

Agricultural Product Development Strategy To Increase Local Market Competitiveness

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Abstract

The agricultural sector has great potential to drive regional economic growth, but the low added value of primary products limits the competitiveness of local markets. Developing agricultural derivative products is an important strategy for increasing economic value, expanding markets, and creating farmer independence. This study aims to formulate effective strategies for developing agricultural derivative products to increase competitiveness in local markets. The research method used is a qualitative descriptive approach. Data were obtained through interviews with small and medium enterprises (SMEs) in the agricultural sector, field observations, and documentation studies from relevant agencies. The results show that

Keywords: Product development, agricultural products, local competitiveness, strategy, innovation.

INTRODUCTION

The agricultural sector plays an important role as the main support of the Indonesian economy, especially in rural areas where the majority of the population depends on agricultural products as the main source of income (Salendu, 2021; Siregar et al., 2024). However, the great potential of this sector has not fully had a significant impact on improving farmers' welfare. One of the main causes is the farming pattern that still focuses on the production of raw materials without any advanced processes that can increase added value (Mustofa et al., 2021). This condition illustrates that agricultural business activities at the farmer level tend to stop at the basic production stage, not touching much on the post-harvest aspect and yield processing that should be able to provide additional economic value. As a result, farmers' incomes tend to be stagnant, often even eroded by production costs and fluctuations in market prices. Dependence on middlemen or traditional markets is still strong, due to limited access to technology, capital, and distribution networks.

Currently, most agricultural products in Indonesia are still sold without going through further processing, so the added value obtained by farmers is relatively low (Novita et al., 2022; Khusnia et al., 2025). This pattern causes the agricultural sector to not be able to make an optimal contribution to improving the welfare of farmers, because the economic value of raw products is generally lower than processed products. In the publication of Agricultural Statistics 2024, it is stated that downstream will be a priority program for the government to increase the added value and competitiveness of Indonesian agricultural products (Agricultural Data and Information System Center, 2024). This commitment shows the importance of the transformation from raw material production to product processing so that the agricultural sector is more productive and competitive. In line with that, the publication of Export Commodity Analysis by BPS noted that of non-oil and gas exports during the 2020–2024 period, around 79.14% were dominated by processing industry products or processed products, not raw products (BPS, 2025). This fact strengthens the argument that the processing sector is the main determinant of product competitiveness in the global market. Domestic agricultural products that have not been processed tend to have stagnant economic value and are difficult to compete

with imported products that have undergone a processing process, have attractive packaging, and offer better innovation.

In fact, processing or derivatives of agricultural products is a potential strategy to encourage economic diversification of rural communities. Through the processing process, the selling value of products can increase significantly and open up new business opportunities for farmers and small business actors. For example, cassava processed into chips, corn processed into snacks, and bananas processed into chips or other processed products, all show great potential in increasing added value. These processed products can have a higher selling price as well as a longer shelf life, a more attractive appearance, and a wider marketing reach.

The results of preliminary observations in the field show that most farmers in Indonesia still rely on the sale of raw crops such as chili, cassava, and bananas with relatively small profit margins. On the other hand, small business actors who have developed derivative products, such as cassava chips, banana flour, or processed chili sauce, are able to obtain a selling value up to three times higher. This condition emphasizes the importance of the development of agricultural derivative products as a strategy to increase added value, competitiveness, and strengthen regional economic resilience through local product processing.

Several previous studies have also strengthened the urgency of developing processed agricultural products. Simatupang (2018) researched the potential for the development of agriculture-based local products in West Manggarai, Flores, which showed that agricultural products such as rice, cassava, coffee, cashews, candlenuts, and bananas have great potential to be developed as processed products to support tourism. However, the study also highlighted various obstacles, such as the limited expertise of the community in processing food products and the lack of supporting infrastructure. Another study by Nengsih (2025) on the processing of strawberry products shows that community empowerment and the involvement of MSMEs contribute significantly to increasing added value and local economic welfare.

Meanwhile, Febrian et al. (2024) through a SWOT analysis on the development of processed cassava products in Sine District, Ngawi Regency, found that the right development strategy can encourage MSMEs to more optimally explore the potential of local raw materials. Furthermore, research by Ningsih et al. (2024) emphasizes the importance of digital marketing strategies in increasing the competitiveness of local products. The use of social media, e-commerce, and marketing data analysis has been proven to be able to expand market reach and increase direct interaction between producers and consumers.

