

# Tomato Business Partnership Model in Lembang, West Java

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**Abstract:** *The purpose of this research is to identify and analyze the model of tomato business partnership that has been established between partner farmers and CV Yan's Fruit and Vegetables. The method used is descriptive analysis which describes how the process of partnership mechanism is done. Data were collected from questionnaires to farmers and CV Yan's Fruit and Vegetables. The results show that the partnership models in the tomato business were identified as describing the informal partnership model.*

**Keywords:** *farmers, partnership model, tomato*

## 1. Introduction

Horticulture is a potential commodity that has high economic value and prospective. According to Law No. 13 of 2010 on Horticulture Article 1 states that what is meant by horticulture is all matters relating to fruits, vegetables, plant drugs, and floriculture (ornamental plants). Horticultural commodities are also important and strategic because of their role as a key component in the pattern of food expectations. Fresh vegetables is one of horticultural commodities as national strategic food commodity (BKP, 2010). Vegetable commodities that are potentially cultivated in Indonesia one of them is tomato. Tomato is one of the superior agribusiness commodities in West Bandung regency besides chillies and beans (Kementan, 2010). Therefore, continuous development of tomato business with the interaction between farmers with business actors.

With small business scale it is difficult for farmers to efficiently manage farming. This causes farmers to be exposed to risky conditions ranging from weather, pests and plant diseases, processing, marketing, as well as inadequate infrastructure. In addition, farmers are also faced with limited access to capital, high farm input prices, low sales output, and low bargaining position of farmers which resulted in difficult farmers in an effort to improve their welfare and develop their individual farming activities. Thus,

one way that can be done to improve the bargaining power of farmers is to build partnership institutions (Vermulen and Cotula, 2011) in Nurdiani 2013.

Partnership is an institute commonly applied in the development of agribusiness and agricultural industrialization in developing countries including Indonesia which aims to reduce the impact of imperfect information, uncertainty, high transaction costs and risks (Jobin 2008; Key and Runsten 1999; Grosh 1994 ) in Miyata et al. (2009). Institutional according to the concept of the New Institutional Economics (NIE) is a formal and informal rule accompanied by its enforcement mechanism (Williamson, 2000). Partnership is one of the institutions mentioned in the NIE literature which is widely referred to and applied as one of the solutions and efforts of agricultural policy implementation in developing countries including Indonesia (Kherallah and Kirsten 2002).

Through the partnership system can be a solution to overcome product price risk (Purnaningsih 2006; Fariyanti 2008), overcoming the problem of lack of market information and risk (Daryanto 2006). It can also increase farmers' income (Tripathi et al., 2005, Indrayani 2008, Rachmawati 2008) as shown by high productivity. Therefore, the improvement through business partnership is expected to strengthen the access of farmers or business horticulture to modern market or export market (Ditjen Hortikultura, 2012). Modern market growth from 1994 to 2008 averaged 8 per year (APRINDO in Daryanto and Muflikh 2011). In addressing the growth of modern markets, farmers who initially only oriented to traditional markets are now beginning to push to meet the demand in the modern market because it offers greater benefits than traditional markets. Hernandez et al. (2007) states that farmers are an important part of modern market channels. However, several studies have shown that farmers find it difficult to engage in modern market channels, especially small-scale farmers (Minot and Roy 2006) in Miyata et al. (2009). This is related to the requirements of entering the modern market for vegetable commodities such as quality, quantity, packaging, food safety, and

shipping continuity. Thus, the partnership becomes one of the solutions for farmers.

The partnership between the farmers and CV Yan's Fruit and Vegetables is still going on. In doing a tomato business partnership in Lembang there is one problem of decreasing the number of partners who join CV Yan's Fruit and Vegetables. This will impact on cooperative relationships, because a partnership can be considered successful if the partnership is win-win solution and sustainable. Implementation of the cooperation relationship is implemented through partnership pattern, in which the purpose of the implementation of partnership can be done well and know clearly about the rights and obligations for all parties who partner. The established partnerships are organized and determined wisely in order to create a win-win solution for all parties involved. However, in practice there is a decline in the number of partner farmers. The purpose of applying partnership pattern is to overcome the problems related to the limitations of capital, technology, product quality, and product marketing. This indicates a gap between partner and non-partner farmers. Partnership as a business strategy undertaken by both parties or more in order to achieve mutual benefits, the success of the partnership is determined by the existence of compliance among partners in doing the business ethics partnership (Hafsah, 2000). In addition, a sustainable partnership is expected. Thus, this study aims to analyze the pattern of partnerships that have been established between farmers and CV Yan's Fruit and Vegetables.

## 2. Literatur Review

The types of partnerships undertaken depend on the supporting institutions and markets of agricultural products, manufactured commodities, producer resources or farmers, as well as the company's agribusiness capacity. Meanwhile, based on the business growth process there are 3 patterns of business partnerships for the agricultural sector, namely (1) partnerships that evolve along the path of the evolution of socio-cultural or economic tradition; (2) government program partnerships associated with agricultural intensification; and (3) a growing partnership due to the development of the market economy (Supriyati and Elizabeth 2010).

