Implementation of the Global Cocoa Agenda:
Indonesia Cocoa Development

AMSTERDAM, 10TH JUNE 2014

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Assistant Deputy of Plantation and Horticulture
Indonesia 2014

- 9th April 2014 → Legislative Election
- 9th July 2014 → Presidential Election
Where We Are Headed

VISION 2025

2010
GDP: USD 700 Billion
Income/capita USD 3,000

8 – 9 % per annum

2025
GDP: ~USD 4.0 - 4.5 Trillion
Income/capita ~USD 14,250 - 15,500 (country with high income)

~12 largest

5 – 6 % per annum

2045
GDP: ~USD 15.0 - 17.5 T
Income/capita ~USD 44,500 - 49,000

~8 largest
Distribution of 22 Main Aktivitas into 6 Economic Corridor

Sumatera
- Palm Oil
- Rubber
- Coal
- Shipping
- Steel
- Sunda Strait Area

Java
- Textiles
- Food Beverages
- Transport Equipment
- ICT
- Defense Equipment
- Shipping
- Metrop Jakarta Area

Kalimantan
- Palm Oil
- Timber
- Oil & Gas
- Steel
- Bauxite
- Coal

Sulawesi
- Foodcrops
- Fisheries
- Nickel
- Oil & Gas

Bali - NT
- Tourism
- Animal Husbandry
- Fisheries

Papua - Maluku Islands
- Foodcrops
- Fisheries
- Copper
- Nickel
- Oil & Gas
Indonesian Cocoa Areal By Province (Ha)

Jawa; 94.532
Maluku, Papua; 118.970
NTT, NTB, Bali; 78.422
Kalimantan; 36.786
Sumatera; 413.709
Sulawesi; 993.984
Cocoa in Indonesia

One of the major commodities and seed plantation

as a source of foreign exchanges, the source of farmers' income, job creation, formation of growth centers, encourage agribusiness and agroindustry of cocoa

Areal 1.736.403 ha

Production 450 000–700 000 ton

Dominated by smallholders (94,55%) and involving farmers directly as much as 1.705.450 households

Export

Volume 414,1 thousands ton
Value 1.151,5 US$ million

the third largest foreign exchange after palm oil and rubber in agriculture sector
Cocoa Area & Production by Farming Category

<table>
<thead>
<tr>
<th>Year</th>
<th>Areal (Ha)</th>
<th>Production (Ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Private**
- **Government**
- **Smallholders**
## Export and Import

<table>
<thead>
<tr>
<th>No</th>
<th>EKSPORT</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cocoa Beans (thousand ton)</td>
<td>439,3</td>
<td>432,4</td>
<td>210,1</td>
<td>163,5</td>
<td>188,4</td>
</tr>
<tr>
<td>2</td>
<td>Cocoa Processed (thousand ton)</td>
<td>95,9</td>
<td>120,4</td>
<td>200,1</td>
<td>224,3</td>
<td>225,7</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>534,9</td>
<td>552,8</td>
<td>410,2</td>
<td>387,8</td>
<td>414,1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>IMPORT</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cocoa Beans (thousand ton)</td>
<td>27,2</td>
<td>24,8</td>
<td>19,1</td>
<td>23,9</td>
<td>30,7</td>
</tr>
<tr>
<td>2</td>
<td>Cocoa Processed (thousand ton)</td>
<td>19,6</td>
<td>22,6</td>
<td>24,6</td>
<td>24,2</td>
<td>32,4</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>46,8</td>
<td>47,4</td>
<td>43,7</td>
<td>48,1</td>
<td>63,1</td>
</tr>
</tbody>
</table>

*Source: BPS diolah Kementerian Perdagangan*
Important Issue at This Time

- Plantation growing old
- The competition of price (with other commodities)
- The quality of cocoa beans
- The various of International standard / certification for cocoa
- The Lack of infrastructure
- Validity of data collection
- Pests and plant diseases
## Present Status and The Future Challenges

<table>
<thead>
<tr>
<th></th>
<th>Present Status</th>
<th>Future Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (000 ha)</td>
<td>1700</td>
<td>1700</td>
</tr>
<tr>
<td>Location</td>
<td>Sulawesi (70%)</td>
<td>Sulawesi, Sumatra, Java, Papua</td>
</tr>
<tr>
<td>Production (000 tonnes)</td>
<td>450-700</td>
<td>1700</td>
</tr>
<tr>
<td>Productivity, kg/ha</td>
<td>400-800</td>
<td>1000</td>
</tr>
<tr>
<td>Fine flavor</td>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td>Fermentation</td>
<td>Unfermented</td>
<td>Fermented</td>
</tr>
<tr>
<td>Management</td>
<td>Smallholder (&gt;90%)</td>
<td>Partnership Nucleus (20%) &amp; Smallholder (80%)</td>
</tr>
</tbody>
</table>
## Present Status and The Future Challenges

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<thead>
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<th>Present Status</th>
<th>Future Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program</strong></td>
<td>Replanting, Rehabilitation, Intensification, Quality improvement</td>
<td>Replanting, Rehabilitation, Intensification, Quality improvement, GAP, GMP, Sustainable Standard</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>Intermediate product</td>
<td>End product</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>Big Company &amp; Cooperative/SME run independently each other</td>
<td>Partnership of Big Company (as Nucleus) &amp; Coop/SME</td>
</tr>
<tr>
<td><strong>Consumption, kg/caput</strong></td>
<td>0.3</td>
<td>3 (50% of total production)</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>Regulation, Infrastructure, Grant</td>
<td>Regulation, Infrastructure, Grant</td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td>Soft Loan</td>
<td>Soft Loan, Nucleus Company as Avalis</td>
</tr>
<tr>
<td><strong>Authority/ Regulator</strong></td>
<td>Spread in many institutions</td>
<td>Hold by one institution</td>
</tr>
</tbody>
</table>
Progress Implementation

