

Exploring Traditional Marketing Channels for Coconut Sugar in East Java Province

Sunu Priyawan¹, Titiek Rachmawati², Sri Budi Kasiyati³

^{1, 2, 3}Faculty of Economics and Business, Universitas 17 Agustus 1945 Surabaya, Indonesia;

Corresponding Author: sunu@untag-sby.ac.id

ABSTRACT: Analysis of the marketing aspects of coconut sugar products includes agents and distribution channels, transaction systems and calculations of profit margins for intermediary traders. This article aims to reveal how the marketing patterns of coconut sugar in several districts in East Java Province are carried out traditionally and hereditarily. The research results show that geographically or in trading areas there are four levels of intermediary traders, namely at the hamlet, village, sub-district and district levels. Most of the sales transaction processes occur at the producer's premises or production location and around 80 percent of producers sell their coconut sugar products to village level traders. Although most head sugar producers have the option to sell to more than one trader, almost 90 percent of them sell to the same buyer for a certain period of time. There are indications that there is mutual trust and good cooperation between producers and intermediary traders. On the other hand, there is no indication of exploitation or domination by middlemen over coconut sugar producers.

KEYWORDS: coconut sugar industry, middlemen/collecting traders, marketing network, profit margin.

JEL: Q13, M21, M31

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I. INTRODUCTION

Almost 100 percent of the coconut-sugar establishment in Indonesia are home-base industry, mostly employing unpaid family labor and having a labor force of four or less. Hence, this industry is classified as a cottage or household industry (Indonesia Is One of the Largest Producers of Coconut Products in the World, n.d.). Numerous studies have been conducted, especially in developing countries, on small-scale and cottage industries. These studies reveal considerable heterogeneity, especially with respect to product, production technology and marketing. Some of these studies concluded that the small-scale and cottage industries are one of the important sectors in the economy of developing countries, but other studies have suggested they have a negligible role (Alouw & Wulandari, 2020).

There are numerous case studies of the marketing aspects of small-scale and cottage industry products. Most of these studies point out the important role of middlemen and local collectors but show contradictory results. (Arifin, 2022) for example, concluded from their study of the household agriculture-based processing industry in West Java that the high percentage of households which sell their product to hamlet or village collectors is not reflection of collector monopsony but is rather a natural outcome of market competition. Despite the hierarchical organization among traders tied by trade credit, there was no sign of monopsonistic pricing. Indeed, traders tried to increase profit by enlarging their trade volume and maintaining their thin but positive margin through the exploitation of scale economies in transportation and inter-regional and field observations have also shown that the middlemen have a stronger bargaining position than the producers.

According to a World Bank study (Ardic et al., 2011) and (Akyüz, 2017), one of the problem faced by small-scale enterprises in most developing countries is that this sector depends on middlemen or money-lenders not only for working capital and help in personal emergencies, but also to help fill certain marketing and supply gaps at a very high cost. The middlemen offer the needed-finance, but only in small amounts and on a short-term basis, locking is deducted from the selling price. If output is unsatisfactory or payments lapse, the middlemen can sever the relationship, without having made a marketing, preferring to cater to known outlets, and are slow to suggest design change.

In describing the condition of the market of small-scale industry products in East Asia's, (Sato, 2013) concluded that middlemen have power that strongly influence both the procurement and sales markets. The power of middlemen puts the small producers in the position of unending dependency, in that they have no way of knowing or finding out what business alternatives there are, either in the procurement or in the sales

market. Retailers commonly buy the product at a fixed price and pay the producers a few weeks in advance, as producers do not have the necessary operating capital to finance the production process. In other cases, such as in the textile and leather industries, middlemen provide the raw material and buy back the finished product at a price agreed upon beforehand. Hence, small producers are dependent on the middlemen, who combine the function of creditors and purchasers, in order to ensure their monopsony position. The market power held by the middlemen can thus lead to the exploitation and abuse of small and medium enterprises, preventing them from increasing their capital and productivity as desired. Furthermore, for small and medium enterprises there is no institutionalized, reliable and systematic source of information on marketing. In spite of the middlemen's negative effects, (Sato, 2013) argues that in certain phases of development, middlemen act as business pioneers who combine new ideas with capital and simulate the manufacturers into production. They often develop new sources of input and market outlets, suggest new products, and partially finance the new production.

Citing (Mulyana, 2014) analysis of rural industry in Indonesia, (Das & Das, 2011) study of the footwear industry in Agra, India, and (Bazan & Navas-Alemán, 2003) study of small shoemakers of Sinos Valley, state that trader-producer linkages seem to vary with the market segment to which the product is targeted. For the low quality-low price end of the market, the interrelation between producers and traders is generally impersonal, hierarchical and involves little exchange of knowledge and information between them. It is an opportunist relationship, not a cooperative one. On the other hand, where quality – as opposed to price alone – helps to determine the marketing strategy for finished product, the relationship between producers and traders becomes more collaborative, personalized and involves elements of trust stability.

