

# BUSINESS INSTITUTIONS OF CULTURAL FARMERS IN IMPROVING COMPETITIVENESS IN BONDOWOSO REGENCY

Anastasia Murdyastuti, Abdul Kholiq Ashari, A.H.S. Negro

Department of Public Administration, Faculty of Social and Political Sciences,  
University of Jember.

*anastasia.fisip@unej.ac.id, kholiq.fisip@unej.ac.id, haris@unej.ac.id*

**Abstract:** *Cassava in Indonesia is used as food ingredients to meet the food needs of the community and industry. Cassava is the result of farmers' business that can be processed into staple foods or marketable snacks so that they can penetrate the global market and source of state revenue. Bondowoso as an agricultural area has a large potential of cassava and some people have cassava business such as tape or other snack foods. Bondowoso cassava is also a supplier of manufactured industrial materials. Problems arise related to not being matched by institutionalized efforts, where cassava farmers do their agricultural business individually and are downhill. In addition, cassava is considered cheap food so it gets less attention from the government. Cassava farming businesses to develop need institutions that are built in synergy between various institutions to improve competitiveness. The institution is a combination of farmers, businessmen, government, who work together and synergize in giving strength to cassava farming businesses to develop. The government through its policy of positioning cassava as an industrial material that is considered and developed from quality and quantity and has competitiveness and increases revenue. Behavior that strengthens competitiveness is done through product, price, promotion and distribution proportionally in the institution so that the sustainability of cassava farming business and able to face competition in the global market. Institutionality can protect cassava farmers' business from the pressure of government policy and capitalist competition in order to run parallel between civil society, state and business in realizing good governance*

**Keywords:** *Institutional, policy, competitiveness and business of cassava farmers*

## 1. Introduction

Indonesia is an agrarian country so that agriculture is a livelihood for most of Indonesia's population and all food needs, because in general Indonesian people consume crops such as rice, corn, cassava, sago, and others as daily food. Here the position of farmers is very decisive in the national economy, especially the fulfillment of food needs and state revenues. To maintain a stable level of economic growth and fulfillment of food needs, farmers need to be protected from capitalist oppression which is detrimental to farmers.

In order to welcome the Asean Economic Community (MEA), farmers are faced with very heavy competition because there are many emerging liberalization and export-oriented economic growth. If the agricultural conditions are left to remain traditional, the market will be controlled by imported goods because agricultural production is unable to penetrate global and national markets, which will worsen the condition of farmers. Many agricultural problems faced related to the limited cost needs, technology, skills and capabilities of human resources and climate disorders are

uncertain so that the results are not optimal, weak competitiveness due to low agricultural productivity results so that incomes decline.

The condition of cassava farmers is a hot conversation because it was not included in the development program and did not get a budget. This condition is very concerning for farmers of cassava business. The fragility of commitment in the Indonesian economic system which is loaded with rent seeking and bureaucratic efficiency. Here there is a monopoly, oligopoly and cartel practice that has gotten the "blessing" of the government which has become a factor in the bottleneck of economic development, especially agriculture, which has caused economic distortions and dependence of small farmers on government and capitalist policies.

The new country should emphasize the existence of distrust in the State and conversely raise citizen trust as a new approach where attention to civil society becomes very important. Raxed (2008) quoted Subando (2015: vi) stating that the central government agencies must meet the requirements in terms of being accessible and obligatory. They must offer the services and opportunities that they do, and must give citizens and opportunities for activities that affect them transactions, people need to be in contract with only one agency as for as possible. All citizens with special needs must have equivalent access to the services on offer, and information about the public sector. When the government is unable to meet public needs and its role is carried out by cassava farmers, it means that there is a shift in the role of the State / government to be reduced by placing citizens to play a dominant role. Cassava farmers through HIPSINDO have the ability to meet food and industrial needs. The position of the government, the private sector and the peasant community (citizen) starts to be close together and has a public role so that it can be used as a sign for the establishment of institutions where farmers are in a system.

