Partnering with Indonesia’s dairy farmers to transform the supply chain

More than 25,000 dairy farmers across 41 milk cooperatives sell approximately 500,000 liters of fresh cow milk to Nestlé’s factory in Kejayan, East Java. The PISAgro Dairy collaboration ensures continued supply of high quality raw materials for production needs, while opening access to markets and providing the various support needed to improve farmers’ welfare.

**Multi-stakeholder partnership platform**

Grow Asia connects like-minded partners in Indonesia’s dairy industry to share knowledge

- Introduced the Dairy Working Group’s lead, Nestlé Indonesia, to other actors in the region to increase the group’s impact
- Sharing knowledge from global experience and developing guidelines for performance measurement
- Capturing and disseminating knowledge and best practices from Nestlé’s value chain initiative

**Partnership for Indonesia Sustainable Agriculture (PISAgro)**

Improving the milk supply chain and strengthening farmers’ capacity

- Developing models for transforming Indonesia’s smallholder dairy farming sector through improved productivity, farmer incomes and increased milk production to reduce imports
- Establishing model farms to demonstrate sustainable and profitable smallholder dairy farming
- Promoting and facilitating fodder farming, nursery and distribution of better plant materials, maize farming for fodder, and development of various legumes
- Collaborating with cooperatives to establish and manage rearing farms
- Financing models for farmers to scale up from 3-4 cows to 8 productive cows

**National tri-sector behavior and collaboration**

Contributing to the country’s goal of attaining food security and alleviating poverty

- Presented a White Paper to relevant government ministries to transform Indonesia’s dairy smallholders
- Provided inputs to National Dairy Roadmap to reduce reliance on imports
- Aligning with other national platforms such as KADIN
- Promoting the importance of access to finance for smallholders through subsidies and Kredit Usaha Rakyat
Smallholder Impact

A comprehensive approach to community development

4,500 farmers have increased their milk production to 14 litres/day/cow

25,000 farmers engaged of which 50% are women

Over 8,000 farmhouses with biogas systems, providing gas for household needs while reducing greenhouse gas emissions equivalent to 28,000 cows

20 model farms constructed

300 farmers who recycle slurry to use as fertilizer on fodder farms

Over 10,000 water ad-libitum systems installed in barns

600 hectares planted with high protein “odot” grass

About Indonesia’s Dairy Industry

Indonesia’s dairy industry has seen market demand rising more than 10% annually over the past decade due to changing consumer habits and population growth. Indonesia’s estimated per capita milk consumption is only 11.7 liters per annum, which is significantly lower than the 22 liters consumer per capita in the Philippines and 31 liters in Thailand.

On the production side, the majority of Indonesia’s dairy farms are small with just two to three cows. These production units are characteristically inefficient, with low productivity and profitability. On average, milk yield is less than 10 liters per animal per day, and calving intervals are between 18 and 20 months. If the price of beef is reasonable, these smallholders often prefer to sell their cows for beef slaughter rather than maintain them for milk production. Only 23% of the raw materials for milk supply are produced locally with the balance met by foreign imports.

Led by the Ministry of Agriculture, several Indonesian Ministries have plans to boost dairy production. All these plans recognize the need to enhance dairy genetics through live dairy heifer imports. The government also continues to encourage domestic milk processing industries to further increase their commitment to invest, especially with the development of integrated dairy cattle farms to reduce dependence on imported milk raw materials.

This model of collaboration has allowed us to ensure that Nestlé receives high quality raw materials supplies from dairy farmers, and at the same time, dairy farmers gain access to market and earn the necessary support to help improve their welfare.

Wisman Djaja
Sustainability Agriculture Development & Procurement Director, PT Nestlé Indonesia

One of the challenges in the national dairy industry today is how local dairy farms can meet the growing demand for milk in Indonesia. Although milk production in Pujon continues to increase, the demand for milk in Indonesia is still largely met by imported raw materials. Therefore, the Department wishes to boost the population of dairy cows in order to help boost milk production.

Ir. Sudjono
Head of the Department of Animal Husbandry and Animal Health, Malang Regency

Thanks to the collaboration program from Nestlé and SAE Pujon Cooperative, I gained more knowledge about good dairy farming practices. I also use a biogas dome at home, which makes my home and its surrounding cleaner, my family healthier and our spending less. Now, I have 12 cows with an average milk production of more than 1,800 liters per month, and with the income from dairy farming, I have managed to pay for my child’s tuition for undergraduate level in the university.

Mr. Hariyanto
Dairy Farmer

Our collaboration with Nestlé has enabled continuous innovation in order to jointly face the challenges and development in dairy farming. It is very important for us since most of Pujon’s community depends on the dairy industry for a living.

Abdi Suwasono
Chairman of SAE Pujon Cooperative