

## Value Added and Strategy Development Of Galangal-Coffee Agroindustry

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# Value Added and Strategy Development Of Galangal-Coffee Agroindustry

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## **Abstract**

Galangal is one a source of new growth commodities to be developed in agribusiness systems because they have strong linkages both to the upstream agriculture sector and downstream agriculture that have the ability to add the value of production and absorbing labor. Increased production of galangal directed to meet domestic needs and improve competitiveness could be achieved through area expansion and increased productivity. Currently, there are new innovations to increase the added value of galangal commodity, is galangal-coffee products. Galangal-coffee is a mixture of coffee powder with galangal flour which produces the coffee with different flavor and aroma and could produce some health benefits. The challenge of galangal-coffee business in Sumenep Regency is how to develop a specific strategy for increasing brand awareness of Indonesian people. The purpose of this paper is to assess the added value of processed galangal-coffee agro-industry and to know the strategy of developing galangal-coffee agroindustry in Sumenep Regency. The method of analysis that used to calculate the added value is Hayami method, while the analysis used to find out the development strategy of galangal-coffee agro-industry which stated use SWOT Analysis model. Based on the analysis results, the value added of galangal-coffee obtained of Rp. 273,050 with the added value ratio of 68.26%. The development strategy for galangal-coffee agro-industry that could be conducted is: to penetrate the market, observing the continuity of production, expand the product distribution, improve quality of the product

**Keywords: Coffee; Galanga;, Agro-industry; Value Added; Strategy; Development.**

## **1. INTRODUCTION**

It is believed that the developing Madura Island after Suramadu bridge constructing will give a great contribution to re-increase the economic sector of East Java. The development of Madura can be done from the east because the tourism destination is located in the east zone. The implication of Suramadu bridge is inviting more tourists to come to the east part of Madura. Thus, Sumenep which is located in the east part of Madura can become the main tourism destination. The tourism potentials which have been developed is natural and religious tourism spot. Besides, another tourism potential which is able to be developed is agrotourism concept.

Jamu is a mixture product which is made by natural original Indonesian ingredients. Its functions are health treatment, disease prevention, disease and vitality recovery, and beauty treatment. This natural material concoction is a heritage from Indonesian ancestors which had known how to use natural material as medicine, health treatment, and beauty care.

Madura society, especially people in Sumenep have been using plants as traditional medicine or what we call as Jamu. Generally, consuming jamu made from plants has become habits of families and Madura society, especially those who were, born in royal or noble families. The habit of consuming jamu has created a principal for them that "It's better to consume jamu than to eat foods". According to their shapes, jamu of Madura which is almost same with jamu of java are classified into five kinds: (1) fresh jamu, (2) boiled jamu, (3) poured jamu, and (4) rubbed jamu.

Based on previous research, agro-industry of jamu in Sumenep was in the second grade of the best commodities in Sumenep Regency, after cassava chips (Fatmawati, 2013). Agro-Industry of jamu in this regency is worth to be developed. Sumenep is the potential to develop Agro tourism of Jamu which are made in a potential developed area as to produce jamu, that is Matanair Village Rubaru Sub-district of Sumenep Regency. It can be developed using Agro tourism development model based a Society.

One of Jamu's Plant which is potential to be developed in Matanair Village Rubaru Subdistrict of Sumenep regency is Galangal (*Alpinia Galangal L. Swartz*). Galangal is an economical plant and has been used as medicine since years ago. This Rhizome Plant of Zingiberaceae family which is originally from tropic Asia has active essence component which can be used as medicine for many diseases.

Nowadays, there is a new innovation to avoid an impression that jamu is bitter. It is used as the material of Coffee, Galangal-coffee. Galangal-coffee is a mixture of coffee powder and Galangal Powder. This coffee has different aroma and taste. The advantages of this coffee are healing rheumatic, healing screen disease, healing bronchitis & smallpox, anti-bacterial, blood cleaning, increasing appetite, diluting phlegm, stimulating muscles, making body smell good and ever raising sex desire. Galangal-coffee has been produced in Matanair Village but most of them are produced by small business. Generally, the production of this coffee has not been managed well.

Galangal as a commodity of biofarmaka that needs some increasing its value. So, it becomes an agro-industry product which is able to compete. Galangal-coffee comes one of value-added developments of galangal which is potential to be the superior product of agro-industry. The agro-industry of galangal-coffee has organization structure but it still doesn't work optimally, such as in term of work management, production, and also marketing which are done is stagnant. According to this case, it needs an analysis the value-added of the galangal after it is produced to be galangal-coffee powder. Besides, this business needs right strategy formulation in determining decisions to keep the business runs well. Thus, it needs to do researches about value added analyzing and the development strategy of the galangal-coffee business.

