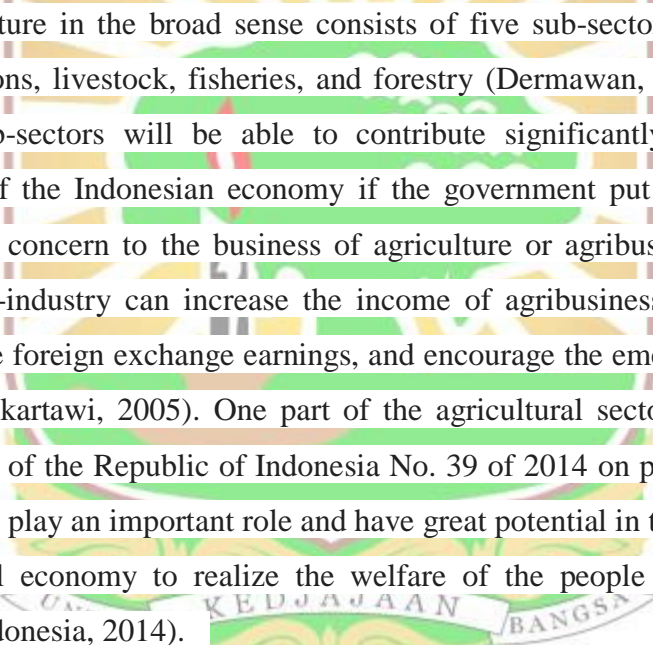


CHAPTER I

INTRODUCTION

This chapter contains about the background of the proposal, problem formulation, the objectives of the final project, the scope of the problem, and the outline of the report.

1.1 Background



Agriculture in the broad sense consists of five sub-sectors, namely food crops, plantations, livestock, fisheries, and forestry (Dermawan, 2016). The five agriculture sub-sectors will be able to contribute significantly to the future development of the Indonesian economy if the government put more attention, such as giving concern to the business of agriculture or agribusiness and agro-industry. Agro-industry can increase the income of agribusiness actors, absorb labors, increase foreign exchange earnings, and encourage the emergence of other industries (Soekartawi, 2005). One part of the agricultural sector is plantations subsector. Law of the Republic of Indonesia No. 39 of 2014 on plantations states that plantations play an important role and have great potential in the development of the national economy to realize the welfare of the people in justice (The Republic of Indonesia, 2014).

Sugar cane plantation is one of the potential plantations in West Sumatera. Sugar cane production in West Sumatra tends to increase every year. Tanah Datar and Agam are the main areas of sugar cane producers (Badan Pusat Statistik Provinsi Sumatera Barat, 2018). Production of sugar cane plantations in West Sumatra from 2007 to 2016 is presented in **Table 1.1**.

Table 1.1 The Production of Sugar Cane in West Sumatera

Kabupaten/Kota	Produksi Perkebunan (Ton)										Total
	Tebu										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Sumatera Barat	14576,0	15001,0	61619,1	4014,0	14915,0	14921,0	15023,0	15063,0	15531,0	11078,6	181741,6
Kab.Kep.Mentawai	-	-	-	-	0,0	0,0	-	-	-	0,0	0,0
Kab.Pesisir Selatan	-	-	-	-	0,0	0,0	1,0	1,0	3,0	0,0	5,0
Kab.Solok	678,0	904,0	4188,6	1692,2	1012,0	1014,0	1012,0	1090,0	1135,0	1339,8	14065,7
Kab.Sijunjung	9,0	18,0	65,2	-	19,0	0,0	-	-	-	0,0	111,2
Kab.Tanah Datar	5578,0	5590,0	22005,0	2270,6	5519,0	5586,0	5616,0	5601,0	5681,0	1721,0	65167,5
Kab.Padang Pariaman	-	-	-	-	0,0	0,0	2,0	2,0	10,0	0,0	14,0
Kab.Agam	8200,0	8356,0	34781,3	-	8209,0	8209,0	8274,0	8259,0	8560,0	106,1	92954,3
Kab.Lima Puluh Kota	-	-	-	-	0,0	0,0	-	-	-	0,0	0,0
Kab.Pasaman	-	-	-	-	0,0	0,0	-	-	1,0	0,0	1,0
Kab.Solok Selatan	-	-	-	-	0,0	0,0	-	-	-	0,0	0,0
Kab.Dharmasraya	-	-	-	-	0,0	0,0	-	-	-	0,0	0,0
Kab.Pasaman Barat	44,0	44,0	182,3	48,5	47,0	0,0	-	-	1,0	0,0	366,8
Kota Padang	54,0	76,0	328,2	-	87,0	87,0	87,0	79,0	83,0	1260,0	2141,2
Kota Solok	-	-	-	-	0,0	0,0	-	-	-	0,0	0,0
Kota Sawahlunto	-	-	-	-	0,0	0,0	6,0	5,0	12,0	0,0	23,0
Kota Padang Panjang	-	-	-	0,8	5,0	6,0	6,0	4,0	4,0	0,0	25,8
Kota Bukittinggi	-	-	-	-	0,0	0,0	-	-	-	0,0	0,0
Kota Payakumbuh	13,0	13,0	68,6	1,8	17,0	19,0	19,0	19,0	35,0	6651,7	6857,1
Kota Pariaman	-	-	-	-	0,0	0,0	-	3,0	6,0	0,0	9,0

