

Tobacco's Farmers and Local Government: Pamekasan Regency's Regulation in Protecting Tobacco's Farmers Against Monopoly

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Abstract

This research exercises the conceptual theoretical approach on public policy. Implementation and evaluation towards the outcome of the policy become one of the perspectives in observing the subject of this research. Data gathering will employ several methods such as observation, interview and FGD which will triangulated in order to retrieve valid data. Long term strategy that is used to overcome the problems faced by tobacco farmer was laid down in a form of Regional Law No 6 of 2008 which put a concern on Madura tobacco trading system. The implementation of this regional law faced many problems especially regarding the human resources. While other factors such as disposition and communication was done quite good and the bureaucratic structure was especially performed well. The flaw in resources factor leads to the lack of effectiveness, sufficiency, equality, receptiveness and accuracy which are used as an indicator for the successfulness in implementation of government policy in Pamekasan. In conclusion, the Regional Law No 6 of 2008 is still far from achieving its own designated goal which are building Maduran tobacco market that is honest, open and oriented towards tobacco farmers wellbeing.

Keywords: *Pamekasan tobacco farmers, tobacco bandol, tobacco whole buyer, Regional Law No 6 of 2008, tobacco market system*

Introduction

Tobacco has been considered as a plant with a potency to be cultivated in Madura Island especially around Pamekasan and Sumenep Regency. This can be proved by the fact that most of the agricultural areas employed for tobacco cultivation, whereas Pamekasan have 24.465 ha and Sumenep have 16.798. Meanwhile other regencies such as Bangkalan which ranked at 15th only have 30ha and Sampang Regency with 5.062 ha ranked 6th out of 38 cities and regencies in East Java. (*Jawa Timur*

dalam Angka, 2006)

In regard to the high economical value of Tobacco in Madura, the government working on strategic effort to improve the productivity of Tobacco farmer. Historically, the Pamekasan Government have at least issued which are Regional Law No. 2 of 2002 about The Management of Tobacco in Madura and Law No 6 of 2002 which put a concern on regulation of tobacco trading and establishment of tobacco storage. Few years later, Pamekasan Government reaffirms their

position to support Tobacco farmer with Regional Law No 6 of 2006 which also govern about tobacco trading practises.

In general, this new regulation on Tobacco at Pamekasan concern about three areas: *First*, it was designed to protect the originality of Maduran Tobacco against non-Maduran Tobacco strain. *Second*, to protect farmers from monopoly and unfairness in Tobacco trading practises. *Third*, the law designed to regulate the tobacco market and its contribution to regional government (Regional Law No 6 of 2006).

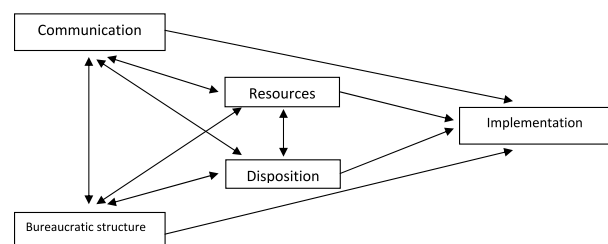
Factually speaking, the tobacco farmer seems to be encumbered by the trading conduct. The farmers didn't have a way to set the price, define the tobacco quality and judging the weight of tobacco. With these conditions, the farmers were unable to gain significant profit since the purchasing parties could set the price at their own will. The new regional government law was designed to prevent such kind monopoly from happening in tobacco market in the future. (Santoso, 2001)

Another external problem that arise aside of tobacco trading market was the possibilities of manipulation and setting of tobacco price induced by mafia from elite classes. From political-economy point of view, major involvement from bureaucrats and entrepreneurs would disrupt the economical side and policy making process. It means that monopoly in Maduran Tobacco market most likely involve unseen bureaucrats and entrepreneurs that indirectly affect the transaction. The aim of this research is to get knowledge about the circumstances behind monopoly practises that still happening in Tobacco market in Pamekasan even though the government, in order to protect the farmers, has been trying to dismantle it via Regional Law No 6 of 2006.

Theoretical Framework

Public policy in a loose meaning can be defined as *whatever Government chooses to do or not to do*. (Young and Quinn, quoted by Suharto, 2008). There are one interesting definition by Friedrik which are more related to this research according to the public policy: *"is a series of action proposed by person, group or government in particular scope of environment with its own threats and opportunities. The policy intended to make use of any potential that is available and overcome any obstacle in order to achieve several common purposes"* (Friedrik 1963).

