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Strengthening Indonesian Agribusiness: Rural Development and Global Market Linkages

IPB International Convention Center, Bogor - Indonesia,
25 - 26 April 2016

Editors :
Amzul Rifin
Meine Pieter van Dijk
Diederik P. de Boer
Huub Mudde
Johan van Rooyen
Siti Jahroh

Organized by
Department of Agribusiness, Faculty of Economics and Management, Bogor Agricultural University - Indonesia
in collaboration with
NICHE NUFFIC Programme - The Netherlands

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PROCEEDING

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FOREWORD

With deep satisfaction I was writing this foreword to the Proceedings of International Conference with the theme of **Strengthening Indonesian Agribusiness: Rural Development and Global Market Linkages** held in IPB International Convention Center, Bogor Agricultural University, Indonesia, on 25 -26 April 2016. This conference marked the end of the NICHE Project which started in 2011.

Diverse papers and discussion represent the thinking and experiences of mixed and various scholars of their particular interest and fields. Of valuable was the presence of prominent scholars who brought their newest findings out of their research works. Their contributions helped to make the conference as outstanding as it has been.

Special thanks are due to the invited speakers Prof. Meine Pieter van Dijk (Maastricht School of Management (MSM) Netherlands), Dr. Daniel Sherrard (Earth University, Costarica), Dr. Nunung Kusnadi (Agribusiness Department, Bogor Agricultural University), Oliver Olson, MBA (Director Global Education Programs at Maastricht School of Management), Huub Mudde, M.Sc (Agricultural Counselor, Embassy of the Kingdom of the Netherlands), Prof. Johan van Rooyen (Agricultural economics at Stellenbosch Univeristy, South Africa), Ir. Wildan Mustofa, MM (Hikmah Farm, Pangalengan West Java), Joshua Bray, M.Sc (Sydney University, Australia) and Dr. Nerlita M. Manalili (Managing director NEXUS Agribusiness Solutions, Philippines and SEARCA Consultant Agribusiness). We would like also to thank the editor of the proceeding, Dr. Amzul Rifin, Prof. Meine Pieter van Dijk, Diederik P. de Boer, PhD, Huub Mudde, M.Sc, Prof. Johan van Rooyen, Siti Jahroh. Phd, Triana Gita Dewi, M.Sc, M. Rizqy Mubarok, M.Si, and Hamid Jamaludin, SE for the layout of the proceeding.

It is my hope that this proceeding will contribute to the development of agriculture and rural development in the world and in Indonesia especially.

Dr. Dwi Rachmina
Head of
Department of Agribusiness
Faculty of Economics and Management
Bogor Agricultural University

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MARKETING ANALYSIS OF BROCCOLI IN LEMBANG WEST JAVA INDONESIA (CASE STUDY: CV. YAN'S FRUITS AND VEGETABLES, LEMBANG, WEST JAVA)

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ABSTRACT

Broccoli is a potential horticultural commodity in Indonesia because of its many benefits. Therefore, broccoli's marketing process requires good management. The objective of this research was to analyze: (1) marketing management functions of broccoli applied in Lembang District, (2) marketing mix strategies of broccoli applied in Lembang District and (3) marketing performance of broccoli in Lembang District. This research was conducted in CV. Yan's Fruits and Vegetable, Cibodas Village Lembang District, West Bandung. Data was collected by observation and interview. The data analysis method used was the qualitative descriptive analysis that consisted of management functions approach, marketing mix approach, marketing margin analysis and also farmers' share analysis. The results showed that: (1) the functions of marketing management broccoli applied in Lembang District were planning function, organizing function, actuating function and controlling function, (2) marketing mix strategies applied in Lembang District were product strategy, price strategy, promotion strategy and place strategy and (3) market margin and farmers share for the first channel were 52.38 percent and 47.62 percent and market margin and farmers share for the second channel were 55.55 percent and 44.44 percent.

Keywords: *broccoli, management, marketing, strategy*

INTRODUCTION

Horticulture is one of agriculture sub-sector which can be relied upon to develop and promote agriculture in Indonesia. It is because horticulture, particularly fruit and vegetable, is part of the agricultural development in the food sector to establish self-sufficiency, improve nutrition community by providing a wide range of foodstuffs and it can increase personal incomes. However, the cultivation of horticultural products should be carried out intensively because they are easily damaged (perishable), the quality of the products is determined by the content of water for consumption in fresh condition, availability of products is seasonal and bulky (voluminous or bulky) and requires the planting area (geography) which is very specific for agro-climatic. It shows that the cultivation of horticultural products requires a high cost to produce a high-quality product per unit area per unit time (Zulkarnain, 2009).

