

# The Development of Food and Beverage Industry Based on People Economic into Good Local Industry

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## The Development of Food and Beverage Industry Based on People Economic into Good Local Industry

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### 1

#### Abstract

The increase of public consumption for labeled food and beverage product within Merapi volcano is a golden opportunity. This development small business within the area has shown a good prospect. The aim of this research is 1. To analyze small business potential conducted by local people within Merapi volcano that is the most seriously affected by natural disaster can create full employment. 2. To be able to make use of strength and opportunity to overcome the weakness and threat, especially in dealing with the more and more competitive of food and beverage industry. 3. To be able to make an adaptation with the condition of Merapi volcano during before, at the time of and after eruption in which this situation changed rapidly.

**Keywords:** small business of food and beverage, competitive

#### 1. Introduction

The competitive among the products in Indonesia is very tight beside the competitive of local product also that of overseas product especially, from Chinese product since established CAFTA (*China Asean Free Trade Agreement*). The small business always use simple production tool which passed on from one generation to the other in relation to art and culture. The small business always related to economically weak business group. This research has chosen food and beverage small business taking into consideration that always be conducted by local people and absorb much manpower.

Basically, food and beverage production is an industry with the main raw material obtained from plants and garden. The other parties have paid attention to the development of food and beverage production. Food and beverage processing has increased value added agriculture product. To increase value added agriculture product has been conducted by way of exploiting product not only for staple foods but also as raw material for food and beverage product development. The characteristic of local product industry for small business: too simple in organization structure and job description, small management hierarchy, small formalized activity, very small planning process, training for manpower is seldom. Businessmen have difficulties to distinguish between their asset and company asset, a lack of capital, poor accounting system, and poor management. It's unique that food and beverage small scale industry still managed by local people although the fluctuation of fuel price, but, still survive and absorb manpower. The aim of this research is 1. To analyze small business potential conducted by local people within Merapi volcano that is the most seriously affected by natural disaster can create full employment. 2. To be able to make use of strength and opportunity to overcome the weakness and threat, especially in dealing with the more and more competitive of food and beverage industry. 3. To be able to make an adaptation with the condition of Merapi volcano during before, at the time of and after eruption in which this situation changed rapidly.

#### 2. Literature review

##### 2.1 Food and Beverage in the most seriously area affected by natural disaster

The potential and competitive effect of food and beverage small business in the most seriously areas affected by natural disaster have constraint that is very complex. They must have to access the wider market share and also take risk the uncertainty of natural disaster after eruption. It will disturb the continuity of food and beverage business. To overcome natural disaster risk can be done by way of using insurance company as a protection institution of natural disaster risk. Generally speaking, businessman science of insurance matter relatively is still less.

##### 2.2 Identification of Opportunity

Eruption post generally changes the area become destination place. The people will interest to see directly the disaster where the opportunity can be changed to full employment for food and beverage small business to market their product.

### 2.3 Access Extension

Performance of food and beverage businessmen consisted of internal factor and external factor. Internal factor consisted of : (1) The weakness to get market opportunity and extent market share; (2) The weakness in capital structure and limitation to access in capital resources; (3) The weakness in the field of organization and management; (4) The limitation to use access and master technology; (5) The limitation in business channel and business cooperation. External factor consisted of : (1) Business climate is less conducive due to unfair competition; (2) Economy facility and infrastructure less effective; (3) Training less integrated; (4) Understanding, trust and care from part of local people on small business still less (Prihatminingtyas, 2010).

### 2.4 Competition Strategy in accordance with Human Resources Potential

Company must be able to survive and have competitive advantage. It means that company ability to win consistently in the long run during the competitive situation. To achieve competitive advantage, six factors should be considered as follows (Prihatminingtyas, 2010), among others:

1. Honesty means business man behavior must be honest with sold and originality product
2. To appreciate the time. There is a proverb that time is money. It means that business man in running the business must pay attention how to distribute the time properly.
3. Determination of price must be based on fix cost and variable cost plus profit. The low price can increase product demand but also decrease profit.
4. The product quality is a dimension of the product determined by consumer. The marketed product is a product ordered by consumer must be in accordance with agreement.
5. The flexibility to catch consumer taste is company activity to respond customer needs effectively and efficiently. The businessman is demanded to be able to achieve competitive effect.
6. Religion norm must not be forgetter in forming competitive effect for small business.

