

Private Sector Engagement

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- Aileen Rose Uy,
AHSTI Supply Chain Manager



PRISMA envisions private firms to be the catalysts for sustainable changes that lead to improved smallholder farmers' incomes. (PRISMA/Ahmad Turmudzi)

Our Partners are the True Drivers of Our Work

WHY DO WE PARTNER?

In our market development interventions, PRISMA is always seeking partners with the potential to deliver the kinds of sustainable changes that lead to improved farmer incomes.

Although we see ourselves as an investor looking for opportunities that align the interests of the program and our partners' interests, we strongly believe that our partners are the true drivers of our work; they will remain in the market long after PRISMA has completed its job.

Business arrangements must be mutually beneficial. PRISMA must achieve its envisioned impact – primarily, increasing small farmers' incomes in eastern Indonesia – and our private sector partners must receive satisfactory returns on their investment in the program's initiatives, such as additional profits, market share, recognition and so on.

WHO DO WE PARTNER WITH?

PRISMA partners with market stakeholders – particularly private sector entities - ranging from large multinational companies to regional traders and small agricultural retailers in rural areas. We help our partners provide goods and services to smallholder farmers in a sustainable manner.

WHAT ARE WE LOOKING FOR IN OUR PARTNERS?

Partnerships require that stakeholders share resources, risks and benefits. Partnering goes beyond finding funds; it requires the commitment of all stakeholders involved and a shared strategic vision. We recognize that there are different types of private sector companies. Choosing the right partner is an on-going and selective process because companies are always adapting - either reacting to changing markets or searching for new opportunities. We are looking for companies that have:

- ④ Common interests and shared objectives: to stimulate income growth for small farmers.
- ④ Motivation: to work with us to develop business models that deliver change to our target groups.
- ④ Capacity: to deliver the kinds of changes to our target groups that will increase their incomes.
- ④ Commitment: to invest their time and resources in new business models.

APPROACHING PARTNERS

Finding private sector partners that share our ideas and support local business growth strategies is challenging. Both PRISMA and our potential partners might

have plenty to offer but that doesn't mean that both parties find common ground immediately. Each of the sectors that PRISMA targets is unique and there is no 'magic bullet' to overcome all the issues that hamper growth.

Understanding what motivates our potential business partners is critical in developing attractive business models. That is why we keep our approach flexible and dynamic, adjusting our approach depending on the potential partner's needs.



The collaboration has brought new ideas on how to work on cultural and other potential barriers to change in Madura. (Photos: PRISMA/D. Mahendra)

CASE STUDY: MAIZE IN EAST JAVA

PT. Asian Hybrid Seed Technologies Indonesia (AHSTI) produces hybrid corn seeds. The company, a subsidiary of Philippine-based Indophil Asia Equities, Inc., opened in Indonesia in 2002 and has its headquarters in Jember, East Java.

After securing a solid market share on mainland Java island, AHSTI planned to expand its share of the seed market in other regions. Venturing into neighboring Madura island was a clear priority given the island's proximity, population and potential for corn production.

"We knew there was great potential in accessing the market in Madura," said Ms. Aileen Rose Uy, AHSTI's Supply Chain Manager, "but bringing the message across to farmers about the benefits of planting hybrids was a challenge."

For AHSTI, ensuring market growth meant ensuring farmers benefited from their products. As such, addressing issues of local culture, land management, seasonal factors and yield rates were crucial when seeking to enter the new market. So how do you change farmer's loyalty to local seed varieties?

PRISMA saw that it had the means to sustainably improve maize productivity among thousands of poor farmers in the area, while AHSTI had the capacity to expand its market base and increase profitability.

The collaboration has brought new ideas on how to work on cultural and other potential barriers to change in Madura.

An initial survey supported by PRISMA, for example, indicated that AHSTI should introduce a particular hybrid seed that complimented local farmers' preferences.

Together with PRISMA, AHSTI developed a new business model that linked all local market players in Madura. Farmers groups, seed dealers, grain buyers and community groups are supported by sales and marketing specialists. The promotional strategy - centered on demonstration plots and farmers' group meetings - is in place to show farmers how the new seeds can increase their profits through increasing their yields.

"The results from the first season were very encouraging," said Ms. Aileen Rose Uy. "Farmers who used the hybrids saw firsthand improvements in their yields. With PRISMA's support in opening linkages to local and established grain buyers, farmers saw the true benefits of planting hybrids. They now have a way to earn more profit thanks to better access to these improved seeds."

The initial success has encouraged AHSTI to expand their program by building product loyalty among new customers and tapping into new areas with promising corn production potential. Plans are in motion to add new teams and new products. PT AHSTI is confident they will win the hearts and minds of local farmers while strengthening the position of other key business players on the island.

PRISMA

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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 male and female 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.