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license**WHY DO RICE MILLERS REFUSE TO PARTNER WITH
THE STATE? A SOCIO-AGRONOMIC PERSPECTIVE
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20222, Indonesia*Correspondence E-Mail : kartika_2504@yahoo.comDOI: <https://doi.org/10.30598/baileofisipvol3iss1pp210-226>**ABSTRACT**

This study aims to analyze the factors influencing rice millers' willingness to engage in partnership with the Indonesian State Logistics Agency (Bulog) in Serdang Bedagai Regency, North Sumatra—one of the region's key rice production centers. Despite this status, participation in Bulog's procurement partnership scheme remains low. Employing a quantitative approach, this study involved 13 rice milling enterprises across six districts. Variables analyzed include Bulog's outreach (socialization), purchase price, production capacity, market certainty, and business longevity. Data were examined using Fisher's Exact Test due to the small sample size and categorical data type. Findings reveal that only the socialization variable had a statistically significant effect on partnership willingness. Bulog's efforts in providing detailed information, explaining partnership schemes, and maintaining intensive communication played a crucial role in encouraging participation. In contrast, non-competitive pricing, varying production capacities, market stability, and business duration showed no significant effect. This study contributes to the socio-agribusiness literature by highlighting the importance of institutional communication in fostering state-private partnerships in the food sector. Key recommendations include enhancing the frequency and quality of Bulog's outreach, improving procurement pricing mechanisms, and promoting local government support to strengthen rice supply chain integration through more inclusive partnership models.

Keywords: Agribusiness Sociology, Food Policy, Institutional Communication, Partnership, Rural Development

INTRODUCTION

Amid the country's efforts to maintain national food stability, partnerships between the government and strategic business actors such as rice mills have become a crucial instrument (Bowman & Chisoro, 2025; Istiqomah et al., 2024). Through these partnership schemes, the government aims to secure national rice reserves and stabilize prices at both the farmer and consumer levels. However, in Serdang Bedagai Regency—one of the largest rice-producing centers in North Sumatra—the reality is quite the opposite. The participation rate of rice mills in partnership programs with the State Logistics Agency (Bulog) is very low, even stagnant, despite the region's infrastructure and production capacity being relatively supportive. This raises a fundamental question: why are rice mill operators reluctant to partner with the state?

Putra et al. (2023) show that most rice mill entrepreneurs prefer to sell their products on the open market rather than partner with Bulog. Meanwhile, Harahap et al. (2023) argue that their selling prices are higher than Bulog's purchase prices, and many already have stable market networks. This indicates that from an economic and operational standpoint, the partnership offers no significant added value for business actors. However, some entrepreneurs who have entered into partnerships admit that contracts with Bulog provide a guaranteed market during periods of price decline, particularly during the harvest season. This ambivalence suggests the presence of non-economic factors that require deeper exploration.

Previous studies have widely discussed the issue of partnerships between the state and the agricultural sector, both from a policy perspective, as seen in Filipović et al. (2022), Pandey et al. (2022), and Xu et al. (2023), and from the behavioral standpoint of farming business actors, as in de Lauwere et al. (2022), Fieldsend et al. (2022), Guerrero-Ocampo et al. (2022), and Qin et al. (2022). Other studies also emphasize the importance of price guarantees, as highlighted by Fahmid et al. (2022), Fieldsend et al. (2022), and Winata et al. (2024), trust in institutions (Suryahadi et al., 2023; Syahrir et al., 2025), and production and market capacity (Al Izzati et al., 2024; Kim & Baniamin, 2022). Research by Dania et al. (2022) and Ngarawula et al. (2023) even demonstrates that farming experience does not always correlate linearly with partnership participation, underscoring the complexity of internal and external factors in business decision-making.

