# Marketing Analysis of Dompet Dhuafa Livestock Center Sheep in Deli Serdang District

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## ARTICLE INFO

## ABSTRACT

The demand for sheep increases every year due to the community's need for sheep for daily consumption as well as for the celebration of Muslim religious holidays.This study aims to determine the form of marketing channels, marketing margins, marketing agency profits, farmer's share, and marketing efficiency of Dompet Dhuafa Livestock Center sheep in Deli Serdang Regency.The research method used was observation through direct interviews with respondents assisted by filling out questionnaires. Sampling was conducted using snowball sampling technique. The research sample was all marketing institutions involved in the marketing of Dompet Dhuafa Livestock Center sheep in Deli Serdang Regency. The results showed that the smallest sheep marketing margin was in channel 1 at Rp. 7000/head and the largest in channel 3 at Rp. 156,450/head. Farmer's share received by Dompet Dhuafa Livestock Center in Deli Serdang Regency was highest in channel 1 at 99.60% (rams) and lowest in marketing channel 3 at 87.84% (ewes). The most efficient sheep marketing channel is in channel 1 with a value of 0.39% (rams) and channel 3 is an inefficient channel with a value of 1.75% (ewes). Marketing channel 1 is considered the most efficient at 0.39% (rams) and 0.61% (ewes) and has the lowest margin value of Rp. 7,000/head of livestock and has the highest farmer's share value of 99.60% (rams) and 99.38% (ewes) which means marketing channel 1 has the best level of efficiency with the lowest margin value and the highest farmer's share value. In conlusion that marketing is more efficient when Dompet Dhuafa directly sell sheep to consumers and sales value of rams is higher than ewes.

**Keyword:** Dompet Dhuafa, Efficient, Ewes, Marketing analysis, Ram

## 1 Introduction

Sheep are needed to fulfill the basic needs of the community's daily meat needs and the celebration of religious holidays such as Eid al-Adha and for the needs of aqiqah as many as 1-2 sheep so that the demand for sheep will increase and affect the increase in sheep population every year. Based on data from the Food Security and Livestock Service Office of North Sumatra Province, the sheep population in Deli Serdang Regency in 2019 amounted to 134,551 and increased in 2020 to 143,969 [1]. Livestock Centre is an independent institution under the auspices of Dompet Dhuafa that can provide sheep livestock needs in accordance with community needs. Sentra Ternak does not yet have its own Slaughterhouse so that the sale of sheep is only in live form. Marketing of sheep at Dompet Dhuafa Livestock Center has two ways, namely: Selling sheep directly to consumers or selling sheep to collecting agents.

Marketing efficiency in increasing the competitiveness of the products produced serves to reduce production costs [2]. The success of a livestock business is determined by marketing. A well-executed marketing process will benefit many parties. Dompet Dhuafa Livestock Center sells sheep to the community at a lower price than the market. The sheep marketing process at the Dompet Dhuafa Livestock Center in Deli Serdang Regency has several obstacles, namely the more expensive sheep/head price and

marketing costs. From the results of initial observations made at the Dompet Dhuafa Livestock Center, the selling price of sheep is generally determined by the collecting agent, causing the selling price at the farmer to be low and the price paid by consumers is also high.

## 2  Materials and Method

### 2.1. Research Methods and Sampling
The sampling method chosen was snowball sampling, which follows the marketing channel from producers to consumers. Determination of the sample in this technique is based on interviews with previous samples or by correspondence. Respondents consisted of internal parties of Dompet Dhuafa farm as well as marketing institutions involved up to consumers.

### 2.2. Data Collection
Primary data obtained from this research is the results of observations through direct interviews with respondents who are assisted by filling out questionnaires, while secondary data is obtained from various libraries and related agencies that support research activities.

### 2.3. Data Analysis
The data collected from the respondent interviews were then recapitulated to facilitate calculations and then analyzed for the presentation of results and discussion. Analysis calculations were carried out to determine marketing channels, marketing margins and marketing efficiency.

*2.3.1 Marketing Channels*
Dompet Dhuafa farm's marketing channel was analyzed descriptively by looking for the distribution channel of sheep from Dompet Dhuafa Livestock Center to consumers.

