ABSTRACT

Kendal regency is the second centre of the traditional tobacco producer in Central Java and it's been developing since the ancient time. Being the traditional plant, tobacco will dominate the farming productions when the dry season comes. Nevertheless, while the tobacco land was greatly extending, the productivity tended to decrease from 1999 to 2004. In the other side, the tobacco price is unpredictable while the price materials product factors always grow up.

The aim of this research is to know the influence of the variable input toward profit level, production scale condition and the comparison of the relative economy efficiency level based on the land width scale in Gemuh district of Kendal regency. The data used in this research is the primarily getting from direct interviews. The research was done from March to June 2005. The analysis model used is the Cobb-Douglas profit function with the short term analysis based on the *Zellner's SUR* simultaneous prediction method.

The result shows that the traditional tobacco business in the studied regency hasn't given the maximum profit for the producer. If partially analyzed, the use of each variable inputs of labour, seed and pesticide is not as optimal as the 10 % mistake degrees ($\alpha = 0.10$) although the fertilizer variable remain optimal.

The variable inputs of labour wage, fertilizer and the fixed input of the land width have the real influence to the profit gain while the variable inputs of seed, pesticide and the fixed input of the tool have the unreal .

Return to scale of the traditional tobacco agribusiness in the research area is *increasing returns to scale*. Therefore the efford of the increasing profit is by increasing the production technique, using the variabel inputs optimally and increasing business management improvement

From the analysis of relative economic efficiency, apparentry there it is proved that there is the difference between the small and big farmers. The small who cultivates the land of ≤ 0.5 ha is more efficient than that with > 0.5 ha.

From the estimation of the input demand function and the output supplied function it is known that the input demand of the labour and pesticide is inelastic to the profit, while the demand of seed and fertilizer is elastic to the profit. And the tobacco product supplied is elastic to the profit change.

Key words : The Traditional Tobacco Agribusiness, Maximum Profit, Returns to Scale, The Efficiency of Relative Economy, Cobb-Douglas Profit Function