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ZHANG Yanling
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Foreword................................................................................................................................. 1

1. Feasibility Study of Establishing Agribusiness Company in Wonosobo Indonesia: A Socio-economic Analysis B. Gunhoro; A. Agus; E. Sulasri; S.P. Syahlani; R.A.R.S. Putra; D. Kastono.................................................................................................................. 2

2. Corporate Social Responsibility to Staffs from the Perspective of Labor Standards in China HE Yanzhen................................................................................................................. 10

3. MICE Associated Intellectual Property Rights Protection in China ZHANG Yanling......................................................................................................................... 22

4. Implications of the Lewisian Turning Point for China to Maintain Industry Sustainable Development SHI Hongmei............................................................................................... 29

5. Quantifying the Trade Effect of Sanitary and Phytosanitary Standard of Japan on Chinese Vegetable Exports WANG Yaxing; LIU Gaojie............................................ 37

6. The Strategy of knowledge Management in Tourism Industrial Cluster WANG Tianyou; PIAO Mingzi; FU Hongyan......................................................................................... 44

7. China’s International Firms and Corporate Social Responsibility: a Strategic Approach CHEN Yan.................................................................................................................. 50

8. Evolutionary Game Analyses Underlying the Strategic Choice between Technology Standard Introduction and Independent Innovation LIU Renzhong.................................................................................................................. 57

9. An Outlook for the Integration of Tourism Cooperation in Northeast Asia-In Comparison with Southeast Asia LI Gang; ZHEN Yuechao........................................ 65

10. Price Perception and Purchasing Intention under Different Price-Promotion Presentation WANG Xiaodong; SUN Shaohua......................................................... 73

11. Research on the development of Agricultural Tourism in Heilongjiang Province SUN Qi; SHI Changbo; YANG Peibei................................................................. 80

12. Analyses of Internal Factors in the Formation of Business Ethics Models HE Zhiwei; YANG Shaohua.......................................................................................... 85

13. Environmental Regulations and Industrial Competitiveness: China’s Evidence CHEN Yan.............................................................................................................. 90

14. Revenue Management in the Chinese Hospitality Industry YANG Jie; FENG Qing; LI Bowei............................................................................................... 96

15. Implementing Ethics Management as a New Strategic Tool in Business Organizations ZHENG Ruojuan......................................................................................... 102

16. Industry Clusters and Location Choices of FDI in the Automobile Industry in Northeast China LI Guifang; ZHAN Min.......................................................... 109

17. High-Level Tourism Professionals with Innovative Ideas: Problems and Solutions ZHEN Yuechao; WANG Tianyou................................................................. 116
Feasibility Study of Establishing Agribusiness Company in Wonosobo Indonesia: A Socio-economic Analysis

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Abstract

This research aims to analyze the feasibility of establishing agribusiness companies in Wobosobo Regency, Central Java Province, Indonesia, viewed from socio-economic aspect. Survey with observation and interview was used in this study. The interview was done towards key informants, e.g. heads of agriculture office, plantation and forestry office, livestock and fishery office, and local government of Wonosobo. Secondary data were also used in this study. The study results indicated that integrated Agro Company was expected could create a good market for community (farmers) because it would occur good standard price determination and information flow. However, it must be realized that this company would compete with existing collecting traders. Thus, it needs consideration that a good competition could be created. Identified problems include micro issues, such as optimum using of any farming business activities combinations to household income which still need better handling. It was founded in the field that the livestock sub-sector was still the second priority after crops farming, although it gave high contribution to increase household income.

1. Introduction

Wonosobo Regency is a region which still has potentials to be developed with broad area (98.468 ha). It has many natural resources and fertile lands but they are not utilized optimally yet. Therefore, in increasing and evenly distributing development, that great potential of lands and human resources should be utilized optimally in the form of a productive business involving community’s role, especially local community. Agricultural development encompassing farming, cattle farming, fishery, plantation and forestry subsectors which can involve farmer’s role becomes a right option in developing Wonosobo. This development can accommodate any development interests, such as production and foreign exchange increase in farming sector and society welfare improvement. Government and private’s roles in nationally economical development are required to evenly distribute development, particularly welfare improvement in poverty elimination, especially for rural society in Wonosobo which has exactly natural and human resources.

