



CAPITAL CAPABILITY ANALYSIS OF COFFEE BUSINESS (Case Study: Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency)

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Abstract

This study aims to analyze the social and economic characteristics of coffee farmers, the annual capital requirements of each coffee farmer, methods and sources of capital procurement for coffee farmers, the amount of allocation of funds received by farmers from their income for further farming capital, as well as the role of the government in strengthening the capital of coffee farmers in Indonesia. research areas. The results showed that the social characteristics of the farmers, namely the average education condition of the sample farmers was 11 years, the tenure / status of farmer's land ownership of their own land, family inherited land, profit sharing land and leased land, farmers' openness to access to capital was 29, 30% choose to borrow from formal institutions, namely banks and CUs and 13.80% choose to borrow from non-formal institutions, namely family or fellow farmers, and economic characteristics, namely the total income of farmers are IDR 18,526,254 per year; The capital requirements needed by farmers in conducting coffee farming are IDR 3,017,170 per year; The method and source of farmers' capital procurement come from their own capital by 56.90%, from CU 27.60%, from friends/fellow farmers by 10.35%, from token by 3.45% and from banks by 1.72% from the total of all samples; Sample farmers can allocate as much as 39.2% of their income for further farming capital; The government's role in strengthening capital in Desa Sitolu Bahal is only in the form of fertilizer subsidies which are channeled through official fertilizer kiosks and farmer groups at prices that are cheaper than non-subsidized fertilizers.

Keywords: Capital, Coffee, Farming

1. Introduction

Indonesia is known as an agricultural country, which means that the agricultural sector plays a role in national economic development. In short, the contribution of the agricultural sector is reflected in its contribution to the formation of the National Gross Domestic Product (GDP), employment, exports of agricultural products and contributes many benefits to the country in meeting food supplies. The agricultural sub-sector consists of the food crop sector, the plantation sector, the forestry sector, the fishery sector and the livestock sector. The plantation sub-sector is one of the sub-sectors that has experienced the most consistent growth, both in terms of area and production. As one of the important sub-sectors in the agricultural sector, the plantation sub-sector has traditionally had a significant contribution to the Indonesian economy.

One of the leading commodities in the plantation sub-sector is coffee. Coffee is a product that has good market opportunities both domestically and abroad. Indonesia is an important coffee producing country. BPS data shows that the area of coffee plantations in Indonesia in 2019 managed by large companies was only around 42,500 ha, while the area of smallholder coffee plantations reached 1.2 million Ha.

In general, most of the problems faced by farmers are not being able to finance their business. Although various efforts have been made by the government through the Ministry of Agriculture with the Strategic Plan of the Ministry of Agriculture for 2015–2019 in providing assistance in the form of access to capital such as the Rural Agribusiness Development (PUAP) policy, the development of credit schemes with guarantees or People's Business Credit (KUR), subsidies for fertilizers and seeds to the relevant official agencies. However, this does not completely overcome the capital difficulties for farmers (Mandry, 2012).

The availability of capital sources that can be accessed by farmers is still very limited, so that the purchase of farming inputs is sometimes adjusted to the available own capital. This results in the achievement of farming production that is less than optimal.

Agricultural capital in a broad sense is a factor of production that is channeled, managed and controlled in economic activities in the agricultural sector and is one of the sectors of the national economy. Agricultural capital can be in the form of cash or in the form of goods used in agricultural production activities, such as seeds and agricultural machinery. Farming capital has the meaning of production factors that are provided, processed and controlled in a large-scale farm or small-scale or simple farm (Kadarsan, 1992).

Farming science is usually defined as the study of how a person allocates existing resources effectively and efficiently to obtain high profits at a certain time (Soekartawi, 2006). Farming can be said to be effective if farmers can allocate the resources they have as well as possible, and are said to be efficient if the utilization of these resources produces outputs that exceed inputs.

(Hendayana et al., 2009) stated that the main problems faced by farmers are weak capital, while accessibility to sources of capital, markets, and technology) and farmer organizations are still weak. This low level of capital control makes the level of technology adoption at the farmer level low, which results in low farm productivity. Thus, it is not uncommon to find that lack of capital is an obstacle for farmers to fully implement technologies and develop their farms (Omobolanle and Olu, 2006).

Farming activities are influenced by several factors. One of the influencing factors is the socio-economic factors of farmers including age, education level, farming experience, number of family dependents and land ownership (Tambunan, 2003).