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### 2.5 Food and Beverage Small Business According to Its Classification (Growth, Persist, Slowdown and Stop)

Free market era need competitive effect for company. To survive in tight competition businessman is demanded to master competitive effect concept. The most of businessman in Java Island is traditional business and passed on from one generation to the other. According to Prihatminingtyas (2005) the high ability supported by good performance will increase satisfaction.

### 2.6 The Increase of Clean Culture and Social Responsibility

The more and more increase of public awareness to consume safe food for health and fast food pattern and modern, not yet fully supported by the availability of food product containing natural food additional material and safe). Sometimes the businessman add chemical material for food preservation. But, according to PP Menkes No. 1168/Menkes/PER/X/1999 mentioned that chemical material application for food and beverage is prohibited.

## 3. Materials and methods

### 3.1 Research methodology

This research is *explanatory* research carried out in 3 groups in Magelang Regency, Central Java Province and 2 groups in Sleman Regency, Yogyakarta Special Province and focused in food and beverage small business. Taking into consideration: 1. Distance of business location and river. 2 Frequency of lahars pass by the river. Population in this research is the entire small businessman who run the business in the field of food and beverage within disaster area of merapi volcano, with criteria run the business at least one year. Method of sampling carried out by census method (it was 20 samples for every group). This research will be carried out for 3 years. The first year research is experimental research focused on openness of food and beverage business opportunity exploit strength and opportunity in an effort to overcome weakness and threat of small business. The second year research focused on development of new employment, food beverage business management, and identification of disaster location. Such a thing will be used as the basis to make a socialization and small businessman development. The third year research will be focused on prediction of economic status increase, marketing potential, free disaster business location, social welfare increase prediction.

This research location has been adjusted with social culture condition of small businessman where a large part of their means of livelihood is small business owner and farmer, own field relatively limited. Map of area in figure 1. This research was conducted by five areas consisted of:

- 1) Area I: Seloboro Village
- 2) Area II: Plosogede Village
- 3) Area III: Kepuharjo Village
- 4) Area IV: Bimomartani Village



#### 5) Area V: Sindumartani Village

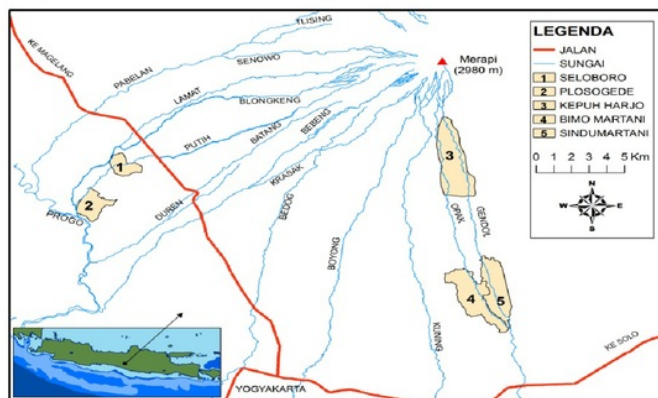


Figure 1: 1. Seloboro Village Area, 2. Plosogede Village Area, 3. Kepuharjo Village Area, 4. Bimomartani Village Area and 5. Sindumartani Village Area

#### 3.2 Questionnaire survey

Data analysis used qualitative method to describe an illustration of business feasibility consisted of: 1. Many kinds of small business conducted by local people, new employment in the field of food and beverage business in unsafe disaster area merapi volcano. 2. Strength and opportunity exploitation in an effort to overcome weakness and threat, especially, in an effort to deal with competition. 3. Adjustment in Merapi volcano status condition changed rapidly.

#### 4. Results and discussion

##### Reality Life on the Slopes of Mount Merapi in Java-Indonesia

##### Merapi Volcano Illustration and Cold Lahars Disaster

Fertile soil conditions as a place many kinds of food and beverage small industry growth. The people living all along the river flow have a myth and unique local culture where they feel safe from cold lahars disaster. They have a science of their environment and know quite well on eruption or another natural disaster. Upon Merapi eruption in 2010 and 2011, new comer people from relatively safe area have less a science on natural disaster. For example, sand miner from outside area working in Merapi valley often trapped with lahars.

