unfair trade rules that are more important to favor the interests of certain parties, especially the rich. The trade situation is of course experienced by small producers (fishers, farmers, laborers, artisans) in Indonesia. They have no power to bargain and fight the existing system. An unfair system (because it only benefits a small group of people), as well as exploitative. Various regulations and other legislation products further strengthen this system, both made by the government (executive) and legislative institutions. If the trade is not well managed and followed by bad regulation, then the deal can destroy human life and the surrounding environment. In a decade more, there has been a disparity between the price of grain and the relatively high price of rice between the price at the level of farmers and consumers and resulted in the welfare of farmers has not been able

to increase. Some of the factors that influence it are the farmers have not or are not actively involved in the value chains of grain/rice farming. Farmers are more of a role as producers and do not participate in the processing and processing of rice [1]. Rice has uniqueness inside Rice has a uniqueness in the process of determining it, so it needs prudence in determining the price. The uniqueness of rice, among others, as the staple food of the people of Indonesia to improve the welfare of farmers, need to increase rice prices, but if the high rice prices of the poor will increase [2].

In general, the income received by farmers is insufficient compared to the labor that has been issued plus the risk of crop failure. The level of income earned by farmers depends on various factors affecting land productivity. Some indicators indicate that in some areas many peasants have not enjoyed their sufficiency. The low end of the farmers is due to some inappropriate habits, particularly in rice storage. Some farmers have sold their entire crops directly and bought them in the form of rice or partial stock, while others are sold or consumed by themselves entirely. Currently, small farmers working on rice crops have a weak bargaining position against other business actors within the rice market chain. Therefore, it is necessary for fair trade to become a stimulus for the running of various economic activities such as agriculture, industry and even technology, especially on rice aspect. It is hoped that through this fair trade the price disparity can be narrowed and provide an increase in the economic benefits received by farmers as rice producers. Rice is the main ingredient of most Indonesian people. Three messages to deal with the problems and economic challenges of rice and rice in the future: (1) A broad-based and integrated approach to regional, knowledge, technology and community approaches, including policy perspective, production approach and farming, Resources, technological innovation, and various factors affecting rice consumption and trade; (2) Approaches that pay attention to environmental sustainability and ecosystem balance; And (3) science and technology-based approach (Science and Technology). Rice is a strategic and political commodity, in addition to strategic value from the economic side, rice is also important as an instrument to maintain the stability of Indonesian people's food security [3].

The purpose of this study is: (1). Formulate a transparent business model between grain producers, business partners, and consumers of Tabanan Healthy Rice. (2). Reforming the weaknesses of distribution system and trade of Healthy Rice that happened during this time which tends to harm farmers and raises consumer's trust. (3). Strengthen the environmentally friendly agricultural system and encourage consumers willing to pay more because they participate in increasing the degree of farmers, conserve rice fields/environment, and consume healthier rice than traditional rice.

### ***Fair Trade Concept***

Fair Trade is a form of optimization of thoughts, attitudes, and actions of people who cannot escape from the bondage of globalization. Fair Trade emerges as an alternative to the free trade form that many people think is very unfair. The fact that prosperity is only enjoyed by a small group of earth's people while massive acute poverty suffered by the majority of other citizens is evidence of the most realistic free trade injustice. When traced the root of the problem lies in the rules of free trade which in practice is very unfair [4]. Through free trade instruments (free trade), can be enjoyed products from abroad without having to Melancon. Another opinion states ng to the country first, obviously this is a distinct advantage that can be felt by an individual. In reality, however, it is difficult to engage in a mutually beneficial free trade between a country and another country which often benefits only one of these countries, the beneficiary country is usually only those with only economic power while developing

