



## Analysis of the Marketing Channel of Palasari Arabica Coffee Beans

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### Abstract

The coffee agro-industry has enough opportunities significant for conducted development where Thing could see from amount starting request increase. Ground coffee is one of the results of processing from coffee beans that have prospects as well as good market opportunities. This study aims to determine: Arabica coffee bean marketing channels in Giri Mekar Village, Cilengkrang District, Bandung Regency; The amount of Arabica coffee bean marketing margin at the level of Arabica coffee marketing agency in Giri Mekar Village, Cilengkrang District, Bandung Regency; The costs and benefits of Arabica coffee marketing in Giri Mekar Village, Cilengkrang District, Bandung Regency; Farmer's Share Arabica coffee in Giri Mekar Village, Cilengkrang District, Bandung Regency. The type of research used is a survey. Respondents in this study were 10% of Arabica coffee farmers in Giri Mekar Village as many as 30 people, 1 person collecting traders, and 5 industrial consumers. The results of this study indicate that there is one marketing channel for robusta coffee beans in Giri Mekar Village, Cilengkrang District, Bandung Regency, namely farmers, collector traders, and industrial Consumers. The amount of marketing margin on the marketing channel is IDR 75,000 per kilogram. The amount of marketing costs in the marketing channel is IDR 46,500 per kilogram. The marketing profit on the marketing channel is IDR 29,500 per kilogram. Farmer's Share on the marketing channel is 16.67%

*Keywords* : Agribusiness, Coffee, Marketing Channels

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### 1. Introduction

Indonesia is the fourth largest coffee-producing country in the world in 2015, which in first place is Brazil, second is Vietnam, and third Colombia. Coffee is one of the plantation commodities that is starting to be in great demand by the people of Indonesia. Types of Arabica and Robusta coffee are two types of coffee that are much favored by the people of Indonesia. Arabica coffee has flavors ranging from sweet and mild to strong and sharp. Meanwhile, Robusta coffee has a neutral to sharp taste and is often considered to have a wheat-like taste (Aguilar-Alvarez et al., 2021).

Until 2017, Indonesia was the third largest coffee producer in the world after Brazil and Vietnam. In addition, for Indonesia, coffee is also the second largest contributor to the plantation sector's foreign exchange after oil palm. According to the West Java Provincial Plantation Service (2017) stated that the needs of the people of West Java demand for coffee consumption reach 90 thousand tons annually, either in the form of coffee beans or ground coffee from agro-industries.

The coffee agro-industry has a considerable opportunity for development, which can be seen from the increasing number of requests. According to Echeverria & Nuti, (2017) stated that ground coffee is one of the processed products of coffee beans which has good market prospects and opportunities.

Bandung Regency is one of the regencies in West Java Province which produces coffee, one of which is in the Cilengkrang District. About 40% of the Cilengkrang District area is the Perhutani forest. Girimekar Village is one of the villages in Cilengkrang District and most of the people who are farmers in Girimekar Village plant coffee. In marketing, sellers often do not directly sell their wares to users but to several intermediaries first, which are also known as marketing channels, trade channels, or distribution channels (Wilson & Gilligan, 2005).

Coffee marketing influences farmers' income because it is related to the price level received by farmers. Inefficient marketing, marketing chains that are too long, inadequate transportation facilities and infrastructure, and unhealthy marketing institutional systems are marketing problems that generally affect the level of prices received by farmers.

Based on this study aims to determine: 1) The marketing channel of Palasari Arabica Coffee beans, 2) The amount of marketing margin for Palasari Arabica Coffee beans, 3) The number of marketing costs and profits for Palasari Arabica Coffee beans, and 4) The amount of Farmer's share of Arabica Coffee beans Palasari.

## 2. Literature Review

### 2.1. Palasari Coffee

The Giri Mekar Forest Farmers Group or KTHGS is a cooperative engaged in the coffee processing business that has been certified halal and BPOM (Food and Drug Supervisory Agency) permit. KTHGS is also a producer and business actor that sells its products to all members of the public and coffee entrepreneurs. Coffee processing at KTHGS is carried out independently, starting from planting until it is ready for processing. The processing of the coffee products produced varies with the processing of green bean coffee using the wash, natural, honey, and wine variants methods (Asgar et al., 2022).

