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Analysis of the Organic Rice Market Structure in Lampung Province

[1*]Muhammad Irfan Affandi, [1]Aan Andika, [1]Dyah Aring Hepiana Lestari

[1*]Agribusiness Department, Faculty of Agriculture, University of Lampung Jl. Prof. Dr. Sumantri Brojonegoro 1, Bandar Lampung

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ABSTRACT

This study aims to determine the comparative advantage and competitive advantage of organic rice in Lampung Province. The research locations were in Punggur District, Central Lampung District, Pardasuka District and Pringsewu District, Pringsewu District. This research was conducted using survey methods and interviews with farmers using a prepared questionnaire. Respondents in this study amounted to 35 farmers who were selected deliberately using purposive sampling by the research objectives. The types of data used are primary data and secondary data. To answer the analysis objective, the Price Transmission Elasticity and the Herfindahl Hirschman Index (IHH) Policy Analysis Matrix (PAM) is used. The results showed that the market structure for the organic rice business in Lampung Province was oligopsony, as evidenced by the transmission elasticity value of 0.01151. the concentration ratio and market share results were 0.89 and 99.06%, which means that the value of the ratio concentration criteria was > 70%, so that the organic rice market concentration in Lampung Province can be said to be high concentration oligopsony.

Keywords: pringsewu district, market structure, oligopsony, organic rice, herfindahl hirschman index

INTRODUCTION

Rice is one of the main foodstuffs for the people of Indonesia. The cultivation of rice to produce rice requires a long process to obtain good quality rice as a staple food. Rice is a staple food that has not been replaced in the community. Therefore, rice is a very strategic commodity for the country of Indonesia (Junaedi, 2016).

Entering this new era, people's lifestyles are slowly shifting towards natural food. People are starting to realize the long-term dangers caused by food containing synthetic chemical residues. Chemicals such as chemical fertilizers, pesticides, and growth regulators are inseparable from farmers. In the long run, consumption of these foods can lead to various diseases and health decline. People are now slowly starting to be selective in choosing the food they consume so that it is safe for health and environmentally friendly (Siahaan, 2009).

Safe food is that which comes from organic farming systems. Organic farming uses various production inputs that are natural, and derived from plants and living things. Organic farming maintains a sustainable ecosystem by not damaging the environment. With the organic cultivation system, the environment will be maintained, soil fertility will increase, physical, chemical and biological properties of the soil will be richer. Providing balanced nutrition for plants and creatures that live around them. The safe food is organic rice (Eviyati, 2016).

*Corresponding author:
Email: irfan.affandi@fp.unila.ac.id

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Market structure is one aspect that affects the marketing of organic rice. Market structure is related to the environment in which the market operates. The market structure will affect the level of efficiency and the selling price that buyers will receive. The fewer the number of business actors in the market, the more imperfect the market structure will be. Organic rice entrepreneurs in Lampung are still very limited, so it is predicted that the market structure is not perfectly competitive.

One of the organic rice producers in Lampung is Central Lampung Regency and Pringsewu Regency. These districts are potential areas that have been cultivating organic rice and have been certified. The two districts have an area of 45% of the total 56 hectares of organic rice land in Lampung. However, the number of farmers cultivating organic rice is still very limited. The interest of farmers is still very minimal because they are worried about the decline in production and the number of pest attacks. On the other hand, the costs incurred to cultivate organic rice are quite high, along with maintenance which is quite complicated because it does not use synthetic chemicals (Food Security Service, 2021).

RESEARCH METHODS

Data collection was conducted from September to December 2022 in Punggur District, Central Lampung Regency and Pringsewu District, Pardasuka District, Pringsewu Regency. This location was chosen because it is a producer of organic rice in Lampung Province and has official certification of organic rice. Data was collected within a period of one season. In measuring the competitiveness analysis of organic rice, the policy matrix analysis (PAM) method was used to see the comparative advantage and competitive advantage of organic rice.

The data taken consists of two types, namely primary and secondary data. Primary data was obtained from interviews using questionnaires with Gapoktan, farmers or farmer group members, and local agricultural extension officers. Secondary data was obtained from the Central Bureau of Statistics, the Ministry of Agriculture, the Center for Agricultural Socio-Economic Research and Development, IFOAM, and FAO through the Internet.