*2.3.2 Marketing Margin*
The margin value is the acquisition of the multiplication between the price difference at the breeder and consumer or reheads level with the total product marketed with the following formula:

$$M = Pr - Pf$$

Description:
M = Marketing margin (Rp/Kg)
Pr = Price at the consumer level (Rp / Kg)
Pf = farm gate price (Rp/Kg)

*2.3.3. Marketing Profit*
The calculation of marketing profit can be formulated as follows:
$$\pi = ML - TC$$
Description:
$\pi$   = Institution profit (Rp)
ML = Margin of marketing institutions (Rp)
TC  = Total costs incurred at each institution (Rp)

*2.3.4. Farmers' Share*
The amount of shares received by farmers can be formulated as follows:
$$FS = (pf/pr) \times 100\%$$
Description:
Fs = Farmer's Share or part of the price received by farmers (%)
Pf = Price at farmer level (Rp) Pr = Price at consumer level (Rp)

*2.3.5. Marketing Efficiency*
To measure the parameters of marketing channel efficiency, namely by summing up the acquisition of marketing margins and farmer's share in each marketing channel that occurs. To get the value of marketing efficiency in the research location can be calculated as follows:

$$\text{Efficiency} = \frac{Marketing\ Costs}{Final\ Product\ Value} \times 100\%$$

Description:
If the EP value > 50%  means inefficient
If the EP value < 0-50%  means efficient

## 3    Result and Discussion

### 3.1    Marketing Channels

Based on the results of the research that has been carried out, the sheep marketing channel from Sentra Ternak Dompet Dhuafa to consumers has marketing institutions involved such as intermediary traders and reheadsers. There are three forms of marketing channels at Dompet Dhuafa Livestock Center. Channel marketing channels as shown below.

*Marketing Channel 1*



**Figure 1.** Scheme of Marketing Channel 1

Figure 1 shows that marketing channel 1 is a direct marketing channel or zero-level channel. This is in accordance with the statement of [3,4,5] which states that direct distribution channels (zero level), are marketing channels where producers sell directly to end buyers.
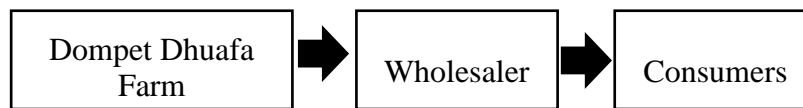
*Marketing Channel 2*



**Figure 2.** Scheme of Marketing Channel II

Marketing channel 2 has one intermediary trader between Dompet Dhuafa and consumers. In this channel Dompet Dhuafa sells its sheep to wholesaler. This is supported by [6] which states that farmers prefer to sell sheep to collectors, among others, the process is easier, the animal market is quite far from where they live, the marketing costs incurred are less, and the habit factor.

*Marketing Channel 3*



**Figure 3.** Scheme of Marketing Channel III

In the marketing channel, sheep from the Dompet Dhuafa Farm are marketed through intermediary traders, namely intermediary traders and reheadsers. This is supported by [7] statement that farmers choose to sell their livestock directly to agents in order to obtain cash directly from agents or intermediary traders. Marketing channel 3 is a two-level marketing channel.

### 3.2    Marketing Margins

The price received by Dompet Dhuafa to reach consumers in marketing institutions is not the same. This results in differences in prices, marketing costs, marketing margins, and profits received by marketing institutions. This statement is also supported by [8] which states that the short length of a curious channel determines the size of the marketing margin.

Dompet Dhuafa Farm buys feeder sheep from farmers at a price of Rp. 60,000 / kg (rams) and Rp. 35,000 / kg (ewes). Dompet Dhuafa generally buys weaned sheep feeders aged 4-5 months with a weight of 10-13

kg or with an average body weight of 12.05 kg / head. Then the feeder sheep are fattened until the body weight reaches the sales standard of 20 kg. Dompet Dhuafa sells sheep at a price of Rp. 70,000 / kg (rams) and Rp. 45,000 / kg (ewes).