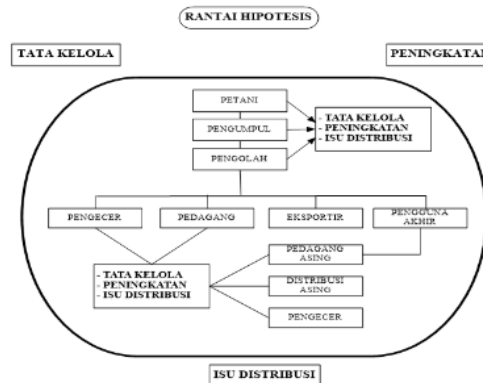
countries are always complicated If its export commodities enter these countries. Others argue that fair trade is a development tool or tool used to protect local producers in a weak state, without having to be involved in protection laws [5].

### **Value Chain Concept**

A value chain is formed when all actors in the chain work in such a way as to maximize value creation along the chain. This value chain can be defined narrowly or broadly. On a narrow definition, a value chain includes a series of activities undertaken within a company to produce a particular outcome. The value chain refers to the overall activity required to move goods (or services) from the concept phase too, to the stage of production, to the hands of the end consumer, and finally discarded after consuming. The value chain was first proposed by Michael E. Porter in 1985. The value chain is a collection of activities or activities within a company undertaken to design, manufacture, market, deliver and support products. The value chain describes the various activities required to bring the product or service from the conception, through various stages of production (involving a combination of physical transformation and input from various service producers), delivery to the final consumer, and final disposal after use. In determining a company's value chain properly, a value chain analysis is needed [6]. Porter classifies company activity into two groups, namely primary activities and supporting activities [7]

### **Value Chain Analysis Scheme.**

In this analysis, the value chain that links actors from production to final consumption is superimposed on three main issues: governance structure, improvement strategy, and distribution and justice. To clarify the concept of value chain analysis, a scheme in the value chain analysis can be made clear by the process of analysis, the scheme is as follows: [8].



**Figure 1. Hypothesis**

## **2. Research Methods**

### **Types and Techniques of Data Collection**

In this research will collect primary data and secondary data relating to the implementation of fair trade method in healthy rice trading system. Primary data from some samples, managers or managers of some market participants in healthy rice trade, such as Rice Milling Unit, companies and institutions directly involved in the rice trade.

**Data completion techniques applied are as follows:**

*Questionnaire / Questionnaire*

One of the data collecting instruments in the study is the questionnaire, also called the questionnaire (structured). The questionnaire is usually closely related to the research problem, or also the formulated research hypothesis. Also referred to as the term interview guide (interview schedule), but the usual term used is the questionnaire. A research questionnaire is a form of data instrument that is very flexible and relatively easy to use, and easy for respondents in large numbers. The data obtained through the use of a questionnaire is the data we categorize as factual data. A well-designed questionnaire can share information according to the results desired by the researchers. The results of the questionnaire are very much dependent on the subject of the study as respondents, while the researcher can seek to improve the reliability by way of presenting clear sentences and delivered with appropriate strategies.

*Interview*

Interviews are data techniques performed through face-to-face and direct question and answer between data collectors and researchers on resource persons or data sources.

Interviews on large sample studies are usually only carried out as a preliminary study because they cannot be used in interviews with 1000 respondents, whereas in small samples the technique can be used as a data collection technique (general qualitative research)

*Focus Discussion Group (FGD)*

Focus Group Discussion (FGD) is a data technique that is being conducted on qualitative research with the aim of discovering the meaning of a theme in the sense of a group. This technique is used to reveal the meaning of a group based on results centered on a particular problem. FGD is also to avoid the wrong meaning of a researcher on the focus of the problem being investigated.

*Observation*

Definition Observation is the process of observation and recording systematically to the symptoms studied. This observation becomes one of the data techniques that is suitable with the purpose of research, which can and controlled systematically and can be controlled Dubrov (reliability) and validity (validity). Observation is a complex process, composed of a process of psychological and biological processes. In using the observation technique, it is important to note.

