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Implementation of Islamic Economic Principles in Dairy Milk Transactions: Case Study Of Mining Village, Ponorogo

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Abstract

This research focuses on the relationship between farmers and collectors in the milk distribution system in Desa Tambang, which shows an imbalance in bargaining power and a lack of transparency in the price determination process. The main problem found is the collectors' control over the distribution channel, so that farmers do not receive economic value in return for their labor. This research aims to explore these conditions through qualitative research methodology using the case study method. Data collection techniques were conducted through in-depth interviews, observation and documentation. The research findings show that the current distribution system is not fair and oriented towards social welfare. Based on John Rawls' theory of justice and Islamic economic principles, this research presents an alternative distribution system that is fair, transparent and inclusive. This alternative is expected to empower farmers through equitable partnerships and improve their welfare in a sustainable manner.

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INTRODUCTION

Desa Tambang is one of the centers of smallholder farming that utilizes dairy cows as one of the main sources of livelihood for the community. Farmers daily produce fresh milk that is channeled through collectors to be distributed to processing industries and cooperatives. But in reality, the milk distribution process is often characterized by inequality, especially in the relationship between farmers and collectors. Farmers are usually in a weak negotiating position, faced with non-transparent prices and high dependence on collectors as the only distribution channel.

Dairy cattle farming in Desa Tambang is not only the main livelihood for the local community, but also contributes significantly to improving the welfare and economic growth of the village. The condition of animal husbandry is growing rapidly in the Tambang Village area, driven by several factors (Dyer dkk., 2021). First, the natural environment supports the availability of quality forage as animal feed. Second, the heritage of local knowledge and traditions in caring for dairy cows that have been passed down from generation to generation. Third, the active role of the government and various institutions that continue to provide training and technical assistance to farmers.

Based on problems in the field, farmers often do not have a strong bargaining position in determining milk prices, especially if there is only one or a few collectors operating in the area. In addition, the milk quality grading system is not transparent, so farmers do not understand the basis for price reductions due to low quality claimed by collectors. Interviews showed that farmers felt the price received was unfair, while collectors argued that the price followed market standards. Fairness and transparency here are two key values that should be present in the rural economic system (Permadi dkk., 2023). Justice is a key principle in distribution as in production and consumption activities (Permana & Nisa, 2024). Fairness ensures that each actor receives their rights proportionally, and transparency ensures equal and honest access to information among stakeholders (Kalbu dkk., 2024). Without these two values, inequality will persist and widen the socioeconomic gap between production and distribution actors.

The aim of this research is to be able to find opportunities for improvement in the cow's milk distribution chain by evaluating the application of the principles of fairness and transparency in dairy milk collection transactions to improve the welfare of farmers. If fortunate, the application of Islamic economic principles along the distribution chain is expected to have an impact on increasing the sustainability of dairy farming businesses, thereby improving the economic welfare of farmers in a sustainable manner.

RESEARCH METHODS

This research uses a descriptive qualitative approach because it aims to obtain a separate picture of the dynamics of the relationship between dairy farmers and milk collectors in Tambang Village in relation to the distribution of livestock products. This is because it can describe the social reality, experiences, and perceptions of the actors in a broad and context-oriented manner. The location of Desa Tambang was chosen as the

research site because it is one of the centers of dairy farming in the region with relatively intense milk distribution activities to various parties, ranging from small farmers, collectors, to cooperatives. In addition, this location also reflects the common challenges faced by farmers in rural areas related to dependence on conventional distribution channels.

The data collection methods used in this research are varied and use a qualitative approach, namely in-depth interviews, participatory observation, and documentation (Achjar dkk., 2023). Interviews with breeders and collectors were conducted to gain a full understanding (Sulistiyo, 2023). Observation is done by directly observing the milk distribution process and the interaction of the actors involved (Judijanto dkk., 2024). Documentation was obtained from field notes, cooperative archives, and other supporting documents.

