

Navigation of Agribusiness Cooperatives in East Java Facing the Covid-19 Pandemic: Synergies or Competitions?

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Abstract. The Covid-19 pandemic has caused an economic crisis that has spread across all sectors. The one of food crisis does not originate from a supply crisis but from a purchasing power crisis and distribution barriers. Agribusiness cooperatives take an important role to support farmers in managing finances and food stocks. This study aims to analyze the performance of agribusiness cooperatives in East Java Province to maintain their identity and developing business strategies in the Covid-19 pandemic. The sample in this study were three agribusiness cooperatives in Nganjuk Regency. Methodologically, the analysis is carried out by assessing the identity of the cooperative using the Development Ladder Assessment method and assessing the corporate business strategy. Both measurements were carried out to obtain an overview of the strategic policy choices of agribusiness cooperatives in facing the crisis. Some identity issues include membership management and member participation which has decreased during the pandemic due to limited social interaction. During the pandemic, agribusiness cooperatives also strengthened business strategies with implement a human resource strategy by restructuring human resources and rearranging wage and incentive policies. The financial strategy is also carried out by tightening credit terms and increasing capital from external sources.

1 Introduction

1.1 Background

The emergence of the 2019 coronavirus disease (Covid-19) pandemic presents fundamental consequences for the world's socio-economic order. Economic productivity, which has

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stalled for a while, is a response to the policy refocusing on handling the Covid-19 pandemic [1]. The prolonged consequences of the cessation of economic productivity eventually transmit into an economic recession, a decrease in purchasing power, an increase in poverty, an increase in unemployment, changes in the structure of the workforce, and a food crisis [1–4]. Recently, the shadow of the food crisis has continued to follow the course of the world economy, not from a decline in productivity, but from the volatility of the labor structure and food demand [5]. Agricultural productivity maintained positive growth while other sectors experienced a recession.

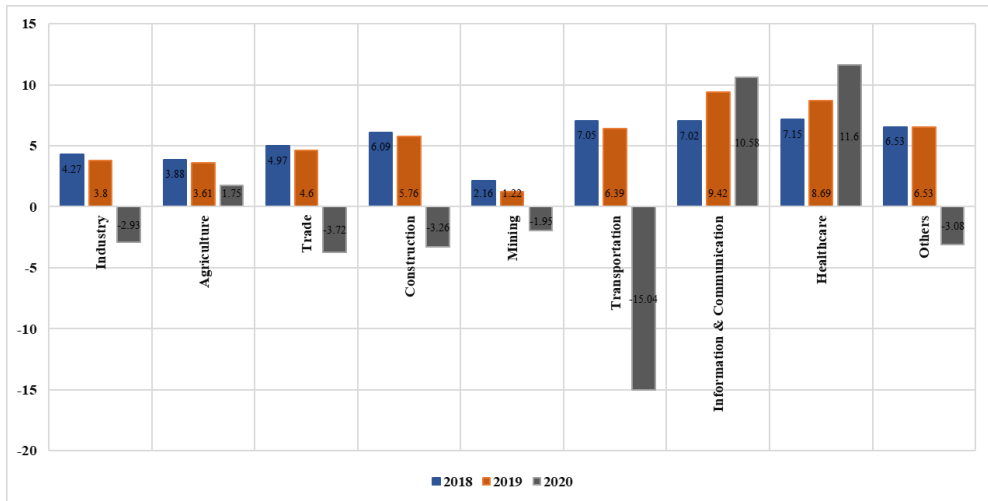


Fig. 1. Indonesia's Sectoral Economic Growth during 2018-2020.

Source: [6]

Currently, food supply is no longer a concern because the agricultural sector is still growing positively in the midst of the crisis. Figure 1 shows the performance of the agricultural sector with a fairly strong immunity to exogenous economic contraction. The main food supply is adequate, production prospects are favorable, and food supplies are expected to reach the third highest level in history [7]. In addition, most countries have established the agricultural and food sectors as essential sectors and are exempt from business closures and social restrictions [8]. For many countries, the direct impact of the pandemic on primary agriculture should be limited, as the pandemic does not affect the natural resources on which production is based. Instead, the pandemic poses a serious threat to food security and livelihoods in the poorest countries, namely declining access to food due to reduced purchasing power and demand for the poor, vulnerable poor, and middle-income groups [9].

Since food is a basic need, the level of food demand should be less affected by the crisis compared to the demand for other goods and services [10]. However, the pandemic resulted in a massive change in the structure of demand, with falling demand from restaurants, hotels and caterers, closing of open markets, and falling demand from supermarkets [11]. There are signs that businesses along the food chain are adapting to changing demand. In all countries except poor countries, the biggest challenge for the agricultural sector comes from the steps needed to overcome the COVID-19 pandemic where the direction of fiscal policy focuses on handling the health crisis so that there is a trade-off between handling the health crisis and food security [12].

