

23. Healthy organic coconut sugar powder business's development strategy: A case study at the Nira Perwira Cooperative, Purbalingga District, Central Java, Indonesia

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Healthy organic coconut sugar powder business's development strategy: A case study at the Nira Perwira Cooperative, Purbalingga District, Central Java, Indonesia

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Abstract. Efforts to establish the Nira Perwira cooperative to increase the added value of coconut sugar powder through better processing and export orientation are still hampered by a number of challenges. Uncertainty in supply and the quality of supply from partner farmers are two of the difficulties encountered. These research objectives are to 1) analyze the external and internal factors of the Nira Perwira Cooperative in developing the organic coconut sugar powder business; 2) analyze the Nira Perwira Cooperative's position in the organic coconut sugar powder; and 3) analyze alternative strategies that can be used in developing the Nira Perwira Cooperative's organic coconut sugar powder. The study makes use of both secondary and primary data gathered through interviews, observation, recording, and Focus Group Discussions (FGD). The case study method was used in this study. Internal Factor Evaluation (IFE), External Factor Evaluation (EFE), Internal-External (IE), Strength, Weakness, Opportunities, and Threats (SWOT) were used to analyze the collected data. The results revealed that the IFE value was 2.28 and the EFE value was 3.06, indicating that the cooperative position is in quadrant II of the IE matrix. Based on the SWOT analysis, the Nira Perwira Cooperative's organic coconut sugar powder development strategy should include more promotional activities, more farmer loyalty, more contracts with third parties, more marketing networks, more competent members to run marketing, and more internal reorganization.

Keywords: Development strategy, organic coconut sugar powder, Nira Perwira Cooperative.

1. Introduction

The low price of agricultural products at the producer level cannot be separated from the less competitive structure of the market for farm products. On the one hand, some parties are more dominant in determining the price (price makers). On the other hand, producers' bargaining positions are weak. Producers tend to be price takers. Zdiniakova and de la Calle [1] reported that coconut sugar marketing tends to be less efficient. The coconut sugar market structure at the whole seller level is loose oligopsony, while at the collector and farmer level, it is oligopoly. Hence, the buyer determines the price of coconut sugar at the farm level.

Purbalingga District is one of Central Java's coconut sugar production centers. In 2015 coconut sugar production in this district reached 53,130,80 tons [2], involving around 18,000 units of coconut sugar farmers. The economy of most farmers or *penderes* is still a concern [3].



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Related to efforts to improve the welfare of farmers, Non-Governmental Organizations (NGOs) Research and Development Institute for Resources and the Environment (LPPSLI) Purwokerto have assisted coconut sugar farmers in producing organic coconut sugar powder, which has a higher selling value. At the time of pioneering assistance, the price of printed coconut sugar at the farmers' level was Rp7,000 to Rp7,500 per kg, while the cost of organic coconut sugar powder was Rp10,000 to Rp11,000 per kg, with a price difference between Rp2,500 and Rp4,000 per kg, which is very helpful for increasing the income of farmers.

In 2022, the Nira Perwira Cooperative will be the shelter for four villages in Purbalingga that produce organic coconut sugar powder. A total of 401 organic coconut sugar powder farmers were certified by the Dutch Control Union Institute in May 2014. The programs offered by the Nira Perwira Cooperative to organic coconut sugar powder farmers include (1) savings; (2) remaining operating results; (3) production support facilities; (4) market access; (5) production quality assurance; (6) information supporting the development of organic palm sugar; (7) coconut farmers' compensation fund in the form of community insurance; and (8) currently working on health insurance or BPJS (accidents, work, retirement). As a center for coconut sugar production in Purbalingga District, many farmer's families in Kutasari District reach no less than 7,000 families. Most coconut sugar producers do not sell their products to final consumers but local village collectors. Furthermore, the collectors sell them back to wholesalers in the local village or sub-district area. By wholesalers, printed coconut sugar products are sold outside the city either to meet soy sauce factories in big cities or to meet the needs of end consumers through traditional retailers in small markets in big cities. In general, producers are also bound by a down payment from buyer traders, so they will sell the products they produce to traders who have given loan money at a dominant price determined by the buyer.

Several internal and external factors influence the Nira Perwira Cooperative's critical role in improving the welfare of organic coconut sugar powder farmers. The cooperative's internal and external factors must be adequately identified in order to develop a strategy that will support the successful development of the Nira Perwira Cooperative's organic coconut sugar powder business. The success of the organic coconut sugar powder business is due to implementing the right strategy that will benefit the cooperative and help the organic coconut sugar powder farmers. In other words, the cooperative's goal, namely the welfare of organic coconut sugar powder farmers, will be realized.

