

FRAMEWORK OF SUPPLY CHAIN PRACTICES AND PERFORMANCE: STUDY OF BEEF INDUSTRY IN CENTRAL JAVA

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ABSTRACT

Beef consumption per capita of Indonesian is much lower as compared to other ASEAN countries. The unbalanced of beef supply and demand is suggested to result in a relatively higher market beef price in Indonesia. This paper proposes a conceptual framework of collaboration between beef wholesaler and its retailer.

Supply chain practices in terms of trust, commitment, information sharing and information quality in the collaboration between wholesalers and retailers in beef industry in Central Java is proposed to be examined in this study. Population of the proposed study will be beef wholesaler in Central Java. In order to provide generalization of as well as thick and rich data, this study will implement mixed-methods research (integration of quantitative and qualitative methods) in collecting and analysing data.

This proposed model framework is expected to contribute to the development of supply chain management theory in beef industry, particularly in developing country such as in Indonesia. The implementation of the proposed framework will provide input for Government in formulating sustainable food security strategy.

Keywords: supply chain management, trust, commitment, information sharing, information quality, beef industry, mixed-methods.

1.1 Introduction

Commodity retail price is highly dependent upon the efficiency of distribution activities. The latter is greatly influenced by the length and magnitude of the profit margin incurred along the distribution chain. The shorter the distribution chain, the smaller the profit margin, the more efficient the distribution activities (Gunasekaran, Patel and McGaughey 2004).

The price of beef in Indonesia during the last five years (2011-2015) tends to rise from Rp.69,641 to Rp.104,326 per kilogram with growth rate of 9.58% for 5 years. The highest

growth of beef price existed in 2013 for 17.52%. The increase of beef price commonly occurs during some religious and national holidays when the meat consumption rise.

The beef price in Indonesia is much higher than its neighboring countries. For example the beef price in Singapore, Thailand and Australia are around Rp 40,000 - Rp 50,000 / kg, in Malaysia around Rp 50,000 / kg, while the beef price in Indonesia around Rp 90,000 to Rp 140,000/kg. This condition leads to the relatively low beef consumption in Indonesia at 2.2 kg per capita per year, even lowest as compares to beef consumption in other countries, such as Argentina (55 kg/capita); Germany (45kg/capita); Brazil (40 kg/capita); Japan (9.2 kg/capita); Singapore (15 kg/capita); the Philippines (7 kg/capita) and Malaysia (15kg/capita). (antaranews.com)

In Indonesian market, beef is supplied by local as well as import. The volume and value of beef import has been increasing from 1996 to 2015. Beef production centers in Indonesia are concentrated in three areas in Java; East Java that contributes 21.09% (104,399,000 tons), West Java contributes 14.75% (73,039,000 tons) and Central Java contributes 12.02% (59,525,000 tons).

In 2015, beef production increased by 523.93 thousand tons and cow population rose 5.21% (15.49 million tons). Surprisingly, the beef price also increased up to Rp.104,328.00/kg (Ministry of Agriculture). In a perfect competition industry, price of a commodity is determined by its demand and supply ([Salvatore 2008](#)). Therefore, the characteristics of an industry greatly affect the competitiveness and performance of the players in the industry.

According to Porter ([Hitt, Ireland & Hoskisson 2004](#)), there are five (5) environment forces that shape the industry: 1) the threat of new entrants; 2) The bargaining power of suppliers; 3) the bargaining position of the buyers; 4) the availability of substitute products; and the intensity of competition from industry members. By analyzing the forces in an industry, the characteristics of the industry can be identified in order to formulate company strategy. For a commodity that has a direct impact on people's welfare, information about the characteristics of its industry can be used by the Government as a basis for formulating policies.

In order to overcome the low beef consumption in Indonesia, the investigation of supply chain management (SCM) of beef industry is required. According to Jie (2007), SCM has many advantages in the beef industry such as improving productivity, reducing the cost of the supply chain, increasing capacity, flexibility, reliability, responsiveness, and food safety. Mirani, Moore and Weber ([2001](#)) suggested that mutual trust and a long-term commitment are important components of the partnership in SCM. A study conducted by Jie ([2012](#)) confirmed that trust and commitment are the dimensions of business relationship that will determine the degree to which each of the parties feel they can rely on the integrity of the promise offered by other parties.