In this research, potency can be assigned to the tobacco plant while the obstacle is the trading process which monopolized by grading factory. In order to achieve maximum benefit from the potency (tobacco) and overcome the obstacle (unfairness in tobacco trading), Pamekasan government dictate a public policy in the form of Regional Law No. 6 of 2008 (Nugroho, 2009). The effectual impact of this policy will be influenced by how the government implements that policy. The implementation itself is subjective to several factors. George C Edward III mentions several factors that can affect the implementation which are communication, resources, disposition and bureaucratic structure. Those four factors are interdependent to each other and give a shape to the implementation of the policy which can be viewed on the following figure:



The efficiency and the effectiveness of policy implementation based on the four afore-

mentioned factors can be described as:

First factor is communication. Public policy, as we know it, has specific aims and purposes. Therefore, the government must know the basic tenet of the policy and share it with the target group in order to prevent future resistance. *Second factor is resources.* While a good communication is a must but it won't be useful without required amount of resources. The resources can be human or natural resources. *The third factor is disposition.* This can be viewed as a nature or character of particular policy implementation agent. Character such as honesty, commitment and democratic nature can be useful for a good implementation. *The last*

factor is bureaucratic structure. One of the utmost important parts of organizational structure is the existence of Standard Operational Procedure (SOP). Over complicated and exhaustive bureaucratic structure can lead to difficulties in monitoring and automatically more prone to ineffective implementation of the policy (Subarsono, 2009).

In order to measure the successfulness and effectiveness of the policy, this research use the indicator set by Dunn. According to him, successfulness can be measured using five indicators which are effectiveness, sufficiency, equality, receptiveness and accuracy. Technically speaking, those indicators can be translated as:

No.	Indicators	Description
1.	Effectiveness	Effectiveness indicated by how the new regulation can make a better Tobacco trading practises which are healthy, fair, open and give a support to tobacco farmers.
2.	Sufficiency	Sufficiency measured from how far the result can solve the problem regarding the farmer position in the trading conduct.
3.	Equality	Equality can be seen from how the benefits are distributed between the purchaser of tobacco, farmers and regional government.
4.	Receptiveness	Receptiveness measured from how the result can be satisfactory based on each stakeholder point of view
5.	Accuracy	Accuracy can be measured by how the result can be useful and heading towards a healthy, fair and open tobacco market which in turn will be useful for the farmers.

Policy requires supportive instrument in order to achieve the desirable outcome. The government needs the support from entrepreneurs in order to execute its own policies which are intended for common good. This condition should lead to a mutual relation between the government and the entrepreneurs in which every one of them need each other to be completely functional.

Such kind of relation eventually leads to what they called *shadow state and informal economy* (William Reno 1995 and Barbara Harris - White 2003). While in the beginning those relationship was

purposed to successfully implement the government policy, in reality further involvement of non-governmental agent such as entrepreneur will sway the original aims to be more profitable for those agent.

Shadow State can be understood as an effect of the weakening of the government due to war or certain economical crisis. This pushes the government to build relation with entrepreneurs in order to be successfully executing certain policies. As the state power continuously degraded while the entrepreneurs getting stronger, the purpose of public policy become more entrepreneurs oriented. This is caused by

the exchange of financial resources between the entrepreneurs and the government which led to the rise of informal power by the entrepreneurs which to some extent overwhelm the government formal power (Reno, 1995).

This kind of relationship has been occurred in Indonesia since a long time ago especially at the New Order era. Capitalistic Oligarchy was present in all aspect of economic development in Indonesia. The aftermath of New Order saw the centralized power shifted to decentralized power. Yet the previous element of oligarchy seemed to found a new patron and organized in a new form. The struggle for local leadership, the rise of new opportunist and new source of power can be seen in local level. Relation between entrepreneur and local government was getting stronger and new local elites whether independent or related with bigger elites are getting more places in Indonesian political economy (Hadiz, 2005).

It is also imperative to understand the basic concept of monopoly which is domination of certain group in economic process that in turn will render the competition to be non-existent and unhealthy. This kind of process will always produce two distinct group: the dominant group and the marginal group (Outwhite, 2002). The concept of monopoly can't be separated from its location and time context. Its utmost basic definition is the existence of individual or group domination which makes the competition to be unhealthy. Monopoly also can be inferred as "*a company or group having exclusive control over a commercial activity*" (<http://www.thefreedictionary.com/monopoly>).

