

ANALYSIS OF JOINT MARKETING INITIATIVES BY FARM GROUP AND ITS CONTRIBUTION TO MARKETING PERFORMANCE

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ABSTRACT

The agricultural industry is critical to human life, yet it is not comparable to small farmer's income in Indonesia. The number of farmer households is decreasing, and the average age of farmers is increasing. The agricultural industry is no longer appealing to the younger generation due to a variety of issues experienced by Indonesian farmers. The majority of Indonesian farmers are small-scale, with little land and production. Farmers also face obstacles such as not having sufficient skills in agricultural business which results in low productivity and no added value to their production. This condition also causes them to have to deal with volatile prices from middlemen which are often not profitable for farmers. The Collective Marketing initiative was created to help agricultural enterprises become more lucrative by increasing the size of farmers' economies of scale, allowing them to enter a secure market with enough bargaining power. This study examines the economic and social impacts of Collective Marketing initiatives in Kopwan Srikandi, as well as in Koperasi Tani Kopi Prima Jaya and KTH Cibulao Hijau. This study also discusses the impact of the Collective Marketing initiative on sustainable development.

Keywords: *collective marketing initiative, marketing performance, impact toward farmers*

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INTRODUCTION

Agriculture as a provider of food products has a very vital role in the continuity of human life. However, farmers involved in this sector often do not get proper opportunities for their livelihoods. With the distribution of Indonesia's population living more in rural areas than in urban areas and considering the importance of the agricultural sector to human life, ideally, the rural population can depend on the agricultural sector for their lives. The income inequality is felt by these small farmers.

Research by the Coordinating Ministry for the Economy in 2018 underlined the decline in the proportion of agricultural sector workers from 68.8% in 1976 to below 30% in 2018 and revealed that coffee farmers in Indonesia are mostly smallholders, with characteristics of low education, have low skills (Jung & Pearson, 2014). less, and also low income. Some of the problems underlined in the research are the low level of productivity and quality of farmers' produce, and the absence of added value to agricultural products. In addition to these three main problems, there is also high price volatility due to higher requirements from consumers which causes farmers to reconsider whether to continue growing coffee or not because it is not necessarily profitable. Similar problems are also faced by coconut farmers in Indonesia (Busyra, 2019). This of course confirms the decline in the number of farmers, especially among the younger generation.

Most Indonesian farmers are small farmers who generally do not carry out massive agricultural production and only have limited or not large agricultural land. In addition, the agricultural products produced by these small farmers tend to be on a small scale and are harvested separately at different times. Agricultural census data conducted by BPS (2013)

shows that the average land ownership for coconut plantations is 2440 m² per family, while for coffee plantations it is 5420 m². The BPS data also shows that of all coffee plantations in Indonesia, 90% of them are smallholder plantations. This shows that coffee products from Indonesia are produced by small plantations managed by small farmers. This data implies that most individual farmers do not have enough quantity for profitable economies of scale (Pierre et al., 2014).

Farmers have a tendency to only concentrate on producing agricultural products, thus ignoring how to market their products better. This causes the farmers to not have a high bargaining position against the market (Nuryakin & Retnawati, 2016). Often they accept whatever price is offered, even when compared to the market price, the price offered is still lower (Kaur, 2006). Because they are more focused on production, these small farmers do not see the agricultural sector as a business, so they do not get the benefits they should be able to get (Zulianti et al., 2022).

The problems faced by Indonesian farmers include the economies of scale generated by the agricultural production of these individual farmers. In addition, farmers also still sell raw agricultural products without adding value (value added) so the profits they get are also small. What's more, farmers do not have broad access to information on market demand nor lack of access to financing, so they also have to deal with price variations which are often unprofitable. Farmers tend not to have a bargaining position against these conditions because the economies of scale resulting from individual farming are very small. Several studies state that the bargaining position of farmers can be improved through synergy and joint marketing (Robbins et al., 2004). Their research stated that if farmers can offer their combined products and ensure their products have quality standards, then they will be able to market their products the same as farmers on a large scale (Miles & Darroch, 2006).

Through this research, the authors find out whether joint marketing initiatives can bridge the problems faced by small farmers in Indonesia and whether these initiatives have a positive impact on the welfare of small farmers (Silliman & Agarwal, 1996). The research was conducted by conducting in-depth interviews with informants from the Srikandi Women's Cooperative in Purworejo district who carried out a joint marketing initiative for crystal coconut sugar and resource persons from the Prima Jaya Coffee Farmers Cooperative in Temanggung district and the Cibulao Hijau Forest Farmer Group in Megamendung, Bogor district, who carried out a joint coffee marketing initiative.

