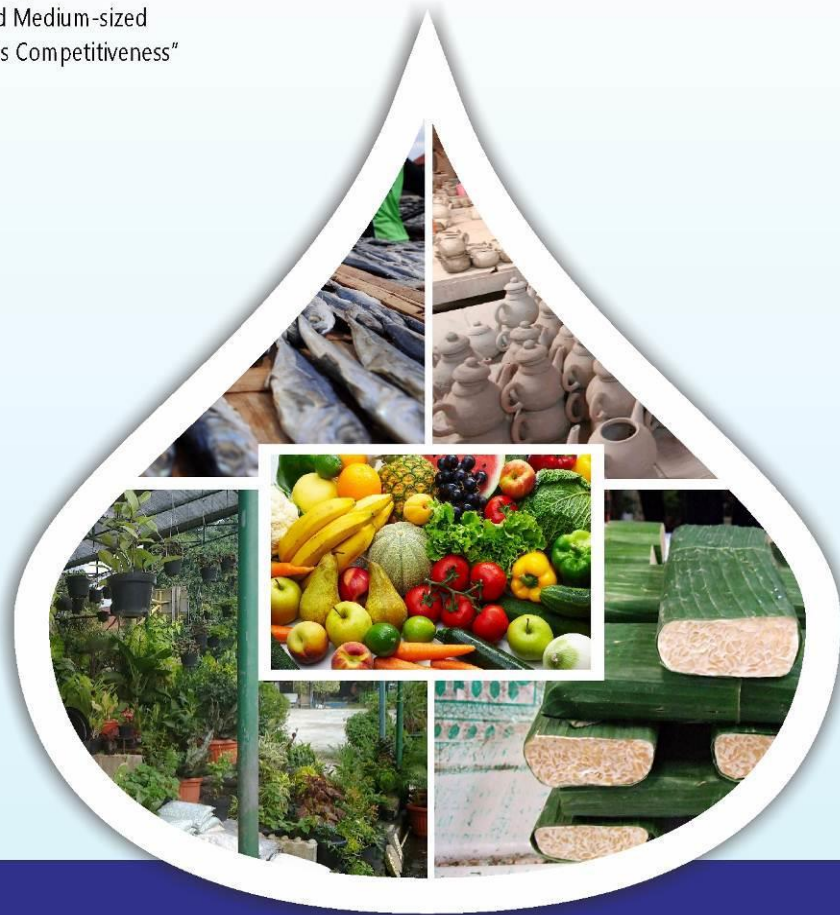




2016

"Small and Medium-sized
Enterprises Competitiveness"

ISBN 978-602-7577-70-1



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INTERNATIONAL CONFERENCE

Agribusiness Development for Human Welfare



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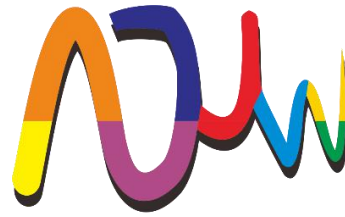
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AGRIBUSINESS
DEVELOPMENT FOR
HUMAN WELFARE

*“Small and Medium-sized
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EDITOR FOREWORD

The economic integrations by ASEAN certainly have given a major influence on Small and Medium-sized Enterprises (SMEs). Beside economic integration in the form of free trade area (FTA) that has been going on since the early 2000s, economic integration in the form of ASEAN Economic Community (AEC) has been ongoing since the beginning of 2016. Through this integration, SMEs have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market.

In order to explore ideas, concept, and innovations related to the competitiveness of SMEs, International Conference on Agribusiness Development for Human Welfare (ADHW 2016) was held in Yogyakarta on May 14, 2016. The conference organized by Department of Agribusiness Universitas Muhammadiyah Yogyakarta, in collaboration with Department of Agribusiness and Information System Universiti Putra Malaysia, Department of Agro-Industrial Technology Kasetsart University, Department of Agriculture Socio-Economics Universitas Gadjah Mada, Department of Agriculture Socio-Economics of Universitas Brawijaya, Indonesian Society of Agriculture Economics, Agribusiness Association of Indonesia. Hopefully proceedings of ADHW 2016 provide stimulus for increasing competitiveness of SMEs in ASEAN, especially in Indonesia.

