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# SOCIO-ECONOMIC IMPACT OF GOVERNMENT POLICIES IN THE AGRICULTURAL SECTOR: A CASE STUDY OF CASSAVA PRICE POLICIES IN LAMPUNG

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**Abstract**

Cassava is a strategic commodity in Lampung Province that plays an important role in food security and the local economy. Data from Statistics Indonesia in 2024 shows an improving trend in poverty reduction. With 941,230 people compared to 970,670 people in March 2023, this shows that if managed properly, the agricultural sector can reduce poverty levels. However, the oligopsonistic market structure puts farmers in a weak bargaining position. To overcome this, the Lampung Provincial Government issued Governor's Instruction No. 2 of 2025, which sets a reference price of IDR 1,350/kg with a maximum discount of 30%. This study aims to analyze the socioeconomic impact of this pricing policy and its effectiveness for farmers. The research method used is a literature study by examining data from academic journals, BPS reports, and other publications, as well as interviews with selected farmers as respondents. The data is analyzed qualitatively using a descriptive-analytical approach to see the suitability between the policy objectives and the reality in the field. The results of the study show that pricing policies provide little protection for farmers through guaranteed base prices and more secure market access. However, rafaksi practices that are not always transparent, weak supervision, and low productivity remain major obstacles. This study also found that factory closures occurred due to economic pressures and market uncertainty, lax import policies, and weak coordination between the central and regional governments in managing trade. This study confirms that the cassava pricing policy in Lampung serves as an important first step in reducing farmers' vulnerability, but it is not enough to achieve sustainability. Updates to pricing, increased productivity, and institutional support are needed to ensure the sustainable welfare of farmers.

**Keywords: Agricultural Policy; Socioeconomics; Cassava Prices; Rafaksi.**

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**Abstrak**

*Singkong merupakan komoditas strategis di Provinsi Lampung yang memainkan peran penting dalam ketahanan pangan dan perekonomian lokal. Data dari Badan Pusat Statistik (BPS) pada tahun 2024 menunjukkan tren perbaikan dalam pengurangan kemiskinan. Dengan jumlah 941.230 orang dibandingkan dengan 970.670 orang pada Maret 2023, hal ini menunjukkan bahwa jika dikelola dengan baik, sektor pertanian dapat mengurangi tingkat kemiskinan. Namun, struktur pasar oligopsonistik menempatkan petani dalam posisi tawar yang lemah. Untuk mengatasi hal ini, Pemerintah Provinsi Lampung menerbitkan Instruksi Gubernur Nomor 2 Tahun 2025, yang menetapkan harga acuan sebesar IDR 1.350/kg dengan diskon maksimum 30%. Studi ini bertujuan untuk menganalisis dampak sosial-ekonomi kebijakan penetapan harga ini dan efektivitasnya bagi petani. Metode penelitian yang digunakan adalah studi literatur dengan menganalisis data dari jurnal akademik, laporan BPS, dan publikasi lain, serta wawancara dengan petani terpilih sebagai responden. Data dianalisis secara kualitatif menggunakan pendekatan deskriptif-analitis untuk melihat kesesuaian antara tujuan kebijakan dan kenyataan di lapangan. Hasil penelitian menunjukkan bahwa kebijakan penetapan harga memberikan perlindungan yang minim bagi petani melalui harga dasar yang dijamin dan akses pasar yang lebih aman. Namun, praktik rafaksi yang tidak selalu transparan, pengawasan yang lemah, dan produktivitas yang rendah tetap menjadi hambatan utama. Studi ini juga menemukan bahwa penutupan pabrik terjadi akibat tekanan ekonomi dan ketidakpastian pasar, kebijakan impor yang longgar, serta koordinasi yang lemah antara pemerintah pusat dan daerah dalam mengelola perdagangan. Studi ini menegaskan bahwa kebijakan penetapan harga singkong di Lampung merupakan langkah penting pertama dalam mengurangi kerentanan petani, namun hal ini belum cukup untuk mencapai keberlanjutan. Perbaikan kebijakan penetapan harga, peningkatan produktivitas, dan dukungan institusional diperlukan untuk memastikan kesejahteraan petani yang berkelanjutan.*

**Kata Kunci: Kebijakan Pertanian; Sosial Ekonomi; Harga Singkong; Rafaksi.**

## INTRODUCTION

Overcoming poverty is one of the agendas in a country's economic development, especially in developing countries. The economic sector in developing countries is dominated by the agricultural sector, which is vulnerable to poverty. Government policies are expected to address the most crucial issues in overcoming poverty.[1]. Poverty is still a problem in many countries, including Indonesia. In several regions in Indonesia, the agricultural sector is the mainstay of the regional economy, such as in Lampung Province. Despite its extraordinary economic potential, Lampung Province still has a high poverty

[1]Dudi Septiadi dan Muhammad Nursan, 'Simulasi Kebijakan Pertanian terhadap Pengentasan Kemiskinan di Indonesia', *Jurnal Agrimansion*, 24.1 (2023), pp. 75–85 https://doi.org/10.29303/agrimansion.v24i1.1341.