In Indonesia, the market for coconut sugar is a multilayered one with middlemen between producers and consumers (i.e., households, processing companies and exporters). (Astuti et al., 2007) reported from their study in East Java that the coconut-sugar collectors are bound together in an informal institution and form a strong oligopsonic syndicate. Some cases observed in West Java and Central Java (Pudyastuti et al., 2019), show that collectors and middlemen often exploit their strong bargaining position or oligopsonic power. Profit margins of 50 to 250 percent suggest that even after deducting handling and transportation costs (transaction costs), they get a high rate of trade profit. In certain areas, middlemen in this industry are monopsonists and often function as money-lenders. Having interviewed a number of coconut-sugar producers in Pangandaran, one of the largest coconut-sugar producing regencies in West Java, (Bakhri et al., 2024) reported that the low level of the small-scale coconut-sugar producers often leads them into a debt trap.

II. METHODS

The Research methodology is a scientific approach used to obtain data with specific purposes and uses, and to carry out activities to achieve pre-determined objectives. According to (Garza-Reyes, 2012) research methodology is a systematic and scientific way to obtain valid and accountable data. In this study, the researcher uses quantitative research methods with descriptive and comparative approaches to analyze the income differences between landowner farmers and tenant farmers in the coconut sugar industry in East Java. This article is based on author's study of the coconut-sugar industry in six regencies in East Java: Banyuwangi, Blitar, Pacitan, Tulungagung, Trenggalek, and Jember, involving 420 coconut-sugar producers as sampled respondents. Aside from that, 30 hamlet collectors, 16 village collectors, 18 district collectors, 6 regency collectors, and 30 bazaar traders were selected as respondents. A case study was especially conducted in Banyuwangi Regency for the calculation of profit margin. The field study was conducted in May-July 2024.

III. RESULT AND DISCUSSION

Distribution Agents of Coconut-Sugar and Location of Transactions

The frequency of selling coconut sugar by the survey respondents varied from a daily basis to once a week. Some 54 percent sold every day, 26 percent every other day, and about 20 percent twice a week.

From the point of view of geographical trading area covered by the traders or marketing agents involved in the distribution and marketing of coconut sugar, there are six types or levels of agents. They are: (i) hamlet collectors who operate their business within one hamlet; (ii) village collectors who cover more than one hamlet in a village; (iii) district collectors who cover more than one village in a district; (iv) regency collectors who cover more than one district in a regency; (v) exporters who cover for export markets, and (vi) retailers who sell to final consumers. The hamlet, village, district, and regency level marketing agents are known locally as *tengkulak* (middlemen) or *pedagang pengumpul* (coconut-sugar collectors or traders). In the western part of Central Java and in West Java, the hamlet and village collectors are also known as *pengilo*. Retailers of coconut sugar exporters were not included because of their inaccessibility as respondents. Retailers that are included in this study are bazaar traders operating in the markets in district towns. All surveyed district markets are open daily. Some of the traders sold their coconut sugar in stalls and some in a floor space in a market building.

As also shown in Table 1, all transactions between producers and hamlet collectors took place at the house of the producers, i.e., at the production site. Including transactions with village collectors, some 90

percent of the transactions occurred at the producer's place. All the transactions between producers and district collectors took place at the collector's place. Half of the transactions of respondents who dealt with bazaar traders also took place at the producer's place.

Table 1. Buyers of Coconut Sugar from Sampled Producers and Locations of Transactions

Buyers of Coconut Sugar from Producers	Location of Transactions	Respondents	
		Number	%
Hamlet Collectors	Producer's place	322	76.3
Village Collectors	Producer's place	55	13.1
	Collector's place	15	3.6
District Collectors	Collector's place	15	3.6
Bazaar Traders	Producer's place	7	1.7
	Trader's place	3	0.7
	Village market	3	0.7

Marketing agents play an important role in the distribution of coconut sugar. Note from Table 1, and later in Figure 1, that none of respondents sold their coconut sugar directly to regency collectors, exporters or to the end consumer, i.e. households and industries.

All six regency-collectors respondents stated that they always have an informal agreement of some kind with one or more district, village or hamlet collectors as their coconut-sugar trading partners. By co-operating with the lower level collectors, regency-level collectors and also exporters do not have to deal directly with the coconut-sugar producers. Although not thoroughly investigated in this study, all six regency collector respondents mentioned transaction-cost efficiency as their main reason for co-operating with lower-level coconut-sugar collectors.

To examine the bargaining position of the coconut-sugar producers in determining the producer's price, aside from price information (discussed in Section 2), the producer respondents were also asked whether they knew more than one potential buyer of their coconut-sugar and whether they had the option to sell to any of there. When asked whether or not they have their choice of buyers, 357 or 85 percent said yes, they do. Of these 357 respondents, 318 or 89 percent said they sold their coconut-sugar to the same buyer continually for a period of time ranging from one month to a year. Their most important reason for doing this, they said, was receipt of advance payment, necessity to repay a loan from the buyer or close proximity (see Table 2). The remaining 39 or 11 percent of the producerrespondents sold their coconut sugar to more than one buyer and their main reason was to obtain a higher price.

