

Priority strategy of improving cayenne pepper agribusiness performance in Banyuwangi district

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Abstract

Banyuwangi is one of the biggest national chili centers in Indonesia. Common problems faced by farmers is during the dry season, chilli farmers experienced crop failure due to drought and moltation. On the contrary, farmers are starting to fret with the decline in the price of cayenne due to the high intensity of the rain and daily flooding. The purpose of this study was to identify the performance of cayenne agribusiness in Banyuwangi Regency, as well as determine the priority strategy for improving the performance of cayenne agribusiness in Banyuwangi Regency. The performance of cayenne agribusiness in Banyuwangi Regency shows an increase from year to year seen from the amount of production and planting area. The strategic priority in improving the performance of cayenne agribusiness in Banyuwangi Regency through QSPM analysis is to produce high quality (premium) chili peppers and by developing processed chili products.

Keywords: strategy, agribusiness, SWOT, cayenne pepper, performance

1. Introduction

Chili is a strategic vegetable commodity, both red chili and cayenne pepper. In certain seasons, the increase in the price of chili is quite significant, which affects the inflation rate. These price fluctuations occur almost every year and are troubling the public. Government efforts in overcoming chilli price fluctuations by making efforts to increase the chili planting area in the rainy season, regulating the planting area and chili production in the dry season, stabilizing chili prices and developing reliable and sustainable partnership institutions ^[1].

Chili from Banyuwangi has not only been used to meet market supply in Jakarta. The chilli produced by Bumi Blambangan farmers is also used to supply Eastern Indonesia, including East Java, Bali and its surroundings. This was approved by the Head of the Banyuwangi Agriculture Service, which stated that in 2016, as many as 2,300 ha of chili plants in Banyuwangi supplied nearly 40 percent of the main markets in Jakarta and other major cities ^[2].

Cayenne agribusiness in the central area is inseparable from the existence of problems that can be an inhibitor for development of cayenne agribusiness. Common problems faced by farmers, namely during the dry season, chilli farmers in Wongsorejo Village experienced crop failure due to drought and moltation. Chili plants which can usually be harvested 10 times, now can only be harvested 3 times. The result is usually up to two quintals per hectare, currently only around 10 to 30 kilograms per harvest ^[3].

On the contrary, now farmers are starting to fret with the decline in the price of cayenne. This is due to the high intensity of the rain and daily flooding of the Banyuwangi region. Now farmers sell their crops to collectors at a price of Rp. 8000 per kilogram (kg) ^[4]. Meanwhile, chili collectors claim, if there are still many competitors from outside the Banyuwangi region who supply chili to the main market outside Java. Chili from the area of Mataram, Kediri, and Jogjakarta, has good quality.

Saptana *et al.* (2006) ^[5], stated that the main problem in the

development of chili agribusiness is not yet realized the variety, quality, continuity of supply, and quantity in accordance with market demand, especially for the purpose of modern markets (supermarkets/hypermarkets), manufacturing industries, institutional consumers (hotels, restaurants, hospital), and export market. One of the problems is caused by a lack of coordination between agribusiness actors. This causes the institutional structure of chili commodity agribusiness to be fragile and the linkages between supply chain management to be weak. The purpose of this study was to identify the performance of cayenne agribusiness in Banyuwangi Regency and to determine the priority of strategies to improve the performance of cayenne agribusiness in Banyuwangi Regency.

2. Materials and Methods

2.1 Research Location

The study was conducted in Wongsorejo District, Banyuwangi Regency, East Java Province. The study was conducted in March 2019 until May 2019. The choice of location was based on the consideration that Wongsorejo District was the center of cayenne agribusiness in Banyuwangi Regency.

2.2 Research design

This type of research is survey research, which according to Sugiyono (2002) ^[6], survey research is a study conducted to obtain data from certain natural places (not artificial) and researchers treat in data collection, for example by distributing questionnaires, tests, structured interviews and so.

