

CHAPTER I

INTRODUCTION

This chapter contains background, problem formulation, research objectives, problem limitation, and outline of report.

1.1 Background

Indonesia is the third largest producer of cacao beans in the world (fao.org, 2013). Cacao beans are valuable export commodity for Indonesia (Zulfiandri, 2012). But, in year 2010 there was a policy that applied to reduce the export volume of raw cacao beans and increase the grinding volume (processing) of cacao beans as raw materials for domestic industry. This policy contained in the Minister of Finance Regulation no. 67/PMK.011 / 2010 about Stipulation of Exported Goods Worn by Export Duty and Tarif of Export Duty.

After the application of export duty in April 2010, there was a change of structure in the production of Indonesian cacao where the role of processed cacao production in Indonesia increased to 41% of the total cacao beans production (Syadullah, 2012). This is shown in Figure 1.1:

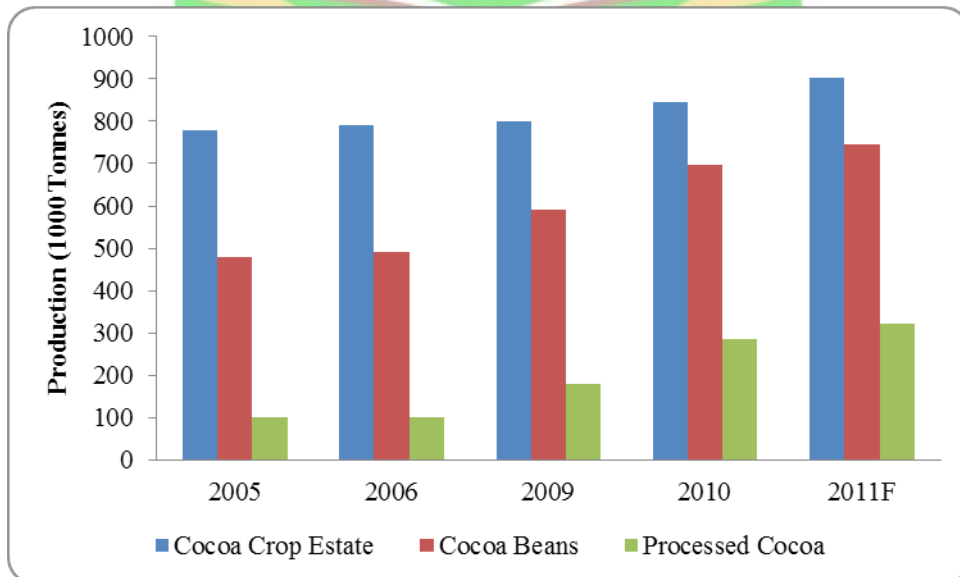


Figure 1.1 Profile of Cacao Industry in Indonesia
(Source: Indonesian Cacao Industry Association, ICCO.org, 2011)

Figure 1.1 shows the increase of domestic processed cacao production causes the increasing use of domestic cacao beans as raw material for local industry. This increase is due to the growth of new cacao processing industries. Asheri (2013) mentioned that in 2006, cacao and chocolate companies in Indonesia still numbered 21 units, and increased to 39 units in 2013. Furthermore, Asheri (2013) states that domestic cacao processing companies also have seen increase their production capacity. However, the increasing number of cacao processing companies is not a parameter to the progress of the national cacao industry. Despite the increase in the cacao processing industry, the welfare of farmers as the main actors of cacao beans has not increased significantly. This is because the increase of cacao industry is dominated by the role of foreign and multinational companies. As in 2011, Malaysian investors established a cacao processing factory PT. Asia Cacao Indonesia located in Batam. In 2013, other foreign factories stand, including JB Cacao from Malaysia, Mars and Cargill from United States, and Nestle from Switzerland (Indonesian Cacao Industry Association, 2013). These factories produce intermediate products such as chocolate powder as raw materials sent to their country to be processed into chocolate. Chocolate or chocolate derivative products from these countries are then re-exported to Indonesia (Asheri, 2013).

Indonesia has only served as a provider of raw materials for cacao downstream industry. The cacao downstream industry is growing in countries that have relatively low or no cacao beans as source of raw materials, such as European countries, the United States, China, Malaysia and Singapore. For example, compared to Malaysia, which is one of the largest importers of Indonesian cacao beans, Indonesia has a cacao downstream industry with a much lower export value . This is shown in Table 1.1:

Table 1.1 Comparison of Indonesia-Malaysia Cacao Export - Imports and Products Value in 2013

Item Code	Item	Unit	Export Value		Import Value	
			Malaysia	Indonesia	Malaysia	Indonesia
661	Cocoa, beans	1000 US\$	114.088	446.095	764.981	77.422
664	Cocoa, butter	1000 US\$	379.387	356.764	16.159	2.770
662	Cocoa, paste	1000 US\$	75.290	76.557	71.389	919
665	Cocoa, powder & cake	1000 US\$	416.120	220.321	93.531	66.423

(Source: <http://www.fao.org/faostat/en/#data/TP,2018>)

Table 1.1 shows that the import value of Malaysian cacao beans is high, possibly due to the development of cacao processing industry so that the need of cacao beans as raw materials for these industry is high, while the production of cacao beans in this country is not sufficient. On the other hand, Table 1.1 shows the products of Malaysian cacao downstream industry, those are cacao powder and cake, and cacao butter exports are higher than Indonesia. The use of domestic cacao beans as raw materials for the cacao processing industry should be further optimized by improving the domestic cacao beans processing. By increasing exports of finished products from processing cacao beans, it will further increase the economic value of the commodity.