rate. Often, the poverty rate in a region is associated with variables such as social poverty, human development, and regional poverty.[2]

The issue of poverty is not merely a matter of the number and percentage of poor people; another dimension that needs to be considered is the depth and severity of poverty. The poverty severity index provides an overview of the distribution of expenditure among poor products, as seen in the period from September 2022 to March 2023, the poverty depth index (P1) and the poverty severity index (P2). The poverty depth index decreased to 1.637 in March 2023, down from 1.695 in September 2022. Similarly, the poverty severity index also decreased from 0.387 in September 2022 to 0.359 in March 2023.[3]

The economic growth of the Lampung region is largely driven by the agricultural sector. Increased added value, wage levels, and the achievement of productive agriculture are part of the economic growth of the agricultural sector.[4] When linked to the agricultural sector, the decline in the poverty severity index (P2) and poverty depth index (P1) in 2023 reflects a positive impact, with the agricultural sector still being the mainstay of life for some of the population, especially in rural areas. Interestingly, data from BPS in 2024 shows an improving trend in poverty reduction. With 941,230 people compared to 970,670 people in March 2023.[5] This reinforces the indication that the agricultural sector, if managed inclusively and sustainably, can be an important driver in poverty alleviation, especially in areas that still depend on agricultural activities.

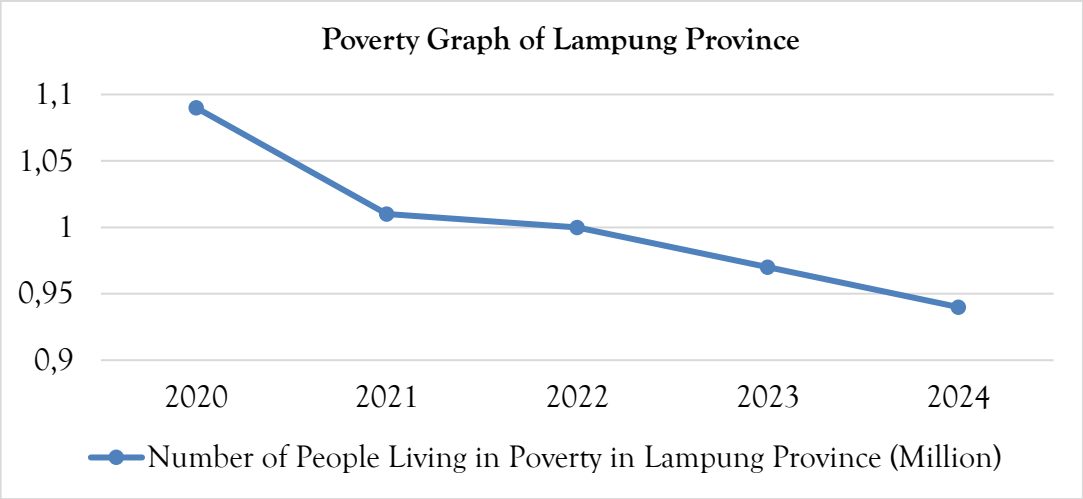


**Figure 1.** Poverty Graph for Lampung Province for the Period 2020-2024.
Source: (Lampung Statistics Agency 2024).[6]

[2]Fauzi Nur Kholis dan Toto Gunarto, 'Analisis Pengaruh Kesenjangan Sosial, Indeks Pembangunan Manusia (IPM), dan Pengangguran terhadap Kemiskinan di Provinsi Lampung (2012–2023)', *eCo-Buss*, 7.3 (2025), pp. 2128–2142 https://doi.org/10.32877/eb.v7i3.2243.

[3]Badan Pusat Statistik Provinsi Lampung, 'Profil Kemiskinan Lampung Maret 2023' https://lampung.bps.go.id/id/pressrelease/2023/07/17/1131/profil-kemiskinan-lampung-maret-2023.html (diakses 13 Juni 2025).

[4]Ambya Ambya, Fitriani Fitriani, Muhammad Zaini, dan Intan Andya Bellapama, 'Sektor Pertanian untuk Pertumbuhan Ekonomi Regional Lampung', *Journal of Food System and Agribusiness*, 6.1 (2022), pp. 102–111 https://doi.org/10.25181/jofsa.v6i1.2580.

[5]Badan Pusat Statistik Provinsi Lampung, 'Kemiskinan Menurut Kabupaten/Kota di Provinsi Lampung, 2024 – Tabel Statistik' https://lampung.bps.go.id/id/statistics-table/1/NTgzIzE=/kemiskinan-menurut-kabupaten-kota-di-provinsi-lampung-2024.html (diakses 13 Juni 2025).

[6]Badan Pusat Statistik Provinsi Lampung, 'Kemiskinan Menurut Kabupaten/Kota di Provinsi Lampung, 2024 – Tabel Statistik'.

