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MINIMUM OUTPUT PRICE DETERMINATION FOR PADDY COMMODITY

(Case Study in Ciasmara Village, Pamijahan District)

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ABSTRACT

As an agrarian country, farmers have a very important role in fulfilling food needs in Indonesia. However, the welfare of farmers is still needs to be improved. Income from farming have not yet able to meet the expenditure needed by farmer's household. This study aims to estimate the minimum output price so that income from farming is able to meet the basic needs of rice farmers in Ciasmara Village, Pamijahan District. This study uses analysis of farm income and basic household expenditure and analysis of output prices. The results showed that although the rice farming in Ciasmara Village are profitable, the profit obtained was not able to meet the basic needs of farmers household. The minimum paddy grain price needed for farmers based on business scale, namely small, medium and large scale are Rp. 5,827, Rp. 5,490, and Rp. 5,326 per kg respectively. This price is higher than the government's price ceiling policy so the government is expected to be able to evaluate the basic price that is applied at the farm level.

INTRODUCTION

As an agrarian country, farmers have a very important role in fulfilling food needs in Indonesia. However, the welfare of farmers has not changed much from year to year, especially for medium and small scale farmers. The income from farming have not yet able to meet the expenditure needed by the household.

This is different from the ideal conditions where farmers are expected to gain welfare from their main jobs. This condition can make the agricultural sector less attractive. One of the incentives that can attract farmers to want to do business is good output prices.

This study aims to estimate the minimum output price so that income from farming is able to meet the basic needs of rice farmers in Ciasmara Village, Pamijahan District.

RESULTS

Farming seasons
There are three farming seasons in a year and farmers cultivate paddy in each season.

Meterangan	Sep	Oct	Nov	Des	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1st Season	Paddy											
2nd Season				Paddy								
3rd Season							Paddy					

Farmer's Profit
Paddy Farming is profitable both by income and R/C Ratio indicators. Most of the cost are spent on land rent, tractor rent and labor payment.

No	Description	Average Value \$/ha/Year
A	Revenue (IDR/hectare)	75,579,042
B	Cash Cost (IDR/hectare)	16,866,779
C	Non-Cash Cost (IDR/hectare)	18,120,291
D	Total Cost (B+C) (IDR/hectare)	35,087,070
	Income from cash cost (A-B) (Rp/ha)	58,612,263
	Income from total cost (A-D) (Rp/ha)	40,491,972
	R/C Ratio by cash cost (A/B)	4.455
	R/C Ratio by total cost (A/D)	2.154

Household Expenditures
Average household expenditure was IDR. 92,320,539 per year, mostly spent on non-food expenditure such as saving, education and on food expenditure such as rice and salted fish.

METHODS AND MATERIALS

Data was collected from Paddy farmers in Ciasmara Village, March-April 2019.

Data consist of paddy farming cost and revenue and household expenditure on food and non-food.

Mathematical calculation are used to determine the minimum price for paddy grains so the income from paddy farming can meets household basic needs as follows:

$$P_y = - + ATC$$

DISCUSSION

The minimum output price determed by this study results in a higher price compared to the actual price on the market. This price determination could be taken, or, at least considered, as the floor price for paddy grains by Indonesian Government. By adding average marketing margins, the price paid by consumer will also increase, but not to the extent that consumers will reduce their consumption.

CONCLUSIONS

Paddy farming in Ciasmara Village is still profitable, but not profitable enough. Farmers still have to take side jobs so they can fulfill their household needs.

Price incentives can be a good instrument to increase farmers welfare. This research found that the minimum output price so farmers will get enough income is 4-10% higher than the actual price.

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