

Potential And Problems Of Small And Large Scale Processed Coffee Businesses In Jember Regency

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ABSTRACT

This research aims to know and identify the potential map of the small and large scale processed coffee businesses in Jember regency. Moreover, the research aims to know and analyze the fundamental problems faced by the processed coffee business in Jember regency. Finally, it aims to know the underlying reason and possible alternative solution. The research uses a comparative descriptive analysis. Information is collected through in-depth interview from key informants. The potential of community-based coffee in Jember regency is very ideal because of its topography, soil and weather are suitable for coffee cultivation. This has been proven since the Dutch East Indies colonialization. The best coffee producer in Jember regency is produced in Sidomulyo village. The large scale processed coffee is managed by PTPN XII. The main problems faced by the processed coffee business in Sidomulyo are the low quality of human resources, the limited funds for the community-based coffee operations, and the limited coffee processing machinery. Meanwhile, the problem faced by the PTPN XII large scale processed coffee business is its upstream industry of ground coffee powder. This is due to the limited marketing in self-owned outlets such as the Gunitir café and the café in Gajah Mada street.

Keywords: Potential, Problem, processed coffee business, large scale, small scale.

1. INTRODUCTION

Coffee first entered Indonesia in the 17th century brought by the Dutch who at that time were developing coffee plants and plantations around Jakarta and then spread to several areas in West Java such as Sukabumi, Bogor, Bandung and other Priangan area through *cultuurstelsel* (forced cultivation system) which is also further developed in East Java such as Jember, Bondowoso and Malang; Sumatra; Bali and some parts of Sulawesi. Indonesia's tropical climate is perfect for growing coffee plants which cause Indonesia to currently become the third largest coffee exporter in the world after Brazil and Vietnam.

Initially, coffee as a beverage that is beneficial to increase body strength was first discovered in Africa, more precisely in Ethiopia in 1000 BC, then cultivated in the Middle East by the Arab merchants, and then further developed in Turkey, where for the first time coffee shops open in this country in the 15th century. Exactly in 1615, the coffee beans were formally brought to the continent

by a Venetian merchant and eventually spread to the Netherlands and Indonesia, which was at the time, is still a Dutch colony.

The right amount of coffee can provide health benefits, including eliminating a mild headache, help maintain a fit body, improve concentration, overcoming mood swings, prevent heart disease and stroke, and prevent cancer and diabetes.

The coffee processing industry creates added value to the society. Firstly, coffee-producing communities can earn more revenue if sold in the form of processed coffee than raw material. Secondly, another benefit of processed coffee is that it can absorb labor, thereby reducing unemployment. The third benefit is diversification in the form of processed coffee would create demand and increase the market share of the coffee itself, both domestically and abroad. (Sumarno,2011)

Lately, the processed coffee marketing efforts are growing together with certain tourist attractions such as restaurants. One of the growing tourism attractions today is the Gunitir Cafe and Restaurant. The café location is very strategic in the Gunitir Mountain. The place and view are very strategic and interesting, so it becomes a must-visit destination by any group who are traveling from Jember to Banyuwangi and vice versa. This place serves a variety of tasty food and beverages with a relatively affordable price where the coffee drinks become the visitor's favorite beverage because it is suitable with the cold weather in the Gunitir area.

1.1 Research Problems

1. How is the potential overview map of the processed coffee business in the Jember regency both in terms of small scale and large scale?
2. What are the fundamental problems faced by the small scale and large scale processed coffee entrepreneurs in Jember regency? Why do the problems arise and how are the alternative solution?

1.2 Research Objectives

1. To know and identify potential maps of the small scale and large scale processed coffee business in Jember district.
2. To find out and analyze the fundamental problems faced by the processed coffee business in Jember regency, why this occurred and identify various alternative solution.

