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COST PERSPECTIVE IN THE SELECTION OF CATTLE SALES CHANNELS (CASE STUDY: CATTLE FARMERS IN BONGOMEME)

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Abstract

This study aims to analyze the cost perspective in the selection of cattle sales channels by farmers in Bongomeme, Gorontalo. This study uses a qualitative descriptive approach with primary data obtained through in-depth interviews and observations of four key informants, consisting of farmers who use brokers (*dahangi*) and those who sell directly. The data were analyzed using the Miles and Huberman interactive model. The results show that farmers experience an illusory profit because they only apply a cash-basis perspective, ignoring opportunity costs such as unpaid personal labor and natural feed. The decision to choose a sales channel is heavily influenced by risk aversion, liquidity needs, and information asymmetry. Farmers who use brokers prioritize risk transfer and fast cash to avoid the fear of price manipulation, while those selling directly optimize margins by utilizing personal assets and digital literacy (social media). The study concludes that direct selling is the most efficient channel when farmers apply a full costing method to accurately calculate the real cost of production.

Keywords: Cost Perspective, Sales Channels, Opportunity Cost, Full Costing, Variable Costing, Information Asymmetry, Cattle Farmers

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INTRODUCTION

Cattle farming is one of the subsectors that provides a major contribution to the Indonesian economy, occupying a strategic position as a pillar of food security and a driver of the community's economy. From an economic perspective, the growth of the cattle farming business is believed to be able to create a multiplier effect that is effective in overcoming poverty through job creation and directly increasing farmers' income (Fitria, 2025). Based on data from the Central Bureau of Statistics (BPS) in 2023, Gorontalo Province recorded a very large beef production capacity, reaching 3,137,500 kg, with Gorontalo Regency contributing a total production of 1,002,968.75 kg (Badan Pusat Statistik Provinsi Gorontalo, 2023). This economic dynamic is also very clearly supported by the high volume of inter-island shipments and demand for beef from this region (Pemerintah Provinsi Gorontalo, 2025). This business opportunity has proven to be vital, especially in Bongomeme District, where cattle ownership has become part of the household economic structure and is considered "living savings" which is a source of hope when the family faces urgent needs (Bokiu et al., 2021).

As the spearhead in this supply chain, the success rate and profitability of a farmer are ultimately determined by sales decisions. These sales decisions require a strong management accounting function to avoid detrimental inefficiencies (Alfi et al., 2022). However, the fundamental problem that occurs in the field is that farmers' decisions in choosing a sales channel whether selling through a broker (*dahangi*) or selling directly are often made spontaneously. The phenomenon of broker involvement in these decisions is in line with accounting research findings highlighting waste in the supply chain, where marketing channels involving brokers significantly increase costs and reduce the farmers' share of profit (Keloay et al., 2022). These spontaneous decisions are also often influenced by ignorance of market prices or the "blind pricing" phenomenon (Amalia & Firmadhani, 2022).

Traditional farmers' cost perspectives generally only rely on a cash basis mindset, where they only calculate the difference between the purchase price of the calf and the selling price of the cattle as profit. This practice ignores variable cost components that do not involve direct cash, such as natural feed and family labor, or what is known in accounting as opportunity cost. This condition triggers the phenomenon of "illusory profit," where the lack of proper cost identification makes farmers unaware that the actual maintenance costs have actually eroded their profit margins (Permadi et al., 2023). This erroneous understanding of costs is highly detrimental because, in principle, production costs have a very real

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influence on the success of sales levels (Dzakiyyah & Ishak, 2022). On the other hand, low financial literacy is also an inhibiting factor for small farmers in planning asset management and business scale expansion (Linawati & Solikin, 2024).

In addition, market information asymmetry (blind pricing) and risk aversion lead some farmers to prefer using brokers to avoid the risk of loss, even though the margin received is smaller. Conversely, farmers who sell directly often claim maximum profits, although they often fail to calculate operational costs completely like modern business systems (Irmayanti & Keri, 2021). The farmers' condition is further complicated by the lack of managerial documentation, where the absence of an adequate sales recording system makes profit evaluation less accurate (Nurohim et al., 2024).