*Library Studies*

Literature study can be interpreted as a step to obtain information from previous researchers who must be done, regardless of a study using data primer or secondary data, whether the research using research in the museum or in the museum. Understanding literature study is: What is meant by library research business conducted by the researcher to gather information relevant to the topic or problem to be or is being studied. The study of literature is an important step in the scientific method of searching for secondary sources that will support the research and to know to what extent the research-related knowledge has grown, the results of the generalization that has ever been developed.

### **3. Results and Discussion**

Until now, small farmers working on rice crops still have a weak bargaining position against other business actors in the rice market chain. Therefore, it is necessary for fair trade to become a stimulus for

the running of various economic activities such as agriculture, industry and even technology especially on the aspect of rice. It is expected that through this fair trade the price disparity can be narrowed and provide an increase in the economic benefits received by farmers as rice producers.

In Tabanan regency, agriculture is a prime potential for food crops such as rice. Since 2013, the Government of Tabanan Regency has planned agricultural programs that implement organic farming systems on paddy fields. The resulting product is called "Healthy Rice Tabanan". The program aims to ensure market certainty and favorable pricing for established farmers and adopt a farm system free of synthetic chemicals to produce environmentally friendly and healthy rice for consumers. The market share targeted for the first time is *PNS Pemkab* Tabanan which amounted to 9,700 people, with the need per month reached 140 tons of rice. Grain processing into rice is done by *Mitra Usaha*.

The market chain of grain produced by farmers is relatively short so that share or share received by farmers is also high. The market chain is from Farmers to *Perpadi* and Consumers (including Tabanan District Officers). The results of the study indicate that healthy rice business between farmers and consumers and consumers has not shown a fair inclusive rice business because there are no agreements and contracts that guide various parties to conduct their business. Therefore, the expected fair trade cannot be realized properly at the implementation level. Therefore, in the context of the fair trade system of rice in Tabanan Regency, it is necessary to conceptualize inclusive business to encourage fair trade. The intended inclusive business is business management among market actors for certain commodities (rice) in an integrated business model in order to obtain economic incentives proportionally in accordance with the role it plays in order to ensure business sustainability among the actors, ie farmers (*subak*), *Penyosohan* and Government.

Some of the steps needed to realize the inclusive rice business in relation to fair trade are as follows: (i) determining the market actors involved; (ii) formulating a business model of rice in a market system; (iii) mutually establish the roles of each market actor; (iv) preparing the concept of agreement-the appropriateness of the actors; and (v) monitoring and supervising the newly established market system through an inclusive business model.

The policy of Tabanan regency government in rice system to realize fair trade of rice can give impetus for the agriculture sector in the paddy field to be developed, with the following conditions: (i) guarantee of grain availability from farmers to be supplied to *Perpadi* ; (ii) government support for farmers to produce increased rice both in quantity and quality (such as the provision of irrigation infrastructure and facilities, transportation, access to capital, etc.); (iii) a guarantee of consistency of farmers to produce grain in accordance with SOP *Perpadi*; (iv) price adjustments in accordance with changes in the national economic climate; (v) the access to information on market mechanism and its supporters, especially those related to rice, which concerns grain at the level of rice and rice at the consumer level; (vi) the consistent agreement of *Perpadi* to purchase grain produced by farmers; (vii) the existence of government policy support for *Perpadi* and farmers (*subak*) on the sustainability of inclusive business that has been agreed; And (viii) monitoring and supervision of activities in inclusive business related to fair trade in rice

In general, the income received by farmers is insufficient compared with the laboratory that has been issued and the risk of crop failure. The income levels received by farmers depend on the various factors affecting land productivity. Some indicators indicate that in some areas many farmers have not enjoyed the benefits of their labor. The low income of farmers is caused by some inappropriate habits, especially

in rice storage. Some farmers have sold their entire crops directly and bought in the form of rice or partial stock, while others are sold or consumed by themselves. Grain storage pattern is chosen by farmers, related to several factors, including the ability of post-harvest handling, and the need for cash for everyday purposes including to finance the farm business.

