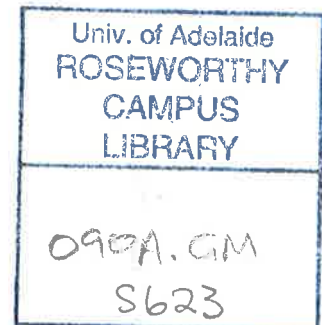


**A COMPARATIVE ANALYSIS OF RICE MARKETING BETWEEN
PRIVATE TRADERS AND COOPERATIVES
IN THE HULU SUNGAI TENGAH DISTRICT (INDONESIA)**

by
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**A THESIS SUBMITTED
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DECLARATION

I hereby declare that this thesis contains no material which has been accepted for the award of any other degree or diploma in any university. To the best of my knowledge and belief, no material described herein has been previously published or written by another person except when due reference has been made in the text.

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ABSTRACT

Rice production in Indonesia increased rapidly during the last two decades. This increase has exerted downward pressure on the price level. The government of Indonesia operates a price stabilisation program in order to reduce uncertainty with regard to the price for paddy and milled rice. This program involves the implementation of floor price for paddy and ceiling price for milled rice, and is associated with the maintenance of buffer stocks through controlled purchases and releases of rice from stock over time.

In relation to the maintenance of buffer stock, the government purchases paddy or milled rice from both private traders and cooperatives, the main participants in the rice marketing system. The cooperatives function to secure the fixed floor price determined by the government. The private traders, on the other hand, purchase paddy from farmers at the going market (retail) price. During the off-season, the price for milled rice at the retail level is usually high. Therefore, the paddy price offered by private traders at the farm level is higher than that offered by cooperatives (the floor price).

This study was prompted by the problem arising during the abundant season, namely, the situation where the offer price of private traders at the farm level is lower than the price offered by the cooperatives. As a consequence, the farmers selling paddy through private traders would be worse off from not having accepted the floor price offered by the cooperatives. Broadly, this would defeat the central objective of the rice procurement program to support incomes through price for farmers wellbeing. Furthermore, in the situation that the offer price of private traders is lower than the offer price of cooperatives, doubts have been publicly expressed that the cooperatives are not able to compete with the private traders in purchasing of paddy from farmers at the farm level. Therefore, the

relative prices offered by private traders and cooperatives, in combination with other socioeconomic factors, would affect the quantity of paddy sold by farmers through cooperatives.

The normative concept of uniform prices and the ordinary least squares (OLS) technique for the multiple regression are applied to compare the performance of the alternative buyers (ie. private traders and cooperatives) in relation to the rice marketing in the Hulu Sungai Tengah District, and to examine the factors determining the quantity of paddy sold by farmers.

The results show that the average prices for paddy offered by private traders and cooperatives at the farm level are not significantly different (ie. that is, they are essentially uniform). Also, the cooperatives compete effectively with private traders for the farmers' marketed surplus of paddy. Hence, farmers selling paddy to private traders are not significantly either worse off or better off from not having accepted the floor price offered by cooperative buyers.

Although the cooperatives are competitive in terms of purchases and prices, their target farmer suppliers are less well defined compared to those of private traders. Cooperatives tend not to target particular supplier groups, as indicated by the wider variation in their suppliers in terms of income, production, distance, household size, age, and education. Private traders, on the other hand, are evidently selective in their choice of farmer suppliers, buying significantly more from those who live further away from the location of their warehouses, those who are younger farmers, and those who are less well educated.

Overall, the rice marketing system in the district studied seems to be delivering pricing efficiency. This is manifested in the similar degree of responsiveness to retail price signals by both types of buyers. The implication is that sales through private traders and cooperatives give farmers a similar proportion or share of consumer price over time.

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