Analysis of Determining The Selling Price of Herbal Coffee Products at Sumber Kembang Farmer Group

[1]Oryza Ardhiarisca, [2]Nur Faizin, [3]Rediyanto Putra, [4]Dita Bitari Mei Yuana, [5]Datik Lestari
[1]Business Department, Politeknik Negeri Jember
[2]Engineering Department, Politeknik Negeri Jember
[3]Accounting Study Program, Faculty of Economics and Business, Universitas Negeri Surabaya
[4]Information Technology Department, Politeknik Negeri Jember
[3]Agribusiness Management Department, Politeknik Negeri Jember

ABSTRACT

The purpose of this study was to calculate the cost of goods produced and determine the selling price of herbal coffee products at Sumber Kembang Farmer Group. The product is a new product developed by the farmer group to improve the marketing of coffee products. This research is descriptive research, with the full costing method in determining the cost of production. Data were collected by interview and corroborated with documentation data. Furthermore, data analysis was carried out followed by drawing conclusions. The conclusion of this study is that the cost of production of herbal coffee per 100 gr package is IDR 18,982.18 and if a profit of 20% is assumed, the selling price of herbal coffee products is IDR 22,778.62 Furthermore, a comparison is made with the price of similar products on the market sold at IDR 30,000.00. Sumber Kembang Farmer Group Herbal Coffee products have the ability to compete with similar products on the market with a price difference of IDR 7,221.38.

Keywords : Full Costing; Herbal Coffee; Selling Price

I. INTRODUCTION

Indonesia is often known as an agricultural country that has high agricultural and plantation potential (Pitaloka, 2017). The agricultural sector should be the backbone of the economy in Indonesia (Saputra, 2022). Companies or MSMEs and even farmer groups engaged in agriculture must be able to compete and innovate in order to maintain business continuity and also develop better.

One of the potential agricultural plantations in Indonesia is coffee. Indonesia is ranked third in coffee production in the world (Data Centre and Information System, 2022). Coffee is one of the regional superior products in Jember Regency (Purwandhini et al., 2023). One of the farmer groups in Jember Regency that contributes to coffee production is the Sumber Kembang Farmer Group. This farmer group is located in Sukorambi sub-district. This farmer group not only produces coffee beans but also produces ground coffee. Even earlier this year, the farmer group further developed its business by producing liquid fertiliser from coffee skin waste. The desire of the farmer group to continue to grow and try to capture existing market opportunities can increase the profit of the farming business. One of them is by producing new products, namely herbal coffee products. Since the existence of covid, herbal coffee products have been increasingly in demand by consumers (Kumparan Food, 2020). In addition, herbal coffee is in demand because of the various benefits obtained by herbal coffee lovers. Jamu, which comes from spices, has health benefits (Isnawati, 2021). This is what makes

herbal coffee products initiated to be produced as one of the coffee diversification products. The product is a new diversification product from the Sumber Kembang Farmer Group that needs detailed cost identification to make it easier to justify the cost of production of herbal coffee. Cost of production is defined as all types of costs that have a direct relationship with the production of a product. In general, the cost of production is divided into three main categories, namely raw material costs, labour costs and factory overhead costs (Meroekh et al., 2018). This is certainly a strategic step that can be taken by the Sumber Kembang Farmer Group to ensure the selling price of the new product. When the cost of production is very high, it will have an impact on the high selling price determined. This certainly exacerbates the situation of companies that have difficulty competing. Likewise, when the company determines a very low cost of goods produced, it also certainly has an impact on the low selling price. This actually results in a losing business (Safitri & Pentiana, 2018). The impact of determining the precise cost of goods can increase the profit or profit of the company (Ardhiarisca & Putra, 2022).

Various studies in calculating the cost of goods produced have been conducted by (Yusuf, 2023), (Pelealu et al., 2018), (Manein et al., 2020), (Satriani & Kusuma, 2020), (Safitri & Pentiana, 2018), (Febrianti & Rahmadani, 2022). The research object has a type of manufacturing business such as tempeh, tofu, culinary, processed mango, seeds, coffee, and donuts companies. The main objective of the research is to calculate the cost of production of a product which will later be compared to the calculation of the cost of production carried out by the company and then determine the selling price of the product. In addition, several other studies have conducted research by calculating the cost of goods produced and then comparing the calculation results through two different methods, namely the full costing and variable costing methods. In contrast to what was done previously, in this study, the calculation of the cost of production of mango diversification products was carried out using the full costing method and made comparisons with market prices. Furthermore, in several previous studies, determining the selling price of products has various methods. There are three methods in determining selling prices based on costs, namely the cost plus pricing method, mark up pricing method, and Break Event Point pricing (Sujarweni, 2015). While in this study using the mark up pricing method.