Other studies, such as those conducted by Anggreany et al. (2025) and Febianti et al. (2024), stress the importance of communication and outreach in implementing public policies in the agrarian sector. Similarly, Harsanto & Wahyuningrat (2024) and Williams et al. (2022) argue that the failure of partnership programs often lies not in the policy content, but in weak dissemination and the poor understanding of the scheme among field actors. Meanwhile, Anderson et al. (2025) and Prihadyanti (2023) show that in the rice supply chain, business actors tend to be rational and pragmatic, opting for the most profitable distribution channels in the short term rather than considering long-term partnerships.

On the other hand, sociological approaches to food systems are gaining traction in contemporary analyses. Studies like Cohen & Jackson (2022) provide a framework in which the relationship between the state and market actors cannot be understood solely through economic logic but must also account for trust, policy legitimacy, and agrarian history in a given region. In the Indonesian context, this is especially relevant due to the country's long history of state intervention in agriculture and the continuously evolving dynamics of food politics (Amri & Ningrum, 2025; Gede Agung et al., 2024; Park & Widyanta, 2022).

However, most previous studies have focused on partnerships at the farmer level rather than on intermediate actors such as rice mills, which play a central role in national rice distribution. This represents a critical gap. Rice mills are key nodes in the supply chain linking farmers with both the market and the state. If this node is weak or disconnected from state schemes, policies for price stabilization and national rice reserves will be difficult to implement

effectively.

Interestingly, although factors like pricing, production capacity, and business experience have often been identified as key determinants in partnership decisions, one element seems to have been overlooked: the intensity of outreach and communication from the state to business actors. Field findings indicate that entrepreneurs who received outreach from Bulog were more open to partnerships than those who received no information at all. In other words, the decision to partner is not solely based on rational economic calculations but also on the extent to which the state is present and engages in communicative relationships with local business actors.

In this context, the present study aims to fill that gap by adopting a socio-agribusiness perspective that emphasizes the role of outreach in shaping state-market relations. This approach is important because it offers a new interpretation of low partnership rates, not merely as policy failures but as a result of underdeveloped social relations between the state and intermediate market actors. By making rice mills the primary subject, this research offers a fresh lens for understanding food policies that have often been overly focused on upstream (farmers) or downstream (large distributors) actors.

The objective of this study is to thoroughly analyze the factors influencing rice mills' willingness to partner with Bulog in Serdang Bedagai Regency, North Sumatra. Using a quantitative approach and analysis of variable relationships, this study asserts that non-material factors such as communication and outreach have a stronger impact than purely economic logic. These findings are expected to enrich scientific debates in the social sciences and humanities regarding food policy and to deepen our understanding of state-market relations within Indonesia's local agrarian context.

RESEARCH METHOD

This study employs a quantitative approach with a descriptive-analytic design to understand the factors influencing rice mill owner decisions to engage in partnerships with Bulog. The quantitative approach was chosen because the main focus of this research is to identify relationships among categorically defined variables. This method enables the researcher to detect measurable and objective statistical patterns, especially when analyzing decisions involving economic, institutional, and production variables in a socio-agribusiness context. The categorical nature of the data necessitates a suitable analysis method, in this case, the Fisher Exact Test, which is ideal for small sample sizes and nominal or dichotomous variables (Alam et al., 2025).

The study was conducted in Serdang Bedagai Regency, North Sumatra Province, selected purposively due to its status as one of the largest rice-harvesting regions and the second-highest number of medium and large rice mills in the province. As an agrarian region that plays a significant role in the regional food system, it represents the unique dynamics between the state and business actors in agricultural management. This location was also chosen for its strategic

proximity to major rice distribution centers in Medan and surrounding areas, positioning it at the intersection of market demands and state intervention through Bulog. The research was carried out over six months, from August 2024 to February 2025, to allow for comprehensive data collection and to account for seasonal variations that may affect milling and distribution processes.

Respondents in this study were rice mill owner in six subdistricts within Serdang Bedagai. A total of 13 business actors were interviewed. The sampling technique used was convenience sampling, targeting respondents who were willing to be interviewed voluntarily and had the capacity to provide relevant information on the research topic. Despite the relatively small sample size, this approach was chosen strategically due to access difficulties and time constraints in the field, as well as to ensure data accuracy from actively operating informants. Of the 13 rice mills interviewed, two had established partnerships with Bulog, while the remaining eleven had not. This variation is essential for analyzing differences in decision-making and influencing factors.