According to Suwarto (2010), broccoli has various advantages compared to other vegetables. Broccoli contains two chemical compounds that serve to improve the enzymes and can destroy carcinogenic which is a cause of cancer. In addition, the chromium content of broccoli is also useful to regulate blood sugar levels in the body. Broccoli also contains fiber, a mixture of *Omega-3, beta-carotene* and some other vitamins that serve to lower cholesterol and regulate blood pressure. These leads broccoli began in high demand by the people of Indonesia.

Lifestyle changes occur in people who live in big cities and are in middle- and upper-middle income. A significant change is to begin the shift in consumption patterns of eating vegetables from low nutrient levels to high-quality vegetables and high nutrient levels, especially broccoli. However, there are several obstacles in an effort to meet the demand of quality vegetables, lack of knowledge among farmers about planting the right system, so as to produce products with good quality, sustainable and also has a large quantity.

According to the Directorate General of Horticulture (2014), the demand for broccoli in Indonesia tends to increase. It indicates that broccoli has the potential to be developed and can

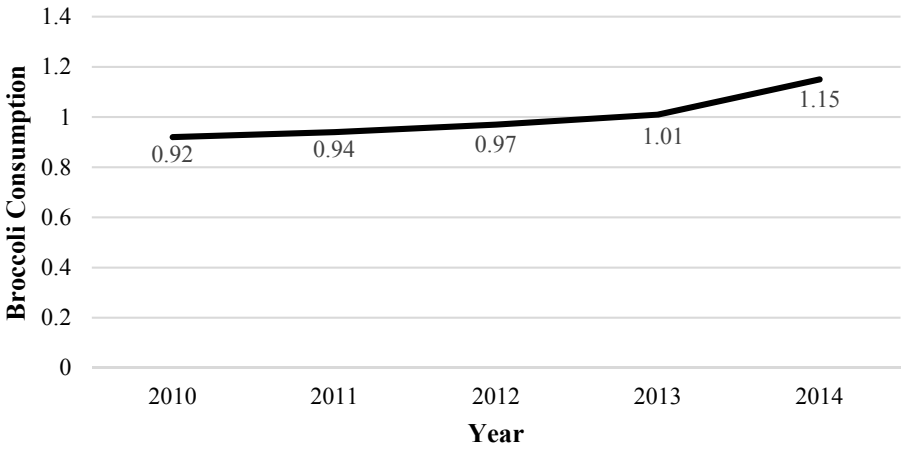

Figure 1. Broccoli Consumption in West Java in 2010 to 2014
Source: Statistic Indonesia (2015)

help promote agriculture Indonesia due to high demand from the domestic market. However, to meet the demand from abroad, production volume and high productivity and sustainable are required in order not to lose the vegetables from competing countries.

Broccoli consumption in Indonesia in 2010 to 2014 is presented in Figure 1. Broccoli per capita consumption data from Susenas (2015) showed that consumption of broccoli had increased. Increased consumption of broccoli shows an increasing demand in the country, especially in big cities, so it requires special treatment from upstream to downstream subsystems to health and fitness products is maintained when it gets in the hands of the end consumer. To increase production, productivity, quality and competitiveness optimally, it requires effective and efficient handling of inter- aspects of production and distribution. One of the priority activities that have been prepared by the Directorate General of Horticulture contained in the "Six Pillars of Horticultural Development Activity in 2012" is to improve the system of marketing of horticultural products.

In Figure 2 we can see that the production of broccoli is progressively decreased. This production decline is not accompanied by increasing consumer demand. One of the centers producing vegetables in West Java province is CV. Yan's Fruits and Vegetable which is located in Cibodas Village, Lembang district that manages exclusive vegetables to be marketed in supermarkets, hotels, restaurants and exported to