Table 2. Most Important Reason of Producer respondents for Continually Selling Coconut-Sugar to the Same Buyer All the Time

Reasons	Respondents (318)	
	Number	%
Advanced payment received	113	35.5
Loan repayment	89	28.0
Close proximity	64	20.1
Contract agreement ^{a)}	35	11.0
Other reasons ^{b)}	17	5.4
Total	318	100.0

^{a)} Based on one of the following factorsowner of the rented coconut trees, good personal relationship, family relationship.

^{b)} Includes: higher price obtained, transportation cost avoided.

When the producer respondents were asked whether they had access to information on current retail price of coconut-sugar at the nearest village or district market, 177 or 42 per cent said yes and that they used the price information to deal with the buyers. Of these 177 respondents, 84 per cent of them obtained the price information from the collectors themselves, 14 per cent from the retailers in the village and district markets and the remaining 2 per cent got their information through social organizations in the village or informal social gatherings. Almost 90 per cent of the 420 respondents knew that fluctuation in the price of coconut sugar is associated with fluctuation in market demand.

If some 89 per cent of the 357 respondents who submitted to have the option of selling to more than one of buyer but voluntarily sold their coconut sugar to the same collector all the time for a certain period, and they also obtained price and market information from the same collector, then it would seem that they must be a good and trusting business relationship between producers and collectors.

About 15 per cent of respondents in Banyuwangi Regency, 27 per cent in Pacitan Regency and some 30 per cent of respondents in Blitar Regency who produced super-and export-quality coconut sugar admitted that they had received advice and ideas from the collectors on how to increase the quality of their coconut sugar. Collectors usually get feedback from end-consumers and this is then communicated to producers. From the

author's field observations and interviews with the collectors, it is clear that there is a positive business-type relationship between collectors and coconut sugar producers benefiting both parties. The collectors often visit the production sites to communicate their ideas, advising and/or monitoring the production process. Some collectors of high-quality coconut sugar even go as far as providing standard-size moulds to fit the packing standard for the export market or big supermarket.

Mode of Payment

Cash is the only method of payment between buyers and producers, and payment is made either at the time of pickup of the coconut sugar or in advance. As presented in Table 2, 202 or 48 per cent of the 420 respondents received either advanced payment or loan from the buyers. The difference between an advance payment and a loan is as follow. With advance payment, the producer and the buyer agree in advance on the price to be paid for coconut sugar at the time of pick up, regardless of any possible price fluctuation, and the producer agrees to sell to the same buyer until the advance payment is redeemed. In a loan, the price of the coconut sugar is determined at the time of transaction, and the producer is not always required to sell their coconut sugar to the buyer who provide the loan. Nonetheless, the majority of the respondents who received loans sold their coconut sugar to the same buyer so as to maintain a good business relationship.

The monetary value of advance payments and loans varied greatly from an amount equivalent to one week's production to six month's production of coconut sugar. Reason for taking advance payments and loan were also varied. Four main reasons given by the respondents for taking advanced payment included: to pay for lumpy purchases such as electronic goods (e.g., radios/television set) to pay for children's education (e.g., school fees, book and school uniform), to pay renovating or building a new house, and to pay for expenses related to social functions and obligations (e.g., religious celebrations such as *idulfetri*, marriage, circumcision of a child, or funerals).

It is notable that all these loans and advance payments given to coconut sugar producers by collectors were interest free. However, information from key informants indicated the traders could obtain a return on their advances or loan either from a increase in the future price of coconut sugar or by passing the cost on to the next buyer.

Distribution Channels for Coconut Sugar

Like many other rural-based agricultural processing industries, the market for coconut sugar is a multilayered one with collectors or middlemen between the producers and consumers. Based on the investigations of the present study, the flowchart in Figure 1 depicts the distribution channels for coconut sugar in Central Java.

