PISAgro NEWS

A Quarterly Newsletter I November 2013 I Issue #5

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Bank Mandiri & Swisscontact

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letter from editor

Dear readers,

Agricultural finance has been one of the most prominent elements of the rural development. However, farmers' accessibility to the capital is limited, especially for the smallholders, the largest community of the rural population. Thus, it is common that the lack of funds is one of the constraints to smallholder farmers in managing their farms and business.

In PISAgro NEWS this edition, we chose agri-finance as our topic to welcome PISAgro's agri-finance working group, which has recently set up. You can read the general overview of agricultural finance in Indonesia and how the group would like to approach its purpose, in the headline section page 2. In this time of the year, we all need inspiration and good news. The good news worth sharing is the recent development in the agri-insurance. Have a look at page 4 for more info. Several pilots have already conducted this year and expect 2014 to be the year to officially launch the agri-insurance for smallholder rice farmers and cattle breeders.

Don't forget to find PISAgro's working group activities in the newsflash section. Also check the new members to join PISAgro and together, let's extend a warm welcome to Bank Mandiri and Swisscontact.

Looking ahead, we hope you will be more motivated in ameliorating our work to bring Indonesian farmers a gift that gives for a lifetime.

Merry Christmas and Happy New Year 2014 everyone!

The Editor

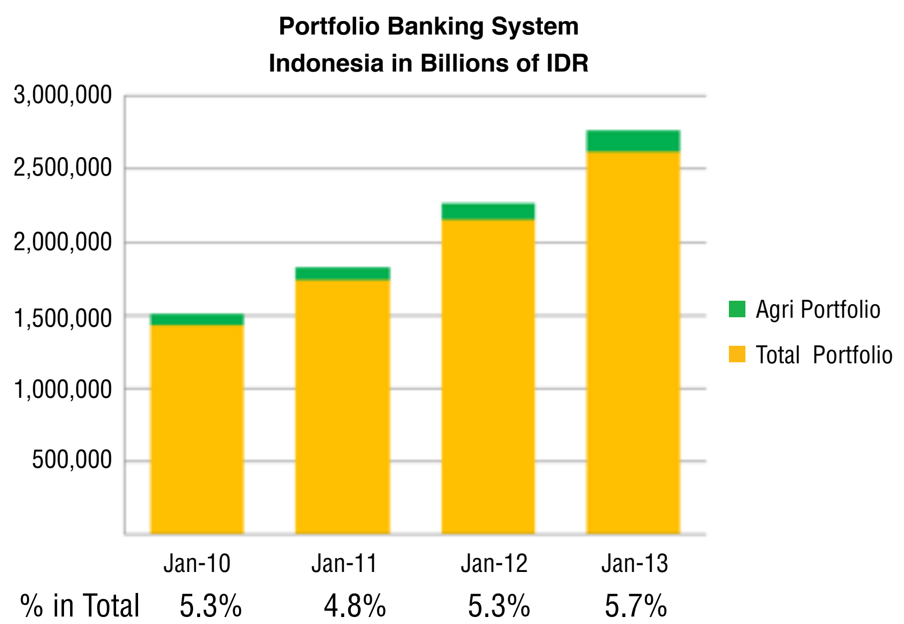
Agri-finance in Indonesia

The need for agri-finance

The topic of how to increase financing for Indonesian farmers and others in the agricultural sector has been the subject of much and intensified debate. It is clear that the sector is in dire need of additional investments; yields are steadily declining in a number of key sectors, and over time farms keep getting smaller, making it ever harder to allow farmers to make a living of their farmers. The agricultural sector contributes some 15% of Indonesian GDP, but receives only 5% (5.7% in 2013, see graph) of the nation's credit – another sign that financing agricultural players is difficult.

In 2010, the FAO estimated the need for agricultural investments (2010-14) to be around US$22.8 billion, of which the government could provide US$3 billion (leaving US$18.8 billion for the private sector). As of August 2013, the outstanding agriculture portfolio for the country's banks is some $13.0 billion, with the government assuming $7.9 billion, and the remaining $5.1 billion covered by regional, rural and private banks. In other words, there is still plenty of room for growth, in particular for the private sector.

The role of finance in agricultural modernization can hardly be overstated, and is probably the main reason for the increasing focus on this topic. Finance is an essential ingredient for both production improvements (e.g. purchasing fertilizer or higher quality seedlings for increased yields) and for longer-term investments in farms (e.g. renovation of old, non-productive plants or trees).



Source: Bank of Indonesia: Portfolio Outstanding by Sector: Aug 2013

From need to opportunity

Focusing on the need alone would leave any analysis incomplete, however. At times, broad assumptions are made around the unwillingness of banks to enter into this field because of social or cultural reasons. While these undoubtedly play a role, it would be naïve to assume that this alone can explain the low level of agricultural credit in most countries in the world.

Agri-finance is difficult – more so than we sometimes like to admit. Banks make their margin between interest and loan administrative costs, which do not vary much with loan size; the smaller the loan, the higher the relative cost per loan.

Agricultural risk tends to be higher than other economic sectors – volatile commodity prices and the influence of weather on farm performance are the best-known examples of risk factors. Considering that well-run banks earn about 3-4% on each loan, one bad loan can cancel out 25-35 good ones. Lending to farmers who do not have a culture of borrowing and repaying further increases operating costs, as more frequent contact is needed.