2. LITERATURE REVIEW

2.1 Coffee Consumption Pattern

Judging from the history of Indonesian coffee, since coffee became a major commodity of the Dutch government in the early 1900s, coffees produced by plantations managed by the Dutch government are almost entirely exported. Low quality coffee and coffee unsold from export were sold or given to the plantation people and workers for drinks. The coffee tastes from drinking low quality coffee is carried from generation to generation to the present day and even in some areas, especially in Java, the coffee is mixed with rice or corn (known as

kopi jitu = kopi siji jagung pitu or one serving of coffee and seven serving of corn).

With the rising living standard and an urban society lifestyle shift in Indonesia have led to a shift in the pattern of coffee consumption, especially in the young adults. The younger generation generally prefers to drink instant coffee, three-in-one coffee or espresso-based drinks that are served in a café. Meanwhile ground coffee (roughly grind coffee) remains a major public consumption of the rural population and elderly groups. (Sumarno, 2011)

2.2 The Structure of Domestic Coffee Industry

In general, the domestic coffee industry can be classified into three groups, namely:

1. Small-Class Processed Coffee Industry (Home Industry)

Industries that fall within this group is an industry that is small (home industry) where the workforce is the family members by involving one or several employees. Its products are marketed in the stalls or markets nearby with or without brand name. Industries classified in this group are generally not listed in the Department of Industry and POM Agency (Food and Drug Agency). Industries in this group spread across the coffee-producing regions.

2. Middle-Class Processed Coffee Industry

Coffee industry belonging to this group is the coffee processing industry that produces coffee powder or other processed products such as coffee drinks with products marketed in the district or regency where the product is produced. The products are in the form of simple packaging and usually has obtained license from the Department of Industry as homemade processed coffee products. Middle-class industries are often found in coffee production centers such as in Lampung, Bengkulu, South Sumatra, North Sumatra and East Java.

3. Large-Class Processed Coffee Industry

The coffee industry in this group produces coffee powder, instant coffee or coffee mix and other processed coffee products which are marketed in a variety of areas within the country and even exported. Products in this form of packaging usually have obtained a Trademark number and name or other label. Some coffee industries that are classified as a coffee industry is PT. Sari Incofood Corp., PT. Nestle Indonesia, PT. Santos Jaya Abadi, PT. Aneka Coffee Industry, PT. Torabika Semesta, etc.

2.3 Diversity Packaging

The products produced by the domestic coffee industry are very diverse ranging from traditional products that uses simple paper packets or plastic packaging and up to aluminum foil packaging. Coffee product packaging is generally in the form of a ready-to-use sachet or package with diverse content. While for some types of processed coffee products that are exported, there are large packaging box size for roasted coffee and instant coffee products. As for the liquid coffee extract are packaged in the form of special packaging such as a drum.

2.4 Processed Coffee Production

The products produced by the coffee industry are basically in the form of ground coffee and instant coffee. From these two types, other coffee products are produced such as three-in-one coffee and etc. While in a Cafe (or Coffee Shop), the product is essentially original and espresso coffee.

Ground coffee production is currently estimated to have reached 150,000 tons, while for the instant coffee and its derivatives have reached 20,000 tons. BPS (Central Bureau of Statistics) data noted that the export volume of soluble coffee on average in the last 5 years has reached about 15,000 tons per year, while ground coffee exports reached 3,000 tons per year.

3. RESEARCH METHODOLOGY

3.1 Research Object

In this study, the objects are two groups of processed coffee business which are small and large scale in the Jember regency. The data collection are carried out through in-depth interview and information collection through focus group discussion (FGD) to find a more holistic and comprehensive phenomenon.

3.2 Primary Data Collection

The basic method used in this research is descriptive, comparative and correlational which generates an idea of solving actual problems that exist in the present. The problem solving is done by collecting, compiling and analyzing data. The study results are recommendative that provides guidance to the Jember regency in determining policy and strategic, anticipatory and participatory measures in the development of the coffee industry based in East Java, in particularly Jember. From the data collection results, data tabulation, data compilation and data identification summaries are carried out, which will be (Jonker et al, 2011) followed by analysis activities. Analysis activities are done by reviewing and analyzing the case in accordance with an activity restriction. (Glueck and Lawrence, 2004). Then, the analysis results are used to answer the research objectives.

