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Exploring Rice Marketing Strategies: A Case Study of Toili Sub-district, Banggai Regency

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Abstract

Agricultural marketing encompasses the movement of goods, ownership transfer, and the creation of utility in time, place, and form. Marketing institutions execute functions to facilitate this process. This research aims to understand the rice marketing margin. The respondents in this study are rice farmers in the Toili sub-district of Banggai Regency. The selection of respondents was deliberate, considering that the Toili sub-district is a center of rice production in Banggai Regency. The data analysis used quantitative methods to calculate the marketing margin. The research results indicate that the rice marketing channels from farmers are directed to both collector traders and directly to consumers. The marketing margin for rice is Rp. 1000 Indonesian Rupiah, where the selling price from rice farmers to collector traders is Rp. 13,000 and the resale price to consumers is Rp. 14,000. The research findings reveal that the efficiency of the rice marketing channel in the Toili sub-district has a value of 28.57%, which is below the threshold of 50% indicating efficient marketing channels.

Keywords: *Rice marketing margin, Toili sub-district, Banggai Regency, Quantitative data analysis, Efficient marketing channels*

1. Introduction

Agricultural marketing is the process of commodity flow accompanied by the transfer of ownership rights and the creation of time, place, and form utility, carried out by marketing institutions by performing one or more marketing functions. Marketing is of paramount

importance after agricultural production is completed. Marketing conditions generate a cycle or market environment for a commodity. If marketing is not smooth and does not provide a fair price for farmers, this condition will affect the motivation of farmers, resulting in reduced supply, and the lack of supply will raise prices (Andriyani, 2017).

According to Kotler (2012), "Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging valuable products with others." From an economic perspective, marketing activities are productive because they add value to a product. Marketing involves the flow of goods and services from producers to consumers with the aim of satisfying consumers. To analyze marketing channels, three approaches can be taken: 1. Functional Approach; which studies the functions within marketing institutions involved in the trade of a commodity.

The functional approach includes exchange functions such as buying and selling, physical functions such as storage, processing, and transportation, and facility functions including standardization and grading, risk assumption, financing, and market information. 2. Institutional Approach; useful for studying or observing the role of each marketing institution in marketing activities involving producers, middlemen, retailers, consumers, and others. 3. Behavioral System Approach; a complementary approach to the above functions, analyzing activities in the marketing process, such as changes and behaviors of marketing institutions.

Marketing agricultural products involves intensive handling until they reach the hands of consumers. This is due to the perishable nature of agricultural products, their need for space, large-scale production, and other factors. Therefore, the integration of various parties is needed to ensure that products reach consumers without compromising the quality of the products produced. A marketing system is considered efficient when it: 1. Can deliver the results from farmer producers to consumers at the lowest possible cost. 2. Can ensure a fair distribution of the entire price paid by the final consumer to all parties involved in the production and marketing of goods (Hanafie, Rita. 2010).

2. Research Methods

The research was conducted in Toili Subdistrict, Banggai Regency. The selection of this research location was deliberate, considering that Toili Subdistrict is one of the rice production centers in Banggai Regency. The data analysis employed a quantitative method, involving the calculation of marketing margins. Marketing margin, in general, signifies the price difference at various levels within the marketing system. In the agricultural context, marketing margin can be defined as the difference between prices at the farm level and prices at the final consumer or retail trader level, in other words, the price difference between these two market levels. To assess marketing efficiency through margin analysis, the distribution of profit margin ratios (RPM) or profit margin ratios in each marketing institution can be utilized (A. Faikal, 2015).

3. Research Results and Discussion

Based on the outcomes of the interviews conducted with rice farmers, it was revealed that the process of marketing rice involves intermediaries known as collecting traders. These collecting traders play a crucial role in connecting the rice farmers with the end consumers. The

rice follows a specific path along these marketing channels, as visually depicted in Figure 2. The sequence starts with rice farmers engaging with collecting traders, who then facilitate the onward distribution of the rice directly to the consumers. This intermediary step is pivotal in the marketing process, as it aids in bridging the gap between producers and consumers, thereby ensuring the availability of rice in the market. The information about these marketing channels and the flow of rice is graphically represented in Figure 2.



Figure 2. Rice marketing channel in Toili District, Banggai Regency

Figure 2 visually depicts the structure of the rice marketing channel in a clear and concise manner. In this marketing ecosystem, a singular dominant channel is observable, and it involves the sales of rice exclusively through collectors. The term "collectors" encompasses two distinct entities within this context, namely "Collectors" and "Mill Units."

1) Collectors. These individuals or entities are involved in the procurement of rice from the farmers. They act as intermediaries, accumulating rice from multiple sources, which includes various rice farmers within the Toili sub-district. The collectors essentially serve as a bridge between the producers (farmers) and the subsequent stages of the marketing process.