In developed countries, macroeconomic shocks to consumer demand and employment will drastically reduce overall food demand [13]. The collapse of food consumption due to the purchasing power crisis has had a huge impact on developed countries. This is allegedly due to the closure of restaurants, hotels, and accommodation, as a series of cessation of

tourism sector activities [11]. Significant changes in the composition of demand will put the entire value chain under stress. This shift in demand is a direct result of reallocating and refocusing budgets and policies to control the pandemic. Uncertainty related to food demand will have a lasting impact even after the pandemic. This forces the agricultural sector to hold back food stocks so that deflation does not occur which will have a major impact on overall farming administration [14].

Measures taken to prevent or slow the spread of COVID-19 also disrupt the functioning of the food supply chain. The impact on the workforce is a major factor. The food sector will be vulnerable to the negative impact on the workforce from the spread of COVID-19 (ill or isolated workers) and will face additional production and distribution costs as a result of health and safety policy measures implemented to reduce exposure [15]. At the beginning of the pandemic, the agriculture and food sectors had sufficient immunity to isolate workers from exposure to Covid-19. However, labor migration from the tourism, accommodation, manufacturing, and other sectors that experienced a reduction in the workforce caused exposure to the virus in the agricultural sector to become uncontrollable [16]. In the context of changes in the workforce structure, this labor migration causes exposure to COVID-19 to penetrate the agricultural sector, causing food production and distribution to contract [17].

In addition to changes in demand structure and worker infections, measures to contain the spread of COVID-19 have also caused delays and disruptions to transportation and logistics services [18]. Border closures and additional inspection procedures have led to congestion and delays, affecting the distribution of perishable food, a key feature of food products [7; 17]. These food transportation and distribution barriers lead to a process of holding food in the warehouses of farmers and farmer groups so that the prices obtained are better [9].

The productivity of the agricultural sector did not contract due to the extraordinary events of the Covid-19 pandemic. However, changes in the structure of demand (purchasing power) and distribution are a matter of supply and supply chain. To avoid food deflation, most farmers carry out inventory management by holding food stocks [19]. A new problem that arose later was the financial administration of farming which did not circulate in a healthy manner. Farmers have difficulty starting the next harvest cycle due to retained business capital along with stored food supplies [20]. In this condition, the role of financial institutions such as agribusiness cooperatives is one of the factors that saves the agricultural and food sectors. Agribusiness cooperatives are defined as business entities consisting of people based on their activities by implementing cooperative principles, as well as a people's economic movement on the principle of kinship (Law No. 25 of 1992 concerning Cooperatives) in the field of agricultural administration.

Agribusiness cooperatives play an important role in maintaining the stability of farming systems, especially in the fields of finance, production technology, production inputs, and sales-distribution [12,13]. This is because agribusiness cooperatives are usually integrated with farmer groups (*poktan*) or farmer groups combined (*gapoktan*). The institutional process of agribusiness cooperatives is based on cooperation and kinship among its members along the agricultural administration chain [8]. One of the food centers that has developed with *Gapoktan* as a driving force for agribusiness cooperatives is Nganjuk Regency, East Java Province, Indonesia. Nganjuk Regency, East Java Province has 218 active *Gapoktan* with 149 cooperative business units and financial institutions both conventional and sharia based. In its journey to conquer the Covid-19 pandemic, this agribusiness cooperative is suspected of playing an important role in navigating the business of its members in various farming administration chains. Therefore, this study aims to measure the performance and identity of cooperatives that are able to navigate members of agribusiness cooperatives in making business adaptations in the midst of health and economic crises.

1.2 Cooperatives Principles and Identity

According to the International Co-operatives Alliance [21] a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a democratically controlled enterprise. Cooperatives have a value identity, including self-help, self-responsibility, democracy, equality, justice, and solidarity [21]. Following the traditions of its founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and concern for others.

ICA in its Cooperative Identity Statement in Manchester on September 23rd 1995 set out seven cooperative principles which are described in detail as follows: first principle, voluntary and open membership; the second principle, democratic control by members; the third principle, member economic participation; the fourth principle, autonomy and freedom; the fifth principle, education, training and information; the sixth principle, cooperation among cooperatives; the seventh principle, concern for the community [21].

Cooperatives run business entities through institutional mechanisms that carry democratic values, cooperation, and kinship. Institutions in question are a set of rules in a community, or more formally mentioned as boundaries that regulate interactions between members, so that the consequences will lead to the exchange of individual abilities, whether politically, socially, or economically [22]. Institutions will change the way of interacting in a cooperative community over time and because of that it is also the key to understanding changes in the performance and business navigation of cooperatives and their members [23].