An economic development strategy in agriculture which could be done by government is to build and develop Integrated Agro Company. This is active in marketing of farming products and distribution of development by helping to

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market farming products produced by Wonosobo. This can more stimulate farmers to increase their production, because problems in marketing can be overcome. In view that there are many farmers are not able to provide facilities and infrastructures in farming business, the company has to provide a financing support and build facilities and infrastructures which eventually can help them to do productive activities. Therefore, this study was aimed to analyze the feasibility of establishing Agribusiness Company in Wobosobo Regency, viewed from socioeconomic aspect.

2. Methods
Data were collected from any institutions in the form of statistical numbers and many kinds of supporting data. Then collected data were systematically processed and analyzed descriptively. Literature study was carried out by exploring supporting books relating to technical problems of agricultural development, particularly each primary commodity, products marketing, and more appropriate management system. That reference can give an extensive description to find out possible matters in Integrated Agro development. The interview was done towards key informants: heads of agriculture office, head of plantation and forestry office had of livestock and fishery office, and local government of Wonosobo. The survey was conducted by research team to get responsible data, such as agriculture and other sectors development based on the commodities, environmental effect, and strategic plan for the establishment of Agribusiness Company.

3. Results and Discussions
3.1 Land Condition in Wonosobo
Wonosobo is a regency in Central Java Province, at slopes of mountains. Its area lies at slopes of Sindoro, Sumbing, Prahu, Bismo Mounts and slopes of Telomoyo, Tampomas, and Songgoriti mountains. It is 120 km from capital of Central Java Province (Semarang) and 520 km from capital of country (Jakarta) with altitude is about 270 - 2,250 meters. Its width is 98,468 hectares, with biogeophysical conditions as follows: declivity 3-8% is 54.4 hectares, 8-15% is 24,769.1 hectares, 15-40% is 42,173.6 hectares, and more than 40% is 31,829.9 hectares (BPS and Bapeda of Wonosobo Regency, 2005). Wonosobo Regency in general is a region which is located at an area with very good climate and land condition for agriculture. It has, hydrologically and geologically, great potential of natural resources. It is due to its location in around young volcanos, thus it has very high land fertility level. Land fertility influences farming and plantation potentials in Wonosobo, hence they are significant sources of income. It is natural if farming sector is a sector which absorbs most dominant labor.

3.2 Agricultural Development
Agricultural sector has a dominant and strategic role in economic development in Central Java, because in critical situation, it can relatively survive and it is still a pillar of regional economy. Most inhabitants in Wonosobo work in farming sector.
It means that life source of society bears on farming business including crops and horticultural farming, cattle farming, fishery, and plantation.

3.2.1 Crops Farming

Crops farming development is implemented through integrated intensification, diversification, and rehabilitation methods with still maintain natural resources and environment and improving quality of food production via intensive after harvest to increase people’s nutrition and farmer’s income. Working program and development activities in small-scale farming activities are: 1) Integrated small-scale farming development, 2) Farming business development, 3) Food and nutrition diversification, and 4) Farming resources, facilities, and infrastructures development. Programs and activities implementation in crops farming, forestry, and plantation sectors still pay attention to exist potential of farmland, and population existence, particularly farmer. Besides that, food availability, either to meet people’s necessity in Wonosobo or to support national logistics stock, is still major attention. Rice is still main crop and primary food for most people in Wonosobo. Since 2001, field rice production significantly fluctuated. In 2005, field rice production was 133,518 tons, it decreased as 6.77% compared to 2004. It was caused by reduced harvest area width from 31,875 hectares in 2004 to 27,216 hectares, or it decreased as 14.62% in 2005 (BPPS, 2005)

3.2.2 Plantation

Plantation subsectors development is aimed to develop plantation people and society through a plantation business. Hence, implementation of plantation development is carried out by integrating economic, ecological, and sociocultural aspects. While plantation subsectors development programs include: 1) Plantation business development, and 2) Plantation resources, facilities, and infrastructure development. To achieve that purposes and targets, policies of plantation subsector development are: 1) To increase production of plantation, 2) To improve and preserve natural and environmental conservation, 3) To improve farmer’s knowledge and skill, and 4) To increase farmer’s institutionalization through a partnership approach into agribusiness.