In order to support quality improvements for added-value of cocoa production,:

1. Providing active support during the rehabilitation and rejuvenation of plants, provision of cocoa cloned seeds, and controlling cocoa plant pests;
2. Increasing the implementation of financing schemes for fermentation of cocoa beans to produce higher quality processed products (butter, powder, cake) for export;
3. Diversifying export markets for refined products (butter, powder, cake), which will provide added-value in the value chain;
4. Performing Cocoa Bean Fermentation National Movement as a commitment and approval for a joint action for the increasing and improvement of production, productivity, and quality;
5. Developing industry and home industry, which will absorb food products of processed cocoa;
6. Providing one-stop service for investors;
7. Conducting the application of international standards for cocoa products in order to build awareness for the high quality of Indonesia cocoa products;
8. Increasing business partnerships between industry and cooperatives and SMEs (Small and Medium Enterprises), to promote higher productivity, higher quality cocoa products and effective marketing to targeted demographics;
9. Developing and strengthening farm groups and cooperatives;
10. Promotion to increase cocoa consumption → Indonesia Cocoa Day 16 September
1. To improve cocoa development in Indonesia – more effective and efficient use of resources.

2. To create alignment on understanding of issues, targets, solution findings in cocoa development

3. To create one national cocoa policy for Indonesia.
1. GoI has established Indonesian Cocoa Board as government led initiatives for PPP.

2. CSP is acknowledged as private initiative for PPP.

3. GoI – Dekaindo – CSP have agreed to work together on harmonization of roadmaps and to initiate the creation of a national cocoa policy. This will involve other established platforms.
1. Harmonization of Cocoa roadmaps – GoI, CSP, WB, etc.

2. Assigned task force to create a National Cocoa Policy – led by Indonesian Cocoa Board and coordinating Ministry of Economy.

3. CSP to facilitate stakeholder discussion on cocoa development issues to improve alignment and working together among stakeholders
WHAT IS CSP (COCOA SUSTAINABILITY PARTNERSHIP)

1. Established in 2006, CSP is a multi-stakeholder forum of cocoa stakeholders in Indonesia.
2. Its purpose is to increase communication, cooperation, and coordination between stakeholders.
3. Private sector driven initiative
4. The mission is to create synergies and leverage resources through pre-competitive collaboration among stakeholders in order to provide solutions to the challenges faced by the cocoa sector in Indonesia.
Creating the Business Case for Farmers is Key to Achieve the 2020 Targets

**Productivity**

Farmer productivity should be doubled...

*Target: double productivity*

**Farmer of the Future**

...which will make cocoa a profitable business that will attract a young generation of cocoa farmers.

*Target: maintaining an average farmer age of 40 across the sector*

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**2020 Targets**

- **Agro-inputs**
- **Planting Material**
- **Knowledge**

**I. Professional Farmer Package**

- **II. Enabling Environment**
  - Modes of delivery and organization
  - Access to Finance
  - Role of the government
Cooperations Between Farmer, Gov and CSP

Farmer and farmer groups

Regional Cocoa Forums

CSP & National Government through Coordinating Ministry of Economic Affairs

BRIDGING FARMERS VOICE TO A GLOBAL LEVEL

- Local stakeholders: Farmer groups, government, traders, NGO, academics, input suppliers, etc.
- Meet 4 times a year to discuss and find solutions on local issues on cocoa

- National stakeholders: Rep. from Regional Forum, multinational and national companies, research institutions, associations, NGOs, etc.
- Meet 3 times a year to discuss and find solutions on issues at national level
- National Government member of CSP Advisory Board coordinated by Coordinating Ministry of the Economy

- GoI member of ICCO
- Multinational members of CSP are also members of WCF
## Roadmap Recommendations (1)

<table>
<thead>
<tr>
<th>Focus Areas</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agro-inputs</strong></td>
<td>• Fertilizer needs to be rolled out at scale</td>
</tr>
<tr>
<td></td>
<td>• Address knowledge gap and trigger product innovation</td>
</tr>
<tr>
<td></td>
<td>• A coalition should be made, including fertilizer companies</td>
</tr>
<tr>
<td><strong>Planting material</strong></td>
<td>• Roll out of better clones for farmers and nurseries to graft at scale</td>
</tr>
<tr>
<td></td>
<td>• Build on farmers’ capacities</td>
</tr>
<tr>
<td><strong>Knowledge</strong></td>
<td>• Integrate business principles into GAP modules</td>
</tr>
</tbody>
</table>
### Focus Areas

#### Modes of delivery and organization
- Stimulate and integrate farmer entrepreneurial spirit into delivery models
- Develop large scale farmer organization for more efficient delivery

#### Access to Finance
- Involve financial institutions at scale and at broader value chain

#### Role of the government
- Organize and mobilize resources at provincial and district level
- Create beneficial policy framework
- Have a more active national government role in CSP
Chocolate and Cocoa Powder in Indonesia

Chocolate Bar and Biscuits

Cocoa Powder and Chocolate
Thank You