

# Strategy of Institutional Policies and Agricultural Cooperative Business Strengthening in Supporting Food Sovereignty in East Java

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## Strategy of Institutional Policies and Agricultural Cooperative Business Strengthening in Supporting Food Sovereignty in East Java

### Abstract

Aims of this study are to analyze (1) Performance and strategic issue of agricultural cooperative development in East Java; (2) Existing agricultural cooperative condition based on resource condition; (3) Model of institutional and agricultural cooperative business strengthening; and (4) Strategy of institutional strengthening policies and agricultural cooperative business in supporting food sovereignty in East Java. The study approach used is descriptive qualitative approach. Locations of study are determined by purposive method resulting Malang, Lumajang, Bojonegoro, Tulungagung, Madiun, Situbondo, Banyuwangi, and Sumenep for the locations. Data obtaining technique used is Cluster Sampling method in two steps, which is also called as sampling area. The data used are secondary and primary data. Data analysis method uses: (1) Descriptive; (2) SWOT Analysis and Balanced Scorecard; and (3) FFA Analysis. Based on the analysis, it can be concluded that (1) Performance of agricultural cooperative in East Java still has many obstacles in an effort to improve development. Strategic issue of cooperative development in East Java is actualizing cooperative as society economic support. (2) Existing condition and performance of agricultural cooperative in East Java currently that shows the number of active cooperatives in 2015 becomes as many as 27.461 units with its number of members as many as 7.621.510 members. Number of cooperatives that holds Annual Members Meeting (RAT) actively is as many as 11.288 cooperatives. Business Volume of cooperatives in East Java is as much as Rp. 113.979.364.348 and total Cooperative Surplus is as much as Rp. 98.642.457.787. Number of managers and employees of cooperative in East Java is 7.846 managers and 149.047 employees. Agricultural cooperatives performances in East Java are reflected in the position of institutional which are strong and have opportunity to be developed as food sovereignty support. (3) Model of Institutional Strengthening and Agricultural Cooperative Business in supporting Food Sovereignty in East Java need agricultural cooperative development model frame as an institution that can be the nation partner in driving development to reach society welfare. (4) Strategy of Institutional Policies and Agricultural Cooperative Business Strengthening in Supporting Food Sovereignty in East Java is focused on aspects of Human Resources, Institutional and Empowerment, facilities and infrastructures, and also financing.

Key word : *agricultural cooperative, model of institutional and agricultural cooperative*

### PREFACE

Cooperative, as one of economic development foundation of Indonesia, needs to be improved systematically and continuously. One of effort to improve the role of agricultural cooperative is by strengthening its market competitiveness. Agricultural cooperative is identical with *Koperasi Unit Desa* (KUD/Village Unit Cooperative). East Java has become the most existed province in maintaining KUD operational as a rural economy machine that is still reliable and tested compared with other provinces in Indonesia where most of their KUD is torpor. Secondary cooperative supporting KUD performance is *Pusat Koperasi Unit Desa*

(*Puskud*/Central of Village Unit Cooperative). Of 702 KUD listed in East Java, only around 40% or as many as 280 KUD that still can survive, rest of them is passive. To continue KUD performance tradition, *Puskud* of East Java conducts various breakthrough efforts, among of them is by establishing business energy with KUD through *Unit Simpan Pinjam* (USP/savings and loans unit) development and also making an integrated Payment Point Online Bank (PPOB) service. Because of the struggle and synergy among administrators, a number of torpor KUD can even be successfully saved. At present, total of *Puskud* nurtured KUD reaches 680 units or around 96% of KUDs are back to active. Only 22 or 4% of KUD that is not active. From the above condition, it is needed to find out about (1) Performance and issue of agricultural cooperative development strategic in East Java; (2) Existing condition and performance of agricultural cooperative in East Java based on resources condition; (3) Model of institutional and agricultural cooperative business strengthening in supporting food sovereignty in East Java; and (4) Recommendation of institutional policies and agricultural cooperative business strengthening in supporting food sovereignty in East Java.

## **RESEARCH METHOD**

The research approach used is descriptive qualitative. Locations of research are determined by purposive method resulting Malang, Lumajang, Bojonegoro, Tulungagung, Madiun, Situbondo, Banyuwangi, and Sumenep as the locations. Data obtaining technique used is Cluster Sampling method in two steps, which is also called as sampling area. The data used are secondary and primary data. Data analysis method uses: (1) Descriptive; (2) SWOT Analysis and Balanced Scorecard; and (3) FFA Analysis.

## **RESULT AND STUDY**

### **1. Strategic Issue of Agricultural Cooperative Development in East Java**

A Success of an organization is influenced by a right organizational structure, a clear authority and responsibility distribution and participants or actors taking part in the organization. Responsibility of their assignment or responsibility can be related to the discipline level of the organization participants. Agricultural cooperative challenge in large quantity aspect of cooperative is not supported with adequate development of the cooperative performance quality. The existence of this problem causes the performance of cooperative it self is still lagging behind.

The lag of cooperative performance is caused by the less ability of cooperative in sectors of management, technology mastering, and marketing, and also the low of cooperative competency. The low of institutional quality and cooperative management organization will cause the cooperative performance less optimal. In a cooperative, it needs some business activities that lead to dependability between cooperative business and its members. Beside that, the performance level is related with the cooperative poor ability and bargaining position to manage and access to various productive resources including resources of capital, information, technology, market, and production factor.

