

**Rural food-processing small-scale enterprises in West-Java/Indonesia:
Trader and marketing regions as initiator for the business?**

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ABSTRACT

This presentation is based on a study, which examines the employment dimensions in rural food-processing small-scale enterprises in West-Java/Indonesia. Factors, which influence the employment dimensions, will be analysed.

One possible influence factor is the marketing in small-scale enterprises, mainly organised through traders to different regions (urban and rural). Enterprises with urban marketing regions show a higher amount of profit, total employment and share of non-family employees.

KEYWORDS: small-scale enterprises, marketing region, employment

1 BACKGROUND OF THE STUDY

Developing countries, whose economy is mainly dominated by agriculture, will also have problems in the end of this millennium, namely continual rise in population and shortage of land for agricultural production. The rural population, which found up to now mainly employment in the agriculture sector, has to look for employment alternatives, because the absorption of employees in this sector is limited. The rural small-scale industry can play a key position in creating employment opportunities and by generating income alternatives for rural population (MANIG, 1985).

In most developing countries rural industry plays a considered role in the rural economy. Generally, rural economy can be distinguished by two kinds of activities: agricultural and non-agricultural activities. Agricultural activity is more concerned with farms and agriculture, while non-agricultural activity involves agricultural input, processing, service and marketing of agricultural products. Growth in the rural economy is important in creating employment and in raising labour income. Linkages with a multiplier effect between farms and non-farms play an important role in achieving expected growth in rural areas. The multiplier effect is relatively large for the agroprocessing sector and for a number of service-oriented sectors (ISLAM, 1997).

2 OBJECTIVES AND METHODOLOGY

This presentation is based on a study, which examines the different employment dimensions in rural food-processing small-scale enterprises. In an empirical way it will be shown the demographic, spatial, temporal and economic dimensions of employment in small-scale enterprises. Factors, which influence the employment situation, will be analysed.

One possible influence factor, which is presented in this poster, is the marketing in small-scale enterprises. There will be shown the differences in profit and employment capacity

between enterprises, which sell their products through traders in areas where the enterprises are located (rural region) and enterprises which sell their products through traders outside the district in urban regions.

Data and information used in this presentation are largely based on facts and research findings drawn from fieldwork activities conducted during six month in the research regions (from November 1998 to May 1999). A basic survey that preceded the main survey was carried out by interviewing 125 entrepreneur-households in seven different branches. After selection, 80 entrepreneur-households are taken into consideration for the main study.

In this presentation the result of 10 enterprises in two different branches (Dodol* and Banana Chips) will be shown. Five enterprises sell their products through traders in rural regions and the other five through trader in urban regions.

*) Taffy made of sticky rice, coconut milk and palm sugar.

3 THE RESEARCH REGIONS

Data were collected in the District Bogor, 60 km southern of the Indonesian capital town Jakarta. Dodol and Banana Chips enterprises were found in the Sub-Districts Ciawi, Caringin and Bojonggede. These Sub-Districts have a semi-rural character with an average population density of 4177 inhabitants per km². Agriculture, but also middle and big size industries are located in this areas. Infrastructure, access to markets and the public transportation system are well developed. The average distance from these Sub-Districts to the City Bogor (300.000 inhabitants) is 17 km. Busses and trains shuttle regular during the whole day in different directions, also to capital town Jakarta.

4 THE MARKETING STRUCTURE

In accordance with current common practice, marketing is defined as:

“... the business activities associated with the flow of goods and services from production to consumption.” (ANANDA, 1998)

The marketing of products begins in the enterprise, with the planning of production to meet specific demands and market prospects. It is completed with the sale of the processed products to consumer or to manufacturers in the case of input for other industries (ANANDA, 1998). However, the sale of the products is organised different. Generally, the marketing possibilities for the Dodol branch and Banana Chips branch in the research regions can be summarised as follows:

- Sale at local markets (rural regions), either by the producer themselves or through traders, and
- Sale at markets outside the region (urban regions) through traders.

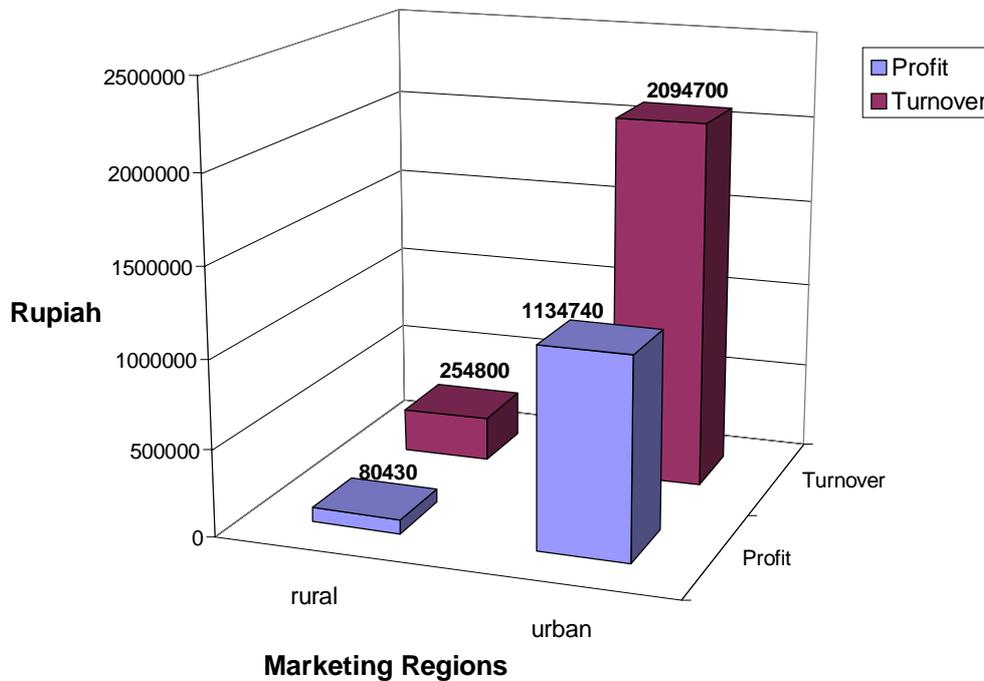
Traders mainly carry out the marketing of the products in food-processing small-scale enterprises. They purchase the food-products in the production place and sell them in different regions to different customers. But the scope for selling the products of these traders is different. A few traders have business contacts to urban areas, like Bogor City or Jakarta, while other traders have only regional limited business contacts within a radius of max. 10 km.

