



THE ROLE OF INDONESIAN COCOA COMMISSION IN DEVELOPING THE THE SMALL HOLDER SECTOR IN INDONESIA



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TOPIC :

- I. Overview of Indonesian Cocoa**

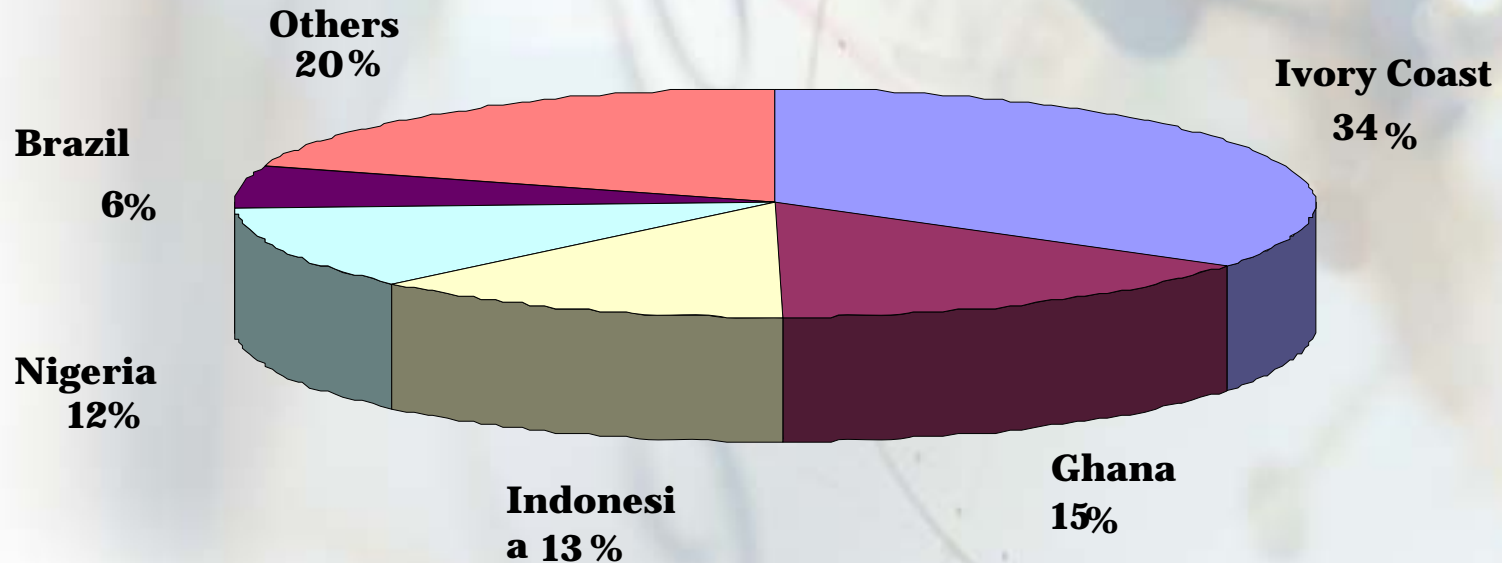
- II. National Policies and Strategy
Toward Sustainable
Development**