Institutionally, cooperatives prioritize organization and management as part of the institutional concept that leads to work that is carried out collectively [24]. The point is that if someone works individually, the results will be less effective and efficient than if individuals cooperate in a community with an agreement and a certain way so as to produce collective effectiveness and efficiency [25].

1.3 Role of Agribusiness Cooperatives

The role of cooperatives in the agribusiness sector has been recorded in history since the Food Self-Sufficiency Program which began in 1974 with the establishment of the Village Unit Business Entity which later changed its name to the Village Unit Cooperative [26]. For more than 30 years KUD has been actively involved in these activities, not only in the procurement of grain/rice to support the national rice stock, but also in providing rice production facilities (*saprodi*), processing products, and marketing them to the free market [26]. The potential of agribusiness cooperatives in farming administration activities in the past few decades is indeed quite large, both in terms of the availability of facilities, as well as the availability of personnel. Likewise, agribusiness cooperatives actually have very strong business ties with farmers, even though the success of agribusiness cooperatives at that time was not optimal. In addition to the potential possessed by agribusiness cooperatives, they also face many obstacles and problems, both internal, such as the honesty of the managers of agribusiness cooperatives in using grain/rice procurement funds sourced from government loans (with interest subsidies), as well as external problems, including relationships with other system components. such as with farmers and *Perum Bulog*, which is not always conducive [26].

The pattern of relations with farmers should be improved if agribusiness cooperatives can buy grain directly from farmers, agribusiness cooperatives almost never do, because there are many obstacles, among others; a) farmers have sold with a slashing system; b) farmers no longer have barns to store grain so they have to sell their grain directly in the fields, while agribusiness cooperatives are faced with the problem of limited transportation facilities and personnel so that they can directly buy farmers' grain in the fields, as well as the habit of agribusiness cooperatives to cooperate with collector traders (which are generally MSEs that

are members of agribusiness cooperatives) [5]. The habit of most agribusiness cooperatives is to buy grain/rice from collectors or provide capital loans to traders.

In a system, the inefficiency that occurs in the system will be borne by the weakest system components. This is something to watch out for, because if it happens, farmers will not be able to receive much benefit from the current food policy and result in no stimulation for farmers to increase food production [9]. The problem of agribusiness cooperatives is a derivation of the main problem in the food system in Indonesia for more than sixty years, namely the absence of institutions that function optimally in regulating the distribution of resources and margins of the food system among all system components in the system, namely farmers, producers, consumers, and supply chain [13]. Nevertheless, agribusiness cooperatives have been able to suppress the problems of farming administration through their roles and functions. However, the practice of implementing agribusiness cooperatives should be evaluated and given policy incentives to optimize outputs and outcomes. Some of the roles and functions of agribusiness cooperatives include:

1. The role of economic institutions

Agribusiness cooperatives are business entities whose members are farmers, enabling the collective cooperation mechanism of members to develop rapidly. This collective farm administration relates to cooperation that can be carried out in each administrative chain, from sharing labor, developing workforce capacity, joint promotion, distribution and collective marketing, using tools and machines together, and so on [13].

2. The role of the provider of production facilities

The production facilities accessed by farmers mostly use group mechanisms through poktan and *gapoktan*. The provision of subsidized fertilizers, seeds, and agricultural drugs is one of the roles of agribusiness cooperatives [5]. Therefore, agricultural cooperatives become a distribution channel for production facilities in order to support the farming administration of cooperative members.

3. The role of financial institutions

The financial role of agribusiness cooperatives places members as partners and families to support members' farming administration. The mechanism of agribusiness cooperative financial institutions includes savings (principal, mandatory, voluntary), credit, and other financial assistance supported by government programs [12].

4. Social and cultural roles

Agribusiness cooperatives are developing more than just economic and financial institutions in their role of supporting members' farming operations. Agricultural cooperatives also include community social activities to be able to help and kinship according to the principles and values that are inspired [23]. Social attachment and cultural preservation are positive impacts of agribusiness cooperative activities through the performance of members who animate the principles and values of cooperatives.

5. The role of technological innovation infiltration

The presence of agribusiness cooperatives is a vehicle that can increase the infiltration of innovation and agricultural technology effectively [14]. Agricultural policy incentives can be implemented instantly in agribusiness cooperatives with a broad scope to all members.

2 Methodology

This research is a type of descriptive quantitative research with an empirical approach. Quantitative research uses numerical measures to interpret a phenomenon under study [27]. While the empirical approach is a procedure used in social analysis of events and experiences

that have occurred. This study uses these methods and approaches to analyze the identity and business strategy of East Java Province agribusiness cooperatives during the Covid-19 pandemic. More specifically, this analysis relates to the navigation of the agribusiness cooperative's policies in maintaining performance and maintaining the economic stability of its members. The end of this research is a comparative analysis between the identity of the cooperative and the business strategy carried out by the East Java Province agribusiness cooperative during the economic crisis due to the Covid-19 pandemic.

