CHAPTER I INTRODUCTION

A. Research Background

Food is one of the most basic and essential human needs, so its fulfillment is one of the human rights, cannot be postponed, and cannot be substituted with other ingredients. Food is also a primary component for creating quality human resources in a nation (Wismaneti, 2017).

According to Law Number 18 of 2012, food security is "the condition of food fulfillment for the state and individuals, which is reflected in the availability of sufficient food, both in quantity and quality, safe, diverse, nutritious, equitable and affordable and does not conflict with religion, people's beliefs and culture, to be able to live healthy, active and productive lives sustainably." Food security is an essential and strategic matter because countries worldwide show that only a country can carry out development after it realizes food security first (Wityasari, 2022).

Increasing food security is a top priority in development because food is the most essential human needs. Efforts made to realize food security require information related to the problems that exist in each food security subsystem. According to FAO (2010), food security is composed of three main pillars, namely food availability, food accessibility, and stability. Food security can occur when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life (World Food Summit, 1996 at FAO, 2006).

The government is facing problems related to increasingly limited production capacity and an increasing population, which impacts the food security subsystem, namely food availability. The challenge faced in realizing food security in food availability is the pattern of increasing food production, which is decreasing while population growth is increasing. A significant population increase will have an impact on increasing consumption needs and also increasing the need for socio-economic facilities, which will result in land conversion (Gusti, 2018). Population growth is one of many problems that hinder progress toward national food security. The reduction in agricultural land converted into residential and industrial land has become a threat and challenge for the Indonesian nation to become an independent nation in the food sector. So, the narrower the agricultural land in Indonesia, the more difficult it is to expect farmers to produce optimally (Prabowo, 2010).

The government's strategy to achieve community food security comes through programs aimed directly at the community, including the Community Food Business Development Program (*Pengembangan Usaha Pangan Masyarakat, PUPM*). PUPM is an activity to empower community food business institutions combined with the association of farmer groups (*gapoktan*), farmer groups (*poktan*), community business institutions engaged in the food sector, and Food Industry/Producers/Distributors in serving Toko Tani Indonesia to maintain supply stability and food prices (Menteri Pertanian Republik Indonesia, 2017). To provide a platform for the association of farmer groups recipients of PUPM activities to help distribute their food products since 2017, the central government (Food Security Agency) has developed the Toko Tani Indonesia Center (TTIC) in each province. To date, TTIC has developed into a forum for GAPOKTAN/suppliers/other food producers to market food commodities resulting from their agricultural production (Dinas Pangan Sumatera Barat, 2022).

TTIC is a facility or forum for Gapoktan/suppliers/other food producers to market food commodities resulting from agricultural production, especially rice, curly red chilies, and shallots, which are produced directly from agriculture and other food commodities. The existence of TTIC is likely to cut the distribution chain for food commodities marketed directly through TTI and TTIC so that prices can always be controlled lower than market prices in general (Dinas Pangan Provinsi Sumatera Barat, 2019).

West Sumatra Province is one of the provinces included in the development of TTIC in 20 provinces by the Food Security Agency of the Ministry of Agriculture in 2018. In its implementation, TTIC must facilitate 10 (ten) essential and strategic food commodities. One of ten food commodities is rice, which is the primary commodity (Maika et al., 2022).

Rice is a strategic food for the people of West Sumatra. Strategic food is primary or essential for local communities (Gubernur Sumatera Barat, 2020). As the leading food ingredient, rice is a strategic commodity and a staple food for the population in Indonesia, so rice production, supply, procurement, and distribution activities are critical in the context of food security, increasing the income and welfare of rice farmers as well as in the context of stabilizing the consumption interests of society in general (Dinas Pangan Sumatera Barat, 2023).

West Sumatra is one of the provinces with large rice production. According to the Badan Pusat Statistik (2026), rice production for consumption in West Sumatra throughout 2025 reached 800,613 tons. With this substantial production level throughout the year, West Sumatra continues to be one of the provinces listed as a reliable rice supplier to several other regions in Indonesia.

Despite the provincial abundance, the highest need for rice in West Sumatra is centralized in Padang City. However, local production in the city is critically insufficient to meet this demand. Based on the latest data from Badan Pusat Statistik (2026), rice production in Padang City experienced a severe decline of 18.85%, dropping from 28,478 tons in 2024 to only 23,111 tons in 2025. This drastic reduction in local harvest structurally exacerbates the city's supply deficit. The continuous increase in population, coupled with this dwindling local production, dictates that Padang City must heavily rely on rice supplies from other production centers in West Sumatra. Therefore, the role of food distribution actors and government interventions, such as the Toko Tani Indonesia Center (TTIC), becomes incredibly vital in distributing food to consumer communities and maintaining price stability.

In fulfilling the Strategic Food available at TTIC, the West Sumatra Provincial Service is establishing a partnership. The Department implements partnerships with Strategic Food Suppliers in the regions (Gubernur Sumatera Barat, 2020).

As a government-established forum, TTIC is expected to create a win-win partnership: stabilizing food prices for consumers while simultaneously increasing farmers' income (Dinas Pangan Sumatera Barat, 2019). In theory, such partnerships align with Transaction Cost Economics (Coase, 1937; Williamson, 1985), which posits that institutions exist to reduce market uncertainty and search costs for economic actors. Moreover, Stiglitz (1989, 2000) highlights the state's economic role in correcting market failures and ensuring equitable outcomes. From an agribusiness perspective, Soekartawi (1993, 2002) emphasizes that partnership sustainability depends on how risks and benefits are distributed between partners.

