Jurnal Ilmiah Sosio-Ekonomika Bisnis
Volume 27, No. 02, 2024, pp. 01 – 15
https://doi.org/10.22437/jiseb.37511

STRUCTURE, BEHAVIOR, AND PERFORMANCE OF RED CHILI MARKETING IN KUMPEH DISTRICT, MUARO JAMBI REGENCY

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ARTICLE HISTORY

Received [07 Oct 2024]
Revised [10 Oct 2024]
Accepted [30 Oct 2024]

Abstract
Marketing is an inseparable part in distributing a product from producers to consumers. For this reason, market analysis of a product is needed. This study aims to: (1) Analyze the red chili commodity market from the market structure, (2) Analyze the behavior of the red chili market, and (3) Analyze the performance of the red chili market. The study was conducted in Kumpeh District, Muaro Jambi Regency. Data were analyzed descriptively qualitatively and quantitatively with the Structure, Conduct, and Performance or SCP approach. The sample of farmers amounted to 66 people, 7 Collectors 7 people, Wholesalers 5 people, and 12 Retailers 12 people. The results of the study, the structure of the red chili market is an oligopoly market, where the red chili market is controlled by several large players, namely collectors and wholesalers. Market behavior is influenced by demand, supply and production costs, where the behavior of farmers (producers), is profit-oriented. Trader behavior, controls the delivery of goods and consumer behavior, is sensitive to changes in the price and quality of red chili. Market performance is not yet efficient. The average selling price of red chilies is IDR 51,000

Keywords: *Behavior, Marketing, Market Access, Performance, Red Chili, Structure*

How to Cite: Author, A.A., & Author, B.B. (2019). Instructions/Template for Preparing Manuscript for JISEB. *Jurnal Ilmiah Sosio-Ekonomika Bisnis*, *27* (02), 01-15. https://doi.org/10.22437/jiseb.37511

INTRODUCTION

The horticulture subsector is a crucial component of national agricultural development, playing a significant role in food supply, job creation, and increasing public income. One horticultural commodity with a strategic role is red chili peppers. Demand for red chili peppers continues to increase in line with population growth, changing consumption patterns, and the growing needs of the food processing industry. In 2022, national demand for red chili peppers was recorded at 636.56 thousand tons, up from 596.14 thousand tons the previous year (Ministry of Agriculture, 2023). This indicates that red chili peppers have become a staple household staple that cannot be replaced by other commodities.

Jambi Province is one of the central areas of red chili production in Indonesia, with total production in 2022 of 98,158.5 tons from 6,410 hectares of land and a productivity level of 15.31 tons/ha (BPS, 2022). Among the main producing areas, Kumpeh District in Muaro Jambi Regency stands out as the main center with a harvested area contribution of 109 ha (49.04%) and a production volume reaching 3,366 tons (57.59%) of the total district production (Food Crops and Horticulture Service, Muaro Jambi Regency, 2023). However, the red chili marketing system in this region still faces various challenges, including the dominance of collectors, limited access to price information, the absence of a wholesale market, and quite high price fluctuations.

These conditions indicate that marketing efficiency is suboptimal and farmers' bargaining power is relatively weak. Farmers generally act only as price takers due to capital constraints with collectors, low production volumes, and limited transportation access to major markets such as Angso Duo Market in Jambi City. The price difference between farmers and consumers is also very large. For example, in 2022, farmers received only IDR 21,140/kg, while the price paid by consumers reached IDR 46,250/kg (BPS, Muaro Jambi, 2023). This indicates distribution inefficiencies and a long marketing chain, which directly impacts the share of profits received by farmers (Hardiyanti et al., 2020). To analyze this market efficiency, a comprehensive approach is required, one of which is the Structure-Conduct-Performance (SCP) model.

Several previous studies have used the SCP approach to analyze marketing efficiency in horticultural commodities, such as chili peppers (Yusdja et al., 2021; Susilowati & Kartikasari, 2022; Arifin et al., 2023). These studies revealed that oligopolistic market structures, exploitative behavior of marketing institutions, and unfair distribution of profit margins are the main causes of inefficiency. However, most of these studies focused on large production areas in Java or North Sumatra, while in-depth studies in less established producing areas such as Kumpeh District are still very limited. This indicates a research gap, both geographically and substantively, particularly in linking local institutional structures to price dynamics and margin distribution in outlying areas.