Institutions can protect cassava farmers from capitalists and economic distortions created by monopoly, oligopoly and dependency practices. Cassava must be a superior product, quality and marketable in meeting food needs. Data shows that cassava production is 23.7 tons / year (BPS 2012), the trading value of cassava raw materials reaches 20 T / Year, the trade volume of tapioca cassava reaches 2.09 million tons with a business value of Rp 10 trillion (2008), export of sorbitol reaching 90 thousand tons worth USD 61 M, MSG, polywood etc. Total of 100 trillion. Cassava is also able to contribute energy at 32.29 (2.44%) as followed by the 2012 Susenas.

To maintain the sustainability of food and cassava industry, in Bondowoso Regency as a potential potential for cassava farming business needs to be protected and through this sinkong farmer business institution it is necessary to study so that cassava businesses are of higher quality and competitiveness in facing export goods in the global market.

## 2. Methods

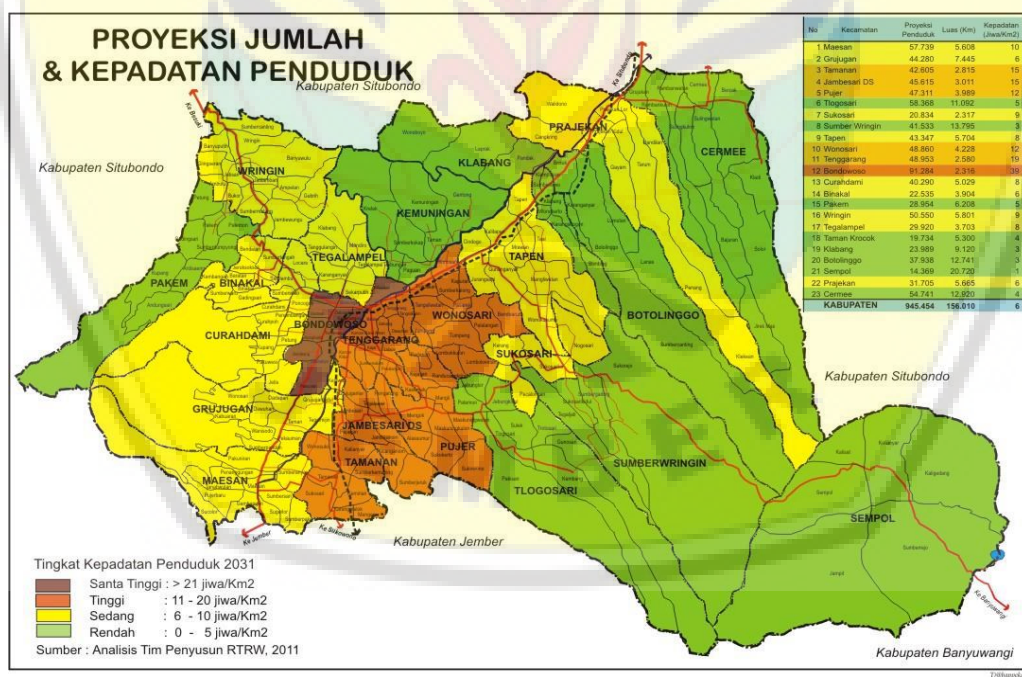
According to Hadi (1995) said that: research methods are ways of working that must be taken to find, develop and test the truth of a knowledge. In the research

method there are always determined two elements namely observation / reasoning and reasoning (reasoning). In this study the methods used include: an approach that is used deductively, to answer problems through theoretical logic by basing on a predetermined empirical region. While the type of research is qualitative research. Research location in Bondowoso Regency, The research focus is the institutional business of agriculture in increasing the competitiveness of cassava in Bondowoso Regency (institutional business of cassava farmers and competitively-based products). Informants in this study were the Head of the Agriculture, Trade and Entrepreneurs Office, HIIPSINDO and cassava farmers who were determined by snowball. Data retrieval is done through observation, interviews and documentation. While the data analysis used the interaction model of Miles Huberman which included data collection, data presentation, data reduction and conclusion drawing.

### 3. Result and Analisis

#### 3.1 Location description

The position of Bondowoso Regency is geographically located to the east of Java Province East is approximately 200 km from the capital city of East Java Province, namely Surabaya. Bondowoso Regency is located at 7° 0' 10" to 7° 56' 41" LS and 113° 48' 10" to 113° 48' 26."



