

Raw Material Procurement Management at SMEs Processing Cashew Nuts (Case Study of CV Hukasari Semesta, Muna Regency, Indonesia)

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ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Sinaini, L. (2022). Raw Materials Procurement Management at SMEs Processing Cashew Nuts (Case Study CV. Hukasari Semesta, Muna Regency, Indonesia). *Journal of International Conference Proceedings*, 5(42), 427-436

DOI:

<https://doi.org/10.32535/ijcp.v5i1.1479>

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Received: 07 April 2022
Accepted: 23 April 2022
Published: 14 May 2022

ABSTRACT

Raw material procurement management is one of the most important activities in production activities. CV Hukasari Semesta is one of the types of micro, small and medium enterprises (SMEs) that is quite developed in Muna Regency which prepares cashew nut products in the form of logs and ready-to-serve. The purpose of this study is to determine the management of raw material procurement by CV Hukasari Semesta in the cashew nut processing business in Mabodo Village, Muna Regency. This research uses descriptive qualitative analysis. The results showed that the management of raw material procurement carried out by CV Hukasari Semesta in ensuring the availability of production raw materials, namely implementing the planning function of raw material procurement, raw material purchasing function, raw material transportation function, raw material sorting function, raw material quality control function, and raw material warehousing function. The implication of this research is that micro, small and medium enterprises (SMEs) in carrying out important business activities apply raw material procurement management to maintain the availability of raw materials during the production process and the quality of the products to be produced.

Keywords: management, product, quality, raw material, and SMEs

INTRODUCTION

Raw material procurement management is one of the most important activities in production activities. Production activities will stop if the availability of raw materials in the production process activities cannot be maintained by the company. CV Hukasari Semesta is one of the SMEs in Muna Regency which is engaged in the cashew nut processing business. The products currently produced are cashew nuts in the form of logs and ready-to-serve cashews with various flavors. This business was founded in 1998 by relying on its own capital which at that time was Rp. 20,000. Currently CV Hukasari Semesta already has an Industrial Permit (SIUP) and a Business Place Permit (SITU) with a total of 17 employees. Besides that, CV Hukasari Semesta also has a product distribution permit from the Health Office. In ensuring the continuity of its products, implementing raw material procurement management so that the production process activities can run around the clock, without depending on the cashew fruit season. It is important to study how the management of raw material procurement is carried out by CV Hukasari Semesta, so that until now it has survived with the many business competition faced with limited raw material products from cashew farmers. This study aims to describe the raw material management of CV Hukasari Semesta in dealing with the limited supply of raw materials in cashew nut processing business activities, while this study can be useful as a reference for the development of micro, small and medium enterprises (SMEs) in dealing with limited raw materials.

LITERATURE REVIEW

Suryaningrat et al (2003), explains that raw materials are the most important factor to support processing activities in an agro-industrial system. Especially for large processing industries that carry out processing in large quantities, the issue of raw materials, including quantity, quality and continuity, is an important factor to support the activities of the processing industry.

Weber et al (1991), stated price is the highest ranking factor, followed by delivery and quality. It is important for industrial manufacturers to contract suppliers to ensure the supply of raw materials with the right volume, right quantity, right quality, at the right place and at the right time. Furthermore, they coordinate supply times with suppliers to match capacity availability (Jack GAJ et al, 2007).

Roth et al (2008), stated that raw material management activities need to have a variety of different supply chain partners such as retailers, wholesalers/distributors, traders, processors, marketers/storers, and farmers as suppliers of raw materials.

Suryaningrat et al (2015), findings that common problems in the cassava processing industry such as the formality of raw material procurement contracts with wholesalers or retailers to maintain information about prices, quantities and product quality due to the high amount of raw material needs. In terms of the contract system in the food industry, Grimm JH et al (2014) findings that trust between the focus company and direct suppliers as well as trust between direct suppliers and sub-suppliers are important factors to support the long-term relationship of the procurement system.

These facts show that the procurement of raw materials and components is one of the most important components of the supply chain, which facilitates every organization to achieve its goal of increasing value creation by minimizing costs. In procurement management, supplier selection is one of the important decision-making areas that

increase the purchase value in terms of cost, quality and on-time delivery of purchased goods. In addition, the company also faces stiff competition from its competitors (Suryaningrat, 2016).

Suryaningrat et al (2015), findings that in certain seasons, one of the big industries had to contact several suppliers from other districts to get enough raw materials. Due to the limited number, this industry also obtains raw material needs from farmers. When the industry considers supplying its raw material needs from other sources, the industry complains that "price agreement" is a crucial issue in the contract system especially with farmers.

