

Marketing Channel Analysis of Oil Palm Fresh Fruit Bunches in Lubuk Barumun District, Padang Lawas Regency

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ABSTRACT

The purpose of the research is to find out marketing channel analysis of oil palm fresh fruit bunches in Lubuk Barumun District, Padang Lawas Regency. The research was conducted in Lubuk Barumun District in Padang Lawas Regency, North Sumatra Province with the consideration that Padang Lawas Regency has potential in developing oil palm plantation areas. The research was carried out from January to February 2021. The sample collection of producer farmers was carried out by purposive sampling with the sample criteria being independent oil palm farmers. From the population of oil palm farmers in Padang Lawas Regency as many as 297 people, a sample of 10 percent was taken, namely 30 farmer respondents. Quantitative analysis is used to determine the Hirschman Herfindahl index on market structure, market behavior based on the price relationship between two markets at the same level and the magnitude of market performance based on marketing margin analysis, profit margin ratio, farmer's share, cost share, and profit share. The results showed that, the number of oil palm farmers is large while the number of sellers or intermediaries is only a few so that the marketing system for fresh fruit bunches of oil palm tends to be imperfect competition because there are many sellers but few buyers (oligopsony). Analysis of the Hirschman Herfindahl index, it is known that the market structure of oil palm fresh fruit bunches in Lubuk Barumun District, Padang Lawas Regency tends to lead to an imperfect competition market (oligopsony) which causes the bargaining position of oil palm fresh fruit

bunches farmers to be in poor condition weak, namely as a price taker. The efficiency of an already efficient marketing channel is the one that shows the smallest value of marketing efficiency, namely in channel III ($E_p < 5\%$ efficient). Marketing channels I and II have not been efficient ($E_p > 5\%$ inefficient).

Keywords: Marketing Channel, Oil Palm, Fresh Fruit Bunches

INTRODUCTION

The agricultural sector in Indonesia plays an important role, this can be seen from the role of this sector in providing food, employment and a contributor to foreign exchange through exports. The aim of agricultural development is to improve the welfare of farmers and their families through increasing income. One of the important aspects in agricultural development is how to continuously increase farm production which is always profitable so that the welfare of farmers and the wider community continues to increase (Soekartawi, 2003).

The plantation sector is an important sector of income for millions of farmers in Indonesia. Apart from being a source of income for the community, the plantation sub-sector also plays a role as a contributor to the country's foreign exchange, a provider of employment opportunities, and a triggering tool for the growth of economic centers. Oil palm plantation activities have had a positive external influence on the

surrounding area (Syahza, 2011). Oil palm plantations are the prima donna of Indonesia's export trade in the plantation sub-sector. The development of oil palm commodities in North Sumatra encourages the provision of large employment opportunities (Afifuddin and Kusuma, 2007). Oil palm plantations in the province of North Sumatra have experienced extraordinary growth with the trend of increasing land area.

How is the marketing flow of oil palm fresh fruit bunches from farmers/producers to final consumers, how far is the marketing margin obtained at each marketing agency of oil palm collectors and wholesalers in Padang Lawas Regency, whether in carrying out its functions the marketing institutions that are there is already efficient or not. This is what researchers want to study in this study.

The selection of marketing channels is a very important issue because errors in this selection can slow down and even block the distribution of goods and services from producers to consumers. The marketing channel is a path from channeling institutions that have activities to distribute goods from producers to consumers. These dealers will actively seek to move not only physically but in the sense that these goods can be purchased by consumers (Kotler, 2008).

Distribution channel or marketing channel is a path that is passed by the flow of goods from producers to intermediaries and finally to users. Marketing channel is an organizational unit structure within the company and outside the company consisting of agents, dealers, wholesalers, retailers, through which a commodity, product or service is marketed (Swastha, 2003).

According to Sudiyono (2002) marketing institutions are people or business entities or institutions that are directly involved in the flow of goods from producers to consumers. Cost is the sacrifice made by producers in managing their farming business to get maximum results. Cost is measured for a

medium of exchange in the form of money which is carried out to achieve certain goals in farming. Agricultural commodity marketing costs include transportation costs/transportation costs, levy fees, depreciation costs and others. The amount of marketing costs differs from one another. This is due to the marketing location, marketing institutions (collectors, wholesalers, retailers, etc.) and the effectiveness of the marketing carried out as well as the types of commodities (Rahim and Hastuti, 2007).

