

Nexus between production input and price commodity: an integration analysis of rice barns in East Java of Indonesia

ABSTRACT

This study aims to examine the causality between production input and the price of rice in East Java, Indonesia. This study applied a quantitative method to understand in a comprehensive way the correlation between variables. The data used for this study were collected from several sources, including East Java Agriculture Office, Siskaperbapo.com, and Statistics Indonesia (BPS) of East Java. This research was carried out over five years, starting from 2014 to 2018. Furthermore, the data were analyzed using the Vector Error Correction Model (VECM) by employing E-Views (version 7). The findings of this study indicated that, in the long run, the population, rice production, and changes in people's income have a positive effect on price stability, but are inversely proportional if seen in the short term. In comparison, in the long run, farmer exchange rates variable has a negative impact on price stability, and inversely proportional in the short term, which has a positive effect. There are different implications when the people's income increases and the rice price declines; these have great potential to alleviate poverty in East Java, Indonesia. This is due to the fact that the price stability also concerns the welfare of the community.

Keyword: Production input; Price commodity; Rice barns; Population growth