



Resiliency and Existence of the Dairy Farm Cooperative in the Era / Period of Pandemic, Digital Economic, Creative Economic, and Free Market

(Case Study of Setia Kawan Dairy Farm Cooperative, Nongkojajar, in the Regency of Pasuruan, East Java)

Dwi Sulisty^(✉)

Department of Public Administration, Faculty of Administrative Science,
University of Brawijaya, Malang, Indonesia
dwisulistyo@ub.ac.id

Abstract. Fact Finding of this paper is Setia Kawan Dairy Farm Cooperative was full capable to compete and remaining existence in the period of pandemic, digital economic, and free market. Setia Kawan Dairy Farm Cooperative not only capable to compete with other Dairy Farm Cooperative but they also capable to compete with Bank, because Setia Kawan Dairy Farm Cooperative was capable give loan to they members until 1 billion without collateral guarantee for member which are able to produced of 1 grade fresh milk until 800 L every day. Frankly speaking, in case of bank loan, many bank customer very difficult to find loan until 1 billion from bank although they have enough collateral guarantee. Financial resiliency and competitiveness of Setia Kawan Dairy Farm Cooperative was really fantastic because they capable compete with bank. In the period of digital economic and creative economic right now many start-up corporate appear and grow not only world wide level but also in Indonesia, but in FY 2022 half of start-up in Indonesia was bankrupt, this reality was making shock for us because from beginning we are hope this kind of start-up corporate will be new alternative economic institution which are capable to good solution of increasing people income and many worker can works. From this reality we are will back to see ours cooperative which will be become good alternative and good solution in the future to increase people income and worker place including Indonesia economic resiliency. Cooperative in ours constitution UUD 195 as a economic teacher for Indonesia people originally have good purpose and meaning, that why we have to study and to improve all type of ours cooperative in any way to increase Indonesia economic in the future. Setia Kawan Dairy Farm Cooperative was capable existence and have high competitiveness to other including with bank, because Setia Kawan Dairy Farm Cooperative was managed by 5 (five) principles and strategy that are: (1) Implementing Principle of Honest, Capable, Hard worker, and responsibility including quick responsive and responsiveness for all administrator / manager, supervisor, and members including around people in the area, Honest only not enough without capable, (2) Cooperative must be do and concentrate only business cast (Cor Bisnis) and make guard to business cast that is producing of first grade fresh milk, and

its derivative products, although Setia kawan Dairy Farm cooperative also have animal feed factory as popular calling cipro animal feed. Cooperative was able to making resiliency regarding with animal feed and they do need depending to import of animal feed, Cooperative always updates and renew of main production and its derivative products, (3) Setia Kawan Dairy Farm was making good partnership not only with University / College both domestic and foreign universities, but also with Milk processing industry (IPS) and State Corporate. we can give and take between theory and practice to share solution when we have any problem and improve managerial practice, (4) Setia Kawan Dairy Farm Cooperative was doing training and empowering to all administrator / manager, supervisor, and all members to manage cooperative and to product first grade fresh milk production, (5) Setia Kawan Dairy Farm Cooperative was implementing of openness principle to all stake holder, especially to ours members. We are recommendation that all Businessmen, Cooperative, Private Business, Start-up corporate, state corporation, and others will be remain existence and have high competitiveness if they manage and implementing those 5 principle and strategy like Setia Kawan Dairy Farm Cooperative.

Keywords: Resiliency · Existence · Compete · Competitiveness

1 Introduction and Purpose of the Paper

Based on KPSP Setian Kawan Pamphlet, brochure, advertisement picture, tagline and slogan 2010, that are in 2010, there were almost 500,000 dairy cows in Indonesia producing about 930,000 tones of milk. Ninety seven percent of all dairy cows are located on the island of Java in the provinces of East Java, Central Java and West Java. These three provinces produce 97 percent of Indonesia's milk with East Java being the largest milk producer accounting for 57 percent of Indonesia's milk production. Over the last five years, Indonesia's dairy cow population and milk production has increase. Over the last five years, Indonesia's dairy cow population and milk production has increased annually by an average of 7.4 percent and 14.6 percent, respectively. The province of East Java has shown the largest growth over the last five years with dairy cow population and milk production increasing annually by an average of 14.6 percent and 24.3 percent respectively.