3.3 Analysis Method

Descriptive Analysis

To achieve the 1st and 2nd objectives in this study – which are: (a) to reveal the business potential of processed coffee in Jember regency, and (b) to determine the fundamental problems of processed coffee businesses – thus the ‘descriptive’ analytical approach is applied.

The applied descriptive analysis is not aimed to test the hypothesis, but to describe the reality of the environment. The descriptive analysis approach is a problem-solving procedure investigated by describing the condition of the subject/object in the present study based on the facts that appear or as they are. (Norton, 2002) The results of descriptive analysis are used to identify the fundamental problems in the development of processed coffee businesses in Jember.

4. RESULT AND DISCUSSION

4.1 The Potential Map of Community-based Coffee in Jember Regency

The distribution acreage of community-based coffee has currently reached 5524.01 hectares. It spreads almost throughout all districts with the central coffee area located in 8 districts, namely Silo (2192.23 ha), Jelbuk (615.51 ha), Ledokombo (53421 ha), Sumberjambe (572.92 ha), Panti (389.09 ha), Tanggul (256.09 ha) and Sumberbaru (282.50 ha). Sidomulyo is one of the villages located in Silo district, Jember regency, East Java province. Topographically, Sidomulyo village is surrounded by mountains or hills, including the Argopuro Mountains to the north, Pace/Sanen Mountains in the south and Mount Gunitir the east. When viewed from its natural resources, Sidomulyo village is included as a plantation village.

4.2 Potential Map Managed by the Coffee Plantation Company (PTPN XII) in Jember Regency

PT. Perkebunan Nusantara XII (Persero), hereinafter referred as PTPN XII, is a State-Owned Enterprise with the overall status of a Limited Liability Company owned by the Government of the Republic of Indonesia. PTPN XII Regional II Office in the town of Jember manages seven coffee plantations, comprises of four Arabica and three Robusta coffee plantations. The Arabica coffee plantations consist of Blawan, Kalisat/Jampit, Pancoer Angkrek, and Kayumas. While the Robusta coffee plantations consist of Silosanen, Renteng, and Zeelandia. In 2013, the Arabica coffee ready-to-use material was 1,128,340 kg produced from 7,211,448 pounds of raw Arabica coffee material. While ready-to-use material of 274,300 kg Robusta coffee was produced from 1,243,065 kg of Robusta coffee raw materials.

4.3 Fundamental Problems Encountered by Processed Coffee Entrepreneurs Small Scale Processed Coffee Enterprises (Ketakasi Cooperative)

Facilities and infrastructures become one of the important elements in a business. Inadequate facilities and infrastructures can hamper the business process. Ketakasi Cooperative has limited facility and infrastructure, i.e. insufficient capacity of electricity and machinery. The available capacity in Sidumulyo, particularly for processed coffee business operations managed by the Ketakasi Cooperative, is still limited. Therefore, one of the members of the Ketakasi Cooperative has the initiative to modify the coffee processing machine, so it only requires a smaller electricity capacity.

In addition to the problem of limited power capacity, infrastructure problem that is faced is the limited coffee processing machines. The number of machines available is not comparable with the raw materials produced by coffee plantations owned by the local community. Thus sometimes the coffee farmers have to queue for a long time to process coffee. However, the machine limitations problem reaches a solution by cooperating with several agencies in the form of machinery, i.e. from Jember University and the Indonesian Coffee and Cacao Research Centre.

Funding issues was initially a major problem for community-based coffee entrepreneurs. Often farmers pick coffee before their harvest time; where it is still

unripe coffee beans or the color is not perfectly red yet. This action is done because the farmers need money and need funds for everyday purposes including the urgent need for their sons and daughters' education. As a result, the quality of the produced coffee is not well and thus the selling price becomes cheap. This impacted to the generated revenue is less than its expenditure, or they cannot cover their needs. The solution is the establishment of Ketakasi cooperative. This cooperative provides capital to coffee farmers so they do not need to pick the unripe green coffee, and the harvested coffee are truly ripe and red color. This brings significant changes to the earned income of coffee farmers in Sidomulyo.