2.3 Data collection and analysis techniques

The objects in this study were cayenne farmers, experts who were stakeholders in cayenne agribusiness in Banyuwangi Regency, namely the head of Banyuwangi District Agricultural Service, Banyuwangi University Faculty of Agriculture, August 17, Development Planning Agency at Sub-National Level of Banyuwangi Regency, sub-district

equipment, Industry and SME Office farmer groups in Banyuwangi Regency, and community leaders. The data used in this study are primary data obtained from interviews or Focus Group Discussion (FGD) with experts and stakeholders in cayenne agribusiness in Banyuwangi Regency.

Data analysis uses primary data and secondary data, which are then analyzed descriptively and to analyze the strategy of developing cayenne pepper in the cayenne center of Banyuwangi Regency, using SWOT analysis which aims to find out about strengths, weaknesses, opportunities and threats (internal factors and external factors).

QSPM (Quantitative Strategic Planning Matrix) analysis is an analytical tool that determines the attractiveness of various strategies based on how far the success factors of external and internal critical keys are utilized. QSPM matrix is a matrix used at the decision stage to see the relative level of various alternatives that can be implemented as a result of the matching stage [7].

3. Results & Discussion

3.1 Performance of Cayenne Pepper Agribusiness in Banyuwangi Regency

Based on Banyuwangi Dalam Angka 2017 [8], the number of cayenne production in Banyuwangi Regency is 21,146 tons with a harvest area of 2,970 hectares and the center of cayenne production in Banyuwangi Regency is in Wongsorejo District. The Head of the Horticulture and Plantation Division of the Agriculture Office of Banyuwangi Regency said that the main centers of the largest red cayenne are in Wongsorejo Subdistrict with a planting area of up to February of 1,880 hectares and which are ready to harvest 820 hectares (Khoiri, 2018) [9].

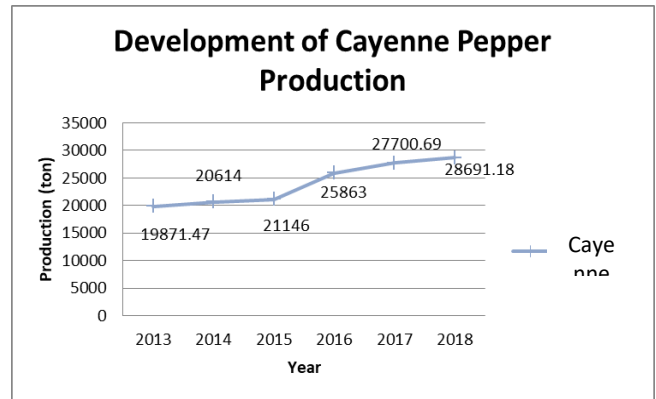


Fig 1: Development of cayenne pepper production in Banyuwangi Regency

3.2 Environmental Analysis and the Cayenne Pepper Agribusiness SWOT Matrix in Banyuwangi Regency

Analysis of internal and external factors on the condition of cayenne agribusiness in Banyuwangi Regency was conducted to determine the key factors that influence these internal and external factors. Analysis of internal and external factors is done by using Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) analysis. Internal factor analysis is conducted to determine the effect of internal factors, namely the strengths and weaknesses possessed by agribusiness centers on the sustainability of cayenne agribusiness. External factor analysis was conducted to determine the effect of agribusiness center conditions on the external factors of cayenne agribusiness sustainability namely opportunities and threats. Results of analysis Internal Factor Evaluation (IFE) matrix is shown in the following table.

Table 1: Matrix of Internal Factors in Banyuwangi Regency Agribusiness Centers

	Strength	Weight	Rating	Score
1	Potential geographical conditions of natural resources	0.18	4	0.72
2	Availability of fertilizers and seeds	0.12	3	0.36
3	Source of capital	0.16	4	0.64
4	Availability of labor	0.12	3	0.36
5	Planted area	0.18	4	0.72
	Total	0.76	18	2.8
	Weakness	Weight	Rating	Score
1	Limited marketing channels (collectors)	0.06	3	0.18
2	Disease pests	0.02	2	0.04
3	High production costs	0.04	3	0.12
4	Fertilizer dosage	0.02	2	0.04
5	There is no standard price	0.1	4	0.4
	Total	0.24	14	0.78
	Total of S + W	1		
	Difference = Score of strength-weakness	2.02		

