

# Trading House Agency as Alternative Potential Marketing of Agricultural Products in Sidoarjo District East Java

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**Abstract**—The ASEAN Economic Community (MEA) is a free market in the ASEAN region that will impact on economic performance in the territory of Indonesia. The impact can be market opportunities and negative effects of lower competitiveness. Farmers are farmers with their products. Farmers have to produce with low prices and good quality, then the solution existence of the Trading house is expected. In Sidoarjo there is a Trading house to provide efficient and effective marketing solutions like farmers, but how the performance of the trading house, then in this study readiness Trading house in helping farmers, local governments as regulators.

**Keywords**—trading house; agriculture; marketing; MEA

## I. INTRODUCTION

In the era of free trade or trade liberalization, such as the AEC, ASEAN will become a single production base and market [1] there will be a reduction and finally the elimination of all tariff and non-tariff barriers, in a structured, systematic and massive scale between countries, especially the flow of goods and services, problems that arise in Indonesia, the majority of smallholders, small farmers are farmers who cultivate with less than 0.5 ha of land. The Central Bureau of Statistics [2] in December 2013 released that the number of smallholders as a result of the 2013 Agricultural Census was 14.25 million households or around 55.33 percent of the approximately 26 million agricultural households (farmers) land users.

Farmers in Indonesia on average are still dependent on middleman, Mukarom, Ajen, 2009, researching that the most accessible non-formal financial institutions are middlemen [3] and this cooperative habit is valid until now, farmers are used to borrowing funds for daily life before the harvest arrived.

The problems faced by farmers need to get Government assistance, because the Government is responsible for the prosperity of its people, as investigated by Blas Javier, [4] the Government is responsible for helping farmers when falling in world commodity prices such as cocoa, copra, and coffee, by injection funds, making road, bridge, and dock infrastructure.

So the Government needs to help farmers in the process of marketing results, because in the marketing world it is very modern, such as the marketing of agricultural products or what is known as the world-famous Trading house is Cargill, Bunge, Louis Dreyfus Commodities and Archer-daniels Midland [5]. this works with the mechanism of collaboration with the Silo network, ships, and farmers. The ability to master computer devices for trading exchanges automatically, which can record ROE, connects company fundamentals with price movements on the exchange [6].

In East Java, there is a Trading house institution, how is the role in marketing in East Java

### A. Formulation of the Problem:

- What is the perception of farmers in the MEA
- How is the readiness of farmers in the MEA era
- How is the role of Trading House in Sidoarjo Regency in accommodating agricultural products

### B. Research Purposes

- To find out the perception of farmers in the MEA
- To find out the readiness of Farmers in the MEA era
- To analyze the role of Trading House in Sidoarjo Regency in accommodating agricultural
- Products

## II. RESEARCH METHODS

### A. Location Determination Method

The research location was chosen purposively in Sidoarjo Regency because Sidoarjo Regency was a district with relatively high rice production in East Java.

### B. Sample Determination Method

In determining the sample in this study by using the purposive sampling method to experts such as agricultural experts from the East Java Agriculture Service, Infrastructure

experts from ITS, agricultural extension experts, Sidoarjo Regency Agriculture Office and Development Planners (BAPPEDA).

### C. Data Retrieval Method

For the sake of more in-depth data retrieval, it is necessary to use the Delphi technique where the questionnaire is repeated repeatedly to experts and farmers by interviewing the list of questions that have been prepared, and Focus Group Discussion (FGD).

### D. Types of Data

The data collected is primary data and secondary data. To explore data about the initial ability to use primary data collection methods carried out through interviews directly with respondents, the tools used were questionnaires, secondary data were obtained from statistical data of research areas and related institutions (Food Security Office, Agriculture Office. and BPS Sidoarjo Regency).

### E. Data Analysis Method

Using Delphi analysis and is expected to generate development priorities for the readiness of the AEC both from the perceptions of local governments and farmers and analyze the readiness of local governments for infrastructure in facing MEA.

