

STRATEGY TO IMPROVE THE VALUE CHAIN OF NA-OOGST TOBACCO AGRIBUSINESS

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Abstract. Identification of the value chain in Naa-oogst (NO) tobacco agribusiness provides information on the level of importance or need for value chain development. Which shows that there is an institutional structure that can facilitate strengthening of farmers in general through the institutional roles carried out by each institution. Some conditions of partnership between companies and farmers and the role of institutions require efforts to set appropriate strategies to determine how the value chain can be improved. So it can provide and guarantee guarantee for the increase in the income of the agribusiness value chain supply chain actors. Based on the description, this study aims at: (a) describing the most important criteria of improving value chain performance, and (b) what is the best strategy for improving the value chain in NO tobacco agribusiness chains. The results showed (i) Increasing the empowerment of farmers in the NO tobacco supply chain and suppressing uncertainty about farmers' NO Tobacco prices, (ii) a combination strategy between partnerships between farmers and exporters and at the same time being followed by institutional strengthening of farmer groups such as the JTFA (Jember Tobacco Farmers Association).

Keywords: Strategy, Value chain, Na-oogst tobacco

1. INTRODUCTION

Na-oogst (NO) tobacco agribusiness which has a multiply effect on Jember's economic activities. However, based on the analysis of the existing agribusiness value chains, it has not contributed significantly to the welfare of tobacco farmers NO. There are factors that contribute to the weak role and bargaining power of farmers in the agribusiness chain, as described below. The level of knowledge and information flow related to the quality of tobacco traded between actors is still asymmetrical, so that the main producers are often not able to translate the process of producing tobacco as desired by the market.

The speed of change in information that develops from improtir to exporters is often and the information conveyed by traders is not asymmetrical as needed by the company. This condition occurs because of efforts to reduce prices at the farm level by traders (belandang).

In the NO tobacco supply dimension, the provisions of the Jember district regulation regarding tobacco planting are only a maximum of 5 ha per company and cannot yet be realized in practice. This condition is much influenced by the lack of supervision and enforcement of sanctions from the implementation of the Perda. These conditions often lead to over production, and lead to the low selling price of NO tobacco at the farm level. Based on this description, this study aims to: (a) describe the most important criteria for improving value chain performance, and (b) what is the best strategy for improving the value chain in the NO tobacco agribusiness chain.

2. METHOD

The research used a qualitative descriptive approach. Prior to the study, library research was done to identify relevant sources and documents, to analyse them against the research problem, and to underpin the next data collection. The whole research was intended to reveal the overall information is directed to be able to identify the most important criteria and the right strategies to improve value chain performance of NO tobacco agribusiness.

Data collection was obtained from observations of actors and activities as well as in-depth interviews with informants especially is expert, business actors, members of farmer groups actively involved in agribusiness activities of NO Tobacco. The determination of criteria and strategies is carried out with expert discussion using the Analytical Hierarcical Process (AHP) method. The study was mostly done in the locations of agribusiness activity comprising of three sub-districts, namely Antirogo, Ambulu, and Balung which are located in Jember, Indonesia.

3. RESULTS AND DISCUSSION

3.1. Performance Improvement Strategy Framework

Mapping the value chain of the first year of research has been carried out by determining the overall chain map for tobacco agribusiness NO. After mapping the value chain in Na-Oogst tobacco agribusiness and analyzing the supply chain institutional structure based on the linkage of value chain needs, the next strategy is to determine the most suitable strategy for upgrading the Na-Oogst tobacco value chain as well as to empower farmers in Jember district through the Model approach (AHP).

Based on expert considerations, a strategic framework can be outlined as indicated in the following levels.

A. Goal (GOAL): Upgrading the Supply Chain Performance & Na-Oogst Tobacco Value to Meet the Quality & Quantity of Na-Oogst tobacco in accordance with International Market Demand

B. Criteria:

- a. Capacity Improvement of Besuki Tobacco Farmers NO
- b. Fulfillment of Tobacco NO. Quality & Quantity According to Market Demand
- c. Increasing Farmer Empowerment in Tobacco Supply Chains NO
- d. Suppressing the Uncertainty of Farmers' Tobacco Market Prices.
- e. Disclosure of Information about the Needs of the NO Tobacco Industry by Exporters

C. Alternative Strategies

- a. Exporters company partnership with farmer association (= partnership)
- b. Horizontal integration between actors in the tobacco value chain (= integration)
- c. Services to increase the capacity of tobacco farmers no (service)
- d. Institutional strengthening of tobacco-aptj farmers associations (dikel)
- e. Farmers and exporters partnership accompanied by strengthening institutional farmers (mitrapek)

