



Tropentag, September 17-19, 2014, Prague, Czech Republic

“Bridging the gap between increasing knowledge and decreasing resources”

Choice of Marketing Channels by Rubber Small Traders in the Jambi Province, Indonesia

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Abstract

Rubber remains an important commodity in international trade, and is the main raw material for many industries. World rubber production is dominated by Asian countries, with Indonesia being the second largest producer after Thailand. With the third largest plantation area, the Jambi province is one of the largest contributors to Indonesia's rubber production (10.66 %).

In order to develop the Indonesian rubber industry further, the efficiency of the rubber marketing system needs to be taken into account which is strongly impacted by the choice of the marketing channel. Hence, considering choice in marketing channels will lead to the enhancement the efficiency of the rubber value chain.

Many researchers have focused their study on the choice of marketing channels of different commodities. However, most of these studies focused on farmers, while the study of marketing channels on the traders' level is rare. Nevertheless, rubber traders are important stakeholders in the distribution of rubber from farmers to processors. This study of marketing channel choice on traders' level is able to fill the gap and to contribute to the diversity of research.

Factories are expected to be the most beneficial buyers from the traders' perspective in order to optimise their trading business. However, there are many traders who select other channels. The questions addressed in this study are which factors determine the choice of marketing channels by rubber traders and why the village traders tend to sell the rubber to other channels than a factory.

A multinomial logistic regression model is employed to determine the factors affecting the channel choice. Results show that factors significantly affecting the decision of channel choice include location, credit access, information access, profitability aspects, and traders' characteristics. Traders tend to sell to other channels instead of factories if their location is far from the factory, if they have a relatively low quantity to sell, if there is better information access and if other channels have a more accessible bureaucratic procedure.

Keywords: Channel choice, multinomial logistic regression, rubber, small trader