

# Enhancing Breeder Business Competitiveness: An In-Depth Analysis of Institutional Economics

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**Abstract.** The research aims to analyze the role of institutions in increasing the business competitiveness of breeder groups. This is important because of the low competitiveness of breeder businesses, so it is necessary to review how institutional roles are realized through breeder cooperatives. The method used is descriptive qualitative using SWOT analysis with the object of this research being 20 breeders who are members of the breeder cooperative in Wanasaba District, West Nusa Tenggara. Data was taken using in-depth interviews and Focus Group Discussions (FGD). The research results show that institutions can act as catalysts, facilitators, and collaborators for breeders. SWOT analysis describes the potential, risks, and strategies that can be carried out by breeder cooperatives to increase the competitiveness of their business. This research indicates that the existence of institutions in the agricultural sector needs to be taken seriously, and their use optimized to support the people's economy.

**Keywords:** *Breeder Business; Competitiveness; Institutional Economics; SWOT Analysis*

## 1 Introduction

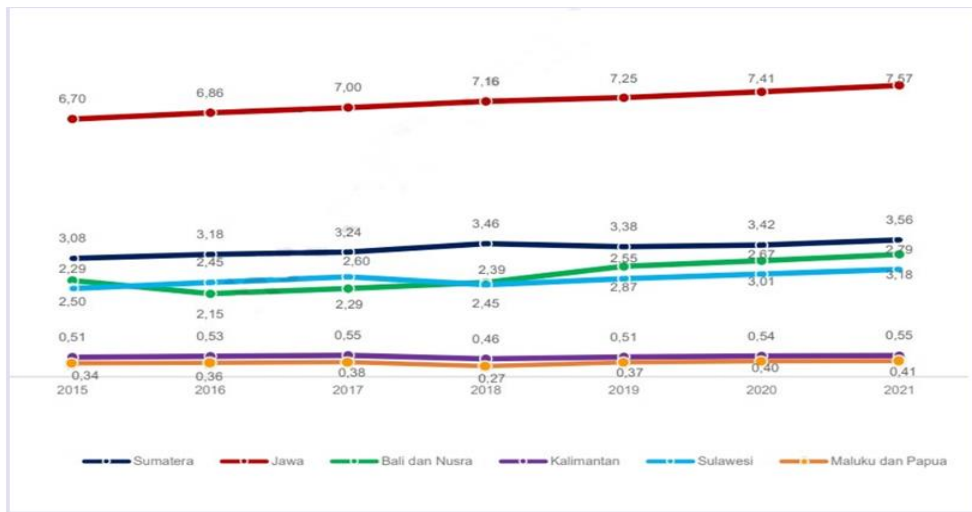
The demand to create added value and competitiveness in the era of sustainable livestock drives livestock farmers to transform their businesses towards collective businesses in one management and with a business orientation. The seriousness of running a business with a business orientation is proven by the business no longer having the traditional pattern of owning only 1 or 2 livestock, but rather a business on a larger scale with a larger livestock population and the potential for greater profits. This is driven, one way, through the implementation of an upstream agribusiness system. Several problems such as high production costs, relatively long business periods, high levels of business risk, and the increasing needs of the community, especially livestock breeders, have forced livestock breeders to transform towards collective businesses, namely businesses that are run together in the hope of gaining income. bigger profits. This business model is in line with the direction of government policy in agricultural development, namely corporatizing farmers in an agricultural area. A farmer's corporation is an economic-scale farmer's economic institution worthy of being a legal entity in the form of a cooperative or other legal entity with most of the capital ownership owned by farmers. Meanwhile, agricultural areas are a combination of agricultural centers that meet the minimum limits of the economic scale of business and the effectiveness of sustainable regional development management and are functionally related in terms of natural resource potential,

socio-cultural conditions, production factors, and the existence of supporting infrastructure. Agricultural areas developed with a strategy of empowering farmers and corporatizing farmers. The objectives of agricultural area development based on farmer corporations include increasing added value and business competitiveness, quantity and quality of agricultural products for sustainable national food security, strengthening the farming system as a whole in one area management, strengthening farmer institutions so that it will make it easier to access information, technology, infrastructure, and public facilities, capital as well as increasing market access and downstream development