## 2. METHOD

Determination of research area is conducted by intentionally (purposive sampling) (Sugiyono, 2012). This research was conducted in Matanair Village, Rubaru Subdistrict of Sumenep Regency with the consideration of Matanair Village is one of the centers of one agribusiness center of galangal (*Alpinia galanga L. Swartz*) and this agroindustry is the only agroindustry producing galangal-coffee in Sumenep regency even in Indonesia.

The sampling method used is A key informant sample (key informant). A key Informant is a person or group of people who have basic information about a particular object (Endrawarsa, 2006). In this research, people or groups that will be used as key informants are entrepreneurs of Galangal coffee agro-industry, Agricultural Extension Workers, Village Head.

The method of analysis used to calculate the added value on galangal-coffee agroindustry is Hayami method. While to know the strategy of development of agro-industry of galangal-coffee used SWOT Analysis model which is one method to describe the condition and evaluate a problem, project or business concept based on internal factor (inside) and external factor (outside) that is Strengths, Weakness, Opportunities, and Threats. This method is most often used in business evaluation methods to find the strategy to be performed. SWOT analysis only describes the situation that occurs not as a problem solver.

## 3. RESULT AND DISCUSSION

### 3.1 Galangal-coffee Production

Galangal-coffee is produced by APP Al-Ihsan Community Group located in Matanair Village, Rubaru Sub-District, Sumenep Regency. Galangal-coffee agroindustrial production process twice a week on a regular basis, galangal-coffee is packaged in two types of packaging that is 20- gram packaging and 250-gram packaging. Types of packaging used for 20-gram packaging is Aluminum Foil and for 250-gram packaging is a standing pouch packaging.

Each production period averages 450 packs of galangal-coffee with a net weight of 20-gram, while for galangal with a net weight of 250-gram is 108 packs.

### 3.2 Added Value

The analysis of the added value of galangal processing business into galangal-coffee is done to know the value-added to the raw material used in producing galangal-coffee. Calculation of the added value of galangal into galangal-coffee can be seen in Hayami table (attached).

From the calculation of value-added analysis known that the added value obtained from the processing of galangal is Rp. 273.050. While the added value ratio obtained is 68.26%, this shows the percentage of added value to the value of the product. This added value is a gross added value because it still contains direct employee benefits. While the amount of conversion factor on the analysis result is 4 which means 1Kg galangal raw material can be produced 4 packs of galangal-coffee. The coefficient of labor used is the number of direct labor (HOK/process) divided by raw materials (Kg/process). From the calculation obtained the average labor coefficient of 0.44.

Other input contributions are the result of auxiliary materials in the manufacture of galangal-coffee such as auxiliary materials, fuels, and packing materials. A number of other input contributions as much as 121,950. For the product value obtained from the multiplication between the conversion factor is 4 with the average product price of Rp 100,000 so that the value of the product obtained is Rp 400,000. The value of the product can also be interpreted as a number of gross receipts received by the company. The value is allocated for the main raw material of galangal and other input contribution each average of Rp. 5,000 per Kg and Rp. 121.950 per kg of raw materials.

The average direct labor income obtained from the processing of galangal-coffee is Rp. 17,777,778 per Kg of main raw material. The income is derived from the multiplication of the average coefficient of direct labor with the average wage of direct labor per Working Day (HOK). The share of labor represents the share of direct labor income on added value and expressed as a percentage of 6.51% percent of the value-added.

Many of the benefits of transforming agricultural commodities into certain products include creating a value-added product that undergoes form change (Utility Utility) allows for longer storage (Time Utility), can provide ease in transportation and can maintain the nutritional value contained in these commodities (Sarumpaet, 2015).

In the end, the creation of added value is expected to increase the public health level, also improve the welfare of the community, ranging from farmers to industrial workers, and increase the acquisition of foreign exchange (Zulkarnain, 2013). One feasible way to differentiate a product and the additional value is to brand it with the region from which it originated. The U.S. Department of Agriculture suggests to U.S. producers to move away from the products from the production of homogeneous commodities and toward the production of value-added products that could increase returns (Babcock & Clemens, 2004).