Picture 1. The Bondowoso Regency Map

Cassava is a shrub plant originating from America and entering Indonesia around 1852. Cassava varieties can be classified in various types, namely: valensa, mangi, betawi, basiorao, bogor, muara, mentega, andira 1, ivory, andira 2, malang 1, malang 2 and andira 4. This cassava plant has many benefits, in particular of its

cassava as a staple food after rice and corn, its leaves as vegetables that have high protein or for medicine, the trunk can be used as seedlings or garden fences or for wood burn for rural people. With the development of science and technology, cassava is an important plant because it is needed by companies or industries with cassava raw materials, for animal feed and the pharmaceutical industry.

## 3.2 Competitive Model of Institution

### a. Policies in cassava farming business institutions

The problem in realizing cassava institutions lies in the policies that form the basis of implementing the organization. Since 2017, the cassava handling policy is no longer a protection for farmers to develop their businesses because it is not included in the plans for agricultural development activities in Bondowoso Regency so farmers are allowed to manage their businesses based on their own merit. The reason is because cassava is considered a plant that is easy to live and does not require much maintenance, so farmers build their own relationships with traders or collectors to determine the quality of cassava, the price of cassava and the amount of cassava desired by the market. This condition when farmers do not have protection, farmers are always weak and mocked by traders.

The ability to determine prices is often based on needs and not on the basis of feasibility and marketing is limited to the local area. Policies that regulate products, prices, promotions and distribution have not provided security guarantees for cassava farming businesses because the activities are mined by their own farmers or MSMEs whose capacity is very small. Business handling policy cassava requires good planning to determine the conditions of the future now and in the future so as to maintain price or market stability. Planning is an effort to find agricultural business problems so that it becomes the basis for policy formulation so that cassava has competitiveness based on product quality, the number of products that are balanced with needs, promotion efforts carried out and even distribution.

For these requirements it is necessary to provide training for cassava businesses to have adequate knowledge and skills carried out by the Agriculture Service and the Trade Office, so as to produce high-quality products. To achieve this, it is done by adding capital and completing the appropriate equipment to make it more developed. Cooperation is needed between related institutions that support and complement each other based on clear policy rules so that each is responsible for their respective roles and obligations. Policy is an instrument that can protect cassava farming businesses starting from planting, processing, marketing and consumption needs.

Even though cassava is currently not regulated in the policies of the Bondowoso District Agriculture Office, at least the cassava businesses have implemented agreements built by the parties based on mutually beneficial agreements so that the term marginal farmers or micro entrepreneurs can have the ability to fight the capitalists. small-scale entrepreneurs have not been guaranteed by regulations, there is also a policy disharmony between related agencies that do not support each other

because each agency carries out its own policies that are not sustainable and out of sync so that it raises complaints and losses. This condition causes cassava farmers to switch to planting more profitable perennials.

When policies are out of sync and do not support each other farmers and small entrepreneurs / MSMEs will experience many obstacles. There is no clear, integrated coordination, supervision and funding source for the development of cassava farming which can lead to scarcity of cassava and the death of cassava business. Then a policy is needed that can regulate vertically and horizontally for cassava farming businesses that can affect the increase in quality and quantity of competitive production so that they can compete in the global market.

## b. Relationship between Components in Institutions

Handling cassava problems needs to involve many parties so that cassava can develop, namely the government, the private sector and the community. They have an important role in managing cassava business. Cassava as a production of petanuel is processed into foodstuffs by entrepreneurs / SMEs or industries and is marketed in various promotions so that people can consume to meet food needs. In managing cassava businesses each actor wants good benefits from the side of economy, policy and satisfaction. So that the proportion of each individual conducts activities that support socialization. The relations between agricultural entrepreneurs often experience disharmony and lack of thinking about the interests of one another, resulting in farmers always being on the side of the losers because of the existence of interests and lack of harmonious policies that protect cassava.

Harmonization of relations between institutions can actually be realized if an information process is carried out and coordination between agencies occurs harmoniously and intensively in an effort to empower cassava farming businesses. In doing business, cassava farming is indeed a shared responsibility where farmers produce, entrepreneurs / industries process and market. In addition there are banks as funders, NGOs (Hipsindo) as a collection of farmers and MSMEs, the government as policy makers. The pattern of relations between agencies has not been maximally implemented even though it has been initiated by Hipsindo by building relationships between farmers and small entrepreneurs / SMEs with industry and the government so as to maintain price and production stability. Only government support is needed to protect farmers from middlemen by establishing a flour industry in Bondowoso so that cassava products can be utilized to the fullest.