3.2.3 Cattle Farming.

Cattle farming subsector development is focused on enhancing empowerment of community, providing farming cattle facilities and infrastructures, and improving human resources, particularly farmer. Reached implementation of cattle farming subsector activities is more intensive cattle raising system by cattle farmer, increased amount of superior cattle breed through Artificial Insemination Program and Cattle Farmer Community Empowerment Project by superior cattle breed supplying, improvement through cattle farmer and fisherman community building program. Increase of cattle farmer’s income is carried out via activities within cattle farmer’s projects. It is also held a demplot activity, that is cattle dung utilization to be processed into organic fertilizer. Aim of cattle farming subsector
Development policies are 1) Increased cattle farming productivity through cattle farming cultivation and animal’s health, 2) Cattle breeding source development through a breeding cultivation centre and partnership system, 3) Excellent sector-based autonomous cattle farming business development, and 4) Quality improvement and cattle farming products diversification.

Mountainous geographically condition, cold climate, high rainfall, and a lot of springs resulted in grass and other greenery cattle feed availability along the year. Greenery cattle feed availability is up to 927,461.74 tons (151,811.91 Animal Unit), whereas cattle amount is only 62,302.76 AU. This indicated that there is excess of greenery cattle feed production that equal to 89,509.15 AU. It can be concluded that there is still a chance to develop cattle in quantity based on greenery feed availability. Wonosobo Regency with its high fertility level can produce more greenery cattle feed. Thus, cattle farming development can be more tried to be developed according to its carrying capacity. If there is population change, its increase or decrease number is not too significant compared to climmerly years. Especially for broiler chicken that ever decreased drastically due to monetary crises, its population began to increase in 2002. In 2001, its population was 72,561, but it was up to 173,020 in 2005. For cow and buffalo, although there were population increase, they were not too significant. A great increased happened to quail. In 2003, its population was only 52,160, but in next year it soared to 380,726, and in 2005 it was up to 384,429.

3.2.4 Facilities of Farming Production

Success of farming business in the future very depends on natural resources management. Since processes of production (land cultivation until harvest time), application of technology is necessary which always to be developed according to necessities. Moreover in agricultural products processing, it needs more advance technology so it could meet quality and make more farming products diversification.

3.3 Other Sectors Development

Tourism sectors are also Wonosobo Regency’s excellent sectors. Efforts to increase domestic and foreign tourists’ visit is carried out through several promotion programs, service quality improvement towards the visitors, and create a comfortable, clean, and nice environment around tourist objects. This sector has worthy contributed to regional income through hotel and restaurant business sector as 19.01% or Rp 885,776,460,000 and transportation and communication sector as 3.25% or Rp 151,239,450,000 (BPPS, 2005). Tourism sector contribution can be enhanced more by integrating this sector with agricultural sector extensively (agritourism). Development into agritourism has appeared but its management is not maximum yet. Other potential is industrial sector, that in 2005 had productive value capacity as Rp 145,718.71 millions. Labor population which can be absorbed by it was 25,287 persons. Kinds of product which it produced are food, clothes, leather, wood, popular handycrafts, and metal.
3.4 Orientative Analysis

Wonosobo Regency area lies among Temanggung, Magelang, Purworejo, Kebumen, Banjarneagara, and Batang Regencies. City planning policy of Wonosobo will indirectly affect to that regencies. It is passed by highway linking traffic among that surrounding regencies, either in the form of goods, human, or service flow, so it directly affects to its city planning. Geographically, Wonosobo Regency is passed by Central Java regional economy traffic lane. Wonosobo economic condition and development is influenced by as well affects to regional and national economically development. It lies at cross position between Temanggung – Wonosobo – Banjarneagara, Wonosobo – Kebumen, and Wonosobo – Purworejo (Anonim, 2004). Given above strategic conditions, Wonosobo Regency has a great chance in developing agribusiness. Efforts to optimize agribusiness activities are through utilization optimizing of resources potentials, right placement of agricultural development priority, and agribusiness-based modern agricultural development insight with resources base in rural areas.