However, Indonesia's agricultural sector also faces many complex structural challenges, particularly in terms of stabilization, which has a direct impact on the welfare of small farmers. Lampung province is the epicenter of national cassava production, contributing to one-third of Indonesia's production, which is currently experiencing a systematic decline in prices.[7] Cassava farmers usually harvest their crops every nine months, with the harvest generally sold directly to collectors who work with processing companies to convert it into raw materials for the manufacture of various types of food. In addition, the community does not only cultivate one type of cassava, but also plants several other varieties to meet household consumption and local market needs.[8] Thus, if there is a systemic decline in cassava prices, it not only affects production but also exacerbates the uncertainty of farmers' incomes, especially farmers or those living in rural areas of Lampung who are highly dependent on this commodity. Dependence on a single type of crop without any efforts to diversify commodities puts farmers in a vulnerable position against market price changes.

On the other hand, the government faces a major challenge in terms of budget constraints to optimally support agricultural development. Increasing productivity in this sector requires substantial financial support, while the country's physical capacity is quite limited.[9] This challenge requires the government to not only overcome budgetary issues but also formulate policies that are responsive and innovative to the economic needs of the agricultural sector. The government, as the party responsible for formulating regulations, is required to design policies that can encourage increased productivity, sustainability, and competitiveness in the agricultural sector. Policies designed based on accurate data and oriented towards achieving tangible results will provide a strong foundation for the development of the agricultural sector.[10]

Given the strategic role of the government in developing the agricultural sector, the policies implemented have a major influence on the success or failure of agricultural development, including for important commodities such as cassava in Lampung. It is important to further examine the impact of agricultural policies on cassava commodities established by the Lampung Provincial Government and the Central Government, in accordance with Lampung Governor's Instruction No. 2 of 2025 and official permission from the Ministry of Agriculture of the Republic of Indonesia (Kementan RI).

## METHOD

This study uses a qualitative descriptive approach. Qualitative is a research method that can be described in words and language in a natural context and by utilizing natural methods.[11] Qualitative research aims to gain insight into the construction of reality that

[7]Susilo Handoko, 'UU Hortikultura Dorong Intervensi Pemerintah atas Anjloknya Harga Singkong di Lampung', 13.3 (2025).

[8]Muhammad Ilham Rusdi et al., 'Pemberdayaan Masyarakat melalui Kegiatan Pengolahan Daun Singkong', 2.2 (2023).

[9]Yohanes Ngamal, 'Asuransi sebagai Pengalihan dan Pengurang Risiko Kebijakan Pemerintah di Sektor Pertanian di Indonesia', *Jurnal Manajemen Risiko*, 3.1 (2022), pp. 91–102 https://doi.org/10.33541/mr.v3i1.4481.

[10]Ade Ockgira Hidayat, Ieke Wulan Ayu, dan Muhammad Wildan, 'Kajian Literatur: Dampak Kebijakan Pemerintah dalam Bidang Pertanian untuk Kesejahteraan Ekonomi Petani', *Jurnal Riset Kajian Teknologi dan Lingkungan*, 7.1 (2024), pp. 241–245 https://doi.org/10.58406/jrktl.v7i1.1693.

[11]Lexy J. Moleong, *Metodologi Penelitian Kualitatif* (Bandung: PT Remaja Rosdakarya, 2018).

occurs to be interpreted.[12] Data was obtained through literature study and purposive sampling interviews. The literature study was conducted by examining various sources, including formal regulations such as Lampung Governor Instruction No. 2 of 2025, secondary data from the Central Statistics Agency (BPS) and the Lampung Regional Development Planning Agency (Bappeda), as well as national and international academic literature discussing trade, oligopsony market structure, cassava productivity, and the socioeconomic impact of agricultural policies. Literature analysis was conducted through content analysis to identify key themes such as the effectiveness of pricing policies in maintaining market stability, their impact on farmers' incomes, and challenges in implementation at the local level.

This study also used interviews as a qualitative method to complement the literature findings. Interviews were conducted with several cassava farmers, focusing on their experiences with prices and refractions, their opinions on bargaining power in the distribution chain, and their evaluation of the impact of policies on socioeconomic conditions. The respondents selected were farmers who grew and sold their cassava to processing factories during the period before and after the enactment of Lampung Governor's Instruction No. 2 of 2025. The results of the interviews with the farmers were then compared with secondary data from the literature study to see the similarities or differences between the policies designed by the government and the reality experienced by the community. This was done so that the analysis produced would be more comprehensive and could provide a factual picture of the impact of cassava price policies on the socioeconomic conditions of farmers in Lampung.

## FINDINGS AND DISCUSSION

Since 2005, Lampung Province has undergone a significant transformation in cassava production, which was initially overlooked but has now grown to become one of the main centers of national production. This development was triggered by the growth of the cassava processing industry, which encouraged farmers to improve their cultivation practices through guidance from extension workers and industry players.[13] According to a report by the Lampung Regional Development Planning Agency (Bappeda) in the BETTIK JEJAMA publication for the second quarter of 2024, cassava production reached 2,142,387 tons during the second quarter of 2024 in Lampung Province.[14]

One of the characteristics of good governance is accountability, transparency, openness, and legal compliance.[15] Before the government implemented its pricing policy, the price of cassava in Lampung Province fluctuated significantly, with an average range of Rp. 1,500 per kilogram. However, the instability of cassava prices in Lampung often peaked during the harvest season, when prices could drop drastically by up to 250% compared to normal periods. This condition also often made farmers' dependence on the market even more vulnerable, as prices often fell below production costs, which ranged from Rp. 1,200 to 1,500 per kilogram.