Efforts to build institutional business for cassava farming by building relationships between business actors must ensure that farmers become prosperous. Actors as stakeholders in this relationship are not based on delegation of authority or otherwise dwarf authority, but based on how much they take part in the policy, because who can take advantage of the opportunities as well as basing applicable regulations or agreements can trigger harmonization of relations between actors.

## c. Individual Response to Policy

This individual response is important to find out how an institution can carry out its obligations and achieve its objectives based on established policies. With a positive response it shows that cassava business actors individually carry out activities based on the legal / regulatory principle that they adhere to as a basis.

During this time the response of farmers was not influenced by the policy because they carried out their business based on traditional values and became the commitment of the farmers themselves to plant cassava because there was no other choice because the land was barren and dry. But with the development that has the value of tradition, it is no longer able to guarantee the cassava business is going well.

Many obstacles faced by farmers and cassava / SME entrepreneurs have not developed. The response of farmers and MSMEs began to shift following the needs and began to shift to economical, competitive and synergic plants to gain strength. When this is not obtained, the business will die and the government as a protector cannot do much. So naturally, if the response of cassava business actors moves individually to maintain their business. One of them is the Hipsindo group which is able to manage from planting to marketing because it has been well coordinated, while the stand alone fights for a business that is built on its own. So there are different attitudes and responses in running cassava farming businesses.

Based on Parson's theory that human action is based on values that apply in society. This shows that humans as social beings in thought, their actions are always based on balance and stability, meaning that they are always in a condition controlled by values or social norms so that their actions cannot be completely free. The condition of weak cassava farmers and entrepreneurs with a low level of education is a condition that is prone to capitalist influence to make decisions that sometimes harm themselves and benefit the capitalists. Moreover, it is not accompanied by government actions to ensure the sustainability of cassava businesses, where farmers or entrepreneurs / SMEs often make their own agreements that are difficult to control. This low legal awareness is a regulatory disharmony between institutions and among cassava business actors, where one another has not created mutually beneficial harmonization and integration. This is a portrait of the individual's response to the regulations that exist in the cassava farming business institutions, where the response and behavior of cassava business actors is a reflection in building patterns of relations in institutions reflected in the quality of policy.

## 3.3 Strategy to Increase Competitiveness

Strategy is a way to win competition in cassava farming, which involves 4 (four) elements, namely:

### a. Product

Cassava is a food crop with an average diameter of 2-3 cm and the length of sweet potatoes up to 50-80 cm with a planting period of up to 9-11 months. Cassava is

a food product with a very high calorie content (146.00 cal) and carbohydrate, vitamins and other contents that are very useful for the human body.

Cassava products are the basic ingredients of food such as tape and other snacks, besides cassava is an industrial material for flour for making cakes or other needs. As the main ingredient of cassava food, it is very important for human survival, but cassava is still underestimated in many circles as cheap, non-marketable and non-marketable food. Although cassava has contributed greatly to human survival and increased state revenues, attention to cassava business has not received special attention from various parties, especially the government for business continuity. Bondowoso cassava products are good quality, special and special, such as buttermilk, only in Bondowo, while the quality of elephant cassava is also growing rapidly for good quality flour industry materials. This is intended so that people realize the potential and benefits of cassava. The perspective on cassava is still considered home food and is not yet considered an important industrial ingredient. The limited innovation and creativity of cassava businesses is still limited. While the training and education provided to entrepreneurs is not sufficient so that the market is very limited. There are many obstacles faced by cassava farming businesses, namely technology, capital and knowledge, so cassava is only limited to tape and chips or cakes. On the side of the government itself cannot do much because of limited policies and budgets. Because of the quality of cassava products, the quantity and price are self-determined without government control. This condition makes cassava farmers powerless and weak in competition. NGOs (Hipsindo) have spearheaded from the production target side, standard prices and markets as well as providing training on innovative products namely bringing in trainers.