Previous research related to this topic has been included by [1] who identified the advantages and limitations of small-scale farmers in Sub-Saharan Africa. The results of the analysis show the possibility of small farmers being able to switch from subsistence farming to commercial farming to get them out of the poverty trap. Other research is by [2] which analyses the institutional performance of dairy farmers and its impact on environmental, social, and economic resources. The results show that the institutional performance of dairy farmers has a positive and significant effect on economic and social resources, but not a significant impact on environmental resources. Next is research by [3] which analyzes and identifies the institutional potential of beef cattle farming in coastal areas, stating that institutions are a tool that can strengthen the relationship between farmers and the government in supporting efforts to increase the number of cattle and the welfare of small farmers. Similar research was also conducted by [4] who analyzed the institutional role of breeders in developing partnership businesses.

The results of his research show that the institutional role is realized in the form of learning classes to improve skills and the role of a production unit to encourage production scale. In line with this research, [5] also studied institutional strengthening to improve the welfare of sugar cane farmers. The results of his research show that institutions play a role in helping farmers' activities and improving farmers' bargaining positions in running agribusiness. The novelty of this research lies in the up-to-date data, research objects, and case specifications of beef cattle breeder cooperatives that have successfully implemented a business management system from upstream to downstream. This can illustrate how institutions play an important role in increasing business competitiveness.

The livestock subsector is one of the subsectors that contributes to the national economy and can absorb significant labor, so it can be relied on in efforts to improve the national economy. This is illustrated by the results of the 2013 Agricultural Census (ST2013) that the number of livestock households in Indonesia reached 13.56 million households. In addition, the availability of livestock products will directly improve the nutritional status of the community, especially in fulfilling calories and animal protein. Fulfilling people's consumption of calories and animal protein will improve the quality of human resources (HR).



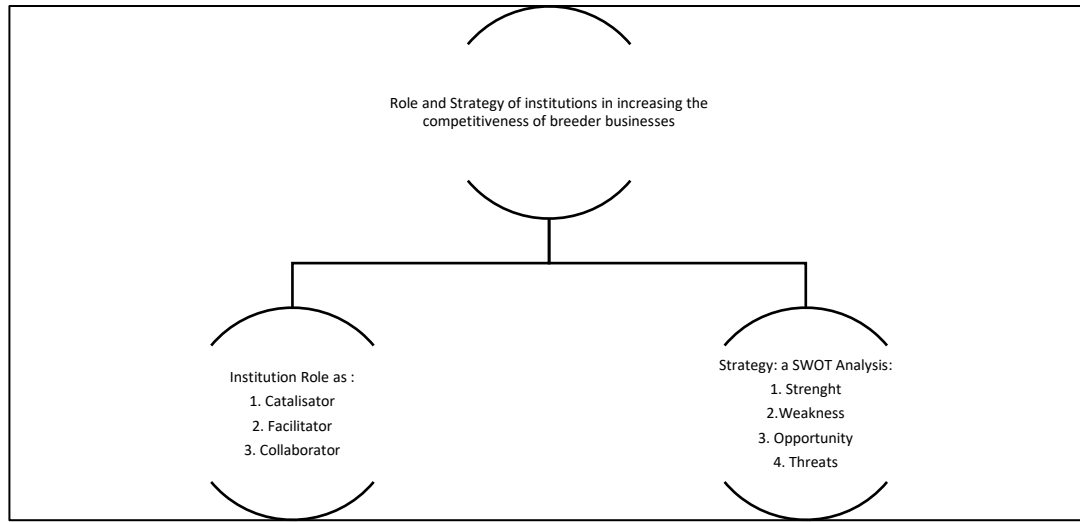
**Fig. 1.** Production of Beef Cattle by Province in 2021