Furthermore, we are grateful to Allah, the Sustainer of all word, who always makes it easy for our affairs. We would like to acknowledge with thanks to all the institution and individual who joined with resources and efforts in organizing the conference that resulted in the papers which are published in this proceeding. Special thanks to all authors and discussants who contributed with their intellectual capital and responded to our call papers. Thanks and acknowledgment are also due to all reviewers of the conference who helped in evaluating submitted papers; and to the members of the Organization Committee, who ensured smooth execution of the event.

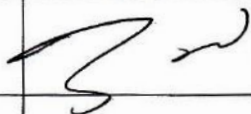
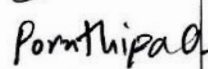

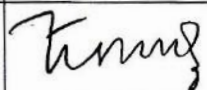
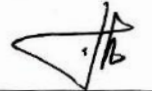
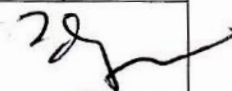
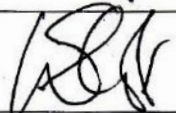
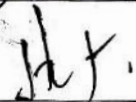
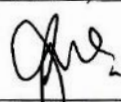

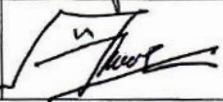
May 30, 2016

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PREFACE

Assalaamualaikum, Warahmatullaahi., Wabarakaatuh.
Dear Honorable Governor of Yogyakarta Special Province
Dear respectable Prof. Dr. Zainal Abidin Mohamed
Dear respectable Asist. Prof. Pornthipa Ongkunaruk
Dear respectable Rector of UMY Prof. Dr. Bambang Cipto, MA.
Dear all invited Guests, Speakers, and Participants of International seminar of ADHW 2016.

Alhamdulillah, all praise be to the Almighty God, so that we can be gathering here today at Muhammadiyah University of Yogyakarta in order to attend the Conference on Agribusiness Development for Human Welfare (ADHW) 2016.

Ladies and Gentlemen,

On behalf of the committee, I would like to say welcome to this International Conference on ADHW 2016 and thank you for attending our invitation.

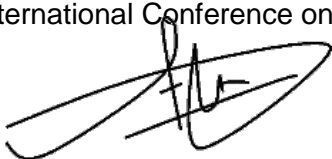
Especially, we are grateful to invited speakers, Prof. Zainal Abidin Mohamed and Asist. Prof. Pornthipa Ongkunaruk, for their willingness to share information and thoughts in this conference. As a bit report, that this conference has been attended by 85 speakers coming from five countries.

This conference entitled "Small and Medium-sized Enterprise Competitiveness". ASEAN Economic Community is the largest economic integration that is going to be implemented at the beginning of 2016 (December 31, 2015). Through this integration, SMEs will have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market. We expect that this seminar is capable of producing thoughts building SMEs within ASEAN, especially Indonesia, to face the free trade.

This event can be done by support and efforts from all sides. Therefore, I would like to say thank you to all committee members having worked hard to conduct this event. We, as the organizer committee, do apologize when there is a shortage in conducting this event.

Wassalamualaikum, Warahmatullaahi., Wabarakaatuh.

Chairman
International Conference on ADHW 2016



Dr. Aris Slamet Widodo, SP., MSc.

WORDS OF WELCOME

Assalamu'alaikum warahmatullahi wabarakatuh

Alhamdulillah, all praise be to Allah SWT, who has given us His blessings so that this International Seminar of Agribusiness Development for Human Welfare (ADHW) 2016 entitled "Small and Medium-sized Enterprises Competitiveness" can be conducted. This International Conference is held in cooperation among Agribusiness Study Program of Muhammadiyah University of Yogyakarta with Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), and Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB).

Countries of ASEAN members like Indonesia, Malaysia, and Thailand have more than 90% Small and Medium-sized Enterprises (SMEs). In general, SMEs play important role in economic developments such as in terms of employment, added value, improve foreign exchange, and economic growth. For Indonesia, the role of SMEs is limited to employment and added value, while the foreign exchange from SMEs is still low. According to the General Director of SMEs of Industrial Ministry, in 2013 the total SMEs being able to pass through export market is just under 5 percent. For that required many breakthrough and innovation so that the role of SMEs becomes real economic development, especially in Indonesia, and generally in ASEAN countries.

On behalf of Agribusiness Department of Universitas Muhammadiyah Yogyakarta, we would like to express our gratitude Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB) for all supports, sponsors, and all committee members having worked so hard that this International Conference can be conducted.

