ABSTRACT

RETNO BUDI RAHAYU. Farmer Risk Preference on Organic Paddy Farming in Sragen (NUNUNG KUSNADI as a Chairman and ANNA FARIYANTI as a Member of the Advisory Committee).

Organic paddy farming has more production risk than non organic paddy farming. Greater production risk is shown in productivity variance in organic farming than non organic farming. The purposes of this study are: (1) to determine inputs effect on risk production, (2) determine farmer risk preference and analyze relationship between socio economic factors and farmer risk preference, and (3) analyze effect of risk preference on farmer decision in organic paddy farming implementation. In this study we use Just-Pope production function model. Just Pope model construct the production function as the sum of two components, that are mean production function and variance function (as a risk function). Probit model is used to analyze the relation between socio-economic factors and probability farmer implement organic paddy farming, and Arrow-Pratt absolute risk aversion (AR) is used to estimate farmer risk preference. The result shows that most farmers are risk averse. Organic paddy farmer tend to risk taker than non organic paddy farmer. Pesticides and labor are inputs that have a risk reducing effect in organic paddy farming. Seeds and manure inputs have a risk increasing effect. Farmer’s off-farm income and land owner status are have significant effect to farmer’s risk preference. Probability of farmer to adopt organic paddy farming have a positive relations with off-farm income, land owner status, experiences in paddy farming and have negative relation with age, and risk preference. Organic paddy farming have more production risk than non organic farming.

Key words: Organic paddy farming, Just-Pope production function model, expected utility, risk preference