

Creating A Sustainable Agricultural Value Chain

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Dear Readers,

Value chain collaborations are complex and involve a wide range of stakeholders with diverse specialties and interests. The advantage of collaborations can sometimes outweigh its complexities: sharing resources, combining expertise, leveraging market share are some of the benefits of collaboration done right.

This edition is all about collaborations. The Feature section highlights the KADIN- ISEI- PISAgro innovative Value Chain that was held on May 23 of this year. We have great stories from our cocoa and rice farmers in the field, showcase of ICT innovations from working groups and member companies.

Besides looking back at the 2016 GrowAsia forum, please stop by to read a farewell note from one of PISAgro's founding member and Board.

Last but not least, we would like to greet all the readers a happy and blessed Eid Mubarak 1437 H.

Happy Reading!

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Creating a Sustainable Agricultural Value Chain



How do we change agricultural inputs into outputs in such a way that they have a greater value than the original cost? The answer to this question is of fundamental importance to the agriculture sector, as it addresses the economic logics in creating a sustainable agricultural value chain.

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The agriculture sector creates value by acquiring raw materials and using them to produce something useful. Companies bring together a range of agricultural products and present them in a way that's convenient to end users. And financial institutions supports this process through their financing programs. The more value the sector creates, the more profitable it is likely to be. Understanding how the value is created, and looking for sustainable ways to add more values, are critical elements in developing a competitive strategy. The agriculture sector's complex value chain input consists of the government, companies, farmers, traders, food companies and retailers, all of whom must ultimately satisfy the varying demands of the consumer in a sustainable manner. The sector encompasses a huge diversity and variety at each stage. Great collaboration and cooperation between various players in the value chain, both upstream and downstream, will be required as the extent and the structure of such collaboration will be a very important strategic decision.

Indonesia is rich in fertile land, ideal for growing a diverse range of crops for both export and domestic consumption. Its agricultural sector is made up of state owned estates, large scale private plantations, and smallholder farmers. Yet despite of this, and the fact that the sector employs over 40% of the workforce, the country is still heavily reliant on imports of staple goods such as wheat, soybeans, and sugar, which have raised the issue of food security on the national agenda.

Smallholders' productivity has been a main area to address, as comparative land yields remain low in most food crops. However, improving the productivity of smallholders through adoption of technology and land consolidation is a further issue that requires a delicate balance. Other issues, including the land ownership certification required to obtain a loan, has been the main hurdle for them.

According to Global Business Guide Indonesia, increasing productivity through modern technology and farming methods is a contentious issue for Indonesia's many subsistence farmers that work on small plots of land. One of the problems is the declining number of people employed in agriculture due to the trend of urbanization.

The Ministry of Agriculture recorded that the average of age of farmers has been rising, with 80% of the 140 million farmers are aged 45 years or above. This is a threat to the national goal of food security. Not just because the reluctance of the younger generations to go into farming will directly impact production levels, but also because the older generations tend to hold back the implementation of new methods. However, this does not stop the Indonesian government and private initiatives to broaden its agriculture's contribution to the national economic growth. They

are strongly committed to boosting smallholders' productivity by encouraging the use of more advanced technology in the farming sector. For instance, Indonesia has introduced an e-commerce pilot project in Brebes, Central Java, to support the smallholders. This is one part of the "Synergized-Actions for the People Economy" program activities launched by President Joko Widodo on April 2016.

"The online system, which charts food prices and prevents price speculation, is set to benefit both producers and end consumers with a 15% increase in profit margins for farmers and a 15% decrease in the prices of agricultural products," said Trade Minister Thomas Lembong to the local media. Along with the ongoing digital initiatives, the government is also looking for more advanced methods and inputs for the smallholders.

In a bid to increase income for a million commodity farmers by 2020, the Indonesian Chamber of Commerce and Industry (KADIN), the Indonesian Economists Association (ISEI), and PISAgro are working together to create a better value chain scheme for Indonesia's agricultural sector. The scheme aims to better link institutions and smallholders to optimize production techniques and solve issues such as inadequate access to high quality seeds and fertilizers. This is to ensure that the smallholders' productivity will increase in a sustainable way.

Another key initiative targeted at independent smallholders is the KUR-Plus program, a microcredit scheme that allows farmers to receive funds for infrastructure, premium seeds and fertilizer, as well as a living stipend during the harvest waiting period. Moreover, the KUR-Plus program also facilitates better access to funds, financial education, and best practices knowledge through mentoring activities managed by farmers' cooperative associations.

As with all agricultural growth, two things appear essential for a successful agricultural value chain: creating the right agricultural environment and investing in rural public goods. There is a positive correlation of agricultural productivity with investment in irrigation, transport infrastructure and other technologies. Furthermore, better productivity will also convince financial institutions to lend the necessary capital for the smallholders, especially during replanting period. By their very nature, collaboration in a value chain consists of complex entities involving diverse organizations, which may have widely differing cultures and interests. However, many collaborations are already taking place between sectors as well as within them, all indicative of a gradual trend towards greater integration. In the future, it is almost certain that all parties will have to increasingly direct both their activities and collaborative efforts to further up the value chain.

Lim Jung Lee, President Director of PT Syngenta Indonesia & Founder of PISAgro

Farming Has Always Been My Passion

"I fell in love with farming and agricultural science since I was a child," said Lim Jung Lee, President of PT Syngenta Indonesia and The Founder and Board Member of PISAgro, opened the interview at his office with PISAgro. That same passion – remarkably – has shaped his path in life, both in education and career. He obtained his PhD in Biology – Entomology at the Universiti Sains Malaysia in 1995. Not only that, he also has 36 years of experience in the agriculture industry.