## III. RESULTS AND DISCUSSION

### A. Perception of Farmers in MEA

Farmers in the study consisted of young farmers, adult male farmers and adult female farmers, the farmer stated that the free market was not an obstacle for them (farmers), because all this time farmer considered selling to middlemen was enough, meaning that farmers considered alternative product marketing their yields can soon be sold, lately there is a tendency to get out of the agricultural sector very large this is marked by the sale of their agricultural land to investors.

### B. Farmers' Readiness in MEA

Farmers' readiness in the MEA was marked by farmers receiving training carried out by the Department of Food and Agriculture of Sidoarjo Regency, BPTP, BPSB, BBPP Ketindan, UPT TPH and UPT Training and Education Balonggebang Nganjuk.

### C. Analysis of the role of Trading House in Sidoarjo Regency

In analyzing the Role of Trading House in Sidoarjo Regency, it is necessary to pay attention to some characteristics that must be owned by Trading House:

- Building a system of division of labor, at the grass-roots economy, the people of the economy are free to produce according to their expertise, producing superior commodities on a larger scale to be traded, by handling various kinds of community commodities, so that efficient and directed. In Japan, for example, it can create a large agricultural area, people who are

members of the cooperative movement or local farmer groups cultivate certain commodities simultaneously and together. In addition to forming economies of scale, such handling also allows for the fulfillment of the need for seeds, fertilizers and even anti-pest treatment with agricultural mechanization that is relatively cheaper for each hectare.

The results show that there is no system established at the sub-district level, so far farmers sell their products to middlemen or to the Puspa Agro market, and are bought by buyers from other regions, the majority of farmers still think that a market is a meeting place for sellers and buyers, farmers sell products selling pedestrian products that have been prepared by Puspa Agro managers, so that the vast Puspa Agro in Jemundo becomes less optimal to operate because farmers still sell individually not in groups.

In Puspa Agro the product is marketed according to zoning or region to make it easier for buyers to buy products.

TABLE I. PRODUCT MARKETING ZONING IN PUSPA AGRO JEMUNDO SIDOARJO

| No | Zona               |
|----|--------------------|
| 1  | Processed Products |
| 2  | Fish Meat          |
| 3  | Fresh Flowers      |
| 4  | Vegetables         |
| 5  | Fruits             |
| 6  | Rice crops         |

Source: Puspa Agro in 2018

There are six (6) zones provided, the area of each zoning is quite broad, it's just that the zones are not optimized, there are only a few sellers and few buyers, this is due to several reasons, namely the entrance to Puspa Agro's parent market is relatively narrow and traffic jams, making buyers reluctant to shop at Puspa Agro.

The strength of Puspa Agro as a business center because of its location in the wide main market, adequate parking, and a special place for disposal of coconut fiber. Moreover, for the needs of loading and unloading, containers or truck transporting coconut can directly enter the market building.

TABLE II. COMMODITIES OFFERED BY TRADING HOUSE TO BUYERS

| No | Commodity  |
|----|------------|
| 1  | Corn       |
| 2  | Coffee     |
| 3  | Rice       |
| 4  | Chilli     |
| 5  | Fish       |
| 6  | Chocolate  |
| 7  | Vegetables |
| 8  | Coconut    |

Source: Puspa Agro in 2018

The commodities offered by Puspa Agro are diverse, such as corn, coffee, rice, chili, fish, chocolate, vegetables, and coconut. This shows the potential for good product diversity, but it is necessary to increase the volume of availability, because the need for export is very large, which has been in East Java and throughout Indonesia, the product volume is still

relatively small. The area is also spread inefficiently for transportation costs.

There are still many agricultural products that can be optimized, such as pumpkin, onion, and cinnamon. Whereas East Java is potential for fruits, vegetables, and others. Pumpkin potential in planting in Banyuwangi needs to be increased. Shallots and cinnamon potential to be planted in Malang, East Java can still be increased in production, but this does require support from government policy.