In Padang Lawas Regency, there are many marketing institutions, both collecting agents and palm oil mills, which grow because of the large supply of fresh fruit bunches of oil palm production. Of course, from the farmer's perspective, it is very profitable because farmers have many options to sell their fresh fruit bunches through palm oil agents as extensions of their respective palm oil mills. Regulations issued by the Ministry of Agriculture Number 1 of 2018 concerning Guidelines for Determining the Purchase Price of Oil Palm Fresh Fruit Bunches for Plantation Production, have not been effectively implemented in all oil palm producing areas, Padang Lawas Regency. The determination of the price of fresh fruit bunches is intended for farmers who are included in the people's core pattern of institutions. On average, oil palm farmers in this area are still non-people based oil palm farmers or so-called independent smallholders. There is still a significant difference between the price received by independent oil palm smallholders and smallholders. The difference between the price set by the government and the price prevailing in the market can reach Rp. 400/kilogram of fresh fruit bunches of oil palm.

For independent oil palm fresh fruit bunch farmers in Padang Lawas Regency, the pricing of fresh fruit bunches is based on the selected marketing channel, the position of the farmer as a price taker or price recipient. Differences in the selection of marketing

channels result in differences in prices received by farmers. Each marketing channel involves a different number of marketing agencies. The length of the marketing channel affects the additional costs that arise from each of these marketing agencies such as transportation costs, transportation costs to the factory, fruit shrinkage costs, and other costs.

The purpose of the research is to find out marketing channel analysis of oil palm fresh fruit bunches in Lubuk Barumun District, Padang Lawas Regency.

RESEARCH METHODS

The research was conducted in Lubuk Barumun District in Padang Lawas Regency, North Sumatra Province with the consideration that Padang Lawas Regency has potential in developing oil palm plantation areas. Padang Lawas Regency is the second largest district after North Padang Lawas Regency with the highest area of oil palm cultivation in North Sumatra Province. This research area was chosen intentionally. The research was carried out from January to February 2021.

The sample collection of producer farmers was carried out by purposive sampling with the sample criteria being independent oil palm farmers. The research was conducted in Lubuk Barumun District, Padang Lawas Regency, because the production of this sub-district is the largest among the 12 sub-districts in Padang Lawas Regency, North Sumatra Province. From the population of oil palm farmers in Padang Lawas Regency as many as 297 people, a sample of 10 percent was taken, namely 30 farmer respondents.

The data collected consists of primary and secondary data. Primary data were obtained from surveys, observations, interviews and direct recording of consumer respondents using a list of questions/questionnaires that had been prepared in advance (Sugiyono, 2010). Secondary data were obtained from agencies related to this research as well as literature and other supporting books.

Quantitative analysis is used to determine the Hirschman Herfindahl index on market structure, market behavior based on the price relationship between two markets at the same level and the magnitude of market performance based on marketing margin analysis, profit margin ratio, farmer's share, cost share, and profit share.

RESULT AND DISCUSSION

Product Differentiation

The majority of oil palm farmers in Lubuk Barumun District are oil palm farmers, farmers already understand harvesting ripe fruit in the field, so there is no product differentiation, the products produced by farmers are homogeneous or in the form of ripe logs. Standardization is carried out in all marketing chains, both by small agents, large agents and palm oil mills, such as determining palm oil by maturity level, classification of dura and tenera palms which will affect the level of tonnage of palm oil sold by collectors. Major agents identify oil palms based on guidelines on the fact that dura oil palms are large and tenera are small. Dura type palm oil is oil palm that has not too thick flesh with large seeds, while tenera type palm oil is the type of oil palm that is expected by palm oil mills where the pulp is thick and the seeds of the palm oil are classified as small which has palm oil pretty much.

Number of Sellers and Buyers

Based on the number of sellers and buyers on the marketing of fresh fruit bunches of oil palm in Padang Lawas Regency, the number of oil palm farmers is large while the number of sellers or intermediaries is only a few so that the marketing system for fresh fruit bunches of oil palm tends to be imperfect competition because there are many sellers but few buyers (oligopsony).

Market Entry Barriers

Barriers to entry and exit from the market can be seen with the many competitors emerging to compete for market share of fresh fruit bunches of oil palm in Padang Lawas Regency. Barriers to entry and exit from the market can be in the form of issued

investment capital. Based on interviews with farmers and intermediary agents in the field, it can be concluded that the marketing business of oil palm fresh fruit bunches in Padang Lawas Regency is still inefficient because there are barriers to entry in the form of high investment capital and the level of market capability that new entrants must possess.

This is quite influential because in the marketing business of oil palm fresh fruit bunches it takes a lot of capital and a sufficient level of market knowledge to be able to compete with other market players. Barriers to exit in the form of capital Investment are large, profits are quite promising and on the other hand the demand for fresh oil palm fruit bunches which is always there is the main factor for traders not to easily get out of this marketing business of oil palm fresh fruit bunches.

