Effectiveness of Cheap Market Operation Policy in Bandung City

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Abstract: The government is very interested in maintaining price stability and the availability of food, especially rice, which is the staple food for almost all of Indonesia’s population. One of the efforts made is to organize a cheap SPHP medium rice market operation with the hope that people, especially those with low purchasing power, can meet their needs. This study examines the effectiveness of cheap market operations organized by the Bandung City Government in situations of rice price spikes. The study was conducted using qualitative methods and took cases from three sub-districts. Data was collected through interview techniques, observation, and documentation, and then analysed using an interactive model. The results of the study show that cheap market operations are not an effective strategy to overcome the spike in rice commodity prices. After the implementation of the low-cost operation, the price of rice on the market continues to exceed the highest retail price (HET), and it is difficult for people to obtain rice at an affordable price. To overcome fluctuations in rice prices in the market, implementing market operations is considered more appropriate, and through this policy, the government intervenes in the market with rice from government food reserves managed by Perum BULOG. Apart from ensuring the availability of rice, market intervention can stabilize prices more quickly, have a longer impact, and cover a wider area.

Keywords: Effectiveness; Policy; Operations; Market; Resilience; Food.

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Introduction

Food security is a crucial aspect of a country's development, not only as an indicator of economic sustainability and prosperity but also as the main foundation of social welfare (Suharyanto, 2011). The government has a big responsibility to ensure the availability of sufficient and affordable food for all levels of society. Even though food self-sufficiency is the main goal, simply achieving adequate production levels is not enough (Simanjuntak & Erwinsyah, 2020). Affordable food commodity prices also play a key role in ensuring access to food for all levels of society. Significant price increases can hamper people's purchasing power, affect welfare, and, in turn, create social and political instability (Ramadhan, 2020).

To achieve holistic food security, the government needs to implement policies that not only support increasing food production but also control and maintain food price stability (Arif et al., 2020). By keeping prices affordable for the public, the government can ensure that the results of food self-sufficiency are truly felt by all citizens. Apart from that, policies that support fair and efficient distribution and protection of farmers and consumers are also key to building sustainable food security (Prabowo, 2010). Thus, government efforts to control food prices not only contribute to economic prosperity but also ensure social and political stability, which is an important foundation for sustainable development (Syafa’at & Simatupang, 2006).

One strategy to maintain food price stability is through the implementation of low-cost market policies. This cheap market program is a government initiative introduced in 2017, and Perum Bulog was appointed as the implementer of this program (Supeno, 2006). Low-cost markets function as an extension of market operation policies, with the main difference being the direct sale of basic food ingredients to consumers at prices below market or in accordance with the Highest Retail Price (HET). Meanwhile, market operations aim to increase the supply of rice in the market (Latif, 2015). The main goal of the cheap market is to reduce demand in the market so that prices can fall due to decreased demand, controlling overall prices (Proborini et al., 2018).

Price stabilization through the cheap market is effective if the intervention is carried out at the right time, such as before major religious holidays or during the lean season, a period when rice prices tend to rise. The success of price stabilization is the output resulting from the implementation of an effective low-cost market (Neman et al., 2022). The effectiveness of the cheap market, apart from being supported by accurate time management, is also supported by several other management factors, namely the management of the quantity and quality of rice as well as the location of implementation. The quality of rice and the location of implementation are related to how Bulog can provide rice that people like in good locations (Rachman et al., 2019). Both of these things encourage consumer satisfaction and are expected to increase the level of sales in the cheap market so as to reduce consumer purchases in the market. Quantity management is another form of effort to maintain rice price stability, where Perum Bulog must be able to guarantee that the rice stock it has can meet the consumption needs of the population even for the next 3 months (Rumaratu et al., 2018).

Rice, as a staple food in Indonesia, plays an important role in meeting
people’s needs (Rahmasuciana et al., 2015). The public’s hope for a stable rice supply that is available all the time, evenly distributed, and at a stable and affordable price is the main aspect of maintaining prosperity (Zaeroni & Rustariyuni, 2016). Even though the government has set the highest retail price (HET) as a measure to control rice prices, in reality, there is often price instability at the consumer level (Sulaiman et al., 2017). Efforts to maintain rice price stability need to be strengthened with policies that do not only focus on determining HET but also involve efficient distribution strategies, intensive market monitoring, and timely intervention to overcome potential price increases that are detrimental to society (Arifin, 2020).

