

Analysis of Cashew Nut Marketing Channel in Southeast Sulawesi Province

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ABSTRACT

The condition of an effective and efficient marketing system can be used in support of the existence of price information which is not only known to traders but also related to farmers so that farmers do not depend on weak positions as recipients of low prices. Search results show the cashew nut flow formed in the marketing channel can be grouped into cashew nut flow that occurs with different market participants and marketing activities, as well as short differences. This is based on Meta logs which are the raw material for producing cashews. The purpose of this study was to analyse the performance of the cashew nut market in Southeast Sulawesi. Quantitative descriptive analysis is also used to measure marketing efficiency, technical efficiency, and economic efficiency. The current condition of cashew marketing requires a decrease, this overcomes various factors. To find out these factors, a marketing system analysis was carried out on various parties involved in the marketing process of cashew nut. The conclusion of this research is the cashew marketing channel which achieved the most inefficient increase was channel pattern III by 94%, technical efficiency index 16.95, economic efficiency index 1.23 with the destination area of Central Buton.

Keywords: analysis, cashew nut, marketing channel

1. INTRODUCTION

Southeast Sulawesi Province is one of the suppliers of Indonesian cashew which ranks third after the province of East Nusa Tenggara, South Sulawesi. Contributions to the production of cashew nuts in Southeast Sulawesi in 2016 amounted to 28,657 tons, East Nusa Tenggara Province amounted to 165,038 tons while South Sulawesi Province amounted to 49,309 tons. The data is based on 2016 Directorate General of Plantation data.

Based on Southeast Sulawesi Statistics data in 2017 shows that cashew plant area of 114,563 hectares with the achievement of production 23,190 tons, cocoa plants 255,621 hectares with a total production of 142,467 tons, coffee 8,904 hectares, total production of 2,038 hectares, coconut 54,180 hectares with total production of 39,271 tons, coconut palm 6.755 hectares with a total production of 989 tons.

This situation shows that cashew plants ranks second from the area of land cultivated and the amount of production produced after the cocoa crop contributes to economic growth in Southeast Sulawesi. With this condition, almost all regencies/cities in Southeast Sulawesi Province cultivate and develop cashew plants. Cashew plants cultivated and managed as a commercial business can be a source of income that can improve the welfare of farmers and can be used as a source of capital to develop. Village traders in the cashew production area can act as part of a large trader, by purchasing large amounts of cashew nuts and conducting cashew poisoning activities for resale in the form of cashews to large cashew nut traders. Big traders act as

hoarders of cashew nuts and will sell after there is demand from the market, high prices in the market and famine.

Marketing in this condition is supported by the involvement of village traders, inter-island traders who compete with big traders in purchasing cashew nuts. The inter-island trader conducts transaction activities with specified quality standards of cashew nuts so that the inter-island trader acts as a price determinant. This competition is caused by the amount of cashew supply produced in Southeast Sulawesi that cannot meet market demand. The explanation was obtained from the results of an interview with a large trader in the City of Baubau.

Conditions of availability of cashew supply that cannot meet market demand should be able to place farmers as producers of cashew nuts who have a strong bargaining position that acts as king and as a decision maker in determining prices, as the law of supply decreases the amount of goods offered and demand the more the higher the price of the goods, but the reality in the field shows farmers as recipients of a lower price (price taker) when compared to marketing institutions that obtain higher prices in the marketing system. The prevailing price at the farmer's level is IDR 120,000/kg while the prevailing price at the consumer level is IDR155,000/kg. The low price received by farmers is a problem in the marketing system.

Another factor that is a problem for farmers is that they still carry out traditional marketing systems that are not integrated, but are environmentally friendly. Some of the SMEs, have carried out environmentally-friendly production processes, and apparently experienced increased sales and income, because the public believed that the product produced was very clean, using truly safe raw materials, as well as SNI and halal labels, efficiency in the use of raw materials, energy and water which all can reduce operating costs [1]. However, although environmentally friendly, there are still many problems at the farm level that

need to get serious handling, namely the quality of the cashew varies, human resources are still limited, treatments are still traditional, not integrated.