Hopefully, these synergies coming from various parties can provide contribution for developing SMEs in Indonesia and other ASEAN countries as well.

Wassalamu'alaikum warahmatullahi wabarakatuh

Head of Agribusiness Department
Universitas Muhammadiyah Yogyakarta



Ir. Eni Istiyanti, MP.



Gubernur

Daerah Istimewa Yogyakarta

Sambutan

KONFERENSI INTERNASIONAL

“*AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE*”

Yogyakarta, 14 Mei 2016

Assalamu'alaikum Wr. Wb.

Salam sejahtera untuk kita semua.

Yang Saya hormati :

- Rektor Universitas Muhammadiyah Yogyakarta;
- Para Narasumber;
- Hadirin dan Para Peserta yang berbahagia,

Puji dan syukur marilah kita panjatkan kehadirat Allah SWT karena hanya atas limpahan rahmat serta karunia-Nya, kita dapat hadir pada kesempatan acara **Konferensi Internasional “*Agribusiness Development For Human Welfare*”** ini dalam keadaan sehat wal’afiat.

Pada kesempatan kali ini, secara ringkas Saya akan menyampaikan mengenai industri kecil menengah nasional yang menjadi tema pada pembukaan Seminar Internasional “*Agribusiness Development For Human Welfare*” ini.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Berdasarkan data BPS, pertumbuhan industri pengolahan nonmigas pada tahun 2015 secara kumulatif sebesar 5,04%; lebih tinggi dari pertumbuhan ekonomi (PDB) pada periode yang sama sebesar 4,79%. Pada periode Januari-Desember 2015, nilai ekspor produk industri pengolahan nonmigas mencapai USD 106,63 Milyar, dan nilai impor mencapai USD 108,95 milyar, sehingga neraca perdagangan industri pengolahan nonmigas pada periode yang sama sebesar USD 2,32 milyar (neraca defisit).

Usaha pemerintah untuk memperkecil defisit di atas, salah satunya dengan cara memberdayakan Industri Kecil dan Menengah (IKM) yang merupakan bagian penting dalam perkembangan industri nasional. Sampai saat ini, Industri Kecil dan Menengah

telah berkontribusi sebesar 34,82% terhadap pertumbuhan industri pengolahan nonmigas secara keseluruhan.

Angka ini dapat tercapai karena dukungan lebih kurang 3,6 juta unit usaha, yang merupakan 90 persen dari total unit usaha insutri nasional. Jumlah unit usaha tersebut telah mampu menyerap tenaga kerja sebesar 8,7 juta orang, yang tentunya berdampak pada meningkatnya ekonomi nasional serta mengurangi kemiskinan.

Industri Kecil dan Menengah (IKM) memiliki peran yang strategis dalam perekonomian nasional. Hal ini sejalan dengan Visi Pemerintah dalam Rencana Pembangunan Nasional Jangka Menengah (RPJMN) 2015-2019 yaitu *“Terwujudnya Indonesia yang berdaulat, mandiri, dan berkepribadian berlandaskan gotong royong”*.

Untuk lebih meningkatkan peran tersebut, Penumbuhan dan Pengembangan Industri Kecil dan Menengah diarahkan untuk memiliki tujuan jangka menengah guna mewujudkan industri kecil dan industri menengah yang berdaya saing, berperan signifikan dalam penguatan struktur industri nasional, pengentasan kemiskinan dan perluasan kesempatan kerja, serta menghasilkan barang dan/atau jasa Industri untuk keperluan ekspor.

Hadirin dan Saudara-saudara sekalian,

Awal tahun ini, kita telah memasuki era Masyarakat Ekonomi ASEAN (MEA). Dengan demikian, perekonomian nasional akan langsung bersaing dengan para pelaku pasar di kawasan ASEAN. Produk dan jasa termasuk investasi negara-negara anggota telas bebas memasuki pasar di kawasan ASEAN.

Dalam rangka menghadapi hal tersebut, Pemerintah mengambil langkah-langkah strategis berupa peningkatan daya saing industri dan mendorong investasi di sektor industri; di mana peningkatan daya saing industri itu sendiri dilakukan melalui penguatan struktur industri dengan melengkapi struktur industri yang masih kosong serta menyiapkan strategi ofensif dan defensif dalam akses pasar.

