

## Pricing Models and Value Distribution in Agribusiness: A Managerial Investigation of Farmer Marginalization and Its Implications for Social Justice

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### ABSTRACT

*Indonesia, as an agrarian country, relies heavily on the agricultural sector for food security and national economic stability. However, in reality, small-scale farmers often find themselves in weak bargaining positions within agribusiness value chains. The selling price of agricultural products is determined by middlemen and market forces, excluding farmers from fair price-setting processes. This condition reveals economic inequality that contradicts the social justice values enshrined in Pancasila. This study employs a qualitative descriptive method, combining interviews and literature reviews to analyze the factors contributing to farmers' inability to determine their own selling prices. Findings indicate that limited access to price information, capital, and production resources further weakens farmers' bargaining positions. As a solution, Pancasila-based approaches, such as strengthening farmer cooperatives, implementing minimum price policies, and improving price information transparency, need to be adopted to create a fairer and more sustainable agribusiness system.*

**Keywords:** *Farmers, Economic Inequality, Social Justice, Pancasila, Agribusiness*



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## INTRODUCTION

Indonesia is known as an agricultural country, where the agricultural sector plays a crucial role in people's lives. Besides being the primary source of food, this sector also serves as the backbone of the economy, contributing significantly to the workforce. According to data from the Central Statistics Agency (BPS), in 2023, approximately 29.25% of Indonesia's population worked in the agricultural sector, underscoring its importance to national food security and the economic well-being of the people (BPS, 2023).

However, despite their vital role, smallholder farmers in Indonesia often find themselves in a vulnerable position in the agribusiness value chain. One of the biggest challenges they face is their inability to determine the selling price of their produce. Commodity prices are set by middlemen and markets, without the fair involvement of farmers as primary producers (Kompasiana, 2023). This inequality reflects an agricultural economic system that does not favor farmers and creates social injustice within the national agribusiness ecosystem.

This inequality has serious implications for farmers' welfare and the sustainability of their farming businesses. With a low bargaining position, farmers' returns often do not reflect the production costs and labor they expend. This situation is exacerbated by limited access to price information, business capital, and production inputs, further complicating their participation in determining the selling price of agricultural products (Spora Institute, 2023).

This situation underscores the structural challenges in national agribusiness governance, which still does not provide optimal protection for smallholder farmers.

From the perspective of Indonesian ideology, the economic inequality experienced by farmers contradicts the principle of social justice as stated in the fifth principle of Pancasila, namely, "*Social justice for all Indonesian people*". As the foundation of the state and the nation's philosophy, Pancasila positions social justice not merely as an ideal but as a fundamental principle that must be realized in every aspect of life, including the agrarian economic system (Yuanitasari & Suparto, 2021). The powerlessness of farmers in modern markets is evidence that the value of social justice has not been fully implemented in practice in Indonesia's agricultural sector.

Thus, this research is crucial as a reflection on the implementation of social justice values in the context of food security and economic justice in the agricultural sector. This study aims to analyze the factors contributing to farmers' powerlessness in determining selling prices, linking this to the principles of social justice in Pancasila, and offering ideas based on Pancasila values to strengthen farmers' bargaining power going forward (Marsudi & Purbasari, 2022).  
Formulation of the problem.

This article discusses the unequal bargaining position of farmers in determining the selling price of agricultural products set by middlemen and markets without the active involvement of farmers, and examines this condition in the context of the social justice values of the fifth principle of Pancasila; therefore, it is necessary to analyze the factors that cause the powerlessness of farmers and formulate solutions based on Pancasila values to create a fairer and more sustainable agribusiness system.

## RESEARCH METHODOLOGY

This study uses descriptive qualitative methods to deeply understand the social realities faced by farmers in determining the selling price of agricultural products. The research location is Poncokusumo District, Malang Regency, chosen because this area is an agricultural center with complex market dynamics. Data were collected through in-depth interviews with informants consisting of six local farmers, two middlemen, and two traders. A literature review was also used to enrich the analysis and compare field findings with the theories and values contained in Pancasila, particularly the fifth principle on social justice.

## RESULTS AND DISCUSSION

The research was conducted by interviewing farmers who produce agricultural products and middlemen who determine prices.

