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Table of Contents

1 **Christian P. PINSHI**
Rethinking Error Correction Model in Macroeconometric Analysis: A Relevant Review 267

2 **Paweł GAJEWSKI**
Structural Dynamics and 'Forward-Looking' Regional Economic Resilience 275

3 **Jan ZWOLAK**
Productivity of Innovations in European Union Member States and Enterprises 284

4 **Abbullah BUGSHAN, George LAFFERTY,Walid BAKRY, Yongqing LI**
Earnings Management During the Oil Price Crisis 297

5 **Haz Abed AZEEZ, Tarek Kazem SHALAKAH, Latfe ALHUSSEINAWI**
The Role of Quality Costs in Achieving the Entrepreneurial Direction of Organizations: Survey Study in the General Company for Electrical Industries 310

6 **Sefiu Olawale ALABI**
Factors Militating Against Efficient Procurement Processes in Small and Medium Enterprises 324

7 **Patcharee PREEPREMMOTE, Thanaphon PHUKSENG, Thutchanan SANGWAN**
Information and Communication Technology, Transportation Infrastructure, and Their Effect on Inward Foreign Direct Investment in the ASEAN 335

8 **Cosmas Ikechukwu ASOGWA, Osmund Chinweoda UGWU, Honesta Chidiebere ANORUE, Favour Amarachi MOGHALU, Samson Ige ABOLARINWA, Anthonia Uju UZUAGU**
Paradox of Corporate Board Diversity Benefits of Quoted Nigerian Firms: Financial Report Reliability-Timeliness Quality Perspective 344

9 **Richardson Kojo EDEME, Ngozi Patricia BUZUGBE, Nelson C NKALU, Winnie O ARAZU**
Assessing the Impact of Infrastructural Development on Manufacturing Value Added and Employment in Africa Emerging Economies 366

10 **Agnieszka STANIMIR**
Agricultural and Organic Farming Production in the Analysis of Social Well-Being in the European Union Countries 377

11 **Pierre Claver BITAMA, Philippe LEBAILLY, Patrice NDIMANYA, Philippe BURNY**
Socioeconomic Constraints to Tea Productivity: A Case of Small-Scale Tea Farmers in Burundi 389

12 **Martin KARAS, Katarína BROCKOVA**
Investment Protection and Sovereignty: The Clash of Theories in the Practice of Investment Arbitration 398

13 **Suraya MAHMOOD, Ahmed HUSSEIN, Bashar ALKHAWALDEH, Suraya ISMAIL, Hammed Oluwaseyi MUSIBAU**
Determinants of Human Capital Inequality in Developing Countries: Generalized Method of Moments (GMM) 407

14 **Dumasari DUMASARI, Budi DHARMAWAN, Imam SANTOSA, Wayan DARMAWAN, Dinda Dewi AISYAH**
Exploring the Conventional Ijon Market and its Impact to Strengthen Vegetable Farmers Bargaining Power in Central Java, Indonesia 415

15 **Candauda Arachchige SALIYA, Keith HOOPER**
The Role of Credit Weapon and Income/Wealth Inequality: A Sri Lankan Case Study 425

16 **Sekar ANINDYASWARI, Chandra WIJAYA**
The Effect of Project Quality and Level of Uncertainty on Micro, Small, and Medium Enterprises' Funding in Equity Crowdfunding 437

17 **Aamir Hussain SIDDIQUI, Syed AMMAD, Faisal Sultan QADRI, Javed Akbar ANSARI**
Immiserizing Growth Pattern of Pakistan's Export 2014-2018: Analysis Based on Comparative Advantage and Unit Value Structure 446

18 **Ahmad BORAZAN**
Drivers of the Farmers' Protest Movement in Late Nineteenth Century: Revisiting Douglass North's Thesis 458

19 **Zahin Mahmood CHOWDHURY, Pornpitchaya KUWALAIRAT, Narapong SRIVISAL**
Democracy Level and Its Impact on Economic Development 467

20 **Diny GHUZINI, Josephine WURI, Kuntari DASIH**
Structural Shocks and Macroeconomic Conditions in Indonesia 488

21 **Rasaki Stephen DAUDA**
Employment Intensity of Growth in Nigeria: Implication for Development 507

Journal of Applied Economic Sciences

Exploring the Conventional Ijon Market and its Impact to Strengthen Vegetable Farmers Bargaining Power in Central Java, Indonesia

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Abstract:

