ABSTRACT

MUHAMMAD SURYADI. Development of Premium Quality Rice as a Strategy to Increase Rice Farmers’ Income: Case Study on Development of Organic Rice in Klaten Regency, Central Java (M. PARULIAN HUTAGAOL as Chairman and NUNUNG NURYARTONO as Member of the Advisory Committee).

Development of medium quality rice as a homogeneous and generic product on the rice self-sufficiency program leads this rice to the perfect competition market and has not been able to generate rice farmers’ welfare. Development of premium quality rice as a heterogeneous and specific product, and leads this rice to the monopolistic competition market, and believes as an effective policy to generate rice farmers’ welfare. This study aims on evaluatingencies and constraints on development of organic rice as a strategy to increase farmers' income with case study on development of organic rice in Klaten regency, Central Java Province. This study used Cobb Douglass production function and descriptive analysis. Results showed that organic rice productivity and farm income are higher than non-organic rice and almost all of production inputs have significant effect on organic rice production. Development of organic rice has high potencies and also has various constraints including wrong perceptions about organic rice, low financial capability of farmers, scarcity of organics’ fertilizer and pesticide, lack of organic rice processing equipments, low extension and assistance of technology, and weak standards and quality certification system implementation of organic rice. This research concluded that development of organic rice as one of the types of premium quality of rice could be an effective strategy to increase farmers’ income and since organic rice productivity can be equal to the non-organic rice; this will not disturb the rice self-sufficiency program. The government needs to encourage the development of organic rice through increasing the utilization of development potency and handling the various constraints of organic rice development. Government should implement the comprehensive policy especially by increasing the promotion and dissemination of organic rice, providing the capital and improving access of organic rice farmers, improving the ability of farmers in producing organic fertilizers and pesticides, providing post harvesting and equipment organic rice processing, increasing the number of extension workers and intensity of the extension and assistance, providing certification institution, quality assessors, and improving farmers' access to quality certification institution.

Keywords: Premium Quality, Organic Rice, Farm Income, Cobb-Douglass Production Function, Descriptive Analysis