WORKSHOP REPORT

POLICY AND INSTITUTIONAL MAPPING FOR SMALL-SCALE PRODUCERS' PARTICIPATION IN DYNAMIC MARKETS IN INDONESIA

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1. BACKGROUND

Rapid changes are taking place in agri-food markets in middle and low-income countries, including Indonesia. The spread of dynamic modern retailers, wholesalers and food processing businesses is reshaping the way that food systems are governed. Small-scale agriculture, which supports the livelihoods of the majority of rural poor, is poorly prepared for these changes. Public policy makers and development partners are generally remote from changes taking place within the market. They lack evidence upon which to support policy dialogue and intervention.

Research and support to the policy process can assist producers, businesses, and policy makers to anticipate and respond to this challenging environment, in ways that contribute to the resilience of rural economies. This work on policy and institutional mapping is part of an international and multi-donor funded entitled Regoverning Markets[1]

The overall aim of the Regoverning Markets is to provide strategic advice and guidance to the public sector, agri-food chain actors, civil society organizations including economic organizations of producers, and development agencies on approaches that can anticipate and manage the impacts of the dynamic changes in local and regional markets. The project comprises of three operational components: Component 1 – Empirical research to inform policy (eight country studies) (C1); Component 2 - Building on innovation and guiding practice (C2); Component 3 - Learning platforms and policy dialogue (C3)

To ensure that the programme achieves maximum policy engagement and influence, the is supporting processes of policy mapping and institutional assessment to deepen the understanding of factors that effect smallholders' access to markets. This is an important step towards ensuring that research processes and outputs contribute to policy change in support of anticipatory policy making, rather than running behind the rapid changes in agrifood markets. Here we refer to both public policies and institutions, private sector strategy, and collective action by producers themselves.

The overall objectives for the development and application of a policy and institutional mapping toolkit for small-scale producer's participation in dynamic markets are to:

- Develop a framework for understanding the institutional and policy dimensions of enabling small-scale producers to secure and enhance better their access to dynamic local and regional markets.
- Provide an approach and set of supportive tools that enables this understanding to be developed and utilized in an interactive way with the key stakeholders in particular identifying entry points for action.

The purpose of this pilot work in Indonesia is to:

- Contribute to and re-enforce the work of the team at the Padjadjaran University in the context of the C1 macro and meso studies and explore whether applying new approaches on policy and institutional mapping can help refine key questions for completion of the empirical research
- Pilot some of the key stages in the tool kit as a contribution to the wider Indonesia policy processes and to learn lessons that are of value to both Indonesia and of more general interest to other countries engaged with such national policy and institutional analysis.

[1] www.regoverningmarkets.org

Related working papers are available[2] This work complements ongoing empirical research study and support of policy development being undertaken through the Regoverning Markets by the Center for Agricultural Policy and Agribusiness Studies (CAPAS), Padjadjaran University

2. Preparation for the Workshop

The result of Component 1 national and local meso study in Indonesia in April 2006 was the main starting stock of information for the workshop. The data in hand, then analyzed using the available mapping and analysis tools prepared by the regoverning market project coordinators[3]. Some additional data, especially about the food industry, was particularly collected and some actors in the industry were interviewed additionally. Two senior staff of the center and one assistant have worked fulltime for the period of one month in July 2006 to prepare the materials and organization for the workshop.

Including in the preparation process was developing a list of the invited participants. For the three day workshop suggested by the coordinators, we sent out 30 invitations for each day, totaling 90 invitees all together. It was suggested that the first day of the workshop was for multi-stakeholder meeting, 2nd day workshop for producer meeting, and 3rd day for the modern market chain meeting. One week before the workshop, there were 48 invitees responded by fax and call and stating that they will come to the workshop.

One day before the workshop, on Monday, 31 July 2006 from 9.00 to 17.00 at the Post-Graduate Meeting Room, Padjadjaran University, local Regoverning Market team had a technical meeting session with the component coordinators, Felicity Proctor, NRI, UK and Jim Woodhill, WUR, Netherlands, and regional Regoverning Markets coordinator, Larry Digal, University of the Philippines to review the preparations for the three day workshop. Among the materials discussed in the technical meeting were:

- Confirm expectations and share views on objectives and expected outputs-agree objectives lead by Felicity Proctor;
- Review of the approach and toolkit by Jim Woodhill and Larry Digal :
- Discuss what already done building on policy processes within the C1 and wider programme
- Map of value chain in Indonesia (Step 1- 4)
- Review of the key institutional and political factors that impact on inclusion or exclusion (Step 5).
- Simulation of the stakeholder meeting.

3. Policy and Institutional Mapping Workshop Programme

The workshop has been designed to be pilot tested as 3 day series workshop, each focusing to difference perspective views of restructured market participants and policy makers. It was suggested and then agreed that the workshop programme was as followed:

Opening Session and Multi stakeholder Workshop

Tuesday, 1 August 2006, Time: 09.00-16.00
Venue: Rectorat Meeting Room, Padjadjaran University

[2] Tool Kit_policy mapping_ver2.doc PolicymappingtoolsV2.xls

[3] Annex2 Promising tools for policy and institutional mapping and supportive processes - Regoverning Markets 2006

Participants: Policy maker, farmer association, supermarket, food industry, wholesaler, specialized wholesaler, extension agents
Invited participants: 30 persons

Producers Workshop
Wednesday, 2 August 2006, Time: 10.00- 16.00
Venue: National Training Center for Horticulture Agribusiness, (BBDAH) Lembang
Participants: Producers and producer organizations, local traders, service providers, local govt., extension agents
Invited participants: 30 persons

Modern Market Chain Workshop
Thursday, 3 August 2006, Time: 09.00 -14.00
Venue: Rectorat Meeting Room, Padjadjaran University
Participants: Supermarket representatives, processors, major wholesalers and traders
Invited participants: 30 persons

4. OPENING SESSION AND MULTI-STAKEHOLDER WORKSHOP

On Tuesday, August 1, 2006 at 9.15 AM, the workshop was formally opened by Prof. Tarkus J. Sugarda, Vice Rector for Information and Planning, on behalf of the Rector of Padjadjaran University. The opening session was also attended by honorary guests from Faculties in Agricultural Complex and other related field to the issue, such as Faculty of Economics and Business. Total of 20 persons attended the opening session.

After a short coffee break, the workshop continued to the first session of multi-stakeholder workshop, which was attended by 14 participants. Felicity Proctor presented an overall objective and goals of Regoverning Market Programme, followed by Jim Woodhill about the institutional and policy mapping, and Larry Digal about project activities in South East Asia Region. Ronnie S. Natawidjaja, team leader of CAPAS team presented an overview of C1 Meso study on Food Value Chain in Indonesia: trends, drivers, and issues (Step 1-2).

Participants of the workshop responded to the presentation (1st session) and expressing their view. Here is the summary of respond from the participants:

- There are already efforts to support farmers by local government in Bandung County area
- Supermarkets are willing to source directly from farmers, but constrained by limited quantity, quality and continuity problems
- There is already support from supermarkets to farmers with field assistance programmes (still limited)
- Need for a policy to regulate supermarkets to reduce a negative impact to traditional market
- Need for a formal partnership programme between supermarket/industry with farmers
- Participants indicated that development of supermarkets had not always creating larger opportunity to farmers

All of the comments from the participants were noted as additional information for the value chain study and for guide possible policy solutions.

The second session was designed to formulate scenario mapping (Step 3), inclusion and exclusion (Step 4), institutional and policy barriers (Step 5), and rank opportunities and consider option/key entry points for possible action (Step 6). Questions asked to the participants were:

- *What are going to be the key drivers affecting the FFV market in the next 10 years*

- *If the projections are likely to happen, what are the impacts on the inclusion of farmers in to the dynamic market?*
- *What kind of policy and institutional setting is needed to enable farmers to directly participate in a modern market supply chain?*

Card paper with different colours was given to the participants to respond to the questions. Different questions responded with different colour cards. Participants could respond with more than one answer. The responses from participants were collected and consolidated into 8 groups of unique responds, which then grouped again into 2 scenario groups, opportunities and threats as described using force field analysis in Figure 1.

Figure 1. Force field Analysis for the FFV market scenario in the Next 10 years during Multi stakeholder Meeting

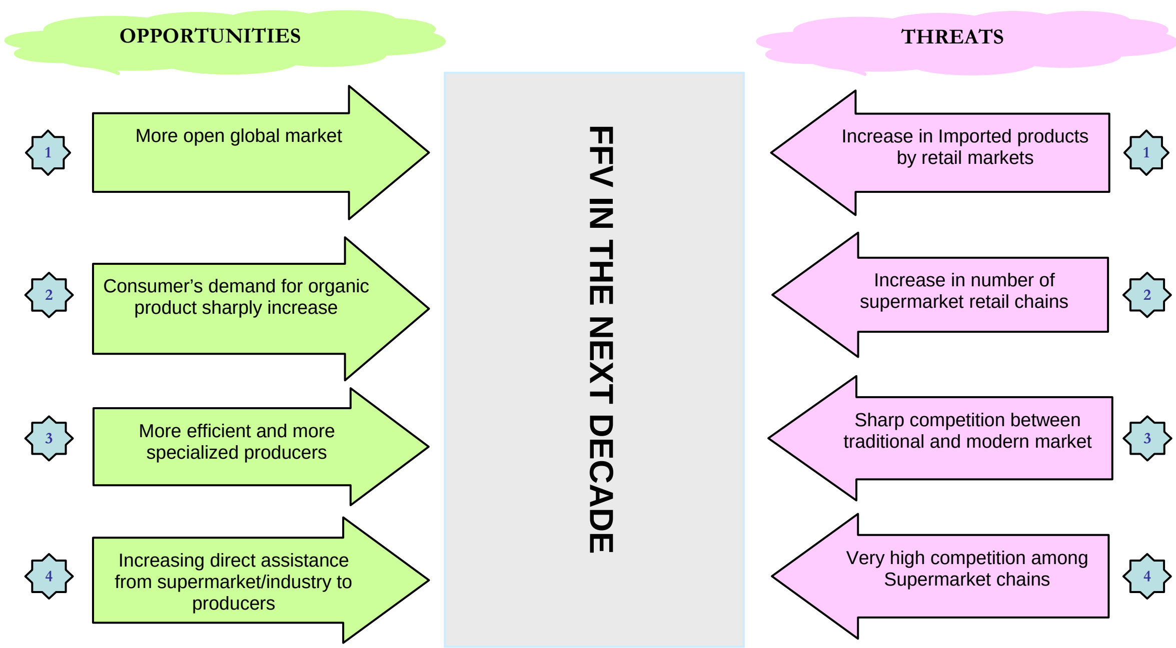
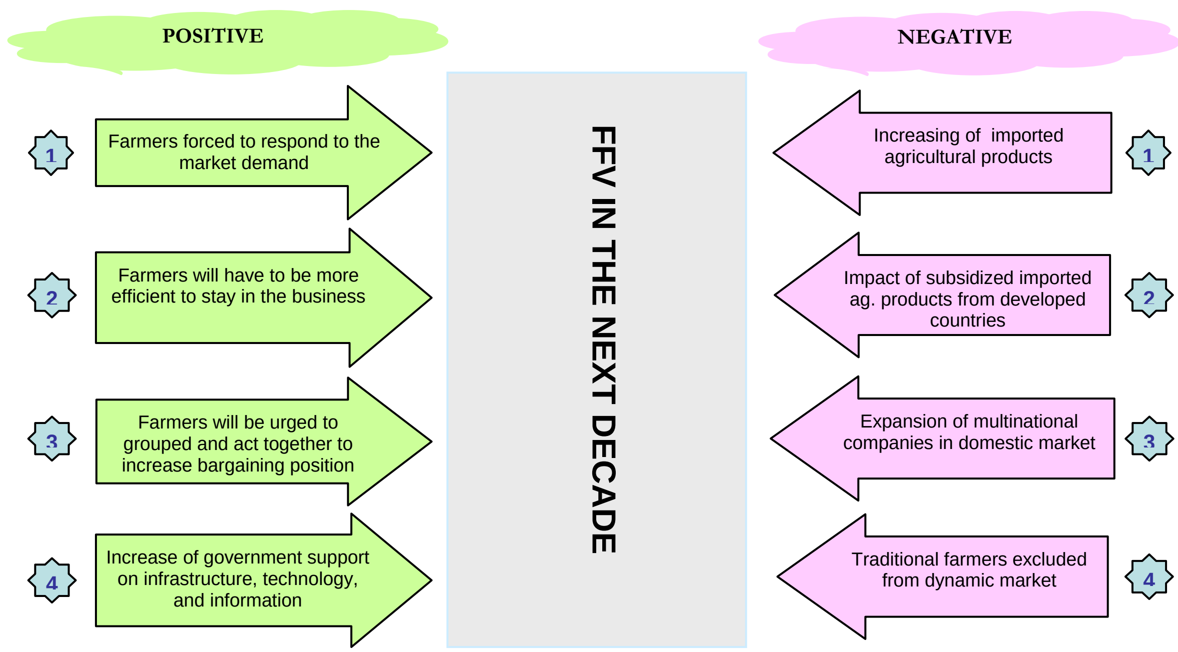


Figure 1 above describes that all participants agree for the next 10 years competition in the retail market will be much higher; the number of supermarket outlets will increase and the number of supermarket chains will increase. Supermarkets will replace some of the traditional markets, and consumers will tend to buy food more from supermarkets. Pressure from import product will also increase as subsidy to agriculture by industrial country continually rise and some new cheap exporters of agricultural products such as like China, Vietnam, Laos will emerge. However, the future is also full of opportunities. With more open global market, if Indonesia can produce good and competitive fresh product its can also take benefit to be potentially a large agricultural exporter for tropical products. Consumers will tend to be more selective, more concerns, and more appreciative with high value and high quality products. This situation is an open opportunity for producer to be more efficient and more specialized in high value products. An opportunity for supermarket and industry to secure their supply chain and at the same time gaining support from the local producer can be achieved by assisting directly the farmers, to create a win-win situation.

The next step was to ask again the participants for the second question, what is likely to be the impact of the condition in the next 10 years as described in Figure 1. The participants wrote their response on the cards. There were 16 responses from the participants. The facilitators grouped them into two separate groups, positive and negative, then discussed with the participants until everybody agree with the result as described in Figure 2.

Figure 2. Projected Impact of the Future Scenario to the Inclusion of Farmers into the Dynamic Market



On the positive side, the situation will urge farmers to be more responsive to the market demand, more efficient, and work in a group. Thinking positively, in that situation government support will be also higher. On the negative side, the future situation may impose higher amount of imported products, which is partly because of unfair competition from developed countries who subsidize their farm sector. On the other hand, Multinational Corporations will penetrate further into domestic markets. Hence, traditional farmers with lack of capital and technology and without special support, will most likely be excluded from the market.

The final task was to formulate the policy options that are likely to make the positive aspect of the future situation happen, and reduce or prevent the negative situations. The policies could be in the form of support, intervention, or institutional form that supports farmers. This final process was not done through card writing, but through focus group discussion. The participants were divided into two groups. Each group facilitated by 2 persons from the organizing committee, one person lead the discussion and the other become a note-taker of the discussion process. The participants were very enthusiastic and involved in the discussions. Each group representative presented the results in a joint session, followed by questions (from other group) and discussion.

The combined result from the two group discussions is shown in Table 1. Among the policies that were suggested to support more inclusion of small farmers to the modern supply chain are: special technical and financial assistance, group formation and partnership with supermarket chains. It quite interesting that participants suggested that the government should also improve the traditional market, put restriction on agric. imports, and support more involvement of universities in research. The participants also thought that it would be ideal if there is an institution (does not have to be government) that monitors contracts between supermarkets with their suppliers, including farmers. The more general policies suggested were improvement of extension service agent, and improvement of transportation infrastructure.

Table 1. Policy and Institutional Setting needed to Support the Inclusion of Small Farmers

No.	Policy and Institution	Party in Charge
1.	Farmers need to be encouraged to join or form a farmer group/association	Farmer groups/association extension agent
2.	Partnership development of farmers and supermarkets based on specific need and requirements	Farmers, supermarket, extension agent
3.	Revitalization of extension service agent	Government/MOA
4.	Special technical assistance for farmers aiming for a modern market	Extension service agent
5.	Improvement of traditional market and restriction for imported products	Government/MOT
6.	Special financial credit scheme to support farmer group to be connected into modern market supply chain	Govt, and Banking system
7.	Establishment of an institution to monitor contract between supermarket and farmer	Govt. and private sector
8.	Research collaboration with universities according to specific needs of farmer and market actors	Government, state university
9.	Improvement of transportation infrastructure to increase the competitiveness of local product	Central and Local govt.

Compared to the original workshop plan, the first day of this policy and institutional mapping was quite successful in achieving its objective. The only thing unexpected was that many confirmed participants suddenly cancelled and did not show up, especially participants from Jakarta (3 hours drive to Bandung). However, the workshop results enabled capture of the main issues and addressed major suggestions for government policy and roles. Since more than half of the participants were government officials and civil servants, we found there were no really new issues that resulted from the 1st day of workshop. All issues addressed in the workshop and during discussion generally had already been heard or already mentioned, in the public media, or during the interviews with wholesalers and with supermarket chains. We originally expected that there would be new perspectives about future scenarios resulting from the workshop. What was interesting from the discussion is the need for institutional setting to monitor contracts between supermarket and their suppliers, similar to the Private Code that used in Argentina and Latin America (Reardon and Hopkin, 2006)[4].