This study aims to explore the conventional *ijon* market and its impact to strengthen bargaining power of vegetable farmers in rural area of Central Java, Indonesia. The research design was based on narrative synthetics, which uses in-depth case studies method with quantitative qualitative approaches. The results showed that the bargaining power of farmers was positively affected by *ijon* markets with an auction based on mutual reciprocity. However, their personal status was still lower than the middlemen in terms of formal education, business capital, ownership of transport vehicles, storage warehouses and the ability to hire workers. Middlemen compete to bid on pre-harvest vegetables produce at a price determined by farmer. The farmer sells the crop to the highest bidder, who subsequently sells the harvest for a profit in the local market. The reciprocal mutualism underlying the farmers' bargaining power is based on their social interaction, persuasive communication routine, and their strong business cooperation networks. The *ijon* market was originally viewed as detrimental to farmers, but since it has begun to operate using an auction process, it now provides some profit. Another benefits for farmers including market guarantees, reasonable prices, production cost savings, minimization of crop failure, social relationships, and production security.

Keywords: auctions; *ijon* markets; farmers' bargaining power; middlemen; mutual reciprocity.

JEL Classification: Z13; Q13; Y10.

Introduction

Improving the quality of farming community resources is a high priority goal in developing agrarian countries. Well resourced farmers are better at managing their farms in more productive, creative, innovative, and competitive ways. A strong bargaining position in every transaction related to marketing the harvest certainly benefits farmers. One requirement for farmers to achieve bargaining power is the ability to manage reciprocity among market players, including farmers, middlemen, and others (Dumasari *et al*. 2018). Market security and reasonable prices are key benefits for farmers. Even if an agricultural commodity is superior, inadequate market facilities and prices result in

minimal potential value and little contribution to farmers' economic wellbeing (Rahman and Awerije 2016). Furthermore, reasonable prices and accessible markets help farmers to avoid losses due to product damage after harvest.

Farmers need a short path to market. When the path is too long, the price of the produce at the farm level is lower than the market price, and the largest marketing margin is obtained by retailers (Serawai and Adly 2017). Outcomes insuffiency may happen when farmers lack access to price control and market information due to the distance between the farm and the market. This result addressed from some poor communication between the farmers and market participants, which increase uncertainty in price and market value. Middlemen tend to take large profits under high uncertainty by setting prices paid to farmers as low as possible (Courtois and Subervie 2014). In an attempt to address this issue, the mobile Market Information Services (MIS) issues some programs to reduce those unsureness in order to increase more benefits for farmers.

Direct marketing is crucial for agricultural commodities, particularly for vegetables and fruits, as both sustain high levels of damage during the post harvest period. Vegetable and fruit farmers in Ethiopia are prone to financial loss and poverty due to repeated crop losses resulting from weak market access and negligible processing technology (Rahiel *et al*. 2018). The marketing strategy directly will frees farmers from the costs of drying, storage and postharvest processing (Timsina and Shivakoti 2018). It also strengthens farmers' bargaining position. Some marketing strategies are directly motivated by the desire to maintain harmonious reciprocal relationships in the form of partnerships based on mutualism between farmers and middlemen. Partnerships grounded in mutualism serve as alliances that overcome farmers' weak access to prices and markets. Although improvement is still needed, the partnership between farmers and middlemen in Cameroon is sustained because it reduces transaction costs (Tita *et al.* 2012). Partnerships are important for the sustainability of farming in rural areas. Partnership management is inseparable from the existence of reciprocity and the pursuit of relational values necessary to organize and motivate sustainable agriculture (Alan and Berber 2018).

Farmers use mutual reciprocity to form social networks that meet various needs from preproduction, through production, to postharvest (Jana *et al.* 2013, Bétrisey and Mager 2019). The result of reciprocity is the basic principle of cooperation, grounded in interaction and mutual trust (Giorgio 1997). Reciprocity forges a strong bond for business partnerships between farmers and middlemen in the marketing of agricultural crops. A culture of collaboration and mutual trust was established in Vietnam to strengthen reciprocity between farmers and collectors in rice marketing (Do 2017). The business partnership network is based on oral agreements without a formal legal contract. However, the majority (90%) of Vietnamese farmers continue to use middlemen as a marketing channel. The decision to do so is based on the role of middlemen, who serve as intermediaries as well as providers of price and market information for farmers.