METHOD

This study is a quantitative qualitative research using the content analysis method on the results of interviews with key respondents from the research object, namely 3 Collective Marketing actors. The scope of this research includes Collective Marketing initiatives; cooperative marketing performance and KTH; the role of Collective Marketing practices towards farmers; as well as the role of Collective Marketing initiatives towards sustainable development goals.

The research objects were the Srikandi Women's Cooperative (Kopwan Srikandi) in Purworejo Regency, Prima Jaya Coffee Farmers Cooperative (Koptan KPJ) in Gemawang, Temanggung Regency, and the Cibulao Hijau Forest Farmers Group (KTH) in Megamendung, Bogor Regency, using data from these organizations during 2017 to September 2021.

Analysis of the practice of Collective Marketing initiatives carried out at Kopwan Srikandi, Koptan KPJ, and KTH Cibulao Hijau was obtained from the results of interviews conducted directly with management or members of cooperatives and farmer groups as well as the farmers themselves. Furthermore, through interviews related to Collective Marketing practices, researchers analyze how Collective Marketing initiatives contribute to the marketing performance of the three institutions, as well as their economic and social roles for farmers, and their contribution to sustainable development goals.

RESULTS AND DISCUSSION

According to (Knickel et al., 2008) the Collective Marketing initiative approach can be carried out through six clusters, namely bulking, quality products, regional food products, non-food clusters, direct markets, and regional branding. At the three institutions, all informants answered that this marketing initiative focuses on product collection.

Kopwan Srikandi collects products through collectors in each region. Kopwan Srikandi, according to a source, sells sugar products for the export market, where the shipping capacity of one container is 18 tons. Kopwan Srikandi exports certified organic and sugar, by implementing an Internal Control System (ICS) system to ensure its organicity (Kalogeras et al., 2005). Sugar-artisan farmers who participate in this initiative are registered as certificated member farmers. Craft farmers must carry out organic behavior both from the land, plants, and processes. This produces crystal sugar which quality is strictly controlled. Through a scheme like this, Kopwan Srikandi also adds value to coconut sugar products. Coconut sugar products are traditionally sold in molded form with a high moisture content (Ikwera & Twongyirwe, 2019). Kopwan Srikandi collects quality-controlled sugar to sell to the target export market. Initiative clusters at kopwan Sri Kandi are product packaging, clusters that concentrate on high-quality products, and regional product empowerment clusters (Martin & Osberg, 2007).

Koptan KPJ collects coffee green beans to be sold in bulk to exporters. Kopwan KPJ conducts training for farmers to practice good farming to produce good coffee. Post-harvest processing is carried out at the level of farmer members and heads of farmer groups. Product diversification is also carried out at the level of farmer members and heads of farmer groups. Koptan buys green beans to be sold in bulk. Farmers can sell specialty coffee, roasted beans, and ground coffee individually. The Collective Marketing initiative cluster at Koptan KPJ is a product collection cluster, a cluster of empowering local food products.

The marketing clusters carried out at the KTH Cibulao Hijau are product collection clusters, empowerment of local food products, clusters that concentrate on quality products, direct market clusters, and non-food clusters. Among the three institutions, the most frequent additions to the value chain occurred in the Collective Marketing initiative at KTH Cibulao Hijau. Not only focusing on high-quality coffee but KTH also on non-food services and area utilization for both Bikeparks and coffee educational tours. In this institution, product diversification is well done. The defective coffee sold at koptan KPJ's is not sorted, at KTH this unsorted coffee is processed again so that ground coffee is produced as the final product. This ground coffee is then processed by SMEs around KTH. The final product processed by SME is coffee mixed with sugar which is packaged in a one-time drink sachet.

The Economic Impact of Co-Marketing Initiatives on Smallholders

The economic impact of joint marketing initiatives according to (Johnson et al., 2002; McCullough et al., 2002) is lower input costs, lower information costs, and lower marketing and sales costs. The economic benefit felt by the three institutions is the price difference. The three institutions buy farmer's products at a higher price when compared to the purchase price offered by middlemen. The resource person also acknowledged that there had been cost cuts but not significant.