Microfinance is mostly successful in densely populated (usually urban) areas, where visiting clients costs less. In general, smallholder credit requires both frequent farmer contact and an agribusiness partner to help facilitate repayment; it is very difficult to do this sustainably.

Balancing these obstacles for agricultural credit are the private sector opportunities – with high demand, banks are in a good position to seek out the safest credit profiles in order to minimize risk. Transaction costs can be reduced through partnerships with supply chain partners, or (in future) through the use of mobile banking and digital payment facilities. Generating new, rural clients for a bank can further open up the possibilities to sell additional services such as savings accounts, insurance etc. Also, many countries are facing increasingly stringent regulations around portfolio allocation. In Indonesia, so far the government has only determined fixed shares for micro (SME) lending, but it is never easy to predict medium or long-term future policies.

PISAgro – Agri-finance Working Group

Globally, an increasingly active 'braintrust' of experts are developing, testing and sharing agri-finance models that overcome obstacles and capitalize on the opportunities. Seminars on sharing lessons learned and discussing problems are being organized with increasing frequency, and the amount of studies, surveys and baselines generated makes it hard for practitioners to keep up-to-date while not neglecting their daytime job.

The International Finance Corporation (IFC) has considerable global experience in this area. We are implementing a number of agri-finance across different regions and different 'products' – from harvest loans with banks or traders to agri-insurance offerings or risk-sharing facilities for agro-input providers. In Indonesia, we are working to develop commercially feasible, replicable agri-finance models with partner banks, which can be expanded rapidly if and when successful.

The Partnership for Indonesia Agriculture (PISAgro), the public-private forum resulting from high-level meetings at the World Economic Forum, identified needs for agri-finance across its many commodity-based working groups (WGs). To respond to these needs, the agri-finance working group was formed. Its purpose is to promote agri-finance through sharing of best practices, lessons learned and experiences, as well as to design solutions for other WGs around key agri-finance questions. Finally, the WG will play a role in collecting and reporting on agri-finance information.

Because of its special nature (it is, after all, not a commodity-based WG), the founding members have chosen to first draft a charter that defines key topics like purpose, operating principles, and membership rules. One of the WG's key roles is to provide solutions to commodity WGs around potential issues and requirements to expand agri-finance. One thing the WG does not want to do is pressure its (banking) members into 'doing more in agri'. Any such decision, while definitely welcomed by the WG, should be based only on a member's strategic and commercial interests.

That being said, the WG members are eager to start working. Part of the work still ahead is to define relevant targets for this distinct WG (which will support PISAgro's WG to achieve '20-20-20' approach for 2020), and to get its members contributing through their experiences and combined brainpower. As difficult as agri-finance can be, this structure is definitely one that should help move it forward in Indonesia.

Rick van der Kamp
IFC Operations Officer

Agricultural Insurance: Soft Landing for Rice Farmers and Cattle Breeders

The government is working on reducing the risks of agricultural credit by taking preparatory steps in agri-insurance, through piloting the model in several provinces in Indonesia this year.

By 2014, the insurance companies will be better prepared for the official launching of Agricultural Insurance, as they have tested the model in 3 provinces, West Java, East Java and South Sumatra.

In the meeting with PISAgro's Agri Finance Working Group on Friday (25/10), Gatot Irianto, the Director General of Agricultural Infrastructure, Ministry of Agriculture gave an update on the agri-insurance pilot projects for poor rice farmers and cattle breeders.

Gatot Irianto said: "The criteria is set for rice smallholder farmers who own a maximum of 2 hectares land and suffering from 75% crop failure"

PISAgro's Agri-Finance Working Group team in a meeting with the Vice Minister of Agriculture and Director General of Agricultural Infrastructure

In the framework of partnership with farmers, the state facilitates 80% of the insurance premiums (Rp.144.000/ha) while the remaining 20 % (Rp.36.000/ha) is borne by the farmers. For that amount, the farmers receive insurance benefit of IDR6million/ha.

The premium for cattle insurance is IDR 200,000 per cattle per year, for insurance benefit of IDR10 million. The premium for dairy cattle is IDR 300,000 per cattle per year for IDR15 million claim.

The insurance companies involved in the pilot are PT Asuransi Jasindo, PT Asuransi Raya, PT Asuransi Bumida and PT Asuransi Tripakarta.

The Ministry of Agriculture is now preparing the technical guidance of the implementation of the official program, in the form of Ministry Regulation. It is expected to be completed end of this year.

In the meeting, Vice Minister of Agriculture, Rusman Heriawan said: "Food crops insurance in general and cattle insurance in particular are needed to be endorsed by the government as it is not the area of interest of commercial banks and insurance. With the current scheme, at least 3 parties are involved in helping reducing the risk: commercial banks, insurance companies, and cooperatives. With the insurance guarantee, we can reduce the banks' reluctance to give loans to smallholder farmers".

***Rusman Heriawan** - Vice Minister of Agriculture*

Rusman Heriawan further admitted that the insurance companies suffer from lost. He believes the problem was at the scale. The law of large numbers for insurance has not been met in the pilot. He said: "Despite the losses incurred, the government still has high confident to run the project". The poor farmers need protection and the companies need to see the prospective insurance business when it reaches the right scale.