In fact, most of the farmers in Indonesia are smallholders who have a low bargaining position when they have to face the unfair marketing system. *Ijon* system, a sort of marketing system which commonly used by small scale farmer which makes them sell their agriculture produce before the harvesting time (Suprehatin 2009). In rural areas of Karangreja, Purbalingga, Indonesia, farmers and middlemen manage mutual reciprocity in the marketing of vegetables. Marketing with *ijon* system and bonded labor goes in harmony. The transaction uses an auction system to strengthen the bargaining position of farmers. *Ijon* marketing strategies apply to certain vegetables that are characterized by annual crops and one harvest. *Ijon* marketing is unique to farmers in various rural areas of Indonesia. It's just that the role of middlemen in the *ijon* market tends to be antagonistic that detriment many farmers. *Ijon* markets are characterized by a transaction process between farmers and middlemen that takes place when vegetables are still not harvested in the garden. Some middlemen as bidgers bid on vegetables before several days of harvest with an auction system. Farmers who have the right to decide who are the middlemen that chosen as the buyers of vegetables.

The selection of middlemen tends to be based on the courage to bargain with the highest bid. Another criterion considered by farmers is the track record of middlemen in terms of honesty, cooperation and the reciprocity of mutual reciprocity. Payment of cash vegetables after the farmer has set the right middlemen as a *pengijon*. If the bondage occurs during the harvest season, then the payment can be paid in installments with a minimum deposit of 50% of the total estimated price. *Ijon* market strategy based on mutual reciprocity has increased the profits of farmers to reach 150% compared to marketing themselves to the nearest agribusiness market. *Ijon* marketing by way of auction relieve farmers of the burden of the costs of harvesting, transportation and storage.

The bargaining power of farmers in the vegetable *ijon* market with mutual reciprocity by auction in rural Karangreja reconstructed the asymmetrical exchange theory that led to the high dependency of farmers to middlemen to weaken their bargaining power and disadvantage farmers (Lwin *et al.* 2006, Hegde and Madhuri 2013, Arsyad *et al.* 2018). The bargaining power in the vegetable market with *ijon* system by means of auction and

reciprocity based are interesting to be studied in depth. The theme is unique, distinctive and relevant as valuable information for the development of the quality of human resources in an effort to strengthen the bargaining position of farmers through the management of values and mutual reciprocity norms.

1. Methodology

The research design employed was narrative synthetics, which uses a deep case study method to analyze social facts with a literature review that combines quantitative and qualitative approaches (Pawson *et al.* 2005).This design is appropriate for reviewing theories and constructs under consideration in this study. The output is a summary of the current state of knowledge about a particular topic based on a formulation of the problem that aims to offer a new perspective on the issue.

This research project was intentionally carried out in the rural Karangreja District, Purbalingga Regency, Central Java Province, Indonesia. Karangreja is a center of vegetable production in Central Java. The majority of villagers in the region (>70%) are vegetable farmers. Recognizing the high potential of rural Karangreja as a vegetable center, the Regional Government of Purbalingga Regency established an Agribusiness Station Market. The aim of the market is to help vegetable farmers' sell their crops at reasonable prices. However, in reality, the majority (>90%) of vegetable farmers choose to sell their harvest to middlemen in the *ijon* market using an auction system.

Primary and secondary data were collected. Primary data were obtained through in-depth interviews with respondents and key informants guided by research instruments, observations while participating in a number of vegetable *ijon* market activities and focus group discussions. Secondary data were obtained through literature searches and content analyses of research results, theories, and related concepts from textbooks, research reports, and scientific journal articles.

The population of this study includes all vegetable farmers who live in rural Karangreja District, Purbalingga Regency, Central Java Province, Indonesia. Respondents were selected from the population to represent all the conditions and problems of the farmer. Determination of respondents carried out purposive sampling technique. Various criteria that underlie the selection of respondents: cultivate annual vegetable crops, non tubers and one harvest, have a reciprocal relationship with several middlemen, use the bonded market with the auction system to market vegetables and get economic benefits from the social *ijon* market.

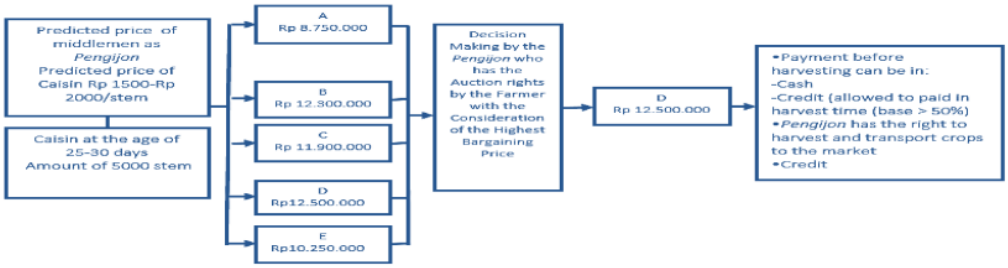
Other primary data sources include key informants from middlemen as someone with enough movement space for activists in rural Karangreja. Determination of key informants is done by rolling snowball technique. Primary data sourced from key informants function to complete and check re-check between types of data. Determination of the number of respondents and key informants using nonprobability sampling techniques to not be strictly limited as a rule in quantitative research. Determination of the number of primary data sources is more emphasized to fulfill the importance of the completeness and depth of the data in order to answer the problem formulation logically.