In the beginning, coffee marketing problems is also a major problem for coffee farmers in the Sidomulyo region. They have difficulty in marketing processed coffee because of poor quality. The cause of poor quality is the over usage of chemical fertilizers, coffee berries are picked while still green (not red and ripe), and coffee processing still uses traditional tools. The solution of this problem is the establishment of Ketakasi cooperative. The cooperative collaborates with the Coffee and Cocoa Research Center. The cooperation is in the form of technical guidance on good coffee cultivation that is mainly related to the suggestion to use organic fertilizers and technical guidance regarding coffee berries that needs to be harvested. The role of the Coffee and Cocoa Research Center is not limited to that point, but also evolve towards help in coffee processing machines capable of producing the best quality of processed coffee. Technical assistance and guidance are very effective and bring significant changes. Currently farming communities have sufficient knowledge on how to carry out organic coffee cultivation, on proper harvest management, and on processing coffee capable of producing prime quality coffee. Currently, Sidomulyo village becomes the best coffee processing village as the reference and model for surrounding villages.

Human resource issues in Sidomulyo village initially also become a major problem. Low level education is the fundamental problem. The low quality human resources cause the low quality coffee, this also result in the low quality of the processed coffee. The solution is the implementation of training programs conducted by the Coffee and Cacao Research Center and also educational institutions such as Jember University and Brawijaya University. Education and training are conducted on the Sidomulyo coffee farmers Sidomulyo slowly but surely brings significant changes. The community-based coffee farmers are starting to applying the procedures that has been taught to them, ranging from seed selection, fertilization with organic materials, as well as proper harvesting and processing coffee.

In addition, another problem is the marketing of refined products such as ground coffee. This ground coffee product is marketed through the outlets located in the Ketakasi Cooperative office and introduce their products by attending coffee festivals and symposiums. However, it is still less helpful in marketing the ground coffee because the Ketakasi cooperative coffee powder is lesser known in communities, particularly communities in Jember. This problem can be overcome by working with coffee shop owners to use Ketakasi cooperative ground coffee products. The weakness of the community-based coffee management can be visualized in the following table.

Table 1: Problems Faced by the Small Scale Processed Coffee Business (Ketakasi Cooperative)

No	Main Problem	Problem Solution
1	Inadequate infrastructure and facilities (electricity to power Coffee Processing Machine)	Some coffee processing machine are modified so that it requires less electrical power
2	Inadequate capacity of coffee processing machine, especially during the main harvest time	Creating cooperation with several institutions in the form of helping provide coffee processing machine. Examples on institutions are Jember University and the Indonesian Coffee and Cocoa Research Center.
4	Marketing of processed products such as ground coffee is not yet optimal	Through cooperation with coffee shop owners and attending expos held in various places every year
5	Coffee farmers frequently lack funds for their operational expenses	By becoming a member of Ketakasi cooperative, they receive loan with low interest
6	Low quality human resources of mainly primary school and junior high school graduates	Following education and training carried out by the Coffee and Cacao Research Center and educational institutions such as Jember University and Brawijaya University

4.4 Large Scale Processed Coffee Enterprises (PTPN XII)

PTPN II produces Robusta and Arabica coffee types

In running a processed coffee business, PTPN XII also experienced problems in which one of them is related to the marketing of coffee products. Actually PTPN XII has facilitated its coffee products by opening a café besides its office for employees who are having their recess time with a cup of coffee while eating or customers who want to purchase coffee for both personal as well as a special souvenir from Jember. The place is quite comfortable but its location is less visible from the outside or the road while café sign is already starting to fade so these facilities are not used by the community. This is evident by not many people who have come to the café for just “hanging out” except customers who are already familiar with these coffee products and its own employees. Moreover, the product is only sold coffee in an outlet or in a café located in the PTPN XII office area so it is difficult in reaching potential buyers.