Data collection was carried out through structured interviews using a pre-prepared questionnaire. The questions were designed around five main variables believed to influence partnership decisions: (1) outreach by Bulog, (2) Bulog's purchase price compared to market price, (3) daily production capacity, (4) market assurance or certainty, and (5) duration of business operation. Each variable was defined in binary categorical form to facilitate statistical analysis. For example, respondents who had received outreach were coded as 1, while those who had not were coded as 0. Interviews were conducted directly at the milling sites using a humane and open approach to make respondents feel comfortable in providing honest and reflective answers.

The use of direct interviews was intentional, as it allows the researcher to capture social nuances and non-verbal cues often missed in written surveys. Additionally, direct interaction provides room for deeper discussions about respondents' experiences with Bulog, the local market, and the business challenges they face. The trust built during the interviews added further validity to the quality of the collected data.

To ensure data validity, triangulation was performed in two ways. First, by comparing interview results with relevant official documents, such as data from the North Sumatra Provincial Office of Food Security, Food Crops and Horticulture, and local market price information from collecting traders. Second, by cross-checking between respondents, particularly for perception-based variables such as pricing and market certainty. This approach aims to minimize perception bias that may arise from asymmetrical information in the field.

The collected data were then analyzed using the Fisher Exact Test. This test was chosen because it is highly suitable for small sample sizes and categorical data, providing accurate probability estimates for assessing relationships between two nominal variables in a 2x2 contingency table. In this study, each independent variable (X1 to X5) was tested against the dependent variable, namely the willingness to partner (Y). The Fisher Exact Test produces

significance values (p-values) that are compared with an alpha value of 0.05. If the p-value is smaller than alpha, it is concluded that there is a significant relationship between the two variables. This model provides strong analytical power, even in a small-scale study, as it focuses on statistically measurable and in-depth correlational relationships.

RESULTS AND DISCUSSION

Partnership Dynamics in a Rice Production Hub

Serdang Bedagai Regency, as one of the main rice production centers in North Sumatra Province, holds significant potential to support national food security. With vast rice fields and relatively well-maintained irrigation systems, the region has long been a major rice production base. However, this potential has not been optimally realized, particularly in terms of partnerships between rice milling businesses and the National Logistics Agency (Bulog). This study reveals that only 2 out of 13 rice mill entrepreneurs are willing to establish a partnership with Bulog. This presents an interesting paradox: despite having sufficient production capacity, participation in state-led partnership schemes remains low.

To understand this dynamic more deeply, it's important to first examine the socio-economic characteristics of these entrepreneurs. The majority of respondents (76.92%) are within the productive age range of 15–64 years, with educational backgrounds mostly consisting of high school graduates (53.85%), followed by junior high school and university graduates at 23.08% each. The table below presents the complete data on respondents' education levels:

Table 1 Respondents' Education Levels

Tingkat Pendidikan	Jumlah (Orang)	Persentase (%)
Junior High	3	23.08
Senior High	7	53.85
University	3	23.08

Source: Research Findings, 2025

This educational profile indicates that rice millers in Serdang Bedagai possess a sufficient level of intellectual capital to understand policies and business opportunities, though disparities remain in their ability to access and utilize policy information. According to Melović et al. (2022), higher education improves adaptability and rational decision-making, although this has not been fully reflected in the partnership decisions made by these actors.

Furthermore, 92.31% of respondents have been involved in the rice milling business for over 10 years. Only one respondent (7.69%) has had 5–10 years of experience. This suggests that most entrepreneurs are seasoned players familiar with market dynamics. This extensive experience should serve as strong social capital to engage with state institutions. However, it has not translated into trust toward partnership schemes.