(Source : sumbar.bps.go.id)

Central of sugar cane plantations in Agam is in Nagari Bukik Batabuah and Nagari Lawang with the area of 4.012 Ha in 2014 (Dinas Perkebunan Sumbar, 2014). According to Yulia, the head of Kelompok Wanita Tani (KWT) Sakinah, the majority of people in Nagari Bukik Batabuah get income from sugar cane farming for a long time. In general, people in Nagari Bukik Batabuah process sugar cane into block cane sugar and start to produce brown sugar as an alternative of granulated sugar. Brown sugar contains fewer sugar levels than granulated sugar does. The selling price of this brown sugar is also higher than block cane sugar, which is Rp 40,000 per kilogram while block cane sugar is around Rp 13,000 per kilogram. This advantage causes brown sugar has good potency to be developed so it can increase the community's income. The marketing of brown sugar can be developed into hotels, mini markets, and other places in addition to traditional markets.

One of the home industry that processes sugar cane into brown sugar is KWT Sakinah. KWT Sakinah is located in Lubuak Nunang, Jorong Batang Silasiah, Nagari Bukik Batabuah, Canduang, Agam, West Sumatera. Based on the advantages of brown sugar, KWT Sakinah has a good opportunity to develop their business. Nowadays, KWT Sakinah faces a problem in the marketing network. It still has a limited marketing network, they produce brown sugar only when they get the order from other people, hotel, or some enterprises.

There is also some problem found in the brown sugar production process area. The production processes still use low technology level, the place is unhygienic, and the production place is not yet permanent. The place to store the sugar cane juice is very low and parallel to the ground, allowing dirt like water splashes, soil and the rest of the sugar cane into the sugar cane shelter. Raw materials and residual materials only placed on the floor because there is no special container to accommodate it. The condition of the workplace can be seen in **Figure 1.1**. The problems within the production place and production process above is due to the limitation of the working capital. The present working capital only comes from group contributions.

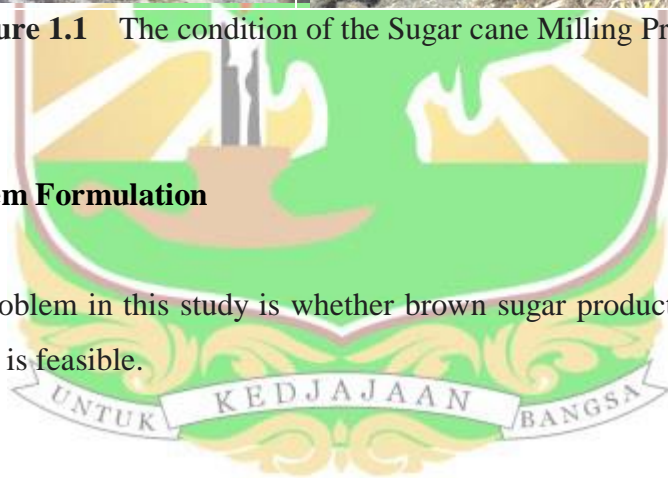
In order to develop brown sugar production business, KWT Sakinah has to overcome the problem of limited marketing network and limited working capital. Based on that situation, it is necessary to do the feasibility study of the development of KWT Sakinah brown sugar production business. The aspects of feasibility studies required in the establishment of this plant consist of market and marketing, technical and technological, and financial aspect.



Figure 1.1 The condition of the Sugar cane Milling Process

1.2 Problem Formulation

The problem in this study is whether brown sugar production facilities of KWT Sakinah is feasible.



1.3 Objectives of the Final Project

This study aims to know the feasibility of KWT Sakinah brown sugar production facilities.

1.4 The Scope of the Problem

The scopes of the feasibility study are market and marketing aspect, technical and technological aspect, and financial aspect. The things that need to be discussed in the facilities development process are the market potential to set production targets, machinery and production equipment needed to meet production targets, and the funds needed along with the gains or losses obtained. These things have been covered in the discussion of the three aspects mentioned above. Therefore, other aspects are not thoroughly discussed in this study.



1.5 Outline of Report

The outline of the report is divided into seven chapters as follows:

CHAPTER I INTRODUCTION

This chapter consists of background issues, problem formulation, research objectives, research benefits, problem limits, and systematic writing of proposals.

CHAPTER II LITERATURE STUDY

This chapter consists of theories relating to research that is about brown sugar, business feasibility studies, and related research.

CHAPTER III RESEARCH METHODOLOGY

This chapter consists of steps in conducting research, which are preliminary studies, literature studies, data collection and processing, analysis, and closing.

CHAPTER IV MARKETING AND TECHNICAL ASPECT

This chapter consists of data collection and data processing on marketing aspect and technical and technology aspect which relate to the design of production facilities.

CHAPTER V FINANCIAL AND ECONOMIC ASPECT

This chapter consists of data collection and data processing on the financial aspect.

CHAPTER VI ANALYSIS

This chapter consists of an analysis of each aspect to know whether each aspect is feasible or not.

CHAPTER VII CONCLUSION AND RECOMMENDATION

This chapter consists of conclusions from the research conducted based on the research objectives and provides a useful recommendation.

