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MODEL OF MAIZE COOPERATIVE INSTITUTIONAL DEVELOPMENT IN MUNA REGENCY, INDONESIAN

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Abstract

This study aims to determine the role of agribusiness of Baan-2 varieties of corn and its development model in Muna Regency. This research was conducted on April 2017 until June 2017. The research location was chosen in Kecamatan Kabangka because it was the production center of Bisi-2 varieties of corn in Muna Regency. Data analysis used in this research is descriptive qualitative analysis. The results showed the role of corn agribusiness varieties of Bisi-2 determine the economic value of maize in Muna Regency. The main actor of corn agribusiness institute is a business institution providing corn production facilities which are played by farmers' kiosks, farming institutions which are played by corn farmers, processing and marketing institutions played by village collectors and sub-district collectors. While the role of institutional supporter of corn agribusiness is Government (agriculture and extension agency) and financial institution (Gapoktan, Cooperative, and LEM). Institutional agribusiness of maize in Kecamatan Kabangka not yet run integrated, but still run independently, so can not give increase of income and prosperity of farmer. Increased production and economic value of corn that can prosper farmers can be pursued through the establishment of institutional model of corn-based agribusiness cooperatives. The cooperative is established from the district level to the village level by integrating corn farmers into the cooperative with the business activities of the providers of production facilities, the activities of corn farming, the processing and

marketing activities of corn, and the business of corn farming business. Cooperatives are integrated in partnership with maize farmer groups, BULOG, banking, extension agencies, agricultural insurance agencies, and research and development institutions.

Keywords

Maize, Institutional, Agribusiness, Cooperative, and Economy

1. Introduction

Cooperatives as self - help organization have been contributing significantly to economic growth and development in terms of empowering poor people and creates enabling environment to participate actively in economic process in the areas of providing job opportunities, increasing accessibility to credit facilities and providing social protection (Innocent & Adefila, 2014).

Maize is a food crop that has an important and strategic role after rice in national development. Maize contributed the second largest gross domestic product after rice in the food crops sub-sector (BPS, 2016). In addition to maize used for food, dry powder can also be used as raw materials for food industry, animal feed industry, and fish feed industry. Muna District is the largest maize production supplier region in Southeast Sulawesi Province. Production of maize produced in Muna District occupies the first position in Southeast Sulawesi Province which is 35.786 tons or 59.05% of total maize production (BPS Southeast Province, 2016). Maize production in Muna District in the last five years tends to decrease where in 2010 it was 49.263 tons, with productivity of 2.52 tons / ha, but in 2011 decreased to 32,679 tons or decreased 33.66%. In 2012 it increased again to 39,846 tons or increased 21.93% from the previous year, but in 2013 declined to 37,275 tons or decreased 6.45% and then in 2014 fell again to 35,786 tons or down 3.99% with an average productivity of 2.48 tons / ha (BPS Muna District, 2016).

The decrease of maize production in Muna Regency cannot be separated from the influence of various factors, both technical and non-technical factors. The influence of technical factors can be seen from the use of physical inputs of production such as seeds, fertilizers, labor, and medicines, while non-technical factors can be seen from natural factors such as climate and soil, as well as institutional role of corn agribusiness. The cooperative movements among farmers are viewed to be instrumental to Agricultural transformation and boosting productivity in the sector. For some decades, cooperatives have been playing remarkable roles towards the growth and development of the national economy (James & Madaki 2014).

Based on the phenomenon of decreasing maize production in Muna Regency, the problem in this research is how the role of the institution of corn production facilities, the role of farmer group institution, the role of processing institution and marketing of corn, the role of micro finance institution, and the role of extension institution. The purpose of this research is to formulate model of institutional development of corn agribusiness that can increase farmer income and welfare of corn farmer in Muna Regency.

2. Research Methods

This type of research is a qualitative research. This research was conducted from April to June 2017. The location of the study was chosen in Kabangka sub-district because it was the center of maize variety of Bisi-2 variety in Muna Regency since 2010. The subjects studied were the role of the farmshop, the management of the maize farmer group, villages and sub-district collectors, farmers groupcombination, cooperatives, and extension workers. Data analysis used is descriptive qualitative analysis, that is describing, systematically describe facts conducted by production facility trader, management of farmer group, merchant of maize collector and sub-district collector, farmers groupcombination board, cooperative board, and extension agent. After describing and describing systematically the role of the agribusiness perpetrator is then reconstructed institutional agribusiness-based cooperatives. Descriptive method is a way of examining the status of human groups, an object, a set of conditions, a system of thought or an event class in the present moment. The purpose of descriptive research is to make description, picture or painting systematically, factually and accurately about facts, properties and relationship between phenomena investigated. Descriptive research studies the problems in society as well as the prevailing procedures in particular societies and situations, including the relationships of activities, attitudes and ongoing processes and the effects of a phenomenon (Nazir, 1998).