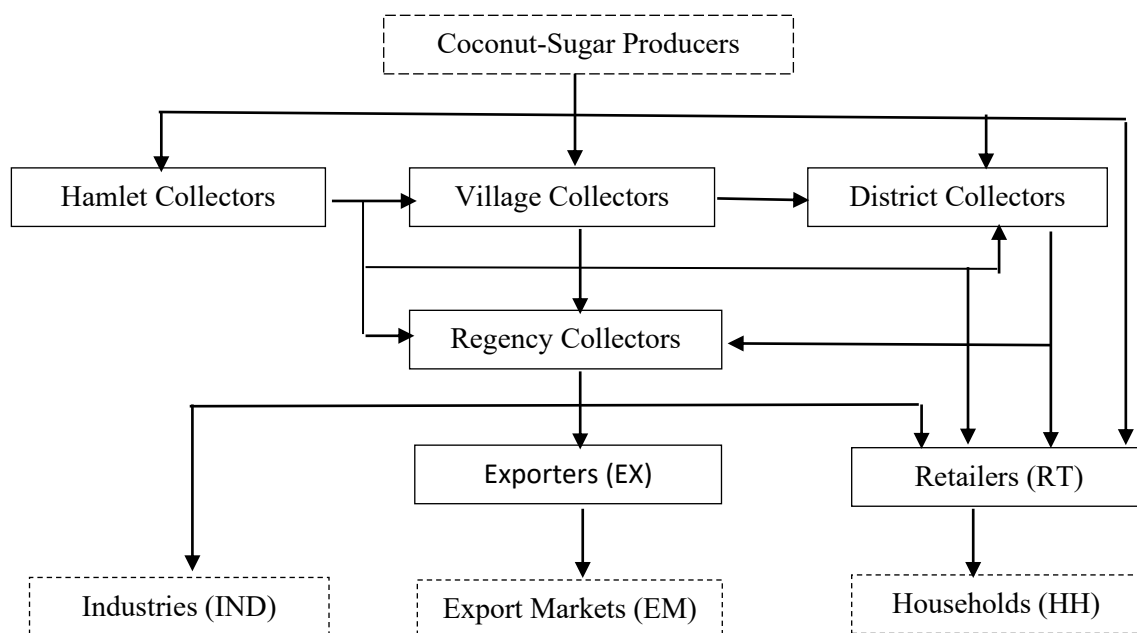


Figure 1. Flowchart of Distribution Channels for Coconut Sugar in Central Java

The following distribution patterns can be observed from Figure 1: (i) coconut producers can sell coconut sugar directly to retailers, bypassing all levels of collectors, (ii) collectors at hamlet, village and district levels can sell directly to retailers, bypassing collectors at higher levels, (iii) retailers are the only marketing agent supplying household end-user, and (iv) regency collectors are the only marketing agent supplying coconut sugar for exporters and industries, most likely because their scale of trading is the only one able to meet demand of such markets. The following are at least the 23 single distribution channels, linking producers and end-users, that can be derived from Figure 1 (using the acronyms that represent the producers and each of the marketing agents as displayed in Figure 1, grouped by end-user). Note that in this survey information on the estimated percentage distribution of trade across the different possible marketing channels was not collected.

Volume of Trade, Profit Margins and Trade Profits

As explained earlier, there is more than one distribution channel. Hence, the calculation of profit margin is based on the price paid to the marketing agents by any buyer and not necessarily the end-consumers. The volume of coconut sugar traded per day between producers and distributors varied greatly from an average of 30 kg per day for the hamlet-level collectors to 4.450 kg per day for the regency-level collectors. As shown in Table 3.a, b, and c, the highest volume of trading per day for all three types of coconut sugar was by the regency collectors with standard quality having the highest volume.

Table 3.a Average Volume of Trade, Profit margin and Trade Profit of Sampled Coconut-Sugar Collectors and Bazaar Traders, for Standard-Quality Coconut-Sugar

Types of Agent	Number of Respondents	Average Volume of Trade (kg/day)	Average Profit margin		Average Trade Profit	
			Margin (Rp/kg)	%	Profit (Rp/kg)	%
Hamlet Collectors	11	35	60	9.1	25	3.8
Village Collectors	6	550	125	17.0	70	8.3
District Collectors	2	720	125	17.2	105	12.6
Regency Collectors	3	6 000	175	19.4	140	17.4
Bazaar Traders	14	40	75	6.2	45	3.8

Table 3.b Average Volume of Trade, Profit margin and Trade Profit of Sampled Coconut-Sugar Collectors and Bazaar Traders, for Super-Quality Coconut-Sugar

Types of Agent	Number of Respondents	Average Volume of Trade (kg/day)	Average Profit margin		Average Trade Profit	
			Margin (Rp/kg)	%	Profit (Rp/kg)	%
Hamlet Collectors	13	25	140	16.2	115	13.4
Village Collectors	6	220	165	17.3	125	11.9
District Collectors	5	425	300	27.0	245	23.0
Regency Collectors	2	5 500	150	13.6	110	8.8
Bazaar Traders	16	85	125	13.8	100	9.7

Table 3.c Average Volume of Trade, Profit margin and Trade Profit of Sampled Coconut-Sugar Collectors and Bazaar Traders, for Export-Quality Coconut-Sugar

Types of Agent	Number of Respondents	Average Volume of Trade (kg/day)	Average Profit margin		Average Trade Profit	
			Margin (Rp/kg)	%	Profit (Rp/kg)	%
Hamlet Collectors	6	20	120	10.0	75	7.3
Village Collectors	4	130	90	6.9	80	6.4
District Collectors	5	360	135	17.2	110	11.0
Regency Collectors	1	1 350	200	19.1	125	10.0
Bazaar Traders	0	0	na ^{a)}	na	na	na

^{a)} na denotes not applicable

The data of Table 3.a, b and c shown that in all three quality categories, the average volume of trading increases as the level of marketing agent got higher, i.e., as the geographical area of trading widened. Hence, the regency collectors had the largest average volume of trading per day. The relative difference in volume of trading was not as wide between village and district collectors as compared to the gap between hamlet and village collectors and wider yet was the gap between district-level collectors and regency collectors.