2.1 Data

The unit of analysis in this study were 3 agribusiness cooperative business entities in Nganjuk Regency, East Java Province, Indonesia. These three cooperatives are precisely located in Nganjuk Regency, namely the Mandiri Amanah Cooperative (Gapoktan Mulya Jaya), the Karya Manunggal Gapoktan Cooperative, and the Mulyo Agro Gapoktan Cooperative. Primary data was taken by using the in-depth interview method, where the researcher met face-to-face with the respondents to obtain information about the performance and identity of the cooperative. The agribusiness cooperative as the unit of analysis is a unitary respondent with the representation of several elements of the cooperative business entity, including management (managers of cooperative business units), cooperative members, and management (chairman or other administrators). In-depth interviews were conducted using a focus group discussion (FGD) mechanism [28] with the three elements representing agribusiness cooperatives. The purpose of this FGD was to dig up information and cross-confirm between informants according to their representation in agribusiness cooperatives.

2.2 Analysis Method

2.2.1 Development Ladder Assessment as a Cooperative Identity Indicator

The Development Ladder Assessment (DLA) is an approach to assessing cooperative identity based on cooperative principles and values. Basically, DLA is the initiation of the Canada Co-operative Alliance (CCA) with the Indonesian Institute for Cooperative Studies and Development (LPS2I) to reformulate the cooperative identity assessment in 2011 [29]. Basically, cooperative identity assessment has developed since 2001, 2006, 2008, and 2009 through the consortium of the International Co-operatives Alliance (ICA) so that its development was carried out in 2009 to reaffirm the perspective of cooperative identity analysis [29].

DLA instantly uses a Likert scale approach (scale 5) to measure the identity of cooperatives in each of the proposed indicators. These indicators are classified into four mainstream variables, namely: (a) vision, (b) participation, (c) capacity, and (d) financial management [29]. These four variables become interpretations of cooperative principles and values based on (1) voluntary and open membership; (2) democratic control by members; (3) members' economic participation; (4) autonomy and freedom; (5) education, training and information; (6) cooperation among cooperatives; and (7) concern for the community [30].

In more detail, the DLA method compiles several indicators for the four DLA variables. These indicators are believed to be able to represent the cooperative identity variable which is measured based on the principles and values of cooperatives according to ICA (2011). DLA indicators are described in the Table 1. The analysis is carried out according to the indicators that have been set. The scoring process is carried out by assessing the progress, consistency, setbacks, and stagnation of the implementation of cooperative principles and values as an identity. The determination of the assessment standards is as Table 1-3.

Table 1. Indicators of Development Ladder Assessments.

Variables	Indicators
Vision	<ol style="list-style-type: none"> 1) The organization has a well-designed strategic plan. 2) The organization has a well-designed operational plan. 3) Organizations committed to the natural environment and environmental sustainability. 4) Organizations are very committed to gender equality. 5) Organizations are committed to supporting youth and development. 6) Organizations committed to community outreach and social development. 7) Organizations have relationships with other co-operatives.
Member Management and Participation	<ol style="list-style-type: none"> 1) The structure and activities of the management are consistent with the standards of international co-operatives accepted by the government. 2) Effective communication and member involvement strategies allow members to exercise democratic control of the organization in accordance with co-operative principles. 3) There is an effective working relationship, consistent with the principles of good governance, between management and managers. 4) Organizations have a transparency & ethics policy for managers, staff, and officials. 5) The management can look ahead.
Management Capacity and Business Development	<ol style="list-style-type: none"> 1) Staff/management structure meets organizational needs. 2) Effective and efficient staff/management structure. 3) Management activities show a strong commitment to the success of the organization. 4) Management is committed to staff training. 5) Office facilities and operating procedures are well-maintained and efficient. 6) Organizations are members and responsive markets.
Financial Management	<ol style="list-style-type: none"> 1) Organizational financial records and accounting systems are consistent with sound financial reporting practices. (Non-KSP/USP). 2) Organizational operations contribute to growth and profitability and Management show signs of encouraging growth. (Non-KSP/USP) 3) Use of financial reports, other documents and appropriate PEARLS ratios, promising prospects for KSP/USP. 4) Capital Adequacy: Using the ratio of retained earnings (institutional capital) to total assets.

Source: [29]

Table 2. Scoring Scale

Description	Value of Scale
Consistent progress	5
Progress with some stagnation	4
Fluctuating performance	3
Stagnation and a few setbacks	2
Periodic decline	1

Source: [29]

Table 3. Summation as Zoning Determination.