Pemerintah telah melakukan Penguatan Sektor IKM dengan strategi ofensif dan defensifnya melalui beberapa program pelaksanaan, diantaranya antara lain: Penumbuhan Wirausaha Baru; Pengembangan IKM melalui Pengembangan Produk IKM serta Peningkatan Kemampuan Sentra dan UPT; Pemberian Bantuan Mesin dan Peralatan Produksi; Perluasan Akses Pasar melalui Promosi dan Pameran; Fasilitasi Pendaftaran Hak Kekayaan Intelektual; Fasilitasi Sertifikasi Mutu Produk dan Kemasan; serta Fasilitasi Pembiayaan melalui Skema Kredit Usaha Rakyat (KUR).

Saya berharap agar berbagai program-program pemerintah tersebut dapat didukung secara sinergis oleh seluruh komponen masyarakat. Untuk itu, Saya berpesan kepada Saudara-saudara sekalian agar semua program pemerintah dalam bidang

Industri, khususnya dalam program pemberdayaan Industri Kecil dan Menengah, didukung dengan sepenuh hati, agar dapat lebih bermanfaat bagi masyarakat dalam rangka pengembangan industri kecil menengah.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Demikian beberapa hal yang dapat Saya sampaikan. Akhirnya dengan memohon ridho Allah Subhanahu Wata'ala, seraya mengucap "*Bismilahirrahmanirrahim*", **Konferensi Internasional "Agribusiness Development For Human Welfare"** dengan ini secara resmi Saya nyatakan dibuka. Semoga Allah SWT memberikan petunjuk, bimbingan, perlindungan dan kemudahan dalam setiap langkah dan upaya kita. Amien.

Sekian dan terima kasih.

Wassalamu'alaikum Wr. Wb.

Yogyakarta, 14 Mei 2016
GUBERNUR
DAERAH ISTIMEWA YOGYAKARTA



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TRANSACTION COST ANALYSIS ON CARDAMOM MARKETING IN PADASARI VILLAGE, CIMALAKA DISTRICT, SUMEDANG REGENCY

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ABSTRACT

The high exports and domestic demand on the cardamom commodity make a good prospect for an agribusiness. In Padasari village, many farmers have been cultivating cardamoms on their private lands as well as the public land owned by Perum Perhutani. However, this agribusiness has not been supported yet by the adequate institutional. Consequently, the condition has affected the farmers' bargaining position and the market information availability. The incurred transactions usually happen due to the asymmetric information among farmers as sellers. The cardamom farmers have two marketing channels. Firstly, the farmers directly sell their harvests to the wholesalers defined as channel I. Secondly, the farmers sell the harvests to the collector defined as channel II. This research aims to analyze the transaction cost incurred by the farmers and their margin in the two marketing channels, to analyze the marketing margins for farmers and collectors, to investigate the difficulties in forming farmer groups. The snowball technique is used to determine respondents. The analyses include descriptive analysis, transaction cost analysis, and margin analysis. The results show that the transaction cost incurred by the farmers in channel I is higher than in channel II. However, the margins in the two channels were not different. If the dried cardamom harvests are sold, the farmers' margin would be higher than the collector's margin in channel II. The non-optimal government support and the uneven farmer consciousness with respect to the importance of institutional have become the obstacles in forming the cardamom farmer group.

Keywords: Transaction Cost, Institutional, Marketing Channel, Marketing Margin

INTRODUCTION

In 2015, exports on Indonesian spices commodities increased by 28.7%. One of the important spices was Cardamom (Ministry of Trade, 2015). Besides this export potential, domestic demands for cardamom are also high enough. For example, traditional medicines industries require 3,000 tons of cardamom per year (Triwahyudi et al., 2015). The cardamom prospect has attracted people of Padasari Village, Cimalaka District in Sumedang Regency. Many farmers in the village have been cultivating cardamoms on their

private lands as well as the public land owned by Perum Perhutani.

Sufficient information related to cardamom's on-farm and off-farm activities is needed. Therefore, farmers are required to have capacity as a prerequisite to participate in agricultural development. This capacity can be obtained through institutional development. Farmers' institutional is an institution that farmers are in the region of locality (local institution), and also a membership organization or cooperation that farmers become the members. The institutional

includes farmers' organizations and also the rules (rule of the game or rules of behavior) which determine the patterns of action and social relations, as a social cohesion units. The real form of the institution is farmer groups (Anantanyu, 2011).

