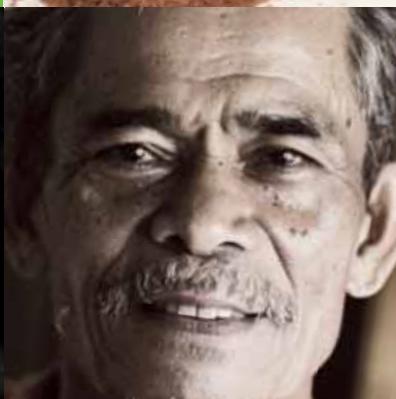
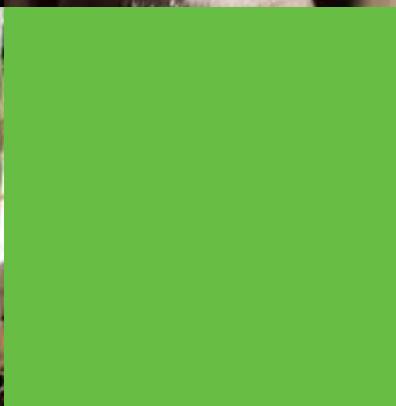


SNV



**Developing
new markets
through certified
organic coconut
sugar**



The coconut sugar - a sweet opportunity

SNV believes this project could transform the lives of thousands of coconut sugar farmers in Indonesia.

Coconut sugar has a strong domestic market in Indonesia, where over 600,000 metric tonnes is produced annually; mostly for local consumption. The Indonesian powerhouse brand of instant noodles, Indofood, for example, purchases over 30,000 metric tonnes per year and Unilever a significant volume for their sweet soy sauce product. Indonesia currently has well over 100,000 coconut sugar producers who bring over 50,000 metric tonnes of coconut sugar to the domestic market per month. The premium prices fetched in the export market, particularly in the organic certified market, present an opportunity for increased income for Indonesian coconut sugar producers. In line with the trend of growing global demand for organic coconut sugar, demand from exporters far outstrips the available supply.

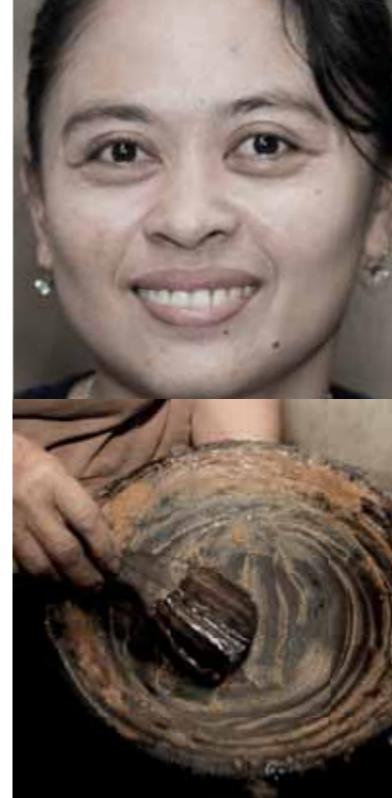
Producers stand to gain a 20% premium by selling organically certified product to exporters. Given the growing levels of obesity and diabetes, the low glycemic index (GI) of coconut sugar – around half that of regular table sugar, is a key reason for its popularity. It is seen as a healthier substitute for table sugar and marketed as having a higher nutrient content and distinctive taste. Organic coconut sugar is largely sold in health food shops in North America, Europe, Australia and North Asia and is also increasingly used in chocolate and bakery products.

Although significant numbers of coconut sugar producers along the south coast of West and Central Java currently sell coconut sugar for export, producers in East Java are very poorly linked to export markets and not benefitting from the potential.

Districts including Pacitan and Trenggalek in East Java have an established history of coconut sugar production. Their mountainous terrain provides a natural environment for organic coconut production.

As organic certification has become a pre-requisite for export and is seen as a guarantee of quality, this also represents significant potential. Farming practices in the project's target areas largely conform to organic standards, making certification achievable at low cost and on a relatively short timescale.

To turn the potential into reality and to access export markets, product quality and processing efficiency needs to be improved.



Sweeter yields – the benefit of better processing

SNV is targeting the Indonesian coconut sector because of its promising outlook and potential to benefit a significant number of poor, smallholder farmers.

SNV will work with international and local partners to increase the income of rural coconut farmers in East Java with an initial focus on Pacitan and Trenggalek districts.

The project is supported by the Government of Indonesia and the Government of Australia, through the Australia Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture (AIP – PRISMA) program, which aims to contribute to a 30% increase in net incomes for 300,000 poor rural female and male farmers by the end of the program.