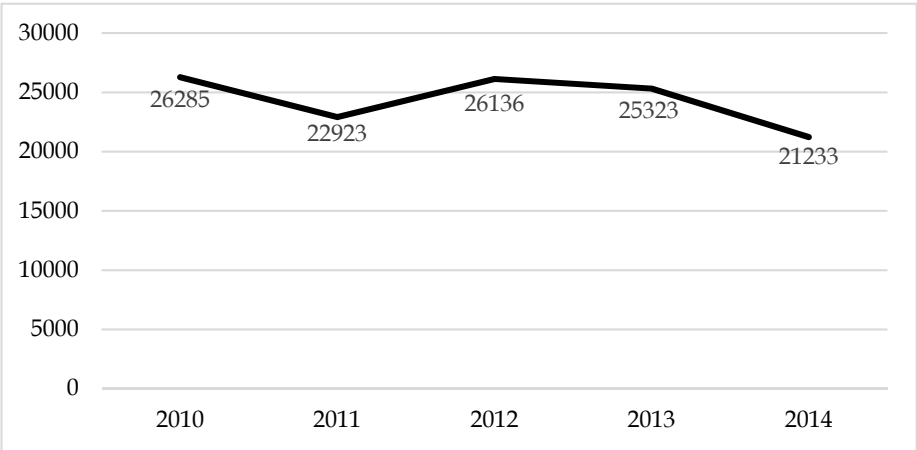

Figure 2. Broccoli production in West Java in 2010 to 2014
Source: Statistic Indonesia (2015)

neighboring countries. To obtain the optimum output, it requires a good management in the marketing process. The objective of this research was to analyze: (1) marketing management functions of broccoli applied in Lembang District, (2) marketing strategy broccoli applied in Lembang District and (3) marketing performance of broccoli in Lembang District.

METHODS

DATA COLLECTION AND ANALYSIS

The research was carried out in the CV. Yan's Fruit and Vegetables, Lembang, West Java. The samples of this study were the owner-employees and farmers of CV. Yan's Fruits and Vegetables. Data collected in this research consisted of primary data and secondary data. The primary data was obtained through an interview with the owners and employees using a questionnaire that had been prepared before. The questionnaire included the functions of marketing management, marketing mix, production costs and prices. Secondary data were obtained from the data cited directly from the document of CV. Yan's Fruits and Vegetables and government agencies that associated with the research.

The analytical method used to answer the first goal was descriptive analysis using marketing management approach, for the second goal was a qualitative descriptive analysis using the marketing mix approach and for the third goal was a qualitative descriptive analysis by using analysis of marketing margins and farmers share.

MARKETING MANAGEMENT

Kotler (2009) told that marketing management is the art and science of choosing target markets and getting, keeping and growing customers to create, deliver and communicate the superior customer value. This definition realizes that marketing management is a process that includes analysis, planning, implementation and supervision also include goods, services and ideas. Based on the exchange and its purpose is to give satisfaction to the parties involved. Thus, it can be concluded that the task of marketing management not only offers goods or services according to the needs and desires of the market, establish effective pricing communication and distribution to provide information, influence and serve the market, but more than that. The task of marketing management is to influence the level, timing and composition of demand to help companies achieve their goals. Firms in carrying out its activities must implement management functions, which are planning function, organizing function, actuating function and controlling function.

MARKETING MIX STRATEGY

The marketing strategy consists of the basic principles underlying the management to achieve business objectives and marketing in a target market. Marketing strategy contains basic decisions about marketing, marketing mix, marketing mix and marketing location. The 4Ps marketing mix consists of product strategy, pricing strategy, place strategy and promotional strategy. In addition, some research need the 7Ps to know the strategy. The 7Ps marketing mix is product, price, promotion, place, participant, proses, dan physical evidence. This research just needs 4Ps strategy because this research was carried out in a packing house that doesn't sell the product to the consumer directly and the output of this place was just broccoli which had been packed, not broccoli which had been processed to another food. So, 7Ps strategy is not suitable for this research (Kotler, 2004).

MARKET PERFORMANCE

Market performance is a central symptom that appears as a result of the interaction between market structure and market conduct. In fact, the interaction between the structure and behavior of the market tends to be complex and they influence each other dynamically. Marketing performance can be measured based on the cost and income earned by each marketing agencies.