The institutional effectiveness of business partnership in vegetable commodity in production center area has not shown optimal performance due to weak commitment between partner parties, less transparent management, lack of market guarantee and price on all vegetable commodities and lack of supply guarantee for supplier or company partners. Saptana et al., 2004 stated that there is a difference of partnership pattern of vegetable commodity business in production center area in Bali, North Sumatera

and West Java. The general trading pattern dominates the area of Bali, North Sumatera, and West Java, which distinguishes them as partners involved in such general trading partnerships. While Indraningsih et al. (2008) states that in meeting market demands and consumer preferences, efficiency, productivity, and quality issues must be addressed. One solution is to build a mutually beneficial business partnership institute and implement reliable quality management. In improving the institutional model of the agribusiness partnership, it can be done by: (1) establishing the Association of Horticultural Farmers, (2) Empowering the Market Information Service (PIP), (3) streamlining the role of PPL and other related agencies; (4) vertical of agribusiness actors, (5) revamping of STA infrastructure and (6) empowering financing institution. Traditional partnership patterns are more effective and sustainable (Erfit et al, 2010).

## 3. Research Method

The study was conducted in Lembang, West Bandung district of West Java. The method used is descriptive analysis that describes the mechanism of existing cooperation pattern through rules, rights and obligations, so that finally can be established partnership. As for the reference as the pattern of partnership is based on the characteristics or indicators of Eaton & Sepherd (2001). Determination of research sample is done using Probability Sampling technique through Simple Random Sampling approach. For sample is determined randomly (simple random sampling) so that obtained 40 sample as respondent. Beside partener farmer, CV Yan's Fruit and Vegetables as respondent too. The primary data were obtained through direct interviews with farmers and CV Yan's Fruit and Vegetables using questionnaires. While the secondary data consisted of supporting data in this study.

## 4. Result and Discussion

In this chapter will describe the pattern of partnership covering the beginning of partnership, commodity in partnership, partnership mechanism, rights and obligations, partnership risk, profit and loss in implementing partnership.

### 4.1. The process of forming a partnership between KUT Mekar Tani Jaya and CV Yan's Fruit and Vegetables

Since the partnership agreement between farmers and CV Yan Fruit and Vegetables agreed not to impose the contract agreement in writing. This is because the similarity in wanting something simple, in the sense of easy to understand and easy to

implement, so that in the implementation of all rules applied are informal. It is delivered verbally to partner farmers. In other words, there is no written contract that binds both in the partnership.

#### 4.2. Mechanism of Partnership between KUT Mekar Tani Jaya and CV Yan's Fruit and Vegetables

Generally there is no specific criteria set by CV Yan's Fruit and Vegetables for farmers who will be their partners. CV Yan's Fruits and Vegetables can accept all farmers, whether individually or in a farmer group or a combination of farmer groups. Tomatoes are marketed various types of apple tomatoes, cherry tomatoes, and TW (local) tomatoes. The availability of these three types of tomatoes is based on the demand and needs of the supermarket. Tomatoes are relatively widely marketed type of tomato TW or commonly called local tomatoes.

First, the harvested tomatoes are stored in plastic containers which are then immediately brought to CV Yan's Fruit and Vegetables. The second stage of the tomato is weighed and then recording by Yan's Fruit and vegetables workforce, and for the partner farmer is given a letter of harvest. In the third stage the tomatoes are cleaned with a cloth, then the tomatoes will be sorted based on the level of maturity, specific weight (each retail is different), and physical (defective or not). Tolerance for tomato maturity level of 80 percent with reddish green. In terms of weight, the desired tomato is the weight of about 125 grams per fruit or in the weight of 1 kg there are eight tomatoes. Each tomato weight will be different because each retail has its own qualifications. While in terms of physical characteristics of tomatoes, defects or not seen from the bite of fruit fly and caterpillars that cause the surface of the tomato skin to be perforated. If there is a black bite mark on the tomato skin, the tomato does not pass sorting.

The fourth stage of the tomato will be packaged in a container of plastic mica or stereofoam. Each pack contains tomatoes of different amounts. For packaging with plastic mica contains four tomatoes and stereofoam contains six tomatoes, then the last done wrapping the film so that the tomatoes are not dirty. Once packed the tomato will be labeled in the form of sticker attached on the outside with the brand CV Yan's Fruit and Vegetables. After labeling, the tomatoes will be separated into containers according to the number of requests at each retail. With the right packaging process and neat can add value and maintain the quality of tomatoes. The last stage is the process of transporting and distributing tomatoes along with other vegetables. Distribution is done by container car (box car) equipped with cooler to prevent damage during the trip. The mechanism or

flow of CV Yan's Fruit and Vegetables partnership and partner farmers can be seen in Figure 1.