### Resource Person

The number of informants in this study indicates that 6 of the 10 people interviewed were farmers, while the remaining 2 were middlemen and 2 were traders. The predominance of informants from among farmers indicates the primary focus of this study, which is to uncover the inequalities that occur in the distribution and pricing processes of agricultural products. One farmer, Mrs. Murjiati (interview, June 10, 2025), stated: "I don't have the power to determine prices because they are determined by middlemen. Middlemen follow price information in the market." This statement emphasizes the weak bargaining position of farmers in the existing agribusiness structure. In a study by Widiastuti (2017), a similar condition was

found, where farmers are in a weak position due to their dependence on middlemen in distribution and marketing, thus having no power in determining the prices of the commodities they produce. This finding confirms that the dominance of middlemen and the weak bargaining position of farmers are long-standing structural problems in the Indonesian agribusiness system.

Furthermore, this inequality directly contradicts the principle of social justice in Pancasila, particularly the fifth principle. When farmers are not involved in the price-setting process, injustice occurs in the agrarian economic system. The relationship between farmers and middlemen is paradoxical, where middlemen are needed to sell their crops but often harm farmers through price and scale manipulation (Aflah et al., 2023). This demonstrates that without fair and pro-farmer policy interventions, inequality in the distribution of agricultural products will persist and hinder the achievement of the values of social justice upheld by Pancasila.

### **Determination and Impact of Selling Prices on Farmers**

Indonesia is known as an agricultural country because the majority of its population relies on the agricultural sector for their livelihood. However, despite this crucial role, farmers often lack the power to determine the selling price of their crops. In practice, prices are determined by middlemen or follow prevailing market prices, without any active involvement from farmers. Farmers simply accept the price announced after harvest, with no other choice, even though this price does not reflect the hard work and costs incurred.

One of the main reasons why farmers cannot determine selling prices is their weak bargaining position in the agricultural distribution chain (Widiastuti, 2017). Farmers generally work on a small scale and in isolation, thus lacking the collective power to negotiate better prices. In contrast, middlemen have a broader market network and significant influence over prices at the farm level. When crops need to be sold quickly and there are no other market alternatives, farmers are forced to accept the offered price, even if it is low. This situation is exacerbated by limited access to market price information in other regions or at the consumer level, making it difficult for farmers to assess whether the prices they receive are fair or detrimental.

Field findings reinforce this situation. Most farmers interviewed stated that they lack power in determining the price of their crops. Prices are typically determined by middlemen who follow fluctuations in the wholesale market. Mr. Ngateno (interview, June 10, 2025) stated: "Prices are determined by middlemen who have already reached an agreement in the wholesale market. If prices are not appropriate or low, we can lose money, but if they are expensive, we still make a profit." Meanwhile, Mr. Juri (interview, June 10, 2025) added: "We follow the prices from middlemen, and of course, the prices in the market are usually not very low when middlemen take from farmers." This indicates that the current distribution system does not favor farmers, and they lack the bargaining power to set a selling price that aligns with their production costs.

Another factor exacerbating the situation is limited transportation and storage facilities. Many farmers cannot afford to delay sales to wait for better prices due to pressing economic needs or lack of storage space for their crops. As a result, they are forced to sell their produce

at low prices, often barely enough to cover their costs. Mrs. Sri (interview, June 10, 2025) illustrates this clearly: "If it's too low, you can lose money. Sometimes, you only break even."

In the long term, this situation has serious implications for the sustainability of farming businesses. Low and unstable incomes make it difficult for farmers to increase productivity or expand their businesses. Furthermore, this situation also makes the agricultural sector increasingly unattractive to the younger generation, who view farming as a high-risk, low-reward occupation. If the agricultural distribution and marketing system is not immediately improved, this inequality will persist, and farmers' well-being will lag far behind that of other, more powerful economic actors.

### **Analysis of the relationship between the problem of farmer prices and the value of social justice in Pancasila.**

The problem of agricultural product selling prices experienced by farmers is a reality that often goes unnoticed. Interviews revealed that farmers cannot determine their own selling prices. For example, Mrs. Suji (interview, June 10, 2025) said: "The price is determined once the goods have been delivered to the main market. If it's too low, we could lose money, or even not even cover our capital." This situation demonstrates the lack of protection for farmers in the current distribution system. Prices are set by middlemen, who typically follow the main market price. Farmers can only accept the price decision after the harvest is delivered, without much opportunity for negotiation. This situation often means that farmers only break even, and often even suffer losses.

This is certainly very concerning, considering that farmers are the ones who work directly in the field, cultivating the land, planting, tending, and harvesting. However, when the fruits of their labor are ready to be sold, it is others who determine the value. This unequal relationship between farmers and middlemen has also been studied by Aflah et al. (2023), who describe this relationship as a paradox: on the one hand, middlemen are needed by farmers, but on the other, they often engage in detrimental practices such as price and scale manipulation.

