

Strengthening competitiveness of agricultural products through reactivation of agribusiness sub-terminal in pulang pisau, central kalimantan

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Abstract. The potential of small medium enterprises (SMEs) of agricultural product in Pulang Pisau District, Central Kalimantan is enormous. One of the opportunities to support the marketing of SMEs products is through reactivation of the Agribusiness Sub-Terminal (AST) institutional which has been built for a long time but its activities have not been optimal. This paper aims to analyze the institutional function of AST in supporting the empowerment of SMEs agricultural products, especially in expanding product marketing, so that it becomes a brand image for local products in specific areas of Pulang Pisau and Central Kalimantan. The research was conducted in 2015 in Pulang Pisau District, Central Kalimantan Province. The location and the respondents were determined purposively. The data collection method was carried out by structured and unstructured interviews, direct discussions and Forum Group Discussion (FGD) with various stakeholders. The data were analysed descriptively. The results of the analysis showed that the ATS concept is very strategic to be used as a centralized facility, as an entrance and center for product information, marketing media of SMEs products and mapping of SMEs activity clusters. The synergy of the roles and policies of local governments as well as the active role of stakeholders is required to encourage the existence of AST, so agricultural products become better known, have a wider consumer market, absorb agricultural production, and robust the local economy.

1. Introduction

One part of the process of realizing NAWACITA is the empowerment of local economic resources including through the processing of agricultural products, which have been a part of community life, especially for women farmer groups (KWTs) in Pulang Pisau district, Central Kalimantan Province. Potential activities have been facilitated by various institutions at the national level through the Ministry of Cooperatives & Small and Medium Enterprises, the Ministry of Agriculture as well as the Ministry of Trade and Financial. Guidance from local institutions at the provincial and district levels in developing production processes, funding sources and developing marketing efforts has also been carried out. In terms of innovation and processing technology, the role of the Assessment Institute of Agricultural Technology (AIAT) of Central Kalimantan and the Indonesian Center for Post-Harvest



Agricultural Research and Development (ICPHARD) periodically conducts dissemination and advisory activities in particular on production process, product diversity and processing.

Processing and marketing products, innovation and market opportunities have been initiated through the existence of the Agribusiness Sub-Terminal (AST) built by the Directorate General of Processing and Marketing of Agricultural Products in 2003-2004. AST is one of the market structures that can (a) facilitate sale transactions, (b) accommodate different interests of agribusiness actors like packaging, sorting, grading, transportation, training and (c) establish communication and information exchange between involved actors. AST aims to ease marketing and develop agribusiness activities in the production centers [1, 2, 3]. AST plays a crucial role to maintain the supply of agricultural commodities and expand the market of agricultural products [4]. AST is one of the marketing strategies that can be used to increase the competitiveness of SMEs [5]. It is a moderate approach of structural intervention to optimize the use of agricultural land and improve farmers' income [6]. However, the change in the organizational structure of the AST management in Pulang Pisau raised obstacle to the sustainability of the KWTs product marketing. The existence of the Agricultural Innovation Field Laboratory (AIFL) launched by the Agricultural Research and Development Agency in recent years with the rearrangement of AST into its functions, has become a new hope for the empowerment of KWT activities in agricultural product businesses.

This paper aims to analyze the activities of KWT empowerment in agricultural product businesses through re-management of existing AST and to formulate policy in developing market opportunities for marketing KWTs and small and medium enterprises (SMEs) processed products from agricultural commodities in Pulang Pisau district, Central Kalimantan province. Thus, AST can be functioned optimally to improved the quality of agricultural local products, to become source of community economy, to absorb farmers' products to support the availability of raw materials as well as to develop brand image for the local products.