Table 2 Business Experience of Respondents

Years of Experience	Number of People	Percentage (%)
> 10 Years	12	92.31
5–10 Years	1	7.69
< 5 Years	0	0

Source: Research Findings, 2025

In terms of production capacity, 61.54% of rice mills fall into the medium scale (700–1000 kg/hour), 23.08% into the large scale (>1000 kg/hour), and only 15.38% operate at a small scale (300–700 kg/hour), as classified by Widowati (2001). With such capacity—especially among medium and large mills—there is, in principle, room to participate in the national rice supply chain. However, classic issues such as limited paddy supply due to uneven harvest distribution mean that most mills operate below their maximum capacity (Andriani et al., 2024; Widyawati et al., 2025).

Table 3 Rice Mill Production Capacity

Capacity	Number of People	Percentage (%)
> 1 ton/hour	3	23.08
700–1000 kg/hour	8	61.54
300–700 kg/hour	2	15.38

Source: Research Findings, 2025

This situation is exacerbated by Bulog’s purchasing price, which is considered uncompetitive. A total of 61.54% of respondents indicated that Bulog’s buying price is below the market rate. This price discrepancy is a key reason for the low interest in partnerships, even though Bulog offers guaranteed market access. The imbalance between price incentives and purchasing assurance reveals that these businesses prioritize short-term profits over long-term stability.

Table 4 Respondents’ Perception of Bulog’s Purchase Price

Bulog Price Category	Number of People	Percentage (%)
Equal to market price	5	38.46
Below market price	8	61.54

Source: Research Findings, 2025

From the marketing perspective, most respondents feel relatively secure, as they can sell their milled rice in less than two weeks. This is reflected in the 61.5% of respondents who reported storing rice for only 7–12 days before it sells. When the market mechanism functions smoothly, Bulog’s role as an off-taker becomes less relevant—unless Bulog can offer additional advantages through schemes like logistical subsidies or financing support.

Table 5 Duration of Rice Storage Before Sale

Storage Duration	Number of People	Percentage (%)
0–6 days	2	15.4
7–12 days	8	61.5
13–18 days	1	7.7
19–24 days	1	7.7
25–30 days	1	7.7

Source: Research Findings, 2025

In the context of state–local actor relations, these findings demonstrate the limited reach of government policies at the intermediary level, such as rice milling operations. Jessop’s (2022) Relational State Theory provides an analytical lens to see that the effectiveness of state intervention in business is not only determined by formal policy design but also by the strength of social relationships and communication between actors. When these relationships are sporadic and one-sided—as evidenced by Bulog’s minimal outreach—it is unsurprising that trust and collaboration fail to develop. The state’s institutional influence weakens not due to its absence, but because its presence lacks meaningful dialogue.

The partnership dynamics in Serdang Bedagai reveal that the main obstacle is not merely production capacity or profitability, but the absence of the state as a dialogic partner who understands the needs and economic logic of local businesses. These findings suggest that promoting strategic partnerships in the food sector requires a more relational, participatory, and communicative approach. State intervention must go beyond regulations and pricing; it must also foster equitable and sustained relationships.

Socialization as a Key Factor: The Absent State

In discussions on the relationship between businesses and the state, the state’s presence is often perceived only through formal policy—regulations, subsidies, or partnership schemes. However, this research reveals another dimension of state presence: communicative and relational presence through socialization processes. In this context, socialization is not merely information dissemination, but a process of building trust, introducing the state’s good intentions, and forming mutual understanding between businesses and state institutions—namely, Bulog.

Out of the 13 rice mill owners surveyed, only 3 had ever received direct socialization from Bulog. Interestingly, 2 of these 3 mills are now Bulog’s official partners, while none of the 10 mills that never received socialization were willing to enter into partnerships. This highlights the critical importance of communication in economic decision-making, which may appear rational but is deeply relational. Statistically, socialization was the only variable showing a significant effect on partnership decisions, as shown in the table below.

