

ANALYSIS OF COOPERATIVE MARKETING STRATEGY FOR ORGANIC FARMING PRODUCT

¹Ir. Suswadi, ²E.S. Rahayu, ³M. Harisudin and ⁴S. Anantanyu

¹Universitas Tunas Pembangunan Surakarta, Indonesia

^{2,3,4} Agribusiness Study Program, Universitas Sebelas Maret Surakarta, Indonesia.

Presented at International Symposium on Research in Innovation and Sustainability 2019 (ISoRIS'19), Penang, Malaysia.

ABSTRACT. Healthy lifestyle awareness is a growing trend in Indonesia. Consumers shift to organic products as a way to meet optimal nutrition and as a form of concern for personal and family health. Cooperatives as one of the organic product marketing institutions need a development strategy to survive and compete in the market. This research was conducted by providing the business development strategy for "Tresno Tani APPOLI" (Boyolali Rice Farmers Alliance) Multipurpose Cooperative Boyolali, located in Cermo Village, Sambi District, Boyolali Regency, Central Java. This research used IFE, EFE, and SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis tools. Based on the SWOT analysis, an alternative strategy that can be carried out is giving socialization to attract farmers to switch to organic farming, maintain and improve quality and service, improve promotion and management, develop post-harvest processing technology, conduct investigations on potential partners, and develop research and development divisions.

Keywords: Cooperative, Organic, Strategy, SWOT

I. INTRODUCTION

Healthy lifestyle awareness has been internationally institutionalized, requiring the guarantee that farming products must be safe for consumption, highly nutritious, and eco-friendly. This consumer preference resulted in the increasing demand for organic farming products [1]. It is predicted that there will be an increase in demand for high-quality rice in developing countries. This is due to people's health awareness [2]. Seeing the potential of organic farming businesses, especially organic rice, many farmers in Boyolali Regency, Central Java, have begun shifting to organic farming systems. This can be seen from the development of the number of farmer groups and the harvested area of organic rice. In Boyolali Regency, the paddy production in 2015 is 5.8 tons per hectare [3]. High productivity needs to be backed with good marketing so that the products can be optimally absorbed by the market. The distribution of organic product yields to consumers must refer to SOP (Standard Operating Procedure) of organic rice so that the quality of the product is maintained. The increasing number of organic farmers in Boyolali has driven the establishment of organic rice farmers' organizations, namely Boyolali Organic Rice Farmers Alliance (APPOLI). In 2016, APPOLI established a business legal entity in the form of a cooperative specifically serving the post-harvest to marketing fields of its organic rice farmer members. A cooperative has two functions in carrying out its duties, as the business entity that runs the business and as a social group [4]. As a business enterprise, a cooperative must evolve to take account of various changes at the level of the agricultural system, along with the agricultural value chain, as well as the economic and legal environment [5, 6].

Cooperatives contribute to farmers' lives, especially in accommodating crops. Cooperatives have a role to help farmers often trapped in debt and low profits, especially rice farmers [7]. The internal management condition and the external influence of cooperatives have a big effect on their ability to maintain their existence and increase their competitiveness during the rise of similar businesses [8]. The Multipurpose Cooperative (MC) Tresno Tani APPOLI Boyolali is a forum for Appoli members to sell their products and has been initiated in 2013. The dynamics of the cooperative have become a challenge for stakeholders to maintain the existence of cooperatives. One of the challenges faced by management is attracting farmers to be

willing to become members and develop together with cooperatives. In 2016 there was an increase in the interest of farmers to join cooperatives compared to the previous year. However, in 2018 there was a significant decline in the number of members. It was allegedly a decrease in the number of members of the cooperative due to eroding the trust of members to the management.

Besides internal factors, external factors also influence the existence of cooperatives. In business relationships, the concept of trust needs to be supplemented by additional standards that contribute to the theory of conceptualization and managerial calculations and also the certainty of the exchange of business to business [9]. Not much different from internal conditions, management faces challenges related to the presence of marketers or distributors who become consumers. Cooperative has not been able to absorb rice from members to be marketed to partners optimally so that it influences the trust given by partners to fulfill their requests. Various challenges faced by cooperatives related to the development of organic farming business can be managed properly if the cooperative understands and can maximize its strengths. And must understand the opportunities or potential that can be achieved from the external environment and minimize threats that can interfere with the sustainability of the cooperative business. The main objective of this research is to analyze and examine how the conditions of cooperatives are included in strengths, weaknesses, opportunities, and threats so that they can formulate effective strategies to be applied in the development of the organic farming business. This research aimed mainly to analyze and examine the conditions of cooperatives including their strengths, weaknesses, opportunities, and threats so that they can formulate effective strategies to be implemented in developing the organic farming business.