Jung Lee started the first decade of his career in Research and Development. During that period, he had published more than 35 papers on new findings in crop protection and crop productivity. He then spend more than 20 years in Marketing, Business Management, and General Management, including four years in a regional role in Asia Pacific.

"Even though I am no longer working for Syngenta Indonesia and PISAgro, I don't think I will entirely disappear from agricultural business, as this is something that I very much enjoyed to do," said Jung Lee, who owns a 5 hectares land in Malaysia where he cultivated cacao and durian. "I still want to work in food security industry, perhaps as a consultant or join an NGO specializing in food security."

Jung Lee loves to meet farmers and talk to them, discussing about crops and figuring out ways to help them overcome crop challenges. He recalled a significant challenge for nowadays farmers due to the climate change. "In 1980 we had

El Nino, then we found new insects in warm climates invading crops in cooler climates. Currently, this problem has become worse as the climate uncertainty has become more extreme. Apart from water availability, the climate change, will also result in a shift in pest and diseases."

Meanwhile, Indonesian agriculture has other challenges. "Firstly, access to regional or global markets for is weak. For example in horticultural produce, market access is far behind other countries in South Asia like Thailand. Secondly, a lot still needs to be done to improve the knowledge and skills of farmers so that they can adopt modern farming techniques in order to improve crop productivity and quality. Thirdly, there is insufficient infrastructure support such as port and transport facilities as well as cold stores, driers to manage post harvest logistics." said he.

In the initial stages of PisAgro, many of us were experimenting and we started by having small scale projects to help the smallholders to have a better yield and income. However, dialogues with the Indonesian Government revealed that they have a more ambitious vision on food security that impact millions of farmers. We began shaping a big ambition in PISAgro to help achieve the national food security targets. "I was inspired by the Government's vision and we at the Corn Working Group changed our direction and moved into a bigger – national – scale to reach millions of farmers," explained him. "I think so far we have made some significant



progress." He urges PISAgro to continue to champion and works towards the 2020 objectives.

On advocacy, he said "Once you make a multi-partner project successful, you earn the stakeholders and including the Government's respect. This is where they will start to listen to you seriously. I am hopeful that PISAgro can help the Indonesian Government formulate a better policy in agriculture, and contributing to National food security and ensuring a more prosperous farming community in Indonesia."

Jung Lee is about to say goodbye to Indonesia, a place where he has grown to love and a nation where he has share his wealth of experiences. Although the seat as the President Director no longer belongs to him, but he promises that he will keep his eyes on the progress in PisAgro.

As he leaves, Jung Lee will continue his journey in life with a new chapter but his passion in agriculture will continue to remain the same. "I will move back to Kuala Lumpur and start new phase of life there but if an opportunity arises where I can contribute to Indonesian agriculture, I will be back in a blink of the eye" closed Jung Lee.

So, good bye Pak Jung Lee. Thank you for your contribution, dedication, passion and most of all your love for the Indonesian Agriculture Industry. We wish you all the best in Life.

In the previous issue, we looked at farmers' "access to finance" and some of the assumptions often made – we saw that farmers don't necessarily lack access to finance on the whole, but that they don't use bank loans a lot. We also saw that the informal sector is not as predatory as we sometimes assume, as long as there is competition between sources at least. For this issue, we want to focus on the bank's unwillingness to go into agri-finance. Banks are often singled out in criticism of why there isn't more agri-finance, with a reasoning like

"Banks are unwilling to provide farmers loans because of the perceived higher risk of the sector"

Technically, this is not a myth but a factually correct statement. In most cases, however, the use of the word 'perceived' has the purpose of at least suggesting that banks only think the risks are higher, while this may or may not actually be the case. This suggestion leads to the conclusion that if only banks got informed and involved in the agri sector, they would find the risk to be manageable. So, is farmer finance really riskier than other lending?

Practically, we run into a few problems answering this question. We can look at the default rate of farmer loans, but if banks are already more selective in financing farmers, this may not provide a good comparison. Any evidence is almost necessarily not conclusive, because so many different experiences and models exist across the world. Also, it is surprisingly difficult to find data on default rates in the first place, given how important this is to assess loan risks.

We know from global experiences in smallholder finance that farmer defaults are influenced by a range of parameters: production and income levels, understanding of where the loan comes from (anything government-related is usually not great for repayment), behavior

of the (peer) group, perceived consequences of default (collateral), the organizations involved (where there is more than one partner), and probably a number of other factors we have not fully mapped out yet. Large, limited-time government credit schemes usually fare the worst; conservative, commercial lending based on existing relationships tends to get more positive results.

For smallholder finance, risks tend to divide out into four groups: market, crop, weather, and farmer risk. The first three risks all relate to the business of farming. All businesses face these risks, but volatility tends to be less severe. Some data are helpful -- comparing market (price) risk between agriculture and, say, manufacturing, data suggests agricultural (crop) prices showed 19.6% annual volatility, while manufacturing prices only varied by 2.4%. We could express weather risk in the same way, but given that both crop and weather risk ultimately play into agricultural output, we can simply look at that and compare it to the output of a shop or small factory. Between annual volume of agri production in Indonesia and retail sales volume for 2000-14, we find that volatility for corn and green coffee are 11.4% and 13.7%, respectively, while retail sales volatility only measured 3.2%.

In other words, both volume and price of agricultural production are more volatile than comparable sectors like manufacturing or services. Note that we are not disproving a myth here, we merely analyzed the available data to find out if the assumption that agricultural production is indeed more risky than other productive activities.

On willingness to pay back, there is unfortunately almost no data to compare farmers to other groups of borrowers at this moment. There are some promising developments in this area; EFL, a 'fintech' providers that tries to measure people's willingness to repay, has developed a questionnaire that financial institutions can take on their loan applicants, and arrive at a risk



Rick van der Kamp
IFC Operations Officer

segmentation. Unfortunately, not enough data is available from these recent data-based innovations to allow us to compare farmers with other groups. At times, we encounter arguments like 'farmers are superior repayers', based on a mix of wishful thinking and the concept of 'nobility in poverty' around smallholder farming. Still, there is no data or generally accepted psychological or economical argument for farmers being any more or less inclined to repay a loan than small business owners, salary workers or any other group of borrowers.