5. PRODUCER WORKSHOP

The second day of the workshop on Wednesday, August 2, 2006, was a meeting with producers, brokers, wholesale traders, input supplier, also extension service and field agricultural officials. The meeting was held at BBDAH (National Training Centre for Horticulture Agribusiness) in Lembang, a vegetable production zone. There were 30 participants attended the workshop. After an introduction and presentation on value change mapping, trends and drivers, the participants were given a set of problems that were known as priority. From the local C1 meso study and PRAs conducted, we knew that only a very small number, 10-15%, of farmers in the production zones were included in supermarket supply chain. The question asked and needed to be responded to by the participants was:

- *Why are only a few farmers connected to the modern market, list the main problems that create an exclusion of small farmers into the modern market supply chain?*

After we collect and grouped the participant's respond, there were 17 problems that were thought to be creating exclusion for the farmers to connect to the supermarket supply chain (Appendix 3). What were thought to be the most problematic in rank order are:

1 Complicated procedures and requirements needed to supply the supermarket
2 The supermarket chain does not have strong commitment to support farmers
3 Long delay payment from supermarket
4 Farmer's bargaining position is weak
5. Supermarket only takes the best quality, farmer has a problem to sell the remaining
6. The farmer's harvest is in small quantity and continuous
7. Low quality of products
8 Only small price differentiation for the quality required by supermarket and quality accepted by the traditional wholesale market.

The participants, in particular the farmers, have no clear information about supplying to modern markets. Some of them think it is complicated and very bureaucratic, in the discussion it appeared that this impression was developed just because they make up their own impression or talk to the wrong person. One of the supermarket procurement officers who also joined the meeting explain that is very simple and the supermarket differentiate an individual farmer and a supplier company. However, it is clear that one of problem that excludes small farmer is lack of information.

There also seems to be an expectation that the supermarket chain could be more actively involved in supporting small farmer to be included in the supply chain. The supermarket procurement officers said they already make an effort to do that, but may be it was not enough. Other factors that exclude small farmers confirmed what was found in the meso study i.e. the supermarket payment terms, farmer's low product quality and lack of consistency, produce delivered in small quantities, and not in continuous supply. One cause of some of these problems is because farmers tend to farm individually, rather in a group or under a cooperative group.

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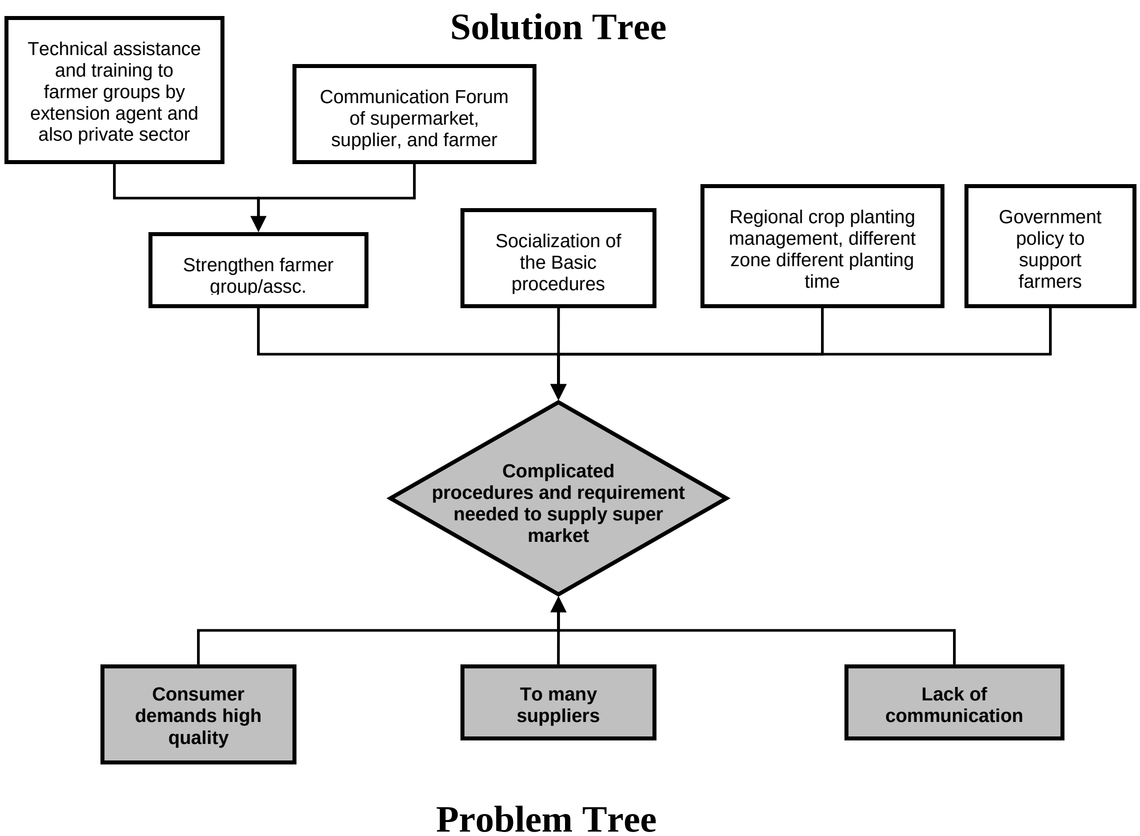
[4] Reardon, T. and R. Hopkins. 2006. " 'The Supermarket Revolution in Developing Countries Policies To Address Emerging Tension Among Supermarkets, Supliers, and Traditional Retailers," *Europian Journal of Development Research,* 18 (4).

What was more interesting was that some farmers said that they already make a great effort to meet the supermarket quality requirement and sell their harvest after grading, apparently they found that only a small quantity was then bought by the supermarket supplier (40%), and they sell the rest of the product (60%) in the open market. Farmers have difficulty to find a buyer since only left with medium and low quality. Further, there is only a small price differentiation that wholesalers gave to farmers for the highest quality compared to the supermarket. So, considering the large efforts that have to be made, supplying to supermarkets is quite a challenge to farmers. This problem needs to become one of the policy issues to discuss.

We like to further understand why and how those factors exclude small farmers from the access to supermarket supply chain and what kind of solutions there are to remove the problem. We split the participants into two groups, each group discussed 4 problems, Group A discussed problem 1 to 4, and Group B discussed problem 5 to 8. The results of problem and solution tree analysis for problem number 1 can be seen in Figure 3 and continue on to the next problem up to Figure 10.

Figure 3. Problem and Solution Tree Diagram for the issue of "complicated procedures and requirement needed to supply super market"

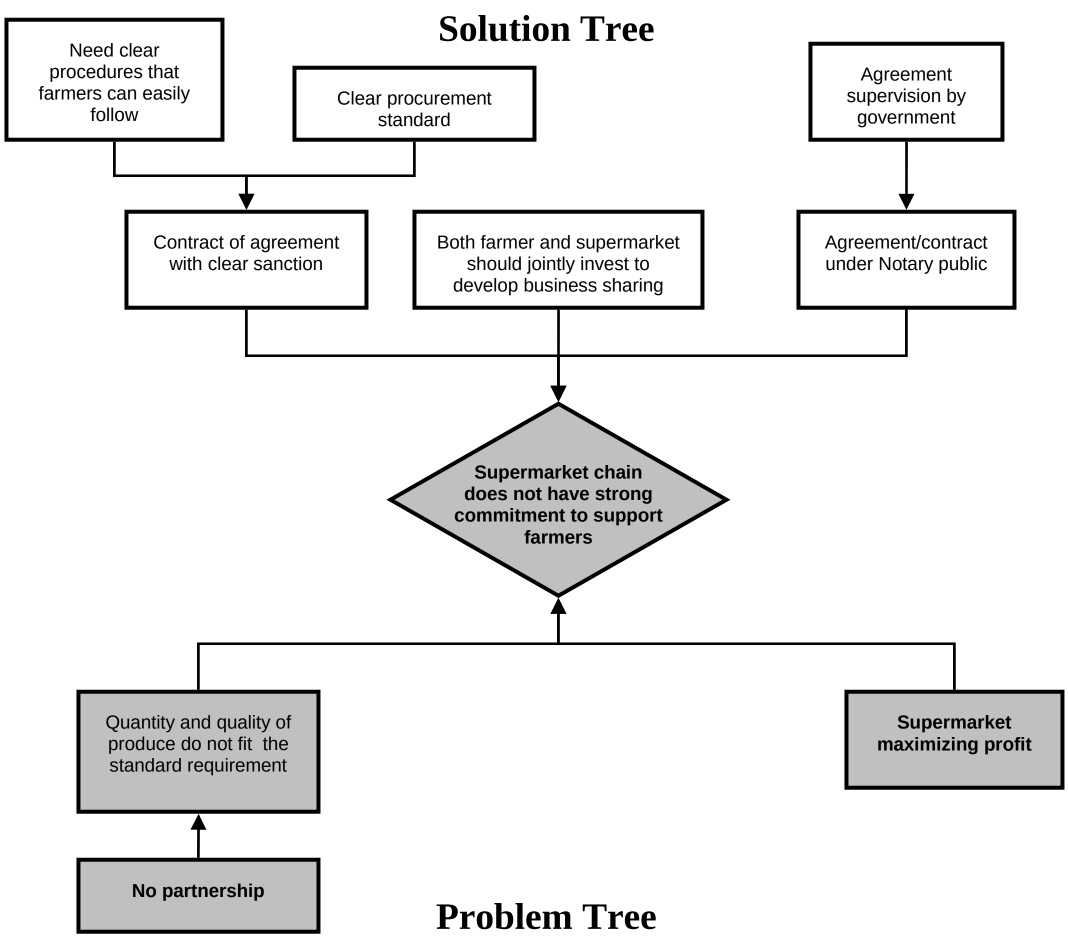


From further discussion in a focus group, the participants were unanimous that the impression of complicated procedures and requirements had come out of confusion because there are so many suppliers in the production zones, each giving different information, and lack of communication (Figure 3). Apparently supplying to supermarket is quite simple, but it is true that supermarkets require very high quality because that is what is demanded by consumers.

As a solution to the problem and to avoid continuous misperception, the participants proposed to make basic guideline of procedures to supply to the supermarket chain and to develop a communication forum to socialize the procedures and other information related to the supply chain to supermarket. Even though that misperception now can be proven wrong, the underlying problems in fulfilling the high standard requirements faced by farmer in supplying supermarket will not go away, since it comes from the basic problem of farmers i.e. lack of land, capital, and technology.

So, the participants suggested solutions to overcome high standard requirement by giving technical assistance (from government as well as private sector) to farmer groups/associations, crop planting coordination among production zones to maintain continuous supply, and other policy support from the government.

Figure 4. Problem and Solution Tree Diagram for the issue of "supermarket chain does not have strong commitment to support farmers"

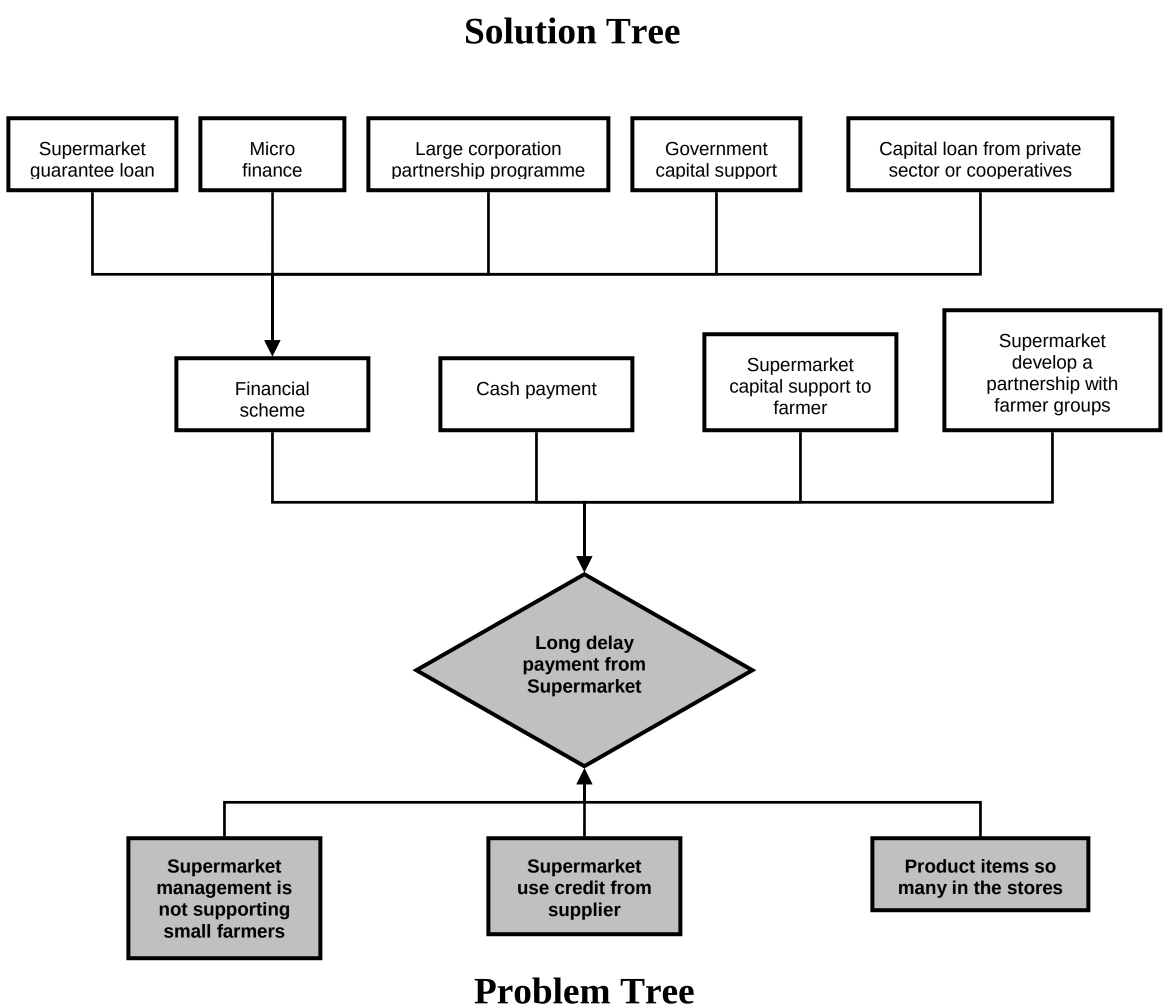


The workshop participants felt that it was true farmers mostly work individually (not in a group) and because of their limitations, they only produce low quality in low quantity of vegetables. But farmers felt that they work hard to meet the supermarket requirements, but its just difficult (Figure

4). The extension service cannot help them (helpless and hopeless), and the supermarket does not care about the farmer because they are too busy making profit.

What was proposed as solution by the participants included the development of business sharing arrangement between supermarket and farmer groups with clear and transparent contract agreement, legally binding, and monitored by a government institution. In that business sharing, it is expected that the supermarket and farmer jointly invest in the production, as a business partnership. Even though its sound likely that the participants have very high hope for the supermarket to do joint shared production operations, as according to experience, supermarkets always try to avoid such a risk sharing operation unless they really have no other choice (which is not likely).

Figure 5. Problem and Solution Tree Diagram for the issue of "long delay payment from supermarket"



As described in Figure 5, workshop participants interpret delayed payment by supermarkets as a signal that the chains do not support small farmers or maybe the chain is just too busy dealing with so many items in the stores that creates a back log in the payment period. In fact, delayed payment is commonly practiced by supermarkets internationally; basically the supermarket chains involve their supplier (giving free credit) to support their chain development. In return, the chain will bring the good and loyal supplier to grow together with their retail stores' development. Even though it does not make the delay payment practice justified, depending on the supplier bargaining position, the time delay can be negotiated to become shorter. For the small farmer, negotiating for a reduced the payment time is certainly impossible as it was felt that could only be achieved by large dedicated suppliers.

So, the participants come with different alternative scenarios to overcome delayed payment from the supermarket. They think some alternative financial bridging scheme could be worked out, such as using large semi Govt. Corporation (BUMN) funds where a certain percentage could be used to support partnerships with small enterprises, capital support from private or cooperatives, micro finance institution, or supermarket guarantee for loan from a bank. Another way is to develop a partnership with a supermarket where capital and payments are included in the arrangement. Even further alternative maybe to develop a specific partnership programme for an exclusive commodity where cash payment system could be use as part of the incentive.

