



FORD
FOUNDATION



Building an
inclusive
coffee market



SNV



Benefitting from strong coffee

We see great potential in Indonesian coffee with the country being the fourth largest coffee producer in the world and the sector engaging hundreds of thousands of small scale farmers.

With funding from the Ford Foundation, the overall goal of the Building an Inclusive Coffee Market in Indonesia project is to engage large coffee companies to develop inclusive and sustainable supply chains. The project will concentrate its major activities in Flores and carry out a smaller initiative in Toraja in partnership with VECO.

By working closely with farmers, local implementing partners and district governments, coffee companies are encouraged to engage and assist in improving production and quality. With this combined investment, the project aims to improve the livelihoods of 4,000 coffee farmer families and develop successful models that can be replicated elsewhere in Indonesia.

The coffee opportunity

In the project target area, around 100,000 farmers grow Arabica and Robusta coffee on small plots of land. Some farmers own just a few hundred trees. Coffee is a major

income source for many farmers, but it is not nearly as profitable as it could be. Flores farmers often struggle to feed their families just managing to eke out a living existing below the poverty line of USD 2 per day. Some farmers still rely on Government food subsidies.

Coffee from these provinces is distinctive and has the potential, if quality is maintained, to attract a premium price as a speciality coffee. Companies such as Starbucks and Simon Levelt already feature Indonesian coffee blends on their menu.

Flores coffee is beginning to develop a reputation amongst coffee connoisseurs in Europe and Japan.

However, across Indonesia, coffee productivity per hectare or per coffee bush is currently very low. One hectare produces on average just 700 kilograms of beans a year, which is less than a third of the 2,500 kilograms of beans per hectare produced in Vietnam. Many coffee plants are more than 30 years old - some even dating back to the Dutch colonial period. With the ideal age for a coffee plant being 15-20 years, this has a serious impact on production.

Crop maintenance is minimal with little pruning and low fertilization. Farmers often limit activities to harvesting and processing of the cherries. The project aims to increase coffee farmer livelihoods through:

- Improved crop maintenance
- Upgraded post-harvesting techniques
- Better drying and storage facilities
- Improved selection of quality coffees
- Better linkages to buyers
- Better administration skills
- Increased income through improved sales



Brewing an inclusive solution

Many coffee companies are unaware of the need and benefits of taking a more inclusive approach to developing their supply chains. Some wish to invest, but do not have the network or resources to directly engage with farmers to improve quality of production.

SNV aims to assist companies to expand their investments, linking them directly to farmers and co-investing in building farmer capacities. This will help build a sustainable coffee supply chain benefiting both farmers and companies. For companies, these benefits include:

- Increased network of local coffee producers
- Better access to producers
- Established system to disseminate knowledge on quality requirements
- Improved relationships with small scale producers ensuring long term supply
- Increased profits from the targeted areas

The right blend

SNV will manage and implement the project in partnership with local based organisations and professional service providers.

SNV brings our inclusive business approach and knowledge of the international coffee sector. Local implementing partners bring in their broad depth of specific area experience in the coffee sector in Indonesia.

Counting the beans

The Building an Inclusive Coffee Market project will deliver the following outcomes:

Farmers with improved livelihoods – a 20% average income increase to 4,000 farmers over the life of the project

Increased productivity – 4,000 farmers will improve their skills in harvest and post-harvest management of coffee

Reduced environmental impact – 1200 farmers will adopt approaches and technology to reduce greenhouse gas emissions

Improved business growth in targeted area - a minimum of 3 coffee companies will increase sourcing and turnover from the targeted area

1. Establishing a sustainable coffee platform

Indonesia, despite it being the fourth largest coffee producer in the world, still lacks a general forum where the problems in the sector can be openly addressed. SNV, together with our partners, aims to establish an open forum where market requirements and challenges facing the sector can be discussed and addressed. The objective is to establish strong working relationships with key stakeholders: coffee companies, government institutions, standards bodies, agricultural research institutes and other development actors active in the sector.

SNV will build on existing initiatives such as the Specialty Coffee Association of Indonesia and PisAgro, to avoid unnecessary duplication.

2. Gap analysis

SNV has carried out extensive research visits in Flores and Toraja to prioritize target groups and priority areas for investment. Companies were approached to examine co-investment opportunities. Already basic agreements with companies have been established that commit to the

development of inclusive supply chains. These agreements will include transparent price schemes with incentives for higher quality and constant volume, backed up by technical assistance. SNV will further encourage other coffee processors and exporters to commit to develop inclusive supply chains that directly support coffee producers.