Data processing techniques carried out qualitatively and quantitatively. Utilization of qualitative data processing techniques through several stages of data entry, data filtering, data grouping, data categorization, inference, retesting and presenting data. The quantitative data processing techniques include the stages: editing, coding, and data entry manually. Qualitative data that has been processed is then analyzed using Interactive Analysis Techniques (Miles and Huberman 1991). The results of quantitative data processing were analyzed using non-parametric statistics: percentage values, tabulation, frequency distribution and scoring. The results of data analysis are then interpreted to be presented in a systematic narrative descriptive discussion.

2. Results

The vegetable *ijon* market in the Karangreja countryside has been in operation for many years. The respondents were invited to discuss the honesty, kindness, and openness of the middlemen in determining the prices offered by the vegetable appraisers. Past experience with mutual reciprocity was also a consideration for farmers in accepting price estimates. The courage of the middlemen' bids were seen in their estimation of the highest price, particularly as they weighed farmers' decisions in determining who would serve as the *pengijon*. The selling prices and payment mechanisms in the *ijon* market are the result of agreements between farmers and middlemen after an auction. *Ijon* markets take place before the harvest, when the vegetables are still in the garden. The auction process in Karangreja is shown in Figure 1.

Figure 1. Auction mechanism in the vegetable market with *ijon* system



Not all types of vegetables can be sold on the bonded market (e.g., no root vegetables), and those that qualify (cabbage, leeks, celery, bok choy, choy sum, and others) must meet some criteria, including a specific age at harvest, being from a single harvest, being healthy without pest damage, and having been harvested from the farmer's own property. In our study, all types of vegetables were cultivated by respondents using monoculture farming. Only a few respondents applied polyculture farming.

Monoculture farming patterns are more attractive to farmers because the process of price estimation by middlemen is easier and more precise. Estimating prices for vegetables grown under polyculture planting patterns is more troublesome for middlemen, and the price is lower and therefore less attractive to farmers. The production of each type of plant is also unclear because it is difficult for middlemen and farmers to predict multiple outcomes. Furthermore, middlemen tend to make flat price estimates for all types of vegetables on the same land. Polyculture farming was carried out by some respondents to avoid continuous attacks by plant pests and by some farmers with narrow strips of land.

In the *ijon* market based on mutual reciprocity, harvest payments were made in cash or in installments. Most vegetable sales transactions (81%) used cash. Only a few (19%) respondents were willing to sell vegetables and be paid in installments. Cash is safer for respondents because middlemen pay for the vegetable yield a few days before harvest. Installments are burdensome for respondents because middlemen only agree to give >50% of the total estimated price at harvest. The rest of the payments are paid in installments after the vegetables are sold to various market segments. Being paid in installments is particularly common during the main harvest season; they are made immediately by the middlemen to maintain a reciprocal relationship based on mutualism with the vegetable farmers. Table 1 summarizes the cropping patterns and vegetables marketed by respondents under cash and installment payment options.

Table 1. Diversity of vegetable cropping patterns observed on the *ijon* market

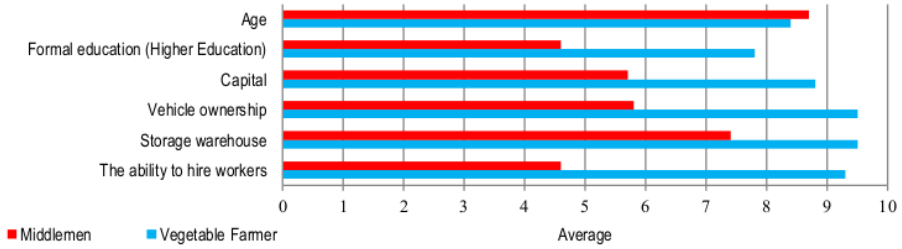
Commodities	Planting pattern					Ijon motived marketing	
	Monoculture	Policulture				Cash	Credit
		Inter Cropping	Mixed Cropping	Multiple Cropping	Relay Cropping		
Cabbage	90,91	2,27	1,14	4,55	1,14	87,50	12,50
Leek	70,45	6,81	4,55	9,09	9,09	70,45	29,55
Celery	79,55	4,55	1,14	7,95	6,81	93,18	6,82
Pakcoy	88,56	3,41	1,14	4,55	2,27	78,41	21,59
Caisim	87,50	2,27	2,27	4,55	3,41	64,77	35,23
Lettuce	73,86	7,95	3,41	9,09	5,68	93,18	6,82
Putren Corn	68,18	11,36	5,68	12,50	7,95	79,54	20,46
Mean	79,86	5,53	2,76	7,47	5,19	81,00	19,00