Figure 6. Problem and Solution Tree Diagram for the issue of "farmer's bargaining position is weak"

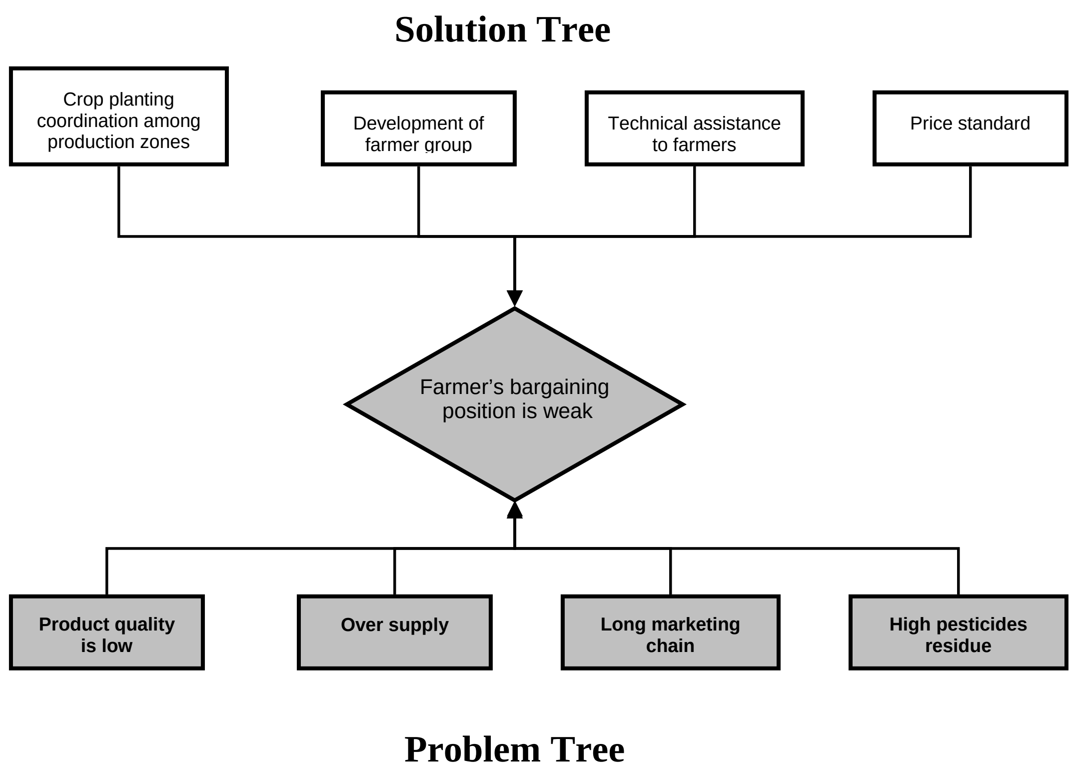
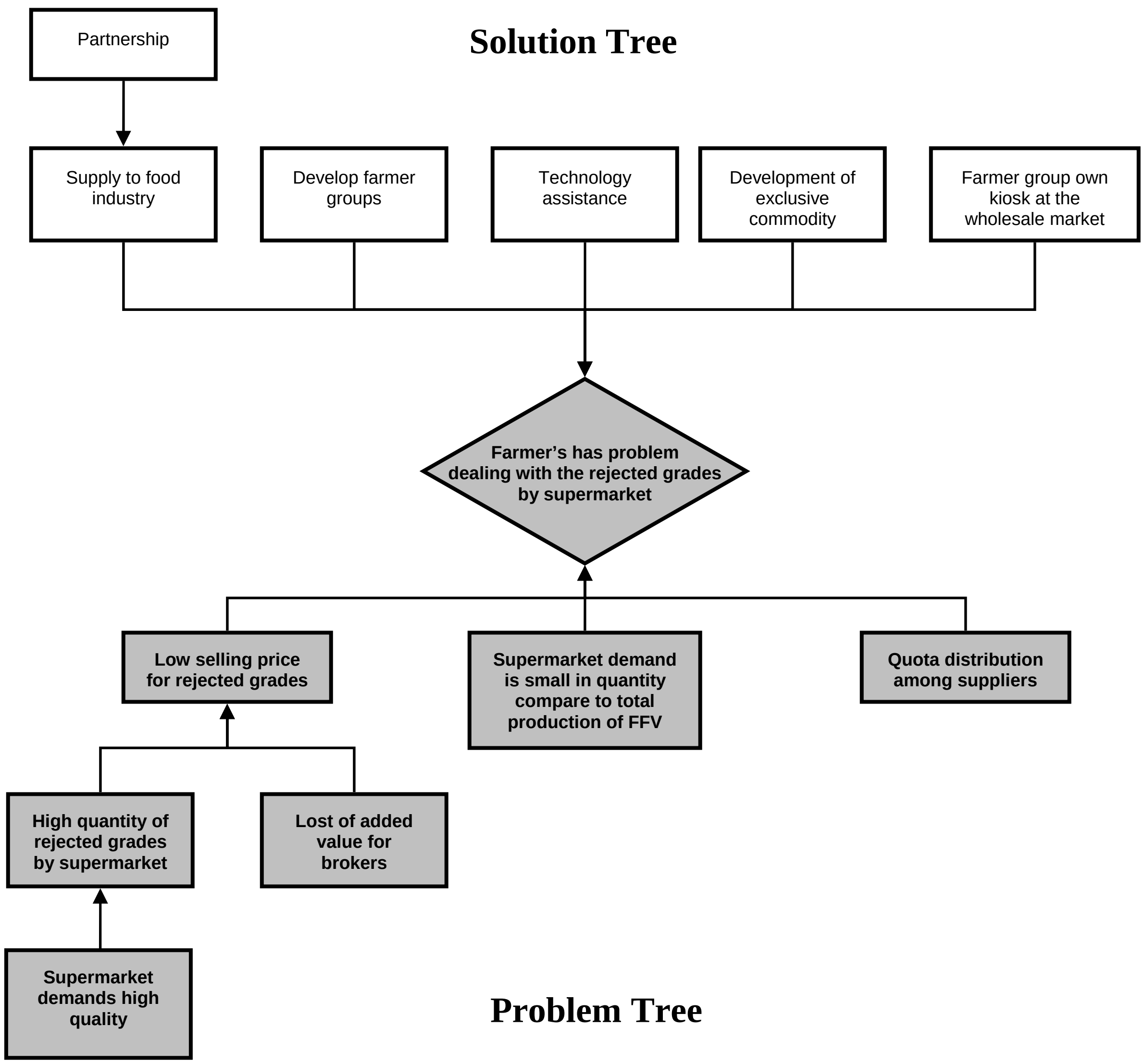


Figure 6 describes that farmer's weak bargaining position is as the result of low grade product (low quality and high residue), pressure from imbalanced competition, and separation (remoteness) from the market. As a solution, the government can encourage the development of farmer groups as a self help organization that coordinates crop planting between production zones (preventing over supply), develops product standards, and gets technical assistance support from well trained extension service agents.

Figure 7. Problem and Solution Tree Diagram for the issue of “farmer has problem dealing with the rejected grades by supermarket



The next problem that participants felt to be a factor constraining farmer’s connecting to the modern market supply chain is the problem of dealing with the rejected grades (below standard) by supermarket (Figure 7). If the rejected grades are only a small portion than it would not such a big problem, however, when the portion of the product accepted by supermarket is only 40% and the other 60% of medium and low grades product needs to be sold somewhere else, then we really have a problem. For example, from the 40% of high quality product farmers receive 30% higher price than the average market price, but from the remaining 60% of medium and low quality product farmer only receive 50% of the average price, then it just will not work. The wholesale traders heavily discount farmers who only sell the low quality to them since there is no more added value for them to perform through sorting and grading. The traders like to buy in bulk for the whole harvest, and discourage farmer to sell after the grading. Farmers lose by selling separate grades.

The main problem with the issue in Figure 7 is mainly because the low grades portion of the harvest is too high and only small portion of the harvest is high grades. It will not become a problem if the low quality is only small portion. So, the solution to the problem is how to increase the high quality portion of the harvest. To remove the problem, participants thought of developing farmer groups, giving technical assistance, and suggested to enter into a niche high value market. Another solution is by having farmer groups own a kiosk in the wholesale market or at the road side. The last idea is usually a very hard one to be implemented since most farmers are not competent in trading.

Figure 8. Problem and Solution Tree Diagram for the issue of "farmer's harvest is small in quantity and not continuous

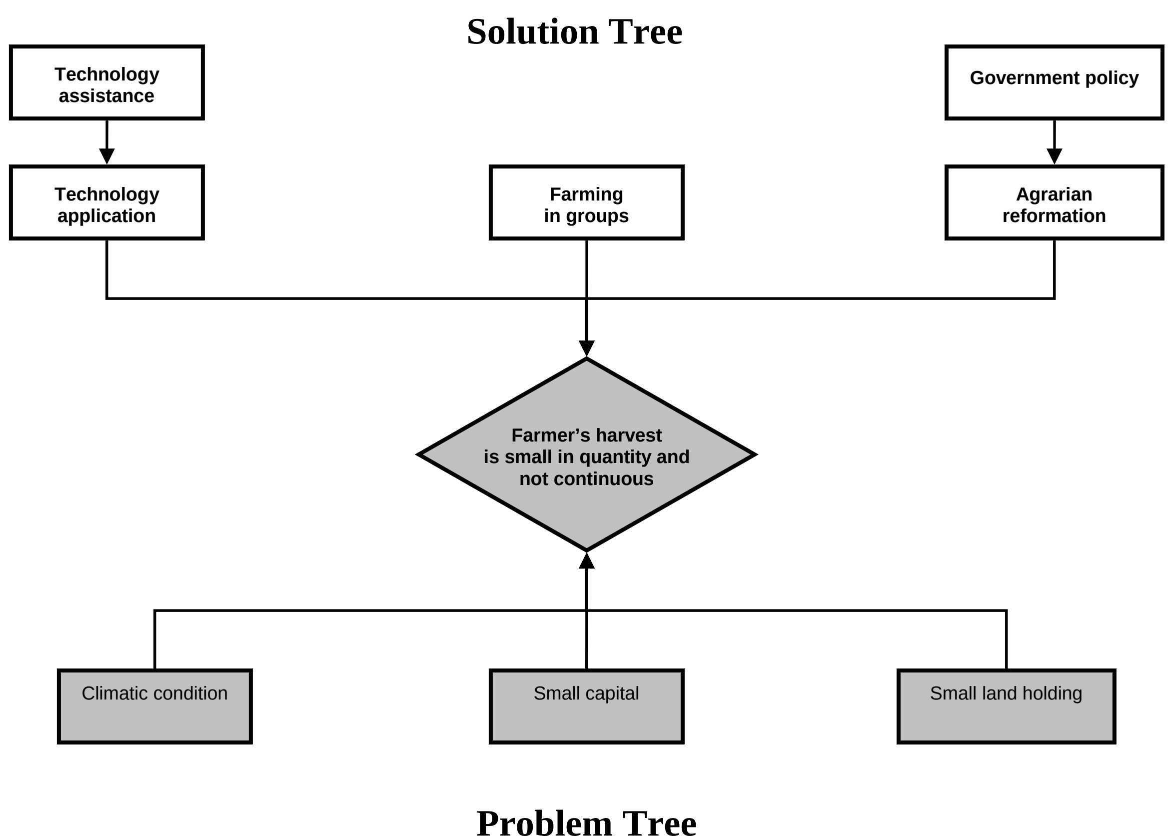


Figure 8 deals with the issue of small quantity of production and lack of continuity of production, both are natural problems of small farmer who work individually with small capital and land holding, and are constrained by the climatic condition. The clear solution to the problem and repeatedly mentioned in the earlier workshop is the importance of farmer group development. A farmer group can coordinate the cropping pattern to guarantee continuous production. However, the application of technology is also equally important to produce high quality product, efficiently and continuously. Some participants wanted to address the possibility of agrarian reform by distributing government land that is currently designated forest land and large plantation. While theoretically it is possible and would improve to some degree the inequality of land distribution, practically this policy is difficult and very sensitive. So, it looks that farmer group development and technology application are the most possible solution.

Figure 9. Problem and Solution Tree Diagram for the issue of "Low quality of farm product"

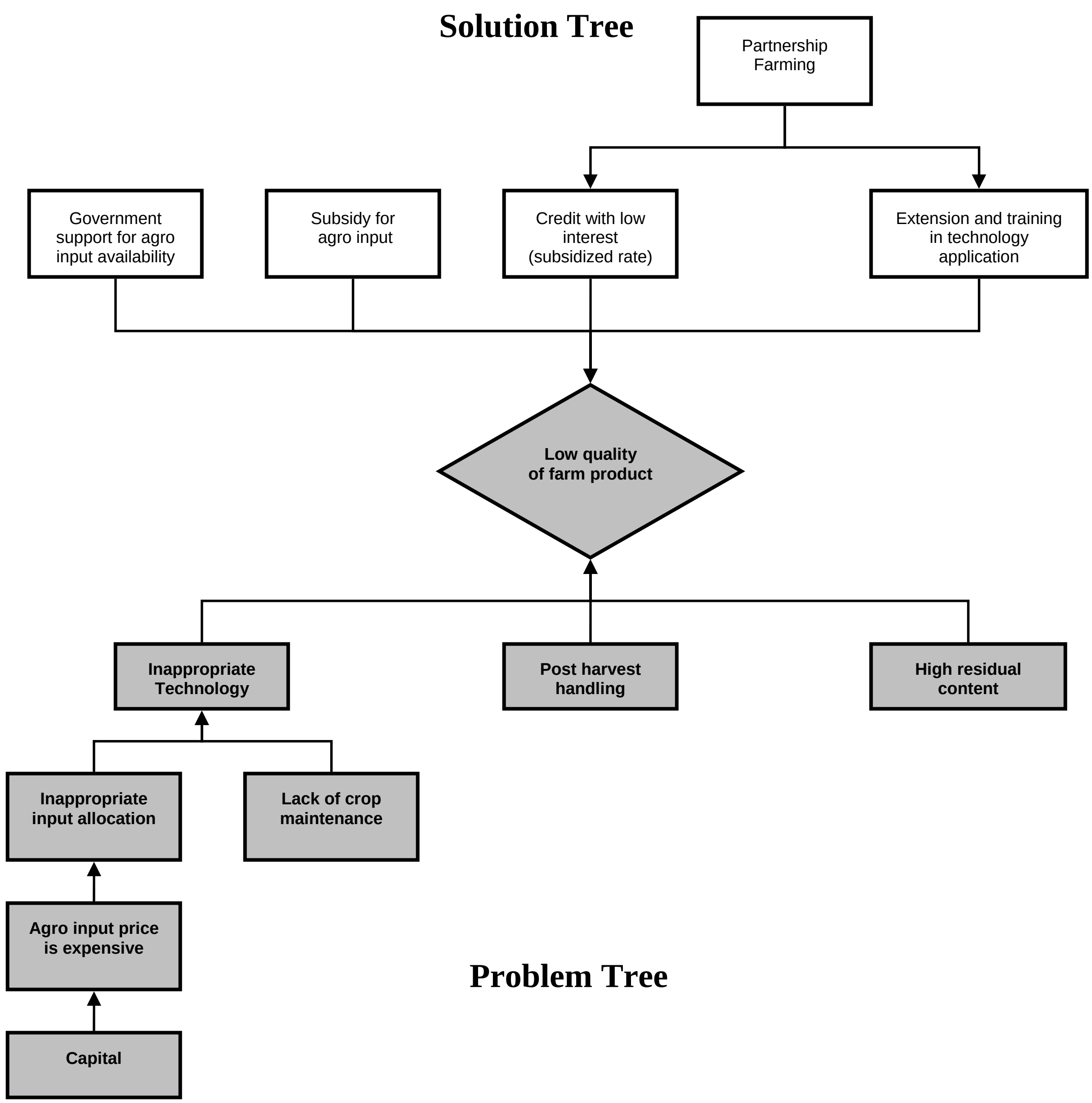
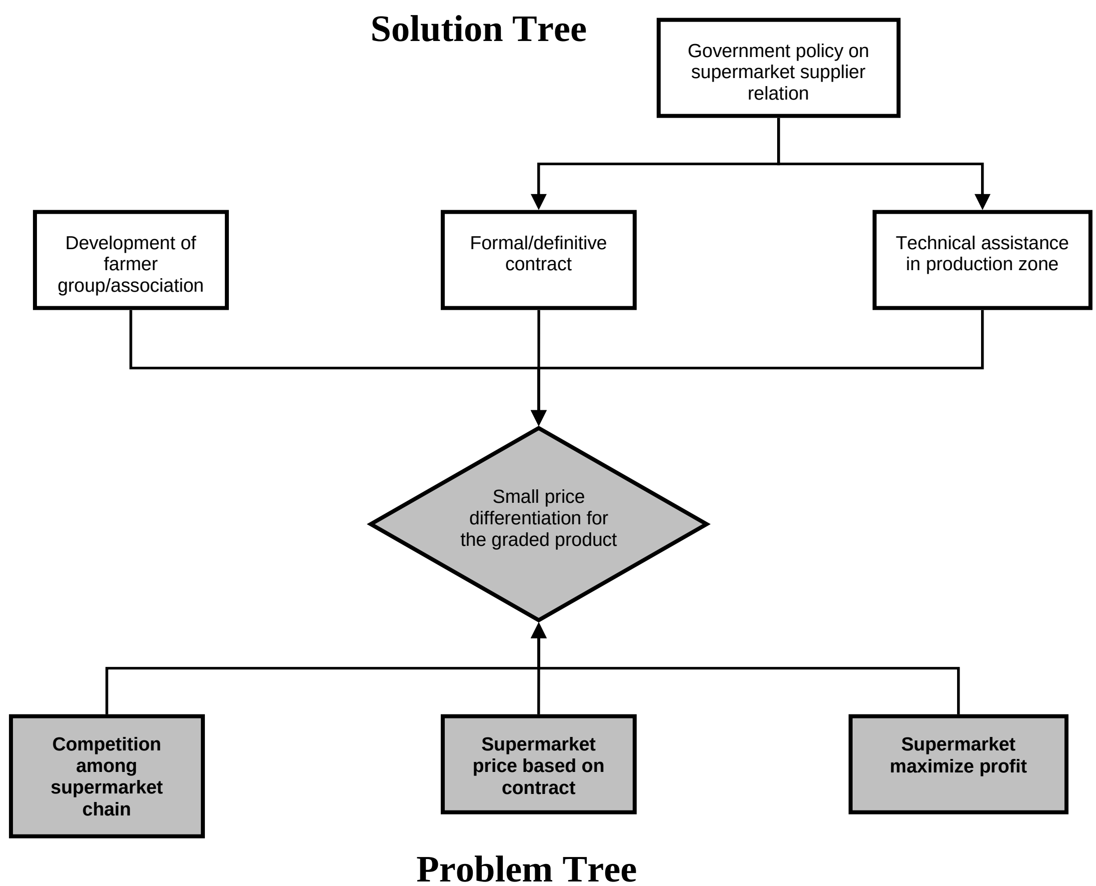


Figure 9 describes a classic problem of the small farmer, that of low product quality. The problem is related to the small capital owned that makes inappropriate technology usage, low maintenance, and also inappropriate or even no post harvest handling. The participants suggest that the government needed to support small farmers by guaranteeing the input availability, providing input subsidy, and offering low interest (subsidized) capital interest. However, this represents very classic policy support for small farmers. On the other hand, today, the government, local and the central government, has very limited budget allocation for subsidy. Thus, farmers need to be given incentives through training in technology application and efficient use of inputs.

Figure 10. Problem and Solution Tree Diagram for the issue of "small price differentiation for the graded product for supermarket"



Small price differentiation problem such as described by Figure 10 is not conducive to encourage farmers to perform sorting, handling, and gradng. To encourage farmers to produce higher quality product, farmers need to apply appropriate technology and put in more investment. However, without good price differentiation, farmers will not be interested to make any improvement or investment.

To overcome the problem, first, farmer need to work in a group or association. As a group, farmers can make a contract directly with supermarket, or also can creates positive influence to the local market through a better bargaining position. With the support of technical assistance and working cooperatively with supermarkets and or specialized wholesalers, farmer groups can influence the market price toward a more standardized price based on the product quality. That way, farmers will enjoy a premium when they work harder, giving good inputs, and invest in technology.

