

IMPROVING PROCESSING MARKET ACCESS OF CITRONELLA OIL FOR SMALL AND MEDIUM ENTERPRISES TO OVERCOME THE IMPACT OF COVID19

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Abstract

Citronella oil production has been developed by the South Tapanuli District's Regional Government through the Forest Management Unit (KPH), the Agriculture Office, and the Industry Office. For KPH, this program serves to replace oil palm smallholdings in forest areas gradually. For the Agriculture and Industry Offices, this program is intended to increase farmer income, especially during the Covid19 Pandemic. However, businesses have faltered as citronella oil prices dropped dramatically. Many farmers cannot survive and temporarily close their businesses. To overcome such a condition, farmers need to have a vital smallholder institution with a sufficient economic scale and good coordination among stakeholders. This activity was carried out for three months through online and offline meetings. Farmers were introduced to both export and local market accesses. However, to utilize these opportunities, farmers need to have a strong and adequate farmer institution. Through the Forum Group Discussion, progressive farmers and processors were gathered with farmers from 3 other sub-districts and other stakeholders related to market access improvement. The results showed that farmers and other stakeholders agreed to jointly support the development of the citronella oil industry in South Tapanuli. The FGD ended with the commitment of farmers and all stakeholders to form a South Tapanuli Citronella Oil multi-stakeholders Forum to improve the ability to deal with market fluctuations in the future.

Keywords: citronella oil, price fluctuations, multi-stakeholder forum, market access

Abstrak

Pengembangan budidaya dan pengolahan minyak sereh wangi merupakan program yang telah dikembangkan oleh Pemerintahan Daerah Kabupaten Tapanuli Selatan melalui Kesatuan Pemangku Hutan (KPH), Dinas Pertanian dan Dinas Perindustrian. Bagi KPH program tersebut merupakan bagian dari penanggulangan keberadaan perkebunan sawit rakyat di kawasan hutan. Bagi Dinas Pertanian dan Dinas Perindustrian program tersebut merupakan upaya peningkatan pendapatan masyarakat termasuk pada saat Pandemi Covid19. Namun usaha tersebut agak tersendat ketika harga minyak sereh wangi turun drastis. Banyak petani yang tidak dapat bertahan dan menghentikan sementara usahanya. Penyebabnya antara lain karena skala usaha dan kualitas produksi yang kurang memadai. Untuk mengatasi hal tersebut diperlukan kelembagaan pekebun yang kuat dengan skala usaha yang memadai, serta koordinasi yang baik dengan berbagai pihak terkait. Kegiatan ini dilaksanakan selama 6 Bulan melalui pertemuan daring dan tatap muka. Petani diperkenalkan dengan berbagai akses pasar, ekspor maupun lokal. Namun kebutuhan mendasar yang harus dipersiapkan adalah kelembagaan petani yang kuat dan memadai. Melalui Forum Group Discussion, petani dan pengola yang lebih progresif ditemukan dengan petani sereh wangi dari 3 kecamatan lain. Di samping itu hadir juga berbagai stakeholder terkait dengan akses pasar dan berbagai program pendukung. Hasilnya menunjukkan bahwa petani dan berbagai pihak sepakat untuk bersaa-sama mendukung pengembangan industri minyak sereh wangi di Tapanuli Bagian Selatan FGD diakhiri dengan komitmen petani dan seluruh stakeholder untuk pembentukan Forum Multistakeholder Sereh Wangi Tapanuli Bagian Selatan dengan target meningkatkan kemampuan petani untuk menghadapi fluktuasi pasar di masa mendatang.

Kata kunci: minyak sereh wangi, fluktuasi harga, froum multistakeholder, akses pasar

PENDAHULUAN

Since 2015, Citronella Oil has been developed in the South Tapanuli District. One of the aims is to provide farmers with an alternative profitable income source. During this period, oil palm is recorded as the highest smallholding growth. Unfortunately, 13,011 ha of the oil palm smallholdings were also found in the forest area and needed to be replaced by other crops after their economic age. One of the most recommended is the Citronella Oil crop, which is known as a conservation crop for critical land (Bahar et al., 2020). Besides, it is relatively easy to cultivate and process, providing an additional income source for farmers (Rizal et al., 2017). Unfortunately, Citronella Oil prices dramatically decreased in 2020, causing many farmers to close their business temporarily. However, with a similar market price, farmers in West Sumatra can still profit and continue their business. Their competitiveness stems from the low average costs and sales continuity, strongly related to the production management scale and partnership (Hallam, 1991, Fitri, 2018). This program was designed to trigger the plate's improvement and Citronella Oil collaboration in South Tapanuli. It is expected that all stakeholders will continue the effort.

METHOD

This program was conducted for three months, starting with the Citronella crop farmers' problem identification through pre-survey and WhatsApp communication. In this stage, leaders of 2 farmer groups were involved, then followed by discussing the possible solutions through 2 online meetings by inviting (i) a representative

of a fragrance buyer association in Singapore and (ii) farmer organic product exporters. Both suggested having a sufficient scale, continuity and uniform quality to entering global markets. Therefore, forming a Citronella crop farmer forum became the target of this program. As the target is to open market access, strengthening cooperation is needed. Forum Group Discussion (FGD) is chosen as the approach for engagement. The preparation was conducted through WhatsApp group discussions, involving farmers, processors, traders and wholesalers, the Regional Planning and Development Office (Bappeda), the Head of Agriculture Extension Officer, the Head of Forestry Office, the Head of Industry Office, the Head of South Angkola District, Essential Association Members, and the Dean and researchers of local universities. Desa Sihuk-Huik, as a large processing unit and middlemen, was selected as the FGD venue. A group dynamic expert was invited as a speaker to obtain information thoroughly. A questionnaire was distributed as a guide for building the farmer database. Also, a banner for participants to sign was prepared as a record of the forum commitment.