Nevertheless, empirical realities in West Sumatra suggest a discrepancy between policy design and implementation. Administrative reports from the Dinas Pangan Provinsi Sumatera Barat indicate that TTIC partners frequently change from year to year (appendix 2). This inconsistency raises concerns regarding the sustainability of TTIC's partnership model. Furthermore, TTIC imposes quality standards on its suppliers. Viewed through the institutional framework of North (1990), such constraints may increase hidden transaction costs in the form of compliance, monitoring, or rejection risks. While TTIC offers tangible benefits such as guaranteed markets, stable demand, and routine absorption of production, it also promises intangible benefits such as enhanced reputation, access to government networks, and technical assistance (Kamasak, 2017; The Partnering Initiative, 2018). However, it remains unclear whether these benefits adequately compensate for the lower farm-gate prices and additional transaction costs borne by suppliers.

B. Research Problem

Gapoktan Harapan Bersama, located in Limau Manis Subdistrict, Pauh District, Padang City, has been recorded by the West Sumatra Food Agency (2022) as one of the strategic food suppliers and a partner of the Toko Tani Indonesia Center (TTIC) since 2021. TTIC is a regional technical implementation unit (*Unit Pelaksana Tugas Daerah, UPTD)* under Dinas Pangan Provinsi Sumatra Barat, designed to stabilize food supplies and prices through partnerships with farmer groups and other suppliers under the national Toko Tani Indonesia (TTI) network. At its inception in Padang, four TTIs were established: TTI Mulyadi and TTI Toman under Gapoktan Inbis Sejahtera, as well as TTI Yaser Arafat and TTI One under Gapoktan Harapan Bersama. Yet, more recent reports (Rian, 2022) show that only TTI Yaser Arafat remains consistently supplying rice to TTIC, indicating a discrepancy between administrative records and operational realities.

Field surveys reveal that not all of its member farmers spupply to TTIC. Price disparities further complicate the situation. Farmers are free to sell their harvests to other parties, and such decisions are largely influenced by price differences during the harvest season. Supplier farmers generally get grain prices of IDR 6,500 to 6,700 per kilogram. Non-supplier farmers generally receive price offers of around IDR 7,000 to 7,200 per kilogram. Meanwhile, the average price of grain for West Sumatra province from August 2022 to July 2023 is IDR 6,402 per kilogram (Appendix 3). This condition raises questions regarding the balance between the benefits obtained by partners and the costs incurred to maintain the partnership. Also, this situation creates ambiguity, as the position of Gapoktan Harapan Bersama as TTIC partner becomes unclear. This situation is closely related to the concept of transaction cost, in which partners deliberately forgo a portion of their potential income to reduce search costs (the costs of finding buyers) and uncertainty costs (costs arising from market uncertainty). Consequently, the acceptance of a lower price can be understood as part of a strategy to mitigate marketing risks, even though it entails a reduction in profit margins.

In addition, TTIC suppliers benefit from guaranteed markets during harvest seasons, reducing risks of oversupply and unsold products. This condition illustrates a trade-off between income potential and market security, consistent with the logic of Transaction Cost Economics (Coase, 1937; Williamson, 1985).

Complicating matters further, TTIC requires its partners to comply with specific quality standards. For large and well-capitalized suppliers, such requirements may enhance competitiveness. However, for smaller suppliers, the additional compliance, monitoring, and rejection risks may increase transaction costs, reducing their willingness to continue partnerships. This dynamic may explain why TTIC partners often change from year to year, as reflected in the agency's performance reports (Appendix 2).

In the context of the partnership with TTIC, such sacrifices are often offset by various benefits received by the partners. Tangible benefits include market certainty during harvest seasons, routine absorption of production outputs, and demand stability. Meanwhile, intangible benefits encompass an enhanced reputation as an official TTIC supplier, access to market information and technical guidance, as well as strengthened cooperation networks with government entities and other business actors. This combination of benefits serves as a key factor influencing partners' decisions to maintain the partnership relationship, despite the existence of a price differential compared to the open market.

The contradiction between TTIC's stated objective—improving farmer income—and the reality of lower farm-gate prices raises critical questions about the balance of costs and benefits in such partnerships. On one hand, TTIC offers tangible benefits such as market certainty and routine production absorption; on the other, it imposes implicit costs in the form of reduced income potential and compliance obligations. Intangible benefits such as improved reputation, government recognition, and access to market information may help offset these sacrifices, but whether they are sufficient remains an open question.

Thus, the core research problem lies in understanding whether TTIC partnerships truly deliver net benefits to farmers and suppliers. Specifically, it remains unclear how partnership pattern, tangible and intangible benefits, and transaction costs interact to influence the sustainability of the TTIC partnership system in Padang City.

Based on the problem description above, the problem formulation in this research is:

1. What is the partnership pattern established between UD. Yaser Arafat and the Toko Tani Indonesia Center (TTIC) in Padang City?
2. What are the tangible and intangible benefits of the partnership for TTIC partners?
3. What is transaction costs incurred within the partnership between UD. Yaser Arafat and TTIC?

C. Research Objectives

Based on the problem formulation above, the following research objectives of this research are:

1. To analyze the partnership pattern established between UD. Yaser Arafat and the Toko Tani Indonesia Center (TTIC) in Padang City
2. To identify and evaluate the tangible and intangible benefits of the partnership for TTIC partners
3. To analyze the transaction costs incurred within the partnership between UD. Yaser Arafat and TTIC.

D. Research Benefits

The benefits of this research are:

1. For the author, it enriches the author's experience and knowledge in applying theories obtained from college.
2. For farmers, this research is helpful as a reference regarding partnership systems in agriculture.