ABSTRACT

SURYA ABADISEMBIRING. An Economic Analysis of the Presidential Instruction for National Rice Policy in 2005-2008 (HARIANTO as Chairman, HERMANTO SIREGAR and BUNGARAN SARAGIH as Members of the Advisory Committee).

The objectives of this research are (1) to describe the implementation of rice policy from the perspective of farmer, (2) to evaluate the implementation of rice policy at the national level, and (3) to analyze the impacts of rice policy on the objectives of the policy and on producer and consumer surplus.

The research used time series and cross section data. Cross section data were collected from respondent of 30 farmer contact persons as determined by purposive sampling of 59 groups of farmers in six villages in the rice production center in the Sub District of Sei Rampah, Serdang Bedagai, District in the Province of North Sumatera. The data was a monthly time series from March 2005-September 2009. Rice policy model specification uses the simultaneous equations consisting of 15 structural equations and 11 identity equations which was estimated using Two Stages Least Squares (2SLS) method.

The results show that: (1) the policy implementation of direct aid for seeds, subsidized fertilizer, and irrigation improvement are not effective at the farmer level to achieve the policy objectives, whereas the policy implementation of government purchase price is effective, (2) the increase of the government purchases price of dried harvest paddy by 15 percent gave a positive impact on farmer returns, farmer terms of trade, and improve food security whereas retail rice price decrease makes producer and consumer surplus increase, (3) the increase of the ceiling retail price of NPK fertilizer by 15 percent gave a negative impact on farmer returns, farmer terms of trade, and food security whereas retail rice price increase makes a negative effect to consumer surplus, (4) the increase of the realization of NPK fertilizer distribution by 10 percent gave a positive impact on farmer returns and improve food security whereas the decrease in price of dried harvest paddy makes negative producer surplus, and (5) the combination of an increase in the government purchase price of dried harvest paddy by 15 percent, along with an increase in the Bulog purchase of price of rice, the ceiling retail price of NPK fertilizer, the realization of NPK fertilizer distribution, and the number of households receiving Raskin increase 10 percent gave a positive impact on farmer returns, farmer terms of trade, and improve food security, whereas retail rice price decrease makes producer and consumer surplus increase.

The objectives of rice policies of Presidential Instruction for National Rice Policy in 2005-2008, would be achieved if the combination of government purchase on dried harvest paddy, the Bulog purchase of price of rice, the ceiling retail price of NPK fertilizer, the realization of NPK fertilizer distribution, and the number of households receiving Raskin are simultaneously implemented accordingly.

Key Words: Presidential Instruction for National Rice Policy, farmer returns, farmer terms of trade, food security, producer and consumer surplus.