3. Supporting producers in meeting market requirements

Farmer knowledge on international market requirements is lacking. SNV will facilitate direct dialogue between companies and farmer organisations. This will improve farmer knowledge of international and local product specifications and prices. In turn this will give companies a better understanding of farmer’s aspirations and concerns. The project will provide technical and financial support for farmers to meet goals including increasing supply volumes and quality.



Project Components

4. Develop and strengthen farmer capacity

SNV will work with farmer organisations and processors to develop business and negotiation skills; pricing strategies and facilitate mutually beneficial contracts between farmers, companies and input suppliers.

5. The enabling environment

SNV will facilitate talks between stakeholders including companies, local government and farmer associations to promote business improvement and public sector actions to address key bottlenecks.

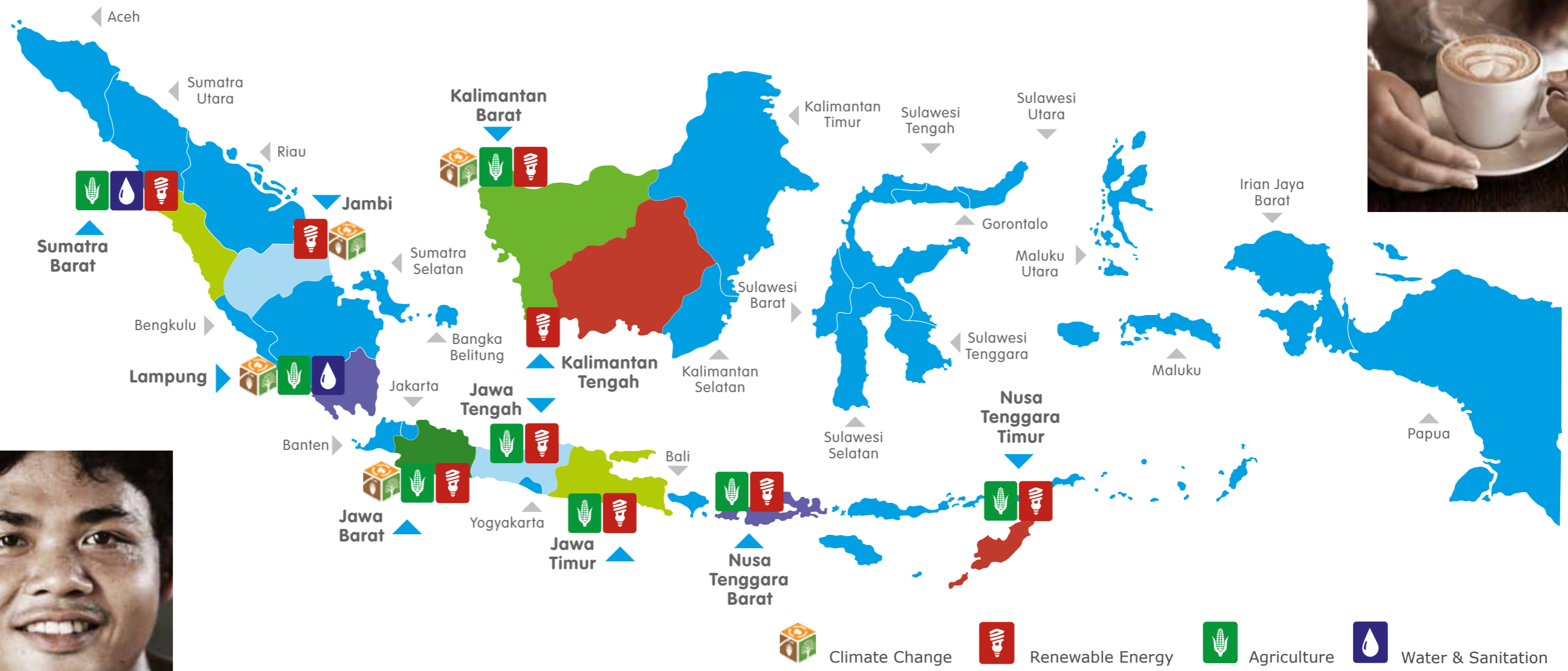
6. Monitoring and evaluation

Good oversight of project outcome and impact is essential for long term success and potential upscaling. SNV will monitor and evaluate progress and keep track of lessons learnt, continuously improving our business model as we moved forward. Our aim is to constantly share our experiences with other actors as we work towards a sustainable Indonesian coffee sector.

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 crosscutting 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.





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



VECO Indonesia