3.5 Study Results-Based Descriptive Analysis

In view of its potential abundance, and supported by prominent sociocultural condition of its community and agrarian way of life, it is necessary to optimize existing potentials. This is to increase Wonosobo people’s income and welfare. Efforts in developing some potential commodities are expected able to attract and make investment interest in agribusiness grow. Its strategic position, that is adjacent to economic growth centres and export gates in Central Java that is Semarang, Solo, and Cilacap, very supports economic growth acceleration in this region.

Preliminary survey showed that by considering existing priorities and chances, some commodities that can be superior, by seeing products produced by farmers, are Wonosobo sheep (Dombos), beef cattle, organic fertilizer, nila fish, potato, and coffee. Farmers face some problems, such as facilities supplying of farming production (saprotran) and farming products marketing. Establishment of integrated agro company is expected able to overcome the problems. This company will function as saprotran supplier and in same time doing products marketing activities, thus it can shorten marketing line and give market guarantee to farmers by giving more appropriate and competitive price. Regional superior products from any sources can be recapped, so it is seemed superior products existence from any sectors, from crops farming, horticulture, cattle farming and plantation. Superior products applied by province and many regencies as well this study research are still need to be reanalyzed to see its product potential and competitive power in local and national levels.

Cattle farming has become a good component and it conformed to crops farming and plantation system which implemented to farmer’s household level. Identified problems include micro issues, such as optimum using of any farming business activities combinations to household income which still need
detailed handling. It was founded in field that cattle farming subsector is still the second priority after crops farming, although it gives high contribution to increase household income.

3.6 Environmental Effects

This Integrated Agro Company is active in farming products marketing sector, then physically there is almost no negative environmental effect. Company activities are as temporary transit or collecting place of farming products to be sold in markets. It needs a deeper consideration, in particular for potato commodity, that extensification of cultivation land width may cause environmental destruction in the form of soil fertility and protected forest area width degradation.

4. SWOT Analysis

SWOT analysis is systematically identification of any factors to formulate a company strategy. This analysis is based on logics which can optimize strengths and opportunities and simultaneously can minimize weakness and threats. A strategic decision making process is always correlated with development of company’s mission, objective, strategy and policy (Rangkuti, 1997). Opportunity is a beneficial significant situation in company’s environment including identification of market segments, situation of situation and rules, innovation of technology, and better relationship with buyers or suppliers. Threat is major intruder for recent or expected position by company. Strength is resources, skills or other excellence relative to competitors or market necessity that is being served or wants to be served by company. Weakness is limitation and lack of resources, skills, and capabilities that high seriously block effective company’s performance such as facilities, financial resources, management capability, marketing skill and brand image. SWOT analysis is to compare between internal environmental factors, that is strengths and weakness, and external factors, that is opportunities and threats. The target is to identify 1 of 4 patterns that conformed external and internal company’s situation.

4.1 Identification of Opportunities, Threats, Weakness, and Strengths

Opportunities include strategic location, thus market chance of this farming product is still wide opened; marketing is a business which still has good future for great profit if compared to business in field of production, because it has no failure risk of production; market segments are still various (thus, there are still many options). Meanwhile, there is an agribusiness-based Wonosobo development strategic plan. Threats include an agent trader who has many farmer customers for a long time will raise buying price above basic price to keep its customers; emerging of new competitors if this company succeeded in developing its business; increased bargaining power in basic price level and buying price in market; and the marginality of farming business land related to risks of production, costs and income. Weakness includes farmers have trusted former collecting trader over the years, so Integrated Agro Company has to begin from first step to make farmer’s confidence grow, that they change on this company; human resources skill is still
limited (skill in managing this company); networking with suppliers (farmers) is not established yet; without socialization on market information from this company; and the Integrated Agro Company doesn’t show its excellences yet to farmers or product buyers, because this company is not established yet. Strengths incorporate this company is supported by Local Government, so it is legally strong; company gives facilities that can lighten farmers in doing their production, that is by providing seedlings, fertilizer, and other facilities of production that its payment can be settled after harvest time; and company also provides field official to help to solving farmer’s problems in production.