3. Results and Discussion

Institutional agribusiness maize performs economic functions ranging from business activities of providing production facilities, farming business activities processing business, and business marketing activities. Agribusiness activities will run smoothly if supported by financial institutions and extension agencies. Agribusiness institutional governance that is mutually beneficial certainly will not cause economic gaps among the perpetrators.

3.1 The Role of Providers of Production Facilities Provider

The business entity providing the means of production is a business entity that performs the functions of procurement of production facilities, the purchase of production facilities, the resale of production facilities, and the storage of production facilities. The business entity of such means of production can conduct business activities such as the procurement of seeds, fertilizers, and medicines that farmers need in the corn farming business. The research results of the role of business actors in the production facilities in District Kabangka is presented in Table 1.

Table 1: *The Role of Production Facilities Facility Institution*

No	Role	Cooperation system
1	Buying the means of production to the agent and reselling to the farmer	General trading with suppliers of production facilities
2	Selling corn seeds, tomatoes, soybeans, chili, eggplant, watermelon, and others	General trading with farmers
3	Selling corn seeds, urea fertilizer, NPK Phonsca, TSP, KCL, and organic	General trading with farmers
4	Selling brand herbicides kalaris, noxone, supretab, and others	General trading with farmers
5	Sell medicines pest disease	General trading with farmers

Table 1 it shows that, the production facility entity runs the role of buying the means of production to the agent and reselling to the farmer. The partnership system built with farmers is a general trade. Farmers make purchases of production facilities freely without any contractual ties, but the subscription system becomes dominant. To ensure the smoothness of the supply of production facilities, the business actors of production facilities cooperate with the suppliers of means of production with the district-level agents with the general trading system.

3.2 The Role of the Maize Group Institution

The maize farmer group is a container that accommodates the farmers who function as a vehicle for learning, cooperation, activities of corn production unit and as a container for proposing and distributing farming business assistance from the government. The result of research on the role of maize farmer group that is running in Kecamatan Kabangka is presented in Table 2.

Table 2: *The Role of Maize Farmer Group Institutions*

No	Role	Cooperation system
1	Conducting teaching and learning activities in improving knowledge, skills and attitudes through extension activities	<ul style="list-style-type: none"> ▪ Only implemented at certain times only ▪ Have not conducted teaching and learning activities in improving knowledge, skills and attitudes through structured extension activities
2	Conducting partnership of seeds, fertilizers, and medicines with business institutions providing production facilities	<ul style="list-style-type: none"> ▪ Only a partnership for proposing and distributing corn seeds from the government ▪ Not yet entered into a cooperation contract with production facility business institutions
3	Holding partnership of agricultural machinery with agricultural equipment provider business	<ul style="list-style-type: none"> ▪ Only suggested equipment to the government ▪ Not yet entered into a cooperation contract with agricultural equipment business
4	Conducting cooperative capital partnership with farmers financing institution	<ul style="list-style-type: none"> ▪ Only proposed capital assistance to the government ▪ Not yet entered into a cooperation contract with a farming finance business institution
5	Conducting production marketing cooperation with processing and marketing business entity as per member requirement	<ul style="list-style-type: none"> ▪ Not yet entered into a cooperation contract with processing and marketing business entities
6	Conducting cooperation insurance farming business activities according to the needs of members	<ul style="list-style-type: none"> ▪ Not yet entered into a contract with the insurance agency of farming activities

Table 2 shows the role of farmer group institutions in building learning activities, cooperation and production activities have not run optimally. Farmer groups organize learning activities in the improvement of knowledge and skills only done at certain times only. Farmer group institutions function more as a forum for group members, proposing and distributing seeds and other aid proposals to the government. Farmer groups are currently only receiving maize seed assistance in line with the government's program to increase maize production in Muna District. Assistance of the seeds can encourage farmers to continue to farm corn, but in certain circumstances farmers can conduct other types of commodity farming activities if economically more profitable than maize. Farmers are more likely to be independent to decide what kind of farming activities are beneficial to their families, so they have no ties that maize is the only commodity to be cultivated in its farming group. This condition makes it difficult for the farmer group management to interfere in the farmers' affairs in determining the choices of their members for maize business, including making the means of production to marketing activities of corn production.

