

The Disclosure of Sugar Cane Farmer Profit on Auction Process

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Abstract: - This study aims to understand the Islamic Social Prophetic value on farmer's profit by learning on the sugarcane auction process. This research is a qualitative research with an interpretive approach would reveal the phenomenon by discovering the sugarcane farmer's experience on their auction processes. The data is analyzed by Islamic social prophetic theory through the pillars of humanization, liberation, and transcendence. This method is used to carry out the social transformation needed by sugar cane farmer in Solo, Indonesia. This study indicated the imbalance and injustice on a social construction of a sugarcane auction process that involved investors, PTPN (state own enterprise), and farmer associations. The study also found the Islamic value from the Kutowijoyo's perspective, there are honesty, trust, and *syukur* (gratitude). Furthermore, this study recommends the stakeholders to generate a particular agricultural policy on accounting standards to prioritize the sugarcane farmer's better position. This is a pioneer of empirical study that focuses on sugar cane farmer's profit from Islamic social prophetic value.

Key-Words: - Auction process, sugarcane farmer, justice, farmer's profit

1 Introduction

Tariffs and market prices for sugar are derived from various factors. The consideration include international sugar prices, distribution systems, and Rupiah exchange rates (1–6). International sugar prices obviously affect local sugar prices. The higher prices arise from the higher supply of sugar from the largest sugar exporting countries in the world, such as India and Brazil. When the sugar demands in Indonesia are higher and the amount of local sugar is insufficient, so Indonesia needs to import sugar. This leads the sugar demand rises worldwide. Accordingly, the supply and demand processes are indicated as the core in determining the market price of sugar (7–9). Since the numbers of population are growing, so the demands of sugar are also increasing. The projected demand for sugar in 2020 is about 5.1 million tons. If the local sugar production is not evolved, the sugar will be progressively imported to Indonesia in 2020.

Sugar prices and *rendemen* (sugar yield) are integrated for farmers' prosperity. The farmers are

also contingent with the markets and the government. In some cases, the role of farmers are precisely limited over their two authoritative business partners. Their sugar yield can be calculated lesser when the sugar prices are lower. Even the sugar price is higher, the sugar yield that is obtained by the farmers can be lessened. Such situation affects the amount of profit that the farmers bring to complete their family needs (10,11). Therefore, the farmers should take few strategies in exploiting their land for production and agricultural cultivation. The first strategy is named as the rational choice. The sugarcane farmers need to optimize production factors (land, energy, capital, and input) that closely relate to environmental and financial performance (12). The second strategy reduces the farmers' consumptions and family expenses. They have enthusiasm to cultivate and produce what they consume daily in their own lands or fields. At the same time, they keep maintaining traditional and social relations as well as controlling expenses.

The strategies (rational choice and moral choice) can arouse the farmers' calculation on the auction

price and profit of sugarcane (2,13). When the farmers are able to earn the target price and the profit as they expect during the sugar auction, so their welfare can be achieved. Unfortunately, the price consideration is often handled by the authoritative parties who play in various fields. The farmers should be facilitated with varied supports, such as: financial access and accessible bureaucracy (14).

Auction is a policy regulated by PTPN (State-Owned Enterprise) to facilitate farmers in buying and selling sugar as the result of cane milling. The bid leads an accessible market supply for the farmers; but it can also address a hegemony over the farmers. Indeed, the phenomenon cannot be separated from the materialism in the name of farmers' welfare (11,15). In this section, the auction phenomenon and how it affects the profitability of sugarcane farmers will be discussed in detail. As the Law of Indonesia No. 16 of 2017 concerning Refined Crystal Sugar Trading through the Commodity Auction Market, the sales of sugar through auction process are aimed to provide various benefit for sugar producers. Instead, the auction is conducted to maintain efficient sales, to develop the transparent, competitive, and inclusive prices. The auction is indicated as an efficient marketing instrument for PTPN, compared to the direct sales to the traders.

Through the auction forum, the farmers expect for gaining higher sugar prices. The farmers have fully trusted PTPN since they join the forum for the first time. Accordingly, the farmers' decision is rationally adjusted as an opportunity to get additional earnings from their cane drops; even though they require longer time for gaining the profit. In other words, the rational awareness refers to additional profit that is perceived by farmers exceeding their sacrifice in waiting period. The farmers prefer to wait rather than lose their profits. Otherwise, the farmers may not take part in auction forums and sell their sugar cane to brokers. However, their rational considerations remain in the auction forum with all consequences.