Agribusiness on cardamom commodity in Padasari Village produced primary products and it has not supported yet by adequate institutional. Cardamom farmers in the village Padasari were not well coordinated in form of cardamom farmer groups. Cardamom farmers in the village were still running their business individually. Consequently, the condition has affected to the farmers' bargaining power and the market information availability.

Inspired by Woldie and Nuppenau's research (2009), this study used transaction cost approach besides the marketing margin to explain cardamom marketing and its institutional in Padasari Village. Transaction costs are costs incurred due to asymmetric information in conducting a transaction (Yustika, 2008). This asymmetric information is related to perfect market competition in developing countries often do not work as they should, so the farmers are disadvantaged (Soekartawi, 2013). Moreover, farmers with the small scale of farming tend to be in a subordinate position due to lack of information. Lack of information about quality, appropriate price, and capital, giving an opportunity to those who are in superordinate position (wholesaler or collector traders / middlemen) for toying prices (Sumardjo et al, 2004). Even Herawanto and Himawan (2012) stated that the middleman was still quite dominant in the cardamom marketing. Thus, transaction cost plays a central role in resource allocation decisions (Cuevas, 2014).

Inequality between economic players in the transaction is a serious problem. The inequality can manifest in bargaining power and asymmetric information. Therefore, it is crucial to look for mechanisms and rules design (institutions) that aims to establish

economic equality between actors (Yustika, 2008).

Thus, the research's aims were (1) to analyze the transaction cost incurred by the farmers through the two marketing channels, (2) to analyze farmers' marketing margin in the two marketing channels, (3) to analyze marketing margin for farmers and collectors, and (4) to investigate the difficulties in forming farmer groups. Measuring transaction costs and marketing margin, and also investigating the obstacles in forming farmers' group are important for improving farmers' access to the market as well as their bargaining power. In addition, those are also important for government's policy and decision making's perspective.

METHODS

This study was conducted in March 2016 in Padasari Village, Cimalaka District, Sumedang Regency, West Java. The location was decided intentionally (purposive). Whereas the characteristics of the Padasari Village support the development of various commodities (Rajati et al., 2006). In addition, Perum Perhutani through Community-Based Forest Management (CBFM) program also helped in providing the lands.

The data used in this study are primary and secondary data. The primary data obtained through surveys and observations. Respondents in this study are cardamom farmers, collectors or middlemen and wholesalers. They were determined by using the snowball technique. Cooper and Emory (1999) stated that the snowball design applied to a condition in which respondents were difficult to be identified and appropriate to be placed through the network.

The data of cardamom farmers was not available. This is why the cardamom farmers that became the respondents were farmers that have been cultivating cardamoms in public lands owned by Perum Perhutani through CBFM program. Perum Perhutani has not applied profit sharing mechanism yet.

In marketing, the farmers face two choices. Firstly, the farmers sell their

produce to the wholesalers directly and defined as channel I. Secondly, the farmers sell the produce to the collector and defined as channel II.

Both of the alternatives have transaction costs for the farmers. Channel I offered higher price than channel II. However, the transportation was not easy. In channel II, the collector was in the same village. So this study hypothesized that transaction costs incurred by farmers in channel I are higher than transaction costs incurred by farmers in channel II. But in the fact, there were 15 farmers who sold their produce through channel I. While there were 9 farmers who sold their produce through channel II. There were 8 farmers in channel II that sold their produce in dried condition. It meant the cardamom was processed before. Despite of the processing was still very simple, it could enhance value added of the cardamom. From the facts regarding with margin, this study also hypothesized that marketing margin gained by the farmers in channel I was higher than farmers' margin in channel II, and margin gained by the farmers in channel II was higher than the collector's margin.

For testing the hypotheses above, this study used descriptive analysis, transaction cost analysis and margin analysis before. Then Wilcoxon signed rank test and Mann-Whitney test were used.

According to Abdullah et al. (1998 as cited by Hutabarat, 2012), the equation used to calculate transaction costs are:

$$TrC = \sum_{i=1}^3 Z_i, \quad (1)$$

TrC = Total transaction costs (\$)

Z_i = expenses are included in transaction costs.

The components of transaction costs can be detailed as costs incurred to search the information, costs incurred in negotiations, and costs incurred in monitoring and enforcement.

