

How to make sustainable value chains initiative works and benefits the smallholder farmers

A Case Study of Cocoa Smallholders Organization in South Sulawesi Province, Indonesia

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Table of Content

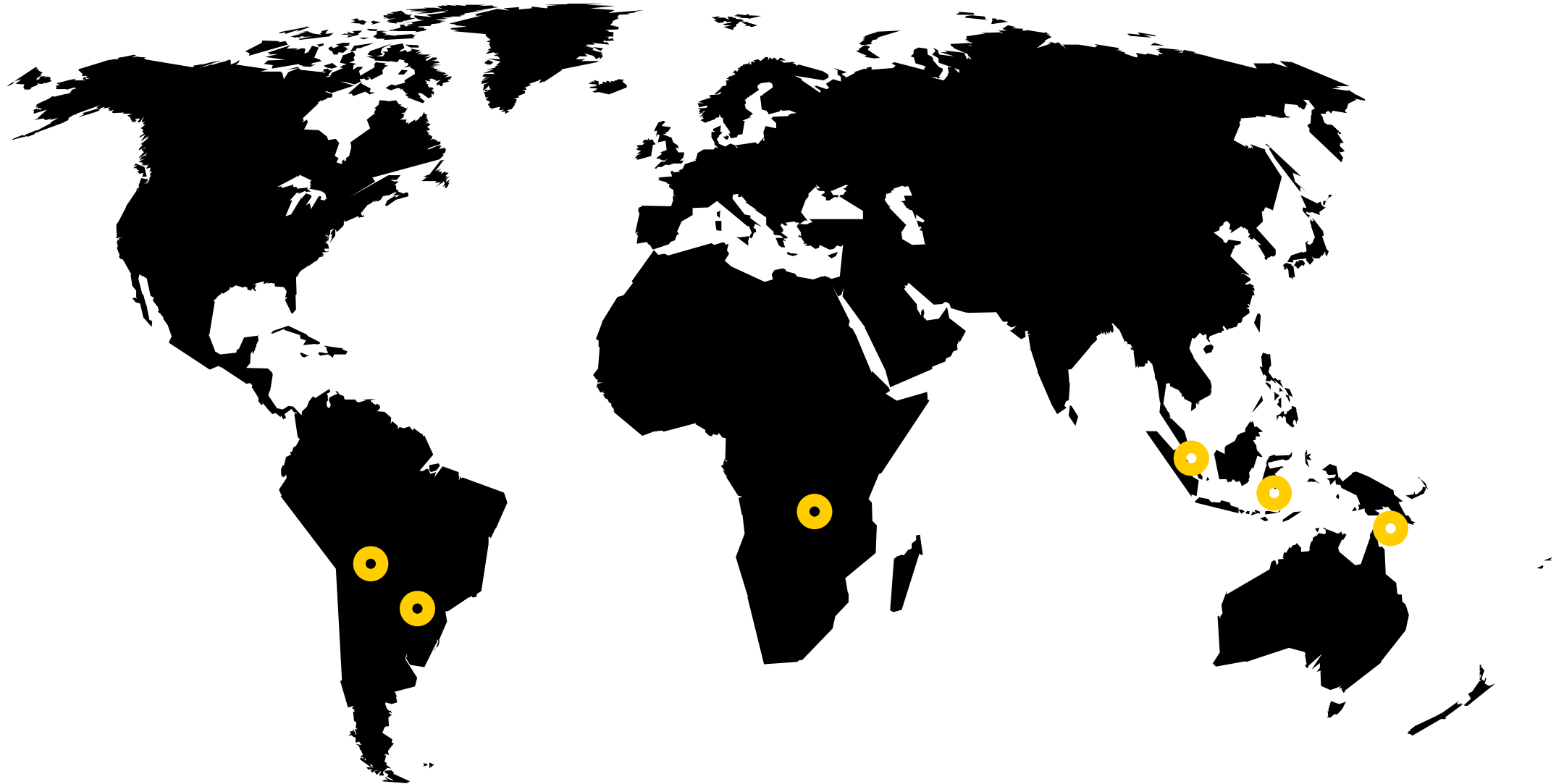
- Indonesia as a Cocoa Producer
- Problems of Conventional Cocoa Supply Chains
- Sustainable Cocoa Value Chains Initiatives
- Smallholders' Perspective towards the Sustainable Value Chains
- Roles of Smallholders' Farmer Cooperatives
- Recommendations for the improvement of Cocoa Value Chains