4.2 Combination of Existing Opportunities and Owned Strengths

Strategy that must be applied in this condition is to support an aggressive growth policy (growth oriented strategy). Company can exploit strategic Wonosobo location, therefore market chance of these farming products is still wide opened for surrounding areas. Besides that, marketing is a business which still has good future for great profit if compared to business in field of production, because it has only little failure risk of production. Market segments are still various. However, company gives facilities that can lighten farmers in doing their production that is by providing seedlings, fertilizer and other facilities of production that its payment can be settled after harvest time, and it also provides field official to help to solving farmer’s problems in production. Agribusiness-based Wonosobo development strategic plan can be strong reason for this company establishment.

4.3 Combination of Faced Threats and Owned Strengths

In this position, company is facing any threats, but it still has strength from internal side. Strategy that must be applied is to use strengths for exploiting long-term opportunities by diversification of strategies (product or market). Any threats like emerging of new competitors, and increased bargaining power in basic price level and buying price in market could be resolved by improving its service to farmers (suppliers), that is company gives facilities that can lighten farmers in doing their production and provides other facilities of production that its payment can be settled after harvest time. It also provides field official to help to solving farmer’s problems. Besides that, for consumer level, in long-term it can offer various products/commodities offered to consumer according to his demand, hence it needs business extensification which is not only limited to mentioned commodities above. Alternative to company’s strategy is to be part of marketing channel for strengthening farmer’s bargaining position.

4.3 Combination of Existing Opportunities and Owned Weakness

Company is facing a very great market chance, but in other side, it is facing internal problems or weakness. Focus of company’s strategy is to minimize internal problems, so it can get better market chance. Strategy that must be applied is to turn around. Owned opportunities can not be realized if problems or weakness within company itself can not be eliminated or minimized. Strategic location, formal support of Local Government, and market chance of farming products that is still wide opened can not be achieved if human resources skill is
still limited (skill in managing this company), networking with suppliers (farmers) is not established yet, and there is no socialization yet on market information from this company.

4.4 Combination of Owned Weakness and any Faced Threats

This quadrant is a very unbeneﬁcial situation; the company is facing any internal threats and weakness. Strategy that must be applied is a rescue action that is free of great loss. Given existing weakness and threats, then company might have a great plan to anticipate if this condition more dominantly happens. The way is to identify each weakness, to ﬁnd problem priority, and how to handle that weakness. In this regard, since early time company must introduce itself to farmers in region/supplying farmers, purpose and advantages that can be taken if they could join it. Trust is key factor that they could join it and survive within. Besides that, human resources skill which is still limited is need to be improved as soon as possible by selecting professional workers in their ﬁelds. Networking with suppliers (farmers) and buyers is not established yet. Company will collapse if that weakness and threats are not resolved immediately. An agent trader who has many farmer customers for a long time will raise buying price above basic price to keep its customers, emerging of new competitors if this company succeeded in developing its business, increased bargaining power in basic price level and buying price in market, and marginality of farming business land is related to risks of production, costs and income.

Integrated Agro Company is expected able to do more competitive price determination, because in principle, farmer as a producer must consider costs of production and competitive level in the market. All this time, survey results showed that price determination is only determined by traders that their population is fewer than farmer’s population (oligopsony market). If there are increase of institution number involved in marketing, farmers are easier to get price information and it can be a reference for them in selling their products to get better proﬁt. Company must monitor price ﬂuctuation of competitor’s product to maintain existing product price. These competitors are local agent traders who are dauntless to offer high buying price to farmers and sell product with low price to consumers. Competitor’s price is used for standard to increase the price.

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