At Kopwan Srikandi, farmers feel the benefits of assistance with production tools. but this is not felt by the koptan KPJ. The benefits of sales guarantees and market information were felt in Kopwan Srikandi and Koptan KPJ. The benefits of adding value are also felt in these two institutions. The additional assets and increased productivity were also felt by the farmers who were members of the Collective Marketing initiative by Koptan KPJ and KTH Cibulao Hijau. As for what is not revealed, there are benefits of using the means of production together.

The benefits of the initiative revealed in the three institutions are the benefits of economies of scale. Without joint marketing initiatives, farmers and sugar artisans will find it difficult to meet market demand in large numbers. Another benefit that was revealed was the shorter supply chain for both sugar and coffee. Short supply chains reduce costs to institutions, but not to farmers. Farmers feel the economic impact of this joint marketing in the form of a higher price difference than the purchase price from the middleman(Kunsch et al., 2007).

The Social Impact of Co-Marketing Initiatives on Farmers

The social impact of Collective Marketing initiatives according to(Komarudin & Siagian, 2007) is increasing the cooperative spirit, ease of management, leadership, bargaining power and not being vulnerable to being deceived. The social aspect that is felt from this initiative in the three institutions is the increase in HR capacity. From the table above, it can be seen that the increase in HR is felt by farmers who are members of the three institutions. At Kopwan Srikandi, the participation of cooperatives in international certification automatically requires artisan farmers to carry out processing according to the standards applied. This affects the production behavior of the sugar and artisan farmers.

Members of the KPJ farmer cooperative hold regular meetings every month. This meeting played a role in building capacity of the human resources of coffee farmers, the members shared knowledge both about processing agricultural land and post-harvest processing of coffee. Farmers also share information about the coffee market. It is acknowledged that this has a significant effect on increasing the skills of coffee farmers.

Changes have occurred to coffee farmers who are members of the KTH Cibulao Hijau. Before becoming a coffee farmer, this tea plantation employee used to grow vegetables on sloping land owned by Perhutani. This farming practice makes the topsoil easily washed and carried away by water because there are no strong woody roots to hold back the flow of water. Most of these employees also encroach on the forest to meet their needs for timber for construction, as well as firewood. After planting coffee, they helped preserve the mountainside forest by planting shade trees for their coffee. they also receive training both from the government such as from the forestry service and non-governmental organizations. This also contributed to changing the mindset of farmers.

Linkage of Common Marketing Initiatives to the Sustainable Development Goals

The Collective Marketing initiative implemented by Kopwan Srikandi is recognized as related to decent work and economic growth. The focus on added value on coconut sap products contributes to higher economic productivity for crystal sugar artisan farmers.

Kopwan Srikandi's participation in the organic certificate also contributes to responsible production, especially related to organic behavior both on the land and in the process of processing coconut sap into ant sugar.

The Koptan KPJ through the Collective Marketing initiative has had a significant impact on improving the quality of human resources for farmers through training held as well as through plantation practices implemented by members of the Koptan KPJ.

Various core businesses in KTH have a close relationship in reducing the number of unemployed adults. This was acknowledged by the interviewees. Planting shade trees for coffee on sloping land is strongly related to tackling climate change and this practice has contributed to reforesting sloping land which was previously planted with vegetables. this has the effect of better groundwater absorption.

CONCLUSION

The collective initiative carried out by the three institutions emphasizes product collection which aims to increase economies of scale by selling in bulk. This initiative also gives priority to product standardization, where to be sold together, the products produced must be uniform with the same quality. At Kopwan Srikandi and Koptan KPJ, this initiative also emphasizes adding value so that products can be sold at more profitable prices. As for the KTH Cibulao Hijau, there was also a cluster of initiatives concentrating on non-food services, namely the KTH Cibulao Hijau coffee education tour. Furthermore, at the KTH there is also direct interaction with consumers. KTH Cibulao Hijau processes coffee beans into roasted beans which are sold directly to consumers through Cibulao Coffee shops and online sales.

Based on the interview results, the researcher also found that the Collective Marketing initiative carried out by the three institutions had a positive effect on marketing performance at Kopwan, Koptan, and KTH. The perceived impact is an increase in profits from the group's sales.

Furthermore, this collective marketing initiative also has an economic impact on member farmers. The farmers who are members of the Collective Marketing initiative state that economically the most significant impact is the price difference which is better when compared to the purchase price of the middlemen. This indicates an increase in income from farmers, some farmers also admit that they have increased assets.