Respondent farmers in each location were selected using the purposive sampling method. Purposive sampling is a technique for determining research samples with certain considerations aimed at making the data obtained later more representative (Sugiyono, 2013) The number of farmers used was 35 people. Consisting of 15 organic rice farmers in Central Lampung Regency and 20 organic rice farmers in Pringsewu Regency. The number of samples was selected purposively according to the research objectives. The study used the price transmission elasticity method.

Market structure is a relatively permanent strategic element of a firm's environment that influences and is influenced by behavior and performance in the market. The market structure indicates market attributes that affect the nature of competition. Market structure is usually expressed in terms of the size of the distribution of competing firms. Elements of market structure are market share, concentration, and barriers.

Market structure relates to the environment in which the market operates. It involves the number of producers or firms, the cost function, the profit function, and the constraints that prevent producers from entering an industry. Market structure also describes the market share of firms in the market in an industry. To expand a market share, a firm faces several barriers. The greater the barriers to entry, the higher the degree of concentration of the market structure. Entry barriers include factors that affect

the government's decision to enter the market, namely the amount of investment required, the efficiency of production levels, the variety of sales efforts, and the amount of sunk costs.

Market structure regarding different types of markets. Perfect competition, monopoly, and oligopoly markets. However, perfectly competitive and monopolistic market types are very rare in the market. Each market structure falls between a monopoly market (high market share and high barriers to entry) and a perfectly competitive market (small market share and low barriers to entry).

The organizational characteristics of a market in practice are what determine the relationship between buyers and sellers, between one seller and another, as well as sellers in the market and potential sellers who will enter the market. Market structure can be viewed from the characteristics of each market which can be seen in Table 1 below.

Table 1.
Market structure characteristics from the seller's point of view and the buyer's point of view

Characteristics		Market Structure	
Number of Companies	Product Properties	Sudut Penjual	Buyer's Corner
Many	Homogeneous/Standard	Persaingan Murni	Pure Competition
Many	Differentiated	Persaingan Monopolistik	Monopolistic Competition
Few	Standard	Oligopoli Murni	Pure Oligopoly
Few	Differentiation	Oligopoli Diferensiasi	Differentiated Oligopoly
One	Unique	Monopoli	Monopoly

Source: Dahl and Hammond (1997).

Market structure is classified into two groups, namely perfectly competitive markets and imperfectly competitive markets. The main characteristics of perfectly competitive markets are that there are many buyers and sellers, market participants only control a small portion of the marketed products so that they do not affect price formation (price takers), marketed goods are homogeneous, and buyers and sellers are free to enter the market. Imperfectly competitive market structure can be seen from the buyer side (monopsony and oligopsony markets), and the seller side (monopoly, oligopoly, and duopoly markets) (Limbong, 1987).

Determining the market structure can be done with a qualitative analysis that explains the marketing channels that consist of sales and purchasing practices, pricing systems, and payment systems. The marketing channels through which each agricultural commodity passes can be either short or long chains, depending on the number of trading institutions active in the trading system. Five marketing channels can be used in the distribution of agricultural products, namely:

1) Producer - consumer.
2) Producer - retailer - end consumer.
3) Manufacturer - small trader - large trader - retailer - end consumer.
4) Manufacturer - small trader - retailer - end consumer.
5) Manufacturer - wholesaler - retailer - end consumer.

Each firm has a market structure in each particular situation that affects the

behavior of the firm. Advantages and disadvantages of monopsony, perfect competition, and oligopsony markets.

1. Monopsony market (the advantage is that the quality of the products sold is guaranteed, both in terms of safety and health; more cost-effective, by reducing high production costs. The disadvantages are that with one buyer, there will be more pressure felt by producers; products that do not meet the wants and needs of consumers will be discarded or placed in warehouses).
2. Perfectly competitive market (the advantage is that there is no competition in this market, sellers do not need advertising for promotion, and price determination is based on bargaining transactions between sellers and buyers. The disadvantages are that there are no funds to conduct research or product development, and buyers experience limitations in choosing goods or services because the products sold are the same and the quality is the same).
3. Oligopsony market (the advantage is that the seller gets a lot of profit because more than one buyer can buy his goods, the pressure from buyers to sellers is not so visible, because of protection. The disadvantage is that the quality of the product is uncertain or less convincing, and security and convenience are low because there is no definite identity of the product).