3.3 The Role of Maize Processing and Marketing Institutions

Institute of business processing and marketing is a business entity that determines the final value of production activities. The existence of marketing institutions is due to the drive or desire of consumers to get the commodity in accordance with the time, place, and the desired shape. In addition, because of the supply of production to meet consumer needs. The role of corn processing and marketing institutions in Kecamatan Kabangka is presented in Table 3.

Table 3: *The Role of Maize Marketing Institutions*

No	Role	Cooperation system
1	Village collectors buy corn production directly to farmers	<ul style="list-style-type: none"> ▪ Partnership System General trading with farmers
2	The village collector traders resold the corn production from the farmers to the sub-district collectors	<ul style="list-style-type: none"> ▪ General trading with collectors Sub District
3	Sub-district collectors buy maize production to village and farmer-gatherers	<ul style="list-style-type: none"> ▪ General trading with village collectors ▪ General trading with farmers
4	Sub-district traders re-sell maize production to large traders	<ul style="list-style-type: none"> ▪ General trading with wholesalers

Table 3 shows the role of maize marketing institutions in Kabangka Sub District shows two-way interaction both from traders and from farmers, so that the resulting production gets economic value. However, in terms of prices applicable to farmers, farmers only as recipients of prices in accordance with the supply of production and pricing of traders. The price determination has not received regulatory intervention from the government, so the price of the applicable maize varies and depends on the production supply produced by farmers. The more farmers produce, the lower the prevailing price, the lower the production, the higher the price. The price that traders impose is not negotiable by farmers to raise prices, especially during harvest time. At the time of this harvest, farmers can not hold production anymore because it hopes to get cash immediately to meet the urgent needs of his family. The condition forms a maize market resembling an oligopoly market, a market made up of several traders and some peasants but farmers have no price-fixing power.

3.4 The Role of Microfinance Institutions

Microfinance institutions can finance the activities of maize farming. Micro finance institution related to corn farmers in Kabangka District is a combination of farmer groups (Gapoktan), Lembaga Ekonomi Masyarakat (LEM), and cooperatives. The role of the institution is presented in Table 4.

Table 4: *Roles of Farmers Financing Institutions*

No	Role	Cooperation system
1	<ul style="list-style-type: none"> ▪ Combined Farmer Group provides business capital. ▪ Business capital sourced from government assistance through Agricultural Agribusiness Development Program (AADP) of Rp. 100.000.000,00 ▪ Business capital sourced from Member dues and member deposits ▪ Development of venture capital 	<ul style="list-style-type: none"> ▪ Farmers get business capital after becoming a member of Combined Farmer Group ▪ Capital obtained by farmers is limited between Rp.1.000.000,00 - 5,000,000.00 ▪ Farmers get capital with rotating system
2	<ul style="list-style-type: none"> ▪ Community Economic Institutions(CEI) provides business capital. ▪ Business capital sourced from Member dues ▪ Development of venture capital 	<ul style="list-style-type: none"> ▪ Farmers get business capital after becoming a member Community Economic Institutions ▪ Capital obtained between Rp.1.000.000,00 - 2.000.000,00 ▪ Farmers get rotating capital system
3	<ul style="list-style-type: none"> ▪ Village Unit Cooperative provides business capital ▪ Business capital sourced from government assistance ▪ Business capital sourced from Member dues and member deposits ▪ Development of venture capital 	<ul style="list-style-type: none"> ▪ Farmers get business capital from Village Unit Cooperative first become members ▪ Capital obtained between Rp.1.000.000,00 - 10.000.000,00 ▪ Farmers get rotating capital system

Table 4 shows the role of microfinance institutions such as Combined Farmer Group, Society Economic Institution, and Cooperatives in providing farming capital to farmers. The weakness of the existence of micro finance institutions is the limited capital owned to be loaned to farmers. In order to meet the needs of its members the microfinance institution does a revolving lending system, but on the other hand the system causes the farmer to lose the opportunity to improve the business and utilize profitable business opportunities. Combined Farmer Group only able to provide a loan of Rp. 1.000.000,00 - 5.000.000,00 depending on the financial condition at the time of loan application by members, likewise the Community Economic Institution is only able to provide loan of Rp 1,000,000.00 - 2.000.000,00, while the cooperative members can borrow Rp. 1.000.000,00 - 10,000,000.00. Combined Farmer Group, Community Economic Institution, and Cooperatives sat only able to serve its members, so that for farmers who have not joined as a member, they cannot be served to get a capital loan business.