Other problem faced by cooperative is the development of business climate which is still less supporting caused by uncertainty and unclearness of permission procedure causing transaction fee enlarge, longer permission process, and the exist of many illegal levies; unfair business process and competition; lack of coordination between institutions in empowering cooperative; and the appearance of obstructing local rules including the existence of new levies to cooperatives as the original income source of the district. Mastering of technology, management, information, and market in cooperative activity is still inadequate. To meet the

needs, cooperative needs a relatively high cost, moreover if it is managed by the cooperative itself. The availability of government institution and private company providing service in that field are also very limited and unwell distributed in all area. Beside that, the limited access of productive resources in handling its capacity improvement is also happened in cooperative activity. The limited access is the lack of collateral availability if cooperative get loan/financing capital from either bank or other financial institution.

## 2. Performance of Cooperative and Agricultural Cooperative Development in East Java

On cooperative performance achievement, there are some indicators of cooperatives performance in East Java based on their aim and target, among of them are:

a) *On active cooperative percentage improvement, if it is counted from numbers of active cooperative.*

Development of active cooperatives percentage is counted from active cooperatives and cooperatives that mandatory hold Annual Members Meeting (RAT) in East Java. Here are the target realizations of society participation improvement in cooperatives.

**Table 1. Target Realizations of Society Participation Improvements in Cooperatives in East Java**

Performance Indicators	Realizations				
	2011	2012	2013	2014	2015
Number of Members (Persons)	7.021.337	7.216.684	7.248.543	7.522.356	7.621.510
Number of active cooperatives (Units)	25.149	25.449	27.031	27.156	27.461
Number of inactive cooperatives (Units)	3.996	3.710	3.710	3.710	3.710
<b>Total of Cooperatives</b>	<b>29.145</b>	<b>29.159</b>	<b>30.741</b>	<b>30.866</b>	<b>31.171</b>

*Source: Cooperative Performance Report in the forth quarter in 2015*

b) *Improving quality of savings and loan cooperatives.*

This target aims to realize healthy Loan and Saving Cooperatives.

**Table 2. Number of cooperatives that Hold Annual Member Meeting (RAT) Actively in East Java**

Performance Indicators	Realizations				
	2011	2012	2013	2014	2015
Number of RAT cooperatives (cooperatives)	14.089	15.306	16.924	22.788	11.288

*Source: Cooperative Performance Report in the forth quarter in 2015*

c) *Target in improving cooperatives performance.*

This target aims to realize cooperative performance improvement in East Java. In this target, we can measure through cooperative volume turn over and improvement of cooperative surplus (SHU).

**Table 3. Realizations of Cooperatives' Business Volume and Cooperative Surplus (SHU) in East Java**

Performance Indicators	Realizations (Billion Rupiah)				
	2011	2012	2013	2014	2015
Business Volume (Rp)	26.290.748.167	28.521.817.015	28.831.817.200	34.890.780.679	113.979.364.348
Total Asset (Rp)	19.620.744.558	23.369.945.310	30.044.109.485	33.101.481.193	54.739.465.069
SHU (Rp)	2.114.755.143	2.583.377.417	3.347.104.705	4.457.066.560	98.642.457.787

*Source: Cooperative Performance Report in the forth quarter in 2015*

*d) Target in improving cooperatives human resources competency*

Indicators used are number of managers and employees that are still active in cooperatives

**Table 4. Number of Active Cooperative Managers and Employees in East Java in 2011 - 2015**

Performance Indicators	Numbers				
	2011	2012	2013	2014	2015
Managers (Person)	6.070	6.664	6.835	6.903	7.846
Employees (Person)	69.360	70.950	71.299	148.410	149.047

*Source: Cooperative Performance Report in the forth quarter in 2015*

**3. Existing Condition and Performance of Agricultural Cooperative in East Java Based on The Resources Condition**

To find out the existing condition and Performance of Agricultural Cooperative in East java based on the resources condition is conducted through SWOT analysis that can thoroughly reflect the condition of Agricultural Cooperatives in East Java, while each sample can be seen in the next chapter. Indicators used are: human resources aspect, natural resources aspect, organization aspect, managerial aspect, facilities and infrastructure aspect, business capital aspect, institution aspect, and government policies aspect. Result of SWOT analysis to the Strength, Weakness, Opportunity, and Threat of Agricultural Cooperative development in Malang, Lumajang, Banyuwangi, Situbondo, Sumenep, Tulungagung, Madiun, and Bojonegoro is on position of mature and has a chance to be developed, although it has different solutions for each Agricultural Cooperatives.

**a. Malang Regency**

Based on *Internal Factor Analysis Summary* (IFAS), Development of Padita Tumpang Farmer Cooperative in Malang Regency for Strength factor has the highest score on 'The existence of manager motivation in developing cooperative' factor with the score of 0,32. For Weakness factor, it has the highest score on 'The limited conception about cooperative' factor with the score of 0,32. While based on *External Factor Analysis Summary* (EFAS) Development of Padita Tumpang Farmer Cooperative in Malang Regency for Opportunity factor has the highest score on 'The existence of Annual Members Meeting (RAT) report' factor with the score of 0,32. For Threat factor, it has the highest score on 'The dependence of cooperative activity to government' factor with the score of 0,28. Based on Strength, Weakness, Opportunity, and Threat of Development of

Padita Tumpang Farmer Cooperative, the strategy alternative is determined, which is the management must be focused on cooperative development implementation based on plan in Annual Members Meeting (RAT) so that all components stay motivated. The impact is that the cooperative becomes institution that can facilitate its members to maximize all available potential resources.