In studying marketing various approaches are used. This approach can be explained as follows:

- a. The commodity approaches. This approach studies marketing issues by using the commodity approach of the marketing function.
- b. The functional approach. This approach is marketing based on its main function or main economic activities. The main functions performed in the marketing system are (a) the functions of exchange (buying and selling), (b) physical functions (transportation, storage, and processing), (c) the functions of the expeller (price information, risk management, credit provider and standardization).
- c. The Institutional Approach. This approach analyzes the role of companies/actors in the marketing system.
- d. The market conduct approach. The market/consumer behavior approach is broadly related to elements of marketing strategy, segmentation, products, price promotion and distribution. The behavior of the company (Market conduct) will affect the market performance (Market Performance) of an industry [2].

If the company differentiates, then a company can control aspects of pricing, even though the company is small and has many competitors in the industry [3]. Market performance is an assessment of how well the marketing process is carried out and how successful it is in achieving its objectives [4].

Market performance is a condition as a result of market structure and behavior as indicated by price, cost, and volume of production, as well as margins that will provide a good or not assessment in the marketing system [5].

In contrast to Teguh's explanation, market performance is an achievement generated in a market due to the activities carried out by marketing institutions that implement various strategies of their companies in facing competition and controlling market conditions [6]. Supply chain is all activities or businesses that involve all parties, both those that produce and or produce goods or services, from producers and/or raw materials to end consumers [7].

Supply chain management is a series of approaches applied to integrate suppliers, entrepreneurs, warehouses and storage areas so that products are produced and distributed with the right commodity, location and time to minimize costs and satisfy customer needs [8].

It was further explained that one effective way to improve competitive advantage and supply chain performance in dealing with a business environment with an increasingly high level of competition required management and integration between supply chain members [9].

In essence, the mechanism of supply chain of agricultural products is naturally formed by the actors of the supply chain itself. The supply chain mechanism of agricultural products can be traditional or modern. The traditional mechanism is that farmer's sell their products directly to the market or through middlemen, and middlemen will sell them to traditional markets and supermarkets. But middlemen often set their own prices according to their wishes which are usually far below the standard price. Which puts farmers in a weak position [10].

There are several marketing institutions that perform marketing functions to deliver goods or products from farmers to consumers. In the process of product travel to reach consumers, marketing institutions incur marketing costs from marketing functions carried out in order to increase the use of time, form, place and ownership. Activities carried out by the marketing institutions will determine the efficiency of the marketing system that occurs. The marketing system that is formed will be effective and efficient if there is a fair distribution of services performed by each marketing institution and farmers receive a favorable fair price.

The condition of this effective and efficient marketing system can be achieved if supported by price information that is not only known by traders but also known by farmers so farmers are not in a weak position as recipients of low prices.

The price of cashew production sold by farmers in the form of cashews gives a higher acceptance when compared to being sold in the form of cashew nuts. The condition of the development of Indonesian cashew nut prices in 2016 showed that within one year there was a fluctuation with the lowest price range of IDR 16,463 which occurred in August while the highest price in January was IDR 21,069, with an average price of IDR 18,355/kg.

With the high price at the consumer level while the price at the low farm level, it will indicate that the marketing system is inefficient, which means that price is one of the factors that determines a marketing system that performs inefficiently.

The profit received depends on the margins and costs incurred by each marketing institution, and the amount of marketing margins depends on the prices prevailing at each marketing institution and at the farmer level. Low profit levels and high marketing costs will provide high marketing margins so that the marketing system that is formed becomes inefficient.

Price changes can be determined by market structure, market behavior and will be reflected in the performance of a market. Market structure will describe the type or type of market whether monopoly, oligopoly or perfect competition. Whereas market behavior emphasizes business activities carried out by marketing actors so that it will affect margins that are reflected in market performance. Based on this study, how is the cashew nut marketing channel in Southeast Sulawesi Province?

