

The Neuchâtel Initiative

Review of Experiences on Market Oriented Agricultural Advisory Services (MOAAS)

Country: Indonesia

Name of intervention: Agro-processing and Marketing of Vanilla

Time period under analysis: 2003 until 2006

Institutions/agencies involved: Local Government of Alor District; Udayana University, Bali; local Farmer Groups; GTZ supported field workers and NGOs, Project purpose: Poverty reduction in areas with poor infrastructure (one of the interventions taken up by the local government was to produce high quality vanilla for premium markets)

Main Results: Potential for increased household income in rural areas supported by the Project, farmer group members are reinvesting in production, processing and marketing. There is not yet a stable market for all the vanilla produced.

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Services supported:

- Applied research
- Rural advisory services/ extension / Community Development Service
- Business Development Services/Advice
- Information supply
- Technical service providers and certification
- Non-formal qualification
- Linking to and improved utilization of rural financial services
- Linking to marketing services
- Lobbying and Advocacy
- Training
- Organisational Development of Groups and Associations
- Social Services
- Improving local governance, planning and implementation of services

Question 1: What are the general settings and arrangements for MOAAS?

GTZ supports interventions for the principal purpose of poverty reduction in resource poor areas that are characterized by lack of infrastructure, land resources or adverse climatic conditions, and the socio-cultural behaviour of the farming community.

Communities and the local government are assisted and trained to analyse the local potential in the agriculture and fishery sectors. They are organised to search for solutions through local government institutions, universities and the private sector. Local governments are qualified to assist those groups which lack resources and are motivated to cooperate with other service providers in order to gain access to know-how and resources.

Competent partners for technical as well as organisational support have been selected and a well-functioning cooperation initiated and nurtured through GTZ support.

For a number of districts in the eastern part of Indonesia it has been observed that:

- Local governments as well as local communities have little knowledge in regard to market opportunities and value added chains;
- Local parliaments tend to spend their limited funds by distributing them among those in need and not prioritising them to develop one lead sector;
- The risks of production and/or market failure are not properly addressed;
- Present livelihood systems of local communities are not often taken into consideration while developing alternative income-generating opportunities;
- PACA and other participatory approaches need a considerable amount of external assistance, including technical know-how and advisory services to facilitate the elaboration of realistic concepts;
- Government officials and private sector representatives do not agree easily when working together.

Question 2: Who are the clients of MOAAS?

The local government in Alor (as well as in a number of other districts) is organizing agriculture production/marketing support through a general community development approach, wherein agriculture, fishery or forestry assistance is provided according to expressed need from organized farmers' groups.

Individual producers engage in marketing (barter) without knowledge of markets and quality requirements. Chinese traders have a monopoly on all goods traded between the islands or processed outside, and so are the main trading partners of rural producers. They have established networks in place within the communities as well as ships and buyers for the products.

A number of farmer groups are now involved in marketing selected products, including vanilla, tamarind, cashew nuts and candlenut. They cooperate with local traders and also look for outside markets. Through their increased bargaining power, the market price of the main traded goods could be increased by up to an estimated 25%.

In an environment where markets are dominated by few very powerful traders, it is difficult to establish a permanent link to only one partner for marketing and processing. An open system of trading allows farmers to sell to those traders with the most favourable conditions. Extension service has been and continues to be necessary to increase farmers' awareness of their possibilities and link them to potential buyers from outside the island.

Concepts and demands for services have been elaborated during a series of consultations and expert hearings. In some districts (although not Alor) we started with "round table" discussions, where potential stakeholders, including representatives from the local government, interested NGOs and experts from institutes, universities and the private sector discussed a relevant development issue in broad terms, without having any concrete action in mind. GTZ usually supported such events by inviting relevant guests for discussions and expertise.

Such an approach requires well-organized farmer groups and a supportive village government. In poor regions, government services are still the main support for development, at least initially. Through the project, we were able to ensure that available funds were used appropriately to improve the livelihoods of rural communities.