2. Research method

This paper is part of the results of institutional research conducted with Rapid Rural Appraisal (RRA) method at the AST location and the product development produced by KWT in Pulang Pisau District, Central Kalimantan Province in 2015. The location of AST and respondents were purposively determined related to empowerment and re-management of AST functions for supporting the development of local KWT and SME products. The respondents related to processing activities were focused on several groups of processing agricultural products that had previously conducted marketing partnerships through AST. The data and information were also collected from the related stakeholders such as the Agricultural Offices at the provincial and district level, the Provincial Cooperative Offices, the District Health Offices, the District Trade Offices, the Provincial Food Security Agencies, AIAT of Central Kalimantan, the Indonesian Center for Post-Harvest Agricultural Research and Development, merchants, managers of local processed product outlets at the Tjilik Riwut Airport and other related agencies. The data collection method was carried out using structured and unstructured interviews, direct discussions and through focus group discussion (FGD) with various stakeholders.

3. Results and discussion

3.1. Implementation and performance of agribusiness sub-terminal in pulang pisau district

The result of previous studies showed that many ASTs did not work according to the concept, design and the purposes [7, 8, 9, 10] and the role of AST is not optimal in improving farmer income [1, 7, 11]. One of the important aspects related to the obstacles of AST in some locations is to carry out the functions and objectives including management management factors [1, 6, 12]. AST in Pulang Pisau, is one of the facilities that has been utilized, but due to changes in management, it did not work and could not be used optimally to support the agribusiness system for local commodities and products. The process of re-organizing the management and structuring of the system related to the existence of AST becomes the basis for the use of AST in supporting local government programs.

The vision of AST in Pulang Pisau is to develop the agribusiness network whilst the missions are (1) to expand the market networks; (2) to reduce the sales chain; (3) to develop agricultural products; (4) to provide added value for agricultural products. The goals to be achieved are (1) to increase the potential of agricultural commodity production and the business opportunities; (2) to ease and expand the marketing of agricultural commodities; (3) to obtain agribusiness data base; (4) to enhance the advisory of quality of agricultural products and (5) to increase the community's economy and regional income. The development of Pulang Pisau Regency's Agribusiness Sub Terminal is expected to accommodate the various interests of agribusiness actors, so that the function of the AST can be divided into 4 major groups, namely: (1) place of transactions, buying and selling; (2) place of information; (3) place of education and (4) place of tourism.

Agricultural products usually meet barrier to penetrate the market [13] and it creates price fluctuations and disadvantages for farmers [14]. The concept and implementation of AST in Pulang Pisau is as an investment vehicle for accessing the agricultural products produced from various agricultural areas in Pulang Pisau [15]. The targeted markets of AST in Pulang Pisau are the neighbouring cities (Palangka Raya, Kuala Kapuas and Banjarmasin) and it is expected to reach many districts in Central Kalimantan Province like South Barito, East Barito, North Barito, Murung Raya and Gunung Mas. The AST in Pulang Pisau also plays role as a storage place for the agricultural products in the Central Kalimantan Province and these products are transported to other areas via Pulang Pisau sea port.

AST in Pulang Pisau was physically built in 2003-2004. The existing conditions include offices, processing equipment, warehouses and other infrastructures. The activities are to carry out the functions of handling and marketing management of processed food products from AST partner processors and to distribute products. The marketing process for both raw material and processed products has been carried out by business actors and agricultural commodity producers for a long time consisting of three trading channels for each type of commodity product. This kind of market structures of agricultural products are prone to create market inefficiency [16].

First, agricultural products are sold directly from producers or farmers to consumers or product markets. *Second*, it is started with producers selling their crops to local/village collectors, continued to sub-district traders before going to wholesalers and then the goods are marketed to suppliers. From suppliers, products are sold to the market or wholesalers and finally to consumers; *Third*, products are purchased by product processors to be processed into various products. The processed products are then marketed through marketing actors, intermediary traders and distributed to the location of stalls, shops, kiosks, and finally to consumers. *Fourth*, products are marketed to product processing businesses, processed, packaged and distributed through AST. Products resulted from packaging and smelting of AST are distributed by salesperson to consumers directly or by consignment system (figure 1).

As shown in figure 1, in general, the marketing process for processed products has been carried out through AST and salesperson/traders/marketing actors, outlets or stalls before reaching consumers. The marketing areas for processed products are not only for local areas but also outside the region and the provincial level as well.