Price Transmission Elasticity Analysis

Price transmission elasticity analysis according to Hasyim (2012) illustrates the extent of the impact of changes in the price of goods at the consumer or retailer level on price changes at the producer or producer level. Price transmission elasticity is measured through a simple regression between two prices at two market levels and then the elasticity is calculated using the following formula:

$$Et = \frac{\partial Pr}{Pr} \times \frac{Pf}{\partial Pf} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Prices have a linear relationship where Pf is a function of Pr which is mathematically formulated as follows:

$$Pf = a + b\ Pr \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Through equations (5) and (6) it can be obtained that :

$$b = \frac{\partial Pf}{\partial Pr} \text{ atau } \frac{\partial Pr}{\partial Pf} = \frac{1}{b} \quad \ldots\ldots\ldots\ldots\ldots\ldots (3)$$

so,

$$ET = \frac{1}{b} \times \frac{Pf}{Pr} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Description:

ET = Price transmission elasticity
∂ = Differentiation or derivative
Pf = Average price at the producer level
Pr = Average price at the consumer level
a = Constant or cut-off point
b = Regression coefficient

The criteria for measuring ET are:

a) ET = 1, meaning that price changes at the consumer (retailer) level are transmitted 100 percent to producers so that the market is considered a perfectly competitive market and achieves marketing efficiency.
b) ET > 1, meaning that the rate of price changes at the consumer (retailer) level is greater than the rate of price changes at the producer level so the market is considered an imperfectly competitive market and has not yet achieved marketing efficiency.
c) ET < 1, meaning that the rate of change in prices at the consumer (retailer) level is smaller than the rate of change

in prices at the producer level so the market is considered a market that is not perfectly competitive and has not yet reached marketing efficiency.

RESULT AND DISCUSSION

Correlation Coefficient of Organic Rice Price

The data used is the price of organic rice at the farm level and final consumers in Lampung Province from 2015 to 2022. The data is primary data derived from records and bookkeeping by farmer groups that have been realigned with the producer price index and consumer price index. The selected variety is mentik susu because this variety is the variety planted by all farmer groups in the study area. The price of organic rice from year to year does not always experience fluctuating changes. The price of organic rice tends to be static and stable, unlike inorganic rice or other commodities. This is a distinct advantage of organic rice products, whatever policies and things happen in the market the price of organic rice remains stable, the price can be seen in Table 2.

The data was then analyzed using simple linear regression analysis. The results of simple linear regression analysis can be seen in Table 3.

From the results of the analysis obtained a value of 0.934 which means the value of the regression coefficient < 1. If the value of the regression coefficient < 1, a price change of 1 percent at the consumer level will result in a price change of less than 1 percent at the producer level. The R-value obtained from the analysis results if the closer the number 1, the closer the relationship between variables will be, otherwise if it gets away from 1, it shows that there is no relationship between variables. The value of 0.934 is close to 1, meaning that the relationship between producers and consumers of organic rice is very close and has a mutual influence.

1. Price Transmission Elasticity

According to George and King (1971), price transmission elasticity is used to explain the ratio of the percentage change in prices at the retailer level to the percentage change in prices at the farm level. Price transmission elasticity is the relative change in price at the producer level (Pf) to the relative change in price at the retailer level (Pr). Sudiyono (2001) states that in general, the value of the transmission elasticity is smaller than one, which means that with constant input volumes and prices, the relative change in prices at the retailer level will not exceed the relative change in prices at the farm level.

Table 2
Average price of organic rice at the farmer and final consumer level in 2015-2022.