The novelty of this research lies in its focus on a specific and under-researched study area, namely Kumpeh District in Muaro Jambi Regency. This research also integrates a holistic SCP approach by considering the socio-economic aspects of farmers, the characteristics of local marketing institutions, and suboptimal marketing infrastructure factors. Furthermore, this research provides a new perspective in supporting the achievement of the Sustainable Development Goals (SDGs), specifically SDG 2 (Zero Hunger), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequality), and SDG 12 (Responsible Consumption and Production).

Conceptually, this study aims to: (1) analyze the structure of the red chili market in Kumpeh District, (2) analyze the behavior of marketing institutions in distributing red chili, and (3) evaluate marketing performance based on margins, efficiency, and profit distribution among actors. The results of this study are expected to provide practical implications for local governments and agribusiness stakeholders to design strategies to increase market efficiency, strengthen farmers' bargaining position, and develop a fairer and more sustainable marketing system.

METHODS

This research was conducted in Kumpeh District, Muaro Jambi Regency. The research location was determined purposively, considering that Kumpeh District is one of the centers of large red chili production in Muaro Jambi Regency. Data collection methods used were direct observation and interviews using a questionnaire. The data collected in this study included primary and secondary data. Kumpeh District consists

of 11 villages. Of the 11 villages, only 3 villages are engaged in red chili farming. Based on the largest land area, the largest production volume, and the largest number of farmers, two villages were selected as locations: Maju Jaya Village and Mekar Sari Village (BPS, Muara Jambi Regency, 2023). The sampling method in this study used Simple Random Sampling and obtained a sample of 66 farmers. Then, sampling at the trader level was carried out using Snowball Sampling and obtained 24 traders. The research was conducted from March 24 to April 24, 2024.

The data analysis used in this study was qualitative and quantitative descriptive analysis using the Structure, Conduct, and Performance (SCP) approach. Market structure was assessed by analyzing market share, market concentration, barriers to entry, the number of sellers and buyers, and market information. Market behavior was analyzed by observing pricing systems, buying and selling practices, and cooperation between marketing institutions. Meanwhile, market performance was analyzed by calculating each marketing institution's marketing margin, farmer's share, and profit-to-cost ratio.

Market Structure Analysis

Market structure is a dimension that clarifies decision-making by companies or industries, both in terms of market regulation and corporate strategy. Analysis of market structure includes analysis of market share, market concentration, and barriers to entry.(Asmarantaka et al., 2017).

Market Share

Market share indicates the portion of the market controlled by a marketing agency. An agency's market share can be formulated as follows:

$$MS = x\ 100\%\frac{si}{Stot}$$

Information:
MS = Market share (%)
Si = Total sales
Stot = Total sales amount

Market Concentration (CR4)

Market concentration can be determined from the four largest buyers (CR4) with the following calculation:

$$CR4 = S1 + S2 + S3 + S4$$

Information:
CR = Concentration ratio
S1-S4 = largest sales 1- 4 (%)

Market Entry Barriers

Market entry barriers can be calculated using the Minimum Efficiency Scale (MES) if the MES value can be calculated by comparing the average output value of the four largest red chili wholesalers to the total output of all wholesalers (Anindita, 2004).

$$\text{MES} = \frac{Rata{-}rata\ output\ 4\ Pedagang\ \ terbesar}{Output\ total}$$

Market Behavior Analysis

Market behavior descriptively describes the phenomena found in the field in red chili marketing activities. Some indicators of market behavior include buying and selling practices, pricing systems, and cooperation between marketing institutions. Each of these behaviors is interconnected, determining the resulting market structure. (3)

Market Performance Analysis

Market performance is a combination of market structure and behavior, demonstrating the interconnectedness of market structure, behavior, and performance, which is not always linear but influences the market. The performance of the red chili market in Kumpeh District is measured by calculating the marketing margin, farmer's share, and profit-to-cost ratio.(Side et al., 2018).