Table 6 Influence of Socialization on Partnership Decision

Variable	Fisher Exact Test (Exact Sig.)	Contingency Coefficient
Socialization	0.038	0.614
Price	0.128	-
Production Cap.	0.423	-
Market Certainty	1.000	-
Business Exp.	1.000	-

Source: Research Findings, 2025

This finding aligns with Sunah & Yudartha (2025), who argue that policy failure often stems not from flawed design, but from failed communication between actors—between policymakers and implementers, between the state and citizens, or in this case, between Bulog and rice millers. Ineffective policy communication can render even the most promising policy powerless.

Moreover, this study reveals that in a relatively stable market like Serdang Bedagai's paddy and rice distribution, partnership decisions are not merely about price or economic efficiency—they are relational choices, rooted in experience, trust, and perceptions of state presence. Bulog's socialization efforts shape a positive image of the state—not as a distant entity represented by documents and rules, but as a partner who listens, explains, and provides reassurance.

In contrast, the absence of socialization creates a vacuum filled by myths, uncertainty, and distrust. The 10 mills that never received socialization preferred to stay outside the partnership scheme, even when Bulog's purchase price was not far below market rates. This proves that economic calculation does not stand alone; it is reinforced by social, psychological, and institutional factors.

Previous studies also support this finding. For example, Li et al. (2024) show that socialization significantly affects perceptions and actions toward partnerships. Ren (2023) states that effective communication is essential to successful policy implementation. Furthermore, Juliawan et al. (2025) and Riezky et al. (2022) emphasize that Bulog could expand its partner network if socialization were conducted regularly, openly, and inclusively, clearly explaining the cooperation schemes, financial benefits, and market guarantees.

In this case, the absence of the state does not mean the absence of policy—but the absence of state involvement in conversations, in explaining, in convincing. As a result, business actors feel more comfortable staying within the familiar market system rather than joining a partnership that feels “distantly known.” Socialization is not merely an accessory in policy implementation strategies—it is the foundation that determines whether a policy will be embraced or rejected. The state's presence in the form of trust-building communication—not just contracts or prices—is key to opening a more inclusive and sustainable space for collaboration.

Bulog Purchase Price and Market Rationality: Between Calculation and Certainty

In the rice milling business, economic logic serves as the primary basis for decision-making. Selling prices higher than purchase prices are naturally viewed as profitable. However, in the context of the partnership between rice mills and Bulog in Serdang Bedagai Regency, there is an interesting dynamic that shows market rationality is not always centered solely on price. Based on interview data from 13 business actors, 61.5% of respondents stated that their selling price was higher than the purchase price offered by Bulog. At the time, Bulog's purchase price for milled dry unhusked rice (GKG) was IDR 6,700/kg, and for rice IDR 12,000/kg, while the selling price from rice mills could reach IDR 12,300/kg. On paper, this price gap appeared favorable to the non-partnered market. However, the study found that price was not a significant variable in influencing the decision to partner, as shown by the Fisher Exact test result (Sig. = 0.128).

This phenomenon suggests that in practice, business actors already possess relatively stable distribution channels and marketing systems. A total of 61.53% reported having no major difficulty in selling their rice. On average, they required only 6–12 days to sell out their production stock. This indicates that a well-established market provides these businesses with sufficient economic autonomy to not rely heavily on Bulog's guaranteed pricing. When market prices are high, selling to agents or wholesalers becomes a rational and profitable choice. It is therefore not surprising that Bulog's purchase price, which is below the market price, does not automatically serve as the main attraction in the decision to enter a partnership.

Nonetheless, a different perspective comes from business actors who have partnered with Bulog. They emphasize that price is not the only consideration. In interviews, they acknowledged that while Bulog's price is sometimes lower than the market price, the certainty of product absorption offered by Bulog is the main attraction—especially during the main harvest season, when market prices tend to drop and the risk of loss increases. In such conditions, partnership with Bulog offers stability, not just pricing. This aligns with the perspective of Filipović et al. (2022), who stated that in modern agribusiness systems, partnership contracts are not solely designed for price advantages but also for ensuring long-term business continuity through stable relationships and market assurance.

