

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1. Background**

Small enterprise (SE) is a business unit with total initial assets of up to Rp 200 million (about US\$ 15,393 at current exchange rates), not including land and buildings, or with an annual value of sales of a maximum of Rp1 billion (US\$ 100,000), and a medium enterprise (ME) as a business unit with annual value of sales of more than Rp 1 billion but less than Rp 50 billion according to Law on Small Enterprises Number 9 of 1995. SMEs in Indonesia has an important role such as increasing Gross Domestic Product (GDP) per capita and employment providers, especially in small area that does not include as metropolitan city. Not a bit of SME in Indonesia began to export their products to foreign countries though often hampered by problems of cost and regulation. Exports could boost the country's economy in spite of the problems demand and limited supply according to the article Looking Toward recovery: Exports Can Save Indonesia? (1998). Export activities also can increase the value of goods.

Poultry meats and eggs production and trading has been increasing dinamically in the last 35 years. There is 1.8% eggs poultry reached the market in 2004. Between 1990 and 2000, developing countries surpassed developed country for producing eggs for 68% in the global trading (Windhorst, 2006). Indonesia as one of developing country also has potency to trade their eggs around the world. Based on Outlook Telur 2016 published by Ministry of Agriculture of Republic of Indonesia, egg production in Indonesia has been fulfilled the market for 65% of hens eggs, and the rest are fulfilled by chicken eggs, duck eggs, and quail eggs. Duck eggs consumption either as fresh or preserved accounts for about 30% among the total egg consumption in the countries like China and South East Asia (Pingle, 2009).

Duck egg has a potency to be exported but it cannot be in the raw form because it will no longer fresh after a week. Duck eggs should be processed to be exported; one of the ways is processing it into salted egg. Century eggs and salted duck eggs are duck egg products which are predominantly consumed in China, Thailand, South Korea, and other Chinese migrated countries (Ganesan, Kaewmanee, Benjakul, &

Baharin, 2014). Preserved egg products are one of the least expensive duck egg products which are widely consumed in most of the South East Asian countries such as, Thailand, Malaysia, Singapore and East Asian countries like China and South Korea (Ganesan and Benjakul, 2010a, 2010b; Ganesan and Benjakul, 2011a, 2011b, 2011c; Ganesan and Benjakul, 2013; Kaewmanee *et al.*, 2009a, 2009b; Kaewmanee *et al.*, 2011a, 2011b; Kaewmanee *et al.*, 2012; Su and Lin, 1994). Most of these products are typically made with the duck eggs due the characteristics flavour and aroma raised from the yolk of the duck egg (Ganesan, Kaewmanee, Benjakul, & Baharin, 2014). Salted duck eggs are nutritive rich alternative egg products and consumption at moderate level benefits the health (Ganesan, Kaewmanee, Benjakul, & Baharin, 2014). Salted egg can be eaten directly or processed for other cuisines. Nowadays, salted egg has been processed for ice cream and cakes too, and one cuisine usually needs more than one salted egg (www.stb.gov.sg, 2017). This portrays the development and demand growth for salted egg. Indonesia as one of salted eggs producer countries has a great potency to sell salted duck eggs abroad.

During 2014-2016 West Java is the largest province who produced duck eggs, followed by Central Java and East Java (Directorate General of Livestock and Animal Health Resources, 2012-2016). Several duck breeders in Klaten, Central Java were interviewed in an initial observation about domestic sales for salted duck eggs. Mostly said they were forced to sell their ducks because it was difficult to sell their duck eggs until the ducks were not productive enough to produce eggs and had to be sold. It is found that the amount of their ducks has been reduced around 47% compared to ten years ago. The result turns to it was hard to sell raw duck eggs around Klaten because the supplies were more higher than market demand in Klaten, moreover the duck breeders didn't know how to sell duck eggs outside Klaten. This condition make Klaten become a good place to start salted duck egg business. Duck eggs suppliers are relatively easier to obtain because breeders are not able to sell their own products, clean water in Klaten somewhat abundant, the land was cheaper because Klaten includes small towns and lots of vacant land (Department of Settlement Klaten), labor costs are also cheap (Department of Employment Klaten), and shipping costs is cheaper because the distance from

Klaten to Semarang port is not so far away compared other Central Java's cities (ATT Cargo Ship Expedition Semarang).

