

Rice Price Rise Survey from Merchant Perspectives Case Study : Comal Market, Pemalang Regency

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Abstract: *Rising rice prices are a major concern in Indonesia, especially in traditional markets such as Comal Market and Pemalang Regency. This study analyzes traders' perspectives on rice price increases in the commodity market. The results show that retail traders feel disadvantaged, while wholesale traders feel benefited by the price hike. Despite this, the increase in rice prices did not affect sales, as rice is a staple food for the local community. The main factors causing the increase in rice prices include floods in rice production areas and climate change that disrupts rice cultivation. This research also offers strategies for traders to mitigate the impact of price increases, such as efficient inventory management, product diversification, flexible pricing, open communication with customers, collaboration with suppliers, and improved operational efficiency. By implementing these strategies, traders are expected to maintain their business continuity amid the inevitable rice price volatility.*

Keywords: *rice price increase, market trader, inventory management.*

1. INTRODUCTION

Currently, almost all regions in Indonesia are faced with economic problems, namely regarding the increase in prices of basic commodities in the form of rice. The fulfillment of basic food needs is an important part of the welfare of life. This need is sometimes difficult to meet due to government policies and price instability. (Sanjaya & Heksaputra, 2020)

Disasters are grouped into three types, namely natural disasters, non-natural disasters and social disasters. Indonesia is a country that has three types of disasters. Natural disasters that occur in Indonesia include earthquakes, tsunamis, volcanoes, land movements, floods, drought, erosion, abrasion, and extreme weather and extreme waves. Non-natural disasters include technological failures, epidemics and disease outbreaks. Meanwhile, social disasters include social conflict and terrorism. (Amni Zarkasyi, 2015)

As is happening in February 2024, where price increases almost occur in all regions of Indonesia. It is quoted from the kompas.id page that the rice price increase will last until March 2024. Local rice production has not yet entered the harvest season, so rice prices are high. Zulkifli stated that although the rice harvest is already happening now, but only on a small scale, the weather uncertainty caused by El Niño makes harvest conditions uncertain. (Hamasy, 2024)

A lack of rice supply can lead to social, economic, and political instability in a country. In addition to production, distribution and affordable prices are also important in creating public accessibility to rice. In the marketing system, the main problem is low grain prices

for farmers in the harvest season, while rice prices are high for consumers. This imbalance harms farmers through market mechanisms, where an increase in grain prices is not always followed by an increase in rice prices for consumers. The asymmetrical rice market benefits traders, while producers and consumers feel disadvantaged in terms of efficiency. (Suryani et al., 2022)

According to Cervantes-Godoy (2010), the price problem is that food prices are often unstable. During the bumper harvest, the price of rice drops dramatically, making farmers lose a lot of money. When famine or disaster strikes, rice prices soar. High rice prices hurt people, both farmers and non-farmers, because rice is the source of almost all their calories. However, over the past few years, the focus of the government's agricultural policy has been to achieve food self-sufficiency and price stability.

Today, Indonesia's consumer ratio continues to increase compared to its population, making it the largest rice consumer in the world. Rice is cultivated in rural areas, then sold and distributed throughout the region (Septiade & Joka, 2019). Central Java is the third rice granary in Indonesia. Central Java's rice production in 2008 increased by 3.14 percent compared to the previous year's productivity, with rice harvest area and production increasing by 2.80 percent and 6.03 percent from the previous year. The average contribution of annual harvest area in this area is 13.4% or 15.1% of the total rice production in Indonesia. (BPS, 2009). Relying on Java Island as Indonesia's main rice producer is a major challenge for increasing rice production. Until now, Java Island still acts as a buffer for national rice production with a production rate of around 56% and the rest is produced by Sumatra, Sulawesi, Kalimantan, and other islands. (Malian et al., 2016)

The purpose of this study is to analyze the factors that contribute to the increase in prices of staples, especially rice at the wholesale level in Indonesia. With proper analysis, it is expected to help government leaders in ensuring the price of staples, especially rice, remains affordable for consumers and sets rules that benefit the Indonesian people. To reduce risk, wholesalers, producers, and farmers can also use accurate predictions when making plans and strategies for selling rice.