- III. The Indonesian Cocoa Commission**



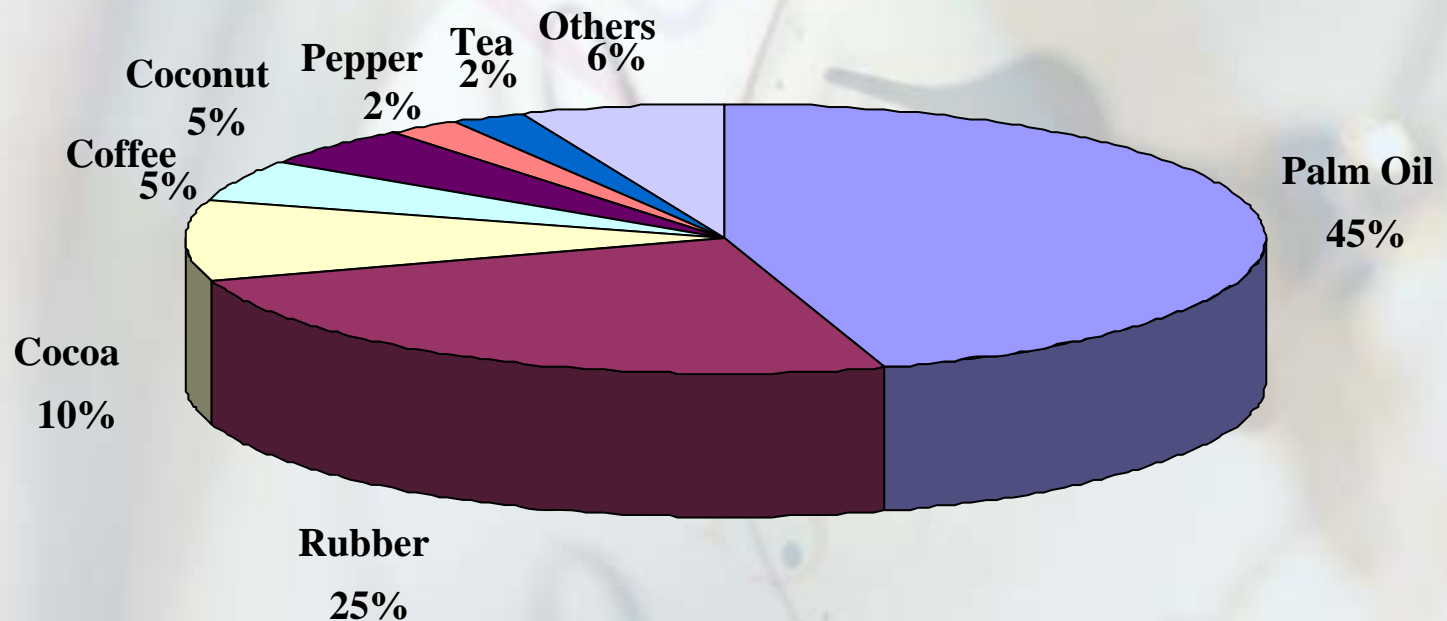
AREA AND PRODUCTION

- ❖ Third largest cacao producers in the world (3.5 million MT), Potential as second largest producer
- ❖ Planted in 920.000 ha, yield aver. 630kg/ha,
- ❖ Total production est.480.000 MT/yr, market value \$700M





- ❖ In term of export, cocoa is third largest foreign exchange earner from Agricultural sector
- ❖ After palm-oil, rubber and coconut.



Value Share of The Total of Indonesian Estate Crop Export (2000-2004)



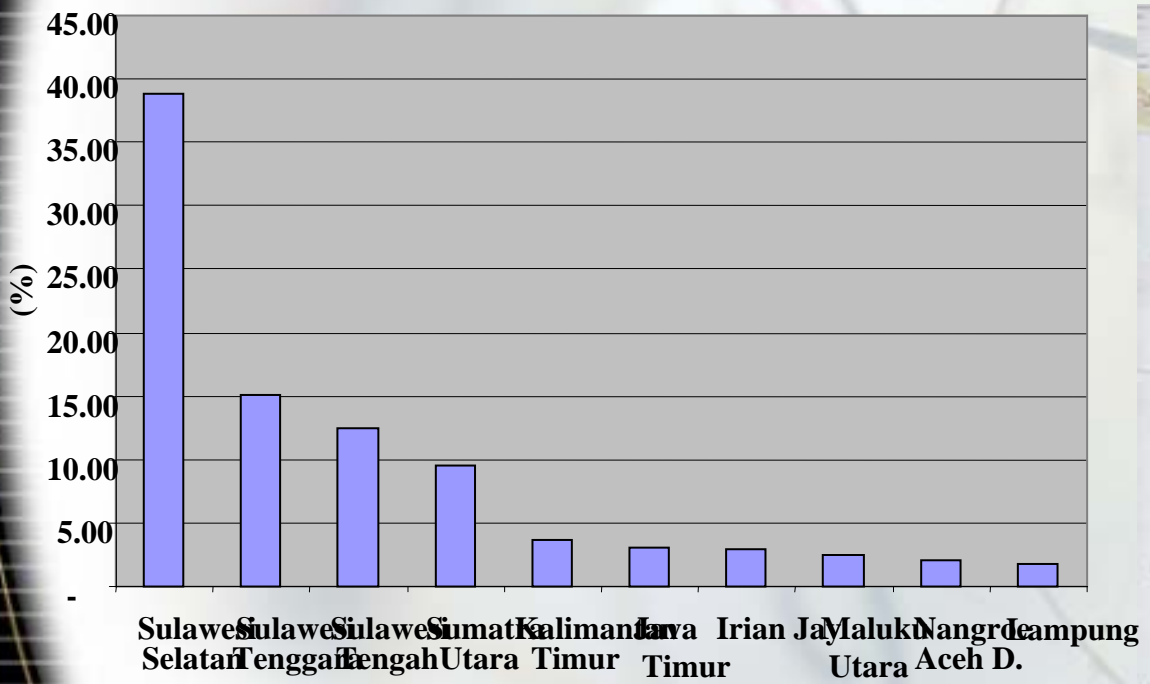
- **Source of income for more than 500,000 cocoa farming families**
- **On average , smallholder farmers holding 0.5 to 1.5 ha, produce over 80% of the cocoa exports,**
- ❖ **Cocoa plantation growth in last 25 yr, driven by expansion smallholder farmer (87%), as “bulk cocoa”,**
- ❖ **State plantation (8%) and large private estates (5%) produce both “edel and fine cocoa”**