No.	Zone	Value Calculation	100 Scale
1	Green	$\frac{\text{Score}}{\text{Max score}} \times 100$	> 75
2	Yellow		$46 - 75$
3	Red		≤ 45

The sum of the scale values is intended to determine the zoning of the cooperative identity. Each zoning is given symbols to explain the level of cooperative identity. There are three levels of cooperative performance, namely: (1) Green zone, which means that the cooperative's identity is generally good. (2) Yellow zone means the identity of the cooperative requires attention. (3) The red zone means that cooperative organizations have minimal identity [29].

2.2.2 Corporate Business Strategy

Cooperative business entities are different from companies, the most basic thing is their identity in the form of cooperative values and principles which are the basis for cooperative operations [29]. The identity of the cooperative emphasizes the existence of justice as an element of capital which is built on the participation of members. Cooperation, cooperation, and kinship as elements of joint responsibility (in the loan process), cooperation in business units, and the vision of developing cooperative business entities [22]. In contrast, the company is dominated by capital controlled by one or several people by applying corporate principles such as efficiency, management lines, and work professionalism that separates corporate affairs from social values [30].

Often, the identity of a cooperative with a business strategy is the opposite. This is because business strategies generally negate the identity of cooperatives such as justice, cooperation, kinship, and other cooperative principles [5]. The business strategy is oriented towards economic profit so that cost efficiency and operational effectiveness are the main strategies. This business strategy is achieved in various aspects of the company such as finance, personnel, operational, marketing, and research and development [31].

Table 4. Indicators of Corporate Business Strategy

Variables	Indicators
Financial Strategy	<ol style="list-style-type: none"> 1) Production and operational cost efficiency 2) Credit interest policy 3) Tightening credit terms 4) Increase in capital by external mechanisms 5) Financial risk mitigation 6) Transparent and factual financial reporting
Human Resource Strategy	<ol style="list-style-type: none"> 1) Personnel restructuring 2) Increased capacity of personnel performance 3) Re-arrangement of incentive and salary policies 4) Improved leadership and distribution of personnel 5) Personnel participation in policy and innovation
Operational Strategy	<ol style="list-style-type: none"> 1) Enforcement of standard procedures 2) Operational control with discipline 3) Standardization of production capacity 4) Supervision of business operations 5) Operational planning
Marketing Strategy	<ol style="list-style-type: none"> 1) Product price adjustment 2) Arrangement of place of business 3) Promotion development 4) Improved customer service 5) Product marketing personnel management 6) Control of the company's goods/services production process 7) Rejuvenation of the physical appearance of the place of business in various bases

Source: [31]

The scoring process is carried out using the same method as the self-assessment (DLA approach), which is a standard 5 scale rating to determine the cooperative's performance on business strategy variables and indicators. The achievement of the total value obtained is then converted to a scale of 100 to equalize all variables due to the difference in the number of indicators, thus allowing for assessment bias. DLA assessment indicators use Table 1 and business strategy assessment indicators use Table 4.

3 Result and discussion

The identity of the cooperative and the corporate business strategy are two contradictory parts. To put it simply, if a cooperative wants to maintain its identity, it tends not to be free to develop a corporate business strategy [30]. On the other hand, if a cooperative improves its corporate business strategy, it will need to sacrifice some of its identity. For example, if a cooperative wants to increase its financial capacity, it will add external capital either from loans (debt) or other assistance. This is contrary to the identity of cooperatives that are independent and responsible for themselves [23]. This study analyzes descriptively the navigation of cooperative policies in facing a crisis in the form of determining alternative policies between maintaining the identity of the cooperative or improving the corporate business strategy.

3.1 Analysis of Cooperative Identity: Synergistic Strategies inter-Members and inter-Cooperatives

Cooperatives have been an integrated part of the people's economy for a long time. History confirms the role of cooperatives in the midst of the dynamics of the social economy that plagues various layers of the economic sector. Its role always accompanies the development of micro and small enterprises as well as primary sectors such as agriculture and micro-scale manufacturing. The identity of cooperatives is a strength in various struggles of economic, social, and political conditions. The identity of cooperatives about mutual assistance, kinship, and independence, for example, is the main factor for cooperatives to survive in the midst of crises that continue to hit. Cooperatives seem to be isolated from banks which are relatively reactive to various global contractions. In addition, cooperation also continues to be a solution to various social problems and constraints inherent in certain sectors, such as agriculture.

Table 5. Assessment of Cooperative Identity with the Development Ladder Assessment Method in the East Java Agribusiness Cooperative.

