VI CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

1. The magnitudes of price volatility in the rice market chain decrease from upstream to downstream. Producers in the upstream face the highest price volatility at 24.9%, then rice millers and wholesalers face lower price volatility than producer price but still high at 18.3% and 18.1%, respectively. Whereas retailers face stable price at 8.7%. This study also confirms that rice price volatilities before and during crisis are not differently significant.

2. The rice price is not transmitted completely along the supply chain from producer to consumer, vice versa. So, the Indonesian rice market chain is not integrated vertically. We found there are only two cointegration relationships between producer price-rice miller price and wholesaler price-retailer price. Meanwhile, there are no cointegration between producer price-wholesaler price, producer price-retailer price, rice miller price-wholesaler price, and rice miller price-retailer price. The factors which may influence these relationships are seasonal price effects, market power to manage supply, trade barriers, direct or indirect interaction related to product flows effects on price determination, transaction costs, transparancy of market information, and price stabilization policy.

3. The policy implication which can be recommended from this study are: manage the unstable supply from production point through managing the cropping pattern in the production areas and strengthening the farmers’ institution by reinforces “Lumbung Padi” to the farmers, provide and manage good infrastructures for transportation, rice processing, warehousing, and communication infrastructure in Indonesian rice market chain system, encourage the market competitiveness along the rice market chain, and if everything is going well the rice price stabilization policy in the downstream market may be omitted.
There are some drawbacks of this study. The seasonal pattern data in the models need manipulated treatment series data statistically to produce the better model estimations without autocorrelation. This study only uses a linear price transmission analysis. Further studies uses non linear price transmission analysis are needed and challenging, such as studies about the asymmetry price transmission in the rice market chain, the performance of price transmission in different regime, the effect of Government Purchasing Price to the price transmission performance, the spatial price transmission analysis, larger scope study using aggregate data, and further study using more advance price transmission analysis. There are many questions of Indonesian rice market which need further price transmission studies to give more complete information and knowledge about Indonesian rice market.