Breaking the Agricultural Financing Myth through Supply Chain Viable Business Model

Andi Ikhwan
Program Director of Mercy Corps' Agri-Fin Mobile Program in Indonesia

Agri-Fin Mobile

"In the past, many government programs failed because the farmers considered the money they received from government was a grant instead of a loan. So, the banks didn't get their money back"

Ninety percent of Indonesian food supply depends on smallholder farmers. Yet, access to financial services limits the smallholder farmers' efforts in boosting their productivity and hence improving their income. PISAgro NEWS interviewed **Andy Ikhwan, Program Director of Mercy Corps' Agri-Fin Mobile Program in Indonesia** about his work to broaden farmers' access to financial services in Indonesia.

Why do you think it's difficult to crack the problem of lacking of financial services access in agricultural sector?

I think there's some sort of perception from the financial institution that the risk is high in the agricultural sector. In the past, many government programs failed because the farmers considered the money they received from government was a grant instead of a loan. So, the banks didn't get their money back. This is what makes financial institutions very reluctant and careful in giving loan to farmers.

What are the solutions?

Before making a loan approval, a bank usually looks to reduce the risk by evaluating the application by using the 5 C's: Character, Capacity, Collateral, Conditions, and Capital. Usually, when applying for a loan, farmers are asked to give his land or house as collaterals. However, collateral doesn't serves as a guarantee that the loan will be paid. It only minimizes the risk. The most important thing is for farmer to ensure the banks that they can pay back the bank's money.

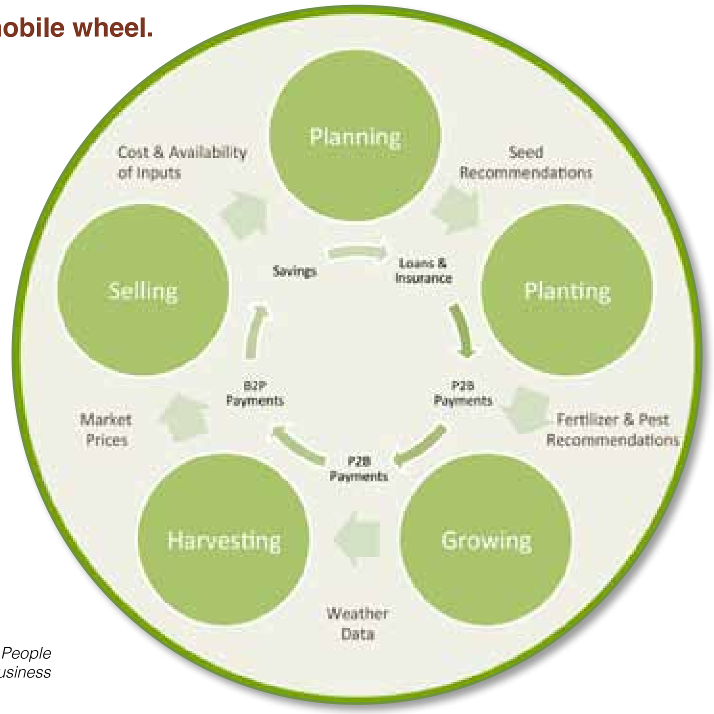
Let's take an example of PISAgro's rice-working group. Rice farmer groups sign contract with Tiga Pilar Sejahtera (TPS), as the off taker. In the contract, it's clearly mentioned that farmers' crop yields will be bought by TPS. This means, there's a guarantee that the crops will be bought and there's also a guarantee that farmers will have the money to pay back the loan. If farmers can show the banks that they have proper business model and that they can handle the risk, this evidence is better than collaterals.

What do you do and what have you done in tackling this issue?

Our job is to develop partnership with the value chain actors, such as input suppliers, off takers and facilitate them to link up with financial institutions. By developing a good viable business model along the supply chain, the financial institutions will be willing to provide loan to farmers.

We have been partnering with financial institutions, agriculture specialists, and mobile network operators to provide a bundled financial package to support farmers. We call this program AgriFin Mobile.

Agri-Fin mobile wheel.



B2P= Business to People
P2B= People to Business

Can you tell more about the success stories in helping smallholders to get loan?

We do not provide direct financial assistance to farmers, but we build the capacity of farmer groups or farmer group unions so they are ready to obtain financing from commercial banks or micro finance institutions with linkage to commercial banks. Product development research provides us with information that farmers are facing constraints in accessing financial institutions and there is a potential demand for mobile payment services for farmers, servicing farmers' transactions such as purchase of production inputs and sales of their crops. We also give advice on legal entities formation to the farmer groups or farmer group unions. The legal entity will help them obtain contracts from the off-takers and thus access to financial services. For the financial institutions, we provide the risk management tools to help them reducing the risk of financing the farmer groups/farmer group unions. With these range of services, we hope all parties concerned will gain benefits and are protected from risk of default.

What are the challenges? What do you do to overcome them? What is the key to the success?