Suryaningrat (2016), findings in terms of the flow of information in the procurement of raw materials, activities start from both the farmer and industrial side. Information from farmers, wholesalers, middlemen, fruit markets and the central market including the availability of raw materials and product quality according to industry needs. This information has a strong relationship with industrial capacity including order status and quantities to be supplied to the fruit industry for processing activities. Commitment through a contract system is urgently needed in this mechanism to support the transparency of the flow of information from all supply chain actors.

Accurate price, quality and availability data as information is also needed to support supply chain activities. All of these information flow mechanisms must be supported by good means of communication as a means of support. Payments from industry to collectors and from large or small collectors to farmers are also often made in cash. Only part of it is done on credit or extended payments. All payment processes tend to rely on the concept of "trust" as a commitment between them to build long-term relationships between actors in the supply chain mechanism (Suryaningrat 2016). This is in line with Grimm JH et al, (2014) that trust between actors in the supply chain must be raised to maintain long-term relationships in the supply chain mechanism.

Continuity has a very strong relationship to the total performance of the procurement system in the fruit industry. As a basis in the aspect of raw materials in agro-industrial products, these results also illustrate that the continuity of raw materials must be prioritized before quantity and quality. This also means that the industry must maintain the continuity of raw materials to support processing activities. This relates to the basic character of agro-industry raw materials which include seasonality, perishability and variables. The contract system is a common way for industry to maintain continuity of supply of raw materials from suppliers (Suryaningrat, 2016).

RESEARCH METHOD

This research was conducted from July 2021 to December 2021 at CV Husakasari Semesta which is located in Mabodo Village, Muna Regency. The selection of research subjects was carried out intentionally with the consideration that CV Hukasari Semesta is one of the SMEs that is quite developed in Muna Regency which prepares cashew nut products in the form of logs and ready to serve. The data used in this study are primary data sourced from business owners and direct observations in business activities. The data identified are planning activities for the procurement of raw materials, procurement of raw materials, supervision of the quality of raw materials, and storage of raw materials. The data analysis used in this research is qualitative descriptive analysis. The qualitative descriptive analysis method is a way of examining the status of a human group, an object, a set of conditions, a system of thought or a

class of events at the present time. The purpose of descriptive research is to make a description, description or painting systematically, factually and accurately of the facts, the characteristics and relationships between the phenomena investigated. Descriptive research studies the problems in society and the procedures that apply in society and certain situations, including the relationship of activities, attitudes and processes that are ongoing and the influence of a phenomenon (Nazir,1998; Sinaini, 2020).

RESULTS

Raw material procurement management is one of the most important activities in production activities. Production activities will stop if the availability of raw materials in the production process activities cannot be maintained by the company. Suryaningrat (2003) explains that raw materials are the most important factor to support processing activities in an agro-industrial system. Especially for large processing industries that carry out processing in large quantities, the issue of raw materials, including quantity, quality and continuity, is an important factor to support the activities of the processing industry. Raw material procurement management needs to pay attention to the regulation of raw material supply, supervision of raw material quality, and raw material storage. Management of the procurement of raw materials is very important so that the production process can run continuously.

Companies that do not pay attention to the management of raw materials in production activities will not only stop the production process activities, but will also cause the cessation of supply to distributors, so that customer needs are not met. The results of research on raw material procurement management at CV Hukasari Semesta, which performs the function of planning for raw material requirements, the function of purchasing raw materials, the function of controlling the quality of raw materials, and the function of storage of raw materials. Research results of the Cycle Model of Raw Material Procurement Planning CV Hukasari Semesta are presented in Figure 1, Research results of the Planning and Purchasing of Raw Materials CV Hukasari Semesta 2020-2021 in Table 1, and Research results of the Cycle Model of Quality Control of Raw Materials CV Hukasari Semesta are presented in Figure 2.