6. WHOLESALER AND MODERN MARKET CHAIN WORKSHOP

The third day of the workshop on Thursday, August 3, 2006, was a meeting with supermarket chains, food industry, specialized supermarket wholesaler, food industry supplier, and food industry partners. There were 16 participants attended the workshop. The meeting was held at Rectorat Meeting Room, Padjadjaran University at Jl. Dipati Ukur 35 Bandung. After an introduction and presentation about value change mapping, trends and drivers, the participants were asked to formulate scenario mapping (Step 3), inclusion and exclusion (Step 4), institutional and policy barriers (Step 5) and rank opportunities and consider option/key entry points for possible action, including the role of private sector (Step 6). The first question asked to the participants was:

- *What are going to be the key drivers affecting FFV procurement for the modern market in the next 10 years*

To speed up the process, we asked the participants to write their respond on card with different colours. Different question responded with different colour cards. The same as before, participants could respond with more than one answer. The participants responses were collected and consolidated into groups as described below:

1. Quality requirements will get higher, leading toward food safety standard (health concern) and organic products
2. Changes in procurement system by the modern market (import, contract farming, it all depends upon the respond from local farmers)
3. Structural changes in the supply chain relationship (upward-downward)
4. Social institutional structure of farmers will (expected to) respond to the changing demand
5. Supermarkets will no longer be considered as modern market (in contrast to traditional market) but it will be just ordinary daily market to shop for most people
6. Number of supermarket chains will increase, number of supermarket outlets (shop) will increase even more. Competition among supermarket chain will increase and be more competitive
7. Opportunity to market products through supermarket chain will be increase
8. Supplies to the modern market will naturally be sorted and selected, the most efficient supplier will arise as champions in the competition
9. Imported fresh products in the modern market retail will increase

The response from participants described very good knowledge about the changing dynamic market. Note that two major supermarket chains and food industry representatives were present in this meeting, and the rest were specialized suppliers and food industry vendors. The participants noted that even though the standard requirement of product quality will be tougher and leading toward organic and healthy product, the majority will still be non-organic but of higher quality because must compete with the imported quality. At present, organic and non pesticides consumers are about 20%, it is expected to be 40-50% in the next 10 years. With the introduction of HACCP standard to several leading farmer group partners by MOA (including in Lembang), it is expected that the awareness about allowable pesticides residual standard among farmers will also increase. However, this MOA programme according to the participants has problems in the field application, which is commonly happen because of poor implementation design.

In the discussion, participants also commented that the high level of fresh import product, especially fruit, is not because the consumer prefer imported product, but because the local product from farmers lacks quality standard, is uncertain in quantity availability, and cannot be produced in continuity. This statement is consistent with the information we have from the meso interviews. From the consumers point of view fresh local agricultural produce in a supermarket may look more expensive. It happens not because the supplier has received high margin and profit, but because of the length of marketing channel. The added value tax to the government (PPn) that pass on to consumer was noted also as an issue that increase the selling price.

The second question asked to the participants was the impact of the scenario they predicted:

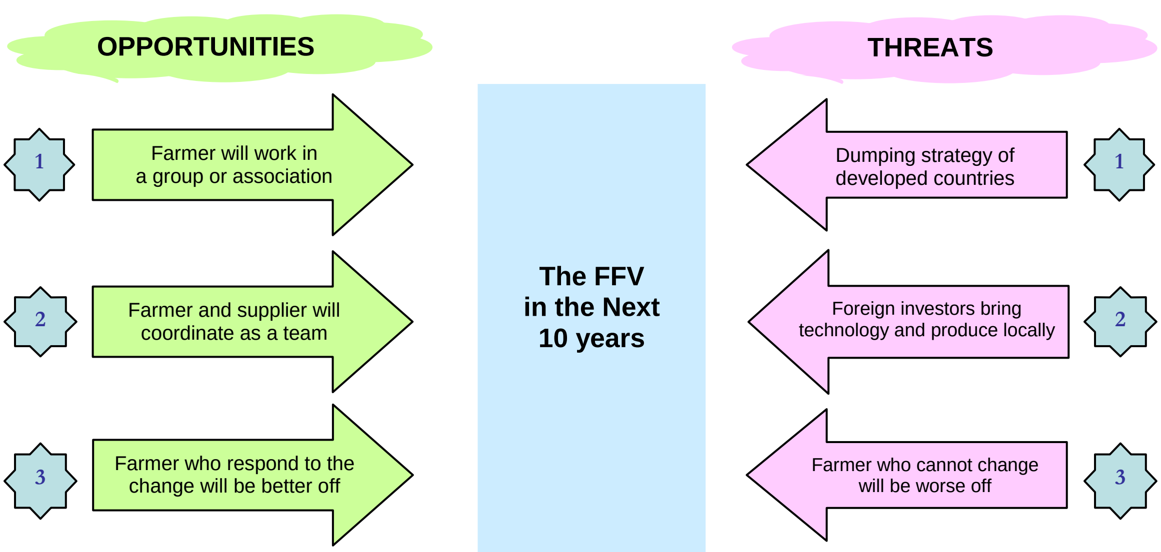
- *If the projections are likely to happen, what are the impacts to the inclusion of farmers in to the procurement system of the dynamic market?*

After grouping the responds, we have 6 possible situations that will likely to happen, those are:

1. Farmer who can respond to the change in demand will be better off
2. Farmer who cannot respond to the change will be worse off
3. Foreign investment will increase, including the high technology brought along with them to the production level
4. Farmer will be forced to work in groups or associations
5. Dumping will likely happen
6. Farmers and suppliers will be forced to coordinate themselves into a group

The participants almost certainly felt that if nothing changed with small farmers, in the next 10 years, they will be only be spectators of what is going on in the FFV market, and will not be able to earn from the market opportunity that will grow very quickly. If nothing changes, one possibility is the increase in importation of FFV which will flooded to Indonesia, with or without dumping policy since it is demand driven phenomena. Another possibility is that foreign farmers or companies will bring their technology and grow plants in Indonesian farmer's back yard. In that situation, at the most, Indonesian small farmers will only be the labourers of foreign companies. That will be very tragic but the threat is real. The situation was then put into force field analysis, to become opportunity and threats map as in Figure 11.

Figure 11. Force Field Analysis for the FFV markets scenario in the next 10 years during the Modern market chain meeting



The third question asked to the participants was the role of private sector in supporting the inclusion of small farmer in the modern market supply chain:

- *What kind of role and under what kind of institutional setting that private sector like to take part in supporting the inclusion of small farmers in the supply chain to modern market?*

After grouping the response, we have 5 roles that private sectors are willing to take part to support the inclusion of small farmers, these are:

1. Develop special partnerships with farmers in groups
2. Giving technical assistance to farmers on production, cultivation, and farm business management
3. Communication forum for the supply chain
4. Recommendation for credit from banking institution
5. Operational partnerships

The participants responded that it is impossible to develop a partnership with individual small farmers, the coordination cost and monitoring cost will be too high. So, the private sector is willing to develop a partnership with farmers only if they form a group. For example IndoFood Company (potato chips processor) imposed this requirement that farmers had to form a group in order to be supplier for the company. Then, the Indofood Company provides technical assistance in production and post harvest handling. But the company complained that it was difficult to maintain the groups in a long term relationship. Bimandiri, specialized wholesaler to supermarket, did not require farmers to develop farmer groups but only encouraged farmers to coordinate as a group to arrange cropping pattern on order to create a continuous supply. On the other hand, Hypermart (Matahari Group) requires their suppliers to visit their office at least once a year to discuss their supply track record, competency, and standard guidance for the FFV procurement. The participants also expected more partnership with the university and research centers.

The fourth question asked to the participants was the policy and institutional setting needed from the government:

- *What kind of policy and institutional setting needed to enable farmers to directly participated in a modern market supply chain??*

After grouping the response, the 12 policy suggestions from the private sector were:

1. Special policy on agricultural credit to support commercial small farmer operational needs, especially for inputs and labourers. This is a lot higher than for rice farming
2. Removal of value added tax for local agricultural products
3. Policy support on factor inputs availability
4. Fair protection for farmers and farmer groups (for example on value added tax that imposed on supermarket that is then passed down to farmers)
5. Increase financial resources accessibility for all actors in the supply chain
6. Equal access to the use of land and usufruct (HGU)
7. Simplify the trade regulation (local and inter island trade)
8. Policy for the improvement of basic infrastructure, including infrastructure to the production zones
9. Improvement and revitalization for the role of cooperatives in rural areas
10. Support for product knowledge development to farmers through extension service agents
11. Fully controlled and monitored import policy
12. Price policy for local products (closely connected to the import policy).

The participants emphasized the low level of support from formal banking institutions, especially for on-farm operation within the supply chain. Only two banks, one state owned and one private, provide credit without collateral for on-farm cultivation with the requirement that the farmers have to form a farmer group. They also mentioned about possible incentives for the local FFV market by removing value added tax for local products. The value added tax (PPn) has to be paid by consumers and this makes the local product more expensive and difficult to compete with cheap imported products. Because fertile land in Java Island, which most suitable for vegetables, is getting scarce and competes with urban use, there is a crucial need for government to give usufruct not only to large plantations but also to farmer groups. The participants also complained about how difficult it is to do inter-island shipment. They felt it almost like the procedures to export where there are also many illegal charges. It is easier to import than to do the inter-island shipment. They expressed how difficult it was to get good local fruit from other island, like for example: Medan citrus from Sumatra. Finally, the participants also think it maybe good to strengthen the village cooperative again like in the early 90's when the government supported fully the green revolution to increase local production of grain (rice).

As the last note before the workshop end, the participants appreciated the discussion and communication between private sectors, the university and policy makers that developed through out the workshop. They expect a greater university role in research and inputs for policy discussion that can bridge the wide gap between the government programme and the market progressive changes. The last day of these series of policy and institutional mapping workshop was closed at 13.05 PM by the organizer chair.

7. EVALUATION AND REFLECTION

One day after the workshop, the component and regional coordinators, Felicity Proctor, Jim Woodhill, and Larry Digal meet again with the local Regoverning Markets team from CAPAS on Friday, 4 August 2006 at the Post-Graduate Programme meeting room to make an evaluation and gave feedback to the project administrator from the experience just learned in the workshop process.

The team felt that there had been significant benefits from the policy and institutional mapping initiative, specifically fostering strategic links between C1 and C3 activities and creating a platform whereby C1 outputs can feed into multi-stakeholder processes of C3 including policy and institutional mapping. It was agreed that the framework of the policy and institutional mapping initiative has the potential to help processing of outputs from the C1 work and to enable these to be fed into policy processes. The group agreed that it had been a valuable learning process and was one building block of a longer term engagement. CAPAS will proceed with putting in place the national reference group and the regional coordinator will ensure funds are transferred. The policy and institutional mapping process itself also has the potential to define case examples for C2 type studies.

The team reflected on the no-show of some participants from the trade/private sector and some key public sector players for the multi-stakeholder and supermarket group meetings reflecting that participants had confirmed but did not on the day participate. The CAPAS team felt that this should be followed through with more specific and focused meetings targeted towards particular stakeholder categories in due course.

The CAPAS team felt it would be helpful to separate out in the toolkit the types of instruments and methods that may be useful for strategic analysis i.e. work that the team themselves could undertake internally and those instruments that are useful for application in multi-stakeholder meetings. The tools need to be classified according to operational tools compared to those for analysis. Hence, the tool kits should be noted as:

- Analysis tools use to uncover and describes the phenomena, based on the actual meso study, in such away that the presentation can be easily understood by the participants
- Focus group discussion facilitating tools, to guide and facilitate the group to handle complex and controversial issues

A section on process methods for multi-stakeholder meetings would also be useful as a supplement to the toolkit. Some tools needed more elaboration e.g. future scenarios.

The group felt that the tools themselves had been useful – and it was noted that CAPAS had utilized and tested some of these tools in the overview PowerPoint that had been prepared in advance of the meetings. It was agreed that a certain level of skill is required to maximize the use of these tools.

To conduct such a workshop, the organizing team needed to have:

- good knowledge of the subject and the use of appropriate analysis tools
- enough man powers
- skill in facilitating a group discussion, and
- knowledge of alternative facilitating tools

Specifically on the toolkit and the process, the international team congratulated the CAPAS team for their skills in group facilitation including problem tree analysis, fishbone analysis, effective use of cards and ranking. It was noted that this was labor intensive i.e. in the order of eight CAPAS staff were involved in the group sessions. This level is needed in order to take the process forward including synthesis of findings during the meeting. It was agreed that the room layout in the University had not been ideal in terms of engaging the stakeholders with the visualization. It was also noted that perhaps more time could have been spent in supporting small group discussions and debate of issues before finalizing points for presentation on cards.

Building up the trust of the private sector and embedding within national and local policy is seen as critical and the lessons learned from the institutions and policy mapping initiative was seen as useful in this respect. The challenge remains to flip from analysis towards intervention and action and that step has yet to be fully developed.

It was further noted that whilst the process may not itself generate new information it was seen to provide additional depth including values and perceptions of differing stakeholders. Given the importance of values and perceptions, teams should aim to prepare as much as possible the information before the workshop in order to push further on what is already known. This will strengthen the balance of evidence with perceptions and values.

It is recognized that there remain some unanswered questions and some excluded stakeholders for example in the banking and micro-finance sector. There is a recommendation that in some instances single stakeholder group meetings would be valuable.

The timing of the institutions and policy working meetings in Indonesia were seen to be valuable given the planned high level national meeting planned for November 2006. It was agreed that this process is of value in linking with the national seminar. The challenge in Indonesia is the need to begin thinking differently about what is known and how to use the material that is known to inform the national process and planning for intervention. Given the process of decentralization in Indonesia and the importance of decentralization of policy and institutional change including support to economic activity many of the tools and instruments have the potential of being supportive of these processes.

In taking the agenda forward and perhaps in advance of the national seminar, opportunities should be taken to link with other agencies including USAID – Programme on farmer empowerment and technology (Agriculture and Agribusiness) and further engagement with the World Bank on possible investment strategic opportunities (e.g. learning and innovation loans or similar). It was agreed that increased emphasis should be given on moving towards action and intervention possibly including pilots of new public private partnerships and critical assessment of what works well – working less well in such areas as farmer group mobilization, contract farming.

The CAPAS team recommended the sequence be as follows:

1st meeting: Modern Market Chain Workshop
2nd meeting: Producer Workshop
3rd meeting: Multi-stakeholder Workshop

Reflecting from the workshop process, when multi stakeholder workshop in the first day, only information from meso study of C1 facilitated a discussion. There was nothing new from a future scenario setting on this meeting. Even though there are some market actors, they tend to take "wait and see" position. Some government officials try defend their programme in the meeting. It was felt to be better to have future scenario based on the view of market actor first.

During the modern market chain workshop, participants on this meeting mostly market actors with high knowledge of information and watching closely the market changes. In fact, they are the drivers of change. The participants involved in very interesting discussion on the latest development in the market (something that is unknown to the general public), demonstrating their level of competency on the issue. Since the workshop objective is to find a real solutions in how to further anticipate the changes and include small farmers in the dynamic market, the vision of the actor in the changes should be heard first.

On the producer workshop, participants on this meeting were mostly the actors involved in production. The participants engaged in very interesting discussions on the practical problems they are facing in the field without knowing what exactly is happening, which demonstrates the importance of farmers knowing what is going on in the dynamic market. This discussion session should be facilitated to create a deeper understanding of how farmers exclusion from the dynamic market occur (from the eyes of farmers) and what possibly could resolve the problem according to their expectation

At the multi-stakeholder workshop, participants on this meeting came from different backgrounds and perspectives: policy makers, government officials, farmer association, wholesalers, and traders Discussion on this session should be a summing up of all the knowledge from meso C1 study, modern market chain meeting, and producers meeting and gearing up toward possible policy scenario to include farmers in to dynamic modern market There is no need to make future scenario again, the result from 2 earlier meeting should be presented briefly and focus the discussion on finding policy solution.

It was agreed that there were indeed different sequencing that needed to be more critically addressed for an individual country. It was further suggested that meetings such as these need to be set in the context of a longer term strategic process of engagement in policy and institutional change. It was further recognized that the toolkit could be utilized at different stages of policy engagement and institutional analysis and that teams at a given country level need to be clear at what stage they are in the context of the process of policy dialogue in particular in relationship to output generation from any C1 and C2 effort.

It was further noted that a record of the meeting including participant numbers and categories would be useful for future monitoring and evaluation. For future meetings opportunities should be taken to gauge some form of baseline for monitoring change in perception and/or engagement including views on the value of such dialogue in the context of policy and institutional change. More is required on a practical note on how to use the individual tools and which tools are required for which type of group context i.e. small group or large group, multi-sector or single sector.

Overall significant progress had been made on wider policy and multi-stakeholder engagement, deepening understanding on key issues beyond the C1 output, and strengthening engagement. It was agreed that more critical thinking through of enhanced methods could be done on future scenario analysis and on pulling out specific institutional constraints/interventions along the value chain. Some of this may be done in retrospect by working through the material from the working group meetings together with the findings of the C1 research to build up a richer picture of the institutional and policy context in which this dynamic change process is taking place.

8. Press Media Coverage

The workshop was covered in the media by three newspapers, *Suara Pembaharuan*, a national circulation newspaper, *Galamedia* and *Tribun Jabar*, both were regional circulation newspapers. The newspaper clipping of those articles are available in the Appendix 4. The CAPAS team felt that news management in media should be part of the C3 programme of the Regoverning Market. Good media management for the programme will help to get wider public awareness on the issue of small farmer inclusion to the rapid development of modern market supply chain. At present, the issue of supermarket mainly concerning the replacement affect of modern retail to traditional market, but never occur to the surface about connecting small farmer to the supply chain of supermarket as the growing opportunity that happen very rapidly.