II. METHODS

The research was conducted at Tresno Tani Multipurpose Cooperative (MC) Boyolali APPOLI (Boyolali Rice Farmers Alliance) located in Cermo Village, Sambi District, Boyolali Regency, Central Java. The location was determined purposively which was deliberately based on the characteristics set by the researcher [10]. The research was conducted in March 2019. The respondents as the key informants were selected purposively from cooperative managers, marketers, farmer members, and related

governments [11]. The data used were primary and secondary data. The data and information were collected and processed to obtain appropriate strategies.

The Internal and External Factors were analyzed using IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) matrices, namely matrices that can determine the strengths, weaknesses, opportunities, and threats of the company [12]. The alternative strategy of the cooperative development was formulated using SWOT analysis to clearly illustrate the opportunities and threats of external factors faced in the cooperative development and to be adjusted with the strengths and weaknesses possessed [13].

III. RESULTS AND DISCUSSION

Identification of Strength Factors. (1) Post-harvest processing training is conducted every year to improve employee skills. (2) The products produced by the members have been certified by the Organic Certification Agency and Fresh Food of Plant. Cooperative products, especially black

Multipurpose Cooperative (MC) Tresno Tani

APPOLI Boyolali, in carrying out its activities, already has a license under the government requirement. The number of cooperative members has increased along with the increase in farmers shifting from non-organic to organic cultivation. In 2019, the members consist of 8 farmer groups and 1 processing group with a total of 232 people. The motivation to establish the cooperative was the common mission and vision of the farmers to improve welfare.

Identification of Strength, Weakness, Opportunity, and Threat Factors

IFE matrix aims to find out the key internal factors that are strengths and weaknesses in the cooperative such as aspects of the marketing mix, management, human resources, and financial resources. Meanwhile, the EFE matrix aims to identify key external factors that become opportunities and threats for the cooperative such as economic conditions, government, social culture, technology, and consumers. Based on the analysis, the factors that influence the strategy of developing Tresno Tani Multipurpose Cooperative Boyolali, among others, are:

Table 1. Strengths and Weaknesses of Tresno Tani Multipurpose Cooperative Boyolali

Strengths		Weaknesses	
1	There are training and education for cooperative employees	1	Employee qualifications do not meet the SOP
2	The members can produce organic rice according to the SOP	2	Not optimal promotion
3	Providing job vacancies	3	Simple technology
4	Collaboration with various	4	No independent research related to

rice, have a comparative advantage, namely higher antioxidant levels than others. (3) The existence of cooperatives can absorb employees from the surrounding environment to reduce unemployment rates while increasing their income. (4) Until 2019, MC Tresno Tani Boyolali has an agreement (MOU) with several distributors for rice marketing. That the model of planning,

management, and entrepreneurial control, as well as the characteristics of agricultural cooperative industrial relations, is the basis for minimizing production risks and ensuring sustainable development [14].

Identification of Weakness Factors. (1) The employee education is still low and the social aspects are believed to influence the tolerance of the employee who breaks the rules. The lack of professionalism of leaders can weaken and directly affect the entire system [15]. (2) Promotion carried out by the Cooperative is not optimal yet.

(3) Low adoption of technology has an impact on employees' performance efficiency. (4) The cooperative does not yet have a research division whose role is to increase innovation for comparative advantages.

Table 2. Opportunities and Threats of Tresno Tani Multipurpose Cooperative Boyolali

Opportunities		Threats	
1	Support from government institutions	1	The circulation of fake organic products
2	High enthusiasm of the community to live healthy	2	Lack of consistent buyers in carrying out contracts
3	The growing development of information and communication technology	3	Organic product legalization requires a long time and high costs
4	Many member farmers have not got organic certification		

Source: Primary Data Analysis, 2019

	marketers/distributors		products produced
--	------------------------	--	-------------------

Source: Primary Data Analysis, 2019

Identification of Opportunity Factors. (1) The success of MC Tresno Tani Boyolali can not be separated from the assistance of government institutions such as organic product exhibition facilities, to assist the certification administration process. (2) Healthy living trend is growing, marked by the increasing demand for organic rice products. (3) The use of information technology is useful to establish easier cooperation with business partners.