Several previous studies have shown that the choice of sales channel has a direct impact on farmer profits, where the longer the marketing channel, the larger the margin taken by the broker, automatically lowering the price share received by the farmer (Muntaviah et al., 2025). The gap from previous research is the absence of specific studies that dissect this phenomenon from a micro-accounting perspective (Purnamasari et al., 2024). Furthermore, analysis of how farmers' perceptions of invisible variable costs shape financial decisions is still very limited and tends to be dominated by intuition, potentially eroding business profits(Safkaur, 2021).

Without a strong evaluation of operational costs, it is difficult for farmers to implement optimal business strategy preferences (Widadi & Dellyana, 2023). Therefore, future livestock business development strategies absolutely require mature business approaches and calculations (Gustari, 2025). Thus, this study was conducted to specifically analyze how the cost perspective influences the farmers' decision-making process in choosing cattle sales channels and to identify the main factors considered by farmers in Bongomeme District.

LITERATURE REVIEW

Cost Accounting Theory explains that cost accounting is the process of identifying, measuring, and reporting all resource sacrifices to produce accurate cost of goods manufactured information. This aims to ensure that selling decisions are based on real profit calculations (Lestari et al., 2025). By definition, a farmer is an individual who raises livestock with the aim of obtaining economic benefits (Luthfi et al., 2024). Demographic characteristics of farmers, such as ownership scale and education, also contribute to how much income can be

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maximized (Basriwijaya et al., 2023). Farmer age is no exception, often being one of the factors influencing their technical and financial behavior (Makatita, 2021). Over time, long farming experience will form more distinct and adaptive decision-making characteristics post-fluctuation (Andaruisworo, 2022).

In the context of livestock farming, a comprehensive cost calculation method is crucial. Traditional farmers often use a Cash Basis mindset, ignoring costs that do not involve direct cash, such as family labor or natural feed. In accounting, the time sacrificed to raise cattle must be measured using the concept of real Opportunity Cost (Fauziyyah et al., 2021). Therefore, identifying this problem requires the application of relevant cost analysis to determine clear operational decision making (Azzahra et al., 2023). Analysis of differential cost usage can also be utilized by livestock management to assess the difference in yields among alternative options (Tampubolon et al., 2024).

The success of the livestock business strongly depends on the management of the "Livestock Trias," namely Breeding, Feeding, and Management (Bokiu et al., 2021). Feed is the largest cost component in raising livestock, reaching 70-80% of total expenses. In the Gorontalo region, a strong profit-sharing culture (*gaduhan*) is also characteristic, where sharecropper farmers care for cattle owned by investors using a kinship system. However, the cattle marketing distribution channel in this region has its own challenges at the point of its trade chain (Djailani, 2021).

Sales channels facilitate the movement of products from producers to consumers. The existence of brokers (such as *dahangi*) carries out transactional functions by taking over risk, logistical functions, and facilitating functions. The involvement of long marketing channels can erode the margin proportion that farmers should receive (Subkhan et al., 2022). Therefore, to compete, knowledge of marketing strategies must be applied as an implementation reference (Sudirwo et al., 2025). The shortest marketing channel (direct to consumer) has proven to be the most efficient method with optimal cost efficiency levels because it minimizes overhead costs or broker deductions (Kurniyawan et al., 2023).

The selection of sales channels is a strategic decision influenced by price information and psychological factors. The phenomenon of Blind Pricing often occurs where farmers accept broker offers due to urgent needs or ignorance of market prices (Amalia & Firmadhani, 2022). Additionally, there is an attitude of Risk Aversion, where farmers prioritize safety from physical uncertainties (cattle stress/accidents) rather than pursuing maximum profit (Febriansah & Meiliza, 2020). Going forward, interventions and transformations in business decision

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strategies are believed to be better if supported by advanced data and technology utilization capabilities (Kaggwa et al., 2023).

Previous empirical studies on the Efficiency Analysis of Beef Cattle Marketing Channels show that the shortest marketing channel provides the largest farmer's share to the farmers (Muntaviah et al., 2025). The longer the distribution chain, the greater the profit margin taken by brokers. This confirms that marketing efficiency and the farmer's profit level heavily depend on the chosen distribution channel.