3.5 The Role of Extension Institutions

Extension agencies can improve the knowledge and skills of farmers, if they have the resources of extension workers who have the knowledge and skills required by farmers. The results of the role of extension work done in Kabangka District are presented in Table 5.

Table 5: *Role of Extension Institution*

No	Role	Cooperation system
1	Conducting counseling farming activities based on science and technology	<ul style="list-style-type: none"> ▪ In accordance with the needs of farmers ▪ Not implemented systematically, structurally, and massively to farmers through a group of farmers
2	Conducting counseling technology of maize farming	
3	Conducting counseling technology of corn fertilization that does not damage the soil structure so that remain productive	
4	Conducting counseling of land processing and maintenance of farm land so as to remain productive	
5	Conducting counseling to eradicate pests and diseases of corn crops so that the environment is maintained and remain productive	
6	Conduct counseling of group aims and benefits as well as being a member of the maize farmer group in increasing production and productivity, and incomes	
7	Conducting counseling on how to obtain information, technology, and other resources in the activities of corn farming.	
8	Conducting leadership, managerial, and entrepreneurship education in the development of corn agribusiness	
9	Conducting counseling of maize farmers as a highly competitive and productive economic organization	
10	Conducting counseling on how to analyze and solve problems and respond to opportunities and challenges faced in managing the activities of corn farming	

Table 5 shows extension activities in improving farmers' knowledge and skills. The majority of farmers engaged in Bani-2 varieties of corn farming activities on the encouragement of the socialization of free seeds of the government-initiated Bisi-2 variety. The development of varieties of Bisi-2 varieties is driven by the success of pioneer farmers who cooperate with marketing agency of Bisi-2 variety of corn in Kecamatan Kabangka. The success of the pioneer farmers caused other farmers to follow suit.

This condition causes the need of maize seed varieties of Bisi-2 increasing in line with the increase of cultivated fields of maize farming. The government program in the development

of varieties of Bisi-2 varieties since 2010 has coincided with the growing interest of farmers to grow the varieties of Bisi-2 corn, and hence the maize farmer group also at that time increase in order to get the help of varieties of Bisi-2 from the government. Therefore, the existence of extension agent becomes important in order to supervise the development of varieties of Bisi-2 variety programmed by the government. In 2011 and 2012 in Sub district Kabangka showed an increase in maize production, but in 2013, 2014, and 2015 decreased production, this is due to the farming land began to decline nutrients, and corn production prices tend to decline during the harvest season . In that condition, some corn farmers started to grow patchouli cultivation, because it is economically more profitable. Counseling of maize farming activities did not get any response to farmers, and patchouli plant business began to dominate. Farmers have had the experience of farming so that their knowledge and skills are increased which impacts on the freedom of choosing commodities other than maize which is more profitable for the family.

3.6 Institutional Model Development of Maize Agribusiness

The corn agribusiness institution determines the economic value of maize, making it vulnerable to gaps among the perpetrators. The gap is due to the closed information to gain the dominant advantage of one of the other agribusiness actors. Farmers are subjected to discrimination because in agribusiness activities, farmers operate independently from the provision of production facilities to marketing. Group farmers has been formed more patterned on facilities to get government assistance. The farmers do not have the role of managing the farmer's production, including the marketing process. The price of maize is erratic so farmers are always the recipients of the price. Therefore, the institution of farmers should be an economic institution that has a bargaining position, so that the welfare of farmers.

Cechin, et.all (2013), agricultural cooperatives increasingly operate in strictly coordinated supply chains. It is important that members of a cooperative are committed to a customer-oriented strategy, otherwise vertical coordination can be costly and the loss of autonomy at the farm level might negatively affect the members' commitment to collective action. Agricultural cooperatives have changed considerably in recent decades. In witnessing these structural changes, scholars have proffered analyses of nontraditional ownership models focusing on residual claim rights (Chaddad, et.all, 2013).

Combined farmer groups should be established as a business unit of production facilities and infrastructure, farming activities, processing business units, marketing, and as a microfinance business unit. Combined farmer groups can be used as an agribusiness institution

from upstream to downstream, which is operated in an integrated manner, with binding norms. A joint group of farmers needs to be managed by a board that has the ability to organize business activities from upstream to downstream, by embracing the principles of openness, integrity, commitment, and mutual benefit (La Sinaini, 2017).

