Jurnal Lahan Suboptimal: Journal of Suboptimal Lands

ISSN: 2252-6188 (Print), ISSN: 2302-3015 (Online, www.jlsuboptimal.unsri.ac.id)

Vol. 13, No.1: 52-60 April 2024 DOI: 10.36706/JLSO.13.1.2024.654

# The impact of government purchase price policy of rice for producers and consumers in Indonesia

Dampak kebijakan harga pembelian beras pemerintah pada produsen dan konsumen di Indonesia

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(Received: 28 February 2024, Revision accepted: 27 March 2024)

Citation: Saleh, T. W., Lakitan, B., Budianta, D., Yamin, M., Cahya, G., & Huanza, M. (2024). The impact of government purchase price policy of rice for producers and consumers in Indonesia. *Jurnal Lahan Suboptimal : Journal of Suboptimal Lands.* 13 (1): 52-60. https://doi.org/10.36706/JLSO.13.1.2024.654.

#### **ABSTRACT**

Salah satu kebijakan beras adalah kebijakan harga pembelian pemerintah yang menetapkan harga pembayaran gabah dan beras dari pemerintah pada tingkat produsen agar stabil untuk dipersiapkan sebagai cadangan beras pemerintah. Tujuan dari penelitian ini yaitu untuk mengetahui dampak kebijakan harga pembelian pemerintah pada produsen dan konsumen. Penelitian ini dilakukan dengan menggunakan analisis kualitatif secara deskriptif melalui tabulasi dari data sekunder. Berdasarkan hasil penelitian, harga pembelian pemerintah ini yaitu bagian dari usaha pemerintah agar dapat menjaga harga dasar gabah dan beras petani sehingga menciptakan harga input yang terjangkau dan memberikan nilai tambah ekonomi kepada petani. Dari penelitian didapatkan kenaikan harga pembelian pemerintah sebesar 18-20% dapat meningkatkan harga gabah dan beras dari bulan maret hingga Agustus 2023. Total persentase perubahan harga dari Maret hingga Agustus 2023 untuk gabah kering panen sebesar 10,3%, gabah kering giling sebesar 10,8%, beras premium sebesar 0,6%, beras medium 3,2%. Sedangkan pada konsumen dampak kebijakan ini adalah terjadinya inflasi sebesar 0,41% sehingga harga beras meningkat. Pemerintah sebaiknya mengevaluasi Harga Pembelian Pemerintah (HPP) secara bertahap setiap tahunnya.

Kata kunci: dampak, harga, kebijakan, konsumen, produsen

### **ABSTRACT**

One of the rice policies was the government purchase price policy which was the price in grain or rice purchases by the Government at producer level to be stable become government rice reserves. The point of this research was to define the impact of the government purchase price policy of rice for producers and consumers. This research was conducted using qualitative analysis with descriptives based on tabulations of secondary data. Results of the research showed that government purchase price was part of the government's efforts to protect the basic price of grain and rice at the farm level thus creating affordable input prices and providing economic added value to farmers. The study found that an improvement in government purchase price by 18-20% could increase the price of grain and rice from March to August 2023. The total percentage change in prices from March to August 2023 for dry harvested grain was 10.3%, dry milled grain was 10.8%, premium rice was 0.6%, medium rice was 3.2% respectively. Meanwhile, the impact on consumers of this policy was the occurrence of

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inflation of 0.41% which caused rice prices to increase. The government should evaluate the Government Purchasing Price (GPP) gradually every year.

Keyword: consumers, impact, policy, prices, producers

### INTRODUCTION

Agribusiness activities play an important role in supporting food security and economic development in a country (Bammann, 2007). Efforts to increase efficiency and added value in the agribusiness value chain have become a major focus for academics, practitioners and policy One strategy that is increasingly receiving serious attention is upstream to downstream integration in agribusiness, where agricultural production activities are integrated advanced processing and distribution processes (Bosona & Gebresenbet, 2013). This integration has the potential to increase productivity, reduce losses, and optimize resource utilization (Ioannis et al., 2019).