According to the island, the beef cattle population on the islands of Bali and Nusa Tenggara in 2021 experienced the largest percentage increase compared to the previous year, namely 5.55 percent, followed by an increase on Sulawesi Island of 4.70 percent, and an increase on Sumatra Island of 3.94 percent. The other islands show a trend that tends to be stagnant but is increasing. If grouped by province (Figure 1), East Java province is the province with the highest beef cattle population in Indonesia at 4.94 million head in 2021, followed by Central Java at 1.86 million head and South Sulawesi at 1.46 million head. Meanwhile, DKI Jakarta is the province with the lowest beef cattle population, namely 1,805 head in 2021. Nationally, in the 2022 beef supply and demand balance sheet that has been prepared by the government, per capita consumption in 2022 will reach 2.57 per kg per year, an increase from consumption in 2021 is 2.46 per kg per year. The population will increase from 272.24 million in 2021 to 274.85 million in 2021 so the need for meat increases from 669,731 tons to 706,388 tons. Meanwhile, domestic beef production is still 506.7 thousand tons. West Nusa Tenggara is one of the provinces with the highest national number of livestock sub-sector workers with a total of 242,400 people in 2022.

If we look at the trend, the population of beef cattle was at its highest peak in 2016, then fell in 2017 and experienced an insignificant increase from year to year. Until 2021, this increase will not reach the highest number in 2016. This will be interesting to study to find out whether institutions are one of the factors that play a role in the increase in livestock population and whether the increase in livestock population is also accompanied by an increase in farmer income. Specifically, the research aims to analyze the role of institutions in increasing the business competitiveness of farmer groups. This is important because the competitiveness of breeder businesses is still relatively low, so it is necessary to review how institutional roles are realized through breeder cooperatives.

## 2 Research Method

The method used is descriptive qualitative using SWOT analysis with the object of this research being 20 breeders who are members of the Ridho Illahi breeder cooperative in Wanasaba District, West Nusa Tenggara. The data used is primary data through in-depth interviews and Focus Group Discussion (FGD) methods. The framework of thought created in this research is as follows.



**Fig.2.** Framework Theory

The following is a theoretical definition of the variables examined in this research which include competitiveness, added value and breeder groups. Value added is the difference between input costs to make a product and its selling price. The next definition states that Added Value is the sum of unit profit, unit depreciation costs, and unit labor costs. Unit profit is the difference between the selling price and production costs of a product. Second is competitiveness, the definition of competitiveness is the concept of comparing the ability and performance of companies, sub-sectors, or countries to sell and supply goods and/or services provided in the market. Third, a breeder group is a combination of breeders formed based on shared interests; equality of social, economic, and resource environmental conditions; commodity similarity; and familiarity to improve and develop member businesses.

## 3 Result and Discussion

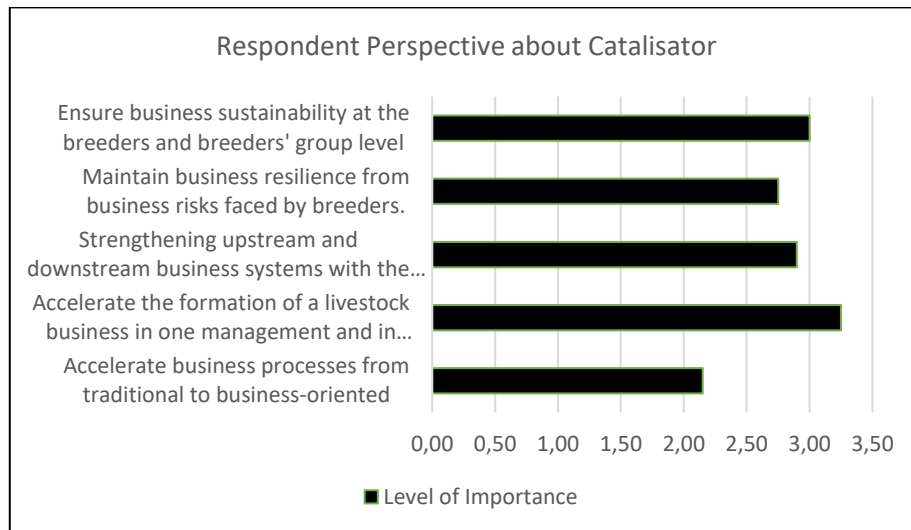
### 3.1 The role of institutions in increasing the Competitiveness of breeder Businesses