In delivering our service, we work with various stakeholders. Obviously, the most challenging one, which is the key, is having the same shared values among the stakeholders. All parties involved need to put farmer groups or farmer group unions at the centre that needs to be empowered. Most of the time, farmer groups or farmer group unions only approach the farmers at the start of planting season, when farmers need working capital loan but not at the harvest time. This has reduced the farmers' confidence towards them. If the farmer group/farmer group union has the ability to pay their crops in cash. We need to strengthen the farmer groups/farmer group unions, through training, promotional support, availability of information on good agricultural practices and on purchase requirement or contract with the off-takers.

Now, after having joined PISAgro, what is the target you expect to achieve?

Together with mobile agriculture information and financial services providers, by May 2015 we expect to support 180,000 smallholder farmers in Indonesia. By joining PISAgro, we would like to demonstrate that partnership among value chain actors can eradicate the myths about agricultural financing and show that the agriculture sector actually has huge potential and is very attractive for the financial industry.

10 Features
to Mitigate the Risks Associated with Lending to Smallholder Farmers

A Summary of International Fund for Agricultural Development (IFAD) dan The Consultative Group to Assist the Poor (CGAP) report "Managing Risks and Designing Products for Agricultural Microfinance"

Agriculture is widely considered more risky than industry or trade. Thus, it is not surprising that agricultural lending projects have had poor repayment performance. Weather, pests, diseases and other calamities affect the yield of crops. Markets and prices are additional risks associated with agriculture. Many agricultural markets are imperfect, lacking information and communications infrastructure. The prices that crops will sell for are unknown at the time of planting and vary with levels of production (locally and globally) and demand at the time of sale. Prices are also affected by access to markets. And inelastic demand for many agricultural products causes small increases in production to result in large price swings.

Complicating the scenario is the fact that decision-making in agriculture is not an exact science; it depends on many variables that change from year to year and are beyond the farmers' control. Farmers have no real way of knowing how many others are planting a specific crop or how average yields will fare in any given year. Often, a good price one year motivates a lot of farmers to move into the same crop the next year. This shift increases production in the face of constant demand, driving down the price and making the crop much less attractive the following year.

Drawing on a few significant, successful experiences in various developing countries, CGAP-IFAD offers a model, termed agricultural microfinance, for providing financial services to poor, rural farming households.
The model combines the most relevant and promising features of traditional microfinance, traditional agricultural finance and other approaches into a hybrid defined by ten main features.
The analysis found that successful agricultural microfinance lenders rely on various combinations of the 10 features to mitigate the risks associated with lending to farming households, although in no experience were all ten features present.

1

Repayments are not linked to loan use.

Lenders assess borrower repayment capacity by looking at all of a household's income sources, not just the income (e.g., crop sales) produced by the investment of the loan proceeds. Borrowers understand that they are obliged to repay whether or not their particular use of the loan is successful. By treating farming households as complex financial units, with a number of income-generating activities and financial strategies for coping with their numerous obligations, agricultural microfinance programmes have been able dramatically to increase repayment rates.

2

Character-based lending techniques are combined with technical criteria in selecting borrowers, setting loan terms and enforcing repayment.

To decrease credit risk, successful agricultural micro-lenders have developed lending models that combine reliance on character-based mechanisms, such as group guarantees or close follow-up on late payments, with knowledge of four-crop production techniques and markets for farm goods.

3

Savings mechanisms are provided

When rural financial institutions have offered deposit accounts to farming households, which helps them to save funds for lean times before harvests, the number of such accounts has quickly exceeded the number of loans.

4

Portfolio risk is highly diversified.

Microfinance institutions that have successfully expanded into agricultural lending have tended to lend to a wide variety of farming households, including clients engaged in more than one crop or livestock activity. In doing so, they have ensured that their loan portfolios and the portfolios of their clients are better protected against agricultural and natural risks beyond their control.

5

Loan terms and conditions are adjusted to accommodate cyclical cash flows and bulky investments.

Cash flows are highly cyclical in farming communities. Successful agricultural micro-lenders have modified loan terms and conditions to track these cash-flow cycles more closely, without abandoning the essential principle that repayment is expected, regardless of the success or failure of any individual productive activity, even the one for which the loan was used.

6

Contractual arrangements reduce price risk, enhance production quality and help guarantee repayment.

When the final quality or quantity of a particular crop is a core concern, for example, for agricultural traders and processors, contractual arrangements that combine technical assistance and the provision of specified inputs on credit have worked to the advantage of both the farmer and the market intermediary.

Occasional Paper 11, issued on August 2005 by the Consultative Group to Assist the Poor (CGAP), a result of research project funded by IFAD on emerging lessons in agricultural microfinance. The authors of the paper are Robert Peck Christen and Douglas Pearce, UK Department for International Development.

7

Financial service delivery piggybacks on existing institutional infrastructure or is extended using technology.

Attaching delivery of financial services to infrastructure already in place in rural areas, often for non-financial purposes, reduces transaction costs for lenders and borrowers alike and creates potential for sustainable rural finance even in remote communities. Various technologies show enormous promise for lowering the costs of financial services in rural areas, including automated teller machines (ATMs), point-of-sale devices linked to "smart cards", and loan officers using personal digital assistants.

8

Membership-based organizations can facilitate rural access to financial services and be viable in remote areas.