Data on repayment is so scattered it is almost impossible to draw any conclusions – there are a number of examples where zero defaults have ever happened with particular farmer groups, while IFC experienced up to 88% default rates during one of its cocoa loan programs in Indonesia. Risk-based data suggest that smallholder finance involves risks that are significantly larger than for other productive sectors, without considering the additional risks incurred when partnering with supply chain companies to reduce repayment costs and effort. Overall, the idea that banks would become comfortable with agri lending as soon as they would get involved in the sector is hard to sustain.

Why Savings?

Access to finance includes access to savings, access to loans, access to insurance and others. Farmers need working and investment capital, but also consumption capital. This usually requires sufficient large lump sums to pay for fertilizer, farm rehabilitation, or new vehicle. When speaking about access to finance, what is actually meant is access to loans, although the objective can be achieved with savings too. Some points:

- 40% of the cocoa farmers in the Sustainable Cocoa Production Program (SCPP) don't want loans.
- Of the remaining 60%, not all farmers are eligible to receive loans, mainly because of:
 - Free cash flows (whereas more professional farmers have higher cash flows)
 - Collateral (only about 21.6% of the farmers have a formal land title)
 - Character (some clients are more credible than others)
- SCPP estimates that 16% to 18% of the cocoa farmers are creditworthy, meaning they are able to absorb the loan and use it wisely.

If we were to just provide loans, all our efforts would have to concentrate on less than one fifth of the farmers, because that is the amount of farmers who have an acceptable risks and the capacity to absorb the loan and repay it. What happens to the other four fifths? Are they left behind? Or could we support farmers in saving and building up sufficient capital for their needs?

Technically, a loan is nothing more than a future saving. So why not think about savings for all the farmers? Especially since 97% of the farmers in the Program have expressed interest in learning how to save with SCPP. Savings have several advantages (and few disadvantages) over loans: Flexible payments/installments as money is available, no collateral required, no debts, no interest to be paid, no risk of late payment and arrears. That being said,



it is not necessarily easy to save. It requires discipline, willingness and capacity.

Together with Cargill, Bank Rakyat Indonesia (BRI) and ideas42, Swisscontact is piloting a saving project with 2,500 farmers to transform the abstract word savings to a very specific target, using behavioral science insights. Doing so, it is expected that farmers will save more. For the pilot program, a two-hour training session was held with farmers. Marwah, a cocoa farmer from Soppeng, mentioned how familiar she is with saving activities. However, at home it is nearly impossible to save when there is no pressing importance. "Most of us [cocoa farmers] live without having any savings, although at particular times, we can harvest and get more money from our cocoa trees" Marwah said. Kasmiya, another cocoa farmer added that "many farmers are reluctant to save, especially in banks or other financial institutions because of the limited infrastructure in their villages and the unmeasurable security risks."

To save, some money, even small amounts, is necessary.



A study in southern Africa found that Tobacco farmers who committed to savings spent 26% more on inputs, had 22% higher sales and 17% higher consumption than their peers.¹

Within six months sufficient money to purchase fertilizer can be saved. Thus SCPP's first question was, where do the farmers get their money? The answer is obvious: at the place where they sell their produce. This can be at the farm gate or with a trader. Therefore, traders were linked to BRI to become BRI Link agents.² Those agents can perform the same functionalities as an ATM and also take deposits. They are known and trusted by the people, usually closer than the next bank branch and they can earn a small amount of extra income by becoming a BRI Link agent. Farmers can be paid cashless or only partially in cash, and they can even save their money directly. Traders receive half-a-day training and the technical knowledge from the bank to be an agent.

Although final results will only be available at the end of 2016, some intermediate results show that more than 70% of the farmers in the pilot region in South Sulawesi now own a bank account, compared to on average 30% (whereas 24% use the account actively). People were eager to start and brought their savings to the traders,

even before the traders got the technical equipment from the bank.

Savings are a powerful tool to build up sufficient large lump sums, used as working/investment capital or for consumption. We should consider its power as a possible solution to the challenge of ensuring that sufficient capital is available in the agricultural sector.

¹ IFC: "Commitment Savings Accounts in Malawi"
² A branchless banking product through which "branches" can be brought much closer to the client at much lower costs for the bank. Other branchless banking products are e.g. BTPN Wow! or similar products from BCA and Bank Mandiri.

features



Innovative Value Chain

PISAgro, together with the Indonesian Chamber of Commerce and Industry (KADIN) as well as the Indonesian Economists Association (ISEI), launched a national grand program for agricultural value chain innovative scheme. Titled 'Value Chain Innovation for Agricultural Sector to Support Financial Inclusion Implementation for Farmers', the scheme aims to improve the smallholders' productivity and income.

Held on Monday, 23rd May 2016, in Kartika Expo Center – Balai Kartini Building Jakarta, the event was attended by no less than 400 participants. They represent the Government, House Representatives, farmer groups, private sectors, embassies, academics, NGOs, and the press. Among these participants were the Vice President Jusuf Kalla, Coordinating Minister for Economic Affairs Darmin Nasution, Land and Spatial Planning Minister Ferry Mursyidan Baldan, Finance Minister Bambang Brodjonegoro, and Industry Minister Saleh Husin.