No.	Years	Type of Rice	Farmer Price	Price at Consumer
1	2015	Buttermilk	15.893	23.251,63
2	2016	Buttermilk	15.520	22.459,74
3	2017	Buttermilk	15.816	21.635,68
4	2018	Buttermilk	15.333	20.965,15
5	2019	Buttermilk	10.715	20.348,47
6	2020	Buttermilk	10.459	26.689,76
7	2021	Buttermilk	10.060	26.279,77
8	2022	Buttermilk	9.516	25.318,06
Rata – rata		Buttermilk	12.914	23.368,53

Table 3
Correlation coefficient analysis of organic rice prices in Lampung Province

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934[a]	.873	.869	852.80287

a. Predictors: (Constant), pf

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-117600.000	8844.516		-13.296	.000
	Pf	4.800	.319	.934	15.043	.000

a. Dependent Variable: pr

Source: Primary Data Research Results, 2023

If the transmission elasticity is smaller than one (Et < 1), it means that a 1 percent price change at the retailer level will result in a price change of less than 1 percent at the farm level. If the magnitude of the transmission elasticity is known, then the magnitude of the relative change in price at the retailer level and the relative change in price at the fishermen level can also be known. By knowing this relationship, it is expected that there is market information about (Sudiyono, 2001):

a. Possible opportunities for effective competition by improving market transparency.
b. Balance of supply and demand between fishermen and traders, thus preventing excessive fluctuations.
c. Possible development of inter-regional traders by providing information on national or local market developments.
d. Possibility of reducing production and marketing risks to reduce losses.
e. Opportunities for marketing improvement by providing relevant analysis to decision-makers.

Regarding marketing, product prices at the producer level that fluctuate sharply are not favorable for farmers because they cause uncertainty in the income obtained from their farming activities. The business risk faced by farmers will be higher if the price of the product fluctuates. Such price fluctuations occur due to an imbalance between the volume of demand and supply where the price level increases if the volume of demand exceeds supply, and vice versa. Because the volume of demand is relatively constant in the short term, short-term price fluctuations can be said to be the result of the inability of producers to organize their supply by demand needs (Hastuti, 2007).

Price transmission elasticity is the ratio of the percentage change in the price at the retailer/marketer/consumer level (Y) to the price change at the farmer/producer level (X), which aims to determine how much the price change in the retailer/marketer/consumer market (Y) is due to a one-unit price change in the farmer/producer market (X).

From these changes/relationships, it can be indirectly estimated the effectiveness of market information, the shape of the market, and the

effectiveness of the marketing system. If the price transmission elasticity is less than one (Et<1), it means that a 1% price change at the retailer level will result in less than 1% price change at the farm level and the market shape leads to oligopsony. If the price transmission elasticity is equal to one (Et=1), then a price change of 1% at the retailer level will result in a price change of 1% at the farm level and is a perfectly competitive market. If the price transmission elasticity is greater than one (Et>1), then a 1% price change at the retailer level will result in a price change greater than 1% at the farm level and the market shape leads to monopoly (Hasyim, 1994).

The data used in the price transmission elasticity analysis is the same as the price correlation analysis. The price transmission elasticity (ET) can be calculated as follows:

$$ET = \frac{1}{b} \times \frac{Pf}{Pr} \quad \ldots\ldots\ldots\ldots\ldots\ldots (5)$$

$$ET = \frac{1}{4.800} \times \frac{12,914}{23,368} \quad \ldots\ldots\ldots\ldots\ldots\ldots (6)$$

$$ET = 0,01151 \quad \ldots\ldots\ldots\ldots\ldots\ldots (7)$$

Based on the results of these calculations, it can be seen that the ET value is 0.01151 which means that if there is a one percent change in prices at the producer level, it will be followed by a rate of price change at the consumer level of 0.01151 percent. The ET value of less than one indicates that the rate of price change at the producer level is smaller than the rate of price change at the consumer level so the market is not perfectly competitive and inefficient. With a value < 1, it means that the market structure leads to an Oligopsony market.