One of the most important food ingredients is rice, rice has a very crucial role in Indonesia. This is reflected in the figures that rice is the staple food for most people (90%), including more than 14 million agricultural households and employs more than 40% of the total workforce in Indonesia. Apart from that, rice is related to aspects of poverty which is an object of development. Adequate rice supply prerequisite implementing price for rice stabilization policies by determining government purchasing prices. However, the price that has been set is a sign for farmers to produce rice and for consumers that they can adjust their rice rice consumption. Indonesia's policy improved over four decades. Many rice policies are primarily aimed at meeting the needs of rice consumers and improving the living standards of domestic rice farmers (Hermawan, 2016). The government legally sets government purchasing prices for grain and rice in line with National Food Agency (Bapannas) regulation Number 6 of 2023, with the completion of the process of publishing national procurement prices and distribution of grain and rice. With the approval of Bapannas, the government increased the minimum purchase price for grain and rice from farmers to increase farmers' income (National Food Agency, 2023).

According to (Suparmin et al., 2022) the government policy of increasing the price of grain every year using the government purchase price policy (GPP) has had a big impact. This policy automatically causes price increases at the producer level. This price increase causes the price of rice to increase at the consumer level. The objective of this research was to determine the impact on producers and consumers when there is an increase in government purchasing prices for grain and rice. This research was carried out using secondary data.

### MATERIALS AND METHODS

The research method applied was a qualitative method by collecting data taken with descriptive methods. Descriptive methods were methods based on data that exist in the presented or investigations that aim at solving problems that exist in the presented. The data used in this study were secondary data. Secondary data were obtained from previous research and data sourced from the Central Bureau of Statistics and related regulations. The data used were government purchase prices, producer price data, consumer price data for 2023, starting from the government's procurement price policy in March. Data on rice prices to consumers was data from the results of a discussion forum held by the government on the official YouTube channel of the Ministry of Trade of the Republic of Indonesia.

The purpose of this study was to determine the impact of the government's rice purchase price policy on producers and consumers through qualitative analysis from reliable sources and public documents. Data processing methods to answer research objectives were determined by descriptive analysis of secondary data obtained by describing data in tabulations and graphs as well as discussion with supporting data. Researchers looked at price changes that occurred at the consumer level and production level to see changes that occurred after the increase in

purchase prices for grain and rice at the level of Impact of the Government's Grain and Rice produses carried out by the government.

#### **RESULTS**

### Government Grain and Rice Purchase Price **Policy**

One of the food policies was the government purchase price policy (GPP). Suparmin's study showed that the degree of stabilization of government purchase prices in the open market looks more stable when compared to the New Order and free market. On the other hand, the degree of stabilization of the government's purchase price of rice during the New Order period was relatively stable compared to other periods. This showed that setting domestic rice prices compared to rice prices abroad is beneficial for the stability of the government purchase price (GPP) of rice. However, price stability efforts so far tend to focus on efforts to maintain rice price stability at the consumer level as an effort to control inflation. Therefore, in order to protect the interests of rice producers and consumers, future price stabilization measures need to balance the interests of producers and consumers. This government purchase price was part of the Government's efforts to maintain the basic purchase price of grain and rice at the farmer level. This Government Purchase Price was a regulation that controls the purchase price of grain and rice from farmers. In the middle of the current harvest season, the government uses this policy to maintain grain and rice prices at the farmer level (Suparmin et al., 2022).

Some time ago, the government inaugurated the government's purchase price on the latest grain and rice. After the completion of the process of implementing the National Food Agency Regulation (Bappanas) Number 6 of 2023 on the purchase price of government grain and rice. By ratifying the regulation, the government increases the purchase price of farmers' grain and rice to increase farmers' income (Government Purchase Price Determination for Grain or Rice, 2020). Here was Table 1. showed the percentage change in the government purchase price (COGS) when compared to the previous policy.