Margin analysis also used in this study. According to Asmarantaka (2014) :

$$M_i = P_r - P_f \text{ and } M_i = P_s - P_p \quad (2)$$

Where,

M_i = Margin on each level marketing agencies

P_r = Price at the consumer level marketing

P_f = Price at the farmer level (producer)

P_s = Sale price on each level marketing agencies

P_p = The purchase price at every level marketing agencies

To calculate the marketing margin on farmers also used the formula :

$$M_m = C + \pi \quad (3)$$

C = Marketing Cost

π = Profit

For testing the statements which were hypothesized, Wilcoxon signed rank Test and Mann-Whitney Test was used. According to Santoso (2010),

$$z = \frac{T - [1/4N(N+1)]}{\sqrt{1/24(N)(N+1)(2N+1)}} \quad (4)$$

T = minimum difference between two means of ranks

N = number of samples

$$U = n_1 n_2 + \frac{n_x(n_x + 1)}{2} - \sum R_x \quad (5)$$

n_1 = number of sample 1

n_2 = number of sample 2

R_x = sum of ranks

x = variable code

$$z = \frac{U - [1/2(n_1 n_2)]}{\sqrt{1/12 n_1 n_2 (n_1 + n_2 + 1)}} \quad (6)$$

The confidence interval was 95% and $Z_{table} \pm 1.96$

RESULT AND DISCUSSION

Farmer's Characteristics Based on Age, Education, and Job.

The farmers who have been cultivating cardamom in Perum Perhutani's lands in Padasari Village is dominated by middle-aged. Their education level are largely elementary school.

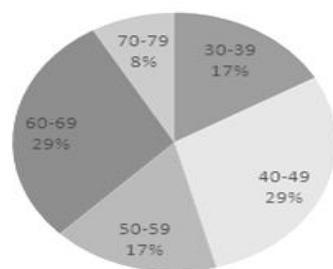


Figure 1. Respondents (Farmers) by Age

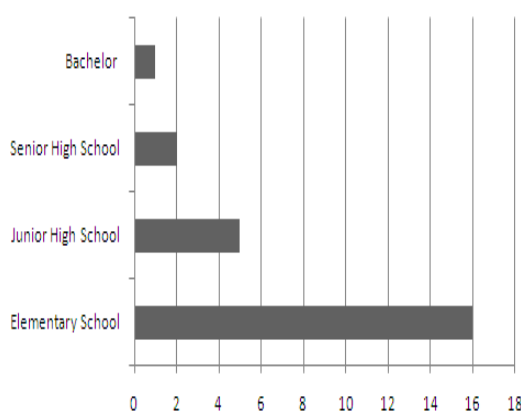


Figure 2. Level of Education

All the cardamom farmers-respondents has other activities as their main jobs, 75% of them were also farmers cultivating rice fields, 16.67% as laborers, and 8.33% as traders.

Agribusiness Activities of Cardamom Farmers

The majority of farmers were interested in planting cardamom for its easy maintenance. They did not need a lot of capital. The prices were relatively stable in range \$2.96-3.70. The farmers could get additional income. However, there were also farmers who have been cultivating cardamom just because of following to others.

Cardamom type which the farmers planted is local species. Farmers who have started a business about 10 years ago, initially bought seeds from other regions. Then, they developed their own cardamom because it is easy to grow and its clump easily escalates. Its maintenance is simple enough, just need to be weeded. The weeding activity usually done along with cardamom fruits

picking. Most farmers did not give fertilizer because they thought that cardamom doesn't need it. However, there were also farmers who gave fertilizer such as phonska, ZA and manure. The first harvest is usually about six months after planting. Cardamom fruits can be picked every two months. At the harvesting time, squirrels usually appear to eat cardamom fruits due to its fragrance.

Cardamom post-harvest processing includes picking, sorting, washing and drying. Drying process depends on the weather. In the rainy season, drying process can require 10 to 14 days. After the drying process, the cardamom ready for sale. Almost all the farmers sold dried cardamom. Only one farmer-respondent who sold cardamom to the collector without post harvest processing. The selling price of "wet" cardamom was only \$0.37 per kg. On the contrary, dried cardamom prices was in range \$2.96-3.70 per kg.