RESEARCH METHOD

This study utilizes a qualitative research method with a descriptive type. Its main objective is to systematically, factually, and accurately describe the mindset of farmers in Bongomeme regarding cost components and how these perceptions shape their decisions (Sugiyono, 2023). The research was conducted in the Bongomeme District, Gorontalo Regency, which is a center for community livestock farming.

The data used are primary data obtained directly. Data collection was carried out through participatory observation at the rearing locations, in-depth interviews using semi-structured methods, and documentation of farmers' financial records. Informant determination was carried out using the Purposive Sampling technique based on criteria of a minimum of 5 years of experience, domicile in Bongomeme, and transaction intensity. There are 4 (four) key informants representing two groups: 2 farmers who consistently use broker services (*dahangi*) and 2 farmers who sell directly (independent). Data analysis uses the Miles and Huberman interactive model consisting of three streams: data reduction, data display, and conclusion drawing.

RESULTS AND DISCUSSION

Cattle Farming Practices in Bongomeme

Cattle farming in Bongomeme is closely related to the lives of farmers, where cattle are treated as "living savings" that are quickly liquidated when there are urgent needs such as medical expenses, schooling, or capital for planting corn. Farmers apply a tether-and-move rearing system in coconut plantations to obtain shade and fresh grass, as well as a pen system. They cleverly utilize natural feed such as wild grass, corn shoots (*batango binde*), and rice straw to reduce feed costs.

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Farmers' Cost Perspective and the Phenomenon of Illusory Profit

Based on interview results, farmers view costs purely as out-of-pocket costs. They are very aware of the large "car cost" (transportation) which ranges from Rp65,000 to Rp100,000, and the broker's "fatigue money" (commission) around Rp50,000 - Rp100,000. Farmers simplify their calculations, where these cash components are considered the only profit deductions. As stated by Informant 1: *"I don't really calculate things like that... for the service, I usually give Rp100,000 for cigarette and food money... then the car cost."*

A total disregard for opportunity cost was found. Farmers consistently assume that the physical labor exerted every day to care for the cattle, as well as the feed taken directly from nature, are "zero-cost" assets. Informant 4 stated: *"It's just a side job. It's become an everyday routine. I never calculate its money value."* This ignorance of Variable Cost components creates a psychologically very high profit perception, termed as "Illusory Profit".

Factors Influencing the Selection of Sales Channels

The decision to choose a sales channel is heavily influenced by risk perception and access to information. Traditional farmers (Informants 1 & 4) choose *dahangi* due to a high fear of being deceived by market prices (*O akal Ya Lio*) a nd the fear of bearing operational risks of cattle stress or injury when taken to the market. For them, the broker commission is the price paid to transfer these risks. Conversely, the independent farmer group (Informants 2 & 3) dares to take risks because they are supported by Asset Ownership (private vehicles) and Information Access through social media (Facebook Groups). This digital literacy breaks down information asymmetry, enabling them to sell directly to retain full profit.

Table 1.
Comparison Matrix of Sales Channel Strategies

No.	Points of Difference	Informant 1 (*Dahangi*)	Informant 2 (Market)	Informant 3 (FB & Market)	Informant 4 (*Dahangi*)
1	Main Channel	Broker (*Tka Dua*)	Independent (Physical)	Independent (Digital/FB)	Broker (*Dahangi*)
2	Transport Cost	IDR 65k - 75k (Paid)	Own Car Fuel	Pickup Rental (Paid)	IDR 75k - 100k (Paid)

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3	Service Cost	IDR 100k (Cigarettes/Food)	IDR 0 (None)	IDR 0 (None)	IDR 50k - 100k (Effort)
4	Price Info Source	Friends' Chat	Direct Market Survey	Facebook & Friends	Facebook & *Dahangi*
5	Main Risk	Uncertain Sales	Cattle Stress & Injury	Commission Manipulation	Fear of Deception (*O akal Ya Lio*)
6	Main Goal	Fast Cash Liquidation	Full Profit Margin	Highest Net Price	Security & Trust
7	Recording Method	Memory Only	Memory Only	Mobile Phone Notes	Memory Only

