ABSTRACT

DWI HARYONO. The Impact of Agricultural Industrialization to Agricultural Sector Performance and Rural Poverty in Indonesia (MANGARA TAMBUNAN as Chairman, RINA OKTAVIANI and HERMANTO SIREGAR as Members of the Advisory Committee).

Agricultural industrialization can be approached through supply side and demand side. From supply side, agricultural industrialization is interpreted through incremental productivity. This research is designed to measure the impact of productivity improvement of agricultural industry (agroindustry) on economic sector performance, macroeconomic, household income, and rural poverty.

This research use a data base on Input-Output (I-O) Table and Social Accounting Matrix (SAM) of Indonesia 2003 developed by Central Bureau of Statistic. The main analysis used is recursive dynamic of Computable General Equilibrium (CGE) Model (CGE-AGRINDO Model) while poverty case is analyzed by using Foster-Greer-Thorbecke (FGT) poverty index.

The policy simulation result shows that productivity improvement of agroindustry has strong affects on total output industry. If the productivity improvement of agroindustry is followed by productivity improvement of agriculture and financial institution, almost all sectors would increase in total output. In turn, the increase of total output will result in a decrease in output selling price, on the other hand it will increase labor absorption. The productivity improvement affects the macroeconomic performance which indicated by real GDP improvement. This condition also affects the increasing in inflation acceleration. The productivity improvement contributes to an impact on rural and urban household’s income. The household of agricultural labor on rural area receives the biggest benefit, on the contrary the househod of nonagricultural labor at upper level on urban area receives the smallest benefit.

The productivity improvement has a positive impact on poverty alleviation in rural and urban household, indicated by a decreasing head-count index, poverty gap index, and poverty severity index.

Considering the productivity improvement of agroindustry contributes to a positive impact on industrial sector performance, the study suggests that some stages are needed to push productivity improvement through labor productivity improvement, efficiency improvement of capital used, and other input. The productivity improvement of agroindustry should be followed by productivity improvement in related sectors (agricultural sector as a raw material supplier and financial institution as a support institution). If the steps can be implemented, the income improvement as a main subject of economic development can be achieved sooner.

Considering the model used in this research is a CGE recursive dynamic, further research to build a CGE full dynamic model is needed. It also needs an update of support data, such as the parameters and elasticities resulted from the research and the other most recent empirical data.

Key words: agroindustry, productivity, poverty, CGE Model