In this event, selected smallholders from different commodities all over the country were given the chance to present their products to the Vice President and engage in a conversation with him. PISAgro also used this opportunity to present their vision and mission, as well as their programs, activities, and progresses. In order to achieve the goal of improving the income of 1 million farmers in various commodity industries by 2020, in 2016 PISAgro aims to reach more than 445,700 farmers who manage more than 352,000 hectares of land. In 2015, only 83,000 farmers with areas of 67,000 ha participated.



A National Movement to Support Smallholder Farmers

Domestic agricultural production and food security are economically and politically important in Indonesia. Unfortunately, even though smallholder farmers are responsible for most agricultural production, the majority of them remain marginalized due to financing problems. In an effort to support these farmers, the Indonesian Government set a goal to ease access to funding programs for farmers, with an objective to create a sustainable agricultural development to improve the country's food security.



Jusuf Kalla visited farmer's booth during the event

According to Chairman of the Indonesian Economists Association (ISEI), Muliaman D. Hadad, the agriculture sector's contribution to Indonesia's GDP reached 13.6 percent, the second highest after the manufacturing sector which contributed 20.8 percent to GDP. "Yet when we see it from a holistic view, from upstream to downstream, the agriculture sector's contribution to GDP has reached 55 percent. So if we can develop modern technologies and logistics system, not only will Indonesia's GDP increase, but also the farmers' welfare," Hadad explained.

The agriculture sector is also the largest absorber of labor, accounting for 35 percent of the total workforce. But from the total of 26.1 million farmers, 56 percent of them maintained less than 0.5 hectares of land, highlighting a significant problem. Most of these farmers do not have land ownership certificates, making it difficult for them to obtain formal financing. As a result, they choose to borrow from the moneylenders. "If this obstacle is not addressed seriously, the productivity and competitiveness of our agricultural commodities will stagnate. It will be difficult to improve the farmers' welfare," Hadad said.

As an effort to tackle this issue, on Monday, 23 May 2016, Indonesian Vice President Jusuf Kalla launched a value chain innovative event to improve the productivity and income of smallholder farmers. With 'Value Chain Innovation for Agricultural Sector to Support Financial Inclusion Implementation for Farmers', as a theme, the event was held at Balai Kartini, Jakarta.

The three initiators of the event: KADIN - ISEI - PISAgro, invited more than 400 individuals who represent the House Representatives, the Government, farmer groups, private sectors, embassies, academics, NGOs, and the press. Among these participants were the Coordinating Minister for Economic Affairs Darmin Nasution, Land and Spatial Planning Minister Ferry Mursyidan Baldan, Finance Minister Bambang Brodjonegoro, and Industry Minister Saleh Husin.

Value chain comprises an entire system of production, processing, and marketing, from upstream to downstream industries. It consists of a series of actors, including farmers, traders,



Farmers showed their crops during the event.

processors, wholesalers, retailers and consumers. The chain supporters, such as government regulators, financial institutions, researchers, and NGOs, that provide various services within the chain and enable it to function. Meanwhile, an innovative platform provides a space for learning and growth, where all participants work together to diagnose problems, identify opportunities, and find ways to achieve their goals.

Lack of access to finance, low quality of seed and fertilizer, as well as land issues, are some of the major problems faced by Indonesian smallholders. Therefore, Vice President Jusuf Kalla stressed the importance of financial inclusion – conducted through value chain innovation – to improve productivity and welfare in the agriculture sector. "The idea is to improve productivity on all fronts, especially technology. Farmers need to be assisted in improving their productivity. They also need more capital for better seeds and fertilizer. This is why financial inclusion is required," Kalla said.

The value chain innovative scheme was designed to provide access to financial supports, with a goal of reaching one million farmers from all agricultural sectors across the country and covering two million hectares of land in the next four years. The scheme is managed through a partnership program between KADIN, ISEI, and PISAgro. They first started a pilot project in 2011 for maize, palm oil, coffee, cocoa, rice, soybeans, potatoes, and rubber, resulted in a 25 percent increase in farmer productivity and income. In 2016, the scheme has reached 445,000 farmers and 350,000 hectares of land.

The scheme is expected to help mediate farmer groups and financial institutions to disburse Small Business Credit (KUR) for farmers through farmer cooperation organizations. Additionally, farmers also get support for quality seeds and fertilizer, assistance and trainings for good agricultural practices, financial management through branchless banking, financial compensation during the harvest waiting period, purchase guarantee by companies, assistance to get land ownership certification, as well as trainings from community organizations for financial-related knowledge.

The assistance approach implements a system of coordination between the nucleus and the plasma farmers and the private companies. "As foster parents, companies can help farmers to improve their farming techniques and productivity. This has a positive impact in easing the collateral process from the banks and insurance companies," explained Chairman of KADIN Rosan Roeslani.

Coordinating Minister for Economic Affairs Darmin Nasution said that PISAgro is a beneficial program for the government, referring to it as an attempt to revive agricultural sector value chains with better methods. "It requires various parties to play a role, and that is why we very much appreciate what the business community has done in developing this program," Nasution said.

Co-Chair PISAgro Franky O. Widjaja – who is also the Vice Chairman of KADIN for Agribusiness, Food, & Forestry – mentioned that many farmers need access to financing innovation, emphasizing on affordable lending rate, to increase their productivity and welfare. The financial community, therefore, has a very important role. "We expect a better and bigger collaboration from the banks, insurance companies, and other financial institutions to help farmers cope with their needs for funding. It is important to help these farmers, because when our farmers are prosperous, Indonesia will also become prosperous," said Widjaja.

PISAgro Signs MoU with Government, NGOs, and Associations

PISAgro, together with the Indonesian Chamber of Commerce and Industry (KADIN) as well as the Indonesian Economists Association (ISEI) signed Memorandum of Understandings (MoUs) involving many sectors in agriculture industry such as the government, NGOs, and associations. The signing was designed as a platform to support food security goals, improve farmers' income, and develop sustainable good agriculture practices through innovative value chain in Indonesia.