In-depth analysis of various factors is needed because the issue of prices of staples, especially the price of rice, is a very important concern today. The study is expected to help decision makers, governments, and traders and manufacturers make decisions.

2. METHOD

The method used in this study is to use qualitative methods with a descriptive approach. According to Moleong (2010), qualitative research is research that intends to understand the phenomenon of what is experienced by research subjects such as behavior, perception, motivation, action, etc. holistically, by means of description in the form of words and language, in a special natural context, and by utilizing various scientific methods. Meanwhile, according to Nawawi (2005), the descriptive method involves describing the state of the object of research at the present time based on facts that appear or as they are.

Descriptive qualitative methods are used to describe the state of traders in the Comal Market more specifically, transparently, and in depth. This research began by making observations in Comal Market, Pematang Regency. Based on my observations, there are two types of rice traders in the Comal Market. First, retail rice traders in the form of groceries. The second is wholesale rice traders, or rice agents. After observation and recording, researchers conducted open and structured interviews. This is done so that the data obtained is more accurate. The subject taking comes from traders in Comal

Market. The subjects of this study were one of the staple food traders and one of the rice agent traders in Comal Market.

3. RESULT AND DISCUSSION

The results showed that the increase in rice prices had a different impact on traders in the commodity market, where retailers felt aggrieved and wholesalers felt benefited. However, the increase in rice prices in Comal Market has no effect on sales because rice is a staple food for the surrounding community. In addition, the increase in rice prices is also influenced by two factors, namely flooding in rice production areas and climate change. These two factors caused rice stocks in the center to decrease, causing an increase in rice prices.

3.1 Theoretical Foundations And Previous Research

3.1.1 Rising rice prices

According to Pujiasmanto, one of the most important basic human needs is food, which is guaranteed as one of the human rights in the 1945 Constitution of the Republic of Indonesia and is an important part of realizing high-quality human resources. According to Law Number 18 of 2012 concerning Food, which was passed by a plenary session of the House of Representatives of the Republic of Indonesia on October 18, 2012, food is everything derived from biological sources of agricultural, plantation, forestry, fisheries, and livestock products, both processed and unprocessed, intended as food or beverages for human consumption, including food additives, food raw materials, and other materials. (Irwansyah et al., 2019)

Rice is a staple and important food for the people of Indonesia and is a commodity that contributes greatly to the growth and absorption of labor. In addition, rice can also be used as an industrial raw material. This staple and essential food must be able to meet human energy needs to maintain health. (FAO, 2011)

Almost all regions in Indonesia produce rice. However, due to low production yields unable to meet consumption needs, some regions experienced surpluses. Indonesia is the Southeast Asian country that consumes the most rice. This is due to the belief of Indonesians in rice as a staple food that must be consumed every day. OECD-FAO data shows that in 2018, Indonesia's per capita rice consumption still exceeded 100 kg. This is much higher than other ASEAN countries, such as Thailand and Malaysia, which consume only 99 kg and 81 kg respectively. (Ariani, 2021)

Rice will remain one of the major problems of Indonesia's economy for all time. In addition, any issues that arise in the fields of price, production, supply, consumption, and imports will always attract attention and attract the attention of various parties. It is clear that the government must pay greater attention to the situation through its policies, especially with regard to the plight of farmers, especially rice farmers. Farmers always pay attention to price issues in agriculture because input and output prices are always the main problem. Every farmer, especially those who cultivate rice crops, expects an increase in prices for all their products. (Gapari, 2021)

