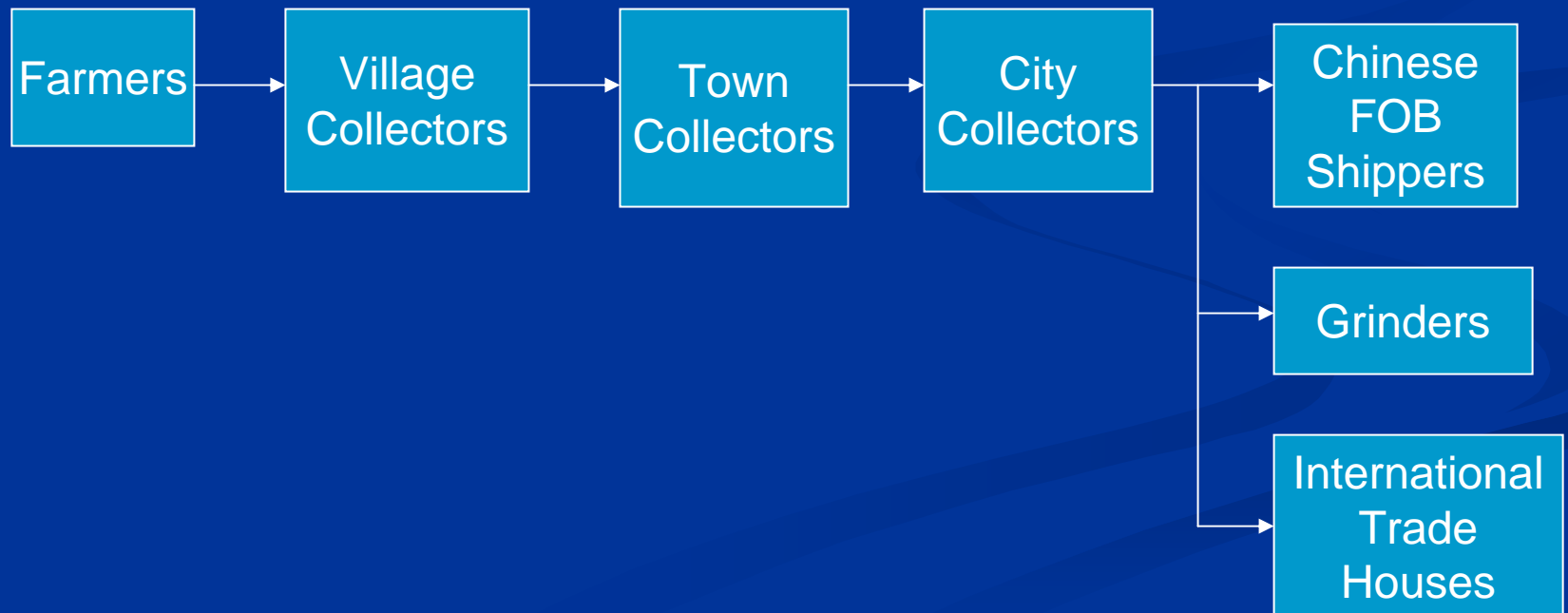


**Strengthening the smallholder link in
the Cocoa Value through Service
Providers and Vertical Integration**

By Jasbir Singh

INTRODUCTION

- I will be focusing on the various links in the marketing system practiced in Indonesia where Armajaro runs warehouse operations in various main ports and in the interior.
- Prior to describing the various links implemented, let us examine the current supply chain in Sulawesi.



Links, strategies and plans between smallholder and Armajaro

- The Armajaro group introduced various initiatives in early 2006 to move upstream in the supply chain to have more direct contact with the farmer groups.
- The main objective of such initiatives is to be able to have direct involvement in issues of quality, farm husbandry, marketing and research activities with minimum adulteration possibilities (i.e. not going through local, town/city collectors etc).

Some of these initiatives, strategies are as follows:

- With the closing of the Success Alliance/ACDI-VOCA program in Sulawesi in late 2005/early 2006 in Sulawesi, the group adopted the strategy to adopt part of the system that was implemented by this program on the ground.
- The program had been very successful in creating a direct linkage between farmers and the programmers via field schools, farmers' cooperatives, farmers clubs and various other organizations like NGOs.
- By adopting part of this network, the group was able to get an immediate link directly with the various above organizations.
- However, many changes had to be introduced into the network to reorientate the mentality from a socio-economic to a more commercial one. Steps had to be taken to reorganize the program with priority been given to the upgrading of the management both at the employee and farmer level.

- To ensure proper formation of the link between the group and farmer activities, the group decentralized the network into regional offices based in the various cocoa growing areas in Sulawesi. Currently the group has 5 and 8 such regional offices in South and Central Sulawesi. There are plans to increase this network.
- The first step was to train ex – Success Alliance employees on their new roles which included training of commercial aspects of:
 1. International cocoa markets and their influence on daily prices.
 2. Influence of currency on farm prices (the Rp/Usd).
 3. Quality specifications required by Indonesian standards and client requirement.
 4. Need to upgrade quality from a price influence.
 5. Need to understand the impact of quality viz-viz premium and discounts.

This program took about 1 month.

- Various workshops and road shows were conducted in the interior with farmer groups and NGOs etc explaining the above topics. During the road shows, both the weakness and strengths of the various groups were also discussed for further improvement.
- Various initiatives have been suggested to assist these groups to restructure themselves which includes:
 1. Having organization structures
 2. Assisting in forming rules and regulations for their members
 3. Explaining the commercial aspects of prices
 4. Inducing commercial aspects such as budgets, revenues (P&L), accountability practices etc.

The plan is to create self financed farmer groups etc who will have direct links with the group.

ARMAJARO'S OPERATIONS IN SULAWESI