The marketing system is an important part of the chain of goods since it is manufactured to the hands of consumers. The marketing system can also determine the market efficiency of a goods trading system including food. High-cost marketing will impact not only reduce producer surplus, but also burden consumers. In food marketing, there are variations on the deal of the marketing chain, from simple to short chains to marketing involving long links.

Rice as the staple food for the people of Indonesia including in Bali cannot be separated by the existence of producer farmers. The rice produced grain and rice by other market actors, such as Middlemangrain processing into the rice and other intermediary traders. In general, the rice market chain in Bali includes several models, among which are as follows:

- a. Farmer → Middlemangrain → RMU manager → wholesaler-retailer → consumer
- b. Farmers → RMU managers → wholesalers → retailers → consumers
- c. Farmers → RMU managers → retailers → consumers
- d. Farmers → Rice cutter → RMU managers → wholesalers → retailers → consumers

Based on the survey results, it is known that the rice market chain in Tabanan regency, especially healthy rice is from farmers to RMU and then to retailers and consumers. The farmers and their *subak* have not yet had their own access to the management of rice business (processing grain into the rice) for various reasons, namely limited business capital, equipment, warehouse in addition to weak business management skill. In line with the government's policy that the RMU appointed to buy grain farmers, the farmers, and *subak* still seen as producer-oriented producer farmers.

The results of research conducted on the *subak-subak* sample, it is not all farmers *subak* members apply farming to produce grain that will be processed into healthy rice. This condition occurs because the introduction of healthy rice is still relatively new so it has not been massively done by all *subak* members. Positive information was obtained by *subak* that some farmers will follow the program to produce healthy rice through good farming. Some of the factors that drive them are as follows:

- a. Farm management is not much different from conventional farming
- b. The market system for grain is very clear and certain;
- c. The price of grain offered is relatively high (as one of the economic incentives).

The problems and challenges of the farmers regarding the rice chains cannot be released with the condition that occurs in the upstream aspect of the agribusiness system, namely the subsystem of providing production facilities and tools and agricultural machinery as well as on the on-farm subsystem is the production process. Based on the results of surveys conducted several problems faced by farmers are: (i) the quantity and quality of irrigation water; (ii) lack of capital structure; (iii) weak quality of human resources in organizing; (iv) limited access to information and technology; And (v) lack of ability in entrepreneurship.

The limited water available at the source level is one of the serious problems for farmers and *subak*. In the dry season, for example, farmers feel the lack of water that has an impact on land use and plant growth that even lead to crop failure. The limited quantity of irrigation water will affect farming activities in *subak*, such as in the implementation of cropping pattern and planting schedule. There is often a shift in planting schedules and also changes in cropping patterns as a result of reduced irrigation water. Moreover with the influence of global warming and climate change. The impact caused by climate change is the uncertainty of the availability of irrigation water, which further decreases the productivity of the plant. In fact, not infrequent failure in the harvest. Excessive rainfall can threaten irrigation network damage and result in higher financing cost for *subak*. Almost every year *subak* must pay for the rehabilitation/repair of irrigation networks, especially at the farm level. [9] Generally, farmers in Bali, including in District of Tabanan, have problems relating to the capitalization of either capital used for farming needs directly in the farming of rice fields or indirectly. In some observations or direct observations and surveys, it was observed that most of the control of farmers' capital was relatively low. Limited control of farming capital may affect the productivity and quality of the resulting grain. In addition, the weak capital of farmers has exacerbated again with the condition of farmers who have status as Middlemangrain.

Limitations of business capital ownership for farmers' organizations (*subak*) are an obstacle to developing *subak* as an institution engaged in business orientation, such as collective marketing and collective processing through rice milling.