In the trading of standard-quality coconut sugar, as depicted in Figure 2.a the average trade profit and profit rate generally increased following the geographical hierarchy of the coconut-sugar collectors. The same pattern was also true for marketing agents trading super-quality coconut sugar (Figure 2.b), except for the regency collectors whose average trade profit and profit rate were less than one-half that of district collectors. One possible explanation for this fact is that in the trading of the super-quality coconut sugar, most of the regency collectors bought only from district collectors i.e., they did not bypass them to go to lower agents,

hence there is not much chance for a higher mark-up. Meanwhile, the average trade profit and profit rate gained by district collectors suggest that they had a stronger bargaining position than marketing agents at other levels. In the trading of export-quality coconut sugar, as in the case with the standard-quality, the average trade profit increased following the hierarchy levels of the collectors. However, the profit rate were relatively equal among the different levels of collectors as compared to the trading of standard and super-quality coconut sugar (Figure 2.c).

It also worth noting that, contrary to the case with coconut sugar producers who gained their highest return from export-quality coconut sugar, regency collectors made their highest profit from standard-quality coconut sugar (Rp 90 per kg for standard-quality for the producers as compared to Rp 140 per kg for regency collectors and Rp 105 per kg for district collectors – table 3.a). However, profit gained per kg of export-quality coconut sugar, i.e., Rp 125 by regency collectors (Table 3.c) is only about one-fourth of the Rp 480 profit gained by the producers. The market for coconut sugar is a multilayered one with middlemen between producers and consumers (i.e., households, processing companies and exporters). (Putra et al., n.d.) reported from their study in East Java that the coconut sugar collectors are bound together in an informal institution and form a strong oligopsonic syndicate. Some case observed in West Java and Central Java (Srimarliani et al., 2024), show that collectors and middlemen often exploit their strong bargaining position or oligopsonic power. Profit margin of 50 to 250 per cent suggest that even after deducting handling and transportation costs (transaction costs), they get a high rate of trade profit. In certain areas, middlemen in this industry are monopsonists and often function as money-lenders. Having interviewed a number of coconut sugar producers in Pangandaran, one of the largest coconut sugar producing regencies in West Java, *detiknews* (23 February 2021) reported that the low income level of the small-scale coconut sugar producers often lead them into a debt trap. There are two likely explanations for this: firstly, the base price received by producers is relatively high, leaving little opportunity for collectors to impose a higher mark-up; secondly, exporter are probably the ones that enjoy higher profit since, obviously, they are the only ones who have access to export markets. This is similar to the position of district collectors in the super-quality trading who seem to be at the frontier where regency collectors cannot bypass them to deal directly with lower-level collectors. Figure 3, gives a graphical representation of the average trade profit gained by each marketing agent for the 3 types coconut sugar quality.

The calculations presented in Table 4 show how the scale of trading transactions is reflected in the magnitude of the absolute amount of profit earned per month.

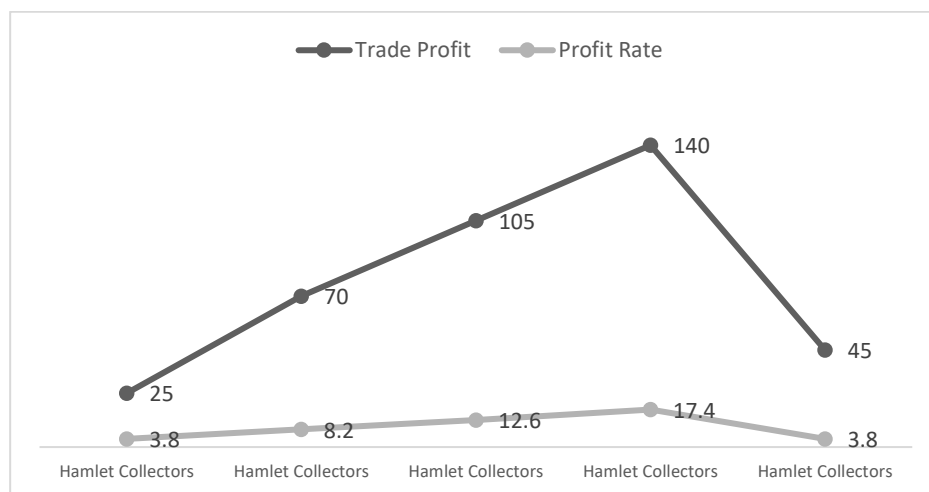


Figure 2.a Average Trade Profit and Profit Rate of Sampled Marketing Agents of Standard-Quality Coconut Sugar