The results of the study are in line with the research of Anggraini, et al, (2013) that the value of the price transmission elasticity of organic rice is less than one (0.911) indicating that the difference in the rate of price change at the final consumer level with the producer is relatively small (little) so that the market structure formed is not perfectly competitive and the marketing system is not efficient. The results are also in line with the research of Ismono, et al, (2011) on corn commodities with a price transmission elasticity value of 0.446 which is less than one so the market is classified as imperfect because there is oligopsony power.

In contrast to the research conducted by Yuniarti (2019), the results show that the concentration of the sales ratio of organic paddy rice after harvest is controlled by the general rice mill. The small number of organic rice buyers in Boyolali Regency indicates that the market structure formed is oligopsony. Organic paddy marketing actors in Boyolali Regency are members of organic associations and find it easy to enter and exit the market. There is no collusion between organic grain sellers in terms of price setting in the market. Organic unhulled rice sellers do not use advertising media in marketing their products so sales are only controlled by a few buyers.

Based on the results of the analysis, recommendations that can be proposed are as follows, in terms of selling organic grain rice, there is a need for a mechanism to reduce market power in some buyers in the form of policies or regulations. The existence of existing policies or rules is expected to reduce inequality and ensure fairness among marketing actors (Yuniarti, 2019).

The results of this market structure research are in line with research conducted by Anggraini (2018) that the market structure at the organic rice farmer level faces an imperfect competition market structure leading to a monopsony market, the organic rice market structure at the RMU (milling) level is a monopoly market, and the structure at the trader level is leading to an oligopoly market structure. Price determination at the farm

level and marketing institutions based on bargaining agreements between institutions and policies from the government. There is cooperation in the distribution of organic rice. The organic rice marketing system has strong vertical integration between price changes at the RMU level and price changes at the farm level (Anggraini, 2018).

According to the results of Hidayati's research (2020), based on the purchasing capacity of traders to farmers whose crops are combined and then sold to these traders. In the results of the concentration ratio and market share focused on the 1st trader, the results of the concentration ratio and market share are 0.41 and 41.29, which means that in the ratio concentration criteria, if it is greater than 40%, it shows that the market structure tends to be loose oligopsony. This is by the analysis of market structure according to Hay and Morris (1991) if there are traders with a concentration ratio value of less than 80% then the market leads to loose oligopsony.

Based on the results of research on the structure, behavior, and appearance of the organic rice market in Sumberngepoh Village, it can be concluded that the formed organic rice market structure leads to oligopsony. Market behavior in organic rice marketing prices is determined by farmers but there is an agreement in advance and there are two marketing channels, namely 1) farmers sell grain to intermediary traders, then from intermediary traders directly sell to consumers. 2) Farmers sell grain to intermediary traders, then intermediary traders are entrusted to the Pharmacy owner, and then from the Pharmacy sold directly to consumers. Furthermore, the results of the appearance of the organic rice market are not efficient because the share obtained by farmers is ≤40%. Some suggestions that can be given in this study are 1) Organic rice farmers further improve their knowledge in the field of marketing so that marketing can be efficient and the income received is also high. 2) The government needs to regulate price policies related to organic rice to make it easier for farmers to market it.

According to the results of Astuti's research (2020), it states that the market structure faced by organic rice farmers is monopsony, because organic rice farmers only sell rice that has been processed into rice to the Prosperous Farmers Group. These results are in line with research conducted by Nurmalina (2008), namely the market structure faced by organic rice farming farmers is close to monopsony. The market structure faced by inorganic rice farmers is oligopsony, because the number of inorganic rice farmers as producers is more when compared to intermediary traders or millers as buyers.

The market structure faced by Kelompok Tani Sejahtera as an organic rice trader is a monopoly, because there is only one seller who controls the organic rice market, while the market structure faced by Kelompok Tani Sejahtera as a rice buyer is monopsony, because Kelompok Tani Sejahtera is the sole buyer of organic rice in Pringsewu Regency. The monopoly market structure determines organic rice prices controlled by the Prosperous Farmers Group as an organic rice trader. The market structure faced by intermediary traders as inorganic rice sellers is oligopsony, because the number of intermediary traders is more than inorganic rice millers. Compared to the number of organic rice farmers, the number of organic rice traders is much less than the number of farmers. Therefore, the prevailing structure tends to lead to an oligopsony market.

