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*by* Nanda Widaninggar

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# Large Chili Agribusiness Development Strategy in Jember District

Muhammad Firdaus, Suherman, Farid Wahyudi, Ahmad Sauqi, Nanda Widaninggar

STIE Mandala Jember, East Java

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## Abstract:

The research aims to find out internal/external factors and strategies that influence the development of large chilli agribusiness. Sources of data used are primary and secondary. Analysis of the data used is the SWOT analysis and QSPM matrix. The results showed the importance of applying an aggressive strategy in the development of large chilli agribusiness. The strategy for developing red chilli agribusiness in Jember Regency is Strategy (SO) by optimizing the knowledge, abilities and experience of farmers; Availability of superior seeds, labour, water, fertile land, and facilities and infrastructure; Farmers' motivation is high and supported by local government policy through the Office of Agriculture for Food Crops and Horticulture; Optimizing the agro-climate conditions in the central regions; high need for large chilli and the ability to determine planting time. Strategy (WO), namely: Intensification of socialization, education and training (Field Schools) by the Department of Food Crops and Horticulture; The existence of socialization, education and training about the processing; about how to access financial institutions, both banks and non-banks; socialization about types of assistance/credit from the government. Strategy (ST), namely: Increasing the marketing of chillies so that they are not only marketed in the producing regions but can be marketed out of the regions; Encourage local governments through the Department of Agriculture, Food Crops and Horticulture in establishing cooperation with companies; Local governments through the Department of Agriculture, Food Crops and Horticulture assist farmers in the capital, agricultural equipment and fertilizers; Building partnerships with a bank and nonbank financial institutions. Strategy (WT), namely erratic weather, disease attacks on plants are increasing, so farmers need to estimate natural factors in producing agricultural products, to avoid losses.

**Keywords:** Strategy, Development, Agribusiness, Big Chili

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## Introduction

Horticultural commodities are divided into three groups, namely vegetables, fruits, and ornamental plants. Vegetable commodities are the commodities that play the most important role in household consumption and supporting household income for farmers (Winarso, 2003). One vegetable commodity that plays a very important role in human life is chilli. Apart

from being a producer of nutrition, chilli is also a mixture of food and medicine. In Indonesia, chilli plants have important economic value and occupy second place after beans (Rompas, 2001).

In Indonesia, there are at least three types of chilli that are most widely cultivated, namely large chilli, cayenne pepper, and hybrid chilli. Besides, there are several types of ornamental chilli. In general,

there are three classes of large chillies, namely large chilli, large curly chilli, and green chilli. Large chilli plants play an essential role in human life, namely as a source of income for farmers, as a provider of employment, and as a source of vitamins and minerals for the community.

Demand for chilli is increasing along with the increase in population and welfare of the community. However, domestic and international market demand for horticultural commodities not only comes from increasing population and income levels but also per capita consumption. Besides, along with the growing and developing the national economy, demand from the processing industry and the food industry is also higher (Amang et al., 1996). Season also influences the demand for red chilli. During the festive season or religious holiday, the need for chilli usually increases by around 10-20% of normal requirements (Pusdatin, 2016).

Taking into account the population of Indonesia, consumption of red chilli in households in 2016 to 2020 is expected to increase by an average of 0.75% per year. In 2018 the total consumption of red chilli is estimated to be 1,573kg / capita with a population of 265 million people, in 2019 (1,585 kg / capita with 268 million people), and in 2020 (1,597 kg / capita with 271 million people) (Pusdatin, 2016).

The regions which are the centres of red chilli production in Indonesia are West Java, North Sumatra, Central Java, East Java and West Sumatra. East Java is ranked 4th in Indonesia (Nurvitasari, 2017). East Java has several districts which are centres for developing large chilli. The five big chilli centres in East Java are Malang Regency, Tuban Regency, Blitar Regency, Banyuwangi Regency, and Jember Regency. The large chilli area in Jember Regency was 712 hectares (2015), 783 ha (2016) and 685 ha (2017) (BPS East Java, 2019). The area of large chilli farming fluctuates. This fluctuation shows the response of farmers to the price of large chilli.

The main problem of the horticultural crops sub-sector, especially chillies, is the presence of several key issues related to the development of chilli peppers, including: still high price fluctuations, yield gaps at the farm level which are quite large. The low application of cultivation technology can be seen from the large gap in production potential from the results of research with results obtained in the field by farmers. This is due to the understanding and mastery of the application of technology packages that are not fully understood by farmers as a whole so that the application of the technology is not optimal and the marketing network is not good, so the price of chilli is unstable and causes losses at the farm level.

The demand for chilli is relatively constant over time, while production is seasonally related. The market will be in short supply if the harvest time has not yet arrived. At a time like this, it is fortunate for farmers to produce chilli throughout the year. The pattern of red chilli production so far has been very irregular so that what should be farming is very profitable, often causing losses for farmers and consumers. Therefore, production management needs to be regulated, so that both production and price fluctuations do not occur (Alexander, 2011).