Marketing Margin

To calculate the marketing margin, use the following formula:

$$MP = Pr - Pf$$

Information:
MP = Marketing Margin (IDR/kg)
Pr = Price at the end consumer level (IDR/kg)
Pf = Price at Farmer level (IDR/kg)

Farmer's share

To calculate farmer's share, use the following formula:

$$Fs = x\ 100\% \frac{Pf}{Pr}$$

Information:
Fs = Farmer's Share (%)
Pf = Price at Farmer Level (IDR/Kg)
Pr = Price paid by the final consumer (IDR/kg)

Profit to Cost Ratio

The profit to cost ratio can be calculated using the following formula:

$$\text{Profit to cost ratio} = \frac{\pi}{C}$$

Information:
π = Marketing agency profit (IDR/Kg)
C = marketing agency costs (IDR/Kg)

RESULTS AND DISCUSSION

Analysis of Red Chili Market Structure in Kumpeh District

A market structure analysis was conducted to determine the level of competition in the red chili market in Kumpeh District. This identification was carried out by measuring market share, market concentration, market entry barriers, the number of sellers and buyers, and market information. The red chili market structure in this region shows a tendency towards imperfect competition, specifically an oligopoly model, where a few key players control a significant market share. This is consistent with the findings of Aidoo (2012), who identified the dominance of large traders in the horticultural trade system. Furthermore, Barrett (2008) noted that market entry barriers, such as limited access to capital and information, also limit the opportunity for new players to participate. Cahyani and Gani (2011) added that information asymmetry between farmers and traders causes an imbalance in bargaining power, reinforcing the market structure's oligopolistic tendencies. These findings emphasize the need for institutional intervention to make the market structure more competitive and profitable for farmers.

Market Share

Market share describes the extent to which a company/marketing institution controls a market. The market share of a marketing institution is measured through its sales, in the form of a percentage of total market sales ranging from 0 percent to 100 percent. The higher the market share, the higher the market power of the institution or the company is said to be a full oligopoly. It is said that the market structure is an oligopoly because the red chili market in Kumpeh is controlled by several collectors and wholesalers, red chili farmers depend on traders, both collectors and wholesalers in marketing their red chilies, there is a lack of vertical integration. Farmers are not directly involved in the processing and marketing of red chilies.

Channel I Market Share

In the marketing of red chilies on channel I, there are four marketing institutions involved, namely red chili farmers (producers), collectors, wholesalers, retailers, and consumers. The following is Table 2, data on the market share of red chilies on channel I.

Table 1. Market Share of Channel I Marketing of Red Chilies in Kumpeh District

No	Marketing agency	Sales volume (Kg)	Market share (%)
1.	Farmer	2,099	4.30
2.	Collector traders	13,497	27.51
3.	Wholesaler	31,493	64.20
4.	Retail traders	1,960	3.99

	Amount	49,049	100.00

Sumber: data is processed,2024

Based on Table 1. wholesalers are the institutions that have the highest market share, namely 64.20%. This shows that wholesalers have the largest sales volume compared to other marketing institutions. Based on the results of the study, farmers use channel I the most, namely 45 people (69%) of all respondents (66 people). The largest market share is in wholesalers, namely 64.20%, this means that wholesalers control 64.20% of the total red chili market. Wholesalers have significant control over the supply and price of red chilies, while smaller traders (collectors and retailers), and farmers have a smaller market share, namely 35.80%. The determination of the price of red chilies at the farmer level is determined by collectors so that farmers are only price takers.

The dominance of wholesalers in this marketing channel reinforces the imbalance in market structure, severely weakening farmers' bargaining power. This is in line with research by Hopid (2021), which states that the dominant role of wholesalers often leads to monopsony practices, which harm primary producers in the agribusiness value chain. Kotler (2012) also highlights that farmers' dependence on middlemen in the price-setting process results in limited market information, which directly impacts farmer income. Magesa (2014) adds that this imbalanced market structure can only be improved by strengthening the institutional position of farmers, such as farmer cooperatives or joint venture groups, and increasing access to price information and marketing alternatives. Therefore, institutional and policy interventions are crucial in creating a fairer and more competitive market for red chili farmers in Kumpeh District.

Channel II Market Share

In channel II, three marketing institutions are involved: red chili farmers (producers), wholesalers, and retailers. The following data shows the market share of red chilies in Kumpeh District in channel II.