The MOU signing took place in Kartika Expo Center on Monday, 23rd May 2016, together with the Innovative Value Chain event. Five government institutions; Ministry of Agriculture, Coordinating Ministry of Economic Affairs, Ministry of Finance, Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, and Financial Service Authority agreed to give full support related policies and regulations in helping farmers to get access to finance and land certification. NGOs like Mercy Corps, IDH, Swisscontact and UTZ put their commitment to give assistance and training to farmers to do sustainable good agriculture practices. Meanwhile, associations like SCOPI, GAPKI, and APKASINDO promised to facilitate farmers to get their access to financial institution, support farmer's development through cooperatives and availability of input factor that farmers need.

The MoU signing is taken as an initial step in order to achieve the goal of improving the income of 1 million farmers in various commodity industries by 2020 where at the moment PISAgro has a milestone of reaching more than 445,000 farmers who manage more than 350,000 hectares of land improving five times from only 83,000 farmers with areas of 67,000 ha in previous years.



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Top: All the NGO took picture after signing
Center: Rosan P. Roeslani and Ferry M. Baldan shook hands after signing the MoU
Bottom: Rosan P. Roeslani and Darmin Nasution shook hands after signing the MoU



"In my opinion, it would be better if the Government increase the amount of subsidized fertilizers instead of replacing them with cash, otherwise the fertilizer price will soar even more. Meanwhile, the subsidized fertilizers that were given to us are not always of good quality; so this should be the Government's concern as well," said Sudarmini.

Selling Rice Gets Easier and More Profitable

Sudarmini – Rice Farmer from Sragen

For decades, thousands of farmers in Sragen, Central Java, sell their harvest to middlemen. However, since a few years ago they no longer have to deal with them anymore. Using new approaches, these farmers finally enjoys higher productivity and income.

One of the farmers, Sudarmini, shared her story when she joined PT Sakti Tiga Pilar Sragen (a subsidiary of PT Tiga Pilar Sejahtera). "We were invited by the Government to a dissemination program at the department of agriculture," she said. During the seminar, she was advised to sell her harvest to Tiga Pilar which facilitates farmer groups under Farmers' Group Association (Gapoktan) Sri Luwih. Sudarmini is one of 450 rice farmers in her village who works on 235 hectares of land. These farmers are incorporated into 8 farmers' group.

The mother of two remembers. "In the past, my harvest was paid in bulk in advance by the middlemen," she said. "Since joining Tiga Pilar, my rice is no longer bought in bulk. Now I receive higher returns because

I get paid on the actual weight of my harvests." Not only that, Sudarmini receives trainings from Tiga Pilar in better managing her rice production. In addition, the government helps provides tractors and harvesting machines. As a result, Sudarmini's productivity and income are improving. "The quality of my harvests improves and I get better returns. Selling is easier too," she said.

On the other hand, some obstacles remain unresolved, including the lack of human resources, the unavailability of the planting and harvesting machines in her village, as well as the higher price of fertilizer.

Despite that, Sudarmini, who owns four hectares of land and plants Ciherang and IR64 varieties, noticed a lot of positive changes after she joined the program two years ago. "At first, I did not know how much I actually produced. After joining, I felt that my production increased. Now I am able to produce up to one ton per hectare," she said, pleased.

"I think we have sufficient trainings now. But we also want the Government to facilitate the cocoa farmers in Soppeng, so that we can develop our cocoa plants in a better way and have a much better income. This includes assistance for seeds, fertilizers, and other planting needs," said Astriadi.

@Swisscontact



Cocoa Trees Survive Diseases Gain Better Yields

Astriadi - Cocoa Farmer from Soppeng

Chocolate is one of the world's favorite food crops, but growing cocoa is challenging. Cocoa trees grow in the tropics, with primary regions being in Africa, Asia, and Latin America. Ninety percent of the world's cocoa is grown on small family farms run by about 6 million farmers. The international price of cocoa beans is currently rising in response to high demand for cocoa products. Yet diseases and age are damaging the cocoa trees.

According to Swisscontact, Indonesian cocoa beans is cultivated across a total of 1 million hectares, mainly on the islands of Sulawesi and Sumatra. Approximately 1 million, mostly unorganized farmers, depend on the cocoa sector as their main source of income. The Indonesian cocoa sector has experienced a steep decline over the past decade. Today, Indonesia remains the world's third largest cocoa producer after Ghana and Ivory Coast, but its share of cocoa production has dropped to around 8%.

Astriadi, one of the few young cocoa farmers from Soppeng, South Sulawesi, has been in the cocoa plantation business for over 20 years. Two years ago, his cocoa plants were destroyed. That was when he met Swisscontact, an international development

agency specialized in agriculture. Through their assistance and trainings, Astriadi was able to save his cocoa plantation and gained profits from it.

"Swisscontact gave us trainings to take care cocoa plants with fertilizing, pruning, pest control, and handling the black pod disease," said Astriadi, who owns four hectares of land. "Thanks to the trainings, now the farmers understand how to better manage our cocoa plantations, so our productions have been more stable."

Currently, there are 500 hectares of cocoa plantations in Soppeng. The entire cocoa production from Soppeng is bought by Cargill Cocoa Promise. In the past, farmers were not able to calculate the yield of cocoa production. But thanks to SwissContact, cocoa plantations increase production by about 1 ton per hectare.

Astriadi mentioned that lending programs for cocoa farmers is almost non-existent. As a result, there are many abandoned plantations. If farmers had better access to loans, it would provide a great opportunity for the re-opening of cocoa plantations in the region.

newsflash

Discussion on Rice Consumer Behavior

Perhepi (Pusat Perhimpunan Ekonomi Pertanian Indonesia – Center for Indonesian agriculture economics) in partnership with House of Rice hosted a discussion on *Rice Consumer Behavior: Implication of the Rice National Policy* on May 31, 2016 at Balai Kartini, Jakarta. The objective of the event was to discuss findings from a series of studies on rice consumer behavior; and hear comments from experts in the field.