Cooperative, especially dairy farm cooperative is one of most important economic institution in Indonesia, because cooperative in Indonesian Constitution is Economic Teacher for Indonesian Economic System [1]. In the period / era of pandemic and digital economic including free market right now, in case of Setia kawan Dairy farm cooperative, they was able to existence, able to compete, and have high competitiveness not only with other cooperative ut also with bank.

In the period of digital economic and creative economic right now many start-up corporate appear and grow not only worldwide level but also in Indonesia, but in FY 2022 half of start-up in Indonesia was bankrupt, this reality was making shock for us because from beginning we are hope this kind of start-up corporate will be new alternative economic institution which are capable to good solution of increasing people income and many worker can works.

Main purpose of this paper is to know: (1) why dairy farm cooperative was able to exist and was able to compete with other cooperative and have high competitiveness with bank? (2) What kinds of strategy and manage principle was doing in Setia Kawan Dairy Farm Cooperative?

2 Brief Overview of Theoretical Background

Co-operative enterprises around the world including Indonesian farmer cooperatives are increasingly becoming involved in Fair Trade as means to increasing their competitiveness in the market both in the consumer and producer sectors. Competitive ability is most important thing for the cooperatives to competitive with others. Cooperatives also increasing the quality of product and services.

The role of agricultural cooperatives in an industrialized food system, especially dairy milk industry cooperative is a major concern for researcher in the field. Particularly, since early 1990's, sluggish or even declining performances, illustrious bankruptcies and the rise of new organization forms (such as the new generation cooperatives) have brought new intensity in the debate. The main question is related to the possibility for cooperatives to compete successfully in the food market especially dairy milk industry cooperative with Investor Owned Firms (IOF), given their unique institutions. The same question has been posed in many different ways, for a long time and with different approaches and answers. Researcher sometime wondered if traditional cooperatives "have outlived their usefulness" [2] or are "under-performers by nature" [3], what would be the (grim) implications of industrialization for supply cooperatives [4]. The comparative efficiency of cooperatives has been both questioned and supported [5–7]. In mid-90's the future role of cooperative was considered an open question [8, 9]. Increasingly, literature has been linking the efficiency of cooperatives as ownership structure to market imperfections such as transaction costs, incomplete contracts or moral hazard [8, 10–12]. The arguments in support of inefficiency of traditional cooperatives have been summarized and organized in an original framework by Cook et al. using a neo-institutional approach: the "vaguely/ill defined" property rights in traditional cooperative institution hinder competitiveness and makes them more vulnerable in the market [9, 13–15]. New Generation Cooperative (NGC) are then considered as a "new and improved" institutions, overcoming the weaknesses of the traditional associations. However, Recent developments, question the unconditional success of the NGC and call for a critical look at the new trends [16]. The distinctive characteristics of new generation cooperatives, compared to traditional cooperatives are closed (limited) membership and the regulation of patronage via delivery rights (i.e. the quantity of products that members can deliver to the cooperative is proportional to the equity shares). Also, NGC are characterized by relevant upfront capital investment and a value-added focus. For a more detailed description, see Fulton [17].

In this article we are only using 2 two) theoretical thinking, that are:

2.1 How We Can Win in Business Competition

Porter, competitive advantages, journal of competitiveness in business, there are 4 principle to compete that are [18]:

1. Cost leadership, that mean all cost of production processing must be cheaper, if our cost of leadership cheaper we can sale our product cheaper, and finally we can win in business competition.
2. Focus, ours business must be concentrate to main business or cast business and derivative products, this strategy will be make strong and high quality of our production.
3. Quick Responsive, all administrator / manager, supervisor, and member or organization must have cap ability to do quick responsive when facing problem.
4. Looks different, in Indonesia we call *tampil beda*, mean that our product must be have different thing with other product, this strategy will be increase our market dan trust of our customers.

2.2 Social Capital

Social capital is most important thing for business, if our people or member has been good and life social capital, the behaviour our member in organization is very good and will become standard behavior to support achieving organization purposes. This social capital will be make member of organization tend to honest, hardworking and tend to capable including responsiveness (David Halpern 2018).

3 The Strategy and Managerial Principle of Setia Kawan Dairy Farm Cooperative

Cooperatives Management has been closed related by the policy environment in which co-operatives exist either support or hinder the growth and success of co-operatives. Laws and administrative policies at the national and local levels must therefore take into consideration the special character of co-operatives to ensure a fair and level-playing field for the co-operative enterprise Cooperatives should be take action in policy with consideration of local capability, including Local Government dan local cooperatives agency [19].