[12]Arthur Cropley, *Introduction to Qualitative Research Methods* (2019).

[13]Bariot Hafif et al., 'Improving Cassava Cultivation as an Industrial Raw Material on Acid Soil in Indonesia', dalam *Cassava: Recent Updates on Food, Feed, and Industry*, ed. oleh Andri Frediansyah (London: IntechOpen, 2023) https://doi.org/10.5772/intechopen.109709.

[14]BAPPEDA Provinsi Lampung, *BETTIK JEJAMA: Rilis Data Pembangunan Triwulan II 2024* (Lampung: BAPPEDA Provinsi Lampung, 2024), p. 21.

[15]Sedarmayanti, *Good Governance dalam Rangka Otonomi Daerah* (Bandung: Mandar Maju, 2004).

This price variability has various impacts, especially on the economic activities of communities that depend on the agricultural sector, particularly cassava cultivation. This situation has prompted the government to become directly involved through cassava pricing policies. In practice, the raffia system and cassava price fluctuations are often a source of income inequality for farmers in Lampung. A study by Kusmaria, Asmarantaka, and Harianto (2017) shows that the implementation of a non-transparent raffia system results in uncertainty regarding the income received by farmers, especially in Lampung, which is the main production center.[16] Farmers have no bargaining power in determining prices and starch (aci) levels, which form the basis for deductions. As a result, the income received by farmers does not reflect the production costs incurred.

The level of farmer welfare according to Wiroyono in (Wahed 2015) is one of the important components in agricultural sector development.[17] Thus, one of the key elements driving agricultural sector growth is the level of welfare experienced by farmers. However, to date, farmer welfare remains at a relatively moderate level, a condition that raises concerns because this level of welfare has not yet found a stable pattern. The welfare level of farmers is basically related to the state of agriculture as seen from the income level of these farmers.[18] There are three subsectors consisting of types of businesses that are sources of income for farmers: on-farm, off-farm, and non-farm. Income from farming businesses is included in the on-farm and off-farm subsectors.[19] In the context of cassava pricing policy in Lampung, this combination of businesses is important for maintaining the socio-economic stability of farmers because these two sources contribute to farmers' welfare.

As the main force of civil society, farmers are weak in facing pressure from the government and the influence of capitalism, so they must rise from their predicament and become a balancing force between the market and the government. Murdyastuti (2017) states that farmers must have access to participate in development programs and policies.[20] Returning farmers to their primary role in development, which is dependent on food, namely basic needs, is the key to accessibility to community welfare. Currently, farmer involvement in the policy formulation and evaluation process is crucial, especially when these policies are directly related to their production activities and income. One concrete example of the relationship between policy and reality can be found in the cassava price policy in Lampung Province, which shows how government decisions have a direct impact on socioeconomic conditions.

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[16]Kusmaria, Ratna Winandi Asmarantaka, dan Harianto, 'Analisis Penentuan Rafaksi dan Pengaruhnya terhadap Pilihan Saluran Pemasaran Petani Ubi Kayu di Kabupaten Lampung Tengah', *Forum Agribisnis*, 6.2 (2017), pp. 129–144 https://doi.org/10.29244/fagb.6.2.129-144.

[17]Mohammad Wahed, 'Pengaruh Luas Lahan, Produksi, Ketahanan Pangan, dan Harga Gabah terhadap Kesejahteraan Petani Padi di Kabupaten Pasuruan', 7.1 (2015).

[18]Satria Abdillah Ilman dan Muhammad Syahbudi, 'Pengaruh Harga Gabah terhadap Kesejahteraan Petani di Sumatera Utara Tahun 2020–2021', *El-Mujtama*, 3.1 (2023), pp. 174–183 https://doi.org/10.47467/elmujtama.v3i1.2301.

[19]Rasdiana Mudatsir, 'Analisis Pendapatan Rumah Tangga dan Tingkat Kesejahteraan Petani Kelapa Sawit di Kabupaten Mamuju Tengah', *Journal TABARO Agriculture Science*, 5.1 (2021), p. 508 https://doi.org/10.35914/tabaro.v5i1.760.

[20]Anastasia Murdyastuti, 'Aksesibilitas Petani Singkong terhadap Kebijakan Pemerintah dalam Mengentaskan Kemiskinan di Kabupaten Bondowoso Jawa Timur' (Universitas Jember, 2017) https://repository.unej.ac.id/xmlui/handle/123456789/79310 (diakses 2 Agustus 2025).