Based on the phenomena and background above, this study intended to explain the polemic phenomenon in setting prices during the auction process as well as in determining the sugarcane profit for the farmers. Then, this study aimed to reveal and interpret the phenomena that occur in the polemic of price determination on sugar cane through the auction process so this contributes to develop pro-farmer auction policies.

2. Method

This study applied an interpretive paradigm to understand the social reality of sugarcane farmers, specifically on their profit during sugarcane auction process. This was a qualitative research that directly investigated the behavior of individuals and groups of sugarcane farmers naturally by using by Kuntowijoyo's perspective through Islamic social prophetic transformation, humanization, liberation, and transcendence. This study collected data collection through three methods, i.e.: observation, in-depth interviews, and library research. First, the observation procedure was aimed to observe the social reality of sugarcane farmers, including their social conditions within their communities. Second, in-depth interviews with farmers were intended to explore the reality of sugarcane auction processes that were not visible with five senses through observation as well as from confirmation results. Third was library research to explore more information on sugarcane farmers' activities. The paradigm used in this research is the Islamic paradigm.

Furthermore, data were collected by the researcher for 6 months, from 2nd May to 28th October 2016. The researcher conducted in-depth observations and interviews to obtain information about the lives of farmers. Instead of observations and in-depth interviews, the researcher participated in a series of sugarcane auction activities that were held by Tasik Madu Sugar Factory, in Tasikmadu-Karanganyar, Ngijo, Tasikmadu, Karanganyar Regency, Central Java. While the series of milling activities were conducted on 10th to 12th May 2016. As the participant during the series of sugarcane auction events, the researcher was able to explore the culture, customs, social and spiritual habits of sugarcane farmers.

3. Result

In this study, the sugarcane price had been firmly considered prior the investors' attendance. The investors intended to attend the auction forum with various respective offer on sugarcane prices. Each investor had brought specific price as discussed closely and would be presented when the forum started. At the same time, the farmers as the sellers of sugar also had a preliminary price standard that was called *Harga Perkiraan Sendiri* (HPS; Self-Estimated Price). The price benchmark was based on the trends of sugar price in the market. Then, the auction winners were considered when the investors' or bidders' price surpassing the HPS. When there were several investor offered prices exceeding HPS,

so the winner was one who gave the highest rate of all bids.

Basically, the auction forum is projected as a benchmark for the sugarcane farmers to obtain the best selling price and the most profitable rate. To reach the stage, several steps need to be arranged. The first is the agreement between farmers who are the members of APTR. This is fundamental to dispose whether the farmers will follow PTPN auction forum or manage their own auctions. Each will affect the selling price of sugar. The auction forum that is managed by PTPN is generally followed by investors who have completed particular bidding requirements. These are involved in the Caliber Distributor 1 that obviously have capabilities to finance, marketing networks, transportation equipment, warehouses, and so on. All requirements follow the regulations of the Ministry of Trade. The distributors under Caliber Distributor 1 must have a strong commitment to carry out the government idealism that the difference of selling price among the retailers is not more than IDR. 1,000. Thus, an administrative staff of PTPN IX explained the consideration of an auction price, as follow:

"It used to give an exemption that the farmers were allowed to sell sugarcane by themselves... sugar company had no right to make a regulation. So the farmers had a freedom... [They] want to sell by themselves, no one could hinder them ... But in practice, they could not bargain for a good price because they collided one and another...so they found difficulties to determine the standard price...once an auction was attempted by inviting new buyers to elevate price. To avoid suspicion, whether or not they had made an agreement [before the auction] since the people were the same...psychologically such condition was good; however, the price was not satisfactory" (Rudi, Solo, August 28, 2016).