RESULTS AND DISCUSSION

Five steps were taken in the process of improving the market access for the Citronella crop farmers, namely (i) Pre-survey and WhatsApp communication for problem identification, (ii) Online meetings with buyer representatives to open possible market access, (iii) Online meeting with a farmer organic product exporter to open possible market access, (iv) FGD preparation, and (v) FGD to raise commitment and establish a multi-

stakeholder forum. Details of the results for each step are as follows.

(i) Pre-survey and WhatsApp communication for problem identification

Initially, the low market price was raised as the main problem. Low prices can impact some or even all farmers. When prices are equalized for all farmers, the possible solution is to reduce average production costs. The means is that farmers need to improve their production efficiency by improving productivity and increasing input usage. With a low production cost, farmers will be more resistant to price fluctuations (Karyani et al., 2020). However, a low farm-gate price could also exist within a long supply chain with the involvement of many middlemen, or the existence of a certain level of market power (Oguoma et al., 2011).

(ii) Online meeting with a buyer representative to open possible market access

The first online meeting focuses on streamlining the marketing chain by having an online appointment with the Singapore buyer representative, Mr Asep Setiawan. He informed me that the export opportunity is still big since many products use Citronella Oil as one ingredient. Global market prices are relatively stable, but intermediaries mainly determine farm gate prices. To utilize this opportunity, farmers need to have a continuous minimum scale with uniform quality. Farmers could also sell Citronella Oil to domestic markets, which have fewer requirements but also lower prices. Therefore, farmer groups need to identify the product quality and

quantity of members, conduct grading and market segmentation.

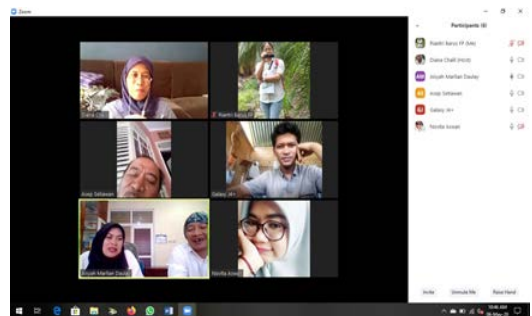


Figure 1. Online meeting with a buyer representative to open possible market access

(iii) Online meeting with a farmer organic product exporter to open possible market access

The second online meeting focuses on managing smallholdings as a single entity of the minimum economies of scale through a discussion with the founder and director of Alet Green, Ms Listiana. She has a nine year-experience in engaging with smallholders, with a 1-2 ha land ownership. In the initial stage, she focused on around 300 smallholdings, as most farmers have not felt its benefits and do not want to take the risk. After the 1st export, more and more farmers willingly joined the business, totalling thousands of farmers as organic agroforestry product suppliers.

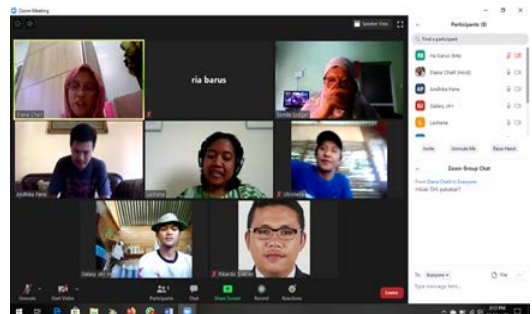


Figure 2. Online meeting with a farmer organic product exporter to open possible market access

(iv) FGD preparation

FGD preparation is needed to ensure that all relevant stakeholders will attend. The invitation was distributed by Bappeda to (i) all farmers and processors that engaged in KPH or Agriculture Programs, (ii) traders and wholesalers, (iii) Extension Staffs, (iv) KPH, (v) head of the sub-district, (vi) Manager of the Essential Oil Board, (vii) chief of the SME staff and (viii) dean and researchers from local universities. All of them are expected to continue the program once the multi-stakeholder forum is established.

(v) FGD to raise commitment and establish a multi-stakeholder forum

All invitees attended the FGD. To trigger discussion, a group dynamic expert asked all participants to introduce themselves and describe activities related to Citronella Oil industry development in Southern Tapanuli. Each participant then shared their experiences and opinions about their role and contributions to improving the Southern Tapanuli industry. Some information was shared:

(i) All agree to engage in a forum and take collective action.

(ii) The central processor, trader and wholesaler indicate that the current low price can still cover production costs. Output and input prices are uncontrollable, but productivity and input usage efficiency can be influenced. Farmers need to estimate their production costs and the components to find the source of cost inefficiencies.

(iii) Production costs can also be reduced by increasing productivity through quality seedlings and applying fertilizer as recommended.

(iv) The KPH, Agriculture Office, and Trade Office have different targets on their Citronella Oil Program, which can complement one another.

(v) A database is needed to estimate the supply capacity for opening market access. The export market opportunity is currently available, but there is no sufficient supply capacity to meet the demand.

(vi) A multi-stakeholder forum is needed to conduct collective actions.



Figure 3. FGD to raise commitment and establish a multi-stakeholder forum

CONCLUSION

Citronella Oil is a profitable business and also known as a conservation crop. Therefore, it can solve both environmental and economic issues. However, the Citronella Oil farm gate price has big fluctuations. While both output and input prices are uncontrollable, productivity and input usage, efficiencies can be improved. One of the alternative solutions is by improving collective actions. This program has successfully facilitated the establishment of a multi-stakeholder forum. The focus is on local stakeholders, which is expected to be sustainable even after this community service program ends.

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