Associated with activities that have economic nuances, not many *subak* able to become an institution that has a role that provides income for the group itself. Currently, most of *subak* has not done the selling activities of its products (grain) together through its *subak* institution. In addition, there is also a bookkeeping system or administration in *subak* that has not been good, so it is a problem that needs to be addressed.

Until now, there is still very little *subak* ability to be able to access information through information technology. Most of the farmers (*subak*) obtain information from the Field Agricultural Extension, friends other than the mass media which number is still limited. Weak ability to access market information poses a problem to anticipate the supply of products required by consumers. The existence of PPL as one of the important sources of information for *subak* farmers is needed especially in providing information on agricultural technology. But on the other hand, the limited number of PPL in the *subak* area can be a barrier to obtain information quickly and completely.

The concept of agribusiness is something that is not well known by the farmers and *subak* in the study area. Farmers are still more on-farm-oriented (production process) to produce production. Off-farm activities have not been done optimally, especially in the aspects of processing and marketing.

Rice business management will be able to run sustainably if there is a mutually beneficial partnership for the actors involved in the market system. In the case of rice market system in Tabanan Regency, there are several actors, among them are (i) farmers; (ii) *subak*; (iii) rice milling; (iv) consumers; and (v) government.

Theoretically, fair trade should be concerned with principles. World Fair Trade Organization (WFTO) formulates 10 Principles to be followed in daily Fair Trade implementation. These ten principles are described as follows:



- a. Create opportunities for small producers
- b. Be transparent and responsible
- c. Practicing trades that are not merely pursuing profits, and prioritizing social, economic, and environmental welfare for small producers
- d. Fair in payments
- e. Not exploiting child labor and labor
- f. Commitment not to discriminate, to prioritize Gender equality, and freedom to associate
- g. Ensure decent working conditions
- h. Provide opportunities for capacity building
- i. Actively promote fair trade
- j. Respect the environment/

#### **4. Conclusion**

Currently, the grain market chain produced by farmers is so short that the share or share received by farmers is also high. The market chain is from Farmers to *Perpadi* and Consumers (including Tabanan District Officers).

Healthy rice business undertaken between farmers and consumers and consumers has not demonstrated the existence of a fair professional rice business because there are no agreements and contracts that serve as guidelines for various parties to carry out their business. Therefore, the expected fair trade cannot be realized properly at the implementation level. Therefore, in the context of the fair trade system of rice in Tabanan regency, the concept of inclusive business (professional business) is needed to encourage fair trade. The intended professional business is business management among market actors for certain commodities (rice) in an integrated business model in order to obtain economic incentives proportionally in accordance with the role it plays in order to ensure business sustainability among the actors, ie farmers (*subak*), *Penyosohan* and Government.

Some of the steps needed to realize a professional rice business in relation to the realization of a fair trade are as follows: determining the market actors involved; formulating a business model of rice in a market system; mutually assign the role of each market actor; preparing the concept of agreement-the appropriateness of the actors; and monitoring and monitoring the new market system Formed through a professional business model.

#### **Acknowledgments**

The policy of Tabanan regency government in rice system which is to realize fair trade of rice can give impetus to the agriculture sector in the paddy field to be developed, with some condition as follows:

- a. The availability of grain availability from the farmers to be supplied to the PERPADI;
- b. There is government support for farmers to produce increased rice both in quantity and quality (such as the provision of irrigation infrastructure and facilities, transportation, access to capital, etc.)
- c. There is a guarantee of consistency of farmers to produce grain in accordance with SOP PERPADI;

- d. The existence of price adjustments in accordance with changes in the national economic climate;
- e. The existence of access to information on market mechanism and its support, especially related to rice, which concerns grain in the level of rice and rice at the consumer level;
- f. Consistent agreement from PERPADI to purchase grain produced by farmers;
- g. The existence of government policy support for PERPADI and farmers (subak) on the sustainability of professional business that has been agreed; and
- h. Monitoring and supervision of activities in professional ventures related to fair trade in rice.

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