Lenders generally face much lower transaction costs when dealing with an association of farmers as opposed to numerous individual, dispersed farmers if the association can administer loans effectively. Membership-based organizations can also be viable financial service providers themselves.

9

Area-based index insurance can protect against the risks of agricultural lending.

Although government-sponsored agricultural insurance schemes have a poor record, area-based index insurance, which provides payouts linked to regional levels of rainfall, commodity prices and the like, holds more promise for protecting lenders against the risks involved in agricultural lending.

10

To succeed, agricultural microfinance must be insulated from political interference.

Agricultural microfinance cannot survive in the long term unless it is protected from political interference. Even the best designed and best executed programmes wither in the face of government moratoriums on loan repayment or other such meddling in well-functioning systems of rural finance.

1 Smallholder Palm Oil Financing: a Prototype for Innovative Financing in Agribusiness

The innovative palm oil replanting financing module for smallholders, which is able to provide a cost of living allowance during the period of replanting and off-take guarantee with fair price could be further developed for various other commodities with greater scope.

Franky O. Widjaja, the Chairman of PISAgro and Vice Chairman of Agribusiness of the Indonesian Chamber of Commerce (KADIN) said he is currently piloting a package of palm oil innovative financing for smallholders as a prototype. "Palm oil's success story in carrying out inti-plasma program has brought Indonesia to excel as the number one producer of palm oil in the world. Now, it's breakthrough with the replanting innovative financing could be replicated for other strategic commodities in need of financing to achieve the productivity target."

The pilot of the Innovative Financing was launched along side the Joint National Working Meeting (RAKERNAS) of Agribusiness and Food Committee with Environment, Climate Change and Sustainable Development Committee in Pekanbaru Riau, 16-17 September 2013.

The pilot is aimed at helping 100 independent palm oil farmers, with approximately 120 hectares of land. The investment value is around 10 billion rupiahs, which co-coordinated by cooperatives and inti plantation, PT. Ramajaya Pramukti and PT. Buana Wiralestari Mas.

Franky O Widjaja further added, "There are more than 9 million hectares of palm oil plantations in Indonesia, of which about 40 percent is under smallholders ownership and are with low productivity. The main problems for smallholder farmers, among others, are the availability of finance when required. This has resulted in their low productivity. Smallholder farmers often face a liquidity problem but they are not bankable with the absence of collaterals. This problem will lead to a systemic problem in the downstream agricultural industries. The agribusiness chain is disturbed, resulted in decreased competitiveness, and thus the economic growth."

The Rakernas Kadin itself was inaugurated by Coordinating Minister for Economic Affairs, Hatta Rajasa and was well attended by five other cabinet ministers that include Minister of Industry, MS Hidayat, Minister of Trade, Gita Wirjawan, Minister of Agriculture, Suswono, Minister of Forestry Zulkifli Hasan and Minister of Environment, Balthasar Kambuaya.

The signing of MoU on Consumption and Production (SCP) initiative witnessed by Minister for Economic Affairs, Hatta Rajasa

Minister for Economic Affairs, Hatta Rajasa hits a gong to mark the opening of the event

A group photo of Rakernas Kadin 2013

Panel dialogue with cabinet ministers

2 Cocoa Day Expo 2013: Stronger Indonesian Cocoa Downstream

Opening speech by Vice Minister of Agriculture, Rusman Heriawan

On Wednesday (18/9), in the opening of Cocoa Day Expo 2013 that was held in Taman Anggrek Mall, Jakarta, Vice Minister of Agriculture, Rusman Heriawan said, "The gap between the upstream and downstream of cocoa is quite large. Cocoa downstream is growing very rapidly, while the upstream is running slow. Thus we have to continue the efforts to boost up the national cacao beans production to meet the demand of Indonesia's processing industry and export. In addition to the cacao national movement (GERNAS), we have to work to add value to the produce, to motivate cocoa farmers to plant and increase the productivity."

The National Cocoa Council organized the Cocoa Day Expo 2013 in collaboration with the Coordinating Ministry of Economic Affairs, Ministry of Industry, Ministry of Trade, and other cocoa stakeholders with the objective to build Indonesia's image as a good manufacturer of cocoa products and producer of food and beverages made from quality chocolate.

The festive atmosphere of the Expo was liven up by cocoa plantations presentation and other exciting events such as chocolate demo, chocolate mosaic made of thousands of chocolate bars, workshops on increasing productivity and quality of sustainable Indonesian cocoa. All with the aim to educate the public about Indonesian cocoa processing from upstream to downstream.

PISAgro cocoa working group's booth was visited by Vice Minister of Trade Bayu Krisnamurthi, Vice Minister of Agriculture Rusman Heriawan, Head of BKPM, Mahendra Siregar, Deputy of Coordinating Economic Minister Diah Maulida, representatives from private companies, NGOs and public.

PISAgro cocoa working group's booth was visited by Head of BKPM, Mahendra Siregar

Workshops on increasing productivity and quality of sustainable Indonesian cocoa.