### **Purchase Price Policy on Producers**

The pricing of harvested dry grain on farmers was a "trade-off" for farmers. If the price of harvested dry grain was too large, traders and millers will buy less grain because consumers' purchasing ability on rice was low. In this situation, there was a risk of prices becoming too high and farmers cannot sell their grain. Conversely, if the price of harvested grain was too low so that farmers could experience losses due to the selling price of harvested dry grain (HDG) cannot cover production costs. In this situation, farmers actually do not want to sell their grain, but were "burdened" by urgent financial needs (liquidity), the cost of maintaining grain when stored, and the possibility of grain rotting if they do not sell it immediately. The price of agricultural commodities was strongly influenced by prices in the past (price lag last year). This was one of the seasonal factors, there were times when agricultural products were abundant and there were times when they were scarce that affect prices. In the big harvest season, the price of harvested dry grain was generally smaller. In general, the price of grain was also influenced by the price level of other grains, namely dry grain, low-quality grain, and the price of rice produced at the end of the rice planting period, namely the price of rice. Another factor that determines the price of harvested grain was the grain purchase price policy from the Government issued by the Government (Bappanas). The purpose of this government purchase price (GPP) policy was so that the market pricing mechanism (supply and demand) by farmers and traders / millers cannot be priced below the government price so that it has the potential to harm farmers. Here was Table 2. which showed a comparison of prices at the producer level with the 2023 government purchase price.

The data above was taken from a comparison of government purchase prices in 2020 with government purchase prices in 2023. From the data above, it could be seen that prices at the producer level have the highest increase in rice prices where there was a percentage price difference of 18.1%. In addition, dry grain harvested in mills also has a percentage of 17.2%.

The changes in price increases that occur were quite large. Based on data showing that the increase in government purchase prices starts from March 2023, so researchers take price changes in grain and rice starting from March to August 2023. Here's the percentage change in rice prices from March-August 2023.

### **Impact of Government Rice Purchase Price Policy on Consumers**

This increase in government purchase prices (GPP) also has an impact on decreasing consumer welfare. Such as declining wealth because people buy rice at higher prices due to high government purchase prices (GPP). Raskin beneficiaries will also feel a decrease in the value of the rice they consume due to the increase in the government purchase price (GPP) of grain. So, government should agree to use rice from within the country as Raskin's main ingredient compared to rice from abroad. So that the Raskin subsidy provided by the government has a positive effect on farmers in buying domestic rice (Ahmad, 2011). In general, the price trend of various raw materials showed an increase in August 2023. Based on the results of BPS monitoring in 90 cities, the inflation rate in August 2023 was 3.27%, and the consumer price index increased from 111.57 in August 2022 to 115.22 in August 2023. The monthly deflation rate was 0.02% and the annual inflation rate was 1.43%. One of the main commodities contributing to inflation in August 2023 was rice with a magnitude of 0.41% (Central Bureau of Statistics, 2023a). The following was the development of rice prices in consumers based on the results of the FGD coordination meeting on regional inflation control in 2023 (Figure 1 & 2).

The price depends on two factors. One was the pull of demand (excess supply/money/exchange rate) and the other was production and/or supply pressure (lack of production). First, the role of the Government (central bank) in monetary policy plays a large role, and second, the role of the government in policy management plays a large role, in this case policy management was implemented. Based on previous research on Sig X2 (Rice Price) it was produced that the variable X2 plays a significant role in Y (Inflation). A positive t value was indicated by the variable (Putra, 2017).

Table 1. Comparison of changes in government purchasing prices based on policies in Permendagri No. 24 of 2020 with the Indonesian National Food Agency No. 6 of 2023.

Product	GPP Permendagri No.	Indonesian National Food	Percentage	
	24 of 2020 (IDR/kg)	Agency GPP No. 6 of 2023	Increase in COGS	
		(IDR/kg)	(%)	
Harvesting Dry Grain (HDG) at Farmers	4,200	5,000	19.0	
Harvesting Dry Grain at the Mill	4,250	5,100	20.0	
Milled Dry Grain (MDG) in the mill warehouse	5,250	6,200	18.1	
Milled Dry Grain (MDG) in the mill warehouse	5,300	6,300	18.9	
Rice in the Gudang Perum Bulog	8,300	9,950	19.9	

Source: (Minister of Trade of the Republic of Indonesia, 2020) and (Government Purchase Prices and Price Factories for Grain and Rice Number 6 of 2023, 2023)

Table 2. Comparison of prices at the producer level with government purchasing prices

