



Strengthening gambier market through optimizing local institutions in Indonesia

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ABSTRACT

Local institutions have a vital role to agricultural markets. The role of institutions is also important in gambier (*Uncaria gambier Roxb*) market. Some local institutions involved and played an important role at gambier market. Local institutions involved such as farmers groups, gatherer, custom institutions, and village government. However the role of local institutions so far was not effective in gambier market in Indonesia. Ineffective role of local institutions due to the low capacity and lack of interest and coordination to the Central Government has been observed. A qualitative approach was used in the study. The research was done in the village Lubuak Alai, Manggilang and Maek at Lima Puluh Kota Regency. The results of the study show that there is urgent need to optimization the role of local institutions involved in the gambier market. The process of the optimization can be done by establishing formal association of gambier producing farmers to gain access to information and financial support. Strengthening the gambier market need optimization strategy through capacity building. These institutions will produce a clear and benefit all parties through clear rules. In addition capacity building will provide good coordination among the institutions involved in the gambier market. A good cooperation and coordination would ease the process of transactions, information and avoid high transaction cost.

INTRODUCTION

Gambier (uncariagambier) is a species of a flowering plant in the genus *Uncaria* in family Rubiaceae. Naturally, gambier grows in forested areas with an elevation of 200-800 meters above sea level that has evenly distributed rainfall throughout the year and sufficient sunshine, with temperatures ranging between 26 – 28⁰C and humidity reaching 70-80%.

Agricultural market in developing countries serves to strengthen sustainable welfare. As an example, excess production and stabilize the price are the key factors. To make a market well functional strong and transparent institutional rules is needed. Gambier market in Indonesia had a role in distributing the production of gambier farmers and community economy improvement. But the gambier market in the centers of areas did not function properly (Nasrul, 2016). Gambier market does not work well due to lower bargaining position. Access to information and clear law are appreciated (Said, 2011; Nasrul, 2016). The

weakness of human resources and institutional problems result in poor farmers capital, the quality of information and usefulness of the product (Afrizal, 2009).

Observing the problems that had occurred in the gambier market the economics division of institutional affairs of government should take precaution. According to North (1990) the governmental institution should make the rules for transaction Government has no role in gambier, although there are problem in gambier market at Indonesia (Sa'id, 2011). Gambier market does not work well and the farmers become looser in the gambier market. Therefore we needed law enforcement by the government through the role of local institutions. So that local institutions hold the power on the community. Institutional should have knowledge and skill in the process of transactions (Adebayo, 2005; Filipiak, 2011).

Some local institutions involved in the gambier market. The local institutions are the farmers groups, gatherer, custom institution, and village

government. However the role of the institutions not yet optimal (Nasrul, 2016; 2017). Based on the the above conditions the current study has been undertaken to provide suggestion for optimizing the role of the local institutions on strengthening gambier market in Indonesia.

MATERIALS AND METHODS

This research is a qualitative study. The methodology is performed to construct reality and trying to understand the meaning. We study intensively the background condition and interaction the neighborhood of asocial unit, individuals groups, the society (Baxter and Jack, 2008; Yin, 2009) as case studies.

The researsch was conducted in Lima Puluh Kota Regency of Indonesia. Lima Puluh Kota Regency is largest area in Indonesia that producing gambier. The research was conducted in three villages, namely Lubuak Alai, Manggilang and Maek. Collect of technical data was done through observation, in-depth interviews, group discussions, focused group discussion and documentation. In this research we used descriptive qualitative analysis. Primary data collection method in this research was carried out descriptively (descriptive research). Descriptive research is research that intends to make descriptions of situations or events. The data analysis consisting of checking, reduction, abstraction, classification and the interpretation.

RESULTS AND DISCUSSION

Plant gambier and gambier market

Gambier or gambir is an extract or sap derived from the leaves of *Uncaria gambir*, a climbing shrub. To make gambier, the leaves are first boiled in water. They absorb it and turn brownish in color. The leaves are then pressed mechanically to squeeze and extract liquid. This liquid is then dried into a semi-solid paste and molded into cubes, which are dried in the sun. The chemical component of gambier is catechin and tannin. Catechin have many benefits to the use of cosmetics and pharmaceutical while tannin mainly used by tanners (Kasim, 2014).