The data analysis process is carried out systematically with the stages of data reduction, data presentation, and conclusion drawing (Qomaruddin & Sa'diyah, 2024). The data obtained is first categorized and minimized to note important patterns (data reduction), then arranged in the form of narratives and thematic matrices to facilitate interpretation (data presentation), before finally being analyzed to find meaning, solve formulated problems, and draw conclusions related to the research objectives (Sumilih dkk., 2025). This technique allows one to gain an in-depth and comprehensive understanding of the research problem. Interview results from farmers and collectors were summarized to extract the core information related to the problem formulation. The data was then presented in the form of narratives or tables for easy understanding. The final stage is drawing conclusions based on the theory used in the research.

RESULTS AND DISCUSSION

Transaction interactions between collectors and dairy farmers in Tambang Village, Ponorogo show the application of the principles of fairness and transparency aimed at supporting the improvement of farmers' welfare. In terms of fairness, milk prices are set based on the quality and quantity of milk delivered. According to Mas Aan, one of the dairy milk collectors, explained that price determination considers a number of indicators, such as fat content, acidity level (pH), total solids content, and water content in milk. Therefore, the price received by farmers reflects the value of the quality of the product produced, with higher quality milk receiving a higher price. The application of the principle of fairness is reflected in the fair and equal treatment of all farmers without discrimination in the milk quality assessment process.

The principle of transparency is reflected in the openness of dairy milk collectors to pricing and milk quality test results (Soesilo, 2021). Mas Aan said that the milk received is immediately weighed and tested on the spot using tools such as a lactometer to measure fat and protein levels. The test results are recorded and communicated to farmers, so that they understand the basis for price calculation. This process demonstrates transparency at every stage of the transaction, which supports the application of the principle of fairness and contributes to the improvement of farmers' welfare.

The drive to improve milk quality has a positive impact on farmers, both in terms of income and welfare. Payments made regularly every month also ensure income stability and support the improvement of farmers' economic conditions. This reflects John Rawls' principle of justice, where justice is achieved when every individual has equal opportunities to benefit from the economic system (Rawls, 2006). In the context of milk transactions in Desa Tambang, justice is reflected through an objective valuation system based on milk quality, not on the basis of social status or personal closeness, so that all farmers have an equal opportunity to get a fair price.

In the framework of the theory of justice proposed by John Rawls, this condition contradicts the principle of fair equality of opportunity and the difference principle. According to Rawls, economic inequality can only be justified if it provides the greatest benefit to the most disadvantaged parties. However, in practice in Tambang Village, it is the farmers who are the least advantaged group in the distribution of the economic value of their livestock products (Amsari dkk., 2023). This inequity is exacerbated by the lack of transparency in pricing and the minimal involvement of farmers in distribution decision-making.

The transaction process in milk collection in Desa Tambang faces a number of obstacles that hinder the implementation of the principles of fairness and transparency, and have implications for the welfare of farmers. The main problem encountered is the contamination of milk by antibiotic residues, so that the milk cannot be accepted by the factory because it does not meet the provisions of food safety standards. This condition causes collectors to bear losses and incur additional costs to conduct quality testing so that the milk meets the set standards (Eunike dkk., 2021).

Another obstacle faced is the difficulty in tracing the source of contamination due to farmers' lack of transparency regarding antibiotic use. This makes it difficult for collectors to identify the origin of the problem, increases the risk of losses, and forces more extensive and expensive testing (Dhevyanto & Ak, 2023). As a result, operational costs increase and the implementation of a fair and transparent transaction system is hampered. The practice of fairness and transparency in the study was found in several actions of dairy milk collectors, such as weighing with accurate digital scales, reporting milk quality, and recording transactions openly. This is also in line with the theory that fairness and transparency can create a mutually beneficial relationship between producers (farmers) and distributors (milk collectors).