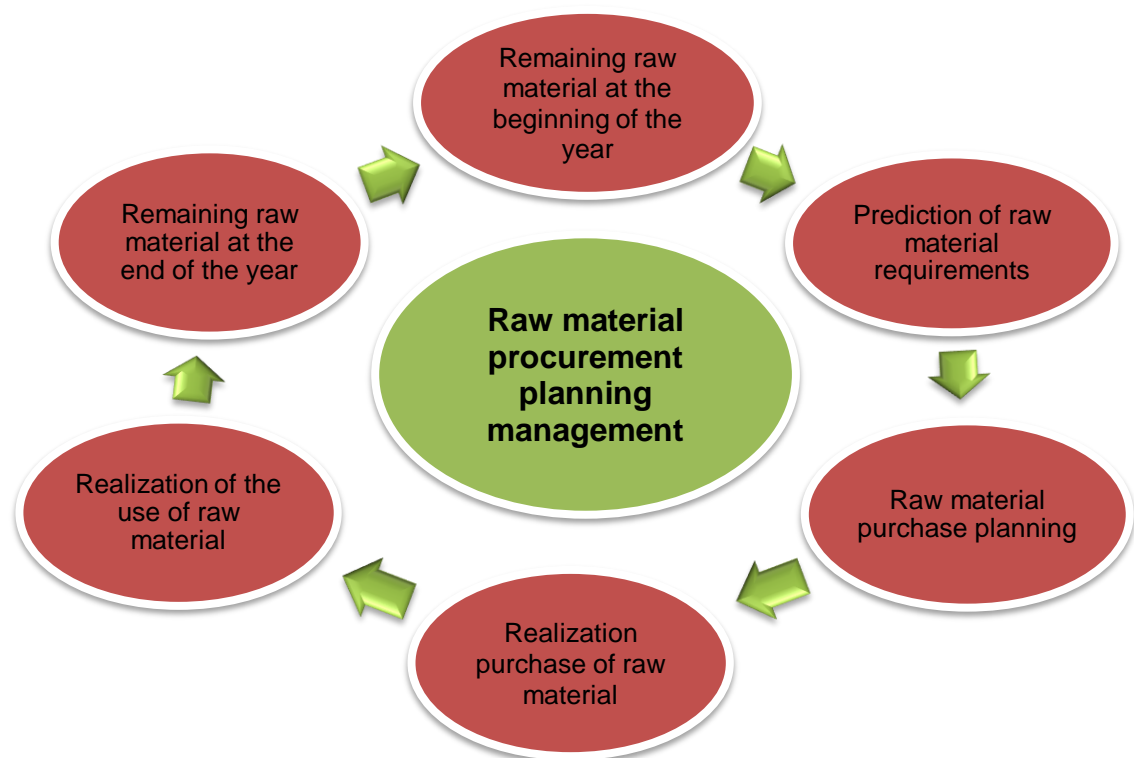


Figure 1 Cycle Model of Raw Material Procurement Planning CV Hukasari Semesta

Table 1. Planning and Purchasing of Raw Materials CV Hukasari Semesta 2020-2021

Description	Year	
	2020	2021
Remaining raw materials at the beginning of the year	5 tons	7 tons
Prediction of raw material requirements	23 tons	23 tons
Raw material purchase planning	40 tons	46 tons
Actual purchase of raw material	23 tons	15 tons
Realization of the use of raw material	20 tons	18 tons
Remaining raw material at the end of the year	7 tons	4 tons