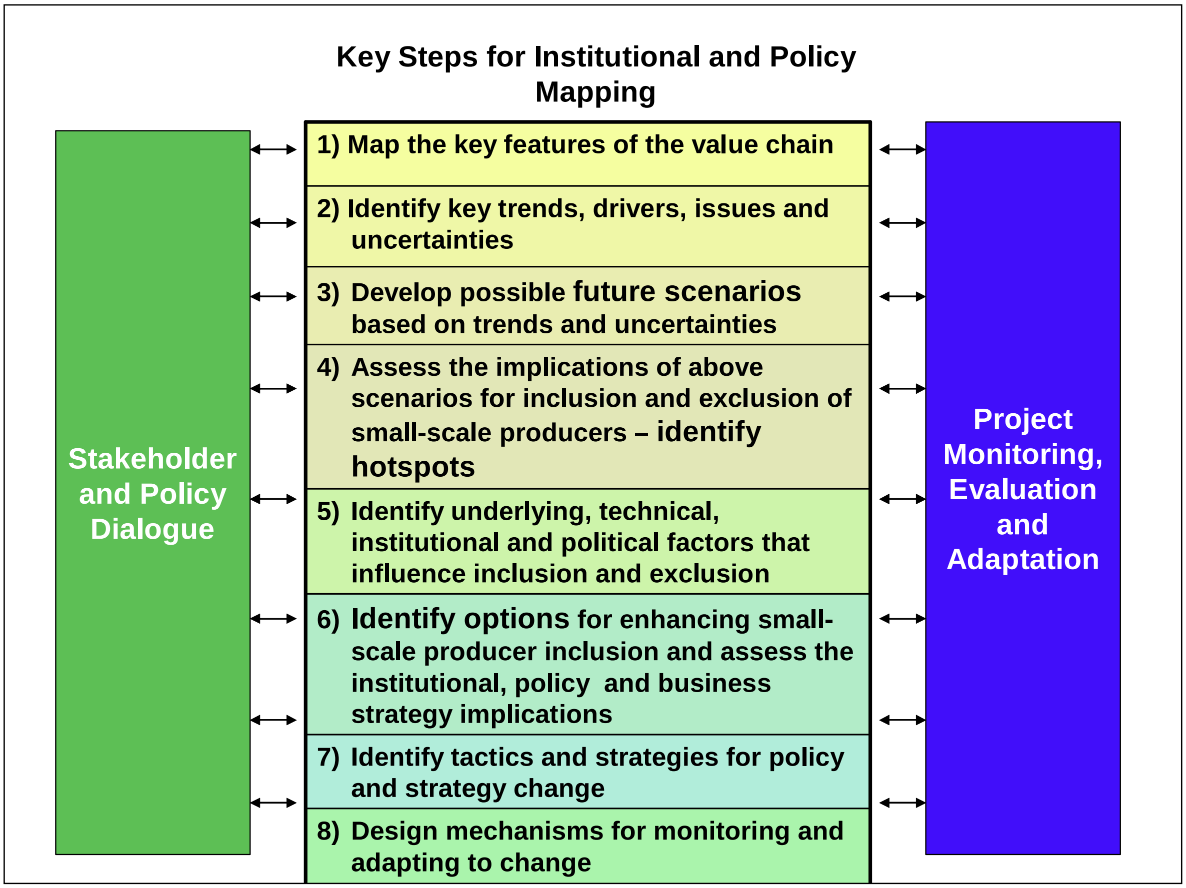
The first newspaper article appeared in *Suara Pembaruan* on August 2, one day after the workshop opening. The article put the horticultural small farmer as a subject that the government should give attention to in the agricultural policy programme planning. So far, the government only gives consideration rice farmers, because they are connected to this highly political sensitive commodity. The article further mentioned that if government is serious in the effort of increasing farmer's welfare, then small farmers of horticulture and other high value commodity is the right place to start. We should see more local fruit and vegetables appear in the supermarket rather then imported ones, hence, more and more small farmers of horticulture have their opportunity to market their products into more potential market chain.

Daily news *Tribun Jabar*, on the same day, August 2, wrote two articles about the issue related to the workshop, first about "potential agricultural product for the modern market" and, second, about "the concern of the university on small farmer's position in the modernization." The newspaper wrote that the supermarket chain is actually willing to promote local agricultural product, in fact the customer said they prefer local product since it is more fresh and of taste better. However, that opportunity does not relate well to the local producer whose product is often with low quality, only available in small quantity and not available all the time (not continuous). So, supermarket chains urge the government to help with the improvement of local agricultural products. The second article contrasts the unfortunate position of small horticulture farmers. On the one hand, the horticulture farmer has great opportunity to expand his farm business because of an expanding market, but on the other hand the farmer has no support from the government (in term of technical assistance and support) and banking institution. Further, rice farmers get all the support they need, credit, price support, and extension service. However, horticulture farming can get twice the profit to rice, and thus FFV have a high potential to alleviate poverty in the rural areas.

The last article appeared in daily news *Galamedia*, on August 3, 2006. The article titled "the modern market can only absorb 10% of local fresh product." The article mentioned that despite very little absorption of small farmer's harvest to the modern market, there are 80% of small farmers in Indonesia. Those problems occurred because small farmers only produce small quantities of mostly low quality product. The farmer has no ability to invest and adopt new technology. Thus support for technical assistance and extension agents is really needed. Another problem that makes it impossible for small farmers to be included in the supermarket supply chain is the delayed payment from the supermarket supply chain. Hence, the involvement of financial institution is crucially needed to fill the time gap that farmers need capital for the next planting.

APPENDIX

Appendix 1. Key Steps for Institutional and Policy Mapping



Appendix 2. Workshop Materials

Pemetaan *Value Chain* pada Pasar Produk Pangan di Indonesia

Dr. Ronnie S. Natawidjaja, Ir., MSc.

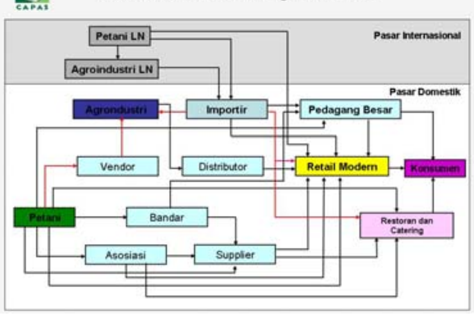
Kepala
Pusat Kajian Kebijakan Pertanian dan Agribisnis (CAPAS)
Universitas Padjadjaran

Pengembangan Kelembagaan dan Kebijakan Untuk Mendukung Keterlibatan Petani Kecil Pada Pasar Modern yang Dinamis
Bandung, 1-3 Agustus 2006

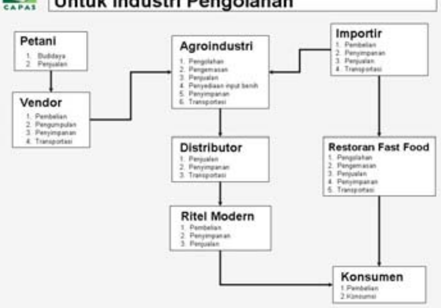
Perkembangan Pasar Modern

- Perkembangan yang sangat cepat dan mendasar telah terjadi pada struktur pasar produk makanan di Indonesia
- Yang menjadi pendorong utama perubahan mendasar pada perkembangan tata norma dan kelembagaan pasar tersebut adalah tumbuhnya pasar retail modern, restoran cepat saji dan industri pengolahan makanan
- Petani kecil yang menjadi penopang kehidupan sebagian besar kehidupan di pedesaan umumnya kurang memiliki kesiapan dan tidak dipersiapkan untuk mengahadpi perubahan tersebut
- Sementara itu, para pembuat kebijakan lebih banyak disibukan dengan memperhatikan hal-hal yang sifatnya sangat politis dan menarik perhatian publik, seperti impor beras, subsidi pupuk, dll.

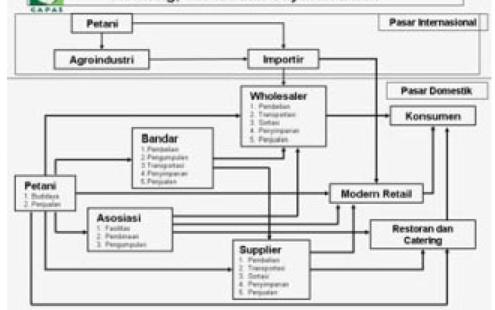
Jaringan Rantai Pasok Pada Pasar Produk Pangan Nasional



Jaringan Rantai Pasok Kentang Untuk Industri Pengolahan



Jaringan Rantai Pasokan Segar Kentang, Tomat dan Sayuran Daun



Pemicu (*Drivers*) - 1

- Krisis ekonomi telah mendorong campur tangan IMF, salah satu rekomendasinya adalah mencabut restriksi penanaman langsung modal asing (FDI) pada pasar ritel :
  - Terjadilah multinasionalisasi pasar ritel modern
- Pada proses pemulihan pasca krisis ekonomi, pertumbuhan ekonomi meningkat, hal tersebut menyebabkan :
  - Daya beli konsumen naik
  - Terjadinya pertumbuhan investasi
- Pertumbuhan penduduk mendorong terjadinya
  - Urbanisasi
  - Meningkatnya jumlah wanita yang bekerja

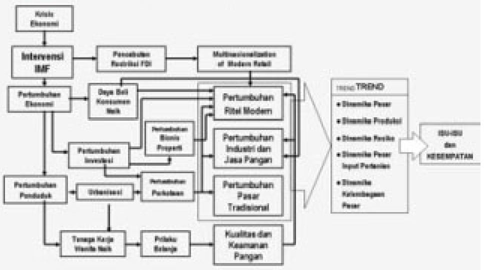
Pemicu (*Drivers*) - 2

- Meningkatnya investasi mendorong terjadinya :
  - Tumbuhnya kembali bisnis properti
  - Pertumbuhan perkotaan
- Urbanisasi mendorong terjadinya :
  - Pertumbuhan perkotaan
  - Peningkatan tenaga kerja wanita mendorong terjadinya perubahan perilaku belanja yang praktis dan nyaman serta menuntut jaminan keamanan dan kualitas pangan

Pemicu (*Drivers*) - 3

- Multinasionalisasi ritel modern, berkembangnya bisnis properti, tumbuhnya daerah perkotaan dan perubahan perilaku belanja yang mendorong terjadinya perkembangan :
  - Pasar ritel modern
  - Industri dan jasa pangan, dan juga
  - Pasar tradisional

Pemicu (*Drivers*) dan *Trend*



Perubahan dalam Rantai Nilai (Trend): Dinamika Pasar

- Munculnya saluran pemasaran alternatif
- Peningkatan permintaan produk segar dan pangan olahan
- Tuntutan keamanan dan kualitas pangan
- Perubahan sistem pengadaan
  - Pasar Modern: Pemasok khusus dan Contract Farming
  - Industri : Vendor dan Contract Farming
  - Jasa pangan : Pemasok khusus

Perubahan dalam Rantai Nilai (Trend): Dinamika Pasar

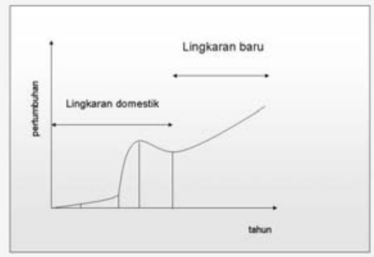
- Dinamika Pasar Modern
  - Persentase pertumbuhan penjualan (1999/2003)
    - hypermarket : 148,3 %
    - Supermarket : 36,5 %
    - Convenience Store : 64,7 %
  - Penjualan ritel pangan di semua katagori pasar meningkat
- Dinamika pasar industri dan jasa pangan
  - Penjualan pada semua katagori meningkat
  - Belanja pangan olahan cukup besar dan meningkat

Perubahan dalam Rantai Nilai (Trend): Dinamika Pasar

- Lingkaran domestik
  - Pengenalan : 1970an
  - Stagnasi : 1970-1983
  - Percepatan Pertumbuhan (87 %) : 1983-1990
  - Menurun (-12 %): 1990-1997
- Lingkaran baru (1998- sekarang)
  - Multinasionalisasi
  - Konsolidasi
  - Perubahan pada pola
  - Ekspansi

Pemicu: Pencabutan Restriksi FDI

Lingkaran Bisnis Pasar Modern di Indonesia



Perubahan dalam Rantai Nilai (Trend): Dinamika Produksi

- Perubahan jenis komoditas
  - Garut : Palawija dan teh menjadi kentang dan tomat
  - Bandung (Ciwidey): Bawang putih menjadi tomat dan sayuran lain
  - Penyebab : rasionalitas petani (profitabilitas dan gestation period)
- Perubahan varietas :
  - Tomat : TW-Arthaloka-Marta
  - Kentang: Hammer-test-ketela-granola-atlantis
  - Penyebab : promosi perusahaan benih (formulator) dan penangkar benih lokal
- Kenaikan biaya produksi
  - Biaya input naik
  - Penurunan produktivitas

Perubahan Teknologi :
- Mulsa dan Turus
- Intensitas penggunaan pestisida
- Penggunaan pestisida organik

Perubahan dalam Rantai Nilai (Trend)

- Dinamika Pasar Input
  - Multinasionalisasi produsen input (bibit, pestisida dan alat mesin pertanian)
    - Promosi penjualan yang intensif (formulator) : interaksi langsung dengan petani
    - Produk input yang bervariasi
    - Penangkar benih lokal (kentang)
- Dinamika Resiko (Tools 18, 21)
  - Pemasaran
    - Kentang :
      - harga relatif stabil
      - profitabilitas normal
    - Tomat :
      - Harga fluktuatif
      - Profitabilitas ekstrim (untung besar-rugi besar)

Petani cenderung mengambil resiko

Perubahan dalam Rantai Nilai (Trend): Dinamika Resiko

- **Produksi**
  - Lahan yang relatif kecil
    - Produktivitas menurun (kualitas lahan menurun)
    - Konversi lahan
    - Harga beli dan sewa mahal
  - Harga input meningkat
  - Penggunaan input meningkat
  - Pengurangan intesitas penanaman
- **Keuangan**
  - Memanfaatkan sumber pembiayaan dari pembeli dengan korbanan yang lebih tinggi
  - Tidak ada pembukuan keuangan pertanian
- **Sumberdaya manusia**
  - Pengembangan kualitas SDM menjadi beban pelaku (penyuluhan terbatas)
  - Harga kebutuhan pokok meningkat menyebabkan upah tenaga kerja meningkat
- **Hukum**
  - Penggunaan lahan negara untuk budidaya
  - Kontrak tidak tertulis : ketidakpastian komitmen

Perubahan pada *Value Chains* (*Trend*): Dinamika Hubungan Petani dengan Pasar

- Ada kecenderungan bahwa bandar dan pengumpul mengikat petani dengan pembiayaan input dan kredit konsumsi (interlocked market):
  - Harga input lebih mahal
  - Harga jual petani lebih rendah
- Industri pengolahan melakukan Contract Farming (contoh: Indofood) dengan petani
  - memberikan benih kentang atlantik (dikontrol)
  - Memberikan jaminan pasar dan harga
- Bandar dan pemasok khusus supermarket menjadi lebih terkonsentrasi, karena jumlahnya menurun (umumnya kesulitan dalam hal pembiayaan karena adanya pengunduran pembayaran)

Persentase Pertumbuhan Penjualan Ritel Berdasarkan Tipe Toko 1999/2003 to 2002/2003

Keterangan	1999 / 2003 (Tanpa Pasar Trad.)	2002 / 2003 (Tanpa Pasar Trad.)
Koperasi	74.0	11.1
Toko	66.5	13.7
Minimart	64.7	13.0
Supermarket	36.5	8.1
Department Store	36.7	7.3
Perkulakan	19.5	4.8
Hypermarket	148.3	32.0

Source: Euromonitor, 2004

Perubahan pada *Value Chains* (*Trend*): Dinamika Hubungan Petani dengan Pasar

- Bandar pengumpul dan suplyer umumnya melakukan lebih dari satu fungsi pemasaran
  - Pertukaran
  - Fisik
  - Fasilitas
- Daerah Lembang lebih banyak terdapat pemasok khusus supermarket, karena:
  - Infrastruktur lebih baik
  - Akses terhadap pasar lebih tinggi

Penjualan Ritel Makanan Berdasarkan Tipe Outlet 1999-2003 (Rp. 000.000.000)

Keterangan	2001	2002	2003	2004est	2005est
Koperasi	9,161	10,802	12,003	13,466	15,122
Toko	32,003	36,246	41,201	44,000	48,958
Minimart	2,615	2,946	3,328	3,944	4,681
Supermarkets	9,981	10,756	11,625	12,636	13,761
Hypermarkets	1,995	2,720	3,590	4,739	6,351
Wet market	204,685	231,846	263,826	291,931	322,241
Others	8,575	9,829	11,550	13,444	15,675
Total	269,044	305,144	347,122	384,160	426,790

Source: Euromonitor, 2004

Perubahan dalam Rantai Nilai (*Tren*): Dinamika Kelembagaan Pasar Produsen

- Kecenderungan bandar dan pengumpul untuk mengikat petani dengan pembiayaan input dan konsumtif (interlocked market):
  - Harga input lebih mahal
  - Harga jual petani lebih rendah

  Eksploitatif
- Industri melakukan CF (co. Indofood)
  - memberikan input atlantik (dikontrol)
  - Memberikan jaminan pasar dan harga
- Konsentrasi bandar dan pemasok khusus supermarket : harus mampu membiayai pasar ritel modern (banyak yang tidak tahan)
- Lembang lebih banyak pemasok khusus
  - Infrastruktur lebih baik
  - Akses terhadap pasar
- Bandar, pengumpul dan pemasok umumnya melakukan lebih dari satu fungsi pemasaran
  - Pertukaran
  - Fisik
  - Fasilitas

Penjualan Layanan Jasa Makanan Berdasarkan Sektor 1999-2003 (Rp. 000.000.000)

Keterangan	1999	2000	2001	2002	2003
Café dan Bar	7703	8761	10427	12103	13928
Restoran Biasa	32881	41367	52678	63626	74985
Restoran Cepat Saji	2607	3403	4287	5033	5872
Layanan Antar/Take away	81	90	111	134	154
Café Swalayan	629	703	824	961	1134
Warung dan kios	4395	4799	5434	6270	7051
Total	48297	59123	73760	88116	103124

Source: Euromonitor, 2004

Jumlah Outlet Ritel Berdasarkan Type 1999 - 2003

Keterangan	1999	2000	2001	2002	2003
Koperasi	74,751	79,512	84,510	89,748	95,264
Toko	70,300	74,952	80,031	85,421	91,305
Mimimart	1,025	1,121	1,225	1,325	1,615
Supermarkets	1,173	1,210	1,255	1,312	1,377
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Wet market	10,430	10,452	10,475	10,502	10,532
Total	179,800	196,100	216,700	237,000	261,000

Source: Euromonitor, 2004

Isu Masalah

Dari dialog dengan para petani, pedagang dan para supyer supermarket pada saat PRA yang dilakukan di Pangalengan, Garut dan Lembang selama Bulan April 2006, diketahui beberapa masalah yang mengakibatkan **sedikitnya keterlibatan petani kecil pada pasokan ke pasar modern**. Wawancara juga telah dilakukan dengan bagian pembelian sayur dan buah-buahan segar di beberapa supermarket/hypermarket besar pada bulan yang sama.