The research, sponsored by Perhepi in collaboration with local universities, was conducted in 13 cities: Medan, Padang, Jambi, Bengkulu, Bogor, Bandung, Semarang, Yogyakarta, Solo, Malang, Jember, Denpasar, dan Makassar. One compelling fact is that there is a downward trend on the demand and consumption of rice as consumers' income increases. However, rice is still considered an important food crop because it provides the cheapest source of carbohydrate. The research showed other findings such as the suggestion to use ICT (similar to a GO-JEK apps) and empower farmers to create their own packing, branding and marketing.

The event was co-sponsored by PISAgro, TPS-Food (PISAgro member), Bayer Indonesia (PISAgro Member), Sumber Energy Pangan (Triputra Group), and GAPMMI (Indonesian food and drinks businesses association) and attended by more than 50 participants that represented the government, businesses, academics and associations, and individuals.



About 50 participants attended the event.



Bayu Krisnamurthi, PERHEPI Chairman, gives his keynote speech during the event



Key speakers, sponsors, and endorsers pose for a group photo



Bayu Krisnamurthi answers questions during press conference

PISAgro Participates at World Economic Forum on ASEAN 2016

June 1-2, 2016, PISAgro participated in the 25th World Economic Forum on ASEAN that took place in Kuala Lumpur, Malaysia with the theme “Shaping the ASEAN Agenda for Inclusion and Growth”. PISAgro was represented by its board of directors and two farmers that was endorsed by the rice working group. The event explored how South East Asia and the newly formed ASEAN Economic Community can play a greater role on the global stage and prepare its societies for the profound changes brought by the Fourth Industrial Revolution.

“With its young workforce, ASEAN has strong foundations for future growth. But the global context is changing and the Fourth Industrial Revolution will bring new challenges. The strong potential of the ASEAN region will only be realised if government and business can collectively craft appropriate responses,” said Justin Wood, Head of Asia-Pacific at the World Economic Forum.

The meeting programme has evolved around three pillars: “Driving Sustainable Growth and Social Inclusion”, “Mastering the Fourth Industrial Revolution” and “Strengthening Regional Relationships”. The Forum also launched new reports on the Future of Jobs in ASEAN, Inclusive Growth as well as Barriers to Investment in Airlines.

The meeting was joined by Prime Minister Najib Razak with members of his cabinet. Rui Maria de Araújo, Prime Minister of Timor-Leste, Hun Sen, Prime Minister of the Kingdom of Cambodia, Jusuf Kalla, Vice President of Indonesia and Trinh Dinh Dung, Deputy Prime Minister of Vietnam are among the more than 40 other public figures.



Franky O. Widjaja, PISAgro Co-Chairman speaks at the event



Guest speakers during the event

Soy Working Group Held Its 2016 Annual Workshop

PISAgro's Soy Working Group recently held its annual workshop on June 3 in Jogjakarta. The event was hosted by Unilever Indonesia as the leader of the soy working group.

The one day workshop was aimed at evaluating the work and highlighting the progress as well as discussing best practices and lesson learned from existing programs in West Java (Indramayu), Central Java (Grobogan), Yogyakarta, Banten, and East Java (Madiun). This year's event discussed about soybean seed cultivation and how to develop a seed producers network.

Some of the highlights that came out of the lively discussions includes the need to use information and communication technology (ICT) for the seed industry; the promotion of seed varieties; re-evaluate the seed certification, training for certified seed production. On top of that, they also touched on the development of seed self-sufficient villages; new potential farmland for soybean cultivation. It was identified that in 2016, the working group targets to plant approximately 174 tons of soy seeds on more than 174 hectares potential farmland and involving more than 300 farmers.

The Soy Working Group has initiated the 2016 strategy that includes advocacy to the government to support soybean smallholder farmers' on-farm activities by providing dryers, seed cleaners and moisture testers.

Adi Wijaja from Budi Mix Farming is testing a locally made soybean thrasher in Grobogan. The machine, which was manufactured in Bandung, hopes to help farmers to speed up and reduce cost associated with harvesting soybean.

The use of information and communication technology (ICT) is vital and is believed to be able to help address issues on access to information. An ICT platform that is accessible, affordable and that connects all value chain players would be invaluable: Seed producers need information on the demand and location for distribution; farmers need information on obtaining seeds, potential buyers and pricing; tempeh and tofu

industry needs information to buy fresh soybeans and in what quantity, quality and price. Popular applications such as GO-JEK and GRAB have proven successful in linking service providers with consumers. Therefore it would be interesting to see if such or similar apps can be applied and tested, perhaps as a pilot. And if successful, it may help bridge the information gap the soybean industry has been facing throughout the years.

The one day workshop, which serves as a platform from key stakeholders in the soybean sector, was attended more than 40 representative from Nestlé Indonesia, Balitkabi (Indonesian Legumes and Tuber Crops Research Institute), ministry of agriculture, dinas, farmers, associations, cooperatives, researchers and academics.



Guest speakers during the event



Sinta Kaniawati, General Manager of Unilever Indonesia Foundation gave her opening speech



One of the panelist spoke during the workshop



Discussion during the workshop

University of Sydney Visits PISAgro Site in Subang

On July 20, 2016, around 20 students under the supervision of Jeffrey Nielson of the University of Sydney visited a PISAgro activity site in Subang, West Java, that is managed under the Rice Working Group. The visit is part of the university's annual field program.

The program aims to provide students with information to better understand Indonesia's agriculture industry. It also assists students to recognise the role of public-private partnerships (PPPs) in its efforts to help reach the country's food sovereignty goals.

