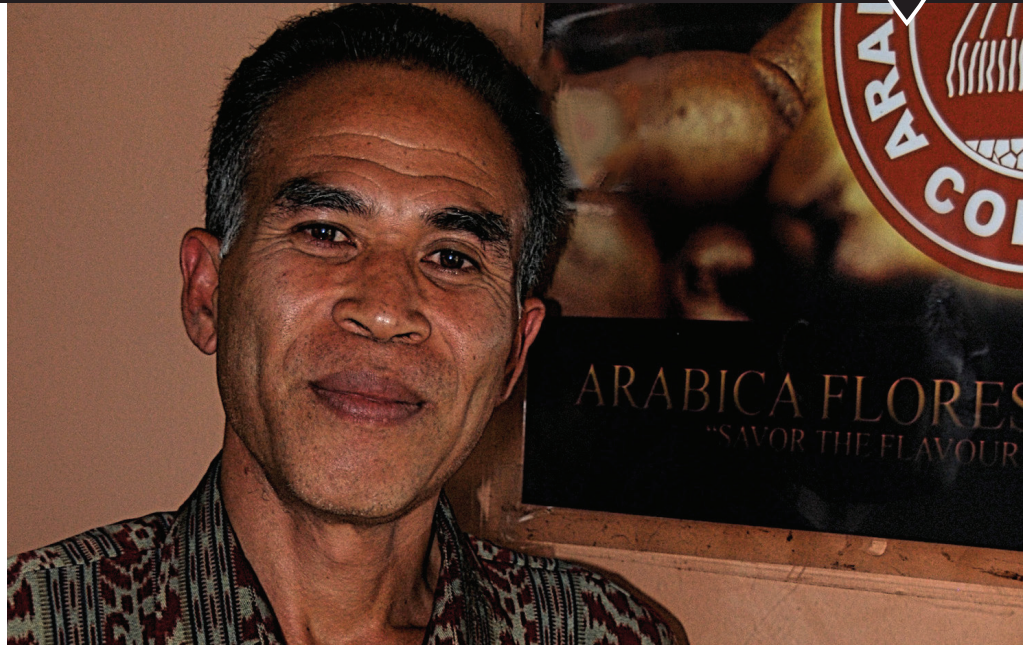


Stories from the Field



“We have a vested interest in strengthening the coffee industry in Flores.”

- Ir Korsin Wea,
Dinas P3



Head of Dinas at the Flores Coffee Café funded by the government to promote Arabica coffee. (PRISMA/Nina FitzSimons)

Government, the Private Sector, the Farmer Cooperative and a Great Cup of Coffee

Making Markets Work for the Poor (M4P) is an approach to rural economic development being implemented through PRISMA – an Australia and Indonesia Government-supported rural development program. It is aimed at alleviating poverty for those farmers living below the national poverty line. The approach does as the name suggests – analyzing the market in a particular agricultural commodity to see how it could be strengthened so that increased farmer productivity could lead to higher incomes. The approach delivers benefits to all actors in the market chain, creating a win-win situation and a platform for long-term sustainability.

With support from PRISMA, the international NGO Vredeseilanden Country Office (VECO) has undertaken a review of the coffee sector in Flores and found that the income of coffee farmers could be increased by up to 50% if they were able to sell their coffee in a ‘parchment’ state. Coffee is processed in two main ways in Indonesia. One is the ‘dry method’, where the full berry is dried in the sun and then hulled to a ‘green bean’ state. The other is the ‘wet method’, where the berry is picked, immediately pulped, and then fermented

before being hulled to form coffee ‘parchment’, which is the green bean with silver skin and parchment layer still attached.

Farmers in Flores receive approximately Rp.27,500 per kilogram (around AU\$2.75) for green beans. For the equivalent amount of parchment they can receive Rp.45,000 per kilogram (around AU\$5.25). However, the issue is that berries, once picked, must be processed within 24 hours and there is limited access to local processing facilities. Those farmers who do have the processing equipment do not have enough capital to buy berries from farmers in sufficient quantities. Because of this most farmers sell their coffee as green beans to local traders.