2. METHOD

This research was carried out in Southeast Sulawesi Province which was divided into several clusters in Buton Regency, South Buton Regency, Central Buton Regency, Baubaudan City and Muna Regency, which were conducted in April to July 2018. Determination of the research area was purposively selected with cluster sampling technique. In this study, the population is all farmers who carry out cashew farming, processing farmers, traders in Buton Regency, South Buton Regency, Central Buton Regency, Baubau City and Muna Regency, each district represented by one sub-district and in each district represented by one village. Population of cashew farmers contained in this

study amounted to 821 people. The research method uses the survey method with consideration of a broad research area.

In determining the sample as respondents, the sampling is based on a predetermined population area. This cluster sampling technique is used in two stages: the first stage is to determine the sample area, and the next stage is to determine the people in the area by sampling [12]. Determination of sample traders, processors, marketing institutions with the Snowball Sampling technique.

3. RESULTS AND DISCUSSION

Marketing channels are the paths or flows that a commodity passes from farmers to consumers. In this research, it can be explained that the marketing channel is a path that is traversed by cashew commodity which is then carried out by the poisoning process to consumers in the form of cashew nuts.

Based on the results of research conducted in Southeast Sulawesi Province which includes South Buton District, Central Buton District, Baubau City. Buton and Muna districts show that the cashew marketing channel that is formed is one unit and is integrated and is a system that influences each other to be able to distribute cashews to consumers according to time, place, shape and price.

The results of a study of cashew nut marketing channels in Southeast Sulawesi to reach consumers through various marketing chains, with different market participants but have the same goal to be able to meet consumer demand and make a profit. The results showed that of the five study locations, there was 1 location in the Kalia-Lia Village of Baubau City, farmers and traders did not do the marketing of cashews but only supplied cashew to large traders in the villages of Moko and Lombe. The cashew marketing channel is presented in the following Part A scheme:

3.1. The Marketing Flow of Cashew Nuts in Lawela Village, Batauga District, South Buton Regency

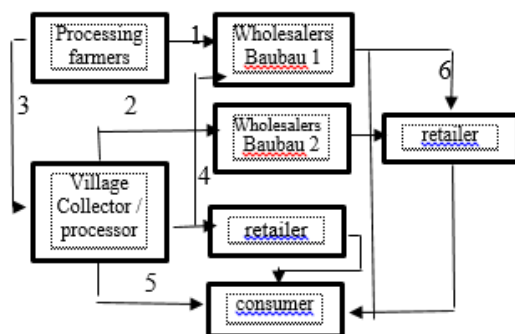


Figure 1 Flow of cashew nut marketing in lawela village

The pattern of channel marketing pattern 1a can be explained that the processing farmers sell the cashews they

produce to the big traders of Baubau City. Cashew nuts then large traders sell the cashews back to retailers and retailers sell to final consumers. It can be explained that large traders do grades and sort on cashews that will be marketed to retailers.

The scheme of channel marketing for cashew nuts in pattern 2a can be explained that the village/processor traders sell the cashew nuts they produce to large traders and then large traders sell to retailers. In this condition, it can be explained that the retailers in this marketing channel do not carry out drying, packaging activities, but the cashew nuts bought from these large traders are directly sold to consumers. The activity of the traders involved in the marketing of cashews is the same as the activities carried out on the marketing channel of pattern 1.

The channel marketing pattern 3a can be explained that some processing farmers sell cashew nuts that they produce through village collection traders to sell to large traders in the City of Baubau, then large traders sell to retailers and retailers sell cashews to end consumers. Regarding the sale of processing farmers through collecting traders, it can be explained that from the sale of the processing farmers, they provide commissions or remuneration to village collecting traders with the amount that no stipulations are set, but based on the willingness of the processing farmers, in other words, it only helps the cost of transporting to Baubau City when the traders sell cashews they produce. The commission amount is IDR 100,000 in the sale of 50 kg of cashews sold. This is done because there is already a trust between the collecting traders and the processing farmers.