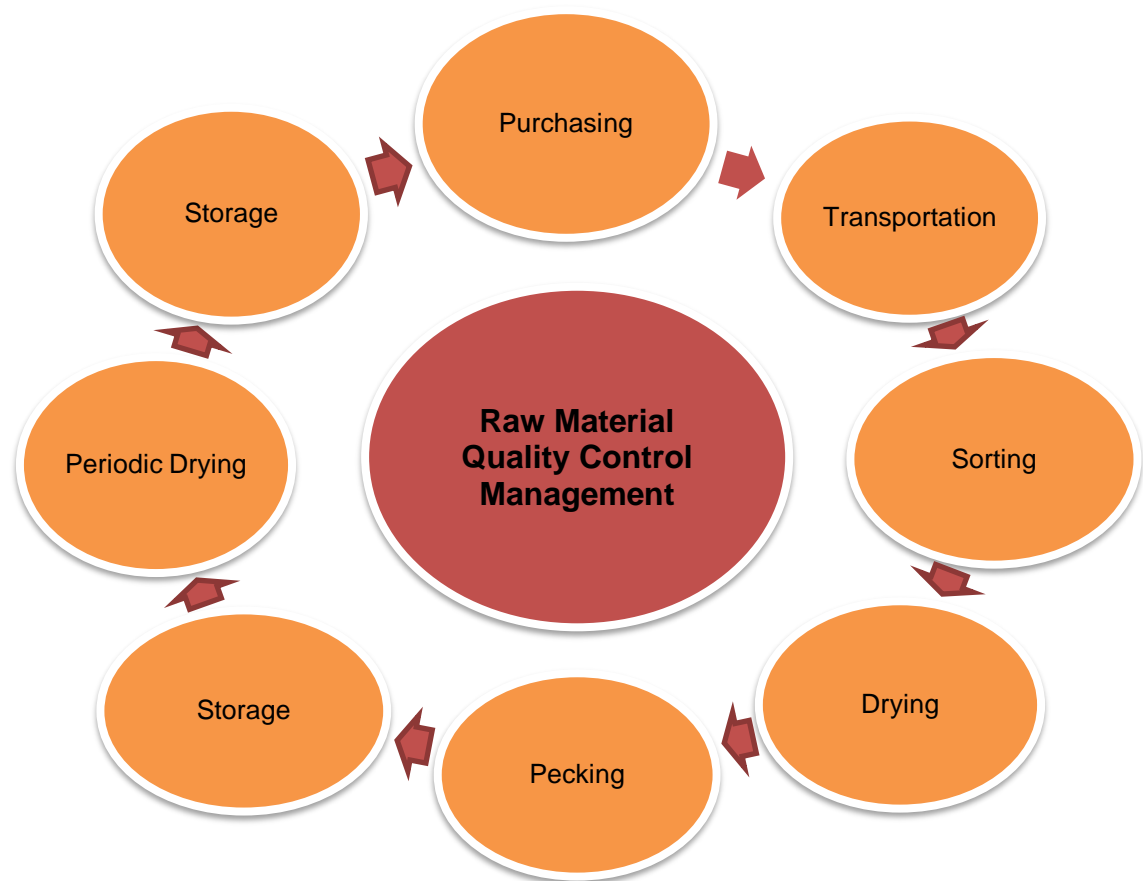


Figure 2. Cycle Model of Quality Control of Raw Materials CV Hukasari Semesta

DISCUSSION

Raw Material Planning and Purchasing Function

CV Hukasari Semesta in planning raw material needs estimates customer needs every year. The calculation of the number of sales in the previous year is used as the basis for preparing raw materials for the current year and for the coming year. On the other hand, it also takes into account the availability of raw materials in traditional markets around the business and the availability of raw materials in other markets in Muna Regency. The availability of raw materials in these markets is certainly influenced by

the ability of collecting traders to absorb raw materials sold by farmers to markets, as well as the amount of production at harvest time. When the amount of production produced by cashew farmers produces high production, then the prevailing market price is relatively low, so at this time CV Hukasari Semesta buys production in large quantities. Suryaningrat (2016) states that the industry must maintain the continuity of raw materials to support processing activities by taking into account the basic characteristics of agro-industrial raw materials which include seasonality, perishability and require space. The contract system is a common way for industries to maintain continuity of supply of raw materials from suppliers.

The function of purchasing and transporting raw materials is an activity in purchasing raw products which are then transported to the production plant. The activities of purchasing raw materials and transportation are an integral part of the supply of raw materials for cashew processing production. Purchase of raw materials can be done in traditional markets or through orders from business partners. Companies in purchasing raw material products need to pay attention to product quality and raw material prices in processing production activities. This relates to the quality of the finished product to be produced and the profits to be obtained by the company. The better the quality of the raw materials obtained, the better the quality of the finished products that will be produced, on the contrary, the lower the quality of the raw material products, the lower the quality of the finished products that will be produced. Weber et al (1991), stated that price was the highest ranking factor, followed by delivery and quality. It is important for industrial manufacturers to contract suppliers to ensure the supply of raw materials with the right volume, right quantity, right quality, at the right place and at the right time. Furthermore, they coordinate supply times with suppliers to match capacity availability (Jack GAJ et al, 2007). Therefore, in the activities of purchasing raw materials and transporting raw materials, it is necessary to pay attention to the quality of raw materials and the transportation process goes well.

Besides, the price of raw materials is also one of the factors that need to be considered by companies in purchasing raw materials. The cheaper the raw materials obtained, the higher the company's profits, on the contrary the more expensive the price of raw materials, the more expensive the finished products will be. On the other hand, an increase in product prices due to the high cost of raw materials can cause consumers to buy similar products at lower prices. In order to ensure the quality and prices of raw materials are stable, the company needs to cooperate with suppliers of raw materials. It is important to carry out a binding cooperation agreement that explains the rights and obligations of both parties that do not harm each other.

