



Breakthrough
outcomes

PRISMA's stories of
systemic change

Don't take for planted

Tapping into Indonesia's growing fertiliser demand | February 2022

In just 3 years, PRISMA is observing behaviour change in the private and public sector and also with farmers when it comes to commercial fertiliser.

Commercial fertiliser - an untapped potential

Indonesia's agriculture sector contributes 14 percent to the country's Gross Domestic Product (GDP) and continues to be one of the leading sectors during COVID-19. The production and productivity of the agricultural sector is strongly influenced by the availability and correct use of fertiliser.




There is currently a 12.3 million tons (approximately 32 percent) gap between demand and supply for commercial fertiliser and this demand is increasing by approximately four percent annually. Most of the current fertiliser production is aimed at supplying the government subsidy market. This means there is a potential untapped market in commercial fertiliser.

Why isn't commercial fertiliser already big in Indonesia?





The main issue for smallholder farmers is that 63 percent of these farmers are not aware of the benefits of using fertiliser and do not know how to apply it correctly. PRISMA saw the potential to work with the private sector

to expand the commercial fertiliser market and benefit approximately 250,000 farmers out of a potential reach of 2.6 million farmers in its target provinces. The key constraints in the market can be seen below.

Constraints

-  Farmers are not aware about proper application and benefits of using commercial fertiliser.
-  Farmers have limited access to fertiliser, including insufficient subsidy allocation.
-  Commercial fertiliser companies face competition from subsidised fertiliser, they also lack information and skill on appropriate marketing strategies to effectively reach farmers.

Opportunities

-  Productivity and income increase from applying commercial fertiliser correctly.
-  Large supply-demand gap and decreasing rate of subsidy allocation widens the opportunity for commercial fertiliser market.
-  Presence of approximately 100 medium and large fertiliser companies.
-  SOE with ~40% market share under increasing GOI pressure to increase revenue from commercial segment

Just say it!

PRISMA's research and analysis of the fertiliser market demonstrated a clear potential for companies, including SOE and private companies, to improve their marketing, promotion, and distribution strategies, to reach more farmers and increase sales. Areas with low subsidy allocation presented a great opportunity for companies to promote their products and educate farmers on good fertilising application.

Since 2018, PRISMA has partnered with six fertiliser companies to help them design more effective marketing and promotional strategies for good quality fertiliser. Core to this was supporting the companies to become more customer-centric and develop the skill of its field staff on marketing and customer relations.

Just do it!

However, good product promotional and marketing strategies alone would not convince farmers to change behaviour. PRISMA recognised that businesses and distributors also needed to provide regular information on GAP and proper fertiliser application. Only by doing this would farmers understand the benefits of judicious use of fertiliser and experience improved productivity. PRISMA supported partners to conduct educational activities in the field and use digital platforms to reach more farmers with suitable product knowledge.

The expansion of distribution networks (for example, kiosks) was also needed to ensure that farmers could access fertiliser where they usually bought their inputs. PRISMA is supporting its partners to identify, assess, and engage more distributors and kiosks to supply their products. PRISMA is also supporting partners to develop the skills of the distribution networks in product knowledge and customer relations.

In a new innovation, PRISMA is facilitating coordination and partnering between different non-competing companies to ensure better integration and

collaboration. So, for example, bringing together seed companies and crop protection companies with financial institutions to 'package' products with the fertiliser companies in a way that is mutually beneficial, reduces overhead costs, and increases the productivity of farmers.



Emerging changes in institutional behaviour

PRISMA has only been working in the fertiliser sector for three years, but there are already emerging signs of systemic change. Six partner companies, with an estimated market share of 30 percent, are continuing to expand their commercial markets and services to farmers. Three of these companies have already engaged over 180 new kiosks to penetrate untapped areas with their commercial fertiliser.

Current and past partners are demonstrating their interest and continued ability to undertake good promotional practices independently and without active support from PRISMA. They are investing in promotional

activities to further refine the delivery of fertiliser products and information services to farmers. This is a promising sign for the sustainability of the market.

Institutional level changes also took place with Pupuk Indonesia, the holding company of five state-owned fertiliser producers, through the uptake of the multi-stakeholder partnership model branded as 'Agro-solution'. Agro-solution, which was developed through the partnership between Pupuk Kaltim (one of the subsidiaries) and PRISMA, has been mainstreamed by all the other subsidiaries across different provinces as part of their national strategy.

Emerging changes in farmer behaviour

The uptake of commercial fertiliser by the farmers is also evident as two of the partner companies - Pupuk Kalimantan Timur and Saprotan Utama Nusantara have experienced increased sales of commercial fertiliser by 340 percent and 79 percent respectively during the pandemic year of 2020.

Farmers' acceptance and confidence in commercial fertiliser is further demonstrated by a 100 percent repeat order. To date, 21,000 farmers have benefited through PRISMA's interventions and have experienced an average income increase of 23 percent¹.

What next?

Building on these positive results, PRISMA is looking to work with additional fertiliser companies to ensure scale is reached. PRISMA also wants to continue convincing partners to use the multi-stakeholder partnership approach to ensure behaviour change at the farmer level. This will contribute to a growing and resilient commercial fertiliser market in Indonesia.



¹ Impact Assessment 2019 data. PRISMA is currently conducting the analysis of a recently concluded assessment and the new data will be presented during the next reporting period.

About PRISMA

PRISMA is an innovative partnership between the Government of Indonesia and the Government of Australia to grow agricultural markets in rural Indonesia. Our strategic aim is to address food security and poverty by making rural markets more inclusive. We do this by partnering with businesses, government and investors to remove market barriers and introduce product and production innovations.

PRISMA is supported by the Governments of Australia and Indonesia and implemented by Palladium, with Technical Assistance from Swisscontact, Zurich.

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