Seasonal flood caused by the water height flowing into the canal while the canal can't catch materials and water. The seasonal flood is overflowing to low area and settlement area. One of the reasons that has become of cold lahars in Merapi is the high of rain fall where it rained for one or two hours. If top Merapi volcano is cloudy every time, materials resulted from eruption washed away by rainwater. In this case, top Merapi washed away by rainwater and the river flow containing volcanic material lateness starting from the smooth one until the coarse one mixed with old rock within the valley flowing and damage all the place passed and become sediment in slope slightly area. Eruption process of Merapi volcano can be seen on television for several days illustrating that it is very dangerous and its impact happened for a long time in fact even for many years. Eruption energy from Merapi volcano was very big. That's why outpouring of lava materials achieved as far as by the kilometer and took a long time. This caused sediment resulted from eruption collected within top Merapi until hundreds of million meter cubic. This sediment will flow down during the rainy season and changed to cold lahars.

Competitive effect concept in the field of operational management put forward by Prihatminingtyas (2005). It described that 4 (four) priority factors of competitive effect must be developed in company operational activity to dominate certain market segment. They are (1) cost, (2) quality, (3) time, and (4) flexibility. The following is a short description on the four factor including indicators.

1. Low price will increase demand of product and services, but will also decrease profit if they can't achieve low cost. To compete with cost, operational manager will have to pay attention with manpower, material, overhead cost and other cost to design a system for which production cost per unit is lower. Cost reduction needs additional investment. So, indicator of cost factor is low operational cost.
2. Quality is a dimension of product or services determined by consumer. With regard to operational the two important indicators in quality are high performance design and consistent quality.

## 5. Conclusion

### 5.1 Research result discussion

In this research, small business is referred to the laws no. 20 in 2008 stated that small business is business with yearly omset between of 300 million to 2,5 billion. Total asset is between of 50 million to 500 million. Based on the research result, we expect that small business development in the field of food and beverage, among others :

1. Market extension and onset increase,
2. Productivity increase,
3. Income increase,
4. Applied technology,
5. Access to Bank on credit matters,
6. Business linkage upstream-downstream.

#### 1. New Employment Development

Many kinds of small business conducted by local people especially food production is a uniqueness ones. Generally speaking, at the time of cold lahars disaster the people want to see close by. If this condition changed to tourist destination, there will be a good opportunity to market food production result and also the positive impact to create new employment in unsafe area of Merapi volcano disaster. The opened opportunity of food and beverage business proven can increase village economy and local people income.

To increase food and beverage creative industry to compete freely still need training and accompany on continuity basis. In order to get economic price, they should give priority to quality standard of small business and increase mass production to get economic price. To help a process in product improvement using health quality standard and license process of PIRT. To increase quality standard and publish local product. To socialize and develop small businessman with clean culture in using social guarantee, not to apply chemical materials that is very dangerous.

#### 2. Food and Beverage Business Management

The ability to use strength and opportunity in an effort to overcome weakness and threat, especially in dealing with competition is more and more competitive. To overcome the weakness in dealing with free market that is more and more competitive especially green product from China, Japan, Taiwan and Singapore. It needs training on continuity basis and fully understands what kind of food and beverage current business problem. Giving input to local government to decrease and limit food & beverage import and give priority to traditional product in increasing income local people. Introducing to small businessman in applying information technology on online basis and informal education.

The potential of local people in Seloboro village, a large part of them become excellence product center among others: sweet cake candy, soursop candy, pudding, cake made of sticky rice and palm sugar and taffy made of sticky rice (*dodol bandung*). The products produced on regular and seasonal basis. Regular product is produced to meet the demand of local market in Yogyakarta, Magelang, Sleman and Centra Java area. While seasonal product is produced to meet the demand on certain event. For example : the people who will have a thanksgiving party and by Idul Fitri. Although Seloboro village situated approximately 300 meter from sungai putih, but, Taniwati group led by Wiyatno in sukowati subdistrict village is one of social institution get a training to produce cake, and total member of 30 people always produce many kinds of food during Idul Fitri. One of the excellence products is taffy made of sticky rice (*dodol bandung*). At a glance this product comes from bandung, but, this product is produced by food industry center in Seloboro village.