Finance performance owned by Padita Tumpang Farmer Cooperative shows a pretty good condition because of the ratio analysis result consists of liquidity ratio, solvability ratio, profitability ratio, and business activity. Development of finance performance from ratio side altogether in 2014 – 2015 can be seen in the following table:

**Table 5. Liquidity Ratio, Solvability Ratio, and Profitability Ratio in 2014-2015 of Padita Tumpang Farmer Cooperative in Malang Regency**

Year	Ratio	Score (Real/Standart) x Weight (%)		Conclusion
2014	Liquidity	$(1075,8/125) \times 30$	= 258,19	Healthy
	Solvability	$(0,89/110) \times 30$	= 0,24	
	Profitability	$(0,10/10) \times 40$	= 0,40	
	<b>Total</b>		= <b>258,83</b>	
2015	Liquidity	$(1075,8/125) \times 30$	= 258,19	Healthy
	Solvability	$(0,90/110) \times 30$	= 0,24	
	Profitability	$(0,11/10) \times 40$	= 0,44	
	<b>Total</b>		= <b>258,87</b>	

*Data Source : Balance Sheet Report of Farmer Cooperative Padita Tumpang in Malang Regency 2014-2015 (Processed)*

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from table 5 that Padita Tumpang Farmer Cooperative has weighted score as much as 258,83% in 2014 and 258,87 % in 2015, so that it can be concluded that Padita Tumpang Farmer Cooperative in 2014 and 2015 was considered as independent cooperative because it has reached the determined standard, so that it still doesn't need coaching from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching) but it still needs supervising so that financial performance of cooperative will always be in healthy condition.

#### **b. Lumajang Regency**

Based on *Internal Factor Analysis Summary* (IFAS) Development of KUD Sri Tanjung in Lumajang for Strength factor has the highest score in 'Cooperative regularly holds RAT' factor with the score of 0,32. For Weakness factor, it has the highest score on 'Business partnership hasn't developed yet' factor with the score of 0,18. While based on *External Factor Analysis Summary* (EFAS) Development of KUD Sri Tanjung in Lumajang for Opportunity factor has the highest score in 'Increasing and various members need' factor with the score of 0,32. For Challenge/Threat factor, the highest score is in 'Competition with other business entity' factor with the score of 0,28. Based on Strength, Weakness, Opportunity, and Threat of KUD Sri Tanjung Lumajang, the strategy alternative determined is that the cooperative is focused on developing collectivity so that its members will be able to deliver innovation based on the needs in form of Annual Members Meeting (RAT) report. The impact is the increasing of activity performance of members in cooperative. Development of finance performance from ratio side altogether in 2014 – 2015 can be seen in the following table:

**Table 6. Liquidity Ratio, Solvability Ratio and Profitability Ratio in 2014-2015 of KUD Sri Tanjung in Lumajang Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)		Conclusion
2014	Liquidity	$(110,07/125) \times 30$	= 26,41	Unhealthy
	Solvability	$(66,78/110) \times 30$	= 18,21	
	Profitability	$(0,03/10) \times 40$	= 0,11	
	<b>Total</b>		<b>= 44,73</b>	
2015	Liquidity	$(113,08/125) \times 30$	= 27,14	Unhealthy
	Solvability	$(29,38/110) \times 30$	= 8,01	
	Profitability	$(0,01/10) \times 40$	= 0,03	
	<b>Total</b>		<b>= 35,18</b>	

Data Source : Balance Sheet Report of KUD Sri Tanjung in Malang Regency 2014-2015 (Processed)

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from table 6 that KUD Sri Tanjung has weighted score as much as 44,73% in 2014 and 35,18 % in 2015, so that it can be concluded that KUD Sri Tanjung in 2014 and 2015 was considered as a cooperative that hadn't been independent because it hadn't been able to reach the determined standard, so that it still needs coaching from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching).

### c. Banyuwangi Regency

Based on *Internal Factor Analysis Summary* (IFAS) Development of Jaya Makmur Farmer Group Cooperative in Banyuwangi for Strength factor has the highest score in 'Business service that is still related with agriculture' factor with the score of 0,32. For Weakness factor, it has the highest score on 'Business partnership hasn't developed yet' factor with the score of 0,32. While based on *External Factor Analysis Summary* (EFAS) Development of Jaya Makmur Farmer Group Cooperative in Banyuwangi for Opportunity factor has the highest score in 'the increase of food demand' factor with the score of 0,32. For Challenge/Threat factor, the highest score is in 'Consumer demand to food quality' factor with the score of 0,32. Based on Strength, Weakness, Opportunity, and Threat of Jaya Makmur Farmer Group Cooperative in Banyuwangi, the strategy alternative determined is that the cooperative is focused on making economic partnership with private side operating in local level. The impact is that cooperative members will have financial benefit that guarantees their prosperity.

**Table 7. Liquidity Ratio, Solvability Ratio and Profitability Ratio in 2014-2015 of Jaya Makmur Farmer Group Cooperative in Banyuwangi Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)		Conclusion
2014	Liquidity	$(91,29/125) \times 30$	= 21,9	Unhealthy
	Solvability	$(79,41/110) \times 30$	= 21,65	
	Profitability	$(1,69/10) \times 40$	= 6,76	
	<b>Jumlah</b>		<b>= 50,31</b>	
2015	Liquidity	$(100,69/125) \times 30$	= 24,14	Unhealthy
	Solvability	$(69,55/110) \times 30$	= 18,96	
	Profitability	$(1,06/10) \times 40$	= 4,24	
	<b>Jumlah</b>		<b>= 47,34</b>	

Data Source : Balance Sheet Report of Jaya Makmur Farmer Group Cooperative 2014-2015 (Processed)



In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from table 7 that Jaya Makmur Farmer Group has weighted score as much as 50,31% in 2014 and 47,34 % in 2015, so that it can be concluded that Jaya Makmur Farmer Group in 2014 and 2015 was considered as a cooperative that hadn't been independent because it hadn't been able to reach the determined standard, so that it still needs coaching from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching).