The implementation of a policy will not necessarily run smoothly and be immediately accepted by many parties.[21] However, the cassava pricing policy in Lampung province has a direct impact on the economic conditions of farmers. When the price set is not favorable to producers, the potential for losses and reduced income increases. Uncertainty in agriculture refers to a condition in which farmers face uncertain situations or outcomes due to factors that are difficult to predict and control, one of which is commodity price fluctuations.[22] The issue of extreme price fluctuations is also a concern in a study by Handoko (2025). The study found that the volatility of cassava prices in Lampung can reach approximately 250% between the harvest season and the lean season.[23] This causes instability in the local market and increases the economic vulnerability of farming households, especially those that do not have access to cooperatives or contract systems.

This price uncertainty poses a unique challenge that can lead to a decline in farmers' quality of life. Therefore, an assessment of the impact of pricing policies on farmers' livelihoods is necessary to ensure that the strategies implemented truly promote welfare improvement and maintain the sustainability of the agricultural sector. In response to farmers' concerns about low cassava prices, the Lampung provincial government issued Governor's Instruction No. 2 of 2025. This instruction sets the purchase price of cassava at Rp. 1,350 per kilogram, without measuring the starch content, and a maximum refraction deduction of 30%. This policy is temporary and is intended to improve trade and maintain the welfare of farmers amid market price instability. More than 27 processing plants have adjusted their payment systems to comply with this regulation. In addition, this measure is also part of the region's push for the central government to establish national regulations that are more favorable to producers, such as restrictions on imports of cassava and similar products. If successfully implemented consistently, this policy is expected to strengthen farmers' bargaining position and create a more equitable market structure.

**Table1. Comparison of Cassava Market Conditions Before and After the Implementation of Governor's Instruction No. 2 of 2025.**

| Aspect | Before Policy | After Policy |
|---|---|---|
| Purchase Price (Real) | Rp.1,500/kg | Rp.1,350/kg (Instruction) |
| Refaction | 35-40% | Max. 30% (Instruction Limit) |
| Planting/Harvesting Schedule | Stable Via Factory | Many Factories Closed |
| Downstream Sustainability | Normal | Delayed/Overlapping |
| Field Implementation | High Refaction Practices (Common) | Inconsistent (Potential Violations) |

Although this cassava pricing policy was designed to increase farmers' incomes, its implementation in the field faced a number of obstacles. Implementation is the execution

[21]Deny Erdian Saputra, La Ode Anto, dan Muntu Abdullah, 'Kendala dalam Implementasi Transaksi Non-Tunai di Lingkup Pemprov Sulawesi Tenggara', *Jurnal Progres Ekonomi Pembangunan*, 7.1 (2022), pp. 137–146.

[22]Sugiar, Nomi Noviani, Sri Wahyuni, dan Dian Habibie, 'Strategi Adaptasi Petani terhadap Ketidakpastian di Sektor Pertanian Kota Medan', *Jurnal Multidisiplin West Science*, 4.7 (2025), pp. 860–866 https://doi.org/10.58812/jmws.v4i07.2342.

[23]Susilo Handoko, "UU Hortikultura Dorong Intervensi Pemerintah atas Anjloknya Harga Singkong di Lampung," 13, no. 3 (2025).

of basic policy decisions, usually in the form of laws, but can also take the form of important executive orders or decisions or other judicial bodies, where the decision clearly defines the issues to be resolved.[24] Several processing plants had to adjust their payment systems, and some even temporarily suspended their operations to comply with the new regulations. This shows that the effectiveness of the policy is not only determined by the price set, but also by the readiness of all actors in the supply chain. As this policy is still temporary and awaiting the enactment of national regulations, consistent monitoring and assistance are very important. This uncertainty can have a direct impact on farmers, such as delayed payments, reduced crop absorption, or concerns about the sustainability of their farming businesses.

Interviews with a number of cassava farmers in Lampung revealed that the pricing policy implemented by the government has had varying effects in the field. Some respondents stated that their economic conditions had actually deteriorated after the policy was implemented. One of the main factors complained about was the increase in factory deductions, which were considered to be higher than before the policy was implemented. Coupled with the fact that the selling price of cassava did not increase significantly, this situation put pressure on farmers' profit margins and even caused some of them to suffer losses. In many cases, the high operational costs were not proportional to the income received.

Furthermore, this situation also has an impact on the supply chain as a whole. Several cassava factories have temporarily suspended operations due to economic pressures and market uncertainty. The closure of these factories has had a knock-on effect on farmers, as they find it difficult to sell their crops. As a result, many farmers have been forced to postpone their scheduled harvests due to the lack of buyers or processing partners ready to accommodate their crops. This delay not only causes a decline in the quality of crops that are ready for harvest, but also disrupts the next planting schedule. Cassava that should have been harvested and replaced with new crops must be left in the field, thereby disrupting the planting cycle and impacting the next planting season.

The closure of a number of tapioca factories in Lampung was not only caused by government policies that were not optimally implemented and lax import policies, but also by weak coordination between the central and regional governments in managing trade. The central government focuses on stabilizing national supply and prices through import policies, while local governments seek to protect farmers and local processing industries. This situation is exacerbated by imports from Thailand and Vietnam at lower prices, which make it difficult for local products to compete in the market. As a result, the industry's absorption of farmers' cassava has declined dramatically, which in turn has led to a decline in farmers' incomes and unemployment in production centers.

