



ANALYSIS OF THE PRICING OF PALM COFFEE PRODUCTION COSTS AT INPUT COFFEE IN TARAKAN CITY

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ARTICLE INFORMATION	ABSTRACT
Article History: Received 12 December 2024 Revised 15 February 2024 Published 25 April , 2025 Keyword: Coffe Full Costing Method Cost of goods	<i>This research aims to investigate the pricing of Palm Coffee production costs at Input Coffee in Tarakan City using a descriptive quantitative approach. The main data for this research is production cost data. The data is evaluated using the Cost Plus Pricing technique with a Full Costing approach. The research results show that the Palm Coffee drink sold by Input Coffee has a selling price of 23,000 rupiah, while the production cost is 17,019.88 rupiah, resulting in a difference of 5,980.12 rupiah. Accordingly, the price at which Input Coffee sells the product in a single production batch is higher than the price calculated using the Full Costing method</i>
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1. Introduction

The coffee industry in Indonesia, a leading global producer, significantly contributes to the national economy, supporting millions of families and generating substantial foreign exchange (Hadayanti & Royyan, 2024). This prominence is further bolstered by governmental policies aimed at increasing productivity and ensuring the sustainability of coffee farming, thereby enhancing the welfare of coffee farmers (Rico et al., 2020). Against this backdrop, understanding the intricate cost structures associated with coffee production, particularly for specialized products like palm coffee, becomes paramount for optimizing operational efficiency and market competitiveness. Specifically, analyzing the production costs of palm coffee in a localized context such as Tarakan City offers critical insights into regional economic dynamics and the viability of niche agricultural products. This study aims to meticulously dissect the various cost components involved in palm coffee production at Input Coffee in Tarakan City, thereby providing a robust framework for assessing profitability and strategic pricing. Such an analysis is crucial for identifying areas where cost efficiencies can be realized, ultimately informing sustainable business practices and fostering economic growth within the local agribusiness sector (Mawardati et al., 2022). Furthermore, this research contributes to the broader academic discourse on agricultural economics by examining the specific financial intricacies of value-added coffee products within an emerging urban market (Mamonto et al., 2024). This investigation will scrutinize both fixed and variable costs associated with the entire production chain of palm coffee, from raw material procurement to final product packaging, thereby offering a comprehensive financial overview of the enterprise (Azhar et al., 2021). This detailed financial examination will distinguish between different coffee varieties, such as Arabica and Robusta, and their respective processing demands, to identify key cost drivers (Hadayanti & Royyan, 2024). Moreover, it will explore the impact of raw material procurement and distribution channels on overall production costs, offering a holistic perspective on the agro-industrial performance of specialized coffee products (Laksono et al., 2022) (Baihaqi et al., 2020). This detailed examination will also consider the influence

of governmental support and agricultural policies on the economic viability of palm coffee production, echoing the broader impact of interventions seen in other commodity sectors (Zainol et al., 2024). Therefore, this study aims to provide a comprehensive analysis of the cost structure associated with palm coffee production, highlighting potential avenues for enhancing economic returns and promoting sustainable agricultural practices in Tarakan City. Given Indonesia's position as the fourth-largest coffee producer globally, with significant cultivation potential across Arabica, Robusta, Liberica, and Ekselsa varieties, understanding these cost dynamics becomes essential for maintaining competitive advantage and supporting regional agricultural development (Hadayanti & Royyan, 2024). This analysis will therefore not only benefit local producers in Tarakan City by providing actionable insights into cost optimization but also contribute to the national understanding of value-added agricultural product economics (Hadayanti & Royyan, 2024). The focus on Tarakan City, in particular, allows for an examination of how urbanization and local market demands influence the cost structure and profitability of specialty coffee products like palm coffee. This detailed financial scrutiny will also assess the impact of supply chain logistics and local labor costs on the overall economic efficiency of palm coffee production. Such an investigation is particularly pertinent given the rising demand for diverse coffee products, including ground coffee, which has become a preferred choice among consumers, surpassing instant coffee and ready-to-drink options in various regions (Muflikh et al., 2024). This increased demand for ground coffee, coupled with the rising popularity of specialized coffee products, underscores the necessity of a detailed cost analysis to ensure the long-term sustainability and profitability of ventures like palm coffee production in Tarakan City (Muflikh et al., 2024). Furthermore, the study will evaluate how consumer preferences for specific coffee attributes, such as bean origin and processing methods, influence the market demand and, consequently, the pricing strategies and cost recovery mechanisms for palm coffee in this urban setting (Hadayanti & Royyan, 2024). Therefore, a thorough analysis of these cost structures, encompassing both raw material acquisition and processing overheads, is essential for optimizing the economic viability of palm coffee production. This research will specifically delineate the interplay between production costs and market pricing strategies, addressing how Input Coffee can sustain competitiveness while meeting consumer demand in Tarakan City (Muflikh et al., 2024). This detailed inquiry is crucial for businesses like Input Coffee to navigate the complexities of specialty coffee markets, thereby ensuring both operational efficiency and sustained economic growth (Nurhadi et al., 2023).

