

THE IMPACT OF RUBBER AUCTION MARKET TOWARD TRANSMISSION PRICE FOR FARMERS IN JAMBI PROVINCE

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MIRAWATI YANITA
ZULKIFLI ALAMSYAH
ERNAWATI HD



INTRODUCTION

- Rubber is predominately produced on the islands of Sumatra and Kalimantan (Arifin, 2005)
- Jambi Province is one example that crucially depends on its agricultural sector

- Rubber production is generally derived from smallholder plantations characterized by low productivity, poor maintenance for the plantation, high proportion of old and damaged crops, inefficient marketing of rubber materials, unbalanced selling prices, and low incomes received by farmers (Siregar, Sitorus, & Sutandi, 2012; Anuja, 2012).
- 250 000 Jambinese households (out of 619 000) depend on rubber cultivation (Statistical Year Book of Estate Crops).



OBJECTIVES

Describe the process of Rubber auction market in Jambi Province

Analyze the impact of rubber auction market toward transmission price for farmers

METHOD

- the changing in price received by farmer in auction market and describe it in descriptive report.
- $E_t = \delta P_r / \delta P_f \cdot P_r / P_f$
- P_f and P_r are linearly related in the equation
- $P_f = a + b P_r$, result that, $\delta P_f / \delta P_r = b$ or $\delta P_r / \delta P_f = 1/b$, and $E_t = 1/b \cdot P_f / P_r$
- E_t = price transmission elasticity b = Regression coefficient or slope
- a = Intercept (cutting point) P_f = Prices at producer level
- P_r = Prices at the consumer level

If $E_t = 1$, means that the rate of price change at the consumer level equals the rate of change in the price at the producer level. This means that the market faced by all of the trading agents is perfectly competitive, and the trading system is efficient.

(2) If $E_t < 1$, then the rate of price change at the consumer level is less than the rate of price change at the producer level. This situation means that the prevailing marketing is inefficient and the market faced by the trading agent is competing imperfectly, that is, there is monopsony or oligopoly.

(3) If $E_t > 1$, then the rate of price change at the consumer level is greater than the rate of price change at the producer level. The market faced by all market participants is imperfect performers, ie there is a monopoly and oligopoly power in the marketing system and the prevailing marketing system is not efficient yet.

EMPIRICAL RESULTS

Tabel 1. Average Price, Highest And Lowest Price in Kabupaten Bungo and Tebo

Year	Bungo (Rp/Kg)				Tebo (Rp/Kg)	
	Average	Highest	Lowest	Average	Highest	Lowest
2015	9323.340766	10.767,37	7.299	9.255,54	10.543	7.219
2016	9.433,24	16.769	7.300	9387	16.555	7.159
2017	11.391,57	15.069	8.229	10.301	14.399	7.819

Source. Industry, Trade and Cooperation Division in Bungo dan Tebo Regencies, compiled from Auction Market, 2017

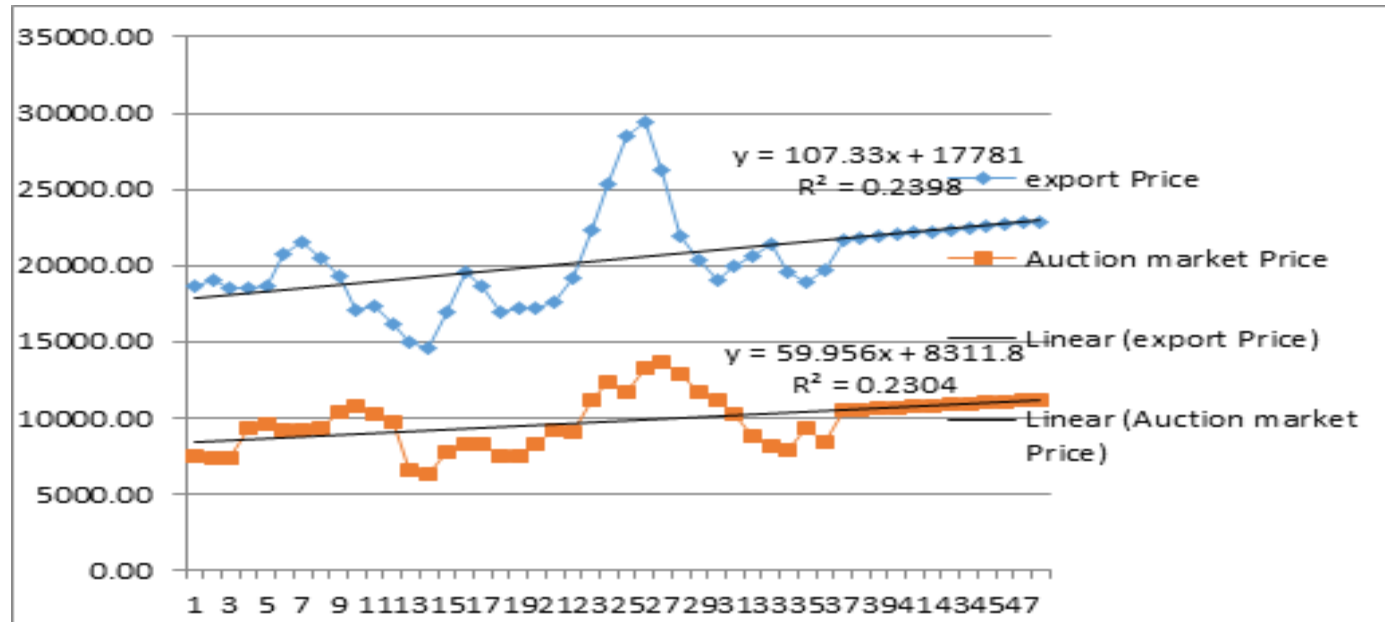


Figure 2. The development of Rubber export rate and the Price in Auction Market from 2015- 2017