The tapioca import policy also had an impact on the lack of absorption of domestic products, particularly during the period from 2024 to mid-2025. At that time, the applicable regulation was Minister of Trade Regulation (Permendag) No. 18 of 2021 and its amendments, which still allowed imports of tapioca flour and cassava without strict restrictions based on the commodity balance sheet. This condition allows general importers (API-U) to import without having to prove the real needs of the domestic industry. Weak coordination between the Ministry of Agriculture, the Ministry of Trade, and the Ministry of Industry in adjusting national production data to industrial needs has further widened

[24]Waluyo, *Manajemen Publik* (Bandung: Mandar Maju, 2007).

this loophole. As a result, the volume of tapioca imports increased rapidly in 2024 until early 2025, while the cassava produced by domestic farmers was not optimally absorbed by local processing plants. This situation caused market imbalances that directly impacted the decline in cassava prices in production centers such as Lampung, which then significantly affected the socio-economic conditions of farmers.

In addition to import factors, internal industry conditions have exacerbated the situation. Many medium-scale tapioca factories in Lampung are experiencing capital difficulties, technological limitations, and low raw material supplies due to the unstable quality of cassava. On the other hand, the highest retail price (HET) policy set by the region is often not in line with the industry's ability to purchase raw materials at competitive prices, especially when imported products are cheaper. This policy misalignment between the central and regional governments has prevented processing factories from adjusting their production costs to market fluctuations.

However, not all respondents experienced negative impacts. Some farmers and factory partners actually considered that the pricing policy brought its own benefits. They felt helped by the certainty of the base price set by the government, which was considered to provide stability and better planning in farming. The percentage of deductions was also considered more proportional than before by some parties, so that they could calculate their estimated income more accurately. This situation shows that the impact of the policy is not singular, but rather depends heavily on the scale of the business and the position of farmers in the production value chain. The varied responses from farmers show that this policy does not have a uniform impact. Therefore, it is important to further examine how this policy actually affects socioeconomic conditions.

Although Lampung Governor Instruction No. 2 of 2025 sets the purchase price of cassava at Rp. 1,350 per kilogram with a maximum discount of 30%, in practice some factories continue to purchase at prices below the stipulated amount, with many farmers still receiving prices far below the stipulated amount. Based on reports, the actual prices received in the field range from Rp. 900-1,100/kg, with markups exceeding the threshold reaching 35-43%, resulting in farmers' net income of only around Rp. 600-Rp. 800 per kilogram, while production costs have exceeded Rp. 700 per kilogram. This inconsistency in implementation shows weak supervision and the lack of optimal involvement of all stakeholders in policy implementation. According to Usep Saepudin, an academic at the University of Lampung (UNILA), this type of price setting is only temporary and does not address the root of the problem, because various major problems lie in the imbalance that actually opens up profit opportunities for large businesses (Sunday, February 9, 2025).

A survey by the Indonesian Economists Association (ISEI) Lampung also identified that weak supervision of the implementation of rafaksi, low farmer productivity, minimal local downstreaming, and the absence of legal consequences for violations are the main obstacles to policy effectiveness. In his official statement on Saturday (May 10, 2025), the Chairman of KSEI Lampung, Dr. Agus Nompitu, said that ISEI had held a discussion highlighting the Lampung Provincial Government's policy through Governor's Instruction No. 2 of 2025, which is considered an effort to promote fair prices for farmers. However, this policy was met with a temporary suspension of operations by 27 tapioca factories in Lampung, which directly impacted farmers struggling to sell their harvest.

The technical efficiency of cassava farming in Lampung is still not optimal. Studies show that factors such as farmer experience, age, and extension participation significantly affect technical efficiency in agriculture, even though cassava farming remains economically

profitable.[25] In addition, the production efficiency of small cassava processing industries in the Lampung region has only reached an average of 61%, which is still below optimal efficiency due to technological limitations and suboptimal practices in the processing sector.[26] Cassava productivity in Lampung is also still relatively low, averaging around 17-20 tons per hectare, far below the maximum potential of 35-40 tons per hectare. This condition is caused by the same factors, namely limited support from the processing system and market access.[27] The cassava market structure in Lampung is classified as oligopsony, which causes prices to not reflect fair market conditions. Abriani et al. (2023) state that "The market structure is not perfectly competitive (oligopsony)". This causes market failure and price inefficiency at the farmer level.[28]

Pricing in agricultural markets is essentially a complex process because it depends not only on supply and demand mechanisms, but is also influenced by government policy, market structure, and global dynamics. For strategic commodities such as cassava in Lampung, prices are often used as a policy instrument to maintain a balance between farmers as producers and the processing industry as the main buyer. Prices that are too low will weaken farmers' motivation to increase production, while prices that are too high can put pressure on the industry and reduce market sales. Therefore, pricing policies should be designed taking into account real production costs, reasonable profit margins, and overall supply chain conditions. In agricultural economics literature, the reference price mechanism is known as a form of price policy that addresses market fluctuations while maintaining price affordability for consumers.

