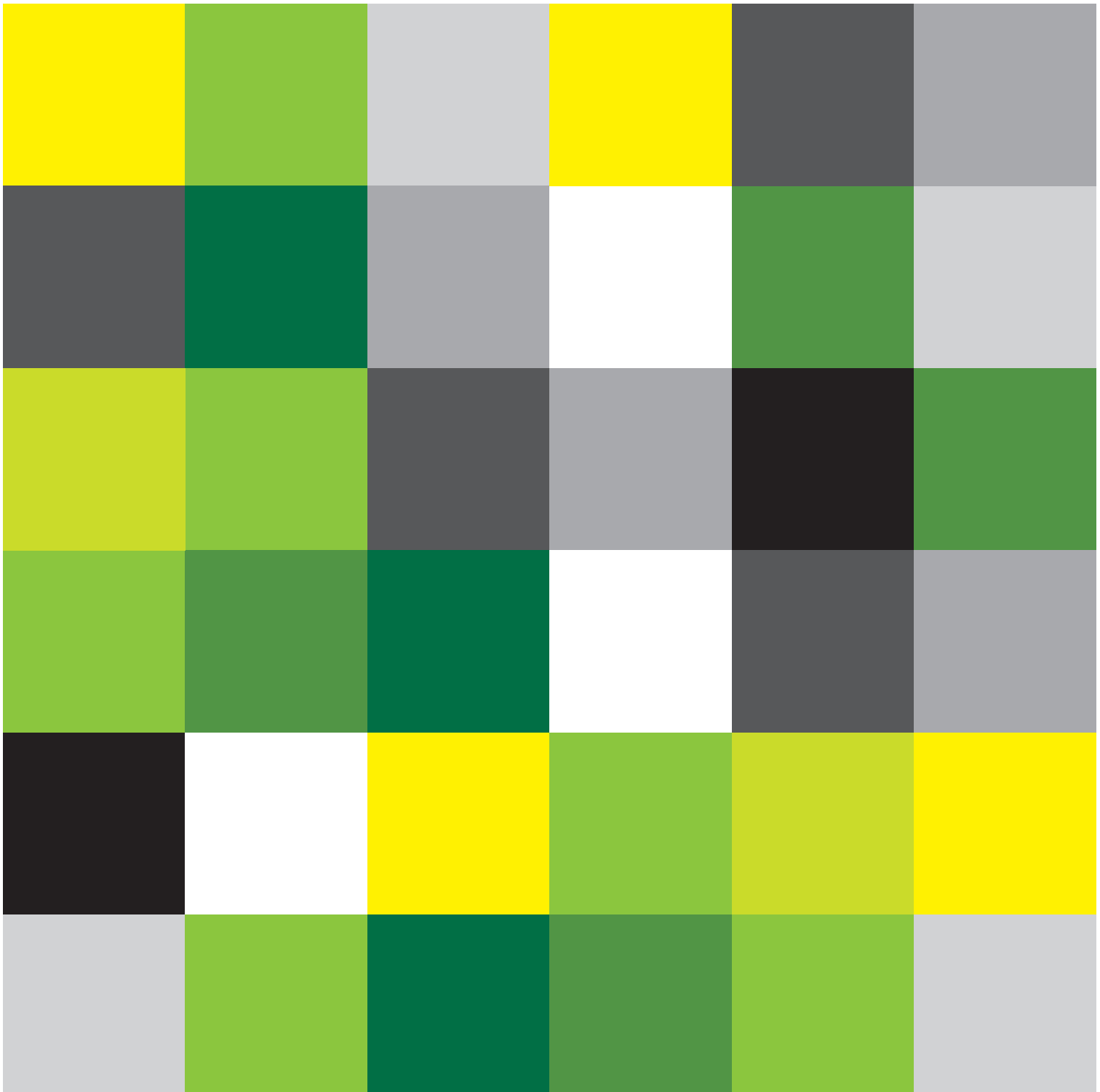


Case Study

Partnership for Indonesia's Sustainable Agriculture

Corn Working Group (Dompu)

Business Model Overview



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1 Overview

Corn Sector

Indonesia is the largest corn producer in Southeast Asia, with annual production of 19 million tons, compared to Philippines at 7.8m or Vietnam at 5.2m. Key corn-producing regions in Indonesia include East Java (30% of national production), Central Java (16%) and Lampung (10%), with South Sulawesi, North Sumatera, West Java and Gorontalo forming the next tier of corn-producing regions. Most of the corn goes toward animal feed, with the remaining being used for food. The government of Indonesia has identified corn as one of the priority crops for which it aims to achieve full self-sufficiency within the next few years and is working to strengthen domestic corn production capacity.

