

Crude palm oil marketing analysis at PT. Socfin Indonesia (Socfindo)

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Abstract. In CPO marketing, the marketing efficiency process can determine the size of the costs and profits received by companies and institutions involved in the marketing process. This study aims to analyse the marketing process, marketing margin, marketing efficiency of Crude Palm Oil (CPO) at PT. Socfin Indonesia (Socfindo). The descriptive analysis by interviewing the Marketing Head officer at PT. Socfin Indonesia, marketing efficiency analysis (marketing margin), also price transmission elasticity analysis. The results indicated that the marketing system applied at PT. Socfin Indonesia is a Long-Term Contract system. The marketing system has been efficient.

1. Introduction

Oil Palm is one of the plantation commodities that has an important role in the regional and national economy, especially in the supply of edible oils, foreign exchange earnings, employment, and others. [1].

PT. Socfin Indonesia (Socfindo) has been established since 1930 under the name Socfindo Medan SA (Societe Financiere Des Caulthous Medan Societe Anonyme) was established based on William Leo's Notary Deed No. 45 dated December 7, 1930 and is a company that manages plantation in the North Sumatra region, Aceh South and East Aceh. PT Socfindo is one of the oil palm plantations that has the best productivity in Indonesia. The average productivity produced by PT Socfindo is 24.32 tons per hectare for FFB and for Crude Palm Oil (CPO) is 5.74 tons per hectare. This achievement far exceeds the level of national productivity.

Palm oil products of PT. Socfin Indonesia are marketed in the domestic market. In CPO marketing, the level of marketing efficiency can determine the size of the costs and profits received by companies and institutions involved in the marketing process. Therefore, it was decided to analyse the marketing of CPO (Crude Palm Oil) of PT. Socfin Indonesia conducted by the Head Office of PT. Socfin Indonesia

2. Data and methods

2.1 Methods for determining marketing process

The method used to determine the marketing process at PT. Socfindo is a descriptive analysis by interviewing the head of the CPO marketing department at PT. Socfindo.



2.2 Share margin analysis

Share margins are analysed using the marketing margin model, which is to calculate marketing margins and share margins created by CPO marketing of PT. Socfin Indonesia (Socfindo), using the formula:

Marketing Margin:

$$M_{ji} = P_{si} - P_{bi} \quad (1)$$

$$M_{ji} = b_{ti} - \mu_i \quad (2)$$

$$\mu_i = m_{ji} - b_{ti} \quad (3)$$

So the total of marketing margin is:

$$M_{ji} = \sum m_{ji} \quad (4)$$

Information:

M_{ji} = Margin at the PT. Multimas Nabati Asahan

P_{si} = Cost of sales at PT. Socfindo

P_{bi} = The purchase price of the consumer

b_{ti} = Cost of the trading system for the i -th trade system

μ_i = Advantages of the trading agency

M_j = Total trading margin

Share margin is calculated by the formula:

$$S_m = P_f / P_r \times 100 \quad (5)$$

Information:

S_m = Share margin calculated in percent (%)

P_f = Costs to the trading agency (IDR)

P_r = Consumer purchase price (IDR)

2.3 Marketing efficiency analysis

Is analysed using the marketing efficiency model, which is calculating the efficiency of marketing CPO (Crude Palm Oil) of PT. Socfin Indonesia (Socfindo), using several methods including:

$$\text{Marketing Efficiency} = \frac{\text{Marketing Cost}}{\text{Consumer Price}} \times 100\% \quad (6)$$

Information: Marketing efficiency < 50 % is efficient

Marketing efficiency > 50 % is not efficient

The smaller the value of the marketing efficiency, the more efficient the trading channel [2].

3. Results and discussion

3.1 Marketing process at PT. Socfin Indonesia

CPO marketing system implemented by PT. Socfin Indonesia (Socfindo) is a Long Term Contract (long-term sales contract). Long-term sales contracts are considered to be more profitable and have little risk given the CPO price which tends to fluctuate every day, with the long-term contract, the producer, can continue to sell sustainable CPO regardless of fluctuating CPO prices and available CPO volumes. The

price used in CPO marketing of PT. Socfindo is Floating Price. Floating prices can be calculated as the average reference price over a certain period of time. Each plantation unit of PT. Socfindo has its own Palm Oil Mill, CPO is distributed directly to consumers from the factory closest to the consumer in order to minimize the transportation costs.

Consumers who buy CPO from PT. Socfindo are PT. Multimas Nabati Asahan (MNA) / Wilmar and PT. Musimas because these two companies have high CPO requirements. Basically, these two companies must always buy CPO from outside the company to be able to meet their company's high CPO needs. However, not all of these companies are willing to buy RSPO certified CPO due to the higher price. The price difference in price can reach up to \$ 20 / ton The reference sales price of PT. Socfindo is the price of CPO at the Kantor Pemasaran Bersama (KPB) plus the premium price. Premium price is the additional price of CPO that has been RSPO certified (Roundtable on Sustainable Palm Oil).