2. Material and Methods

2.1. Material

The research was carried out at the Nira Perwira Cooperative, a cooperative with specific superior products of organic coconut sugar powder, and its products have met international organic standards. The research technique used is a case study with a qualitative approach. Determination of critical informants for determining strategic factors, determining weight and attractiveness is done purposively. Critical informants for strategic factors are the Head of the Nira Perwira Cooperative, Head of Quality Assurance Division, Manager, Head of Production Division, Head of Logistics, and Supervisory Division. The critical informant to determine the attractiveness value is the Chairman of the Nira Perwira Cooperative.

2.2. Methods

This study necessitates the collection of both primary and secondary data. Preliminary data includes the state of the Nira Perwira Cooperative, an overview of the cooperative's organization, and information on the cooperative's marketing activities of organic coconut sugar powder to exporters. Secondary data is already available at research-related organizations such as the Nira Perwira Cooperative, the Purbalingga Regency Central Bureau of Statistics, and the Department of Trade. Interviews, observation, recording, and focus group discussions are all methods for gathering data (FGD). IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) analyses of internal and external factors using matrix analysis (External Factor Evaluation). The Nira Perwira Cooperative's position in the organic coconut sugar powder industry is determined using the IE (Internal External) matrix.

3. Results and discussion

3.1. Internal and external factors of the Nira Perwira Cooperative

Internal factors were identified, resulting in the inner strengths and weaknesses of the Nira Perwira Cooperative. Table 2 shows the Nira Perwira Cooperative's strength and weakness factors. The identification of external factors demonstrates the Nira Perwira Cooperative's external opportunities and threats; the identification of external factors is shown in Table 1.

Table 1. Identification of the internal and external factors of the Nira Perwira Cooperative

No.	Internal Factors	Strengths	Weaknesses
1	Production	a. Using ingredients that are safe for health b. Continuous supply of coconut sugar c. Prices at the farm level are stable	Inability to produce large quantities on demand
2	Marketing		Sales on a large scale are still in scope around the district, and exports are not sustainable
3	Financing		Weak capital
4	Management	a. Have a legal entity b. The existence of training to improve the quality of human resources c. Have a quality assurance body	a. Less active member participation b. Management is lacking in excellent knowledge
External Factors		Opportunities	Threats
1	Macro Environment		
	Economic factors		Fluctuating consumer demand
	Technological Factor	Online marketing allows purchases made anytime and from anywhere	
	Politics, government, law	Support from district government through development programs	
	Socio-cultural	a. The number of coconut sugar farmers is large b. Trend to organic consumption c. Have good relationship among farmer, trader, government	Lack of public awareness and understanding of cooperatives
	Climate condition		Unpredictable rainy season
2	Industrial Environment		
	Competition in the industry		Many new organic coconut sugar powder industries have sprung up
	Potential buyers	Many new requests from potential buyers abroad	

Source: Primary Data Analysis (2021).

3.2. Analysis of the position of the Nira Perwira Cooperative in the organic coconut sugar powder industry

The IFE value of the Nira Perwira Cooperative is 2.28, and the EFE value is 3.06. An IFE value below 2.50 indicates that the Nira Perwira Cooperative is internally weak. The EFE value above 2.50 means that the Nira Perwira Cooperative can explore opportunities and avoid threats [4].

Table 2. Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) Matrices

Main Internal Factors	Weight	Rating	Score
Strengths			
1. Have a legal entity	0.07	3	0.21
2. Using ingredients that are safe for health	0.10	4	0.40
3. Continuous supply of coconut sugar	0.09	4	0.36
4. Prices at farm level are stable	0.08	3	0.24
5. Have a quality assurance body	0.09	3	0.27
6. Training to improve the quality of human resources	0.07	3	0.21
Weaknesses			
1. Less active member participation	0.08	1	0.08
2. Unable to produce in large quantities as order	0.09	2	0.18
3. Sales on a large scale are still in scope around the district, and exports are not sustainable	0.09	1	0.09
4. Weak capital	0.09	1	0.09
5. Less active member participation	0.07	1	0.07
6. Management is lacking in excellent knowledge	0.08	1	0.08
Total	1.00		2.28
Main External Factors	Weight	Rating	Score
Opportunities			
1. The number of coconut sugar farmers is large	0.09	2	0.18
2. Cooperation network with facilitators/ partners is well established	0.11	4	0.44
3. Many new requests from potential buyers abroad	0.10	4	0.40
4. There is support from the district government through development programs	0.09	3	0.27
5. Online marketing allows purchases to be made anytime and from anywhere	0.09	3	0.27
6. People's trend towards organic consumption	0.12	4	0.48
Threats			
1. Fluctuating consumer demand	0.09	2	0.18
2. Unpredictable rainy season	0.09	2	0.18
3. Lack of public awareness and understanding of cooperatives	0.10	3	0.30
4. Many new organic coconut sugar powder industries have sprung up	0.12	3	0.36
Total	1.00		3.06

Source: Primary Data Analysis (2021).