Price fixing in agricultural commodities should ideally be positioned as a corrective instrument when the market is not functioning competitively, for example when the buyer structure is strong, weakening the bargaining position of farmers. Experience with the minimum price policy for unhusked rice also shows that minimum prices can help stabilize farmers' incomes, but the results will be better if accompanied by clear trade regulations and consistent supervision.[29] In addition, an evaluation of Indonesian agricultural policy confirms that price setting needs to be accompanied by improvements in the supply chain and increased competitiveness so that the benefits are not temporary.[30] In other words, fair

[25]Teguh Endaryanto, Wan Abbas Zakaria, Lidya Sari Mas Indah, dan Abdul Mutolib, 'Efisiensi Produksi Usahatani Ubi Kayu dengan Pendekatan Stokastik Frontier di Provinsi Lampung', *Jurnal Penelitian Pertanian Terapan*, 23.2 (2023), pp. 311–322 https://doi.org/10.25181/jppt.v23i2.2533.

[26]Fitriani, Bina Unteawati, Cholid Fatih, dan Sutarni, 'Frontier Production Efficiency of Cassava Chips SMEs in Lampung', *Jurnal Manajemen dan Agribisnis*, 18.1 (2021), pp. 53–53 https://doi.org/10.17358/jma.18.1.53.

[27]Bariot Hafif et al., 'Improving Cassava Cultivation as an Industrial Raw Material on Acid Soil in Indonesia', dalam *Cassava: Recent Updates on Food, Feed, and Industry*, ed. oleh Andri Frediansyah (London: IntechOpen, 2023) https://doi.org/10.5772/intechopen.109709.

[28]Dwika Mutiara Abriani, Dyah Aring Hepiana Lestari, dan Dwi Haryono, 'The Effect of Goverment Policy and Market Failure on Divergence of Cassava Competitiveness in South Lampung', *Jurnal Manajemen dan Agribisnis*, 20.1 (2023), pp. 130–130 https://doi.org/10.17358/jma.20.1.130.

[29]Eka Intan Kumala Putri, Novindra Novindra, dan Nuva Nuva, 'Dampak Kebijakan Harga Pembelian Pemerintah terhadap Kesejahteraan Petani Gabah', *Jurnal Ekonomi dan Pembangunan Indonesia*, 13.2 (2013), pp. 125–142 https://doi.org/10.21002/jepi.v13i2.490.

[30]I. Wayan Rusastra, Sumaryanto, dan Pantjar Simatupang, 'Agricultural Development Policy Strategies for Indonesia', *Forum Penelitian Agro Ekonomi*, 23.2 (2005), pp. 84–101 https://doi.org/10.21082/fae.v23n2.2005.84-101.

prices must be accompanied by transparency in refraction, strengthening of farmer institutions, and market supervision so that the policy has a real impact on farmers.

In analyzing cassava pricing policies in Lampung, we can revisit the views of great economic thinkers who have provided the theoretical basis for the development of economic science. The ideas of Adam Smith, Karl Marx, David Ricardo, John Maynard Keynes, and Alfred Marshall present different but complementary perspectives on understanding how prices are formed, how market forces work, and the extent to which state intervention is necessary. By presenting these classical to modern ideas in the context of cassava pricing policy, this study not only assesses the policy from a practical perspective, but also connects it to a broader conceptual framework.

The history of price theory discussed provides an important conceptual basis for understanding the dynamics of cassava price policy in Lampung. Adam Smith saw prices as a reflection of the cost of production of long prices with market mechanisms that should bring prices to natural prices. However, in this case the oligopsony market structure prevents the formation of natural prices due to the dominance of processing factories, so that farmers do not get value commensurate with their production costs. David Ricardo also emphasized that scarcity factors can also affect prices, in addition to the value of labor. This is relevant to the situation in Lampung when cassava production is abundant during the harvest, but prices remain low due to farmers' weak bargaining power and lack of market variety. In other words, the law of scarcity described by Ricardo does not work effectively if the distribution of market power is unequal.[31]

In Skousen (2007), Karl Marx criticized the capitalist system that tends to exploit small producers.[32] Marx introduced the concept of surplus value, where profits are mostly enjoyed by capital owners, while farmers as the main producers are often marginalized, this view is relevant to explain the practice of rafaction and price non-transparency in Lampung, which diverts most of the farmers' profits to the processing industry. John Manyard Keynes emphasized that the government needs to be present through physical and price policies to maintain stability, prevent crises, and protect small producers who are vulnerable to market domination. This is in line with the Lampung Provincial Government's move to set a reference price for cassava of Rp. 1,350/kg, because without this intervention, farmers remain in a weak bargaining position. Alfred Marshall through the theory of supply and demand curves explains that price policy can be seen as an effort to create a new equilibrium point between producers and buyers. In this framework, the price reference policy along with the maximum 30% raffaction can be interpreted as an instrument to balance the interests of both parties.[33]

In an Islamic perspective, prices should ideally be determined fairly and transparently without any market manipulation. The Prophet SAW once refused to set prices (tas'ir) when the market was running normally, arguing that Allah is the one who regulates sustenance and prices. However, the majority of fiqh scholars explain that government intervention is allowed if prices are affected by unjust practices, monopoly, or injustice that harms the small community. Meanwhile, Chapra (1992) in his book Islam and the

[31]Harry Bloch, 'Price Theory, Historically Considered: Smith, Ricardo, Marshall and Beyond', *History of Economics Review*, 75.1 (2020), pp. 50–73 https://doi.org/10.1080/10370196.2020.1745439.