- **Current cocoa yield 400 – 800 kg/ha, with potential to increase as 1 to 1.5 T/ha**
- **Sulawesi cocoa traded mostly as unfermented, and bulk bean**

Indonesian Cocoa Production by Province



Sulawesi



Estimated losses due to high waste

Three largest exporters of Cocoa Bean

Year	Total Bean Export (ton)	Looses (M USD)
2000	336,688	40
2001	235,261	28
2002	367,664	44
2003	266,292	32
2004	277,550	33

Name	Total of Cocoa Bean Exported in 2004
Cornextra Majora	32,300
Cargill	23,690
Era Mas/ Sulawesi Mks Cocoa	22,700

Note : Average discount due to high waste (>5%) content is estimated at USD 300 per ton (SNI ≤ 2,5% waste content)



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MAJOR PROBLEMS ON COCOA INDUSTRIES IN INDONESIA



LOW PRODUCTIVITY

- ❖ Aging trees (planted in 1980's)
- ❖ Insufficient improved varieties,
- ❖ Limited disease and pest control,
- ❖ Poor soil maintenance (fertilizer, water management, etc),
- ❖ Poor crop maintenance/cultural practices



Average yield : 630 kg/ha/year

Potential yield : 1,000 – 1,500 kg/ha/year



LOW QUALITY

- ❖ CPB problem (loses 30–40%) of potential production,
- ❖ Limitation of post harvest equipments (dryer, sorting, storage) on farm level,
- ❖ Price incentive at farmer level for good and fermented beans not attractive
- ❖ Local processors find difficulty to source good quality cocoa





WEAKNESS OF STANDARD QUALITY REGULATION

- ❖ **SNI still voluntary based not mandatory**
- ❖ **No law enforcement on Standar Nasional Indonesia (SNI) implementation**
- ❖ **Cheating on SNI certification**
- ❖ **Lack of custom control on mechanism for quality certification process**





Un-fair on local trading and distribution mechanism :



- ❖ Low bargaining power of farmers in cocoa bean transaction with village traders/collectors
- ❖ High dependency of farmers on local traders (advance cash payment by local traders for consumptive purpose)
- ❖ No rule & control on local traders (lots of cheating on moisture content and weight)



- ❖ Smaller-holder lack of access to finance
- ❖ Small holder limits power to sell direct to exporters or processors.
- ❖ Volume bases contract not quality bases;
- ❖ Difficult to develop formal contract system to comply with quality
- ❖ International market acceptability of variable quality not provide incentive for improving cocoa quality





- ❖ Small-holder lack of access to finance
- ❖ Volume bases contract not quality bases;
- ❖ Difficult to develop formal contract system to comply with quality
- ❖ International market acceptability of low quality not provide incentive for improving cocoa quality