Price is the amount of money a consumer has to pay to get a product. The pricing mechanism is a process based on the force or force of attraction between buyers and producers meeting in the market. The net result of this force of attraction is the occurrence of prices for each factor of production in the market. According to microeconomic theory, consumer demand will increase or decrease if the price of goods

rises. Conversely, if the price of goods falls, consumer demand will increase or decrease. (Budiono, 1982)

Price is defined as the amount of money (possibly plus goods) needed to obtain some combination of goods and services. (DH & Irawan, 1986). Price is the value of a good or service measured by a certain amount of money, and based on that value, a person or company is willing to release the goods or services owned to other parties. (Nitisemito, 1991)

Inflation is largely caused by unstable food commodities. Throughout Indonesia's history, food commodities have contributed significantly to inflation, ranking second only to core inflation, or core inflation. Empirically, the price of this food commodity is responsible for controlling Indonesia's inflation. It is worthy of being considered a leading indicator of inflation due to its considerable contribution to various *shocks*. Demand for basic necessities for food commodities tends to be stable, so price fluctuations are more influenced by *shocks* on the supply side, such as harvest cycles, natural disasters, and distribution. (Bhinadi, 2012)

3.1.2 Merchant

The trader is the one who carries out economic activity, and the trader's job is to conduct trade and trade goods aimed at obtaining profit. Some types of traders are: 1) Exporters are traders who carry out activities by selling goods abroad. 2) Importers are traders who carry out activities to buy or bring goods from abroad, which aim to meet domestic needs. 3) A sole agent or wholesaler (distributor) is a merchant who makes sales to medium traders or wholesalers, where these distributors make purchases and obtain goods directly from manufacturers. 4) Medium traders or wholesalers are traders who buy goods directly from a sole agent or distributor, or the company concerned, and then make sales to small traders or retailers such as shops, stalls, or supermarkets. 5) A retail merchant is a merchant who buys goods from a medium-sized or wholesale merchant and then sells them to consumers. A retail merchant is a merchant who deals directly with the end consumer. (Sondakh et al., 2016)

3.1.3. Past Research

The problem of rising rice prices has been scrutinized before by Gapari (2021), titled "*The Influence of Rice Price Rising on the Wellbeing of Farmers in Desa Sukaraja.*" In this study, the subjects studied were farmers in Sukaraja Village. Based on the study, it can be concluded that the cause of the increase in rice prices is reduced agricultural land. In addition, the increase in prices of agricultural needs such as fertilizers, pesticides, and fuel prices (BBM) is also the cause of the increase in rice prices. The rest is caused by seasonality, a lack of rice stocks, and other factors.

Furthermore, Lestari & Winarto (2023) in their research entitled 'The Effect of the Increase in Basic Material Prices on Community Welfare in Kedungwuni'. This study shows that the increase in the price of basic commodities in Kedungwuni has caused difficulties for the community in fulfilling their daily needs. The causes include erratic weather and unfavorable rice field conditions, causing crop failure and limited supply. Delays in the delivery of merchandise also exacerbated the scarcity of staple goods in the market. As a result, people's consumption declined as incomes did not keep pace with rising prices, resulting in a decline in the welfare of those who were previously able to fulfill their needs adequately.

Furthermore, Sholikhah & Anjani (2023) in their research entitled 'Government Policy in Overcoming the Increase in Rice Prices in Indonesia' stated that the occurrence of rice scarcity caused a high increase in rice prices, this increase in rice prices affected the middle class. Therefore, the government set a policy to overcome the increase in rice prices that occurred in Indonesia. One of the government's policies is to provide social assistance for beneficiary families of 10kg for three months from September to

November, the assistance is expected to be implemented properly and on target. In addition to these policies, the government must also make long-term policies by increasing rice production and distribution. And it is hoped that the policies implemented by the government can overcome the problems of rice that occur every year.

3.2 The Effect Of A Rice Price Increase On Rice Traders' Income

Based on interviews that have been conducted, there are two things that happen when there is an increase in rice prices. First, food traders who feel aggrieved. This is because traders have to spend more capital than usual and sell it at a small profit. Retail traders, such as grocery traders, also have to spend additional capital to buy other necessities such as plastic, rubber, rope, and other trading needs that make their income decrease.