Production costs are the total costs incurred to meet production needs in the form of services or goods (Wanda, 2015). Production costs can be classified on the basis of the relationship

between changes in production volume, namely fixed costs and variable costs. Fixed costs are costs whose size is not affected by the size of production, while variable costs are types of costs whose size is related to the size of production. In coffee farming, the fixed costs include land rent, equipment depreciation costs and capital interest payments; while variable costs include costs for purchasing seeds, fertilizers, medicines and labor costs.

Revenue in farming is the total income received by producers or farmers from production activities that have been carried out which have generated money that has not been deducted by costs incurred during production (Husni, et al., 2014).

According to Ambarsari et al. (2014) revenue is the result of multiplying the production results that have been produced during the production process with the selling price of the product. Farming revenue is influenced by several factors, including: the area of the farm, the amount of production, the type and price of the farming commodity being cultivated. These factors are directly proportional, so that if one factor increases or decreases, it can affect the income received by producers or farmers who do farming. The larger the area of land owned by farmers, the more their production results will be, so that the income that will be received by producers or farmers is even greater (Sundari, 2011).

2. Research methods

The research area was set in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency. The research area was determined purposively. The selection of the purposive method was carried out with consideration, because Sitolu Bahal Village is one of the villages with the largest coffee plantation land in Lintongnihuta District, Humbang Hasundutan Regency.

The population in this study were all farmers who cultivate coffee in Sitolu Bahal Village. The total population of farmers in this study was 345.

The data collected in this study consisted of primary data and secondary data. Primary data is a source of data obtained directly from the field, either by interview, direct observation in the field or filling out questionnaires by respondents. Secondary data is data obtained from other relevant sources such as the Office of the Village Head of Sitolu Bahal, the Department of Agriculture and Plantation of Humbang Hasundutan Regency, the Central Bureau of Statistics of North Sumatra, the Office of the Agricultural Extension Agency of Humbang Hasundutan Regency and other related agencies that can support the completeness of the data. in this research. The analysis used in this research is descriptive.

3. Results and Discussion

3.1 Farmers' Social and Economic Characteristics

The sample farmers in question are all farmers who cultivate coffee as a staple crop in their land in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency. The social characteristics in this study are the level of education of farmers, land ownership status and openness of farmers to access to capital. While the economic characteristics in this study include sources of income received by farmers from both the agricultural sector and the non-agricultural sector.

a. Farmer Education Level

Based on the research that has been done, the education level of the sample farmers in this study can be classified as follows:

Table 1. Distribution of Sample Farmers by Education Level in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency.

No	Level of education	Amount (Soul)	Percentage (%)
1	SD	7	12.1
2	junior high school	13	22.4
3	senior High School	30	51.7
4	Bachelor	8	13.8
	Total	58	100

In table 1 it can be seen that most of the sample farmers have a final high school education level with a total of 30 samples or equivalent to 51.7% of the total sample farmers. The average state of education of the sample farmers in Sitolu Bahal Village is 11 years or equivalent to the high school level. With adequate educational conditions, farmers in Sitolu Bahal Village have a fairly good ability in managing their farming.

b. Land Ownership Status

Based on the research conducted, the land ownership status used by the sample farmers can be classified as follows:

Table 2. Distribution of Sample Farmers by Land Ownership Status in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency.

No	Ownership status Land	Amount (Soul)	Percentage (%)
1	One's own	43	74.14
2	Family Legacy	11	18.97
3	Profit sharing	1	1.72
4	Rent	3	5.17
	Total	58	100

Table 2 explains that most of the agricultural land in Sitolu Bahal Village is owned by the farmers themselves with a total of 43 farmers or equivalent to 74.14% of the total sample farmers.

c. Farmers' Openness to Capital Access

Based on the research that has been done, the openness of farmers to access to capital in Sitolu Bahal Village is classified as not good. It can be seen based on research that most farmers only use their own capital in doing their farming. Therefore, the provision of production inputs is also adjusted to the available capital, so that farming does not develop. Even though there are sources of capital available from formal institutions, such as KUR, farmers have not been able to fully access this capital and most of this is due to fairly strict procedures. This can be seen based on the source of the sample farmer loans in table 3 below:

Table 3. Data on Sample Farmer Loan Institutions in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency.