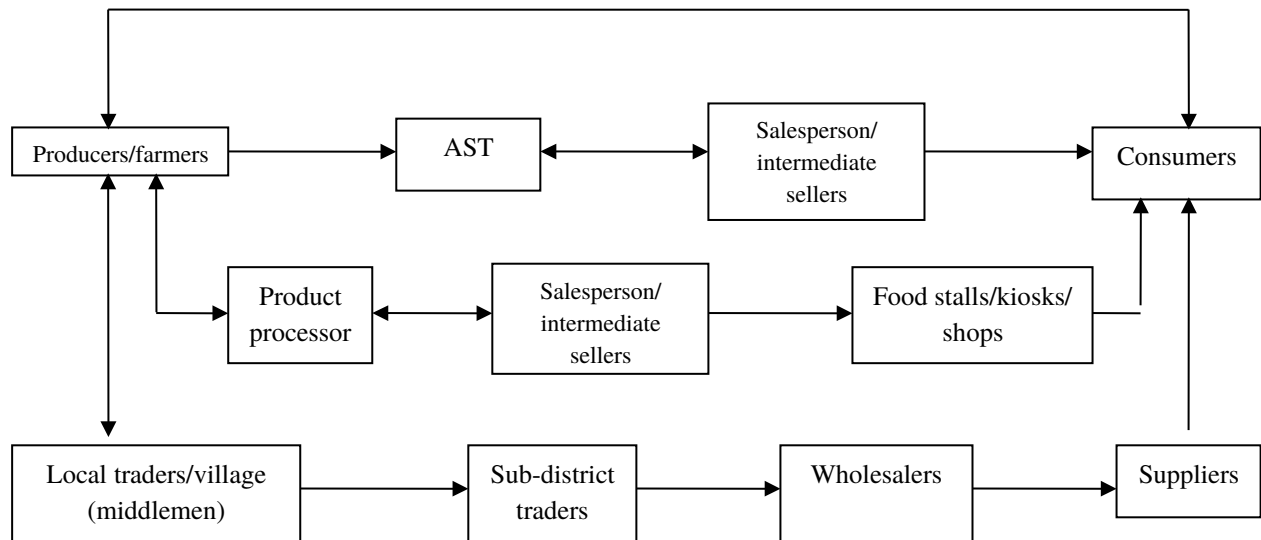


Figure 1. The marketing process of commodities and processed products at the AST in Pulang Pisau.

Implementation of previous AST activities has involved numerous processors of agricultural production around the AST [17]. The partnerships that STA built with food processors for agricultural products are related to the provision of labels, marketing through the food stalls around Kalimantan causeway in Pulang Pisau district as well as several stalls or shops. The process of sustainability and utilization of the AST has stopped since the re-organization of the management that cause the idle activities of AST and the facilities are abandoned. The initiative to revive the AST was initiated by the Indonesian Agency for Agricultural Research and Development (IAARD) by implementing Agricultural Innovation Field Laboratory Development Program (AIFLDP).

The opportunities to revive STA activities are widely open both in terms of regional potential agricultural products as well as the activities of agricultural product that have been developed in this region. Some of the prominent commodities programmed by the regional government including rice, maize, banana, cassava and their processed products as well as soybean as raw materials for the local industry. Meanwhile for the livestock, Pulang Pisau also has the potential for the development of many types of livestock including fresh meat and processed products.

The processed products have been part of the regional economic resources especially for household-scale processing industries or KWTs so that the agricultural products are not sold in raw materials but in processed products. The processing will increase added value and increase sales value. From the direct observation, some processed products that have been marketed by KWTs and SMEs including cassava chips, tempeh chips, spinach chips, banana chips, corn chips, corn snacks, and other products. The activity in AST also contained labelling process like for brown rice products, honey pineapple chips, sticky cheese sticks, peanut brittle, dumpling chips, onion sticks and many more.