Quality Group	Price at Producer	GPP 2023	Percentage Difference between COGS		
	Level (IDR/kg)	(IDR/kg)	and Producer Price (%)		
Harvesting dry grain (HDG) at the farmer	5,833	5,000	16.7		
Dried grain harvested at the mill	5,979	5,100	17.2		
Milled dry unhulled grain (MDG) in the mill warehouse	6,760	6,200	9.0		
Milled dry grain (MDG) in the milling warehouse	6,868	6,300	9.0		
Rice in the Bulog public warehouse	11,754	9,950	18.1		

Source: Processed data (2023) from (Central Bureau of Statistics, 2023b; Government Purchase Prices and Grain and Rice Price Fractions Number 6 of 2023, 2023)

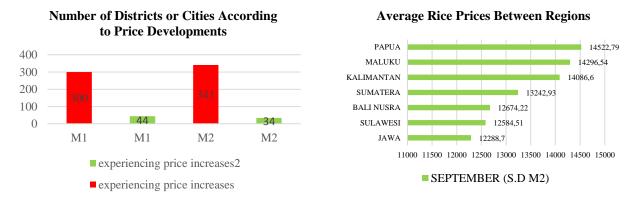


Figure 1. Average rice prices between regions

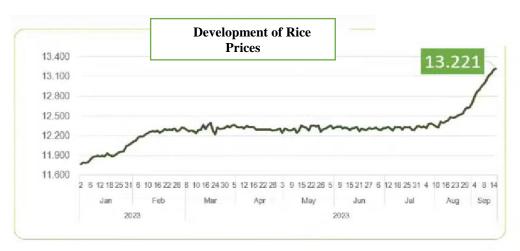


Figure 2. Rice price development

Source: (Ministry of Trade of the Republic of Indonesia, 2023)

### Impact of the Government's Grain and Rice Purchase Price Policy on Producers

Based on Table 3. Percentage change in rice prices from March-August 2023, it could be seen that grain and rice prices have increased from March to August 2023. The total percentage change in prices from March to August 2023 was harvested grain 10.3%, milled rice 10.8%, premium rice by 0.6%, medium rice by 3.2%. According to Suparmin et al. (2022), the effect of this price policy on farmers' grain prices could be observed with statistical test results. The results of the study stated that the price had a real effect on the price of harvested grain with a significance level of 99%. If we look at the magnitude of the influence of the free variable (government

purchase price) on the dependent variable (farmer grain price), it was known that the effect was relatively small, namely 50.90% (Decision Scale = R2), as well as the magnitude of the influence of the free variable of government purchase price on the price-bound variable, strength. from the union (Conteh, 2012). That was, there were other factors that affect farmers' grain prices. However, if you look at the regression coefficient of 1,878, it means that the price of harvested dry grain has increased by IDR 1,878 / kg for every increase in government prices of IDR 1,000 /kg. The government's policy of increasing grain prices every year through the government's purchase price policy (GPP) has a major impact (Suparmin et al., 2022).

Table 3. Percentage change in rice prices from March-August 2023

Moon	Dry Grain Harvest (DGH)		Milled Dry Grain (MDG)		Rice			
	Average Price	Change (%)	Average Price (IDR/kg)	Change (%)	Premium	Change (%)	Medium	Change (%)
March	5,403		6,178		11,681		11,122	
April	5,524	2.2	6,220	0.7	11,672	-0.1	11,050	-0.6
May	5,732	3.8	6,264	0.7	11,642	-0.3	11,006	-0.4
June	5,673	-1.0	6,460	3.1	11,525	-1.0	11,080	0.7
July	5,764	1.6	6,506	0.7	11,537	0.1	11,121	0.4
August	5,979	3.7	6,868	5.6	11,754	1.9	11,475	3.2
Change (%)	March to August 2023	10.3		10,8		0,6		3.2

Source: (Central Bureau of Statistics, 2023b)