Conditions like this always repeat themselves and occur again at the end of 2023, when the price of rice in various regions, including the city of Bandung, continues to increase. Even until early 2024, the increase in rice prices will still continue to exceed the HET. It is known that the price of premium-quality rice in several areas in Bandung City has reached the range of IDR 16,000.00 to IDR 18,000.00 per kilogram, and for medium-quality rice, it has reached IDR 15,000.00 per kilogram. This price is far above the HET provisions, where the price of rice for the Bandung City area and its surroundings is IDR 12,900.00 per kilogram for premium quality and IDR 10,900.00 per kilogram for medium grade.

In order to overcome the increase in rice prices, the Bandung City Government, through the Department of Trade and Industry (Disdagin), in collaboration with Perum BULOG, is carrying out massive market operations in all sub-districts. Market operations, as stated in Government Regulation Number 17 of 2015 and Presidential Regulation Number 125 of 2022, are mechanisms that have been established by the government to channel government food reserves with the aim of, among other things, overcoming food price fluctuations and stabilizing food prices.

Market operations to overcome rice price fluctuations can be categorized as a public policy because they involve the interests of many people and cannot be resolved by individuals. In relation to rice market operations in Bandung City, this step is a form of implementation or implementation of government policies related to food and food security, which are contained in the form of Law Number 18 of 2012 concerning Food, which is followed by Government Regulation Number 17 of 2015 concerning Resilience Food and Nutrition, as well as Presidential Regulation Number 125 of 2022 concerning Government Food Reserves.

Public Policy and Policy Implementation

Public policy is interpreted simply as "whatever governments choose to do or not to do," which also places the government as the main actor (Dye, 2013). Another opinion states that, in general usage, the term policy designates the behavior of some actor or set of actors, such as an official, a governmental agency, or a legislature, in an area of activity such as public transportation or consumer protection. Public policy may also be viewed as whatever governments choose to do or not to do." (Anderson, 1994). The above definition again emphasizes the government’s central position in the issue of consumer protection, including communities for which rice is their main food consumption.

Price control as a policy to achieve food security is not only needed in theory, but its implementation through concrete
steps such as market operations is crucial. Without real implementation, food security policies and concepts will lose their meaning and impact on society. Market operations, as a means of price control, play an important role in maintaining food price stability. Effective implementation of this policy can have a double positive impact, not only strengthening the government’s reputation as a guardian of economic and social stability but also directly benefiting society by maintaining food availability and affordability (Edward, 1980).

**Effectiveness of Public Policy**

Effectiveness concerns the impact of an output on service users (society) (Soleh & Suripto, 2011). Another opinion states that effectiveness is related to the relationship between the expected results and the results actually achieved. In relation to the effectiveness of public sector organizations, the principle of justice must also be taken into account, which is closely related to the principle of equality. Justice emphasizes that every community has the same opportunity to obtain services; there is no discrimination or privilege for certain groups. Equality means that the government prioritizes services for people who need them more. This also means the need for equal distribution of services so that all people can enjoy the services provided (Mahmudi, 2015).

The measures of policy effectiveness include: (1) efficiency, where a policy must be able to increase the efficiency of optimal use of resources; (2) fairness, in the sense that policy weight must be placed fairly, that is, public interests are not neglected; (3) incentives, where a policy must lead to or stimulate action in improving and increasing the targets set; (4) acceptance by the public because the policy is essentially intended for the public interest; and (5) morality, in the sense that a policy must be based on good morals (Ramdan, 2003).

**Market Operations**

Rice price stability at the consumer level is important to guarantee access to food. However, access to rice is determined by purchasing power or household income. In order to achieve food security, the government needs to ensure that rice prices are affordable and stable at the consumer level (Sulaiman et al., 2003). The government’s efforts to stabilize food commodity prices, especially rice, can be carried out through various policy instruments, including trade policy, exchange rate policy, taxes, subsidies, and direct intervention. Price stabilization can also be done through output marketing policies and input policies. Input policies include, among others, price subsidies for production facilities imposed by the government on fertilizers, seeds, pesticides, and agricultural credit (Elis, 1992).