5 RESULTS

The average **P R O F I T** is in enterprises which sell their products through traders in urban regions 14 times higher than in enterprises which sell through traders but only in rural regions (see Fig. 1). The average profit in enterprises with an urban marketing is 1.134.740* Rupiah per week, while the average profit in enterprises with a rural marketing is only 80.430* Rupiah per week. Differences in the sales prices of the products between urban and rural regions are very low. Decisive for a higher profit is the five times higher sales volume in enterprises which sell in urban regions.

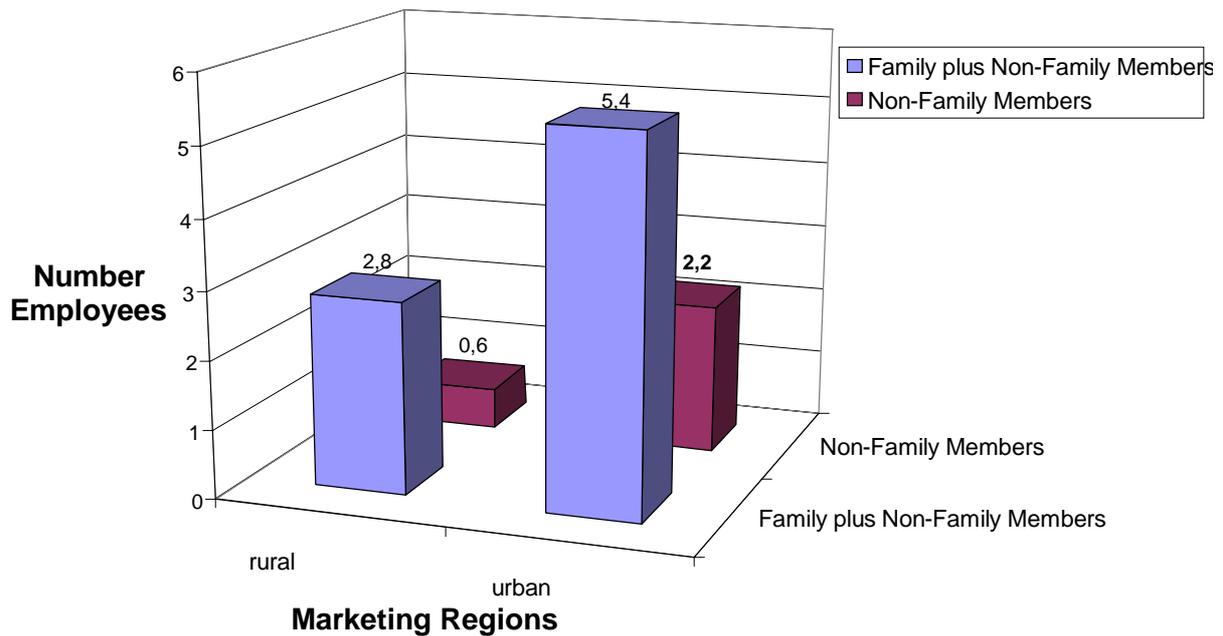
*) 8.700 Rupiah (Rp.) = 1 US\$ (March/April 1999)

Figure 1: Average turnover per week and profit per week in enterprises with urban and rural marketing regions



The average number of **E M P L O Y E E S** (family plus non-family members) are higher in enterprises which sell their products through traders in urban regions than in the other enterprises. 5,4 persons are in the average employed in enterprises which market in urban regions, while 2,8 persons are employed in enterprises with a rural marketing. Differences are also to see in the comparison of non-family-employees. In enterprises with a urban marketing through traders are in the average 2,2 non-family members employed, while in enterprises with rural marketing only 0,6 non-family members are in the average engaged (see Fig. 2).

Figure 2: Employment composition in enterprises with urban and rural marketing regions



Decisive for the level and composition of employees (family members and non-family members) is the sales volume. Enterprises with a high sales volume need in general more employees than enterprises with a lower sales volume. The composition of family members and non-family members as employees is dependent on the average family size, family age distribution and the labour intensity of the product.

6 CONCLUSION

Marketing contacts to urban regions can have positive effects for the sales volume, the profit and the employment capacity in rural food-processing enterprises. Decisive for this is the higher demand potential in urban areas and the knowledge of the traders about the market situation, customers, regional demand conditions and other competitors.

If the marketing is mainly organised by traders, is the choice of the “right” trader for the development and growth of the business and the region not to underestimate.

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