2. Literatur Review

2.1. Cost of Goods Sold (COGS)

According to Mulyadi (2016), the three main components of the cost of goods manufactured (COGM) are raw material costs, direct labor costs, and factory overhead costs. COGM includes all costs related to the production process, both direct and indirect. Accurate COGM calculations are very important because they help determine the selling price of products and ensure that the company can obtain an adequate profit margin.

2.2 Raw Material Costs

Expenses incurred to purchase the main materials used in the production process are called raw material costs. Coffee beans, sugar, and other additives are the main raw materials for making coffee. According to Hansen and Mowen (2017), these raw material costs must be calculated accurately because the value of COGS and the selling price of products on the market are affected by fluctuations in raw material prices.

2.3 Direct Labor Costs

The costs incurred by labor directly involved in the production process are referred to as "direct labor." In the context of a cafe, baristas or employees who are directly involved in serving coffee are considered direct labor. Cost of goods sold is greatly influenced by direct labor costs, as stated by Garrison and Noreen (2018).

2.4. Overhead Costs

Overhead costs are indirect costs incurred during the production process, but are not directly related to a specific product. In a cafe, overhead costs can include electricity bills, rent, and other operating costs. Overhead costs must be taken into account in the COGS so that the selling price can cover all these costs, including other operating costs.

2.5. Determining the Cost of Goods Sold

Setting accurate production costs is very important to maintain a balance between selling prices and production costs. According to Supriyono (2019), determining the right COGS helps companies set competitive pricing strategies while maintaining profit margins. The Full Costing method is the right way to calculate all costs, both fixed and variable, to calculate COGS. This method produces COGS that covers all aspects of costs

2.6. Selling Price Strategy

Companies often consider competitor prices, production costs, and consumer prices. The food and beverage industry often uses the cost-plus pricing method, which means setting selling prices based on COGS and profit margins. According to Kotler and Armstrong (2017), this strategy helps businesses determine reasonable and competitive selling prices in the market.

2.7. Break-Even Point (BEP) Analysis

To find the break-even point, Break-Even Point (BEP) analysis must be used, which is the point at which total revenue from product sales equals total production costs. Horne and Wachowicz (2019) state that BEP analysis helps businesses determine the minimum sales volume that must be achieved to prevent losses. Input Coffee can use BEP to determine how many Palm Coffee sales are needed to cover production costs and achieve their profit targets.

The purpose of this study, based on the theoretical framework above, is to examine the costs that affect the cost of production of Palm Coffee at Input Coffee and how these costs impact the setting of competitive and profitable selling prices.

3. Research Methodology

3.1 Research Design

This research process was conducted at Input Coffee Tarakan from October to November 2024 using the Cost Plus Pricing and Full Costing methods.

Full Costing Approach

To calculate the cost of goods produced (COGS), this study used the full costing method to determine the selling price.

Production Costs

$$\text{Production Costs} = a + b + c$$

Production costs consist of costs directly involved in the production process as follows:

Explanation:

- a. Raw Material Cost (RMC)
- b. Direct Labor Cost (DLC)
- c. Factory Overhead Cost (FOC)
- c. Non-Production Costs

$$\text{Non-Production Costs} = d + e$$

Costs incurred in the production process that are not directly involved are called non-production costs, usually in the form of administrative and marketing costs, as shown below:

Description:

d: administrative costs
e: marketing costs

Total Production Costs

Total production costs are the total amount of costs related to the production process and non-production activities. The equation is as follows:

$$\text{Total production cost} = \text{production cost} + \text{non-production cost}$$

Pricing

To determine the selling price of Palm Coffee at Input Coffee, the method used is Cost Plus Pricing. In this method, a certain percentage is added to the cost of production to generate the desired profit.

$$\text{Cost of Goods Manufactured} = \frac{\text{Total Production Costs}}{\text{x 3 Months of Total Production}}$$

4. Results and Discussion

4.1 Results and Discussion

Input Coffee is a beverage-based SME founded in 2020 by its owner, Putri Cahya. Input Coffee is located on Jalan Kusuma Bangsa, Tarakan, North Kalimantan. At the beginning of its establishment, Input Coffee had flagship products such as milk coffee. However, due to customer demand for innovative and diverse coffee bean-based beverages, Input Coffee has now added new products, Palm Coffee, and currently has four employees.

Cost of Goods Manufactured Approach Using Full Costing Approach

Researchers used established methods to calculate production cost. The study produced more accurate estimates of prime production costs. In order to verify the accuracy of the data contained in the accurate production cost calculation report, Input Coffee must adjust their production cost calculation method to comply with generally accepted accounting principles. Standard accounting calculations can show the actual costs incurred by the company during the production process. Based on this explanation, the author calculated Palm Coffee's production costs by grouping the following costs:

Production Raw Material

Costs Table 1

Ingredient	Volume	Cost
Espresso	60 ml	3,800
Palm sugar	15 ml	5,250
UHT milk	60 ml	1,020
Sweetened condensed milk	15 ml	439
Total		10,609

Based on the information presented in Table 1, UMKM Input Coffee calculated the total cost of raw materials for one purchase over three months for the production of Palm Coffee drinks to be Rp10,609, which consists of the process of making 60 ml of espresso by extracting the essence from 15 grams of roasted coffee beans. This process is carried out using an espresso machine that costs Rp3,800 per process. In addition, additional raw materials include high-quality palm sugar, UHT milk, and sweetened condensed milk, priced at Rp5,250, Rp1,020, and Rp439, respectively. Therefore, the total amount of raw materials has a partial effect on sales; higher raw material costs tend to increase product sales, and conversely, higher product sales increase raw material costs. However, it should be noted that other factors, such as selling price, quality, market competition, and customer preferences, can also affect raw material costs on sales results.