Diversity of vegetable cropping patterns with *ijon* patterned marketing techniques. The mutual reciprocity of the *ijon* markets begins with an introduction between vegetable farmers and middlemen. The middlemen come from the local village or neighboring village in Karangreja District. The number of middlemen has increased over time. Farmers face offers from an average of 5 middlemen in each season before the vegetable harvest.

The middlemen have higher quality of self characteristics than farmers. The average middlemen are in the productive age, with high education level, adequate business capital, have their own pick-up vehicles, and they are able to hire workers to harvest and transport crops. Middlemen also have a vegetable storage warehouse before being sold to the market or distributor middlemen. Farmers have characteristics in common with middlemen in the same age indicators are still productive. The amount of venture capital for middlemen is higher than for vegetable

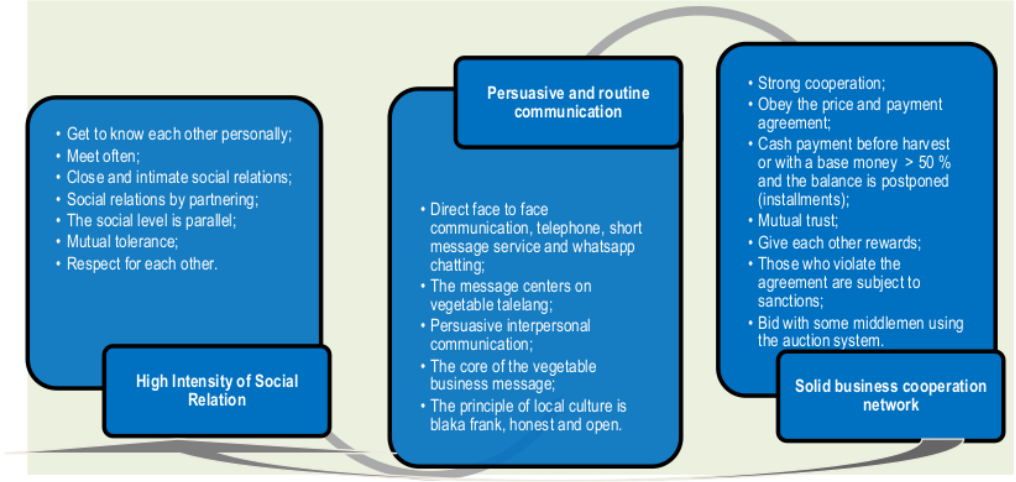
farmers. The diversity of characteristics of middlemen and vegetable growers who have a reciprocal relationship between mutualism in the vegetable *ijon* market by auction in rural Karangreja is detailed in Figure 2.

Figure 2. Individual characteristics of vegetable farmers and middlemen



The main obligation of farmers is to produce healthy vegetables in their own gardens in a location that is clear of other claims. Vegetable farmers are obliged to provide their harvesting permits to middlemen. The middlemen are obliged to pay for the vegetables according to the price agreed upon with the farmer. The prices offered by vegetable appraisers are above the local market price. The bond market based on mutual reciprocity is built on three strong elements: high interaction intensity, routine persuasive communication, and a solid business-motivated social cooperation network between vegetable farmers and middlemen (Figure 3).

Figure 3. Mutualism Reciprocity Strengthening Elements in *Ijon* Vegetables Market



For farmers, the greatest benefit of the cash *ijon* system is that they receive market guarantees and reasonable prices. They also save on labor costs at harvest, storage costs, and transportation costs typically paid to the agribusiness market. The system also minimizes the risk of crop failure, strengthens social relations, and generates production security.

Agreements to be paid in installments also provides significant benefits to vegetable farmers, although it does not tend to strengthen social relations. If a payment is delayed, middlemen may avoid meeting with a farmer, thus straining the relationship. However, it is still advantages compared to a conventional market, where farmers must incur additional costs, for example, paying wages to laborers who harvest their crops and renting transport to move the vegetables to market. Figure 4 summarizes the socioeconomic benefits of the three different markets considered here.