Monopoly in tobacco trading cannot be simply viewed as a economic phenomenon caused by its own dynamic. There is a possibility that a certain party outside

the farmers that deliberately promote unhealthy competition. This possibility must be verified in order to get a complex understanding about this problem.

Research Methods

This research is using descriptive-qualitative approach. Interpretative paradigm also chosen as an approach in order to understand *the meaningful social action* that cannot be simply viewed as an outsider. Observation is employed as a method to early data gathering. By observing the analytical unit, the researcher can be able to get primary data and further data gathered using interview from many stakeholders. Farmers, *bandol* (intermediate procurer), tobacco entrepreneur and the policy maker are the informant for this interview. All gathered data will be verified using data gained from *Focus Group Discussion* (FGD).

Research Analyst and Result

The process of tobacco trading is compiled in tobacco purchasing-selling system which will be called as tobacco trading conduct. Tobacco trading conduct in this paper is defined as a trading between the farmers to *bandol*, *bandol* to whole buyer, and from whole buyer to representative of cigarettes factory. Maduran Tobacco farmers in Pamekasan usually found several problems such as lack of fund, bad quality of seeds, difficulties with fertilizer, and also natural or climatic problem. They also face an artificial problem which is problem with tobacco trading conduct. This kind of problem is the most difficult of all because it renders the farmers only as a price taker not a price maker. This problem of tobacco trading conduct can be called as a monopoly in tobacco market.

The first part of this monopolistic system is regarding on pricing and grading

of the tobacco. The process of pricing started from the grading of Tobacco leaves quality. Unfortunately there is no specific standard and process regarding this matter in Regional Law No 6 of 2008. According to the farmers, Tobacco grade are based on color, aroma and texture of the leaves. If the tobacco got a nice color, good aroma but either too soft or too hard then it couldn't pass to grade A which require a perfect overall quality. Sometimes a single plant can produce more than one grade which can be grade A, B or even C. In this part of grading the subjectivity of the buyer will impact heavily on the price.

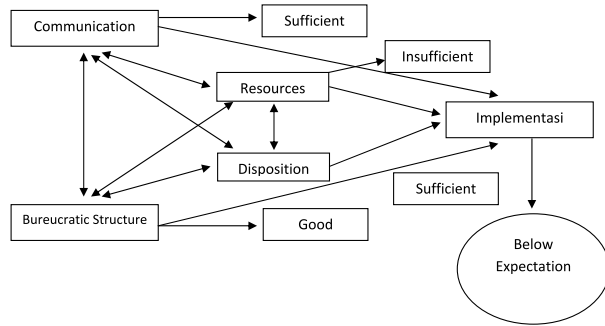
The second part is about the politics of trading periods. In this part, the representative of cigarette factory designed the duration for trading to be only open at a certain periods. This kind of arrangements putsome psychological effect on the farmers which make them hastily sell their tobacco even behind the BEP value. According to the farmers, the representative of cigarette factory usually announces that their purchasing period is a month but after in less than a month they suddenly close their purchasing period due to several reasons such as over quota, ran out of money or the tobacco was rejected by the headquarter. Only after that purchasing period has ended, the factory will deploy their "agents" to purchase the tobacco directly from the farmer at a lower price. The farmers didn't have much bargaining power since they didn't have any option. After all, there is no way tobacco can be stored in a long time without degrading its quality.

The third part is about the politic behind the partnership system. According to the regional government regulation, the partnership system was designed to make the cigarette companies financially support

the farmer via tobacco seeds, fertilizers or even initial funds or any other thing that help their productivity. The companies also need to give non-financial support such as training for a better tobacco quality.

Yet, the partnership system has inherent flaws. *First of all*, the grade and standard required by the partner factory usually was not similar with other factory. *Secondly*, that kind of partnership and different standard among tobacco factories will put the farmers to face an inevitable monopoly. This is caused by their inability to sell their tobacco to another factory which have different standard at defining grade A tobacco.