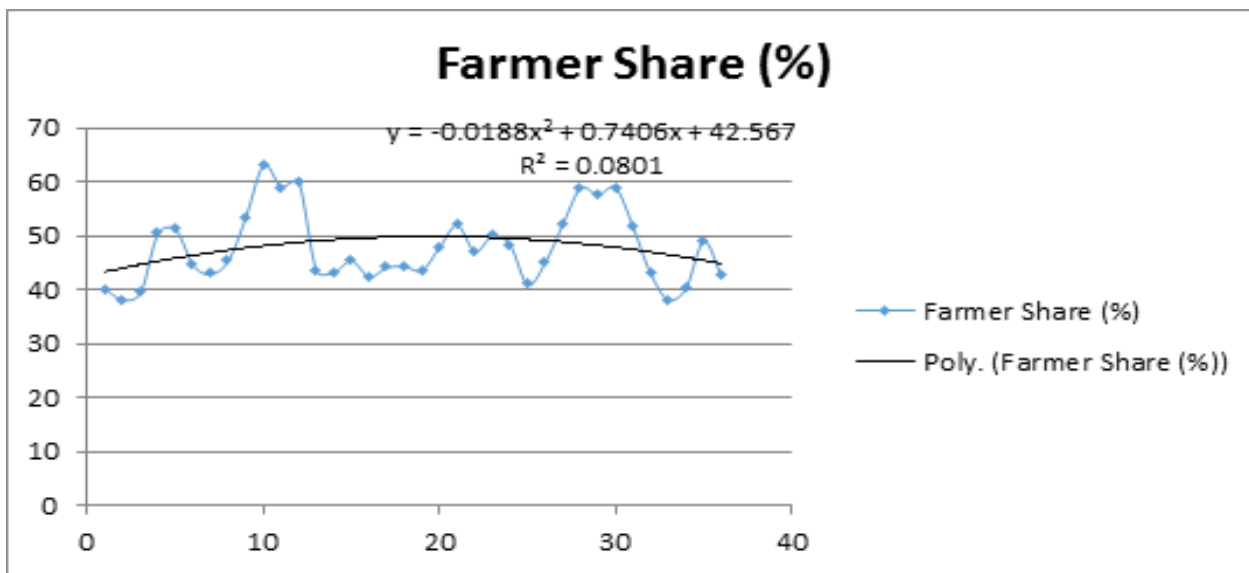


Figure 3. Farmer share who sells in auction market

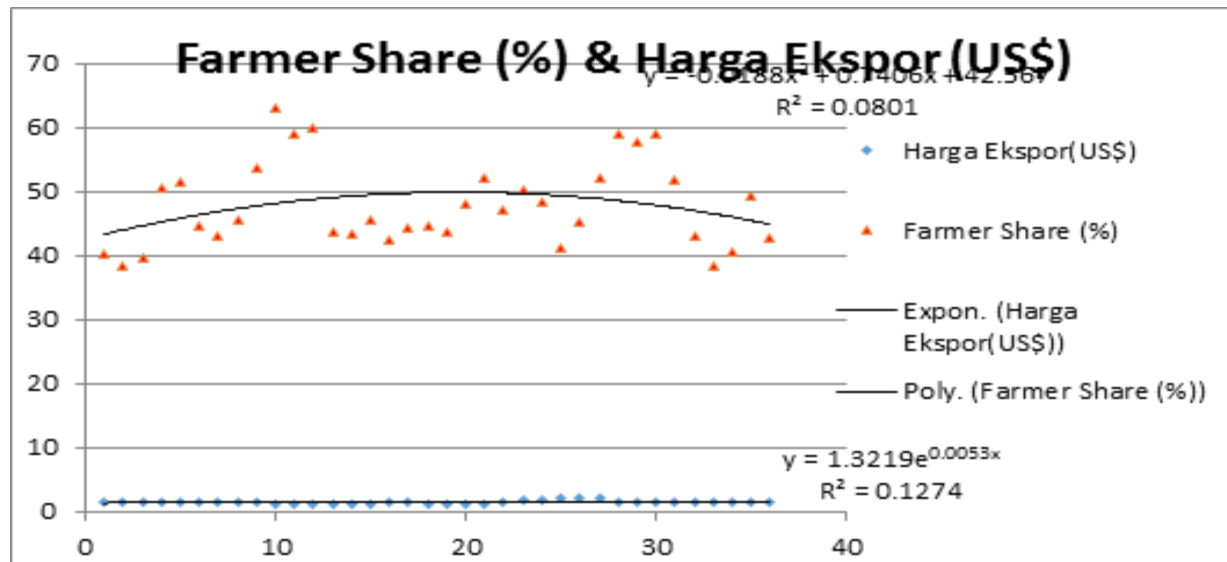


Figure 4. Farmer Share and Rubber Export Price

CONCLUSION



- Rubber auction market is an alternative marketing distribution for farmers to get a more decent price with good quality of BOKAR.
- The elasticity of transmissions price shows the influence of price changing in the level of farmers following the auction market. Based on the elasticity calculation of elasticity market in the rubber auction market of 2.85. This figure indicates the rate of price change at the consumer level is greater than the price change at the farmer or producer level
- Farmers who follow the auction market get of 40 to 60 percent farmer share. Price changes at the export level are transmitted very little to farmers and the price