Gambier is one people's plantation commodity which is high in economic value and prospective to be commercially developed in the future. Given its diverse usabilities, gambier possesses numerous benefits namely as remedy, mixing ingredients in cosmetic industry, pharmaceutical, tanner, beverages, paints as well as conservation plant (Sri PujiRahayu, 2012). Gambier is also referred to as vegetative pesticides and conservation plant. Described further, gambier is one of the agriculture products of plantation sub-sector which becomes exported commodities. According to A. Manan (2008), Indonesia constitutes the main supplier of gambier demand by supplying at least 80% of world's gambier demand, exported to countries such as India, Bangladesh, Pakistan, Singapore, Malaysia, Japan and Germany, meanwhile it was said in Sri PujiRahayu(2012) that 85% of world's gambier needs was supplied from West Sumatera exported to India, Bangladesh, Pakistan, Taiwan, Japan, South Korea, France and Switzerland and 15% was for domestic consumption.

Problem with gambier market

Problems which are faced in the exploitation of gambier, are 1) low quality of gambier and significant loss during processing which is in need of quality improvement, 2) marketing chains which is extensively lengthy and dominated by foreign parties (Singapore and India), 3) low bargaining power of farmers and there is no guarantee stable prices at a profitable level of farmers, 4) the lack of information on international market regarding the real and prevailing price of gambier, 5) there exist practiced of mixing gambier with other ingredients which eventually leads to low market value, and 6) local government role which is limited.

Role of local institutions

Gambier market involves several institutions in the process of transactions. People who were directly involved are farmers and gatherers. Institutions involved indirectly are village government and customs institutions. The role of each the institutions are not yet optimal. There are several factors involved with the institutional role. The most dominant factors are the low capacity, and

lack of empowerment opportunities by Central Government. Research Adi (2011) also shows the weakness of institutions in gambier business. The weak institutional role on gambier market made it difficult for development of the market, access to capital, and access to information. Farmers in the village and the local government did not play role due to domination of gambier gatherers. Gambier gatherer are also working with exporters to gambier master market in the village (Nasrul, 2017).

Optimizing the role of farmers

Farmer involvement in the gambier market is still informal. Farmers association can be formed to play effective role in gambier market. Norms and sanctions need to be concerted on the basis of mutual trust. A norm and sanctions and the distribution of work and wages in producing gambier arranges jobs. Each group consists of 3 to 4 in person and they could go as high as 200-300 a group. This group will be formed when gambier is produced. This group work about four months only for production purpose (*langkeh*) and the group is usually led by a chief (*Nodo*).

Farmers received little assistance from local government because institutions are still informal in nature. Their existence is not known by the central Government. A lack of manpower and training for farmers in gambier, skill in cultivation does not develop. The motivation and learning on cultivation of gambier obtained from parents, relatives and friends. Knowledge on cultivation still traditional that transferred generation to generation. The sustainability of gambier farmers is very important to the central economy. Their income about Rp.100.000- Rp.200.000,- every day, and the price gambier Rp.20.000-40.000/kg (May 2018).

But the lack of resources, gambier farmers groups also weak in capital production. They often borrow capital from gatherers. This they do it for the difficulty to obtain capital from formal financial institutions, such as bank and cooperative. There are also difficulties in obtaining funds because the group still informal. Farmers become loser if borrowed money from the gatherers/collectors. Because they have to sell

gambier to gatherers at low rates. In addition the money getting from the collector for selling gambier as small installment or fraction like Rp.2.000 kg. Every week total production of gambier sold at 150 kg, to one group.

Under these circumstance described above there need some strategies to strengthen gambier farmers financially and motivationally. The strategy need for them to become formal group and should have legal entities. The formal will make farmers recorded by the government. Thus the formal group can get easily accessible to the institutional support and information. Formal farmers group will also get easy access to funds from banks and other financial institutions. The findings Kruijssen et.al (2007) reported that farmers formal groups are getting more access to the resources, credit, training, transport and information..