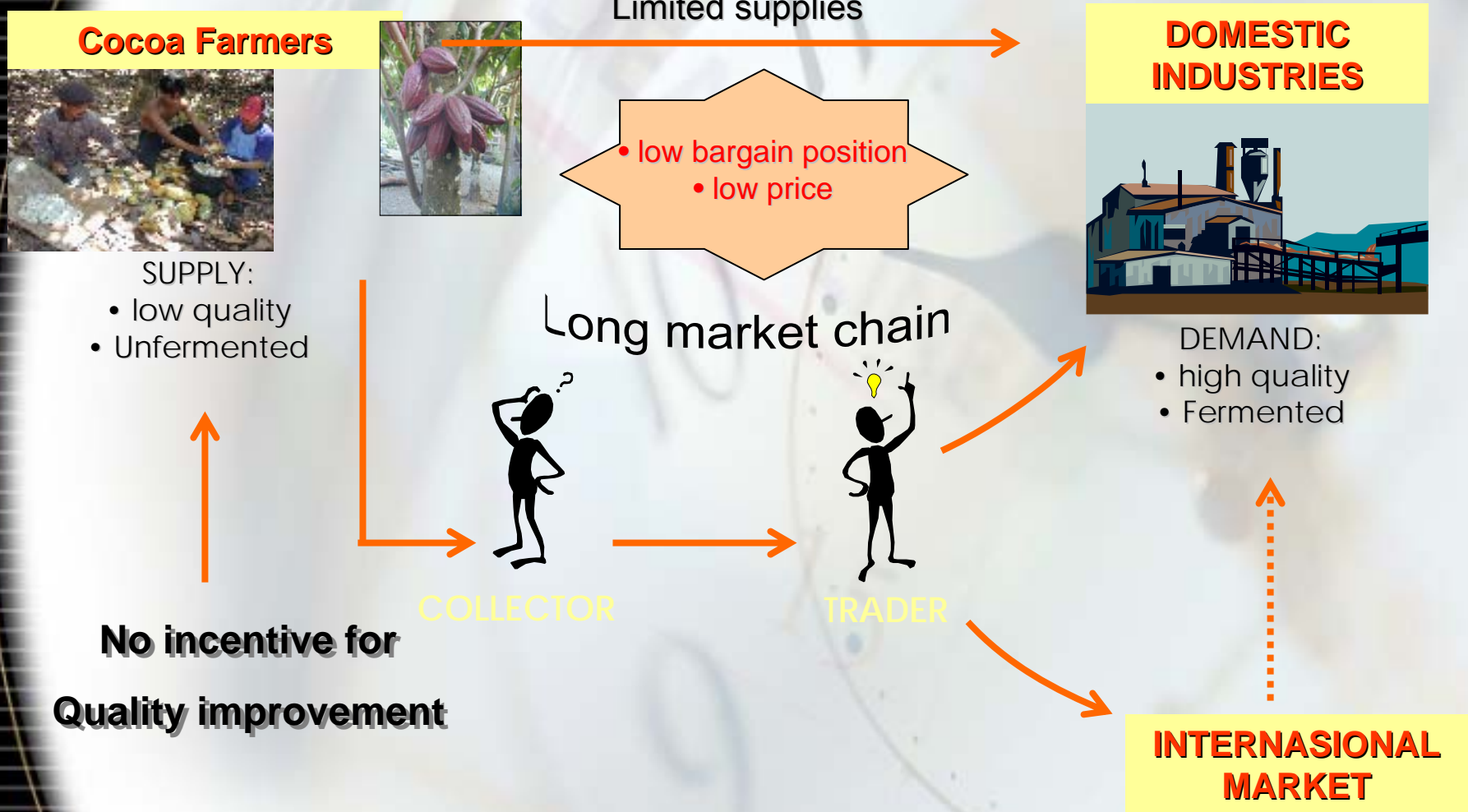


Good beans

Bad beans



What the problems





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National Policy & Strategy Toward Sustainable Cocoa Development