Based on the results of interviews and FGD (Focus Group Discussion), the role of institutions realized in the form of breeder cooperatives in increasing business competitiveness, namely as a catalyst, facilitator, and collaborator, was obtained.

#### 3.1.1 The role of institutions as catalyts

The role of institutions as catalyts means that institutions can encourage and accelerate the growth and development of livestock businesses. The business process that was originally

carried out by breeders individually and traditionally was then transformed into a group, one management, business oriented and located in one area. Likewise, in terms of increasing production, with the existence of an institution, business units will be created that specifically handle certain parts starting from providing feed, maintenance, and production and marketing. Apart from accelerating the increase in the competitiveness of livestock farming businesses, institutions also play a role in maintaining the sustainability and resilience of these businesses. As with any business run by a company, there are risks of profit and loss that must be faced. So that institutions can guarantee business continuity at the farmer and group level. On the other hand, the government, as the party that initiated the existence of breeder cooperatives, can help breeders in efforts to form legal entities and facilitate permits and regulations that support the realization of breeder cooperatives.

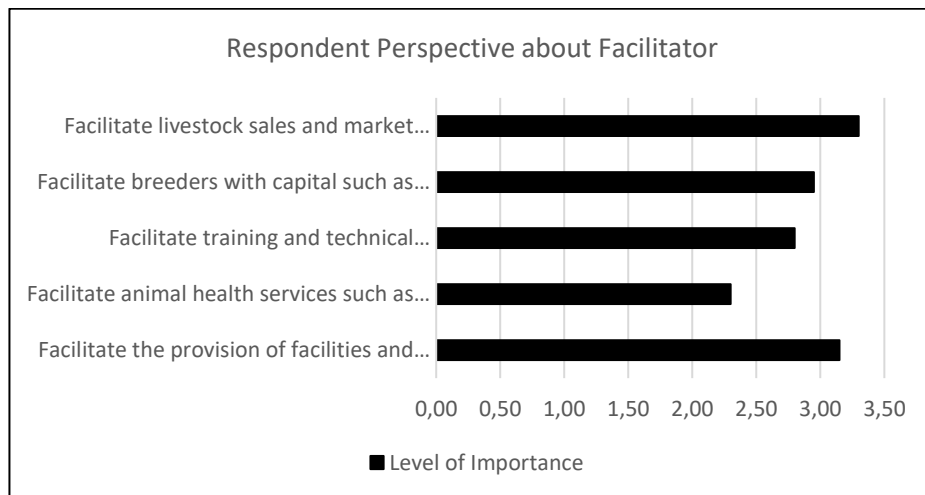


**Graph.1.** Respondents' Perspective on the Role of Institutions as Catalysts

Graph 1 shows respondents' perspectives on statements related to the role of institutions as catalysts. Respondents consisting of beef cattle breeders agreed that the role of institutions as catalysts is demonstrated by the existence of institutions that can accelerate the formation of a livestock business in one management and one area. The score obtained was 3.25 or 81.25% which states the large role of institutions in this statement from the breeder's perspective. The next role is to ensure business sustainability at the breeders and breeders' group level which received a score of 3.00 or 75%. Next is the institution's ability to strengthen upstream and downstream business systems with a score of 2.90 or 72.50%. This is followed by the role of institutions in maintaining business resilience from business risks faced by breeders with a score of 2.75 or 68.75%, and finally the role of institutions in accelerating business processes from traditional to business oriented with a score of 2.15 or 53.75%. This is in line with research by [6] which states that regional governments have a role as agents that accelerate the development of regional potential which can become a social model for participation development.