Table 1. The *Crude Palm Oil* (CPO) destination of PT. Socfin Indonesia from each palm oil mill

No	Mill	Destination
1	Seunagan	PT. Musimas
2	Seumayan	PT. Musimas
3	Lae Butar	PT. Musimas
4	Seiliput	PT. Musimas
5	Mata Pao	PT. Musimas
6	Bangun Bandar	PT. Musimas
7	Tanah Gambus	PT. MNA
8	Aek Loba	PT. MNA
9	Negeri Lama	PT. MNA

Table 2. The Average Sales Volume of Crude Palm Oil (CPO) of PT. Socfin Indonesia (Socfindo) 2018

Month	CPO (Kg)			PKO (Kg)		
	M.Mas		MNA	M.Mas		SMART
	IP	ISCC	IP	IP	IP	MB
Jan	5.428.330	2.039.790	5.057.191	769.548	1.087.098	360.796
Peb	6.024.450	2.210.748	5.132.760	851.046	1.124.829	390.891
Mar	8.298.747	2.966.397	6.930.932	1.202.947	1.499.259	524.602
Apr	8.571.975	3.058.758	7.741.800	1.232.610	1.660.399	540.750
Mei	9.047.553	3.202.899	7.881.252	1.272.239	1.726.876	565.899
Jun	7.570.552	2.886.873	6.591.335	1.056.653	1.451.930	510.211
Jul	7.484.877	2.904.133	7.937.579	1.061.030	1.672.098	513.211
Ags	7.249.962	2.708.927	7.316.797	1.014.922	1.565.256	478.524
Sep	6.699.550	2.784.956	6.390.188	974.454	1.345.087	492.118
Okt	6.944.153	2.782.946	6.643.356	957.018	1.492.726	492.737
Nov	6.279.185	2.380.168	5.820.618	869.473	1.298.796	425.740
Des	6.424.155	2.451.092	5.826.328	893.379	1.302.454	438.077
Average	7.168.624	2.698.141	6.605.845	1.012.943	1.435.567	477.796

3.2 Share margin

The method of marketing margin calculation is done by looking at the volume of CPO (Crude Palm Oil) shipment realization by PT. Socfindo. The accumulation of the calculation of the cost of the marketing agency in the marketing activities of CPO (Crude Palm Oil) of PT. Socfindo can be seen in Table 3.

Table 3. Shipment realization volume, marketing cost, marketing margin, crude palm oil marketing profit margin PT. Socfin Indonesia (Socfindo) 2018

No	Cost Components	Total Value (IDR)	IDR/Kg
1	CPO Sales Price year 2018 (198,078,872 Kg)	1,586,215,603,284	8,008
2	Marketing Costs (2018) (198,078,872 Kg)		
	Exfactory Cost	152,902,043,769	774
	Operating Expenses	35,495,056,147	180
	Depreciation Cost	25,655,486,839	130
3	Total Marketing Cost	214,052,586,753	1080.64
4	Marketing Margin	284,870,431,081	1,438
5	Profit Margin (2018)	70,817,844,328	358
6	Total CPO Sales (2018) (198,078,872 Kg)	1,871,135,557,775	9,446

The value of the marketing margin of CPO (Crude Palm Oil) of PT. Socfin Indonesia can be seen in the following calculations:

$$\text{Share Margin} = \frac{\text{Producer price}}{\text{Consumer price}} \times 100 \% \quad (7)$$

$$Sm = \frac{1,586,215,603,284 \text{ IDR}}{1,871,135,557,775 \text{ IDR}} \times 100 = \mathbf{84.77 \%} \quad (8)$$

One indicator that is useful in determining the marketing efficiency is by comparing the portion received by farmers against the prices paid by end consumers. The portion received by marketing institutions is often expressed as a percentage. Share margin is directly proportional to marketing efficiency, the higher the margin share, the more efficient marketing is done.

3.3 Marketing efficiency

Marketing efficiency is one of the measurements (indicators) of good marketing. Productive economic activities are always related to economic efficiency. In order to improve the trade system, the goal to be achieved is maximum profit and a high level of efficiency. An inefficient marketing system will result in a small portion of the price received by producers. So part of the price paid by consumers received by producers can be used as a measure of trade efficiency.

$$\text{Marketing Efficiency} = \frac{\text{Marketing Cost}}{\text{Consumer Price}} \times 100 \quad (9)$$

Information:

ME \leq 50% = Efficient

ME $>$ 50% = Inefficient

The efficiency value of CPO (Crude Palm Oil) marketing PT. Socfin Indonesia (Socfindo) in 2018 can be seen in the following calculation:

$$Efficiency = \frac{214,052,586,753}{1,871,135,557,775} \times 100 \% = 11 \% \quad (10)$$

From the calculation above, it can be concluded that the marketing activities of CPO (Crude Palm Oil) carried out by PT. Socfin Indonesia (Socfindo) is efficient, that the lower the percentage of the efficiency value, the more efficient the marketing activities. Conversely, the higher the percentage of the value of the efficiency the more inefficient the marketing activities [3]. To determine marketing efficiency is not only seen from the magnitude of marketing efficiency figures, but there are other factors such as the marketing channel chain. The fewer marketing institutions involved in the marketing channel, the more efficient the marketing channel will be. Another thing that can determine is marketing costs. High marketing costs are caused by the length of marketing channels and the many marketing functions it carries.

4. Conclusions

CPO (Crude Palm Oil) marketing activities implemented by PT. Socfin Indonesia is through a long-term sales contract. There are two marketing channels of PT. Socfin Indonesia namely channel I, CPO sales to Musimas and channel II, CPO sales to Multimas Nabati Asahan (MNA). *Share Margin* of CPO (Crude Palm Oil) marketing activities of PT. Socfin Indonesia to the Domestic market is high, amounting to 84.77%. Share margin is directly proportional to marketing efficiency, the higher the margin share, the more efficient the marketing channel. CPO (Crude Palm Oil) marketing activities of PT. Socfin Indonesia (Socfindo) has been efficient.

References

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