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3.2. The marketing flow of cashew nuts in Moko Village, Lakudo District, Buton Tenga Regency

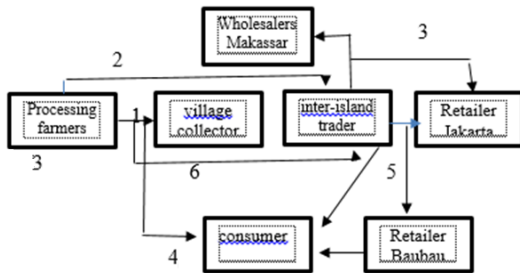


Figure 2 Flow of cashew nut marketing in moko village

The marketing channel of pattern 1b can be explained that processing farmers, processors sell cashews produced to the collecting traders of Moko Village, after that the cashew nuts are sold to traders to inter-island traders, inter-island traders carry out the functions of sorting and grading, drying and then selling the cashews to retailers in Jakarta. The retailers in question are Toko Surya, Marisa Lestari and Timur Jaya.

Marketing channel pattern 2b shows processing farmers, processors selling cashew nuts produced to inter-island traders without going through collecting traders. Furthermore, the cashew nuts are sold to retailers in Baubau, but the amount of sales is only in small amounts and is not continuous. Inter-island traders will ship to Baubau when there is a demand in the range of 20 - 50 Kg. In this condition, it can be explained that the main inter-island trader whose destination is outside Sulawesi conducts the processing/poisoning of the produced cashew nut and some buys the cashew nut from the village/processing trader.

The results of the processed cashew nuts, processing farmers carry out sales activities to village collecting traders. Furthermore, collecting traders carry out drying activities to reduce their water content and later if stored, they are not easily damaged/moldy. Village collector sellers selling activities to inter-island traders then inter-island traders sell cashews in Jakarta, especially to retailers who serve the purchase of ready-made cashews and white cashews. The retailers in question are Toko Surya, Marisa Lestari and Timur Jaya

The marketing channel of pattern 3b cashew nuts can be explained that processing farmers/processors sell cashew nuts produced to inter-island traders/processors. The inter-island trader/processor is also a producer of cashew nuts, then inter-island traders conduct sales activities to large traders in Makassar (Benteng Mas Company), the number of cashews sold in large sales in each shipment reaches 5 tons in every shipment.

The 4b pattern marketing channel, which is characterized by the blue arrow direction, provides information that the village collection traders sell the cashew nuts they produce and the proceeds from the processing farmers, processors directly to consumers. In this condition the traders receive cashew purchases at home. Sales that are incidental in nature mean that village collectors doing sales activities to consumers directly is not the main goal. Consumers who

make purchases are employees who live in Baubau, but who work in Central District. From the processed cashew nuts produced by the collecting traders, it is addressed to inter-island traders who have family relations (siblings).

The marketing channel of 5b pattern cashew nuts that can be characterized by the direction of the yellow arrow can be explained by the processing farmers/processors selling cashew nuts produced to inter-island traders and inter-island traders also selling cashews directly to end consumers, that inter-island traders are the main destination the sales are retailers outside Southeast Sulawesi, but in the process of marketing the cashew nuts, inter-island traders receive cashew purchases made by end consumers. The selling price of the 5-channel marketing channel cashew is the same as the marketing channel pattern 4 marketing channel pattern.

Marketing channel pattern 6b, processing farmers/processors sell cashews they produce to inter-island traders Moko Village without going through village collection traders, then inter-island traders carry out marketing functions such as drying, sorting, grade, and packaging. The cashew nuts are then sold to retailers in Jakarta.

4. CONCLUSIONS

The marketing efficiency of 97 percent cashew nuts and 95 percent cashew nuts, engineering efficiency indicators 12.09 and the overall economic efficiency index 1.23 indicate efficient market performance

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