Vegetable farmers get a more reasonable price when marketing vegetables using the cash and installment *ijon* system. Farmers receive multiplied profits to reach an average of 303% when marketing products with cash *ijon* and 185% with *ijon* credit systems. The profitability of marketing vegetables with delayed payments or in installments is lower than cash *ijon* but is still higher when compared to conventional independent marketing. Variations in profits obtained by farmers with three vegetable marketing techniques are detailed in Figure 5.

Figure 4. Diverse socio-economic benefits of three vegetable marketing techniques

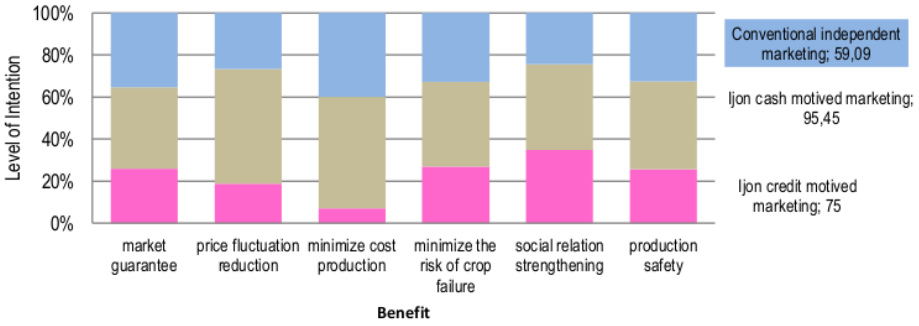
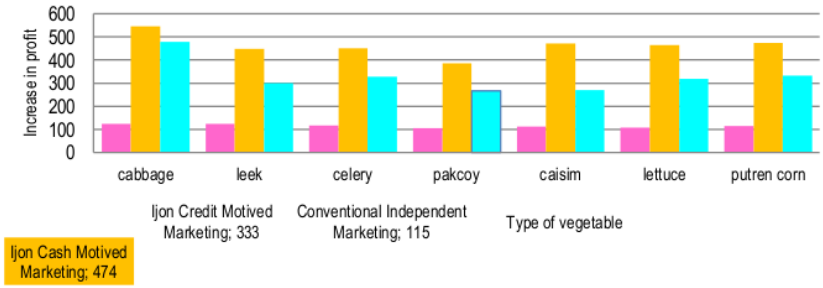
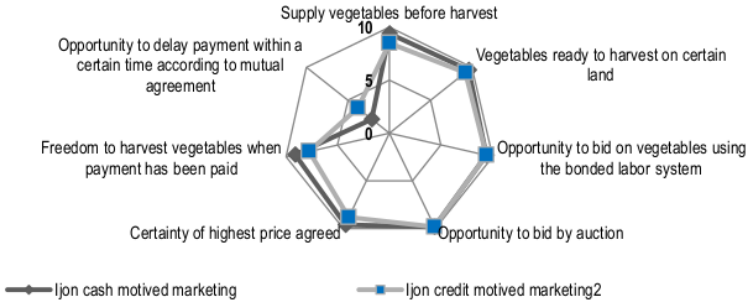


Figure 5. The differences in the benefits of three variations of vegetable marketing techniques



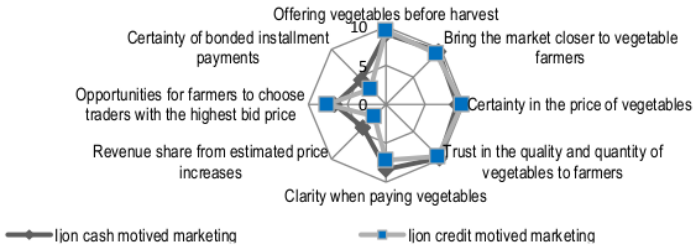
The opportunity to pay cash before harvest is that there is a certainty of the transaction. Farmers are least willing when giving an opportunity to postpone payments to middlemen. Requests from middlemen to pay in installments a heavy payment for farmers, even though it is still implemented. All gifts from vegetable farmers are motivated by social economy to gain bargaining power, profits, connections, reasonable prices, direct market guarantees and business relationships. The level of willingness of vegetable farmers to provide various forms of opportunity to middlemen is listed in Figure 6.