The most beneficial market for starting salted duck eggs export business in Indonesia is Singapore. Singapore people consumed an average of 308 eggs per person in 2011 ([www.ava.sg](http://www.ava.sg)). The total land area of Singapore is 719.1 km<sup>2</sup> where the population is 5.773.335 people as of May 18, 2017 ([www.stb.gov.sg](http://www.stb.gov.sg), 2017). This population density causes land in Singapore to be used more for urban and residential settlements so they do not have enough land to produce their own foods especially duck farm, whereas their demand for salted egg is very high. The largest race in Singapore in 2016 of 74.3% were Chinese, 13.4% were Malays, 9.1% were Indian, and 3.2% were others ([www.indexmundi.com](http://www.indexmundi.com), 2017). There are lots of Asians in Singapore, especially Chinese, causing Singaporean cuisine to follow Asian tastes. Salted egg itself was originally from China and then spread over the world as the spread of Chinese people in the world. Singapore itself is famous for its salted egg cuisine. There are a lot of reviews about best salted egg restaurants in Singapore ([www.stb.gov.sg](http://www.stb.gov.sg), 2017); best salted egg dishes in Singapore, even McDonald menus are using salted eggs in Singapore ([www.danielfooddiary.com](http://www.danielfooddiary.com), 2017). Singapore's inability to meet their salted egg demand by themselves can also be seen from the number of salted egg exporters to Singapore. Singapore has four countries as their exporters ([www.ava.gov.sg](http://www.ava.gov.sg)). The largest exporter of salted egg commodities is China with 23 companies, consists of 22 companies export salted eggs and one company exports salted eggs and boiled salted duck eggs; followed by Vietnam with four companies who only export salted eggs; then Taiwan with two companies, the one exports boiled salted eggs and the other exports both raw and boiled salted egg; and the last are Indonesia and Thailand with one company who only export salted duck egg.

Indonesia and Singapore are included in the Association of South-East Asian Nations (ASEAN) countries. This can be another advantage because ASEAN countries are incorporated in the ASEAN Economic Community (AEC) and ASEAN Free Trade Agreement (AFTA), both of which have almost the same goal of wanting to improve the ASEAN economy to compete with China and India by facilitating trade in goods and Service among ASEAN countries to attract investors. This free trade

causes a decrease in the price of goods because customs affairs are facilitated early and export-import-related costs are minimized. Currently, there is only one legal company in Indonesia which is UD Surya Abadi qualified to export salted duck eggs to Singapore. It had exported 130,000 salted duck eggs to Singapore.

High demand of salted duck eggs in Singapore and Indonesia that has potency to export their salted duck eggs to Singapore raises business opportunity of building a salted duck egg production plant based on export standards. It is better to make a business plan before building a new business. Business plan is important for a new business because it helps to lead the business and planning a secure funding. A start-up business needs business plan when making crucial decision because business plan portrays the vision, mission, marketing strategy, operational plan, and financial plan (Brassil, 2016). Business to export salted duck eggs to Singapore also needs a business plan since it is still considered as a new business in order to help in providing future growth and plan for financial secure so this business does not deviate from the already planned.

### **1.2. Problem Formulation**

The problem for this research is to determine the needs and components for making business plan for exporting salted duck eggs to Singapore.

### **1.3. Objectives**

This research aims to create a business plan for exporting salted duck eggs to Singapore which cover the target market, marketing strategy, operational plan, organization plan and financial plan.

### **1.4. Scope Limitation**

The limitations of this research are :

- a. Business plan is only examined for export salted duck eggs to Singapore from Klaten, Indonesia.
- b. There is no lack of egg suppliers because when the demand of duck egg is high, the duck breeder can increase their number of duck.

- c. The weight of duck egg increase 5 grams after becoming salted duck eggs because of ingredients addition. So the weight of salted duck egg produced is 70 grams (medium size).
- d. Raw salted duck eggs covered with vacuum sealer assumed to have life cycle until a year because the bacteria cannot enter the eggshell directly.
- e. Costs related to environment issues are not included in business plan because there is no standard or basic in determining those costs.
- f. Balance sheet is not made because the use of balance sheet is to know the balance between assets with liabilities and equity whereas in the business plan for new business still use financial projection. The assets should be equal to liabilities and equity since it is no real financial transaction yet.