There are 31 processing business industries with a variety of food products and ingredients produced at the household and KWT scale. Food processors obtain their raw material from local producers mostly from the Pangko area, as a production center for various types of regional agricultural commodities such as rice in Blantik (Pangko 8), corn and bananas. The red rice production has been initiated in Jabiren district with a land area of 20 hectares involving farmer groups and local rice milling unit (RMU). This local red rice production reaches 1.5 tons per hectare per plant season in October-March with a plant age of 6 months. The marketing of processed products has been carried out through various channels as illustrated in figure 1.

3.2. *The development and reactivation plan of agribusiness sub terminal*

The re-management of AST is directed to improve the product quality, to increase the competitiveness of local products and to broaden market. To realize this, the local government collaborated with KWT and SMEs gradually improve the infrastructure and management for instance by appointing a competence manager of AST and functioning the roles of AST. The restructuring of AST's roles has been initiated by the district government through several meeting FGDs which resulted the division of responsibilities and roles of each stakeholder in implementing the development plan. This commitment is crucial in building an institution that will serve as a center for creative economic and marketing activities since it is expected to bring an impact on local economic development. Some commitments agreed by the stakeholders related to the development plant and reactivation of AST management are presented in table 1.

Table 1. Role of each stakeholder in planning the management of AST and empowerment of SMEs products in Pulang Pisau district, 2015.

Institution	Roles	Expected impact
Government of Pulang Pisau district	Regulation and linkages of institutional structure in developing AST	AST functions as stipulated in the provisions
Agriculture agency at the provincial level	Completing facilities and training for producers/ farmers to provide high quality raw materials	Availability of raw materials that meet the requirement or quality standards
Provincial food security agency	Opening a product market at the provincial level through several modern shopping centers, shops and local souvenir shops in Central Kalimantan	Opportunities for marketing of processed products are wider and known in provincial and outside markets, the demand for products can increase
Health agency at the district level	Facilitating product processors to obtain hygienic quality products and meet the environmental health certification	Can ease the financing that must be paid by product processors and increase the quality and trust of consumers
Agriculture agency at the district level	Advisory and supervision the management and its development	AST can be developed as a business institution and marketing of processed and leading products from Pulang Pisau
Trade agency at the district level	Encouraging the process of business permits, marketing and fostering marketing actors for KWT products and those related products handled by AST	Providing the benefits for sellers through set prices and connected market opportunities
Cooperative agency at the district level	Development of SMEs in terms of facilities and business management, skills improvement and financing	Increasing performance, business and capital in the development of product processing businesses
ICPHARD and AIAT of Central Kalimantan	Assistance related to technological innovation in producer/farmer activities and product processing as well as product sustainability	Improving quality, product diversity as well as developing aspects of product management and sustainability of AST
Product processing actors	Performing routine and quality processing of agricultural products according to standardized product	Product continuity, sustainability of AST management, absorption of local raw materials, increased

	regulations and conducting marketing partnerships through AST	turnover and income of processing actors
Product marketing actors	Willingness to assist/provide facilities in the product marketing process, create market and consumer opportunities, promote and provide marketing services for regional processed products, including in the airport	Product marketing opportunities, increased consumer demand and connectivity between consumers and local product processing industrial clusters

3.3. *Agribusiness sub terminal as an information and business center*

In general, the management of AST is to develop AST in particular as the information and business center that can be accessed by consumers and producers. AST should provide information about potential, quantity and quality, distribution of product clusters and production locations, local government policies and regional work units (SKPDs). It also connects various institutions at the provincial level even at the national level. It is not only as a provider of information but also a destination place for guests who visit Pulang Pisau and intend to buy local products as souvenirs or as a business activity center for SMEs. The diverse roles of AST are also mentioned in [18]. Roles of AST that connected different actors and purposes are illustrated in figure 2.