Indonesia as a Cocoa Producer



Global Cocoa Producers

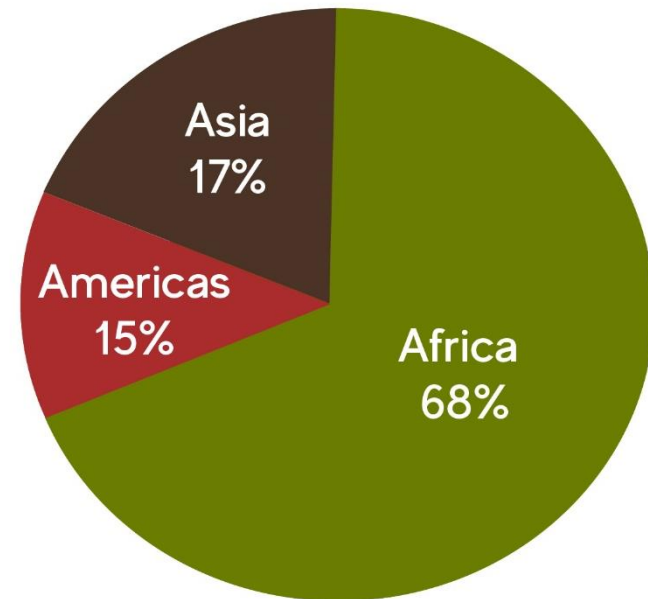


Indonesia as a Cocoa Producer

Major producing countries in each region include:

- **Africa**
Côte d'Ivoire, Ghana, Nigeria, Cameroon
- **Asia/Oceania**
Indonesia, Malaysia, Papua New Guinea
- **Americas**
Brazil, Ecuador, Colombia

Source: World Cocoa Foundation, 2014



Source: World Cocoa Foundation, 2014

Indonesia as a Cocoa Producer

- Cocoa is Indonesia's fourth largest Agriculture export after palm oil, rubber, and coconut.
- Globally Indonesia is the third largest Cocoa producers after Ivory Coast and Ghana
- The cocoa smallholder contributed to 87%, state plantation contributed 8%, and large private plantation contributed 5% of national production
- The smallholders own relatively small areas of cacao farm which is around 1 Hectare each farmer