The IFE and EFE matrices' values are used as inputs in the IE matrix, so it is known that the position of the Nira Perwira Cooperative in the organic coconut sugar powder industry is in position II. Position II is a position of growth, development, and cooperatives. The strategies that can be applied are integrative and intensive.

		IFE		
		<i>Good</i>	<i>Average</i>	<i>Weak</i>
		3.00-4.00	2.00-2.99	1.00-1.99
EFE	<i>Good</i>	I <i>Growth and Build</i>	II <i>Growth and Build</i>	III <i>Hold and Maintain</i>
	<i>Average</i>	IV <i>Growth and Build</i>	V <i>Hold and Maintain</i>	VI <i>Harvest and Divest</i>
	<i>Weak</i>	VII <i>Hold and Maintain</i>	VIII <i>Harvest and Divest</i>	IX <i>Harvest and Divest</i>
		3.00-4.00	2.00-2.99	1.00-1.99

Figure 1. Internal-External (IE) Matrix

3.3. The alternative strategy of organic coconut sugar powder's business development

Alternative strategies that follow the position of the Nira Perwira Cooperative as follows:

a. SO strategy

Increase promotional activities

The Nira Perwira Cooperative should use the internet as a promotional means. The strategy that can be done is to create a website that contains Nira Perwira Cooperative's complete profile, achievements, products produced, question and answer column, and procedures for ordering products.

b. ST strategy

b.1. Increase farmer loyalty

The Nira Perwira Cooperative must show actual performance so that organic coconut sugar powder farmers have confidence in working with the Nira Perwira Cooperative. The steps that can be taken are to consistently fulfil the rights and needs of coconut sugar farmers.

b.2. Make a contract with a third party

The strategy to make a profitable contract for the Nira Perwira Cooperative includes the contract period, number of products, and price.

b.3. Improve product competitiveness

The quality of existing products must be maintained and improved through supervision from the quality assurance sector. As a result, customers are eager to repurchase Nira Perwira Cooperative products. Product diversification can also increase product competitiveness [5].

c. WO strategy

c.1. Improve marketing network

The strategy to promote marketing partners is to establish relationships with other parties to support each other [6]. Cooperatives must be selective and observant in choosing partners, and this will ensure that the partnerships that are built are mutually beneficial [7]. The Cooperative Service, which is part of the district government, has a role in recommending the Nira Perwira Cooperative to other people.

c.2. Recruiting competent members to manage the marketing field

The lack of human resources to manage marketing activities impacts marketing activities [8]. In light of the growing awareness and entrepreneurial spirit of cooperative managers, cooperatives should have competent resources in marketing.

d. WT strategy

d.1. Carrying out Internal Reorganization

Internal reorganization is to make irresponsible and incompetent individuals replace them with better individuals [9]. In addition, new employees in the organizational structure can now spend more time on their jobs because of the internal restructuring.

d.2. The priority of organic coconut sugar powder's business development strategy

Several alternative strategies were selected from the SWOT matrix analysis, which was considered in the IE matrix analysis [10]. The appropriate alternative strategy is to increase promotional activities, increase product competitiveness, and recruit competent members to manage marketing.

4. Conclusion

Uncertainty in supply and quality of supply from partner farmers are some of the challenges faced. The results revealed that the IFE value was 2.28 and the EFE value was 3.06, indicating that the cooperative position is in quadrant II of the IE matrix (growing and fostering). Based on a SWOT analysis, alternatives for developing the palm sugar business strategy of the Nira Perwira Cooperative based on a SWOT analysis include increasing promotional activities, increasing the loyalty of coconut sugar farmers, entering into contracts with buyers, increasing marketing networks, recruiting competent members to manage marketing, increasing product competitiveness, and internal reorganization. The best thing to do in the Nira Perwira Cooperative is to make their products more competitive. The Nira Perwira Cooperative developing the organic palm sugar business must coordinate to improve internal weaknesses and be responsive to all current opportunities and threats. The Nira Perwira Cooperative must improve competitiveness through action and quality improvement to achieve a competitive advantage. The cooperative must add a marketing division to its organizational structure.

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