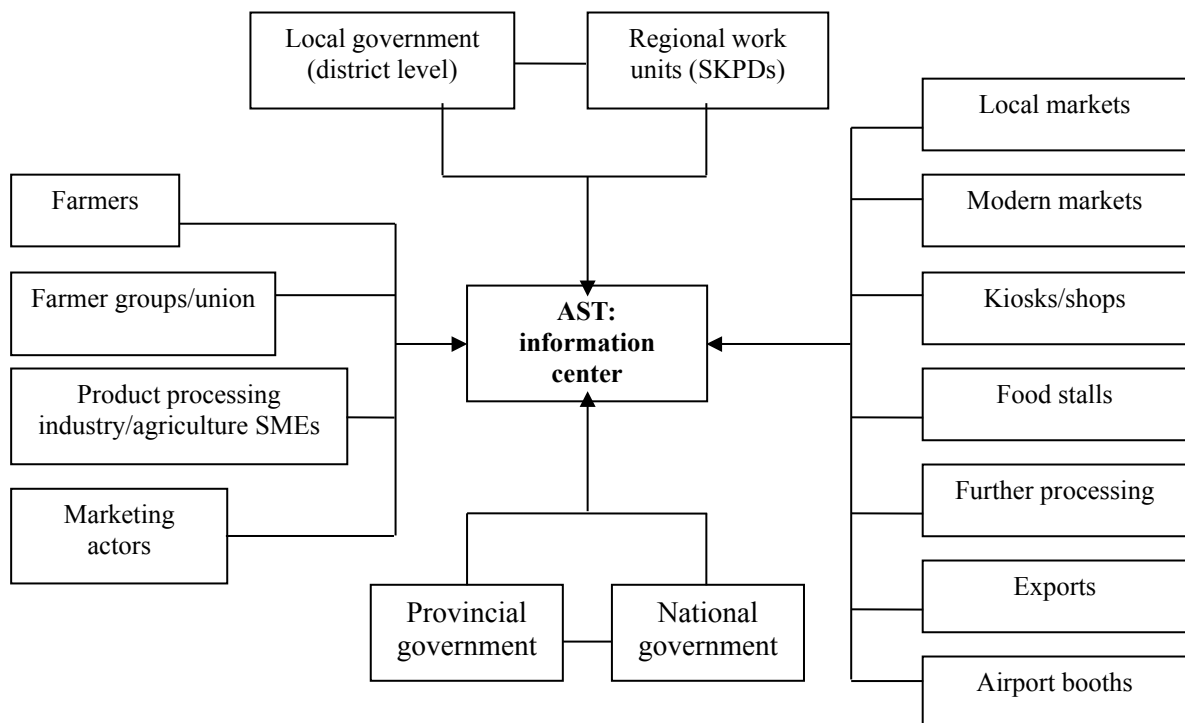


Figure 2. AST as the information center for producers, product processing actors, consumers, market and related institutions.

3.4. *Follow-up processes and partnerships between stakeholders and policy makers*

From the results of discussions and FGD forum, it was found that the process of empowering agricultural product processing businesses in the SMEs community with industry players at the

household and KWT level still requires the support of various parties. The lack of AST management can cause problem including in supply chain [19]. The support is not only related to technical production and product quality standards but also in terms of product management to increase product selling value. Product selling value can be an opportunity to increase if it is supported by innovation in variety, quality, packaging and what is important is the opening of a wider product market. It is expected that market opportunities and supporting instruments can become part of the AST function which is carried out with a good and business-oriented management system. The model offered to support these efforts is explained in Figure 3. Synergy and coordination between stakeholder will maintain the sustainability of the market [20].