PISAgro cocoa working group's booth was visited by Vice Minister of Trade Bayu Krisnamurthi & Vice Minister of Agriculture Rusman Heriawan

3 PISAgro Rice working group's farmers booked 13%-30% higher yields

It was a big success. PISAgro Rice working group's farmers booked 13%-30% higher yields than the control groups. Replicating the successful business model of the first pilot, PISAgro's rice working group worked with 132 farmers on 120ha land in Subang, West Java on the 2nd pilot.

H. Sudini a farmer from Rancadaka Village who joined PISAgro's Rice WG gave a testimony in front of President Susilo Bambang Yudhoyono on the occasion of World Food Day Celebration in Bukittinggi, West Sumatra on 28 October 2013. He was succeeded to get the highest yield of 8tons/ha despite the pest attack that made some of his fellow farmers harvested 3tons/ha only.

Joko Mogoginta, President Director of Tiga Pilar Sejahtera presented the PISAgro Rice WG's business model to President SBY in that occasion.

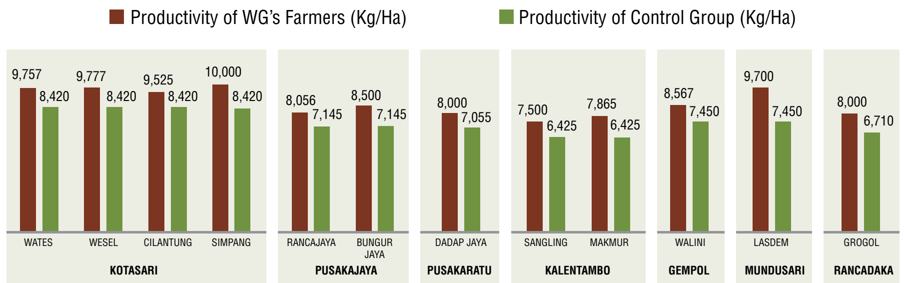
The Rice WG's business model looks simple: Bayer Cropscience trains the farmers to guarantee higher yields and Tiga Pilar Sejahtera buys the rice. But the reality is quite challenging.
Theoretically, contractual arrangements that combine technical assistance and the provision of specified inputs have worked to the advantage of both the farmer and the off-taker.
However, food crops commodity such as rice is traded in open market. Most of the time, contract farming doesn't guarantee that farmers will automatically sell the harvest to the off-taker as promised in the contract.

Farmers harvest rice on a rice field in Subang

A farmer moves harvested crops

A farmer applies fertilizer at his paddy field

PISAgro's Rice Working Group Harvest
2nd Pilot Project (July-October 2013) • Subang, West Java



Farmers are still looking for better price in the market. To deal with this situation, the working group sees the opportunity to work with the Farmers Group Union (Gapoktan) as the implementer to buy the produce. Gapoktan has a much better position to have the contract with smallholder farmers. Problem with Gapoktan is the lack of funds to buy. Empowering the Gapoktan to have the power to buy, is the role that needs to be taken by financial institutions.
The mandate from the World Food Day meeting in Bukittinggi to PISAgro Rice Working Group is to scale up the work into a much bigger project.

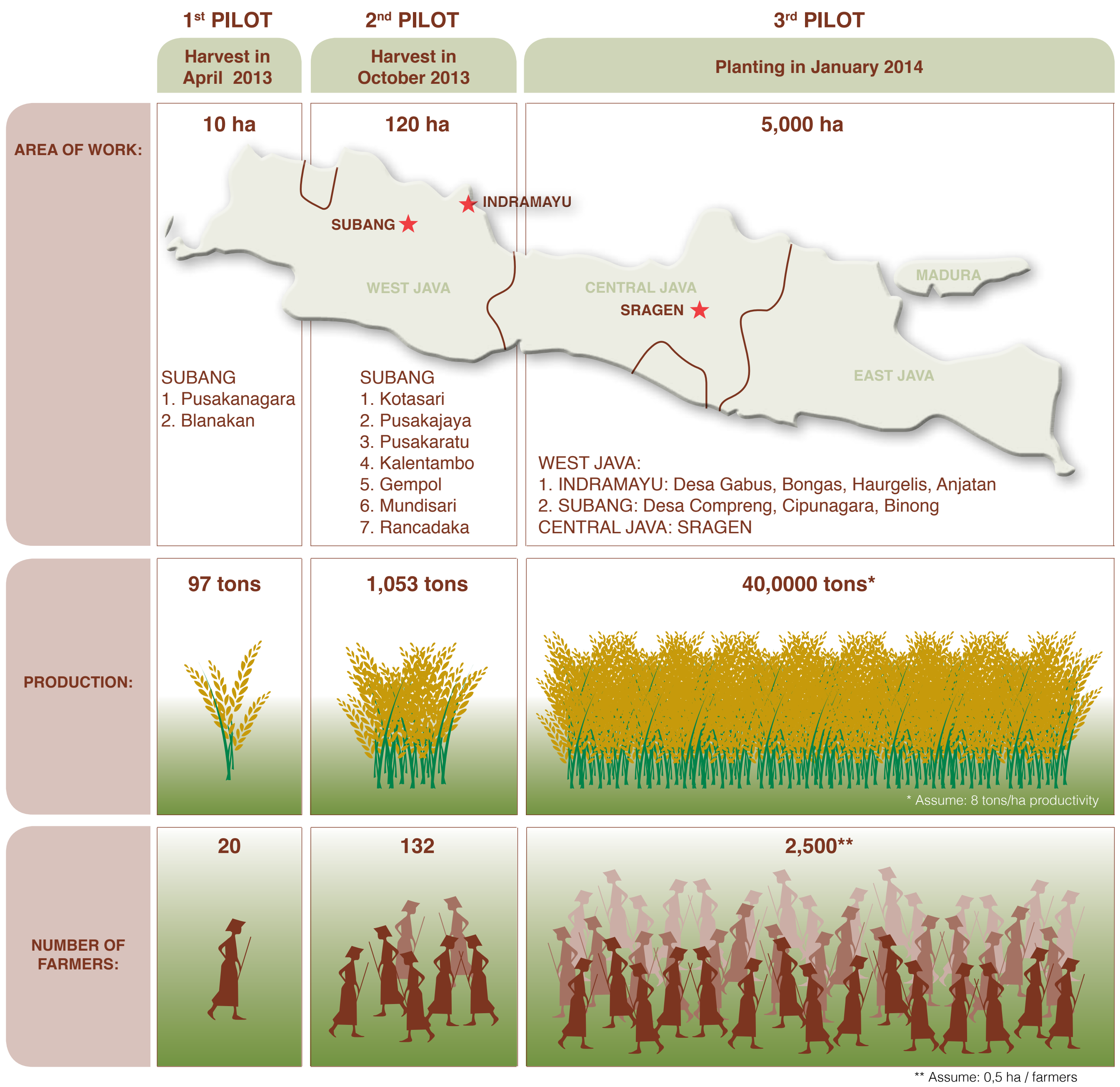
Stand up: Joko Mogoginta, President Director of Tiga Pilar Sejahtera and on his left: H. Sudini, a farmer gave a testimony in front of President Susilo Bambang Yudhoyono un Bukittinggi