The results of internal factor analysis on cayenne agribusiness, it is known that the main strength of the cayenne agribusiness center is the potential of the area/geography and planting area with a score of 0.72. The main weakness of the cayenne agribusiness center is the absence of price standards for the commodity of chili. Production activities are still not quality oriented. This causes very drastic price fluctuations at certain times. In addition, the marketing channels are still limited (0.18), which is only through collectors who function as price determinants, causing low bargaining value of farmers. Strength has a total score of 2.8 and Weaknesses have a

total of 0.78 where the strength factor is higher than the weakness factor. Innovation development is needed to improve the economy of a region, in this case the government must cooperate with farmers as well as strengthen agricultural institutions in order to sustain business activities in agriculture, even the government can provide assistance to farmers in the center of chili in Banyuwangi Regency in this case represented in Wongsorejo District in farming. The role of the government is needed in terms of establishing a standard policy for the price of cayenne nationally nationally. Collaboration is absolutely needed between farmers and saprotan providers,

financial institutions, and marketing institutions in order to maintain the availability of cayenne pepper supply. The increasingly modern technological developments must always be shared so that farmers can develop, as well as the

use of facilities and infrastructure that enable optimal results. The trends/lifestyles of the millennia for spicy food enable cooperation/partnerships with other processing industries.

Table 5: Matrix of External Factors of Banyuwangi Regency Agribusiness Centers

Opportunities (Peluang)	Weight	Rating	Score
High level of demand	0.18	4	0.72
Technology that is always developing	0.16	3	0.48
Supporting Facilities and Infrastructure	0.12	2	0.24
Price of cayenne pepper	0.18	4	0.72
Lifestyle of Millennial Generation	0.14	3	0.42
Total	0.78	16	2.58
Threats (Ancaman)	Weight	Rating	Score
Uncertainty in obtaining funds	0.06	2	0.12
Weather / climate factor	0.04	1	0.04
Erratic price fluctuations	0.06	3	0.18
Competition with other regions	0.04	2	0.08
Transfer function of agricultural land	0.02	1	0.02
Total	0.22	9	0.44
Sum of O + T	1		
Difference = Score of opportunities- threat	2.14		

The formulation of strategies for the development of the cayenne pepper agribusiness center in Banyuwangi was carried out using a SWOT analysis, based on internal and external factors which had the five highest scores. After assessing the influence of key factors on the cayenne agribusiness center in Banyuwangi on the strengths, weaknesses, opportunities and threats of the cayenne agribusiness supply chain, the next step is the stage of formulation of alternative chili agribusiness strategy.

Based on the coordinates obtained from the SWOT matrix, the position of cayenne agribusiness is currently in quadrant I (2.02, 2.14), namely the S-O quadrant. This position indicates that the cayenne agribusiness condition is strong and has a chance. The recommended strategy is Progressive, meaning that the organization is in prime and steady condition so it is possible to continue to expand, increase growth and achieve maximum progress. Strategies that can be carried out include strengthening farmer institutions and cooperating with financial institutions and the government in terms of obtaining the standard price of cayenne pepper,

establishing good relationships between farmers and saprotan providers, financial institutions, and marketing institutions to maintain the availability of cayenne. The development of increasingly modern technology, as well as the utilization of facilities and infrastructure that enable optimal results, the trends / lifestyles of the millennia for spicy food have enabled cooperation / partnerships with other processed industries

3.3 Priority strategies for Improving the Performance of Cayenne Agribusiness in Banyuwangi Regency

IE matrix is an illustration for the placement of strategic positions from the IE matrix, with an IFE score of 2.02 and EFE score which is 2.14. The strategy implication for cayenne agribusiness is in cell V, which can be handled properly through a strategy of "keeping and maintaining (hold and maintain). The strategy that can be carried out in maintaining and maintaining is market penetration and product development.