The market structure faced by inorganic rice collectors as paddy buyers is oligopoly, because the number of collectors is less than the number of inorganic rice farmers. The market structure faced by millers as paddy sellers is oligopoly, because there are fewer rice millers than retailers, while the market

structure faced by millers as paddy buyers is oligopsony, because there are fewer rice millers than inorganic rice collectors.

2. Market Concentration Analysis

The concentration ratio is the ratio between the amount of goods purchased by a particular trader and the amount sold by all traders, then multiplied by 100% (Anindita and Baladina, 2017). According to Anindita and Baladina (2017), the Hirschman Herfindahl Index aims to determine the degree of buyer concentration of a market, so that it can find out the general picture of the balance of the strength of the bargaining position of farmers (sellers) against traders (buyers). The concentration of the Lampung Province organic rice market can be seen in Table 4.

From Table 4, the Hirschman Herfindahl Index (IHH) value is 0.23, which means 0 < IHH < 1 so the structure of the organic rice market in Lampung Province leads to an oligopsony market because the number of organic rice producers is more than buyers or traders. Dewi's (2017) tell that research that the Herfindhal Index value is between 0 and 1, so the market formed is an oligopsony market.

Table 4
Calculation of market share and concentration ratio of organic rice traders in Lampung Province.

Industry Name	Capacity (Kg))	Concentration Ratio (Kr)	Market Share (%)	IHH
A	6.000	0,19	18,75	0,04
B	4.500	0,14	14,06	0,02
C	3.500	0,11	10,94	0,01
D	9.500	0,30	29,69	0,09
E	8.500	0,27	26,56	0,07
Total	32.000	1,00	100,00	0,23
Average	6.400			

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In the concentration ratio and market share of the 1st trader, the results of the concentration ratio and market share are 0.19 and 18.75%, which means that in the ratio concentration criteria, if it is less than 40%, it shows that the market structure tends to be oligopsony with low concentration. The value of the

concentration ratio if it reaches 40% or more then it can be said to be oligopsony with medium concentration, and if it reaches 70% then it is said to be high concentration.

In the concentration of 4 leading large traders, the results of the concentration ratio and market share are 0.89 and 99.06%, which means that the value of the ratio concentration criterion is> 70%, so that the concentration of the organic rice market in Lampung Province can be said to be high concentration oligopsony. This high concentration value illustrates that organic rice traders in Lampung Province have a high level of power to influence the organic rice market in Lampung Province.

In line with research by Yuniarti and Rahayu (2019), the concentration ratio of organic rice sales after harvest is controlled by general rice mills. The small number of buyers of organic rice in Boyolali Regency indicates that the market structure formed is oligopsony. Organic paddy marketing actors in Boyolali Regency are members of organic associations and find it easy to enter and exit the market. There is no collusion between organic grain sellers in terms of price setting in the market. Organic unhulled rice sellers do not use advertising media in marketing their products so that sales are only controlled by a few buyers.

This research is also in line with Hidayati and Zuhriyah's (2020) research on the structure, behavior, and appearance of the organic rice market in Sumberngepoh Village, it can be concluded that the organic rice market structure formed leads to oligopsony. Market behavior in organic rice marketing prices is determined by farmers but there is an agreement in advance and there are two marketing channels, namely 1) farmers sell grain to intermediary traders, then from intermediary traders directly sell to consumers. 2) Farmers sell grain to intermediary traders, then intermediary traders are entrusted to the Pharmacy owner, and then from the Pharmacy sold directly to consumers. Furthermore, the results of the appearance of the organic rice market are not efficient because the share obtained by farmers is ≤40%.

CONCLUSION

The organic rice market structure of Lampung Province based on price transmission elasticity analysis has value (ET<1). This means that if the price transmission elasticity is less than one (ET<1), it can be interpreted that a 1% change in price at the retail level will result in a price change of less than 1% at the farmer level and the market shape will lead to Olipgopsony. The prevailing market structure is imperfectly competitive, the market structure formed is oligopsony. The concentration of market structure is centered on oligopsony with a high level of concentration.

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