Table 2. Market Share of Channel II Red Chili Marketing in Kumpeh District

No.	Marketing Agency	Sales Volume (kg)	Market share (%)
1.	Farmer	3,492	8.37
2.	Wholesaler	36,667	87.80
3.	Retail traders	1,600	3.83
	Amount	41,759	100.00

Sumber: Data is processed,2024

In Table 2, the market share in channel II is known that the marketing institution with the highest market share is the wholesaler, the wholesaler has a very large percentage comparison with the market share of other marketing institutions, this shows that wholesalers in channels I and II have a very large role in marketing red chilies in Kumpeh District. Farmers use channel II only 24 people (31%). The largest market share is with wholesalers, namely 87.80%. while collectors, retailers, and farmers have a smaller market share, namely 12.20%. Referring to the research results (Putri, M., at all., 2021) that the higher the percentage of market share, the greater the market power and an imperfect competitive market will be formed.

This finding aligns with Nurhidayana's (2012) research, which states that the dominance of certain marketing institutions in the distribution chain will weaken farmers' bargaining power, especially if they lack direct access to end markets. This situation is exacerbated when market information is asymmetric and farmers lack alternative marketing channels. Rasoki (2016) adds that a market structure concentrated among wholesalers can create oligopsony conditions, where only a few buyers dominate the market and can determine prices. Meanwhile, Scrapa (2004) suggests that strategies to strengthen farmer institutions, such as the formation of cooperatives or farmer marketing groups, can be a solution to improve farmers' bargaining power and create a more balanced market structure. Therefore, institutional intervention and government policies are needed to encourage a more equitable distribution of market power in the horticultural sector, particularly for red chilies.

Market Concentration

Market concentration can be determined by conducting a quantitative analysis by calculating CR4 (Concentration Ratio for The Biggest Four). According to(Anindita, 2004) CR4 is the sum of the market shares of the four largest companies from one market area. The CR4 calculation will then describe the market structure from the buyer's side. The CR4 approach is used to see the percentage of the total input of the four largest wholesalers to the total input of all wholesalers who buy red chilies. Wholesaler I, Wholesaler II, Wholesaler III and Wholesaler IV are in the chili marketing in Kumpeh District, Muaro Jambi Regency. The results of the ratio analysis of the four largest wholesalers show a figure of 86%, which means that the four wholesalers have completely controlled the sales results of red chilies in Kumpeh District. With the results of very strong market concentration also indicates that the higher the level of market concentration, the fewer producers in the market so that the level of competition is small. This is because there are four large traders who have controlled the sales of red chilies in Kumpeh District. In addition, this condition illustrates that the red chili market at the farmer level tends to be in a Strongly oligopsony market structure. The results of the CR4 analysis on red chili marketing in Kumpeh District can be seen in Table 3.

Table 3. Market Concentration Value (CR4) of Four Large Traders

No.	Marketing Agency	Sales Volume (kg)
1.	Wholesaler I	40,180
2.	Wholesaler II	37,919
3.	Wholesaler III	33,160
4.	Wholesaler IV	30,736
Total sales/production of four wholesalers		141,995
Total red chili production in Kumpeh District		164,100
Concentration Ratio		86%

Source: Data is processed, 2024

Based on Table 3, the CR4 value shows that four large traders control 86% of the total red chili production in Kumpeh District. This means that the level of competition among large traders in Kumpeh District is concentrated with a strong level of competition. This indicates that the red chili marketing is moving towards an oligopsony market structure. In line with the opinion of (Kohls & Uhl, 2002), if the concentration ratio of the four largest companies is greater than 50%, the market structure tends to be oligopsony. An oligopsony market is a market condition where there are few buyers while many producers are offering their products (Hardianti., at all., 2020).

This situation indicates an imbalance in market power between farmers as producers and wholesalers as primary buyers, which ultimately influences price formation at the farm level. Mulyati (2009) states that in an oligopsony market structure, wholesalers have a dominant position in determining commodity purchase prices, while farmers only act as price takers. Soekartawi (2005) also emphasized that in such a situation, farmers experience difficulties in reaching markets directly due to limited access to information and marketing infrastructure. Furthermore, strengthening farmer institutions and increasing capacity through agribusiness management training is crucial to reduce dependence on wholesalers. Therefore, interventions in the form of institutional capacity building and market policy support are crucial to creating a more competitive and equitable market for red chili farmers in Kumpeh District.

Analysis of Red Chili Market Behavior

The market behavior of large red chilies is analyzed by examining the pricing system, buying and selling practices, and collaboration between marketing institutions. The pricing system at the marketing institution level applies to all farmers and traders. Market behavior at the marketing institution level can be seen in Table 4.