Marketing margin is the difference in the price paid by the final consumer with the prices received by producers (Limbong and Sitorus,

1987). According to Dahl and Hammond (1977), the margin is a function of the level of retail prices. Meanwhile, according to Asmarantaka (2009), the notion widely margin is a reflection of the activities of a business or marketing functions performed in the marketing system. It is a collection of remuneration of activities or adds value to the added value in the flow of agribusiness products. The formula of marketing margin is:

$$MT = (Pr - Pf)/Pr \times 100\%$$

Farmer's share is part of the value paid for the end consumer received by farmers, expressed as a percentage (%). Magnitude farmer's share and marketing margins vary or differ among commodity dependent relative cost marketing be issued with added value. In interpreting the amount of marketing margin and the farmer's share must be careful. High marketing margins and declining farmer's share price are not always found on the farm level, farmers acceptance, marketing efficiency or value of food in the consumer. This quantity depends on the processing of the two forms of the product. The formula of farmers' share is:

$$F's = (Pf/Pr) \times 100\%$$

Details:
MT : Marketing Margin Total (%)
F's : Farmers' Share (%)
Pr : Price on consumer level (Rp/kg)
Pf : Price on farmer level (Rp/kg)

CASE STUDY

MARKETING MANAGEMENT

Planning Function

Planning is a formulation of the question of what and how things work is to be carried. Planning is not only the task of the national planning agency but also every organization there must be planning. We must always make a plan in order to run the organization smoothly. Whatever, we will continue to plan, so the implementation of the work will be focused, efficient and effective

Marketing planning process in CV. Yan's Fruit and Vegetable among which the order was to make data requests from all partners. Thus, it was compared with the available supply, so that the company could know what commodities were not available. Therefore, the company could find a partner for the supply of these products, so that it could receive all orders from customers.

Organizing Function

Organizing is a setting after plans are prepared. In this case, the regulated and determined on the task at hand, the type and nature of work, work units, officers involved, the tools used, finance, facilities and support, thus, can become the terms in seeking competent officers which are capable and skillful following requirements required. To organize activities that can run smoothly without any obstacles, employees of the warehouse also always hold meetings turn off schedule, to always work with discipline and competent. These activities are also carried out to create activity in the warehouse to avoid obstacles barriers of the division of labor.

Organizing function in CV.Yan's Fruit and Vegetable run very well because the communication occurred smoothly between the owners, suppliers, employees and consumers went, even most of the employees of CV. Yan's Fruit and Vegetable were relatively close to the owner.

Actuating Function

After the plan has been prepared and has also been arranged entirely well, subsequently it is moved so that all employees work in their respective sectors to achieve common goals. Care should be taken so that all the participants not only receive instruction, but they also have the consciousness to complete tasks in accordance with their respective targets. To minimize production costs, the owner has a strategy to double the employee's duties, for example, employees who serve as a driver also perform the packaging process. Another approach adopted is to minimize the margin for local commodities and

increase margins for exclusive commodities such as broccoli.

Purchasing function is very necessary to be applied. For example, when farmers in the Cibodas had nothing to plant chili, then the company will supply the market. It is because that consumers remain loyal to the company for the entire order can be available. Similarly, broccoli was a commodity with the highest demand, 450-600 kg every day. When Cibodas Village Farmers had not been able to meet the demand of broccoli which was very great, the owners finally had a strategy for supplying the broccoli from the other side of the villages, such as Cikole or Cibogo, so that consumer demand could be met.

Next function is the storage. It is one of the functions that would change the value of an asset in the process of business administration. These efforts are intended to store and protect goods from damage. In this company, new vegetables added to the storage warehouse before cleaned and packed.

And the next function is the packaging. The role of this packaging is a coordinated system of goods preparation which is ready to be distributed, stored, sold and used. Their containers or wrapping tools can help prevent or reduce damage, protect the product contained, to protect from the dangers of pollution and physical disorders (friction, impact, vibration).

In addition, the packaging serves to put a result of processing or industrial products that facilitate the storage, transport and distribution. Because packaging is one of the business administration functions to change the shape, then container or wrapper functions as stimulants or buyer appeal. Next function is the sales. It is a very important function in marketing and determining whether the marketing planning is more highly dependent on sales execution or not. Sales are also conducted for the purpose of obtaining a profit in order to maintain continuity or progress of the company. In addition, to facilitate the flow of the goods from producers to consumers. The company sells the products through the process of distribution to get into the hands of consumers.

Next function is transport or distribution. It aims to move goods physically from one place to another. In marketing, the transport function plays an important role in influencing the flow of goods from producers to consumers. Transportation is one of the main factors in the marketing function. CV. Yan's Fruit and Vegetable performed the transport function using the pickup and the truck box to distribute the product to the consumer. Implementation of this function is expected to be run effectively and efficiently.