Challenges

Key challenges faced by corn farmers in Indonesia include access to finance, poor agronomy knowledge which affects yield quantity and quality, lack of information on the demand from animal feed industries, sub-optimal post-harvest handling and limited capacity of farmer organizations.¹

Corn Working Group Activities

The ambition of the corn Working Group (WG) is to help smallholder farmers integrate better in the corn supply chain, through improving access to the formal banking system, farmers' training and farmers' access to market. The corn WG has two projects – the Dompu project, led by Syngenta, and the Mojokerto project, led by Monsanto. Both WG projects share similar goals of:

- 1 Higher income for farmers.
- 2 Decreased risk related to all stages of corn production.
- 3 Improved 'bankability'.
- 4 Improved market knowledge that can ultimately help farmers achieve better outcomes independently.

The diagram (pages 4–5) depicts the core activities and structure of the Dompu WG.

2 Stakeholders

Private Stakeholders

ACA Insurance
BPR Pesisir Akbar (BPR)
Bank Andara
Grain traders
Syngenta

NGOs and Partnerships

8Villages
Mercy Corps Indonesia

¹ <http://www.iiste.org/journals/index.php/jeds/article/viewfile/15364/15581>

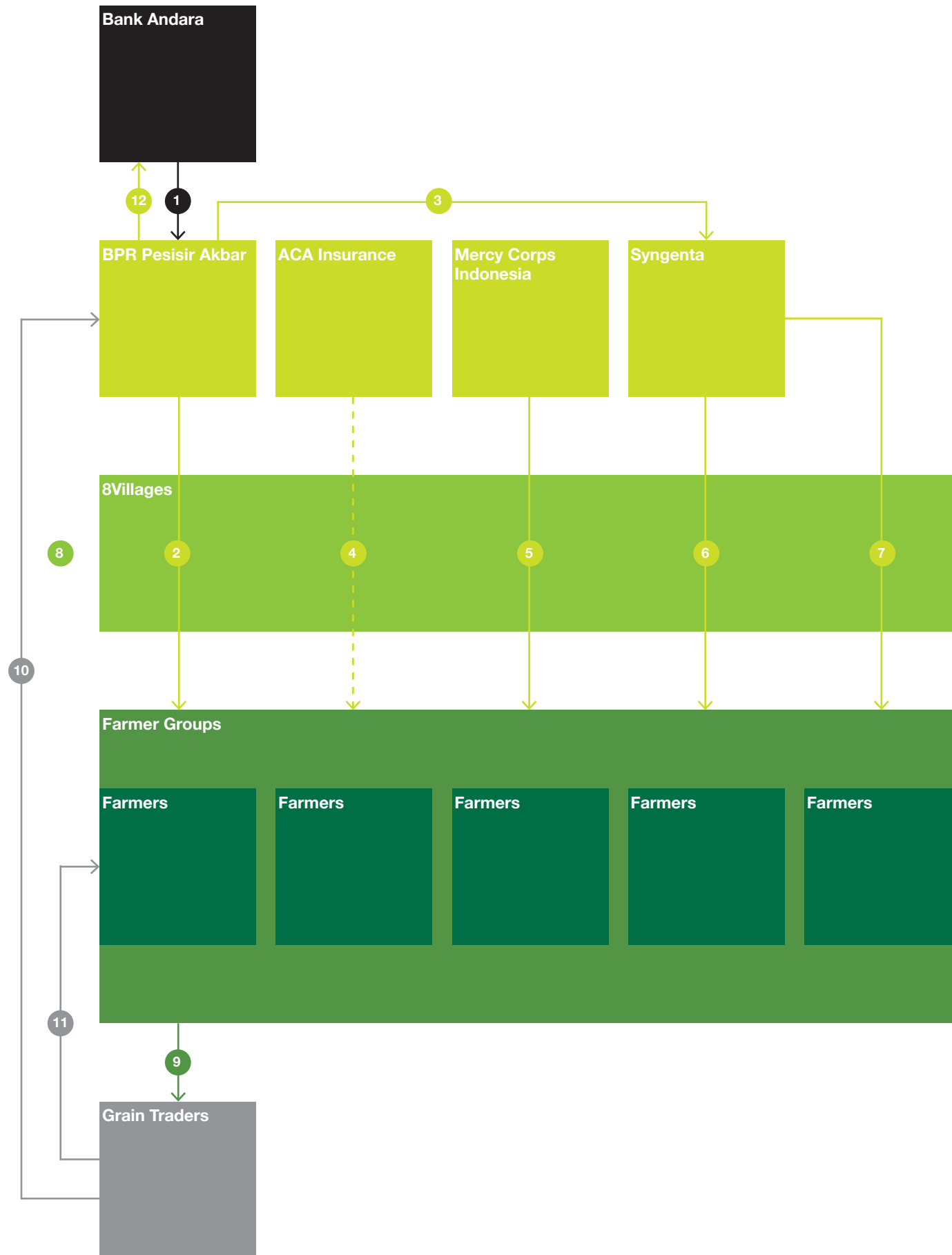
PISagro Corn Working Group (Dompu)