President Susilo Bambang Yudhoyono on the World Food Day Celebration in Bukittinggi

For that reason, after a consultation with the Director General of Food Crops, Ministry of Agriculture, the working group decided to work on 5,000ha for its third pilot, which will commence in January 2014.

The location of the third pilot will be in West and Central Java. Indramayu and Subang District are most probable areas in West Java and Sragen will be the preferred area for Central Java, as Tiga Pilar Sejahtera will inaugurate its rice mill in that district on April 2014. The rice mill has the capacity of milling 40,000 ton/year.

PISAgro's Rice Working Group Milestone



4 Climate Change hits Soy

Soybean farm in Nganjuk

Left to right. Gumini, an extension worker in Nganjuk and Suhardi, leader of Farmers Group

Climate change has already begun to affect life in Nganjuk and Madiun, East Java. The supposedly dry season in June-July this year has turned wet with high rainfalls, so farmers grew rice instead. But, despite of the rain, PISAgro's yellow soybean pilot project started the planting in July 2013 on 38.7 hectares in Madiun and 16.7 hectares in Nganjuk. On the harvest time in October 2013 the total yields reached 35.986 tons in Madiun and 15.428 tons in Nganjuk. It means about 900kg per hectare, below the target of productivity increase.

Quoted by KBR68 on Tuesday (22/10) East Java Provincial Government admitted the erratic weather has made his region under achieved this year's target of soybean production. Head of Food Crop Production, of Agriculture Office in East Java, Achmad Nurfalakhi said, "The soybean production this year is estimated to reach 374,000 tons, while the target set by the government is 490,000 tons."
Suhardi, the leader of Karya Manunggal Farmers Group said: "The market price of yellow soybeans is good. I can sell at Rp8,200. Problem is, we didn't get good harvest this year. It's very difficult to decide the planting time, as it rains all the time".

Farmers harvesting soybeans together with local government

Farmers and exyension worker observing soybean plants

PISAgro Soy Working Group focuses to train farmers on good agricultural practice, sustainable farming, and help linking market demands with the smallholders' productivity.
"Production capacity might fall due to plants diseases or erratic weather. In these times providing support to farmers and assisting them in the farm becomes very important," said Agus Sutanto Doni Bachtiar, an extension worker who has been assisting farmers in Nganjuk since 1996.
Replicating from Unilever Indonesia's experience in conducting farmers' field school for black soybean, the extension workers support and involve the yellow soybean farmers to learn actively by sharing their experiences in discussion and decision-making process. PISAgro's soybean working group aims to empower the farmers to be independent and confident in solving their own problems.

Together with FIELD (Farmer Initiatives for Ecological Livelihoods and Democracy) Indonesia, Unilever Indonesia Foundation recently launched a book "*Mengasah Otak, Mengolah Hati. Sekolah Petani Untuk Pengelolaan Agroekosistem Kedelai Hitam (Sharpen the Brain Managing Heart. Farmer's Field School of Black Soybean Agro- Ecosystem)*". This book is Unilever's shared best practices in managing farmers' field school in black soybean.

5 Cocoa Stories from Mamuju

In early November, the Indonesian Vice Minister of Agriculture and group went to Mamuju to attend the first West Sulawesi Cocoa Stakeholders Forum and to visit demo farms as part of The Nestlé Cocoa Plan.