### 2.2. Marketing Concept

#### 1) Marketing Channel

According to the American Marketing Association in Chen & Popovich, (2003) "Marketing is a function of the organization and a series of processes for creating, communicating, and delivering value to consumers and managing relationships between consumers and companies to provide benefits for consumers and producers.

#### 2) Marketing Margin

Marketing margin is the difference between the price at the consumer and producer levels (Achike & Anzaku, 2010).

#### 3) Marketing Cost

Costs are sacrifices incurred by producers in managing their farming to get maximum results (Silmi et al., 2020).

#### 4) Marketing Profit

Marketing profit is the sum of each marketing agency's profits or income.

#### 5) Farmer's Share

Farmer's Share is the portion of the price received by farmers, calculated by comparing producer prices with retail prices expressed in percent (%)

## 3. Materials and Methods

### 3.1. Materials

The type of research used in this study was a survey method in Girimekar Village, Cilengkrang District, Bandung Regency. Where the research is carried out in natural or non-artificial spaces and the research is carried out in the treatment of data collection. According to Barreiro & Albandoz, (2001) what is meant by the survey method is a research method that is carried out on large and small populations, but the data studied is data from samples taken from the population, so that relative events, distribution, and relationships between sociological variables are found. nor psychological.

Data collection techniques used in this study include primary data and secondary data. Primary data were obtained from respondents of arabica coffee cultivators through direct interviews using a questionnaire as a tool that had been prepared beforehand. Meanwhile, secondary data were obtained from offices or agencies related to this research and from literature studies.

The sampling technique was taken purposively for coffee farmers with the consideration that they have the best land area and coffee production in Cilengkrang District. According to Barreiro & Albandoz, (2001) "Purposive sampling is a sampling technique with certain considerations". The farmer sample technique was taken as much as 10% of the total 300 members of the KTHGS so that 30 samples were obtained. While the research sampling technique for marketing institutions uses the snowball sampling technique. According to Barreiro & Albandoz, (2001), it is a sampling technique for a population whose members are unclear and the number of members is uncertain by finding a sample, and then seeking information from the sample regarding the existence of other samples continuously in a chain. The sampling technique was taken from 1 wholesaler and 5 industrial consumers.

### 3.2. Methods

The data analysis used is a descriptive method. Meanwhile, to find out marketing costs and marketing margins at the institutional level in marketing channels, a cost margin analysis tool is used, namely by calculating the costs, profits, and marketing margins for each intermediary agency in various marketing channels.

- 1) Arabica coffee bean marketing channels were analyzed descriptively by describing the marketing channel patterns of arabica coffee beans in Giri Mekar Village, Cilengkrang District, Bandung Regency.
- 2) Marketing costs are analyzed using the calculation formula:

$$Bp = Bp1 + Bp2 + Bp3 + \dots + Bpn$$

Bp : Marketing Cost

Bp<sub>1,2,3...n</sub> : Marketing Cost for each marketing agency

1,2,3,...n : Amount agency

- 3) Marketing margin is the price difference between the producer level and the final consumer level (Handayani et al., 2022).

$$M = Pr - Pf$$

The margin obtained by intermediary traders from several marketing costs incurred and profits received by intermediary traders is formulated as:

$$M = Bp + Kp$$

Information:

Pr : Prices at the consumer level

Pf : Price at the producer level

M : Marketing margin

Kp : Marketing Advantage

Bp : Marketing costs

- 4) Marketing profit is the sum of the profits received by each marketing agency (Handayani et al., 2022).

$$Kp = Kp1 + Kp2 + Kp3 + \dots + Kpn$$

Information:

Kp : Marketing Profit

- 5) To find out the share of the price received by farmers (farmer's share) use the formula:

$$FS = \frac{pf}{pr} \times 100\%$$

Information:

FS : the share of the price received by the producer (Farmer's Share)

Pf : price at farm level (Rp/Kg)

Pr : final price at marketing agency level (Rp/Kg)

## 4. Result and Discussion

### 4.1. Respondent Identity

- 1) The number of respondents in this study were 30 Palasari arabica coffee farmers, 1 wholesaler, and 5 industrial consumers.
- 2) The age of dominant respondent is between the ages of 35 – 44 years, thus the coffee business is mostly occupied by productive age groups of farmers.
- 3) The education level of the respondents is generally still relatively low, the majority are graduates of elementary school (SD).
- 4) Based on the research, the experience of the respondents as coffee farmers ranged from 10-15 years.
- 5) Based on the results of the interviews, the average burden on a farmer's family is 2 (two) people.
- 6) Based on the research results, the land used for coffee farming is land owned by Perhutani which is cultivated by farmers with a profit-sharing system of 30%.