### 3.3 Galangal-Coffee Development Strategy

To analyze and respond the external forces over a global company that had the little control, such as stressing condition, managers should have capabilities of the organization facing the future. The capabilities to solve the problem in company situation needs SWOT framework, such as analyzing the firm's strengths, weaknesses, opportunities, and threats. It is important to manage the know and understand the company weaknesses and strengths of the company, to prepare the competitive situation among the global companies (Doole, 2008).

Based on the results of data collection and analysis on galangal-coffee business in Sumenep Regency, it can be arranged the internal and external environmental factors.

#### 3.3.3 Factor Internal

Factor internal of galangal-coffee business consist of strength and weakness.

The factors included in the category of strength possessed by galangal-coffee agro-industry are:

- Galangal raw materials are easy to obtain. Business location adjacent to the cultivation area of galangal will facilitate the procurement of raw materials. The easy procurement of galangal raw materials will maintain the stability of raw material supplies of galangal-coffee as well as the continuity of the production of galangal-coffee, the inventory aims to maintain the continuity of raw materials or products to be sold (Padangaran, 2008);

- Possessed added value products, galangal-coffee products have more added value than coffee in general. In general, coffee is identical to drinks served as a friend relax or prevent drowsiness, while galangal-coffee is superior to the content and efficacy, in addition to the financial aspect of galangal-coffee has an added value of Rp. 273.050;
- Price of the product is affordable. The price of galangal 1 Kg coffee is Rp. 100.000, -. This price is still the difference in price of coffee products generally, but the price is fairly affordable because the content and efficacy of this galangal-coffee are above other coffees. As a comparison of ginger coffee products which is a combination of spices coffee also according to Dzulkarnain (2013) sold at a price of Rp. 75.000,;
- Trained human resources. The APP Al-Ihsan group that produces galangal-coffee is formed from one of the programs organized by the government in order to increase the income of members of the community groups, especially the Poor Household (RTM) and / or Household Household Poor (RTHM), so that in the course of this group gets cooped And guidance from the government. Group members often receive training in several fields. So that human resources in the production labor is quite trained;
- Online system in a marketing promotion. At this time the marketing of galangal-coffee products that have been ordered via online in some Online Shop such as Instagram, Shopee, and others;
- Completeness of business licensing letter. In running the business either on a large or small scale would be better if the business run has a business license. Galang coffee business has a complete business. Business letters that have been possessed by this galangal-coffee agroindustry include SIUP, SITU, Industrial Business License, Corporate Registration License, Permit MOH, NPWP.

Factors in the weakness category in the galangal-coffee agro-industry are as follows:

- The quality of the product is not optimal. In the production process, producers have not paid much attention to the hygiene of production actors, such as the use of masks and gloves during the production process so as not to change the content of the product later, and yet the laboratory test for the content contained in galangal-coffee. The weakness of guidance and application of quality assurance has contributed to the low quality of products produced by agro-industry. The low awareness of quality and safe products greatly affects the efforts to improve the quality of agricultural products (Djamhari, 2017);
- Packaging is not maximal yet. Types of packaging used are an aluminum foil for galangal-coffee 20 grams and standing pouch for galangal-coffee 250 grams. But the product description still uses stickers, this is considered less effective because the unification of sticker packaging takes time and additional time in the business means cost. Besides packaging with stickers are also prone to damage when exposed to water. In supermarkets consumers can read their own all the information contained on the packaging, they can be sure or hesitate to buy the product by reading the packaging (Sari & Khaswarina, 2016);
- There is no partnership for the acquisition of coffee. Galangal-coffee agroindustry is still not doing a partnership in providing coffee raw materials, the acquisition of raw materials of this coffee is usually obtained from one of the traditional markets in Sumenep Regency. The importance of partnerships in drive marketing such as picking the wrong partners. The difficulties in building alliances is the main limitation of picking partners who do not have the right capabilities to reach the local market [7];
- Application of technology uses is still low. The higher the technology adopted or used in the production process will be more effective and efficient, so the technology in production is necessary. In this galangal-coffee business, the application of technology is still semi-traditional, meaning there are still many processes in the production of galangal-coffee which is done manually although, in fact, the technology in the process has been available. As the crystallization of the galangal and ginger liquor solution is still done manually with the stove and continuously stirring during the process, when a crystallizer machine is available;
- Simple business management. In doing business, entrepreneurs are always doing their best to make the business undertaken to become more advanced and developed by running a good business management, but this has not been run by this agroindustry, although the organizational structure has been formed the business management is still very simple;
- Segmentation and market position has not been reviewed. Market segmentation is the act of dividing a

market by group differences that may require separate marketing products and or combinations of marketing. Agroindustry of galangal-coffee so far market position and segmentation has not been studied in depth so that there is no focus on market and consumer. Market position (positioning) is the act of designing the product and marketing mix to create a certain impression on the memory or minds of consumers. It also means that to move the product to a certain position in the minds of consumers, it needs brand positioning tools and advertising.