Based on the results of the study, the government was a valid variable that could be applied to increase the price of harvested grain in farmers. The government should increase the government's purchase price gradually every year. However, this price increase was consistent with policies that increase (or decrease) the price of rice as an agricultural final product and was consistent with policies aimed at creating affordable input prices and providing economic added value to farmers. In August 2023, the price of milled grain in farmers was IDR 5,833.00 /kg, an increase of 3.62%, and in mills of 5,979.00 /kg, an increase of 3.74% from the price of the same quality milled dry grain in the area a month ago. The average price of milled dry grain in farmers was IDR 6,760.00 /kg, an increase of 5.82% and in mills IDR 6,868.00/kg, an increase of 5.57%. The price of premium quality rice rose 1.88% to IDR 11,754 /kg. Meanwhile, the average price of medium rice increased 3.19% to IDR 11,475 /kg. By August 2023, rice price surveys have been completed at 873 milling mills at 31 locations, collecting 1,095 surveys milled rice. The August 2023 grain price survey includes a survey of 1,837 commodities sold in 27 locations. This data showed that in terms of composition, the number of grain price analyses still dominates with the number of analysis of dry grain sales agreements with 1,075 surveys (58.52% followed by purchases of harvested dry grain (HDG) Number of observations (26.57%) and grain sales as many as 274 observations (14.92%) Based on the number of observations of the quality of harvested dry grain (HDG) and milled dry grain (MDG) as many as 87 people (5.57%). Where the value of the agricultural level was lower than the government purchase price

(GPP), compared to 209 cases (13.37%) from factories. (Central Bureau of Statistics, 2023b).

Government purchase prices that were smaller than the highest retail price cause prices to soar above the government purchase price (GPP), but when the government tries to increase the government purchase price (GPP), grain prices also increase. The increase in rice prices caused by the impact of the price policy set by Bappanas which intends to prosper producers or farmers, but this causes an increase in purchase prices from a commercial point of view so that rice prices rise. All farmers feel that prices have increased causing the price of harvested grain, milled grain and rice to increase. In addition, this increase may also be caused by declining rice production due to farmers failing to harvest so that crop grain production decreases and even causes a shortage of rice supply, causing high demand, but the goods needed were not there / scarce, causing prices to increase.

Therefore, the process of increasing the price of rice to increase the price of milled rice with the aim of helping farmers was ineffective because it does not significantly increase farmers' income and will not be effective in stimulating production. This phenomenon occurs because for many farmers (especially small farmers), the market structure was almost a monopsony market. As a suggestion to make rice price increases more effective, the government could intervene through the Indonesian Logistics Agency to make the market more competitive. This intervention could create competition for traders in the monopsony market (Makbul &; Ratnaningtyas, 2017).

The government needs to take into account to make producers more productive and able to

compete with the world market. Research conducted (Griswaol, 2006) states there was no evidence that the costs imposed on other Americans have brought prosperity independently to the US rice sector. In fact, trade subsidies and protection may have contributed to the decline in the sector's competitiveness in global markets. This showed that the government needs to support or create producers who have advanced human resources so that they could produce rice more optimally, so what was needed by producers was not only subsidies but also human resource development.

### **DISCUSSION**

### **Government Grain and Rice Purchase Price Policy**

Rice policy remained relatively unchanged during Joko Widodo's administration. accordance with national priorities for 2015-2019, improving agriculture is oriented towards achieving food power and prioritizing farmers. The real form of this challenge is the achievement of food self-sufficiency in 2016, or more generally food sovereignty (10%)selfsufficiency). The Ministry of Agriculture stated that the rice production target is 73.4 million tons of harvested dry grain, equivalent to 37 million tons of rice in 2015 and 76.23 million tons of rice in 2016. Specifically, rice production in 2015 saw an increase from the previous year. In 2014 it increased by 6.64% to 75.55 million tons of dry milled grain. If converted into rice with a final yield of 63%, rice production is equivalent to 47.6 million tons, and Indonesia is estimated to have a rice surplus. However, its implementation, the government continued to buy from abroad around 1.5 million tons of rice at the end of 2015. Indonesia's rice policy cannot be separated from the role of policy makers and policy implementers. Policy makers are the Ministry of Agriculture, Bappanas/National Food Agency, and the Ministry of Trade. Bulog is currently implementing the policy. Its responsibilities include: (a) price stability with a minimum price policy to maintain the needs of producers and a maximum price policy to maintain the needs of rice consumers; and planning followed by the implementation of government-mandated rice policy. Public service obligations from buffer stock in the form of rasta distribution and market operations (Hermawan, 2016).