Slondrok getuk and slondok singkong are excellence product center from Plosogede village. Mr. Dwiyanto as the owner of this company is a businessman who producing slondrok singkong. To produce slondrok he needs one day for 10 kg Sondrok. The constraint faced to dry product material out is dustrain and the product less good. Its marketing just limited in surrounding area, usually the traders buy without packaging. Mr. Sriyanto, comes from dusun Druju Tegal subdistrict village, Plosogede village, Ngluwar subdistrict, Magelang Regency is a businessman producing snack (slondrok getuk). Mr Sutono, living with less than 300m distance from the river, comes from Plosowetan subdistrict village, Plosogede village, Ngluwar subdistrict, Magelang Regency is a businessman producing snack (spongecake with ginger taste/ *bolu rasa jahe*).

Starting to stay in *huntap* (hunian tetap / permanent residence) pagerjurang is been since 2012. For the limitation in producing, he uses empty house next to his house. He and his family have been producing, *Bakpia* of purple sweet potato (*bakpia ketela ungu*), mushroom crispy (*krispy jamur*), Instant ginger (*jahe instan*), palm sugar (*gula merah*). Production process of *bakpia*, instant ginger and palm sugar take time approximately 6 hours, while producing mushroom crispy takes time of 3 hours. Unique product in Huntap pagerjurang, among others : *Abon lele*, *kripik kulit lele* and *stik duri* and *kepala lele*. Since his house and all of asset affected by natural disaster, they were evacuated in huntara. In his sparetime he underwent a training program to look after freshwater catfish (*lele*). After harvesting the price of freshwater catfish (*lele*) is cheap. He also underwent some



training to produce shredded meat (*abon lele*). He takes one day to produce shredded meat with 17 kg raw material of *lele*. After processing it results 3,15 Kg *abon lele* with two product *abon lele* taste original and taste spicy. To avoid waste, skin of *lele*, made crispy where its head and spine, made stick. The constraint is 1. Raw material is not enough, 2. Marketing is just in local area.

Small industry of processing food in Bimomartani village has an uniqueness. One of them is little fried chips (*emping kecil*). It takes 4 hours to produce it. The product demand relatively good and marketing process use motorcycle door to door. A large part of traditional product is not supported by license of P-IRT and production process by traditional method. In framework of increasing income, a large part of small businessmen in Bimomartani village need additional expert to accompany them on continuity basis.

Sindumartani village, Ngemplak Subdistrict, Sleman Regency with living location between 100m to 300 m from the river, is business center producing mushroom crispy, *bakpia* of purple sweet potato, *bakpia* of mung bean (*bakpia kacang hijau*), baby nila krispy, fresh drinking and tonic herbs.

### 3. Identification of Disaster Location

Physic picture has shown that the lowest height of body in Seloboro village of 133 centimeter, while the highest of body is 181 centimeter in Sindumartani village. The heavy of the thinnest body of 35 kg in Sindumartani village, while the heavy of fattest body of 86 kg in Bimomartani village. If the heavy of body is too fat means excessive heavy of body will decrease agility to avoid from disaster danger. Too high of body has shown that running to avoid from natural disaster danger face difficulties. It means related to the height of door in or door out from the household. From the height and heavy of physic picture point of view in research area, it is still standard means not too high and not too fat.

The people living all along the river flow have a myth and unique local culture where they feel safe from cold lahars disaster. They have a science of their environment and know quite well on eruption or another natural disaster. Upon Merapi eruption in 2010 and 2011, new comer people from relatively safe area have less a science on natural disaster. For example, sand miner from outside area working in Merapi valley

The ability to make an adaptation when Merapi volcano status always changing rapidly. No matter how Merapi volcano disaster can't be avoided. But, as small businessman, he must be able to anticipate it. In fact, no result in accordance with site condition during the 2013-2014 rainy season, we no find household seriously damage due to lahars flow. But, the things to be underlined here this mode is a calculation result of once lahars flow. It means if lahars flow happened so many times and change river geomorphology (depth and width) and sand mining activities were caused by big rock, it is possible the changing of nature and character from lahars flow. These lahars will be more destructive and not so danger. During the 2013-2014 rainy season we no find household damage due to lahars flood and the people feel safe. Although Merapi volcano status is often changed rapidly, the people can still make an adaptation