Government policy including government commitments is becoming important factor to increasing cooperatives competitiveness. Government policy must be pro cooperatives farmers and especially pro to dairy milk industry cooperatives. Government policy should be avoid to hurting the cooperatives, because cooperative will be die without supported by the good government policy good government commitments. In this theoretical bases researcher will also using Adam Smith invisible hand and animal spirit of keyness. Adam smith argue that role of the government is invisible hand that means that the government should give the market as much as leeway, and market must be free from undue government interference. Market will be failures if market interference by the government. Market is the most efficient mechanism. Keynes argue that government must be take important role to support and control market because there is any animal

spirit in economy activities, that why the government must be active take a role to control market, as Joel Migdal [20].

In field researcher will be checking the role of government followed by adam smith or keyness. Cooperatives should be have capability to manage own cooperatives with consideration all aspect of competitiveness and market, including choice good strategy to compete with other cooperatives and should be consideration of market conditions to protect market failure see Clifford Winton [21].

Competitiveness can be also showed by competency and capability of the cooperative itself that is according with porter theory of competitive advantage the cooperative should be focus, do core business, quick response, and making differentiation in product [18].

One of most important things for the cooperative especially of dairy farm cooperative is strategy and managerial principle, because strategy and managerial principle have big influence to success or failure of the cooperative.

Five strategy and managerial principle in Setia Kawan Dairy Farm Cooperative are:

1. Implementing Principle of Honest, Capable, Hard worker, and responsibility including quick responsive and responsiveness for all administrator/ manager, supervisor, and members including around people in the area, Honest only not enough without capable, Hard working, and Responsiveness.
2. Cooperative must be do and concentrate only business cast (Cor Bisnis) and make guard to business cast that is producing of first grade fresh milk, and its derivative products, although Setia kawan Dairy Farm cooperative also have animal feed factory as popular calling cipro animal feed. Cooperative was able to making resiliency regarding with animal feed and they do need depending to import of animal feed, Cooperative always updates and renew of main production and its derivative products.
3. Setia Kawan Dairy Farm was making good partnership not only with University / College both domestic and foreign universities, but also with Milk Processing Industry (IPS) and State Corporate. We can give and take regarding with theory and practice to share good solution when we are have any problem and to improve managerial practice.
4. Setia Kawan Dairy Farm Cooperative was doing training and empowering to all administrator / manager, supervisor, and all members to manage cooperative and to product first grade fresh milk production.
5. Setia Kawan Dairy Farm Cooperative was implementing of openness principle to all stake holder, Administrator / manager team, supervisors, and members. Openness principle can increase member trust and participating, including business partnership, especially Milk Processing Industry.

4 How Setia Kawan Dairy Farm Cooperative Policy When Facing Problem

Financial Performance of KPSP Setia Kawan Nongkojajar as Table 1 below:

All cooperative in anywhere including in Indonesia have many problems, starting from quality of fresh milk production, market of production, and financial performance, until cooperative policy to increase member production and welfare.

1. Quality of Fresh Milk production of Setia Kawan Dairy Farm Cooperative was first grade fresh milk, cooperative can sale fresh milk to all Milk Processing Industry.

Table 1. Financial performance, human resources, and dairy cows of KPSP SETIA KAWAN 2022.

1	Managers	3 person
2	Advisors	3 person
3	Supervisors	3 person
4	Members	11.750 person
5	Member Representatives Coordinator	67 person
6	Employee	283 person
7	Veterinarians	3 person
8	Paramedis	5 person
9	Inseminator	12 person
10	Cut nails technician	7 person
11	Fresh Milk Production (1grade)	130.000 / day
12	Turnover (Omset Riel)	Rp. 391.432.869.842
13	Asset (Aset Riel)	Rp. 136.514.068.933
14	SHU(the rest of the business profit)	Rp. 3.347.243.666

Farmer will be production of fresh milk in level of first grade, if farmer able to make clean line of cattle, cow dung (kendang sapi), and give enough cattle food and animal beef (konsentrat), because cattle will be producing first grade fresh milk if they was enough food and cleanliness. The most important thing is food supplementary for cattle which are popular calling animal beef or “konsentrat”. The problem is price of animal beef (konsentrat) is very expensive, and cooperative must be buy or importing, especially from comfeed as a big business which is doing monopolistic. The solution of these problem, Setia Kawan Dairy Farm Cooperative was established and construction of animal beef (konsentrat) factory to fulfill farmer needed of animal beef. This policy have big influence to farmer, all farmer can give food supplementary to cattle with cheaper price. Cooperatives also subsidy to farmer or to member when member buy animal beef or konsentrat that is one kg subsidy Rp 200,-. The animal beef (konsentrat factory was produce 60.000 – 100.000 ton every day. After animal beef or konsentrat factory established, problem of food supplementary for cattle was success solution, and farmer can produce first grade fresh milk. Cooperative was able to making resiliency regarding with animal feed and they do need depending to import of animal feed, Cooperative always updates and renew of main production and its derivative products.