The factors that have influenced the performance of cooperatives particularly in the liberalized era are: Lack of training and preparedness by cooperatives, Poor sequencing of the reform policy, Loss of government protection, Political interference, Inadequate legal reform, Slow decision Making process, Government policy and international prices, Infrastructure and weather conditions, competition from other players such as hawkers and private processors, high cost of farm inputs (Gamba & Komo, 2014). Farmer groups should be established as a learning class, cooperation vehicle, and as a unit of production that is run continuously. Group of farmers can be used as a container for the distribution of input needs and distribution of farm output in the combined group of farmers. Improvement of group management skills required continuous assistance from extension workers (La Sinaini, 2017).

Combined farmer groups formed should be a means of coordination that carry out agribusiness activities in an integrated manner, has a norm that binds both administrators and members in managing agribusiness system in an integrated manner. The established farmer group should be a vehicle for the distribution of input needs and distribution of farm output as well as supervisor of business system management carried out. To the government required continuous assistance so that the existing institutions become a strong system in the management and control of agribusiness activities (La Sinaini, 2017). Establishing entrepreneurial consulting corporations in various areas of the country to provide consulting, educational, investigational, and promotional services for entrepreneurs. These corporations make a close relationship with the unions, cooperation rooms, and entrepreneurship cooperatives; loans and credits, by these corporations` discretion, are provided for cooperatives. These corporations provide their investigational service regionall (Maghsoudy, et.all, 2012).

Based on the description above then required an institutional model of agribusiness capable of welfare corn farmers in Muna District. Farmers do not become the recipients of the price and aggravated again by other agribusiness actors. Institutional model of maize farmers who built should agribusiness of cooperatives, so that the maize farmers become strong in an independent economic institutions in managing the activities of maize farming.

