Profile of Milk Industry in The Province of Central Java (Study of Milk Cooperatives Profitability)

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ABSTRACT

This research was conducted to study of profitability performances of milk cooperatives in area which are as centre of milk production in the Province of Central Java. The cooperatives generally have some kind of business to support their main function in supplying fresh milk to milk processor industries, such as feed industry, farm industry and as milk collector. This research was done in 2008 at eleven milk cooperatives in north and east of Mount Merbabu area (Milk cooperatives: Gotong Royong, Mekar, Rukun, Pabelan, Getasan, Andhini Luhur in District of Semarang and Mojosongo, Musuk, Cepogo, Ampel-Ganesha and Kota at the District of Boyolali). The method used in this research was survey with interviews to cooperative's chairman and collected the annually reports of cooperative's RAT (annual cooperative membermeeting from 2004-2006 (reported in 2007). The variable observed were its financial ratio on profitability, and financial efficiency. The financial ratio's on profitability consist of net cooperatives income from operations, Return on Assets (ROA), Return on Equity (ROE), operating profit margin ratio, while for financial efficiency is the measure of Assets Turn-Over (ATO). The research results have indicated that average net cooperatives income from operations between IDR 20-75 millions annually in the District of Semarang and between IDR 25-172.7 millions rupiahs in the District of Boyolali. Its value on ROA and ROE were varied and fluctuated around 1.07-1.44 % and 2.46- 3.58 %, in the District of Semarang respectively, and ranged between 0.15-3.8 % and 1.06-4, 44 % in the District of Boyolali. It's value on operating profit margins have reduced sharply from average 17 to 8.64 % between 2004-2006, while it's assets turn over were around 18.93 to 23.91 %, in the District of Semarang,and fluctuated around 10.7-16.8% and 12.2-15.4 % for profit margin and assets turn over in the District of Boyolali. The low performance of milk cooperatives, therefore by regarding it's profitability and it's value on assets turn over indicated that the managerial skill of cooperatives top management were still too weak lead to uncertainly milk supply sustainability to milk processors. The milk industries in Central Java were worst.

Key words: *central of Java, milk cooperatives, profitability, financial efficiency*

INTRODUCTION

Milk farming was first introduced in Indonesia on the island of Java during the Dutch colonial era, when small herds of Holstein-Friesian cattle were kept close to the cities of Jakarta and Surabaya and in the highlands where the climate suited this temperate breed. After independence, the herds were broken up and smallholder dairies emerged. Each farmer owned one or two cows and raw milk was sold in urban areas through a system of private collectors who acted as middlemen; the farmers were paid about 25 percent of the retail price. A serious attempt to develop the milk industry along modern lines was made by the government, commencing with the first Five-Year Development Plan (1969-1974). Department of Cooperatives, which had a strong influence on rural development including milking, was formed at this time.

During the next Five-Year Development Plan (1974-1979), attention given to milk development was intensified. Milk consumption was increasing yet local production was still below 20 percent of the national requirements. In 1979 the National Union of Milk Cooperatives of Indonesia (GKSI) was established. This was to be a significant event as it brought under one umbrella all the existing milk cooperatives in the rural areas. The union provided assistance to small farmers by way of imported cattle (with help from the Department of Livestock Services), credit for the purchase of cattle and equipment