The matrix describes the need for this factor to be studied in order to produce a strategy for a business. Internal factors consist of two factors namely strength and weakness factor. Table 1 showed the greatest strength factor is found in two factors that have a slight score difference that is the raw material of galangal is easily obtained with a score of 0.412, the acquisition of raw materials is very important for this agroindustry business because the continuity and continuity of galangal production is determined by availability Raw materials galangal. While the second biggest factor is the completeness of business licensing with a score of 0.408, the completeness of agro-industry business permit will support the smooth operation and protect the company in terms of legal aspects.

The weakness factor in galangal-coffee agroindustry consists of 6 factors. The biggest weakness factor is simple business management with a score of 0.166, simple business management can hinder the development of galangal-coffee agroindustry so that this agroindustry tends to stagnate. Furthermore, technology application factor is still low with score 0,168, technology applied will influence the result of the production of galangal-coffee obtained.

Total the internal factor score is 2,790, showed that the internal position of galangal-coffee agroindustry is above average 2.5.

**Table 1 : Matrix Of Internal Factors Of Galangal-Coffee Agroindustry**

Internal Factors	Quality	Rating	Score
<b>Strength</b>			
1. Raw Galangal easy to obtain	0,103	4	0,412
2. Possessed added value	0,081	3	0,243
3. Affordable Selling price	0,072	3	0,216
4. Trained Human resources	0,073	2	0,146
5. Online system promotion	0,077	3	0,231
6. Competeness of business licensing letter	0,102	4	0,408
<b>Total of Strength factor</b>	<b>0,508</b>		<b>1,656</b>
<b>Weakness</b>			
1. Product quality is not optimal	0,075	3	0,225
2. <i>Packaging</i> is not optimal yet	0,085	2	0,170
3. There is no partnership for the acquisition of coffee	0,073	3	0,219
4. Application of technology uses is still low	0,084	2	0,168
5. Simple business management	0,083	2	0,166
6. Segmentation and market position has not been reviewed	0,093	2	0,186
<b>Total of Weakness factor</b>	<b>0,493</b>		<b>1,134</b>
<b>Total</b>	<b>1,00</b>		<b>2,790</b>



**Table 2 : Matrix Of External Factors Of Galangal-Coffee Agroindustry**

External Factors	Quality	Rating	Score
<b>Opportunities</b>			
1. Patent protection	0,091	3	0,273
2. Herbal image is raising	0,095	3	0,285
3. Coffee consumption increased	0,093	3	0,279
4. Population Growth	0,084	3	0,252
5. Government Support	0,079	3	0,237
6. Supports environmental protection regulations	0,087	3	0,261
<b>Total of Opportunity factors</b>	<b>0,529</b>		<b>1,587</b>
<b>Threats</b>			
1. The existence of competitors of the same product	0,079	3	0,237
2. The existence of new products	0,083	2	0,166
3. Consumer sensitivity to price	0,081	3	0,243
4. Consumer confidence is still low	0,074	3	0,222
5. Increase in electricity, fuel and telephone bills	0,079	3	0,237
6. International trade barriers	0,075	3	0,225
<b>Total of Threat Factors</b>	<b>0,471</b>		<b>1,33</b>
<b>Total</b>	<b>1,00</b>		<b>2,917</b>

### 3.3.2 Factor External

Factor external of galangal-coffee business consist of opportunity and threat.

The opportunities possessed by galangal-coffee agroindustry business are:

- Patent protection. Registration of patents on both products and brands, under the law, may grant the exclusive right to the owner to prevent others from producing and marketing identical or similar products. Therefore, having patents on products and brands is indispensable as it can: provide legal protection, as intensive to inventors and designers, create a conducive climate for investors, encourage R & D activities to generate new discoveries, enrich public knowledge and create inventors - new founder;
- The herbal image is raising. Medicinal herbs or herbal medicine has been selected as herbal treatment by parts of society because it is known not to have side effects because herbal medicine is made by using herbal ingredients derived from spice plants. These ingredients affect the taste of herbs that generally have a bitter taste. Therefore the existence of a product that has the benefits of herbal medicine but with a sense that is not bitter into its own advantages. Because it could fade the image of herbal medicine known to have a bitter taste as well as galangal-coffee products;
- Coffee consumption is increasing. Coffee is one of Indonesia's export commodities because it is not only famous in its own country but Indonesian coffee has been known all over the world because the demand for Indonesian coffee exports has never subsided. Coffee continues to have important economic and social functions in regions such as Chiapas because there are few alternative sources of employment (Lin, 2007);
- Population Growth. The number of Indonesian population each year continues to increase, this increase in population resulted in the number of needs that also continues to increase, so this becomes an opportunity for entrepreneurs to produce products required by consumers. Increased population is also experienced by Sumenep Regency, this increase should be able to be utilized by this agroindustry effort to continue to innovate and create uniqueness on the products produced so that people still choose the products produced business;

- Government Support. Sectorally, the government is determined to pursue wisdom to accelerate the recovery of economic growth. Directly related to MSMEs, on various occasions, has been declared three main policy items in the economic field (Djamhari, 2017). The government has shown its support to the people who have the desire to become a Job Maker (live or build their own business). This form of support is evidenced both material and non-material such as providing business capital, providing training, providing equipment and machinery that can be used in production activities.
- Supports environmental protection regulations. The Government regulates in the law that keeping the living environment clean and maintained is the duty of the whole community without exception, as provided for in Law no. 32 of 2009 on the protection and management of the environment. The business of galangal-coffee agroindustry is one of the businesses that can be called environmentally friendly and support government regulation because it does not produce waste that is harmful to the environment.

Threats in a business can cause a setback if a business is not addressed immediately. The threat factors in the business of galangal-coffee agroindustry are:

- The existence of competitors of the same product. Competitors can be a threat if the company does not take concrete actions to obtain superior results from its competitors. As the international business environment becomes more competitive, dynamic and complex, there is a greater need for individual managers to be aware not simply of their immediate situation, but also of the possible impact of changes taking place in surrounding areas too (Doole, 2008).
- The existence of new products. The emergence of a new product of a kind and can be a substitute for the resulting product need to watch out for by entrepreneurs because most likely the product has a better quality than existing products. Therefore, product improvements must continue to be made, especially the improvements that lead to consumer desires.
- Consumer sensitivity to price. Lower middle- class people tend to pay attention to price compared to quality when buying needs. The level of consumer sensitivity to the price in Sumenep regency is still very high, the price difference becomes the reference in buying goods still held by most of the people. So the determination of product selling price should be considered by the entrepreneurs in Sumenep so that the resulting product is not inferior to compete with other products.
- Consumer confidence is still low. Currently, intensification is needed in convincing the community of the benefits of galangal-coffee produced, because in general people still assess this galangal-coffee product as coffee in general are not safe for consumption by people who have certain diseases or digestive disorders. So not many people who are interested in eating galangal-coffee.
- Increase in electricity, fuel and telephone bills. Increase in electricity tariff, fuel and telephone can threaten the business. Because with the increase, the level of business acceptance becomes reduced. Because all the stages of production to marketing cannot be separated from the costs mentioned above.
- International trade barriers. Some countries have low resource quality, including Indonesia. The low quality of labor (HR) can hinder the international trade, because in general with low human resources, the quality of products produced will be low as well. A country that has a low-quality product will be difficult to compete with goods produced by other countries that have quality levels above products produced by businesses in Indonesia.

This external factor matrix can provide an overview of the effect of environmental external factors the agroindustry effort on the formulation of business strategy. External factors consist of opportunity and threat factors.

Based on table 2 it can be seen that the galangal-coffee agroindustry has six opportunities that should be utilized for business development. Opportunity factor that has the highest score is herbal image factor lifted with a score of 0.285. The second highest factor is the increase in coffee consumption with a score of 0.279 this factor affects the demand for galangal-coffee. The next factor is, patent protection that can prevent business plagiarism has been in the process of licensing with a score of 0.273.

In the above matrix also includes threats, there are six threat factors from galangal-coffee agro-industry. The biggest threat is the factor of a new product with a score of 0.166, another product will be a competitor for galangal-coffee. While the second threat factor is the factor of consumer confidence is still



low with a score of 0.222. Furthermore, international trade barrier factors that require high product quality that has a score of 0.225, this factor becomes a threat because the quality of galangal-coffee products is not yet able to compete even with the products of the domestic coffee industry. The total external factor score is 2,917.