No.	Variables	Scoring			Final Score		
		Koperasi Amanah Mandiri	Koperasi Karya Manunggal	Koperasi Agro Mulyo	Koperasi Amanah Mandiri	Koperasi Karya Manunggal	Koperasi Agro Mulyo
1.	Vision	29	26	27	82.86	74.29	77.14
2.	Member Management and Participation	16	17	17	64.00	68.00	68.00
3.	Management Capacity and Business Development	23	21	27	76.67	70.00	90.00
4.	Financial Management	19	16	16	95.00	80.00	80.00
Final Score					79.63	73.07	78.79
Zone					Green	Yellow	Green

The identity of East Java agribusiness cooperatives has a fairly good value, namely 2 cooperatives in the green category and 1 cooperative in the yellow category (Table 5). Canada Co-operatives Alliance [29] describes 3 categories of cooperative identity as the level of application of cooperative principles and values that are uniquely different from other forms of legal entities and business entities. Agribusiness cooperatives in East Java get a category or green zone in the Amanah Mandiri Cooperative and the Mulyo Agro Cooperative. Both have an identity value (DLA) of 79.63 and 78.79 (>75) so that they are categorized as green. This means that the application of cooperative identity has been going well in both cooperatives. Unfortunately, there is 1 cooperative in the yellow category, so it needs attention, evaluation, and improvement [29]. The Karya Manunggal Cooperative needs to evaluate and improve the identity of the cooperative with the results of such an assessment. Increasing this identity so that the principles and values of cooperatives can become a strong foundation in the operations and performance of cooperatives in serving and encouraging the economic activities of their members [22].

The three East Java agribusiness cooperatives have low scores (yellow category) on the variables of member management and participation. During the Covid-19 pandemic, the three cooperatives took various strategic steps without involving members so that the member's participation score in strategic policy making was quite low. Member participation is felt to be hampering because the mechanism for discussions and meetings can take up quite a lot of time, while strategic policies must be taken immediately in the face of the uncertainty of the economic crisis [10]. In addition, the Covid-19 pandemic has disrupted the interaction of members, management, and cooperative administrators due to restrictions on social activities. Therefore, member management and participation are the variables with the lowest performance for agribusiness cooperatives because of the economic crisis and the Covid-19 pandemic which limits the interaction activities of components in agribusiness cooperatives [12].

The identity of agribusiness cooperatives is also low on the vision variable experienced by the Karya Manunggal Cooperative. The contributing factors are planning both vision, strategic steps, and operations that are not carried out properly. In general, the Karya Manunggal Cooperative does not have a strategic and operational plan, because operations are carried out based on routine activities as in the following period. These activities include savings and loans, sale of agricultural equipment, and rental of agricultural machinery. In addition, women's representation and gender issues do not receive sufficient attention in the composition of the management and management of the Karya Manunggal Cooperative. Another thing is that the impact of social development does not occur during the pandemic. Social reach is getting narrower, apart from the lack of vision and strategic plans, but also the economic crisis situation that limits purchasing power so that economic activity declines (recession) [25].

Nevertheless, the identity of agribusiness cooperatives in East Java shows a fairly good performance. Although from the sample there is 1 cooperative in the yellow category, the value is close to the green category threshold. This can be indicated that the identity of East Java agribusiness cooperatives still persists to this day in the midst of the economic crisis of the Covid-19 pandemic. The evaluation records and improvements still need to be made to improve the performance of agribusiness cooperatives which have a broad impact on members and society in general.

3.2 Analysis of Cooperative Business Strategy: Orientation on Competitive Advantage

Agribusiness cooperatives are business entities like companies in general. However, the principles and values adopted have been regulated to be able to encourage maximum

performance, especially in accommodating the interests of the community with micro-economy scale [8]. Often, the corporate business strategy adopted by cooperatives negates the true identity of cooperatives. During an economic crisis such as the Covid-19 pandemic, the corporate business strategy adopted and implemented is an alternative policy to maintain cooperative performance. Options to increase debt, for example, need to be taken to strengthen cooperative liquidity so that operational financing can run smoothly [5]. For example, management restructuring is also an alternative policy to achieve cost efficiency and personnel performance effectiveness.

Table 6. Assessment of Business Strategy Corporate in the East Java Agribusiness Cooperative.

No.	Variables	Scoring			Final Score		
		Koperasi Amanah Mandiri	Koperasi Karya Manunggal	Koperasi Agro Mulyo	Koperasi Amanah Mandiri	Koperasi Karya Manunggal	Koperasi Agro Mulyo
1	Financial Strategy	19	21	22	63.33	70.00	73.33
2	Human Resource Strategy	24	20	17	96.00	80.00	68.00
3	Operational Strategy	15	12	11	60.00	48.00	44.00
4	Marketing Strategy	24	26	22	64.86	70.27	59.46
Final Score					71.05	67.07	61.20
Zone					Yellow	Yellow	Yellow

The three sample agribusiness cooperatives have a fairly good corporate business strategy (Table 6). During the economic crisis, many agribusiness cooperatives carried out various rejuvenation of their corporate business strategies. This is mainly related to change management strategies to respond to external conditions [20]. Human resource strategy is the only variable with a high value (green zone) in the 2 agribusiness cooperatives that are sampled. During this pandemic, agribusiness cooperatives carried out various human resource strategies, especially to respond to declining purchasing power conditions, changes in the structure of food demand, and other uncertainties [31]. The strategy is to restructure management, either by mutation, rotation, or reduction of the workforce. On the other hand, incentive and salary policies were reviewed so that their performance impact was more efficient than normal conditions. Finally, this agribusiness cooperative also makes efforts to increase the capacity of human resources, especially in the digital and technology fields to make various adjustments during the limitation of social interaction [24].