Source: Processed data by researchers (2026)

Cost Accounting Implementation and Margin Optimization

Field findings directly validate the relevance of Cost Accounting Theory. The analysis shows that farmers run their financial records purely based on the Cash Basis principle. This raises a critical point, namely the ignorance of Variable Costs. Conceptually, physical labor and natural feed are absolute Variable Costs. Because no direct cash flows out, farmers consider their value to be zero. The concept of Opportunity Cost must be present as a measuring tool. Hours of cutting grass have a value equivalent to farm labor wages, and grass has an equivalent value if sold to other parties. A mindset that ignores this creates the phenomenon of "Illusory Profit." Due to this illusion, farmers do not mind handing over their cattle to *dahangi*, unaware that their margins are actually very thin.

As a solution and education, researchers construct a Simple Cost of Goods Manufactured (COGM) comparison by calculating the total capital entirely, as presented in Table 2 (adapted from Lenap et al., 2022):

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Table 2.
Simple COGM Calculation (2-Year Maintenance Estimation)

COGM Components	Farmer's Terminology	Direct Selling	Broker (*Dahangi*)
1. Direct Material Cost	**Initial Calf Capital**		
- Cattle Price	- Buying a calf	IDR 7,000,000	IDR 7,000,000
2. Overhead Cost	**2-Year Routine Expenses**		
- Natural Feed Cost	- Value of grass/corn shoots	IDR 1,000,000	IDR 1,000,000
- Additional Feed Cost	- Buying bran & salt (If any)	IDR 500,000	IDR 500,000
- Operational Transportation	- Fuel for fetching water/feed	IDR 1,440,000	IDR 1,440,000
- Equipment Cost	- Buying ropes, medicine, pen repairs	IDR 300,000	IDR 300,000
3. Direct Labor Cost	**Value of effort & time**		
- Farmer's Labor Wage	- "Salary" for cutting grass (2 yrs)	IDR 3,000,000	IDR 3,000,000
Total COGM	**Total Real Capital**	**IDR 13,240,000**	**IDR 13,240,000**

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COGM Components	Farmer's Terminology	Direct Selling	Broker (*Dahangi*)
Cattle Sales Value	**Selling Price**	**IDR 15,000,000**	**IDR 15,000,000**
Gross Profit	**Profit Before Selling (Remaining Margin)**	**IDR 1,760,000**	**IDR 1,760,000**
Sales Expenses	**Deductions During Sale**		
- Sales Transportation Expense	- Paying for transport car (*Oto*)	IDR 100,000	IDR 100,000
- Broker Commission Expense	- Effort money/commission for *Dahangi*	IDR 0 (None)	IDR 100,000
Net Income	**Net Profit**	**IDR 1,660,000**	**IDR 1,560,000**

Source: Adapted from Lenap et al. (2022) and Processed Data (2026)

The calculation above shows that when the value of labor and feed is calculated realistically, the profit margin remaining from hard work for two years is actually very minimal (around IDR 1,760,000 gross profit). Broker involvement indirectly adds explicit operational cost inefficiencies in the form of commissions. Therefore, selling directly to consumers, assisted by price monitoring via social media, is the most efficient strategy to protect farmer profits.

CONCLUSION

Based on the research results, it can be concluded that cattle farmers in Bongomeme are trapped in a condition of Illusory Profit. This happens because farmers view costs purely from a Cash Basis perspective and ignore the economic value of natural feed and their own labor (Opportunity Cost) which in accounting

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constitutes Variable Costs. Furthermore, the selection of sales channels is heavily driven by risk management. The decision to use a broker's services (*dahangi*) is motivated by the fear of physical operational risks and the Information Asymmetry phenomenon where farmers fear being deceived on price. Conversely, farmers who sell directly are able to optimize their margins because they are supported by asset ownership and digital literacy (social media) that tears down this information asymmetry. For the future, it is highly recommended that farmers begin adopting simple financial records that take full capital into account and optimize direct (independent) sales channels to maintain real profitability margins.

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