The vulnerability of the farmers in pricing mechanism was caused by several things. *First*, the farmers abound to their investors or money lenders. The inflexibility in capital sector makes the farmers heavily depend on other people who have extra money. *Second*, they are lacking of common ground for standardization of grading criteria and quality of tobacco. The differences in judging the quality and grade of the tobacco crops usually lead to lower price. Even when the farmers believe that their tobacco is grade A quality but the final words is depend on the buyer which can simply assign the tobacco as a B class. *Third*, the farmers also have their own family with certain issues need to be taken care of. This condition usually pushes them to sell their crops as quickly as possible. Implementation of Regional Law No 6 of 2008 was far from effective mostly due to lack of resources. The field coordinator mostly didn't have a clue about the current issues in tobacco industry. This leads to procedural surveillance which far from giving any significant contribution towards the farmers. The implementation can be seen as:



The effectiveness of this Regional Law no 6 of 2008 is under heavy doubt. Its effectiveness, sufficiency, equality, receptiveness and accuracy in solving the Pamekasan Tobacco farmers seem to be far from its original target.

Based on the aforementioned facts, which shows how in the aftermath of Pamekasan Regional Law No 6 of 2008, we can still monopoly in tobacco trade practices. It can be concluded that that the regional law was ineffective and unable to give protection to the farmers. Furthermore, the essence of the law gave additional possibilities in swaying the grading system. Many people thought that this law was a product of cooperation between the governments - the tobacco factory. Even one of the candidates on Pamekasan election openly declared that some tobacco companies already make some arrangements with another candidate. This can be the reason why monopoly is still exist even though the government already passed some laws.

The biased policy endowed in the Regional Law showed that to some extent the informal power is gaining power over the actual formal power which is the government. If we look back to the age of the New Order we can see that the previous oligarchic power that used to operates on national levels find their own new position in local government. Furthermore, they dominate particular sector based quasi-legality supplied by the government.

Conclusion and Recommendations

There are several reasons why the Regional Law failed to meet its designated purposes. *First*, both the farmer and the government are unable to make a clear definition about tobacco grading. The specification in which a tobacco can be graded as a high quality is pretty much unknown. Subjectivity of the buyer can be considered the only thing that is matter. This flaw proves to be the factor behind the domination of buyers' power in Pamekasan tobacco trading conduct.

Secondly, there is no national standard for the details of tobacco grading. Therefore, both the farmers and the buyers are completely on they own when it comes to grading. Most of the time, the difference regarding the price is simply won by the buyers due their financial and procedural powers. *Third*, the government was unable to deploy sufficient human resources that capable in handling the implementation of this law. *Fourth*, the power of tobacco companies is quite dominant in Pamekasan. *Fifth*, most of the farmers are unaware about the existence of this law.

There is also one external factor that contributes to the existence of monopoly in tobacco market even after Regional Law no 6 of 2008 issued. This factor is the patron-client relation between parts of the government with tobacco companies.

In conclusion, Regional Law no 6 of 2008 was not well executed. There were so many tobacco farmers that their quality of life was not improved even after the law has been issued. This mean that the Regional Law No 6 of 2008 is still far from achieving its own designated goal which are building Maduran tobacco market that is honest, open and oriented towards tobacco farmers well being.

Meanwhile, the recommendation based on this research are as stated below:

1. The Pamekasan farmers should find other potential buyers outside Pamekasan which can be on national or even international level. Therefore, they are no longer dependant on local buyers or companies.
2. Revise the Regional Law No 6 of 2008 by adding several points concerning the specification of tobacco qualities so the buyers or companies are no longer able to set their own standard which usually leads to lower buying price.
3. Developing a patented device or tool which can be used to diagnose the level of dryness, elasticity and other tobacco grade indicators.
4. Improving the quality of supervision in order to regulate the trading transaction between the farmers and the buyers. This supervision can be done only if the bureaucracy is based on accountability and transparency. The intention behind his supervision is to prevent any conspiracy that intended to manipulate the trading process. In order to employ this kind of supervision the government needs to hire the expert in tobacco quality which has the capability to judge both the quality and the price for certain tobacco. The judgment must be conducted honestly and open according to Regional Law No 6 of 2008.
5. Provide or facilitate the farmers with storage or warehouse facility in order to prevent the farmers from substantial losses caused by late harvest. This system will be based on tobacco farmers cooperation system purposed to resell the tobacco in the next harvest season with appropriate price. The farmers also should be able to borrow some money as a funding for the next planting season.
6. Establish local cigarette company which can be founded by joining with other regional government in Madura. This company purposed to buy the tobacco from the farmers in optimum way and appropriate price.
7. Developing special social security program for the tobacco farmers that previously became the victim of monopolistic system.
8. Optimizing the benefits from tobacco tax fund and use it wholly to the interest of Maduran Tobacco farmers in Pamekasan.

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