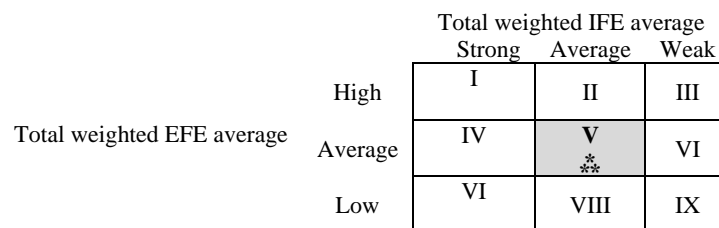


Fig 1: Banyuwangi Regency's Internal External (IE) Matrix of Agribusiness

The decision making phase uses the Quantitative Strategic Planning Matrix (QSPM). This technique objectively shows which strategy is the best. QSPM uses input analysis from stage 1 and matching results from stage 2 analysis to objectively determine the strategies to be carried out among alternative strategies.

The two strategies listed in the matrix below are a set of product development strategies that are considered to be implemented. The product development strategy is taken in accordance with the results of the analysis through the

SPACE, SWOT, BCG, IE, and Grand Strategy matrices, which states that steps are needed to diversify products by issuing new types of products. Development of new products is done by creating products that were not previously produced by the company. The first strategy was to produce high quality (premium) chili peppers in order to reach higher marketing channels, such as supermarkets or other modern markets, as well as export markets so as to increase the value added of cayenne pepper.

Table 2: Quantitative Strategic Planning Matrix (QSPM) of Cayenne Pepper Agribusiness in Banyuwangi

		Strategy Alternative				
		Weight	Improved quality of cayenne pepper products		Development of processed chili products	
			AS	TAS	AS	TAS
Opportunity						
1.	High level of demand	0.18	4	0.72	3	0.54
2.	Technology that is always developing	0.16	2	0.32	4	0.64
3.	Supporting Facilities and Infrastructure	0.12	2	0.24	2	0.24
4.	Price of cayenne pepper	0.18	3	0.54	4	0.72
5.	Lifestyle of Millennial Generation	0.14	2	0.28	3	0.42
Threats						
1.	Uncertainty in obtaining funds	0.06	2	0.12	3	0.18
2.	Weather / climate factor	0.04	2	0.08	3	0.12
3.	Erratic price fluctuations	0.06	4	0.24	4	0.24
4.	Competition with other regions	0.04	2	0.08	1	0.04
5.	Transfer function of agricultural land	0.02	3	0.06	3	0.06
		1.00				
Strength						
1.	Potential geographical conditions of natural resources	0.18	4	0.72	4	0.72
2.	Availability of fertilizers and seeds	0.12	3	0.36	-	-
3.	Availability of fertilizers and seeds	0.16	3	0.48	3	0.48
4.	Availability of labor	0.12	2	0.24	2	0.24
5.	Planted area	0.18	4	0.72	4	-
Weakness						
1.	Limited marketing channels (collectors)	0.06	4	0.24	4	0.24
2.	Disease pests	0.02	2	0.04	-	-
3.	High production costs	0.04	2	0.08	2	0.08
4.	Fertilizer dosage	0.02	2	0.04	-	-
5.	There is no standard price		4	0.4	4	0.4
Sum of Total Value of Attraction		1.00		6		5.36

The second strategy is to develop processed chili products. This is applied to overcome price fluctuations that have dropped dramatically, so that farmers' income remains stable and cayenne agribusiness in Banyuwangi Regency can be sustained. The results of the analysis on the QSPM matrix state that the development of high quality chili products has a higher Total Attractiveness Score. That is, the strategy is more attractive to be implemented by farmers.

4. Conclusions

The conclusion of this study are (1) the performance of cayenne agribusiness in Banyuwangi Regency continues to increase from year to year seen from the amount of production and the area of planting land, and (2) the strategic priority in improving the performance of cayenne agribusiness in Banyuwangi Regency is by producing high quality (premium) chili peppers and by developing processed chili products.

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