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**“Industry based on Knowledges”**

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## Efficiency of Marketing Distribution of Palm Oil in Sub District of Selesai Regency of Langkat

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### Abstract

Efficiency of marketing distribution is realized if the system provides the customer and stakeholders that involved in the distribution of product/service from the farmer as producer to the final consumer with satisfaction. Efficiency is the final goal will be achieved in a marketing system. The objective of this research is to identify the marketing distribution of palm oil in sub district of Selesai Regency of Langkat, to analyze the margin accepted by the marketing agency and to analyze the price accepted by the producer of palm oil in sub district of Selesai regency of Langkat. Sub district of Selesai is one of area in Regency of Langkat as producer of palm oil in Province of North Sumatera. Its location is very potential, reachable and has a strategic position that near to the palm oil factory of PT. Raja Tengah and PT. Amat Tani. In the marketing of their product, the farmer is helped by the small agent and big agent. The data is processed and analyzed by qualitative and quantitative method to study the efficiency of marketing distribution of palm oil. The research of qualitative analysis of efficiency of marketing distribution of palm oil through marketing agent and distributor, and the marketing function. The study of quantitative analysis of efficiency of marketing distribution of palm oil is described descriptively to describe the detail of marketing distribution, marketing function and any problems. While quantitative analysis was conducted by marketing margin approach, farmer's share, and profit to cost ratio. Based on analysis of marketing system it concluded that marketing distribution I is more efficient. This marketing distribution must be applied by farmer in sub district of Selesai. The other alternative that applied by farmer is to increase the quality of FFB, to build partnership to the palm oil factory, big and small agent, to maintain the quality of FFB and to up date the price information of FFB and the market development.

Keywords : Palm Oil, Marketing system, Efficiency of Marketing distribution

## 1. Introduction

Palm oil is one of the commodity crops that is important in economic activities in Indonesia. It is also one of Indonesia's export commodities are quite important as a producer of foreign exchange after oil and gas. Indonesia is the largest producer and the world's largest exporter of palm oil. North Sumatra Province is one of the areas that develop palm oil plantation commodities. Langkat is one area that is a center for palm oil development. It is supported by state of the climate and soil in accordance with the requirements grows for plantation crops. In general, community activities Langkat still oriented to the business of plantation crops and making commodities the main livelihood (Badan Pusat Statistik, 2014).

Efficiency of marketing channel in palm oil can be obtained through the analysis of the palm oil marketing system in Langkat Regency of North Sumatra Province, then evaluate how many marketing channels are on the district are. Furthermore, analyzing the marketing margin, the farmer's share and calculate the benefit and cost ratio. High or low marketing margin is used to measure the efficiency of the marketing system (depending on the marketing functions are executed). The greater the marketing margin the more inefficient the marketing system. In the analysis of the farmer's share of the more expensive consumer pays the price offered by marketing agencies (agencies), then received by farmers will be less and less, because farmers sell agricultural commodity with a relatively low price. It showed a negative relationship between marketing margins with the share received by farmers (farmer's share). The larger margin caused relatively small revenue of the farmers. The magnitude of the ratio of benefits and costs is used to measure the efficiency of marketing channels. The higher the value of this ratio, indicating the benefits higher than the costs incurred. The result will recommend the most efficient channel to be implemented.

According Ratiza Alifa Asmarantaka (2013) in the Palm Oil Research Analysis of business administration at the village of Tanjung Jaya noted that the palm oil business administration at the village of Tanjung Jaya starting the farmer as a producer (manufacturer) to the processing mill, involving several marketing agencies. Agencies involved in the palm oil business administration at the study site are collectors and agent. Channel most used by respondent's farmers in marketing their palm oil is a marketing channel involving an intermediary agent and this is because farmers get bigger selling prices received by farmers so that profits are also relatively larger. Marketing functions performed by marketing institutions involved include exchange function, physical function, and the function of the facility has been running relatively well, but has not been implemented properly by several marketing agencies, especially farmers.

Marketing analysis results show that in each of the marketing agency is seen that the profit margin and the margin of the costs borne by each marketing agencies vary according to the marketing function has been carried out by each of brackish marketing agency. Value margin on channel I by 20.67 per cent and the value of margin on the line II of 34.67 percent. On the operational level of the second channel, the first channel is the most efficient channel. This is evident from the low marketing margin, the value of the farmer's share of the most high. However, the ratio of the value of  $\pi / C$  this channel has the smallest value of 0.4. This channel is considered as an alternative efficient channel for achieving the welfare of farmers involved in this channel can be seen from the value of the margin and the farmer's share is generated and the sales volume of 71.85 tons, or about 69.7 percent of the total production of farmers.

Nurjannah Siregar (2014) conducted a study of Marketing of fresh fruit bunches of palm oil farmer in the village of Asam Jawa



Governmental District of Torgamba. Research results show that marketing margins are influenced by the farmer selling prices negatively and positively dummy marketing channels. The longer the marketing channels, the greater value of marketing margins. Channel marketing fresh fruit bunches (FFB) of palm oil contained in Asam Jawa village consists of 4 types, namely:

- a. Marketing channels I: Manufacturers - Palm Oil Mill
- b. Marketing channels II: Manufacturers - Wholesalers Small Gatherer – Palm oil mill
- c. Marketing Channels III: Manufacturers - Wholesalers Great Gatherer – Palm oil mill
- d. Channel Marketing IV: Manufacturers - Wholesalers Small Gatherer – Traders Great Gatherer - mills.