Furthermore, the data shows that of the five respondents who stated that their selling price was equal to Bulog's purchase price, only one decided to partner. The others still preferred to sell to the open market due to their efficient distribution systems and proximity to consumers. Meanwhile, the rice mills that partnered with Bulog were mostly large-scale enterprises selling to other regions, including provinces such as Riau. This strengthens the argument that the decision to partner is not merely a matter of profit margins, but a strategy to sustain business within a broader supply chain.

Table 7 Comparison of Respondent Perceptions of Bulog's Purchase Price and Partnership Decisions

Bulog Purchase Price vs Selling Price	Number of Respondents	Partnered	Not Partnered
Equal	5	2	3
Lower	8	0	8

Source: Research Findings, 2025

Table 7 above shows that none of the business actors who perceived Bulog's purchase price as lower chose to partner. However, two out of five who perceived Bulog's price as equal to their selling price chose to partner, indicating that when price is no longer a barrier, the decision to partner begins to be influenced by other factors, such as market certainty.

Therefore, it can be concluded that in this context, price is important, but not the sole consideration. Larger and more long-term-oriented enterprises are more likely to view partnership as a strategy to maintain business stability. This reinforces the argument that in a dynamic food system, partnership is a strategic choice involving non-economic considerations such as institutional relationships, risk management, and supply sustainability, as emphasized by Bowman & Chisoro (2025) in their study on agribusiness contracts in developing countries. Hence, this study affirms that in partnership practices, economic calculation alone is insufficient. A more holistic approach is required—one that considers market context, distribution strategies, and perceptions of institutional guarantees. As a state institution, Bulog must recognize this dynamic so that partnership schemes are not merely price-oriented but also strengthen broader and long-term business security aspects.

Production Capacity and Business Duration: Why Scale Doesn't Always Matter?

In the narrative of modern agricultural development, production capacity and the length of time a business has been operating are often assumed to be indicators of institutional readiness and professionalism. Logically, large-scale rice mills with years of experience should be better prepared to participate in state partnership schemes, such as those led by Bulog. However, these research findings reveal a different reality. Based on Fisher's Exact Test of 13 respondents in Serdang Bedagai Regency, no significant relationship was found between production capacity or business duration and the decision to partner with Bulog. This result invites us to reconsider the assumption that scale and longevity automatically indicate a tendency toward engaging in formal state partnerships.

Most respondents, even those with production capacities exceeding 10 tons per month and more than a decade of operational experience, opted to stay outside such partnerships. In-depth interviews revealed that what mattered more was not the size or age of the business, but how actors had built and maintained their business ecosystems. These entrepreneurs tend to have solid marketing networks, flexible supply chains, and relatively stable relationships with long-term clients such as agents and wholesalers across various districts. These networks, as

Granovetter (2020) explains in his theory of social embeddedness, are not solely based on economic transactions but are also built upon long-standing trust. In this context, formal and bureaucratic state partnership schemes are often perceived as threats to that flexibility.

Moreover, experienced entrepreneurs tend to be more cautious of state institutional interventions. They carry institutional memories of past experiences, such as delayed payments, sudden regulatory changes, or limited negotiation space within partnership schemes. Some respondents even stated, “We tried the program before, but it was complicated and lacked clarity.” Such remarks reflect a legacy of experiences that discourage them from re-engaging. These findings are supported by de Lauwere et al. (2022), who highlight that in the agri-food sector of developing countries, institutional trust is often a stronger predictor of SME behavior than pure economic rationality.

This tendency reflects a relational pattern between the state and business actors that is not always harmonious. Larger, more experienced rice mills often prefer to manage their operations independently, avoiding institutional interference perceived as rigid and unresponsive to field dynamics. They favor autonomy—space for improvisation, adaptation, and quick decision-making based on market conditions. In this regard, the more mature and established a business becomes, the greater its autonomy in determining partnership directions and models. A large scale does not necessarily mean reliance on the state—it can also signal greater freedom in operational choices.