Table 4. Characteristics of Red Chili Market Behavior in Kumpeh District in 2024

No.	Marketing Agency	Market Behavior Indicators		
		Purchasing Practices and Sales	**Pricing System**	**Inter-institutional cooperation**
1.	Farmer	Some farmers who sell red chilies to collectors are not free because they have debt bonds with collectors. Farmers who sell to wholesalers are free to choose which trader to sell their red chilies to.	Prices are determined by the collecting traders.	Collaboration with collecting traders by providing capital loans to farmers.
2.	Collector Trader	Free	Determined by Wholesaler	Buying and selling cooperation
3.	Wholesaler	Free	Determined by the market or by information from fellow Wholesalers	Buying and selling cooperation and subscriptions
4.	Retail Traders	Free	Determined by Wholesaler	Buying and selling cooperation.

Source: Data is processed, 2024

Table 4 shows that the price of red chilies is determined by collectors and wholesalers, while the payment systems used vary considerably. Collectors who have established relationships with wholesalers have established a good relationship, from the procurement process to the payment system. Some collectors pay farmers in cash upon receiving their red chilies, while others pay at a later date. Wholesalers, on the other hand, pay in cash to farmers who sell directly to wholesalers.

This situation indicates that the relationship between market players in the red chili marketing chain is not entirely competitive, but rather tends to be relational and long-term transactional. Sari and Marlina (2021) explain that the existence of a trusting relationship between collectors and wholesalers significantly influences the smooth flow of goods and payment systems, especially for perishable horticultural commodities. Furthermore, the form of cooperation in the form of capital loans provided by collectors to farmers indicates vertical dependency that can reduce farmers' flexibility in determining their marketing channels (Situmorang, 2022). Meanwhile, according to Siahaan and Panggabean (2020), such relationships can indeed speed up transactions and guarantee supply, but also risk creating information asymmetry and unequal bargaining power. Therefore, Yuliana and Ramdhani (2021) emphasize the importance

of strengthening farmers' economic institutions to improve their bargaining position in a market system still dominated by a handful of dominant players.

Analysis of Red Chili Market Performance

Marketing Margin

Marketing margin is a key indicator in measuring the efficiency of a commodity's market performance, including red chilies. This margin is defined as the difference between the price received by farmers and the price paid by end consumers (Anindita, 2004). This difference reflects the marketing costs and profits earned by each actor during the distribution process, from farmers to consumers. The more efficient a distribution channel, the lower the marketing margin, with a greater proportion of the price received by farmers. Research by Suryani and Hamdani (2021) shows that marketing efficiency can be achieved by streamlining overly long distribution channels. Furthermore, a study by Prasetyo and Rahmadani (2023) emphasized that close collaboration between actors in the distribution chain can reduce margins and improve farmer welfare. The calculation of the marketing margin for each red chili distribution channel in Kumpeh District is presented in Table 5.

Table 5. Marketing Margins in Red Chili Marketing Channels in the Research Area in 2024

Description	Marketing Channels	
	I	II
Farmer		
Selling price	38,486	41,620
Marketing Costs	-	170
Collector Trader		
Marketing Costs	334	-
Purchase price	38,486	-
Selling price	43,176	-
Profit	4,362	-
Marketing Margin	4,696	
Wholesaler		
Marketing Costs	387	246
Purchase price	43,176	41,620
Selling price	46,244	46,233
Profit	2,735	4,367
Marketing Margin	3.122	4,613

Retail Traders		
Marketing Costs	699	734
Purchase price	46,244	46,233
Selling price	51,167	50,744
Profit	4,224	3,777
Retailer Margin	4,923	4,511
Total Marketing Cost	1,420	980
Total Profit	11,321	8,144
Total Marketing Margin	12,681	9,124

Source: Data is processed, 2024

From Table 5, the marketing margin value of the two red chili marketing channels in Kumpeh District, Muaro Jambi Regency shows that marketing channel I has the largest margin value, namely Rp. 12,681/kg. This is because channel I goes through several red chili producer institutions - collectors - wholesalers - retailers - consumers, resulting in different prices up to the final institution. This is different from the margin in channel II, which is Rp. 9,124/kg, which sells red chili products only through two marketing institutions, namely from red chili producers - wholesalers - retailers - consumers, so the price difference is smaller than that of marketing channel I. The difference in prices received by farmers in channels I and II occurs because the purchasing power of traders differs according to their level. However, farmers also cannot simply sell red chilies to traders who offer higher prices due to several factors such as the small volume of red chili sales and the attachment or relationship of farmers to collectors due to capital loans provided to farmers.