Optimizing the role of gatherer.

Gatherer association involve in the gambier market are large (*Toke Gadang*) and small (*Toke Tangah Hari*) in size. They buy gambier directly from farmers. Gatherer has also role in lending capital to farmers which is harmful for the farmers. Due to taking the loan from the gatherer the farmers face difficulties and Rp.3,000 in 1 kg gambier discounts received by farmers when sold.

Information on given price for the gambier by the gatherer often absurd and hide the expected price. Competition between gatherer did not run smoothly. Larger gatherer of Lubuak Alai area often raise prices on Sunday to get many gambier. On next Sunday gatherer do not go to the gambier market. Next, the gatherer lower the price to cover losses occurred last weeks. In manggilang, unauthorized gatherers from outside entered the gambier market. So, gambier market monopolized by gatherer in the village.

The price of gambier fluctuant leading to loss of capital to the farmers. In 2017 April - May highest gambier price (Rp.80.000/kg) observed. The lowest price reached Rp.40.000/kg in July. Farmers have no alternative to sell gambier. Farmers are forced to sell gambier in at the price fixed by the gatherer.

Gambier transactions are often harmful to farmers. There is needs to take market strategy for the gambier transaction and function properly. Need an alternative gatherer or institution to make competition in the transaction. The alternative institution may make the market cooperatives. Cooperatives dominate gatherer in the transactions of gambier. The cooperation can be formed by the cooperatives, the governments and the gatherer. These institutions can make their own regulations such as the determination of the quality standard for gambier production..

Shiferaw et.al (2009) explained, a rural farmers institution and traders of grain in Kenya. The make enforcement rules and mechanisms to cope with the high transaction cost. Arrangement of marketing with financial loans, a pause payment has been done so that farmers may benefit better. Kruijssen et.al (2007) stated that small farmers capable of uniting their products and sell to the markets at better price and overcome the problem of transaction costs that arise due to the small scale agricultural products.

Optimizing the role of village custom institution

Village customs (*Kerapatan Adat Nagari/KAN*) are not directly involved in the process of transactions gambier. Village government Lubuak Alai facilitate the transaction of farmers and gathering in the village. The vilage govermet with custom institution make some rules and sanctions in the gambier. Rules and sanctions arranged in the form of village regulations (*PERNA*). *PERNA* set about; a) trading posts gambier; b) the transaction on Sunday, c) existing taxes gambier; d) managing gambier stall left to right. The village government with right sanctions to farmers and gatherer if there overset. However the role of these institutions need to be optimal. In Manggilang and Maek there are no role. Rules and sanctions are not specific to prevent cheating in the process of transactions. Farmers often cheated gatherer by mixing gambier with other substances like soil and fertilizer.

Considering these factors, strategies are needed in order to optimize the performance of the village government and custom institution. Such as training capacity building and knowledge to formulate regulations. So that the set rule in gambier market provide benefit all parties who sell. Similarly rules are needed about the quality of gambier, discounts for customers and sanctions for farmers and gatherer who cheat. High capacity would increase coordination of village government and central government to form cooperatives and cooperation with exporters. High capacity will build coordination in local institutions involved in the gambier market. According to Megyesi et.al (2010) the regional government also aids in the policy and marketing to stabilize the prices and the business environment to run the market well. Coordination of regional government and the central government could increase the regional economic through development of facilities for loans and subsidies.

CONCLUSIONS AND SUGGESTION

To make the market fuctional and realization of the benefit required clear and strong rules of the institutions. Cear rules are also needed to reduce high transaction cost. High transaction cost happened because of the lack to clear information in market.

Optimizing institutional strength in the gambier market hrough capacity building is urgent. Capacity building of the institutions will produce a clear and benefit all parties through clear rules. Capacity building will produce good coordination among the institutional involved in the gambier market. A good coordination would ease the process of transactions, information and avoid high transaction cost.

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