87% by smallholders

8% by state plantation

5% by state plantation

Indonesia as a Cocoa Producer



Source: Indonesia Investment, 2015

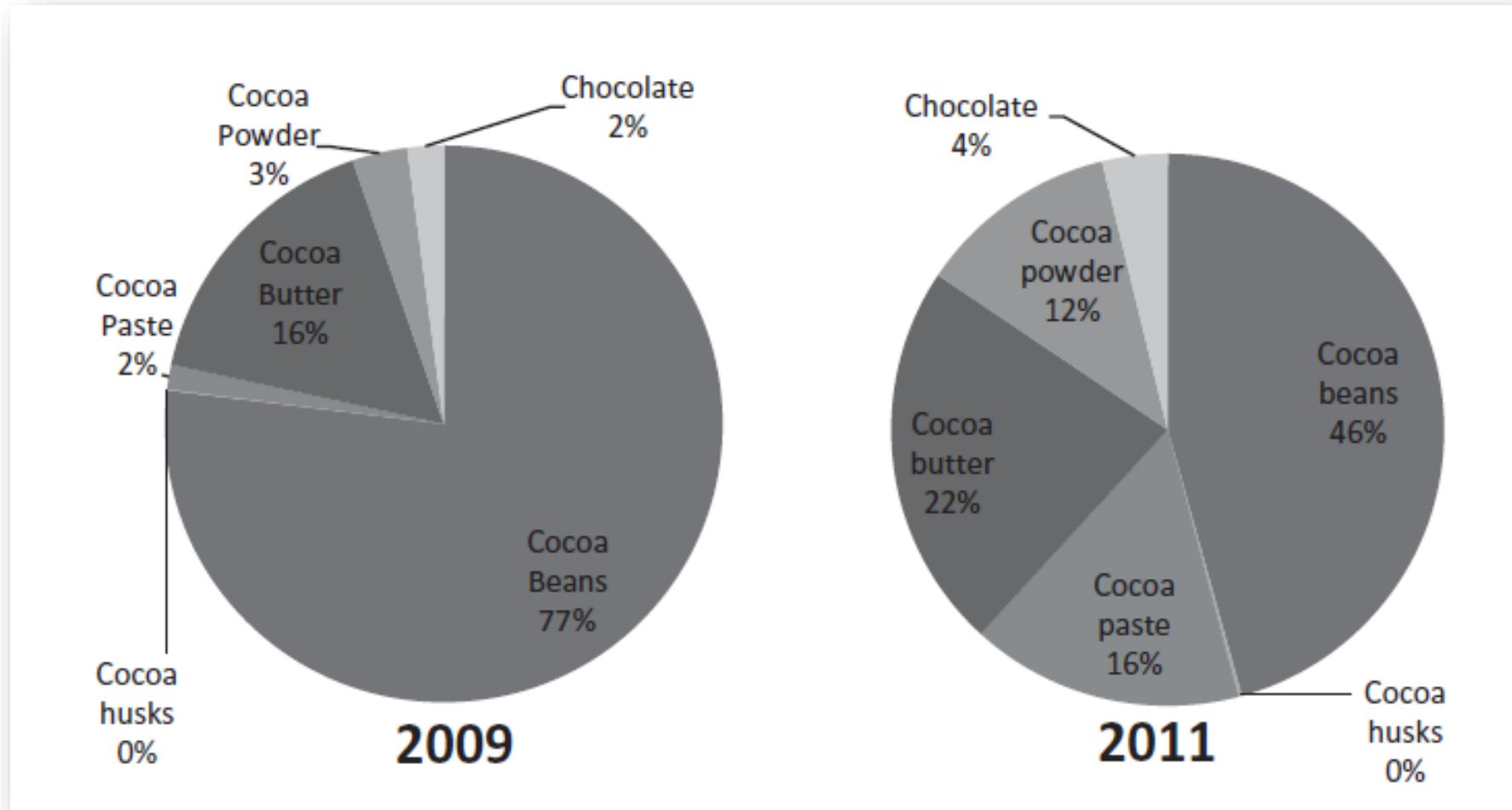
Problems of Conventional Cocoa Supply Chains



Problems of Conventional Cocoa Supply Chains

- Majority of export is in form of raw cocoa bean
- Supply chains are dominated by cash and carry, smallholder farmers sell their harvest at the farm gate
- Lost of revenue opportunities due to exporting raw beans
- Smallholders farmers do not benefit from the supply chains system: poor, low cash, and low quality of life