One of the steps taken by the government to stabilize the price of rice commodities is market operations, namely an activity carried out by the government or collaboration between the government and business institutions, both distributors and food task forces (task forces), to avoid an increase in the price of an item, which is carried out by means of injections or subsidies to increase supply through private traders, BUMN, or directly to retail traders when prices soar or by operating cheap markets (Maisyaroh et al., 2017).

Market operations are government actions in the context of preventing or handling spikes in commodity prices that occur in certain areas during a certain period of time through providing
subsides. Apart from being an intervention in the market, market operations are also a measure to control food prices through the distribution of government food reserves, as stated in Government Regulation Number 17 of 2015 and Presidential Regulation Number 125 of 2022. Both central government regulations state that the distribution of government food reserves is carried out to overcome, among other things, food price fluctuations, the implementation of which can be achieved through general market operations, special market operations, or low-cost market operations for specific targets. Market operations are carried out by increasing rice stocks on the market to reduce the increase in the retail price of rice, while cheap market operations are carried out by selling rice below the market price.

**Method**

This study was conducted through a qualitative design with a case study approach. The study was conducted in Bandung City with cases of implementing market operations in three sub-districts, namely Cibiru District, Buah Batu District, and Bandung Wetan District. To obtain the necessary data, interview, observation, and documentation techniques were used. It was determined that the interview informants were stakeholders consisting of officials at the Bandung City Industry and Trade Service and the community in the three sub-districts that were the target of the study. The basis for collecting and analyzing data is determined by referring to the meaning of effectiveness, namely a measure that gives an idea of how far targets can be achieved (Sedarmayanti, 2001), or a broad concept covering various factors inside and outside the organization that are related to the level of success of the organization in an effort to achieve organizational goals or objectives. Thus, effectiveness is a description of achieving goals, and this cannot be separated from the achievement process and the factors that influence it. The collected data is then analyzed qualitatively through an interactive model (Yuliana 2022).

**Results And Discussion**

Changes in food supply with inelastic supply and demand elasticity values will cause large price fluctuations. The phenomenon of food production, trade, and consumption requires the government to play a role so that domestic producers and consumers can be protected. This role is expected to be able to stabilize food prices, which can be done through food price policies to reduce uncertainty for farmers and ensure food prices are more stable for consumers (Ellis, 1992). On the consumer side, strategic steps taken by the government to stabilize rice prices are through market operation programs and low-cost market operations.

Cheap market operations are activities based on trading in food commodities in the form of direct sales, which are carried out by relevant institutions in collaboration with providers of basic necessities to people at social risk at prices set by the regional government. Market operations are activities carried out by regional governments or in collaboration between regional governments and business entities to avoid increases in the price of a commodity, which are carried out through price subsidies with a dropping or injection system into markets (Nuryananda, 2023).

The cheap market is an extension of the market operations program. The difference with market operations is that cheap markets are carried out by selling
basic food ingredients directly to consumers at prices below market prices or in accordance with the highest retail price (HET), while market operations are carried out by increasing the supply of rice in the market. The main aim of the cheap market is to reduce demand for the market so that it is hoped that prices in the market can fall due to reduced demand and then control prices in general. Price stabilization through the cheap market can occur if the cheap market intervenes at the right time (month) when rice prices will rise, such as before religious holidays or during the lean season. This price stabilization is the output of implementing a cheap market, and this output can be achieved if the implementation of a cheap market is effective (Proborini et al., 2018).

Process of Achieving Cheap Market Operation Goals

As has been mentioned, the city of Bandung, like other regions in Indonesia, has experienced quite significant increases in rice prices in the last five months (between the final quarter of 2023 and the beginning of 2024). This condition is thought to occur as a result of demand (needs) not being accompanied by the market’s ability to provide rice due to decreased production in producing areas. It must be acknowledged that the demand for rice in the city of Bandung is very dependent on supplies from these producing areas.

The real steps taken by the Bandung City Government in responding to this phenomenon are carrying out cheap market operations and cheap food movements. Apart from being intended to help fulfill the community’s need for rice, cheap market operations also aim to reduce the spike in rice prices on the market.

There are at least two Regional Apparatus Organizations (OPD) within the Bandung City government that are involved in implementing rice commodity price control through low-cost market operations, namely the Industry and Trade Service (Disindag) and the Food and Agriculture Security Service (DKPP). These two OPDs carry out the duties and functions of maintaining food security, especially in communities with low purchasing power, so that people, as consumers at the household level, can still access the availability of food at affordable prices.

