

Agriculture Development

Coffee and Cocoa in Indonesia

Reviving agriculture sectors to create jobs and boost export-driven markets in Aceh

In an effort to support poverty reduction and post-Tsunami social recovery, UNDP Indonesia and the Department of Planning and Development of the provincial government of Indonesia created Aceh Partnerships for Economic Development (APED) in 2006.

The tsunami in Aceh region drastically disrupted local economic systems and left a struggling population behind.

With funding of over 2 million USD from the World Bank, DFID (UK Government), and UNDP, the programme supported economic development, linking farmers to non-local markets in export oriented sectors. Thru restoring market and creating jobs and business opportunities, farmers incomes were rapidly boosted. Initial intervention focused on coffee and cocoa cluster, including assessing the current lending practices by local banks, analyzing current exports versus market capacities and examining possibilities in emerging markets. The specific objectives of the project have been:

Coffee Cluster

- Increasing communication and information sharing between stakeholders
- Mobilizing government resources for the coffee industry in the amount of \$1.17 Million USD annually
- Composing a coffee manual to maximize efficiency for Aceh growers
- Research and development on coffee seedlings
- Farming infrastructure distribution to more than 5,000 farmers
- Efficient bi-weekly information distribution on market conditions and pricing to farmers using SMSs services
- Rehabilitation to 1100 hectares of Tsunami-damaged Farms
- \$100,000 of grants for business associations to strengthen supply chains producing new orders from international buyers totaling \$10 Million USD

Cocoa Cluster

- Warehouse construction and equipment delivery serving 300 farmers
- Supply chain assessment for connecting farmer cooperatives to private firms (buyers)
- Reinstatement of grant system for business associations (see Coffee Cluster)

APED has seen encouraging results in its three years of existence: Today, coffee and cocoa farmers interests are represented by organized Cocoa and Coffee Fora. Well organized and resourced sectors are receiving increasing

- **Country:** Indonesia
- **Launched:** 2006
- **Partners:** Department of Planning and Development of the provincial government, UNDP
- **Program Highlights:** \$ 2.1 Million USD Project Budget, \$ 100,000 in grants to businesses yielding \$ 10 Million USD in new orders, 1100 hectares of rehabilitated farmland from Tsunami-impact, reduction in poverty rate from 31.6% to 26.3% in rural Aceh



Since 2004, Indonesia's Coffee and Cocoa markets have made significant progress. In this short period each cluster has seen 100% production increase as well as declining poverty levels.

number of orders from international buyers. Moreover, at least 50% from the orders flows directly to the farmers and their families. In the coffee sector, 2,812 members (accounting for 30% of women) have been given grant support. APED supply chain strengthening has resulted in orders equaling roughly \$1000 USD revenue per household. Coffee and Cocoa production have doubled in agricultural exports since 2007. Further growth is explored thru potential of fair trade certified beans. Most importantly, The World Bank reported that the poverty rate declined from 28.4% (2004) to 23.5% (2008) in Aceh. Regional government has been an important partner, initially providing seed funding and facilitating organization of farmers into associations as well as policy guidelines for clusters development.

Currently, UNDP jointly with partners is conducting research in for the rubber and livestock sectors, to replicate success of developing coffee and cocoa markets.