All marketing channels used by farmers have been efficient. Channels that are profitable for farmers is the marketing channel I, the merchant is marketing channels III and IV for the Palm oil mill is the channel. Palm oil mill is most beneficial for farmers and small traders are Palm oil mill PT. SSTL, and Palm oil mill with great profitable for the collector is PT.Milano.

Joldi Cristanto (2007) conducted a study of Marketing CPO (Crude Palm Oil) PT. IV Perkebunan Nusantara (PTPN-IV). Research results show that the marketing activities of CPO (Crude Palm Oil) applied by Joint Marketing Office (KPB) PTPN is open auction (tender) and long-term sales contract. Payment in cash held no later than fourteen (14) days after the date of the contract. Delivery of goods implemented not later than 15 days after the payment date. Quality quality (% Free Fatty Acid, moisture, and dirt), banking policy, the promotion, the port, and the competitors are the factors that affect the marketing activities of CPO (Crude Palm Oil) PT Perkebunan Nusantara IV. Determining the selling price of CPO (Crude Palm Oil) owned by PT Perkebunan Nusantara IV made by the Joint Marketing

Office (KPB) is based on market mechanisms (prices prevailing in the market).

Share Margin marketing activities CPO (Crude Palm Oil) PT Perkebunan Nusantara IV to the domestic market, which is 96.72% while the share value of marketing margin CPO (Crude Palm Oil) PT Perkebunan Nusantara IV to markets abroad (exports), which amounted to 95, 31% and a value share of the total marketing margin CPO (Crude Palm Oil) PT Perkebunan Nusantara IV to markets abroad (exports) and the Interior (Domestic), ie 95.97%.

## 2. Materials and Methods

### 2.1 Sample

One way of determining the amount of standard sample count is formulated by Slovin. Total numbers of samples take in this research are 70 people.

### 2.2 Data collection

The data used in this study are primary data. The primary data obtained from direct observation (observation) and interview by using a list of questions presented on the questionnaire to palm oil farmers and traders as well as intermediary agent in Langkat. Direct observations were also conducted on the palm of marketing activities to determine the marketing channels and marketing agencies are involved in the marketing of palm oil groove.

### 2.3 Data analysis

The data is processed and analyzed by qualitative and quantitative methods to determine the efficiency of marketing channels. Research qualitative analysis of marketing channel efficiency of palm oil includes agencies and marketing channels, as well as the marketing function. Research qualitative analysis of marketing channel efficiency of palm oil is described descriptively to spell out all the details of marketing channels, through the marketing

margin approach, farmer share, and the benefits costs ratio.

### 3. Result and Discussion

Pattern of Marketing Channels FFB in District Selesai. According to Boyd, Walker and Larreche (2002), the marketing channel is the set of interdependent organizations involved in the process of making a product or service that is ready to be consumed or

used by any consumer or industrial users. The main objective in designing a marketing channel is to find a combination of the most efficient intermediary for product specific market, channel minimizes distribution costs, but also to reach out and satisfy consumer targets.

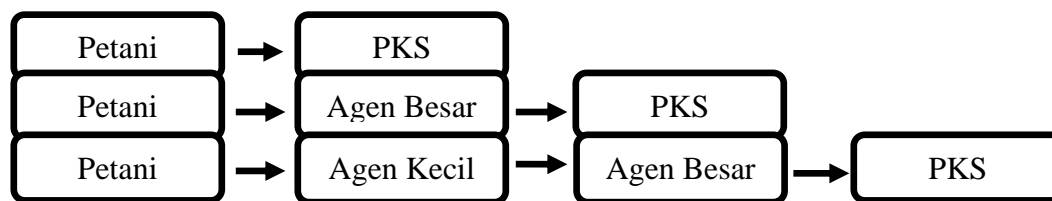


Figure 1. Schematic of Palm Oil Marketing Channel in the District Selesai

The study of 70 farmers of respondents, it can be seen that the pattern of marketing channels FFB through three pattern of marketing channel, ie the pattern of the first channel, the pattern of the second channel and the pattern of three channel. The pattern of the first channel TBS farmers sold directly to the mill. On the pattern of the second channel, TBS farmers sold to a large agency, and then directly transported to the mill. On the pattern of the third channel, TBS farmers sold to a small agent, then through a large agent transported to the mill. Scheme or pattern of palm oil marketing channels in the district overall Selesai can be seen in Figure 1.

of oil palm FFB in District Selesai. In this study, the marketing margin can be seen in every marketing channel.

#### *Analysis Farmer's Share*

Farmer's share is part of that received by farmers in a marketing activity and expressed as a percentage. Farmer's value share was obtained through a comparison of the price received by the farmer to the consumer level prices paid late. In this study, institutions that serve as the final consumer in the marketing activities of palm oil is the processing plant, using the level of the selling price of fresh fruit bunches when sold in the factory.