PT Bayer Indonesia, leader of the Rice Working Group, presented its business and commitment to help improve food sovereignty through PPP. Laksmi Prasvita, Head of Public and Governmental Affairs of PT Bayer Indonesia, explained about Indonesia's agriculture industry, its on-going challenges and opportunities in the up coming future.

Jeffrey Neilson saw that the event provided his students with invaluable knowledge about the challenges and opportunities in the agriculture sector, which is the backbone of the Indonesia's economy.

Jeffrey believes that the journey will enrich students perspectives towards Indonesia. "This has been a very thoughtful and valuable visit for my students. Through this program my students can see directly how farmers in Indonesia with some limitation and issues can work their best on the field." said Jeffrey.

Balai Besar Penelitian Tanaman Padi (BB Padi), Subang, had the honour to host the event. Ten other students from selected Indonesian universities also participated in the field school program.



Laksmi Prasvita, Head of Public and Governmental Affairs Bayer Indonesia, explains about the program.



A lively Q&A session follows the presentation.



Students from Indonesia and Australia discuss about the agriculture industry

Woman Farmer's Organic Vegetable Business Flourishes

Thanks to Bundled Branchless Banking Services and Small Business Loans



Ibu Rinik, 48, and a mother of one is the Head of a Women Farmers Group (KWT) since 2013 and Head of Mutiara Farm since 2015. Located in Pagelarang, Malang Regency, Mutiara Farm produces organic vegetables and is supported by its thirteen strong women members. Ibu Rinik runs a snacking and salted egg business. From these, Ibu Rinik earns about 4,6 million IDR per month.

Until recently, Ibu Rinik used her garden plot around the house to grow organic vegetables. But with the rising demand for the organic vegetables from Kurnia Kitri Ayu Farm, Ibu Rinik decides to use a larger plot of land (1000m2) that she owns to plant additional vegetables.

But to go forward, Ibu Rinik needs additional capital. On 18 April 2016, Ibu Rinik hosted the Mandiri Branchless Banking Services and Micro-Small Business Credit (KUR Mikro) training and socialization at her house.

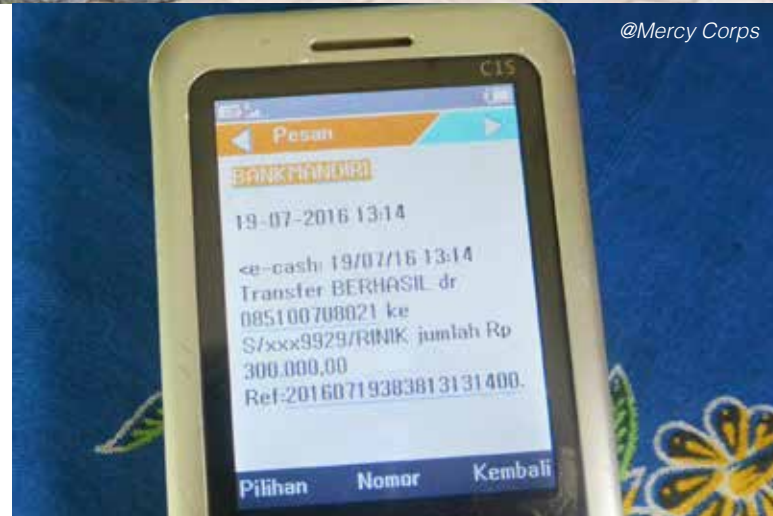
Immediately after the training, she prepared all the necessary requirements to apply for a KUR Mikro loan of IDR 25 million (US\$ 1,923). And it took only three days for her to receive her loan.

To supply Kurnia Kitri Ayu Farm with the needed organic vegetables, Ibu Rinik helps market its members' produce. And it doesn't stop there. Once she receives lump sum payment from Kurnia Kitri, she would disburse it to her thirteen members using Mandiri E-cash.

"Through the branchless banking services, our members and farmers can use their cellphones to top-up their pre-paid cards, pre-paid electricity, remit funds, buy goods at the mini-marts, and withdraw cash at the the Bank Mandiri ATMs."
— Ibu Rinik, organic vegetable farmer and Head of woman farmers group.



Ibu Rinik is one of the 1,300 farmers in the area who are participating in the Branchless Banking for Financial Inclusion pilot is facilitated by Mercy Corps Indonesia's Agri-Fin Mobile Project in partnership with Bank Mandiri and 7 FGUs from January to June 2016. Based on the evaluation, Bank Mandiri and Mercy Corps Indonesia have signed an MoU to facilitate the provision of bundled branchless banking and integrated value chain services for three value chains in four regions of Indonesia to the end of May 2017.



newsflash

Coordinating Ministry For Economic Affairs Takes Up Drone Project

On July 4, 2016, a team from the Coordinating Ministry For Economic Affairs embarked on a one-day mission to map out a 1,000 hectare area in the subdistrict of Rengasdengklok, District of Karawang, West Java by means of an unmanned aerial vehicle (UAV), commonly known as drone. This pilot project which was headed by Deputy Minister for Food and Agriculture, Mrs. Musdhalifah Machmud, aimed to provide detailed verification of food crop data, in particular the acreage and condition of paddy field.

Such aerial imaging technology, while usually performed in the private agribusiness sector, has not been employed in the production of crop data by national agencies. The idea was captured by the Ministry following an exhibition event entitled "Innovation of Value Chain for Agriculture" held on May 23, 2016. This event showcased a range of aerial mapping technologies, from the use of satellite to drone, at the ICT booth. Triputra Group chairman, Mr. Arif Rachmat, gave a convincing presentation to the Minister of Coordination for Economic Affairs and entourage visiting the booth. The significance on improving the current food and agriculture statistics apparently was not lost to the VIP visitors.