CV Hukasari Semesta in purchasing raw materials does planning every year. Planning for purchasing raw materials refers to the need for raw materials in the previous year and potential sales achievements in the next two years. Purchases of raw materials are carried out in markets around the company, namely in Mabodo Village and in other markets in Muna Regency. In purchasing raw materials, CV Hukasari Semesta conducts a study on the condition of the availability of raw materials to be circulated in the market. The availability of raw materials in the market is influenced by the weather and climate that supports cashew production. If the development of cashew production continues to increase, then CV Hukasari Semesta chooses to buy cashew production at the peak of the harvest, so that the price of raw materials in the market is relatively low. This will reduce the cost of spending raw materials and the profits to be obtained can increase.

The planned amount of raw materials is based on the need for raw materials to be used in 2021 and 2022. In the realization of the purchase of raw materials, only 20 tons, this is due to the limited availability of raw materials in the market and the lowest price obtained is Rp. 15,000/kg. On the other hand, CV Hukasari Semesta is able to realize the purchase of raw material needs such as 2020. The shortage of raw material purchases is planned to be purchased in 2022. Based on these conditions CV Hukasari Semesta has carried out raw material procurement management properly so that cashew nut processing production activities continue to run. in 2021. The findings of this study are in line with the findings of Suryaningrat (2015) that in certain seasons one of the major industries must contact several suppliers from other districts to obtain sufficient quantities of raw materials. Due to the limited number, this industry also obtains raw material needs from farmers. When the industry considers supplying its raw material needs from other sources, the industry complains that "price agreement" is a crucial issue in the contract system especially with farmers.

On the other hand, the weakness of the raw material procurement management carried out by CV Hukasari Semesta, which has not entered into a cooperation agreement with a supplier of raw materials, so that they will experience the impact of limited raw materials. If the raw material circulating in the market becomes a step, it will threaten the sustainability of the cashew nut processing process. The implication of the results of this study is that companies in running a cashew processing business need to cooperate with cashew farmers, so that companies get certainty of raw materials and prices obtained by farmers are relatively stable.

Raw Material Storage and Quality Control Function

The function of storing and controlling the quality of raw materials is an important activity in maintaining the quality of raw materials. Controlling the quality of raw materials is an activity of sorting, drying and storing raw materials in accordance with the standards set by the company. These monitoring activities are important so that raw materials that have not been processed can be used during the next production activity. Assurance of the quality of raw materials certainly requires workers who have expertise in determining the quality standards of raw materials. Some of the activities carried out in the supervision of cashew raw materials are determining the water content, storage and regulation of the circulation of raw materials in the warehouse.

Monitoring the quality of raw materials begins with the purchase of raw materials to village collectors at the Mabodo market, Muna Regency, and also at the time of purchase in markets other than the Mabodo market, in the Muna Regency area. Purchase of raw materials in other markets in order to meet the planned raw material needs. Purchasing of raw materials is also done by contacting raw material suppliers to deliver raw materials directly to storage warehouses, but it is more profitable to buy directly in traditional markets, because the prices obtained are cheaper than those delivered directly by raw material suppliers. On the other hand, direct purchases to traditional markets have limited raw materials as a result of purchasing competition from wholesalers.

The raw materials that have arrived at the CV Hukasari Semesta storage warehouse are supervised by 2 workers with the task of drying the raw materials under the sun, so that the cashews are dry. Raw materials stored in humid conditions will cause the quality of the raw materials to decrease, so that the resulting product will also be of low quality. In carrying out the function of controlling the quality of raw materials, CV

Hukasari Semesta employs a workforce of 2 people in managing raw materials starting from drying raw materials, packing into sacks, and transporting them back to the warehouse. The facilities used during the drying process are tarpaulins with a size of 10 X 12. This tarpaulin functions as a drying mat for raw materials, and if it suddenly rains, it can be used as a cover/protection for the raw materials being dried.

Monitoring the level of dryness of raw materials is carried out continuously by drying regularly, so that the moisture content of the cashew nuts is maintained. This supervision can maintain the quality of raw materials for two years.

CONCLUSION

Based on the results of the study, the management of raw material procurement carried out by CV Hukasari Semesta is implementing the planning function of raw material procurement, raw material purchasing function, raw material transportation function, raw material sorting function, raw material quality control function, and raw material storage function. The implication of this research is that SMEs in carrying out important business activities apply raw material procurement management to maintain the availability of raw materials during the production process and the quality of the products to be produced.

LIMITATION

This research is limited to the management of raw material procurement for cashew nut processing business, SMEs business scale, and certain areas. Future research needs to examine the management of raw material procurement in other types of businesses.

ACKNOWLEDGMENT

I declare that this paper is my own work and has never been submitted and published in any institution

DECLARATION OF CONFLICTING INTERESTS

I declare that I have no competing interests as an author

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