#### d. Situbondo Regency

Based on *Internal Factor Analysis Summary* (IFAS) Development of Serba Usaha Karya Tani Cooperative in Situbondo for Strength factor has the highest score in 'The existence of manager motivation in developing cooperative' factor with the score of 0,32. For Weakness factor, it has the highest score on 'Not all members understand Articles of Association' factor with the score of 0,32. While based on *External Factor Analysis Summary* (EFAS) Development of Serba Usaha Karya Tani Cooperative in Situbondo for Opportunity factor has the highest score in 'the growth of the formal financial institution' factor with the score of 0,28. For Challenge/Threat factor, the highest score is in 'Society hasn't been used to be in formal organization' factor with the score of 0,32. Based on Strength, Weakness, Opportunity, and Threat of Serba Usaha Karya Tani Cooperative in Situbondo, the strategy alternative determined is that the cooperative is focused on making capital strengthening cooperation with Formal Financial Institution. The impact is that the business unit growing up supported by adequate capital.

**Table 8. Liquidity Ratio, Solvability Ratio and Profitability Ratio in 2014-2015 of Koperasi Serba Usaha Karya Tani in Situbondo Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)		Conclusion
2014	Liquidity	(215,55/125)x 30	= 51,73	Healthy
	Solvability	(21,43/110) x 30	= 5,84	
	Profitability	(11,44/10)x 40	= 45,76	
	<b>Total</b>		<b>= 103,33</b>	
2015	Liquidity	(252,76/125)x30	= 60,66	Healthy
	Solvability	(22,03/110) x 30	= 6,01	
	Profitability	(12,46/10) x 40	= 49,84	
	<b>Total</b>		<b>= 116,51</b>	

Data Source : Balance Sheet Report of Serba Usaha Karya Tani Cooperative 2014-2015 (Processed)

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from the table 8 that Serba Usaha Karya Tani Cooperative has weighted score as much as 103,33 % in 2014 and 116,51 % in 2015, so that it can be concluded that Serba Usaha Karya Tani Cooperative in 2014 and 2015 was considered as independent cooperative because it had reached the determined standard.



#### e. Sumenep Regency

Based on *Internal Factor Analysis Summary* (IFAS) Development of KUD Mekar in Sumenep for Strength factor has the highest score in 'The existence of manager motivation in developing cooperative' factor with the score of 0,32. For Weakness factor, it has the highest score on 'Limited service because of limited facilities and infrastructure' factor with the score of 0,32. While based on *External Factor Analysis Summary* (EFAS) Development of KUD Mekar in Sumenep for Opportunity factor has the highest score in 'the availability of information resource related with cooperatives' factor with the score of 0,32. For Challenge/Threat factor, the highest score is in 'Society hasn't been used to be in formal organization' factor with the score of 0,28. Based on Strength, Weakness, Opportunity, and Threat of KUD Mekar in Sumenep, the strategy alternative determined is that the cooperative, through its administrators, must be focused on socializing and implementing cooperate values to all members. The impact is that it will strengthen economic interest and member's commitment joining cooperative organization.

**Table 9. Liquidity Ratio, Solvability Ratio and Profitability Ratio in 2014 - 2015 of KUD Mekar Kabupaten Sumenep Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)	Conclusion
2014	Liquidity	$(115,57/125) \times 30 = 27,74$	Unhealthy
	Solvability	$(1,86/110) \times 30 = 0,51$	
	Profitability	$(10,3/10) \times 40 = 41,2$	
	<b>Total</b>	<b>= 69,45</b>	
2015	Liquidity	$(110,06/125) \times 30 = 26,41$	Unhealthy
	Solvability	$(2,46/110) \times 30 = 0,67$	
	Profitability	$(11,4/10) \times 40 = 45,6$	
	<b>Total</b>	<b>= 72,68</b>	

Data Source : Balance Sheet Report of KUD Mekar Kabupaten Sumenep 2014-2015 (Processed)

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from table 9 that KUD Mekar has weighted score as much as 69,45% in 2014 and 72,68% in 2015, but that score hasn't fulfilled the determined standard. So that it can be concluded that KUD Mekar in 2014 and 2015 was considered as a cooperative that hadn't been independent because it hadn't been able to reach the determined standard, so that it still needs coaching from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching).

#### f. Tulungagung Regency

Based on *Internal Factor Analysis Summary* (IFAS) Development of Gapoktan Harapan Makmur Cooperative in Tulungagung for Strength factor has the highest score in 'Cooperative regularly holds RAT' factor with the score of 0,32. For Weakness factor, it has the highest score on 'Manager's limited entrepreneurial spirit' factor with the score of 0,21. While based on *External Factor Analysis Summary* (EFAS) Development of Gapoktan Harapan Makmur Cooperative in Tulungagung for Opportunity factor has the highest score in 'Increasing food demand' factor with the score of 0,32. For Challenge/Threat factor, the highest score is in 'Risky agricultural business' factor with the score of 0,28. Based on Strength, Weakness, Opportunity, and Threat of Gapoktan Harapan Makmur Cooperative in Tulungagung, the strategy alternative

determined is that the cooperative must be focused on making economic cooperation with Badan Urusan Logistik (BULOG) through an MoU. The impact is that the cooperative will be an economic institution that is able to support the increase of food production as well as prosper its members.