Day 1

2013 West Sulawesi Cocoa Stakeholders Forum: Supporting the re-establishment of West Sulawesi as the largest cocoa producer in Indonesia

Nestlé Indonesia, in cooperation with its partners, supports the local government's effort in re-establishing West Sulawesi as the largest cocoa producer in Indonesia.

Through the implementation of Sustainable Cocoa Production Program (SCPP), Nestlé and its partners, implement a holistic cacao farming management to increase the income and wellbeing of farmers, especially smallholders in West Sulawesi.
According to Manfred Borer, the Program Director of SCPP, these will be made possible if there is a growth in competitiveness and added value of the commodity as well as an increase in the farmers' capacity.

"There were some farmers who initially only produced 500 kgs of cacao per ha and now have doubled or tripled their produce utilizing the same size of land," explained Arshad Chaudhry, President Director of PT Nestlé Indonesia, in the 2013 West Sulawesi Cocoa Stakeholders Forum organized on November 1-2, 2013. The event was initiated by the West Sulawesi Governor Drs. Answar Adnan Saleh and was attended by the Vice Minister of Agriculture Dr. Rusman Heriawan and some other 180 participants.

Day 2

Vice Minister of Agriculture and group visit demo farms

The Nestlé Cocoa Plan supports cocoa farmers in West Sulawesi to increase the productivity and quality of cocoa through providing technical assistance to help farmers increase their income and livelihood. The Nestlé Cocoa Plan has three main action pillars; enabling farmers to run profitable farms, improving social conditions and sourcing good quality, sustainable cocoa.

Visit to the Experiment and Development Farm (ED-Farm) in Tadui village, Mamuju. About 6,000 seedlings are cultivated here to produce better cocoa clones.

Examining a seedling that has been top-grafted

Demonstration of side-grafting on an ageing cocoa tree to increase the productivity and quality of cocoa

(Text by: Nur Shilla Christianto, Nestlé Indonesia)

6 | **Corn:** Advancing the Partnership

The Corn Learning Center in Kendal which is managed by AIAT (Assessment Institutes for Agricultural Technology) Central Java in partnership with Syngenta held an education expo in Singorojo Village on Monday 18/11. In the learning center, farmers who implement the Good Agricultural Practices (GAP) following the "Start Right" concept of Syngenta harvested 9,7tons/ha or one ton higher than the control group. This has given the farmers an additional income of IDR2.7million/ha.

The similar event was also held the week before (12/11) at Blengor Wetan Village, Kebumen District. In this occasion AIAT and Syngenta launched a training module on "Corn Production Technology and Agribusiness Management".

Various technological innovations ranging from tillage, planting and post harvest are presented in the module. It also contains corn farm management from planning to harvest evaluation. As it is written using popular language, the book can be used as a reference for corn practitioners, especially the extension workers, agricultural workers, students who are conducting the field work and most important the farmers themselves.

Syngenta has established 40 learning centers nationwide. Each learning center trains about 400 farmers. In total, the learning centers have trained 16,000 farmers.

Meanwhile, PISAgro's Corn Working Group is planning to start its Public Private Partnership (PPP) program, working with stakeholders along the value chain. The parties involved includes: Syngenta and Monsanto as technology provider and on-farm trainer, Mercy Corps and Bank Andara as finance and payment service provider, Cargill as off-taker and local government of East Java to provide extension services. The pilot which is expected to be launched in March 2014, will take place in Mojokerto and Kediri, East Java. In Mojokerto itself, the group will engage 315 farmers and 12 local grain collectors on a total land area of 285 hectares.

Corn Learning Center managed by Syngenta and AIAT in Kendal, Central Java.

AIAT and Syngenta launched the corn training module.

welcome new members

PISAgro welcomes PT Bank Mandiri (Persero), Tbk and Swisscontact on board.

Bank Mandiri is the biggest bank in Indonesia that provides services to the customers in the business segment of Corporate, Commercial, Micro & Retail, Consumer Finance and Treasury, Financial Institution & Special Asset Management.

Today, Bank Mandiri employs 31,721 workers with 1,835 branches and 7 representatives overseas. Bank Mandiri has earned the distinction of best bank service excellence for 6 consecutive years and the most trusted company in Indonesia for corporate governance for 6 consecutive years.

Despite the challenges in the agricultural finance, Bank Mandiri has a strong comitment to support the agricultural SMEs.

Bank Mandiri joins PISAgro Agri-Finance Working Group. Together with members of the working group, Bank Mandiri is committed work to promote agri-finance in Indonesia through experiences and information sharing and help designing solutions for agri-finance challenges faced by PISAgro's commodity working group.

Swisscontact is an international development agency founded by the Swiss private sector in 1959. Since its foundation, Swisscontact has always maintained close links with the private sector. In 2012, Swisscontact was active in 25 countries with training, urban ecology and small and medium sized enterprise development.

Swisscontact strengthens local and global value chains, promotes economic productivity and creates genuine added value for all actors involved, especially local populations and small businesses. Swisscontact always seeks to facilitate sustainable local solutions to local problems.

By joining PISAgro, Swisscontact will strengthen PISAgro's cocoa supply chain. Swisscontact has supported the development of sustainable cocoa in Indonesia for many years by providing capacity building, to improve the productivity and quality of cocoa production

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