### 3.1.2 The role of the institution as a facilitator

The role of the institution as a facilitator can be said to be a technical role, where the institution has several management units. The first facilities provided include the provision of facilities and infrastructure such as a secretariat office, stables, and green land. The secretariat office is used as a gathering place for cooperative members and breeders to hold regular meetings and as a center for implementing administrative governance. In this case, the cage is a shared/communal cage that can be used by all members of the cooperative. Forage land is used for planting forage for livestock as the main food source for them to reproduce. Apart from that, the cooperative also provides concentrate feed facilities. The next facility is animal health services such as medicines and vaccines. The third facility is providing training, consultation, and technical assistance to breeders. The next facility is providing capital to breeders in the form of providing seeds, concentrate feed, and forage, as well as other forms. Next, institutions also play a role in facilitating livestock sales and market access.



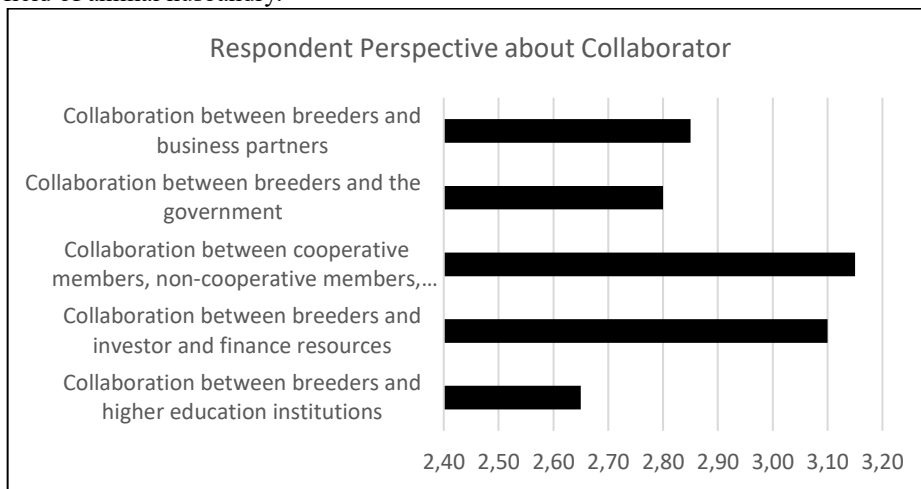
**Graph.2.** Respondents' Perspective on the Role of Institutions as Facilitators

Graph 2 shows respondents' perspectives on statements related to the role of institutions as facilitators. The results show that as a facilitator there are several things that institutions can do, including facilitating livestock sales and market access with a score of 3.30 or 82.50%. Next is the institution's ability to facilitate the provision of facilities and infrastructure such as secretariat offices, kennels, and green land with a score of 3.15 or 78.75%. This statement is followed by the institution's ability to facilitate breeders with capital such as seeds, concentrates, and other forms with a score of 2.95 or 73.75%. Next is the institution's ability to facilitate training and technical assistance to breeders with a score of 2.80 or 70% and the last is the institution's ability to facilitate animal health services such as medicines and vaccines with a score of 2.30 or 57.50%. These results are supported by research by [7]Raintung et al., (2021) said that the institution's role as a facilitator is very important in supporting development activities. As a

facilitator, apart from having a mentoring role through training, and skills education, it is also necessary to provide infrastructure, capital, and empowerment advice.