**Table 10. Liquidity Ratio, Solvability Ratio and Profitability Ratio in 2014-2015 of Gapoktan Harapan Makmur Cooperative in Tulungagung Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)		Conclusion
2014	Liquidity	(1362,91/125) x 30	= 327,09	Healthy
	Solvability	(5,51/110) x 30	= 1,5	
	Profitability	(1,41/10) x 40	= 5,64	
	<b>Total</b>		<b>= 334,23</b>	
2015	Liquidity	(951,6/125) x 30	= 228,38	Healthy
	Solvability	(7,91/110) x 30	= 2,15	
	Profitability	(1,02/10) x 40	= 4,08	
	<b>Total</b>		<b>= 234,61</b>	

*Data Source : Balance Sheet Report of Gapoktan Harapan Makmur Cooperative in Tulungagung Regency 2014-2015 (Processed)*

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from the table 10 that Gapoktan Harapan Makmur Cooperative has weighted score as much as 334,23 % in 2014 and 234,61 % in 2015, so that it can be concluded that Gapoktan Harapan Makmur Cooperative in 2014 and 2015 was considered as independent cooperative because it has reached the determined standard

#### **g. Madiun Regency**

Based on *Internal Factor Analysis Summary* (IFAS) Development of KUD Sri Mulyo in Madiun for Strength factor has the highest score in 'Business service that is still related with agriculture' factor with the score of 0,32. For Weakness factor, it has the highest score on 'Limited access of farmer to resources' factor with the score of 0,28. While based on *External Factor Analysis Summary* (EFAS) Development of Development of KUD Sri Mulyo in Madiun for Opportunity factor has the highest score in 'The existence of RAT report' factor with the score of 0,32. For Challenge/Threat factor, the highest score is in 'Society traumatic to the existence of cooperative' factor with the score of 0,32. Based on Strength, Weakness, Opportunity, and Threat of KUD Sri Mulyo in Madiun, the strategy alternative determined is that the cooperative, based on its business unit, must be focused on facilitating its members to maximize their potential in agribusiness chain. The impact is that the members joining cooperative will be more creative and increase cooperative performance. Result of complete counting of financial Ratio of KUD Sri Mulyo is based on standard from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching) in 2014 – 2015 which can be seen in table below.

**Table 17. Liquidity Ratio, Solvability Ratio and Profitability Ratio in 2014-2015 of KUD Sri Mulyo in Madiun Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)		Conclusion
2014	Liquidity	$(169,82/125) \times 30$	= 40,75	<b>Healthy</b>
	Solvability	$(42,37/110) \times 30$	= 11,55	
	Profitability	$(10,26/10) \times 40$	= 41,04	
	<b>Total</b>		= <b>93,34</b>	
2015	Liquidity	$(160,54/125) \times 30$	= 38,52	<b>Healthy</b>
	Solvability	$(44,44/110) \times 30$	= 12,12	
	Profitability	$(11,02/10) \times 40$	= 44,08	
	<b>Total</b>		= <b>94,72</b>	

Data Source : Balance Sheet Report of KUD Sri Mulyo in Madiun Regency 2014-2015 (Processed)

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from the above table that KUD Sri Mulyo has weighted score as much as 93,34 % in 2014 and 94,72 % in 2015, so that it can be concluded that KUD Sri Mulyo in 2014 and 2015 was considered as independent cooperative because it had reached the determined standard so that it still doesn't need coaching from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching).

#### **h. Bojonegoro Regency**

Based on *Internal Factor Analysis Summary* (IFAS) Development of LKM-A Karya Tirta Cooperative in Bojonegoro for Strength factor has the highest score in 'The existence of manager's motivation in developing cooperative' factor with the score of 0,24. For Weakness factor, it has the highest score on 'Business in savings and loan hasn't been optimized in providing food' factor with the score of 0,18. While based on *External Factor Analysis Summary* (EFAS) Development of Development of LKM-A Karya Tirta Cooperative in Bojonegoro for Opportunity factor has the highest score in 'Members need are increasing and various' factor with the score of 0,24. For Challenge/Threat factor, the highest score is in 'Risky agricultural business' factor with the score of 0,24. Based on Strength, Weakness, Opportunity, and Threat of LKM-A Karya Tirta Cooperative in Bojonegoro, the strategy alternative determined is that the cooperative must be focused on improvement the same type of business through clustering process supported by cooperation of various stakeholders. The impact is that the cooperative service meets the real needs of its members. Result of complete counting of financial Ratio of LKM-A Karya Tirta Cooperative is based on standard from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching) in 2014 - 2015 which can be seen in table below.

**Table 18. Liquidity Ratio, Solvability Ratio and Profitability Ratio Pada in 2014 – 2015 of LKM-A Karya Tirta Cooperative in Bojonegoro Regency**

Year	Ratio	Score (Real/Standard) x Weight (%)		Conclusion
2014	Liquidity	(1679,2/125)x30	= 403,01	Healthy
	Solvability	(0,05/110) x 30	= 0,01	
	Profitability	(0,15/10) x 40	= 0,6	
	<b>Total</b>		<b>= 403,62</b>	
2015	Liquidity	(1489,3/125)x30	= 357,43	Healthy
	Solvability	(0,06/110) x 30	= 0,01	
	Profitability	(0,14/10) x 40	= 0,56	
	<b>Total</b>		<b>= 358,00</b>	

*Data Source : Balance Sheet Report of LKM-A Karya Tirta Cooperative in Bojonegoro Regency 2014-2015 (Processed)*

In standard of independent urban cooperatives, the minimal weighted value of financial ratio that must be reached is 75 % so that it can be considered as a cooperative that has a healthy financial. We can see from the above table that LKM-A Karya Tirta Cooperative has weighted score as much as 403,62 % in 2014 and 358 % in 2015, so that it can be concluded that KUD Sri Mulyo in 2014 and 2015 was considered as independent cooperative because it had reached the determined standard so that it still doesn't need coaching from Departemen Koperasi dan Pembinaan Pengusaha Kecil (Department of Cooperatives and Small Business Coaching).