#### *Marketing Margin Analysis*

Determining the level of efficiency of a system of marketing can be done through the analysis of marketing margins. Marketing margin is the sum of all costs of marketing/ marketing issued by marketing agencies and the fortunes that were taken in the commodity distribution activities from marketing agencies that one to the other marketing agencies. Marketing margin calculated in this study based on the pattern established marketing channels in the marketing activities

#### *Benefit and Cost Ratio*

Marketing costs are costs incurred by a number of marketing agencies in distributing fruit fresh bunches from the farm to the final consumer level expressed in rupiah per kilogram FFB. While the value of income is derived from the difference between marketing margins with marketing costs incurred in the implementation of marketing activities. The benefits costs ratio in marketing channels shows the amount of

benefits to be obtained per unit rupiah spent on marketing.

Table 2 Marketing Margin

|                          | Marketing Channels |        |        |
|--------------------------|--------------------|--------|--------|
|                          | I                  | II     | III    |
| Price of farmers (Rp/Kg) | 1.690              | 1.445  | 1.410  |
| Price of Factory (Rp/Kg) | 1.690              | 1.690  | 1.690  |
| Margin (%)               | 0%                 | 14,50% | 16,57% |

Source : Result of the research in Selesai Distric, 2016

Table 3. Farmer's Share based Pattern Marketing Channels Price-Level Marketing Channels

| Marketing Channels | Price of Farmers (Rp/kg) | Price of Factory (Rp/kg) | Farmer's Share (%) |
|--------------------|--------------------------|--------------------------|--------------------|
| Channel I          | 1.690                    | 1.690                    | 100%               |
| Channel II         | 1.445                    | 1.690                    | 85,50%             |
| Channel III        | 1.410                    | 1.690                    | 83,43%             |

Source : Result of the research in Selesai Distric, 2016

Table 4. Benefit and Cost Ratio

| Benefit Cost Ratio | Marketing Channels |      |      |
|--------------------|--------------------|------|------|
|                    | I                  | II   | III  |
| $\pi_i$ (Rp)       | 1.240              | 135  | 150  |
| $C_i$ (Rp)         | 450                | 110  | 130  |
| Ratio $\pi_i/C_i$  | 2,75               | 1,23 | 1,15 |

Source : Result of the research in Selesai Distric, 2016

Table 5. Value of Marketing Efficiency on each - each Pattern Marketing Channels in Selesai District of Langkat Regency

| Efficiency Component | Indicator of Efficiency | Marketing Channel |        |        |
|----------------------|-------------------------|-------------------|--------|--------|
|                      |                         | I                 | II     | III    |
| Marketing margin (%) | Persentasi Terkecil     | 0%                | 14,50% | 16,57% |
| Farmer's Share (%)   | Persentasi Terbesar     | 100%              | 85,50% | 83,43% |
| Benefit cost ratio   | Lebih dari 1            | 2,75              | 1,23   | 1,15   |

Source : Result of the research in Selesai Distric, 2016

Efficiency is one of the objectives to be achieved in a marketing activity. The marketing system can be said to be done efficiently if the satisfaction of any person or institution involved in the implementation of the marketing system can be achieved. Parties or organizations not only consist of the actors involved in the process of distribution of the product, but rather to the final consumer level.

It can be used as determinants of the efficiency of marketing activities including pattern of marketing channel is formed, the application of the marketing function in the distribution of products, the market structure, market behavior and marketing margins and the value of the farmer's share is formed.



## Conclusion

Based on the research that has been undertaken on the efficiency of marketing channels palm Done Langkat District of North Sumatra Province a number of conclusions including:

Channel marketing of fresh fruit bunches (FFB) of palm oil contained in Sub Done Langkat in North Sumatra Province consists of three kinds, namely:

- a. Marketing Channels I: Farmers - Palm Oil Mill
- b. Marketing Channels II: Farmers - Large Agent - Palm Oil Mill
- c. Marketing Channels III: Farmers - Small Agents - Agents - Palm Oil Mill

Channel marketing is most widely used in the marketing of oil palm FFB is a marketing channel II as much as 72.85 percent.

The margin is the highest in district Selesai is on the pattern of marketing channels III, 16.57 percent and low margins are the first marketing channel pattern is 0 percent for the first channel pattern of farmers do not use any intermediary. Marketing margin is affected by the farmer selling prices negatively and positively marketing channel patterns. The longer the marketing channels, the greater the value of marketing margins. The greater the marketing margin the more inefficient the marketing system.

The results of the analysis show that the marketing of each marketing institution is seen that the ratio of profits and the costs borne by each marketing agencies vary according to the marketing function that has been done by each marketing agencies. Value margin on the channel I is 0 percent and the value of the channel margin I is the most efficient channel. This is evident from the low marketing margin, the value of the farmer's share of the most high as 100 percent.

However, the value of the ratio  $\pi / C_i$  these channels have the greatest value is 2.75. This channel is considered as an alternative efficient channel for achieving the welfare of farmers involved in this channel can be seen from the value of the margin and the farmer's share generated.

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