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Non-Financial Business Feasibility Analysis of Organic Farming Protocols in Ngawi Regency

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Abstract: Analysis of this non-financial aspect discusses other factors that affect business feasibility, such as technical, management, environmental and market aspects. The purpose of this study was to determine the non-financial business feasibility of rice farming in Sambirejo Village, Mantingan Sub-district, Ngawi Regency. This research is descriptive qualitative research. Data were collected using documentation, questionnaires, and literature review. The sample was determined by purposive sampling, namely selecting informants who knew the actual conditions in the farmer groups and the potential of Sambirejo Village as many as 40 people. The results of this study are (1) Non-financial feasibility analysis in market aspects, management aspects, environmental aspects and technical aspects of the business is feasible to implement.

Keywords: Environmental aspects, management aspects, market aspects, technical aspects, organic rice

1. Introduction

The agriculture sector is the nation's strength since it allows resources in Indonesia to be optimized for Indonesia's food security. The agriculture sector in Indonesia is predicted to become more advanced and self-sufficient as technology advances. This is consistent with the Indonesian Minister of Agriculture's (2022) directive that agriculture, by utilizing better technology, science, and stronger research, can maximize the potential of resources in Indonesia, both natural and human resources, in order to achieve national food security.

Sambirejo Village is one of the Ngawi Regent's Organic Village Program villages. In this case, the Sambirejo Village Government accepts the Ngawi Regent's program because it is consistent with the Sambirejo Village Program itself, namely Sambirejo MANTAB (Mandiri Tangguh and Berbudaya). Learning from the detrimental impact of utilizing chemical fertilizers and pesticides as an alternative to safe planting techniques, both for the environment and for individuals. This gave rise to organic farming practices, or organic farming with the use of natural local types, organic fertilizers, and pesticides to produce safe food and sustainable lifestyles.

This non-financial component investigation explores deeper into other issues that influence business feasibility, such as technical aspects that cover labor, equipment, and machinery. The market aspect addresses the product marketing area as well as the marketing technique employed. Management and organizational aspects describe the business's organizational structure.

The Organic Village Program in Sambirejo has an obstacle, namely farmers' concerns that the organic farming system will reduce agricultural productivity, in this case rice, which can result in a decrease in the welfare of rice farmers. In addition, there are also concerns about marketing organic rice for farmers who are just starting out in cultivating with organic farming protocols. The purpose of this study was to determine the non-financial business feasibility analysis of organic rice protocols in Ngawi Regency".

2. Methodology

This research was conducted at Sambirejo Village Farmer Group, Mantingan Sub-district, Ngawi Regency, from March to July 2023. The research was conducted with *indepth interviews* with expert respondents who were selected *purposively*. Expert respondents were chosen because they knew the actual situation of organic rice development in farmer groups. Informants in this study were 40 people, namely the chairman (1 person), secretary (1 person), treasurer (1 person), and members of the group of organic actors or conventional farmers (32 people), agricultural extension

agents/organic facilitators (1 person), village head (1 person) and the local Agriculture Office (3 people).

The data collection technique was conducted by going through the following methods:

a. Observation

Primary data collection is done by direct observation to get an overview of the farmer groups, the current condition of the farmer groups, and the internal and external environment of the farmer groups.

b. Interview

The interview technique was integrated by giving a questionnaire to each selected informant. The questionnaire was made based on the information obtained from the interviews in the first stage to formulate (sharpen) the things that affect the farmer groups related to the research. Secondary data was obtained by submitting data requests to the farmer groups, the Central Bureau of Statistics, the Food Security and Agriculture Office, and other institutions/agencies related to this research.

c. Documentation

The author conducts research on writings and documents related to this research.

This analysis uses qualitative analysis, namely describing based on non-financial aspects including technical, market, management and organizational, and environmental and social aspects. This non-financial aspect analysis discusses more about other factors that affect business feasibility, such as technical aspects discussing labor, equipment, and machinery used. The market aspect discusses the product marketing area and the marketing strategy used. Management and organizational aspects discuss the organizational structure that runs a business. Social and environmental aspects discuss the positive and negative impacts of a business on the environment and surrounding communities (Nurmalina, et al, 2014).

a. Market Aspects

Suliyanto (2010) said that a business idea is declared feasible based on market and marketing aspects if the business idea can produce products that can be accepted by the market (needed and desired by potential consumers) with a profitable sales level.