Figure 6. Level of willingness and various forms of giving farmers to middlemen



All of the gifts from vegetable farmers received a balanced response from the middlemen. Middlemen are always friendly, close to family and maintain mutual reciprocal relationships with vegetable farmers. The dominant form of giving from middlemen is accurate and fast market information. Middlemen as *pengijon* try to bring the market closer to farmers in a way known as snowball marketing techniques. Middlemen find it most difficult to share profits with vegetable farmers when prices rise at the level of distributor middlemen or various other market segments. Another gift that is not given up by the middlemen is to pay the installments immediately. The level of willingness and variety of forms of giving from middlemen to vegetable farmers is observed in Figure 7.

Figure 7. The degree of willingness and variety of forms of giving from middlemen to vegetable farmers



3. Discussion

The relationship between mutualism and reciprocity between respondent farmers and middlemen is based on compliance with shared rights and obligations. Respondents have the right to yield security, market guarantees, price eligibility, certainty of income, and profits. The rights of middlemen include harvesting vegetables, selling them at a certain price to the distributors or other market segments, and certainty of income and profits. The rights of the parties are balanced because they are mutually beneficial. From the beginning of the transaction in the *ijon* market, each of the rights and obligations of the vegetable growers and the middlemen is clear and mutually agreed upon. Respondents ownership rights were different from those of other farmers who used *ijon* markets in other villages. *Ijon* markets in Karangreja are indeed unique and distinctive because they are different from the others, price exploitation due to the dominance of bargaining middlemen who are antagonistic to vegetable farmers does not occur. An increasing number of middlemen have led to increasingly competitive efforts to gain the trust of vegetable farmers so as to be chosen as a *pengijon*.

Mutual reciprocity between vegetable farmers and middlemen in the *Ijon* market with an auction system formed from a symmetrical and non-permanent cooperation network. The lasting mutual reciprocity in the vegetable *ijon*market is more profit oriented. The intensity and frequency of negotiations between farmers and vegetable middlemen reach it speak before harvest time. The mutual reciprocity in the vegetable bonded market through an auction in Karangreja villages proves that the bargaining power of farmers has emerged since resisting the dominance of the antagonist role of the gathering middlemen. The reality of the vegetable *ijon* market shows that the dominance of the middlemen can be toppled by the bargaining power of farmers who act as equal partners who have acknowledge their autonomous rights over vegetables.

The relationship between the vegetable farmer and the middlemen is based on the principle of mutual reciprocity that gives and needs to each other. Various forms of gifts from farmers to middlemen are related to the smooth functioning of the vegetable *ijon* market. Farmers are willing to provide opportunities for middlemen to participate in bidding on vegetables that have not been harvested using the auction system. The middlemen who act as *pengijon* collectors can be a subscription or those recently known by vegetable farmers. Farmers also prepare vegetables that are healthy and ready for harvest to be auctioned at the highest price. The right quality products have the potential to increase profits (Dumasari *et al.* 2019). Loyalty factors and discounts are determinants of good relations between market participants (Alimpic *et al.* 2020).

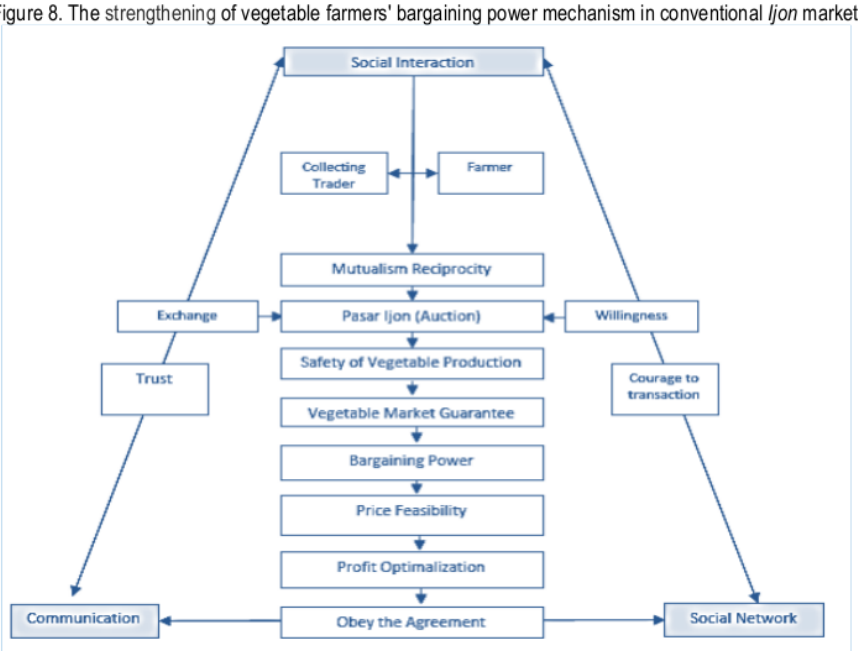
The role of middlemen is no longer an adverse market actor and weakens the bargaining position of farmers in rural Indonesia (Arsyad *et al.* 2018). The existence of *ijon* markets in rural Karangreja has reconstructed the concept of middlemen or intermediaries as market channel players and partners who play an antagonistic role in distributing production from producers to consumers (Kotler 1988, Gadde and Snehota 2001). The limitation of the concept of middlemen as an economic institution and social network structure has locked farmers in marketing their crops through personalized relationships that harm income (Monieson 2001). Development of the concept of middlemen happened due to the reciprocal vegetable market based on mutualism reciprocity which refer the middlemen no longer only as a channel or partner that connects producers with markets and consumers but also plays a role as market connector, price information facilitator and profit contributor.