**Tabel 1.** Marketing Margin of Dompet Dhuafa Farm

| Channel | Status | Average Selling Price (IDR/Heads) | | Average Purchase Price (IDR/Heads) | | Margin | |
|---|---|---|---|---|---|---|---|
| | | Rams | Ewes | Rams | Ewes | Rams | Ewes |
| 1 | Dompet Dhuafa Farm | 1.764.700 | 1.130.400 | - | - | - | - |
| 1 | Consumer | - | - | 1.771.700 | 1.137.400 | 7.000 | 7.000 |
| Total | - | - | - | - | - | - | - |
| 2 | Dompet Dhuafa Farm | 1.764.700 | 1.130.400 | - | - | - | - |
| 2 | Collecting Trader | 1.890.750 | 1.205.760 | 1.764.700 | 1.130.400 | 126.050 | 75.360 |
| 2 | Konsumen | - | - | 1.890.750 | 1.205.760 | 126.050 | 75.360 |
| Total | - | - | - | - | - | 126.050 | 75.360 |
| 3 | Dompet Dhuafa Farm | - | 1.130.400 | - | - | - | - |
| 3 | Collecting Trader | - | 1.205.760 | - | 1.130.400 | - | 75.360 |
| 3 | Reheadser | - | 1.286.850 | - | 1.205.760 | - | 81.090 |
| 3 | Consumer | - | - | - | 1.286.850 | - | 156.450 |
| Total | - | - | - | - | - | - | 156.450 |

Table 1 shows that the marketing margin for sheep in marketing channel 1 is Rp 7000/head for rams and ewes. The marketing margin in this channel is the transportation cost paid by consumers to deliver the purchased sheep. Marketing channel 1 obtained the lowest marketing margin value because it did not involve intermediary traders in the distribution process of sheep to consumers.

Marketing channel 2 has a margin value of Rp 126,050/head of rams and Rp 75,360/head of ewes. The margin value in marketing channel 2 is quite large compared to marketing channel 1. This is due to the longer distance traveled in transporting the sheep. In addition, the presence of profit-making intermediary traders in this channel increases the margin value.

The marketing margin value in channel 3 is Rp. 156,450/head for ewes. In this channel, each intermediary trader transported the sheep once, which increased the marketing cost. In addition, the marketing costs paid by reheadsers consisting of transportation costs, market levies and sheep slaughtering costs resulted in a higher marketing margin value. The high marketing costs can influence the high selling price of sheep so that the marketing margin is also greater. This is in accordance with the statement of [9] which states that high selling prices affect the value of marketing margins, on the contrary, low selling values will reduce the value of marketing margins.

### 3.3 Advantages of Marketing Institutions

Profit is the excess income earned by farmers from the production costs incurred. This is in accordance with statement in [10] which states that profit is the price received by the initial seller against the price incurred by the end user after marketing costs are deducted.

**Table 2.** Marketing profits of sheep at each marketing institution of Dompet Dhuafa

| Channel | Status | Average Selling Price (IDR/Heads) | | Average Selling Price (IDR/Heads) | | Marketing Cost (IDR/Heads) | Profit (IDR/Heads) | |
|---|---|---|---|---|---|---|---|---|
| | | Buck | Doe | Buck | Doe | | Buck | Doe |
| 1 | Dompet Dhuafa Farm | 1.764.700 | 1.130.400 | - | - | - | - | - |
| 1 | Consumer | - | - | 1.771.700 | 1.137.400 | 7.000 | - | - |
| Total | | - | - | - | - | 7.000 | - | - |
| 2 | Dompet Dhuafa Farm | 1.764.700 | 1.130.400 | - | - | - | - | - |
| 2 | Collecting Trader | 1.890.750 | 1.205.760 | 1.764.700 | 1.130.400 | 10.000 | 136.050 | 65.360 |
| 2 | Consumer | - | - | 1.890.750 | 1.205.760 | - | - | - |
| Total | | - | - | - | - | - | 136.050 | 65.360 |
| 3 | Dompet Dhuafa Farm | - | 1.130.400 | - | - | - | - | - |
| 3 | Collecting Trader | - | 1.205.760 | - | 1.130.400 | 10.000 | - | 65.360 |
| 3 | Reheadser | - | 1.286.850 | - | 1.205.760 | 13.291,66 | - | 67.798,34 |
| 3 | Konsumen | - | - | - | 1.286.850 | - | - | - |
| Total | | - | - | - | - | 23.291,66 | - | 133.098,34 |