(4) The number of farmers is 1,253 farmers with an area of 309 ha, while those that are certified are 207 with an area of 94 ha. The high amount of production has an impact on the expansion of cooperative distribution. The mechanization of farming and farming scenario is an increase in rice production of 12.6%, showing the potential benefits of cooperative farming, starting from an increase in rice production estimated at 12.6% due to reduced post-production losses and increased production due to reduced post-production losses and the increase of 41.5% in intensive planting and savings in employee substitution costs up to 92% [16].

Identification of Threat Factors. (1) The cooperative has to maintain the quality of its products so that it still has a positive image in consumers. (2) Non-compliance with the agreement between the cooperative and the consumer will harm one side. (3) One of the reasons for the continued export of organic rice is an expensive and difficult certification.

Analysis of IFE and EFE Matrices

1. IFE Matrix

Source: Processed data, 2019 In general, the results of the EFE matrix calculation

The IFE matrix is obtained from the assessment of respondents or experts who identify internal key factors either as strengths or weaknesses, giving weights and ratings to obtain the total score. The total score shows how MC Tresno Tani can deal with internal factors.

In general, the results of the IFE matrix calculation show a total score of 2.565. The data processing results indicate that MC Tresno Tani Boyolali's internal position is strong in utilizing its strengths and overcoming its internal weaknesses. A total average score above (2.5) indicates that the cooperative needs to maintain its achievement while trying to improve it [17].

Table 3. IFE Matrix

Internal Key Factors	Weight	Rating	Scores
I. Strengths			
Training and education to employees	0.123	3	0.369
The members produce organic rice according to the SOP	0.136	4	0.546
Providing job vacancies	0.129	3	0.387
Collaboration with various marketers/distributors	0.139	4	0.558
II. Weaknesses			
Employee qualifications do not meet the SOP	0.111	1	0.111
Not optimal promotion	0.120	2	0.240
Simple technology	0.113	2	0.226
No independent research conducted yet	0.128	1	0.128
Total	1.000		2.565

Source: Processed data, 2019

2. EFE Matrix

Table 4. EFE Matrix

External Key Factors	Weight	Rating	Scores
I. Opportunities			
Support from government institutions	0.126	3	0.377
High enthusiasm of the community to live healthily	0.155	4	0.621
The growing development of information and communication technology	0.137	3	0.412
Many member farmers who have not got organic certification	0.150	4	0.601
II. Threats	0.145		
The circulation of fake organic products		3	0.436
Lack of consistent buyers in carrying out contracts	0.142	4	0.569
Organic product legalization requires a long time and high costs	0.144	2	0.288
Total	1.000		3.304

(External Factor Evaluation) show that the weighted total score of the key external factors is 3.304. The data processing results indicate that MC Tresno Tani Boyolali's external position is strong in taking advantage of opportunities and anticipating external threats.

SWOT Analysis

A strategy is an important process for change in the organization and is carried out by finding increasingly close relationships between communities, individuals, and organizations in one related environment [18]. The strategy is determined based on SWOT analysis indicators; they are SO, WO, ST, and WT strategies. The following are the results of the SWOT analysis for strategy determination:

Table 5. Strategy Based on SWOT Analysis

Strategy	
SO	1. Maintaining the product quality and improving good service to business partners
WO	1. Improving promotion using social media 2. Improving management by making rules to improve the professionalism of the employee 3. Developing better post-harvest processing technology to improve efficiency
ST	1. Reviewing the track record and selectiveness of prospective business partners
WT	1. Developing innovative research and development division

Source: Obtained data, 2019

SO strategy

1. Support from other parties such as the government to assist farmers in organic farming businesses that are more efficient and improving the product quality to increase the marketing volume of the cooperative. Improving the production quality affects the expansion of the cooperative market to meet consumer demand.

2. Tresno Tani Multipurpose Cooperative needs to improve its performance by supervising and monitoring the quality of post-harvest processing so that it complies with the SOP of Good Handling Practices for Organic Farming. Good products with good service will attract consumers and give a positive image.

WO Strategy

1. Improving promotion by using social media and always attending exhibitions facilitated by the government. Intensive promotion by utilizing increasingly developing technology will further increase the knowledge of a product to the target market. Improving management by clarifying the rules for increasing employee professionalism. The cooperative should make standard rules and increase commitment by giving consequences to the members or employees who violate the rules.

2. Carrying out a system of understanding with Bulog or other companies to improve production productivity such as sorting and grading activities using simple technology.

ST strategy

1. Review the track record of potential partners to avoid losses caused by fraud from one party. The cooperative can investigate the performance of prospective partners, and assess the economic conditions and the legality of prospective partner institutions, especially those that cooperate in a large quantity.