[32]Mark Skousen, *The Big Three in Economics* (New York: Routledge, 2007) https://doi.org/10.4324/9781315700229.

[33]Harry Bloch, 'Price Theory, Historically Considered: Smith, Ricardo, Marshall and Beyond'.

Economic Challenge emphasizes that Islamic economic policy places maqasid al-shariah (the purpose of sharia) as the foundation, including safeguarding property (hifz al-mal) and public welfare.[34] This means that price fixing by the government, as was done in Lampung for cassava, is in line with Islamic principles if the aim is to ensure justice, reduce inequality and protect vulnerable groups.

France has one of the largest agricultural sectors in Europe and is the largest recipient of subsidies under the European Union's Common Agricultural Policy (CAP) framework. French agricultural policy not only focuses on price stabilization, but also provides direct subsidies to farmers, mechanization assistance, and environmental management. Through the CAP, France has successfully combined price policy with production input support, modernization of agricultural equipment, and product innovation. This not only protects farmers from price fluctuations, but also increases productivity in a sustainable manner.[35] CAP and Efficiency in Agriculture, there are different types of effects of CAP subsidies on technical efficiency and productivity change in French agriculture, it was found that CAP reforms, especially those that shifted subsidies from output-based to area/income-based support, helped reduce technical inefficiency and promote gradual productivity change, depending on the type of farm such as field crops, dairy cattle, and beef.[36]

Thus, the French experience in implementing the Common Agricultural Policy (CAP) shows that the success of agricultural policy does not only depend on pricing, but also on the strength of technical support, input subsidies, and strengthening of farmer institutions. This model provides valuable lessons for Indonesia, especially Lampung, that cassava price policies will be more effective if accompanied by long-term strategies that touch on aspects of productivity and sustainability of the agricultural system as a whole.

## CONCLUSION

This research shows that the cassava price policy in Lampung Province has various socio-economic impacts on stakeholders. For some farmers, setting a reference price of Rp.1,350/kg and limiting rafaction to 30% provides market certainty and reduces crop yield uncertainty. However, in practice the policy has not been fully active due to weak supervision, non-transparency of rafaction, and the dominance of processing factories in a market structure that tends to be oligopsony. These conditions have caused some farmers to continue to experience economic pressure, even to the point of delaying harvests and disrupting cropping cycles due to temporary factory closures.

The analysis also confirms that the effectiveness of price policy cannot be separated from other factors such as agricultural productivity, farming efficiency, and the presence of technical and institutional support. Previous studies confirm that cassava productivity in Lampung is still relatively low compared to optimal potential, which narrows farmers' profit margins even if the reference price is increased. In addition, a relaxed tapioca import policy in the period 2024 to mid-2025 also worsened the absorption of local cassava products. The loopholes in the import regulations allowed tapioca products from Thailand and

[34]M. Umer Chapra, *Islam and the Economic Challenge* (Leicester: Islamic Foundation; Herndon, VA: International Institute of Islamic Thought, 1992).

[35]Erik Lichtenberg, 'Conservation and the Environment in US Farm Legislation', *EuroChoices*, 18.1 (2019), pp. 49–55 https://doi.org/10.1111/1746-692X.12214.

[36]Laure Latruffe dan Yann Desjeux, 'Common Agricultural Policy Support, Technical Efficiency and Productivity Change in French Agriculture', *Review of Agricultural, Food and Environmental Studies*, 97.1 (2016), pp. 15–28 https://doi.org/10.1007/s41130-016-0007-4.

Vietnam to enter the domestic market at lower prices, so that domestic processing plants reduced demand for local raw materials. This deepens the pressure on farmers and exacerbates market imbalances in production centers such as Lampung.

Therefore, price setting alone is not enough, an integrated policy is needed that combines price stabilization with productivity improvement, provision of agricultural technology, input subsidies, and strengthening farmer institutions. The solution to the problem of low local cassava absorption does not only depend on import restrictions, but also on increasing the capacity of farmers through continuous counseling. The government needs to strengthen assistance so that farmers are able to improve the quality and added value of products, as well as review the import permit policy to favor domestic production. This step is important to maintain price stability, improve farmers' welfare, and strengthen the national agricultural sector.

Thus, it can be concluded that the cassava price policy in Lampung has not fully addressed the root problems faced by farmers. A more comprehensive approach is needed through strengthening the capacity of farmers, sustainable counseling, and structuring import policies that favor local products. This effort is expected to create a balance between market interests and protection of farmers, so that the agricultural sector can grow more sustainably and provide economic benefits.

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