Therefore, a solution that was proposed by the executives to assure against the polemic of sugar price in the auction phenomenon was addressed by buying sugar through Bulog (Bureau of Logistics). This was clarified as the interview result with the production director of PTPN IX below:

"If the objective is truly to increase, what is it called, the price or exchange rate for [sugarcane] farmers, the protection should be regulated by Bulog to purchase [the sugar]. The farmers firstly need to arrange for the target price, then the amount of profit should

be accounted by Bulog as the authority bureau. But it is difficult since the imported sugar is cheaper nowadays. While the farmers' sugar is expensive. Indeed, the high price is to protect the farmers. Since Bulog has no budget and likely arises problem, so auction is considered as the best option. If the farmer intends to sell individually, there should be naturally delineated a share of about 10% or something as the agreement. The point is that the farmer owns the goods, so they are free to sell anywhere. Indeed, the auction adds the association's job since it needs money, expenses. If it is not performed well, we will be cursed. In my opinion, just let them go. Eventually, another system will be established. If the farmers sell by themselves, the price can be matched, because many farmers rush to get a lot of money" (SP, Solo, August 28, 2016).

The milling process of sugarcane produces sugar and drops. The second is defined as the residual liquid syrup that is picked along with sugar. When the drops are crystalized, the farmers need higher production costs than sugar. Hence, the residual liquid is also auctioned in the form of syrup. The calculation of sugarcane drops differ with the calculation of sugar yield. Each drop of sugarcane is calculated up to 3% of the sugarcane weigh that are collected to be milled in PTPN. The drop is also counted excluding the sugarcane quality. Certainly, the drop calculation take an advantage for farmers' additional earning. The drop is generally auctioned at the first stage of auction process. In other words, the drop auction is conducted differently with the sugar auction. The calculation of drop distribution is not affected with the sugar yield at all. Instead of profit as the result of drop auction, the farmers may take front money prior the drop auction process. The advance fee or down payment are generated from a mutual agreement between farmers and prospective buyers through a farmer forum. They have made an agreement that the price of the drops was IDR. 1,700 / kg and the advance fee was IDR. 1,300 / kg. Furthermore, the sugarcane farmers could bring the advance fee in the amount of IDR. 1,300 multiplied with the deposited drops weight, prior the drop auction process. After the drop auction completed, the average auction price would be reduced with the amount of down payment that had given to the farmers. Then, the farmers will have the difference of final profit.

The case study of two sugarcane farmers indicated that the farmer with a lesser volume of land was eventually successful to gain higher profit than another due to some factors. They included audit of land area, quality of fertilizer, employment contract system, yield value, and appraisal of sugar as the result of sugarcane auction.

This study showed the different profits between two sugarcane farmers. The first farmer was Mr. Suwandhi who gained total profit of sugarcane drops in the amount of IDR. 336,000,000. In particular, he owned an advance fee of IDR. 249,600,000.00 before the drop auction as well as the sugarcane auction. While the second farmer, Mr. Warsono, gained the total drops in the amount of IDR. 252,000,000.00. So his advance fee was about of IDR. 187,200,000. Drawing to the accountancy, such calculations reflected to the concept of profit calculation based on Farm Accounting.

4. Discussion

The auction process is originated by sending invitations to investors as bidders. The auctions are centrally conducted in the DPD (Regional Representative Council) Semarang, Central Java and attended by three sugar company in Central Java. During the auction, the farmers likely assumed an indication of investor contemplation plots. This bring an impact on sugar price justification. The price that is offered by investors tended to reach the least price since the investors obviously dominated the bidding processes. The auction is often taken in longer period, even for a price difference of IDR 100.00.

Instead of investor factor, the psychological aspect of sugar company also influence the farmers in accepting the particular price that investors offered. When sugar company release its sugar to investors without viewing sugar price as what the farmers decided. During the auction forum, the auctioned sugar are not only from the farmers, but also the 34% of total sugar owned by sugar company. Even though the sugar ownership and price decision were in the control of each party, but they actually influenced one and another. Moreover, sugar company seemed easy to sell its sugar without perceiving for future price. In realities, sugar company resolved this action because it required fast deposit to support its operational activities.

In addition, the consideration of sugar company accepting particular prices from investors would influence the farmers' psychology. The farmers had a dilemma not to release sugar at a

certain price. Once, there could be a possibility that their sugar prices would be on an upward trend in the market. On the other hand, the farmers might need funds for further agricultural operations. Although the price is fully considered by the farmers; but in reality, the investors made the price decision.