Based on these various studies, it can be concluded that previous studies generally focused on the potential of local products, marketing strategies, and community empowerment, but there are still research gaps related to comprehensive strategies in the development of agricultural derivative products that integrate aspects of innovation, processing, and local market competitiveness. Therefore, this study was conducted to analyze the strategy for the development of agricultural derivative products that can increase added value, expand local market share, and strengthen the regional agricultural resource-based economy. The results of this research are expected to make a practical contribution to SMEs, local governments, and agricultural support institutions in formulating policies and programs to strengthen the competitiveness of sustainable local agricultural products.

RESEARCH METHODS

The research method used in this study is a qualitative descriptive approach, which is a method that focuses on an in-depth understanding of social phenomena through the

collection of narrative and contextual data. According to Creswell (2018), qualitative research aims to explore the meaning derived from individual or group experiences of a social problem. In this study, a qualitative approach is used to comprehensively explore the development strategy of agricultural derivative products from the perspective of business actors and local business environmental conditions.

Data collection was carried out through in-depth interviews, field observations, and documentation studies. Interviews were conducted with Small and Medium Enterprises (SMEs) in the agricultural sector to obtain information about product processing practices, obstacles, and market opportunities faced. Field observations are carried out to directly understand the production process and the marketing strategies applied. Meanwhile, the documentation study was used to complete the data by examining the reports of related agencies, data from the agriculture office, and other supporting literature. All data collected are analyzed descriptively through the process of reduction, data presentation, and conclusion drawn, in order to produce conclusions about the strategy for developing agricultural derivative products in increasing the competitiveness of the local market.

HASIL DAN PEMBAHASAN

Agriculture is one of the strategic sectors in the Indonesian economy that has great potential to be developed, especially through the diversification of processed products. The development of agricultural derivative products is an important strategy in an effort to increase added value and strengthen the competitiveness of products in the local market (Pohan, 2025). Added value in this case refers to the increase in the economic value of a product after undergoing a processing process or transformation from raw form to a product that has higher benefits and attractiveness in the market. The concept of added value is a key factor in encouraging local economic growth, increasing farmers' incomes, and opening up wider job opportunities in the rural agro-industry sector (Kadarsih, 2025).

Agricultural products sold in raw form generally have low economic value and are highly susceptible to market price fluctuations. However, if the plantation products are processed into various food products, their value can increase significantly compared to if they are sold in raw form (Rahmat et al., 2021). Farmers have a great opportunity to improve their economy through self-processing of agricultural products. By not only selling raw products, but also developing processed products based on garden products, farmers can create high-value-added home industries and contribute to strengthening the local economy (Armediawati et al., 2025).

The importance of product diversification through the processing of agricultural products into derivative products is a new motivation to introduce to the public that agricultural products that are usually sold directly by farmers can actually be processed into various foods that are more attractive and still nutritious. This effort not only increases the selling value of products, but also expands the reach of consumers because these processed products can be consumed by all groups, ranging from children, adults, to the elderly (Wodi et al., 2022). However, based on the results of observations and interviews, several challenges were found in the process of diversifying agricultural products, including:

1. Limited knowledge and skills

One of the main challenges in diversifying agricultural products is the limited knowledge and skills possessed by farmers and small business actors. Most of them are still oriented towards the production and sale of raw produce without understanding the importance of post-harvest processing as an effort to increase added value. The lack of training and technical assistance causes farmers to have difficulty developing derivative products that have higher economic value (Marlina et al., 2024). Farmers' level of understanding is an

important foundation that determines their ability to process crops into products with higher added value. This understanding includes three main aspects, namely technical knowledge of the processing process, awareness of the economic benefits of processed products, and insight into market opportunities that can be utilized. The better the understanding farmers have, the greater the opportunity for them to innovate in creating new products, expanding market access, and ultimately improving family welfare (Khusnia et al., 2025).

2. Limited capital and access to financing

Diversification of agricultural products requires a lot of capital, both for the purchase of processing equipment, additional materials, packaging, and product certification costs. Unfortunately, many small businesses face difficulties in obtaining access to financing from formal financial institutions such as banks. Complicated administrative requirements and lack of collateral are major inhibiting factors (Terry et al., 2025). Although the government has provided a people's business credit (KUR) program and capital assistance from cooperatives, its use is still limited due to low financial literacy among farmers. As a result, many business actors are unable to innovate products or expand their production scale, so the economic potential of product diversification has not been maximized (Siregar, 2025).