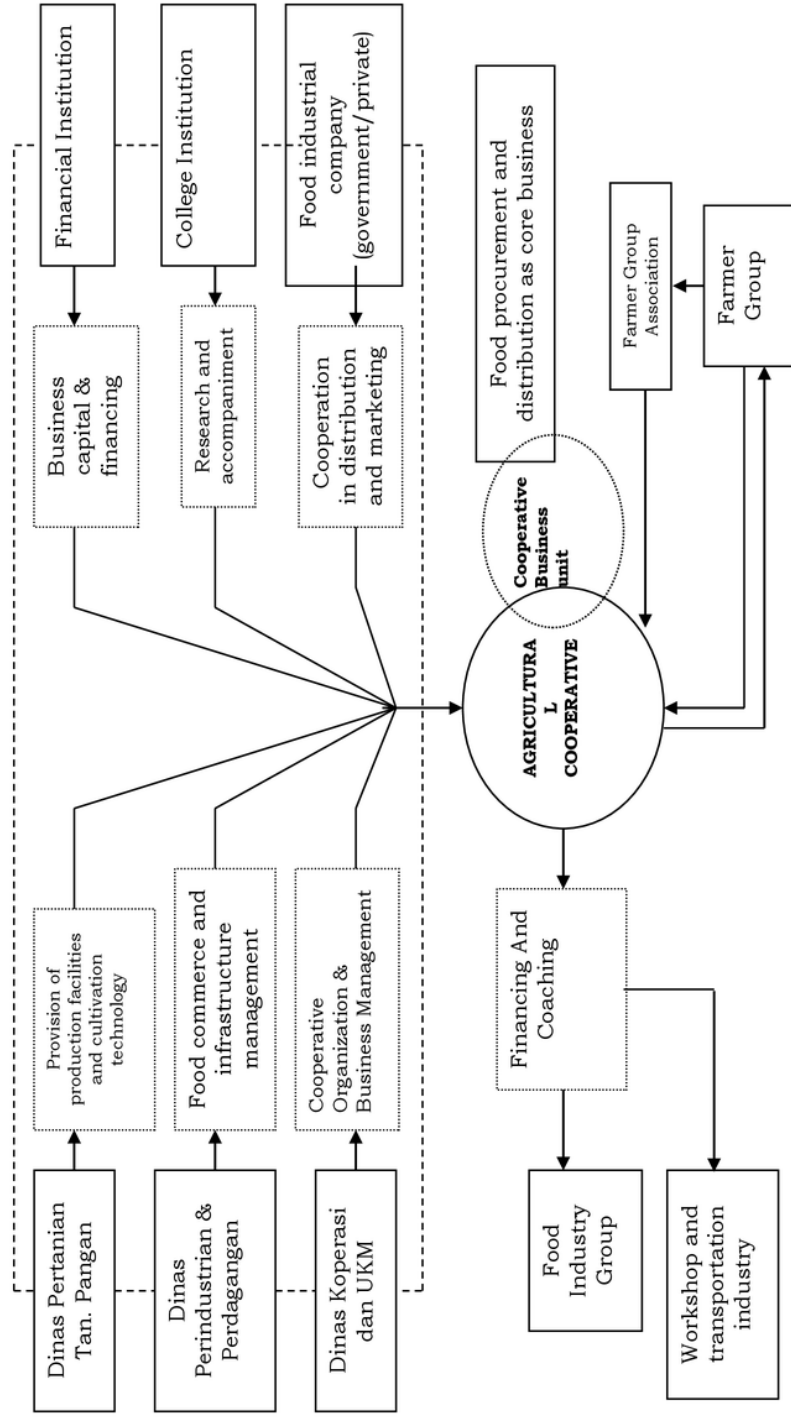
#### **4. Model of Institutional Strengthening and Agricultural Cooperative Business in Supporting Food Sovereignty in East Java**

To find out the appropriate applied strategy in the activity, FFA (Force Field Analysis) analysis is used. Based on FFA result about scoring of pushing and obstacle factors like in pushing factor evaluation table and obstacle factor evaluation table, it can be known the score of *Total Nilai Bobot (TNB/Weight Score Total)* from each factor. Based on the TNB score, *Faktor Kunci Keberhasilan (FKK/Succeed Key Factor)* can be determined for Developing Institution and Agricultural Cooperative Business in Supporting Food Sovereignty in East Java by looking at the biggest TNB score. Here, FKK is divided into two, which are Pushing FKK and Obstacle FKK.

Pushing FKK, which is a factor where Cooperative become institution that has close relation with government either central or local, has urgent score as much as 1,04. It means that agricultural cooperative is pushed to grow becoming strong economic institution and becoming main coordinating institution for business ability coaching of weak economic group. The role and contribution of government are only in capacity of helping and pushing its growth, so that cooperative coaching and development needs to be based on the nature of cooperative as society business that grow from basic. Obstacle FKK, which is a factor where business partnership between agricultural cooperative with other business doers hasn't been well made, has urgent score as much as 0,81. It means that ideally cooperative with a good management must make cooperation in form of working partner with financial institution and company, but the fact, the condition is still far from expectation because of various limitations, from either internal management or government support as the policy maker.

This strategy arrangement must pay attention to conformity of key pushing optimization direction to improvement direction of obstacle key. It means if key pushing and key obstacle chosen are more than one, then the strategy arrangement

must pay attention to each mixed conformity factors to go toward the reached destination. Based on pushing FKK and obstacle FKK chosen, then the strategy can be determined. Cooperative Institutional and Business in Supporting Food Sovereignty in East Java which needs model frame of agricultural cooperative development as an institution that can be nation's partner in moving development to reach society prosperity. Here are the Model of Agricultural Cooperative Institutional and Business Strengthening in Supporting Food Sovereignty in East Java.