### 3.1.3 The role of institutions as collaborators

As a collaborator means that the institution can be a media liaison for cooperation between various parties. The parties involved in breeder cooperatives include breeders, cooperative administrators, cooperative members, government, banking, business partners, and buyers. In this case, breeder cooperatives can be a medium for collaboration between various partners, both internal and external. First, a collaboration between cooperative member breeders non-cooperative member breeders, and cooperative administrators. The matters discussed in this internal collaboration are technical matters related to business facilities. Second is collaboration between givers and recipients of capital, in this case, it can be investors, banks, state-owned companies, and other institutions. Third, collaboration between breeders and the government. In terms of collaboration with the government, the institution functions as a provider of information and liaison between breeders and various relevant government programs such as government assistance in terms of livestock, infrastructure, training, coaching, counseling, mentoring, and insurance. Fourth, collaboration between breeders and business partners such as cooperatives establishes partnerships with companies in terms of livestock sales, so that cooperatives become permanent suppliers for a company. Fifth, a collaboration between breeders and higher education institutions in terms of innovation, technology, and community empowerment. This is manifested in academic writing, community service, and research in the field of animal husbandry.



**Graph.3.** Respondents' Perspective on the Role of Institutions as Collaborators

Graph 3 shows respondents' perspectives on statements related to the role of institutions as collaborators. The first is the statement that the institution can create collaboration between cooperative members, non-cooperative members, and cooperative administrators with a score of 3.15 or 78.75%. This is a priority because it involves internal coordination within the institution. Next is the statement that the institution

can create collaboration between breeders and investors and financial resources with a score of 3.10 or 77.50%. Next is collaboration between breeders and business partners with a score of 2.85 or 71.25%. Fourth is the institution's ability to collaborate between breeders and the government with a score of 2.80 or 70%. Fifth is a collaboration between breeders and higher education institutions with a score of 2.65 or 66.25%.

These results are relevant to the research Yunasaf [8] which states that cooperatives have functions such as membership development, group development, participation development, service development function, and cooperation development function. The definition of collaboration is also discussed by Lai, Emily [[9] in their research which states that collaboration is a joint involvement effort to solve common problems through coordination and interaction. Long ago London [10]also stated in his paper that collaboration involves many parties starting from the individual, work group, and organizational levels.

### **3.2 A SWOT Analysis for Breeder Corporation**

SWOT analysis is a strategic planning tool used by individuals, organizations, and businesses to assess their current situation and make informed decisions. The acronym "SWOT" stands for Strengths, Weaknesses, Opportunities, and Threats. Here's a brief overview of each component:

- a. **Strengths:** These are internal attributes and resources that give an entity an advantage over others. Strengths could include a strong brand, a talented workforce, efficient processes, valuable intellectual property, or a loyal customer base. Identifying strengths helps an organization leverage its internal advantages.
- b. **Weaknesses:** Weaknesses are also internal factors, but they are characteristics or aspects that put an entity at a disadvantage. These could involve outdated technology, poor management, limited financial resources, or insufficient market penetration. Identifying weaknesses is crucial for addressing areas that need improvement.
- c. **Opportunities:** Opportunities are external factors and trends that an entity can capitalize on. These could include emerging markets, technological advancements, changing consumer preferences, or favorable government policies. Recognizing opportunities allows an organization to seize potential benefits and growth.
- d. **Threats:** Threats are external factors that could negatively impact an entity. These might include economic downturns, increased competition, legal and regulatory changes, natural disasters, or shifting market conditions. Identifying threats enables an organization to develop contingency plans and risk management strategies.

The SWOT analysis process involves gathering information and data related to each of these categories and assessing their relevance to the organization's goals and strategies. It's often depicted as a 2x2 matrix with strengths and weaknesses on one axis and opportunities and threats on the other. By analyzing the intersections of these factors, we can develop strategies to leverage strengths and opportunities while addressing weaknesses and mitigating threats.