Masalah Petani

- Modal petani kecil sehingga sulit menghasilkan produk yang berkualitas, biaya input tinggi
- Terikat pada bandar yang memberikan modal
- Terlalu lamanya masa pembayaran
- Rendahnya pengetahuan teknologi, tidak ada penyuluh yang kompeten
- Permintaan pasar modern masih kecil, sehingga hanya bisa menampung sedikit dari hasil panen

Masalah Bagi Suplier

- Lamanya masa pembayaran dari supermarket, tapi pembayaran ke petani harus tetap bayar tunai sehingga perlu modal besar
- Piutang pasar modern tidak bisa dipakai jaminan untuk pinjaman modal
- Petani memiliki komitmen yang rendah terhadap perjanjian atas jaminan kualitas dan kuantitas
- Rendahnya pengetahuan teknologi petani, tidak ada penyuluh yang membantu memperbaiki kualitas petani
- Banyaknya beban-beban biaya (fee) dan potongan dari pasar modern
- Harga pembelian oleh pasar modern selalu ditekan semurah mungkin sehinga tidak ada sisa untuk biaya pembinaan petani

Masalah Bagi Supermarket

- Kualitas produk lokal (buah-buahan dan sayuran) seringkali tidak konsisten dalam keseragaman kualitas dan kuantitas tidak stabil (sangat musiman)
- Sulit berurusan bisnis dengan petani, karena mereka berusaha sendiri-sendiri, tidak dalam kelompok. Sehingga pasokan tidak bisa kontinyu
- Komitmen terhadap perjanjian yang sudah disepakati rendah

Peluang

- Bagaimanakah peran lembaga keuangan (perbankan/non perbankan) bisa mengatasi masalah petani dan suplyer untuk modal berjalan? Kebijakan pemerintah apakah yang dibutuhkan untuk meningkatkan pelayanan keuangan bagi petani kecil yang terlibat pada jaringan pasok ke supermarket?
- Bagaimanakah memerankan balai dan lembaga penelitian untuk dukungan teknologi bagi pasokan ke supermarket dalam meningkatkan kualitas dan jenis produk yang dibutuhkan?
- Bagaimanakh memberdayakan penyuluh pertanian agar mampu membantu petani dalam menguasai teknologi yang dibutuhkan? Apakah peranan swasta dalam hal bimbingan teknis ini? Maukah swasta turut membantu mengatasi masalah ini
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CAPAS

Dialog Kebijakan Untuk Mendorong Partisipasi Petani Kecil Pada Rantai Pasok Pasar Modern (Hypermarket/Supermarket)

Bandung, 3 Agustus 2006

Kerjasama:
Center for Agricultural Policy and Agribusiness Studies Padjadjaran University, Regoverning Market Project

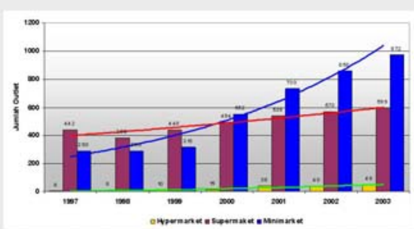
1

Perkembangan Pasar Modern

- Perkembangan yang sangat cepat dan mendasar telah terjadi pada struktur pasar produk makanan di Indonesia
- Yang menjadi pendorong utama perubahan mendasar pada perkembangan tata norma dan kelembagaan pasar tersebut adalah tumbuhnya pasar retail modern, restoran cepat saji dan industri pengolahan makanan
- Petani kecil yang menjadi penopang kehidupan sebagian besar kehidupan di pedesaan umumnya kurang memiliki kesiapan dan tidak dipersiapkan untuk mengahadpi perubahan tersebut
- Sementara itu, para pembuat kebijakan lebih banyak disibukan dengan memperhatikan hal-hal yang sifatnya sangat politis dan menarik perhatian publik, seperti impor beras, subsidi pupuk, dll.

2

Perkembangan Pasar Modern



Sumber: DRI, 2003, Visidata, 2003

Rata-rata pertumbuhan per tahun = 14,63%

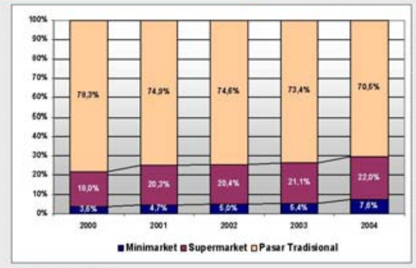
3

Perkembangan Pasar Ritel Modern Masih Terpusat di 4 Wilayah, tapi ....

Sumber: AC Nielsen, 2004

4

Ritel Modern Mengambil alih Pasar Tradisional 2% per Tahun



Sumber: AC Nielsen, 2004

5

Tujuan Dialog Pelaku

- ***Memahami permasalahan** dan **mencari model untuk membangun kerangka kebijakan agar Petani Kecil bisa terlibat pada rantai pasok ke Pasar Modern secara mandiri dan berkelanjutan***

6

Penyelenggara

- Ketua:
  Dr. Ronnie S. Natawidjaja
  Direktur CAPAS UNPAD
- Anggota:
  - Dr. Lies Sulistyowati
  - Dr. Yosini Deliana
  - Trisna Insan Noor, DEA.
  - Tomy Perdana, MM.
  - Gema Wibawa Mukti, SP.
- Pendukung:
  Hanny, Win, Mahra, Riska, Ocil

7

Regoverning Market Project

- Dr. Felicity Proctor
  Natural Resources Institute
  University of Greenwhich, UK
- Dr. Jim Woodhill
  International Agricultural Center, Wageningen, The Netherlands
- Dr. Larry Digal
  School of Management
  University of the Philipines in Mindanao

8

Pemetaan *Value Chain* pada Pasar Produk Pangan di Indonesia

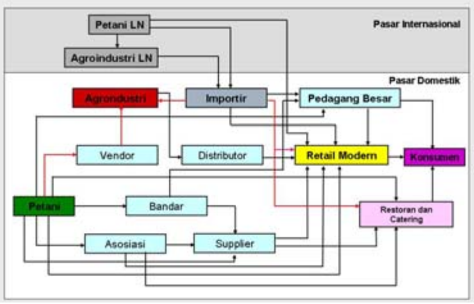
Dr. Ronnie S. Natawidjaja, Ir., MSc.

Kepala
Pusat Kajian Kebijakan Pertanian dan Agribisnis (CAPAS)
Universitas Padjadjaran

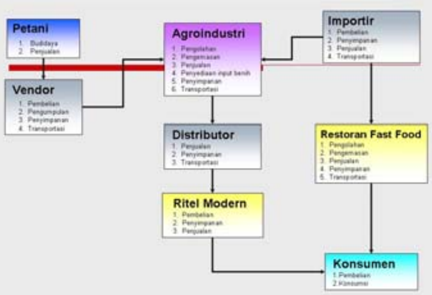
Pengembangan Kelembagaan dan Kebijakan Untuk Mendukung Keterlibatan Petani Kecil Pada Pasar Modern yang Dinamis
Bandung, 1-3 Agustus 2006

9

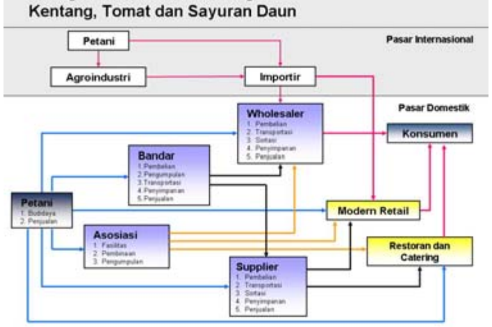
Jaringan Rantai Pasok Pada Pasar Produk Pangan Nasional



Jaringan Rantai Pasok Kentang Untuk Industri Pengolahan



Jaringan Rantai Pasokan Segar Kentang, Tomat dan Sayuran Daun



Pemicu (*Drivers*) - 1

- Krisis ekonomi telah mendorong campur tangan IMF, salah satu rekomendasinya adalah mencabut restriksi penanaman langsung modal asing (FDI) pada pasar ritel :
  - Terjadilah multinasionalisasi pasar ritel modern
- Pada proses pemulihan pasca krisis ekonomi, pertumbuhan ekonomi meningkat, hal tersebut menyebabkan :
  - Tingkat pengeluaran konsumsi naik
  - Terjadinya pertumbuhan investasi
- Pertumbuhan penduduk mendorong terjadinya
  - Urbanisasi
  - Meningkatnya jumlah wanita yang bekerja

13

Pemicu (*Drivers*) - 2

- Meningkatnya investasi mendorong terjadinya :
  - Tumbuhnya kembali bisnis properti
  - Pertumbuhan perkotaan
- Urbanisasi mendorong terjadinya :
  - Pertumbuhan perkotaan
  - Peningkatan tenaga kerja wanita mendorong terjadinya perubahan perilaku belanja yang praktis dan nyaman serta menuntut jaminan keamanan dan kualitas pangan

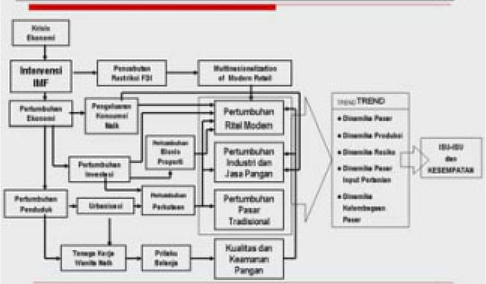
14

Pemicu (*Drivers*) - 3

- Multinasionalisasi ritel modern, berkembangnya bisnis properti, tumbuhnya daerah perkotaan dan perubahan perilaku belanja yang mendorong terjadinya perkembangan :
  - Pasar ritel modern
  - Industri dan jasa pangan, dan juga
  - Pasar tradisional

15

Pemicu (*Drivers*) dan *Trend*



16

Perubahan dalam Rantai Nilai (Trend): Dinamika Pasar

- Dinamika Pasar Modern
  - Persentase pertumbuhan penjualan (1999/2003)
    - hypermarket : 148,3 %
    - Supermarket : 36,5 %
    - Convenience Store : 64,7 %
  - Penjualan ritel pangan di semua katagori pasar meningkat
- Dinamika pasar industri dan jasa pangan
  - Penjualan pada semua katagori meningkat
  - Belanja pangan olahan cukup besar dan meningkat

17

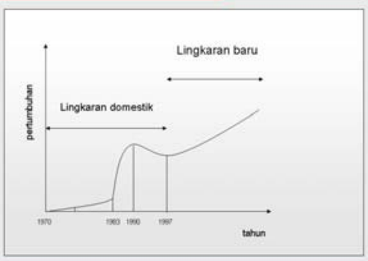
Perubahan dalam Rantai Nilai (Trend): Dinamika Pasar

- Lingkaran domestik
  - Pengenalan : 1970an
  - Stagnasi : 1970-1983
  - Percepatan Pertumbuhan (87%) : 1983-1990
  - Menurun (-12 %): 1990-1997
- Lingkaran baru (1998- sekarang)
  - Multinasionalisasi
  - Konsolidasi
  - Perubahan pada pola
  - Ekspansi

Pemicu: Pencabutan Restriksi FDI

18

Lingkaran Bisnis Pasar Modern di Indonesia



19

Dari Hasil Wawancara dengan Hypermarket/Supermarket

- Posisi produk sayuran dan buah-buahan
  - Nilai Fresh ± 17% dari total penjualan;
  - Dari nilai Fresh, ± 20% Sayuran dan ± 50% Buah-buahan;
  - Dari nilai Buah-buahan, ± 20% lokal dan ± 80% impor;
- Kuantitas tidak stabil dan hanya tersedia waktu tertentu saja dan kualitas seringkali tidak konsisten dan tidak seragam
- Penanganan pasca panen kurang baik, hingga kehilangan/susut tinggi.
- Sulit berurusan bisnis dengan petani, karena berusaha sendiri-sendiri, tidak dalam kelompok. Sehingga pasokan tidak bisa kontinyu. Komitmen terhadap perjanjian rendah.

20

Perubahan dalam Rantai Nilai (Trend): Dinamika Produksi

- Perubahan jenis komoditas
  - Garut : Palawija dan teh menjadi kentang dan tomat
  - Bandung (Ciwidey): Bawang putih menjadi tomat dan sayuran lain
  - Penyebab : rasionalitas petani (profitabilitas dan gestation period)
- Perubahan varietas :
  - Tomat : TW-Arthaloka-Marta
  - Kentang: Hammer-test-ketela-granola-atlantis
  - Penyebab : promosi perusahaan benih (formulator) dan penangkar benih lokal
- Kenaikan biaya produksi
  - Biaya input naik
  - Penurunan produktivitas

Perubahan Teknologi :
- Mulsa dan Turus
- Intensitas penggunaan pestisida
- Penggunaan pestisida organik

21

Perubahan dalam Rantai Nilai (Trend)

- Dinamika Pasar Input
  - Multinasionalisasi produsen input (bibit, pestisida dan alat mesin pertanian)
    - Promosi penjualan yang intensif (formulator) : interaksi langsung dengan petani
    - Produk input yang bervariasi
    - Penangkar benih lokal (kentang)
- Dinamika Resiko (Tools 18, 21)
  - Pemasaran
    - Kentang :
      - harga relatif stabil
      - profitabilitas normal
    - Tomat :
      - Harga fluktuatif
      - Profitabilitas ekstrim (untung besar-rugi besar)

Petani cenderung mengambil resiko

22

Perubahan dalam Rantai Nilai (Trend):

- **Produksi**
  - Lahan yang relatif kecil
    - Produktivitas menurun (kualitas lahan menurun)
    - Konversi lahan
    - Harga beli dan sewa mahal
  - Harga input meningkat
  - Penggunaan input meningkat
  - Pengurangan intesitas penanaman
- **Keuangan**
  - Memanfaatkan sumber pembiayaan dari pembeli dengan korbanan yang lebih tinggi
  - Tidak ada pembukuan keuangan pertanian
- **Sumberdaya manusia**
  - Pengembangan kualitas SDM menjadi beban pelaku (penyuluhan terbatas)
  - Harga kebutuhan pokok meningkat menyebabkan upah tenaga kerja meningkat
- **Hukum**
  - Penggunaan lahan negara untuk budidaya
  - Kontrak tidak tertulis : ketidakpastian komitmen

23

Perubahan dalam Rantai Nilai (Trend): Dinamika Pasar Sentra Produksi

- Munculnya saluran pemasaran alternatif
- Peningkatan permintaan produk segar dan pangan olahan
- Tuntutan keamanan dan kualitas pangan
- Perubahan sistem pengadaan
  - Pasar Modern: Pemasok khusus dan Contract Farming
  - Industri : Vendor dan Contract Farming
  - Jasa pangan : Pemasok khusus

24

Perubahan pada *Value Chains* (*Trend*): Dinamika Hubungan Petani dengan Pasar

- Ada kecenderungan bahwa bandar dan pengumpul mengikat petani dengan pembiayaan input dan kredit konsumsi (interlocked market):
  - Harga input lebih mahal
  - Harga jual petani lebih rendah
- Industri pengolahan melakukan Contract Farming (contoh: Indofood) dengan petani
  - memberikan benih kentang atlantik (dikontrol)
  - Memberikan jaminan pasar dan harga
- Bandar dan pemasok khusus supermarket menjadi lebih terkonsentrasi, karena jumlahnya menurun (umumnya kesulitan dalam hal pembiayaan karena adanya pengunduran pembayaran)

25

Perubahan pada *Value Chains* (*Trend*): Dinamika Hubungan Petani dengan Pasar

- Bandar pengumpul dan suplyer umumnya melakukan lebih dari satu fungsi pemasaran
  - Pertukaran
  - Fisik
  - Fasilitas
- Daerah Lembang lebih banyak terdapat pemasok khusus supermarket, karena:
  - Infrastruktur lebih baik
  - Akses terhadap pasar lebih tinggi

26

Perubahan dalam Rantai Nilai (*Tren*): Dinamika Kelembagaan Pasar Produsen

- Kecenderungan bandar dan pengumpul untuk mengikat petani dengan pembiayaan input dan konsumtif (interlocked market):
  - Harga input lebih mahal
  - Harga jual petani lebih rendah
- Eksploitatif
- Industri melakukan CF (co. Indofood)
  - memberikan input atlantik (dikontrol)
  - Memberikan jaminan pasar dan harga
- Tingkat entry-dan exit bandar dan pemasok khusus supermarket tinggi karena harus mampu membiayai pasar ritel modern (banyak yang tidak tahan)
- Lembang lebih banyak pemasok khusus
  - Infrastruktur lebih baik
  - Akses terhadap pasar
- Bandar, pengumpul dan pemasok umumnya melakukan lebih dari satu fungsi pemasaran
  - Pertukaran
  - Fisik
  - Fasilitas

27

Jumlah Ritel Berdasarkan Tipe Outlet 1999 - 2003

Keterangan	1999	2000	2001	2002	2003
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Toko	70,300	74,952	80,031	85,421	91,305
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Wet market	10,430	10,452	10,475	10,502	10,532
Total	179,800	196,100	216,700	237,000	261,000

Source: Euromonitor, 2004

28

Persentase (%) Pertumbuhan Penjualan Ritel Berdasarkan Tipe Outlet

Keterangan	1999 / 2003 (Tanpa Pasar Trad.)	2002 / 2003 (Tanpa Pasar Trad.)
Koperasi	74.0	11.1
Toko	66.5	13.7
Minimart	64.7	13.0
Supermarket	36.5	8.1
Department Store	36.7	7.3
Perkulakan	19.5	4.8
Hypermarket	148.3	32.0

Source: Euromonitor, 2004

29

Nilai Penjualan Ritel Makanan Berdasarkan Tipe Outlet 1999-2003 (Rp. 000.000.000)

Keterangan	2001	2002	2003	2004est	2005est
Koperasi	9,161	10,802	12,003	13,466	15,122
Toko	32,003	36,246	41,201	44,000	48,958
Minimart	2,615	2,946	3,328	3,944	4,681
Supermarkets	9,981	10,756	11,625	12,636	13,761
Hypermarkets	1,995	2,720	3,590	4,739	6,351
Wet market	204,685	231,846	263,826	291,931	322,241
Others	8,575	9,829	11,550	13,444	15,675
Total	269,044	305,144	347,122	384,160	426,790

Source: Euromonitor, 2004

30

Penjualan Layanan Jasa Makanan Berdasarkan Outlet 1999-2003 (Rp. 000.000.000)

Keterangan	1999	2000	2001	2002	2003
Café dan Bar	7703	8761	10427	12103	13928
Restoran Biasa	32881	41367	52678	63626	74985
Restoran Cepat Saji	2607	3403	4287	5033	5872
Layanan Antar/Take away	81	90	111	134	154
Café Swalayan	629	703	824	961	1134
Warung dan kios	4395	4799	5434	6270	7051
Total	48297	59123	73760	88116	103124

Source: Euromonitor, 2004

31

Isu Masalah

Dari dialog dengan para petani, pedagang dan para supyer supermarket pada saat PRA yang dilakukan di Pangalengan, Garut dan Lembang selama Bulan April 2006, diketahui beberapa masalah yang mengakibatkan **sedikitnya keterlibatan petani kecil pada pasokan ke pasar modern**. Wawancara juga telah dilakukan dengan bagian pembelian sayur dan buah-buahan segar di beberapa supermarket/hypermarket besar pada bulan yang sama.