### 4.2. The Results of Research

#### 4.2.1. Marketing Channels

The marketing channel for coffee beans in Girimekar Village is a one-level channel. Coffee bean marketing starts from farmers, wholesalers, to consumers, as shown in the following Figure 1.

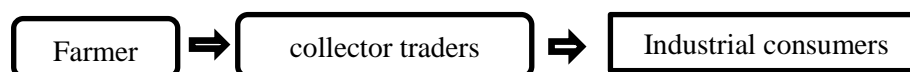


Figure 1: The marketing channel for coffee beans

The figure explains the flow of coffee bean marketing channels in Girimekar Village, where all farmers sell coffee bean production to wholesalers who are in their village area directly. From collectors, they are then resold to industrial consumers in the Bandung, Cirebon, and Jakarta areas.

#### 4.2.2. Marketing Margins

Selling coffee beans, farmers sell coffee beans to collectors for IDR 15,000 per kilogram, and from collectors, they resell them to industrial consumers for IDR 90,000. per kilogram. So that the total marketing margin is IDR 75,000.

### 4.2.3. Marketing Costs and Profits

The costs incurred in marketing coffee beans include packaging, transportation, and loading and unloading costs of IDR 15,000 per kilogram, as well as depreciation costs of IDR 31,500 per kilogram. So the total marketing cost is IDR 46,500 per kilogram. The marketing profit is IDR 29,500 per kilogram which is obtained from the difference between the marketing margin of IDR 75,000 per kilogram minus the marketing costs of IDR 46,500 per kilogram.

### 4.2.4. Farmer Shares

Farmer share is part of the price received by farmers from the sale of coffee beans at the price paid by consumers. Based on the research results, the value of the Farmer's share is 16.67%. This is obtained from:

$$\begin{aligned}
 FS &= \frac{pf}{pr} \times 100\% \\
 &= \frac{15,000}{90,000} \times 100\% \\
 &= 16.67\%
 \end{aligned}$$

A farmer's share of 16.67% means that the share of the price received by farmers is 16.67% of the price paid by consumers.

More details can be seen in Table 1 below.

**Table 1:** Margin, Cost, Profit, and *Farmer's Share* Arabica Coffee Marketing in Villages Giri Mekar on the Channels Marketing

No.	Marketing Institute	Channel Marketing
1	<b>Farmer</b>	
	Selling Volumes	37.3 tons
	Price Sell	IDR 15,000/kg
2	<b>Trader collectors</b>	
	Buy Volume	37.3 tonnes
	Price buy	IDR 15,000/kg
	Selling Volumes	11.1 tonnes
	Price sell	IDR 90,000
	margin	IDR 75,000
	Cost	IDR 15,000
	shrinkage	IDR 31,500
	Profit	IDR 29,500
3	<b>Consumer Industry</b>	
	Price buy	IDR 90,000
	<b>Total Cost</b>	<b>IDR 46,500</b>
	<b>Total Profit</b>	<b>IDR 29,500</b>
	<b>Total Margin</b>	<b>IDR 75,000</b>
	<i>Farmer's Share</i>	<b>16.67 %</b>

## 5. Conclusion

Based on the results of Arabica coffee marketing research in Giri Mekar Village, Cilengkrang District, Bandung Regency, it can be concluded as follows: 1) In marketing Arabica coffee in Giri Mekar Village, Cilengkrang District; 2) Bandung Regency, there is one marketing channel, that is farmers, collector traders, and industrial Consumers; 3) The total marketing margin on this marketing channel is IDR 75,000 per kilogram; 4) The total marketing cost from collectors is IDR 15,000 per kilogram, and the total marketing profit is IDR 29,500 per kilogram; and 5) Farmer's Share in the marketing channel 16.67%

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