To determine strategies that can be optimized by breeder cooperatives to increase competitiveness, a SWOT analysis is carried out. What is done is to identify the strengths, weaknesses, opportunities, and threats faced by breeder cooperatives and then put them into a SWOT table or matrix. The results are as follows:



**Table 1.** SWOT Matrix for Increasing Competitiveness through Breeder Cooperatives

<b>IFAS</b>  <b>EFAS</b>	<p><b>Strengths (S)</b></p> <ol style="list-style-type: none"> <li>a. Farmers through cooperatives can produce fertilizer and concentrate feed products.</li> <li>b. Breeders can form specific units in the production process.</li> <li>c. Farmers already have good knowledge and experience in raising livestock</li> </ol>	<p><b>Weaknesses (W)</b></p> <ol style="list-style-type: none"> <li>a. Lack of understanding of management in managing group business management</li> <li>b. Lack of water sources for developing forage for livestock and for cleaning pens.</li> <li>c. Lack of slaughterhouses.</li> </ol>
<p><b>Opportunities (O)</b></p> <ol style="list-style-type: none"> <li>a. Availability of database through breeder group profiles</li> <li>b. Using the application to weigh cattle.</li> <li>c. Establishment of an animal feed factory</li> <li>d. Development of forage for livestock</li> </ol>	<p><b>Strategy (SO)</b></p> <ol style="list-style-type: none"> <li>1. Collect data on livestock populations and the number of breeders in groups to create a complete and informative profile.</li> <li>2. Using technology in livestock maintenance, such as using Android-based cattle weighing applications and bookkeeping of buying and selling results.</li> <li>3. Procurement of animal feed processing equipment and machines to maximize feed factory performance</li> </ol>	<p><b>Strategy (WO)</b></p> <ol style="list-style-type: none"> <li>1. Conduct coaching and training business for cooperative administrators</li> <li>2. Construction of infrastructure in the form of drilled wells to overcome the problem of water shortages.</li> <li>3. Setting a feeding strategy, observing, and researching feed types, feeding patterns, and their effectiveness to facilitate integrated management</li> </ol>
<p><b>Threats (T)</b></p> <ol style="list-style-type: none"> <li>a. The length of the livestock sales chain in the animal market</li> <li>b. Biosecurity (animal health) and participation in mitigation programs</li> <li>c. There is not yet optimal access to financing in the form of credit, government assistance, and investment.</li> </ol>	<p><b>Strategy (ST)</b></p> <ol style="list-style-type: none"> <li>1. Coordinate and consolidate with related agencies to establish partnerships.</li> <li>2. Implementation of good livestock maintenance standards (good breeding/farming practices)</li> <li>3. Expanding access to financing through various schemes offered by banks, BUMN, and government credit.</li> </ol>	<p><b>Strategy (WT)</b></p> <ol style="list-style-type: none"> <li>1. It is necessary to make a commitment and SOP for selling livestock through one-door</li> <li>2. Conduct intensive livestock management training for farmer members.</li> <li>3. Increased accessibility to public facilities and infrastructure.</li> <li>4. Increase downstream products from beef cattle to various processed meat products.</li> </ol>

## 4 Conclusion

Based on the research results, it can be concluded that institutions play an important role in increasing the competitiveness of breeder businesses. These roles include the roles of catalyst, facilitator, and collaborator. Through SWOT analysis, strategies can be found that institutions can implement to optimize the increase in the competitiveness of group farmer businesses. So, it is hoped that breeder cooperatives will be able to become a forum for the growth and

development of livestock businesses that are planned, structured, organized, integrated, data-based, involving innovation and technology, and business-oriented so that the business can strengthen the capacity of breeders to become strong, independent and prosperous. Another benefit that arises from the existence of breeder cooperatives is that they can increase efficiency, business competitiveness, commodity productivity, the economy of agricultural areas, and the standard of living of breeders.

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