Table 2 shows that each marketing institution has different profits. Collecting traders earned a profit of Rp 136,050/head of rams and Rp 65,360/head of ewes. Collecting traders received the same profit on the sale of ewes to both consumers and reheadsers. Meanwhile, reheadsers received a profit of Rp 67,798.34 per ewe. This is in accordance with the statement of [11] which states that the price difference is due to an additional price called profit obtained from the expenditure of costs by marketing institutions.

### 3.4 Farmer's Share

**Table 3.** Farmer's share of Dompet Dhuafa Farm

| Channel | Price at Dompet Dhuafa Farm (IDR/Heads) | | Consumer Price (IDR/Heads) | | *Farmer's share* (100%) Dompet Dhuafa Farm | |
|---|---|---|---|---|---|---|
| | Buck | Doe | Buck | Doe | Buck | Doe |
| 1 | 1.764.700 | 1.130.400 | 1.771.700 | 1.137.400 | 99,60 | 99,38 |
| 2 | 1.764.700 | 1.130.400 | 1.890.750 | 1.205.760 | 93,33 | 93,75 |
| 3 | - | 1.130.400 | - | 1.286.850 | - | 87,84 |

Based on the data above, it can be concluded that the farmer's share received by Sentra Ternak Dompet Dhuafa in Deli Serdang Regency is high because all marketing channels obtain a farmer's share value above> 50%. This is in accordance with the [12] which states that farmer's share is said to be efficient if the value is < 50%, and inefficient if it is > 50%. The value of farmer's share is influenced by the length of the marketing channel and the amount of selling price to consumers. This is in accordance with the

statement of [13] which states that the size of the farmer's share value is influenced by the length of the marketing channel and the selling price of intermediary traders.

*3.5    Marketing Effeciency*

**Table 6.** Marketing efficiency of sheep in each Dompet Dhuafa marketing channel

| Channel | Marketing Cost (IDR/Heads) | | Product Selling Value (IDR/Heads) | | Marketing Efficiency (%) | |
|---|---|---|---|---|---|---|
| | Rams | Ewes | Rams | Ewes | Rams | Ewes |
| 1 | 7.000 | 7.000 | 1.771.700 | 1.137.400 | 0,39 | 0,61 |
| 2 | 10.000 | 10.000 | 1.890.050 | 1.205.760 | 0,52 | 0,82 |
| 3 | - | 22.541,66 | - | 1.286.850 | - | 1,75 |

Based on the efficiency value of the marketing channels above, it can be seen that the efficient marketing channels are marketing channels 1 and 2. This is because the efficient value of marketing channels 1 and 2 is <50%. This is supported by the statement of  that a marketing is said to be efficient if its marketing efficiency is worth <50%. In addition, marketing channel 1 is said to be the most efficient because marketing channel 1 incurs less marketing costs than marketing channel 2 and marketing channel 3. This is in accordance with the statement of [13] which states that marketing channels are more efficient if they spend less money.

## 4    Conclusion

Based on the results of the research and discussion, the following conclusions are obtained:
a)  The smallest sheep marketing margin is marketing channel 1 at Rp. 7000/head, while the largest marketing margin is marketing channel 3 at Rp. 156,450/heads of rams. And the average marketing margin of each channel is Rp. 79,603/heads.
b)  Farmer's share received by Dompet Dhuafa Farm is highest in marketing channel 1 at 99.60% and 99.38% rams and ewes, while farmer's share in marketing channel 3 is 87.84%/ewes.
c)  The most efficient sheep marketing channel is marketing channel 1 with a value of 0.39% and 0.61% rams and ewes, while the inefficient marketing channel is marketing channel 3 at 1.75%/.

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