**Figure 1. Model Design of Agricultural Cooperative Institution and Business Strengthening in Supporting Food Sovereignty in East Java**

## **5. Strategy of Institutional and Agricultural Cooperative Business Strengthening in Supporting Food Sovereignty in East Java**

Application Strategy, needing to be conducted in institutional and agricultural cooperative business strengthening in supporting food sovereignty in East Java, is explained in form of policies and work programs. Basically, policies are conditions established by authorized party to be made as guidelines, specialty, or direction in developing or applying programs / activities in order to reach smoothness and alignment in manifesting target, aim, vision, and mission of government institution. Program is a group of systematic and integrated activities in order to get result conducted by one or some government institution or in order to cooperate with society to reach certain target.

Benefits of strategic planning for institution in agricultural cooperative business strengthening in supporting food sovereignty in East Java are :

1. Useful for planning changing in complex dynamic environment. Strategic planning is proactive, so that public organization is suggested to be proactive in searching and doing changing, not behaving reactive in situation.
2. Useful in managing for result. Strategic planning is a diagnosis process, objective setting, and strategy building that become important part of management with result oriented. Strategic planning is based on the careful consideration of a capacity and organization environment which direct to significant resource allocation.
3. Strategic planning is an important managerial tool. Public sector expected to focus its attention on achievement and improvement of outcomes every year. In other words, results reached are focused on operational efficiency and effectiveness. Strategic planning enables public sector to develop a system which facilitate continuous improvement in all level in organization management.
4. Strategic planning is oriented to the future. Strategic planning involves a discipline business to help, form, and coach to what is expected by management, what should be conducted, and why it should be conducted. Strategic planning needs macro scale information collecting, an exploration of alternatives and is a basic for future implication from today's decisions.
5. Strategic planning is adaptable even if it is done in long term, regular reviews and updates to determine progress and validity repeated value of the plan based on strategic issues which is not enough in internal or external scoring will make strategic planning become flexible and adaptable. Therefore, plan can be updated to make adjustments needed to response the changing environment and make use of profitable opportunity or chance. Strategic planning establishes targets for performance, facilitates ways to examine progress, and gives guide or directions for operational plans and budget on going.
6. Strategic planning is important to support work partners and stakeholders. Strategic planning establishes things that can be conducted by organization to fulfill work partners and stakeholders expectation. Government institution must acknowledge that they have stakeholder work partner which require behavior changing supported by strategic planning where customer need identification become basic thing.
7. Strategic planning promotes communication. Strategic planning makes communication and participation easy, accommodates different willingness and values, helps to make decision making becomes in order, and guarantees succeed of implementation of goals and objectives.



Prosperity of food crop farmers which are relatively low and decreasing will highly determine the future of food sovereignty. Prosperity is determined by various factors and limitations, which are: (1) generally, farmers are trapped in poor condition because they don't have productive factors but working power; (2) limitation in owning land and pressure to act conversion; (3) weak of business capital access, so that they are unable to provide agricultural production facilities; (5) agricultural and non agricultural infrastructure, especially in village area, is relatively limited so that it obstructs business development; and (6) market structure that weakens farmers position in bargaining position as a result of the weakness of farmers institutional. Therefore, it is important to have a balance economic growth with distribution of development result, so that it is needed to do revitalization and cooperative strengthening as farmer economic institutional in increasing food production and farmer's prosperity.

Various strategic designs resulted from this research need support from central, province, and regency government as well. Here are some policies of agricultural cooperative institutional and business strengthening in supporting food sovereignty:

**A. Human Resources Policies, involves**

1. Human resources serving as cooperative administrators must have ever attended Cooperative Education and Training and Entrepreneurship held by government;
2. Human resources from government institution serving as consultant, accompaniment, and executive of monitoring and evaluation in agricultural cooperation with food sovereignty based must have some main qualifications, which are (a) understanding cooperative matters either theoretically or practically; (b) able to communicate effectively based on society local social and culture; (c) having adequate facility support; and (d) attending education and training regularly in order to meet dynamic cooperative need and interest.

**B. Institutional and Empowering Policies, involves**

1. Forming agricultural cooperative based on food sovereignty must be mapped and focused on classifications which are clearly suitable with resources potential and building economic cooperation each other oriented to financial profit to increase member's prosperity. Classifications forms are (a) cooperative focuses on input (raw material) and warehousing; (b) cooperative focuses on processing or agro industry; and (c) cooperative focuses on marketing activity;
2. Government as facilitator and mediator gives freedom to private party or company in building economic cooperation partnership with agricultural cooperative based on food sovereignty. Partnership will be effective and productive if the partner is able to self position as catalyst without intervention in decision making of agricultural cooperative food sovereignty based;
3. The existence of agricultural cooperative food sovereignty based is not only resulting financial profit, but also being pushed as coordinating institution of information provider and giver needed by its members to strengthen its profession as well as to give a better living continuously; and
4. Accompaniment and consultation by government to agricultural cooperative food sovereignty based are focused on egaliter humanistic approach. It is important to be conducted so that there will be interaction of learning each other, respecting each other, and taking right decision toward independent organization.

### **C. Facilities and Infrastructure Policies, involve**

1. Provision of facilities and infrastructure supporting development of agricultural cooperative food sovereignty based must be based on classification and need or interest of business unit development; and
2. Provision of facilities and infrastructure supporting development of agricultural cooperative food sovereignty based is categorized as donation and non donation based on cooperative financial ability.