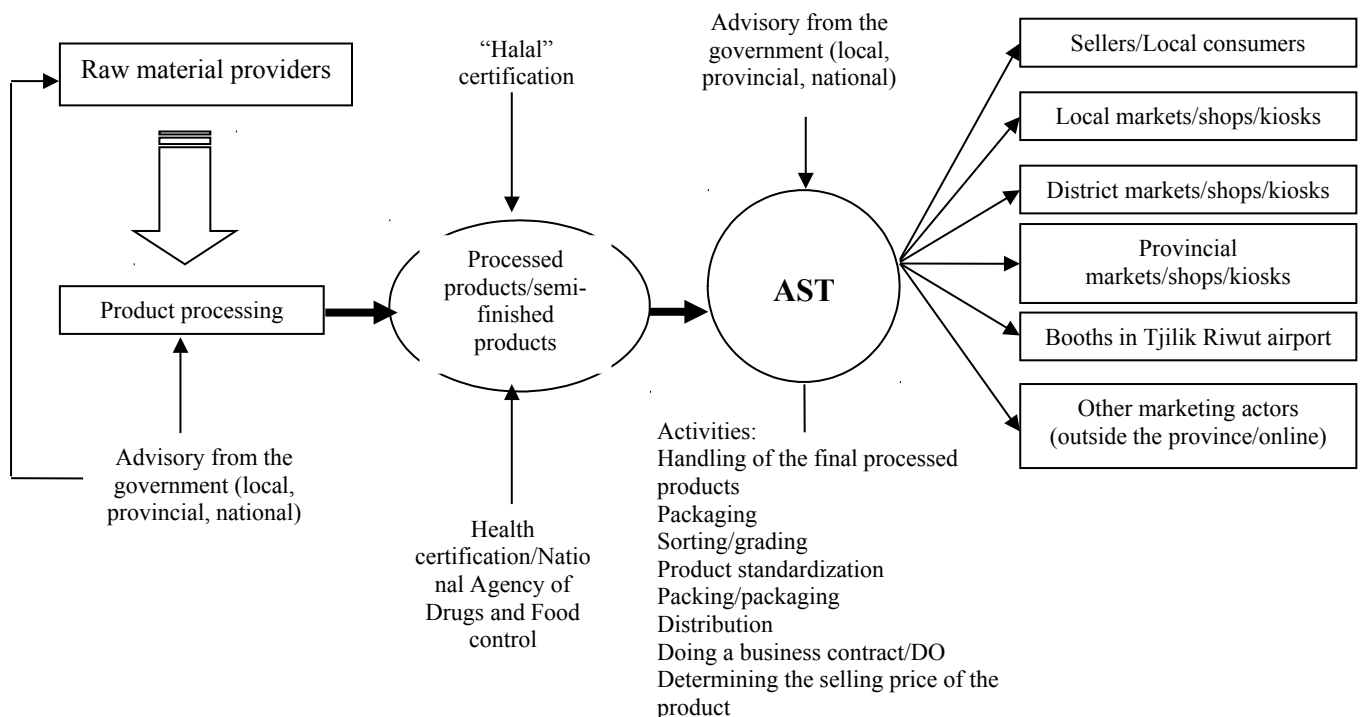


Figure 3. The model for empowering SMEs of processed agricultural products by functioning AST in Pulang Pisau.

The active role of the local/regional government is required to coordinate the different institutions and other actors in the process of realizing the AST management model and linkage with other processes in an integrated system with one another. This role can be realized by regulations and policies in line with the vision, mission and functions of the AST that have been previously determined, as well as other supporting policies in the system. Commitment from all parties as a policy supporting instrument is critical, so that the planned process can run sustainably, with the goal of empowering the community in related business activities.

4. Conclusion

The management of AST will run and be sustainable if the systems built are linked to each other to become an upstream and downstream facilitation, so that it is not only as a source of information for upstream-downstream clusters but at the same time can play a role as an autonomous business actor that can draw a series of support systems up to local raw material providers. The experience of AST management activities that can be used as the basis for the local/regional government or stakeholders at the local and national level to reactivate the AST management. The reactivation of STA is in line with the demands and the regional economy with mobility between districts and between provinces in

the Kalimantan region. The existence of AST in Pulang Pisau is very strategic for further development, by restoring facilities and infrastructure as well as better management, so it becomes the center for marketing processed agricultural products produced by SMEs and the source of raw materials from farmers in the region. The initiation to reactivate STA as a "hitch" for efforts to manage marketing potential and develop the agricultural product processing industry for household farmers in Pulang Pisau, still entails support and synergy of activities from several related institutions. Policies, roles of local government and commitment from stakeholders at the various levels to realize the concepts and models are key factors in the implementation and the empowerment activity process.

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