Core activities and structure

Key

Phase I

Phase II



1 **Bank Andara** is a wholesale bank, and provides initial funding through a loan to BPR Pesisir Akbar (BPR), a rural bank.²

2 **BPR** provides financing to individual smallholder farmers – IDR 8m loan at less than 2% monthly interest for a 6-month credit term; IDR 4.5m is in cash for fertilizer, loan administration, insurance premium and labor for land preparation and harvest; IDR 3.5m is in credit vouchers for seeds and crop protection products.

3 60% of credit vouchers is paid one month after distribution, while 40% of the value of the credit vouchers is deposited into the **Syngenta** retailers' bank accounts after the loan has been repaid.

4 **ACA Insurance** sells weather insurance, bundled together with BPR's loan, to smallholder farmers.

5 **Mercy Corps Indonesia** provides financial literacy training to farmers through farmer groups and supports the development of applications for mobile data collection and messaging services.

6 **Syngenta** sells seeds and crop protection products to farmers in exchange for credit vouchers.

7 **Syngenta** field officers provide agronomy expertise and stewardship training to farmers through farmer groups.

8 **8Villages'** LISA platform provides farmers with mobile messaging service where they can send any questions relating to agriculture, loans or insurance. Questions will then be relayed to the relevant parties (BPR, ACA Insurance, Syngenta, Mercy Corps) and farmers will receive replies at no additional charge.

9 **Farmers** sell produce to grain traders according to MOU which assures purchase and loan repayment.

10 **Grain traders** repay the IDR 8m loan to BPR on behalf of the farmers.

11 **Grain traders** pay the remaining balance in cash to farmers after two weeks.

12 **BPR** repays the loan to Bank Andara, with agreed interest.

² Bank Andara was founded in 2008 by Cordaid, the International Finance Corporation (IFC), Mercy Corps, Triodos HIVOS and an individual investor. It is a fully licensed commercial bank exclusively catered towards serving Indonesia microfinance institutions (MFIs) with capital and technical services. It ensures local MFIs can better serve the needs of low-income Indonesian small business owners.

3 Access

In line with the WEF's New Vision for Agriculture, the Working Groups adopt an inclusive value chain approach toward improving smallholder productivity, profitability and environmental sustainability. Projects are designed as end-to-end interventions, and aim to improve smallholders' access to knowledge, inputs, finance, markets and information.

Access to finance

Bank Andara

- Provides loan to BPR for financing scheme: as of January 2016 (Phase I and Phase II), IDR 12.8 billion has been disbursed through BPR.
- In order to manage the credit risk of farmers, Bank Andara requires a detailed profiling of smallholder farmers who were involved in the project and receiving loans.
- Provides funding in three phases:
 - **Phase I** where there is funding to reach up to 200 smallholder corn farmers over 400 hectares of land.
 - **Phase II** where there is additional funding to reach up to 640 smallholder corn farmers over 1,200 hectares of land.
 - **Phase III** where the WG aims to reach 2,500 farmers over 5,000 hectares of land.
- Agreement that only farmers who had repaid their loans will be able to progress onto the next phase

BPR

- Executor of the financing scheme: deals directly with smallholder farmers and offers credit at a flat rate of 1.8% per month for 6-8 months, which covers a bank commission, notary fees for the collateral commitment, and monthly interest. This interest rate is very attractive as alternative products that smallholder farmers have access to typically charge around 15% per month in interest.
- Provides IDR 8m loan to farmers:
 - IDR 4.5m in cash for fertilizer, loan administration, insurance premium and labor for land preparation and harvest.
 - IDR 3.5m in credit vouchers to buy seeds and crop protection productions.
- Smallholder farmers' land is put up as collateral.³ A single land certificate can be used as collateral for more than one credit agreement.

ACA Insurance

- Introduced in Phase II to meet farmers' demand for protection against drought and cyclones.
- Bundles crop insurance together with BPR loans. Based on Mercy Corps' experience, crop insurance is still a relatively new concept and take-up will be low if insurance is sold separately, hence the decision to bundle ACA Insurance products with the loans.
- Insures smallholder farmers against the risk of drought or cyclone-related damages.
- Works with Syngenta field officers (FOs) to verify insurance claims: Syngenta FOs will visit the farmers, use GPS to verify location and size, before relaying the information to BPR and ACA Insurance.