In the financial strategy, various tightening of the expenditure and operational budgets were carried out by the company. Uncertainty in times of crisis cannot be predicted with certainty when it will end, so tightening efforts are carried out through various mechanisms such as budget refocusing, cuts in non-urgent spending, budget relocation to potential business units with high turnover, and savings in various management lines. [31]. East Java agribusiness cooperatives make financial strategy as one of the main alternatives to be able to maintain operational performance in the midst of the economic crisis. The financial strategy that dominates the East Java agribusiness cooperatives is operational cost efficiency and tightening credit terms. Both are applied to secure cash reserves. Another effort is to add a little external capital [32]. Nevertheless, this financial strategy is carried out at a reasonable level just to maintain the performance and stabilization of agribusiness cooperatives.

The marketing strategy was also carried out mainly by the Karya Manunggal Cooperative with the highest marketing strategy score. Karya Manunggal Cooperative uses a marketing strategy to expand consumers beyond the members of the cooperative. The goods and

services sold are marketed beyond the territorial area of the Karya Manunggal Cooperative. In addition, the price and quality of products are continuously adjusted according to the economic and social conditions of the community. Finally, the operational strategy with the lowest score even the Agro Mulyo Cooperative is in the red zone (score 44) on this variable. Agro Mulyo Cooperatives and cooperatives in general do not pay attention to strategy and operational management because the management and management of cooperatives consider that cooperative goods and services do not require an operational strategy. For example, operational strategies regarding operational planning and control are rarely used in cooperative operations because the savings and loans and buying and selling products are quite simple. Whereas savings and loans and buying and selling are also risky goods and services products that require excellent operational control.

3.3 Navigation of Cooperative Policy amidst the Economic Crisis

East Java agribusiness cooperative policy navigation is in the middle of a dilemma, to maintain identity or strengthen corporate business strategy. Various policy alternatives are oriented towards saving the organization by maintaining performance stability. In principle, these two poles of choice are at odds with each other, although there are also some cooperatives that are able to maintain their cooperative identity while improving their corporate business strategy. The ability to balance the two is not achieved instantly, usually obtained from long experience by mastering and living every situation that occurs and has occurred in managed cooperative business entities [29].

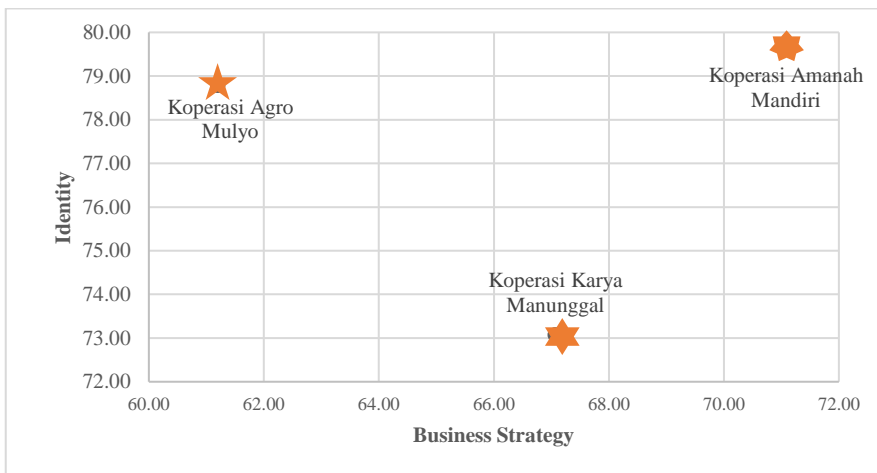


Fig. 2. Interaction among Cooperative Identity and Corporate Business Strategy of the East Java Cooperatives

The negative relationship between the identity of the cooperative and the corporate business strategy implemented by the East Java agribusiness cooperative is seen in the Mulyo Agro Cooperative and the Karya Manunggal Cooperative (Figure 2). Both have difficulty aligning the identity of the cooperative and a business strategy that is well implemented in operations. However, at least both of them have the courage to take risks to maintain the performance of their cooperative business entities [10]. Agro Mulyo Cooperative has a high cooperative identity with a score of 78.79 (green zone) although in the end it was limited in carrying out corporate business strategies which only scored 61.20 (yellow zone). This policy strategy was chosen by the Agro Mulyo Cooperative as an answer to the challenges of the economic crisis. If examined in depth, the choice of maintaining the identity of the

cooperative by the Agro Mulyo Cooperative is relevant to the social conditions, membership, and participation of cooperative members who are very closely related. In addition, the Agro Mulyo Cooperative views the adequacy of the cooperative's internal resources as being able to maintain its performance during this economic crisis. The adequacy of economic resources in question is cash and asset reserves, member capital, member demand structures, and member economic activities [20]. This ensures that there is an isolation effort from external contractions so that the impact of the pandemic can be dispelled and minimized.

