Measuring Competitiveness of the Indonesian Jamu Herbal Medicine
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The activation of the Free Trade Agreement or the Free Trade Agreement ASEAN-China (CAFTA) on 1 January 2010 has affected barriers for Indonesian jamu herbal medicine for its domestic and international market. In reality, ‘Chinese herbal products pose a threat to Indonesian herbal product’ as the data show that between the year 2000 - 2004, for medical and aromatic plants, China and India were the major supplier and its estimated growth rate was 7.4% and 3.3%.

The market share of exports commodity and herbal products of Indonesia during the period 2000-2004 have dropped into 0.6% compared to the year 1990 status, which reached into Rp. 73.8 billion (1.1%) of the total market share of world exports. China is the biggest producer as well as exporter of medicinal plants, accounting for 39% of U.S. $ 20 million total world trade (by value) in 2000, while the herbal market share of Indonesia was only about 0.22%. The changing of economic situation due to the CAFTA agreement in 2010 has demanded Micro, Small and Medium Enterprises (SME) clusters to adjust their plan and respond to the market needs.

Challenged by such economic situation, researchers of the Faculty of Economics and Management (FEM), Bogor Agricultural University (IPB) consisting of Dr. Eka Putri Intan K, Widyastutik, SE., MSi and Hety Mulyati, STP, MT designed the research program to investigate the competitiveness of SMEs in Indonesia on herbal products as well as to formulate policies to improve their competitiveness as impacted by CAFTA. Special Region of Yogyakarta (DIY) was selected as the location of their research programs that include to identify the potential problems of SME clusters on herbal products, analyze its competitiveness, as well as to formulate strategy to improve their competitiveness. DIY was selected as their location to implement those research programs as DIY is the center of production and consumption of herbal products (herbal carrying, herbal sachets, and other herbal products). In addition, the special status of Yogyakarta with the palace to have the important role for the conservation of the traditional culture (including herbal medicine) for the next generations.

The study revealed that the various jamu herbal medicine businesses existing in the DIY, ranging from micro, small to medium businesses, have not been fully implemented the clusterization. The process was only implemented for the classification of herbal products, such as street hawkers, herbal godog, and herbal sachets. The clusterization in the whole functioning as the group businesses (joint venture or a cooperative) have not implemented yet.

Further, based on the study it revealed that there were differences on the impact of CAFTA 2010 on the herbal businesses in the DIY. Although micro and small enterprises on herbal products, completely unaffected by the rise of Chinese herbal products on the market due to the launching of CAFTA in 2010, but for Medium-scale Enterprises, that produce 'instant herbal medicine', they suffered most of the impact of Chinese products, especially for their procurement of raw materials, and sales of their herbal sachets in the market.
Chief researcher, Dr. Eka Putri Intan K said that "Based on the analysis on Revealed Comparative Advantage Bilateral (RCAB) and US-based data Comtrade (2010), the flow of Indonesia-Chinese trade on herbal products, the Indonesia herbal producers concluded that their commodities are still unable to compete with herb commodities from China. Data show for the period 1996-2009 of 59 Indonesia and China traded herbs commodities, 39 of them had been in the negative status. Thus, the commodities traded herbs of Indonesia for China, they do not very competitive, and they are unable to enter the China market. On the otherhands, the Chinese herbs commodities are very competitive and they are easily enter into the Indonesian market, therefore they tend to dominate the Indonesia market."

Further she said, the analysis show that the herbal industry is not as strong as expected to compete with CAFTA. In terms of the raw materials availability for herbal products are relatively abundant, however there are still many weaknesses to be corrected such as the less management of production system and the integration of all elements do not work optimally. In the process of herbal medicine production, they usually apply simple production facilities. "Despite the tendency for the consumers to use natural products (back to nature) is quite high, but SMEs on herbal products are still threatened by the synthetic substitutes such as oplosan products that contain chemicals or synthetic essence of flavor / taste. These conditions require special attention," she said.

The team suggested to have clusterization for the SMEs to facilitate and improve their business efficiency, especially in terms of raw material purchasing, marketing, acquisition of capital or financing assistance. In addition, Dr. Eka Intan also stressed the importance of improving the quality of herbal products commodities to be more competitive. "Quality is the most important for our herbal products (herbal medicine), to be able to compete with China in the external and internal market," she stated.

With regard to small traditional business on jamu herbal medicine (carrying) which are unaffected by the impact of CAFTA in 2010, they are encouraged to continuously improve the quality and its hygienic, to retain the existing market, while for medium size businesses need they should concentrate and improve the management system and innovate the production mechanism of their herb sachet. "Orientation on product markets is really required, and based on the study they might plan the marketing program, appropriate promotion for the expansion of their businesses," she added.

Finally, she suggested to continuously improve the professional performance of the human resources of the jamu herbal medicine. "The traditional producers (pengrajin) of the carrying herbal medicine for example, they should not just rely on the knowledge they inherite from their ancestors as how to prepare the jamu herbal medicine, they should expand their knowledge by undertaking training programs on various themes, often participate in various exhibitions/bazaar at the local or central level, and so fort. Other important things, according to Dr. Eka Intan, to enable the jamu herbal medicine remain stable in the domestic market, and will be expanded into international markets in the near future without constraint, they encouraged to retain its authenticity (originality) taste and and blend. "We should not be influenced by a mixture of herbal products (oplosan) or essence," she stated. (Wied).