Furthermore, the latter function is underwriting risk, where every company must not avoid the risk. Underwriting risk is carried out in order to anticipate, mitigate and resolve risks that may be encountered by the company. The biggest risk faced by the company is either price of vegetables currently or vegetable scarcity. Therefore, the company must keep supplying vegetables in quantity and price agreed with the customer before. If the company was experiencing a lack of inventory, then CV. Yan's Fruit and Vegetable had to buy vegetables from a various ~~of~~ places to meet market demand.

Controlling Function

Although the plan has been prepared, organized and directed, it does not necessarily guarantee that the goal will be achieved. Control or supervision is needed so that field work will be performed correctly and on time. Furthermore, errors or irregularities can be repaired as soon as possible. The task of control is indeed difficult because not everyone can understand it properly.

The sale is supervised by controlling the volume of requests every month. This query volume data is reported by each customer which is then processed by the administration to be prepared as monthly reports and used as the basis for consideration of any oversight of sales.

For more surveillance is carried out through frequent meetings between owners, suppliers, employees and consumers. This activity is intended to evaluate the company's marketing activities. The result of the meeting is to take into consideration in the implementation of marketing wisdom in the future. Companies

can determine complaints from consumers of services provided.

MARKETING MIX STRATEGY

Product

The products are the first and most important element in the marketing mix. The product is everything that has value in a target market and provides benefits and satisfaction in the form of goods, services, organizations, places, people, ideas and so on. Product strategy consists of product line strategy and product mix strategy. Product strategy requires a coordinated decision-making on the product mix, product lines, brands, packaging and labeling (Purnama, 2001).

Product strategy offered by CV. Yan's Fruit and Vegetable was to produce products with the best quality and in large quantity according to market demand. CV. Yan's Fruit and Vegetable applied standards on any product coming from farmers.

Price

Price is only one of the marketing mix that produces revenue, while others produce costs. Pricing goods and services are a key strategy for the company because prices affect the financial performance as well as the perception of the buyer and brand positioning. Price becomes a measure of the quality of the product when the buyer has difficulty in evaluating complex products (Purnama, 2001).

Pricing strategy applied in CV. Yan's Fruit and Vegetable was set constant prices so that farmers were willing to provide their products to the company. This consistent pricing was applied by CV. Yan's Fruit and Vegetable's farmers and consumers.

Promotion

Promotion is the last activity of the marketing mix strategy which is very crucial because now the market is most likely to be mostly a buyer's market in which the consumer strongly influences the final decision of the transactions of sale and purchase. Therefore, the customer is king, so the producers of various goods and services have to compete to win the hearts of buyers that are interested and want to buy the goods they sell.

Applied promotional strategies CV. Yan's Fruit and Vegetable was to promote the company through social media such as blogs and facebook, so that people could see what was available on CV. Yan's Fruit and Vegetable.

Place

The distribution channel is the distribution of decision regarding the ease of services access for customers. The place where the products are available in many distribution channels and outlets that allow consumers to obtain a product easily.

Distribution strategy applied in CV. Yan's Fruit and Vegetable was to distribute the goods directly to the specified destination without delay, so that the products distributed remained fresh and with the highest quality.

MARKET PERFORMANCE

Market performance is a central symptom that appears as a result of the interaction between market structure and market conduct. In fact, the interaction between the structure and behavior of the market tends to be complex and they influence each other dynamically. Marketing performance can be measured based on the cost and income earned by each marketing agencies.

Table 1. Cost Details of Broccoli Farming (ha/year)

Details	Value
Income	20 kg
Depreciation cost	15,000,000
Production Cost	100,000,000
Labor	25,000,000
Total Cost	140,000,000

Total production for one hectare of land was 25 tons at a price of Rp 8,000.00 per kg when sold in traditional markets so that its total income per harvest was Rp 200,000,000.00. Based on Table 2 it can be concluded that the total cost was Rp 140,000,000.00 for one hectare of land so that the

Figure 3. Marketing Channel of Broccoli Farming in Packing House

benefits of farmers was Rp 60,000,000 per 25 tons or Rp 2,400.00 per kg. However, while if they sold in the packing house, the price per kg was 20,000.00.