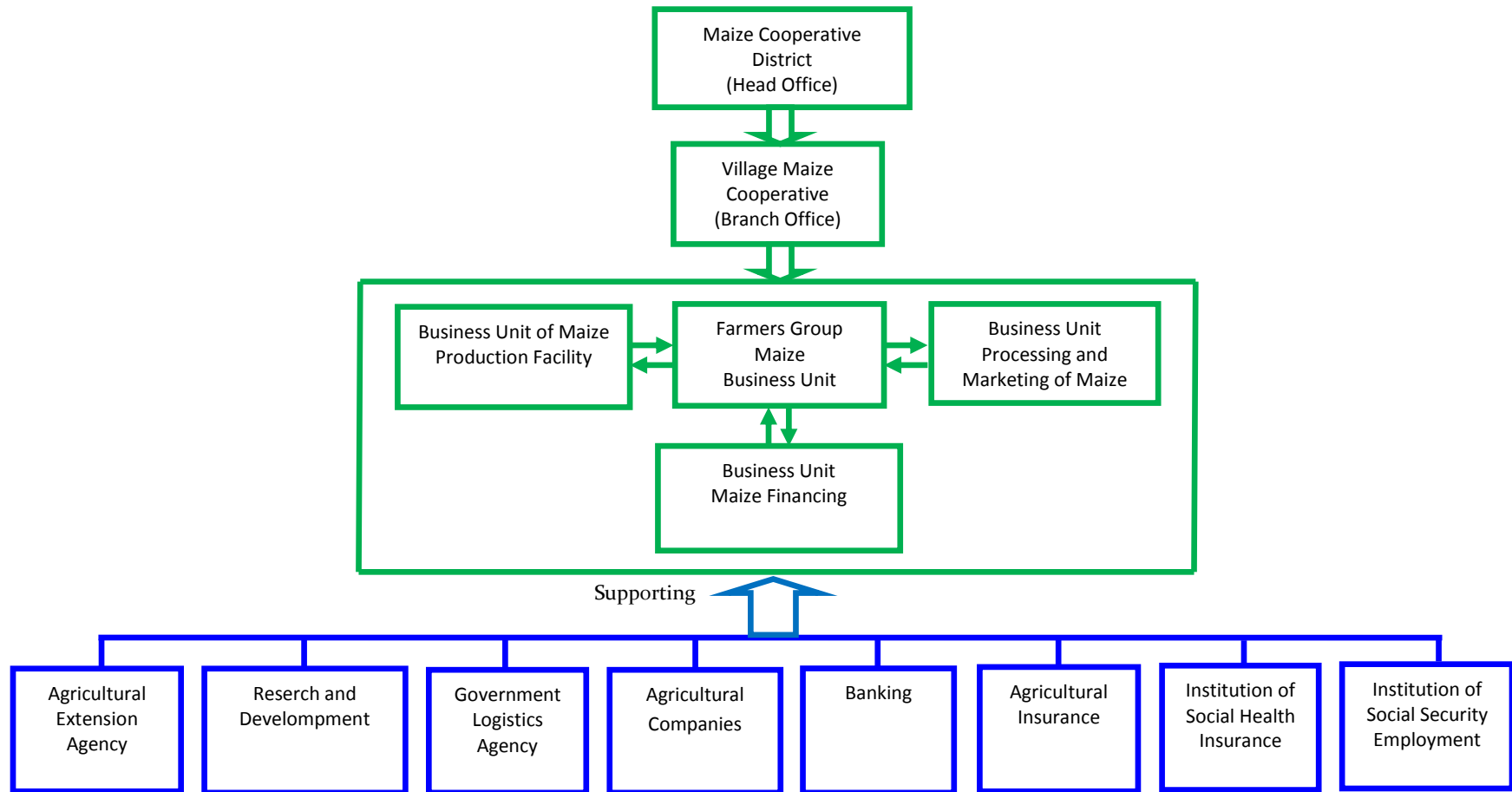


Figure 1: Model of Agribusiness-Based Maize Cooperative Development

Corn farmers who have been in the management of farmer groups transformed into maize agribusiness cooperatives. Group farmers formed during this functioned intensively as a vehicle for learning activities, cooperation rides, and container of production unit activities in a sustainable manner cooperative. The corn group becomes part of the cooperative organizational structure, so farmers get the ease of obtaining the means of production, farming financing, marketing of the products, and insurance. Cooperatives built into economic institutions that manage the activities of business units procurement of production facilities, farming financing business unit, and production marketing business unit. The cooperative also builds cooperation with banking institutions, Government Logistics Agency, Agricultural Companies, agricultural insurance institutions, research and development institutions, extension agencies, health insurance institutions and Institution of Social Security Employment. Maize cooperatives are managed from the district level to the village level with legal status and belong to the members. Maize cooperatives in managing corn farming activities form cooperative units in each village.

4. Conclusions

Based on the results of research institutional role of agribusiness and its development model in Muna District can be concluded as follows:

1. Production facilities business institutions in Kabangka Sub-district serve as the provider of agricultural production facilities needed by farmers in Kabangka Sub-district with general trading partnership system to farmers.
2. Farmer Group Institution acts as a forum for members to get help from the government and as a forum for meetings between members of the farmers.
3. The marketing business entity consists of two institutions, namely the village collection collector institutions and the sub-district collecting marketing institutions. Village collecting marketing institutions play a role in purchasing production directly to farmers during harvest and reselling to sub-district traders with a general trading partnership system. sub-district based marketing agencies play a role in purchasing maize to village and farmer-gathering traders with a general trading partnership system. The maize market in Kabangka sub-district resembles the oligopoly market.
4. Extension institutions play a role facilitate farmers get help from the government and conduct counseling and mentoring corn farming activities, but not intensively done.

5. Farmer group combination institution, Community Economic Institution (CCI), and Cooperative facilitate farmers to obtain business capital loan but not according to the needs of farmers.
6. Institutional development model of maize agribusiness based on cooperatives with supporting BULOG, agricultural companies, banking, agricultural insurance, health insurance social security agency (BPJS Health), labor social security management agency (BPJS Employment), agricultural extension agency, research and development agency, which is managed in an integrated manner can improve socio-economic welfare of maize farmers in Muna District.

5. Suggestion

1. To the Government, should encourage the establishment of cooperative agribusiness-based corn agribusiness. Corn Cooperative subsequently formed business units organized in a unity ranging from business activities providing production facilities to marketing business activities. The cooperative is established from the district level to the village level which is legal entity and is the joint property of the members. Maize cooperatives are given the authority to regulate maize farming from district to village level. Corn farmers are registered as cooperative members. Maize cooperatives in managing maize farming activities form cooperative units in each village. Village maize cooperatives oversee the business unit of production inputs, maize farmer group, processing and marketing business unit, and micro-finance unit of village level. The village-level maize cooperative unit is managed in an integrated manner, in collaboration with banking, BULOG, agricultural insurance, research and development, extension agencies, social health insurance, labor management social security agencies.
2. To the maize farmers, should have a shared awareness to join in the agribusiness-based maize agribusiness cooperatives. It is intended that the activities of maize farming has a bargaining position that sustainably farmers welfare.

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