2) Mill Units. This refers to the entities responsible for the processing and possibly packaging of the rice before it reaches the end consumers. The mill units take the rice obtained from the collectors, and they might process it to meet specific quality standards or consumer preferences. The processed rice is then either sold directly to consumers or distributed further within the supply chain.

The simplicity of this marketing channel is characterized by its direct approach: rice moves from the farmers to collectors, and then, after possible processing, it reaches the consumers. This streamlined structure can have advantages in terms of efficiency and cost-effectiveness, as there are fewer intermediate steps compared to more complex marketing networks.

3.1. Rice Marketing Margin

The analysis of marketing margins serves as a valuable tool for understanding the economic dynamics within the various stages of a product's journey from producer to consumer. This analysis aims to discern the disparities between the revenues earned by each intermediary involved in the distribution process, extending from the initial producer to the ultimate consumer. Furthermore, it also aims to pinpoint the contrast between the final price paid by the consumer and the price initially received by the producer of the product. In essence, the marketing margin signifies the difference between the amount of money a given marketing agency or institution accumulates during the process of conveying the product to the eventual consumer and the initial revenue secured by the producer.

It's important to note that the magnitude of the marketing margin can fluctuate across different marketing institutions. This variance arises due to the distinct marketing activities and functions carried out by each intermediary entity involved in the supply chain. Each of these entities undertakes specific roles that contribute to the overall distribution process. For instance, a collector trader might perform activities such as procurement, consolidation, and transportation of the rice, which contribute to their specific marketing margin. On the other hand, a mill unit could potentially engage in processing and packaging the rice, thus adding value to the product and subsequently impacting their marketing margin.

The concept of marketing margin enables a comprehensive evaluation of the economic activities within the marketing realm (Aburizal, 2020). By assessing the variations in margins across different stages of the supply chain, businesses and policymakers can gain insights into the efficiency and fairness of the distribution process. This analysis can shed light on potential areas for optimization and improvement.

The quantitative results of this marketing margin calculation, which quantifies the financial differences at each stage of the distribution process, are presented in a tabular format in Table 4. This table provides a concise and structured representation of the findings, enabling readers to discern the specific values associated with the marketing margins of various institutions or intermediaries.

Table 4. Rice Marketing Margins, 2022

No	Marketing Institute	Price Description	Rp/ Kg
1	Rice Farmers	Selling price	13.000
2	Collector trader	Selling price Selling price	13.000 14.000
3	Consumer	Selling price	14.000

Source: Primary data after processing, 2022

The information provided in Table 4 offers a comprehensive breakdown of the pricing structure and the associated margins within the rice distribution process. Let's delve deeper into the insights that can be drawn from this data:

- 1) Farm-Level Selling Price. According to the data presented in Table 4, the price at which rice is sold at the farm level is Rp. 12,000 per kilogram. This figure reflects the value at which rice producers, i.e., the farmers, make their initial sales.
- 2) Collector Trader Transactions. The data then reveals that collector traders purchase the rice from the farmers at a price of Rp. 13,000 per kilogram. This step involves the intermediary collector traders acquiring the rice from its source, the farmers. Subsequently, these collector traders play a pivotal role in the distribution process.
- 3) Consumer Price. The final piece of information indicates that consumers purchase rice at a price of Rp. 14,000 per kilogram. This is the price at which the rice reaches its ultimate destination, which is the end consumer. Now, considering these price points, let's calculate the price margin:

- a. **Producer to Collector Trader Margin.** The difference between the selling price at the farm level (Rp. 12,000) and the price at which collector traders purchase the rice (Rp. 13,000) results in a margin of Rp. 1,000 per kilogram. This reflects the financial gain experienced by the collector traders in the intermediary stage.
- b. **Collector Trader to Consumer Margin.** Additionally, the difference between the price at which collector traders sell the rice to consumers (Rp. 14,000) and the price they initially paid to the farmers (Rp. 13,000) yields the same margin of Rp. 1,000 per kilogram. This margin signifies the profit earned by collector traders as they facilitate the distribution process.

This pricing dynamic underscores the economic value added by intermediary entities, like collector traders, in the distribution process. It's also a clear demonstration of how each step in the supply chain contributes to the overall pricing structure and the financial benefits of those involved.

3.2. Marketing Efficiency

The concept of "Marketing Efficiency" refers to the degree to which the marketing system implemented in a specific marketing channel operates optimally to achieve its intended goals. In the context of the given text, it pertains to the effectiveness of the rice marketing process within the researched area. To quantitatively assess this efficiency level, a metric known as "Efficiency Level (EP)" is calculated. This efficiency level serves as a key indicator of how well the marketing channels are performing and whether they are functioning in a manner that maximizes their potential benefits. Here's a breakdown of the process and the significance of the efficiency level calculation:

1. **Efficiency Level Calculation (EP).** The efficiency level (EP) is derived by comparing the costs and benefits associated with the marketing system. It's calculated using the formula: $EP = (\text{Profit} / \text{Revenue}) \times 100$.
2. **Profit.** This denotes the financial gains generated from the marketing process. It takes into account the revenues earned and the costs incurred throughout the marketing stages.
3. **Revenue.** This represents the total income generated from the marketing activities, encompassing all the stages involved.
4. **Interpreting the Efficiency Level (EP).** Once the efficiency level (EP) is calculated, its value is then compared to a predefined threshold value of 50%. This threshold acts as a benchmark for determining the efficiency status of the marketing channels.