Broccoli farm marketing in Lembang is divided into two marketing channels. First, the distribution of broccoli with the best quality to CV. Yan's Fruit and Vegetables and distribution of broccoli with poor quality to traditional markets. Marketing channels of broccoli farming in the packing house and traditional market are presented in Figure 3 and Figure 4, respectively Figure 3 describes broccoli marketing channels from farmers to the packing house. broccoli with high quality that went into packing house could be purchased at a price of Rp 20,000.00. Broccoli was delivered directly to the warehouse using a distribution fee of Rp 50 per kg so that farmers gained Rp 14,350.00 after deducting production costs. After that broccoli was packed using plastic in the packing house. Based on the interview, packaging cost and wage of employees for each broccoli was Rp 500. Once the broccoli is packed well, broccoli is distributed to supermarkets. Distribution cost and labor cost incurred for each broccoli were Rp 1,000. So the packing yielded a net profit worth of Rp 16,000.00 per piece of broccoli. Once distributed to supermarkets, broccoli was marketed to the final consumer. Supermarket took a margin of at least 20 percent of the level of the purchase price, of which 20 percent was used to cover the risks to be acceptable. The price of broccoli in the supermarket was Rp 43,000.00. From the details, we can calculate market margin and farmers' share for both of the channel. The marketing margin and farmers' share for the first and the second channel are presented in Table 2.

Table 2. Marketing Margin and Farmers' Share in Broccoli Marketing Channel

Details	1st Channel	2nd Channel
Farmer	20,000	8,000
Farmer's Cost	5,650	5,650
Farmer's Profit	**14,350**	**2,350**
Packing House	33,500	
Packing House Cost	1,500	
Packing House Profit	**12,000**	
Traditional Market		18,000
Supermarket	42,000	
Marketing Margin	**22,000 (52.38 %)**	**10,000 (55.55 %)**
Farmers' Share	**47.62 %**	**44.44 %**

Marketing margin in the first channel was lower than the second channel (Table 2). So the first channel is better than the second channel, because if the marketing margin is lower, the channel will be more efficient (Hasyim, 2012). After that, the farmers' share in the first channel was higher than the second channel, it means that the first channel is more efficient than the second channel, because if the farmers' share is higher, the channel will be more efficient (Hasyim, 2012). In conclusion, the first channel is more efficient

Figure 4. Marketing Channel of Broccoli Farming in Traditional Market

than the second channel. However, we must remember that we cannot just use marketing margin and farmers' share to calculate marketing efficiency, it also can be influenced by value edited that is performed in each channel.

CONCLUSION AND RECOMMENDATION

CONCLUSION

1. Marketing management applied in CV. Yan's Fruit and Vegetable is implementing the management functions, namely:
   - Planning function; Marketing planning process in CV. Yan's Fruit and Vegetable among which the order is to make data requests from all partners. Thus, it is compared with the available supply, so that the company can know what commodities are not available.
   - Organizing function; CV. Yan's Fruit and Vegetables' employees always convene the turn of the schedule, in order to always work with discipline. The activity is also carried out to create activity in the warehouse to avoid the barriers of the division of the labor.
   - Actuating Function; The owner has a strategy to double the employee's duties, so as to minimize production costs. Another strategy adopted is to minimize the margin for local commodities and increase margins for exclusive commodities such as broccoli.
   - Controlling function; broccoli demand data reported to the administration is prepared as monthly reports and used as the basis for consideration of any oversight of sales. Then, it often presents a meeting between the owner, suppliers, employees and consumers.
2. Marketing mix strategy applied in CV. Yan's Fruit and Vegetable is implementing the management functions, namely:
   - Product strategy; CV. Yan's Fruit and Vegetable produces products with the best quality and in large quantity according to market demand.
   - Price strategy; CV. Yan's Fruit and Vegetable sets constant prices so that farmers want to sell their production to them.
   - Promotion strategy; CV. Yan's Fruit and Vegetable promotes the company through social media so that people can know what vegetables are available
   - Place strategy; CV. Yan's Fruit and Vegetable distributes goods directly to the destination without delay, so that the products distributed remains fresh and with the best quality.
3. Market margin and farmers share for the first channel are 52.38 percent and 47.62 percent and market margin and farmers share for the first channel are 55.55 percent and 44.44 percent. So we can conclude that the first channel is better than the second channel.

RECOMMENDATION

1. The government should pay attention to farming and post-harvest activities broccoli in Lembang, so that the distribution process to consumers can run smoothly and consumer demand can be fulfilled well.
2. The study area is expected to be a good marketing strategy in order to produce an efficient marketing
3. Other researchers are expected to continue this research in terms of supply chain management.

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