Both Disindag and DKPP Bandung City also coordinated with the West Java Province Industry and Trade Service and Perum BULOG. This coordination is very important to ensure that there is no overlap between the cheap market operation programs organized by the Bandung City Government and those organized by the West Java Provincial Government. Apart from that, coordination is also carried out because the management of cheap market operations in Bandung City fully refers to the same regulations, namely West Java Governor Regulation Number 14 of 2022 concerning the Implementation of Cheap Market Operations in the West Java Province Region. Coordination with Perum BULOG is carried out to ensure rice stock and supply.

To support the implementation of cheap market operations, especially for the commodity rice, the Bandung City Government has allocated funds sourced from the Regional Revenue and Expenditure Budget (APBD) amounting to IDR 2 billion. This amount of funds has been deposited with Perum BULOG for the purposes of procuring SPHP medium-quality rice. SPHP rice is government food reserve rice or rice distributed by Perum
BULOG in 5-kg packages. This rice is labeled SPHP because it is a product of government intervention through the Stabilization of Food Supply and Prices (SPHP) program. In a cheap market operation held in early 2024, the Bandung City Government set a quota of 10 tons of SPHP medium rice for each sub-district. Another source of funding to cover the shortfall in rice procurement is obtained from the OPD budget, both from Disindag and DKPP, which has basically been earmarked for food security program needs.

The Bandung City Government divides the cheap market operations into several stages, where each stage of implementation targets three sub-districts. So that information about this activity reaches the general public, the local government carries out outreach, especially through mass media and social media with the Instagram accounts @bdg.perdanganindustri and @humas_bandung. As far as the author has observed, the implementation of cheap market operations in Bandung City, especially in the observation areas, namely Cibiru District, Buah Batu District, and Bandung Wetan District.

Based on the data obtained, it is known that the people in the three sub-districts enthusiastically welcomed the cheap market operations organized by the Bandung City Government. This can be seen from the large number of residents who come to the location where the cheap market operates, which even causes quite long queues. Almost all community respondents said they were happy because they could buy rice at a cheap price even though they had to queue and could only buy a limited quantity, namely 10 kg per family. The community hopes that cheap market operations will continue to be held and that the purchasing allowance per family will be increased considering that the price of rice continues to soar.

**Results Achieved from Bargain Market Operations**

There are two main objectives of implementing cheap market operations by the Bandung City Government amidst the situation of soaring prices of rice as the main food crop, namely that people can get rice at affordable prices and control the price of rice on the market. As far as the author observes, these two goals have not been achieved optimally. For the first objective, not all people in the three sub-districts observed were able to come to the location of the cheap market operation and obtain rice at a price below the market price. The 10-ton quota for one sub-district is deemed not to meet needs because it is not balanced with the number of families available. With that much quota, the number of people who can buy SPHP rice is only 1,000 families, assuming that each family gets 10 kg of rice. This number is still very far from the number of families in existence; for example, in Cibiru District, the number of families in this district reached 22,184.

Apart from that, the allotment of a rice quota of 10 tons for one sub-district is deemed inappropriate considering that the number of families in each sub-district is not the same. Of the three sub-districts observed, the number of families in each sub-district was very different, namely Cibiru District with 22,184 families, Buah Batu District with 30,918 families, and Bandung Wetan District with 9,824 families.

In terms of the second objective, namely controlling the price of rice in the market because the level of demand decreased after the cheap market operation was held, this has also not been realized. Conditions in the field show that
after the cheap market operation, the price of rice on the market did not decrease and in fact continued to increase, namely in the range of IDR 15,000.00 to IDR 18,000.00. This price shows the size of the rice price margin on the market with the HET set by the government, namely Rp. 3,500.00 to Rp. 5,000.00. This fact shows that the cheap market operations have not been running effectively, as seen from the fact that the desired objectives have not been achieved.

**Factors Affecting the Effectiveness of Bargain Market Operations**

The results of the study show that cheap market operations, especially for the commodity rice, in the city of Bandung have not been running effectively because they have not achieved the stated goals and provided a long-term positive impact. This condition cannot be separated from the various factors that influence it.