SNV is implementing two projects to benefit coconut farmers and three projects benefiting cassava farmers under AIP-PRISMA. In this project, Develop New Markets through the Organic Certification of Coconut Sugar:

- Increase coconut sugar processing productivity
- Increase coconut sugar supply to the export market

By working closely with farmers, local implementing partners and district governments, the first stage of the project, in partnership with Bali company Big Tree Farms, aims to improve the livelihoods of 5,500 farmers who will benefit from an average increase in household income from coconut sugar of at least 20% by end of 2015.

If the first stage of the intervention is successful, it could benefit of an estimated 5,500 coconut sugar producers by end of 2015 with the potential to be up-scaled to benefit up to 14,000 producers by 2017.

Project components

The project will focus on: production processes and equipment to improve efficiency and product quality; removing export market barriers including lack of organic certification; and develop producer links to exporters. It will contribute to the overall sector's competitiveness by increasing the productivity and supply of coconut sugar to the export market. It will also promote coconut syrup production as an alternative to dried sugar to deliver both productivity and environmental benefits. Improving farmer knowledge and capacity to organise organic certification and provide local support services will also be a key project focus. Good processing practices will also be promoted through training to enable farmers to meet company standards for export. Access to improved

equipment and better hygiene practices is key to meeting these standards. The current processing practices of using an open wood fire often in unhygienic conditions will be addressed through specially designed cook stoves, training in improved hygiene and fuel efficiency methods and practical access to finance. In addition to improved income, there are significant health and environmental benefits to be realised.

Sustainable partnerships

SNV will manage the first stage of the project in partnership with Big Tree Farms. As specialists in sourcing and marketing food products made by artisan producers across Indonesia, with a focus on sustainability, they make ideal partners. Their product lines include organic coconut palm sugar, coconut water, cashew, cocoa products, and speciality salt and spices. Big Tree farms will take the lead in Training of Trainers, developing supply chains and arranging access to finance. They will also cover the cost of organic certification for the first year.

SNV will also be responsible for the dissemination of the cook stoves. Improving the cooking methods of coconut sap into coconut sugar is very important for the final quality. Too much smoke can damage the sugar and high fuel prices have an effect on the profitability of farmers.

The SNV Renewable Energy team will examine how to improve current coconut sugar cooking stoves to become more efficient and smoke free. A number of new designs will be tested to see what type of improved stoves best suits the local situation and fuel available.

SNV will provide overall project management, evaluation and monitoring and technical assistance on coconut sugar processing. It will also raise farmer awareness, prepare training materials and cover the cost of training at the farmer level. SNV will take the lead in designing a purpose built clean cooking stove for coconut sugar processing to suit local conditions and the business model to enable production. There is significant opportunity to develop business models for other regions and SNV is looking for up-scaling strategies.

Sweeter rewards

The project intervention will deliver the following outcomes:

Increased farmer income

- 65% increase in average net additional income of targeted producers by mid-2015
- 20 % increase in average price achieved for coconut sugar

Better quality coconut sugar

- Increased supply of coconut sugar that meets export market standards – Big Tree Farms buys 180 kilograms/HH per month from targeted producers
- More than 50% of targeted farmers implement improved processing practices for efficiency and quality

Higher productivity

- 46% reduction in the cost of sugar production per kilogram
- 20% reduction of labour on processing and firewood collection.



Monitoring and evaluation

SNV will monitor and evaluate progress of project outcomes and incorporate local feedback to facilitate up scaling and continuous improvement. Coconut Sugar is produced mainly by men, with women collecting the wood for the stoves. With the shift towards the collection of nectar, there may be a decrease in time spent in wood collecting and SNV will monitor possible impacts and evaluate potential social changes including who will be selling the nectar generated by the project.

SNV Indonesia

SNV is an international not-for-profit development organisation. Founded in the Netherlands nearly 50 years ago, we have built a long-term, local presence in 38 of the poorest countries in Asia, Africa and Latin America. Our global team of local and international advisors work with local partners to equip communities, businesses and organisations with the tools, knowledge and connections they need to increase their incomes and gain access to basic services – empowering them to break the cycle of poverty and guide their own development.

SNV officially opened its office doors in Indonesia in 2013. We work in close partnership with the Ministry of Home Affairs across three main sectors in Indonesia, water and sanitation, renewable energy and agriculture as well as the cross-cutting issue of climate change. Our philosophy is to partner with local organisations and employ local people, believing that lasting change to the lives of the poor has to start with the people who live and work here.





Our projects



 Climate Change
  Renewable Energy
  Agriculture
  Water & Sanitation



Harm Van Oudenhoven, Sector Leader Agriculture
Email: hvanoudenhoven@snvworld.org

Contact address:

SNV Netherlands Development Organisation
Jl. Kemang Timur Raya No. 66
Jakarta Selatan 12730
Indonesia

Tel: +62 21 719 9900
Fax: +62 21 719 7700

Website: www.snvworld.org/indonesia



Ministry of
Home Affairs



AIP-PRISMA
Australia-Indonesia Partnership for
Promoting Rural Income through
Support for Markets in Agriculture