Encouraging fairness and transparency in the dairy milk transaction process, improvement efforts are needed through training for farmers regarding the dangers of inappropriate use of antibiotics and the importance of maintaining milk quality (Ariwidodo, 2020). In addition, the implementation of an identification system through the provision of codes or labels on each milk container is an important step to improve accountability and facilitate the tracking of contaminated milk. This approach not only fosters farmer responsibility for the quality of the product being deposited, but also makes it easier for collectors to separate milk that does not meet standards.

The application of the principles of fairness and transparency in milk transactions in Desa Tambang plays an important role in creating a balanced relationship between farmers and collectors. Fairness can be seen in the price adjustment given in accordance with the quality and volume of milk deposited. If price fixing is done unilaterally by collectors without considering the farmers' production conditions, this can lead to imbalances (Jaya, 2023). Therefore, a transparent and fair pricing system is needed, based on mutually agreed quality standards and supported by an open weighing and testing process.

Another important issue that is usually pursued in terms of building trust between farmers and collectors is transparency (Purwatiningsih, 2022). A common problem can be attributed to the lack of transparency in the recording mechanism regarding the amount of milk stored by farmers, or the results of quality tests, on which the selling price is based. If there is no transparency in this regard, suspicion and dissatisfaction may be created among farmers. Therefore, the use of correct measuring instruments, proper data recording, and clarity between both parties in terms of communication are the basic ingredients in setting up a fair transaction (Sari dkk., 2023).

The application of the principle of fairness is also related to the welfare of farmers. If milk collectors have complete control over the price and distribution of milk without considering the cost of production and the corresponding profit for farmers, it may lead to economic instability for them. Social welfare theory is concerned with improving the standard of living of individuals in society through the fair distribution of available resources (Nur Fadilah, 2020). Fluctuations in milk production influenced by seasonality and feed conditions reflect the challenges of maintaining balanced production. However, good management and collector support help farmers maximize yields, although average productivity is still below the maximum potential of an ideal Holstein Friesian dairy cow (Gustina, 2021). Monthly data on milk production in Desa Tambang cooling shows variability in production with the highest peak in December (325,400 liters) and the lowest rate in February (280,500 liters), which is caused by external factors such as forage feed quality.

Therefore, the principles of fairness and transparency in the processing of milk sales and purchases in Desa Tambang must be systematic and sustainable. This can be realized through mutually agreed regulations, support from regulations, and supervision in various forms involving various parties, including the local government. It is also expected that the relationship between farmers and collectors, if these principles can be implemented appropriately, is carried out fairly with mutual benefit and ultimately improves the welfare of farmers, improving the quality of the dairy industry in Tambang Village, Ponorogo.

With the principles of justice and transparency proposed by John Rawls and social welfare theory, the Desa Tambang milk distribution program can be a model of farmer empowerment through ethics and inclusive economics. This reform will not only improve the economic welfare of farmers, but will also build ownership, dignity and autonomy among village communities. Therefore, harmonization between the village government, cooperatives, and sharia-based financial institutions is crucial in facilitating sustainable reforms to this mechanism.

CONCLUSION

After conducting research and discussion as previously described regarding the application of the principles of fairness and transparency in dairy milk collection transactions, the following conclusions can be drawn: Dairy milk transaction practices in Desa Tambang reflect effective implementation of fairness and transparency. Pricing is done fairly based on milk quality and quantity, supported by open and consistent weighing, testing and payment processes. Incentives for quality milk and facility assistance from collectors contribute to improved farmer welfare. While obstacles such as antibiotic residue contamination remain, these can be overcome through training and education. Consistent application of these principles strengthens the partnership between farmers and collectors while encouraging improvements in production quality and farmer competence. Milk collectors are encouraged to be more consistent in applying the principles of fairness and transparency, especially in delivering milk quality test results through reports that are easily understood by farmers. This effort can increase farmers' self-esteem and their trust in the system used by collectors.

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