In essence, the cheap market operation program in Bandung City has been supported by clear and strong normative regulations, including Government Regulation Number 17 of 2015, Presidential Regulation Number 125 of 2022, and West Java Governor Regulation Number 14 of 2022. These three regulations are very sufficient for the implementation of cheap market operations, although it must be admitted that the Bandung City Government itself does not yet have regional regulations that regulate this.

Another supporting capacity is the cooperation shown by Perum BULOG as a provider and distributor of SPHP medium rice. Based on information from the field, it is known that the rice stock in the Perum BULOG warehouse is very sufficient and is considered safe for distribution to the market for the next three months. This means that the availability of rice in Bandung City is considered safe even though there is a decrease in supply from rice-producing areas.

The positive response from the public is also worth considering as a supporting factor for cheap market operations. The need for rice at affordable prices makes people enthusiastically welcome cheap market operations, so they are willing to queue to buy SPHP medium rice in this program.

The factors that hinder the effectiveness of cheap market operations in the city of Bandung include limitations and the budget for rice procurement. The IDR 2 billion deposit from the Bandung City Government to Perum BULOG is deemed insufficient to provide the SPHP medium rice needed for cheap market operations in the 30 sub-districts. Assuming the price of SPHP medium rice is IDR 10,600.00/kg, then the budget is only sufficient to procure around 188.6 tons of rice. If each sub-district gets a quota of 10 tons, then 300 tons of SPHP medium rice will be needed. This means that additional funds are needed to procure 111.4 tons of rice, or around IDR 1.8 billion. This condition means that cheap market operations can be carried out routinely so that they can have an impact on meeting people's needs and controlling high prices on the market.

**Optimizing Rice Market Operations**

Based on the results of the study, it is known that the cheap market operations organized by the Bandung City Government in the case of soaring rice prices have not been or are not effectively able to meet the needs of the community and control the price of rice on the market. The price of rice on the market, which has increased since the last quarter of 2023, has not shown any signs of returning to normal. It must be acknowledged that
cheap market operations are not the right strategy to control rice price increases in the long term. The impact of low-cost market operation programs tends to be short-term and on a small scale. This condition cannot be separated from the limited rice quota provided, so the target consumer quota is also limited.

Learning from the experience of cases of shortages and increases in cooking oil prices that occurred in 2022, the most appropriate strategy to implement is to carry out market operations. In the case of the cooking oil commodity, the government intervened by flooding the market with subsidized oil under the Minyak Kita brand. This intervention was also accompanied by market control by the Food Task Force, which also involved collaboration with the regional government. In a short time, the price of cooking oil can be immediately controlled, and people’s psychology can be calmed so that there is no prolonged panic buying.

**Figure 1. Rice Marketing Operation**

![Figure 1. Rice Marketing Operation](image)

Source: Author (2024)

**Combination of Market Operations and Cheap Market Operations for Rice Commodities**

Massive market operations are also very appropriate to implement to overcome shortages and rising rice prices. This strategy is considered to have an impact on price stability in the long term and covers a wider area. Moreover, it is known that the shortage and increase in the price of rice commodities are not only occurring in the city of Bandung but are widespread and cover many areas.

The implementation of market operations does not necessarily stop local government activities from carrying out cheap market operations; the difference is in the allocation of target consumers. Market operations are carried out by intervention in the form of supplying SPHP medium rice to markets, both modern markets and traditional markets, with the target consumer being the general public. Meanwhile, cheap market operations are still carried out by local governments with target consumers, namely people with low purchasing power. This strategy can only be implemented through collaboration between the central government, regional governments, Perum BULOG, the Food
Task Force, as well as market players (rice trading business actors) and the community.

Conclusion
In an effort to overcome the significant increase in rice prices, the Bandung City government has responded by organizing cheap market operations. This step was taken in the hope of preventing panic among the public, considering the importance of rice as a staple food. However, the results of the study show that cheap market operations are not effective enough to stabilize the price of rice on the market. Therefore, a more comprehensive strategy is needed, such as through the implementation of market operations that are more focused on intervention in the rice market, not just direct sales to the public. These steps could include monitoring rice supply and demand, addressing distribution problems, as well as appropriate policy interventions at the market level to control overall prices. In this way, the government’s efforts can be more effective in maintaining rice price stability and ensuring the availability of affordable staple foods for all the people of Bandung City.

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