

Chapter 10


Observing Digital Marketplaces of Agricultural Products in Indonesia

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ABSTRACT

Indonesia has a large population and its increasing degree of internet penetration accessed through smartphones, which recently has reached 63.5% or more than 170 million people connected to the internet, has made Indonesia a fertile land for digital marketplace platforms to flourish. We witnessed the blossoming of digital marketplace platforms in this decade; many start-ups have been born, and some of them have reached the unicorn status in a relatively short time, such as Go-Jek, Traveloka, Tokopedia, and Bukalapak. Although most of these digital marketplaces have never been physically involved with any types of agriculture, there are more than a dozen start-ups of the digital marketplace that are directly involved with farming, and the number of them has grown recently. This chapter will discuss small-scale farming problems in Indonesia and how the digital marketplace offers solutions to the problems. Related theories such as transaction cost economy and the multi-sided market will be discussed. Some cases of a digital marketplace for agriculture in Indonesia will be explored.

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INTRODUCTION

Indonesia has a large population, there are more than 264 million people by the end of 2018, the 4th largest population in the world (“Indonesia - Population 2018,” 2018). The Internet users are growing fast, currently the internet penetration reaches 63.5% (“World Internet Usage Statistics News and World Population Stats,” 2019), which means more than 170 million Indonesians are connected to the Internet. This has made Indonesia a fertile land for digital marketplace platforms to flourish.

Since a few years ago, many digital marketplace start-ups have established. Some of them grow very quickly and reach the unicorn status, such as Go-Jek, Traveloka, Tokopedia, and Bukalapak. In fact, Go-Jek has become a decacorn in 2019, the first Indonesian decacorn. Interestingly, there is a growing number of digital marketplace specializing in agriculture too, enabling farmers, which normally live in villages, to market their products directly to consumers in towns and cities via digital marketplaces or platforms. There is more than 10 digital marketplaces focusing on agriculture such as TaniHub, Agromaret, and iGrow. The detail and more digital marketplaces can be seen in Table 1.

Most farming in Indonesia is a small-scale farming, run by families. According to Pitoko (2018), there are five main problems faces by farmers, which are capital, land, modern farming technology, fertilizers, and marketing. Farmers have difficulty to access capital to support their businesses. This problem lead to the exploitation of farmers by usurers, which in turn will push them into poverty if they cannot pay back the money they borrowed. The land is another problem since on average, farmers have less than 1 hectare and with the low level of modern farming technology adoption (Afrianto, 2017). Most farmers in Indonesia face a difficulty of access to the market for selling their products to the right customers to sustain their business. As such, they do not enjoy the profits of their hard work as they get only a small portion of the value that they have created due to the long-chain required for their products to reach the market and their bargaining position is very low.

Digital marketplaces in agriculture offer solutions for some of the above problems. Digital marketplace on capital (crowdsourcing or crowdfunding) will help farmers access to capital easily and the digital marketplace on agricultural products will help farmers to access the market easily. Access to technology, can also be supported through digital marketplace as farmers can easily access all information about farming or related knowledge and technology. They can also share knowledge and experiences among them through digital marketplaces.

Through digital marketplaces, farmers, individually or in an organized way can market their products directly to various customers, individuals, government agencies or businesses such as restaurants, food chains, caterers, agricultural products or food processing firms, and hotels. This will disintermediate some traditional and inefficient chains of traders (*tengkulak*), making their products cheaper to customers and at the same time they become well-informed on price or can negotiate the price directly with customers. This will help increase their incomes.

This chapter will discuss small-scale farming problems in Indonesia and how the digital marketplace offers solutions to the problems. Related theories such as transaction cost economy and the multi-sided market will be discussed. Some cases of a digital marketplace for agriculture in Indonesia will be explored.

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