Farmer's share

*Farmer's share*That is, comparing the price received by farmers with the price paid by consumers. Farmer's share is negatively related to marketing margin, meaning that the lower the marketing margin, the higher the share that farmers will receive (farmer's share).(6)The results of the farmer's share calculations for each red chili marketing channel in Kumpeh District can be seen in Table 6.

Table 6. Percentage of Farmer's Share in Red Chili Marketing Channels in Kumpeh District in 2024

Marketing channels	Average price at the farmer level (IDR/kg)	Average price at consumer level (IDR/kg)	Farmer's share (%)
I	38,486	51,167	75.2
II	41,620	50,744	82.0

Source: Data is processed, 2024

Table 6 shows that in channel II, the price of red chilies at the farmer level is higher (IDR. 41,620 per kg) than in channel I (IDR. 38,486 per kg). The difference in farmer's share is influenced by price differences resulting from the marketing functions performed by marketing institutions, which require costs and the profits they take. (Side et al., 2018). Marketing channel II is the most efficient marketing channel compared to channel I, because the farmer's share value of channel II (82.0%) is greater than the farmer's share value of channel I (75.2%). However, both red chili marketing channels are equally efficient. The farmer's share value of channels I and II is above 50%. Research by Ningsih and Wahyuni (2019) shows that there are five red chili marketing channels in Jambi City, and all five marketing channels are efficient because their farmer's share value is above 50%.

Profit to Cost Ratio

The profit-to-cost ratio can be used to compare the costs and profits earned by each marketing channel. The level of efficiency of a marketing system can be seen from the distribution of profit-to-cost ratios. According to Herdiyansyah (2015), if the results of the calculation of profits and costs approach a value of less than one, it indicates inefficiency in spending costs to carry out activities in each marketing channel. The table of profit to cost ratios in marketing red chilies in Kumpeh District can be seen in table 7.

Table 7. Profit-to-Cost Ratio of Each Red Chili Marketing Channel in Kumpeh District in 2024

Marketing channels	Total profit (IDR/kg)	Total cost (IDR/kg)	Profit and cost ratio
I	11,321	1,420	7.97
II	8,144	980	8.31

Source: Data is processed, 2024

Based on Table 8 Profit to cost ratio, it can be seen that all marketing institutions from marketing channel I to marketing channel II have a ratio value >1. According to(Situmorang et al., 2015) If the π/C value is more thaɪn one (π/C >1) then the marketing activity is profitable, conversely if the π/C value is less than one (π/C <1) then the activity does not provide profit. This shows that the red chili marketing activities carried out by the institutions in each channel provide profit. The highest ratio value is in marketing channel II, which is 8.31, meaning that if the marketing institution spends marketing costs of IDR. 1/kg/harvest, the profit obtained is IDR. 8.31/kg.

CONCLUSION

Based on the research results, the market structure of red chilies in Kumpeh District is oligopsony. This oligopsony market structure results in farmers acting as price takers and lacking bargaining power. Market behavior reveals that the marketing institutions involved differ. Market performance shows that margins, farmer's share, and profit ratios are not evenly distributed across marketing institutions. The SCP indicators described above indicate that the marketing of large red chilies in Kumpeh

District is inefficient. Based on the analysis, marketing channel II (Farmer-Wholesaler-Retailer-Final Consumer) is an efficient alternative marketing channel that farmers can choose to sell red chilies.

Research implications: (1) The dependence of red chili farmers on large traders is increasing, (2) Large traders have higher bargaining power, (3) The price of red chili is influenced by the decisions of large traders, (4) Market competitors are not balanced. The development strategy is to improve farmers' marketing capabilities, develop a market information system, build cooperation between red chili farmers and red chili traders (collectors, wholesalers and retailers), (4) Improve production quality and efficiency and optimize distribution networks and supply chains.

ACKNOWLEDGMENTS

The author gratefully acknowledges all those who supported the preparation and completion of this article. Special thanks are extended to the University of Jambi for its support, as well as to the farmers, traders, and key informants who took the time to provide valuable data and information in the field. Appreciation is also extended to colleagues and academic partners who provided constructive feedback to improve this manuscript. Hopefully, this article will contribute scientifically to the development of sustainable agribusiness and support the interests of smallholder farmers in Indonesia.

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