### ***3.3.3 Strategy Formulation***

Based on matrix analysis result of an internal factor and external factor can be combined into SWOT matrix so that business can know the position of agroindustry business at this time. The total score of internal factors is 2.790 which is a combination of strength score and weakness score. While external factors obtained a score of 2.917 from a combination of an opportunity scores and threats. Obtaining the score is then inserted in the SWOT matrix diagram, so that will get the picture of the current agroindustry business position in quadrant 1.

Based on the attached SWOT matrix, development strategy can be formulated in accordance with internal and external conditions of galangal-coffee agroindustry business as follows :

<b>IFAS</b>  <b>EFAS</b>	<b>STRENGTHS (S)</b> 1. Raw Galangal easy to obtain 2. Possessed added value 3. Affordable Selling price 4. Trained Human resources 5. Online system promotion 6. Competeness of business licensing letter	<b>WEAKNESSES (W)</b> 1. Product quality is not optimal 2. Packaging is not optimal yet 3. There is no partnership for the acquisition of coffee 4. Application of technology uses is still low 5. Simple business management 6. Segmentation and market position has not been reviewed
<b>OPPORTUNITIES (O)</b> 1. Patent protection 2. Herbal image is raising 3. Coffee consumption increased 4. Population Growth 5. Government Support 6. Supports environmental protection regulations	<b>S-O STRATEGY</b> 1. Market penetration (S3, S6, O1, O6) 2. Taking into account the continuity of production (S1, S2, O2, O4) 3. Expanding product distribution (S4, S5, O5, O6) 4. Improving product quality (S1, S2, O3, O4)	<b>W-O STRATEGY</b> 1. Improving technology adopted to improve quality (W1, W2, W4, O1, O5, O6) 2. Conducting partnerships (W3, W5, O3, O4) 3. Assess management and marketing aspects (W6, O3)
<b>THREATS (T)</b> 1. The existence of competitors of the same product 2. The existence of new products 3. Consumer sensitivity to price 4. Consumer confidence is still low 5. Increase in electricity, fuel and telephone bills 6. International trade barriers	<b>S-T STRATEGY</b> 1. Maintain good relationship with distributor and consumer (S1, S2, S3, T1, T2) 2. Extending Promotional reach (S5, S6, T4) 3. Evaluate internal business conditions (S4, T3)	<b>W-T STRATEGY</b> 1. Improving the quality of various facets (W1, W2, W3, W4, T1, T3, T4) 2. Selecting product focus (W6, W7, T5) 3. Improving the company's management capabilities to increase competitiveness (W5, T6)

**Fig 2.: Diagram of SWOT Matrix of Galangal Coffee Agroindustry**

Based on the analysis of internal and external environment of galangal coffee agroindustry business, as well as the formulation of alternative strategies that have been done, business position is in the first quadrant is the utilization of strength and opportunities for sustainability and business development (aggressive strategy / Growth oriented strategy). Based on this position can be known, the right strategic focus to be applied to this business is the S-O strategy. Some strategies are :

- 1) Market penetration is a growth strategy that identifies and develops market segments for existing products. The key to trade market share is to focus on greater commercialization that highlights the potential of marketing. It purposes to promote the complements the emphasis on brand-building strategies for fair trade products (Golding, 2005).
- 2) Taking into account the continuity of production, because the number of alternative products produced. Al-Ihsan should make a schedule of galangal-coffee production to maintain the continuity of production as well as maintain the availability of products in the market.
- 3) Expanding the distribution of products, so far this business only distributes its products to several places or stores, should be improved marketing system. Its job is to perform marketing functions to facilitate the flow of agricultural products from early producers to the hands of end consumers. Similarly, in contrast, facilitate the flow of money, the value of products created by productive activities undertaken by marketing institutions, either from the hands of end-users to the hands of early producers in a commodity system (Syahza, 2013).
- 4) Improve product quality. Products are something that can be offered to meet customer needs or wants. Higher quality results in higher customer satisfaction.

#### 4. CONCLUSION

Based on the analysis results, the value added of galangal-coffee obtained of Rp. 273,050 with the added value ratio of 68.26%. The right strategic focus to be applied to this business is the S-O strategy. The S-O strategy is in quadrant 1, which is a strategy that utilizes strengths and opportunities. The development strategy for galangal-coffee agro-industry based on the S-O strategy that could be conducted is: to penetrate the market, observing the continuity of production, expand the product distribution, improve quality of the product.

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