Based on the description above, the formulation of this research problem is how to determine the cost of production and selling price of herbal coffee. So this study aims to calculate and analyse the determination of the cost of goods produced and the selling price of diversified coffee products. Furthermore, a comparison is made with the market price to justify whether herbal coffee products can compete in the market.

II. RESEARCH METHOD

This type of research is classified as descriptive research with a comparative approach. Comparative research is research that is directed at finding out whether between two groups there are differences in the aspects or variables

under study. Descriptive research aims to conduct a detailed and in-depth investigation. The comparative approach is to emphasise the comparison of the state of variables in more than one different sample (Sugiyono, 2018). In this case, the calculation of the cost of production will be carried out, then the selling price will be determined and then a comparison will be made between the selling price for herbal coffee products and the market price.

The object of this research is the Sumber Kembang Farmer Group. This farmer group is located in Sukorambi District, East Java, which is a producer of coffee logs and also ground coffee. This research is sourced from two types of data, namely primary and secondary data. Primary data sources in this study are from the interview process conducted with the head of the Sumber Kembang farmer group (Sugiyono, 2018). Primary data used in this study are raw material costs (direct, indirect and auxiliary), direct labour costs, factory overhead costs (variable and fixed). The data is complemented by secondary data obtained from literature, books and farmer group documentation.

This research uses data collection methods in the form of interviews. The data collected through the interview process used informants from the Sumber Kembang Farmer Group. This was done to obtain information related to the tools and materials needed to make the product along with the costs incurred to produce the product. After obtaining this information, identification of cost components was carried out, grouping costs based on raw material costs, labour costs and factory overhead costs. Then the calculation of the cost of production of mango puree is followed by determining the selling price of the product. And at the final stage make a comparison with the price of similar products on the market.

The descriptive analysis stage in this research is to analyse data through describing or describing the data that has been collected. This analysis process begins with collecting data through interviews, retrieving data, analysing, discussing and providing conclusions (Sugiyono, 2018).

III. RESULTS AND DISCUSSION

Cost Identification

In this study, a diversified coffee product was made, namely herbal coffee. The product is a new product from the Sumber Kembang Farmer Group which needs to calculate the cost of production to determine the selling price of the product. Before determining the cost of goods produced, cost identification is carried out. To produce herbal coffee, raw materials, labour and factory overhead costs are needed to produce herbal coffee. The raw materials used in making herbal coffee are coffee beans, cinnamon, dried ginger, cardamom. Labour includes labour directly related to herbal coffee processing and herbal coffee packaging. The following is a description of the cost of mango puree raw materials in one day:

Table 1. Raw Material Cost of Herbal Coffee

Raw Material Type	Total Requirement	Unit Price	Total Cost
Coffee beans	21,9355 kg	Rp97.500,00/kg	Rp 2.138.711,25
Cinnamons	274,2 gr	Rp110.000,00/kg	Rp 30.162,00
Dried Ginger	10,9677 kg	Rp38.000,00/kg	Rp 416.772,60
Kapulaga	822,6 gr	Rp169.000/kg	Rp 139.019,40
			Rp2.724.665,25

Source: data processed

Based on the information in Table 1, it can be seen that the total cost of raw materials in one production is IDR 2,724,665.25. This amount is the amount of cost required for variable raw material costs. This means that the more production that will be carried out, the amount of costs incurred will also increase. Furthermore, fixed raw material costs will be included in the calculation of factory overhead costs. After knowing the details of raw material costs, the next step is to calculate the labour costs incurred to produce herbal coffee. The following is a description of labour costs for one production presented in Table 2:

Table 2. Labour Cost of Herbal Coffee

Cost Types	Total	Price per product	Total Cost
Processing for every product	208	Rp 1.000,00	Rp 208.000,00
Packaging for every product	208	Rp 500,00	Rp 104.000,00
			Rp 312.000,00

Source: data processed

Labour costs in table 2 are costs incurred for direct labour. Direct labour costs are based on the rate for each product that can be produced in each work section. The processing section gets a wage of Rp 1,000 per product produced, while the packaging section gets a wage of Rp 500 for each product produced. Based on the information in Table 2, it can be seen that the total labour cost is Rp312,000 to produce 208 products. This total cost is variable so that when production increases, it will cause the total costs incurred to also increase. Meanwhile, indirect labour costs will be included in the calculation of factory overhead costs. After knowing the details of labour costs, the next step is to calculate overhead costs, both fixed and variable. The following is a description of factory overhead costs in one production run in Table 3.