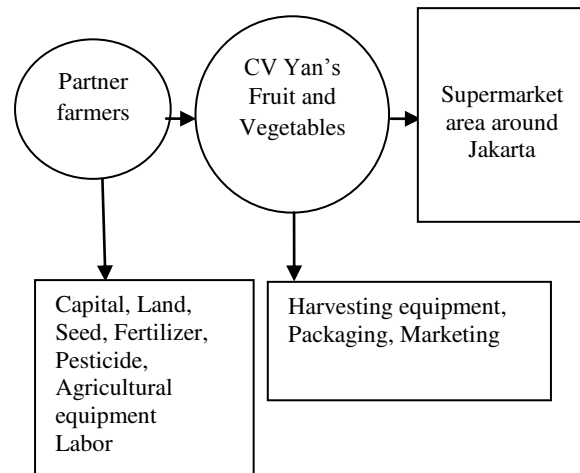


Figure 1. Mechanism of Partnership between KUT Mekar Tani Jaya and CV Yan's Fruit and Vegetables

#### 4.3. Right and obligation between KUT Mekar Tani Jaya and CV Yan's Fruit and Vegetables

In producing tomatoes, farmers provide themselves all means of producing tomatoes such as seeds, fertilizers, pesticides, plant medicines, agricultural equipment that support the production process. In addition, farmers also provide labor and own capital. The obligation of farmers is to comply with all rules and be able to supply tomatoes on demand in a sustainable manner with mutually agreed standards and quality. While Yan's Fruit and Vegetables CV has the obligation to buy tomato harvest from partner farmers at a price that is also mutually agreed upon. Price is not determined unilaterally by CV Yan's Fruit and Vegetables, but negotiating involves partner farmers. The amount of tomato price is set that is between Rp6 000 to Rp10 000 per kg. In terms of risk, the existing risks will be borne by each party involved. Profits to be gained by partner farmers are getting a relatively stable selling price and higher than the selling price in traditional market, market certainty, timely payment. While for the CV Yan Fruit and Vegetables, the benefits of continuous supply of tomatoes according to certain standards and qualities desired by the supermarket.

#### 4.4. Benefit of partnership between KUT Mekar Tani Jaya and CV Yan's Fruit and Vegetables

The profits will be obtained by partner farmers and CV Yan's Fruit and Vegetables in this partnership. For partner farmers that get relatively stable selling price information and higher than the selling price in traditional market, bargaining position can be increased compared to market itself

to traditional market, and timely payment. While for the Yan's Fruit and Vegetables side gain advantage of tomato supply continuously according to certain standard and quality. By keeping on the benefits received, the partnership is still ongoing. Besides having benefits, this partnership process also has several disadvantages such as the absence of aid or loan in the form of capital or production facilities to partner farmers. The amount of cost for tomato production process is quite high which is around Rp 2 000 per plant starting from the processing of land up to harvest. The absence of risk sharing on both parties is partnered, so the risk is borne by each.

#### 4.5. Partnership pattern between KUT Mekar Tani Jaya and CV Yan's Fruit and Vegetables

In the existing pattern of cooperation, there is no contract in writing governing the agreement in partnership. Some important components that need to be in a form of cooperation are included, such as pricing, quality standards, production quotas, technical support, delivery arrangements, and government support. This is in line with Singh (2002) research which states that in every cooperation required a written contract that includes 4 things, namely price, quality, quantity and time to be agreed.

By analyzing the cooperative relationships that CV Yan's Fruit and Vegetables has done with partner farmers, it can be identified that the pattern of partnerships that exists illustrates the pattern of informal partnerships. According to Eaton and Shepherd (2001) Informal model is a model characterized by small entrepreneurs or individual entrepreneurs who make simple and informal contracts with farmers on a seasonal or temporary basis. The product specificity of this partnership model is that the product requires minimal processing or packaging and vertical coordination (eg fresh fruit, vegetables, sometimes staple crops). In this model, there are some drawbacks that there is no written contractual agreement. It makes important components of price guarantees, supply guarantees, time, standards and certain criteria not listed, making it vulnerable to cheating. However, the relationship between CV Yan's Fruit and Vegetables is based on trust and high openness, so that agreement can be reached even though there is no written agreement contract. Partnerships undertaken by CV Yan's Fruit and Vegetables with partner farmers include the fulfillment of tomato supplies that meet certain standards and criteria, and then marketing of tomato products. It is expected that both Yan's Fruit and Vegetables CV and partner farmers alike will be able to increase their income as well as continuity of business to partner like now. Erfit *et al.* 2010 states

that effective powers show informal partnerships that can traditionally be sustainable.

## 5. Conclusion

The partnership pattern established between partner farmers and CV Yan's Fruit and Vegetables illustrates the pattern of informal partnerships. The partnership is a tomato marketing aspect..

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