The pilot project in Karawang was aided by the Triputra Group drone team having years of experience mapping its own oil palm plantations. The outcome was deemed very satisfactory having presented the results from the two-week processing of the image data. The Deputy Minister has since ordered to start a follow-on project on a larger scale: One that would map out paddy fields in three districts in the West Java region. The project will take up more or less three months to implement.



Drone trial



Those parties involves take a break for a group photo

EWINDO's Strategic Cooperation with Super Indo



Wirawan Winarto and Afrizal Gindow took picture after the event



Wirawan Winarto & Afrizal Gindow Exchanged souvenirs after event

Increasing Indonesian farmers income has been the EWINDO's main mission. On June 30, 2016, EWINDO officially announced strategic cooperation with Super Indo. The cooperation aimed to provide greater opportunities for local farmers in supplying high quality agriculture products to modern retail.

At the event, held at Super Indo Duren Tiga, South Jakarta, Wirawan Winarto, VP Operations of Super Indo said, "This cooperation is in line with our objective to provide fresh and high quality vegetables for customers." On the same occasion, Representative of the Agriculture Ministry stated that they fully support this initiative that would give local farmers access to distribute their products to the market.

BNI, one of three large government-own banks also joins to help farmers on the payment process. Local farmers do not need to worry for the payment since BNI will pay them forward in three days maximum after Super Indo has received their product. Afrizal Gindow, the Sales and Marketing Director of EWINDO believed that this strategic cooperation can be the marketing solution to Indonesian farmers to increase their income and also to support national horticulture industry.

The cooperation between EWINDO and Super Indo goes beyond local farmers but also engaging the population living in cities to plant more vegetables, fruits, and flowers around the house. This is known as Urban Farming. Today, city dwellers can now grow their own fresh produce by buying a variety of Personal Pouch Seeds that are available at Super Indo supermarkets. The strategic oo-operation goes beyond providing positive impact to consumers and farmers, but also as an enabler to a healthier environment where the population can breath cleaner air and eat healthier food.

Innovative Financing Scheme:

Coaching Model Increases Smallholders' Prosperity

PT SMART Tbk. carries out an effort to increase the prosperity of Indonesian farmers, especially the smallholder farmers. The company currently runs two partnership programs in the form of innovative financing scheme: Revitalization and Coaching Model.

Both schemes are designed and coordinated by PISAgro to increase the palm oil smallholders' productivity and FFB (Fresh Fruit Bunches) quality in order to increase their prosperity.

The model has been implemented in Sinarmas plantation area in East Kalimantan. Some of their success stories were shared during the farmers meeting. organized by PISAgro, ISEI, and KADIN.

Yan Ipul (44), the Chairperson of Harapan Jaya Palm Cooperative, said that PISAgro's activity is a multi-party joint activity with the involvement from the government. "Such partnership can help to increase farmers' FFB price," he said.

The general issues among smallholders are the fertilizer supply and improper planting technique. Through the Coaching Model of innovative financing scheme, farmers learn a better way to cultivate palm trees, in addition to capital assistance for fertilizer supply, and plantation infrastructure maintenance. "As the quality of our FFB gets better, we get higher price as well, so it improves our income," said Yan Ipul, who is also a member of the Dayak Kenyah ethnic tribe.

For further information about the smallholders' Coaching Model activities, you can visit the company's website under their blog section. Here are the company's website links which you can visit:

<http://www.goldenagri.com.sg/>

<http://www.smart-tbk.com/>



Farmer's discussion on the field



Farmer's spoke during the discussion

Letter From Kuala Lumpur

New landmark for Grow Asia: almost half a million smallholder farmers gain access to investment and training across South-East Asia

More than 150 leaders from across South-East Asia, from government, farmer organizations, business and civil society, came together to Kuala Lumpur, Malaysia on May 31, 2016, to share and evaluate experiences from the first year of Grow Asia, an initiative to provide access to capital and knowledge for small farmers. The debate focused on what is needed for agriculture to ensure a food-secure future for the region and how to build a more resilient agricultural sector across South-East Asia

Grow Asia's goal is to reach 10 million smallholder farmers by 2020 to improve farm productivity, profitability and environmental sustainability by 20%. The initiative was established by the World Economic Forum in cooperation with the Association of Southeast Asian Nations (ASEAN) Secretariat. It is a unique platform that enables locally led, value chain initiatives to focus on smallholder farmers and environmental sustainability through a high-level, multistakeholder approach.

Since its launch in 2015, Grow Asia has supported country-level partnerships in Vietnam, Indonesia and Myanmar and launched new partnerships in the Philippines and Cambodia. In the past year, 34 new value chain initiatives were launched across all five countries. Grow Asia now engages over 260 partners, an increase from 194 in 2015. The number of smallholder farmers reached rose fivefold to 471,200.

"Our progress to date demonstrates the effectiveness of Grow Asia's unique multistakeholder model in bringing together a diverse group of stakeholders to collaborate and drive action on the ground to improve smallholder farming. The commitment of high-level leaders to collective action empowers farmers and instigates innovation and economic prosperity, making



Adi Pramudyo, a young farmer from Indonesia who participated in the Grow Asia Forum, said: "Grow Asia stands apart in its efforts to put the farmer at the heart of the solutions it seeks to find through partnerships. Greater empowerment, innovation and economic prosperity will attract the next generation of farmers and help sustain agriculture."

a significant contribution to national and regional food security," said Kavita Prakash-Mani, Executive Director, Grow Asia.

At Grow Asia Forum 2016 in Kuala Lumpur, leaders discussed future plans to scale up Grow Asia's five country partnerships. Priority areas for future development include the need to scale innovative financing approaches for smallholder farmers and consideration of an open-source digital platform to link farmers with partners and service providers directly.





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