### 4. Food and Beverage Business Approach:

Food and beverage business approach is also able to stimulate innovation through sharing of experience and science among the businessmen. The growth of food and beverage industry is not just to institution and system, but also is in competitive advantage to determine social welfare of the people. Beside that it determined by location. Approach to be done, among others:

1. Integrated system,
2. To increase negotiation,
3. Cost efficiency,
4. Impact of area economic development

### 5. Development and Counter parting Models

The low of economy competitive effect in Indonesia is caused by many factors either internal factor or external factor in small business. Strategies to be done to develop the area are as follows:

1. Strategy for area development directed to equity. It will support efficiency and sustainability.
2. Principle to be used as indicator in area development is competitive effect, productivity and efficiency.
3. Development paradigm to be done must be more oriented to special development at region and local by giving priority to local economic development (Prihatminingtyas B., 2010).

The importance of development and counter parting to small business to make business more efficient and are able to develop by themselves can improve people income, open employment and more able to increase their role in supplying product & services and many kinds of component either for domestic market need or overseas market. in figure 2 Counter parting Models. Activities to be done in great lines are as follows:

1. Choice of food and beverage business,
2. Identification of problem and need,
3. Identification of potential,

4. Determination object and development aim,
5. Innovation development,
6. Competitive effect strength,
7. Strength of institution network.

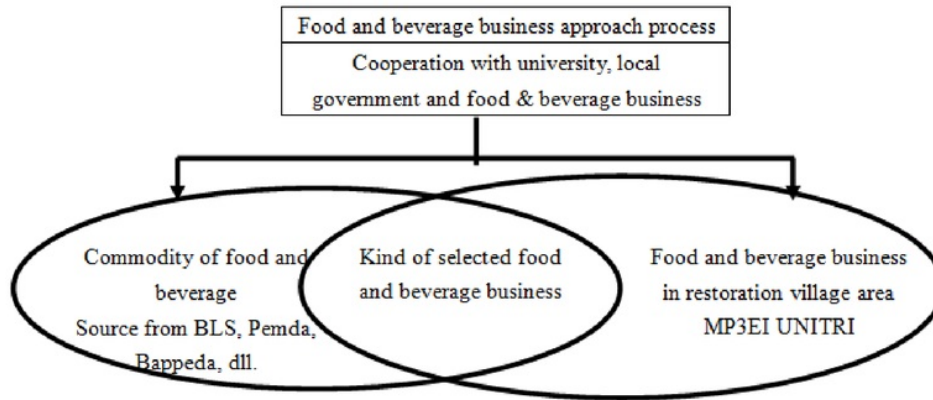


Figure 2 : Counter parting Models

The importance of maintaining small business is to increase their ability to become economy player who are able to compete by them self in accordance with perception of economic development expert.

## 5.2 Conclusion

Based on the captioned description can be concluded as follows:

### 1. New Employment Development

The openness of opportunity for food and beverage business can support village economy and increase people income. So, small business conducted by local people can create new employment in Merapi volcano disaster unsafe area.

### 2. Food and beverage business management

The ability to use strength and opportunity in an effort <sup>1</sup> to overcome weakness and threat especially dealing with competition is more and more competitive. It needs training on continuity basis and fully understands the matters in food and beverage business, in order to be a competitive creative industry and counter parting in getting P-IRT license. To socialize and develop to small businessmen of clean culture and not applied chemical material that is very dangerous for the health.

### 3. Identification of disaster location

The food and beverage small businessman are able to make an adaptation although Merapi volcano status changing rapidly. No matter how Merapi volcano disaster can't be avoided. Small businessman must be able to anticipate as well. In fact, mode result in accordance with condition at site during the 2013-2014 rainy season we no find household seriously damage due to lahars flow. So, the people feel safe and are able to make an adaptation with the environment and the business can continue.

## 5.3 Suggestion

In framework to increase competitive effect and stimulate food & beverage industry development based on <sup>1</sup> people economic to good local industry need to pay attention some suggestions

1. Understanding or vision-mission of concept to push food & beverage industry development based on people economic.
2. Empowerment and counter parting to people on continuity basis to develop food & industry for extension employment.
3. Coordination on harmony basis among local government as motivator, facilitator, dinamisator and motivator with university and people.

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