Question 3: What approaches and methods are used for agricultural advisory services?

The traditional extension service in most areas in Indonesia does not have expertise in community development services nor in specialized areas of production and processing. Under the new decentralization policy, the responsibility for the formerly centralized service is now being handed down to the local governments. While salaries are still being paid by the national level, all operational costs have to come from the local budget. To obtain funds and additional inputs for the services, local government officials have to lobby and scout for external support from universities, technical institutes and donors.

Within this type of arrangement, the technical qualifications of the extension staff need to be good enough to satisfy these potential funding sources, and they must also be good moderators and communicators. The project provided them with training to address these needs. Technical expertise and advice was published in a number of booklets. Strategic issues on more complex issues were documented, published and brought forward to the national and international levels through workshops and seminars. Extension staff also received on the job training in cooperation with the private sector. The project also funded other more advanced service providers from outside the area and back stopping by external trainers to improve the capacity and increase the scale of service provision.

Question 4: What are the outcomes and impacts of agricultural advisory services?

Most extensionists need not be directly involved in marketing. However, they do monitor and report on market information, including volumes available, harvesting periods, potential buyers, etc. They also advise farmer groups and local traders on how to manage risk and get necessary market information. (If they are making a profit they would not share, so they have to take the loss as well.)

In Alor District, the local government invested in a processing facility for vanilla beans. Some extensionists and NGOs stopped providing community development services and became traders.

Question 5: What is the role of development cooperation and other key stakeholders?

The marketing and processing of agricultural products is a new topic for agriculture advisory services. In Indonesia, services related to marketing and processing have traditionally been provided by other government institutions which do not provide rural extension services. The agricultural extension service has been strongly oriented to rice production and has assisted in only a few other commodities such as maize and soybeans.

Local governments are taking over the responsibility for agricultural services. To support this transition, one task of the development agency is to help decision makers within local government become aware of the comparative returns from different forms of agricultural support. We have compared the costs and benefits of subsidised fertilizer against those of the extension service. Benefits were framed in terms of improved living conditions for farmers. The highest returns were obtained through strengthening communities, organizations and groups, and especially building their capacity to interact with the government and banks to obtain credits, technical assistance and services. The clear lesson here is that strong service provision depends on the capacity of farmers to interact and ask for advice.

The technical know-how of the general agricultural extension worker can only cover main commodities. When it comes to special markets and processing of agriculture products, other service providers have to be brought in. Here, different models of know-how and skill transfer are suitable and practicable. Two options are on-the-job training and backstopping from qualified personal from various sectors. The extension service remains centrally concerned with how to manage the information and services available and make best use out of them.

Question 6: What linkages exist between agricultural advisory services and other types of services?

Local banks have an obligation to lend money to small producers and entrepreneurs, and are willing to cooperate with extension if the principles of banking are followed. Farmer groups can be deemed qualified in financial terms by proving they are credit worthy. Evidence of credit worthiness includes externally audited group financial records and evidence of regular savings. The project assisted the bank to develop some technical recommendations on the viability of agriculture production processes.

In many cases, there are already existing advisory services but they are either not functioning or not very popular, especially if they charge service fees. Farmers and low-income groups will seize any chance to get free or subsidized services. This can set different projects with different conditions into a kind of competition with each other, hampering a straight-forward approach and causing delays. It is therefore advisable that the local government together with NGOs and other development agencies operating in the area agree upon modes of delivery.

Question 7: What are the general lessons learnt in terms of e.g., good practices, obstacles, pitfalls?

In our case, community organizing and group strengthening (from village to district levels) were the key factors and entry points, not only for an increased agricultural production, but also for farmer success in marketing and processing. Our main tasks have been to qualify the agricultural extension service to lobby for inputs and services and to manage/match these in accordance to the needs of the targeted farmer groups.