In marketing, there were two cardamom marketing channel known :

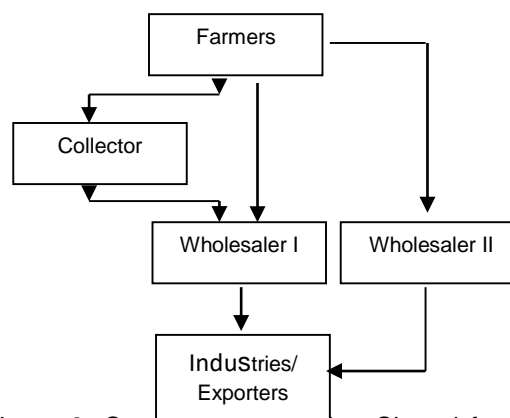


Figure 3. Cardamom marketing Chanel from Padasari Village

In summary, farm and productin level of the farmers was shown in Table 1.

Table 1. Farm and Production Level of Farmers

Variables	Average (N=24)	Standard Deviation
Farming experience (cardamom)	6.208 years	4.511 years
Farm land area	1843.333 m ²	1066.941 m ²
Production cost	\$11.19	\$8.59
Last cardamom production	12.233 kg	11.431 kg
Price at collector	\$2.97	\$0.57
Price at Wholesalers	\$3.37	\$0.14

Source : Primary Data, 2016

There were 14 farmers sold the last harvests to the wholesaler I, and there was a farmer sold the cardamom to wholesaler II. In channel II, there were nine farmers sold their harvests to the same collector. There were 4 farmers used channel II due to quantity consideration, 3 farmers also used channel II due to previous contract (cash in advance) with the collector, and there is a farmer who didn't sell dried cardamom because she did not want to be bothered with the post harvest processing. Another farmer sold the produce to the collector because of family relationship.

While, the 15 others sold cardamom harvest directly to wholesalers. There were 14 farmers sold cardamom to UD Bersama, and the another sold cardamom to UD Mekar Jaya. The quantity of harvest is not always become a consideration in this channel. There were farmers sold their harvests directly to wholesalers because of in conjunction with other purposes in the town. Additionally, many farmers also sold cardamom to UD Bersama due to its owner's hospitality and trust.

All of the farmers were not able to determine the price. They only followed the market price or accepted the price offered by the buyers (collector and wholesalers). During the time, farmers usually inform each other about the price. Nonetheless, farmers' bargaining power remains low.

In conducting their business, 21 farmers are not assisted by any supporting institutions, but 3 farmers were helped by collector. While the collector

was usually helped by the Bank and wholesalers who became her partner.

There are some problems which were faced by the farmers. The problems are remote lands site and conflicts emerging between the farmers and pine sap tappers working to Perum Perhutani. Cardamom plants around the pine trees cleared because were considered deter tappers' work. Farmers also worried about continuity their business because of no contract details with Perum Perhutani. Other problems faced were pest squirrels frequently consuming cardamom ready to harvest. Drought and the rainy season also take effects. In dry season, many cardamom plants died. When the rainy season, cardamom fruits are vulnerable moldy. In marketing, farmers complained about limited marketing channel and the price fluctuation which was very fast to change.

Transaction Cost Analysis

Based on data obtained from the respondents, it is known that there were transaction costs incurred by farmers on marketing channel I. The biggest component of transaction costs is negotiation costs. According to Hobbs (1997) as cited by Woldie and Nuppenau (2009), transportation costs can be considered as negotiation costs if they are specific to a given marketing channel chosen. The average negotiation cost incurred \$1.33. Then, the following cost is the information and search costs by an average \$ 0.1.

Table 2. Hypothesis testing Result 1 for Transaction Costs

		N	Mean Rank	Sum of Ranks
Transaction Cost II –	Negative ranks	2	12.00	276.00
	Positive ranks	3		0
Transaction Cost I	Ties	0	.00	.00
	Total	1		
		2		
		4		

Source : Primary Data, 2016

While on the channel II, transaction costs incurred only information and

search costs, because the collector came to the farmer. The average cost incurred \$0.02.

Table 3. Hypothesis testing Result 2 for Transaction Costs

	Transaction Cost 2 – Transaction Cost 1
Z	-4.229
Asymp. Sig. (2-tailed)	.000

Source : Primary Data, 2016

Hypothesis testing showed that transaction costs incurred by the farmers on channel I higher than transaction costs incurred on channel I.

Marketing Margin Analysis

Based on hypothesis testing, farmers' margin in channel I was not different significantly with farmers' margin in channel II. The hypothesis testing was shown in Table 4 and Table 5.