Suliyanto (2010) specifically analyzes market and marketing aspects in feasibility studies aimed at:

- a) Analyze the demand for the products to be produced.
- b) Analyze the offerings of similar products.
- c) Analyze counterparty availability of required production factor suppliers.
- d) Analyze the appropriateness of the marketing strategy to be used.

b. Technical Aspects

Some things that need to be understood in relation to technical and technological aspects are the determination of business location, business layout, equipment and technology selection. According to Suliyanto (2010), specifically the analysis of technical and technological aspects in feasibility studies aims to:

- a) Analyze the feasibility of a location to run a business.
- b) Analyze the scale of production to achieve economies of scale.
- c) Analyze the criteria for selecting machinery equipment and technology to run the production process.
- d) Analyzed plant layout, building layout and facilities.
- e) Analyze the technology to be used.

c. Management and Organizational Aspects

George R. Terry (in Hasibuan, 2009) states that Management is a typical process, which consists of actions of planning, organizing, activating and supervising, which are carried out to determine and achieve predetermined goals through the use of human resources and other sources.

3. Result and Discussion

This analysis is based on *non-financial* aspects including market, technical, management and organizational, and environmental and social aspects. The objects analyzed are grain and rice from rice farming production cultivated with organic protocols and those cultivated with conventional methods. The analysis of *non-financial* aspects discusses other factors that affect business feasibility, such as market aspects discussing product marketing areas, as well as marketing strategies used.

Technical aspects discuss labor, production facilities, irrigation, equipment, as well as technology and machinery used. Management and organizational aspects discuss the organizational structure that runs a business. Environmental aspects discuss the positive and negative impacts of a business on the environment and society.

The process of analyzing each aspect is interrelated between one aspect and another. Referring to the previous business concept, the aspects that need to be examined are: technical aspects, management and human resources aspects, legal aspects, marketing aspects, economic and social aspects, environmental aspects. The order of aspect research depends on the readiness of the assessment and the completeness of the available data.

1. Market Aspects

The aspects studied include the marketing mix which consists of 4Ps, namely, *product* (product), *price* (price), *place* (place) and *promotion* (promotion) (Kotler and Keller, 2016).

a. Products

The products produced by the farmer groups are harvested dry grain (GKP) and rice. For grain rice products, both those cultivated with organic and conventional protocols, are marketed to middlemen and 10% for the consumption of the farmer's own family. For the marketing target of rice production with organic farming protocols, namely individuals, in this case the farmer's family, and fellow organic farming communities. Grain products based on organic protocols in Sambirejo Village have only reached an average of 54 tons per year or the equivalent of 28 tons of rice, since the conversion period began in April 2022, with an average productivity of 6ton/ha.

b. Price

The price offered varies according to the yield achieved. The price offered for rice is Rp. 10,000-12,500/kg, and for the price of grain offered is Rp. 4,500- 6,000/kg. The price of grain and rice based on organic protocols is priced the same as the price of conventional rice products because it cannot be claimed to be organic if there is no legality in the form of an organic certificate from an authorized institution.

c. Promotion

Marketing activities of Sambirejo Village farmer groups are promoted through social media or directly to the community (*getok tular*), government, private institutions and supermarkets. The Sambirejo Village Farmer Group has also been registered with the government for data on groups that produce paddy rice. From the research results, the aspect of market opportunities does not have any obstacles because market segmentation is supported by the existence of BUMDes supermarkets (SambirejoMart), Islamic boarding schools (Pondok Gontor Foundation), MSMEs, health centers, special requests from PINCA (branch leaders) Ngawi, as well as markets and supermarkets both in Mantingan District and on the provincial border.

The obstacle faced by farmers in promoting their organic products is the problem of trust in the product caused by not having an organic logo. In accordance with SNI 6729 Year 2016, for labeling and claiming 'organic' products, the products must go through a certification process to be used for advertising or commercial purposes. Organic farmers in Sambirejo Village have not been motivated to certify their products because the cost of certification is still considered too expensive (30s of millions) and is not comparable to the income with their farming business. However, if there is a facilitation of organic certification, organic protocol-based rice farming is feasible.