No	Loan Source	Amount (Soul)	Percentage (%)
1	Formal Institution	17	29.30
2	Non-formal Institution	8	13.80
3	Not Making Loans	33	56.90
	Total	58	100

Based on table 3, it can be seen that the sample farmers prefer not to make loans to both formal and non-formal institutions with a total of 33 farmers or equivalent to 56.9% of the total sample.

d. Income

Based on direct interviews with sample farmers, information was obtained that their source of income came from farming and non-farming activities. Their main source of income is coffee farming. In addition, the sample farmers also cultivate by-products, namely chili, potatoes, cabbage, rice and corn. The distribution of income sources of sample farmers can be classified as follows:

Table 4. Distribution of Income Sources of Sample Farmers in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency

No	Income Source	Number (Soul)	Percentage (%)
1	coffee	14	24.13
2	coffee, driver	1	1.72
3	coffee, entrepreneur	1	1.72
4	coffee, retired civil servant	1	1.72
5	coffee, chili	6	10.34
6	coffee, chili, civil servants	2	3.45

7	coffee, chili, merchant	1	1.72
8	coffee, chili, driver	1	1.72
9	coffee, chili, merchant, labor	1	1.72
10	coffee, chili, onion pre, merchant	1	1.72
11	coffee, chili, corn	2	3.45
12	coffee, chili, corn, merchant	1	1.72
13	coffee, chili, corn, cabbage, honorary	1	1.72
14	coffee, chili, potato	2	3.50
15	coffee, chili, potato, merchant, honor	1	1.72
16	coffee, chili, cabbage		1.72
17	coffee, chili, cabbage, corn, civil servant	1	1.72
18	coffee, chili, cabbage, entrepreneur	1	1.72
19	coffee, chili, cabbage, corn	2	3.50
20	coffee, corn	2	3.50
21	coffee, corn, traders	1	1.72
22	coffee, corn, chili, merchant	1	1.72
23	coffee, corn, chili, onion pre	1	1.72
24	coffee, potato	2	3.50
25	coffee, potato, merchant	1	1.72
26	coffee, potatoes, labor farmer	1	1.72
27	coffee, potato, chili	1	1.72
28	coffee, potato, cabbage, chili, honor	1	1.72
29	coffee, cabbage	3	5.18
30	coffee, cabbage, traders	1	1.72
31	coffee, cabbage, honors	1	1.72
32	coffee, cabbage, onions pre	1	1.72
33	coffee, cabbage, chili	2	3.50
34	coffee, cabbage, chili, labor farmer	1	1.72
	Amount	58	100

Based on table 4, it is known that most of the farmers cultivate coffee as the main commodity and the only source of income, namely as many as 14 samples or equivalent to 24.13% of the total sample farmers. In addition to coffee plants, farmers also cultivate side crops as an additional source of income. The side crops cultivated are chili, corn, potatoes and cabbage. Chili is a side crop that is mostly cultivated by farmers, which is 10.34%.

Table 5. Distribution of Average Coffee Farming Income for Sample Farmers in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency

No	Description	Total (Rp)
1	Reception	9,773,937
2	Production cost	1,859,366
3	Income	7,914,571

Based on table 5, it can be seen that the revenue result is influenced by the amount of production produced and the selling price of the product. The average coffee production is

585 kg with an average land area of 0.60 ha. The selling price of coffee is in the range of 16,000-17,000 per kg. The costs incurred by farmers in doing coffee farming are the costs for fertilizers of Rp. and the cost for PBB is Rp.26,862. Thus, the average income of farmers is Rp. 7,914,571 per year.

3.2 Coffee Farmers' Capital Needs

Table 6. Average Capital Needs of Coffee Farmers in Sitolu Bahal Village, Lintongnihuta District, Humbang Hasundutan Regency.

No	Description	Amount
1	Fixed Cost (FC)	
	Land lease	1,200,000.00
	Tool Shrink	359,788.94
	UN	26,862.06
2	Variable Cost (VC)	
	Fertilizer	994,698.28
	Pesticide	104.787.23
	Labor	331.034.48
TOTAL		3,017.170.99

Based on table 6, it can be seen that to carry out coffee farming, farmers must prepare capital consisting of fixed costs and variable costs. Fixed costs are costs that must be paid by farmers in a year and do not change with the increase or decrease in coffee production consisting of land rent costs, equipment depreciation costs, and PBB costs. Meanwhile, variable costs are costs incurred by farmers which can change with the increase or decrease in coffee production consisting of fertilizer costs, pesticide costs, and labor costs. So that the total capital needed by farmers in doing coffee farming is IDR 3,017,170 per year.

4. Conclusion

The social and economic characteristics of the sample farmers, namely the average education condition of the sample farmers is 11 years. Tenure / land ownership status of farmers consists of own land, family inherited land, profit sharing land and leased land. The openness of farmers to access to capital is 29.30% choosing to make loans to formal institutions, namely banks and CUs and 13.80% choosing to borrow from non-formal institutions, namely family or fellow farmers. The total income of farmers comes from agriculture and non-agriculture, with a total income of Rp. 18,526,254 per year. The capital requirement for farmers to do coffee farming is IDR 3,017,170 per year.

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