### **D. Financing policies, involve**

1. Government pushes formal financial institution to make cooperation with cooperative food sovereignty based in capital strengthening through special program; and
2. Government facilitates and obligates cooperative food sovereignty based to have management information system technology based so that it can be accessed openly by members. It is a form of administration and moral responsibility to either members or government or other institutions related with fund spent.

### **Conclusion**

1. Performance of agricultural cooperative in East Java still has various obstacles in effort of increasing development. Obstacles faced are 1) less understand about cooperative management, 2) weak to technology mastering, 3) weak in agricultural product marketing, 4) weak in competency and cooperative resource, 5) less understand about cooperative function involved, 6) and financial management. Strategic issue of cooperative development in East Java is manifesting cooperation as society economic support, by 1) increasing farmer's exchange value, 2) food distribution, 3) increasing quality and quantity of agricultural product, 5) increasing quality of cooperative management, and 6) cooperative capital strengthening.
2. Existing condition and agricultural cooperative performance in East Java based on resources condition:
  - a. Existing condition and performance of agricultural cooperative in East Java currently that shows the number of active cooperatives in 2015 becomes as many as 27.461 units with its number of members as many as 7.621.510 members. Number of cooperatives that holds Annual Members Meeting actively is as many as 11.288 cooperatives. Business Volume of cooperatives in East Java is as much as Rp. 113.979.364.348 and total Cooperative Surplus is as much as Rp. 98.642.457.787. Number of managers and employees of cooperative in East Java is 7.846 managers and 149.047 employees.
  - b. Performances of Agricultural Cooperatives in East Java are reflected in the position of institutional which are strong and have opportunity to be developed as food sovereignty support. Here are illustrations of each agricultural cooperative performance samples.
  - c. *Performance of Padita Tumpang Farmer Cooperative* in Malang Regency and *Performance of LKM-A Karya Tirta Cooperative* in Bojonegoro Regency indicates a pretty good result.
  - d. *Performance of KUD Sri Tanjung* in Lumajang Regency, *Performance of Jaya Makmur* in Banyuwangi Regency and *Performance of KUD Mekar* in Sumenep Regency indicates a less good condition.
  - e. *Performance of Karya Tani Cooperative* in Situbondo Regency, *Performance of Harapan Makmur Cooperative* in Tulungagung Regency

and *Performance of KUD Sri Mulyo* in Madiun Regency indicates a good result.

3. Cooperative Development Strategies : (a) Padita Tumpang in Malang regency is focused on cooperative development implementation based on plan in RAT so that all components stay motivated; (b) KUD Sri Tanjung Cooperative in Lumajang regency is focused on developing collectivity so that its members will be able to deliver innovation based on the needs in form of RAT report; (c) Makmur Farmer Group Cooperative in Banyuwangi regency is focused on making economic partnership with private side operating in local level; (d) Serba Usaha Karya Tani Cooperative in Situbondo regency is focused on making capital strengthening cooperation with Formal Financial Institution, but it must prepare human resources in financial management field; (e) KUD Mekar in Sumenep regency through its administrators, must be focused on socializing and implementing cooperate values to all members; (f) Gapoktan Harapan Makmur Cooperative must be focused on making economic cooperation with Badan Urusan Logistik (BULOG) through an MoU; (g) KUD Sri Mulyo in Madiun regency, based on its business unit, must be focused on facilitating its members to maximize their potential in agribusiness chain; and (h) LKM-A Karya Tirta Cooperative in Bojonegoro regency must be focused on improvement the same type of business through clustering process supported by cooperation of various stakeholders.
4. Model of Agricultural Cooperative Institutional and Business Strengthening in Supporting Food Sovereignty in East Java is the needed of agricultural cooperative development model frame as an institution that becomes nation partner in moving development to reach social prosperity;
5. Strategy of Institutional Strengthening Policies and Agricultural Cooperative Business in Supporting Food Sovereignty in East Java is focused on human resources, institutional and empowering, facilities and infrastructure, and also financing.

### **Recommendations**

1. In order to optimize cooperative data collecting in East Java, a more planned and thorough coordination between province and regency government is needed. Data collecting is prioritized on cooperative condition or status, either it is active or inactive/ close down, so that there will be obtained a more valid data about growth and development of cooperative. It implies in measuring one of cooperative performance in East Java;
2. Government of regency/city must be selective in legalizing formation of cooperative through scoring approach of various indicators either quantitative or qualitative. Substantial thing needed to be paid attention is (a) cooperative condition/potential of resources and activity; (b) cooperative manager qualification, related with its participation in formal education and training activity; and (c) measuring member's motivation in form of cooperative. The implication is that the cooperative formed is able to facilitate its member needs and able to maximize the existing potential resources;
3. Although it is not stated in Cooperative Law, written rule establishment is needed in effort to measure ability cooperative capacity and internal performance. Every time it is held, Annual Members Meeting (RAT) must get legalization and be attended by representative of involved government official. The implication is that the government will be able to make effective the cooperative condition monitoring end evaluation execution.

4. The involved government official needs to design a form of reward to cooperative that is able to hold Annual Members Meeting (RAT) regularly and on time. Beside that, the government official also gives punishment to cooperative that is unable to hold Annual Members Meeting (RAT) regularly and on time. The implication is that the government official can protect cooperative from the member that has wrong economic interest and commitment as well as saves asset resources owned by cooperative;
5. Cooperative succeed is not only based on financial performance indicator, but more direct to cooperative ability in promoting its member. Member promoting activity is held by developing partnership with various stakeholders. The implication is that members are able to develop their competency complementally so that their actions will be more creative and innovative;
6. Policies directing to empowering cooperative food sovereignty based need to pay attention to several things, which are (a) institutional basis but stay focus on member personal autonomy; and (b) focus on local or local specific resources potential in order to be clear in establishing cooperative core business.

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