Another problem also appear when there are the differences between self-estimated price and the investor's bid price. If the gaps are too high, the farmers could be disappointing. In fact, the farmers are often in uncertain position against the investors who had capacity to buy their sugar shortly as well as in uncertain sugar prices in the future market. Therefore, the farmers likely surrendered accepting the prices as the result of auction agreement. It is conceivable for farmers to reject the price from the auction decision, but consequently investors are reluctant to come again due to transport expenses and time. In addition, the farmers are indicated having an inferior position because of the possibility of downward trend on sugar price in the future.

Dilemma of tariff determination and market prices for sugar were definitely influenced on some factors, such as: international sugar prices, distribution systems, and the rupiah exchange rate (5,6). The high international sugar prices are due to the high supply from the largest sugar exporting countries (e.g. India and Brazil) that influence the growth of local sugar price. When the demand of sugar in Indonesia rises, but the domestic sugar is insufficient; this leads Indonesia importing sugar and the worldwide demand increases as well. The processes of supply and demand are indicated as the primary decision of market price on sugar. Moreover, the demand for sugar continues to increase with the growing population rate. The projected demand for sugar in 2020 is 5.1 million tons. If the domestic sugar production does not change, it will increase the opportunity for sugar imports in 2020.

Agriculture is an essential sector for human life. Food is considered fundamental to the sustainability of human life. Many studies have discussed the correlations between agricultural sector and accounting fields. For example, the IAS 41 accounting standards can be applied into agriculture and crop production as biological assets. The adoption of IAS 41 is potential to affect the legitimacy of social conflict. In cost calculation, the fair value is considered more effective than the historical cost. The consequences of IAS 41 implementation bring some impacts on social conflict, manipulation, subjectivity, and misleading information (Aryanto, 2011). Similarly, Feleaga, et al (2012) convey that the IAS 41 adoption causes radical changes of accounting practices in the

agricultural sector because the fair value method in IAS 41 demonstrating the level of volatility (rapid change) and the subjectivity on cost.

Another interesting study that evaluates IAS 41 is conducted by Mates and Grosu (2008). The fair value that is based on active markets cannot accommodate to determine prices of plant quality (biological assets). Assets need to be measured and grouped into natural characteristics, maintenance activities, quality and production capacity (Mates and Grosu, 2008). However, pricing on the active market derives on assets, but excludes other factors, such as: natural conditions, weather, and natural disasters (unrelated activity). However, the agricultural accounting is viewed unfairness to farmers due to the calculation of fair value; and socially it can lead the farmers to be logo centric (Kurniawan, et al, 2014). In fact, the biological assets are not always in relation to money. The exploitation of biological assets for farmers' life cannot be detached from how much the asset value and its usefulness for their families. Therefore, the agricultural accounting should be adjacent to public interest, in this case, the sugarcane farmers.

As the previous studies, it is clear that the condition of IAS 41 is less applicable in Indonesia due to different characteristics. In particular, IAS 41 is generated from Western perspective with high capitalistic hegemony characteristics. The policy brings benefits to individuals as the object of a policy. Nevertheless, its benefits are not for public. The policy only belongs to those who have self-interest and who are under the show of democracy or to those who defend as the representatives of public yell. Democracy should carry out the mandate as a human dignity. But when it is embedded in a dirty bureaucratic system, so political decay or political order will happen (11).

Moreover, a political weakness is initiated by politics that is just committed to particular groups with their personal interests. The foreshadowed conspiracy is expressed to advance people's welfare and to reduce socio-economic conflicts; however, those are derived on political orders with self-interest. Indeed, an entity that can be disconnected from the conspiracy is that the capitalist system always plays a role in political and economic relations. The political system and its bureaucracy indirectly affect the human social system. They are likely heartless robots, their souls are integrated with the legitimacy and rules in the bureaucracy. The issue of social integrity and social solidarity is no longer guaranteed for the facts of pluralism and the relativism of values. Humans prefer to behave and interact based on self-interest and often ignore public

interest. If this continues, so people lose their sacred and fundamental life. Humans may only address to the malicious flow in a political kingdom with a capitalist spirit.