Goal for 2005-2010

- **Increasing productivity up to 1.1 t/ha**
- **Replanting and side drafting with high yield and pest-disease resistant clons for 300,000 ha**
- **Implementing GAP, GHP, GMP dan standard quality system in trading**
- **Producing fermented cocoa about 30% for export and local processing industries**
- **Developing strong farmers institutional supporting by extention services formal finansial**
- **Implementing fairness farmer-trader-industries partnership**





Increasing Productivity

- ❖ providing good quality of seedling, (vegetative and generative) and somatic embryo genesis
- ❖ provide training and technical assistance to farmers
- ❖ provision resistant plant material
- ❖ Implementing of good agriculture practices





Improving Quality Management

System

- ❖ Reducing CPB infestation
- ❖ Improving post harvest facilitate on farm level,
- ❖ provide systems for enforcement of quality standards
- ❖ Promoting quality base transaction at farm level
- ❖ Promoting up-country auction systems for small holders to sell beans more transparently





Empowering of Quality Standard Regulation

- Law enforcement of SNI (mandatory for Export),
- Improving and honest certification system

SNI Quality Specification of Cocoa Bean

No	Test	Unit	Specification
1	Live insects	-	none
2	Moisture	% b/b	max 7.5
3	Beans with smoky smell and or abnormal or foreign smell	-	none
4	Crush bean	% b/b	max 2.0
5	Waste	% b/b	max 2.5
6	Foreign material	% b/b	max 0.2
7	Mammal waste	% b/b	max 0.1

Note :

1.Total of waste and foreign material % / bb max 2.5%

2.Total of foreign material and mammal waste % b/b max 0.2%



Creating good distribution mechanism

- ❖ **Strengthen farmers bargaining power on price for good quality**
- ❖ **Reduce dependency of farmers on village traders (increase accessibility to formal financial sources)**
- ❖ **Establish certified/registered local traders**
- ❖ **Encourage quality based contract from exporter to traders to farmers, to comply with standard export quality**



Increasing Value Addition

- ❖ Promoting investment in cocoa processing industry development
- ❖ Develop and improve access to superior and affordable planting material thru R & D collaboration
- ❖ Develop Smallholders – industry partnership with trust and equal position





Strengthening coordination

Establishment of Indonesian Cocoa Commission (ICC) : Minister of Agriculture Decree No 03/Kpts/OT 160/1/2006 Dated January 5, 2006

- ❖ **Involves all stakeholders for Government and all sectors of the cocoa Industry.**
- ❖ **An advisory body to Government**
- ❖ **National multi stakeholder dialog forum**
- ❖ **Provide input to Government on policy/regulation to support cocoa industry development.**

INDONESIAN COCOA COMMISSION



OBJECTIVES

- To provide suggestions and recommendation to the Minister of Agriculture in formulating policy and regulation on Cocoa industry
- To prepare the establishment of the Indonesia Cocoa Board

ABG FORUM

ACADEMICS- BUSSINESS- GOVERNMENT



ORGANIZATION STRUCTURE

- **Chairman :**
D.G. of Processing and Marketing of Agricultural Products, MOA
- **Vice Chairman's:**
D.G. of Estate Plantation, MOA,
Chairman of Indonesian Cocoa Association (ASKINDO),
Chairman of Indonesian Cocoa and Chocolate Association (APIKCI),
Chairman of Indonesian Cocoa Industry (AIKI),
Chairman of Indonesian Cocoa Farmer Association (APKAI)
- **Members representing:**
Coordinating Ministry of Economic, Ministry of Finance, Ministry of Trade, Ministry of Industry, Ministry of Transportation, Ministry of Cooperative and SMEs, Indonesian Chamber of Commerce, National Standardization Board, Indonesian Cocoa and Coffee Research Institute, State Owned Bank, Sucofindo, etc .