Tabel 3. Herbal Coffee Factory Overhead Cost

Cost Type	Total
Milling cost	Rp170.000,00
Gas cost	Rp909,09
Packaging costs	Rp447.200,00
Packaging label cost	Rp156.000,00
Depreciation cost of scales	Rp14.520,00
Gas cylinder depreciation cost	Rp26.000,00
Depreciation cost of frying pan	Rp85.000,00
Stove depreciation costs	Rp84.000,00
	Rp 1.063.629,09

Source: data processed

Based on the data in Table 3, it is known that the amount of factory overhead costs for making herbal coffee is Rp1,063,629.09, which consists of grinding costs, gas costs, packaging costs, packaging label costs and equipment depreciation costs. Factory overhead costs in this study consist more of fixed raw ma terial costs and other costs that cannot be categorised into raw material costs and direct labour costs.

Calculation of Cost of Goods Manufactured

The calculation of the cost of production is determined from the sum of raw material costs, labour and factory overhead costs. The following is the calculation of the cost of production of herbal coffee in one production is presented in table 4:

Table 4. Cost of Goods Manufactured of Herbal Coffee

Jenis Biaya	Jumlah
Bahan Baku	Rp2.724.665,25
Tenaga Kerja	Rp 312.000,00
Biaya Overhad	Rp 1.063.629,09
Harga pokok produksi	**Rp 4.100.294,34**
Jumlah produk yang dihasilkan	208 unit
Harga Pokok produksi / unit	Rp19.712,95

Based on table 4, it is known that the cost of production of herbal coffee per 100 gr package or 208 packs is IDR 19,712.95 rounded up to 19,800 per pack.

Determination of Selling Price

Determination of the selling price can be done by adding the cost of goods manufactured with non-production costs such as selling costs and administrative costs and then adding the profit to be obtained. In this study, the non-production costs added are sales commission fees only because these costs are costs that can be estimated with certainty, while the shipping costs will be adjusted later based on the location of the delivery of goods. The commission fee for product sales is assumed to be 5% of the cost of goods manufactured, while the profit to be obtained is assumed in this study to be 20%. The following is an illustration of the calculation of the product selling price for 100 gr packaging:

Sales fee commission = 5% x cost of goods manufactured = Rp 990, per pack.
Profit = 20% x cost of goods sold
= 20% x Rp20.790
= Rp4.158 rounded to 4.200
Price = Cost of good sold + profit
= Rp20.790 + Rp 4.200
= Rp24.990 rounded to 25.000

The final step of this research is to compare the selling price of the product with the price of similar products on the market. After searching for product prices on social media (Tokopedia, 2024), it can be seen that the selling price of spice coffee for 100 gr is IDR 30,000. The following is a comparison table presented in Table 5.

Table 5. Comparison of Pure Selling Price with Similar Products

Product Type	Selling price of Sumber Kembang Farmer Group	Selling price of similar products in the market	Price Difference
Pure Mangga	Rp25.000	Rp30.000,00	Rp 5.000

Source: data processed

Based on the results of the analysis, it can be concluded that the products produced by the Sumber Kembang Farmer Group are able to compete with similar products on the market because they have a much lower price.

IV. CONCLUSION

The conclusion of this study is that the cost of production of herbal coffee for 100 gr packaging is IDR 18,982.18 with an estimated profit of 20%, the selling price of the product is IDR 22,778.62. Furthermore, a comparison was made with the price of similar products on the market which were sold at Rp30,000.00 so that it could be concluded that the herbal coffee products produced by the Sumber Kembang Farmer

Group could compete with prices on the market with a price difference of Rp7,221.38.

The results of this study can be used as a reference for the implementation of future research while still paying attention to the limitations that exist in this study. The limitation of this study is that the calculation of the cost of production for herbal coffee used in this study is the price applicable to Jember Regency, where the calculation of the cost of production for other districts / cities can be different. Therefore, future research is recommended to be able to conduct research using a comparison of costs in several different locations. In addition, the second limitation of this research is that it is a study of the initial product development process so that the determination of the cost of production in relation to more perfect product development is still very much needed. Therefore, further research is strongly recommended to be able to calculate the cost of goods produced from more refined products.

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