VECO hypothesised that by providing access to credit, the number of village level processing units could be increased and would allow farmers who owned these processing units to purchase sufficient quantities of berries from neighbouring farmers to meet the demand of parchment buyers. PT Indokom Citra Persada (Indokom) is one of Indonesia’s major coffee exporters and has been sourcing Arabica coffee



Arabica coffee berries in Ngada district, Flores.
(Photo: PRISMA/Nina FitzSimons)

parchment in Flores since 2005. However, the company was constrained by not being able to source sufficient amounts of parchment that met their quality standards.

Indokom was very interested in the business model presented by VECO and was prepared to co-invest in the project by providing processing equipment and information to farmers on good post-harvest practices to ensure that Indokom's quality requirements for Speciality Coffee could be met. Indokom's entry point into Flores is through the district government Department of Agriculture, Plantations and Livestock (Dinas P3). The Dinas P3 was very interested in putting Flores Arabica Coffee on the international map and was fully supportive of Indokom and VECO's co-investment plan.

The Head of the Dinas, Mr Korsin Wea, assisted the project by helping facilitate a Memorandum of Understanding (MOU) between the district government, VECO, Bank NTT, and farmers' cooperatives. "We have a vested interest in strengthening the coffee industry in Flores," says Korsin. "The first step was to assist a number of farmer cooperatives to become legalised so they could access credit through Bank NTT. To date we have accredited five cooperatives and anyone wanting to establish a processing unit can apply through these cooperatives," explains Korsin.

In March 2015, Dinas P3 held a major socialisation event¹, which was attended by all the market players including 600 coffee farmers. As a result of the cooperation between all parties, the Dinas has now registered 72 village processing units – 58 of which are new.

¹Musyawah Besar Petani Kopi Bejawa

As part of the MOU, Bank NTT has announced it will provide 3 billion rupiah in loans to support the initiative. Boi Nunuhitu, the Head of the Micro Group, Bank NTT said that the bank would be offering loans through the cooperatives to establish processing units and to buy coffee berries from farmers. "The commitment from Indokom to buy the coffee parchment from the farmers at a set price through the Dinas makes this a favourable and low risk investment," explains Boi.

Meanwhile the Flores Head representative for Indokom, Suharman, says as a direct result of the project, Indokom will increase its 2015 target from 300 to 500 tonnes of Arabica coffee. "Four Indokom agents are helping the new processing units establish standard operating procedures in line with Indokom requirements so the parchment meets our quality standards," explains Suharman. Indokom and the Dinas are now also looking at the possibility of Fair Trade certification through the Cooperatives.

The 2015 coffee picking season is just around the corner. VECO anticipates that this project will improve the income of 1,600 farmers in Flores this year and 15,800 farmers by the 2018 picking season. Korsin is confident this target will be reached. "Flores currently has 10% of the market share for Arabica coffee in Indonesia," he stated. "We're aiming for a 30% market share. In this regard Indokom, the farmers and the government have a shared aim. We all work together and we all benefit. That's the real marker for continued success."

PRISMA

Promoting Rural Income through
Support for Markets in Agriculture

Phone +62 31 842 0473
Fax +62 31 842 0461
Address Jl. Margorejo Indah Blok A-535
Surabaya 60238, Indonesia
E-mail enquiry@aip-prisma.or.id

The Australia-Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture (PRISMA) is a multi-year program that is part of the Indonesian Government's long term strategy to encourage economic growth. With the support of the Australian Government, the program aims to achieve a 30% increase in the net incomes of 300,000 eastern Indonesian farmers by the program's end by providing innovative solutions to increase productivity and market access.

PRISMA focuses on agriculture sectors that are the main source of income for a large number of smallholder farmers and have strong growth potential in areas of East Java, West Nusa Tenggara, East Nusa Tenggara, Papua and West Papua. Partnering with key market stakeholders, the program help spur growth along the value chain by reducing barriers and constraints within the agriculture sector.