The second economic impact felt by farmers is the reduction in production costs, especially in terms of transportation costs for agricultural production. This was mentioned by the farmers who are members of Kopwan Srikandi and Koptan KPJ. Meanwhile, for farmers who are members of the KTH Cibulao Hijau, the farmers are not burdened with a profit share fee of 30% to Perhutani because it has been borne by the KTH as a return on profits for the farmers.

The social impact felt by farmers from this Collective Marketing initiative is primarily the increase in human resource capacity. Training and assistance in agricultural behavior and post-harvest processing have an impact on increasing knowledge and skills in managing agricultural

products. Farmers also feel the impact of togetherness in organizing and increasing entrepreneurial spirit (Koslowsky et al., 2012).

Researchers also found a link between Collective Marketing initiatives carried out by the three institutions with the goal of Sustainable Development (Lerman & Parliament, 1991). These three institutions have a significant impact on sustainable development goal number eight, namely decent work and economic growth. In the three institutions, this initiative is also related to good education where the three improve the quality of human resources for farmers by providing training and mentoring. Furthermore, there was also a link between Collective Marketing initiatives and responsible production and consumption patterns, especially in processing land and crops (Markantoni et al., 2018).

At the KTH Cibulao Hijau institution, there is a link between the Collective Marketing initiative carried out with the goal of sustainable development number thirteen, namely handling climate change. The initiation of coffee planting by KTH Cibulao Hijau on Perhutani's land which is located on a hillside resulted in quite a massive planting of coffee cover crops. Coffee trees and their shade trees function to overcome landslides and reduce the volume of water entering the Ciliwung riverbanks.

Based on the research that has been done, the researcher provides recommendations both to the Collective Marketing initiative actors and to the policymakers as follows:

Community enterprises, both Kopwan Srikandi, Koptan KPJ, and KTH Cibulao Hijau can apply a business approach to agriculture, including implementing a strategy to cut production costs so that more profits can be obtained and implementing a value chain addition strategy at the farmer level so that farmers get better profits. better.

At Kopwan Srikandi, farmers are encouraged to sell their products in the form of crystal sugar. So that farmers get added value from molded sugar to crystal sugar at a higher price of ant sugar. The same thing needs to be done for the koptan KPJ and KTH Cibulao Hijau. Farmers are encouraged to process their coffee cherries into green beans. Farmers will get the price difference from the processing they do if they sell it in the form of green beans. The cooperative and KTH sort the farmers' green beans.

Cooperatives and KTH as implementing agencies for the Collective Marketing initiative are expected to be able to apply the right marketing strategy so that marketing performance is optimum, especially in facing uncertain situations due to the pandemic. For example, maximizing digitalization allows the three institutions to expand online marketing and even open up opportunities for the export market. This digitalization can also accelerate knowledge and skills better for institutions and farmers.

Based on the benefits and challenges faced in the Collective Marketing initiative implemented by community-based economic movements such as cooperatives and farmer groups in this research, it is hoped that it can provide input for policymakers to formulate appropriate policies, especially for farmers in underdeveloped areas in Indonesia who have almost the same characteristics, namely the small scale of agriculture, the geographical environment that is not easy, and the difficulty of accessing financial institutions to obtain financing. Collective marketing practices are still very limited in Indonesia so stakeholders can duplicate and replicate this practice to improve farmers' welfare.

This research was conducted during the COVID-19 pandemic where this condition greatly affected marketing performance due to social restrictions in various regions of the world. For

this reason, the researchers only limited the marketing performance of the three research object institutions during the pre-COVID-19 pandemic. The scope of this research includes Collective Marketing initiatives; cooperative marketing performance and KTH; the role of Collective Marketing initiatives for farmers; as well as the role of Collective Marketing initiatives towards sustainable development goals. There are still many things that need to be explored from various other variables in the Collective Marketing initiative in Indonesia. The research objects themselves are three institutions located on the island of Java, so they cannot fully describe Collective Marketing initiatives in various regions in Indonesia.

Future researchers can further analyze how the direct market cluster in the Collective Marketing initiative contributes to marketing performance in volatile market situations such as the current pandemic by utilizing information technology. Furthermore, we can dig deeper into the right marketing strategy in changing situations due to the impact of the pandemic. Future researchers can also analyze what kind of marketing strategies are implemented by farmer groups so that the impact on farmers can be measured more accurately and also bring more optimal results.

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