



Research project of counterparts funded at UNJA

Name	Counterpart	Title
Mirawati Yanita, Zulkifli Alamsyah, Ernawati Hamid	C01	The impact of the rubber auction market on the transmission price for farmers in Jambi Province

Background and Methods

Jambi province depends crucially on its agricultural sector (Kopp, 2014) and, in particular, products like rubber. Much rubber production in Jambi, however, is produced in small plantations cultivated by smallholders. Nevertheless, rubber has the potential of being key to economic and social development in rural areas and so of improving the socio economic situation of millions of farmers in Jambi Province. There are unfortunately major obstacles to this process. Most importantly, rural farmers do not have sufficient bargaining power to ensure a good price for their slab rubber from traders. One distribution channel for smallholder bokar (preprocessed) rubber is through the auction market (in Indonesian, pasar lelang karet, PLK). This market attempts to help farmers get a higher price from traders. The objectives of our study were therefore to give an overview of the rubber auction market process in Jambi Province and to analyze the impact of the PLK on the transmission price for farmers. We also described the changes in prices received by farmer at auction, assessed the vertical price transmission elasticity through simple regression and determined the farmer share.

Results

The transmission of agricultural product prices from low-market consumer market is an indicator that reflects the monopsonic or oligopsonic strength of the trader. We found that there were eight PLK in Bungo and six PLK in Tebo. In Bungo 450 farmers joined the PLK with a minimum of 150 farmers. The transaction volume at Bungo was 50 tons at a time. In Tebo 350 farmers joined with a minimum of 170. Here the transaction volume was 40 tons at a time. There was a minimum of three buyers and a maximum of six.

Farmers only got 40-60% of the export price from selling their rubber in the auction market. This condition explains the vulnerability of the farmers' position. One of the reasons is farmers who do not optimally implement their marketing function (figure 1).

Conclusion

The rubber auction market (PLK) is an alternative distribution route that allows smallholder farmers to obtain a better price for their good quality bokar. The price transmission elasticity is 2.85. Farmers who use the auction market obtain a share of 40-60%. Price changes at the export level are transmitted very little to farmers and their effect on farmers is very low.

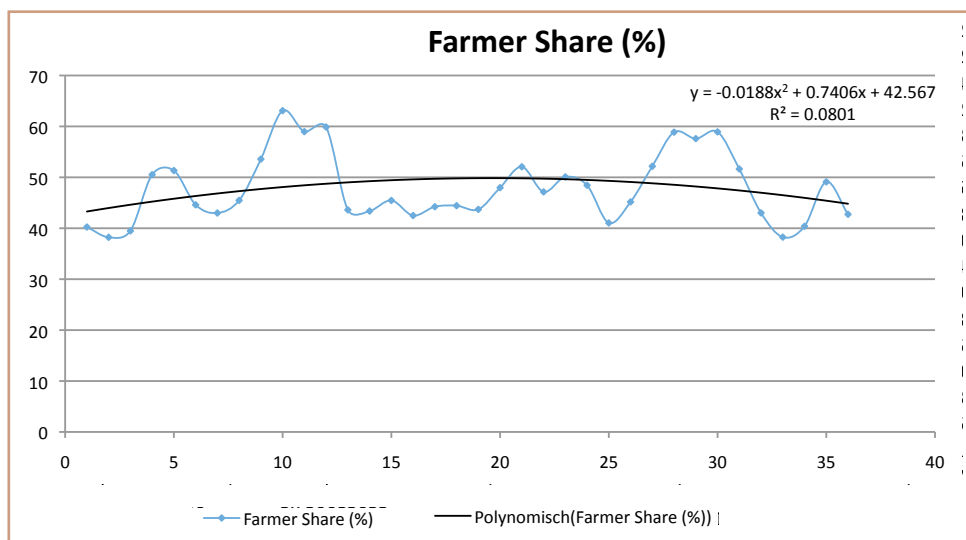


Figure 1. Realized share of the export price obtained by farmers selling in the auction market.