

COUNTRY PAPER OF INDONESIA

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I. INTRODUCTION

- Indonesia is well known as an agricultural country
- Agricultural area comprised around 46.9 million hectares or around 74.68 percent of the total area
- Agricultural commodity is classified into food crops, horticulture, estate crops and livestock
- Agricultural sector is one of the important economy sectors in Indonesia
- In order to increase competitiveness, Indonesian Farmers have made improvement in various aspects of agriculture

II. OVERVIEW OF CONTRACT FARMING IN INDONESIA

- Firms involved in contract farming

Agribusiness Firms	Commodity covered
PT Garuda Food	Peanuts
PT BISI	Maize
PT Toyota Bio	Sweet Potatoes
PT BAT Indonesia	Tobacco

Agribusiness Firm	Commodity covered
PT Sungai Budi	Cassava
PT Multi Agro Kencana Prima	Rubber
PT Minanga Ogan	Palm oil
PT Pacet Segar	Vegetables

- Contract Farming Pattern

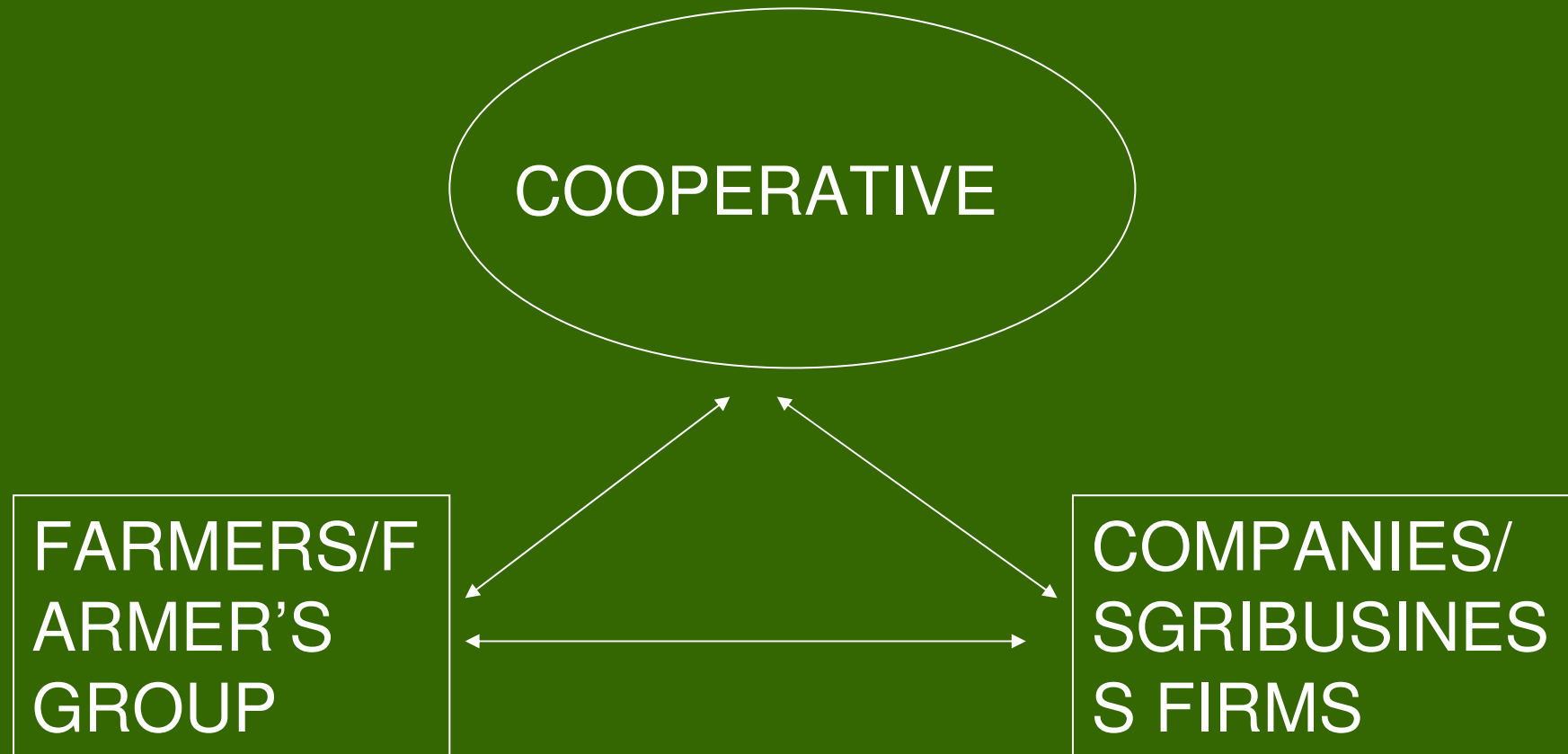


FIGURE 1

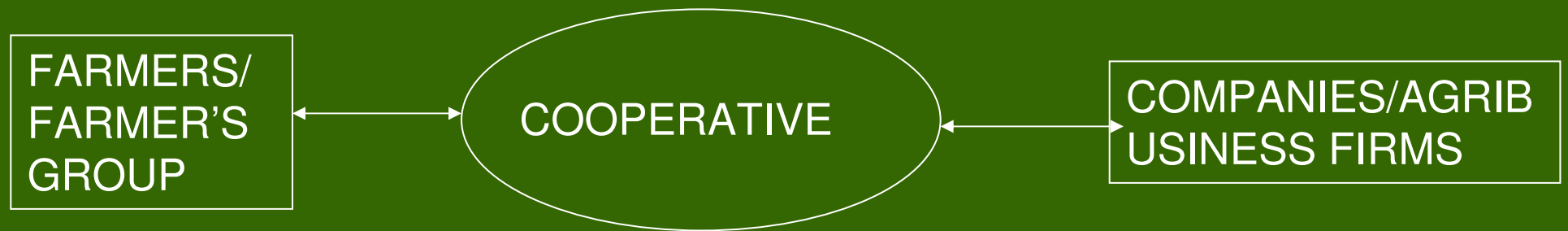


FIGURE 2

- Contract Farming Mechanism

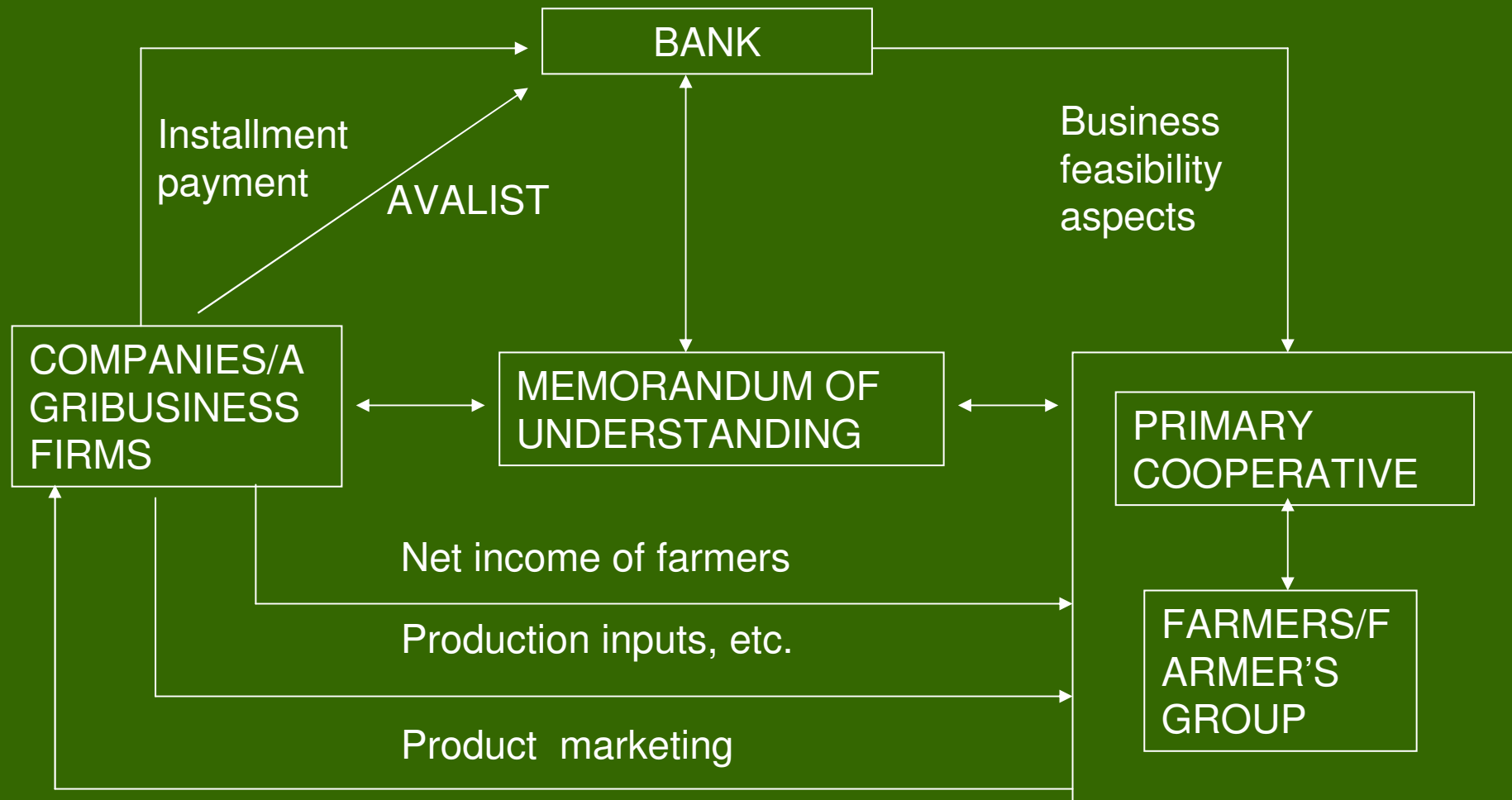


FIGURE 3

- Contract Farming Agreement

The companies obligations :

- To give cultivation guidance,
- To provide production inputs (seed, fertilizers, pesticides),
- To control the harvesting and post-harvesting management,
- To purchase the farmers' crops,
- To act as the avalist

The farmers obligations :

- To prepare their land for plantation,
- To control the harvesting and post – harvesting management,
- To use the production input properly as stated in credit proposal,
- To sell the whole production to the company, and
- To sell their production at an agreed price

III. THE ROLE OF GOVERNMENT IN PROMOTING CONTRACT FARMING

- To act as facilitator, mediator and regulator
- To increase technical and managerial skill of farmers
- To facilitate providing working capital to the farmers
- To conduct business meeting
- To conduct research and development
- To conduct extension of new technology to the farmers

IV. CASES OF CONTRACT FARMING IN INDONESIA

- Contract farming on tobacco
- Contract farming on peanuts

V. ISSUES/CHALLENGES IN CONTRACT FARMING IN INDONESIA

- Inefficient management and marketing
- Weak accessibility to capital, technology, and market
- Low productivity, quality, and quantity of the products
- Price fluctuation
- Low technical and managerial skill of the farmers
- Lack of facilities, new technology, etc.

VI. CONCLUSION

- Contract farming system has been widely developed in Indonesia
- Some efforts need to be carried out to promote contract farming in Indonesia
- Government has an important role to promote contract farming
- Contract farming is profitable for farmers and companies