TABLE III. TRANSACTIONS FROM TRADING HOUSES IN SIDOARJO REGENCY

| No | Transaction   | Transaction  |
|----|---------------|--|
| 1  | Yellow squash | 3.5 Million from 1000 ton                                |
| 2  | Shallots      | 3 Million from total volume 200 ton                      |
| 3  | Cinammon      | Weight 80 ton with transaction value of Rp. 2,88 Million |

Source: Puspa Agro in 2018

In the table above, the turnover obtained has indeed increased, meaning that the Trading house division is more profitable because the broader market does not only serve domestically. In the Transaction from Pumpkin, Red Onion and Cinnamon and in 2017 the commodity Coconut.

TABLE IV. INCREASE IN TRADING HOUSE TURNOVER

| No | Year | Omzet (Billion) |
|----|------|-----------------|
| 1  | 2014 | 14,37           |
| 2  | 2015 | 78              |
| 3  | 2016 | 279,12          |
| 4  | 2017 | 451,22          |

At the Trading House Division, it seeks to accelerate the uptake of harvests of farmers, farmers, as well as farmers or fishermen, the first year of operation of the Trading House, namely in mid-2014 its turnover is only Rp. 14.37 billion. 2015 rose to Rp. 78 billion. The surge in turnover occurred in 2016, which was recorded at Rp 279.12 billion, and from 2017 until October the turnover of Trading House reached Rp 451.22 billion.

- The second concept is the Trading house in charge of organizing community activities into (1). Production and development of community superior commodities, (2). Marketing and distribution channels, and (3). Financial management with a savings and loan program.

The results indicate that Trading House in Jemundo, Sidoarjo Regency is still only able to receive products from farmers and cooperation with other parties to develop certain products. Puspa Agro collaborates with PT Mitra Mina Agro (MMA) to develop a coconut business specifically to meet export markets, in addition to semi husked coconut, it will also export white copra and white meat. Both of these products are also projected for the export markets of India, Thailand, Sri Lanka, China, Dubai, India and the United States (US). At the Puspa Agro location will also operate a great coconut plant (grated coconut) with the aim of exporting to Canada, the US, and several countries in Europe.

In the local market, the distribution of coconut from Puspa Agro is widely channeled to the markets of Surabaya and Sidoarjo as well as some areas in East Java, such as Gresik, Babat (Lamongan), Tuban, Bojonegoro, Mojokerto), Pare (Kediri), Kertosono. In fact, from Puspa Agro coconut also distributed to Jatiogo (Cepu), Solo, and Yogyakarta. Whereas ideally Trading House services in the field of marketing are as follows: the provision of services that are carried out in stages according to available resources, among others, market research, identification of potential buyers, negotiations, marketing networks, technology and packaging Raw material supply: outside market information country, Development and development, Access to capital [7].

- The third concept is Encouraging the formation of economies of scale in the field of production, distribution channels and community savings and loans, so that the application of modern technology and management, from the results of research, shows that business people attend an auction held on Tuesday (10/24/2017), transactions occur Rp. 17.525 billion.

There were 13 transactions, followed by participants from both farmers and agro - businessmen in East Java and several regions in Indonesia. In September 2017 there were transactions worth Rp 5.9 billion, which means an increase in transactions of 11,625 billion.

From the transaction of Rp. 17.525 billion, the yellow pumpkin commodity was ranked first with a value of Rp. 3.5 billion which was collected from 1,000 tons. The second position is occupied by commodities of shallot plant seeds, which are transacted at a value of Rp. 3 billion from a total volume of 200 tons, followed by a commodity of cinnamon weighing 80 tons with a transaction value of Rp. 2.88 billion. dried turmeric, honey pineapple, brown sugar (local). In addition, the commodities are candlenut, arabica coffee, cardamom, mahogany, dried kale, and corn.

Encouraging the formation of economic problems, it is only that Trading House facilitates transactions in the main Market area, there is no system built to improve greater economic performance and there is no savings and loan assistance activity.