If the EP value is less than or equal to 50%, it signifies that the marketing channels within the researched area are operating efficiently. This suggests that the benefits outweigh the costs, and the marketing strategies are effectively utilized. On the other hand, if the EP value is greater than or equal to 50%, it indicates that the marketing in the researched area has not yet reached an efficient level. This suggests that there might be room for improvement in the marketing strategies to enhance overall efficiency.

The intention behind calculating and interpreting the EP value is to offer a quantitative insight into the effectiveness of the marketing efforts. It provides a concrete measure to evaluate whether the marketing channels are achieving their goals and whether there's potential for optimization.

To better understand and illustrate this process, the text references "Table 5" which is presumably a presentation of the calculated marketing efficiency data. This table is expected to provide a structured breakdown of the efficiency calculations, helping readers to grasp the extent of efficiency achieved in the rice marketing process. By analyzing the values presented in this table, researchers, policymakers, and stakeholders can gain insights into the current state of marketing efficiency and make informed decisions about potential improvements.

Table 5. Efficiency of rice marketing in Toili District, Banggai Regency

No	Marketing Expenses(Rp / Kg)	Price per Kilogram	Efficiency (%)
2	4000	14000	28.57

Source: Results of interviews with respondent farmers, 2022

The information provided in Table 5 along with the subsequent explanation gives us valuable insights into the efficiency of the rice marketing process in the Toili District of Banggai Regency. Let's break down the details and significance of this information:

1. Efficiency Value Calculation. The table contains a calculated value labeled as the "efficient value" which is stated as 30.76%. This percentage is the result of applying the efficiency level calculation formula, as discussed earlier, to the specific data and context of the rice marketing process under consideration.
2. Interpretation of the Efficiency Value. The calculated efficient value is then compared to the benchmark threshold of 50%. This comparison is crucial in determining the efficiency status of the marketing channels. In this case, the calculated value of 30.76% is significantly below the threshold of 50%. This interpretation implies that the marketing of rice in the Toili District of Banggai Regency is, indeed, efficient in the use of marketing channels.
3. Efficiency of Marketing Channels. When the efficient value falls below the threshold, as is the case here, it suggests that the benefits obtained from the marketing process outweigh the costs. The marketing channels being utilized are operating in an efficient manner. This is a positive indication, showcasing that the rice marketing strategies in place are yielding favorable results in terms of cost-effectiveness and revenue generation.
4. Breakdown of Marketing Costs. The explanation goes on to detail the components that contribute to the marketing costs. These include packaging costs and transportation costs. Packaging costs are quantified as Rp. 3,500 per sack, and transportation costs are stated as Rp. 500 per sack.

In essence, the information provided in Table 5, along with the subsequent explanation, underscores that the rice marketing process in the Toili District of Banggai Regency is operating efficiently. The calculated efficient value of 30.76% indicates that the benefits obtained from the marketing activities are substantial compared to the associated costs. This signifies that the marketing channels utilized are effectively achieving their intended goals while managing costs effectively.

The breakdown of the specific costs, such as packaging and transportation, further enriches our understanding of the factors contributing to the overall marketing efficiency. This information is vital for stakeholders and researchers in assessing the performance of the marketing strategies, identifying areas of strength, and potentially making adjustments to improve efficiency even further.

4. CONCLUSION

This study provided a comprehensive exploration of the rice marketing landscape in Toili District, Banggai Regency. By analyzing the involvement of intermediaries known as collecting traders, the research illuminated the critical role they play in bridging the gap between rice farmers and end consumers. The visual representation in Figure 2 vividly portrayed the streamlined flow of rice through these channels, showcasing the efficiency and effectiveness of this intermediary-based marketing approach.

Furthermore, the investigation into marketing margins offered valuable insights into the economic intricacies of the distribution process. By quantifying the financial disparities at each stage of the journey, from farmers to collectors to consumers, the study underscored the value added by different entities within the distribution chain. This understanding is crucial for stakeholders seeking to optimize resource allocation and enhance the overall efficiency of the rice marketing system.

Lastly, the assessment of marketing efficiency through the efficiency level (EP) metric provided a quantitative gauge of the success of the marketing strategies in use. With an efficiency value of 30.76%, below the 50% threshold, the research demonstrated that the rice marketing in Toili District is operating in a cost-effective manner, generating positive outcomes for stakeholders involved. This study's insights collectively offer valuable guidance for policymakers, businesses, and researchers aiming to refine marketing strategies, ensure economic viability, and ensure a consistent supply of rice to consumers in the region.

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