### **Methodology**

The research was carried out for almost 4 (four) months, from June to August 2019. The research was conducted involving competent speakers from 19 Subdistricts scattered in Jember Regency with the consideration that these areas were the main producers of large chilli in Jember Regency. This research uses primary data and secondary data. The sampling technique in this research is purposive sampling, namely the informant, who will provide various information needed during the research process. The informants of this study include three types (Suyanto, 2005).

The data analysis method used by the formulation of development strategies for large chilli farming in Jember Regency using

the SWOT method and the Quantitative Strategic Planning Matrix (QSPM), using three stages of the implementation of data analysis namely, The Input Stage. The matrix used at this stage is the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE), the Matching Stage (The Matching Stage) which uses an external, internal matrix (IE) which can position the company into 4 cells and consists of two dimensions, namely the total score of the IFE matrix on the X-axis and the EFE Matrix on the Y-axis. The SWOT matrix is a decision-making formulation tool to determine the strategy adopted based on logic to maximize strengths and opportunities while simultaneously minimizing company weaknesses and threats.

## RESULTS AND DISCUSSION

SWOT is an abbreviation of strength, weakness, opportunity, and threat. As the name suggests, SWOT analysis is a strategic planning technique that is useful for evaluating internal factors (strengths and weaknesses), and systematic external factors (opportunities and threats) to formulate strategies in a project, both ongoing and in new planning.

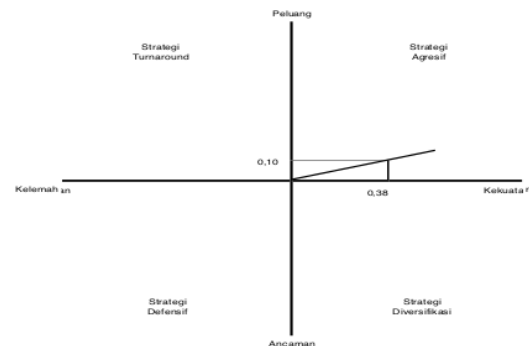
### Internal Environmental Analysis

The internal environment discusses the strengths and weaknesses of large chilli farming. Internal environmental analysis is carried out through the identification of internal factors of large chilli farming to determine the strengths and weaknesses of large chilli farming. Once identified, weighting and rating are given for each variable.

The Internal Factor Evaluation Matrix (IFE) is a tool used to evaluate the internal environment and to reveal its strengths and weaknesses. Based on the results of weighting and rating using the IFE matrix, it can be seen that the total strength score is 55% while the total weakness score is 45%. This means that large chilli farming has good

prospects. The total score shows that large chilli farming is in a fairly strong position.

To find out the strategies for developing red chili agribusiness in Jember Regency using the SWOT Analysis diagram can be seen in Figure 1.



Based on Figure 1, it is known that the strength possessed is greater than the weakness, resulting in the X-axis in the SWOT diagram. Likewise, the opportunity faced is greater than the threat so that it produces the Y-axis in the SWOT diagram with the value indicated that the difference between opportunities and threats is 0.10, while the difference between strengths and weaknesses is 0.38. So the red chili development strategy in Jember Regency is in quadrant I which supports an aggressive strategy, which illustrates the excellent situation because there is an optimization of the power used to seize favourable opportunities for the development of red chili agribusiness in Jember Regency.

### SWOT Matrix

Based on the results of the SWOT analysis, four possible alternative cell strategies were formulated, namely, Strategy (SO), Strategy (WO), Strategy (ST) and Strategy (WT). The alternative strategies are as follows:

#### SO Strategy

1. We are optimizing the knowledge, abilities and experience of farmers in producing large chili quality so that they can meet the needs and demands of consumers.

2. Production factors, namely the availability of superior seeds, labour, water, fertile land, and facilities and infrastructure capable of producing high-quality chilli and high productivity,
  3. High motivation to engage in chilli farming and is supported by local government policies through the Agriculture and Food Crops and Horticulture Office capable of sustaining the successful development of large chilli farming.
  4. They are optimizing agro-climate conditions in the central regions suitable for the development of extensive chilli farming.
  5. High need for large chilli and the ability to determine the time of planting is a guarantee of prospects for extensive chilli farming.
2. Encouraging local governments through the Department of Agriculture, Food Crops and Horticulture to assist farmers in establishing partnerships with companies/industries.
  3. The regional government through the Department of Agriculture for Food Crops and Horticulture helps farmers in obtaining financial assistance in the form of capital, agricultural machinery tools as well as seeds and fertilizers.
  4. Building partnerships with the bank and nonbank financial institutions that will support the development of large chilli farming to meet the needs of farmers in farming capital.