The latest government purchase price (GPP) supports BULOG to increase grain/rice intake by filling the gap. This action is in line with the President's orientation to BULOG to maximize the absorption of national crops. In line with the Minister of Trade Regulation Number 24 of 2020, the latest Government Purchase Price (GPP) recorded a price increase of 18-20% compared to the previous Government Purchase Price. In harvested dry grain, the price at farmers which was previously IDR 4,200/kg, was then increased to IDR 5,000/kg. Harvested dry grain increased IDR 5,100/kg from IDR 4,250/kg in the previous rice milling stage. The price of dry milled grain increased to IDR 6,200 /kg from IDR 5,250 /kg at the mill. Previously, the price of dry milled grain in the BULOG warehouse was IDR 5,300 I /kg and then increased to IDR 6,300 /kg. The price of rice in the BULOG warehouse which was previously IDR 8,300/kg is now increased to IDR 9,950 /kg (Ministry of Trade of the Republic of Indonesia, 2020; National Food Agency, 2023).

# **Impact of Government Rice Purchase Price Policy on Consumers**

Rice is the main source of inflation at 0.41% in August 2023. In Indonesia, rice accounts for about 45% of total food consumption, which accounts for about 80% of the main source of carbohydrates in the consumption behavior of Indonesian people. Due to its relatively even distribution throughout Indonesia, rice is still the most important food ingredient in terms of nutrition, economy, social and cultural development for most people. Moreover, rice occupies the largest weight among the individual consumption components of the Indonesian population. (Central Bureau of Statistics, 2023a). When compared to the previous week in September 2023, more districts/cities experienced an increase in rice prices. In the first week, 300 districts/cities experienced price increases, and in the second week, 341 districts/cities experienced price increases. The average price of rice in the

development of rice prices increased to 13,221 at the beginning of September.

Thus, national inflation is strongly influenced by fluctuations in rice prices. The high demand for rice with the same rice supply will cause an increase in rice prices in the market. This increase in rice prices led to an increase in the inflation rate. One of the keys to controlling Indonesia's inflation rate is to control food prices, especially rice. Food groups are expected to play a dominant role in inflation in the next 5 to 10 years. Efforts must be made to maintain rice price stability without affecting the inflation rate (Asnawi et al., 2020).

Important results are discussed and the data found are interpreted. Similarities, differences, and uniqueness of the results obtained were compared with the latest information from previous studies. If there are new findings, it should be stated firmly in the discussion. At the end of the discussion, the implications for related fields are presented.

The impact of rising rice prices is most felt by low-income families who still rely on rice as a staple food compared to other households. Among the middle class, even if the price of rice rises in the short term, the need for raw rice will only decline slightly, and rice, which is a staple food, is unlikely to be replaced by other foods. Rising rice prices can result in increased expenditure, reduced purchasing power, and increased malnutrition, especially among lowincome households, maintaining the supply side of rice production alone cannot guarantee rice price stability (Ali & Ambya, 2017). The government should try to control prices on rice. The government needs to make fiscal policy with the aim of increasing people's income. So that people's purchasing ability also rises. Increasing people's income is expected to improve the quality of food consumed by the community, especially for low-income families (Bashir &; Yuliana, 2019).

### CONCLUSION

The conclusion in this study is that an increase in government purchase prices (GPP) by 18-20% can increase grain and rice prices from March to August 2023. The total percentage change in

prices from March to August 2023 for harvested dry grain (HDG) is 10.3%, milled dry rice (MDG) is 10.8%, premium rice is 0.6%, medium rice is 3.2%. The government should evaluate the Government Purchase Price (COGS) gradually every year. The increase in government purchase prices has an impact on consumers. The impact is an increase in rice prices. In addition, the impact of the policy on consumers is inflation of 0.41% so that rice prices increase.

#### ACKNOWLEDGEMENTS

The acknowledgements of this research is dedicated to the agriculture faculty of Sriwijaya University.

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