These findings underscore the importance of recognizing that programs like Bulog’s partnership scheme should not solely target enterprises based on production capacity or longevity. Instead, they must also understand the business orientations and socio-economic relationships that shape entrepreneurial preferences. If these actors prioritize relational stability and market flexibility, then partnership schemes must offer comparable levels of adaptability in order to remain relevant and attractive. Thus, state institutions must build not only frameworks, but also social trust and institutional flexibility—so they are not perceived as restrictive interventions but as collaborative opportunities with mutual benefits.

While production capacity and business duration are often used as normative benchmarks, in practice, they do not sufficiently explain an actor’s motivation to engage in partnerships. The resilience of informal networks and the tendency to avoid dependence on rigid systems provide stronger explanatory power. This serves as a reminder that institutional approaches in the food sector must consider the social and historical dimensions of business actors who are accustomed to operating in fluid and adaptive market environments.

Market Assurance: When Stability Is No Longer Appealing

In the fast-paced and uncertain world of the food business, market certainty is often seen as a key incentive offered by state-led partnership programs. However, these research findings reveal that Bulog’s market assurance does not significantly influence rice millers in Serdang Bedagai to enter into formal partnerships. Fisher’s Exact Test on five variables indicated that

although product absorption assurance is one of the program's core objectives, business actors do not see it as a decisive factor. Why?

Most respondents stated they already had solid and established distribution networks—not only locally, but also across districts and even provinces. During interviews, some entrepreneurs revealed they had regular buyers in Medan, Riau, and even Pekanbaru. With such well-organized supply chains, their rice products rarely sit idle in storage. Field data shows that the average storage time before distribution is only about 6 to 12 days. In this context, the “market assurance” offered by state schemes becomes less relevant—their market is already “secured” through long-standing business relationships. This clearly shows a fast-moving distribution flow that reaches broad regions, rendering their reliance on a state guarantee like Bulog extremely low. Consequently, partnership programs promising “market assurance” cannot compete with the flexibility and speed of the free market systems they already enjoy.

These findings support the view of Cohen & Jackson (2022), who argue that economic actors occupying central positions in distribution networks are more capable of controlling information flows and market access, thus holding greater bargaining power over state institutions. When entrepreneurs have built their own stable networks—with negotiable partners, minimal regulation, and faster cash transactions—the state's assurance is perceived as less appealing. In fact, some respondents described government guarantees as “inflexible,” “unresponsive to market prices,” or “too procedural.”

This condition illustrates a shift in the relationship between the state and SMEs in the food sector. The state, once viewed as a protector and guarantor, is now falling behind the agility of free markets. As noted by Mohammad et al. (2024), in modern food systems, economic actors consider not only formal economic incentives but also informal stability shaped by social networks and business relationships. Therefore, to regain business actors' interest in partnerships, the state must go beyond offering certainty—it must provide added value that cannot be found in the free market.

We can observe that state-offered market assurance is steadily losing its appeal when faced with entrepreneurs who have successfully built self-sustaining business ecosystems. If the state wishes to remain competitive and establish effective partnerships, it must adopt more adaptive approaches, listen more attentively to field realities, and offer a level of flexibility comparable to that of the open market. Going forward, the success of state partnership programs will greatly depend on the state's ability to act not only as a regulator but also as an equal and responsive business partner.

The State, Market, and Social Space Amidst the Rice Granary

Amid the vast paddy fields and the hum of rice milling machines in Serdang Bedagai, the relationship between the state, the market, and business actors is not solely shaped by production figures or fluctuations in rice prices. It is also forged within a social space constructed through interaction, trust, and communication. These research findings reveal that the low

participation of rice mill entrepreneurs in the Bulog partnership program is not merely driven by economic variables—such as purchase price or production capacity—but by something more subtle: the absence of relational proximity between the state and business actors. This leads to an important conclusion—that policies designed without sensitivity to local social and agronomic dimensions tend to fail in generating meaningful participation.