Syngenta

- Syngenta retailers can only withdraw 60% of the credit voucher amount one month after farmers sign the credit agreement with BPR. The remaining 40% can only be withdrawn after the farmers pay back their loans.

Mercy Corps Indonesia

- The Dompur project also falls under Mercy Corps' Agri-Fin project, where Mercy Corps works with partners to facilitate farmers' access to financial services through a four-step process: agricultural advisory, financial advisory and literacy, digital payments, and linkages to formal financial institutions.

Access to inputs

Syngenta

- Sells seeds, fertilizers and crop protection products to farmers by participating in credit voucher scheme. Farmers will receive vouchers as part of the loan, which they can then use at Syngenta retailers. In this case, the retailers are also effectively guaranteeing part of the farmers' loans.

Access to knowledge

Syngenta

- Works with BPR to identify farmers who have good credit risks – Syngenta FOs will shortlist farmers who demonstrate ability and willingness to implement good agronomic practices.
- Introduced "Start Right", Syngenta's corn growing protocol, which provides agronomy expertise and stewardship training to smallholder farmers both before planting and during harvest (optimal and safe use of seeds, fertilizers, crop protection products including herbicides, pesticides, insecticides). This ensures that farmers use the input packages in the optimal way and are able to maximize their crop yields. Information is disseminated through SMS blasts.
- Provides three agronomists to train and assist corn farmers.

Mercy Corps Indonesia

- Provides financial literacy training.

BPR

- Matches amount of resources Syngenta provided in terms of field officers to improve communications and engagement with farmers; BPR staff would be educated about agronomy and Syngenta staff about loan criteria.

Access to information

8 Villages

- Provides LISA platform that registers and profiles participating farmers.
- LISA platform also offers mobile message information services (charged at standard messaging rates) to farmers who have questions relating to agriculture, loans or insurance; questions will be directed to the relevant organization (Bank Andara, BPR, ACA Insurance, Syngenta and Mercy Corps). Replies to farmers are at no additional charge; can also be done using a PEKA mobile application.

Access to markets

Grain Traders

- Effectively serve as guarantors for farmers to repay their loans.
- Off-takers for farmers' produce.
- System of warehouse receipts in place.

Performance measurement

Syngenta

- Performance measurement, including measuring crop yield increase, baseline comparisons and results aggregation.
- Conducts monitoring at 30, 60, 90 and 100 days after planting (DAP) and sends report to Bank Andara and Mercy Corps Indonesia.

BPR

- Prepares performance report for individual farmers to build establish comprehensive database of farmer profiles.

Scaling solutions

Mobile/Digital

- Use of Bank Andara's AndaraLink mobile platform by BPR to provide digital payments services for farmers. Services include bill payments, credit top-ups, domestic cash remittances, savings deposits, and loan repayments. Transactions would be logged on AndaraLink, thus facilitating data collection.
- 8Village's LISA platform allows two-way communication between WG members and smallholder farmers. WG members can disseminate good agricultural practices through SMS blasts and farmers can contact WG members with any questions they have.
- Mercy Corps partners with 8Villages on Kumpul Data as part of Agri-Fin Mobile project, which is used by Syngenta and BPR field officers as part of monitoring and data collection of farmer profiles.

³ Bank Andara Annual Report 2015; Agri-Fin Annual Report 2015.

4 Progress and Achievements

2016

Phase I

- 198 farmers in 10 groups and 385 hectares, based across 4 Kecamatan (communities) in 2 Kabupaten (provinces/regions).
- Yield increment from 6 to 7.2 MT/hectare (20%) in November 2014.

Phase II to date

- 840 farmers reached.
- 1,587 hectares of farmland.
- 10% yield increment.
- Additional IDR1.8m per hectare.

Plans

Phase III

- 2,500 farmers over 5,000 hectares.
- Considering expanding project possibly elsewhere on the Island of Sumbawa, WNT but also Java and Sumatra.

5 Timeline

2013

PISAgro Corn Working Group established

Syngenta as leader

2014

July
Beginning of Dompu project Phase I:
– recruiting farmers
– profiling farmers
– loan contracts

October
Dompu project MoU signed

December
Dompu project contract signed

2015

July–August
Beginning of Dompu project Phase II:
– recruiting farmers

September
End of Dompu project Phase II:
– farmer repayment
– quantifying results

November
Negotiation of Phase II package

November
ACA Insurance on board

Farmer's yield increased by 10%



840 farmers reached