32

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- Terlalu lamanya masa pembayaran
- Rendahnya pengetahuan teknologi, tidak ada penyuluh yang kompeten
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- Banyaknya beban-beban biaya (fee) dan potongan dari pasar modern
- Harga pembelian oleh pasar modern selalu ditekan semurah mungkin sehinga tidak ada sisa untuk biaya pembinaan petani

Peluang

- Bagaimanakah **peran lembaga keuangan** (perbankan/non perbankan) bisa mengatasi masalah petani dan suplyer untuk modal berjalan? Kebijakan pemerintah apakah yang dibutuhkan untuk meningkatkan pelayanan keuangan bagi petani kecil yang terlibat pada jaringan pasok ke supermarket?
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- Bagaimanakah memberdayakan **penyuluh pertanian** agar mampu membantu petani dalam menguasai teknologi yang dibutuhkan? Apakah peranan swasta dalam hal bimbingan teknis ini? Maukah swasta turut membantu mengatasi masalah ini
- Bagaimanakah mendorong dan memberdayakan petani agar mau bertani atau **memasarkan secara berkelompok (terorganisasi)**? Apakah ada kemungkinan peran swasta atau LSM dalam hal ini?

Workshop Hari Ke 2 di Lembang: Masalah Utama Yang Menghambat Petani Kecil Terkait ke Pasar Modern

1. Administrasi yang sulit untuk memasok ke pasar modern (22)
2. Kurangnya komitmen pasar modern untuk mendukung petani (18)
3. Waktu pembayaran lama (17)
4. Permintaan supermarket sedikit dan petani kesulitan menjual produk sisanya (16)
5. Hasil panen petani tidak terlalu banyak (volume kecil) dan tidak kontinyu (15)
6. Petani tdk berkelompok shg posisi tawarnya rendah (13)
7. Kualitas produk kurang baik (13)
8. Kecilnya perbedaan harga antara pasar modern dan tradisional (10)
9. Kurangnya dukungan dari pemerintah (9)
10. Adanya keterikatan dengan bandar (6)
11. Masalahan kurang informasi pasar (6)
12. Masalah keterbatasan modal (6)
13. Kurang memiliki akses jaringan ke pasar modern (5)
14. Tingkat residu pestisida yang tidak sama (5)
15. Sortasi tidak sesuai dengan permintaan (2)
16. Pengepakan yang tidak standar (1)
17. Keterampilan dan pengetahuan terbatas (0)

Peserta dialog ada 30 orang, angka dalam kurung adalah jumlah orang yang mendukung bahwa statement tersebut adalah masalah utama

Kelompok A

1. Administrasi yang sulit untuk memasok ke pasar modern (22)
2. Kurangnya komitmen pasar modern untuk mendukung petani (18)
3. Waktu pembayaran lama (17)
4. Posisi tawar Petani rendah (13)

Peserta dialog ada 30 orang, angka dalam kurung adalah jumlah orang yang mendukung bahwa statement tersebut adalah masalah utama

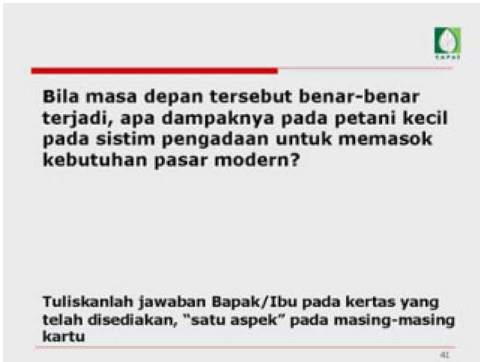
Kelompok B

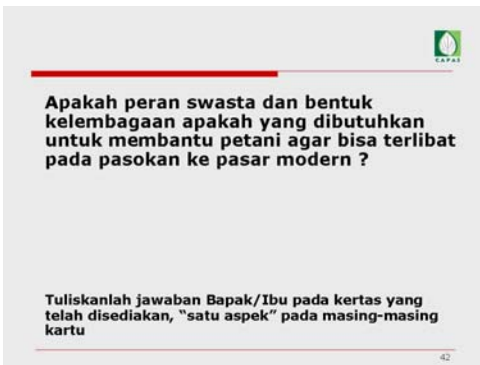
1. Permintaan supermarket sedikit dan petani kesulitan menjual produk sisanya (16)
2. Hasil panen petani tidak terlalu banyak (volume kecil) dan tidak kontinyu (15)
3. Kualitas produk kurang baik (13)
4. Kecilnya perbedaan harga antara pasar modern dan tradisional (10)

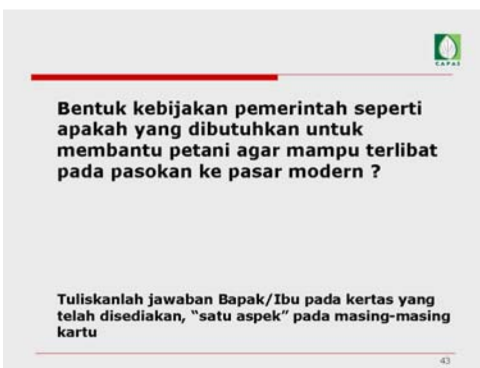
Peserta dialog ada 30 orang, angka dalam kurung adalah jumlah orang yang mendukung bahwa statement tersebut adalah masalah utama

Perubahan "kunci" atau "utama" apakah yang menurut Bapak/Ibu akan terjadi di pasar modern pada 10 tahun yang akan datang?

Tuliskanlah jawaban Bapak/Ibu pada kertas yang telah disediakan, "satu aspek" pada masing-masing kartu


Bila masa depan tersebut benar-benar terjadi, apa dampaknya pada petani kecil pada sistim pengadaan untuk memasok kebutuhan pasar modern?
Tuliskanlah jawaban Bapak/Ibu pada kertas yang telah disediakan, "satu aspek" pada masing-masing kartu
41


Apakah peran swasta dan bentuk kelembagaan apakah yang dibutuhkan untuk membantu petani agar bisa terlibat pada pasokan ke pasar modern ?
Tuliskanlah jawaban Bapak/Ibu pada kertas yang telah disediakan, "satu aspek" pada masing-masing kartu
42


Bentuk kebijakan pemerintah seperti apakah yang dibutuhkan untuk membantu petani agar mampu terlibat pada pasokan ke pasar modern ?
Tuliskanlah jawaban Bapak/Ibu pada kertas yang telah disediakan, "satu aspek" pada masing-masing kartu
43

REGOVERNING MARKETS

Regoverning Markets

The keys to inclusion of small-scale producers in dynamic markets

Overview

Felicity Proctor

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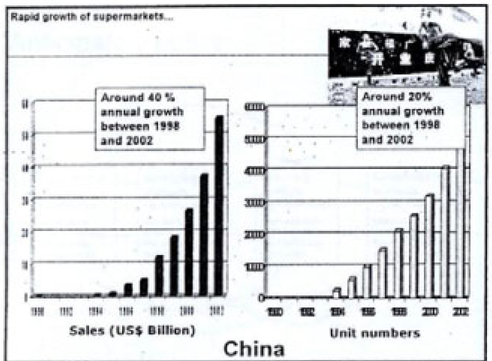
Bandung, Indonesia

31 July – 4 August 2006

Elements of restructuring

1. **Liberalisation**
   - Surges in imports, can by-pass domestic producers of the same commodity, or shift consumer preferences
   - Not 'dumping' in the WTO sense
   - Retailed either through traditional or modern channels
2. **Changes in food manufacturing**
   - Internationalisation, market concentration and privatisation of food industry
   - Accompanied by higher supplier requirements and tougher market entry conditions
3. **Changes in retail**
   - Not only the big global retailers
   - Regional and national companies now knowledgeable and confident
   - Accessing riskier and poorer markets
   - A 'modern' retail and wholesale format for almost every market

Rapid growth of supermarkets...



Private standards, Ecuador

Supermercados La Favorita
- Variety
- Shape
- Mechanical damage
- Plant health
- Cleanness
- Odors
- Size
- Colour
- Ripeness
- Temperature
- Packaging
- Place, time and volume
- Payment periods

Wholesale Market
- Variety
- Colour
- Size
- Mechanical damage

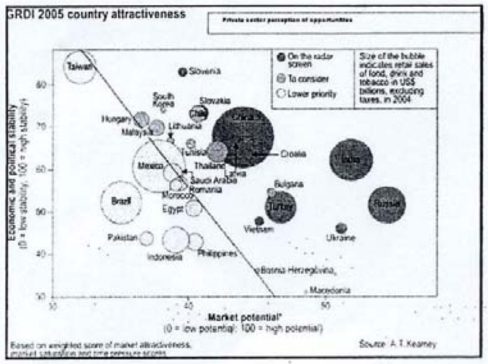
Standards in potatoes, Ecuador
- **Preferred suppliers**
- **Dedicated, specialized wholesalers**
- **Distribution center**
- **More formal contracts with new suppliers (quantities, timelines, prices)**

Capital Requirements of Participation in Modern Supply Chains: Thailand

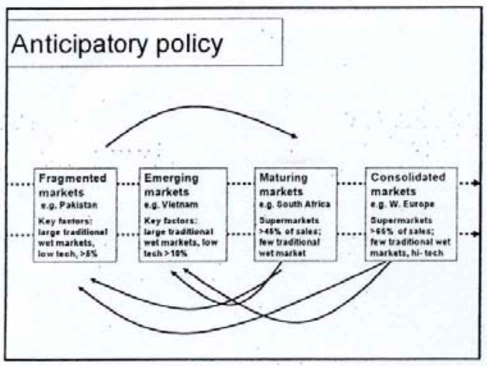
- 15 – 60 days payment period, vendors need high working capital
- Entrance fee
- Price discount during promotion period, have to pay for advertisement
- Additional fee for each new branch (US$ 250 per new branch)
- Agreements vary from chain to chain. Thai supermarkets are more flexible for negotiation
- These requirements are major constraints to small producers' participation

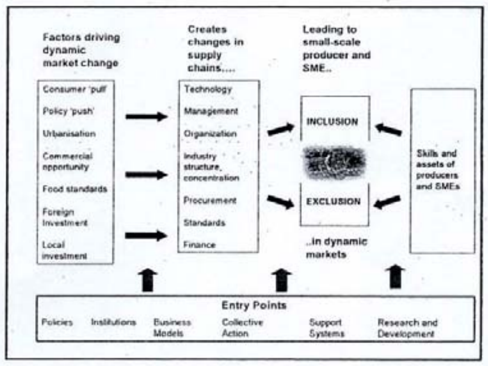
Why is this important in economic and social development?

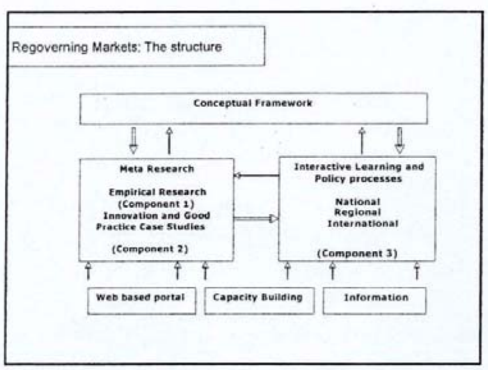
- Challenge to the popular debate 'making markets work for the poor'
- Capacity for public policy response is limited
  - Remote from levers of public policy
- Link with the trade agenda
  - Remote from the WTO debate
  - GATS
- Link to the 'Corporate Social Responsibility' agenda
  - 'Business for development' and MDGs
  - Procurement

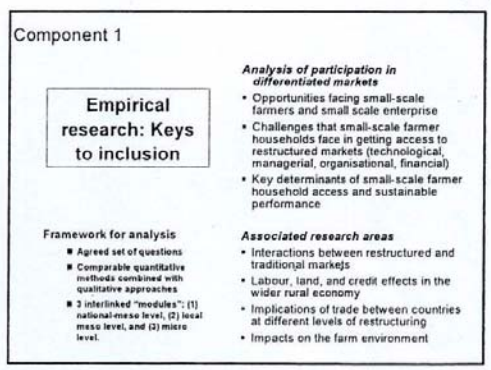

GRDI 2005 country attractiveness
On the radar screen
To consider
Lower priority
Size of the bubble indicates retail sales of food, drink and tobacco in US$ billions, excluding taxes, in 2004
Taiwan
Slovenia
South Korea
Slovakia
Hungary
Chile
Lithuania
Malaysia
Tunisia
Croatia
India
Mexico
Thailand
Latvia
Saudi Arabia
Romania
Bulgaria
Brazil
Morocco
Turkey
Russia
Egypt
Vietnam
Ukraine
Pakistan
Indonesia
Philippines
Bosnia Herzegovina
Macedonia
Economic and political stability (0 = low stability; 100 = high stability)
Market potential* (0 = low potential; 100 = high potential)
Source: A.T. Kearney


Regoverning Markets
What we want to achieve
Small-scale producers more successful in accessing and securing a place in new and dynamic markets through:
Improved incentives that ensure that the private sector is more responsive to small scale producers
National policies better able to define the right incentives and strengthen the capacity of small scale producers
Policies and actions of development agencies more coherent with and responsive to trends
Emphasis on: anticipatory, evidence based policy advice


Anticipatory policy
Fragmented markets
e.g. Pakistan
Key factors: large traditional wet markets, low tech, >5%
Emerging markets
e.g. Vietnam
Key factors: large traditional wet markets, low tech >10%
Maturing markets
e.g. South Africa
Supermarkets >45% of sales; few traditional wet market
Consolidated markets
e.g. W. Europe
Supermarkets >65% of sales; few traditional wet markets, hi-tech


Factors driving dynamic market change
Creates changes in supply chains....
Leading to small-scale producer and SME..
Consumer 'pull'
Policy 'push'
Urbanisation
Commercial opportunity
Food standards
Foreign Investment
Local investment
Technology
Management
Organization
Industry structure, concentration
Procurement
Standards
Finance
INCLUSION
EXCLUSION
..in dynamic markets
Skills and assets of producers and SMEs
Entry Points
Policies
Institutions
Business Models
Collective Action
Support Systems
Research and Development


Regoverning Markets: The structure
Conceptual Framework
Meta Research
Empirical Research (Component 1)
Innovation and Good Practice Case Studies
(Component 2)
Interactive Learning and Policy processes
National
Regional
International
(Component 3)
Web based portal
Capacity Building
Information


Component 1
Empirical research: Keys to inclusion
Analysis of participation in differentiated markets
Opportunities facing small-scale farmers and small scale enterprise
Challenges that small-scale farmer households face in getting access to restructured markets (technological, managerial, organisational, financial)
Key determinants of small-scale farmer household access and sustainable performance
Framework for analysis
Agreed set of questions
Comparable quantitative methods combined with qualitative approaches
3 interlinked "modules": (1) national-meso level, (2) local meso level, and (3) micro level.
Associated research areas
Interactions between restructured and traditional markets
Labour, land, and credit effects in the wider rural economy
Implications of trade between countries at different levels of restructuring
Impacts on the farm environment

Component 2

Case Studies: Points of innovation

- **Innovative experiences** (farmer organizations, new business models, public-private partnerships, public policies and programmes...) that can be used as sources of inspiration elsewhere, at different stages of market concentration
- Coordinated case study analysis
- Costs, prerequisites and contexts of these innovative experiences

Component 3

Policy processes

Interactive learning and policy processes

at national, regional and international levels

- Develop and share options for restructured markets to be more inclusive of small-scale farmers
  - How governments, private sector and other agencies can help at each stage of the market chain
  - Challenges for private actors
  - Bringing into public policy, as development actors and agents of change