MISSION

- **To improve efficiency, value added, and sustainability of cocoa industry.**
- **To increase cocoa farmers income, plantation revenue, and foreign exchange earning.**
- **To ensure the balance of supply and demand of the cocoa and its products in both export and domestic market**
- **To improve Indonesian cocoa quality toward domestic cocoa industry needs and better competition in the global market.**
- **To enhance new investment both in downstream and upstream cocoa industry**
- **To promote cooperation with donor countries/institutions for the sustainability of Indonesian Cocoa Industry**

ICC POLICY FOR SUSTAINABLE COCOA DEVELOPMENT

- Promote Good Agricultural Practices**
- Promote Good Manufacturing Practices**
- Promote Fermented Cocoa Bean**
- Promote Development of Domestic Processing Industry**
- Promote Integrated Cocoa Quality Management**
- Promote Domestic and International Market Networking**
- Promote Domestic Consumption of Chocolate**
- Facilitate public partnership on cocoa sustainable development.**



STRATEGIC ACTION PLAN 2006

No.	Activities	Leading Institution	Schedule
1	Stakeholder collaboration	DG.PMAP	On going
2	Revision of SNI	DG. PMAP	May
3	Supply & Demand Analysis	MOT	July
4	Cocoa Agribusiness Pilot Project	MOI	August
5	Facilitation of Quality and Yield Improvement	DG. EP & ICCRI	August
6	Government Policy Analysis	ICCRI	October
7	Directory, Database, Website	ICC	December
8	Cocoa Agribusiness Seminar	ICC	November
9	Facilitation of ICC Secretariat	ICC	On going



Progress of ICC Coordinative Activities (2006)

1. Pilot Project

Farmers-Industry Partnership.

Encourage good quality fermented cocoa bean trading to provide better income for farmer.

2. Revitalization Program :

Due to aging trees of major cocoa smallholders plantation, The MOA undertaking smallholders cocoa rehabilitation and replanting program 2007 – 2010 up to 300.000 Ha.

3. Micro-financial program,

MOA serve budget \$ 1.5 M, in the Bank as (1) bank guarantee, (2) interest subsidies; (3) down-payment



4. Encouraged Policies favorable for business climate :

- a. Recommend to suspend of 10 percent Value Added Tax for primary agric.products (on progress)**
- b. Recommend harmonization of import tariff of cocoa products . (Tariff import has been increased from 5 percent to 15 percent by Minister of Finance Decree).**
- c. Recommend increasing market access to China for cocoa products under ASEAN-China FTA (Import tariff of Cocoa Liquor, Cake, Butter and Powder into China's market has been reduced from 20 percent to zero percent. MOU Signed by Minister of Trade.**

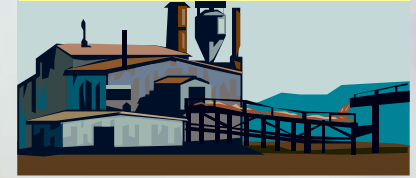


- d. Recommend revision of Standard National Indonesia (SNI) of Cocoa Bean and the SNI implementation on mandatory basis(on progress) .**
- e. Promoting The Establishment of **INDONESIAN COCOA BOARD** (on progress).**
- f. Organizing National Seminar on ‘Revitalization of Indonesian Cocoa and Chocolate Agro industry (December 12, 2006) and Indo Cocoa Chocolate Exhibition 2006 (12-15 December 2006).**



PARTNERSHIP ON PRODUCTION AND MARKETING OF CACAO

COCOA INDUSTRIES



INPUT WARRANTY :
quality & price



FARMERS

- Pemetikan
- Pengupasan



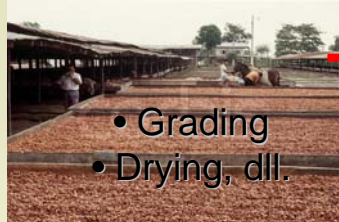
UNIT INPUTS & FINANCIAL

- Bibit, pupuk
- Pesticide, dll.

UNIT EXTENSION & QUALITY INSURANCE

UNIT MARKETING

UNIT PASCA PANEN



- Grading
- Drying, dll.

UNIT FERMENTASI

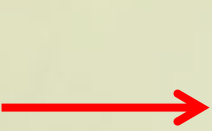
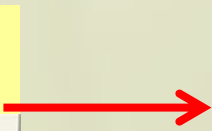
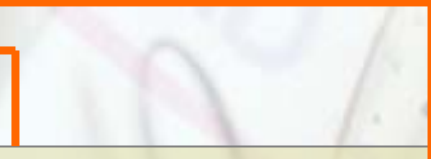


UNIT WAREHOUSING



Managemen ts! Stock

Lembaga Usaha
GAPOKTAN





THANK YOU