PTPN XII Jember also does not do consignment which means no coffee products are marketed through shops or stalls, in which when the product is not sold then it can be returned. It became one of the marketing obstacles to the public so that this coffee product cannot compete with instant coffee product that circulates in the community with a variety of brands. While there are shop owners

who came to the café by themselves to purchase some coffee packaging products for resale, however the amount is not much. This has become one of the causes of PTPN XII brand coffee products are still less known among the people, even many people who are not aware of any coffee product from PTPN XII results and the marketing is still limited from mouth-to-mouth.

This problem can be solved if the marketing department do more activities that can introduce PTPN XII coffee products to the public, especially Jember residents. The café as the outlet used to sell coffee products can be renovated to attract people to come or just enjoy a cup of coffee there.

Table 2: Problems Faced by the Large Scale Processed Coffee Business (PTPN XII)

No	Main Problem	Problem Solution
1	The marketing of processed coffee by PTPN XII in outlets of Café Gunitir and the café beside the PTPN XII office. The outlet in Café Gunitir has a strategic place and supported by complete infrastructure. The outlet in the café beside the PTPN XII is less strategic and not many people are aware of its existence.	Especially for the café beside the PTPN XII office needs to be renovated and given more infrastructures. The building needs to be redesigned so that it is by the highway and ease consumers to come to visit.
2	The PTPN XII processed coffee products are only known through mouth-to-mouth information, so that is has non-optimal result.	A promotion on the processed products needs to be done through various medias such as radio, television and newspaper, in order to raise awareness of the PTPN XII processed coffee in Jember regency and all over Indonesia.

5. CONCLUSION AND ADVISE

5.1 Conclusion

- 1.a The potential of community-based coffee in Jember regency is very high due to its topography, soil and climate are very suitable for coffee cultivation. Moreover this has been done since the days of the Dutch East Indies colonialization. The best community-based coffee producer is the coffee produced in Sidomulyo village. Sidomulyo village is located in the Silo district. This village is located to the east of the Jember, precisely around 25 kilometers to the east.
- 1b. Large scale processed coffee cultivated by PTPN XII. There are two types of coffee grown by the PTPN XII, which are the Robusta coffee type that can be grown in medium and lowland, and the Arabica coffee type that grows optimally at high altitudes. Coffee producing areas in Jember regency managed by PTPN XII covers the Silosanen, Renteng, and Zeelandia plantations.

- 2a. The main problems faced by processed coffee businesses in Sidomulyo is the low quality of human resources, so that knowledge of good coffee cultivation and its post-harvest processing are also low; limited funding for community-based coffee business operations; limited facility of coffee processing machines; and the last one is processed coffee marketing efforts are non-optimal. However, in the course of time, these problems have started to be addressed by forming cooperative groups, namely the Ketakasi cooperative.
- 2b. The main problems faced by large-scale PTPN XII processed coffee business is primarily for the downstream industry of ground coffee. Sales are limited to the self-owned outlets such as Café Gunitir and the café in Gajah Mada Street. The Gunitir Café is well known and is at a very strategic place. The cafe in Gajah Mada Street is not visible from the highway and as a result not many people in Jember are aware of its existence.

5.2 Advice

1. For large-scale coffee entrepreneur such as PTPN XII should continuously innovate products, enhance cooperation with academic institutions in the form of providing a coffee processing machine, and should also collaborate with the academia in order to improve the quality of human resources.
2. For the large-scale coffee entrepreneur such as PTPN XII should continuously expand the target market for green bean (coffee beans), to increase sales of ground coffee by redesigning the cafe with a more attractive design and a more strategic position, as well as working with the existing cafes in Jember.
3. PTPN XII should undertake continuous training to small-scale coffee entrepreneurs in the fields of production, finance, human resources and marketing. The expected activity is to make small-scale coffee entrepreneurs to become business partners. This activity is expected to be a positive synergy for both parties so that in the future both business performances can be optimized.

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