2. Market of fresh milk of setia kawan dairy farm cooperative was very easy because all milk processing industry want to buy, especially indolakto most biggest milk processing industry. Not Only Indolakto, Cimory, frisan flag, nestle, green field, etc. They also give some technical assistance to Setia Kawan dairy farm cooperative. Fresh milk of Setia Kawan dairy farm cooperative was dominating market of fresh milk because the quality of all fresh milk is first grade. Finally income Setia kawan

dairy farm cooperative including farmer or member was increasing time to time until now.

3. In financial capability and policy to member, setia kawan dairy farm cooperative was give loan to all member until one billion without collateral guarantee, this type of policy is very good, and cooperative can compete dan have high competitiveness with bank. Because Setia Kawan Dairy Farm Cooperative was capable give loan to they members until one billion without collateral guarantee for member which are able to produced of 1 grade fresh milk until 800 L every day. Frankly speaking, in case of bank loan, many bank customer very difficult to find loan until one billion from bank although they have enough collateral guarantee. Financial resiliency and competitiveness of Setia Kawan Dairy Farm Cooperative was really fantastic because they capable compete with bank.
4. Financial capability of Setia kawan dairy farm cooperative was big enough, because production of first grade fresh milk and derivative product was increase time to time. This financial capability is most important thing to improve competitiveness and resiliency of cooperative. Without financial capability cooperative will can not existence and resiliency.

5 Fact Finding

Based on those fact, we can find some fact finding that are:

1. Cooperative can existence and resiliency in the period or era of pandemic and digital economic because they able to manage cooperative with honest, capable, hardworking, and responsiveness.
2. They always give training and empowering to all member, administrator / manager, and supervisor, and finally they have good social capital to manage cooperative and produce first grade fresh milk.
3. Setia Kawan Dairy Farm was making good partnership not only with University / College both domestic and foreign universities, but also with Milk Processing Industry (IPS) and State Corporate. We can give and take regarding with theory and practice to share good solution when we are have any problem and to improve managerial practice.
4. Setia Kawan Dairy Farm Cooperative was capable give loan to they members until one billion without collateral guarantee for member which are able to produced of 1 grade fresh milk until 800 L every day. Frankly speaking, in case of bank loan, many bank customer very difficult to find loan until one billion from bank although they have enough collateral guarantee.
5. Setia Kawan Dairy Farm Cooperative was implementing of openness principle to all stake holder, Administrator / manager team, supervisors, and members. Openness principle can increase member trust and participating, including business partnership, especially Milk Processing Industry.
6. They able to established and constructed of animal beef or popular call konsentral factory, to fulfill farmer needed of konsentrat (animal beef / food supplementary for cattle).

6 Recommendation

We are recommendation that all Businessmen, Cooperative, Private Business, Start-up corporate, state corporation, and others will be remain existence and have high competitiveness if they manage and implementing those 5 principle and strategy like Setia Kawan Dairy Farm Cooperative.

1. Implementing Principle of Honest, Capable, Hard worker, and responsibility including quick responsive and responsiveness for all administrator / manager, supervisor, and members including around people in the area, Honest only not enough without capable, Hardworking, and Responsiveness.
2. Cooperative must be do and concentrate only business cast (Cor Bisnis) and make guard to business cast that is producing of first grade fresh milk, and its derivative products, although Setia kawan Dairy Farm cooperative also have animal feed factory as popular calling cipro animal feed. Cooperative was able to making resiliency regarding with animal feed and they do need depending to import of animal feed, Cooperative always updates and renew of main production and its derivative products.
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5. Setia Kawan Dairy Farm Cooperative was implementing of openness principle to all stake holder, Administrator / manager team, supervisors, and members. Openness principle can increase member trust and participating, including business partnership, especially Milk Processing Industry.

Other recommendation is cooperative must be increasing production and quality of fresh milk to increase income of cooperative and farmer. Give loan until one billion to member without collateral guarantee is fantastic policy and make member and farmer remaining increasing income and welfare.

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