2. Technical Aspects

The things that need to be considered in this aspect are the problems of determining the location, layout (*lay out*), arrangement of equipment and production processes including the selection of technology (Kasmir and Jakftar, 2008). Key aspects to consider include ways of determining the location, production area, *layout*, arrangement of factory equipment, and the production process including the selection of technology.

The technical aspects studied in organic protocol-based rice farming are business location, production process and *layout*. Organic protocol-based rice farming is located in 4 communal areas in Sambirejo Village, namely Candi land (Dusun Kedungmiri), Gading land (Dusun Dadung), Sambirejo land, and Dusun Teluk land. These four communal points have potential as demonstration plots that are sought for the expansion of additional planting to the land around

each of these plots.

The equipment used in this business are 2-wheel tractors, water pumps, *hand sprayers*, spraying machines, water pipes, sosrok/hedgehog tools for weeding. Most farmers already have their own water pumps so as to minimize the potential contamination of contaminants that generally occur due to public irrigation. Whereas farmers who have conventional agricultural cultivation, have more than 1 hand sprayer so that the hand sprayer is not mixed/contaminated with synthetic pesticides.

Raw materials are abundant because there are livestock businesses that can utilize their waste (animal manure). In addition, there are many materials in nature that can be used as raw materials for making fertilizers, both solid and liquid fertilizers, and vegetable pesticides.

3. Management and HR Aspects

The main actors of the organic rice business already have competence in conducting organic cultivation business. The main actors of the organic rice business previously received training and assistance from organic farming empowerment institutions funded by the Village Fund. These organic actors have formed an organic community to facilitate their farm management. The management system is open management. Every planning activity in agriculture will be discussed in regular meetings. Farmer group members also hold meetings at the time of planting to discuss the seeds that will be used. The group also holds meetings at the time of packaging to discuss an agreement to meet market demand. Because each group member has their own harvest. The management of the Sambirejo Village organic community is also strengthened by assistance from the P4S Institute (Center for Agricultural and Rural Self-Help Training) and extension workers in Sambirejo Village, both civil servant extension workers and independent extension workers.

The criteria for becoming a member of the farmer group are regardless of education and age. This farming business prioritizes the willingness and ability of group members to work rather than their level of education. Current group members are those who have been working in the paddy rice farmer group for a long time and are also the successors of their own parents or families.

4. Environmental aspects

Businesses can have an impact on the environment, which is important to analyze so that prevention or mitigation can be carried out immediately if negative impacts arise. Negligence towards the environment will cause problems in the future, such as rejection from the community around the production site, requests for compensation, and termination of business activities. Therefore, a business is expected to run well and not have a negative impact on the environment.

Rice farming based on organic farming protocols carried out in Sambirejo Village has no direct impact on the environment because the system used is an agricultural system that is environmentally friendly and safe for the health of the main actor farmers and for the domicile community around the agricultural business environment. The raw materials that will be made into organic fertilizers, both liquid and solid fertilizers, do not cause aromas that cause negative reactions from the community around the manufacturing process. The existence of this business does not have a serious impact on the surrounding community. For this reason, from the results of the environmental aspect research, it is feasible to develop. In addition, the local community does not feel disturbed by the noise generated by the operating machines, because the use of operating machines is still within normal limits for the business to perform work activities and the sound produced by the machines used is also not too noisy.

4. Conclusion

The conclusion in this study is that the analysis of *non-financial aspects* is more about other factors that affect business feasibility, such as market aspects discussing product marketing areas, as well as marketing strategies used. Technical aspects discuss labor, means of production, irrigation, equipment, as well as the technology and machinery used. Management and organizational aspects discuss the organizational structure that runs a business. Environmental aspects discuss the positive and negative impacts of a business on the environment and society.

It is recommended to develop rice farming based on organic protocols in Sambirejo Village, Mantingan Sub-district, Ngawi Regency, including applying for

organic certification facilitation and procurement of local seeds/special rice from the organic community. This needs to be done to guarantee the quality of rice produced with organic farming protocols so as to increase public trust and increase sales margins. Sales margins can increase because organic labeled rice and local rice are included in the special rice category that is not limited by the highest retail price (HET) based on applicable regulations.

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