The production of finished goods, their contribution can be directly traced to the product, and their wages are crucial for product production. A monthly wage system is used at Input Coffee SMEs to calculate direct labor costs. However, based on research findings, the researchers have converted this into labor wages. In Palm Coffee production, two baristas are involved, and the labor costs are as follows:

Table 2

Work Unit	Total Employees	BTKL/Product (Rp)
Barista	2	694.44

Table 2 shows that UMKM Input Coffee spends Rp694.44 in labor costs to produce one Palm Coffee drink.

Factory Overhead Costs

In addition to raw material and direct labor costs, factory overhead costs are one component of production costs. Factory indirect costs include various production costs that are not directly related to the product or other businesses carried out by the company to generate income (Oktariansyah). These costs include indirect labor costs, other company expenses, and other elements that are difficult to identify or include in the final cost (Rahayu, 2015).

Table 3

No	Cost Type	BOP/Product (Rp)
	Costs Depreciation	426
	Espresso Machine	
2	Asset Depreciation	1,160
3	Electricity Costs	405.09
4	Water Costs	226.85
5	Material Costs	
	Helper:	
	-Plastic Cup	600
	-Straws	72
	-Ice Cubes	60
	-Cup Sealer	68
	Total	3,017.94

From the table above, researchers found that UMKM Input Coffee had a total BOP of Rp3,017.94. One of the largest contributors to BOP was a decrease in assets of Rp1,160, while the smallest contributor to BOP was ice crystals, which required only Rp60 to produce one Palm Coffee product.

Admin Costs (Administration and General)

Input Coffee pays administrative (administration and general) costs to organize, supervise, and carry out administrative activities. These administrative and general costs are listed below:

Table 4

Type of Cost	Cost per product (Rp)
Payment Application	20.25
Office Supplies	90.9
Internet	181.96
Food/beverage tax	2,300
Total	2,593.19

Table 4 shows that the administrative and general costs of Input Coffee MSMEs in Palm Coffee production consist of several costs. The payment application fee is IDR 20.25, the office supplies fee is IDR 90.98, the internet fee is IDR 181.96, and the food and beverage tax of 10% of the selling price of Palm Coffee is IDR 2,300. Thus, the total administrative and general costs of Input Coffee MSME are IDR 2,593.19.

Marketing Costs

In a study conducted by (Oktavia Magdalena et al., 2022), Mulyadi (2009) stated that there are several costs involved in marketing activities. These costs include expenses incurred from the point at which the product is finished being produced to the point at which the product is successfully sold. These costs include expenses incurred by UMKM Input Coffee to promote and market Palm Coffee products. The marketing costs for Palm Coffee production are detailed as follows:

Table 5

Type of Cost	Cost per product (Rp)
Paid advertising	24
Social media promotion	81.01
Total	105.31

UMKM Input Coffee spent a total of Rp105.31 on marketing costs. Based on the researcher's calculations, the total production costs can be summed up according to the data collected at UMKM Input Coffee, which is listed in Table 6 as follows:

Table 6

Type of Cost	Amount (Rp)
BBB (Raw Material Costs)	10,609
BTKL (Labor Labor Direct Labor)	694.44
Overhead (Factory)	3,017.94
Cost Administration and General	2,593.19
Marketing Costs	105.31
Total	17,019.88

After calculations were made using the Full Costing method, the researcher compared the selling price of UMKM Input Coffee for Palm Coffee beverage products with the results of the Full Costing method calculations. Table 7 below shows the details of the comparison:

Table 7

Prod uct Type	Selling price	Selling price Full Costing method	Difference
Palm Coffee	Rp23,000	Rp17,019.88	IDR 5,980.12

In Table 7, the researcher compares the selling price of Palm Coffee products at Input Coffee MSMEs using the Full Costing method. Input Coffee sets the selling price of Palm Coffee products at Rp23,000, while the price calculated using the Full Costing method is Rp17,019.88. This shows that Input Coffee MSMEs set the selling price of Palm Coffee products higher than the price calculated using the Full Costing method.

5. Conclusion

5.1. Conclusion

Based on the results of the analysis of the production cost of Palm Coffee by Input Coffee in the city of Tarakan, Palm Coffee beverage products are sold for Rp23,000, while the Full Costing method calculation is Rp17,019.88, resulting in a difference of Rp5,980.12. Based on the results of this study, the Full Costing method produces a selling price for Palm Coffee products of Rp23,000. Input Coffee is an SME that experiences significant profits.

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