Second, wholesalers, or rice agents, tend to benefit more. Based on the results of the interview, rice wholesalers admitted that the increase in rice prices did not affect the reduction in income. Conversely, the increase in rice prices actually tends to provide more profits to rice wholesalers. This difference in impact is due to differences in sales volume between food traders and rice agents. In addition, rice agent traders also had rice stocks before the increase in rice prices, so that when there was an increase in rice prices, it actually provided benefits to their income.

3.3 The Effect Of A Rice Price Increase On Sales

The increase in rice prices has no effect on rice sales in Comal Market. This happens because rice is a staple food in the area where the study is conducted, so people will continue to buy rice even though rice prices rise. These results are in line with research by Ritonga (2004), which explains that low rice price elasticity suggests that efforts to control prices have a weak influence on rice demand because population growth and income increases determine rice demand more than price changes.

3.4 Factors Causing The Increase In Rice Prices

There are two factors that cause the increase in rice prices. Based on the results of interviews conducted by researchers, the factors that caused the first increase in rice prices were floods. Floods that occurred in rice production areas caused farmers to experience crop failure. These results are consistent with previous research written by Sihono (2007), which states if the season It also affects the price of rice because rice yields will increase during the dry season compared to the rainy season. In addition, the flood disaster also hampered the rice distribution process. The second factor is climate change, which causes farmers to be late in planting rice. December, which was supposed to enter the rainy season, has changed to a dry season in 2023. This makes farmers unable to plant rice on time due to a lack of water. Research from Boer (2010) states that climate change that occurs continuously will affect rice production, and the long dry season due to El Niño can cause a very serious decline in production in Indonesia. These two factors certainly cause the supply of rice to decrease slightly, causing price increases. These results are in line with previous findings stating that price fluctuations of food commodities that are basic necessities are more influenced by the supply side, such as harvest cycles, natural disasters, and distribution. (Prastowo et al, 2008).

3.5 Strategies That Traders Can Perform

When rice prices rise, traders can take various approaches to mitigate the impact and ensure the continuity of their business.

3.5.1 Inventory Management:

Traders can be more efficient in managing inventory by carefully monitoring rice stocks, buying in quantities that match demand, and finding alternative sources of supply if prices from major suppliers increase significantly.

3.5.2 Product Diversification

To avoid dependence on rice sales, traders can expand their product range by adding other items that have higher profit margins or are less affected by rising rice prices.

3.5.3 Flexible Pricing

Consider a flexible pricing approach, such as adjusting prices to market fluctuations or offering discounts on large purchases.

3.5.4 Communication with Customers

Open communication to customers about rice price increases and the reasons behind them can be done through various channels such as in-store notifications, social media, or e-mail to explain price changes and affirm product quality.

3.5.5 Collaboration with Suppliers

Building solid relationships with rice suppliers can help in negotiating better prices or getting payment leeway to manage cash.

3.3.6 Improved Operational Efficiency

Improving operational efficiency by reducing waste, improving supply chains, or using technology to automate business processes can help merchants reduce costs and cope with rising prices.

By implementing these strategies, traders can work to mitigate the impact of rising rice prices on their businesses and maintain business continuity.

4. CONCLUSION

The increase in rice prices in the commodity market has had a mixed impact on traders, where retailers feel disadvantaged while wholesalers feel benefited. However, the price increase did not affect sales because rice is a staple food in the local community. The main factors causing the increase in rice prices are catastrophic floods in rice production areas and climate change that disrupts rice cultivation. Strategies that merchants can undertake to mitigate the impact of price increases include more efficient inventory management, product diversification, flexible pricing, communication with customers, collaboration with suppliers, and improved operational efficiency. By implementing this strategy, traders can maintain the continuity of their business amid the inevitable fluctuation in rice prices.

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