Ijon markets through auction can strengthen farmers' bargaining power. Utilization of bonded labor markets contributes to the empowerment of vegetable farmers in rural Karangreja. The existence of the bonded market through auction is a form of vegetable economic creative activity. The development of social capital transmission through the sale of agricultural products (rubber) through the auction system is beneficial for the welfare of farmers in Rao District, Pasaman Regency, West Sumatra Province, Indonesia (Badarudin *et al*. 2006). Mutual trust, networks of collaboration and collective values as elements of social capital need to be strengthened through the

use of local institutions. Effective social capital functions as a tool to control farmers' actions to avoid adverse deviations (Hartoyo *et al*. 2013).

Every creative economic activity with an institutionalized value in the social structure of the community has the potential to be a driving force for empowerment (Santosa and Suyanto 2018, Dumasari *et al*. 2019, Dumasari *et al*. 2020). The mechanism design for strengthening the bargaining position of vegetable farmers in the conventional *ijon* market based on mutual reciprocity by means of auction in rural Karangreja is shown in Figure 8.

Figure 8. The strengthening of vegetable farmers' bargaining power mechanism in conventional *Ijon* market



Conclusion

The concept underlying the *ijon* market was originally known as an agricultural product sale transaction conducted before harvest. Middlemen bind farmers by providing them with basic funds from the start of planting. Middlemen take large profits from the bonded market by buying crops at low prices. Farmers have a weak bargaining position in the bonded market because they feel indebted to middlemen, who are always ready to provide loans as needed. This results in weak bargaining power for farmers. The concept of bonded markets, which initially viewed as seen as having detrimental effects on farmers, in fact produces a different reality for vegetable farmers in Karangreja village. The farmers are able to exercise bargaining power in the vegetable bonded market based on mutual reciprocity and using the auction system. A periodic increase in the number of middlemen results in greater competitive power as they strive to gain the trust of farmers and to be chosen as a party to the *ijon* process.

The vegetable bondage market based on mutual reciprocity is formed from the management of elements of social interaction with high intensity accompanied by persuasive communication routinely and maintaining a solid business cooperation network between farmers and middlemen. Farmers get socio-economic benefits from the bonded market, both in cash and in installments. Socio-economic benefits of the cash *ijon* market are higher than that of the *ijon* installment market and the conventional market. Farmers who sell vegetables in the garden with the *ijon* cash market gain socio-economic benefits in the form of market guarantees, reduction in price fluctuations, saving production costs, minimizing the risk of crop failure, strengthening social relations and production security.

Farmers get a higher profit if the vegetable transaction uses the bonded market than the conventional market. The increase in farmers' profits reached 303 percent from the cash *ijon* market and 185 percent from the green installment market. The increase in profits encourages vegetable farmers to maintain the existence of the bonded market with an auction system. The bargaining power of farmers regulates the mechanism for selecting vegetable prices, which is the highest.

Bonded market management cannot be separated from the willingness of vegetable farmers and middlemen to carry out a balanced exchange. Farmers are most unwilling when giving middlemen the opportunity to postpone vegetable payments within a certain time period. Middlemen are also hardest when faced with the event of sharing

profits with farmers when the price of vegetables rises. The obligation to pay the installments until they are paid off is among the things that are less willing for middlemen.

The bargaining power of farmers in the bondage market based on mutualism reciprocity with the auction system can be developed by maintaining high intensity of social interaction, routine persuasive communication and social networks for solid business cooperation. The mechanism design is in the form of a dynamic process that is cyclical and flexible. The commitment of the vegetable farmer and the middlemen is important to maintain the elements of balanced exchange, trust, willingness to share, dare to deal and adhere to an agreement so that the bonded market will remain as a profitable transaction for both.

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