Based on this description, the considerations of expert respondents (experts) on why the interests (criteria) as mentioned above must be accommodated in developing strategies for upgrading supply chain performance and Naoogst tobacco value chains in Jember district can be described as follows:

- a. The interest in the form of Improving the Capacity of Besuki NO Tobacco Farmers (PKP) is needed in order to be able to read the changing needs of the tobacco market quickly, and be able to produce according to changing market needs.
- b. The importance of improving Fulfillment of Tobacco NO. Quality & Quantity According to Market Demand (PKK) is needed because there has been a rapid change in market demands in Europe.
- c. Interest in the form of Increasing the Empowerment of Farmers in the Tobacco Supply Chain NO (= MKPDRP) means increasing the bargaining power of farmers in the non-tobacco tobacco supply chain.
- d. Interest in the form of Suppressing the Uncertainty of Farmers' Tobacco Market Prices (= MKH). This is very important because so far the price of tobacco farmers who often become middlemen or bought by exporters but at low prices, must be considered in formulating policies.
- e. The interest in the form of Information Disclosure on Tobacco Industry Needs NO by Exporters (= KIKIT) needs to be done by "Law enforcement" and monitoring is needed so that

information by the tobacco exporters association does not match the reality of the uptake of needs in the field.

As for why the alternative policy strategies to be chosen as stated in the AHP hierarchical structure, the considerations can be described as follows.

- a. Strategy I = KEMITRAAN (Exporters Company Partnership with Farmer Groups or Tobacco Farmers Association). This strategy is needed in order to guarantee the absorption of farmers' tobacco products by exporters.
- b. Strategy II = INTGRATION (Horizontal Integration Between Actors in the Tobacco Value Chain) means that there is coordination and solidity in the value chain from upstream to downstream.
- c. Strategy III = LAYANIPK (Service for Increasing the Capacity of Naoogst Tobacco Farmers) means a strategy that provides services to tobacco farmers in order to "up grade" their weaknesses so that their role in the value chain is optimal.
- d. Strategy IV = PENGKEL (Strengthening the APTJ Tobacco Farmers Association). This strategy is a strategy that emphasizes the strong institutional capacity of farmers so that farmers have a high bargaining power.
- e. Strategy V = MITRAPEK (Farmer and Exporter Partnership Accompanied by Institutional Strengthening of Farmers). This strategy is a combination of strategy I and strategy IV. So the advantages and disadvantages are a combination of the two strategies.

Furthermore, to determine the objectives of the selected program can be analyzed based on the comparison between the criteria in each of the predetermined criteria. And then, to determine the strategies that can be taken it can be analyzed based on a comparison between alternatives in each alternative that has been determined.

3.2 Selected Criteria and Strategies

The results of the analysis using the AHP Model using an expert choice professional program obtained the model structure, weight criteria and priority order as follows. Furthermore, the results of an analysis of the importance of each criterion indicate that the most important are MKDRP (Increasing the Empowerment of Farmers in the Supply Chain) followed by MKH (Suppressing Farmers' Tobacco Price Uncertainty), PKP, KIKIT and PKK.

After the sequence of importance weights of each criterion can be known, then an assessment of the priorities of the most appropriate to the most inappropriate strategies is described as follows. Based on the results of the analysis above it can be concluded that what can be taken is the most important criteria of improving the value chain performance.

- (a) Increase the empowerment of farmers in the Naoogst tobacco supply chain;
- (b) Suppressing uncertainty about farmers' Naoogst tobacco prices;
- (c) Increasing the capacity of tobacco farmers;
- (d) Disclosure of information about Naoogst tobacco needs each year by tobacco exporting companies; and
- (e) Fulfillment of quantity and quality of tobacco needed by exporters.

Considering the results of a comparative analysis between strategies, the best strategy is a combination of a partnership between farmers and exporters and at the same time followed by strengthening institutional groups of farmers such as the APTJ (Jember Tobacco Farmers Association). Partnership between farmers and exporters provides a good psychological climate for farmers because of high expectations of market certainty. In addition, there is certainty in terms of efforts to improve the system of cultivation, maintenance, and handling post-harvest. The need for capital can be facilitated in partnerships that have been running for the last 2 to three years that provide certainty for financial capacity in maintenance. Service efforts in the form of transportation from land to the company also provide certainty so that post-harvest handling can be handled properly.

On the part of the partnership company, it guarantees the certainty of the amount of raw materials to be received. Besides that, there is certainty in quality assurance, especially the levels of pesticides that must be met for the quality of tobacco products that are marketed internationally. This condition has a positive influence on the availability of quality raw materials, especially the availability of cigar

raw materials that meet the consumption safety standards for importers and especially end users. This condition also provides the right solution for eliminating or minimizing the concerns of NO tobacco collection companies, on the assumption of cheating farmers who will offer tobacco products produced by partners outside of the company's partners.