In the Western perspective, the farmers are commanded to be businessmen who are able to bring higher profits as implemented on the Farm Accounting concept. The farmers' views as businessmen will guide themselves to apply accounting to their farming activities, so they are able to know and manage their finances independently. This is the purpose of Farm Accounting that is defined as an accounting application for an agricultural system to provide information on the financial condition of agriculture, particularly on profitability and growth of assets. In brief, the farmers with farm accounting will record all assets that are valuable in farming process and farming inventory. The system involved (1) live-stock, (2) machinery, (3) grand feeds supplies, and (4) real estate, including wells, warehouses, irrigation, shelter, and tiles. Overall, the forms of recording agricultural activities include book keeping, cost studies, farm cost accounting, farm records, and all accounting analysis techniques (Stone, 2012). In brief, book-keeping is not only to explain the calculation of assets in the end of the year, but also to determine the income and expenditure of farmers, so that farmers can clearly identify the obtained profits.

The discussion of auction activities empirically from the lives of some of the farmers above, if analyzed by looking at the social prophetic side, actually reflects the values of divine justice. The bargaining system by farmers in an Islamic perspective is intended to gain prosperity or prosperity (16). Prosperity here means not only what you get in this world but also in the hereafter, meaning that in a concrete form this prosperity can be both material and non-material. One of the ways to achieve this prosperity is by always being grateful to Allah.

Farmers' activities in auction activities involve investors as the market for farmers' sugar production and sugar company. In the concept of humanization, farmers cultivate an attitude of trust both to representatives of farmer associations at auction forums and to investors. Without this trust, the auction forum will only be a place for manipulation and fighting over prices and becoming the market leader. To foster this trust, farmers also need to free themselves and their souls from capitalism and materialism. Both of these characteristics make farmers forget their identity as God's creatures who should always be grateful for the blessings given by Allah both in the past and now. By

implementing an attitude of always being grateful for the rising prices at this time as well as the high prices in the past, farmers will always be in a social prophetic environment that is ready to change the socio-economic conditions in obtaining farmers' profits.

Table 1 Social Prophetic Value in Auction Process

<i>Kuntowijoyo Perspective</i>	<i>Behaviour</i>	<i>Social Prophetic Value</i>
Humanization	Honesty in auction forums	Honesty
Liberation	Trust in farmer and investor representatives in auction forums	Trust
Transcendence	Grateful for the blessings of God both now and in the past	Gratitude

Through gratitude, humans will be free from the shackles and restraints of rationality thinking and on the contrary will lead humans to a transcendent relationship with the Almighty. The termination of the values of justice is able to bring humans into human beings who instill the values of humanization, liberation and transcendence in their lives. These values are able to change the way of thinking and transform a social condition that is felt by farmers as a condition of injustice. These prophetic values are able to bring people in a clear direction according to the teachings and provisions of Islam.

5. Conclusion

This qualitative study explore the sugarcane farmers' experience during their drops and sugarcane auction processes. This phenomenon could reveal the farmers' benefit in both drops and sugarcane auctions. Obviously, the farmers are in adequate welfare condition as they are able to fulfil their daily needs as well as their family prosperity. This study also shows the advantage of auction forums that had been facilitated by PTPN, the State-Owned Enterprise, so that the farmers receive a profit, in term of advance fee, prior the drop auction. However, this study indicate some gaps in the sugarcane price determination that the farmers had been suffered for. Thus, this study address a recommendation for the stakeholders to consider an applicable agricultural

policy with an appropriate accounting standards so the sugarcane farmers can be prioritized in a better position.

Limitation and Future Research Direction

This research was conducted on the life of sugarcane farmers who are members of and follow the Tasik Madu sugar company milling program in Solo, Central Java. One limitation of this study is that it focuses only on sugarcane farmers. In fact, when the construction of sugar cane farmers' profits requires cooperation from various business actors who are members of it, such as sugar company, Bank and PTPN. Further study to determine the concept of equitable profit construction from the perspective of other subjects as mentioned above is necessary in order to create a system that carries out divine justice in the overall profit-seeking process. This is because the injustice received by farmers arises from other subjects that may not be directly related to farmers.

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Contribution of individual authors to the creation of a scientific article (ghostwriting policy)

Lilis Ardini carried out the concept of introduction and discussion process

Wahidahwati was responsible for data collection and data analysis.