3. Marketing and distribution issues

Another challenge that is often faced in diversifying agricultural products is in the marketing and distribution aspects. Even though farmers or MSMEs have succeeded in producing processed products, they often find it difficult to market their products widely. The lack of promotional capabilities, limited distribution networks, and lack of use of digital media make it difficult for products to reach a larger market (Daulay, 2025). In addition, the competitiveness of local products is also still low because it does not have a clear uniqueness or differentiation compared to large-scale industrial products. This situation shows that an effective marketing strategy based on digital technology is indispensable to strengthen the position of agricultural derivative products in local and national markets (Amri & Burhan, 2025).

The existence of various challenges in the diversification process requires the need for a planned and sustainable strategy for the development of agricultural derivative products. The strategy for the development of agricultural derivative products has an important role in increasing the added value and competitiveness of products in the local market. Agricultural products sold in raw form generally have low economic value and are highly dependent on market price fluctuations. Through processing into derivative products such as processed foods, beverages, or semi-finished materials, the selling value of these commodities can increase significantly (Ginting et al., 2024). The development of derivative products also expands market opportunities because it is able to present a variety of products that are more attractive, durable, and in accordance with the tastes of local consumers.

In addition to increasing economic value, this strategy also contributes to the economic empowerment of the community, especially for farmers and MSME actors in the agribusiness sector. With product diversification, business actors not only depend on the sale of the main crop, but can also develop new businesses based on local innovation (Kusumandari et al., 2024). This process encourages the creation of new jobs, strengthens local supply chains, and fosters a more sustainable economic ecosystem (Erlanda & Ilman, 2024). With the increase in the competitiveness of the local market, this development strategy needs to be directed not only at product innovation, but also at improving quality, food safety standards, and local branding (Aqbar & Azwa5, 2025). The success of an

agricultural derivative product is greatly influenced by consumer trust in the quality and uniqueness of the product. Therefore, the application of value creation principles through attractive packaging, digital promotion, and brand identity that reflects local wisdom is a strategic factor. Strengthening the capacity of human resources in the field of entrepreneurship and processing technology is also important so that agricultural business actors are able to manage the value chain efficiently and sustainably (Astuti et al., 2024).

To achieve optimal results, this strategy needs to be supported by integrated system management. Integrated system management plays an important role as a foundation in optimizing the development strategy of agricultural derivative products. This system integrates the entire supply chain, from the production stage, post-harvest, processing, distribution, to marketing in one interconnected ecosystem. Through an integrated approach, each actor involved such as farmers, cooperatives, MSME actors, research institutions, and local governments can coordinate more effectively and efficiently. This cross-sector collaboration creates a system that is not only oriented towards production results, but also on sustainability and added value resulting from the processing process (Hartono et al., 2023).

Furthermore, the application of digital technology in an integrated system, such as the use of agricultural information systems or the concept of smart agriculture, allows the process of monitoring the quality of raw materials, logistics efficiency, and product quality control in real-time. The integration of this technology strengthens the synergy between subsystems so that it can reduce production costs, reduce the risk of yield loss, and increase operational efficiency. With the integration of these systems, the sustainability of the supply chain can be guaranteed, the continuity of supply of high-quality products to the local market can be maintained, and the competitiveness of local agricultural products can be significantly increased.

Overall, the development of agricultural derivative products with integrated system management is not only oriented towards increasing farmers' income, but also on regional economic development based on local resources. Through this approach, villages or agricultural areas can become centers for local superior product innovation that are competitive, independent, and sustainable. Integrated system management plays an important role as a foundation in optimizing the development strategy of agricultural derivative products.

CONCLUSION

The results of the study show that the strategy for developing agricultural derivative products has an important role in increasing added value, strengthening the competitiveness of the local market, and encouraging community economic independence. Product diversification through processing agricultural products into high-value processed products not only expands the market and increases farmers' incomes, but also strengthens local supply chains through collaboration between business actors, research institutions, and the government. However, challenges such as limited knowledge and skills, lack of access to capital, and marketing and distribution constraints remain major obstacles in their implementation. Therefore, the implementation of integrated system management supported by digital technology, entrepreneurship training, and branding strategies based on local wisdom is needed so that the diversification of agricultural products can be sustainable and competitive. The recommendation for further research is to conduct an empirical study on the effectiveness of the implementation of an integrated system based on digital technology in improving supply chain efficiency and added value of agricultural derivative products. In addition, future research is also suggested to explore partnership models between

farmers, MSMEs, and financial institutions in supporting product innovation and expanding local and national market access in a sustainable manner.

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