

***POLICY ANALYSIS OF NATIONAL SUGAR INDUSTRY:  
IS IT CAPABLE TO INCREASE THE INCOME OF  
SUGAR CANE FARMER: A SYSTEM DYNAMICS  
APPROACH***

**Name : Ratna Novitasari**  
**NRP : 2505 100 118**  
**Departement : Industrial Engineering**  
**Supervisor : Dr.Ir. Budisantoso Wirjodirdjo, M.Eng**

***Abstract***

*The development of sugar industry in Indonesia has been always an interesting topic to be discussed over the time, started from eighty years back at which Indonesia was the largest sugar exporter country, to the collapse of sugar production which forced Indonesia to become sugar importer country at the beginning of 1990 until now, as demand is getting higher time by time. Historically, the sugar industry is one of the oldest and most important plantation industries in Indonesia. History shows that Indonesia has experienced the glorious era of the sugar industry in 1930; the amount of sugar factories that operated was 179 sugar factories. This is a great achievement made Indonesia the largest sugar producing country in the world, competing with Cuba. After experiencing many rise and fall, Indonesian sugar industry has now decreased to at least 58 active sugar factories, whereas sugar imports increased by 50% as to meet domestic sugar demand; that made Indonesia the fifth-largest sugar importer country in the world. This situation indicates that there is a problem in the Indonesian sugar industry. Problems that occurred at the national sugar industry are not just about the declining of sugar production from time to time, but also related to the government policies and regulations of the*

*sugar industry systems that have not been capable yet to improve the welfare of sugarcane farmers. So in this case, problem solving is approach by dynamic systems modeling. The function of this dynamic system approach is to describe the real system behavior and to simulate scenarios of government policies as an effort to improve the welfare of Indonesian sugarcane farmers. Based on research conducted, the obtained results show that the best scenario provides the most significant impact on Indonesia sugarcane farmers profit is to revitalize sugar factories and the establishment of sugar import duty to 20%.*

***Keywords: national sugar industry, dynamic systems, the welfare of sugarcane farmers***