Table 4. Hypothesis testing Result 1 for Farmers' Margin

Channel		N	Mean Ranks	Sum of Ranks
Farmers' Margin	Margin Channel I	15	11.70	175.50
	Margin Channel II	8	12.56	100.50
	Total	23		

Source : Primary Data, 2016

Table 5. Hypothesis testing Result 2 for Farmers' Margin

	Farmers' Margin
Mann-Whitney U	55.500
Wilcoxon W	175.500
Z	-.291
Asymp. Sig. (2-tailed)	.897
Exact Sig. [2*(1-tailed Sig)]	.776

Source : Primary Data, 2016

However, farmers' margin in channel II was higher than the collector's margin. It was shown in Table 6 and Table 7.

Table 6. Hypothesis testing Result 1 for Farmers' and the Collector's Margin in Channel II

		N	Mean Ranks	Sum of Ranks
Farmers' Collector	Farmers' Margin Channel II	8	12.50	100.00
	Collector's Margin Channel II	8	4.50	36.00
Total		16		

Source : Primary Data, 2016

Table 7. Hypothesis testing Result 1 for Farmers' and the Collector's Margin in Channel II

	Farmers' Margin
Mann-Whitney U	0.000
Wilcoxon W	36.000
Z	-.3.451
Asymp. Sig. (2-tailed)	0.001
Exact Sig. [2*(1-tailed Sig)]	.000

Source : Primary Data, 2016

Based on the result of analysis, transaction costs incurred by the farmers in channel I was higher than transaction costs incurred by the farmers in channel II. The highest cost is transportation cost which was included to negotiation cost. Transportation cost was dominant because the distance between Padasari Village and town is 12 km (Rajati et al, 2006). While the collector was in same village with the farmers. However cardamom price level at the wholesaler was higher than price level at the collector.

The high transaction costs and high level of price made a question about margin obtained by the farmers. It was answered in the second hypothesis testing. The result showed that farmers' margin in channel I was not different significantly with farmers' margin in channel II. Even farmers' margin in channel II was still higher than the collector's margin when the cardamom sold was dried.

The situation indicated limited choices for the farmers between the two marketing channel. If the farmers sell their produce to the wholesaler they have

to think about compensation for their costs incurred. Therefore, it was important to look for new mechanism and rules design (institutional) that can improve the situation.

To reduce the transaction cost and to enhance bargaining power of the farmers, it is important to develop farmers' institutional. Farmers' participation in local institution such as farmers' group can be considered as a manifestation of empowered farmers (Anantanyu, 2011). Susetiawan (2000) as cited by Anantanyu (2011) defined empowered farmer as a farmer politically can articulate his or her interests, economically can conduct negotiation process (bargaining) in economic activities, socially can manage and arrange his or her community, and culturally his or her existence admitted.

However, there are some obstacles faced in building institutional capacity among the farmers particularly in forming farmer groups. There were farmers who just following others in farming and thought that cultivating cardamom is not main job, thus they did not feel a need to form farmer groups. Besides those obstacles, majority of farmers felt there was no direction and support from related government's agencies. Thus, other institutional form that can be offered to the farmers in Padasari village is association, dealing with the fact that cardamom is one of strategic commodities.

CONCLUSION

Transaction costs incurred by the farmers on channel I higher than transaction costs incurred on channel II. Farmers' margin in channel I was not different significantly with farmers' margin in channel II. Mostly farmers sold dried cardamom and they received higher margin than the collectors' margin. The non-optimal government support and uneven farmer consciousness with respect to the importance of institutional have become the obstacles in forming the cardamom farmer group. The research strongly recommended that the cooperations from all stakeholders are required to build the institutional capacity.

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DISCUSSION FROM PARALLEL SESSION

PAPER TITLE	Transaction Cost Analysis on Cardamom Marketing in Padasari Village, Cimalaka District, Sumedang Regency
AUTHOR	Ermalinda Zebua, Juarini, and Nanik Dara Senjawati
DISCUSSION	
QUESTION	<ul style="list-style-type: none"> - What are the district government roles to help the factors who may be in disadvantage position - How to help farmers, so that they can get highest price
ANSWER	<ul style="list-style-type: none"> - The government are not aware of the problem - Develop centralized system that meets half way between the farmers to the sellers
SUGGESTION	<ul style="list-style-type: none"> - Result are no clear - Explain more why the negotiation cost is the biggest portion of transaction cost - Write the explanation on the paper



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