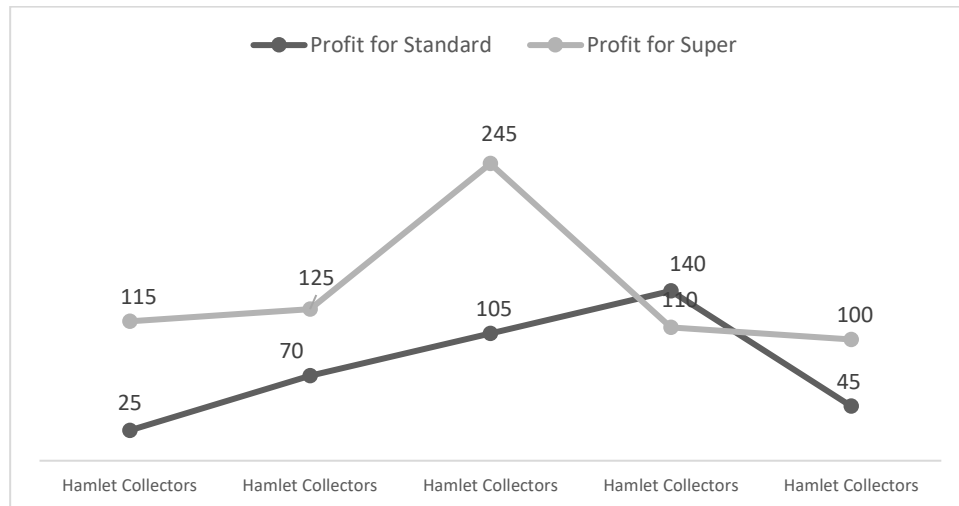


Figure 2.b Average Trade Profit and Profit rate of Sampled Marketing Agents of Super-Quality Coconut Sugar

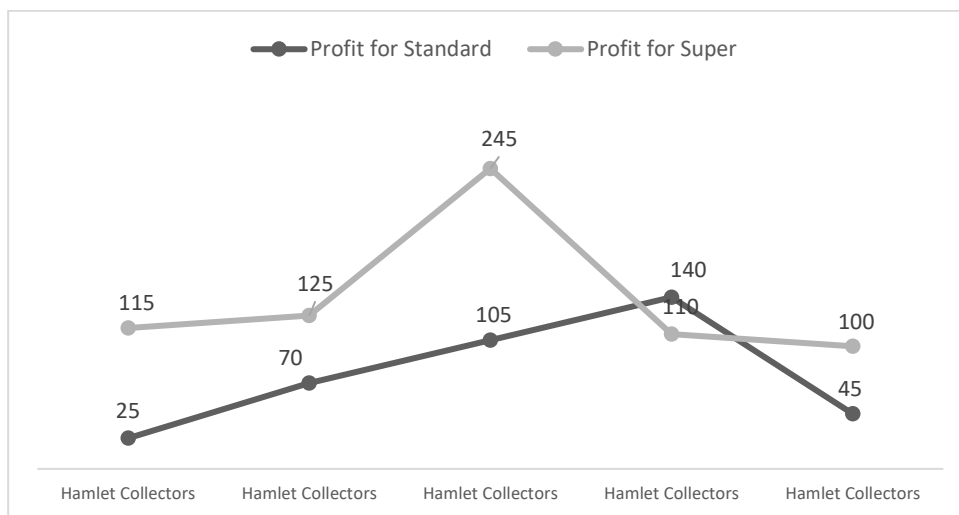


Figure 2.c Average Trade Profit and Profit rate of Sampled Marketing Agents of Export-Quality Coconut Sugar