Market Concentration Level

Analysis of the market concentration level was carried out to determine the market concentration of oil palm fresh fruit bunches in Padang Lawas Regency. In this study, market share analysis was used to determine the concentration of market participants for oil palm fresh fruit bunches in Padang Lawas Regency. Based on the calculation of market share, it is known that the market share at each level of market participants shows a different market structure. The following presents the calculation of the market share of oil palm fresh fruit bunches in Padang Lawas Regency:

Table 1. Market Share Calculation and Concentration Ratio Fresh Fruit Bunches Marketing Agency in Padang Lawas Regency

No.	Market Level	Types of Market Structure	Score
1	Oil Palm Farmers	Oligopsony	0.04421
2	Small Agent	Oligopsony	0.0959
3	Big Agent	Oligopsony	0.1976

Source: Research Results

Table 2. Value of Marketing Efficiency in Each Marketing Channel of Oil Palm Fresh Fruit Bunches in Padang Lawas Regency

Marketing Channel	Total Marketing Cost (Rp)	Product Prices in Final Consumers (Rp)	Efficiency Value (%)
I	200	2,200	9.09
II	150	2,200	6.81
III	50	2,200	2.27

Source: Research Results

From the results of testing the analytical tool, namely the analysis of the Hirschman Herfindahl index, it is known that the market structure of oil palm fresh fruit bunches in Lubuk Barumun District, Padang Lawas Regency tends to lead to an imperfect competition market (oligopsony) which causes the bargaining position of oil palm fresh fruit bunches farmers to be in poor condition weak, namely as a price taker. This can be seen from the Hirschman Herfindahl index value of each market level, whether farmers are 0.04421 ($0 < IHH < 1$), small agents are 0.0959 ($0 < IHH < 1$), and large agents are 0.1976 ($0 < IHH < 1$), is included in the market criteria leading to oligopsony.

The market structure formed in each marketing agency is different and can determine the level of efficiency of a marketing. Based on the results of research in the field, the market structure is analyzed by looking at product differentiation, the number of sellers and buyers, barriers to entry and exit from the market and the level of market concentration. The overall market structure in the marketing process of oil palm fresh fruit bunches in Lubuk Barumun District, Padang Lawas Regency is that there is no product differentiation, tends to lead to an oligopsony market structure, this is characterized by a disproportionate number of sellers and buyers, farmers as price takers, and the existence of barriers to entry and exit of the market.

Marketing Efficiency

Marketing efficiency is calculated from the percentage comparison of total marketing costs with the value of marketed products or consumer prices (Soekartawi, 2002).

The efficiency of an already efficient marketing channel is the one that shows the smallest value of marketing efficiency, namely in channel III ($E_p < 5\%$ efficient). Marketing channels I and II have not been efficient ($E_p > 5\%$ inefficient).

According to Anindita (2017) there are three types of causes of marketing inefficiency, namely long marketing channels, high marketing costs and market failures. Where long marketing channels generally cause marketing costs from producers to final consumers in this case the palm oil mill to be high, besides that the perishable nature of agricultural commodities is also the main cause of inefficiency in marketing agricultural commodities compared to industrial products.

CONCLUSION AND SUGGESTION

The results showed that, the number of oil palm farmers is large while the number of sellers or intermediaries is only a few so that the marketing system for fresh fruit bunches of oil palm tends to be imperfect competition because there are many sellers but few buyers (oligopsony). Analysis of the Hirschman Herfindahl index, it is known that the market structure of oil palm fresh fruit bunches in Lubuk Barumun District, Padang Lawas Regency tends to lead to an imperfect competition market (oligopsony) which causes the bargaining position of oil palm fresh fruit bunches farmers to be in poor condition weak, namely as a price taker. The efficiency of an already efficient marketing channel is the one that shows the smallest value of marketing efficiency, namely in channel III ($E_p < 5\%$ efficient). Marketing channels I and II have not been efficient ($E_p > 5\%$ inefficient).

Suggestions in this research are:

1. The market structure of oil palm fresh fruit bunches in Padang Lawas Regency can be directed to a perfectly competitive market by attracting marketing agents from other regions so that there are more buyers of oil palm fresh fruit bunches.

2. Market behavior can be improved by marketing the fresh fruit bunches of oil palm farmers together (in groups), so that the bargaining price formed can be higher.

3. Market performance is improved by increasing the marketing efficiency of oil palm fresh fruit bunches by reducing marketing margins, and reducing the value of marketing efficiency by minimizing marketing costs.

Conflict of Interest: None

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