The policy to develop the national cacao commodity to the downstream products is a right policy. In order to gain a higher economic value than just exporting raw cacao beans. The development of cacao crop estate products to the downstream industry products will greatly affect welfare through the opening of jobs vacation in the cacao processing industry. Therefore, the government especially the Ministry of Industry encourages the development of the national cacao downstream industry.

West Sumatera is the center of the cacao crop estate in western Indonesia. The development of the cacao downstream industry has been supported by West Sumatera Province's government. The results of the study indicate that cacao crop estates are important to the regional economy of West Sumatera and prospectively developed in the future (Damanik, 2010). Almost all city and regency in West Sumatera Government develops this cacao crop estate.

Downstream industries are industries that further process primary industrial products, their raw materials are raw materials or semi-finished

materials produced by other industries, generally these industries are located adjacent to industries producing their raw materials (Waluyo, 2017). There are several cacao downstream processing businesses in West Sumatera, such as Adam Mini Factory Cacao Processing located in Padang Pariaman, Chokato Factory located in Payakumbuh, and UPH Bungus Agro located in Padang. UPH Bungus Agro is a cacao downstream processing business located in East Bungus, Bungus Teluk Kabung Sub-district, Padang, West Sumatera. UPH Bungus Agro started to operate in 2015. This business obtains raw materials in the form of cacao beans from farmers around its location and processes them into several downstream products. The downstream products are chocolate bar, cacao powder, 3 in 1 chocolate powder, chocolate candy, and cacao fat with brand "Taraso" which has obtained home industry permit (P-IRT). The processed chocolate product of UPH Bungus Agro is claimed to be a type of chocolate with a very low contains of cacao fat and use minimal portion additives so that these products have better health benefits.

According to Madam Rahmi Yeni Eka Putri S.TP, MM as the advisor of UPH Bungus Agro from agriculture department of Padang city, since the start of operation of UPH Bungus Agro in 2015 until now, the development of UPH Bungus Agro including slow. UPH Bungus Agro as a business unit has fulfilled the characteristics of Micro, Small, and Medium Enterprises (MSMEs). Therefore in its development, UPH Bungus Agro also faced obstacles faced by MSMEs in general. According to the Indonesian Banking Development Institute (2015) the common obstacles faced by MSMEs include internal constraints and external constraints. Obstacles that include internal constraints are the lack of capital, capabilities and professionalism of employee, legality, and acuntability. While external constraints include an unfavorable business climate, limited infrastructure, and inadequate business access. Nationally, cacao as a leading commodity in Indonesia, is still not developed by MSMEs into an advanced business (Retnoningsih, 2016).

Based on these obstacles, it is necessary to evaluate the performance of UPH Bungus Agro so that UPH Bungus Agro can know the achievement of company objectives and its performance level. Evaluation results will help the

decision-making process or development plan of UPH Bungus Agro to improve business performance in order to achieve business improvement. According to Ratnamurni (2011) to evaluate is through by several steps, they are define step, measure step, improve step and analyze step.

This research is directed to obtain an approach to improve cacao processing performance in UPH Bungus Agro in order to obtain the direction improvement plan of this cacao processing business. Therefore, this research with the title of Performance Evaluation Of Cacao Downstream Processing Unit “Unit Pengolahan Hilir (UPH) Bungus Agro” is important to be conducted to obtain the improvement proposal. Hopefully the results of this research can be a consideration for UPH Bungus Agro.

1.2 Problem Formulation

The formulation of the problem in this study as follows:

1. How is the performance of UPH Bungus Agro currently?
2. What is the proposed performance improvement plan to be conducted by UPH Bungus Agro?

1.3 Research Objective

Objectives to be achieved by doing this research as follows:

1. Evaluate the performance of UPH Bungus Agro
2. Formulate the proposed performance improvement plan that needs to be conducted by UPH Bungus Agro.

1.4 Research Scopes

The research conducted has some scopes as follows:

1. Research is based on information obtained until March 2018.
2. Stakeholders covered in this research are the customer, supplier, employee, and the head manager of UPH Bungus Agro.

1.5 Outline of Report

The systematics of this research report is arranged format as follows:

CHAPTER I INTRODUCTION

This chapter contains background, problem formulation, research objectives, problem limitation, and outline of report.

CHAPTER II LITERATURE REVIEW

This chapter contains theories related to this research's topic. These are including the processing of cacao beans, *pohon industri kakao*, cacao supply chain, company performance measurement, Importance-Performance Analysis (IPA), House of Quality (HoQ) Matrix, and Analytic Hierarchy Process (AHP).

CHAPTER III RESEARCH METHODOLOGY

This chapter contains the research steps, starts with preparation of the research, the formulation of key performance indicator (KPI), the measurement of company performance, the identification of performance priorities to be improved, the formulation of the proposed improvement plan, the analysis, and the conclusions and suggestions.

CHAPTER IV FORMULATION AND MEASUREMENT OF KEY PERFORMANCE INDICATOR (KPI)

This chapter consist of the formulation stages of Key Performance Indicator (KPI) of UPH Bungus Agro and its measurement. The stages begin from the identification of five perspective based on performance prism method, the identification of Key Performance Indicator (KPI), the validation of the Key Performance Indicator (KPI), and the weighting of the Key Performance Indicator (KPI). The results from the formulation of KPI later will become a parameter to determine the performance of UPH Bungus Agro.

CHAPTER V FORMULATION OF PROPOSAL FOR IMPROVEMENT

This chapter contains the prioritization of performance improvement and the formulation of proposed improvements.

CHAPTER VI CONCLUSIONS AND SUGGESTIONS

This chapter consist of conclusions and suggestions of report. The conclusions are based on the purpose of report writing as a result of the research conducted. While the suggestion that can be used as input for the company and for further research.

