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Supply Response and Competitiveness of Na-Oogst Tobacco Production Analysis in Jember Regency-Indonesia

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Abstract

Tobacco (*Nicotiana tabacum* L.) is a tall perennial herbaceous flowering plant that belongs to the *Solanaceae* or nightshade family. It is the world's most widely cultivated non-food crop and is chosen by farmers from more than 120 countries because of its performance under widely varying climatic (merely requiring a frost free period of 100–130 days) and soil conditions to meet the demands of many different markets. It also is a plantation commodity that pays high taxes, earns foreign exchange, and employs many workers who earn relatively high incomes. In Indonesia, Voor-Oogst (VO) tobacco is used in producing cigarettes without cigar flavouring and clove cigarettes. Na-Oogst (NO) tobacco is the main material for making big cheroots, cigarillos, and chewing tobacco.

As well as showing a downward trend, Bes-No tobacco prices continue to fluctuate substantially. The world market is quite thin, and a small percentage of over- or under-supply creates large percentage changes in price. This high degree of uncertainty has led to propose for regulations by the Jember government that would reduce the tobacco area.

The Policy Analysis Matrix (PAM) analysis shows that even at reduced prices, tobacco is privately and socially more profitable than the next best alternative, maize. Hence, even though maize is a second food staple, it would not be good public policy to restrict tobacco acreage. The government would perform a useful function if it assisted growers in organising cooperatives that could negotiate prices with tobacco exporters. Providing information about the situation in international tobacco markets at the time farmers are deciding what to plant, would also be a useful government function.

Keywords: Na-Oogst Tobacco, Policy Analysis Matrix (PAM), Supply Response