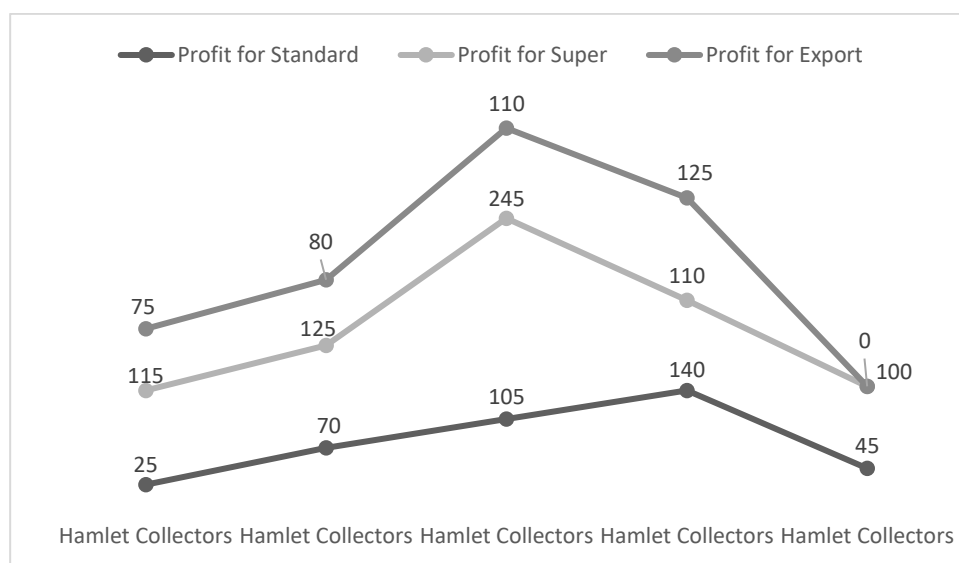


Figure 3. Average Trade Profit of Sampled Marketing Agents of Standard-, Super-, and Export-Quality Coconut Sugar

Table 4. Average Trade Profit Earned per Month by Each level of Marketing Agents for Standard-, Super-, and Export-Quality Coconut Sugar

Type of Agent	Average Volume of Trade (kg/day)		Average Trade Profit (Rp/kg)		Average Total Trade Profit Earned per Month (Rp)	
Standard-Quality						
Bazaar Trader	-	-	-	-	-	54
	40	-	45	-	000	-
Hamlaet Collector	-	35	-	25	-	26 250
Village Collector	-	550	-	70	-	1 155 000
District Collector	-	720	-	105	-	2 268 000
Regency Collector	-	6 600	-	140	-	27 720 000
Super-Quality						
Bazaar Trader	-	-	-	-	-	-
	-	-	-	-	-	255
	85	-	100	-	000	-
Hamlaet Collector	-	25	-	115	-	86 250
Village Collector	-	220	-	125	-	825 000
District Collector	-	425	-	245	-	3 123 750
Regency Collector	-	5 500	-	110	-	18 150 000
(c) Export-Quality						
Bazaar Trader	-	-	-	na	-	na
	0	-	b)	-	-	-
Hamlaet Collector	-	20	-	75	-	45 000
Village Collector	-	130	-	80	-	312 000
District Collector	-	360	-	110	-	1 188 000
Regency Collector	-	1 350	-	125	-	5 062 500

^{a)}A month is taken as 30 days.

^{b)}Na denotes not applicable.

IV. CONCLUSION

Information collected in this study clearly shows that the market chain for coconut sugar in Central Java is a multilayered one with multiple distribution channels, and with middlemen playing a major role in the distribution system. However, from the producers side, this study also shows that hamlet-level collectors are the main link in the chain between producers and other marketing agents and end-consumers.

From the trading-area covered or geographical point of view, there are four types or levels of marketing agents involved in the distribution and marketing of coconut sugar. They are hamlet-level, village-level, district-level, and regency-level traders or collectors. Retailers of coconut sugar range from small kiosks to supermarkets. Because of their close proximity to the producers, the hamlet collectors are the main marketing agents for the coconut sugar producers. More than 76 per cent of the respondent producers sold their coconut sugar to hamlet collectors (Table 1).

All transactions between coconut sugar producers and hamlet collectors and most of the transactions with village collectors took place at the producer's place. While all transactions with district collectors took place at collector's place. As for the bazaar traders, some transactions took place at the producer's place, some at the trader's place and some take place at the bazaar.

The fact that 90 per cent of the transactions took place at the producer's place or the production site also means that in this case there is no transportation and packaging costs for the producer. However, the fact that almost 80 per cent of the producers sold their product to hamlet collectors, indicates that the major portion of the profit margin was gained and distributed among marketing agents at village, district and regency levels.

Almost 60 per cent of the respondents acknowledged that they do had access to information on the current market price of coconut sugar. The price of coconut sugar in any particular transactions is then agreed upon by both parties based on the price information. There must be trusting relationship between collectors and producers because 84 per cent of all the respondents with access to market information obtained that information from the same collectors who were the buyers of their coconut sugar.

Of the 420 respondents, 357 or 85 per cent of them said they had the option of more than one potential collector. However, 318 or 89 per cent of these 357 sold their coconut sugar to the same buyer continually for a period of time ranging from a month to e year. There were three main reasons cited for these producers to heve sold their coconut sugar to the same buyer: (i) they had received advanced payment, (ii) loan repayment, and (iii) close proximity (Table 2). About 30 per cent of the respondents in Banyuwangi Regency, 15 per cent in Blitar Regency and 27 per cent in Pacitan regency who produced super- or export-quality coconut sugar acknowledged that they had received suggestions from their collectors on how to improve the quality of coconut sugar to meet the standard demanded by the market.

It can be concluded that, for most of the respondents, there was a co-operative and trusting relationship

between them and the collectors. This relationship notion seems to be in line with the observation of Nadvi and Schmitz (1994) where quality as opposed to price alone determines a finished product's marketing strategy, the relationship between producers and traders becomes more collaborative, personalized and involved elements of trust and stability.