#### **WO Strategy**

1. There is guidance in the form of socialization, education and training (Field School) by the Department of Agriculture and Horticultural Crops and related parties so that farmers can apply large chilli cultivation techniques that are much better.
2. There is guidance in the form of socialization, education and training about processing large chilli into long-lasting processed products.
3. There is socialization on how to access financial institutions, both banks and non-banks.
4. There is socialization about the types of assistance/credit from the government.
5. Able to establish good bonds with parties that enable farmers to quickly obtain superior seeds and fertilizers, so farmers avoid the scarcity of seeds and fertilizers.

#### **ST Strategy**

1. Increasing the marketing of chilli so that it is not only marketed in producing regions but able to be marketed to outside the region/expansion of chilli sales areas.

#### **WT Strategy**

1. Erratic weather becomes an obstacle for farmers because of the poor climate conditions, the attack of diseases on plants is increasing, so farmers need to estimate natural factors in producing agricultural products, to avoid losses.

#### **Conclusion**

Based on the results of research on the chilli agribusiness development strategy in Jember Regency, a conclusion can be drawn as follows:

1. Internal Strength Factors, namely: (1) Seedlings are easily obtained, (2) Farmer's experience, (3) Labor in the family, (4) Farmer's knowledge of chilli cultivation is adequate, (5) Potential Land Available, (6) Fertility level land, (7) Farmers' ability in chilli farming, (8) Water availability, (9) Farmers' motivation is high. While the Internal Weakness Factors are (1) Farmer Education is low, (2) No / lack of knowledge about chilli processing, (3) Business capital is generally small, (4) Weak farmers' access to capital, (5) Weak farmers' market access, (6) Cultivation Technology is still simple, (7) Provision of Production Facilities, (8) Productivity is relatively low, (9) Chilli marketing is still in the form of raw materials.

2. External Opportunities, namely: (1) Agricultural guidance and counselling, (2) Production facilities (fertilizers, pesticides) are easy to obtain, (3) Needs of chilli continue to increase, (4) Facilities and infrastructure are adequate roads, (5) Technology and information development, (6) Support from the government, (7) Partnerships with traders/companies, (8) Water and Agro-climate, (9) High prospects. Whereas External Threat Factors are: (1) The existence of imported chilli and or chilli from other regions, (2) Attack of pests and diseases, (3) The price of chemical drugs is very high, (4) The weather is often not favourable, (5) Agricultural products are easily damaged, (6) Prices often fluctuate, (7) There are no guaranteed prices, (8) Game prices in marketing channels, (9) High transportation costs.
3. Strategy for developing red chili agribusiness in Jember Regency, namely: Strategy (SO), namely: (1) Optimizing the knowledge, abilities and experience of farmers in producing large quality chili peppers to meet the needs and demands of consumers, (2) Production factors, namely availability of superior seeds, labour, water, fertile land, and facilities and infrastructure capable of producing high-quality chili and high productivity, (3) High motivation to cultivate chillies and supported by local government policy through the Department of Agriculture, Food Crops and Horticulture can sustain successful development large chilli farming, (4) Optimizing agro-climate conditions in central areas suitable for the development of large chilli farming, (5) The high need for large chili and the ability to determine planting time is a guarantee of prospects for large chilli farming. Strategy (WO), namely: (1) There is coaching in the form of socialization, education and training (Field School) by the Department of Agriculture, Food Crops and Horticulture or related parties so that farmers can apply

large chilli cultivation techniques that are much better, (2) guidance in the form of socialization, education and training on processing large chilli into processed products that are durable, (3) There is socialization on how to access Financial Institutions, both Banks and non-Banks, (4) There is socialization about types of aid/credit from the government. Strategy (ST), namely: (1) Improving the marketing of chillies so that they are not only marketed in the producing regions but able to be marketed to outside the region/expansion of chilli sales areas. (2) Encouraging local governments through the Agriculture and Food Crops Horticulture Office to assist farmers in establishing partnerships with companies. (3) Local governments through the Agriculture and Food Crops and Horticulture Service assist farmers in obtaining financial assistance in the form of capital, agricultural machinery tools and seeds and fertilizers, (4) Building partnerships with a bank and nonbank financial institutions that will support the development of large chili farming for meet the needs of farmers in farming capital. Strategy (WT), which is erratic weather becomes an obstacle for farmers because of the poor climate conditions, the disease attack on plants is increasing, therefore farmers need to estimate natural factors in producing agricultural products, to avoid losses.

Suggestions that can be given with the results of this study are:

1. The government is more concerned with the needs of farmers, especially in the distribution of agricultural production facilities.
2. The government can further optimize the role of Field Extension Officers (PPL) spread in each district to enhance the development of farmers further.
3. The government encourages the establishment of agro-industries or industrial companies that process agricultural products.

4. Thorough planning of centres of leading agricultural commodities in Jember Regency.
5. Established a special financial institution for farmers in Jember Regency in obtaining capital for farming activities.
6. Hold appropriate technology for the development of red chilli.

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