



Agribusiness

# Improving milk supply, competitiveness and livelihoods in smallholder dairy chains in Indonesia



## Overview

**In 2012, Indonesia produced less than one-third of its domestic dairy demand—and even less in recent years. The Government of Indonesia has begun to invest substantially in its dairy sector in a bid to increase domestic production.**

Most dairy production takes place on Java. However, increasing competition for land and other resources on the island, along with numerous dairy supply chain constraints, challenge future growth. The Government has identified 12 provinces for dairy development outside of Java, including North Sumatra, which has proximity to feed inputs from palm oil plantations and access to both domestic and export markets. But despite good potential, North Sumatra's dairy industry is still in its infancy.

An integrated approach to both capacity building and supply chain analyses is essential—one that considers issues and relationships affecting the entire dairy chain, from dairy farmers, dairy cooperatives and traders to processors, retailers and consumers, as well as external factors such as incentive schemes and global markets. This whole-of-chain analytical approach provides an excellent opportunity to translate findings from research organisations into enhanced policy capacity and improved livelihoods for smallholder dairy producers.

## KEY FACTS

**ACIAR Project No.** AGB/2012/099

**Duration:** June 2016 to May 2020 (4 years)

**Target areas:** Indonesia: Java and North Sumatra

**Budget:** A\$1,871,680

### Project Leader

Wendy Umberger, University of Adelaide

### Key partners

- Department of Economic Development in Victoria
- Subtropical Dairy Ltd/Australasian Dairy Consultants Pty Ltd
- Indonesian Centre for Animal Research and Development (ICARD)
- Bogor Agricultural University
- The Indonesian Centre of Agricultural Socio Economic Policy Studies (ICASEPS)

### ACIAR Research Program Manager

Dr Howard Hall

## Objective

**The aim of this project is to increase milk supply (quantity and quality) by 25% and net-household incomes for at least 3,000 dairy producers in West Java and North Sumatra, Indonesia by 2020.**

**The project's three main objectives are to:**

- Identify and recommend strategies and policies to support development of sustainable, profitable and smallholder-inclusive dairy supply chains in North Sumatra and West Java.
- Identify barriers to adoption of profitable management practices and develop strategies to inform development of extension programmes in West Java and North Sumatra.
- Develop, pilot and evaluate best-bet dissemination to improve adoption of innovative dairy management practices by smallholder farmers in West Java.

## Expected scientific results

- Development of a comprehensive analysis of the dairy sector in Indonesia, looking at the effectiveness of technical activities, socioeconomic information, value chain and consumer analysis and policy environments.
- Further development and testing of an extension model capable of being reproduced in different areas of Indonesia and other Asian livestock sectors across technical areas to improve on-farm profitability.
- Greater knowledge of how smallholders, through improved efficiency and ability, can meet changing and growing demand and potentially compete with large-scale farms.
- Contributions to the literature on market-driven smallholder agribusiness development and technology uptake, as well as adoption of multiple innovations at farm level and how it is linked with governance of the value chains.

## Expected outcomes

- Increased domestic milk supply and quality, helping to meet domestic demand.
- Improved productivity and efficiency of smallholders in the dairy value chain and higher returns to smallholder dairy farmers, with increased cash flows being used to cover food, health and education expenses.
- Increased availability and access to local fresh milk, providing health and nutrition benefits.
- Greater capacity at all levels of the dairy industry, including in dairy production, marketing and market analysis.
- Greater capacity among partner institutions in terms of research and extension.