In the context of Serdang Bedagai as one of the main rice granaries in North Sumatra, the presence of the state through partnership programs should serve as a strategic opportunity to strengthen national food security. However, in reality, the state often manifests itself through regulations and administrative procedures that remain detached from the daily realities of business actors. When communication between the state and business actors is limited to circular letters or top-down instructions, the social space required to build trust fails to materialize. In contrast, business actors feel more at ease engaging with market networks built on familiarity, flexibility, and firsthand experience.

From a socio-agronomic perspective, this phenomenon demonstrates that food systems are not merely matters of production and distribution, but also of social relationships embedded in everyday agribusiness practices. Within this space, institutions like Bulog cannot rely solely on their status as state authorities—they must reposition themselves as relational actors, engaging directly, understanding local contexts, and listening attentively to the needs of entrepreneurs. This aligns with the perspective of Bowman & Chisoro (2025), who emphasize the importance of relational statecraft in agrarian interventions, where the success of the state in managing the food sector depends largely on its ability to operate through social networks rather than solely through structural policies.

In this study, only the variable of socialization proved to have a significant relationship with the willingness to form partnerships. This finding underscores that communication is not a supplementary element, but rather the foundation of the partnership itself. Active, dialogical, and consistent socialization not only conveys technical information but also shapes perceptions, opens spaces for participation, and fosters mutual trust. In the context of agribusiness—highly contextual and grounded in long-term relationships—communication cannot be viewed as a secondary instrument; it must serve as the primary bridge connecting policy with practice.

Therefore, the theoretical contribution of this study lies in its call to shift the paradigm of food policy from a market logic toward a relational logic. Within market logic, partnerships are built on rational profit-loss calculations. However, within relational logic, partnerships are sustained through continuous interaction, recognition of local autonomy, and trust-building through meaningful presence. This implies that the state must adopt a relational approach—one that respects local knowledge, engages through dialogue, and presents policy as a collaborative space rather than a unilateral mandate.

In other words, amidst Indonesia's rice granaries, the real contest is no longer solely between price and margin, but between two modes of presence: the state as a regulator, and the state as a relational partner. To restore trust and reinforce strategic partnerships in the food

sector, the state must choose to be a genuine partner—present, listening, and networking alongside business actors within the social spaces they themselves inhabit.

CONCLUSION

The willingness of rice mill entrepreneurs to partner with the state is not solely determined by economic logic—such as purchase price or production capacity—but by the quality of social relationships built through meaningful communication. Findings from Serdang Bedagai, one of the agricultural hearts of North Sumatra, indicate that institutional approaches emphasizing active and dialogical socialization have a greater influence than material incentives, which are often assumed to be the main determinants of partnerships. In a context where business actors already possess established distribution networks, trust becomes a more valuable currency than price or market certainty. Thus, partnerships initiated by the state cannot rely merely on administrative regulations; they must be shaped through relational approaches that grasp the social, agronomic, and historical dynamics of business actors. This study affirms that the success of state-led partnership policies in the food sector critically depends on the state's ability to function as a trust-building partner—not merely as a scheme provider—and this constitutes a vital contribution to the development of socio-agribusiness studies in Indonesia.

ETHICAL STATEMENT AND DISCLOSURE

This study was conducted in accordance with established ethical principles, including informed consent, protection of informants' confidentiality, and respect for local cultural values. Special consideration was given to participants from vulnerable groups to ensure their safety, comfort, and equal rights to participate. No external funding was received, and the authors declare no conflict of interest. All data and information presented were collected through valid research methods and have been verified to ensure their accuracy and reliability. The use of artificial intelligence (AI) was limited to technical assistance for writing and language editing, without influencing the scientific substance of the work. The authors express their gratitude to the informants for their valuable insights, and to the anonymous reviewers for their constructive feedback on an earlier version of this manuscript. The authors take full responsibility for the content and conclusions of this article.

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