- Each region has a special commodity which is due to climate differences between regions. Likewise with existing handicrafts and home industries (cottage industries) due to cultural influences that have been growing for generations. From the results of the research, this concept is still an obstacle, because farmers still work alone and there is no large-scale production. like research conducted by Sasmito J Utomo. [8] Top-down and bottom-up policies make China a modern country and its production penetrates the whole world, this model places the country as the holder of economic reform control.
- Combining several villages in one sub-district, Trading house assists the development of the people's economy, coordinates other components to build supporting forces. Bringing together the components of production, consumption (and distribution) and funds will build the

strong participation of the people needed to drive the people's economic progress.

Puspa Agro as a Trading House in East Java has indeed been able to export semi-hushed coconut on March 13, 2018, to Toronto, Canada. The export was carried out by sending one 40 feet container (about 26.5 tons). Besides Canada, the plan, semi hushed coconut is also exported to Thailand, China, Dubai, Pakistan, and India.

Coconut commodity turns out to be a profitable commodity for sale. Coconut is obtained from many areas in East Java such as Banyuwangi, Lumajang, Jember, and Trenggalek, from outside East Java, it comes from Pangandaran, Central Java, Sulawesi Island, such as Luwuk, Toli-toli Palu, Gorontalo, but there is no economic development of the people who are able to coordinate production, distribution, and funding.

- Distribution activities deal with meeting the daily needs of the community by maximizing the role of the organization, channeling community superior commodities to the market as well as meeting the needs of the community related to national supply,
- Work systemically in a structured organization, the organization consists of nodes that work interdependently implementing strict SOP (Standard Operating Procedure). Each node acts as a Strategic Business Unit (SBU), working independently in accordance with the general policy determined at the central level to be carried out independently by each region. Activity 6.7 has not been implemented because the distribution is still carried out by the community, a Trading house is still giving place.

Moreover, working systemically by implementing SOPs have not been implemented.

- Implementing a centralized policy approach, decentralized implementation allows each region to work in accordance with the conditions and progress of their respective regions. Each node is required to manage three main activities: (1). Production and development of community superior commodities, (2). Marketing and distribution channels, and (3). Financial management with savings and loan programs. Especially financial management applies centralized policies that are supervised by applying the Management Information System (MIS) designed for it. Computer use and ICT (Information and Communication Technology)

From the results of the study showed that in carrying out its duties PT Puspa Agro in collaboration with East Java Disperindag tried to improve its economic role by continuing to increase the number of bidders, both from farmers / farmer groups and agro sector businessmen, in hopes of boosting the added value of farmers, farmers, and fish farmers / fishermen, especially in East Java. The auction mechanism is a means of trading various agricultural commodities, effective to help the owners of goods (farmers / *Gapoktan*) and prospective buyers (buyers)/ accelerate the sale of goods with large volumes and fair prices. While for potential buyers, this auction forum is a

quick way to get good quality goods and relatively cheap prices.

Implementation of a Management Information System (MIS) and the use of computers and ICT (Information and Communication Technology) is still not optimal.

#### IV. CONCLUSION AND RECOMMENDATION

##### A. Conclusion

- Farmers in the study consisted of young farmers, adult male farmers and adult female farmers, the farmer stated that the free market was not an obstacle for them (farmers), because all this time farmer considered selling to middlemen was enough,
- Farmers' readiness in the MEA is marked by farmers receiving training carried out by the Department of Food and Agriculture of Sidoarjo Regency, BPTP, BPSB, BBPP Ketindan, UPT TPH and UPT Training and Education Balonggebang Nganjuk.
- The role of Trading House in Sidoarjo Regency is still not optimal, because it does not have a system that is able to become a reference for building a system of division of labor, at the sub-district level, organizing community activities into (1). Production and development of community superior commodities, (2). Marketing and distribution channels, and (3). Financial management with a savings and loan program.

##### B. Recommendation

- There is a socialization and training for farmers and extension agents about MEA
- Farmers are not ready to face MEA
- Need a policy of clustering agricultural products, and implementing the Trading house is a BUMD so that the Sidoarjo Regional Government can determine the development policy of the Trading house

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