In contrast to the Mulyo Agro Cooperative, the Karya Manunggal Cooperative has developed a corporate business strategy to the point of sacrificing some of the identity of the cooperative. The business strategy in question is the strategy of human resources, finance, and marketing. The cooperative business strategy adopted in the end negates the principles and values of cooperatives such as independence, cooperation, and participation. Nevertheless, the Karya Manunggal Cooperative is still in its identity with the yellow zone (score 73.07). This indicates that the identity of the cooperative is still a top priority while increasing the courage to develop business strategies. More deeply, the business strategy of the Karya Manunggal Cooperative is to boldly restructure human resources and realign wage policies. In addition, the financial strategy was developed to be stronger by increasing capital and tightening loan terms.

Finally, the performance of cooperative identity and corporate business strategy runs linearly in the Mandiri Amanah Cooperative. This agribusiness cooperative is able to maintain the identity of the cooperative while improving its business strategy with the experience and capabilities of qualified administrators and management [15]. This linear performance makes Amanah Mandiri Cooperative as a role model for agribusiness cooperatives because it is able to harmonize these two aspects. The Amanah Mandiri Cooperative increases its financial capacity and makes strategic plans by involving the participation of members and all of its internal potential. The alignment of the identity and business strategy of the Amanah Mandiri Cooperative is not only obtained because of the experience of the board and management, but also excellent internal potential such as member solidity, member economic activities, competitive human resources, and adequate internal financial resources for community groups.

4 Conclusion and Recommendation

4.1 Conclusion

East Java agribusiness cooperatives show good cooperative identity performance. Of the 3 samples analyzed, 2 of them have an identity with a score of more than 75 (green zone), while the other 1 is slightly below the green zone threshold. Variables that need to be considered are member management and participation in the yellow zone in the assessment of the three agribusiness cooperatives. The economic crisis due to the pandemic seems to be the main factor in the performance of member management variables and declining participation. In addition, the vision and management of business capacity must be developed in the future so that strategic policies can be executed properly according to the principles and values of the cooperative that has become its identity.

In this time of economic crisis as well, the corporate business strategy has been very well adopted and continues to improve. This can be seen in the alternative policies and strategies of East Java agribusiness cooperatives which have yellow zone criteria in implementing corporate business strategies. This business strategy is oriented towards maintaining performance during the economic crisis due to the Covid-19 pandemic. Steps to increase capital from external sources, restructuring of human resources, salary and incentive systems,

and product marketing are some of the portraits of business strategies carried out by East Java agribusiness cooperatives.

Basically, the identity of cooperatives and business strategy are two polar opposites. Even though cooperatives are business entities like corporations, cooperatives are limited by the principles and values that become their identity. East Java agribusiness cooperatives show diversity in navigation in choosing a combination of policies to deal with the Covid-19 pandemic. Agro Mulyo Cooperative survives with the identity of a cooperative because of internal factors, membership, and a fairly strong socio-economic position. Meanwhile, Karya Manunggal Cooperative chose to improve the economy of the corporate business strategy so that it can survive in times of crisis. The agribusiness cooperative with the best performance is the Amanah Mandiri Cooperative which has the ability to align the identity of the cooperative with the business strategy without negating any one. These strategic policy choices are very good because they are considered based on the factors and conditions of each agribusiness cooperative, especially the membership factor and the socio-economic environment of the community.

4.2 Recommendation

The analysis of strategic policy navigation of East Java agribusiness cooperatives explains the various strategic choices made by each cooperative. The combination of cooperative identity and business strategy is carried out in various forms. The results of this combination have achieved success because East Java agribusiness cooperatives have proven to still survive until they enter a period of economic recovery.

- a. Government policy incentives need to put agribusiness cooperatives on the priority agenda, especially in maintaining the identity of cooperatives and developing business strategies. This is because cooperatives have an important and central role in maintaining the economic productivity of micro and small scale communities in agriculture.
- b. The strategic policy of agribusiness cooperatives should be based on the condition of the members and the socio-economic conditions of the surrounding community. The analysis will produce a combination of relevant and factual strategic policies for the operational performance of cooperatives.

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