## b. Price

Price is a standard award for services or goods to be purchased. Quality goods or services are high prices or vice versa if the service or goods are bad then the price will be low. Affordable prices will bring customers and provide benefits. Price becomes an important consideration for consumers before buying goods or services, so pricing is an important strategy. Cassava has a low price because of the wrong perception of the community on cassava, which ignores farmers as producers. Whereas the price must be calculated from the side of production costs that are incurred with the expected profits. But with the wrong assumption of cassava the calculation was ignored and the price of cassava remained cheap. Hipsindo's efforts have succeeded in raising the price of cassava through its MSMEs where the quality standard of certain cassava is set at a price of Rp 4,500-Rp 5,000 per kilogram to benefit farmers. While the conditions in the market price are below the range of Rp. 2,500-, - Rp. 3,000, - The Hipsindo expediency should be supported by the government with a minimum price fixing of cassava and building cooperation with traders / middlemen and industry so that peanuts are protected from prices.

## c. Promotion

Promotion becomes an important part so that products are known and used by the community. The aim is to introduce and market cassava products widely to the public. During this time the promotion of cassava was carried out by the trade service through exhibitions, competitions, or advertisements through media which were very limited, especially TV media almost never. This promotion is especially important to introduce Bondowoso cassava, what are the specials or advantages, what is the benefit for anything, and so on. So that people increasingly love and respect cassava so they want to consume it. Actually, cassava has been consumed by the community, especially the changes in diet that tend to reduce rice and switch to cassava food. The development of innovation is still simple to turn sinkong into modern food. The most effective promotion is actually through an exhibition by the government but is still limited so that it needs to be expanded and expanded its target area and media. Promotion has not led to changing the public's perception that cassava is a modern and classy food and an important industrial ingredient.

## d. Distribution

Good distribution if done institutionally on cassava needs so that it can guarantee the sustainability of ingredients, market stability, maintain prices. The existence of cassava must be maintained so that there is no scarcity or excess because it will disrupt market stability and prices. To maintain the stability of cassava goods, farmers must have data on the needs of consumers or entrepreneurs, when they need it and where it is distributed. So far, cassava data has only been obtained by word of mouth and only comes from certain sources such as traders / collectors / tengklak or brokers. Farmers usually distribute their crops only to those who are limited because they are quick to get money and not complicated, although sometimes they are often mocked through cheap prices. The biggest distribution for cassava butter is tape and cake / snack ingredients while elephant cassava types to flour companies in Madiun, Kediri and Lumajang through Hipsindo and the government are not involved. The distribution of processed food products is done individually by the entrepreneur to the final seller manually, which is delivered by himself and if there is an item that is not in demand it will be taken by himself. Product upgrades occur when the surrounding area has events and holidays where many outside communities buy bondowoso souvenirs whose products are sold in the city around Bondowoso.

The strategy for increasing competitiveness requires several elements, namely:

- 1) Capacity building.
- 2) There are policies that are able to generate competitiveness.
- 3) Increased education and skills possessed by HR in an institution will determine the course of a policy and program to run well.
- 4) Institutional changes. Institution is an institutional arrangement that ends in the character of policy and response from superiors to subordinates who can walk in synergy and harmony without any collision.



## 5. Conclusion

The institutional activities of cassava farmers business include the process from the processing of the planting period, the harvest and sale period and the use of their products to cassava entrepreneurs which involve many parties. The relationship pattern of cassava business actors is largely determined by the power of policy, namely how the rules of the policy actors, partnership patterns or cooperation and the response and behavior of each party so as not to cause clashes between parts, namely cassava farmers, MSMEs, Hipsindo, tegkulak / pengepol, entrepreneurs factories / industries and the government to create ever-increasing economic growth for all cassava businesses.

So far, many farmers have partnered with middlemen as the main buyers, so farmers are not bothered in sales but are often controlled by prices so they lose money, while the government is less concerned about these conditions. With Hipsindo an association that emerged from the community concerned with cassava trying to embrace all interests of farmers, MSMEs, middlemen, government and factories. Institution of Hipsindo has provided assistance to farmers in the form of training and assistance, production costs and loan facilities from Bank Jatim with low interest (0.06%), marketing to factories (Tapioka). Upstream downstream institutions can be built starting from planting, processing, marketing that is competitive with quality product strategies, maximum prices, promotions and even distribution as needed. Institutions will be built when there is a policy in the institution, the relationship between components in the institution occurs in a harmonious and synchronous manner, as well as the response of individuals based on the policy of ignoring cassava farming.

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