Problems of Conventional Cocoa Supply Chains

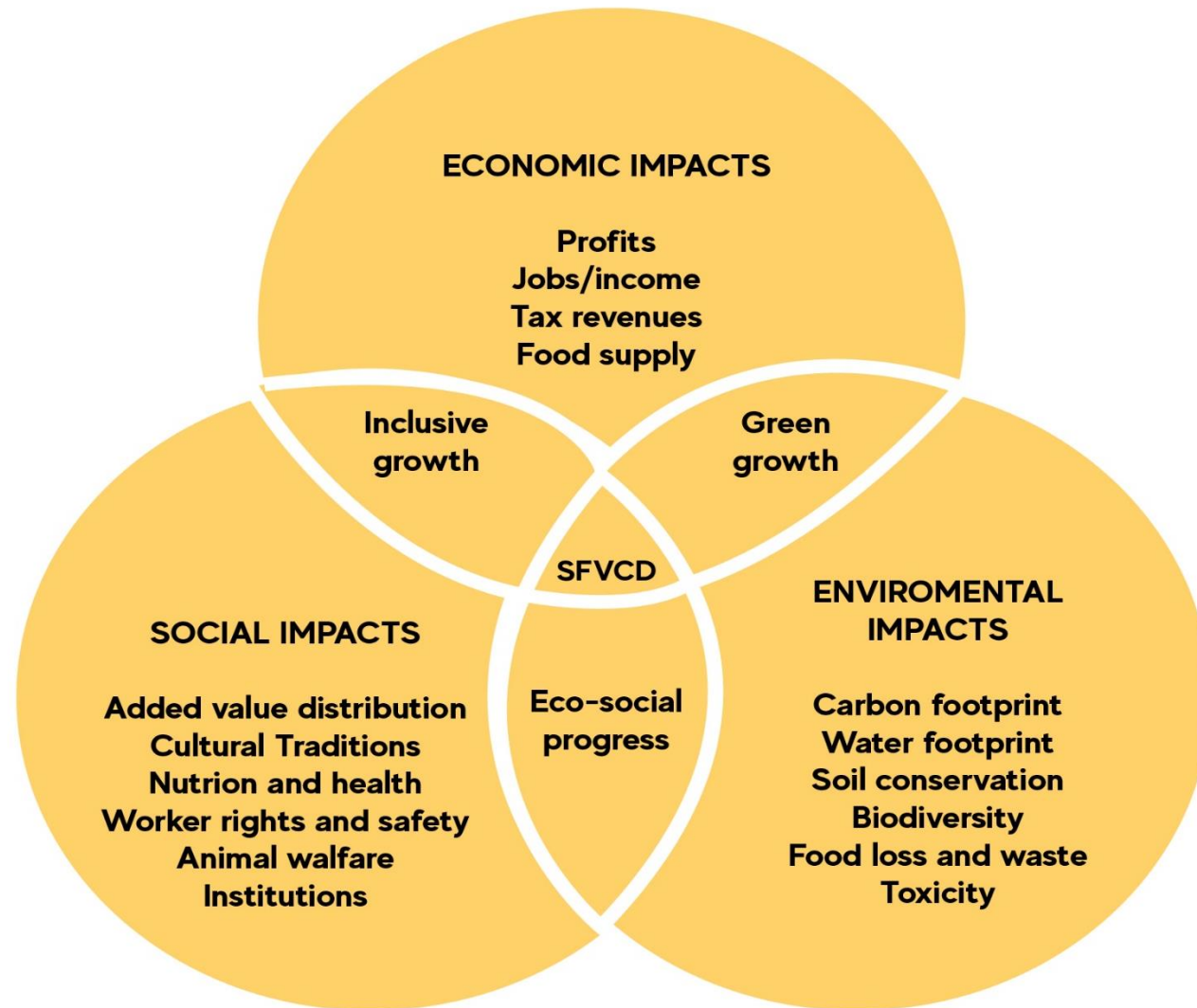


Source: United Nations. 2012. Commodity Trade Statistics Database (COMTRADE) as cited on Rifin (2015)

Sustainable Cocoa Value Chains Initiatives



Sustainability in Food Value Chains



Source: FAO, 2014

Sustainable Cocoa Production Program (SCPP)

Private Public Partnership (PPP) initiatives to improve competitiveness of Indonesian cocoa value chains since 2012

Five Approaches:

1. Good Agricultural Practice (GAP) and Technology Transfer
2. Nutrition and Gender Sensitivity
3. Farmer Organization, Access to Market, Certification
4. Agribusiness Financing
5. Stakeholder Management and Networking Platform



Measurement of Sustainability Impact

Economic Sustainability

- Income
- Productivity

Social Sustainability

- Nutrition and Health
- Gender inclusiveness
- Farmers group and organization

Environment Sustainability

- Green House Gas Emission

Smallholders' Perspective towards the Sustainable Value Chains



Smallholder Farmers as Respondents

- Survey was conducted to 130 coffee smallholders in two districts in South Sulawesi Province
- The respondents are members of smallholders' cooperative
- Survey was conducted through Focus Group Discussion and Questionnaire
- The respondents have been part of the program since 2014



Perception towards Sustainable Value Chains Initiatives

- Economical Sustainability:
 - ❖ No significant income improvement, since the cocoa bean price still based on global market price
 - ❖ Still sell the bean at farm gate to middle men, need quick cash
 - ❖ Expensive to transport the bean to the collection point
- Social Sustainability
 - ❖ Benefit the most: gender inclusiveness, nutrition, and smallholders organization
- Environment Sustainability
 - ❖ Shifting to non chemical agricultural practice requires more resources and take more time
 - ❖ Needs to harvest fast because the needs of cash

How to make sustainable value chains benefit the smallholders?



Recommendation on the System

- Economics Sustainability
 - Set bean price not based on Global Market
 - Determine different price of cocoa beans sourced from sustainable plantation
 - Provide collection pick up facilities
 - Support complementary/alternative income source
- Social Sustainability
 - Strengthen the smallholders cooperatives to improve bargaining position
- Environmental Sustainability
 - Support complementary/alternative income source
 - Price incentive for non-chemical/environmentally friendly crops planting

Roles of Smallholders' Farmer Cooperatives



Roles of Smallholder Farmers Cooperatives

- Sharing knowledge and information
- Provides manpower assistants during planting and harvesting
- Collect bargaining power towards buyer or middle men
- Social support system in general