In terms of management, a holding company that partners with farmers has many advantages related to the effectiveness and efficiency of financing. But it also has the obligation and additional work in the form of providing assistance (agronomists) to provide technical assistance to farmers. The assistants from the company also have the task of facilitating the recruitment of farmer partners, through mediation by farmer association groups in this case the Indonesian Tobacco Farmers Association. Companion needs are needed with adequate competence both in the technical mastery aspects of cultivation, as well as translating the expected output generated by the company. Adequate competence from the company's technical assistants also contributes significantly to the tobacco quality category expected by the company.

Based on the experience of farmers sending tobacco to the storage companies, it shows that there are differences in the tobacco quality attributes required by each holding company. The attributes referred to are specifically related to the criteria for color, flexibility, and aroma. These conditions can have an effect on the difference in assessment by companies in determining the NO tobacco quality category sent by farmers.

Based on the assessment of farmers and tobacco farmers associations, there are differences in the quality categories required by the company. As stated by the head of the farmer association that each tobacco storage company has unique or specific criteria that indicate the output of each company's products. The condition of the difference has an effect on the difference in grading of the quality of tobacco sent by farmers to the company. Thus the highest quality of a grade of tobacco determined by a company, will not be accepted with the same grade of quality by another company. The visually determined quality conditions have implications for differences in the meaning of quality by farmers. Partnership expertise is thus important, because it is related to the understanding of quality understood by farmers and partner companies.

The strategy of strengthening farmer groups is a priority that needs to be implemented given the institutional capacity of farmer groups that exerts influence and facilitates learning to members in this case the tobacco farmers NO. The need to strengthen farmer groups and farmer associations is absolutely necessary so that groups can have knowledge management that can be transferred to farmers. In addition, efforts to strengthen competitiveness and bargaining power can be made with existing group institutions. The current institutional condition of farmer groups needs to be strengthened because of the need for area management and cultivation system management to improve quality especially minimizing residual material such as pesticides and threshold sizes.

One of the strengths of farmer groups or any group in community institutions and their relation to other institutions is the equal role and strong collaboration force to produce the desired product. Based on the assessment of tobacco farmer group members, there is an unfavorable climate, especially related to mutual trust between members and management. There is an atmosphere that still shows that the management group has an interest in obtaining greater profits compared to other group members. Distrust between members and management raises a priori in the efforts or programs implemented by farmer groups in improving the lives of farmers. This condition also has an influence on the efforts made by farmer groups in facilitating partnerships offered by companies.

The overall climatic condition of the group shows the group dynamics that are not good. The dynamics of tobacco farmer groups show that the dynamics are less dynamic. The elements contained in the dimensions, objectives, structure, task functions, group building and maintenance, group cohesiveness, group atmosphere, group pressure, group effectiveness, group effectiveness, hidden agenda (hidden agenda) still has not contributed to the overall group achievement and group welfare. Group dynamics contribute to the satisfaction of tobacco farmer group members. Based on the assessment of group dissatisfaction of members associated with the perception of the management who have not been able to run group management for the benefit of all group members. The welfare of group members is still considered not a priority in carrying out the group's farm mission.

Such group management, influences the group's ability to translate market demand related to the quality of the product produced. The product referred to in this case is the leaf quality category that needs to be produced by farmers as members of farmer groups. The inability to translate market needs has an impact on the low bargaining power of farmers in selling their products. In addition, the low bargaining power of groups is also influenced by the low ability of groups to negotiate the interests of farmers. The intended interest is related to group knowledge in visually translating the quality of tobacco produced.

Both strategies can combine into upstream and downstream synergies so that the availability of NO tobacco according to international market needs can be met. It is considered upstream because farmers and farmer groups are groups that directly produce NO tobacco raw material. On the downstream side of the partnership becomes a valve that facilitates the marketing of the final product from farmers. These two strategies will facilitate the achievement of products in accordance with international needs and guarantee the safety and continuity of raw materials and finished materials. The two strategies also provide great potential so that both parties directly involved in this case entrepreneurs and farmers receive the maximum benefit in the NO tobacco value chain. If this is achieved, NO Jember tobacco production continuity guarantee will be realized, as a commodity as well as heritage that needs to be maintained and continuously improved.

4. Conclusion

As presented in this paper, it can be concluded with regards to the research purpose that Increasing the empowerment of farmers in the NO tobacco supply chain and suppressing uncertainty about farmers' NO Tobacco prices. An then a combination strategy between partnerships between farmers and exporters and at the same time being followed by institutional strengthening of farmer groups such as the JTFA (Jember Tobacco Farmers Association)..

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