



Breakthrough
outcomes

PRISMA's stories of
systemic change

No grain, no gain

A story of transformational change in Indonesia's
beef sector | February 2022

In just under 7 years, PRISMA has seen a transformation of how beef is produced in East and Central Java. A new market for quality feed has been created, more than doubling the incomes of over 11,000 small-scale cattle farmers to date.

Cattle farming is an important part of rural livelihoods in Eastern Indonesia. Approximately 4.4 million smallscale farmers raise and sell cows for beef as a key source of income. However, most cattle farming households are poor, with about 65 percent earning less than US\$2.5 per day.

Meanwhile, domestic demand for beef is booming. Indonesia's beef sector is growing by 4 percent annually and is expected to be worth US\$9bn (equal to about 4.2 million live cattle) per year by the end of 2021. Indonesia's cattle farmers have not been able to keep up. Over the past five years, domestic production accounted for only 60 percent of the total market for beef, with the rest imported.

In 2014, sensing a clear opportunity to improve the livelihoods of Indonesia's cattle farmers at scale, while boosting domestic beef production, PRISMA sought to understand the root causes of this gap in supply.

The need for feed

Before PRISMA began working in the beef sector, farming practices in the two largest cattle producing regions of East and Central Java were predominantly traditional: 98 percent of farming households fed their cows with homemade fodder or grazed them on available grass, resulting in an average 12 to 24 months fattening time before a cow could be sold at market. Most households sold just one cow a year, from which they typically earned an annual income of IDR10 million (AUD1,000).

These long fattening times are more than double those of comparable beef producing regions globally. It was clear that the primary cause of low productivity was poor

quality feed. Farmers were reluctant to spend money on feeding their cows - something that was almost free - or for paying for medication to prevent them getting sick.

This meant there were very few companies making feed for cattle in Indonesia. Compared to the poultry sector, where chicken feed is widely used, and many large producers sell chicken feed across the region, PRISMA could only find three small companies that were producing cattle feed.

Starting off small

To try and prove the case for using quality cattle feed, PRISMA initially worked with three small local feed companies who were willing to pilot a new business model. PRISMA helped to establish distribution channels to get the feed to farmers and promoted the use of cattle feed through a series of trainings, farmer visits, and demonstration plots. Farmers who bought the feed also received advice on good rearing practices to help prevent disease.

Farmers who used and applied better rearing practices were achieving fattening times of just six to 11 months, and significantly less likelihood that their cattle would get sick or die. They could sell up to two cattle per

year, doubling their annual income from cattle rearing. While the individual impact on farming households was significant, the total number of farmers who had access to these new feed products and information was initially limited by the reach of the small companies PRISMA partnered with.

From 2016 onwards, PRISMA's activities eventually gained the attention of larger companies with an interest in the sector. PRISMA successfully worked with some of the largest poultry feed companies in Indonesia to produce and sell cattle feed for the first time - dramatically expanding the reach of marketing and distribution of cattle feed products across the country.

A sector transformed

By 2020, 63 percent of cattle farmers in East Java, and 22 percent in Central Java have bought and used commercial cattle feed at least once, compared to just two percent in 2014. An estimated total of 700,000 farming households have used cattle feed, of which over 110,000 are estimated confirmed repeat users¹. These households now sell two to three cattle per year, increasing their incomes by an average of 131 percent. In total, households that have benefitted from PRISMA's activities have sold approximately 165,000 cattle to date, accounting for about six percent of additional beef production nationally.

PRISMA expects the number of repeat users to at least double by December 2023. From an extremely low starting point, the market for cattle feed has grown by seven percent per year since the start of PRISMA's activities. From just three small companies making cattle feed in 2014, there are now 26 feed companies producing cattle feed, including five of the largest feed millers in Indonesia. PRISMA's partners account for about 85 percent and 25 percent of the cattle feed market in East Java and Central Java respectively, and there is strong evidence that the market for cattle feed has expanded to six other provinces (Kalimantan, Sulawesi, Nusa Tenggara Barat, Nusa Tenggara Timur, Lampung, and Aceh).

What next?

While there is still some way to go before good rearing practices are universally applied across Indonesia's beef sector, there is good reason to believe that the market for commercial cattle feed has reached a point where expansion will continue, even without PRISMA's active involvement.

PRISMA has begun to focus on other constraints in the beef sector, particularly around SNI for beef and dairy cattle feed. The SNI were published in 2017 with a single, stringent set of criteria that applies to all types of feed with only three accredited laboratories to certify new feed varieties nationally. This has created a bottleneck for certifying new feed products. In addition, the stringent criteria increase the cost of the feed

meaning only larger companies can currently afford to comply. This also means that certified feed is out of the reach of poorer farmers.

PRISMA has worked with partners, including peak agricultural advocacy body, PISAgr, to successfully convince the MOA to review the SNI to make the standards more friendly to smaller feed companies. This will further diversify and boost domestic production of cattle feed. Through these policy-focused activities, PRISMA hopes that the market will further expand allowing greater access to quality, affordable cattle feed, and good rearing practices to smallholder households beyond the program closure in December 2023.

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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