The market for coconut sugar is a multilayered or chain-like one with collectors or middlemen between producers and end consumers. In all, there are no less than 23 chain-like distribution channels, from the shortest channel with only one marketing agent (coconut sugar producer → retailer → household), to the longest one with five marketing agents in between producers and the end consumers (coconut sugar producer → hamlet collector → village collector → district collector → regency collector → exporter → export market). Lower-level collectors can bypass some higher level agents in some of the distribution channels but only retailers supply coconut sugar for household consumers and only regency collectors supply for industries and exporters (Figure 1).

The volume of trade differed greatly from an average daily transactions of 20 kg of coconut sugar by hamlet-level collectors to 6.600 kg per day for regency-level collectors (Table 3). In standard- and export-quality coconut sugar trading, regency collectors earned the highest profit margin and trade profit. For super-quality coconut sugar, district collectors earned the highest profit margin and trade profit. The scale of trading transactions did make a sizeable difference in the magnitude of the total absolute amount of profit earned by the marketing agents. For standard-quality coconut sugar, the average monthly profit earned ranged from Rp 26 250 for hamlet collectors to Rp 22.7 million for regency collectors. For super- and export-quality coconut sugar, the profit earned from Rp 86 250 and Rp 45 000 respectively for hamlet collectors to Rp 18.1 million and Rp 5.1 million respectively for regency collectors (Table 4).

Since the distribution channel of coconut sugar is a multilayered one with a multiplicity of path to end-users, the calculation of the profit margin for each marketing agent was based on the price paid at the relevant level. Thus there was no single price of coconut sugar used as a basis for calculating the profit margin. In order to have a single price to be used as a base for the marketing-margin calculation, a case study of a single-line distribution channel was conducted for respondents in Banyuwangi Regency. The case study found that, in percentage terms, the producer's gross margin or producer's participation was 44.5 per cent with 39 per cent going to the retailer and the remaining 16.5 per cent distributed almost equally between hamlet, village, district, and regency collectors (Table 6).

There is no evidence from this study to confirm the finding from previous studies concerning the domination of middlemen over the small-scale and cottage industries producers. A World Bank study (2019) concluded that one of the problems faced by small-scale enterprises in developing countries is that this sector depends on middlemen or money-lenders, not only for working capital and personal emergencies but also to help fill certain marketing and supply gaps at a very high cost. Chapam (1985) concluded from his study of the condition of the market of small industry products in Indonesia and Malaysia that middlemen have power strongly influences both the procurement and sales markets. The power of middlemen puts the small producers in a position of unending dependency, in that they have no way knowing or finding out what business alternatives there are, either in the procurement or in the sales market. Small producers are dependent on the middlemen, who combine the function of creditors and purchasers, in order to ensure their monopsony as buyers. The market power held by the middlemen can thus lead to the exploitation and abuse of small and medium enterprises, preventing them from increasing their capital and productivity as desired. Furthermore, for small and medium enterprises there is no institutionalized, reliable and systematic source of information on marketing.

(Arifin, 2022) reported from their study in East Java that the coconut sugar collectors are bound together in an informal institution and form a strong oligopsonic syndicate. Some cases observed in West Java and Central Java (Srimarliani et al., 2024) and (Awami & Faza, 2025) show that collectors and middlemen often exploit their strong bargained position or oligopsonic power. These circumstances, combines with low producer incomes, often lead the producers into a debt trap (Sanusi et al., 2024).

In this study, there is no clear evidence of any of the above characteristics of the middlemen. On the contrary, as admitted by (Mulyana, 2014), in certain phases of development, middlemen have positive effect which should not be overlooked. For example, middlemen act as business pioneers who combine new ideas with capital and simulate the manufacturers into production. They often develop new sources of inputs and market outlets, suggest new products, and partially finance the new production. This study seem to confirm (Astuti et al., 2007) and (Sanusi et al., 2024) findings that trader-producer linkages seem to vary with the market segment to which the product is targeted. For the low quality-low price end of the market, the interrelation between producers and traders is generally impersonal, hierarchical and involves little exchange of knowledge and information between them. It is an opportunist relationship, not a co-operative one. On the other hand, where quality as opposed to price alone determines a finished product's marketing strategy, the relationship between producers and traders becomes more collaborative and personalized and involves elements of trust and stability.

Middlemen or traders of coconut sugar in this study were found to be more in line with the study of (Srimarliani et al., 2024) in West Java about household agriculture-based processing industry. They concluded that the high percentage of household which sell their product to hamlet or village collectors is not a reflection of collector monopsony but is rather a natural outcome of market competition. Despite the hierarchical organization among traders tied by trade credit, there was no sign of monopsonic pricing. Indeed, it would seem that traders try to increase profit by enlarging their trade volume and maintaining the thin but positive margin through the exploitation of scale economies in transportation and inter-regional price differences. In short, this study has shown that for the coconut sugar industry in Central Java, the middlemen-dominated market apparent in many other small-scale and cottage processing industries does not seem apply.

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