WT Strategy

1. Developing a research and development division. This division is intended to ensure the performance quality under the standards set by the cooperative. Opportunities to meet market demands that continue to change dynamically can be captured quickly and precisely so that consumers do not shift to competing products.

IV. CONCLUSION

The results show the greatest strength is in collaboration with various marketers/distributors while the biggest weakness is in not optimal promotion. The biggest opportunity is people's high enthusiasm for healthy living and the biggest threat is the lack of consistent buyers in carrying out contracts. The alternative strategy generated from this research is to carry out socialization to attract farmers who reach out to organic farming, maintain and improve the quality and service, improve promotion and management, develop post-harvest processing technology, conduct investigations on potential partners, and develop research and development division. The Board of Directors of MC Tresno Tani Boyolali can implement the alternative strategy so that the desired objectives of cooperative members can be achieved.

REFERENCES

- [1] Agricultural Research and Development Agency. 2005. Prospek Pertanian Organik Di
- [2] Mayrowani. 2012. Prospek Pertanian Organik Di Indonesia. Forum Penelitian Agro-Ekonomi. Vol. 30. No 2. Pg. 91-108
- [3] Central Bureau of Statistics of Boyolali. 2016. Forestry and Plantation Service of Boyolali.
- [4] Faysse, Nicolas., & Onsamrarn, Wattanai. 2018. The Differing Strategies of Agricultural Cooperatives in Thailand: from Managing Market Links to Self-Reliance. Journal of Community Development Research (Humanities and Social Sciences). 11 (3). pp : 13-26.
- [5] Chaddad, F. R. 2014. Responding to the External Environment: the Evolution of Brazilian Dairy Cooperatives. In T. Mazzarol, S. Reboud, E. Limnios, & D. Clark (Eds.), Research Handbook on Sustainable Co-operative Enterprise: Case Studies of Organizational Resilience in the Co-operative Business Model (pp. 100-112). Cheltenham, UK: Edward Elgar Publishing.
- [6] Rosenthal, G., & Eiges, H. (2014). Agricultural Cooperatives in Israel. Journal of Rural Cooperation, 42(1), 1-29.
- [7] Formoso, B. 2016. Are Thai Peasants Still Farmers? The Socioeconomic Transformation of Two Villages of Northeastern Thailand. Moussons, Recherche en Sciences Humaines Sur l'Asie du Sud-Est, 28, 39-60.
- [9] Mouzas, Stephan Henneberg, Peter Naudé, (2007) "Trust and reliance in business relationships", European Journal of Marketing, Vol. 41 Issue:9/10,pp.1016-1032, <https://doi.org/10.1108/03090560710773327>
- [10] Patricia, R. S., & Sari, L. N. 2018. Strategi Pemasaran Koperasi Bina Usaha Al-Ihsan. Jurnal Digest Marketing. Vol.3 No. 1. Pp: 67-78.
- [11] Mardikanto. 2009. Penyuluhan Pembangunan Pertanian. Surakarta: UNS Press.
- [12] Bungin, Burhan. 2003. Analisa Data Penelitian Kualitatif. Jakarta: Raja Grafindo Persada
- [13] David, F.R. 2011. Manajemen Strategis Konsep-Konsep. Translated. Jakarta: PT. Indeks Kelompok Gramedia.
- [14] Rangkuti, F. 2006. Analisis SWOT : Teknik Membedah Kasus Bisnis. Jakarta: PT. Gramedia Pustaka Utama.
- [15] Koguashvili, P. 2016. Support for agricultural cooperatives is an urgent necessity. Annals of Agrarian Science. No 14. Pp: 323-325.
- [16] Carvalho, A.D. 2012. The Cooperative Development and Strategy. International Journal of Accounting and Financial Reporting. 2012. Vol.2 No. 1 pp : 191-202.
- [17] Milovanovic, V & Smutka, L. 2018. Cooperative rice farming within rural Bangladesh. Journal of Co-operative Organization and Management. No.6. pp: 11-19.
- [18] Kurniawati, S.D. 2018. Analisis Strategi Pengembangan Usaha Koperasi Produksi Susu Bogor, Jawa Barat. Jurnal Maksipreneur. Vol.8. No.1. <http://www.litbang.deptan.go.id/berita/one/17/>>.
- [19] Loera, M. C. R. 2014. The formulation of the strategy in the cooperative. Journal of Intercultural Management. Vol. 6, No. 3, pp : 143-150.