



Evaluating smallholder livelihoods and sustainability in Indonesian coffee and cocoa value chains

Overview

Indonesia is a major world producer of both cocoa and coffee, where production systems are dominated by smallholders living in relatively remote areas of the country. These smallholders are being increasingly enrolled in various value chain development programs instigated by lead firms, governments and international development agencies, offering a possible pathway out of rural poverty. These programs include certification schemes for sustainability, buyer linkages and relationship coffees, and Geographical Indications (GIs). However, the impacts of these programs on farmer livelihoods remain poorly understood.

The overall goal of this project is to improve smallholder livelihoods and sustainability through more effective value chain interventions. The aim of the research is to rigorously evaluate the specific impacts of value chain interventions in the coffee and cocoa sectors of Indonesia, and to share research findings with implementing organisations and governments to improve future policies and programs to the benefit of smallholder farmers.



Jeff Neilson with Patolla at the Cooperative Processing Unit in Benteng Alla. Photo: Derby Sumule

ACIAR project number	AGB/2010/099
Start date and duration (years)	December 2014 (4 years)
Location	Indonesia
Budget	\$1,125,355

Project leader(s) and Commissioned Organisation

Dr. Jeff Neilson
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Partner country project leaders and their institutions

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Research

The key elements of the project are as follows:

- » Evaluating the impacts of certification schemes for sustainability on smallholder livelihoods using a mixed methods approach, including randomised control trials and quantitative analysis, ethnographic village-based case-studies, and farmer perception surveys.
- » Applying action-research methodologies to facilitate, and evaluate, emerging relationships between domestic and international coffee firms and Indonesian farmers.
- » Undertaking the first systematic analysis of the costs, benefits and legal enforceability of establishing GIs as a rural development tool in the Indonesian specialty coffee industry.

Achievements

The establishment of a large Randomised Control Trial (RCT) to evaluate a certification scheme across 1,500 coffee farmers in the Semendo district of South Sumatra is an exciting research development. Working with farmers, a lead Indonesian coffee trading firm and international sustainability standard organisations, this will be one of the first studies of its kind that evaluates the impacts of a sustainability program on producer livelihoods in the agricultural sector.

Through an action-research methodology, project researchers also collaborate with specialty coffee roasting firms to facilitate and evaluate the impacts of 'relationship coffees'. This research approach and findings are being shared, and discussed, with industry actors across Indonesia through a short film on Benteng Alla. This approach is further demonstrated through the partnership with Five Senses Coffee of Australia.

The organisation of the national Geographical Indications (GIs) workshop in Surabaya in June 2016 brought together 9 GI Protection Societies (MPIGs) from across Indonesia to share their experiences and expectations from the implementation of GIs.

The project has developed a strategic partnership with the UK-based ISEAL Alliance, as part of their Demonstrating and Improving Poverty Impacts Project. Research findings, including the 2015 Baseline Report, are being disseminated amongst leading global firms and standards organisations through this partnership.

The project is also working closely with industry leaders within Indonesia to inform policy developments, with project leaders (Bustanul Arifin and Jeff Neilson) sitting on the Supervisory Board of the Indonesian Sustainable Coffee Platform, and working in partnership with the Coordinating Ministry of the Economy.]

Impact story

Mr Patolla is a coffee farmer in the highlands of Sulawesi, who is also a member of the Benteng Alla village cooperative. The village produces high quality Arabica coffee that has long been sold internationally as 'Kalosi' coffee, after a regional trading town. Under the preceding ACIAR project, a relationship between the Benteng Alla cooperative and international coffee roasters was brokered as part of an action research intervention.

Through the project intervention, technical processing skills, knowledge about specialty markets, and market access improved for the cooperative. Its reputation as a producer of high-quality specialty coffee has grown and it is now managing several contracts directly with the booming domestic café market in addition to continuing exports.

The project demonstrated that 'relationship coffees' can act as a powerful catalyst for quality upgrading along the value chain, with benefits for village-based business units, and farmers such as Mr Patolla. However, this requires institutional support to address quality control and expectations, management of risk exposure, and the need for operating capital.

The project is identifying key elements within a model for 'relationship coffees' that are likely to result in mutual benefits for both farmers and roasters. This relationship model is being widely applied by the Indonesian Coffee and Cocoa Research Institute, in partnership with local governments, across Indonesia. Dissemination of the relationship coffee research by an online Indonesian/English language [film on Benteng Alla](#) has informed approaches to 'relationship coffee' within the Indonesian specialty coffee sector.