If we relate it to the values of Pancasila, specifically the fifth principle, "Social Justice for All Indonesian People," this principle mandates that all Indonesians, without exception, receive fair treatment in various aspects of life, including the economic sector. However, in reality, farmers, as part of a productive society, have not experienced this justice. The inequality between farmers and middlemen is a clear illustration that social justice has not been fully realized in the field. This condition clearly does not reflect true justice. Social justice should provide space and protection for all citizens, including small farmers. They also have the right to welfare and fair treatment in the economic system, not to be victims of the imbalance of power in the distribution chain. Ubis (2020) also emphasized that the weak implementation of protection for farmers causes them to remain in a position of economic and social vulnerability

The government's presence is crucial; the state cannot leave farmers to fend for themselves in an unfair market. Concrete policies such as minimum price setting, cooperative support, and direct market access are needed to enable farmers to become more independent and prosperous. This way, the values of Pancasila will not just be a slogan in textbooks but will truly be lived and felt by the community, especially by those who struggle daily to cultivate the livelihoods of farmers.

### **Solutions that can be taken in accordance with Pancasila values**

A possible solution to address farmers' inability to determine selling prices is to encourage the formation and strengthening of farmer cooperatives. Through cooperatives, farmers can unite in joint business groups, enabling them to collectively sell their crops, gain broader market access, and negotiate fairer prices with larger buyers (Agustia and Maifianti, 2018). Cooperatives also help reduce distribution costs and strengthen networks between farmers. This effort reflects the value of unity as enshrined in the third principle of Pancasila, while simultaneously realizing social justice as emphasized in the fifth principle.

Several interviewed farmers also expressed concrete hopes for government support in this regard. Mr. Ngateno (interview, June 10, 2025) stated: "The government will try as much as possible to provide prices that are commensurate with the capital invested so that farmers' incomes are not reduced." A similar sentiment was echoed by Ms. Murjiati (interview, June 10, 2025), who emphasized the importance of the government's role: "If goods are too cheap, the government can immediately provide a solution." This statement reflects the importance of government policies that support farmers to create stability and sustainability in the agricultural economic system.

In addition to strengthening cooperatives, transparency of price information through the use of digital technology is also a strategic solution. The government, along with relevant institutions, can develop a technology-based market price information system that is easily accessible to farmers. By knowing real-time commodity prices in various regions, farmers have sufficient information to make independent sales decisions, without having to rely entirely on middlemen. This initiative represents a form of fair treatment for farmers, as reflected in the second principle of Pancasila, "Just and Civilized Humanity," because it provides equal rights to information and equal economic opportunities.

Equally important, farmer participation in the agricultural policy formulation process must be strengthened. To date, many policies have been top-down and neglected to address the needs of farmers on the ground. Yet, the fourth principle of Pancasila promotes democracy guided by the wisdom of deliberation and representation. When farmers' voices are accommodated in the policymaking process, the resulting policies will be more targeted, equitable, and address real needs on the ground. By integrating Pancasila values into the national agricultural system, from economic empowerment and equitable information access to policymaking, support for farmers will become more tangible and sustainable. A strong nation is one that does not leave food producers, the pillars of national resilience, struggling alone in the face of an unfair market.

### **CONCLUSION**

Based on research on farmers' powerlessness in determining the selling price of agricultural products, it can be concluded that their bargaining position in the agribusiness chain remains very weak. The prices of their commodities tend to be determined by middlemen and the market, without involving farmers fairly in the pricing process. This situation demonstrates economic inequality, which negatively impacts farmers' welfare and the sustainability of their farming businesses.

From the perspective of Indonesian ideology, this situation contradicts the value of social justice embodied in the fifth principle of Pancasila, "Social justice for all Indonesian

people." The injustice experienced by farmers demonstrates that the implementation of social justice values within the agrarian economic system remains suboptimal. Farmers face various obstacles, including limited access to price information, business capital, and production facilities, which further restricts their participation in determining the selling price of agricultural products.

To address these issues, strategic solutions based on Pancasila values are needed, such as strengthening farmer cooperatives, implementing a more pro-farmer floor price policy, and providing access to transparent price information. Furthermore, the government must take an active role in supporting a more equitable agricultural distribution system and increasing farmer participation in the policy-making process. These efforts will better ensure farmer welfare and realize the principles of social justice enshrined in Pancasila in Indonesia's agricultural sector.

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