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Indonesia Country partner

Center for Agricultural Policy and Agribusiness Studies

Padjadjaran University

Bandung

Website

www.regoverningmarkets.org

Appendix 3. Factor Creates Exclusion of Small Farmers

Ranks.	Cause of Farmers' Exclusion	Participants Proposed the Issue
1	Unclear procedures, information, and requirement needed to supply the supermarket	22
2	The supermarket chain does not have strong commitment to support farmers	18
3	Long delay payment from supermarket	17
4	Demand of supermarket for HFF is still considered small and only take the best quality. Farmer has a problem to sell the remaining quality and quantity. Preferred to sell them all together without grading	16
5	The farmer's harvest is in small quantity and not continuous	15
6	Low quality of products	13
7	Farmer's working individually (not in group), so the bargaining position is weak	13
8	Only small price differentiation for the quality required by supermarket and quality accepted by the traditional wholesale market.	10
9	No support from the government	9
10	Pre harvest arrangement (capital and consumption loan) with wholesale traders	6
11	Lack of market information	6
12	Lack of capital	6
13	Very limited access to the supermarket supply chain	5
14	High pesticides residu level	5
15	Grading and sorting do not meet the chain requirement	2
16	Handling do not meet tthev supermarket standard	1
17	Limited skills and knowledge	1

Source: Producer's PRA in Lembang

Appendix 4. Newspaper Articles

Tribun Jabar

Tanggal 1-2 Agustus 2006

Workshop Tentang Petani di Unpad

BANDUNG - Pusat Kajian Kebijakan Pertanian Agribisnis Universitas Padjadjaran Bandung mengadakan workshop mengenai perencanaan kebijakan dan kelembagaan untuk melibatkan partisipasi petani kecil pada pasar modern yang dinamis di RSG Rektorat Unpad, Jl Dipatiukur Bandung, Selasa (1/8) ini. Workshop ini akan dihadiri Dirjen Hortikultura, Dr Ir Ahmad Dimyati MS, Dirjen Industri Agro dan Kimia, Ir Benny Wahyudi MBA, Dirjen Perdagangan, Ir Ardiansyah Parman, Direktur Center for Agricultural Policy and Agribusiness Studies Unpad, Dr Ir Ronnie S Natawidjaja, Natural Recourses Institute University of Greenwich UK, Dr Felicity Proctor. Menurut Hadi Suprapto Arifin Drs MSi, Koordinator Humas Unpad, workshop ini untuk membangun wacana tentang dimensi kesepahaman dan kebijakan menyangkut para petani kecil. (jj)

Potensi Produk Pertanian Besar

BANDUNG-Peluang produk pertanian lokal untuk masuk ke pasar modern sangat besar. Para pelaku usaha pasar modern sangat terbuka apabila tempatnya menjadi bagian untuk mempromosikan produk-produk pertanian lokal. Meskipun begitu, para pengusaha pasar modern mengharapkan adanya jaminan kontinuitas, kuantitas, dan juga kualitas dari produk-produk pertanian lokal tersebut. "Kami sangat *welcome* dengan produk-produk pertanian lokal untuk masuk ke pasar-pasar modern kita, tetapi tentunya dengan adanya jaminan kontinuitas, kuantitas, dan juga kualitasnya dari produk-produk tersebut," tutur Sekretaris Eksekutif Asosiasi Pengusaha Ritel Indonesia (Asperindo) Pusat, Satria Hamid Ahmadi kepada Tribun disela-sela Seminar Holtikultura di Unpad, Selasa (1/8).(kk)

Unpad Prihatin Petani Kecil

BANDUNG - Kepala Pusat Kajian Kebijakan Pertanian dan Agribisnis (CAPAS) Universitas Padjadjaran, Dr Ir Ronnie S Natawidjaja MSC mengatakan pemerintah belum memperhatikan petani kecil holtikultura karena selama ini lebih tertuju pada pertanian padi saja. "Sebesar 60-70 persen anggaran Departemen Pertanian (Deptan) yang ada lebih difokuskan kepada pertanian padi saja," katanya di sela-sela acara *workshop* "Perencanaan Kebijakan dan Kelembagaan untuk Melibatkan Partisipasi Petani Kecil pada Pasar Modern" di Ruang Serba Guna (RSG) Universitas Padjadjaran, Bandung, Selasa (1/8). Dikatakannya, hingga kini petani kecil holtikultura tidak memiliki kemampuan berinvestasi dan riset untuk meningkatkan produksi hasil pertaniannya yang berupa sayur-sayuran dan buah-buahan. Padahal tanaman holtikutura itu memiliki potensi ekspor yang cukup besar namun tidak tertangani, seperti, kopi, karet, teh, serta buah manggis dan jeruk. (ant)

SUARA PEMBARUAN

Tanggal 2 Agustus 2006

Petani Hortikultura Harus Diperhatikan

[BANDUNG] Petani hortikultura di Indonesia masih belum mendapatkan kepercayaan pasar untuk menyerap produknya. Selain kemampuan investasinya yang tidak ada, kemampuan riset serta modal para petaninya juga kecil.

"Makanya tidak ada jaminan pasar yang bisa menyerap produk mereka," tutur Kepala Pusat Kajian Kebijakan Pertanian dan Agribisnis (CAPAS) Universitas Padjadjaran, Ronnie S Natawidjaja di sela-sela workshop "Perencanaan Kebijakan dan Kelembagaan untuk Melibatkan Partisipasi Petani Kecil pada Pasar Modern", di Universitas Padjadjaran, Bandung, Selasa (1/8).

Pemerintah, sambung Ronnie, belum memperhatikan petani kecil hortikultura karena selama ini perhatiannya lebih ditujukan pada tanaman padi. "Ini semua tidak terlepas dari kebijakan departemen pertanian yang hanya memfokuskan pada tanaman padi. Buktinya 60 sampai 70 persen anggaran diserap untuk sektor tanaman padi, sementara tanaman-tanaman potensial menjadi terabaikan," tandasnya.

Padahal, produk hortikultura seperti sawit, teh, karet, kopi, dan buah-buahan memiliki potensi ekspor yang cukup besar. Hanya saja, selama ini masih belum tertangani dengan baik.

"Kondisi petani kecil holtikultura tersebut semakin diperparah dengan supermarket kecil yang lebih menggunakan buah-buahan produk impor dengan perhitungannya yang mudah dan murah," ungkap Ronnie.

Dia berharap, pemerintah bisa memberikan perhatian kepada para petani hortikultura ini. Pasalnya, Thailand saja yang potensi produk hortikulturnya rendah, tapi kenyataannya justru lebih maju. Hal ini disebabkan investasi Pemerintah Thailand di bidang ke hortikultura itu besar dan serius. [153]

GALAMEDIA

Tanggal 3 Agustus 2006

Daya Serap Pasar Modern Hanya 10%

DIPATI UKUR, (GM).- Daya serap pasar modern terhadap produk petani kecil di Indonesia, hanya mencapai 10%. Padahal, dari jumlah petani di Indonesia, sekitar 80% merupakan petani kecil.

Demikian dikatakan Kepala Pusat Kajian Kebijakan Pertanian dan Agrobisnis (Capas) Universitas Padjadjaran (Unpad), Dr. Ronnie S. Natawidjaja Ir., M.Sc. pada diskusi "Pengembangan Kelembagaan dan Kebijakan untuk Mendukung Keterlibatan Petani Kecil pada Pasar Modern yang Dinamis" di Gedung RSG Rektorat Unpad, Jln. Dipati Ukur Bandung, Selasa (1/8).

Menurutnya, kendala yang membuat sedikitnya keterlibatan petani kecil pada pasar modern, di antaranya modal petani yang kecil sehingga sulit menghasilkan produk yang berkualitas. Terikat pada bandar yang memberikan modal, terlalu lamanya proses pembayaran dari pihak pasar modern, dll.

"Petani kecil holtikultura tidak punya kemampuan investasi dan melakukan riset. Selain itu, modal kecil serta belum ada jaminan pasar juga membuat petani kesulitan," katanya.

Dikatakannya, kebijakan anggaran dari Departemen Pertanian masih fokus untuk padi dengan persentase 60-70%. Dengan kondisi tersebut, tanaman potensial ekspor tidak tertangani.

"Seperti tanaman industri, teh, kopi, dan sawit. Kemudian buah-buahan, salak, manggis, dan jeruk," ujar Ronnie.

Dijelaskannya, selama ini supermarket mengandalkan pasokan buah impor karena mudah didapat dan murah. Untuk akses ke petani kecil harganya mahal dan susah didapat.

"Jadi, sekarang hanya supermarket besar yang datang ke petani karena memang modalnya besar," paparnya.

Ronnie menambahkan, kendala petani kecil tidak bisa masuk ke pasar modern karena proses pembayaran yang lama. Padahal, petani butuh modal lagi untuk produksi.

"Bagi petani, jangankan satu bulan, satu minggu saja sudah terlalu lama. Oleh karena itu harus ada lembaga penjamin yang menjamin petani," jelas Ronnie.

Ia menambahkan, saat ini banyak supermarket besar yang ekspansi ke luar Jawa. Dengan kondisi tersebut, daya serap terhadap produksi petani bisa semakin meningkat. "Sebenarnya hasil produksi petani kita sangat potensial," paparnya.

House packing

Sementara itu, untuk membantu kualitas produksi petani di wilayah Kabupaten Bandung, Dinas Pertanian Kabupaten Bandung membangun membuat *house packing* (rumah pengemasan) di Cibodas, Kecamatan Lembang dan Cigugur Girang, Kecamatan Parongpong.

"Dengan rumah pengepakan, para petani diharapkan bisa meningkatkan kualitas produksinya," jelas Kepala Dinas Pertanian Kabupaten Bandung, Ir. Sophian Nataprawira.

Dengan adanya *house packing*, kata Sophian, produksi hasil pertanian di Kabupaten Bandung bisa menembus pasar ekspor dan pasar modern (supermarket).

"Sebenarnya, partisipasi petani di Kabupaten Bandung cukup baik. Sejak 2001 hingga 2005 terjadi peningkatan penjualan yang cukup baik. Pada 2005, mencapai Rp 3,2 triliun, lebih baik dibandingkan tahun 2004 sebesar Rp 2,5 triliun," ungkap Ir. Sophian Nataprawira. (B.43)**

Appendix 5. Workshop Participants

Multi Stakeholder Workshop, August 1, 2006

No	Name	Institution/Organization/Position	Stakeholder Status	Attendance
1	Ir. Handaka	Aprindo	Modern Retail Association	
2	Satria Hamid Ahmadi	Aprindo	Modern Retail Association	✓
3	Priatmana	Asosiasi Prima Tani Sukabumi	Grower Association	
4	Dr. Ir. Ahmad Dimyati, MS.	Direktorat Jendral Hortikultura	Policy Maker	
5	Ir. Ardiansyah Parman	Direktorat Jendral Perdagangan	Policy Maker	
6	Ir. Benny Wahyudi, MBA.	Direktorat Jendral Industri agro dan Kimia, Departemen Perdagangan	Policy Maker	
7	Ir. Warsono, MSc.	Direktorat Jendral Industri agro dan Kimia, Departemen Perdagangan	Policy Maker	✓
8	Dr. Ir. Bayu Krisnamurthi	Deputi Menteri Bidang Pertanian, Kehutanan dan Perikanan Menko Perekonomian	Policy Maker	
9	Drs. Taufik Kusumo	Kepala Bidang, Deputi Bidang Pertanian, Kehutanan dan Perikanan Menko Perekonomian	Policy Maker	✓
10	Drs. H. S. Soemirat, MM.	Kepala Bapeda Jawa Barat	Policy Maker	
11	Ir. Lucky Rulyawan, MS.	Kepala Biro Bina Produksi Propinsi Jawa Barat	Policy Maker	✓
12	Tita Nurroswita, SP.	Kepala Biro Bina Produksi Propinsi Jawa Barat	Policy Maker	✓
13	Ir. Sophian Nataprawira, MS.	Kepala Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
14	Tisna Umbaran	KTU Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
15	Undang Herianto	Kasubdin Program Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
16	Azwar	Public Affair Manager, PT Ultra Jaya Milk Industry Tbk.	Beverages Industry	
17	Charles Chavalier	Fresh Merchandize Director, (Carrefour)	Supermarket Chain	
18	Ong Thian Yoe	Fresh Merchandize Director, (hypermart-matahari group)	Supermarket Chain	
19	Ghandi Hadiwitanto	Fresh Merchandize Director Hero-Giant	Supermarket Chain	
20	Achmad Iman	Fresh Merchandize Director Makro	Supermarket Chain	
21	Achmad Rivani	CV. Bimandiri	Supermarket Supplier	✓
22	Agus Setiawan	Puteri Segar	Supermarket Supplier	
23	Danny Kristian Rusli	PT. Momenta Agrikultura-Amazing Farm	Supermarket Supplier	✓
24	Tatang Hadiwinata	Saung Mirwan	Supermarket Supplier	
25	Wildan Mustofa	PD. Hikmah	Supermarket Supplier	✓
26	Bunyan Ismail	PD. Hikmah	Supermarket Supplier	✓
27	Mahmudin Chusni	Pasar Caringin	Wet Market Management	✓
28	Asrul Rizal	Pasar Kramat Jati	Wet Market Management	
29	Ernawan	Pasar Kramat Jati	Wet Market Management	✓

Producer Workshop, August 2, 2006

No	Name	Institution/Organization/Position	Stakeholder Status	Attendance
1	Ganjar M.	KTNA	Farmer	✓
2	Sukaenda	Ciburial	Farmer	✓
3	Abus Ibnu	Lembang	Farmer	✓
4	A. Uyun H. S.	Kelompok Tani Garut	Farmer	✓
5	Ayat M.	Garut	Farmer	✓
6	Ajat Sudrajat	Kelompok Tani Sauyunan	Farmer	✓
7	Dindin Sukaya	Kelompok Tani Pandu Tani	Farmer	✓
8	A. Aliyudin	Garut	Farmer	✓
9	E. G. Hidayat	Ciburial	Farmer	✓
10	Gani Sasmita	Kelompok Tani Mulya Sari	Farmer	✓
11	Lili Carli	Ciburial	Farmer and Collector	✓
12	N. Djoko Warsono	Ciburial	Farmer and Collector	✓
13	Undang Herianto	Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
14	Cece Mulyana	BBDAH	Agric. Training Center	✓
15	Lilis	Lab. Kimia Agro	Agric. Test Laboratory	✓
16	M. Ramdhani	Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
17	Kayat	Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
18	Nanay	BBDAH	Agric. Training Center	✓
19	Yuyun	Lab. Kimia Agro	Agric. Test Laboratory	✓
20	Sri Endang	Dinas Pertanian Kabupaten Bandung	Policy Maker	✓
21	Rosana Suzy	BBDAH	Agric. Training Center	✓
22	Rien Rodenburg	East West Sead	Seed Industry	✓
23	Atmadi Saleh	East West Sead	Seed Industry	✓
24	Tatan Tarjuna	Yan's Fruit	Supermarket Supplier	✓
25	Husen	Eco-Pst Daarut Tauhid Parongpong	Supermarket Supplier	✓
26	Ajat Sudrajat	Golden Shower	Supermarket Supplier	✓
27	Trisnaran	CV. Bimandiri	Supermarket Supplier	✓
28	Agus M.	Eco-Pst Daarut Tauhid Parongpong	Supermarket Supplier	✓
29	Suminto	Pasar Induk Kramat Djati	Wet Market	✓
30	Siswo H.	Pasar Induk Kramat Djati	Wet Market Management	✓

Wholesaler and Modern Market Chain Workshop, August 3, 2006

No	Name	Institution/Organization/Position	Stakeholder Status	Attendance
1	Indofood Sukses Makmur	Indofood Sukses Makmur	Food Industry	
2	McDonald Indonesia	McDonald Indonesia	Fast Food Restaurant	
3	Mien R. Pakih	Bag. Program Dnas Pertanian Prop. Jawa Barat	Polcy Maker	√
4	Ina Dewi Kania	Bag. Program Dinas Kabupaten Bandung	Policy Maker	√
5	Ultra Milk Industry	Ultra Milk Industry	Bevarages Industry	
6	Budiharjo	Hypermart-Matahari	Supermarket Chain	√
7	Dedi	Yogya Departement Store	Supermarket Chain	√
8	Syahroni	Yogya Departement Store	Supermarket Chain	√
9	Frans M. P. Tambunan.	Fresh Buyer Director, Carrefour	Supermarket Chain	
10	Rully Edwar.	Fresh Merchandize Director, Hero-Giant	Supermarket Chain	
11	Dewi Sadono.	Fresh Merchandize Manager, Makro	Supermarket Chain	
12	Antonius Subarna.	Fresh Merchandize Director, Yogya	Supermarket Chain	
13	Sandredo	CV. Bimandiri	Supermarket Supplier	√
14	Trisnaran	CV. Bimandiri	Supermarket Supplier	√
15	Taufik M	Karya Setia	Supermarket Supplier	√
16	Eki S	Karya Setia	Supermarket Supplier	√
17	Widiana Safaat,STP.	Walagris-Garut	Supermarket Supplier	√
18	Kem Farm Lembang	Kem Farm Lembang	Supermarket Supplier	
19	Anjar Osaka	Potato Vendor Pangalengan -supplier Indofood	Food Industry Vendor	√
20	Tedi Purnama	Potato Vendor Pangalengan -supplier Indofood	Food Industry Vendor	√
21	Bunyamin Marsus	Potato Vendor Pangalengan supplier Indofood	Food Industry Vendor	√
22	Harris F. Harahap	Mahasiswa Magster Agribisnis Pasca Sarjana Unpad	Agribusiness Grad. School Student	√
23	Setia Wahyuti	Mahasiswa Magster Agribisnis Pasca Sarjana Unpad	Agribusiness Grad. School Student	√
24	Kinkin Mutaqin	Mahasiswa Magster Agribisnis Pasca Sarjana Unpad	Agribusiness Grad. School Student	√